

Interim Report January to March 2006



Interim Report January to March 2006

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- Group turnover grows significantly by 29 %
- Noticeable increase in results in the first quarter
- Market entry in India
- First positive results from the implementation of the "win" project lead to significant increase in efficiency

Overview January - March 2006

EURm

January - March

	2005	2006
Turnover	1,355	1,744
Operating income before depreciation (OIBD)	85	190
Operating income	-35	64
Additional ordinary result	-21	22
Results from participations	11	27
Earnings before interest and income taxes (EBIT)	-44	113
Profit/loss before tax	-99	68
Profit/loss for the financial year	-96	37
Group share	-105	29
Investments	140	162

Letter to the shareholders

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Ladies and Gentlemen,

The dynamic prelude to economic development is strengthening confidence in worldwide expectations for growth. Despite the optimistic prospects, however, the continuing high oil price and rising interest rates are a source of risk.

In the first quarter, HeidelbergCement experienced a satisfying development in sales volumes. Significant growth rates were achieved in almost all countries. In Europe and North America, the adverse seasonal effects were comparatively weaker than in the previous year. Total cement and clinker sales volumes rose by 16.8% to 14.8 million tonnes (previous year: 12.7). Excluding changes in the consolidation scope, the increase amounted to 12%.

In the first quarter, turnover rose by 28.7% compared with the previous year to EUR 1,744 million (previous year: 1,355). The strongest increases were achieved in North America, Asia, Europe – particularly the United Kingdom, Norway and the countries of Eastern Europe – and Turkey. Excluding exchange rate and consolidation effects, Group turnover increased by 19.1%.

Operating income before depreciation (OIBD) more than doubled, reaching EUR 190.1 million (previous year: 85.2). Operating income improved from EUR -34.7 million in the previous year to EUR 63.8 million. The highest increases were achieved by North America, followed by Europe and Asia. The first savings gained through the "win" project, the new transparent and lean Group organisation as well as the noticeable increase in efficiency contributed to an improvement in results.

Our French participation Vicat exerted a considerable influence on the results from participations, which amounted to EUR 27.5 million (previous year: 11.3). Due to reduced interest payments and favourable exchange rates development, the financial results improved by EUR 9.1 million to EUR -45.1 million (previous year: -54.2). As a result of the overall pleasing development, the profit before tax rose to EUR 68.1 million (previous year: -98.7). The taxes on income increased by EUR 33.2 million to EUR 31.1 million (previous year: -2.2). This is attributable in particular to the positive development of results in North America. The profit for the financial year improved to EUR 37.0 million (previous year: -96.5). The Group share in profit amounts to EUR 29.3 million (previous year: -104.8).

■ Turnover by business lines January to March

Europe			
EURm	2005	2006	
Cement	356	446	
Concrete	199	250	
Building materials	25	26	
Intra-Group eliminations	-39	-48	
Total turnover	541	674	

North America			
EURm	2005	2006	
Cement	217	324	
Concrete	178	270	
Building materials			
Intra-Group eliminations	-29	-42	
Total turnover	367	553	

Market entry in India

With the conclusion of a 50:50 joint venture in March 2006, HeidelbergCement extended its activities to the Indian subcontinent for the first time. The joint venture includes the cement grinding plant Indorama Cement Ltd., with a capacity of 750,000 tonnes of cement, which supplies the cities of Mumbai and Pune on the west coast of India. The company also operates a loading terminal near Mumbai. The authorisation procedure for the construction of a clinker plant in the Indian state of Gujarat is currently in progress.

Employees

In the first three months, 41,069 people (previous year: 41,602) were employed by HeidelbergCement across the Group. The decrease of 533 employees results largely from restructuring measures in Europe and Asia.

Investments

In the first quarter, cash flow investments rose by EUR 22 million in comparison with the same period last year to EUR 162 million (previous year: 140). Of this figure, EUR 96 million (previous year: 93) was invested in tangible fixed assets and EUR 66 million (previous year: 47) in financial fixed assets. Disinvestments of EUR 35 million (previous year: 26) and changes in the consolidation scope amounting to EUR 5 million (previous year: 9) led to a total of EUR -122 million (previous year: -105) in net cash used in investing activities.

