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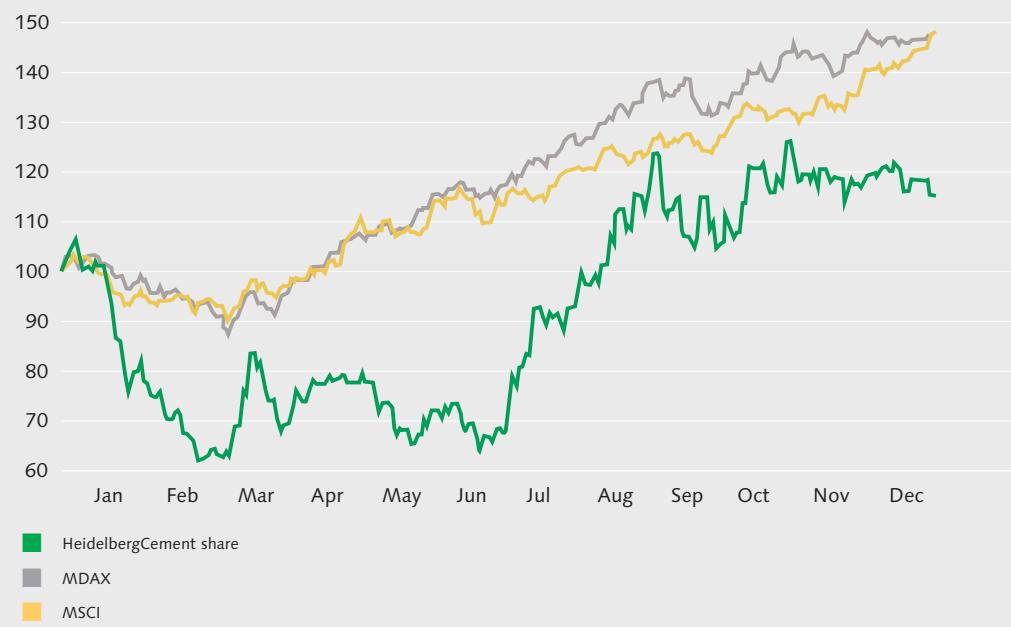
Annual Report 2003

HEIDELBERGCEMENT



Evolution 2003 of the HeidelbergCement share

Index (base: 2 January 2003 = 100)



- Cement and clinker sales volume exceeds 50 million tonnes
- Adjusted for currency and consolidation effects turnover increased by 0.4 %
- Operating income before depreciation (OIBD) over EUR 1 billion
- Results adversely affected by unsatisfactory earnings situation on the German market and exchange rate effects
- Net debt reduced by EUR 700 million; gearing improved from 112 % to 86 %
- Capacity adjustments and cost reduction measures continued
- Cash dividend for 2003
- Higher turnover and improved result for 2004 expected

Financial highlights

Figures in EURm	1999	2000	2001	2002	2003
Number of employees	38,327	36,472	34,846	36,761	37,774
Turnover					
Central Europe West	1,611	1,506	867	755	787
Western Europe	1,061	1,120	1,052	1,023	959
Northern Europe	1,145	1,334	825	872	758
Central Europe East	396	434	514	610	627
North America	1,690	1,912	1,990	1,865	1,686
Africa-Asia-Turkey	365	424	411	425	492
maxit Group ¹⁾	-	-	1,045	1,010	1,021
Group Services	406	497	510	453	417
Inter-region turnover	-285	-418	-525	-443	-375
Total Group turnover	6,389	6,809	6,689	6,570	6,372
Operating income before depreciation (OIBD)	1,188	1,263	1,185	1,147	1,024
Operating income	640	658	565	500	391
Profit for the financial year	359	401	255	262	133
Group share in profit for the financial year	271	373	244	248	117
Dividend in EUR per share	1.05	1.15	1.15	²⁾	1.15³⁾
Investment in tangible fixed assets	581	654	817	457	386
Investment in financial fixed assets	3,905	495	412	218	227
Total fixed asset investments	4,486	1,149	1,229	675	612
Depreciation and amortisation	574	626	659	709	697
Tangible fixed assets	6,934	7,145	7,377	7,062	7,048
Financial fixed assets	907	1,084	1,358	1,399	1,178
Current assets	2,572	2,773	3,040	2,678	2,667
Shareholders' equity and minority interests	3,259	3,639	3,849	3,846	4,185
Provisions	1,442	1,398	1,364	1,378	1,423
Liabilities	5,712	5,965	6,562	5,915	5,285
Balance sheet total	10,413	11,002	11,775	11,139	10,893

¹⁾ Until 2000: Turnover of maxit Group is included in Central Europe West, Western Europe and Northern Europe.

²⁾ Instead of a cash dividend a stock dividend, i.e. a capital increase out of retained earnings, in the amount of the previous year's dividend was issued.

³⁾ Managing Board and Supervisory Board will propose to the Annual General Meeting on 6 May 2004 the distribution of a cash dividend of EUR 1.15.

for better building



This report ties in with its predecessor in appearance and format and continues the new series of annual reports from HeidelbergCement initiated in the previous year. This year's series of photos has as its subject the 'life cycle of a quarry': HeidelbergCement is a company committed to sustainable development and responsible dealings with resources. No cement can be produced without limestone. Thus, our quarries are at the beginning of a long value chain. We show examples of our Group's quarry sites before, during and after quarrying. For a long time, these 'open wounds' in the landscape have been filled up and landscaped as quickly as possible. Today, biologists and conservationists appreciate the value of abandoned quarries. Species of plants and animals, which have hardly any chances of survival in the modern agricultural and forest landscape, are finding new habitats in the quarry. Rock quarrying and nature conservation do not constitute a contradiction.

HeidelbergCement is one of the leading global building materials manufacturers. Our core activities in all market regions are the cement and concrete business lines. With consolidated cement sales volumes of 51 million tonnes, HeidelbergCement is one of the largest cement manufacturers in the world. Our concrete activities include ready-mixed concrete, concrete products, and aggregates such as sand and gravel. In addition, our high-performance building materials range also covers dry mortar, expanded clay, sand-lime bricks and building chemicals. We assist our customers in 50 countries to be successful and competitive - through top quality products and innovative solutions for new construction, expansion and refurbishment projects. We also advise them on the use of our building materials. HeidelbergCement perceives its environmental responsibility in all market regions and aligns its actions to guidelines for sustainable development.

Letter to the shareholders



Hans Bauer
Chairman of
HeidelbergCement

Ladies and Gentlemen,
Dear Fellow Employees and Friends of HeidelbergCement,

For HeidelbergCement, 2003 showed clear parallels to the previous year. A satisfactory trend in the Group as a whole was once again counterbalanced by a difficult business development in Germany, which also had a negative effect on the Benelux countries, as well as on Poland and the Czech Republic. Yet during the second half of 2003 and at the beginning of the new year, there were signs of a change for the better, which encourage me to look forward to 2004 with more confidence.

Our aim of becoming number one on the German cement market, which I stated in my letter to the shareholders of the previous annual report, has been achieved. As a result, we now have twelve cement and grinding plants in Germany. The acquisitions were counterbalanced by a further capacity reduction. These measures were accompanied by job cuts, to which all locations and administrative units made a contribution. As part of this process, we had to dismiss employees for restructuring reasons, which was quite hard for me. However, the decline in cement consumption and the low price level left us with no other choice but to further adjust capacities to the market.

I am often asked why we scale down, or even close Heidelberg plants with a rich tradition, whilst at the same time expanding across Germany. My response is: Cement is a local, freight-sensitive business. We must strengthen our operations in places where we have previously not been represented and reducing capacities on markets where the level of capacity utilisation is too low. The aim of all these measures is, and remains, to secure the long-term future of the Group in Germany, where we employ around 6,600 members of staff, including those of the maxit Group.

In order to improve the poor earnings situation in Germany, we have increased the prices for cement and announced a new pricing system for this spring. In doing this, we wanted to make the pricing in Germany more stable and more calculable and bring the ruinous cement prices back to a cost-effective level, comparable with that of other European countries.

In the cartel proceedings against the German cement industry, fines of EUR 278.5 million were imposed on HeidelbergCement, including Anneliese Zementwerke, in April 2003. We filed an immediate appeal against the penalty notice. The decision on the appeal rests with the Düsseldorf High Court (Oberlandesgericht), which is not expected to deal with the case until 2005. We continue to believe that, for the most part, the accusations will not be substantiated, particularly since the German Federal Cartel Office (Bundeskartellamt) has already called off the investigations into most of the medium-sized companies, including participations of HeidelbergCement.

The Group has seen a number of changes, not only in Germany but also internationally. As of 1 January of this year, we combined the cement operations in Belgium and in the Netherlands to form the new organisational unit CEM BENE. We hope that the common organisational structure will help us to achieve an improved adjustment to the market as well as additional cost savings. Heidelberg Building Materials Europe (HBE) now trades under the name of maxit Group. This new name has allowed the strongest brand in the building materials sector to assert itself. In addition, we were also keen to drop the image of being restricted to Europe, which the name HBE seemed to suggest.

Since 1 January 2004, our Indonesian participation Indocement has been fully included in the consolidation scope. This will increase the number of employees at HeidelbergCement by 7,300 to around 45,000 employees. Indocement will contribute substantially to the Group's operating income before depreciation (2003: USD 149 million). Through this consolidation and the increase in our participation in the Chinese cement manufacturer China Century Cement to 49 % during the previous year, we have already come very close to our strategic aim of increasing the share of growth markets in Group turnover to 30 %. Our positive experiences so far encourage us to continue investing in growth markets.

Proceeds from disinvestments and three capital measures totalling EUR 2.6 billion, which we carried out successfully in summer 2003, were used first and foremost for refinancing and further reduction of the Group's debts. Whereas at the start of 2003, we reported net debt of EUR 4.3 billion and a gearing, i.e. the ratio of net financial liabilities to shareholders' equity, of 112 %, we were able to decrease the net indebtedness to EUR 3.6 billion and the gearing to 86 % at the year-end. Debt and cost reductions will again be a priority in 2004. Our aim is to improve the key figures to achieve again a higher rating by rating agencies in the medium-term.

Thanks to our balanced geographical portfolio, we succeeded again in containing the effects of the weak German market on the Group annual accounts, to which the value increase of the euro was added. Although cement and clinker sales volumes exceeded the 50 million tonnes mark for the first time, turnover fell to EUR 6,372 million. As announced, we reached an operating income before depreciation of EUR 1,024 million. Due to the unsatisfactory earnings situation on the German market and currency effects, operating income fell to EUR 391 million, finally bringing us to a Group share in profit of EUR 117 million. Taking into account the improved business prospects, this allows us to propose the payment of a dividend of EUR 1.15 per share to the Annual General Meeting.

The Deutsche Bank stepped down from the group of major shareholders as part of their planned withdrawal from industrial participations. This means that the remaining major shareholders are Allianz group, Dr. h.c. Adolf Merckle and Schwenk Beteiligungen GmbH & Co. KG. Since the capital increase, there have been around 100 million shares of

HeidelbergCement AG in circulation. We are pleased to note that, with this higher quantity, the average daily turnover has noticeably increased and thereby strengthened our position in the MDAX.

My sincere thanks to you, the shareholders, for the trust that you place in me and in my colleagues on the Managing Board. I would also like to thank all of the Group's employees, who contribute day by day in 50 countries to the Group's success, as well as the Supervisory Board members, my colleagues on the Managing Board and the employee representatives, who have supported us in the difficult decisions we had to make during the past year with farsightedness, mutual respect and trust. This applies particularly to Håkan Fernvik and Paul Vanfrachem, who will leave the Managing Board of HeidelbergCement in the middle of the year and go into well-earned retirement, as well as to the members of the Supervisory Board who will leave the board at the Annual General Meeting on 6 May 2004. I would like to thank them all for their tremendous work for our Group!

Even if we must continue to live with a strong, perhaps too strong, euro, we expect to see a change for the better for HeidelbergCement in 2004, thanks to the new consolidations in Asia and an improved earnings position in Germany.

Yours sincerely,



Hans Bauer
Chairman of the Managing Board

Report of the Supervisory Board

Ladies and Gentlemen,

The Supervisory Board of Heidelberg Cement AG has carried out the tasks assigned to it by law, by Company Statute and by Corporate Governance Principles and has monitored the company management on a continuous basis. It has been periodically and fully informed by the Managing Board both in writing and verbally about the economic situation and the development of the company and of the Group, the planned business policies, fundamental issues about future company management and regarding significant individual events. The Supervisory Board has discussed all these reports with the Managing Board and taken the necessary decisions.

Four ordinary meetings of the Supervisory Board and two extraordinary meetings took place in the 2003 financial year. The Supervisory Board was fully informed by the Managing Board, even between meetings, about projects and plans that were of particular importance to the Group or in need of a speedy response and – if required – asked for approval. The Chairman of the Supervisory Board was also in regular close contact with the Managing Board outside the meetings of the Supervisory Board and was kept informed about the current development, the business conditions and important individual transactions.

The Supervisory Board is supported in its activities by three committees, which are each composed equally of representatives of shareholders and employees.

In three meetings, the Personnel Committee of the Supervisory Board dealt with personnel matters of the Managing Board and stock option plans for the Managing Board and senior managers.

The newly formed Audit Committee also met three times. It prepared the decision of the Supervisory Board concerning the adoption of the annual accounts, the appointment of auditors and the establishment of focal points for the audit.

The Arbitration Committee, formed in accordance with § 27, section 3 of the German Codetermination Law, had no cause to meet.

The central themes of the discussions in the Supervisory Board included regular reports on the progress of the operating activities in the Group, on the development of turnover, costs and results, on the financial situation as well as on significant participations. The business plan, particularly in respect of finance and investment, was dealt with in detail. Business that required the approval of the Supervisory Board was closely examined and discussed with the Managing Board. During the discussions – especially in the two extraordinary meetings – emphasis was placed in particular on the Group's refinancing program, which was successfully completed in the summer and consisted of a capital increase for cash, a high yield bond and a syndicated loan with a total volume of EUR 2.6 billion.

An additional focal point was the continuing difficult situation in the German cement market. Besides extensive rationalisation measures at all locations, a further reduction of production capacities in South Germany was unavoidable. The discontinuation of clinker production in the Mainz-Weisenau cement plant and the closing down of one of the two kilns in the Schelklingen plant were accompanied by further job losses, but represent a



Dr. Wolfgang Röller
Chairman of the Supervisory
Board of HeidelbergCement

necessary adjustment of capacities to the market conditions. After the acquisition of the Wetzlar cement plant and the Königs Wusterhausen grinding plant, and increasing shares in Anneliese Zementwerke AG to 97 %, HeidelbergCement has become the market leader in Germany. The acquisition of the Bosenberg cement plant in Ahlen/North Rhine-Westphalia at the start of 2004 and its planned conversion into a grinding plant are also making a contribution to the consolidation of the German cement industry and the long-term safeguarding of our Group in Germany. The situation of the building materials unit maxit Group and its restructuring measures were also discussed in detail.

The Supervisory Board has discussed the disinvestment programme, based on the 2003 to 2007 strategic guidelines, in detail with the Managing Board. Disinvestments in the regions Central Europe West, Western Europe, Northern Europe, Central Europe East, Africa-Asia-Turkey and maxit Group were considered and the necessary decisions were made.

A focus of intensive discussions with the Managing Board and a special subject of one extraordinary meeting were the cartel proceedings and the fine imposed by the German Federal Cartel Office (Bundeskartellamt) against HeidelbergCement AG. The Managing Board fully informed the Supervisory Board about the factual and legal aspects of the events. In doing so, the Managing Board stated in a clear and credible manner that the accusations brought against the company were, for the most part, incorrect, and the imposed fine was totally unreasonable because the evidence was insufficient to ascertain that additional revenues had been generated. The Supervisory Board therefore supports the Managing Board in its stance of resolutely opposing unjustified charges. Having received the penalty notice, the company – like other companies affected – filed an appeal.

The Supervisory Board has dealt with issues relating to the Corporate Governance Code on several occasions. In spring, the newly appointed Audit Committee was set up. In autumn, the changes of the Corporate Governance Code were discussed and adopted with one exception. The recommendation on individualised publication of the Managing Board's remuneration was not adopted. The Members of the Managing Board regard this as an intrusion on their privacy. The Supervisory Board respects this decision; particularly as it is of the opinion that publishing the total sum of the Managing Board's remuneration will adequately fulfil the shareholders' demand for information. The system of compensation for the Managing Board was presented and discussed in the Personnel Committee and in the plenary session of the Supervisory Board. The granting of virtual stock options for the Managing Board and around 100 senior managers decided on by the Supervisory Board corresponds to the increased requirements of the Corporate Governance Code. Detailed information on the remuneration system for the Managing Board and on stock option plans can be found on pages 79 and 80.

Finally, the Supervisory Board performed the efficiency audit required by the Code. In this respect, the Chairman of the Supervisory Board distributed to the members of the Supervisory Board a questionnaire on all aspects of the activities, working methods and responsibilities of the Supervisory Board and discussed it in detail in separate talks with the employee and shareholder representatives. The result of these talks was presented to the plenum and discussed finally.

All areas of risk that were identifiable from the point of view of the Managing Board and the Supervisory Board and the risk management system were discussed in detail.

The auditors also carried out an intensive examination of the risk management system. This confirmed that the Managing Board has taken the measures required in accordance with § 91, section 2 of the German Stock Corporation Act and has provided a monitoring system that is capable of recognising developments at an early stage that jeopardise the survival of the company.

The annual accounts of HeidelbergCement AG, the Group annual accounts as of 31 December 2003 and the combined report to the shareholders for the Company and the Group, as prepared by the Managing Board, were examined by the independent auditors elected at the Annual General Meeting on 8 May 2003 and appointed by the Supervisory Board, Ernst & Young Deutsche Allgemeine Treuhand AG Wirtschaftsprüfungsgesellschaft, Stuttgart. The auditors gave the accounts the unqualified confirmation.

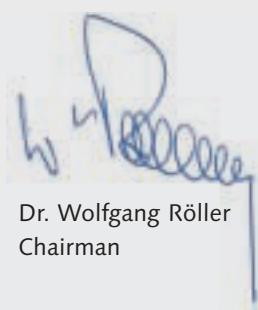
All annual accounting documents and the auditor's reports have been sent in time to the members of the Supervisory Board. The Audit Committee in the presence of the auditors responsible for the annual accounts examined the annual accounts intensively on 17 March 2004. On 24 March 2004, the Supervisory Board discussed them intensively. The auditors reported on the basic findings of their examination and provided detailed answers to questions. The Supervisory Board approved the audit results. It examined the company and the Group annual accounts, the combined report to the shareholders as well as the Managing Board's recommendation for the use of net profit shown in the balance sheet. No objections were raised 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.

Senator h.c. Dr. rer. pol. Eberhard Schleicher left the Supervisory Board at the end of the Annual General Meeting on 8 May 2003. Continuing a long family tradition, Dr. Schleicher has been a member of the Supervisory Board since 1975. He has actively helped to mould the Group and accompanied its development from a Southern German cement manufacturer to an internationally positioned Group. We would like to thank him for his extraordinary commitment and trustworthy collaboration. The Annual General Meeting elected Mr Fritz-Jürgen Heckmann as a shareholder representative on the Supervisory Board for the remainder of the current period of office.

The Supervisory Board thanks the Managing Board, the managers, the employee representatives and all the employees for their high level of personal dedication and their accomplishments during the 2003 financial year.

Heidelberg, 24 March 2004

On behalf of the Supervisory Board



Dr. Wolfgang Röller
Chairman

Managing Board



Hans Bauer

Born in Nuremberg, Germany, aged 59 years, studies in business administration at Nuremberg, Germany.

Since 1970 at HeidelbergCement, member of the Managing Board since 1997 and its Chairman since 2001, in charge of Group Strategy and Development.

Horst R. Wolf

Born in Stuttgart, Germany, aged 60 years, studies in business administration and mathematics at Mannheim and Constance, Germany.

Since 1981 at HeidelbergCement, member of the Managing Board since 1994, in charge of Group Finance and Controlling.

Helmut S. Erhard

Born in Klingenbrunn, Germany, aged 60 years, studies in mining engineering at Clausthal, Germany.

Since 1971 at HeidelbergCement, member of the Managing Board since 1999, in charge of the region North America and HeidelbergCement Technology Center.

**Håkan Fernvik**

Born in Falun, Sweden,
aged 60 years,
studies in mining engi-
neering at Stockholm.

Since 1969 at Scancem,
the Scandinavian
subsidiary of
HeidelbergCement,
member of the Managing
Board since 2000,
in charge of the region
Northern Europe.

Daniel Gauthier

Born in Charleroi,
Belgium,
aged 47 years,
studies in mining engi-
neering at Mons, Belgium.

Since 1982 at CBR, the
Belgian subsidiary of
HeidelbergCement,
member of the Managing
Board since 2000,
in charge of the region
Central Europe East.

Andreas Kern

Born in Neckarsteinach,
Germany,
aged 45 years,
studies in business
administration at
Mannheim, Germany.

Since 1983 at
HeidelbergCement,
member of the Managing
Board since 2000,
in charge of the region
Central Europe West
and maxit Group.

Paul Vanfrachem

Born in Brussels,
aged 60 years,
studies in civil engi-
neering at Brussels.

Since 1987 at CBR,
the Belgian subsidiary
of HeidelbergCement,
member of the Managing
Board since 1994,
in charge of the regions
Western Europe,
Africa-Asia-Turkey and of
HC Trading.

Supervisory Board

Dr. rer. pol. Wolfgang Röller

Chairman
Frankfurt
Honorary Chairman of the Supervisory Board,
Dresdner Bank AG

Heinz Schirmer

Deputy Chairman
Schelklingen
Chairman of the General Council of Employees,
HeidelbergCement AG and Chairman of the
Council of Employees at the Schelklingen plant

Heinz-Josef Eichhorn

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

Prof. Dr. Bernd Fahrholz

Frankfurt
Chairman of the Managing Board,
Dresdner Bank AG until 25 March 2003 and
Deputy Chairman of the Managing Board,
Allianz AG until 25 March 2003

Wilhelm Fürst

Mainz
Chairman of the Council of Employees in the
Mainz-Weisenau plant, HeidelbergCement AG

Veronika Füss

Schelklingen
Chairwoman of the Council of Employees in the
Schelklingen sales office, HeidelbergCement AG

Fritz Jürgen Heckmann

since 8 May 2003
Stuttgart
Attorney

Waltraud Hertreiter

Munich
Member of the Managing Board,
Schaltbau Holding AG

Rolf Hülstrunk

Mainz
Former Chairman of the Managing Board,
HeidelbergCement AG

Josef Löffler

Schelklingen
Member of the Council of Employees of
Employees at the Schelklingen plant

Ludwig Merckle

Ulm
Managing Director, Merckle GmbH

Senator h.c. Dr. rer. pol. Eberhard Schleicher

until 8 May 2003
Ulm
Partner with unlimited liability,
Schwenk Zement KG

Eduard Schleicher

Ulm
Partner with unlimited liability,
Schwenk Zement KG

Wilhelm Schwerdhöfer

Triefenstein-Lengfurt
Chairman of the European Works Council,
HeidelbergCement, and Chairman of the Council
of Employees in the Lengfurt plant,
HeidelbergCement AG

Karl-Heinz Strobl

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

Meinhard Thrul

Burglengenfeld
Director of the sales region Southeast,
HeidelbergCement AG

Dr. rer. pol. Ulrich Weiss

Frankfurt
Former member of the Managing Board,
Deutsche Bank AG

Supervisory Board Committees

Arbitration Committee

according to § 27, section 3 of Codetermination Law (Mitbestimmungsgesetz)
 Dr. rer. pol. Wolfgang Röller (Chairman)
 Heinz-Josef Eichhorn
 Heinz Schirmer
 Dr. rer. pol. Ulrich Weiss

Audit Committee

Dr. rer. pol. Wolfgang Röller (Chairman)
 Josef Löffler
 Ludwig Merckle
 Heinz Schirmer

Personnel Committee

Dr. rer. pol. Wolfgang Röller (Chairman)
 Heinz Schirmer
 Eduard Schleicher
 Meinhard Thrul

Advisory Council

Rolf Hülstrunk

Chairman
 Mainz
 Member of the Supervisory Board,
 HeidelbergCement AG

Edward L. Baker

until 31 December 2003
 Jacksonville, Florida/US
 President Florida Rock Industries, Inc.

John D. Baker II

since 1 January 2004
 Jacksonville, Florida/US
 Chief Executive Officer
 Florida Rock Industries, Inc.

Donald Fallon

Brussels/Belgium
 Former member of the Managing Board,
 HeidelbergCement AG, and former Chairman
 and Chief Executive Officer,
 S.A. Cimenteries CBR

Larry Hirsch

Dallas, Texas/US
 Chairman and Chief Executive Officer,
 Centex Corp.

Dr.-Ing. Jochen F. Kirchhoff

Iserlohn
 Chairman of the management,
 Kirchhoff-Gruppe

Karl Kronimus

Iffezheim
 Chairman of the Supervisory Board,
 Kronimus AG

Jacques Merceron-Vicat

Paris/France
 President and General Director, Vicat S.A.

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

Blaubeuren
 Managing Partner,
 VEM Vermögensverwaltung GmbH

Friedrich von Metzler

Frankfurt
 Managing Partner,
 B. Metzler seel. Sohn & Co. KGaA

Marinus Platschorre

Rotterdam/Netherlands
 Former President, TBI Holdings B.V.

Share and financing

■ Overview

Earnings per share in accordance with IAS 33 for the financial year 2003 were EUR 1.41 (previous year: 3.90). More than 10,000 shareholders of HeidelbergCement will receive a dividend again this year totalling EUR 1.15 per share. Thereby, we return to our long-standing tradition of paying out a cash dividend.

Capital increases and a stock dividend increased the total number of shares in 2003 by almost 36 million to around 100 million. With a closing price at the end of 2003 of EUR 33.51, our shares were listed 16% higher than at the end of the 2002. Market capitalisation totalled around EUR 3.3 billion on 31 December 2003.

In spring 2003, the rating agencies Standard & Poor's and Moody's downgraded our credit quality. Despite this lowering of our credit rating, we were able to successfully execute three capital measures with a total volume of EUR 2.6 billion at mid-year as part of a refinancing programme. The aim of these measures was to refinance with an improved maturity structure and reduce existing liabilities.

■ Capital increase against contribution in-kind and stock dividend

As part of the acquisition of the German Wetzlar cement plant, we performed a capital increase against contribution in-kind from the company's authorised capital. Thereby, the share capital rose by EUR 5 million through the issue of almost 2 million new shares.

On 8 May 2003, the ordinary Annual General Meeting authorised to grant a stock dividend instead of a cash dividend, i.e. a capital increase out of retained earnings, in the amount of the previous year's dividend. Approximately 2.7 million new shares were issued, with one new share for every 24 existing shares. The share capital was increased by around EUR 7 million.

Details of the cash capital increase that was also performed in 2003 are provided in the "Group financial management" section on page 15.

HeidelbergCement AG share capital: development 2003

	Share capital EUR '000s	Number of shares
1 January 2003	163,468	63,854,741
Capital increase against contribution in-kind	5,000	1,953,125
Withdrawal of company shares		-10
Stock dividend	7,020	2,741,994
Cash capital increase	79,616	31,100,000
31 December 2003	255,104	99,649,850

■ Development of the HeidelbergCement share

The development of the HeidelbergCement share in 2003 was marked by a fair degree of volatility. The downwards trend experienced during the previous year initially continued; on 27 February, the share price finally reached its lowest point of EUR 17.99 and was only able to recover slightly during the months that followed. When the refinancing programme described on pages 15 and 16 was completed at the beginning of July 2003, there was a change of mood: after the successful placement of the capital measures, investors' interest increased, followed by the share price. The daily trading volume before the capital measures was an average of 89,000. In the second half of the year, it increased to an average of 225,000 - two and a half times greater. The share reached its highest level in October at EUR 36.75 and closed the year 2003 at EUR 33.51.

Overall, HeidelbergCement's share price rose by 16% in 2003. The historical share price must be recalculated within the context of the new shares issue as part of the stock dividend and the cash capital increase. The share price at the end of the year 2002 was recalculated at a level of EUR 29.01. The MDAX developed better, achieving a plus of 48% in the financial year. The global industry index MSCI World Construction Materials Index likewise gained 48%.

Development of the HeidelbergCement share* 2003

EUR	2003
Year-end share price 2002 (recalculated)	29.01
Highest share price	36.75
Lowest share price	17.99
Year-end share price 2003	33.51
Shareholders' equity per share	42.00
Change compared with 31 Dec. 2002	
HeidelbergCement share	16 %
DAX	37 %
MDAX	48 %
MSCI World Construction Materials Index	48 %
Market value on 31 Dec. 2003 (EUR '000s)	3,339,266

* ISIN DE0006047004 * WKN (German security identification code) 604700

Share and financing

Report to the shareholders

On the market

HeidelbergCement annual accounts

Notes

HeidelbergCement shares are represented in 18 European share indices and therefore rank among the most important building materials securities 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 Dow Jones Stoxx 600 Construction Index, which includes the largest 26 European construction shares and construction second-line shares. In addition, our shares are taken into account in the Morgan Stanley Capital International (MSCI) indices. Measured against the weighting of the HDAX share index, HeidelbergCement was at position 37 of the 110 largest quoted companies in Germany at the end of 2003.

The HeidelbergCement share was delisted from the Brussels stock exchange at the end of 2003. Our share is listed on the Prime Standard stock market segment of the Frankfurt stock exchange and on several regional German stock exchanges.

■ Shareholders

Our Group's shareholder structure involving large shareholders, institutional investors and private investors once again proved supportive in 2003. According to the notifications available to us in accordance with § 21 German Securities Trading Act (Wertpapierhandelsgesetz), the main shareholders are Schwenk Beteiligungen GmbH & Co. KG (22.44 %), Dr. h.c. Adolf Merckle (12.80 %) and Allianz group (7.54 %). Deutsche Bank AG disposed of its shareholding in HeidelbergCement in 2003 as part of its withdrawal from industrial participations.

■ Dividend payment

The Managing Board and Supervisory Board recommend a dividend of EUR 1.15 per share for the financial year 2003. Thereby, we are returning to the tradition of continuity in our cash dividends, after issuing a stock dividend (i.e. a capital increase out of retained earnings) in the amount of the 2001 dividend for the first time for the financial year 2002.

■ Group financial management

Like many other companies in 2003, HeidelbergCement suffered the effects of its ratings being downgraded. In spring, both Moody's Investors Service and Standard & Poor's downgraded their credit ratings for HeidelbergCement. One of the determining factors in the rating agencies' decision was the difficult situation on the German cement market. Our long-term credit quality is now rated as Ba1 by Moody's and BB+ by Standard & Poor's. Both of these ratings are sub-investment grade. In the area of short-term debt financing, the rating agencies classified HeidelbergCement respectively as not prime and B.



Despite the reduction in our credit rating, HeidelbergCement was able to present itself on the money markets throughout last year on an active, continuous basis and perform a series of highly successful capital market transactions. The Group's Euro Commercial Paper Programme continued to be a mainstay of our money market activities, with pleasing issuance volumes; the average outstanding volume was approximately EUR 50 million. Around EUR 200 million was issued under the Euro Medium Term Note (EMTN) Programme during the reporting period; scheduled retirements of issues under the programme amounted to around EUR 20 million.

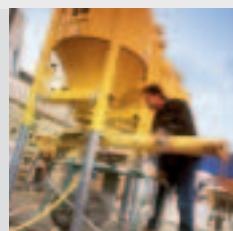
The focal point of our capital market activities was the successful implementation of a refinancing programme with a total volume of EUR 2.6 billion. This comprehensive financing concept included a cash capital increase with subscription rights for existing shareholders totalling EUR 404 million, the issue of a high yield bond totalling EUR 700 million, as well as the implementation of a syndicated loan totalling EUR 1.5 billion. The package enabled us to reduce net financial liabilities, as well as to restructure Group finances. Existing liabilities totalling EUR 1.46 billion - of which some EUR 1 billion was attributable to two syndicated loans - were refinanced and short-term liabilities were exchanged for long-term liabilities. Due to the syndicated loan the Group is now provided with comfortable committed confirmed credit lines that are currently undrawn in the amount of around EUR 1 billion.

Details of the 2003 capital measures:

- Cash capital increase with subscription rights

The cash capital increase included 31.1 million new shares that were issued with subscription rights for the shareholders of HeidelbergCement. As a result, the number of shares rose from 68.5 million to 99.6 million. For every eleven existing shares, the shareholder received the right to subscribe for five new shares at an issue price of EUR 13. The new shares will have full dividend-bearing rights for the 2003 financial year.

Some large shareholders of HeidelbergCement had already announced in advance that they would be exercising their subscription rights and subscribe for new shares. During the two-week subscription period from 17 to 30 June 2003, more than 99 % of the subscription rights for the new HeidelbergCement shares were exercised by existing and new shareholders. This resulted in an increase of EUR 79.6 million in the share capital to EUR 255.1 million and the company received a gross amount of EUR 404 million in cash.



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- High yield bond

HeidelbergCement successfully issued the largest single high yield bond to date in Europe via its subsidiary HeidelbergCement Finance B.V. As a result of the high level of demand, the issue volume was increased from EUR 600 million to EUR 700 million. The bond (ISIN XS0172006156, WKN 896521), issued on 8 July 2003 has a term of seven years and a coupon of 7.375 % p.a.

- Syndicated loan

The Group's new syndicated loan totalling EUR 1.5 billion was inceptioned on 1 July 2003. The syndicate includes more than 20 European and American financial institutions. The facility consists of two tranches: facility A has a volume of EUR 430 million and a tenor of one year (with a six-month extension option in respect of a EUR 200 million portion); facility B has a volume of EUR 1,070 million with a three year tenor.

In the 2003 financial year, we have again kept the majority of the Group's net debt on a variable interest basis. However, by reducing the proportion of variable interest-bearing debt to around 63 % of the Group's net debt, the interest duration of the financial liabilities was increased. In line with internal Group treasury policies, currency risks resulting from transactions were systematically hedged throughout the year 2003.

■ Investor Relations

After the successful placement of the capital measures in the middle of the year, investors' interest in HeidelbergCement increased strongly, with a resulting rise in the trading volume of the HeidelbergCement share. Dialogue with shareholders, analysts and potential investors intensified accordingly. We contacted institutional investors and financial analysts from all the leading banks in 2003 using the following actions:

- Around 100 one-on-one discussions, which took place partly in Heidelberg, but also during road-shows and conferences
- Two analysts' conferences for the annual and half-year accounts in Frankfurt and Heidelberg, respectively, and London with a total of over 100 participants
- International conference calls for the quarterly accounts and for significant individual topics
- A total of ten road shows for investors in Germany, United Kingdom, France, Belgium, Denmark, Sweden, Ireland and the Netherlands
- Attendance at three international conferences for investors
- Plant visits and tours as part of investor relations events
- Dispatch of investor relations information by fax and email.

We offer our private investors the same level of information as the institutional investors and analysts via the following media:

- Our Internet site provides comprehensive news about the Group (www.heidelbergcement.com). Presentations from analyst conferences and conference calls can also be accessed online.
- Contact people are available for discussion on our shareholder hotline (+49 (0) 62 21 / 481-696).

■ Earnings per share

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

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

EURm	2002	2003	change
Profit for the financial year	262.5	133.5	-49.2 %
Minority interests	-14.3	-16.9	18.2 %
Group share in profit	248.2	116.6	-53.0 %
Number of shares in '000s (weighted average)	63,660	82,519	29.6 %
Earnings per share in EUR (IAS 33)	3.90	1.41	-63.8 %

■ HeidelbergCement AG annual accounts

The profit and loss accounts, fixed asset grid and balance sheet of HeidelbergCement AG are shown on pages 103 to 107.

The complete annual accounts of HeidelbergCement AG, bearing the unqualified audit opinion of Ernst & Young Deutsche Allgemeine Treuhand AG Wirtschaftsprüfungsgesellschaft will be published together with Group annual accounts in the German Federal Gazette (Bundesanzeiger) and deposited in the Register of Companies of the Local Court (Amtsgericht) of Heidelberg, HRB No. 82. Copies can be obtained on request from HeidelbergCement AG.



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Key financial ratios

	2000	2001	2002	2003
Assets and capital structure				
Shareholders' equity/total capital	33.1 %	32.7 %	34.5 %	38.4 %
Net financial liabilities/balance sheet total	37.2 %	37.4 %	37.8 %	33.1 %
Long-term capital/fixed assets	106.1 %	101.7 %	106.6 %	108.8 %
Gearing (net financial liabilities/shareholders' equity)	121.1 %	125.3 %	111.9 %	86.1 %
Earnings per share				
Price/earnings ratio	8.2	14.1	9.1	23.8
Earnings per share (EUR)	5.90	3.83	3.90	1.41
Group growth				
Turnover	6.6 %	-1.8 %	-1.8 %	-3.0 %
Group share in profit	37.4 %	-34.5 %	1.7 %	-53.0 %
Shareholders' equity	11.7 %	5.8 %	-0.1 %	8.8 %
Investments in tangible fixed assets (EURm)	654	817	457	386
Investments in financial fixed assets (EURm)	495	412	218	227
Cash flow (EURm)	911	788	953	790
Profitability				
Return on total assets	8.2 %	6.6 %	6.1 %	5.9 %
Return on equity	11.0 %	6.6 %	6.8 %	3.2 %
Return on turnover	5.9 %	3.8 %	4.0 %	2.1 %
ROCE (Return on capital employed)*		6.3 %	6.1 %	4.7 %
* ROCE = NOPAT/capital employed				
Capital employed (EURm)		9,826	9,994	9,953
NOPAT (Net operating profit after tax) (EURm)		615	613	463



HeidelbergCement report to the shareholders

2003 business trend

■ Economic environment

The global economic environment has further improved during 2003. The political uncertainty has lessened since the end of the war in Iraq and the financial markets are on course for recovery. The worldwide economic recovery began with extremely dynamic development in the US. The strong growth track of the US economy also had an increasingly positive effect on the euro zone. In Germany, however, the economy stagnated.

