Annual Report 2006

HEIDELBERGCEMENT

Evolution 2006 of the HeidelbergCement share	Index (base: 2 January 2006 = 100)

- Turnover exceeds EUR 9 billion
- Double-digit contributions to growth from all Group areas
- Strong improvement in operating income before depreciation (OIBD) and operating income
- Efficiency in administration and production significantly increased
- Profit for the financial year more than doubled, exceeding EUR 1 billion
- Return on turnover raised to 11.1%
- Expansion strategy continued consistently with investments in Russia, Georgia, India and China

Financial highlights

Figures in EURm	2002	2003	2004	2005	**2006**
Number of employees	36,761	37,774	42,062	41,260	**45,958**
Turnover					
Central Europe West	755	787			
Western Europe	1,023	959			
Northern Europe	872	758			
Central Europe East	610	627			
Europe-Central Asia[1]			3,132	3,446	**4,230**
North America	1,865	1,686	1,699	2,142	**2,447**
Asia-Africa-Mediterranean Basin	425	492	1,007	1,057	**1,302**
maxit Group	1,010	1,021	1,053	1,118	**1,237**
Group Services	453	417	505	578	**642**
Inter-Group area turnover	-443	-375	-467	-539	**-623**
Total Group turnover	6,570	6,372	6,929	7,803	**9,234**
Operating income before depreciation (OIBD)	1,147	1,024	1,219	1,506	**1,975**
Operating income	500	391	735	1,010	**1,460**
Profit / loss for the financial year	262	133	-333	471	**1,026**
Group share	248	117	-366	415	**951**
Dividend in EUR per share	[2]	1.15	0.55	1.15	**1.25**[3]
Investment in tangible fixed assets	457	386	466	548	**563**
Investment in financial fixed assets	218	227	45	386	**370**
Total fixed asset investments	675	612	511	934	**933**
Depreciation and amortisation	709	697	972	593	**558**
Tangible fixed assets	7,062	7,048	7,357	7,949	**8,344**
Financial fixed assets	1,399	1,178	926	1,158	**1,162**
Current assets	2,678	2,667	2,433	2,828	**2,812**
Shareholders' equity and minority interests	3,846	4,185	3,963	5,058	**5,828**
Provisions	1,378	1,423	1,706	1,839	**1,789**
Liabilities	5,915	5,285	5,047	5,038	**4,701**
Balance sheet total	11,139	10,893	10,716	11,935	**12,318**

[1] From 2006, HeidelbergCement reports on the following Group areas: Europe-Central Asia, which comprises the former regions Central Europe West and East as well as Western and Northern Europe, North America, Asia-Africa-Mediterranean Basin, maxit Group and Group Services. For better comparison, the 2004 and 2005 turnover figures for Europe-Central Asia were adjusted retroactively.
[2] Instead of a cash dividend a stock dividend, i.e. a capital increase out of retained earnings, in the amount of the previous year's dividend was issued.
[3] Managing Board and Supervisory Board will propose to the Annual General Meeting on 9 May 2007 the distribution of a cash dividend of EUR 1.25.

for better building

In more than 50 countries, the name HeidelbergCement stands for competence and quality in building materials. 46,000 employees worldwide are involved in our core activities of cement, sand and gravel, ready-mixed concrete and building materials. In 2006, we recorded our highest turnover to date of more than EUR 9 billion. Records were also achieved in cement sales volumes, which amounted to 80 million tonnes, and the profit for the financial year, which exceeded the billion euro mark.

Transparent organisational structures and clearly defined responsibilities have noticeably improved the speed of decision-making, strength of implementation and cost efficiency at HeidelbergCement. The organisational reshuffle within the Group is also reflected in the streamlined reporting format of the Group areas: Europe-Central Asia, North America, Asia-Africa-Mediterranean Basin, maxit Group and Group Services.

At HeidelbergCement, a high value is placed on sustainability – a pillar of our corporate strategy. As we want to be among the world's best within our industry in this area, we are committed to ecological, social and economic goals. In 2006, we supplemented the guidelines for responsible entrepreneurial activity with a Group-wide Code of Business Conduct. In our day-to-day work, we apply the highest standards in quality, environmental protection and occupational safety. In the next few years, we intend to undertake a safety campaign to address "safety at the workplace" as a focal topic across the Group.

Contents

Letter to the shareholders

Dear Shareholders,
Dear Fellow Employees and Friends of HeidelbergCement,

HeidelbergCement was exceptionally successful in the 2006 financial year. We reached peak values in a number of important key figures.

Records in many areas

Turnover reached EUR 9.2 billion, which corresponds to a rise of 18 % in comparison with the previous year.

Cement and clinker sales volumes grew from 68 to 80 million tonnes; in ready-mixed concrete, the rise amounted to 10 % and, in the aggregates operating line, 14 %.

One of the most important indicators of the success of a company is its profit after tax: HeidelbergCement increased this figure to over EUR 1 billion for the first time, and achieved a return on turnover of 11.1 %. Earnings per share rose from EUR 3.74 to EUR 8.22. We have thus achieved the objective we set at the start of 2005, i.e. to bring our rate of return in line with the rest of the industry.

High profitable growth in all Group areas

In Europe and Central Asia, our business benefited from the significant boom in construction activity in Western and Northern Europe. The development in Germany was particularly pleasing. The construction industry – and therefore cement demand – in Germany experienced noticeable growth for the first time in many years. The eastward enlargement of the EU produced a positive effect in the countries of Eastern Europe, as did the continuing oil boom in Kazakhstan.

The quality of profit experienced a disproportionately strong increase in Europe-Central Asia. This is primarily attributable to the consistent and successful implementation of our "win" programme to increase efficiency. Transparent organisational structures and clearly defined responsibilities have noticeably improved the speed of decision-making, strength of implementation and efficiency.

In North America, the decline in residential construction, particularly in the second half of the year, had a considerable negative impact. However, disproportionately high increases in the public sector and commercial construction compensated for this to a large extent. Once again, our North American subsidiary Lehigh significantly increased its already high level of turnover and results.

The Asia-Africa-Mediterranean Basin Group area presented a varied picture: In Turkey, our joint venture Akçansa once again achieved considerable improvements in sales volumes, turnover and results. In Africa, we also further improved our results in the core markets of Ghana and Tanzania. In Indonesia, we were able to consolidate our position with a good quality of profit, despite a diffi-

Dr. Bernd Scheifele
Chairman of the Managing Board
of HeidelbergCement

cult market environment in the first half of the year. The Chinese market is characterised by intensive price competition and excess capacities, particularly in the Guangdong province. In contrast, the development of our joint venture with Tangshan Jidong Cement in central China significantly exceeded our expectations. Overall, China's contribution to profits still failed to meet our objectives.

Our subsidiary maxit Group achieved increases in turnover and profitability in all countries, producing its best results to date. In particular, the successful restructuring in Germany contributed to this.

Significant increase in cost efficiency

We made remarkable progress in terms of costs. A double-digit rise in productivity was recorded in our cement, sand and gravel, and ready-mixed concrete activities. We noticeably improved kiln uptimes and utilisation levels in our cement plants. In addition, we further increased the high proportion of alternative fuels used in place of fossil fuels. In this area, which is important for reducing energy costs and CO_2 emissions, we are the leading company in our industry. Energy efficiency is decisive for the sustainable development of our company.

The general increase in efficiency was primarily due to the grouping of administrative units in shared service centers, the regional focus of the Heidelberg Technology Center, the newly created Group Purchasing and the consistent use of uniform key performance indicators across the Group. The further standardisation of IT and the initial success of pilot projects in marketing and logistics lead us to expect significant increases in efficiency in these areas.

We have already achieved around 80 % of the savings goals defined for our "win" project at the beginning of 2005, and will noticeably exceed them by the end of 2007.

In many cases, the implementation of the individual measures of the "win" project involved personnel changes and cuts. We placed a high priority on our company's tradition of social responsibility and carried out the measures in constructive co-operation with the employee representatives.

Expansion of cement business and vertical integration

In 2006, we expanded our business portfolio once more by targeted acquisitions:

In the cement business line, we reached a milestone with our market entry in India, currently the fastest growing cement market in the world. By acquiring Mysore Cements and the participation in Indorama, we have secured a good base for supplying the attractive growth regions of Mumbai, Bangalore and Bhopal.

In China, we extended our activities to the northeast of the country, an area that is still industrially underdeveloped. We concluded a purchase agreement for the acquisition of a majority stake in Liaoning Gongyuan Cement; this brings our cement capacity in China to more than 10 million tonnes.

We also succeeded with our market entry in Georgia during the reporting year. By acquiring a majority participation in Kartuli Cementi and taking over the market leader Saqcementi, we secured a strong position in the rapidly growing market of the Caucasus region.

Besides external growth, we also rely on high organic growth. At present, several new plants are being built or expanded, or are in the planning stage. By 2010, we will put approximately 20 million tonnes of additional cement capacity into operation.

We pressed ahead with our vertical integration strategy, with a focus on mature markets. The ready-mixed concrete operating line was able to improve its volumes and results considerably. In aggregates, we expanded our market position by making targeted acquisitions and opening new locations.

Sustainable development

HeidelbergCement follows the principle of sustainability, which fulfils the needs of today's generation and safeguards opportunities for successive generations. For us, "sustainable" is not simply a buzzword; it forms the basis for the future success of our long-established company. Sustainability – a pillar of our company strategy – is founded upon an integrated view of economic, ecological and social requirements.

This self-concept of HeidelbergCement and the values we stand for are expressed in our Corporate Governance Principles, the Code of Business Conduct and our Corporate Citizenship Programme. In the day-to-day work at our plants, we apply the highest standards in quality, environmental protection and occupational safety.

We still see a need for improvement, particularly in the area of safety at the workplace. We are preparing a safety campaign for the period 2007-2011, which will be used to establish a stronger safety culture across the Group. We intend to focus on particular accident areas each year and raise employee awareness by targeted initiatives.

We also want to be a good "neighbour" in all areas where we operate. For instance, we made numerous monetary and in-kind donations for health care and education in Africa, particularly for children. Being a good neighbour also involves providing prompt assistance in emergencies: In the past year, when a heavy earthquake struck Indonesia, we provided immediate help by sending in rescue, medical and paramedic teams.

Thanks to our employees

The quality of the profit for the 2006 financial year is in no small part due to the high level of personal dedication and loyalty of our employees throughout the world. I would like to express sincere thanks and appreciation on behalf of myself and my colleagues on the Managing Board. Our thanks also go to the employee representatives for their constructive co-operation.

Furthermore, I would also like to extend particular thanks, and the highest appreciation, to our managers. Characteristics of our new management culture are high personal and professional standards for undertaking interesting, high-responsibility tasks as well as regular assessment of personal performance. Group-wide standardised remuneration structures with a significant variable component encourage entrepreneurship. Our managers have responded positively to these changes and have actively helped to shape the dynamic process of change at HeidelbergCement.

In 2006, we came a good deal closer to our shared goal of forming the best management team in our industry.

Prospects: further profitable growth

In 2007, we are counting on internal growth, strategic acquisitions, cost leadership and the strengthened focus on customers.

In our markets in Eastern Europe, Central Asia, Asia and Africa, we anticipate that the strong growth in the construction sector will continue. In the mature markets of Europe and North America, our overall expectation is stable development at a high level.

In view of these prospects, we have set ourselves ambitious goals for the current financial year 2007: We aim for a further significant increase in turnover and results. With the successful completion of our "win" project, a consistent management approach, ongoing internal and external benchmarking, speed and strength of implementation in our day-to-day activities, we have a solid foundation for achieving these aims.

Yours sincerely,

Bernd Scheifele

Dr. Bernd Scheifele
Chairman of the Managing Board

Report of the Supervisory Board

Ladies and Gentlemen,

Following the sweeping changes to its shareholder and management structure in 2005, Heidelberg-Cement was able to achieve noticeable gains in sales volumes, turnover and results in 2006. This was made possible by
- a strong level of activity in the global cement industry, which led to new records in sales volumes and turnover
- favourable weather conditions
- a series of acquisitions, primarily in growing markets
- the consistent implementation of the "win" restructuring project
- the significant improvement in productivity
- drastic measures to reduce costs
- a noticeable reduction in the tax ratio.

These improvements also form a stable foundation for the further development of the Group.

Consultation and monitoring

In the reporting year, the Supervisory Board dealt in detail with the business trend, economic situation and, in particular, the development of the Group, and fulfilled its consultation and monitoring obligations in the interests of shareholders and employees. It received regular, prompt and detailed reports from the Managing Board about the intended business policies, fundamental issues of financial, investment and personnel planning, the progress of business and the profitability of the company. The documents compiled by the Managing Board for this purpose were made available to the members of the Supervisory Board and discussed in detail in the plenary sessions. The Supervisory Board was also informed about differences between actual development and previously reported plans and assumptions. Investment and financing projects requiring authorisation were presented and discussed individually before decisions were made. Where these concerned investments in growing markets, the Supervisory Board also requested and received statements on and assessments of the existing political risks in particular. The Supervisory Board is satisfied that the Managing Board has installed an effective risk management system capable of recognising at an early stage any developments that could jeopardise the survival of the company. It has also had this opinion confirmed by the auditors. Outside the meetings, the Chairman of the Supervisory Board was in constant contact with the Chairman of the Managing Board.

In the reporting year, five meetings of the Supervisory Board took place; the Personnel Committee met three times, the Audit Committee once. In the plenary sessions in February, May, September and December, a great deal of time was devoted to issues relating to the development of the Group; the March session was used first and foremost to pass resolutions on the 2005 annual accounts and prepare the 2006 Annual General Meeting and efficiency audit. In the meetings of the Personnel Committee, decisions on matters relating to Managing Board remuneration were made and a preliminary discussion took place on contract extensions for members of the Managing Board. In the Audit Committee's meeting in March 2006, a preliminary discussion was held on the plenary session's

Fritz-Jürgen Heckmann
Chairman of the Supervisory Board
of HeidelbergCement

resolutions concerning the 2005 annual accounts and on the appointment of the auditors for 2006. The Arbitration Committee, formed in accordance with § 27, section 3 of the German Codetermination Law, did not meet during the reporting year. At the following meeting, the plenary session of the Supervisory Board was informed about the results of the committees' meetings.

Corporate Governance

The statement of compliance for the reporting year was submitted on 22 March 2006 and this year's statement of compliance will be submitted presumably on 21 March 2007. The amendments to the German Corporate Governance Code passed in June 2006 were adopted into the Group's Corporate Governance Principles with the exception of the recommendation to publish the Managing Board remuneration on an individualised basis. The legal obligation to publish the remuneration of each individual member of the Managing Board does not apply to HeidelbergCement, as the 2006 Annual General Meeting exercised its right to exempt the company from that obligation in accordance with § 286, section 5, § 314, section 2 sentence 2 of the German Commercial Code (Handelsgesetzbuch – HGB). As part of the efficiency audit that was carried out, the co-operation within the Supervisory Board and between the Supervisory Board and Managing Board was classed as very positive; further developments were discussed, particularly in relation to the early release of preparatory documents for meetings.

Dependent companies report

The Supervisory Board examined and approved the report on the relationships with affiliated companies compiled by the Managing Board in accordance with § 312 of the German Stock Company Act (Aktiengesetz). The Supervisory Board approved the statements of the independent auditors in their audit report on the Managing Board's dependent companies report. The audit opinion reads: "In accordance with our duly performed audit and assessment, we confirm that 1) the factual details of the report are correct, and that 2) the amount paid by the company with respect to the legal transaction presented in the report was not unreasonably high." After its own final examination, the Supervisory Board raised no objections to the declaration made by the Managing Board at the end of the dependent companies report, which was also included in the management report (page 29).

Details in accordance with § 171, section 2 sentence 2 of the German Stock Company Act read in conjunction with §§ 289, section 4, 315, section 4 of the German Commercial Code

The company's share capital amounts to EUR 346,973,967 and is divided into 115,657,989 no-par value bearer shares, each with an arithmetic nominal amount of EUR 3.00.

Spohn Cement GmbH holds 66% of the company's share capital and Senator h.c. Dr. med. h.c. Adolf Merckle 11.32% (of which 11.09% is held via VEM Vermögensverwaltung GmbH).

The Supervisory Board is responsible for appointing and discharging the members of the Managing Board in accordance with § 84 of the German Stock Company Act read in conjunction with § 31 of the German Codetermination Law. In accordance with § 119, section 1 no. 5 of the German Stock Company Act, the Annual General Meeting has the right to amend the Articles of Association. The code of practice detailing the implementation of amendments to the Articles of Association is contained in §§ 179 ff. of the German Stock Company Act. The company has made use of the option provided for in § 179, section 1 sentence 2 of the German Stock Company Act to authorise the Supervisory Board to make amendments to the Articles of Association that affect only the wording (§ 13 of the Articles of Association).

The Managing Board was authorised by resolution of the Annual General Meeting of 23 May 2006 to increase the company's share capital, with the consent of the Supervisory Board, by issuing new shares on one or more occasions in return for cash contributions or against contributions in kind, by up to EUR 74 million for each type of contribution (Authorised Capital I and II). The detailed provisions of these authorisations are contained in § 4, sections 2 and 3 of the Articles of Association. The Managing Board was also authorised by resolution of the Annual General Meeting of 23 May 2006 to acquire shares in the company with a proportional amount of share capital of up to EUR 29,606,400. The conditions of the authorisation to repurchase shares comply with the legal provisions of §§ 71 ff. of the German Stock Company Act as well as accepted standards.

The following financing agreements are deemed to be significant agreements of the company as defined in § 289, section 4 no. 8 of the German Commercial Code:

- syndicated credit facility 2005/2010 for EUR 600 million with a term ending on 15 December 2010 (with two possible extensions of one year in each case);
- 7.375 % bond 2003/2010 for EUR 700 million with a term ending on 15 July 2010, issued by HeidelbergCement Finance B.V. and guaranteed by HeidelbergCement AG;
- bilateral credit lines for EUR 100 million with staggered repayment on 28 June 2010, 28 June 2011 and 28 June 2012;
- bilateral credit lines for EUR 60 million with a term ending on 30 November 2007, under which, in the event of a change of control, the contractual partner gains a right indirectly by means of a reference to the onset of an early repayment obligation from the corresponding agreement in the syndicated general loan agreement 2005/2010;
- bilateral credit lines for EUR 50 million for loans with a term of up to three months.

The relevant change-of-control covenants allow the contractual partner to demand immediate repayment of the outstanding loans or debenture bonds in the event of change in the shareholder structure as variously defined in the following: The syndicated credit facility 2005/2010, the 7.375 % bond 2003/2010 and the bilateral credit lines for EUR 60 million give the relevant contractual partner a right of early termination only in the event of changes in the shareholder structure that lead to a change in the control of the company. The bilateral credit lines for EUR 100 million give the contractual partner a right of early termination if a significant change of control of the company occurs which – in the reasonable assessment of the contractual partner – prejudices his interests significantly. The bilateral credit lines for EUR 50 million give the contractual partner a right of early termination if a substantial change in the shareholder structure occurs that could affect the composition of the Managing Board or the contractual partner's general risk assessment. The 7.375 % bond was issued under US law and follows a "permitted holder" concept, which excludes changes in shareholdings in participations held directly or indirectly by Schwenk Beteiligungen GmbH & Co. KG, Senator h.c. Dr. med. h.c. Adolf Merckle, Allianz SE and Deutsche Bank AG from the right of early termination provision.

Auditing and approval of annual accounts

Before the contract for the auditing of the annual accounts of the Company and Group was awarded, the focal points for the audit, the content of the audit and the costs were discussed in detail with the auditors, Ernst & Young AG, Wirtschaftsprüfungsgesellschaft, Stuttgart. In December 2006, the auditors issued detailed information about the results of the pre-audit. The annual accounts of HeidelbergCement AG, the Group annual accounts as of 31 December 2006 and the combined management report for the Company and the Group, as prepared by the Managing Board, were examined by the independent auditors. The auditors gave the accounts the unqualified confirmation. The annual accounting documents and auditors' reports were sent to the members of the Supervisory Board. At first, the Audit Committee dealt intensively with the annual accounts in the presence of the auditors. The auditors reported on the main results of their audit. Then, the Supervisory Board discussed the annual accounts in detail, once again in the presence of the auditors. The Supervisory Board approved the audit results. It examined the Company and the Group annual accounts, the combined management report as well as the Managing Board's proposal for the use of net profit shown in the balance sheet. The Supervisory Board raised no objections to the final results of this examination. The Supervisory Board has therefore approved the Company and the Group annual accounts. The annual accounts have thus been adopted.

The Supervisory Board approved the Managing Board's proposal for the use of net profit shown in the balance sheet, including the payment of a dividend of EUR 1.25 per share.

Personnel matters

After the Annual General Meeting of 23 May 2006, Ms Waltraud Hertreiter retired from the Supervisory Board at her own request. The Supervisory Board thanks her for her many years of involvement with the Supervisory Board. The 2006 Annual General Meeting elected Mr Tobias Merckle to the Supervisory Board to replace Ms Hertreiter.

The Supervisory Board thanks the Group's management and all the employees of the Group for their high level of personal dedication and their accomplishments during the 2006 financial year.

Heidelberg, March 2007

On behalf of the Supervisory Board

Yours sincerely,

Fritz-Jürgen Heckmann
Chairman

Managing Board

Dr. Bernd Scheifele
Born in Freiburg (Germany), aged 48 years. Studies in law at the universities of Freiburg, Dijon (France), and the University of Illinois (US).
Since 2005, Chairman of the Managing Board, in charge of Strategy and Development, Communication & Investor Relations, Human Resources, Purchasing, Legal, Compliance, and Internal Audit.

Helmut S. Erhard
Born in Klingenbrunn (Germany), aged 63 years. Studies in mining engineering at Clausthal (Germany).
Since 1971 at HeidelbergCement. Member of the Managing Board since 1999; in charge of North America and worldwide coordination of Heidelberg Technology Center.

Daniel Gauthier
Born in Charleroi (Belgium), aged 50 years. Studies in mining engineering at Mons (Belgium).
Since 1982 at CBR, the Belgian subsidiary of HeidelbergCement. Member of the Managing Board since 2000; in charge of Asia, Africa, Mediterranean Basin, Benelux, and HC Trading.

Andreas Kern
Born in Neckarsteinach (Germany), aged 48 years. Studies in business administration at Mannheim (Germany).
Since 1983 at HeidelbergCement. Member of the Managing Board since 2000; in charge of Europe and Central Asia.

Dr. Lorenz Näger
Born in Ravensburg (Germany), aged 46 years. Studies in business administration at the German universities Regensburg and Mannheim, and in Swansea (UK).
Since 2004, member of the Managing Board; in charge of Finance, Group Accounting, Controlling, Taxes, Insurance & Corporate Risk Management, IT, and maxit Group.

Daniel Gauthier, Helmut S. Erhard, Dr. Lorenz Näger, Andreas Kern, Dr. Bernd Scheifele (from left to right)

Supervisory Board

Fritz-Jürgen Heckmann
Chairman
Stuttgart
Attorney

Heinz Schirmer
Deputy Chairman
Schelklingen
Chairman of the Council of Employees at the Schelklingen plant, HeidelbergCement AG, and until 1 June 2006, Chairman of the General Council of Employees, HeidelbergCement AG

Theo Beermann
Ennigerloh
Deputy Chairman of the Council of Employees at the Ennigerloh plant, HeidelbergCement AG

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

Waltraud Hertreiter
until 23 May 2006
Munich
Member of the Managing Board, Schaltbau Holding AG

Josef Heumann
Burglengenfeld
Chairman of the Council of Employees at the Burglengenfeld plant, HeidelbergCement AG

Gerhard Hirth
Ulm
Managing Director, SCHWENK group of companies

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

Heinz Kimmel
Sulzheim
Chairman of the Council of Employees at the Sulzheim plant, Südharzer Gipswerk GmbH

Max Dietrich Kley
Heidelberg
Attorney

Hans Georg Kraut
Schelklingen
Director of the Schelklingen plant, HeidelbergCement AG

Senator h.c. Dr. med. h.c. Adolf Merckle
Blaubeuren
Attorney

Ludwig Merckle
Ulm
Managing Director, VEM Vermögens-verwaltung GmbH

Tobias Merckle
since 23 May 2006
Leonberg
Managing Director of the association prisma – Initiative für Jugendhilfe und Kriminalprävention e.V.

Eduard Schleicher
Ulm
Partner with unlimited liability, SCHWENK group of companies

Heinz Schmitt
Heidelberg
Chairman of the Council of Employees at the headquarters, HeidelbergCement AG

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

Supervisory Board Committees

Arbitration Committee, according to § 27, section 3 of the German Codetermination Law

Fritz-Jürgen Heckmann
Chairman

Josef Heumann

Heinz Schirmer

Eduard Schleicher

Personnel Committee

Ludwig Merckle
Chairman

Theo Beermann

Fritz-Jürgen Heckmann

Hans Georg Kraut

Heinz Schirmer

Eduard Schleicher

Audit Committee

Senator h.c. Dr. med. h.c. Adolf Merckle
Chairman

Fritz-Jürgen Heckmann

Heinz Schirmer

Eduard Schleicher

Heinz Schmitt

Karl-Heinz Strobl

Initiative for occupational health and safety

Our Group-wide occupational health and safety guidelines include a binding commitment to the topic occupational safety. The guidelines define tasks and responsibilities as well as processes, methodology and evaluation scales for occupational health and safety. They apply to all locations worldwide.

HeidelbergCement share

Overview

Earnings per share in accordance with IAS 33 for the financial year 2006 were EUR 8.22 (previous year: 3.74). The Managing Board and Supervisory Board will propose to the Annual General Meeting on 9 May 2007 the distribution of a dividend of EUR 1.25 per HeidelbergCement share.

According to the notifications available to us in accordance with the German Securities Trading Law (Wertpapierhandelsgesetz), the main shareholders of HeidelbergCement AG are Spohn Cement GmbH with 66.0 % of the shares, Senator h.c. Dr. med. h.c. Adolf Merckle with 11.32 % (of which 11.09 % is held via VEM Vermögensverwaltung GmbH) and Schwenk Beteiligungen GmbH & Co. KG with 7.5 %. 15.18 % of our shares are in free float. At the end of 2006, the HeidelbergCement share was listed at EUR 110.93, 47 % higher than in the previous year. Market capitalisation rose in the course of the year from EUR 8.7 billion to EUR 12.8 billion.

Capital increases

In order to smooth the proportionate (arithmetic) nominal amount of each share in the share capital, the Annual General Meeting of 23 May 2006 decided to increase the share capital from company funds, with no issue of new shares, by EUR 50.9 million. As a result, the arithmetic nominal amount of the HeidelbergCement share rose from EUR 2.56 to EUR 3.00. The share capital increased again by just under EUR 20,000 as a result of the exercising of stock options from the 2001/2007 stock option plan; this led to the creation of 7,680 new shares. In the 2006 financial year, the share capital of HeidelbergCement AG rose by a total of EUR 50.9 million to around EUR 347 million. The number of shares thus increased by 7,680 to just under 116 million.

Development of the HeidelbergCement share

While the increase in the price of the HeidelbergCement share in 2005 was influenced to a large extent by the public takeover bid from Spohn Cement GmbH, in the course of 2006 our share benefited disproportionately from the strengthening of the Group's profitability and the overall good development of the German stock market. After a slight decline at the beginning of the year, the price of our share reached its lowest point on 18 January with EUR 74.98, but then rose to over EUR 100 by May. Our share was not able to escape the sharp price correction on the international stock markets in May and June; however, after an interim low of around EUR 80, the price rose continuously again from early summer. The share price reached its highest level on 20 December with EUR 112.85 and closed at EUR 110.93 at the end of 2006. Overall, the price of our share rose by 47 % in the course of the year, while DAX and MDAX increased by 22 % and 29 % respectively. The world-

HeidelbergCement AG share capital: development 2006	Share capital EUR '000s	Number of shares
1 January 2006	296,065	115,650,309
Capital increase from issuance of new shares *	20	7,680
Capital increases from company funds to smooth the proportionate nominal share values	50,886 3	
31 December 2006	**346,974**	**115,657,989**

* 2001/2007 stock option plan

wide sector index, the MSCI World Construction Materials Index, recorded an increase of 25 %. Our shares are represented in more than 30 share indices and therefore rank among the most important building materials shares in Europe. Among others, they are included in the MDAX, Deutsche Börse Prime Construction Index, Dow Jones Stoxx, Dow Jones Euro Stoxx and in the Bloomberg Europe Building Materials Index. In addition, HeidelbergCement is included in the Morgan Stanley Capital International (MSCI) indices. In 2005, our share was accepted into the FTSE4Good Index, which responds to the rising interest of socially responsible investors. Measured in terms of its weighting in the HDAX share index, HeidelbergCement was at position 53 of the 110 largest quoted companies in Germany at the end of 2006. Our share is listed on the Prime Standard stock market segment of the Frankfurt stock exchange and on several regional German stock exchanges.

We provide comprehensive information to institutional investors, equity and credit analysts and private shareholders via our Internet site (www.heidelbergcement.com) and our shareholder hotline (+49 6221-481-696).

Earnings per share

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

Development of the HeidelbergCement share 2006 (ISIN DE0006047004, WKN 604700)

EUR	**2006**
Year-end share price 2005	**75.26**
Highest share price	**112.85**
Lowest share price	**74.98**
Year-end share price 2006	**110.93**
Shareholders' equity per share	**50.39**
Change compared with 31 Dec. 2005	
HeidelbergCement share	**47 %**
DAX	**22 %**
MDAX	**29 %**
MSCI World Construction Materials Index	**25 %**
Market value on 31 Dec. 2006 (EUR '000s)	**12,829,941**

Earnings per share according to International Financial Reporting Standards (IAS 33)

EURm	2005	**2006**
Profit for the financial year	471.1	**1,026.3**
Minority interests	-56.6	**-75.6**
Group share in profit	414.5	**950.7**
Number of shares in '000s (weighted average)	110,789	**115,602**
Earnings per share in EUR (IAS 33)	3.74	**8.22**

Combined management report of Heidelberg-Cement Group and HeidelbergCement AG

Core activities and organisational structure

The core activities of HeidelbergCement include the production and distribution of cement, sand and gravel, ready-mixed concrete and building materials. Cement plays the leading role among these products. Vertical integration in the sand and gravel and ready-mixed concrete operating lines is taking place in line with the local market conditions, in order to secure our market position for the long term.

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

We have introduced uniform key performance indicators across the Group for cement, sand and gravel and ready-mixed concrete. Immediate, transparent comparison of the individual operating units allows us to determine potential areas for improvement. This consistent benchmarking has already led to noticeable increases in productivity.

2006 business trend

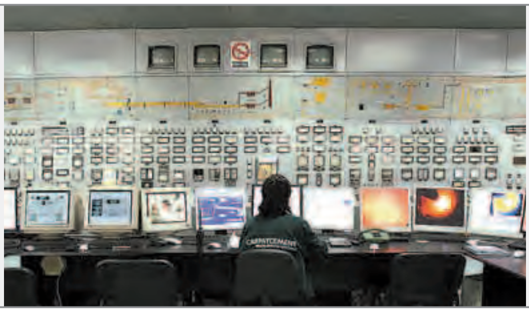
Economic environment

On the whole, the upturn in the global economy broadened further in 2006. Europe experienced an acceleration of growth, with Germany showing the strongest growth since the turn of the millennium, with an increase of 2.7 % in the gross domestic product. In Eastern Europe, the economy remained highly dynamic as a result of strong domestic demand and investment activity. The emerging countries in Asia continued to record above-average development. Despite the weakness of the housing market, the US economy proved resilient, with an expansion of 3.3 %.

In many countries, the good development of the construction and building materials markets provided substantial impetus to the positive economic trend. Cement consumption rose by estimated 10 % worldwide. Even in Germany, after a downswing stretching over many years, it increased by 6 %.

Increase in turnover to EUR 9.2 billion

In 2006, Group turnover rose by 18.3 % to EUR 9,234 million (previous year: 7,803). Operational growth amounted to EUR 1,106 million, which corresponds to 14.2 %. Just under half of this growth was achieved in the Europe-Central Asia Group area. New consolidations contributed a total of EUR 358 million to the increase in turnover. The minimal effects of changes in exchange rates – due to a weaker US dollar and stronger Eastern European currencies – offset one another. Cement and clinker sales volumes grew by 16.7 % in 2006 to just under 80 million tonnes (previous year: 68.3). Particularly significant growth rates were achieved by the Eastern European countries, Germany, China and Turkey. Excluding consolidation effects, the rise in sales volumes amounted to 9.3 %.



Earnings position

While operating income before depreciation increased by 31.1 % to EUR 1,975 million (previous year: 1,506), operating income rose by 44.6 % overall to EUR 1,460 million (previous year: 1,010). Adjusted for consolidation and exchange rate effects, the increase of the operating income amounted to 38.9 %. We achieved noticeable improvements in results in all Group areas. The proportion attributable to Europe-Central Asia rose much higher than the average, primarily as a result of the growth in Germany and the continuing good development in the countries of Eastern Europe. The rapid implementation of our "win" restructuring programme contributed substantially to this positive development. Improving kiln uptimes in our cement plants and significantly increasing productivity in all business lines are major factors in reducing costs. By reorganising the processes and responsibilities in our technical competence centre, the Heidelberg Technology Center, we have provided effective support for increasing the efficiency of our plants.

The increasing costs of electricity and fuel, as well as freights, led to a significant rise in our material costs. Through more intensive use of alternative fuels, we were able to absorb at least a portion of the high energy prices. The effects of grouping functions together, with the newly created Group Purchasing and the increasing standardisation of our technical equipment, allowed us to reduce specific investment costs.

Personnel costs rose by 3.6 %, a significantly weaker increase than in the previous year. We have already completed 80 % of the personnel adjustments arising from our "win" restructuring programme.

The additional ordinary result amounts to EUR 25 million (previous year: -117). A substantial proportion of our earnings was achieved from the sale of CO_2 emission rights; the majority of the burden results from the evaluation adjustment of the spare parts in our stocks.

Group profit and loss accounts (short form)

EURm	2005	**2006**	Change
Turnover	7,803	**9,234**	18 %
Operating income before depreciation (OIBD)	1,506	**1,975**	31 %
Amortisation and depreciation of intangible assets and tangible fixed assets	-496	**-514**	4 %
Operating income	1,010	**1,460**	45 %
Additional ordinary result	-117	**25**	
Results from participations	139	**180**	29 %
Earnings before interest and income taxes (EBIT)	1,033	**1,665**	61 %
Financial results	-261	**-226**	-13 %
Profit before tax	772	**1,439**	86 %
Taxes on income	-300	**-412**	37 %
Profit for the financial year	471	**1,026**	118 %
Group share in profit	415	**951**	129 %

Results from participations rose to EUR 180 million (previous year: 139) as a result of the positive business development of our French participation Vicat S.A. The financial results increased to EUR -226 million (previous year: -261) because of more favourable financing conditions and a significant decrease in net indebtedness.