Group structure streamlined

As part of the measures related to the restructuring and organisational reshuffle within the Group, which were initiated in 2005 and primarily affect Europe, we streamlined the Group structure accordingly and modified the external reporting format at the beginning of this year. From 2006, HeidelbergCement reports on the basis of the following Group areas: Europe, which comprises the former regions Central Europe West and East as well as Western and Northern Europe, North America, Africa-Asia-Mediterranean Basin (the Mediterranean Basin includes the activities in Turkey and the United Arab Emirates), maxit Group and Group Services, which combines our trading activities.

Africa-Asia-Mediterranean Basin		
EURm	2005	2006
Cement	218	270
Concrete	17	17
Building materials		
Intra-Group eliminations	-5	-6
Total turnover	230	280

maxit Group		
EURm	2005	2006
Cement		
Concrete		
Building materials	199	217
Intra-Group eliminations		
Total turnover	199	217

Growth recovery in Europe

In Europe, the signs of an economic recovery are strengthening overall. The forecasts for this year are being revised upwards.

Sales volumes improved in all countries as a result of the increased demand and new consolidations, with significant growth in most cases. The highest increases were recorded by the countries of Eastern Europe, as well as by Germany, Norway, the United Kingdom and the Baltic region. Total cement and clinker sales volumes in Europe rose by 23.3 % to 6.3 million tonnes (previous year: 5.1). Using the same basis for comparison, the increase amounted to 15.1 %. Sales volumes of ready-mixed concrete and aggregates also grew in comparison with the same period last year in almost all countries, with significant increases in some areas.

In the first three months, turnover in Europe grew by 24.6 % to EUR 674 million (previous year: 541). Adjusted for consolidation effects, turnover rose by 16.4 %.

Further significant increases in North America

The high level of economic activity in the US declined slightly in the first quarter. In our market regions in the US and Canada, however, construction activity remained at a high level, with the result that the cement and clinker sales volumes of our plants rose by just under 20 % in the first three months to 3.4 million tonnes (previous year: 2.8). Even with full utilisation of production capacities, the high demand can only be covered by additional imports. These make up around a quarter of the total sales volumes and are mostly obtained from other Group regions. Deliveries of ready-mixed concrete and aggregates also increased. However, part of this growth is attributable to consolidation effects.

The turnover of the North America Group area rose by 50.7 % to EUR 553 million (previous year: 367).

Dynamic development in Africa-Asia-Mediterranean Basin

Economic development in the individual regions was varied: the strongest impetus for growth came from China and Turkey.

Overall, sales volumes rose by 8.2 % in comparison with the same quarter last year to 5.2 million tonnes (previous year: 4.8). Excluding the new activities in China, the increase would have been 4.0 %. To this increase, China contributed a rise in sales volumes of 32 %, which is the strongest growth in the Group area, followed by Turkey. Deliveries from our Indonesian subsidiary Indocement remained slightly below the previous year's level due to market conditions. The sales volumes in the individual African countries were extremely varied in the first quarter; however, we were able to achieve a volume increase in Africa overall.

The total turnover of the Africa-Asia-Mediterranean Basin Group area rose by 22 % to EUR 280 million (previous year: 230).

Increase in the activities of maxit Group

maxit Group's markets, particularly the countries of Northern Europe, developed positively in the first quarter. The situation in Germany remains strained, but we should reach a turning point this year with a new management and as a result of extensive restructuring. Measures to reduce costs in the Benelux countries, France and Portugal are now coming to fruition. A focal point of maxit's activities is faster launching and marketing of new products and concepts in several countries simultaneously.

In the first three months, turnover rose in almost all countries – with the exception of Germany. Overall, maxit Group's turnover increased by 9% to EUR 217 million (previous year: 199).

Group Services

The trade volume of our subsidiary HC Trading rose by 14.7% in the first quarter to 3.1 million tonnes (previous year: 2.7). Particularly strong growth was achieved in cement trading. Over 60% of HC Trading's deliveries go to North America. The remaining volumes are supplied to the Africa-Asia-Mediterranean Basin Group area.

