Contents

Annual Report 2004

HEIDELBERGCEMENT

Evolution 2004 of the HeidelbergCement share

- **Turnover increased by 5,8% adjusted for currency and consolidation effects**
- **Further debt reduction achieved**
- **North America and growth markets again the strongest contributors to the growth**
- **Dr. Bernd Scheifele new Chairman of the Managing Board**
- **Elimination of balance sheet risks led to one-time extraordinary charges of around EUR 700 million**
- **Cash capital increase of more than EUR 270 million successfully completed**
- **Moderate increase in sales volumes and slight rise in turnover expected in 2005**
- **Long winter affects markets in Central Europe in the first quarter 2005**
- **Management focus on efficiency improvement and cost cutting**
- **Cautious participation in the global industry consolidation planned**

Financial highlights

Figures in EURm	2000	2001	2002	2003	**2004**
Number of employees	36,472	34,846	36,761	37,774	**42,062**
Turnover					
Central Europe West	1,506	867	755	787	**846**
Western Europe	1,120	1,052	1,023	959	**929**
Northern Europe	1,334	825	872	758	**716**
Central Europe East	434	514	610	627	**657**
North America	1,912	1,990	1,865	1,686	**1,699**
Africa-Asia-Turkey	424	411	425	492	**1,007**
maxit Group[1]	-	1,045	1,010	1,021	**1,053**
Group Services	497	510	453	417	**505**
Inter-region turnover	-418	-525	-443	-375	**-483**
Total Group turnover	6,809	6,689	6,570	6,372	**6,929**
Operating income before depreciation (OIBD)	1,263	1,185	1,147	1,024	**1,219**
Operating income	658	565	500	391	**735**
Profit/loss for the financial year	401	255	262	133	**-333**
Group share	373	244	248	117	**-366**
Dividend in EUR per share	1.15	1.15	[2]	1.15	**0.55**[3]
Investment in tangible fixed assets	654	817	457	386	**466**
Investment in financial fixed assets	495	412	218	227	**45**
Total fixed asset investments	1,149	1,229	675	612	**511**
Depreciation and amortisation	626	659	709	697	**972**
Tangible fixed assets	7,145	7,377	7,062	7,048	**7,357**
Financial fixed assets	1,084	1,358	1,399	1,178	**926**
Current assets	2,773	3,040	2,678	2,667	**2,433**
Shareholders' equity and minority interests	3,639	3,849	3,846	4,185	**3,963**
Provisions	1,398	1,364	1,378	1,423	**1,706**
Liabilities	5,965	6,562	5,915	5,285	**5,047**
Balance sheet total	11,002	11,775	11,139	10,893	**10,716**

[1] 2000: Turnover of maxit Group is included in Central Europe West, Western Europe and Northern Europe.
[2] Instead of a cash dividend a stock dividend, i.e. a capital increase out of retained earnings, in the amount of the previous year's dividend was issued.
[3] Managing Board and Supervisory Board will propose to the Annual General Meeting on 4 May 2005 the distribution of a cash dividend of EUR 0.55.

for better building

HeidelbergCement is one of the leading global building materials groups. Cement and concrete are our core activities in all market regions. With cement sales volumes of 65 million tonnes, we are one of the largest cement producers in the world. Our concrete activities include ready-mixed concrete, concrete products and aggregates such as sand and gravel. Our high-performance building materials range also covers dry mortar, expanded clay, sand-lime bricks and building chemicals. With top-quality products and innovative solutions for new construction, expansion and refurbishment, we provide our customers in 50 countries with an important foundation on which to build their success and competitiveness. HeidelbergCement perceives its environmental responsibility in all market regions. All our actions are aligned to the guidelines of sustainable development.

The international nature of the Group is reflected in the diversity of the regional brands and company names. In order to illustrate this, the series of photos in this annual report presents advertisements from the regions of HeidelbergCement. According to our corporate image, the market presence and business culture vary from country to country. The supplement ”HeidelbergCement Group“ to the individual company logos forms the unifying element of a corporate identity that reflects unity in its diversity and engenders a sense of belonging to the Group. HeidelbergCement is an international Group that consistently fulfils its promises set out in the Corporate Mission guidelines – preserving regional business cultures by remaining close to the market and ensuring employee satisfaction.

Letter to the shareholders

Dr. Bernd Scheifele
Chairman of the Managing Board of HeidelbergCement

Dear Shareholders,
Dear Fellow Employees and Friends of HeidelbergCement,

For HeidelbergCement, the 2004 financial year was characterised by far-reaching personnel changes. At the same time, the Group's profit and loss accounts reported a loss for the first time in the postwar period. What made the year so difficult for our Group?

Changes in the Managing Board and Supervisory Board
The personnel changes began after the Annual General Meeting on 6 May 2004. Following the withdrawal of Deutsche Bank and Dresdner Bank from the group of major shareholders, the bank representatives were replaced on the Supervisory Board by entrepreneurs such as A. Merckle and Max Dietrich Kley. Dr. Wolfgang Röller, who had headed the Supervisory Board for many years, retired. In his place, I was elected Chairman of the Supervisory Board.

On 1 July 2004, the Managing Board members Håkan Fernvik and Paul Vanfrachem also retired from the Managing Board. Their responsibilities were assigned to their colleagues Daniel Gauthier and Andreas Kern. Chief Financial Officer Horst R. Wolf retired on 31 October 2004. His successor was Dr. Lorenz Näger, who also contributes to the qualification and competence of the new managing team. After more than 35 years of successful work for HeidelbergCement, the Chairman of the Managing Board Hans Bauer retired at the end of January 2005. The Supervisory Board appointed me as the new Chairman of the Managing Board; Fritz-Jürgen Heckmann was elected as my successor as Chairman of the Supervisory Board.

This summary emphasises that some considerable changes have occurred in the year following the election of the new Supervisory Board. The positive aspects of these changes are that we now have clarity regarding the leadership of the Group and have clearly set the direction for the coming years in terms of personnel.

Elimination of balance sheet risks
The annual accounts for the 2004 financial year reveal a somewhat varied picture. The profit and loss accounts report an improvement in operating income compared with the previous year – even after eliminating the discontinued goodwill amortisation. The increased results are primarily due to the improvement in the earnings position in Germany, which was supported by costs reductions and consistent price increases with a decline in volumes. Our Eastern European activities, North America and the initial full consolidation of Indocement made a substantial contribution to the increase in operating income. However, Indocement suffered from a strong foreign exchange rate loss, which used up most of the positive results from operations.

The profit and loss accounts also report extraordinary charges of approximately EUR 700 million. The depreciation on previously acquired goodwill (impairment test), the laying of a restructuring provision for the reorganisation of the cement business in Belgium and the Netherlands, and the valuation adjustments for deferred tax assets all had a negative impact.

At the end of a difficult year 2004, we recorded a loss for the financial year of EUR 333 million, despite an improvement in Group operating income. These results were undoubtedly disappointing for the shareholders. However, with these 2004 annual accounts, we have drawn a line under the last three difficult years. HeidelbergCement can now meet future tasks with increased strength.

Direction for the future
How does the new Managing Board envision the future of HeidelbergCement? The Group's management assigns absolute priority to focusing on comprehensive efficiency, sustainable profitability, a strong emphasis on customers, earnings-oriented growth and a performance-oriented business culture.

Increase in efficiency and earnings
Initially, the focus lies on increasing efficiency in the cement, concrete and building materials business lines and in nearly all Group companies. Our aim is to become cost leaders. For this reason, it is very important that we combine our support and service units. The Group functions IT, Human Resources, Risk Management, Finance, Controlling, Business Development, Purchasing and HC Trading have to offer largely uniform, cross-disciplinary management processes for the whole Group. The existing redundancies, geographical or otherwise, will be eliminated and replaced by streamlined, efficient structures and processes. Success in this area is important because cost savings strengthen our earnings in a sustainable manner.

However, comprehensive cost management is not just about doing what is necessary in the short term in order to be competitive and profitable today. We must also take measures to make the Group competitive in the long term. Therefore, in the future we will continue to invest in the high technical standard of our plants.

A strong emphasis on customers
Close contact to the customers has always been one of HeidelbergCement's strengths. However, there is still room for improvement in this area. By consistently breaking down the complexity and bureaucracy within the Group, the customer-oriented departments can direct all their energy and attention towards advising our customers and achieving sales. In a difficult market environment, we need to re-engender trust in our products and services, customer by customer, project by project, and day by day. This can only be achieved if the individual company areas work together quickly, unbureaucratically and transnationally on the basis of a clear organisational structure.

Earnings-oriented growth
As one of the leading companies in our sector, we will play an active yet cautious role in the worldwide process of consolidation in the cement and building materials industry. The emphasis is on medium and small acquisitions in selected growth markets. We will focus on the quick and consistent integration of the companies we acquire. However, sustainable, successful entrepreneurial activity also requires us to be able to say "no" when the risk/earnings ratio is no longer favourable.

Performance-oriented business culture

To achieve these goals, it is vital that we continue to develop our business culture. We need to be customer-focused and offer the best products and services. We must concentrate on the right business segments and attractive markets, and work cost-effectively in all sectors. In the future, our business culture must focus much more on strength of implementation, cost-effectiveness, as well as results and customer orientation. Finally, HeidelbergCement as a Group needs to become hungrier, faster and more entrepreneurial.

This calls for the introduction of attractive variable remuneration components for senior managers across the Group, which will allow them to see both the positive as well as the negative consequences of their entrepreneurial activity in a much clearer way.

A note of thanks

I would particularly like to thank our shareholders for their trust and patience. The past financial year has been somewhat challenging for them. 2004 was an exceptional year in the Group's history in every way. Therefore, despite the heavy loss for the Group, we propose the payment of a dividend of 0.55 EUR per share.

My sincere thanks also go to our employees, numbering around 42,000. In a difficult year, they have demonstrated their immense capabilities. I would also like to thank our employee representatives, who have loyally stood by the Group during a difficult phase.

Prospects

HeidelbergCement has rarely experienced such an eventful financial year as 2004. In view of the difficult market environment in Germany and Western Europe, it may take a while before we regain our old level of results in line with the market, but I am convinced that we will get there. HeidelbergCement will be strengthened by the gradual world-wide consolidation of the cement and building materials industry, and will emerge with an even better geographical position. My colleagues of the Managing Board and I will work with the highest degree of personal dedication to further promote HeidelbergCement.

We would be very pleased if you accompanied us on this journey and hope to report to you during the next year on the progress we have achieved.

Yours sincerely,

Bernd Scheifele

Dr. Bernd Scheifele
Chairman of the Managing Board

Report of the Supervisory Board

Fritz-Jürgen Heckmann
Chairman of the Supervisory Board of HeidelbergCement

Ladies and Gentlemen,

In 2004, the Supervisory Board of HeidelbergCement AG supported the company through an eventful year marked by diverse challenges and important settings of direction. From an operational point of view, 2004 was characterised by the consolidation of strong positions on cement and concrete markets both domestically and abroad, further capacity adjustment measures and the overdue reversal of the proceeds situation on the German market. For example, we acquired the majority share in Teutonia Zementwerk AG in Lower Saxony, which is still subject to the approval of the cartel authories, increased our participation in the American Glens Falls cement plant to 100% and initiated the restructuring of the Belgian and Dutch activities.

From a financial viewpoint, the events that stand out are the revaluation of various balance sheet items and the first-time consolidation of the Indonesian subsidiary Indocement. The revaluation, which led to one-time extraordinary charges in the order of EUR 700 million, and consequently to a loss for the Group for the first time since 1945, resulted primarily from the impairment tests, carried out following the discontinuation of linear goodwill amortisation. In addition, as a result of changes in the German tax laws (minimum tax), the capitalised losses carried forward were reduced, depreciation was calculated on Indocement's financing costs and provisions were layed for the planned restructuring in Belgium and the Netherlands. The Supervisory Board shares the opinion with the Managing Board and the auditors that these measures are necessary to further develop the Group on the basis of a strengthened, risk-free balance sheet.

Regarding Group financing, the refinancing of the 2003 syndicated loan with an improved agreement concerning terms and conditions, and further reduction of financial liabilities by EUR 237 million are to be mentioned. Finally, substantial personnel and structural changes have taken place in the company's Managing Board.

The Supervisory Board has discussed these and other measures intensively with the Managing Board and has taken the necessary decisions. In addition, the Supervisory Board has examined the business management of the Managing Board on the basis of the regular reporting and the common meetings during the 2004 financial year. Before adoption, business transactions requiring approval were discussed between Managing Board and Supervisory Board. The Chairman of the Supervisory Board was also in regular contact with the Managing Board, particularly with its Chairman, outside the meetings of the Supervisory Board. The Managing Board's periodical reports to the Supervisory Board focused on the corporate strategy, short-term and medium-term financial, investment and personnel planning, the company's profitability, and general business development. The Supervisory Board discussed these reports in detail with the Managing Board.

Four ordinary meetings of the Supervisory Board and the constitutive meeting of the newly elected Supervisory Board, immediately following the Annual General Meeting of 6 May 2004, took place. The Audit Committee met four times, the Personnel Committee three times. The Arbitration Committee, formed in accordance with § 27 of the German Codetermination Law, had no cause to meet during the reporting year. The Supervisory Board was informed about the work in the committees.

In the area of Corporate Governance, in addition to personnel issues the focus was on aspects of the remuneration system for the Managing Board and Supervisory Board. This resulted in the decision not to continue the annual stock option plans and the proposal to reduce the Supervisory Board remuneration; this proposal will be put forward to this year's Annual General Meeting. Contractual relationships with members of the Supervisory Board arose in connection with the involvement in Indocement and the Ukrainian participations (see also "Related party disclosures" in the Notes, page 144 f.). These relationships were disclosed during the discussions. The Supervisory Board members involved did not take part in the discussions and abstained from voting on the resolutions.

The current statement of compliance in accordance with § 161 of the German Stock Corporation Act (Aktiengesetz) is submitted on 22 March 2005. Once more, the Supervisory Board decided against publication of the individual Managing Board salaries out of consideration for the privacy of the members of the Managing Board. (See also the section "Corporate Governance" in the Report to the shareholders on page 72 f.) The Supervisory Board is satisfied that the Managing Board has installed an effective risk management system capable of recognising at an early stage any developments that could jeopardise the survival of the company. The Supervisory Board has also had this opinion confirmed by the auditors.

