

# HEIDELBERGCEMENT

## Interim Report



January to September 2004

- Sales volumes, turnover und results increased satisfactorily and according to expectations
- Further price increase in Germany necessary, despite improved revenues
- Dr. Lorenz Näger new CFO at HeidelbergCement
- Squeeze out for Anneliese Zementwerke AG on the way
- Extensive restructuring programme in Benelux initiated
- Third quarter confirmed operational expectations for the full year

## Financial highlights

| EURm   | July - Sept. |              | January - Sept. |              |
|--|--------------|--------------|-----------------|--------------|
|  | 2003         | 2004         | 2003            | 2004         |
| Turnover   | 1,800        | <b>1,974</b> | 4,814           | <b>5,215</b> |
| Operating income before depreciation (OIBD)      | 385          | <b>458</b>   | 781             | <b>943</b>   |
| Operating income                                 | 225          | <b>344</b>   | 306             | <b>584</b>   |
| Additional ordinary result                       | -8           | <b>-26</b>   | 38              | <b>-26</b>   |
| Results from participations                      | 40           | <b>38</b>    | 69              | <b>70</b>    |
| Earnings before interest and income taxes (EBIT) | 258          | <b>356</b>   | 413             | <b>627</b>   |
| Profit before tax                                | 213          | <b>310</b>   | 257             | <b>431</b>   |
| Profit for the financial year                    | 133          | <b>201</b>   | 129             | <b>300</b>   |
| Group share in profit                            | 116          | <b>171</b>   | 113             | <b>268</b>   |
| Investments (net)                                | 60           | <b>101</b>   | 185             | <b>159</b>   |

# Letter to the shareholders

## Ladies and Gentlemen,

The positive assessment of the global economic environment continued despite further increases in oil prices in the third quarter. Towards the end of 2004 and the beginning of 2005, a slowdown in the global economy is expected. According to the latest forecasts, the weakening of domestic demand in Germany has not yet been overcome.

In the first nine months, Group turnover increased by 8.3 % to EUR 5,215 million (previous year: 4,814). Adjusted for currency and consolidation effects, the increase amounts to 5.7 %. The first-time consolidation of Indocement accounted for EUR 309 million of this total. A decrease of EUR 151 million was due to currency effects – of which EUR 113 million can be attributed to the weak US dollar exchange rate. Besides the expansion of the scope of consolidation and the no longer applied goodwill amortisation amounting to EUR 126 million, the improved earnings situation in Germany was a significant influential factor for the increase in operating income before depreciation (OIBD) to EUR 943 million (previous year: 781) and in operating income to EUR 584 million (previous year: 306).

The additional ordinary result of EUR -26 million (previous year: 38) results essentially from the set-up of provisions, exceptional depreciation (Impairment of Assets) and gains from sales of participations. The results from participations amounting to EUR 70 million (previous year: 69) are affected by positive market-related and seasonal factors as well as by exceptional depreciation.

The financial results changes by EUR 41 million to EUR -197 million (previous year: -156). As the newly consolidated Indocement is financed in US dollars and Japanese yen for historical reasons, there were foreign exchange losses of EUR 25 million. The interest expenses of Indocement amounting to EUR 12 million were added to this figure. The net debt of HeidelbergCement could be reduced by EUR 12 million to EUR million 3,930 (previous year 3,942) including additional net debt of EUR 437 million from the first-time consolidation of Indocement.

Profit before tax increased by EUR 174 million to EUR 431 million (previous year: 257). Taxes on income rose by EUR 2 million to EUR 131 million (previous year: 129). Reimbursement of taxes in the reporting year had a positive impact on the tax rate. The negative tax effects from the previous year resulted from non-tax-deductible expenses (amortisation of goodwill) and additional tax payments.

### ■ Changes on the Managing Board

As of 1 October 2004, Dr. Lorenz Näger has succeeded Horst R. Wolf as CFO of HeidelbergCement. Dr. Näger previously was member of the Managing Board of PHOENIX Pharmahandel AG & Co KG, in charge of Controlling/Participations/Accounting. Horst R. Wolf, who can look back on a successful career at HeidelbergCement lasting almost 24 years, ten of which were spent as a member of the Managing Board, went into retirement at the end of October.

### ■ Share swap offer open to Anneliese minority shareholders

From 27 September to 15 October 2004, the minority shareholders of Anneliese Zementwerke AG had the option of exchanging their Anneliese shares at no commission or expense charge for HeidelbergCement shares plus an additional payment or, optionally, for a cash equivalent. Around 87 % of the minority shareholders took up the offer, with 83.3 % opting to exchange for HeidelbergCement shares and an additional payment. HeidelbergCement AG now holds 99.7 % of the share capital of Anneliese AG. At an Extraordinary General Meeting of Anneliese AG on 8 December, a resolution will be proposed to transfer the remaining shares of Anneliese minority shareholders to HeidelbergCement AG in return for appropriate cash compensation (EUR 27.50 per share).

### ■ Cement and clinker sales volumes

In the first nine months, cement and clinker sales volumes across the Group reached 49.4 million tonnes (previous year: 38.7). In particular, we were able to achieve increases in sales volumes in Central Europe East, North America, Africa and Asia. However, the total increase of 27.9 % essentially results from the first-time consolidation of Indocement, which trebled the sales volumes of the Africa-Asia-Turkey region. Excluding consolidation effects, the increase in Group sales volumes amounted to 2.2 %.

### Cement and clinker sales volumes January – September

| 1,000 tonnes           | 2003   | 2004   |
|------------------------|--------|--------|
| Central Europe West    | 5,831  | 5,488  |
| Western Europe         | 6,674  | 6,518  |
| Northern Europe        | 4,146  | 3,989  |
| Central Europe East    | 7,460  | 7,621  |
| North America          | 9,366  | 10,051 |
| Africa - Asia - Turkey | 5,191  | 15,776 |
| Total                  | 38,668 | 49,443 |

## ■ Employees

In the first nine months, HeidelbergCement employed 42,589 people (previous year: 38,702) across the Group. The increase of 3,887 employees in comparison with the previous year resulted primarily from the consolidation of Indocement. This new consolidation more than compensates for reductions in the number of employees in all other regions due to disinvestments and restructuring measures.