Turnover in the Group Services business unit, which also includes our trading in fossil fuels, increased by 20.8% to EUR 149 million (previous year: 123) as a result of high freight proceeds.

Prospects

The positive assessment of the economic environment was strengthened further in the first few months of 2006. However, the developments of energy prices and of the US dollar exchange rate remain risk factors. The development of HeidelbergCement in the first quarter has confirmed our estimation for turnover and results to achieve double-digit growth in 2006. Strategic acquisitions, such as the entry into the Indian market, increase our potential for growth.

Heidelberg, 4 May 2006

Yours sincerely,

A handwritten signature in black ink, reading "Bernd Scheifele". The script is cursive and fluid, with the first name "Bernd" and last name "Scheifele" clearly distinguishable.

Dr. Bernd Scheifele
Chairman of the Managing Board

Group profit and loss accounts

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EUR '000s	January - March	
	2005	2006
Turnover	1,355,358	1,744,279
Change in stocks and work in progress	34,115	11,042
Own work capitalised	170	122
Operating revenues	1,389,643	1,755,443
Other operating income	42,082	44,685
Material costs	-586,715	-760,582
Employees and personnel costs	-339,973	-354,868
Other operating expenses	-419,816	-494,594
Operating income before depreciation (OIBD)	85,221	190,084
Depreciation and amortisation of tangible fixed assets	-117,517	-124,041
Depreciation and amortisation of intangible assets	-2,396	-2,218
Operating income	-34,692	63,825
Additional ordinary result	-21,084	21,904
Results from associated companies ¹⁾	9,259	26,005
Results from other participations	2,081	1,466
Earnings before interest and income taxes (EBIT)	-44,436	113,200
Interest and similar income	7,585	6,185
Interest and similar expenses	-63,530	-57,817
Exchange rates gains and losses	1,699	6,517
Profit/loss before tax	-98,682	68,085
Taxes on income	2,196	-31,054
Profit/loss for the financial year	-96,486	37,031
Minority interests	-8,292	-7,756
Group share	-104,778	29,275
Earnings per share in EUR (IAS 33)	-1.02	0.25

¹⁾ Net result from associated companies

6,940

22,971

Group cash flow statement

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EUR '000s	January - March	
	2005	2006
Operating income before depreciation (OIBD)	85,221	190,084
Additional ordinary result before depreciation	-21,312	21,576
Dividends received	4,279	3,781
Interest paid	-105,906	-82,857
Taxes paid	-28,086	-50,717
Elimination of non-cash items	59,868	20,914
Cash flow	-5,936	102,781
Changes in operating assets	-101,051	-100,016
Changes in operating liabilities	-100,291	-70,140
Cash flow from operating activities	-207,278	-67,375
Intangible assets	-839	-553
Tangible fixed assets	-91,869	-95,030
Financial fixed assets	-47,433	-66,381
Investments (cash outflow)	-140,141	-161,964
Proceeds from fixed asset disposals	25,745	34,670
Cash from changes in consolidation scope	9,011	5,539
Cash flow from investing activities	-105,385	-121,755
Capital increase	271,539	
Dividend payments - minority shareholders	-3,606	-4,529
Proceeds from bond issuance and loans	218,853	355,540
Repayment of bonds and loans	-215,238	-195,628
Cash flow from financing activities	271,548	155,383
Net change in cash and cash equivalents	-41,115	-33,747
Effect of exchange rate changes	7,958	18,495
Cash and cash equivalents at 1 January	305,009	316,816
Cash and cash equivalents at 31 March ¹⁾	271,852	301,564

¹⁾ 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 35.5 million (previous year: 73.1).