The annual accounts of HeidelbergCement AG, the Group annual accounts as of 31 December 2004 and the combined report to the shareholders for the Company and the Group, as prepared by the Managing Board, were examined by the independent auditors elected and appointed by the Supervisory Board, Ernst & Young AG Wirtschaftsprüfungsgesellschaft, Stuttgart. The auditors gave the accounts the unqualified confirmation. The annual accounting documents and auditor's reports were sent to the members of the Supervisory Board. At first, the Audit Committee dealt intensively with the annual accounts in the presence of the auditors. The auditors reported on the essential results of their audit. Then, the Supervisory Board discussed the annual accounts in detail, once again in the presence of the auditors. The Supervisory Board approved the audit results. It examined the Company and the Group annual accounts, the combined report to the shareholders as well as the Managing Board's recommendation for the use of net profit shown in the balance sheet. No objections were raised to the final results of this examination. The Supervisory Board has therefore approved the Company and the Group annual accounts. The annual accounts have thus been adopted. The Supervisory Board approved the proposal of the Managing Board for the use of net profit for the payment of a dividend of EUR 0.55 per share for 2004.

Mr. Håkan Fernvik, a member of the Managing Board since 2000, and Mr. Paul Vanfrachem, a member of the Managing Board since 1994, retired on 30 June 2004. The Group's Chief Financial Officer Horst R. Wolf also retired on 31 October 2004 after 10 years on the Managing Board. The Supervisory Board would like to express to them its thanks and acknowledgement for all the work they have done. The responsibilities of Mr. Vanfrachem and Mr. Fernvik were assigned to Mr. Gauthier and Mr. Kern. The Supervisory Board appointed Dr. Lorenz Näger as the successor to Mr. Wolf. In January of this year, the Chairman of the Managing Board, Mr. Hans Bauer, also retired after 35 years of successful work for HeidelbergCement. Mr. Bauer, who spent his entire work life at HeidelbergCement, had belonged to the Managing Board since 1997 and had been its Chairman since 2001. Mr. Bauer led the Group during a time when the market environment was very difficult. The Supervisory Board is particularly obliged to him for this. The Supervisory Board appointed Dr. Bernd Scheifele as the successor to Mr. Bauer.

With the Annual General Meeting of 6 May 2004, the five-year period of office of the previous Supervisory Board ended and that of the new Supervisory Board elected by the Annual General Meeting and employees began. The shareholder representatives Dr. Wolfgang Röller, Prof. Dr. Bernd Fahrholz and Dr. Ulrich Weiss and the employee representatives Mrs. Veronika Füss, Mr. Wilhelm Fürst, Mr. Josef Löffler, Mr. Wilhelm Schwerdhöfer and Mr. Meinhard Thrul are no longer represented on the Supervisory Board. The Supervisory Board is greatly obliged to all its members who stepped down. They accompanied the Group through difficult times – Mr. Fürst, Mr. Schwerdhöfer and Dr. Weiss even over several periods of office - marked by some far-reaching settings of direction, with a great deal of expertise and commitment. Dr. Röller has provided particularly valuable service to the Group. He belonged to the Supervisory Board for 23 years, including 20 years as its Chairman. Without his far-sighted leadership, characterised by his high competence and his unifying force, HeidelbergCement would not be among the biggest cement manufacturers in the world today. As shareholder representatives, Mr. Max Dietrich Kley, Senator h.c. Dr. med. h.c. Adolf Merckle and Dr. Bernd Scheifele were newly elected to the Supervisory Board, along with the employee representatives Mr. Theo Beermann, Mr. Josef Heumann, Mr. Heinz Kimmel, Mr. Hans Georg Kraut and Mr. Heinz Schmitt. Dr. Scheifele was elected the new Chairman of the Supervisory Board and when he became Chairman of the Managing Board on 1 February 2005, Mr. Fritz-Jürgen Heckmann succeeded to the office.

The Supervisory Board thanks the Managing Board, the managers, the employee representatives and all the employees of the Group for their high level of personal dedication and their accomplishments during the 2004 financial year.

Heidelberg, 22 March 2005

On behalf of the Supervisory Board

Yours sincerely,

Fritz-Jürgen Heckmann
Chairman

Managing Board

Dr. Bernd Scheifele

Born in Freiburg, Germany, aged 46 years. Studies in law at the universities of Freiburg, Dijon, France, and the University of Illinois, US.

From 6 May 2004 until 31 January 2005, Chairman of the Supervisory Board of HeidelbergCement. Since 1 February 2005, Chairman of the Managing Board, in charge of Strategy, Communication, Human Resources, Legal, and Internal Audit & Corporate Risk.

Hans Bauer
Chairman of the Managing Board until 31 January 2005.

Helmut S. Erhard

Born in Klingenbrunn, Germany, aged 61 years. Studies in mining engineering at Clausthal, Germany.

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

Daniel Gauthier

Born in Charleroi, Belgium, aged 48 years. Studies in mining engineering at Mons, Belgium.

Since 1982 at CBR, the Belgian subsidiary of HeidelbergCement. Member of the Managing Board since 2000, in charge of the region Central Europe East until 30 June 2004. Since 1 July 2004, in charge of the regions Western Europe, Northern Europe, Africa-Asia-Turkey and of HC Trading.

Dr. Lorenz Näger

Born in Ravensburg, Germany, aged 44 years. Studies in business administration at the German universities Regensburg and Mannheim, and in Swansea, UK.

Since 1 October 2004, member of the Managing Board, in charge of Finance, Group Accounting, Controlling, Taxes, Purchasing, Insurance, and IT.

Andreas Kern

Born in Neckarsteinach, Germany, aged 46 years. Studies in business administration at Mannheim, Germany.

Since 1983 at HeidelbergCement. Member of the Managing Board since 2000, in charge of the region Central Europe West and of the maxit Group. Since 1 July 2004, also in charge of the region Central Europe East.

Håkan Fernvik
Member of the Managing Board in charge of the region Northern Europe until 30 June 2004.

Paul Vanfrachem
Until 30 June 2004, member of the Managing Board in charge of Western Europe, Africa-Asia-Turkey and of HC Trading.

Horst R. Wolf
Chief Financial Officer until 31 October 2004.

Supervisory Board

Dr. rer. pol. Wolfgang Röller
Chairman until 6 May 2004
Frankfurt
Honorary Chairman of the Supervisory Board,
Dresdner Bank AG

Dr. Bernd Scheifele
Chairman from 6 May 2004 until 31 January 2005
Heidelberg
until 31 January 2005, Chairman of the Managing
Board of PHOENIX Pharmahandel AG & Co KG

Fritz-Jürgen Heckmann
Chairman since 1 February 2005
Stuttgart
Attorney

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

Theo Beermann
since 6 May 2004
Ennigerloh
Chairman of the General Council of Employees,
Anneliese Zementwerke AG, and Chairman of
the Council of Employees at the Ennigerloh
plant, Anneliese Zementwerke AG

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

Prof. Dr. Bernd Fahrholz
until 6 May 2004
Frankfurt
Former Chairman of the Managing Board,
Dresdner Bank AG, and former Deputy Chairman
of the Managing Board, Allianz AG

Wilhelm Fürst
until 6 May 2004
Mainz
until 31 May 2004, Chairman of the Council
of Employees at the Mainz-Weisenau plant,
HeidelbergCement AG

Veronika Füss
until 6 May 2004
Schelklingen
Chairwoman of the Council of Employees at the
Schelklingen sales office, HeidelbergCement AG

Waltraud Hertreiter
Munich
Member of the Managing Board,
Schaltbau Holding AG

Josef Heumann
since 6 May 2004
Burglengenfeld
Chairman of the Council of Employees at the
Burglengenfeld plant, HeidelbergCement AG

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

Heinz Kimmel
since 6 May 2004
Sulzheim
Chairman of the Council of Employees at the Sulzheim plant, Südharzer Gipswerk GmbH

Max Dietrich Kley
since 6 May 2004
Heidelberg
Attorney

Hans Georg Kraut
since 6 May 2004
Schelklingen
Director of the Schelklingen plant

Josef Löffler
until 6 May 2004
Schelklingen
until 30 September 2004, member of the Council of Employees at the Schelklingen plant

Senator h.c. Dr. med. h.c. Adolf Merckle
since 6 May 2004
Blaubeuren
Attorney

Ludwig Merckle
Ulm
Managing Director, Merckle GmbH

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

Heinz Schmitt
since 6 May 2004
Heidelberg
Chairman of the Council of Employees at the headquarters, HeidelbergCement AG

Wilhelm Schwerdhöfer
until 6 May 2004
Triefenstein-Lengfurt
Chairman of the European Works Council, HeidelbergCement, and Chairman of the Council of Employees at the Lengfurt plant, HeidelbergCement AG

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

Meinhard Thrul
until 6 May 2004
Burglengenfeld
Senior Manager at Hüttenzement GmbH

Dr. rer. pol. Ulrich Weiss
until 6 May 2004
Frankfurt
Former member of the Managing Board, Deutsche Bank AG

Supervisory Board Committees

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

Dr. rer. pol. Wolfgang Röller
Chairman until 6 May 2004
Dr. Bernd Scheifele
Chairman from 6 May 2004 until 31 January 2005
Fritz-Jürgen Heckmann
Chairman since 1 February 2005
Heinz-Josef Eichhorn
until 6 May 2004

Josef Heumann
since 6 May 2004
Heinz Schirmer
Eduard Schleicher
since 6 May 2004
Dr. rer. pol. Ulrich Weiss
until 6 May 2004

Personnel Committee

Dr. rer. pol. Wolfgang Röller
Chairman until 6 May 2004
Dr. Bernd Scheifele
Chairman from 6 May 2004 until 31 January 2005
Fritz-Jürgen Heckmann
Chairman since 1 February 2005
Theo Beermann
since 6 May 2004

Hans Georg Kraut
since 6 May 2004
Ludwig Merckle
since 6 May 2004
Heinz Schirmer
Eduard Schleicher
Meinhard Thrul
until 6 May 2004

Audit Committee

Dr. rer. pol. Wolfgang Röller
Chairman until 6 May 2004
Dr. Bernd Scheifele
Chairman from 6 May 2004 until 31 January 2005
Senator h.c. Dr. med. h.c. Adolf Merckle
since 6 May 2004, Chairman since 1 February 2005
Fritz-Jürgen Heckmann
since 1 February 2005
Josef Löffler
until 6 May 2004

Ludwig Merckle
until 6 May 2004
Heinz Schirmer
Eduard Schleicher
since 6 May 2004
Heinz Schmitt
since 6 May 2004
Karl-Heinz Strobl
since 6 May 2004

Advisory Council

Rolf Hülstrunk
Chairman
Mainz
Member of the Supervisory Board,
HeidelbergCement AG

John D. Baker II
Jacksonville, Florida/US
President and Chief Executive Officer,
Florida Rock Industries, Inc.

Donald Fallon
until 30 June 2004
Brussels/Belgium
Former member of the Managing Board, HeidelbergCement AG, and former Chairman and Chief Executive Officer, S.A. Cimenteries CBR

Larry Hirsch
Dallas, Texas/US
Chairman, Eagle Materials Inc.

Dr.-Ing. Jochen F. Kirchhoff
Iserlohn
Chairman of the Management, Kirchhoff-Gruppe

Karl Kronimus
Iffezheim
Chairman of the Supervisory Board, Kronimus AG

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

Senator h.c. Dr. med. h.c. Adolf Merckle
until 30 June 2004
Blaubeuren
Attorney

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

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

Dr. rer. pol. Wolfgang Röller
since 1 July 2004
Frankfurt
Honorary Chairman of the Supervisory Board, Dresdner Bank AG, Chairman of the Supervisory Board, HeidelbergCement AG, until 6 May 2004

Paul Vanfrachem
since 1 July 2004
Braine-l'Alleud/Belgium
until 30 June 2004, member of the Managing Board, HeidelbergCement AG, and until 30 June 2004, Chairman and Chief Executive Officer, S.A. Cimenteries CBR

Share and financing

Overview

Earnings per share in accordance with IAS 33 for the financial year 2004 were EUR -3.64 (previous year: 1.41). More than 10,000 shareholders of HeidelbergCement will receive a dividend of EUR 0.55 this year.

The number of shares increased to around 101 million as a result of a small capital increase. During the course of 2004, the HeidelbergCement share price rose by 32 % in comparison with the previous year. Market capitalisation amounted to approximately EUR 4.5 billion at the end of the year. The Group's financial management benefited from HeidelbergCement's steadily improving credit rating on the financial markets and was able to carry out a number of financial transactions to improve the debt situation.

Capital increase against contribution in-kind

As part of the acquisition of the German Bosenberg cement plant, we conducted a capital increase against contribution in-kind from the company's authorised capital. As a result, the share capital rose by around EUR 3.3 million to EUR 258 million through the issue of almost 1.3 million new shares.

HeidelbergCement AG share capital: development 2004

	Share capital EUR '000s	Number of shares
1 January 2004	255,104	99,649,850
Capital increase against contribution in-kind	3,317	1,295,838
31 December 2004	**258,421**	**100,945,688**

Development of the HeidelbergCement share

The price of the HeidelbergCement share recovered substantially in 2004. The upward trend experienced in the second half of 2003 continued during the past year. After a temporary low of EUR 31.70 in January, the share price rose continuously until the end of the year. The daily trading volume on the German stock exchanges averaged approximately 162,000. Our share reached its highest level on 21 December at EUR 44.70 and closed the year 2004 at EUR 44.30, only slightly below that price.

With a price increase of 32 %, our share performed significantly better than the DAX and MDAX, which rose by 7 % and 20 % respectively. The Bloomberg Europe Building Materials Index, which includes the 18 largest European construction shares and construction second-line shares, gained 18 %. The global industry index MSCI World Construction Materials Index recorded an increase of 21 %.

Development of the HeidelbergCement share* 2004

EUR	2004
Year-end share price 2003	**33.51**
Highest share price	**44.70**
Lowest share price	**31.70**
Year-end share price 2004	**44.30**
Shareholders' equity per share	**34.99**
Change compared with 31 Dec. 2003	
HeidelbergCement share	**32%**
DAX	**7%**
MDAX	**20%**
Bloomberg Europe Building Materials Index	**18%**
Market value on 31 Dec. 2004 (EUR '000s)	**4,471,894**

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

HeidelbergCement shares are represented in around 30 share indices. They rank among the most important building materials securities in Europe. Among others they are included in the MDAX, Deutsche Börse Prime Construction Index, Bloomberg Europe Building Materials Index, Dow Jones Stoxx, Dow Jones Euro Stoxx and in the Dow Jones Sector Titans Construction & Materials Index, which includes the 30 largest construction shares and construction second-line shares in the world. In addition, our shares are included in the Morgan Stanley Capital International (MSCI) indices. Measured against the weighting of the HDAX share index, HeidelbergCement was at position 34 out of the 110 largest quoted companies in Germany at the end of 2004. Our share is listed on the Prime Standard stock market segment of the Frankfurt stock exchange and on several regional German stock exchanges.

