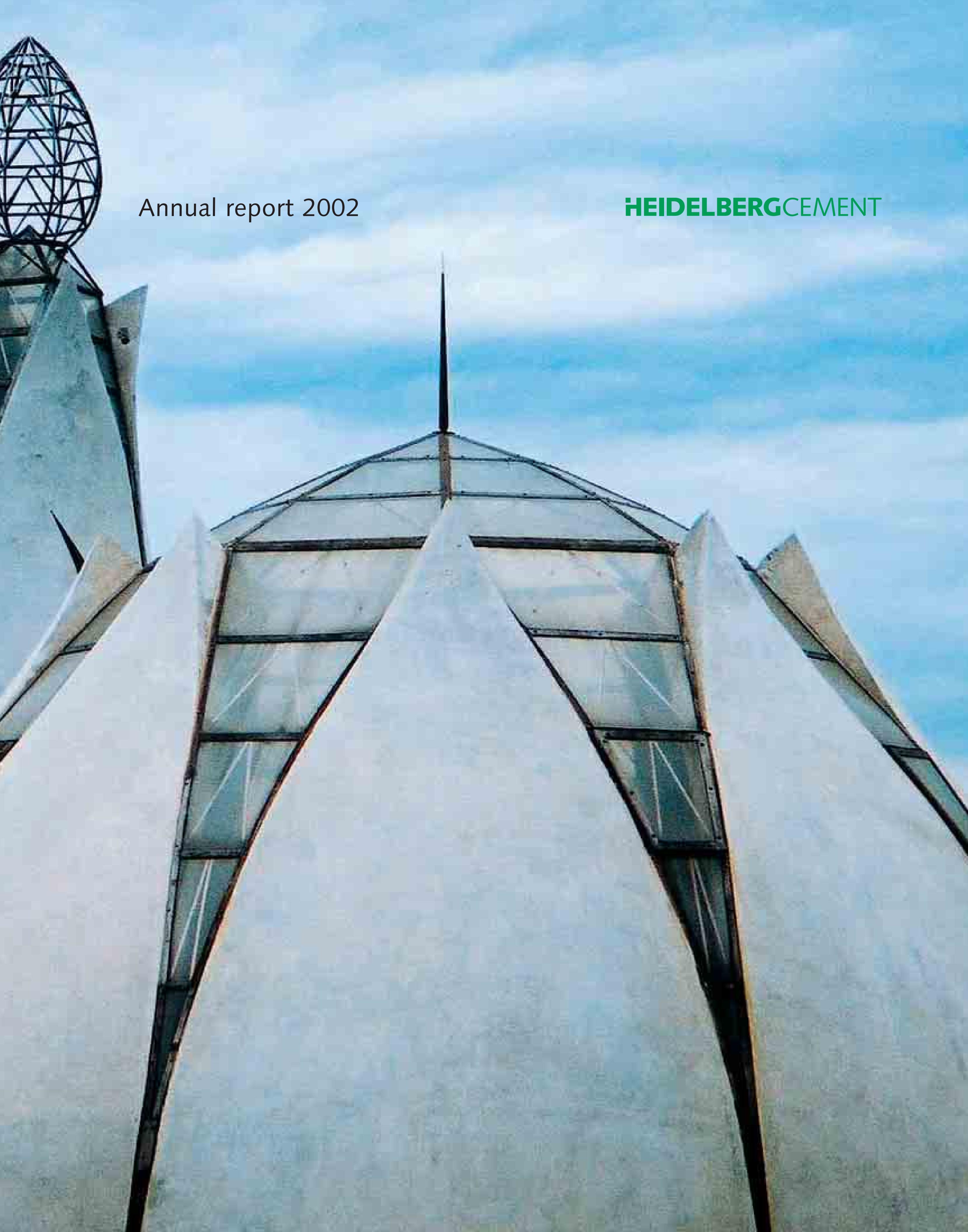
Annual report 2002

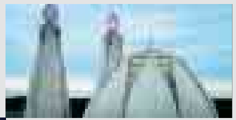
HEIDELBERGCEMENT



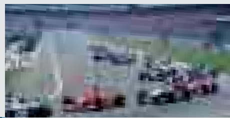
Financial highlights

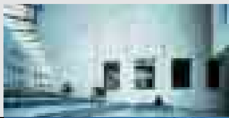
Figures in EURm	1998	1999	2000	2001	2002
Number of employees	24,311	38,327	36,472	34,846	**36,761**
Turnover					
Central Europe West	1,196	1,611	1,506	867	**755**
Western Europe	731	1,061	1,120	1,052	**1,023**
Northern Europe	-	1,145	1,334	825	**872**
Central Europe East	349	396	434	514	**610**
North America	1,340	1,690	1,912	1,990	**1,865**
Africa-Asia-Turkey	91	365	424	411	**425**
Heidelberg Building Materials Europe (HBE)[1]	-	-	-	1,045	**1,010**
Group Services	265	406	497	510	**453**
Inter-region turnover	-59	-285	-418	-525	**-443**
Total Group turnover	3,913	6,389	6,809	6,689	**6,570**
Operating income before depreciation (OIBD)[2]	752	1,188	1,263	1,185	**1,147**
Operating income[2]	419	640	658	565	**500**
Profit for the financial year	294	359	401	255	**262**
Group share in profit for the financial year	217	271	373	244	**248**
Dividend in EUR per share	0.95	1.05	1.15	1.15	*****
Investment in tangible fixed assets	367	581	654	817	**457**
Investment in financial fixed assets	176	3,905	495	412	**218**
Total fixed asset investments	543	4,486	1,149	1,229	**675**
Depreciation and amortisation	337	574	626	659	**709**
Tangible fixed assets	3,168	6,934	7,145	7,377	**7,062**
Financial fixed assets	822	907	1,084	1,358	**1,399**
Current assets	1,668	2,572	2,773	3,040	**2,678**
Shareholders' equity and minority interests	2,278	3,259	3,639	3,849	**3,846**
Provisions	1,106	1,442	1,398	1,364	**1,378**
Liabilities	2,274	5,712	5,965	6,562	**5,915**
Balance sheet total	5,658	10,413	11,002	11,775	**11,139**

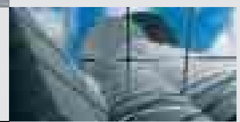
[1] Until 2000: HBE turnover is included in Central Europe West, Western Europe and Northern Europe
[2] 1998 incl. non-operating result
* Managing Board and Supervisory Board will recommend to the Annual General Meeting on 8 May 2003 that instead of a cash dividend a stock dividend be issued, i.e. a capital increase out of retained earnings in the amount of last year's dividend.

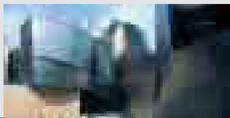


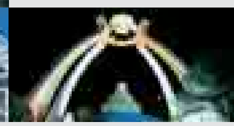
for better building

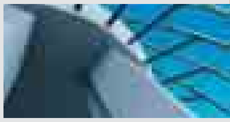


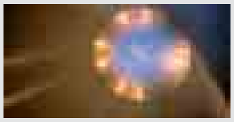








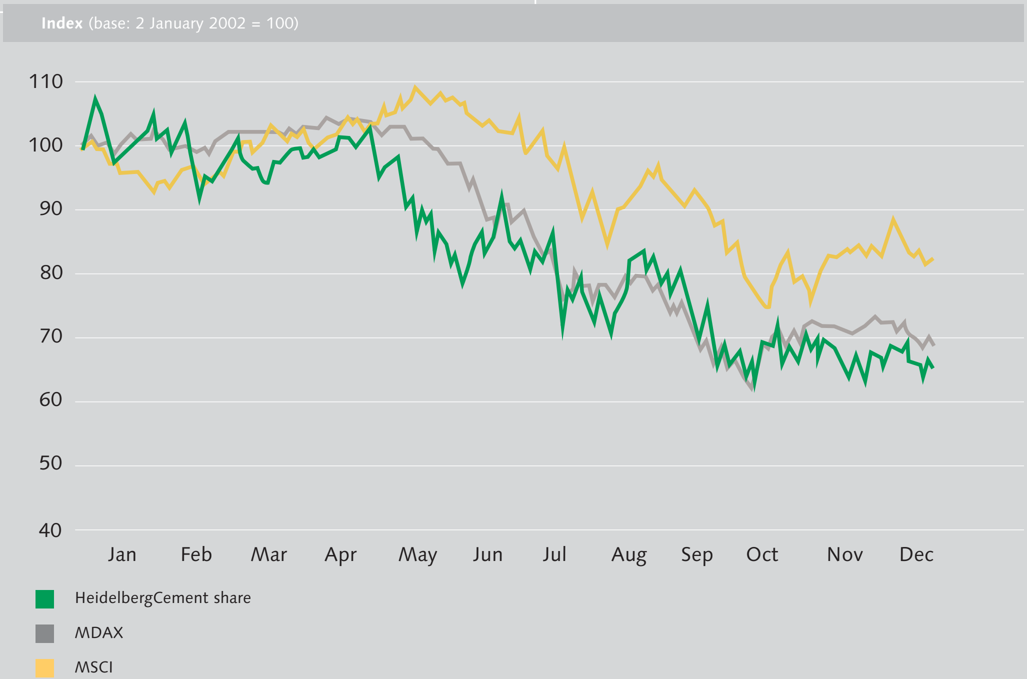




HeidelbergCement is one of the leading global building materials manufacturers. Our core activities in all market regions are the cement and concrete business lines. With consolidated cement sales volumes of approximately 46 million tonnes, HeidelbergCement is one of the largest cement manufacturers in the world. Our concrete activities include ready-mixed concrete, prefabricated concrete elements and systems, and aggregates such as sand and gravel. In addition, our high-performance building materials range also covers dry mortar, expanded clay, sand-lime bricks and building chemicals. We assist our customers in 50 countries to be successful and competitive - through top quality products and innovative solutions for new construction, expansion and refurbishment projects. We also advise them on the use of our building materials. HeidelbergCement perceives its environmental responsibility in all market regions and aligns its actions to guidelines for sustainable development.

This report is the first of a new three-year line of annual reports. We are responding further to the needs and expectations of our readers and have therefore improved the user friendliness of our reporting. The photo series selected for this year's report presents striking buildings and structures containing building materials from our Group's regions. The cover picture shows the "Chapel of Reconciliation". It is located at a place in Hungary where Croatian refugees found shelter during the Balkan War. The chapel, which was constructed there subsequently, was built with the support of our Duna-Dravá participation and consecrated at Pentecost in 1998. As a memorial to the victims, it stands for reconciliation and peace between the opposing parties in the Balkan War. The other photos in this series show the Hockenheimring race track in Germany, the Cité de la Musique in Paris, the airport tower in Stockholm, the Dancing House in Prague, the Moscone Convention Center in San Francisco, the Crystal Arch in Jerudong Park in Brunei, the Guggenheim Museum in Bilbao, Spain, and – representing our trading activities with cement and clinker – a close-up of one of our Group's largest clinker silos.

Evolution 2002 of the HeidelbergCement share



- **Group turnover nearly maintained in spite of difficult economic environment in 2002**
- **Downward trend in Germany continues**
- **Dynamic growth in Central Europe East: HeidelbergCement has become market leader in the Ukraine and Romania**
- **Turnover of North America stable in US dollar**
- **Successful restructuring of the international building materials unit HBE**
- **Substantial reduction of net debts by EUR 500 million**
- **Stock dividend guarantees the continuous participation of the shareholders in the future development of the Group**

Letter to the shareholders

Hans Bauer
Chairman

Ladies and Gentlemen,
Dear Fellow Employees and Friends of HeidelbergCement,

When I review the 2002 financial year, the balance is rather varied. Although 2002 was satisfactory for the Group as a whole, it was an "annus horribilis" for our Central Europe West region, and above all, for Germany. Our home market has now been in a construction recession for eight years and unfortunately there is no improvement in sight for the near future.

In view of the dramatically widening gap between costs and profit in Germany, we were forced to continue the restructuring measures that we introduced in recent years more strongly. A price war for cement and concrete, which is still continuing, made the situation even more serious. For this reason, we had to take under close scrutiny our cement plants in Southern Germany, whose average utilisation could possibly endanger our competitiveness on the long run. After carefully comparing the advantages and disadvantages of the individual locations, we decided to close the Kiefersfelden plant at the turn of the year 2002/2003. As a result, 150 employees lost their jobs. I found this decision extremely difficult but the economic perspectives left us with no other choice.

However, we also view the crisis in the German cement industry as an opportunity to continue to improve and extend our market position within Germany. Our objective is to become the market leader in Germany; with this goal in mind, we have purchased two additional plants - Wetzlar and Königs Wusterhausen - that supplement our strong market position in Southern Germany. Whereas the Wetzlar cement plant connects the south with our participation in the Anneliese Zement AG in North Rhine Westphalia, the Königs Wusterhausen slag cement plant, southeast of Berlin, will expand our cement activities in East Germany.

Together with 29 other German cement companies, HeidelbergCement was the subject of investigations by the German Federal Cartel Office during the reporting year. The reason stated was the suspicion of price and quota agreements. It is in our interest that these accusations are cleared up as quickly as possible. For this reason, we already declared ourselves willing to cooperate with the German Federal Cartel Office on this matter at the end of the investigatory activities in July last year. In the meantime, we have been served with a letter of accusation and have already responded to it. We are convinced that we will play a subordinate role in the final outcome of the current cartel proceedings. We'll probably make use of our rights to appeal against the expected fine.

Thanks to the strong presence of HeidelbergCement in currently 50 countries across the world, we have been able to confine the negative effects of the sharp price competition and weak German construction industry on the Group as a whole. The earlier dominance of the German market in the HeidelbergCement portfolio has now fallen to just 11 % of turnover and below 4 % of operating income. We have nearly kept total Group turnover stable at the previous year's level with slightly higher cement sales volumes. We have also achieved our objective of reducing our debts by EUR 500 million and thereby the Group's gearing from 125 to 112 % as planned. Though operating income fell by 11.5 % as expected, we are able to present a profit for the financial year at the same level as the previous year due to extraordinary proceeds and lower interest and tax burden.

In order to increase our free cash flow in the current year, we will propose to the Annual General Meeting to issue a stock dividend instead of the payment of a cash dividend. This is a capital increase out of retained earnings in the amount of past year's dividend.

The sale of a number of participations - our minority participation in Zementwerk Lauffen-Elektrizitätswerk Heilbronn AG (ZEAG) is worth mentioning in particular - are counterbalanced by strategically important acquisitions, in addition to those in Germany, in Ukraine, Poland and Romania. The purchase of a second cement plant in Ukraine and the increase of our participation in the Romanian cement manufacturer Romcif Fieni from approximately 19 to 98 % have made us the market leaders in these countries. In this way we have continued to extend our dominant position in Central Europe East, our strongest growth region. The imminent entry of a number of these countries to the European Union will further benefit our activities.

The selling of our dry mortar and expanded clay unit Heidelberg Building Materials Europe (HBE) did not take place. In the difficult market environment, our goal is not to sell HBE at any price. Due to the welcome developments at HBE and the fact that the expected positive effects of the sale on the balance sheet would not actually have occurred, we terminated the sales negotiations in agreement with the potential investor.

The HeidelbergCement share developed weakly, yet comparably with our direct competitors, in a sometimes irrational stock market environment. In order to further increase the share's attractiveness we converted preference shares into ordinary shares during the previous year. This process was completed in November 2002. HeidelbergCement now only has one type of shares. This simplification of the capital structure means we have adapted to the international Corporate Governance standards and the practices of the capital market.

On the basis of the Corporate Mission that we adopted in 2000 we formulated Strategic Guidelines for 2003 to 2007 last year. One important element of the programme is the commitment to a constant increase of earnings per share of 5 % on average per year. We will focus more on cement activities, and strive for a ratio of mature to growth markets of 70 to 30 % in terms of turnover and ultimately profit. We will continuously reduce our costs and liabilities. Finally, we intend to concentrate on market positions that are sustainable in the long term, i.e. to invest where sufficient raw material reserves and long-term environmental sustainability are guaranteed. For further information, please refer to the "Strategy" chapter on page 31 of this annual report. The aim of the Strategic Guidelines is to align the Group convincingly to the challenges of the coming years.

In this year's annual report that you hold in your hands we have made a number of changes compared with the previous year - especially in the design. Here, we are following the objective of continuously increasing readability and user friendliness for our shareholders, analysts, the media and the public. As the central instrument of the Group

Communication and Investor Relations departments, our annual report should provide comprehensive, open and reliable information about our Group. I have had to restrict myself to a few selected subjects in this letter. For this reason I invite you to obtain a complete picture of the Group by reading this report!

Dear shareholders, thank you for the trust that you have placed in “your” company over the previous year. I would like to thank the employees of HeidelbergCement for their untiring and excellent dedication.

In the difficult decisions that had to be made, the Supervisory Board, Managing Board and employee representatives have continued to work well and trustingly together for the benefit of all. And I would like to sincerely thank all of those involved.

On 13 November 2002, I was elected the new president of the Association for the German Cement Industry (BDZ). I would like to use this responsible position above all to promote the prestige and value of our industry at home and abroad.

Yours sincerely,

Hans Bauer
Chairman of the Managing Board

Report to the Supervisory Board

Dr. Wolfgang Röller
Chairman of the Supervisory Board of HeidelbergCement

Ladies and Gentlemen,

The Supervisory Board has carried out the tasks assigned to it by law and by Company Statute, and has monitored the company management on a continuous basis. It has been periodically and fully informed by the Managing Board both in writing and verbally about the economic situation and the development of the company and of the Group, the planned business policies, fundamental issues about future company management and regarding significant individual events. The Supervisory Board has discussed all these reports with the Managing Board and taken the necessary decisions.

Four ordinary meetings of the Supervisory Board and one extraordinary meeting took place in the 2002 financial year. The Supervisory Board was fully informed even between meetings about projects and plans that were of particular importance to the Group or in need of a speedy response and – if required – asked for approval. The Chairman of the Supervisory Board was also in regular contact with the Managing Board outside the meetings of the Supervisory Board and was kept informed about the current development, the business conditions and significant business transactions.

The Supervisory Board has formed three committees, which are each composed equally of representatives of shareholders and employees. The committees prepare subjects that are to be dealt with in the plenary session, as well as resolutions of the Supervisory Board. The current composition of the individual committees can be found in the list of the members of the Supervisory Board on page 11 of the annual report.

In one meeting, the Personnel Committee of the Supervisory Board dealt with personnel matters of the Managing Board.

The Arbitration Committee, formed in accordance with § 27, section 3 of the German Codetermination Law, had no cause to be convened.

In the meeting of 12 December 2002, the Supervisory Board decided to establish an Audit Committee. This was elected in the meeting on 20 February 2003 and has occupied itself intensively with the 2002 annual accounts of HeidelbergCement AG, the 2002 Group annual accounts and with the auditor's reports.

The central elements of the discussions in the Supervisory Board included regular reports on the progress of the operating activities in the Group, on the development of turnover, costs and results, on the financial situation as well as on important participations. The business plan, particularly in respect of finance and investment, was dealt with in detail. Business that required the approval of the Supervisory Board was closely examined and discussed in detail with the Managing Board. Investments in Central Europe East were a further focal point. Even with a significantly curtailed rate of acquisition, HeidelbergCement has succeeded in further expanding its leading market position in this region. With the newly acquired cement plants in Romania and the Ukraine, HeidelbergCement has also advanced to become the largest cement manufacturer in these countries.

The Supervisory Board dealt with the difficult situation on the German cement market in detail. Apart from extensive measures to reduce costs, a reduction of the capacities in South Germany was also necessary. At the turn of the year, 150 employees were affected by the closure of the Kiefersfelden cement plant. In view of the apparent consolidation of the German cement industry, the acquisition of the cement operating line from Buderus in Wetzlar and the purchase of the Königs Wusterhausen slag cement plant near Berlin from Klösters Beteiligungsgesellschaft mbH represent a targeted broadening of the geographical base in Central and Eastern Germany.

The strategic plan and the issues connected with Group financing were discussed in detail. The Managing Board explained the new strategic guidelines for the years 2003 to 2007. Disinvestments in Central Europe West, Western Europe, Northern Europe, Central Europe East, North America and Asia were dealt with and approved.

An additional important topic of discussion was the strategic reorientation of European building materials activities under the common roof of „Heidelberg Building Materials Europe“ (HBE) as an independent business unit and the associated positioning as European market leader in the dry mortar and lightweight aggregates sectors. The sale of HBE, which was discussed intensively in the Supervisory Board, was also envisaged in the context of our disinvestment programme for the reduction of debts. However, the difficult economic environment in Germany does not allow us to realise our ideas regarding conditions and future structure.

An additional focal point of the discussions in the Supervisory Board – and particularly in the extraordinary meeting – was the current cartel proceedings. The Managing Board reported fully and in detail in view of the importance of the issue. The Supervisory Board encouraged the Managing Board in its stance of resolutely opposing unjustified charges.

The Managing Board has submitted HeidelbergCement's Corporate Governance principles in close conformity with the German Corporate Governance Code and discussed them in detail with the Supervisory Board. The principles promote the realisation of responsible management and supervision of the company geared to sustainable value creation. The Supervisory Board adopted these principles and proceeded with their implementation, i.e. formation of an Audit Committee, adaptation of the rules of procedure of the Supervisory Board and Managing Board and modification of the Statutes in the Annual General Meeting 2003. The Supervisory Board and Managing Board have submitted and published the necessary declaration of compliance in accordance with § 161 of the German Stock Corporation Act.

No situations arose in the 2002 financial year that would have created a conflict of interest for members of the Supervisory Board and could have, as a result, run counter to their obligation to protect the company interests. There are no consultancy contracts and contracts for other services or service contracts with members of the Supervisory Board. The stock option plan for senior managers was discussed and determined.

All areas of risk that were identifiable from the point of view of the Managing Board and the Supervisory Board and the Group-wide risk management system were discussed. The risk management system was also subjected to intensive examining by the auditors. The auditor confirmed that the Managing Board has taken the measures required in accordance with § 91, section 2 of the German Stock Corporation Act and has provided a monitoring system that is capable of recognising developments at an early stage that jeopardise the survival of the company.

The annual accounts of HeidelbergCement AG, the Group annual accounts as of 31 December 2002 and the combined report to the shareholders for the Company and the Group, as prepared by the Managing Board, were examined by the independent auditors elected at the Annual General Meeting on 7 May 2002 and appointed by the Supervisory Board, Ernst & Young Deutsche Allgemeine Treuhand AG Wirtschaftsprüfungsgesellschaft, Stuttgart. The auditors gave the accounts the unqualified confirmation. The Group annual accounts were prepared in accordance with the International Financial Reporting Standards (IFRS) using the exemption provisions of the German Commercial Code (HGB).

The newly established Audit Committee met on 17 March 2003 together with the auditors responsible for the annual accounts. The company and the Group annual accounts were fully deliberated and discussed in detail. The documents regarding the annual accounts and the auditor's reports were intensively discussed in the plenary session on 21 March 2003 in the presence of the auditors. The auditors reported on the basic findings of their examination and gave detailed answers to the questions from the members of the Supervisory Board. The Supervisory Board approved the audit results. It examined the company and the Group annual accounts, the combined report to the shareholders as well as the Managing Board's recommendation for the use of net profit shown in the balance sheet. No objections were raised to the final results of this examination. The Supervisory Board has therefore approved the company and the Group annual accounts. The annual accounts have thus been adopted. The Supervisory Board endorsed the Managing Board's recommendation to the Annual General Meeting on 8 May 2003 for the distribution of a stock dividend instead of a cash dividend. This is a capital increase out of retained earnings in the amount of last year's dividend.

Messrs Hanspeter Kern and Ernst-Ludwig Laux, representatives of IG Bauen-Agrar-Umwelt, have stepped down from the Supervisory Board. We thank them for their constructive and committed collaboration. As their successors, Messrs Heinz-Josef Eichhorn (head of the Executive Committee Section Building Materials at IG Bauen-Agrar-Umwelt) and Karl-Heinz Strobl (member of the Federal Executive Committee of IG Bauen-Agrar-Umwelt) were appointed as members of the Supervisory Board by the court. In addition, Mr Günter Schneider has retired and therefore departed from the Supervisory Board as representative of the managerial employees. Mr Meinhard Thrul has succeeded him. We thank Mr Schneider for his commitment over decades and the trustworthy collaboration for the welfare of the Group and of the employees.

The Supervisory Board thanks the Managing Board, the managers and all the employees and employee representatives for the work undertaken in the reporting year.

Heidelberg, 21 March 2003

On behalf of the Supervisory Board

Dr. Wolfgang Röller
Chairman

Managing Board

Hans Bauer

Born in Nuremberg, Germany, aged 58 years, married, two children, studies in business administration at Nuremberg, Germany.

Since 1970 at HeidelbergCement, member of the Managing Board since 1997 and its Chairman since 2001, in charge of Group Strategy and Development.

Horst R. Wolf

Born in Stuttgart, Germany, aged 59 years, married, one child, studies in business administration and mathematics at Mannheim and Constance, Germany.

Since 1981 at HeidelbergCement, member of the Managing Board since 1994, in charge of Group Finance and Controlling.

Helmut S. Erhard

Born in Klingenbrunn, Germany, aged 59 years, married, two children, studies in mining engineering at Clausthal, Germany.

Since 1971 at HeidelbergCement, member of the Managing Board since 1999, in charge of the region North America and HeidelbergCement Technology Center.

Håkan Fernvik

Born in Falun, Sweden,
aged 59 years,
married, two children,
studies in mining engineering at Stockholm.

Since 1969 at Scancem, the Scandinavian subsidiary of HeidelbergCement,
member of the Managing Board since 2000,
in charge of the region Northern Europe.

Daniel Gauthier

Born in Charleroi, Belgium,
aged 46 years,
married, three children,
studies in mining engineering at Mons, Belgium.

Since 1982 at CBR, the Belgian subsidiary of HeidelbergCement,
member of the Managing Board since 2000,
in charge of the region Central Europe East.

Andreas Kern

Born in Neckarsteinach, Germany,
aged 44 years,
married, four children,
studies in business administration at Mannheim, Germany.

Since 1983 at HeidelbergCement,
member of the Managing Board since 2000,
in charge of the region Central Europe West and the Heidelberg Building Materials Europe (HBE) unit.

Paul Vanfrachem

Born in Brussels,
aged 59 years,
married, one child,
studies in civil engineering at Brussels.

Since 1987 at CBR, the Belgian subsidiary of HeidelbergCement,
member of the Managing Board since 1994,
in charge of the regions Western Europe and Africa-Asia-Turkey as well as of HC Trading.

Supervisory Board

Dr. rer. pol. Wolfgang Röller
Chairman
Frankfurt
Honorary Chairman of the Supervisory Board, Dresdner Bank AG

Heinz Schirmer
Deputy Chairman
Schelklingen
Chairman of the General Council of Employees, HeidelbergCement AG and Chairman of the Council of Employees in the Schelklingen plant, HeidelbergCement AG

Heinz-Josef Eichhorn
since 12 July 2002
Frankfurt
Head of the Executive Committee Section Building Materials, IG Bauen-Agrar-Umwelt

Prof. Dr. Bernd Fahrholz
Frankfurt
Chairman of the Managing Board, Dresdner Bank AG, and Deputy Chairman of the Managing Board, Allianz AG

Wilhelm Fürst
Mainz
Chairman of the Council of Employees in the Mainz-Weisenau plant, HeidelbergCement AG

Veronika Füss
Blaubeuren
Chairwoman of the Council of Employees in the Schelklingen sales office, HeidelbergCement AG

Waltraud Hertreiter-Höhensteiger
Rohrdorf
Partner and Chairwoman of the Advisory Council, Südbayer. Portland-Zementwerk Gebr. Wiesböck & Co. GmbH

Rolf Hülstrunk
Mainz
Former Chairman of the Managing Board, HeidelbergCement AG

Hanspeter Kern
until 30 June 2002
Gundelfingen
Former Chairman of the Baden-Württemberg section, IG Bauen-Agrar-Umwelt

Ernst-Ludwig Laux
until 31 May 2002
Frankfurt
Federal Deputy Chairman, IG Bauen-Agrar-Umwelt

Josef Löffler
Schelklingen
Member of the Council of Employees in the Schelklingen plant, HeidelbergCement AG

Ludwig Merckle
Ulm
Managing Director, Merckle GmbH

Senator h.c. Dr. rer. pol. Eberhard Schleicher
Ulm
Partner with unlimited liability, Schwenk Zement KG

Eduard Schleicher
Ulm
Partner with unlimited liability, Schwenk Zement KG

Günter Schneider
until 30 June 2002
Leimen
Director of the Leimen plant, HeidelbergCement AG

Wilhelm Schwerdhöfer
Triefenstein-Lengfurt
Chairman of the Euro Works Council, HeidelbergCement and Chairman of the Council of Employees in the Lengfurt plant, HeidelbergCement AG

Karl-Heinz Strobl
since 12 July 2002
Frankfurt
Member of the Federal Executive Committee, IG Bauen-Agrar-Umwelt

Meinhard Thrul
since 1 July 2002
Burglengenfeld
Director of sales region Southeast, HeidelbergCement AG

Dr. rer. pol. Ulrich Weiss
Frankfurt
Former member of the Managing Board, Deutsche Bank AG

Supervisory Board Committees

Arbitration Committee according to § 27, section 3 of Codetermination Law (Mitbestimmungsgesetz)
Dr. rer. pol. Wolfgang Röller (Chairman)
Heinz-Josef Eichhorn
Heinz Schirmer
Dr. rer. pol. Ulrich Weiss

Personnel Committee
Dr. rer. pol. Wolfgang Röller (Chairman)
Heinz Schirmer
Eduard Schleicher
Meinhard Thrul

Audit Committee
Dr. rer. pol. Wolfgang Röller (Chairman)
Josef Löffler
Ludwig Merckle
Heinz Schirmer

Advisory Council

Rolf Hülstrunk
Chairman
Mainz
Member of the Supervisory Board,
HeidelbergCement AG

Edward L. Baker
Jacksonville, Florida/US
President Florida Rock Industries, Inc.

Donald Fallon
Brussels/Belgium
Former member of the Managing Board,
HeidelbergCement AG, and former Chairman
and Chief Executive Officer,
S.A. Cimenteries CBR

Larry Hirsch
Dallas, Texas/US
Chairman and Chief Executive Officer,
Centex Corp.

Dr.-Ing. Jochen F. Kirchhoff
Iserlohn
Owner and Managing Director,
Stephan Witte GmbH & Co. KG

Dr. rer. nat. Karl Kroboth
until 31 December 2002
Heidelberg
Former member of the Managing Board,
HeidelbergCement AG

Karl Kronimus
Iffezheim
Chairman of the Supervisory Board,
Kronimus AG

Jacques Merceron-Vicat
Paris/France
President and General Director, Vicat S.A.

Senator h.c. Dr. med. h.c. Adolf Merckle
Blaubeuren
Managing Partner,
VEM Vermögensverwaltung GmbH

Friedrich von Metzler
Frankfurt
Managing Partner,
B. Metzler seel. Sohn & Co. KGaA

Per Molin
until 31 December 2002
Solna/Sweden
Former member of the Board of Directors,
Scancem AB

Marinus Platschorre
Rotterdam/Netherlands
Former President, TBI Holdings B.V.

Senator h.c. Dr.-Ing. h.c. Peter Schuhmacher †
until 15 March 2002
Heidelberg
Honorary Chairman, HeidelbergCement AG

Senior General Managers

Thierry Dosogne
Singapore

Friedrich Rinne
Heidelberg

Paul Rosendahl
until 30 June 2002
Heidelberg

Dr.-Ing. Albert Scheuer
Heidelberg

Shares and financing

Overview

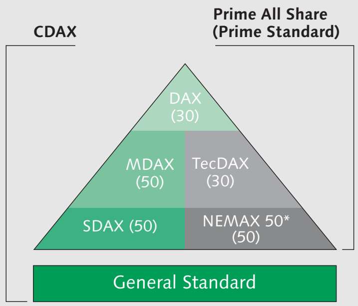
Compared to the previous year, earnings per share according to IAS 33 rose by 1.8 % to EUR 3.90. This year, more than 10,000 shareholders of HeidelbergCement will receive a stock dividend in the amount of last year's cash dividend. Thereby, HeidelbergCement combines its policy of dividend continuity with the possibility to increase the free cash flow of the company. The downwards trend in the share markets that started in 2001 continued in the previous year. Although our profit for the financial year remained stable, the HeidelbergCement shares were valued at a closing price of EUR 35.50 at 34 % below the previous year's value. Market capitalisation was approximately EUR 2,3 billion at the end of 2002. After the conversion of 6 million preference shares without voting rights into ordinary shares, HeidelbergCement now has only one type of shares and is following the internationally accepted "one share – one vote" motto. As HeidelbergCement meets all of the requirements of the new segment of the Official Market with additional uniform post-admission duties, we obtained the admission to the Prime Standard from the German Stock Exchange in Frankfurt in December 2002.

HeidelbergCement used the access to the financial markets primarily for long-term financing through bilateral borrowing within the framework of the EMTN Programme and through debenture loans with a total volume of approximately EUR 205 million. The rating agencies Standard & Poor's and Moody's continue to rate our credit quality as Investment Grade.

Our central financial management guarantees an up-to-date identification and assessment of interest rate and currency risks.