The improved development of results in all Group areas led to a rise to EUR 412 million (previous year: 300) in taxes on income. Tax optimisation measures and the increase in earnings in countries with low taxes caused the tax ratio to fall to 28.7 % (previous year: 38.9). As a result of legal changes, this was accompanied by a one-time effect in connection with the obligation to capitalise corporate tax credit balances in Germany, which will be paid in ten equal yearly amounts from 2008.

With EUR 1,026 million (previous year: 471), the profit for the financial year more than doubled. The return on turnover thus improved to 11.1 % from 6.0 % in the previous year. The Group share in profit increased to EUR 951 million (previous year: 415).

Earnings per share rose to EUR 8.22 (previous year: 3.74). This calculation is based on the average number of 115.6 million shares (previous year: 110.8) in 2006.

In view of the positive development of results, the Managing Board and Supervisory Board will propose to the Annual General Meeting on 9 May 2007 the distribution of a dividend of EUR 1.25 (previous year: 1.15) per share.

Business development in the Group areas

In many countries in the **Europe-Central Asia** Group area, construction activity and demand for building materials increased significantly. Our cement and clinker sales volumes rose by 20.0 % to 39.8 million tonnes (previous year: 33.2). For the first time, this includes our involvement in

Key financial ratios

	2003	2004	2005	**2006** [1]
Assets and capital structure				
Shareholders' equity/total capital	38.4 %	37.0 %	42.4 %	**47.9 %**
Net financial liabilities/balance sheet total	33.1 %	34.3 %	29.7 %	**25.0 %**
Long-term capital/fixed assets	108.8 %	109.5 %	104.7 %	**99.4 %**
Gearing (net fin. liabilities/shareholders' equity)	86.1 %	92.7 %	70.1 %	**52.5 %**
Earnings per share				
Price/earnings ratio	23.8	-12.2	20.1	**13.5**
Earnings per share (EUR)	1.41	-3.64	3.74	**8.22**
Profitability				
Return on total assets before taxes	5.9 %	1.1 %	8.9 %	**14.0 %**
Return on equity	3.2 %	-8.4 %	9.3 %	**17.5 %**
Return on turnover	2.1 %	-4.8 %	6.0 %	**11.1 %**

1) Without adjustment to IAS 32.18 b) Puttable Minorities in the amount of EUR 106 million

Kazakhstan, the Ukrainian company Doncement and the cement activities in Denmark. Excluding consolidation effects, the rise amounted to 11.2 %. The highest increases in sales volumes were recorded by the countries of Eastern Europe; we also achieved double-digit growth rates in Germany. We have further expanded our market position in Eastern Europe and Central Asia by means of our market entry in Georgia and new acquisitions in Russia,

The concrete business line also improved significantly in 2006. Ready-mixed concrete sales volumes rose by 15.4 % to 19.9 million cubic metres (previous year: 17.2). The commissioning of new plants in Eastern and Northern Europe and the inclusion of additional locations in Belgium and the Netherlands contributed to this increase, among other factors. The aggregates business line is also on course for growth, in connection with our strategy of vertical integration. Total sales volumes grew by 20.9 % to 75.1 million tonnes (previous year: 62.1). New production sites were acquired or commissioned in Belgium, Hungary and Ukraine, in order to meet the increasing demand. In the concrete products operating line, especially our Swedish plants recorded high growth in turnover and results; In Germany, the restructuring process is under way and led to first improvements in results.

The production of lime and sand-lime bricks within the building materials business line is mainly concentrated in Germany. Both operating lines were able to increase their sales volumes and turnover in the reporting year.

In 2006, the turnover of the Europe-Central Asia Group area increased by 22.7 % to EUR 4,230 million (previous year: 3,446). The operational increase amounted to 15.2 %. An even stronger improvement was made in operating income, which rose by 67.9 % to EUR 648 million (previous year: 385).

In **North America**, construction activity grew only slightly in the second half of the year as the US housing markets weakened. Cement consumption in the US remained stable at the previous year's level, totalling 127.5 million tonnes, while a slight increase was recorded in Canada. Our cement plants exceeded the general market development, with sales volumes rising by 1.8 % to 15.0 million tonnes (previous year: 14.7).

Ready-mixed concrete sales volumes reached a record level, increasing by 5.4 % to 8.9 million cubic metres (previous year: 8.5). By purchasing production sites in the US state of Alabama and the Canadian province of Alberta, we expanded our network and increased our production capacity. Deliveries of aggregates decreased slightly during the reporting year by 1.7 % to 28.9 million tonnes (previous year: 29.4).

Cement and clinker sales volumes

1,000 tonnes	2005	**2006**
Europe-Central Asia	33,175	**39,817**
North America	14,688	**14,954**
Asia-Africa-Mediterranean Basin	20,465	**24,941**
Total	68,328	**79,712**

The turnover of the North America Group area rose by 14.2% to EUR 2,447 million (previous year: 2,142), also as a result of price increases. Consistent cost savings led to an even greater increase in results: Operating income improved by 29.5% to EUR 477 million (previous year: 369).

The combined Group area **Asia-Africa-Mediterranean Basin** recorded substantial growth overall, which was strengthened further by consolidation effects. Cement and clinker sales volumes grew by 21.9% to 24.9 million tonnes (previous year: 20.5). Excluding consolidation effects, they rose by 11.7%. At EUR 1,302 million (previous year: 1,057), turnover exceeded the previous year's value by 23.2%, or 16.5% in operational terms. Operating income rose by a similar percentage to EUR 194 million (previous year: 158).

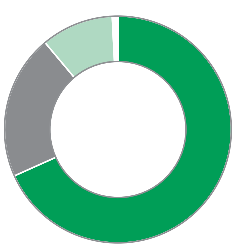
Asia – the largest subarea – achieved considerable expansion as a result of dynamic economic development. The acquisitions in 2006 were in line with our strategy of investing consistently in growth regions: In the northeast of China, we concluded a purchase agreement to acquire the majority share in Liaoning Gongyuan Cement. Through participations in Indorama Cement and Mysore Cements, we entered for the first time the Indian market, the second-largest cement market in the world. In Indonesia, the market recovered in the last few months, with the result that both exports and domestic sales volumes increased in comparison with the previous year. In China, sales volumes almost doubled. Our total cement and clinker deliveries in Asia rose by 27.4% to 18.8 million tonnes (previous year: 14.8); excluding consolidation effects, the increase amounted to 13.3%.

In **Africa**, our consolidated cement sales volumes grew by 3.7% to 4.2 million tonnes (previous year: 4.1). Increases in demand, e.g. in Ghana and Sierra Leone, were offset by restrictions to the available production capacities in Gabon and Nigeria. In Sierra Leone, a new cement mill enabled us to cover the growing cement consumption.

The **Mediterranean Basin** is achieving high growth rates. In Turkey, cement consumption rose by more than 20%. The domestic sales volumes of our participation Akçansa developed even more positively, with an increase of 30%. Including exports, the total sales volumes reached a record level of 4.8 million tonnes (previous year: 4.1); the consolidated portion amounted to 1.9 million

OIBD by business lines 2006

- 68.3% Cement
- 20.6% Concrete
- 10.3% Building materials
- 0.8% Group Services



OIBD by Group areas

EURm	2005	**2006**
Europe-Central Asia	656	**931**
North America	466	**576**
Asia-Africa-Mediterranean Basin	230	**274**
maxit Group	143	**179**
Group Services	11	**15**
Total	1,506	**1,975**

tonnes (previous year: 1.6). We achieved equally significant improvements in the ready-mixed concrete operating line. We have expanded our production capacity in the United Arab Emirates in order to meet the increase in demand.

maxit Group benefited from a broad international rise in demand and was able to increase its turnover by 10.6% to EUR 1,237 million (previous year: 1,118). The improvement in cost efficiency and successful restructuring in Germany were reflected in considerable growth of results: At EUR 125 million (previous year: 88), operating income exceeded the previous year's figure by 42.2%.

Turnover in the **Group Services** business unit, which incorporates our trading companies, improved by 11.1% to EUR 642 million (previous year: 578). The increase in freight rates contributed significantly to this rise. Operating income rose by 47.4% to EUR 15 million (previous year: 10). The trade volume of HC Trading, which deals with worldwide trading in cement and clinker, grew by 7.0% in the reporting year to 12.4 million tonnes (previous year: 11.6).

Cash flow statement

Cash flow from operating activities amounted to EUR 1,259 million (previous year: 795), significantly exceeding the previous year's value. Improvements in turnover and results in all Group areas and business lines contributed to this increase. Net cash used in investing activities decreased to EUR 665 million (previous year: 747). While capital spending reached the previous year's level, net cash from changes in the consolidation scope and from disposals of intangible assets (sale of CO_2 certificates) increased. The growth of dividend payments to EUR 168 million (previous year: 90) and the increased repayment of debt caused cash outflow from financing activities to rise to EUR 768 million (previous year: 88).

In the 2006 financial year, HeidelbergCement was able to meet its payment obligations at all times.

Group financial management

The assessment of HeidelbergCement's credit quality by the rating agencies and the capital markets improved considerably in the course of the year. Standard & Poor's and Fitch Ratings rated HeidelbergCement BBB-/A-3 and BBB-/F3 respectively. Thereby we have achieved investment grade ratings. This is also reflected in the current market prices of HeidelbergCement's credit default swaps. At the end of 2006, the five year credit default swap trades at some 42 basis points, which is approximately the average for companies with a BBB/Baa2 rating. This shows that HeidelbergCement's ratings have more upside potential. The rating agency Moody's Investors Service has not followed these developments and has left the rating at Ba1/NP under review for possible upgrade.

The risk premiums of our outstanding bonds have been continually tightened since June 2006. The positive development of HeidelbergCement's credit spreads significantly exceeded the European reference index "iBoxx Euro Corporate". On the basis of our solid business policy, geared towards long-term profit, we expect further improvements in our rating.

The improved credit rating led to increased demand for HeidelbergCement securities on the money and capital markets. The Group issued under the EUR 3 billion European Medium Term Note (EMTN) programme, which was updated in April 2006, four SEK denominated bonds with terms of three and five years with a total volume of some EUR 65 million (converted). In addition, the EMTN programme is still being used for active participation on the capital markets; at the end of 2006, the utilized amount was EUR 1.4 billion.

On the money market, commercial papers of some 1.5 billion were issued through the Euro Commercial Paper Programme; under the Swedish SEK Commercial Paper Programme we issued another total volume of around EUR 700 million (converted).

Group cash flow statement (short form)

EURm	2005	**2006**	Difference
Cash flow	1,047	**1,538**	491
Changes in working capital	-252	**-279**	-27
Cash flow from operating activities	795	**1,259**	464
Investments (cash outflow)	-934	**-933**	1
Other inflows of cash and cash equivalents	187	**268**	81
Cash flow from investing activities	-747	**-665**	82
Capital increase	292	**0**	-292
Dividend payments	-90	**-168**	-78
Long-term borrowings	-290	**-600**	-310
Cash flow from financing activities	-88	**-768**	-680
Changes in cash and cash equivalents	12	**-98**	-110

In the framework of HeidelbergCement's financial management, we made an early repayment of EUR 328 million on the 6.375 % bond maturing in February 2007, thus reducing the outstanding volume at maturity to EUR 672 million. Furthermore, new credit lines were established with significantly improved conditions. Most of these lines and the entirely existing EUR 600 million syndicated loan were undrawn as of the end of 2006, in order to secure liquidity.

The relocation of the Group Treasury department from Malmö/Sweden, to Heidelberg allowed us to further improve the cash management within the Group. By restructuring and expanding cash pools and integrating more companies directly in the Group Treasury department, access to cash was automized and optimised. By streamlining the treasury structure, standardising processes and harmonizing our system environment, we achieved significant cost savings in 2006 in the areas of administration and bank charges. Further savings could be unlocked due to the relocation of our treasury activities to the euro zone, which made extensive currency hedging activities redundant.

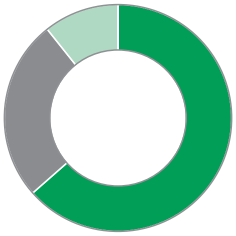
Investments

In 2006, cash relevant investments in tangible and financial fixed assets remained at the previous year's level, totalling EUR 933 million (previous year: 934). EUR 563 million (previous year: 548) was invested in tangible fixed assets and intangible assets. The biggest investments in tangible fixed assets related to extensive modernisation measures in our cement plants in Estonia, Romania, Ukraine and in the Leeds plant in the US, the construction of the new Jingyang plant in the Chinese province of Shaanxi and the capacity increases in Citeureup/Indonesia and in the Çanakkale plant of our Turkish participation Akçansa. In Belgium, we continued the modernisation of the white cement plant Harmignies, which will soon be completed; a new cement mill was commissioned in Union Bridge/US.

Our investments in financial fixed assets decreased by EUR 16 million in comparison with the previous year to EUR 370 million (previous year: 386). These primarily include the acquisition of shares in Mysore Cements and Indorama Cement in India, the purchase of Doncement in Ukraine and Dansk Leca in Denmark, and the participation in two import terminals in Houston/US.

Investments in intangible assets and tangible fixed assets by business lines 2006

- 63.5 % Cement
- 25.8 % Concrete
- 10.7 % Building materials



Fixed assets investments

EURm	2005	**2006**
Europe-Central Asia	316	**263**
North America	117	**149**
Asia-Africa-Mediterranean Basin	60	**94**
maxit Group	55	**57**
Group Services	0	**0**
Financial investments	386	**370**
Total	934	**933**

Group balance sheet

In 2006, the balance sheet total rose to EUR 12.3 billion (previous year: 11.9). Because of the high capital intensity of our business, 45 % is bound up in tangible fixed assets. The increase of EUR 770 million in shareholders' equity including minority interests to EUR 5,828 million (previous year: 5,058) is primarily attributable to the significant rise in the profit for the financial year. From 2006, in accordance with an adjustment to the international accounting standards, puttable minority interests amounting to EUR 106 million are shown under financial liabilities instead of under shareholders' equity. For purposes of better comparison with the previous year, this IFRS adjustment was not applied to the following key figures. The shareholders' equity ratio improved from 42 % to 48 %. The fixed assets of EUR 9.5 billion (previous year: 9.1) are 99 % covered by shareholders' equity and long-term liabilities and provisions. The Group's net financial liabilities before IFRS adjustments were reduced by EUR 464 million compared with the previous year to EUR 3,081 million (previous year: 3,545). The gearing – the ratio of net financial liabilities to shareholders' equity – improved from 70.1 % to 52.5 %.

Growth in all Group areas and business lines and our substantial success in reducing costs and increasing efficiency improved the quality of HeidelbergCement's results considerably. Our international competitiveness was significantly strengthened by new commitments in growing markets.

Results of operations, asset positions and financial condition of HeidelbergCement AG

In addition to the Group reporting, the parent company's development is described below:

In contrast with the Group annual accounts, the annual accounts of HeidelbergCement AG are prepared in accordance with German commercial law. HeidelbergCement AG's management report is combined with that of the Group in accordance with § 315, section 3 of the German Commercial Code, as the business trend, economic position, and future opportunities and risks of the parent company are closely linked with the Group on account of their common activity in the building materials business line.

Group balance sheet (short form) EURm	31 Dec. 2005	**31 Dec. 2006**	Part of balance sheet total
Intangible assets and tangible fixed assets	7,949	**8,344**	68 %
Financial fixed assets	1,158	**1,162**	9 %
Other long-term assets	248	**209**	2 %
Short-term assets	2,580	**2,603**	21 %
Shareholders' equity and minority interests	5,058	**5,828**	47 %
Long-term provisions and liabilities	4,476	**3,576**	29 %
Short-term provisions and liabilities	2,401	**2,914**	24 %
Balance sheet total	11,935	**12,318**	100 %

As the controlling company, HeidelbergCement AG plays the leading role in the HeidelbergCement Group. In addition, it is operationally active in Germany in the cement and building materials business lines with eleven cement and grinding facilities and one lime plant. As part of the further streamlining of our cement activities in Germany, we have incorporated HeidelbergCement Produktionsgesellschaft Schelklingen mbH & Co. KG, Heidelberg, with the Schelklingen plant, into HeidelbergCement AG as of 1 September 2006 by way of accretion. This measure had no effect on the development of turnover and sales volumes, however, as a distribution agreement had existed between the two companies since 2004.

In 2006, the turnover of HeidelbergCement AG increased by 15.9% to EUR 477 million (previous year: 412); the decisive factors in this development were the recovery in German construction activity for the first time in over ten years and the favourable weather conditions at the end of the year. As a result of the relocation of the Group Treasury department from HeidelbergCement Financial Services AB based in Malmö/Sweden to the parent company HeidelbergCement AG, interest and similar proceeds increased considerably in comparison with the previous year.

The balance sheet total rose by 14.4% in comparison with the previous year to EUR 7.1 billion (previous year: 6.2). Of particular note on the assets side is the increase of EUR 1.4 billion in short-term receivables, which was primarily caused by the rise in intra-Group amounts owed by affiliated companies resulting from the relocation of the treasury activities to HeidelbergCement AG. On the liabilities side, short-term liabilities increased by EUR 1.5 billion; the change essentially resulted from regroupings in the area of financing and the integration of the Group Treasury department.

Additional statements

Statements according to the German Act Implementing the Takeover Directive

The following information is provided in accordance with §§ 289, section 4, 315, section 4 of the German Commercial Code: The share capital of HeidelbergCement AG amounts to EUR 346,973,967 and is divided into 115,657,989 no-par value bearer shares. The Managing Board knows of no restrictions concerning voting rights or the transfer of shares. The following shareholders hold more than 10% of the voting rights in the company: Spohn Cement GmbH, Norderfriedrichskoog, with 66.0% of the voting rights and Senator h.c. Dr. med. h.c. Adolf Merckle, Blaubeuren, with 11.32% of the voting rights (of which 11.09% is held via VEM Vermögensverwaltung GmbH, Dresden). No holder of shares has been granted special rights giving powers of control. The company's Managing Board is appointed and discharged by the Supervisory Board. The Articles of Association can be amended by the Annual General Meeting with a simple majority of the share capital represented at the time of voting, except where a greater majority is required by law.

The Managing Board is authorised by resolution of the Annual General Meeting of 23 May 2006 to increase the company's share capital, with the consent of the Supervisory Board, by up to EUR 74,000,000 by issuing new shares in return for cash contributions until 22 May 2011

(Authorised Capital I). Furthermore, the Managing Board is authorised by resolution of the Annual General Meeting of 23 May 2006 to increase the company's share capital, with the consent of the Supervisory Board, by up to EUR 74,000,000 by issuing new shares against contributions in kind until 22 May 2011 (Authorised Capital II). Finally, the Managing Board is authorised by resolution of the Annual General Meeting of 23 May 2006 to acquire company shares until 22 November 2007 with a proportional amount of the share capital of up to EUR 29,606,400 (corresponds to around 8.53 % of the current share capital) via the stock market or by means of a public purchase offer.

A summary of the company's significant agreements contingent on a change of control resulting from a takeover bid, and the effects thereof, is provided below in accordance with §§ 289, section 4 no. 8, 315 section 4 no. 8 of the German Commercial Code. Please note that we are disregarding agreements whose potential consequences for the company fall below the thresholds of EUR 50 million in a singular instance or EUR 100 million in the case of several similar agreements, as they will not normally affect the decision of a potential bidder. The existing change-of-control covenants are standard for this industry and type of transaction and have not been agreed with the intention of hindering any takeover bids. The following significant agreements of HeidelbergCement AG are contingent on a change of control resulting from a takeover bid:

- syndicated credit facility 2005/2010 for EUR 600 million with a term ending on 15 December 2010 (with two possible extensions of one year in each case);
- 7.375 % bond 2003/2010 for EUR 700 million with a term ending on 15 July 2010, issued by HeidelbergCement Finance B.V. and guaranteed by HeidelbergCement AG;
- bilateral credit lines for a total of EUR 100 million with staggered repayment on 28 June 2010, 28 June 2011 and 28 June 2012;
- bilateral credit lines for EUR 60 million with a term ending on 30 November 2007, under which, in the event of a change of control, the contractual partner gains a right indirectly by means of a reference to the onset of an early repayment obligation from the corresponding agreement in the syndicated general loan agreement 2005/2010;
- bilateral credit lines for EUR 50 million for loans with a term of up to three months.

The relevant change-of-control covenants allow the contractual partner to demand immediate repayment of the outstanding loans or debenture bonds in the event of change in the shareholder structure as variously defined in the following: The syndicated credit facility 2005/2010, the 7.375 % bond 2003/2010 and the bilateral credit lines for EUR 60 million give the relevant contractual partner a right of early termination only in the event of changes in the shareholder structure that lead to a change in the control of the company. The bilateral credit lines for EUR 100 million give the contractual partner a right of early termination if a significant change of control of the company occurs which – in the reasonable assessment of the contractual partner – prejudices his interests significantly. The bilateral credit lines for EUR 50 million give the contractual partner a right of early termination if a substantial change in the shareholder structure occurs that could affect the composition of the Managing Board or the contractual partner's general risk assessment. The 7.375 % bond was issued

under US law and follows a “permitted holder” concept, which excludes changes in shareholdings in participations held directly or indirectly by Schwenk Beteiligungen GmbH & Co. KG, Senator h.c. Dr. med. h.c. Adolf Merckle, Allianz SE and Deutsche Bank AG from the right of early termination provision.

There are no compensation agreements between the company and members of the Managing Board or employees for the event of a takeover bid.

Regional branches

HeidelbergCement AG has no regional branches either domestically or internationally.

Dependent companies report

The Managing Board of HeidelbergCement AG compiled a report on the relationships between HeidelbergCement AG and its affiliated companies on the one hand and Spohn Cement GmbH and its affiliated companies on the other, and submitted it to the Supervisory Board in accordance with § 312 of the German Stock Company Act (AktG). A reportable legal transaction took place between HeidelbergCement AG and Spohn Cement GmbH. The Managing Board declares at the end of the report: "We confirm that – under the circumstances known to the Managing Board at the time at which the legal transaction took place – the company received an appropriate compensation for each legal transaction. We further confirm that no measures were taken, or not taken, in favour of or in the interests of Spohn Cement GmbH."

Events occurring after the close of the 2006 financial year

On 2 March, we have published that HeidelbergCement intends to sell its 35 % stake in the French Vicat group by way of a public offering in France and a private placement elsewhere. The offering is foreseen to be completed within the second quarter of 2007, subject to market conditions. The family holdings, along with the company, have announced their intention to purchase up to one third of the offered shares. At the above-mentioned date, the stock price of the stake amounted to about EUR 1.4 billion.

No other significant events affecting HeidelbergCement occurred after 31 December 2006.

Corporate Governance [1]

The management and supervisory structures at HeidelbergCement comply with the regulations under the German Stock Company Act, the company's Articles of Association, the procedural rules of the Managing Board and Supervisory Board and – with a few exceptions (see statement of compliance) – the German Corporate Governance Code.

They are described in detail in the Group's Corporate Governance Principles, based on the German Corporate Governance Code (see www.heidelbergcement.com, About us, Corporate Governance).

In accordance with § 286, section 5 and § 314, section 2 sentence 2 of the German Commercial Code, the 2006 Annual General Meeting exercised their right to exempt the company from the obligation to publish the remuneration of each individual member of the Managing Board.

The amendments to the German Corporate Governance Code passed in June 2006 were adopted into the Group's Corporate Governance Principles with the exception of the recommendation to disclose the Managing Board remuneration on an individualised basis. The statement of compliance for the reporting year was published on 22 March 2006 and this year's will be published presumably on 21 March 2007.

Statement of compliance

HeidelbergCement meets the recommendations of the German Corporate Governance Code with five exceptions:

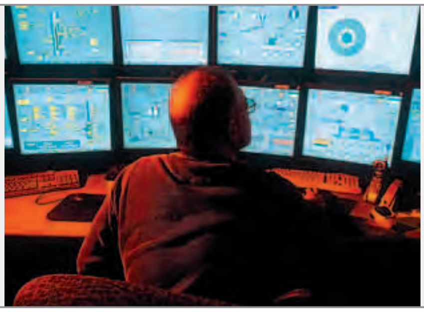
- the Managing Board remuneration is not disclosed on an individualised basis;
- the Chairman of the Supervisory Board does not chair the Personnel Committee;
- there are no age limits for members of the Supervisory Board;
- from 2007, the Supervisory Board remuneration does not contain a variable component;
- the shareholdings of members of the Supervisory Board are not disclosed.

Remuneration of the Managing Board

The remuneration determined by the Supervisory Board for the Managing Board of HeidelbergCement AG is adapted to the size and international activity of the Group, its economic and financial situation, and the amount and structure of the Managing Board remuneration in comparable companies. In addition, the tasks and contribution of the relevant member of the Managing Board, as well as the entire Managing Board, are taken into account. The remuneration is calculated in such a way that it is competitive on the market for highly qualified senior managers and provides an incentive for successful work in a business culture with a clear focus on performance and results.

The remuneration is made up of fixed and variable components. The variable bonus depends on the achievement of specific financial goals set at the beginning of the financial year (target net profit). In addition, a long-term bonus based on the achievement of individually agreed goals is awarded. In the reporting year, incumbent members of the Managing Board who have participated in the stock option plans have exercised their remaining (virtual) options. In return, they received a total of EUR 577,966 (previous year: 1,728,486). The members of the Managing Board have no more stock options.

[1] Also the Corporate Governance Report in accordance with point 3.10 of the German Corporate Governance Code, which was adopted by the Managing Board and Supervisory Board on 21 March 2007.



The total remuneration of the Managing Board in 2006 amounted to EUR 20.1 million (previous year: 10.1). EUR 3.3 million (previous year: 3.3) of this was paid in fixed remuneration, EUR 16.7 million (previous year: 6.6) in variable remuneration and EUR 0.1 million (previous year: 0.2) as part of other remuneration elements. This does not include the payments from the remaining stock options mentioned above. The other remuneration elements consist of payments for committee activities at subsidiaries of HeidelbergCement AG and non-cash benefits arising from the provision of company cars. Allocations to provisions for pensions for current members of the Managing Board amounted to EUR 1.4 million (previous year: 1.2). Payments to former members of the Managing Board and their surviving dependants amounted to EUR 3.8 million (previous year: 6.0) in the reporting year. Provisions for pension obligations for members of the Managing Board amounted to EUR 28.1 million (previous year: 28.8).

Remuneration of the Supervisory Board

The Supervisory Board remuneration for 2006 is made up of fixed and variable components for the last time. The remuneration structure remains unchanged from the previous year. The fixed remuneration amounts to EUR 14,000, the variable EUR 630 for each cent of dividend above 30 cents. The Chairman of the Supervisory Board receives twice these amounts, his Deputy one-and-a-half times. Members of the Audit Committee additionally receive EUR 7,000, members of the Personnel Committee EUR 3,500, and the Chairmen of the Committees twice these respective amounts. For 2006, this results in the following compensation for the Supervisory Board [1)]:

- The Chairman of the Supervisory Board receives a fixed compensation of EUR 28,000 and a variable compensation of EUR 119,700. In addition, he receives EUR 7,000 for membership of the Audit Committee and EUR 3,500 for membership of the Personnel Committee.
- The Deputy Chairman of the Supervisory Board receives a fixed compensation of EUR 21,000 and a variable compensation of EUR 89,775. In addition, he receives EUR 7,000 for membership of the Audit Committee and EUR 3,500 for membership of the Personnel Committee.
- The member of the Supervisory Board who retired on 23 May 2006 receives a fixed compensation of EUR 5,485 and a variable compensation of EUR 23,448.
- The member of the Supervisory Board newly elected on 23 May 2006 receives a fixed compensation of EUR 8,553 and a variable compensation of EUR 36,566.
- All other members of the Supervisory Board receive a fixed compensation of EUR 14,000 and a variable compensation of EUR 59,850. Those who are members of the Audit Committee receive an additional EUR 7,000, the Chairman EUR 14,000, and those who are members of the Personnel Committee receive an additional EUR 3,500, the Chairman EUR 7,000.

This gives a total Supervisory Board remuneration of EUR 1,366,077 (previous year: 1,243,789), of which EUR 318,538 (previous year: 316,054) is paid in fixed remuneration and EUR 1,047,539 (previous year: 927,735) in variable remuneration.

[1)] In contrast to previous years, the amounts paid, or to be paid, for Supervisory Board activity in the reporting year are stated irrespective of the actual date of payment. Accordingly, the previous year's figures indicate the amounts paid for Supervisory Board activity in 2005. As regards the variable remuneration for 2006, it is assumed that the 2007 Annual General Meeting is following the Management's dividend proposal. On a comparable basis to the previous year's figures, the total Supervisory Board remuneration amounts to EUR 1,246,273 (previous year: 812,876), of which EUR 318,538 (previous year: 316,054) relates to fixed remuneration and EUR 927,735 (previous year: 496,822) to variable remuneration.

The employee representatives on the Supervisory Board remit a significant portion of their Supervisory Board compensation to the recuperation facility for the employees at HeidelbergCement AG and – with the exception of the representative of the senior managers – to the trade union-linked Hans Böckler Foundation.

The reduction of the Supervisory Board remuneration passed by the 2006 Annual General Meeting will take effect for the current financial year.

Directors' Dealings and shareholdings of Board members

In the reporting year, the company received the following disclosures in relation to transactions in securities in accordance with § 15a of the German Securities Trading Act (Directors' Dealings):

Directors' Dealings Director	Function	Type of transaction	Transaction date	Number/type of financial instruments traded		Transaction volume (EUR)
Dr. h.c. Adolf Merckle	SB[1]	Sale *	01/27/2006	10,000	Shares	846,500.00
Dr. h.c. Adolf Merckle	SB	Sale *	01/30/2006	8,750	Shares	771,750.00
Dr. h.c. Adolf Merckle, Ludwig Merckle	SB SB	Acquisition *	04/26/2006	2,083,333	Shares	199,999,968.00
Dr. h.c. Adolf Merckle, Ludwig Merckle	SB SB	Acquisition *	11/13/2006	1,990,000	Shares	208,074,400.00
Tobias Merckle	SB	Acquisition	11/17/2006	20,000	Discount certificates	1,836,400.00
Dr. h.c. Adolf Merckle, Ludwig Merckle	SB SB	Acquisition *	12/20/2006	500,000	Shares	55,345,000.00

[1] SB = Member of the Supervisory Board

* The marked transactions were carried out by legal persons where the director or a closely person is holding an executive function or a controlling stake.

No member of the Managing Board directly or indirectly holds company shares or options to the extent of more than one per cent of the shares issued by the company. In addition, the total holding of all members of the Managing Board does not exceed one per cent of the shares issued by the company.

Stock option plans

From 2000 to 2003, HeidelbergCement AG had issued a stock option plan annually for the members of the Managing Board and for other senior managers of HeidelbergCement AG and affiliated companies. The plans issued in the years 2000, 2002 and 2003 granted virtual options on HeidelbergCement AG shares, while the plan issued in 2001 granted real options. The company does not intend to issue new stock option plans. As already explained in the "Remuneration of the Managing Board" section, the members of the Managing Board exercised the remaining options from the stock option plans in the reporting year.

The other senior managers who participated in the stock option plans also exercised their remaining options in the reporting year, with one exception. One participant still has more than 3,000 options from the 2003/2009 plan. The 2000/2006, 2001/2007 and 2002/2008 plans are completely closed.

Risk management

As a result of their worldwide operations, all business lines within HeidelbergCement are exposed to a variety of risks in relation to their entrepreneurial activities. Identifying these risks and dealing with them professionally is the responsibility of the Managing Board and is a key task for managers throughout the Group. HeidelbergCement's aim is not to avoid risks altogether, but to take risks on the basis of careful assessment whenever there are opportunities that may optimise the Group's earnings position.

Our risk management system, standardised across the Group, consists of a number of different elements, which are systematically incorporated in all of HeidelbergCement's organisational structures and processes. It is mainly based on operational planning and the established risk management strategy.

In accordance with the newly streamlined organisational structure, which combines the core functions at Group and country levels, the principles for increasing efficiency were also redefined in the risk reporting system. Appropriate thresholds for risk reporting have been established in accordance with the specific circumstances in the individual countries. The presentation and discussion of potential risks are an integral part of the quarterly meetings between the Managing Board and the national management teams. This increased transparency and direct communication allow prompt decisions regarding suitable countermeasures for achieving the strategic goals.

The quarterly risk reports from each country are incorporated in the Group's central management reporting. Developments that affect the operating income are divided into three categories: financial risks, market, strategic and political risks, as well as operational, production-related risks. This reporting is supplemented by internal ad hoc reports for all risks that arise unexpectedly.

The Group Insurance & Corporate Risk department is responsible for co-ordinating the various risk management processes. All significant risks, both quantitative and qualitative, are summarised once a year in a central risk map, in order to document the risk situation at Group level.

In addition, the auditors carry out an examination of the risk management system as part of the annual audit to determine whether the monitoring system is capable of identifying in good time issues that could threaten the Group's existence.

After evaluation of the overall risk situation, there are, from today's perspective, deemed to be no identifiable risks, either at present or for the foreseeable future, that could threaten the existence of the Group or other significant risks whose occurrence would lead to a considerable deterioration of the Group's economic position.

Risks that may have a significant impact on our net assets, financial position and results in the 2007 financial year and in the foreseeable future after 2007 are described in the following. The risks are divided into three categories based on the risk catalogue established in the Group

Financial risks

The financial risks of primary relevance for the Group are currency risks, interest rate risks, refinancing risks and credit risks. These risk areas are monitored on a continuous basis by the Group Treasury department and controlled in accordance with our internal Group guidelines.

Currency risks arising as a result of transactions with external third parties in foreign currency (transaction risks) are hedged using derivative financial instruments with a hedging horizon of up to twelve months. Currency swaps and forward exchange contracts are primarily used for this purpose, as well as currency options in some individual cases. Currency risks arising from intra-Group transactions are not hedged, as the inflows and outflows in the various currency pairs cancel each other out at Group level to a large extent.

Currency risks arising from converting the annual accounts of foreign individual companies or subgroups (translation risks) are generally not hedged. The associated effects have no impact on cash flow, and influences on the Group balance sheet and profit and loss accounts are monitored on a continuous basis.

Interest rate risks are maintained within the parameters set by the Group's Chief Financial Officer. A wide selection of financing instruments secures access to money and capital markets and ensures that refinancing risks are minimised. We apply strict standards with regard to the creditworthiness of our financial business partners. In this way – as well as by avoiding concentrations of positions – we are able to minimise the Group's credit risks.

Market and strategic risks

In 2006, HeidelbergCement consistently continued its long-term strategy of improving its geographical diversification and expanding its presence in rapidly growing markets. The political risks and market risks connected with the latest acquisitions and construction projects in Georgia, Russia and Kazakhstan are, in our opinion, more than compensated for by the strong economic growth and heavy increase in cement consumption expected in these regions. For this reason, we will consistently continue to establishing a strong market position and an efficient production and supply network in Eastern Europe and Central Asia in accordance with our growth strategy. The same applies to our positions in India and China.