## ■ Investments

Cash relevant investments fell by 18 % in comparison with the previous year to EUR 301 million (previous year: 366) in the first nine months. Of this figure, EUR 282 million (previous year: 230) was invested in tangible and intangible fixed assets and EUR 19 million (previous year: 136) in financial fixed assets. Disinvestments of EUR 76 million (previous year: 164) and consolidation scope changes of EUR 66 million (previous year: 17) led to a cash flow from investing activities totalling EUR 159 million (previous year: 185).

## ■ Prospects

In 2005, the global economy should expand further, albeit at a reduced pace. In North America, the growth rate is levelling off slightly. Eastern Europe and our Asian markets remain the most dynamic areas. Growth in the euro zone continues almost unchanged. In Germany, domestic impetus for investments in equipment is still limited, while the downswing in construction investments has not yet come to an end.

We expect an improvement of at least 5 % in HeidelbergCement's turnover for the whole of 2004, assuming normal seasonal development. We anticipate a double-digit growth rate in OIBD and operating income. Weather conditions and currency effects, particularly caused by the Indonesian Rupiah, and the amount of the to be expected provisions in Western Europe, are definitely adding another element of uncertainty to the expected results for the financial year. By the end of the year, we will have taken another step in improving the financial key figures and the financing structure.

Heidelberg, 9 November 2004

Yours sincerely,



Hans Bauer  
Chairman of the Managing Board

## HeidelbergCement on the market

### ■ Central Europe West

The slight recovery of the German economy is not yet providing any positive impetus for construction activity. One-time effects in residential construction have only temporarily slowed down the decline, as the downswing in commercial construction and investments from public and private clients is continuing. In the first nine months, the cement and clinker sales volumes of our plants fell by 5.9% to 5.5 million tonnes (previous year: 5.8). Excluding the first-time consolidation of the Bosenberg plant, this would be a decline of 13%. The drop in quantities is partially a result of price increases. Cost savings and improved revenues are reflected in the development of results. In the face of dramatically increasing electricity and fuel costs, we will have to raise our prices again by EUR 9.50 per tonne from January 2005, as we cannot compensate for the added strain through cost reductions alone. In ready-mixed concrete, we also recorded a decline in sales volumes compared with 2003. On the other hand, in the sand and gravel operating line we exceeded the previous year's volumes significantly as a result of new consolidations and higher export quantities.

Until September, turnover in the Central Europe West region rose by 10.1% to EUR 638 million (previous year: 580).

### ■ Western Europe

The construction industry in our Western Europe region is characterised by stable development in the United Kingdom on one hand and, on the other hand, the sustained weakness in the Benelux countries. In Belgium, and even more so in the Netherlands, our sales volumes have fallen in the first nine months. Imports from Germany were contributing to this decline. In order to reduce costs and better exploit synergy effects, we combined our Belgian and Dutch cement operations at the beginning of the year to form the unit CEM-BENE. Further incisive measures for capacity and structural adjustment were initiated in October to ensure our future competitiveness in these countries. The planned measures include a reduction in production capacity; in particular, the Dutch cement plant of Maastricht will be converted into a grinding plant. The announced restructuring programme affects around 200 jobs in Belgium and 270 in the Netherlands. In the United Kingdom, the cement sales volumes of our subsidiary Castle Cement reached the previous year's level. In total, cement and clinker sales volumes in the Western

Turnover by business lines January - September

#### Central Europe West

| EURm                     | 2003       | 2004       |
|--------------------------|------------|------------|
| Cement                   | 256        | <b>295</b> |
| Concrete                 | 251        | <b>280</b> |
| Building materials       | 98         | <b>101</b> |
| Intra-Group eliminations | -25        | <b>-38</b> |
| Total turnover           | <b>580</b> | <b>638</b> |

#### Western Europe

| EURm                     | 2003       | 2004       |
|--------------------------|------------|------------|
| Cement                   | 529        | <b>518</b> |
| Concrete                 | 232        | <b>211</b> |
| Building materials       |            |            |
| Intra-Group eliminations | -32        | <b>-30</b> |
| Total turnover           | <b>729</b> | <b>699</b> |

Europe region fell by 2.3 % to 6.5 million tonnes (previous year: 6.7). The sales volumes for ready-mixed concrete and aggregates also declined.

Turnover in the Western Europe region fell by 4.1 % to EUR 699 million (previous year: 729).

### ■ Northern Europe

The domestic sales volumes of our Scandinavian plants, which improved by 8.3 % in the first nine months, benefited primarily from new residential construction and large infrastructure projects. However, exports were 27 % below the previous year's level, mainly as a result of the conversion of a kiln in the Norwegian Brevik plant to allow increased use of secondary fuels. In the Baltic States and Northwest Russia, the upward trend in construction activity continued. The domestic sales volumes of the Kunda plant in Estonia and the Cesla plant near St. Petersburg recorded a substantial increase with a plus of 28 %. With high capacity utilisation, clinker exports from Kunda had to be cut back in order to meet domestic demand. In total, cement and clinker sales volumes in the Northern Europe region were 3.8 % below the previous year's level at 4.0 million tonnes (previous year: 4.1). The ready-mixed concrete and aggregates activities performed positively, in particular as a result of favourable market conditions in Norway.

Turnover in the Northern Europe region fell by 8 % to EUR 512 million (previous year: 556) as a result of the reduced scope of consolidation.

