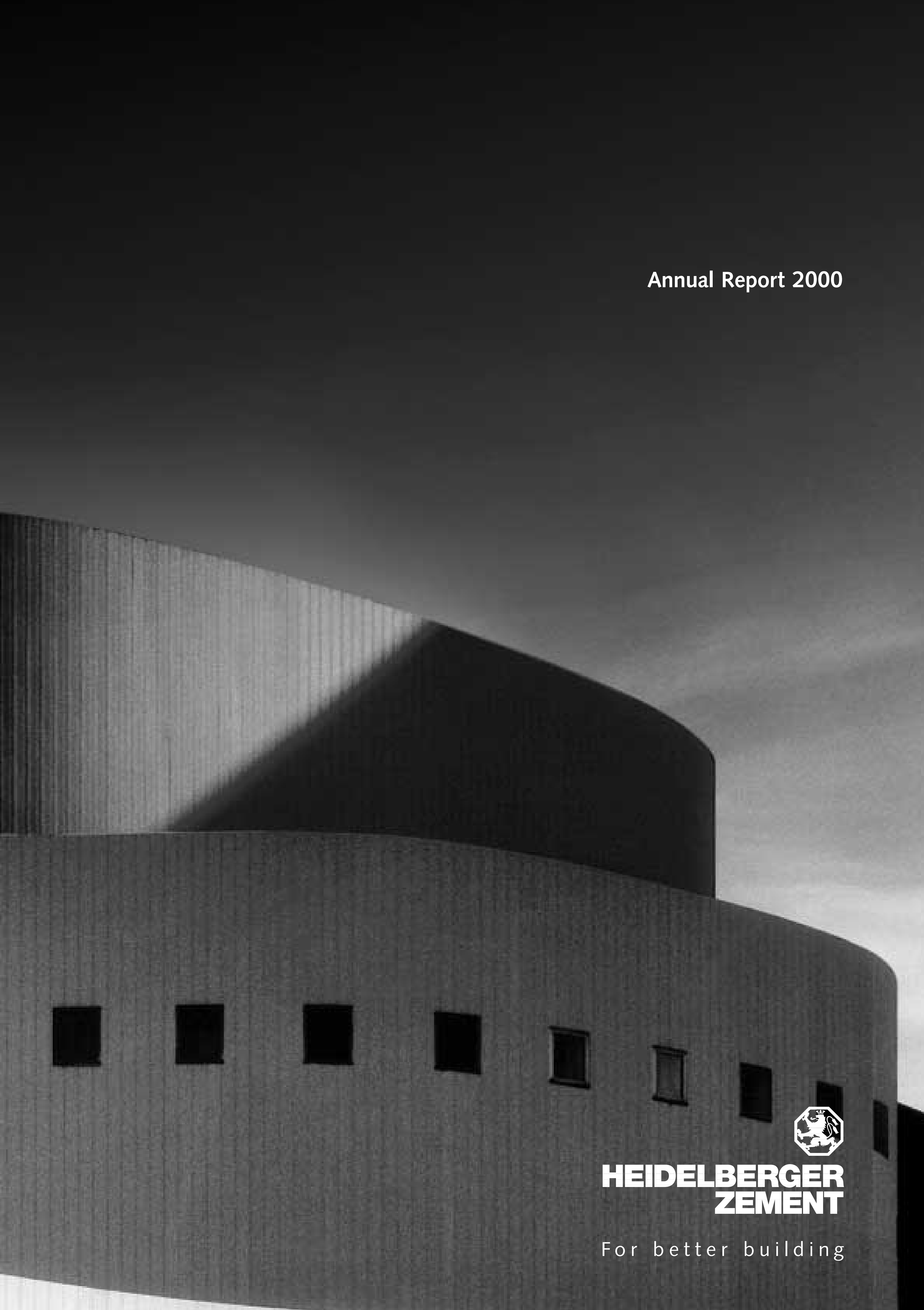
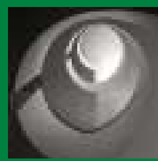
Annual Report 2000



HEIDELBERGER ZEMENT

For better building

The fascination of concrete

More than seventy years ago Albert Renger-Patzsch, one of the leading exponents of the art of photographing objects, wrote that photography " ... is the most reliable tool for capturing the magic of an object." In effect what he was saying was that materials, objects, and photography bring out the best in each other. The properties of concrete and its numerous applications and uses have inspired architects, engineers, and photographers alike. A perfectly designed and well-shaped concrete object reveals not only the sheer presence of this building material. It also emphasizes how it is able to combine its uncompromising strength and reliability with gravity and elegance.

These photographs are impressive examples of accomplished architectural compositions. The precise use of light creates a delightful interplay of pictorial and meaningful contrasts, a seductive juxtaposition of solid objectivity and appearance. Sober concreteness is transformed into rich abstractions, and constructs of ideas emerge, in which a building material becomes a source for reflection and sensations, laying bare the very essence of a place.

Be it a sports arena, a theatre or a busy government office, the special significance of buildings is determined by the form we give them and the pictures we have of them.

Financial highlights ▶

Important dates 2001

Interim report January to March 2001	30 May 2001
Annual General Meeting	19 June 2001
Dividend payment	20 June 2001
Interim report January to June 2001 and analysts' and press conference	
Frankfurt	4 September 2001
London	5 September 2001
Interim report January to September 2001	21 November 2001

Translation of the Annual Report 2000
The German version is binding.

You find this Annual Report and further information
on Heidelberger Zement on the Internet:

www.hzag.com

Heidelberger Zement Aktiengesellschaft

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Copies of the 2000 accounts of Heidelberger
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Strategic business regions

Central Europe West
Austria, Germany, Switzerland

Western Europe
Belgium, France, Luxembourg, Netherlands, United Kingdom

Northern Europe
Denmark, Estonia, Finland, Latvia, Lithuania, Norway, Sweden

Central Europe East
Bosnia-Herzegovina, Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania, Slovakia

North America
Canada
USA

Africa
Angola
Benin
Congo
Gabon
Ghana
Liberia
Niger
Nigeria
Sierra Leone
Tanzania
Togo

Mediterranean region
Turkey

Asia
Bangladesh
Brunei
China
Indonesia
Philippines
Singapore

Heidelberger Zement is member in

World Business Council for Sustainable Development

Subsidiaries have additional locations in:
Italy, Portugal, Russia, Saudi Arabia, Spain, Ukraine, United Arab Emirates

Financial highlights

Figures in EURm	1996	1997	1998	1999	**2000**
Number of employees	24,437	23,648	24,311	38,327	**36,472**
Turnover					
Central Europe West	1,208	1,217	1,196	1,611	**1,506**
Western Europe	690	706	731	1,061	**1,120**
Northern Europe	-	-	-	1,145	**1,334**
Central Europe East	269	308	349	396	**434**
North America	945	1,192	1,340	1,690	**1,912**
Africa-Asia-Turkey	78	96	91	365	**424**
Group Services	120	223	265	406	**497**
Inter-region turnover	-	-32	-59	-285	**-418**
Total Group turnover	3,310	3,710	3,913	6,389	**6,809**
Operating income before depreciation (OIBD)[1]	626	722	752	1,188	**1,263**
Operating income[1]	332	398	419	640	**658**
Profit for the financial year	257	253	294	359	**401**
Group share in profit for the financial year	173	182	217	271	**373**
Dividend in EUR per ordinary share	0.82	0.87+0.08	0.95	1.05	**1.15***
Dividend in EUR per preference share	0.92	0.97+0.08	1.05	1.16	**1.26***
Investment in tangible fixed assets	286	360	367	581	**654**
Investment in financial fixed assets	492	249	176	3,905	**495**
Total fixed asset investments	778	609	543	4,486	**1,149**
Depreciation and amortisation	297	337	337	574	**626**
Tangible fixed assets	2,976	3,098	3,168	6,934	**7,145**
Financial fixed assets	634	776	822	907	**1,084**
Current assets	1,392	1,569	1,668	2,572	**2,773**
Shareholders' equity and minority interests	1,979	2,147	2,278	3,259	**3,639**
Provisions	1,097	1,102	1,106	1,442	**1,398**
Liabilities	1,926	2,194	2,274	5,712	**5,965**
Balance sheet total	5,002	5,443	5,658	10,413	**11,002**

[1] 1996-1998 incl. non-operating result

* Recommendation of the Managing Board and the Supervisory Board: dividend of EUR 1.15 and tax credit of EUR 0.49 for ordinary shareholders with unlimited tax liability entitled to imputation credit. A dividend of EUR 1.26 and tax credit of EUR 0.54 recommended for preference shareholders with unlimited tax liability entitled to imputation credit.

Contents

Annual Report 2000

Global player on safe ground

After the major expansion steps in 1999, the past financial year was characterised by integration, consolidation and the steady expansion of market positions. Heidelberger Zement thus stands on a broad geographical foundation and is largely independent of cyclical fluctuations in the regional markets. In this way, the difficult economic environment in Germany during 2000 was compensated for by positive developments in other business regions.

Group turnover rose by 6.6% to EUR 6.8 billion. Operating income before depreciation and operating results increased by 6.4% to EUR 1,263 million and by 12.3% to EUR 814 million respectively. The Group sales volume for cement and clinker rose by 2.9% to 46.6 million tonnes. A total of 36,500 employees from 50 countries contributed to the company's success in 2000.

To strengthen the sense of belonging after the strong international growth of the Group, a new Corporate Mission was formulated last year. All employees are now being familiarised with it.

The share of the growth markets and the markets of the future of Central Europe East and Africa-Asia-Turkey in the turnover and operating results of the Heidelberger Zement Group will increase to about a third in future, without neglecting the Group's solid basis in Europe and North America. The acquisition of the second largest Indonesian cement manufacturer, Indocement, brings us a decisive step closer to this goal.

Letter to the shareholders

Ladies and Gentlemen,

After the large-scale acquisitions of the previous year, 2000 was characterised by normality and consolidation. This applies both to the external and internal growth of the Group. Having reached the top division of world-wide cement manufacturers, we were able to continue our successful development on this level. Now a global player on safe ground, Heidelberger Zement has systematically continued to concentrate on its core competence of cement, concrete and building materials.

The sale of our 10% stake in Hebel AG in February 2000 and the insulating materials business Heidelberger Dämmsysteme in March of the same year were consistent with this corporate strategy. The sale of the brick operating line of our Swedish subsidiary Optiroc at the beginning of 2001 and of Kraftverkehr Bayern/Südkraft in March 2001 were also measures designed to concentrate our strength increasingly on our core activities.

With equal consistency and determination, all our acquisitions were strategic in that they focused on reinforcing our position in mature markets, while systematically expanding our position in highly interesting developing markets and markets of the future.

Even now, the balanced international structure of the Group has already made us largely independent of regional economic fluctuations. For example, the comparatively difficult economic environment in Germany in 2000 was compensated for by the good development in other business regions. Our mid-term goal is to increase our share of growth markets and markets of the future in Group turnover and operating results to 30%, without jeopardising our secure base in Europe and North America.

In the course of 2000, Heidelberger Zement increased its share in the Belgian subsidiary CBR to 100%. A euro benchmark bond was issued to fund the increase in CBR shares and the purchase of the Swedish company Scancem; the bond was oversubscribed several times. As a supplementary measure, the remaining 50% of the Dutch dry mortar group Beamix was acquired. In the United States the expansion of our Union Bridge plant progressed rapidly and on schedule, with the extended production capacity probably going into operation at the end of 2001.

In the privatisation process of the Kakanj cement plant in Bosnia-Herzegovina, Heidelberger Zement was granted permission to acquire a majority, enabling the company to extend its activities to a further Balkan country. With the purchase of 56% of the Romanian cement plant Casial Deva and the increase in our shares in the Czech cement manufacturer Ceskomoravský Cement, we have substantially strengthened our position in Central Europe East. This is bolstered by a tight network of ready-mixed concrete and aggregates plants.

While we are consolidating our existing strong market positions in mature markets, we are turning our attention to extending our market positions in Africa and especially Southeast Asia. A cement plant has been purchased in Nigeria. By acquiring a 75% share of the Société des Ciments du Gabon with one clinker and two cement grinding plants in Gabon, West Africa, Heidelberger Zement has now established itself as a major market participant in eleven African countries.

In Asia we have succeeded in gaining a foothold in the Brunei cement market, and our market position in Bangladesh has been extended further. The construction of a new cement plant outside the city of Guangzhou will enable us to increase our cement capacity in southern China by 1.1 million tonnes, probably from 2004. Of outstanding importance is the acquisition of a majority holding in the Indonesian cement manufacturer Indocement, which will be concluded in the first half of this year. Together with a financial partner, Heidelberger Zement will hold more than 50% of the Indocement shares. Indocement is the second largest cement manufacturer in Indonesia with a cement capacity of 15.8 million tonnes. These investments will bring us much closer to our goal of permanently increasing our share in growth markets.

The expansion of Heidelberger Zement has underlined the need to concentrate on the Group as a single unit. There are now several hundred enterprises, companies, and brand names in 50 different countries which come under the umbrella of Heidelberger Zement. They all contribute different experiences, identities and corporate cultures to the Group. We do not wish to overturn this; on the contrary it should be respected and encouraged. At the same time, however, the new dimensions of our Group mean that we need to foster a sense of belonging. To achieve this, we laid the foundations in 2000 with the creation of a new corporate mission. In 15 workshops our employees discussed and formulated our new corporate principles together with the Managing Board. The result is the "Corporate Mission" guideline, which documents the most important principles of our self-image and is valid for all our employees throughout the world. These shared values and principles will help us, despite our individuality, to implement a common, coherent identity. We have also decided on a world-wide slogan which all the companies in the Group have adopted. "For better building" expresses our commitment and goal; it is a short slogan which puts simply how we see ourselves and how we want to be seen by others.

During 2000 our Supervisory Board, Managing Board and employees again worked together to ensure the continued growth of Heidelberger Zement. Turnover and operating results rose by 6.6% and 12.3% respectively; the Group share in profit improved by 37.4%. Gearing was reduced according to schedule. Again in 2000, a stable cash flow enabled us to enter into new commitments with great potential for the future. Against this overall positive background, we consider it appropriate to increase the dividend per ordinary share to EUR 1.15 (previous year: EUR 1.05) and the preference share to EUR 1.26 (previous year: EUR 1.16).

The successful policy of moderate growth adopted by Heidelberger Zement in the past will be continued in the future with a younger and more international Managing Board. In the middle of 2000 Dr. Peter Otto withdrew into a well-earned retirement after many years of successful service. His successor is Helmut S. Erhard, who has taken on his responsibilities in Allentown, Pennsylvania, for the North America business region. The appointment of Andreas Kern and Daniel Gauthier as deputy members of the Managing Board meant that young managers from within the company took over the leadership of the business regions of Central Europe West and Central Europe East. The Managing Board now consists of seven members: four Germans, two Belgians and one Swedish colleague.

After more than 40 years with Heidelberger Zement, Rolf Hülstrunk retired at the end of 2000. As the Chairman of the Managing Board he led the company prudently and carefully. He also had the necessary courage to take entrepreneurial risks. The strong growth in the recent past and the increasingly international character of the Group are largely due to his influence. We emphatically welcome the fact that he wishes to contribute all of his experience – after he has been elected by the Annual General Meeting – to the Supervisory Board, and that he will continue to be part of Heidelberger Zement in the future.

As was decided a year ago, I took over from Rolf Hülstrunk as Chairman of the Managing Board on 1 January 2001. I look forward to the task of leading this company, with its 127 years of tradition, into a successful future. I shall do this together with my colleagues on the Managing Board and the members of the Supervisory Board – for the benefit of the shareholders and employees of Heidelberger Zement.

Yours sincerely,

Hans Bauer

Chairman of the Managing Board

Report of the Supervisory Board

The Supervisory Board has carried out the tasks assigned to it by law and Company statute and has continuously supervised the Company's management. It has stayed informed, both orally and in writing, about planned business policies, fundamental issues of future management, the situation and development of the Company and the Group as well as important business events, and it has discussed these matters with the Managing Board.

In the 2000 financial year there were four ordinary meetings of the Supervisory Board (23 February, 14 April, 28 September, 8 December) and one extraordinary meeting (8 August). There were also close contacts between the Supervisory Board and the Managing Board outside the meetings. In addition, the Chairman of the Supervisory Board discussed important events in the Group with the Chairman and members of the Managing Board respectively in additional individual discussions.

The Managing Board kept the Supervisory Board informed about the development of operations, about questions related to the development of costs and earnings, investment and financial planning and about significant participations. Transactions which required approval by the Supervisory Board were examined and discussed in detail with the Managing Board. The main focus in the reports by the Managing Board and the deliberations with the Supervisory Board was the continued internationalisation process with expansion in the Asian region and further rounding off of existing positions in Central Europe East and Africa. In this context, the acquisition of a majority holding in Indocement, the second largest cement manufacturer in Indonesia, is worth mentioning. This acquisition will increase the cement capacity of the Group considerably and permanently strengthen the company's position in the promising markets of Asia. A further important step, which was also dealt with by the Supervisory Board, is the expansion of the commitment in China by the planned construction of a new cement plant in the province of Guangdong. The Supervisory Board also discussed major investments in North America.

Other matters, which were the subject of intensive discussion, were Group financing, divestiture of marginal activities in Central Europe West, Northern Europe and the Group Services unit and the newly developed Corporate Mission of the Heidelberger Zement Group.

All areas of risk which could be identified by the Managing Board and the Supervisory Board and also the risk management system of the Heidelberger Zement Group were discussed with the Supervisory Board. In accordance with the German Law on Control and Transparency in the Corporate Sector (KonTraG), the risk management system was also intensively examined by the independent auditor. The auditor confirmed that the Managing Board took appropriate measures to set up a monitoring system as required by law and that this monitoring system is such that it enables any developments which may jeopardise the survival of the company to be detected at an early stage. The extent, treatment and control of derivative financial transactions were also the subject of extensive reporting by the Managing Board and joint discussions.

The Personnel Committee of the Supervisory Board dealt in three meetings mainly with personnel matters regarding the Managing Board. The Arbitration Committee – formed in accordance with Paragraph 27 section 3 of the German Codetermination Law – did not need to meet.

The annual accounts of Heidelberger Zement Aktiengesellschaft for the financial year 2000, the Group accounts and the combined report to the shareholders of the Heidelberger Zement Group as prepared by the Managing Board, together with accounting, were examined by the independent auditors appointed at the Annual General Meeting, Ernst & Young Deutsche Allgemeine Treuhand AG Wirtschaftsprüfungsgesellschaft, Stuttgart, Germany. The auditors gave the accounts an unqualified opinion.

All Supervisory Board members received the auditors' reports sufficiently in advance of the financial statement meeting. The plenary Supervisory Board examined these documents in the financial statement meeting on 24 April 2001. The auditors who signed the Company's and Group's accounts took part in the meeting. They reported on their examination and on specific audit priorities established when the assignment was awarded, and provided detailed answers to the questions posed by Supervisory Board members. The Supervisory Board took approving note of the audit results. The Supervisory Board examined the annual Company and Group accounts, the combined report to the shareholders, and the recommended use of distributable profit as presented by the Managing Board. The final results of its inspection left no grounds for objection. The Supervisory Board therefore approved the annual accounts and the report to the shareholders. The annual accounts were thus adopted. The Supervisory Board agreed with the Managing Board's recommendation for the use of distributable profit.

Peter Schuhmacher, who was a member and Chairman of the Managing Board for many years and a member of the Supervisory Board since 1995, will retire from the Supervisory Board at the close of the Annual General Meeting on 19 June 2001. In recognition of his outstanding service to the company, the Supervisory Board, in agreement with the Managing Board, will recommend to the Annual General Meeting to elect Peter Schuhmacher Honorary Chairman of Heidelberger Zement AG.

Rolf Hülstrunk, member of the Managing Board since 1991 and its Chairman since 1995, entered retirement on 31 December 2000. The Supervisory Board thanks him for his successful service over 40 years for Heidelberger Zement, which was marked by purposeful commitment, dynamic energy and strategic farsightedness. He served the Company in an exceptional way. The Supervisory Board recommends that the Annual General Meeting 2001 should appoint Mr. Hülstrunk to succeed Mr. Schuhmacher as a member of the Supervisory Board.

Hans Bauer, previously Deputy Chairman of the Managing Board, succeeded Mr. Hülstrunk as Chairman of the Managing Board as planned effective at the beginning of 2001.

Andreas Kern and Daniel Gauthier were called as deputy members of the Managing Board effective 1 July 2000. Mr. Kern bears responsibility for the business region Central Europe West, and Mr. Gauthier for Central Europe East.

The Supervisory Board thanks the members of the Managing Board, the employee representatives and all employees of Heidelberger Zement AG and its associated companies for their responsible, successful efforts.

Heidelberg, 24 April 2001

For the Supervisory Board

Dr. Wolfgang Röller
Chairman

Supervisory Board, Managing Board and Advisory Council

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,
Heidelberger Zement AG and Chairman of the
Council of Employees in the Schelklingen plant,
Heidelberger Zement AG

Wilhelm Fürst
Mainz
Chairman of the Council of Employees in the
Weisenau plant, Heidelberger Zement AG

Veronika Füss
Blaubeuren
Chairwoman of the Council of Employees in the
Schelklingen sales office, Heidelberger Zement AG

Waltraud Hertreiter-Höhensteiger
Rohrdorf
Partner and Deputy Chairwoman of the Advisory Council,
Südbayer. Portland-Zementwerk Gebr. Wiesböck & Co.
GmbH

Hanspeter Kern
Stuttgart
Chairman of the Baden-Württemberg section,
IG Bauen-Agrar-Umwelt

Ernst-Ludwig Laux
Frankfurt
Federal Deputy Chairman of IG Bauen-Agrar-Umwelt

Josef Löffler
Schelklingen
Member of the Council of Employees in the
Schelklingen plant, Heidelberger Zement AG

Ludwig Merckle
Ulm
Managing Director, Merckle GmbH

Senator h.c. Dr. rer. pol. Eberhard Schleicher
Ulm
Partner with unlimited liability, E. Schwenk KG

Eduard Schleicher
Ulm
Partner with unlimited liability, E. Schwenk KG

Günter Schneider
Leimen
Director of the Leimen plant, Heidelberger Zement AG

Senator h.c. Peter Schuhmacher
Heidelberg
Former Chairman of the Managing Board,
Heidelberger Zement AG

Wilhelm Schwerdhöfer
Triefenstein-Lengfurt
Chairman of the Euro Works Council, Heidelberger Zement
Group, and Chairman of the Council of Employees in the
Lengfurt plant, Heidelberger Zement AG

Bernhard Walter
Frankfurt
Until 30 April 2000, Chairman of the Managing Board,
Dresdner Bank AG

Dr. rer. pol. Ulrich Weiss
Frankfurt
Former member of the Managing Board,
Deutsche Bank AG

Managing Board

Rolf Hülstrunk
Chairman, Heidelberg
(until 31 December 2000)

Hans Bauer
Chairman
(since 1 January 2001)
Deputy Chairman
(until 31 December 2000),
Heidelberg

Helmut S. Erhard
Allentown, Pennsylvania/US

Dr.-Ing. Peter Otto
Heidelberg (until 30 June 2000)

Paul Vanfrachem
Brussels/Belgium
Chairman and Chief Executive Officer,
S.A. Cimenteries CBR

Horst R. Wolf
Heidelberg

Håkan Fernvik
Malmö/Sweden
President and Chief Executive Officer,
Scancem AB
Deputy member (since 1 July 2000)

Daniel Gauthier
Heidelberg
Deputy member (since 1 July 2000)

Bo Jacobsson
Malmö/Sweden
Deputy member
(from 1 January 2000 until 31 May 2000)

Andreas Kern
Heidelberg
Deputy member (since 1 July 2000)

From left to right:
Paul Vanfrachem, Håkan Fernvik, Horst R. Wolf, Daniel Gauthier, Hans Bauer, Andreas Kern, Helmut S. Erhard

Senior General Managers

Thierry Dosogne
Brussels/Belgium

Daniel Gauthier
Heidelberg (until 30 June 2000)

Richard D. Kline
Allentown, Pennsylvania/US (until 30 April 2000)

Franz Raab
Heidelberg

Friedrich Rinne
Heidelberg

Pierre Rogman
Allentown, Pennsylvania/US (until 14 July 2000)

Paul Rosendahl
Heidelberg

Dr.-Ing. Albert Scheuer
Heidelberg

Advisory Council

Senator h.c. Peter Schuhmacher
Chairman, Heidelberg
Member of the Supervisory Board,
Heidelberger Zement AG

Edward L. Baker
Jacksonville, Florida/US
President Florida Rock Industries, Inc.

Anton Diehl
Mainz (until 31 December 2000)
Former Chairman of the General Council of Employees,
Heidelberger Zement AG

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

Liselotte Hebel
Munich (until 31 December 2000)
Until 11 April 2000 Chairwoman of the Supervisory Board,
Hebel AG

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

Dr.-Ing. Jochen F. Kirchhoff
Iserlohn
Owner and Managing Director,
Stephan Witte GmbH & Co. KG

Dr. rer. nat. Karl Kroboth
Heidelberg (since 1 January 2000)
Former member of the Managing Board, Heidelberger
Zement AG

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 (since 1 January 2000)
Managing Partner, VEM Vermögensverwaltung GmbH

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

Per Molin
Solna/Sweden (since 1 January 2000)
Former member of the Board of Directors, Scancem AB

Marinus Platschorre
Rotterdam/Netherlands
President TBI Holdings B.V.

Karl Vennemann †
Ahlen (until 5 February 2000)
Managing Partner, Portland-Zementwerk
BOSENBERG GmbH & Co. KG

Dr. Manfred Weinmann
Heilbronn (until 31 December 2000)
Former mayor, City of Heilbronn

Report to the shareholders

After the major expansion steps in 1999, the main focus of Heidelberger Zement in 2000 was on measures to integrate and supplement the portfolio. Despite the in some respects difficult environment the successful business development was steadily continued. Heidelberger Zement was able to increase its earnings per share in 2000 by 9.7% to EUR 5.90 (previous year: EUR 5.38). Group share in profit rose by 37.4% to EUR 373 (previous year: EUR 271) million. Operating income before interest and income taxes (EBIT) rose 12.3% from EUR 725 million to EUR 814 million. Results improvement is due to the successfully completed integration of CBR and Scancem. The latter was able to improve its operating income in Northern Europe by 46.8% in 2000. Gains on sales of participations within the framework of concentrating on the core business, positive exchange rate effects from the US dollar, and a reduction in taxes due to a decrease in the tax rate in Germany contributed to the positive developments. An increase in the dividend to EUR 1.15 per ordinary share and EUR 1.26 per preference share will therefore be proposed to the Annual General Meeting.

Business conditions

In 2000 the growth of the world economy was stronger than it had been for a long time. But the economic upturn now seems to have passed its peak. Numerous leading indicators in recent months have given cause to expect that higher energy prices and the weakness of growth in the US will have consequences. Further growth is again expected this year, but at a lower growth rate. In 2001 the average total economic production of the industrial countries is likely to grow by only 2.5% as compared with 3.8% in 2000.

The continued recession in the German construction sector is leaving its mark on the construction volume in the euro zone. Germany aside, a distinct growth of 6% is expected in construction investments. In Central Europe East the construction industry is expanding in Poland and Hungary, while the decline in the Czech construction sector has bottomed out. In Bulgaria, Croatia and Slovakia the prospects have improved slightly in all areas of construction, whereas Romania continues to fall short of expectations. The number of housing starts in the US declined slightly, but from a high level. A major state infrastructure programme is helping to stabilise the American construction industry. In Canada construction activities show varied regional patterns. The crisis in the Turkish construction industry is likely to continue, especially as a result of the overall development of the economy due to the drastic devaluation of the Turkish lira, which began at the end of February 2001. In Africa and Asia we expect a positive development in construction demand.

Turnover goals exceeded

In many markets Heidelberger Zement achieved or exceeded the goals set for 2000. After numerous acquisitions that led to rapid growth in 1999, the prime concern was on consolidation and integrating the companies into the Group. The balanced structure of the Group was further rounded off by moderate expansion measures. Internationalisation was continued.