HeidelbergCement in the Prime Standard with one type of shares

The Ordinary Annual General Meeting and Special Meeting of Preference Shareholders decided on 7 May 2002 to convert the preference shares into ordinary shares without additional payment in the ratio of 1:1. The change to the Statutes was entered in the commercial register on 15 July 2002. In agreement with international practices each HeidelbergCement share grants the holder one vote in the Annual General Meeting. Thus HeidelbergCement meets its own principles for Corporate Governance, which are closely following the German Corporate Governance Code. Due to the conversion, the number of our shares included into the index weighting rose by 6 million. In this way, HeidelbergCement increased its weighting within the share indices based on free float.



* Calculation continues in transition period until 2004

In December 2002, HeidelbergCement shares were authorised to the new Prime Standard at the Frankfurt Stock Exchange. The new Exchange Rules that came into force in January 2003 divide the German equity market into two segments with differing transparency requirements, namely the Prime Standard and the General Standard. When compared with the General Standard, the Prime Standard has additional, internationally accepted transparency criteria. The following significant post-admission duties arise from the admission to the Prime Standard:

- Application of international accounting standards (IAS/IFRS or US GAAP)
- Quarterly reporting
- Publication of a financial calendar listing the most important corporate events
- At least one analysts' conference per year
- English language for current reporting and for ad-hoc disclosures required under the German Securities Trading Act

The fact that HeidelbergCement has been meeting these post-admission duties since years now, emphasises the high standard of our reporting.

Besides the new segmentation of the stock market, the German Stock Exchange also changed its indexes. The new index system with the selected DAX, MDAX, TecDAX, SDAX and NEMAX 50 indices will come into effect as of March 2003. Only Prime Standard companies can be accepted into these indices. Even after the changes to the share indices, HeidelbergCement remains in the MDAX, which has been reduced from 70 to 50 shares.

HeidelbergCement AG share capital: development 2002

	Share capital EUR '000s	**Number of shares**
1 January 2002	163,052	63,692,267
Capital increase against contribution in-kind	416	162,474
31 December 2002	**163,468**	**63,854,741**

Development of the HeidelbergCement share

In January 2002, the HeidelbergCement share reached the peak for the year at EUR 58.05. Then the German stock market stood in the shadow of the emerging slowdown for the remainder of the year. After the first quarter of 2002, German share prices followed a constant downward trend. Our shares reached their lowest point on 10 October 2002 at EUR 34.50, and were only able to recover slightly by the end of the year to a final price of EUR 35.50. In total the HeidelbergCement shares fell by 34 % over the year whilst the most important barometer for German shares, the DAX, stated the highest loss in its history with a minus of 44 %. The MDAX showed a slightly better development but still suffered substantially under the general stock market downturn with losses of 30%. The weakness of German construction activity can be seen clearly in international comparisons: The global industry index MSCI World Construction Materials Index fell by just 17 %, thus faring much better than the index of German construction shares and construction second-line shares quoted on the stock market, which posted a loss of 34 % as did the HeidelbergCement shares.

HeidelbergCement shares are represented in 14 European share indices. As a result, they rank among the most important building materials securities in the world. Among others, HeidelbergCement shares are included in the MDAX, DAX 100 Construction, Dow Jones Stoxx, Dow Jones Euro Stoxx and in the Dow Jones Construction Titans Index. The latter includes the world's 30 biggest construction shares and construction second-line shares. In addition, our shares are taken into account in the Morgan Stanley Capital International (MSCI) indices. Measured against the weighting of the HDAX share index, HeidelbergCement was at position 36 of the 100 largest quoted companies in Germany at year-end.

Development of the HeidelbergCement share* 2002

	2002
Year-end share price for the year 2001	**54.00**
Highest share price	**58.05**
Lowest share price	**34.50**
Year-end share price for the year 2002	**35.50**
Shareholders' equity per share	**60.23**
Development compared with position at 31 Dec. 2001	
HeidelbergCement share	**-34 %**
DAX	**-44 %**
MDAX	**-30 %**
MSCI World Construction Materials Index	**-17 %**
Market value at 31 Dec. 2002 (EUR '000s)	**2,266,843**

* ISIN DE0006047004 * WKN (German security identification code) 604700

Shareholders

Again in 2002, our company's stable shareholder structure has been tried and tested. The main shareholders are Schwenk Beteiligungen GmbH & Co. KG with 22.44 % of the share capital entitled to voting rights, Allianz group with 17.66 % and Dr. h.c. Adolf Merckle with 12.80 %. Deutsche Bank AG holds an 8.84 % share of our company. Approximately 38.3 % of our shares are in free float. Foreign investors hold around 13 % of the share capital.

Dividend payment

For financial year 2002, Managing Board and Supervisory Board intend to recommend, that instead of a cash dividend a stock dividend be issued, i.e. a capital increase out of retained earnings in the amount of last year's dividend. This stock dividend will enable the shareholders to participate in the results of the 2002 financial year and will give them the opportunity of participating in the future development of HeidelbergCement. This stock dividend is tax-free for shareholders with unlimited tax liability in Germany. The shareholders of HeidelbergCement will thus enable the company to increase the free cash flow of 2003.

Group financial management

The rating agencies Standard & Poor's and Moody's continue to rate our credit quality as Investment Grade, the rating category for secure loans. The strong downward development of results in Germany, together with increased uncertainty in the international capital markets for HeidelbergCement, led at the start of 2003 to a lower rating for long-term liabilities to BBB- by Standard & Poor's and to Baa2 by Moody's. Moody's has currently placed us on credit review. As for short-term debt financing, the agencies rate HeidelbergCement as A-3 and P-2.

HeidelbergCement was active in the money markets during the 2002 financial year. Our company used the Euro Commercial Paper Programme with an average volume of around EUR 90 million. Within the limit of the SEK Commercial Paper Programme, the average drawings were SEK 700 million. Bilateral borrowings and debenture loans were the main characteristics of HeidelbergCement's presence on the capital markets. In total HeidelbergCement AG took up itself or under its guarantee around EUR 205 million of long-term debt capital. The liabilities within the framework of the EUR 3 billion Euro Medium Term Note (EMTN) Programme fell by around EUR 440 million according to the planned maturities during the previous year. The repayment of liabilities from the EMTN programme corresponds to our announcement to reduce net indebtedness during the 2002 financial year. As in the previous year, we were able to keep around 75 % of our Group net indebtedness in the short-term financing sector and thereby benefit from the positive development in short-term interest rates.

Key financial ratios

	1999	2000	2001	**2002**
Assets and capital structure				
Shareholders' equity/total capital	31.3 %	33.1 %	32.7 %	**34.5 %**
Net financial liabilities/balance sheet total	35.9 %	37.2 %	37.4 %	**37.8 %**
Long-term capital/fixed assets	106.1 %	106.1 %	101.7 %	**106.6 %**
Net financial liabilities/shareholders' equity	123.5 %	121.1 %	125.3 %	**111.9 %**
Earnings per share				
Price/earnings ratio	14.5	8.2	14.1	**9.1**
Earnings per share (EUR)	5.38	5.90	3.83	**3.90**
Group growth				
Turnover	63.3 %	6.6 %	-1.8 %	**-1.8 %**
Group share in profit	25.2 %	37.4 %	-34.5 %	**1.7 %**
Shareholders' equity	43.1 %	11.7 %	5.8 %	**-0.1 %**
Investments in tangible fixed assets (EURm)	581	654	817	**457**
Investments in financial fixed assets (EURm)	3,905	495	412	**218**
Cash flow (EURm)	951	911	788	**953**
Profitability				
Return on total assets	7.8 %	8.2 %	6.6 %	**6.1 %**
Return on equity	11.0 %	11.0 %	6.6 %	**6.8 %**
Return on turnover	5.6 %	5.9 %	3.8 %	**4.0 %**
ROCE (Return on average capital employed)*			6.3 %	**6.1 %**

	1999	2000	2001	2002
* ROCE = NOPAT/average capital employed				
Average capital employed (EURm)			9,826	9,994
NOPAT (Net operating profit after tax) (EURm)			615	613

Investor Relations

The interests of investors in HeidelbergCement rose precisely as a result of the negative developments in stock market prices. Therefore, we have further intensified the dialogue with our investors. We reached around 400 contacts through our investor relations events. We contacted institutional investors and financial analysts from all the leading banks in 2002 using the following actions:

- Around 125 individual discussions, which took place partly in Heidelberg, but also during road-shows and conferences
- Two analyst conferences for the annual and half-year accounts in Frankfurt and London with a total of over 100 participants each
- International conference calls for the quarterly accounts and for significant individual topics
- A total of nine roadshows for investors in Germany, United Kingdom, France, Belgium, Italy, the Netherlands and Switzerland
- Attendance at four international specialist conferences for investors
- Plant visits and tours as part of investor relations events
- Dispatch of investor relations information by fax and email

We offer our private investors the same level of information as the institutional investors and analysts via the following media:

- Our Internet site provides comprehensive news about the company (www.heidelbergcement.com).
- Presentations from analyst conferences and conference calls can also be accessed online.
- Trained contact people are available for discussion on our shareholder hotline (+49 (0)6221/481-696).

Earnings per share

The calculation of the earnings per share in compliance with IAS 33 can be seen in the table below. To determine the average number of shares, additions were weighted in proportion to time. Further comments are provided in the Notes under item 11.

HeidelbergCement AG annual accounts

The profit and loss accounts, fixed asset grid and balance sheet of HeidelbergCement AG are shown on pages 103 to 107.
The complete annual accounts of HeidelbergCement AG, bearing the unqualified audit opinion of Ernst & Young Deutsche Allgemeine Treuhand AG Wirtschaftsprüfungsgesellschaft will be published together with the Group annual accounts in the German Federal Gazette (Bundesanzeiger) and deposited in the Register of Companies of the Local Court (Amtsgericht) of Heidelberg, HRB No. 82. Copies can be obtained on request from HeidelbergCement AG.

Earnings per share in accordance with International Accounting Standards (IAS 33)

EURm	2001	**2002**	change
Profit for the financial year	255.4	**262.5**	2.8 %
Minority interests	-11.4	**-14.3**	25.4%
Additional dividends for preference shares	-0.7	**-**	
Total	243.3	**248.2**	2.0 %
Number of shares in ‘000s (weighted average)	63,526	**63,660**	0.2 %
Earnings per share in EUR (IAS 33)	3.83	**3.90**	1.8 %

HeidelbergCement report to the shareholders

2002 business trend

Economic environment

Contrary to all expectations, international economic developments during 2002 could not continue the slight upward trends from spring. Uncertainty over the further development of the international economy dampened the signs of recovery and hindered the companies' readiness to invest. Political uncertainty and turbulence on the financial markets had a definite adverse effect on the economic environment.

Construction volumes in the euro zone only remained at the previous year's level. Excluding Germany, which contributes one fifth of West European construction volumes, growth of around 1.5 % is calculated for 2002. In Germany, the 6 % reduction in construction investments affected all building areas. The number of completed dwellings, which had reached approximately 600,000 in 1997, fell to just below 290,000 in 2002.

In Western Europe, construction activity development varied. Construction volumes fell by approximately 2 % in the Netherlands and Belgium. In contrast, construction activity increased in the United Kingdom – supported by substantial increases in the price of residential accommodation – by 6 %.

In Scandinavia, construction activity was weaker than in the previous year. Construction demand in Sweden and in Norway both increased by just 1 %, whereas there were slight falls in Finland and Denmark. The construction industry situation was better in Estonia and Northwest Russia.

The construction activity dynamics slowed down in the countries of the Central Europe East region but – with the exception of Poland – still remained at a pleasing level. In Hungary, residential and public sector construction experienced a double-digit increase. Modernisation activities are becoming increasingly important in both Hungary and the Czech Republic. The construction industry is also gaining importance in Romania, Bulgaria and the Ukraine.

In spite of the weak macroeconomic dynamics in the US, construction activity has only lost a little of its strength to date. Construction investments fell slightly by 1.5 % in 2002. The stable development in residential and public sector construction was not able to balance out completely the losses in commercial construction. Construction activities in Canada varied from region to region.

The situation on the African markets improved substantially in the past year and the main market – Ghana – became increasingly stable. Sierra Leone, Niger and the Republic of Congo continue to show high growth rates. We have resumed cement production after restructuring measures in Nigeria.

Economic activity in Asia remained positive mainly due to strong export activities. Infrastructure projects support the positive construction demand trends in Bangladesh.

Turkey appears to have now overcome the effects of the severe economic and financial crisis in 2001. The structural reforms have been continuing. Construction activity is also recovering slowly.

Turnover level maintained

HeidelbergCement was able for the most part to keep the effects of the worldwide economic weakening within limits thanks to its balanced international presence. We have continued the restructuring measures consistently, optimised product ranges and location distribution as well as increased the efficiency of our production facilities. Thus, we were able to hold our ground successfully even in the difficult environment of the year 2002.

Group turnover fell by 1.8 % to EUR 6,570 million (previous year: 6,689). With an unchanged basis for comparison, i.e. adjusted for positive consolidation effects and negative exchange rate effects, the decline was 2.0 %. The turnover contribution from new consolidations, which mainly related to Central Europe East, minus disinvestment, amounted to EUR 108 million. Exchange rate effects brought about by the weakening of the US dollar cost EUR 105 million.

Cement and clinker sales volumes increased across the Group by 1.8 % to 45.8 million tonnes (previous year: 45.0). Adjusted for increases due to new consolidations in Central Europe East and Northern Europe, total sales volumes fell by 0.8 % compared to the previous year.

Cement and clinker sales volumes

1,000 tonnes	2001	**2002**
Central Europe West	5,740	**5,262**
Western Europe	9,427	**9,167**
Northern Europe	5,108	**5,326**
Central Europe East	7,498	**8,751**
North America	12,041	**11,861**
Africa-Asia-Turkey	5,179	**5,427**
Total	44,993	**45,794**

Profits affected adversely by German market

The operating income before depreciation (OIBD) was 3.2 % below the previous year at EUR 1,147 million (previous year 1,185). The key causes of the fall in profits continue to be the unsatisfactory market and the ruinous price competition in Germany. With slightly increased depreciation, operating income fell by 11.4 % to EUR 500 million (previous year: 565). The share of Central Europe West in total Group results fell for OIBD below 10 % and for operating income below 4 %. The financial results improved through the repayment of financial debts. The non-operating result is characterised by the opposite effects of profits from sales and additional expenses for restructuring and risk management measures. The profit before tax fell by 12.5 % to EUR 343 million (previous year: 392). The reimbursement of taxes on income overpaid in previous years, the removal of certain latent tax items, and a tax rate change in Belgium led to a substantial reduction in tax expenses to EUR 80 million (previous year: 136). As a result, the profit for the financial year increased by 2.7 % to EUR 262 million (previous year: 255).

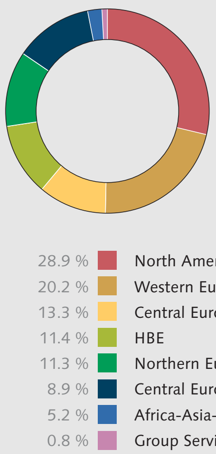
Business trend in the regions

Due to the sustained decline in construction activity, our cement and clinker sales volumes fell in Germany by a further 8.3 % to 5.3 million tonnes (previous year: 5.7) in 2002. Whereas the sales volumes of ready-mixed concrete and sand-lime bricks fell at a comparable rate, the demand for aggregates and lime increased. We continued to adjust our activities more strongly to the changed market patterns. With the closure of the Kiefersfelden cement plant we bore the consequences of the continual fall in cement demand

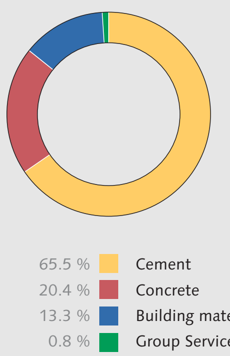
Group profit and loss accounts (short form)

EURm	2001	**2002**	change
Turnover	6,689	**6,570**	-2 %
Operating income before depreciation (OIBD)	1,185	**1,147**	-3 %
Depreciation of tangible and intangible fixed assets	-620	**-647**	4 %
Operating income	565	**500**	-11 %
Non-operating result	23	**-1**	
Net income from participations	70	**71**	1 %
Earnings before interest and income taxes (EBIT)	658	**570**	-13 %
Financial results	-266	**-228**	-14 %
Profit before tax	392	**343**	-13 %
Taxes on income	-136	**-80**	-41 %
Profit for the financial year	255	**262**	3 %
Group share in profit	244	**248**	2 %

OIBD
by regions



OIBD
by business lines



since the mid-nineties. We were able to expand our cement business line towards Northwest Germany by taking over the cement and ready-mixed activities from the Buderus Group. This acquisition and the initiated takeover of the Königs Wusterhausen slag cement plant located southeast of Berlin are ideal additions to our Southern German locations.

Total turnover decreased in **Central Europe West** by 12.9 % to EUR 755 million (previous year: 867). The share of the Central Europe West region in Group turnover is now just 11 %. The weak market and the ruinous price competition resulted in a fall to EUR 79 million (previous year: 147) in the earnings before interest and income taxes (EBIT).

With the varied economic environment in the in the individual countries, total cement sales volumes in **Western Europe** fell by 2.8 % to 9.2 million tonnes (previous year: 9.4). While sales volumes in our British plants were only slightly below those in the previous year, sales volumes in Belgium and the Netherlands fell by 3.1 %. After substantial rationalisation and modernisation measures in Belgium had already been completed in the previous year, the related positive cost effects could be used in 2002. We also had to accept losses in the concrete business line. Above all, the ready-mixed concrete operating line in Belgium was adversely affected by weak construction activity. The situation with aggregates stabilised. In the middle of the year we acquired Paes Bouwtoeleveringen, the third largest sand and aggregates manufacturer in the Netherlands.

Turnover was 2.8 % below the level of the previous year at EUR 1,023 million (previous year: 1,052). EBIT fell by 2.6 % to EUR 111 million (previous year: 114).

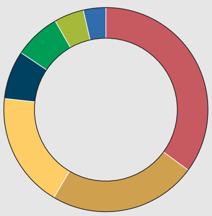
Domestic cement sales volumes from our Swedish plants fell by just under 4 %, whereas they achieved a slight increase in Norway. Exports, making up somewhat over 40 % of the total sales volumes, remained close to the previous year's level. Including the two plants in Estonia and Northwest Russia, cement and clinker sales volumes in the **Northern Europe** region increased by 4.3 % to 5.3 million tonnes (previous year: 5.1). In the concrete business line the demand for ready-mixed concrete, aggregates and concrete products was adversely affected by the continued weak market development in Sweden, Finland and Denmark - sales volumes were slightly below the previous year's levels.

Turnover increased by 5.7 % to EUR 872 million (previous year: 825) compared to the previous year, whereas EBIT fell by 11.5 % to EUR 46 million (previous year: 52) primarily because of the weak concrete sector.

Notwithstanding the worsening of the West European economy, the economic dynamics in the countries of our **Central Europe East** region, with the exception of Poland, maintained itself well. Construction activities - which are at a pleasing level - have weakened somewhat -. Cement and clinker sales volumes increased by a total of 16.7 % to 8.8 million tonnes (previous year: 7.5). Our Ukrainian and Bosnian plants were included in the Group annual accounts for the first time. We also expanded the consolidation scope in the ready-mixed concrete and aggregates operating lines. With a continuously expanded basis in all areas this region demonstrated the highest growth rates in the Group.

The increase in turnover by 18.5 % to EUR 610 million (previous year: 514) is also characterised by positive exchange rate effects in addition to new consolidations. EBIT could be increased to EUR 77 million (previous year: 59).

Investment in tangible fixed assets by regions



Construction activity in the US lost some of it's dynamism. Residential and public sector construction could not completely balance out the fall in commercial construction. Cement and clinker sales volumes in the **North America** region stabilised at 11.9 million tonnes (previous year: 12.0). We were able to replace imports with our own production even in the first year of operations of our Union Bridge plant in the state of Maryland. There were also regional variations in the demand in the concrete business line, yet overall pleasing increases were achieved compared to the previous year.

Turnover fell in 2002 by 6.3 % to EUR 1,865 million (previous year: 1,990) primarily due to the weakness of the US dollar to the euro; in national currency the turnover was just 1.1 % below the previous year. EBIT reached EUR 186 million (previous year: 222). North America continues to be the strongest Group region for turnover, results and cement and clinker sales volumes.

Cement and clinker sales volumes of the strategic business unit **Africa-Asia-Turkey** increased compared to 2001 by 4.8 % to a total of 5.4 million tonnes (previous year: 5.2). Turnover improved by 3.5 % to EUR 425 million (previous year: 411). EBIT remained virtually constant at EUR 23 million (previous year: 24).

In **Africa**, cement sales volumes from our consolidated subsidiaries remained close to the previous year's level at 2.6 million tonnes. Including the associated companies, sales volumes amounted to 5.0 million tonnes. The situation in our main market – Ghana – has improved. Some substantial increases were achieved in Sierra Leone, Niger and the Republic of the Congo.

Cement sales volumes in **Asia** rose by a total of 25.9 % to 1.2 million tonnes (previous year: 1.0) due to increases in Bangladesh and in the Philippines. Our joint venture in Brunei was also able to achieve a slight increase in sales volumes. Our Chinese participation increased its sales volumes by 14 % to 3.1 million tonnes.

Sales volumes at our for the time being non-consolidated participation Indocement remained stable at 11.5 million tonnes (previous year: 11.6).

In **Turkey**, the construction industry saw a slight improvement in the second half of 2002. Sales volumes from our Akçansa and Karçimsa participations rose by 1.9 % to 4.1 million tonnes (consolidated quantity: 1.6 million tonnes). The demand in the ready-mixed concrete and aggregates business lines also increased.

The success from restructuring the German activities and the modified product range could already be seen in the development of results from **Heidelberg Building Materials Europe (HBE)**. Sales volumes and turnover development varied region by region. Improvement in Central Europe East and Southern Europe could not balance out completely the sustained decline in the German market. In total, the turnover of EUR 1,010 million was below the previous year's value of EUR 1,045 million by 3.3 %. In contrast, EBIT increased substantially to EUR 43 million (previous year: 17).

Our HC Trading subsidiary was able to improve the previous year's volumes slightly with a trading quantity of just under 11 million tonnes. The turnover of the **Group Services** unit, which also covers world-wide procurement of fossil fuels, fell by 11.2 % to EUR 453 million (previous year: 510) mainly due to a modified product mix.

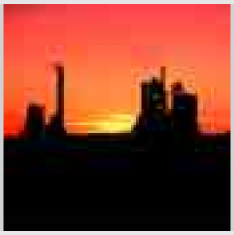
Regional branches

HeidelbergCement AG has no regional branches either domestically or internationally.

Segment reporting

EURm	Turnover		OIBD		Return on Investment*		EBIT	
	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**
Regions								
Central Europe West	867	**755**	162	**102**	22 %	**14 %**	147	**79**
Western Europe	1,052	**1,023**	232	**231**	15 %	**15 %**	114	**111**
Northern Europe	825	**872**	133	**130**	13 %	**13 %**	52	**46**
Central Europe East	514	**610**	131	**153**	18 %	**18 %**	59	**77**
North America	1,990	**1,865**	354	**331**	19 %	**20 %**	222	**186**
Africa-Asia-Turkey	411	**425**	60	**60**	12 %	**12 %**	24	**23**
HBE	1,045	**1,010**	105	**131**	12 %	**16 %**	17	**43**
Group Services	510	**453**	8	**9**	17 %	**20 %**	-	**6**
	6,689	**6,570**	1,185	**1,147**	16 %	**16 %**	658	**570**
Business lines								
Cement	3,537	**3,461**	805	**751**	15 %	**15 %**		
Concrete	2,190	**2,155**	242	**234**	24 %	**24 %**		
Building materials	1,269	**1,234**	130	**153**	12 %	**16 %**		
Group Services	510	**453**	8	**9**	17 %	**20 %**		
	6,689	**6,570**	1,185	**1,147**	16 %	**16 %**		

* Return on investment = OIBD/tangible and intangible fixed assets



Cash flow statement

With substantially lower tax payments, cash flow rose by 20.9 % to EUR 953 million (previous year: 788). With about constant taxes on income in 2002, repayments of overpaid taxes from previous years were noticeable. Investments were reduced according to plan to improve debt reduction. Revenues from the sale of non-core activities also served this purpose. With a cash flow of EUR 953 million, net investments of EUR 398 million and a dividend payment of EUR 87 million we were able to reduce our net debt as planned from EUR 4.8 billion to EUR 4.3 billion.

Investments

We invested EUR 675 million (previous year: 1,229) in tangible and financial fixed assets across the Group in the past year.

EUR 457 million (previous year: 817) were invested in fixed assets (including intangible fixed assets). Therefore, they fell by 44 % after completion of the plant renovation at Union Bridge.

Growth rates are only shown in the Central Europe East region where plant modernisations and upgrades were carried out on the cement lines in Poland, the Czech Republic, Hungary, Bulgaria and Bosnia Herzegovina. Further important investments include the new grinding plant in Ghent, new installations for using alternative fuels in the Norwegian Kjøpsvik plant and at the Canadian company Lehigh Inland.

Group cash flow statement (short form)

EURm	2001	**2002**	diff.
Cashflow	788	**953**	165
Changes in working capital	-15	**-8**	7
Net cash from operating activities	773	**945**	172
Investments (cash outflow)	-1,229	**-675**	554
Other inflows of cash and cash equivalents	171	**277**	106
Net cash used in investing activities	-1,058	**-398**	660
Purchase of company shares		**-1**	-1
Dividend payments	-88	**-87**	1
Long-term borrowings	455	**-586**	-1,041
Net cash from financing activities	367	**-674**	-1,041
Changes in cash and cash equivalents	76	**-168**	-244

Our financial investments amounted to EUR 218 million (previous year: 412). They primarily concerned taking over the majority of shares in the Romanian cement company Romcif, the purchase of a second cement plant in the Ukraine, the acquisition of Paes Bouwtoeleveringen, the third largest sand and aggregates manufacturer in the Netherlands, and increases in shares in existing companies in several regions.

Group balance sheet

HeidelbergCement as an international company presents its accounts in line with the requirements of the International Accounting Standards Board (IASB). The balance sheet total has fallen slightly compared to the previous year to EUR 11.1 billion (previous year: 11.8). Over 40 % is bound up in tangible fixed assets because of our high capital intensity. The shareholders' equity has remained virtually constant in spite of the negative development in US dollar exchange rates. The shareholders' equity ratio has increased to 35 %.

Total fixed assets investments

EURm	2001	**2002**
Regions		
Central Europe West	50	**43**
Western Europe	148	**85**
Northern Europe	34	**41**
Central Europe East	62	**82**
North America	420	**144**
Africa-Asia-Turkey	42	**27**
HBE	61	**35**
Group Services	-	**-**
Financial investments	412	**218**
Business lines		
Cement	607	**303**
Concrete	136	**113**
Building materials	74	**41**
Group Services	-	**-**
Financial investments	412	**218**
	1,229	**675**

The long-term assets of EUR 8.7 billion are covered completely by shareholders' equity and long-term liabilities.

In line with our usual conservative accounting approach we have made adequate provisions for all risks in the 2002 annual accounts.

Profit for the financial year / Group share in profit

The profit for the financial year improved by 3 % to EUR 262 million (previous year: 255). The Group's share in the profit for the financial year could also be increased by just under 2 % to EUR 248 million (previous year: 244).

Earnings per share

The earnings per share as per IAS 33 rose to EUR 3.90 (previous year: 3.83). The average number of shares in the 2002 financial year was 63.8 million (previous year: 63.7).

Planned stock dividends

The Managing Board and Supervisory Board will propose a stock dividend instead of a cash dividend to the Annual General Meeting on 8 May 2003, i.e. a capital increase out of retained earnings in the amount of last year's dividend. The stock dividend will enable the shareholders to participate in the results of the 2002 financial year and will give them the opportunity of participating in the future development of HeidelbergCement. This dividend is tax-free for shareholders with unlimited tax liability in Germany.

Group balance sheet (short form)

EURm	31 Dec. 2001	**31 Dec. 2002**	Part of balance sheet total 2002
Tangible and intangible fixed assets	7,377	**7,062**	64 %
Financial fixed assets	1,358	**1,399**	13 %
Other long-term assets	253	**277**	2 %
Short-term assets	2,787	**2,401**	21 %
Shareholders' equity and minority interests	3,849	**3,846**	35 %
Long-term provisions and liabilities	5,038	**5,175**	46 %
Short-term provisions and liabilities	2,888	**2,118**	19 %
Balance sheet total	11,775	**11,139**	100 %

Prospects

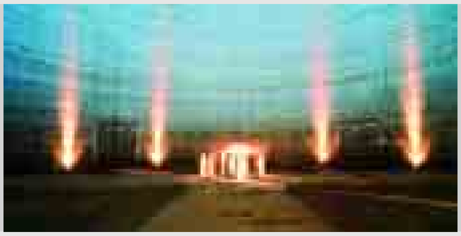
Varied performance in the regions

The forecasts for 2003 are characterised by particularly major uncertainty due to the strained international situation. Experiences from the necessary revisions to economic predictions for 2002 find expression in the statements of the economic research institutes for 2003. At the moment, a sustainable recovery is not yet foreseeable, and is at best expected in the second half of the year at the earliest.

For our largest region, North America, a slightly accelerated macroeconomic growth rate to 2.7 % is expected in the US under a largely unchanged economic environment, while Canada is evaluated even more positively. The development in Western Europe remains differentiated also in the current year. Belgium and the United Kingdom should grow more strongly than the Netherlands. The expectations for Scandinavia are satisfactory. Germany has the weakest prospects again in 2003 with less than 1 % growth. The forecasts for the countries of the Central Europe East region continue to be favourable. Positive trends are emerging also for Africa-Asia-Turkey.

Construction industry hardly changed

In most countries, the construction industry is not acting as the stimulus provider for an economic recovery. Construction demand continues to be robust in the US and Canada - supported by residential and public sector construction. In Germany, the construction industry remains on the downturn although at a slower pace. However, in this difficult situation we see the opportunity for us to attain market leadership. Development remains diverse in Western Europe: the relatively weak demand in the Benelux countries and the positive trend in the United Kingdom will continue. The construction sector is also growing in Central Europe East in 2003. Circumstances are also expected to ease in Poland. In Northern Europe, the dynamics of construction demand should increase slightly. The economic environment in the construction industry remains largely unchanged in Africa-Asia-Turkey.



HeidelbergCement on a consolidation course

The stabilising effect of our broad geographical presence is a basis for our confident, yet prudent assessment of the current year. Extreme political changes have not been taken into account in this regard.

We expect a ruling of the Federal Cartel Office in the current cartel proceedings in the course of the spring. If necessary, we shall take legal action against it.

By means of extensive modernisation and restructuring measures in several business regions, we had paved the way at an early stage to cope with the challenges of cyclical building materials markets. The positive effects continuously find expression in the development of results. Increased cost reductions and improved cost structures continue to be important objectives for 2003. The separation from non-core businesses continues on in scope as before. Fixed asset investments are limited to measures for the safeguarding of assets. Acquisitions are only made to optimise individual market positions. The appropriate repayment of liabilities is ensured with this balanced concept even under difficult market conditions.

Strategy

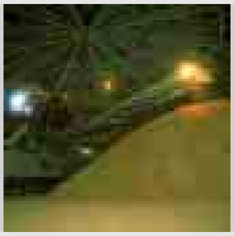
The cement industry is characterised by continued additional internationalisation and increasing competition. The trend towards global consolidation continues. At the same time, regional competitors continue to gain international importance.

Economies of scope, experienced and motivated employees at all levels, continual progress in environmental protection, cost efficiency and an EVA®-oriented portfolio management will be the key factors in the future success of our business activities.

With this in mind, we formulated new Group Strategic Guidelines for the period of 2003 to 2007. They build on the Corporate Mission from 2000. Headed by the Managing Board and the Group's strategic planning group, all regions were included in their formulation. We have already started introducing the strategic plans into our corporate planning.

Our actions are based on the following strategic guidelines:

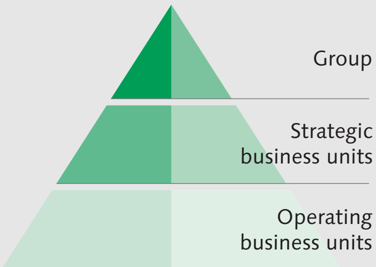
- We aim for a yearly average real growth of earnings per share of 5 % through 2007. This applies to the earnings per share before non-operating result and goodwill amortisation. This stipulation is also transferred to the EVA® system that continually measures value creation in the Group.
- We concentrate on cement, our core business. Our focus is on cement and cementitious binders like blast furnace slag and fly ash. We intensively encourage their use in the cement production. We especially focus on the production of concrete – i.e. ready-mixed concrete and concrete products – as well as on aggregates as long as they support our core business
- Our activities are international, but not necessarily global. We take advantage of regional synergies. The aim is geographical diversification and the ability to act internationally. For this reason, we pursue a ratio of mature markets to growing markets of 70 to 30 in terms of turnover by 2007. We will also continue to develop global trading activities as well as our international network of production sites enabling us to react flexibly to the changing economic environment.