### ■ Central Europe East

In the countries of the Central Europe East region, overall economic growth and construction activities are continuing to perform positively. In our main market, Poland, we were able to increase cement and clinker sales volumes by almost 20 %. In Romania, where our previously legally independent plants Moldocim Bicaz, Casial Deva and Romcif Fieni were combined under the name CARPATCEMENT HOLDING S.A., sales volumes also improved by the same order. In Hungary, on the other hand, our cement deliveries remained below the previous year as a result of decreased exports. In total, cement and clinker sales volumes in the Central Europe East region increased by 2.2 % to 7.6 million tonnes (previous year: 7.5). Adjusted for negative consolidation effects due to

#### Northern Europe

| EURm                     | 2003       | 2004       |
|--------------------------|------------|------------|
| Cement                   | 283        | <b>280</b> |
| Concrete                 | 273        | <b>259</b> |
| Building materials       | 23         |            |
| Intra-Group eliminations | -23        | <b>-27</b> |
| Total turnover           | <b>556</b> | <b>512</b> |

#### Central Europe East

| EURm                     | 2003       | 2004       |
|--------------------------|------------|------------|
| Cement                   | 387        | <b>392</b> |
| Concrete                 | 115        | <b>135</b> |
| Building materials       |            |            |
| Intra-Group eliminations | -22        | <b>-28</b> |
| Total turnover           | <b>480</b> | <b>498</b> |

the sale of the Bulgarian cement activities at the end of 2003, the increase in sales volumes amounts to almost 11 %. The ready-mixed concrete and aggregates operating lines also performed satisfactorily, with increases in sales volumes of 6.4 % and around 11 % respectively.

Despite negative currency and consolidation effects, turnover increased by 3.7 % to EUR 498 million (previous year: 480).

### ■ North America

In the US, the macroeconomic expansion has continued at a moderate rate. Construction activity rose further in all sectors. The continuing strong demand for cement accompanied by tight cargo space for imported cement regionally led to certain bottlenecks. Significantly increased freight costs adversely affected the margins for imported cement. In Canada, the demand trend also remained positive, particularly in British Columbia.

After nine months, the cement and clinker sales volumes of our North American cement plants were 7.3 % above the previous year's level at 10.1 million tonnes (previous year: 9.4). Around 20 % of our sales volumes were covered by imports – mainly from Group-owned locations. In almost all our market regions, we were able to achieve substantial increases in quantities and implement price increases. In Florida and other Southern States, we expect stronger construction activity after the particularly fierce hurricanes this year. Sales volumes were only below the previous year's values in Canada's Prairie Provinces. Sales volumes for ready-mixed concrete increased by 2 % in the first nine months, while demand for aggregates fell by around 4 %.

In the first nine months, turnover increased by 0.5 % to EUR 1,289 million (previous year: 1,283) despite the continuing weakness of the US dollar. In the national currency, however, turnover was 10.2 % above the previous year at USD 1,577 million.

### ■ Africa-Asia-Turkey

The upward development in this growth region continued in the third quarter. In Africa, our participations in Sierra Leone, Benin, Nigeria, Liberia, Gabon and Tanzania in particular achieved, in part, considerable increases in sales volumes.

In Asia, our cement and clinker sales volumes rose tenfold, with 11.2 million tonnes (previous year: 1.1), as a result of the proportionately

Turnover by business lines January - September

#### North America

| EURm                     | 2003         | 2004         |
|--------------------------|--------------|--------------|
| Cement                   | 747          | <b>761</b>   |
| Concrete                 | 643          | <b>628</b>   |
| Building materials       |              |              |
| Intra-Group eliminations | -108         | <b>-99</b>   |
| Total turnover           | <b>1,283</b> | <b>1,289</b> |

#### Africa-Asia-Turkey

| EURm                     | 2003       | 2004       |
|--------------------------|------------|------------|
| Cement                   | 352        | <b>698</b> |
| Concrete                 | 34         | <b>54</b>  |
| Building materials       |            |            |
| Intra-Group eliminations | -6         | <b>-14</b> |
| Total turnover           | <b>380</b> | <b>739</b> |

inclusion of China Century Cement (since 1 July 2003) and, in particular, the consolidation of Indocement on 1 January 2004. On the Indonesian cement market, intense competitive pressure continued to prevail, despite increasing cement consumption. Including exports, the sales volumes of our subsidiary Indocement increased significantly by 10.7 % to 9.3 million tonnes (previous year: 8.4). Cement deliveries from our Chinese joint venture China Century Cement almost exceeded the previous year's level with 2.4 million tonnes (consolidated: 1.2 million tonnes).

In Turkey, the sales volumes of our participation Akçansa remained 4 % below the previous year as a result of reduced clinker exports. Domestic sales volumes rose substantially compared with the previous year. In total, the cement and clinker sales volumes of the Africa-Asia-Turkey region trebled to 15.8 million tonnes (previous year: 5.2).

Turnover rose to EUR 739 million (previous year: 380).

### ■ maxit Group

During the course of the year, the construction markets have recovered in nearly all the countries where maxit Group operates, with the exception of Germany and the Benelux countries. We were able to achieve double-digit growth in turnover in the Baltic States, Russia, China, France, Spain, Switzerland and the United Kingdom.

Our wide product range is being exploited successfully across the various countries in all markets – except for Germany.

The commissioning of the two new production facilities for dry mortar in China and Russia is planned for spring 2005.

Turnover increased by 3.8 % to EUR 814 million (previous year: 785).

### ■ Group Services

With a total volume of 9.0 million tonnes (previous year: 9.1) as of the end of September, HC Trading fell slightly short of the previous year's level. While cement deliveries remained stable, clinker trade volumes were declining.

The significant increase in turnover of 20.1 % to EUR 384 million (previous year: 320) in the Group Services unit, which includes worldwide trading in fossil fuels, is attributable to the continuing increase in cargo rates.

