



Dynamic
and
Efficient

Annual Report 2008

HEIDELBERGCEMENT

Financial highlights

Figures in EURm	2004	2005	2006 ¹⁾	2007 ²⁾	2008
Number of employees³⁾	42,062	41,260	40,983	67,916	60,841
Turnover					
Europe	3,132	3,446	4,230	5,732	7,190
North America	1,699	2,142	2,447	3,205	3,958
Asia-Australia-Africa	1,007	1,057	1,302	1,909	2,943
maxit Group	1,053	1,118			
Group Services	505	578	642	680	701
Inter-Group area turnover	-467	-539	-623	-664	-605
Total Group turnover	6,929	7,803	7,997	10,862	14,187
Operating income before depreciation (OIBD)	1,219	1,506	1,790	2,423	2,946
Operating income	735	1,010	1,329	1,850	2,147
Profit/loss for the financial year	-333	471	1,026	2,119	1,920
Group share	-366	415	951	2,022	1,808
Dividend in EUR per share	0.55	1.15	1.25	1.30	0.12⁴⁾
Investments in tangible fixed assets	466	548	506	1,039	1,101
Investments in financial fixed assets	45	386	315	11,735	150
Total investments in fixed assets	511	934	821	12,774	1,251
Depreciation and amortisation	972	593	513	616	1,166
Tangible fixed assets	7,357	7,949	8,344	21,309	20,086
Financial fixed assets	926	1,158	1,163	1,013	694
Current assets	2,433	2,828	2,811	5,473	5,508
Assets held for sale & discontinued operations				1,406	
Shareholders' equity and minority interests	3,963	5,058	5,828	7,519	8,261
Provisions	1,706	1,839	1,789	3,147	3,005
Liabilities	5,047	5,038	4,701	18,176	15,022
Liabilities in disposal groups & discontinued operations				359	
Balance sheet total	10,716	11,935	12,318	29,201	26,288

¹⁾ The number of employees as well as the figures from the Group profit and loss accounts and Group cash flow statement have been adjusted following the presentation of maxit Group as discontinued operation (IFRS 5) and are therefore not comparable with the 2006 annual accounts

²⁾ Figures have been restated (for details see management report, p. 20)

³⁾ 2004 and 2005: average number of employees; 2006 - 2008: number of employees as at 31 December

⁴⁾ The Managing Board and Supervisory Board will propose to the Annual General Meeting on 7 May 2009 the distribution of a cash dividend of EUR 0.12

Dynamic and Efficient

As one of the world's leading building materials companies, HeidelbergCement operates in around 50 countries. With a presence in the world's metropolitan areas, the Group is ideally equipped for today's megatrends of "demographic development and urbanisation". Around 60,000 employees contribute to the Group's success with their high level of commitment and focus on performance.

The core activities of our Group are cement production and the extraction of aggregates, as well as processing these materials to obtain concrete. Our high-performance building materials are used worldwide in impressive projects: Concrete is used to build bridges, high-rise buildings, sport stadiums and many other structures.

In 2008, rapid adjustments were made at an early stage to respond consistently to the changing economic environment. To deal with this exceptional situation, efficiency in production and administration was increased. This dynamic and efficient approach was also decisive in the successful integration of Hanson.

Ecological and social responsibility remains the guiding principle for HeidelbergCement, even in a difficult economic environment. We have made good progress in our efforts to achieve our goals of reducing CO₂ emissions and decreasing the use of natural resources. We have also succeeded in preserving and promoting biodiversity at our raw material extraction sites, setting standards in our industry.

HeidelbergCement – strong results in 2008 thanks to global market position

- **Group turnover up by 31% to EUR 14.2 billion in a difficult environment**
- **Operating income increases by 16% to EUR 2.1 billion**
- **Net indebtedness reduced by EUR 3 billion to EUR 11.6 billion**
- **Capacities and production structures adjusted to declining markets at an early stage**
- **Successful integration of Hanson strengthens prospects of profitable long-term growth**
- **Reorganisation of the financing structure planned for 2009**

Contents

Letter to the shareholders	2
Report of the Supervisory Board	6
Managing Board	10
Supervisory Board	12
HeidelbergCement share	14

Combined management report of HeidelbergCement Group and HeidelbergCement AG

Core activities and organisational structure	18
2008 business trend	18
Additional statements	29
Corporate Governance and Compliance	33
Risk management	36
Employees	41
Sustainable development and environmental precaution	43
Research and technology	45
Prospects	48

HeidelbergCement on the market

Europe	52
North America	55
Asia-Australia-Africa	58
Group Services	61

HeidelbergCement annual accounts

Group profit and loss accounts	64
Group cash flow statement	65
Group balance sheet	66
Statement of recognised income and expense	68
Reconciliation of changes in total equity	69
Segment reporting	70
Notes to the Group annual accounts	74
Audit Opinion	139
Responsibility statement	141

Additional information

Global functions and Country Managers	142
Glossary and index	144
Review of 2008 events	146



Dr. Bernd Scheifele,
Chairman of the Managing Board of HeidelbergCement

Letter to the shareholders

**Dear Shareholders,
Dear Fellow Employees and Friends of HeidelbergCement,**

For HeidelbergCement, 2008 was a financial year with two extremely different faces.

The first half of the year went largely according to plan. Results were in line with our expectations. We were able to offset cyclical decreases in results in the US and United Kingdom by means of significant increases in results in Europe, Indonesia and Australia in particular.

In the second half of the year, the economic environment changed drastically: Immediately after the bankruptcy of Lehman Brothers, the global economy was hit by the financial crisis. Throughout the world, confidence in the reliability and capability of the banking sector has been massively shaken. The far-reaching uncertainty resulting from this has, in an extremely short space of time, plunged the global economy into the heaviest downswing since the Second World War. Even in Europe and the emerging countries, the economic situation deteriorated noticeably, particularly in the fourth quarter of 2008.

The unpredictable development of the financial markets and its consequences have presented HeidelbergCement's financing policy with completely unexpected challenges.

What were the most important developments for our Group?

2008: An operationally successful year

Despite the deep global economic crisis, HeidelbergCement achieved the goals, published at the beginning of the year, of double-digit growth in turnover and operating income, in spite of considerable negative exchange rate effects. Turnover rose by around 31% to EUR 14.187 billion. Operating income before depreciation (OIBD) rose to EUR 2.946 billion. This is an increase of around 22% compared to the previous year. In operating income we achieved the highest level in our Group's history, with EUR 2.147 billion. The increase compared to the previous year amounts to 16%.

Once again, the Europe Group area made the biggest contribution to this solid operating income. The development in the Benelux countries, Germany, Sweden and Eastern Europe was particularly pleasing. In North America and the United Kingdom, results were noticeably below our expectations, but in both markets – even in comparison with the industry as a whole – we achieved creditable results in view of the very difficult environment, operating well in the black.

The decisive factors for success were our integrated market position, greatly improved as a result of the Hanson acquisition, combined with strong potential for reducing costs, which was consistently exploited by our local management.

The second highest operating income was achieved in the Asia-Australia-Africa Group area, where we were able to record an increase of around 62%. The development in Africa, Indonesia and Australia was particularly pleasing.

However, the profit and loss accounts also show one-time, non-cash extraordinary charges in the order of EUR 329 million. The impairment of acquired goodwill, particularly in the United Kingdom, Spain and Georgia, had an impact on this figure. This was largely due to the reduced long-term growth forecasts for these countries as a result of the global economic crisis.

Letter to the shareholders

Report of the Supervisory Board

Managing Board

Supervisory Board

Fast reaction to changed environment

HeidelbergCement's corporate culture is characterised by strength of implementation, cost efficiency and speed. In 2008, these management competences were clearly demonstrated once again. We responded strongly at a very early stage with capacity adjustments and cost reduction programmes, particularly in the recession markets in North America, the United Kingdom and Spain, and were thus able to curb the strain on results caused by the economic situation.

As early as July 2008, the Managing Board announced the Group-wide "Fitness 2009" programme, with a savings goal of EUR 250 million per year. At the same time, we prepared our operating units in Europe, Asia and Australia for the impending weakening of construction activity by means of detailed action plans. Investments were cut back noticeably.

These measures, taken at an early stage, led to more than 7,000 job cuts within the Group. These decisions were not taken lightly; however, they were absolutely necessary in order to strengthen our competitiveness. In keeping with the tradition at HeidelbergCement, the personnel measures were implemented in a socially responsible manner in constructive co-operation with the local employee representatives.

Hanson integration successfully completed

A central focus of our work in the 2008 financial year was the efficient and rapid worldwide integration of Hanson, with the aim of realising synergy effects of around EUR 400 million in 2010.

We are on course to achieve this ambitious goal. All major integration tasks were completed as planned in 2008. In the US and United Kingdom, the countries with the highest synergy potential, we completely changed the national organisations and management structures. This also applies to the European countries in which Hanson and HeidelbergCement operate jointly.

The headquarters in London were closed at the end of June 2008. At the same time, we combined the important centralised areas of activity – Finance, Tax, Law, Internal Audit, Personnel, Communication, Group Development and Information Technology – in Heidelberg. We also included Hanson fully in our Group Purchasing in order to consistently exploit the advantages of a joint procurement volume of around EUR 10 billion worldwide.

The success of the Hanson integration is also underlined by the fact that in the 2008 financial year we already realised synergies of around EUR 135 million. For 2009, we anticipate synergies in the range of EUR 250 million.

Sustainable development

HeidelbergCement adheres to the principle of sustainable development, i.e. the reconciliation of economic, ecological and social aspects – even in the current financial and economic crisis. We have made significant progress in the areas of climate protection, resource efficiency and promotion of species diversity. HeidelbergCement was the first company in the world in the building materials industry to introduce a Group guideline for the promotion of biological diversity at quarrying sites. The guideline, which was adopted in February 2009, sets Group-wide standards for the renaturation and recultivation of our quarries and aggregate pits. As a result of the acquisition of Hanson, with around 400 raw material extraction sites, this topic has become considerably more important. The systematic implementation of the guideline is a key task for the future.

Health and safety at the workplace were improved through numerous individual measures in connection with the initiative "Safe work – Healthy life". We will further intensify our efforts to prevent accidents with the clear policy

of zero tolerance for occupational accidents. Over the next few years, high priority will be given to the task of firmly establishing a comprehensive safety culture throughout the Group.

Financing

Throughout the world, the dramatically intensified financial crisis has led to an unprecedented narrowing of financing possibilities. In addition, it has also caused completely unexpected liquidity problems for our major shareholder, which in the past had strongly supported the Group's shareholders' equity base with several capital increases. The refinancing possibilities for HeidelbergCement therefore deteriorated considerably in the second half of the year. Despite a global market position rated as excellent, the rating agencies downgraded our Group on several occasions.

In hindsight, it is clear that we should have approached the long-term refinancing of the Hanson acquisition earlier and more thoroughly. We did not anticipate the magnitude and the speed of the financial crisis at that point in time.

The Managing Board responded promptly to the fundamentally altered financing conditions for HeidelbergCement and agreed on a comprehensive package of measures. The short-, medium- and long-term components of this package aim to secure the liquidity and create a new, sustainable financing basis for the Group for the long term. For the short term, we have placed strong emphasis on cash flow generation in our day-to-day activities. We have consistently reduced costs, restricted investments and optimised our working capital. The cash flow of approximately EUR 1 billion achieved in the last quarter underlines the success of this programme. We will continue with this policy in 2009.

For the business areas that do not belong to the value chain cement, aggregates and concrete, and geographical non-core markets, we have drawn up a disinvestment programme extending over two to three years, with the aim of noticeably decreasing the level of debt. We have already made good progress in 2008. We were able to reduce net debt by EUR 3 billion to EUR 11.6 billion. This was largely due to the strong cash flow as well as the proceeds from a capital increase and from the sale of maxit Group. Together with leading banks, we are working on the development of a new capital and financing structure for the Group. The aim is to put the Group's financing on a new stable basis for the long term, through a combination of financing and/or equity measures. This process has progressed according to schedule in the first few months of 2009. We are confident of being able to reach a comprehensive and successful solution in the course of 2009.

Thanks to our employees

2008 demanded a great deal from our employees, particularly in the second half of the year. Their strong personal dedication and unconditional loyalty to our Group made the good operating income during this exceptional year possible. I would therefore like to express sincere thanks and appreciation on behalf of myself and my colleagues on the Managing Board. I would also like to thank the employee representatives for their traditionally constructive co-operation at HeidelbergCement.

Particular thanks, and the highest appreciation, must be extended to our managers. They responded to the economic and financial crisis consistently, and at an early stage, with drastic cost reduction measures. The further increase in operating income in 2008, and the fast and efficient integration of Hanson would not have been possible without them.

Letter to the shareholders

Report of the Supervisory Board

Managing Board

Supervisory Board

In remembrance of Dr. Adolf Merckle

The tragic death of Dr. Adolf Merckle came as a severe shock to the Managing Board, the employees and most of all, to me. For many years, Dr. Merckle was a friend and important advisor on numerous issues. His presence and advice are greatly missed. He played an active role in supporting and shaping the development of HeidelbergCement for many years – from 2005 as the main shareholder. HeidelbergCement's positioning as one of the world's leading building materials manufacturers owes a great deal to his dedication. He deserves our sincere thanks and appreciation.

Prospects for 2009

2009 will be a year full of challenges for the building materials industry, the most challenging year for decades. Although government economic programmes have been announced and adopted worldwide, we anticipate a further decline in demand, at least in the first half of the year. At present, no reversal of this trend is expected in the near future.

Nevertheless, it is also clear that our industry, and particularly HeidelbergCement, will benefit from the government infrastructure projects in North America, Europe, China and Australia, thanks to its strong, global and – as a result of the Hanson acquisition – vertically integrated market position.

The sustained high volatility on the financial, foreign exchange and raw material markets does not allow us, at present, to make a reliable forecast for business development in 2009. For this reason, no forecast is provided this year.

HeidelbergCement has three areas of focus for 2009:

- In our day-to-day operating activities, uncompromising cost management is paramount. Strong emphasis will be placed on the consistent adjustment of fixed costs in all areas and the reduction of replacement and rationalisation investments to a minimum.
- We are focusing on generating the highest possible cash flow. Securing and optimising the liquidity takes priority over earnings.
- We are making great efforts to put the Group's financial and capital structure on a stable basis for the long term.

Although the current situation is exceptional, so is our determination to overcome it successfully. HeidelbergCement will remain on course. So we would ask for your continued support in the future!

Yours sincerely,



Dr. Bernd Scheifele

Chairman of the Managing Board



Fritz-Jürgen Heckmann,
Chairman of the Supervisory Board of HeidelbergCement

Report of the Supervisory Board

Ladies and Gentlemen,

In the 2008 financial year, HeidelbergCement achieved its announced turnover and result goals despite the difficult economic environment. In view of the declines recorded in building materials markets worldwide and the considerable weakening of major currencies against the euro, this illustrates the Group's operational strength. The good results in 2008 are attributable to HeidelbergCement's international market position, consistent cost management, successful integration of the Hanson Group and broad raw material base, among other factors.

However, more weight carry the consequences of the financial market crisis for Group financing, which present the Group with additional challenges, in view of the downgraded rating for Group bonds and the developments at our main shareholder. The Supervisory Board is confident that the Group will overcome the challenges this year and quickly match the success of previous years. It feels its most important task at present is to actively work towards this aim.

Consultation and monitoring

The Supervisory Board carried out the tasks entrusted to it by Law, the Articles of Association, Rules of Procedure and the Corporate Governance Principles, and advised and supervised the Managing Board in the management of the Group. It received regular and detailed reports, both written and verbal, about the intended business policies, fundamental issues of financial, investment and personnel planning, the progress of business and the profitability of the company. Cases where the business trend deviated from the plans were explained to the Supervisory Board in detail by the Managing Board. The Managing Board co-ordinated the strategic orientation of the Group with the Supervisory Board. The Supervisory Board was directly involved in all decisions of fundamental importance for the Group. Investment, disinvestment and financing projects requiring authorisation were presented and discussed before decisions were made. Where these concerned investments in growth 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. In addition, it is satisfied as to the effectiveness of the compliance programme that ensures Group-wide observance of the law and internal guidelines. Outside the meetings, the Chairman of the Supervisory Board was in regular contact with the Chairman of the Managing Board.

In the reporting year, four meetings of the Supervisory Board took place; the Personnel Committee met twice, the Audit Committee once. The plenary session in March dealt with the 2007 annual accounts, preparations for the 2008 Annual General Meeting, the status of the Hanson integration and several financing measures. In its May meeting, the plenary session deliberated, among others matters, on the development of business in the first quarter of 2008, the Group Compliance Report and additional financing measures. The focal points of the meeting in September were the report on the first half of the year, the consequences of the war in Georgia, the "Fitness 2009" programme issued by the Managing Board to absorb the impending weakening of the economic situation, and a report on occupational health and safety development across the Group. The December meeting dealt with the current business trend, the preliminary planning for 2009, the financial status and the extension of a Managing Board mandate, among other

Report of the Supervisory Board

Managing Board

Supervisory Board

matters. In the meetings of the Personnel Committee, matters relating to Managing Board remuneration were tackled and a preliminary discussion took place on the extension of a Managing Board mandate. The meeting of the Audit Committee in March 2008 dealt with the 2007 annual accounts and the appointment of the auditors for 2008. The Arbitration Committee, formed in accordance with § 27, section 3 of the German Codetermination Law, and the additionally formed Nomination Committee 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 17 March 2008 and this year's statement of compliance was submitted on 17 March 2009. The adjustment to an amendment of the German Corporate Governance Code of 6 June 2008 took place at the Managing Board and Supervisory Board meetings on 17 March 2009.

To avoid repetition, the fundamentals of the remuneration system for the members of the Managing Board are detailed under Remuneration of the Managing Board in the Corporate Governance and compliance chapter of the management report (page 33).

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 32).

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 Steuerberatungsgesellschaft, Stuttgart. In December 2008, 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 2008 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 0.12 per share.

Personnel matters

At the end of 2008, Mr Alan Murray retired, as agreed, from the Managing Board, to which he had been appointed in autumn 2007 as former Chief Executive of Hanson. Mr Murray made a significant contribution to the successful integration of the Hanson Group. Mr Murray deserves our thanks and appreciation for this and for the successful management of the Group's North American activities in the reporting year.

As a result of the sale of maxit Group, Mr Heinz Kimmel retired from the Supervisory Board on 13 March 2008. The Supervisory Board thanks him for his many years of active and competent involvement. In his place, the Local Court (Amtsgericht) of Mannheim appointed Mrs Veronika Füss, an employee in the sales region south, Schelklingen, as a member of the Supervisory Board to represent the employees, on 20 March 2008.

On 25 April 2008, Mr Helmut S. Erhard died, who had been appointed a member of the Supervisory Board by the Local Court of Mannheim on 19 February 2008, after he had retired from the Managing Board for reasons of age at the end of 2007 following many years of extraordinarily successful work for the Group. The Supervisory Board is greatly obliged to Mr Erhard for the lasting benefit he contributed to the Group.

After the 2008 Annual General Meeting, Mr Karl Heinz Strobl gave up his Supervisory Board mandate as an employee representative, after leaving the Managing Board of the Trade Union for Building-Agriculture-Environment (IG BAU) to go into retirement. The Supervisory Board thanks him for his many years of competent and committed involvement. In his place, the Local Court of Mannheim appointed Mr Frank-Dirk Steininger, a specialist on the Federal Executive Committee of the Trade Union for Building-Agriculture-Environment, to the Supervisory Board on 11 June 2008.

On 5 January this year, Senator h.c. Dr. med. h.c. Adolf Merckle died in tragic circumstances. Dr. Adolf Merckle had been a member of the Supervisory Board since 1971, with a brief hiatus, and Chairman of the Audit Committee since 2005. He thus carried on a long tradition of the Merckle/Spohn family, as a third-generation member on the Supervisory Board of our Group. In the Supervisory Board and, since 2005, additionally as the main shareholder, he played an active role in supporting and shaping the dynamic development of HeidelbergCement from a medium-sized company in southern Germany to a globally leading building materials manufacturer. In particular, the biggest step so far, the acquisition of Hanson in 2007 and the strategic reorientation of the Group towards a dual raw materials and product focus on cement and aggregates, was firmly supported by Mr Merckle, whose entrepreneurial thinking was always oriented on the long term. The extraordinarily successful growth of HeidelbergCement in recent years would not have been possible without his dedication. The Supervisory Board owes him profound thanks and appreciation.

Letter to the shareholders

Report of the Supervisory Board

Managing Board

Supervisory Board

As the Supervisory Board will be newly constituted at this year's Annual General Meeting, the Managing Board and Supervisory Board have decided to leave the vacant places for shareholder representatives on the Supervisory Board unoccupied until the Annual General Meeting.

In its meeting on 6 February this year, the Supervisory Board extended the appointment of Dr. Scheifele as Chairman of the Managing Board of the company, which was due to expire at the end of January 2010, by a further five years.

The Supervisory Board thanks the Group's management and all the employees of the Group for their high level of personal dedication during the 2008 financial year.

Heidelberg, 17 March 2009

On behalf of the Supervisory Board

Yours sincerely,



Fritz-Jürgen Heckmann
Chairman

Managing Board

Dr. Bernd Scheifele

Born in Freiburg (Germany), aged 50 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, Legal, Compliance, and Internal Audit.

Dr. Dominik von Achten

Born in Munich (Germany), aged 43 years. Studies in law and economics at the German universities of Freiburg and Munich.

Member of the Managing Board since 2007; in charge of North America (since 1 January 2009), Purchasing and worldwide coordination of the Competence Center Materials; until the end of 2008 responsible for the United Kingdom and the integration of Hanson.

Daniel Gauthier

Born in Charleroi (Belgium), aged 52 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 Northern and Western Europe, (incl. the United Kingdom since 1 January 2009), Mediterranean, Africa, Group Services, and Environmental Sustainability.

Andreas Kern

Born in Neckarsteinach (Germany), aged 50 years. Studies in business administration at Mannheim (Germany).

Since 1983 at HeidelbergCement. Member of the Managing Board since 2000; in charge of Central Europe and Central Asia, Sales and Marketing, and worldwide coordination of secondary cementitious materials.

Alan Murray (until 31 December 2008)

Born in Liverpool (UK), aged 55 years. Degree in economics and marketing from Lancaster University (UK).

Joined Hanson in 1988. Member of Heidelberg-Cement's Managing Board from 1 October 2007 until 31 December 2008; in charge of North America.

Dr. Lorenz Näger

Born in Ravensburg (Germany), aged 48 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, Shared Service Center and Logistics.

Dr. Albert Scheuer

Born in Alsfeld (Germany), aged 51 years. Studies in mechanical engineering/process technology at Clausthal (Germany).

Since 1992 at HeidelbergCement. Member of the Managing Board since 2007; in charge of Asia and Oceania and worldwide coordination of Heidelberg Technology Center.

Letter to the shareholders

Report of the Supervisory Board

Managing Board

Supervisory Board



Dr. Dominik von Achten, Daniel Gauthier, Dr. Bernd Scheifele (Chairman), Dr. Lorenz Näger, Dr. Albert Scheuer, Andreas Kern (from left to right)

Supervisory Board

Fritz-Jürgen Heckmann

Chairman

Stuttgart; Business Lawyer

Heinz Schirmer

Deputy Chairman

Schelklingen; Chairman of the Council of Employees at the Schelklingen plant, HeidelbergCement AG

Theo Beermann

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

Helmut S. Erhard †

19 February 2008 until 25 April 2008

Allentown, Pennsylvania/US; former member of the Managing Board of HeidelbergCement AG

Robert Feiger

Frankfurt; member of the Federal Executive Committee, IG Bauen-Agrar-Umwelt

Veronika Füss

since 20 March 2008

Schelklingen; Chairwoman of the Council of Employees, sales region south, Schelklingen, HeidelbergCement 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

Heinz Kimmel

until 13 March 2008

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 Merkle †

until 5 January 2009

Blaubeuren; Attorney

Ludwig Merkle

Ulm; VEM Vermögensverwaltung GmbH

Tobias Merkle

Leonberg; Managing Director of the association Prisma e.V. – Initiative für Jugendhilfe und Kriminalprävention

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

Frank-Dirk Steininger

since 11 June 2008

Frankfurt; specialist in employment law for the Federal Executive Committee at the IG Bauen-Agrar-Umwelt

Karl Heinz Strobl

until 8 May 2008

Weiden; until 22 April 2007, member of the Federal Executive Committee, IG Bauen-Agrar-Umwelt

Letter to the shareholders

Report of the Supervisory Board

Managing Board

Supervisory Board

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 until 5 January 2009

Robert Feiger (since 10 December 2008)

Fritz-Jürgen Heckmann

Heinz Schirmer

Eduard Schleicher

Heinz Schmitt

Karl Heinz Strobl (until 8 May 2008)

Nomination Committee

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

Chairman until 5 January 2009

Fritz-Jürgen Heckmann

Ludwig Merckle

HeidelbergCement share

Overview

Earnings per share in accordance with IAS 33 for the financial year 2008 were EUR 14.55 (previous year: 17.11). For continuing operations, earnings per share amount to EUR 4.50 (previous year: 15.92). The Managing Board and Supervisory Board will propose to the Annual General Meeting on 7 May 2009 the distribution of a dividend of EUR 0.12 per HeidelbergCement share.

On 31 December 2008, according to the notifications available to us in accordance with the German Securities Trading Law (Wertpapierhandelsgesetz) and further information, the main shareholders of HeidelbergCement AG were Spohn Cement GmbH with 53.60% of the shares, Senator h.c. Dr. med. h.c. Adolf Merkle with 25.46% (of which 25.46% is held via VEM Vermögensverwaltung GmbH¹⁰, Dresden, and three other subsidiaries) and Schwenk Beteiligungen GmbH & Co. KG with 6.9% In free float were 14.04% of our shares.

Capital increase

In February 2008, we carried out a cash capital increase from authorised capital to strengthen the shareholders' equity base. VEM Vermögensverwaltung GmbH, which belongs to the Merkle group, subscribed for 5 million new shares. HeidelbergCement received around EUR 512.5 million from the capital increase, which was used to reduce its financial liabilities. The share capital rose by EUR 15 million to EUR 375 million and the number of shares to 125 million.

Development of the HeidelbergCement share

In 2008, the HeidelbergCement share was no exception in being affected by the sharp price correction on the international share markets as a result of the worldwide financial crisis. As a result of the continuing decline in demand in major building materials markets such as the US and the United Kingdom, as well as the uncertain outlook for construction activity in Europe and the emerging countries, the share price fell by around 45% by the end of October. After the liquidity shortage at VEM Vermögensverwaltung GmbH, which holds a share of around 25% in HeidelbergCement, was widely discussed in public during the last few weeks of the year, the price of our share decreased further and closed at EUR 31.70 at the end of 2008. Overall, the price of the HeidelbergCement share fell by 70.1% in the course of the year, while DAX and MDAX decreased by 40.4% and 43.2% respectively; the worldwide sector index, the MSCI World Construction Materials Index, recorded a decrease of 41.5% HeidelbergCement's market capitalisation totalled EUR 4.0 billion at the end of 2008.

HeidelbergCement shares are represented in around 40 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.

HeidelbergCement AG share capital: development 2008

	Share capital EUR '000s	Number of shares
1 January 2008	360,000	120,000,000
Cash capital increase	15,000	5,000,000
31 December 2008	375,000	125,000,000

¹⁰ VEM Vermögensverwaltung GmbH informed the Company in accordance with § 21, section 1, clause 1 of the German Securities Trading Law that its share of the voting rights exceeded the threshold of 25% on 6 October 2008 and that it held 25.19% of the voting rights on that date.

HeidelbergCement share

- Management report
- On the market
- HeidelbergCement annual accounts
- Additional information



Measured in terms of its weighting in the HDAX share index, HeidelbergCement was at position 65 of the 110 largest quoted companies in Germany at the end of 2008. 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 and retail investors as well as equity and credit analysts via our Internet site (www.heidelbergcement.com) and our investor relations 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 13.

Development of the HeidelbergCement share 2008 (ISIN DE0006047004. WKN 604700)

EUR	2008
Year-end share price 2007	106.00
Highest share price	113.00
Lowest share price	26.81
Year-end share price 2008	31.70
Shareholders' equity per share	66.09
Market value on 31 Dec. 2008 (EUR '000s)	3,962,500

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

EURm	2007	2008
Group share of profit	2,021.8	1,808.2
Number of shares in '000s (weighted average)	118,177	124,315
Earnings per share in EUR	17.11	14.55
Net income from continuing operations		
– attributable to the parent entity	1,880.7	558.5
Earnings per share in EUR – continuing operations	15.92	4.50
Net income from discontinued operations		
– attributable to the parent entity	141.1	1,249.7
Earnings per share in EUR – discontinued operations	1.19	10.05



Building bridges

With concrete fascinating
structures are possible





Pentele Bridge, Hungary

Combined management report of HeidelbergCement Group and HeidelbergCement AG

Core activities and organisational structure

HeidelbergCement operates on five continents as a fully integrated building materials company. Our core activities include the production and distribution of cement and aggregates, the two essential raw materials for concrete production. We supplement our product range with downstream activities such as ready-mixed concrete, concrete products and concrete elements, as well as other related products and services. Cement and aggregates form the basis of our dual raw materials and growth strategy. In the cement activities, the focus is on growth markets, while in mature markets we concentrate on expanding vertical integration and securing raw materials for aggregates.

HeidelbergCement is geographically divided into the three Group areas: Europe, North America and Asia-Australia-Africa. In 2008, we assigned the Central Asian country Kazakhstan, previously managed as part of Europe-Central Asia, to the Asia-Australia-Africa Group area. This allowed us to drop the 'Central Asia' part of the name. In the Asia subarea, we also report on Turkey, and therefore we no longer inform separately on the 'Mediterranean' subregion.

HeidelbergCement relies on an integrated management approach. Its success is based on a balance between local responsibility for the business, Group-wide standards and global leadership.

Our local operating units are crucial to the success of the business. Local management has full responsibility for production, market cultivation and the development of managers, with the aim of market and cost leadership. They are supported by Shared Service Centers, which bring together, at national level, the administrative functions for all business lines based on a standardised IT infrastructure. HeidelbergCement standardises all major management processes to ensure transparency, efficiency

and quick implementation within the Group. Uniform Group-wide key performance indicators allow direct comparison. They are an important prerequisite for continuous benchmarking.

Change in consolidation scope

As regards the comparability of the 2007 and 2008 financial years, it is important to bear in mind that, in the reporting year, the Hanson Group – acquired in 2007 – was included in the Group annual accounts for the full year for the first time, while in the previous year it was only included for the period from 24 August to 31 December.

In order to show the operational development, i.e. adjusted for consolidation effects, the contributions of Hanson for the period from 1 January to 23 August 2008 are not taken into account

2008 business trend

Economic environment

Global economic development in 2008 was characterised by extraordinary events. While growth in the first half of the year exhibited no more than weak regional trends, the general downturn in the second half of the year was faster and, more significantly, heavier than had generally been expected. The severe crisis on the financial markets has now spread to all sectors of economy. The overall growth of the global economy in the past year is estimated at around 2.5% – after 3.9% in 2007. In the euro zone, the growth of the gross domestic product fell to around 1% Germany emerged with an above-average figure of 1.5%. Additionally, the United Kingdom and Spain were adversely affected by the decline of the property markets. The cooling also had an impact on the mar-

HeidelbergCement share

Management report

On the market

HeidelbergCement annual accounts

Additional information



kets of Central and Eastern Europe. In the US, growth of around 1% was achieved in 2008, with a considerably lower figure in the last quarter. Despite the progressive weakening, growth rates in the emerging countries of Asia were between 6% and 9%

Varied development was recorded in the building materials markets. In 2008, global cement consumption rose only slightly, by 1% In Asia, cement consumption increased significantly in some countries. High growth rates were also achieved in some Eastern European countries, while the increase in Germany dwindled to 1% The slump was heaviest in the United Kingdom and the US, with cement consumption declining by around 15% and 13%, respectively in 2008.

Integration successfully completed

Following the acquisition of Hanson in August 2007, the successful integration in just 15 months was the outstanding achievement of Heidel-

bergCement, excellently complemented by the Hanson activities, is the right strategic step for the long term, presenting strong earnings potential. Nevertheless, the financial market crisis, which had an unexpectedly fast and dramatic impact on the real economy in the US and, in particular, the United Kingdom in 2008, is adversely affecting the short-term rate of return.

Despite the difficult environment, Group turnover rose by 30.6% to EUR 14,187 million (previous year: 10,862). This was largely due to significant consolidation effects – resulting primarily from the inclusion of Hanson for the whole reporting year – of EUR 3,856 million and the healthy operational development in Asia and Africa as well as in the majority of European countries. The weakness of major currencies against the euro produced an overall negative effect of around EUR 465 million. Excluding consolidation and exchange rate effects, turnover remained at the high level of the previous year despite the decline in demand in the US and United Kingdom as

Group profit and loss accounts (short form)

EURm	2007 ¹⁾	2008	Change
Turnover	10,862	14,187	31%
Operating income before depreciation (OIBD)	2,423	2,946	22%
Amortisation and depreciation of intangible assets and tangible fixed assets	-573	-799	39%
Operating income	1,850	2,147	16%
Additional ordinary result	822	-371	-145%
Results from participations	167	51	-69%
Earnings before interest and income taxes (EBIT)	2,839	1,827	-36%
Financial result	-496	-829	67%
Profit before tax from continuing operations	2,343	998	-57%
Taxes on income	-369	-327	-11%
Net income from continuing operations	1,974	671	-66%
Net income from discontinued operations	144	1,249	765%
Profit for the financial year	2,119	1,920	-9%
Group share of profit	2,022	1,808	-11%

¹⁾ Figures have been restated



well as the initial effects of the financial crisis on countries such as Romania and Kazakhstan.

Cement and clinker sales volumes rose by 1.3 % to 89.0 million tonnes (previous year: 87.9). Excluding consolidation effects, sales volumes decreased by 2.3 % as a result of the heavy decline in the US market. The deliveries of aggregates increased by 66.8 % to 299.5 million tonnes (previous year: 179.6). Excluding consolidation effects, sales volumes fell by 12.2 % This was primarily caused by the slump in demand in North America. Asphalt sales volumes increased by 152.2 % to 12.1 million tonnes (previous year: 4.8). Operationally, i.e. excluding consolidation effects, shipments in all Group areas decreased by 16.7 %, with a particularly heavy decline in North America. Ready-mixed concrete sales volumes grew by 35.7 % to 44.4 million cubic metres (previous year: 32.7). Excluding the substantial contribution made by the consolidation of Hanson, sales volumes fell by 5.0 % While the sales volumes in the Europe Group area reached the previous year's level and increased significantly in Asia and Australia, a heavy decline was recorded in the US.

Partial adjustment of previous year's values

Because of the size and complexity of the Hanson transaction in the 2007 financial year, the purchase price allocation as at 31 December 2007 was only preliminary. Some of the previous year's values in the Group balance sheet were therefore adjusted to the final results of the Hanson purchase price allocation in accordance with IFRS 3.62. This essentially concerned the Hanson brand name, tangible fixed assets, provisions and deferred tax liabilities. This resulted in a reduction of EUR 80 million in goodwill. Adjustments were also made to previous year's values in the profit and loss account: The interest cost from provisions for pensions and the expected return on plan assets were reclassified from personnel costs to financial results. The income from the sale of surplus emission rights was reclassified from the additional ordinary result to other operating income. As a result of

these changes, the values are, in some cases, not comparable with the values published in the 2007 Group annual accounts.

Earnings position

In the 2008 financial year, the earnings position was largely determined by the full-year inclusion of Hanson. The weakening of major currencies against the euro is also having a significant impact on results.

Operating income before depreciation (OIBD) rose by 21.6 % to EUR 2,946 million (previous year: 2,423). Consolidation effects, of which the majority related to Hanson, contributed EUR 497 million to this increase. The organic growth of 5.4 % is primarily attributable to a significant rise in Asia and Africa as well as an improvement in Europe. The negative exchange rate effect amounted to around EUR 100 million. Operating income increased by 16.0 % to EUR 2,147 million (previous year: 1,850); EUR 267 million of this amount was due to consolidation effects, with the majority relating to Hanson. Despite the heavy decline in the US, an overall improvement of 6.1 % was achieved in operational terms. Once again, this includes a considerable negative exchange rate effect of EUR 80 million.

The increase of EUR 1,579 million in material costs to EUR 5,693 million (previous year: 4,114), is essentially attributable to the increased raw material costs, besides the full-year inclusion of Hanson. However, cost synergies from the rapid integration of Hanson were realised to a greater extent than planned, e.g. by pooling worldwide purchasing volumes. Personnel costs rose to EUR 2,298 million (previous year: 1,671). This primarily reflects the increase in the number of employees because of consolidation effects. While the number of employees fell to 60,841 (previous year: 67,916) at the end of 2008, the annual average headcount in the Group was 62,916 (previous year: 50,370), i.e. 12,546 more employees than in the previous year, as a result of the full-year inclusion of Hanson.

HeidelbergCement share

Management report

On the market

HeidelbergCement annual accounts

Additional information



The additional ordinary result of EUR -371 million (previous year: 822) was affected in particular by goodwill impairment losses of EUR 329 million. Restructuring costs for adjusting capacities and production structures in the United States and United Kingdom also had an impact. In 2007, the additional ordinary result had been primarily characterised by the sale of the participations in Vicat S.A. and Florida Rock Industries Inc. The decrease in the results from participations to EUR 51 million (previous year: 167) was primarily caused by the sale of Vicat S.A. in June 2007 and the fact that the Hanson Group has been fully included since 24 August 2007.

The change in the financial results to EUR -829 million (previous year: -496), is largely attributable to the fact that financing was required throughout the year for the Hanson acquisition, in contrast to the previous year. Besides the considerable market decline in the United States and United Kingdom, the decrease in the profit before tax from continuing operations, which amounted to EUR 998 million (previous year: 2,343), was primarily due to the effects of the additional ordinary result.

The taxes on income fell to EUR 327 million (previous year: 369); Hanson accounted for EUR 19 million of this figure. The decline in the income tax expense is largely attributable to the fact that the United Kingdom and United States were particularly affected by the financial market and economic crisis in 2008.

The net income from continuing operations decreased to EUR 671 million (previous year: 1,974). As a result of the sale of maxit Group on 13 March 2008, the net income from discontinued operations increased by EUR 1,105 million to EUR 1,249 million. The Group share of profit amounts to EUR 1,808 million (previous year: 2,022).

Earnings per share – Group share of profit – in accordance with IAS 33 fell to EUR 14.55 (previous year: 17.11). For continuing operations, the earnings per share amount to EUR 4.50 (previous year: 15.92).

In view of the development of results, the Managing Board and Supervisory Board will propose to the Annual

General Meeting on 7 May 2009 the distribution of a dividend of EUR 0.12 (previous year: 1.30) per share.

Business trend in the Group areas

In **Europe**, HeidelbergCement operates in 23 countries. The United Kingdom has become considerably more important; it is now the second largest market region in the Group. The construction industry, which was still a growth driver in many countries in the first few months of 2008, weakened heavily in the second half of the year, particularly in the United Kingdom and Spain. Overall, our cement and clinker sales volumes rose by 2.3 % to 43.2 million tonnes (previous year: 42.2). Excluding consolidation effects, the sales volumes decreased slightly. The cement plants in the Eastern European countries recorded significant increases in sales volumes. A rise in domestic demand was also experienced in Germany, the Benelux countries and Northern Europe. In contrast, our plants in the United Kingdom suffered a heavy decrease in volumes. In 2008, our investments focused on measures to modernise and improve environmental protection, but capacity increases were also continued. In Georgia, the newly constructed production line at Kartuli Cementi commenced operation; this line had been taken over from the decommissioned Kiefersfelden plant in Germany. We commissioned an import terminal in Kaliningrad in order to cover the growing cement demand in the region. We have obtained all the necessary permits for the construction of the new Tula cement plant in the Moscow area. We have expanded facilities for the use of alternative fuels in Norway, Sweden, Belgium and the United Kingdom. In Hungary, Romania and the Czech Republic, the new or modernised kiln lines also allow a significantly higher proportion of alternative fuels to be used. Modern, high-performance dust filters were installed in the Georgian and Czech cement plants, as well as in Leimen and Schelklingen, Germany.