In all markets, our efforts to increase productivity and efficiency by reducing the proportion of clinker in cement and making increased use of alternative raw materials are given the highest priority and are not simply intended to increase our profitability. The Group guideline on the use of alternative fuels and raw materials in cement production is one of the cornerstones of our commitment to sustainable development. It places us in a competitive position that enables us to meet the constantly growing requirements and legal regulations regarding environmental precaution and occupational health and safety.

Operating risks

For an energy-intensive company such as HeidelbergCement, the development of the energy markets, particularly the fuel, electricity and natural gas prices, represents a significant risk. Other considerable risks arise from the heavily fluctuating freight rates and the occasionally insufficient transport capacities. With the help of suitable risk management instruments such as long-term supply agreements and an optimised purchasing organisation, in which our Group Services companies HC Trading and HC Fuels play a vital role, we are able to mitigate the effects of negative developments and keep possible financial burdens within acceptable limits.

At the beginning of 2007, we introduced a new insurance concept with higher self-insured retentions, which more adequately reflects the financial power of HeidelbergCement, both for the local subsidiaries and at Group level. The higher volatility is largely compensated for by a worldwide reduction in insurance premiums and other risk transfer costs. At the same time, we have significantly increased the maximum compensation limits for natural disasters including earthquakes, in order to better safeguard our locations in heavily endangered regions such as California and Indonesia.

The cartel proceedings against German cement companies initiated in 2002 are still pending. The initial court decision is not expected until 2008. Likewise, no decision has yet been made regarding the action for damages brought against six companies, including HeidelbergCement, in connection with these proceedings by the Belgian company Cartel Damage Claims SA at the beginning of 2006. In its interim ruling from 21 February 2007, the Düsseldorf Regional Court permitted the action. HeidelbergCement will appeal against this ruling. The company believes that it has a good chance of defending itself successfully against this action, which is based on allegedly inflated prices as the result of a cartel between 1993 and 2002. In order to avoid cartel law violations, we will continue to maintain the intensive internal precautions, particularly training measures.

HeidelbergCement strives to be one of the leading companies in the building materials industry worldwide. We want to achieve this goal by acting in a way that is legally and ethically sound. The HeidelbergCement Code of Business Conduct adopted by the Managing Board in October 2006 obliges all employees, to observe, in particular, the applicable statutory regulations. Ensuring its implementation and developing suitable processes and instruments for that purpose is the task of the new Group function "Group Compliance", created at the beginning of 2007 under the supervision of the Chairman of the Managing Board.

Employees

In 2006, HeidelbergCement employed an average of 45,958 members of staff (previous year: 41,260) throughout the Group. The increase of 4,689 employees compared with the previous year is primarily due to the first-time inclusion of our activities in India, Kazakhstan and Denmark as well as the extension of the scope of consolidation in China and the Ukraine. Personnel costs rose by 3.6 % compared with the previous year to EUR 1,502 million (previous year: 1,450). This corresponds to a share in turnover of 16.3 % (previous year: 18.6 %).

Personnel – a supporting pillar of the Group strategy

Further development of the personnel strategy and its incorporation in our strategic guidelines was a central topic in 2006. An essential element of this is integrated personnel management, in line with the corporate goals, with clear areas of focus: attracting and developing future executives, management training, performance management, succession planning, and performance and results-related remuneration systems in all countries. Other important points of our personnel strategy are the continuing development of a business culture with a clear focus on customers and employees, cost awareness, speed, strength of implementation and close proximity to operating activities.

Advancement of future executives and management training

We have consistently adapted the advancement of future executives and management training to the development of the corporate strategy. The focal points are cost management, managing effectively, project management and dealing professionally with processes of change. A characteristic of all our training programmes is that they are tailored to the specific needs of our Group, e.g. the recently introduced finance seminar for our top and senior management. With a good balance of theory and practice, guaranteed by excellent external and internal instructors, we maintain a high

Employees by business lines 2006

- 63.3 % Cement
- 24.6 % Concrete
- 12.0 % Building materials
- 0.1 % Group Services

Employees by Group areas

	2005	**2006**
Europe-Central Asia	20,006	**21,821**
North America	5,914	**6,028**
Asia-Africa-Mediterranean Basin	10,344	**13,077**
maxit Group	4,945	**4,979**
Group Services	51	**53**
Total	41,260	**45,958**

academic level and, at the same time, ensure the material is relevant to the Group. The exceptionally high quality of the seminars is also a result of the Managing Board's involvement, through their own contributions and presentations. Our training programmes in each country take the specific local requirements into account. We train our senior managers in a targeted manner and prepare them for future challenges, because excellent results can only be achieved with an excellent management team.

Succession planning to safeguard growth
In 2006, we carried out Group-wide succession planning for the first time according to uniform criteria. This allowed us to obtain a good overview of our available management potential and also revealed weak areas. Growth is only possible if sufficiently highly qualified and dedicated managers with operating experiences are available. The development of future executives will be one focal point in the coming years. In 2007, integrated talent management is being introduced within the Group: Our talents across the Group are identified and then consistently developed for leadership positions according to uniform standards. By doing this, we are placing a clear focus on operational experience. The targeted recruitment of future executives worldwide is another integral part of our talent management. We will extend our contacts with universities in the various countries and strengthen our personnel marketing.

Performance and results-related remuneration
An essential requirement for a performance culture is a framework in which each person knows his goals and can focus on them. The performances achieved and results produced must also be reflected in the remuneration. With consistent differentiation in all decisions on individual earnings and a high variable remuneration component, our managers directly perceive the consequences of their entrepreneurial activity in both directions. We have harmonised the remuneration structures with regard to local market conditions. Uniform standards now apply across the Group for top and senior management. From 2007, the goal agreements are linked with variable remuneration even at the lower levels of management, in order to more firmly establish the culture of performance and results.

Management culture put into practice
With the new Group-wide leadership principles, we have laid the foundations for a common management culture. Our new management culture is characterised by a strong focus on performance and results. We make sure that the leadership principles are implemented in daily practice by means of integrated personnel management with Group-wide standards. For example, our performance management system, which includes goal agreements and assessments of performance and potential, is connected with remuneration, talent management and succession planning. External and internal customer surveys strengthen our focus on the customer. Our management-in-practice programme, which helps our senior managers to become more familiar with the value creation processes on site, also helps to achieve this aim.

Consolidation and reorganisation

The worldwide consolidation process in the cement industry is continuing. Besides acquisitions and disinvestments, the trend of job reductions continued in many countries. Particularly affected at HeidelbergCement were Belgium, the Netherlands, the United Kingdom, Germany, Poland, Romania, Hungary, China, and Ghana.

We have made good progress with setting up the shared service centres (SSC) at national level. By including further subsidiaries into the SSC organisation, particularly in Belgium, the Netherlands, Germany and Sweden, we were able to achieve savings that exceeded the figures originally planned.

We organise job cuts to be as socially acceptable as possible. Our measures include making use of early retirement regulations, not extending temporary work contracts, developing fair social plans when dismissing employees for restructuring reasons and supporting professional reorientation.

All reorganisation measures taken or initiated have led to the expected increase in efficiency and the planned cost savings, even exceeding these figures in some cases. With a tight yet flexible organisation that utilises standardised processes and measures itself by uniform key performance indicators, we have taken a significant step towards our goal of reaching cost leadership.

Sustainable development and environmental precaution

Commitment to sustainable business

HeidelbergCement has defined the sustainable development of the Group as a strategic goal. We place a high value on environmental precaution and social responsibility for the employees and communities at our locations. For us, as a building materials producer, dealing with raw materials, nature and the environment in a sustainable manner has particular significance. Together with occupational health and safety, these topics form the focus of our activities connected with sustainable cement production.

In mid-2007, we will publish our next Sustainability Report, which is produced in accordance with the guidelines of the "Global Reporting Initiative".

HeidelbergCement is involved with various national and international sustainability initiatives outside the Group. We are a member of the World Business Council for Sustainable Development and a founding member of the "Cement Sustainability Initiative" (CSI).

As part of our co-operation with other international cement companies in the CSI, we have compiled guidelines for sustainable cement production. These help us to fulfil the requirements for increased transparency. Within the Group, we use the key figures we obtain to identify ways in which we can improve, and take the appropriate measures.

In Germany, we are involved with the German cement industry's initiative for sustainable development and with econsense – the German industry forum for sustainable development.

Climate protection at the forefront

Climate protection, one of the biggest challenges to our society, is the central environmental issue. As early as 2003, HeidelbergCement made a commitment to reduce its specific net CO_2 emissions (CO_2 emissions in relation to the volume of cement produced) by 15% by 2010 compared with 1990. We intend to achieve this goal by increasing energy efficiency, modernising our plants and using a higher proportion of alternative fuels – particularly biomass.

Across the Group, we were able to reduce specific net CO_2 emissions from 680 kg CO_2/tonne of cement in 2005 to 667 kg CO_2/tonne of cement in 2006. In 2006, absolute gross CO_2 emissions amounted to 47.5 million tonnes of CO_2, compared with 43.9 million tonnes of CO_2 in 2005.

As an energy-intensive company, we are involved in the Europe-wide emissions trading system. The surplus of emissions certificates from the first trading period is essentially attributable to specific modernisation measures and investments. These measures are also financed by proceeds from certificate trading. In the next few years, we will continue our efforts to reduce CO_2 emissions in line with our target.

Environmental pollution reduced

Regarding air pollution control, we have made a commitment to reduce our specific emissions of dust by 50%, nitrogen oxide by 20% and sulphur dioxide by 30% – compared with 2000 – by 2012.

By modernising or renovating exhaust gas filters in Leeds/US, Skövde/Sweden, Górazdze/Poland, Kunda/Estonia, Buchtarma/Kazakhstan und Doncement/Ukraine, we have achieved a considerable reduction in dust emissions. In other plants, such as the Degerhamn plant in Sweden and at several German locations, we have reduced dust emissions by optimising the evaporative coolers.

Absolute gross and net CO_2 emissions
million tonnes CO_2

2006	gross	**47.5**
	net	**45.4**
2005	gross	43.9
	net	42.0
2004	gross	44.7
	net	42.9
2003	gross	41.7
	net	40.2
1990	gross	50.8
	net	50.2

Specific gross and net CO_2 emissions
kg CO_2/tonne cement

2006	gross	**698**
	net	**667**
2005	gross	711
	net	680
2004	gross	726
	net	697
2003	gross	722
	net	696
1990	gross	775
	net	765

Net CO_2 emissions: all direct emissions less the savings that are achieved through the use of alternative fuels and which are assessed to be CO_2 neutral.
Gross CO_2 emissions: all direct emissions including those arising from the use of alternative fuels.

Nitrogen oxides (NO_x) arise as a result of burning clinker, primarily because of the high gas temperatures of approx. 2,000° C. These emissions have decreased as a result of optimising the combustion conditions, e.g. in the Brevik plant in Norway, and also as a result of the SNCR process (selective non-catalytic reduction). In 2006, new or improved SNCR systems were commissioned in our locations in Mason City/US, Mokra/Czech Republic, Wetzlar/Germany, in Padeswood and Ketton/United Kingdom and in our two Hungarian plants.

Emissions of sulphur dioxide (SO_2) resulting from raw materials are mostly reduced by adding hydrated lime. In our plant in Mason City/US, we have considerably reduced SO_2 emissions by using a wet scrubber.

Integrated nature conservation

In dealing responsibly with natural raw materials, we also take into account the demands of nature conservation. We support biodiversity research programmes, such as the research into the development of sustainability indicators at the Schelklingen plant in Germany, or the research into the preservation of rare animal and plant species at the plant in Slite/Sweden. In making a commitment to recultivation based on nature conservation, we believe we have chosen the right path. For example, the renaturation plan for the quarry at our former plant in Malomerice/Czech Republic received the "Green Bridge Award". By setting up nature trails, we explain to interested members of the public how renatured quarries enrich the biological diversity of the landscape.

Alternative raw materials and fuels preserve resources

Natural raw materials are the foundation of our business. By replacing them increasingly with alternative raw materials, we preserve both resources and landfill space, while at the same time improving the cost-effectiveness of the manufacturing process. The most important alternative fuels include plastic scraps, used tyres, waste oil and, increasingly, biomass such as sewage sludge or wood waste. In 2006, we were able to substitute a total of 17 % (previous year: 17 %) of fossil fuels (such as coal, petroleum coke or oil).

The right choice of raw materials can also preserve primary resources. For example, limestone, marl or natural additives can be replaced with by-products or waste materials from other industry sectors, such as blast furnace slag and fly ash. The substitution rate for alternative raw materials was 12 % (previous year: 9 %).

To increase the proportion of alternative raw materials, investments into storage, metering and quality assurance are a must. Overall, we have to consider a large number of technical, environmental and product-specific aspects relating to the use of alternative raw materials. In 2006, we established the framework for the use of alternative raw materials in a Group-wide guideline.


Occupational health and safety in focus

We take our social responsibility seriously, because we are convinced that an employee-oriented business culture based on partnership will contribute to the long-term success of HeidelbergCement. Our commitment to occupational health and safety is therefore an integral part of all our business activities. We are working continuously to improve occupational health and safety throughout the Group. The success of these efforts is reflected in the data for the cement business line (see table below). We were able to dramatically reduce both the accident frequency and fatality rate in the past year. Unfortunately we did not succeed in achieving this for accident severity, which remains at the previous year's level. In order to further improve our performance, we have clearly defined the core tasks and responsibilities and described the most important processes, tools and key figures in our new Group guideline on occupational health and safety. Our objective is to minimise the risk of accidents and injury, as well as the risks of occupational illness, by means of increased preventive measures. To achieve this aim, we will start an initiative in 2007 that will last several years. We intend to establish specific areas of focus each year, such as working at heights. Occupational safety is first and foremost a question of correct behaviour and attitude. The initiative will therefore focus on measures that support a change in awareness to ensure greater occupational safety, e.g. enhancement of training measures, a more intensive exchange of expertise and formulation of Group-wide standards. Again, our managers have a vital exemplary role to play in this area.

Social responsibility firmly established

Our social commitment is traditionally organised on a regional basis. We rely on the proximity to our core business and support projects, organisations and initiatives in the areas of construction, environment and education in particular. We provide practical help with our building materials and services, and thus contribute to improving the quality of life in many countries. We support projects that improve ecological knowledge and promote biological diversity. We provide impetus for creativity and innovation through educational partnerships.

The areas surrounding our locations are as diverse as the people living and working there. We promote the preservation of cultures and identities, and we tailor our voluntary activities to their needs. The new, uniform guidelines will help us create a Group-wide focus on our work in this area and co-ordinate it effectively.

Occupational health and safety

	2004	2005	**2006**
Accident frequency rate [1]	8.1	11.9	**6.0**
Accident severity indicator [2]	167	169	**169**
Fatality rate [3]	2.4	2.0	**0.4**

[1] Number of accidents (with at least one lost working day) suffered by Group employees per 1,000,000 working hours
[2] Number of lost working days resulting from accidents suffered by Group employees per 1,000,000 working hours.
[3] Number of fatalities of Group employees per 10,000 Group employees

Research and technology

Efficient organisation

Our plants across the Group are supported by three regional Heidelberg Technology Centers (HTCs), responsible for Asia, Europe and North America. The close contact between HTC and the plant means that optimisations and technological developments are implemented quickly. In addition, at HTC Europe, Group-wide benchmarking forms the basis for efficient knowledge management and innovative studies and projects. The research and development activities of the cement and concrete business lines are also combined there. Local service organisations create proximity to the market and customers. The continuous dialogue between HTC and the local marketing organisations allows new products and applications to be launched quickly and ensures that research and development work is based on demand. HTC also co-ordinates the research & development activities of maxit Group in close consultation with the national organisations. In 2006, the Group's total expenditure for research & development, involving 488 employees (previous year: 500), amounted to EUR 45 million (previous year: 43).

Process optimisation using innovative technologies

Process optimisations focus on increasing production capacities and productivity, reducing production costs and further improving the environmental sustainability of our cement plants. For example, in the Buchtarma plant in Kazakhstan, the Doncement plant in Ukraine and the Kunda plant in Estonia, we have brought decommissioned kilns back into operation and either improved and repaired or completely renovated the existing filter systems. This led to a significant reduction in dust emissions. In all countries, we place particular emphasis on improving the availability of our production installations. Uninterrupted operation will help us not only increase production, but also reduce emissions.

The shortage and increased price of fossil energy sources motivates us to make greater use of alternative fuels – including biogenic fuels in particular. Mechanically and thermally dried sewage sludge plays an important role, while other examples include the burning of specially grown energy grass in our Beremend plant in Hungary and spoiled maize seeds in Mason City, Iowa/US.

In order to also reduce electricity consumption in the cement plants, pneumatic material handling systems are being exchanged for mechanical ones, for example. By commissioning one of the largest vertical mills in the cement industry in our Union Bridge plant in the US, we have considerably increased not only cement grinding capacity but also energy efficiency.

Customer-oriented product development

The trend towards industrialisation and automation of building processes places higher demands on the processability and reliability of mortars and concretes. HeidelbergCement is responding to this development by introducing CemFlow. CemFlow is a fluidised floor levelling finish, which can be applied using a mostly automated process.

In China, maxit Group achieved an important breakthrough with the development and launch of a special self-levelling mortar for industrial floors. Since its market launch in October 2006, around 210,000 square metres of these industrial floors have already been laid in locations such as Beijing Airport. Easy and, as far as possible, automated processing is an essential requirement for repair and protective mortar. They have to be suitable for highly flexible use on a variety of subsurfaces, as well as guaranteeing a long life span. maxit Group will soon launch a comprehensive concept and a new product range.

A constantly recurring problem in the production of prefabricated concrete elements is rust formation on the steel formwork. This not only affects the formwork itself, but also often leads to unsightly discolorations on the visible surface of the concrete elements. In FerroCem, we have developed a cement that effectively minimises this problem.

Innovative building materials

Because of the increasing level of soil surface sealing, heavy rainfall can lead to large-scale damage and massive traffic disruption, particularly in urban areas. This problem can be effectively dealt with by using water-permeable drainage concrete in road construction. Our American subsidiary Lehigh has developed a special concrete for road construction, "Architectural Pervious Concrete", which can absorb up to 2,500 litres of rainwater per square metre per hour and divert it safely into the subsoil.

In Luccon, we have developed a special translucent concrete. With its integrated optical fibres, Luccon allows almost lossless conduction of light, which means that light, shadows and even colours can be seen through the concrete. The use of Luccon elements allows architects and designers almost unlimited creativity. Its launch in Germany has therefore met with enormous interest in professional circles and has prompted lively demand.

Since autumn 2006, with the introduction of the maxit top product line, maxit Group has offered new plasters and colours that ensure a high level of protection against algae and fungus growth on

façades, without using biocides. Because rainwater is absorbed quickly, the surfaces remain permanently dry, depriving algae and fungi of their basic nutrients.

We have also made further progress in the development of photocatalytically active building materials. With maxit airfresh paint, we are for the first time offering a mineral colour with high photocatalytic activity, which decomposes air pollutants to create a healthy living environment. TioCem, a photocatalytically active cement, makes use of the same effect. Concrete products such as paving stones and façade slabs made from this material are able to decompose nitrogen oxides, thereby contributing to the reduction of pollutants in city centres where the air quality is poor.

Increased life span for concrete structures

Aggressive environmental conditions and rising expectations regarding the life span of structures such as roads, bridges and tunnels represent big challenges for the durability of concrete. In the past year, our work in this area has focused on the development of flexible concepts for avoiding damaging alkali-silica reactions and reducing cracking tendencies in solid structures. We carried out much of this research work in close collaboration with universities in England, Germany, Norway and other countries. One example is the development of a special concrete formulation based on a new fly ash cement manufactured by our Norwegian subsidiary Norcem, which was used to produce the concrete elements for a 700-metre-long tunnel in Oslo.

In Holland, ENCI developed ViaCem, a cement containing blast furnace slag, which significantly increases the resistance of paving stones to frost and damage from de-icing salt, thereby extending their useful life.

Sustainable product development

The production of clinker, the base product for cement, is the main source of CO_2 emissions in the cement production process. For several years, we have therefore pursued the goal of reducing the proportion of clinker in our cement and replacing it with substitute products such as blast furnace slag and fly ash. These composite cements are now the standard varieties for most concrete applications in Europe. The development of new varieties also increases their market share for more demanding applications, e.g. when high early strength is required. We achieved remarkable progress in markets that had previously been dominated by pure Portland cements. InterCem, a fly ash cement, was successfully launched in Canada, with more than 100,000 tonnes sold in the first year. In many African countries, substantial progress was made with the introduction of Portland-limestone cements, as well as with Pozzolanic cements in Indonesia.

Prospects

The expected future development of HeidelbergCement and the business environment in 2007 and 2008 is described below. As such, please note that this annual report contains forward-looking statements based on the information currently available and the current assumptions and forecasts of the Group management of HeidelbergCement. Such statements are naturally subject to risks and uncertainties and may therefore deviate significantly from the actual development. HeidelbergCement undertakes no obligation and furthermore has no intention to update the forward-looking statements made in this annual report.

Economic environment

The assessment of the global economic environment is favourable for the current year and for 2008. This is primarily due to an acceleration of the upturn at the end of 2006, the easing of the situation on the oil markets and the fact that the weakening of growth in the US is only temporary. In Germany, the growth forecast for 2007 has been increased to up to 2%; in 2008, economy could grow at the same rate. Throughout the euro zone, a steady increase in the gross domestic product is expected once again. Development in the emerging countries should continue in years 2007/2008 with hardly any reduction in the dynamics.

The fact that the economic environment is more positive than originally expected creates a number of opportunities; however, risks arising from global imbalances, fluctuations in the dollar exchange rate and the volatility of oil prices must still be considered.

The favourable situation in the economy as a whole produced above-average benefits for the building materials markets. In the US, despite the weakness of the housing markets, we expect largely stable cement consumption on a high level.

Turnover and results

The expansion of our position in growing markets and the anticipated favourable development of the mature European markets will lead to a further noticeable improvement in turnover and results in 2007 and 2008. Once again, we expect significant contributions from Europe-Central Asia. Our expectations for North America, where record figures were achieved in 2006, are somewhat conservative. The Asia-Africa-Mediterranean Basin Group area should benefit from the recovery of the Indonesian cement market and the continuing dynamics of China. In India, we are now operating in an additional market experiencing lively growth. We also expect welcome increases for maxit Group.

Despite the volatility of energy prices, we anticipate stable development in the costs of fuel, electricity and natural gas. Thanks to an efficient quality and supplier management, we are able to use a higher proportion of Asian suppliers for technical equipment and facilities. In addition, we expect some impetus as a result of the consistent exploitation of our internal optimisation potential.

Investments

In the next two to three years, our cement capacities in growing markets will be increased on the one hand by means of new construction projects in the Russian regions of Tula and Saratov, in Western Kazakhstan and in the Chinese province of Shaanxi. On the other hand, we will extend existing capacities in the Saint Petersburg area as well as in Georgia, Turkey, Indonesia and China.

We aim to achieve a strong market position in the long term by expanding our vertical integration measures in the concrete and aggregates business lines.

Expected financing

In 2007 and 2008, we will once again use the capital markets in a flexible way. As of 31 December 2006, our syndicated loan of EUR 600 million and extensive bilateral credit lines were undrawn. The EUR 1 billion Euro Commercial Paper Programme is also available to us. In addition, HeidelbergCement has access to the capital markets when required via the EUR 3 billion European Medium Term Note (EMTN) programme; we are currently in the process of updating the documentation for the framework programme. Thanks to the good results and financial situation, HeidelbergCement can refinance cost-effectively on the money and capital markets and take advantage of potential opportunities.

Sustainability

One of the focal areas of our measures in 2007/2008 will be the consistent reduction of environmental pollution. Among other aspects, this involves improving the energy efficiency in our production sites and increasing the use of alternative fuels. These efforts will make a noticeable contribution to our goal of reducing specific net CO_2 emissions by 15 % by 2010 compared with 1990.

We are also focusing on systematically expanding our occupational health and safety measures. We intend to undertake targeted campaigns to tackle specific accident areas each year and initiate measures that will lead to significant improvements in the medium term.

Research and development

Reducing the consumption of natural resources and improving the durability of concrete will continue to have an important place in our research and development activities in the coming years. In addition, we are planning further projects to optimise the strength and processing characteristics of concrete. We will also continue to work on developing new properties and applications for cement-based building materials, in order to increase their versatility and range of uses.

Employees

In 2007/2008, the introduction of an integrated talent management concept, focusing on university and college marketing and the recruitment of very highly trained graduates, will be one of our critical tasks.

In a pilot project, we will use an employee survey as a strategic management tool for the first time. In particular, we hope to gain an understanding of our employees' commitment. The measures resulting from the analysis of this survey and their implementation will be key factors to our success.

The increased standardisation of the training content used in our seminars for top and senior management ensures that the same methods and practices, e.g. in relation to investment planning, are used across the Group.

Estimates for 2007 and 2008

In accordance with the observations outlined above, HeidelbergCement anticipates a further noticeable improvement in turnover and results in the next two years. Risks arising from global imbalances, fluctuations in the dollar exchange rate and the volatility of oil prices must be taken into account. Besides the favourable market development, our markedly improved efficiency, performance-orientation and competitiveness boost our chances of remaining on course for growth.

Commitment to social responsibility

Our commitment to occupational health and safety is an integral part of all our business activities. We take our social responsibility seriously, because we are convinced that an employee-oriented business culture based on partnership will contribute to the long-term success of HeidelbergCement.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HeidelbergCement on the market

Europe-Central Asia

HeidelbergCement operates in 23 countries in the Europe-Central Asia Group area. In most of those countries we are the market leader in the cement business with a total of 48 cement and grinding plants. In addition, we manufacture ready-mixed concrete and, in some countries, precast concrete parts, concrete paving stones and concrete blocks. Almost everywhere in Europe, we convey sand and gravel as aggregates for concrete production and road construction. The positive economic development, with a significant increase in construction investments, caused turnover to rise by 22.7 % to EUR 4,230 million (previous year: 3,446). Good progress in increasing efficiency and productivity led to considerable improvements in results.

Construction boom in many countries

The European economy is experiencing a strong upturn. Construction activity increased in many countries – even significantly in some cases. Particularly high growth was recorded by the countries of Northern Europe. While construction investments also rose significantly in the Netherlands and particularly in Belgium, they were flat in the United Kingdom. In Germany, the turning point was finally reached after a decline lasting more than ten years, with an increase of 3.6 %. The countries of Eastern Europe and Central Asia achieved high and in some cases double-digit growth rates. While the new EU countries benefited from subsidies for the expansion of infrastructure, for example, the oil and gas industry stimulated construction activity in Russia, Kazakhstan and Georgia.

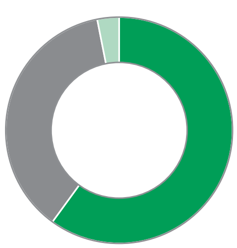
Cement business line

Heavy increase in cement sales volumes

Cement demand developed very positively, in line with the construction industry. Domestic demand rose everywhere. In most Eastern European and Central Asian countries, cement consumption underwent a double-digit increase. Poland, for example, reached a turning point after six years of decline, with a record level of cement demand. The Caucasus region and Kazakhstan are also experiencing high demand, which can only be covered by massive cement imports, e.g. 40 % Kazakhstan.

Turnover 2006 : 4,230 EURm

- 60.0 % Cement
- 36.9 % Concrete
- 3.1 % Building materials



Key data

EURm	2005	2006
OIBD	656	**931**
Operating income	385	**648**
Investment in tangible fixed assets	316	**263**
Cement and clinker sales volumes (Mt)	33.2	**39.8**
Employees	20,006	**21,821**

The cement and clinker sales volumes of our own plants rose by 20.0 % in 2006 to 39.8 million tonnes (previous year: 33.2). In countries such as Russia, Estonia and Ukraine, the demand could not be covered completely, despite full utilisation of capacities. New consolidations in Kazakhstan, Ukraine and Denmark also contributed to the high growth of sales volumes. The operational increase amounted to 11.2 %. Poland and Romania recorded the strongest rise in sales volumes. Double-digit increases in quantities were also achieved by our plants in Germany, Estonia, Bosnia, Hungary, Russia and Sweden.

Efficient network

The growing markets of Central Asia and Russia, where considerable excess demand exists in some areas, were in the center of HeidelbergCement's investments. In 2006, we made our market entry in Georgia with majority participations in Kartuli Cementi and Saqcementi, the largest cement manufacturer in the Caucasus region. In Western Kazakhstan, we are planning to construct a new 2-million-tonne plant by the Caspian Sea. This plant and the production sites in Georgia and Russia will form an efficient network around the Caspian Sea. In Russia, where we have acquired the majority share in the company Gurovo Beton and the Volsk cement plant, we intend to build two cement plants each with a capacity of 2 million tonnes in the regions of Tula, south of Moscow, and Saratov. Our Cesla cement plant near Saint Petersburg is also planning to extend its capacity to 2 million tonnes.

With measures to modernise and increase the capacity of individual production facilities, we are strengthening the competitiveness of our plants and reducing operating costs. We invested heavily in modernisation last year, particularly in Estonia, Kazakhstan and our Ukrainian and Romanian plants. In the Kartuli Cementi plant in Georgia, the kiln line from the decommissioned Kiefersfelden plant in Germany is being installed in order to increase the cement capacity from 100,000 to 500,000 tonnes. In Belgium, the modernisation of the Harmignies white cement plant will soon be completed; we also acquired a cement terminal in Antwerp in 2006. In the UK, we installed a kiln by-pass in the Ketton plant, in order to reduce chloride emissions from burning alternative fuels. New filter systems were installed in Norway, Sweden, Poland and other locations. We further intensified the use of alternative fuels in 2006. In Schelklingen/Germany, a new system for storing and reprocessing plastic shreds is being built.

Concrete business line

Construction activity spurs ready-mixed concrete business

We produce ready-mixed concrete in most countries in Europe. As part of our strategy of vertical integration, we want to support our cement activities in Russia and Central Asia with the production of ready-mixed concrete and aggregates. We currently operate two production sites in the Saint Petersburg area of Russia and in the Ukraine; further facilities are to be commissioned in the near future.

Total ready-mixed concrete sales volumes rose by 15.4 % to 19.9 million cubic metres (previous year: 17.2). The strongest growth was recorded in Poland, where the high demand occasionally exceeded the production capacity. More than half of the sales volumes were achieved in Germany. In order to further improve the capacity utilisation of our plants and strengthen vertical integration, we sold more than 40 locations in 2006, mainly in eastern Germany, that were not situated in the supply radius of our own cement plants. The high volume increase in Norway, Hungary and the Netherlands was caused in part by large infrastructural projects or construction activities such as the expansion of the Port of Rotterdam. The growth in sales volumes in the Group area resulted partly from the commissioning of new plants in Romania, Hungary, the Czech Republic, Bosnia-Herzegovina, Norway and Denmark, and the expansion of the consolidation scope, e.g. in Belgium and the Netherlands. In May 2006, we founded a joint venture in Slovakia with the country's largest construction company, Doprastav, which operates nine production sites.

Aggregates on course for growth

Aggregates in the form of sand and gravel for concrete manufacturing or as road metal and grit for road construction are manufactured in a number of European countries. As with ready-mixed concrete, demand for aggregates also increased significantly in the reporting year. The total sales volumes from our quarries rose by 20.9 % in comparison with the previous year to 75.1 million tonnes (previous year: 62.1). Besides Poland, Romania and Germany, particularly strong growth was achieved by Sweden and Norway. While Sweden benefited from the high demand in road construction, Norway was able to significantly increase its exports – especially to Iceland.

An important task is the securing of the raw materials supply for the future. In Belgium we received a mining concession in summer 2006 for a new 167-hectare quarry, where 600,000 tonnes will be conveyed annually. A new quarrying site was also opened in Hungary, in order to meet the rising demand. In October 2006, our first quarry in Ukraine commenced operation near Dnipropetrovsk; further acquisitions are planned for 2007.

Restructuring in concrete products

Precast concrete parts for building construction, civil engineering, agriculture, water supply and wastewater disposal, in addition to concrete blocks and concrete paving stones, are manufactured primarily in Germany and Sweden, as well as at some other European locations. The restructuring process initiated in the last two years in Germany is being continued. The restructuring measures in Sweden, combined with favourable market development, led to significant improvements in results.

Building materials business line

High utilisation of production site capacities

The lime and sand-lime brick operating lines of the building materials business line are mainly concentrated in Germany. Both operating lines were able to increase their sales volumes and turnover in the reporting year. With 15 sand-lime brick plants, Heidelberger Kalksandstein occupies leading positions in submarkets of Germany and Switzerland.

Administrative tasks centralised

In 2006, as part of the "win" project, we began to combine basic administrative tasks relating to accounts and payroll accounting for all business lines in shared service centres (SSC). Standardised, central handling of these processes allowed us to achieve considerable savings in the first year alone. Apart from Russia, Georgia and Kazakhstan, which will follow in 2007, we set up shared service centres throughout the Group by the end of 2006.

North America

In the United States and Canada – the North America Group area – we produce clinker and cement in 15 plants; we also manufacture ready-mixed concrete and aggregates. In 2006, turnover rose by 14.2 % to EUR 2,447 million (previous year: 2,142). In the national currency, it increased by 15.2 % to USD 3,074 million – a record level for our subsidiary Lehigh. Consistent cost savings have also contributed to a welcome improvement in the quality of profit.

Weakening of construction activity

With an increase of 3.3 %, the gross domestic product in the US recorded growth of a similar magnitude to that of the previous year. Private consumption continued to be a driving force of economic development. A moderate weakening of the growth rate to around 2 % is forecast for 2007. Construction activity in the US increased by an average of 1.1 %, with two distinct phases of development over the course of the year. The first two quarters were strong with brisk business in all construction sectors, while the third and fourth quarters saw a significant decline, attributed primarily to the slowdown in the housing market. Further growth was recorded in public and commercial construction. For 2007, the American cement association PCA expects a decline of just under 2 % in construction investments.

In Canada, economic growth amounted to 2.7 %, almost reaching the previous year's level. An increase of 2.2 % is expected in 2007 because of high export activity and the close link with the US economy. Construction activity grew by 2.1 %, with the decline in residential construction adversely affecting the otherwise strong development in the infrastructure and non-residential construction sectors.

Cement business line

Full utilisation of plant capacities with record sales volumes

In 2006, cement consumption in the US remained at the previous year's level, at around 127.5 million tonnes. Despite an increase in domestic capacities, an additional 36.0 million tonnes had to

Turnover 2006: 2,447 EURm

Key data EURm	2005	2006
OIBD	466	**576**
Operating income	369	**477**
Investment in tangible fixed assets	117	**149**
Cement and clinker sales volumes (Mt)	14.7	**15.0**
Employees	5,914	**6,028**

be imported from other countries. Cement demand in the US is expected to remain largely stable in 2007. In Canada, cement consumption rose by 1.9 % to 9.4 million tonnes and is expected to increase to 9.8 million tonnes in 2007. The flat or declining demand in the east of the country will be compensated for by growth in the western provinces, where Lehigh operates and has a strong market presence.