- We strive for regional market leadership in our cement activities. We are interested in long-termed and sustained market positions and would like to further expand the market share of cement applications.
- We continuously reduce production and administrative costs in order to achieve a good position compared with our competitors. For this reason, we adjust production capacity in good time and exploit savings possibilities to the full. We wish to limit the necessary fixed asset investment in our plants to a level that is internationally competitive.
- In mature markets we strive for 100 % participation in companies that manufacture cement or materials containing cement in order to exploit synergies with the greatest possible flexibility. This doesn't exclude majority participations, joint ventures or minority participations if there are good reasons.
- Our targeted ratio of net debt to EBITDA is 3 to 1 or 4 to 1 only in exceptional circumstances. Investment restraint, further sales of non-core business and strict financial management will contribute to coming close to this goal in the 2003 financial year. In the future, parts of employees' compensation will be linked to the EVA® system and therefore also support this stipulation.
- The future of the company primarily depends on the involvement and talents of our employees. This is why the personnel-related statements in our Corporate Mission are of particular importance.

These strategic guidelines will determine our business activities and distribution of financial means over the coming years. The company is well equipped for the challenges of the future. Consistent implementation of these strategic goals is the requirement for long-term profit growth and will be one of the most important management tasks in this and following years.

Value-oriented company management with Economic Value Added (EVA®)



In the previous year, HeidelbergCement successfully completed the Group-wide introduction of value-orientated company management in accordance with the Economic Value Added concept (EVA®). We conducted intensive training sessions for our managers in all the regions. In accordance with the „Train-the-Trainer“ concept, with which knowledge is passed on in the snowball system, a total of approximately 2,250 employees in the Group have now been introduced to the EVA system. We have adapted the Group-wide management information systems so that speedy and comprehensive quarterly EVA reporting is ensured.

EVA is used in the entire management system of HeidelbergCement as an integrated concept: It is an effective decision tool for company management and it is utilised for the evaluation of investments and acquisitions as well as for operational planning. As value-orientated decisions are taken on practically all levels within our organisation, the EVA system was designed down to the smallest decisions. All managers have taken this system into account in their decision processes since 2002.

EVA is integrated into the quarterly Group reporting down to the lower level of the various operating business units.

The key data for assessment are operational performance - measured by the net operating profit after taxes (NOPAT) - on the one hand, and the returns on capital invested on the other hand, which are weighted with the average capital costs rate.

	Performance	Growth	Asset management	Capital structure	

$$\text{EVA}^{®} = \begin{matrix}\text{net operating}\\ \text{profit after taxes}\\ \text{(NOPAT)}\end{matrix} - \left[\ \text{invested capital} \ \times \begin{matrix}\text{weighted}\\ \text{average}\\ \text{capital costs}\\ \text{(WACC)}\end{matrix}\right]$$

EVA® is a trademark of the New York consulting firm Stern Stewart & Co.

EVA key data for assessment are based on our management reporting data and are only adjusted in case they do not correctly reflect the economic environment or the added value. In order to facilitate value-creating decisions, we apply the following, conceptually normal adjustments:

- Goodwill depreciations are added to the NOPAT and to the invested capital from the date of acquisition.
- Plants under construction are not included in the invested capital.
- Off-balance-sheet obligations are included in the invested capital.
- Corrections are applied for start-up losses in major strategic investments.

The focus of our EVA system is the Delta EVA indicator - the benchmark of the current nominal EVA value with the EVA of the previous year. We achieve a positive Delta EVA - that is an increase in value for our shareholders - by optimising the income in operating activities, the growth of the Group as well as the portfolio management and the capital structure. We are striving long-term for a Group-wide NOPAT that exceeds the capital costs of the Group.

Each manager takes into account the country-specific conditions for decision-making and for reporting by using the appropriate weighted average capital costs (WACC). Currently, the weighted capital costs arise for the countries in the strategic business units of HeidelbergCement as follows:

Weighted average capital costs (WACC)

	2002
Central Europe West	7.0 %
Western Europe	7.0 %
Northern Europe	7.5 %
Central Europe East	9.0 %
North America	7.0 %
Africa-Asia-Turkey	10.5 %
HBE	7.5 %
Group Services	7.0 %
HeidelbergCement	7.7 %

The Delta EVA for HeidelbergCement in 2002 amounts to EUR +3 million. This slightly positive development results from Delta EVA improvements in our growth market Central Europe East und in the HBE business unit. They are primarily due to the successful realisation of the restructuring programme at HBE and the modified product range of Maxit. The negative impact from the weak German market is offset by positive developments in tax charges. The commissioning of our new Union Bridge plant in North America also had a negative impact, as the adjustment for start-up losses could not completely compensate for the increased capital and start-up costs.

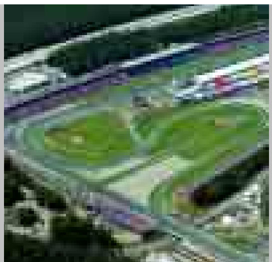
EVA-calculation

EURm	2001	**2002**
NOPAT	615	**613**
Invested capital	9,826	**9,994**
Capital charge	-756	**-773**
Start-up losses	2	**24**
EVA (without start-up losses)	-139	**-136**
Non-operating Delta EVA		**0**
Delta EVA		**+3**

A sale of HBE at the currently available terms would have had a negative impact on our EVA both in the short-term and in the long-term. On the other hand, the sale of Addiment - an HBE product line - carried out in 2002 had a positive influence on our EVA. We already expect positive Delta EVAs within a year from the strategic investments in the growth markets of Ukraine and Romania. The rationalisation of the Belgian Lixhe cement plant also has a positive effect on Delta EVA.

Since we manage our companies in accordance with the Economic Value Added concept, working capital becomes an increasingly more important decision-making parameter. In 2002, the ratio of working capital to turnover fell from 13.0 % to 10.6 %. It's our medium-term objective to reach a value of 10 % for this key figure across the Group.

The large photograph shows the Hockenheimring near Heidelberg. The link road of the racetrack was coated with drain concrete in the previous year, which was developed in collaboration with HeidelbergCement. Drain concrete acts as a noise reducer and is highly skid-resistant. It reduces the risk of aquaplaning and, as a result, increases road safety.

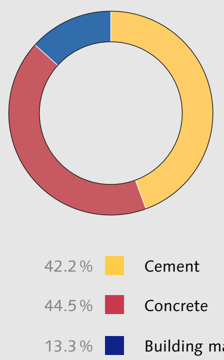




HeidelbergCement on the market

Central Europe West

The Group's Central Europe West region consists of the countries Germany, Austria and Switzerland. Apart from cement and ready-mixed concrete, we produce and sell prefabricated concrete elements and systems, sand-lime bricks and aggregates such as sand and gravel in HeidelbergCement's home region.

Turnover 2002: EUR 755 million



Construction investments continue to decline

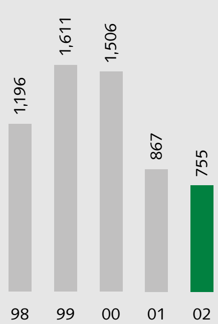
Economic growth of 0.2 % in Germany was again far below expectations in 2002. With a minus once more of 6 %, the country still occupied last place in Europe regarding construction investments. All building sectors contributed to this negative performance. Even though a slight glimmer of hope emerged for the construction industry in the first months of the current year, a further decline in construction activity by 4 to 5 % is expected for the full year 2003. This lasting weakness in demand results in high excess capacities and tremendous price deterioration in the entire building materials industry.

Residential construction in Austria fell only slightly by 0.5 % and will according to the expectations rise again in 2003. However, cement demand was again at the previous year's level thanks to numerous infrastructure projects.

Construction investments in Switzerland declined slightly in spite of major infrastructure measures. This trend is anticipated to continue in 2003.

Cement business line

Turnover in EURm



until 2000 including HBE turnover

Further decline in cement consumption

The German construction industry has not yet bottomed out in the previous year. Cement consumption in Germany fell compared with the previous year by approximately 8 % to only around 28.6 million tonnes. While the old federal states of Germany recorded a minus of 9.6 %, the new federal states of Germany achieved a slight increase of 1.5 %. Cement imports from Eastern Europe have further decreased.

Domestic cement and clinker sales volumes for our six cement plants in South Germany fell by 7.1 % to 4.4 million tonnes. After the pro rata inclusion of Anneliese AG, shipments in Germany amounted to 4.9 million tonnes. Including exports, cement and clinker sales volumes at 5.3 million tonnes reveal a minus of 8.3 %.

A drop in volumes, strong price deterioration and ruinous competition shaped the year 2002. HeidelbergCement was only able to offset volume losses in individual regions through deliveries in areas further away with correspondingly higher freight costs. We have responded to this market situation in the plants and administrative units with cost cutting, capacity adjustment and curtailment of investment. The most important step was the closure of the Kiefersfelden cement plant at the turn of the year 2002/2003. This had become unavoidable since the average capacity utilisation of the South German plants had fallen to just 60 %; on top of this, in the case of Kiefersfelden, a plant extension, which would have been necessary for cost-reduction, and additional rationalisation measures were not feasible.

At the beginning of 2003, we purchased the cement and ready-mixed concrete activities of the Buderus group in order to strengthen our position on the German cement market. The cement plant in the Hessian Wetzlar with a cement capacity of 1 million tonnes represents an ideal link between the remaining five South German plants and the production sites of our participation company Anneliese Zementwerke AG in North Rhine-Westphalia. For the first time, we are also extending our cement activities to Eastern Germany with the purchase of the Königs Wusterhausen cement grinding plant near Berlin from the company Klösters Beteiligungsgesellschaft. The plant has a grinding capacity of 0.5 million tonnes and only produces slag cement.

In February 2003, we obtained final approval for the expansion of the quarry at the Mainz-Weisenau cement plant. As a result, the most important prerequisite for the long-term safeguarding of the plant has been met.

We have built a new clinker silo in the Lengfurt cement plant that ranks among the largest in the world with a capacity of 90,000 tonnes.

Performance of the participations

The domestic cement sales volumes of **Anneliese Zementwerke AG** fell compared with the previous year by 17.8 % to 1.3 million tonnes. Weakening market conditions in the cement-processing industry and particularly the serious decline in revenues have noticeably impaired the earnings of the cement business line. Nevertheless, we succeeded in achieving a positive operating income thanks to consistent adjustments with personnel and production capacities as well as to the increased use of secondary fuels. The turnover of the Anneliese group fell by 15.8 % to EUR 159.9 million and the group results turned out negatively for the first time. Restructuring measures in the concrete pipe operating line put a strain on results for the last time as Anneliese has sold the participation in RG Rohrgruppe. For the current year, the group is expecting – provided that the level of revenues is not further impaired – a balanced result once again.

Turnover by business lines

EURm	2001	2002
Cement	401	**336**
Concrete	372	**355**
Building materials	127	**106**
Intra-Group eliminations	-33	**-42**
Total turnover	867	**755**

Key data

EURm	2001	2002
OIBD	162	**102**
Operating income	86	**17**
Investment in tangible fixed assets	50	**43**
Tangible and intangible fixed assets	731	**730**
Employees	4,523	**4,470**

The cash flow and results of the building materials group **Südbayerisches Portland-Zementwerk Gebr. Wiesböck & Co. GmbH** remained virtually stable in spite of the difficult economic environment in the construction industry and intensified volume and price competition in Bavaria. An improved sales volume and price development of the participations in Western Austria were the reasons for this. The company succeeded in further reducing manufacturing costs thanks to consistent rationalisation measures in the cement business. The Rohrdorf plant is being expanded and upgraded with an extensive investment programme. It will adjust itself to the growing demand for cement containing blast furnace slag and to the increasing requirements in the area of environmental protection.

In the previous year, HeidelbergCement sold its participation in **ZEAG Zementwerk Lauffen-Elektrizitätswerk Heilbronn AG** to Energie Baden-Württemberg AG (EnBW), majority owner of ZEAG. We had already ceased to include the participation in ZEAG in our consolidation scope at the half-year 2002. However, we remain linked with the company through the supply with clinker.

Concrete business line

Market situation of ready-mixed concrete under pressure

The weakness of economic activity in the German construction industry and the influences of the price and competitive pressures in the cement business also adversely affected the ready-mixed concrete industry in 2002, with the result that structural adjustments became necessary.

The measures for cost cutting and streamlining the structures, which our subsidiary Heidelberger Beton had already initiated in previous years, were not sufficient to offset the unfavourable development of results in all areas in 2002. Investments, which were again significantly curtailed, served exclusively to safeguard and strengthen market positions.

Approximately one third of the activities in the ready-mixed concrete operating line are included in the Group annual accounts. The total sales volume of all the 360 plants - including the non-consolidated plants - fell by 11.7 % to approximately 8 million cubic metres in 2002. In addition to standard concrete and ready-mixed mortar, the decline also affected the special building materials in the sector of mortar and floor finish products.

In 2003, Heidelberger Beton is introducing new products onto the market under the brand name „Easycrete“. The properties of these easy-to-process concrete types range from free-flowing to self-compacting.

Market position extended with concrete products

In spite of the further fall in construction investments, the optimisation measures initiated and nationwide marketing – such as the introduction of brand names and branded products - showed positive effects.

Thus, for instance, civil engineering products such as concrete paving blocks or canal components of various Group companies were brought together in the company Heidelberger Stein GmbH & Co. KG. This now includes 18 production sites that have been marketing their products of the integrated brands „Heidelberger Steinforum“ (concrete blocs) and „Heidelberger Abwassertechnik“ (sewage technology) across Germany since January 2003. We are strengthening our market positions with this restructuring and streamlining of operations and at the same time developing further rationalisation opportunities. Building construction products - prefabricated concrete elements such as prefabricated concrete ceilings, double walls, stair and balcony components - for which demand has likewise seriously decreased, are currently being restructured in a similar way.

Aggregates against the market trend

The German market for aggregates fell once again in the previous year by 10 %. The public sector austerity measures resulted in significant decreases in sales volume, particularly in the road construction sector. A further decline in demand is also expected for 2003.

In contrast, the plants of our aggregates operating line with just under 22 million tonnes of sand and gravel have only missed the sales volume level of the previous year by 3.3 %. As a result, we have further increased our market share in Germany. In Saxony the quantity delivered rose by 15 % not least due to increasing demand after the flood disaster of last August. The grouping of the aggregates business in northeast Germany has had a positive impact on revenues and sales volumes. Since the end of 2001 the distribution of several subsidiaries has been carried out via our participation Mibau Baustoffhandel GmbH. As a result, we have not only extended our market potential, but we have also improved customer service and reduced the costs for distribution and logistics.

Building materials business line

Lime in a rising trend

The sales volumes and turnover of the lime operating line increased in spite of the unfavourable economic environment. We succeeded to offset the declining demand of the construction industry by higher deliveries for sectors covering special building materials, environmental protection and industrial customers. Exports of unburnt lime products also increased.

Our measures for cost cutting bore fruit. We attained full capacity utilisation with the remaining production plants thanks to the closure of a kiln at the Bavarian plant in Regensburg. We extended our range on offer with innovations in the special products line.

Turnaround started with sand-lime bricks

The number of completed residential units fell further in Germany in the previous year by 12 % to around 290,000 units. This also affected the nationwide market for sand-lime bricks, which declined by 11 % to just under 2.4 billion pieces.

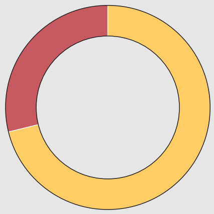
HeidelbergCement succeeded in winning additional regional market shares even though the sales volumes of its sand-lime brick operating line also fell by 10 %. We have adjusted our capacities to the reduced demand with additional plant closures in Germany and Switzerland. In this way we were able to optimise costs and thus improve the results. Only moderate investment is currently necessary due to the high technological standard of our production plants.

■ Our photograph shows the Cité de la Musique in Paris. The building complex with concert halls, exhibition rooms and fora was planned as a site of musical experience by the architect Christian de Protzambarc. Our Belgian subsidiary CBR supplied white cement, which bestows its vividly bright façade on the building complex.

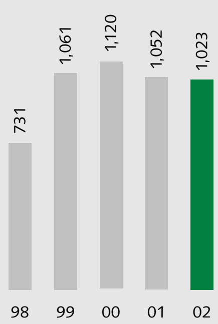
Western Europe

The countries Belgium, Netherlands, United Kingdom, France and Luxembourg belong to Western Europe. We are the market leader in the Benelux countries and the second-largest cement manufacturer in the United Kingdom.

Turnover 2002: EUR 1.023 million



Turnover in EURm



until 2000 including HBE turnover

Weakening construction industry

While gross domestic product rose slightly in Belgium and the Netherlands, construction activity in both countries weakened by approximately 2 %. Decreases in residential and non-residential construction are the reason for this. Construction activity in the United Kingdom on the other hand increased by around 6 %; thereby, developing even better than the general economy. Residential construction rose by 10 %. In fact, public sector construction was even above that due to higher investments in the road and rail network. In France the economy grew by 1 % in the past year. Construction activity – supported by public sector construction – also picked up slightly.

Cement business line

Declining cement consumption

Cement consumption in Belgium and the Netherlands decreased for the second year in succession after the record year 2000. It fell overall by 6 % to 10.9 million tonnes. The cement and clinker sales volumes of our Belgian and Dutch subsidiaries CBR and ENCI - market leaders in their respective countries - fell by 3.1 % to 6.1 million tonnes. This also includes the sales volumes of white cement from the Belgian Harmignies plant; demand for white cement has nevertheless increased by 3.3 %.

Cheap cement imports, particularly from Italy, Asia and the Middle East, adversely affected both countries equally. Our subsidiaries are countering this challenge with further productivity improvements and cost reductions, for instance in the area of maintenance expenditure. Regarding fuel consumption we are increasingly using secondary fuels instead of non-renewable fossil fuels. These substitute materials - the proportion of which will increase further in the coming years - burn without polluting due to the high temperatures in the cement kilns, i.e. without harmful impact on the environment.

Investments fell in 2002 as the extensive modernisation and rationalisation measures in Belgium were completed in the past financial year. The closure of the wet kiln and the capacity increase of the dry kiln in the Lixhe plant were at the centre of the measures. In addition, we have increased the grinding capacity in the Ghent cement grinding plant and as a result, we closed down the Mons grinding plant in the past year. Thanks to these investments, we are able to reduce costs and ensure the competitiveness of our Belgian cement plants. The modernisation of the Dutch cement grinding plant at IJmuiden is proceeding according to plan and will be concluded in the current year. The installation of a roller press is a central element.

Asset improvement in the United Kingdom

Cement consumption in the United Kingdom was at the previous year's level. The sales volumes of our subsidiary Castle Cement, the country's second-largest cement manufacturer, fell slightly by 2 % to 3.1 million tonnes. Investments were considerable in 2002. An extensive programme for asset improvement primarily provides for the exchange of the old, high-cost wet kilns in Ribblesdale and Padeswood for dry kilns as well as the increased use of secondary fuels. In addition, the output of the dry kiln already in existence in Ribblesdale will be increased. An important part of the investment programme has had to be postponed since 2000, as we had to wait for approval by the National Assembly of Wales for the construction of the dry kiln in Padeswood. We now have this approval. The entire programme for the optimisation of burning capacities will be completed at the start of 2006 at the latest.

Good year for Vicat

The consolidated turnover of the French Vicat group, in which we have a participation of 35 %, rose slightly by 1 % to EUR 1.5 billion. In the past year, the cash flow was used for the increase in the shareholders' equity and the reduction of bank loans. As a result, Vicat is equipped for further external growth steps.

While cement sales volumes in France slightly rose by 0.5 %, turnover improved by 2.6 % thanks to price increases. Greater automation of operational procedures and the optimised use of secondary fuels led to further cost reductions.

The turnover of the ready-mixed concrete and aggregates lines has also risen slightly due to the inclusion for the first time of two smaller companies in the consolidation scope.

Vigier, the Swiss subsidiary purchased in 2001, has performed well. Cement sales volumes and turnover improved favourably. However, Vigier had to suffer considerable losses in ready-mixed concrete and aggregates after the completion of several major construction projects. The two American plants performed in different ways. Overall, though, sales volumes remained stable. 2002 was another year of growth for the plant in Senegal with an increase in sales volumes by 8.2 % to just under 1.7 million tonnes. In Turkey, cement sales volumes also improved and the production of ready-mixed concrete and aggregates even rose considerably.

Turnover by business lines

EURm	2001	2002
Cement	789	**764**
Concrete	289	**300**
Building materials	37	**-**
Intra-Group eliminations	-63	**-41**
Total turnover	1,052	**1,023**

Key data

EURm	2001	2002
OIBD	232	**231**
Operating income	106	**105**
Investment in tangible fixed assets	148	**85**
Tangible and intangible fixed assets	1,586	**1,491**
Employees	4,227	**3,894**

Concrete business line

Decrease in ready-mixed concrete

The sales volumes of ready-mixed concrete from our Belgian and Dutch production sites at 4.6 million cubic metres remained at the previous year's level. Nevertheless, whereas the Belgian plants suffered slight losses, demand rose somewhat in the Netherlands thanks to new construction projects. The competitive situation continued to be very strained in both countries. In order to improve results we have speeded up our measures for cost cutting and productivity increase with considerable success. Investments in the ready-mixed concrete operating line primarily involved the modernisation of production sites.

Expansion of the aggregates business

Major construction projects such as the tracks for the high-speed trains between Antwerp – Netherlands and Liège – Germany or construction work in the Antwerp port ensured increasing demand for aggregates such as sand and gravel. Overall, the deliveries of the aggregates operating line increased slightly compared with the previous year by 1.8 % to 11.2 million tonnes.

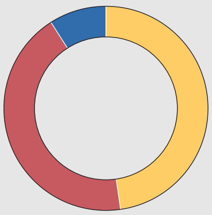
As the extraction of gravel in the Belgian province of Limburg must be discontinued at the end of 2005, we shall offset the shortfalls in quantity by means of the increased production of other types of aggregates – mainly limestone. This trend had already been evident in the past three years. The sales volumes of lightweight aggregates also reached the level of the previous year.

Investments increased significantly in 2002. In the Netherlands our subsidiary ENCI has purchased the company Paes Bouwtoeleveringen. It is the third largest aggregates manufacturer in the country with a production capacity of approximately 4 million tonnes of sand and gravel. In the past year, we also invested in the replacement of quarry trucks and equipment as well as in the purchase of quarrying areas. At the start of 2003, our Belgian subsidiary Gralex has concluded a contract regarding the purchase of the aggregates operations of Readymix Belgium. As a result, Gralex is acquiring six production sites for sand and gravel. However, the cartel authorities still have to approve this purchase.

Northern Europe

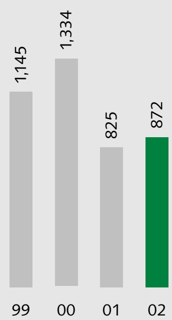
Northern Europe comprises the countries Sweden, Norway, Finland, Denmark and the Baltic. Since 2001, the region includes an additional cement plant in Russia near St. Petersburg.

Turnover 2002: EUR 872 million



42.2 % Cement
47.8 % Concrete
10.0 % Building materials

Turnover in EURm



until 2000 including HBE turnover

Upward trend of construction activities

The general economic development in the countries of the Northern Europe region was somewhat better than in the year before. Gross domestic product increased in Sweden, Norway, Finland and Denmark by 1.5 to 2.0 %. In the main markets of Northern Europe - Sweden and Norway - construction activities showed a slight upward trend with a plus of close to 1 %, while the other markets, Finland and Denmark, recorded a slightly negative development. Construction activity developed positively in Estonia and in the Saint Petersburg region of Northwest Russia. In Sweden and Norway, the construction activities are mainly supported by increasing residential construction and the refurbishment and reconstruction sector. Non-residential construction turned out to be weak in all Nordic countries due to the low investment activity in the industrial and commercial sectors.

Cement business line

Growth in cement sales volumes

In Northern Europe, HeidelbergCement operates three cement plants in Sweden, two in Norway, one in Estonia and one in the Northwest of Russia near Saint Petersburg. Total sales volumes in cement and clinker amounted to 5.3 million tonnes in 2002 after 5.1 million tonnes the year before. The growth by 200,000 tonnes is essentially attributable to the first-time inclusion of our Russian cement plant at Cesla, which we purchased at the end of 2001.

In Sweden, where the growth curve in the second half of the year was clearly flatter, cement consumption fell by approximately 3 %. Our domestic shipments decreased by 3.8 % to 1.3 million tonnes. In Norway on the other hand, there was a positive improvement on the cement market in the second half of the year; growth for the full year amounted to approximately 2 %. Domestic shipments grew also by 2 % to just under 1.1 million tonnes. Cement consumption increased considerably in Estonia and Russia. In Estonia the domestic sales volumes of our Kunda cement plant rose by 35 % to 0.3 million tonnes. The Russian cement plant at Cesla was able to supply the local market – primarily the Saint Petersburg area – with just under 0.4 million tonnes.

44 % of the cement and clinker sales volumes of our Swedish and Norwegian cement plants – i.e. 1.9 million tonnes as in the previous year – were exported, mainly to the US and Nigeria. Our exports from Estonia and Russia fell by 4.6 % to 0.4 million tonnes due to increased domestic demand. The importing countries were Finland and several West African countries. Exports from the Northern Europe region fell overall by 1.5 % to 2.3 million tonnes.

■ The new tower at Arlanda airport near Stockholm was completed in 2001. Outwardly, the 83 metre high building symbolises the legendary Nordic ravens Hugin and Mugin, who watch over the world. Our Swedish subsidiaries Cementa and Betongindustri supplied the cement for this modern and imposing building that won the 2002 European Award for Excellence in Concrete.

Our cement plants in Sweden, Norway and Estonia make considerable efforts to reduce energy costs and to preserve natural resources. The increased use of secondary fuels plays a significant role in this respect. At the start of 2003, our Norwegian subsidiary Norcem reached an agreement regarding the acquisition of a plant for organic hazardous waste. In the coming years, Norcem will continue to invest in installations that serve the replacement of primary energy sources by alternative fuels.

Our subsidiary Scancem Energy and Recovery (SEAR) operates several production sites that process secondary fuels for the production of cement and expanded clay in our plants in the United Kingdom, Sweden, Norway and Estonia. In addition, SEAR also supplies external customers. In the past year, 300,000 tonnes of alternative fuels were produced solely for Group-owned plants from the waste products of other industrial sectors such as waste oil, solvents, used tyres, plastic and paper waste as well as meat and bone meal. In order to meet the increasing demand, SEAR extended production capacity in the United Kingdom in 2002.

The result of the cement business line was impaired at the year-end by the early start of winter. Production disruptions in the Norwegian plants caused lower than expected production volumes, which in turn affected the export volume negatively.

Turnover by business lines

EURm	2001	2002
Cement	361	**380**
Concrete	446	**430**
Building materials	47	**90**
Intra-Group eliminations	-29	**-28**
Total turnover	825	**872**

Key data

EURm	2001	2002
OIBD	133	**130**
Operating income	49	**43**
Investment in tangible fixed assets	34	**41**
Tangible and intangible fixed assets	1,009	**990**
Employees	5,027	**5,368**

Concrete business line

Regionally varied business development

In addition to the ready-mixed concrete and aggregates business that we operate in Sweden, Norway and Estonia, the concrete business line also includes the prefabricated concrete elements operating line with plants in Sweden, Finland, Denmark, Poland and Portugal.

While our Swedish ready-mixed concrete plants did not reach the high sales volume level of the previous year due to unfavourable market conditions, the ready-mixed concrete operating line in Norway was able to increase slightly. The drop in the ready-mixed concrete sales volumes in our main Swedish markets of Stockholm and Gothenburg by 12 % is mainly attributable to the absence of infrastructure projects and to weak construction activity in non-residential construction. In Norway on the other hand, ready-mixed concrete sales volumes were above the level of the previous year – in spite of a slowdown in the second half of the year – due to the purchase of a ready-mixed concrete company in the Oslo area. In Estonia, our ready-mixed concrete deliveries around Tallin recorded a positive performance. Overall sales volumes of the operating line at just under 1 million cubic metres reached almost the same level as in 2001. The aggregates operations were weaker both in Sweden and in Norway. Domestic sales volumes of sand and gravel fell by 10 % to 7.7 million tonnes. A further 1.5 million tonnes were exported from Norway.

In the concrete products line we manufacture prefabricated concrete elements for agriculture as well as engineering, industrial and residential construction. The Swedish operations were not quite able to accomplish the good result of the previous year but performed better than expected. After a weak start, the Danish operations improved noticeably at the end of the year thanks to their restructuring measures. Our subsidiaries in Poland and particularly in Portugal benefited from favourable market conditions.

Building materials business line

Profit growth at SRS

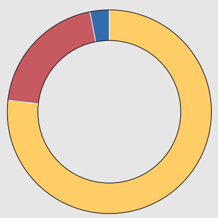
After the formation of the strategic business unit Heidelberg Building Materials Europe (HBE) and the integration of the Optiroc Group, only our subsidiary Swedish Rail System (SRS) is still operating in the building materials business line. The company, which operates in track laying, is active in Sweden, Norway and Finland. Thanks to extensive restructuring measures, SRS was able to achieve a considerable profit in the 2002 financial year after a loss in the previous year.

Our photograph shows a modern office building in Prague, the "Dancing House", which is now one of the sights of the city on the Vltava due to its spectacular architecture. The manner of construction shows the flexibility of the cement and concrete building materials of our Czech subsidiaries Ceskomoravský Cement and Ceskomoravský Beton.

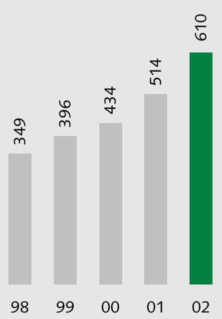
Central Europe East

HeidelbergCement has built up a significant market position as the largest investor in the building materials business since the opening up of Eastern Europe in 1989. Today, we are represented in nine countries, namely Bosnia-Herzegovina, Bulgaria, Croatia, Poland, Romania, Slovakia, Czech Republic, Ukraine and Hungary.

Turnover 2002: EUR 610 milion



Turnover in EURm



Economic growth continued

The economy in the countries of our Central Europe East region expanded with growth rates of between 3 and 4 %. Poland remained below the average at just under 2 %. The price increase slowed down significantly compared with previous years and exchange rates rose considerably in some cases – for instance the rates for the Czech Koruna and the Hungarian Forint.

Construction industry activity developed positively in all countries with the exception of Poland. Hungary is in top position with double-digit growth rates in residential and in public sector construction; the proportion of modernisation measures is rising both in Hungary and in the Czech Republic. The construction sector in Romania and the Ukraine is increasingly gaining in importance. Overall, the further prospects are favourable for the Central Europe East region. Slight growth is also expected again for the Polish construction industry based on infrastructure projects.

Leading market positions further reinforced

HeidelbergCement became market leader in the Ukraine through the acquisition of a second location, the Dniprocement cement plant. The plant is located in a densely populated industrial area southeast of Kiev. We also became the leading cement manufacturer in Romania thanks to the increase in our minority participation in the company Romcif Fieni to 97,5 %. Due to its position in proximity to the capital of Bucharest, the Fieni plant offers an excellent entry to this important market. In Poland, we have improved our market position through a 75 % participation in a cement grinding plant in Katowice as well as through a long-term contract for the purchase of slag. Blast-furnace slag – a by-product from the manufacture of pig iron – is a valuable cement additive in granulated form.

In line with the focus on the core business of cement and concrete, we sold our lime operations in Poland, Hungary and in the Czech Republic.

Cement, ready-mixed concrete and aggregates will in future operate in each country under a common family brand. We expect a substantial strengthening of our market approach from this.

Cement business line

Results improvement through cost optimisation

Cement consumption increased slightly in all countries of the Central Europe East region with the exception of Poland and the Czech Republic. Our total sales volumes rose by 16.7% to 8.8 million tonnes (previous year: 7.5) of cement and clinker. The increase only affected the domestic market; exports fell to just under 0.5 million tonnes (previous year: 0.6). Significant improvements in sales volumes were achieved in Bulgaria and Hungary, while Romania only rose slightly in 2002. The consequences of the flood disaster dampened cement sales volumes in the Czech Republic. Demand in Poland remained unsatisfactory, even though signals of a slight improvement were evident in the second half of the year. The plants in the Ukraine and in Bosnia, which were consolidated for the first time, contributed significantly to total sales volumes.

Turnover of the cement business line rose markedly compared to the previous year. Price rises were also achieved in addition to volume increases. The significant improvement of the results derived from optimisations in purchasing as well as from reductions in fixed costs in all sectors. We are countering the rising energy prices through the increasing use of secondary fuels and intensified marketing of low-clinker cements. We achieved further cost optimisations with investments such as the construction of a new coal mill in Bulgaria. As a result, the use of fuel has become flexible.

The shipment of calcium aluminate cement from our Croatian special cement plant in Pula has decreased slightly due to weakening markets. We have also positively influenced the development of results in this sector through cost cutting measures.

Investments in tangible fixed assets in 2002 promoted energy saving, environmental protection as well as the further development of blended cements. In Bosnia, significant individual measures included the modernisation of clinker production, which resulted in considerable improvements in productivity and environmental protection, as well as the construction of a coal mill. In the Polish cement plant at Górazdze, a comprehensive modernisation programme was initiated which among other things will increase clinker capacity by more than a third to 2.9 million tonnes. The cost situation will improve markedly

Turnover by business lines

EURm	2001	2002
Cement	422	**485**
Concrete	77	**118**
Building materials	30	**28**
Intra-Group eliminations	-15	**-21**
Total turnover	514	**610**

Key data

EURm	2001	2002
OIBD	131	**153**
Operating income	68	**84**
Investment in tangible fixed assets	62	**82**
Tangible and intangible fixed assets	732	**843**
Employees	7,047	**9,600**

thanks to lower energy consumption and increased use of secondary fuels. In addition, these measures, including the renewal of the dedusting systems, have a positive impact on the environment. The first steps for upgrading our Ukrainian plants were related to information technology. The certification of our plants in Hungary, the Czech Republic and in Croatia in accordance with ISO 14001 is evidence of the major progress of the Central Europe East region in environmental matters.