Shareholders

Our Group's shareholder structure involving main shareholders, institutional investors and private investors proved its value once again in 2004. According to the notifications available to us in accordance with § 21 German Securities Trading Act (Wertpapierhandelsgesetz), the main shareholders are SCHWENK Beteiligungen GmbH & Co. KG, Ulm/Germany, with 22.44 % of the share capital, and Dr. h.c. Adolf Merckle, Blaubeuren/Germany, with 12.80 %. Allianz AG decreased its shareholding in HeidelbergCement to below 5 % at the end of 2004 as part of its withdrawal from industrial participations.

Additionally, according to § 22, section 1, clause 1, no. 6 of the German Securities Trading Act, 10.22 % of the voting rights in HeidelbergCement AG is attributed to the French insurance group AXA S.A., Paris. These shares are held and managed by AXA in fund's assets on behalf of third parties. For this reason, these shares are classed as free-floating shares. This means that 64.76 % of our shares are in free float.

Dividend payment

Managing Board and Supervisory Board recommend a dividend of EUR 0.55 per share.

Group financial management

In the 2004 financial year, the Group's financial management benefited from HeidelbergCement's steadily improving credit rating on the financial markets. This trend was reflected in a consolidation of all HeidelbergCement's long-term credit ratings to BB+ (Standard & Poor's) or Ba1 (Moody's), with a stable outlook in each case. Additionally, the risk premiums of our outstanding bonds showed pleasing progress; the risk premiums for the HeidelbergCement Credit Default Swaps – to be regarded as a benchmark – with a term of five years also fell from around 3 % to below 1 % per year. This is an indication that the financial markets have already anticipated HeidelbergCement's intended return to investment grade.

This development also increased the attractiveness of issues under our EUR 3 billion European Medium Term Note (EMTN) program. During the reporting year, we issued around EUR 220 million under the EMTN program, which was revised in June 2004. At the end of 2004, the total amount in outstanding debenture bonds under the program was approximately EUR 1.5 billion. HeidelbergCement was also actively represented on the money markets in 2004: In total, the Group issued short-term debenture bonds of around EUR 600 million through its existing Euromarkt Commercial Paper and SEK Commercial Paper programs.

HeidelbergCement's positive rating on the financial markets allowed us to refinance the 2003 syndicated loan with a volume of EUR 1.5 billion ahead of schedule and replace it with a new syndicated loan of EUR 1 billion under substantially improved conditions. The new loan has been available to the Group since 8 December 2004. It consists of two tranches: Tranche A has a volume of EUR 400 million and a tenor of three years; tranche B has a volume of EUR 600 million with a five year tenor.

In addition, other committed and confirmed credit lines are available to the Group on a bilateral basis. At the end of 2004, the undrawn portion of these credit lines and the new syndicated loan had a volume of more than EUR 1.3 billion, which is available to guarantee liquidity.

Additionally, we took advantage of the historically low interest rate level to secure extremely favourable fixed interest rates for a volume of approximately EUR 670 million. This enabled us to reduce the variable interest-bearing portion of the Group's net indebtedness by around one third. In line with internal Group treasury policies, currency risks resulting from transactions were systematically hedged throughout the year 2004.

Investor Relations

The increased share price also raised the interest of investors and analysts in Heidelberg-Cement. We continued our intensive dialogue with all stakeholders.

In 2004, we contacted institutional investors, financial analysts from all the leading banks and private shareholders through analyst and specialist conferences, conference calls and one-on-one discussions.

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

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

Earnings per share

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

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

EURm	2003	2004
Profit/loss for the financial year	133.5	**-332.9**
Minority interests	-16.9	**-32.9**
Group share	116.6	**-365.8**
Number of shares in ’000s (weighted average)	82,519	**100,592**
Earnings per share in EUR (IAS 33)	1.41	**-3.64**

HeidelbergCement AG annual accounts

The profit and loss accounts, fixed asset grid and balance sheet of HeidelbergCement AG are shown on pages 93 to 97.

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

Key financial ratios

	2001	2002	2003	**2004**
Assets and capital structure				
Shareholders' equity/total capital	32.7 %	34.5 %	38.4 %	**37.0 %**
Net financial liabilities/balance sheet total	37.4 %	37.8 %	33.1 %	**34.3 %**
Long-term capital/fixed assets	101.7 %	106.6 %	108.8 %	**109.5 %**
Gearing (net financial liabilities/shareholders' equity)	125.3 %	111.9 %	86.1 %	**92.7 %**
Earnings per share				
Price/earnings ratio	14.1	9.1	23.8	**-12.2**
Earnings per share (EUR)	3.83	3.90	1.41	**-3.64**
Group growth				
Turnover	-1.8 %	-1.8 %	-3.0 %	**8.8 %**
Group share in profit/loss	-34.5 %	1.7 %	-53.0 %	**-413.7 %**
Shareholders' equity	5.8 %	-0.1 %	8.8 %	**-5.4 %**
Investments in tangible fixed assets (EURm)	817	457	386	**466**
Investments in financial fixed assets (EURm)	412	218	227	**45**
Cash flow (EURm)	788	953	790	**1,009**
Profitability				
Return on total assets	6.6 %	6.1 %	5.9 %	**1.1 %**
Return on equity	6.6 %	6.8 %	3.2 %	**-8.4 %**
Return on turnover	3.8 %	4.0 %	2.1 %	**-4.8 %**

HeidelbergCement report to the shareholders

2004 business trend and current development

Economic environment

The dynamics of the global economy, which began 2004 with a great deal of momentum, slowed down noticeably. In the US and Japan, the growth rate of the gross domestic product decreased slightly, albeit from a high level. Production in the European Union continued to increase at the same rate as the previous year. In Germany, domestic demand continues to weaken, with economic impetus remaining largely limited to exports. Economic expansion in the developing and emerging countries remained very lively until the middle of the year, but even they are now experiencing a slowdown.

In the euro zone, overall construction volumes were slightly above the previous year's level. However, construction economy varied significantly in the individual countries. Germany recorded a decline of around 2.5 % in construction investments. Only residential construction reached approximately the previous year's level, as the announced abolition of subsidies to promote home ownership had a positive effect once again. On the other hand, commercial construction and, in particular, public construction continued to decrease significantly.

In Western Europe, the development of construction activity varied: With stable economic growth of 3 %, construction demand in the United Kingdom increased also by 3 %. After two years of decline, the construction industry in Belgium recovered, particularly in residential and non-residential construction. In the Netherlands, increased residential construction was not able to compensate for the decline in other areas. In addition, the markets in Belgium and the Netherlands were adversely affected by high imports from Germany.

In both Sweden and Norway, construction activity developed better in 2004 than originally forecast, with an increase of between 3 % and 4 %, supported by new residential building and civil engineering. In the Baltic States and Northwest Russia, the strong construction demand persisted.

In the countries of the Central Europe East region, the macroeconomic dynamism and positive development of construction activity continued.

In the US, the construction sector benefited from a healthy general economic development; construction investments increased by 8.6 %. Canada's economy continued its welcome development, particularly in the western provinces, which is reflected in solid residential construction activity and increasing cement consumption.

In Africa, the situation remained difficult in 2004. In Asia, the macroeconomic expansion continued, mainly as a result of strong exports. The political and economic structural reforms are strengthening Turkey's economy; even construction activity further recovered.

Increase in turnover to EUR 6.9 billion

In 2004, we moved ahead with our measures for cost saving and restructuring to achieve better capacity utilisation. We continued to concentrate on our core business and pursue our aim of becoming the regional market leader with our cement activities.

In 2004, Group turnover increased by 8.8 % to EUR 6,929 million (previous year: 6,372). Our operational growth of EUR 353 million was primarily achieved in North America, Africa-Asia-Turkey and Central Europe East. Other significant influential factors were new consolidations with a plus of EUR 511 million, of which EUR 411 million were contributed by Indocement alone, and currency effects with a minus of EUR 186 million, which were mainly attributable to the reduced US dollar exchange rate. A minus of EUR 121 million resulted from disinvestments. Adjusted for currency and consolidation effects, turnover increased by 5.8 %.

For the first time, HeidelbergCement exceeded the 65 million tonnes mark for cement and clinker sales volumes: During 2004, they rose to 65.2 million tonnes (previous year: 51.1). This is largely attributable to the first-time consolidation of Indocement, which contributed 12.5 million tonnes. Welcome increases in sales volumes were achieved in North America, Central Europe East, and China. Excluding consolidation effects, the increase compared with the previous year amounted to 2.2 %.

One-time extraordinary charges impair results

The expansion of the consolidation scope, the discontinuation of goodwill amortisation, amounting to EUR 170 million, and the improved proceeds situation in Germany were significant influential factors for the increase of 19 % in operating income before depreciation (OIBD) to EUR 1,219 million (previous year: 1,024) and of 88 % in operating income to EUR 735 million (previous year: 391).

Extraordinary charges in the order of around EUR 700 million arose during the financial year. The majority of this is due to the impairment of goodwill (Impairment of Assets) in the Western Europe and Northern Europe regions, as well as for Indocement. Other significant amounts result from the laying of restructuring provisions for the Belgian-Dutch cement

Cement and clinker sales volumes

1,000 tonnes	2003	2004
Central Europe West	7,560	**7,138**
Western Europe	8,750	**8,649**
Northern Europe	5,361	**5,359**
Central Europe East	9,720	**9,804**
North America	12,531	**13,414**
Africa-Asia-Turkey	7,144	**20,822**
Total	51,066	**65,186**

business and valuation adjustments for deferred tax assets. The majority of these charges are mainly non-cash items resulting from valuation adjustments in connection with the elimination of regular goodwill amortisation and changes in German tax legislation. In addition, restructuring costs arose from the new strategic orientations.

The impairment of goodwill and restructuring provisions resulted in a negative additional ordinary result of EUR -674 million (previous year: 22). The results from participations, which amounted to EUR 67 million (previous year: 89) were also affected by extraordinary depreciation. Earnings before interest and income taxes (EBIT) reduced overall to EUR 128 million (previous year: 502).

Financial results fell by EUR 58 million to EUR -280 million (previous year: -222). As the Indocement group – included in the Group annual accounts for the first time – is financed in US dollars and Japanese yen for historical reasons, there were foreign exchange losses of EUR 46 million. Additionally, there were interest expenses of the Indocement group of EUR 16 million. The Group's net financial liabilities increased by only EUR 65 million to EUR 3,668 million (previous year: 3,603), despite net financial liabilities of EUR 448 million being included as a result of the first-time consolidation of the Indocement group.

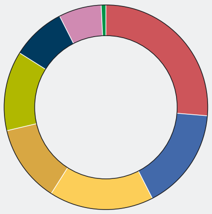
Result before tax fell to EUR -152 million (previous year: 280). Income tax expense increased to EUR 181 million (previous year: 146), primarily as a result of the valuation adjustments for deferred tax assets.

Overall, the loss in results for the financial year amounts to EUR -333 million (previous year: 133). The Group share in results amounts to EUR -366 million (previous year: 117).

Group profit and loss accounts (short form)

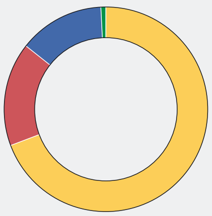
EURm	2003	**2004**	change
Turnover	6,372	**6,929**	9 %
Operating income before depreciation (OIBD)	1,024	**1,219**	19 %
Depreciation of tangible and intangible fixed assets	-633	**-484**	-24 %
Operating income	391	**735**	88 %
Additional ordinary result	22	**-674**	
Results from participations	89	**67**	-25 %
Earnings before interest and income taxes (EBIT)	502	**128**	-74 %
Financial results	-222	**-280**	26 %
Profit/loss before tax	280	**-152**	
Taxes on income	-146	**-181**	24 %
Profit/loss for the financial year	133	**-333**	
Group share	117	**-366**	

OIBD
by regions



26.7 %		North America
15.8 %		Africa-Asia-Turkey
15.6 %		Central Europe East
13.5 %		Western Europe
11.8 %		maxit Group
9.0 %		Central Europe West
7.3 %		Northern Europe
0.3 %		Group Services

OIBD
by business lines



68.2 %		Cement
17.8 %		Concrete
13.7 %		Building materials
0.3 %		Group Services

Business trend in the regions

In 2004, the German market was adversely affected by a further decline in construction investments, low prices and a continuing high level of excess capacities. We responded with further capacity adjustments and cost reductions. By acquiring the majority share in Teutonia Zementwerk AG in Hanover, which is still subject to the approval of the cartel authorities, and increasing our participation in Anneliese Zementwerke AG to 100 % – the squeeze-out process was successfully completed on 18 February 2005 – we strengthen our market position in Northwest Germany. For a period of time, we refrained from increasing quantities in favour of a consistent pricing policy. In total, our cement and clinker sales volumes in **Central Europe West** fell by 5.6 % to 7.1 million tonnes (previous year: 7.6) in 2004. Sales volumes in the ready-mixed concrete line decreased by around 5 %. In the concrete product operating line we carried out intensive restructuring measures in order to meet declining demand. The sales volumes of our aggregates sand and gravel increased as a result of new consolidations. While the sales volumes for lime remained stable, a slight decline was recorded in sales volumes of sand-lime bricks.

Turnover grew by 7.4 % to EUR 846 million (previous year: 787), primarily as a result of the expansion of the consolidation scope. EBIT rose to EUR 39 million (previous year: 20).

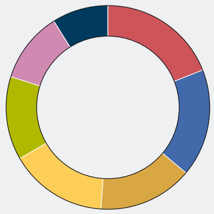
The cement and clinker sales volumes of the **Western Europe** region were only slightly below the previous year, with 8.6 million tonnes (previous year: 8.8). Sales volumes in Belgium and the Netherlands amounted to 5.5 million tonnes (previous year: 5.6), in the United Kingdom they achieved 3.1 million tonnes (previous year: 3.2). In order to better adjust to the market and to reduce costs, we joined the Belgian and Dutch cement operations to form the new organisational unit CEM-BENE at the beginning of 2004. We will significantly improve the productivity and cost structure as part of a restructuring plan. The modernisation measures at two cement plants in the United Kingdom will be completed during 2005. As a result of the reduced demand and cheap imports from Germany into the Benelux countries, ready-mixed concrete sales volumes fell by around 6 %. We also combined the Belgian and Dutch activities in the ready-mixed concrete line, forming a new unit, RMC-BENE, in order to exploit synergies and improve our customer service. In aggregates, sales volumes decreased significantly as a result of heavy competition in Belgium and the weak demand in the Netherlands.