The aggregates and concrete business line, which also includes asphalt production, was adversely affected by the property crisis in the United Kingdom and Spain, as



well as by the incipient weakening in other European countries. Total aggregates sales volumes rose by 42.1% to 125.1 million tonnes (previous year: 88.0). Excluding the new consolidations, particularly the Hanson activities, sales volumes were 3.1% below the previous year's level. The heaviest losses were suffered in Spain, the United Kingdom and the Baltic States. In contrast, strong growth rates were achieved in most Eastern European countries, as well as in Germany and the Benelux countries. While capacities were expanded in Poland, we decommissioned several production sites in the United Kingdom as a result of the decline in demand. Asphalt sales volumes, which increased to 4.6 million tonnes (previous year: 1.5) because of consolidations, decreased operationally as a result of the decline in road maintenance and construction in the United Kingdom.

In 2008, the total sales volumes of our ready-mixed concrete plants grew by 36.5% to 24.1 million cubic metres (previous year: 17.6). Excluding consolidation effects, this figure reached the previous year's level. Regional increases in the Benelux countries, Germany, Sweden, the Czech Republic, Hungary and Romania were offset by losses in Poland, Norway, Denmark, Russia and the Baltic States. The declines were heaviest in the British and Spanish plants. We expanded our network by commissioning new locations in the Benelux countries, Norway, Hungary, Ukraine and the Czech Republic, as well as by acquiring a participation in Slovakia.

In the building products business line, HeidelbergCement has leading market positions in the United Kingdom in bricks and roof tiles, aircrete blocks, wall cladding and flooring systems, pavers and other products. All these segments were particularly affected by the heavy slump in residential construction. In order to safeguard our competitiveness, we reduced our capacities considerably.

The concrete products operating line achieved increases in turnover in Germany and Sweden. The sales volumes of the German sand-lime brick plants underwent a cyclical decrease in 2008. We took the initial steps in selling our lime activities in Germany.

The turnover of the Europe Group area increased by 25.4% in 2008 to EUR 7,190 million (previous year: 5,732). Excluding consolidation and exchange rate effects, the turnover was only slightly below the previous year's level, with a decrease of 0.8%.

For **North America** 2008 was a year of considerable challenges. In the Group's largest market region, the integration of Hanson led to extensive organisational changes and a significant expansion of our market presence. Sustainable synergy effects are being realised as planned. As one of the leading manufacturers of aggregates, ready-mixed concrete, cement, asphalt and building products in North America, HeidelbergCement is heavily affected by the property crisis in the US. The cement and clinker sales volumes of our plants fell by 8.2% to 13.6 million tonnes (previous year: 14.9). Excluding consoli-

Total sales volumes

	2007	2008
Cement and clinker (million tonnes)	87.9	89.0
Aggregates (million tonnes)	179.6	299.5
Asphalt (million tonnes)	4.8	12.1
Ready-mixed concrete (million cubic metres)	32.7	44.4

HeidelbergCement share
Management report
On the market
HeidelbergCement annual accounts
Additional information



dation effects, the sales volumes fell by 13.9% We further decreased imports in order to better utilise our own capacities. The use of alternative fuels was intensified in plants in Pennsylvania, California and Canada in order to reduce production costs.

The aggregates operating line in particular was expanded considerably as a result of the integration of Hanson. Total sales volumes grew by 72.6% to 134.6 million tonnes (previous year: 78.0). However, excluding consolidation effects, shipments fell by 23.2% We responded to this heavy market decline at an early stage with regional capacity adjustments and cost savings. The projects we completed during the reporting year took specific local market requirements into account: In the US states of Indiana, New York and Pennsylvania, we expanded our production capacities or modernised existing facilities. In Canada, we commissioned a state-of-the-art production site north of Winnipeg.

Our asphalt plants, primarily located in New York, Pennsylvania and California, also suffered as a result of the heavy decline in construction activity in the US. Although sales volumes rose by 73.5% to 4.0 million tonnes (previous year: 2.3) as a result of consolidation effects, an operational decrease of 22.5% was recorded.

Ready-mixed concrete activities experienced a considerable decline in most market regions in North America. Despite the inclusion of the Hanson activities, the total sales volumes fell by 8.5% to 9.0 million cubic metres (previous year: 9.9). Excluding consolidation effects, this amounted to a decrease of 20.6% In this operating line, too, we responded to the falling market demand with capacity adjustments.

For the building products business line, 2008 was an especially difficult year, as the bricks, paving stones and roof tiles operating lines depend particularly heavily on residential construction, which has seen a dramatic decline. The demand for pipes and precast concrete parts suffered as a result of weak infrastructural investments. In this business line, too, we reduced capacities and carried out reorganisational measures: The business line was

divided into the units Hanson Building Products East, Hanson Building Products West and Hanson Pressure Pipe.

The three production facilities commissioned or extended during the reporting year cover regional market requirements in California, Virginia and Texas. From spring 2009, a new state-of-the-art plant will supply the Canadian province of Alberta with pipes and manholes.

The turnover of the North America Group area rose by 23.5% to EUR 3,958 million (previous year: 3,205). However, excluding consolidation and exchange rate effects, it decreased by 15.9%

The growth in the **Asia-Australia-Africa** Group area is attributable to the full-year inclusion of Hanson as well as the positive development in China, Indonesia, Turkey and Ghana. Nevertheless, even the development of this region was slowed down by the effects of the financial crisis in the last few months. Cement and clinker deliveries rose by 4.3% to 32.2 million tonnes (previous year: 30.8). Indonesia benefited not only from residential construction but also from governmental infrastructure projects. The expansion of capacities at our locations in central China was continued, following the commissioning of a new plant in 2007, with the construction of new production lines. In India, the considerable weakening of residential construction, as well as severe storms, adversely affected the cement sales volumes of our plants. In Turkey, demand for cement cooled off noticeably in the course of 2008. Nevertheless, our joint venture Akçansa was able to increase its total sales volumes significantly thanks to strongly expanded export and clinker deliveries. Cement sales volumes rose not only in Ghana but also in our other African countries. Significant progress has been made with the modernisation of our plant in Tanzania.

In the aggregates and concrete business line, the full-year inclusion of Hanson's activities in Australia and Malaysia contributed to a significant increase in sales volumes in this Group area. Deliveries of aggregates almost trebled, reaching 39.8 million tonnes (previous year: 13.6); however, excluding consolidation effects,



a decline of 8.1% was recorded. While demand for aggregates declined in Malaysia, we were able to achieve significant growth in sales volumes in Indonesia. We produced aggregates in Kazakhstan and Turkey for the first time during the reporting year.

In Australia, the sales volumes of the aggregates operating line almost trebled as a result of consolidations. Ready-mixed concrete sales volumes were twice as high as in the previous year, reaching a total of 11.3 million cubic metres (previous year: 5.2); this also amounted to operational growth of 7.8% All Group countries with ready-mixed concrete activities recorded positive development in sales volumes. In Kazakhstan, we produced ready-mixed concrete for the first time. The sales volumes of the asphalt operating line rose to 3.6 million tonnes (previous year: 1.0); however, deliveries decreased by 23.0% in operational terms.

In the building products business line, we sold the Australian subsidiary Hanson Building Products Pty Ltd, which manufactures concrete blocks and paving stones.

The turnover of the Asia-Australia-Africa Group area rose by 54.1% to EUR 2,943 million (previous year: 1,909). Excluding consolidation and exchange rate effects, the increase amounted to 22.5%

Turnover in the **Group Services** business unit, which includes our trading companies, increased by 3.1 % in 2008 to EUR 701 million (previous year: 680). However, the trade volume of our subsidiary HC Trading decreased by 14.4 % to 9.9 million tonnes (previous year: 11.6). The main causes were the extremely high freight rates in the first half of the year, the decrease in cement imports in traditional import countries such as the US and Spain, as well as reduced exports from large cement-exporting countries such as China, India and Indonesia.

Group cash flow statement (short form)

EURm	2007	2008	Difference
Cash flow			
Changes in working capital	1,680	2,044	364
Decrease of provisions through cash payments	308	-170	-478
Cash flow from operating activities			
Investments (cash outflow)	-238	-320	-82
Other inflows of cash and cash equivalents	1,750	1,554	-196
Cash flow from investing activities			
Other inflows of cash and cash equivalents	-12,774	-1,251	11,523
Cash flow from financing activities			
Capital increase	2,134	2,369	235
Dividend payments	-10,640	1,118	11,758
Long-term borrowings	527	513	-14
Changes in cash and cash equivalents – discontinued operations			
Changes in cash and cash equivalents	-177	-194	-17
	9,162	-2,910	-12,072
Changes in cash and cash equivalents			
Changes in cash and cash equivalents	9,512	-2,591	-12,103
Changes in cash and cash equivalents – discontinued operations	-1	4	5
	627	-2	-629

HeidelbergCement share

[Management report](#)

On the market

HeidelbergCement annual accounts

Additional information



Discontinued operations

On 7 August 2007, HeidelbergCement signed an agreement for the sale of maxit Group for a price of EUR 2,125 million with the French building materials manufacturer Saint Gobain. The transaction was completed on 13 March 2008.

The net income from discontinued operations amounted to EUR 1,249 million (previous year: 144). It essentially includes the income and expenses of maxit Group up to the date of sale as well as the deconsolidation gain and income and expenses arising in connection with the sale.

Cash flow statement

The cash flow statement for the 2008 financial year was essentially defined by the full-year inclusion of Hanson and the separate presentation of the cash inflows and outflows from the discontinued operation maxit Group.

The cash flow from operating activities from continuing operations decreased by EUR 196 million in comparison with the previous year to EUR 1,554 million (previous year: 1,750); the decline was essentially characterised by the use of provisions for the Hanson integration and for payment of expenses relating to restructuring measures in the United States and United Kingdom. Despite the massive burdens on the real economy as a result of the financial market crisis, the effects on the net cash from operating activities were alleviated by means of rapidly introduced measures to optimise and increase efficiency in all business lines as well as targeted working capital management.

In the reporting year, the cash inflow from investing activities from continuing operations amounted to EUR 1,118 million (previous year: cash outflow of EUR 10,640 million). While, in the previous year, the Hanson acquisition had a significant impact on the cash flow from investing activities, with a cash outflow of EUR 11,519 million, the cash inflow in the reporting year results predominantly from the sale of maxit Group to Saint Gobain; net cash amounting to EUR 2,030 million from the agreed transaction price of EUR 2,125 million is included in the pro-

ceeds from fixed asset disposals. A further portion of the purchase price was received in connection with the profit transfer agreement and through a reduction of short-term financial liabilities. Included are also the sale of the shares in the joint venture United Marine Holdings Limited, accounting for EUR 69 million, as well as the acquisition of the company CaspiCement LLP in Kazakhstan for EUR 43 million and additional shares in the Indian company Indorama Cement Limited, which cost EUR 32 million.

Despite the full-year inclusion of Hanson, the net cash used for intangible assets and tangible fixed assets increased only slightly, by EUR 62 million, to EUR 1,101 million (previous year: 1,039). This is primarily attributable to cost-saving measures initiated immediately in connection with the "Fitness 2009" programme.

The net cash used in financing activities from continuing operations amounted to EUR 2,591 million (previous year: cash inflow of EUR 9,512 million). The net repayment of bonds and loans, amounting to EUR 2,910 million, was essentially characterised by the repayment of the loans taken out in connection with the acquisition of Hanson. This was mainly achieved by using the capital increase of February 2008, amounting to EUR 513 million, and the proceeds received in connection with the sale of maxit Group in March 2008. Dividend payments led to a cash outflow of EUR 194 million.

In the 2008 financial year, HeidelbergCement was able to meet its payment obligations at all times.



Group financial management

In the 2008 financial year, the central tasks of the Group's financial management were various measures for refinancing the syndicated loan taken out in connection with the Hanson acquisition and stabilisation of the financial situation during the global financial crisis.

As early as 17 January 2008 (settlement on 25 January 2008), we were the first European company to issue a four-year Eurobond with a volume of EUR 1 billion via our EUR 10 billion European Medium Term Note (EMTN) programme. On 19 February, we received a further EUR 513 million from a cash capital increase by VEM Vermögensverwaltung GmbH, Dresden, which belongs to the Merckle group. The net cash from the two capital market transactions was used for further repayments on facility A of the acquisition financing. We also used the proceeds from the sale of maxit

Group to Saint Gobain for this purpose. The transaction, with a value of EUR 2,125 million, was completed on 13 March 2008.

The worldwide financial crisis, combined with the downgrading of our credit rating by the rating agencies Standard & Poor's, Moody's and Fitch Ratings (BB-/B, Ba3/NP, BB-/B) at the end of the year, had the effect of reducing issue activity in the commercial paper segment. During the reporting year, we were able to issue a total volume of EUR 3.88 billion via our updated EUR 1 billion Commercial Paper Programme.

As a result of the downgrading of our rating, we have no longer access to the money and capital markets. Maturing financial liabilities are refinanced by using free cash flow, securities portfolios and committed bilateral and syndicated bank credit facilities. As at the end of 2008, we had liquidity reserve of more than EUR 2 billion.

Key financial ratios

	2006 ¹⁾	2007 ¹⁾	2008 ¹⁾
Assets and capital structure			
Shareholders' equity/total capital	47.9 %	25.8 %	31.5 %
Net financial liabilities/balance sheet total ²⁾	25.0 %	50.0 %	44.0 %
Long-term capital/fixed assets	99.4 %	108.0 %	107.2 %
Gearing (net fin. liabilities/shareholders' equity)	52.5 %	193.4 %	139.8 %
Earnings per share			
Price/earnings ratio	13.5	6.1	2.2
Earnings per share (EUR)	8.22	17.11	14.55
Profitability³⁾			
Return on total assets before taxes	12.9 %	9.8 %	6.9 %
Return on equity	15.6 %	26.1 %	8.1 %
Return on turnover	11.5 %	18.2 %	4.7 %

¹⁾ Without adjustment to IAS 32.18 b) Puttable Minorities in the amount of EUR 50 million (2008), EUR 86 million (2007), EUR 106 million (2006)

²⁾ Figures have been adjusted for the final results of the Hanson purchase price allocation and are therefore not comparable with the 2007 annual accounts

³⁾ Figures have been adjusted following the presentation of maxit Group as discontinued operation (IFRS 5) and are therefore not comparable with the 2006 annual accounts

HeidelbergCement share

[Management report](#)

On the market

HeidelbergCement annual accounts

Additional information



Investments

In 2008, cash relevant investments in continuing operations amounted to a total of EUR 1,251 million (previous year: 12,774). Investments in tangible fixed assets and intangible assets reached the previous year's level at EUR 1,101 million (previous year: 1,039). Investments in financial fixed assets decreased to EUR 150 million (previous year: 11,735); the previous year's figure was essentially characterised by the takeover of Hanson.

Major investments in tangible fixed assets related to the construction of the new Tula cement plant in Russia, south of Moscow, the modernisation of clinker production at our plant in Beremend, Hungary, the expansion of capacities at our Wazo Hill plant in Tanzania and the construction of a second production line at the Chinese cement plants Fufeng and Jingyang. Other significant investments were used for the modernisation of two kiln lines at the plants in Bicaz, Romania, and Mokra, Czech Republic, the expansion of the clinker capacity at the plant in Górazdze, Poland, the construction of two cement mills at the Cirebon plant in Indonesia and the construction of a plant for manufacturing concrete pipes and manholes in the Canadian province of Alberta.

Of the investments in financial fixed assets, a significant proportion was used for the acquisition of the Kazakh company CaspiCement LLP, the remaining 50% of the shares in the Indian cement grinding plant Indorama Cement Limited as well as smaller acquisitions of participations to round off our activities.

Fixed assets investments (in continuing operations)

EURm	2007	2008
Europe	492	630
North America	312	199
Asia-Australia-Africa	234	270
Group Services		2
Financial investments	11,735	150
Total	12,774	1,251

Group balance sheet

The balance sheet total fell to EUR 26.3 billion (previous year: 29.2). Exchange rate effects of EUR -1.4 billion and cash from the disposals of maxit Group and other assets held for sale, which was used to repay the loans, had a particularly substantial impact on this figure.

On the assets side, the long-term assets decreased considerably, by around EUR 1.6 billion. Besides the effects of changes in exchange rates, the main cause was impairment losses on goodwill and tangible fixed assets amounting to EUR 365 million. The economic weakening due to the financial market crisis led to an increase of EUR 164 million in stocks. However, considerable efforts in receivables management and an associated reduction of EUR 258 million in short-term receivables more than compensated for this.

On the liabilities side, the change in the balance sheet total is primarily attributable to the decline in financial liabilities to EUR 12,633 million (previous year: 15,567), besides the effects of changes in exchange rates. As regards the financing of the HeidelbergCement Group, we refer to the Group financial management section on p. 26.

HeidelbergCement's shareholders' equity grew to EUR 8,261 million (previous year: 7,519). The primary factors were the profit for the financial year of EUR 1,920 million and the cash capital increase of EUR 513 million carried out in February 2008. The exchange rate changes in the shareholders' equity were characterised in particular by

Investments in intangible assets and tangible fixed assets by business lines 2008 (in continuing operations)



- 58.1% Cement
- 30.6% Aggregates and concrete
- 11.3% Building products



the slump in the British pound, which produced an effect of EUR -1,370 million. In the 2008 financial year, dividends of EUR 194 million were paid out to HeidelbergCement shareholders and minority shareholders.

Results of operations, assets 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 report to the shareholders is combined with that of the Group in accordance with § 315, section 3 of the German Commercial Code (Handelsgesetzbuch – HGB), 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.

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 products business lines with eleven cement and grinding facilities and one lime plant. As part

of the further streamlining of our cement activities in Germany, the wholly-owned subsidiary Hüttenzement GmbH, with its grinding facility in Königs Wusterhausen, was merged into HeidelbergCement AG.

In 2008, the turnover improved by 8.5% to EUR 511 million (previous year: 471); the significant growth is attributable to the pleasing rise in cement and clinker sales volumes as well as the further recovery of cement prices. The earnings before interest and taxes (EBIT) fell to EUR 396 million (previous year: 3,741); it is important to bear in mind that the previous year's value was essentially characterised by income from disposals of financial fixed assets from the sale of the 35% participation in Vicat S.A. and internal restructuring within the Group. As a result of this restructuring, the results from participations also rose dramatically in the previous year. In the reporting year, the results from participations decreased to EUR -1,639 million (previous year: 3,762); as a result of the shares in HeidelbergCement Holding S.à.r.l. being written down to the lower fair value, a loss for the financial year was recorded at HeidelbergCement International Holding GmbH, which was transferred directly to HeidelbergCement AG via a profit transfer agreement. Write downs on financial fixed assets increased to EUR 1,447 million

Group balance sheet (short form)

EURm

	31 Dec. 2007*	31 Dec. 2008	Part of balance sheet total
Intangible assets and tangible fixed assets	21,309	20,086	76%
Financial fixed assets	1,013	694	3%
Other long-term assets	531	514	2%
Short-term assets	4,942	4,994	19%
Assets & discontinued operations held for sale	1,406		
Shareholders' equity and minority interests	7,519	8,261	31%
Long-term provisions and liabilities	16,547	13,988	53%
Short-term provisions and liabilities	4,776	4,039	16%
Liabilities in disposal groups & discontinued operations	359		
Balance sheet total	29,201	26,288	100%

* Figures have been adjusted for the final results of the Hanson purchase price allocation and are therefore not comparable with the 2007 annual accounts

HeidelbergCement share

Management report

On the market

HeidelbergCement annual accounts

Additional information



(previous year: 11), primarily as a result of the shares in HeidelbergCement Holding S.à.r.l. being written down to the lower fair value. Overall, the loss for the financial year amounted to EUR -2,611 million (previous year: profit of 7,511); after the release of other reserve revenues of EUR 2,585 million, the balance sheet profit amounted to EUR 16 million (previous year: 3,804).

The balance sheet total decreased to EUR 15.2 billion (previous year: 19.0). On the assets side, despite an increase in financial fixed assets due to internal restructuring, newly founded subsidiaries and the acquisition of shares in companies, overall financial fixed assets fell to EUR 9.6 billion (previous year: 10.3) as a result of assets being written down to the lower fair value. In current assets, the receivables and other assets decreased from EUR 8.4 billion to EUR 4.9 billion; this is essentially a result of the decline in amounts owed by affiliated companies to EUR 4.9 billion (previous year: 8.3) mainly as a result of HeidelbergCement International Holding GmbH's loss transferred to HeidelbergCement AG.

On the liabilities side, the shareholders' equity fell to EUR 9.2 billion (previous year: 11.4) because of the loss for the financial year. The liabilities decreased by EUR 1.6 billion to EUR 5.4 billion (previous year: 7.0); particularly significant elements were the decline of EUR 886 million in liabilities to affiliated companies and the decline of EUR 378 million in bank loans.

Summary of the economic position

The Managing Board's assessment of the Group's economic position at the time of the preparation of the combined management report of the Group and HeidelbergCement AG is characterised on one hand by the operational strength and the convincing business model, and on the other hand by the necessary reorganisation of the financing structure in strained financial and economic markets.

The considerable increase in turnover and results in the Group in 2008 is essentially attributable to the full-year inclusion of Hanson for the first time, the strong

market position throughout the world and the consistent cost management. The first improvements resulting from the comprehensive cost reduction programmes, which were initiated at an early stage, made a contribution to results in 2008. The noticeable organic growth in operating income is primarily due to the strong increase in the Asia-Australia-Africa Group area, as well as improvements in Europe.

Additional statements

Statements according to §§ 289, section 4, 315, section 4 of the German Commercial Code (HGB)

On 31 December 2008, the share capital of HeidelbergCement AG amounted to EUR 375,000,000. It is divided into 125,000,000 no-par value bearer shares. The Managing Board knows of no restrictions concerning voting rights or the transfer of shares. The following shareholders held more than 10% of the voting rights in the Company, according to the notifications available to the Company in accordance with the German Securities Trading Law (Wertpapierhandelsgesetz), as at 31 December 2008: Spohn Cement GmbH, Norderfriedrichskoog, with 53.60% of the voting rights and Senator h.c. Dr. med. h.c. Adolf Merckle, Blaubeuren, with 25.46% of the voting rights (of which 25.46% is held via VEM Vermögensverwaltung GmbH¹⁰, Dresden, and three other companies). 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 may be

¹⁰ VEM Vermögensverwaltung GmbH informed the Company in accordance with § 21, section 1, clause 1 of the German Securities Trading Law that its share of the voting rights exceeded the threshold of 25% on 6 October 2008 and that it held 25.19% of the voting rights on that date.



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 to increase, with the consent of the Supervisory Board, the Company's subscribed share capital by a total amount of up to EUR 101 million by issuing new no-par value bearer shares in return for cash contributions on one or more occasions until 7 May 2013 (Authorised Capital I). Furthermore, the Managing Board is authorised to increase, with the consent of the Supervisory Board, the Company's subscribed share capital by a total amount of up to EUR 74 million by issuing new no-par value bearer shares against contributions in kind on one or more occasions until 22 May 2011 (Authorised Capital II). In addition, the Managing Board is authorised to acquire shares in the Company until 7 November 2009 with a proportional amount of share capital of up to EUR 37.5 million (corresponds

to 10% of the share capital) via the stock market or by means of a public purchase offer.

A list of the Company's significant agreements contingent on a change of control resulting from a takeover bid, and a summary of 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 clauses 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:

Name of agreement/date	Type of contract	Nominal amount (EUR)	Repayment	Type of clause
Syndicated credit agreements				
Syndicated credit line and credit facility of 14 May/11 July 2007	Credit facility	5,620,560,000	staggered, by 14 May 2009 and 14 May 2010	(1)
	Committed credit line	1,000,000,000	to the extent drawn upon by 14 May 2012	
Bonds issued by HeidelbergCement Finance B.V., guaranteed by HeidelbergCement AG				
5.625% bond 2007/2018	Debenture bond	480,000,000	to the extent outstanding by 4 January 2018	(1)
6.375% bond 2008/2012	Debenture bond	1,000,000,000	to the extent outstanding by 25 January 2012	(1)
Bilateral credit lines and/or credit facilities				
Bilateral credit line of 26 June 2002, most recently amended on 22 August 2007	Credit agreement	100,000,000	staggered, by 28 June 2010, 28 June 2011, 28 June 2012	(2)
Bilateral credit line of 28 April 2008	Credit agreement	225,000,000	by 28 April 2011	(1)
Bilateral credit line of 13 February 2008	Credit agreement	100,000,000	by 28 February 2012	(1)
Bilateral credit line of 12 June 2008	Credit agreement	50,000,000	by 10 July 2012	(1)



HeidelbergCement share

Management report

On the market

HeidelbergCement annual accounts

Additional information

Bilateral credit line and credit facility of 30 June 2008	Credit agreement Committed credit line	50,000,000 150,000,000	by 30 June 2012 to the extent drawn upon by 30 June 2012	(1)
Bilateral credit line of 16 June 2008	Credit agreement	50,000,000	by 17 June 2013	(1)
Bilateral credit line of 3/6 June 2008	Credit agreement	100,000,000	by 30 May 2015	(1)
Bilateral credit line of 10 June 2008	Credit agreement	75,000,000	by 6 June 2015	(1)
Bilateral credit line of 13/16 June 2008	Credit agreement	50,000,000	by 30 June 2015	(1)
Bilateral credit facility of 24 June 2004, most recently amended on 6 March 2008	Committed credit line	100,000,000	to the extent drawn upon by 30 November 2009	(3)
Bilateral credit facility of 29 February/3 March 2008	Committed credit line	100,000,000	to the extent drawn upon by 3 March 2010	(1)
Bilateral credit facility of 28 February/1 March 2008	Committed credit line	50,000,000	to the extent drawn upon by 28 February 2010	(1)
Bilateral credit facility of 6 March 2008	Committed credit line	100,000,000	to the extent drawn upon by 5 March 2010	(1)

Debt certificates issued by HeidelbergCement Finance B.V., guaranteed by HeidelbergCement AG

of 16 October 2007	Debt certificates	200,000,000 100,000,000	by 16 October 2012 by 16 October 2014	(1)
of 18 April 2008	Debt certificates	40,000,000	by 18 April 2013	(1)
of 5 May 2008	Debt certificates	100,000,000	by 5 May 2013	(1)
of 7 May 2008	Debt certificates	115,500,000 43,000,000	by 7 May 2012 by 7 May 2014	(1)
of 9 June 2008	Debt certificates	50,000,000	by 10 June 2013	(1)

The relevant change-of-control clauses allow the contractual partner to demand immediate repayment of the outstanding loans or debenture bonds in the event of a change in the shareholder structure as defined variously as follows: The contracts marked (1) in the "Type of clause" column give the relevant contractual partner/bond creditor a right of early termination in the event of changes in the shareholder structure that lead to a change in the control of the Company. An entity has control if it controls more than 50% of the subscribed capital or more than 50% of the voting rights contractually or by other means, whereby – in connection with a concept of "registered partner" – a change in control to (i) Spohn

Cement GmbH or (ii) any partner of Spohn Cement GmbH including successors and legatees of partners of Spohn Cement GmbH and persons who are beneficial owners of shares in Spohn Cement GmbH, or (iii) any legal person or foundation or comparable institution managed by such persons to whom shares in HeidelbergCement AG were transferred by persons mentioned under (i) to (iii) is exempted from the regulation regarding a right of early termination. The bilateral credit line of 26 June 2002, most recently amended on 22 August 2007, for EUR 100 million, marked (2) in the "Type of clause" column, gives 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 facility of 24 June 2004, most recently amended on 6 March 2008, for EUR 100 million with a term ending on 30 November 2009, marked (3) in the "Type of clause" column, gives the contractual partner the right – indirectly, by means of a reference to the onset of an early repayment obligation from the corresponding agreement in the syndicated credit line and credit facility of 14 May/11 July 2007 – to demand early repayment.

A USD 750 million 6.125% bond taken out by Hanson Limited, issued on 16 August 2006 and maturing on 15 August 2016, now guaranteed by HeidelbergCement AG, includes a provision whereby not only the direct but also the indirect acquisition of more than 50% of the shares or voting rights in Hanson Limited may represent a change of control. The acquisition of 30% of the voting rights in HeidelbergCement AG, which indirectly holds 100% of the shares in Hanson, could be regarded as an indirect acquisition. A change of control would grant the bearers of this bond a put option at 101% of the nominal value plus interest against Hanson Limited if, in connection with this change of control, the bond was downgraded below "Investment Grade" by Moody's and Standard & Poor's.

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 associated companies on the one hand and Spohn Cement GmbH and its associated 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 that adversely affected the company or its associated companies."

Events occurring after the close of the 2008 financial year

In the first three months of 2009, our credit rating was downgraded further by the rating agencies Standard & Poor's, Moody's and Fitch Ratings to B-/B, B1/NP and B/B.

In view of the serious deterioration of the economic environment in 2009 and the repayments of significant portions of the Hanson acquisition financing due in 2010, HeidelbergCement is currently preparing a comprehensive reorganisation of its financing structure. The aim is to strengthen the shareholders' equity base and improve the maturity profile of the existing bank financing. Non-strategic business units are to be sold in order to provide further debt relief. On the basis of the progress of negotiations so far, we are confident of completing the key measures for the necessary reorganisation by the middle of 2009.

HeidelbergCement share

[Management report](#)

On the market

HeidelbergCement annual accounts

Additional information



Corporate Governance und Compliance¹⁾

Statement of compliance and amendments to Corporate Governance Principles

The management and supervisory structures at HeidelbergCement comply with the provisions of the German Stock Company Act and the German Codetermination Law and, with a few exceptions, the German Corporate Governance Code. They are described in detail in the Corporate Governance Principles of HeidelbergCement (see www.heidelbergcement.com, About us, Corporate Governance).

The deviations from the recommendations of the German Corporate Governance Code are as follows:

- the plenary session of the Supervisory Board will not decide on the remuneration system of the Managing Board;
- the contracts of the Managing Board members do not include a severance payment cap in the case of a premature termination of the contract;
- 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;
- an application made in February 2008 for the judicial appointment of a Supervisory Board member was not limited in time up to the next Annual General Meeting;
- the Supervisory Board remuneration does not contain a variable component;
- the shareholdings of members of the Supervisory Board are not disclosed;

- the quarterly report as of September 2008 was not discussed in the Supervisory Board.

On 17 March 2009, the Group's Corporate Governance Principles were adapted to an amendment of the German Corporate Governance Code of 6 June 2008. As a consequence, the quarterly reports will be discussed with the Audit Committee before publication.

The statement of compliance for the reporting year was published on 17 March 2008 and this year's on 17 March 2009.

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. In connection with this, we are consciously aiming for a large variable element as part of the total remuneration in order to reflect, in a clear and direct way, the collective and personal performance of the members of the Managing Board and the performance of the Group. The variable bonus depends on the achievement of specific financial goals set by the Personnel Committee of the Supervisory Board 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. There are no stock options.

¹⁾ Likewise 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 17 March 2009.



The total remuneration of the Managing Board in 2008 amounted to EUR 8.3 million (previous year: 25.0). EUR 4.7 million (previous year: 4.0) of this was paid in fixed remuneration, EUR 2.6 million (previous year: 20.2) in variable remuneration and EUR 1.0 million (previous year: 0.8) as part of other remuneration elements. The other remuneration elements consist of payments for committee activities at subsidiaries of HeidelbergCement AG, reimbursement of expenses and non-cash benefits arising from the provision of company cars. Allocations to provisions for pensions (current service cost) for current members of the Managing Board amounted to EUR 1.4 million (previous year: 1.7). In the previous year, EUR 5.2 million was charged to expenses for redundancy payments in connection with the Hanson acquisition. Payments to former members of the Managing Board and their surviving dependants amounted to EUR 2.8 million (previous year: 2.9) in the reporting year. Provisions for pension obligations for former members of the Managing Board amounted to EUR 26.5 million (previous year: 25.8).

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.

In 2008, no loans or advances were granted to members of the Managing Board of HeidelbergCement AG.

Remuneration of the Supervisory Board

The Supervisory Board remuneration is made up of fixed amounts and attendance fees. Each member receives EUR 21,000, with the Chairman receiving twice this amount and his Deputy one-and-a-half times. The members of the Audit Committee additionally receive EUR 7,000, the members of the Personnel Committee EUR 3,500, and the Chairmen of the Committees twice these respective amounts. In addition, an attendance fee of EUR 1,500 is paid for each meeting personally attended. This amounts to a total Supervisory Board remuneration of EUR 502,937 (previous year: 608,133) (see table).

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.

Remuneration of the Supervisory Board

EUR	2008
Theo Beermann	27,500
Helmut S. Erhard	5,344
Robert Feiger	25,863
Veronika Füss	20,967
Fritz-Jürgen Heckmann	60,000
Josef Heumann	27,000
Gerhard Hirth	25,500
Heinz Kimmel	4,189
Max Dietrich Kley	25,500
Hans Georg Kraut	30,500
Senator h.c. Dr. h.c. Adolf Merckle	38,000
Ludwig Merckle	34,000
Tobias Merckle	27,000
Heinz Schirmer	49,500
Eduard Schleicher	37,500
Heinz Schmitt	35,500
Frank-Dirk Steininger	14,705
Karl Heinz Strobl	14,369
	502,937



HeidelbergCement share

Management report

On the market

HeidelbergCement annual accounts

Additional information

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		Function	Type of transaction	Transaction date	Number/type of financial instruments traded		Transaction volume (EUR)
Director							
Dr. h.c. Adolf Merckle	SB ¹⁾	Capital increase	02/15/2008	5,000,000	Shares	512,500,000.00	
Dr. h.c. Adolf Merckle	SB	Purchase	03/14/2008	5,708,306	Shares	600,000,043.66	
Ludwig Merckle	SB	Purchase	08/20/2008	50,000	Shares	3,703,500.00	
Ludwig Merckle	SB	Purchase	10/01/2008	105,986	Shares	7,722,139.96	
Ludwig Merckle	SB	Purchase	10/03/2008	10,000	Shares	725,000.00	
Ludwig Merckle	SB	Purchase	10/06/2008	578,395	Shares	41,644,440.00	
Ludwig Merckle	SB	Purchase	10/07/2008	37,000	Shares	2,651,050.00	
Ludwig Merckle	SB	Purchase	10/08/2008	111,080	Shares	8,032,194.80	
Dr. h.c. Adolf Merckle	SB	Purchase	10/20/2008	3,000	Shares	203,520.00	
Dr. h.c. Adolf Merckle	SB	Purchase	10/21/2008	393,306	Shares	26,662,213.74	
Dr. h.c. Adolf Merckle	SB	Purchase	10/21/2008	47,000	Shares	3,186,130.00	
Dr. h.c. Adolf Merckle	SB	Purchase	10/22/2008	274,328	Shares	18,031,579.44	
Dr. h.c. Adolf Merckle	SB	Purchase	10/22/2008	7,402	Shares	465,807.86	
Dr. h.c. Adolf Merckle	SB	Purchase	10/23/2008	53,568	Shares	3,286,396.80	
Dr. h.c. Adolf Merckle	SB	Purchase	10/23/2008	100,000	Shares	6,120,000.00	
Dr. h.c. Adolf Merckle	SB	Purchase	10/23/2008	42,598	Shares	2,667,912.74	
Dr. h.c. Adolf Merckle	SB	Purchase	10/24/2008	93,079	Shares	5,345,526.97	
Dr. h.c. Adolf Merckle	SB	Purchase	10/24/2008	100,000	Shares	5,712,000.00	
Dr. h.c. Adolf Merckle	SB	Purchase	10/24/2008	50,000	Shares	2,890,500.00	
Dr. h.c. Adolf Merckle	SB	Purchase	10/27/2008	7,530	Shares	422,207.10	
Ludwig Merckle	SB	Sale	11/07/2008	1,459,711	Shares	82,327,700.40	

¹⁾ Member of the Supervisory Board

All transactions listed were carried out by legal persons where the director or a closely connected person holds an executive function or a controlling stake.



Compliance

A high value continues to be placed on the topic of compliance within the Group's management culture. It is now firmly established in the Group-wide management and supervisory structures.

There is a compliance manager for each country unit. The Compliance Group function co-ordinates the Group-wide efforts to conduct all business activities in accordance with the applicable laws at all times and at all locations.

The fundamental elements of our compliance programme are a Code of Business Conduct, conduct guidelines for important compliance areas such as anticorruption and competition, information and training measures, consistent accounting and disciplinary action for compliance violations, a compliance hotline, compliance reporting, and a specific compliance audit integrated into the Group Internal Audit.

In the reporting year, the e-learning course "Code of Business Conduct/Compliance Principles" was developed for use throughout the Group. To date, it has been used in Germany and in English-speaking countries, and has met with a good response. Over the course of this and next year, the course will be translated into other major Group languages and used in the corresponding countries. The content of this course focuses on anticorruption law. Courses on other compliance topics will follow – the next course will be on antitrust law – and will increasingly complement classroom training. Modern learning platforms allow quick access to the courses anywhere, any time, as well as monitoring and analysis of the defined compulsory uses.

The compliance programme is monitored by the Supervisory Board, which receives regular reports from the Managing Board on the compliance situation and, through its Audit Committee, investigates whether the compliance organisation satisfies the legal requirements and recognised best practices.

Risk management

Entrepreneurial activities are always forward-looking and therefore subject to certain risks. HeidelbergCement is exposed to a variety of risks in its entrepreneurial activity; these are not avoided altogether, but are accepted whenever they are balanced by the opportunities they present. Identifying risks, understanding them and reducing them systematically is the responsibility of the Managing Board and a key task for all managers.

The risk system, standardised across the Group, includes several components, which are co-ordinated and methodically incorporated in our organisational structures and processes. It is based on the financial resources, operational planning and the risk management strategy established by the Managing Board.

Regular risk quantification and reporting at country level, aligned with the geographical organisation of the Group, form the foundation of the risk management process. Appropriate thresholds for risk reporting have been established for the individual countries, taking into account their specific circumstances. The presentation and discussion of the risk report is an integral part of the quarterly meetings between the Managing Board and the national management teams. Short channels of communication allow prompt decisions and adequate countermeasures to be taken.

The quarterly risk reports from each country are incorporated in the Group's central management reporting. The regular risk reports are supplemented by ad-hoc reports in the event of risks that arise suddenly or unexpectedly, particularly in connection with political events, developments on the financial markets or natural disasters.

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

HeidelbergCement share

Management report

On the market

HeidelbergCement annual accounts

Additional information



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.

Risks that may have a significant impact on our net assets, financial position and results in the 2009 financial year and in the foreseeable future after 2009 are divided into three categories based on the risk catalogue established in the Group.

Financial risks

Our significant financial risks are currency risks, interest rate risks, refinancing risks and credit risks. We manage these risks primarily as part of our ongoing business and financing activities and, when required, by using derivative financial instruments. These risk areas are monitored on a continuous basis by the Group Treasury department in accordance with our internal Group guidelines.

As part of our ongoing risk management, we manage the transaction risk, i.e. the risk of fluctuating prices (e.g. currency exchange rates, interest rates, raw material prices) that may affect the Group's earnings position.

Currency risks arising from transactions with third parties in foreign currency (transaction risks) are hedged using derivative financial instruments with a hedging horizon of up to twelve months. We primarily use currency swaps and forward exchange contracts 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 one another out at Group level to a large extent.

In general, we do not hedge currency risks arising from converting the annual accounts of foreign individual companies or subgroups (translation risks). 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.

