

# Interim report

January to December 2002



**HEIDELBERGCEMENT**

- Fourth quarter satisfactory
- Corporate Governance principles issued
- Restructuring of Central Europe West running as planned
- North America's turnover remains stable in US dollars
- Stock dividend strengthens free cash flow

## Letter to the shareholders

### Ladies and Gentlemen,

Uncertainty over the further development of the international economy adversely affected the readiness of companies to invest and thus dampened the economic development worldwide. In fact, the prospects for 2003 show several improved indicators, but overall they should be viewed only as cautiously positive.

HeidelbergCement was able to continue its expected course in the fourth quarter. The development of Group turnover, which decreased compared with the previous year by 1.8 % to EUR 6,570 million (previous year: 6,689), is influenced by currency and consolidation effects. Adjusted for these factors, we recorded a decrease of 2.0 %. The development of results was also largely confirmed by the course of the fourth quarter.

Due to the difficult economic environment, HeidelbergCement has terminated the sale negotiations with a potential investor for Heidelberg Building Materials Europe (HBE). The positive balance sheet effects originally expected were not achievable in the context of the solution envisaged.

The Managing Board and the Supervisory Board have resolved the HeidelbergCement Corporate Governance principles, which closely relate to the German Corporate Governance Code. HeidelbergCement therewith is complying with the requirements of the capital market of a management and supervision that is modern, responsible and in line with international standards. The principles as well as the statement of compliance in accordance with Art. 161 of the German Stock Company Act can be downloaded from our Internet site at [www.heidelbergcement.com](http://www.heidelbergcement.com).

### HeidelbergCement AG intends to issue stock dividend

The Managing Board intends to recommend to the Supervisory Board at its meeting on 21 March 2003, at which the annual accounts are to be approved, 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, which would result in a ratio of approximately 22 old shares to 1 new share. This stock dividend will enable the shareholders to participate in the results of the 2002 fiscal year and will give them the opportunity of participating in the future development of HeidelbergCement AG. This dividend is tax-free for shareholders with unlimited tax liability in Germany. Based on the current stock price, the stock dividend reflects a total dividend volume of approximately EUR 73 million and a dividend of approximately EUR 1.15 per share. The shareholders of HeidelbergCement will thus enable the company to increase the free cash flow of 2003.

### Cement and clinker sales volumes

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

#### Cement and clinker sales volumes

January - December

million tonnes	2001	2002
Central Europe West	5,8	5,3
Western Europe	9,4	9,2
Northern Europe	5,1	5,3
Central Europe East	7,5	8,7
North America	12,0	11,9
Africa-Asia-Turkey	5,2	5,4
<b>Total</b>	<b>45,0</b>	<b>45,8</b>

### Employees

On an annual average 36,761 (previous year: 34,846) employees were working at HeidelbergCement worldwide. The growth from new consolidations in Central Europe East and Northern Europe was significantly higher than the decrease in the number of employees in the context of restructuring measures.

### Prospects

The expectations for international growth in 2003 are weighed down with considerable risks due to the political situation in the Middle East. In spite of this intense uncertainty, the economic research institutes are assuming a gradual improvement in the second half of the year. The greatest impetus for growth is expected again from the countries of the Central Europe East region. In North America the slight economic upturn should continue with little change in tempo. The situation in the euro zone remains unsatisfactory, basically due to the ongoing difficult situation in Germany. Optimistic forecasts prevail for the Asian emerging countries. Positive trends become apparent also in Turkey, in our African markets and in our building materials group HBE.

The adopted streamlining course takes priority for Heidelberg-Cement in the current year. The repayment of liabilities commenced in 2002 is financed through further sales of non-core businesses, a further restrained investment activity and through intensified cost savings.

We are able to counterbalance or at least lessen the consequences of regional impairment thanks to our broad geographical presence. Restructuring and modernisation measures taken at an early stage, such as in our Belgian cement plants, in North America, in Central Europe East and not least in all the German business operating lines, have improved our chances of emerging strengthened from the difficult economic environment.

Heidelberg, 21 February 2003

Yours sincerely,



Hans Bauer

Chairman of the Managing Board

## HeidelbergCement on the markets

### Central Europe West

Turnover by business lines

EURm	January - December	
	2001	2002
Cement	401	<b>336</b>
Concrete	372	<b>355</b>
Building materials	127	<b>106</b>
Intra-Group eliminations	- 33	<b>- 42</b>
<b>Total turnover</b>	<b>867</b>	<b>755</b>

The decline in German construction investments by 6% overall affected all building areas. The recessionary performance resulted in significant excess capacities in the entire building materials industry, combined with strong price deterioration. Cement and clinker sales volumes fell in the full year 2002 by 8.3% to 5.3 million tonnes (previous year: 5.8). We have met the continual decline in cement demand since the middle of the

90s with the closure of the Bavarian cement plant at Kiefersfelden.