Group balance sheet

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Assets		
EUR '000s	31 Dec. 2005	31 Mar. 2006
Long-term assets		
Intangible assets	2,454,657	2,525,071
Tangible fixed assets		
Land and buildings	2,039,467	2,056,517
Plant and machinery	2,982,037	2,939,114
Fixtures, fittings, tools and equipment	190,109	191,843
Payment on account and assets under construction	283,107	308,910
	<u>5,494,720</u>	<u>5,496,384</u>
Financial fixed assets		
Shares in associated companies	759,950	770,237
Shares in other participations	334,531	320,554
Loans to participations	17,722	18,251
Other loans	45,279	38,828
	<u>1,157,482</u>	<u>1,147,870</u>
Fixed assets	<u>9,106,859</u>	<u>9,169,325</u>
Deferred taxes	170,490	188,508
Other long-term receivables	77,618	81,823
	<u>9,354,967</u>	<u>9,439,656</u>
Short-term assets		
Stocks		
Raw materials and consumables	491,348	489,061
Work in progress	90,454	99,551
Finished goods and goods for resale	275,153	287,708
Payments on account	12,686	15,241
	<u>869,641</u>	<u>891,561</u>
Receivables and other assets		
Short-term financial receivables	185,955	183,944
Trade receivables	920,971	976,327
Other short-term operating receivables	193,320	219,678
Current income tax assets	45,067	39,208
	<u>1,345,313</u>	<u>1,419,157</u>
Short-term investments and similar rights	64,744	55,692
Cash at bank and in hand	299,986	281,374
	<u>2,579,684</u>	<u>2,647,784</u>
Balance sheet total	<u>11,934,651</u>	<u>12,087,440</u>

Liabilities		
EUR '000s	31 Dec. 2005	31 Mar. 2006
Shareholders' equity and minority interests		
Subscribed share capital	296,065	296,065
Capital reserves	2,512,679	2,512,679
Revenue reserves	1,999,286	2,040,135
Currency translation	-174,938	-191,524
Company shares	-2,936	-2,936
Capital entitled to shareholders	4,630,156	4,654,419
Minority interests	427,709	438,578
	5,057,865	5,092,997
Long-term provisions and liabilities		
Provisions		
Provisions for pensions	736,010	706,285
Deferred taxes	493,409	500,147
Other long-term provisions	493,509	508,024
	1,722,928	1,714,456
Liabilities		
Debenture loans	1,473,966	747,347
Bank loans	878,530	851,275
Other long-term financial liabilities	391,842	411,278
	2,744,338	2,009,900
Other long-term operating liabilities	8,144	7,704
	2,752,482	2,017,604
	4,475,410	3,732,060
Short-term provisions and liabilities		
Provisions	116,271	114,438
Liabilities		
Debenture loans		727,376
Bank loans (current portion)	643,900	810,178
Other short-term financial liabilities	521,523	536,436
	1,165,423	2,073,990
Trade payables	568,731	499,059
Current income taxes payables	72,248	63,757
Other short-term operating liabilities	478,703	511,139
	2,285,105	3,147,945
	2,401,376	3,262,383
Balance sheet total	11,934,651	12,087,440

Statement of recognised income and expense

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EUR '000s	January - March	
	2005	2006
IAS 39 Financial instruments	-1,046	8,514
Currency translation	52,601	-33,585
Other consolidation adjustments	-776	1,829
Income and expense directly recognised in equity	50,779	-23,242
Profit/loss of the financial year	-96,486	37,031
Total earnings for the period	-45,707	13,789
Part of minorities	-26,363	-10,474
Part of shareholders HeidelbergCement AG	-19,344	24,263

Group equity capital grid EUR '000s	Subscribed share capital	Capital reserves
1 January 2005	258,421	1,930,491
Effect of adopting		
IAS 28 Investments in Associates		
IFRS 2 Share-based Payment		
1 January 2005 (restated)	258,421	1,930,491
Profit for the financial year		
Capital increase from issuance of new shares	19,868	251,671
Dividends		
Changes without effects on results		
Consolidation adjustments		
Financial instruments IAS 39		
Exchange rate		
31 March 2005	278,289	2,182,162
1 January 2006	296,065	2,512,679
Profit for the financial year		
Dividends		
Changes without effects on results		
Consolidation adjustments		
Financial instruments IAS 39		
Exchange rate		
31 March 2006	296,065	2,512,679