The cement and clinker sales volumes of our plants in North America developed more positively than the market, rising by 1.8 % to the highest level so far of 15.0 million tonnes (previous year: 14.7). As a result of declining residential construction, the development in sales volumes weakened in the second half of the year. Overall, prices and results rose in all North American plants. In Canada's Prairie Provinces, we benefited in particular from the sustained high level of investment by the energy and mining industries. Our two white cement plants were also able to increase their sales volumes, despite weakening construction activity.

Clinker production and kiln utilisation reached record levels. Although we have increased the use of alternative fuels, we were not able to completely compensate for the rise in energy costs.

Capacity build-up and environmental protection

In the Union Bridge cement plant in Maryland, we commissioned a new cement mill in 2006 in order to adjust the grinding capacity to the increased kiln output. By modernising the kiln line at our plant in Leeds, Alabama, we have expanded our capacity and flexibility in this important market in the southern US. In the plant in Mason City, Iowa, several important investment projects to improve our concern for the environment were completed, including the commissioning of a wet scrubber, which reduces SO_2 emissions by 85 %, and an SNCR system to reduce NOx emissions by 25 %.

Lehigh expanded its supply capacities in the vicinity of Houston, Texas, with a participation in two import terminals on the coast. In addition, Lehigh invested in an import terminal in Seattle, Washington, which will be in operation in the middle of 2007.

Concrete business line

Ready-mixed concrete network expanded

Ready-mixed concrete sales volumes reached 8.9 million cubic metres – a rise of 5.4 % in comparison with 2005 and a new record level. We recorded the strongest demand in the Canadian provinces of Alberta and British Columbia, and in the US states of California, Texas and Florida. By purchasing additional production sites in the state of Alabama and the province of Alberta, we further expanded our network in North America and increased production capacities. In line with our increased focus on the core activities of cement, ready-mixed concrete and aggregates, we sold the precast concrete parts production activities in Alabama.

Due to the decline in residential construction, the sales volumes of the aggregates operating line recorded a slight decrease of 1.7 % during the reporting year, falling to 28.9 million tonnes.

Asia-Africa-Mediterranean Basin

In the combined Group area Asia-Africa-Mediterranean Basin, HeidelbergCement is active in 17 countries, where it operates a total of 36 cement and grinding plants. Whereas in Africa we only produce cement, in Asia and Turkey we also operate in the ready-mixed concrete business. In 2006, cement and clinker sales volumes rose by 21.9 % to 24.9 million tonnes (previous year: 20.5); an increase of 23.2 % was recorded in turnover, which amounted to EUR 1,302 million (previous year: 1,057). Favourable market conditions, cost reduction programmes and consolidation effects contributed to the significant improvements in results.

Asia

Solid economic development

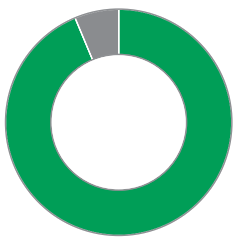
The rapid economic upturn in the Asian countries continued in 2006. In Indonesia, the largest national economy in Southeast Asia, economic growth amounted to 5.6% as in the previous year. The Chinese economy expanded, despite all the government's deflationary measures, with a growth rate of 10.7%. In the provinces of Guangdong and Shaanxi, where we have our locations, economic output rose even more sharply. Since 2003, India has recorded annual growth rates of over 8 % on average.

Cement business line

Indonesia recovers

In Indonesia, cement consumption rose by 1.4 % in 2006 to 31.9 million tonnes. After a significant decline in cement demand in the first half of the year, a noticeable market recovery began in the fourth quarter. Our subsidiary Indocement was able to expand its cement and clinker sales volumes by 9.1 % to 13.2 million tonnes (previous year: 12.1) thanks to a new market strategy and increased export deliveries; just under a quarter of the total sales volumes were exported.

Turnover 2006: 1,302 EURm



Key data EURm	2005	2006
OIBD	230	**274**
Operating income	158	**194**
Investment in tangible fixed assets	60	**94**
Cement and clinker sales volumes (Mt)	20.5	**24.9**
Employees	10,344	**13,077**

On the basis of the favourable market forecasts, Indocement started a project to modernise the Citeureup plant and expand its cement capacity by 600,000 tonnes. Further goals are lower production costs, a better quality of clinker and the possibility of using alternative fuels. In 2006, Indocement was able to reduce its liabilities significantly to EUR 197 million (previous year: 333). The refinancing of a significant portion of the liabilities by taking out a syndicated loan led to a noticeable reduction in financing costs.

Expansion of our presence in China

In China, the largest cement market in the world, cement consumption rose to 1.24 billion tonnes in 2006. Our joint venture China Century Cement, based in the southern Chinese province of Guangdong, benefited from the further increase in demand for high-quality rotary kiln cement. As a result of commissioning the new Guangzhou plant in the middle of 2005, China Century Cement was able to increase its sales volumes by almost 40 %. The joint venture Fufeng Cement Company founded in 2005 in the central Chinese province of Shaanxi has been proportionately consolidated since the beginning of 2006. Good progress was made with the construction of the new Jingyang cement plant near the provincial capital Xi'an. Overall, our consolidated sales volumes in China have almost doubled, reaching 3.4 million tonnes (previous year: 1.8).

The latest involvement in China has extended HeidelbergCement's geographical presence to the northern region of the country, which is experiencing strong growth: In October 2006, we signed an agreement to acquire a majority participation of 80 % in the cement manufacturer Liaoning Gongyuan Cement. After the closing of this acquisition HeidelbergCement will be represented in three important regional markets in China with a total capacity of more than 10 million tonnes.

Market entry in India

By entering the Indian market, HeidelbergCement has consistently continued its strategy of making targeted investments in growth regions. India is the second largest cement market in the world, with cement consumption exceeding 140 million tonnes in 2006. We took the first step in establishing a long-term market position by founding a 50:50 joint venture on the west coast of India in March 2006. The cement grinding plant Indorama Cement supplies the cities of Mumbai and Pune. In August, we acquired a majority participation in the cement manufacturer Mysore Cements. The company operates two cement plants and a grinding plant in central and southern India. Indorama Cement was consolidated on 1 April 2006 and Mysore Cements on 1 September 2006. This provides us with a total production capacity of 3.5 million tonnes.

In Bangladesh, increased investments in infrastructural projects and the delayed onset of the monsoon contributed to growth of just under 11 % in cement consumption. With above-average increases in sales volumes and strict cost management, we were able to improve our results considerably. In November 2006, we increased our share in the Butra HeidelbergCement grinding plant in the Sultanate of Brunei from 50 % to 100 %.

Overall, our cement and clinker sales volumes in Asia rose by 27.4 % to 18.8 million tonnes (previous year: 14.8); excluding consolidation effects, the growth amounted to 13.3 %.

Concrete business line

Decreases in sales volumes

Our deliveries of ready-mixed concrete in Indonesia and China fell by 29 % in comparison with the previous year to 1.1 million cubic metres (previous year: 1.6). This is attributable on the one hand to the declining demand in Indonesia – construction activity has decreased noticeably in the Jakarta area and West Java – and, on the other hand, to the sale of our ready-mixed concrete activities in Guangzhou in the previous year.

Africa

Cement business line

High utilisation of plant capacities

In the ten sub-Saharan countries in which HeidelbergCement operates, cement consumption rose to approximately 18 million tonnes (previous year: 17) in 2006. Our African subsidiaries and associated companies covered over a third of this requirement, supplying 6.6 million tonnes. The cement deliveries of the consolidated companies increased by 3.7 % to 4.2 million tonnes (previous year: 4.1). Particularly significant growth was achieved by our plants in Sierra Leone, Liberia, Ghana, Togo and Niger, while the sales volumes of Gabon and Nigeria were below the previous year as a result of production capacity restrictions. In Liberia and Benin, our plants' capacities were fully utilised in 2006.

By commissioning the new cement mill in Sierra Leone, we have adapted production levels to the increasing cement consumption in the country's post-war economy. In order to keep pace with the growing cement demand in Tanzania, we intend to build a new production line with a capacity of one million tonnes. In addition, we want to improve the electricity supply in order to compensate for outages of the government electricity network. We are also planning to increase our production capacity in Gabon.

Reducing costs, increasing efficiency and streamlining administrative structures were central to our efforts in Africa in 2006. By reducing the proportion of clinker in the cement and increasing the use of local raw materials in place of expensive imports, we were able to reduce costs in Ghana and Benin. We achieved further savings by using alternative fuels, such as rice husks in Nigeria.

Mediterranean Basin

Construction demand at a high level

In 2006, economic growth in Turkey should have once again exceeded the target of 5% set by the government. The high demand for living space caused an even heavier increase in construction investments. Construction activity also rose further in the United Arab Emirates.

Cement business line

Heavy increase in sales volumes in Turkey

In 2006, cement consumption in Turkey grew by over 20% to an estimated 43 million tonnes. Due to favorable market conditions, the domestic sales volumes of our participation Akçansa improved by as much as 31%. Total sales volumes, including export deliveries, rose by 17.5% to a record volume of 4.8 million tonnes (consolidated: 1.9 million tonnes). With higher domestic proceeds and the ongoing cost reduction programme, the company was able to significantly increase its results. In the Çanakkale plant, construction work began in June 2006 on a second production line, which will be commissioned at the end of 2007. This will increase Akçansa's clinker capacity to 5.7 million tonnes and the cement grinding capacity to 9 million tonnes.

In the United Arab Emirates, we have management contracts with a cement plant in Ras al-Khaimah and a sales company in which we hold a share of 40%. At the end of 2006, the largest cement kiln in the world was commissioned, with a daily capacity of 10,000 tonnes.

Concrete business line

New record in ready-mixed concrete

As with domestic sales volumes of cement, Akçansa's ready-mixed concrete sales volumes also recorded a remarkable increase in comparison with the previous year. Deliveries of the Betonsa ready-mixed concrete operating line rose by 20.6%, reaching 2.9 million cubic metres, the highest sales volumes to date.

maxit Group

maxit Group is the leading manufacturer of dry mortar in Europe and expanded clay products worldwide. In addition, the company produces building chemicals and specialises in plant construction and plant technology for dry mortar plants. maxit Group operates 107 production sites and numerous sales offices in around 30 countries and achieved a turnover of EUR 1,237 million (previous year: 1,118) in 2006; this represents an increase of 10.6% in comparison with the previous year. The positive market development, successful restructuring in Germany and increase in cost efficiency contributed significantly to an increase in results.

Sales volumes reach peak figures

As a result of the positive economic development in most countries where the maxit Group operates, the sales volumes of our subsidiary rose to a record level in the reporting year. However, the high demand also led to bottlenecks in the procurement of raw materials and in transport capacities.

By purchasing the Danish company Dansk Leca, which primarily produces lightweight aggregates, lightweight blocks and concrete blocks, distributing these products under the well-known brand name LECA®, maxit Group is extending its activities in the expanded clay sector and securing further opportunities for future growth.

In the past year, maxit Group was named best supplier in the building materials sector by EURO-MAT, a co-operation of independent dealers of building materials, hardware and sanitary products with 4,000 locations throughout Europe. To mark its 15-year anniversary, EURO-MAT assessed its international suppliers according to the criteria of product quality, price/performance ratio, innovation and customer service. maxit Group received this award for its efforts in the areas of sales, marketing and logistics.

Strong demand in the regions

In Northern Europe, the strong growth continued in the reporting year. In the Baltic States, raw materials even had to be imported in order to meet the extremely high demand for expanded clay blocks. maxit has therefore decided to construct a new production site for lightweight blocks in Latvia.

Key data

EURm	2005	**2006**
Turnover	1,118	**1,237**
OIBD	143	**179**
Operating income	88	**125**
Investment in tangible fixed assets	55	**57**
Cement and clinker sales volumes (Mt)		
Employees	4,945	**4,979**

The restructuring programme in Germany, which started in 2005, was consistently continued during the past year. As a result of cost savings and reorganisation measures, the German locations began operating in the black again from the middle of 2006; by the end of the year, they were able to achieve further significant growth in results. In Switzerland, maxit successfully introduced a new gypsum-cement plaster. Deliveries of dry mortar products from Austria to Bavaria increased by more than a third.

In the United Kingdom, demand is continuously growing. Construction of a new dry mortar plant is therefore planned for 2007. maxit founded a sales company in Dublin in August 2006 in order to better exploit the Irish market.

In Russia, demand remained high in 2006; the breakthrough in pumpable floor products was particularly remarkable. The plant in Arzamas, near Nizhny Novgorod, 300 km east of Moscow, commenced production in February 2006. Further expansions are planned. In Spain, the construction boom weakened slightly. Despite the continuing decline in the Portuguese market, maxit succeeded in improving its results by means of reorganisation measures. The local plants also benefited from their biggest order so far: the supply of 40,000 square metres of noise barriers for motorway construction in Porto.

Our most important task in China remains to position maxit on the market as a strong and reliable supplier. The development and marketing of industrial floors requires particular attention. The breakthrough occurred in spring 2006 with the supply of masonry mortar for the new Olympic Stadium in Beijing. Later in the year, maxit received the largest order in its history: the supply of 210,000 square metres of industrial flooring for the construction of a multi-storey car park at Beijing Airport.

The activities of our subsidiary m-tec, which specialises in plant construction and plant technology for dry mortar plants, also developed positively. In April 2006, the company supplied its 700th plant mixer.

Group Services

Group Services comprises the activities of HC Trading and HC Fuels. HC Trading is one of the largest trading companies for cement and clinker. HC Fuels manages worldwide trading in fossil fuels, which are sold to Group-owned and third-party companies. In 2006, the turnover of both subsidiaries improved by 11.1 % to EUR 642 million (previous year: 578); the results rose even more substantially.

HC Trading

In 2006, the trade volume of our subsidiary HC Trading reached 12.4 million tonnes (previous year: 11.6), which was the highest level so far, exceeding the previous year's level by 7.0 %. Increased deliveries to Africa, Europe and the Mediterranean Basin have more than compensated for declining shipment quantities to the US. Around 380 ships called at more than 114 destinations in 59 countries. Thanks to this global trading network, we are able to better control the capacity utilisation of our plants and deliver the surplus from one country to another with higher demand.

We successfully compensated for the fall in export quantities from Belgium, the Netherlands, Turkey and Norway – which resulted from the high increase in domestic demand – through additional supply sources in Asia. In particular, exports from China more than doubled in comparison with the previous year, reaching 3.1 million tonnes. HC Trading has set itself the goal of becoming the most competitive and efficient cement dealer. A continually expanding supply network and optimised logistics allow the company to reach customers throughout the world. Deliveries to customers outside the Group rose by 20 % in 2006; the trading activities were extended, particularly in Nigeria, South Africa, Mozambique, the United Arab Emirates, Saudi Arabia and the United Kingdom.

The freight rates, which were still relatively low at the beginning of 2006, rose considerably in the course of the year. This was caused by the generally strong growth of the global economy and the heavy increase in demand for cargo space for mass goods such as iron and coal.

Key data EURm	2005	**2006**
Turnover	578	**642**
OIBD	11	**15**
Operating income	10	**15**
Investment in tangible fixed assets		
Cement and clinker sales volumes (Mt)		
Employees	51	**53**

HC Fuels

Our subsidiary HC Fuels, based in London, is responsible for the cost-effective purchase of fossil fuels on the international commodity markets. The company is also entrusted with the task of trading CO_2 emission rights on behalf of our Group companies in Europe.

The prices for coal and oil soared in 2006, primarily as a result of the heavy demand in China and the political unrest in the Middle East. Nevertheless, by the end of 2005 we managed to secure a major part of the coal deliveries for the Group in 2006. The price upsurge abated in the second half of the year. Falling freight rates and higher coal production should have a dampening effect on the development of prices in 2007.

Together with the respective country manager, HC Fuels is responsible for trading CO_2 certificates at the stock exchanges on behalf of HeidelbergCement. The prices declined strongly in the course of the year: from peak figures of 30 EUR/tonne of CO_2 at the beginning of 2006, they fell to 6 EUR/tonne of CO_2 by the end of the year.

Continuous improvement

We are working continuously to improve occupational health and safety throughout the Group. Our objective is to minimise the risk of accidents and injuries, as well as the risks of occupational illness, by means of prevention. This involves increased training measures, in addition to the global exchange of experience and information, which provides the opportunity to learn from one another.

Group profit and loss accounts

Group profit and loss accounts EUR '000s	Notes	2005	**2006**
Turnover	1	7,802,572	**9,233,751**
Change in stocks and work in progress		12,057	**19,625**
Own work capitalised		1,204	**1,368**
Operating revenues		7,815,833	**9,254,744**
Other operating income	2	194,174	**204,611**
Material costs	3	-3,018,040	**-3,632,971**
Employees and personnel costs	4	-1,450,175	**-1,501,995**
Other operating expenses	5	-2,035,767	**-2,349,852**
Operating income before depreciation (OIBD)		1,506,025	**1,974,537**
Depreciation of tangible fixed assets	6	-486,089 [2]	**-503,714**
Amortisation of intangible assets	6	-10,034 [2]	**-10,601**
Operating income		1,009,902	**1,460,222**
Additional ordinary result	7	-116,791	**24,818**
Results from associated companies [1]	8	149,515	**187,417**
Results from other participations	8	-10,109	**-7,484**
Earnings before interest and income taxes (EBIT)		1,032,517	**1,664,973**
Interest and similar income	9	24,941	**59,909**
Interest and similar expenses	9	-294,899	**-286,428**
Exchange rates gains and losses	9	8,945	**5,062**
Financial result on puttable minorities	9	[2]	**-4,768**
Profit before tax		771,504	**1,438,748**
Taxes on income	10	-300,415 [2]	**-412,448**
Profit for the financial year		471,089	**1,026,300**
Minority interests		-56,588 [2]	**-75,629**
Group share in profit		414,501	**950,671**
Amount for dividend payment	43	132,938	**144,508**
Earnings per share in EUR (IAS 33)	11	3.74	**8.22**

[1] Net result from associated companies 112,427 154,014

[2] The retrospective adjustments due to the application of IFRS 3.62 and the rejections note of the IASB regarding the accounting treatment for the puttable minorities would increase in 2005 the amortisation of intangible assets to EUR '000s -10,350 and the depreciation of tangible fixed assets to EUR '000s -488,927, the financial result (expenses) on puttable minorities to EUR '000s -3,504 and reduce the taxes on income to EUR '000s -299,599 as well as the minority interests to EUR '000s - 52,140. More details can be found in the notes to the Group profit and loss accounts.

Group cash flow statement

Group cash flow statement EUR '000s	Notes	2005	2006
Operating income before depreciation (OIBD)		1,506,025	**1,974,537**
Additional ordinary result before depreciation		-44,317	**48,476**
Dividends received	12	28,749	**29,792**
Interest paid	13	-295,971	**-209,089**
Taxes paid		-223,482	**-358,857**
Elimination of non-cash items	14	76,222	**52,811**
Cash flow		1,047,226	**1,537,670**
Changes in operating assets	15	-197,739	**-245,776**
Changes in operating liabilities	16	-54,469	**-33,068**
Cash flow from operating activities		795,018	**1,258,826**
Intangible assets		-20,869	**-4,876**
Tangible fixed assets		-527,256	**-557,327**
Financial fixed assets		-386,216	**-370,596**
Investments (cash outflow)	17	-934,341	**-932,799**
Proceeds from fixed asset disposals	18	166,629	**194,452**
Cash from changes in consolidation scope	19	20,460	**72,904**
Cash flow from investing activities		-747,252	**-665,443**
Capital increase		291,732	**374**
Dividend payments - HeidelbergCement AG	20	-55,491	**-132,938**
Dividend payments - minority shareholders	21	-34,785	**-35,062**
Proceeds from bond issuance and loans	22	192,206	**575,364**
Repayment of bonds and loans	23	-481,253	**-1,175,633**
Cash flow from financing activities		-87,591	**-767,895**
Net change in cash and cash equivalents	24	-39,825	**-174,512**
Effect of exchange rate changes		51,632	**76,535**
Cash and cash equivalents at 1 January		305,009	**316,816**
Cash and cash equivalents at 31 December [1]		316,816	**218,839**

[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 15.3 million (previous year: 47.9)

Group balance sheet

Assets EUR '000s	Notes	31 Dec. 2005	**31 Dec. 2006**
Long-term assets			
Intangible assets	25	2,454,657[1]	**2,802,535**
Tangible fixed assets	26		
Land and buildings		2,039,467[1]	**2,048,053**
Plant and machinery		2,982,037[1]	**2,916,338**
Fixtures, fittings, tools and equipment		190,109	**197,138**
Payments on account and assets under construction		283,107	**379,799**
		5,494,720[1]	**5,541,328**
Financial fixed assets	27		
Shares in associated companies	28	759,950	**850,561**
Shares in other participations	29	334,531	**234,493**
Loans to participations	30	17,722	**32,052**
Other loans		45,279	**45,416**
		1,157,482	**1,162,522**
Fixed assets		9,106,859	**9,506,385**
Deferred taxes		170,490	**132,829**
Other long-term receivables		77,618	**75,932**
		9,354,967	**9,715,146**
Short-term assets			
Stocks	31		
Raw materials and consumables		491,348	**504,088**
Work in progress		90,454	**91,095**
Finished goods and goods for resale		275,153	**283,881**
Payments on account		12,686	**16,970**
		869,641	**896,034**
Receivables and other assets	32		
Short-term financial receivables		185,955	**100,818**
Trade receivables		920,971	**1,024,255**
Other short-term operating receivables		193,320	**291,497**
Current income tax assets		45,067	**56,516**
		1,345,313	**1,473,086**
Short-term investments and similar rights	33	64,744	**19,261**
Cash at bank and in hand	33	299,986	**214,919**
		2,579,684	**2,603,300**
Balance sheet total		11,934,651	**12,318,446**

[1] The retrospective adjustments due to the application of IFRS 3.62 and the rejections note of the IASB regarding the accounting treatment for the puttable minorities would increase in 2005 intangible assets to EUR '000s 2,497,392, tangible fixed assets to EUR '000s 5,530,937, revenue reserves to EUR '000s 2,015,063, minority interests to EUR '000s 429,913, provisions for deferred taxes to EUR '000s 503,020, long-term financial liabilities to EUR '000s 2,773,823, other short-term financial liabilities to EUR '000s 559,376 and reduce short-term provisions to EUR '000s 108,437. More details can be found in the notes to the Group balance sheet.
[2] Includes puttable minorities with an amount of EUR '000s 105,974.

Liabilities EUR '000s	Notes	31 Dec. 2005	**31 Dec. 2006**
Shareholders' equity and minority interests			
Subscribed share capital	34	296,065	**346,974**
Capital reserves	35	2,512,679	**2,462,144**
Revenue reserves	36	1,999,286 [1]	**2,845,682**
Currency translation		-174,938	**-303,455**
Company shares		-2,936	**-2,934**
Capital entitled to shareholders		4,630,156	**5,348,411**
Minority interests	37	427,709 [1]	**479,511**
		5,057,865	**5,827,922**
Long-term provisions and liabilities			
Provisions	38		
Provisions for pensions	39	736,010	**678,906**
Deferred taxes	40	493,409 [1]	**506,583**
Other long-term provisions	41	493,509	**459,597**
		1,722,928	**1,645,086**
Liabilities			
Debenture loans	42	1,473,966	**748,207**
Bank loans		878,530	**694,061**
Other long-term financial liabilities		391,842	**475,307** [2]
		2,744,338 [1]	**1,917,575**
Other long-term operating liabilities		8,144	**13,327**
		2,752,482	**1,930,902**
		4,475,410	**3,575,988**
Short-term provisions and liabilities			
Provisions	38	116,271 [1]	**143,762**
Liabilities	42		
Debenture loans (current portion)			**672,400**
Bank loans (current portion)		643,900	**437,943**
Other short-term financial liabilities		521,523 [1]	**392,869** [2]
		1,165,423	**1,503,212**
Trade payables		568,731	**657,362**
Current income taxes payables		72,248	**72,646**
Other short-term operating liabilities		478,703	**537,554**
		2,285,105	**2,770,774**
		2,401,376	**2,914,536**
Balance sheet total		11,934,651	**12,318,446**

Statement of recognised income and expense

Statement of recognised income and expense EUR '000s	2005	**2006**
IAS 39 Financial instruments: Recognition and Measurement	22,225	**3,814**
IAS 19 Employee Benefits	-93,507	**5,053**
IAS 28 Investments in Associates	-9,445[1]	
IFRS 2 Share-based Payment	-4,879[1]	
IFRS 3 Business Combinations		**32,634**[2]
IAS 32 Financial Instruments: Disclosures and Presentation		**-14,653**[2]
Currency translation	179,576	**-160,786**
Other consolidation adjustments	5,074	**2,773**
Income and expense directly recognised in equity	99,044	**-131,165**
Profit for the financial year	471,089	**1,026,300**
Total earnings for the period	570,133	**895,135**
Part of minorities	38,531	**44,318**
Part of shareholders HeidelbergCement AG	531,602	**850,817**

[1] Adjustment of revenue reserves at 1 January 2005
[2] Adjustment of revenue reserves and minority interests at 1 January 2006

Group equity capital grid/notes

Group equity capital grid/notes EUR '000s	Subscribed share capital	Capital reserves	Revenue reserves	Currency translation	Company shares	Capital entitled to shareholders	Minority interests	**Total**
1 January 2005	258,421	1,930,491	1,720,735	-372,498	-2,936	3,534,213	429,110	**3,963,323**
Effect of adopting								
IAS 28 Investments in Associates			-9,445			-9,445		**-9,445**
IFRS 2 Share-based Payment			-4,879			-4,879		**-4,879**
1 January 2005 (restated)	258,421	1,930,491	1,706,411	-372,498	-2,936	3,519,889	429,110	**3,948,999**
Profit for the financial year			414,501			414,501	56,588	**471,089**
Capital increase from issuance of new shares	37,644	582,188				619,832		**619,832**
Dividends			-55,491			-55,491	-34,785	**-90,276**
Changes without effects on results								
Consolidation adjustments			4,954			4,954	-5,027	**-73**
IAS 19 Employee Benefits			-93,375			-93,375	-132	**-93,507**
IAS 39 Financial Instruments: Recognition and Measurement			22,286			22,286	-61	**22,225**
Exchange rate				197,560		197,560	-17,984	**179,576**
31 December 2005	296,065	2,512,679	1,999,286	-174,938	-2,936	4,630,156	427,709	**5,057,865**
1 January 2006	296,065	2,512,679	1,999,286	-174,938	-2,936	4,630,156	427,709	**5,057,865**
Effect of adopting								
IFRS 3 Business Combinations			15,777[1]			15,777	16,857[1]	**32,634**
IAS 32 Financial Instruments: Disclosures and Presentation							-14,653[2]	**-14,653**
1 January 2006 (restated)	296,065	2,512,679	2,015,063	-174,938	-2,936	4,645,933	429,913	**5,075,846**
Profit for the financial year			950,671			950,671	75,629	**1,026,300**
Capital increase								
from issuance of new shares	20	354				374		**374**
out of revenue reserves	50,889	-50,889						
Issuance of company shares					2	2		**2**
Dividends			-132,938			-132,938	-35,062	**-168,000**
Changes without effects on results								
Consolidation adjustments			2,796			2,796	42,523	**45,319**
IAS 19 Employee Benefits			5,337			5,337	-284	**5,053**
IAS 39 Financial Instruments: Recognition and Measurement			4,753			4,753	-939	**3,814**
Exchange rate				-128,517		-128,517	-32,269	**-160,786**
31 December 2006	346,974	2,462,144	2,845,682	-303,455	-2,934	5,348,411	479,511	**5,827,922**

[1] The effects of adopting IFRS 3.62 increased the revenue reserves and minority interests retrospectively by EUR '000s 16,887 and EUR '000s 17,801, respectively in 2005. The adjustements also reduced the profit for the financial year by EUR '000s -1,110 and EUR '000s -944, respectively.

[2] Due to the IASB rejecton note on the accounting of put options held by minorities, the minority interests were reduced by EUR '000s -11,150 on equity as of 1 January 2005 and by EUR '000s -3,503 on the result.

Segment reporting/notes

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

EURm	Europe-Central Asia		North America	
	2005	**2006**	2005	**2006**
External turnover	3,366	**4,135**	2,142	**2,447**
Inter-Group area turnover	80	**95**		
Turnover	3,446	**4,230**	2,142	**2,447**
Change to previous year in %		22.7 %		14.2 %
Operating income before depreciation (OIBD)	656	**931**	466	**576**
in % of turnover	19.0 %	22.0 %	21.8 %	23.6 %
Depreciation	271	**281**	98	**99**
Operating income	385	**648**	369	**477**
in % of turnover	11.2 %	15.3 %	17.2 %	19.5 %
Results from participations	118	**179**	6	**8**
Total additional ordinary result				
Earnings before interest and income taxes (EBIT)	504	**828**	375	**485**
Investments [1]	316	**263**	117	**149**
Segment assets [2]	4,143	**4,444**	1,556	**1,477**
OIBD in % of segment assets	15.8 %	20.9 %	30.0 %	39.0 %
Segment liabilities [3]	1,840	**1,938**	544	**479**
Employees	20,006	**21,821**	5,914	**6,028**

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

EURm	Cement		Concrete	
	2005	**2006**	2005	**2006**
External turnover	3,931	**4,721**	2,442	**2,948**
Inter-group area turnover	543	**649**	22	**24**
Turnover	4,474	**5,370**	2,464	**2,972**
Changes to prior year in %		20.0 %		20.6 %
Investments [1]	320	**358**	170	**145**
Segment assets [2]	5,996	**6,263**	973	**1,106**

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

Asia-Africa-Mediterranean Basin		maxit Group		Group Services		Reconciliation		Group	
2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**
988	**1,221**	1,116	**1,234**	191	**197**			7,803	**9,234**
69	**81**	2	**2**	387	**445**	-539	**-623**		
1,057	**1,302**	1,118	**1,237**	578	**642**	-539	**-623**	7,803	**9,234**
	23.2%		10.6%		11.1%				18.3%
230	**274**	143	**179**	11	**15**			1,506	**1,975**
21.7%	21.1%	12.8%	14.4%	1.9%	2.4%			19.3%	21.4%
72	**80**	55	**53**	1	**1**			496	**514**
158	**194**	88	**125**	10	**15**			1,010	**1,460**
14.9%	14.9%	7.9%	10.1%	1.7%	2.3%			12.9%	15.8%
13	**9**	2	**-16**					139	**180**
						-117	**25**	-117	**25**
170	**203**	90	**110**	10	**15**	-117	**25**	1,033	**1,665**
60	**94**	55	**57**			386	**370**	934	**933**
1,413	**1,530**	801	**855**	38	**38**			7,949	**8,344**
16.2%	17.9%	17.9%	20.9%	28.6%	40.6%			18.9%	23.7%
269	**326**	265	**288**	49	**39**	3,910	**3,421**	6,877	**6,491**
10,344	**13,077**	4,945	**4,979**	51	**53**			41,260	**45,958**

Building materials		Group Services		Reconciliation		Group	
2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**
1,244	**1,368**	186	**197**			7,803	**9,234**
7	**8**	393	**445**	-965	**-1,126**		
1,251	**1,376**	578	**642**	-965	**-1,126**	7,803	**9,234**
	9.9%		11.0%				18.3%
58	**60**			386	**370**	934	**933**
942	**939**	38	**37**			7,949	**8,344**

Notes to the 2006 Group accounts

Accounting and valuation principles

Accounting principles

Under the EU regulation on the application of international accounting standards of 19 July 2002, capital market-oriented companies are obliged to draw up and publish their group annual accounts in compliance with IAS/IFRS from 2005. The individual accounts of the subsidiaries included in the group annual accounts are also prepared in accordance with IAS/IFRS for group purposes. The German legislature changed this mandatory system under the EU regulation into § 315a of the German Commercial Code (Handelsgesetzbuch – HGB) by introducing the German Balance Sheet Reform Act (Bilanzreformgesetz - BilReG), which came into force on 10 December 2004. HeidelbergCement applies only the standards adopted by the EU Commission in European law (endorsement method).

The previous year's figures were prepared according to the same principles. The Group annual accounts are prepared in euros. The annual accounts show a true and fair view of the financial position and performance of the HeidelbergCement Group.

Compared with the previous year, changes in the accounting and valuation principles affecting the financial position and performance of the Group arose through the IASB clarification of 7 July 2006 on the treatment of put options held by minorities in accordance with IAS 32 (Financial Instruments – Presentation): The provisions of IAS 32.18 b) require that a financial instrument, which gives the holder the right to put it back to the issuer in return for financial assets, is no longer to be shown as a minority interest in shareholders' equity but as a financial liability. This regulation concerns both minority interests in partnerships and put options held by minorities. In capital consolidation, the shares underlying the put option are accounted for as if the shares had already been acquired. Furthermore, the reallocation of minority interests means that the associated minority shares in profit must be shown in financial results.

In addition, changes in estimates for the evaluation of spare parts have been made with regard to IAS 16.8 (Property, Plant & Equipment) and industrial standards in order to achieve a uniform Group-wide procedure.

Where the presentation has been changed, these changes are explained in the notes for each respective item. Reasons for non-comparable or adjusted values from the previous year are also given in the corresponding parts of the text for retrospective consideration according to IAS 8.22.

In the Group annual accounts, estimates and assumptions must be made to a limited extent, which affect the amount of assets and liabilities, contingent liabilities and income and expenses in the reporting period. Especially, the valuation of provisions for recultivation, the impairment tests according to IAS 36 (Impairment of Assets) and the valuation of deferred tax assets on loss carried forward are subject to estimations in the HeidelbergCement Group. The actual values may differ from the estimates.

In accordance with international standards of group accounts, the profit and loss accounts make up the first part of the reporting. Besides the profit and loss account and the balance sheet according to IAS 1 (Presentation of Financial Statements), the annual accounts contain a cash flow statement according to IAS 7 (Cash Flow Statements), a statement of income and expense recognised in the Group annual accounts, a presentation of changes in equity and minority interests and a segment reporting in accordance with the provisions of IAS 14 (Segment Reporting).

Accounting and valuation methods are disclosed for each respective item. For clarity reasons, some individual items have been combined in the profit and loss accounts and in the balance sheet. Explanations for these items are contained in the notes. To improve the information level, the additional ordinary result is shown separately in the profit and loss accounts and in the segment reporting. The profit and loss accounts classify the expenses by their nature, using the cost-of-production method.

Consolidation principles

Capital consolidation is performed by applying the purchase method in accordance with IFRS 3 (Business Combinations). For all business combinations the acquirer measures all assets, liabilities and contingent liabilities at their fair values at the date of acquisition.

The shares of the parent company are offset against the revaluated shareholders' equity of the consolidated subsidiary at the acquisition date. Any remaining difference arising from offsetting the participation is shown as goodwill, if it cannot be recognised as an intangible asset according to IAS 38 (Intangible Assets).