In the euro zone, construction volumes were slightly below the previous year's level. However, excluding Germany, which contributes one fifth of West European construction volumes, growth amounts to 1 %. In Germany, the decline in construction investments in all building areas continued. The sharpest fall was in public sector construction and commercial construction. The number of completed dwellings reached an absolute low, at approximately 280,000 units.

In our Western Europe region, construction activity development varied. Whereas the United Kingdom continues to show stable growth rates, the Benelux countries are adversely affected by the continuing weak economic situation and the construction industry's historically low order levels. In addition, the markets in Belgium and the Netherlands were impaired by high imports from Germany.

The countries of the Northern Europe region likewise displayed varied development. Construction activity in Scandinavia was slightly weaker than in the previous year. In Estonia and Northwest Russia, on the other hand, construction activity increased substantially.

Construction activity in the Central Europe East region showed positive progress in all countries, with the exception of Poland.

In the US, the construction sector benefited from healthy general economic development. Canada's economy continued to achieve pleasing development, mainly in the western provinces; this is also reflected in robust residential construction activity and increasing cement consumption.

In our African markets - particularly in Sierra Leone, Ghana, Togo, Angola and Tanzania - the situation improved markedly in 2003. In Asia, the dynamic macroeconomic conditions continued, mainly due to strong export activity. The economy in Turkey is also slowly stabilising; the structural reforms have been continuing and construction activity is also recovering.

■ Increase of 0.4% in adjusted turnover

HeidelbergCement was able to hold its ground, even in the difficult environment in 2003. We have consistently continued our measures for cost saving and restructuring to achieve better utilisation of capacities. We have continued to concentrate on the core business and pursue our aim of becoming the regional market leader with our cement activities. For this reason, we have sold various activities in 2003, either because they were non-core business or because we saw no opportunity to further expand our market positions in the respective countries in the long term. Among others, this affected our involvement in Luxembourg, Bulgaria and the Philippines.

In 2003, turnover fell by 3 % to EUR 6,372 million (previous year: 6,570). This decline is mainly attributable to the weakness of the US dollar: The effect of the devaluation of the US dollar was set against the increase in turnover from new consolidations at EUR 453 million. A minus of EUR 222 million resulted from disinvestments. Adjusted for currency and consolidation effects, turnover increased slightly by 0.4 %.

For the first time, HeidelbergCement exceeded the 50 million tonnes mark for cement and clinker sales volumes: Cement and clinker sales volumes increased across the Group in 2003 by 11.5 % to 51.1 million tonnes (previous year: 45.8). Thereof, 4.7 million tonnes came from newly included locations in Germany, Romania, China, Poland and Africa. Adjusted for volumes related to consolidation, the increase amounted to 1.7 %.

■ Results adversely affected by exchange rate effects and German market

The fall in operating income before depreciation (OIBD) of 11 % to EUR 1,024 million (previous year: 1,147) and in operating income of 22 % to EUR 391 million (previous year: 500) essentially results from the unsatisfactory earnings situation on the German market, which eased only somewhat during the last few months, as well as from currency effects.

Cement and clinker sales volumes

	1,000 tonnes	2002	2003
Central Europe West	5,262	5,262	7,560
Western Europe	9,167	9,167	8,750
Northern Europe	5,326	5,326	5,361
Central Europe East	8,751	8,751	9,720
North America	11,861	11,861	12,531
Africa-Asia-Turkey	5,427	5,427	7,144
Total	45,794	45,794	51,066

Counteractive currency effects dampened the improvement in financial results; it amounts to EUR -222 million (previous year: -228). In 2003, book profits from sales exceeded expenses for restructuring and further measures for risk provisions, with the result that we achieved an additional ordinary result of EUR 22 million (previous year: -1). Profit before tax fell by 18% to EUR 280 million (previous year: 343). Tax expenses amount to EUR 146 million (previous year: 80). Adjusted for prior year effects, the tax ratio before amortisation of goodwill is 27.2 % (previous year: 32.1 %). The profit for the financial year amounts to EUR 133 million (previous year: 262) and was 49 % below the previous year.

■ Business trend in the regions

Declining construction investments, strong price deterioration and high excess capacities had an adverse effect on the German market. We have responded to this by further streamlining capacities in Southern Germany and by strengthening our market position in Northwest and Eastern Germany. In total, our cement and clinker sales volumes in **Central Europe West** rose by 44% to 7.6 million tonnes (previous year: 5.3) in 2003. Excluding the new consolidations, the growth rate was 4 %. The Bosenberg cement plant in Ahlen/North Rhine-Westphalia, which was acquired at the beginning of 2004, will operate as a grinding plant and strengthen our efficient network of plants in the further course of the year. The ready-mixed concrete line, which suffered from heavily declining prices, recorded volume increases as a result of new locations being included. We have restructured the concrete

Group profit and loss accounts (short form)

EURm	2002	2003	change
Turnover	6,570	6,372	-3 %
Operating income before depreciation (OIBD)	1,147	1,024	-11 %
Depreciation of tangible and intangible fixed assets	-647	-633	-2 %
Operating income	500	391	-22 %
Additional ordinary result	-1	22	
Results from participations	71	89	25 %
Earnings before interest and income taxes (EBIT)	570	502	-12 %
Financial results	-228	-222	-2 %
Profit before tax	343	280	-18 %
Taxes on income	-80	-146	82 %
Profit for the financial year	262	133	-49 %
Group share in profit	248	117	-53 %



products activities across Germany and combined the activities in concrete paving stones by founding the joint venture "Lithonplus" together with Schwenk Betontechnik. Whereas the sales volumes of aggregates, like sand and gravel, rose slightly, against the general market trend, sales volumes for lime were below the previous year. We have united the sand-lime bricks operations under the brand "Heidelberger Kalksandstein" and strengthened our market position with an extensive range of services.

Turnover rose by 4.3 % compared to the previous year to EUR 787 million (previous year: 755). The contribution of Central Europe West to the Group's operating income before depreciation (OIBD) fell to below 5 %. The weak market and ruinous price competition also resulted in earnings before interest and income taxes (EBIT) of EUR 20 million (previous year: 79). Price increases already implemented or announced in the cement line will markedly improve our earnings situation again in 2004.

With the varied economic environment in the individual countries of the **Western Europe** region, cement and clinker sales volumes fell overall by 4.5 % to 8.8 million tonnes (previous year: 9.2). Sales volumes in Belgium and the Netherlands decreased by 7.8 % to 5.6 million tonnes (previous year: 6.1), while we were able to achieve slight increases in the United Kingdom. To allow us to adjust better to the market and to reduce costs, we joined the Belgian and Dutch cement operations to form the new organisational unit CEM BENE at the beginning of 2004. Ready-mixed concrete sales volumes also fell as a result of low demand and cheap imports from Germany. In the area of aggregates, sales volumes increased substantially due to the inclusion of six new locations in Belgium as well as the Dutch participation, Paes.

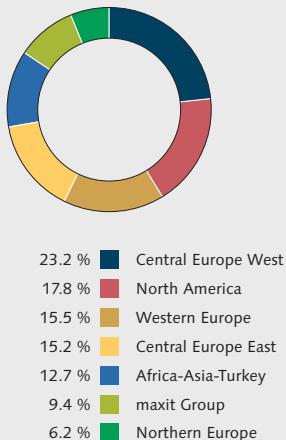
Turnover in the Western Europe region fell by 6.2 % to EUR 959 million (previous year: 1,023). EBIT was substantially below the previous year at EUR 64 million (previous year: 111).

Cement and clinker sales volumes in the **Northern Europe** region increased by 0.7 % to 5.4 million tonnes (previous year: 5.3). The domestic sales volumes of our Scandinavian cement plants rose by just 3 %, while both plants in Estonia and Russia achieved a substantial increase of 17.3 %. Exports fell slightly overall. Ready-mixed concrete sales volumes increased, mainly as a result of new acquisitions in Norway, the Baltic States and Saint Petersburg. In Finland, we have sold our companies in the prefabricated concrete elements operating line.

As a result of the change in the scope of consolidation, turnover fell by 13.1 % compared to the previous year to EUR 758 million (previous year: 872). Like for like, turnover rose by 2.1 %. EBIT fell to EUR 22 million (previous year: 46).

In **Central Europe East**, both the construction industry and the overall economy again grew significantly more strongly than in the EU countries in 2003. In total, the cement and clinker sales volumes increased by 11 % to 9.7 million tonnes (previous year: 8.8) as a result of the newly-consolidated Ekocem plant in Poland and Romcif Fieni plant in Romania. At the end of 2003, we sold the Zlatna Panega plant, our only cement location in Bulgaria, since we could see no possibility of attaining a leading market position there. This means that HeidelbergCement is now the cement market leader in all countries within our Central

Investment in tangible fixed assets by regions



Europe East region. Deliveries of ready-mixed concrete and aggregates also rose substantially, with an increase of 12 % and 19 % respectively.

At EUR 627 million (previous year: 610), turnover was 2.7 % above the previous year. EBIT rose to EUR 95 million (previous year: 77).

Construction activity in the US and Canada also benefited from the continuing highly dynamic investments. Cement and clinker sales volumes in the **North America** region were 5.6 % above the previous year's level, with a total of 12.5 million tonnes (previous year: 11.9). We were able to increase our sales volumes in almost all market regions and win back market shares that had previously been lost. We achieved particularly welcome volume increases in Canada and in our white cement activities. In the concrete business line, sales volumes also performed positively, with regional variations.

As a result of the strong devaluation of the US dollar against the euro, turnover fell by 9.6 % to EUR 1,686 million (previous year: 1,865). In the national currency, turnover was 8.6 % above the previous year with USD 1,915 million (previous year: 1,764). Despite the weak dollar, EBIT amounted to EUR 187 million (previous year: 186). Calculated in US dollars, it increased by approximately 21 %. In terms of turnover, results, and cement and clinker sales volumes, North America continues to be the strongest region in the Group.

The cement and clinker sales volumes of our **Africa-Asia-Turkey** region increased by 31.6 % to 7.1 million tonnes (previous year: 5.4). Turnover rose by 15.8 % to EUR 492 million (previous year: 425). EBIT amounts to EUR 28 million (previous year: 23).

In **Africa**, demand continued to develop positively. In particular, our participations in Ghana, Togo, Sierra Leone, Angola and Tanzania were able to record substantial increases in sales volumes. The cement sales volumes of our consolidated subsidiaries increased - also as a result of the new consolidations in Tanzania, Nigeria and Gabon - to 3.6 million tonnes (previous year: 2.6). Including the associated companies, shipments amounted to 5.9 million tonnes.

Our cement sales volumes in **Asia** were 1.8 million tonnes (previous year: 1.2). They increased considerably as a result of the consolidation of the Chinese participation, China Century Cement. The company, proportionately included after the increase of our share to 49 %, was able to rise its sales volumes by 6.4 % to 3.3 million tonnes (consolidated volume since 1 July 2003: 0.8 million tonnes). In Bangladesh, sales volumes fell due to the continuing strong competitive pressure. The sales volumes of our joint venture in Brunei were stable.

As we could see no way of extending our cement activities in the Philippine market in the foreseeable future, we sold our only cement grinding plant in the Philippines - Limay Grinding Mill Corporation – in March 2003 as part of our disinvestment programme.

Sales volumes from our participation Indocement fell in 2003 by 3.9 % to 11.0 million tonnes (previous year: 11.5); however, it was possible to increase sales prices. Positive economic development and further disinvestments by Indocement led to a significant reduction in net indebtedness. Since the previously mandatory restrictions for the company on the appropriation of profits have been lifted, Indocement is fully consolidated as of 1 January 2004.

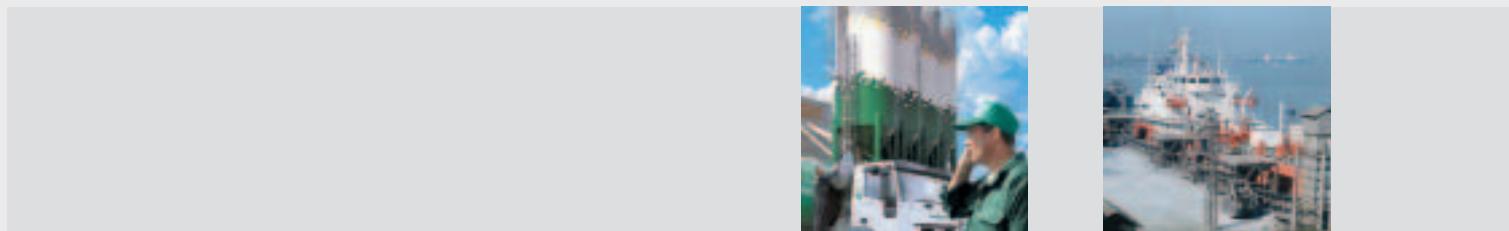
In **Turkey**, the construction industry recovered only slightly. Cement and clinker sales volumes from our participations Akçansa and Karçimsa exceeded the previous year's level by 4.9 %, with 4.3 million tonnes (consolidated: 1.7 million tonnes). Sales volumes of ready-mixed concrete experienced a double-digit increase.

On 30 October 2003, Heidelberg Building Materials Europe (HBE) was renamed **maxit Group**. The restructuring measures, primarily carried out for cost and marketing reasons, contributed to the business unit's overall improved performance. As part of the expansion

Segment reporting

EURm	Turnover		OIBD		Return on investment*		EBIT	
	2002	2003	2002	2003	2002	2003	2002	2003
Regions								
Central Europe West	755	787	102	46	14 %	5 %	79	20
Western Europe	1,023	959	231	177	15 %	12 %	111	64
Northern Europe	872	758	130	101	13 %	11 %	46	22
Central Europe East	610	627	153	169	18 %	18 %	77	95
North America	1,865	1,686	331	313	20 %	22 %	186	187
Africa-Asia-Turkey	425	492	60	72	12 %	12 %	23	28
maxit Group	1,010	1,021	131	136	16 %	17 %	43	54
Group Services	453	417	9	12	20 %	32 %	6	10
	6,570	6,372	1,147	1,024	16 %	15 %	570	502
Business lines								
Cement	3,461	3,349	751	639	15 %	13 %		
Concrete	2,155	2,099	234	216	24 %	19 %		
Building materials	1,234	1,182	153	157	16 %	17 %		
Group Services	453	417	9	12	20 %	32 %		
	6,570	6,372	1,147	1,024	16 %	15 %		

* Return on investment = OIBD/tangible and intangible fixed assets



of activities in growth markets, maxit Group is building a new production facility for dry mortar both in China and Russia.

Turnover rose by 1.1% compared to the previous year, to EUR 1,021 million (previous year: 1,010). EBIT rose by approximately EUR 11 million to EUR 54 million (previous year: 43).

With a total trade volume of 11.9 million tonnes (previous year: 11.1), HC Trading exceeded the previous year's record level by a further 6%. Cement deliveries, which increased by 24%, more than compensated for the declining clinker trade volumes. Our Group company HC Fuels was able to secure the cost-effective supply of coal to our plants by means of medium-term futures contracts. The 7.9% reduction in turnover in the **Group Services** business unit to EUR 417 million (previous year: 453) is essentially due to the strong devaluation of the US dollar.

■ Regional branches

HeidelbergCement AG has no regional branches either domestically or internationally.

■ Cash flow statement

In 2003, cash flow was slightly above the 2001 (EUR 788 million) value, at EUR 790 million (previous year: 953), after cash flow in 2002 benefited from the extraordinarily low tax payments. As planned, investments were kept at a low level to improve debt repayment. Proceeds from sales and cash from changes in consolidation scope due to acquisitions also served to reduce debts. In line with the capital increase against cash contributions carried out in the middle of the year 2003, we achieved a net capital inflow of EUR 392 million. Because a stock dividend was issued instead of a cash dividend for the 2002 financial year, dividend payments fell to EUR 17 million (previous year: 87). The net indebtedness, which still amounted to EUR 4.3 billion in 2002, was reduced as planned by EUR 0.7 billion to EUR 3.6 billion.

Group cash flow statement (short form)

EURm	2002	2003	diff.
Cashflow	953	790	-163
Changes in working capital	-8	-129	-121
Net cash from operating activities	945	661	-284
Investments (cash outflow)	-675	-612	63
Other inflows of cash and cash equivalents	277	321	44
Net cash used in investing activities	-398	-291	107
Capital increase	-1	392	393
Dividend payments	-87	-17	70
Long-term borrowings	-586	-597	-11
Net cash from financing activities	-674	-222	452
Changes in cash and cash equivalents	-168	125	293

■ Investments

In 2003, cash relevant investments in tangible and financial fixed assets amounted to EUR 612 million (previous year: 675).

EUR 386 million (previous year: 457) were invested in fixed assets (including intangible fixed assets). Therefore, they fell by EUR 71 million compared to the previous year. For the acquisition of the Wetzlar cement plant from Buderus new shares to the value of EUR 78 million and EUR 3 million of company shares and cash were used. This is a non-cash relevant investment.

Fixed assets investments

	EURm	2002	2003
Regions			
Central Europe West	43		108
Western Europe	85		72
Northern Europe	41		29
Central Europe East	82		71
North America	144		83
Africa-Asia-Turkey	27		59
maxit Group	35		44
Group Services	-		-
Financial investments	218		227
Non-cash relevant investments	-		-81
Business lines			
Cement	303		336
Concrete	113		83
Building materials	41		47
Group Services	-		-
Financial investments	218		227
Non-cash relevant investments	-		-81
	675		612



Further significant investments in tangible fixed assets were the modernisation of the Padeswood plant in the United Kingdom, the completion of the new kiln line in the Górzadze plant in Poland, concluding work on the conversion to coal firing in the Canadian Edmonton plant and the construction of our new plant in China.

Our financial fixed asset investments amounted to EUR 227 million (previous year: 218). Essentially, these related to the cash relevant portion involved in the acquisition of a majority stake in Anneliese Zementwerke AG, the purchase of a cement plant in Poland and the increase in our participations in Indocement and China Century Cement. In addition, we increased our shares in existing companies in several regions.

■ Group balance sheet

As an international company HeidelbergCement publishes its accounts in line with the requirements of the International Financial Reporting Standards (IFRS). Compared to the previous year, the balance sheet total has fallen slightly to EUR 10.9 billion (previous year: 11.1), which is essentially due to repayment of our debts. Due to the high capital intensity of our business, 42 % is bound up in tangible fixed assets.

Group balance sheet (short form)

EURm	31 Dec. 2002	31 Dec. 2003	Part of balance sheet total 2003
Tangible and intangible fixed assets	7,062	7,048	65 %
Financial fixed assets	1,399	1,178	11 %
Other long-term assets	277	269	2 %
Short-term assets	2,401	2,398	22 %
Shareholders' equity and minority interests	3,846	4,185	38 %
Long-term provisions and liabilities	5,175	4,763	44 %
Short-term provisions and liabilities	2,118	1,945	18 %
Balance sheet total	11,139	10,893	100 %

The positive change in our shareholders' equity is primarily based on the capital increase against cash contributions in June 2003. Fluctuations in exchange rates had a negative effect. The shareholders' equity ratio has increased from 35 % to 38 %. The long-term assets of EUR 8.5 billion (previous year: 8.7) are completely covered by shareholders' equity and long-term liabilities. In line with our usual conservative accounting approach, we have again made adequate provisions for all risks in the 2003 annual accounts.

■ Profit for the financial year / Group share in profit

The profit for the financial year fell by 49 % to EUR 133 million (previous year: 262). The Group's share in the profit for the financial year was 53 % below the previous year, with EUR 117 million (previous year: 248).

■ Earnings per share

The earnings per share as per IAS 33 amounted to EUR 1.41 (previous year: 3.90). The average number of shares in the 2003 financial year was 82.5 million (previous year: 63.7).

At the end of 2003, the HeidelbergCement share was delisted from the Brussels Stock Exchange. Our share is listed on the Frankfurt stock exchange as well as on several regional German stock exchanges.

■ Dividends

The Managing Board and the Supervisory Board will propose to the Annual General Meeting on 6 May 2004 the distribution of a cash dividend for the financial year 2003 of EUR 1.15 per share.

Prospects

■ Overall economic recovery

Since the positive economic signs have become more pronounced over the past few months, confidence has grown that the global economic climate is significantly improving. The main impetus comes from the US, where gross domestic product (GDP) is expected to increase by around 4% in 2004. Against this background, the situation in Germany is gradually beginning to recover. An increase of around 1.5% in GDP is anticipated for the current year. However, this still puts Germany below the average growth rate of 1.7% for the euro zone and between the countries in our Western Europe region, Belgium with 2.1% and the Netherlands with 0.7%. In Scandinavia, the economy is expected to expand by around 2.5%. High GDP growth rates are again becoming apparent in the countries of our Central Europe East region. In the future EU states in particular, growth is expected to accelerate during the current year. Development in the Africa-Asia-Turkey region remains generally dynamic, although there is a great deal of variation in the individual countries.

■ Varied growth in construction industry

Although construction investments in the euro zone are again expected to be lower than the average overall economic growth rate during the current year, the trend should at least rise again. Growth of 0.7% is expected in Germany, only due to positive effects resulting from residential construction, anticipating the announced curtailment of subsidies to promote home ownership. In Belgium and the Netherlands, construction activity is expected to stabilise. Positive signs are also prevailing in Sweden and Norway. Above-average growth is also anticipated in the construction sector in Central Europe East in 2004. We are again expecting our important Polish market to make a major contribution. In view of the largely steady interest rates, construction demand in the US is expected to stabilise at a high level and increase further in Canada. In the growing markets of Asia, China in particular is achieving a highly dynamic level of investment.



■ Turnover and results

The development of turnover and results in 2004 will clearly reflect the reversal of the trend after three years in decline. In addition to the economic recovery, effects from rising revenues, as well as cost reduction and restructuring measures, that also include the closure of plants and locations of the past years, will contribute to the improvement. However, a further revaluation of the euro against the US dollar would be a burden.

■ Investments and financing

To a large extent, investment activity is expected to continue at a restrained level. The largest project for the current year is the building of a new cement plant in China. It is expected to begin operation in 2005. After a successful debt reduction in 2003, we once again set an ambitious aim for a further significant reduction in the current year.

■ Employees

The consolidation of our Indonesian subsidiary Indocement as of 1 January 2004 will increase the number of employees in the Africa-Asia-Turkey region to over 11,000. In all other regions, the number of employees will either remain stable or decrease slightly.

■ Environmental protection

The trading of carbon-dioxide emission certificates in the European Union will begin on 1 January 2005. All member states must submit their national allocation plans by the end of March 2004. The cement industry will take part in the trading in accordance with the stipulations of the EU directive. It will only be possible to finally estimate the financial effects of the emissions trading on HeidelbergCement once the announcement of the allocation plan has been made. In addition, we have to wait to find out how the acceptance for emissions certificates from projects subject to flexible mechanisms will be regulated.



■ Research and development

In the future, our research and development activities will also concentrate on intensified use of alternative raw materials and fuels. In addition to the development and market launch of cements with a high proportion of additives, the focus is on optimising the performance of concretes manufactured from these cements. The trend towards concretes which are easy-to-process and with high strength will continue.

■ Purchasing

We are still focusing on the expansion of our global purchasing strategy, so that we are able to purchase selected strategic products such as fuels and electrical energy at competitive prices. We would like to extend the purchasing of standard material via the Internet - eProcurement - from our successful pilot project in Central Europe West to other Group regions.



Strategy

Structural excess capacities in individual regions will continue troubling the cement industry. At the same time, not only are the demands of customers increasing, but also the requirements on environmental protection. Stricter legal restraints increase the price of energy. On the other hand, the expectations of the financial markets are changing constantly.

Our company is in a good position to encounter this pressure thanks to its strengths and resources. Nevertheless, it is more necessary than ever to establish clear strategic objectives and to pursue these systematically throughout the Group.

HeidelbergCement has formulated the following strategic guidelines for the years 2003 to 2007:

- We aim for a yearly average real growth of earnings per share of 5 %. This applies to earnings per share before additional ordinary result and goodwill amortisation. This target is incorporated in our EVA® management system and will be supported in future by appropriate remuneration incentives for the management.
- We concentrate on cement, our core business. Our focus is on cement and cementitious binders like blast furnace slag and fly ash. We intensively encourage their use in the cement production. We also promote the production of concrete - i.e. ready-mixed concrete and concrete products - as well as aggregates as long as they support our core business.
- Our activities are international, but not necessarily global. We take advantage of regional synergies. We pursue a ratio of mature markets to growth markets of 70 to 30 in terms of turnover by 2007. We will also continue to develop our global trading activities as well as our international network of production sites enabling us to react flexibly to the changing economic environment.
- We strive for regional market leadership in our cement activities. We are interested in stable and sustained market positions and would like to further expand the market share in cement applications.



- We continuously reduce production and administrative costs in order to achieve a good position compared with our competitors. For this reason, we adjust production capacities in good time and exploit savings possibilities to the full. We wish to limit the necessary fixed asset investments in our plants to a level that is internationally competitive.
- In mature markets we strive for 100% participation in companies in order to exploit synergies with the greatest possible flexibility. This does not exclude majority participations, joint ventures or minority participations if there are good reasons.
- Our target ratio of net debt to operating income before depreciation (OIBD) is of 3 to 1 or a maximum of 4 to 1 in exceptional cases. Investment restraint, further sale of non-core businesses and strict financial management will contribute to achieving this objective.
- The future of the company primarily depends on the involvement and talents of our employees. Therefore, a dynamic personnel policy based on our Corporate Mission is of particular importance.

The regions or strategic business units are responsible for the implementation of the Group strategy. They have developed their own programmes for this purpose, which are adapted to their specific needs. Systematic planning, project-related implementation and regular monitoring of progress are the basis of these programmes. The Group Strategy and Development department as well as other Group staff units are supporting the regions and strategic business units in this process.

HeidelbergCement wishes to regain as soon as possible the status of investment grade, that is to say a better evaluation of its credit quality. We are convinced that we will accomplish this objective by consistently implementing our Group strategy.

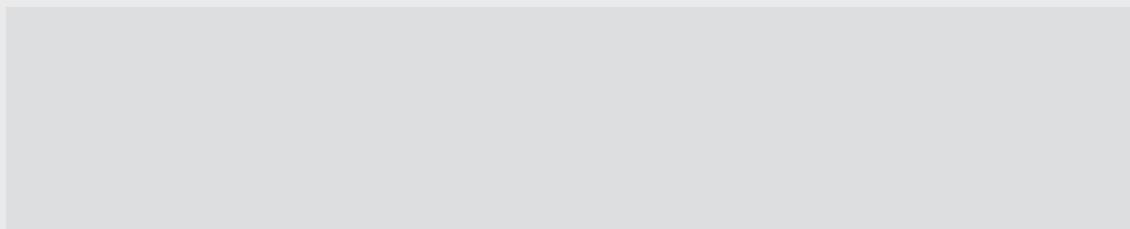
Already in the past year, we had oriented our corporate decisions strictly to our strategic mission. Here are a few examples:

- Consolidation of regional market leadership: We have purchased the German cement and grinding plants of Königs Wusterhausen, Wetzlar and Bosenberg.
- Majority participation in companies: We have acquired the majority share in Anneliese Zementwerke AG, Germany.



- Capacity adjustment: We have closed the Kiefersfelden cement plant, converted Mainz-Weisenau into a grinding plant and closed down a kiln in Schelklingen.
- Regional synergies: We have merged the regional organisations of our cement business lines in Belgium and the Netherlands.
- Expansion of presence in growth markets: We have increased the participation in China Century Cement to 49 % and are constructing a new cement plant in Guangzhou; we are consolidating Indocement from 1 January 2004.
- Expansion of the network of trading locations: We have acquired shares in the only cement producer on Iceland.
- Sale of sectors not belonging to the core business: We have sold building materials operations in Scandinavia, Eastern Europe and North America.
- Selective disinvestments of minority participations or core areas, with which regional market leadership was not achievable in the foreseeable future: We have divested ourselves of cement activities in Bulgaria and in the Philippines and of the minority participation in Ciments Luxembourgeois.
- Investment restriction: We have reduced the investments in tangible fixed assets by 14 % compared with 2002 to EUR 377 million (previous year: 439).
- Debt reduction: We have reduced the net liabilities by 16 % in comparison with 2002 to EUR 3.6 billion (previous year: 4.3). That corresponds to a ratio of net indebtedness to OIBD of 3.5.
- Cost reduction: We have achieved considerable progress throughout the Group in many areas.
- Personnel development: The development programme for senior managers (Senior Management Development Program), in collaboration with the management college INSEAD in France, was started successfully.

The positive effects from the Group strategy will be noticeable in the coming years. Our expansion into new markets was indeed distinctly restricted in the 2003 financial year. Nevertheless, HeidelbergCement has prepared various development scenarios of different regions for the coming years.



■ Value-oriented company management - Economic Value Added

Already in 2002, HeidelbergCement successfully completed the Group-wide introduction of value-oriented company management in accordance with the Economic Value Added Concept (EVA®). EVA is an effective decision tool for managers at all levels within our organisation and is also utilised for the evaluation of investments and acquisitions as well as for operational planning. The key data for assessment are the net operating profit after tax (NOPAT) and the returns on capital invested, which are weighted with the average capital costs rate (WACC). The key figures are based on data from our monthly management reporting. The focus of our EVA approach is on the Delta EVA - the benchmark used to compare the current nominal EVA value with the previous year's EVA. It's our medium-term objective to reach a Group-wide NOPAT that exceeds the capital costs of the Group.

	Performance	Growth	Asset management	Capital structure	
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$$\text{EVA}^\circledast = \frac{\text{net operating profit after taxes (NOPAT)}}{\left[\frac{\text{invested capital}}{\text{weighted average capital costs (WACC)}} \right]}$$

When EVA was introduced, the Group-wide management information system was extended to include quarterly EVA reporting. Meanwhile, there are in the strategic business units follow-up projects in progress to reinforce and support the value-oriented management system. In this respect, particular attention should be drawn to the value drivers like, for example, price, sales volumes, productivity, costs and the stock of operating receivables and liabilities. These figures allow our management to identify quickly and clearly the significant adjustments that need to be made in order to increase the value of the Group.

EVA® is a trademark of the New York consulting firm Stern Stewart & Co.



In 2003, HeidelbergCement recorded a Delta EVA of EUR –166 million. The invested capital in 2003 totalled EUR 9,953 million and was therefore EUR 41 million below the previous year's total. As investment decisions are being taken with the aid of the EVA tool, we are expecting to see our acquisitions and investments making an increasing contribution over the next few years. The capital costs decreased by EUR 3 million to EUR 770 million in 2003. The working capital fell by EUR 78 million to EUR 619 million. The ratio of working capital to turnover decreased from 10.6 % to 9.7 % in 2003. We were therefore able to reach our target of 10 % for this key figure.

EVA-calculation

EURm	2002	2003
Operating income	500	391
EVA adjustments		
Goodwill amortisation	158	170
Depreciation capitalised start-up losses	-	-2
Results from participations and operating loans	126	116
Interest on leasing, pensions, other off-balance sheet liabilities	53	44
Other NOPAT adjustments	-	2
Standard taxes	-292	-244
Minority interests	-17	-19
Currency effects, difference standard and effective taxes	84	4
NOPAT	613	463
Invested capital	9,994	9,953
Capital charge	-773	-770
Start-up losses	24	3
EVA (without start-up losses)	-136	-305
Non-operating Delta EVA		2
Delta EVA	+3	-166

The decline in NOPAT in 2003 to EUR 463 million (previous year: 613) is mainly attributable to the ruinous price competition in Germany and the resulting increase in import pressure in Western Europe. The extremely low taxes of the year 2002 also had a negative impact on the Delta EVA of 2003. In North America, we are expecting to see a clear increase in the EVA for 2004 as a result of the almost full capacity utilisation at our new Union Bridge plant. The Central Europe East and Africa-Asia-Turkey regions and the maxit Group contributed to an overall improvement of EUR 38.2 million in the EVA compared to the previous year.

Each manager takes into account the country-specific conditions for decision-making and reporting by using the appropriate weighted capital costs (WACC). Currently, the following weighted capital costs arise for the strategic business units of HeidelbergCement:

Weighted average capital costs (WACC)

2003	
Central Europe West	7.0 %
Western Europe	7.0 %
Northern Europe	7.5 %
Central Europe East	9.1 %
North America	7.0 %
Africa-Asia-Turkey	10.5 %
maxit Group	7.5 %
Group Services	7.0 %
HeidelbergCement	7.7 %





■ Layers of marl lime rock lie under a loess overburden. Yet, the area is still leased out and used for agricultural purposes. The quarrying of limestone begins here in a few years, while disused parts of the quarry are returned to nature and to agriculture.

Site near Nußloch, Germany

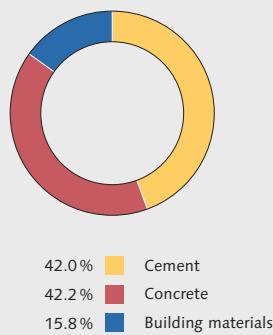


HeidelbergCement on the market

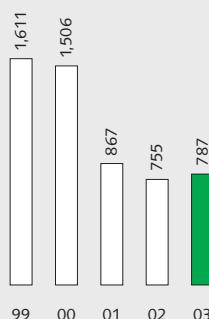
Central Europe West

The Group's Central Europe West region consists of Germany, Austria and Switzerland. Apart from cement and ready-mixed concrete, HeidelbergCement produces and sells concrete products, lime, sand-lime bricks and aggregates such as sand and gravel in this region.

Turnover 2003: EUR 787 million



Turnover in EURm



until 2000 including
maxit Group turnover

■ Construction investments receded once again

In 2003, the German economy stagnated and construction investment fell by a further 3.4%. The slight economic upturn of 1.5% forecasted for 2004 will not be sufficient to provide a complete turnaround in construction. The weak economic situation had a depressing effect on residential construction investments in 2003. Only effects resulting from anticipation of the announced curtailment of subsidies to promote home ownership ensured slight increases towards the end of the year. In commercial construction, there is still no end in sight to the downward trend. Public construction investments will also decline in 2004 due to empty coffers. Impetus can only come from private investors if they take over hitherto public duties, such as, for example, the construction and running of motorways.

After a recovery in the construction industry in Austria of 1.3% over the past year, we expect stable development at the same level in 2004. In Switzerland, construction investments as a whole remained unchanged, despite shifts between the individual sectors.

Cement business line

■ Stable cement consumption

Despite the continuing decline in construction industry activity, cement consumption in Germany with around 29 million tonnes reached previous year's level. As a result of the low prices in Germany, imports fell on the one hand, while exports increased on the other.

In 2003, HeidelbergCement found itself exposed to difficult economic conditions such as strong price deterioration and ruinous competition. We reacted with cost reductions, adjustment of the number of employees and production capacities, as well as price increases. After the closure of the Kiefersfelden cement plant at the end of 2002, the Lepol kiln in Schelklingen was decommissioned at the end of 2003. At the start of 2004, we began converting the Mainz-Weisenau cement plant into a pure grinding plant.

Parallel to these measures in the Southern German area, we expanded our market positions in the Northwest and East of Germany: At the beginning of 2003, we purchased the Wetzlar cement plant, which complements our Southern German locations. We used

the purchase of the Königs Wusterhausen grinding plant near Berlin, which also took place at the beginning of the year, to extend our presence in Eastern Germany. In April, we increased our participation in the Anneliese Zementwerke AG in North Rhine-Westphalia to 97.4 %. This contributed to HeidelbergCement becoming the market leader on the German cement market. To increase our involvement in North Rhine-Westphalia, we purchased the Portland-Zementwerk Bosenberg Bücker-Flürenbrock GmbH & Co. KG with a cement plant in Ahlen at the beginning of 2004. Due to the high level of excess capacity in the cement market of Westphalia, we will decommission the kiln at the end of September and convert the location into a grinding plant.

Cement and clinker sales volumes from our German plants rose as a result of the new consolidations and the increase in Anneliese participation by 44 % to 7.6 million tonnes (previous year: 5.3). Disregarding the change in the consolidation scope, we achieved growth of 4 % because we were able to regain market share. To further improve the unsatisfactory earnings situation, we increased cement prices by EUR 7.50 per tonne in September 2003. A further increase of EUR 12.50 per tonne followed in January 2004. To stabilise future price development, a new pricing system will be introduced in April 2004: The prices, which up to now have been negotiated individually, are to be replaced by a uniform pricing system, which divides Germany into five price regions on the basis of the varying competitive situations. This system is straightforward and transparent for our customers.

■ **Restructuring of Rohrdorf building materials group**

Although cement sales volumes in the building materials group Südbayerisches Portland-Zementwerk Gebr. Wiesböck & Co. GmbH increased in comparison with the previous year, turnover fell as a result of lower cement prices. Thanks to the commissioning of a central control station, laboratory automation and the approval to increase the use of secondary fuels to 90 %, it was nevertheless possible to achieve a significant reduction in costs.

In 2003, the Rohrdorf building materials group separated from its brick activities in exchange for the three concrete products plants belonging to the Bavarian company Schlagmann Baustoffwerke GmbH & Co. KG. With its focus on the core businesses of cement and concrete, the building materials group became the market leader in Bavaria for concrete double walls and ceilings.