Cement and clinker sales volume

million tonnes	1999	**2000**
Central Europe West	6.5	**6.6**
Western Europe	9.9	**9.9**
Northern Europe	4.8	**5.2**
Central Europe East	7.3	**7.1**
North America	11.9	**12.1**
Africa-Asia-Turkey	4.8	**5.7**
Total	45.2	**46.6**

Total turnover rose by 6.6% to EUR 6.8 (previous year: EUR 6.4) billion. Adjusted for the combined effects of new consolidations and deconsolidations, the increase amounted to 8.8%. The currency exchange effects, mainly owing to the higher value of the US dollar and the Swedish krona contributed 5.4% to the growth.

Development of results above average

Whereas operating income before depreciation (OIBD) improved by 6.4% to EUR 1,263 (previous year: EUR 1,188) million, higher depreciation and amortisation meant that operating income grew by just 3% to EUR 658 (previous year: EUR 640) million. Every region except Central Europe West contributed to both growth rates.

At EUR 814 (previous year: EUR 725) million, earnings before interest and income taxes (EBIT) grew by 12.3%. This was largely due to the positive development of the non-operating result. The profit for the financial year increased by 11.8% to EUR 401 (previous year: EUR 359) million. Group share in profit amounted to EUR 373 (previous year: EUR 271) million, which was 37.4% above the previous year. This mainly resulted from the complete takeover of CBR.

To improve the significance of the figures in the Annual Report, as of 2000 - and retrospectively for 1999 for the purpose of comparison - the non-operating result is shown separately. Similarly, OIBD and operating income are shown in the profit and loss account.

Group profit and loss account (short form)

EURm	1999	2000	change
Turnover	6,389	**6,809**	7 %
Operating income before depreciation (OIBD)	1,188	**1,263**	6 %
Depreciation of tangible and intangible fixed assets	-548	**-605**	10 %
Operating income	640	**658**	3 %
Non-operating result	4	**59**	1,375 %
Net income from participations	81	**97**	19 %
Earnings before interest and income taxes (EBIT)	725	**814**	12 %
Financial results	-162	**-239**	48 %
Profit before tax	563	**575**	2 %
Taxes on income	-204	**-174**	-15 %
Profit for the financial year	359	**401**	12 %
Group share in profit	271	**373**	37 %

Business development in the regions

The disappointing development of the German construction market negatively affected the concrete and building materials business lines in **Central Europe West**. Yet, the decline in turnover in this region of 6.5% to EUR 1,506 (previous year: EUR 1,611) million is also partly due to the sale of the insulating materials operating line in spring 2000. Revenues and sales volumes in cement and clinker were better than the development in the industry as a whole. EBIT fell by 3.9% to EUR 195 (previous year: EUR 203) million.

In a positive economic environment for the construction industry, turnover in **Western Europe** rose by 5.6% to EUR 1,120 (previous year: EUR 1,061) million. The competitiveness of the Belgian cement plants, which are exposed to constant import pressure, is being improved by measures to increase productivity. The Dutch dry mortar company Beamix was included in the Group annual accounts at 100% (previous year: 50%). EBIT fell slightly by 1.3% to EUR 148 (previous year: EUR 150) million.

Segment reporting

EURm	Turnover		OIBD		Return on investment*		EBIT	
	1999	**2000**	1999	**2000**	1999	**2000**	1999	**2000**
Regions								
Central Europe West	1,611	**1,506**	267	**244**	21 %	**20 %**	203	**195**
Western Europe	1,061	**1,120**	249	**271**	16 %	**17 %**	150	**148**
Northern Europe	1,145	**1,334**	185	**220**	11 %	**14 %**	67	**96**
Central Europe East	396	**434**	94	**107**	17 %	**17 %**	38	**56**
North America	1,690	**1,912**	330	**362**	24 %	**23 %**	234	**236**
Africa-Asia-Turkey	365	**424**	51	**54**	12 %	**10 %**	25	**22**
Group Services	406	**497**	12	**5**	10 %	**11 %**	4	**2**
	6,389	**6,809**	1,188	**1,263**	17 %	**18 %**	725	**814**
Business lines								
Cement	3,165	**3,506**	757	**853**	15 %	**17 %**		
Concrete	1,983	**2,171**	258	**258**	28 %	**26 %**		
Building materials	1,418	**1,386**	161	**147**	16 %	**15 %**		
Group Services	406	**497**	12	**5**	10 %	**11 %**		
	6,389	**6,809**	1,188	**1,263**	17 %	**18 %**		

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

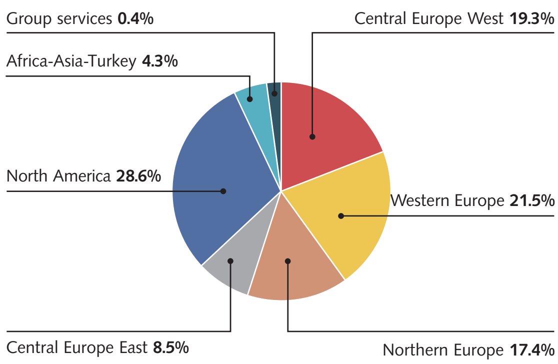
Developments in the construction markets of **Northern Europe** were largely positive. All business lines contributed to the 16.5% rise in turnover to EUR 1,334 (previous year: EUR 1,145) million. The concrete business line was enlarged by the acquisition of new locations in Finland. The building materials activities of Optiroc grew significantly, especially in eastern and south western Europe. EBIT rose by an encouraging 43.3% to EUR 96 (previous year: EUR 67) million.

With increases in existing investments and acquisitions in Romania and Bosnia-Herzegovina, the growth strategy in **Central Europe East** was steadily continued. The positive trend in growth was further consolidated in all countries. Total turnover increased by 9.6% to EUR 434 (previous year: EUR 396) million. EBIT improved by 47.4% to EUR 56 (previous year: EUR 38) million.

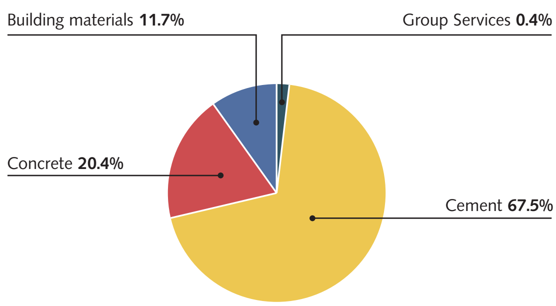
The region with the strongest turnover and earnings, **North America**, maintained its leading position in the Group during 2000. The weaker economy showed regional effects in the second half of the year. Yet with an increase of 13.1% to EUR 1,912 (previous year: EUR 1,690) million, North America secured another clear rise in turnover. At EUR 236 (previous year: EUR 234) million, EBIT grew slightly by 0.9%.

The strengthening of our position in the markets of the future of Africa and Asia was a strategic focus for the year 2000. Investments in Nigeria, Gabon and Brunei and a joint venture in Bangladesh tightened our network. Total turnover for the strategic business unit **Africa-Asia-Turkey** increased by 16.2% to EUR 424 (previous year: EUR 365) million, while EBIT fell by 12% to EUR 22 (previous year: EUR 25) million as a result of declines in revenue in Turkey, Togo and Ghana.

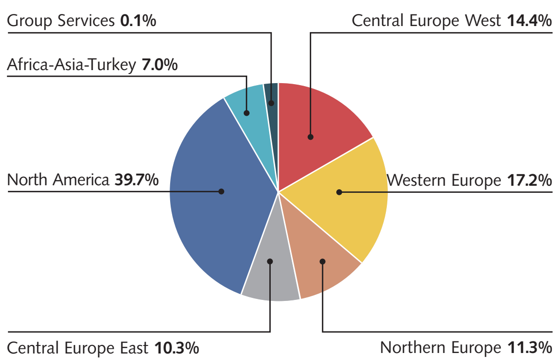
OIBD by regions



OIBD by business lines



Investment in tagible fixed assets by regions



Group cash flow statement (short form)

EURm	1999	**2000**	diff.
Cash flow	951	**911**	-40
Changes in working capital	261	**-189**	-450
Net cash from operating activities	1,212	**722**	-490
Investments (cash outflow)*	-3,819	**-1,083**	2,736
Other inflows of cash and cash equivalents	557	**196**	-361
Net cash used in investing activities	-3,262	**-887**	2,375
Capital increase	400	**45**	-355
Dividend payments	-84	**-78**	6
Long-term borrowings	1,842	**203**	-1,639
Net cash from financing activities	2,158	**170**	-1,988
Changes in cash and cash equivalents	108	**5**	-103

* Investments incl. share swaps:
- 1999: EUR 4,486 million
- 2000: EUR 1,149 million

Total fixed asset investments

EURm	1999	**2000**
Regions		
Central Europe West	129	**94**
Western Europe	95	**112**
Northern Europe	107	**74**
Central Europe East	67	**67**
North America	141	**260**
Africa-Asia-Turkey	21	**46**
Group Services	21	**1**
Financial investments	3,905	**495**
Business lines		
Cement	300	**417**
Concrete	156	**145**
Building materials	104	**91**
Group Services	21	**1**
Financial investments	3,905	**495**
	4,486	**1,149**

The **Group Services** unit, which comprises world-wide trading in cement and clinker and trade with fossil fuels, was considerably extended. Turnover in 2000 grew by 22.4% to EUR 497 (previous year: EUR 406) million in spite of the removal of the Kraftverkehr Bayern/Südkraft group from the scope of consolidation. However, EBIT fell to EUR 2 (previous year: EUR 4) million.

Cash flow statement

With an almost stable cash flow, operating assets rose for seasonal reasons. Further expansion in Eastern Europe, Asia and Africa and the purchase of the remaining shares of CBR led to investments of a little more than EUR 1 billion, which were largely financed out of the cash flow of the year 2000. In spring 2000 a EUR 1 billion bond was successfully placed on the capital market and served to redeem bank liabilities. Thus, the outside funds, which rose by EUR 200 million, were temporarily used for the working capital.

Investments

In the year 2000 a total of EUR 1,149 (previous year: EUR 4,486) million was invested throughout the Group in tangible and intangible fixed assets and financial assets. Of this, 60%, i.e. EUR 654 (previous year: EUR 581) million, was used for investments in fixed assets (including intangible assets). The most important investments in the cement business line included the extension of the American cement plant Union Bridge, the construction of a grinding facility in Bangladesh, and the rationalisation and modernisation of the Belgian cement plants. Extensive funds were also spent on environmental measures, especially the use of alternative fuels in Sweden and Norway. In the concrete business line, purchases were made of new ready-mixed concrete plants in Northern and Western Europe and new plants were constructed in Central Europe East. The largest investments in the building materials business line were in improvement measures in Central Europe West and a new dry mortar plant in Spain.

In the area of financial investments, the main activities in Western Europe were the acquisition of the remaining shares of CBR and the takeover of the remaining 50% of the dry mortar company Beamix. With the acquisition of majority holdings in Romania and Bosnia-Herzegovina, Heidelberger Zement consolidated its leading position in eastern European cement markets. Strategically significant measures were adopted in Bangladesh, Brunei and Africa.

Group balance sheet

As an internationally active company, our financial statements are in accordance with the requirements of the International Accounting Standards Committee (IAS).

As a capital-intensive company, Heidelberger Zement has EUR 4.5 billion tied in tangible fixed assets. The goodwill, which is mainly a result of the purchase of CBR and Scancem, amounts to EUR 2.6 billion. The equity ratio was increased to 33% (previous year: 31%). Long-term assets are covered by long-term capital. Shareholders' equity rose by EUR 380 million to EUR 3,639 million.

Profit for the financial year/Group share in profit

The profit for the financial year rose by 11.8%, mainly as a result of a low tax burden. Group share in profit improved by 37.4%. The reduction of minority interests in a number of subsidiaries – and particularly the complete takeover of CBR – led to this positive result.

Earnings per share

Earnings per ordinary share calculated on the basis of IAS 33 rose from EUR 5.38 to EUR 5.90. Despite an increase of 25% in the number of shares, the earnings per ordinary share rose by 9.7%.

Dividends

The Managing and Supervisory Boards will propose to the Annual General Shareholders' Meeting on 19 June 2001 that from the Heidelberger Zement Aktiengesellschaft net profit of EUR 73.9 million, a dividend of EUR 1.15 (previous year: EUR 1.05) per ordinary share and EUR 1.26 (previous year: DM 1.16) per preference share should be distributed. For shareholders who are entitled to imputation credit and subject to unlimited German tax liability, the tax credit amounts to EUR 0.49 per ordinary share and EUR 0.54 per preference share.

Group balance sheet (short form)

EURm	31 Dec. 1999	**31 Dec. 2000**	Part of balance sheet total 2000
Tangible and intangible fixed assets	6,934	**7,145**	65 %
Financial fixed assets	907	**1,084**	10 %
Other long-term assets	197	**232**	2 %
Short-term assets	2,375	**2,541**	23 %
Shareholders' equity and minority interests	3,259	**3,639**	33 %
Long-term provision and liabilities	5,063	**5,089**	46 %
Short-term provision and liabilities	2,091	**2,274**	21 %
Balance sheet total	10,413	**11,002**	100 %

Information technology

During 2000 the Group-wide introduction of the SAP software and the harmonisation of other standard software programmes were continued. This also laid the foundation for present and future activities in e-business.

Under the project name UNITE – i.e. Unified Network Integrating Today's (and Tomorrow's) Entities - all Heidelberger Zement operating units are being integrated into a network. This enables the fast, world-wide exchange of data and information by e-mail and Intranet. In the newly structured Group Intranet, which has been operational since the beginning of March 2001, all employees connected to the Heidelberger network can quickly inform themselves about the latest important events within the Group.

Against the background of the decentralised operational structure of Heidelberger Zement, standard guidelines for information technology set clear goals for the solution of comparable problems. This not only saves time and money, it also enhances security and economic effectiveness. For quality assurance, we will continue to define and check our standards carefully.

E-business

E-business - understood as conducting business and communication via electronic media - has long been used by Heidelberger Zement for economically effective procedures with the aid of information and communication technology. But since the mid-1990s, the opportunities and risks of changed competitive conditions in the implementation of innovative e-business concepts have given the subject a new dimension.

The most important goal of e-business is to handle business transactions more simply, quicker and more cheaply. It requires an efficient exchange of information and standardised business documents. Key issues are customer satisfaction, globalisation and the Internet. Virtual market places and shopping platforms enable faster purchases and sales with the help of electronic queries, proposal generation, the issuing of orders, transport control and settlement of payments.

Since 1999 an international work group has been developing an e-business potential for Heidelberger Zement. Measures and projects have been identified and the activities of competitors in the building materials industry in the area of virtual marketplaces and trading platforms have been analysed. The opportunities and risks of the electronic sale of building materials have been examined. After feasibility studies had been carried out and the suitable technology selected, implementation planning began. Together with the purchasing departments in the business lines cement, concrete and building materials, the possibilities of electronic procurement instruments were identified, by taking into account product and raw material properties as well as supplier markets.

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Purchasing

The path to improved efficiency in Group-wide purchasing activities, which began in 1999, was systematically pursued in 2000. Increasingly, employees who are only indirectly involved in purchasing activities are getting involved. Systematic training programmes and the expansion of purchasing resources are accompanying this development.

In collaboration with Group companies which are responsible for purchasing fuels and electricity the timing of energy purchases was further optimised. However, cost savings in Central Europe West, which have been achieved especially in the purchase of electricity, were partly offset by constant increases in taxes and other state-imposed charges.

International cooperation in purchasing again led to major cost reductions and synergies in 2000. A project to optimise Group-wide purchasing, successfully begun in several operating lines, will be continued in the coming years. This includes the purchasing guideline adopted on 1 February 2001, which is binding throughout the Heidelberger Zement Group.

The systematic use of the Group-wide Intranet and initial considerations to use the Internet are also opening up promising potential for further cost saving in purchasing.

Heidelberger Zement is continually reducing its consumption of fossil fuels as a result of the growing use of alternative energy sources.

Another important task in purchasing is to respond adequately to the rapid development of the market for substitute fuels.

The increase in crude oil prices during 2000 also led to price increases in other areas. However, with optimised purchasing measures Heidelberger Zement is able to limit the negative effects on costs throughout the company.

Risk management

With increasing international expansion, the activities of Heidelberger Zement involve a large number of business risks. In order to detect and control these risks at an early stage, the Managing Board has installed a monitoring system which not only ensures the early detection of risks which threaten the company's existence, but also enables other typical business risks to be monitored and minimised, and provides information for proper risk control. The guidelines are compiled in a risk management manual and must be strictly observed by all companies within the Group.

Major components of the risk management system are risk reporting and risk auditing. Risk reporting involves a monthly risk report in the framework of the management information system, an annual risk management report, and ad hoc reports on detected potential risks above a certain magnitude.

In risk auditing, process-independent checks of the operating units are carried out. These are supplemented by the examination of the risk reports by independent auditors and, if any special risk potential arises, by the internal auditing department.

Further information

Turkey

Heidelberger Zement has been involved in the Turkish cement and concrete business since 1996. The company Akçansa, in which we have a holding of 39.7%, performed well in a difficult market environment. The influence of recent developments in turnover and results of the Group is of less importance.

Indocement

In the first half of this year, the acquisition of a majority holding in the Indonesian cement manufacturer Indocement will be completed. This acquisition will be carried out by the financial holding company "Heidelberger Zement South-East Asia", a joint venture between Heidelberger Zement and a German financial investor. This holding will hold more than 50% of the Indocement shares.

As the second largest cement manufacturer in Indonesia, Indocement has three production locations with a capacity of 15.8 million tonnes of cement. Two plants are located in western and central Java near Jakarta. The new Indokodeco plant with a deep sea harbour is in the south of Kalimantan (Borneo). The worldwide cement capacity of Heidelberger Zement will increase by about 25% due to the integration of Indocement. Along with the plants that already exist in China, Bangladesh, Brunei and on the Philippines, the Group's cement capacity in this region will rise to approximately 20 million tonnes.

Employees

Highly qualified and motivated employees are the foundation for lasting competitiveness. Moreover, Heidelberger Zement systematically encourages employees who are willing to take on international tasks. They provide a major contribution to the creation of greater international management competence and the integration of different cultures within the Group.

During 2000, an average of 36,472 (previous year: 38,327) employees worked for the Heidelberger Zement Group. This was 1,855 or 4.8% less than in 1999. The reduction resulted from deconsolidations in Central Europe West and in the Group Services unit, and from rationalisation measures in Central Europe East. Compared with the previous year, personnel costs fell by 0.8% to EUR 1,349 million. The Group is now active in 50 countries around the world. The language of the Group is English.

Trainee programmes and a range of further education courses were systematically developed in all regions. A variety of contacts with universities and schools ensured the recruitment of competent university and school graduates. We also benefited from the mutual exchange of knowledge and experience.

Personnel management in Heidelberger Zement is organised decentrally. Human resources managers in the strategic business units ensure consistent personnel policies in their region. At Group level, a work group coordinates personnel management. The spokesman for this group reports directly to the Chairman of the Managing Board.

In Central Europe West the integration of the personnel of the dry mortar operating line into the Heidelberger maxit Group continues to make good progress. In Heidelberger Zement Aktiengesellschaft, part-time work for older employees was introduced at the beginning of the current year. It offers older employees the possibility of a gradual transition to retirement.

In Western Europe the "development dialogue" was introduced for employees. This was accompanied by training programmes for managers with responsibility for personnel. The results of these dialogues are included in the further extension of succession planning. Young employees in the UK took part in a non-profit youth project outside the company to promote their sense of social responsibility and their social and leadership skills in a new environment.

Among a number of measures taken in Northern Europe, it's worth mentioning the "International Management Candidate Programme", which has been successfully extended to the whole Group. The programme is designed for young managers from all business regions to prepare them for international tasks within the Group.

The management of Central Europe East completed its move from Prague to Heidelberg during the reporting period. This affected a total of 17 employees who moved from the Vltava to the Neckar. Where capacity adjustments were necessary in Central Europe East, this was carried out by mutual agreement and in a socially responsible manner. This was achieved because of our good relationship with the local trade unions and employee representatives. In cooperation with the human resources managers in the locations, great efforts were made to harmonise the instruments of personnel work in the different countries, regions and business lines in Central Europe East.

In North America a new candidate selection procedure, the "behavior description interview", which had already proved successful in the Tilbury and Inland companies and the Union Bridge cement plant, was extended to the whole region. Familiarisation of human resources managers with this new procedure was begun last year and is being continued in

2001. A programme for performance-related remuneration was also extended. Part of the salary of more than 3,600 employees in 2000 was linked to improvements, mainly in productivity and safety.

The focal point of personnel activities in Africa in 2000 was the recruitment of additional international employees from within the Group. Twelve employees were dispatched to the newly acquired locations in Gabon and Nigeria. By the end of 2000 we had almost 3,300 employees in Africa, including 78 specialists from other Group regions.

The management of the Heidelberger Zement activities in Asia moved from Hong Kong to Singapore. The activities in Bangladesh and Brunei, which were acquired in the past year, were integrated into the existing network.

Studies of employee satisfaction were completed in the Turkish subsidiary Akçansa. The results were integrated into an "Organisational Development Plan", which will be communicated to all employees. To promote knowledge transfer, employee rotation was introduced at management level. The salary and bonus system for existing jobs was reviewed and adjusted to ensure that the company remains an attractive employer in the region in the future.

World-wide trading activities are carried out by the subsidiary HC Trading, which has three offices in Oslo, Istanbul and Singapore. In 2000, HC Trading accounted for about 30 employees in their international team.

The Managing Board and Supervisory Board wish to thank all employees for their active contribution to the success of the Group in 2000. We also thank the employee representatives for their prudent work, which has helped to strengthen the good relationship between personnel and the management.

Group employees by regions

	1996	1997	1998	1999	**2000**
Central Europe West	6,952	6,762	6,562	8,533	**8,233**
Western Europe	3,317	3,210	3,196	4,388	**4,450**
Northern Europe	-	-	-	7,310	**7,476**
Central Europe East	7,072	6,503	7,125	8,388	**7,448**
North America	5,633	5,700	5,862	6,542	**6,191**
Africa-Asia-Turkey	387	396	407	1,757	**2,552**
Group Services	1,076	1,077	1,159	1,409	**122**
	24,437	23,648	24,311	38,327	**36,472**

Corporate communications

To meet the requirements of a strongly enlarged Group, Heidelberger Zement continued to expand its internal and external communications during the 2000 financial year. For this purpose, the Corporate Communications department was created as a new Group function. Personnel in the areas of public and investor relations were also augmented.

External communication and investor relations

The Group information policy is to provide open and transparent communication. Employees have quick and easy access to developments relevant to their interests and tasks. Externally, we aim to attract the attention of shareholders, investors, and of the general public world-wide.

The annual report remains a central instrument of our financial communications system. In 2000, for the first time, the half-year figures were published along with notes to the financial statements, as were the nine-month figures, including the operating results and operating cash flow. The publication of these figures was accompanied by press and analyst conferences in Frankfurt, London and Brussels. In addition, the nine-month figures were explained in a telephone conference. Our public relations work and investor relations were supplemented and strengthened by international road shows in conjunction with the issue of the euro benchmark bond, plant visits by journalists and financial analysts, company presentations to institutional investors and at international conferences.

Internal communication

The main focus of internal communication in 2000 lay in the preparation and communication of a new Corporate Mission, which is binding world-wide, and the establishment of a Group-wide joint Intranet platform, which was part of the IT project UNITE. The project has set itself the goal of combining the different IT activities within the Group to ensure a fast and broad information flow between the regions and the Group headquarters in the enlarged Heidelberger Zement Group.

New Corporate Mission

The Corporate Mission has the purpose of formulating a corporate identity which will give the Heidelberger Zement Group a coherent and clear orientation for the future. The mission statement is the basis for important management decisions; it offers guidance to employees at all levels and facilitates internal and external communication.

At the end of 1999 the Managing Board of Heidelberger Zement, with the support of a renowned management institute, formulated proposals for a corporate mission. These were then discussed in 15 workshops throughout the Group over the first four months of 2000. A decisive factor was that the Managing Board did not dictate its own ideas, but rather gave the opportunity to all regions in the Group to suggest their own ideas. The results of this intensive process were reviewed by the Managing Board in the summer of last year. On this basis, a joint text was agreed.

The eight chapters of the Corporate Mission are summarised in eight guiding principles, which in turn were drawn together in the slogan: "For better building". This slogan will accompany the Heidelberger Zement Group, our subsidiaries and brands over the coming years. It expresses in a brief and easy to understand manner that the Group as a whole stands for a specific commitment to maximising performance, quality, and reliability in our products and customer service.

Heidelberger Zement also wants to see an improvement in construction standards. We aim to contribute to this by offering better quality, ecologically friendly products, and new building material technologies. In this respect, "For better building" underlines the greater claim expressed by Heidelberger Zement: We not only produce building materials, we also make a contribution to the common good, both economically and socially.

The Corporate Mission is at present being communicated world-wide throughout the Group. The text and its content are being conveyed to all employees. Project groups are working on bringing the Group in line with the Corporate Mission. This implementation process will be completed in two years. Work on our joint goals and values will continue to be a long-term concern for Heidelberger Zement.

Research and development

Group-wide knowledge management

In all the regions and business lines in the Heidelberger Zement Group, new products are being developed and application-oriented research is being carried out. This decentralised structure ensures that research and development remains in touch with the customers and market requirements.

The Heidelberger Technology Center (HTC) coordinates tasks of inter-regional significance relating to cement and cement applications. An active knowledge management at Group level facilitates an intensive exchange of experience between all the regions. Joint projects and the exchange of successful products have reduced development work and speeded up the time to launch products; in this way, synergies within the Group have been optimised.

Collaboration with research insitutes

Heidelberger Zement works with universities and research institutes throughout the world on basic research and development. A central focus of various projects in Europe and North America is the research into optimising the durability of cement and concrete. In the UK we are seeking to improve the resistance of concrete to carbonation and chloride penetration. In Scandinavia the main focus of several joint research projects, which are partly financed with EU funds and state subsidies, lies in the development of ecologically compatible and durable concrete types, as well as methods of constructing with concrete. This also includes a Dutch project, which is researching into ways of recycling concrete as a building material and so complete the cycle of materials.

Heidelberger Zement is also involved in a special research programme, run by the German Research Association (Deutsche Forschungsgemeinschaft), whose goal is to develop new building materials technologies such as a textile-based concrete, which combines the advantages of modern high-performance textile fibres with those of concrete.

In collaboration with the University of Innsbruck, Austria, development work is continuing on the application of rapid-setting Chronolith S or ST cements by the wet-mix shotcrete process in tunnel construction. This technology combines the advantages of wet-mix shotcrete application (less rebound, lower costs) with rapid-setting cements, which render the addition of hazardous accelerators unnecessary.

Promotion of composite cement

With the use of grinding additives such as slag sand, fly ash or pulverised limestone, cement properties can be targeted directly to the needs of the customers. In doing so, Heidelberger Zement is also actively contributing to the conservation of resources and a reduction in emissions. Throughout the Group, the manufacture and use of these types of cement are therefore a main focus in product development and marketing. New composite cements were successfully launched last year in Germany, the Czech Republic and Poland.

Easier processing of concrete

Easier processing is at the centre of the development of new concrete applications and floor-levelling finishes. The self-compacting concrete project has been met with particular interest throughout the world. This is mainly due to new super-plasticizers based on polycarboxylates. These plasticizers made the manufacture of self-compacting concrete possible in the first place. As a result of its experience in large-scale construction projects, such as the new airport tower in Stockholm and tunnel construction projects, Heidelberger Zement plays a leading role in Europe in this technology.

Self-levelling floor screeds offer the advantage of easier processing with less risk to health. Along with the Association for Mortar (Interessengemeinschaft Mörtel), our subsidiary Vulkan established a network of plants in Germany, which offer a high quality range of self-levelling floor screeds. They include: Anhyment®, which is based on anhydrite and used for seamless large surfaces, Zemendrit®, which is based on cement and designed especially for bathrooms, etc., and Poriment® with a variable raw density.

New products and applications

Heidelberger Bauchemie is developing new mineral-based acid-resistant mortars. They offer a wide range of applications, as for example acid-proof coatings, for tile laying, and in the repair of sewage systems which have been corroded by biogenic sulphuric acid or other caustic sewage.