Turnover in the Western Europe region fell by 3.2 % to EUR 929 million (previous year: 959). EBIT amounted to EUR -35 (previous year: 64).

The cement and clinker sales volumes of the **Northern Europe** region reached the previous year's level, with 5.4 million tonnes. The domestic sales volumes of our Scandinavian cement plants rose by almost 11 %, while the two plants in Estonia and Russia achieved substantial increases of 18.5 % and 34 % respectively. Total exports fell by almost 20 % because exports from the Estonian Kunda plant were cut back in order to supply the domestic market. Ready-mixed concrete sales volumes increased by 36 % as a result of new consolidations and favourable market conditions in Norway, Estonia, Latvia, and Russia. Sales volumes of aggregates increased by 8.3 % to 10.7 million tonnes. In the concrete and building materials business lines, we sold non-core activities with a total turnover volume of around EUR 90 million.

As a result of the reduced scope of consolidation, turnover fell by 5.5 % compared with the previous year to EUR 716 million (previous year: 758). Turnover from operations alone rose by 6.2 %. EBIT decreased to EUR -127 million (previous year: 22).

Investment in tangible fixed assets by regions



In 2004, the dynamic economic development in **Central Europe East** once again provided a boost to the construction industry. The sale of our activities in Bulgaria at the end of 2003 reduced the region's scope of consolidation. Total cement and clinker sales volumes increased by 0.9 % to 9.8 million tonnes (previous year: 9.7). Adjusted for the negative consolidation effect, the increase amounts to 9.4 %. Romania, Poland, Bosnia-Herzegovina and the Ukraine achieved the highest increases in sales volumes. We also achieved welcome growth in volumes in the concrete business line, with respective increases of 6 % and 12 % in ready-mixed concrete and aggregates.

Turnover increased by 4.8 % compared with the previous year to EUR 657 million (previous year: 627). EBIT reached EUR 126 million (previous year: 95).

In 2004, the construction industry in the US and Canada continued to benefit from the high level of investment activity. Cement and clinker sales volumes in the **North America** region were 7 % above the previous year's very high level, with a total of 13.4 million tonnes (previous year: 12.5). Our sales volumes rose in almost all market regions. The volume increases in Western Canada and in our white cement activities were particularly pleasing. In the concrete business line, sales volumes also performed positively, with regional variations.

Turnover rose by 0.8 % to EUR 1,699 million (previous year: 1,686). In the national currency, turnover was 10.3 % above the previous year with USD 2,112 million (previous year: 1,915). EBIT amounted to EUR 238 million (previous year: 187). Calculated in US dollars, it increased by 38 %. In terms of turnover and results, North America continues to be the strongest region in the Group.

The cement and clinker sales volumes of our **Africa-Asia-Turkey** region almost tripled in 2004 to 20.8 million tonnes (previous year: 7.1). Turnover more than doubled to EUR 1,007 million (previous year: 492) and EBIT rose to EUR 34 million (previous year: 28).

In **Africa**, high amortisation and loss of outstanding receivables impaired results. However, the market itself developed positively. Our participations in Nigeria, Liberia, Gabon, and Tanzania in particular recorded increases in sales volumes. In November 2004, we sold our participation in the Angolan cement company Nova Cimangola. The cement sales volumes of our consolidated subsidiaries increased by a total of 11.1 % to 4.0 million tonnes (previous year: 3.6). Including the associated companies, shipments amounted to 6.4 million tonnes (previous year: 5.9).

Our cement and clinker sales volumes in **Asia** rose as a result of the first-time consolidation of Indocement, reaching 15.1 million tonnes (previous year: 1.8). Despite intensive competition, Indocement increased its sales volumes by 13 % to 12.5 million tonnes (previous year: 11.0). The sales volumes of our proportionately included Chinese joint venture rose by 5.4 % to 3.4 million tonnes (consolidated: 1.7 million tonnes). Our sales volumes in Bangladesh declined as a result of continuing strong competitive pressure.

In **Turkey**, the recovery of the construction industry continued. The cement and clinker sales volumes of our participations Akçansa and Karçimsa were just below the previous year's level, with 4.2 million tonnes (consolidated: 1.7 million tonnes). Sales volumes of ready-mixed concrete experienced a double-digit increase.

Further progress has been made in renaming the subsidiaries within the **maxit Group** to maxit and in the cross-border use of our products. As part of the expansion of our presence in growth markets, we are building a new production facility for dry mortar in both China and Russia.

Turnover increased by a total of 3.2 % compared with the previous year to EUR 1,053 million (previous year: 1,021). EBIT increased to EUR 79 million (previous year: 54).

With a total trade volume of 12.1 million tonnes (previous year: 11.9), HC Trading exceeded the previous year's high level once again by just under 2 %. Thanks to medium-term forward contracts, our Group company HC Fuels was able to secure the cost-effective supply of coal and petroleum coke to our plants.

The 21.1 % increase in turnover in the **Group Services** business unit to EUR 505 million (previous year: 417) is essentially due to the considerably higher freight rates.

Regional branches

HeidelbergCement AG has no regional branches either domestically or internationally.

Segment reporting

EURm	Turnover		OIBD		Return on investment*		EBIT	
	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**
Regions								
Central Europe West	787	**846**	46	**110**	5 %	**12 %**	20	**39**
Western Europe	959	**929**	177	**164**	12 %	**13 %**	64	**-35**
Northern Europe	758	**716**	101	**89**	11 %	**12 %**	22	**-127**
Central Europe East	627	**657**	169	**190**	18 %	**20 %**	95	**126**
North America	1,686	**1,699**	313	**326**	22 %	**24 %**	187	**238**
Africa-Asia-Turkey	492	**1,007**	72	**192**	12 %	**15 %**	28	**34**
maxit Group	1,021	**1,053**	136	**144**	17 %	**18 %**	54	**79**
Group Services	417	**505**	12	**3**	32 %	**8 %**	10	**2**
Reconciliation Group**	-375	**-483**	-	**-**	-	**-**	22	**-228**
	6,372	**6,929**	1,024	**1,219**	15 %	**17 %**	502	**128**
Business lines								
Cement	3,349	**3,923**	639	**832**	13 %	**15 %**		
Concrete	2,099	**2,126**	216	**217**	19 %	**24 %**		
Building materials	1,182	**1,186**	157	**167**	17 %	**18 %**		
Group Services	417	**505**	12	**3**	32 %	**8 %**		
Reconciliation Group**	-676	**-810**	-	**-**	-	**-**		
	6,372	**6,929**	1,024	**1,219**	15 %	**17 %**		

* Return on investment = OIBD/intangible assets and tangible fixed assets
** See segment reporting in the Notes, p. 116 f.

Cash flow statement

In 2004, cash flow rose to EUR 1,009 million from EUR 790 million in the previous year. As planned, investments were kept at a low level with EUR 511 million (previous year: 612), to continue debt repayment. Cash from changes in the consolidation scope due to acquisitions – especially resulting from the first-time consolidation of the Indocement group in the amount of EUR 63 million – and proceeds from sales also served to reduce debts. In the 2004 financial year, dividend payments of HeidelbergCement rose by EUR 108 million to EUR 125 million. Compared to this, dividend payments in the previous year amounted to only EUR 17 million because of the issue of a stock dividend. Net indebtedness at EUR 3.7 billion (previous year: 3.6) only slightly exceeded previous year's level despite significant effects resulting from the first-time consolidation of the Indocement group (EUR 448 million).

Group cash flow statement (short form)

EURm	2003	**2004**	diff.
Cash flow	790	**1,009**	219
Changes in working capital	-129	**-72**	57
Cash flow from operating activities	661	**937**	276
Investments (cash outflow)	-612	**-511**	101
Other inflows of cash and cash equivalents	321	**202**	-119
Cash flow from investing activities	-291	**-309**	-18
Capital increase	392	**-**	-392
Dividend payments	-17	**-125**	-108
Long-term borrowings	-597	**-704**	-107
Cash flow from financing activities	-222	**-829**	-607
Changes in cash and cash equivalents	125	**-220**	-345

Investments

In 2004, cash relevant investments in tangible and financial fixed assets amounted to EUR 511 million (previous year: 612), a decline of 16.5 % in comparison with the previous year.

EUR 466 million (previous year: 386) were invested in fixed assets (including intangible fixed assets). Therefore, they rose by EUR 80 million compared with the previous year. The major investments in tangible fixed assets were the construction of the new Guangzhou cement plant in China, the modernisation of the Padeswood and Ribblesdale plants in the United Kingdom, the purchase of several ready-mixed concrete plants in Sweden and the extension of a kiln line in Tanzania and its conversion to gas.

We reduced our investments in financial fixed assets by 80 % to EUR 45 million (previous year: 227). They primarily involved the cash-relevant purchase of additional shares in Anneliese Zementwerke AG, the increase in participation in Heidelberger Zement South-East Asia GmbH and in China Century Cement Limited and the acquisition of further shares in Ferndale Ready Mix Gravel Inc, Washington/US.

Fixed assets investments

EURm	2003	2004
Regions		
Central Europe West	108	**38**
Western Europe	72	**71**
Northern Europe	29	**59**
Central Europe East	71	**70**
North America	83	**86**
Africa-Asia-Turkey	59	**83**
maxit Group	44	**59**
Group Services	-	-
Financial investments	227	**45**
Non-cash relevant investments	-81	-
Business lines		
Cement	336	**293**
Concrete	83	**111**
Building materials	47	**62**
Group Services	-	-
Financial investments	227	**45**
Non-cash relevant investments	-81	-
	612	**511**

Group balance sheet

As an international company, HeidelbergCement publishes its accounts in line with the requirements of the International Financial Reporting Standards (IFRS).

Compared to the previous year, the balance sheet total has fallen slightly by 1.7 % to EUR 10.7 billion (previous year: 10.9). Without the effects resulting from the consolidation of the Indocement activities, balance sheet total fell by around 8 %, which is essentially due to repayment of our debts. Because of the high capital intensity of our business, 47 % is bound up in tangible fixed assets. Fluctuations in exchange rates had a negative effect. The shareholders' equity ratio has decreased from 38 % to 37 %. The long-term assets of EUR 8.5 billion (previous year: 8.5) are completely covered by shareholders' equity and long-term liabilities. In line with our usual conservative accounting approach, we have again made adequate provisions for all risks in the 2004 annual accounts.

Results for the financial year / Group share in results

As a result of the extraordinary charges the loss for the financial year (previous year: profit for the financial year) totalled EUR -333 million (previous year: 133). The Group share in results for the financial year amounted to EUR -366 million (previous year: 117).

Earnings per share

Our share is listed on the Frankfurt stock exchange and on several regional German stock exchanges.

The earnings per share as per IAS 33 amounted to EUR -3.64 (previous year: 1.41). The average number of shares in the 2004 financial year was 100.6 million (previous year: 82.5).

Dividends

The Managing Board and Supervisory Board will propose to the Annual General Meeting on 4 May 2005 the distribution of a dividend for the financial year 2004 of EUR 0.55 per share.

Group balance sheet (short form)

EURm	31 Dec. 2003	**31 Dec. 2004**	Part of balance sheet total 2004
Tangible and intangible fixed assets	7,048	**7,357**	68 %
Financial fixed assets	1,178	**926**	9 %
Other long-term assets	269	**217**	2 %
Short-term assets	2,398	**2,216**	21 %
Shareholders' equity and minority interests	4,185	**3,963**	37 %
Long-term provisions and liabilities	4,763	**5,102**	48 %
Short-term provisions and liabilities	1,945	**1,651**	15 %
Balance sheet total	10,893	**10,716**	100 %

Value-oriented company management – Economic Value Added (EVA®)

At HeidelbergCement, value-oriented company management is based on the Economic Value Added (EVA) approach. EVA is a central and effective company management tool for managers at all levels within our organisation. In addition, EVA is used in the assessment of investments and acquisitions, as well as for operational planning, and forms the basis for our long-term oriented management remuneration systems.

In 2004, HeidelbergCement achieved a positive Delta EVA of EUR 81,5 million. The significant improvement in the EVA was essentially attributable to the successful pricing strategy in Germany, the growing market in Eastern Europe and the significant increases in results in North America.

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

Current development

Changes in the Managing Board and Supervisory Board

On 1 February 2005, Dr. Bernd Scheifele was appointed Chairman of the Managing Board of HeidelbergCement, succeeding Hans Bauer. Dr. Bernd Scheifele was previously Chairman of the Managing Board of PHOENIX Pharmahandel Aktiengesellschaft & Co KG and Chairman of the Supervisory Board of HeidelbergCement. Hans Bauer, who began his career at HeidelbergCement, was appointed to the Managing Board in 1997 and named Chairman in 2001. After more than 35 years of successful work for HeidelbergCement, Hans Bauer retired on 31 January 2005.

Capital increase

With the consent of the Supervisory Board, the Managing Board of HeidelbergCement AG decided to carry out a capital increase with subscription rights for shareholders, following the extraordinary charges of the 2004 financial year. The capital increase was successfully completed at the end of March 2005. The Group received around EUR 270 million to strengthen the shareholders' equity base. The issue price was EUR 35 per share. For every 13 existing shares, a subscription right was granted for one new share.

Prospects

Economic environment

The international impetus for growth is weakening in 2005. However, expansion is continuing in the US and Asia in particular. The new EU member states should also experience solid development this year. Overall, expectations for the euro zone are restrained. Germany will once again remain at the lower end of the growth spectrum, with a gross domestic product increase of around 1%.

The outlook for the construction industry is varied. Conditions remain favourable for our North American and Asian activities. Construction activity also exceeds the average in the countries of our Central Europe East region. Stabilisation or even a slight recovery should be achieved in Scandinavia, Belgium, and the Netherlands. For Germany, a decline in construction activity of around 1.5% is expected once again.

Turnover and results

Due to moderate increases in sales volumes in the majority of our markets and an improved proceeds situation in some areas, we anticipate a slight growth in turnover. Our efforts to significantly increase efficiency and noticeably reduce costs in the whole Group will be reflected in an improved development of results.

Investments and financing

In the current year, we plan to intensify investment activity. Investments in tangible fixed assets will include the completion of our comprehensive modernisation at Castle Cement, UK and, in the US, the increase in the grinding capacity of Union Bridge. Following the significant debt reduction in the past two years, we will continue to focus on optimising our financial structure.