#### maxit Group

| EURm                     | 2003 | 2004 |
|--------------------------|------|------|
| Cement                   |      |      |
| Concrete                 |      |      |
| Building materials       | 785  | 814  |
| Intra-Group eliminations |      |      |
| Total turnover           | 785  | 814  |

HeidelbergCement  
interim accounts

## Group profit and loss accounts

EUR '000s

Turnover

Change in stocks and  
work in progress

Own work capitalised

**Operating revenues**

Other operating income

Material costs

Employees and personnel costs

Other operating expenses

**Operating income  
before depreciation (OIBD)**

Depreciation and amortisation  
of tangible fixed assets

Depreciation and amortisation  
of intangible fixed assets

**Operating income**

Additional ordinary result

Results from associated undertakings

Results from other participations

**Earnings before interest  
and income taxes (EBIT)**

Interest income and expense

Foreign currency exchange  
gains and losses

**Profit before tax**

Taxes on income

**Profit for the financial year**

Minority interests

**Group share in profit**

Earnings per share in EUR (IAS 33)

| July - September |           | January - September |            |
|------------------|-----------|---------------------|------------|
| 2003             | 2004      | 2003                | 2004       |
| 1,799,835        | 1,974,040 | 4,814,388           | 5,215,292  |
| -31,373          | -10,745   | -55,459             | -27,267    |
| 347              | 235       | 1,129               | 983        |
| 1,768,809        | 1,963,530 | 4,760,058           | 5,189,008  |
| 37,909           | 45,230    | 132,152             | 147,081    |
| -652,080         | -726,677  | -1,854,447          | -1,992,888 |
| -334,919         | -334,436  | -1,015,014          | -1,003,086 |
| -434,449         | -489,381  | -1,241,495          | -1,396,866 |
| 385,270          | 458,266   | 781,254             | 943,249    |
| -112,611         | -116,105  | -335,731            | -349,802   |
| -47,388          | 1,901     | -139,420            | -9,348     |
| 225,271          | 344,062   | 306,103             | 584,099    |
| -7,865           | -25,627   | 37,968              | -26,306    |
| 34,531           | 54,468    | 69,931              | 94,855     |
| 5,863            | -16,947   | -601                | -25,179    |
| 257,800          | 355,956   | 413,401             | 627,469    |
| -46,892          | -60,189   | -151,880            | -171,609   |
| 2,494            | 13,939    | -4,046              | -25,117    |
| 213,402          | 309,706   | 257,475             | 430,743    |
| -80,344          | -109,175  | -128,688            | -130,906   |
| 133,058          | 200,531   | 128,787             | 299,837    |
| -17,368          | -29,124   | -15,913             | -31,987    |
| 115,690          | 171,407   | 112,874             | 267,850    |
| 1.51             | 1.71      | 1.47                | 2.67       |

## Group cash flow statement

### January - September

| EUR '000s                                      | 2003            | 2004            |
|--|-----------------|-----------------|
| Operating income before depreciation (OIBD)    | 781,254         | 943,249         |
| Additional ordinary result before depreciation | 49,744          | -16,692         |
| Dividends received                             | 23,436          | 28,636          |
| Interest paid                                  | -169,965        | -163,487        |
| Taxes paid                                     | -68,132         | -87,777         |
| Elimination of non-cash items                  | -7,399          | 68,442          |
| <b>Cash flow</b>                               | <b>608,938</b>  | <b>772,371</b>  |
| Changes in operating assets                    | -283,428        | -303,069        |
| Changes in operating liabilities               | -30,756         | 22,449          |
| <b>Cash flow from operating activities</b>     | <b>294,754</b>  | <b>491,751</b>  |
| Intangible fixed assets                        | -5,231          | -21,878         |
| Tangible fixed assets                          | -225,223        | -260,441        |
| Financial fixed assets                         | -135,742        | -18,776         |
| Investments (cash outflow)                     | -366,196        | -301,095        |
| Proceeds from fixed asset disposals            | 164,338         | 76,234          |
| Cash from changes in consolidation scope       | 16,478          | 65,610          |
| <b>Cash flow from investing activities</b>     | <b>-185,380</b> | <b>-159,251</b> |
| Capital increase                               | 404,300         |                 |
| Dividend payments - HeidelbergCement AG        |                 | -114,446        |
| Dividend payments - minority shareholders      | -10,251         | -8,360          |
| Proceeds from bond issuance and loans          | 763,008         | 224,109         |
| Repayment of bonds and loans                   | -1,195,457      | -514,897        |
| <b>Cash flow from financing activities</b>     | <b>-38,400</b>  | <b>-413,594</b> |
| Net change in cash and cash equivalents        | 70,974          | -81,094         |
| Effect of exchange rate changes                | -18,312         | -5,047          |
| Cash and cash equivalents at 1 January         | 399,473         | 524,961         |
| Cash and cash equivalents at 30 September*     | 452,135         | 438,820         |

\* In the balance sheet, the item "Short-term investments" also lists the market value of hedging transactions and the "available for sale financial assets" amounting to EUR 85.7 million (previous year: 220.9)

## Group balance sheet

### Assets

| EUR '000s  | 31 Dec. 2003      | 30 Sept. 2004     |
|--|-------------------|-------------------|
| <b>Long-term assets</b>                          |                   |                   |
| <b>Intangible fixed assets</b>                   | 2,505,258         | 2,638,934         |
| <b>Tangible fixed assets</b>                     |                   |                   |
| Land and buildings                               | 1,621,290         | 1,920,929         |
| Plant and machinery                              | 2,492,667         | 2,785,553         |
| Fixtures, fittings, tools and equipment          | 188,732           | 175,654           |
| Payment on account and assets under construction | 240,140           | 352,855           |
|  | <u>4,542,829</u>  | <u>5,234,991</u>  |
| <b>Financial fixed assets</b>                    |                   |                   |
| Shares in associated companies                   | 683,649           | 714,889           |
| Shares in other participations                   | 401,072           | 203,413           |
| Loans to participations                          | 30,308            | 15,339            |
| Other loans                                      | 62,852            | 57,851            |
|  | <u>1,177,881</u>  | <u>991,492</u>    |
| <b>Fixed assets</b>                              | <u>8,225,968</u>  | <u>8,865,417</u>  |
| <b>Deferred taxes</b>                            | 167,776           | 216,838           |
| <b>Other long-term receivables</b>               | 101,466           | 107,553           |
|  | <u>8,495,210</u>  | <u>9,189,808</u>  |
| <b>Short-term assets</b>                         |                   |                   |
| <b>Stocks</b>                                    |                   |                   |
| Raw materials and consumables                    | 343,506           | 404,766           |
| Work in progress                                 | 74,093            | 72,101            |
| Finished goods and goods for resale              | 235,361           | 245,838           |
| Payments on account                              | 13,944            | 12,171            |
|  | <u>666,904</u>    | <u>734,876</u>    |
| <b>Receivables and other assets</b>              |                   |                   |
| Short-term financial receivables                 | 157,659           | 159,338           |
| Trade receivables                                | 660,486           | 975,439           |
| Other short-term operating receivables           | 184,515           | 209,057           |
| Current income tax assets                        | 40,847            | 33,820            |
|  | <u>1,043,507</u>  | <u>1,377,654</u>  |
| <b>Short-term investments</b>                    | 238,579           | 132,807           |
| <b>Cash at bank and in hand</b>                  | 448,528           | 391,746           |
|  | <u>2,397,518</u>  | <u>2,637,083</u>  |
| <b>Balance sheet total</b>                       | <u>10,892,728</u> | <u>11,826,891</u> |