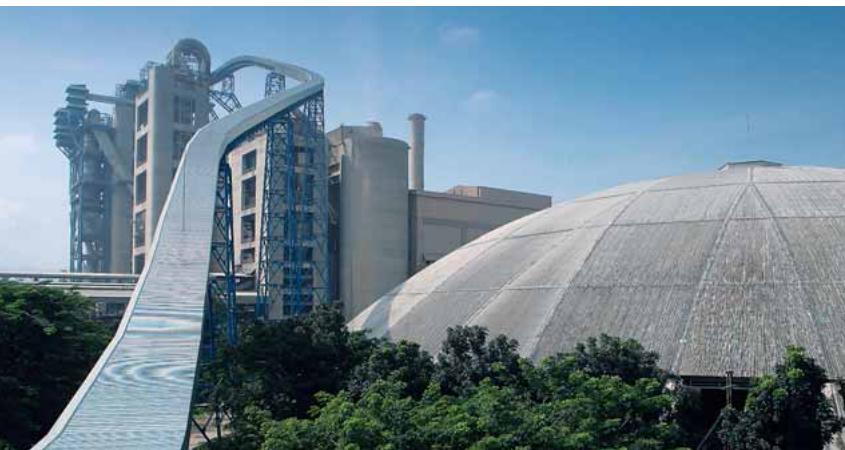
Interest rate risks exist as a result of potential changes in the market rate of interest and may lead to a change in fair value in the case of fixed interest-bearing financial instruments and to fluctuations in interest payments in the case of variable interest-bearing financial instruments. Interest rate risks are maintained within the parameters set by the Group's Chief Financial Officer. By using financial instruments, primarily interest rate swaps, we are able to hedge both the risk of fluctuating cash flows and the risk of value fluctuations.

Refinancing risks arise if a company is unable to procure the funds necessary to fulfil the obligations entered into in connection with financial instruments. Besides the cash inflow from operating activities, we maintain credit lines with first-class banks. In addition, we invest cash with companies, institutions and banks following a thorough credit assessment. In addition to a revolving syndicated credit facility of EUR 1 billion with a term ending in May 2012, other unused bilateral credit lines of a significant amount are available as at the balance sheet date.

Credit risks exist when a contractual partner in a business cannot fulfil its obligations, or at least not within the stipulated period. We minimise the risk position arising from this by diversification and ongoing assessment of the creditworthiness of the contracting parties.

Credit risks from operating activities are monitored continuously as part of our receivables management. We apply strict standards with regard to the creditworthiness of our business partners. In this way – as well as by avoiding concentrations of positions – we are able to minimise the Group's credit risks.

In connection with credit agreements, we agreed to comply with various financial covenants, which were all met in the reporting period. The most important key financial ratios are the ratio of net indebtedness to EBITDA and the interest coverage ratio. Within the framework of the Group planning, compliance with the covenants is monitored consistently, with notification issued to the creditors on a half-yearly basis. In the event of a breach of the



covenants, the creditors could, under certain conditions, accelerate corresponding loans irrespective of the contractually agreed terms. Depending on the volume of the relevant loan and the refinancing possibilities from the financial markets, this could lead to a refinancing risk for the Group.

As a precaution, the company has obtained a waiver (increase in financial covenants) from the relevant loan creditors, which was not drawn upon, for the end of December 2008. The next scheduled review of the observance of the covenants will take place in the middle of 2009. The unsatisfactory situation on the financial markets and the weak sales volumes in major markets of the Group are adversely affecting the Group's development and making it extremely difficult to maintain key financial ratios. Already in the past year, HeidelbergCement therefore launched extensive programmes to reduce costs and decided to reduce investments considerably.

In view of the uncertain environment and the repayments of significant portions of the Hanson acquisition financing due in 2010, HeidelbergCement is planning a comprehensive reorganisation of its financing structure. The aim is to strengthen the shareholders' equity base and improve the maturity profile of the existing bank financing. Non-strategic business units are to be sold in order to provide further debt relief. On the basis of the measures already initiated and the negotiations so far, the Company assumes that the identifiable risks are being dealt with sufficiently. The Managing Board assumes that the measures needed in connection with the reorganisation of the financing structure can be implemented. The management of the liquidity risks is explained in the Prospects chapter, in the expected financing section on page 48.

Market and strategic risks

As an internationally active Group, HeidelbergCement has had to rise to the challenges presented by the crisis on the financial markets and the dramatic weakening of the global economy.

In 2008, our Group was able to strengthen its market positions in the strategic business lines cement, aggre-

gates and concrete as a result of its broad geographical positioning and the successful integration of the Hanson activities. While the building materials markets in the US, United Kingdom and Spain recorded massive declines, construction activity in the major markets of Europe and Asia weakened at the end of the year, but still increased significantly overall.

The economic downturn is a strong one, and its effects are being experienced worldwide. The duration and extent of the recession cannot yet be determined. However, HeidelbergCement has responded to the risks of economic downturn with extensive measures. In the US and United Kingdom, we have already adjusted our production structures and capacities at an early stage to the considerably lower market demand in 2008/2009. We also introduced the "Fitness 2009" programme across the Group in summer 2008. This programme aims to achieve further optimisations and efficiency increases in all business lines and reduce the administrative burden. The expected positive impact on costs and the additional immediate cost-saving measures to reduce expenditure on personnel, services and investments should take full effect in 2009.

We expect the economic stimulus programmes adopted worldwide to give strong impetus to our business lines. After the first reports of the successful impact of Chinese economic stimulus measures, we have great hopes for the new US government's economic programme. This financial package makes billions of dollars available for infrastructural projects such as road, tunnel and bridge construction as well as for the modernisation of schools and hospitals. These measures may have a positive impact on our profits as early as the second half of 2009. In Germany, the infrastructural projects sponsored by the federal government will also have a positive effect on sales volumes in our business lines.

The acts of war in Georgia in summer 2008 showed that HeidelbergCement is also exposed to political risks. The material damage to one of our locations, caused by a bomb, and an interruption in the gas supply were quickly

HeidelbergCement share

Management report

On the market

HeidelbergCement annual accounts

Additional information



remedied. The financial assistance earmarked for the rebuilding of the infrastructure may have a positive impact on the development of our business.

Operating risks

For an energy-intensive Group such as HeidelbergCement, the development of costs on the energy markets poses an appreciable risk. After a period of peak prices, the energy prices, particularly of fuels, are now more volatile than ever. We are therefore strongly promoting the use of alternative fuels and increasingly reducing the proportion of energy-intensive clinker in cement, the end product. Measures in this area are described in the chapters Sustainable development and environmental precaution on page 43 f. and Research and technology on page 45 f.

In 2008, HeidelbergCement successfully implemented the new risk transfer strategy and the associated restructuring of the relevant insurance programmes alongside the integration of the Hanson companies. The adjustment of the Group's self-insured retentions, which was preceded by a thorough analysis of the loss experience, was not accompanied by any substantial loss events during the reporting year, in line with the forecast trend. This allowed us to achieve the full amount of the anticipated savings on the insurance premiums. In the event of damage caused by natural disasters including earthquakes, the maximum compensation limits increased since 2007 guarantee comprehensive coverage for all locations in the heavily endangered regions of North America and Asia.

The rapid integration of Hanson has contributed to strengthen the Group structure and minimised possible risks, particularly an unintended level of employee turnover resulting from the merger of the activities. In the strategically significant markets of North America and the United Kingdom, we have smoothly and successfully completed the merger of the headquarters and concentration of the Shared Service Centers. In view of pension scheme commitments, an adjustment to provisions for pensions is needed in the United Kingdom.

In 2008, considerable synergies were achieved in connection with the Hanson integration as a result of extensive optimisation measures, such as the pooling of purchasing activities or standardisation of IT, as well as in the area of production. These savings potentials, which will increase even further in the next few years, represent a solid foundation for managing and controlling the identified risks directly connected with the integration.

Some of our Hanson participations are exposed to particular legal risks and disputes as well as tax risks relating to former activities. The most significant of these are the asbestos-related claims alleging bodily injury and involving various Hanson subsidiaries in the US. Products containing asbestos were manufactured in the period from 1973 to 1984 before these companies belonged to the Hanson Group. In the US, these damage claims are being handled and intensively managed by a team of in-house lawyers in collaboration with insurance carriers and external consultants. Adequate provisions have been formed on the basis of an extrapolation of the claims and reliable estimates of the development of costs.

Furthermore, there has been a substantial increase in environmental and product liability claims against former and existing participations in the US, which are not connected with the current business activity. There is sometimes insufficient insurance cover for law suits and liability loss claims relating to toxic substances such as coal by-products or wood preservatives. In the US in particular, our subsidiaries may receive additional penalties over and above the amount of the damages; however, there is a possibility of concluding settlement agreements. Sufficient financial provision has been made for this event.

For many years, HeidelbergCement has placed particular emphasis on climate protection and continuous reduction of CO₂ emissions. By modernising the production facilities or using innovative technologies and alternative fuels, we exceeded the reduction goals set for 2010, in comparison with 1990, both in Germany and for Europe, as early as 2007. For us, the ambitious goals of the EU Parliament concerning climate protection have only been slightly



adapted with the adoption of the European climate package to reduce greenhouse gas emissions in December 2008. Even if the cement industry is no longer affected by the full auction of emission rights, reductions of 21% in greenhouse gases compared with 2005 will be required by 2020. In the long term, this will create additional burdens in Europe as a result of higher manufacturing costs and therefore clear competitive disadvantages in comparison with producers from countries not involved in emissions trading.

The cartel proceedings initiated in 2002 against German cement companies, including HeidelbergCement, are still pending. The initial court decision is expected in the middle of 2009, and further appeals may still be made following the decision. Likewise, no decision has yet been made regarding the action for damages brought by the Belgian company Cartel Damage Claims SA, which is based on

allegedly inflated cement prices as the result of a cartel between 1993 and 2002. HeidelbergCement believes that it has a good chance of defending itself successfully against the action. In November 2008, HeidelbergCement was confronted with additional cartel allegations, with reviews conducted by the European Commission at locations in Germany, Belgium, the Netherlands and the United Kingdom. The results of these reviews are not known to HeidelbergCement and are not expected until the second half of 2009 at the earliest. HeidelbergCement's own investigations into the circumstances have not confirmed the alleged antitrust violations. These and other proceedings motivate us to continuously review and develop intensive internal precautions, particularly regular training measures, in order to avoid cartel law violations.

HeidelbergCement share

Management report

On the market

HeidelbergCement annual accounts

Additional information



Employees

At the end of 2008, the number of employees in HeidelbergCement's continuing operations amounted to 60,841 (previous year: 67,916). The decrease of 7,075 employees results essentially from the location optimisations and capacity adjustments in North America and the United Kingdom, which were linked with job cuts. In contrast, the average number of employees over the year was 62,916 (previous year: 50,370), i.e. 12,546 higher than in the previous year, as a result of the full-year inclusion of Hanson. Expenditure on salaries, social security contributions, pension scheme contributions and social aid increased by 37.5 % in comparison with the previous year to EUR 2,298 million (previous year: 1,671). This corresponds to a share in turnover of 16.2 % (previous year: 15.4 %).

Employees by Group areas in continuing operations	2007	2008
Europe	30,597	27,035
North America	19,267	15,739
Asia-Australia-Africa	17,999	18,015
Group Services	52	52
Employees as at 31 December	67,916	60,841

Values create added value

In connection with the Hanson integration, we have intensively dealt with the topic of corporate culture. We believe that the cultural fit, taking specific regional characteristics into account, is a fundamental criterion for the success of every international acquisition. The corporate cultures of HeidelbergCement and Hanson complement each other ideally, as we have established through a survey conducted among our managers. As part of the integration process, these shared values have been incorpo-

rated into our Leadership Principles, which we adapted accordingly in 2008. The main objectives are integrated efficiency, sustainable profitability, a strong focus on customers and employees, and result-oriented growth. The core elements of our commitment to sustainability are occupational health and safety, high standards in environmental protection and the Group's social responsibility at all locations.

Despite all the changes and the new size of our Group, we remain true to ourselves: A down-to-earth approach, closeness to the business, consistent management, strict cost management, margin control and speed, combined with strength of implementation, continue to form the basis of our success. We attach great importance to ensure that our managers and employees are performance-oriented but also open to changes and new situations.

It is decisive for our success that the shared corporate culture is practised and demonstrated daily by all managers. This is a management task supported by targeted internal communication and our integrated personnel management. The application of Group-wide standards, for example in the key performance indicators or the method of capital expenditure calculation, are essential for the development of a shared culture. This also applies to the remuneration system, which is geared towards equal performance and results criteria, or performance management, which involves regular assessment of the performances of our managers according to the same standards.

Advancement of future executives and management training

All training programmes at HeidelbergCement are tailored to the specific needs of the Company. In the past year, one of the focal areas has been updating our Executive Development Program at Group level. Customer Value Added and global sourcing were added to the traditional topics of strategy, leadership and management, the method of capital expenditure budgeting and so forth.



The training content for senior management was also standardised for the first time. This Group training takes place decentrally in the regions. Uniform training content ensures that a harmonised understanding of strategy, integrated management approach and leadership is developed everywhere.

The advancement of future executives and management training were consistently continued in 2008. The focal points of the training were cost management, managing effectively, project management and dealing professionally with processes of change. The training sessions were also an important instrument for bringing managers together in connection with the Hanson integration.

Strengthening leadership qualities

HeidelbergCement deliberately fills management positions from among the existing employees as far as possible. The takeover of Hanson opened up outstanding potential, which we are incorporating into our talent management: operationally experienced managers, who know our business, with strong cost awareness and a focus on performance and results. Personal integrity and leadership strength are additional characteristics that make candidates suitable to assume management responsibility within our Group.

By analysing the demographic structure within the Group, we can further develop our succession planning for all regions. To guarantee future growth, we also rely on future executives, whom we train specifically for assignments in our markets. We started a programme in 2006 that is now bearing its first fruits. With a clearly structured management pipeline programme, we are taking a targeted approach to building up qualified management and expert resources. After training and obtaining further qualifications in mature markets such as Western Europe, they are ready for subsequent assignments in the CIS countries, for example. What makes HeidelbergCement particularly attractive to young talents is the opportunity to take on extensive responsibility, e.g. as a plant manager, at a young age. Once again, we intensified our university and college marketing and communication. We received

the Platinum Award from the renowned League of American Communication Professionals for our university and college marketing brochure.

Communication as a factor for success

We have informed all employees and managers continuously and openly about the state of the integration process. By means of letters from the Chairman of the Managing Board, several issues of a special electronic newsletter and numerous events, including a conference for the Group's top managers lasting several days, we have conveyed the key messages and provided detailed information on the progress of the integration process. Regular electronic surveys ("pulse checks") allowed us to examine the perception of the employees involved regarding the progress of the integration. In each case, we responded immediately to the results, by strengthening the presence of our managers, for example. The final survey in October 2008 showed a high level of approval for the integration and identification with HeidelbergCement. This is all the more remarkable because, in the core markets of the United Kingdom and North America, the integration was adversely affected by significant job cuts, a consequence of the financial and economic crisis.



Sustainable development and environmental precaution

Sustainability is part of HeidelbergCement's corporate strategy. In 2008, we achieved a great deal in our efforts for sustainable development and the reduction of environmental pollution, and made significant progress.

Our contribution to promoting biodiversity

HeidelbergCement is the first company in the world in its industry to introduce a Group guideline for the promotion of biological diversity at mineral extraction sites and thus define standards for the renaturation and recultivation of its raw material quarries. The aim of the guideline, which was adopted in February 2009, is to promote dialogue with all parties involved, increase biological diversity during and after quarrying, and protect nature and the landscape. The guideline will initially apply to Europe. We are aiming to implement it worldwide this year, taking into account local specialties.

During the reporting year, we collected data on biological diversity in the quarries of seven cement plants in Europe. Animal and plant species, both in the quarrying region and in the immediate surroundings, were counted and their locations mapped. The analysis of the data clearly shows that, because of their species richness, the quarrying regions are very important for biological diversity. In 2008, we also introduced programmes to promote species diversity in quarries for aggregates, including three locations in the Czech Republic.

In May 2008, HeidelbergCement joined the Business and Biodiversity Initiative in connection with the UN Conference related to the International Convention on Biological Diversity, which took place in Bonn, Germany. By doing so, we made a commitment to establishing a biodiversity management system that helps to preserve and promote biological diversity in all our business lines.

Building products for sustainable construction

Worldwide, buildings consume the most materials and energy, create the most waste and produce the highest CO₂ emissions. We are convinced that it is not only the task of architects or construction engineers, but also our responsibility as a building materials supplier, to find solutions for the optimal use of our products. We therefore promote the exchange of experience relating to environmentally friendly and energy-efficient building and are involved in relevant research activities worldwide.

Thanks to targeted research, HeidelbergCement is able to offer building products that make a contribution to protecting environment. Buildings made of concrete have a long lifetime, require low maintenance and energy consumption. Water-permeable concrete paving stones allow rainwater to flow naturally into the soil, preventing it from placing a strain on the sewage systems. Our concrete products, which are manufactured with the new, photocatalytically active TioCem® cement, remove pollutants from the air.

At the end of their lifetime, products are often recycled back into the manufacturing process: for instance, we continuously increase the proportion of recycled asphalt. In one of our asphalt plants in London, we are planning to replace up to 50% of the aggregates with recycled asphalt.

Using waste as raw materials and fuels

HeidelbergCement regards waste and by-products from other industries as valuable raw materials and fuels, which we use in the manufacture of new products. By doing so, we are making an active contribution to the preservation of resources as well as to waste management and recycling.

In 2008, the proportion of alternative fuels in the fuel mix was 17% HeidelbergCement thus remains the frontrunner among the largest cement manufacturers in the co-processing of waste. Our goal is to increase the use of alternative fuels even further. For example, in our Fieni cement plant in Romania, we are constructing a facility to process alternative fuels, which will allow us to increase the use of hazardous waste. In other European countries



such as Poland, the Czech Republic and Sweden, we promote co-processing of plastics, household waste and used tyres. While we have achieved progress in North America with the use of sewage sludge, we are constantly increasing the use of hazardous waste in Indonesia.

Protecting our climate

In 2003, HeidelbergCement made a voluntary commitment to reducing specific net CO₂ emissions by 15 % by 2010, compared with 1990. We already achieved this goal in 2007: the specific net emissions per tonne of cement decreased by more than 16 %. We continued our efforts to lower greenhouse gas emissions in 2008 and are about to set a new voluntary reduction goal. The exact CO₂ data will be available on our website from the middle of the year.

HeidelbergCement works intensively on the development and implementation of innovative solutions for reducing CO₂ emissions. In many countries, we are a leader in the use of biomass as fuel and promote forward-looking research projects for CO₂ sequestration and storage.

Reducing environmental pollution

In 2008, we made significant investments to decrease dust emissions by installing modern, high-performance filters in the cement plants in Leimen and Schelklingen, Germany, in Radotin and Mokra, Czech Republic, and the plants in Georgia.

We reduce nitrogen oxide emissions by using the SNCR (selective non-catalytic reduction) technology. In 2008, SNCR systems were installed in the Mokra plant in the Czech Republic and the Leeds plant in the US. The Waco and Evansville plants in the US will follow soon.

In the aggregates business line, new water treatment systems are reducing the water consumption considerably. For example, in the past year, these systems were installed in the Polish locations Zadworzany, Okmiany and Pawłów.

In 2008, we set up environmental management systems certified in accordance with ISO 14001 in our white cement plant in Harmignies, Belgium, and in the two plants in Ghana. Ghacem is the first certified subsidiary in Africa. Our plant in Tanzania will follow in 2009. Our goal is to set up environmental management systems in all cement plants by 2010.

Occupational health and safety

As part of the comprehensive "Safe work – Healthy life" initiative we started in 2007, we have greatly increased awareness of occupational health and safety among our employees by means of various individual measures. Two specific Group guidelines on the topics of contractor safety and working at height have established measures that are now being integrated into the local processes by the operational units. The particular areas of focus are hazard analysis and specific training of employees and contractors. Another guideline on the topic of protective devices on machinery is in preparation.

In North America and the United Kingdom, we have restructured and centralised the occupational health and safety organisation as part of the Hanson integration, in order to guarantee optimum support for all operational units across the business lines. We intensified the exchange of information and training of employees in occupational health and safety at both local and international level. Following the reorganisation of our internal network, three regional groups of occupational safety experts cover the regions Asia/Oceania, North America and Europe/Africa.

In 2008, we were able to further reduce both the frequency rate and severity of accidents. Unfortunately, there were four fatalities, which led to an increase in the fatality rate. Further measures, at both local and Group level, will follow in order to effectively prevent accidents.

HeidelbergCement share

[Management report](#)

On the market

HeidelbergCement annual accounts

Additional information



Social responsibility

HeidelbergCement sees itself as a partner in the community. Therefore, we get involved as a corporate citizen in the local areas and regions surrounding our locations and support projects, initiatives and organisations that focus on the sectors Building – Environment – Education.

We place special value on promoting education in all countries. Employees get involved personally in numerous activities through collaborations with schools, for example in Germany. Students and teachers gain first-hand insight into business and economy and obtain information about important topics such as sustainability, nature conservation or environmental protection. Another focal point is our collaboration with universities and colleges. In Georgia, for example, we developed a practice-oriented three year engineering course in collaboration with the university; students enrolled in this course are able to gain continuous practical experience at our plants.

Support for numerous projects through donations of building materials as well as for environmental initiatives, such as the protection of ecologically valuable coastlines, is another core element of our social commitment.

Research and technology

Strong competence centers

For many years, the Heidelberg Technology Center (HTC), with locations in North America, Europe and Asia, has supported the cement plants in all issues relating to securing raw materials, facility planning, production technology and product quality. Following the example of this successful model, the Competence Center Materials (CCM) with locations in the Group areas was set up in 2008 for the aggregates, ready-mixed concrete and asphalt lines. Besides providing technological support to the plants, HTC and CCM initiate a continuous improvement process by means of targeted benchmarking as well as process and quality audits. The close contact between plants and technical centers guarantees efficiency and fast implementation. The systematic networking of our experts and an integrated knowledge platform for all research and technology activities ensure that the expertise available worldwide is used effectively.

Occupational health and safety

	2005	2006	2007	2008
Accident frequency rate ¹⁾	11.3	7.4	5.8	4.8
Accident severity indicator ²⁾	188	191	154	132
Fatality rate ³⁾	2.4	0.3	0.6	0.9

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



The research and development activities for cement and concrete are brought together centrally in the HTC Europe. The research requirements and improvement potentials are identified and priorities are set, in close consultation with the operating companies. Close contact right from the start of the project ensures rapid implementation in practice. In the area of research, we co-operate with numerous European and American universities. Central to these activities is Nanocem, the best-known research network worldwide in the area of building materials research, of which HeidelbergCement is a founding member.

In 2008, the Group's total expenditure for research and technology, involving 404 employees (previous year: 388), amounted to EUR 53 million (previous year: 47).

New construction and expansion of production facilities

The increasing demand for cement in some Group countries, particularly in Eastern Europe and China, led to further expansion of our clinker and cement capacities. At the end of 2008, the new Jingyang II and Fufeng II production lines, each with a daily capacity of 5,000 tonnes of clinker, commenced operation in the Chinese province of Shaanxi. We have also completed a new production line in the Çanakkale cement plant in Turkey; the new line in the Dar es Salaam cement plant in Tanzania is under construction. In the Georgian capital Tbilisi, the production line from the decommissioned Kiefersfelden plant in Germany has commenced operation, producing approximately 1,000 tonnes of clinker per day. Other large projects are still under construction, including the Tula cement plant, around 150 km south of Moscow. The construction of the new CaspiCement plant near Aktau on the Caspian Sea will be delayed as a result of the aggravated economic situation in Kazakhstan.

The capacities of existing production facilities in Poland, Romania, Russia, the Czech Republic and Indonesia were or are being expanded. In the Beremend plant in Hungary, we converted the clinker production from two kilns to one.

This increased the capacity of the plant and made it possible to use large quantities of alternative fuels. We also renovated all filter systems and adapted them to the highest emissions standards.

Overall, one of the focal areas of investment in 2008 was the modernisation of the filter systems in our cement plants. By installing modern and highly efficient filter systems, we are able to not only comply with legal restraints, but often exceed significantly the requirements.

Production and efficiency

In order to absorb the tremendous rise in the costs of fuels such as coal and gas, as well as electricity, raw materials, transport, spare parts and machinery, we further improved the efficiency of our production facilities in 2008. We made great progress in the substitution of alternative fuels for primary ones: The proportion of alternative fuels, which amounts to 17% across the Group, has already reached 75% and above in many cement plants. By doing this, we are dampening the increase in fuel costs and helping to preserve natural resources and reduce the emission of greenhouse gases. In order to secure the supply of alternative fuels in the long term, we are entering into close partnerships with disposal firms.

We are making great efforts to reduce electricity consumption in our cement production. In China, we commissioned additional facilities to generate electricity from waste heat from kilns. Up to 9 MW of electricity can be generated, corresponding to around 30% of the total electricity consumption of a large cement plant.

A high level of plant availability is very important for the capital-intensive cement industry. This is a prerequisite for low production costs and consistently high product quality. We have therefore introduced a Group-wide maintenance programme in order to significantly improve the efficiency of our production sites and reduce costs. The project centres on the formulation of a maintenance concept, tailored specifically to HeidelbergCement, that was developed in five pilot projects and is now being implemented worldwide in our cement plants.

HeidelbergCement share

[Management report](#)

On the market

HeidelbergCement annual accounts

Additional information



Protecting the environment and reducing costs

The use of primary raw materials and fuels, and the CO₂ emissions that arise during cement production, have a significant impact – and not just on the environment. Together with electricity consumption, they are responsible for a large part of the costs of cement production. For this reason, one of the main focuses of our research and improvement work is the substitution of alternative raw materials and fuels for energy-intensive clinker and fossil fuels. So-called composite cements are becoming increasingly prevalent on the market; these have a lower proportion of clinker as it is replaced, for example, by fly ash. In 2008, we made significant progress with those cements in the United Kingdom, Poland and the Netherlands. Innovative composite cements also reduced specific CO₂ emissions further in Germany and Belgium. Some cement types already contain a clinker proportion considerably lower than 70% In some markets, composite cements have even completely replaced the traditional Portland cement.

The increased use of recycled aggregates in concrete production also is an area of development that reduces costs and protects the environment.

Sustainable concrete applications

Besides environmentally friendly production, the improvement of binders and applications that contribute positively to environmental protection are a second focal area of research. The photocatalytically active cement TioCem® of HeidelbergCement breaks down air pollutants, such as NO_x and organic substances, under the influence of light. We are collaborating on this technological development, which is distributed under the brand name TX Active®, with the Italian cement manufacturer Italcementi. Since the start of its launch in early summer 2008, there has been increasing demand for TioCem®. More than 200,000 square metres of roofing in Germany has already been covered with the photocatalytically active roof tiles manufactured from this cement. The first TX Active® pilot applications have already been launched in other European countries.

In the building products sector, we have introduced paving stones with a drainage function onto the market in the United Kingdom and Germany. These allow rainwater to trickle away quickly, reducing the burden on the sewage system. A new special binder was developed for the use of geothermal probes: With its extremely high thermal conductivity, Thermocem® ensures the best possible use of the energy from the earth's interior. This product makes HeidelbergCement the technological leader for building materials in geothermics, a sunrise industry.

Concrete also makes a fundamental contribution to another environmentally friendly energy source: Our ready-mixed concrete facility in the Belgian city of Ostend supplied the concrete for the foundations of one of the largest offshore wind farms and received the Belgian Concrete Excellence Award.

Special application-oriented products

Our development work also focuses on special binders and concrete types for specific areas of application. In Germany, we succeeded in making a definitive market breakthrough with the fluidised floor levelling finish Cem-flow, thanks to its outstanding processing characteristics and reliability. A comparable product is in the introduction phase in the Netherlands. Innovative screed systems from Hanson are gaining market shares in the United Kingdom.

Special binders enable manufacturing of high-early-strength concretes, used, for example, for the production of precast concrete parts or for road and airfield repairs. Through optimisation of the cement composition, concrete types that are highly resilient after just a few hours, allowing very short repair intervals or production cycles, were developed in Germany. A patent application has been filed for the underlying technology.



Prospects

The expected future development of HeidelbergCement and the business environment in 2009 and 2010 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 Managing Board 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 major industrial countries throughout the world are in a recession. Only slight growth in the gross domestic product is anticipated this year. In the euro zone, the United Kingdom and the US, a decline in economic output is expected in comparison with 2008. Eastern Europe and the emerging countries of Asia are likely to experience weakened growth. Efforts to stabilise the financial markets and prevent a further slump by means of extensive economic programmes are being greatly intensified.

Nevertheless, we cannot yet estimate when and to what extent these measures will stabilise the economic trend. Therefore, the expectations for 2010 are also subject to a high level of uncertainty. The forecasts made by the economic experts are being adjusted continuously because of the sustained uncertainty.

Turnover and results

As a result of the worldwide economic downturn, HeidelbergCement anticipates a decline in turnover and an impairment in operating income in 2009. Specific statements cannot be made at present, as important planning parameters with a direct effect on results, such as exchange rates and energy and raw material prices, are highly volatile.

In 2008, the Group responded at a very early stage to the weakening and adjusted capacities and production structures accordingly. The "Fitness 2009" programme, additional cost-saving measures and the synergy effects from the Hanson integration should have a significant positive impact on costs this year. From the second half of 2009, the Group expects impetus to come from the worldwide economic programmes focusing, among others, on road construction and infrastructure – sectors in which HeidelbergCement is particularly strong throughout the world. As one of the industry leaders, HeidelbergCement believes it is well-equipped to benefit from these projects thanks to its operational strength and international market positions.

Investments

In the cement business line, investments are being focused on modernising and expanding the capacities of our production facilities in growth markets such as India, Indonesia and Tanzania, as well as in Poland, Hungary, Romania and the Czech Republic. We will press ahead with the construction of the cement plant in Russia. In the aggregates and concrete business line, individual measures are planned in North America in order to respond to specific local market demand or secure our raw materials situation.

Expected financing

According to current forecasts, the main refinancing requirements in 2009, relating to the repayment of the 4.75% EUR 300 million bond maturing in April and the syndicated loan taken out in connection with the Hanson acquisition, are covered by sufficient cash.

In view of the serious deterioration of the economic environment in 2009 and the repayments of significant portions of the Hanson acquisition financing due in 2010, HeidelbergCement is planning a comprehensive reorganisation of its financing structure. The aim is to strengthen the shareholders' equity base and improve the maturity profile of the existing bank financing. Non-strategic business units are to be sold in order to provide



further debt relief. On the basis of the progress of negotiations so far, we are confident of completing the key measures for the necessary reorganisation by the middle of 2009.

Sustainability

We have defined ambitious goals for the next few years via our sustainability programme. One of the focal areas is occupational health and safety: In particular, we want to drive forward the process of implementing specific Group guidelines worldwide.

Our activities in the area of environmental sustainability are aimed at further decreasing our ecological footprint. A Group guideline to promote biological diversity at our quarrying sites has already been adopted for our European locations. Preparations are being made for the worldwide implementation of this guideline, which should be completed in 2009. Climate protection will also be a big challenge for us in the future; for this reason, we will be defining a new and ambitious goal for further reducing our CO₂ emissions.

Research and technology

The enormous importance of preserving resources and reducing emissions, for cost and environmental reasons, will continue to shape the research and development activities at HeidelbergCement in the next few years. Besides blast furnace slag, other additives such as fly ash, limestone and pozzolans are becoming increasingly important in cement production. There is still a substantial amount of optimisation potential in this area. The development of special customer- and application-oriented products with a high degree of added value remains a primary objective in our activities.

Employees

The consistent expansion of our variable remuneration system to management levels below top and senior management further promotes the focus on performance and results as an integral part of our corporate culture.

Through the HR Globe project, we are optimising our global core processes in the area of personnel in order to increase efficiency. Our talent management concept is being continued in a sustainable and targeted way, taking into account an updated assessment of requirements.

Estimates for 2009 and 2010 – risks and opportunities

The effects of the global financial crisis have intensified over the last few months. Almost all major national economies throughout the world are now in a recession whose duration and extent are difficult to estimate. Nevertheless, in numerous countries there are economic programmes focusing, among others, on the area of infrastructure, which will provide good opportunities for our business.

The possibility that the financial markets will not be stabilised quickly enough poses the main risks to ongoing development. Without functioning financial and capital markets, the real economy has no chance of recovery. Uncertainty is also created by the sustained high volatility of exchange rates as well as energy and raw material prices.

Opportunities are presented by the possible recovery of the building materials markets, which should benefit at an early stage from the worldwide economic programmes. HeidelbergCement is well-equipped for this possibility, with its core products, strong market positions and efficient cost structure.



Sturdy high-flyers

With concrete architectural
visions become a reality





Petronas Twin Towers, Malaysia

HeidelbergCement on the market

Europe

HeidelbergCement operates in 23 countries in the Europe Group area. As a result of the inclusion of Hanson, we have particularly expanded our market positions in the aggregates and ready-mixed concrete operating lines in Germany, the Benelux countries and the Czech Republic, and have gained new markets in Israel and Spain. The United Kingdom has become considerably more important; it is now the second largest market region in the Group. As a fully integrated building materials company, we employ a total of 27,035 people in Europe in cement, aggregates, ready-mixed concrete, asphalt and building products. In most countries, HeidelbergCement is the market leader in the cement business.

The turnover of the Europe Group area increased by 25.4% in 2008 to EUR 7,190 million (previous year: 5,732). Operationally, that means excluding consolidation and exchange rate effects, turnover fell slightly by 0.8%.

Construction industry suffers as a result of weak economy

In parts of Europe, the economic dynamics weakened more quickly than expected. While the general economic growth rate in the euro-zone stood at 2.6% in 2007, it fell to approximately 1% in 2008. In the United Kingdom and Spain, the property crisis additionally adversely affected economic development. In Germany, construction investments rose by around 3%. Construction activity in the Benelux countries and Northern Europe maintained a very high level throughout the year. In Eastern Europe, construction activity slowed down at the end of 2008, but still increased significantly overall.

Cement business line

Growth in Eastern Europe, Germany and the Benelux countries

Despite a heavy decline in the construction industry, particularly in the fourth quarter of 2008, demand continued to develop positively in many countries over the year as a whole. Overall, our cement and clinker sales volumes rose slightly by 2.3% to 43.2 million tonnes (previous year: 42.2); this represents around half of the Group's sales volumes. Excluding consolidation effects, shipments were slightly below the previous year's level. The Eastern European countries

Key data

EURm	2007	2008
Operating income	1,063	1,223
Investment in tangible fixed assets	492	630
Cement and clinker sales volumes (Mt)	42.2	43.2
Aggregates sales volumes (Mt)	88.0	125.1
Asphalt sales volumes (Mt)	1.5	4.6
Ready-mixed concrete sales vol. (Mm ³)	17.6	24.1
Employees (as at 31 December)	30,597	27,035

Turnover 2008: 7,190 EURm



- 46.8% Cement
- 44.2% Aggregates and concrete
- 9.0% Building products

[HeidelbergCement share](#)

[Management report](#)

[On the market](#)

[HeidelbergCement annual accounts](#)

[Additional information](#)



recorded particularly positive development, especially Russia, where our Cesa plant achieved record sales volumes. The plants in the Czech Republic, Poland, Estonia, Hungary and Bosnia-Herzegovina also recorded substantial increases. A pleasing rise in demand was also seen in Germany and the Benelux countries. While the domestic sales volumes of our Swedish and Norwegian plants increased, there was a decline in exports. Our cement plants in the United Kingdom suffered the heaviest decrease in quantities.

Expansion of capacities, modernisation and increased use of alternative fuels

In 2008, our investments focused on modernising and expanding the capacities of our plants as well as improving our environmental protection. In Russia, we are constructing a new cement plant in Tula (Moscow area) with a capacity of 2 million tonnes. After obtaining all the necessary permits in 2008, we aim to complete construction by the end of 2010. In order to cover the growing cement demand in the Kaliningrad area, we commissioned a new import terminal there in September 2008 with a transhipment capacity of 300,000 tonnes of cement. In Georgia, the newly constructed production line at Kartuli Cementi commenced operation; this line had been taken over from the decommissioned Kiefersfelden plant in Germany.

We further increased the use of alternative fuels in 2008. In our Brevik plant in Norway, we are now able to use almost 100% of alternative fuels. Technical improvements to increase the proportion of alternative fuels and reduce emissions were also made in Slite, Sweden. In the Lixhe plant in Belgium, we constructed a new storage facility for plastic waste. Construction work also began on a facility to process alternative fuels in Belgium; another plant for recycling solid organic waste was constructed in the United Kingdom.

In Hungary, the new kiln line in the Beremend cement plant will be commissioned in spring 2009; this will allow us to increase the proportion of alternative fuels to

around 80 %. We will also be able to use more alternative fuels in the plants in Bicaz, Romania, and Mokra, Czech Republic, once the modernisation of two kiln lines is completed this year. In Cesa near Saint Petersburg, we took further steps towards the construction of a new production line. Existing facilities there and in the Kakanj plant in Bosnia-Herzegovina were also modernised and upgraded. In Kakanj, we also started installing a closed cooling water circuit, which will reduce environmental pollution and water consumption considerably. In Poland, the biggest investment project in the 30-year history of the Góraždze cement plant began. The aim is to increase the clinker capacity of the second kiln line by 70% by the middle of 2011, bringing the total output of the plant to 12,000 tonnes per day.

One of the focal areas of investment in 2008 was the installation of new, high-performance dedusting filters: In our Georgian plants, we reduced dust emissions substantially in accordance with the highest environmental standards. New dust filters were also installed in the two plants in the Czech Republic, as well as in Leimen and Schelklingen, Germany.

Aggregates and concrete business line

Strong market presence with aggregates

Aggregates in the form of sand, gravel and crushed rock are used principally for concrete manufacturing or for road maintenance and construction. Following the integration of the Hanson plants, this business line has taken on significant proportions as the second pillar of our raw materials activities. In the Europe Group area, HeidelbergCement operates around 280 production sites, most of which are located in Germany and the United Kingdom.

In 2008, the sales volumes of aggregates in this Group area rose to 125.1 million tonnes (previous year: 88.0). Excluding consolidation effects, this figure decreased by 3.1% as a result of partly dramatic declines in



the construction sector in a number of countries. The heaviest losses were suffered by Spain, the United Kingdom and the Baltic States, while sales volumes in Israel, Norway and Sweden were also significantly below the previous year's level. In contrast, Russia and the countries of Eastern Europe – with the exception of Hungary – achieved particularly high growth rates. Shipments also increased considerably in Germany and the Benelux countries. In January 2009, our Belgian and Dutch aggregates activities were combined in the newly founded company Sagrex, which operates 22 production sites with an annual production of around 15 million tonnes.

In the reporting year, construction work began on two new production facilities in Poland; these will commence operation in spring 2009, primarily supplying the markets of Lodz, Warsaw and Poznan with sand and gravel. In Spain, the new production facility in the Barcelona granite quarry commenced operation at the beginning of this year. By acquiring a majority participation in the company OAO Voronezh Rudoupravlenie, we expanded our aggregates capacities in Russia with the addition of a quarry near Voronezh. In order to adjust our capacities to the heavily decreased level of construction activity in the United Kingdom, we decommissioned several production sites and sold a participation.

Decline in asphalt production

The aggregates and concrete business line also includes asphalt production. Asphalt is manufactured from a mixture of graded aggregates, sand, filler and bitumen. Most of HeidelbergCement's European asphalt plants are in the United Kingdom. Total asphalt sales volumes increased to 4.6 million tonnes (previous year: 1.5). Excluding consolidation effects, however, volumes decreased by 3.3%. We adjusted our capacities in the United Kingdom in response to the decline in road maintenance and construction by closing individual locations.

Ready-mixed concrete at previous year's level

Following the integration of Hanson, HeidelbergCement has a dense network of locations in Europe. In 2008, the total sales volumes of our ready-mixed concrete plants grew by 36.5% to 24.1 million cubic metres (previous year: 17.6). Excluding consolidation effects, this figure reached the previous year's level: While our plants in the Benelux countries, Germany, Sweden, the Czech Republic, Hungary and Romania achieved increases, volumes decreased in Poland, Norway, Denmark, Russia and the Baltic States. The heaviest decline was recorded by our British and Spanish plants as a result of the slump in the construction industry.

Our network of locations was expanded further in 2008: We commissioned new plants in Belgium, the Netherlands, Norway, Hungary, Ukraine and the Czech Republic; in Slovakia, we acquired a 50% participation in a company that currently operates 13 production sites with potential for further expansion. In Georgia, production of ready-mixed concrete will commence this year. The heavy decline in the construction industry in the United Kingdom necessitated regional capacity adjustments in this operating line too. However, a new production site was built on the construction site of the Olympic Park in London.