In recent years, the Swedish subsidiary Optiroc successfully developed and optimised a range of levelling finishes for the Scandinavian housing market. The product range also includes solutions for reducing structural sound transmission.

The dry mortar company Heidelberger maxit is working on alternatives to improve the indoor climate in homes. In a project sponsored by the German Federal Ministry for Trade and Industry, a gypsum-based plaster is being developed, which with the help of special phase-change materials is able to absorb heat above a certain temperature and give it off again later. This enables room temperatures to be kept largely stable even without air conditioning. This development is a contribution to the passive use of solar energy.

Environmental precaution

Committed to the environment

The protection of the environment is a central issue for Heidelberger Zement, and it was therefore included as a fundamental element in the new Corporate Mission.

To act in a socially responsible way has been a traditional value for Heidelberger Zement; after all, 'the environment concerns us all'. These high standards are not merely to comply with the statutory regulations. Our commitment to the environment goes beyond this. We wish to protect the environment by seeking technically feasible solutions and taking economically justifiable measures.

A comprehensive commitment

Our goal is a development that is ecologically sustainable and socially fair – one with a solid economic foundation to ensure real development opportunities for future generations.

Heidelberger Zement is committed to "sustainable development" and, at the beginning of 2000, it became a member of the globally recognised "World Business Council for Sustainable Development". In this connection, the company is involved in the preparation of an international study on sustainable development in the cement industry. On the national level, Heidelberger Zement is an active participant in the "Sustainable Development Forum" organised by the Federal Association of German Industry (BDI). This forum brings together leading companies from all sectors of German industry to combine their competence in the interests of sustainable development. The forum's goals and principles for action include an early involvement in political decision-making processes, greater transparency, and strengthening the dialogue with all interest groups.

Certification extended

The certification of cement plants according to ISO 14001 was continued within the Group during 2000. In addition to the cement plants already certified in the UK, Sweden and Norway, and numerous concrete and building materials plants in Northern Europe, an environmental management system according to ISO 14001 was introduced in the cement business line in Central Europe West. The existing ISO 9001 quality management system was successfully integrated into this process. Implementation began in autumn 2000 in the Mainz-Weisenau cement plant. It is planned that the other German cement plants will be ready for ISO 14001 certification by spring 2001.

Environmental database

Further developments were made in the existing environmental database which documents and monitors requirements according to operating permits. A system is now in place which makes it possible to track reliably the large numbers of requirements and targets for the control of emissions, pollution and deadlines and ensure adherence to them.

This system, which has already been installed in the German cement plants, was introduced in the plant in Mitchell, Indiana, in 2000. The other plants in North America will follow in due course.

International exchange of experience

A Group-wide working team has been established to extend the coordination and transfer of expertise in environmental issues within the Group. It includes members from the business regions of Central Europe West, Central Europe East, Western Europe, Northern Europe and North America. The tasks of this team are to transfer expertise, optimise resources, and coordinate research and development activities. It is also responsible for observing current developments in the individual business lines, discussing their importance for the Group and developing suggestions for further action.

Use of alternative raw materials and fuels

With a view to resource conservation and the voluntary commitment of industry to the reduction of CO_2 emissions, the use of alternative raw materials and fuels in all regions has been extended. For example, in the Netherlands dried sewage sludge is now used as an alternative fuel. Group-wide about 15% of the fuels needed is replaced by high-quality alternatives.

After the legal prohibition of meat and bone meal in Germany, the German government and the animal meal producers approached the cement industry. After careful examination, Heidelberger Zement agreed to use animal meal and animal fat as fuels. At material temperatures of 1,450°C and gas temperatures of up to 2,000°C in the cement rotary kiln, meat and bone meal is burned completely leaving no residue or harmful substances. Any effects on the environment and product quality are excluded. This is demonstrated by our experience in our own plants in Belgium, where meat and bone meal as well as animal fat have long been used. In Germany, meat and bone meal has so far only been tested in the Weisenau cement plant, with the appropriate permit. Other German plants have applied for permits.

At the request of the Belgian authorities – as in 1999 – meat and bone meal and animal fat contaminated with PCB was used in the plants at Lixhe, Harmignies and Antoing.

Investments in environmental protection

Special environmental measures taken in 2000 included the construction of a facility at the Swedish cement plant of Slite to produce electricity from waste heat, which is due to go into operation in spring 2001. The output of the plant will be approximately 8 MW.

In Kiefersfelden, Germany, a further cement plant was equipped with an installation to reduce nitrogen oxide emissions by the SNCR process (selective non-catalytic reduction).

Outlook

World economy heading for stability

The world economic situation in 2001 shows a continued positive trend despite the reduction in dynamism. In Germany construction demand is again falling short of expectations. But some areas, such as commercial and infrastructure construction in western Germany, may see an increase this year. In Western and Northern Europe growth rates will also slow down somewhat. The prospects are significantly better for Central Europe East, with growth rates for the gross domestic product forecasted at between 1% and 5%. There is also cautious optimism for our market expectations in North America. Africa-Asia-Turkey is the strategic business unit with the highest mid-term growth potential – despite current political and economic upheavals.

Goals and planning

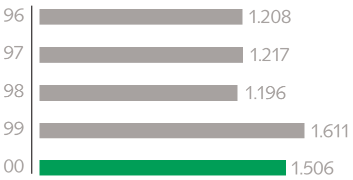
With its balanced international structure, Heidelberger Zement stands to capitalise on the growth markets and to meet the challenges of the mature markets by enhancing its competitiveness. For the current year we anticipate a moderate growth in turnover and stable earnings. In Germany, measures to improve cost efficiency and optimise structures will act as a counterbalance to the drop in demand. The completion of the modernisation of the Belgian cement plants will significantly increase productivity in Western Europe, whereas consolidating the high market share and increasing the use of alternative fuels have priority in Northern Europe. In Central Europe East, double-digit growth rates are anticipated owing to favourable general conditions. Here, too, modernisation of the acquired facilities is progressing. In North America, the Union Bridge cement plant will begin low cost production at the end of the year. The increased commitment in Asian markets will serve to secure long-term growth. The plants in Africa are also being brought into line with the latest technical standards. Our trading company, HC Trading, will help to fully utilise our own world-wide capacity and to compensate for regional differences in demand.

Heidelberger Zement in the market

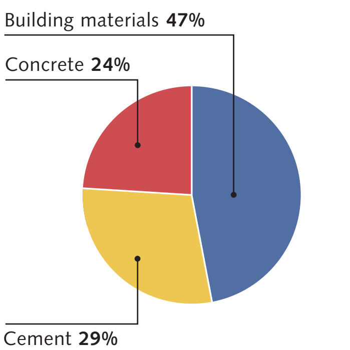
The total sales volume of cement rose to 46.6 million tonnes. In the cement and clinker trade, the subsidiary HC Trading is one of the world's largest companies with a total of 10.6 million tonnes. The mature markets in Western and Northern Europe, as well as in North America made stable contributions to profits in the year 2000. As a result of the weak construction economy the share in total turnover of the Central Europe West region fell to 21%. The strategic growth potential was reinforced with the further expansion of the leading market position in Central Europe East. Heidelberger Zement also took decisive steps to strengthen its position in the markets of the future in Asia and Africa.

Central Europe West

Turnover in EURm



Turnover 2000: EUR 1,506 million



Construction investments continue to decline

The general economic recovery expected at the beginning of 2000 did not occur for the construction industry. Investments in construction fell again by a total of 2.5%: in western Germany by 0.5% and in eastern Germany by as much as 8.1%. Excess capacity and increasing price pressure placed a special strain on the eastern German construction industry. In residential construction, even the previously stable single-family and two-family home segment is now in decline. Prospects for the current year only show hope of recovery in commercial buildings – but the recession in the construction industry has probably now reached its lowest point. The latest trends in interest rates could hold out new hopes for construction.

Construction volume in Austria increased by 1%. Public austerity measures and declining residential construction activity have a negative effect on investments in construction. In Switzerland construction investments rose by around 2% and economic recovery of the construction sector will continue in the current year.

Cement business line

Cement shipments above the market average
In 2000 the domestic sales volume in the German cement industry fell by 5.3 % to 32 million tonnes. 2000 showed two trends in construction. In the first few months cement sales rose considerably compared with the previous year and stimulated hopes for an improvement. In the second half of the year up to October, the prior year's volume was not reached in any single month, meaning that the total for the year showed a distinct reduction. Only the comparatively mild weather in November and December prevented a greater decline.

Here, too, there were clear differences between the markets in eastern and western Germany. The decline in cement shipments was 9.6% in the East and 4.3% in the West. The construction of the new high-speed rail links Frankfurt-Cologne and Nuremberg-Ingolstadt again contributed positively to the development in western Germany. Imports fell by 0.7 million tonnes to 3 million tonnes, with Poland, the Czech Republic and Slovakia supplying about 65%.

At 5.4 million tonnes domestic cement and clinker sales of our south German plants stood slightly above the level for the prior year. After the proportional integration of Anneliese AG the domestic sales volume came to 6.2 million tonnes. Exports – especially to Austria – rose again slightly by 1% to 0.4 million tonnes, so that total sales volume of cement and clinker increased by 0.7% to 6.6 million tonnes.

The net revenue per tonne of cement remained stable compared with the previous year, despite a more aggressive pricing policy by competitors for bagged cement.

In the Burglengenfeld cement plant a new crushing facility in the quarry was put into operation in 2000. The new crusher with its greater capacity enabled the plant to change

Turnover by business lines

EURm	1999	**2000**
Cement	436	**447**
Concrete	371	**376**
Building materials	832	**724**
Intra-Group eliminations	-28	**-41**
Total turnover	1,611	**1,506**

Key data

EURm	1999	**2000**
OIBD	267	**244**
Operating income	139	**123**
Investment in tangible fixed assets	129	**94**
Tangible and intangible fixed assets	1,253	**1,235**
Employees	8,533	**8,233**

from a two shift to a single shift operation, and provided for a significant reduction in noise. The design structure of the supporting table was developed by the Heidelberger Technology Center and has now been patented for Heidelberger Zement.

The Leimen cement plant introduced for the first time at Heidelberger Zement a so-called cross belt analyser for raw material control. This device uses gamma rays to analyse the components of the raw material in the quarry, which means that corrections in their composition can be quickly made. Previously, this had been done inside the factory, which was time-consuming. The Leimen plant is also aiming to extend its quarry. An important first step was taken in 2000 with the completion of the necessary zoning procedure. The final approval under the German Federal Imissions Control Act will probably be granted at the end of 2001. This will ensure the supply of raw materials for the Leimen plant for the next 30 years.

In the Mainz-Weisenau cement plant, the approval for the extension of the raw material extraction area by approximately 70 hectares is still outstanding as a result of political resistance. The present raw material reserves will only last for another six years. After the approval of the authorities has been issued, which is not expected before the end of the year, extensive investments will be necessary to develop the quarry and modernise the production facilities.

At the Lengfurt cement plant, a central storage and maintenance building was completed. The local concentration will significantly improve internal maintenance and materials handling processes.

Development of results in participations

The domestic sales of **Anneliese Zementwerke AG** in 2000 amounted to 2 million tonnes, which was 3.9% below 1999. As a result of deconsolidations and a weaker development in the construction industry, turnover fell by 16.6% to EUR 217 million. Lower results from participations and restructuring measures in the concrete pipe activities had a significantly negative effect on earnings. The Anneliese group acquired a 33% holding in the newly founded RG Rohrgruppe and contributed its pipe activities to this company. The profit of the Anneliese group for the financial year fell to EUR 18.1 (previous year: EUR 20.5) million. The measures to reduce costs and enhance operational processes will continue in 2001. Sales revenue have to be adjusted in view of the expected increases in costs, especially for electricity and fuels.

The sales volume of **ZEAG Zementwerk Lauffen – Elektrizitätswerk Heilbronn AG** fell by 1.6% to 272,000 tonnes. This decline is in line with the trend for the industry in southern Germany. Sales volumes in the energy sector rose slightly, but turnover declined by 12.6% because of the general decrease in electricity prices. Since procurement costs fell sharply in 2000, the profit from electricity improved. Total turnover declined by 10.1% to EUR 84.6 (previous year: EUR 94.1) million. Profit for the financial year fell to EUR 8.2 (previous year: EUR 15.2) million.

Despite the declining construction demand in the market territory of **Südbayerisches Portland-Zementwerk Gebr. Wiesböck & Co GmbH**, turnover and profits remained stable at a high level. The cement sales volumes of the Rohrdorf, Büechl and Eiberg plants amounted to 950,000 tonnes. The consolidation of production capacity was systematically continued with the closure of the Büechl cement plant in Regensburg and the transfer of production to Rohrdorf. In the areas of sand and gravel, concrete products, ready-mixed concrete and bricks, the market position in Bavaria and Austria was further strengthened by combining and expanding activities.

Concrete business line

Mastering structural change in the ready-mixed concrete sector

In view of the decline in construction activities in Germany, the necessary reduction of excess capacity in the ready-mixed concrete industry progressed just slowly in 2000. This especially applies to eastern Germany.

Heidelberger Zement enhanced its strategy of customer loyalty. Service and quality were given top priority. The close contact to the market and customers, as well as the decentralised structure of ready-mixed concrete participations were strengthened or extended, and technical competence in special products was developed further.

Cost optimising measures were another main focus. New acquisitions and cooperations were carefully examined and served to strategically consolidate strong market positions. Financial investments to increase holdings in other companies were significantly lower.

About 26% of the ready-mixed concrete activities are included in the consolidated Group annual accounts. The overall sales volume of the approximately 400 production sites – including all non-consolidated participations – fell by 7% to 10.5 million cubic metres in 2000. Whereas the drop in sales volume was relatively moderate in western Germany – except for Bavaria where it was even possible to achieve a slight increase – the drop in eastern Germany was in the double figures. However, the demand for special high quality building materials such as steel fibre concrete, anhydrite fluidised floor levelling finish, Zemendrit, a cement- and anhydrite-based fluidised floor levelling finish, and the aerated light mortar Poriment developed positively.

Strengthened market positions in concrete products

Heidelberger Zement manufactured concrete products in 37 locations last year. The products range from paving stones and wall bricks, pipes, and shafts to custom-made prefabricated ceilings, walls, and cellars, etc. The operating line did well in a difficult environment. As a result of the high technical standard of our plants and systematic cost reduction programmes, market positions were strengthened in the individual regions. Customer-oriented production enabled the range of products to be adapted quickly to individual wishes.

Consolidation of cross-company competence in the areas of purchasing, technology, financial controlling and IT management, along with joint strategic orientation on supra-regional level simplify the development of the market. In the area of paving stones, a joint product range will in future be promoted under a single brand throughout Germany by a number of subsidiaries.

Increase in western German aggregates activities

After a brief period of stability in 1999, the German market for aggregates declined by approximately 6% to 360 million tonnes last year. Whereas the decrease in eastern Germany was 18%, the market in western Germany fell only 2% below the previous year. The per-capita consumption in the East thus came close to the lower level in the West.

In Central Europe West, Heidelberger Zement has 53 locations in which mainly sand and gravel are produced as aggregates for concrete production. Total shipments fell by 8% to 22.7 million tonnes during 2000. The large markets in eastern Germany were particularly affected by the fall in demand after a number of large-scale road construction projects were completed. The encouraging growth rates in the West, which were above the general market trend, were not able to compensate for the losses in the East.

To counter the continuing high competition and excess capacity, especially in eastern

Germany, measures to optimise locations were continued during 2000. Especially in the market areas close to the North and Baltic Seas, consideration is being given to the option of combining activities and establishing strategic alliances.

Building materials business line

Heidelberger Zement, whose building materials activities are almost exclusively concentrated in Europe, produces an extensive range of high quality and innovative products in Central Europe West. In 2000, the building materials business line earned almost half of the total turnover for the region. In view of the declining level of new residential construction, sales were especially focused on products for refurbishment and modernisation.

As in previous years, excess capacity and the fall in demand had a negative effect on revenue and profits. To consolidate the market position for the future, cost optimisation measures were adopted in all operating lines. Heidelberger Zement has strong brands in the building materials sector. Making individual product groups available over a wider geographical area, extending service and continuing the development of intelligent system solutions will bring the company closer to the markets and customers.

Building chemicals on a high level at home and abroad

Heidelberger Zement offers a wide range of products and systems in the building chemicals operating line. These include additives for concrete and mortar production, products for refurbishment and maintenance of concrete buildings, sealing compounds, fixative foams and construction glues.

Despite the difficult economic climate in the construction industry, the high level of turnover of 1999 was almost reached again in 2000. This was mainly due to a higher demand for special products for refurbishment and maintenance of buildings and greater export to other European countries. Both factors helped to compensate to a large extent for the losses in the declining new buildings sector. The foreign participations, especially in Poland and Turkey, also generated high growth rates. During 2000 cost management in the purchasing and logistics areas was intensified in view of the large increase in oil prices.

The new production site for chemical sealing products in Datteln commenced operation in 2000. This guarantees that the market can be supplied even more quickly with high quality products. To increase concentration in the area of building chemicals, the sale of DIY market products were separated from the operating line at the beginning of 2001 and merged with comparable activities of Heidelberger maxit GmbH.

The cooperation with the Scandinavian subsidiary Optiroc in the area of product development and application saw the first synergy effects in the successful market launch of cement-based floor coatings.

Successful integration in dry mortar

The year 2000 saw the integration of the maxit group into the Heidelberger dry mortar operations. Since 1 April 2000 the products of both companies have been successfully promoted under the brand of maxit. This strongly increased the competitiveness of our dry mortar business line with its 32 locations in Germany and 17 in other European countries and the US.

The significant decline in the residential construction sector, especially in the second half of the year, placed yet more pressure on markets already marked by excess capacity. However, the losses of the operating line remained at a manageable level because of the positive development of foreign subsidiaries in the area of dry concrete and the activities of the m-tec group in silo, machine and plant construction.

Systematic research and development in the area of wall and floor products enable us to react quickly to the changing demands of the market. Customers can be offered ideal products, systems or services, tailored to fit their needs. In view of the decline in new building activity, the market sectors of residential refurbishment and modernisation are being looked at with special intensity.

International activities were further strengthened during 2000 with the commissioning of a new plant near Vienna and the expansion of participations in the US. High synergy potential in product development, purchasing and sales will also result in the future as a consequence of the cooperation with the Dutch and Scandinavian companies Beamix and Optiroc.

Large format sand-lime bricks heading for success

The German sand-lime brick industry is suffering from the decline in residential construction, which began in 1995. The number of completed dwellings fell in 2000 by 9% to 377,000 units. This also led to a considerable decrease in the sales of sand-lime bricks by over 16% to approximately 3.5 million pieces. For the first time both eastern and western Germany were equally affected.

The Heidelberger Zement sand-lime brick business line fared better than the market average in spite of the difficult economic environment. The improved large format KS-Quadro system made a decisive contribution to that, increasing sales by up to 50% in some markets.

Competitive pressure on prices remained high. Cost-saving measures were adopted, especially to compensate for rising energy costs. To be able to respond more quickly to the demands of the market, the sales organisation was systematically strengthened throughout the market. The comprehensive object-based sales concept serves to consolidate our market position.

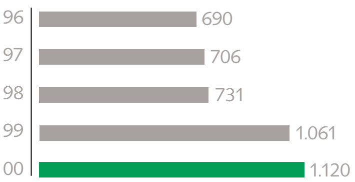
Lime increases in non-construction sectors

Heidelberger Zement manufactures a wide range of lime products at its locations in Regensburg, Bavaria, and Istein in southern Baden. Although the product line as a whole was affected by the decline in construction activities in Germany, the losses were more than compensated for by a growth in deliveries to the steel industry and the environmental sector. During 2000, demand also rose for agricultural fertilising lime and burnt lime for soil stabilisation. Exports to France and Switzerland also developed positively.

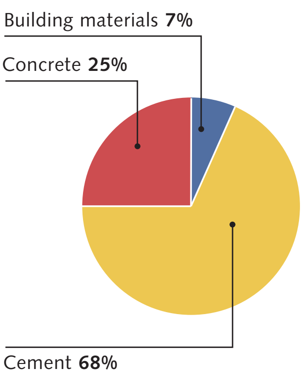
Negative factors in 2000 were the increase in imported lime from Eastern Europe and higher energy costs, although these were compensated for, to some extent, by the use of substitute fuels.

Western Europe

Turnover in EURm



Turnover 2000: EUR 1,120 million



Increase in construction activities

The increase in construction activities exceeded general economic growth both in Belgium and the Netherlands. The gross domestic product increased by 3% in Belgium and 4.5% in the Netherlands. In the United Kingdom the growth of demand for construction was lower than gross domestic product at around 3%.

In the Netherlands all sectors contributed to the 4.9% increase in construction activities. The biggest growth was in public construction, with a rise of 10%. Belgian building activities were stimulated by commercial and public construction and rose by 4.6%. But the growth of the residential construction sector was below average. While residential construction in the United Kingdom increased by 10%, non-residential construction fell by over 2%.

The dynamic development in France continued in 2000 with a general economic growth rate of 3.1%. Investments in construction benefited from tax reductions and will improve in the current year.

Cement business line

Continued growth in Belgium and the Netherlands
Cement consumption in Belgium and the Netherlands rose by about 2% to 12.4 million tonnes. The sales volume of our subsidiaries CBR and ENCI remained stable at 6.7 million tonnes. The increasing domestic and export demand caused sales of white cement to increase by over 3%. To cope with the continuing high pressure of cheap imports in these two countries, especially from the Baltic states, Italy, Asia and the Middle East, investments are being made to reduce costs and increase productivity.

An increase in the use of substitute fuels – e.g. sewage sludge and meat and bone meal – led to a further reduction in the consumption of non-renewable fossil energy. At the request of the Belgian authorities – as in 1999 – PCB contaminated animal meal and fat were used in the plants at Lixhe, Harmignies and Antoing. The high temperatures in the cement kilns permit combustion with absolutely no residue or pollutants with no negative effect either on product quality or the environment.

The modernisation programme to rationalise clinker production and cement grinding plants in Belgium led to higher investment costs. The programme will be completed by the end of 2001. These investments will especially reduce production costs in order to ensure the future competitiveness of the Belgian cement plants. Initially, the capacity of the dry kiln in Lixhe and the grinding plant in Gent will be increased, and then the grinding plant in Mons and the wet kiln in Lixhe will be closed down. Regrettably, these measures involve a reduction in personnel. At the beginning of 1999 a social compensation plan based on early retirement was already agreed with trade union representatives.

Turnover by business lines

EURm	1999	**2000**
Cement	774	**810**
Concrete	305	**301**
Building materials	56	**82**
Intra-Group eliminations	-74	**-73**
Total turnover	1,061	**1,120**

Key data

EURm	1999	**2000**
OIBD	249	**271**
Operating income	143	**140**
Investment in tangible fixed assets	95	**112**
Tangible and intangible fixed assets	1,586	**1,581**
Employees	4,388	**4,450**

Improved situation in the United Kingdom
After a reduction in 1999, cement consumption in the United Kingdom rose slightly last year. Castle Cement increased its sales volume by 2.3% to 3.2 million tonnes, thus defending its position in a market that is characterised by transitions in participation structures. Measures to improve customer service strengthened competitiveness.

Higher investments are planned for the coming years as part of a programme of improvement in the company's substance and environmental standards. The entire clinker production is to be converted from the wet process into the energy-saving dry process. In addition, it is planned to use more substitute fuels. However, the largest investment project in Padeswood, Wales, will be delayed because approvals by public authorities are still outstanding.

The Ketton cement plant was granted approval to use various new substitute fuels, including a mixture of paper not suitable for recycling and plastic with low chlorine content. The grinding plant for blast-furnace slag in Clyde, Scotland, was closed down last year and has since been used as a store.

Vicat still heading for success
With an increase in turnover of 21.8% to FRF 7.8 (previous year: FRF 6.4) billion, the activities of the French Vicat group again developed positively in 2000. The turnover earned abroad is increasing continuously and will come to more than half of total turnover in the current year. This is due to the acquisition of the Swiss building materials group Vigier at the beginning of the year. The domestic sales volumes of all business lines increased by between 3% and 8%. In Turkey the prices for cement and ready-mixed concrete remained at a low level, and in the US – because of imports – it was also difficult to adjust cement revenues to meet cost developments. Purchased in 1999, the cement plant in Senegal with a capacity of 1.8 million tonnes showed positive developments in sales volume and is fully able to meet the rising demand in the country and neighbouring regions.

Extensive investments were made in all countries in which Vicat is present. The main emphasis was on capacity extensions in growth markets. In addition, renovation and modernisation were carried out everywhere to reduce production costs. In some cement plants, more than 80% of fuel requirements were already replaced by substitute fuels.

The strategy of the Vicat Group is a balanced expansion in both mature and growth markets.

Concrete business line

Weakening of ready-mixed concrete activities
At 5.5 million cubic metres the sales volume for ready-mixed concrete was slightly below that of 1999. Deliveries fell in the Netherlands due to delays in large construction projects. Although the sales volume in Belgium increased, greater competitive pressure put a strain on revenue and led to a further deterioration of profit margins. Measures to reduce costs and increase productivity were adopted to improve the profit situation. Investments mainly served to modernise existing plants, replace ready-mix trucks and acquire two new plants.

Further growth in aggregates
The sales volume in Belgium rose by more than 4% to 11.1 million tonnes. The second construction phase of the high-speed rail link from Liège to Brussels had a positive effect here. In the Belgian province of Limburg the gravel production has to stop by the end of 2005 as a result of public directives. But it is anticipated that the resulting loss of quantity can be compensated for by the growing sales volume of other aggregates such as limestone. Higher lightweight aggregate deliveries already hinted at this trend

during the last year. The investments in 2000 went into the replacement of quarry trucks and loaders, the continuous modernisation of production sites, and the expansion of the electronic information system.

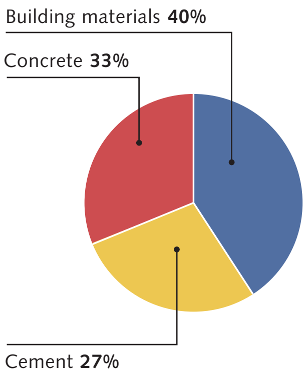
Building materials business line

Positive development of dry mortar activities
The sales volume of dry mortar increased slightly in both Belgium and the Netherlands. The product range was extended to better meet customer requirements. But strong competitive pressure led to price reductions. To improve the profit situation, measures were adopted to reduce costs and increase productivity. The business line as a whole was rounded off by the acquisition of the remaining 50% of the Dutch subsidiary Beamix. Investments were mainly for the purchase of these company shares and replacements of production means.

Northern Europe

Turnover in EURm

Turnover 2000: EUR 1,334 million



Strong growth in Northern Europe

In 2000 growth in the northern European construction markets was in line with the general development of the economy. While the gross domestic products of Sweden and Finland rose by between 4% and 5%, economic growth in Norway and Denmark was slightly slower at 2% to 3%. The increase in the construction volume in Sweden by approximately 4.5% was mainly due to new buildings in the residential and other construction sectors. In contrast, civil engineering stagnated after the completion of several large infrastructural projects. The Norwegian construction industry, which declined by almost 5% in 1999, developed better than expected with a growth of 1% due to the high demand in building construction. The strong growth of the Finnish economy also had a positive effect on construction investments, which rose by about 5%. Building industry in Estonia saw a recovery.

Cement business line

Boom in exports

Despite the positive developments in the Swedish and Norwegian construction industry, cement consumption in these countries fell by 3% and 2% respectively. Large cement-intensive infrastructural projects, which were completed in 1999, were not fully compensated for by the increase in residential and building construction. The domestic sales volume of the three Swedish and two Norwegian cement plants decreased by 3% to 2.5 million tonnes. A strong rise in exports, however, more than compensated for the weak domestic demand. The cement and clinker exports of the Scandinavian plants increased by almost 30% to the record level of 2 million tonnes. This means that almost half of the total production volume was exported, mainly to the US, but also to Finland, the UK and Africa. The sales volume of the Estonian cement plant Kunda rose by almost 5% to 0.7 million tonnes, with an export ratio of 70%. The total cement and clinker sales volume for Northern Europe rose by 8.4% to 5.2 million tonnes. The overall result was improved despite the market decline in Sweden and Norway. This was partly due to increased exports and the high dollar exchange rate.