## Liabilities

| EUR '000s  | 31 Dec. 2003 | 30 Sept. 2004 |
|--|--------------|---------------|
| <b>Shareholders' equity and minority interests</b> |              |               |
| Subscribed share capital                           | 255,104      | 258,421       |
| Capital reserves                                   | 1,888,454    | 1,930,491     |
| Revenue reserves                                   | 2,237,338    | 2,436,397     |
| Currency translation                               | -342,286     | -312,320      |
| Company shares                                     | -7,465       | -7,364        |
| <b>Capital entitled to shareholders</b>            | 4,031,145    | 4,305,625     |
| <b>Minority interests</b>                          | 153,902      | 473,464       |
|  | 4,185,047    | 4,779,089     |
| <b>Long-term provisions and liabilities</b>        |              |               |
| <b>Provisions</b>                                  |              |               |
| Provisions for pensions                            | 461,579      | 477,941       |
| Deferred taxes                                     | 518,737      | 542,374       |
| Other long-term provisions                         | 354,946      | 410,431       |
|  | 1,335,262    | 1,430,746     |
| <b>Liabilities</b>                                 |              |               |
| Debenture loans                                    | 2,021,152    | 1,992,090     |
| Bank loans   | 845,578      | 1,211,553     |
| Other long-term financial liabilities              | 529,815      | 563,439       |
|  | 3,396,545    | 3,767,082     |
| Other long-term operating liabilities              | 30,615       | 26,732        |
|  | 3,427,160    | 3,793,814     |
|  | 4,762,422    | 5,224,560     |
| <b>Short-term provisions and liabilities</b>       |              |               |
| <b>Provisions</b>                                  | 87,221       | 83,213        |
| <b>Liabilities</b>                                 |              |               |
| Bank loans (current portion)                       | 521,667      | 264,336       |
| Other short-term financial liabilities             | 372,243      | 422,903       |
|  | 893,910      | 687,239       |
| Trade payables                                     | 439,696      | 453,590       |
| Current income taxes payables                      | 60,622       | 110,469       |
| Other short-term operating liabilities             | 463,810      | 488,731       |
|  | 1,858,038    | 1,740,029     |
|  | 1,945,259    | 1,823,242     |
| <b>Balance sheet total</b>                         | 10,892,728   | 11,826,891    |

## Group equity capital grid

EUR '000s

|                                    | Subscribed<br>share<br>capital | Capital<br>reserves |
|------------------------------------|--------------------------------|---------------------|
| <b>1 January 2003</b>              | 163,468                        | 1,526,016           |
| Profit for the financial year      |                                |                     |
| Capital increase                   |                                |                     |
| from issuance of new shares        | 84,616                         | 397,809             |
| out of revenue reserves            | 7,019                          |                     |
| Issuance of company shares         |                                |                     |
| Dividends                          |                                |                     |
| Changes without effects on results |                                |                     |
| Consolidation adjustments          |                                |                     |
| Financial instruments IAS 39       |                                |                     |
| Exchange rate                      |                                |                     |
| <b>30 September 2003</b>           | <b>255,103</b>                 | <b>1,923,825</b>    |
| <b>1 January 2004</b>              | 255,104                        | 1,888,454           |
| Profit for the financial year      |                                |                     |
| Capital increase                   |                                |                     |
| from issuance of new shares        | 3,317                          | 42,037              |
| Issuance of company shares         |                                |                     |
| Dividends                          |                                |                     |
| Changes without effects on results |                                |                     |
| Consolidation adjustments          |                                |                     |
| Financial instruments IAS 39       |                                |                     |
| Exchange rate                      |                                |                     |
| <b>30 September 2004</b>           | <b>258,421</b>                 | <b>1,930,491</b>    |

<sup>1)</sup> Thereof '000s EUR 25.562 from adjustment according to IFRS 3.81

<sup>2)</sup> Realised currency translation adjustments

| Revenue reserves     | Currency translation | Company shares | Capital entitled to share-holders | Minority interests | Total            |
|----------------------|----------------------|----------------|-----------------------------------|--------------------|------------------|
| 2,123,302            | -110,613             | -10,123        | 3,692,050                         | 153,957            | 3,846,007        |
| 112,874              |                      |                | 112,874                           | 15,913             | 128,787          |
|                      |                      |                | 482,425                           |                    | 482,425          |
| -7,019               |                      |                |                                   |                    |                  |
|                      |                      | 2,658          | 2,658                             |                    | 2,658            |
|                      |                      |                |                                   | -10,251            | -10,251          |
| 141                  |                      |                | 141                               | 2,932              | 3,073            |
| -19,736              |                      |                | -19,736                           |                    | -19,736          |
| -1,095 <sup>2)</sup> | -125,528             |                | -126,623                          | -3,296             | -129,919         |
| 2,208,467            | -236,141             | -7,465         | 4,143,789                         | 159,255            | 4,303,044        |
| 2,237,338            | -342,286             | -7,465         | 4,031,145                         | 153,902            | 4,185,047        |
| 267,850              |                      |                | 267,850                           | 31,987             | 299,837          |
|                      |                      |                | 45,354                            |                    | 45,354           |
|                      |                      | 101            | 101                               |                    | 101              |
| -114,446             |                      |                | -114,446                          | -8,360             | -122,806         |
| 25,262 <sup>1)</sup> |                      |                | 25,262                            | 321,512            | 346,774          |
| 22,499               |                      |                | 22,499                            |                    | 22,499           |
| -2,106 <sup>2)</sup> | 29,966               |                | 27,860                            | -25,577            | 2,283            |
| <b>2,436,397</b>     | <b>-312,320</b>      | <b>-7,364</b>  | <b>4,305,625</b>                  | <b>473,464</b>     | <b>4,779,089</b> |

## Notes to the interim accounts

### ■ Accounting and consolidation principles

The Group accounts of HeidelbergCement as of 30 September 2004 have been prepared in accordance with the International Financial Reporting Standards (IFRS) applicable at the balance sheet date.