Turnover by business lines

EURm	2002	2003
Cement	336	349
Concrete	355	351
Building materials	106	132
Intra-Group eliminations	-42	-45
Total turnover	755	787

Key data

EURm	2002	2003
OIBD	102	46
Operating income	17	-42
Investment in tangible fixed assets	43	108
Tangible and intangible fixed assets	730	928
Employees	4,470	4,589

■ Appeal against fine in cartel proceedings

In April 2003, the German Federal Cartel Office (Bundeskartellamt) imposed a fine of EUR 278.5 million against HeidelbergCement, including Anneliese Zementwerke AG, as part of cartel proceedings against German cement companies. We have filed an appeal against the decision. Legal proceedings before the Düsseldorf High Court (Oberlandesgericht) are expected to begin at the start of 2005.

Concrete business line

■ Tense market situation for ready-mixed concrete

The declining construction industry and the hard-fought price war also put a strain on the ready-mixed concrete industry in 2003. Sales volumes and turnover in the sector fell during the reporting year by 3 % and 11 % respectively.

Our subsidiary Heidelberger Beton successfully streamlined its participation structures: It created larger units, disentangled joint participations with other companies and, wherever possible, established majority participations.

Approximately one third of our ready-mixed concrete activities, including Anneliese, are included in the Group annual accounts. The sales volumes of all 380 plants, including the non-consolidated participations, rose by 9 % to 8.8 million cubic metres in 2003.

Our market share in Germany therefore increased to just under 20 %. Excluding Anneliese, sales volumes fell by 2.2 %.

Heidelberger Beton extended its product range in 2003. "Easycrete" brand products offer concrete that is particularly easy-to-process, with properties that range from free-flowing to self-compacting. To improve customer service, our participations offer comprehensive solutions for the use of concrete, ranging from production to transport and conveyance using concrete pumps on the building site to concrete quality inspection.

■ Concrete products under new brand names

With the market situation still strained, we have reorganised the concrete products operating line. In 2003, we bundled our activities in the sector prefabricated concrete elements for building construction under the brand name "Heidelberger Betonelemente". The range on offer from "Heidelberger Abwassertechnik", which supplies prefabricated concrete elements for sewer and sewage treatment plant construction across Germany, was streamlined and expanded to include innovative products such as, for example, modular construction systems for the utilisation of rainwater. As of January 2004, the concrete paving stone lines of HeidelbergCement and Schwenk Betontechnik were merged to form the new company "Lithonplus". The 20 production sites and the product range complement each other well. Lithonplus is one of the largest nationwide suppliers of concrete paving stones.

■ Aggregates growing against the trend

The German sand and gravel market declined by 3 % in 2003. In contrast, the sales volumes of our sand and gravel plants increased by 2.3 % to 22.4 million tonnes in 2003. Market development in Germany varied. While we had to accept large decreases throughout the entire German coastal regions on the North and Baltic Sea as a result of the slump in construction activity, sales volumes in Saxony, Thuringia and North Bavaria increased strongly to some extent. We supplied large infrastructure projects in those areas and also benefited from the increasing demand of ready-mixed concrete manufacturers.

The strong price deterioration in cement and ready-mixed concrete did not fail to leave its mark on aggregates. However, we expect prices to rise again in 2004.

Building materials business line

■ Weak development in lime market

Although our production facilities were operating at a high utilisation rate as a result of adjusted capacities, sales volumes and turnover from the lime operating line fell in 2003. Increasing sales volumes from unburnt lime products and higher deliveries to the sand-lime brick and autoclaved aerated concrete industry could not compensate for declining demand in the area of environmental protection and the construction industry. The sales volumes for soil stabilisation also fell significantly during the past year, as a result of the extremely dry weather and absence of infrastructure projects. We intend to expand our clientele in the future by introducing new products and developing further areas of application.

■ Turnover and result growth for sand-lime bricks

Thanks to the increasing demand for the high-quality sand-lime brick product KS-Quadro, we have almost achieved the sales volumes of the previous year. As a result of price increases and measures to reduce costs and bring capacities into line with lower demand, the operating line's results have improved considerably in 2003. In July, we combined our activities under the brand name "Heidelberger Kalksandstein". We are active across Germany as a sand-lime brick specialist with an extensive range of services and high standards of quality. At the beginning of 2004, we transferred our entire sand-lime brick operating line to the company Heidelberger Kalksandstein GmbH.

■ The most important raw materials for cement are limestone, clay and marl. They are quarried on several levels by blasting or excavation.

Quarry of the Lengfurt cement plant, Germany

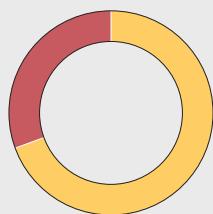




Western Europe

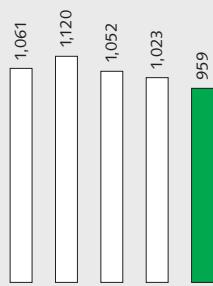
Western Europe is made up of Belgium, the Netherlands, the United Kingdom and France. We are the market leader in Belgium and the Netherlands, where we manufacture ready-mixed concrete as well as convey sand and gravel. We are the second-largest cement manufacturer in the United Kingdom.

Turnover 2003: EUR 959 million



69.1% ■ Cement
 30.9% ■ Concrete

Turnover in EURm



until 2000 including
 maxit Group turnover

■ Weaker construction industry

For the first time in years, the economy in the Netherlands experienced a decline. Construction activity - particularly in non-residential and public sector construction - also fell by approximately 3 %. In Belgium, on the other hand, the gross domestic product rose slightly and the construction industry remained stable. Losses in non-residential construction were offset by an increase in the maintenance sector. In the United Kingdom, construction activity rose by 2.4%; residential and public sector construction generated the strongest increases. With declining investments, the French economy grew by just 0.5 %.

Cement business line

■ Further decline in cement consumption

After a record year in 2000, cement consumption in Belgium and the Netherlands decreased for the third year in succession. In 2003, it fell by 6 % to 10.5 million tonnes. The cement and clinker sales volumes of our Belgian and Dutch plants fell by 7.8 % to 5.6 million tonnes (previous year: 6.1). This includes sales of white cement from the Belgian Harmignies plant, which was affected even worse. Increasing imports of cement, ready-mixed concrete and concrete products from Germany, as a result of the ruinous price level prevailing there, cause the high volume of losses. However, in Belgium and the Netherlands it was our aim to maintain the price level even at the expense of market share. Therefore, price increases in Germany and the reduction of the excess capacities there are also of critical importance to Belgium and the Netherlands with regard to rising cement volumes and prices.

To strengthen our competitiveness in both countries, we have intensified our cost reduction measures with special emphasis on investments, working capital, repairs, fuels and increased productivity. By using as high a proportion as possible of alternative fuels such as sewage sludge and animal meal and fat, we also cut down on non-renewable fossil fuels. In the future, we plan to further increase the proportion of alternative fuels. They can be burnt without polluting or causing any negative impact on the environment or the quality of the cement produced.

Significant investments in 2003 included the completion of the modernisation of the IJmuiden grinding plant in the Netherlands. Among other changes, a roller press was installed in the slag cement plant.

To further strengthen our market position and reduce costs, we began merging the Dutch and Belgian cement activities to form the new organisational unit CEM BENE as of January 2004. Our intention in doing so is to exploit synergies and improve our customer service. The brand names CBR and ENCI remain unaffected.

■ Extensive modernisation programme in the United Kingdom

In the United Kingdom, cement consumption was at the same level as in the previous year. In contrast, sales volumes from our British plants rose slightly to 3.2 million tonnes (previous year: 3.1). Despite the difficult competitive situation and increasing price pressure, Castle Cement succeeded in maintaining its market position. As a result of the comprehensive modernisation programme, investment expenditure rose significantly last year. Padeswood will receive a new dry kiln and in Ribblesdale the output of the dry kiln already in existence will be increased. As a result, the old energy-intensive wet kilns in both locations will be decommissioned. In addition, the use of alternative fuels will be intensified. The greater part of the modernisation programme, which will considerably improve Castle Cement's profits, will be completed in the first half of 2005.

■ Vicat extends activity to Egypt and Italy

The consolidated turnover of the French Vicat group, in which HeidelbergCement has a participation of 35%, reached the same level as in the previous year, at EUR 1.5 billion. The devaluation of the US dollar cancelled out the growth in individual Group regions and from new consolidations. However, Group share in profit developed favourably in 2003 with an increase compared to the previous year. By assuming a majority participation in the Egyptian Sinai Cement Company and the purchase of locations in Italy - a grinding plant in Sardinia and two cement terminals in the ports of Tarent and Imperia - Vicat extended its activities to two additional countries in 2003.

In 2003, Vicat's cement sales volumes in the domestic French market were at the same level as in the previous year. Cost efficiency improved as a result of increased use of alternative fuels. Although sales volumes of ready-mixed concrete in France increased by 2.7%, sales of aggregates fell slightly by 1.5%.

Turnover by business lines

	2002	2003
Cement	764	691
Concrete	300	310
Building materials	-	-
Intra-Group eliminations	-41	-42
Total turnover	1,023	959

Key data

	2002	2003
OIBD	231	177
Operating income	105	47
Investment in tangible fixed assets	85	72
Tangible and intangible fixed assets	1,491	1,435
Employees	3,894	3,840

In the US, cement sales volumes rose by 12 % in 2003; ready-mixed concrete deliveries actually improved by 14.5 %. In Senegal on the other hand, cement shipments fell by 25 %, after a competitor put a new plant into operation. With cement consumption remaining at the same level and imports on the increase, the Swiss subsidiary Vigier incurred losses in cement sales volumes of 3.2 %. However, providing supplies for a major construction site in the Bernese Oberland resulted in a 17.5 % increase in ready-mixed concrete volumes; in contrast, there was an obvious decline in the aggregates line. In Turkey, the production of ready-mixed concrete and aggregates increased substantially, by 19 % and 18 % respectively, although cement sales volumes fell slightly.

Concrete business line

■ Fall in demand for ready-mixed concrete

Decreasing demand from construction is the reason for the 7 % fall in ready-mixed concrete sales volumes to 4.3 million cubic metres in Belgium and the Netherlands. Both countries are also suffering from high levels of cheap imports from Germany. We have therefore intensified our measures to reduce costs and increase productivity. In the Netherlands, we introduced a reorganisation plan at the beginning of 2004. This will allow us to adjust production capacities to the declining demand and to reduce costs. In 2003, investments were primarily used for the modernisation of production sites, for IT systems, new cranes and crane systems.

■ Expansion of the aggregates operating line

As a result of the first-time consolidation of the Dutch aggregates company Paes and the purchase of the former aggregates operations of Readymix Belgium by our Belgian participation Gralex at the start of 2003, sales volumes of sand and gravel increased considerably, by 42 %, to 15.9 million tonnes. The purchase included six sand and aggregate pits and a trading company in Belgium. If these new consolidations are disregarded, sales volumes fell, since various construction projects in the sector of track construction for high-speed trains were completed.

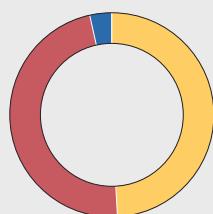
The Belgian authorities have prohibited the mining of gravel in the province of Limburg after 2005. We will offset these shortfalls by increased production of other aggregates, such as limestone, for example.

We sold our lightweight aggregates operations at the beginning of 2003. Likewise, in the previous year we sold 50 % of the Dutch aggregates manufacturer, Paes, to a partner with whom we have entered into a joint venture. Paes' current raw material deposits will only last for another few years if no larger Belgian and Dutch flood control projects are undertaken. These measures would include the dredging of the riverbed and water storage areas along the Meuse. The quantities of sand and gravel obtained in this way could secure Paes' raw material requirements for years to come. Irrespective of this, the company is endeavouring to find new deposits or alternative products. These include limestone and sea gravel.

Northern Europe

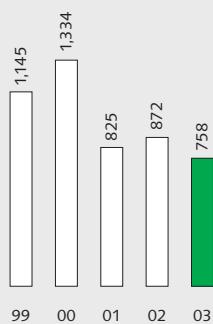
Northern Europe comprises the countries of Sweden, Norway, Denmark, as well as the Baltic States and Northwest Russia. These markets are becoming increasingly important as a result of the latest acquisitions in the Baltic region and the Saint Petersburg area.

Turnover 2003: EUR 758 million



47.8% ■ Cement
48.5% ■ Concrete
3.7% ■ Building materials

Turnover in EURm



until 2000 including
maxit Group turnover

■ Upward trend in the Baltic region and Saint Petersburg

Overall economic growth in the mature markets of the Northern Europe region decreased slightly in 2003. The gross domestic product in Sweden, Norway, Finland and Denmark increased by between 1.0 % and 1.5 %. In the Baltic States and Northwest Russia, on the other hand, the tremendous upwards trend continued with growth rates of over 5 %. While construction demand in our main markets Sweden and Norway only recorded a slight upwards movement, construction activity in the Baltic region and the Saint Petersburg area increased considerably, in line with overall economic development.

Cement business line

■ Increased use of secondary fuels

In Northern Europe, HeidelbergCement operates three cement plants in Sweden, two in Norway, one in Estonia and one in the Saint Petersburg area near the Estonian border. In addition, in October 2003, we acquired a participation in the only cement plant in Iceland through our Norwegian subsidiary Norcem. Total cement and clinker sales volumes increased by 0.7 % in 2003 to 5.4 million tonnes (previous year: 5.3).

In Sweden, cement demand made a noticeable recovery in the second half of the year, after a weak first half, with domestic shipments achieving an increase of 3.4 % to 1.4 million tonnes. Our cement plants in Norway also benefited from positive market development in the second half of the year; for the full year, they recorded an increase in domestic delivery quantities of 2.4 % to 1.1 million tonnes. Infrastructure projects supported the increase in sales volumes in both countries. In Estonia and Russia, cement consumption also rose further in 2003. Domestic sales volumes for our Estonian cement plant Kunda increased by 16 %. The Russian cement plant Cesla was able to increase its deliveries within its domestic market, which consists principally of the Baltic city Saint Petersburg, by 30 %.

Around 43 % of the cement and clinker sales volumes of our Swedish and Norwegian cement plants - approximately 1.9 million tonnes - were exported, mainly to the US and Nigeria. It was not possible to fully offset declines in Swedish, Estonian and Russian exports through the significant increases in deliveries from Norway. Total exports of 2.2 million tonnes were 3.6 % lower than in the previous year.

■ In Norway, raw material is extracted under a fiord. The cleaning of the ridge takes place with the aid of an hydraulic excavator. In this way, the uncontrolled fall of loose slabs of rock from the ceiling is avoided. Quarrying below ground is the exception of limestone extraction.

Underground quarry in Brevik, Norway





The cement plants in the Northern European region are making considerable efforts to reduce energy costs and to safeguard natural resources. Increased use of secondary fuels plays a significant role. As a result, our Norwegian subsidiary Norcem acquired a plant for the treatment of hazardous waste and began converting a cement kiln in the neighbouring Brevik cement plant with the result that it is now possible to increase the proportion of secondary fuels significantly. In addition, there are plans to convert the kiln firing of the Russian Celsa plant to gas. Preparations are also underway for the use of alternative fuels.

Our subsidiary Scancem Energy and Recovery (SEAR) operates various production sites in the United Kingdom and Sweden, which process alternative fuels to be used in our cement and expanded clay plants. In 2003, around 250,000 tonnes of alternative fuels were processed from waste products of other industries such as used oil, solvents, used tyres, plastic and paper waste and animal meal for Group plants. SEAR supplied a further 100,000 tonnes to external customers. SEAR plans to extend production capacities in Sweden in order to meet rising demand.

The results generated by the cement business line were lower than in the previous year, despite improvements in Estonia and Russia. The essential reasons for the decline in results are decreasing export earnings as a result of the devaluation of the US dollar and the significant increases in electricity costs in Sweden and Norway.

Concrete business line

■ New acquisitions in the ready-mixed concrete line

While sales volumes from our Swedish ready-mixed concrete plants decreased once again in the 2003 financial year as a result of poor market conditions, the ready-mixed concrete operating line in Norway was able to make significant gains. The 8% decline in ready-mixed concrete deliveries in Sweden is mainly due to a lack of infrastructure projects in our main market Stockholm. In Norway, on the other hand, ready-mixed concrete sales volumes increased by 17% as a result of the acquisition of several plants. In September 2003, we further extended our ready-mixed concrete activities by acquisitions in Estonia, Latvia

Turnover by business lines

	2002	2003
Cement	380	377
Concrete	430	383
Building materials	90	29
Intra-Group eliminations	-28	-32
Total turnover	872	758

Key data

	2002	2003
OIBD	130	101
Operating income	43	19
Investment in tangible fixed assets	41	29
Tangible and intangible fixed assets	990	897
Employees	5,368	4,685

and Saint Petersburg. In this way, we are pursuing our strategy of increasing our share in growth markets and supporting local cement business. Overall, sales volumes in the ready-mixed concrete operating line increased by 18% as a result of the new acquisitions to just under 1.2 million cubic metres.

Declining aggregates deliveries in Sweden contrasted with noticeable increases in quantity in Norway, where sales benefited from both lively demand on the domestic market and a higher level of consumption in the offshore oil industry. In total, domestic sales volumes from sand and gravel rose by 8.7% to 8.4 million tonnes. As in 2002, a further 1.5 million tonnes were exported from Norway.

In the concrete products operating line, we manufacture prefabricated concrete elements and systems for agriculture and engineering, industrial and residential construction. Although the Swedish subsidiaries were not able to fully achieve the same results as in 2002, operations in Denmark improved considerably thanks to the successful completion of restructuring measures. Declining results for the Polish and Portuguese subsidiaries were compensated for by increased sales of licenses and expertise. We sold the last remaining prefabricated concrete products company in Finland as part of our strategic withdrawal from this country.

Building materials business line

■ Disinvestment from Swedish Rail System

After the outsourcing of the dry mortar and expanded clay activities to the maxit Group, only our subsidiary Swedish Rail System (SRS) remains in the building materials business line. The company, which is active in the area of railway construction, was divided into SRS Construction and SRS Industry as of 1 January 2003. As part of our disinvestment programme, we sold SRS Construction in May. In 2004 we will also be considering withdrawal from SRS Industry.

■ After blasting or excavation, the raw material is ready for transportation. Lorries take it to crusher installations where the rock is crushed to the size of road gravel.

Rockface in Gerhausen, Schelklingen cement plant, Germany

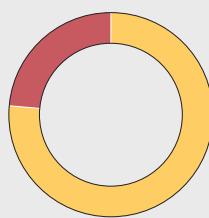




Central Europe East

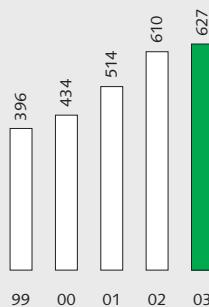
HeidelbergCement has built up a significant market position as the largest investor in the building materials business since the opening up of Eastern Europe in 1989. Today, we are represented in eight countries, namely Bosnia-Herzegovina, Croatia, the Czech Republic, Hungary, Poland, Romania, Slovakia, and Ukraine.

Turnover 2003: 627 Mio EUR



75.7% Cement
 24.3% Concrete

Turnover in EURm



■ Continued economic dynamics

In the countries of our Central Europe East region, the macroeconomic dynamics continued, with growth rates above the level of the European Union. The strongest economic growth was in the Ukraine, where the gross domestic product increased by 9.3 %. In Poland, the economy benefited from the devaluation of the Zloty and grew by 3.7 %. The Czech Republic and Hungary also achieved solid economic growth of almost 3 %. Despite the devaluation of most of the currencies against the euro, inflation fell in all countries.

The increase in construction investment exceeded overall economic growth in almost all countries in the region. Only in Poland did construction activity fall significantly again, but even there, the situation improved in the second half of the year. In the Czech Republic, both residential and non-residential construction grew at an equal rate. In Hungary, the construction industry benefited in particular from public building along with very strong residential construction activity. Large infrastructure projects were started in Romania and the Ukraine also experienced a rapid increase in construction activity – however rising from a low level.

■ Market leader in all countries

HeidelbergCement is market leader in the cement business in all countries of the Central Europe East region where we are present. In Poland, we extended our activities with the acquisition of the Ekocem cement grinding plant in Katowice. In Romania, we became market leader by acquiring the Romcif Fieni cement plant. At the end of 2003, we sold our cement and ready-mixed concrete business in Bulgaria, as we could see no way of gaining a leading position.

We are strengthening our market position by integrating the cement, ready-mixed concrete and aggregates operating lines in each country under a single umbrella brand name. Unified names and designs contribute to a stronger image.

Cement business line

■ Results improvements through cost leadership

Cement consumption developed differently in the individual countries of the Central Europe East region: While the Czech Republic and Hungary recorded increasing cement consumption, demand in Poland decreased. The Ukraine experienced the largest growth rate. In Romania, cement consumption remained stable, while a clear drop was recorded in Bosnia-Herzegovina in 2003.

Our overall sales volumes rose by 11% to 9.7 million tonnes (previous year: 8.8) of cement and clinker, as a result of the first-time consolidation of Romcif Fieni in Romania and Ekocem in Poland. The largest growth in sales volumes of 80% was achieved in Romania due to the first-time inclusion of the Fieni plant, followed by the Ukraine with a growth rate of 34%. We were able to increase sales volumes in the Czech Republic despite increasing imports. Our Polish cement activities achieved a 4.4% rise in shipments thanks to the first-time consolidation of Ekocem. In Hungary, our sales volumes only just reached the previous year's level, as a result of increased imports.

Despite the weakness of the currencies and intensive price competition in the Czech Republic, Poland and in the Ukraine, it was possible to improve results considerably. Noticeable cost reductions resulted from increased use of alternative raw materials and fuels, as well as the optimisation of production and logistics.

The global shipping of calcium aluminate cement by our special cement plant in Pula, Croatia remained almost stable. Cost reduction measures were able to partially offset the negative effects of the weak dollar on results.

Investments in tangible fixed assets in 2003 promoted energy saving, environmental protection and increased capacities in Hungary, Poland and the Ukraine. An extensive modernisation programme was completed at the Górażdze cement plant in Poland. Thanks to increased capacities, Górażdze is now able to supply the newly acquired Ekocem cement grinding plant in Katowice with clinker. Production costs have fallen considerably as a result of lower energy demand and increased use of secondary fuels. In addition, the emission of dust and other pollutants was significantly reduced. The modernisation and increased capacities of the cement mills in the Ukraine are helping to meet rapidly increasing demand. In Hungary, the installation of a new cement mill increased performance in cement grinding;

Turnover by business lines

EURm	2002	2003
Cement	485	497
Concrete	118	159
Building materials	28	-
Intra-Group eliminations	-21	-30
Total turnover	610	627

Key data

EURm	2002	2003
OIBD	153	169
Operating income	84	94
Investment in tangible fixed assets	82	71
Tangible and intangible fixed assets	843	930
Employees	9,600	9,755

in addition, the construction of coal-grinding installations in both Hungarian plants as of 2004 will lead to noticeable cost savings. In Bosnia-Herzegovina, we have already exploited this potential for cost reduction by putting a new coal grinding installation into operation. In the Czech Republic, a kiln was equipped for increased use of alternative fuels.

Concrete business line

■ Strengthening of market presence

The vertical integration of the ready-mixed concrete, aggregates and cement operating lines, as well as the creation of nationwide umbrella brands strengthens the market position of our ready-mixed concrete and aggregates companies. For example, aggregates and ready-mixed concrete are distributed throughout the whole of Romania under the names Carpat Aggregate and Carpat Beton.

Ready-mixed concrete business experienced a very successful development in 2003. Sales growth was achieved in all countries. Overall sales volumes increased by 12 % to 3.8 million cubic metres, to which strong growth in Romania and the Czech Republic contributed. The restructuring of ready-mixed concrete activities was completed in Poland.

The aggregates operating line achieved an outstanding result in 2003 with a 19 % increase in sales volumes. This rise was the result of increased quantities in the Czech Republic and Romania, while sales decreased in Poland and were stable in Hungary. In total, 14.3 million tonnes of sand and gravel was sold. The restructuring performed in the previous year in Poland and the Czech Republic led to cost savings in line with expectations. Further streamlining of administration made additional cost reductions possible.

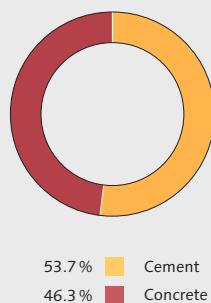
Cement and clinker sales volumes by country

	1,000 tonnes	2002	2003
Bosnia-Herzegovina	587	538	
Bulgaria	441	487	
Croatia	77	79	
Czech Republic	1,435	1,518	
Hungary (consolidated)	1,154	1,142	
Poland	2,919	3,048	
Romania	984	1,771	
Ukraine	1,222	1,643	
Intra-Group eliminations	-68	-506	
Central Europe East	8,751	9,720	

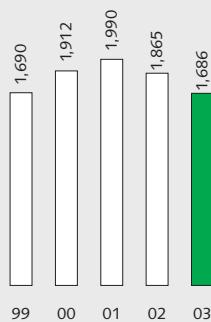
North America

The North America region includes the United States of America and Canada. We produce cement, ready-mixed concrete, concrete products and aggregates there. With a share of 26% in turnover and 31% in operating income before depreciation (OIBD), North America holds the top position in the Group despite the heavy devaluation of the US dollar. The picture is clearly more positive in US dollars.

Turnover 2003: EUR 1,686 million



Turnover in EURm



■ Economic conditions

The economic recovery in the US and Canada accelerated in the last months of 2003. The gross domestic product of the US increased by 3.1% in 2003 – reflecting the optimism of consumers and the economy, as interest rates remained low. Encouraged by the impetus from the private sector, as well as increasing industry investments, further growth of 4% is forecast for 2004.

In 2003, construction investments in the US decreased slightly by 1.2%: Decline in commercial construction more than compensated for the robust residential construction – which benefited from the low interest rates – and public construction, especially infrastructure projects. It can be assumed that the TEA 21 infrastructure programme will continue at even higher levels than before and therefore financing will also be secured for important infrastructure projects over the next six years. Commercial construction is thought to have bottomed out in 2003 and is expected to recover by the end of 2004 or beginning of 2005. Residential construction will remain at historically high levels, but decrease slightly as interest rates increase. Further growth in American construction activity is expected in 2004, which will become even stronger between 2005 and 2007.

In Canada, gross domestic product growth of 1.7% was significantly lower in 2003 than in the previous year; in 2004 it will increase by 2.6%. Construction investments rose by 10.8% in 2003. In the current year, the construction industry will also develop positively in all building sectors.

Cement business line

■ Sales volumes at record level

In 2003, 112 million tonnes of cement were consumed in the US, an increase of 3.7% compared to the previous year. The extension of domestic production capacities made it possible to reduce imports by 5.3% to 23 million tonnes. We expect to see a further increase of 0.7% in cement consumption in the current year. Cement consumption in Canada, which increased by 5% in 2003 to 8.9 million tonnes, will stabilise at this high level in the next few years.

■ Close to the polar circle in the most northern quarry belonging to Norcem, our Norwegian subsidiary, limestone is also quarried where there is ice and snow.

Quarry of the Kjøpsvik cement plant, Norway





Our cement and clinker sales volumes in North America increased after elimination of internal sales volumes by a total of 5.6 % to 12.5 million tonnes (previous year: 11.9), which is our highest sales volume to date. In order to supply the markets on the East coast, Florida and California, we again had to import additional quantities. The majority of these imports came from Group plants in Turkey and Scandinavia.

Sales volumes increased in all our market regions in comparison with the previous year - especially in the two last quarters of the year. Despite this robust situation, prices dropped slightly in the Midwest, Southeast and Northeast market areas of the US. On the West coast, we benefited from increased construction activity in Southern California - in particular in residential construction. Our sales areas in Northern California, Washington and Oregon have still been restricted by the reduced activities in the aerospace and high-tech industries.

In our modernised Union Bridge plant in Maryland, sales volumes continued to increase steadily during its second year of operation, further reducing imports in the Mid-Atlantic market. New rail unloading systems at the terminals in Maryland aided in the distribution of cement and clinker from Union Bridge. We put new terminals into operation on the Ohio River in Pittsburgh, Pennsylvania, on the Mississippi in St. Paul, Minnesota, and in the Atlanta area in Georgia. Thus, we have expanded our distribution network and improved customer service. In the US, we sold a total of 10.5 million tonnes of cement and clinker.

Our cement sales volumes in Canada totalled 2.0 million tonnes. In Canada's Prairie Provinces, we were able to achieve sales increases with stable prices and benefited from the robust construction industry and positive economic development in the oil and gas industry. In British Columbia, our cement sales volumes remained stable in comparison with the previous year.

Turnover by business lines

	2002	2003
Cement	1,101	982
Concrete	915	846
Building materials	-	-
Intra-Group eliminations	-151	-142
Total turnover	1,865	1,686

Key data

	2002	2003
OIBD	331	313
Operating income	180	184
Investment in tangible fixed assets	144	83
Tangible and intangible fixed assets	1,640	1,415
Employees	5,923	5,715

Larger investment projects are planned in the areas of infrastructure, public and commercial construction for the 2010 Winter Olympics near Vancouver. The prospects for our building materials activities in British Columbia are very promising.

Despite stronger competition, we were able to maintain our market share in white cement and achieve the highest sales volumes to date, expanding 6% over 2002 to 615,000 tonnes.

In order to reduce costs, we are increasingly turning to alternative fuels. In the Canadian plant at Edmonton, the conversion of the kiln operation from natural gas to coal and petroleum coke products was completed successfully, resulting in significant savings in 2003.

Concrete business line

■ Lively demand for ready-mixed concrete and aggregates

Demand for ready-mixed concrete, aggregates and most concrete products continued to rise in 2003. With sales volumes for ready-mixed concrete of 7.1 million cubic metres, 5% higher than the previous year's total, we achieved our highest sales volumes to date. Aggregates sales volumes likewise rose by 5% compared to the previous year to 26.3 million tonnes. This corresponds to our second-highest sales total in this operating line to date. In 2003, we were able to increase our sales volumes of ready-mixed concrete to record levels, particularly in Southern Florida and Northern Alabama. Our ready-mixed concrete sales volumes also benefited from lively residential construction activity in the Los Angeles area and the Central Valley of California. After two years of weakening demand, the Houston, Texas, market has recovered. The weak construction activity in the state of Washington, which is characterised by the high-tech industry, also affected our ready-mixed concrete business; aggregates deliveries, on the other hand, increased slightly in this region.

As a result of intense construction activity, we were able to achieve record results in Canada's Prairie Provinces. Increasing residential construction in British Columbia had a positive effect on our sales volumes of ready-mixed concrete, aggregates and concrete products.

With the sale of our plaster and mortar activities in Vancouver, British Columbia, our planned disinvestments were completed successfully.

■ Reclamation is the term for all active measures that serve to bring disused quarrying areas back to agriculture, forestry or recreational activities.

Reclaimed area in Nußloch, Germany





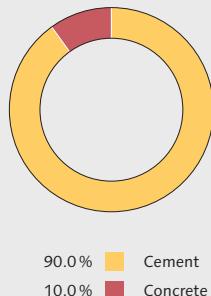
Africa-Asia-Turkey

In the combined growth region Africa-Asia-Turkey, HeidelbergCement is represented in 18 countries on three continents. Whereas in Africa we only produce cement, in Asia and Turkey we additionally operate in the ready-mixed concrete business.

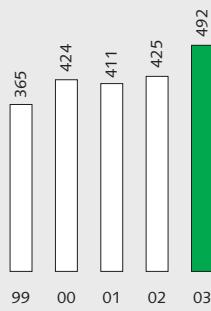
Africa

Cement business line

Turnover 2003 Africa-Asia-Turkey:
 EUR 492 million



Turnover Africa-Asia-Turkey
 in EURm



■ Expanded consolidation scope

In Africa, HeidelbergCement operates a network of five cement plants, nine grinding plants and two import terminals. Tanzania Portland Cement Company, Cement Company of Northern Nigeria and Ciments du Gabon were fully consolidated for the first time in 2003. In the eleven sub-Saharan countries in which HeidelbergCement operates, an estimated 16 million tonnes of cement were consumed in 2003. Our subsidiaries and associated companies supplied more than a third of this amount – a total of 5.9 million tonnes, corresponding to an increase of approximately 17 % in comparison with the previous year. The cement sales volumes of our consolidated participations reached a total of over 3.6 million tonnes, in comparison with just under 2.6 million tonnes in 2002. This significant growth of 42 % is largely due to the first-time consolidation of the above-mentioned companies. However, even without taking into account the effects of consolidation, sales volumes still achieved a substantial increase of 14 %.

Our cement activities recorded positive performance in almost all countries; in particular, Sierra Leone, Ghana, Togo, Angola and Tanzania benefited from favourable market conditions. The sales volumes of the Sokoto plant in Northwest Nigeria were satisfactory despite the difficult environment; however, intensive competition affected our imports and sales volumes in the coastal region of Africa's most populated country. In our main market Ghana, we were able to increase the deliveries by more than 10 %. In Sierra Leone, our sales volumes grew by 37 %, despite military conflicts in neighbouring countries. In Liberia, we had to close down temporarily our grinding plant because of the civil war; meanwhile production and sales volumes have returned to normal level.

In several countries, we made investments that both increase productivity and benefit the environment. For example, in Gabon, the kiln firing was converted from oil to petroleum coke or coal. In Tanzania we are set to complete the modernisation of a cement kiln and the conversion from oil to gas firing in the first half of 2004.

Asia

■ Continued economic growth

The markets of the future in Asia offer exceptional growth prospects for HeidelbergCement's cement and concrete activities. The driving forces behind robust economic growth in the Asian countries during 2003 were domestic consumption, an increase in trading activities within the region and the highly dynamic Chinese economy.

Indonesia's key economic figures improved considerably compared with the previous year: The inflation rate fell from 10 % to 5 %, the Rupiah gained substantially in strength against the US dollar and macroeconomic growth accelerated to 4.1 %, after 3.7 % in 2002. There was also unhindered economic growth in China in 2003: The gross domestic product increased by 9.1 % - in the Guangdong province, in which we are primarily active, the economy actually grew by 10 %. There are signs of economic recovery in Hong Kong. In Bangladesh the economy remained on track towards expansion, with growth of approximately 6 %. The Sultanate of Brunei demonstrated slight economic growth thanks to rising oil export earnings; however, construction activity stagnated, as most state and private construction projects were postponed until 2004. Construction activity in the United Arab Emirates remained at a high level during 2003.

Cement business line

■ Indocement markedly reduced its debts

In Indonesia, cement consumption increased by just 1 % to 27.5 million tonnes in 2003, as residential construction were stagnant. To ensure results, our participation Indocement pursues a margin-oriented pricing policy on the hotly contested Indonesian domestic market;

Turnover by business lines

	2002	2003
Cement	395	452
Concrete	37	50
Building materials	-	-
Intra-Group eliminations	-7	-10
Total turnover	425	492

Key data

	2002	2003
OIBD	60	72
Operating income	20	26
Investment in tangible fixed assets	27	59
Tangible and intangible fixed assets	501	614
Employees	2,513	4,201

domestic sales volumes thus fell by 7.2 % to 8.4 million tonnes. However, overall sales volumes fell by just 3.9 % to 11.0 million tonnes (previous year: 11.5), as a result of a substantial increase in exports.

In line with the exercising of the existing put option by the Indonesian government, we increased our share in Indo cement, which we hold in conjunction with WestLB, by 3.9 % to 65.1 % on 30 October 2003.

Strict cost controls led to a considerable improvement in Indo cement's working capital. Sales of non-core activities provided proceeds of EUR 50 million, which were used to reduce the level of debt. The increase in the value of the Rupiah against the US dollar also contributed to a significant reduction in net liabilities from EUR 667 million to EUR 433 million. Since the previously mandatory restriction on the appropriation of profits has been lifted, it will be possible to include the company in the Group annual accounts as of 1 January 2004.

On 1 July 2003, our Chinese participation China Century Cement was proportionately included in the consolidation scope, after we were able to increase our share from 30 % to the current level of 49 %. Our three plants benefited from the fast-growing demand for top-quality rotary kiln cement in the Guangdong province. With full utilisation of production capacity, cement and clinker sales volumes increased by 6.4 % to 3.3 million tonnes (consolidated: 0.8 million tonnes). Cement prices increased by 15 % towards the end of the year due to the high level of demand. We were also able to increase results considerably by further reductions in production costs and personnel. We are currently building a new cement plant with a capacity of 2.3 million tonnes in the provincial capital Guangzhou. We anticipate that this plant, of which HeidelbergCement will control 51 %, will start production in mid-2005.

In Bangladesh, we merged our cement grinding plants in Dhaka und Chittagong, which had previously been run as separate legal entities, to form the new company Heidelberg-Cement Bangladesh Ltd., in which we hold a share of 61%; the remaining 39 % of the shares are traded on the Dhaka and Chittagong stock exchanges. Although cement consumption increased slightly in 2003, the cement industry in Bangladesh is continuing to suffer from excess capacities. However, we were able to improve our results noticeably by means of strict cost management, the commissioning of a separate electric power station at the Chittagong plant and the introduction of high-quality Portland composite cement.

Cement sales volumes from our grinding plant in the Sultanate of Brunei remained stable. We continued to accelerate cost reduction measures and the sale of oil well cement to the oil industry. In the United Arab Emirates, we extended the management contracts with the Ras al Khaimah cement plant and a sales company in which we hold a share of 40 % until 2006.