The company Scancem Energy and Recovery (SEAR), founded in 1998 for the production of alternative fuels for cement manufacture, last year supplied a total of 175,000 tonnes of substitute fuel to the cement plants. External customers bought a further 30,000 tonnes. The use of substitute fuel in the cement industry leads to considerable cost reductions and saves non-renewable primary energy resources. The construction of an installation to produce electricity from waste heat in the Swedish cement plant Slite, which is due to go into operation in spring 2001, also serves these goals.

Turnover by business lines

EURm	1999	**2000**
Cement	327	**381**
Concrete	385	**452**
Building materials	488	**547**
Intra-Group eliminations	-55	**-46**
Total turnover	1,145	**1,334**

Key data

EURm	1999	**2000**
OIBD	185	**220**
Operating income	62	**91**
Investment in tangible fixed assets	107	**74**
Tangible and intangible fixed assets	1,631	**1,562**
Employees	7,310	**7,476**

Concrete business line

Positive development of results

In addition to the ready-mixed concrete and aggregates activities in Sweden and Norway, the concrete business line also includes the production of concrete products in Sweden, Finland and Denmark, as well as in markets outside Scandinavia such as Poland and Portugal.

While shipments of ready-mixed concrete in Norway increased by 8%, they rose in Sweden by 14%, especially as a result of favourable market conditions in the Stockholm region. The entire ready-mixed concrete operating line achieved a sales volume of 1 million cubic metres, which was an increase of 10%. In both countries, however, the development of the aggregates business was less positive than in 1999. The large quantity of rock rubble, obtained as waste material from infrastructural projects, led to an excess supply on the Swedish aggregates market. The domestic sales volume of both countries fell by almost 8% to 8.3 million tonnes. A further 1.4 million tonnes were exported by Norway.

The concrete products operating line manufactures prefabricated concrete elements and systems for engineering, agricultural, industrial and residential construction. This whole operating line benefited from the growing construction market in 2000, especially in Sweden and Finland. The Finnish subsidiary Parma Betonila acquired three plants in the south of the country and extended its exports to Russia.

In 2000 the business line as a whole recorded considerable growth in profits – especially in Sweden and Finland.

Building materials business line

Continued growth of turnover and profit

The product range of the building materials group Optiroc includes dry mortar, expanded clay and masonry bricks of clay and sand-lime. The company not only has strong market positions in the northern European countries, it has also successfully established its products in a number of growing markets in Eastern and Southern Europe.

Most markets in which Optiroc is active developed even better than in 1999. The dry mortar sales volume increased in all countries with the exception of the Baltic states and Turkey. Significant growth was especially noted in Poland, Spain and Portugal. A breakthrough was achieved in the flooring market in the UK. On the Iberian peninsula, Optiroc will continue to expand its market position by building a new dry mortar plant in Madrid.

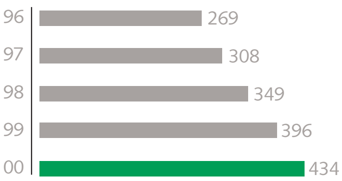
The expanded clay product group also benefited from favourable market conditions in almost all countries. Total sales of lightweight aggregates for the manufacture of masonry blocks and prefabricated concrete elements rose by 13% to 3.4 million cubic metres. In Poland Optiroc acquired a new production site, and in Portugal work began on the construction of a second kiln to increase capacity.

Rising energy costs and decreasing demand in some Nordic markets, especially in Sweden, slowed the development of the masonry brick operating line.

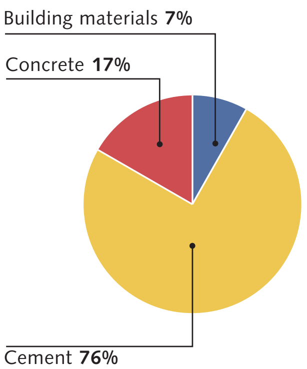
The turnover and result of the building materials business line improved significantly during 2000. By selling the clay brick operating line at the beginning of 2001, Heidelberger Zement continued the effort to focus on its core activities.

Central Europe East

Turnover in EURm



Turnover 2000: EUR 434 million



Economy on the upswing

Economic growth has accelerated in all the countries in the Central Europe East business region. Poland and Hungary are still the leaders with an increase in gross domestic product of 4.8% and 5.3% respectively. The Czech Republic and Romania returned to a growth path after several years of recession. Bulgaria also improved its economic performance, although this was an increase from a low level. The development of the construction industry followed the overall economic trend. In addition to infrastructure projects, residential construction is increasingly becoming the strongest growth factor.

Consolidation of the network

With the increase of participations in the Czech Republic, Romania and Bulgaria and the acquisition of 51% of the cement company Tvornica Cementa Kakanj d.d. in Bosnia-Herzegovina and 56% of the Romanian cement producer Casial Deva S.A., the leading position of Heidelberger Zement in Central Europe East was substantially strengthened. Kakanj and Casial Deva are not included in the Group annual accounts for 2000.

The organisational separation of the lime and dry mortar activities from the cement business in the Czech Republic, Poland and Hungary improved the development potential of these operating lines. The cement sector in Poland was strengthened by the merger of the two companies ZCW Górazdze S.A. and Cementownia Strzelce Opolskie S.A. to form Górazdze Cement S.A.

Cement business line

Emphasis on revenue improvements
Turnover exceeded the level of 1999 by 9.6%. Significant revenue improvements contributed to this growth. Prices were increased in several countries.

Developments varied in different countries, but the overall sales volume of cement and clinker of the ten cement plants in the region included in the Group annual accounts fell by 2.5% to 7.1 million (previous year: 7.3 million) tonnes. Declining exports, especially at the Polish plants, and the continuing pressure of imports from the Ukraine and Russia placed a burden on the development of individual markets. Domestic demand rose significantly in Hungary, Romania and Bulgaria. The Hungarian company Duna-Dráva Cement also achieved a considerable rise in exports. Since the end of 2000, the Heidelberger Zement activities in Romania – Moldocim Bicaz and Casial Deva – have been trading under the firm Carpatcement Romania SRL. Casial Deva will only be included in the Group annual accounts as of 2001.

The introduction of new cement types with low clinker content led to cost reductions and lower emissions. In all countries the use of alternative fuels progressively reduced the consumption of primary energy sources.

Turnover by business lines

EURm	1999	**2000**
Cement	300	**338**
Concrete	56	**74**
Building materials	42	**33**
Intra-Group eliminations	-2	**-11**
Total turnover	396	**434**

Key data

EURm	1999	**2000**
OIBD	94	**107**
Operating income	45	**56**
Investment in tangible fixed assets	67	**67**
Tangible and intangible fixed assets	569	**634**
Employees	8,388	**7,448**

Aluminous cement from the Croatian special cement plant Istra Cement International is supplied to more than 40 countries. The loading and unloading facilities in the harbour of Pula were completely modernised. Other measures served to enhance environmental protection.

Significant investment projects in 2000 included the modernisation of the clinker production at the Polish plant Górazdze and the optimisation of the use of fuel at the Czech plant Mokrá and the Hungarian plants. In the newly acquired Kakanj cement plant, the changeover from the use of heavy oil to domestic coal will significantly reduce production costs. The modernisation of the production facilities in Bulgaria and Romania was continued as planned.

Concrete business line

Vertical diversification continued

With new acquisitions in Poland, Hungary and the Czech Republic the ready-mixed concrete operating line further consolidated its leading position in these markets. At the end of 2000 the entire network comprised more than 120 locations. The increase of sales volume by 27% to 2.8 million cubic metres, which was also due to very good market penetration, improved capacity utilisation.

In the aggregates sector, the number of plants in Poland, the Czech Republic, Hungary and Romania rose to a total of 67. Despite harsh competition, reorganisation in the Polish companies and a stricter cost management in the Czech locations led to results comparable to 1999. A significantly improved market environment benefited activities in Hungary.

Building materials business line

Organisation optimised

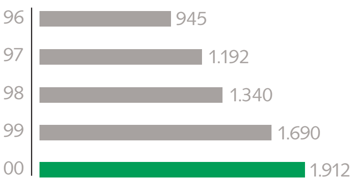
The demand for lime increased in all markets. Whereas there was only a slight recovery in Poland and the Czech Republic, there was an above-average increase in Hungary. Romania also showed a positive trend. The rise in fuel costs was compensated by higher sales prices. Higher quality standards and customer-oriented product policies improved market opportunities.

Significant strategic measures in the Czech Republic, Poland and Hungary included the legal and organisational separation of the lime and dry mortar activities from the cement business. This reorganisation also created scope for strategic alliances.

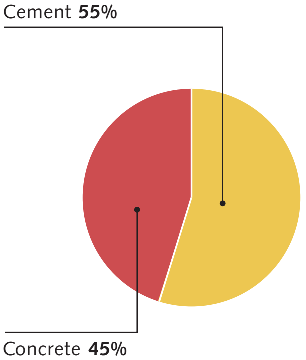
The market for dry mortar products is characterised by high excess capacity and a large number of competitors. Despite a difficult economic environment, the position of these products in the Czech market was maintained. Exports to Poland and Slovakia helped utilise capacity. In spite of strong competitive pressure, sales volume in Hungary significantly increased.

North America

Turnover in EURm



Turnover 2000: EUR 1,912 million



Upward trend loses momentum

The gross domestic product in the US rose in 2000 by a further 5% in spite of the slower growth tempo. The construction industry benefited from continuing strong demand in the commercial and public construction sectors. Stabilisation – despite the slight decline in residential construction – was enhanced by the start of a number of projects in the national infrastructure programme TEA 21.

Fears of a too fast decline, leading to a recession in 2001, seem exaggerated in view of stable monetary policies, low unemployment, a relatively low risk of inflation, tax reductions and other deregulation measures, which give good reason to expect a soft landing. In the current year, the growth of the gross domestic product is expected to fall to 2% to 2.5%.

A soft landing is also predicted for Canada. After an increase in the gross domestic product of 4.7% in 2000, a more modest 2% is expected for 2001.

The construction industry as a whole in North America will weaken by about 2%.

Cement business line

Sales volume at record level

Compared to 1999, cement consumption in the US rose by 1% to 111 million tonnes in 2000. However, the demand for cement could only be met with the help of imports of 28 million tonnes. Thus, the domestic production ratio is still only about 75%. Continued consumption at the same high levels is also anticipated for the coming years. Capacity extensions of about 12 million tonnes, which are planned for the next two years, will reduce import requirements from region to region.

Cement consumption in Canada rose by 7% to 8.6 million tonnes. The growth rate will be moderate in the next few years. An increase of 1.5% is expected for 2001.

In October 2000 the American International Trade Commission (ITC) decided to impose anti-dumping import duties on cement imports from Japan and Mexico for at least another five years. This decision will help to stabilise the market situation in southern areas of the US.

In 2000, the sales volume of cement and clinker in Lehigh's 13 cement plants increased by 1.4% to 12.1 (previous year: 11.9) million tonnes. The plants produced at full capacity, and imports of 3.6 million tonnes of cement and clinker supported especially the markets on the east coast and in California. Group-internal deliveries from the Scandinavian plants and the Turkish plant in Çanakkale covered over 70% of the necessary imports.

The development of the market situation varied in the individual sales regions. Competitive pressure and low demand in the Midwest and in California led to a reduction in volume. Shipment forecasts were slightly exceeded on the east coast and in Texas. A slight reduction

Turnover by business lines

EURm	1999	**2000**
Cement	980	**1.131**
Concrete	837	**931**
Building materials	–	**–**
Intra-Group eliminations	-127	**-150**
Total turnover	1,690	**1,912**

Key data

EURm	1999	**2000**
OIBD	330	**362**
Operating income	225	**230**
Investment in tangible fixed assets	141	**260**
Tangible and intangible fixed assets	1,365	**1,571**
Employees	6,542	**6,191**

in revenue for cement is being noted; this varies by region and is especially evident where new production capacity is coming onto the market.

Cement sales volume on the Canadian west coast equalled that of 1999, since the general economic conditions remained constant. The good development of the oil and gas business led to higher cement demand in the Prairie Provinces and allowed for price increases.

Despite high competitive pressure, white cement sales volume rose by more than 8% compared with 1999. This success was largely due to intensive product marketing. Special cements again saw double-digit growth rates last year.

To maintain the good earnings position of the American cement plants in an environment that is increasingly competitive, a cost reduction programme was set up so that, for instance the costs at the plant in Leeds, Alabama, already dropped by 15% last year. However, most plants are suffering under significantly increased electricity and natural gas prices. The electricity shortages in California have already hindered production.

The remaining property of the former calcium aluminate cement plant in Buffington, Indiana, which was operated by Lehigh from 1980 to 1999, was sold in 2000. Heidelberger Zement's Croatian cement plant Istra Cement in Pula is now responsible for supplying the American market with calcium aluminate cement.

Large-scale Union Bridge project completed in autumn 2001

The extension and modernisation of the Union Bridge plant is proceeding on schedule. Construction of the kiln, preheater tower and grinding equipment is already at an advanced stage. The present capacity of the plant will be more than doubled with the new production line, which will go into operation in autumn 2001. This will also result in a significant reduction in production costs.

Concrete business line

Varied development

At EUR 931 (previous year: EUR 837) million, 43% of total Group turnover in the concrete business line was earned in North America.

The demand for ready-mixed concrete, aggregates and concrete products varied regionally. Encouraging growth in all operating lines was observed especially in the Southeast of the US and the Prairie Provinces of Canada. In Texas and California, prices and quantities dropped back after the rapid growth of 1999. The weakness of the construction sector on the west coast of Canada led to sales volumes reductions.

The ready-mixed concrete shipments declined slightly by 1% to 6.7 (previous year: 6.8) million cubic metres. The acquisition of five new ready-mixed concrete plants in Alabama with an annual capacity of 200,000 cubic metres improved the market presence in the Southeast of the US.

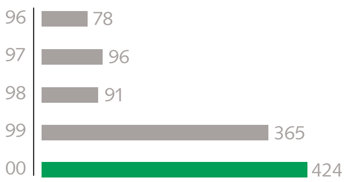
Aggregates sales were 4.5% lower than in 1999 at 25.2 (previous year: 26.4) million tonnes. Apart from Lehigh South, all market regions suffered volume losses.

The strong increase in fuel prices led to higher freight costs in all operating lines of the concrete business line.

As a consequence of the concentration on the core activities in the region, Heidelberger Zement sold a road-building contractor in the Canadian province of Alberta.

Africa-Asia-Turkey

Turnover in EURm



Africa

Long-term growth potential

In the long term, Africa offers strong growth opportunities for Heidelberger Zement. The average annual per-capita cement consumption in the countries south of the Sahara is only 30 kg. Given that the rate in western European markets is approximately 450 kg the long-term growth potential of this continent is enormous.

Cement business line

Network extended

Heidelberger Zement is represented in eleven western and southern African states with a network of cement and grinding plants as well as import terminals. The total cement sales volume of our consolidated cement companies rose by 10% to 2.7 million tonnes in 2000. Market revenue in the second half of the year dropped in several countries as a result of competitive pressure, especially in Ghana. Rising demand led to a positive market development in Angola, Nigeria, Gabon, and the Congo.

Heidelberger Zement further consolidated its market position with two acquisitions in Nigeria and Gabon. In Nigeria, where Heidelberger Zement is already represented with a coastal import terminal, a participation of 40% was acquired in the Cement Company of Northern Nigeria with a plant in Sokoto in the north-west of the country. Entry into the Gabon market was achieved by acquiring 75% of the Société des Ciments du Gabon. The company operates a clinker plant and two grinding facilities with a total cement capacity of 400,000 tonnes. Environmental measures are being continuously improved at all African production plants. The introduction of an environmental management system according to ISO 14001 is being prepared.

In 2001 additional measures are being adopted to improve cost efficiency and marketing in order to deal with the growing competitive pressure in some countries and to consolidate our strong market position in Africa.

Asia

Continued internationalisation

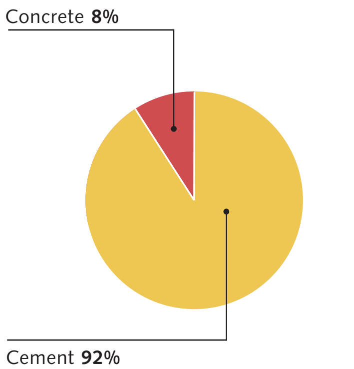
The presence in the market of the future Asia, which plays a central role in the internationalisation of Heidelberger Zement, was also extended. In addition to the previous activities in China, Bangladesh and the Philippines, Heidelberger Zement now owns new participations in Bangladesh and Brunei. An important step in Heidelberger Zement's Asia strategy is the acquisition of a majority holding in the second largest Indonesian cement manufacturer, Indocement, that will take place in the first half of the year 2001.

Cement business line

Growing demand for quality cement

Whereas 80% of the cement offered in China still comes from outdated shaft kilns, our subsidiary China Century Cement in the southern

Turnover 2000: EUR 424 million



Turnover by business lines

EURm	1999	2000
Cement	348	**399**
Concrete	29	**37**
Building materials	–	**–**
Intra-Group eliminations	-12	**-12**
Total turnover	365	**424**

Key data

EURm	1999	2000
OIBD	51	**54**
Operating income	22	**17**
Investment in tangible fixed assets	21	**46**
Tangible and intangible fixed assets	411	**517**
Employees	1,757	**2,552**

Chinese province of Guangdong produces exclusively high quality cement in modern rotary kilns. The company, which is consolidated at equity, achieved a sales volume of 2.5 million tonnes, thus maintaining its leading market position in the region around the provincial capital of Guangzhou. Cheap imports from other provinces had a negative effect on results. For 2001, however, a continuation of the favourable market conditions is anticipated because of a rising demand for high quality rotary kiln cement. The Chinese authorities wish to see a reduction in shaft kiln cement and an increase in rotary kiln cement over the coming years. Our cement activities in China will also benefit from both the cost reduction measures that have already been adopted and the planned construction of a new plant in Guangzhou. The latter is expected to begin operation in 2004 with an annual capacity of 2 million tonnes.

In Bangladesh Heidelberger Zement has further expanded its market position. In addition to the existing import terminal in the Chittagong port, a participation of 26% in a Chittagong grinding plant with a cement capacity of 750,000 tonnes was acquired at the beginning of 2000. The commissioning of the grinding plant in the capital Dhaka, for which construction began in 1999 and which has a capacity of 750,000 tonnes, is scheduled for June 2001. In the region around Dhaka, Heidelberger Zement already has a considerable market share with imported cement.

Entry into the market of the Sultanate of Brunei on the island of Borneo took place in May 2000. The grinding plant with a capacity of 500,000 tonnes, in which Heidelberger Zement has acquired a control participation of 50%, is the only cement manufacturer in the steadily growing market of Brunei.

The political and economic crisis in the Philippines also affected Limay Grinding Mill on the main island of Luzon, which saw a reduction in cement sales volume of 22% to 220,000 tonnes. However, operating results were significantly improved as a result of cost reduction measures and higher market revenue.

Concrete business line

Expanded market presence

Delays in new construction projects in Guangzhou and a decline in construction activities in Hong Kong slightly affected ready-mixed concrete business in China. Better market conditions are anticipated in Guangzhou in 2001, but no improvement is expected in Hong Kong. However, the long-term growth prospects in the region are extremely positive. To expand its market presence in Guangzhou, Heidelberger Zement purchased another ready-mixed concrete plant in 2000.

Turkey

Milder recession in the construction industry

The Turkish economy, which faced a serious setback in 1999 due to the severe earthquake and the effects of the financial crisis in Asia. Yet, in 2000, it benefited from an improved cooperation between the coalition partners in the government and a cost-cutting programme to counter inflation, supported by the International Monetary Fund. Despite the problems in the banking sector, economic growth reached 5.4%. The crisis in the construction industry also continued throughout 2000. The lack of investment and delays in the preparation of new building regulations and the issue of building permits meant that construction activities declined still further. However, residential construction picked up in the second half of the year, especially in the areas affected by the earthquake.

It remains to be seen what effects the float of the Turkish lira and its massive devaluation will have on construction activities in 2001.

Cement business line

Exports support cement sales
The slow progress to ease the crisis in the construction industry also affected the cement industry and led to harsher competition and lower market revenue. Turkish cement consumption fell by 2% compared with 1999; this decline was stronger in the north-western Marmara region, the main market for our subsidiary Akçansa, than in other parts of the country. The domestic sales volumes of Akçansa and Karçimsa declined by 1% to 3.1 million tonnes. However, the low level of domestic shipments was more than compensated for by the higher export volume, which rose by 34% to 1.7 million tonnes. Total sales volume for cement and clinker therefore rose by 8% to 4.8 (our share: 1.9) million tonnes.

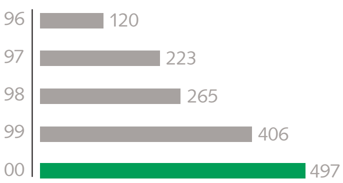
Concrete business line

Despite the recession in the construction industry, the sales volume of the ready-mixed concrete operating line of Akçansa rose by 5% to 2.2 million cubic metres. The demand was stimulated by the increasing use of ready-mixed concrete instead of hand-batched site concrete and by reconstruction in the earthquake zone. Several production sites were temporarily closed in the areas most hit by the recession. At the end of 2000, Akçansa operated a total of 24 ready-mixed concrete plants.

The activities of the aggregates operating line, which increased its sand and gravel sales volume by over 30%, will be extended with the production of crushed limestone sand.

Group Services

Turnover in EURm



With a trading volume of 10.6 million tonnes, the subsidiary HC Trading was one of the largest cement and clinker trading companies in the world in 2000. Despite a strong rise in freight costs, trading volume still rose by 21%, because of the introduction of enhanced marketing and sales policies.

HC Trading has central offices in Oslo, Istanbul and, since last year, in Singapore. It operates its own floating terminals in several countries for the import of cement and clinker by sea. In 2000, the company extended its trading activities to more than 50 countries. Its main customers were the US, West Africa and the countries around the Mediterranean. In addition to the Heidelberger Zement plants, HC Trading works together with more than 20 suppliers world-wide. More than a third of all deliveries comes from production within the Group. In addition to our locations close to the coast in Norway, Sweden, Estonia and Turkey, trading activities last year were also increasingly focused on the production sites in Asia. With the operation of over 500 ships, most of them chartered, HC Trading also offers its customers extensive services in the logistics area.

In the Group Services unit, too, Heidelberger Zement systematically continued to concentrate on its core activities. Already in the financial year 2000, the Kraftverkehr Bayern/Südkraft group was no longer included in the scope of consolidation. In March 2001 an agreement was made with Thiel Logistik AG to sell our 95% holding in Kraftverkehr Bayern/Südkraft to the Luxembourg company. The turnover of the Group Services unit, which also includes the world-wide trade in fossil fuels, improved by 22.4% to EUR 497 (previous year: EUR 406) million.

Key data

EURm	1999	**2000**
OIBD	12	**5**
Operating income	4	**2**
Investment in tangible fixed assets	21	**1**
Tangible and intangible fixed assets	119	**45**
Employees	1,409	**122**

Heidelberger Zement in the financial markets

Due to the positive earnings development in 2000, Heidelberger Zement will increase the dividend for its shareholders. More than 10,000 shareholders will receive EUR 1.15 per ordinary share and EUR 1.26 per preference share. At EUR 5.90, the earnings per ordinary share rose by 9.7% compared to 1999, despite an increase in the weighted average of the number of shares (according to IAS 33) by about 25%. Heidelberger Zement shares are listed not only on the Xetra market but also in Frankfurt, Munich, Stuttgart, Düsseldorf, Berlin, Bremen, Hannover, and Hamburg, as well as in Brussels. The turbulence in global stock markets and the weak growth of the German construction industry heavily impacted the Heidelberger Zement share price. As of the end of 2000, the market capitalisation amounted to about EUR 3.1 billion at a year-end price of EUR 48.50 per ordinary share and EUR 43.00 per preference share.

For the partial refinancing of a syndicated loan from 1999 amounting EUR 2.2 billion, a EUR 1 billion euro benchmark bond was issued in February 2000. Interest and currency exchange risks are recorded in real time and Group-wide. The rating agencies Standard & Poor's and Moody's underline the positive classification of the Heidelberger Zement credit quality with BBB+ and Baa1 for the assumption of long-term outside financing and A-2 and P-2 in the case of short-term outside financing.

Shares and financing

Heidelberger Zement shares rising

The share price development in 2000 was disappointing. While the DAX fell 7.5%, the MDAX grew by 14% within the year. The Heidelberger ordinary share did not participate in this development. Along with the in 2000 continuing consolidation process in the international cement industry, the inglorious development of our share price was also determined by the continued difficult situation in the German construction economy. The interest of institutional and even private investors continued in the first half of 2000 to be directed toward technology, media and telecommunication stocks. The international cement shares dropped into the background. However, since the start of 2001, performance has improved markedly. As of the end of the first quarter of 2001, the ordinary share price rose by 26% compared to 31 December 2000. The preference share gained 16% during this period. This trend reflects once again the positive assessment of international cement shares. This was due to the return of investors to the Old Economy and to successfully completed international consolidation processes.

Shareholders

The shareholder structure of our company remained stable in 2000. The major shareholders are Schwenk Beteiligungen GmbH & Co. KG with about 22% of the share capital entitled to voting rights, Dresdner Bank AG with about 17%, and Dr. h.c. Adolf Merckle with about 10%. Deutsche Bank AG holds a 9% share of our company.

Dividend payment

Managing Board and Supervisory Board recommend a dividend of EUR 1.15 (corresponding to DM 2.25) per ordinary share and EUR 1.26 (corresponding to DM 2.46) per preference share for 2000. Thus we carry on the tradition of steadily increasing dividends. Taking into account the corporate tax credit, the gross dividend for shareholders with unlimited tax liability in Germany amounts to EUR 1.64 (DM 3.21) per ordinary share and EUR 1.80 (DM 3.52) per preference share. As in the previous years, the full corporate tax credit can be imputed in this financial year too, for which this procedure will be applicable for the last time.

Key data on the Heidelberger Zement shares

EUR per share	1999	**2000**
Earnings per share (IAS 33)		
Earnings per ordinary share	5.38	**5.90**
Earnings per preference share	5.49	**6.01**
Dividends		
Ordinary share	1.05	**1.15***
Preference share	1.16	**1.26***
Ordinary share including tax credit	1.50	**1.64***
Preference share including tax credit	1.66	**1.80***
Equity per share	52.72	**57.20**

* Recommendation of the Managing and Supervisory Boards

Development 2000	**Ordinary share**	**Preference share**	**Total**
Highest share price	76.14	52.68	
Lowest share price	47.80	38.54	
Year-end share price	48.50	43.00	
Number of shares (31 Dec. 1999)	55,767,015	6,050,000	61,817,015
CBR share swap	741,558		
Option rights exercised	1,058,694		
Number of shares (31 Dec. 2000)	57,567,267	6,050,000	63,617,267
Market value (31 Dec. 2000) in EUR '000s	2,792,012	260,150	3,052,162

Share capital development

The increase of the stake in our Belgian subsidiary S.A. Cimenteries CBR from 55.9% to over 94% at the end of 1999 occurred through a combination of a share swap and an additional cash component. Within the scope of the first tender offer in December 1999, 5,912,136 Heidelberger Zement ordinary shares were issued in exchange for 8,868,204 CBR shares. As consequence the subscribed share capital of Heidelberger Zement AG rose by EUR 15.1 million. The second exchange offer made necessary by the successful conclusion of the first one took place from 20 December 1999 to 14 January 2000.

During this tender offer, 741,558 Heidelberger Zement ordinary shares were issued in exchange for 1,112,337 CBR shares in January 2000, so that the new subscribed share capital of Heidelberger Zement AG rose to EUR 160.1 million. The squeeze-out procedure required in conclusion was fully completed in 2000. Heidelberger Zement thus holds 100% of the shares in S.A. Cimenteries CBR. No increase of capital in kind was needed for the CBR shares acquired during the squeeze-out procedure.