The only significant change in the accounting and valuation principles compared with 31 December 2003 was that IFRS 3 (Business Combinations) was used for the first time. According to the standard published by IASB at the end of March 2004, all business combinations must be accounted for using the purchase method. Goodwill amortisation is now prohibited under IFRS 3. Instead goodwill must be tested for impairment at least annually in accordance with IAS 36 (Impairment of Assets). In addition, IFRS 3 states that negative goodwill cannot be recognised as a liability. If the purchase of a company leads to negative goodwill, it must be recognised immediately as a gain in the income statement. This meant that, as of 30 September 2004, a gain of EUR 3 million was recorded as income. Negative goodwill from previous years amounting to EUR 26 million has been charged directly to revenue reserves, with no effect on results.

The significant goodwill resulting from the first-time consolidation of PT Indocement Tunggal Prakarsa Tbk. and Bosenberg Bucker-Flürenbrock GmbH & Co. KG amounts to EUR 52 million and EUR 45 million respectively. The goodwill comprises market shares purchased that cannot be assigned to any other determinable and separable intangible fixed assets. The purchase of Bosenberg Bucker-Flürenbrock GmbH & Co. KG took place in exchange for issuing new HeidelbergCement shares.

As of 30 September 2004, there was extraordinary amortisation (Impairment of Assets) of EUR 5 million for goodwill and EUR 5 million for tangible fixed assets. There was no need for further extraordinary amortisation.

Results from participations comprise both income from other participations and depreciation of financial fixed assets.

### ■ **Material events subsequent to the end of the interim period**

In October 2004, restructuring measures for the cement production in Belgium and the Netherlands were announced. Besides the reduction of production capacity due to the shutdown of the cement kiln in the Dutch cement plant of Maastricht, around 470 jobs will be affected. At present, an exact estimation of the financial effects is not yet possible.

### ■ **Seasonal nature of the business**

HeidelbergCement's production and sales position is influenced to a large extent by regional weather conditions. During the year, especially the summer and autumn months positively influence the production and sales situation. The positive growth in volumes and results witnessed in the second and third quarter of 2004 is also a reflection of the global economic recovery.

## ■ Scope of consolidation

We detail below the regional changes in the scope of consolidation since 31 December 2003.

With the exception of Lithonplus GmbH & Co. KG and TBG Transportbeton Franken GmbH & Co. KG, which were proportionately included, all companies that are fully consolidated for the first time have been included in the Group accounts. The percentage of shares owned by the Group in each case is given in brackets.

### Central Europe West

On 1 January 2004, HeidelbergCement acquired the Westphalian Portland Zementwerk Bosenberg Bücken-Flürenbrock GmbH & Co. KG, Ahlen (100 %). In addition, the companies Lithonplus GmbH & Co. KG, Lingenfeld (60.0 %), TBG Fertigbeton Köln GmbH & Co. KG, Cologne (97.6 %), TBG Transportbeton Rhein-Haardt GmbH & Co. KG, Speyer (70.0 %), TBG Transportbeton Franken GmbH & Co. KG, Nuremberg (51.0 %), and Wetterauer Lieferbeton GmbH & Co. KG, Bad Nauheim (57.5 %) have been included for the first time. TBG Transportbeton GmbH & Co. Franken KG, Nuremberg, left the scope of consolidation.

### Western Europe

In Western Europe, the company HC UK Ltd., Birmingham (100 %) has been included in the scope of consolidation for the first time. This is counterbalanced by the deconsolidation of the two Dutch companies Enci-Ijmuiden B.V., Ijmuiden, and Enci-Maastricht B.V., Maastricht.

### Northern Europe

On 1 January 2004, the scope of consolidation was extended to include the Estonian company Kunda Port AS, Kunda (75.0 %), the Icelandic company Norcem a Islandi Ehf (100 %) in Reykjavik and the Swedish company SRS Rail Vehicles AB, Stockholm (100 %). However, the Danish company H+H Fiboment A/S, Vejle, and the Swedish company SRS Industri AB, Ystad, were deconsolidated.

**Central Europe East**

The Bulgarian companies Zlatna Panega AD, Zlatna Panega, and Zlatna Panega Beton EOOD Group, Zlatna Panega, left the scope of consolidation.

**Africa-Asia-Turkey**

The Indonesian company PT Indocement Tunggal Prakarsa Tbk. (32.8 %) in Jakarta is included in the Group accounts for the first time as a result of the restrictions on capital transfer being lifted on 1 January 2004. In addition, Heidelberger Zement South East Asia GmbH, Heidelberg (50.3 %) and Meghna Energy Ltd., Bangladesh (100 %) are consolidated for the first time.

**maxit Group**

The British company m-tec UK Ltd., Warrington, Cheshire (100 %), the Austrian company maxit Baustoffe GmbH, Lassee (100 %), and the Chinese company Beijing maxit Building Materials CO Ltd., Beijing (100 %), were included in the consolidation scope of the maxit Group for the first time.