Revenue reserves	Currency translation	Company shares	Capital entitled to shareholders	Minority interests	Total
1,720,735	-372,498	-2,936	3,534,213	429,110	3,963,323
12,213			12,213		12,213
-1,159			-1,159		-1,159
1,731,789	-372,498	-2,936	3,545,267	429,110	3,974,377
-104,778			-104,778	8,292	-96,486
			271,539		271,539
				-3,606	-3,606
-776			-776	154,339	153,563
-1,046			-1,046		-1,046
	87,256		87,256	-34,655	52,601
1,625,189	-285,242	-2,936	3,797,462	553,480	4,350,942
1,999,286	-174,938	-2,936	4,630,156	427,709	5,057,865
29,275			29,275	7,756	37,031
				-4,529	-4,529
1,829			1,829	25,872	27,701
9,745			9,745	-1,231	8,514
	-16,586		-16,586	-16,999	-33,585
2,040,135	-191,524	-2,936	4,654,419	438,578	5,092,997

Notes to the interim accounts

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■ Accounting and consolidation principles

The Group's quarterly accounts were prepared according to the International Financial Reporting Standards (IFRS) applicable at the balance sheet date. There were no significant changes in the accounting and valuation methods compared with 31 December 2005.

Results from participations comprise both income from other participations and amounts written off financial fixed assets.

■ Segment reporting

As a result of the organisational streamlining of responsibilities and reporting structures within the HeidelbergCement Group, the subgroups Central Europe West, Western Europe, Northern Europe and Central Europe East were combined to form the new Europe reporting area.

■ Seasonal nature of the business

The cold weather in the first quarter has a negative effect on the production and sales position of HeidelbergCement, particularly in Europe.

■ Scope of consolidation

In the following Group areas, there were changes in the consolidation scope in comparison with 31 December 2005 as detailed below. The percentage of shares owned by the Group in each case is given in brackets.

■ Europe

In Germany, TBG Transportbeton Mittelsachsen GmbH & Co. KG, Chemnitz (100%), TBG Transportbeton Berlin-Brandenburg GmbH & Co. KG, Niederlehme (100%), TBG Transportbeton Thüringen GmbH & Co. KG, Weimar (100%), and HSK Kieswerk Forchheim GmbH & Co. KG, Rheinstetten (100%), are fully included in the Group's scope of consolidation for the first time.

The Swedish company Lagergren & Wik AB, Gothenburg (100%), acquired in 2006, is also fully consolidated for the first time.

In Kazakhstan, Bukhtarminskaya Cement Company, Zyryanovskiy (75.1%), acquired in 2005, and its subsidiaries are included in the Group accounts for the first time as fully consolidated companies. The resulting goodwill amounts to EUR 57.9 million.

■ Asia

The share in the Chinese company Fufeng Cement Company Limited (45.8%) was acquired for a purchase price of EUR 11.5 million and is proportionately consolidated. The resulting goodwill amounts to EUR 3.2 million. The share in the Chinese company Jingyang Cement Company Limited (50.0%), which was acquired for EUR 4.7 million, is also proportionately consolidated. The goodwill amounts to EUR 2.0 million.

■ Group Services

The Maltese companies HC Trading Malta Limited, Valletta (100%), and HCT Holding Malta Limited, Valletta (100%), founded in December 2005, are fully consolidated for the first time as of 1 January 2006.

The goodwill comprises market shares purchased that cannot be assigned to any other determinable and separable intangible fixed assets.

The opening balance sheet values and results from the first quarter of 2006 of companies acquired and included for the first time in the Group annual accounts (Business Combinations) are as follows, in accordance with IFRS 3.67 ff.:

Assets	
EUR '000s	
Long-term assets	
Intangible assets	1,133
Tangible fixed assets	35,716
Financial fixed assets	607
Fixed assets	37,456
Short-term assets	
Stocks	12,690
Receivables and other assets	14,956
Cash at bank and in hand	4,823
	32,469
Balance sheet total	69,925
Liabilities	
EUR '000s	
Shareholders' equity and minority interests	
Capital entitled to shareholders	23,920
Minority interests	4,023
	27,943
Long-term provisions and liabilities	
Provisions	702
Liabilities	10,089
	10,791
Short-term provisions and liabilities	
Provisions	94
Liabilities	31,097
	31,191
Balance sheet total	69,925
Results for the companies consolidated for the first time in the first quarters of 2006	
EUR '000s	
Profit for the financial year	2,592
Minority interests	27
Group share in profit	2,565

For reasons of materiality, we refrained from individual disclosures (IFRS 3.68). In accordance with IFRS 3.61 ff., the acquired assets and liabilities of Bukhtarminskaya Cement Company, Zyryanovskiy, Kazakhstan, and its subsidiaries are included in the Group accounts of HeidelbergCement AG on the basis of provisional information.