Employees

The standardisation of the personnel strategy for senior, middle, and junior management will be one of the central topics in 2005. The objective is to create a performance culture with a consistent focus on results. Furthermore, the ongoing pressure for adjustments in all regions requires further optimisation of our organisation and personnel structures.

Purchasing

Thanks to our global purchasing strategy, we will be able to exploit synergies to an even greater extent in the procurement of materials in the future. We will also enter additional new supplier markets.

Research and development

An essential focus of our research and development activity in the coming years will be the increased use of alternative raw materials and fuels. The emphasis will be on optimising the performance of the various types of cement and additives, as well as the concrete produced from these materials. In application development, we will focus on further improving the processability of concrete. Developments in nanotechnology also offer new possibilities for changing and improving the properties of binders. We want to advance these new product developments in a customer-oriented manner.

Sustainable development and environmental precaution

In 2005, we will further reduce our CO_2 emissions, partly as a result of the increased use of alternative raw materials. We are also investigating whether we can launch further Clean Development Mechanism (CDM) or Joint Implementation (JI) projects in addition to the CDM project in Indonesia.

On 1 January 2005, the trading of carbon dioxide emissions rights in the European Union officially started. A final assessment of HeidelbergCement's starting position in this trading can only be made once the allocation decisions are available for all our European locations. However, we assume that as a result of our various measures to reduce CO_2 emissions, we will be given sufficient emissions rights during the first trading period. Preparations for the next trading period, which is scheduled to start in 2007, already begin this year.

The subject of sustainable development is becoming increasingly important. In the future, we will report not only on the ecological aspects, but also on the economic and social aspects of our entrepreneurial activity.

Strategy

Several major regions of the world are recording significant growth in the construction industry and increasing cement consumption. Thanks to its wide international presence, HeidelbergCement is able to benefit substantially from this positive development. However, some of our mature key markets are still suffering from structural excess capacities. We will continue our efforts to adjust production capacities to the long-term local cement consumption in those areas.

The cement industry is facing enormous challenges: Increasing fuel and electricity prices are making the energy-intensive production process more expensive. Long-term investment decisions have to be brought into line with constantly changing environmental protection regulations and legislation. At the same time, not only are customers' demands increasing, but also the requirements imposed by financial markets. The goals and measures set out in HeidelbergCement's strategic guidelines will form the basis for our decisions, so that we respond to these challenges in the best possible way.

Cost reductions and an appropriate ratio of debts to profitability continue to have priority. Our objective is to regain the status of investment grade as soon as possible. Consistent implementation of the Group strategy will make a substantial contribution to achieving this objective.

The strategic guidelines remained unchanged in 2004. The most important statements are as follows:

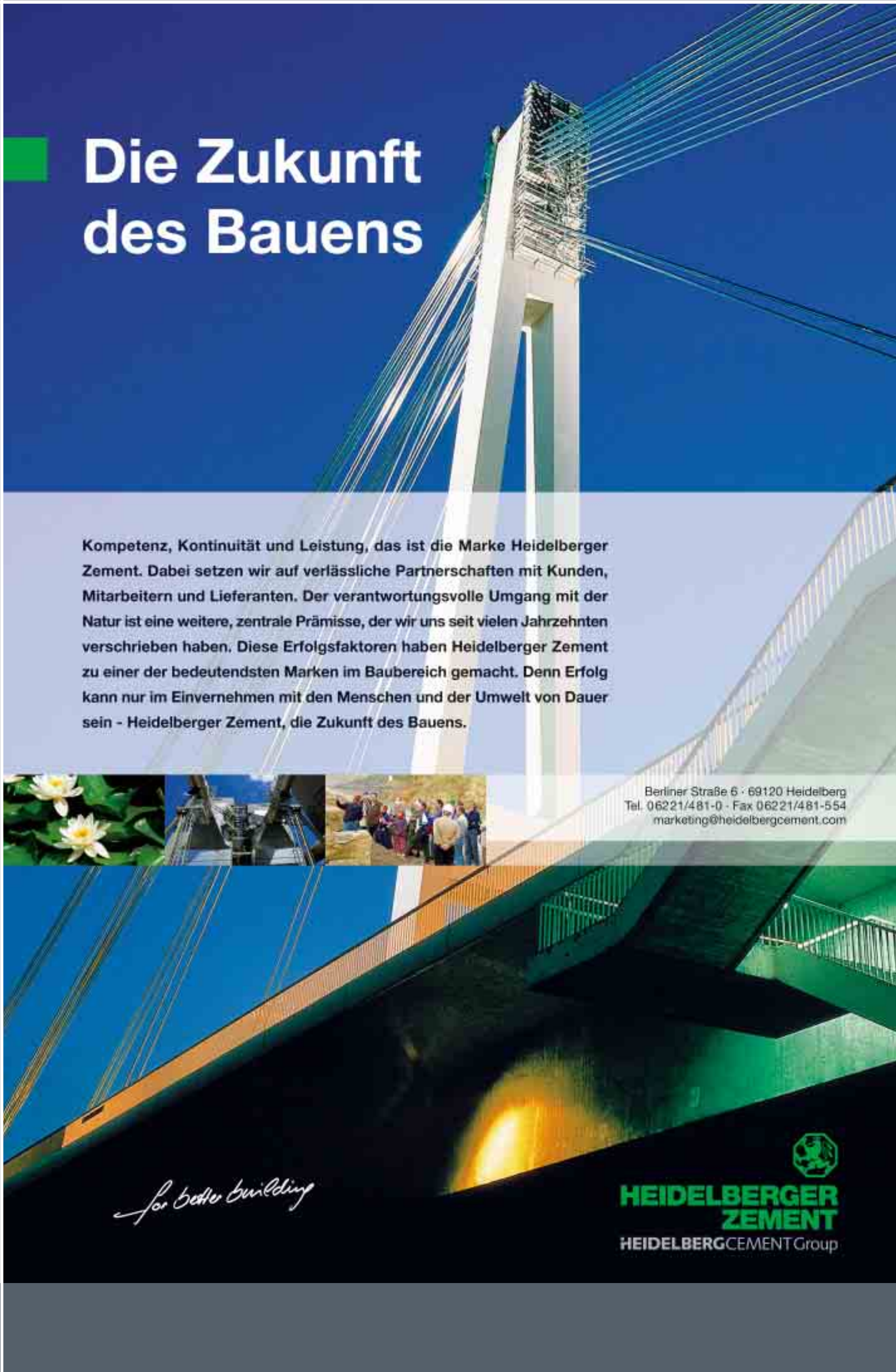
- We aim for a yearly average real growth of earnings per share of 5 %. This applies to earnings per share before additional ordinary result.
- We concentrate on cement, our core business, i.e. cement and cementitious binders like blast furnace slag and fly ash. We also promote the production of ready-mixed concrete, concrete products and aggregates as long as they support our core business.
- Our activities are international, but not necessarily global. We take advantage of regional synergies. We are pursuing a ratio of mature markets to growth markets of 70 to 30 in terms of turnover by 2007. We will also continue to develop our global trading activities as well as our international network of production sites.
- We strive for regional market leadership in our cement activities. We are interested in stable and sustained market positions and would like to further expand our market share in cement applications.
- We continuously reduce production and administration costs in order to achieve a good position in comparison with our competitors. We adjust production capacities at the appropriate time and consistently exploit savings possibilities to the full.
- In mature markets, we strive for 100 % participation in companies in the cement business in order to exploit synergies with the greatest possible flexibility.
- Our objective is to improve the ratio of net indebtedness to operating income before depreciation (OIBD). Restraint in investments, sales of non-core businesses and strict financial management will contribute to achieving this objective.

The strategic business units are responsible for the implementation of the Group strategy and for ensuring that the objectives are met. The Group Strategy & Development department and other Group staff units support them. A half-yearly report to assess and control the implementation progress allows the Managing Board to follow up the measures and initiatives in the Group and to intervene if necessary.

The Group strategy and the strategic guidelines are continuously communicated to the Group's managers. Some of the most important steps and decisions taken in 2004 are:

- Consolidation of regional market leadership: We acquired the majority share in Teutonia Zementwerk AG in Hanover/Germany, which is still subject to the approval of the cartel authorities.
- 100 % participations: We increased our participation in the American cement plant Glens Falls from 50 % to 100 %. As a result of the squeeze-out process at Anneliese Zementwerke AG in Westphalia/Germany, we became sole owners in February 2005.
- Sale of non-core activities: We sold a minority participation in a cement company in Angola and other non-core activities in the building materials sector.
- Capacity adjustment: We converted the German Mainz-Weisenau and Bosenberg cement plants into grinding plants.
- Reduction of production and administration costs: We initiated a comprehensive restructuring of cement production in the Netherlands and Belgium.
- Reduction of energy costs: By converting a kiln, we were able to increase the proportion of alternative fuels in the Norwegian cement plant in Brevik from 25 % to 60 %.
- Presence in growth markets: The proportion of Group turnover from growth markets increased from 17 % to 23 %.
- OIBD: We achieved significant improvements in several regions.
- Regional synergies: We merged the regional organisations of our cement and ready-mixed concrete activities in Belgium and the Netherlands.

In 2005, we will review the Group strategy and strategic guidelines and make any necessary changes. In doing so, we will ensure that new economic conditions and changes in market prospects are taken adequately into account in our strategy.


Die Zukunft
des Bauens
Kompetenz, Kontinuität und Leistung, das ist die Marke Heidelberger Zement. Dabei setzen wir auf verlässliche Partnerschaften mit Kunden, Mitarbeitern und Lieferanten. Der verantwortungsvolle Umgang mit der Natur ist eine weitere, zentrale Prämisse, der wir uns seit vielen Jahrzehnten verschrieben haben. Diese Erfolgsfaktoren haben Heidelberger Zement zu einer der bedeutendsten Marken im Baubereich gemacht. Denn Erfolg kann nur im Einvernehmen mit den Menschen und der Umwelt von Dauer sein - Heidelberger Zement, die Zukunft des Bauens.
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for better building
HEIDELBERGER
ZEMENT
HEIDELBERGCEMENT Group

The future of building. Advertisement of the German brand Heidelberger Zement.

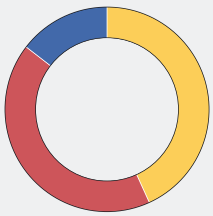
HeidelbergCement operates 12 cement and grinding plants in Germany. The long-established company was founded in Heidelberg in 1873. From its medium-sized origins in Southern Germany, the company developed into the international Group it is today.

HeidelbergCement on the market

Central Europe West

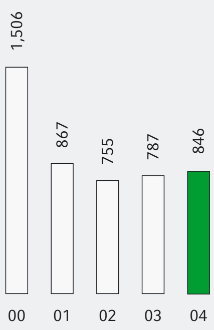
The Group's Central Europe West region consists of Germany, Austria and Switzerland. Apart from cement and ready-mixed concrete, HeidelbergCement also produces and sells concrete products, lime, sand-lime bricks and aggregates such as sand and gravel in this region. The increase of 7.4 % in turnover to EUR 846 million (previous year: 787) in the region essentially resulted from an expanded consolidation scope.

Turnover 2004: EUR 846 million



43.3 %	Cement
42.0 %	Concrete
14.7 %	Building materials

Turnover in EURm



2000 including maxit Group turnover

Negative trend in construction activity continues

In 2004, the gross domestic product in Germany rose by 1.6 %; in contrast, construction activity developed negatively once again. Real construction investments dropped by 2.5 %. Only residential construction reached approximately the previous year's level, as the announced abolition of subsidies to promote home ownership had again a positive effect. On the other hand, commercial construction and, in particular, public construction continued to drop heavily. Although this negative trend will weaken to some extent in 2005, construction activity is set to decline again by around 1.5 %.

In neighbouring Austria, construction investment began to stabilise, showing a 1.5 % recovery in 2004. We expect this positive trend to continue in 2005. The economy also recovered in Switzerland, where construction investment rose by a total of 4.2 %.

Cement business line

Further decline in cement consumption

As a result of the continuing negative development of construction activity in Germany, cement consumption fell by around 4 % to 28.7 million tonnes compared with the previous year. While cement imports from Eastern Europe decreased overall, imports from France, the Netherlands and Luxembourg rose significantly.

For a period of time, HeidelbergCement refrained from increasing quantities in Germany compared with 2003 in favour of a consistent pricing policy. The decline in domestic sales volumes was counterbalanced by a noticeable increase in proceeds from cement. Additionally, capacity adjustments, such as the conversion of the Bosenberg production site into a pure grinding plant, and cost reductions in our plants and administration contributed to improved results in 2004. The increase of our participation in Anneliese Zementwerke AG to 100 % – the squeeze-out process was finished in February 2005 – will enable us to achieve further savings and synergies. With the acquisition of the majority share in Teutonia Zementwerk AG in Hanover at the end of the year, which is still subject to the approval of the cartel authorities, we will further expand our leading position in the German market.

Cement and clinker shipments from our German plants fell by 5.6 % to 7.1 million tonnes (previous year: 7.6). In January 2005, we increased cement prices again significantly. This increase was necessary on account of the legal provision regarding the reduction of chromate in bulk cements, the added strain resulting from the HGV toll for German motorways, and the increasing energy costs for fuels and electricity.

Rohrdorf expands its cement business

In the past year, the Rohrdorf building materials group expanded its cement business significantly with the acquisition of 98 % of the Austrian cement plant Gmunden Hans Hatschek. The group of companies sold 1.7 million tonnes of cement in 2004. As a result of obtaining approval to increase the use of alternative fuels in the Rohrdorf cement plant to 90 %, the group was able to reduce the dependency on primary fuels.

While proceeds in the cement, sand and gravel, and ready-mixed concrete sectors improved, the concrete products and prefabricated concrete elements operating line recorded a decline in proceeds. The stable demand in Austria made a substantial contribution to the positive growth in cash flow and earnings in 2004.

Concrete business line

Market share in ready-mixed concrete maintained

In 2004, production of ready-mixed concrete in Germany fell by 5.9 % to 44.4 million cubic metres. For our subsidiary Heidelberger Beton and its participations, 2004 was also characterised by a regionally varied decline. No reversal of this trend is anticipated in 2005.

In 2004, Heidelberger Beton maintained its market share in Germany at around 20 % owing to new consolidations. The sales volumes of all 351 plants decreased by 5.3 % to 8.4 million cubic metres in 2004. New products were successfully established on the market. With “Easycrete”, Heidelberger Beton offers concrete that is particularly easy to process, with properties that range from free-flowing to self-compacting. “Permacrete” is specifically designed for water impermeable construction. In addition, we have expanded our customer support with in-house technical advisors.