At the Annual General Meeting on 7 June 2000, the existing Authorised Capital I was revoked and the Managing Board was authorised with the consent of the Supervisory Board to increase the share capital one or more times and up to EUR 30 million prior to 7 June 2005 by issuing new ordinary bearer shares and/or non-voting preference bearer shares, which are entitled to the same profit preference as the existing preference shares, against cash contributions. Shareholders will be granted a subscription right. The Managing Board is authorised, however, to exclude the subscription right completely for a partial amount of up to EUR 5 million, in order to issue new ordinary and/or preference shares at issue prices which are not significantly lower than the market prices of the old ordinary and/or preference shares.

In addition, options for ordinary shares were exercised in 2000 based on the conditional capital increase associated with the bond cum warrant dated 27 June 1995. A total of 874,954 stock warrants were submitted, which led to the issuing of 1,058,694 new ordinary shares. The subscribed share capital increased by these means by an additional EUR 2.7 million. The exercise period for the options based on this bond cum warrant expired in June 2000.

Heidelberger Zement share capital: development in 2000

	Share capital (EUR '000s)	Number of ordinary shares (in '000s)
1 January 2000	158,251	55,767
January 2000: Capital increase in kind for CBR share swap (2nd exchange offer)	1,898	742
June 2000: Conditional capital increase through exercise of stock warrants from the bond cum warrant 95/02	2,711	1,058
31 December 2000	**162,860**	**57,567**
Ordinary shares (31 Dec. 2000)	147,372	57,567
Preference shares (31 Dec. 2000)	15,488	6,050
Total (31 Dec. 2000)	**162,860**	**63,617**

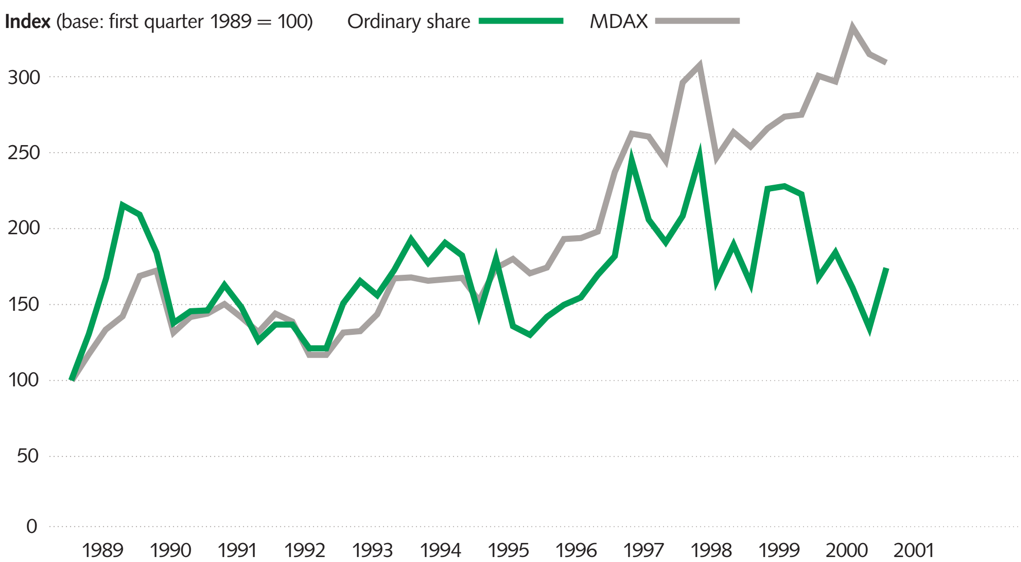
Group financial management

In the money markets, Heidelberger Zement was mainly active during the reporting year in the areas of short-term bilateral raising, commercial paper and short-running Euro Medium Term Notes (EMTN). The Euro Commercial Paper Programme, increased in 2000 to EUR 1 billion, permits the targeting of investors in the euro market outside of Germany as well, and has proven to be a significant component of Group financing.

The presence of the Heidelberger Zement Group in the capital markets was significantly characterised in 2000 by the consolidation of the financing of Scancem. Within the scope of this transaction, Heidelberger Zement Aktiengesellschaft took out a syndicated bank loan in July 1999 with a credit limit of EUR 2.2 billion, in which 40 German and foreign banks were included. The funds in the amount of EUR 1 billion that flowed to Heidelberger Zement Finance B.V. from the 6.375% Bond 2000/2007 issued in February 2000 were used essentially to repay the syndicated loan down to EUR 700 million. This reduced credit is available to the Group until July 2004. The bond was issued under the Heidelberger Zement EMTN programme, which is now increased to EUR 2 billion. In the year 2000 under this programme, additional issues occurred with a total volume of about EUR 427 million. In addition to that, bilateral bank loans were also taken out in the same year.

In order to further increase the attractiveness of Heidelberger Zement for foreign investors, we had ratings prepared in early January 2000 by the two leading credit rating agencies Moody's and Standard & Poor's. According to them, the short-term liabilities of Heidelberger Zement are associated with a rating of Prime-2 (Moody's) and A-2 (Standard & Poor's). For the long-term liabilities of Heidelberger Zement, Moody's and Standard & Poor's issued ratings of Baa1 and BBB+, respectively. Heidelberger Zement is one of the few MDAX companies having a long-term rating.

Evolution of the Heidelberger Zement ordinary share



The Heidelberger ordinary share is represented in 14 European share indexes. Thus it is one of the most important construction stocks in Europe. The share is included in, among others, the MDAX, DAX 100 Construction, Dow Jones Stoxx, and Dow Jones Euro Stoxx. In the first quarter 2001, the Heidelberger ordinary share was included into Dow Jones Construction Titans Index, in which the world's 30 largest construction and supplemental construction securities are contained.

Investor relations

The financial markets' need for information has grown. The major topics were world-wide changes in the international cement industry and our strategic objectives for the coming years. We have intensified the dialogue with our shareholders, with basically three main topics:

- increased direct approaching of institutional Heidelberger Zement investors,
- more thorough access for analysts to internal processes and management, and
- an expanded supply of information for strategic considerations that require explanation.

We will reach institutional investors and financial analysts at all the major banks through the following informational instruments:

- two analyst conferences, for the half-year and annual reports in Frankfurt and London,
- international conference calls on quarterly interim reports and significant specific topics,

Key financial ratios

	1996	1997	1998	1999	**2000**
Assets and capital structure					
Shareholders' equity/total capital	39.6 %	39.4 %	40.3%	31.3%	**33.1 %**
Net financial liabilities/balance sheet total	19.1 %	20.4 %	20.3 %	35.9 %	**37.2 %**
Long-term capital/fixed assets	94.1 %	90.8 %	97.5 %	106.1 %	**106.1 %**
Net financial liabilities/shareholders' equity	48.3 %	51.7 %	50.4 %	114.7 %	**112.3 %**
Earnings per share					
Price-earnings ratio (ordinary share)	16.3	16.8	15.0	14.5	**8.2**
Price-earnings ratio (preference share)	9.7	13.0	12.3	9.8	**7.2**
Earnings per ordinary share (EUR)	3.92	3.90	4.44	5.38	**5.90**
Earnings per preference share (EUR)	4.02	4.00	4.54	5.49	**6.01**
Group growth					
Turnover	7.2 %	12.1 %	5.5 %	63.3 %	**6.6 %**
Group share in profit	35.1 %	5.2 %	19.1 %	25.2 %	**37.4 %**
Shareholders' equity	6.3 %	8.5 %	6.1 %	43.1 %	**11.7 %**
Investments in tangible fixed assets (EURm)	286	360	367	581	**654**
Investments in financial fixed assets (EURm)	492	249	176	3,905	**495**
Cash flow (EURm)	547	561	602	951	**911**
Profitability					
Return on total assets	7.4 %	6.8 %	7.5 %	5.8 %	**6.6 %**
Return on equity	13.0 %	11.8 %	12.9 %	11.0 %	**11.0 %**
Return on turnover	7.7 %	6.8 %	7.5 %	5.6 %	**5.9 %**

– a total of 5 road shows per year for investors in Germany, the UK, France, Belgium, Sweden and Norway,
– about 20 individual interviews with investors and analysts on our premises,
– yearly attendance at international specialist conferences for investors,
– mailing of investor relations' information by faxes and e-mail.

The quarterly interim reports regularly provide information to analysts, institutional and private investors, who can also obtain comprehensive information about Heidelberger Zement through our Internet site and a shareholder hotline. Company news, presentation materials and publications can be viewed directly on the Internet or mailed on request.

In 2000 a half-year report according to IAS was published for the first time. The report included the presentation of the profit and loss account, the cash flow statement, the balance sheet, the equity capital grid, and the notes with segment reporting. Starting in 2001, complete quarterly interim reports according to IAS 34 will be prepared.

Earnings per share (IAS 33)

EURm	1999	**2000**
Profit for the financial year	358.9	**401.4**
Minority interests	-87.7	**-28.8**
Preference share additional dividends	-0.7	**-0.7**
	270.5	**371.9**
Number of shares in '000s (weighted average)	50,247	**63,010**
Earnings in EUR/ordinary share	5.38	**5.90**
Earnings in EUR/preference share	5.49	**6.01**

International Accounting Standards (IAS)

Starting in 1994, we prepared our Group annual accounts as so-called dual accounts, also in accordance with the International Accounting Standards Committee (IASC). Since 1998, we have made use of the opportunity under the German Law of the Facilitation of Capital Acquisition (Kapitalaufnahmeerleichterungsgesetz) and prepared our financial statements in accordance with IAS. In 2000, no significant changes occurred compared to 1999.

Starting 1 January 2001, we are applying the new standard IAS 39 (Financial Instruments: Recognition and Measurement).

Earnings per share significantly increased

Earnings per share are declared separately for ordinary and preference shares in accordance with IAS 33 (Earnings per Share). In the calculation of the average number of shares, additions were weighted in proportion to time. Further explanations can be found under point 10 in the notes.

Annual accounts of Heidelberger Zement Aktiengesellschaft

The profit and loss account, balance sheet, and fixed asset grid of Heidelberger Zement AG can be found on pages 69 to 72.

The complete annual accounts of Heidelberger Zement AG, bearing the unqualified audit opinion of Ernst & Young Deutsche Allgemeine Treuhand AG Wirtschaftsprüfungsgesellschaft will be published 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 Heidelberger Zement AG.

Group profit and loss account

EUR '000s	Notes	1999	2000
Turnover	1	6,388,908	**6,808,766**
Change in stocks and work in progress		7,323	**31,161**
Own work capitalised		13,678	**8,686**
Operating revenues		6,409,909	**6,848,613**
Other operating income	2	193,689	**196,597**
Material costs	3	-2,665,293	**-2,702,277**
Employees and personnel costs	4	-1,359,796	**-1,348,571**
Other operating expenses	5	-1,390,987	**-1,731,269**
Operating income before depreciation (OIBD)		1,187,522	**1,263,093**
Depreciation and amortisation of tangible fixed assets	6	-414,196	**-433,582**
Depreciation and amortisation of intangible fixed assets		-133,764	**-171,017**
Operating income		639,562	**658,494**
Non-operating result	7	3,990	**58,900**
Results from participations	8	81,159	**96,564**
Earnings before interest and income taxes (EBIT)		724,711	**813,958**
Income from loans		17,076	**24,532**
Other interest receivable and similar income		67,760	**62,442**
Interest payable and similar charges		-246,481	**-326,066**
Profit before tax		563,066	**574,866**
Taxes on income	9	-204,156	**-173,473**
Profit for the financial year		358,910	**401,393**
Minority interests		-87,692	**-28,783**
Group share in profit		271,218	**372,610**
Amount for dividend payment	39	66,352	**73,912**
Earnings per ordinary share in EUR (IAS 33)	10	5.38	**5.90**
Earnings per preference share in EUR (IAS 33)	10	5.49	**6.01**

Group cash flow statement

EUR '000s	Notes	1999	2000
Operating income before depreciation (OIBD)		1,187,522	**1,263,093**
Non-operating result before depreciation		5,101	**64,597**
Dividends received		67,201	**49,985**
Interest payed		-147,630	**-202,113**
Taxes payed		-180,155	**-220,498**
Elimination of non-cash items	11	19,367	**-44,044**
Cash flow		951,406	**911,020**
Changes in operating assets	12	2,334	**-233,159**
Changes in operating liabilities	13	258,325	**44,225**
Net cash from operating activities		1,212,065	**722,086**
Intangible fixed assets		-41,455	**-24,338**
Tangible fixed assets		-539,167	**-629,979**
Financial fixed assets		-3,238,714	**-428,402**
Investments (cash outflow)*	14	-3,819,336	**-1,082,719**
Proceeds from fixed assets disposals		157,621	**181,909**
Cash from changes in consolidation scope		399,878	**13,672**
Net cash used in investing activities		-3,261,837	**-887,138**
Cash capital increase		372,902	
Exercise of warrants		27,059	**54,355**
Increase of capital	15	399,961	**54,355**
Purchase of own shares			**-9,198**
Dividend payments - HZ AG	16	-46,609	**-66,192**
Dividend payments - minority shareholders	17	-37,182	**-11,811**
Proceeds from bond issuance and loans	18	2,347,957	**2,377,446**
Repayment of bonds and loans	19	-506,500	**-2,174,935**
Cash flow from financing activities		2,157,627	**169,665**
Net change in cash and cash equivalents	20	107,855	**4,613**
Effect of exchange rate changes	21	-198	**917**
Cash and cash equivalents at 1 January		378,176	**485,833**
Cash and cash equivalents at 31 December		485,833	**491,363**

* Investments including share swaps in EUR '000s: - 1999: 4,485,531
- 2000: 1,149,459

Group balance sheet

Assets

EUR '000s	Notes	31 Dec. 1999	31 Dec. 2000
Long-term assets			
Intangible fixed assets	22	2,659,269	**2,648,597**
Tangible fixed assets	23		
Land and buildings		1,520,433	**1,521,447**
Plant and machinery		2,249,120	**2,298,202**
Fixtures, fittings, tools and equipment		311,031	**297,799**
Payment on account and assets under construction		193,697	**378,843**
		4,274,281	**4,496,291**
Financial fixed assets	24		
Shares in associated undertakings	25	601,000	**597,789**
Shares in other participations	26	187,499	**330,507**
Loans to participations		69,009	**60,528**
Other loans		49,640	**95,178**
		907,148	**1,084,002**
Fixed assets		7,840,698	**8,228,890**
Deferred taxes		20,517	**25,242**
Other long-term receivables		176,246	**206,278**
		8,037,461	**8,460,410**
Short-term assets			
Stocks	27		
Raw materials and consumables		290,818	**317,917**
Work in progress		66,238	**73,963**
Finished goods and goods for resale		285,759	**295,101**
Payments on account		5,807	**5,144**
		648,622	**692,125**
Receivables and other assets	28		
Short-term financial receivables		170,052	**162,341**
Trade receivables		753,230	**817,356**
Other short-term operating receivables		227,348	**259,736**
Current income tax assets		90,376	**118,271**
		1,241,006	**1,357,704**
Short-term investments	29	32,252	**183,463**
Cash at bank and in hand	29	453,581	**307,900**
		2,375,461	**2,541,192**
Balance sheet total		10,412,922	**11,001,602**

Liabilities

EUR '000s	Notes	31 Dec. 1999	**31 Dec. 2000**
Sharehoders' equity and minority interests			
Subscribed share capital	30	158,251	**162,860**
Capital reserves	31	1,401,352	**1,517,838**
Revenue reserves	32	1,414,368	**1,732,820**
Currency translation		79,127	**104,572**
Own shares			**-9,198**
Capital entitled to shareholders		3,053,098	**3,508,892**
Minority interests	33	206,139	**130,153**
		3,259,237	**3,639,045**
Long-term provisions and liabilities			
Provisions	34		
Provisions for pensions	35	456,254	**463,997**
Deferred taxes	36	572,713	**547,016**
Other long-term provisions	37	310,077	**310,976**
		1,339,044	**1,321,989**
Liabilities	38		
Debenture loans		424,511	**1,384,828**
Bank loans		2,478,888	**1,641,611**
Other long-term financial liabilities		804,238	**709,446**
		3,707,637	**3,735,885**
Other long-term operating liabilities		15,902	**31,184**
		3,723,539	**3,767,069**
		5,062,583	**5,089,058**
Short-term provisions and liabilities			
Provisions	34	102,346	**75,782**
Liabilities	38		
Debenture loans (current portion)		137,790	**28,805**
Bank loans (current portion)		395,281	**335,294**
Other short-term financial liabilities		271,620	**797,853**
		804,691	**1,161,952**
Trade payables		444,296	**466,334**
Current income taxes payables		128,822	**122,505**
Other short-term operating liabilities		610,947	**446,926**
		1,988,756	**2,197,717**
		2,091,102	**2,273,499**
Balance sheet total		10,412,922	**11,001,602**

Group equity capital grid

EUR '000s		Capital changes			Changes without effects on results		
	1 Jan. 2000	Increase Decrease	Dividends	Profit for the financial year	Exchange rates	Other changes	31 Dec. 2000
Subscribed share capital							
Ordinary shares	142,763	4,609					147,372
Preference shares	15,488						15,488
	158,251	4,609					162,860
Capital reserves	1,401,352	116,486					1,517,838
Revenue reserves	1,414,368		-66,192	372,610		12,034	1,732,820
Currency translation	79,127				25,445		104,572
Own shares		-9,198					-9,198
Capital entitled to shareholders	3,053,098	111,897	-66,192	372,610	25,445	12,034	3,508,892
Minority interests	206,139	-96,111	-11,811	28,783	3,153		130,153
	3,259,237	**15,786**	**-78,003**	**401,393**	**28,598**	**12,034**	**3,639,045**

Parent company profit and loss account

EUR '000s	1999	**2000**
Turnover	541,375	**432,332**
Change in stocks and work in progress	-11,280	**734**
Own work capitalised	448	**262**
Operating revenues	530,543	**433,328**
Other operating income[1]	142,895	**127,068**
Material costs	-191,764	**-127,186**
Personnel costs	-148,634	**-133,532**
Depreciation and amortisation of tangible and intangible fixed assets	-29,348	**-26,916**
Other operating expenses[2]	-205,679	**-224,148**
Operating results[3]	98,013	**48,614**
Results from participations	45,263	**174,957**
Income from loans	11,261	**12,024**
Other interest receivable and similar income	12,697	**14,216**
Amounts written off financial fixed assets	-13,138	**-3,661**
Interest payable and similar charges	-90,062	**-165,984**
Profit on ordinary activities before tax	64,034	**80,166**
Taxes on income	13,343	**15,326**
Other taxes	-799	**-742**
Profit for the financial year	76,578	**94,750**
Profit carried forward		**161**
Transfer to revenue reserves	-10,226	**-20,999**
Profit and loss account	66,352	**73,912**

1) Of which non-operating income in EUR '000s: 65,420 (previous year: 81,757)
2) Of which non-operating expenses in EUR '000s: 85,888 (previous year: 46,806)
3) Including the non-operating result the operating results amount to: in EUR '000s: 69,082 (previous year.: 63,062)

Parent company balance sheet

Assets

EUR '000s	31 Dec. 1999	**31 Dec. 2000**
Fixed assets		
Tangible assets		
Land and buildings	112,031	**103,484**
Plant and machinery	17,889	**25,076**
Fixtures, fittings, tools and equipment	16,792	**12,528**
Payments on account and assets under construction	19,345	**4,571**
	166,057	**145,659**
Financial assets		
Shares in affiliated undertakings	4,327,572	**5,104,951**
Loans to affiliated undertakings	229,126	**194,841**
Participations	132,009	**120,364**
Loans to participations	1,066	**798**
Other loans	5.603	**13,263**
	4,695,376	**5,434,217**
	4,861,433	**5,579,876**
Current assets		
Stocks		
Raw materials and consumables	20,638	**16,264**
Work in progress	5,684	**7,400**
Finished goods and goods for resale	8,199	**4,201**
	34,521	**27,865**
Trade and other receivables		
Trade receivables	13,077	**8,516**
Amounts owed by affiliated undertakings	265,641	**241,201**
Amounts owed by participations	10,687	**2,142**
Other receivables and other current assets	190,855	**315,178**
	480,260	**567,037**
Short-term investments	933	**33,130**
Cash at bank and in hand	11,283	**11,971**
Balance sheet total	5,388,430	**6,219,879**

Liabilities

EUR '000s	31 Dec. 1999	**31 Dec. 2000**
Shareholders' equity		
Subscribed share capital	158,251	**162,860**
Capital reserves	1,286,858	**1,403,344**
Revenue reserves		
Ehrhart Schott - Kurt Schmaltz-Trust	511	**511**
Reserve for environmentally responsible maintenance of real asset values	147,508	**148,507**
Other revenue reserves	93,650	**106,128**
	241,669	**255,146**
Reserves for own shares		**7,522**
Profit and loss account	66,352	**73,912**
	1,753,130	**1,902,784**
Special item with an equity portion	15,373	**19,250**
Provisions		
Pensions	203,494	**206,642**
Taxes	9,047	**209**
Other provisions	155,795	**183,296**
	368,336	**390,147**
Liabilities		
Bank loans	2,289,654	**556,650**
Trade payables	23,416	**17,352**
Amounts owed to affiliated undertakings	598,658	**2,921,158**
Amounts owed to participations	12,312	**9,602**
Other liabilities	327,551	**402,936**
	3,251,591	**3,907,698**
Balance sheet total	5,388,430	**6,219,879**

Parent company fixed asset grid

EURm	Purchase price or production cost 1 Jan. 2000	Additions	Disposals	Reclassi- fications	31 Dec. 2000	Depreciation Cumu- lative	2000 2000	Net book value 31 Dec.
Tangible assets								
Land and buildings	583.6	6.6	34.9	4.3	559.6	456.1	8.1	103.5
Plant and machinery	532.2	7.9	38.5	12.7	514.3	489.2	10.9	25.1
Fixtures, fittings, tools and equipment	137.6	8.5	38.1	0.2	108.2	95.7	7.9	12.5
Payments on account and assets under construction	19.7	3.9	1.7	-17.2	4.7	0.1	0.0	4.6
	1,273.1	**26.9**	**113.2**	**0.0**	**1,186.8**	**1,041.1**	**26.9**	**145.7**
Financial assets								
Shares in affiliated undertakings	4,394.5	1,374.9	634.9	28.7	5,163.2	58.2	0.0	5,105.0
Loans to affiliated undertakings	233.1	26.0	34.0	-25.8	199.3	4.5	0.0	194.8
Participations	147.8	13.4	33.8	-2.9	124.5	4.2	2.0	120.3
Loans to participations	1.1	0.8	0.5	-0.6	0.8	0.0	0.0	0.8
Other loans	5.7	8.5	1.0	0.6	13.8	0.5	0.0	13.3
	4,782.3	**1,423.6**	**704.2**	**0.0**	**5,501.6**	**67.4**	**2.0**	**5,434.2**
Fixed assets	**6,055.4**	**1,450.5**	**817.4**	**0.0**	**6,688.4**	**1,108.5**	**28.9**	**5,579.9**

Notes to the Group accounts

Summary of significant accounting principles

Heidelberger Zement AG, as a listed parent company, made use of the election permitted under Paragraph 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 Accounting Standards (IAS) were applied.

In the financial year 2000, the new accounting standard for provisions (IAS 37) and for intangible assets (IAS 38) were applied for the first time. In accordance with IAS 37, a provisions chart has been presented in the notes for the first time.

The accounts of all companies included in the Group accounts of Heidelberger Zement were prepared in accordance with uniform accounting and valuation methods. These accounts have been prepared as at the same date as the Group accounts.

In accordance with standard international preparation of Group accounts, reporting begins with the profit and loss account. 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 account and in the balance sheet. Explanations for these items are contained in the notes. To improve the level of information, the non-operating result has been included separately for the first time in the profit and loss account and in the segment reporting. Other operating income, material costs and other operating expenses were adjusted in the prior year figures to aid comparison.

Principles of consolidation

Capital consolidation was performed according to the full fair value method on the basis of the values at the acquisition date. In accordance with IAS 22, positive differences that arose in 2000 between investment values and the equity of the investment held are shown under intangible fixed assets and are systematically amortised over the useful life. Income and expenses as well as receivables and payables between consolidated companies have been eliminated. Profits and losses from intra-Group sales were eliminated appropriately.

Shares in all significant associated undertakings were valued in accordance with the equity method. In order to improve the meaningfulness of the presentation of results from participations, proportionate results from associated undertakings were shown before income taxes. The proportionate income tax expense is shown under taxes on income.

Valuation principles

Valuation is based on historical costs – purchase costs or production costs. The applicable valuation methods are explained with the corresponding balance sheet items.

The following differences to accounting and valuation methods according to the German Commercial Code exist: no provisions are made for deferred repairs and maintenance; provisions for deferred taxes on revaluations not affecting results under hyperinflation accounting are also not booked to the profit and loss account.

Foreign currency translation

The accounts of the Group's foreign subsidiaries were converted into EUR in accordance with the IAS 21 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. All fixed assets and other remaining assets as well as liabilities were converted using the average exchange rates as of the balance sheet date. This methodology was also applied to the proportional shareholders' equity of foreign associated undertakings. Income and expenses were converted using average annual exchange rates.

Conversion of the annual accounts of companies in Turkey and Romania followed IAS 29 (hyperinflationary accounting). The inflation rate in Turkey in 2000 reached 32.7%, in Romania 40.7%. During this time period, the Turkish lira was devalued by 14.2% compared to the euro, the Romanian leu by 27.9%.

The following key exchange rates were used:

Exchange rates

		Exchange rates at year end		Average annual exchange rates	
	Country	1999 EUR	**2000 EUR**	1999 EUR	**2000 EUR**
DEM	Germany	1.95583	**1.95583**	1.95583	**1.95583**
USD	USA	1.0046	**0.9396**	1.0647	**0.9235**
CAD	Canada	1.4608	**1.4097**	1.5813	**1.3707**
GBP	United Kingdom	0.6217	**0.6288**	0.6582	**0.6092**
BGL	Bulgaria	1.9122	**1.9561**	1.8986	**1.9481**
BEF	Belgium	40.3399	**40.3399**	40.3399	**40.3399**
FRF	France	6.5596	**6.5596**	6.5596	**6.5596**
HRK	Croatia	7.6679	**7.5926**	7.5646	**7.6401**
NLG	Netherlands	2.2037	**2.2037**	2.2037	**2.2037**
NOK	Norway	8.0765	**8.2998**	8.3085	**8.1149**
PLN	Poland	4.1587	**3.8610**	4.2225	**4.0067**
ROL	Romania	18,286.5	**24,339.7**	1)	**1)**
SEK	Sweden	8.5626	**8.8684**	8.8054	**8.4448**
CZK	Czech Republic	36.1016	**35.2710**	36.8558	**35.6099**
HUF	Hungary	254.7000	**265.0800**	252.7442	**260.0478**
TRL	Turkey	545,782.8	**623,550.0**	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 Heidelberger Zement Aktiengesellschaft, the Group accounts include 465 subsidiaries that have been fully or proportionately consolidated, of which 69 are German and 396 are foreign. Proportionately consolidated companies accounted for 7.5% of the revenues and 11.2% of the expenses shown in the profit and loss accounts; they contributed 5.8% and 9.6%, respectively, to the consolidated long-term and short-term assets. In addition, 4.3% of liabilities (IAS 31) was apportioned to these companies.

The scope of consolidation changed compared with 1999 in that the two German ready-mixed concrete enterprises TBG Lieferbeton Aschaffenburg GmbH & Co. KG, Aschaffenburg and TBG Kurpfalz Beton GmbH & Co. KG, Eppelheim, are included for the first time, the latter being on a proportional basis. The companies Vulkan Bohemia s.r.o., Beroun/Czech Republic, Chittagong Cement Clinker Grinding Company Ltd., Chittagong/Bangladesh, Cimcongo S.A., Pointe Noire/Republic of Congo, Liberia Cement Corporation, Monrovia/Liberia, and the ready-mixed concrete enterprises of the Clemco Ready Mix Group, Hong Kong/China, were also included in the Group annual accounts for the first time. Beamix Holding B.V., Eindhoven/Netherlands, which was included proportionately in the previous year, and the company Cimbenin S.A., Cotonou/Benin, which was consolidated at equity in the previous year, were also fully consolidated for the first time due to the increase in shares. Butra Heidelberger Zement Sdn. Bhd., Muara/Brunei, was consolidated proportionately for the first time after the acquisition of 50% during the past financial year. Heidelberger Dämmsysteme GmbH, Heidelberg, and the companies in the Kraftverkehr Bayern/Südkraft group, Munich, both in Germany, were removed from the scope of consolidation. The company Cementownia Strzelce Opolskie S.A., Strzelce Opolskie/Poland, was merged with Górazdze Cement S.A., Chorula/Poland.