Segment reporting

Group areas January to March 2006 (Primary reporting format under IAS 14 No. 50 ff.)

EURm	Europe		North America	
	2005	2006	2005	2006
External turnover	522	651	367	553
Inter-area turnover	18	23		
Turnover	541	674	367	553
Change to previous year in %		24.6%		50.7%
Operating income before depreciation (OIBD)	3	36	36	88
in % of turnover	0.6%	5.4%	9.9%	15.9%
Depreciation	66	68	23	25
Operating income	-62	-32	13	63
in % of turnover	-11.5%	-4.8%	3.6%	11.4%
Results from participations	9	16	-1	0
Additional ordinary result				
Earnings before interest and income taxes (EBIT)	-53	-16	12	63
Investments ¹⁾	46	41	24	37
Employees	20,311	20,165	5,746	5,973

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

Turnover development by Group areas and business lines January to March 2006

EURm	Cement		Concrete	
	2005	2006	2005	2006
Europe	356	446	199	250
North America	217	324	178	270
Africa-Asia-Mediterranean Basin	218	270	17	17
maxit Group				
Total	791	1,039	394	537
Group Services				
Inter-area turnover				
Total Group				

Africa-Asia-Mediterranean Basin		maxit Group		Group Services		Reconciliation		Group	
2005	2006	2005	2006	2005	2006	2005	2006	2005	2006
216	259	198	216	53	65			1,355	1,744
14	21			70	83	-103	-128		
230	280	199	217	123	149	-103	-128	1,355	1,744
	22.1%		9.0%		20.9%				28.7%
38	54	6	8	2	4			85	190
16.6%	19.1%	2.9%	3.9%	1.5%	2.7%			6.3%	10.9%
17	20	14	13					120	126
21	33	-8	-4	2	4			-35	64
9.0%	11.9%	-4.0%	-2.1%	1.4%	2.6%			-2.6%	3.7%
3	3	0	9					11	27
						-21	22	-21	22
24	37	-7	4	2	4	-21	22	-44	113
14	9	9	9			47	66	140	162
10,628	10,063	4,863	4,817	54	51			41,602	41,069