Turnover by business lines

EURm	2003	2004
Cement	349	**387**
Concrete	351	**376**
Building materials	132	**132**
Intra-Group eliminations	-45	**-49**
Total turnover	787	**846**

Key data

EURm	2003	2004
OIBD	46	**110**
Operating income	-42	**43**
Investment in tangible fixed assets	108	**38**
Tangible and intangible fixed assets	928	**913**
Employees	4,589	**4,409**

Difficult environment in concrete products

In Central Europe West, HeidelbergCement manufactures concrete products at 44 locations. The product range is organised into the following areas: concrete paving stones, prefabricated concrete elements for building construction, concrete blocks and prefabricated concrete elements for water supply and wastewater disposal.

Due to the continuing decline in demand, further intensive restructuring and adjustment measures were necessary in 2004. We closed several plants that produced paving stones, prefabricated concrete elements and sewage system technology, particularly in Mecklenburg-Vorpommern but also in Rhineland-Palatinate and Bavaria. By combining participations to form one company, we have reduced management structures and achieved standardisation, e.g. in administration or IT. We have also withdrawn from unattractive product segments, such as the construction of large sewage works or the production of prefabricated hollow concrete ceilings.

The expenditure involved in restructuring our paving stones activities under the umbrella of Lithonplus, in which we have a 60 % participation, outweighed the positive development of results shown by Heidelberger Betonelemente and Heidelberger Abwassertechnik in particular. However, with adjusted capacities and a restructuring of the somewhat unique product range throughout Germany, Lithonplus expects a turnaround in earnings for 2005.

Aggregates expand market position

In Germany, the sand and gravel market did not recover in 2004: With a minus of approximately 3 %, the declining market trend continued for the ninth successive year. On the other hand, HeidelbergCement's aggregates operating line increased its sales volumes by 9.5 % to 24.5 million tonnes, thereby improving its market position. This was primarily due to the acquisition of new participations and the leasing of new raw material real estate. Nevertheless, there were significant regional variations. We had to accept considerable losses in sales volumes and turnover throughout the entire German coastal region on the North and Baltic Sea as a result of the weak market. In particular, construction activity continued to decline in Mecklenburg-Western Pomerania. In contrast, we were able to reach, or even exceed, the previous year's sales volumes in the other regions.

In certain regions, the increasing consolidation of the competitive environment, combined with rising cost pressure, brought an end to the negative price trend that had continued for several years. With a low overall price level, we were able to increase our sales prices in some regions.

Building materials business line

Improved results from lime activities

Despite stable sales volumes in the lime operating line, it was not quite possible to achieve the previous year's turnover level due to difficult competitive conditions. Volume increases in lime products for environmental protection were offset by the decline in special civil engineering products and in the lime fertiliser segment. Deliveries of lime for soil stabilisation and to the building materials industry stabilised at a low level.

Results improved significantly thanks to strict cost management and high utilisation of our capacities, which we had reduced in previous years.

Further increase in profitability in sand-lime brick activities

In January 2004, we transferred the sand-lime brick operating line to Heidelberger Kalksandstein GmbH. Increases in turnover and further cost reductions as a result of this outsourcing into a separate company led to an improvement in results. Despite a slight decline in sales volumes, we were able to increase our average proceeds. The good results from the plants in Southern Germany and the rising demand for the KS-Quadro brand were the main factors contributing to the positive development of the operating line. In Switzerland, we likewise further strengthened our market leadership in 2004.

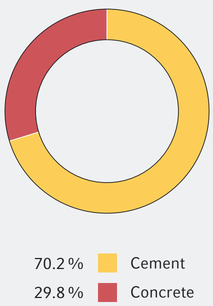
Imagine shapes for a better world.
Advertisement of the Belgian CBR.

CBR joined HeidelbergCement in 1993. It opened up new markets for us in the Benelux countries, Poland, Asia, Turkey and the western part of North America. CBR is the market leader in Belgium with four cement and grinding plants.

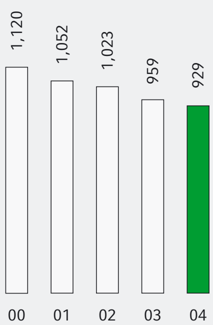
Western Europe

Western Europe is made up of Belgium, the Netherlands, the United Kingdom and France. We are the market leader in Belgium and the Netherlands, where we manufacture ready-mixed concrete and convey sand and gravel. In the United Kingdom we are the second-largest cement manufacturer. We are represented on the French market by our participation in Vicat. The region's total turnover fell by 3.2 % compared with the previous year to EUR 929 million (previous year: 959).

Turnover 2004: EUR 929 million



Turnover in EURm



2000 including maxit Group turnover

Increasing construction activity

After two years of decline, the construction industry in Belgium recovered, particularly in residential and commercial construction. In the Netherlands, increased residential construction was not able to compensate for the decline in commercial and public construction; the construction industry remained slightly below the previous year's level. With moderate yet stable economic growth of 3 % in the United Kingdom, construction demand also increased by 3 %. A significant factor was the double-digit growth in residential construction. In France, construction activity rose by around 3 %, with overall economic growth of 2.5 %.

Cement business line

Restructuring of the Belgian and Dutch operations

After several years of declining demand, cement consumption in Belgium and the Netherlands stabilised in 2004. With a total of 5.5 million tonnes (previous year: 5.6), the cement and clinker sales volumes of our Belgian and Dutch plants were only slightly below the previous year's level. Rising clinker exports were able to compensate for the declining cement sales volumes. However, both countries are continuing to suffer from high cement imports as a result of the low price level in Germany. These imports not only led to a decline in our market shares, but also put pressure on the price level in Belgium and the Netherlands. Therefore, we combined the cement operations of both countries at the beginning of 2004 to form the new organisational unit CEM-BENE, in order to exploit synergies and improve customer service. The brand names CBR and ENCI were retained. In order to regain our former market positions, we are making further considerable efforts to improve our productivity and cost structure. In October 2004, we announced an incisive restructuring plan, which includes large cost savings and the reduction of clinker capacities. In the coming years, 460 jobs are expected to be lost in Belgium and the Netherlands. Negotations with the works councils and trade unions are expected to be finalized in the first half of 2005.

In 2004, large investments were primarily made to replace and modernise process control and IT systems.

Modernisation program in the United Kingdom almost completed

There was no change in the stable cement consumption in the United Kingdom compared with recent years. The sales volumes of our subsidiary Castle Cement also remained at the previous year's level, with 3.1 million tonnes, enabling the company to maintain its market share despite a difficult competitive situation. In 2004, investments were at a high level as a result of the extensive modernisation program: Padeswood will receive a new dry kiln, the output of the existing dry kiln in Ribblesdale will be increased, and the energy-intensive wet kilns at both locations will then be decommissioned. Furthermore, the use of alternative fuels will be increased. The majority of the modernisation measures will be completed in the first half of 2005.

High growth rates at Vicat

All major regions of the French Vicat Group contributed to the 10 % increase in turnover compared with the previous year, adding up to a total of EUR 1,620 million. Favourable market conditions combined with higher sales volumes and prices, as well as optimised production processes and costs, produced an increase in operating earnings. Debt reduction – the group's gearing is below 36 % – and improved profitability are creating new opportunities for growth.

On the French domestic market, cement sales volumes increased by 6 % and prices rose in line with inflation. Sales volumes of ready-mixed concrete and aggregates increased by 4.6 % and 8.2 %, respectively. Many of Vicat's foreign operations also recorded large increases. The Swiss subsidiary Vigier enjoyed continuing high demand for cement (+8 %), concrete (+38 %) and aggregates (+18 %). Cement sales volumes also rose satisfactorily in Italy. In the US, the cement business achieved large price increases: 20 % in California and 10 % in the southeast of the country. Ready-mixed concrete sales volumes increased by 4 %.

Turnover by business lines

EURm	2003	2004
Cement	691	**683**
Concrete	310	**290**
Building materials	-	**-**
Intra-Group eliminations	-42	**-44**
Total turnover	959	**929**

Key data

EURm	2003	2004
OIBD	177	**164**
Operating income	47	**83**
Investment in tangible fixed assets	72	**71**
Tangible and intangible fixed assets	1,435	**1,301**
Employees	3,840	**3,640**

The Egyptian subsidiary Sinai Cement was able to further increase cement deliveries, with significantly higher prices. In Senegal, Sococim regained market shares with a volume increase of 28 %. Vicat is the largest manufacturer of aggregates in Senegal. In Turkey, cement sales volumes rose by 25 %. Vicat extended its market positions in the concrete and aggregates sectors by commissioning four ready-mixed concrete plants and two quarries for aggregates in the Ankara area and around the Mediterranean Sea.

Concrete business line

Reorganisation in ready-mixed concrete

Sales volumes of ready-mixed concrete fell by 5.8 % compared with the previous year to 2.7 million cubic metres. The major causes were the declining demand in the Netherlands but also imports from Germany. In January 2004, we reorganised the ready-mixed concrete business in the Netherlands in order to adjust capacities to the lower demand and reduce costs. Halfway through the year, we sold the Belgian joint venture Inter-Beton, in which HeidelbergCement and Holcim had participations. We merged our share with the Dutch company Mebin to form the organisational unit RMC-BENE. As in the cement business line, our intention was to exploit synergies and improve our customer service. The brand names Inter-Beton and Mebin have been retained.

In 2004, we primarily invested in the modernisation of production sites and in IT systems, new cranes and crane systems.

Aggregates under pressure

In Belgium and the Netherlands, sales volumes of aggregates fell by 4.2 % in 2004 to 15.3 million tonnes. Increasing competitive pressure adversely affected sales prices in Belgium. In the province of Limburg, the authorities are set to prohibit the mining of gravel after 2005. However, we are confident that if mining is stopped, we will be able to increase the sales volumes of other aggregates such as limestone.

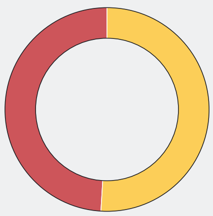
The Dutch company Paes suffered from the weak construction demand. Paes' raw materials deposits are limited and are dependent on the development of a Belgian-Dutch flood control project along the Meuse. These measures would include the dredging of the riverbed and water storage areas. The sand and gravel obtained in this way would secure Paes' raw materials requirements for years to come. Irrespective of this, the company is endeavouring to find new deposits or alternative products such as limestone or sea gravel.

In 2004, investments were used to purchase raw material real estate and replace systems and machines.

Northern Europe

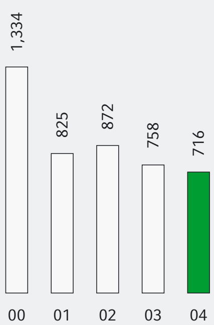
The Northern Europe region comprises the countries of Sweden, Norway and Denmark, as well as the Baltic States and Northwest Russia. Besides cement and ready-mixed concrete, we also manufacture prefabricated concrete elements and convey sand and gravel. Turnover in the region fell by 5.5 % to EUR 716 million (previous year: 758) as a result of a reduced scope of consolidation. As part of the optimisation of our participation structure, we sold non-core activities with a total turnover volume of EUR 91 million. Excluding consolidation effects, turnover increased by 6.2 %.

Turnover 2004: EUR 716 million



50.9 % Cement
49.1 % Concrete

Turnover in EURm



2000 including
maxit Group turnover

Upward trend in construction industry

In 2004, the gross domestic product in Sweden and Norway increased above expectations by 3.5 % and 3.3 % respectively. The construction industry also benefited from this upward trend, with growth rates of between 3 % and 4 %; construction activity in the Baltic region and the Saint Petersburg area recorded even higher increases.

Cement business line

Higher demand on domestic markets

In the 2004 financial year, total cement and clinker sales volumes reached the previous year's level, with 5.4 million tonnes. In Sweden, the upward trend in cement demand that began in the second half of 2003 continued in 2004, resulting in an increase of 6.6 % in our domestic shipments to 1.5 million tonnes. In Norway, domestic deliveries rose by 16 % to 1.3 million tonnes. In both countries, the reason for this increase was the positive development in new residential building and infrastructure projects. In total, domestic sales volumes from our Scandinavian plants increased by 10.7 % to 2.8 million tonnes (previous year: 2.5). Cement consumption in Estonia and Russia also increased further in 2004. Our Estonian Kunda cement plant was able to raise its domestic shipments by 18.5 %; an even more significant growth in volume was recorded by the Russian Cesla cement plant, which mainly supplies the Saint Petersburg area, with an increase of 34 %.

Around one third of the cement and clinker sales volumes of our Swedish and Norwegian cement plants were exported, mainly to the US and Nigeria. Exports from the Swedish plants increased slightly. In contrast, deliveries from Norway fell considerably, as a kiln in the Norwegian Brevik plant was converted to allow increased use of alternative fuels. At high capacity utilisation, clinker exports from the Estonian Kunda plant to Finland, Latvia and Russia had to be cut back in order to meet domestic demand. In addition, the Russian Cesla plant was damaged by a fire halfway through the year and some of its clinker requirements had to be met by Kunda. In total, cement and clinker exports from the Northern Europe region remained almost 20 % below the previous year's level at 1.8 million tonnes.