The opening balance sheet values and results of companies included for the first time in the Group accounts in the first nine months of the year are as follows, in accordance with IFRS 3.67 ff (Business Combinations):

### Assets

| EUR '000s                    | Indocement       | Others        | Total            |
|------------------------------|------------------|---------------|------------------|
| <b>Long-term assets</b>      |                  |               |                  |
| Intangible fixed assets      |                  | 3,124         | 3,124            |
| Tangible fixed assets        | 851,941          | 15,531        | 867,472          |
| Financial fixed assets       | 2,284            | 15,748        | 18,032           |
| Fixed assets                 | 854,225          | 34,403        | 888,628          |
| Deferred taxes               | 321              |               | 321              |
| Other long-term receivables  | 7,487            |               | 7,487            |
|                              | 862,033          | 34,403        | 896,436          |
| <b>Short-term assets</b>     |                  |               |                  |
| Stocks                       | 71,453           | 2,836         | 74,289           |
| Receivables and other assets | 36,194           | 8,408         | 44,602           |
| Short-term investments       | 519              |               | 519              |
| Cash at bank and in hand     | 62,834           | 9,665         | 72,499           |
|                              | 171,000          | 20,909        | 191,909          |
| <b>Balance sheet total</b>   | <b>1,033,033</b> | <b>55,312</b> | <b>1,088,345</b> |

### Results for the companies consolidated for the first time in the first three quarters 2004

| EUR '000s                            | Indocement   | Others        | Total        |
|--------------------------------------|--------------|---------------|--------------|
| <b>Profit for the financial year</b> | 13,893       | -1,087        | 12,806       |
| Minority interests                   | -9,091       | 5             | -9,086       |
| <b>Group share in profit</b>         | <b>4,802</b> | <b>-1,082</b> | <b>3,720</b> |

## Liabilities

| EUR '000s  | Indocement       | Others        | Total            |
|--|------------------|---------------|------------------|
| <b>Shareholders' equity and minority interests</b> |                  |               |                  |
| Capital entitled to shareholders                   | 478,914          | 22,702        | <b>501,616</b>   |
| <b>Long-term provisions and liabilities</b>        |                  |               |                  |
| Provisions   | 30,082           | 1,313         | <b>31,395</b>    |
| Liabilities  | 450,477          | 12,352        | <b>462,829</b>   |
|  | <b>480,559</b>   | <b>13,665</b> | <b>494,224</b>   |
| <b>Short-term provisions and liabilities</b>       |                  |               |                  |
| Provisions   |                  | 339           | <b>339</b>       |
| Liabilities  | 73,560           | 18,606        | <b>92,166</b>    |
|  | <b>73,560</b>    | <b>18,945</b> | <b>92,505</b>    |
| <b>Balance sheet total</b>                         | <b>1,033,033</b> | <b>55,312</b> | <b>1,088,345</b> |

## Segment reporting

### Regions January to September 2004 (primary reporting format under IAS 14 No. 50 ff.)

| EURm  | Central Europe West |              | Western Europe |              |
|---|---------------------|--------------|----------------|--------------|
|   | 2003                | 2004         | 2003           | 2004         |
| External turnover                                       | 565                 | 627          | 716            | 685          |
| Inter-region turnover                                   | 15                  | 11           | 13             | 14           |
| <b>Turnover</b>   | <b>580</b>          | <b>638</b>   | <b>729</b>     | <b>699</b>   |
| Change to prior year in %                               |                     | 10.1%        |                | -4.1%        |
| <b>Operating income before depreciation (OIBD)</b>      | <b>40</b>           | <b>82</b>    | <b>135</b>     | <b>126</b>   |
| in % of turnover  | 6.9%                | 12.9%        | 18.5%          | 18.1%        |
| Depreciation  | 67                  | 50           | 96             | 60           |
| <b>Operating income</b>                                 | <b>-28</b>          | <b>32</b>    | <b>39</b>      | <b>66</b>    |
| in % of turnover  | -4.7%               | 5.0%         | 5.4%           | 9.5%         |
| Results from participations                             | 53                  | 58           | 5              | 6            |
| Additional ordinary result                              |                     |              |                |              |
| <b>Earnings before interest and income taxes (EBIT)</b> | <b>26</b>           | <b>90</b>    | <b>44</b>      | <b>72</b>    |
| <b>Investments<sup>1)</sup></b>                         | <b>102</b>          | <b>33</b>    | <b>33</b>      | <b>34</b>    |
| <b>Employees</b>  | <b>4,645</b>        | <b>4,498</b> | <b>3,857</b>   | <b>3,656</b> |

<sup>1)</sup> Investments = in the segment columns: tangible and intangible fixed asset investments;  
in the reconciliation column: financial fixed asset investments

## Turnover development

### by regions and business lines January to September 2004

| EURm                         | Cement       |              |
|------------------------------|--------------|--------------|
|                              | 2003         | 2004         |
| Central Europe West          | 256          | 295          |
| Western Europe               | 529          | 518          |
| Northern Europe              | 283          | 280          |
| Central Europe East          | 387          | 392          |
| North America                | 747          | 761          |
| Africa-Asia-Turkey           | 352          | 698          |
| maxit Group                  |              |              |
| <b>Total</b>                 | <b>2,554</b> | <b>2,943</b> |
| Group Services               |              |              |
| <b>Inter-region turnover</b> |              |              |
| <b>Total Group</b>           |              |              |

| Northern Europe |              | Central Europe East |              | North America |               | Africa-Asia-Turkey |              |
|-----------------|--------------|---------------------|--------------|---------------|---------------|--------------------|--------------|
| 2003            | 2004         | 2003                | 2004         | 2003          | 2004          | 2003               | 2004         |
| 501             | 472          | 474                 | 492          | 1,283         | 1,289         | 366                | 686          |
| 55              | 40           | 6                   | 7            |               |               | 14                 | 52           |
| 556             | 512<br>-8.0% | 480                 | 498<br>3.7%  | 1,283         | 1,289<br>0.5% | 380                | 739<br>94.6% |
| 73<br>13.1%     | 61<br>11.9%  | 134<br>27.9%        | 159<br>31.9% | 227<br>17.7%  | 240<br>18.6%  | 55<br>14.4%        | 152<br>20.6% |
| 61              | 41           | 55                  | 39           | 98            | 73            | 34                 | 53           |
| 12<br>2.1%      | 20<br>3.8%   | 79<br>16.4%         | 120<br>24.0% | 129<br>10.0%  | 167<br>12.9%  | 21<br>5.6%         | 99<br>13.5%  |
| 2               | 1            | 1                   |              | 1             | 5             | 6                  | -3           |
| 13              | 21           | 80                  | 120          | 130           | 172           | 27                 | 96           |
| 19              | 38           | 50                  | 38           | 63            | 58            | 25                 | 47           |
| 4,814           | 4,150        | 9,873               | 8,349        | 6,105         | 5,914         | 4,403              | 11,067       |