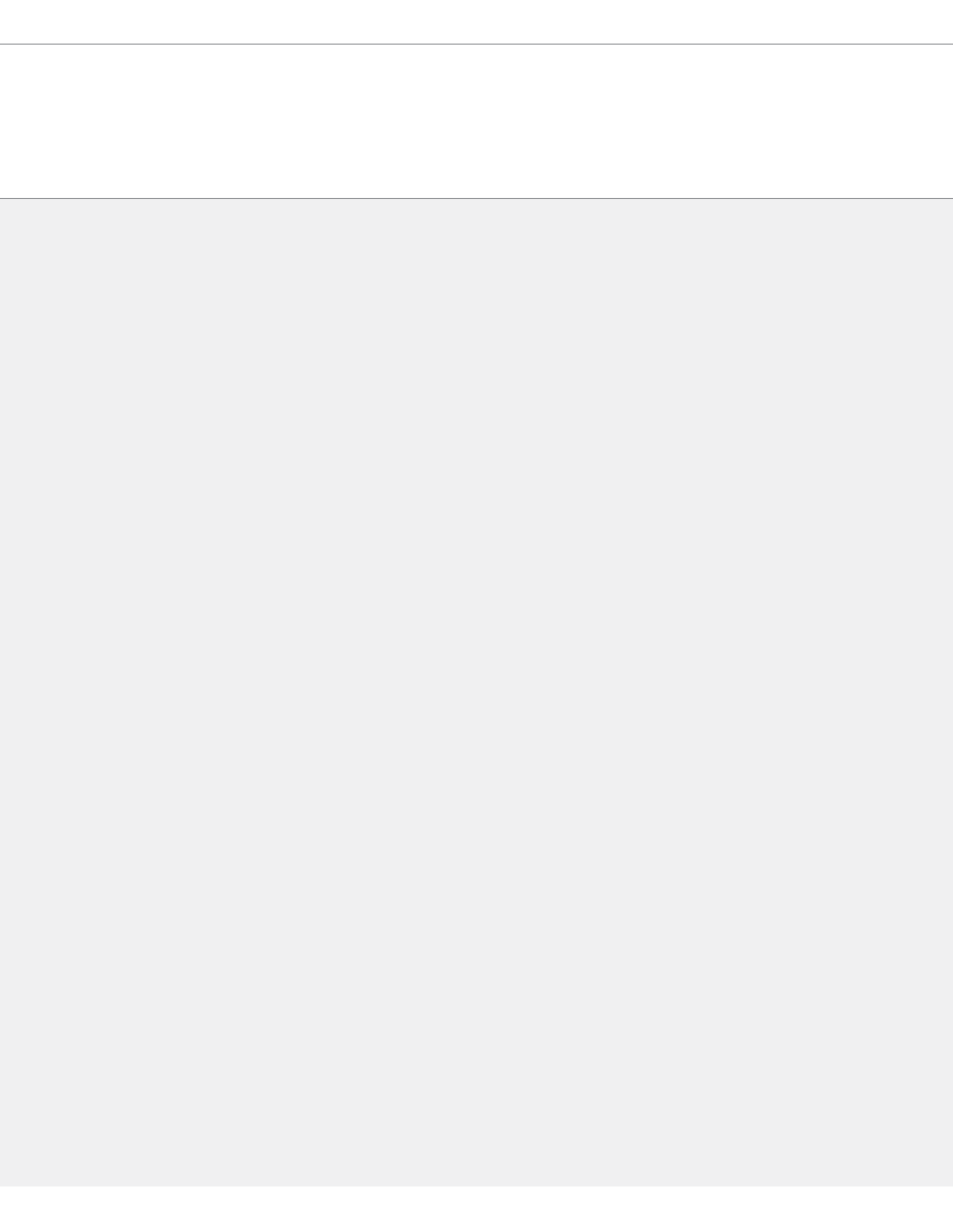
Building materials		Intra Group Eliminations		Total	
2005	2006	2005	2006	2005	2006
25	26	-39	-48	541	674
		-29	-42	367	553
		-5	-6	230	280
199	217			199	217
224	243	-73	-96	1,335	1,723
				123	149
				-103	-128
				1,355	1,744

Exchange rates		Exchange rates at		Average exchange rates	
		31 Dec. 2005	31 Mar. 2006	01-03/2005	01-03/2006
	Country	EUR	EUR	EUR	EUR
USD	US	1.1840	1.2117	1.2453	1.2033
CAD	Canada	1.3762	1.4150	1.5080	1.3891
GBP	Great Britain	0.6879	0.6972	0.6846	0.6864
HRK	Croatia	7.3704	7.3337	7.3995	7.3418
IDR	Indonesia	11,638.72	10,996.18	12,142.44	11,110.15
KZT	Kazakhstan	158.24	155.56	165.48	157.48
NOK	Norway	7.9843	7.9382	8.0223	8.0191
PLN	Poland	3.8422	3.9192	4.0234	3.8296
RON	Romania	3.6841	3.5191	3.6371	3.5611
SEK	Sweden	9.4026	9.4356	9.2975	9.3450
CZK	Czech Republic	29.0483	28.4313	29.7958	28.5655
HUF	Hungary	252.2512	263.6296	248.2210	254.1535
TRY	Turkey	1.5984	1.6267	¹⁾	1.6005

¹⁾ In accordance with IAS 21.42 (a) all amounts were translated using the closing rate at the date of the most recent balance sheet.

Financial calendar

Annual General Meeting	23 May 2006
Interim Report January to June 2006 as well as press and analysts' conferences	4 August 2006
Interim Report January to September 2006	6 November 2006



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