Affiliated undertakings that have an insignificant impact on the true and fair representation of the Group's net worth, financial position, 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 trade register of the local court (Amtsgericht) in Heidelberg.

The following partnerships are consolidated in the Group annual accounts of Heidelberger Zement Group and are therefore subject to the statutory exemption regulations:

Heidelberger Grundstücksgesellschaft mbH & Co. KG, Heidelberg;
Baustoffwerke Brieselang/Brandenburg GmbH & Co. KG, Brieselang;
maxit Baustoffwerke Fittschen GmbH & Co., Buxtehude;
Franken maxit Mauermörtel GmbH & Co., Azendorf;
maxit Baustoffwerke Nord GmbH & Co. KG, Klein-Schulzendorf;
maxit Dämm- und Fassadentechnik GmbH & Co., Kahla;
maxit Baustoffwerke West GmbH & Co. KG, Mannheim;
Baustoffwerke Dresden GmbH & Co. KG, Dresden;
TBG Betonwerk Prignitz GmbH & Co. KG, Weisen;
Kalksandsteinwerk Saale Dreieck GmbH & Co. KG, Groß Rosenburg;
Walhalla Kalk GmbH & Co. KG, Regensburg;
BLG Transportbeton GmbH & Co. KG, Munich;
BWG Betonwerke Fuchs GmbH & Co. KG, Chemnitz;
BWG Betonwerke Himmelsberg GmbH & Co. KG, Schweinitz;
TBG Fertigbeton Saar GmbH & Co. KG, Saarbrücken;
Hornbach Kläranlagen GmbH & Co. KG, Hagenbach/Palatinate;
TBG Transportbeton Lüssen GmbH & Co. KG, Bremen;
Schmitt & Weitz Baustoffwerke GmbH & Co. KG, Kleinostheim;
TBG Lieferbeton Aschaffenburg GmbH & Co. KG, Aschaffenburg;
TBG Transportbeton und Betonpumpendienst GmbH & Co. KG, Berlin;
TBG Transportbeton GmbH & Co. KG Donau-Naab, Burglengenfeld;
TBG Transportbeton GmbH & Co. Franken KG, Nuremberg;
TBG Transportbeton und Betonpumpendienst GmbH & Co. KG, Gera;
TBG Transportbeton Kurpfalz GmbH & Co. KG, Eppelheim;
TBG Transportbeton GmbH & Co. KG Lübben, Lübben;
TBG Transportbeton Neuper GmbH & Co. KG, Rostock;
TBG Transportbeton GmbH & Co. KG Lower Bavaria, Fürstenzell;
TBG Transportbeton Saalfeld GmbH & Co. KG, Saalfeld;
Transportbeton – Industrie GmbH & Co. KG, Rostock;
Wika-Beton GmbH & Co. KG, Stade.

Principal shareholdings

Affiliated companies

Central Europe West

	since	Sub. capital EURm	Holding in %	Parent company
Cement				
Heidelberger Zement International Holding GmbH (HZI), Heidelberg	1993	264	100.0	HZ
Concrete				
Baustoffwerke Wittmer + Klee GmbH, Waghäusel	1991	1	100.0	VUL
BLG Betonlieferungsgesellschaft mbH, Munich	1959	1	100.0	VUL
Sandwerke Biesern GmbH, Penig	1992	1	100.0	HBW
Schmitt & Weitz Baustoffwerke GmbH & Co. KG, Kleinostheim	1991	8	100.0	VUL/HZ
Société des Entreprises Rudigoz S.A.S., Meximieux/France	1991	3	100.0	MAX
TBG Transportbeton Lüssen GmbH & Co. KG, Bremen	1994	2	100.0	VUL
TBG Transportbeton GmbH & Co. KG Niederbayern, Fürstenzell	1985	4	100.0	VUL
TBG Transportbeton Neuper GmbH & Co. KG, Rostock	1991	3	100.0	VUL
TBG Transportbeton und Pumpendienst GmbH & Co. KG Gera, Gera	1991	1	100.0	VUL
Vulkan GmbH (VUL) - (Holding company for ready-mixed concrete participations), Heidelberg	1959	6	100.0	HZ
WIKA-BETON GmbH & Co. KG, Stade	1994	2	73.9	VUL
Building materials				
Baustoffwerke Brieselang/Brandenburg GmbH & Co. KG, Brieselang	1995	1	100.0	MAX
Baustoffwerke Dresden GmbH & Co. KG, Dresden	1991	5	100.0	HBW
Heidelberger Baustoffwerke GmbH (HBW), Durmersheim	1960	38	100.0	HZ
Erste Salzburger Gipswerks-Gesellschaft Christian Moldan KG, Kuchl/Austria	1971	*	76.3	HZ
Heidelberger Bauchemie GmbH, Heidelberg	1990	34	100.0	HZ
Hunziker Kalksandstein AG, Brugg/Switzerland	1992	10	85.0	HBW
Heidelberger maxit GmbH (MAX), Breisach	1999	16	76.3	HZ
Walhalla Kalk GmbH & Co. KG, Regensburg	1970	1	79.9	HZ
Société Mosellane d'Anhydrite S.A.S., Faulquemont/France	1992	5	100.0	MAX

Western Europe

	since	Sub. capital EURm	Holding in %	Parent company
Cement				
S.A. Cimenteries CBR (CBR), Brussels/Belgium	1993	150	100.0	HZ/HZI
CBR International Services S.A., Brussels/Belgium	1993	869	100.0	CBR
ENCI N.V. (ENCI), 's-Hertogenbosch/Netherlands	1993	3	100.0	CBR/HZ
CBR Asset Management S.A., Luxembourg/Luxembourg	1993	*	100.0	CBR
CBR Baltic B.V. (CBRB), 's-Hertogenbosch/Netherlands	1993	52	100.0	HZ
Scancem Group Ltd. (SGL), Birmingham/United Kingdom	1999	111	100.0	HZ
Castle Cement Ltd, Birmingham/United Kingdom	1999	113	100.0	SGL
Lehigh B.V. (LBV), 's-Hertogenbosch/Netherlands	1993	*	100.0	HZI/CBR
Concrete				
CBR Construction Materials B.V. (CBRC), 's-Hertogenbosch/Netherlands	1993	4	100.0	HZ
MEBIN B.V., 's-Hertogenbosch/Netherlands	1993	10	100.0	ENCI
Building materials				
Beamix Holding B.V., Eindhoven/Netherlands	1993	*	100.0	ENCI

Northern Europe

	since	Sub. capital EURm	Holding in %	Parent company
Cement				
NEWCEM Holding AB (NEW), Malmö/Sweden	1999	*	100.0	HZ
Scancem AB (SCAN), Malmö/Sweden	1999	156	100.0	NEW
Cement Norden AB (CN), Danderyd/Sweden	1999	71	100.0	SCAN
Cementa AB, Danderyd/Sweden	1999	23	100.0	CN
Norcem AS, Oslo/Norway	1999	21	100.0	CN
Scancem International AS (SI), Oslo/Norway	1999	2	100.0	SCAN
Atlas Nordic Cement Ltd. Oy (ANC), Virkkala/Finland	1999	20	75.0	SCAN
Kunda Nordic Cement Corp., Kunda/Estonia	1999	24	100.0	ANC
Concrete				
Euroc Beton AB (EB), Växjö/Sweden	1999	5	100.0	SCAN
Abetong Precon AB, Växjö/Sweden	1999	1	100.0	EB
Betongindustri AB, Stockholm/Sweden	1999	*	100.0	EB
Norbetong AS, Oslo/Norway	1999	15	100.0	EB
Sand & Grus AB Jehander, Stockholm/Sweden	1999	1	100.0	EB
Swedish Rail System AB SRS, Ystad/Sweden	1999	*	100.0	EB
Building materials				
Optiroc Group AB (OR), Sollentuna/Sweden	1999	6	100.0	SCAN
Optiroc AB, Sollentuna/Sweden	1999	1	100.0	OR
Optiroc Oy Ab, Kärköla/Finland	1999	9	100.0	OR
Norsk Leca a.s., Oslo/Norway	1999	1	100.0	OR

Central Europe East

	since	Sub. capital EURm	Holding in %	Parent company
Cement				
Ceskomoravský Cement, a.s. (CMC), Beroun/Czech Republic	1991	65	97.9	CBRC
Górazdze Cement S.A. (GOR), Chorula/Poland	1993	25	99.9	CBRB
ISTRA Cement International AG, Pula/Croatia	1993	33	92.5	HZ
MOLDOCIM - S.A. Bicaz, Bicaz/Romania	1998	64	84.8	HZ
Zlatna Panega AD, Zlatna Panega/Bulgaria	1997	16	99.9	HZ
Concrete				
Beton Mix Brno, a.s., Brno/Czech Republic	1993	1	66.0	VULB/CBRC
Spojené sterkovny à piskovny, a.s., Brno/Czech Republic	1993	13	95.1	CBRC
Zielonogórskie Kopalnie Surowców Mineralnych S.A., Zielona Góra/Poland	1996	*	99.6	GOR
Opolskie Kopalnie Surowców Mineralnych S.A., Opole/Poland	1998	9	66.7	GOR
Vulkan Bohemia Group (VULB), Beroun/Czech Republic	1993	8	100.0	CMC
CGS Beton Polska Group, Opole/Poland	1996	12	100.0	GOR

North America	since	Sub. capital EURm	Holding in %	Parent company
Cement				
Heidelberg Cement, Inc. (HCI), Wilmington/USA	1977	433	100.0	LBV
Lehigh Portland Cement Co. (LEH), Allentown/USA	1977	222	100.0	HCI
Calaveras Cement Co., Concord/USA	1993	204	100.0	LEH
Allentown Cement Co., Fleetwood/USA	1999	1	100.0	SGL
Continental Cement of Florida, Fort Lauderdale/USA	1999	8	100.0	SGL
Lehigh Portland Cement Limited (LPCL), Calgary/Canada	1993	35	100.0	LBV
Inland Cement Limited, Calgary/Canada	1993	*	100.0	LPCL
Tilbury Cement Limited, Delta/Canada	1993	*	100.0	LPCL
Concrete				
Sherman International Corp., Birmingham/USA	1994	43	100.0	LEH
Africa-Asia-Turkey				
Cement				
Ciments du Togo S.A., Lomé/Togo	1999	1	100.0	SI
Ghacem Ltd., Accra/Ghana	1999	1	94.5	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	2	63.7	SI
Cimbenin S.A., Cotonou/Benin	1999	3	52.4	SI
Cimcongo S.A., Pointe Noire/Republic of Congo	2000	3	70.0	SI
Limay Grinding Mill Corporation, Makati City/Philippines	1998	5	94.9	ENCI
Chittagong Cement Clinker Grinding Company Ltd., Chittagong/Bangladesh	2000	5	26.0	ENCI
Scancement International Ltd., Dhaka/Bangladesh	2000	20	62.2	SI
Concrete				
Clemco Ltd., Hong Kong/China	1999	7	100.0	CBR
Group Services				
HC Trading B.V., 's-Hertogenbosch/Netherlands	1996	*	100.0	CBR

Proportionately consolidated undertakings

Central Europe West	since	Sub. capital EURm	Holding in %	Parent company
Cement				
Anneliese Zementwerke AG, Ennigerloh	1984	27	41.4	HZ
Concrete				
EWH Verwaltungs- und Beteiligungs GmbH, Cadenberge	1993	*	50.0	HBW
Western Europe				
Concrete				
Gralex S.A. (GRL), Brussels/Belgium	1993	5	50.0	CBR
Inter-Beton S.A., Brussels/Belgium	1993	2	96.6	GRL
Northern Europe				
Concrete				
Parma Betonila Oy, Forssa/Finland	1999	10	50.0	EB

Central Europe East

Cement	since	Sub. capital EURm	Holding in %	Paremt company
Duna-Dráva Cement - és Mészmüvek Kft., Vác/Hungary	1989	64	50.0	HZ

North America

Cement				
Texas-Lehigh Cement Co., Buda/USA	1986	72	50.0	LEH
Glens Falls Lehigh Cement Co., Glens Falls/USA	1999	79	50.0	LEH

Concrete				
Campbell Concrete & Materials, L.P., Cleveland/USA	1998	97	50.0	LEH

Africa-Asia-Turkey

Cement				
Akçansa Çimento Sanayi ve Ticaret A.S. (AC), Istanbul/Turkey	1996	201	39.7	CBR
Karçimsa Çimento Sanayi ve Ticaret A.S., Karabük/Turkey	1996	9	51.0	AC
Butra Heidelberger Zement Sdn. Bhd., Muara/Brunei	2000	15	50.0	ENCI

Concrete				
Agregasa Agrega Sanayi ve Ticaret A.S., Akatlar/Turkey	1998	27	39.7	CBR

Associated undertakings

Central Europe West

Cement				
Südbayerisches Portland-Zementwerk Gebr. Wiesböck & Co. GmbH, Rohrdorf	1968	11	32.3	HZ
ZEAG Zementwerk Lauffen-Elektrizitätswerk Heilbronn AG, Heilbronn	1972	19	27.4	HZ

Concrete				
Kronimus AG, Iffezheim	1991	10	24.9	HZ

Building materials				
Marmoran AG, Volketswil/Switzerland	1984	1	50.0	HZ

Western Europe

Cement				
Vicat S.A., Paris/France	1968	30	35.0	HZ
Ciments Luxembourgeois S.A., Esch-sur-Alzette/Luxembourg	1993	25	24.9	CBR

Africa-Asia-Turkey

Cement				
Bonny Holding Ltd., Port Harcourt/Nigeria	1999	4	40.0	SI
Nova Cimangola S.A.R.L., Luanda/Angola	1999	38	24.5	SI
Tanzania Portland Cement Company Ltd., Dar es Salaam/Tanzania	1999	5	41.0	SI
Cement Company of Northern Nigeria Plc, Sokoto/Nigeria	2000	2	40.0	SI
Société des Ciments du Gabon, Libreville/Gabon	2000	29	75.0	SI
China Century Cement Limited, Guangzhou/China	1995	*	30.0	CBR

* Subscribed capital under EUR 0,5 million

Segment reporting

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

EURm	Central Europe West		Western Europe		Northern Europe	
	1999	**2000**	1999	**2000**	1999	**2000**
External turnover	1,605	**1,493**	1,058	**1,120**	1,110	**1,263**
Inter-region turnover	6	**13**	3		35	**71**
Turnover	1,611	**1,506**	1,061	**1,120**	1,145	**1,334**
Change to prior year in %		*-6.5%*		*5.6%*		*16.5%*
Operating income before depreciation (OIBD)	267	**244**	249	**271**	185	**220**
in % of turnover	*16.6%*	*16.2%*	*23.5%*	*24.2%*	*16.2%*	*16.5%*
Depreciation	128	**121**	106	**131**	123	**129**
Operating income	139	**123**	143	**140**	62	**91**
in % of turnover	*8.6%*	*8.2%*	*13.5%*	*12.5%*	*5.4%*	*6.8%*
Results from participations	64	**72**	7	**8**	5	**5**
Non-operating result						
Earnings before interest and income taxes (EBIT)	203	**195**	150	**148**	67	**96**
Investments (1)	129	**94**	95	**112**	107	**74**
Segment assets (2)	1,253	**1,235**	1,586	**1,581**	1,631	**1,562**
OIBD in % of segment assets	*21.3%*	*19.8%*	*15.7%*	*17.1%*	*11.3%*	*14.1%*
Segment liabilities (3)	1,074	**791**	482	**469**	439	**364**
Employees	8,533	**8,233**	4,388	**4,450**	7,310	**7,476**

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

EURm	Cement		Concrete		Building materials	
	1999	**2000**	1999	**2000**	1999	**2000**
External turnover	2,834	**3,105**	1,976	**2,166**	1,385	**1,348**
Inter-business line turnover	331	**401**	7	**5**	33	**38**
Turnover	3,165	**3,506**	1,983	**2,171**	1,418	**1,386**
Change to prior year in %		*10.8%*		*9.5%*		*-2,3%*
Operating income before depreciation (OIDB)	757	**853**	258	**258**	161	**147**
in % of turnover	*23.9%*	*24.3%*	*13.0%*	*11.9%*	*11.4%*	*10.6%*
Investments (1)	300	**417**	156	**145**	104	**91**
Segment assets (2)	4,924	**5,102**	911	**998**	980	**1,000**
OIBD in % of segment assets	*15.4%*	*16.7%*	*28.3%*	*25.9%*	*16.4%*	*14.7%*

(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
The non-operating result was shown in the segment reporting for the first time. The prior year´s figures were adjusted appropriately.

Explanation of segment reporting

Certain principal items of information are presented by regions and business lines in accordance with the segment reporting rules of IAS 14. Segment reporting corresponds with the Group's internal management reporting.

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

Central Europe East		North America		Africa-Asia-Turkey		Group Services		Reconciliation		Group	
1999	**2000**	1999	**2000**	1999	**2000**	1999	**2000**	1999	**2000**	1999	**2000**
382	**420**	1,690	**1,912**	350	**403**	194	**198**			6,389	**6,809**
14	**14**			15	**21**	212	**299**	-285	**-418**		
396	**434**	1,690	**1,912**	365	**424**	406	**497**	-285	**-418**	6,389	**6,809**
	9.6%		*13.1%*		*16.2%*		*22.4%*				*6.6%*
94	**107**	330	**362**	51	**54**	12	**5**			1,188	**1,263**
23.7%	*24.7%*	*19.5%*	*18.9%*	*14.0%*	*12.7%*	*3.0%*	*1.0%*			*18.6%*	*18.5%*
49	**51**	105	**132**	29	**37**	8	**3**			548	**604**
45	**56**	225	**230**	22	**17**	4	**2**			640	**659**
11.4%	*12.9%*	*13.3%*	*12.0%*	*6.0%*	*4.0%*	*1.0%*	*0.4%*			*10.0%*	*9.7%*
-7		9	**6**	3	**5**					81	**96**
								4	**59**	4	**59**
38	**56**	234	**236**	25	**22**	4	**2**	4	**59**	725	**814**
67	**67**	141	**260**	21	**46**	21	**1**	3,905	**495**	4,486	**1,149**
569	**634**	1,365	**1,571**	411	**517**	119	**45**			6,934	**7,145**
16.5%	*16.9%*	*24.2%*	*23.0%*	*12.4%*	*10.4%*	*10.1%*	*11.1%*			*17.1%*	*17.7%*
84	**107**	376	**489**	97	**163**	89	**82**	4,513	**4,898**	7,154	**7,363**
8,388	**7,448**	6,542	**6,191**	1,757	**2,552**	1,409	**122**			38,327	**36,472**

Group Services		Reconciliation		Group	
1999	**2000**	1999	**2000**	1999	**2000**
194	**190**			6,389	**6,809**
212	**307**	-583	**-751**		
406	**497**	-583	**-751**	6,389	**6,809**
	22.4%				*6.6%*
12	**5**			1,188	**1,263**
3.0%	*1.0%*			*18.6%*	*18.5%*
21	**1**	3,905	**495**	4,486	**1,149**
119	**45**			6,934	**7,145**
10.1%	*11.1%*			*17.1%*	*17.7%*

Turnover with other regions or business lines represents the turnover between segments. Transfer prices were determined based on the market and also taking companies' Group memberships into account. OIBD is calculated as operating income before depreciation.

For the first time, we show the non-operating result separately in the annual report. This adaptation was made to improve the level of information contained in the segment reporting.

Notes to the profit and loss accounts

1 | Turnover

Turnover development by regions and business lines in 1999 and 2000

EURm	Central Europe West		Western Europe		Northern Europe		Central Europe East		North America		Africa-Asia-Turkey		Total	
	1999	**2000**	1999	**2000**	1999	**2000**	1999	**2000**	1999	**2000**	1999	**2000**	1999	**2000**
Cement	436	**447**	774	**810**	327	**381**	300	**338**	980	**1,131**	348	**399**	3,165	**3,506**
Concrete	371	**376**	305	**301**	385	**452**	56	**74**	837	**931**	29	**37**	1,983	**2,171**
Building materials	832	**724**	56	**82**	488	**547**	42	**33**	–	**–**	–	**–**	1,418	**1,386**
Inter-business line turnover	-28	**-41**	-74	**-73**	-55	**-46**	-2	**-11**	-127	**-150**	-12	**-12**	-298	**-333**
Subtotal	1,611	**1,506**	1,061	**1,120**	1,145	**1,334**	396	**434**	1,690	**1,912**	365	**424**	6,268	**6,730**
Group Services													406	**497**
Inter-region turnover													-285	**-418**
Total													6,389	**6,809**

Turnover declined by 6.5% in Central Europe West due to the deconsolidation of Heidelberger Dämmsysteme and the falling demand for building materials, especially in eastern Germany.

The development of turnover in the Western Europe region, with a rise of 5.6%, corresponds with the general favourable economic conditions in Belgium, the Netherlands and the United Kingdom.

The steady growth in the construction markets of Northern Europe and positive currency exchange effects of approximately EUR 50 million led to a growth in turnover of 16.5% in this region.

During the past financial year, Heidelberger Zement continued to expand its leading position in the countries of the Central Europe East region. Turnover grew by 5% after adjustment for the effect of enterprises consolidated for the first time.

North America was the region with the strongest turnover in the Group, and was able to maintain the high level of turnover due to the continued high demand in commercial construction. The rise in comparison to the past year was due to the increase in the exchange rate by approximately 15%.

The individual countries in the markets of the future in Africa, Asia and Turkey each vary with respect to economic trends. The total cement sales volume in Africa increased, in Asia companies with a turnover of EUR 50 million were consolidated for the first time and in Turkey export shipments compensated for the hesitant domestic demand.

The Group Services show the trading activities of the Group. HC Trading, which coordinates our international export and trading activities, more than compensated for the turnover volume which was lost by the deconsolidation of the Kraftverkehr Bayern/Südkraft group.

2 Other opterating income

Other operating income essentially comprises income from services, rental and leasehold contracts, releases of provisions and write-downs, as well as book profits from fixed asset disposals within the course of normal operating activities. Significant business transactions which cannot be allocated to the operational business are shown in the non-operating result.

3 Material costs

EURm	1999	**2000**
Raw materials	967.9	**1,052.5**
Supplies, repair materials and packaging	332.5	**312.4**
Costs of energy	426.9	**477.0**
Goods purchased for resale	619.0	**625.1**
Miscellaneous	153.1	**139.3**
Raw materials and consumables, supplies and purchased goods	2,499.4	**2,606.3**
Costs of purchased services	165.9	**96.0**
Material costs	2,665.3	**2,702.3**

Material costs amounted to 39.7% of turnover (41.7% in 1999).

4 Employees and personnel costs

EURm	1999	**2000**
Wages, salaries, social security costs	1,258.9	**1,251.9**
Costs of retirement benefits	69.6	**63.1**
Other personnel costs	31.3	**33.6**
Personnel costs	1,359.8	**1,348.6**

An average of 36,097 employees (37,769 in 1999) and 375 apprentices (558 in 1999) were employed in 2000. Personnel expense represented 19.8% of turnover in 2000 (21.3% in 1999).

5 Other operating expenses

Other operating expenses consisted of the following:

EURm	1999	**2000**
Selling and administrative expenses	602.9	**684.3**
Freight	381.8	**613.6**
Expenses for third party repairs	282.4	**322.9**
Rental and leasing costs	43.8	**43.5**
Other expenses	41.7	**42.7**
Other taxes	38.4	**24.3**
	1,391.0	**1,731.3**

Freight costs rose significantly due to the expansion of the trading activities of HC Trading. In addition, the increase is due to classification changes of companies within the old Scancem group.

Significant business transactions which cannot be allocated to operational business are shown in the non-operating result.

Research and development expenses totalled EUR 9 million (EUR 11 million in 1999), which in accordance with the criteria in IAS 38, were not capitalisable.

6 Depreciation and amortisation of tangible and intangible fixed assets

Tangible fixed assets are depreciated using the straight-line method. The following useful lives were applied on a consistent basis throughout the Group:

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

Depreciation and amortisation of tangible and intangible fixed assets

EURm	1999	**2000**
Software, concessions	17.1	**20.7**
Goodwill	116.7	**150.3**
Intangible assets	133.8	**171.0**
Tangible fixed assets, operating	414.2	**433.6**
Ordinary depreciation	548.0	**604.6**
Extraordinary depreciation	1.1	**5.7**
	549.1	**610.3**

Amortisation of goodwill consists of amortisation of goodwill arising on consolidation (share deals). The largest items concern the amortisation of goodwill from the consolidation of Scancem of EUR 46.1 million and from the consolidation of CBR of EUR 48.7 million. In accordance with IAS 12, no deferred taxes were recorded for goodwill. For the amortisation of goodwill for Scancem, 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. The goodwill of CBR is amortised over 20 years.

7 Non-operating result

The non-operating result contains business transactions which cannot be allocated to normal business operations. In 2000 this position mainly concerned income from the sale of surplus land, income from the release of provisions due to the reduction of penalties before the European Court of Justice, and losses from the sale of operating lines.

8 Results from participations

The results from participations include dividends received from companies and profit shares from commercial partnerships.

Income from participations

EURm	1999	2000
Results from associated undertakings	85.1	**101.4**
Income from subsidiaries	21.0	**10.7**
Amortisation of financial fixed assets	-24.9	**-15.5**
	81.2	**96.6**

Results from participations show proportionate results before taxes. The proportionate tax expense is shown under taxes on income. Companies in Central Europe West and Western Europe contributed significantly to results from associated undertakings. The single largest amount was the proportionate income before taxes of Vicat S.A.

9 Taxes on income

The taxes on income are comprised as follows:

EURm	1999	2000
Current taxes	206.0	**204.7**
Deferred taxes	-1.8	**-31.2**
	204.2	**173.5**

The tax ratio was 30.2% (36.3% in 1999). As the non-deductible amortisation of goodwill has a significant impact on the tax ratio, the tax ratio before amortisation of goodwill is disclosed. It amounted to 23.9% compared with 30.0% in the prior year.

The change in the tax rate in Germany led to a reduction in deferred taxes by EUR 32.1 million. The effect from temporary differences amounted to EUR 0.9 million.

The proportionate tax expense of associated enterprises accounted for according to the equity method is included under taxes on income.

Tax losses carried forward, for which no deferred tax asset is recognised, amount to EUR 7.5 million (IAS 12). Income tax expense was reduced by EUR 19.4 million (EUR 42.7 million in 1999) due to the offsetting of tax losses.

Reconciliation

In 2000, EUR 1.7 million of deferred taxes were directly charged to equity. Taking into account the change in the group of consolidated companies, the amount of the deferred taxes decreased by EUR 13.5 million without having an impact on tax expenses.

EURm	1999	2000
Profit before tax	563.1	**574.9**
Theoretical tax expense at 41.6% (41.7% in 1999)	234.8	**239.1**
Changes to the theoretical tax expense due to:		
- different tax rates within a country	35.7	**30.6**
- loss carry forwards	-42.7	**-19.4**
- tax reduction due to tax-free earnings	-169.1	**-184.1**
- tax increase due to non-deductible expenses *)	176.4	**127.6**
- tax reduction due to dividends of HZ AG	-14.6	**-15.4**
- tax increase (+), reduction (-) for prior years	-16.3	**-4.9**
Taxes on income	**204.2**	**173.5**

*) includes amortisation of goodwill.

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

EURm	1999	2000
Profit for the financial year	358.9	**401.4**
Minority interests	-87.7	**-28.8**
Additional dividends for preference shares	-0.7	**-0.7**
	270.5	**371.9**
Number of shares in '000s (weighted average)	50,247	**63,010**
Earnings in EUR/ordinary share	5.38	**5.90**
Earnings in EUR/preference share	5.49	**6.01**

Earnings per share were calculated in accordance with the principles of IAS 33. Earnings per share are disclosed separately for ordinary and preference shares. In accordance with IAS 33, the additional dividend for preference shares amounting to EUR 0.11 per share was subtracted from the calculation and allocated to the earnings per preference share.