Building products business line

Capacity adjustments in the United Kingdom

The building products business line, which includes the concrete products operating line in Germany and Sweden and the sand-lime brick operating line in Germany was expanded considerably as a result of the integration of the Hanson activities – particularly in the United Kingdom. HeidelbergCement is the market leader in the United Kingdom in bricks and aircrete blocks. We hold leading market positions in wall cladding and

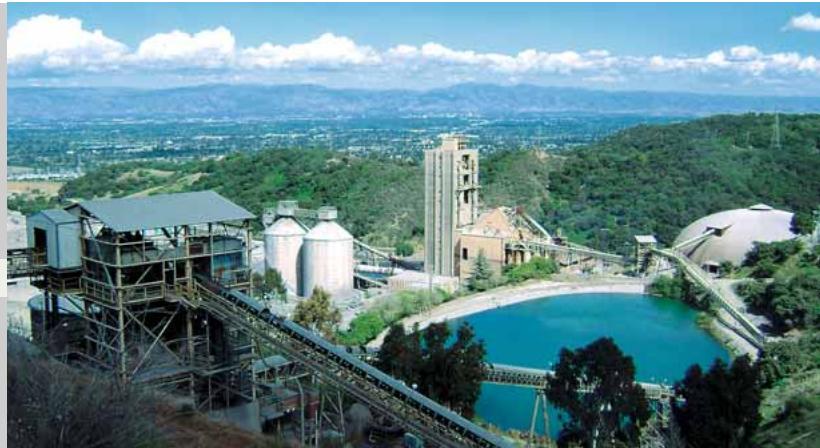
HeidelbergCement share

Management report

On the market

HeidelbergCement annual accounts

Additional information



flooring systems, pavers, roof tiles and chimneys. The heavy slump in residential construction in 2008 led to substantial decreases in sales volumes of these products. We responded with drastic capacity adjustments and plant decommissionings in order to maintain our competitiveness.

While the concrete products operating line in Germany and Sweden recorded increases in turnover, results declined in both countries. The sales volumes of our German sand-lime brick plants experienced a cyclical decrease in 2008. In Germany, initial steps have been taken to sell the lime activities.

North America

The United States and Canada form the North America Group area. As a result of the integration of Hanson, HeidelbergCement has expanded its market position in this region considerably and optimised it by means of extensive organisational changes. In its largest market region, the company is one of the leading manufacturers of aggregates, ready-mixed concrete, cement, asphalt and building products. The building products business line includes the production of pipes, precast concrete parts, concrete paving, roof tiles and bricks.

In 2008, turnover rose by 23.5% to EUR 3,958 million (previous year: 3,205) as a result of the new consolidations. In the national currency, the increase amounted to 32.5% However, excluding consolidation and exchange rate effects, it decreased by 15.9%

Dramatic decline in residential construction

The US economy weakened noticeably in the second half of the year. Overall, the growth rate of the gross domestic product in 2008 is expected to be approximately 1% despite the recession at the end of the year. The financial

market crisis, which caused a slump in the property markets, is still adversely affecting general economic developments. The sustained pressure on property prices and rising unemployment reduced private consumption. The slower growth of the global economy is also having

Key data

EURm	2007	2008
Operating income	466	406
Investment in tangible fixed assets	312	199
Cement and clinker sales volumes (Mt)	14.9	13.6
Aggregates sales volumes (Mt)	78.0	134.6
Asphalt sales volumes (Mt)	2.3	4.0
Ready-mixed concrete sales vol. (Mm ³)	9.9	9.0
Employees (as at 31 December)	19,267	15,739

Turnover 2008: 3,958 EURm



- 27.5% Cement
- 49.3% Aggregates and concrete
- 23.2% Building products



a negative impact on companies' willingness to invest. In view of the fundamental economic problems in the US, even the fact that energy prices have fallen significantly may not help to bring about a fast recovery.

In 2008, construction investments in the US decreased by roughly 5% on average. The dramatic decline of 27.2% in residential construction by far outweighed modest gains in commercial and public construction. The US government's economic stimulus package is expected to give first important impetus from the second half of 2009. Of the adopted USD 787 billion, a significant amount is set to be invested in infrastructural measures; this is a construction segment that requires large quantities of aggregates and concrete.

Canada's gross domestic product increased slightly in 2008. As a result of the decline of 9.4% in residential construction, total construction activity weakened slightly, although the other construction segments recorded growth. The construction sector was also adversely affected at the end of the year by declining gas and oil extraction, which was a result of falling oil prices.

Cement business line

Cement sales volumes reflect weaker construction activity

In 2008, cement consumption in the US decreased by 12.8% to 99.8 million tonnes. The required import quantity fell to around 11 million tonnes. For 2009, the US Portland Cement Association (PCA) once again expects a double-digit decline in demand and a significant decrease in imports. In Canada, cement consumption fell by 2.2% in 2008 to 9.9 million tonnes; a further weakening is anticipated for 2009, though this should be less severe.

The cement and clinker sales volumes of our plants in North America were 8.2% below the previous year's level, at 13.6 million tonnes (previous year: 14.9). Excluding consolidation effects, the figure decreased by

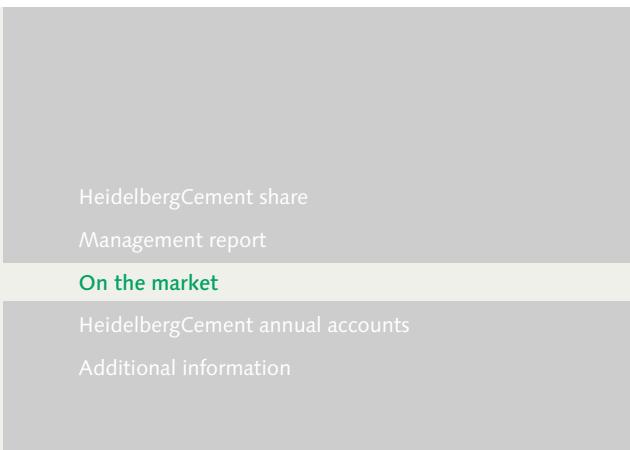
13.9%. However, by reducing imports, we succeeded in utilising our plants' capacities to a greater degree. In view of the decline in demand, we took extensive measures to reduce our production costs. For example, we reduced our energy costs by significantly increasing the proportion of alternative fuels in our cement plants in Pennsylvania, California and Canada. In order to reduce nitrogen oxide emissions, we installed an SNCR (selective non-catalytic reduction) system in the Leeds cement plant in Alabama. At the same plant, we are expanding the raw material base and modernising the production facilities, e.g. by constructing a new silo for 20,000 tonnes of cement and new loading installations for trucks and trains. The approval process for an expansion of the raw material deposits at the Evansville plant in Pennsylvania was successfully completed.

As a result of the declining construction activity in the US and Canada, sales volumes of white cement from our two production sites also decreased by 11.4% in comparison with 2007, in line with general market development.

Aggregates and concrete business line

Aggregates suffer as a result of declining construction activity

We expanded the aggregates operating line considerably with the integration of Hanson. In the reporting year, the approximately 230 production sites achieved total sales volumes of 134.6 million tonnes (previous year: 78.0); this corresponds to a rise of 72.6%. However, excluding consolidation effects, shipments decreased by 23.2%. We responded at an early stage to the considerable market decline with regional capacity adjustments and significant cost savings. The projects completed in the reporting year supplement our capacities in line with regional requirements and – thanks to the latest technology – also reduce our production costs. The Harding Street location is being modernised and its capacity expanded in order to continue to supply the market in the Indianapolis area.



of Indiana with the required quantity of aggregates. In the state of New York, we have drastically reduced downtimes and increased productivity by completely replacing a decades-old production facility. Another production facility commenced operation in Pennsylvania. In Canada, we commissioned the new, state-of-the-art Pine Ridge production facilities north of Winnipeg.

Asphalt benefits from vertical integration

The aggregates and concrete business line also includes asphalt. Our production sites are primarily located in New York, Pennsylvania and California. As a result of consolidation effects, sales volumes increased by 73.5% during the reporting year to 4.0 million tonnes (previous year: 2.3). However, excluding consolidation effects, shipments decreased by 22.5% Despite heavy cost pressure as a result of higher oil prices and declining quantities, the intensified vertical integration and strict cost management had a positive impact on results.

Ready-mixed concrete activities experience decline in most markets

We expanded our network of ready-mixed concrete facilities considerably with the integration of Hanson. As a result of market weakness, however, sales volumes fell by 8.5% to 9.0 million cubic metres (previous year: 9.9). Excluding consolidation effects, the decline amounted to 20.6%, with the major markets in Arizona, Florida, California and western Canada affected to the same degree. The partly substantial increases in diesel prices during the reporting year had an adverse effect on costs and results. In this operating line, too, we responded to the declining market demand with significant capacity adjustments.

Building products business line

Restructuring of building products

2008 proved to be a very difficult year for the business line with its heavy reliance on the residential construction.



Particularly heavy losses were recorded in the bricks, paving stones and tile segments, which are around 90% dependent on residential construction. Falling investments in infrastructure as a result of lower tax revenue also caused a decrease in demand for pipes and precast concrete products. We responded to the change in the market situation with reorganisation measures and capacity adjustments. The entire business line was divided into three units: Hanson Building Products East, Hanson Building Products West and Hanson Pressure Pipe.

The three production sites commissioned or expanded in the reporting year cover regional market requirements in California, Virginia and Texas. The new Aquaflow Permeable Pavement System, introduced into the market in 2008, is used in green building projects and has been endorsed by the Florida Department of Environmental Protection as "best management practice".

In the spring of this year, a new plant near Calgary will commence production of pipes and manholes, and supply the entire market of the Canadian province of Alberta.



Asia-Australia-Africa

In the combined Group area Asia-Australia-Africa, HeidelbergCement is active in ten Asian and seven African countries, as well as in Australia. Whereas in Africa we only produce cement, in Asia and Australia we also operate in the aggregates and ready-mixed concrete business. Despite a noticeable weakening of major currencies against the euro – particularly the Indonesian rupiah, the Indian rupee and the Australian dollar – turnover in 2008 reached EUR 2,943 million (previous year: 1,909), an increase of 54.1%. Besides the full-year inclusion of Hanson, this was also due to significant organic growth in China, Indonesia, Turkey and Ghana. Excluding consolidation and exchange rate effects, the increase in turnover amounted to 22.5%.

Cooling down in economic growth

In the course of 2008, the financial crisis had an increasingly adverse effect on the general economic dynamics, also in the emerging countries of Asia. In China, the economy recorded growth of 9%, a single-digit figure for the first time since 2002. With a rate of 7.3%, growth in India also slowed down considerably. In contrast, the Indonesian economy held its ground, with a growth rate of around 6%. In Turkey, the economy cooled off noticeably in the course of the year. The growth of the Australian economy also decreased considerably after the raw materials boom ended.

Cement business line

Continued rise in cement sales volumes

In the countries of the Asia-Australia-Africa Group area, the rate of growth of the construction industry also weakened significantly. Our cement and clinker deliveries rose by 4.3% to 32.2 million tonnes (previous year: 30.8); this was partly due to the increase in production capacity in China in the previous year.

The 25% participation in Cement Australia Pty Ltd, acquired as a result of the takeover of Hanson, is not included in the sales volume figures, as this company is consolidated at equity as an associated company. Cement Australia operates four cement plants and a grinding facility in the states of Queensland and New South Wales, as well as on the island of Tasmania.

Key data

EURm	2007	2008
Operating income	306	497
Investment in tangible fixed assets	234	270
Cement and clinker sales volumes (Mt)	30.8	32.2
Aggregates sales volumes (Mt)	13.6	39.8
Asphalt sales volumes (Mt)	1.0	3.6
Ready-mixed concrete sales vol. (Mm ³)	5.2	11.3
Employees (as at 31 December)	17,999	18,015

Turnover 2008: 2,943 EURm



- 57.7% Cement
- 40.5% Aggregates and concrete
- 1.8% Building products



HeidelbergCement share

Management report

On the market

HeidelbergCement annual accounts

Additional information

Asia

In Indonesia, our subsidiary Indocement benefited from the strong construction activity, which was driven not only by residential construction but also by governmental infrastructure projects. Overall, cement consumption in Indonesia rose by 11.5% in 2008. Indocement was able to increase its domestic sales volumes by 14.7% As a result of the strong domestic demand, export deliveries – which achieve lower margins – were reduced considerably. Overall, Indocement's cement and clinker sales volumes were slightly above the previous year, at 14.7 million tonnes (previous year: 14.6). Two new cement mills with a total grinding capacity of 1.5 million tonnes are currently being constructed at the Cirebon plant. They will be commissioned at the end of 2009.

In China, the largest cement market in the world, cement consumption rose to around 1.45 billion tonnes in 2008. Our joint venture Jidong Heidelberg Cement Company, with its two plants Fufeng and Jingyang, was able to almost double its deliveries in the central Chinese province of Shaanxi: Thanks to the commissioning of the new Jingyang plant in summer 2007, sales volumes increased by 89% In contrast, in the southern Chinese province of Guangdong, the deliveries of our joint venture China Century Cement fell by 6.9% The main reasons for this were the weakening of the property market, the build-up of new cement capacities and the market entry of other cement suppliers. Overall, our consolidated cement and clinker sales volumes in China rose by 22.2% to 4.6 million tonnes (previous year: 3.7). In October 2008, we completed the construction of a second production line in both Jingyang and Fufeng. Consequently, Jidong Heidelberg Cement Company now has a capacity of 9 million tonnes and is the largest cement manufacturer in the rapidly growing market in the province of Shaanxi.

As a result of the financial crisis, India recorded a significant slowdown in residential construction in 2008. In addition, cheap imports from Pakistan and increasing excess capacities put a strain on the cement industry. The

sales volumes of our Indian cement plants, which were also adversely affected by heavy monsoon rainfall and flooding in northern India, decreased by 4.3 % in comparison with the previous year. In March 2008, we acquired the remaining 50% of the shares in the joint venture Indorama Cement. In order to further strengthen our market position in India, we subsequently commenced the process of merging the company with our subsidiary Mysore Cements, which was approved by court in February 2009 with effect from 1 April 2008.

While our cement deliveries in the Sultanate of Brunei did not reach the previous year's level, we achieved a noticeable increase in sales volumes in Bangladesh. In Kazakhstan, the financial crisis had an adverse impact on the previously booming construction market and our cement sales volumes. As a result of the aggravated economic situation, the construction of the new CaspiCement plant on the Caspian Sea in the west of the country will be delayed.

In Turkey, the construction industry – and thus demand for cement – became increasingly weakened in the course of 2008. The domestic sales volumes of our joint venture Akçansa fell slightly in comparison with the previous year; however, thanks to the heavy increase in export and clinker deliveries, total sales volumes increased by 22.7% to 6.6 million tonnes (consolidated: 2.6 million tonnes). In the Çanakkale plant, the new production line began operation in May 2008. This means that Akçansa now has an annual production capacity of 6.5 million tonnes of clinker and 9 million tonnes of cement, thus consolidating its leading market position in Turkey.

In the United Arab Emirates, we have a management contract with a cement sales company in which we hold a stake of 40%

Africa

In Africa, our cement and grinding plants recorded a slight overall rise in cement sales volumes in 2008, with varied development in the individual markets. In Ghana, our main market, which accounts for almost half of our



total sales volumes in Africa, our cement deliveries rose by 20% in comparison with the previous year. We also achieved significant volume increases in Sierra Leone, Togo and Tanzania. Total cement sales volumes from our African subsidiaries rose by 2.7% to 4.9 million tonnes (previous year: 4.7). Excluding the participations in Nigeria and Niger, sold in March 2008, the increase amounted to 11.3%.

In Tanzania, our second largest market in Africa in terms of sales volumes, significant progress has been made with the modernisation and expansion of our Tanzania Portland Cement Company (TPCC) plant. The construction of a new kiln line and a cement mill will increase the cement capacity of TPCC to around 1.2 million tonnes. The commissioning of the new production line, scheduled for spring 2009, will strengthen our market position in Tanzania considerably.

Aggregates and concrete business line

Significant growth in sales volumes

The full-year inclusion of Hanson's activities in Malaysia, Hong Kong and, in particular, Australia contributed to a significant increase in deliveries of aggregates and ready-mixed concrete in this Group area. Sales volumes of aggregates almost trebled, reaching 39.8 million tonnes (previous year: 13.6); excluding consolidation effects they decreased by 8.1%. Deliveries of ready-mixed concrete were more than twice as high as in the previous year, amounting to 11.3 million cubic metres (previous year: 5.2); the operational growth amounted to 7.8%. The sales volumes of the asphalt operating line also rose considerably, reaching 3.6 million tonnes (previous year: 1.0); operationally, however, deliveries fell by 23.0%.

Asia

While ready-mixed concrete sales volumes in Malaysia exceeded the previous year's level, demand for aggregates declined markedly. In Indonesia, Indocement was

able to increase its deliveries of aggregates and ready-mixed concrete considerably. Sales volumes of our Chinese ready-mixed concrete plants also rose significantly. In Hong Kong, our joint venture Alliance Construction Materials Ltd, in which we hold a 50% stake, was proportionately consolidated for the first time. The company operates five ready-mixed concrete plants and five aggregates production sites. In Kazakhstan, we started the production of both aggregates and ready-mixed concrete in the reporting year. We also produced aggregates for the first time in Turkey. Once again, our Turkish ready-mixed concrete facilities were able to significantly exceed the record sales volumes of the previous year. We sold our asphalt plants in Hong Kong on 31 August and in Singapore at the end of the year 2008.

Australia

While the ready-mixed concrete plants achieved slight growth in sales volumes, deliveries of aggregates from Hanson remained just below the previous year's level. As a result of consolidation effects, the sales volumes of both operating lines almost trebled. In the asphalt operating line we proportionately consolidated our 50% stake in the joint venture Pioneer Road Services Pty Ltd for the first time. The company is one of Australia's largest producers of asphalt and a contractor for asphalt pavements and road maintenance.

Building products business line

Australian concrete products business sold

In July 2008, we sold our Australian subsidiary Hanson Building Products Pty Ltd, which manufactures concrete masonry blocks and paving stones. Hanson is continuing the precast elements activities, with three plants in the Sydney area.



[HeidelbergCement share](#)

[Management report](#)

[On the market](#)

[HeidelbergCement annual accounts](#)

[Additional information](#)

Group Services

Group Services comprises the activities of our two 100% subsidiaries HC Trading and HC Fuels. HC Trading is one of the largest international trading companies for cement and clinker. HC Fuels manages worldwide trading in fossil fuels, which are sold to Group-owned and third-party companies. The total turnover of the two companies improved by 3.1% in 2008 to EUR 701 million (previous year: 680).

Thanks to the global trading network of HC Trading, with locations in Istanbul, Malta, Fort Lauderdale, Singapore, Shanghai and Dubai, we are able to better control the capacity utilisation of our plants and deliver the surplus from one country to another with high demand.

Worldwide sea trading in cement and clinker decreased by an estimated 23% in 2008. The main causes of this decline were the freight rates, which were still extremely high in the first half of the year, and the dramatic decrease in cement imports in traditional import countries such as the US and Spain. At the same time, the large cement-exporting countries such as China, India and Indonesia cut back their exports significantly.

HC Trading's trade volume fell by 14.4% to 9.9 million tonnes (previous year: 11.6). Increases in clinker and dry mortar were not able to offset the decline in the cement trade volume. Just under two thirds of the total trade volume was purchased by Group companies. While exports to the US and Europe decreased, HC Trading was able to attract new customers in Africa and the Middle East. Shipments to Bangladesh, Tanzania, Russia and the Baltic States rose considerably in comparison with the previous year.

In 2008, the international sea freight markets were extremely volatile: After the freight indices had reached historic highs in the second quarter of 2008, they fell dramatically in the second half of the year. As a result of HC Trading's successful management of the sea freight contracts, the freight costs for HeidelbergCement remained more than 10% below the freight rates on the spot markets. In addition, HC Trading was able to achieve considerable savings at Group level by efficiently managing trading flows.

Our subsidiary HC Fuels, based in London, is responsible for the cost-effective purchase of fossil fuels on the international commodity markets. HC Trading is able to counteract heavy price fluctuations in the fuel sector by means of long-term supply agreements. The company is also entrusted with the task of trading CO₂ emission rights on behalf of our Group companies in Europe.

Key data

EURm	2007	2008
Turnover	680	701
Operating income	15	21
Employees (as at 31 December)	52	52



A place for top performers

Concrete wins when building state-of-the-art stadiums





Richmond Olympic Oval, Canada

Group profit and loss accounts

Group profit and loss accounts		Notes	2007 ²⁾	2008
EUR '000s				
Turnover	1	10,862,329	14,187,130	
Change in stock and work in progress		-59,197	91,750	
Own work capitalised		2,018	6,190	
Operating revenue		10,805,150	14,285,070	
Other operating income	2	226,903	370,241	
Material costs	3	-4,114,163	-5,692,937	
Employee and personnel costs	4	-1,670,638	-2,297,583	
Other operating expenses	5	-2,824,005	-3,719,150	
Operating income before depreciation (OIBD)		2,423,247	2,945,641	
Depreciation of tangible fixed assets	6	-558,504	-772,636	
Amortisation of intangible assets	6	-14,363	-26,290	
Operating income		1,850,380	2,146,715	
Additional ordinary income	7	1,039,832	168,036	
Additional ordinary expenses	7	-218,042	-538,784	
Additional ordinary result		821,790	-370,748	
Result from associated companies ¹⁾	8	170,733	46,913	
Result from other participations	8	-4,125	4,518	
Earnings before interest and taxes (EBIT)		2,838,778	1,827,398	
Interest income		59,078	73,957	
Interest expenses		-525,388	-814,405	
Foreign exchange gains and losses		3,387	-2,472	
Other financial result	9	-32,406	-86,600	
Profit before tax from continuing operations		2,343,449	997,878	
Taxes on income	10	-369,073	-327,376	
Net income from continuing operations		1,974,376	670,502	
Net income from discontinued operations	11	144,404	1,249,258	
Profit for the financial year		2,118,780	1,919,760	
Thereof minority interests		-96,998	-111,568	
Thereof Group share of profit		2,021,782	1,808,192	
Thereof proposed dividend	12	162,500	15,000	
Earnings per share in EUR (IAS 33)	13			
Earnings per share attributable to the parent entity		17.11	14.55	
Earnings per share - continuing operations		15.92	4.50	
Earnings per share - discontinued operations		1.19	10.05	

¹⁾ Net result from associated companies

126,124 43,256

²⁾ Figures have been restated

Group cash flow statement

Group cash flow statement		Notes	2007	2008
EUR '000s				
Net income from continuing operations			1,974,376	670,502
Taxes on income			369,073	327,376
Interest income/expenses			466,310	740,448
Dividends received	14		77,803	44,017
Interest paid	15		-495,574	-660,558
Taxes paid			-406,266	-334,654
Elimination of non-cash items	16		-306,211	1,257,028
Cash flow			1,679,511	2,044,159
Changes in operating assets	17		321,819	-193,056
Changes in operating liabilities	18		-13,189	23,004
Changes in working capital			308,630	-170,052
Decrease in provisions through cash payments	19		-238,171	-320,320
Cash flow from operating activities – continuing operations			1,749,970	1,553,787
Cash flow from operating activities – discontinued operations			161,261	-30,434
Cash flow from operating activities			1,911,231	1,523,353
Intangible assets			-46,641	-69,247
Tangible fixed assets			-992,246	-1,031,408
Financial fixed assets			-11,735,400	-150,420
Investments (cash outflow)	20		-12,774,287	-1,251,075
Proceeds from fixed asset disposals	21		1,651,204	2,368,949
Cash from changes in consolidation scope	22		482,693	561
Cash flow from investing activities – continuing operations			-10,640,390	1,118,435
Cash flow from investing activities – discontinued operations			-36,121	-5,891
Cash flow from investing activities			-10,676,511	1,112,544
Capital increase			527,208	512,500
Dividend payments – HeidelbergCement AG	23		-144,508	-162,500
Dividend payments – minority shareholders	24		-32,100	-31,356
Proceeds from bond issuance and loans	25		13,704,606	2,902,539
Repayment of bonds and loans	26		-4,543,210	-5,811,953
Cash flow from financing activities – continuing operations			9,511,996	-2,590,770
Cash flow from financing activities – discontinued operations			-125,768	40,802
Cash flow from financing activities			9,386,228	-2,549,968
Net change in cash and cash equivalents – continuing operations			621,576	81,452
Net change in cash and cash equivalents – discontinued operations			-628	4,477
Net change in cash and cash equivalents	27		620,948	85,929
Effect of exchange rate changes			5,949	-88,019
Cash and cash equivalents at 1 January			218,839	845,736
Cash and cash equivalents at 31 December			845,736	843,646
Reclassification of cash and cash equivalents according to IFRS 5			-14,151	
Cash and cash equivalents presented in the balance sheet at 31 December			831,585	843,646

Group balance sheet

Assets	Notes	31 Dec. 2007 ¹⁾	31 Dec. 2008
EUR '000s			
Long-term assets			
Intangible assets	28	10,882,333	10,150,990
Tangible fixed assets	29		
Land and buildings		4,962,660	4,622,182
Plant and machinery		4,474,148	4,299,917
Fixtures, fittings, tools and equipment		217,224	237,434
Payment on account and assets under construction		771,804	775,944
		10,425,836	9,935,477
Financial fixed assets	30		
Investments in associates	31	756,264	540,016
Financial investments	32	152,609	81,631
Loans to participations	33	78,570	48,631
Other loans and derivative financial instruments	33	25,993	24,198
		1,013,436	694,476
Fixed assets		22,321,605	20,780,943
Deferred taxes	10	157,408	129,489
Other long-term receivables	33	353,991	365,715
Long-term tax assets		19,781	18,410
		22,852,785	21,294,557
Short-term assets			
Stock	34		
Raw materials and consumables		663,131	734,766
Work in progress		144,147	183,294
Finished goods and goods for resale		738,181	788,254
Payments on account		21,135	24,706
		1,566,594	1,731,020
Receivables and other assets	35		
Short-term financial receivables		189,114	160,222
Trade receivables		1,746,691	1,544,701
Other short-term operating receivables		429,072	382,168
Current tax assets		138,261	158,125
		2,503,138	2,245,216
Financial investments and derivative financial instruments	36	40,968	173,679
Cash at bank and in hand	36	831,585	843,646
		4,942,285	4,993,561
Assets held for sale and discontinued operations		1,406,300	
Balance sheet total		29,201,370	26,288,118

¹⁾ Figures have been adjusted for the final results of the Hanson purchase price allocation and are therefore not comparable with the 2007 annual accounts

Liabilities	Notes	31 Dec. 2007 ¹⁾	31 Dec. 2008
EUR '000s			
Shareholders' equity and minority interests			
Subscribed share capital	37	360,000	375,000
Share premium	38	2,973,392	3,470,892
Profit and loss reserve	39	4,761,976	6,316,797
Currency translation		-1,098,404	-2,442,548
Equity attributable to shareholders		6,996,964	7,720,141
Minority interests	40	521,861	540,703
		7,518,825	8,260,844
Long-term provisions and liabilities			
Provisions	41		
Provisions for pensions	42	648,360	651,973
Deferred taxes		1,137,825	966,569
Other long-term provisions	43	1,081,355	1,062,630
		2,867,540	2,681,172
Liabilities	44		
Debenture loans		2,312,166	3,055,379
Bank loans		10,547,677	7,525,359
Other long-term financial liabilities		389,312	286,827²⁾
		13,249,155	10,867,565
Other long-term operating liabilities		140,328	196,014
Long-term tax liabilities		290,580	243,214
		13,680,063	11,306,793
		16,547,603	13,987,965
Short-term provisions and liabilities			
Provisions	43	280,358	323,793
Liabilities	44		
Debenture loans (current portion)		30,140	430,382
Bank loans (current portion)		1,365,933	1,017,629
Other short-term financial liabilities		921,335	317,563²⁾
		2,317,408	1,765,574
Trade payables		1,010,724	991,308
Current income taxes payables		188,548	198,078
Other short-term operating liabilities		979,262	760,556
		4,495,942	3,715,516
		4,776,300	4,039,309
Provisions and liabilities associated with assets held for sale and discontinued operations			
		358,642	
Total liabilities		21,682,545	18,027,274
Balance sheet total		29,201,370	26,288,118

²⁾ Includes puttable minorities with an amount of EUR '000s 50,251 (previous year: 85,977)

Statement of recognised income and expense

Statement of recognised income and expense		2007	2008
EUR '000s			
IAS 19 Actuarial gains and losses		68,771	-50,461
IAS 39 Cash flow hedges		6,790	-21,234
IAS 39 Available for sale assets		-34,374	-17,448
Other		7	29
Currency translation		-823,997	-1,370,270
Income and expense directly recognised in equity		-782,803	-1,459,384
Profit for the financial year		2,118,780	1,919,760
Total earnings for the period		1,335,977	460,376
Relating to minority interests		70,124	87,199
Relating to HeidelbergCement AG shareholders		1,265,853	373,177

Reconciliation of changes in total equity/Notes to the annual accounts

Reconciliation of changes in total equity	Subscribed share capital	Share premium	Profit and loss reserve	Currency translation	Treasury shares	Equity attrib. to shareholders	Minority interests	Total equity
EUR '000s								
1 January 2007	346,974	2,462,144	2,845,682	-303,455	-2,934	5,348,411	479,511	5,827,922
Profit for the financial year			2,021,782			2,021,782	96,998	2,118,780
Changes without effects on results								
IAS 19 Actuarial gains and losses			68,584			68,584	187	68,771
IAS 39 Cash flow hedges			6,382			6,382	408	6,790
IAS 39 Available for sale assets			-34,374			-34,374		-34,374
Other			-1,572			-1,572	1,579	7
Exchange rate				-794,949		-794,949	-29,048	-823,997
Total earnings for the period		2,060,802	-794,949		1,265,853	70,124	1,335,977	
Changes in consolidation scope							6,676	6,676
Capital increase								
from issuance of new shares	13,181	514,027				527,208		527,208
Withdrawal of treasury shares	-155	-2,779			2,934			
Dividends			-144,508			-144,508	-34,450	-178,958
31 December 2007	360,000	2,973,392	4,761,976	-1,098,404		6,996,964	521,861	7,518,825
1 January 2008	360,000	2,973,392	4,761,976	-1,098,404		6,996,964	521,861	7,518,825
Profit for the financial year			1,808,192			1,808,192	111,568	1,919,760
Changes without effects on results								
IAS 19 Actuarial gains and losses			-50,066			-50,066	-395	-50,461
IAS 39 Cash flow hedges			-21,774			-21,774	540	-21,234
IAS 39 Available for sale assets			-17,448			-17,448		-17,448
Other			-1,583			-1,583	1,612	29
Exchange rate				-1,344,144		-1,344,144	-26,126	-1,370,270
Total earnings for the period		1,717,321	-1,344,144		373,177	87,199	460,376	
Changes in consolidation scope							-37,001	-37,001
Capital increase								
from issuance of new shares	15,000	497,500				512,500		512,500
Dividends			-162,500			-162,500	-31,356	-193,856
31 December 2008	375,000	3,470,892	6,316,797	-2,442,548		7,720,141	540,703	8,260,844

Segment reporting/Notes to the annual accounts

Group areas (Primary reporting format under IAS 14 No. 50 ff.)				
EURm	Europe		North America	
	2007	2008	2007	2008
External turnover	5,642	7,133	3,205	3,958
Inter-Group areas turnover	90	56		
Turnover	5,732	7,190	3,205	3,958
Change to previous year in %		25.4 %		23.5 %
Operating income before depreciation (OIBD)	1,383	1,627	619	662
as % of turnover	24.1 %	22.6 %	19.3 %	16.7 %
Depreciation	-320	-404	-153	-256
Operating income	1,063	1,223	466	406
as % of turnover	18.6 %	17.0 %	14.5 %	10.3 %
Results from participations	133	26	31	4
Impairments	-17	-356		-1
Reversal of impairments	2	7		
Other additional result				
Additional ordinary result	-15	-348		
Earnings before interest and taxes (EBIT)	1,182	901	497	410
Capital expenditures¹⁾	492	630	312	199
Segment assets²⁾	9,815	8,436	7,927	8,286
OIBD as % of segment assets	14.1 %	19.3 %	7.8 %	8.0 %
Segment liabilities³⁾	3,094	2,765	1,975	1,845
Number of employees as at 31 December	30,597	27,035	19,267	15,739
Average number of employees	25,407	27,237	10,523	17,573

Business lines (Secondary reporting format under IAS 14 No. 68 ff.)				
EURm	Cement		Aggregates and concrete	
	2007	2008	2007	2008
External turnover	5,349	5,579	4,455	6,706
Inter-business lines turnover	702	719	43	60
Turnover	6,051	6,298	4,498	6,766
Changes to previous year in %		4.1 %		50.4 %
Capital expenditures¹⁾	590	638	381	337
Segment assets²⁾	6,466	6,433	13,437	12,381

¹⁾ Capital expenditures = 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; balance sheet items have been adjusted for comparison reasons

³⁾ Segment liabilities = liabilities and provisions; the financial liabilities are recorded in the reconciliation column; balance sheet items are adjusted for comparison reasons

Asia-Australia-Africa ⁴		Group Services		Reconciliation		Continuing operations		Discontinued operations	
2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
1,823	2,868	192	227			10,862	14,187	1,338	176
86	75	488	474	-664	-605				
1,909	2,943	680	701	-664	-605	10,862	14,187	1,338	176
54.1 %		3.1 %				30.6 %			-86.9 %
405	636	16	22			2,423	2,946	200	14
21.2 %	21.6 %	2.3 %	3.1 %			22.3 %	20.8 %	14.9 %	8.0 %
-99	-139	-1	-1			-573	-799	-28	-10
306	497	15	21			1,850	2,147	172	4
16.0 %	16.9 %	2.2 %	3.0 %			17.0 %	15.1 %	12.8 %	2.5 %
2	21					167	51	1	
-12	-8					-28	-365		
8						10	7		
				840	-14	840	-14		
				840	-14	822	-371	1	
305	509	15	21	840	-14	2,839	1,827	174	4
234	270		2	11,913	150	12,952	1,251	73	
3,530	3,330	36	34			21,308	20,086	896	
11.5 %	19.1 %	43.6 %	63.0 %			11.4 %	14.7 %	22.3 %	
640	622	48	162	15,567	12,633	21,324	18,027	300	
17,999	18,015	52	52			67,916	60,841	5,218	
14,389	18,055	52	52			50,370	62,916	5,196	

Building products		Group Services		Reconciliation		Continuing operations		Discontinued operations	
2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
840	1,673	218	229			10,862	14,187	1,338	176
4	4	462	473	-1,211	-1,256				
844	1,677	680	701	-1,211	-1,256	10,862	14,187	1,338	176
98.7 %		3.2 %				30.6 %			-86.8 %
68	124		2	11,913	150	12,952	1,251	73	
1,370	1,239	36	33			21,308	20,086	896	

⁴⁾ In 2008, Kazakhstan was moved from Europe to Asia-Australia-Africa. Assuming Kazakhstan had been part of Asia-Australia-Africa already in 2007, the figures would have been: Turnover EURm 1,946, depreciation EURm -103, EBIT EURm 361, investments EURm 244, segment assets EURm 3,582, segment liabilities EURm 666



Overcoming obstacles

Concrete builds solid
foundations





Kulmbachtal Bridge, Germany

Notes to the 2008 Group annual accounts

General information

HeidelbergCement AG is a public limited company based in Germany. The company has its registered office in Heidelberg, Germany. Its address is: HeidelbergCement AG, Berliner Strasse 6, 69120 Heidelberg.

The core activities of HeidelbergCement include the production and distribution of cement, aggregates, concrete and building products. Further details are given in the management report.

Accounting and valuation principles

Accounting principles

The Group annual accounts of HeidelbergCement AG were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and the additional requirements of German Commercial Law pursuant to § 315a, section 1 of the German Commercial Code. All binding IFRSs for the 2008 financial year adopted into European law by the European Commission, as well as the announcements of the International Financial Reporting Interpretations Committee (IFRIC) were applied.

The previous year's figures were determined 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.

Where the presentation in the balance sheet and the profit and loss account has been changed, these changes are explained in the notes for each respective item. Explanations of previous year restatements, in accordance with IAS 8.22 are also given in the relevant parts of the text.

In the financial year, the interest cost from provisions for pensions and expected return on plan assets were reclassified from personnel costs to financial results. Furthermore, the income from the sale of excess emission rights was reclassified from additional ordinary income to other operating income. These adjustments were made in order to show the figures using the internationally accepted method of presentation. The previous year's values have been restated.

In accordance with the internationally accepted structure for group accounts, the profit and loss accounts make up the first part of the reporting. Besides the profit and loss accounts 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 recognised income and expense, a presentation of changes in shareholders' equity and minority interests and a segment report in accordance with the provisions of IAS 14 (Segment Reporting).

For reasons of clarity, some individual items have been combined in the profit and loss accounts and in the balance sheet. Explanations of these items are contained in the notes. To improve the level of information, 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 according to their nature.

In the Group annual accounts, certain estimates and assumptions must be made, which affect the amount of assets and liabilities, contingent liabilities and income and expenses accounted for in the reporting period. The actual values may differ from these estimates. At HeidelbergCement, estimates are made particularly for the valuation of assets, liabilities and contingent liabilities acquired through business combinations, as well as in the measurement of provisions for pensions, provisions for claims, environmental risks, recultivation as well as tax risks, the impairment tests according to IAS 36 (Impairment of Assets), deferred tax assets on losses carried forward and accrued purchasing bonuses.

Consolidation principles

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

The acquiring entity's investment is eliminated against the revalued shareholders' equity of the newly consolidated subsidiary at acquisition date. The residual difference between the fair value of the cost of acquisition and the fair value of acquired assets and liabilities 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 or upon the occurrence of significant events or changes in circumstances that indicate a present value below the carrying amount. Negative goodwill is recognised in profit and loss.

The Group annual accounts comprise the subsidiaries in which HeidelbergCement is able to govern the financial and operating policies. Normally, this is the case when more than 50% of the shares are owned. If company law stipulates that a company can be controlled despite a shareholding of less than 50%, this company is included in the Group annual accounts as a subsidiary. If a company cannot be controlled with a shareholding of more than 50% as a result of contractual regulations, this company is not included in the Group annual accounts as a subsidiary.

The minority interests' share of the shareholders' equity and of the profit or loss for the financial year are shown separately. Minority interests in the shareholders' equity for which put options or forward contracts (interest-bearing or non-interest-bearing) exist and minority interests in German partnerships are shown as a financial liability, at the present value of the repayment sum. The excess of the present value of the liability over the carrying amount of the minority interests is shown as goodwill both initially and in subsequent periods. The minority's share of profit for the period is shown in financial results.

Significant joint ventures of the HeidelbergCement Group are included in the Group annual accounts as proportionately consolidated companies (IAS 31 Interests in Joint Ventures). Using this method, the Group accounts for its share of the assets, liabilities, income, expenses and cash flows in the corresponding lines of the Group annual accounts.

Investments in associates, in cases where HeidelbergCement exerts significant influence on the operating and financial policies of the participation through a shareholding of between 20% and 50% are accounted for in accordance with the equity method (IAS 28 Investments in Associates) in the Group annual accounts. Initially, the acquired investments are recognised at cost, with the Group's share of profit or loss being recognised as an increase or decrease to the carrying value of the investment (IAS 28 Investments in Associates). In order to present the results from participations in a more meaningful way, the Group's share of income from associates is shown before taxes on income. The proportionate income tax expense is shown under taxes on income. The net profit from associated companies is shown separately below the profit and loss accounts.

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 of assets are eliminated. Intra-Group transactions are settled on the basis of market prices and transfer prices that correspond in principle to the prices that would apply to third parties ("arm's length principle"). The consequences of consolidation on income tax are taken into account by recognising deferred taxes.

Application of new accounting standards

In the 2008 financial year, HeidelbergCement applied the following revised standards and interpretations of the International Accounting Standards Board (IASB) for the first time.