Concrete business line

Good development continued

The ready-mixed concrete operating line continued to develop successfully in all countries of the Central Europe East region in 2002. The capacity utilisation of the plants could be increased again after optimisation of the location network. Total sales volumes rose by 5.0 % to 3.4 million cubic metres, to which the unexpectedly high increase in the Czech Republic and in Hungary made a significant contribution. In Poland, the restructuring of the ready-mixed concrete business led to a substantial improvement in results in spite of the unsatisfactory overall market situation.

The sales volumes of aggregates at 11.2 million tonnes exceeded the previous year's level by 1.7 %. The restructuring of our Polish and Czech locations will have its first impact in the current year. The economic environment remains difficult in both countries. We were able to reinforce our leading position - particularly in the Bucharest area - with the merger of our Romanian activities.

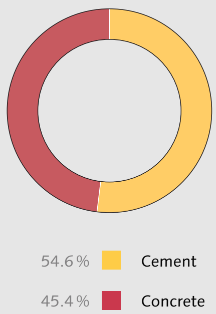
Cement and clinker sales volumes by country

1,000 tonnes	2001	**2002**
Bosnia-Herzegovina	-	**587**
Bulgaria	393	**441**
Croatia	85	**77**
Czech Republic	1,616	**1,435**
Hungary (consolidated)	1,081	**1,154**
Poland	3,401	**2,919**
Romania	956	**984**
Ukraine	-	**1,222**
Intra-region eliminations	-34	**-68**
Central Europe East	7,498	**8,751**

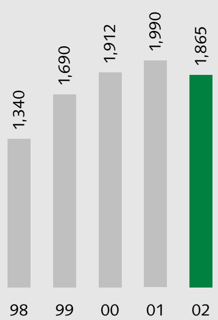
North America

The United States of America and Canada form the North America region. Our building materials there are cement, ready-mixed concrete, concrete products and aggregates. The region is the Group leader by turnover and results.

Turnover 2002: EUR 1,865 million



Turnover in EURm



Economic conditions

In the US, the gross domestic product improved slightly by 2.4 %. How business responds to declining turnover and the global political insecurities will influence the outlook for the American economy. There are contrary indicators for the current year. A slight improvement in growth of approximately 2.5 % is forecast as economic activity in the private sector increases.

Construction investments in the US declined slightly by 1.5 % in 2002. A definite weakness in commercial construction overshadowed robust residential and public construction. Residential construction benefited from low interest rates and the upward trend in single-family house construction. In public construction, educational construction projects compensated for the fall in road construction. We assume that the TEA 21 and AIR 21 infrastructure programmes will continue, thus guaranteeing the financing for key road construction and air transport projects over the next five years. We expect an increase in construction activity in late 2003.

The Canadian economy developed more positively than the US economy with a plus of 3.3 % in 2002. We even expect a growth rate of 4% for 2003. Construction activity improved in 2002 and is expected to be favourable also in the current year.

Cement business line

Cement sales volumes continue at high levels

In 2002, cement consumption in the US at 109 million tonnes was 3.4 % below previous year's levels. Increases in domestic production capacities led to a fall in imports of 11 % to 23 million tonnes. In the current year, we again expect a further slight decline in cement consumption of 1.2 % to 107.4 million tonnes. However, we expect an increase of 4.7 % in 2004. In Canada, cement consumption increased by 0.9 % to 8.5 million tonnes. Cement consumption is expected to rise further again this year by 3.2 % to 8.8 million tonnes.

Cement and clinker sales volumes from our 13 North American cement plants stabilised at the high level of 11.9 million tonnes (previous year: 12.0). We are pleased to note that this figure is considerably higher than the national average of -3.4 %. In 2002, we were again obliged to import additional 3.6 million tonnes to supply the markets on the East coast, Florida and California. We were able to cover the majority of the imports via internal Group deliveries from our plants in Scandinavia and Turkey.

The photograph shows the Moscone Convention Center in San Francisco/CA. The building fascinates due to its rigid geometric shapes. It is built with pre-cast concrete elements and systems from our American subsidiary Lehigh White Cement that were specifically produced for the project.

Just as the overall economic development in the US, the development of the market situation varied in our American regions: the Southeast benefited from increasing sales volumes in Alabama, Georgia and Florida while maintaining prices. Demand on the Texan market remained high although prices continued to fall due to competitive pressure. In the Northeast, Mid-Atlantic and Midwest, weak economic growth adversely affected our cement sales while prices remained stable. Similarly, the slow economy and low prices also have harmed the Californian market. The Northwest market region – mainly the Seattle area – suffered from the reduced activities in the high-tech and aerospace industries. In total, we sold 9.2 million tonnes of cement and clinker in the US.

In Canada's Prairie Provinces, particularly in Alberta, the economy remained strong in 2002. We were able to achieve price increases although the demand for cement from the oil and gas industries fell slightly. In British Columbia, our cement sales volumes further progressed since residential construction increased as a result of lower interest rates. Our cement sales volumes in Canada reached a total of 2.1 million tonnes.

We maintained our market share in white cement in spite of stronger competition, and achieved our highest sales volumes to date, increasing again by 2 % to 0.6 million tonnes compared to the previous year.

We faced the rise in energy costs with greater flexibility in the use of fuels feed in the kilns: we improved the ability to switch among different fuels such as coal, coke, oil and natural gas at our Edmonton, Waco and York cement plants. The plants can each select the most cost effective energy source and therefore save substantial costs. In California, power costs stabilised after increasing for several years.

The cement capacity of our Union Bridge plant in Maryland was increased to 2 million tonnes due to the modernisation that was completed at the end of 2001. The import requirement fell even in the first full year of operation. We have applied for approval to modernise the plant and increase capacity to 1.2 million tonnes at the Leeds plant in Alabama. We believe that this project will be completed by 2005.

Turnover by business lines

EURm	2001	**2002**
Cement	1,175	**1,101**
Concrete	962	**915**
Building materials	-	**-**
Intra-Group eliminations	-147	**-151**
Total turnover	1,990	**1,865**

Key data

EURm	2001	**2002**
OIBD	354	**331**
Operating income	215	**180**
Investment in tangible fixed assets	420	**144**
Tangible and intangible fixed assets	1,890	**1,640**
Employees	6,110	**5,923**

Concrete business line

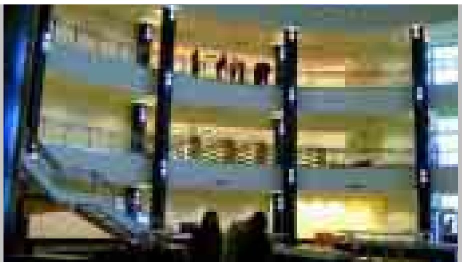
Positive market development

The demand for ready-mixed concrete, aggregates and most concrete products increased in 2002. Ready-mixed concrete sales volumes of 6.8 million cubic metres were 1% above the previous year. At 25.1 million tonnes, the sales volumes of aggregates exceeded the previous year's level by 6%.

Viewed as a whole, the North American continent showed a heterogeneous picture: declining construction activity had an effect on sales of ready-mixed concrete and aggregates in the Seattle region. High competitive pressure affected the prices of ready-mixed concrete in Alabama and in Georgia. We also had to put up with volume and price losses due to the intensive competition in the Los Angeles market. Yet we were able to achieve slight improvements in sales volumes on the Texan market. Due to the strong construction activity in Canada's Prairie Provinces we achieved record results for ready-mixed concrete and concrete pipes. The increase in residential construction in British Columbia had a positive effect on our sales of ready-mixed concrete, aggregates and concrete products. In addition, we exported significant quantities of aggregates from there to the Californian market.

The acquisition of Metro Mix, a ready-mixed concrete company in Miami, Florida, strengthened our position and the utilisation of our cement terminal in this region. In contrast we sold some ready-mixed concrete companies in the South of the US and a concrete block plant in Alabama. We also sold a materials transportation company in New Jersey and the construction services division in Alberta in order to further focus on our core business.

The Crystal Arch floodlit by night is in the Jerudong Park in Bandar Seri Begawan, the capital of the Sultanate of Brunei. The cement for the concrete arches originates from Butra HeidelbergCement, a joint venture of the local cement manufacturer Butra with our Group.
The small pictures show the interior of the Sabanci university in Turkey (left picture) and the administrative building of our Sokoto cement plant in Nigeria.



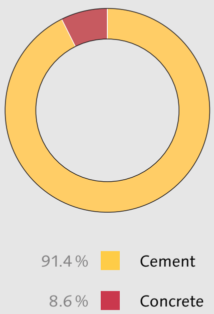
Africa-Asia-Turkey

The Africa-Asia-Turkey strategic business unit consists of 19 countries on three continents. Whereas in Africa we only produce cement, in Asia and in Turkey we also operate in the ready-mixed concrete business line in addition to cement. In Turkey, we also extract sand and gravel.

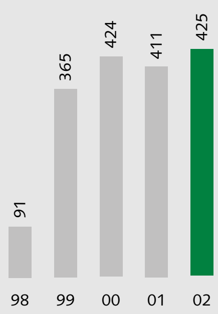
Africa

Cement business line

Turnover Africa-Asia-Turkey 2002: EUR 425 million



Turnover Africa-Asia-Turkey in EURm



Long-term growth perspectives

In Africa, HeidelbergCement operates a network of five cement plants, eight grinding plants and two import terminals. In the eleven sub-Saharan countries, in which HeidelbergCement operates, estimated 14.5 million tonnes of cement were consumed in 2002. Our subsidiaries and associated companies supplied a good third out of this amount - a total of 5.0 million tonnes. This represents an increase over the previous year of approximately 6 %. At almost 2.6 million tonnes, the cement sales volumes of our consolidated participations nearly achieved the previous year's level.

After a weak first quarter, the situation improved considerably over the year in our African markets. In Sierra Leone, Niger, Angola and the Republic of the Congo, we achieved some considerable increases in sales volumes. Even in our main market Ghana, which continues to stabilise, we were able to increase cement deliveries slightly. At the Sokoto plant in North West Nigeria, cement production was resumed at the beginning of 2002 after a comprehensive plant renovation. However, weak macro-economic conditions and increasing competitive pressure have affected the market situation in Africa's most populated country. In order to further expand our competitive position in Nigeria, we will continue to improve the cost efficiency of our plant installations in the current year, and intensify marketing activities. We carried out investment to increase productivity in Benin, Tanzania, Togo and Ghana.

The long-term perspectives for our African cement plants remain good. The political situation showed positive developments in most countries. Although the average cement consumption per capita is still extremely low in comparison with the Western industrialised countries, the current annual growth rate for per capita consumption demonstrates that this region has enormous growth potential in the long term.

Asia

Robust economic development

The markets of the future in Asia offer HeidelbergCement's cement and concrete activities promising perspectives for growth. In spite of economic insecurities in the Western industrialised countries, most Asian countries have continued to demonstrate constant economic growth during 2002. The economic prospects are exceptionally good for the current year in most of the markets in which we operate. This applies in particular to those countries where we have a strong market presence: Indonesia, China and Bangladesh.

In Indonesia, the economy grew by 3.5 % in 2002, after 3.3 % in the previous year, supported by strong private consumption. The inflation rate fell to 10 % and the Rupiah strengthened substantially.

With growth of around 7 %, the Chinese economy continues to show stable improvement. In the Guangdong province, where we are primarily active, the growth rate was even 10 %. Foreign direct investment increased noticeably after China was accepted into the WTO in December 2001.

In Bangladesh, the growing economy and the rising population are boosting construction activity. The Philippines also demonstrated positive economic developments with a low inflation rate and an increase in gross domestic product of 4.3 %. In the Sultanate of Brunei, the construction industry suffered from the government's reluctance to undertake development projects. Construction activity in the United Arab Emirates remained at a high level during 2002.

Turnover by business lines

EURm	2001	**2002**
Cement	389	**395**
Concrete	27	**37**
Building materials	-	**-**
Intra-Group eliminations	-5	**-7**
Total turnover	411	**425**

Key data

EURm	2001	**2002**
OIBD	60	**60**
Operating income	21	**20**
Investment in tangible fixed assets	42	**27**
Tangible and intangible fixed assets	518	**501**
Employees	2,388	**2,513**

Cement business line

Mainly favourable market conditions

The continuing economic recovery in Indonesia permitted cement consumption to increase by 6 % to 27.2 million tonnes in 2002. The domestic sales volumes of our non-consolidated participation Indocement only remained at the previous year's level due to a value-oriented marketing approach. The second largest Indonesian cement company supplies a third of the total cement consumed in the archipelago. Total sales volumes including exports also remained stable at 11.5 million tonnes of cement and clinker.

Major investments by Indocement were made for measures to reduce costs and environmental improvement purposes. Overall, the environmental management systems in place in this company meet high international standards. Both plants on Java were certified in accordance with ISO 14001 in October 2002. Indocement also made considerable progress in reducing debts. Through strict financial management, the debts, which are mainly denominated in US dollars and Japanese yen, could be reduced from EUR 950 million to EUR 778 million. In addition to the substantially increased operating income, the main contributors to this were lower interest expenses, the sale of non-core activities and more favourable exchange rates. Indocement will continue to restrict investment to the absolute minimum and push forward the sale of non-core assets.

In China, our participation China Century Cement benefited from the state closure plan of outdated vertical-shaft kilns. In the southern Chinese province of Guangdong, consumption of top-quality rotary kiln cement, as produced by China Century Cement, increased again. With full utilisation of production capacity, sales volumes from our three Chinese plants increased by 14 % to 3.1 million tonnes of cement and clinker. We were also able to substantially improve results due to the new sales and marketing measures and the cost reduction programme. We are continuing with our plans to build a new cement plant with a capacity of 2.3 million tonnes in the provincial capital of Guangzhou. Depending on the progress of the approvals process, we estimate that this plant will start production at the end of 2005.

In Bangladesh, HeidelbergCement operates two cement grinding plants with a total annual capacity of 1.5 million tonnes. Although the cement industry in Bangladesh is currently suffering from excess capacities, which are also having an adverse effect on our results, the long-term growth prospects are good for our cement activities. In the current year, we plan to merge the two operations that have been run as separate legal entities to date, in order to be able to achieve production and financial synergies. Strict cost-cutting measures will contribute to better results.

Cement sales volumes from our grinding plant in the Sultanate of Brunei rose by just under 3 %. Cost-reducing measures and price increases for bagged cement led to a further improvement in results. We are currently pushing the sale of oil well cement for the oil industry.

In the Philippines, cement consumption increased by around 6 % to approximately 12.5 million tonnes; the share of imports in cement consumption fell to 3 %. Although demand has increased, sales prices decreased due to high competition. Our grinding plant Limay Grinding Mill Corporation – our sole operation in the Philippines - rose its sales volumes by 28 %. However, the increase in quantity could not compensate price drops. The prospects are positive for 2003 as we expect an increase in public construction. As we won't be able to reach a more significant presence with our cement activities in the Philippines in the foreseeable future, we have decided to sell the grinding plant. The closing of the deal is expected by the end of March 2003.

In the United Arab Emirates, we have a long-term management contract with the Ras al Khaimah cement plant. In addition, we hold a 40 % participation in a sales company that supplies oil well cement produced in this cement plant to the oil industry. The results from these activities were comparable with those in the previous year.

As a whole, we were able to increase cement sales volumes from our consolidated plants in Bangladesh, Brunei and the Philippines by 26 % to 1.2 million tonnes.

Concrete business line

Ready-mixed concrete sales volumes doubled

In Indonesia, the consumption of ready-mixed concrete increased by 21 % in 2002. Thanks to improved market conditions, we were able to double the ready-mixed concrete sales volumes at Indocement. The purchase of the remaining 50 % of the shares in a ready-mixed company, which until now has been operated as a joint venture, also contributed to this. Operating income also improved considerably in line with market developments.

Intensive competition had a substantial effect on prices in our Chinese ready-mixed concrete markets, Hong Kong and Guangzhou. Yet, we were still able to double the sales volumes of our consolidated participations and triple the operating income as a result of purchasing a new ready-mixed concrete plant, further cost reductions and improvements to our competitiveness.

Turkey

Revived optimism

After the severe economic and financial crisis in 2001, the Turkish economy grew again in the past year by 6 %. The inflation rate fell to the comparatively low value of 30.8 %, after having been at just below 89 % at the end of 2001. After a relatively quiet first half of the year, the collapse of the government coalition and new elections in November for a while led to renewed political instability. After the establishment of a one-party government, renewed optimism characterised the economy. The new government's statements on new housing and infrastructure projects are expected to initiate a sustained recovery of the crisis-ridden construction industry as from the second half of 2003.

Cement business line

Sales volumes slightly increased

The Turkish construction industry stopped its downward trend in the second half of 2002 and began to see a partial recovery. Cement consumption in Turkey increased throughout the year by approximately 7 % to 27 million tonnes. However, our participation Akçansa could not demonstrate any noticeable increase in demand in its main markets, and as a result its domestic sales volumes remained at the previous year's level. Total cement and clinker sales volumes, including exports, increased by just 2 % to 4.1 million tonnes (consolidated: 1.6 million tonnes). Securing the market position and cost reduction measures played a key strategic role at Akçansa in 2002.

The implementation of the environmental management system in accordance with ISO 14001 was pushed forward in the course of 2002 with the result that both Akçansa cement plants could be certified by the British Standards Institute at the start of 2003.

Concrete business line

Above-average development of sales volumes

Parallel to the construction activities, Turkish ready-mixed concrete consumption also increased by 6 % to 17.5 million cubic metres. The sales volumes from our ready-mixed concrete operating line Betonsa developed better than the market and achieved a welcome increase of 16 % to 1.5 million cubic metres. Betonsa constructed a new plant in the Izmir region, which will start production in the current year.

After the Betonsa plants were the first in Turkish ready-mixed concrete industry to be certified in accordance with ISO 9001-2000 in 2001, our ready-mixed operating line received the OHSAS 18001 certificate for its management system for health and safety at work during the past year. In 2002, Betonsa also began to introduce an environmental management system in line with ISO 14001.

Heidelberg Building Materials Europe (HBE)

Our activities concerning dry mortar, lightweight aggregates and building chemicals products are combined in our business unit Heidelberg Building Materials Europe (HBE). HBE is represented in more than 30 countries and is the market leader in Europe.

Leading market position

The HBE business unit was created from the merger of the German, Belgian and Scandinavian building materials activities – Maxit, Beamix, Optiroc and Heidelberger Bauchemie. Our 50 % participation in the Swiss Marmoran AG was also included in 2002. HBE is Europe's leading manufacturer of dry mortar and lightweight aggregates. Building chemical products and plant engineering for dry mortar plants complete its product range. Approximately, 4,900 members of staff are employed in 30 countries.

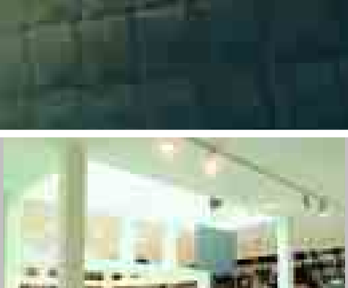
The dry mortar sector, which contributes approximately 60 % to HBE's total turnover, comprises among others things the production of internal and external plaster, masonry mortar, tile glue and floor coatings. These products experience fewer cyclical variations since they can be used in new construction, renovation and refurbishment. With 80 production sites and numerous sales offices - generally in Europe but also outside of Europe - HBE is widely geographically diversified.

Lightweight aggregates made of expanded clay are characterised by their insulating and water storing properties. They are used to manufacture building blocks and prefabricated elements as well as used directly for soil improvement and water purification. The most important markets are Northern Europe and the Iberian peninsula.

The wide range of special building chemical products are produced in three German plants and one location respectively in Poland and Turkey. In line with the restructuring measures of our German activities, we sold the concrete admixtures operating line Addiment in 2002.

The plant engineering operating line m-tec specialises in producing installations for processing dry mortar, and supplies logistical systems. m-tec is also involved as a worldwide supplier in the construction of turnkey plants.

Our photograph shows the Guggenheim Museum in Bilbao, Spain. The museum was opened in 1997 according to the designs of the American architect, Frank O. Gehry, after a construction period of four years. Building materials from our subsidiary company Optiroc Spain were used in the construction of this breathtaking, futuristic looking building.


Increased use of synergies

The international construction markets developed at different levels in 2002. In Eastern Europe - with the exception of Poland – sales volumes of dry mortar increased substantially thanks to improved economic conditions, whereas they continued to fall in Germany. Northern Europe stabilised at the previous year's level. Substantial growth was achieved in Spain. Our new plant in Madrid started operations. We started our first dry mortar activities in Bulgaria and China.

The restructuring of our German activities is for the most part completed. Reduced capacities and a modified product strategy led to substantial cost reductions. We are currently further improving the procurement and logistics areas. In Switzerland, we have also substantially improved our position. After the acquisition of the outstanding Marmoran shares, the company was merged with Maxit Switzerland. In the current year, we will integrate our building chemical activities. Similar projects are also under way to improve the business and cost situations in other countries.

Despite a declining trend in Germany and Poland, overall turnover from the lightweight aggregates operating line could be increased compared to the previous year. We were able to achieve substantial growth for some products in Sweden and the Baltic States. We modernised the production in Portugal to better meet the growing demands of the Spanish and Portuguese markets. Energy costs were reduced substantially through the increased use of secondary fuels. We intend to continue this development more intensively in the coming years.

The plant engineering operating line was generally adversely affected by the weakness of the market. However, we were able to achieve substantial growth in Southern Europe and Great Britain. The restructuring of the building chemical activities was continued with the sale of the Addiment product group.

Turnover by business lines

EURm	2001	**2002**
Cement	-	**-**
Concrete	17	**-**
Building materials	1,028	**1,010**
Intra-Group eliminations	-	**-**
Total turnover	1,045	**1,010**

Key data

EURm	2001	**2002**
OIBD	105	**131**
Operating income	15	**45**
Investment in tangible fixed assets	61	**35**
Tangible and intangible fixed assets	864	**823**
Employees	5,476	**4,885**

Successful restructuring

Restructuring and consolidation marked the year 2002. We have focused on our products with the strongest margins, and further increased the profitability of our production. Thanks to the progress in integration, we were able to fully use the potential of HBE both with regard to the product range as well as the widely spread sales organisation. Decentralised research and development activities are one of the key stenghts of HBE. New products and solutions, as well as the improvement of existing products and procedures are available to the whole HBE group. The international knowledge transfer facilitates optimised synergies.

Turnover decreased in total by 3.3 % to EUR 1,010 million (previous year: 1,045). In Germany, the decline was 11 % whereas growth could be achieved in most other countries. The successful restructuring had a clear effect on the operating income before depreciation (OIBD), which improved to EUR 131 million (previous year: 105).

One focus of the restructuring plan is to make available a wide product range in order to fully exploit the high potential of the whole HBE group. The extension of the product range is being accelerated with the support of IT-based tools. Products that were successful in individual countries were assessed for their chances on international markets. Various projects were already started to market these products in other countries.

We continue to concentrate on the organisational merger of our dry mortar and expanded clay activities. The integration of these two strong product portfolios will further improve HBE's market position.

Group Services

HC Trading and HC Fuels, above all, belong to Group Services. While HC Trading trades with cement and clinker and is one of the largest trading companies in this sector, HC Fuels manages worldwide trading in fossil fuels, which it sells to Group-owned and third party companies.

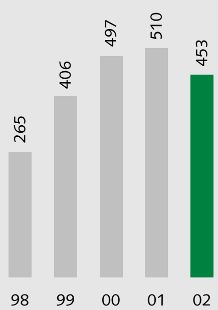
Varied trading activities

In addition to the activities of our international cement and clinker trading company HC Trading, the strategic business unit Group Services covers the worldwide trade in fossil fuels through HC Fuels, the distribution of calcium aluminate cement from our Croatian plant at Pula through Heidelberger Calcium Aluminates as well as the company Silo Plus which operates in Germany.

The total turnover of the Group Services unit fell in the previous year by 11.2 % to EUR 453 million (previous year: 510).

HC Trading

Turnover in EURm



Trade volume at record level

In 2002, the worldwide traded volume in cement fell. Higher fuel prices, which led to increased freight costs, and changed trading practices contributed to this.

Despite the global downturn, our subsidiary HC Trading at 11.1 million tonnes (previous year: 10.9) achieved its highest trade volume so far and as a result exceeded the previous year by 2 %. We traded 5.4 million tonnes of cement, 5.1 million tonnes of clinker and 0.6 million tonnes of related materials. We dispatched 635 shiploads to 96 destinations in more than 50 countries. The main buyers from HC Trading in the past year were the African countries south of the Sahara (4.4 million tonnes), followed by the US (3.1 million tonnes), Asia (2.0 million tonnes) and the Mediterranean countries (1.3 million tonnes).

In spite of this positive development in sales volumes, our turnover fell due to the modified product mix and lower export prices. The strained competitive situation in many regions contributed to this development.

The company coordinates its trading activities from branches in Istanbul, Oslo and Singapore. We are able to deliver cement surplus production, which originates primarily from Europe due to the weak market conditions prevailing here, into other markets via HC Trading's network of cement terminals spanning the world, including those in Africa, Asia and North America. In this way, we succeeded in achieving higher capacity utilisation in the Group.

In addition to the pure commercial activity, our subsidiary also offers its customers the necessary logistical support as a service: HC Trading operates floating terminals in several countries to import and deliver the traded cement. After the liberalisation of cement imports in Libya, we have taken into operation the first floating terminal in this country in the port of Tripolis.

HC Fuels

Extension of trading activities continued

Our subsidiary HC Fuels, based in London, is responsible for the cost-effective purchase of internationally traded fossil fuels for Group companies in Europe, Africa and North America. HC Fuels currently supplies Group production sites in 17 countries. In the past year, Russian coal was delivered to North America for the first time.

Prices for coal and petroleum coke increased strongly in 2002. HC Fuels adapted to the price increases for coal and petroleum coke in good time and secured our demand in Europe for the next two to three years by means of coal supply forward contracts at a satisfactory level.

HC Fuels now also supplies plants in our Central Europe East region: in July, Zlatna Panega in Bulgaria received the first Russian coal by water via the Danube. Since the beginning of the current year, the plants at Fieni in Romania and Kakanj in Bosnia have also been supplied by HC Fuels.

Business with third-party companies was also expanded in the past year to take advantage of the synergies arising from deliveries to Group production sites. In 2002, HC Fuels sold fuels to cement plants in Europe and in the Caribbean as well as to a lime manufacturers in Turkey.

In March 2002, HC Fuels was certified in accordance with ISO 14001 for its environmental management.

Key data

EURm	2001	**2002**
OIBD	8	**9**
Operating income	5	**6**
Investment in tangible fixed assets	-	**-**
Tangible and intangible fixed assets	47	**44**
Employees	48	**108**

■ Clinker is an intermediate product of cement, which can be easily transported and processed to cement on site. Our photograph shows a section of the ultra-modern clinker silo of our cement plant at Lengfurt, Germany.



HeidelbergCement report to the shareholders

Corporate Governance

In February 2002, the government commission "German Corporate Governance Code" published their compilation of the current and also recommended rules on managing and supervising listed companies in Germany. On 26 July 2002, the new Art. 161 of the German Stock Corporation Act (Aktiengesetz) came into effect which obliges listed public limited companies to disclose deviations to the German Corporate Governance Code.

HeidelbergCement followed the discussion on the subject of Corporate Governance carefully from the start and began the preparatory work to implement the new law at an early stage. In a review, we firstly ascertained that our company already adheres to a great extent to the over 100 rules listed in the Code. This applies on the one hand to all the rules that reflect current German Stock Corporation Act. But it also applies to a variety of additional recommendations of the government commission. The Managing Board and Supervisory Board have debated whether it is possible to adapt the remaining differences to the Code or whether specific corporate interests justify deviations from the Code. Finally, we decided to accept the following government commission recommendations:

- Setting up appropriate excess for the D&O liability insurance for Supervisory Board and Managing Board members
- Regular reporting on Corporate Governance in the annual report
- Detailed itemisation of compensation of Supervisory Board and Managing Board members in the annual report by fixed and variable components as well as components with long-term incentive effects
- Setting an age limit for Managing Board members
- Setting of an Audit Committee by the Supervisory Board
- Taking into account the chairing and membership of committees when assessing Supervisory Board compensation (subject to the approval of the corresponding change of the Statutes by the Annual General Meeting)
- Informing the shareholders of any conflicts of interests of members of the Supervisory Board in the report at the Annual General Meeting
- Stating the shareholdings of the Supervisory Board and Managing Board members if they exceed 1% of the issued stocks of the company

However, the company did not agree to the following two recommendations from the government commission: setting an age limit for Supervisory Board members and publishing the list of subsidiaries with results from participations.

As far as the age limit for Supervisory Board members is concerned, the Supervisory Board and Managing Board are convinced that being older is no reason to doubt a person's ability to advise and monitor a company. The recommendation to publish the list of subsidiaries with results from participations was not accepted out of respect for our small and medium-sized partners in such participations.

These two deviations were published in the first compliance declaration in accordance with § 161 of the German Stock Corporation Act on 13 December 2002. In this way, HeidelbergCement satisfied the new legal requirements for Corporate Governance within the stipulated time limit.

In order to provide better information both internally and externally, HeidelbergCement did not stop at the measures described above. We agreed on a transparent overview of the company-specific Corporate Governance situation, and published it as the "HeidelbergCement Corporate Governance Principles" on our web site (www.heidelbergcement.com) also on 13 December 2002. The "HeidelbergCement Corporate Governance Principles" are closely following the German Corporate Governance Code but do avoid its essentially abstract nature. Therefore, HeidelbergCement guarantees that it has met the capital market's requirements for corporate management and supervision that match modern, responsible and international standards.

The Supervisory Board, Managing Board and managers of HeidelbergCement identify themselves with the Corporate Governance Principles and make sure that they are implemented throughout the Group. HeidelbergCement intends to review and if necessary alter the Corporate Governance Principles annually, bearing in mind the national and international developments and in the light of any company-specific distinctions.

Stock option plan

In 2000 HeidelbergCement started to issue an annual stock option plan for around 100 senior Group managers. Each plan has a term of six years.

The 2000/2006 and 2002/2008 plans are so-called virtual plans (phantom stock options). The 2001/2007 plan is a real plan, which grants "real" options on HeidelbergCement shares.

The volumes are 500,000 stock options per plan. The requirement for exercising the options is a two years waiting period and an annual, average share price increase of 5%. In addition, the share price development may not be worse than the "MSCI" World Construction Materials Index. Otherwise the stock options remain blocked in the same percentage as the underperformance.

The base value for determining the share price increases for the 2000/2006 plan is EUR 61.21, EUR 52.82 for the 2001/2007 plan and EUR 41.21 for the 2002/2008 plan. The 2001/2007 and 2002/2008 plans are still in the waiting period. For the 2000/2006 plan, the exercise requirements have at no point been met due to the negative share price development since their issue.

Risk management

Entrepreneurial activity with the objective of producing appropriate returns means not only seizing opportunities but also taking risks. As a result, the survival and the growth of the Group are ensured.

Our risk management system is incorporated in the organisational and operational structure; significant components are the planning and controlling process, Group-wide guidelines and ongoing reporting to the Managing Board and Supervisory Board. The performance of our risk management system is checked continuously at Group level by the Group Internal Audit and Corporate Risk Management department as well as once a year by our auditors. Risk reporting is regularly updated by the following steps in line with the standard guideline for all Group companies:

1. Systematic identification and documentation of the risks and protection systems
2. Evaluation of the risks according to probability of occurrence, potential level of loss and assessment of the effectiveness of the existing protection systems
3. Analysis of the effects of the identified risks on the company goals and structured presentation in a detailed risk report
4. Individual risk-reducing measures are summarised in annual action plans; their execution is examined/reviewed by the person responsible.

The Managing Board is informed about the risk status on a quarterly basis. In addition with internal instantaneous notifications if unforeseen risks should arise, a comprehensive overview of HeidelbergCement's risk situation is thereby ensured at any time. The Managing Board, supported by a newly created risk committee, can thus identify possible risk developments at an early stage. Contingency plans for all substantial risks represent a further module in the Group-wide risk management process.

After evaluation of the overall risk situation and of the measures taken, no risks were identified in 2002 that could threaten the existence of the Group

Financial risks

The main financial risks relevant to the Group are the financing, the currency and the interest rate risks. The Corporate Finance & Treasury department constantly monitors the financing risk, among others, by maturity term tables and credit line usage statistics. In view of internal Group guidelines, all transaction-related currency risks are generally eliminated through the use of appropriate financial instruments. Currency translation risks are hedged on a highly selective basis only. The Corporate Finance & Treasury department centrally controls interest rate risks. Both, cash flow and price risks which are associated with interest rate changes are monitored on a continuous basis and maintained within the parameters allowed by the Group's Chief Financial Officer. A finance committee regularly monitors all of the Group's strategically important financial risks. Further details are listed in the Notes to the Group accounts under „Financial instruments“.