In calculating the average number of shares for 2000, the additions from the capital increases against cash and in-kind contributions as well as the ordinary shares exchanged for warrants and the purchase of own shares during the year were taken into account on a weighted average basis.

Notes to the cash flow statement

The cash flow statement shows how the Heidelberger Zement Group's cash and cash equivalents have changed during the year through inflows and outflows. Cash flows in this statement have been categorised according to operating, investment, and financing activities (IAS 7).

The following notes are provided:

11 Non-cash items

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

12 Changes in operating assets

Operating assets consist of stocks, trade receivables and other assets related to operating activities. Receivables increased due to the favourable seasonal development at the end of the year. Stocks of clinker were built up according to plan, in order to serve customers during the modernisation measures at the start of 2001.

13 Changes in operating liabilities

Operating liabilities consist of short-term provisions as well as trade payables and other payables related to operating activities.

14 Investments

Investments relate to outflows of cash and cash equivalents for tangible fixed assets and financial fixed assets. These investments differ from additions shown in the fixed asset grid, which, for example, also shows non-cash items as additions. Furthermore, purchases of shares of consolidated undertakings 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. Significant investments in financial fixed assets include:

- As part of a public offer, the remaining shares amounting to 5.9% in CBR were acquired by way of an exchange of 3 CBR shares for 2 Heidelberger Zement ordinary shares as well as an additional payment of EUR 165 for every 3 CBR shares. Of the total purchase price of EUR 172 million, EUR 67 million were financed through a capital increase against contributions-in-kind. The additional payment of EUR 105 million is shown in the cash flow statement (IAS 7/43).
- An additional 15.1% of Heidelberger maxit GmbH was acquired, part of which through a cash payment of EUR 30 million and part through the contribution of the dry mortar activities of Heidelberger Zement to Heidelberger maxit GmbH.
- In Eastern Europe, shares in the Bosnian enterprise Kakanj and additional shares in Ceskomoravský Cement, Górazdze and Istra Cement, as well as interests in Romania in the amount of EUR 90 million, were acquired.

15 Increase of capital

- The Company issued 1.058 million ordinary shares at a price of EUR 51.34 per share for a total value of EUR 54.4 million based on the conversion of options from the 1995 warrant bond.
- As part of the acquisition of S.A. Cimenteries CBR a capital increase against contributions in kind of 0.742 million ordinary shares was carried out at a price of EUR 90 per share with a total value of EUR 67 million. The in-kind contribution had no effect on cash flow and therefore is not shown as a cash inflow from financing activities.

16 Dividend payments – Heidelberger Zement AG

Dividends paid by Heidelberger Zement AG amounted to EUR 66.2 million in 2000 (EUR 46.6 million in 1999).

17 Dividend payments – minority shareholders

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

18 | **Proceeds from bond issuance and loans**

In 2000, considerable bank loans amounting to EUR 320 million were taken out, and the USD 700 million syndicated credit of Scancem AB 98/05, of which only USD 129.5 million had been used as of the end of 1999, has now been fully exhausted. In addition, a total volume of EUR 1,138 million and JPY 31 billion Euro Medium Term Notes were newly issued in 2000. The total outstanding volume of issues of the Heidelberger Zement Euro Medium Term Note Programme as of the end of 2000 amounted to approximately the equivalent of EUR 1.6 billion.

19 | **Repayments of bonds and loans**

In the financial year 2000, the loans in the total amount of EUR 2 billion outstanding as of the end of 1999 under the syndicated credit of Heidelberger Zement Aktiengesellschaft, which was reduced to a credit volume of EUR 700 million in 2000, were fully repaid. Among the significant issuances from prior years, which were repaid as planned in 2000, is a bond amounting to CHF 120 million and a Euro Medium Term Note amounting to DEM 100 million.

20 | **Cash and cash equivalents**

Cash and cash equivalents included cash and short-term investments.

21 | **Effects of exchange rate changes**

The effect of exchange rate changes shows only the translation difference resulting from the conversion of the prior year's balance of cash and cash equivalents using exchange rates applicable at the end of the reporting year. This effect is independent of any existing currency hedges.

Notes to the balance sheet – Assets

22 | **Intangible fixed assets**

EURm	Purchase price or production cost					Depreciation and amortisation		Net book value
	1 Jan. 2000	Prior year adjustment	Additions	Disposals	31 Dec. 2000	Accumu-lated	Change for the year	31 Dec. 2000
Intangible fixed assets	3,253.1	32.9	181.8 1.4*	17.2	3,452.0	803.4	171.5	2,648.6

* = reclassifications

Intangible fixed assets include goodwill amounts of EUR 2,565.7 million (EUR 2,587.7 million in 1999) which originated on consolidation and which were capitalised in the balance sheet in accordance with IAS 22.

The single largest item included is the goodwill arising on consolidation of Scancem AB. The book value at the balance sheet date amounted to EUR 1,009.2 million. The book value of the goodwill from the acquisition of S.A. Cimenteries CBR increased as of the balance sheet date to EUR 849.8 million. The goodwill pertaining to Maxit is EUR 118.2 million. Notes to the amortisation are given under point 6.

The remaining goodwill was derived primarily from the acquisition of Heidelberg Cement, Inc./USA; Akçansa A.S./Turkey; ENCI B.V./Netherlands.

23 Tangible fixed assets

EURm	Purchase price or production cost					Depreciation and amortisation		Net book value
	1 Jan. 2000	Prior year adjustment	Additions	Disposals	31 Dec. 2000	Accumu-lated	Charge for the year	31 Dec. 2000
Land and buildings	2,796.6	-9.3	60.7 12.2*	23.9	2,836.3	1,314.9	73.3	1,521.4
Plant and machinery	5,532.9	93.7	188.3 106.4*	48.5	5,872.8	3,574.5	274.7	2,298.3
Fixtures, tools and equipment	930.1	13.9	79.0 23.4*	97.3	949.1	651.3	90.8	297.8
Payments on account and assets under construction	193.7	0.1	332.5 -143.4*	4.1	378.8	0.0	0.0	378.8
Tangible fixed assets	**9,453.3**	**98.4**	**660.5** -1.4*	**173.8**	**10,037.0**	**5,540.7**	**438.8**	**4,496.3**

* = reclassifications

Tangible fixed assets are accounted for at purchase price or production cost less ordinary and extra-ordinary 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. Low value tangible fixed assets are fully written off in the year of acquisition.

Total tangible fixed assets include EUR 2.6 million of capitalised leased assets. Liens in the amount of EUR 81.0 million were granted to third parties as security. Adjustments for the effects of changes in currency exchange rates during the reporting year totalled EUR 67.0 million.

24 Financial fixed assets

EURm	Purchase price or production cost					Depreciation and amortisation		Net book value
	1 Jan. 2000	Prior year adjustment	Additions	Disposals	31 Dec. 2000	Accumu-lated	Charge for the year	31 Dec. 2000
Shares in associated undertakings	616.2	-1.6	113.4 -56.1*	45.0	626.9	29.1	6.0	597.8
Shares in other parti-cipations	232.3	10.5	106.2 56.1*	49.4	355.7	25.2	6.8	330.5
Loans to other parti-cipations	70.9	-6.9	39.8 -19.9*	19.4	64.5	4.0	2.4	60.5
Other loans	51.0	4.5	40.3 19.9*	18.9	96.8	1.6	0.3	95.2
Financial fixed assets	**970.4**	**6.5**	**299.7**	**132.7**	**1,143.9**	**59.9**	**15.5**	**1,084.0**

* = reclassifications

Under financial fixed assets, shares in participations are stated at the lower of acquisition cost or fair market value at the balance sheet date. Provisions are made for permanent impairments in value where appropriate.

Loans are stated at their nominal value, less amounts written off on account of permanent impair-ments in value.

25 Shares in associated undertakings

Consolidation of associated undertakings follows the fair value method. Values determined in accordance with local accounting laws are assumed without adaptation (IAS 28). The largest single position is Vicat S.A. at EUR 274 million.

26 Shares in other participations

This category includes not only the book values of affiliated companies which were not consolidated due to immateriality, but also the book values of other participations.

27 Stocks

Stocks are stated as in prior years at the purchase price or production cost, which, in accordance with IAS 2, were calculated using the average cost method. Adequate provisions were made for stock risks relating to quality and quantity issues where appropriate. Production costs for finished goods and work in progress include costs of materials and consumables, direct manufacturing costs and appropriate amounts of overheads, including production related depreciation.

28 Receivables and other assets

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

29 Cash and short-term investments

A schedule showing the most significant short-term investments can be found on page 102.
Cash and cash equivalents were deposited only with banks with a first-rate financial standing.

Notes to the balance sheet – Equity and liabilities

30 Subscribed share capital

	Ordinary shares		Preference shares	
	1999	**2000**	1999	**2000**
Number of shares (in '000s)	55,767	**57,567**	6,050	**6,050**
Subscribed share capital (EUR '000s)	142,763	**147,372**	15,488	**15,488**
Conditional share capital from 1995 warrant bond (EUR '000s)	2,730	**0**		

The movement in the subscribed share capital during 2000 was as follows:

	EUR '000s	Number in '000s
As of 1 January 2000	158,251	61,817
Increase of subscribed share capital against contributions in kind (contribution of shares of S.A. Cimenteries CBR) based on exercise of authorisation of the Managing Board according to Paragraph 4 Sect. 4 of the Company Statutes (authorised capital III, resolution of the Extraordinary General Meeting held on 25 November 1999) registered on 15 December 2000.	1,898	742
Increase of subscribed share capital based on resolution of the Annual General Meeting held on 26 July 1990 regarding the conditional capital increase associated with the warrant bond dated 27 June 1995	2,711	1,058
As of 31 December 2000	**162,860**	**63,617**

Preference shares have no voting rights. In accordance with Paragraph 21 of the Company Statutes, preference shareholders are entitled to a preference dividend of EUR 0.11 per preference share.

The following changes occurred as of 31 January 2001, after the balance sheet closing date:

	EUR '000s	Number in '000s
Increase of subscribed share capital based on authorisation of Managing Board according to Paragraph 4 Sect. 3 of the Company Statutes (authorised capital II, resolution of the Annual General Meeting held on 3 June 1998)	192	75

The fully paid-in subscribed share capital amounts to EUR 163.052 million as of 31 January 2001.

Subscribed share capital entitled to dividend payments amounted to EUR 163.052 million as of 31 December 2000.

Approved and conditional share capital

Warrant bond issued 27 June 1995

Through the issuance of a warrant bond with a nominal value of DEM 150 million by Heidelberger Zement Finance B.V. on 27 June 1995, conditional capital was created with the stipulation that the conditional increase in capital will be undertaken only to the extent that the holders of warrants of warrant bonds to be issued up to 30 June 1995 by direct, wholly-owned, foreign subsidiaries of Heidelberger Zement Aktiengesellschaft exercise their warrants. The option rights were exercisable up until and including 13 June 2000, with the exception of certain periods described in detail in the option terms and conditions. By resolution of the Supervisory Board from 8 August 2000, Paragraph 4 Sect. 6 of the Company Statutes (conditional share capital) was deleted without replacement due to expiration of the period.

The development in conditional capital was as follows:

	EUR '000s	Warrants in '000s
Conditional capital as of 1 January 2000	2,730	881
Increase of subscribed share capital based on the exercise of warrants	-2,711	-875
Conditional capital as of 31 December 2000	**0**	**0**

Resolution of the Annual General Meeting held on 3 June 1998
Establishment of authorised capital II for the issue of ordinary shares against contributions in kind

The Annual General Meeting held on 3 June 1998 authorised the Managing Board, with the consent of the Supervisory Board, to increase the subscribed share capital up until 3 June 2003 by issuing new ordinary shares once or several times by up to a total of DEM 10 million (2 million shares) against contributions in kind with exclusion of prior purchase rights (authorised capital II). By resolution of the Annual General Meeting held on 2 June 1999, the DEM amount of the authorised capital II was converted to euro.

As a result of the increase in subscribed share capital because of the exercise of the authorisation of the Managing Board according to Paragraph 4 Sect. 3 of the Company Statutes (authorised capital II), the authorised capital II was reduced to EUR 1.076 million in the prior year.

Resolution of the Annual General Meeting held on 2 June 1999
Authorised capital I (cash capital increase)

The Annual General Meeting held on 2 June 1999 authorised the Managing Board, with the consent of the Supervisory Board to increase the subscribed share capital once or several times up until 2 June 2004 by up to a total of EUR 30 million by issuing new ordinary bearer shares and/or preference bearer shares without voting rights, which are equipped with the same dividend preference as the existing preference shares, against cash (authorised capital I).

As a result of the increase in subscribed share capital due to the exercise of the authorisation of the Managing Board according to Paragraph 4 Sect. 2 of the Company Statutes (authorised capital I), the authorised capital I was reduced by EUR 13.258 million to EUR 16.741 million. By resolution of the Annual General Meeting held on 7 June 2000, Paragraph 4 Sect. 2 of the Company Statutes was deleted and replaced by a new Section 2.

The authorised share capital I (EUR 16.7 million as of 31 December 1999) was cancelled and replaced by a new authorised share capital I also amounting to EUR 30 million.

Convertible or option debenture bonds

The Annual General Meeting held on 2 June 1999 authorised the Managing Board, with the consent of the Supervisory Board, to issue convertible or option debenture bonds once or several times up until 2 June 2004 for a total nominal amount of up to EUR 250 million or the equivalent value in another legal currency. The term of the debenture bonds should not exceed 15 years. Conversion or option rights for up to 5,000,000 ordinary or preference shares of Heidelberger Zement Aktiengesellschaft may be granted to bearers of the convertible or option debenture bonds. This authorisation also encompasses the authority, with the consent of the Supervisory Board, to grant conversion or option rights to ordinary or preference shares of Heidelberger Zement Aktiengesellschaft to bearers of convertible debenture bonds or warrants from option debenture bonds which are issued by 2 June 2004 by a directly or indirectly wholly-owned foreign subsidiary of Heidelberger Zement Aktiengesellschaft under its guaranty.

A general prior purchase right to all the aforementioned issues is granted to the shareholders of Heidelberger Zement Aktiengesellschaft. This prior purchase right may be excluded under the conditions included in the authorisation.

Conditional capital

The Annual General Meeting held on 2 June 1999 resolved to increase the conditional subscribed share capital of Heidelberger Zement Aktiengesellschaft by up to EUR 12.8 million by issuing up to 5,000,000 ordinary or preference shares for the purpose of exercising the aforementioned authorisation to issue convertible or option debenture bonds. The conditional capital increase shall serve to secure conversion or option rights which are granted in exercise of the authorisation to issue convertible or option debenture bonds. The conditional capital increase is to be carried out only in the event that bonds with conversion or option rights are issued and only to the extent that the bearers of convertible debenture bonds or the bearers of option rights make use of their conversion or option rights.

Acquisition of own shares

The Annual General Meeting held on 2 June 1999 authorised the Managing Board, with the consent of the Supervisory Board, to acquire own shares of the Company up until 2 December 2000. However, the total acquired own shares at the end of any day must not exceed 10% of the subscribed share capital of the Company. The authorisation may be exercised once or several times, fully or in partial amounts.

The acquisition must occur via the stock exchange or as part of a public purchase offer by the Company. The equivalent value paid by the Company (excepting ancillary acquisition costs) must not be more than 10% above or 10% below the mean value of the closing prices of the ordinary shares or preference shares of the Company in Xetra trading over the last five trading days before the acquisition of own shares or, in the case of a public purchase offer, before the date of publication of the public purchase offer.

The Managing Board was further authorised, with the consent of the Supervisory Board, to undertake a sale of the own shares in other ways than through the stock exchange or through an offer to all shareholders, in the event that shares are to be offered to third parties as part of the acquisition of companies or participations. The prior purchase right of shareholders is excluded in this case.

Between 3 April and 6 June 2000, 153,500 own shares (ordinary shares) were acquired through the stock market.

Unlike in the individual annual accounts of Heidelberger Zement Aktiengesellschaft, own shares acquired are not capitalised under IAS, but rather they are deducted directly from shareholders' equity. The shares were valued using the price at the time of acquisition.

Resolution of Extraordinary General Meeting held on 25 November 1999
Authorised capital III
Issuance of shares against contributions in kind for the exchange of shares in S.A. Cimenteries CBR
The Extraordinary General Meeting held on 25 November 1999 authorised the Managing Board, with the consent of the Supervisory Board, to increase the subscribed share capital once or several times up until 25 November 2004 by up to a total of EUR 17.907 million by issuing new ordinary bearer shares against contributions in kind, with exclusion of prior purchase rights (authorised capital III). The authorisation may be used only to carry out the exchange of shares of S.A. Cimenteries CBR, Brussels/Belgium, for ordinary shares of Heidelberger Zement Aktiengesellschaft. For every 3 shares of S.A. Cimenteries CBR, 2 ordinary shares of Heidelberger Zement Aktiengesellschaft as well as a cash payment in the amount of EUR 165 will be offered.

Development of authorised capital III has been as follows:

	EUR '000s	Number in '000s
Authorised capital III according to resolution of the Extraordinary General Meeting from 25 November 1999.	17,907	6,995
Increase of subscribed share capital based on exercise of authorisation of the Managing Board according to Paragraph 4 Sect. 4 of the Company Statutes (Authorised capital III); Contribution-in-kind for exchange of shares in CBR (1st offer)	-15,135	-5,912
	2,772	1,083
Increase of subscribed share capital based on exercise of authorisation of the Managing Board according to Paragraph 4 Sect. 4 of the Company Statutes (Authorised capital III); Contribution-in-kind for exchange of shares in CBR (2nd offer)	-1,898	-742
As of 31 December 2000	**874**	**341**

Resolution of Annual General Meeting held on 7 June 2000
Authorised capital I
The Annual General Meeting held on 7 June 2000 authorised the Managing Board, with the consent of the Supervisory Board to increase the subscribed share capital once or several times up until 7 June 2005 by up to a total of EUR 30 million by issuing new ordinary bearer shares and/or preference bearer shares without voting rights, which are equipped with the same dividend preference as the existing preference shares, against cash (authorised capital I). Shareholders shall have a prior purchase right.

However, the Managing Board is authorised,

- to exclude the prior purchase right entirely for a partial amount of up to EUR 5 million, in order to issue new ordinary and/or preference shares at issue prices which are not significantly lower than the stock exchange prices of the old ordinary or preference shares.
- in case of a simultaneous issuance of ordinary and preference shares, to exclude the prior purchase right of bearers of shares of one class to shares of the other class, if the purchase ratio for the two classes is set equal.

- to remove fractional amounts from the prior purchase right of the shareholders, and to exclude the prior purchase right to the extent that it is necessary to grant a prior purchase right to bearers of the convertible debenture bonds or warrants issued by Heidelberger Zement Aktiengesellschaft or by wholly-owned subsidiaries to the extent to which they would be entitled as shareholders after exercise of their conversion or option rights.

31 Capital reserves

Capital reserves consisted primarily of premiums from the 1991 issuance of preference bearer shares amounting to EUR 141 million, from the 1993 issuance of ordinary bearer shares in the amount of EUR 187 million, from the exercise of warrants from the warrant bond during 1997 of EUR 11 million, from the capital increases of EUR 892 million carried out in 1999, and from the exercise of warrants from the warrant bond of EUR 25.7 million, as well as from the capital increase of EUR 65 million carried out in 2000 and from the exercise of warrants from the warrant bond of EUR 52 million. In 1999 the capital increase against contributions-in-kind of Maxit was performed in the individual balance sheet of Heidelberger Zement AG at tax book value, whereas in the Group accounts it was recorded at market value according to IAS.

Capital reserves

EUR '000s	Subscribed capital	Capital reserves
As of 1 January 2000	158,251	1,401,352
Ordinary shares against contribution-in-kind, CBR S.A.	1,898	64,842
Exercise of option rights	2,711	51,644
	4,609	116,486
As of 31 December 2000	**162,860**	**1,517,838**

32 Revenue reserves

In addition to the revenue reserves of Heidelberger Zement Aktiengesellschaft, the Group's revenue reserves include retained profits and results for the year of consolidated affiliated undertakings.

The changes shown in the equity grid can be explained as follows:

- Dividends
  Dividends totalling EUR 66.2 million were paid to the Heidelberger Zement shareholders in 2000 for the year 1999.

- Exchange rate differences
  The net assets denominated in foreign currency changed essentially due to the rise in the US dollar as of the closing date.

- Other changes
  The accounting for provisions was adapted to the new rules of IAS 37 in some areas.

33 Minority interests

The take-over of additional interests in CBR S.A. as part of a public offer led to a decrease in minority interests of EUR 69.8 million.

34 Provisions

EURm	1 Jan. 2000	Prior year adjustment	Utilisation	Release	Addition	31 Dec. 2000
Pensions and similar liabilities	491.6	2.5	-60.1	-3.8	70.1	500.3
Deferred taxes	572.7	-2.8	0.0	-39.4	16.5	547.0
Other	377.1	-8.3	-48.5	-24.8	55.0	350.5
Povisions	**1,441.4**	**-8.6**	**-108.6**	**-68.0**	**141.6**	**1,397.8**

Notes on the provisions for pensions and similar liabilities, for deferred taxes, and the other provisions shown in the provisions chart (IAS 37) are provided in the following subsections 35 to 37.

35 Provisions for pensions

For the postretirement period of 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, North America, the United Kingdom and in the Scandinavian countries. The obligations from the pension plans and the plan assets are evaluated annually by independent appraisers. Heidelberger Zement also has a retirement benefit system in the United States for early retirement commitments and for medical-care costs of pension recipients, the obligations of which are covered by provisions.

Calculation of pension obligations
The provisions for pensions were calculated for all significant Group companies according to the internationally accepted present value method (IAS 19).

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

	1999	**2000**
Interest rate	5.94%	**6.20%**
Anticipated return on plan assets	7.35%	**7.39%**
Future salary development	3.94%	**3.69%**
Anticipated increases in medical-care costs	5.25%	**5.00%**

Overview of types of retirement benefit plans
In accordance with IAS 19, detailed information concerning pension plans and benefit plans for medical-care amounting to EUR 374 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 account. In addition, some other plans (see below) exist. These contain obligations for early retirement arrangements in the amount of EUR 22.4 million as well as small pension plans, which are accounted for according to local accounting standards.

Types of retirement benefit plans

EUR '000s	1999	**2000**
Defined benefit pension plans	296,737	**284,826**
Post-employment medical plans	81,269	**89,325**
	378,006	**374,151**
Other pension plans	46,336	**52,094**
	424,342	**426,245**

Presentation in the balance sheet

EUR '000s	1999	**2000**
Long-term pension provisions	456,254	**463,997**
Short-term pension provisions	35,350	**36,284**
Excess endowment of funds	-67,262	**-74,036**
	424,342	**426,245**

Pension obligations and pension funds

Pension obligations amounting to EUR 781.7 million existed in the Group in 2000 which were covered by outside pension funds. In addition, there were unfunded obligations of EUR 343.8 million. Obligations entered into in the United States for medical-care expenses for pension recipients amounted to EUR 86.1 million. The following table shows the development of these retirement pension plans and their presentation in the balance sheet.

EUR '000s	**Pension plans**		**Medical plans**		**Total**	
	1999	**2000**	1999	**2000**	1999	**2000**
Present value of funded obligations	724,865	**781,711**			724,865	**781,711**
Fair value of plan assets	-813,664	**-850,126**			-813,664	**-850,126**
Deficit (surplus) in funded plans	-88,799	**-68,415**			-88,799	**-68,415**
Present value of unfunded obligations	345,577	**343,792**	80,857	**86,127**	426,434	**429,919**
Unrecognised actuarial gain (loss)	28,809	**5,017**	412	**3,198**	29,221	**8,215**
Unrecognised past service cost	-599	**-1,199**			-599	**-1,199**
Adjustment for limit on net asset	11,749	**5,631**			11,749	**5,631**
Total	296,737	**284,826**	81,269	**89,325**	378,006	**374,151**

Development in the profit and loss account

The expenses classified as personnel costs for retirement pensions for the significant pension plans, amounting to EUR 47.8 million, can be shown as follows:

EUR '000s	**Pension plans**		**Medical plans**		**Total**	
	1999	**2000**	1999	**2000**	1999	**2000**
Current service cost	33,579	**36,045**	1,648	**2,142**	35,227	**38,187**
Interest cost	57,351	**63,710**	5,042	**5,938**	62,393	**69,648**
Expected return on plan assets	-52,718	**-62,479**			-52,718	**-62,479**
Actuarial loss (gain) recognised		**-570**				**-570**
Past service cost recognised	578	**409**			578	**409**
Other adjustments	3,472	**-6,709**			3,472	**-6,709**
Realisation of loss (+)/gain (-)	-29	**9,341**			-29	**9,341**
Total	42,233	**39,747**	6,690	**8,080**	48,923	**47,827**
Additional information: Earnings from plan assets					78,434	**26,543**

Development of pension provisions in the balance sheet

EUR '000s	Pension plans		Medical plans		Total	
	1999	**2000**	1999	**2000**	1999	**2000**
At start of year - as previously reported	241,150	**296,737**	78,739	**81,269**	319,889	**378,006**
- effect of adopting IAS 19 (revised)	42,924		-10,798		32,126	
- as restated	284,074	**296,737**	67,941	**81,269**	352,015	**378,006**
First-time consolidations/ Deconsolidations	22,272	**-4,867**			22,272	**-4,867**
Total expense as above	42,233	**39,747**	6,690	**8,080**	48,923	**47,827**
Contributions paid	-49,779	**-43,894**	-4,733	**-5,605**	-54,512	**-49,499**
Exchange rate loss (gain)	-2,063	**-2,897**	11,371	**5,580**	9,308	**2,683**
Return on plan assets as of 31 Dec.	296,737	**284,826**	81,269	**89,324**	378,006	**374,150**

36 | Deferred taxes

In the determination of deferred taxes, Heidelberger Zement applies the internationally accepted liability method (IAS 12). This means that, with the exception of goodwill arising on consolidation, deferred taxes are recorded for all temporary differences between the IAS 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 IAS accounts and tax accounts with respect to tangible fixed assets and provisions for pensions. Current income tax obligations are shown under short-term liabilities.

37 | Other provisions

Other provisions account for all recognisable risks from uncertain liabilities and anticipated losses from pending transactions. Provisions for recultivation obligations amount to EUR 129.4 million. Provisions were also recorded for restructuring measures. Short-term provisions as well as short-term portions of long-term provisions are shown under short-term provisions.

38 | Liabilities

Liabilities are classified according to current/non-current and according to whether the liabilities are interest-bearing. Further details regarding liabilities can be found under the section on financial instruments on pages 101 to 103.

Additional information on liabilities

EURm	1999	**2000**
Liabilities secured by mortgages granted to banks	61.0	**149.1**
Liabilities relating to personnel	102.0	**98.7**

Guarantees and other financial commitments

EURm	1999	**2000**
Liabilities resulting from negotiation and transfer of bills of exchange	2.6	**2.3**
Liabilities arising from guarantees	157.0	**205.8**
Other off-balance-sheet financial commitments for planned tangible and financial fixed asset investments	200	**220**

Financial instruments

Accounting and valuation

The accounting and valuation of the on-balance-sheet financial instruments is shown in detail under the respective balance sheet items.

Derivative financial instruments were primarily entered into for hedging purposes. Valuation units were formed according to customary international principles. Market value differences between the underlying transaction and the hedge are recorded off-balance-sheet

Interest rate risk

Under IAS 32, in order to assess the risk associated with changes in interest rates, financial instruments must in principle be classified as either fixed interest-bearing or variable interest-bearing instruments.

Fixed interest-bearing financial instruments are those which 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).

Currency risk

Currency risk refers to the risk of changes in the value of balance sheet items induced by exchange rate fluctuations.

Credit risk

Credit risk which is associated with the investment in cash, cash equivalents, and short-term investments is limited in that we only deal with partners which have a first-rate financial standing. Our derivative transactions do not lead to any significant credit risk.

On-balance-sheet

Significant on-balance-sheet interest-bearing financial instruments as of 31 December 2000 are listed according to balance sheet position in the following table. Only those individual transactions with outstanding repayment amounting in excess of EUR 20 million as of the balance sheet date are included.