In March 2003, we sold our only cement grinding plant in the Philippines - Limay Grinding Mill Corporation - as part of our disinvestment programme. We could see no way of extending our cement activities in the Philippines in the foreseeable future.

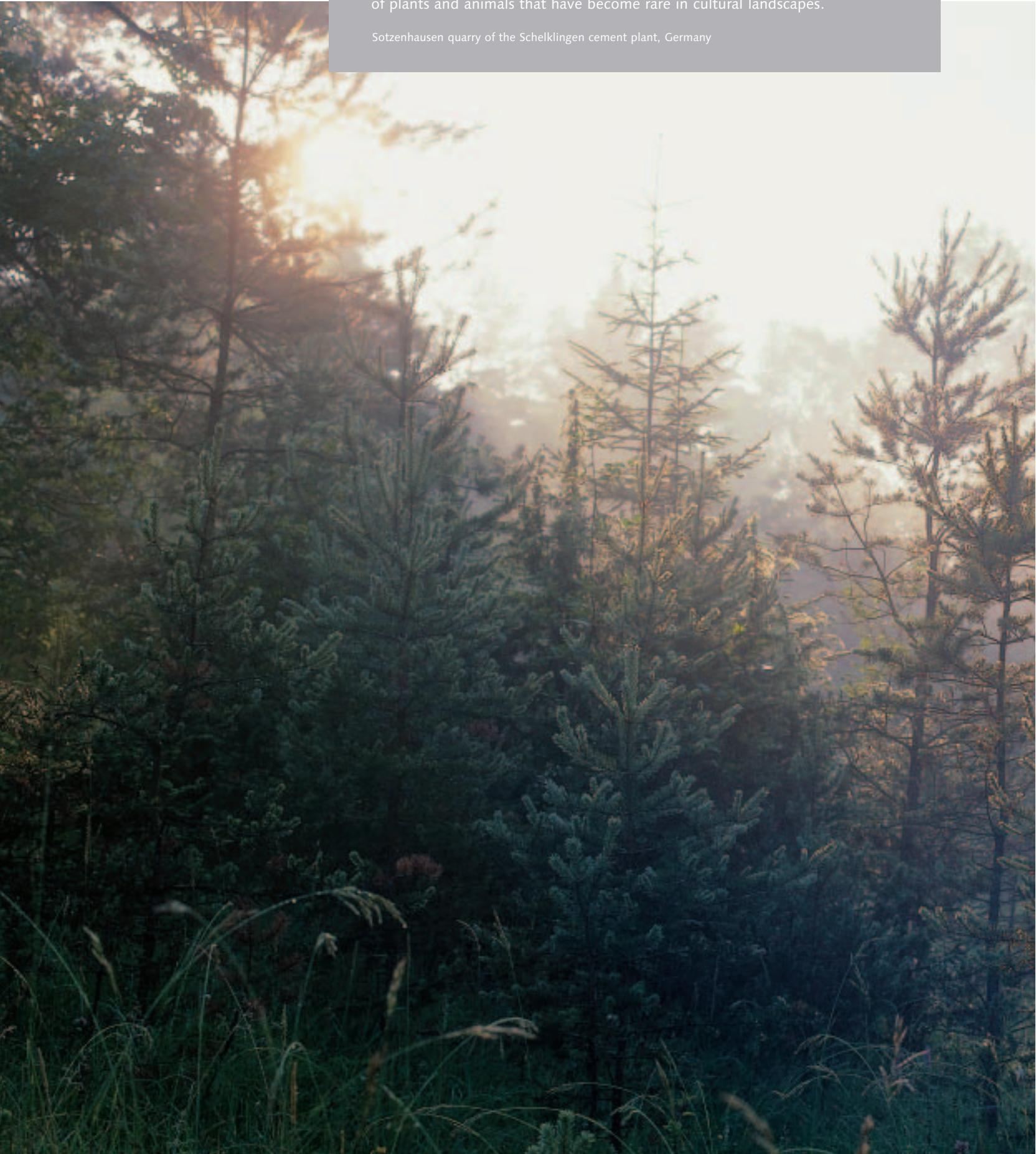
Overall, cement and clinker sales volumes from our consolidated plants in Asia - taking into account the proportionately inclusion of China Century Cement and the deconsolidation of Limay - increased by 44% to 1.8 million tonnes.

Concrete business line

■ Significant increase in ready-mixed concrete sales volumes

Assisted by the construction of shopping centres, high-rise buildings and roads, ready-mixed concrete sales volumes in Indonesia continued to rise in 2003. With improved prices, Indocement's ready-mixed concrete operating line achieved a significant growth of sales volume in of 66% to 0.7 million cubic metres.

In China, the consumption of ready-mixed concrete increased in our main market Guangzhou, while demand in Hong Kong fell once again. In total, our ready-mixed concrete deliveries in China increased by almost 40% to nearly 2 million cubic metres. Both in Guangzhou and Hong Kong, intensive competition and price pressure determined the market conditions. However, further cost reductions allowed us to achieve positive results.



■ Unlike in the case of reclamation, abandoned quarries are largely left to themselves with the process of renaturation, so that domestic plants and animals populate them again. Renatured quarries offer perfect areas of retreat to species of plants and animals that have become rare in cultural landscapes.

Sotzenhausen quarry of the Schelklingen cement plant, Germany



Turkey

■ Improved economic prospects

With an estimated economic growth of 5% in 2003 and an inflation rate that had fallen to the comparatively low level of 14%, confidence in a further growing economy is rising in Turkey. However, construction activity was not yet able to benefit from the improving general economy; a strict cost-cutting policy led to a curtailment of infrastructure investments.

Cement business line

■ Positive development of sales volumes

After the uncertainty caused by the war in Iraq, Turkey's cement consumption recovered during the second half of 2003. At 28 million tonnes, cement consumption was approximately 4% higher in 2003 than in the previous year. However, in the main markets of our participation Akçansa, demand rose by a higher than expected percentage. Total cement and clinker sales volumes, including exports, increased by 4.9% to 4.3 million tonnes (consolidated: 1.7 million tonnes). Although total exports fell slightly, clinker deliveries with lower margins were largely replaced by more profitable cement exports.

At the beginning of 2003, the environmental management systems at the Akçansa plants Çanakkale and Büyücekmece were certified by the British Standards Institute in accordance with ISO 14001. After receiving the OHSAS 18001 certificate for a management system for health and safety at work, it will be possible to combine the management systems in both plants in 2004 to create an integrated management system.

Concrete business line

■ Overall market development exceeded

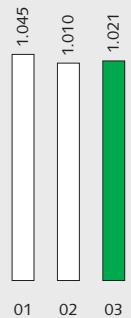
The Turkish ready-mixed concrete market grew by 6% to 18.5 million cubic metres. Sales volumes in our ready-mixed concrete operating line Betonsa developed more positively than the market, with an increase of 11% to 1.7 million cubic metres. Measures to reduce production costs improved profitability.

After the quality management system was certified in accordance with ISO 9001-2000 and the management system for health and safety at work was approved in accordance with OHSAS 18001, Betonsa's environmental management system was also certified in accordance with ISO 14001 in 2003. The latter certification is a prerequisite for the transition to an integrated management system.

maxit Group

We are combining our activities in the areas of dry mortar, expanded clay and building chemicals in the maxit Group business unit. maxit Group is active in 27 countries and is the market leader in Europe.

Turnover in EURm



■ European market leader in dry mortar

HBE (Heidelberg Building Materials Europe) has been trading under the name maxit Group since October 2003. With the new name, the strongest brand in our building materials line has asserted itself. In addition, we wished to drop the regional limitation to Europe, which was suggested by the name HBE. The company is the leading manufacturer of dry mortar and expanded clay products in Europe. Building chemicals and plant engineering are completing the product range. Around 5,000 people are employed at 130 production sites in 27 countries.

■ Restructuring successfully completed

2003 was the year of restructuring; the organisation was streamlined and strengthened. We wish to establish our entire product range in all of the markets in which the maxit Group is active, extend our position in China and Russia and continue growth.

The restructuring measures contributed to the overall positive development of the business unit. A wide range of projects and measures - including purchasing efficiency projects - have already led to a significant cost reduction.

■ Difficult economic environment

The environment in the construction industry was not satisfactory for the most important maxit Group markets in 2003; the outlook for 2004 is not significantly better. The situation on the construction markets in many of the smaller countries in which the maxit Group operates is, however, more positive.

The maxit Group's turnover increased by around 1 % to EUR 1,021 million (previous year: 1,010). The successful restructuring has been reflected most clearly in the operating income before depreciation (OIBD), with an increase of 3.8 % and in the operating income with a rise of 18.9 %.

Turnover by business lines

	2002	2003
Cement	-	-
Concrete	-	-
Building materials	1,010	1,021
Intra-Group eliminations	-	-
Total turnover	1,010	1,021

Key data

	2002	2003
OIBD	131	136
Operating income	45	53
Investment in tangible fixed assets	35	44
Tangible and intangible fixed assets	823	791
Employees	4,885	4,941

While sales volumes of dry mortar and building chemicals displayed an upward trend, the sales volumes for expanded clay products remained lower than the previous year's level. Demand in Northern Europe and the Benelux countries declined, while the markets in Russia - particularly around densely populated areas - developed positively. In Spain, shipments of dry mortar increased considerably.

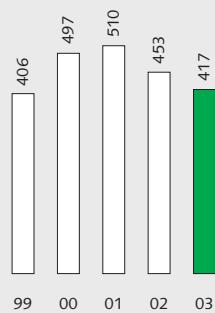
In the plant engineering operating line it was possible to increase turnover by 7 % despite the weakness of most of the markets. Results increased thanks to both operations and restructuring measures.

■ Extension of activities in growth markets

As part of the extension of our activities in growth markets, we will build a dry mortar plant in both China and Russia, as well as a concrete block plant in Lithuania, which will start production already in the first half of 2004. Building of the plants in China and Russia will be completed in spring 2005. We have successfully concluded negotiations on a joint venture with a partner in China. Another focal point is the cross-selling beyond country borders of our wide range of products.

Group Services

Turnover Group Services in EURm



HC Trading and HC Fuels are part of Group Services. While HC Trading trades with cement and clinker and is one of the largest trading companies in this sector, HC Fuels manages worldwide trading in fossil fuels, which it sells to Group-owned and third party companies.

HC Trading

■ Previous year's record volumes exceeded

In 2003, our subsidiary HC Trading achieved its highest trading volume to date with 11.9 million tonnes (previous year: 11.1), thereby exceeding the previous year's record total by 6 %. We traded 6.7 million tonnes of cement, 4.3 million tonnes of clinker and 0.9 million tonnes of related materials such as gypsum, blast furnace slag and lime. In 2003, the increase in freight rates of over 300 % led to a difficult environment for trade in mass goods such as cement and clinker.

Increased cement deliveries – mainly to external clients on the East coast of the US, in the Mediterranean area and in Africa – more than compensated for declining clinker volumes. HC Trading delivered more than 600 shiploads to over 80 destinations in 30 countries. The company coordinates its trading activities from three branches in Istanbul, Oslo and Singapore.

Despite the positive sales volume development, our turnover declined slightly as a result of the weakening of the US dollar against the euro. However, higher net margins led to improved results.

In the 2003 financial year, we were able to use HC Trading's global network of cement terminals to deliver surplus cement and clinker from Northern Europe, Turkey and Asia to destinations all over the world. In this way, we are increasing the capacity utilisation in the Group.

HC Fuels

■ Extension of activities

Our subsidiary HC Fuels, based in London, is responsible for the cost-effective purchase of fossil fuels on the international commodity markets. It guarantees the supply of Group companies in Europe, Africa, Asia, and North America with coal and petroleum coke.

HC Fuels has significantly extended its activities in 2003 and now also supplies our cement plants in Poland, the Czech Republic, Bosnia-Herzegovina, as well as the Fieni plant in Romania with Russian coal. In addition, HC Fuels supplies our Ukrainian cement plants with gas, provides China Century Cement with internationally purchased coal and delivers petroleum coke to our clinker plant in Gabon.

During 2003, the world market prices for coal and the freight rates for sea transport rose to a level not reached since the early eighties. The main reason is the high demand for iron ore, coking coal and other raw materials in China. Although we are still anticipating further price increases in the short term, we expect to see a slow decrease in prices again in 2005.

HC Fuels ensured the coverage of demands of our plants at an early stage by means of medium-term futures contracts. Only after the middle of 2004 will we purchase fuel again on the international coal market for some Group plants.

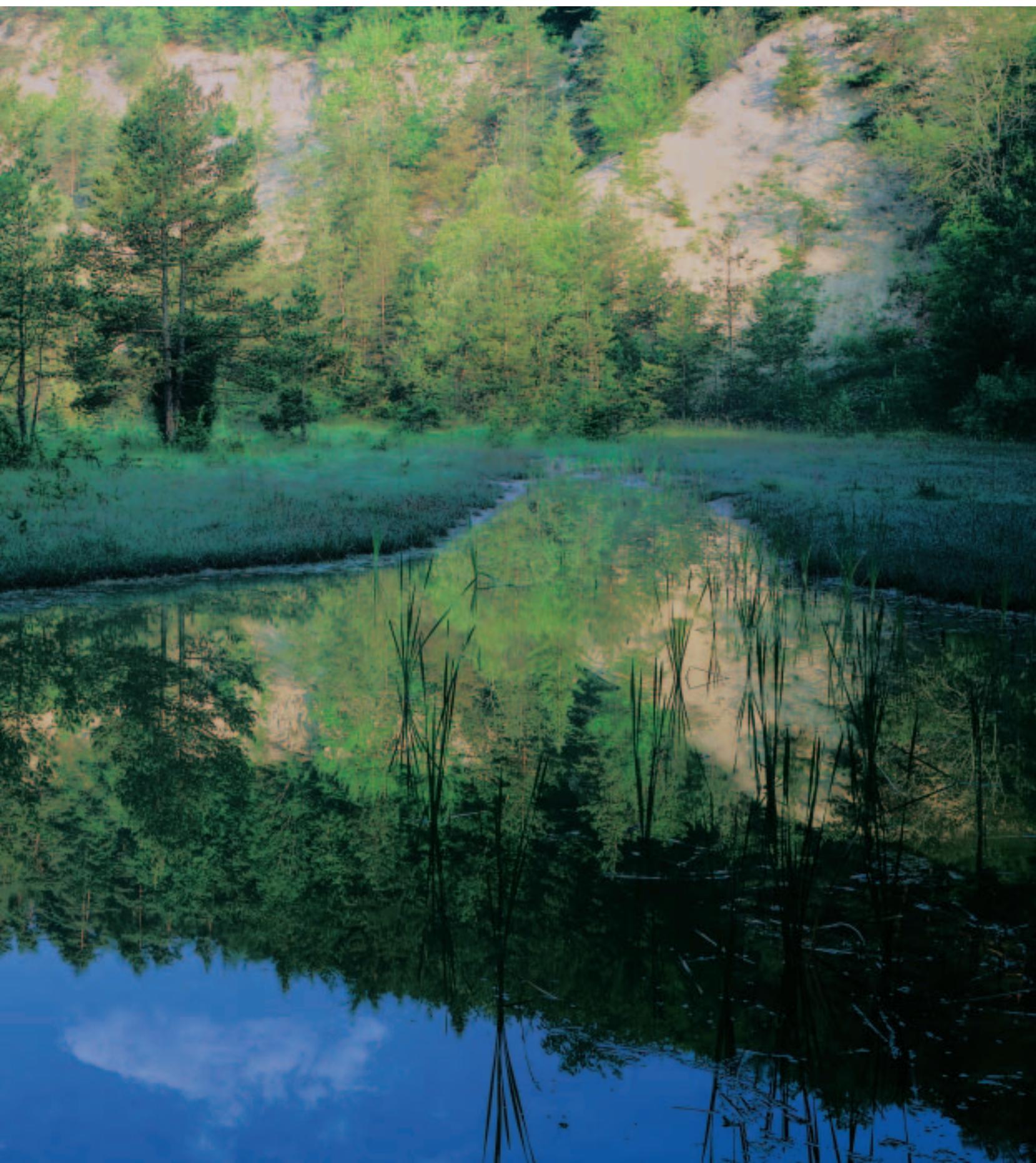
Key data

EURm	2002	2003
OIBD	9	12
Operating income	6	10
Investment in tangible fixed assets	-	-
Tangible and intangible fixed assets	44	38
Employees	108	48

■ Occasionally, mankind intervenes cautiously in the renaturation process of quarries in order to specifically support symbioses particularly in need of assistance, e.g. through the laying out of shallow stretches of water.

Sotzenhausen quarry of the Schelklingen cement plant, Germany





HeidelbergCement report to the shareholders

Corporate Governance

Our principles of corporate governance and monitoring comply with both legal provisions as well as nationally and internationally acknowledged best practices. They are formulated in the HeidelbergCement Corporate Governance Principles in conformity with the German Corporate Governance Code. These principles were published throughout the Group and on the Internet. Together with the articles of association and the procedural rules of the Supervisory Board, Managing Board and Advisory Council they represent HeidelbergCement's company constitution.

■ **Modification of the Corporate Governance Code**

In May 2003, the Government Commission German Corporate Governance Code approved modifications to the Code, which was adopted for the first time in 2002. These modifications predominantly relate to the Managing Board remuneration.

The following new recommendations were incorporated into the Code:

- Regular review of the structure of the remuneration system for the Managing Board by the Supervisory Board
- In the event of stock options, reference to demanding comparative parameters and reservation for the limitation of the increase in value from options in the event of exceptional developments
- Publication of the fundamentals of the remuneration system for the Managing Board on the company's Internet site as well as in the annual report, including disclosure of the value of stock options
- Report of the chairman of the Supervisory Board to the Annual General Meeting on the fundamentals of the remuneration system for the Managing Board
- Individualised disclosure of the Managing Board and Supervisory Board remuneration in the notes to the Group annual accounts.

The Managing Board and Supervisory Board have decided to adopt these modifications with one exception: The Managing Board remuneration will still not be disclosed on an individualised basis, as this touches on the privacy of the members of the Managing Board and therefore should only be carried out with their express consent. The members of the Managing Board are not prepared to give this consent, as they can identify no relevance of the personal emoluments for the decision of investors.

HeidelbergCement's Corporate Governance Principles were adapted accordingly and published internally and externally once again in December 2003.

■ Statement of compliance

The statement of compliance in accordance with § 161 of the German Stock Corporation Act (Aktiengesetz) was adopted on 11 December 2003 and published on the Internet on 19 December 2003. With an additional statement from March 2004 the publication date of the annual statement of compliance is synchronised with the publication of the annual accounts.

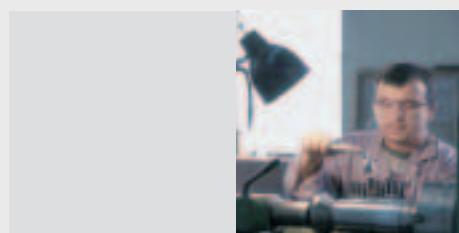
Apart from the recommendation on the individualised disclosure of the Managing Board remuneration, two other recommendations will not be complied with: There are no age limits for members of the Supervisory Board. Out of consideration for the family shareholders represented on the Supervisory Board, we do not publish in the annual report the shareholding of Supervisory Board members exceeding a one percent share in the company's share capital.

■ Remuneration system for the Managing Board

The remuneration determined by the Supervisory Board for the Managing Board of HeidelbergCement AG is adapted to the tasks and performances of the individual members of the Managing Board, to the performance of the full Managing Board and to the Group's economic situation, its success and future prospects, taking into account its peer companies. The total remuneration is composed of fixed and variable components. The variable remuneration includes an annually recurring component linked to the business outcome and a component with a long-term incentive effect containing risk elements.

For the majority of the Managing Board members, a directly dividend-related bonus serves as a component that is linked to the business performance. For other Managing Board members a bonus applies that depends on the extent to which agreed targets were accomplished. Stock options serve as a component with a long-term incentive effect containing risk elements. The ratio between fixed and variable remuneration elements varies between the Managing Board members. The differences are connected with the decentralised organisational structure of the Group, the different national practices and company cultures and the different dates for conclusion of contract.

The total remuneration of the Managing Board amounted to EUR 6.17 million in 2003. EUR 2.97 million of that was apportioned to fixed remuneration elements, EUR 2.95 million to variable remuneration elements and EUR 0.25 million to other remuneration elements, which corresponds to a ratio of 48:48:4. In addition, a total of 105,000 virtual stock options were issued to the Managing Board. At the time of issuance, the value of these options amounted to EUR 1.02 million overall (roughly determined on the basis of prevailing valuation methods). You will find further details on the structure of the stock options under the following section.



■ Stock option plans

HeidelbergCement AG has issued a stock option plan annually since 2000 for its members of the Managing Board and for a group of senior managers in HeidelbergCement AG and affiliated companies. The plans issued in the years 2000, 2002 and 2003 grant virtual options on HeidelbergCement AG shares, while the plan issued in 2001 grants real options.

All plans have a duration of six to six and a half years and a blocking period of two years. Within the exercising period, the options may only be exercised during specific time frames, which always follow the Annual General Meeting and the publication of the half-year and nine-month figures.

It is a prerequisite for the exercising of options that the share price has risen by at least 5 % per annum on average since issuance of the options - based on the total shareholder return. Furthermore, the share price development may not be worse than that of an international construction stocks index - otherwise the options remain partially or fully blocked in the percentage range of the underperformance. In addition, there was the requirement of an individual investment in HeidelbergCement shares for participants of the real 2001/2007 option plan.

The plan issued in 2003 envisages that the Supervisory Board may limit the appreciation of value to be offset at the exercising of an option in the event of exceptional, unforeseen developments.

The exercise hurdles were also increased for this plan. Firstly, in contrast to the previous plans, the requirement of an annual average share price increase of 5 % must be fulfilled on a specific exercise date and not merely at any time within the exercise period. Secondly, in the event that the development of the HeidelbergCement share price remains below the comparison index, the stock options are blocked not merely in the same percentage, as in the previous plans, but at double the percentage of the underperformance. The existing four stock option plans are arranged as follows:

Prices and values

EUR	Virtual plan 2000/2006	Real plan 2001/2007	Virtual plan 2002/2008	Virtual plan 2003/2009
Date of issue	7/1/2000	8/21/2001	10/1/2002	10/1/2003
End of term	12/31/2006	12/31/2007	12/31/2008	12/31/2009
Expiration of waiting period	6/30/2002	10/10/2003	9/30/2004	9/30/2005
Initial basis price	61.21	52.82	41.21	32.70
Adjusted basis price *)	58.22	49.83	38.22	32.70
Number of participants at grant	90	99	105	111
Number of issued options	430,500	462,000	484,500	495,000
Value per option at grant **)	21.21	15.1	9.75	9.09
Value per option on 2/27/2004 **)	1.48	3.64	7.40	11.43
Number of exercised options on 3/24/2004	0	0	0	0

*) for consideration of dividend payments and capital increases

**) roughly determined on the basis of prevailing valuation methods

Risk management

Entrepreneurial activity with the objective of producing appropriate returns also means taking risks. To minimise these risks, we have set up a Group-wide system that allows us to identify risks at an early stage, evaluate them appropriately and find suitable ways to reduce or neutralise them.

■ Systematic risk recording and evaluation

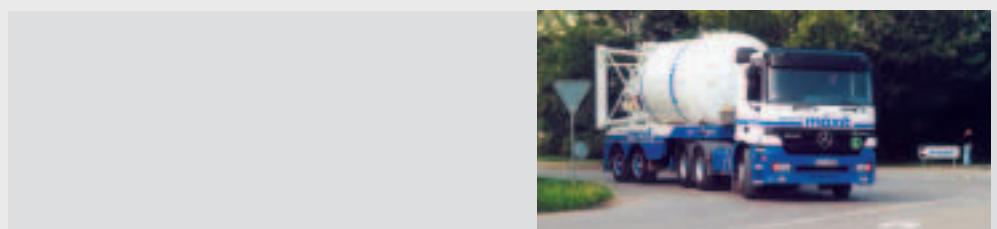
Our risk management is organised consistently across the Group. Significant components are the planning and controlling process, Group-wide guidelines and ongoing reporting to the Managing Board and Supervisory Board. Risk reporting is regularly updated by the following four steps:

1. Systematic identification and documentation of the risks and protection systems
2. Evaluation of the risks according to probability of occurrence, potential level of loss and assessment of the effectiveness of the existing protection systems
3. Analysis of the effects of the identified risks on the company goals and structured presentation in a detailed risk report
4. Individual risk-reducing measures are summarised in annual action plans; the person responsible reviews their execution.

All Group companies and strategic business units are closely involved in the risk management process, which is organized "from the bottom up". The risks are recorded right on the spot and passed on. The responsibility for making a fair assessment and dealing with these risks rests with the highest management level in each unit.

Risks are recorded and assigned to risk groups, for example: market and strategic risks or operating risks. In order to perform the evaluation, several key factors are examined. These include the probability of occurrence, the potential level of loss and the expected development.

The Managing Board is informed of the risk status on a quarterly basis. The basis for the risk category classification is the average profit per year. There are standard notification limits for the reports. Because our business units compare their potential loss with the earnings before interest and income taxes (EBIT) for which they are responsible, we are able to link risk recording closely with the operating controlling process. In addition to instantaneous internal reports if unforeseen risks should arise, a comprehensive overview



of HeidelbergCement's risks is thereby ensured at any time. The Managing Board, supported by a risk committee, can thus identify and control possible risk developments at an early stage. Contingency plans for all significant risks represent a further component in the Group-wide risk management process.

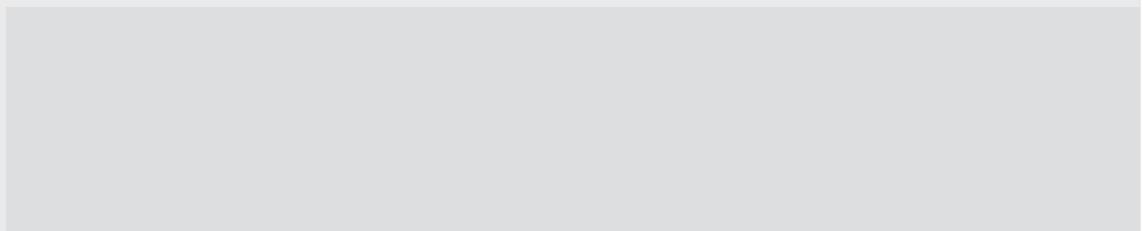
The Group Internal Audit & Corporate Risk Management department checks the efficiency of our risk management process regularly. In addition, the auditors carry out an examination of the risk management system as part of the annual audit to determine whether the monitoring system is capable of identifying issues that could threaten the Group's existence in good time. The auditors confirm that it completely fulfils the requirements of the German Law on Control and Transparency in the Corporate Sector (KonTraG).

■ Risk assessment at Group level

All Group companies and strategic business units prepare risk reports. They form an extensive data pool, allowing adequate risk management at Group level. The Group Internal Audit & Corporate Risk Management department analyses these reports and assesses the results with regard to their effects on the Group. The assessment basis is, as for the strategic business units, the EBIT and finally the average profit for the financial year of the Group. With expected developments for the next three years being quantified, it is possible to recognise longer-term trends and perform appropriate assessment of both individual risks and the overall risk in the foreseeable future.

At present, the greatest risk for HeidelbergCement comes from the possibility of a further downturn in the world economic situation: The investment level in the business sectors that are relevant for us and the resulting capacity utilisation on the part of our customers is closely linked to the economic development. Market and competitive risks would increase in the event of a renewed downturn. With a noticeable improvement in the cost structure in the reporting year, we have, however, made HeidelbergCement's business development significantly more independent of overall future economic development. At several places within this annual report, we inform you about how we minimise risks in the individual Group units through preventive measures, guidelines and our Group-wide controlling system.

After evaluation of the overall risk situation and of the measures taken, there are no identifiable risks for HeidelbergCement, either at present or for the foreseeable future that could threaten the existence of the Group.



■ Risk categories

From the current viewpoint, the following risk categories are of importance to HeidelbergCement.

- Overall economic risks

In our main markets - Europe and North America - a decline in economic development could further weaken investment activities. Due to the balanced geographical positioning of our Group, however, economic declines in one region can be offset by positive developments in other regions. From today's perspective, there are no indications that the development of the capital markets and the interest rate level, changes to the general legal and fiscal conditions or other statutory regulations will have a direct negative impact on the economy.

- Industry-related risks

The building materials industry depends on development in construction activity, which in turn is closely aligned with the general economic situation. Currently, there are no identifiable risks associated with a change in the industry structure or the fundamental legal, statutory or tax principles.

- Market and strategic risks

Due to the macroeconomic conditions and, in particular, the ongoing difficult situation in Central Europe West, HeidelbergCement is confronted with considerable challenges. The fall in demand and the heavily reduced cement prices in Germany also had a negative impact on our Western Europe region. In order to respond to the risks, we have initiated internal capacity adjustments and restructuring measures. Increasing competition in Indonesia, Bangladesh, China, the Czech Republic, Poland, Norway, Sweden and some African countries may lead to reductions in volumes and prices. In this area too, we have initiated precautionary measures to reduce costs and improve the production process in order to offset these risks. Taking risks due to political uncertainties in countries such as China, Indonesia and Russia is, in our first-time view, justified by the opportunities that present themselves in these countries. With the consolidation of our Indonesian participation Indocement, we are increasing our financial involvement in the growth markets. Although political risks and market risks cannot be ruled out in this region, they are, in our opinion, appropriately compensated for by the opportunities that our involvement in this region provides.

- Operating risks

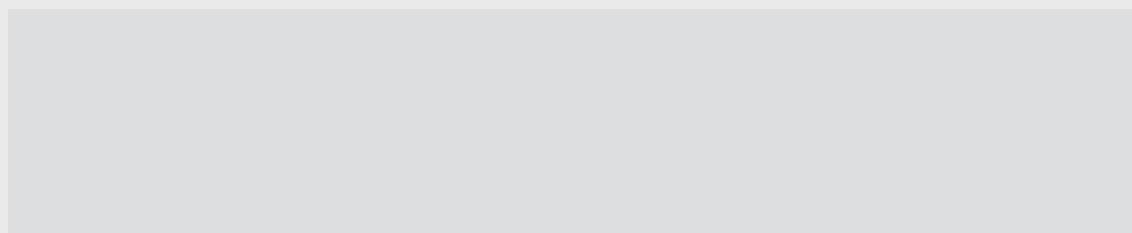
Of primary importance in this area are possible production shifts which could result from the loss of suppliers. We have therefore further extended our procurement programme in order to control this risk. The development of the coal price on the world market and the substantial increase in freight charges represent a certain risk for HeidelbergCement. Due to futures contracts in the first half of 2003, we will be in a position to react properly to this altered situation throughout the coming years. Essentially, we secure our interests as regards suppliers by contracts and thereby minimise possible legal, contractual or financial risks. Personnel turnover and problems in finding qualified employees could represent a risk for operating progress overall. For other business areas such as, for example, investments, we anticipate no significant risks, as a result of our strict investment control. The same applies in the area of research and development. Our innovations ensure that we focus on the right elements and react in a timely way.

- Currency risks

An elevated euro exchange rate - primarily against the US dollar - represents a certain translation risk because North America contributes a significant part of the worldwide activities of HeidelbergCement. However, as our main competitors in North America also have their headquarters outside the US dollar zone, currency risks do not entail any changes in competitive relationships that would prove negative for us. Risks relating to changes in currency exchange rates are monitored by the Corporate Finance & Treasury department and are controlled with the aid of derivative financial instruments. Information about this can be found in the Notes on pages 152 f. and 156.

- Interest rate risks

The Corporate Finance & Treasury department controls interest rate risks centrally. Both cash flow and price risks, which are associated with interest rate changes, are monitored on a continuous basis and maintained within the parameters set by the Group's Chief Financial Officer. A finance committee regularly monitors all of the Group's strategically important interest rate risks. Further details are provided in the Notes to the Group accounts under financial instruments.



- Liquidity risks

We minimise liquidity risks from the outset by centrally controlled cash pooling systems as well as through Group-wide payment and clearing management. Thanks to the strict receivables management within our Group, we can also guarantee liquidity and thus overall financial flexibility. In addition to this, we have a cash flow plan in which trend deviations can be identified at an early stage.

- Legal risks

In April 2003, the German Federal Cartel Office (Bundeskartellamt) imposed fines of EUR 278.5 million against HeidelbergCement, including Anneliese Zementwerke AG, within the pending cartel proceedings against German cement companies. HeidelbergCement is contesting both the majority of the cartel agreements of which it is accused and the additional revenue allegedly obtained in this manner, and has filed an appeal. The legal proceedings regarding the appeal are expected to open at the beginning of 2005. The possibility of compensation claims being filed by clients who have allegedly suffered damages in connection with the cartel proceedings cannot be ruled out. One of the objections also applicable in this respect is that no additional revenue was obtained. We have set up appropriate provisions for the cartel law-related risks described. To avoid future cartel violations, we have reinforced internal precautions, in particular including training events.

- IT risks

Through considerable investments and effective central and local IT management, the probability of serious failures occurring has been eliminated as far as possible. Having taken appropriate precautions, we are well prepared for the possible breakdown of one of our IT systems in case of disaster - the probability of this occurring is below 1 %. Copies of data are removed from sites on a daily basis, which means that a maximum of one day's data can be lost. To reduce the probability of failures occurring, our computer centres are specially protected. We do not envisage any significant risks in this area.



- Other risks

The trading of carbon dioxide emissions rights in the European Union begins on 1 January 2005. All member countries must submit their allocation plans by the end of March 2004. The cement industry will take part in this trading. The possible risks for HeidelbergCement arising from the effects of emissions trading can only be estimated once the national allocation plans have been published and assessed by the European Union.

HeidelbergCement controls environmental risks in advance by an efficient environmental management - both in product development and in production. In our environmental report, we give a comprehensive account of our activities and our standards. We promptly implement measures to protect the environment or improve on-the-job safety. In various locations throughout the world, natural disasters represent a certain degree of risk: in California, Indonesia and Turkey, for example, there is an increased risk of earthquakes, which we hedge against as far as possible by means of insurance. As a result of far-reaching changes in the international insurance market, the basic conditions for coverage against terrorism risks have changed. Like all companies operating internationally, HeidelbergCement is affected by this: The standard Group-wide coverage against terrorism risks that was previously in place was made more difficult. As a consequence, the insurance coverage for this type of risk had to be discontinued in certain regions, as it could no longer be insured under economic point of views. At present, we can identify no significant risks other than the individual risks mentioned.



Employees

In 2003, HeidelbergCement employed an average of 37,774 (previous year: 36,761) members of staff. This is 1,013 or 2.8% more than in the previous year. New consolidations contribute 4,094 employees to this increase, while disinvestments and capacity adjustment measures decreased the number of employees by 3,081. The Group is now present in around 50 countries. We have withdrawn from our involvement in the Philippines and in Bulgaria.

■ Personnel costs

Personnel costs in 2003 fell by 2.5% to EUR 1,373 million (previous year: 1,408) compared with 2002. This corresponds to a share of 21.5% (previous year: 21.4%) in turnover.

■ Group-wide personnel development programmes versus a decentralised structure

Human resources is managed decentrally at HeidelbergCement and split according to the strategic business regions. Group-wide personnel development programmes - predominantly for junior employees and members of middle management - are taken care of by a Group coordinator for personnel matters. He ensures a coordinated personnel development Group-wide.

The International Management Candidate Program promotes and develops junior employees with management potential. It lasts ten months and takes place already for the fifth time. In different groups, 25 selected candidates from all business regions work on projects, which they present to the Managing Board at the end of the programme.

The Group-wide Management Mentoring Program provides the organisational framework in which senior managers support and encourage middle management members with development potential. The programme started in the summer of 2003 and will last for two years.

In addition, we have newly installed the Senior Management Development Program in collaboration with the management college INSEAD in Fontainebleau near Paris/France. The one-week programme is directed towards a group of approximately 30 experienced executives from all regions and business lines. Significant central elements of the advanced training are strategic thinking, intercultural management and the building of informal networks. After the first training week in October 2003, four further weeks are planned for the current year with new participants in each case.



■ Measures in the regions

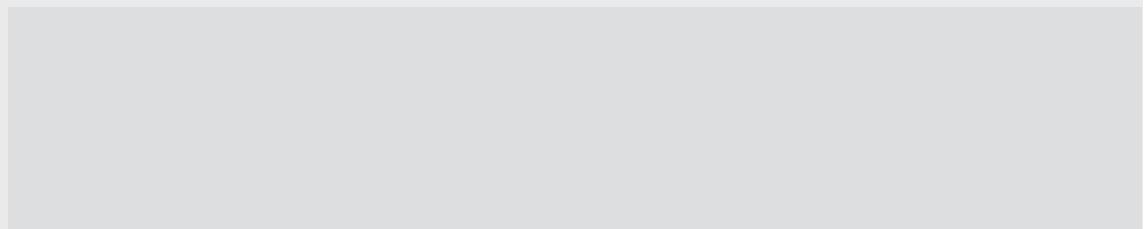
Staff training measures in the regions supplement the personnel development concept pursued at Group level. This includes regional programmes for executives, advanced training offers in the areas of leadership and management, business administration, sales, cement production, quality management, IT, and foreign languages. We are specifically supporting our local management in Africa with the HeidelbergCement Africa Academy, which was founded in 2002. A new employee suggestion system is being introduced in Turkey. Various trainee programmes, in particular the two-year Engineers In Training Program in Europe and in America, complement the offers to new employees and applicants at HeidelbergCement.