Strategic risks

HeidelbergCement's risk profile reflects the risks of an international group with operating units and companies in many countries across the world. HeidelbergCement has good risk diversification thanks to its balanced geographical market presence. The effects of different business cycles in individual countries normally compensate each other. We are concerned about compensation even with investments in growth and mature markets that demonstrate various risks due to their different economic and political development. We regularly analyse and monitor the political and economic risks of the individual countries. We take stabilising steps as soon as a change in the risk profile arises. A comprehensive risk monitoring includes the following factors: stability of the currency and of the political situation, the ability to overcome setbacks, the social and ethnic conditions, the efficiency of the public administration and the tax laws. Risks in the case of investments in Africa and Asia deserve special attention. The specific risks in our markets are dealt with in detail in the section „HeidelbergCement on the market“.

Operating risks

Operating risks include the supply situation and the development of prices in the case of primary and secondary fuels and additives. Also included are risks in connection with cost reduction measures - particularly in the personnel sector. Risks that may be connected with the control of emissions can be found in the statements on "Environmental precaution". Financial inventory risks and liability risks are limited by special insurance protection. The responsible departments in our Group take specific risk reducing measures or ensure satisfactory supervision in order to be able to control and monitor risks.

The current cement cartel proceedings are also subject to ongoing risk monitoring. The Legal department has overall control, supported by external cartel law specialists.

Employees

In 2002, HeidelbergCement employed an average of 36,761 (previous year: 34,846) members of staff. This is 1,915 more than in the previous year. The increase was due to new consolidations in Northern Europe and Central Europe East. The number of employees in the Western Europe region and in the HBE business unit fell as a result of our restructuring measures. The Group is now present in 50 countries on four continents.

Personnel costs

Personnel costs in 2002 were at EUR 1,408 million (previous year: 1,425) slightly below the previous year's level. This corresponds to a share of 21.4 % in turnover.

Decentralised organisational structure

Human resources is managed decentrally at HeidelbergCement. The human resources managers in the strategic business units meet and come to agreements in a working group, whose spokesperson reports directly to the Chairman of the Managing Board. This close collaboration along with harmonised management guidelines ensure a consistent staffing policy across the Group.

In the previous year we started three human resources projects at Group level: The Management Mentoring Program (MMP) provides the organisational framework in which members of senior management support and encourage management staff with development potential. The Management Development Program (MDP) aims to bring together second level managers in smaller groups for a period of time in order to strengthen the cooperation and sense of belonging to the Group across countries and corporate limits. We have also relaunched the human resources pages on the intranet and published our first Group staff brochure. These activities actively support the image of HeidelbergCement as an attractive international employer.

In addition, we successfully completed the introduction of value-oriented corporate governance in accordance with the Economic Value Added (EVA®) concept. A project team of experts from various Group departments carried out intensive training sessions with the support of Stern Stewart management consultants. A comprehensive manual in English and German accompanied the implementation of the new system. A total of around 2,250 employees were introduced to the EVA® system.

Group employees by regions

	1998	1999	2000	2001	**2002**
Central Europe West	6,562	8,533	8,233	4,523	**4,470**
Western Europe	3,196	4,388	4,450	4,227	**3,894**
Northern Europe	-	7,310	7,476	5,027	**5,368**
Central Europe East	7,125	8,388	7,448	7,047	**9,600**
North America	5,862	6,542	6,191	6,110	**5,923**
Africa-Asia-Turkey	407	1,757	2,552	2,388	**2,513**
HBE	-	-	-	5,476	**4,885**
Group Services	1,159	1,409	122	48	**108**
	24,311	38,327	36,472	34,846	**36,761**

until 2000: HBE employees in Central Europe West, Western Europe and Northern Europe enclosed

Human resources in the regions

In the **Central Europe West** region after eight years of recession in the German construction industry additional staffing adjustments were unavoidable. This affects around 400 jobs, primarily in the cement business line. Closing the Kiefersfelden cement plant alone costs over 150 jobs. We have organised the staff cuts to be as socially acceptable as possible: fair social plans, increased use of early retirement models, allowing short-term work contracts to end and the support of new career paths form the basis of this.

We have re-worked our personnel development programme in order to optimise additional and further staff training and to make it more efficient. This is how we want to ensure that we can face future challenges in a demand-driven and goal-oriented way despite limited means. We place particular value on practical training, for example through the newly introduced apprenticeship for commercial IT, special secretarial programmes and training activities for lower and middle management.

The International Management Candidate Program, assignments to other countries and compulsory periods abroad for trainees serve to build up international management competence. In Central Europe West, HeidelbergCement is perceived as an attractive employer to a greater extent than ever before thanks to our intensive staff marketing in schools and universities and our updated web site.

In 2002 one focus of the human resources work in **Western Europe** was on-the-job safety. We introduced training programmes to improve safety at the workplace and to sharpen the awareness of it. As part of personnel development we held new seminars that simulated strategies and financing projects. We expanded the range of staff training to introduce non-technicians to technical basics.

In Belgium, the personnel department supported ISO certification in the cement and aggregates areas as in the previous year with accompanying training measures. Working groups have begun to develop possible synergies in combining our Belgian and Dutch cement activities, which is planned for 2004.

A range of rationalisation measures in Western Europe led to the loss of over 200 jobs in some of our production sites. For example gravel quarrying in the Quenast quarry of our Belgian subsidiary Gralex was further automated and we undertook modernisation measures for cement activities at CBR in Belgium. Investments in modern dry kiln technology at Castle Cement in the United Kingdom will also lead to job cuts. Where possible, required staffing adjustments are made on the basis of early retirement regulations, or by not extending short-term contracts. Other measures occur in a socially acceptable way and are agreed with local unions and employee representatives.

In **Northern Europe**, 25 junior managers undertook a personnel development programme during the reporting period that comprised leadership, project management, intercultural communication and case studies. The aim of this activity was to qualify appropriate young people for management tasks in the Northern Europe region or for the Group. Between the theoretical classes the managers completed training on the job so that they were able to take on roles as engineers, controllers, project or human resources managers after finishing the programme.

In 2002, eight participants in the programme for PhD students in the engineering technology completed their doctorate studies with our support. Seven of them have now taken on tasks within the Group.

Staff members in the Northern Europe region can obtain further training in the use of office software using the interactive IT study programme "E2U" (E-learning to you). This project started in 2001 and will end this year.

We continued staff training in business management, production technology, sales, introducing the ISO systems and English in the **Central Europe East** region. We have increasingly implemented the principle of management on the basis of goal agreements and also transferred this to the lower management levels. We have made great efforts to increase productivity - especially in the areas of cement in the Ukraine and aggregates in Poland and the Czech Republic. We were able to implement the necessary restructuring measures in agreement with the local workers' representatives and with fair, socially acceptable regulations.

In **North America** three programmes ensure continual personnel development. Individual customised training programmes are implemented under the umbrella of the Succession Management and Employee Development system (SMEDS). We have revised the mentoring system to offer support to a wider range of employees. This includes increasing the number of mentors and stipulating that the mentor and the mentee need not necessarily come from the same business, region or discipline. Finally, in cooperation with a North American university, we developed a leadership-training programme (Lehigh Applied Management Program – LAMP), which will start in spring 2003. Over a period of three years a selected group of employees with leadership potential will take part in one-week intensive external training courses that have been specially tailored to meet the needs of the cement and building materials industry. LAMP aims to further develop the practical and theoretical expertise of the participants with the help of the most modern management methods.

Internal and external recruitment of additional managers for our activities was at the heart of our human resources work in **Africa**. During the reporting period, 22 international managers started new positions in eleven African countries. In order to retain adequate management competence, we established the HeidelbergCement Africa Academy. It prepares local managers to take on greater responsibility. There are currently participants from Benin, Gabon, Togo and Nigeria. The activities of HeidelbergCement Africa are man-

aged from Oslo in Norway. As of the end of 2002, there were 3,200 local (1,234 of which in consolidated companies) and 70 expatriate employees working for HeidelbergCement in Africa including associated companies.

For the first time, we relocated local managers within the **Asia** region. A considerably greater number of managers took part in the Group's staff training activities than in the past. We have continued the restructuring measures in this region in order to improve productivity. This led to personnel reductions especially in cement activities in China. On the other hand, the expansion of ready-mixed concrete production in Indonesia and China led to slight increases in the headcounts in both countries. Including all non-consolidated participations we employ around 11,300 people in Asia (919 of which in consolidated companies).

In **Turkey** – with 360 consolidated employees - the human resources work at our participation Akçansa is primarily aimed at improving internal communication and expanding the range of staff training programmes offered. The results of staff survey and management considerations on further developing the company were described in detail and discussed with the staff at a number of workshops. Sales and marketing managers of cement and ready-mixed concrete underwent intensive training programmes on customer satisfaction and sales negotiations. In addition, employees were offered English classes. We have further intensified succession planning in order to appropriately support employees. In May 2002, the Turkish Ministry for Work awarded a prize to Akçansa for its exemplary efforts in on-the-job safety and health at the workplace.

The human resources work in the Group's building materials operating line brought together under **Heidelberg Building Materials Europe** (**HBE**) emphasised the need to maintain the decentralised nature of the newly built management unit whilst strengthening the network and the teambuilding of the managers from the different companies. This is why we started the HBE Management Programme, which to date has brought together around one hundred managers from the countries in which HBE is present. In addition, restructuring measures were undertaken in various countries to develop synergies and to

coordinate and improve product developments. Three engineers, whose doctorates we sponsored, completed their examinations successfully in the reporting period and have now taken on responsibility in our building materials business. HBE activities are managed from Stockholm. Due to the sale of Addiment and the restructuring of the German dry mortar business, HBE experienced job cuts of around 600 jobs. The management unit employs around 4,900 people in 33 countries.

Our trading company **HC Trading** with offices in Istanbul, Oslo and Singapore is responsible for the global trade in cement and clinker. **HC Fuels** in London undertakes the fuel purchasing activities. While Managing Board member Paul Vanfrachem is responsible for HC Trading, HC Fuels reports directly to CFO Horst R. Wolf. We have 36 employees in international teams in cement trade and 6 in fuel purchasing.

The collaboration between Managing Board, Supervisory Board and employee representatives was characterised by trust, loyalty and mutual respect again over the past year. We would like to thank all the members of staff whose hard work and enthusiasm have contributed to the success of the Group.

Environmental precaution

Sustainable development as a corporate goal

Environmental precaution is one of the key principles of HeidelbergCement's Corporate Mission. Its most important cornerstones are reducing emissions, introducing certified environmental management systems and conserving resources through the use of secondary fuels and raw materials.

Our objective is steady and sustainable development in the building materials industry. HeidelbergCement is a member of the international "Cement Sustainability Initiative" and is cooperating in sustainability projects. Internally we have undertaken a working programme that will be implemented by 2006 with four important subject areas:

- Use and protection of nature
- Climate protection/reduction of emissions
- Eco-efficiency
- Sustainable corporate governance

Greater transparency and exchange of Group-wide knowledge

HeidelbergCement published its first Group environmental report in spring 2002 in order to make developments in sustainable business traceable and appraisable within and outside the Group. It supplements the already existing environmental reports within the Group from individual regions or companies.

Within the Group we particularly promote the global transfer of knowledge. We have introduced a knowledge management system that systematically records important experiences and expert knowledge in the area of environmental protection. It is available to a wide range of employees.

Expansion of the environmental management system

We are consistently pushing forward with the introduction of environmental management systems. In 2002, the IJmuiden and Maastricht cement plants in the Netherlands, Antoing in Belgium, and our plants in the Czech Republic, Hungary, Croatia and Indonesia were certified in accordance with ISO 14001.

Innovations in the use of secondary fuels

HeidelbergCement is backing innovative processes and the use of secondary fuels. We use the "Hot Disc" technology in our Norwegian cement plant in Kjøpsvik. It enables bulkier secondary fuels such as used tyres, plastic waste and old wood to be recycled and thereby to replace a high proportion of primary fuels. By using this technology it is not necessary to shred and process the alternative fuels, which is energy intensive.

In the British cement plant in Ketton we have started operations with a processing installation for secondary fuels, which further reduces the proportion of primary fossil fuels used. This means that we do not simply conserve valuable resources and reduce costs but also make a contribution towards reducing CO_2 emissions and therefore to environmental protection.

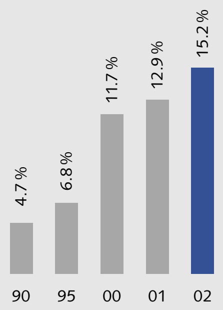
Reducing emissions

All HeidelbergCement plants worldwide are continually working on reducing emissions. In 2002, for example, we renewed the filter systems in the Citeureup and Cirebon cement plants in Indonesia. In the Dutch plant in Maastricht, we optimised the new process for the reduction of nitrogen oxides.

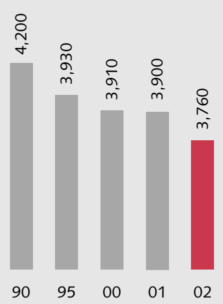
Reducing CO_2 emissions represents a key element of sustainable development for HeidelbergCement. By conserving natural resources and optimising our processes and products, we intend to make our contribution to achieving the objectives laid out in the Kyoto Protocol. Compared with the internationally used base year of 1990 we have set ourselves the following reduction objective as a voluntary obligation:
15 % reduction in specific net CO_2 emissions (CO_2 emissions measured in kilograms per kilogram of clinker produced) at all production sites across the Group by 2010.

This reduction goal relates to all the fully or partially consolidated cement companies in our Group including possible acquisitions that may be made by 2010. The emissions of these newly added plants are included from 1990 onwards. Sales of plants are disregarded from 1990 onwards. Secondary fuels are valued as CO_2 neutral because of their overall ecological positive effects. The CO_2 emissions are determined on the base of the protocol of the World Business Council for Sustainable Development.

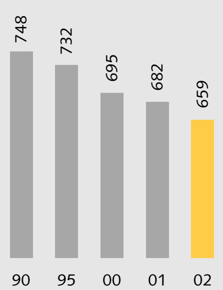
Use of secondary fuels



Specific energy consumption
kJ/kg clinker



Specific net CO_2 emissions
kg CO_2/t cement



We can already demonstrate considerable success in reducing CO_2. This is primarily due to three measures:

- **Use of secondary fuels**
  Across the Group, the proportion of secondary fuels in 1990 was just 4% of the total energy requirements for the process of clinker burning. We have consistently expanded this proportion in recent years; in 2002, it had already reached over15%. On the basis of recognised scientific studies, the use of secondary fuels is assessed as CO_2 neutral as it prevents the release of gases that affect the environment elsewhere. In addition, their use is free of residual materials, i.e. no waste is produced.

- **Reduction of specific energy consumption**
  HeidelbergCement reduced the specific energy consumption between 1990 and 2002 from 4,200 kJ/kg of clinker to 3,760 kJ/kg of clinker. This is due to modernising the production plants, and to shutting down old kilns and improved energy efficiency when drying raw materials.

- **Reduction of the proportion of clinker in cement**
  Between 1990 and 2002 we reduced the clinker/cement factor from 0.84 to 0.81. The primary clinker secondarys are blast-furnace slag and fly ash, which occur as by-products and waste products in other industries.

In order to achieve our CO_2 reduction objective, we will continue and intensify the measures listed above. We aim to cover 30 % of our energy requirements with secondary fuels in 2010. The average energy requirement at that time should be below 3,500 kJ/kg of clinker, and a minimum of 20 % CO_2 neutral additives, e.g. blast-furnace slag and fly ash, will be used for cement grinding. Furthermore, we will increasingly replace natural limestone with secondary raw materials. And finally, we will intensify our research and development efforts in order to drive forward the development of sustainable and high quality cements.

CO_2 emissions continued to go down in 2002. Compared with the previous year, specific net CO_2 emissions fell from 682 kg/tonne of cement to 659 kg/tonne of cement.

Research and development

Network for the transfer of knowledge

In previous years, we have significantly extended our Group-wide network for the transfer of knowledge and linked together all business regions via the common knowledge platform "World of Cement" and through a number of expert groups. At the same time, we have also improved the transfer of knowledge within a region or business unit. Thus, we are ensuring that knowledge is available where it is required. Research and development are primarily benefiting from this collaboration with shorter development times for new products. Internal knowledge is complemented by basic research in collaboration with universities and research institutes. At HeidelbergCement, we spent approximately EUR 44 million in the previous year for research and development that was close to the market and client-orientated; there were 440 employees working in this sector across the Group.

Sustainability in cement production

Sustainability in cement production already starts with the burning of the intermediate product, clinker. Thanks to the steadily increasing proportion of secondary raw materials and fuels, we are economising on precious, non-renewable raw materials and at the same time lowering emissions. Our improved process technologies facilitate the environmentally compatible and efficient use of these secondary materials. That serves the environment and is also economically advantageous.

A good example for dealings with alternative fuels is the new Hot-Disc technology which has been installed for the first time worldwide in our Norwegian cement plant at Kjøpsvik. With this process it is possible to directly feed secondary fuels into the burning process, e.g. used tyres, plastic waste or old wood, without having to shred and process them beforehand.

With the use of substitute raw materials such as blast furnace slag and fly ash –which are waste products from steel production and from coal power stations – we achieve also savings on large quantities of natural raw materials and energy. Therefore, for example, we can reduce the CO_2 emissions by approximately 200 kg per tonne with the use of 25% of blast furnace slag in the cement production. The development and marketing of cement types, to which these materials are added when grinding clinker to cement, account for a large part of our research and development activities. This has been rather successful: for instance, we have increased the proportion of additives by around 20% within two years in Poland and the Czech Republic with the development of high-grade cement types

containing blast furnace slag. It is similar also for North America and Norway where we have introduced new cement types containing fly ash to the market. In Germany, we are endeavouring to obtain the licenses for new, improved cement types containing a combination of additives to achieve ideal product characteristics. We are accompanying the launch of these cement types in all regions with a competent technical service.

An additional focus of sustained production is research on the utilisation of building rubble. We are collaborating closely with universities in the United Kingdom and the Netherlands. Processes are developed to use parts of the building rubble as aggregates in concrete production and to return the rest into the cement production. In this way, a totally closed materials cycle emerges that makes land-filling superfluous.

More optimised concrete applications

Our customers are asking ever more frequently for softer and easy to process concrete types. In pursuit of this trend, our subsidiary Heidelberger Beton has developed the "Easycrete" product range, headed by the self-compacting concrete "Easycrete SV". After general licensing by the construction supervising authorities, we can now also use the various application possibilities of self-compacting concrete extensively in Germany. In an international comparison, HeidelbergCement has for some years occupied a top position with numerous large projects, particularly in Scandinavia and the Netherlands, and is benefiting Group-wide from the experience in these countries.

That applies also to high-performance concrete with very high strength, as the Canadian subsidiary Ocean Construction demonstrated with the construction of the Shaw Tower in Vancouver. On this occasion, top logistical performance was particularly requested besides the high quality of the concrete. Thus, for the production of the foundation 3,000 cubic metres of concrete had to be produced and incorporated within ten hours. That corresponds, for example, to the entire concrete needs of approximately 50 single-family houses.

Special building materials for customers

Customer-orientated and application-orientated building materials are developed all over the Group. Our subsidiary, Heidelberg Building Materials Europe (HBE), has extended and optimised its product range of self-levelling floor finish types. New floor levelling compounds and floor finish types were developed for processing by hand. In addition, HBE succeeded in the production of thin-layered floor finish products on a cement base, which can be applied to virtually any floor surface. They are especially suitable for the refurbishment and reconstruction of residential accommodations and buildings. Also included are very quickly drying floor finish types on which floor coverings can be laid after a short time already. Thereby our customers save construction time and costs.

With the maxit ip 19 FLP product, HBE's German subsidiary Maxit has launched a fibre-reinforced insulating plaster with excellent heat insulation properties. This is especially suitable for the use on lightweight brickwork on which conventional plaster has a tendency to crack.

Our British subsidiary Castle Cement has developed a completely new cement type which contains micro-dispersed carbon particles and as a result shows a high thermal insulation effect. Construction components produced with this cement screen at the same time electromagnetic radiation so that this building material is particularly suitable for radiation-sensitive or safety-relevant areas. In the meantime, a patent application was filed worldwide for the new cement type.

Purchasing

Due to the increased concentration on our core competences - cement, concrete and cementitious materials - and the related separation from companies that to date have provided services to the Group, third-party purchasing is constantly increasing. Purchasing and investments in tangible fixed assets make up around 75 % of our Group turnover. For HeidelbergCement, it is therefore extremely important to find the most highly qualified and cost-effective suppliers on the market.

Group Purchasing and the Group Purchasing Strategy Team coordinate all Group-wide purchasing activities. The purchasing managers from all the business regions are represented in the Strategy Team. They are responsible within the Group for the long term goals, strategies and principles of purchasing.

In 2002, HeidelbergCement developed a new purchasing strategy, which primarily lays down long-term perspectives and goals. The main goals include increasing the proportion of secondary materials and fuels in the whole cement production process.

We set up several new product teams in 2002 in order to better coordinate the purchase of particularly important products – these include, for example, electricity and such additives as blast furnace slag and fly ash - and to achieve Group-wide purchasing synergies. At least two representatives from different strategic business regions belong to each team. These teams are under the leadership of the member that has the most detailed product knowledge and whose region is the main consumer of such product.

The main emphasis of our purchasing activities is primarily on a decentralised organisational structure that is coordinated centrally. Thus, we ensure that all the purchasing processes occur in close cooperation with the locations and plants.

Focus on Asia

One focus of our activities last year was on the Asian suppliers' market. The most important tasks in Asia include coordinating purchasing activities, finding new, cost-effective suppliers not just for Asia but for the whole Group, and further developing existing relationships with suppliers. In this way, they are adapted to the various quality requirements of the other Group regions.

Effective procurement

In the previous year, we continued our programmes for optimising purchasing (PEP = Purchasing Efficiency Projects) in all regions. We intend to use this approach to improve cost efficiency throughout the purchasing process and to achieve synergy effects. Above all, our requirements for cost-effective purchasing prices, lower subsequent costs, appropriate quality and environmental friendliness must be satisfied. One focus of the programmes is to increase the commercial competence of all employees dealing with the suppliers' market. To date, we have trained over 600 employees from the most varied areas in the competence programmes. All the purchasing processes within our company from now on will be cross-departmental, and occur whilst adhering to strict commercial purchasing patterns. This improved approach will then be transferred to all regions as the best practice solution.

We have already achieved high savings in current projects. Purchasing will continue to contribute to a sustained improvement in profitability thanks to the introduction of the new procurement structure.

HeidelbergCement annual accounts

Profit and loss accounts

EUR '000s	Notes	2001	2002
Turnover	1	6,688,815	**6,569,770**
Change in stocks and work in progress		23,306	**-12,290**
Own work capitalised		8,744	**2,151**
Operating revenues		6,720,865	**6,559,631**
Other operating income	2	225,949	**196,438**
Material costs	3	-2,653,993	**-2,517,274**
Employees and personnel costs	4	-1,425,019	**-1,407,925**
Other operating expenses	5	-1,683,249	**-1,683,785**
Operating income before depreciation (OIBD)		1,184,553	**1,147,085**
Depreciation and amortisation of tangible fixed assets	6	-446,068	**-464,363**
Depreciation and amortisation of goodwill		-150,726	**-158,045**
Depreciation and amortisation of intangible fixed assets		-22,707	**-24,273**
Operating income		565,052	**500,404**
Non-operating result	7	22,864	**-1,412**
Results from participations	8	69,605	**71,387**
Earnings before interest and income taxes (EBIT)		657,521	**570,379**
Financial results	9	-265,811	**-227,550**
Profit before tax		391,710	**342,829**
Taxes on income	10	-136,270	**-80,373**
Profit for the financial year		255,440	**262,456**
Minority interests		-11,414	**-14,291**
Group share in profit		244,026	**248,165**
Amount for dividend payment	38	73,912	
Earnings per ordinary share in EUR (IAS 33)	11	3.83	**3.90**
Earnings per preference share in EUR (IAS 33)	11	3.94	

Cash flow statement

EUR '000s	Notes	2001	2002
Operating income before depreciation (OIBD)		1,184,553	**1,147,085**
Non-operating result before depreciation		43,491	**17,149**
Dividends received		32,050	**22,801**
Interest paid		-273,786	**-271,365**
Taxes paid		-252,991	**-61,347**
Elimination of non-cash items	12	54,925	**99,052**
Cash flow		788,242	**953,375**
Changes in operating assets	13	94,441	**58,756**
Changes in operating liabilities	14	-110,061	**-67,289**
Net cash from operating activities		772,622	**944,842**
Intangible fixed assets		-16,243	**-18,532**
Tangible fixed assets		-800,478	**-438,704**
Financial fixed assets		-412,245	**-217,702**
Investments (cash outflow)	15	-1,228,966	**-674,938**
Proceeds from fixed assets disposals		160,558	**267,501**
Cash from changes in consolidation scope		10,054	**9,375**
Net cash used in investing acitivities		-1,058,354	**-398,062**
Purchase of company shares			**-925**
Dividend payments - HeidelbergCement AG	16	-73,736	**-73,736**
Dividend payments - minority shareholders	17	-14,076	**-13,553**
Proceeds from bond issuance and loans	18	810,314	**213,657**
Repayment of bonds and loans	19	-355,291	**-799,622**
Cash flow from financing activities		367,211	**-674,179**
Net change in cash and cash equivalents	20	81,479	**-127,399**
Effect of exchange rate changes		-5,103	**-40,867**
Cash and cash equivalents at 1 January		491,363	**567,739**
Cash and cash equivalents at 31 December		567,739	**399,473**

Group

Balance sheet Assets

EUR '000s	Notes	31 Dec. 2001	31 Dec. 2002
Long-term assets			
Intangible fixed assets	21	2,497,416	**2,397,052**
Tangible fixed assets	22		
Land and buildings		1,568,575	**1,593,430**
Plant and machinery		2,283,885	**2,562,600**
Fixtures, fittings, tools and equipment		297,172	**224,865**
Payment on account and assets under construction		729,619	**284,354**
		4,879,251	**4,665,249**
Financial fixed assets	23		
Shares in associated companies	24	639,400	**766,339**
Shares in other participations	25	478,813	**451,273**
Loans to participations		59,053	**63,357**
Other loans		180,525	**118,256**
		1,357,791	**1,399,225**
Fixed assets		8,734,458	**8,461,526**
Deferred taxes		57,182	**148,250**
Other long-term receivables		196,144	**128,465**
		8,987,784	**8,738,241**
Short-term assets			
Stocks	26		
Raw materials and consumables		345,460	**321,132**
Work in progress		98,388	**89,579**
Finished goods and goods for resale		289,399	**274,017**
Payments on account		10,362	**8,551**
		743,609	**693,279**
Receivables and other assets	27		
Short-term financial receivables		183,331	**148,034**
Trade receivables		739,865	**676,788**
Other short-term operating receivables		198,841	**161,276**
Current income tax assets		217,596	**115,402**
		1,339,633	**1,101,500**
Short-term investments	28	311,983	**328,298**
Cash at bank and in hand		391,725	**277,610**
		2,786,950	**2,400,687**
Balance sheet total		11,774,734	**11,138,928**

Balance sheet Liabilities

EUR '000s	Notes	31 Dec. 2001	31 Dec. 2002
Shareholders' equity and minority interests			
Subscribed share capital	29	163,052	**163,468**
Capital reserves	30	1,517,838	**1,526,016**
Revenue reserves	31	1,924,103	**2,123,302**
Currency translation		123,864	**-110,613**
Company shares		-9,198	**-10,123**
Capital entitled to shareholders		3,719,659	**3,692,050**
Minority interests	32	129,392	**153,957**
		3,849,051	**3,846,007**
Long-term provisions and liabilities			
Provisions	33		
Provisions for pensions	34	462,677	**467,804**
Deferred taxes	35	528,087	**496,345**
Other long-term provisions	36	289,042	**338,518**
		1,279,806	**1,302,667**
Liabilities	37		
Debenture loans		1,309,813	**1,362,419**
Bank loans		1,671,897	**1,834,274**
Other long-term financial liabilities		747,891	**649,722**
		3,729,601	**3,846,415**
Other long-term operating liabilities		28,554	**25,931**
		3,758,155	**3,872,346**
		5,037,961	**5,175,013**
Short-term provisions and liabilities			
Provisions	33	84,292	**75,621**
Liabilities	37		
Debenture loans (current portion)		76,694	
Bank loans (current portion)		809,353	**726,038**
Other short-term financial liabilities		912,380	**338,742**
		1,798,427	**1,064,780**
Trade payables		455,402	**427,543**
Current income taxes payables		96,377	**101,960**
Other short-term operating liabilities		453,224	**448,004**
		2,803,430	**2,042,287**
		2,887,722	**2,117,908**
Balance sheet total		11,774,734	**11,138,928**

Equity capital grid

EUR '000s	1 Jan. 2002	Capital changes: Increase Decrease	Capital changes: Dividends	Profit for the financial year	Changes without effects on results: Exchange rate	Changes without effects on results: Other changes	**31 Dec. 2002**
Subscribed share capital							
Ordinary shares	147,564	15,904					**163,468**
Preference shares	15,488	-15,488					**0**
	163,052	416					**163,468**
Capital reserves	1,517,838	8,178					**1,526,016**
Revenue reserves	1,924,103		-73,736	248,165		24,770*	**2,123,302**
Currency translation	123,864				-234,477		**-110,613**
Company shares	-9,198	-925					**-10,123**
Capital entitled to shareholders	3,719,659	7,669	-73,736	248,165	-234,477	24,770	**3,692,050**
Minority interests	129,392	29,428	-13,553	14,291	-5,601		**153,957**
	3,849,051	37,097	-87,289	262,456	-240,078	24,770	**3,846,007**

* Primarily IAS 39 applications

Profit and loss accounts

EUR '000s	2001	2002
Turnover	387,944	**315,853**
Change in stocks and work in progress	-843	**-395**
Own work capitalised	193	**560**
Operating revenues	387,294	**316,018**
Other operating income[1]	114,484	**148,022**
Material costs	-113,676	**-92,609**
Personnel costs	-133,555	**-130,312**
Depreciation and amortisation of tangible and intangible fixed assets	-26,594	**-20,334**
Other operating expenses[2]	-160,583	**-239,546**
Operating results[3]	67,370	**-18,761**
Results from participations[4]	205,548	**307,933**
Income from loans	8,973	**33,764**
Other interest receivable and similar income	20,205	**24,575**
Amounts written off financial fixed assets	-92	**-8,081**
Interest payable and similar charges	-226,655	**-184,958**
Profit on ordinary activities before tax	75,349	**154,472**
Taxes on income	-371	**37,834**
Other taxes	-643	**-676**
Profit for the financial year	74,335	**191,630**
Profit carried forward	177	**177**
Withdrawal from revenue reserves		
a) from reserves for company shares	767	**2,877**
b) from other revenue reserves		**925**
Transfer to revenue reserves		
a) to reserves for company shares	-767	**-925**
b) to other revenue resserves	-600	**-98,692**
Profit and loss account	73,912	**95,992**

[1] Of which non-operating income in EUR '000s: 97,895 (previous year: 40,827)
[2] Of which non-operating expenses in EUR '000s: 47,728 (previous year: 22,316)
[3] Including the non-operating result, the operating results amount accordingly to in EUR '000s: -6,990 (previous year: 48,859)
[4] Of which income from profit and loss transfer in EUR '000s: 92,236 (previous year: 0)

Parent company

Balance sheet Assets

EUR '000s	31 Dec. 2001	**31 Dec. 2002**
Fixed assets		
Tangible assets		
Land and buildings	95,337	**89,661**
Plant and machinery	19,550	**18,678**
Fixtures, fittings, tools and equipment	9,353	**8,635**
Payments on account and assets under construction	7,080	**7,204**
	131,320	**124,178**
Financial assets		
Shares in affiliated companies	5,024,376	**4,076,306**
Loans to affiliated companies	188,303	**1,478,918**
Participations	277,715	**268,959**
Loans to participations		
Other loans	69,980	**53,998**
	5,560,374	**5,878,181**
	5,691,694	**6,002,359**
Current assets		
Stocks		
Raw materials and consumables	17,871	**15,129**
Work in progress	6,241	**6,446**
Finished goods and goods for resale	4,782	**4,377**
	28,894	**25,952**
Receivables and other assets		
Trade receivables	5,245	**6,839**
Amounts owned by affiliated companies	357,330	**274,019**
Amounts owned by participations	3,486	**382**
Other receivables and other current assets	220,574	**147,116**
	586,635	**428,356**
Short-term investment	55,701	**7,669**
Cash at bank and in hand	19,420	**14,222**
Balance sheet total	6,382,344	**6,478,558**

Balance sheet ■ Liabilities

EUR '000s	31 Dec. 2001	**31 Dec. 2002**
Shareholders' equity		
Subscribed share capital	163,052	**163,468**
Capital reserves	1,403,344	**1,411,523**
Revenue reserves		
Ehrhart Schott - Kurt Schmaltz-Trust	511	**511**
Reserve for environmentally responsible maintenance of real asset values	149,107	**149,807**
Reserves for company shares	8,289	**6,337**
Other revenue reserves	105,361	**202,428**
	263,268	**359,083**
Profit and loss account	73,912	**95,992**
	1,903,576	**2,030,066**
Special item with an equity portion	1,312	**291**
Provisions		
Pensions	210,267	**209,020**
Taxes	209	**209**
Other provisions	193,039	**258,848**
	403,515	**468,077**
Liabilities		
Bank loans	1,027,047	**1,231,565**
Trade payables	15,347	**20,705**
Amounts owned to affiliated companies	2,839,893	**2,510,262**
Amounts owned to participations	9,682	**9,499**
Other liabilities	181,972	**208,093**
	4,073,941	**3,980,124**
Balance sheet total	6,382,344	**6,478,558**

Parent company

Fixed asset grid

EURm	Purchase price or production cost				
	1 Jan. 2002	Additions	Disposals	Reclassifi-cations	31 Dec. 2002
Tangible assets					
Land and buildings	523.5	2.6	9.1	0.9	517.9
Plant and machinery	489.7	3.3	15.0	4.4	482.4
Fixtueres, fittings, tools and equipment	96.2	3.7	12.8	0.9	88.0
Payments on account and assets under construction	7.2	6.9	0.6	-6.2	7.3
	1,116.6	16.5	37.5	0.0	1,095.6
Financial assets					
Shares in affiliated companies	5,081.6	134.2	1,103.5	-8.3	4,104.0
Loans to affiliated companies	190.6	1,415.4	124.4	-	1,481.6
Participations	281.9	34.2	21.9	-21.1	273.1
Other loans	70.1	1.2	12.4	-	58.9
	5,624.2	1,585.0	1,262.2	-29.4	5,917.6
Fixed assets	6,740.8	1,601.5	1,299.7	-29.4	7,013.2

Depreciation		Net book value
Cumulative	2002	31 Dec. 2002
428.2	7.2	89.7
463.7	8.2	18.7
79.4	4.9	8.6
0.1	-	7.2
971.4	20.3	124.2
27.7	3.4	4,076.3
2.7	2.8	1,478.9
4.2	-	268.9
4.9	4.8	54.0
39.5	11.0	5,878.1
1,010.9	31.3	6,002.3

Notes
to the 2002 Group accounts

Accounting principles

HeidelbergCement AG, as a listed parent company, made use of the election permitted under § 292a of the German Commercial Code (Handelsgesetzbuch - HGB) to prepare its Group accounts according to internationally recognised accounting principles. On the basis of this regulation, International Financial Reporting Standards (IFRS), previously International Accounting Standards (IAS), were applied.