Goodwill is tested for impairment according to IAS 36 (Impairment of Assets) at least once a year. Furthermore, IFRS 3 states that negative goodwill from business combinations must not be recognised in the balance sheet.

The Group annual accounts comprise the subsidiaries in which HeidelbergCement can determine the financial and operating policies. Normally, this is the case when more than 50% of the shares are owned.

Shares in associated companies, in which HeidelbergCement has a voting power of 20% or more, are accounted for in accordance with the equity method (IAS 28 Investments in Associates) in the Group annual accounts. In order to improve the meaningfulness of the presentation of results from participations, proportionate results from associated companies are shown before income taxes. The proportionate income tax expense is shown under taxes on income.

Income and expenses as well as receivables and payables between consolidated companies are eliminated according to IAS 27 (Consolidated and Separate Financial Statements). Profits and losses from intra-Group sales are eliminated, provided they have a significant impact. Inta-Group deliveries are settled on the basis of market prices and transfer prices, which in principle correspond to those in relation to third parties ("arm's length principle").

The consequences of consolidation on income tax are taken into account by considering deferred taxes.

Application of new accounting standards

The new and revised standards and interpretations of the International Accounting Standards Board (IASB) explained below were applicable for the first time to the financial year ending on 31 December 2006:

IAS 21 (The Effects of Changes in Foreign Exchange Rates) for net investments in foreign operations was extended from pure parent/subsidiary relationships to receivables and liabilities between all Group companies.

The amendment of IAS 39 (Financial Instruments: Recognition and Measurement – Cash-Flow Hedge Accounting of Forecast Intragroup Transactions) allows, under certain conditions, to define foreign currency risks of a highly probable forecast intra-Group transaction as the hedged item in a cash flow hedge in the Group annual accounts.

The amendment of IAS 39 (Financial Instruments: Recognition and Measurement – The Fair-Value Option) restricts the use of the option of measuring any financial asset or financial liability at its fair value.

The amendments of IAS 39 (Financial Instruments: Recognition and Measurement) and IFRS 4 (Insurance Contracts – Financial Guarantee Contracts) clarify that, in principle, financial guarantees fall within the scope of IAS 39 and should be measured at fair value. However, such contracts may optionally be measured in accordance with IFRS 4, if companies that have issued financial guarantees have previously asserted explicitly that they are treated as insurance contracts and have accounted for them in accordance with the rules applicable to insurance contracts. HeidelbergCement applies the regulations of IAS 39 for the accounting of financial guarantees.

IFRS 6 (Exploration for and Evaluation of Mineral Resources) governs the accounting treatment of expenditure incurred in connection with the exploration for and evaluation of mineral resources, before the technical feasibility and commercial viability of extracting the resource are demonstrable. IFRS 6 does not prescribe any specific accounting method for exploration and evaluation expenditure, but creates the framework to allow companies to establish an accounting method. In the past, HeidelbergCement recorded these expenses with an effect on results when they were incurred and retains this accounting method in accordance with IFRS 6.7. Expenses of EUR 0.6 million were incurred in the 2006 financial year.

IFRIC 4 (Determining whether an Arrangement contains a Lease) contains criteria for the identification of lease elements in contracts not formally designated as lease agreements. Contractual elements that fulfil the IFRIC 4 criteria must be accounted for as lease agreements in accordance with the regulations of IAS 17.

IFRIC 5 (Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds) governs the accounting of interests in funds set up to cover the costs of waste disposal, recultivation and similar obligations.

IFRIC 6 (Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment) governs the accounting of provisions in connection with waste disposal obligations resulting from the EU Directive on Waste Electrical and Electronic Equipment.

The first-time application of the above regulations had no impact on the financial position and performance of the Group.

The IASB and IFRIC also adopted the standards and interpretations listed below, whose application was not yet mandatory for the 2006 financial year.

- IFRS 7 Financial Instruments: Disclosures (applicable for financial years beginning on or after 1 January 2007);
- Amendments to IAS 1 Presentation of Financial Statements - Capital Disclosures (applicable for financial years beginning on or after 1 January 2007);
- IFRS 8 Operating Segments (applicable for financial years beginning on or after 1 January 2007; not yet adopted into EU law);
- IFRIC 7 Applying the Restatement Approach under IAS 19 Financial Reporting in Hyperinflationary Economies (applicable for financial years beginning on or after 1 March 2006);
- IFRIC 8 Scope of IFRS 2 – Share-based Payments (applicable for financial years beginning on or after 1 May 2006);

– IFRIC 9 Reassessment of Embedded Derivatives (applicable for financial years beginning on or after 1 June 2006);
– IFRIC 10 Interim Financial Reporting and Impairment (applicable for financial years beginning on or after 1 November 2006; not yet adopted into EU law);
– IFRIC 11 IFRS 2 – Group and Treasury Share Transactions (applicable for financial years beginning on or after 1 March 2007; not yet adopted into EU law);
– IFRS 12 Service Concession Agreements (applicable for financial years beginning on or after 1 January 2007; not yet adopted into EU law).

HeidelbergCement has not applied these standards and interpretations in advance. Our current assessment is that the first-time application will not have a significant impact on the financial position and performance of the Group.

Valuation principles

According to regulations of IAS 38 (Intangible Assets), an **intangible asset** is an identifiable non-monetary asset without physical substance. The definition requires an intangible asset to be identifiable in order to distinguish it from goodwill. An asset meets the identifiability criterion if it is separable or arises from contractual or other legal rights. At the time of acquisition, intangible assets are measured at purchase price or production cost. In subsequent periods, intangible assets with a definite useful life are measured at cost less any cumulative ordinary amortisation and impairments, and intangible assets with an indefinite useful life are measured at cost less impairment.

In Germany, the trading with **emission rights** is governed by the law on the trading of emission rights for greenhouse gases (TEHG) from 8 July 2004. The provisions of the IFRS/IAS require these to be accounted for as intangible assets under fixed assets (IAS 38). Emission rights granted free of charge are accounted for at a nominal value of zero at the time of accession. The Group is currently making the assumption that sufficient emission rights are available to ensure that no provisions need to be recognised for the purchase of additional emission rights. Emission rights acquired for a consideration must be accounted for at acquisition cost and are subject to extraordinary amortisation in the event of impairment in value.

In accordance with IFRS 3 (Business Combinations), **goodwill** arising from business combinations is not amortised. Instead, an impairment test according to IAS 36 (Impairment of Assets) is carried out. In this impairment test, the carrying amount of a group of cash-generating units (CGUs) to which goodwill is allocated is compared with the recoverable amount of this group of CGUs. Based on the sales and management structure, a group of cash-generating units is, in principle, defined as a country or region.

If the carrying amount of an asset is higher than the recoverable amount, the asset shall be depreciated to its recoverable amount. That reduction is an impairment loss. The recoverable amount is the higher value of fair value less cost to sell and the value in use of an asset. The fair value less cost to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction less costs of disposal. The value in use is calculated by discounting estimated future cash flows after taxes with a risk-adjusted discounting rate (WACC).

A cash flow-based method in accordance with IAS 36 was used to determine the necessary impairment. The necessary impairment was determined on the basis of the cash flow estimates for the groups of CGUs. Operational planning normally involves a planning horizon of three years.

Assumptions made in the calculation of impairment of goodwill

Cash-generating unit	Carrying amount of goodwill EURm	Weighted average cost of capital after taxes
Europe-Central Asia	1,990.4	8.0 %
North America	357.3	7.0 %
Asia-Africa-Mediterranean Basin	370.9	10.5 %
Total	2,718.6	

For the establishment of perpetuity, growth rates between 1 % and 2 % were applied in order to calculate the value in use.

Tangible fixed assets are accounted for according to IAS 16 (Property, Plant and Equipment) at purchase price or production cost less the cumulative ordinary depreciation and cumulative impairment. Tangible fixed assets are in principle written off according to the straight-line depreciation method, provided that, in individual cases, there is not another depreciation method more appropriate for the usage pattern.

For **financial fixed assets**, the shares in non-consolidated companies and other participations are in principle accounted for at purchase price. If there are signs of a decrease in value, an impairment test is carried out and, if necessary, a devaluation is applied accordingly. If the reasons for the impairment in value cease to apply, the impairment loss is reversed and the book value increased accordingly. Loans are accounted at amortised cost, taking the effective interest method into account.

Investment property is, in accordance with the regulations of IAS 40 (Investment Property), property held for obtaining rental income or for capital appreciation. An investment property should be measured initially at its cost. At HeidelbergCement, subsequent valuations of these properties are based on the cost model according to IAS 40.50. However, in the Group, these items have an insignificant impact.

According to IAS 2, **inventories** are accounted at the lower of cost and net realisable value.

Long-term service and production contracts drawn up over a longer period of time are accounted according to the extent of completion (Percentage of Completion Method).

Financial instruments are contracts that give rise to a financial asset in one enterprise and a financial liability or equity instrument in another enterprise. According to IAS 32 (Financial Instruments: Disclosure and Presentation) in connection with IAS 39 (Financial Instruments: Recognition and Measurement), financial instruments include primary and derivative financial instruments.

The primary financial instruments comprise trade receivables or payables and financial receivables or payables.

A derivative is a financial instrument whose value changes in response to a specified variable, which requires little or no initial net investment and is settled at a future date. Derivative financial instruments such as forward exchange contracts, currency option contracts, interest rate swaps or interest rate options are basically used to hedge interest rate and currency risks at HeidelbergCement. Derivatives that do not fulfil the strict criteria of IAS 39 for hedge accounting nevertheless represent an effective hedge in an economic sense; the changes in the market values of the derivatives are almost compensated for by changes in the market values of the underlying transactions. The accounting and valuation of the derivative financial instruments are explained in detail on pages 117 ff.

Receivables and other assets are measured at the original transaction amount less any necessary write-downs; liabilities are recorded at amortised cost, using the effective interest method. Long-term assets and liabilities are discounted to their present value.

Provisions for pensions and similar liabilities are determined in accordance with IAS 19 (Employee Benefits) according to the Projected Unit Credit Method.

All **remaining provisions** are valued using the best estimate of the settlement amounts in accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets).

Contingent liabilities and assets are current or possible obligations or assets, arising from past events and whose existence is due to the occurrence or non-occurrence of one or more uncertain future events which are not within the Group's control. In accordance with IAS 37, they are not recognised in the balance sheet.

Turnover, other income as well as interest and dividend income are recognised in accordance with the regulations of IAS 18.

Foreign currency translation

The accounts of the Group's foreign subsidiaries are converted into euros according to IAS 21 (The Effects of Changes in Foreign Exchange Rates) using the concept of functional currency. For each subsidiary, the functional currency is that of its country of residence, since all foreign subsidiaries are financially, economically and organisationally independent in the conduct of their business. Assets and liabilities are converted using the average exchange rates as of the balance sheet date, with shareholders' equity, in contrast, using the historical exchange rates. The conversion differences resulting from this are recognised in the revenue reserves, without affecting the result, until the subsidiary leaves the Group. The proportional shareholders' equity of the foreign associated companies is converted using the same method. Income and expenses are converted using average annual exchange rates.

Foreign currency transactions in the companies' individual accounts are accounted for using historical exchange rates. Exchange rate gains or losses from the valuation of monetary items in foreign currency occurring up to the balance sheet date are taken into account with an effect on results.

The annual accounts of the companies in Turkey are, as of 1 January 2006, no longer converted in accordance with IAS 29 (Financial Reporting in Hyperinflationary Economies), as the Turkish lira (TRY) is no longer considered to be a hyperinflationary currency.

The following key exchange rates were used in the conversion of the companies' individual accounts into euro:

Exchange rates		Exchange rates at 31 Dec. 2005	31 Dec. 2006	Average annual exchange rates 2005	2006
	Country	EUR	**EUR**	EUR	**EUR**
USD	US	1.1840	**1.3196**	1.2453	**1.2565**
CAD	Canada	1.3762	**1.5373**	1.5080	**1.4247**
CNY	China	9.5528	**10.3015**	10.2121	**10.0156**
GBP	Great Britain	0.6879	**0.6737**	0.6846	**0.6816**
HRK	Croatia	7.3704	**7.3502**	7.3995	**7.3267**
IDR	Indonesia	11,638.72	**11,902.79**	12,142.44	**11,485.67**
INR	India	53.3030	**58.2076**	54.8690	**56.7675**
KZT	Kazakhstan	158.24	**167.46**	165.48	**158.28**
NOK	Norway	7.9843	**8.2248**	8.0223	**8.0507**
PLN	Poland	3.8422	**3.8279**	4.0234	**3.8955**
RON	Romania	3.6841	**3.3808**	3.6371	**3.5245**
SEK	Sweden	9.4026	**9.0331**	9.2975	**9.2579**
CZK	Czech Republic	29.0483	**27.4741**	29.7958	**28.3324**
HUF	Hungary	252.2512	**251.0803**	248.2210	**263.9377**
TRY	Turkey	1.5984	**1.8672**	[1]	**1.8040**

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

Scope of consolidation

In addition to HeidelbergCement AG, the Group annual accounts include 465 subsidiaries that have been fully or proportionately consolidated, of which 81 are German and 384 are foreign. Proportionately consolidated joint ventures according to IAS 31 accounted for 2.7 % of the revenues and 5.2 % of the expenses; they contributed 4.1 % and 8.5 %, respectively, to the consolidated long-term and short-term assets. In addition, 4.4 % of liabilities (IAS 31 Interests in Joint Ventures) was accounted for by proportionately consolidated companies.

In the following Group areas, there were changes to the consolidation scope in comparison with 31 December 2005.

Europe-Central Asia

In Germany, TBG Transportbeton Berlin-Brandenburg GmbH & Co. KG, Niederlehme (100%), HSK Kieswerk Forchheim GmbH & Co. KG, Rheinstetten (100 %), and Heidelberger Abwassertechnik GmbH & Co. KG, Hagenbach (100 %), were fully included and Haniel Baustoff-Industrie Kieswerke Niederrhein GmbH, Duisburg (51 %), KVB Kölbl Verwaltungs- und Beteiligungsgesellschaft mbH, Essen (51 %), Kölbl GmbH & Co. KG, Mühlheim/Ruhr (51 %), Hanse Asphalt GmbH, Wismar (50 %), and GAM Greifswalder Asphaltmischwerke GmbH & Co. KG, Rostock (51%), were proportionately included in the Group's scope of consolidation for the first time. TBG Betonwerk Prignitz GmbH & Co. KG, Weisen and TBG Transportbeton Oberlausitz GmbH & Co. KG, Zittau left the consolidation scope.

The companies Lagergren & Wik AB, Gothenburg/Sweden (100%), Gedsted Beton A/S, Gedsted/ Denmark (100 %), Amvrosiyivske Open Joint Stock Company "Doncement", Novoamvrosiyivske village/Ukraine (92.2 %), acquired in 2006, and the newly founded Recyfuel S.R.L., Bucharest/Romania (99.5 %), were fully consolidated for the first time. In the Czech Republic, the consolidation scope was expanded to include the fully consolidated company TBG Znojmo, Dobsice (66 %), and the proportionately consolidated company TBG Prazské malty s.r.o., Prague (50 %).

In Belgium, the group of fully consolidated companies was extended with the addition of Betonex NV, Heist-op-den-Berg (100 %), acquired in December 2005, and Cimport N.V., Antwerp (100 %).

In Kazakhstan, Bukhtarminskaya Cement Company, Zyryanovskiy (75.1 %), acquired in 2005, and its subsidiary Heidelberg Vostok-Cement LLP, Almaty (75.1 %), were included in the Group annual accounts for the first time as fully consolidated companies.

On the other hand, the formerly fully consolidated companies Istra Cement d.o.o., Pula/Croatia, Scan Beton AS, Oslo/Norway, Atlas Nordic Cement Ltd. Oy, Virkkala/Finland, HeidelbergCement Financial Services Irland Ltd., Dublin/Ireland, Genevads Cellplast AB, Genevad/Sweden, and the US-based company Heidelberger Calcium Aluminates, Inc., Wilmington/US, and the formerly proportionately consolidated company Cardoroc PA-Service AB, Malmö/Sweden, left the consolidation scope.

Asia-Africa-Mediterranean Basin

The shares in the Chinese companies Jidong Heidelberg (Fufeng) Cement Company Limited, Fufeng, Shaanxi province (46.99 %), and Jidong Heidelberg (Jingyang) Cement Company Limited, Jingyang, Shaanxi province (50 %), were proportionately included in the Group annual accounts. The newly founded company HeidelbergCement Holding HK Ltd., Hong Kong (100 %) was fully consolidated.

In India, the companies Indorama Cement Ltd., Navi Mumbai, Maharashtra (50 %), Mysore Cements Ltd., Ammasandra (50.57%), Cochin Cements Ltd., Kottayan District, Kerala (97.66 %), acquired in 2006, and the newly founded HeidelbergCement India Pte. Ltd., Gurgaon (100 %), were included in the Group annual accounts as fully consolidated companies. The full consolidation of Indorama Cement Ltd. is justified by the parent company's significant influence on the basis of contractual agreements.

In addition, the consolidation scope was expanded to include the companies HeidelbergCement Central Asia B.V. (75.1 %), HeidelbergCement Netherlands Holding B.V. (100 %), Cementrum I B.V. (100 %), and Leamaat Omikron B.V. (100 %), based in 's-Hertogenbosch/Netherlands, and HC Mediterranean Basin Holding S.L., Madrid/Spain (100 %).

maxit Group

maxit Group added the fully consolidated companies Dansk Leca A/S, Randers/Denmark (100 %), Leca Trading & Concession A/S, Copenhagen/Denmark (100 %), Scanspac Holding AB, Stockholm/Sweden (100 %), and the newly founded companies maxit Building Products (Ireland) Ltd., Dublin/Ireland (100 %), and maxit Trading (Beijing) Co. Ltd., Beijing/China (100 %). maxit s.r.l., Zanodobbio/Italy and Exclay Denmark A/S, Risskov/Denmark left the consolidation scope.

Group Services

The Maltese companies HC Trading Malta Limited, St. Julian's (100 %), and HCT Holding Malta Limited, St. Julian's (100 %), founded in December 2005 were fully consolidated for the first time in 2006. In addition, HC Italia s.r.l., Rome/Italy, formerly consolidated at equity, is now included in the Group annual accounts as a fully consolidated company.

The opening balance sheet values as well as turnover and results of companies included for the first time in the Group annual accounts (Business Combinations) since the date of their first consolidation are as follows, in accordance with IFRS 3.67 ff:

Assets EUR '000s	
Long-term assets	
Intangible assets	**3,737**
Tangible fixed assets	**198,860**
Financial fixed assets	**5,617**
Fixed assets	**208,214**
Deferred taxes	**325**
Other long-term receivables	**4,452**
	212,991
Short-term assets	
Stocks	**34,527**
Receivables and other assets	**53,430**
Cash at bank and in hand	**76,235**
	164,192
Balance sheet total	**377,183**

Liabilities EUR '000s	
Shareholders' equity and minority interests	
Capital entitled to shareholders	**128,799**
Minority interests	**580**
	129,379
Long-term provisions and liabilities	
Provisions	**37,414**
Liabilities	**101,868**
	139,282
Short-term provisions and liabilities	
Provisions	**3,384**
Liabilities	**105,138**
	108,522
Balance sheet total	**377,183**

Turnover and results of the companies consolidated for the first time in the financial year 2006 EUR '000s	
Turnover	**357,502**
Profit for the financial year	**36,529**
Minority interests	**-2,542**
Group share	**33,987**

Assuming that the fist-time consolidations had taken place on 1 January 2006, turnover would have been EUR '000s 89,982 higher. Since these companies had only applied IFRS at the date of first-time consolidation, we refrain from the presentation of the pro forma result for the full 2006 financial year.

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 the Indian companies Indorama Cement Ltd., Navi Mumbai, Maharashtra, Mysore Cements Ltd., Ammasandra and Cochin Cements Ltd., Kottayan District, Kerala are included in the Group annual accounts of HeidelbergCement AG on the basis of provisional information. The same applies to Amvrosiyivske Open Joint Stock Company "Doncement", Novoamvrosiyivske village/Ukraine and Butra HeidelbergCement Sdn. Bhd., Muara/Brunei.

The complete list of our shareholdings, accompanied by all legally required information, will be published in the electronic Federal Gazette.

The following German partnerships are consolidated in the Group annual accounts of HeidelbergCement AG and are therefore subject to the statutory exemption regulations according to § 264 b) of the German Commercial Code:

Anneliese Baustoffe für Umwelt und Tiefbau GmbH & Co. KG, Ennigerloh
Anneliese Beton GmbH & Co. KG, Ennigerloh
Baustoffwerke Dresden GmbH & Co. KG, Dresden
BLG Transportbeton GmbH & Co. KG, Munich
Exakt Kiesaufbereitung GmbH & Co. KG, Paderborn
Felsberger Transportbeton GmbH & Co. KG, Felsberg
Franken maxit Mauermörtel GmbH & Co., Kasendorf
Heidelberger Abwassertechnik GmbH & Co. KG, Hagenbach
Heidelberger Abwassertechnik GmbH & Co. KG, Sömmerda
HeidelbergCement Grundstücksgesellschaft Wetzlar mbH & Co. KG, Heidelberg
Heidelberger Beton Aschaffenburg GmbH & Co. KG, Aschaffenburg
Heidelberger Beton Bremen GmbH & Co. KG, Bremen
Heidelberger Beton Niedersachsen-Süd GmbH & Co. KG, Hanover
Heidelberger Beton Rheinland GmbH & Co. KG, Cologne
Heidelberger Beton Rhein Ruhr GmbH & Co. KG, Recklinghausen
Heidelberger Beton Thüringen GmbH & Co. KG, Saalfeld
Heidelberger Betonelemente GmbH & Co. KG, Baden-Baden

Heidelberger Betonelemente GmbH & Co. KG, Chemnitz
Heidelberger Betonpumpen Rhein-Main-Nahe GmbH & Co. KG, Frankfurt am Main
Heidelberger Grundstücksgesellschaft mbH & Co. KG, Heidelberg
Heidelberger Kalksandstein Grundstücks- und Beteiligungs- GmbH & Co. KG, Durmersheim
Heidelberger Weserkies GmbH & Co. KG, Bremen
Hellweg Baustoffe GmbH & Co. KG, Geseke
HSK Kieswerk Forchheim GmbH & Co. KG, Rheinstetten
Kerpen & Kerpen GmbH & Co. KG, Ochtendung
Kölbl GmbH & Co. KG, Mühlheim a. d. Ruhr
Lithonplus GmbH & Co. KG, Lingenfeld
Paderborner Transport-Beton GmbH & Co. KG, Paderborn
Roewekamp GmbH & Co. KG, Gelsenkirchen
TBG Betonpumpendienst GmbH & Co. KG, Hoppegarten
TBG Transportbeton Berlin-Brandenburg GmbH & Co. KG, Niederlehme
TBG Transportbeton Franken GmbH & Co. KG, Fürth
TBG Transportbeton GmbH & Co. KG Donau-Naab, Burglengenfeld
TBG Transportbeton GmbH & Co. KG Naabbeton, Nabburg
TBG Transportbeton Kurpfalz GmbH & Co. KG, Eppelheim
TBG Transportbeton Mainfranken GmbH & Co. KG, Sand a. Main
TBG Transportbeton Niederbayern GmbH & Co. KG, Voglarn, municipality of Fürstenzell
TBG Transportbeton Nord-Ost GmbH & Co. KG, Rostock
TBG Transportbeton Rhein-Haardt GmbH & Co. KG, Speyer
TBG Transportbeton Rhein-Nahe GmbH & Co. KG, Idar-Oberstein
TBG Transportbeton Saalfeld GmbH & Co. KG, Saalfeld
TBG Transportbeton Zwickau GmbH & Co. KG, Zwickau
Transportbeton Hellweg GmbH & Co. KG, Geseke
TRAPOBET Transportbeton GmbH Kaiserslautern KG, Kaiserslautern
Walhalla Kalk GmbH & Co. KG, Regensburg
Wetterauer Lieferbeton GmbH & Co. KG, Bad Nauheim
WIKA Stade GmbH & Co. KG, Stade
Wiking Baustoff und Transport GmbH & Co. KG, Soest

Principal shareholdings

Affiliated companies	since	Equity EURm	Holding in % [1]	Parent company
Europe-Central Asia				
Cement				
Amvrosiyivske Open Joint Stock Company „Doncement", Novoamvrosiyivske village/Ukraine	2006	22	92.2	CBRPO
Bukhtarminskaya Cement Company, Zyryanovskiy/Kazakhstan	2005	22	75.1	HCCEE
Carpatcement Holding S.A. (CAR), Bucharest/Romania	1998	249	99.0	HCCEE
Castle Cement Ltd, Birmingham/UK	1999	143	100.0	HCUK
CBR Baltic B.V. (CBRB), 's-Hertogenbosch/Netherlands	1993	267	100.0	HCCEE
CBR International Services S.A., Brussels/Belgium	1993	1,081	100.0	CBR
CBR Portland B.V. (CBRPO), 's-Hertogenbosch/Netherlands	2004	74	100.0	HCCEE
Cementa AB, Danderyd/Sweden	1999	41	100.0	HCSWE
Ceskomoravský Cement, a.s. (CMC), Beroun/Czech Republic	1991	102	100.0	HCCEE
Duna-Dráva Cement Kft (DDC), Vác/Hungary	1989	162	50.0	HCCEE
Ekocem Sp. z o.o., Katowice/Poland	2003	78	100.0	GOR
ENCI Holding N.V. (ENCI), 's-Hertogenbosch/Netherlands	1993	413	100.0	HCNETH
Górazdze Cement S.A. (GOR), Chorula/Poland	1993	197	100.0	CBRB
HeidelbergCement Central Europe East Holding B.V. (HCCEE), 's-Hertogenbosch/Netherlands	1993	770	100.0	HC
HeidelbergCement Denmark A/S (HCDEN), Ringsted/Denmark	2005	17	100.0	HCNE
HeidelbergCement International Holding GmbH (HCIH), Heidelberg	1993	700	100.0	HC
HeidelbergCement Netherlands Holding B.V. (HCNETH), 's-Hertogenbosch/Netherlands	2006	650	100.0	HC/CBR
HeidelbergCement Northern Europe AB (HCNE), Malmö/Sweden	1999	292	100.0	HC
HeidelbergCement Norway AS (HCN), Oslo/Norway	1999	144	100.0	HCNE
HeidelbergCement Sweden AB (HCSWE)	2006	1,749	100.0	HCNE
HeidelbergCement UK Ltd. (HCUK), Birmingham/UK	1999	125	100.0	HC
Hüttenzement GmbH, Königs Wusterhausen	2003	14	100.0	HC
Kunda Nordic Cement Corp., Kunda/Estonia	1999	76	75.0	HCSWE
Norcem AS, Oslo/Norway	1999	108	100.0	HCN
OAO Cesla, Slancy/Russia	2001	10	96.7	HCSWE
Open Joint Stock Company „Kryvyi Rih Cement", Kryvyi Rih/Ukraine	2001	32	100.0	CBRPO
S.A. Cimenteries CBR (CBR), Brussels/Belgium	1993	1,336	100.0	HC/HCIH
Teutonia Zementwerk AG, Hanover	2005	70	94.2	HC
Tvornica Cementa Kakanj d.d., Kakanj/Bosnia-Herzegovina	2000	82	45.6	DDC

[1] Ultimate shareholding

Affiliated companies	since	Equity EURm	Holding in % [1]	Parent company
Europe-Central Asia				
Concrete				
Abetong AB, Växjö/Sweden	1999	12	100.0	EB
Betongindustri AB, Stockholm/Sweden	1999	16	100.0	HCSWE
BLG Betonlieferungsgesellschaft mbH, Munich	1959	7	100.0	HB
BT Poznan sp. z o.o., Janikowo/Poland	1996	1	75.0	GOR
BT Topbeton Sp. z.o.o., Gorzow Wielkopolski/Poland	2002	8	50.0	GOR
Carpat Agregate SA, Bucharest/Romania	2002	12	98.4	CAR
Carpat Beton S.R.L., Bucharest/Romania	2002	18	99.0	CAR
Ceskomoravské sterkovny, a.s. (CST), Brno/Czech Republic	1993	81	98.9	CMC
Euroc Beton AB (EB), Växjö/Sweden	1999	74	100.0	HCSWE
Górazdze Beton sp. z o.o., Chorula/Poland	2003	26	100.0	GOR
HeidelbergCement Beton A/S, Ringsted/Denmark	2005	12	100.0	HCDEN
Heidelberger Beton GmbH & Co. Bremen KG, Bremen	2005	3	100.0	HB
Heidelberger Beton GmbH (HB), Heidelberg	1959	27	100.0	HC
Heidelberger Beton Rheinland GmbH & Co. KG, Cologne	2004	3	100.0	HB
Heidelberger Sand und Kies GmbH (HSK), Heidelberg	1960	80	100.0	HC
Heidelberger Weserkies GmbH & Co. KG, Bremen	2006	1	100.0	HB
Inter-Beton S.A., Brussels/Belgium	1993	6	99.8	CBR
MEBIN B.V., 's-Hertogenbosch/Netherlands	1993	44	100.0	ENCI
Norbetong AS, Oslo/Norway	1999	54	100.0	HCN
Opolskie Kopalnie Surowców Mineralnych S.A. (OKSM), Opole/Poland	1998	14	100.0	GOR
Sand & Grus AB Jehander, Stockholm/Sweden	1999	13	100.0	HCSWE
Sandwerke Biesern GmbH, Penig	1992	13	100.0	HSK
TBG Hungaria-Beton Befektetö, Gyarto es Forgalmazo Kft, (TBGH), Budapest/Hungary	2002	26	50.0	DDC
TBG Transportbeton Kurpfalz GmbH & Co. KG, Eppelheim	1970	8	51.1	HB
TBG Transportbeton Mainfranken GmbH & Co. KG, Sand a. Main	2002	2	57.0	HB
TBG Transportbeton Nord-Ost GmbH & Co. KG, Rostock	2002	2	100.0	HB
TBG Transportbeton Rhein-Nahe GmbH & Co. KG, Idar-Oberstein	1969	1	100.0	HB
TBG WIKA Beton GmbH & Co. KG, Stade	1994	4	79.6	HB
Vltavské sterkopisky, s.r.o., Chlumin/Czech Republic	2002	2	49.4	CST
Wetterauer Lieferbeton GmbH & Co. KG, Bad Nauheim	2004	1	57.5	HB
Zielonogórskie Kopalnie Surowców Mineralnych S.A., Zielona Góra/Poland	1996	6	100.0	OKSM
Building materials				
Baustoffwerke Dresden GmbH & Co. KG, Dresden	1991	7	51.0	HKGB
HeidelbergCement Baustoffe für Geotechnik GmbH & Co. KG, Ennigerloh	1996	5	100.0	HC
Heidelberger Kalksandstein GmbH, Durmersheim	2003	62	100.0	HC
Heidelberger Kalksandstein Grundstücks- u. Beteiligungs GmbH & Co. KG (HKGB), Durmersheim	2003	41	100.0	HSK
HKS Hunziker Kalksandstein AG, Brugg/Switzerland	1992	11	66.7	HKGB
Walhalla Kalk GmbH & Co. KG, Regensburg	1970	9	79.9	HC

[1] Ultimate shareholding
* Equity below EUR 0.5 million

Affiliated companies	since	Equity EURm	Holding in % [1]	Parent company
North America				
Cement				
Heidelberg Cement, Inc. (HCI), Wilmington/US	1977	798	100.0	LBV
Lehigh B.V. (LBV), 's-Hertogenbosch/Netherlands	1993	1,624	100.0	HCIH/CBR
Lehigh Cement Company (LEH), Allentown/US	1977	767	100.0	HCI
Lehigh Cement Limited (LCL), Calgary/Canada	1993	250	100.0	LBV
Lehigh Southwest Cement Company, Concord/US	1993	277	100.0	LEH
Concrete				
Campbell Concrete & Materials, L.P., Cleveland/US	1998	88	100.0	LEH
Continental Florida Materials Inc., Fort Lauderdale/US	1999	118	100.0	LEH
Sherman Industries, Inc., Birmingham/US	1994	85	100.0	LEH
Asia-Africa-Mediterranean Basin				
Cement				
Butra HeidelbergCement Sdn. Bhd., Muara/Brunei	2000	4	100.0	ENCI
Cement Company of Northern Nigeria Plc, Sokoto/Nigeria	2000	9	50.7	SI
Cimbenin S.A., Cotonou/Benin	1999	1	55.9	SI
Ciments du Togo S.A., Lomé/Togo	1999	1	99.6	SI
Cochin Cements Ltd., Kottayan District, Kerala/India	2006	13	97.7	ENCI
Edocement LTD, Okpella/Nigeria	2002	*	87.0	SI
Ghacem Ltd., Accra/Ghana	1999	29	93.1	SI
HeidelbergCement Bangladesh Ltd., Chittagong/Bangladesh	2000	19	60.7	HC
Indorama Cement Limited, Navi Mumbai/India	2006	12	50.0	HCCEE
Liberia Cement Corporation, Monrovia/Liberia	1999	2	61.8	SI
Mysore Cements Limited, Ammasandra/India	2006	53	50.6	ENCI
PT Indocement Tunggal Prakarsa Tbk., Jakarta/Indonesia	2001	532	65.1	HC
Scancem International ANS (SI), Oslo/Norway	1999	176	100.0	HCNE
Sierra Leone Cement Corp. Ltd., Freetown/Sierra Leone	1999	4	50.0	SI
Société des Ciments du Gabon, Libreville/Gabon	2000	*	75.0	SI
Société Nigérienne de Cimenterie, Malbaza/Niger	1999	*	93.0	SI
Tanzania Portland Cement Company Ltd., Dar Es Salaam/Tanzania	1999	32	69.3	SI
maxit Group				
Beamix Holding B.V., Eindhoven/Netherlands	1993	16	100.0	MG
Dansk Leca A/S, Randers/Denmark	2006	17	100.0	MSL
Franken maxit Mauermörtel GmbH & Co., Kasendorf	1999	17	50.0	MAX
maxit A/S, Risskov/Denmark	1999	21	100.0	MSL
maxit AB, Sollentuna/Sweden	1999	3	100.0	MG
maxit AG, Dättwil/Switzerland	1984	17	100.0	MG
maxit as, Oslo/Norway	1999	31	100.0	MG

Affiliated companies	since	Equity EURm	Holding in % [1]	Parent company
maxit Group (continued)				
maxit Baustoffe GmbH & Co KG, Kuchl/Austria	1971	3	100.0	MAX
maxit Deutschland GmbH (MAX), Breisach	1999	151	100.0	MHG
maxit Estonia AS, Tallin/Estonia	1999	42	100.0	OY
maxit Group AB (MG), Sollentuna/Sweden	1999	368	100.0	MH
maxit Holding AB (MH), Sollentuna/Sweden	2003	253	100.0	HC
maxit Holding GmbH (MHG), Breisach	2003	444	100.0	MG
maxit Oy Ab (OY), Kärköla/Finland	1999	48	100.0	MG
maxit S.L., Madrid/Spain (MSL)	1999	64	100.0	MG
m-tec mathis technik gmbh, Neuenburg	1999	6	100.0	MAX
Group services				
HC Trading B.V., 's-Hertogenbosch/Netherlands	1996	14	100.0	CBR

Proportionately consolidated companies	since	Equity EURm	Holding in % [1]	Parent company
Europe-Central Asia				
Concrete				
Gralex S.A., Brussels/Belgium	1993	58	50.0	CBR
Heidelberger Betonelemente GmbH & Co. KG, Baden-Baden	2005	4	85.0	HB
Heidelberger Beton Rhein-Ruhr GmbH & Co. KG, Recklinghausen	2005	*	51.0	HB
Lithonplus GmbH & Co. KG, Lingenfeld	2004	26	60.0	HB
Mibau Holding GmbH, Cadenberge	1993	16	50.0	HSK
TBG Transportbeton Franken GmbH & Co. KG, Fürth	2004	2	51.0	HB
Trapobet Transportbeton GmbH Kaiserslautern KG, Kaiserslautern	2003	3	50.0	HB
North America				
Cement				
Texas-Lehigh Cement Company, Buda/US	1986	64	50.0	LEH
Asia-Africa-Mediterranean Basin				
Cement				
Akçansa Çimento Sanayi ve Ticaret A.S. (AC), Istanbul/Turkey	1996	429	39.7	CBR
China Century Cement Limited, Hongkong/China	1995	62	50.0	CBR
Jidong Heidelberg (Fufeng) Cement Company Limited, Fufeng/China	2005	33	47.0	CBR
Jidong Heidelberg (Jingyang) Cement Company Limited, Jingyang/China	2006	22	50.0	CBR
Karçimsa Çimento Sanayi ve Ticaret A.S., Karabük/Turkey	1996	14	20.3	AC

[1] Ultimate shareholding
* Equity below EUR 0.5 million

Associated companies	since	Equity EURm	Holding in % [1]	Parent company
Europe-Central Asia				
Cement				
Nederlandse Cement Deelnemingsmaatschappij B.V., Nieuwegein/Netherlands	1972	41	36.9	HC
Südbayerisches Portland-Zementwerk Gebr. Wiesböck & Co. GmbH, Rohrdorf	1968	232	32.3	HC
Vicat S.A., Paris/France	1968	883	35.0	HC
Concrete				
Kronimus AG, Iffezheim	1991	29	24.9	HC

Notes to the segment reporting

Certain key figures are presented by Group areas and business lines in accordance with IAS 14 (Segment Reporting). Segment reporting corresponds to the Group's internal management reporting.