| Concrete |       | Building materials |      | Intra Group eliminations |      | Total |       |
|----------|-------|--------------------|------|--------------------------|------|-------|-------|
| 2003     | 2004  | 2003               | 2004 | 2003                     | 2004 | 2003  | 2004  |
| 251      | 280   | 98                 | 101  | -25                      | -38  | 580   | 638   |
| 232      | 211   |                    |      | -32                      | -30  | 729   | 699   |
| 273      | 259   | 23                 |      | -23                      | -27  | 556   | 512   |
| 115      | 135   |                    |      | -22                      | -28  | 480   | 498   |
| 643      | 628   |                    |      | -108                     | -99  | 1,283 | 1,289 |
| 34       | 54    |                    |      | -6                       | -14  | 380   | 739   |
|          |       | 785                | 814  |                          |      | 785   | 814   |
| 1,549    | 1,568 | 905                | 915  | -216                     | -237 | 4,792 | 5,190 |
|          |       |                    |      |                          |      | 320   | 384   |
|          |       |                    |      |                          |      | -297  | -359  |
|          |       |                    |      |                          |      | 4,814 | 5,215 |

| maxit Group |                     | Group Services |                     | Reconciliation |             | Group  |                      |
|-------------|---------------------|----------------|---------------------|----------------|-------------|--------|----------------------|
| 2003        | 2004                | 2003           | 2004                | 2003           | 2004        | 2003   | 2004                 |
| 782         | <b>813</b>          | 128            | <b>151</b>          |                |             | 4,814  | <b>5,215</b>         |
| 3           | <b>1</b>            | 192            | <b>233</b>          | <b>-297</b>    | <b>-359</b> |        |                      |
| 785         | <b>814</b><br>3.8%  | 320            | <b>384</b><br>20.1% | <b>-297</b>    | <b>-359</b> | 4,814  | <b>5,215</b><br>8.3% |
| 105         | <b>118</b><br>13.4% | 12             | <b>5</b><br>3.7%    |                |             | 781    | <b>943</b><br>18.1%  |
| 62          | <b>42</b>           | 2              |                     |                |             | 475    | <b>359</b>           |
| 44          | <b>76</b><br>5.6%   | 10             | <b>5</b><br>3.2%    |                |             | 306    | <b>584</b><br>11.2%  |
| 2           | <b>2</b>            |                |                     |                |             | 69     | <b>70</b>            |
|             |                     |                |                     | <b>38</b>      | <b>-26</b>  | 38     | <b>-26</b>           |
| 45          | <b>78</b>           | 10             | <b>5</b>            | <b>38</b>      | <b>-26</b>  | 413    | <b>627</b>           |
| 19          | <b>33</b>           |                |                     | <b>136</b>     | <b>19</b>   | 447    | <b>301</b>           |
| 4,958       | <b>4,908</b>        | 46             | <b>47</b>           |                |             | 38,702 | <b>42,589</b>        |

## Exchange rates

|         |                | Exchange rates<br>on reporting day |                  | Average<br>exchange rates |                  |
|---------|----------------|------------------------------------|------------------|---------------------------|------------------|
|         |                | 31 Dec.<br>2003                    | 30 Sept.<br>2004 | 01-09/<br>2003            | 01-09/<br>2004   |
| Country |                | EUR                                | EUR              | EUR                       | EUR              |
| USD     | US             | 1.2578                             | <b>1.2431</b>    | 1.1156                    | <b>1.2230</b>    |
| CAD     | Canada         | 1.6307                             | <b>1.5685</b>    | 1.5844                    | <b>1.6257</b>    |
| GBP     | Great Britain  | 0.7047                             | <b>0.6862</b>    | 0.6920                    | <b>0.6719</b>    |
| HRK     | Croatia        | 7.6516                             | <b>7.5661</b>    | 7.5517                    | <b>7.4570</b>    |
| IDR     | Indonesia      | 10,647.28                          | <b>11,399.23</b> | 9,588.69                  | <b>10,929.30</b> |
| NOK     | Norway         | 8.3887                             | <b>8.3377</b>    | 7.9645                    | <b>8.4069</b>    |
| PLN     | Poland         | 4.6922                             | <b>4.3655</b>    | 4.3281                    | <b>4.6097</b>    |
| ROL     | Romania        | 41,155                             | <b>41,140</b>    | <sup>1)</sup>             | <sup>1)</sup>    |
| SEK     | Sweden         | 9.0514                             | <b>9.0429</b>    | 9.2044                    | <b>9.1605</b>    |
| CZK     | Czech Republic | 32.2902                            | <b>31.5250</b>   | 31.7383                   | <b>32.1036</b>   |
| HUF     | Hungary        | 262.5909                           | <b>244.5178</b>  | 251.7824                  | <b>252.3718</b>  |
| TRL     | Turkey         | 1,762,304                          | <b>1,865,271</b> | <sup>1)</sup>             | <sup>1)</sup>    |

<sup>1)</sup> In accordance with IAS 21.30 (b) the income and expenses are converted using the exchange rates on the reporting day.

## Financial calendar

|  |                  |
|--|------------------|
| First overview of the financial year 2004          | 22 February 2005 |
| Analysts' and press conferences on annual accounts | 23/24 March 2005 |
| Interim Report January to March 2005               | 4 May 2005       |
| Annual General Meeting                             | 4 May 2005       |
| Interim Report January to June 2005                | 9 August 2005    |
| Interim Report January to September 2005           | 8 November 2005  |

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You find this Interim Report  
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