The accounts of all companies included in the Group accounts were prepared in accordance with uniform accounting and valuation methods and on the same day as the Group accounts.

In accordance with standard international preparation of Group accounts, reporting begins with the profit and loss accounts. Accounting and valuation methods are disclosed for each respective item. For reasons of clarity, some individual items have been combined in the profit and loss accounts and in the balance sheet. Explanations for these items are contained in the notes. To improve the level of information, the non-operating result has been included separately in the profit and loss accounts and in the segment reporting.

Principles of consolidation

Capital consolidation was performed according to the full fair value method on the basis of the values at the acquisition date. As part of the first consolidation, assets are valued at the inserted current market value and any remaining difference arising from offsetting the participation is shown as goodwill under intangible fixed assets. Goodwill is depreciated as planned and analysed for the necessity of making exceptional depreciation. Income and expenses as well as receivables and payables between consolidated companies have been eliminated. Profits and losses from intra-Group sales were eliminated appropriately.

Shares in all significant associated undertakings were valued in accordance with the equity method. In order to improve the meaningfulness of the presentation of results from participations, proportionate results from associated undertakings were shown before income taxes. The proportionate income tax expense is shown under taxes on income.

Valuation principles

Assets and liabilities are basically evaluated at purchase price or production cost. Certain financial instruments in terms of IAS 39 that are to be rated at market values are excluded and explained on page 145.

The following differences to accounting and valuation methods according to the German Commercial Code exist:
- evaluation of certain financial instruments at market values
- evaluation of provisions for pensions according to the Projected Unit Credit Method
- no capitalisation of provisions for expenses (especially provisions for deferred repairs and maintenance)

- calculation of deferred taxes according to the liability method; for revaluations not affecting results (under hyperinflation accounting and the market valuation of financial instruments), an adjustment to deferred taxes is made that does not affect results. Active deferred taxes on fiscal losses brought forward are activated insofar as the use of fiscal losses brought forward is likely.

Foreign currency translation

The accounts of the Group's foreign subsidiaries were converted into euro in accordance with the IAS 21 concept of functional currency. For each subsidiary, the functional currency is that of its country of residence, since all foreign subsidiaries are financially, economically and organisationally independent in the conduct of their business. All fixed assets and other remaining assets, as well as liabilities, were converted using the average exchange rates as of the balance sheet date. This method was also applied to the proportional shareholders' equity of foreign associated undertakings. Income and expenses were converted using average annual exchange rates.

Conversion of the annual accounts of companies in Turkey and Romania followed IAS 29 (hyperinflationary accounting). In 2002, the inflation rate in Turkey and Romania reached 30.8 % and 17.9 %, respectively. During this period, the Turkish lira (TRL) and the Romanian leu (ROL) were devaluated compared to the euro by 34.3 % and 25.0 %, respectively.

The following key exchange rates were used:

Exchange rates

		Exchange rates at year end		Average annual exchange rates	
		31 Dec. 2001	**31 Dec. 2002**	2001	**2002**
	Country	EUR	**EUR**	EUR	**EUR**
USD	US	0.8895	**1.0492**	0.8961	**0.9461**
CAD	Canada	1.4172	**1.6491**	1.3877	**1.4847**
GBP	United Kingdom	0.6109	**0.6517**	0.6218	**0.6288**
BGL	Bulgaria	1.9592	**1.9592**	1.9387	**1.9601**
HRK	Croatia	7.3713	**7.5219**	7.4086	**7.4210**
NOK	Norway	7.9748	**7.2759**	8.0468	**7.5117**
PLN	Poland	3.5405	**4.0177**	3.6690	**3.8559**
ROL	Romania	28,115	**35,132**	[1]	[1]
SEK	Sweden	9.3081	**9.1197**	9.2525	**9.1609**
CZK	Czech Rebulic	31.7150	**31.5420**	34.0505	**30.8038**
HUF	Hungary	244.6000	**235.3800**	256.4167	**242.5743**
TRL	Turkey	1,292,300	**1,735,900**	[1]	[1]

[1] In accordance with IAS 21.30 (b), the income and expenses are converted using the exchange rates at year end.

Scope of consolidation

In addition to HeidelbergCement AG, the Group accounts include 448 subsidiaries that have been fully or proportionately consolidated, of which 64 are German and 384 are foreign. Proportionately consolidated companies accounted for 3.6% of the revenues and 12.6 % of the expenses; they contributed 5.1 % and 10.2 %, respectively, to the consolidated long-term and short- term assets. In addition, 4.3 % of debt capital (IAS 31) was apportioned to these companies.

The scope of consolidation changed compared with 2001 through the inclusion for the first time of the German ready-mixed concrete company, TBG Transportbeton Mainfranken GmbH & Co. KG, Sand a. Main and Silo Plus Internationale Speditionsgesellschaft mbH, Munich. Furthermore, the following companies were also consolidated for the first time: Norsk Stein A/S, Jelsa/Norway; OAO Cesla, Slancy/Russia; Stema Shipping Ltd., London/United Kingdom; Tvornika Cementa Kakanj d.d., Kakanj/Bosnia-Herzegovina; Kryvyi Rih Cement Mining Combine, Kryvyi Rih/Ukraine; OAO Dniprocement, Dniprodserschynsk/Ukraine; RMC Romania Beton S.R.L., Mogosoaia/Romania; TBG Hungaria Group, Budapest/Hungary; Vlatavske Sterkopisky Zalezlice A.S., Zalezlice/Czech Republic; Guangzhou Xingyao Concrete Co. Ltd., Guangzhou City/China; Prebola AB, Malmoe/Sweden; Schonning Betong a.s., Lilleaker/Norway.

The following companies have been removed from the scope of consolidation: Górazdze Wapno Sp. z o.o., Opole/Poland, Safar N.V., Antwerp/Belgium; Nederlands Cement Transp. Cetra B.V., Uithoorn/Netherlands; Rederij Cement Tankvaart B.V., Papendrecht/Netherlands; ZEAG Zementwerk Lauffen-Elektrizitätswerk Heilbronn AG, Heilbronn and TBG Transportbeton GmbH & Co. Lübben, Lübben.

The company Beamix Holding B.V., Eindhoven/Netherlands as well as the sub-groups maxit Deutschland GmbH, Breisach; Heidelberger Bauchemie GmbH, Heidelberg and Optiroc Group AB, Sollentuna/Sweden are now consolidated in the strategic business unit Heidelberg Building Materials Europe (HBE).

PT Indocement Tunggal Prakarsa Tbk., Jakarta/Indonesia (31% share) was not included in the Group annual accounts, as there is a distribution restriction for dividends (IAS 27.13b).

Affiliated undertakings that have an insignificant impact on the true and fair representation of the Group's net worth, financial position, and results were not consolidated. Their turnover volume represented 5 % of total Group turnover.

The complete list of our shareholdings, accompanied by all legally required information, will be filed with the Commercial Register of the local court (Amtsgericht) in Heidelberg.

The following German partnerships are consolidated in the Group annual accounts of HeidelbergCement AG and are therefore subject to the statutory exemption regulations:

Heidelberger Grundstücksgesellschaft mbH & Co. KG, Heidelberg
HZN Beteiligungen GmbH & Co. KG, Heidelberg
maxit Baustoffwerke Fittschen GmbH & Co., Buxtehude
Franken maxit Mauermörtel GmbH & Co., Azendorf
maxit Dämm- und Fassadentechnik GmbH & Co., Kahla
maxit DIY GmbH & Co. KG, Magdeburg
TBG Betonwerk Prignitz GmbH & Co. KG, Weisen
Kalksandsteinwerk Saale Dreieck GmbH & Co. KG, Groß Rosenburg
Walhalla Kalk GmbH & Co. KG, Regensburg
BLG Transportbeton GmbH & Co. KG, Munich
BWG Betonwerke Fuchs GmbH & Co. KG, Chemnitz
BWG Betonwerke Himmelsberg GmbH & Co. KG, Schweinitz
TBG Transportbeton Lüssen GmbH & Co. KG, Bremen
Schmitt & Weitz Baustoffwerke GmbH & Co. KG, Kleinostheim
TBG Lieferbeton Aschaffenburg GmbH & Co. KG, Aschaffenburg
TBG Lieferbeton Nahe GmbH & Co. KG, Idar-Oberstein
TBG Transportbeton Mainfranken GmbH & Co. KG, Sand a. Main
TBG Transportbeton und Betonpumpendienst GmbH & Co. KG, Berlin
TBG Transportbeton GmbH & Co. KG Donau-Naab, Burglengenfeld
TBG Transportbeton GmbH & Co. Franken KG, Nuremberg
TBG Transportbeton und Betonpumpendienst GmbH & Co. KG, Gera
TBG Transportbeton GmbH & Co. KG Naabbeton, Nabburg
TBG Transportbeton GmbH & Co. Niederbayern, Voglarn Gde. Fürstenzell
TBG Transportbeton Oberlausitz GmbH & Co. KG, Zittau
TBG Transportbeton Rheinhessen GmbH & Co. KG, Bingen/Rhine
TBG Transportbeton Saalfeld GmbH & Co., Saalfeld
Transportbeton Industrie GmbH & Co. KG, Rostock
Wika-Beton GmbH & Co. KG, Stade

Principal shareholdings

Affiliated companies

	since	Sub. capital EURm	Holding in %	Parent company
Central Europe West				
Cement				
HeidelbergCement International Holding GmbH (HCIH), Heidelberg	1993	700	100.0	HC
Concrete				
Baustoffwerke Wittmer + Klee GmbH, Waghäusel	1991	13	100.0	HB
BLG Betonlieferungsgesellschaft mbH, Munich	1959	6	100.0	HB
BWG Betonwerke Fuchs GmbH & Co. KG, Mittelbach	2000	3	100.0	HB
BWG Himmelsberg GmbH & Co. KG, Schweinitz (Elster)	1996	4	100.0	HB
Heidelberger Beton GmbH (HB), Heidelberg	1959	153	100.0	HC
Sandwerke Biesern GmbH, Penig	1992	13	100.0	HBW
Schmitt & Weitz Baustoffwerke GmbH & Co. KG, Kleinostheim	1991	37	100.0	HB
TBG Transportbeton GmbH & Co. Franken KG, Nuremberg	1984	1	100.0	HB
TBI Transportbeton-Industrie GmbH & Co. KG, Rostock	2002	6	100.0	HB
TBG Transportbeton Lüssen GmbH & Co. KG, Bremen	1994	4	100.0	HB
TBG Transportbeton Mainfranken GmbH & Co. KG, Sand a. Main	2002	1	57.0	HB
TBG Niederbayern Transportbeton GmbH & Co. KG, Fürstenzell	1985	12	100.0	HB
TBG Transportbeton Oberlausitz GmbH & Co. KG, Zittau	2001	1	75.0	HB
TBG Transportbeton und Pumpendienst GmbH & Co. KG, Berlin	1991	4	100.0	HB
TBG Transportbeton und Pumpendienst GmbH & Co. KG, Gera	1991	3	100.0	HB
WIKA-BETON GmbH & Co. KG, Stade	1994	4	73.9	HB
Building materials				
Heidelberger Baustoffwerke GmbH (HBW), Durmersheim	1960	92	100.0	HC
Hunziker Kalksandstein AG, Brugg/Switzerland	1992	9	51.6	HBW
Walhalla Kalk GmbH & Co. KG, Regensburg	1970	7	79.9	HC
Western Europe				
Cement				
S.A. Cimenteries CBR (CBR), Brussels/Belgium	1993	1,404	100.0	HC/HCIH
CBR International Services S.A., Brussels/Belgium	1993	934	100.0	CBR
ENCI Holding N.V. (ENCI), 's-Hertogenbosch/Netherlands	1993	33	100.0	CBR/HC
CBR Asset Management S.A., Luxembourg/Luxembourg	1993	1	100.0	CBR
Scancem Group Ltd. (SGL), Birmingham/United Kingdom	1999	115	100.0	HC
Castle Cement Ltd, Birmingham/United Kingdom	1999	208	100.0	SGL
Concrete				
MEBIN B.V., 's-Hertogenbosch/Netherlands	1993	43	100.0	ENCI

Affiliated companies

	since	Sub. capital EURm	Holding in %	Parent company
Northern Europe				
Cement				
NEWCEM Holding AB (NEW), Malmoe/Sweden	1999	765	100.0	HC
HeidelbergCement Northern Europe AB (HCNE) (former Scancem AB), Malmoe/Sweden	1999	1,824	100.0	NEW
Cementa AB, Danderyd/Sweden	1999	41	100.0	HCNE
Norcem AS, Oslo/Norway	1999	121	100.0	HCNE
Atlas Nordic Cement Ltd. Oy (ANC), Virkkala/Finland	1999	29	75.0	HCNE
Kunda Nordic Cement Corp., Kunda/Estonia	1999	35	100.0	ANC
OAO Cesla, Slancy/Russia	2001	*	96.7	HCNE
Concrete				
Euroc Beton AB (EB), Växjö/Sweden	1999	56	100.0	HCNE
Euroc Rudus Group AB (ER), Stockholm/Sweden	1999	27	100.0	HCNE
Abetong AB, Växjö/Sweden	1999	13	100.0	EB
Betongindustri AB, Stockholm/Sweden	1999	10	100.0	ER
Norbetong AS, Oslo/Norway	1999	43	100.0	HCNE
Sand & Grus AB Jehander, Stockholm/Sweden	1999	10	100.0	ER
Building materials				
Swedish Rail System AB SRS, Ystad/Sweden	1999	9	100.0	HCNE
Central Europe East				
Cement				
Casial Deva S.A., Deva/Romania	2000	59	86.2	HC
CBR Baltic B.V. (CBRB), 's-Hertogenbosch/Netherlands	1993	210	100.0	HC
Ceskomoravský Cement, a.s. (CMC), Beroun/Czech Republic	1991	67	100.0	CBRC
OAO Dniprocement, Dniprodserschynsk/Ukraine	2002	5	90.3	HC
Górazdze Cement S.A. (GOR), Chorula/Poland	1993	170	99.4	CBRB
ISTRA Cement International AG, Pula/Croatia	1993	40	92.5	HC
Kryvyi Rih Cement Mining Combine, Kryvyi Rih/Ukraine	2001	18	82.8	HC/GOR
MOLDOCIM - S.A. Bicaz, Bicaz/Romania	1998	58	89.0	HC
Tvornika Cementa Kakanj d.d., Kakanj/Bosnia-Herzegovina	2000	102	51.0	HC
Zlatna Panega AD, Zlatna Panega/Bulgaria	1997	15	99.9	HC

* Subscribed capital below EUR 0.5 million

Affiliated companies

	since	Sub. capital EURm	Holding in %	Parent company
Concrete				
Ceskomoravské sterkovny, a.s., Brno/Czech Republic	1993	55	98.9	HC/CMC
Zielonogórskie Kopalnie Surowców Mineralnych S.A., Zielona Góra/Poland	1996	2	100.0	GOR
Opolskie Kopalnie Surowców Mineralnych S.A., Opole/Poland	1998	9	99.9	GOR
Carpat Agregate SA, Bucharest/Romania	2002	7	97.1	HC
TBG Bohemia Group (TBGB), Beroun/Czech Republic	1993	11	100.0	CMC
TBG Romania Group, Bucharest/Romania	2002	12	93.5	HC
CGS Beton Polska Group, Opole/Poland	1996	25	100.0	GOR
Building materials				
Duna-Dráva Mészmüvek Kft, Vác/Hungary	1989	6	100.0	HC
Ceskomoravské Vapno a.s., Mokrá/Czech Republic	2000	15	100.0	HC

North America

	since	Sub. capital EURm	Holding in %	Parent company
Cement				
Lehigh B.V. (LBV), 's-Hertogenbosch/Netherlands	1993	538	100.0	HCIH/CBR
Heidelberg Cement, Inc. (HCI), Wilmington/US	1977	776	100.0	LBV
Lehigh Cement Company (LEH), Allentown/US	1977	942	100.0	HCI
Lehigh Southwest Cement Company, Concord/US	1993	215	100.0	LEH
Lehigh Cement Limited (LCL), Calgary/Canada/US	1993	218	100.0	LBV
Concrete				
Sherman International Corp., Birmingham/US	1994	118	100.0	LEH
Continental Florida Materials, Fort Lauderdale/US	1999	38	100.0	LEH

Africa-Asia-Turkey

	since	Sub. capital EURm	Holding in %	Parent company
Cement				
Scancem International AS (SI), Oslo/Norway	1999	64	100.0	HCNE
Ciments du Togo S.A., Lomé/Togo	1999	10	100.0	SI
Ghacem Ltd., Accra/Ghana	1999	27	94.5	SI
Sierra Leone Cement Corp. Ltd., Freetown/Sierra Leone	1999	1	50.0	SI
Société Nigérienne de Cimenterie, Malbaza/Niger	1999	*	93.0	SI
Liberia Cement Corporation, Monrovia/Liberia	1999	1	63.7	SI
Cimbenin S.A., Cotonou/Benin	1999	4	52.4	SI
Cimcongo S.A., Pointe Noire/Republic of the Congo	2000	3	70.0	SI
Edocement LTD, Benin City, Nigeria	2002	1	63.8	SI
Limay Grinding Mill Corporation, Makati City/Philippines	1998	4	94.9	ENCI
Chittagong Cement Clinker Grinding Company Ltd., Chittagong/Bangladesh	2000	18	51.0	ENCI
Scancement International Ltd., Dhaka/Bangladesh	2000	7	62.2	SI

Affiliated companies

	since	Sub. capital EURm	Holding in %	Parent company
Heidelberg Building Materials Europe				
Heidelberger Bauchemie GmbH, Heidelberg	1990	40	100.0	MAX
Société des Entreprises Rudigoz S.A.S., Meximieux/France	1991	8	100.0	MAX
maxit Deutschland GmbH (MAX), Breisach	1999	180	80.9	HC
Moldan-Maxit Erste Salzburger Gipswerks-Gesellschaft Christian Moldan KG, Kuchl/Austria	1971	*	100.0	MAX
Société Mosellane d'Anhydrite S.A.S., Faulquemont/France	1992	5	100.0	MAX
Beamix Holding B.V., Eindhoven/Netherlands	1993	17	100.0	ENCI
Marmoran AG, Volketswil/Switzerland	1984	13	100.0	HC
Optiroc Group AB (OR), Sollentuna/Sweden	1999	60	100.0	HCNE
Optiroc AB, Sollentuna/Sweden	1999	3	100.0	OR
Optiroc Oy Ab, Kärköla/Finland	1999	48	100.0	OR
Optiroc A.S., Oslo/Norway	1999	40	100.0	OR
Group Services				
HC Trading B.V., 's-Hertogenbosch/Netherlands	1996	19	100	CBR

* Subscribed capital below EUR 0.5 million

Proportionately consolidated companies

	since	Sub. capital EURm	Holding in %	Parent company
Central Europe West				
Cement				
Anneliese Zementwerke AG, Ennigerloh	1984	98	41.5	HC
Concrete				
EWH Verwaltungs- und Beteiligungs GmbH, Cadenberge	1993	13	50.0	HBW
Western Europe				
Concrete				
Gralex S.A. (GRL), Brussels/Belgium	1993	34	50.0	CBR
Inter-Beton S.A., Brussels/Belgium	1993	*	96.6	GRL
Central Europe East				
Cement				
Duna-Dráva Cement Kft, (DDC), Vác/Hungary	1989	153	50.0	HC
Concrete				
TBG Hungaria Betonipari Servezö Befektetö Tanacsado Kft, (TBGH), Budapest/Hungary	2002	18	50.0	DDC
Donau-Kies Kft, Budapest/Hungary	2002	7	50.0	DDC/TBGH
North America				
Cement				
Texas-Lehigh Cement Company, Buda/US	1986	58	50.0	LEH
Glens Falls Lehigh Cement Company, Glens Falls/US	1999	80	50.0	LEH
Concrete				
Campbell Concrete & Materials, L.P., Cleveland/US	1998	100	50.0	LEH
Africa-Asia-Turkey				
Cement				
Akçansa Çimento Sanayi ve Ticaret A.S. (AC), Istanbul/Turkey	1996	256	39.7	CBR
Karçimsa Çimento Sanayi ve Ticaret A.S., Karabük/Turkey	1996	5	51.0	AC
Butra HeidelbergerCement Sdn. Bhd., Muara/Brunei	2000	3	50.0	ENCI

Associated companies

	since	Sub. capital EURm	Holding in %	Parent company
Central Europe West				
Cement				
Südbayerisches Portland-Zementwerk Gebr. Wiesböck & Co. GmbH, Rohrdorf	1968	97	32.3	HC
Concrete				
Kronimus AG, Iffezheim	1991	18	24.9	HC
Western Europe				
Cement				
Vicat S.A., Paris/France	1968	996	35.0	HC
Ciments Luxembourgeois S.A., Esch-sur-Alzette/Luxembourg	1993	94	24.9	CBR
Africa-Asia-Turkey				
Cement				
Bonny Holding Ltd., Port Harcourt/Nigeria	1999	12	40.0	SI
Nova Cimangola S.A.R.L., Luanda/Angola	1999	75	24.5	SI
Tanzania Portland Cement Company Ltd., Dar Es Salaam/Tanzania	1999	13	41.0	SI
Cement Company of Northern Nigeria Plc, Sokoto/Nigeria	2000	5	48.0	SI
Société des Ciments du Gabon, Libreville/Gabon	2000	8	75.0	SI
China Century Cement Company Limited, Guangzhou/China	1995	56	30.0	CBR

* Subscribed capital below EUR 0.5 million

Segment reporting

Regions (Primary reporting format under IAS 14 No. 50 ff.)

EURm	Central Europe West		Western Europe		Northern Europe		Central Europe East	
	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**
External turnover	843	**734**	1,041	**1,009**	735	**786**	501	**597**
Inter-region turnover	24	**21**	11	**14**	90	**86**	13	**13**
Turnover	867	**755**	1,052	**1,023**	825	**872**	514	**610**
Change to previous year in %		-12.9 %		-2.8 %		5.7 %		18.5 %
Operating income before depreciation (OIBD)	162	**102**	232	**231**	133	**130**	131	**153**
in % of turnover	18.7 %	13.5 %	22.1%	22.6 %	16.1%	14.9 %	25.5 %	25.1%
Depreciation	76	**85**	126	**126**	84	**87**	63	**69**
Operating income	86	**17**	106	**105**	49	**43**	68	**84**
in % of turnover	9.9 %	2.3 %	10.1%	10.3 %	5.9 %	4.9 %	13.3 %	13.8 %
Results from participations	61	**62**	8	**6**	3	**3**	-9	**-7**
Non-operating result								
Earnings before interest and income taxes (EBIT)	147	**79**	114	**111**	52	**46**	59	**77**
Investments[1]	50	**43**	148	**85**	34	**41**	62	**82**
Segment assets[2]	731	**730**	1,586	**1,491**	1,009	**990**	732	**843**
OIBD in % of segment assets	22.2 %	14.0 %	14.6%	15.5 %	13.2 %	13.1%	17.9 %	18.1%
Segment liabilities[3]	586	**682**	499	**435**	316	**329**	101	**134**
Employees	4,523	**4,470**	4,227	**3,894**	5,027	**5,368**	7,047	**9,600**

Business lines (Secondary reporting format under IAS 14 No. 68 ff.)

EURm	Cement		Concrete		Building materials		Group Services	
	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**
External turnover	3,134	**3,059**	2,168	**2,133**	1,220	**1,225**	167	**153**
Inter-business line turnover	403	**402**	22	**22**	49	**9**	343	**300**
Turnover	3,537	**3,461**	2,190	**2,155**	1,269	**1,234**	510	**453**
Changes to previous year in %		-2.1 %		-1.6 %		-2.8 %		-11.2 %
Operating income before depreciation (OIBD)	805	**751**	242	**234**	130	**153**	8	**9**
in % of turnover	22.8 %	21.7 %	11.1 %	10.9 %	10.2 %	12.4 %	1.6 %	2.0 %
Investments[1]	607	**303**	136	**113**	74	**41**		
Segment assets[2]	5,257	**5,078**	1,022	**990**	1,051	**950**	47	**44**
OIBD in % of segment assets	15.3 %	14.8 %	23.7 %	23.6 %	12.4 %	16.1 %	17.0 %	20.5 %

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

North America		Africa-Asia-Turkey		Heidelberg Building Materials Europe		Group Services		Reconciliation		Group	
2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**
1,990	**1,865**	389	**406**	1,021	**1,002**	169	**171**			6,689	**6,570**
		22	**19**	24	**8**	341	**282**	-525	**-443**		
1,990	**1,865**	411	**425**	1,045	**1,010**	510	**453**	-525	**-443**	6,689	**6,570**
	-6.3 %		3.5 %		-3.3 %		-11.2 %				-1.8 %
354	**331**	60	**60**	105	**131**	8	**9**			1,185	**1,147**
17.8 %	17.7 %	14.6 %	**14.1 %**	10.0 %	13.0 %	1.6 %	2.0 %			17.7 %	17.5 %
139	**151**	39	**40**	90	**86**	3	**3**			620	**647**
215	**180**	21	**20**	15	**45**	5	**6**			565	**500**
10.8 %	9.7 %	5.1%	4.7 %	1.4 %	4.5 %	1.0 %	1.3 %			8.5 %	7.6 %
7	**6**	3	**3**	2	**-2**	-5				70	**71**
								23	**-1**	23	**-1**
222	**186**	24	**23**	17	**43**		**6**	23	**-1**	658	**570**
420	**144**	42	**27**	61	**35**			412	**218**	1,229	**675**
1,890	**1,640**	518	**501**	864	**823**	47	**44**			7,377	**7,062**
18.7 %	20.2 %	11.6 %	12.0 %	12.2 %	15.9 %	17.0 %	20.5 %			16.1%	16.2 %
438	**392**	119	**114**	267	**248**	72	**48**	5,528	**4,911**	7,926	**7,293**
6,110	**5,923**	2,388	**2,513**	5,476	**4,885**	48	**108**			34,846	**36,761**

Reconciliation		Group	
2001	**2002**	2001	**2002**
		6,689	**6,570**
-817	**-733**		
-817	**-733**	6,689	**6,570**
			-1.8 %
		1,185	**1,147**
		17.7 %	17.5 %
412	**218**	1,229	**675**
		7,377	**7,062**
		16.1 %	16.2 %

Notes on segment reporting

Certain principal items of information are presented by regions and business lines in accordance with the segment reporting rules of IAS 14. Segment reporting corresponds with the Group's internal management reporting.

The newly created strategic business unit Heidelberg Building Materials Europe (HBE) is shown as a separate segment in accordance with the joint company management.

HBE's key figures are divided regionally as follows:

The turnover of the business unit can be allocated as EUR 494 million to the Central Europe West region, EUR 465 million to Northern Europe and EUR 51 million to Western Europe. Operating income before depreciation (OIBD) of EUR 54 million was generated from Central Europe West, EUR 70 million from Northern Europe and EUR 7 million from Western Europe. Depreciation can be allocated as EUR 4 million to Western Europe, EUR 38 million to Northern Europe and EUR 44 million to Central Europe West. EUR 10 million of the operating income is apportioned to Central Europe West, EUR 32 million to Northern Europe and EUR 3 million to Western Europe. Within the results from participations EUR 2 million can be assigned to Northern Europe and EUR -4 million to Central Europe West. From the earnings before interest and income taxes (EBIT), EUR 6 million is apportioned to Central Europe West, EUR 34 million to Northern Europe and EUR 3 million to Western Europe. EUR 12 million from the investments is allocated to Central Europe West, EUR 22 million to Northern Europe and EUR 1 million to Western Europe. Segment assets affect Central Europe West by EUR 386 million, Northern Europe by EUR 417 million and Western Europe by EUR 20 million. Segment liabilities are apportioned to Central Europe West with EUR 141 million, Northern Europe with EUR 99 million and Western Europe with EUR 8 million. 2,549 employees from the Central Europe West region, 199 from Western Europe and 2,137 employees from Northern Europe work at Heidelberg Building Materials Europe.

In the business lines, we combine operating lines that are in related markets. The concrete business line, for example, contains the operating lines ready-mixed concrete, concrete products, and aggregates. The building materials business line contains the operating lines building chemicals, lime, dry mortar and sand-lime bricks. Group Services include all of the Group's trading activities.

Turnover with other regions or business lines represents the turnover between segments. Transfer prices are established in a market-orientated manner. OIBD is calculated as operating income before depreciation.

Notes
to the profit and loss accounts

1 Turnover

Turnover fell by 1.8 % in 2002. Central Europe East continued to develop dynamically. Turnover in Western Europe fell due to slightly weakening demand. The reduction in turnover in North America is essentially attributable to exchange rate developments. In Central Europe West, the crisis in construction industry activity resulted in significant losses.

Turnover development by regions and business lines in the years 2001 and 2002

EURm	Cement		Concrete		Building materials		Inter-business line turnover		Total	
	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**
Central Europe West	401	**336**	372	**355**	127	**106**	-33	**-42**	867	**755**
Western Europe	789	**764**	289	**300**	37	**-**	-63	**-41**	1,052	**1,023**
Northern Europe	361	**380**	446	**430**	47	**90**	-29	**-28**	825	**872**
Central Europe East	422	**485**	77	**118**	30	**28**	-15	**-21**	514	**610**
North America	1,175	**1,101**	962	**915**	-	**-**	-147	**-151**	1,990	**1,865**
Africa-Asia-Turkey	389	**395**	27	**37**	-	**-**	-5	**-7**	411	**425**
Heidelberg Building Materials Europe	-	**-**	17	**-**	1,028	**1,010**	-	**-**	1,045	**1,010**
Subtotal	3,537	**3,461**	2,190	**2,155**	1,269	**1,234**	-292	**-290**	6,704	**6,560**
Group Services									510	**453**
Inter-region turnover									-525	**-443**
Total									6,689	**6,570**

2 Other operating income

Other operating income essentially comprises income from services, rental and leasehold contracts, releases of provisions, write-downs, and profits from fixed asset disposals within the course of normal operating activities. Significant business transactions, which cannot be allocated to operational business, are shown in the non-operating result.

3 Material costs

Material costs

EURm	2001	2002
Raw materials	1,024.5	**1,034.9**
Supplies, repair materials and packaging	322.7	**352.9**
Costs of energy	510.1	**454.7**
Goods purchased for resale	673.5	**535.5**
Miscellaneous	123.2	**139.3**
Material costs	2,654.0	**2,517.3**

Material costs amounted to 38.3 % of turnover (previous year: 39.7 %). The significant increase in energy costs results from the reclassification of service costs of EUR 39.0 million in the previous year in Western Europe.

4 Employees and personnel costs

Personnel costs

EURm	2001	2002
Wages, salaries, social security costs	1,330.0	**1,319.7**
Costs of retirement benefits	75.0	**74.3**
Other personnel costs	20.0	**13.9**
Personnel costs	1,425.0	**1,407.9**

In 2002, an annual average of 36,512 (previous year: 34,480) employees and 249 (previous year: 366) apprentices were employed. Personnel costs made up 21.4% of turnover (previous year: 21.3%). Expenditure for stock option plans did not arise in the financial year.

5 Other operating expenses

Other operating expenses

EURm	2001	2002
Selling and administrative expenses	619.8	**649.0**
Freight	586.3	**550.2**
Expenses for third party repairs	329.4	**365.1**
Rental and leasing costs	49.3	**48.3**
Other expenses	63.8	**36.6**
Other taxes	34.6	**34.6**
	1,683.2	**1,683.8**

The increase in selling and administrative expenses results essentially from the increase in insurance costs and from a different allocation of costs in the amount of EUR 18 million in the previous year in Western Europe.