Because of similar economic conditions, opportunities and risks, the regions Central Europe West, Western Europe, Northern Europe and Central Europe East were combined to form the new Europe-Central Asia Group reporting area in the 2006 financial year. This restructuring is also reflected in the organisational streamlining of responsibilities and reporting structures within the Heidelberg-Cement Group

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

Turnover with other Group areas or business lines represents the turnover between segments. Transfer prices are established in a market-oriented manner. Operating income is calculated as operating income before depreciation (OIBD) less depreciation and amortisation.

The strategic business unit maxit Group is shown as a separate segment in accordance with the joint company management. For reasons of materiality, no separate regional breakdown is provided, as maxit Group is nearly exclusively active in Europe and Central Asia.

Compared to previous year's presentation, for transparency reasons we refrain from splitting up the additional ordinary result in Group areas.

Notes to the profit and loss accounts

1 Turnover

Turnover development by Group areas and business lines EURm	Cement		Concrete		Building materials		Intra-Group eliminations		Total	
	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**
Europe-Central Asia	2,226	**2,708**	1,321	**1,662**	133	**139**	-233	**-279**	3,446	**4,230**
North America	1,242	**1,413**	1,065	**1,227**			-165	**-193**	2,142	**2,447**
Asia-Africa-Mediterranean Basin	1,005	**1,249**	79	**84**			-27	**-31**	1,057	**1,302**
maxit Group					1,118	**1,237**			1,118	**1,237**
Total	4,474	**5,370**	2,464	**2,972**	1,251	**1,376**	-425	**-504**	7,764	**9,215**
Group Services									578	**642**
Inter-Group area turnover									-539	**-623**
									7,803	**9,234**

2 Other operating income

Other operating income EURm	2005	**2006**
Income from sale of non-core products	71.3	**71.4**
Rental and leasing income	18.0	**19.5**
Income from reduction of bad debt provision	16.6	**4.8**
Gains from sale of assets	26.2	**21.5**
Write back of provisions	11.9	**11.8**
Other income	50.2	**75.6**
	194.2	**204.6**

Other operating income rose by EUR 10.4 million compared with the previous year to EUR 204.6 million. Significant non-recurring business transactions are shown in the additional ordinary result.

3 Material costs

Material costs EURm	2005	**2006**
Raw materials	1,163.3	**1,399.1**
Supplies, repair materials and packaging	447.4	**514.8**
Costs of energy	724.7	**926.7**
Goods purchased for resale	626.2	**726.1**
Miscellaneous	56.4	**66.3**
	3,018.0	**3,633.0**

In 2006, material costs increased by EUR 615.0 million to EUR 3,633.0 million. The increase is largely attributable to the further rise in energy prices. Material costs amounted to 39.3 % of turnover (previous year: 38.7%).

4 Employees and personnel costs

Employees and personnel costs EURm	2005	**2006**
Wages, salaries, social security costs	1,296.3	**1,366.2**
Costs of retirement benefits	130.3	**111.9**
Other personnel cost	23.6	**23.9**
	1,450.2	**1,502.0**

Personnel costs equalled 16.3 % of turnover (previous year: 18.6 %). Regarding the costs of retirement benefits, we refer to point 39 provisions for pensions.

Annual average of employees Categories of employees	2005	**2006**
Blue-collar employees	26,281	**31,190**
White-collar employees	14,521	**14,364**
Apprentices	458	**404**
	41,260	**45,958**

The average number of employees (including apprentices) increased during the reporting period by 4,698 compared with the previous year to 45,958 (previous year: 41,260). This includes an increase of 6,478 employees due to new consolidations. This is counterbalanced by a decrease of 1,780 in the number of employees as a result of disinvestments and capacity adjustment measures. The number of employees of proportionately consolidated companies amounted to 2,056.

5 Other operating expenses

Other operating expenses EURm	2005	**2006**
Selling and administrative expenses	666.6	**724.3**
Freight	797.4	**894.7**
Expenses for third party repairs and services	408.7	**534.3**
Rental and leasing costs	74.2	**101.1**
Other expenses	48.3	**55.1**
Other taxes	40.6	**40.4**
	2,035.8	**2,349.9**

The rise in freight costs, due to increases in prices and sales volumes, is reflected in both freight and expenses for third-party services, as this item includes transport services performed by third parties.

Significant non-recurring business transactions are shown in the additional ordinary result. Expenses of EUR 22 million (previous year: 22) for research and development are not capitalised according to the conditions stated in IAS 38 (Intangible Assets). This amount does not include personnel costs, in contrast with the expenses reported in the Group management report.

6 Amortisation and depreciation of intangible assets and tangible fixed assets

Intangible assets with a definite useful life are amortised on a usage-related basis or using the straight-line method. Tangible fixed assets are always depreciated using the straight-line method. Scheduled amortisation and depreciation of intangible assets and tangible fixed assets is determined on the basis of the following Group-wide useful lives:

Useful lives

	Years
Standard software	**3**
SAP applications	**3 to 5**
Buildings	**20 to 25**
Technical equipment and machinery	**10 to 20**
Plant and office equipment	**5 to 10**
IT hardware	**4 to 5**

The following table shows the composition of the amortisation and depreciation of intangible assets with a definite useful life and tangible fixed assets:

Amortisation and depreciation of intangible assets and tangible fixed assets

EURm	2005	**2006**
Scheduled amortisation/depreciation		
Intangible assets	10.0	**10.6**
Tangible fixed assets	486.1	**503.7**
Total	496.1	**514.3**
Impairment		
Intangible assets	19.5	**13.1**
Tangible fixed assets	53.0	**10.6**
Total	72.5	**23.7**
	568.6	**538.0**

Following the goodwill impairment test, an impairment of EUR 13.1 million (previous year: 19.4) was recorded in the reporting year, of which goodwill impairment in Brunei accounts for EUR 8.6 million and in Kerpen & Kerpen GmbH & Co. KG, Ochtendung/Germany for EUR 2.1 million. In connection with the sensitivity analysis, a change of 0.5 percentage points in the average cost of capital would not result in any additional need for amortisation of goodwill.

Impairment of tangible fixed assets of EUR 18.4 million primarily concerned the German companies HeidelbergCement AG, Heidelberg, Heidelberger Sand und Kies GmbH, Heidelberg, Heidelberger Abwassertechnik GmbH & Co. KG, Hagenbach and TBG Transportbeton Nord-Ost GmbH & Co. KG, Rostock. This was counteracted by the reversal, amounting to EUR 8.2 million, of the impairment loss resulting from extraordinary depreciation of the tangible fixed assets of Enci B.V., Maastricht/Netherlands in previous years.

The following tables explain the events and circumstances that led to the recognition or reversal of impairment losses on intangible assets and tangible fixed assets (IAS 36.130a):

Recognition of impairment losses on intangible assets EURm	Goodwill	Other intangible assets	Total
Impairment to fair value less costs to sell	0.0	0.0	0.0
Impairment to value in use	19.4	0.1	19.5
31 December 2005	**19.4**	**0.1**	**19.5**
Impairment to fair value less costs to sell	0.0	0.0	0.0
Impairment to value in use	13.1	0.0	13.1
31 December 2006	**13.1**	**0.0**	**13.1**

Recognition or reversal of impairment losses on tangible fixed assets EURm	Land and buildings	Plant and machinery	Fixture, tools and equipment	Total
Impairment to fair value less costs to sell	0.1	0.0	0.0	0.1
Impairment to value in use	15.4	37.1	0.4	52.9
31 December 2005	**15.5**	**37.1**	**0.4**	**53.0**
Impairment to fair value less costs to sell	11.7	0.0	0.0	11.7
Impairment to value in use	6.4	-7.6	0.1	-1.1
31 December 2006	**18.1**	**-7.6**	**0.1**	**10.6**

Impairment losses are shown in the additional ordinary result.

7 Additional ordinary result

The additional ordinary result includes business transactions which, although arising within the scope of ordinary business activities, are not shown in operating income as a result of their non-recurring nature.

Additional ordinary result EURm	2005	**2006**
Non-recurring income and expenses	-44.3	**48.5**
Impairment	-72.5	**-23.7**
	-116.8	**24.8**

The non-recurring income and expenses include provisions created for restructuring and other risks as well as profits from the sale of assets. Significant items were the proceeds from the sale of excess emission rights and non-recurring expenses resulting from the evaluation of spare parts which amounted to EUR -53.5 million. Impairment losses are explained under point 6.

8 Results from participations

The results from participations essentially include profit distributions from corporations and partnerships. To give a detailed overview, write-offs of other participations and loans are shown separately.

Results from participations EURm	2005	**2006**
Results from associated companies	149.5	**187.4**
Income from other participations	13.9	**12.0**
Write-offs of other participations	-18.2	**-18.4**
Write-offs of loans	-1.7	**-1.1**
Write-offs of securities	-4.1	
	139.4	**179.9**

The amount of income refers to gross amounts before income taxes. The proportionate tax expense is reported under taxes on income. The French company Vicat S.A. makes a significant contribution to the results from participations.

Impairment depreciation was applied to the necessary extent.

9 Financial results

Financial results EURm	2005	**2006**
Income from loans	2.9	**3.3**
Other interest receivable and similar income	22.1	**56.6**
Interest payable and similar charges	-294.9	**-286.4**
Exchange rate gains and losses	8.9	**5.1**
Financial result on puttable minorities		**-4.8**
	-261.0	**-226.2**

The expenses for existing put options of minorities, which are no longer shown under minority interests as a result of the IASB clarification on IAS 32, amount to EUR 4.8 million (retrospective consideration in the previous year: 3.5).

10 Taxes on income

Taxes on income EURm	2005	**2006**
Current taxes	271.4	**385.3**
Deferred taxes	29.0	**27.1**
	300.4	**412.4**

The increase of EUR 113.9 million in current taxes is primarily attributable to the strongly improved results, particularly in the Europe-Central Asia Group area. Adjusted for tax refunds and additional tax payments for previous years, which amounted to EUR 2.5 million (previous year: 21.2), the current taxes increased by EUR 95.2 million. Europe-Central Asia contributed EUR 55.3 million to the increase in tax expense. The proportionate tax expense of associated companies accounted for according to the equity method and amounting to EUR 33.4 million (previous year: 37.1) is included in the current taxes.

The Societas Europaea Introductory Law (SEStEG = Act on fiscal measures to accompany the introduction of the European Company and the modification of other fiscal provisions) revised the method for accounting for the corporate tax credit balance from previous years, and it was thus calculated for the last time on 31 December 2006. The gross receivable determined (EUR 33.0 million) was capitalised at its present value of EUR 25.1 million with an effect on results.

EUR 1.6 million (previous year: 20.9) of deferred tax assets created in previous years for losses carried forward were released during the reporting year. The reduction in the tax expense for deferred tax assets as a result of tax losses not recognised in previous years amounted to EUR 4.2 million (previous year: 7.3) in the 2006 financial year.

Tax losses carried forward and deductible temporary differences, for which no deferred tax asset is recognised, amount to EUR 603.6 million (previous year: 535.8). Not recognised deferred tax assets amounted to EUR 226.5 million (previous year: 207.1) in the reporting year.

In 2006, EUR 7.4 million (previous year: -41.0) of deferred taxes were directly charged to equity without effects on results. These result primarily from the recording of actuarial gains (previous year: losses) in accordance with IAS 19 and subsequent purchase price allocations in accordance with IFRS 3.62. The provisions for deferred taxes increased, without effects on results, by EUR 30.7 million (previous year: 23.4) as a result of changes in the scope of consolidation.

In accordance with IAS 12, deferred taxes must be recognised on the difference between the proportional shareholders' equity of a subsidiary recorded in the Group balance sheet and the carrying amount for this subsidiary in the parent company's tax accounts, if realisation is expected (Outside Basis Differences). Deferred taxes of EUR 12.5 million on planned future dividends were recognised in the 2006 financial year. No deferred tax liabilities were recognised for outside basis differences from the undistributed profits of the subsidiaries of HeidelbergCement AG amounting to EUR 1.3 billion (previous year: 0.7), as no further dividend payments are planned on the balance sheet date.

Reconciliation EURm	2005	2006
Profit before tax	771.5	**1,438.7**
Impairment of goodwill	-19.4	**-13.1**
Profit before tax and impairment of goodwill	790.9	**1,451.8**
Theoretical tax expense at 28.8 % (2005: 28.9 %) [1]	-228.3	**-418.2**
Changes to the theoretical tax expense due to:		
tax-free earnings (+) and non deductible expenses (-) [2]	-94.0	**-5.8**
tax increase (-)/reduction (+) for prior years	21.2	**2.5**
changes in tax rate	0.7	**9.1**
Taxes on income	-300.4	**-412.4**

[1] Weighted average tax rate

[2] Including release of deferred tax assets set up in prior years for losses carried forward and not recognised deferred tax assets for the current year.

11 Earnings per share (Basic Earnings per Share IAS 33.10)

Earnings per share (Basic Earnings per Share IAS 33.10) EURm	2005	2006
Profit for the financial year	471.1	**1,026.3**
Minority interests	-56.6	**-75.6**
Group share in profit	414.5	**950.7**
Number of shares in '000s (weighted average)	110,789	**115,602**
Earnings in EUR/share (IAS 33)	3.74	**8.22**

The calculation of the basic earnings per share is made in accordance with IAS 33 (Earnings per Share), by dividing the Group share in profit for the financial year by the weighted average of the number of issued shares. For calculating the average number of shares in 2006, the exercise of issued stock options must be taken into account on a pro rata temporis basis.

The diluted earnings per share indicator takes into account not only currently issued shares but also shares potentially available through option rights. A dilution of the earnings per share according to IAS 33.24 did not arise in the reporting period.

Notes to the cash flow statement

The cash flow statement shows how the Group's cash and cash equivalents changed during the year through inflows and outflows. Cash flows in this statement are categorised according to operating, investing and financing activities (IAS 7 Cash Flow Statements). The cash flow statement begins with the operating income before depreciation (OIBD) plus additional ordinary result (see point 7) before depreciation and amortisation (earnings before interest, taxes, depreciation and amortisation – EBITDA). EBITDA, adjusted for non-cash items and including cash flows from dividends received, interests and taxes paid, changes in operating assets and liabilities, resulting in net cash from operating activities.

Net cash used in investing activities includes cash outflow for investments, cash inflow from disinvestments and changes in the consolidation scope. Net cash used in financing activities mainly results from changes in capital, from dividend payments as well as from proceeds from and repayments of bonds and loans. The following notes are provided:

12 Dividends received

The receipt of dividends from non-consolidated companies is shown here.

13 Interest paid

The interest paid must be shown separately in accordance with IAS 7 (Cash Flow Statements). These amounts are calculated by adjusting the interest expenses for accruals and deferrals recognised in the balance sheet.

14 Elimination of non-cash items

Changes in long-term provisions and the adjustment of results for book profits and losses from fixed assets disposals are shown under non-cash items. The total amount earned from these disposals is shown under proceeds from fixed assets disposals in investing activities.

15 Changes in operating assets

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

16 Changes in operating liabilities

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

17 Investments (cash outflow)

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

- 50.57 % share of Mysore Cements Ltd., Ammasandra/India, for EUR 80.3 million (1 September 2006);
- 92.2 % share of Amvrosiyivske Open Joint Stock Company "Doncement", Novoamrvosiyivske village/Ukraine, for EUR 60.4 million (1 May 2006); in 2005 a prepayment of EUR 4.1 million had been made;
- 100 % share of Dansk Leca A/S, Randers/Denmark, for EUR 53.7 million (1 July 2006);
- 50 % share of Indorama Cements Limited, Navi Mumbai, Maharashtra/India, for EUR 17.5 million (1 April 2006);
- 46.99 % share of Jidong Heidelberg (Fufeng) Cement Company Ltd., Fufeng/China, for EUR 10.9 million (1 January 2006);
- 97.66 % share of Cochin Cements Ltd., Kottayan district, Kerala/India, for EUR 6.2 million (31 December 2006);
- 100 % share of HSK Kieswerk Forchheim GmbH & Co. KG, Rheinstetten/Germany, for EUR 6.0 million (1 January 2006);
- 51 % share of Haniel Baustoff-Industrie Kieswerke Niederrhein GmbH, Duisburg/Germany, for EUR 4.8 million (1 January 2006);
- 51 % share of KVB Kölbl Verwaltungs- und Beteiligungsgesellschaft mbH Essen/Germany, for EUR 6.3 million (1 January 2006);
- 2.6 % share of Tvornica Cementa Kakanj d.d., Kakanj/Bosnia-Herzegovina, for EUR 5.3 million (2000);
- 100 % share of Cimport N.V., Antwerp/Belgium, for EUR 2.1 million (1 January 2006);
- In addition to the acquisition cost of EUR 67.1 million in 2005, subsequent acquisition costs for Bukhtarminskaya Cement Company, Zyryanovskiy/Kazakhstan incurred amounting to EUR 12.7 million for the fulfilment of earn-out clauses and dividend entitlements (1 January 2006).

The additions of shares in associated companies and other participations are explained under points 28 and 29 respectively.

18 Proceeds from fixed asset disposals

Cash flows from the sale of tangible and financial fixed assets and the repayment of loans are shown here. The following list shows the most important sales of financial fixed assets in the reporting year affecting the cash flow:

- Istra Cement International/Croatia for EUR 11.4 million;
- Partek Beton Nederland B.V./Netherlands for EUR 5.4 million;
- Norsk Stein A/S/Norway for EUR 3.0 million;
- TBG Transportbeton Oberlausitz GmbH & Co. KG/Germany for EUR 1.6 million;
- TBG Transportbeton Osteroda GmbH & Co. KG/Germany for EUR 1.0 million.

19 Cash from changes in consolidation scope

This line shows the inflow or outflow of cash arising from the changes to the scope of consolidation. The IAS regulations require these cash flows to be disclosed separately from gross investments or proceeds from fixed asset disposals.

20 Dividend payments HeidelbergCement AG

In 2006, HeidelbergCement AG paid dividends of EUR 132.9 million (previous year: 55.5).

21 Dividend payments minority shareholders

Dividend payments to minority shareholders show dividends paid during the financial year relating to minority interests.

22 Proceeds from bond issuance and loans

This item primarily comprises new issues of four long-term Euro Medium Term Notes of SEK 590 million during 2006.

23 Repayment of bonds and loans

This item includes the balance from repayments of ordinary financial liabilities and net cash from taking up or issuing short-term financial debts or obligations. The retirement of a nominal amount of EUR 55 million of the HeidelbergCement Finance BV 6.375% bond 2000/2007, scheduled repayments of Euro Medium Term Notes and a private placement amounting to EUR 105 million and the scheduled repayment of bilateral credit lines of USD 50 million and EUR 27 million are included in this item.

24 Cash and cash equivalents

Cash and cash equivalents include securities with a remaining term of less than three months and liquid funds. Cash and cash equivalents also show the positive market value of short-term hedging transactions and the "available-for-sale financial assets", amounting to EUR 15.3 million (previous year: 47.9).

Notes to the balance sheet – Assets

25 Intangible assets

Goodwill, concessions and software are shown under intangible assets; acquired capitalised emission rights did not exist on the balance sheet date.

In the countries of the European Union, HeidelbergCement received an allocation of emission rights for the European CO_2 trading scheme that started on 1 January 2005. At the first allocation, authorised emissions rights are measured at a nominal value of zero.

Intangible assets EURm	Goodwill	Other intangible assets	Total
Purchase price or production costs			
1 January 2005	2,620.6	166.8	2,787.4
Previous year adjustment	6.7	20.6	27.3
Additions	175.1	5.3	180.4
Disposals	-20.5	-9.8	-30.3
Reclassifications	1.2	13.2	14.4
31 December 2005	2,783.1	196.1	2,979.2
Amortisation			
1 January 2005	357.7	132.0	489.7
Previous year adjustment	2.4	11.2	13.6
Additions		10.0	10.0
Impairment	19.4	0.1	19.5
Disposals		-9.3	-9.3
Reclassifications		1.0	1.0
31 December 2005	379.5	145.0	524.5
Net book value at 31 December 2005	**2,403.6**	**51.1**	**2,454.7**
Purchase price or production costs			
1 January 2006	2,783.1	196.1	2,979.2
Previous year adjustment	52.2	10.1	62.3
Additions	320.3	4.1	324.4
Disposals	-25.9	-20.0	-45.9
Reclassifications	-14.9	22.4	7.5
31 December 2006	3,114.8	212.7	3,327.5
Amortisation			
1 January 2006	379.5	145.0	524.5
Previous year adjustment	12.9	-8.7	4.2
Additions		10.6	10.6
Impairment	13.1		13.1
Disposals	-9.3	-18.5	-27.8
Reclassifications		0.4	0.4
31 December 2006	396.2	128.8	525.0
Net book value at 31 December 2006	**2,718.6**	**83.9**	**2,802.5**

Intangible assets with a definite useful life amounted to EUR 81.5 million and those with an indefinite useful life to EUR 2.4 million. The intangible assets are recorded if it is probable that the Group will enjoy the future economic benefit from the asset and the purchase price or production cost of the asset can be reliably determined. The goodwill included in the item comprises market shares purchased that cannot be assigned to any other determinable and separable intangible assets.

In 2006, goodwill of EUR 320.3 million was capitalised. This mainly comprises the goodwill for Bukhtarminskaya Cement Company, Zyryanovskiy/Kazakhstan, amounting to EUR 70.2 million, for Mysore Cements Ltd., Ammasandra/India, amounting to EUR 59.0 million, for Indorama Cement Ltd., Navi Mumbai, Maharashtra/India, amounting to EUR 12.2 million, for Amvrosiyivske Open Joint Stock Company "Doncement", Novoamrvosiyivske village/Ukraine, amounting to EUR 46.6 million, for Kölbl Verwaltungs- und Beteiligungs- GmbH, Essen/Germany, amounting to EUR 6.5 million, and for Betonex, Heist-op-den-Berg/Belgium, amounting to EUR 10.8 million. Put options held by minorities led to an increase of EUR 67.7 million in goodwill. On the basis of a subsequent purchase price adjustment, the goodwill of Anneliese Zementwerke AG/Ennigerloh, merged into HeidelbergCement AG in 2005, was decreased by EUR 5.0 million. Larger individual goodwill items already existing were derived from the acquisition of S.A. Cimenteries CBR, Brussels/Belgium, maxit Deutschland GmbH, Breisach/Germany, Heidelberg Cement, Inc., Wilmington/US, Akçansa Cimento Sanayi ve Ticaret A.S., Istanbul/Turkey, HeidelbergCement Bangladesh Ltd., Chittagong/Bangladesh and ENCI Holding N.V., 's-Hertogenbosch/Netherlands.

Impairment tests are carried out annually in accordance with IAS 36 (Impairment of Assets). This impairment is taken into account in the additional ordinary result to the extent that the recoverable amount of the asset is exceeded by the carrying amount. The recoverable amount is determined individually for each asset; it is the higher of fair value less cost to sell and value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction less costs of disposal. The value in use is determined on the basis of the estimated future cash flows. Impairment of EUR 13.1 million was recorded on goodwill in the reporting year. The impairment is explained in more detail under point 6 "Amortisation and depreciation of intangible assets and tangible fixed assets". The remaining negative goodwill arising from business combinations amounted to EUR 0.2 million (previous year: 2.6) and was recognised in the additional ordinary result. Adjustments of EUR 4.3 million (previous year: -7.4) were made as a result of the effects of changes in currency exchange rates.

26 Tangible fixed assets

Tangible fixed assets are accounted for at purchase price or production cost less scheduled depreciation and impairment. Production costs include all costs that can be attributed to the manufacturing process and appropriate amounts of production-related overheads. Costs for repair and maintenance of tangible fixed assets are in principle expensed. Capitalisation takes place in exceptional cases, if the measures lead to an extension or significant improvement of the asset. The scheduled depreciation is recorded on the basis of the expected pattern of consumption of the future economic benefit. Low cost assets are fully written off in the year of acquisition.

Tangible fixed assets EURm	Land and buildings	Plant and machinery	Fixtures, tools and equipment	Payments on account and assets under construction	Total
Purchase price or production costs					
1 January 2005	3,428.8	7,014.7	853.2	330.3	11,627.0
Previous year adjustment	322.7	451.4	67.2	30.3	871.6
Additions	53.7	172.5	34.2	270.0	530.4
Disposals	-54.3	-203.3	-67.1	-7.2	-331.9
Reclassifications	39.2	261.2	25.5	-340.3	-14.4
31 December 2005	3,790.1	7,696.5	913.0	283.1	12,682.7
Depreciation					
1 January 2005	1,555.9	4,330.3	682.1		6,568.3
Previous year adjustment	110.5	185.3	43.9		339.7
Additions	96.6	334.1	55.4		486.1
Impairment	15.5	37.1	0.4		53.0
Disposals	-28.7	-164.7	-64.7		-258.1
Reclassifications	0.8	-7.6	5.8		-1.0
31 December 2005	1,750.6	4,714.5	722.9		7,188.0
Net book value at 31 December 2005	**2,039.5**	**2,982.0**	**190.1**	**283.1**	**5,494.7**
Purchase price or production costs					
1 January 2006	3,790.1	7,696.5	913.0	283.1	12,682.7
Previous year adjustment	13.2	-27.6	-28.8	-12.4	-55.6
Additions	43.6	125.5	44.4	344.1	557.6
Disposals	-76.6	-147.2	-62.0	-1.0	-286.8
Reclassifications	92.0	119.6	14.9	-234.0	-7.5
31 December 2006	3,862.3	7,766.8	881.5	379.8	12,890.4
Depreciation					
1 January 2006	1,750.6	4,714.5	722.9		7,188.0
Previous year adjustment	-19.3	-85.4	-25.6		-130.3
Additions	100.7	349.6	53.4		503.7
Impairment	18.1	-7.6	0.1		10.6
Disposals	-43.1	-122.1	-57.3		-222.5
Reclassifications	7.2	1.5	-9.1		-0.4
31 December 2006	1,814.2	4,850.5	684.4		7,349.1
Net book value at 31 December 2006	**2,048.1**	**2,916.3**	**197.1**	**379.8**	**5,541.3**

Impairment losses of EUR 10.6 million were recorded. Further details on impairment losses can be found under point 6 "Amortisation and depreciation of intangible assets and tangible fixed assets". Tangible fixed assets also include EUR 10.5 million (previous year: 7.4) of capitalised leased assets. Liens amounting to EUR 86.0 million (previous year: 425.5) were granted to third parties as security. Adjustments for the effects of changes in exchange rates during the reporting year totalled EUR -150.6 million (previous year 288.9).

27 Financial fixed assets

Under financial fixed assets, shares in participations are accounted at the lower of acquisition cost or fair market value at the balance sheet date. If there are signs of impairment in value, an impairment test is carried out. If necessary, impairment losses are recorded to take into account the reduced value. Detailed development of the participations:

Participations EURm	Shares in associated companies	Shares in other participations	Total
Purchase price or production costs			
1 January 2005	704.4	229.8	934.2
Previous year adjustment	30.8	41.3	72.1
Additions	116.6	103.0	219.6
Disposals	-30.6	-24.9	-55.5
31 December 2005	821.2	349.2	1,170.4
Depreciation			
1 January 2005	48.4	24.4	72.8
Previous year adjustment	1.8	-3.6	-1.8
Impairment	17.3	0.9	18.2
Disposals	-6.3	-7.0	-13.3
31 December 2005	61.2	14.7	75.9
Net book value at 31 December 2005	**760.0**	**334.5**	**1,094.5**
Purchase price or production costs			
1 January 2006	821.2	349.2	1,170.4
Previous year adjustment	-61.2	-98.7	-159.9
Additions	179.1	22.2	201.3
Disposals	-44.2	-14.5	-58.7
Reclassifications	-0.8	0.8	0.0
31 December 2006	894.1	259.0	1,153.1
Depreciation			
1 January 2006	61.2	14.7	75.9
Previous year adjustment	-26.0	1.2	-24.8
Impairment	9.8	8.6	18.4
Disposals	-1.1	-0.4	-1.5
Reclassifications	-0.4	0.4	0.0
31 December 2006	43.5	24.5	68.0
Net book value at 31 December 2006	**850.6**	**234.5**	**1,085.1**

Adjustments for the effect of changes in exchange rates amounted to EUR -36.6 (previous year: 32.7) million for shares in associated companies and to EUR -14.5 (previous year: 17.7) million for shares in other participations.

28 Shares in associated companies

Principal shareholdings are accounted using the equity method if HeidelbergCement has at least 20% of the voting rights and thereby exerts considerable influence on the business and financial policies of the participation.

For initial accounting, the acquired shares are considered at acquisition cost and in subsequent years the proportionate results are recorded as additions to associated companies (IAS 28 Investments in Associates).

Shares in associated companies

EURm	2005	**2006**
Shares in associated companies - balance sheet		
Assets	1,621,739	**1,585,807**
Liabilities	-800,539	**-691,681**
	821,200	**894,126**
Depreciation and amortisation	-61,250	**-43,565**
Net assets	759,950	**850,561**
Shares in associated companies - profit and loss accounts		
Turnover	1,255,557	**1,519,340**
Profit	112,076	**161,701**
Unrecognised share of losses for the period	-3,165	**-996**
Unrecognised share of losses cumulated	-24,393	**-16,395**
Carrying amount of associated companies	759,950	**850,561**

The largest single item is the share in Vicat S.A. – accounted at EUR 552.8 million. The stock market price amounted to around EUR 1.4 billion on 31 December 2006.

29 Shares in other participations

The shares in non-consolidated companies and the fixed assets securities are shown here. They are accounted at market values (IAS 39 – Financial Instruments: Recognition and Measurement). The decline in comparison with the previous year is primarily attributable to the full consolidation of Bukhtarminskaya Cement Company, Zyryanovskiy/Kazakhstan and Betonex, Heist-op-den-Berg/Belgium, which were shown under other participations in the previous year, at EUR 67.1 million and EUR 12.5 million respectively.

30 Loans

Loans show the credit granted by us. These loans are valued according to IAS 39 (Financial Instruments) at amortised costs. If a debtor's credit rating deteriorates, impairment is applied. For clarity reasons, the long-term financial derivatives with positive market value were shown separately under loans for the first time.

Loans EURm	2005	**2006**
Loans to participations	17.7	**32.0**
Other loans	45.3	**41.7**
Financial derivates		**3.8**
	63.0	**77.5**

The increase in loans to participations primarily relates to loans granted by Constar Inc., Delaware/US and HeidelbergCement Central Europe East Holding B. V., 's-Hertogenbosch/Netherlands.

31 Stocks

Stocks are valued in accordance with IAS 2 (Inventories) at the lower of cost and net realisable value using the average cost method. Adequate provisions were made for stock risks relating to quality and quantity. Besides the individual costs, production costs for finished goods and work in progress include proportionate overheads and production-related depreciation. Stocks valued at net realisable value less cost to sell and related depreciation have an insignificant impact.

32 Receivables and other assets

Receivables and other assets were stated at their nominal value. Adequate provisions were recorded for all identifiable risks. Interest-bearing receivables are shown separately.

This item includes tax refund claims from current taxes according to IAS 12 (Income Taxes) capitalised according to the SEStEG regulations as at 31 December 2006.

33 Cash, securities and similar rights

Liquid funds refer to cash balances and bank deposits with first-class credit rating.

Securities held in the securities portfolio under the category "available-for-sale financial assets" decreased by EUR 9.6 million to EUR 0.1 million (previous year: 9.7) as a result of disposals.

According to IAS 39, the underlying transactions must be adjusted and the market value of the hedging transactions (derivative transactions) must be shown in the balance sheet. Short-term hedging transactions (forward exchange contracts, interest rate and currency swaps) are thus shown as rights similar to securities with a positive market value of EUR 15.2 million (previous year: 38.2).

Further details regarding financial instruments can be found under the section on financial instruments on pages 117 ff.