The ready-mixed concrete operating line registered similar losses. Concrete products were able to build on their position as branded products through streamlining and restructuring of operations. The sales volume figures for lime rose due to increases in the non-construction area. The positive performance continued in the fourth quarter with aggregates also. The sand-lime brick operating line benefited from market adjustment measures and from an improved cost structure. Turnover decreased in Central Europe West by 12.9% to EUR 755 million (previous year: 867).

We can extend our cement business in the direction of North-West Germany through the takeover of the cement and ready-mixed concrete business of the Buderus group and thus ideally supplement our South German positions. This acquisition, together with the initiated purchase of the Königs Wusterhausen slag cement plant, south-east of Berlin, serves our objective of becoming market leader in Germany.

HeidelbergCement has been served with the so-called letter of accusation in the current cartel proceedings. It concerns the facts discussed with the authorities in the context of the cooperation. We shall comment on the charges in writing. We remain convinced that in the end we shall play a subordinate role in the procedure. If necessary we shall make use of our rights of appeal.

## Western Europe

### Turnover by business lines

EURm	January - December	
	2001	2002
Cement	789	<b>764</b>
Concrete	289	<b>300</b>
Building materials	37	-
Intra-Group eliminations	-63	<b>-41</b>
<b>Total turnover</b>	<b>1,052</b>	<b>1,023</b>

in Western Europe fell by 2.8 % to 9.2 million tonnes (previous year: 9.4) with slight decreases at our British plants. Sustained weak demand and price pressure also put a strain on the ready-mixed concrete business. The situation on the aggregates market stabilised in spite of further delays with infrastructure projects. Turnover at EUR 1,023 million (previous year: 1,052) was below the previous year by 2.8 %.

The economic environment in the construction industry was varied in Western Europe. Whereas the Benelux countries recorded slight losses of approximately 2 %, construction activity in the United Kingdom rose by 6 %. The cement markets in Belgium and the Netherlands were adversely affected by sustained pressure from imports. The cement and clinker sales volumes of our Belgian and Dutch plants fell by 3.1 %. Total sales volumes

## Northern Europe

### Turnover by business lines

EURm	January - December	
	2001	2002
Cement	361	<b>380</b>
Concrete	446	<b>430</b>
Building materials	47	<b>90</b>
Intra-Group eliminations	-29	<b>-28</b>
<b>Total turnover</b>	<b>825</b>	<b>872</b>

roughly at the previous year's level. Cement and clinker sales volumes increased overall in the Northern Europe region by 4.3 % to 5.3 million tonnes (previous year: 5.1). Ready-mixed concrete, concrete products and aggregates operating lines are slightly below the level of the previous year by sales volume and turnover. The Finnish participation Parma Betonila was sold at the end of December 2002 within the scope of optimising our portfolio. Turnover rose compared with the previous year by 5.7 % to EUR 872 million (previous year: 825).

Construction activity in Scandinavia has also weakened slightly. Building industry activity developed more satisfactorily in Estonia and in the St. Petersburg region in North-west Russia, where our newly consolidated cement plant Cesla operates. The cement sales volumes of our Swedish plants fell by just under 4 %, while they rose slightly in Norway. Exports, which comprise somewhat more than 40 % of the total sales volumes, remained

## Central Europe East

### Turnover by business lines

EURm	January - December	
	2001	2002
Cement	422	<b>485</b>
Concrete	77	<b>118</b>
Building materials	30	<b>28</b>
Intra-Group eliminations	- 15	<b>- 21</b>
<b>Total turnover</b>	<b>514</b>	<b>610</b>

The dynamics in the construction industry has weakened slightly in the countries of the Central Europe East region but still remained - with the exception of Poland - at a satisfactory level. The imminent integration of these countries into the European Union is arousing positive expectations. Total cement and clinker sales volumes have increased by 16.7 % to 8.7 million tonnes (previous year: 7.5) due to the new consolidation of our Ukrainian and Bosnian plants. The development in sales volumes in Romania, Bulgaria and also in Bosnia was particularly satisfactory. Slight increases could be achieved again in Hungary, while sales volumes in the Czech Republic were impaired by the consequences of the flood disaster. The decline in sales volumes in Poland is attributable both to weak domestic demand and to pressure from imports. The positive performance of our ready-mixed concrete business continued in the fourth quarter. Sales volumes of aggregates remained constant. Turnover rose by 18.5 % to EUR 610 million (previous year: 514).

## North America

### Turnover by business lines

EURm	January - December	
	2001	2002
Cement	1,175	<b>1,101</b>
Concrete	962	<b>915</b>
Building materials	-	-
Intra-Group eliminations	- 147	<b>- 151</b>
<b>Total turnover</b>	<b>1,990</b>	<b>1,865</b>

Construction investments have fallen slightly in 2002. Stable development in residential construction and in public sector construction was not able to fully compensate for losses in commercial construction. Our cement sales volumes have stabilised at a high level with 11.9 million tonnes (previous year: 12.0). HeidelbergCement performed better than the market, which decreased by 3.4 %. We reduced imports by just under 8 % by increasing our capacities, and thus improved our cost structure.