■ Reduction of jobs

Apart from the acquisitions and sales of companies, the trend for job reductions in the course of the ongoing consolidation of the cement industry had an impact on several regions. The announcement of additional personnel adjustments had become unavoidable in 2003, particularly in Germany. Approximately 400 jobs are affected, primarily in the cement and concrete business lines. More than 150 jobs are lost due to the closing down of the clinker production in the Mainz-Weisenau cement plant and the closure of the Lepol kiln in Schelklingen. We have organised the job cuts to be as socially acceptable as possible: Increased use of early retirement regulations, not extending temporary work contracts, developing fair redundancy schemes when dismissing employees for restructuring reasons and supporting professional reorientation.

As of 1 January 2004, we have started to combine the cement activities in Belgium and the Netherlands in the new business unit CEM BENE. We expect to gain a better market focus and additional synergy effects from the joint organisational structure, including the personnel sector. At the Norwegian cement locations, we intend to part with approximately 60 jobs in the following two years without dismissals for restructuring reasons. Jobs in the Ukraine, in Romania, Bangladesh, China and in Indonesia fell victim to the objective of improving productivity and saving costs. In the maxit Group, 270 jobs were cut back in 2003.

In the strategic business region of Africa-Asia-Turkey, Africa contributes to the Group's workforce with approximately 2,110 employees, Asia with 1,750 and Turkey with 340. In 2003, 71 expatriates, primarily from Norway, worked in our African companies and participations.



■ Thanks to employees and employee representatives

The Managing Board and Supervisory Board would like to thank all the members of staff whose hard work and enthusiasm have contributed to the success of HeidelbergCement. Our gratitude applies also to the employee representatives for their loyal and conscientious work.

Group employees by regions

	1999	2000	2001	2002	2003
Central Europe West	8,533	8,233	4,523	4,470	4,589
Western Europe	4,388	4,450	4,227	3,894	3,840
Northern Europe	7,310	7,476	5,027	5,368	4,685
Central Europe East	8,388	7,448	7,047	9,600	9,755
North America	6,542	6,191	6,110	5,923	5,715
Africa-Asia-Turkey	1,757	2,552	2,388	2,513	4,201
maxit Group	-	-	5,476	4,885	4,941
Group Services	1,409	122	48	108	48
	38,327	36,472	34,846	36,761	37,774

Until 2000: maxit Group employees enclosed in Central Europe West, Western Europe and Northern Europe.

Environmental precaution

■ Action plan for sustainable development

HeidelbergCement has committed itself to a sustainable development that takes into account economic, social and ecological considerations to the same degree. As a result, we protect not only the environment and the interests of the present and next generation, but at the same time we fulfil the economic requirements.

Sustainable development may not be realised on one's own, but requires worldwide collaboration. Together with nine other international cement companies and with the participation of the World Business Council for Sustainable Development (WBCSD), we have prepared an agenda for action for sustainable development - the Cement Sustainability Initiative. The initiative includes the topics climate protection, fuels and raw materials, employee health and safety, emissions reduction, local impacts and internal business processes. HeidelbergCement collaborates actively in all six areas. In November 2003, we discussed the initial results with various stakeholders in Brussels. We will jointly draw up guidelines by the end of 2004, which will then result in specific and binding measures in the individual companies.

■ Reduction of environmental pollution

We are making huge efforts at all locations to reduce or to completely avoid repercussions on the environment. In the process, we are pursuing the concept of integrated environmental protection: The prevention of polluting emissions during the production process has priority over their costly elimination at a later date.

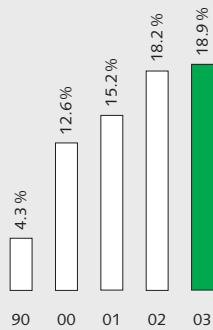
For instance, we have converted a long dry kiln in the American Mitchell plant to a cyclone preheater kiln resulting in a decline of specific energy consumption by 15% and of CO₂ emissions by 7% at this site.

In the Polish plant at Górazdze, we have modernised the kiln and increased its performance. A nitrogen oxide-lean calciner was installed, the dedusting system replaced and a new clinker silo constructed. The modernisation project is also important for environmental protection because, thanks to the improved performance from 3,500 to 6,000 tonnes of clinker per day, less efficient kilns in our Polish plants could be closed down. The same applies to the new kiln line in Padeswood/United Kingdom, the construction of which was started in 2003. As a result, we will discontinue the operation of several inefficient and obsolete kilns in the Padeswood and Ribblesdale plants.

Due to the modernisation and optimisation of the production facilities, we have reduced the specific fuel energy requirements throughout the Group from 3,924 kJ/kg of clinker in 2002 to a total of 3,871 kJ/kg of clinker in 2003.

Filter systems were replaced and optimised in order to further reduce emissions. In 2003, for instance, we have installed a new kiln filter and a SNCR system in the German Paderborn plant of Anneliese Zementwerke AG. We have replaced the exhaust gas filter including the evaporative cooler of kilns 1 and 2 in Mitchell/US and started operating a new dedusting system for the clinker cooler exhaust air in the Czech Mokrá plant.

Use of secondary fuels



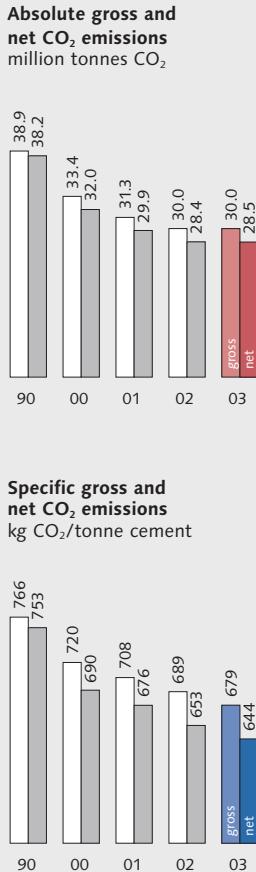
■ Conservation of resources

A specific focus of our efforts in the past year was the increased use of secondary raw materials and fuels, through which finite resources could be saved to a considerable extent. For example, we technically changed the kiln system in the American Union Bridge plant in the summer of 2003 in such a way that fly ash with a high proportion of combustible components may now be used both as raw material and fuel. Throughout the Group, we have covered 18.9% of the total energy requirements with secondary fuels in 2003, including 4.2% of biomass such as waste wood, sewage sludge or animal meal.

Our main focus in this area is on the use of sewage sludge. The pacesetter here is our Dutch cement plant at Maastricht, which replaced 18.6% of fossil fuels with sewage sludge in 2003. We have also successfully conducted trials in other plants such as Schelklingen and Paderborn in Germany.

The reduction in the proportion of clinker in cement production not only allows resources to be conserved, but it can also reduce CO₂ emissions. In 2003, due to the increased use of additives, such as blast-furnace slag sand and fly ash, we were able to reduce the clinker/cement factor to 79.9%





■ CO₂ emissions in focus

The reduction of CO₂ emissions is part of the sustainable development measures at HeidelbergCement. Our company has committed itself to a 15% reduction by 2010 compared with 1990 of the specific net CO₂ emissions (CO₂ emissions in relation to the volume of cement produced). Net emissions are all direct emissions less the savings that are achieved, for instance, through the use of secondary fuels and which are assessed to be CO₂ neutral. Gross emissions, in contrast, are all direct CO₂ emissions of a cement plant including the burning of secondary fuels - except for the thermal use of biomass which amounted to 0.6 million tonnes of CO₂ emissions in 2003. Indirect emissions, which arise in power stations, where the electricity required by us is generated, contributed 8.1% to our total emissions in 2003.

Due to our enlarged scope of consolidation and the increased clinker and cement production in 2003, absolute gross CO₂ emissions of 30.0 million tonnes and absolute net CO₂ emissions of 28.5 million tonnes reached again 2002 year's level. The successful implementation of our measures for sustainable reduction of CO₂ emissions led to a decrease in specific gross emissions from 689 kg/tonne cement in 2002 to 679 kg/tonne cement in 2003. In the same period, specific net emissions fell from 653 kg/tonne cement to 644 kg/tonne cement.

■ Environmental management systems

In 2003, we have consistently pursued our objective of introducing environmental management systems in all cement plants of HeidelbergCement. They define the requirements on the organisational structure, the procedures and the responsibilities that are necessary in order to achieve not only the local environmental objectives and milestones, but also those specified in our 2002 environmental report.

In 2003, in the Ghent and Lixhe cement plants in Belgium, in Çanakkale and Büyücekmece in Turkey and in the Indonesian plant at Tarjun, environmental management systems in accordance with ISO 14001 were introduced and audited and accepted by external certification companies. In North America, we completed the introduction of the Environmental Management and Information System (EMIS) in all clinker producing plants in 2003.

For the year 2004, we are planning the introduction of the environmental management system in the plants of Anneliese Zementwerke AG in Germany, in Harmignies in Belgium and in our plants in Bosnia-Herzegovina, Bangladesh, Brunei and in the Ukraine.

Research and development

■ Collaboration across the Group

It is the objective of R & D at HeidelbergCement to develop and constantly improve client-oriented products and applications. This is done close to the market, often in direct customer contact in all regions and business lines. A Group-wide knowledge network of experts using a common intranet platform ensures that new information and market successes are transferred and used in the entire company. The collaboration with research projects and the exchange of experience result in an efficient transfer of knowledge, shorter product development times and lower costs. In addition, our contributions for the European standardisation work or for other international bodies are grouped together in the knowledge network.

National and international collaboration with universities and research institutes supplement internal basic research. HeidelbergCement has become involved with the creation of the pan-European research network "Nanocem", in which numerous European universities and building materials producers have joined together.

We have spent approximately EUR 43 million (previous year: 44) last year for market-orientated R & D; there were approximately 430 employees working in this sector across the Group.

■ Focus on sustainable development

As we have committed ourselves explicitly to sustainable development, the conservation of natural raw materials and the reduction of emissions are at the centre of our research activities. Resources are conserved primarily through the use of alternative fuels. One example is the utilisation of sewage sludge in ten cement plants - additional locations will follow. The energy content of the sewage sludge is used in the cement kiln, where it is split up into its components and completely integrated into the clinker. This conserves landfill space, saves coal and reduces costs. Furthermore, thanks to the use of alternative raw materials, large volumes of depletable resources and energy are saved and CO₂ emissions reduced. Great significance is thus attributed to blast furnace slag - a waste material from steel production - and to fly ash from coal power stations.



We were able to increase considerably the proportion of these alternative raw materials in cement with the development of composite cements or blast-furnace slag cement in Poland, Germany and many other countries. The Polish government has bestowed the honour of "Euro Product" on the blast furnace slag cements of our Polish cement plant at Górazdze for their high quality standards. In the Netherlands and Belgium, we are currently striving for the launch of the world's first quick-hardening blast furnace slag cement (CEM III/A 52.5 R) for the production of concrete products.

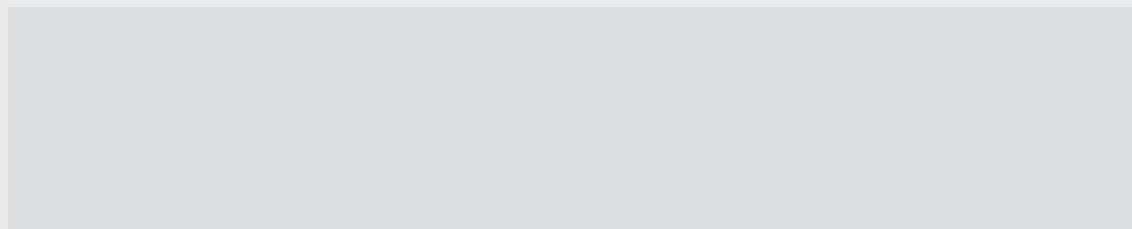
■ Innovative concrete applications

In addition to the use of alternative raw materials, the durability of concrete is also of decisive importance. The causes of chemical reactions that damage concrete are a central research topic. Often in collaboration with universities, we are developing product solutions, such as concretes with high resistance against various environmental influences, like sulphate and chloride attacks, to ensure a long useful life of concrete buildings.

The trend toward easily processable and self-compacting concrete is continuing in Europe and North America. Building on many years of experience, particularly in Scandinavia and in the Netherlands, we now offer self-compacting concrete in all technologically advanced markets. In this sector, HeidelbergCement holds internationally a top position. We are strengthening this market position by developing optimum cements for this kind of application and by introducing computer programmes for concrete formulation. High-performance concrete is being developed for the greatest variety of applications in buildings that are exposed to extreme influences. These include a radiation protection concrete in Florida, fibre-reinforced concretes for pile foundations in the Netherlands or water impermeable concretes in Germany.

In research projects in the United Kingdom, new methods are being pursued for the utilisation of industrial waste materials in concrete. Through the addition of rubber slices from used tyres or the addition of waste glass, concrete gets new mechanical and optical characteristics, which have already been demonstrated in initial pilot projects.

There is also still market potential in many countries for traditional concrete applications, which could be developed by a targeted knowledge transfer. HeidelbergCement supports the introduction of road construction with concrete in Romania, Bulgaria and Turkey. We are actively supporting the launch of concrete in this highly promising sector by training sessions, lectures and by an educational film, which was also broadcast on Romanian television.



■ Building materials for special applications

maxit Group has developed a number of building materials and system solutions for quite specific applications. The now patented product system "Carbo Cath" was developed in collaboration with research institutes in the Netherlands, Germany, Norway and Sweden: A carbon fibre net laid in the mortar bed and enveloping a building element serves as an electrode. It prevents the penetration of chloride ions, which attack the reinforcing steel. Even corrosion-damaged concrete building elements like in harbours or on bridges can be sustainably reconstructed by means of "Carbo Cath". The system is already utilised in several European countries, for instance in one of the biggest construction sites of this type, the harbour at the North Cape in Norway.

Two new basecoat mortars were developed for use on external thermal insulation systems. "maxit multi 291 E speedy" requires just one day of hardening instead of seven days, before the finishing coating can be applied. Consequently, significant savings arise also through shorter scaffolding times. The use of "maxit multi 293 E clean" makes it possible to interrupt the work up to 24 hours. Therefore, a daily cleaning of the plastering machines or silo mixing pumps is no longer necessary. Apart from saving working time, this reduces the loss of material and waste disposal expenditure. The market has positively accepted both products.

In addition, a new generation of gypsum plasters is being launched. They use the photocatalytic properties of specific mineral phases. The photocatalysis decomposes organic components on the plaster surface, whereby the plasters obtain a self-cleaning surface. They decompose odours and atmospheric pollutants and therefore improve the living climate.



Purchasing

At HeidelbergCement the purchasing of selected, strategically important products and services is coordinated at Group level by the Group Purchasing department and the Purchasing Strategy Team, in which the purchasing managers from all business regions are represented. The purchasing volume amounts to more than 70 % of Group turnover - this corresponds to supplier invoices totalling EUR 90 million per week. The constant search for cost-effective and qualified suppliers is one of the most important measures to ensure our competitiveness. On the market, HeidelbergCement is viewed as a demanding, professional and fair client.

■ Purchasing optimisation

One of the main aims of purchasing optimisation is to ensure efficient purchasing processes. Coordination of purchasing activities within the Group enables us to exploit potential synergies in a targeted manner. During the past year, in almost all regions and strategic business units we again implemented Purchasing Efficiency Projects (PEP). With these projects, we intend to systematically optimise the economic thinking and commercial competence of all employees involved in the purchasing process. Up to now, more than 1,200 employees with an active influence on costs in their respective areas of activity have taken part in these projects. The training will continue until all units are included. These projects have already led to significant cost reductions and contributed to strengthening cross-departmental work and multi-functional networks.

■ Global purchasing

Over the past few years, HeidelbergCement has formed various international product teams in Europe and North America in order to procure strategic products and services in a cost-effective manner. Each team is made up of employees from various commercial and technical areas and regions. In view of increasing activity in Asia, we will be setting up a similar team structure there. These regional teams are coordinated and structured by Group Purchasing, ensuring that the global purchasing strategy will be further optimised with the aim of making further cost savings. One example is the increase in the current total of

70 Group general agreements with suppliers. We are continually looking for new competitive suppliers, primarily in strongly developing regions such as Eastern Europe and Asia - particularly China. Interdisciplinary teams generally perform capital-intensive investments in tangible fixed assets, such as the acquisitions of production plants or parts thereof, in order to guarantee cost efficiency.

■ Energy

One of the most significant cost factors in our production process - with more than EUR 450 million or 7% of turnover - is energy. Our London-based subsidiary HC Fuels is responsible for cost-effective procurement of internationally traded fossil fuels. Over the past 18 months, global fuel prices increased strongly - in particular as a result of higher costs for sea freight. Thanks to our risk management, we were able to conclude futures contracts at reasonable purchase prices in the area of coal, petroleum coke and oil in good time for 2004 and even beyond.

A Group-wide team is responsible for the efficient procurement of electricity on markets that have already been deregulated and those that are to be deregulated in future. Our flexible production processes allow us to exploit periods of time when electricity tariffs are low, thereby decreasing energy costs. HeidelbergCement is a leader in the international cement and building materials industry when it comes to procuring electrical energy on the national and international electricity exchanges. Due to our experience in the deregulated markets and in international coordination of electricity purchasing we are prepared for the coming market changes.

■ eProcurement

At the beginning of 2003, an extensive pilot project was begun in the Central Europe West region for the procurement of goods and services via the Internet - eProcurement. With the aid of electronic catalogues, we are able to make purchases via the Internet in a way that is faster, easier and more cost-effective than the traditional method. Thanks to eProcurement and the time saved by using it, we can focus our purchasing resources more strongly on strategic purchasing. After a successful start in Central Europe West, we will extend eProcurement to other regions.



Group**Profit and loss accounts**

EUR '000s	Notes	2002	2003
Turnover	1	6,569,770	6,371,829
Change in stocks and work in progress		-12,290	-29,317
Own work capitalised		2,151	1,938
Operating revenues		<u>6,559,631</u>	6,344,450
Other operating income	2	196,438	191,516
Material costs	3	-2,517,274	-2,468,524
Employees and personnel costs	4	-1,407,925	-1,373,060
Other operating expenses	5	-1,683,785	-1,669,971
Operating income before depreciation (OIBD)		<u>1,147,085</u>	1,024,411
Depreciation and amortisation of tangible fixed assets	6	-464,363	-445,324
Depreciation and amortisation of goodwill	6	-158,045	-170,316
Depreciation and amortisation of other intangible fixed assets	6	-24,273	-17,621
Operating income		<u>500,404</u>	391,150
Additional ordinary result	7	-1,412	21,664
Results from participations	8	71,387	89,112
Earnings before interest and income taxes (EBIT)		<u>570,379</u>	501,926
Financial results	9	-227,550	-222,172
Profit before tax		<u>342,829</u>	279,754
Taxes on income	10	-80,373	-146,285
Profit for the financial year		<u>262,456</u>	133,469
Minority interests		-14,291	-16,905
Group share in profit		<u>248,165</u>	116,564
Amount for dividend payment	43		114,446
Earnings per share in EUR (IAS 33)	11	<u>3.90</u>	1.41

Group**Cash flow statement**

EUR '000s	Notes	2002	2003
Operating income before depreciation (OIBD)		1,147,085	1,024,411
Additional ordinary result before depreciation		17,149	68,766
Dividends received	12	22,801	27,533
Interest paid	13	-271,365	-226,867
Taxes paid		-61,347	-139,449
Elimination of non-cash items	14	99,052	35,537
Cash flow		953,375	789,931
Changes in operating assets	15	58,756	11,035
Changes in operating liabilities	16	-67,289	-140,748
Net cash from operating activities		944,842	660,218
Intangible fixed assets		-18,532	-9,111
Tangible fixed assets		-438,704	-377,043
Financial fixed assets		-217,702	-225,937
Investments (cash outflow)	17	-674,938	-612,091
Proceeds from fixed assets disposals	18	267,501	305,065
Cash from changes in consolidation scope	19	9,375	16,512
Net cash used in investing activities		-398,062	-290,514
Capital increase			392,068
Purchase of company shares		-925	
Dividend payments - HeidelbergCement AG	20	-73,736	
Dividend payments - minority shareholders	21	-13,553	-17,255
Proceeds from bond issuance and loans	22	213,657	880,728
Repayment of bonds and loans	23	-799,622	-1,477,096
Cash flow from financing activities		-674,179	-221,555
Net change in cash and cash equivalents		-127,399	148,149
Effect of exchange rate changes		-40,867	-22,661
Cash and cash equivalents at 1 January		567,739	399,473
Cash and cash equivalents at 31 December	24	399,473	524,961

Group**Balance sheet ■ Assets**

EUR '000s	Notes	31 Dec. 2002	31 Dec. 2003
Long-term assets			
Intangible fixed assets	25	2,397,052	2,505,258
Tangible fixed assets	26		
Land and buildings		1,593,430	1,621,290
Plant and machinery		2,562,600	2,492,667
Fixtures, fittings, tools and equipment		224,865	188,732
Payments on account and assets under construction		284,354	240,140
		4,665,249	4,542,829
Financial fixed assets	27		
Shares in associated companies	28	766,339	683,649
Shares in other participations	29	451,273	401,072
Loans to participations	30	63,357	30,308
Other loans		118,256	62,852
		1,399,225	1,177,881
Fixed assets		8,461,526	8,225,968
Deferred taxes		148,250	167,776
Other long-term receivables		128,465	101,466
		8,738,241	8,495,210
Short-term assets			
Stocks	31		
Raw materials and consumables		321,132	343,506
Work in progress		89,579	74,093
Finished goods and goods for resale		274,017	235,361
Payments on account		8,551	13,944
		693,279	666,904
Receivables and other assets	32		
Short-term financial receivables		148,034	157,659
Trade receivables		676,788	660,486
Other short-term operating receivables		161,276	184,515
Current income tax assets		115,402	40,847
		1,101,500	1,043,507
Short-term investments	33	328,298	238,579
Cash at bank and in hand	33	277,610	448,528
		2,400,687	2,397,518
Balance sheet total		11,138,928	10,892,728

Group**Balance sheet ■ Liabilities**

EUR '000s	Notes	31 Dec. 2002	31 Dec. 2003
Shareholders' equity and minority interests			
Subscribed share capital	34	163,468	255,104
Capital reserves	35	1,526,016	1,888,454
Revenue reserves	36	2,123,302	2,237,338
Currency translation		-110,613	-342,286
Company shares		-10,123	-7,465
Capital entitled to shareholders		3,692,050	4,031,145
Minority interests	37	153,957	153,902
		3,846,007	4,185,047
Long-term provisions and liabilities			
Provisions	38		
Provisions for pensions	39	467,804	461,579
Deferred taxes	40	496,345	518,737
Other long-term provisions	41	338,518	354,946
		1,302,667	1,335,262
Liabilities	42		
Debenture loans		1,362,419	2,021,152
Bank loans		1,834,274	845,578
Other long-term financial liabilities		649,722	529,815
		3,846,415	3,396,545
Other long-term operating liabilities		25,931	30,615
		3,872,346	3,427,160
		5,175,013	4,762,422
Short-term provisions and liabilities			
Provisions	38	75,621	87,221
Liabilities	42		
Bank loans (current portion)		726,038	521,667
Other short-term financial liabilities		338,742	372,243
		1,064,780	893,910
Trade payables		427,543	439,696
Current income taxes payables		101,960	60,622
Other short-term operating liabilities		448,004	463,810
		2,042,287	1,858,038
		2,117,908	1,945,259
Balance sheet total		11,138,928	10,892,728

Group**Equity capital grid**

EUR '000s

	Subscribed share capital	Capital reserves	Revenue reserves	Currency translation	Company shares	Capital entitled to share- holders	Minority interests	Total
1 January 2002	163,052	1,517,838	1,924,103	123,864	-9,198	3,719,659	129,392	3,849,051
Profit for the financial year			248,165			248,165	14,291	262,456
Capital increase								
from issuance of new shares	416	8,178				8,594		8,594
Purchase of company shares					-925	-925		-925
Dividends			-73,736			-73,736	-13,553	-87,289
Changes without effects on results								
Consolidation adjustments			15,257			15,257	29,428	44,685
Financial instruments								
IAS 39			9,513			9,513		9,513
Exchange rate				-234,477		-234,477	-5,601	-240,078
31 December 2002	163,468	1,526,016	2,123,302	-110,613	-10,123	3,692,050	153,957	3,846,007
Profit for the financial year			116,564			116,564	16,905	133,469
Capital increase								
out of revenue reserves	7,020		-7,020					
from issuance of new shares	84,616	362,438				447,054		447,054
Issuance of company shares					2,658	2,658		2,658
Dividends							-17,255	-17,255
Changes without effects on results								
Consolidation adjustments			-315			-315	4,713	4,398
Financial instruments								
IAS 39			15,056			15,056		15,056
Exchange rate			-10,249 ¹⁾	-231,673		-241,922	-4,418	-246,340
31 December 2003	255,104	1,888,454	2,237,338	-342,286	-7,465	4,031,145	153,902	4,185,047

¹⁾ Realised currency translation adjustments

Parent company

Profit and loss accounts*

EUR '000s	2002	2003
Turnover	315,853	243,499
Change in stocks and work in progress	-395	-3,844
Own work capitalised	560	245
Operating revenues	316,018	239,900
Other operating income ¹⁾	148,022	486,662
Material costs	-92,609	-88,731
Personnel costs ²⁾	-130,312	-119,149
Depreciation and amortisation of tangible and intangible fixed assets	-20,334	-15,305
Other operating expenses ³⁾	-239,546	-169,067
Operating results⁴⁾	-18,761	334,310
Results from participations ⁵⁾	307,933	168,441
Income from loans	33,764	54,739
Other interest receivable and similar income	24,575	17,494
Amounts written off financial fixed assets	-8,081	-13,139
Interest payable and similar charges	-184,958	-165,756
Profit on ordinary activities before tax	154,472	396,089
Taxes on income	37,834	-11,273
Other taxes	-676	-600
Profit for the financial year	191,630	384,216
Profit carried forward	177	95,992
Withdrawal from revenue reserves		
a) from reserves for company shares	2,877	1,926
b) from other revenue reserves	925	
Transfer to revenue reserves		
a) to reserves for company shares	-925	
b) to other revenue reserves	-98,692	-2,626
Profit and loss account*	95,992	479,508

* According to German Commercial Code (Handelsgesetzbuch - HGB)

¹⁾ Of which non-operating income in EUR '000s: 436,710 (previous year: 97,895)

²⁾ Of which non-operating expenses in EUR '000s: 3,425 (previous year: 6,938)

³⁾ Of which non-operating expenses in EUR '000s: 39,958 (previous year: 102,728)

⁴⁾ Excluding the non-operating result, the operating results amount accordingly to in EUR '000s: -59,017 (previous year: -6,990)

⁵⁾ Of which income from profit and loss transfer in EUR '000s: 80,646 (previous year: 92,236)

Parent company

Balance sheet* ■ Assets

EUR '000s	31 Dec. 2002	31 Dec. 2003
Fixed assets		
Tangible fixed assets		
Land and buildings	89,661	80,228
Plant and machinery	18,678	14,953
Fixtures, fittings, tools and equipment	8,635	7,902
Payments on account and assets under construction	7,204	1,226
	124,178	104,309
Financial fixed assets		
Shares in affiliated companies	4,076,306	4,396,185
Loans to affiliated companies	1,478,918	1,427,421
Participations	268,959	286,665
Loans to participations	3,120	
Other loans	53,998	10,720
	5,878,181	6,124,111
	6,002,359	6,228,420
Current assets		
Stocks		
Raw materials and consumables	15,129	10,817
Work in progress	6,446	3,399
Finished goods and goods for resale	4,377	3,660
	25,952	17,876
Receivables and other assets		
Trade receivables	6,839	4,065
Amounts owned by affiliated companies	274,019	449,478
Amounts owned by participations	382	1,176
Other receivables and other current assets	147,116	81,147
	428,356	535,866
Short-term investment	7,669	19,933
Cash at bank and in hand	14,222	3,200
Accrual and deferral		46,124
Balance sheet total	6,478,558	6,851,419

* According to German Commercial Code (Handelsgesetzbuch - HGB)

Parent company**Balance sheet* ■ Liabilities**

EUR '000s	31 Dec. 2002	31 Dec. 2003
Shareholders' equity		
Subscribed share capital	163,468	255,104
Capital reserves	1,411,523	1,736,207
Revenue reserves		
Ehrhart Schott - Kurt Schmaltz-Trust	511	511
Reserve for environmentally responsible maintenance of real asset values	149,807	150,507
Reserves for company shares	6,337	4,410
Other revenue reserves	202,428	197,335
	359,083	352,763
Profit and loss account	95,992	479,508
	2,030,066	2,823,582
Special item with an equity portion	291	10,223
Provisions		
Pensions	209,020	207,904
Taxes	209	
Other provisions	258,848	243,686
	468,077	451,590
Liabilities		
Bank loans	1,231,565	471,943
Trade payables	20,705	21,148
Amounts owned to affiliated companies	2,510,262	2,823,749
Amounts owned to participations	9,499	9,485
Other liabilities	208,093	239,699
	3,980,124	3,566,024
Balance sheet total	6,478,558	6,851,419

* According to German Commercial Code (Handelsgesetzbuch - HGB)

Parent company

Fixed asset grid*

	EURm	Purchase price or production cost				
		1 Jan. 2003	Additions	Disposals	Reclassifi- cations	31 Dec. 2003
Tangible fixed assets						
Land and buildings	517.9	1.8	98.5	3.7	424.9	
Plant and machinery	482.4	1.0	103.4	2.8	382.8	
Fixtures, fittings, tools and equipment	88.0	3.0	24.8	0.7	66.9	
Payments on account and assets under construction	7.3	1.3		-7.2	1.4	
	1,095.6	7.1	226.7	0.0	876.0	
Financial fixed assets						
Shares in affiliated companies ¹⁾	4,104.0	515.4	181.9	-8.5	4,429.0	
Loans to affiliated companies	1,481.6	571.3	623.9		1,429.0	
Participations	273.1	17.9	2.6		288.4	
Loans to participations		4.5	1.3		3.2	
Other loans	58.9	1.2	48.4		11.7	
	5,917.6	1,110.3	858.1	-8.5	6,161.3	
Fixed assets	7,013.2	1,117.4	1,084.8	-8.5	7,037.3	

* According to German Commercial Code (Handelsgesetzbuch - HGB)

¹⁾ Including appreciation in value of EUR 1.2 million.

Depreciation		Net book value
Cumulative	2003	31 Dec. 2003
344.7	4.9	80.2
367.9	6.6	14.9
59.0	3.8	7.9
0.1		1.3
771.7	15.3	104.3
32.8	12.8	4,396.2
1.6	0.2	1,427.4
1.6		286.7
0.1		3.1
1.0	0.1	10.7
37.1	13.1	6,124.1
808.8	28.4	6,228.4

Notes to the 2003 Group accounts

Accounting and valuation principles

■ Accounting principles

HeidelbergCement AG, as a listed parent company, made use of the election permitted under § 292a of the German Commercial Code (Handelsgesetzbuch – HGB) to prepare its Group accounts according to internationally recognised accounting principles. On the basis of this regulation, International Financial Reporting Standards (IFRS), previously International Accounting Standards (IAS), were applied with the standards applicable at the balance sheet date.

The Group accounts show a true and fair view of the financial position and performance of the HeidelbergCement Group.

The financial statements of all consolidated companies were prepared according to uniform accounting and valuation methods and by using the Group's balance sheet date. The previous year's figures were prepared according to the same accounting principles. The Group accounts are prepared in euros.

Compared to the previous year, there were no significant changes in the accounting and valuation principles affecting the financial position and performance of the Group. Where changes have been made to the presentation, these are explained in the notes for each respective item. Reasons for non-comparable or adjusted values from the previous year are also given in the corresponding parts of the text.

In the Group accounts, estimates and assumptions must be made to a very limited extent, which affect the amount of assets and liabilities, contingent liabilities as well as income and expenses in the reporting period. The actual values may differ from the estimates.

In accordance with international standards of Group accounts, the profit and loss accounts make up the first part of the reporting. Besides the profit and loss 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) as well as a presentation of changes in equity and minority interests according to IAS 1. In addition, a presentation and explanation of segment reporting according to the regulations of IAS 14 (Segment Reporting) is included in the notes.

Accounting and valuation methods are disclosed for each respective item. For reasons of clarity, some individual items have been combined in the profit and loss accounts and in the balance sheet. Explanations for these items are contained in the notes. To improve the information level, the additional ordinary result (non-operating result in the previous year) has been included separately in the profit and loss accounts and in the segment reporting. The profit and loss accounts classify the expenses by their nature, using the Cost of Production Method.

■ **Consolidation principles**

Capital consolidation is performed in accordance with IAS 22 (Business Combinations). The identifiable assets and liabilities are measured at their fair values as at the date of the acquisition (full fair value method). Any minority interest should be stated at the minority's proportion of the fair values of the identifiable assets and liabilities (IAS 22.17, 34). Any remaining difference arising from offsetting the participation is shown as goodwill under intangible fixed assets. Goodwill is depreciated as planned and analysed for the necessity of making extraordinary depreciation (Impairments).

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

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

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

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

■ **Valuation principles**

According to regulations of IAS 38 (Intangible Assets), an intangible asset is an identifiable non-monetary asset without physical substance held for use in the production of goods or services, for rental to others or for administrative purposes. At the time of acquisition, intangible assets are valued at purchase price or production cost and stated in following periods at cost less the cumulative ordinary and extraordinary depreciation (Impairments).

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

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

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

In conformity with IAS 2 (Inventories), stocks are accounted at the lower of cost and net realisable value.

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

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

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

Derivative financial instruments such as forward exchange contracts, currency option contracts, interest rate swaps or interest rate options are essentially used to hedge interest rate and currency risks at HeidelbergCement. Pure trade transactions without corresponding underlying transactions are eschewed. The accounting and valuation of the financial instruments is explained in detail on pages 152 ff.

Receivables and other assets are measured at the original transaction amount less any necessary write-downs, liabilities are recorded at the amount to be paid in settlement. Long-term assets and liabilities are discounted to their present value.

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

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

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

■ Notes on the significant deviations from the German Accounting Legislation in accordance with § 292a of the German Commercial Code (Handelsgesetzbuch - HGB)

Whereas the HGB is oriented towards the prudence principle, which aims at protecting creditors and maintaining capital, the IFRS give priority to providing current and potential investors with relevant and reliable information. The accounting and valuation guidelines in accordance with IFRS, which form the basis of the annual accounts, aim to portray business transactions and other events, not merely according to their legal form, but also in accordance with their substance and economic reality (substance over form). These differing objectives lead to recognition and valuation differences between the requirements of the HGB, valid for HeidelbergCement AG's individual accounts, and the IFRS regulations used in the Group annual accounts.

The following differences to accounting, valuation and consolidation methods according to the German Commercial Code are taken into account:

- Valuation of certain financial instruments at market values.
- Valuation of provisions for pensions according to the Projected Unit Credit Method, which takes into account expected increases in salaries and pensions.
- The HGB permits provisions for expenses in exceptional cases, taking into account commercial prudence even with no legal obligation towards third parties (§ 249 HGB). According to IFRS, provisions may only be made in relation to existing obligations towards a third party and on an objectively limited scale, insofar as the utilisation of these provisions is probable (more likely than not) and the expected amount of the required provision can be estimated reliably. Therefore, the IFRS do not allow for provisions for expenses (especially provisions for omitted repairs and maintenance).
- Calculation of deferred taxes by using the liability method in accordance with IAS 12 (Income Taxes). For revaluations not affecting results (under hyperinflation accounting and the market valuation of financial instruments), deferred taxes are also recognised without effects on results. Deferred taxes are recognised for the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which these can be utilised.
- In accordance with IAS 1 (Presentation of Financial Statements) and SIC - 16 (Share capital - Reacquired Own Equity Instruments, Treasury Shares), company shares are to be shown in the balance sheet as a deduction from the shareholders' equity.

■ Foreign currency translation

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

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

Conversion of the annual accounts of companies in Turkey and Romania followed IAS 29 (Financial Reporting in Hyperinflationary Economies). In 2003, the inflation rate in Turkey and Romania reached 13.94 % and 14.1 % respectively. During this period, the Turkish lira (TRL) and the Romanian leu (ROL) were devaluated compared to the euro by 1.52 % and 17.14 % respectively.

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

Exchange rates

	Exchange rates at		Av. annual exchange rates	
	31 Dec. 2002	31 Dec. 2003	2002	2003
Country	EUR	EUR	EUR	EUR
USD US	1.0492	1.2578	0.9461	1.1361
CAD Canada	1.6491	1.6307	1.4847	1.5812
GBP United Kingdom	0.6517	0.7047	0.6288	0.6933
BGN Bulgaria	1.9592	1.9550	1.9601	1.9506
HRK Croatia	7.5219	7.6516	7.4210	7.5669
NOK Norway	7.2759	8.3887	7.5117	8.0407
PLN Poland	4.0177	4.6922	3.8559	4.4072
ROL Romania	35,132	41,155	1)	1)
SEK Sweden	9.1197	9.0514	9.1609	9.1624
CZK Czech Republic	31.5420	32.2902	30.8038	31.8465
HUF Hungary	235.3800	262.5909	242.5743	253.9127
TRL Turkey	1,735,900	1,762,304	1)	1)

¹⁾ In accordance with IAS 21.30 (b), the income and expenses are converted using the exchange rates at year end.