In order to reduce energy costs and safeguard natural resources, we are increasing the use of alternative fuels in the Northern Europe region. In the past year, for example, an investment project amounting to EUR 9.5 million was completed in the Brevik plant. A cement kiln was converted to allow the proportion of alternative fuels to be increased from 30 % to 60 %. After the fire in July 2004, comprehensive renovation and technical upgrading of the whole clinker production line began in Cesla. These measures will lead to a significant increase in the clinker capacity and are scheduled for completion in mid-2005.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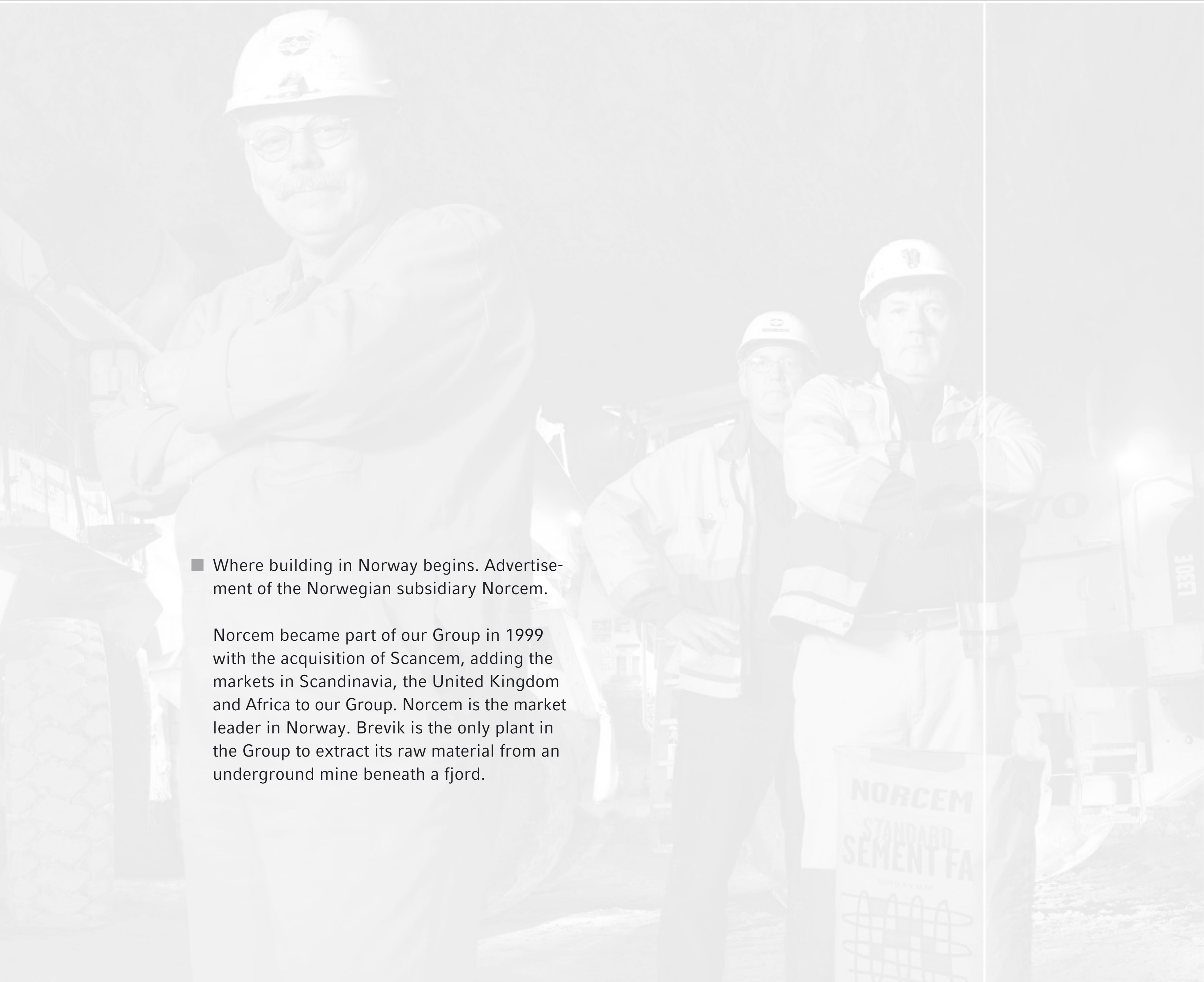


Where building in Norway begins. Advertisement of the Norwegian subsidiary Norcem.

Norcem became part of our Group in 1999 with the acquisition of Scancem, adding the markets in Scandinavia, the United Kingdom and Africa to our Group. Norcem is the market leader in Norway. Brevik is the only plant in the Group to extract its raw material from an underground mine beneath a fjord.

The cement business line also includes the processing of alternative fuels to be used in cement and expanded clay plants. Our subsidiary Scancem Energy and Recovery (SEAR), which operates several production sites in Sweden and the United Kingdom, processed around 280,000 tonnes of waste oil in 2004 and produced a further 280,000 tonnes of alternative fuels from solvents, used tyres, plastic, and paper waste.

Concrete business line

Strengthening of the ready-mixed concrete business in Sweden

In the financial year 2004, ready-mixed concrete sales volumes in the Northern Europe region increased by 36 % to 1.6 million cubic metres (previous year: 1.2). In September 2004, we further extended our ready-mixed concrete activities in Sweden with the acquisition of 15 plants. In Norway, Estonia, Latvia, and Saint Petersburg our deliveries of ready-mixed concrete rose significantly thanks to the previous year's acquisitions and increased demand.

In Norway, Sweden and the Baltic region, our aggregates deliveries exceeded the previous year's level. In total, sales volumes of sand and gravel increased by 8.3 % to 10.7 million tonnes. 1.4 million tonnes were exported from Norway.

In the concrete products operating line, we manufacture prefabricated concrete elements and systems for agriculture, civil engineering, commercial, and residential construction. As part of the withdrawal from non-core activities, we sold the Danish 50 % participation H+H Fiboment A/S, which manufactures prefabricated concrete elements and systems made of lightweight concrete, at the beginning of 2004. In Sweden, we were able to significantly improve our profits thanks to the positive development in the sectors of civil engineering, and residential construction.

Building materials business line

Sale of non-core activities completed

After the division of our subsidiary Swedish Rail System (SRS), which is active in the railway construction business, and the sale of SRS Construction in 2003, we sold the remaining part, SRS Industries, in March 2004.

Turnover by business lines

EURm	2003	2004
Cement	377	**385**
Concrete	383	**371**
Building materials	29	**-**
Intra-Group eliminations	-32	**-40**
Total turnover	758	**716**

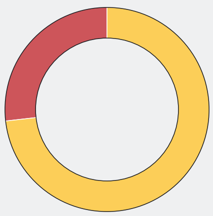
Key data

EURm	2003	2004
OIBD	101	**89**
Operating income	19	**34**
Investment in tangible fixed assets	29	**59**
Tangible and intangible fixed assets	897	**731**
Employees	4,685	**4,084**

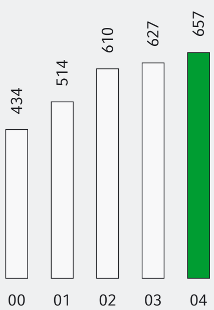
Central Europe East

HeidelbergCement has built up a significant market position as the largest investor in the building materials business since the opening up of Eastern Europe in 1989. Today, we are represented in eight countries, namely Bosnia-Herzegovina, Croatia, the Czech Republic, Hungary, Poland, Romania, Slovakia, and the Ukraine, where we produce cement, ready-mixed concrete, and sand and gravel. In the 2004 financial year, turnover in the region rose by 4.8% to EUR 657 million (previous year: 627).

Turnover 2004: EUR 657 million



Turnover in EURm



Continuing upturn in the economy

In the countries of the Central Europe East region, the dynamic macroeconomic conditions remained intact in 2004. Once again, the Ukraine recorded the strongest economic growth with an increase of around 12% in the gross domestic product, followed by Romania and Poland with respective growth rates of 8% and 5.4%. The economic upturn also boosted construction activities; in some countries, construction activity showed even higher growth than the economy as a whole. In Hungary alone, the increase in construction investments remained below the economic growth of 3.9%.

Focus on internal growth

In 2004, we focused on improving and optimising our existing activities in Central Europe East. Measures to increase cost efficiency, improvements to the purchasing organisation and the quick response to market opportunities and customer needs led to significant growth of results. The sale of the Bulgarian cement and ready-mixed concrete business at the end of 2003 reduced the region's scope of consolidation.

Cement business line

Increased demand for cement

Cement consumption grew in nearly all countries of the Central Europe East region. As in the previous year, the Ukraine showed the highest growth rates. Despite the sale of the Bulgarian cement plant, which had contributed a volume of 0.5 million tonnes in the previous year, our total sales volumes of cement and clinker rose by almost 1% to 9.8 million tonnes (previous year: 9.7). Excluding the Bulgarian activities, sales volumes grew by 9.4%. Romania, Poland, Bosnia-Herzegovina, and the Ukraine achieved the highest increases. In Hungary alone, our cement deliveries remained below the previous year as a result of significantly lower exports. In Romania, we combined our previously legally independent plants Moldocim Bicaz, Casial Deva, and Romcif Fieni to form the company Carpatcement Holding S.A. Since 2004, the Kakanj cement plant in Bosnia-Herzegovina has been operated as a subsidiary of our Hungarian joint venture Duna-Dráva Cement and only proportionately consolidated.

With building materials of the highest quality, works of art are created for eternity (St. Jadwiga Church in Krakow). Advertisement of the Polish Górazdze Group.

Górazdze has belonged to our Group since 1993. The Górazdze cement plant is one of the most modern in the Group. In total, we operate two cement plants, around 40 ready-mixed concrete plants, and 15 aggregates production sites in Poland.

We achieved significant cost reductions by increasing the use of alternative fuels, converting the kiln firing in Hungary from natural gas to coal. We also reduced the number of employees, particularly in the Ukraine and Romania. In addition, more favourable purchasing conditions as a result of improved agreements led to considerable savings.

Worldwide deliveries from our special cement plant Pula in Croatia rose by 14%. We were able to more than compensate for the negative effects of the weak dollar on results by implementing measures to reduce costs.

A variety of investments promoted energy saving, lower repair costs, savings in the human resources sector, and improvements in logistics, environmental protection and on-the-job safety. The largest project was completed in Hungary, with the construction of coal grinding installations; the conversion of both plants from natural gas to coal will lead to significant cost savings. The coal mill recently installed in our Croatian calcium aluminate cement plant Pula is also suitable for processing lower-quality coal. In Poland, we invested in loading installations to allow optimum distribution of production between the Górazde cement plant and the grinding plant in Katowice. By modernising and increasing the capacities of the cement grinding installations in the Ukraine, we are now able to deliver cement of the highest quality. Further investments improved logistics and customer deliveries. Also in the Czech Republic, Romania and Bosnia-Herzegovina we expanded and optimised customer service.

Concrete business line

Expansion of market presence

We took advantage of the joint presence of our cement, ready-mixed concrete and aggregates activities under nationwide umbrella brands and the resulting strengthening of our market position to moderately expand our ready-mixed concrete business. Whenever we acquire a new ready-mixed concrete plant, we always aim for vertical integration, i.e. supplying cement and aggregates from our own plants.

Turnover by business lines

EURm	2003	2004
Cement	497	**509**
Concrete	159	**187**
Building materials	-	**-**
Intra-Group eliminations	-30	**-39**
Total turnover	627	**657**

Key data

EURm	2003	2004
OIBD	169	**190**
Operating income	94	**135**
Investment in tangible fixed assets	71	**70**
Tangible and intangible fixed assets	930	**938**
Employees	9,755	**8,363**

In 2004, the ready-mixed concrete operating line remained on course for success: we achieved increases in sales volumes in all countries. Besides favourable market conditions, the acquisition of new plants contributed to this. Poland and Romania recorded the highest growth rates with 32% and 24%, respectively. In total, sales volumes rose by 6.3% to just under 4 million cubic metres, despite the deconsolidation of the Bulgarian ready-mixed concrete activities.

Our aggregates activities also performed positively. Sales volumes of sand and gravel increased by 11.9% to 16.7 million tonnes. With the exception of Hungary, sales volumes were above the previous year's level in all countries. In Romania and Poland in particular, our ready-mixed concrete companies benefited from the increased demand for infrastructure projects.

Cement and clinker sales volumes by country

1,000 tonnes	2003	**2004**
Bosnia-Herzegovina (proportionately consolidated in 2004)	538	**330**
Bulgaria	487	**-**
Croatia	79	**90**
Czech Republic	1,518	**1,595**
Hungary (proportionately consolidated)	1,142	**1,064**
Poland	2,577	**2,950**
Romania	1,771	**2,075**
Ukraine	1,632	**1,751**
Intra-Group eliminations	-24	**-51**
Central Europe East	9,720	**9,804**

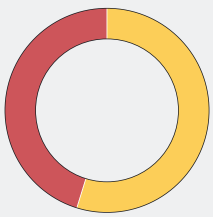
Lehigh White Cement – the white line in the sky. Advertisement of the Lehigh White Cement brand of the American Lehigh Cement Company.

HeidelbergCement has been active in the US since 1977. Our subsidiary Lehigh produces white cement in Waco/Texas and York/Pennsylvania. Building with white Portland cement offers architects and planners a variety of creative and aesthetic design possibilities.

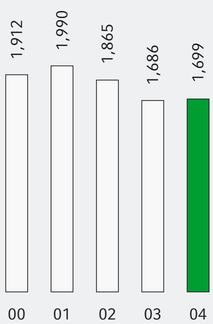
North America

In our North America region, which includes the United States of America and Canada, we produce cement, ready-mixed concrete, concrete products and aggregates. Despite the continuing weakness of the US dollar, the region remains at the top position in the Group in terms of turnover and results. Turnover rose by 0.8% to EUR 1,699 million (previous year: 1,686). In the national currency, it was 10.3% above the previous year with USD 2,112 million – the highest turnover in the 107-year history of our American subsidiary Lehigh.

Turnover 2004: EUR 1,699 million



Turnover in EURm



Economic conditions

In the US and Canada, the macroeconomic expansion continued during 2004 with a growth of 4.4% in the gross domestic product in the US and 2.7% in Canada.

In 2004, construction activity in the US grew in all sectors; construction spending increased by 8.6%, with residential construction recording the strongest increase with 10.9%. In public construction, particularly infrastructure projects, the upward trend continued with an increase of 7%. Commercial and industrial construction has now bottomed out and, since the end of 2004, has shown a slight upward trend. In Canada, construction spending increased by 6.5%, with improvements in residential, commercial, and public construction compared with 2003. In the current year, the Canadian economy will once again benefit from the positive development of the US economy and grow by 2.9%.

Cement business line

Cement sales volumes reach new record level

In 2004, cement consumption in the US rose by 4.6% to 117 million tonnes. Although domestic production capacities were expanded in recent years, cement imports increased again in the past year, rising by 12.9% to 26 million tonnes. However, the strong demand from China and other emerging countries, and the difficulties in arranging cargo space, led to supply bottlenecks for imported cement in some regions of the US. We expect to see a further increase of 3% in cement consumption in the current year.

In Canada, cement consumption increased by 6% to 9.4 million tonnes. In the next few years, consumption should remain at this very high level.

Our cement and clinker sales volumes in North America increased by 7%, achieving our highest sales volume to date with 13.4 million tonnes (previous year: 12.5). Also in the past year, we had to import additional quantities, amounting to around 20% of our sales volumes, to supply our markets on the East coast, in Florida and in California. The majority of these imports came from Group plants in Turkey and Scandinavia. Considerably higher freight costs adversely affected the margins for imported cement.

We achieved significant increases in quantities compared with the previous year in nearly all our American market regions: Sales volumes on the West coast in our Lehigh Pacific market region with the Canadian province of British Columbia and the American states of Washington, Oregon, Arizona, Nevada and California increased by 11% and thus recorded the strongest growth. We were also able to increase our sales volumes by around 6% in our market areas on the Atlantic and Gulf coasts of the US. In the US, we sold a total of 10.6 million tonnes of cement and clinker. In Canada's Prairie Provinces, sales volumes were 2% below the previous year as a result of the unusually wet summer weather. Cement sales volumes in Canada totalled 2.1 million tonnes. The white cement business also developed very nicely in all market regions.