- The revised IAS 23 (Borrowing Costs) requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The option of immediate recognition in profit or loss has been eliminated. The change is applicable for the first time in financial years beginning on or after 1 January 2009. HeidelbergCement has applied the regulations in advance. This has not led to any changes in the financial position and performance, as in the past HeidelbergCement capitalised borrowing costs in connection with qualifying assets in accordance with the alternative method of IAS 23 permitted at that time.
- In accordance with IFRIC 11 (IFRS 2 Group and Treasury Share Transactions), agreements under which employees are granted rights to equity instruments of an entity must be accounted for as equity-settled share-based payment transactions even if the entity acquires the instruments from a third party or if the shareholders provide the required equity instruments. HeidelbergCement has not issued any instruments that fall within the scope of this interpretation.
- IFRIC 14 (IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction) governs the measurement of an asset resulting from the plan assets exceeding the pension obligation, and sets in concrete terms the method for determining whether the entity derives economic benefit from overfunding a pension plan. It also governs the method for determining the present value of the asset in the event of refunds or reductions in future contributions, if the pension plan has a minimum funding requirement. The interpretation also clarifies how a defined benefit asset or defined benefit liability should be measured if the entity is obliged to pay minimum contributions to a pension plan. HeidelbergCement already implemented the requirements of IFRIC 14 in the 2007 financial year via the application of IAS 19.58 B. As such, this has not led to any changes in the financial position and performance.
- The amendments to IAS 39 and IFRS 7 (Reclassification of Financial Instruments) allow entities to reclassify certain financial instruments from the category of financial instruments measured at fair value through profit or loss or available for sale to other categories by measuring them at amortised cost, taking into account impairment losses. The changes may be applied retroactively from 1 July 2008. From 1 November 2008, reallocations may only be made prospectively. The amendments to IAS 39 and IFRS 7 have not led to any changes in the financial position and performance.

The IASB and IFRIC also adopted the standards and interpretations listed below, whose application was not yet mandatory for the 2008 financial year or have not yet been ratified by the European Commission as at the reporting date.

- The amendments to IFRS 1 and IAS 27 (Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate) govern simplifications in the measurement of participations in an individual balance sheet being prepared in accordance with IFRS for the first time. The changes are applicable for the first time in financial years beginning on or after 1 January 2009 (not yet adopted into EU law).
- The amendment of IFRS 2 (Vesting Conditions and Cancellations) clarifies the definition of vesting conditions in connection with share-based payment and governs the accounting treatment of effectively cancelled commitments. The change is applicable for the first time in financial years beginning on or after 1 January 2009.

- The major changes from the revision of IFRS 3 (Business Combinations) concern the determination of the purchase price, the measurement of minority interests and the accounting of step acquisitions. Conditional elements of the purchase price must be taken into account in the determination of the purchase price at the acquisition date, regardless of the likelihood of their occurrence. In addition, transaction costs directly connected to the business combination should not be included in the purchase price but should always be recognised in profit or loss. In the case of minority interests, the goodwill relating to these minority interests may optionally be included in the valuation. Furthermore, in step acquisitions, differences arising between the carrying amount and fair value of shares held must now be recognised in profit or loss – not in shareholders' equity – at the acquisition date. The changes will affect the amount of goodwill recognised, the profits for the reporting period in which a business combination has taken place, and future profits. In particular, the application of the full goodwill method can lead to higher goodwill. The amendments of IFRS 3 are applicable for financial years beginning on or after 1 July 2009 (not yet adopted into EU law).
- IFRS 8 (Operating Segments) replaces the regulations of IAS 14 (Segment Reporting). In contrast with IAS 14, which considers financial information based on business and geographical segments, IFRS 8 pursues a management approach to the identification and measurement of the profits of reportable business segments. The reporting segments and the segment data to be presented in the notes are based on internal reporting. The distinction between the primary and secondary segment reporting format has been discontinued. The new standard will affect the method of publishing financial information on the Group's business lines, but not the recognition and measurement of assets and liabilities in the Group annual accounts. The application of IFRS 8 is mandatory for the first time for financial years beginning on or after 1 January 2009.
- Changes from the revision of IAS 1 (Presentation of Financial Statements) primarily concern the statement of changes in equity, the statement of comprehensive income, the titles of the components of the annual accounts, and comparative information to be provided. The new standard will affect the method of publishing financial information on the Group, but not the recognition and measurement of assets and liabilities in the Group annual accounts. The application of the changes is mandatory for the first time for financial years beginning on or after 1 January 2009.
- The amendments of IAS 27 (Consolidated and Separate Financial Statements) set in concrete terms the accounting of changes in the total share of a parent company's participation that do not lead to a loss of control of the subsidiary. In the future, these changes will be treated as equity transactions between shareholders. The amendments of IAS 27 are applicable for financial years beginning on or after 1 July 2009 (not yet adopted into EU law).
- The amendments to IAS 1 and IAS 32 (Puttable Financial Instruments and Obligations arising on Liquidation) essentially refer to the conditions for classifying puttable instruments as shareholder's equity or debt capital. The basis for the revision is to allow parent entities with the legal form of a German partnership to classify their capital as equity in IFRS annual accounts. The change is applicable for the first time in financial years beginning on or after 1 January 2009.
- The amendment of IAS 39 (Financial Instruments – Eligible Hedged Items) sets in concrete terms how the principles of IAS 39 on hedge accounting should be applied with regard to the designation of one-sided risks in a hedged item and the designation of inflation risks as a hedged item. The change is applicable for financial years beginning on or after 1 July 2009 (not yet adopted into EU law).

- IFRIC 12 (Service Concession Arrangements) governs how service concession operators should apply existing IFRSs to their service concession arrangements in order to recognise the obligations entered into and rights obtained in connection with these arrangements. IFRIC 12 is applicable for the first time in financial years beginning on or after 1 January 2008, but has not yet been adopted into EU law.
- IFRIC 13 (Customer Loyalty Programmes) governs the accounting of customer loyalty programmes operated by manufacturers or service providers themselves or by third parties. IFRIC 13 is applicable for financial years beginning on or after 1 July 2008.
- IFRIC 15 (Agreements for the Construction of Real Estate) governs the accounting of property sales in which an agreement is reached with the purchaser before the construction work is completed. IFRIC 15 is applicable for financial years beginning on or after 1 January 2009 (not yet adopted into EU law).
- IFRIC 16 (Hedges of a Net Investment in a Foreign Operation) clarifies what is to be regarded as a risk in a hedge of a net investment in a foreign operation and where within the company group the hedging instrument to reduce this risk may be held. The application of IFRIC 16 is mandatory for financial years beginning on or after 1 October 2008 (not yet adopted into EU law).
- IFRIC 17 (Distributions of Non-cash Assets to Owners) governs the accounting of a liability concerning non-cash dividend distributions, which should be recognised when the dividend is no longer at the discretion of the entity. IFRIC 17 comes into force for financial years beginning on or after 1 July 2009 (not yet adopted into EU law).
- As part of the annual improvement process, the IASB has made non-urgent but necessary amendments to existing standards. These primarily concern the elimination of inconsistencies in existing standards and the clarification of ambiguous wording. The application of the amendments is mandatory for financial years beginning on or after 1 January 2009 (not yet adopted into EU law).

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

On 29 January 2009, the IASB adopted IFRIC 18 (Transfer of Assets from Customers). The interpretation governs the accounting treatment of transfers of assets and is particularly relevant for companies in the energy sector. IFRIC 18 is applicable for financial years beginning on or after 1 July 2009 (not yet adopted into EU law).

Recognition and measurement principles

The Group annual accounts are generally prepared using the historical cost principle. Exceptions to this are derivative financial instruments and available-for-sale investments, which are measured at fair value. The carrying amounts of hedged assets and liabilities recognised in the balance sheet and hedged by fair value hedge relationships, are adjusted for changes in the fair value attributable to the risk being hedged. These assets and liabilities would otherwise be accounted for at cost. The fundamental recognition and measurement principles are outlined below.

According to 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. Intangible assets are initially measured at cost. In subsequent periods, intangible assets with a finite useful life are measured at cost less accumulated amortisation and impairment, and intangible assets with an indefinite useful life are measured at cost less impairment. At HeidelbergCement, intangible assets with a finite useful life are amortised using the unit of production method, in the case of quarrying licences, and otherwise using the straight line method.

Emission rights are shown as intangible assets in accordance with the IFRS regulations (IAS 38). Emission rights granted free of charge are initially measured at a nominal value of zero. Emission rights acquired for consideration are accounted for at cost and are subject to write-down in the event of impairment. The second national allocation plan (NAP II) for the allocation of CO₂ emissions allowances (EUA) spans a period of five years (2008-2012). This period serves as a basis for assessing the deficit/surplus. In the reporting year, HeidelbergCement sold surplus emissions allowances over and above the emissions volume allocated for 2008. In addition, the Group has made a commitment to supply emission rights allowances (EUA) in exchange for certified emission reductions (CER) in a series of swaps.

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 to its recoverable amount of this group of CGUs. On the basis of the sales and management structure, a group of cash-generating units is defined generally as a country or region.

As soon as the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in profit or loss to reduce the asset to its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The fair value less costs 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 post-tax risk-adjusted discount rate (WACC). In accordance with IAS 36, a cash flow-based model was used to determine whether any impairment exists at the balance sheet date for the groups of CGUs.

Cash flow estimates are derived for a five year period after which a perpetual growth rate is applied. Detailed operational planning approved by management forms the basis of the estimate of the first three years, after which the cash flows are extrapolated for a further two years based upon an appropriate growth level to determine a steady state for the terminal value.

The following key assumptions were used in the determination of the recoverable amount on the value in use basis, for each group of CGUs where the goodwill is either a significant proportion of the group total or where impairment has been recognised or where a segment consists of an amalgamation of groups of CGUs with attributable goodwill that is not a significant proportion of the Group total.

Assumptions made in the calculation of impairment of goodwill Segment / CGU ²⁾	Carrying amount of goodwill in EURm 31 Dec. 2007	Weighted average cost of capital after taxes		Perpetual growth rate	
		31 Dec. 2008	31 Dec. 2007	31 Dec. 2008	31 Dec. 2007
Europe ¹⁾	4,856.3	3,812.8	7.0 - 12.0%	6.9 - 17.6%	1.5 - 2.5%
Georgia	56.3		12.0%	17.6%	2.0%
United Kingdom	3,112.2	1,929.8	7.5%	7.9%	2.0%
Spain	206.2	128.5	7.5%	8.3%	2.0%
North America	4,081.8	4,471.4	6.0%	6.8%	2.0%
Asia-Australia-Africa ¹⁾	1,712.9	1,566.9	8.0 - 14.0%	7.4 - 15.2%	1.5 - 2.0%
Australia	1,259.0	833.4	7.5%	8.1%	2.0%
Singapore			7.5%	7.9%	2.0%
Group Services	33.0	29.8	7.5%	7.5%	1.5%
Total	10,684.0	9,880.9			1.5%

¹⁾ Prior year restated to reflect Kazakhstan in Asia-Australia-Africa segment (Goodwill of EUR 59.9 million as at 31 Dec. 2007)

²⁾ CGU = Cash-generating unit

For the significant CGU groups identified above, the operational planning assumes that in the long-term the construction markets will recover from the recent cyclical downturn, beginning in 2010 and continuing to the end of the planning period in 2013. The perpetual growth assumptions reflect the estimated long term growth over many cycles in the construction sector, which can be evidenced from external historical construction spending data.

As a result of the impairment testing procedures performed, the Group recognises a total impairment of goodwill of EUR 323.3 million in the following groups of CGUs:

Europe: Goodwill impairments in the United Kingdom in the amount of EUR 212.2 million, Georgia in the amount of EUR 68.2 million and Spain in the amount of EUR 34.5 million. These are all as a result of the recently deteriorating economic conditions in those countries. In particular, the United Kingdom and Spain have seen a substantial reduction in housing sector spending and Georgia's construction activity has slowed following the conflict with Russia in summer 2008.

Asia-Australia-Africa: Goodwill impairment in Singapore in the amount of EUR 8.4 million. This is as a result of worsening economic conditions in the country following the effects of the financial crisis.

All of these groups of CGUs had a recoverable amount less than the value of attributed goodwill according to the value in use method as described above.

The key assumptions shown in the table are more volatile in the current economic environment than at the previous year-end. This is a consequence of both the cyclical downturn being included in the operational planning period and the current economic uncertainty in key financial market indicators, in particular those that influence the calculation of WACC rates.

For groups of CGU's where a reasonably possible change in key assumptions would cause a unit's carrying amount to exceed its recoverable amount, the values of those assumptions required for the recoverable amount to be equal to the carrying amount are as follows:

Assumptions changes giving rise to recoverable amount equal to carrying amount	Excess of recoverable amount over carrying amount in EURm	WACC sensitivity ¹⁾	Perpetual growth rate sensitivity ¹⁾
Segment / CGU ²⁾			
North America	57.0	0.035	-0.083
Australia	19.3	0.082	-0.198
Denmark	0.1	0.006	-0.018

¹⁾ Increase or decrease in percentage points (ppts)

²⁾ CGU = Cash-generating unit

All other groups of CGUs remain unimpacted by a WACC increase of up to 0.852 ppts or by using a perpetual growth rate of zero

Tangible fixed assets are accounted for according to IAS 16 (Property, Plant and Equipment) at cost less accumulated depreciation and impairment. The costs of conversion include all costs that can be attributed to the manufacturing process and appropriate amounts of production overheads. Costs for repair and maintenance of tangible fixed assets are expensed as incurred. Capitalisation takes place if the measures lead to an extension or significant improvement of the asset. Tangible fixed assets are depreciated on a straight-line basis unless there is another depreciation method more appropriate for the pattern of use. Borrowing costs that can be allocated directly to the construction of large facilities are capitalised as part of the cost.

Stock is valued in accordance with IAS 2 (Inventories) at the lower of cost and net realisable value, using the weighted average cost method. Adequate provisions are made for risks relating to quality and quantity. Besides direct expenses, the costs for finished goods and work in progress include proportional amounts of indirect materials and indirect labour costs, as well as production-related depreciation. Spare parts for equipment are reported under stock or fixed assets.

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

Provisions for pensions and similar liabilities are determined in accordance with IAS 19 (Employee Benefits) using the Projected Unit Credit Method. Actuarial gains and losses are recognised directly in shareholders' equity in the period in which they arise, taking deferred taxes into account. Detailed explanations concerning the accounting of provision for pensions are provided in Note 42.

Other provisions are recognised in accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) if, as a result of past events, there are legal or constructive obligations towards third parties that are likely to lead to outflows of assets that can be reliably determined. The provisions are calculated on the basis of the best estimate, taking into account all identifiable risks.

Deferred tax assets and liabilities are recognised in accordance with the liability method (IAS 12 Income Taxes). This means that, with the exception of goodwill arising on consolidation, deferred taxes are recognised 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. Furthermore, deferred tax assets are recognised on unused tax losses carried forward, to the extent that the probability of their recovery in subsequent years is sufficiently high. Deferred tax liabilities are considered in connection with undistributed profits from subsidiaries, joint ventures and associates, unless HeidelbergCement is able to control the dividend policy of the companies and no dividend distribution or disposal is anticipated in the foreseeable future. The deferred taxes are measured using the rates of taxation that, as of the balance sheet date, are applicable or have been announced as applicable in the individual countries for the period when the deferred taxes are realised. Deferred tax assets and liabilities are offset if there is an enforceable right to set off current tax assets and liabilities and if they relate to taxes on income levied by the same taxing authority and the Group intends to settle its current tax assets and liabilities on a net basis.

A **financial instrument** is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The financial instruments include non-derivative and derivative financial instruments.

Non-derivative financial instruments are, in principle, measured at fair value when first recognised. These include non-current and current investments, loans and receivables granted and financial liabilities.

Financial assets or liabilities measured at fair value through profit or loss are (structured) financial instruments classified as held for trading.

Non-current and current investments that are categorised as available for sale in accordance with IAS 39 are regularly measured at fair value if it can be reliably ascertained. This class of instrument is referred to, in the following, as investments available for sale at fair value. The unrealised gains and losses resulting from the subsequent measurement are recognised directly in shareholders' equity. The stock market price at the balance sheet date forms the basis of the fair value. Investments in equity instruments, for which no listed price on an active market exists and whose fair values cannot be reliably determined with justifiable expense, are measured at cost. This class of instrument is referred to in the following as investments available for sale at cost. This concerns other participations that are not listed on the stock exchange. If the fair values of available-for-sale investments fall below the cost and there is objective evidence of a significant or permanent impairment, the accumulated gains and losses previously recognised in the shareholders' equity are recognised directly in profit or loss. The recognition of reversals of impairment in profit or loss for equity instruments held is not permitted.

Loans and receivables are measured at amortised cost, using the effective interest method if applicable, provided that they are not linked with hedging instruments. This concerns long-term loans, interest-bearing receivables, trade receivables and other short-term operating receivables. In principle, the amortised cost in the case of short-term receivables corresponds to the nominal value or the repayment sum. If there is objective evidence of impairment of the loans and receivables, impairment losses are recognised in profit or loss. For trade receivables, the impairment losses are recognised through the use of a provision for doubtful debts account. Reversals are carried out if the reasons for the impairment losses no longer apply. In the past financial year, there were no financial assets (as in the previous year) whose terms have been changed which would otherwise have been overdue or impaired.

Non-derivative financial liabilities are recognised for the first time at the fair value of the consideration received or at the value of the cash received less transaction costs incurred, if applicable. These instruments are subsequently measured at amortised cost using the effective interest method. This includes trade payables, other short-term operating liabilities and short- and long-term financial debts. Long-term financial liabilities are discounted. In prin-

ciple, the amortised cost in the case of short-term financial liabilities corresponds to the nominal value or the repayment sum.

The Group has not yet made use of the possibility of designating non-derivative financial instruments, when first recognised, as financial instruments at fair value through profit or loss. All non-derivative financial assets are accounted for at the settlement date.

A **derivative financial instrument** is a contract whose value is dependent on a variable, which usually requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors, and which is settled at a later date. All derivative financial instruments are measured at fair value on the trade date when first recognised. The fair values are also relevant for the subsequent measurement. The fair value of traded derivative financial instruments corresponds to the market value. This value can be positive or negative. For derivative financial instruments, the fair value corresponds to the amount that HeidelbergCement would either receive or have to pay at the reporting date in the case of early termination of this financial instrument. This is calculated on the basis of the relevant exchange and interest rates on the reporting date. Average rates are used for the calculation.

In the HeidelbergCement Group, derivative financial instruments such as currency forwards, currency option contracts, interest rate swaps or interest rate options are, in principle, used to minimise financial risks. The focus is on hedging interest, currency and other market price risks. The market valuations are monitored regularly by the Group Treasury department. No derivative financial instruments are contracted or held for speculative purposes.

Structured financial instruments consist of a non-derivative basic contract and an embedded financial derivative. The two components are legally inseparable. These are usually contracts with riders. Separate accounting of the embedded derivative and the basic contract is required if the economic characteristics and risks are not closely linked with the basic contract, the embedded derivative fulfils the same definition criteria as a derivative and the structured financial instrument is not measured at fair value through profit or loss. The contract of the structured financial instrument may also be measured in total at fair value through profit or loss unless the embedded derivative changes the resulting cash flows to an insignificant degree or separation of the embedded derivative is not permitted.

Hedge accounting denotes a specific accounting method that modifies the accounting of the hedged item and hedge of a hedging relationship so that the results of measuring the hedged item or hedge are recognised in the period incurred directly in the shareholders' equity or in profit or loss. Accordingly, hedge accounting is based on matching the offsetting values of the hedge and the hedged item.

For accounting purposes, three types of hedge exist in accordance with IAS 39, provided that the stringent conditions for hedge accounting are fulfilled in each individual case:

- Cash flow hedges

Where necessary, HeidelbergCement hedges the risk of fluctuation in future cash flows. The risk of interest rate fluctuations in the case of variable interest is hedged by means of swaps that convert variable interest payments into fixed interest payments. This method is also used for hedging currency risks of transactions to be executed in foreign currency in the future. The market value of the derivatives used for hedging is shown in the balance sheet. As an offsetting item, the profit and loss reserve is adjusted directly in shareholders' equity to the amount of the effective portion, taking deferred taxes into account. They are only recognised in profit or loss when the hedged future cash flows are realised. The ineffective portion is recognised directly in the profit or loss for the period.

- Fair value hedges

The Group hedges against fluctuations in the fair value of assets or liabilities. In particular, the foreign exchange risk that arises when financial instruments are accounted for in a currency other than the functional currency is hedged. In addition, selectively the fair value of fixed interest-bearing liabilities by means of conversion to variable interest is hedged. In the case of hedging against fluctuations in the fair value of certain balance sheet items (fair value hedges), both the hedge and the hedged share of the risk of the underlying transaction are recognised at fair value. Changes in fair value are recognised in profit or loss.

- Hedging a net investment in a foreign operation

When acquiring foreign companies, the investment can, for example, be hedged with loans in the functional currency of the foreign company. In these cases, the currency risk arising on the subsidiary's equity through fluctuations in exchange rates (translation risk) is designated as a hedged risk. The loans are converted using the exchange rate applicable at the balance sheet date. As an offsetting item, the foreign currency translation reserves in shareholders' equity are adjusted. Consequently, translation differences are recognised directly in equity until the net investment is sold and are recognised in profit or loss on its disposal.

Derivative financial instruments for which no hedge accounting is used nevertheless represent an effective hedge in an economic sense within the context of the Group strategy. In accordance with IAS 39, these instruments are classified for accounting purposes as held for trading. The changes in the market values of these derivative financial instruments recognised in profit or loss are almost offset by changes in the market values of the hedged items.

Assets held for sale and discontinued operations are shown separately in the balance sheet if they can be sold in their present condition and the sale is probable. Assets classified as held for sale are recognised at the lower of their carrying amount and fair value less costs to sell. According to their classification, provisions and liabilities directly connected with these assets are shown separately on the liability side.

For discontinued operations, the profit after tax is shown in a separate line in the profit and loss accounts. In the cash flow statement, the cash flows are broken down into continuing and discontinued operations. Likewise, the discontinued operations are shown separately in the segment reporting. For discontinued operations, the previous year's values in the profit and loss accounts, the cash flow statement and the segment reporting are restated. The notes include additional details on the assets held for sale and discontinued operations.

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 that are not within the Group's control. Contingent liabilities are recognised in the balance sheet at their fair value if they have been

taken on as a result of a business combination. Contingent assets are only recognised in the balance sheet if they are virtually certain. In so far as an outflow or inflow of economic benefits is possible, details of contingent liabilities and assets are provided in the notes.

Finance leases, for which all risks and rewards incident to ownership of the leased asset are transferred to the lessee, lead to capitalisation of the leased asset at the beginning of the term of the lease. The leased asset is recognised at the lower of its fair value and the present value of the minimum lease payments. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant rate of interest on the remaining balance of the liability over the term of the lease. The finance charge is recognised in profit or loss. Leased assets are depreciated over the useful life of the asset. If, however, there is insufficient certainty that the transfer of title to the Group will take place at the end of the lease term, the leased asset is depreciated fully over the shorter of the expected useful life and the lease term.

Lease payments for **operating leases** are recognised as an expense in the profit and loss account over the lease term on a straight-line basis.

Income is recognised if it is sufficiently probable that the Group will receive future economic benefits that can be reliably determined. It is measured at the fair value of the consideration received; sales tax and other duties are not taken into account. Turnover is recognised as soon as the goods have been delivered and the opportunities and risks have passed to the purchaser. Interest income is recognised pro rata temporis using the effective interest method. Dividend income is realised when the legal entitlement to payment arises.

Foreign currency translation

The annual accounts of the Group's foreign subsidiaries are translated into Euros according to IAS 21 (The Effects of Changes in Foreign Exchange Rates) using the concept of functional currency. In general, for operating companies, the functional currency is that of the country in which the subsidiary is based, 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 at the balance sheet date, with shareholders' equity, in contrast, using the historical exchange rates. The translation differences resulting from this are recognised directly in shareholders' equity in the profit and loss reserve until the subsidiary is disposed of. The share of shareholders' equity of the foreign associates is translated using the same method. Income and expenses are translated using average annual exchange rates.

Foreign currency transactions in the companies' individual accounts are accounted for using historical exchange rates. Exchange gains or losses from the measurement of monetary items in foreign currency at the balance sheet date are recognised in profit or loss. Exceptions to the described translation method are exchange differences arising from foreign currency borrowings, to the extent that they are part of a net investment in a foreign operation. They are part of a net investment in a foreign operation if settlement is neither planned nor likely to occur in the foreseeable future. Translation differences are recognised directly in shareholders' equity until the net investment is sold and are not recognised in profit or loss until its disposal.

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

Exchange rates		Exchange rates at reporting day 31 Dec. 2007		Average annual exchange rates 2007		2008	
		EUR	EUR	EUR	EUR	EUR	EUR
USD	US	1.4589	1.3978	1.3707	1.4711		
AUD	Australia	1.6660	1.9762	1.6343	1.7270		
CAD	Canada	1.4536	1.7004	1.4719	1.5693		
CNY	China	10.6552	9.5365	10.4252	10.2231		
GBP	Great Britain	0.7351	0.9557	0.6848	0.7942		
GEL	Georgia	2.3182	2.3231	2.2811	2.1854		
HRK	Croatia	7.3310	7.3759	7.3444	7.2559		
IDR	Indonesia	13,741.38	15,305.91	12,560.94	14,353.58		
INR	India	57.4515	67.9051	56.4360	63.8499		
KZT	Kazakhstan	176.0601	169.0499	167.9451	176.9747		
NOK	Norway	7.9287	9.7081	8.0273	8.3045		
PLN	Poland	3.5976	4.1389	3.7881	3.5407		
RON	Romania	3.6063	4.0286	3.3363	3.7038		
SEK	Sweden	9.4277	10.9175	9.2567	9.6982		
SKK	Slovak Republic	33.5707	30.1260	33.8021	31.3806		
CZK	Czech Republic	26.5053	26.7175	27.7863	25.0733		
HUF	Hungary	252.1417	263.2057	251.3956	252.8874		
TRY	Turkey	1.7003	2.1526	1.7875	1.9187		

Consolidation scope

In addition to HeidelbergCement AG, the Group annual accounts include 1,027 subsidiaries that have been fully or proportionately consolidated, of which 58 are German and 969 are foreign. Proportionately consolidated joint ventures according to IAS 31 accounted for 2.0% of the revenues and 5.6% of the expenses; they contributed 3.0% and 5.6%, respectively, to the consolidated long-term and short-term assets. Furthermore, they account for 0.8% of the long-term and 7.7% of the short-term liabilities.

Changes in the consolidation scope

Additions in the reporting year

Additions to the consolidation scope in comparison with 31 December 2007 occurred in the Europe and Asia-Australia-Africa Group areas and are shown in the following table.

Additions of fully consolidated companies in 2008			Acquisition costs		Goodwill	Included
	Company	Domicile	%	EURm	EURm	since
Belgium	Amix SA	Villers-le-Bouillet	100.0	6.5	4.6	1 Jan.
Georgia	LLC Kartuli Cementi	Tbilisi	67.0	6.2	4.8	1 Jan.
Kazakhstan	Bektaz Group LLP	Almaty	100.0	4.7	2.8	1 Jan.
	Caspicement LLP	Shetpe	100.0	52.1	40.8	1 Jan.
Ukraine	LLC KSL	Bushevo	100.0	5.5	1.8	1 Jan.

HeidelbergCement share

Management report

On the market

HeidelbergCement annual accounts – Notes

Additional information

The provisional goodwill comprises market shares purchased that cannot be assigned to any other identifiable and separable intangible asset.

The assets and liabilities at the acquisition date and the subsequently earned turnover and profits of companies acquired and included for the first time in the Group annual accounts (Business Combinations) are as follows, in accordance with IFRS 3.67 ff:

Assets and liabilities contributed by companies consolidated for the first time at acquisition date

EUR '000s

	Carrying value	Fair value
Long-term assets		
Intangible assets	23,041	46,530
Tangible fixed assets	5,920	5,920
Financial fixed assets	237	237
Fixed assets	29,198	52,687
Other long-term receivables	270	270
	29,468	52,957
Short-term assets		
Stocks	6,608	6,608
Receivables and other assets	8,674	8,674
Cash at bank and in hand	2,038	2,038
	17,320	17,320
Total assets	46,788	70,277
Long-term provisions and liabilities		
Provisions	494	4,485
Liabilities	12,455	12,455
	12,949	16,940
Short-term provisions and liabilities		
Liabilities	29,683	29,683
	29,683	29,683
Total liabilities	42,632	46,623

Turnover and profit contributed by companies consolidated for the first time since acquisition date

EUR '000s

Turnover	24,951
Profit for the financial year	477
Minority interests	566
Group share of profit	1,043

For reasons of materiality, the Group refrained from individual disclosures (IFRS 3.68). In accordance with IFRS 3.61 ff, the acquired assets and liabilities of the companies consolidated for the first time are included in the Group annual accounts of HeidelbergCement AG on the basis of provisional information.

In addition, PT Mandiri Sejahtera Sentra/Indonesia acquired the net assets of PT Handi Perkasa/Indonesia amounting to EUR 3.3 million as part of an asset deal. The purchase price was EUR 3.6 million.

Additions in the 2007 financial year

The coming into effect of the scheme of arrangement (share cancellation process) on 23 August 2007 completed the acquisition of 100% of the shares in the British building materials manufacturer Hanson. The cost for the outstanding shares and the existing stock option programmes amounted to EUR 11,696.7 million. This includes transaction costs, particularly for legal and economic advisory services, of EUR 19.9 million. The purchase price was settled with cash and in exchange for the issue of loan notes amounting to EUR 178.1 million.

Because of the size and complexity of the transaction, the purchase price allocation as at 31 December 2007 was only preliminary. The retrospective adjustments resulting from the application of IFRS 3.62 led to a decrease of EUR 60,977,000 in intangible assets, of EUR 8,865,000 in fixtures, fittings, tools and equipment, of EUR 5,600,000 in shares in associated undertakings, of EUR 1,200,000 in loans to participations, of EUR 4,300,000 in stocks, and of EUR 117,880,000 in other long-term provisions, and an increase of EUR 33,891,000 in deferred tax liabilities and in EUR 3,047,000 in long-term tax liabilities.

Assets and liabilities contributed by the Hanson Group at acquisition date

	Fair value
EUR '000s	
Long-term assets	
Intangible assets	96,073
Tangible fixed assets	5,563,222
Financial fixed assets	486,963
Fixed assets	6,146,258
Other long-term receivables	393,558
	6,539,816
Short-term assets	
Stock	823,993
Receivables and other assets	1,499,263
Cash at bank and in hand	462,004
	2,785,260
Total assets	9,325,076
Long-term provisions and liabilities	
Deferred taxes	594,463
Provisions	187,604
Liabilities	2,077,199
	2,859,266
Short-term provisions and liabilities	
Provisions	1,040,540
Liabilities	2,557,697
	3,598,237
Total liabilities	6,457,503

The final goodwill at the date of first consolidation following the completion of the purchase price allocation amounts to EUR 8,861.4 million and is essentially attributable to the expected strengthening and improvement of the worldwide market position within the context of vertical integration with the existing HeidelbergCement activities as well as the strategically important locations. Moreover, synergies in the areas of administration, purchasing and sales are expected. In connection with the finalisation of the purchase price allocation, the goodwill was allocated to the operating segments.

The net assets of the other companies included for the first time in the Group annual accounts for the financial year 2007 amounted to EUR 38.7 million.

Disposals in the reporting year

On 7 August 2007, HeidelbergCement had reached agreement with the French building materials manufacturer Saint Gobain regarding the sale of maxit Group. The sale was completed on 13 March 2008 with the approval of the competition authorities. Besides the sales price for the participation, the transaction price of EUR 2,125 million also includes the refinancing of short- and long-term debts.

On 26 January 2008, HeidelbergCement sold its shares in the joint venture United Marine Holdings Limited/United Kingdom to the joint venture partner Tarmac Limited, a subsidiary of Anglo American PLC, for a price of GBP 54 million. Following the takeover of Hanson PLC – the former parent company of United Marine Holdings – by HeidelbergCement, the sale had become necessary on the basis of the joint venture agreement.

On 26 March 2008, HeidelbergCement sold the Cement Company of Northern Nigeria/Nigeria and Société Nigérienne de Cimenterie/Niger for USD 29 million and, on 8 September 2008, Scandinavian Cement Holding Limited/ Gibraltar and its subsidiary Edo Cement Company Ltd./Nigeria for USD 1 million to the private Nigerian company Damnaz Cement Company Limited. On 2 September 2008, the Nigerian associated companies Dangote-Bail Limited and Bulkcem S.A. were sold to Dangote Industries Limited and Liberty Worldwide Holdings S.A., respectively. The total consideration was USD 24 million. By selling these activities, HeidelbergCement is focusing its financial resources on markets in which it can achieve a leading market position and which have an appropriate opportunity/risk ratio.

On 1 July 2008, HeidelbergCement sold the Australian subsidiary Hanson Building Products Pty Ltd to Adelaide Brighton Limited/Australia for a total consideration of AUD 81 million.

On 9 September 2008, HeidelbergCement sold the Austrian subsidiary Quarzsande GmbH to Zementwerk Leube GmbH/Austria for a total consideration of EUR 8.7 million.

On 31 December 2008, HeidelbergCement sold its shares in Highway International Private Limited/Singapore to Acentus Private Limited/Singapore. The total consideration was SGD 6.6 million.

Principal shareholdings

Affiliated companies	since	Equity EURm ³⁾	Holding in % ¹⁾	Parent company
Europe				
Cement				
Amvrosiyivske Open Joint Stock Company "Doncement", Novoamvrosiyivske village/Ukraine	2006	48	99.2	CBRPO
Carpacement Holding S.A. (CAR), Bucharest/Romania	1998	255	99.0	HCCEE
Castle Cement Limited Maidenhead/UK	1999	102	100.0	HCUK
CaucasusCement Holding BV, 's-Hertogenbosch/Netherlands	2007	95	75.0	HCCEE
CBR Baltic B.V. (CBRB), 's-Hertogenbosch/Netherlands	1993	358	100.0	HCCEE
CBR International Services S.A., Brussels/Belgium	1993	1,169	99.4	CBRASB
CBR Portland B.V. (CBRPO), 's-Hertogenbosch/Netherlands	2004	74	100.0	HCCEE
Cementa AB, Stockholm/Sweden	1999	37	100.0	HCSWE
Ceskomoravský Cement, a.s. (CMC), Mokrá-Horákov/Czech Republic	1991	124	100.0	HCCEE
Civil and Marine Slag Cement Limited, Maidenhead/UK	2007	168	100.0	CIVHO
Duna-Dráva Cement Kft (DDC), Vác/Hungary	1989	179	50.0	HCCEE
Ekocem Sp. z o.o., Katowice/Poland	2003	39	100.0	GOR
ENCI Holding N.V. (ENCI), 's-Hertogenbosch/Netherlands	1993	353	100.0	HCNETH
Górazdze Cement S.A. (GOR), Opole/Poland	1993	198	100.0	CBRB
Hanson Limited (HANSON), Maidenhead/UK	2007	5,322	100.0	LEHUK
HeidelbergCement Central Europe East Holding B.V. (HCCEE), 's-Hertogenbosch/Netherlands	1993	1,118	100.0	HC
HeidelbergCement Denmark A/S (HCDEN), Ringsted/Denmark	2005	22	100.0	HCNE
HeidelbergCement International Holding GmbH (HCIH), Heidelberg	1993	1,456	100.0	HC
HeidelbergCement Netherlands Holding B.V. (HCNETH), 's-Hertogenbosch/Netherlands	2006	690	100.0	HC/CBR
HeidelbergCement Northern Europe AB (HCNE), Stockholm/Sweden	1999	502	100.0	HC
HeidelbergCement Sweden AB (HCSWE), Stockholm/Sweden	2006	636	100.0	HCNE
HeidelbergCement UK Holding II Limited (HCUKUS), Maidenhead/UK	2007	10,446	100.0	HANSON
HeidelbergCement UK Holding Limited (HCUKEU), Maidenhead/UK	2007	7,414	100.0	HCHLUX
HeidelbergCement UK Limited (HCUK), Maidenhead/UK	1999	83	100.0	HC
Holding Cement Norway AS (HCN), Oslo/Norway	1999	115	100.0	HCNE
Kunda Nordic Cement Corp., Kunda/Estonia	1999	131	75.0	HCSWE
Limited Liability Company SaqCementi, Tbilisi/Georgia	2007	33	75.0	HCCAUS
Nederlandse Cement Deelnemingsmaatschappij B.V., Utrecht/Netherlands	1972	1	36.9	HC
Norcem AS, Oslo/Norway	1999	32	100.0	HCN
OAO Cesa, Slanzy/Russia	2001	39	96.7	SCAEYOY
Open Joint Stock Company "Heidelberg Cement Ukraine", Kryvyi Rih/Ukraine	2001	61	100.0	CBRPO
S.A. Cimenteries CBR (CBR), Brussels/Belgium	1993	954	100.0	HCHLUX
Teutonia Zementwerk AG, Hanover	2005	42	100.0	HC
Tvornica Cementa Kakanj d.d., Zenica/Bosnia-Herzegovina	2000	126	45.6	CEEM

Affiliated companies	since	Equity EURm ³⁾	Holding in % ¹⁾	Parent company
Europe (cont.)				
Aggregates and concrete				
Abetong AB, Växjö/Sweden	1999	13	100.0	EB
Betongindustri AB, Stockholm/Sweden	1999	8	100.0	HCSWE
BLG Betonlieferungsgesellschaft mbH, Munich	1959	8	100.0	HB
BT Poznan sp. z o.o., Poznan/Poland	1996	2	75.0	GOR
BT Topeton Sp. z.o.o., Gorzow Wielkopolski/Poland	2002	10	50.0	GOR
Carpat Aggregate SA (CASA), Bucharest/Romania	2002	10	98.5	HCCEE
Carpat Beton S.R.L., Bucharest/Romania	2002	24	99.0	CASA
Ceskomoravský Beton, a.s., Beroun/Czech Republic	2000	38	100.0	CMC
Ceskomoravský Sterk, a.s. (CST), Mokrá/Czech Republic	1993	77	100.0	CMC
Euroc Beton AB (EB), Växjö/Sweden	1999	65	100.0	HCSWE
Górazdze Beton sp. z o.o., Opole/Poland	2003	34	100.0	GOR
Hanson Aggregates Belgium NV, Zeebrugge/Belgium	2007	8	100.0	HOUS
Hanson Aggregates Netherlands BV, Maarssen/Netherlands	2007	*	100.0	HAHN
Hanson Aggregates Verwaltungs GmbH, Leinatal	2007	*	100.0	STLUK
Hanson Beton Nederland BV, Utrecht/Netherlands	2007	3	100.0	MEBIN
Hanson CR, a.s., Mokrá/Czech Republic	2007	22	100.0	CST
Hanson Finance Limited, Maidenhead/UK	2007	1,103	100.0	HHOL
Hanson Germany GmbH & Co. KG, Leinatal	2007	1	100.0	STLUK
Hanson Hispania, S.A. (HAHIS), Madrid/Spain	2007	81	100.0	HPES
Hanson Holdings Limited (HHOL), Maidenhead/UK	2007	2,304	100.0	HANSON
Hanson Pioneer España, S.L., Madrid/Spain	2007	4	100.0	STNIC
Hanson Quarry Products Europe Ltd (HQPE), Maidenhead/UK	2007	41,482	100.0	UDSX
Hanson Quarry Products (Israel) Ltd, Ramat Gan/Israel	2007	84	100.0	HISRL
HeidelbergBeton A/S, Ringsted/Denmark	2005	3	100.0	HCDEN
Heidelberger Beton GmbH (HB), Heidelberg	1959	34	100.0	HC
Heidelberger Sand und Kies GmbH (HSK), Heidelberg	1960	89	100.0	HC
Houserate Limited (HOUS), Maidenhead/UK	2007	744	100.0	HANSON
Inter-Beton S.A., Brussels/Belgium	1993	25	99.8	CBR
Limited Liability Company Rybalsky Quarry, Dnepropetrovsk Lyibimovka village/Ukraine	2007	1	100.0	CBRPO
MEBIN B.V. (MEBIN), 's-Hertogenbosch/Netherlands	1993	61	100.0	ENCI
Norbetong AS, Oslo/Norway	1999	52	100.0	HCN
Opolskie Kopalnie Surowców Mineralnych S.A. (OKSM), Opole/Poland	1998	15	100.0	GOR
Sand & Grus AB Jehander, Stockholm/Sweden	1999	11	100.0	HCSWE
Sandwerke Biesern GmbH, Penig	1992	10	100.0	HSK
TBG Hungaria-Beton Befektető, Gyarto es Forgalmazo Kft, Budapest/Hungary	2002	17	50.0	DDC
TBG Transportbeton Kurpfalz GmbH & Co. KG, Eppelheim	1970	4	51.1	HB
TBH Transportbeton Hamburg GmbH & Co. KG, Hamburg	2003	*	85.0	HB
Wetterauer Lieferbeton GmbH & Co. KG, Bad Nauheim	2004	*	57.5	HB
Zielonogórskie Kopalnie Surowców Mineralnych S.A., Opole/Poland	1996	8	100.0	OKSM