In the regional breakdown, sales volumes have risen in the South-East in particular - in Alabama, Georgia and Florida - as well as in Canada. Texas also registered continued high demand. The economic slow-down only marginally impaired the sales volume situation on the East Coast, but affected the sales regions in the Mid West and in California to a greater extent. The level of prices for cement remained largely stable; price increases could be achieved in part. The sales volumes of ready-mixed concrete, concrete products and aggregates have also developed positively in all sales regions - and particularly in Canada. Turnover fell by 6.3 % to EUR 1,865 million (previous year: 1,990); in national currency turnover was 1.1% below the previous year.



## Africa-Asia-Turkey

### Turnover by business lines

EURm	January - December	
	2001	2002
Cement	389	<b>395</b>
Concrete	27	<b>37</b>
Building materials	-	-
Intra-Group eliminations	-5	<b>-7</b>
<b>Total turnover</b>	<b>411</b>	<b>425</b>

This region's upward trend continued in the last few months. Sales volumes in Africa almost reached the previous year's level as the situation in Ghana has further improved and operations in Sierra Leone, Niger and the Republic of the Congo are showing significant increases in some cases. The consolidated plants in Bangladesh, Brunei and the Philippines also report a high sales volume increase in the fourth quarter. Satisfactory progress with our Turkish participation Akçansa resulted in an improvement in sales volumes by approximately 2 % in the full year. Thus, cement and clinker sales volumes of the Africa-Asia-Turkey region rose by 4.8 % overall to 5.4 million tonnes (previous year: 5.2). Turnover increased compared with the previous year by 3.5 % to EUR 425 million (previous year: 411).

The sales volumes of our non-consolidated participation Indocement at 11.5 million tonnes (previous year: 11.6) of cement and clinker remained largely stable. Turnover and results have improved markedly due to price increases, successful cost management and the positive development of the Indonesian Rupiah.

The plants of our Chinese participation were fully utilised in 2002. Cement and clinker sales volumes have increased by 14 % to 3.1 million tonnes (previous year: 2.7) compared with the previous year. The results have also improved favourably

## Heidelberg Building Materials Europe (HBE)

### Turnover by business lines

EURm	January - December	
	2001	2002
Cement	-	-
Concrete	17	-
Building materials	1,028	<b>1,010</b>
Intra-Group eliminations	-	-
<b>Total turnover</b>	<b>1,045</b>	<b>1,010</b>

Successes from the restructuring of the German operations as well as from re-grouping the range to profitable products were already clearly reflected in the development of results for 2002. Sales volumes and turnover performed with regional variations; the continued serious decline in Germany could not be completely offset by the good performance in Central Europe East and Southern Europe. Turnover fell by 3.3 % to EUR

1,010 million (previous year: 1,045). On the other hand, operating income before depreciation (OIBD) and operating income have experienced a double-digit improvement.

## Group Services

The traded volume of our internationally operating subsidiary HC Trading reached just under 11 million tonnes (previous year: 10.8) due to a satisfactory fourth quarter. However, the turnover of the Group Services unit, which also includes the worldwide procurement of our fossil fuels, fell overall by 11.2 % to EUR 453 million (previous year: 510). The primary reasons for the decline were changes in the product portfolio of the traded volume. Our supply of fossil fuels was secured in the year 2002 at a satisfactory level of prices by means of multi-year contracts.

## Turnover development

by regions and business lines January to December 2002

EURm	Cement	
	2001	2002
Central Europe West	401	336
Western Europe	789	764
Northern Europe	361	380
Central Europe East	422	485
North America	1,175	1,101
Africa-Asia-Turkey	389	395
HBE		
<b>Total</b>	<b>3,537</b>	<b>3,461</b>
Group Services		
Inter-region turnover		
<b>Total Group</b>		

## Financial calendar

### Analysts' and press conferences

Frankfurt	24 March 2003
London	25 March 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

Concrete		Building materials		Intra Group eliminations		Total	
2001	2002	2001	2002	2001	2002	2001	2002
372	355	127	106	-33	-42	867	755
289	300	37		-63	-41	1,052	1,023
446	430	47	90	-29	-28	825	872
77	118	30	28	-15	-21	514	610
962	915			-147	-151	1,990	1,865
27	37			-5	-7	411	425
17		1,028	1,010			1,045	1,010
2,190	2,155	1,269	1,234	-292	-290	6,704	6,560
						510	453
						-525	-443
						6,689	6,570



for better building

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The German version is binding. You find further information on  
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