Notes to the balance sheet – Equity and liabilities

34 Subscribed share capital

Subscribed share capital	2005	2006
Number of shares (in '000s)	115,650	**115,658**
Subscribed share capital (EUR '000s)	296,065	**346,974**

As of the balance sheet date, 31 December 2006, the share capital amounts to EUR 346,973,967 and is divided into 115,657,989 no-par value bearer shares. In 2006, the detailed development of the share capital was as follows:

Movement in the subscribed share capital	EUR '000s	Number in '000s
1 January 2006	296,065	115,650
Capital increase by issuing new shares (Stock Option Plan 2001/2007)	20	8
Capital increase from company funds to smooth the proportionate nominal share value	50,889	
31 December 2006	**346,974**	**115,658**

Authorised and conditional share capital

The Annual General Meeting held on 23 May 2006 authorised the Managing Board, with the consent of the Supervisory Board, to increase the Company's share capital by a total amount of up to EUR 74,000,000 by issuing new no-par value bearer shares in return for cash contributions on one or more occasions until 22 May 2011 (Authorised Capital I). The shareholders shall have subscription rights. However, the Managing Board is authorised, with the consent of the Supervisory Board, to exclude the subscription rights of shareholders with respect to fractional amounts and to exclude the subscription right completely or partially for an amount of up to EUR 29,600,000 or, if this value is lower, of 10% of the available share capital at the time of exercise of the authorisation, in order to issue new shares at an issue price that is not substantially lower than the stock market price of the old shares; the limit for the amount should take into account those shares otherwise issued or sold during the term of this authorisation in application of § 186, section 3, sentence 4 of the German Stock Company Act. The Managing Board shall decide, with the consent of the Supervisory Board, on the remaining contents of the rights attached to the shares and the terms of the share issue.

The Annual General Meeting held on 23 May 2006 also authorised the Managing Board, with the consent of the Supervisory Board, to increase the Company's share capital by a total amount of up to EUR 74,000,000 by issuing new no-par value bearer shares in return for contributions in kind on one or more occasions until 22 May 2011 (Authorised Capital II). The Managing Board is authorised, with the consent of the Supervisory Board, to exclude the subscription rights of shareholders and determine all other details of the capital increase as well as the terms and conditions of the share issue.

The Managing Board is authorised by resolution of the Annual General Meeting of 23 May 2006 to acquire company shares until 22 November 2007 with a proportional amount of the share capital of up to EUR 29,606,400 (corresponds to around 8.53% of the current share capital) via the stock market or by means of a public purchase offer.

The Annual General Meeting of 19 June 2001 decided to conditionally increase the Company's share capital by up to EUR 1,280,000.00, subject to the following restriction: The conditional capital increase shall exclusively serve to fulfil the subscription rights granted to members of the Managing Board and to senior executives of the Company, as well as to management members and senior executives of affiliated domestic and foreign companies pursuant to the authorisation by the Annual General Meeting on 19 June 2001 (stock option plan 2001/2007). The conditional capital increase will be carried out only to the extent that the holders of the subscription rights exercise their subscription rights. The new shares will carry a dividend entitlement as of the beginning of the financial year in which they are issued.

As a result of the capital increase from company funds by resolution of the Annual General Meeting of 8 May 2003, the conditional share capital – under § 218 of the German Stock Company Act, in accordance with which conditional share capital is increased in the same ratio as the share capital – rose to EUR 1,333,333.33.

In 2005, a total of 414,195 new shares were created through the exercise of subscription rights from the stock option plan 2001/2007. This increased the share capital by EUR 1,060,339.20 to EUR 296,064,791.04. The conditional share capital decreased from EUR 1,333,333.33 to EUR 272,994.13.

In 2006, a total of 7,680 new shares were created through the exercise of subscription rights. As a result, the share capital increased by EUR 19,660.80; the conditional share capital decreased accordingly. As all holders of subscription rights fully exercised their subscription rights in 2006, the stock option plan 2001/2007 was closed early and the conditional share capital was no longer required. On 8 December 2006, the Supervisory Board therefore decided, on the basis of its authorisation in accordance with § 179, section 1 sentence 2 of the German Stock Company Act read in conjunction with § 13 of the Company's Articles of Association, to abolish the remaining conditional share capital and delete § 4, section 4 of the Articles of Association (conditional share capital) without substitution.

The Company has 51,738 company shares at the balance sheet date of 31 December 2006. In contrast with the individual balance sheet for HeidelbergCement AG, company shares purchased are not capitalised in accordance with IAS 32 (Financial Instruments: Disclosure and Presentation), but deducted from shareholders' equity. The shares were valued using the stock exchange price at the time of acquisition.

35 Capital reserves

The capital reserves were essentially created by means of the premium from the following capital increases:

1991: EUR 140.6 million from cash capital increase

1993: EUR 186.6 million from cash capital increase

1997: EUR 10.8 million from exercising of option rights from warrant bonds 1995/2002

1999: EUR 1,006.7 million from capital increases and EUR 25.7 million from exercising of option rights from warrant bonds 1995/2002

2000: EUR 64.8 million from capital increase against contributions in kind and EUR 51.6 million from exercising of option rights from warrant bonds 1995/2002

2002: EUR 8.2 million from capital increase against contributions in kind

2003: EUR 362.4 million from:
- Cash capital increase of EUR 317.1 million taking into account the net transaction costs according to IAS 32

– Capital increase against contributions in kind of EUR 45.3 million in connection with the acquisition of the cement plant in Wetzlar

2004: EUR 42.0 million from capital increase against contributions in kind in connection with the acquisition of Zementwerk Bosenberg GmbH & Co. KG in Ahlen.

2005: EUR 582.2 million from:
- Cash capital increase of EUR 251.6 million taking into account the net transaction costs according to IAS 32 (Financial Instruments: Disclosure and Presentation)
- Capital increase against contributions in kind of EUR 311.4 million in connection with the takeover of the outstanding shares in HeidelbergCement South-East Asia GmbH, Heidelberg, taking into account the valuation based on the balance sheet date in accordance with IFRS 3 (Business Combinations)
- Capital increase from the exercise of stock options (stock option plan 2001/2007) amounting to EUR 19.2 million

2006: EUR 0.4 million from the exercise of stock options (stock option plan 2001/2007) and EUR -50.9 million by conversion into subscribed capital to smooth the proportionate nominal share values.

36 Revenue reserves

Revenue reserves include profits earned in previous years by HeidelbergCement AG and its included subsidiaries which have not yet been distributed, as well as changes without effects on results. The statement of recognised income and expenses is presented separately in accordance with IAS 1.96 ff. (Presentation of Financial Statements).

The final purchase price allocation for Duna-Drava Cement Kft., Vac/Hungary, Tvornica Cementa Kakanj d.d., Kakanj/Bosnia-Herzegovina and Campbell Concrete & Materials, L.P. Cleveland/US led to an adjustment of the values from 2005, which are reported in the equity capital grid for information purposes only and can be seen in the following table.

Adjustment of revenue reserves EUR '000s	Revenue reserves before adjustment	IFRS 3 adjustment 2006	Revenue reserves after adjustment
1 January 2005	**1,720,735**		**1,720,735**
Effect of adopting			
IAS 28 Investments in Associates	-9,445		-9,445
IFRS 2 Share-based Payment	-4,879		-4,879
IFRS 3 Business Combinations		15,601	15,601
1 January 2005 (restated)	**1,706,411**	**15,601**	**1,722,012**
Profit for the financial year	414,501	-1,110	413,391
Dividends	-55,491		-55,491
Changes without effects on results			
Consolidation adjustments	4,954	1,286	6,240
IAS 19 Employee Benefits	-93,375		-93,375
IAS 39 Financial Instruments: Recognition and Measurement	22,286		22,286
31 December 2005	**1,999,286**	**15,777**	**2,015,063**

Explanations of the changes without effects on results shown in the equity capital grid:

- Consolidation measures:
  In particular, this relates to changes recognised directly in equity of associated companies accounted for at equity.
- IAS 19 Employee Benefits:
  The application of IAS 19 (Employee Benefits) led to an adjustment of EUR 5.1 million (previous year: -93.4) in revenue reserves.
- IAS 39 Financial instruments: Recognition and Measurement:
  The financial instruments include the "available-for-sale financial assets" of EUR -7.0 million (previous year: 23.5) and the derivative financial instruments of EUR 11.8 million (previous year: -1.2).
- Exchange rates:
  The net assets denominated in foreign currency changed primarily as a result of the decline in the US dollar as of the closing date.

37 Minority interests

The increase in minority interests in connection with the consolidation measures is primarily attributable to the first-time consolidation of Mysore Cements Ltd., Ammasandra/India and the capital increase at CEEM Investment Fund B.V., 's-Hertogenbosch/Netherlands. This was counteracted by the put options held by minorities, which amounted to EUR -43.9 million (previous year: -14.7).

38 Provisions

Notes on the provisions for pensions and similar liabilities, for deferred taxes and the other provisions shown in the provisions chart according to IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) are provided in the following points 39 to 41. We have set up appropriate provisions in the balance sheet to ensure adequate provision for risks and uncertainties. An amount recorded as a provision represents the best estimate of the probable cash outflow required to fulfil the current obligation on the balance sheet date. The development of the provisions is shown in the following overview:

Provisions EURm	01 Jan. 2006	Adjustment to 2005	Utilisation	Release	Addition	**31 Dec. 2006**
Pensions and similar liabilities	802.1	-12.3	-92.5	-36.4	90.0	**750.9**
Deferred taxes	493.4	15.3		-45.7	43.6	**506.6**
Other	543.7	-4.0	-41.1	-64.8	97.5	**531.3**
	1,839.2	-1.0	-133.6	-146.9	231.1	**1,788.8**

39 Provisions for pensions

For numerous employees, the Group provides for pensions either directly or indirectly through contributions to pension funds. Various retirement benefit systems are in place, depending on the legal, economic and tax framework in each country. These are generally based on employees' years of service and remuneration. The provisions for pensions include those from current pensions and from entitlements from pensions to be paid in the future. At HeidelbergCement, company pension schemes are formulated as both defined contribution plans and defined benefit plans.

In defined contribution plans, the Group pays contributions into earmarked funds. After paying the contributions, the Group has no further benefit commitments. The sum of all contribution-based pension expenses amounted to EUR 28.2 million (previous year: 28.7). In 2006, the contributions to the statutory pension insurance fund amounted to EUR 20.6 million (previous year: 22.5).

In defined benefit plans, the Group's obligation is to provide the agreed benefits to current and former employees. A distinction is made between benefit systems financed by provisions and those financed by funds. The most significant retirement pension plans financed by funds exist in Belgium, the Netherlands, the United Kingdom, the United States, Canada, Norway, India and Indonesia. The retirement benefit system in Indonesia consists of a statutory defined benefit plan and a company-based defined contribution plan financed by funds, the benefits from which may be set off against the statutory benefits. In Germany and Sweden, the retirement pension plans are financed by means of provisions. HeidelbergCement also has a retirement benefit system, financed by provisions, to cover the medical care costs of pension recipients in Belgium, Indonesia and the United States, and for early retirement commitments in Belgium. The Dutch system to cover medical care costs was closed in 2006; the obligations that still exist relate purely to the settlement of ongoing cases of illness.

Calculation of pension obligations

The pension obligations and the plan assets available are evaluated annually by independent experts for all major Group companies. The pension obligations and the expenses required to cover this obligation are evaluated in accordance with the internationally accepted projected unit credit method (IAS 19 Employee Benefits).

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

Calculation of pension obligations

	2005	**2006**
Discount rate	4.77 %	**4.87 %**
Expected return on plan assets	6.26 %	**6.41 %**
Future salary increases	3.54 %	**3.36 %**
Expected increase in health care cost	4.96 %	**4.93 %**

The actuarial assumptions depend on the economic situation in each country and reflect realistic expectations. The interest rate is based on the interest rate level obtained on the valuation date for high-quality fixed interest-bearing securities/corporate bonds with a duration corresponding to the pension plans concerned in the relevant country. The expected income from the pension funds is determined using a uniform method based on long-term actual yields in the past, the portfolio structure and the future yields expected in the long term.

Actuarial gains and losses may result from increases or decreases in the present value of the defined benefit obligations or the fair value of the plan assets. These may be caused by, for example, changes in the calculation parameters, changes in estimates of the risk experience of the pension obligations and differences between the actual and expected return on plan assets. In accordance with the third option "Statement of recognised income and expense (SORIE)" of IAS 19, these actuarial gains and losses are recognised directly in equity without effects on results.

Overview of types of retirement benefit plans

In accordance with IAS 19 (Employee Benefits), detailed information concerning pension plans and benefit plans for medical care amounting to EUR 744.5 million (previous year: 795.5) is provided below, showing the funding of the plans and how they are accounted for in the balance sheet and profit and loss accounts.

Types of retirement benefit plans EUR '000s	2005	**2006**
Defined benefit pension plans	661,846	**619,639**
Plans for health care costs	133,689	**124,826**
	795,535	**744,465**

Presentation in the balance sheet EUR '000s	2005	**2006**
Long-term pension provisions	736,010	**678,906**
Short-term pension provisions	66,037	**71,956**
Excess endowment of funds	-6,512	**-6,397**
	795,535	**744,465**

Pension obligations and pension funds

Pension obligations amounting to EUR 1,055.3 million (previous year: 1,050.5) existed in the Group in 2006, which were covered by outside pension funds. In addition there were direct agreements of EUR 537.0 million (previous year: 547.5). Obligations in the United States, Indonesia, Belgium and the Netherlands for medical care expenses for pension recipients amounted to EUR 124.9 million (previous year: 133.1). The following table shows the financing status of these plans and their presentation in the balance sheet.

Pension obligations and pension funds EUR '000s	Pension plans		Plans for health care cost		Total	
	2005	**2006**	2005	**2006**	2005	**2006**
Present value of obligations covered by funds	1,050,514	**1,055,336**			1,050,514	**1,055,336**
Market value of asset items	-946,865	**-976,217**			-946,865	**-976,217**
Undercoverage (+)/ overcoverage (-)	103,649	**79,119**			103,649	**79,119**
Present value of direct obligations	547,479	**536,975**	133,138	**124,936**	680,617	**661,911**
Total liability	651,128	**616,094**	133,138	**124,936**	784,266	**741,030**
Obligation shown in the balance sheet	661,846	**619,639**	133,689	**124,826**	795,535	**744,465**
Unrecognised past service cost	-10,718	**-3,545**	-551	**110**	-11,269	**-3,435**

The pension plans and the plans for health care cost include actuarial losses totalling EUR 263.1 million (previous year: 283.1), which have been directly recognised in equity. The decrease of EUR 20.0 million (previous year: increase of 145.6) in actuarial losses results primarily from the positive development of the funds' assets, the currency translation and the rise in the interest rate on which the actuarial calculation is based. This rise amounted to 0.10 percentage points (previous year: decrease of 0.67).

As a result of changes in fund balances (i.e. not arising from the change in the actuarial assumptions on which the valuation is based), profits of EUR 11.7 million (previous year: 46.5) accrued on the funds' assets and losses of EUR 29.8 million (previous year: 66.7) accrued on the obligations.

Development in the profit and loss accounts

The expenses classified as personnel costs for retirement pensions for the significant pension plans, amounting to EUR 63.1 million (previous year: 101.5), can be shown as follows:

Development in the profit and loss accounts EUR '000s	Pension plans		Plans for health care cost		Total	
	2005	**2006**	2005	**2006**	2005	**2006**
Current service cost	43,872	**42,942**	2,712	**3,147**	46,584	**46,089**
Interest cost	70,839	**71,849**	6,551	**6,395**	77,390	**78,244**
Expected return on plan assets	-53,356	**-55,279**			-53,356	**-55,279**
Acturial loss/gain recognised	218	**1,909**			218	**1,909**
Past service cost recognised	-83	**70**	-4,745	**66**	-4,828	**136**
Curtailment or settlement gain/loss recognised	40,680	**1,709**	-7,563	**-10,137**	33,117	**-8,428**
Transition amount (from local GAAP to IAS)	2,288	**410**	130		2,418	**410**
Expense recognised in profit and loss accounts	104,458	**63,610**	-2,915	**-529**	101,543	**63,081**

The actual earnings from the funds' assets amounted to EUR 80.2 million (previous year: 96.2), exceeding the expected proceeds by EUR 24.9 million (previous year: 42.8).

Sensitivity analysis of the expected health care cost

Developments in health care cost affect the profit and loss accounts and the pension obligations. The following table shows the effects of a one-percent increase or decrease in the expected health care cost:

Sensitivity analysis of the expected health care cost EUR '000s	changes in health care cost by +1 %	 -1 %
Effect on the service cost and interest cost	1,361	-783
Effect on defined benefit obligation	8,620	-11,743

Development of the pension obligations and the funds' assets

The following table shows the development of pension obligations of EUR 1,717.2 million (previous year: 1,731.1) and the funds' assets of EUR 976.2 million (previous year: 946.9):

Development of pension obligations and plan assets EUR '000s	Pension plans		Plans for health care cost		Total	
	2005	**2006**	2005	**2006**	2005	**2006**
Defined benefit obligation at 1 January	1,277,412	**1,597,995**	105,368	**133,138**	1,382,780	**1,731,133**
Change in scope of consolidation	25,987	**3,696**	2,660		28,647	**3,696**
Current service cost	42,213	**42,174**	2,712	**3,147**	44,925	**45,321**
Interest cost	70,839	**71,849**	6,551	**6,395**	77,390	**78,244**
Employee contributions	5,552	**5,452**	311	**473**	5,863	**5,925**
Actuarial loss/gain	160,163	**-7,981**	24,322	**11,666**	184,485	**3,685**
Benefits paid by companies	-26,883	**-34,943**	-8,217	**-7,850**	-35,100	**-42,793**
Benefits paid by fund	-50,163	**-57,326**			-50,163	**-57,326**
Expenses, taxes and premiums paid	-482	**-468**			-482	**-468**
Past service cost	1,479	**7,171**	-6,269	**621**	-4,790	**7,792**
Business combinations	4,542	**2,589**		**27**	4,542	**2,616**
Plan curtailments	14,848	**1,709**	-7,563		7,285	**1,709**
Plan settlements	25,670	**-7,200**		**-10,137**	25,670	**-17,337**
Exchange rate changes	46,816	**-32,406**	13,263	**-12,544**	60,079	**-44,950**
Defined benefit obligation at 31 December	1,597,993	**1,592,311**	133,138	**124,936**	1,731,131	**1,717,247**
Funded obligation	1,050,514	**1,055,336**			1,050,514	**1,055,336**
Unfunded obligation	547,479	**536,975**	133,138	**124,936**	680,617	**661,911**
Fair value of plan assets at 1 January	784,811	**946,865**			784,811	**946,865**
Change in scope of consolidation	9,697	**3,649**			9,697	**3,649**
Expected return on plan assets	53,356	**55,279**			53,356	**55,279**
Actuarial loss/gain	66,046	**13,205**			66,046	**13,205**
Employer contributions	35,857	**43,604**			35,857	**43,604**
Employee contributions	5,552	**5,452**			5,552	**5,452**
Benefits, expenses, taxes and premiums paid	-52,053	**-59,213**			-52,053	**-59,213**
Business combinations	4,986	**296**			4,986	**296**
Plan settlements	-162	**-7,200**			-162	**-7,200**
Exchange rate changes	38,775	**-25,720**			38,775	**-25,720**
Fair value of plan assets at 31 December	946,865	**976,217**			946,865	**976,217**

HeidelbergCement paid EUR 42.8 million (previous year: 35.1) directly to the pension recipients and EUR 43.6 million (previous year: 35.9) as employer contributions to the funds. In 2007, we expect to pay EUR 81.5 million (previous year: 84.9).

Breakdown of the funds' assets

The funds' assets originate primarily from North America, with 25 % (previous year: 27%), the United Kingdom, with 25 % (previous year: 23%) and the Netherlands, with 33 % (previous year: 33%). The assets in the funds are divided into the following categories on a percentage basis:

Breakdown of the funds' assets in %	2005	**2006**
Equities North America	13 %	**13 %**
Equities Western Europe	19 %	**16 %**
Equities other regions	11 %	**15 %**
Bonds North America	6 %	**6 %**
Bonds Western Europe	30 %	**30 %**
Bonds other regions	6 %	**7 %**
Others	15 %	**13 %**

Five-year comparison

The development in the pension obligations and the funds' assets is shown in the following table:

Five-year comparison EUR '000s	2002	2003	2004	2005	**2006**
Pension Plans					
Present value of funded obligations pension plans	819,224	798,962	827,172	1,050,514	**1,055,336**
Present value of unfunded obligations pension plans	419,270	441,416	450,240	547,479	**536,975**
Present value of unfunded obligations health care plans	94,902	101,647	105,368	133,138	**124,936**
Total present value of obligations	1,333,396	1,342,025	1,382,780	1,731,131	**1,717,247**
Market value of funds' assets	-690,808	-722,545	-784,811	-946,865	**-976,217**
Deficit (+) / Surplus (-)	642,588	619,480	597,969	784,266	**741,030**
Experience loss/(gain) on obligations			-12,556	66,728	**29,773**
Experience loss/(gain) on assets			-9,406	-46,528	**-11,716**
Expected development of obligations			55,572	33,059	**30,873**
Expected development of funds' assets			-45,645	-47,110	**42,940**

40 Deferred taxes

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

41 Other provisions

Other provisions are valued in accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) and, if required, in accordance with IAS 19 (Employee Benefits). Other provisions comprise all recognisable risks from uncertain liabilities and anticipated losses from pending transactions. Corresponding to the extracting progress from quarries, provisions for recultivation obligations are recorded with effect on results. The simultaneous capitalisation of an asset required by IAS 16.16 c) (Property, Plant & Equipment) is therefore not applicable. In 2006, provisions for recultivation amount to EUR 147.5 million (previous year: 143.2). Obligations from restructuring measures are included as are obligations from guarantee commitments. Other provisions likewise include adequate risk provision for legal disputes including risks from the pending cartel proceedings, environmental obligations, product liability or long service awards.

42 Liabilities

Liabilities are classified according to current/non-current and according to whether the liabilities are interest-bearing. Further details regarding interest-bearing liabilities can be found under the section on financial instruments on pages 117 ff.

Liabilities

EURm	2005	**2006**
Financial liabilities		
Debenture loans	1,474.0	**1,420.6**
Bank loans	1,522.4	**1,132.0**
Other financial liabilities	913.4	**846.2**
Derivative financial instruments		**22.0**
	3,909.8	**3,420.8**
Operating liabilities		
Trade payables	568.7	**657.4**
Current income taxes payables	72.2	**72.6**
Liabilities relating to personnel	146.7	**156.6**
Other operating liabilities	340.2	**394.3**
	1,127.8	**1,280.9**
	5,037.6	**4,701.7**

Additional information on liabilities

Of the financial liabilities, EUR 28.3 million (previous year: 240.7) are secured by mortgages to banks.

In connection with liabilities relating to personnel, provisions for outstanding virtual stock option plans of EUR '000s 120 (previous year: 3.9 million) were set up. For the virtual stock option plan 2003/2009, the stock options were considered at their fair value. At the end of the year, the total number of outstanding stock options amounted to 3,000 (previous year: 198,978).

In 2006, the other financial liabilities included the put options held by minorities amounting to EUR 106.0 million (previous year: 58.9), for the first time.

In the previous year, the derivative financial instruments with negative market values, amounting to EUR 25.7 million, were shown together with the other financial liabilities.

Guarantees and other financial commitments

The guarantees amounting to EUR 132.3 million (previous year: 88.8) comprise potential future obligations to third parties, the existence of which depends on the occurrence of at least one uncertain future event outside HeidelbergCement's control.

Guarantees EURm	2005	**2006**
Liabilities resulting from negotiation and transfer of bills of exchange	3.7	**2.8**
Liabilities arising from guarantees	85.1	**129.5**

The liabilities arising from guarantees include obligations of EUR 96.5 million (previous year: 66.8) where the probability of outflow is remote (IAS 37.28).

Other financial commitments EURm	2005	**2006**
Rental and leasing contracts		
Total of all leasing payments mature within 1 year	35.4	**38.1**
Total of all leasing payments mature within 1 to 5 years	96.8	**107.2**
Total of all leasing payments mature after more than 5 years	71.6	**77.6**
Other off-balance-sheet financial commitments for planned tangible and financial fixed asset investments	150.0	**210.2**

Other financial commitments are listed with their nominal value. The future rental and leasing obligations totalling EUR 222.9 million (previous year: 203.8) refer primarily to property and other assets used by HeidelbergCement.

Related parties disclosures

IAS 24 requires a statement concerning the most important relationships with related companies and persons that may exert a considerable influence on HeidelbergCement AG; the former are accounted for as joint ventures or associated companies, the latter hold key positions as members of the management.

HeidelbergCement AG provided services to the value of EUR '000s 43 to Spohn Cement GmbH, Norderfriedrichskoog, which belongs to members of the Merckle family. In 2006, the Schwenk group of companies no longer exerted a considerable influence on HeidelbergCement AG.

Business transactions with associated companies include turnover and other sales, primarily in ready-mixed concrete companies accounted for at equity, amounting to EUR 116.4 million (previous year: 95.1), the receipt of goods and services of EUR 105.2 million (previous year: 66.1) and services provided to a total of EUR 3.0 million (previous year: 1.9). In addition, loans of EUR 15.4 million (previous year: 12.2) and guarantees of EUR 1.8 million (previous year: 1.5) were granted to associated companies.

Intra-Group turnover and other sales with joint ventures amounted to EUR 66.9 million (previous year: 122.7). These joint ventures obtained raw materials, goods and other services amounting to EUR 48.1 million (previous year: 109.3). EUR 10.0 million (previous year: 2.5) was generated in financial and other services. Receivables amounting to EUR 82.8 million (previous year: 105.2) and liabilities of EUR 9.3 million (previous year: 34.4) exist in connection with these activities and financial transactions.

In addition, companies of the HeidelbergCement Group have not carried out reportable transactions of any kind with members of the Supervisory Board of Managing Board as persons in key positions or with companies in whose executive or governing bodies these persons are represented.

Financial instruments

Accounting of financial instruments

In accordance with IAS 32 (Financial Instruments: Presentation), financial instruments are contracts that result in a financial asset in one company and a financial liability or an equity instrument in another company. In the balance sheet, all primary financial instruments are not shown at the trading day price, but at the settlement date price.

"Loans and receivables" and financial liabilities are valued at amortised cost, provided that they are not linked with hedging instruments. This concerns long-term loans, interest-bearing receivables, trade receivables and payables, other short-term operating receivables and liabilities and short and long-term financial debts. The amortised cost in the case of short-term receivables and financial liabilities correspond to the nominal value or the repayment amount.

"Available-for-sale financial assets" are in principle valued at fair value. This concerns both long-term securities and short-term investments. In subsequent valuations, insofar as a market value can be reliably determined, they are accounted for at their current market value. Unrealised profits and losses are recorded in shareholders' equity without affecting the result, taking deferred taxes into account. The share price at the balance sheet date forms the basis for the current market value. Shares in non-consolidated subsidiaries and participations are also regarded as "available-for-sale financial assets". However, these are carried at acquisition cost as no active market exists and the fair values could not be reliably determined with reasonable efforts. If there are any indications of lower fair values, these are assessed and the impairment is recorded with an effect on results.

Derivative financial instruments, e.g. swaps, forward contracts and options, are in principle used to reduce risk. In the course of its business activity, HeidelbergCement is exposed to interest rate, currency and price risks. For a significant portion of the derivatives, we do not apply hedge accounting in accordance with IAS 39. However, considered from an economic perspective, the changes in market value represent an effective hedge within the context of the Group strategy. The changes in the market values of the derivatives recorded with an effect on results are almost compensated for by changes in the market values of the underlying hedged item.

Accounting of hedging transactions

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

- Cash flow hedges
  HeidelbergCement hedges against the risk of fluctuation in future cash flow. Primarily, we hedge the risk of variable interest payments by changing variable interest payments to fixed interest payments using swaps and we hedge currency risks of future transactions to be performed in non-functional currency. We hedge the currency risk for future transactions with parties outside the Group with a volume greater than EUR 2 million per transaction. The market value of cash flow hedges is shown in the balance sheet. As an offsetting item, the revenue reserves are adjusted to the amount of the effective portion without affecting the result, taking deferred taxes into account. An effect on the result is only recorded with the realisation of the cash flow.

- Fair value hedges
  The Group hedges against the risk of fluctuation in the fair value of certain assets or liabilities. In particular, we hedge against the currency risk that arises when financial instruments are accounted in a currency other than the reporting currency. In addition, we have selectively hedged the fair value of fixed interest-bearing liabilities by conversion to variable interest. In the case of protection against fair value volatilities of certain balance sheet items (fair value hedges), both the hedging transaction and the hedged share of the risk of the underlying transaction are valued at fair value. Changes in fair value are recorded with an effect on results.

- Net investment in a foreign operation
  When acquiring foreign companies, we have in some cases financed the investment with loans in the currency of the foreign company. In this case, the risk incurred on the subsidiary's equity through fluctuations in exchange rates is reduced (translation risk). The loans are converted with the exchange rate of the balance sheet date. As an offsetting item, the foreign currency translation reserves in equity are adjusted.

The market values of the derivative hedging instruments are calculated using option price and other valuation models and external balance confirmations.

Details on valuation of and reporting on non-derivative financial instruments are listed in the notes to the corresponding balance sheet items.

Disclosure of financial instruments

Non-derivative financial instruments

The important interest-bearing non-derivative financial instruments outstanding at the 31 December 2006 are listed in the following table under the corresponding balance sheet items. Only those transactions with an outstanding amount of more than EUR 10 million on the balance sheet date are listed.

Conditions of the main non-derivative financial instruments

Balance sheet item Financial instrument		Nominal value in local curr. in million	Nominal value in EURm	Market value in EURm	Term total	Term remaining	Nominal interest rate	Effective interest rate
Liabilities - Bonds								
Bond	EUR	672	672	675	00/07	<1 y	6.375 %	6.725 %
Bond	EUR	300	300	303	99/09	1-5 y	4.750 %	4.899 %
Bond	EUR	455	455	480	03/10	1-5 y	7.375 %	8.598 %
Liabilities - Bank loans								
Loan	EUR	30	30	30	00/08	1-5 y	3.702 %	3.702 %
Loan	EUR	15	15	15	02/08	1-5 y	5.204 %	5.204 %
Loan	USD	112	85	85	03/08	1-5 y	7.670 %	7.670 %
Loan	EUR	10	10	10	03/08	1-5 y	5.497 %	5.497 %
Loan	EUR	12	12	12	99/09	1-5 y	3.786 %	3.786 %
Loan	EUR	25	25	25	03/09	1-5 y	6.058 %	6.058 %
Loan	EUR	50	50	55	00/10	1-5 y	6.485 %	6.485 %
Loan	EUR	20	20	21	00/10	1-5 y	5.850 %	5.850 %
Loan	EUR	25	25	28	02/10	1-5 y	6.560 %	6.560 %
Loan	USD	33	25	25	06/11	1-5 y	6.270 %	6.270 %
Loan	JPY	3,196	20	20	06/11	1-5 y	1.380 %	1.380 %
Loan	IDR	331,579	28	28	06/11	1-5 y	12.360 %	12.360 %
Loan	USD	20	15	15	99/11	1-5 y	6.099 %	6.099 %
Loan	EUR	30	30	30	00/11	1-5 y	6.140 %	6.140 %
Loan	EUR	20	20	20	05/11	1-5 y	4.371 %	4.371 %
Loan	EUR	25	25	25	05/11	1-5 y	4.447 %	4.447 %
Loan	EUR	35	35	35	05/11	1-5 y	4.513 %	4.513 %
Loan	EUR	100	100	100	02/12	>5 y	5.156 %	5.156 %
Loan	EUR	28	28	28	02/12	>5 y	5.600 %	5.600 %
Loan	EUR	30	30	30	01/13	>5 y	4.160 %	4.160 %
Liabilities - Other								
Credit line	EUR	100	100	100	06/07	<1 y	3.935 %	3.990 %
Credit line	EUR	25	25	25	06/07	<1 y	3.990 %	3.990 %
Credit line	EUR	15	15	15	06/07	<1 y	4.040 %	4.040 %
Commercial paper	SEK	199	22	22	06/07	<1 y	3.170 %	3.214 %
Commercial paper	EUR	20	20	20	06/07	<1 y	3.689 %	3.740 %
Commercial paper	SEK	223	25	25	06/07	<1 y	3.331 %	3.377 %
Commercial paper	SEK	99	11	11	06/07	<1 y	3.189 %	3.233 %
Commercial Paper	EUR	31	31	32	06/07	<1 y	3.725 %	3.777 %
Private placement	EUR	20	20	20	98/08	1-5 y	3.485 %	3.485 %
Private placement	EUR	13	13	13	98/08	1-5 y	5.590 %	5.626 %
Private placement	EUR	60	60	60	03/08	1-5 y	6.843 %	6.843 %
Private placement	EUR	20	20	20	03/08	1-5 y	6.889 %	6.889 %
Private placement	EUR	20	20	20	03/08	1-5 y	6.098 %	6.098 %
Private placement	EUR	50	50	50	03/08	1-5 y	6.398 %	6.398 %
Private placement	SEK	145	16	16	06/09	1-5 y	3.753 %	3.753 %
Private placement	SEK	145	16	16	06/09	1-5 y	3.670 %	3.690 %
Private placement	EUR	10	10	10	04/11	1-5 y	6.244 %	6.244 %
Private placement	EUR	10	10	10	04/11	1-5 y	6.244 %	6.244 %
Private placement	EUR	50	50	50	04/11	1-5 y	6.364 %	6.364 %
Private placement	SEK	150	17	17	06/11	1-5 y	3.440 %	3.440 %
Private placement	SEK	150	17	17	06/11	1-5 y	4.400 %	4.415 %
Private placement	EUR	30	30	30	05/15	>5 y	5.103 %	5.103 %
Total			2,653	2,694				

HeidelbergCement is entitled to redeem the 7.375 % 2003/2010 bond (nominal value: EUR 455 million) prior to the maturity date in total or in partial instalments in the years 2007 to 2009 at various redemption prices, according to the redemption plan of the offering memorandum.

Derivative financial instruments

The following table provides an overview of the derivative financial instruments outstanding on the balance sheet date with their nominal values as well as derivatives resulting from energy contracts subject to IAS 39.

Currency-related derivatives in million	Forward exchange contracts	Currency option contracts	Currency swaps	Interest-related derivatives	Energy derivatives	**Total**
EUR	41		521			**562**
USD	-52		-310	150		**-212**
SEK			-249			**-249**
CHF	-72		23			**-49**
DKK			-400			**-400**
NOK	356		-925			**-569**
LTL			-7			**-7**
HKD			-165			**-165**
IDR	-30,426	57,925		-1,403,700[1]		**-1,376,201**
JPY	250	-700				**-450**
HUF			-88			**-88**
GBP			-37			**-37**
CZK			-1,500			**-1,500**
PLN			-63			**-63**
EEK			440			**440**
Total of nominal values in EURm	86.6	4.5	787.7	870.5		**1,749.3**
Market value in EURm	-0.3	-0.1	5.8	-13.6	5.3	**-2.9**

[1] Cross currency interest rate swap

The nominal values of opposing transactions that affect payment are shown as net amounts. In the nominal value row, nominal value totals are shown without offsetting opposing transactions. Market values were calculated using market rates as of the balance sheet date. Interest that had accrued from the last interest payment date through the balance sheet date was not included.