Affiliated companies	since	Equity EURm ³⁾	Holding in % ¹⁾	Parent company
Europe (cont.)				
Building products				
Baustoffwerke Dresden GmbH & Co. KG, Dresden	1991	1	51.0	HKGB
Hanson Building Products Limited, Maidenhead/UK	2007	176	100.0	HERX/VEA
HeidelbergCement Baustoffe für Geotechnik GmbH & Co. KG, Ennigerloh	1996	6	100.0	HC
Heidelberger Betonelemente GmbH & Co. KG, Chemnitz	1995	2	83.0	HERT
Heidelberger Kalksandstein GmbH, Durmersheim	2003	13	100.0	HC
Heidelberger Kalksandstein Grundstücks- u. Beteiligungs GmbH & Co. KG (HKGB), Durmersheim	2003	37	100.0	HSK
HKS Hunziker Kalksandstein AG, Aargau/Switzerland	1992	7	66.7	HKGB
Walhalla Kalk GmbH & Co. KG, Regensburg	1970	5	79.9	HC
North America				
Cement				
Lehigh Hanson, Inc. (LHI), Wilmington/US	1977	1,037	100.0	LBV
Lehigh B.V. (LBV), 's-Hertogenbosch/Netherlands	1993	2,669	100.0	HCUKUS
Lehigh Cement Company (LEH), Harrisburg/US	1977	168	100.0	LHI
Lehigh Cement Limited (LCL), Calgary/Canada	1993	548	100.0	LBV
Lehigh Southwest Cement Company, Concord/US	1993	284	100.0	LEH
Permanente Cement Company, Los Angeles/US	2007	*	100.0	HPMC
Aggregates and concrete				
Campbell Concrete & Materials, L.P., Dallas/US	1998	81	100.0	CONSTI
Continental Florida Materials Inc., Sunrise/US	1999	35	100.0	LEH
HBMA Holdings, Inc., Wilmington/US	2007	4,150	100.0	HNA
Material Service Corporation, Wilmington/US	2007	18	100.0	HAH
Mission Valley Rock Co., Los Angeles/US	2007	80	100.0	HAMP
Sherman Industries, Inc., Birmingham/US	1994	83	100.0	CONSTI
Sinclair General Corporation, Panama City/Panama	2007	7,259	100.0	HOUS
Building products				
Hanson Hardscape Products, Inc., Toronto/Canada	2007	42	100.0	HAC
Hanson Pipe & Precast, Inc., Wilmington/US	2007	203	100.0	HAC
Asia-Australia-Africa				
Cement				
Bukharminskaya Cement Company, New Bukhtarma village/Kazakhstan	2005	44	100.0	HCCAS
Butra HeidelbergCement Sdn. Bhd., Bandar Seri Begawan/Brunei	2000	7	50.0	HCASH
Cimbenin S.A., Cotonou/Benin	1999	1	55.9	SI
Ciments du Togo S.A., Lomé/Togo	1999	*	99.6	SI
Cochin Cements Ltd., Kottayam District, Kerala/India	2006	*	98.7	CEMI
Ghacem Ltd., Accra/Ghana	1999	33	93.1	SI

HeidelbergCement share

Management report

On the market

HeidelbergCement annual accounts – Notes

Additional information

Affiliated companies	since	Equity EURm ³⁾	Holding in % ¹⁾	Parent company
Asia-Australia-Africa (cont.)				
HeidelbergCement Bangladesh Ltd., Chittagong/Bangladesh	2000	26	60.7	HCNETH
Liberia Cement Corporation Ltd., Monrovia/Liberia	1999	3	62.8	SI
Mysore Cements Limited, Ammasandra/India	2006	65	54.9	CEMI
PT Indocement Tunggal Prakarsa Tbk., Jakarta/Indonesia	2001	551	65.1	BOL
Scancem International ANS (SI), Oslo/Norway	1999	102	100.0	SCAAS
Sierra Leone Cement Corp. Ltd., Freetown/Sierra Leone	1999	8	50.0	CEMINV
Société des Ciments du Gabon, Libreville/Gabon	2000	8	75.0	SI
Tanzania Portland Cement Company Ltd., Dar Es Salaam/Tanzania	1999	59	69.3	SI

Aggregates and concrete

Aggregates and concrete	since	Equity EURm ³⁾	Holding in % ¹⁾	Parent company
Hanson Australia (Holdings) Pty Ltd, Sydney/Australia	2007	407	100.0	SINC
Hanson Australia Funding Ltd, Sydney/Australia	2007	*	100.0	HHOL
Hanson Building Materials (S) Pte Ltd, Singapore	2007	2	100.0	HIHPL
Hanson Building Materials Malaysia Sdn Bhd, Kuala Lumpur/Malaysia	2007	6	100.0	PIHL
Hanson Construction Materials Pty Ltd, Sydney/Australia	2007	194	100.0	HAPL
Hanson Finance Australia Ltd, Sydney/Australia	2007	34	100.0	HAPL
Hanson Quarry Products (Holdings) Sdn Bhd, Kuala Lumpur/Malaysia	2007	55	100.0	PIHL
Pioneer Concrete (Hong Kong) Ltd, Hong Kong/China	2007	37	100.0	PICO
Pioneer Concrete Services (Malaysia) Sdn Bhd, Kuala Lumpur/Malaysia	2007	*	100.0	PIHL
Pioneer International (Labuan) Ltd, Labuan/Malaysia	2007	*	100.0	HOUS

Group Services

Group Services	since	Equity EURm ³⁾	Holding in % ¹⁾	Parent company
HC Trading B.V., 's-Hertogenbosch/Netherlands	1996	15	100.0	CBR

Proportionately consolidated companies	since	Equity EURm ³⁾	Holding in % ¹⁾	Parent company
--	-------	---------------------------	----------------------------	----------------

Europe

Aggregates and concrete	since	Equity EURm ³⁾	Holding in % ¹⁾	Parent company
Gralex S.A., Brussels/Belgium	1993	22	50.0	CBR
Lithonplus GmbH & Co. KG, Lingenfeld ²⁾	2004	9	60.0	HB
Mibau Holding GmbH, Cadenberge	1993	20	50.0	HSK
Midland Quarry Products Limited, Whitwick/UK	2007	58	50.0	HQPE
TBG Transportbeton Franken GmbH & Co. KG, Fürth ²⁾	2004	1	51.0	HB
Trapobet Transportbeton GmbH Kaiserslautern KG, Kaiserslautern	2003	1	50.0	HB

Building products

Heidelberger Betonelemente GmbH & Co. KG, Baden-Baden ²⁾	2005	2	89.9	HERT
---	------	---	------	------

North America

Cement	since	Equity EURm ³⁾	Holding in % ¹⁾	Parent company
Texas-Lehigh Cement Company, Buda/US	1986	55	50.0	LEH

Proportionately consolidated companies (cont.)	since	Equity EURm ³⁾	Holding in % ¹⁾	Parent company
Asia-Australia-Africa				
Cement				
Akçansa Çimento Sanayi ve Ticaret A.S. (AC), İstanbul/Turkey	1996	354	39.7	HCMBHL
China Century Cement Limited, Hamilton/Bermuda	1995	55	50.0	CBR
Jidong Heidelberg (Fufeng) Cement Company Limited, Baoji/China	2005	59	48.1	HCHHK
Jidong Heidelberg (Jingyang) Cement Company Limited, Xianyang City/China	2006	66	50.0	HCHHK
Karçimsa Çimento Sanayi ve Ticaret A.S., Karabük/Turkey	1996	11	20.3	AC
Aggregates and concrete				
Alliance Construction Materials Ltd, Hong Kong/China	2007	4	50.0	PICO
Pioneer Road Services Pty Ltd, Melbourne/Australia	2007	43	50.0	HANPL

Associated companies	since	Equity EURm ³⁾	Holding in % ¹⁾	Parent company
Europe				
Cement				
Südbayerisches Portland-Zementwerk Gebr. Wiesböck & Co. GmbH, Rohrdorf	1968	222	32.3	HC
Aggregates and concrete				
Kronimus AG, Iffezheim	1991	20	24.9	HC
Asia-Australia-Africa				
Cement				
Cement Australia Holdings Pty Ltd, North Sydney/Australia	2007	220	25.0	HANPL
Aggregates and concrete				
Metromix Pty Ltd, Paramatta/Australia	2007	14	50.0	HANPL

¹⁾ Ultimate shareholding

²⁾ Due to contractual regulations, the company is included as a proportionately consolidated company in the consolidated financial statements even though the shareholding exceeds 50 %

³⁾ Amounts stated are based on the statutory accounts. In case the 2008 accounts were not yet available, the 2007 amounts were stated

* Equity below 0.5 million EUR

The complete list of our shareholdings, accompanied by all legally required information, will be published in the Electronic Federal Gazette. The list of shareholdings also includes a concluding list of all subsidiaries that make use of the exemption from disclosure obligations in accordance with § 264b of the German Commercial Code.

Notes to the segment reporting

Certain key figures are represented by Group areas and business lines in accordance with IAS 14 (Segment Reporting). The segments disclosed correspond to the Group's internal management reporting.

HeidelbergCement is geographically divided into the three Group areas Europe, North America and Asia-Australia-Africa. In 2008, the Group assigned the Central Asian country Kazakhstan, previously managed as part of Europe-Central Asia, to the Asia-Australia-Africa Group area. As a result, the Central-Asia part of the name was dropped. In the Asia subarea, we also include Turkey, and therefore, the Group no longer shows the regional designation Mediterranean.

The segmental integration of the 2007 acquisition, Hanson, follows the existing Group areas. The North American Hanson divisions are shown in the Group area North America. Hanson activities in Austria, Belgium, Czech Republic, Germany, Israel, Netherlands, Spain and the UK are reported in the Group area Europe whereas the remaining parts of the Hanson Group's activities in Australia, Hong Kong, Malaysia and Singapore are shown in the Group area Asia-Australia-Africa.

In accordance with IFRS 5 (Discontinued Operations), maxit Group is no longer included in the 2007/2008 figures of continuing operations.

In the business lines, we combine operating lines that are active in related markets. The aggregates and concrete business line is composed of the operating lines aggregates, ready-mixed concrete, concrete products and asphalt. The building products business line contains the operating lines bricks, aircrete blocks and pipes. Group Services includes the Group's distribution activities.

Turnover with Group areas or business lines represents the turnover between segments. Transfer prices were determined in accordance with the market prices.

Notes to the profit and loss accounts

1 Turnover

Turnover development by Group areas and business lines

EURm	Cement		Aggregates and concrete		Building products		Intra-Group eliminations		Total	
	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
Europe	3,254	3,436	2,377	3,521	414	664	-313	-431	5,732	7,190
North America	1,318	1,138	1,688	2,035	399	959	-200	-175	3,205	3,958
Asia-Australia-Africa	1,479	1,723	433	1,210	31	54	-34	-44	1,909	2,943
Total	6,051	6,298	4,498	6,766	844	1,677	-547	-651	10,846	14,091
Group Services									680	701
Inter-Group area turnover									-664	-605
Continuing operations									10,862	14,187

2 Other operating income

Other operating income	2007	2008
EURm		
Income from sale of non-core products	56.8	76.6
Rental income	23.7	26.3
Income from reduction of bad debt provision	6.2	5.3
Gains from sale of assets	42.9	84.6
Write back of provisions	8.8	33.4
Other income	88.5	144.0
	226.9	370.2

The gains from sale of assets essentially include sales of excess emission rights. Significant non-recurring transactions occurring in the course of ordinary business activity are shown in the line additional ordinary income.

3 Material costs

Material costs	2007	2008
EURm		
Raw materials	1,555.3	2,534.5
Supplies, repair materials and packaging	665.0	855.5
Costs of energy	1,125.6	1,474.0
Goods purchased for resale	662.2	654.6
Miscellaneous	106.1	174.3
	4,114.2	5,692.9

Material costs increased by EUR 1,578.7 million to EUR 5,692.9 million. The increase is largely attributable to the fact that the Hanson Group, acquired in August 2007, was consolidated for the full year for the first time in 2008. Material costs amounted to 40.1 % of turnover (previous year: 37.9 %). This percentage rise is primarily due to the increase in the category raw material.

4 Employees and personnel costs

Personnel costs	2007	2008
EURm		
Wages, salaries, social security costs	1,543.8	2,170.4
Costs of retirement benefits	87.6	81.0
Other personnel costs	39.2	46.2
	1,670.6	2,297.6

HeidelbergCement share

Management report

On the market

HeidelbergCement annual accounts – Notes

Additional information

Personnel costs equalled 16.2 % of turnover (previous year: 15.4 %). The increase in personnel costs in comparison with the previous year is essentially attributable to the fact that the Hanson Group, acquired in August 2007, was consolidated for the full year for the first time in 2008. The development of expenses for retirement benefits is explained in Note 42 Provisions for pensions.

Annual average number of employees

Categories of employees	2007	2008
Blue-collar employees	37,946	43,869
White-collar employees	17,221	18,728
Apprentices	399	319
	55,566	62,916

The previous year's employee figures include – in contrast with the personnel costs – the average of 5,196 maxit Group employees. The average number of employees of proportionately consolidated companies amounts to 3,356.

During the reporting period, the number of employees at the balance sheet date decreased by 7,075 compared with the previous year to 60,841 (previous year: 67,916). This includes an increase of 1,236 employees as a result of new consolidations. This is counterbalanced by a decrease of 8,311 in the number of employees as a result of disposals of businesses and capacity adjustment measures. The average number of employees at the end of the year amounts to 62,916 (previous year: 50,370 – Hanson was included in the previous year only for four months).

5 Other operating expenses

Other operating expenses

EURm	2007	2008
Selling and administrative expenses	771.7	972.3
Freight	1,106.6	1,425.7
Expenses for third party repairs and services	724.2	992.0
Rental and leasing expenses	134.5	195.6
Other expenses	41.0	84.7
Other taxes	46.0	48.9
	2,824.0	3,719.2

The increase in other operating expenses in comparison with the previous year is essentially attributable to the full-year inclusion of the Hanson Group, acquired in August 2007, for the first time.

Expenses of EUR 52.6 million (previous year: 47.0) for research and technology are not capitalised according to the conditions stated in IAS 38 (Intangible Assets).

Significant non-recurring transactions occurring in the course of ordinary business activities are shown in the additional ordinary expenses.

6 Amortisation and depreciation of intangible assets and tangible fixed assets

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 40
Technical equipment and machinery	10 to 20
Plant and office equipment	5 to 10
IT hardware	4 to 5

Impairment losses are shown in the additional ordinary result.

7 Additional ordinary result

The additional ordinary result includes transactions which, although occurring in the course of ordinary business activities, are not shown in operating income because they are non-recurring.

Additional ordinary result	2007	2008
EURm		
Additional ordinary income		
Non-recurring income	1,030.1	160.6
Reversal of impairment losses	9.8	7.4
	1,039.9	168.0
Additional ordinary expenses		
Non-recurring expenses	-189.7	-173.3
Impairment losses	-28.4	-365.5
	-218.1	-538.8
	821.8	-370.8

The non-recurring income primarily includes profits from fixed asset disposals. Significant items in the previous year were the profits from the sale of Vicat S.A./France (EUR 804.8 million) and Florida Rock Industries/US (EUR 81.9 million).

Reversals of impairment losses were recognised for tangible fixed assets impaired in previous years. One significant item was the reversal of EUR 6.1 million on technical equipment and machinery of ENCI B.V./Netherlands to the value in use.

The non-recurring expenses include losses from the sale of fixed assets and additions to provisions for restructuring and other risks. The expenses for restructuring and reorganisation amounted to EUR 77.1 million (previous year: 53.7) and were incurred particularly in connection with the acquisition of the Hanson Group.

Following the goodwill impairment test, impairment losses amounting to EUR 329.4 million (previous year: 16.2) were recognised in the reporting year. The impairment losses primarily relate to the United Kingdom (EUR 212.2 million), Georgia (EUR 68.2 million), Spain (EUR 34.5 million) and Singapore (EUR 8.4 million). The recoverable amounts of the CGUs' assets do not significantly deviate from their carrying amounts.

The significant impairments in the previous year related to the goodwill of Cimbenin S.A./Benin, impaired by EUR 5.0 million, and of Kerpen & Kerpen GmbH & Co. KG/Germany, impaired by EUR 9.7 million.

Impairment losses amounting to EUR 35.2 million (previous year: 11.4) were recognised on tangible fixed assets. Significant items were impairments of technical equipment and machinery in the aggregates activities (EUR 11.1 million) in the United Kingdom and at Hanson Building Products UK (EUR 9.7 million) and of buildings at Hanson Building Products UK (EUR 10.1 million).

8 Results from participations

Results from participations	2007	2008
EURm		
Results from associated companies	170.7	46.9
Income from financial investments	10.7	6.0
Impairment of other participations	-9.1	-2.4
Impairment/Reversal of impairment of loans	-5.7	0.9
	166.6	51.4

The results from associated companies are measured using the gross amounts, i.e. they are shown before taxes on income. The Group's share of their tax expense is reported under taxes on income.

The decline in results from associated companies in comparison with the previous year results essentially from the sale of the participation in Vicat S.A., accounted for at equity, in June 2007, and the full consolidation of the Hanson Group from 24 August 2007. From 17 May to 23 August 2007, Hanson was included in the Group annual accounts as an associated company.

The income from financial investments essentially includes profit distributions from corporations and partnerships.

9 Other financial result

The other financial result contains expenses from the market valuation of financial investments "held for trading" of EUR 25.2 million, the interest balance from defined benefit pension plans of EUR 24.9 million, the interest portion from the valuation of other provisions of EUR 7.5 million, the earnings from put options held by minorities of EUR 3.2 million, and other financial expenses of EUR 25.8 million. In the previous year, the interest cost of provisions was included in the operating expenses (EUR 6.0 million).

10 Taxes on income

Taxes on income from continuing operations		2007	2008
EURm			
Current taxes		-433.2	-356.8
Deferred taxes		64.1	29.4
		-369.1	-327.4

The reduction of EUR 76.4 million in current taxes is essentially attributable to the decline in earnings in the US and United Kingdom. Adjusted for additional tax payments and tax refunds for previous years, which amounted to EUR -11.5 million (previous year: 4.2), the current taxes decreased by EUR 92.2 million. The share of associates' tax expense accounted for "at equity" and amounting to EUR 3.7 million (previous year: 44.6) is included in the current taxes.

The decrease in comparison with the previous year is attributable to both the inclusion of the Hanson Group as an associated company from 17 May 2007 until its full consolidation on 24 August 2007 and the proportionate inclusion of Vicat S.A. until its sale on 18 June 2007. Deferred tax assets created in previous years for losses carried forward fell by EUR 23.7 million (previous year: 0.9) during the reporting year. The reduction in the tax expense for deferred taxes as a result of tax losses not recognised in previous years amounted to EUR 27.7 million (previous year: 34.8) in the financial year.

Tax losses carried forward and tax credits for which no deferred tax is recognised amount to EUR 1,683.5 million (previous year: 1,906.0). The losses carried forward both in Germany and abroad have essentially vested. Unrecognised deferred tax assets amounted to EUR 358.6 million (previous year: 431.6) in the reporting year.

In 2008, EUR -25.8 million (previous year: 18.6) of deferred taxes, resulting primarily from the measurement of pension obligations in accordance with IAS 19 and the measurement of financial instruments in accordance with IAS 39, were charged directly to shareholders' equity. The provision for deferred taxes increased by EUR 5.4 million (previous year: 732.6) as a result of adjustments of purchase price allocations in accordance with IFRS 3.62 as well as changes in the scope of consolidation; the increase was recognised directly in shareholder's equity. The long-term tax liabilities of EUR 243.2 million (previous year: 290.6) include contingent liabilities recognised in connection with the acquisition of the Hanson Group in accordance with IFRS 3.37.

In accordance with IAS 12, deferred taxes must be recognised on the difference between the share of shareholders' equity of a subsidiary recognised in the Group balance sheet and the carrying amount for this subsidiary in the parent company's tax accounts, if realisation is more likely than not (Outside Basis Differences). On the basis of the regulations for the application of IAS 12.39, deferred taxes of EUR 5.4 million (previous year: 1.2) were recognised on planned future dividends. No deferred tax liabilities were recognised for outside basis differences from the undistributed profits of the subsidiaries of HeidelbergCement AG amounting to EUR 3.4 billion (previous year: 1.4), as no further dividend payments are planned.

To measure deferred taxes, an average income tax rate of 29.13 % is applied for the domestic companies.

Tax reconciliation of continuing operations

EURm	2007	2008
Profit before tax	2,343.4	997.9
Impairment of goodwill	-16.2	-329.4
Profit before tax and impairment of goodwill	2,359.6	1,327.3
Theoretical tax expense at 22.8% (2007: 30.7%) ¹⁾	-724.9	-302.3
Changes to the theoretical tax expense due to:		
Tax-free earnings (+) and non deductible expenses (-) ²⁾	340.2	-58.1
Tax increase (-), reduction (+) for prior years	4.2	-11.5
Changes in tax rate	11.4	44.5
Taxes on income	-369.1	-327.4

¹⁾ Weighted average tax rate²⁾ Including write-downs of deferred tax assets set up in prior years and not recognised deferred tax assets for the current year**Deferred tax by type of temporary difference**

EURm	2007	2008
Deferred tax assets		
Fixed assets	20.3	19.1
Other assets	35.6	14.8
Provisions and liabilities	626.3	581.7
Carryforward of unused tax losses and tax credits	127.8	206.8
Gross amount	810.0	822.4
Netting	-652.6	-692.9
	157.4	129.5
Deferred tax liabilities		
Fixed assets	1,601.7	1,464.9
Other assets	96.4	117.4
Provisions and liabilities	92.3	77.2
Gross amount	1,790.4	1,659.5
Netting	-652.6	-692.9
	1,137.8	966.6

11 Discontinued operations and disposal groups

The following table shows the composition of the results from discontinued operations.

Post-tax profit or loss from discontinued operations		2007	2008
EUR '000s			
Revenue		1,372,194	188,440
Expenses		-1,210,443	-215,613
Income tax expense		-17,347	-471
Gain on disposal of discontinued operations			1,276,902
Post-tax profit of discontinued operations		144,404	1,249,258

The profit from discontinued operations includes the income and expenses of maxit Group up to the date of sale and the deconsolidation gain as well as income and expenses arising in connection with the sale. Expenses of EUR 34.9 million and income of EUR 4.0 million are also included; these arose in connection with operations of the Hanson Group discontinued in previous years.

In the previous year, the assets of maxit Group, Cement Company of Northern Nigeria/Nigeria, Société Nigérienne de Cimenterie/Niger, and United Marine Holdings Limited/United Kingdom, were reclassified to short-term assets and liabilities. The composition is shown in the following table.

Non-current assets and liabilities held for sale		2007
EUR '000s		
Intangible assets		415,918
Tangible assets		565,872
Other long-term assets		25,899
Inventories		165,142
Cash and cash equivalents		26,417
Other short-term assets		207,052
Non-current assets held for sale		1,406,300
Provisions for pensions		31,213
Other long-term provisions		87,922
Long-term liabilities		11,250
Short-term provisions		2,853
Short-term liabilities		225,404
Liabilities held for sale		358,642
Cumulative income recognised directly in equity		4,438

12 Proposed dividend

The Managing Board and Supervisory Board propose the following dividend: EUR 0.12 dividend per share. Based on 125,000,000 no-par value shares, entitled to participate in dividends for the 2008 financial year, the amount for dividend payment is EUR 15,000,000.

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

Earnings per share

EURm

	2007	2008
Profit for the financial year	2,118.8	1,919.8
Minority interests	97.0	111.6
Group share of profit	2,021.8	1,808.2
Number of shares in '000s (weighted average)	118,177	124,315
Earnings per share in EUR	17.11	14.55
Net income from continuing operations attributable to the parent entity	1,880.7	558.5
Earnings per share in EUR – continuing operations	15.92	4.50
Net income from discontinued operations attributable to the parent entity	141.1	1,249.7
Earnings per share in EUR – discontinued operations	1.19	10.05

The basic earnings per share are calculated in accordance with IAS 33 (Earnings per Share), by dividing the Group share of profit for the financial year by the weighted average of the number of issued shares.

The diluted earnings per share indicator takes into account not only currently issued shares but also shares potentially available through option rights. The earnings per share were not diluted in the reporting period in accordance with IAS 33.30.

Notes to the cash flow statement

The cash flow statement shows how the Group's cash changed through inflows and outflows during the reporting year. Cash flows in this statement are categorised according to operating, investing and financing activities (IAS 7 Cash Flow Statements).

The net cash from operating activities is calculated as profit after tax from continuing operations adjusted for taxes on income, net interest and non-cash items. Cash flows from dividends received, interest and taxes paid, and changes in working capital and utilisation of provisions are also recognised.

Net cash used in investing activities includes cash outflow for capital expenditures, cash inflow from disposals and changes in the consolidation scope.

Net cash used in financing activities mainly results from changes in capital, dividend payments as well as proceeds from and repayments of bonds and loans.

14 Dividends received

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

15 Interest paid

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

16 Elimination of non-cash items

The non-cash items mainly include depreciation and amortisation as well as additions to and write backs of provisions. Furthermore, the profits were adjusted for the profits and losses from fixed asset disposals. The total amount earned from these disposals is shown under proceeds from fixed asset disposals in investing activities.

17 Changes in operating assets

Operating assets consist of stock, trade receivables and other assets used in operating activities.

18 Changes in operating liabilities

Operating liabilities include trade payables and other liabilities from operating activities.

19 Decrease in provisions through cash payments

This item includes the cash outflow of provisions for pensions and other provisions.

20 Investments (cash outflow)

The investments relate to cash outflows for intangible assets and tangible and financial fixed assets. They differ from additions in the fixed-asset movement schedule, which shows non-cash items as additions, for example. Furthermore, purchases of shares in 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 movement schedule. Below is a list of the significant cash payments in connection with consolidated companies.

- 100 % share of CaspiCement LLP, Shetpe/Kazakhstan, for EUR 42.7 million;
- 50 % share of Indorama Cement Limited, Navi Mumbai/India, for EUR 31.7 million;
- 0.64 % share of CBR International Services, Brussels/Belgium, for EUR 7.1 million;
- 50 % share of Amix SA, Villers-le-Bouillet/Belgium, for EUR 3.4 million;
- 49.0 % share of Kölbl Heidelberger Sand und Kies GmbH, Mülheim an der Ruhr/Germany, for EUR 5.0 million;
- 49.0 % share of Heidelberger Sand und Kies Niederrhein Beteiligungs-GmbH, Mülheim an der Ruhr/Germany, for EUR 6.7 million;
- 19.9 % share of Open Joint Stock Company Gurovo-Beton, Tula Oblast/Russia, for EUR 2.5 million;
- 5.5 % share of Teutonia Zementwerk Aktiengesellschaft, Hanover/Germany, for EUR 5.0 million;
- 67.0 % share of Kartuli Cementi LLC, Tbilisi/Georgia, for EUR 4.0 million;
- 10.0 % share of HC Central Asia B.V., 's-Hertogenbosch/Netherlands, for EUR 5.7 million.

21 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 significant cash sales of financial fixed assets in the reporting year:

- maxit Holding AB/Sweden for EUR 2,030.4 million;
- United Marine Holdings Limited/United Kingdom for EUR 69.2 million;
- Hanson Building Products Pty Ltd/Australia for EUR 16.1 million;
- DangoteBail Limited and Bulkcem S.A./Nigeria for EUR 15.8 million;
- Quarzsande GmbH, Eferding/Austria for EUR 8.7 million;
- Cement Company of Northern Nigeria/Nigeria and Société Nigérienne de Cimenterie/Niger for EUR 19.8 million;
- Highway International Private Limited/Singapore for EUR 3.2 million.

22 Cash from changes in consolidation scope

This line shows the change in cash arising from the first consolidation or deconsolidation of subsidiaries and other changes in the consolidation scope or consolidation method.

The investments in financial fixed assets acquired, net of cash and cash equivalents, amount to EUR 148.4 million (previous year: 11,271.7). The proceeds from fixed asset disposals include proceeds from the sale of subsidiaries net of cash and cash equivalents amounting to EUR 2,138.9 million (previous year: 1,541.8).

23 Dividend payments HeidelbergCement AG

In 2008, HeidelbergCement AG paid dividends of EUR 162.5 million (previous year: 144.5).

24 Dividend payments to minority shareholders

The item "Dividend payments to minority shareholders" shows dividends paid during the financial year for minority interests.

25 Proceeds from bond issuance and loans

Besides the newly issued four-year bond of EUR 1 billion, this item includes the proceeds from numerous bilateral bank and bonded loans.

26 Repayment of bonds and loans

This item includes the scheduled repayments of financial liabilities and the balance from the proceeds and payments for items with a high turnover rate, large amounts and short terms from financing activities. In particular, this includes the repayment of the syndicated acquisition facility of EUR 4 billion via the proceeds from the issuance of the four-year bond for EUR 1 billion, the proceeds from the capital increase of EUR 513 million and the proceeds received from the sale of maxit Group. In addition, scheduled repayments have been made for private placements, bonded loans, bank loans, commercial paper and credit lines.

27 Cash and cash equivalents

Cash and cash equivalents include securities with a remaining term of less than three months and liquid funds.

Notes to the balance sheet – Assets

28 Intangible assets

Intangible assets	Goodwill	Other intangible fixed assets	Total
EURm			
Cost			
1 January 2007	3,114.8	212.7	3,327.5
Currency translation	-570.5	-10.4	-580.9
Change in consolidation scope	-7.0	122.9	115.9
Additions	8,991.5	15.7	9,007.2
Disposals	-36.1	-4.3	-40.4
Reclassifications		9.6	9.6
Reclassifications to current assets	-409.0	-18.5	-427.5
31 December 2007	11,083.7	327.7	11,411.4
Amortisation and impairment			
1 January 2007	396.2	128.8	525.0
Currency translation	-11.6	-3.8	-15.4
Change in consolidation scope	-0.1	-0.5	-0.6
Additions		14.4	14.4
Impairment	16.2	0.8	17.0
Disposals	-0.5	-1.9	-2.4
Reclassifications		4.0	4.0
Reclassifications to current assets	-0.5	-12.4	-12.9
31 December 2007	399.7	129.4	529.1
Net book value at 31 December 2007	10,684.0	198.3	10,882.3
Cost			
1 January 2008	11,083.7	327.7	11,411.4
Currency translation	-785.4	-18.2	-803.6
Change in consolidation scope	170.2	78.5	248.7
Additions	90.3	56.8	147.1
Disposals	-29.3	-10.4	-39.7
Reclassifications	0.6	9.8	10.4
31 December 2008	10,530.1	444.2	10,974.3
Amortisation and impairment			
1 January 2008	399.7	129.4	529.1
Currency translation	-70.9	-2.1	-73.0
Change in consolidation scope	-0.2	24.1	23.9
Additions		26.3	26.3
Impairment	329.4	0.9	330.3
Disposals	-8.8	-9.8	-18.6
Reclassifications		5.3	5.3
31 December 2008	649.2	174.1	823.3
Net book value at 31 December 2008	9,880.9	270.1	10,151.0

Goodwill, concessions and software are shown under intangible assets. Emission rights certificates acquired through emissions trading have been accounted for at cost, with a total of EUR 35.9 million. Self-developed intangible assets of EUR 2.6 million were capitalised.

Intangible assets with finite useful lives amounted to EUR 255.8 million (previous year: 181.4) and those with indefinite useful lives to EUR 14.3 million (previous year: 16.9). The goodwill comprises acquired market shares that cannot be assigned to any other determinable and separable intangible assets.

In 2008, goodwill of EUR 90.3 million was capitalised. Significant additions were the goodwill from the acquisition of CaspiCement LLP/Kazakhstan, amounting to EUR 40.8 million, Kartuli Cementi LLC/Georgia, amounting to EUR 4.8 million and Amix SA/Belgium, amounting to EUR 4.6 million. The acquisition of the remaining 49.0% of the shares in Heidelberger Sand und Kies Niederrhein Beteiligungs-GmbH and Kölbl Heidelberger Sand und Kies GmbH led to an increase of EUR 7.0 million and EUR 4.1 million respectively in goodwill. The valuation of put options held by minorities led to an increase of EUR 9.3 million in goodwill.

Existing larger individual items of goodwill are connected with the acquisition of the Hanson Group, London/United Kingdom, S.A. Cimenteries CBR, Brussels/Belgium, Lehigh Hanson Inc., Wilmington/US, Akçansa Cimento Sanayi ve Ticaret A.S., Istanbul/Turkey, HeidelbergCement Bangladesh Ltd., Chittagong/Bangladesh, and ENCI N.V., 's-Hertogenbosch/Netherlands.

Goodwill impairment tests are carried out annually in accordance with IAS 36 (Impairment of Assets). Impairment losses of EUR 329.4 million were recognised in the reporting year. This impairment is taken into account in the additional ordinary result and explained in more detail in Note 7. The remaining negative goodwill arising from business combinations amounted to EUR 0.1 million (previous year: 0.1) and was recognised in the additional ordinary result.

29 Tangible fixed assets

In the reporting year, impairment losses of EUR 35.2 million and reversals of EUR 7.4 million were recognised; these are explained in Note 7 "Additional ordinary result". Tangible fixed assets also include EUR 28.5 million (previous year: 30.7) of capitalised leased assets, of which EUR 28.3 million relates to technical equipment and machinery and EUR 0.2 million to buildings. Liens amounting to EUR 11.0 million (previous year: 30.7) were granted as security. Borrowing costs of EUR 15.6 million (previous year: 0.6) were recognised.

Tangible fixed assets	Land and buildings	Plant and machinery	Fixtures, tools and equipment	Payments on account and assets under construction	Total
EURm					
Cost					
1 January 2007	3,862.3	7,766.8	881.5	379.8	12,890.4
Currency translation	-246.1	-311.2	-9.0	-77.9	-644.2
Change in consolidation scope	3,301.9	1,838.5	20.3	409.2	5,569.9
Additions	87.9	264.7	54.4	585.5	992.5
Disposals	-85.5	-144.8	-43.4	-1.2	-274.9
Reclassifications	132.1	341.3	23.6	-506.6	-9.6
Reclassifications to current assets	-371.8	-787.8	-202.1	-17.0	-1,378.7
31 December 2007	6,680.8	8,967.5	725.3	771.8	17,145.4
Depreciation and impairment					
1 January 2007	1,814.2	4,850.5	684.4		7,349.1
Currency translation	-17.3	-88.4	-4.6		-110.3
Change in consolidation scope	-3.7	-30.4	-5.5		-39.6
Additions	118.1	392.3	48.1		558.5
Impairment	0.5	10.2	0.7		11.4
Reversal of impairment	-0.3	-9.4	-0.1		-9.8
Disposals	-32.7	-126.2	-36.1		-195.0
Reclassifications	21.1	-21.2	-3.9		-4.0
Reclassifications to current assets	-181.8	-484.0	-174.9		-840.7
31 December 2007	1,718.1	4,493.4	508.1		6,719.6
Net book value at 31 December 2007	4,962.7	4,474.1	217.2	771.8	10,425.8
Cost					
1 January 2008	6,680.8	8,967.5	725.3	771.8	17,145.4
Currency translation	-453.4	-642.5	-32.5	-56.4	-1,184.8
Change in consolidation scope	30.0	88.6	22.9	28.1	169.6
Additions	160.3	279.1	50.7	568.9	1,059.0
Disposals	-85.3	-212.4	-58.4	-3.3	-359.4
Reclassifications	69.8	418.3	34.7	-533.2	-10.4
31 December 2008	6,402.2	8,898.6	742.7	775.9	16,819.4
Depreciation and impairment					
1 January 2008	1,718.1	4,493.4	508.1		6,719.6
Currency translation	-79.4	-316.2	-20.9		-416.5
Change in consolidation scope	24.8	45.6	10.9		81.3
Additions	163.7	549.2	59.7		772.6
Impairment	13.1	22.1			35.2
Reversal of impairment	-0.1	-7.0	-0.3		-7.4
Disposals	-54.3	-188.6	-52.7		-295.6
Reclassifications	-5.9	0.1	0.5		-5.3
31 December 2008	1,780.0	4,598.6	505.3		6,883.9
Net book value at 31 December 2008	4,622.2	4,300.0	237.4	775.9	9,935.5

30 Financial fixed assets

Participations	Investments in associates	Financial investments	Total
EURm			
Cost			
1 January 2007	894.1	259.0	1,153.1
Currency translation	-4.1	0.9	-3.2
Change in consolidation scope	-163.8	-74.7	-238.5
Additions	136.3	59.9	196.2
Disposals	-68.1	-78.1	-146.2
Reclassifications	-0.2	0.2	0.0
Reclassifications to current assets	-4.7	-7.5	-12.2
31 December 2007	789.5	159.7	949.2
Impairment			
1 January 2007	43.5	24.5	68.0
Currency translation		0.2	0.2
Change in consolidation scope	-12.5	-7.2	-19.7
Impairment	11.0	1.1	12.1
Reversal of impairment	-2.6	-0.4	-3.0
Disposals	-6.2	-4.9	-11.1
Reclassifications to current assets		-6.2	-6.2
31 December 2007	33.2	7.1	40.3
Net book value at 31 December 2007	756.3	152.6	908.9
Cost			
1 January 2008	789.5	159.7	949.2
Currency translation	-38.7	-6.3	-45.0
Change in consolidation scope	-157.8	-62.7	-220.5
Additions	46.9	21.0	67.9
Disposals	-64.6	-25.2	-89.8
Reclassifications	-0.3	0.3	0.0
31 December 2008	575.0	86.8	661.8
Impairment			
1 January 2008	33.2	7.1	40.3
Currency translation	-0.1	-0.1	-0.2
Change in consolidation scope	-1.1	-0.7	-1.8
Impairment	7.2	0.4	7.6
Reversal of impairment	-3.9	-1.3	-5.2
Disposals	-0.3	-0.2	-0.5
31 December 2008	35.0	5.2	40.2
Net book value at 31 December 2008	540.0	81.6	621.6

The joint ventures Midland Quarry Products Ltd./United Kingdom, Alliance Construction Materials Ltd./Hong Kong and Pioneer Road Services/Australia, accounted for in the previous year as associated companies in the Hanson sub-group, were included proportionately in the Group annual accounts in the reporting year.

31 Investments in associates

The following table contains the summarised financial information concerning the investments in associates of the HeidelbergCement Group.