■ Scope of consolidation

In addition to HeidelbergCement AG, the Group accounts include 474 subsidiaries that have been fully or proportionately consolidated, of which 73 are German and 401 are foreign. Proportionately consolidated companies accounted for 6.3 % of the revenues and 8.3 % of the expenses; they contributed 4.8% and 11.0%, respectively, to the consolidated long-term and short-term assets. In addition, 4.8% of debt capital (IAS 31 - Financial Reporting of Interests in Joint Ventures) was accounted for proportionately consolidated companies.

Central Europe West

The extension of the scope of consolidation in Central Europe West by a further eight companies is essentially due to the acquisition of Hüttenzement GmbH and the cement business of Buderus Guss GmbH as well as the restructuring within the sand-lime brick operating line. After the attainment of a majority stake, Anneliese Zementwerke AG, Ennigerloh, is fully consolidated.

Western Europe

In Western Europe, Paes Bouwtoeleveringen B.V. and three further companies in the aggregates operating line were proportionately included in the scope of consolidation for the first time.

Northern Europe

During the reporting year, seven companies in the concrete business line in Northern Europe were consolidated for the first time, while eight companies left the scope of consolidation. Other changes are a result of the mergers of five companies in Sweden and Norway.

Central Europe East

In Central Europe East, the number of consolidated companies has increased to 62. This is essentially attributable to the acquisition of Ekocem Sp. z o.o. in Poland, the first-time consolidation of S.C. ROMCIF S.A. in Romania and of three Hungarian ready-mixed concrete companies. The sale of the lime companies Ceskomoravské Vapno a.s./Czech Republic and Duna-Dráva Mészmuvek Kft./Hungary is a further structural measure towards concentrating on the core business.

North America

In North America, the scope of consolidation is unchanged compared to the previous year.

Africa-Asia-Turkey

The scope of consolidation in Africa-Asia-Turkey was expanded by the addition of the African companies Cement Company of Northern Nigeria Plc, Tanzania Portland Cement Company Limited, Calcim S.A. and Société des Ciments du Gabon in the cement business line. After the increase of shares in China Century Cement Ltd. in Hong Kong to 49.0% in July 2003, the company, which is active in cement production, was proportionately included along with its 24 subsidiaries. In addition, the grinding plant in the Philippines, Limay Grinding Mill Corporation, was sold at the beginning of 2003.

maxit Group

Due to the share increase to 100%, Marmoran AG in Switzerland was included in the Group accounts within the strategic business unit maxit Group. In addition, the companies maxit s.r.l./Italy, OOO Arzamix/Russia, North mix Oy AB/Finland and Theon Sp. z o.o./Poland were incorporated in the maxit Group's scope of consolidation for the first time.

Group Services

Heidelberger Calcium Aluminates and Silo Plus Internationale Speditions GmbH were no longer consolidated in the Group Services strategic business unit, but assigned to the Central Europe East and Central Europe West regions respectively.

PT Indo cement Tunggal Prakarsa Tbk., Jakarta/Indonesia (32.6 % shareholding) will be included in the Group annual accounts (IAS 27.13b) as of 1 January 2004, as a result of restrictions on capital transfer being lifted.

Affiliated companies that have an insignificant impact on the true and fair representation of the Group's assets, financial situation and results were not consolidated. Their turnover volume represented 5 % of total Group turnover.

The complete list of our shareholdings, accompanied by all legally required information, will be filed with the Commercial Register of the local court (Amtsgericht) in Heidelberg.

The following German partnerships are consolidated in the Group annual accounts of HeidelbergCement AG and are therefore subject to the statutory exemption regulations:

Alicant GmbH & Co. KG, Magdeburg

Anneliese Baustoffe für Umwelt und Tiefbau GmbH & Co. KG, Ennigerloh

Anneliese Beton GmbH & Co. KG, Ennigerloh

Baustoffwerke Dresden GmbH & Co. KG, Dresden

BLG Transportbeton GmbH & Co. KG, Munich

BUT Anneliese GmbH & Co. Walsum KG, Duisburg-Walsum

BWG Betonwerke Fuchs GmbH & Co. KG, Chemnitz

BWG Betonwerke Himmelsberg GmbH & Co. KG, Schweinitz

Exakt Kiesaufbereitung GmbH & Co. KG, Lügde

Felsberger Transportbeton GmbH & Co. KG, Felsberg

Franken maxit Mauermörtel GmbH & Co., Azendorf

Frischbeton Bettels GmbH & Co. KG, Hildesheim

HeidelbergCement Produktionsgesellschaft mbH & Co. KG, Heidelberg

HeidelbergCement Produktionsgesellschaft Schelklingen GmbH & Co. KG, Heidelberg

Heidelberger Grundstücksgesellschaft mbH & Co. KG, Heidelberg

Heidelberger Kalksandstein Grundstücks- und Beteiligungs- GmbH & Co. KG, Durmersheim

Heidelberger Stein GmbH & Co. KG, Kleinostheim

- Hellweg Baustoffe GmbH & Co. KG, Geseke
-
- Paderborner Transport-Beton GmbH & Co. KG, Paderborn
-
- Roewekamp GmbH & Co. KG, Gelsenkirchen
-
- Scheid GmbH & Co. KG, Rinteln
-
- TBG Betonwerk Prignitz GmbH & Co. KG, Weisen
-
- TBG Lieferbeton Aschaffenburg GmbH & Co. KG, Aschaffenburg
-
- TBG Transportbeton GmbH & Co. Franken KG, Nuremberg
-
- TBG Transportbeton GmbH & Co. KG Donau-Naab, Burglengenfeld
-
- TBG Transportbeton GmbH & Co. KG Naabbeton, Nabburg
-
- TBG Transportbeton Kurpfalz GmbH & Co. KG, Eppelheim
-
- TBG Transportbeton Lüsssen GmbH & Co. KG, Bremen
-
- TBG Transportbeton Mainfranken GmbH & Co. KG, Sand a. Main
-
- TBG Transportbeton GmbH & Co. KG Niederbayern, Voglarn Gde. Fürstenzell
-
- TBG Transportbeton Nord-Ost GmbH & Co. KG, Rostock
-
- TBG Transportbeton Oberlausitz GmbH & Co. KG, Zittau
-
- TBG Transportbeton Rhein-Nahe GmbH & Co. KG, Idar-Oberstein
-
- TBG Transportbeton Saalfeld GmbH & Co. KG, Saalfeld
-
- TBG Transportbeton und Betonpumpendienst GmbH & Co. KG, Berlin
-
- TBG Transportbeton und Betonpumpendienst GmbH & Co. KG, Gera
-
- TBG WIKA Beton GmbH & Co. KG, Stade
-
- Transportbeton Hellweg GmbH & Co. KG, Geseke
-
- TRAPOBET Transportbeton GmbH Kaiserslautern KG, Kaiserslautern
-
- Walhalla Kalk GmbH & Co. KG, Regensburg
-
- Wiking Baustoff und Transport GmbH & Co. KG, Soest
-

Principal shareholdings

Affiliated companies

	since	Equity EURm	Holding in %	Parent company
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■ Central Europe West

Cement

HeidelbergCement International Holding GmbH (HCIH), Heidelberg	1993	700	100.0	HC
Anneliese Zementwerke AG (AZ), Ennigerloh	1984	98	97.4	HC/CBR
HeidelbergCement Produktionsgesellschaft mbH & Co. KG, Heidelberg	2003	10	100.0	HC
HeidelbergCement Produktionsgesellschaft Schelklingen GmbH & Co. KG, Heidelberg	2003	*	100.0	HC
Hüttenzement GmbH, Königs Wusterhausen	2003	14	100.0	HC

Concrete

Baustoffwerke Wittmer + Klee GmbH, Waghäusel	1991	14	100.0	HB
BLG Betonlieferungsgesellschaft mbH, Munich	1959	7	100.0	HB
BWG Betonwerke Fuchs GmbH & Co. KG, Chemnitz	2000	2	100.0	HB
Heidelberger Beton GmbH (HB), Heidelberg	1959	152	100.0	HC
Sandwerke Biesern GmbH, Penig	1992	13	100.0	HBW
Heidelberger Stein GmbH & Co. KG, Kleinostheim	1991	36	100.0	HB
TBG Transportbeton GmbH & Co. Franken KG, Nuremberg	1984	1	100.0	HB
TBG Transportbeton Nord-Ost GmbH & Co. KG, Rostock	2002	3	100.0	HB
TBG Transportbeton Lüssen GmbH & Co. KG, Bremen	1994	3	100.0	HB
TBG Transportbeton Kurpfalz GmbH & Co. KG, Eppelheim	1970	7	51.1	HB
TBG Transportbeton Rhein-Nahe GmbH & Co. KG, Idar-Oberstein	1969	1	100.0	HB
TBG Transportbeton Mainfranken GmbH & Co. KG, Sand a. Main	2002	1	57.0	HB
TBG WIKA Beton GmbH & Co. KG, Stade	1994	4	73.9	HB

Building materials

Heidelberger Baustoffwerke GmbH (HBW), Durmersheim	1960	84	100.0	HC
Heidelberger Kalksandstein GmbH, Durmersheim	2003	51	100.0	HC
Hunziker Kalksandstein AG, Brugg/Switzerland	1992	11	66.6	HBW
Walhalla Kalk GmbH & Co. KG, Regensburg	1970	7	79.9	HC
Anneliese Baustoffe für Umwelt und Tiefbau GmbH & Co. KG, Ennigerloh	1996	7	97.4	AZ

■ Western Europe

Cement

S.A. Cimenteries CBR (CBR), Brussels/Belgium	1993	1,335	100.0	HC/HCIH
CBR International Services S.A., Brussels/Belgium	1993	927	100.0	CBR
ENCI Holding N.V. (ENCI), 's-Hertogenbosch/Netherlands	1993	65	100.0	CBR/HC
Scancem Group Ltd. (SGL), Birmingham/United Kingdom	1999	117	100.0	HC
Castle Cement Ltd, Birmingham/United Kingdom	1999	208	100.0	SGL

Concrete

MEBIN B.V., 's-Hertogenbosch/Netherlands	1993	42	100.0	ENCI
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Affiliated companies

	since	Equity EURm	Holding in %	Parent company
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■ Northern Europe

Cement

NEWCEM Holding AB (NEW), Malmoe/Sweden	1999	771	100.0	HC
HeidelbergCement Northern Europe AB (HCNE) (former Scancem AB), Malmoe/Sweden	1999	1,608	100.0	NEW
Cementa AB, Danderyd/Sweden	1999	43	100.0	HCNE
Norcem AS, Oslo/Norway	1999	104	100.0	HCNE
Atlas Nordic Cement Ltd. Oy, Virkkala/Finland	1999	29	75.0	HCNE
Kunda Nordic Cement Corp., Kunda/Estonia	1999	40	75.0	HCNE
OAO Cesla, Slancy/Russia	2001	*	96.7	HCNE

Concrete

Euroc Beton AB (EB), Växjö/Sweden	1999	73	100.0	HCNE
Euroc Rudus Group AB (ER), Stockholm/Sweden	1999	28	100.0	HCNE
Abetong AB, Växjö/Sweden	1999	13	100.0	EB
Betongindustri AB, Stockholm/Sweden	1999	9	100.0	ER
Norbetong AS, Oslo/Norway	1999	41	100.0	HCNE
Sand & Grus AB Jehander, Stockholm/Sweden	1999	10	100.0	ER

■ Central Europe East

Cement

S.C. CASIAL S.A. Deva, Deva/Romania	2000	59	98.9	CBRC
CBR Baltic B.V. (CBRB), 's-Hertogenbosch/Netherlands	1993	210	100.0	CBRC
CBR Construction Materials B.V. (CBRC), 's-Hertogenbosch/Netherlands	1993	700	100.0	HC
Ceskomoravský Cement, a.s. (CMC), Beroun/Czech Republic	1991	70	100.0	CBRC
Open Joint Stock Company „Dnipro cement”, Dniprodserschynsk/Ukraine	2002	6	99.9	CBRC
Ekocem Sp. z o.o., Katowice/Poland	2003	20	100.0	GOR
Górazdze Cement S.A. (GOR), Chorula/Poland	1993	144	99.4	CBRB
ISTRA Cement d.o.o., Pula/Croatia	1993	39	92.5	CBRC
Open Joint Stock Company „Kryvyi Rih Cement”, Kryvyi Rih/Ukraine	2001	13	84.6	CBRC/GOR
S.C. MOLDOCIM S.A., Bicaz/Romania	1998	61	99.1	CBRC
S.C. ROMCIF S.A., Fieni/Romania	2003	34	98.4	CBRC
Tvornika Cementa Kakanj d.d., Kakanj/Bosnia-Herzegovina	2000	59	73.9	CBRC
Zlatna Panega AD (ZLP), Zlatna Panega/Bulgaria	1997	18	99.9	CBRC

* Equity below EUR 0.5 million

Affiliated companies

	since	Equity EURm	Holding in %	Parent company
Concrete				
Ceskomoravské sterkovny, a.s. (CST), Brno/Czech Republic	1993	57	98.9	CBRC/CMC
Zielonogórskie Kopalnie Surowców Mineralnych S.A., Zielona Góra/Poland	1996	1	100.0	GOR
Opolskie Kopalnie Surowców Mineralnych S.A., Opole/Poland	1998	9	99.9	GOR
Carpat Aggregate SA, Bucharest/Romania	2002	8	97.4	CBRC
Górazdze Beton sp. z o.o. (GORB), Chorula/Poland	2003	12	100.0	GOR
RMC Bulgaria Group, Sofia/Bulgaria	2003	2	100.0	ZLP
Top Beton, Gorzow Wielkopolski/Poland	2002	5	50.0	GORB
Vltavské sterkopísky, s.r.o., Chlumín/Czech Republic	2002	1	50.0	CST
TBG Bohemia Group, Beroun/Czech Republic	1993	15	100.0	CMC
Carpat Beton S.R.L., Bucharest/Romania	2002	13	93.5	CBRC
BT Poznań sp. z o.o., Janikowo/Poland	1996	1	75.0	GORB

■ North America**Cement**

Lehigh B.V. (LBV), 's-Hertogenbosch/Netherlands	1993	1,530	100.0	HCIH/CBR
Heidelberg Cement, Inc. (HCI), Wilmington/US	1977	602	100.0	LBV
Lehigh Cement Company (LEH), Allentown/US	1977	723	100.0	HCI
Lehigh Southwest Cement Company, Concord/US	1993	195	100.0	LEH
Lehigh Cement Limited (LCL), Calgary/Canada	1993	271	100.0	LBV

Concrete

Sherman Industries, Inc., Birmingham/US	1994	107	100.0	LEH
Continental Florida Materials, Fort Lauderdale/US	1999	33	100.0	LEH

■ Africa-Asia-Turkey**Cement**

Scancem International ANS (SI), Oslo/Norway	1999	138	100.0	HCNE
Ciments du Togo S.A., Lomé/Togo	1999	11	100.0	SI
Ghacem Ltd., Accra/Ghana	1999	28	93.1	SI
Sierra Leone Cement Corp. Ltd., Freetown/Sierra Leone	1999	1	50.0	SI
Société Nigérienne de Cimenterie, Malbaza/Niger	1999	1	93.0	SI
Liberia Cement Corporation, Monrovia/Liberia	1999	1	63.7	SI
Cimbenin S.A., Cotonou/Benin	1999	4	53.1	SI
Cimcongo S.A., Pointe Noire/Republic of the Congo	2000	2	70.0	SI
Edocement LTD, Benin City/Nigeria	2002	*	63.8	SI
Tanzania Portland Cement Company Ltd., Dar Es Salaam/Tanzania	1999	12	50.4	SI
Cement Company of Northern Nigeria Plc, Sokoto/Nigeria	2000	4	51.0	SI
Société des Ciments du Gabon, Libreville/Gabon	2000	7	75.0	SI
HeidelbergCement Bangladesh Ltd., Chittagong/Bangladesh	2000	20	60.7	HC

Affiliated companies

	since	Equity EURm	Holding in %	Parent company
maxit Group				
maxit Holding AB (MH), Sollentuna/Sweden	2003	253	100.0	HC
maxit Group AB (MG), Sollentuna/Sweden	1999	97	100.0	MH
maxit Holding GmbH (MHG), Breisach	2003	69	100.0	MG
maxit Deutschland GmbH (MAX), Breisach	1999	169	80.9	MHG
Heidelberger Bauchemie GmbH, Heidelberg	1990	43	100.0	MAX
Erste Salzburger Gipswerks-Gesellschaft Christian Moldan KG, Kuchl/Austria	1971	*	92.4	MAX
Franken maxit Mauermörtel GmbH & Co. KG, Kasendorf	1999	12	50.0	MAX
m-tec mathis technik gmbh, Neuenburg	1999	7	100.0	MAX
Beamix Holding B.V., Eindhoven/Netherlands	1993	18	100.0	MG
Marmoran AG, Volketswil/Switzerland	1984	16	100.0	MG
Optiroc AB, Sollentuna/Sweden	1999	3	100.0	MG
Optiroc Oy Ab (OY), Kärkölä/Finland	1999	49	100.0	MG
Optiroc AS, Tallin/Estonia	1999	19	100.0	OY
Optiroc A.S., Oslo/Norway	1999	25	100.0	MG
Optiroc A/S, Århus/Denmark	1999	17	100.0	MG
Optiroc Group Holding S.L., Madrid/Spain	1999	10	100.0	MG

Group Services

HC Trading B.V., 's-Hertogenbosch/Netherlands	1996	18	100.0	CBR
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* Equity below EUR 0.5 million

Proportionately consolidated companies

	since	Equity EURm	Holding in %	Parent company
■ Central Europe West				
Concrete				
EWH Verwaltungs- und Beteiligungs GmbH, Cadenberge	1993	11	50.0	HBW
■ Western Europe				
Concrete				
Gralex S.A. (GRL), Brussels/Belgium	1993	36	50.0	CBR
Inter-Beton S.A., Brussels/Belgium	1993	*	96.6	GRL
■ Central Europe East				
Cement				
Duna-Dráva Cement Kft (DDC), Vác/Hungary	1989	148	50.0	HC
Concrete				
TBG Hungaria Betonipari Servezö Befektetö Tanacsado Kft, (TBGH), Budapest/Hungary	2002	18	50.0	DDC
Donau-Kies Kft, Budapest/Hungary	2002	6	50.0	DDC/TBGH
■ North America				
Cement				
Texas-Lehigh Cement Company, Buda/US	1986	46	50.0	LEH
Glens Falls Lehigh Cement Company, Glens Falls/US	1999	67	50.0	LEH
Concrete				
Campbell Concrete & Materials, L.P., Cleveland/US	1998	85	50.0	LEH
■ Africa-Asia-Turkey				
Cement				
Akçansa Çimento Sanayi ve Ticaret A.S. (AC), Istanbul/Turkey	1996	309	39.7	CBR
Karçimsa Çimento Sanayi ve Ticaret A.S., Karabük/Turkey	1996	6	51.0	AC
Butra HeidelbergCement Sdn. Bhd., Muara/Brunei	2000	5	50.0	ENCI
China Century Cement Limited, Hong Kong/China	1995	254	49.0	CBR

Associated companies

	since	Equity EURm	Holding in %	Parent company
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■ Central Europe West

Cement

Südbayerisches Portland-Zementwerk Gebr. Wiesböck & Co. GmbH, Rohrdorf	1968	99	32.3	HC
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Concrete

Kronimus AG, Iffezheim	1991	18	24.9	HC
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■ Western Europe

Cement

Vicat S.A., Paris/France	1968	658	35.0	HC
Nederlandse Cement Deelnemingsmaatschappij B.V., Nieuwegein/Netherlands	1972	96	29.9	AZ/HC

■ Africa-Asia-Turkey

Cement

Bonny Holding Ltd., Port Harcourt/Nigeria	1999	1	40.0	SI
Nova Cimangola S.A.R.L., Luanda/Angola	1999	70	24.5	SI

Other significant participations

	since	Equity EURm	Holding in %	Parent company
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Thiel Logistik AG, Grevenmacher/Luxembourg**	2001	280	3,9	HC
PT Indocement Tunggal Prakarsa Tbk., Jakarta/Indonesia***	2001	426	32,6	HC

* Equity below EUR 0.5 million

** The loss of the financial year of Thiel Logistik AG amounts to EUR 156.2 million.

***The profit of PT Indocement Tunggal Prakarsa Tbk. amounts to EUR 63 million.

Segment reporting

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

EURm	Central Europe West		Western Europe		Northern Europe		Central Europe East	
	2002	2003	2002	2003	2002	2003	2002	2003
External turnover	734	773	1,009	943	786	690	597	619
Inter-region turnover	21	15	14	17	86	68	13	8
Turnover	755	787	1,023	959	872	758	610	627
Change to previous year in %		4.3 %		-6.2 %		-13.1 %		2.7 %
Operating income before depreciation (OIBD) in % of turnover	102	46	231	177	130	101	153	169
OIBD in % of turnover	13.5 %	5.8 %	22.6 %	18.4 %	14.9 %	13.3 %	25.1 %	26.9 %
Depreciation	85	88	126	130	87	81	69	75
Operating income in % of turnover	17	-42	105	47	43	19	84	94
in % of turnover	2.3 %	-5.3 %	10.3 %	4.9 %	4.9 %	2.5 %	13.8 %	15.0 %
Results from participations	62	62	6	17	3	2	-7	1
Additional ordinary result								
Earnings before interest and income taxes (EBIT)	79	20	111	64	46	22	77	95
Investments¹⁾	43	108	85	72	41	29	82	71
Segment assets²⁾	730	928	1,491	1,435	990	897	843	930
OIBD in % of segment assets	14.0 %	4.9 %	15.5 %	12.3 %	13.1 %	11.2 %	18.1 %	18.2 %
Segment liabilities³⁾	682	715	435	412	329	292	134	191
Employees	4,470	4,589	3,894	3,840	5,368	4,685	9,600	9,755

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

EURm	Cement		Concrete		Building materials		Group Services	
	2002	2003	2002	2003	2002	2003	2002	2003
External turnover	3,059	2,964	2,133	2,078	1,225	1,172	153	158
Inter-business line turnover	402	385	22	22	9	10	300	259
Turnover	3,461	3,349	2,155	2,099	1,234	1,182	453	417
Changes to previous year in %		-3.3 %		-2.5 %		-4.2 %		-7.9 %
Operating income before depreciation (OIBD)	751	639	234	216	153	157	9	12
in % of turnover	21.7 %	19.1 %	10.9 %	10.3 %	12.4 %	13.3 %	2.0 %	2.9 %
Investments¹⁾	303	336	113	83	41	47		
Segment assets²⁾	5,078	4,949	990	1,161	950	900	44	38
OIBD in % of segment assets	14.8 %	12.9 %	23.6 %	18.6 %	16.1 %	17.5 %	20.5 %	31.7 %

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

²⁾ Segment assets = tangible and intangible fixed assets

³⁾ Segment liabilities = liabilities and provisions; the financial liabilities are recorded in the reconciliation column.

North America		Africa-Asia-Turkey		maxit Group		Group Services		Reconciliation		Group	
2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003
1,865	1,686	406	475	1,002	1,018	171	170			6,570	6,372
		19	17	8	4	282	247	-443	-375		
1,865	1,686	425	492	1,010	1,021	453	417	-443	-375	6,570	6,372
-9.6 %		15.8 %		1.1 %			-7.9 %				-3.0 %
331	313	60	72	131	136	9	12			1,147	1,024
17.7 %	18.5 %	14.1 %	14.6 %	13.0 %	13.4 %	2.0 %	2.9 %			17.5 %	16.1 %
151	129	40	45	86	83	3	2			647	633
180	184	20	26	45	53	6	10			500	391
9.7 %	10.9 %	4.7 %	5.4 %	4.5 %	5.2 %	1.3 %	2.3 %			7.6 %	6.1 %
6	4	3	2	-2				-1	22	71	89
										-1	22
186	187	23	28	43	54	6	10	-1	22	570	502
144	83	27	59	35	44			218	227	675	693
1,640	1,415	501	614	823	791	44	38			7,062	7,048
20.2 %	22.1 %	12.0 %	11.7 %	15.9 %	17.2 %	20.5 %	31.8 %			16.2 %	14.5 %
392	362	114	149	248	255	48	42	4,911	4,290	7,293	6,708
5,923	5,715	2,513	4,201	4,885	4,941	108	48			36,761	37,774

Reconciliation		Group	
2002	2003	2002	2003
		6,570	6,372
-733	-676		
-733	-676	6,570	6,372
			-3.0 %
		1,147	1,024
		17.5 %	16.1 %
218	227	675	693
		7,062	7,048
		16.2 %	14.5 %

Notes on segment reporting

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

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

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

The strategic business unit maxit Group is shown as a separate segment in accordance with the joint company management.

The maxit Group's key figures are divided regionally as follows:

maxit Group - key figures by regions

EURm	Central Europe West		Western Europe	
	2002	2003	2002	2003
Turnover	434	491	168	143
Operating income before depreciation (OIBD) in % of turnover	46	57	24	19
Depreciation	10.7 %	11.6 %	14.2 %	13.0 %
Operating income in % of turnover	42	38	14	15
Results from participations	5	19	10	3
in % of turnover	11.1 %	3.9 %	5.8 %	2.2 %
Additional ordinary result	-4			
Earnings before interest and income taxes (EBIT)	1	19	10	3
Investments	22	13	9	9
Segment assets	378	355	93	111
OIBD in % of segment assets	12.3 %	16.0 %	25.7 %	16.8 %
Segment liabilities	133	148	39	30
Employees	2,390	2,476	824	720

Northern Europe		Central Europe East		Africa-Asia-Turkey		Reconciliation		maxit Group	
2002	2003	2002	2003	2002	2003	2002	2003	2002	2003
332	313	71	67	4	6			1,010	1,021
47	48	14	13					131	136
14.2 %	15.3 %	19.1 %	19.6 %					13.0 %	13.4 %
27	26	4	4					87	83
21	22	10	9					45	53
6.2 %	7.1 %	13.7 %	13.2 %					4.4 %	5.2 %
2								-2	
								1	1
22	23	10	9					43	54
3	19	1	3					35	44
325	281	28	42		3			823	791
14.6 %	17.0 %	48.9 %	31.1 %					15.9 %	17.2 %
69	69	7	5		1			248	255
1,404	1,417	220	236	47	92			4,885	4,941

Notes to the profit and loss accounts

■ 1 Turnover

In the Central Europe East and Africa-Asia-Turkey regions, we were able to increase turnover. The reduction in turnover in North America is attributable to exchange rate developments. Western Europe suffered from a competitive environment. In Central Europe West, turnover rose as a result of new consolidations. In Northern Europe, turnover fell as a result of deconsolidations.

Turnover development by regions and business lines in the years 2002 and 2003

EURm	Cement		Concrete		Building materials		Inter-business line turnover		Total	
	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003
Central Europe West	336	349	355	351	106	132	-42	-45	755	787
Western Europe	764	691	300	310	-	-	-41	-42	1,023	959
Northern Europe	380	377	430	383	90	29	-28	-32	872	758
Central Europe East	485	497	118	159	28	-	-21	-30	610	627
North America	1,101	982	915	846	-	-	-151	-142	1,865	1,686
Africa-Asia-Turkey	395	452	37	50	-	-	-7	-10	425	492
maxit Group	-	-	-	-	1,010	1,021	-	-	1,010	1,021
Subtotal	3,461	3,349	2,155	2,099	1,234	1,182	-290	-301	6,560	6,330
Group Services									453	417
Inter-region turnover									-443	-375
Total									6,570	6,372

■ 2 Other operating income

Other operating income

EURm	2002	2003
Income from sale of non-core products	64.5	62.1
Rental and leasing income	13.2	13.1
Income from reduction of bad debt provisions	5.8	7.0
Gains from sale of assets	23.2	22.6
Write back of provisions	12.9	15.8
Other income	76.8	70.9
	196.4	191.5

In 2003, other operating income fell by EUR 4.9 million compared to the previous year to EUR 191.5 million. Significant non-recurring business transactions are shown in the additional ordinary result (non-operating result in the previous year).

■ 3 Material costs

Material costs

EURm	2002	2003
Raw materials	1,034.9	1,027.4
Supplies, repair materials and packaging	352.9	345.0
Costs of energy	454.7	468.0
Goods purchased for resale	535.5	536.4
Miscellaneous	139.3	91.7
	2,517.3	2,468.5

In 2003, material costs decreased by EUR 48.8 million to EUR 2,468.5 million. Material costs amounted to 38.7 % of turnover (previous year: 38.3%). The increase in energy costs is essentially attributable to increases in power costs in Northern Europe and changes in the scope of consolidation.

■ 4 Employees and personnel costs

Personnel costs

EURm	2002	2003
Wages, salaries, social security costs	1,319.7	1,271.7
Costs of retirement benefits	74.3	82.8
Other personnel costs	13.9	18.6
	1,407.9	1,373.1

In 2003, an annual average of 37,520 (previous year: 36,512) employees and 254 (previous year: 249) apprentices were employed. This includes an increase of 4,094 employees due to new consolidations. Disinvestments and capacity adjustment measures reduced the number of employees by 3,081. Personnel costs equalled 21.5 % of turnover (previous year: 21.4%).

■ 5 Other operating expenses

Other operating expenses

EURm	2002	2003
Selling and administrative expenses	649.0	614.8
Freight	550.2	582.8
Expenses for third party repairs	365.1	351.5
Rental and leasing costs	48.3	55.7
Other expenses	36.6	36.7
Other taxes	34.6	28.5
	1,683.8	1,670.0

The increase in freight costs is linked to the increased sales volumes in Central Europe West, Central Europe East and Africa-Asia-Turkey. The fall in selling and administrative expenses is primarily attributable to exchange rate effects in North America. Significant non-recurring business transactions are shown in the additional ordinary result (previous year: non-operating result).

Expenses of EUR 24 million (previous year: 17) for research and development are not capitalised according to the conditions stated in IAS 38 (Intangible Assets). This amount includes no personnel costs, in contrast to the expenses listed in the Group report to the shareholders.

■ 6 Depreciation and amortisation of tangible and intangible fixed assets

Tangible fixed assets are depreciated using the straight-line method. Ordinary depreciation of tangible fixed assets is determined on the basis of the following Group-wide useful lives:

Useful lives of tangible fixed assets

	Years
Buildings	20 to 25
Technical equipment and machinery	10 to 20
Plant and office equipment	5 to 10
IT-hardware	4 to 5

The following table shows the composition of the depreciation and amortisation of tangible and intangible fixed assets:

Depreciation and amortisation of tangible and intangible fixed assets

	2002	2003
Software, concessions	24.3	17.6
Goodwill	158.0	170.3
Intangible assets	182.3	187.9
Tangible fixed assets, operating	464.4	445.3
Ordinary depreciation	646.7	633.2
Extraordinary depreciation	18.5	47.1
	665.2	680.3

The increase in depreciation and amortisation of intangible fixed assets essentially results from the additions in goodwill listed in point 25. The largest individual items that affect the depreciation of goodwill refer to EUR 41.8 million from the consolidation of the Scancem group, which was acquired in 1999, and from the consolidation of CBR at EUR 48.9 million. In accordance with IAS 12 (Income Taxes) no deferred taxes are allocated in respect of goodwill.

Extraordinary depreciation (IAS 36 - Impairment of Assets) is included in the additional ordinary result.

■ 7 Additional ordinary result

Additional ordinary result

EURm	2002	2003
Non-recurring income and expenses	17.1	68.8
Extraordinary depreciation	-18.5	-47.1
	-1.4	21.7

The additional ordinary result (non-operating result in the previous year) includes business transactions which, although arising within the scope of ordinary business activities, are not shown in operating income as a result of their non-recurring nature. In 2003, this mainly concerned profits and losses from the sale of shares as part of concentrating on the core business. Furthermore, a total of EUR 21.6 million was subject to extraordinary depreciation for intangible fixed assets. Those depreciation offset mainly non-recurring profits from sale of shares and impairment write-downs on Norsk Stein amounting to EUR 6.0 million. Depreciation for tangible fixed assets with the amount of EUR 25.5 million concern mainly restructuring write-downs like for the cement plant Mainz-Weisenau with EUR 8.7 million.

■ 8 Results from participations

The results from participations essentially include profit distributions from corporations and partnerships. Unlike in the previous year, write-offs of participations and loans are shown separately in order to give a detailed presentation of write-offs of financial fixed assets.

Results from participations

EURm	2002	2003
Results from associated undertakings	103.5	94.6
Income from other participations	11.3	11.6
Write-offs of other participations	-27.2	-10.6
Write-offs of loans	-6.2	-6.5
Amortisation of securities	-10.0	
	71.4	89.1

The results from associated undertakings were shown before income taxes. The proportionate tax expense is reported under taxes on income.

The difficult market situation in Central Europe West and changes in the scope of consolidation affect the results from associated companies. In particular, the disposal of ZEAG Zementwerk Lauffen-Elektrizitätswerk Heilbronn AG and Ciments Luxembourgeois S.A. and the change in the consolidation method regarding Marmoran AG/Switzerland were not compensated for by the first-time consolidation of Nederlandse Cement Group. The French company Vicat S.A. makes a significant contribution to the results from associated companies.

Impairment depreciation was applied to the necessary extent.

■ 9 Financial results

In addition to interest and similar proceeds or expenses, the financial results also include exchange rate gains and losses from the currency conversion of interest-bearing receivables and liabilities.

For reasons of clarity, these exchange rate effects are presented separately in the financial results as of the 2003 financial year. For purposes of comparison, the previous year's values have been adjusted accordingly.

Financial results

EURm	2002	2003
Income from loans	18.9	6.5
Other interest receivable and similar income	36.9	28.1
Interest payable and similar charges	-288.1	-243.1
Foreign exchange gains/losses	4.7	-13.7
	-227.6	-222.2

■ 10 Taxes on income

Taxes on income

EURm	2002	2003
Current taxes	171.5	188.9
Deferred taxes	-91.1	-42.6
	80.4	146.3

The increase in current taxes by EUR 17.4 million essentially results from additional tax payments of EUR 17.9 million (previous year: -28.3) and the non-applicability of tax reductions due to dividends amounting to EUR -11.3 million.

The proportionate tax expense of associated companies accounted for according to the equity method and amounting to EUR 25.2 million (previous year: 32.4) is also included in the current taxes. EUR 9.8 million (previous year: -52.0) of deferred tax assets created in previous years for losses carried forward were released during the reporting year. Furthermore, the deferred taxes of EUR 4.6 million linked with the capitalisation of the transaction costs have been directly charged to equity (SIC - 17 Equity - Costs of an Equity Transaction). Tax losses carried forward, for which no deferred tax asset is recognised, amount to EUR 1.6 million (previous year: 4.1) (IAS 12 - Income Taxes).

In 2003, EUR 3.6 million (previous year: 1.0) of deferred taxes were directly charged to equity without effects on results. The provisions for deferred taxes increased, without effects on results, by EUR 19.8 million (previous year: 6.3) as a result of changes in the scope of consolidation and by EUR 27.8 million as a result of the acquisition of the cement plant in Wetzlar.

In order to improve the clarity, the presentation of the reconciliation was changed compared to the previous year.

Reconciliation

EURm	2002	2003
Profit before tax	342.8	279.7
Amortisation of goodwill	159.5	190.0
Profit before tax and amortisation of Goodwill	502.3	469.7
Theoretical tax expense at 27.2% (2002: 32.1%) ¹⁾	161.2	127.9
Changes to the theoretical tax expense due to:		
tax-free earnings (-) and non-deductible expenses (+)	3.0	-1.7
tax reduction due to dividends of HeidelbergCement AG	-11.3	
tax increase (+), reduction (-) for prior years	-53.3	22.1
changes in tax rate	-19.2	-2.0
Taxes on income	80.4	146.3

¹⁾ weighted average tax rate

■ 11 Earnings per share

Earnings per share (Basic Earnings Per Share IAS 33.10)

EURm	2002	2003
Profit for the financial year	262.5	133.5
Minority interests	-14.3	-16.9
	248.2	116.6
Number of shares in '000s (weighted average)	63,660	82,519
Earnings in EUR/share	3.90	1.41
Earnings in EUR/share before goodwill amortisation	6.38	3.48

The calculation of the basic earnings per share is made in accordance with IAS 33 (Earnings per Share), by dividing the Group share in profit by the weighted average of the number of issued shares. For calculating the average number of shares in 2003, only the additions from the capital increases and the change in the stock of company shares during the year must be taken into account on a weighted average basis.

Through the conversion of the issued preference shares into ordinary shares in 2002, there is only one class of shares existing now. In addition, the earnings per share before amortisation of goodwill is shown in 2003.

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

Notes to the cash flow statement

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

The cash flow statement begins with the operating income before depreciation (OIBD) plus additional ordinary result before amortisation (earnings before interest, taxes, depreciation and amortisation – EBITDA). EBITDA, adjusted for non-cash items and including cash flows from dividends received, interests and taxes paid, changes in operating assets and liabilities, result in net cash from operating activities.

Net cash used in investing activities includes cash outflow for investments, cash inflow from disinvestments and changes in the consolidation scope.

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

The following notes are provided:

■ 12 Dividends received

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

■ 13 Interest paid

These amounts are calculated by adjusting the interest expenses for accruals and deferrals formed in the balance sheet.

■ 14 Elimination of non-cash items

Increases to or write-backs of long-term provisions and the adjustment of results for book profits and losses from assets disposals are shown under non-cash items. The total amount earned from assets disposals is shown under deposits from disposals in investment activities.