Freight decreased in line with the fall in operating activities, particularly in Central Europe West and Western Europe.

Expenses for third party repairs rose in the North America region in particular. Significant business transactions, which cannot be allocated to operating business, are shown in the non-operating result.

Expenses of EUR 17 million (previous year: 12) were incurred in research and development, which were not capitalised in accordance with the conditions stated in IAS 38.

6 Depreciation and amortisation of tangible and intangible fixed assets

Tangible fixed assets are depreciated using the straight-line method. The following expected useful lives are used Group-wide:

Useful lives of tangible fixed assets

	Years
Buildings	**20 to 25**
Technical equipment and machinery	**10 to 20**
Plant and office equipment	**5 to 10**
IT-hardware	**4 to 5**

Depreciation and amortisation of tangible and intangible fixed assets

EURm	2001	2002
Software, concessions	22.7	**24.3**
Goodwill	150.7	**158.0**
Intangible assets	173.4	**182.3**
Tangible fixed assets, operating	446.1	**464.4**
Ordinary depreciation	619.5	**646.7**
Extraordinary depreciation	20.6	**18.5**
	640.1	**665.2**

Amortisation of goodwill consists of amortisation of goodwill arising on consolidation (share deals). The largest individual items that affect the depreciation of goodwill are from the Scancem consolidation of EUR 42.2 million and from the consolidation of CBR at EUR 48.9 million. In accordance with IAS 12 no deferred taxes are formed to goodwill. For the amortisation of goodwill for Scancem, a useful life of 25 years was used as a basis due to Scancem's strong position in mature markets as well as asset-related considerations. The goodwill of CBR is amortised over 20 years. Unscheduled depreciation (impairment of assets) is included in the non-operating result.

7 Non-operating result

The non-operating result contains business transactions that cannot be allocated to normal business operations. In 2002, this mainly concerned profits and losses from the sale of shares as part of concentrating on the core business and expenditures and income from increases to and releases of provisions.

8 Results from participations

The results from participations include dividends received from companies and profit shares from commercial partnerships.

Income from participations

EURm	2001	2002
Results from associated undertakings	77.3	**103.5**
Income from other participations	11.3	**11.3**
Amortisation of financial fixed assets	-19.0	**-33.4**
Amortisation of securities	-	**-10.0**
	69.6	**71.4**

Results from participations show proportionate results before taxes. The proportionate income tax expense is shown under taxes on income. Vicat S.A. contributes the largest individual item to the proportionate results before tax.

Depreciations due to a long-term decrease in value were applied to the necessary extent.

9 Financial results

In addition to interest and similar proceeds or expenses, the financial results also include the exchange rate gains/losses from the currency conversion of interest-bearing receivables and liabilities.

Financial results

EURm	2001	2002
Income from loans	22.6	**18.9**
Other interest receivable and similar income	97.4	**95.6**
Interest payable and similar charges	-385.8	**-342.1**
Financial results	-265.8	**-227.6**

10 Taxes on income

Taxes on income

EURm	2001	2002
Current taxes	186.5	**171.5**
Deferred taxes	-50.2	**-91.1**
	136.3	**80.4**

The tax ratio was 23.5% (previous year: 34.8%). As the non-deductible amortisation of goodwill has a significant impact on the tax ratio, the tax ratio before amortisation for goodwill is shown. It amounted to 16.1%, compared with 25.1% in the prior year. The fall in actual taxes has essentially arisen due to the increase in tax refunds from previous years by EUR 24 million.

Deferred tax proceeds rose due to the discontinuation of a provision for deferred taxes. The reduction of the tax rate in Belgium resulted in a decrease in deferred taxes of EUR 19.2 million. Capitalised losses carried forward contributed to a reduction in taxes by EUR 49.7 million.

The proportionate tax expense of associated enterprises accounted for according to the equity method is also included under taxes on income.

Tax losses carried forward, for which no deferred tax asset is recognised, amount to EUR 4.1 million (previous year: 19.3) (IAS 12). Accounting for tax losses led to a reduction in tax expenditure of EUR 52.0 million (previous year: 53.1).

Reconciliation

In 2002, EUR 1 million of deferred taxes were directly charged to equity without effects on results. Taking into account the change in the scope of consolidation, the amount of the provisions for deferred taxes increased by EUR 6.3 million without having an impact on tax expenses.

Reconciliation

EURm	2001	2002
Profit before tax	391.7	**342.8**
Theoretical tax expense at 40.1 % (42.4 % in 2001)[1]	166.0	**137.4**
Changes to the theoretical tax expense due to:		
- different tax rates within a country	16.2	**15.9**
- loss carry forwards	-53.1	**-52.0**
- tax reduction due to tax-free earnings	-79.7	**-74.9**
- tax increase due to non-deductible expenses[2]	91.7	**93.6**
- tax reduction due to dividends of HeidelbergCement AG		**-11.3**
- tax increase (+), reduction (-) for prior years	-4.8	**-28.3**
Taxes on income	136.3	**80.4**

[1] weighted average tax rate
[2] includes amortisation of goodwill

11 Earnings per share (basic earnings per share IAS 33.10)

Earnings per share (basic earnings per share IAS 33.10)

EURm	2001	2002
Profit for the financial year	255.4	**262.5**
Minority interests	-11.4	**-14.3**
Additional dividends for preference shares	-0.7	**-**
	243.3	**248.2**
Number of shares in '000s (weighted average)	63,526	**63,660**
Earnings in EUR/ordinary share	3.83	**3.90**
Earnings in EUR/preference share	3.94	**-**

The calculation was in accordance with IAS 33. A dilution of the earnings per share according to IAS 33.24 did not arise in the reporting period.

Through the conversion of the 6,050,000 preference shares into ordinary shares in the ratio 1:1 and without additional payments, only earnings per ordinary share still arise.

For calculating the average number of shares in 2002, only the additions from the capital increases and the purchase of company shares during the year must be taken into account on a weighted average basis.

Notes to the cash flow statement

The cash flow statement shows how the Group's cash and cash equivalents changed during the year through inflows and outflows. Cash flows in this statement have been categorised according to operating, investment, and financing activities (IAS 7).

The following notes are provided:

12 Non-cash items

Changes to long-term provisions and the adjustment of results for book profits and losses from asset disposals are shown under non-cash items. The total amount earned from asset disposals is shown under deposits from disposals in investment activities.

13 Changes in operating assets

Operating assets consist of stocks, trade receivables and other assets related to operating activities.

14 Changes in operating liabilities

Operating liabilities consist of short-term provisions as well as trade payables and other payables related to operating activities. Changes in operating liabilities are attributable to the decrease in trade payables as well as to other operating liabilities.

15 Investments

Investments relate to outflows of cash and cash equivalents for intangible, tangible and financial fixed assets. These investments differ from additions shown in the fixed asset grid, which, for example, also shows non-cash items as additions. Furthermore, purchases of shares of consolidated undertakings are shown in the cash flow statement under investments in financial fixed assets while such purchases do not appear as additions in the fixed asset grid. Following is a list of the substantial investments in financial fixed assets:

- 78.7 % share of SC Romcif S.A. Fieni/Romania for EUR 60.5 million,
- 100 % share of Paes Bouwtoeleveringen B.V./Netherlands for EUR 28.5 million,
- 50.0 % share of Marmoran AG, Volketswil/Switzerland for EUR 12.3 million,
- 33.6 % share of Norsk Stein A/S, Jelsa/Norway for EUR 12.0 million.

16 Dividend payments HeidelbergCement AG

Dividends paid by HeidelbergCement AG in 2002 were EUR 74 million (previous year: 74).

17 Dividend payments minority shareholders

Dividend payments to minority shareholders show those dividends paid during the financial year, which relate to minority interests.

18 Proceeds from bond issuance and loans

Short-term loans were restructured into long-term loans by borrowing.

19 Repayment of bonds and loans

Net financial liabilities could be reduced by more than EUR 500 million to EUR 4,305 million in the 2002 financial year. This means essentially that expiring loans were not refinanced again. Short-term indebtedness could be reduced from EUR 1,798 million to EUR 1,065 million, while long-term indebtedness was increased from EUR 3,729 million to EUR 3,846 million. Short-term net financial liabilities (short-term liabilities minus liquid funds and securities) could be reduced from EUR 1,094 to EUR 460 million. Syndicated loans of EUR 990 million (previous year: 1,200) were used with the result that the company has a greater quota of unutilised guaranteed lines of credit available from these loans amounting to EUR 410 million (previous year: 200).

20 Cash and cash equivalents

Cash and cash-equivalents include securities with a short-term validity period of less than three months and liquid funds. In the balance sheet, the item "Securities and similar rights" also lists the market value of hedging transactions and the "available for sale financial assets", amounting to EUR 206.4 million (previous year: 136.0).

Notes to the balance sheet – Assets

21 Intangible fixed assets

Goodwill has primarily been created as part of the consolidation and is capitalised in accordance with IAS 22.

Intangible fixed assets

EURm	Purchase price or production costs					Depreciation and amortisation		Net book value
	1 Jan. 2002	Previous year adjustment	Additions	Disposals	31 Dec. 2002	Accumu-lated	2002	31 Dec. 2002
Goodwill	3,266.6	27.3	68.3 -23.6*	8.1	3,330.5	982.2	159.5	2,348.3
Other intangible fixed assets	175.9	-14.2	22.9 -4.7*	5.4	174.5	125.7	24.3	48.8
Intangible fixed assets	3,442.5	13.1	91.2 -28.3*	13.5	3,505.0	1,107.9	183.8	2,397.1

* = Reclassifications

The largest individual items on the book values are goodwill for Scancem AB of EUR 890.1 million, for S.A. Cimenteries CBR of EUR 756.3 million, and for Maxit of EUR 111.1 million. Depreciation is detailed in Point 6.

The remaining goodwill was derived primarily from the acquisition of Heidelberg Cement, Inc./US; Akçansa Çimento Sanayi ve Ticaret A.S./Turkey; Chittagong Cement Clinker Grinding Company Ltd./Bangladesh, and ENCI Holding N.V./Netherlands.

22 Tangible fixed assets

Tangible fixed assets are accounted for at purchase price or production cost less ordinary and extraordinary depreciation. Production costs include direct costs of materials and consumables as well as direct manufacturing costs and appropriate amounts of overheads, including production-related depreciation. Debt capital costs are basically entered as expenses. Low cost assets are fully written off in the year of acquisition.

Total tangible fixed assets include EUR 13.5 million of capitalised leased assets. EUR 308.1 million from reclassifications relates to the completion and commissioning of our cement plant in Union Bridge/US. Liens amounting to EUR 44.5 million were granted to third parties as security. Adjustments for the effects of changes in currency exchange rates during the reporting year totalled EUR –412.9 million.

Tangible fixed assets

EURm	Purchase price or production costs					Depreciation and amortisation		Net book value
	1 Jan. 2002	Previous year adjustment	Additions	Disposals	31 Dec. 2002	Accumu-lated	2002	31 Dec. 2002
Land and buildings	2,906.9	-8.2	87.6 46.4*	34.3	2,998.4	1,405.0	88.6	1,593.4
Plant and machinery	6,008.8	-100.3	182.4 504.3*	174.1	6,421.1	3,858.5	320.5	2,562.6
Fixture, tools and equipment	1,012.0	-71.1	33.0 5.1*	85.6	893.4	668.5	72.3	224.9
Payments on account and assets under construction	729.6	-46.8	157.5 -553.8*	2.1	284.4	-	-	284.4
Tangible fixed assets	10,657.3	-226.4	460.5 2.0*	296.1	10,597.3	5,932.0	481.4	4,665.3

* = Reclassifications

23 Financial fixed assets

Under financial fixed assets, shares in participations are stated at the lower of acquisition cost or fair market value at the balance sheet date. Provisions are made for permanent impairments in value where appropriate.

Loans are stated at their nominal value, less amounts written off on account of permanent impairments in value.

Financial fixed assets

EURm	Purchase price or production costs					Depreciation and amortisation		Net book value
	1 Jan. 2002	Previous year adjustment	Additions	Disposals	31 Dec. 2002	Accumu-lated	2002	31 Dec. 2002
Shares in associated companies	670.1	-19.4	130.6 57.0*	31.0	807.3	41.0	14.4	766.3
Shares in other participations	514.3	-88.0	108,3 -30.7*	15.9	488.0	36.7	12.8	451.3
Loans to participations	62.3	-25.2	13.9 35.1*	16.2	69.9	6.5	1.4	63.4
Other loans	182.6	-5.9	5.5 -35.1*	22.9	124.2	5.9	4.8	118.3
Financial fixed assets	1,429.3	-138.5	258.3 26.3*	86.0	1,489.4	90.1	33.4	1,399.3

* = Reclassifications

24 Shares in associated companies

Consolidation of associated companies follows the fair value method. Values determined in accordance with local accounting laws are assumed without adaptation (IAS 28). The largest single item is the share in Vicat S.A. - accounted at EUR 349 million.

25 Shares in other participations

The shares in other participations decreased by EUR 1.0 million due to the accounting at market values (IAS 39).

26 Stocks

Stocks are stated as in prior years at the purchase price or production cost, which, in accordance with IAS 2, were calculated using the average cost method. Adequate provisions were made for stock risks relating to quality and quantity issues where appropriate. Production costs for finished goods and work in progress include costs of materials and consumables, direct manufacturing costs, and appropriate amounts of overheads, including production-related depreciation.

27 Receivables and other assets

Receivables and other assets were stated at their nominal value. Adequate provisions were recorded for all identifiable risks. Interest-bearing receivables are shown separately. As in the previous year, receivables under a securitisation transaction were sold on a small scale in the North America region.

28 Cash, short-term investments and similar rights

Liquid funds involve cash balances and bank credits at banks with first-class credit rating. Securities held in the securities portfolio under the category "available for sale financial assets" decreased by EUR 36.3 million due to balance sheet preparation at market values (IAS 39).

According to IAS 39, the underlying transactions must be adjusted and the market value of the hedging transactions (derivative transactions) must be shown in the accounts. Hedging transactions (forward exchange contracts, interest rate and currency swaps, options trading) are thus shown as rights similar to securities with a market value of EUR 195.7 million. The interest-bearing liabilities increased accordingly.

Further details regarding current asset investments can be found under the section on financial instruments on pages 143 to 145.

Notes to the balance sheet – Equity and liabilities

29 Subscribed share capital

Subscribed share capital

	Ordinary shares		Preference shares	
	2001	**2002**	2001	**2002**
Number of shares (in '000s)	57,642	**63,855**	6,050	**-**
Subscribed share capital (EUR '000s)	147,564	**163,468**	15,488	**-**

Movement in the subscribed share capital during 2002

	EUR '000s	Number in '000s
As of 31 December 2001	163,052	63,692
The Annual General Meeting held on 7 May 2002 revoked the statutory preference rights of the preference bearer shares without voting rights. Thereby, the preference bearer shares were converted into ordinary bearer shares with voting rights.		
Increase in subscribed share capital by the Managing Board according to § 4, section 3 of the Company Statutes (Authorised Capital II, authorisation of the Annual General Meeting from 3 June 1998)	416	163
As of 31 December 2002	**163,468**	**63,855**

The fully paid-in subscribed share capital amounts to EUR 163.468 million as of 31 December 2002.

Authorised and conditional share capital

Resolution of the Annual General Meeting held on 3 June 1998 (revoked and replaced)

Authorised capital II

The Annual General Meeting held on 3 June 1998 authorised the Managing Board, with the consent of the Supervisory Board, to increase the share capital up until 3 June 2003 by issuing new ordinary bearer shares on one or several occasions by up to a total of EUR 883,898.65 in return for non-cash contributions under exclusion of the subscription right (Authorised Capital II). The Managing Board was authorised, with the consent of the Supervisory Board, to determine further details of the capital increase as well as the terms of the share issuance. In accordance with the Managing Board's resolution dated 15 March 2002, the Group's share capital was increased by EUR 415,933.44 through the partial utilisation of the aforementioned authorisation. The Supervisory Board approved this resolution in its meeting on 22 March 2002; the entry in the Commercial Register took place on 3 May 2002. The new shares are entitled to participate in the profits from 1 March 2002. This authorisation was revoked in the Annual General Meeting of 7 May 2002 after partial utilisation; the rescission was effective as of 20 June 2002 with an entry into the Commercial Register.

Resolution of the Annual General Meeting held on 2 June 1999

Convertible or option debenture bonds

The Annual General Meeting held on 2 June 1999 authorised the Managing Board, with the consent of the Supervisory Board, to issue convertible or option debenture bonds one or more times until 2 June 2004 for a total nominal amount of up to EUR 250 million or the equivalent value in another legal currency. The term of the debenture bonds should not exceed 15 years.

Conversion or option rights for up to 5,000,000 ordinary or preference shares of HeidelbergCement AG may be granted to bearers of the convertible or option debenture bonds.

This authorisation also encompasses the authority, with the consent of the Supervisory Board, to grant conversion or option rights to ordinary or preference shares of HeidelbergCement AG to bearers of convertible debenture bonds or warrants from option debenture bonds. These are issued by 2 June 2004 by a directly or indirectly wholly-owned foreign subsidiary of HeidelbergCement AG under its guaranty.

A general prior purchase right to all the aforementioned issues is granted to the shareholders of HeidelbergCement AG. This prior purchase right may be excluded under the conditions included in the authorisation. The aforementioned authorisation was modified by the Annual General Meeting of 7 May 2002 on the basis that only conversion rights or option rights may still be issued on ordinary shares.

Conditional capital

The Annual General Meeting held on 7 May 2002 resolved to increase the conditional subscribed share capital of HeidelbergCement AG by up to EUR 12.8 million by issuing up to 5,000,000 ordinary shares for the purpose of exercising the aforementioned authorisation to issue convertible or option debenture bonds. The conditional capital increase shall serve to secure conversion or option rights that are granted in exercise of the authorisation to issue convertible or option debenture bonds. The conditional capital increase is to be carried out only in the event that bonds with conversion or option rights are issued and only to the extent that the bearers of convertible debenture bonds or the bearers of option rights make use of their conversion or option rights. The company shares arising from exercising the conversion or option rights qualify for dividends for the entire financial year in which the granting of a conversion or option is effective.

Resolution of the Annual General Meeting held on 7 June 2000

Authorised Capital I

The Annual General Meeting held on 7 June 2000 authorised the Managing Board, with the consent of the Supervisory Board, to increase the share capital one or more times by 7 June 2005 by up to a total of EUR 30,000,000 by issuing new ordinary bearer shares and/or preference shares without voting rights, which are equipped with the same dividend preference as the existing preference shares, in return for cash contributions (Authorised Capital I). In the process, shareholders shall be granted subscription rights.

However, the Managing Board is entitled,
- to exclude the subscription right entirely for a partial amount of up to EUR 5,000,000 in order to issue new shares at issue prices that are not significantly lower than the stock exchange prices of the old shares.
- in case of a simultaneous issuance of ordinary and preference shares, to exclude the prior purchase right of bearers of shares of one class for shares of the other class, if the purchase ratio for the two classes is set equal.
- to remove residual amounts from the shareholders' subscription right and to exclude the subscription right to the extent necessary to grant the holders of the convertible debenture bonds or bonds with warrants issued by HeidelbergCement AG or by a wholly owned subsidiary subscription rights to the extent to which they are entitled as shareholders after exercising their conversion or option rights.

The aforementioned authorisation was modified by the Annual General Meeting of 7 May 2002 on the basis that only ordinary shares still be issued.

Resolutions of the Annual General Meetings held on 19 June 2001 and on 7 May 2002

The Annual General Meeting of 19 June 2001 has decided to conditionally increase the share capital of the company by up to EUR 1,280,000 divided into up to 500,000 ordinary bearer shares. The conditional capital increase is used solely to satisfy stock options granted to the members of the Managing Board and senior executives of the company and to members of management and senior executives of affiliated companies, in Germany and abroad, in accordance with the authorisation of the Annual General Meeting of 19 June 2001 (stock option plan 2001/2007), and which may be revised in accordance with the authorisation of the Annual General Meeting of 7 May 2002. The conditional capital will be increased only to the extent that the stock options are exercised. The new shares will be eligible for participation in profit as of the beginning of the financial year in which they are issued.

Resolution of the Annual General Meeting held on 7 May 2002

Authorised Capital II

The Annual General Meeting held on 7 May 2002 authorised the Managing Board, with the consent of the Supervisory Board, to increase the share capital up until 7 May 2007 by issuing new ordinary bearer shares on one or several occasions by up to a total of EUR 5,000,000 in return for non-cash contributions under exclusion of subscription rights (Authorised Capital II). The Managing Board is authorised, with the consent of the Supervisory Board, to determine further details of the capital increase and the terms of the shares issuance.

Acquisition of company shares

The Annual General Meeting held on 7 May 2002 authorised the Managing Board, with the consent of the Supervisory Board, to acquire company shares until 6 November 2003. In the process, the stock of company shares held may not exceed 10% of the company's share capital on any one day. The authorisation may be exercised one or more times, fully or in partial amounts.

The acquisition of company shares must occur via the stock exchange or as part of a public purchase offer by the company. The price paid by the company for each share must not exceed or undercut by more than 10% the average value of the closing prices for the company's shares in Xetra trading on the Frankfurt stock exchange during the last five trading days before the company shares are acquired or, in the case of a public purchase offer, before the notification day of the public purchase offer (excluding transaction costs).

The Managing Board is also authorised, with the consent of the Supervisory Board

aa) to sell the company shares held by means other than via the stock exchange or by an offer to all shareholders in the event that shares are to be offered to a third party as part of the acquisition of a company or of an equity interest. The price per share received by the company must not be substantially below the market price of the company's shares (in Xetra trading on the Frankfurt stock exchange during the last five trading days before the agreement with a third party becomes binding or before all shareholders are notified of the offer).

bb) to issue the company shares held to a third party in return for cash contributions, provided that the issue price will not be substantially below the market price of the company's shares (in Xetra trading on the Frankfurt stock exchange during the last five trading days before the issuance).

cc) to repurchase company shares without requiring another resolution of the Annual General Meeting.

If company shares held are sold to a third party or used for an initial introduction onto a foreign stock exchange under the authorisations specified under aa) and bb) above, the subscription rights of the shareholders are excluded.

The company has 178,500 company shares on the balance sheet date of 31 December 2002. Of these, 153,500 were purchased between 3 April and 6 June 2000 and 25,000 with purchase costs of EUR 925,000 on 13 December 2002 via the stock exchange.

In contrast to the balance sheet for HeidelbergCement AG, company shares purchased are not capitalised in accordance with IFRS, but negatively deducted from shareholders' equity. The shares were valued using the stock exchange price at the time of acquisition.

30 Capital reserves

The capital reserves were essentially created by means of the premium from the issue of preference shares in 1991 amounting to EUR 141 million, from the issue of ordinary shares in 1993 amounting to EUR 187 million, in 1997 from the exercising of option rights from optional bonds amounting to EUR 11 million, in 1999 from the capital increases carried out with EUR 892 million and from the exercising of option rights from optional bonds amounting to EUR 25.7 million, from the capital increase carried out in 2000 amounting to EUR 65 million and from the exercising of option rights from optional bonds amounting to EUR 52 million as well as from the capital increase carried out in 2002 amounting to EUR 8.2 million.

31 Revenue reserves

Revenue reserves consist of revenue reserves from HeidelbergCement AG and revenue reserves and earnings from all the consolidated companies.

The changes shown in the equity grid are explained as follows:

- Dividends
  Dividends totalling EUR 73.7 million were paid to the HeidelbergCement AG shareholders in 2002 for the year 2001.
- Exchange rate differences
  The net assets denominated in foreign currency changed essentially due to the decline in the US dollar as of the closing date.
- Other changes
  The remaining changes primarily result from the profit-neutral treatment of the "financial assets available for sale" of EUR -27.7 million, the derivative financial instruments of EUR 19.1 million, the "net investment in a foreign company" of EUR 18.1 million and the profit-neutral adjustments to the at equity companies amounting to EUR 12.8 million.

32 Minority interests

The purchase of the Kryvyi Rih Cement Mining Combine, Kryvyi Rih/Ukraine and the first-time consolidation of Tvornika Cementa Kakanj d.d., Kakanj/Bosnia-Herzegovina essentially led to an increase in minority interests.

33 Provisions

Notes on the provisions for pensions and similar liabilities, for deferred taxes, and the other provisions shown in the provisions chart (IAS 37) are provided in the following subsections 34 to 36. We have shown the provisions in the balance sheet at an appropriate level with regard to an adequate provision for contingencies.

Provisions

EURm	1 Jan. 2002	Previous year adjustment	Utilisation	Release	Addition	31 Dec. 2002
Pensions and similar liabilities	496.7	-17.9	-31.9	-15.4	72.4	**503.9**
Deferred taxes	528.1	7.7	0.0	-56.6	17.1	**496.3**
Other	339.3	-6.2	-23.2	-27.1	95.2	**378.0**
Provisions	1,364.1	-16.4	-55.1	-99.1	184.7	**1,378.2**

34 Provisions for pensions

For numerous employees, pensions are provided for either directly or indirectly through contributions to pension funds. All pension obligations are based on eligible employees' compensation and years of service (defined benefit plans). The most significant retirement pension plans exist in Germany, Belgium, the Netherlands, the United States, Canada, the United Kingdom, and in the Scandinavian countries. The pension plan obligations and the plan assets available are evaluated annually by independent assessors. In Belgium, HeidelbergCement AG also has a retirement benefit system for early retirement commitments; in the United States, this system covers medical-care costs of pension recipients, the obligations of which are covered by provisions.

Calculation of pension obligations

The provisions for pensions were calculated for all significant Group companies according to the internationally accepted Projected Unit Credit Method (IAS 19).

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

Calculation of pension obligations

	2001	**2002**
Interest rate	6.17 %	**6.02 %**
Anticipated return on plan assets	7.40 %	**7.03 %**
Future salary development	3.66 %	**3.55 %**
Anticipated increases in medical-care costs	5.00 %	**4.50 %**

Overview of types of retirement benefit plans

In accordance with IAS 19, detailed information concerning pension plans and benefit plans for medical care amounting to EUR 384.9 million is provided in the following, showing the funding of the plans and how they are accounted for in the balance sheet and profit and loss accounts. In addition, some other pension plans exist (see below). These include obligations for early retirement regulations of EUR 22.4 million (previous year: 9.9), and small pension plans that have been accounted for according to local accounting standards.

Types of retirement benefit plans

EUR '000s	2001	**2002**
Defined benefit pension plans	288,556	**300,212**
Post-employment medical plans	96,094	**84,670**
	384,650	**384,882**
Other pension plans	42,223	**57,530**
	426,873	**442,412**

Presentation in the balance sheet

EUR '000s	2001	2002
Long-term pension provisions	462,677	**467,804**
Short-term pension provisions	34,031	**36,111**
Excess endowment of funds	-69,835	**-61,503**
	426,873	**442,412**

Pension obligations and pension funds

Pension obligations amounting to EUR 754 million existed in the Group in 2002, which were covered by outside pension funds. In addition there were direct agreements of EUR 427 million. Obligations entered into in the United States for medical-care expenses for pension recipients amounted to EUR 95 million.

The following table shows the development of these retirement pension plans and their presentation in the balance sheet.

Pension obligations and pension funds

EUR '000s	Pension plans		Medical plans		Total	
	2001	**2002**	2001	**2002**	2001	**2002**
Present value of funded obligations	776,225	**753,541**			776,225	**753,541**
Fair value of plan assets	-791,861	**-690,808**			-791,861	**-690,808**
Deficit (+)/surplus (-)	-15,636	**62,734**			-15,636	**62,734**
Present value of unfunded obligations	402,187	**427,422**	112,118	**94,902**	514,305	**522,323**
Unrecognised actuarial gain (+)/loss (-)	-103,343	**-188,913**	-16,024	**-9,851**	-119,367	**-198,765**
Unrecognised past service cost	-807	**-1,030**		**-380**	-807	**-1,411**
Adjustment for limit on net asset	6,155	**-**			6,155	**-**
Total	288,556	**300,212**	96,094	**84,670**	384,650	**384,882**

Development in the profit and loss accounts

In 2002, the market value of the funds' net assets fell because of current stock market developments. This reduction in value was not included in the balance sheet valuation because of the background of long-term views (IAS 19). This caused losses of EUR 198.8 million that have not been taken into account.

The expenses classified as personnel costs for retirement pensions for the significant pension plans, amounting to EUR 66.8 million, can be shown as follows:

Development in the profit and loss accounts

EUR '000s	Pension plans		Medical plans		Total	
	2001	**2002**	2001	**2002**	2001	**2002**
Current service cost	36,617	**38,119**	2,905	**2,555**	39,522	**40,673**
Interest cost	68,906	**69,720**	6,117	**7,235**	75,023	**76,955**
Expected return on plan assets	-64,063	**-56,833**		**-**	-64,063	**-56,833**
Actual loss (+)/gain (-) recognised	40	**2,785**	-329	**474**	-289	**3,258**
Past service cost recognised	2,814	**2,920**		**215**	2,814	**3,134**
Other adjustments	248	**-**		**-**	248	**-**
Realisation of loss (+)/gain (-)	-	**-469**		**-**	-	**-469**
Others		**69**				**69**
Total	44,562	**56,310**	8,693	**10,478**	53,255	**66,788**
Additional information: Earnings from plan assets					-47,402	**-26,066**

Development of pension provisions in the balance sheet

EUR '000s	Pension plans		Medical plans		Total	
	2001	**2002**	2001	**2002**	2001	**2002**
As of 1 January	284,825	**288,556**	89,325	**96,094**	374,150	**384,650**
First-time consolidations/deconsolidations	2,469	**502**			2,469	**502**
Total expense as above	44,562	**56,310**	8,693	**10,478**	53,255	**66,788**
Contributions paid	-39,868	**-50,138**	-6,245	**-7,595**	-46,113	**-57,733**
Exchange rate loss (+)/gain (-)	-3,431	**4,981**	4,321	**-14,307**	890	**-9,326**
Pension plans and medical plans	288,556	**300,212**	96,094	**84,669**	384,650	**384,882**
Other pension plans					42,223	**57,530**
As of 31 December					426,873	**442,412**

35 Deferred taxes

In the determination of deferred taxes, HeidelbergCement applies the internationally accepted liability method (IAS 12). This means that, with the exception of goodwill arising on consolidation, deferred taxes are recorded for all temporary differences between the IAS accounts and the tax accounts regardless of the period of time within which these differences are likely to reverse. Significant differences exist between the Group's IAS accounts and tax accounts with respect to tangible fixed assets and provisions for pensions. Current income tax obligations are shown under short-term liabilities.

36 Other provisions

Other provisions account for all recognisable risks from uncertain liabilities and anticipated losses from pending transactions. Provisions for recultivation obligations amount to EUR 136.1 million (previous year: 134.2). An adequate provision for contingencies was also made for restructuring measures and other risks, including for risks from the pending cartel proceedings. The short-term reserves and the short-term parts of the long-term reserves are shown in the short-term reserves.

37 Liabilities

Liabilities are classified according to current/non-current and according to whether the liabilities are interest-bearing. Further details regarding interest-bearing liabilities can be found under the section on financial instruments on pages 143 to 145.

Additional information on liabilities

EURm	2001	**2002**
Liabilities secured by mortgages granted to banks	68.8	**51.8**
Liabilities relating to personnel	108.5	**123.3**

Guarantees and other financial commitments

EURm	2001	**2002**
Liabilities resulting from negotiation and transfer of bills of exchange	1.5	**1.1**
Liabilities arising from guarantees	203.9	**126.5**
Rental and leasing contracts		
Total of all leasing payments mature within 1 year	37.9	**18.5**
Total of all leasing payments mature within 1 to 5 years	50.2	**61.2**
Total of all leasing payments mature after more than 5 years	39.3	**81.0**
Other off-balance-sheet financial commitments for planned tangible and financial fixed asset investments	192	**122**

Financial instruments

Accounting of financial instruments

In accordance with IAS 39, financial instruments are contracts that result in a financial asset in one company and in financial liability or a shareholders' equity instrument in another company. In the balance sheet, all financial instruments were not shown at the trading day price, but at the settlement date price.

"Loans and receivables granted" by the Group and financial liabilities are valued, as hitherto, at the net purchase values provided that they are not linked with hedging instruments. This concerns loans for financial assets, interest-bearing receivables, trade receivables and payables, other short-term operating receivables and liabilities and short and long-term financial debts. The net purchase values in the case of short-term receivables and financial liabilities essentially correspond to the nominal value or the repayment amount.

"Available for sale financial assets" are essentially valued at the attributable current value. This concerns both securities for fixed assets and current assets. In subsequent valuations, insofar as a market value can be reasonably established, they are accounted for at their current market value. Unrealised profits and losses are recorded in shareholders' equity without affecting net income, taking deferred taxes into account. The share price at the balance sheet date forms the basis for the current market value. Of course, shares in non-consolidated subsidiaries (e.g. Indocement) and participations are also regarded as "available for sale financial assets". However, a valuation was carried out essentially at acquisition cost, as no active market exists for these companies and the respective current values were not reliably identifiable. If there are pointers to lower attributable current values, these are assessed.