Investments in associates	2007	2008
EURm		
Investments in associates – balance sheet:		
Assets	1,253.9	1,016.6
Liabilities	-480.6	-450.1
	773.3	566.5
Impairment	-33.3	-35.0
Net assets	740.0	531.5
Investments in associates – profit and loss accounts:		
Turnover	1,087.8	842.8
Profit	122.7	42.0
Unrecognised share of losses for the period	-4.1	-3.3
Unrecognised share of losses cumulated	-16.3	-8.5
Carrying amount of associates	756.3	540.0

32 Financial investments

This item includes investments in equity securities acquired on the basis of long-term investment planning. As at the reporting date, the fair value of investments categorised as "Available for sale at fair value" amounts to EUR 17.8 million (previous year: 27.4). In the period, changes in the fair value of EUR -16.8 million (previous year: 3.6) were recognised directly in equity and EUR 0.0 million (previous year: -58.2) released to profit or loss. The carrying amount of the investments classified as "Available for sale at cost" amounts to EUR 63.8 million (previous year: 125.2). The decline in comparison with the previous year is based essentially on the fact that several companies, shown under financial investments in the previous year, are now accounted for at equity or fully consolidated.

33 Long-term receivables and derivative financial instruments

The following table shows the composition of the long-term receivables and derivative financial instruments.

Long-term receivables and derivative financial instruments	2007	2008
EURm		
Loans to participations	78.6	48.6
Other loans	24.0	23.7
Derivative financial instruments	2.0	0.5
Other long-term operating receivables	230.6	219.5
Other long-term non-financial receivables	123.4	146.2
	458.6	438.5

The long-term derivative financial instruments with positive market values of EUR 0.5 million (previous year: 2.0) include currency forwards. At the balance sheet date, these instruments are not accounted for as hedges in accordance with IAS 39. The change in fair value amounted to EUR -1.5 million (previous year: -1.8) and was recognised in profit or loss. Additional statements on the derivative financial instruments are provided on page 127 ff.

The decline in loans to participations is essentially based on the full consolidation of the company Kartuli Cementi LLC, Georgia. Other long-term operating receivables particularly include claims for reimbursement against insurance companies for environmental and third-party liability damages. The other long-term non-financial receivables primarily include overfunding of pension schemes as well as prepaid expenses. The increase in comparison with the previous year mainly relates to the increase in the overfunding of pension schemes.

The following table shows the due term structure of the long-term financial receivables.

Due terms of long-term financial receivables	Loans to participations		Other loans		Other long-term operating receivables		Total	
	2007	2008	2007	2008	2007	2008	2007	2008
EURm								
not impaired, not overdue	76.9	48.1	23.4	21.8	223.0	214.1	323.3	284.0
not impaired, overdue 1 - 60 days				0.2		0.3		0.5
not impaired, overdue 61 - 360 days			0.4	0.3	1.3	3.5	1.7	3.8
not impaired, overdue > 360 days	0.1	0.5	0.2	0.5	5.7	1.1	6.0	2.1
impaired	1.6			0.9	0.6	0.5	2.2	1.4
	78.6	48.6	24.0	23.7	230.6	219.5	333.2	291.8

As at the reporting date, there are no indications that the debtors of the receivables shown as "not impaired" will not meet their payment obligations.

34 Stock

The amount of stock measured at fair value less cost to sell and resulting impairment are insignificant.

35 Receivables and other assets

The following overview shows the composition of the receivables and other assets.

Receivables and other assets	2007	2008
EURm		
Other short-term financial receivables	189.1	160.2
Trade receivables	1,746.7	1,544.7
Other short-term operating receivables	326.4	280.8
Non-financial other assets	102.7	101.4
Current income tax assets	138.3	158.1
	2,503.2	2,245.2

The other short-term operating receivables include, in particular, claims for damages as well as claims for reimbursement against insurance companies for environmental and third-party liability damages. Non-financial other assets, which do not fall within the scope of IAS 39, essentially include accrued expenses.

The following table shows the due term structure of the short-term financial receivables.

EURm	Due of terms of short-term financial receivables		Other short-term financial receivables		Trade receivables		Other short-term operating receivables		Total	
	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
not impaired, not overdue	180.5	156.9	1,002.0	917.7	301.4	255.2	1,483.9	1,329.8		
not impaired, overdue 1 - 60 days	0.2	0.9	478.4	396.6	10.7	12.6	489.3	410.1		
not impaired, overdue, 61 - 360 days		0.9	108.3	125.8	10.1	10.1	118.4	136.8		
not impaired, overdue > 360 days	4.4	1.5	13.9	23.1	4.1	2.9	22.4	27.5		
impaired	4.0		144.1	81.5	0.1		148.2	81.5		
	189.1	160.2	1,746.7	1,544.7	326.4	280.8	2,262.2	1,985.7		

As at the reporting date, there are no indications that the debtors of the receivables shown as "not impaired, overdue" and "not overdue" will not meet their payment obligations. The valuation allowances on trade receivables have developed as follows:

EURm	Valuation allowances on trade receivables		2007	2008
	2007	2008		
Valuation allowances at 1 January			70.4	63.1
Additions			22.7	30.2
Use and reversal			-5.5	-8.0
Currency translation and other adjustments			-24.5	-12.7
Valuation allowances at 31 December			63.1	72.6

The valuation allowances are essentially based on historical default probabilities and due terms. They are primarily valuation allowances for collective impairments.

36 Financial investments, derivative financial instruments and cash

The short-term investments in the category "held for trading", amounting to EUR 59.6 million, are measured at fair value in profit or loss. These are credit-linked notes, whose fair value is dependent on the credit rating of one or more reference assets.

The short-term investments in the category "available for sale" are measured at fair value directly in equity ("Available for sale at fair value"). The short-term investments decreased to EUR 0.2 million (previous year: 2.7). EUR -0.3 million (previous year: 4.2) was recognised directly in equity and EUR -1.9 million (previous year: -1.5) released to profit or loss. The release relates to the sale of shares in Mostostal Zabrze-Holding S.A./Poland.

The short-term derivatives with positive market values of EUR 113.9 million (previous year: 38.3) include currency swaps of EUR 111.3 million (previous year: 21.1), currency forwards of EUR 2.6 million (previous year: 1.4) and commodities of EUR 0.0 million (previous year: 15.8). Of the effective portion of the change in the fair values of derivative financial instruments, accounted for as hedging instruments of cash flow hedges, EUR -1.0 million (previous year: 9.1) was recognised directly in equity and EUR -7.5 million (previous year: 0.0) released to profit or loss. The changes in the fair values of the derivatives accounted for as "held for trading" amount to EUR 84.1 million (previous year: 14.0) and were recognised in profit or loss. Additional statements on the derivative financial instruments are provided on page 127 ff.

Cash and cash equivalents include cash balances and deposits at banks with a first-class credit rating. EUR 58.6 million (previous year: 74.3) of the cash is not available for the use by HeidelbergCement. The restrictions relate primarily to funds in connection with terminated long-term incentive plans from the takeover of the Hanson Group as well as earmarked funds which can be exclusively used for insurance payments.

Notes to the balance sheet – Equity and liabilities

37 Subscribed share capital

Subscribed share capital	Subscribed share capital EUR '000s	Number of shares
1 January 2008	360,000	120,000,000
Cash capital increase	15,000	5,000,000
31 December 2008	375,000	125,000,000

Authorised capital

As at the balance sheet date, the subscribed share capital amounts to EUR 375,000,000 and is divided into 125,000,000 shares; the shares are no-par value bearer shares. The nominal value of each share is EUR 3.00, which corresponds to a proportionate amount of the subscribed share capital.

In exercise of the authorisation granted by the Annual General Meeting of 23 May 2006 for a capital increase in return for cash contributions (Authorised Capital I), the subscribed share capital was increased by EUR 15,000,000 to EUR 375,000,000 by resolutions of the Managing Board of 15 January and 14 February 2008, and with the consent of the Supervisory Board of 14 February 2008, through the issue of 5,000,000 new shares; the total number of shares rose to 125,000,000. As a result of this exercise of the authorisation, and a previous exercise in 2007, the Authorised Capital I decreased from EUR 74,000,000 to EUR 45,818,753. The Annual General Meeting of 8 May 2008 therefore revoked the existing authorisation and replaced it with a new authorisation to increase the share capital in return for cash contributions. The Managing Board was authorised to increase, with the consent of the Supervisory Board, the Company's registered share capital by a total amount of up to EUR 101,000,000 by issuing new no-par bearer shares in return for cash contributions on one or more occasions until 7 May 2013 (Authorised Capital I). The shareholders must be granted subscription rights. However, the Managing Board is authorised to exclude the subscription rights of shareholders with respect to fractional amounts and to exclude the subscription right completely or partially for up to 10% of the available subscribed 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, clause 4 of the German Stock Company Act. With the consent of the Supervisory Board, the Managing Board will decide on the further nature of the share rights and the terms of the share issue.

The Managing Board is also authorised, by resolution of the Annual General Meeting of 23 May 2006, with the consent of the Supervisory Board, to increase the Company's subscribed 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 the further details of the capital increase and the terms of the share issue.

As at the balance sheet date, the Company has no treasury shares.

38 Share premium

The share premium was essentially created from the premium from capital increases. The development of share premium is shown in the following table.

Share premium	2007	2008
EUR '000s		
1 January	2,462,144	2,973,392
Withdrawal of treasury shares	-2,779	
Cash capital increase	514,027	497,500
31 December	2,973,392	3,470,892

39 Profit and loss reserve

The profit and loss reserve includes profits earned in previous years by HeidelbergCement AG and its subsidiaries which have not yet been distributed, as well as changes recognised directly in equity. The statement of recognised income and expense is presented separately in accordance with IAS 1.96 ff. (Presentation of Financial Statements). Explanations of the changes recognised directly in equity as shown in the reconciliation of changes in total equity:

- IAS 19 Employee Benefits: The application of IAS 19 (Employee Benefits) led to an adjustment of EUR -50.1 million (previous year: 68.6) in profit and loss reserve.
- IAS 39 Financial Instruments: Recognition and Measurement: The changes relate to the available for sale financial assets of EUR -17.5 million (previous year: -34.4) and derivative financial instruments of EUR -21.8 million (previous year: 6.4).
- Exchange rate: The net assets denominated in foreign currency changed primarily as a result of the strength of the euro, mainly against the British pound.

40 Minority interests

The change in minority interests is essentially characterised by the sale of maxit Group and the Nigerian subsidiaries, the improvement in the share of profit, particularly in Indonesia and Hungary, and foreign currency translation.

41 Provisions

The following overview shows the development of the provisions. The "Adjustments to 2007" line includes changes in the consolidation scope and foreign exchange differences.

Provisions EURm	Pensions and similar liabilities	Deferred taxes	Environmental liabilities	Other	Total
1 January 2008	727.9	1,137.8	852.9	429.3	3,147.9
Adjustments to 2007	-16.3	-97.8	11.5	67.9	-34.7
Utilisation	-135.8		-76.9	-107.6	-320.3
Release	-30.5	-194.3	-41.9	-72.8	-339.5
Addition / Unwinding of discount	191.7	120.9	92.6	146.4	551.6
31 December 2008	737.0	966.6	838.2	463.2	3,005.0

We have set up appropriate provisions in the balance sheet to ensure adequate provision for risks and uncertainties. Detailed explanations of the provisions can be found in Notes 42 and 43.

42 Provisions for pensions

For numerous employees, the Group makes provision for retirement benefits 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, the company pension schemes include 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 obligations. The sum of all pension expenses in connection with defined contribution plans amounted to EUR 27.8 million (previous year: 31.4). In 2008, the contributions to the statutory pension insurance fund amounted to EUR 20.8 million (previous year: 20.5).

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 benefit plans financed by funds exist in Belgium, the Netherlands, the United Kingdom, the US, 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 benefit 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, Canada and the US, and for early retirement commitments in Belgium.

Calculation of pension obligations

The pension obligations and the available plan assets are valued annually by independent experts for all major Group companies. The pension obligations and the expenses required to cover this obligation are measured 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):

Actuarial assumptions	2007	2008
Discount rate	5.72 %	6.00 %
Expected return on plan assets	6.13 %	5.67 %
Future salary increases	4.03 %	3.90 %
Expected increase in health care cost	6.45 %	6.03 %

The actuarial assumptions are dependent on the economic situation in each individual country and reflect realistic expectations. The interest rate is based on the interest rate level obtained on the measurement 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 historical yields, 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 or 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.

Since 2007, IFRIC 14 (The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction) has been applied to its full extent; the pension assets are being limited to EUR 31.7 million (previous year: 26.1) in the United Kingdom. In Canada minimum funding requirements of EUR 1.5 million (previous year: 0) exist.

Overview of provisions for pensions for the different types of retirement benefit plans

In accordance with IAS 19 (Employee Benefits), detailed information concerning provisions for the pension plans and benefit plans for medical care costs, with obligations amounting to EUR 634.5 million (previous year: 645.9), 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	2007	2008
Defined benefit pension plans	433,375	434,817
Plans for health care cost	212,485	199,708
	645,860	634,525

Presentation in the balance sheet

EUR '000s	2007	2008
Long-term pension provisions	648,360	651,973
Short-term pension provisions	79,498	84,985
Overfunding in pension schemes	-81,998	-102,433
	645,860	634,525

Pension obligations and pension funds

In 2008, pension obligations amounting to EUR 2,976.7 million (previous year: 3,627.5) existed in the Group, which were covered by outside pension funds. In addition there were direct agreements of EUR 461.6 million (previous year: 471.0). Obligations in the US, Indonesia, Belgium and Canada for medical care costs for pension recipients amounted to EUR 198.9 million (previous year: 212.6). The following table shows the financing status of these plans and their presentation in the balance sheet.

Pension obligations and pension funds: Continuing operations EUR '000s	Pension plans		Plans for health care cost		Total	
	2007	2008	2007	2008	2007	2008
Present value of funded obligations	3,627,538	2,976,681			3,627,538	2,976,681
Fair value of plan assets	-3,697,610	-3,037,662			-3,697,610	-3,037,662
Recognised limitation acc. to IAS 19.58 B	29,008	33,263			29,008	33,263
Fair value of plan assets after limitation acc. to IAS 19.58 B	-3,668,602	-3,004,399			-3,668,602	-3,004,399
Deficit (+) / surplus (-)	-41,064	-27,718			-41,064	-27,718
Present value of unfunded obligations	470,996	461,604	212,633	198,932	683,629	660,536
Total liability	429,932	433,886	212,633	198,932	642,565	632,818
Obligation in the balance sheet	433,375	434,817	212,485	199,708	645,860	634,525
Unrecognised past service cost	-3,443	-931	148	-776	-3,295	-1,707

The pension plans and the plans for medical care costs include actuarial losses totalling EUR 200.3 million (previous year: 144.0), which have been recognised directly in shareholders' equity. The increase of EUR 56.3 million (previous year: decrease of 113.5) in actuarial losses and recognised limitations according to IAS 19.58 B results primarily from the negative development of the funds' assets, compensated for by the foreign currency translation, and the rise in the interest rate on which the actuarial calculation is based. This rise amounted to 0.28 percentage points (previous year: 0.85).

The following table shows the development of the actuarial gains and losses.

Actuarial losses/gains recognised in the statement of recognised income and expense		2007	2008
EUR '000s			
1 January		263,139	144,030
Change during year		-104,635	67,240
Allocation to discontinued operations		-5,576	
Exchange rate changes		-8,898	-10,926
31 December		144,030	200,344

In 2008, as a result of changes in fund balances (i.e. not as a result of the change in the actuarial assumptions on which the measurement is based), losses of EUR 260.3 million (previous year: profits of 47.2) accrued on the funds' assets and profits of EUR 0.6 million (previous year: 7.6) accrued on the obligations.

Development in the profit and loss accounts

The expenses for retirement benefits for the significant pension plans can be summarised as follows:

Development in the profit and loss accounts	Pension plans		Plans for health care cost		Total	
	2007	2008	2007	2008	2007	2008
EUR '000s						
Current service cost	52,460	64,718	3,301	3,641	55,761	68,359
Interest cost	126,992	222,992	9,062	12,337	136,054	235,329
Expected return on plan assets	-112,249	-210,477			-112,249	-210,477
Expected return on reimbursement rights acc. to IAS 19.104 A	-183				-183	
Actuarial losses/gains recognised	1,863				1,863	
Past service cost recognised	-172	1,856	-85	1,014	-257	2,870
Curtailment or settlement gains/losses recognised	-2,360	-9,450	-1,598	-14,730	-3,958	-24,180
Expense from continuing operations recognised in profit and loss accounts	66,351	69,639	10,680	2,262	77,031	71,901
Expense from discontinued operations recognised in profit and loss accounts	4,625				4,625	
Total expense recognised in profit and loss accounts	70,976	69,639	10,680	2,262	81,656	71,901

Of the total expenditure of EUR 71.9 million (previous year: 77.0), EUR 47.0 million (previous year: 45.8) is shown in personnel costs and EUR 24.9 million (previous year: 23.6) in other financial results.

Curtailment gains of EUR 9.5 million (previous year: 2.4) from pension plans, primarily caused by restructuring in pension plans in the United Kingdom, and EUR 14.7 million (previous year: 1.6) from plans for medical care costs, essentially relating to a general reduction in the benefits of the plans in the US, were realised in the profit and loss accounts.

The actual return on the funds' assets amounted to EUR -27.4 million (previous year: 173.5), i.e. EUR 237.9 million (previous year: -61.3) lower than the expected return on plan assets.

Sensitivity analysis of the expected health care cost

Developments in the cost of health care 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 cost of health care:

Sensitivity analysis of the expected health care cost EUR '000s	by +1%	Changes in health care cost		
		by +1%	by -1%	by -1%
	2007	2008	2007	2008
Effect on the service cost and interest cost	1,089	663	-1,399	-1,655
Effect on defined benefit obligation	17,736	14,686	-12,266	-12,849

Development of the pension obligations and the funds' assets

The following table shows the development of pension obligations of EUR 3,637.2 million (previous year: 4,311.2) and the funds' assets of EUR 3,037.7 million (previous year: 3,697.6):

Development of pension obligations and plan assets: Continuing operations	Pension plans		Plans for health care cost		Total	
	2007	2008	2007	2008	2007	2008
EUR '000s						
Defined benefit obligation at 1 January	1,592,311	4,098,534	124,936	212,633	1,717,247	4,311,167
Change in scope of consolidation	-4,744	7,410			-4,744	7,410
Current service cost	52,311	64,718	3,301	3,641	55,612	68,359
Interest cost	126,992	222,992	9,062	12,337	136,054	235,329
Employee contributions	7,946	11,574			7,946	11,574
Actuarial losses/gains	-72,657	-235,760	-3,981	-1,762	-76,638	-237,522
Benefits paid by company	-51,934	-31,279	-11,077	-18,672	-63,011	-49,951
Benefits paid by fund	-101,539	-192,155			-101,539	-192,155
Expenses, taxes and premiums paid	-579	-860	-241		-820	-860
Past service cost	289	4,632		236	289	4,868
Business combinations	2,913,905	-989	110,245		3,024,150	-989
Plan curtailments	-2,360	-9,669	-1,598	-14,731	-3,958	-24,400
Plan settlements	-5,892	-5,894			-5,892	-5,894
Reclassifications to current assets/liabilities from discontinued operations	-97,910		-36		-97,946	
Exchange rate changes	-257,605	-494,969	-17,978	5,250	-275,583	-489,719
Defined benefit obligation at 31 December	4,098,534	3,438,285	212,633	198,932	4,311,167	3,637,217
Funded obligation	3,627,538	2,976,681			3,627,538	2,976,681
Unfunded obligation	470,996	461,604	212,633	198,932	683,629	660,536
Fair value of plan assets at 1 January	976,217	3,697,610			976,217	3,697,610
Change in scope of consolidation		4,164				4,164
Expected return on plan assets	112,249	210,477			112,249	210,477
Actuarial losses/gains	61,508	-289,449			61,508	-289,449
Employer contributions	58,040	94,007			58,040	94,007
Employee contributions	7,946	11,574			7,946	11,574
Benefits, expenses, taxes and premiums paid	-103,083	-194,680			-103,083	-194,680
Business combinations	2,910,395	-1,029			2,910,395	-1,029
Plan settlements	-5,892	-6,114			-5,892	-6,114
Reclassifications to current assets/liabilities from discontinued operations	-67,155				-67,155	
Exchange rate changes	-252,615	-488,898			-252,615	-488,898
Fair value of plan assets at 31 December	3,697,610	3,037,662			3,697,610	3,037,662

HeidelbergCement share

Management report

On the market

HeidelbergCement annual accounts – Notes

Additional information

HeidelbergCement paid EUR 50.0 million (previous year: 63.0) directly to the pension recipients and EUR 94.0 million (previous year: 58.0) as employer contributions to the funds. In 2009, we expect to pay EUR 127.2 million (previous year: 129.3).

Breakdown of the funds' assets

The funds' assets originate primarily from North America, with 33% (previous year: 27%), the United Kingdom, with 55% (previous year: 61%) and the Netherlands, with 9% (previous year: 9%). The assets in the funds can be divided into the following categories on a percentage basis:

Breakdown of the funds' assets

	2007	2008
Equities North America	10%	7%
Equities Western Europe	13%	9%
Equities other regions	7%	4%
Bonds North America	19%	26%
Bonds Western Europe	40%	41%
Bonds other regions	1%	1%
Others	10%	12%

Five-year comparison

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

Five-year comparison: Continuing operations

EUR '000s	2004	2005	2006	2007	2008
Pension plans					
Present value of funded obligations for pension plans	827,172	1,050,514	1,055,336	3,627,538	2,976,681
Present value of unfunded obligations for pension plans	450,240	547,479	536,975	470,996	461,604
Present value of unfunded obligations for health care plans	105,368	133,138	124,936	212,633	198,932
Total present value of obligations	1,382,780	1,731,131	1,717,247	4,311,167	3,637,217
Fair value of funds' assets after limitation acc. IAS 19.58 B	-784,811	-946,865	-976,217	-3,668,602	-3,004,399
Deficit (+) / Surplus (-)	597,969	784,266	741,030	642,565	632,818
Experience losses/gains on obligations	-12,556	66,728	29,773	-7,617	575
Experience losses/gains on assets	-9,406	-46,528	-11,716	-47,160	260,309
Expected development of obligations	55,572	33,059	30,873	85,888	40,759
Expected development of assets	-45,645	-47,110	42,940	120,143	71,148

HeidelbergCement also participates in Multi-Employer Pension Plans (MEP), predominantly in the US, which award some unionised employees fixed benefits after their retirement. Multi-Employer Pension Plans are accounted for as defined contribution plans, as it is not possible to isolate the individual components of these plans. The contributions are determined on the basis of collective bargaining. The undercoverage and overcoverage of these plans have no significant impact on the Group annual accounts. Contributions of EUR 6.1 million (previous year: 2.8) were paid in 2008.

43 Environmental and other provisions

Environmental and other provisions take into account all identifiable risks from uncertain liabilities and anticipated losses from pending transactions. The environmental provisions relate in particular to recultivation and environmental obligations and liability for damages.

The provisions for recultivation of EUR 210.7 million (previous year: 187.3) are recognised in profit or loss in accordance with the progress of extraction from quarries. They reflect the best estimate of the costs of fulfilling the recultivation obligation as at the balance sheet date. The increase in these provisions in comparison with 2007 is primarily associated with the tightened environmental regulations.

The provisions for liability for damages and environmental obligations relate mainly to US subsidiaries of the Hanson Group, acquired in 2007. These subsidiaries are facing claims for damages in connection with the manufacture of products containing asbestos in the period from 1973 to 1984. Furthermore, a substantial number of environmental and product liability claims in connection with toxic substances against former and existing participations, which are not linked to the current business activity, is being recorded in the US. The provisions of EUR 497.9 million (previous year: 480.7) have been formed on the basis of an extrapolation of the claims and reliable estimates of the development of costs. The obligations are offset by corresponding claims for reimbursement against the environmental and third-party liability insurers amounting to EUR 183.0 million (previous year: 173.0), which are shown under other operating receivables.

In addition, adequate risk provision was made in other provisions for obligations from restructuring measures, guarantee commitments, product liability, risks from pending cartel proceedings and other process risks and a variety of other minor issues.

If the valuation of environmental or other provisions changes as a result of a modified assumption concerning maturity, the amount of the cash outflow or the discount factor, this difference is recognised in profit or loss in the current period according to the expected costs. All provisions are measured at the present value of the expected payments, on the basis of a risk-adjusted pre-tax discount rate which reflects the time value of money.

With the exception of short-term provisions of EUR 323.8 million, for which a cash outflow is expected in the next twelve months, the dates of the cash outflows for the other provisions are uncertain as they are dependent on various external factors outside HeidelbergCement's control.

The unwinding of the discount increased the environmental provisions by EUR 6.6 million (previous year: 0.9) and the other provisions by EUR 5.6 million (previous year: 5.3). Changes in the discount rate led to a decrease of EUR 4.2 million (previous year: 0.2) in provisions.

44 Liabilities

The following table splits up the liabilities into interest-bearing and operating liabilities.

Liabilities	2007	2008
Interest-bearing liabilities		
Debenture loans	2,342.3	3,485.8
Bank loans	11,913.6	8,543.0
Other interest-bearing liabilities	1,279.4	545.9
Liabilities from finance lease	20.9	15.4
Derivative financial instruments	10.4	43.1
	15,566.6	12,633.2
Operating liabilities		
Trade payables	1,010.7	991.3
Current income taxes payables	479.1	441.3
Liabilities relating to personnel	233.6	198.8
Other operating liabilities	850.9	689.8
Deferred income and non-financial liabilities	35.1	68.0
	2,609.4	2,389.2
	18,176.0	15,022.4

Of the financial liabilities, EUR 8.1 million (previous year: 10.5) is secured by mortgages to banks. The increase in bonds is essentially attributable to the issue of a bond of EUR 1 billion by HeidelbergCement Finance B.V. The decline in bank loans results from the repayment of EUR 4 billion of the syndicated acquisition facility. The other interest-bearing liabilities primarily include European Medium Term Note programmes, commercial papers and loan notes. The decline is primarily due to the repayment of commercial papers and European Medium Term Notes.

The derivative financial instruments with negative market values of EUR 43.1 million (previous year: 10.4) include currency forwards of EUR 22.0 million (previous year: 1.2), currency swaps of EUR 2.6 million (previous year: 9.2) and commodities of EUR 18.5 million (previous year: 0.0). The change in the market values of derivative financial instruments, accounted for as hedging instruments in connection with cash flow hedges, amounts to EUR 13.7 million (previous year: -5.2) and was recognised directly in shareholders' equity. The changes in the market values of the derivatives accounted for as "held for trading" amount to EUR 19.0 million (previous year: -2.8) and were recognised in profit or loss. Additional statements on the derivative financial instruments are provided on page 127ff.

In connection with liabilities relating to personnel, provisions of EUR 59,000 (previous year: 120,000) were set up for outstanding virtual stock option plans. For the virtual stock option plan 2003/2009, the stock options were recognised at their fair value. At the end of the year, the total number of outstanding stock options amounted to 1,500 (previous year: 3,000).

The following table gives an overview of the maturities of the interest-bearing liabilities.

Maturities of interest-bearing liabilities	< 1 year	1-5 years	> 5 years	Total
EURm				
31 December 2008				
Debenture loans	430.4	2,640.4	415.0	3,485.8
Bank liabilities	1,017.6	6,957.7	567.7	8,543.0
Other interest-bearing liabilities	282.7	207.7	55.5	545.9
Liabilities from finance lease	7.2	6.6	1.6	15.4
Derivative financial instruments	27.7	15.4		43.1
	1,765.6	9,827.8	1,039.8	12,633.2
31 December 2007				
Debenture loans	30.2	845.7	1,466.4	2,342.3
Bank liabilities	1,365.9	10,096.4	451.3	11,913.6
Other interest-bearing liabilities	903.4	261.5	114.5	1,279.4
Liabilities from finance lease	7.6	11.4	1.9	20.9
Derivative financial instruments	10.4			10.4
	2,317.5	11,215.0	2,034.1	15,566.6

The following table contains further details of the finance lease liabilities. It shows the reconciliation of the total future minimum lease payments at the balance sheet date to their present value.

Minimum lease payments of finance leases	< 1 year	1-5 years	> 5 years	Total
EURm				
31 December 2008				
Present value of future minimum lease payments	7.2	6.6	1.6	15.4
Interest of future minimum lease payments	1.3	1.8	0.2	3.3
Future minimum lease payments	8.5	8.4	1.8	18.7
31 December 2007				
Present value of future minimum lease payments	7.6	11.4	1.9	20.9
Interest of future minimum lease payments	0.7	0.8	0.5	2.0
Future minimum lease payments	8.3	12.2	2.4	22.9

Additional statements on financial instruments

The following table assigns the individual balance sheet items for the financial instruments to classes and categories. In addition, the aggregate carrying amounts for each measurement category and the fair values for each class are shown.

Carrying values and fair values of financial instruments EURm	31 December 2007		31 December 2008	
	Carrying value	Fair value	Carrying value	Fair value
Assets				
Financial investments "Available for sale at cost"	125.2		63.8	
Financial investments "Available for sale at fair value"	30.1	30.1	18.0	18.0
Financial investments "Held for trading"			59.6	59.6
Loans and other interest-bearing receivables	291.7	305.9	232.5	227.0
Trade receivables and other operating receivables	2,303.7	2,305.5	2,045.0	2,057.5
Cash and cash equivalents	831.6	831.6	843.6	843.6
Derivatives				
Hedge accounting	14.4	14.4	5.9	5.9
Held for trading	25.9	25.9	108.5	108.5
Liabilities				
Loans and other short-term financial liabilities	15,535.3	15,590.7	12,574.7	12,559.6
Trade creditors and other operating liabilities	2,095.2	2,131.5	1,879.9	1,879.4
Liabilities from finance lease	20.9	20.9	15.4	15.4
Derivatives				
Hedge accounting	1.7	1.7	15.4	15.4
Held for trading	8.7	8.7	27.7	27.7

"Available for sale at cost" investments are equity securities measured at cost, for which no listed price on an active market exists and whose fair values cannot be reliably determined. Therefore, no fair value is indicated for these instruments. "Available for sale at fair value" investments are measured at fair value on the basis of the stock market prices on the reporting date. Derivative financial instruments, both those using hedge accounting and those held for trading, are also measured at fair value. In these items, the fair value always corresponds to the carrying amount.

The fair value of the credit-linked notes is largely determined on the basis of the default or survival probability of the underlying reference entity. If the hedged item consists of several reference entities (baskets), the correlations between the spreads of the individual reference entities must also be considered. The default probabilities used are determined from credit default listings. The survival probability is calculated from the product of individual default probabilities for the relevant years until maturity. The present value is obtained by discounting the cash flows adjusted by the survival probability.

The fair values of the long-term loans, other long-term operating receivables, bank loans, finance lease liabilities, and other long-term financial and operating liabilities correspond to the present values of the future payments, taking into account the interest parameters at the time of payment.

The fair values of the listed bonds correspond to the nominal values multiplied by the price quotations on the reporting date. For the financial instruments with short-term maturities, the carrying amounts on the reporting date represent reasonable estimates of the fair values.

The following overview shows the carrying amounts of the financial instruments aggregated by the categories given in IAS 39.

Financial instruments acc. to categories of IAS 39 EURm	31 December 2007			31 December 2008		
	Fair value with P/L effect	Fair value with- out P/L effect	Cost / amortised cost	Fair value with P/L effect	Fair value with- out P/L effect	Cost / amortised cost
Loans and receivables			3,427.0			3,121.1
Financial assets available for sale		30.1	125.2		18.0	63.8
Financial instruments held for trading	17.2			140.4		
Financial liabilities			-17,651.4			-14,470.0
	17.2	30.1	-14,099.2	140.4	18.0	-11,285.1

The following table shows the net gains or losses from the financial instruments by category.

Net gains or losses EURm	2007		2008	
Loans and receivables		23.8		-31.8
Financial assets available for sale		28.1		-11.3
Financial instruments held for trading		24.4		63.5
Financial liabilities		-66.7		-73.1
		9.6		-52.7

The net gains from loans and receivables include impairments of EUR -40.8 million (previous year: -31.9), exchange rate effects of EUR 20.2 million (previous year: 55.7) and disposal losses of EUR -11.2 million.

In the recognition of the available for sale financial assets directly in shareholders' equity, a loss of EUR -17.1 million (previous year: gain of 7.8) was recognised in shareholders' equity and a loss of EUR -1.9 million (previous year: -59.7) released from equity. The release relates to the sale of shares in Mostostal Zabrze-Holding S.A./Poland, which produced a gain of EUR 2.0 million. A loss of EUR -0.5 million arose from the sale of "financial assets available for sale at cost". A net loss of EUR -0.4 million (previous year: -1.1) is attributable to valuation allowances. In addition, foreign exchange losses of EUR 6.6 million (previous year: -0.8) were incurred.

The net gains from the subsequent measurement of the financial instruments held for trading includes foreign exchange and interest rate effects. In financial liabilities, the net profit includes effects from foreign currency translation of EUR -73.1 million (previous year: -15.9).

The following table shows the total interest income and expenses for the financial instruments not measured at fair value through profit or loss.

Total interest income and expense

EURm	2007	2008
Total interest income	39.8	70.3
Total interest expense	-510.2	-812.0
	-470.4	-741.7

The impairment of financial assets by class is shown in the following table:

Impairment

EURm	2007	2008
Financial assets available for sale at cost	-1.0	-0.4
Financial assets available for sale at fair value	-0.1	
Loans and other interest-bearing receivables	-5.8	-8.1
Trade receivables and other operating receivables	-26.1	-32.7
	-33.0	-41.2

Financial assets of EUR 14.4 million (previous year: 22.3) were pledged as collateral for liabilities and contingent liabilities.

Derivative financial instruments

The following table shows the nominal values and market values of the derivative financial instruments and commodities, which fall within the scope of IAS 39.

Derivative financial instruments	31 December 2007		31 December 2008	
	Nominal value	Market value	Nominal value	Market value
Assets				
Cash flow hedges				
Currency swaps			35.8	5.9
Commodities		14.4		
Derivatives held for trading				
Currency forwards	36.1	3.4	50.4	3.1
Currency swaps	1,296.7	21.1	1,230.4	105.4
Interest rate swaps	3.8	0.0	3.8	0.0
Commodities		1.4		
	1,336.6	40.3	1,320.4	114.4
Liabilities				
Cash flow hedges				
Currency swaps	102.8	1.7		
Commodities				15.4
Fair value hedges				
Interest rate swaps	271.8	0.0		
Derivatives held for trading				
Currency forwards	97.2	1.2	202.8	22.0
Currency swaps	951.4	7.5	209.7	2.6
Commodities				3.1
	1,423.2	10.4	412.5	43.1

The negative market values of EUR -0.9 million (previous year: 1.4) of the gas oil derivatives relate to a supply quantity of EUR 9.8 million tonnes (previous year: 9.0); the negative market values of EUR -2.2 million (previous year: 0.0) of the coal derivatives relate to a supply quantity of 30.0 million tonnes (previous year: 0.0) and the negative market values of EUR -15.4 million (previous year: 14.4) of the electricity derivatives relate to a supply quantity of 0.6 million MWh (previous year: 0.5).

Cash flow hedges

The currency interest rate swap hedges the future currency and interest rate risks of a variable interest-bearing loan. This swap with a market value of EUR 5.9 million matures in March 2009. During the reporting period, EUR 7.6 million was recognised directly in equity and EUR 5.3 million released to profit or loss as a foreign exchange gain in financial results. The hedged cash flows affect the profit and loss account at the reporting date, as well as quarterly, when the cash flows arise.

The commodities of EUR -15.4 million (previous year: 14.4) hedge future electricity prices. Electricity derivatives of EUR -3.3 million mature in 2009, EUR -3.5 million in 2010 and EUR -8.6 million in the subsequent three years. In the reporting year, valuation effects of EUR -22.3 million were recognised directly in equity. The release of electricity derivatives caused effects of EUR -7.5 million, recognised in equity, to be released to profit or loss. There was no appreciable ineffectiveness in the cash flow hedges.

Derivatives not accounted for in connection with hedges ("held for trading")

Of the market values of the held for trading derivatives, EUR -19.4 million of the currency forwards mature in 2009 and EUR 0.5 million mature in 2010. All other derivatives mature within one year.

Risks from financial instruments

As regards its assets, liabilities, firm commitments and planned transactions, HeidelbergCement is particularly exposed to risks arising from changes in foreign exchange rates, interest rates, and market and stock market prices. These market price risks may have a negative impact on the Group's financial position and performance. The Group manages these risks primarily as part of its ongoing business and financing activities and, when required, by using derivative financial instruments. The main aspects of the financial policy are determined by the Managing Board. The Group Treasury department is responsible for the implementation of the financial policy and ongoing risk management.

The Group Treasury department acts on the basis of existing binding guidelines, which determine the decision criteria, competences, responsibilities and processes for managing the financial risks. Certain transactions also require the prior approval of the Managing Board. The Group Treasury department informs the Managing Board on an ongoing basis about the amount and scope of the current risk exposure and the current market development on the global financial markets. The Group Internal Audit department monitors the observance of the guidelines mentioned above and the corresponding legal framework by means of targeted auditing.

Credit risk

HeidelbergCement is exposed to credit risks through its operating activities and certain financial transactions. The credit risk is the risk that a contracting party unexpectedly does not fulfil, or only partially fulfils, the obligations agreed when signing a financial instruments contract. The Group limits its credit risk by only concluding contracts for financial investments and derivative financial instruments with partners with a first-class credit rating.

Credit rating

The rating agencies Standard & Poor's, Moody's and Fitch Ratings assess the creditworthiness of HeidelbergCement as B-/B (CreditWatch Negative), B1/NP (under review for downgrade) and B/B (Rating Watch Negative) respectively. The downgrading of the ratings awarded by the rating agencies could have a negative impact on HeidelbergCement's cost of capital and refinancing possibilities.

Cash and cash equivalents

This item essentially comprises cash. The Group is exposed to losses arising from credit risks in connection with the investment of cash and cash equivalents if contracting parties do not fulfil their obligations. HeidelbergCement manages the resulting risk position by diversification of contracting parties. Cash and cash equivalents are invested in selected companies, banks and financial institutions following a thorough credit analysis. At present, no cash or cash equivalents are overdue or impaired as a result of failures. The maximum credit risk of the cash and cash equivalents corresponds to the carrying amount.

Trade receivables

Trade receivables result mainly from the sale of cement, concrete and aggregates. In operating activities, the outstanding debts are monitored on an ongoing basis. Credit risks are taken into account by means of individual valuation allowances and valuation allowances for collective impairments. The maximum risk position from the trade receivables corresponds to the carrying amount.

Other receivables and assets

The credit risk position from other receivables and assets corresponds to the carrying amount of these instruments. HeidelbergCement regards this credit risk as insignificant.

Derivative financial instruments

Derivative financial instruments are generally used to reduce risks. In the course of its business activity, HeidelbergCement is exposed to interest rate, currency and energy price risks. For accounting purposes, a significant portion of the derivatives are not accounted for as hedges in accordance with IAS 39, but as instruments in the category "held for trading". However, from a commercial perspective, the changes in the market value of these instruments represent an economically effective hedge within the context of the Group strategy. The maximum credit risk of this item corresponds to the market value of the derivative financial instruments that have a positive market value and are shown as financial assets at the balance sheet date. In order to reduce the credit risk, the hedging transactions are, in principle, only concluded with leading financial institutions with a first-class credit rating. The contracting parties have very good credit ratings, awarded by external rating agencies, such as Moody's, Standard & Poor's or Fitch Ratings. There are currently no past-due derivative financial instruments in the portfolio.

Liquidity risk

The liquidity risk describes the risk that a company cannot fulfil its financial obligations to a sufficient degree. To manage HeidelbergCement's liquidity, the Group maintains sufficient cash and extensive credit lines with banks, besides the cash inflow from operating activities. The operating liquidity management includes a daily reconciliation of cash and cash equivalents; the Group Treasury department, based in Heidelberg, acts as an in-house bank. This allows liquidity surpluses and requirements to be managed in accordance with the needs of the entire Group and of individual Group companies. In addition to a revolving credit facility of EUR 1 billion with a term ending in May 2012, HeidelbergCement has other unused bilateral credit lines available in order to secure liquidity.

The following maturity overview shows how the cash flows of the liabilities as at 31 December 2008 affect the Group's liquidity position. The overview describes the progress of

- undiscounted repayments and interest payments for bonds
- undiscounted bank loans and interest payments to banks
- undiscounted other liabilities and
- undiscounted contractually agreed payments for derivative financial instruments, as a total for the year.