■ 15 Changes in operating assets

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

■ 16 Changes in operating liabilities

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

■ 17 Investments (cash outflow)

Investments relate to outflows of cash and cash equivalents for intangible, tangible and financial fixed assets. These investments differ from additions shown in the fixed asset grid, which, for example, also shows non-cash income from associated companies as additions. Furthermore, purchases of shares of consolidated companies are shown in the cash flow statement under investments in financial fixed assets while such purchases do not appear as additions in the fixed asset grid.

Following is a list of the substantial additions to consolidated companies:

- 55.89 % share of Anneliese Zementwerke AG, Ennigerloh/Germany, for EUR 30.7 million
- 100 % share of Ekocem Sp. z o.o., Katowice/Poland, for EUR 28.5 million
- 10.18 % share of S.C. MOLDOCIM S.A., Bicaz/Romania, for EUR 17.1 million
- 19 % share of China Century Cement Limited, Hong Kong/China, for EUR 10.4 million
- 100 % share of Hüttenzement GmbH, Königs Wusterhausen/Germany, for EUR 9.8 million

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

■ 18 Proceeds from fixed assets disposals

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

- Limay Grinding Mill Corporation/Philippines for EUR 17.6 million
- Zlatna Panega AD/Bulgaria for EUR 58.6 million
- Bohemian Lime BV/Czech Republic for EUR 20.4 million
- Kunda Nordic Cement Corp./Estonia for EUR 7.8 million
- Société des Entreprises Rudigoz S.A.S./France for EUR 15.4 million

■ 19 Cash from changes in consolidation scope

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

■ 20 Dividend payments HeidelbergCement AG

HeidelbergCement AG paid no dividends in 2003 (previous year: EUR 74 million).

■ 21 Dividend payments minority shareholders

Dividend payments to minority shareholders show those dividends paid during the financial year, which relate to minority interests.

■ 22 Proceeds from bond issuance and loans

In 2003, HeidelbergCement Finance B.V. issued a EUR 700 million 7.375% bond 2003/2010 (net issue amount: EUR 682 million) and five debenture bonds as part of the Euro Medium Term Note programme with a total volume of EUR 200 million.

■ 23 Repayment of bonds and loans

Net financial liabilities could be reduced by more than EUR 700 million to EUR 3,603 million in the 2003 financial year. Short-term indebtedness could be reduced from EUR 1,065 million to EUR 894 million and long-term indebtedness from EUR 3,846 million to EUR 3,397 million. Short-term net financial liabilities (short-term liabilities minus liquid funds and securities) could be reduced from EUR 460 to EUR 207 million in 2003. The repayment of loans amounting to EUR 1,464 million comprises the paying off of two former syndicated loans (subscribed amount at the end of 2002: EUR 990 million). EUR 371 million were utilised from the allocation of the newly, in 2003, set-up syndicated loan at the end of the year. Besides scheduled repayments of short-term money market loans amounting to EUR 307 million and the repayment of a mature USD loan amounting to EUR 107 million, the repayments of loans mentioned above also include early repayments of USD private placements amounting to EUR 191 million and a USD loan amounting to EUR 73 million.

■ 24 Cash and cash equivalents

Cash and cash equivalents include securities with a short-term validity period of less than three months and liquid funds. In the balance sheet, the item "Securities and similar rights" also lists the market value of hedging transactions and the "available-for-sale financial assets", amounting to EUR 162.1 million (previous year: 206.4).

Notes to the balance sheet - Assets

■ 25 Intangible fixed assets

Intangible fixed assets are stated at cost. They are depreciated as planned according to their respective useful life.

Intangible fixed assets

EURm	Purchase price or production costs					Depreciation and amortisation					Net book value
	1 Jan. 2003	Previous year adjust- ment	Addi- tions	Dispos- als	31 Dec. 2003	1 Jan. 2003	Previous year adjust- ment	Addi- tions	Dispos- als	31 Dec. 2003	
Goodwill	3,330.5	42.8	290.0 0.0*	73.7	3,589.6	982.2	21.6	189.9 0.0*	70.6	1,123.1	2,466.5
Other intangible fixed assets	174.5	-5.1	7.4 0.2*	8.8	168.2	125.7	-6.5	19.6 -0.5*	8.9	129.4	38.8
	3,505.0	37.7	297.4 0.2*	82.5	3,757.8	1,107.9	15.1	209.5 -0.5*	79.5	1,252.5	2,505.3

* = Reclassifications

Goodwill from capital consolidation is capitalised and depreciated using the straight-line method in accordance with IAS 22 (Business Combinations). An impairment test is carried out regularly in application of IAS 36 (Impairment of Assets).

The goodwill in the balance sheet is depreciated according to the average useful business life over 20 years, or over 10 years for ready-mixed concrete and building materials companies. Depreciation is detailed in point 6.

For the amortisation of goodwill for Scancem AB, a useful life of 25 years was used as a basis due to Scancem's strong position in mature markets as well as asset-related considerations.

Larger individual items of goodwill were derived from the acquisition of S.A. Cimenteries CBR/Belgium, maxit Deutschland GmbH/Germany, Heidelberg Cement, Inc./US, Akçansa Cemento Sanayi ve Ticaret A.S./Turkey, Chittagong Cement Clinker Grinding Company Ltd./Bangladesh and ENCI Holding N.V./Netherlands.

Additions of EUR 290.0 million essentially result from the acquisition of Anneliese Zementwerke AG, HeidelbergCement Produktionsgesellschaft mbH & Co. KG, Ekocem Sp. z o.o. and S.C. ROMCIF S.A.

■ 26 Tangible fixed assets

Tangible fixed assets are accounted for at purchase price or production cost less ordinary and extraordinary depreciation. Production costs include direct costs of materials and consumables as well as direct manufacturing costs and appropriate amounts of overheads, including production-related depreciation. Debt capital cost and cost for repair and maintenance of tangible fixed assets are generally entered as expenses. Capitalisation takes place in exceptional cases, if the measures lead to an extension or significant improvement of the asset. Low cost assets are fully written off in the year of acquisition.

Tangible fixed assets include EUR 10.3 million (previous year: 13.5) of capitalised leased assets. Liens amounting to EUR 21.0 million (previous year: 44.5) were granted to third parties as security. Adjustments for the effects of changes in currency exchange rates during the reporting year totalled EUR -288.4 million.

Tangible fixed assets

EURm	Purchase price or production costs					Depreciation and amortisation					Net book value
	1 Jan. 2003	Previous year adjust-ment	Addi-tions	Dispos-als	31 Dec. 2003	1 Jan. 2003	Previous year adjust-ment	Addi-tions	Dispos-als	31 Dec. 2003	
Land and buildings	2,998.4	58.6	52.8 40.9*	55.3	3,095.4	1,405.0	10.6	93.1 1.1*	35.7	1,474.1	1,621.3
Plant and machinery	6,421.1	-50.6	138.0 179.2*	196.2	6,491.5	3,858.5	9.3	312.3 -2.5*	178.8	3,998.8	2,492.7
Fixture, tools and equipment	893.4	-3.2	29.3 10.5*	55.8	874.2	668.5	-2.0	65.4 1.9*	48.3	685.5	188.7
Payments on account and assets under construction	284.4	-3.5	196.5 -230.8	6.5	240.1	0.0	0.0	0.0 0.0*	0.0	0.0	240.1
	10,597.3	1.3	416.6 -0.2*	313.8	10,701.2	5,932.0	17.9	470.8 0.5*	262.8	6,158.4	4,542.8

* = Reclassifications

27 Financial fixed assets

Under financial fixed assets, shares in participations are accounted at the lower of acquisition cost or fair market value at the balance sheet date. If there are signs of impairment in value, an impairment test is carried out. In case of impairment, the value of financial fixed assets is reduced by the impairment loss by means of extraordinary depreciation.

Detailed development of the participations:

Participations

EURm	Purchase price or production costs					Depreciation and amortisation					Net book value
	1 Jan. 2003	Previous year adjust-ment	Addi-tions	Dispos-als	31 Dec. 2003	1 Jan. 2003	Previous year adjust-ment	Addi-tions	Dispos-als	31 Dec. 2003	
Shares in associated companies	807.3	-98.3	72.0 0.8*	55.0	726.8	41.0	2.2	5.8 0.0*	5.8	43.2	683.6
Shares in other participations	488.0	-113.5	74.8 -0.8*	34.1	414.4	36.7	-2.3	4.8 0.0*	25.9	13.3	401.1
	1,295.3	-211.8	146.8 0.0*	89.1	1,141.2	77.7	-0.1	10.6 0.0*	31.7	56.5	1,084.7

* = Reclassifications

■ 28 Shares in associated companies

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

For initial measurement, the acquired shares are considered at acquisition cost and in subsequent years the proportionate results are entered under additions to associated companies (IAS 28 - Accounting for Investments in Associates).

The largest single item is the share in Vicat S.A. - accounted at EUR 381 million.

■ 29 Shares in other participations

The shares in non-consolidated companies and the fixed assets securities are shown here. They are accounted at market values (IAS 39 - Financial Instruments: Recognition and Measurement). Two items especially worthy of mention are the purchase of shares in Klösters Sp. z o.o. amounting to EUR 23.6 million and the cash contribution to Heidelberger Zement South-East Asia GmbH amounting to EUR 17.9 million.

■ 30 Loans

Loans

EURm	2002	2003
Loans to participations	63.4	30.3
Other loans	118.3	62.9
	181.7	93.2

Loans show the credit granted by us. These loans are valued according to IAS 39 at amortised costs. If a debtor's credit rating deteriorates, extraordinary depreciation are applied.

The reduction in loans in the reporting year essentially results from the repayments of loans on the part of Vienna Capital Partners and PT Mekar.

■ 31 Stocks

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

■ 32 Receivables and other assets

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

Receivables under a securitisation transaction are sold in North America amounting to EUR 43.7 million (previous year: 68.2).

■ 33 Cash, short-term investments and similar rights

Liquid funds involve cash balances and bank credits at banks with first-class credit rating. Securities held in the securities portfolio under the category available-for-sale financial assets increased by EUR 3.6 million to EUR 14.3 million (previous year: 10.7) due to balance sheet preparation at market values (IAS 39 - Financial Instruments: Recognition and Measurement).

According to IAS 39, the underlying transactions must be adjusted and the market value of the hedging transactions (derivative transactions) must be shown in the balance sheet. Hedging transactions (forward exchange contracts, interest rate and currency swaps, options trading) are thus shown as rights similar to securities with a market value of EUR 147.8 million (previous year: 195.7). The interest-bearing liabilities increased accordingly.

Further details regarding current asset investments can be found under the section on financial instruments on pages 152 ff.

Notes to the balance sheet – Equity and liabilities

■ 34 Subscribed share capital

Subscribed share capital

	2002	2003
Number of shares (in '000s)	63,855	99,650
Subscribed share capital (EUR '000s)	163,468	255,104

In the 2003 financial year, a capital increase was carried out by issuing 31.1 million new shares in return for cash contributions, earning the Group EUR 404.3 million. To allow a stock dividend, a capital increase out of retained earnings was carried out in the ratio of 24:1, totalling 2.742 million shares.

The purchase of the Wetzlar cement plant was financed by issuing 1.953 million new shares.

Movement in the subscribed share capital in 2003

	EUR '000s	Number in '000s
As of 31 December 2002	163,468	63,855
Issue of new shares against contribution in-kind (purchase of the cement plant in Wetzlar from Buderus)	5,000	1,953
Capital reduction of 10 shares (nominal value = EUR 25.60) to produce even reference figures		
Capital increase based on retained earnings by resolution of the Annual General Meeting held on 8 May 2003	7,020	2,742
Capital increase by issuing new shares in return for cash contributions	79,616	31,100
As of 31 December 2003	255,104	99,650

The fully paid-in subscribed share capital amounts to EUR 255.104 million as of 31 December 2003.

■ Authorised and conditional share capital

Resolutions of the Annual General Meetings held on 19 June 2001 and on 7 May 2002

The Annual General Meeting of 19 June 2001 has decided to conditionally increase the share capital of the company by up to EUR 1,280,000, divided into up to 500,000 ordinary bearer shares. The conditional capital increase is used solely to satisfy stock options granted to the members of the Managing Board and senior executives of the company and to members of management and senior executives of affiliated companies, in Germany and abroad, in accordance with the authorisation of the Annual General Meeting of 19 June 2001 (stock option plan 2001/2007), and which may be revised in accordance with the authorisation of the Annual General Meeting of 7 May 2002. The conditional capital will be increased only to the extent that the stock options are exercised. The new shares will be eligible for participation in profit as of the beginning of the financial year in which they are issued. As a result of the capital increase based on retained earnings by resolution of the Annual General Meeting of 8 May 2003, the share capital – under § 218 of the German Stock Corporation Act (Aktiengesetz), in accordance with which conditional capital is increased in the same ratio as the share capital – has now been conditionally increased by up to EUR 1,333,333.33.

Resolutions of the Annual General Meeting held on 8 May 2003

■ Bonds with conversion or option rights / Conditional capital

The Annual General Meeting held on 8 May 2003 authorised the Managing Board, with the consent of the Supervisory Board, to issue bonds with conversion or option rights for shares of HeidelbergCement AG one or more times until 7 May 2008. For the conversion and option rights, varying terms may be designated, with a maximum of 20 years from the date of issue.

The total nominal amount of the bonds must not exceed EUR 1,000,000,000. The maximum proportionate amount of share capital represented by the shares to be granted as part of the issue of conversion or option rights due to this authorisation is EUR 70,000,000.

Besides being issued in euro, the bonds may also be issued – up to the equivalent euro value – in the legal currency of an OECD country. They may also be issued by companies, in which HeidelbergCement AG directly or indirectly has a majority participation. In this case, the Managing Board is authorised, with the consent of the Supervisory Board, to take on the guarantee for the bonds for HeidelbergCement AG and to grant the bearers of these bonds conversion or option rights for shares of HeidelbergCement AG. The bonds may also be subordinated.

Conversion right, conversion obligation

If convertible bonds are issued, the bearers receive the right to convert their bonds, according to the bond terms, into shares of HeidelbergCement AG. The proportionate amount of share capital represented by the shares to be issued as part of the conversion may not exceed the nominal amount of the convertible bond. The conversion ratio is obtained by dividing the nominal amount of a bond by the set conversion price for one share of HeidelbergCement AG. The conversion ratio can also be obtained by dividing the issue amount underlying the nominal amount of a bond by the set conversion price for one share of HeidelbergCement AG. The conversion ratio can be adjusted up or down to a round figure. An additional payment to be made in cash can also be fixed. Incidentally, a provision can be made that residual amounts are amalgamated or compensated in cash.

The bond terms can also establish a conversion obligation at the end of their term (or at an earlier date) or allow the company the right to grant the bond creditors shares of the company, fully or partially in place of the payment of the monetary amount due, at the maturity date of the convertible or warrant-linked bond. In this case, the option or conversion price may, in accordance with the bond terms, correspond to the average price of the company's share quoted at the close of Xetra trading (or a successor system replacing Xetra trading) on the Frankfurt Stock Exchange during the last ten trading days before the maturity date, even if this average price is less than the minimum average price (80 %) mentioned below. The proportionate amount of share capital represented by the shares to be issued when conversions or options are exercised may not exceed the nominal amount of the bonds. § 9, section 1 in conjunction with § 199, section 2 of the German Stock Corporation Act must be complied with.

Option right

If warrant-linked bonds are issued, one or more warrants are added to each bond, which entitle the bearer to obtain shares of HeidelbergCement AG according to the option terms.

The option terms can also stipulate that the option price can be settled by transfer of bonds and, if required, an additional cash payment. In this case, the proportionate amount of share capital represented by the shares to be obtained per bond may not exceed the nominal amount of the warrant-linked bond.

Conversion / option price

The conversion or option price for a share of HeidelbergCement AG must, except for cases where there is a conversion obligation, amount to either at least 80 % of the stock market price of the company's share - quoted at the close of Xetra trading (or a successor system replacing Xetra trading) on the Frankfurt stock exchange – on the day of the passing of the resolution by the Managing Board concerning the issue of the bonds or at least 80 % of the stock market price of the company's share - quoted at the close of Xetra trading (or a successor system replacing Xetra trading) on the Frankfurt stock exchange – on the day the conversion or option price is set. § 9, section 1 of the German Stock Corporation Act remains unaffected.

Without prejudice to § 9, section 1 of the German Stock Corporation Act, the convertible bond or option terms must provide anti-dilution clauses for the case where, during the conversion or option period, the company, granting subscription rights to its shareholders, increases the share capital or issues further convertible or warrant-linked bonds, or grants or guarantees other option rights, without subscription rights being granted to the extent to which bearers of conversion or option rights are entitled after exercising their conversion or option rights. The terms can also provide for an adjustment in value of the conversion or option price for other measures taken by the company, which may lead to a dilution of the value of the conversion or option rights. If a third party gains control, provision can be made for a normal market adjustment of the conversion or option price. In any case, the proportionate amount of share capital represented by the shares to be obtained per bond may not exceed the nominal amount of the bond.

The bond terms can stipulate that in the event that conversion or option rights are exercised or conversion obligations are fulfilled, company shares can also be granted. It can also be provided that the company does not grant company shares to holders of conversion or option rights, but pays them the cash equivalent, which in accordance with the bond terms corresponds to the average price of the HeidelbergCement share quoted at the close of Xetra trading (or a successor system replacing Xetra trading) on the Frankfurt stock exchange on at least two consecutive trading days during a period of five trading days before and five trading days after the declaration of conversion or exercise of the option.

The convertible bond or option terms can also stipulate that the number of shares to be obtained by exercising the conversion or option rights or after fulfilment of the conversion obligations, or an exchange right in relation to this, is variable and/or the conversion or option price can be changed within a range to be established by the Managing Board, depending on the development of the share price or as a result of the antidilution provisions during the term.

Granting of subscription right, exclusion of subscription right

If bonds are issued, shareholders are entitled to the legal subscription right. Bonds can also be offered to the shareholders through the indirect subscription right; in this case they are taken over by a bank or banking syndicate with the obligation of offering them to the shareholders.

However, the Managing Board is authorised, with the consent of the Supervisory Board, to exclude the subscription right of shareholders to bonds with conversion or option rights for shares of HeidelbergCement AG, insofar as the issue price of the bonds with conversion or option rights is not significantly below the hypothetical fair market value determined using accepted actuarial methods. The entitlement to exclude the subscription right only applies, however, for bonds with conversion or option rights (or conversion obligations) for shares with a total proportionate amount of up to 10% of the share capital at the time of authorisation of the issue of bonds with conversion or option rights (or conversion obligations) and only insofar as no use has been made of either authorised capital pursuant to § 4, section 2 of the articles of association or the sale of company shares purchased as a result of an authorisation in accordance with § 71, section 1 No. 8 of the German Stock Corporation Act, excluding the shareholders' subscription right pursuant to § 186, section 3 clause 4 of the German Stock Corporation Act.

Provided that the Managing Board does not make use of its entitlement to exclude the subscription right, it is authorised to remove fractional amounts, arising due to the purchase ratio, from the shareholders' subscription rights and to exclude the subscription right to the extent necessary to be able to grant the holders or creditors of conversion or option rights (or conversion obligations) for shares of HeidelbergCement AG subscription rights to the extent to which they are entitled after exercising their conversion or option rights or by means of conversion obligations.

Authorisation to determine additional terms and conditions of the bonds

The Managing Board is authorised, with the consent of the Supervisory Board, to determine the further details concerning the distribution and terms of issues, particularly the interest rate, the issue price, the term and the conversion or option price, or establish such details by agreement with the organs of the Group companies issuing the bonds.

The share capital will be conditionally increased by up to EUR 70,000,000 by issuing new ordinary bearer shares. The conditional capital increase is used to grant rights to creditors of partial debenture bonds with conversion rights or the bearers of option rights and to settle conversion obligations to creditors of partial debenture bonds with conversion obligations, which under the above authorisation are issued until 7 May 2008 by the Group or by companies in which HeidelbergCement AG directly or indirectly has a majority participation. Shares are issued at the conversion or option price to be determined. The conditional capital increase is only to be carried out insofar as these rights are exercised or of the conversion obligation and provided that no company shares are used to service these rights. The new shares shall participate in profits as of the beginning of the financial year in which they are issued through the exercising of conversion or option rights or by means of conversion obligations.

The Managing Board, with the consent of the Supervisory Board, decides on the further details of the share rights and the conditions of the share issue.

■ Authorised Capital II

The Annual General Meeting held on 8 May 2003 authorised the Managing Board, with the consent of the Supervisory Board, to increase the share capital until 7 May 2008 by issuing new ordinary bearer shares on one or several occasions by up to a total of EUR 42,000,000 in return for cash and/or contributions in-kind (Authorised Capital II). This increase was partially implemented in the course of the cash capital increase in June 2003. On 31 December 2003, the Authorised Capital II not yet utilised amounted to EUR 4,384,000.

If the share capital is increased in return for cash contributions, subscription rights are to be granted to the shareholders.

The Managing Board is authorised, however, with the consent of the Supervisory Board

- to exclude fractional amounts from the shareholders' subscription right and
- to exclude the shareholders' subscription right to the extent necessary to grant the holders of the convertible bonds or warrants issued by the company, or by companies in which HeidelbergCement AG directly or indirectly has a majority participation, subscription rights to the extent to which they are entitled as shareholders after exercising their conversion or option rights.

If share capital is increased in return for contributions in-kind, the Managing Board is authorised, with the consent of the Supervisory Board, to exclude the shareholders' subscription right.

The Managing Board, with the consent of the Supervisory Board, decides on the further content of the share rights and the terms of the share issues.

■ Acquisition of company shares

The Annual General Meeting held on 8 May 2003 authorised the Managing Board, with the consent of the Supervisory Board, to acquire company shares until 7 November 2004 with a proportionate amount of share capital of up to EUR 16,000,000. In the process, the total volume of company shares held may not exceed 10% of the company's share capital at any time. The authorisation may be exercised one or more times, fully or in partial amounts.

At the option of the Managing Board, the acquisition will be made as a direct purchase via the stock market or by means of a public purchase offer.

If the acquisition of shares occurs as a direct purchase via the stock market, the purchase price paid per share (excluding transaction costs) may not exceed or undercut by more than 10% of the share price determined by means of the opening auction in Xetra trading (or a comparable successor system) on the Frankfurt stock exchange on the day of trading.

In the event of acquisition by a public purchase offer, the company may publicly announce a formal offer or the shareholders may be publicly invited to submit offers. The provisions of the German Securities Acquisition and Takeover Act (WpÜG) must be observed, if and where relevant. If a formal offer is publicly announced by the company, it establishes a purchase price or a purchase price range per share. The offer can stipulate

further conditions as well as the option of adjusting the purchase price range during the acceptance period. The purchase price or adjusted limits of the purchase price range per share (excluding transaction costs) fixed in this way must not exceed or undercut by more than 20% the relevant value of a HeidelbergCement AG share. The basis for determining the relevant value of a HeidelbergCement AG share is to be the share price determined in the opening auction of Xetra trading (or a comparable successor system) on the Frankfurt stock exchange on the last trading day before the notification of the formal offer.

If the share price deviates significantly from the relevant value after the notification of a formal offer, the offer can be adjusted. In this case, the relevant value is determined according to the corresponding share price on the last trading day before the notification is made concerning the adjustment of the offer.

If the formal offer is oversubscribed, offers are accepted according to quotas. Preference may be given to the purchase of small amounts of up to 150 tendered shares per shareholder.

If the company's shareholders are publicly invited to submit offers to sell their shares, the company establishes a price or a price range at the time of invitation, at which or within which the shareholders can submit their offers. The invitation can provide for further conditions as well as the option of adjusting the price range during the offer period.

If the number of shares tendered by the shareholders exceeds the number of shares intended for acquisition by the company, offers are accepted according to quotas. Preference may be given to the purchase of small amounts of up to 150 tendered shares per shareholder.

Upon acceptance, the final purchase price is determined from the available shareholder tenders. The purchase price per share (excluding transaction costs) must not exceed or undercut by more than 20% the relevant value of a HeidelbergCement AG share.

The basis for determining the relevant value of a HeidelbergCement AG share is to be the price of HeidelbergCement AG shares determined in the opening auction of Xetra trading (or a comparable successor system) on the Frankfurt stock exchange on the last trading day before the date of acceptance of the offers by HeidelbergCement AG.

The Managing Board is also authorised, with the consent of the Supervisory Board,

- aa) to place company shares with the public in connection with the introduction of shares onto foreign stock exchanges in which they have not previously been registered for trading,
- bb) to sell company shares by means other than via the stock exchange or by an offer to all shareholders in the event that shares are to be offered to a third party as part of the acquisition of a company or of an equity interest. The price per share received by the company must not be substantially below the market price of the company's shares (in Xetra trading on the Frankfurt stock exchange during the last five trading days before the agreement with a third party becomes binding or before all shareholders are notified of the offer),
- cc) to sell company shares to a third party in return for cash payment, provided that the purchase price will not be substantially below the market price of the company's shares (in Xetra trading on the Frankfurt stock exchange during the last five trading days before the issuance),

- dd) to offer company shares for purchase to persons employed by the Group or a company affiliated with it,
- ee) to use company shares to service conversion or option rights or conversion obligations, or bonds with conversion or option rights or conversion obligations, issued by the company or by the companies held by it directly or indirectly and
- ff) to cancel company shares without requiring another resolution of the Annual General Meeting.

If shares are used for an initial introduction onto foreign stock exchanges or company shares held are sold to a third party under the authorisations specified under bb) to ee) above, the subscription rights of the shareholders are excluded.

The company has 131,615 company shares at the balance sheet date of 31 December 2003. 46,875 shares were given to Buderus Guss GmbH as part of the takeover of the Wetzlar cement plant.

To produce an even allocation ratio for the capital increase out of retained earnings by resolution of the Annual General Meeting of 8 May 2003, 10 company shares were canceled.

In contrast to the individual balance sheet for HeidelbergCement AG, company shares purchased are not capitalised in accordance with IFRS (SIC-16: Share Capital – Reacquired Own Equity Instruments, Treasury Shares), but deducted from shareholders' equity. The shares were valued using the stock exchange price at the time of acquisition.

■ 35 Capital reserves

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

1991: EUR 140.6 million from cash capital increase

1993: EUR 186.6 million from cash capital increase

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

1998: EUR 1,006.7 million from capital increases and EUR 25.7 million from exercising of option rights from optional bonds 1995/2002

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

2002: EUR 8.2 million from capital increase against contribution in-kind

2003: EUR 362.4 million from:

- Cash capital increase of EUR 317.1 million taking into account the net transaction costs according to SIC-17 (Equity – Costs of an Equity Transaction).

- Capital increase against contribution in-kind of EUR 45.3 million in connection with the acquisition of the cement plant in Wetzlar.

■ 36 Revenue reserves

Revenue reserves include profit earned in previous years by HeidelbergCement AG and its included subsidiaries which have not yet been distributed, as well as changes without effects on results.

The changes without effects on results shown in the equity capital grid are explained as follows:

- Exchange rate differences

The net assets denominated in foreign currency changed essentially due to the decline in the US dollar as of the closing date. In addition, there were exchange rate effects, in connection with consolidation measures, totalling EUR 10.2 million.

- Other changes

The remaining changes without effects on results primarily result from the treatment of the available-for-sale financial assets of EUR 13.3 million and the derivative financial instruments of EUR 1.8 million.

■ 37 Minority interests

The increase in minority interests results mainly from the first-time proportionate consolidation of the subgroup China Century Cement Ltd., the first-time full consolidation of the subgroup Anneliese Zementwerke AG, Baustoffwerke Dresden GmbH & Co. KG, TBG Transportbeton Kurpfalz GmbH & Co. KG and Tanzania Portland Cement Company Ltd., whereas the takeover of further minority shares in Central Europe East had a counteractive effect.

■ 38 Provisions

Notes on the provisions for pensions and similar liabilities, for deferred taxes and the other provisions shown in the provisions chart according to IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) are provided in the following points 39 to 41. We have shown the provisions in the balance sheet at an appropriate level with regard to an adequate provision for risks and uncertainties. An amount recorded as a provision represents the best estimate of the probable expenditure required to fulfil the current obligation on the balance sheet date.

Provisions

EURm	1 Jan. 2003	Previous year adjustment	Utilisation	Release	Addition	31 Dec. 2003
Pensions and similar liabilities	503.9	7.0	-56.5	-11.6	71.0	513.8
Deferred taxes	496.3	5.9	0.0	-34.3	50.8	518.7
Other	378.0	-2.7	-21.2	-32.4	68.3	390.0
	1,378.2	10.2	-77.7	-78.3	190.1	1,422.5

■ 39 Provisions for pensions

For numerous employees, pensions are provided for either directly or indirectly through contributions to pension funds. All pension obligations are based on eligible employees' compensation and years of service (defined benefit plans). The most significant retirement pension plans exist in Germany, Belgium, the Netherlands, the United States, Canada, the United Kingdom and in the Scandinavian countries. The pension plan obligations and the plan assets available are evaluated annually by independent assessors. In Belgium, HeidelbergCement also has a retirement benefit system for early retirement commitments; in the United States, this system covers medical-care costs of pension recipients, the obligations of which are covered by provisions.

In order to make the development clearer, the figures for Other Provision Plans have been integrated into the detailed calculations. The previous year's figures have been adjusted accordingly.

■ Calculation of pension obligations

The provisions for pensions were calculated for all significant Group companies according to the internationally accepted Projected Unit Credit Method (IAS 19 – Employee Benefits).

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

Calculation of pension obligations

	2002	2003
Interest rate	5.94 %	5.56 %
Anticipated return on plan assets	7.03 %	6.63 %
Future salary development	3.46 %	3.51 %
Anticipated increases in medical-care costs	4.50 %	5.00 %

■ Overview of types of retirement benefit plans

In accordance with IAS 19 (Employee Benefits), detailed information concerning pension plans and benefit plans for medical care amounting to EUR 453.4 million is provided in the following, 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	2002	2003
Defined benefit pension plans	357,742	378,997
Post-employment medical plans	84,670	74,372
	<hr/> 442,412	<hr/> 453,369

Presentation in the balance sheet

EUR '000s	2002	2003
Long-term pension provisions	467,804	461,579
Short-term pension provisions	36,111	52,204
Excess endowment of funds	-61,503	-60,414
	442,412	453,369

■ Pension obligations and pension funds

Pension obligations amounting to EUR 799.0 million existed in the Group in 2003, which were covered by outside pension funds. In addition there were direct agreements of EUR 441.4 million. Obligations entered into in the United States for medical-care expenses for pension recipients amounted to EUR 101.6 million. The following table shows the development of these retirement pension plans and their presentation in the balance sheet.

Pension obligations and pension funds

EUR '000s	Pension plans		Medical plans		Total	
	2002	2003	2002	2003	2002	2003
Present value of funded obligations	819,224	798,962			819,224	798,962
Fair value of plan assets	-690,808	-722,545			-690,808	-722,545
Deficit (+) / surplus (-)	128,416	76,417			128,416	76,417
Present value of unfunded obligations	419,270	441,416	94,902	101,647	514,172	543,063
Total obligation	547,686	517,833	94,902	101,647	642,588	619,480
Pension provisions	419,245	439,411			503,915	513,783
Overspending	-61,503	-60,414			-61,503	-60,414
Recognised in balance sheet ¹⁾	357,742	378,997	84,670	74,372	442,412	453,369
Unrecognised in balance sheet	-189,944	-138,836	-10,232	-27,275	-200,176	-166,111
Unrecognised actuarial gain (+) / loss (-)	-188,914	-137,902	-9,851	-26,590	-198,765	-164,492
Unrecognised past service cost	-1,030	-934	-381	-685	-1,411	-1,619
Unrecognised in balance sheet	-189,944	-138,836	-10,232	-27,275	-200,176	-166,111

¹⁾ Due to long-term consideration

■ Development in the profit and loss accounts

In 2003, the market value of the funds' net assets increased because of current stock market developments. This increase in value was not included in the balance sheet valuation because of the background of long-term views in accordance with IAS 19 (Employee Benefits). Losses not taken into account were thus reduced to EUR 164.5 million.

The expenses classified as personnel costs for retirement pensions for the significant pension plans, amounting to EUR 82.8 million, can be shown as follows:

Development in the profit and loss accounts

EUR '000s	Pension plans		Medical plans		Total	
	2002	2003	2002	2003	2002	2003
Current service cost	42,596	41,925	2,555	3,343	45,150	45,268
Interest cost	72,720	69,432	7,235	6,011	79,955	75,443
Expected return on plan assets	-56,833	-45,392			-56,833	-45,392
Actual loss (+)/gain (-) recognised	2,785	9,869	474	357	3,258	10,226
Past service cost recognised	2,920	-1,687	215	179	3,134	-1,508
Other adjustments		-625				-625
Realisation of loss (+)/gain (-)	-469				-469	
Others	69	-564			69	-564
Total	63,787	72,958	10,478	9,890	74,265	82,848

The actual return from plan assets was EUR 80.8 million (previous year: -26.1).

Development of pension provisions in the balance sheet

EUR '000s	Pension plans		Medical plans		Total	
	2002	2003	2002	2003	2002	2003
As of 1 January	345,752	357,742	96,094	84,669	441,846	442,412
First-time consolidations/deconsolidations	504	-1,273			504	-1,273
Total expense as above	63,787	72,958	10,478	9,890	74,265	82,848
Contributions paid	-57,285	-54,428	-7,595	-5,745	-64,880	-60,173
Exchange rate loss (+)/gain (-)	4,983	3,998	-14,307	-14,443	-9,324	-10,446
As of 31 December	357,742	378,997	84,669	74,372	442,412	453,369

■ 40 Deferred taxes

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

■ 41 Other provisions

Other provisions are valued in accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) and, if required, in accordance with IAS 19 (Employee Benefits). Other provisions comprise all recognisable risks from uncertain liabilities and anticipated losses from pending transactions. Provisions for recultivation obligations amount to EUR 142.8 million (previous year: 136.1). Obligations from restructuring measures are included as are obligations from guarantee commitments. Other provisions likewise include adequate risk provision for legal disputes including risks from the pending cartel proceedings, environmental obligations, product liability or long service awards.

■ 42 Liabilities

Liabilities are classified according to current/non-current and according to whether the liabilities are interest-bearing. Further details regarding interest-bearing liabilities can be found under the section on financial instruments on pages 152 ff.

Liabilities

	EURm	2002	2003
Financial liabilities			
Debenture loans	1,362.4		2,021.2
Bank loans	2,560.3		1,367.2
Other financial liabilities	988.5		902.1
	4,911.2		4,290.5
Operating liabilities			
Trade payables	427.5		439.7
Current income taxes payables	102.0		60.6
Liabilities relating to personnel	123.3		126.7
Other operating liabilities	350.7		367.7
	1,003.4		994.7
	5,914.6		5,285.2

Of the financial liabilities, EUR 47.3 million (previous year: 51.8) are secured by mortgages granted to banks.

■ Guarantees and other financial commitments

The guarantees amounting to EUR 105.4 million (previous year: 127.6) comprise potential future obligations to third parties, the existence of which must depend on the occurrence of at least one uncertain future event outside HeidelbergCement's sphere of influence.

Guarantees

EURm	2002	2003
Liabilities resulting from negotiation and transfer of bills of exchange	1.1	3.6
Liabilities arising from guarantees	126.5	101.8

The liabilities arising from guarantees include obligations of EUR 77.7 million where the probability of outflow is extremely low (IAS 37.28).

Other financial commitments

EURm	2002	2003
Rental and leasing contracts		
Total of all leasing payments mature within 1 year	18.5	20.5
Total of all leasing payments mature within 1 to 5 years	61.2	71.4
Total of all leasing payments mature after more than 5 years	81.0	80.8
Other off-balance-sheet financial commitments for planned tangible and financial fixed asset investments	122.0	108.0

Other financial commitments are listed with their nominal value. The future rental and leasing obligations totalling EUR 172.7 million (previous year: 160.7) refer essentially to property and other assets used by HeidelbergCement.

■ Relationships with affiliated companies in 2003

We maintained the following significant economic and legal relationships with affiliated companies outside the scope of consolidation:

- We sold significant quantities of cement to various ready-mixed concrete companies, in which we have a participation.
- We used the financial services of the Allianz/Dresdner Bank group and of Deutsche Bank.
- We acquired electric motors from the companies VEM Sachsenwerk GmbH and VEM Motor Weringerode GmbH, which belong to the Merckle group.
- We operated a joint venture in conjunction with E. Schwenk Zementwerke KG, namely Duna-Dráva Cement Kft in Hungary.

All these economic and legal relationships are similar to relationships with independent third parties.

Financial instruments

■ Accounting of financial instruments

In accordance with IAS 39 (Financial Instruments: Recognition and Measurement), financial instruments are contracts that result in a financial asset in one company and a financial liability or a shareholders' equity instrument in another company. In the balance sheet, all financial instruments are not shown at the trading day price, but at the settlement date price.

Loans and receivables granted by the Group and financial liabilities are valued, as hitherto, at the net purchase values provided that they are not linked with hedging instruments. This concerns loans for financial assets, interest-bearing receivables, trade receivables and payables, other short-term operating receivables and liabilities and short and long-term financial debts. The net purchase values in the case of short-term receivables and financial liabilities essentially correspond to the nominal value or the repayment amount.

"Available for sale financial assets" are essentially valued at the attributable current value. This concerns both securities for fixed assets and current assets. In subsequent valuations, insofar as a market value can be reasonably established, they are accounted for at their current market value. Unrealised profits and losses are recorded in shareholders' equity without affecting the result, taking deferred taxes into account. The share price at the balance sheet date forms the basis for the current market value. Of course, shares in non-consolidated subsidiaries and participations are also regarded as "available for sale financial assets". However, a valuation was carried out essentially at acquisition cost, as no active market exists for these companies and the respective current values were not reliably identifiable. If there are pointers to lower attributable current values, these are assessed.