Fair value evaluation according to IAS 39

As a result of valuing hedge transactions at market values, securities decreased to EUR 15.3 million (previous year: 38.2), other long-term interest-bearing liabilities to EUR 8.7 million (previous year: 5.1) and other short-term interest bearing liabilities to EUR 15.7 million (previous year: 25.7). The fair value of derivatives for which no hedge accounting according to IAS 39 was applied amounted to EUR -1.8 million. The market valuation of the hedging transactions is reflected in the revenue reserves with EUR 23.3 million (previous year: 32.3), in minority interests with EUR 1.1 million (previous year: 0.1) and in the provisions for deferred taxes with EUR 1.1 million (previous year:

6.0 in deferred tax assets). As a result of the change in market value of “available-for-sale financial assets", the shares in other participations decreased to EUR 87.6 million (previous year: 106.8) and the securities and similar rights decreased to EUR 0.1 million (previous year: 9.7).

This led to provisions for deferred taxes of EUR 23.7 million (previous year: 30.6) and revenue reserves and foreign currency translation differences of EUR 63.9 million (previous year: 90.0).

Risks from financial instruments

Interest rate risk

Under IAS 32 (Financial Instruments: Disclosure and Presentation), in order to assess the risk associated with changes in interest rates, financial instruments must in principle be classified as either fixed interest-bearing or variable interest-bearing instruments.

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

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

At the end of the year, the Group was mainly financed through EUR net liabilities with long interest rate fixation periods of around EUR 0.9 billion, EUR net liabilities with short interest rate fixation periods of around EUR 1.6 billion, USD net liabilities with short interest rate fixation periods of around USD 154 million and JPY liabilities with short interest rate fixation periods of approximately JPY 3.2 billion. These amounts were modified with regard to their interest structure using derivative financial instruments; this led to a reduction in the overall interest rate fixation of the Group's liabilities. At the end of 2006, the Group had a volume of interest rate swaps and interest rate and currency swaps of EUR 505 million, which enabled a change from fixed to variable interest rate. The balance of swaps allowing a change from variable to fixed interest rate covered a volume of EUR 248 million on the balance sheet date.

Currency risk

Currency risk refers to risk of changes in the value of balance sheet items and highly probable forecast transactions induced by exchange rate fluctuations. This risk is generally eliminated by hedging transactions; exceptions to this rule are tightly restricted and are subject to regular monitoring.

Credit risk

The credit risk is the risk that a contracting party does not, or does not completely, fulfil the agreed obligations when signing a financial instruments contract. The Group's credit risk is limited in that we only conclude contracts on financial fixed assets and derivative financial instruments with partners that have first-class credit rating.

Statement of compliance with the German Corporate Governance Code

The statement of compliance with the German Corporate Governance Code required by § 161 of the German Stock Company Act (Aktiengesetz) was submitted by the Managing Board and the Supervisory Board of HeidelbergCement on 22 March 2006 and made permanently available to the shareholders on the Internet at www.heidelbergcement.com. The statement for 2007 will be submitted presumably on 21 March 2007 and made available to the shareholders on the same day.

The statement of compliance with the German Corporate Governance Code required by § 161 of the German Stock Company Act (Aktiengesetz) for Teutonia Zementwerk AG, a company listed on the stock exchange and included in the Group annual accounts, was submitted by the Managing Board and the Supervisory Board on 19 December 2006 and made permanently available to the shareholders on the Internet at www.teutonia-zement.de.

Fees of the public auditors

In the business year, the public auditors Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft received fees amounting to EUR '000s 2,786.

Fees of the public auditors

EUR '000s	**2006**
Approval of the Group annual accounts	**2,007.0**
Other charges for confirmation services	**245.0**
Tax advisory service	**131.0**
Other services	**403.0**
	2,786.0

Supervisory Board and Managing Board

We refer to the details given in the report to the shareholders in the Corporate Governance chapter (pages 30 ff.).

The total remuneration of the Managing Board in 2006 amounted to EUR 20.1 million (previous year: 10.1). EUR 3.3 million (previous year: 3.3) of this was paid in fixed remuneration, EUR 16.7 million (previous year: 6.6) in variable remuneration and EUR 0.1 million (previous year: 0.2) as part of other remuneration elements. This does not include the payments from the remaining stock options. The other remuneration elements consist of payments for committee activities at subsidiaries of HeidelbergCement AG and non-cash benefits arising from the provision of company cars. Allocations to provisions for pensions for current members of the Managing Board amounted to EUR 1.4 million (previous year: 1.2). Payments to former members of the Managing Board and their surviving dependants amounted to EUR 3.8 million (previous year: 6.0) in the reporting year. Provisions for pension obligations for members of the Managing Board amounted to EUR 28.1 million (previous year: 28.8).

The total remuneration of the Supervisory Board amounts to EUR 1,366,077 (previous year: 1,243,789), of which EUR 318,538 (previous year: 316,054) is paid in fixed remuneration and EUR 1,047,539 (previous year: 927,735) in variable remuneration.

Mandates of members of the Supervisory Board and Managing Board

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

a) Membership in other legally required supervisory boards for German companies

b) Membership in comparable German and foreign supervisory committees of commercial corporations.

Group mandates are marked with [1].

Supervisory Board *

Fritz-Jürgen Heckmann
Chairman
Chairman of the Arbitration Committee and member of the Personnel and the Audit Committee
Attorney
a) All for One Systemhaus AG
businessMart AG
Drews Holding AG
garmo AG
Infoman AG
INFORMATIK CONSULTING SYSTEMS AG
Paul Hartmann AG (Chairman)
b) HERMA Holding GmbH + Co. KG (Deputy Chairman)
Hübner GmbH (Chairman)
Neue Pressegesellschaft (Südwestpresse) mbH & Co. KG
Südwestdeutsche Medien Holding GmbH
URACA GmbH & Co. KG (Deputy Chairman)

Heinz Schirmer
Deputy Chairman
Member of the Audit, the Personnel and the Arbitration Committee
Mechanic and locksmith foreman; Chairman of the Council of Employees at the Schelklingen plant of HeidelbergCement AG and, until 1 June 2006, Chairman of the General Council of Employees of HeidelbergCement AG

Theo Beermann
Member of the Personnel Committee
Production controller; Deputy Chairman of the Council of Employees at the Ennigerloh plant, HeidelbergCement AG

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

Waltraud Hertreiter
until 23 May 2006
Member of the Managing Board, Schaltbau Holding AG
a) Textilgruppe Hof AG
b) Südbayer. Portland-Zementwerk Gebr. Wiesböck & Co. GmbH (Deputy Chairwoman of the Advisory Council)

Josef Heumann
Member of the Arbitration Committee
Kiln supervisor; Chairman of the Council of Employees at the Burglengenfeld plant, HeidelbergCement AG

Gerhard Hirth
Managing Director of the SCHWENK group of companies
a) Köster AG
b) Duna-Dráva Cement Kft
Tvornica Cementa Kakanj d.d.

Rolf Hülstrunk
Former Chairman of the Managing Board, HeidelbergCement AG

Heinz Kimmel
Sales employee; Chairman of the Council of Employees at the Sulzheim plant, Südharzer Gipswerk GmbH

Max Dietrich Kley
Attorney
a) BASF AG
Infineon Technologies AG (Chairman)
Schott AG
SGL Carbon AG (Chairman)
b) UniCredito Italiano S.p.A. (member of the Board of Directors)

Hans Georg Kraut
Member of the Personnel Committee
Director of the Schelklingen plant of HeidelbergCement AG

* All indications refer to 31 December 2006 or, if the person in question left the Supervisory Board of HeidelbergCement AG prior to that date, the date on which they stepped down.

Senator h.c. Dr. med. h.c. Adolf Merckle
Chairman of the Audit Committee
Attorney
a) Hanfwerke Oberachern AG (Chairman)
Kässbohrer Geländefahrzeug AG
Pommersche Provinzial-Zuckersiederei AG (Chairman)
F. Reichelt AG (Chairman)

Ludwig Merckle
Chairman of the Personnel Committee
Managing Director, VEM Vermögens-verwaltung GmbH
a) Kässbohrer Geländefahrzeug AG (Chairman)
Phoenix Aktiengesellschaft (Deputy Chairman)
Württembergische Leinenindustrie AG (Chairman)

Tobias Merckle
since 23 May 2006
Managing Director of the association prisma – Initiative für Jugendhilfe und Kriminal-prävention e.V., Leonberg

Eduard Schleicher
Member of the Audit, the Personnel and the Arbitration Committee
Partner with unlimited liability, SCHWENK group of companies
a) Wieland-Werke AG
Wohnungsverein Ulm AG
b) Duna-Dráva Cement Kft
Nederlandse Cement Handelmaatschappij B.V.

Heinz Schmitt
Member of the Audit Committee
Controller; Chairman of the Council of Employees at the headquarters of HeidelbergCement AG

Karl-Heinz Strobl
Member of the Audit Committee
Member of the Federal Executive Committee, IG Bauen-Agrar-Umwelt

Managing Board*

Dr. Bernd Scheifele
Chairman
a) PHOENIX Pharmahandel AG & Co KG (Chairman)
Verlagsgruppe Georg von Holtzbrinck GmbH
Landesbank Hessen-Thüringen Girozentrale (member of the Board of Directors)
b) TAMRO Oyj (Chairman of the Board of Directors)
PT Indocement Tunggal Prakarsa Tbk. [1]
Vicat S.A.
Mysore Cements Limited [1]

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

Daniel Gauthier
b) Akçansa Çimento Sanayi ve Ticaret A.S. (Deputy Chairman)
China Century Cement Limited (Deputy Chairman)
S.A. Cimenteries CBR [1] (Chairman)
Duna-Dráva Cement Kft [1]
ENCI Holding N.V. [1] (Chairman)
Górazdze Cement S.A. [1]
Indorama Cement Limited [1]
LVI Holding (Group Carmeuse)
Mysore Cements Limited [1]
PT Indocement Tunggal Prakarsa Tbk. [1] (Chairman)
Vicat S.A.

* All indications refer to 31 December 2006.

Andreas Kern

a) Kronimus AG
b) Bukhtarminskaya Cement Comoany [1] (Chairman)
Carpatcement Holding S.A. [1]
Castle Cement Ltd [1] (Chairman)
Ceskomoravský Cement, a.s. [1] (Chairman)
Duna-Dráva Cement Kft [1]
Górazdze Cement S.A. [1] (Chairman)
HeidelbergCement Northern Europe AB [1] (Chairman)
Nederlandse Cement Handelmaatschappij B.V. (Deputy Chairman)
Open Joint Stock Company "Kryvyi Rih Cement" [1]
Südbayer. Portland-Zementwerk Gebr. Wiesböck & Co. GmbH
Tvornica Cementa Kakanj d.d. [1]

Dr. Lorenz Näger

a) PHOENIX Pharmahandel AG & Co KG
b) S.A. Cimenteries CBR [1]
HeidelbergCement Finance B.V. [1]
HeidelbergCement Netherlands Holding B.V. [1]
HeidelbergCement Northern Europe AB [1]
Lehigh Cement Company [1]
Lehigh Cement Limited [1]
Mysore Cements Limited [1]
PT Indocement Tunggal Prakarsa Tbk. [1]
RECEM S.A. [1]
TAMRO Oyj

Events after the balance sheet date

On 2 March 2007, we published that HeidelbergCement intends to sell its 35 % stake in the French Vicat group, by way of a public offering in France and a private placement elsewhere. The sale is expected to be completed in the second quarter of 2007, subject to market conditions. The family holdings, along with the company, have announced their intention to purchase up to one third of the offered shares. At the above mentioned date, the stake had a value of just under EUR 1.4 billion.

Besides this, there were no reportable events in accordance with IAS 10 after 31 December 2006.

43 Proposed dividend

Managing Board and Supervisory Board propose the following dividend: EUR 1.25 dividend per share. Referring to 115,606,251 no-par value shares, entitled to dividend payment for the 2006 financial year, the amount for dividend payment is EUR 144,507,813.75.

44 Approval of the Group annual accounts

The Group annual accounts were prepared by the Managing Board and adopted on 21 March 2007. They were then submitted to the Supervisory Board for approval.

Heidelberg, 21 March 2007

HeidelbergCement AG

The Managing Board

Report of the public auditors

We issued the following audit opinion on the Group annual accounts and the combined management report of HeidelbergCement Group and HeidelbergCement AG:

"We have audited the consolidated financial statements prepared by the HeidelbergCement AG, Heidelberg, comprising the balance sheet, the income statement, statement of changes in equity, statement of recognized income and expenses, cash flow statement and the notes to the consolidated financial statements, together with the combined management report of HeidelbergCement Group and HeidelbergCement AG for the business year from 1 January to 31 December 2006. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Stuttgart, 21 March 2007
Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Elkart	Somes
Wirtschaftsprüfer	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)

Group functions and Country Managers

Group functions

Böttcher, Henner	Group Treasurer
Fickel, Dr. Brigitte	Director Group Communication & Investor Relations
Fischer, Helmut	Director Group Reporting, Controlling & Consolidation
Glitz, Dr. Albrecht	Director Group Legal until 31 December 2006 Director Group Compliance since 1 January 2007
Huhn, Claus	Director Group Purchasing
Kern, Thomas	Director Group Strategy & Development
Kozelka, Rolf	Director Group Tax since 1 January 2007
Rinne, Friedrich	Director Group Tax until 31 December 2006
Schaffernak, Dr. Ingo	Director Group Legal since 1 January 2007
Schnurr, Andreas	Director Group Human Resources
Standhaft, Dr. Wolfgang	Director Group Information Technology
Vandenberghe, Marc	Director Group Insurance & Corporate Risk Management
Weingardt, Stefan	Director Group Internal Audit

Heidelberg Technology Center (HTC)

Nobis, Rainer	Director Manufacturing & Engineering Europe / Speaker of HTC Management
Breyer, Robert	President HTC North America
Jelito, Ernest	Managing Director HTC Asia-Africa-Mediterranean Basin

Country Managers

Europe-Central Asia

Baltics/Denmark/Norway/Sweden

Syvertsen, Gunnar — General Manager Northern Europe

Belgium/Netherlands

Jacquemart, André — General Manager Benelux

Bosnia & Herzegovina

Muidza, Branimir — Country Manager Bosnia & Herzegovina

Czech Republic

Bogdan, Ludek — General Manager Czech Republic

Georgia

Thrul, Meinhard — General Manager Georgia

Germany

Seitz, Gerhard — General Manager Germany

Hungary

Oberritter, Miklós — General Manager Hungary until 31 December 2006

Szarkándi, János — General Manager Hungary since 1 January 2007

Kazakhstan

Seher, Hans-Jürgen — General Manager Kazakhstan

Poland

Balcerek, Andrzej — General Manager Poland

Romania	
Rohan, Mihai	General Manager Romania
Russia	
Christian Knell	General Manager Russia
Ukraine	
Panchenko, Andrey	General Manager Ukraine
United Kingdom	
Weller, Peter	General Manager United Kingdom until 31 March 2007
Mike Eberlin	General Manager United Kingdom from 1 April 2007

North America

Anderson, Frank	Chief Operating Officer/President, Lehigh South
Brown, James G.	Chief Operating Officer/President, Lehigh Pacific
Derkatch, Jim	Chief Operating Officer/President, Lehigh Inland from 1 Mai 2007
Harrington, Dan	Chief Operating Officer/President, Lehigh North
Milla, Gary	Chief Operating Officer/President, Lehigh White
Wagner, Wayne	Chief Operating Officer/President, Lehigh Inland until 30 April 2007

Asia–Africa–Mediterranean Basin

China	
Scheuer, Dr. Albert	Chief Operating Officer China
India	
Guha, Asish	Chief Operating Officer India
Indonesia/Bangladesh/Brunei	
Lavallé, Daniel	Chief Operating Officer South East Asia
Africa	
Junon, Jean-Marc	Chief Operating Officer Africa
Mediterranean Basin / HC Trading	
Adigüzel, Emir	Chief Operating Officer Mediterranean Basin & Middle East and HC Trading

maxit Group

Altena, Cornelis	President & Chief Executive Officer

Glossary/index*

Affiliated companies (§ 15 German Stock Corporation Act) p. 7, 27, 29, 32, 85 ff., 107	Affiliated companies are legally independent companies that are in a relationship to each other as majority owned companies and majority participation companies (§ 16), dependent or controlling companies (§ 17), Group companies (§ 18), cross-held companies (§ 19) or contracting parties to a contract between business enterprises (§§ 291, 292).
Aggregates	Mineral raw materials such as sand and gravel that are used as additives to produce concrete.
Alternative raw materials and fuels p. 3, 19, 34, 39 f., 43, 46, 51	By-products or waste from other industries, whose chemical components make them suitable substitutes for natural resources (raw materials, fuels).
Associated companies p. 58, 66, 68, 70, 75, 89, 94 f., 98, 103 f., 116	Companies over which we exercise significant influence (participation quota of at least 20 %).
Biodiversity p. 40	Biodiversity or biological diversity is the genetic diversity within species, diversity between species and diversity of ecosystems.
Blast furnace slag p. 40, 44	Finely ground, glassy by-product from steel production. It occurs when the molten slag is quenched in cold water. Additive for cement.
Cash flow p. 24, 67	Cash flow is a key figure for evaluating a company's financial worth and profitability. At HeidelbergCement, cash flow is calculated from the operating income before depreciation (OIBD) plus additional ordinary result before depreciation, plus dividends and interest received, minus interest and taxes paid and the elimination of non-cash items.
Cement	Cement is a hydraulic binder, i.e. a finely ground inorganic material that sets and hardens by chemical interaction with water and that is capable of doing so also under water. Cement is mainly used to produce concrete. It binds the sand and gravel into a solid mass.
Clinker (cement clinker)	Intermediate product in the cement production process that is made by heating a finely-ground raw material mixture to around 1,450° C in the cement kiln. For the manufacture of cement, the greyish-black clinker nodules are extremely finely ground. Clinker is the main ingredient in most cement types.
Commercial Paper p. 24, 46, 119	Bearer notes issued by companies within the framework of a Commercial Paper Programme (CP Programme) to meet short-term financing needs. Maturities can range from seven days to two years.
Concrete	Concrete is a building material that is manufactured by mixing cement, aggregates (gravel, sand or chippings as a rule) and water.
Consolidation p. 74 f., 80 ff., 98	Consolidation of the financial statements of the parent company and its subsidiaries by adding together items like assets, liabilities, equity, income and expenses.

* The index indicates the main references.

Credit Default Swap (CDS) p. 24	An agreement between two parties whereby one party pays the other a fixed coupon over a specified term. The other party makes no payment unless a specified credit event such as a default occurs, at which time a payment is made and the swap terminates.
Dry mortar	Dry mortars are mortars premixed in the plant such as interior and exterior plaster, fluidised floor finish and masonry mortar. They are offered in bags or in bulk - in silos or containers - and are ready mixed on site through the addition of water.
EBIT p. 19, 66, 72	Earnings before interest and income taxes; this term corresponds to results of operating activities according to IAS 1 (Presentation of Financial Statements).
EBITDA p. 97	Earnings before interest, taxes, depreciation and amortisation; EBITDA = OIBD plus additional ordinary result before amortisation.
Equity method p. 75, 95, 104	Consolidation method for depicting associated companies in group accounts. The participation is initially measured at the acquisition price and then constantly adjusted to the development of the associated company's equity.
Euro Medium Term Notes (EMTN) p. 24, 46, 99	Debenture bonds issued as part of the EMTN programme. An EMTN programme represents a framework agreement made between the company and the banks appointed to be dealers. HeidelbergCement AG has the option of floating debt issues up to a total volume of EUR 3 billion under its EMTN programme.
Expanded clay p. 60, 89	Building material which is produced by burning natural clay in a rotary kiln. Lightweight aggregates made of expanded clay are characterised by their insulating and water storing properties. They are used to manufacture building blocks and prefabricated elements as well as used directly for soil improvement and water purification.
Fly ash p. 40, 44	Solid, particulate combustion residue from coal-fired power plants. Additive for cement.
Goodwill (IFRS 3.51) p. 75, 77 f., 92 f., 96, 100 f.	Positive difference between the consideration made to take over a company and the fair value of the identifiable assets, liabilities and contingent liabilities at the date of acquisition.
Group share p. 17, 19 f., 66, 83, 96	Profit or loss for the financial year after deduction of minority interests.
International Financial Reporting Standards (IFRS) p. 17, 26, 70 f., 74 ff.	The International Financial Reporting Standards (IFRS) – previously International Accounting Standards (IAS) – are accounting standards issued by the International Accounting Standards Board (IASB) for the purposes of international harmonisation and better comparability of consolidated accounts. HeidelbergCement has been preparing its Group annual accounts in accordance with IFRS and IAS, respectively, since 1994.

Net financial liabilities
p. 20, 26, 121

The sum of all long-term and short-term financial liabilities minus cash at bank and in hand and short-term investments. Synonyms: net indebtedness, net liabilities, net debt.

Operating income
p. 19, 66, 72, 89

Profit/loss before tax (as shown in the profit and loss accounts) before additional ordinary result, results from participations and financial results.

Operating income before depreciation (OIBD)
p. 19, 22, 66 f., 72

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

Price-earnings ratio (PER)
p. 20

Share price divided by earnings per share.

Profit/loss before tax
p. 19, 66, 96

Profit/loss before tax corresponds to profit or loss from ordinary activities according to IAS 1 (Presentation of Financial Statements).

Profitability
p. 20

Profit for the period (e.g. profit for the financial year) in relation to a reference value (capital employed or turnover). Typical key figures include return on total assets, return on equity and return on turnover.

Rating (credit rating)
p. 24, 133

Classification of the credit standing of debt instruments and their issuers. Specialised agencies such as Standard & Poor's, Fitch Ratings and Moody's produce such ratings. Ratings range from AAA or Aaa as the highest credit standing to C or D as the lowest.

Ready-mixed concrete

Concrete that is manufactured in a ready-mixed concrete facility and transported to the building site using ready-mix trucks.

SNCR installation
p. 40, 55

An installation to reduce nitrogen oxide emissions by the SNCR process (selective non-catalytic reduction).

Sustainable development
p. 4, 34, 38 ff., 44, 46

Sustainable development signifies a development that fulfils the economic, ecological and social needs of people alive today without endangering the ability of future generations to fulfil their own needs.

Syndicated loan
p. 8, 25, 28, 46, 57

Large-sized loan which is distributed ("syndicated") among several lenders for the purpose of risk spreading.

Wet scrubber
p. 40, 55

Gas cleaning system which uses raw mix and water to reduce sulfur dioxide emissions.

Review of 2006 events

01/02

Reorganisation of the Group
Our new Group organisation is characterised by flat hierarchies and short communication and decision-making processes. The decentralised structure is replaced by an integrated management approach and the Group is divided into the following Group areas: Europe-Central Asia, North America, Asia-Africa-Mediterranean Basin, maxit Group and Group Services.

03/04

Market entry in India
A joint venture with Indorama Cement is our first involvement in India. The plant has a grinding capacity of 750,000 tonnes and an excellent market position in the Mumbai and Pune area.

05/06

Investment in the Caucasus region
HeidelbergCement acquires a share of 51 % in the Georgian company Kartuli Cementi near the capital Tbilisi. This is the first investment in the strategically important Caucasus region. The cement capacity is to be increased to 1 million tonnes.

maxit expands in Denmark
By purchasing the Danish companies Dansk Leca and Leca Trading & Concessions, maxit Group expands its activities in the lightweight aggregates, lightweight blocks and concrete blocks sectors.

Capacity increase in Turkey
Our Turkish participation Akçansa starts the construction of a second production line in the Çanakkale cement plant, which will double the plant's capacity to 4 million tonnes of clinker.

07/08

Expansion of market position in India
HeidelbergCement acquires the majority share in the Indian company Mysore Cements, thereby gaining access to the markets of central and southern India. The company operates two cement plants and a grinding installation.

Rating improved
The rating agencies Standard & Poor's and Fitch raise HeidelbergCement's rating to BBB-/A-3 and BBB-/F3 respectively. Moody's places the rating Ba1/NP under review for possible upgrade.

Next step forward in Russia
Majority participation in the Russian cement company Volsk. The plant with a cement capacity of 210,000 tonnes is situated in the Volga region. By the end of 2008, a new cement plant with a capacity of 2 million tonnes will be constructed in Volsk.

09/10

Expansion in Saint Petersburg and the Moscow area
Our subsidiary Cesla near Saint Petersburg invests EUR 140 million in the construction of a new production line to increase the cement capacity to 2 million tonnes.

HeidelbergCement purchases the majority share in the Russian company Gurovo Beton, around 130 km south of Moscow. A cement plant with a capacity of 2 million tonnes is to be built at the same location by 2008.

Majority participation in China
By acquiring a share of 80 % in Liaoning Gongyuan Cement, HeidelbergCement extends its activities in China to the north-eastern province of Liaoning. The capacity of the company, which operates three cement plants and a grinding installation, will be increased to 5.6 million tonnes.

11/12

Expansion in Central Asia
Participation of 75 % in Saqcementi, the largest cement manufacturer in the Caucasus region. The company operates two cement plants near the Georgian capital Tbilisi, is the market leader in Georgia and additionally supplies neighbouring countries.

HeidelbergCement plans to construct a new cement plant in Western Kazakhstan with a capacity of 2 million tonnes, in order to supply the booming region on the Caspian Sea.

Imprint

Concept and realisation
Group Communication & Investor Relations HeidelbergCement
Hans-Joachim Dietz, Kelkheim, Germany
ServiceDesign Werbeagentur GmbH, Heidelberg, Germany
Target Languages GbR, Gaiberg, Germany
DG Medien GmbH, Heidelberg, Germany
abcdruck GmbH, Heidelberg, Germany

Photographs
HeidelbergCement photo archives
Angelo Caggiano, Allentown, US – cover, pages 31, 42, 54 and 55

Translation of the Annual Report 2006. The German version is binding.

Copies of the 2006 accounts of HeidelbergCement AG and further information are available on request from Group Communication & Investor Relations. Kindly find this annual report and further information about HeidelbergCement on the Internet: **www.heidelbergcement.com**

Contact:
Group Communication
Phone: +49 62 21 / 4 81- 227
Fax: +49 62 21 / 4 81- 217
E-Mail: info@heidelbergcement.com

Investor Relations
Phone: +49 62 21 / 4 81- 696
Fax: +49 62 21 / 4 81- 217
E-Mail: IR-info@heidelbergcement.com

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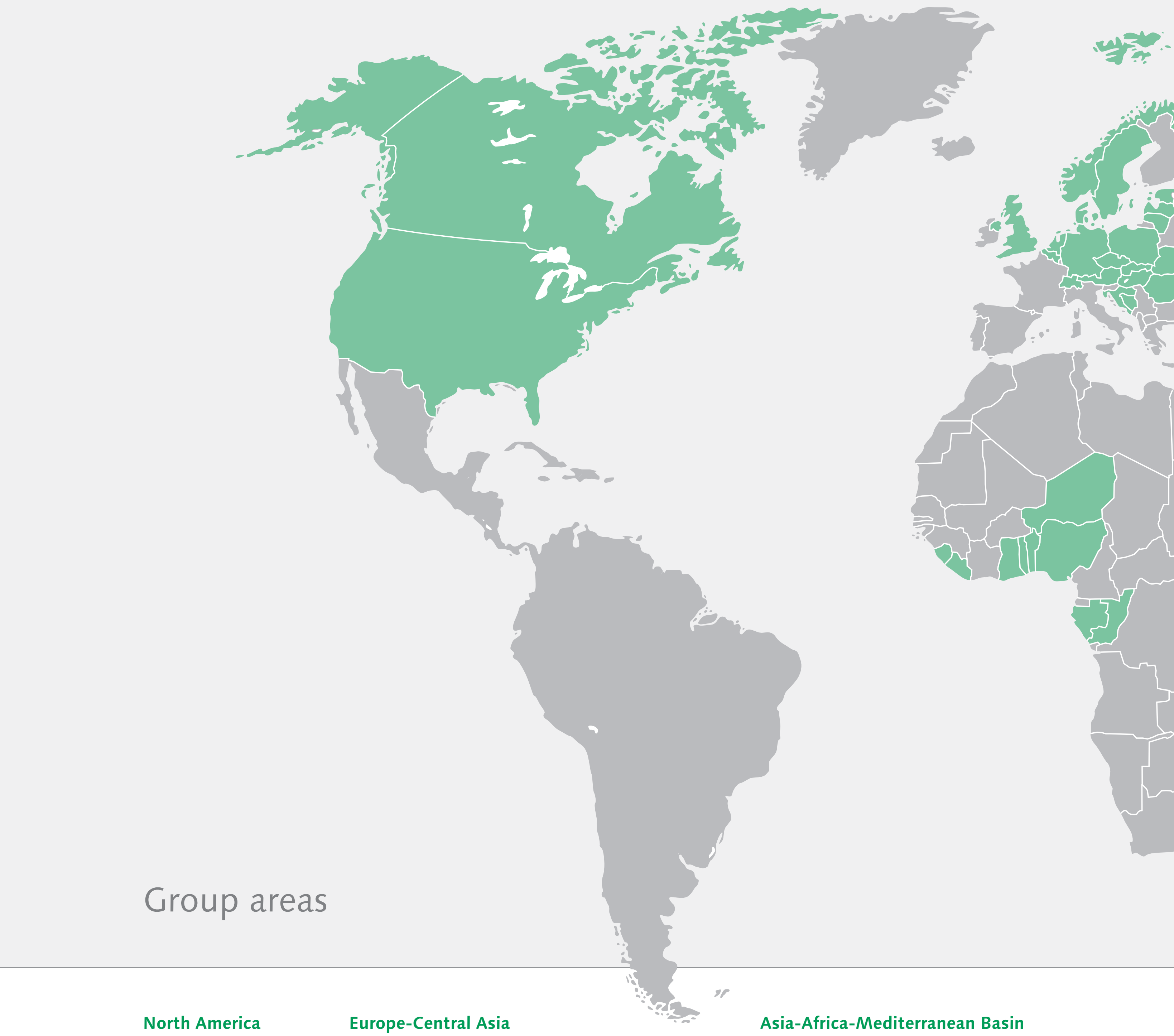
◀ Group areas

Financial calendar 2007	
Interim Report January to March 2007	9 May 2007
Annual General Meeting	9 May 2007
Interim Report January to June 2007	6 August 2007
Interim Report January to September 2007	6 November 2007



Group areas

North America

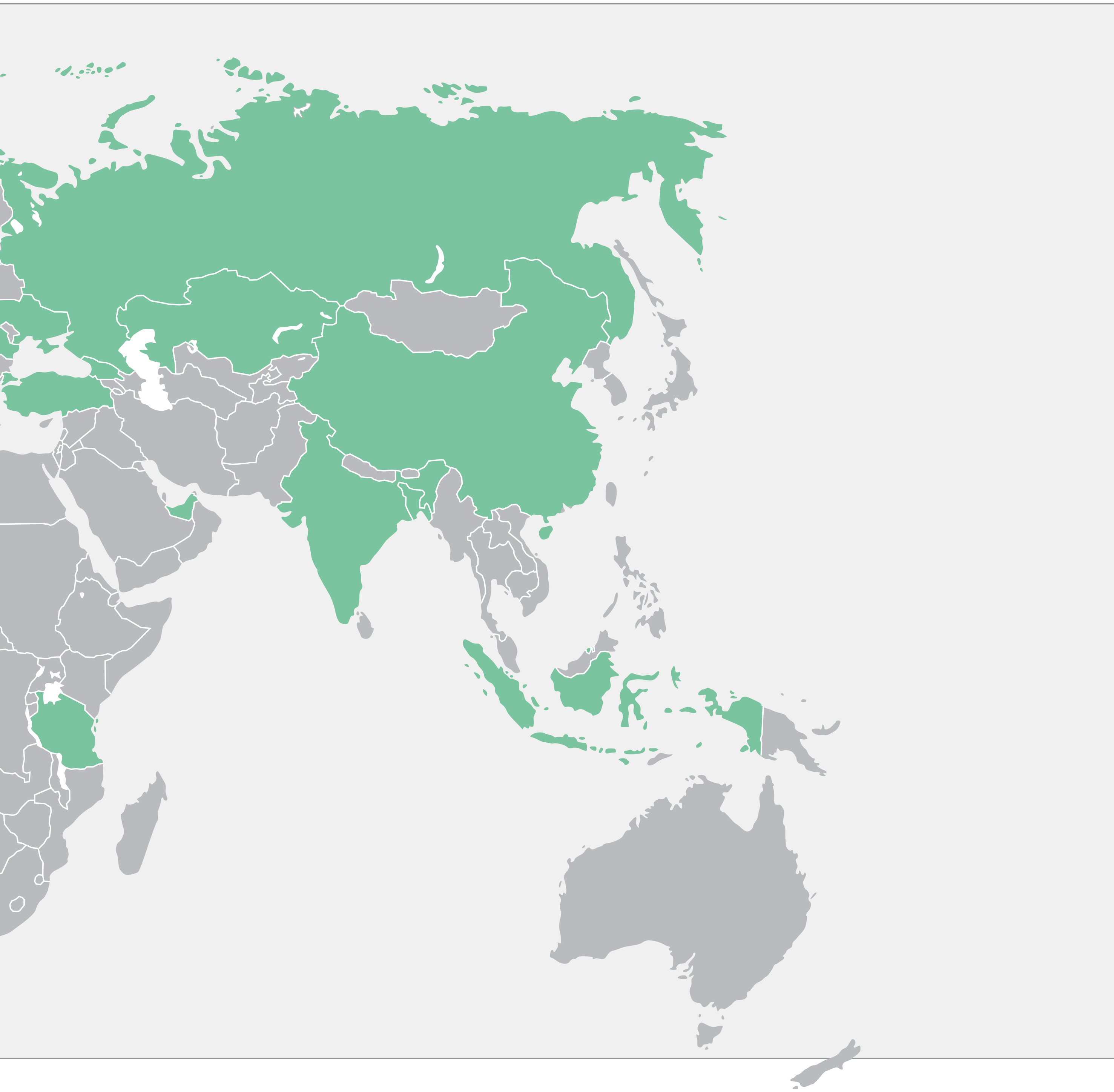
Canada
USA

Europe-Central Asia

Austria
Belgium
Bosnia-Herzegovina
Croatia
Czech Republic
Denmark
Estonia
Georgia
Germany
Hungary
Kazakhstan
Latvia
Lithuania
Netherlands
Norway
Poland
Romania
Russia
Slovak Republic
Sweden
Switzerland
Ukraine
United Kingdom

Asia-Africa-Mediterranean Basin

Benin
Gabon
Ghana
Liberia
Niger
Nigeria
Republic of the Congo
Sierra Leone
Tanzania
Togo
Bangladesh
Brunei
China
India
Indonesia
Turkey
United Arab Emirates



maxit Group

Group Services

Subsidiaries have additional locations in Bulgaria, Finland, France, Iceland, Ireland, Italy, Portugal, Saudi Arabia, Spain and Uzbekistan.

HeidelbergCement is member of:

World Business Council for Sustainable Development

econsense Forum Nachhaltige Entwicklung

HeidelbergCement AG
Berliner Strasse 6
69120 Heidelberg, Germany
www.heidelbergcement.com