Financial instruments affecting the balance sheet

Balance sheet item Financial instrument	Currency	Nominal value in millions	Term Total	 Remaining	Nominal interest rate	Effective interest rate	Market value 2000 EURm	Market value 1999 EURm
Current assets								
Short-term investments/								
Cash and cash equivalents								
Bond	DEM	42	95/02	1-5y	7.000%	5.000%	22	
Liabilities/Bonds								
Bond	DEM	150	95/02	1-5y	7.000%	7.600%	79	81
Bond	EUR	1,000	00/07	>5y	6.375%	6.450%	1,070	
Bond	EUR	300	99/09	>5y	4.750%	4.750%	288	280
Bank loans								
Loan	EUR	50	00/02	1-5y	5.045%	5.045%	50	
Loan	USD	112	96/03	1-5y	7.030%	7.030%	122	112
Loan	EUR	45	94/04	1-5y	4.641%	4.641%	45	57
Loan	DEM	50	97/04	1-5y	4.813%	4.813%	26	26
Synd. Loan	USD	20	98/05	1-5y	6.554%	6.554%	21	
Synd. Loan	USD	70	98/05	1-5y	6.944%	6.944%	74	
Synd. Loan	EUR	200	98/05	1-5y	5.183%	5.183%	200	
Synd. Loan	EUR	400	98/05	1-5y	5.247%	5.247%	400	
Synd. Loan	GBP	45	98/05	1-5y	6.165%	6.165%	72	
Loan	EUR	24	96/06	>5y	4.920%	4.920%	24	24
Loan	EUR	27	96/06	>5y	5.414%	5.414%	27	28
Loan	EUR	25	96/06	>5y	4.986%	4.986%	25	25
Loan	EUR	25	96/06	>5y	4.991%	4.991%	25	25
Loan	USD	20	99/06	>5y	6.240%	6.240%	22	20
Loan	USD	50	99/06	>5y	7.130%	7.130%	57	50
Loan	EUR	30	00/07	>5y	6.140%	6.140%	32	
Loan	EUR	25	00/07	>5y	5.310%	5.310%	26	
Loan	EUR	35	00/07	>5y	5.353%	5.353%	36	
Loan	DEM	56	98/08	>5y	4.700%	4.700%	28	30
Loan	EUR	30	00/08	>5y	4.482%	4.482%	31	
Loan	EUR	30	99/09	>5y	4.167%	4.167%	31	31
Loan	EUR	27	99/09	>5y	3.950%	3.950%	26	25
Loan	EUR	50	00/10	>5y	6.485%	6.485%	54	
Loan	EUR	40	00/10	>5y	5.850%	5.850%	42	
Other liabilities								
Daily loan/Fixed loan *	EUR	205	00/01	<1y	5.260%	5.260%	205	
Commercial Paper *	PLN	130	00/01	<1y	19.70%	19.70%	34	
Commercial Paper *	EUR	125	00/01	<1y	5.105%	5.105%	125	
Private placement	EUR	50	00/01	<1y	5.000%	5.340%	51	
Private placement	JPY	10,000	00/01	<1y	0.290%	0.290%	100	
Private placement	JPY	20,000	00/01	<1y	0.360%	0.360%	201	
Private placement	DEM	50	97/02	1-5y	4.633%	4.633%	26	26
Private placement	EUR	30	00/02	1-5y	5.318%	5.318%	28	
Private placement	EUR	25	99/04	1-5y	4.681%	4.681%	25	25
Private placement	DEM	50	98/04	1-5y	4.983%	4.983%	26	26
Private placement	USD	25	94/04	1-5y	8.140%	8.140%	29	26
Private placement	EUR	50	95/05	1-5y	7.300%	7.300%	54	55
Private placement	EUR	45	99/06	>5y	3.931%	3.931%	46	46
Private placement	CAD	38	92/07	>5y	9.430%	9.430%	31	32
Private placement	DEM	40	98/08	>5y	3.776%	3.776%	21	21
Private placement	USD	100	96/08	>5y	6.660%	6.660%	113	97
Private placement	USD	75	94/09	>5y	8.360%	8.360%	94	81
Private placement	USD	50	96/11	>5y	6.780%	6.780%	57	49
Private placement	USD	33	00/35	>5y	5.100%	5.100%	35	
							4,210	

* Summary of several transactions

For each single transaction listed in the table, the nominal value subject to interest rate risk is shown. The reported market values do not include any accrued interest since these amounts have been recognised in the balance sheet.

Interest rate risk

The Group was financed primarily through EUR-denominated, fixed interest-bearing obligations in the approximate amount of EUR 1.75 billion and variable interest-bearing obligations in the approximate amount of EUR 1.5 million as well as through USD-denominated, fixed interest-bearing liabilities in the amount of USD 365 million and variable interest-bearing liabilities in the amount of USD 118 million. The amounts noted here were somewhat modified through the use of derivative financial instruments as shown in the reporting of the interest rate risk of off-balance-sheet derivative financial instruments.

Currency risk

Within the Group, interest-bearing liabilities were primarily denominated in EUR. In total, significant liabilities denominated in foreign currencies existed in amounts of USD 480 million.

Off-balance-sheet derivative financial instruments

An overview of off-balance-sheet Group derivative financial instruments in existence at the balance sheet date, together with their nominal values, is provided in the table below.

	Currency Risk													Total of nominal values	Market value
in millions	EUR	USD	SEK	JPY	CHF	DKK	NOK	GBP	CZK	PLN	HKD	CAD	EEK	EUR	EUR
Currency-related derivatives															
Forward exchange contracts	110	-70	-52			107	98	3	-2,105	-1	-10	-17		217	
Currency option contracts	29	-5	-215											132	
Currency swaps	204	-51	-658		3	-307	-116	8	-208	-81		13	-137	1,653	1
Interest-related derivatives	-380	90		31,000	-5									4,409	74
	-37	-36	-925	31,000	-2	-200	-18	11	-2,313	-82	-10	-4	-137	6,411	75

The amounts presented in the currency risk columns essentially show exchange obligations of the Group from the use of off-balance-sheet derivative financial instruments. While the nominal values of opposing transactions were offset and shown as net amounts for purposes of assessing currency risk, corresponding values without any offsets were listed in the column entitled "total nominal values".

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

Interest rate risk

Within the Group's portfolio of liabilities largely denominated in EUR, EUR 1.3 billion was converted to variable interest bearing and EUR 570 million to fixed interest-bearing instruments by the use of interest and currency swaps as well as interest swaps.

Currency risk

The forward exchange transactions and currency swaps presented in the table essentially serve, on the one hand, to hedge foreign currency cash flows resulting from the Group's operating activities, from the assumption of liabilities in foreign currencies, and from the extension of loans between Group companies. On the other hand, the described currency swaps, as well as the major portion of the depicted currency option transactions, also serve to hedge a synthetic SEK loan of the Group to the greatest extent possible.

Supervisory Board, Advisory Council and Managing Board

Remuneration

EUR '000s	Group
Remuneration of the Supervisory Board	1,614
Remuneration of the Advisory Council	77
Remuneration of the Managing Board	6,523
Former members of the Managing Board and their survivors	
Remuneration	1,665
Provisions for pension obligations	18,027

Mandates of members of the Supervisory Board and Managing Board

The mandates of Supervisory Board and Managing Board members are structured as follows:

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 by [1].

Supervisory Board

Dr. rer. pol. Wolfgang Röller, Chairman
Honorary Chairman of the Supervisory Board of Dresdner Bank AG
b) Henkel KGaA

Heinz Schirmer, Deputy Chairman
Mechanic and locksmith foreman; Chairman of the General Council of Employees of Heidelberger Zement AG and Chairman of the Council of Employees at the Schelklingen plant of Heidelberger Zement AG

Wilhelm Fürst
Industrial mechanic; Chairman of the Council of Employees at the Weisenau plant, Heidelberger Zement AG

Veronika Füss
Commercial employee; Chairwoman of the Council of Employees in the Schelklingen sales office, Heidelberger Zement AG

Waltraud Hertreiter-Höhensteiger
Partner and Deputy Chairwoman of the Advisory Council, Südbayer. Portland-Zementwerk Gebr. Wiesböck & Co. GmbH
a) Textilgruppe Hof AG

Hanspeter Kern
Chairman of the Baden-Württemberg section, IG Bauen-Agrar-Unwelt

Ernst-Ludwig Laux
Federal Deputy Chairman of IG Bauen-Agrar-Umwelt
a) Philipp Holzmann AG

Josef Löffler
Technical employee; member of the Council of Employees at the Schelklingen plant, Heidelberger Zement AG

Ludwig Merckle
Managing Director, Merckle GmbH
a) Württembergische Leinenindustrie AG (Chairman)
MCS - Modulare Computer und Software Systeme AG

Senator h.c. Dr. rer. pol. Eberhard Schleicher
Partner with unlimited liability, E. Schwenk KG
a) Wieland-Werke AG
Paul Hartmann AG

Eduard Schleicher
Partner with unlimited liability, E. Schwenk KG
b) Duna-Dráva Cement - és Mészmüvek Kft.
Nederlandse Cement Handelmaatschappij B.V.

Günter Schneider
Director of the Leimen plant, Heidelberger Zement AG
b) ISTRA Cement International AG

Senator h.c. Peter Schuhmacher
Former Chairman of the Managing Board, Heidelberger Zement AG
a) Mühl Product & Service AG (Chaiman)
Niedermayr Papierwarenfabrik AG (Chairman)
Wüstenrot Bausparkasse AG
b) Erlenbach Maschinenbau GmbH (Chairman)
Südbayer. Portland-Zementwerk Gebr. Wiesböck & Co. GmbH (Chairman)

Wilhelm Schwerdhöfer
Motor mechanic; Chairman of the Euro Works Council, Heidelberger Zement Group, and Chairman of the Council of Employees at the Lengfurt plant, Heidelberger Zement AG

Bernhard Walter
Until 30 April 2000, Chairman of the Managing Board, Dresdner Bank AG
a) Bilfinger + Berger Bauaktiengesellschaft
DaimlerChrysler AG
Degussa-Hüls AG
Deutsche Hyp Deutsche Hypothekenbank Frankfurt-Hamburg AG
Deutsche Lufthansa AG
Deutsche Telekom AG
Henkel KGaA
mg technologies AG
Thyssen Krupp AG
b) KG Allgemeine Leasing GmbH & Co. (Chairman)

Dr. rer. pol. Ulrich Weiss
Former member of the Managing Board, Deutsche Bank AG
a) Asea Brown Boveri AG
Continental AG
O&K Orenstein & Koppel AG (Chairman)
Südzucker AG

b) Benetton SpA
Ducati SpA
Piaggio SpA

Managing Board

Rolf Hülstrunk, Chairman (until 31 December 2000)
b) S.A. Cimenteries CBR[1] (Deputy Chairman)
ENCI N.V.[1]
Marmoran AG
Scancem AB[1] (Chairman)
Vicat S.A.

Hans Bauer, Chairman (since 1 January 2001)
a) Bilfinger + Berger Bauaktiengesellschaft
Kronimus AG
ZEAG Zementwerk Lauffen-Elektrizitätswerk Heilbronn AG (Deputy Chairman)
b) S.A. Cimenteries CBR[1]
ENCI N.V.[1] (Deputy Chairman)
Lehigh Portland Cement Co.[1]
Lehigh Portland Cement Limited[1]
Nederlandse Cement Deelnemingsmaatschappij B.V.
Nederlandse Cement Handelmaatschappij B.V.
Nederlandse Cement Overslagbedrijf B.V.
Scancem AB[1]
Zlatna Panega AD[1]

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

Dr.-Ing. Peter Otto (member of the Managing Board until 30 June 2000)

Paul Vanfrachem
Chairman and Chief Executive Officer, S.A. Cimenteries CBR
b) Akçansa Çimento Sanayi ve Ticaret A.S. (Deputy Chairman)
S.A. Cimenteries CBR[1] (Chairman)
China Century Cement Limited
Ciments Luxembourgeois S.A.
ENCI N.V.[1] (Chairman)
Lehigh Portland Cement Co.[1]
Lehigh Portland Cement Limited[1]
Scancem AB[1]

Horst R. Wolf

a) Niedermayr Papierwarenfabrik AG
   RWE Rheinbraun AG
   ZEAG Zementwerk Lauffen - Elektrizitätswerk Heilbronn AG
b) S.A. Cimenteries CBR[1)]
   Lehigh Portland Cement Co.[1)]
   Lehigh Portland Cement Limited[1)]
   Scancem AB[1)]

Håkan Fernvik

President and Chief Executive Officer of Scancem AB since 1 June 2000
Deputy member (since 1 June 2000)
b) Scancem AB[1)]

Daniel Gauthier

Deputy member (since 1 July 2000)
b) BECEM Cement és Mészipari Rt.
   Casial Deva S.A.[1)]
   Ceskomoravský Cement, a.s.[1)] (Chairman)
   Duna-Dráva Cement - és Mészmüvek Kft.[1)]
   Górazdze Cement S.A.[1)] (Chairman)
   ISTRA Cement International AG[1)]
   MOLDOCIM - S.A. Bicaz[1)]
   Spojené sterkovny à piskovny, a.s.[1)]
   Tvornica Cementa Kakanj d.d.[1)]
   Zlatna Panega AD[1)] (Chairman)

Bo Jacobsson

Until 31 May 2000, President and Chief Executive Officer, Scancem AB
Deputy member (from 1 January to 31 May 2000)

Andreas Kern

Deputy member (since 1 July 2000)
a) Anneliese Zementwerke AG
b) Ceskomoravský Cement, a.s.[1)]
   Duna-Dráva Cement - és Mészmüvek Kft.[1)]
   Górazdze Cement S.A.[1)]

39 Proposed dividends

The Managing Board and Supervisory Board propose the following dividends:

EUR 1.15 dividend per ordinary share EUR 147,564,203.52 subscribed share capital	66,288,607.05
EUR 1.26 dividend per preference share EUR 15,488,000.00 subscribed share capital	7,623,000.00
	73,911,607.05

Heidelberg, March 2001

HEIDELBERGER ZEMENT AKTIENGESELLSCHAFT

The Managing Board

Report of the independent auditors

We have audited the Group annual accounts of Heidelberger Zement AG, Heidelberg, for the business year ending 31 December 2000. The Group annual accounts include the Group financial statement, consisting of the balance sheet, profit and loss account, 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 Accounting Standards (IAS) and whether the conditions for exemption pursuant to Paragraph 292a Sect. 2 HGB (Handelsgesetzbuch: German Commercial Code) have been met.

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, 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.

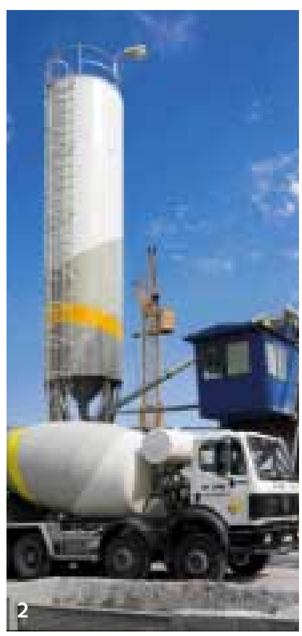
In our opinion, the Group financial statements give a true and fair view of the net assets, financial position, results of operations and cash flows of the Group for the business year in accordance with IAS. Our audit, which also extends to the Group management report prepared by the Managing Board, 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, 23 March 2001

ERNST & YOUNG
Deutsche Allgemeine Treuhand AG
Wirtschaftsprüfungsgesellschaft

Dr. Dörner Wirtschaftsprüfer (Independent Auditor)	Prof. Dr. Wollmert Wirtschaftsprüfer (Independent Auditor)


1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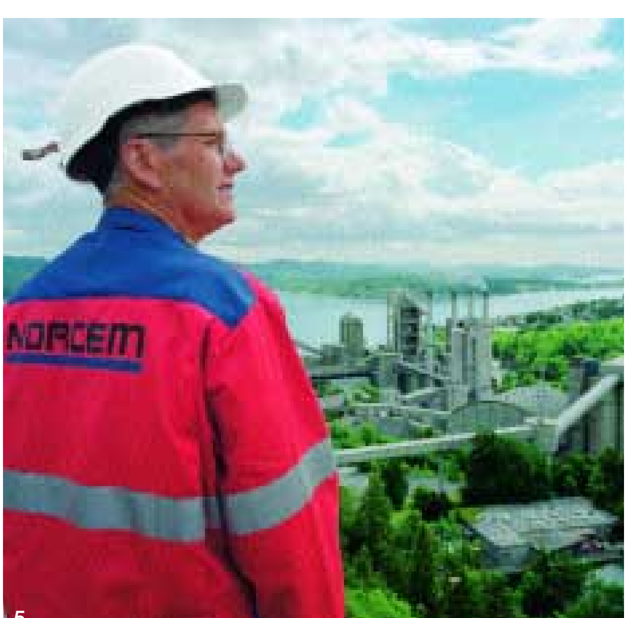

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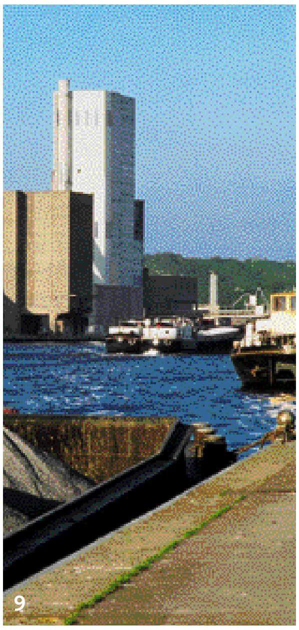


9

1+5 Port facility and cement plant in Brevik, Norway; 2.5 million tonnes of cement and clinker were exported from Northern Europe in 2000

2 Ready-mixed concrete facility in Plovdiv, Bulgaria; the network of production sites in Central Europe East is continually expanding

3 Cement grinding plant in IJmuiden; the Dutch subsidiary ENCI celebrates its 75th anniversary in 2001

4 Kunda cement plant in Estonia

6 Dry mortar products are marketed in Germany under the well-known brand name of maxit

7 Restored quarry of the Schelklingen cement plant in Germany

8 Majority acquisition of the Romanian cement plant Casial Deva in 2000

9 By the end of 2001, the conversion of clinker production at Lixhe, Belgium, to the dry process will be fully completed

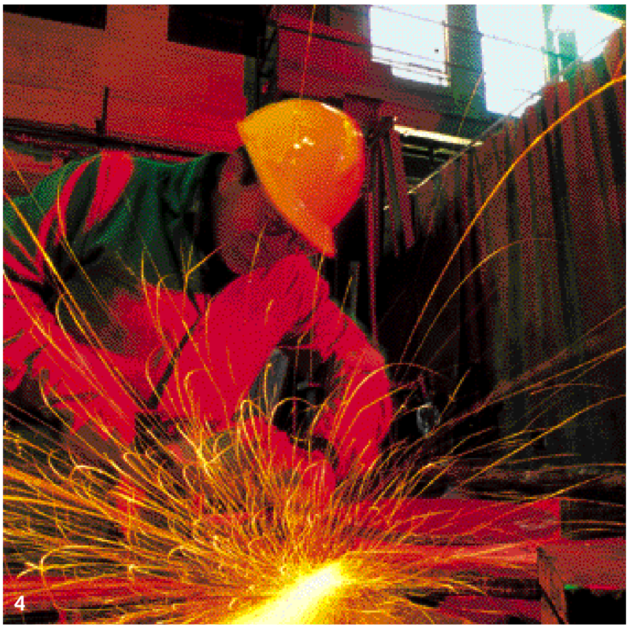
10 Bicaz cement plant in Romania

10

1 Production of concrete blocks and pipes in Tarrant, Alabama

2+5 The large-scale Union Bridge project in Maryland will be completed in the autumn of 2001; the cement plant's capacity will rise to 1.9 million tonnes

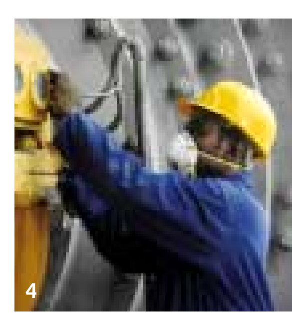
3 Terminal in Doraville, Georgia, belonging to the Leeds cement plant



4 Preventive maintenance of all North American locations for optimisation of production and costs

6 White cement plant in York, Pennsylvania

7 Ready-mixed concrete and aggregates from the subsidiary Continental in Florida



1 24 ready-mixed concrete plants supply the Turkish market
2 Ready-mixed concrete facility in Zhujiang in the southern Chinese province of Guangdong
3+4 Ghacem operates two grinding plants in Ghana
5+9 Cement grinding plant in Lomé, Togo

5

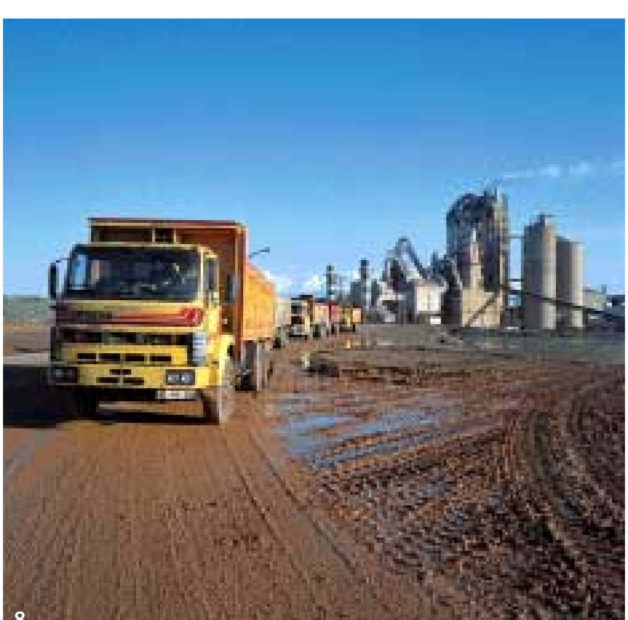
6 With the majority share in the Indonesian company Indocement, Heidelberger Zement increases its cement capacity by just under 16 million tonnes

7 Market entry in the Sultanate of Brunei with the purchase of a 50% share in the only cement plant in the country

8 The Turkish cement plant Çanakkale on the Aegean coast is an important supplier for the North American markets

6

7



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9

The Mission

The Heidelberger Corporate Image
Building worldwide growth by building a better world.

The Heidelberger Business Culture
Building on local responsibility for international success.

The Heidelberger Employee Policy
Building our business on the knowledge of our people.

The Heidelberger Market Strategy
Building our growth on a solid base of earnings.

The Heidelberger Customer Philosophy
Building customer satisfaction because their success is our success.

The Heidelberger Quality Standard
Building on quality products to build our reputation.

The Heidelberger Commitment to Environmental Protection
Building on environmental care also makes economic sense.

The Heidelberger Commitment to Innovation
Building on new technologies determines our future success.

The Heidelberger Corporate Image

The Heidelberger Zement Group is one unit - a leading, globally active, market-oriented company. We contribute to the improvement of the quality of life in many countries through the development, production and sale of building materials and related services. We respect the law in all our activities and participate in shaping national and supra-national conditions. We support educational and charitable initiatives in the vicinity of our activities and participate as good citizens in political, cultural and social events at local and regional levels.

We are among the world's best and we want to continue to grow. Prerequisites for this are an especially well-qualified management plus committed, well-trained employees and satisfied customers.

Our economic goals are to continuously increase our earnings through leadership in cost efficiency and the long-term, profit-oriented growth of the Group. We strive for a balanced presence in mature and developing markets to deliver our shareholders adequate dividends and an increasing market value of the company. We generate the necessary cash flow to maintain and improve our existing activities and finance our external growth.

Financial stability and flexibility is the standard for our efforts and safe-guards entrepreneurial freedom of action.

The Heidelberger Business Culture

We are a growth-oriented international company with decentralized and regionally oriented management, decision-making and organizational structures. The dynamism and strength of our company relies upon these structures rather than just upon its legal corporate structure. The Vorstand shares responsibility in leading the company. It delegates regional and central management duties and responsibilities to its members.

Harmonized management guidelines and the principle of goal agreement are the worldwide foundations for consistent delegation of responsibility, duties and decision-making powers. We support responsible entrepreneurial actions by providing the necessary freedom based on mutual trust and organized teamwork.

We act responsibly towards customers, employees, business partners, co-owners, shareholders and the environment. We promote national identities and cultures in order to be as close and creative to local markets as possible. We ensure that human rights are observed throughout our Group.

We demonstrate respect and appreciation for our employees and their representatives. Our treatment of each other is marked by active and open communication.

Our information policy is to provide open communication and make use of the latest technologies. We inform truthfully and responsibly.

The language of communication throughout the Group is English.

The Heidelberger Employee Policy

We are committed to success in all our international ventures. To achieve this we strive to be a model employer to gain the help and support of all our employees. Consequently, we are interested in long-term employment relationships that offer opportunities for personal development and on-going education. Only through focused and continuous employee development can we achieve long lasting technical, social and leadership capabilities. We recruit and educate talented new people, largely from domestic sources, but also, where necessary, internationally. Whenever practical, we will identify qualified internal candidates to fill positions.

We expect a high degree of professionalism and credibility from our managers, as well as fairness and openness in all their undertakings. Our managers should be role models with respect to their technical qualifications and their interpersonal skills. They should distinguish themselves through their teamwork skills and their loyalty. Typically, they will have local experience, but with an outward-looking attitude.

International management competence is of great importance to us. We, therefore, encourage employees to take on international duties. Foreign assignments are subject to special rules that demand special considerations. We expect our employees to be future-oriented and motivated and, through continuous learning, to see change as opportunity.

Our remuneration systems depend on performance and results and are adapted to national cultures and circumstances. We will do our best to support employees in difficult career or personal situations.

All appropriate safety measures should be taken at the workplace.

Dishonesty towards our company and improper conduct towards employees are penalized.

The Heidelberger Market Strategy

Profits are the prerequisite for investment in research, new products and facilities. We optimize costs based on benchmarking and improve earnings through active management of the value-added chain. Optimization of production and logistics costs are of prime importance. We consider social as well as economic aspects in all our decisions and actions.

For control of our long-term profitability, we use a common system as a measure of our success.

Wherever possible, we work to become the market leader and to build up our position through vertical integration. To optimize our production capacity and to help us build strength in distant markets, we conduct international trade in cement as well as clinker.

We respect fair competition.

We use the power of our regional brand and company names, but make clear that they belong to the Heidelberger Zement Group. In this way, all our employees enjoy the advantages of local name recognition and the worldwide strength of the Heidelberger Zement Group.

The Heidelberger Customer Philosophy

Our capability grows with our size, our knowledge, our innovativeness, and our ability to link all our units into a powerfully performing team. We want to help our customers experience this as a concrete advantage in their own success because we are successful only when our customers are successful. We strive for long-term customer relationships based on reliability and integrity. We achieve lasting customer satisfaction through innovative products, competitive prices and unassailable quality.

We value our business partnerships and work for our mutual success.

The Heidelberger Quality Standard

Cement, concrete, aggregates and certain other building materials - these are our fields of competence. In these areas, we produce the products that the market wants and needs. And so we contribute to a better quality of life, work and mobility.

It is the declared goal of every employee to make our products and services into a recognized byword for quality worldwide. This positioning allows us to achieve market leadership.

Our competitive strength is of strategic importance. It can be achieved only through economically and ecologically innovative production technologies and the high quality standards we promote.

The Heidelberger Commitment to Environmental Protection

Environmental protection benefits everyone: our employees, communities and customers. It also makes good economic sense. We use secondary fuels and raw materials and ensure their continued availability. We strive to conserve resources and optimize our production processes and products through continuous improvement. We build on modern, proven and environmentally sound technologies. This helps to ensure the lasting supply of raw materials, which is of critical importance to us.

Our future goal is steady and sustainable development.

The Heidelberger Commitment to Innovation

Our product quality is based on the use of modern, tested production processes. For this reason we involve ourselves in the development of improved technologies and innovative, low-cost production processes that achieve lasting economic and ecological benefits. In addition, long-term capital investment in our production facilities requires continuous maintenance.

To achieve a competitive advantage, we practice knowledge management through the targeted exchange of information and experience. We generate this from internal projects, external cooperation and activities within the operating businesses.

We promote the reputation and use of concrete and of other building materials containing cement and we research and develop promising new applications with our customers.