■ Accounting of hedging transactions

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

– Cash flow hedges

The company hedges against the risk of fluctuation in future cash flow. Primarily, we secure the risk of variable interest payments by changing variable interest payments to fixed interest payments using swaps. We secure currency risks of future transactions such as the purchase of coal in US dollar by a company that accounts in euro. We secure the currency risk for future transactions that are expected within one year. The market value of cash flow hedges is shown in the balance sheet. As an offsetting item, the revenue reserves are adjusted without affecting the result, taking deferred taxes into account and recorded first with an effect on the result with the realisation of the cash flow.

- Fair value hedges

In the case of protection against "fair value" volatilities of certain balance sheet items (fair value hedges), both the hedging transaction and the secured share of the risk of the underlying transaction are valued at the attributable current value. Value modifications are entered with an affect on earnings. In addition to the protection of currency risks, we change the majority of our fixed interest-bearing liabilities into variable interest-rate instruments mainly through the use of swaps.

The market value of fair value hedges is shown in the balance sheet. As an offsetting item the value of the underlying transaction is adjusted.

- Net investment in a foreign company

When acquiring foreign companies, we have in some cases financed the investment with loans in the currency of the foreign company. In this case, the risk incurred on our capital in the subsidiary through fluctuations in exchange rates is reduced (translation risks). The loans are adjusted corresponding to the exchange rate on the balance sheet date. As an offsetting item, the capital in the currency translation position is adjusted.

The market value of the derivative hedge is calculated using option price models and external balance confirmations.

Details on evaluating and reporting non-derivative financial instruments are listed in the notes to the corresponding balance sheet items. Derivative financial instruments are primarily used for hedging purposes.

Disclosure on financial instruments**■ Non-derivative financial instruments**

The important interest-bearing non-derivative financial instruments outstanding at the end of 2003 are listed in the following table under the corresponding balance sheet items. Only those transactions having an open repayment sum of more than EUR 15 million on the balance sheet date are listed.

Conditions of the main non-derivative financial instruments

Balance sheet item Financial instrument	Currency	Nominal value in local currency in million	Nominal value in EURm	Term total	Term remaining	Nominal interest rate	Effective interest rate
Short-term investments / Cash and cash equivalents							
Bond	EUR	35	35	00/07	1-5Y	6.375 %	6.450 %
Liabilities - Bonds							
Bond	EUR	965	965	00/07	1-5Y	6.375 %	6.498 %
Bond	EUR	300	300	99/09	>5Y	4.750 %	4.950 %
Bond	EUR	700	700	03/10	>5Y	7.375 %	7.877 %
Liabilities - Bank loans							
Loan	EUR	26	26	97/04	<1Y	2.300 %	2.300 %
Syndicated loan	EUR	371	371	03/04	<1Y	3.892 %	3.892 %
Loan	EUR	27	27	96/06	1-5Y	2.459 %	2.459 %
Loan	EUR	25	25	96/06	1-5Y	4.149 %	4.149 %
Loan	EUR	25	25	96/06	1-5Y	4.145 %	4.145 %
Loan	USD	20	16	99/06	1-5Y	1.548 %	1.548 %
Loan	USD	50	40	99/06	1-5Y	8.860 %	8.860 %
Loan	EUR	30	30	00/07	1-5Y	6.140 %	6.140 %
Loan	EUR	25	25	00/07	1-5Y	2.640 %	2.640 %
Loan	EUR	35	35	00/07	1-5Y	2.640 %	2.640 %
Loan	EUR	19	19	98/08	1-5Y	4.700 %	4.700 %
Loan	EUR	30	30	00/08	1-5Y	2.540 %	2.540 %
Loan	EUR	30	30	01/08	1-5Y	2.800 %	2.800 %
Loan	EUR	15	15	02/08	1-5Y	3.670 %	3.670 %
Loan	USD	112	89	03/08	1-5Y	3.451 %	3.451 %
Loan	EUR	30	30	99/09	>5Y	2.520 %	2.520 %
Loan	EUR	25	25	03/09	>5Y	4.643 %	4.643 %
Loan	EUR	50	50	00/10	>5Y	6.485 %	6.485 %
Loan	EUR	35	35	00/10	>5Y	5.850 %	5.850 %
Loan	EUR	25	25	02/10	>5Y	6.560 %	6.560 %
Loan	EUR	25	25	02/10	>5Y	6.008 %	6.008 %
Loan	EUR	25	25	02/11	>5Y	6.008 %	6.008 %
Loan	EUR	50	50	02/12	>5Y	6.008 %	6.008 %
Loan	EUR	40	40	02/12	>5Y	5.600 %	5.600 %
Liabilities - Other							
Private placement	EUR	26	26	98/04	<1Y	2.260 %	2.260 %
Private placement	EUR	25	25	99/04	<1Y	2.160 %	2.160 %
Commercial Paper	EUR	19	19	03/04	<1Y	2.950 %	2.950 %
Private placement	EUR	50	50	95/05	1-5Y	7.300 %	7.300 %
Private placement	EUR	30	30	02/05	1-5Y	2.905 %	2.905 %
Private placement	EUR	45	45	99/06	1-5Y	2.560 %	2.560 %
Private placement	USD	19	15	96/08	1-5Y	6.660 %	6.660 %
Private placement	EUR	20	20	98/08	1-5Y	2.400 %	2.400 %
Private placement	EUR	60	60	03/08	1-5Y	5.370 %	5.370 %
Private placement	EUR	50	50	03/08	1-5Y	5.000 %	5.000 %
Private placement	EUR	20	20	03/08	1-5Y	5.370 %	5.370 %
Private placement	EUR	20	20	03/08	1-5Y	4.620 %	4.620 %
Private placement	EUR	50	50	03/08	1-5Y	4.920 %	4.920 %
Private placement	USD	30	24	94/09	>5Y	8.360 %	8.360 %
Total			3,561				

■ Derivative financial instruments

The following table provides an overview of the derivative financial instruments outstanding on the balance sheet date with their nominal values.

Market values were calculated using market rates as of the balance sheet date. Interest that had accrued from the last interest payment date through the balance sheet was not included.

Currency-related derivatives

in millions	Forward exchange contracts	Currency option contracts	Currency swaps	Interest-related derivatives	Total
EUR	275		19	-12	282
USD	-239		-254	19	-474
SEK	-269		1,797		1,528
CHF			-26	-4	-30
DKK			-30		-30
NOK	61		-69		-8
HKD	-24		-108		-132
GBP	-4		80		76
CZK			-3,087		-3,087
PLN			-252		-252
CAD			134		134
EEK			-47		-47
Total of nominal values in EUR	311	1	925	1,784	3,021
Market value in EUR	49		13	61	123

■ Fair value evaluation according to IAS 39

Due to evaluating hedge transactions at market values, securities decreased to EUR 147.8 million (previous year: 195.7), loans to EUR 72.2 million (previous year: 90.5), long-term interest-bearing liabilities to EUR 8.3 million (previous year: 45.0), other short-term interest bearing liabilities to EUR 28.1 million (previous year: 50.8). Revenue reserves increased to EUR 16.9 million (previous year: 11.1) and deferred tax assets to EUR 4.2 million (previous year: 1.7).

Due to the change in market value of "available for sale financial assets", the shares in other participations increased to EUR 44.9 million (previous year: 31.9), securities and similar rights to EUR 14.3 million (previous year: 10.7), deferred taxes provisions to EUR 14.6 million (previous year: 9.5) and revenue reserves to EUR 44.6 million (previous year: 33.1).

Risks from financial instruments

■ Interest rate risk

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

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

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

At the end of the year, the Group was mainly financed through fixed interest-bearing EUR liabilities of around EUR 1.6 billion, variable interest-bearing EUR liabilities of around EUR 2.3 billion, fixed interest-bearing USD liabilities of around USD 100 million, variable interest-bearing USD liabilities of around USD 150 million. These amounts were thoroughly modified with regard to their interest structure using derivative financial instruments. At the end of 2003, the Group had a volume of interest swaps and interest/currency swaps of approximately EUR 1.1 billion, which enabled a change from fixed to variable interest rate periods. The stock of such swaps that enabled a change from variable to fixed interest rate periods covered a volume of approximately EUR 280 million on the key date.

■ Currency risk

Currency risk refers to risk of changes in the value of balance sheet items induced by exchange rate fluctuations and future transactions with a high probability of occurrence. This risk is generally eliminated by hedging transactions; exceptions to this rule are tightly restricted and are subject to regular monitoring.

■ Credit risk

The credit risk is the risk that a contracting party does not or not completely fulfil the obligations agreed by him when signing a financial instrument. The Group's credit risk is limited in that we only sign financial assets and derivative financial instruments with partners that have first-class credit rating.

■ Corporate Governance Code

The declaration prescribed under § 161 of the German Stock Corporation Act (statement of compliance) was submitted on 11 December 2003 and was made available to shareholders on 19 December 2003. With a further declaration in March 2004, the date of the annual statement of compliance will be synchronised with the publication of the annual accounts.

Besides the recommendation for individualised publication of the Managing Board's remuneration, two further recommendations are not met: There is no age limit for members

of the Supervisory Board. Out of consideration for the family shareholders represented on the Supervisory Board, there is no publication of the shareholdings of members of the Supervisory Board, which exceed one percent of the shares issued by the Group.

**■ Supervisory Board,
Advisory Council and
Managing Board**

Remuneration

EUR '000s

Compensation of the Supervisory Board	1,867
fixed	400
variable	1,467
Compensation of the Advisory Council	100
Compensation of the Managing Board	6,174
fixed	2,965
variable	2,953
others	256
Former Members of the Managing Board and their survivors	
Compensation	1,500
Provisions for pension obligations	20,826

For the financial year 2003, the members of the Supervisory Board receive a fixed and a variable compensation. The fixed part of the compensation was paid out in December 2003. The variable compensation is dividend-related and is due after a resolution of the Annual General Meeting. The disclosures of the remuneration according to the German Commercial Code (HGB) present merely the compensation granted as of the balance sheet date. Hence, the variable part of the compensation will be disclosed under remuneration in the following financial year.

The following compensations are paid:

- The Chairman of the Supervisory Board receives a fixed compensation of EUR 40,000 and a variable compensation of EUR 132,300. In addition, he receives EUR 13,334 for chairing the Audit Committee and EUR 6,667 for chairing the Personnel Committee.
- The Deputy Chairman of the Supervisory Board receives a fixed compensation of EUR 30,000 and a variable compensation of EUR 99,225. In addition, he receives EUR 6,667 for his membership of the Audit Committee and EUR 3,334 for the Personnel Committee.
- All other members of the Supervisory Board who belonged to the Supervisory Board for the whole financial year receive a fixed compensation of EUR 20,000 and a variable compensation of EUR 66,150. If they are members of the Audit Committee, they receive an additional EUR 6,667 and if they are members of the Personnel Committee, they receive an additional EUR 3,334.
- The member of the Supervisory Board who stepped down at the Annual General Meeting of 2003 receives a fixed compensation of EUR 7,014 and a variable compensation of EUR 23,520. The member of the Supervisory Board newly elected by the Annual General Meeting of 2003 receives a fixed compensation of EUR 12,986 and a variable compensation of EUR 43,549.

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 to the trade union-linked Hans Böckler Foundation.

The members of the Supervisory Board and its Committees can be found in the list below.

In addition, the Members of the Managing Board together have received 105,000 virtual options on company shares in 2003. The total value of these options at the time of issue (determined approximately on the basis of common valuation methods) was EUR 1.0 million.

In 2003, the company received a disclosure in relation to a transaction in securities in accordance with § 15a of the German Securities Trading Act (Directors Dealings): Mr. Hans Bauer, Chairman of the company's Managing Board, purchased a total of 2,000 shares in the company at the price of EUR 23.99 per share on 21 February 2003.

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

■ **Mandates of members of the Supervisory Board and Managing Board**

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

- a) Membership in other legally required supervisory boards for German companies
- b) Membership in comparable German and foreign supervisory committees of commercial corporations.

Group mandates are marked with ¹⁾.

Supervisory Board*

Dr. rer. pol. Wolfgang Röller, Chairman

Chairman of the Audit, the Personnel and the Arbitration Committee
Honorary Chairman of the Supervisory Board, Dresdner Bank AG

Heinz Schirmer, Deputy Chairman

Member of the Audit, the Personnel and the Arbitration Committee
Mechanic and locksmith foreman; Chairman of the General Council of Employees,
HeidelbergCement AG and Chairman of the Council of Employees at the Schelklingen plant

Heinz-Josef Eichhorn

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

*All indications refer to 31 December 2003 or the day of the retirement from the Supervisory Board of HeidelbergCement AG.

Prof. Dr. Bernd Fahrholz

until 25 March 2003 Chairman of the Managing Board, Dresdner Bank AG and until
25 March 2003 Deputy Chairman of the Managing Board, Allianz AG

- a) Bayerische Motoren Werke AG
- Fresenius Medical Care AG

Wilhelm Fürst

Industrial mechanic; Chairman of the Council of Employees
at the Mainz-Weisenau plant, HeidelbergCement AG

Veronika Füss

Commercial employee; Chairwoman of the Council of Employees
in the Schelklingen sales office, HeidelbergCement AG

Fritz-Jürgen Heckmann

since 8 May 2003

Attorney

- a) All for One Systemhaus AG
 - d & b audioteknik AG
 - Drews Holding AG
 - Infoman AG
 - Informatik Consulting Systems AG
 - Paul Hartmann AG
- b) HERMA Holding GmbH + Co KG
 - Hübner GmbH
 - Neue Pressegesellschaft (Südwestpresse) mbH & Co. KG
 - Südwestdeutsche Medien Holding GmbH
 - URACA GmbH & Co. KG

Waltraud Hertreiter

Member of the Managing Board, Schaltbau Holding AG

- a) ERWO Holding AG (Chairwoman)

Textilgruppe Hof AG

- b) Südbayer. Portland-Zementwerk Gebr. Wiesböck & Co. GmbH
(Chairwoman)

Rolf Hülstrunk

Former Chairman of the Managing Board, HeidelbergCement AG

Josef Löffler

Member of the Audit Committee

Technical employee; member of the Council of Employees at the Schelklingen plant

Ludwig Merckle

Member of the Audit Committee
Managing Director, Merckle GmbH
a) Kässbohrer Geländefahrzeug AG (Chairman)
Württembergische Leinenindustrie AG (Chairman)

Senator h.c. Dr. rer. pol. Eberhard Schleicher

until 8 May 2003
Partner with unlimited liability, Schwenk Zement KG

Eduard Schleicher

Member of the Personnel Committee
Partner with unlimited liability, Schwenk Zement KG
a) Wieland-Werke AG
b) Duna-Dráva Cement Kft¹⁾
Nederlandse Cement Handelmaatschappij B.V.

Wilhelm Schwerdhöfer

Motor mechanic; Chairman of the European Works Council, HeidelbergCement, and
Chairman of the Council of Employees at the Lengfurt plant, HeidelbergCement AG

Karl-Heinz Strobl

Member of the Federal Executive Committee, IG Bauen-Agrar-Umwelt
a) WALTER BAU AG

Meinhard Thrul

Member of the Personnel Committee
Director of the sales region Southeast, HeidelbergCement AG

Dr. rer. pol. Ulrich Weiss

Member of the Arbitration Committee
Former member of the Managing Board, Deutsche Bank AG
a) BEGO Medical AG
Continental AG
b) Benetton Group S.p.A.
Ducati Motor Holding S.p.A.

Managing Board*

Hans Bauer, Chairman

- a) Bilfinger Berger AG
- b) S.A. Cimenteries CBR¹⁾
 - ENCI Holding N.V.¹⁾ (Deputy Chairman)
 - HeidelbergCement Northern Europe AB¹⁾ (Chairman)
 - PT Indocement Tunggal Prakarsa Tbk.
 - Lehigh Cement Company¹⁾
 - Lehigh Cement Limited¹⁾
 - Nederlandse Cement Deelnemingsmaatschappij B.V.
 - Südbayer. Portland-Zementwerk Gebr. Wiesböck & Co. GmbH (Deputy Chairman)
 - Vicat S.A.

Helmut S. Erhard

- b) Lehigh Cement Company¹⁾ (Chairman)
- Lehigh Cement Limited¹⁾ (Chairman)

Håkan Fernvik

- President and Chief Executive Officer of HeidelbergCement Northern Europe AB
- b) HeidelbergCement Northern Europe AB¹⁾
 - PT Indocement Tunggal Prakarsa Tbk.
 - maxit Group AB¹⁾

Daniel Gauthier

- b) Carpacement Romania s.r.l.¹⁾
 - S.C. CASIAL S.A. Deva¹⁾
 - Ceskomoravský Cement, a.s.¹⁾ (Chairman)
 - Open Joint Stock Company "DniproCement"¹⁾
 - Duna-Dráva Cement Kft.¹⁾
 - Górazdze Cement S.A.¹⁾ (Chairman)
 - HeidelbergCement Northern Europe AB¹⁾
 - ISTRA Cement International d.o.o.¹⁾
 - Open Joint Stock Company "Kryvyi Rih Cement"¹⁾
 - S.C. MOLDOCIM S.A.¹⁾
 - Tvornica Cementa Kakanj d.d.¹⁾
 - Zlatna Panega AD¹⁾ (Chairman)

Andreas Kern

- a) Anneliese Zementwerke AG¹⁾ (Deputy Chairman)
- Kronimus AG
- b) Ceskomoravský Cement, a.s.¹⁾
 - Duna-Dráva Cement Kft¹⁾
 - Górazdze Cement S.A.¹⁾
 - maxit Group AB¹⁾ (Chairman)
 - Nederlandse Cement Handelmaatschappij B.V. (Deputy Chairman)
 - Nederlandse Cement Overslagbedrijf B.V. (Deputy Chairman)
 - Südbayer. Portland-Zementwerk Gebr. Wiesböck & Co. GmbH

Paul Vanfrachem

Chairman and Chief Executive Officer, S.A. Cimenteries CBR
b) Akçansa Çimento Sanayi ve Ticaret A.S. (Deputy Chairman)
Carrières Lemay S.A.¹⁾ (Chairman)
China Century Cement Limited¹⁾
S.A. Cimenteries CBR¹⁾ (Chairman)
ENCI Holding N.V.¹⁾ (Chairman)
PT Indocement Tunggal Prakarsa Tbk. (Chairman)
Lehigh Cement Company¹⁾ (Deputy Chairman)
Lehigh Cement Limited¹⁾ (Deputy Chairman)
Vicat S.A.

Horst R. Wolf

a) Circel AG (Chairman)
EnBW Kraftwerke AG
Kraftverkehr Bayern GmbH
b) S.A. Cimenteries CBR¹⁾
HeidelbergCement Northern Europe AB¹⁾
PT Indocement Tunggal Prakarsa Tbk.
Lehigh Cement Company¹⁾
Lehigh Cement Limited¹⁾
maxit Group AB¹⁾

■ 43 Proposed dividend

Managing Board and Supervisory Board propose the following dividend: EUR 1.15 dividend per share. Referring to 99,518,235 non-par value shares, entitled to dividend payment for the 2003 financial year, the amount for dividend payment is EUR 114,445,970.25.

■ 44 Approval of the Group annual accounts

The Group annual accounts were prepared by the Managing Board and adopted on 24 March 2004. They were then submitted to the Supervisory Board for approval.

Heidelberg, 24 March 2004

HeidelbergCement AG

The Managing Board

■ Report of the independent auditors

We have audited the Group annual accounts of HeidelbergCement AG, Heidelberg, for the financial year from 1 January to 31 December 2003. The Group annual accounts include the Group financial statement, consisting of the balance sheet, profit and loss accounts, statement of changes in equity, cash flow statement, and notes to the Group financial statements as well as a structured presentation of the additional disclosures required for the Group management report according to Article 36 of the 7th EU Directive. The Group annual accounts are the responsibility of the legal representatives of the company. Our responsibility is to express an opinion, based on our audit, whether the Group annual accounts are in accordance with International Financial Reporting Standards (IFRS) and whether the conditions for exemption pursuant to § 292a Sect. 2 HGB (Handelsgesetzbuch: German Commercial Code) have been fulfilled.

We have conducted our audit of the consolidated financial statements in accordance with § 317 HGB and the generally accepted standards for the audit of financial statements promulgated by the IDW (Institut der Wirtschaftsprüfer in Deutschland: Institute of Public Auditors in Germany) as well as the International Standards on Auditing (ISA). 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 Group financial statements in accordance with principles of proper accounting 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 evaluations of 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 Group 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 the companies included in the consolidated Group accounts, the determination of entities to be included in the consolidated Group, the accounting and consolidation principles used and significant estimates made by the legal representatives, as well as evaluating the overall presentation of the Group financial statements and 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, the Group financial statements give a true and fair view of the net assets, financial position, results of operations and cash flows of the Group for the business year in accordance with IFRS. Our audit, which also extends to the Group management report prepared by the Managing Board, has not led to any reservations. In our opinion, on the whole, the Group management report provides a suitable understanding of the Group's position and suitably presents the risks of future development. In addition, we confirm that the Group financial statements and Group management report satisfy the conditions required for the Company's exemption from its obligation to prepare Group financial statements and a Group management report in accordance with German law.

Stuttgart, 24 March 2004

ERNST & YOUNG
 Deutsche Allgemeine Treuhand AG
 Wirtschaftsprüfungsgesellschaft

Prof. Dr. Pfitzer
 Wirtschaftsprüfer
 (Independent German Auditor)

Elkart
 Wirtschaftsprüfer
 (Independent German Auditor)

Glossary/index*

Affiliated companies
(§ 15 German Stock Corporation Act)
 p. 104 ff., 116 ff.

Affiliated companies are legally independent companies that are in a relationship to each other as majority owned companies and majority participation companies (§ 18), dependent or controlling companies (§ 17), Group companies (§ 18), cross-held companies (§ 19) or contracting parties to a contract between business enterprises (§§ 291, 292).

Aggregates

Mineral raw materials such as sand and gravel that are used as additives to produce concrete.

Associated companies
 p. 100, 109, 121, 129, 136 f.

Companies over which we exercise significant influence (participation quota of at least 20 %).

Cash flow
 p. 18, 25, 99

Cash flow is a key figure for evaluating a company's financial worth and profitability. At HeidelbergCement, cash flow is calculated from the operating income before depreciation (OIBD) plus additional ordinary result before depreciation, plus dividends and interest received, minus interest and taxes paid and the elimination of non-cash items.

Cement

Cement is a hydraulic binder, i.e. a finely ground inorganic material that sets and hardens by chemical interaction with water and that is capable of doing so also under water. Cement is mainly used to produce concrete. It binds the sand and gravel into a solid mass.

Clinker (cement clinker)

Intermediate product in the cement production process that is made by heating a finely-ground raw material mixture to around 1,450 °C in the cement kiln. For the manufacture of cement, the greyish-black clinker nodules are extremely finely ground. Clinker is the main ingredient in most cement types.

Commercial Paper
 p. 15, 154

Bearer notes issued by companies within the framework of a Commercial Paper Programme (CP Programme) to meet short-term financing needs. Maturities can range from seven days to two years.

Concrete

Concrete is a building material that is manufactured by mixing cement, aggregates (gravel, sand or chippings as a rule) and water.

Consolidation
 p. 109

Consolidation of the financial statements of the parent company and its subsidiaries by adding together items like assets, liabilities, equity, income and expenses.

Dry kiln
 p. 47, 90

Cement kiln used in the dry process of cement manufacturing. The raw materials enter the cement kiln in a dry condition after being ground to a fine powder (raw meal). The dry process is less energy consuming than the wet process, where water is added to the raw materials during grinding to form a slurry.

Dry mortar

Dry mortars are mortars premixed in the plant such as interior and exterior plaster, fluidised floor finish and masonry mortar. They are offered in bags or in bulk - in silos or containers - and are ready mixed on site through the addition of water.

*The index indicates the main references.

EBIT p. 21ff., 98, 122ff.	Earnings before interest and income taxes; this term corresponds to results of operating activities according to IAS 1 (Presentation of Financial Statements).
EBITDA p. 132	Earnings before interest, taxes, depreciation and amortisation; EBITDA = OIBD plus additional ordinary result before amortisation.
Equity method p. 109, 137	Consolidation method for depicting associated undertakings in group accounts. The participation is initially valued at the acquisition price and then constantly adjusted to the development of the associated undertaking's equity.
Euro Medium Term Notes (EMTN) p. 15, 134	Debenture bonds issued as part of the EMTN Programme. An EMTN Programme represents a framework agreement made between the company and the banks appointed to be dealers. HeidelbergCement AG has the option of floating debt issues up to a total volume of EUR 3 billion under its EMTN programme.
EVA® p. 35ff.	EVA® stands for "Economic Value Added" and is an integrated management and control concept developed by the consulting firm Stern Stewart to measure value creation in companies.
Goodwill (IAS 22.41) p. 36, 98, 109, 128, 135	Positive difference between the consideration made to take over a company and the fair value of the individual assets and liabilities at the time of the takeover.
Group share in profit p. 17f., 21, 28, 98	Profit or loss for the financial year after deduction of minority interests.
High yield bond p. 15f.	A bond issued by a company with a credit rating below investment grade.
International Financial Reporting Standards (IFRS) p. 108ff.	The International Financial Reporting Standards (IFRS) – previously International Accounting Standards (IAS) – are accounting standards issued by the International Accounting Standards Board (IASB) for the purposes of international harmonisation and better comparability of consolidated accounts. HeidelbergCement has been preparing its Group annual accounts in accordance with IFRS and IAS, respectively, since 1994.
Net debt p. 3, 15f., 18, 25, 33f., 134	The sum of all long-term and short-term financial liabilities minus cash at bank and in hand and short-term investments. Synonyms: net financial liabilities, net indebtedness, net liabilities.
Operating income p. 20f., 36, 98, 122ff.	Profit before tax (as shown in the profit and loss account) before additional ordinary result, results from participations and financial results.

Operating income before depreciation (OIBD) p. 3, 20 ff., 98 f., 122 ff.	Operating income before depreciation and amortisation of tangible and intangible fixed assets.
Price-earnings ratio (PER) p. 18	Share price divided by earnings per share.
Profit before tax p. 21, 98, 131	Profit before tax corresponds to profit or loss from ordinary activities according to IAS 1 (Presentation of Financial Statements)
Profitability p. 18	Profit for the period (e.g. profit for the financial year) in relation to a reference value (capital employed or turnover). Typical key figures include return on total assets, return on equity and return on turnover.
Rating (credit rating) p. 14	Classification of the credit standing of debt instruments and their issuers. Specialised agencies such as Standard & Poor's 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.
Return on investment (ROI) p. 24	Operating income before depreciation as a per cent of tangible and intangible fixed assets.
Secondary materials p. 91 ff.	By-products or waste from other industries, whose chemical components make them suitable substitutes for natural resources (raw materials, fuels and additives).
SIC p. 111, 130, 145	Standing Interpretations Committee; the role of the SIC (founded in 1997) is to provide timely guidance on newly identified financial reporting issues not specifically addressed in IFRS or issues where unsatisfactory or conflicting interpretations have developed or seem likely to develop. In March 2002, the SIC was replaced by the IFRIC (International Financial Reporting Interpretations Committee).
SNCR installation p. 91	An installation to reduce nitrogen oxide emissions by the SNCR process (selective non-catalytic reduction).
Stock option plan p. 80, 139	Long-term incentive scheme within the framework of value based corporate management. Participants include the Managing Board and selected senior managers of HeidelbergCement AG and affiliated domestic and foreign companies. The entitled subscribers receive the option of acquiring HeidelbergCement AG ordinary shares at certain conditions during defined exercise periods.

Sustainability

p. 90 ff.

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. 15 f., 134, 154

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

Total shareholder return

p. 80

Performance of share price on the basis of dividend payments, subscription rights, capitalisation issues and other special rights.

Xetra

p. 140 f., 143 f.

Exchange Electronic Trading. Xetra is the Deutsche Börse AG's electronic securities trading platform. Around three quarters of HeidelbergCement shares are traded via Xetra.

Review of 2003 events

01

The Belgian participation Gralex acquires the aggregates activities, which previously belonged to Readymix Belgium, with quarries, sand and aggregates pits, dredging and river transport facilities, as well as a trading company.

ABN Amro awards HeidelbergCement the prize for "Best Investor Relations Department (Europe)" at the annual Building Awards ceremony.



02



In Poland, the cement, concrete and aggregates lines are integrated in Górazdze Group with uniform brand names and corporate design. Our companies in the Czech Republic and Romania are following this example in their countries.

The cement plants of our Turkish participation Akçansa are certified under ISO 14001.

03

Conferences for analysts and the press in Frankfurt and London on the 2002 annual accounts.

HeidelbergCement increases its participation in Anneliese Zementwerke AG to 97.4% by purchasing the shares from Dyckerhoff AG. In return, Dyckerhoff purchases a 24.9% stake in Ciments Luxembourgeois from our Belgian subsidiary CBR.



04

The rating agencies Moody's and Standard & Poor's (May 2003) downgrade HeidelbergCement to non-investment grade.

Notification of a fine by the German Federal Cartel Office (Bundeskartellamt) as a result of alleged quota agreements in Southern Germany. HeidelbergCement contests the allegation and has filed an appeal

05

Ordinary Annual General Meeting in Leimen/Germany and publication of the interim report on the first quarter of 2003.

HeidelbergCement sells its lime activities in the Czech Republic, in Romania and Hungary.



Purchase of slag cement plants in Königs Wusterhausen (near Berlin) and Ekocem in Poland. While the German plant is purchased at 100%, our Polish subsidiary Górazdze acquires 75% in Ekocem. It is the most modern grinding plant in Poland with 0.8 million tonnes in cement capacity.

Sale of the grinding plant in the Philippines since HeidelbergCement has no opportunity to extend its activities or market share.

06/07

Three capital measures – cash capital increase with subscription rights, high yield bond and syndicated loan – with a total volume of EUR 2.6 billion are successfully placed on the capital market. These funds are used for refinancing and the reduction of the Group's debts.

With the purchase of ready-mixed concrete companies in Poland, Latvia, Estonia and in the Saint Petersburg area with a capacity of 300,000 cubic metres, we strengthen our market positions in these countries.

HeidelbergCement increases its participation in the Chinese company China Century Cement from 30% to 49%.



08

Conferences for analysts and the press for the half-year accounts in Frankfurt.

As part of the withdrawal from industrial participations, Deutsche Bank sells its participation in HeidelbergCement.

09

HeidelbergCement announces the acquisition of Portland-Zementwerk Bosenberg Bücker Flürenbrock GmbH & Co KG. The company operates a cement plant and two ready-mixed concrete production sites in North Rhine-Westphalia/Germany.

The business magazine Capital awards the investor relations' Internet site of HeidelbergCement first place among the MDAX companies.

HeidelbergCement increases its cement prices in Germany by EUR 7.50 per tonne. A further increase and the introduction of a new pricing system at the beginning of 2004 are announced.

The participation in the Kakanj cement plant in Bosnia-Herzegovina is increased from 51.2 % to 73.9 %.

10

HeidelbergCement assumes a participation through its Norwegian subsidiary Norcem in the only cement plant in Iceland.

With the purchase of further shares from the Indonesian government, HeidelbergCement increases its stake in Indocement to over 65 %. The company will be fully consolidated in the Group's consolidation scope as of 2004.



11/12

HeidelbergCement publishes its interim report on the third quarter.

The Belgian and Dutch cement activities start merging at the beginning of 2004 to form the business unit CEM BENE. The joint organisation will allow synergies and improved market adjustment.

One of the two kiln lines in Schelklingen is shut down for market and economic reasons.

As HeidelbergCement is unable to extend its market position in Bulgaria in a decisive manner, the cement and concrete activities of Zlatna Panega are sold.

At the end of the year, the HeidelbergCement share is delisted from the Brussels Stock Exchange.



HeidelbergCement announces the discontinuation of clinker production in Mainz-Weisenau/Germany and conversion of the site into a grinding plant at the beginning of 2004. Thus, the capacities of the cement plants in Southern Germany are adapted to the declining market.

Heidelberg Building Materials Europe (HBE) changes its name to maxit Group. This new name is a reference to the strongest brand. maxit Group will also become more important outside of Europe in the future.

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Translation of the annual report 2003.
The German version is binding.

Copies of the 2003 accounts of HeidelbergCement AG
and further information are available on request
from Group Communication.

Kindly find this annual report and further information
about HeidelbergCement on the Internet:
www.heidelbergcement.com

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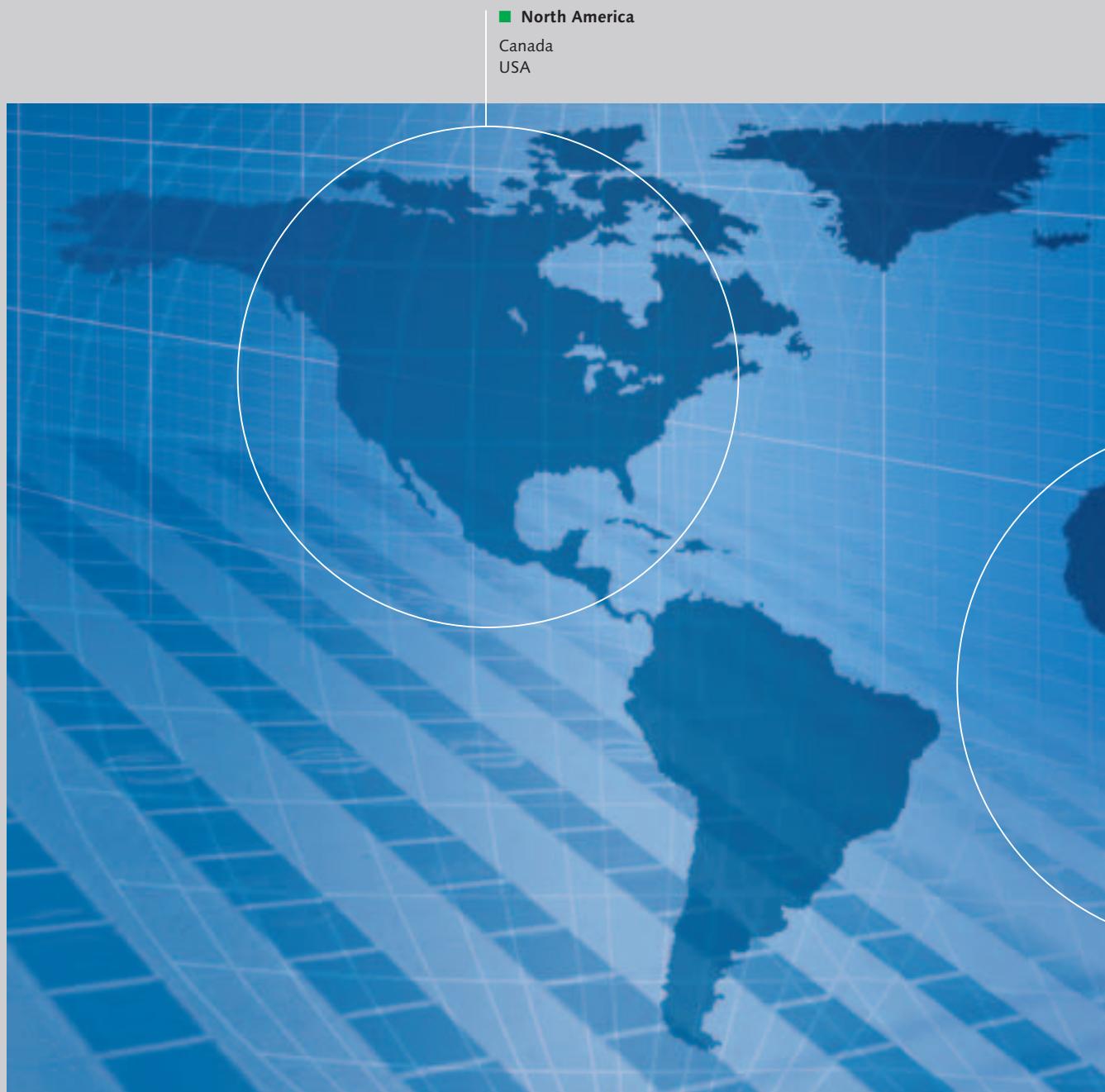
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Strategic business regions



HeidelbergCement is member of:



World Business Council for
Sustainable Development



Subsidiaries have additional locations in Iceland, Italy, Portugal, Saudi Arabia and Spain.



■ **Africa**

Angola
Benin
Gabon
Ghana
Liberia
Niger
Nigeria
Republic of the Congo
Sierra Leone
Tanzania
Togo

■ **Central Europe West**

Austria, Germany, Switzerland

■ **Western Europe**

Belgium, France, Luxembourg, Netherlands,
United Kingdom

■ **Northern Europe**

Denmark, Estonia, Finland, Latvia,
Lithuania, Norway, Russia, Sweden

■ **Central Europe East**

Bosnia-Herzegovina, Bulgaria, Croatia,
Czech Republic, Hungary, Poland,
Romania, Slovakia, Ukraine

■ **Asia**

Bangladesh
Brunei
China
Indonesia
Singapore
United Arab Emirates

■ **maxit Group**

■ **Group Services**

■ **Mediterranean region**

Turkey

Strategic business regions



Financial calendar 2004

Annual General Meeting	6 May 2004
Interim report January to March 2004	6 May 2004
Interim report January to June 2004 as well as analysts' and press conferences	5/6 August 2004
Interim report January to September 2004	9 November 2004



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