The trade payables are assigned to short-term maturities (within a year). For variable interest payments, the current interest rate is taken as a basis. Payments in foreign currency are translated using the exchange rate at year end.

Cash flows of financial liabilities and derivative financial instruments EURm	Book value 31 Dec. 2008	Cash flows				
		2009	2010	2011	2012	2013-2017
Debenture loans	3,485.8	519.9	746.7	165.5	1,160.2	1,816.4
Bank loans	8,543.0	1,256.1	5,438.1	500.8	1,008.7	926.5
Other financial liabilities	545.9	202.1	47.4	115.1	88.5	34.3
Derivatives with positive market values						
Cash flow hedges	5.9	37.5				
Derivatives held for trading	108.5	1,272.1	8.7			
Derivatives with negative market values						
Cash flow hedges	15.4	3.3	3.5	4.6	3.5	0.5
Derivatives held for trading	27.7	422.2				

Cash flows of financial liabilities and derivative financial instruments EURm	Book value 31 Dec. 2007	Cash flows				
		2008	2009	2010	2011	2012-2016
Debenture loans	2,342.3	113.3	509.4	703.8	149.2	1,958.8
Bank loans	11,913.6	5,860.8	5,966.4	146.1	157.2	213.0
Other financial liabilities	1,300.2	974.6	55.2	23.6	122.8	443.5
Derivatives with positive market values						
Cash flow hedges	14.4	7.2	3.9	2.7	0.6	
Derivatives held for trading	25.9	1,313.0	9.9	9.3		
Derivatives with negative market values						
Cash flow hedges	1.7		102.2			
Fair value hedges			0.2			
Derivatives held for trading	8.7	1,048.5				

The undiscounted contractual cash flows of the finance lease liabilities are shown in a separate table on page 124.

Interest rate risk

Interest rate risks exist as a result of potential changes in the market interest rate and may lead to a change in fair value in the case of fixed interest-bearing financial instruments and to fluctuations in interest payments in the case of variable interest-bearing financial instruments. The Managing Board and Supervisory Board of HeidelbergCement AG have decided against hedging the variable interest-bearing financial instruments. This strategy is based on the historically strong correlation between increasing profits and rising interest rates. For financial instruments with fixed interest that are measured at amortised cost, interest rate risks have no impact on the earnings and shareholders' equity.

The average share of variable interest-bearing financial instruments is 69 % (previous year: 84 %). If the market interest rate level had been 100 basis points higher (lower) on 31 December 2008, interest cost of HeidelbergCement Group would have risen (fallen) by EUR 88 million (previous year: 73).

Currency risk

HeidelbergCement AG's currency risks result from its investing, financing and operating activities. Risks from foreign currencies are primarily hedged in so far as they affect the Group's cash flows. In contrast, foreign currency risks that do not affect the Group's cash flows (i.e. the risks resulting from the translation of the assets and liabilities of foreign subsidiaries into the Group reporting currency) generally remain unhedged. However, if necessary, HeidelbergCement AG can also hedge this foreign currency risk. Currency forwards, currency swaps and, in isolated cases, currency options are used in the elimination of existing currency risks.

Through the in-house banking activities of HeidelbergCement AG, the borrowing and investment of liquidity of the subsidiaries leads to currency positions that are hedged by means of external currency swap transactions which are appropriate in terms of maturities and amounts. Consequently, currency fluctuations in connection with the in-house banking activities would have no impact on profit or shareholders' equity.

The hypothetical profit implications, considering the external financial instruments (primarily currency swap transactions) in isolation and in the event of a 10% increase (decrease) in the value of the euro against all other currencies on 31 December 2008, would be as follows:

EUR/USD: EUR +1.2 million, EUR/AUD: EUR -12.1 million, EUR/SEK: EUR -9.5 million, EUR/GBP: EUR 18.9 million, EUR/NOK: EUR +63.7 million, EUR/CAD: EUR -3.3 million, EUR/DKK: EUR +3.8 million, EUR/CZK: EUR 4.9 million, EUR/RUB: EUR +3.8 million, EUR/EKK: EUR -2.5 million, EUR/ILS: EUR -1.8 million, EUR/PLN: EUR -4.1 million, EUR/HKD: EUR -3.4 million, IDR/USD: EUR +3.8 million, EUR/KZT EUR +5,6 million.

(At 31 December 2007 EUR/USD: EUR +9.5 million, EUR/AUD: EUR -15.5 million, EUR/SEK: EUR -63.3 million, EUR/GBP: EUR -48.4 million, EUR/NOK: EUR -66.2 million, EUR/CAD: EUR -6.0 million, EUR/DKK: EUR -4.5 million, EUR/CZK: EUR -4.2 million, EUR/RUB: EUR -1.1 million, EUR/CHF: EUR +1.6 million, EUR/EKK: EUR +4.7 million, EUR/ILS: EUR +1.2 million, EUR/PLN: EUR +1.4 million, EUR/RON: EUR +4.2 million, EUR/HKD: EUR +2.9 million, IDR/USD: EUR +11.2 million).

Capital management

To ensure the sustainability of the Group's financial position and performance, the management primarily employs three instruments. The investments are aligned with HeidelbergCement's strategic and operational planning. For all investments, with the exception of replacement investments, the long-term contribution to profits for the Group is measured and subjected to a 'contribution to profits' test.

Significant strategic investments with a volume exceeding EUR 5 million are subject to central testing and are presented individually to the Managing Board. The test centres on the impact of investments on the balance sheet and the profit and loss accounts of the Group. HeidelbergCement also uses country-specific weighted average cost of capital after tax, which was between 7% and 18% for 2008.

HeidelbergCement has a worldwide, results-related remuneration system for management (see management report page 41 ff.). Clear goal agreements ensure a management approach that focuses on results and capital requirements. For all countries in the Group, the Managing Board defines the target profit required in order to obtain bonus payments.

Through regular quarterly meetings with all country managers, the Managing Board of HeidelbergCement discusses and follows up agreed goals and countries' profits, as well as the strategic orientation. An extensive discussion on operational planning at national level is held in the fourth quarter. In personal talks with the national management, the Managing Board establishes profit goals, activities and the important investments.

The ratio of net financial liabilities to the operating income before depreciation (OIBD) is of fundamental importance in the monitoring of the Group's capital.

OIBD/Net financial liabilities ratio	31 Dec. 2007	31 Dec. 2008
EURm		
Cash, financial investments and derivative financial instruments	872.6	1,017.3
Financial liabilities	15,566.6	12,633.1
Puttable minorities	-86.0	-50.3
Net financial liabilities	14,608.0	11,565.5
Operating income before depreciation	2,423.2	2,945.6
OIBD/Net financial liabilities ratio	6.03	3.93

In connection with credit agreements, we agreed to comply with various financial covenants, which were all met in the reporting period. The most important key financial ratios are the ratio of net debt to EBITDA and the interest coverage ratio. The EBITDA key figure is derived from the credit agreements and therefore differs from the operating income before depreciation key figure as it takes elements of the additional ordinary result into consideration.

Within the framework of the Group planning, compliance with the credit agreements is monitored consistently, with notification issued to the creditors on a half-yearly basis. In the event of a breach of the covenants, the creditors could, under certain conditions, accelerate corresponding loans irrespective of the contractually agreed terms. Depending on the volume of the relevant loan and the possibilities for refinancing existing at the time, this could lead to a refinancing risk for the Group.

As a precaution, the company has obtained a waiver (increase in financial covenants) from the relevant loan creditors, which was not drawn upon, for the end of December 2008. The next scheduled review of the observance of the covenants will take place in the middle of 2009. The unsatisfactory situation on the financial markets and the weak sales volumes in some of the Group's major markets are adversely affecting the Group's development and making it considerably more difficult to maintain key financial ratios. In the past year, HeidelbergCement therefore launched extensive programmes to reduce costs and decided to reduce investments considerably.

In view of the uncertain environment and the repayments of significant portions of the Hanson acquisition financing due in 2010, HeidelbergCement is planning a comprehensive reorganisation of its financing structure. The aim is to strengthen the shareholders' equity base and improve the maturity profile of the existing bank financing. Non-strategic business units are to be sold in order to provide further debt relief. On the basis of the measures already initiated and the negotiations so far, the company assumes that the identifiable risks are being dealt with sufficiently. The Managing Board assumes that the measures needed in connection with the reorganisation of the financing structure can be implemented. The management of the liquidity risks is explained in the Prospects chapter, in the Expected financing section on page 48.

Guarantees and other financial commitments

Guarantees are 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.

At the reporting date, there are contractually provided guarantees of EUR 315.6 million (previous year: 136.5). These include obligations of EUR 309.9 million (previous year: 119.3) for which the probability of outflow is remote (IAS 37.28).

Other financial commitments	2007	2008
Rental and leasing contracts		
Total of all leasing payments mature within 1 year	75.3	83.2
Total of all leasing payments mature within 1 to 5 years	194.5	221.3
Total of all leasing payments mature after more than 5 years	242.0	357.3
	511.8	661.8
Other off-balance-sheet financial commitments for planned tangible and financial fixed asset investments	232.8	250.3

Other financial commitments are listed with their nominal values. The future rental and leasing obligations 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 significant influence on HeidelbergCement AG. This applies to companies accounted for as joint ventures or associates and key management personnel.

Spohn Cement GmbH, Norderfriedrichskoog, holds a 53.60% share in HeidelbergCement AG. Spohn Cement GmbH is included in the Group annual accounts of Kötitzer Ledertuch- und Wachstuch Werke AG, Norderfriedrichskoog. The companies belong to the Merckle Group.

HeidelbergCement provided services to the value of EUR 57,100 (previous year: 101,000) to Spohn Cement GmbH, Norderfriedrichskoog.

VEM Vermögensverwaltung GmbH, Dresden, which belongs to the Merckle Group, holds a 25.46% share in HeidelbergCement AG. On 14 February 2008, the Managing Board of HeidelbergCement AG decided on the conditions for

carrying out the cash capital increase from authorised capital, with the consent of the Supervisory Board, following its resolution of 15 January 2008. VEM Vermögensverwaltung GmbH, Dresden, has subscribed for 5 million new shares at the near-market subscription price of EUR 102.50 per share. The Group received EUR 512.5 million on 19 February from the capital increase.

Business transactions with associates include turnover and other sales amounting to EUR 115.8 million (previous year: 87.9), the procurement of goods and services amounting to EUR 239.5 million (previous year: 101.3), and services provided amounting to EUR 1.0 million (previous year: 1.4). In addition, loans of EUR 3.2 million (previous year: 0.0) were granted to associated companies in 2008. No guarantees were provided to associated companies in 2008 (previous year: EUR 20,000).

Intra-group turnover and other sales with joint ventures amounted to EUR 75.1 million (previous year: 110.2). Raw materials, goods and other services amounting to EUR 75.0 million (previous year: 149.6) were procured from these joint ventures. EUR 4.1 million (previous year: 9.6) was generated in financial and other services. Receivables amounting to EUR 98.5 million (previous year: 74.8) and liabilities of EUR 23.3 million (previous year: 19.4) exist in connection with these activities and financial transactions. Guarantees of EUR 118.6 million (previous year: 68.3) were granted.

All transactions were conducted at standard market terms and conditions. In addition, companies of the HeidelbergCement Group have not carried out reportable transactions of any kind with members of the Supervisory Board or of the Managing Board as persons in key positions or with companies in whose executive or governing bodies these persons are represented.

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 AG on 17 March 2008. The statement for 2009 will be published on 17 March 2009.

Fees of the independent auditors

In 2008, the independent auditors Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft received fees amounting to EUR 4,208,000.

Fees of the independent auditors

EUR '000s	2008
Approval of the Group annual accounts	2,854.1
Other charges for confirmation and valuation services	702.8
Tax advisory service	444.7
Other services	206.4
	4,208.0

Supervisory Board and Managing Board

We refer to the details given in the in the Corporate Governance chapter of the management report (page 33 ff.).

The total remuneration of the Managing Board in 2008 amounted to EUR 8.3 million (previous year: 25.0). EUR 4.7 million (previous year: 4.0) of this was paid in fixed remuneration, EUR 2.6 million (previous year: 20.2) in variable

HeidelbergCement share

Management report

On the market

HeidelbergCement annual accounts – Notes

Additional information

remuneration and EUR 1.0 million (previous year: 0.8) as part of other remuneration elements. The other remuneration elements consist of payments for committee activities at subsidiaries of HeidelbergCement AG, reimbursement of expenses and non-cash benefits arising from the provision of company cars. Allocations to provisions for pensions (current service cost) for current members of the Managing Board amounted to EUR 1.4 million (previous year: 1.7). In the previous year, EUR 5.2 million was charged to expenses for redundancy payments in connection with the Hanson acquisition. Payments to former members of the Managing Board and their surviving dependants amounted to EUR 2.8 million (previous year: 2.9) in the reporting year. Provisions for pension obligations for former members of the Managing Board amounted to EUR 26.5 million (previous year: 25.8).

The total Supervisory Board remuneration in 2008 amounted to EUR 502,937 (previous year: 608,133).

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 of German companies
- b) Membership in comparable German and foreign supervisory committees of commercial enterprises

Group mandates are marked with ¹⁾

Supervisory Board *

Fritz-Jürgen Heckmann

Chairman

Chairman of the Arbitration Committee and member of the Personnel Committee, Audit Committee and Nomination Committee

Business lawyer

a) Paul Hartmann AG (Chairman)

Wieland-Werke AG (Chairman)

Drews Holding AG

b) HERMA Holding GmbH + Co. KG

(Deputy Chairman)

Hübner GmbH (Chairman)

Neue Pressegesellschaft mbH & Co. KG

Süddeutsche Verlag GmbH (Deputy Chairman)

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

Theo Beermann

Member of the Personnel Committee

Production controller; Deputy Chairman of the Council of Employees at the Ennigerloh plant of HeidelbergCement AG

Helmut S. Erhard †

19 February to 25 April 2008; Former member of the Managing Board of HeidelbergCement AG

Robert Feiger

since 2 January 2008

Member of the Audit Committee since 10 December 2008

Member of the Federal Executive Committee, IG Bauen-Agrar-Umwelt

a) BAUER Aktiengesellschaft (Deputy Chairman)

b) Zusatzversorgungskasse des Baugewerbes AG

Zusatzversorgungskasse des Gerüstbaugewerbes VVaG

* All indications refer to 31 December 2008 or, if the person in question left the Supervisory Board of HeidelbergCement AG prior to that date, the date on which they stepped down.

Veronika Füss

since 20 March 2008

Commercial employee; Chairwoman of the Council of Employees of the sales region south, Schelklingen, of HeidelbergCement AG

Josef Heumann

Member of the Arbitration Committee

Kiln supervisor; Chairman of the Council of Employees at the Burglengenfeld plant of HeidelbergCement AG

Gerhard Hirth

Managing Director of the SCHWENK group of companies

a) Wieland-Werke AG

Paul Hartmann AG

Köster AG

b) Duna-Dráva Cement Kft

Tvornica Cementa Kakanj d.d.

Ohorongo Cement (Pty) Limited

Heinz Kimmel

until 13 March 2008

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

Max Dietrich Kley

Attorney

a) BASF SE

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

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

until 5 January 2009

Chairman of the Audit Committee and Nomination Committee until 5 January 2009

Attorney

Ludwig Merckle

Chairman of the Personnel Committee and, since 6 February 2009, of the Audit Committee and member of the Nomination Committee

VEM Vermögensverwaltung GmbH

a) Kässbohrer Geländefahrzeug AG (Chairman)

Phoenix Aktiengesellschaft (Deputy Chairman)

Württembergische Leinenindustrie AG (Chairman)

Tobias Merckle

Managing Director of the association Prisma e.V.

– Initiative für Jugendhilfe und Kriminalprävention, 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

Paul Hartmann AG

b) Duna-Dráva Cement Kft

Heinz Schmitt

Member of the Audit Committee

Controller; Chairman of the Council of Employees at the headquarters of HeidelbergCement AG

Frank-Dirk Steininger

since 11 June 2008

Specialist in employment law on the Federal Executive Committee of IG Bauen-Agrar-Umwelt

Karl Heinz Strobl

until 8 May 2008

Member of the Audit Committee until 8 May 2008

Former member of the Federal Executive Committee, IG Bauen-Agrar-Umwelt

HeidelbergCement share

Management report

On the market

HeidelbergCement annual accounts – Notes

Additional information

Managing Board*

Dr. Bernd Scheifele

Chairman

- a) PHOENIX Pharmahandel AG & Co KG (Chairman)
Verlagsgruppe Georg von Holtzbrink GmbH
(Deputy Chairman)
Landesbank Hessen-Thüringen Girozentrale
(member of the Board of Directors)
- b) TAMRO Oyj (Chairman of the Board of Directors)
Hanson Limited¹⁾
Hanson Pioneer España, S.L.¹⁾
PT Indocement Tunggal Prakarsa Tbk.¹⁾
Mysore Cements Limited¹⁾

Dr. Dominik von Achten

- b) Castle Cement Limited¹⁾
Civil and Marine Limited¹⁾
Hanson Building Products Limited¹⁾
Hanson Quarry Products Europe Limited¹⁾
Hanson Quarry Products Holdings Limited¹⁾
HeidelbergCement UK Holding Limited¹⁾
Lehigh UK Limited¹⁾

Daniel Gauthier

- b) S.A. Cimenteries CBR¹⁾ (Chairman)
ENCI Holding N.V.¹⁾ (Chairman)
Scancem International ANS¹⁾ (Chairman)
Scancem International AS¹⁾ (Chairman)
Akçansa Çimento Sanayi ve Ticaret A.S.
(Deputy Chairman)
CBR Asset Management Belgium S.A.¹⁾
(Chairman)
CBR International Services S.A.¹⁾ (Chairman)
CBR Asset Management S.A.¹⁾ (Chairman)
CBR Finance S.A.¹⁾ (Chairman)
China Century Cement Limited
Cementrum I B.V.¹⁾
Cementrum II B.V.¹⁾
Hanson Pioneer España, S.L.¹⁾
HC Fuels Ltd.¹⁾ (Chairman)
HC Trading International Inc.¹⁾ (Chairman)
HC Trading B.V.¹⁾ (Chairman)
HC Trading Malta Ltd¹⁾ (Chairman)
HC Trading Holding Malta Ltd¹⁾ (Chairman)

HeidelbergCement Holding HK Limited¹⁾

HeidelbergCement Northern Europe AB¹⁾
(Chairman)

International Trading and Finance (ITF) B.V.¹⁾

(Chairman)

Lehigh B.V.¹⁾ (Deputy Chairman)

PT Indocement Tunggal Prakarsa Tbk.¹⁾

RECEM S.A.¹⁾

Tanzania Portland Cement Company Ltd.¹⁾

LVI Holding N.V. (Carmeuse Group)

Genlis Metal

Andreas Kern

- a) Basalt-Actien-Gesellschaft
Kronimus AG
- b) Bukharminskaya Cement Company¹⁾ (Chairman)
Carpacement Holding S.A.¹⁾
Ceskomoravský Cement, a.s.¹⁾ (Chairman)
Duna-Dráva Cement Kft¹⁾ (Chairman)
Górazdze Cement S.A.¹⁾ (Chairman)
Hanson Pioneer España, S.L.¹⁾
HeidelbergCement Northern Europe AB¹⁾
Limited Liability Company SaqCementi¹⁾
Nederlandse Cement Handelmaatschappij B.V.
(Deputy Chairman)
Open Joint Stock Company "Kryvyi Rih Cement"¹⁾
Tvornica Cementa Kakanj d.d.¹⁾

Alan Murray

until 31 December 2008

- b) Hanson Pension Trustees Limited
International Power plc

Dr. Lorenz Näger

- a) PHOENIX Pharmahandel AG & Co KG
- b) S.A. Cimenteries CBR¹⁾
Hanson Hispania S.A.¹⁾
Hanson Limited¹⁾
Hanson Pioneer España, S.L.¹⁾
HeidelbergCement Finance B.V.¹⁾
HeidelbergCement Netherlands Holding B.V.¹⁾

* All indications refer to 31 December 2008

HeidelbergCement Northern Europe AB¹⁾
Lehigh Cement Company¹⁾
Lehigh Cement Limited¹⁾
Mysore Cements Limited¹⁾
Palatina Insurance Ltd
PT Indocement Tunggal Prakarsa Tbk.¹⁾
RECEM S.A.¹⁾
TAMRO Oyj

Dr. Albert Scheuer

b) China Century Cement Limited
Cochin Cements Ltd.¹⁾

Easy Point Industrial Ltd.
Guangzhou Heidelberg Yuexiu Enterprise Management Consulting Company Ltd.
HeidelbergCement Asia Pte Ltd¹⁾
HeidelbergCement Holding HK Limited¹⁾
HeidelbergCement India Private Limited¹⁾
Indorama Cement Limited¹⁾
Jidong Heidelberg (Fufeng) Cement Company Limited
Jidong Heidelberg (Jingyang) Cement Company Limited
Mysore Cements Limited¹⁾
PT Indocement Tunggal Prakarsa Tbk.¹⁾ (Chairman)
Squareal Cement Ltd

Events after the balance sheet date

In the first three months of 2009, our credit rating was downgraded further by the rating agencies Standard & Poor's, Moody's and Fitch Ratings to B-/B, B1/NP and B/B.

In view of the serious deterioration of the economic environment in 2009 and the repayments of significant portions of the Hanson acquisition financing due in 2010, HeidelbergCement is currently preparing a comprehensive reorganisation of its financing structure. The aim is to strengthen the shareholders' equity base and improve the maturity profile of the existing bank financing. Non-strategic business units are to be sold in order to provide further debt relief. On the basis of the progress of negotiations so far, we are confident of completing the key measures for the necessary reorganisation by the middle of 2009.

Approval of the Group annual accounts

The Group annual accounts were prepared by the Managing Board and adopted on 17 March 2009. They were then submitted to the Supervisory Board for approval.

Heidelberg, 17 March 2009

HeidelbergCement AG

The Managing Board

Audit Opinion

We have issued the following opinion on the consolidated financial statements and the group management report:

"We have audited the consolidated financial statements prepared by the HeidelbergCement AG, Heidelberg, comprising the balance sheet, the income statement, the statement of changes in equity, the statement of recognized income and expense, the cash flow statement and the notes to the consolidated financial statements, together with the combined group management report of HeidelbergCement Group and HeidelbergCement AG for the fiscal year from 1 January to 31 December 2008. 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 (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 (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.

Without qualifying this opinion we would like to specifically point out the circumstances described in chapter 'Risk management' in section 'Financial risks' as well as in chapter 'Prospects' in section 'Expected Financing' of the Management Report. It is described that the group is planning a comprehensive reorganisation of its financing structure aiming to strengthen the equity base as well as to improve the maturity profile of its existing bank financing. Due to the situation on the financial markets and the weak sales volumes in major markets of the Group the compliance with agreed upon financial ratios (financial covenants) as of June 30, 2009 will be extremely difficult. In the event of breach of the financial ratios (financial covenants), the creditors could, under certain conditions, accelerate repayment of loans. In case necessary measures would not be realized within the reorganisation of the financing structure or there would be a breach of the financial ratios (financial covenants) mid 2009, considerable liquidity risks could result for the group."

Stuttgart, 17 March 2009

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Prof. Dr. Wollmert	Somes
Wirtschaftsprüfer	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report, which has been combined with the management report of the company, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Heidelberg, 17 March 2009

HeidelbergCement AG

The Managing Board



Dr. Bernd Scheifele



Andreas Kern



Dr. Dominik von Achten



Dr. Lorenz Näger



Daniel Gauthier



Dr. Albert Scheuer

Additional information

Global functions and Country Managers

Global functions

Group functions

Böttcher, Henner	Director Group Treasury
Fickel, Dr. Brigitte	Director Group Communication & Investor Relations
Fischer, Helmut	Director Group Reporting, Controlling & Consolidation
Glitz, Dr. Albrecht	Director Group Compliance
Jordanoff, Plamen	Director Group Strategy & Development and Cementitious
Kozelka, Rolf	Director Group Tax
Schaffernak, Dr. Ingo	Director Group Legal
Schnurr, Andreas	Director Group Human Resources
Schwind, Klaus	Director Group Shared Service Centers
Sijbring, Henk	Director Group Purchasing
Standhaft, Dr. Wolfgang	Director Group Information Technology
Vandenbergh, Marc	Director Group Insurance & Corporate Risk Management
Weingardt, Stefan	Director Group Internal Audit

Heidelberg Technology Center (HTC)

Breyer, Robert	Senior Vice President Manufacturing & Engineering, President HTC North America
Jelito, Ernest Nobis, Rainer	Director Manufacturing & Engineering TEAM and Head of HTC TEAM Director Manufacturing & Engineering Europe-Central Asia and Head of HTC Europe-Central Asia

Competence Center Materials (CCM)

Mühlbeyer, Gerhard	Director Global Competence Center Materials and Director CCM Europe
--------------------	---

Global Logistics

Hampel, Michael	Director Global Logistics
-----------------	---------------------------

Global Environmental Sustainability

Mathieu, Bernard	Director Global Environmental Sustainability
------------------	--

Country Managers

Europe

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	Hrozek, Jan	General Manager Czech Republic
Georgia	Thrul, Meinhard	General Manager Georgia
Germany	Seitz, Gerhard	General Manager Germany
Hungary	Szarkándi, János	General Manager Hungary
Israel	Priel, Eliezer	Country Manager Israel
Poland	Balcerek, Andrzej	General Manager Poland
Romania	Rohan, Mihai	General Manager Romania
Russia	Knell, Christian	General Manager Russia
Spain	Ortiz, Jesus	Country Manager Spain
Ukraine	Oklestek, Karel	General Manager Ukraine
United Kingdom	O'Shea, Patrick	Chief Executive Officer UK

North America

Kitzmiller, James	Chief Executive Officer North America
Harrington, Dan	Chief Operating Officer, Regional President South, White Cement
Purcell, Jim	Regional President North
Hummel, David	Regional President West
Derkatch, Jim	Regional President Canada
Manning, Richard	President Building Products

Asia–Australia–Africa

China	Bogdan, Ludek	Chief Operating Officer China
India	Guha, Ashish	Chief Operating Officer India
Indonesia/Bangladesh/Brunei	Lavallé, Daniel	Chief Operating Officer South East Asia
Kazakhstan	Kempe, Roman	General Manager Kazakhstan
Malaysia/Singapore	Thornton, John	General Manager Malaysia and Singapore
Australia	Gluskie, Kevin	Chief Executive Officer Australia
Africa	Junon, Jean-Marc	Chief Operating Officer Africa
Mediterranean Basin/HC Trading	Adigüzel, Emir	Chief Operating Officer Mediterranean Basin & Middle East and HC Trading

Glossary and index*

Aggregates

Aggregates in the form of sand, gravel and crushed rock are used principally for concrete manufacturing or for road construction and maintenance.

Alternative raw materials and fuels

p. 21, 23, 39, 43, 46f., 53, 56

By-products or waste from other industries, whose chemical components make them suitable substitutes for natural resources (raw materials, fuels).

Asphalt

p. 20, 22, 43

Asphalt is manufactured from a mixture of graded aggregates, sand, filler and bitumen. It is used primarily for road construction and maintenance.

Biodiversity

p. 43

Biodiversity or biological diversity is the genetic diversity within species, diversity between species and diversity of ecosystems.

Blast furnace slag

p. 49

Finely ground, glassy by-product from steel production. Additive for cement.

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)

p. 39, 47

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.

Concrete

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

Fly ash

p. 47, 49

Solid, particulate combustion residue from coal-fired power plants. Additive for cement.

Net financial liabilities

p. 4, 26, 37, 132

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

Price-earnings ratio (PER)

p. 26

Share price divided by earnings per share.

Rating (credit rating)

p. 4, 6, 26, 32, 129, 138

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. 44, 56

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

Sustainable development

p. 3, 41, 43 ff., 49

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. 26, 30, 32, 37, 48, 105, 123

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

Review of 2008 events



January/February

Mainz-Weisenau grinding facility modernised

The construction of a new plant building, a workshop and a clinker silo with a capacity of 40,000 tonnes allow previously separate parts of the plant to be brought together and operational processes to be optimised.



March/April

Modern filter systems in Leimen and Schelklingen

Dust emissions are drastically reduced as a result of the installation of high-performance fabric filters. By making this investment in modern environmental technology, we safeguard the future viability of our plants.



May/June

Partner of the Business and Biodiversity Initiative

HeidelbergCement is represented at the UN conference in Bonn as a partner of the Business and Biodiversity Initiative. In the leadership declaration, companies make a commitment to devote special attention to the protection of species diversity. HeidelbergCement plays a pioneering role in the industry under the motto "Biodiversity in Good Company".

Large-scale investment in Poland

Góraždze Cement will modernise its second kiln line by the middle of 2011. By making the largest investment in the company's 30-year history, our subsidiary increases its clinker capacity to 12,000 tonnes per day.

Second production line in Çanakkale, Turkey

The plant located on the Dardanelles, operated by our Turkish joint venture Akçansa, doubles its clinker capacity to 4 million tonnes and increases its cement grinding capacity from 3.5 to 5.5 million tonnes.



Products with photocatalytic properties

With TioCem®, HeidelbergCement begins producing and marketing building materials with photocatalytic properties. This new technology is used, for example, to produce paving blocks that help to reduce air pollutants.

July/August

Sale of the concrete products business in Australia

In Australia, HeidelbergCement sells the concrete products business with eight production sites in Queensland and Tasmania.

Clean air in Georgia

The installation of state-of-the-art dust filters in the kilns at our cement plants in Georgia, which was completed by the beginning of 2009, drastically reduces dust emissions. By taking this measure, HeidelbergCement makes an important contribution to environmental protection in Georgia.



September/October

New cement terminal in Kaliningrad

The new terminal near the Kaliningrad commercial seaport has a storage and handling capacity of 300,000 tonnes of cement per year. It supplies cement to the whole region.



Ready-mixed concrete in Kazakhstan

With the commissioning of four production sites in the capital Astana, in Almaty and the harbour city of Aktau on the Caspian Sea, HeidelbergCement starts production of ready-mixed concrete in Kazakhstan, taking an important step towards vertical integration.

November/December

Expansion of capacities in China

HeidelbergCement commissions a new production line in both the Jingyang and Fufeng plants. This increases the production capacity in the Shaanxi province to 9 million tonnes.

Imprint

Copyright © 2009

HeidelbergCement AG
Berliner Strasse 6
69120 Heidelberg, Germany

Concept and realisation

Group Communication & Investor Relations HeidelbergCement
Hans-Joachim Dietz, Kelkheim, Germany
ServiceDesign Werbeagentur GmbH, Heidelberg, Germany
Target Languages GmbH, Gaiberg, Germany
abcdruck GmbH, Heidelberg, Germany

Photographs

HeidelbergCement photo archives
Daniel Hertzell, Stockholm/Sweden – cover
Arcus Studio, Vac/Hungary – pages 16/17
Getty Images Inc., Dublin/Ireland – pages 50/51
Picture Alliance, Frankfurt/Germany – pages 62/63
Steffen Fuchs, HeidelbergCement, Heidelberg/Germany – pages 72/73

Translation of the Annual Report 2008. The German version is binding.

Copies of the 2008 accounts of HeidelbergCement AG and further information
are available on request.
Kindly find this annual report and further information about HeidelbergCement
on the Internet: **www.heidelbergcement.com**

Contact:

Group Communication

Phone: +49 6221/4 81-227
Fax: +49 6221/4 81-217
E-Mail: info@heidelbergcement.com

Investor Relations

Phone: +49 6221/4 81-696
Fax: +49 6221/4 81-217
E-Mail: IR-info@heidelbergcement.com



Printed on environmentally friendly PEFC certified paper.
Promotion of sustainable forest management – more information under www.pefc.org

◀ **Group areas**

Financial calendar 2009

Interim Report January to March 2009 7 May 2009

Annual General Meeting 7 May 2009

Interim Report January to June 2009 4 August 2009

Interim Report January to September 2009 November 2009

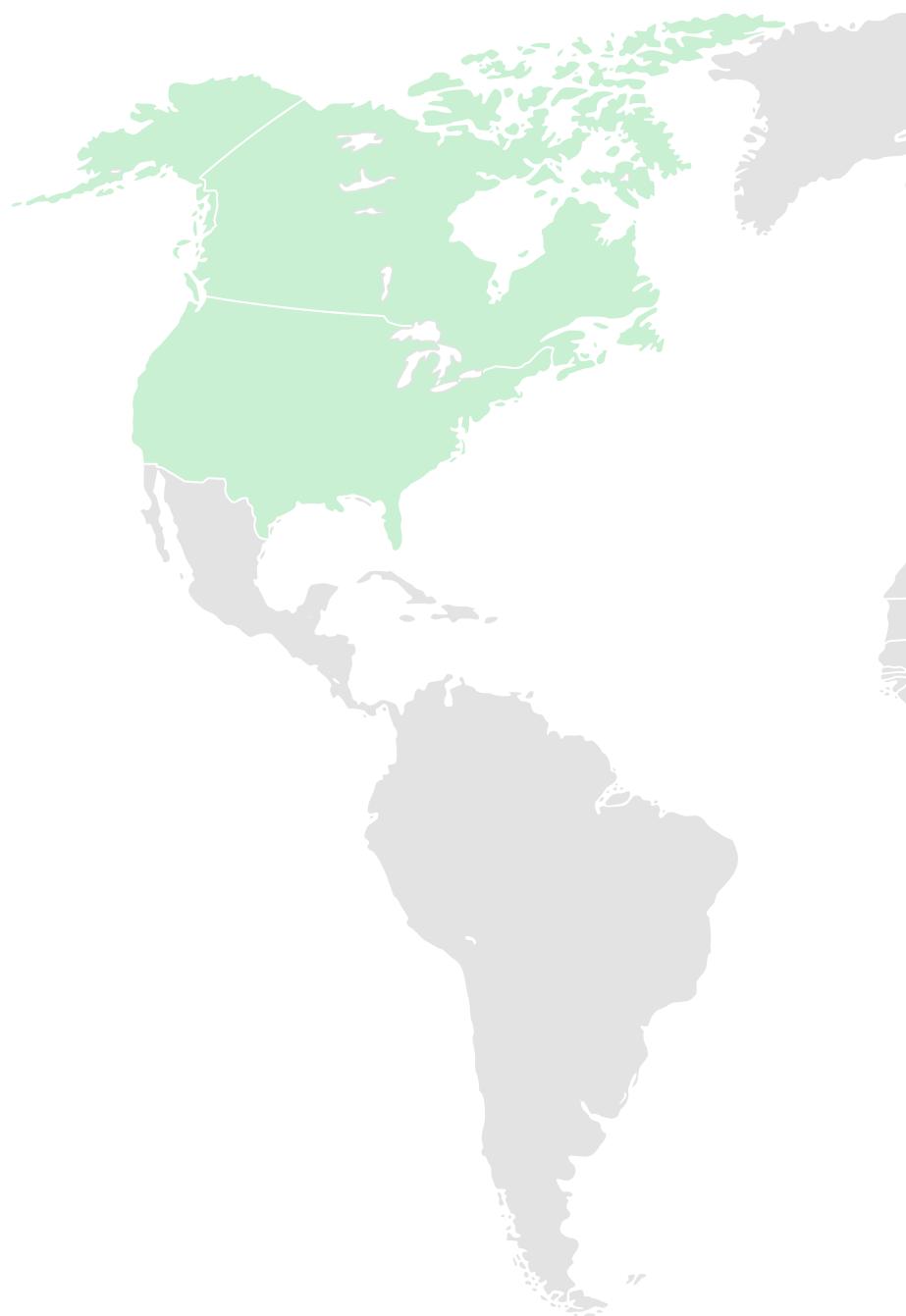
Group areas

North America

Canada
US

Europe

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



Asia-Australia-Africa

Bangladesh	Australia
Brunei	
China	Benin
India	Gabon
Indonesia	Ghana
Kazakhstan	Liberia
Malaysia	Sierra Leone
Singapore	Tanzania
Turkey	Togo
United Arab Emirates	

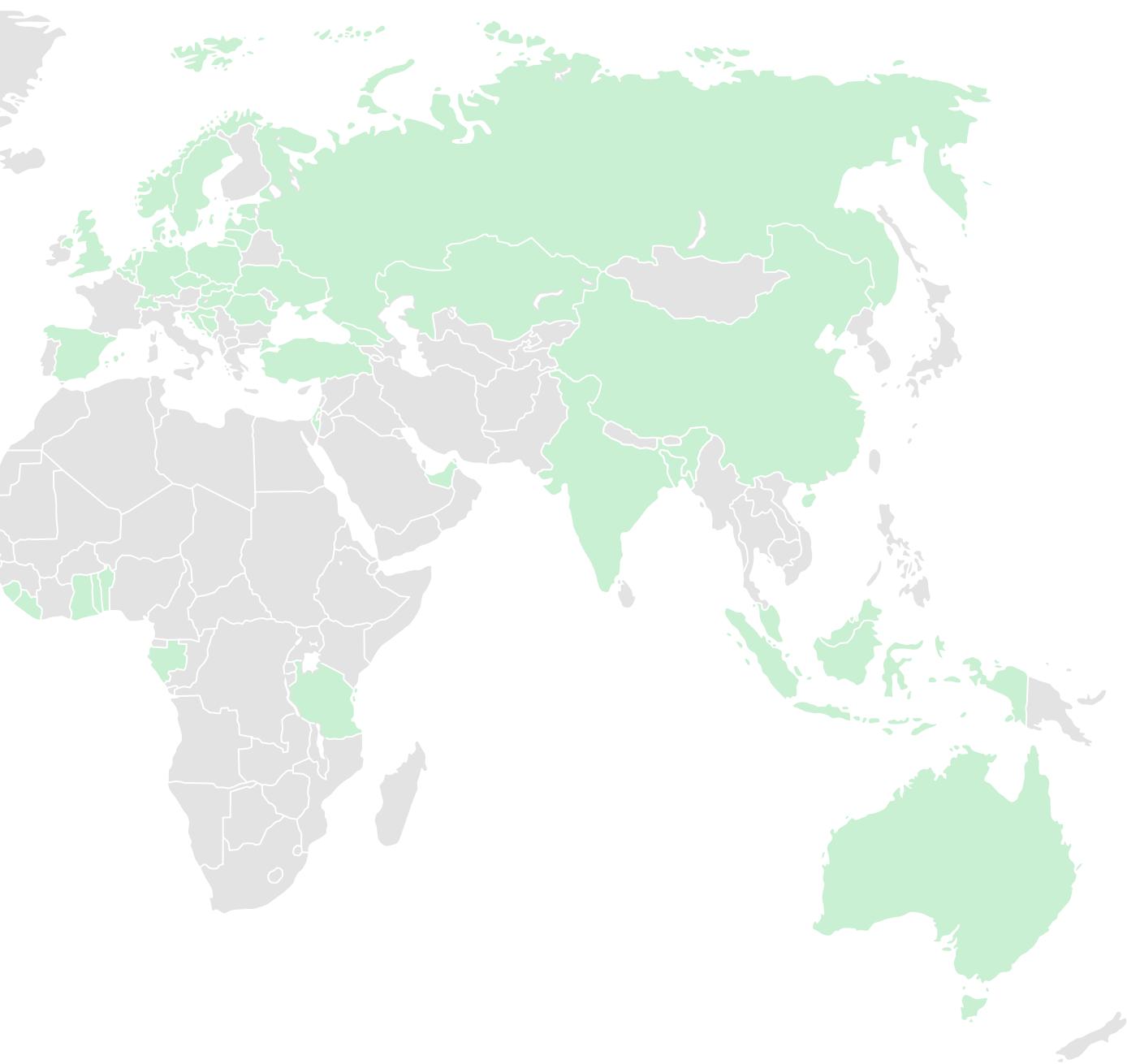
Group Services

HeidelbergCement is member of:



World Business Council for
Sustainable Development

econsense
Forum Nachhaltige Entwicklung



A photograph of a large, conical pile of gravel or aggregate against a clear blue sky. The gravel is light-colored with some darker, reddish-brown stones. The pile is in sharp focus in the foreground, while the sky above is a uniform, bright blue.

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