Accounting of hedging transactions

The purpose of hedging transactions is to safeguard the economic risks connected with an underlying transaction. According to IAS 39, there are three types of hedging transactions:

- **Cash flow hedges**

  The company hedges against the risk of fluctuation in future cash flow. Primarily, we secure the risk of variable interest payments by changing variable interest payments to fixed interest payments using swaps. We secure currency risks of future transactions such as the purchase of coal in US dollar by a company that accounts in euro. We secure the currency risk for future transactions that are expected within one year. The market value of cash flow hedges is shown in the balance sheet. As an offsetting item, the revenue reserves are adjusted without affecting the result, taking deferred taxes into account and recorded first with an affect on the result with the realisation of the cash flow.

- **Fair value hedges**
  In the case of protection against "fair value" volatilities of certain balance sheet items (fair value hedges), both the hedging transaction and the secured share of the risk of the underlying transaction are valued at the attributable current value. Valuation modifications are entered with an affect on earnings. In addition to the protection of currency risks, we change the majority or our fixed interest-bearing liabilities into variable interest-rate instruments mainly through the use of swaps.
  The company hedges against the risk of fluctuations in the "fair value" of certain assets or liabilities. We secure the currency risk that occurs when financial instruments are accounted for in a currency other than the reporting currency. In addition we change the majority of our fixed interest-bearing debts into variable interest-rate instruments mainly through swaps. The market value of fair value hedges is shown in the balance sheet. As an offsetting item the value of the underlying transaction is adjusted.

- **Net investment in a foreign company**
  When acquiring foreign companies, we have in some cases financed the investment with loans in the currency of the foreign company. In this case, the risk incurred on our capital in the subsidiary through fluctuations in exchange rates is reduced (translation risks). The loans are adjusted corresponding to the exchange rate on the balance sheet date. As an offsetting item, the capital in the currency translation position is adjusted.

The market value of the derivative hedge is calculated using option price models and external balance confirmations.

Details on evaluating and reporting non-derivative financial instruments are listed in the notes to the corresponding balance sheet items. Derivative financial instruments are primarily used for hedging purposes.

Disclosure on financial instruments

■ Non-derivative financial instruments

The important interest-bearing non-derivative financial instruments outstanding at the end of 2002 are listed in the following table under the corresponding balance sheet items. Only those transactions having an open repayment sum of more than EUR 20 million on the balance sheet date, are listed.

Conditions of the main non-derivative financial instruments

Balance sheet item Financial instrument	Currency	Nominal value in local currency in millions	Nominal value in EURm	Term Total	Term Remaining	Nominal interest rate	Effective interest rate
Short-term investments and similar rights							
Loan	USD	25	24	01/06	1-5 Y	5.300 %	5.300 %
Bond	EUR	35	35	00/07	>5 Y	6.375 %	6.450 %
Liabilities/Bonds							
Bond	EUR	965	965	00/07	>5 Y	6.375 %	6.450 %
Bond	EUR	300	300	99/09	>5 Y	4.750 %	4.750 %
Liabilities/Bank loans							
Loans	USD	112	107	96/03	<1 Y	1.995 %	1.995 %
Loans	EUR	24	24	96/03	<1 Y	3.360 %	3.360 %
Loans	EUR	23	23	94/04	1-5 Y	3.000 %	3.000 %
Loans	EUR	26	26	97/04	1-5 Y	3.040 %	3.040 %
Syndicated loans	EUR	550	550	99/04	1-5 Y	3.275 %	3.275 %
Syndicated loans	EUR	190	190	98/05	1-5 Y	3.371 %	3.371 %
Syndicated loans	EUR	130	130	98/05	1-5 Y	3.783 %	3.783 %
Syndicated loans	EUR	120	120	98/05	1-5 Y	3.558 %	3.558 %
Loans	EUR	27	27	96/06	1-5 Y	3.020 %	3.020 %
Loans	EUR	25	25	96/06	1-5 Y	3.020 %	3.020 %
Loans	EUR	25	25	96/06	1-5 Y	3.020 %	3.020 %
Loans	USD	20	19	99/06	1-5 Y	3.570 %	3.570 %
Loans	USD	50	48	99/06	1-5 Y	7.130 %	7.130 %
Loans	EUR	30	30	00/07	>5 Y	6.140 %	6.140 %
Loans	EUR	25	25	00/07	>5 Y	3.380 %	3.380 %
Loans	EUR	35	35	00/07	>5 Y	3.380 %	3.380 %
Loans	EUR	19	19	98/08	>5 Y	4.700 %	4.700 %
Loans	EUR	30	30	01/08	>5 Y	3.540 %	3.540 %
Loans	EUR	30	30	00/08	>5 Y	3.280 %	3.280 %
Loans	EUR	30	30	99/09	>5 Y	3.150 %	3.150 %
Loans	EUR	50	50	00/10	>5 Y	6.485 %	6.485 %
Loans	EUR	40	40	00/10	>5 Y	5.850 %	5.850 %
Loans	EUR	25	25	02/10	>5 Y	6.560 %	6.560 %
Loans	EUR	25	25	02/10	>5 Y	4.990 %	4.990 %
Loans	EUR	25	25	02/11	>5 Y	4.990 %	4.990 %
Loans	EUR	50	50	02/12	>5 Y	4.990 %	4.990 %
Loans	EUR	40	40	02/12	>5 Y	5.600 %	5.600 %
Other liabilities							
Loans	EUR	207	207	02/03	<1 Y	3.420 %	3.420 %
Commercial Paper	EUR	35	35	02/03	<1 Y	3.440 %	3.440 %
Commercial Paper	SEK	40	4	02/03	<1 Y	3.900 %	3.900 %
Private placement	EUR	25	25	99/04	1-5 Y	2.800 %	2.800 %
Private placement	EUR	26	26	98/04	1-5 Y	3.000 %	3.000 %
Private placement	USD	25	24	94/04	1-5 Y	8.140 %	8.140 %
Private placement	EUR	50	50	95/05	1-5 Y	7.300 %	7.300 %
Private placement	EUR	30	30	02/05	1-5 Y	3.350 %	3.350 %
Private placement	EUR	45	45	99/06	1-5 Y	3.200 %	3.200 %
Private placement	CAD	30	18	92/07	>5 Y	9.430 %	9.430 %
Private placement	EUR	20	20	98/08	>5 Y	3.030 %	3.030 %
Private placement	USD	100	95	96/08	>5 Y	6.660 %	6.660 %
Private placement	USD	75	71	94/09	>5 Y	8.360 %	8.360 %
Private placement	USD	50	48	96/11	>5 Y	6.780 %	6.780 %
Private placement	USD	77	73	00/35	>5 Y	1.260 %	1.260 %

Derivative financial instruments

The following table provides an overview of the derivative financial instruments outstanding on the balance sheet date with their nominal values.

The amounts presented in the table show exchange obligations of the Group from the use of derivative financial instruments.

The nominal values of opposing transactions that affect payment are shown as net amounts. In the nominal value line, nominal value totals are shown without offsetting opposing transactions.

Market values were calculated using market rates as of the balance sheet date. Interest that had accrued from the last interest payment date through the balance sheet date was not included.

Derivative financial instruments

in millions	Forward exchange contracts	Currency option contracts	Currency swaps	Interest-related derivatives	**Total**
Currency-related derivatives					
EUR	255	-25	440	-45	**625**
USD	-318		-313	90	**-542**
SEK	857	220	-724		**354**
CHF	-51		-1	-6	**-57**
DKK	123		-208		**-86**
NOK	36		-182		**-146**
GBP	-4		79		**75**
CZK			-4,284		**-4,284**
PLN			-110		**-110**
CAD			62		**62**
EEK			-98		**-98**
Total of nominal values in EUR	493	24	1,963	2,741	**5,220**
Market value in EUR	20	-1	-6	102	**114**

Fair value evaluation in accordance with IAS 39

Due to evaluating hedge transactions at market values, securities increased to EUR 195.7 million (previous year: 100.2), loans to EUR 90.5 million (previous year: 34.7), other long-term interest-bearing liabilities to EUR 45.0 million (previous year: 44.2), other short-term interest-bearing liabilities to EUR 50.8 million (previous year: 34.1) and revenue reserves increased to EUR 11.1 million (previous year: -7.8). Deferred tax assets dropped to EUR 1.7 million (previous year: 5.0).

Due to the change in market value of "available for sale financial assets", the shares in other participations decreased to EUR 31.9 million (previous year: 32.9), securities and similar rights to EUR 10.7 million (previous year: 35.8), while deferred tax provisions increased to EUR 9.5 million (previous year: 9.1). Revenue reserves fell to EUR 33.1 million (previous year: 59.6).

Risks from financial instruments

Interest rate risk

Under IAS 32, in order to assess the risk associated with changes in interest rates, financial instruments must in principle be classified as either fixed interest-bearing or variable interest-bearing instruments.

Fixed interest-bearing financial instruments are those that yield the same market rate of interest throughout their entire term. A risk exists that the market value of the financial instrument may change with fluctuating interest rates (interest rate price risk). The market value is calculated as the present value of future payments (interest and principal repayments), discounted using the market rate of interest at the balance sheet date applicable to the remaining term of the instrument. The interest rate price risk will lead to a gain or loss if the fixed interest-bearing financial instrument is disposed of prior to the end of its term.

For variable interest-bearing financial instruments, the interest rate is subject to frequent adjustments and thus, as a rule, corresponds to the prevailing market rate. However, the risk exists here that the short-term interest rate will fluctuate and changing interest payments will be due (interest cash flow risk).

At the end of the year, the Group was mainly financed through fixed interest-bearing EUR liabilities of around EUR 1.7 billion, variable interest-bearing EUR liabilities of around EUR 2 billion, fixed interest-bearing USD liabilities of around USD 280 million, variable interest-bearing USD liabilities of around USD 60 million. These sums were thoroughly modified with regard to their interest structure using derivative financial instruments. At the end of 2002, the Group had a volume of interest swaps and interest/currency swaps of approximately EUR 1.6 billion, which enabled a change from fixed to variable interest rate periods. The stock of such swaps that enabled a change from variable to fixed interest rate periods covered a volume of approximately EUR 620 million on the key date.

Currency risk
Currency risk refers to the risk of changes in the value of balance sheet items induced by exchange rate fluctuations.

At the end of the year there were interest-bearing liabilities mainly in EUR and USD. A substantial proportion of the USD liabilities were transformed through swaps into synthetic EUR liabilities, which eliminated the currency risk for the affected underlying transactions.

Credit risk
The credit risk is the risk that a contracting party does not completely fulfil the obligations agreed by him when signing a financial instrument. The Group's credit risk is limited in that we only sign financial assets and derivative financial instruments with partners that have first-class credit rating.

Corporate Governance Code

The declaration prescribed under § 161 of the German Stock Corporation Act (declaration of compliance) was submitted on 12 December and was made available to shareholders on 13 December 2002.

Supervisory Board, Advisory Council, and Managing Board

Remuneration

EUR '000s	Group-wide
Compensation of the Supervisory Board	**1,753**
fixed	**50**
variable	**1,703**
Compensation of the Advisory Council	**131**
Compensation of the Managing Board	**5,981**
fixed	**2,934**
variable	**2,759**
others	**288**
Former members of the Managing Board and their survivors	
Compensation	**1,590**
Provisions for pension obligations	**19,791**

In addition, the Members of the Managing Board together have received 105,000 virtual options on Group shares in 2002.

In 2002, the Members of the Group's Managing Board and Supervisory Board carried out no transactions in Group shares subject to disclosure requirements in accordance with the German Securities Trading Law (Wertpapierhandelsgesetz).

No member of the Managing Board or of the Supervisory Board directly or indirectly holds Group shares or options to the extent of more than 1% of the shares issued by the Group. In addition, the total holding of all the members of the Managing Board and Supervisory Board does not exceed 1% of the shares issued by the Group.

The employee representatives in the Supervisory Board remit a significant portion of their Supervisory Board remuneration to the recuperation facility for the employees at HeidelbergCement AG and to the trade union-linked Hans Böckler Foundation.

Mandates of members of the Supervisory Board and Managing Board

The members of the Supervisory Board and Managing Board hold the following mandates:

a) Membership in other legally required supervisory boards for German companies
b) Membership in comparable German and foreign supervisory committees of commercial corporations.

Group mandates are marked by [1].

Supervisory Board

Dr. rer. pol. Wolfgang Röller, Chairman
Honorary Chairman of the Supervisory Board, Dresdner Bank AG

Heinz Schirmer, Deputy Chairman
Mechanic and locksmith foreman; Chairman of the General Council of Employees, HeidelbergCement AG and Chairman of the Council of Employees at the Schelklingen plant, HeidelbergCement AG

Heinz-Josef Eichhorn
since 12 July 2002
Head of the Executive Committee Section Building Materials, IG Bauen-Agrar-Umwelt
a) Dussmann AG & Co. KGaA

Prof. Dr. Bernd Fahrholz
Chairman of the Managing Board, Dresdner Bank AG
and Deputy Chairman of the Managing Board, Allianz AG
a) Bayerische Motoren Werke AG
Fresenius Medical Care AG
Advance Holding AG[1)] (Chairman)
Allianz Dresdner Asset Management GmbH
b) BNP Paribas S.A.
Dresdner Kleinwort Benson North America Inc.[1)]
Dresdner Bank Luxembourg S.A. (Chairman)

Wilhelm Fürst
Industrial mechanic; Chairman of the Council of Employees
at the Mainz-Weisenau plant, HeidelbergCement AG

Veronika Füss
Commercial employee; Chairwoman of the Council of Employees
in the Schelklingen sales office, HeidelbergCement AG

Waltraud Hertreiter-Höhensteiger
Partner and Chairwoman of the Advisory Council, Südbayer. Portland-Zementwerk
Gebr. Wiesböck & Co. GmbH
a) Textilgruppe Hof AG
ERWO Holding AG (Chairwoman)

Rolf Hülstrunk
Former Chairman of the Managing Board, HeidelbergCement AG

Hanspeter Kern
until 30 June 2002
Former Chairman of the Baden-Württemberg section, IG Bauen-Agrar-Umwelt
b) BG Phoenics GmbH

Ernst-Ludwig Laux
until 31 May 2002
Federal Deputy Chairman, IG Bauen-Agrar-Umwelt
a) Philipp Holzmann AG

Josef Löffler
Technical employee; member of the Council of Employees
at the Schelklingen plant, HeidelbergCement AG

Ludwig Merckle
Managing Director, Merckle GmbH
a) Kässbohrer Geländefahrzeug AG (Chairman)
MCS - Modulare Computer und Software Systeme AG
Württembergische Leinenindustrie AG (Chairman)

Senator E.h. Dr. rer. pol. Eberhard Schleicher
Partner with unlimited liability, Schwenk Zement KG
a) Wieland-Werke AG

Eduard Schleicher
Partner with unlimited liability, Schwenk Zement KG
b) Duna-Dráva Cement Kft
Nederlandse Cement Handelmaatschappij B.V.

Günter Schneider
until 30 June 2002
Former Director of the Leimen plant, HeidelbergCement AG
b) ISTRA Cement International AG

Wilhelm Schwerdhöfer
Motor mechanic; Chairman of the Euro Works Council, HeidelbergCement, and Chairman of the Council of Employees at the Lengfurt plant, HeidelbergCement AG

Karl-Heinz Strobl
since 12 July 2002
Member of the Federal Executive Committee, IG Bauen-Agrar-Umwelt
a) WALTER BAU AG

Meinhard Thrul
since 1 July 2002
Director of the sales region Southeast, HeidelbergCement AG

Dr. rer. pol. Ulrich Weiss
Weiss
Former member of the Managing Board, Deutsche Bank AG
a) ABB AG
BEGO Medical AG
Continental AG
O&K Orenstein & Koppel AG (Chairman)
Südzucker AG (Deputy Chairman)
b) Benetton Group S.p.A.
Ducati Motor Holding S.p.A.
Piaggio Holding S.p.A.

Managing Board

Hans Bauer, Chairman
a) Bilfinger Berger AG
ZEAG Zementwerk Lauffen-Elektrizitätswerk Heilbronn AG (Deputy Chairman)
b) S.A. Cimenteries CBR[1)]
ENCI Holding N.V.[1)] (Deputy Chairman)
HeidelbergCement Northern Europe AB[1)] (Chairman)
PT Indocement Tunggal Prakarsa Tbk.
Lehigh Cement Company[1)]
Lehigh Cement Limited[1)]
Nederlandse Cement Deelnemingsmaatschappij B.V.
Nederlandse Cement Handelmaatschappij B.V.
Nederlandse Cement Overslagbedrijf B.V.
Südbayer. Portland-Zementwerk Gebr. Wiesböck & Co. GmbH (Deputy Chairman)
Vicat S.A.

Helmut S. Erhard
b) Lehigh Cement Company[1)] (Chairman)
Lehigh Cement Limited[1)] (Chairman)

Håkan Fernvik
President and Chief Executive Officer of HeidelbergCement Northern Europe AB
b) HeidelbergCement Northern Europe AB[1)]
PT Indocement Tunggal Prakarsa Tbk.

Daniel Gauthier
b) Carmeuse S.A.
Casial Deva S.A.[1)]
Carpatcement Romania s.r.l.[1)]
Ceskomoravský Cement, a.s.[1)] (Chairman)
OAO Dniprocement[1)]
Duna-Dráva Cement Kft[1)] (Chairman)
Górazdze Cement S.A.[1)] (Chairman)
HeidelbergCement Northern Europe AB[1)]
ISTRA Cement International AG[1)]
Kryvyi Rih Cement Mining Combine[1)]
MOLDOCIM - S.A. Bicaz[1)]
Tvornica Cementa Kakanj d.d.[1)]
Zlatna Panega AD[1)] (Chairman)

Andreas Kern
a) Anneliese Zementwerke AG
Kronimus AG
b) Ceskomoravský Cement, a.s.[1)]
Duna-Dráva Cement Kft[1)]
Górazdze Cement S.A.[1)]
Südbayer. Portland-Zementwerk Gebr. Wiesböck & Co. GmbH

Paul Vanfrachem

Chairman und Chief Executive Officer, S.A. Cimenteries CBR

b) Akçansa Çimento Sanayi ve Ticaret A.S. (Deputy Chairman)
Carrières Lemay S.A.[1)] (Chairman)
S.A. Cimenteries CBR[1)] (Chairman)
China Century Cement Company Limited
Ciments Luxembourgeois S.A.
ENCI Holding N.V.[1)] (Chairman)
PT Indocement Tunggal Prakarsa Tbk.
Lehigh Cement Company[1)]
Lehigh Cement Limited[1)]
Vicat S.A.

Horst R. Wolf

a) EnBW Kraftwerke AG
Circel AG (Chairman)
RWE Rheinbraun AG
ZEAG Zementwerk Lauffen-Elektrizitätswerk Heilbronn AG

b) S.A. Cimenteries CBR[1)]
HeidelbergCement Northern Europe AB[1)]
PT Indocement Tunggal Prakarsa Tbk.
Lehigh Cement Company[1)]
Lehigh Cement Limited[1)]

38 Proposal for the distribution of net profit

The Managing Board and Supervisory Board propose that the net profit reported in HeidelbergCement AG's annual accounts amounting to EUR 95,991,690.01 be carried forward to a new account.

39 Approval of the Group annual accounts

The Group annual accounts were prepared by the Managing Board and adopted on 17 March 2003. They were then submitted to the Supervisory Board for approval.

Heidelberg, 17 March 2003

HeidelbergCement AG

The Managing Board

Report of the independent auditors

We have audited the Group annual accounts of HeidelbergCement AG, Heidelberg, for the financial year from 1 January to 31 December 2002. The Group annual accounts include the Group financial statement, consisting of the balance sheet, profit and loss accounts, statement of changes in equity, cash flow statement, and notes to the Group financial statements as well as a structured presentation of the additional disclosures required for the Group management report according to Article 36 of the 7th EU Directive. The Group annual accounts are the responsibility of the legal representatives of the company. Our responsibility is to express an opinion, based on our audit, whether the Group annual accounts are in accordance with International Financial Reporting Standards (IFRS) and whether the conditions for exemption pursuant to § 292a Sect. 2 HGB (Handelsgesetzbuch: German Commercial Code) have been fulfilled.

We have conducted our audit of the consolidated financial statements in accordance with § 317 HGB and the generally accepted standards for the audit of financial statements promulgated by the IDW (Institut der Wirtschaftsprüfer in Deutschland: Institute of Public Auditors in Germany) as well as the International Standards on Auditing (ISA). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the Group financial statements in accordance with principles of proper accounting and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the Group financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in the consolidated Group accounts, the determination of entities to be included in the consolidated Group, the accounting and consolidation principles used and significant estimates made by the legal representatives, as well as evaluating the overall presentation of the Group financial statements and Group management report. We believe that our audit provides a reasonable basis for our opinion. Our audit has not led to any reservation.

In our opinion, the Group financial statements give a true and fair view of the net assets, financial position, results of operations and cash flows of the Group for the business year in accordance with IFRS. Our audit, which also extends to the Group management report prepared by the Managing Board, has not led to any reservations. In our opinion, on the whole, the Group management report provides a suitable understanding of the Group's position and suitably presents the risks of future development. In addition, we confirm that the Group financial statements and Group management report satisfy the conditions required for the Company's exemption from its obligation to prepare Group financial statements and a Group management report in accordance with German law.

Stuttgart, 17 March 2003

ERNST & YOUNG
Deutsche Allgemeine Treuhand AG
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Pfitzer	Elkart
Independent Auditor	Independent Auditor

Glossary

Affiliated companies (§ 15 German Stock Corporation Act)
Affiliated companies are legally independent companies that are in a relationship to each other as majority owned companies and majority participation companies (§ 18), dependent or controlling companies (§ 17), group companies (§ 18), cross-held companies (§ 19), or contracting parties to a contract between business enterprises (§§ 291, 292).

Associated companies
Companies over which we exercise significant influence (participation quota of at least 20 %).

Authorised capital (§ 202 of the German Stock Corporation Act)
The statutes of a public limited company may authorise the Managing Board to increase the share capital up to a specified nominal amount (authorised capital) for a maximum of five years after registration of the company by issuing new shares against contributions.

Cash flow
Cash flow is a key figure for evaluating a company's financial worth and profitability. At HeidelbergCement, cash flow is calculated from the operating income before depreciation plus non-operating result before depreciation, and dividends and interest received, minus interest and taxes paid and the elimination of non-cash items.

Clinker (cement clinker)
Intermediate product in the cement production process that is made by heating a finely-ground raw material mixture to around 1,450 °C in the cement kiln. For the manufacture of cement, the greyish-black clinker nodules are extremely finely ground. Clinker is the main ingredient in most cement types.

Commercial Paper
Bearer notes issued by companies within the framework of a Commercial Paper Programme (CP Programme) to meet short-term financing needs. Maturities can range from seven days to two years.

Concrete
Concrete is a building material that is manufactured by mixing cement, aggregates (gravel, sand or chippings as a rule) and water.

Conditional capital increase (§ 192 of the German Stock Corporation Act)
The Annual General Meeting may adopt an increase in the share capital, which should only be implemented in so far as use is made of a conversion right or subscription right that the company grants to the new shares (pre-emptive shares).

Dry mortar
Dry mortars are mortars premixed in the plant such as interior and exterior plaster, fluidised floor finish and masonry mortar. They are offered in bags or in bulk - in silos or containers - and are ready mixed on site through the addition of water.

Dry process
Process technology for cement production. In the dry process the raw materials enter the cement kiln in a dry condition after being ground to a fine powder (raw meal). The dry process is less energy consuming than the wet process, where water is added to the raw materials during grinding to form a slurry.

EBIT Earnings before interest and income taxes.

EBITDA Earnings before interest, taxes, depreciation and amortisation.

Equity method Consolidation method for depicting associated undertakings in group accounts. The participation is initially valued at the acquisition price and then constantly adjusted to the development of the associated undertaking's equity.

Euro Medium Term Notes (EMTN) Debenture bonds issued as part of the EMTN Programme. An EMTN Programme represents a framework agreement made between the company and the banks appointed to be dealers. HeidelbergCement AG has the option of floating debt issues up to a total volume of EUR 3 billion under its EMTN programme.

EVA® EVA® stands for "Economic Value Added" and is an integrated management and control concept developed by the consulting firm Stern Stewart to measure value creation in companies.

Goodwill (IAS 22.41) Positive difference between the consideration made to take over a company and the fair value of the individual assets and liabilities at the time of the takeover.

Group consolidation Consolidation of the financial statements of the parent company and its subsidiaries by adding together items like assets, liabilities, equity, income and expenses.

Group share in profit Profit or loss for the financial year after deduction of minority interests.

International Accounting Standards (IAS) The IAS are accounting standards issued by the International Accounting Standards Board (IASB) for the purposes of international harmonisation and better comparability of consolidated accounts. HeidelbergCement has been preparing its Group annual accounts in accordance with IAS since 1994.

International Financial Reporting Standards (IFRS) Previously IAS

Operating income Profit before tax (as shown in the profit and loss account) before non-operating result, results from participations and financial results.

Operating income before depreciation (OIBD) Operating income before depreciation and amortisation of tangible and intangible fixed assets.

Price-earnings ratio (PER) Share price divided by earnings per share.

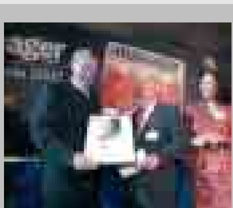
Profit/loss for the financial year Profit/loss in the period.

Profitability	Profit for the period (e.g. profit for the financial year) in relation to a reference value (capital employed or turnover). Typical key figures include return on total assets, return on equity and return on turnover.
Rating	Classification of the credit standing of debt instruments and their issuers. Specialised agencies such as Standard & Poor's and Moody's produce such ratings. Ratings range from AAA or Aaa as the highest credit standing to C or D as the lowest.
Ready-mixed concrete	Concrete that is manufactured in a ready-mixed concrete facility and transported to the building site using ready-mix trucks.
Return on investment (ROI)	Operating income before depreciation as a per cent of tangible and intangible fixed assets.
Secondary materials	By-products or waste from other industries, whose chemical components make them suitable substitutes for natural resources (raw materials, fuels and additives).
Stock option plan	Long-term incentive scheme within the framework of value based corporate management. Participants include the Managing Board and selected senior managers of HeidelbergCement AG and affiliated domestic and foreign companies. The entitled subscribers receive the option of acquiring HeidelbergCement AG shares at certain conditions during defined exercise periods.
Sustainability	Sustainable development signifies a development that fulfils the economic, ecological and social needs of people alive today without endangering the ability of future generations to fulfil their own needs.
Syndicated loan	Large-sized loan which is distributed ("syndicated") among several lenders for the purpose of risk spreading.
Xetra	Exchange Electronic Trading. Xetra is the Deutsche Börse AG electronic securities trading platform. Around three quarters of HeidelbergCement shares are traded via Xetra.

Review of 2002 events

January

HeidelbergCement is awarded with the first prize in the "imageprofile 2002" contest. For the third time in a row, HeidelbergCement is named the company with the best image in its sector. The award is granted every two years by the German economics magazine "manager magazin" and is based on a survey of Germany's executives.



February

Publication of the first financial highlights for the 2001 financial year.

Our American subsidiary Lehigh expands its market position in the concrete business line in Florida with the purchase of the company Metro Mix of South Florida, which operates three ready-mixed concrete facilities in the Miami area.

March

Conferences for analysts and the press in Frankfurt and London on the 2001 annual accounts.

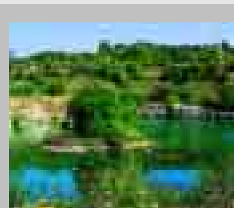
HeidelbergCement becomes market leader in the Ukraine through the purchase of a majority participation in the Dniprocement cement plant in the industrial area of Dnipropetrowsk. In addition, our company has operated the Kryvyi Rih cement plant in the Ukraine since 2001.

The subsidiary ENCI extends its position on the domestic aggregates market with the purchase of Paes Bouwtoeleveringen, the third largest manufacturer of sand and aggregates in the Netherlands.

Castle Cement obtains the approval for the construction of a new dry kiln in Padeswood/United Kingdom.

April

HeidelbergCement publishes the first environmental report for the whole Group.

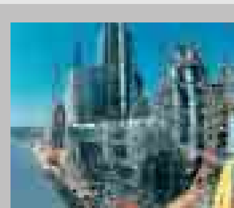


May

Ordinary Annual General Meeting in Leimen/Germany.

In Union Bridge/Maryland after several years of planning and construction time, Lehigh officially takes into service the largest and most modern cement plant in the US with a capacity of 2 million tonnes.

CBR completes its modernisation and rationalisation measures in the cement line in Belgium with the closure of the cement grinding plant in Mons.

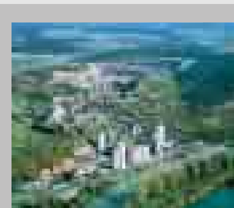


June

Michael Lodge, Managing Director of Castle Cement, becomes the new chairman of the European Cement Association Cembureau.

The German cement plant at Lengfurt receives the Bavarian Energy Award for the innovative use of waste heat from kilns for electricity generation. The electricity generated covers 12 % of the cement plant's total requirements.

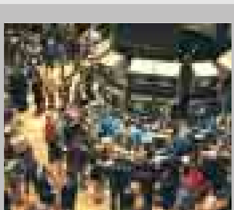
The Addiment product group of the German subsidiary Heidelberger Bauchemie is sold to the Swiss company Sika AG. Thus, we continued the concentration on our core business of cement and concrete.



July

Change of the company name to HeidelbergCement AG; Scancem AB also trades under a new name as HeidelbergCement Northern Europe AB.

The preference share is abolished. From mid-July onwards, only ordinary shares are still traded on the stock exchanges in Frankfurt, Stuttgart, Munich, Düsseldorf and Brussels.



HeidelbergCement publishes an agenda for action for sustainable development in collaboration with nine leading international cement companies.

The Federal Cartel Office inspects the premises of 30 German cement companies, including offices in the headquarters of HeidelbergCement in Heidelberg and in the Leimen cement plant.

August

Conferences for the press and analysts in Frankfurt and London for the half-year accounts.

Several Czech ready-mixed concrete facilities have to interrupt production due to the floods of the century. Donations are collected for the colleagues affected by the floods in Germany, Austria and the Czech Republic with the campaign "Employees help employees".

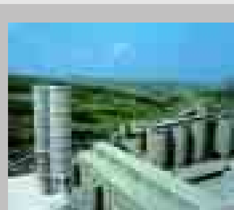
September

HeidelbergCement's new Group strategy is presented to the approximately 120 senior managers of the Group at the Senior Management Meeting in Washington D.C./US.

HeidelbergCement arranges the first Building Forum in Frankfurt in order to demonstrate ways out of the crisis in the German construction industry in collaboration with external experts.

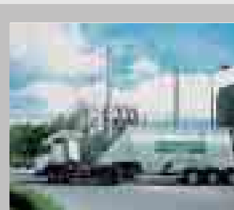
October

HeidelbergCement becomes market leader in Romania through the increase of the participation in the Romanian Romcif Fieni cement company to 97.5 %. The Group also operates the two plants Casial Deva and Moldocim Bicaz in Romania.



November

The Chairman of the Managing Board Hans Bauer becomes the new Chairman of the Association of the German Cement Industry (BDZ).



The Polish cement plant at Gorazdze receives the "Fair Play Company" award which is bestowed annually by the Polish Chamber of Commerce and other business organisations. The award acknowledges ethical behaviour in business.

December

HeidelbergCement publishes its Corporate Governance Principles. Thus, our company is complying with the requirements of the capital market for company management and monitoring that is modern, responsible and adequate for international standards.

With the closure of the cement plant site at Kiefersfelden, HeidelbergCement is responding to the lower capacity utilisation of its South German cement plants due to adverse economic conditions

and to the continuous high price and cost pressure.

Purchase of the Wetzlar/Germany cement plant from the Buderus & Group. The Hessian plant with a cement capacity of approximately 1 million tonnes supplements the marketing areas in South Germany. HeidelbergCement extends its cement activities to the Eastern German states with the acquisition of a cement grinding plant in Königs Wusterhausen near Berlin.

Strategic business regions

North America
Canada
US

HeidelbergCement is member in:

World Business Council for Sustainable Development

econsense Forum Nachhaltige Entwicklung

Subsidiaries have additional locations in Italy, Portugal, Saudi Arabia and Spain.

Mediterranean region

Turkey

Africa

Angola
Benin
Gabon
Ghana
Liberia
Niger
Nigeria
Republic of the Congo
Sierra Leone
Tanzania
Togo

Central Europe West

Austria, Germany, Switzerland

Western Europe

Belgium, France, Luxembourg, Netherlands, United Kingdom

Northern Europe

Denmark, Estonia, Finland, Latvia, Lithuania, Norway, Russia, Sweden

Central Europe East

Bosnia-Herzegovina, Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania, Slovakia, Ukraine

Heidelberg Building Materials Europe (HBE)

Asia

Bangladesh
Brunei
China
Indonesia
Philippines
Singapore
United Arab Emirates

Group Services

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The German version is binding.

Copies of the 2002 accounts of HeidelbergCement AG
and further information are available on request
from Group Communication.

You find this annual report and further information
on HeidelbergCement on the Internet:
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Strategic business regions

Financial calendar 2003

Annual General Meeting	8 May 2003
Interim report January to March 2003	8 May 2003
Interim report January to June 2003 as well as analysts' and press conferences	
Frankfurt	5 August 2003
London	6 August 2003
Interim report January to September 2003	6 November 2003

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