To further reduce costs, we have already made increased use of alternative fuels, such as carpet remnants, dried sewage sludge and other organic carbons, in some plants.

In order to further improve our cement distribution network and enhance customer service, we opened a new terminal in Phoenix, Arizona, and improved unloading capabilities at the terminal in Cape Canaveral, Florida.

By acquiring the remaining 50% of Glens Falls Lehigh Cement Company from Dyckerhoff/Buzzi, we were able to strengthen our position as market leader in the Northeast of the US.

After the completion of the conversion measures currently in progress in the Evansville and Mitchell plants, Lehigh will set a new standard in the American cement industry: Lehigh will then be the only major cement producer to exclusively use preheater kilns – the most energy-efficient and environmentally advanced technology.

Concrete business line

Continued boom in residential construction

In 2004, the demand for ready-mixed concrete, aggregates and most concrete products increased. With ready-mixed concrete sales volumes of 7.1 million cubic metres, we exceeded the high level of the previous year by a further 0.6%. Despite the unfavourable weather and the severe hurricanes in the past year, demand for ready-mixed concrete remained strong in Florida, Texas and Alabama. Concrete sales volumes also rose considerably on the American and Canadian Pacific coast. Overall, we achieved a solid increase in results with our ready-mixed concrete activities.

Sales volumes of aggregates fell by 3.7% to 25.3 million tonnes, mainly as a result of unfavourable weather conditions in the Canadian Prairie Provinces. Nevertheless, satisfactory results were achieved as a result of intensive measures to reduce costs.

Turnover by business lines

EURm	2003	**2004**
Cement	982	**1,007**
Concrete	846	**829**
Building materials	-	**-**
Intra-Group eliminations	-142	**-137**
Total turnover	1,686	**1,699**

Key data

EURm	2003	**2004**
OIBD	313	**326**
Operating income	184	**230**
Investment in tangible fixed assets	83	**86**
Tangible and intangible fixed assets	1,415	**1,343**
Employees	5,715	**5,551**

1 One of the strongest homes – not made by Twiga. Advertisement of the Twiga brand of our subsidiary TPCC in Tanzania.

The subsidiary in Tanzania is part of our network of four cement plants, nine grinding installations and two import terminals in ten African countries.

2 A product of premium quality. Advertisement of Indocement.

The acquisition of Indocement in 2001 strengthened our presence in Asia decisively. The second-largest cement manufacturer in Indonesia operates three cement plants with a capacity of 16.5 million tonnes.

3 We are gradually increasing your standard of living! Advertisement of Akçansa.

Our Turkish joint venture Akçansa is the leading cement manufacturer in Turkey with three cement plants.

1

2


INDOCEMENT
HEIDELBERGCEMENT Group
PRODUK BERKUALITAS TINGGI
PORTLAND CEMENT TYPE II
OIL WELL CEMENT
PORTLAND POZZOLAN CEMENT
PORTLAND CEMENT TYPE V
PORTLAND CEMENT TYPE I
WHITE CEMENT
MADE IN INDONESIA
Semen TIGA RODA merupakan semen berkualitas tinggi yang dapat ditemukan di hampir seluruh pelosok Indonesia dan telah banyak digunakan antara lain untuk membangun gedung-gedung, pabrik-pabrik, kompleks perumahan, jalan raya dan jembatan.
Kami mengutamakan Kepuasan Pelanggan
SEMEN TIGA RODA
KOKOH - TERPERCAYA
PT INDOCEMENT TUNGGAL PRAKARSA Tbk.
Wisma Indocement: Jl. Jend. Sudirman Kav. 70-71
Jakarta 12910 - Indonesia
Telp. (62-21) 2512121, Faks. (62-21) 2510066
Homepage : http: // www.indocement.co.id

3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Siz de Akçansa Ailesi ile tanışın, yaşam kalitenizi yükseltin!
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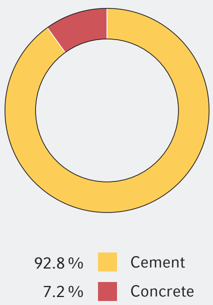
Africa-Asia-Turkey

In the combined growth region Africa-Asia-Turkey, HeidelbergCement is present in 17 countries on three continents. Whereas in Africa we are only active in the cement business, in Asia and Turkey we additionally operate in the ready-mixed concrete business. In 2004, turnover more than doubled, with EUR 1,007 million (previous year: 492), as a result of the consolidation of Indocement and China Century Cement.

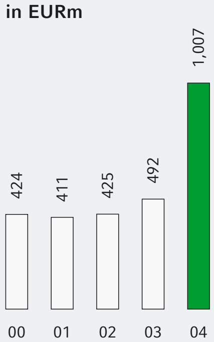
Africa

Cement business line

Turnover 2004 Africa-Asia-Turkey: EUR 1,007 million



Turnover Africa-Asia-Turkey in EURm



Increased sales volumes

In Africa, demand continued to develop positively in 2004. In the ten countries in which we are represented, approximately 16 million tonnes of cement were consumed. Over a third of this requirement was covered by our subsidiaries and associated companies, whose sales volumes achieved an increase of 9.1% with 6.4 million tonnes. Cement deliveries from our consolidated participations rose by 11.1% to 4.0 million tonnes (previous year: 3.6). As part of the withdrawal from non-strategic activities, we sold our 24.5% share in the Angolan cement company Nova Cimangola in November 2004.

Although the competitive pressure on local manufacturers has increased, our cement deliveries recorded positive development in nearly all countries; in particular, our participations in Nigeria, Liberia, Gabon and Tanzania were partly able to achieve considerable increases in sales volumes. In Ghana, we had to accept a slight decline in sales volumes of 1%. However, despite the favourable development of sales volumes, overall results of our African cement activities were unsatisfactory because of high amortisation and loss of outstanding receivables.

In 2004, investments mainly served to reduce fuel costs. In Tanzania, for example, two cement kilns were converted from imported oil to more cost-effective natural gas. In Gabon we are now able to use less expensive petroleum coke instead of oil. In Sierra Leone, we will complete the construction of a new cement mill in 2005, which will improve the cost situation decisively and increase the production capacity to 580,000 tonnes of cement per year.

Asia

Economic growth at a high level

The countries of Asia recorded steady economic growth in the past year. The driving forces behind this positive economic development were the substantial increase in exports and the continuing strength of domestic demand.

After the peaceful presidential election of September 2004 and the victory for a new political leadership, confidence grew in Indonesia that the country would experience a steady upward trend. In 2004, economic growth amounted to 5.1% and inflation was held at 6.4%, despite the weakness of the Rupiah against the US dollar. In China, economic growth remained unhindered despite the government's restrictive measures: the gross domestic product rose by 9.5%, after 9.1% in the previous year; in the Guangdong province, our main area of activity, the growth rate reached 11%. In Bangladesh, the economy suffered from political unrest and natural disasters, yet economic growth of approximately 5.5% was achieved. The Sultanate of Brunei recorded a stable growth rate of 3.5%. In the United Arab Emirates, economic expansion remained at a high level with approximately 7%.

Cement business line

Indocement fully consolidated

Boosted by public and private construction projects, cement consumption in Indonesia rose by 9.1% to 30 million tonnes. Despite the growing demand for cement, intense competition continues to prevail on the domestic market. Nevertheless, our subsidiary Indocement was able to regain lost market shares with an incentive system for local dealers. Cement and clinker deliveries, including exports, rose by 13% to 12.5 million tonnes (previous year: 11.0). Exports made up 26% of the total sales volume. The capacity utilisation of our kilns increased from 66% to 75% in 2004.

As a result of the considerable progress made in reducing debts during the period from 2001 to 2003, and the lifting of the restriction on the appropriation of profits, it was possible to include Indocement in the Group annual accounts as of 1 January 2004.

Turnover by business lines

EURm	2003	2004
Cement	452	**953**
Concrete	50	**74**
Building materials	-	**-**
Intra-Group eliminations	-10	**-19**
Total turnover	492	**1,007**

Key data

EURm	2003	2004
OIBD	72	**192**
Operating income	26	**119**
Investment in tangible fixed assets	59	**83**
Tangible and intangible fixed assets	614	**1,305**
Employees	4,201	**11,059**

The company also made significant progress during the past financial year in reducing net liabilities from EUR 433 million to EUR 324 million.

The three plants of our joint venture China Century Cement, whose sales volumes increased by 5.4% to 3.4 million tonnes (consolidated: 1.7 million tonnes), benefited from the increasing demand for top-quality rotary kiln cement in the Chinese province of Guangdong. Although material and fuel costs increased markedly, we were able to improve results thanks to higher cement prices and cost reductions. We are continuing with the setting up of a joint management structure for all plants. Good progress was made in the construction of the new cement plant in the provincial capital Guangzhou; we expect to put this plant into operation in the third quarter of 2005, with an annual capacity of 2.3 million tonnes. At the end of the year, the plant currently operating in the urban area of Guangzhou with a capacity of 1 million tonnes will be closed.

In Bangladesh, the market conditions were characterised by high prices for construction steel, extreme rainfall and flooding, and excess capacities. Although we had to accept volume losses, we were able to improve our results by means of a margin-oriented pricing policy and strict cost controls. The introduction of high-quality Portland composite cement was well accepted by the customers.

Our grinding plant in the Sultanate of Brunei achieved a slight increase in sales volumes. In the United Arab Emirates, we have management contracts with a cement plant in Ras al-Khaimah and a sales company in which we hold a share of 40%. As a result of the continuing construction boom in the Emirates, the plant achieved record results in terms of production and sales volumes.

In total, our cement and clinker sales volumes in Asia rose to 15.1 million tonnes (previous year: 1.8) as a result of the consolidation of Indocement and the pro rata inclusion of China Century Cement (since 1 July 2003).

Concrete business line

Increasing competitive pressure in China

Indocement's ready-mixed concrete operating line achieved a sales volume of 617,000 cubic metres. Due to the new government's ambitious plans to expand infrastructure, we assume that our ready-mixed concrete sales volumes will rise in 2005. In China, the consumption of ready-mixed concrete increased once again in our main market Guangzhou. New suppliers and increased production capacities intensified the competitive pressure. In Hong Kong, demand for ready-mixed concrete decreased significantly as a result of declining construction activity.

Turkey

Stabilisation of the economy

Encouraged by the continuing political stability, the upward economic trend in Turkey made significant progress in 2004: Estimated economic growth of 9% and an inflation rate of 14% at year-end illustrate the country's increasing economic stability. Construction activity grew again for the first time since 1999, albeit not to the same extent as the general economy; the government's strict cost-cutting policy continued to adversely affect investments in infrastructure.

Cement business line

Positive market development

Encouraged by the nationwide local elections of March 2004 and the growing demand from residential construction and private industry, cement consumption in Turkey rose by 9% to around 31 million tonnes. In the main markets of our participation Akçansa, an above-average rise was recorded in cement demand and domestic sales volumes thus achieved an increase of 14%. However, exports fell by 20% as a result of the heavy decline in clinker exports. The total cement and clinker sales volumes were slightly below the previous year's level, with 4.2 million tonnes (consolidated: 1.7 million tonnes). As a result of the favourable conditions on the domestic market and cost savings in fuel and electricity, Akçansa was able to increase its profitability and results.

Concrete business line

Significant increase in results

As a result of the positive market development, Turkish ready-mixed concrete consumption grew by more than 17 % to approximately 21 million cubic metres. Sales volumes in our ready-mixed concrete operating line Betonsa developed more positively than the market, with an increase of 18.5 % to 2.0 million cubic metres. In 2004, Betonsa expanded its ready-mixed concrete activities with five new plants. The rise in results was primarily due to increases in sales volumes, optimisations in concrete formulas and profitable niche markets.

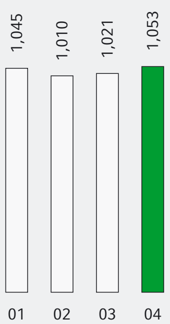
A new start for your floor – and your love. Advertisement of maxit renoline from maxit Group in Germany.

The maxit Group combines our activities in the dry mortar, expanded clay and building chemicals sectors in a strong international network. maxit Germany offers perfectly coordinated system solutions for almost all renovation projects.

maxit Group

The maxit Group business unit comprises our activities in the areas of dry mortar, expanded clay products, building chemicals and plant engineering. maxit Group operates a total of 117 plants in 25 countries, including Russia and China, and is the market leader in Europe. Turnover rose by 3.2% compared with the previous year to EUR 1,053 million (previous year: 1,021).

Turnover in EURm



Umbrella brand maxit

Further progress has been made in the subsidiaries adopting the maxit name: so far, the companies in Northern Europe, Portugal, Spain, Switzerland, Turkey and the United Kingdom have been renamed. The remaining companies will follow at a later date. In Austria and Switzerland, activities were combined into nationwide organisations – maxit Austria and maxit Switzerland. In Germany, the building chemicals brand Deitermann was merged with maxit Germany at the beginning of the current year.

Growth with high-margin products

The maxit Group offers its customers a range of products and services that is perfectly suited to their needs and in line with the market. The transnational use of our wide range of products and, in particular, the marketing of high-margin products beyond country borders developed promisingly in all markets.

We were able to achieve double-digit growth in the United Kingdom, France, Spain, Austria, Switzerland, the Baltic region, Turkey and China, as well as in the plant engineering business of our subsidiary m-tec. Cost savings and the focus on high-margin products were the main factors resulting in the increase of 65% in operating income.

Demand continues to be weak on the German construction market, which is additionally adversely affected by heavy price competition. The outlook for the coming years in Germany is not significantly better. We sold the two building chemicals brands, Compakta and Paktan, as part of the restructuring of our German activities. Demand also slowed down in the Benelux countries. By introducing floor system products, we were able to achieve a welcome increase in turnover in Switzerland. In France, we supply floor products to Orly airport.

Turnover by business lines

EURm	2003	2004
Cement	-	-
Concrete	-	-
Building materials	1,021	**1,053**
Intra-Group eliminations	-	-
Total turnover	1,021	**1,053**

Key data

EURm	2003	2004
OIBD	136	**144**
Operating income	53	**88**
Investment in tangible fixed assets	44	**59**
Tangible and intangible fixed assets	791	**788**
Employees	4,941	**4,902**

While our sales volumes in Spain experienced a double-digit increase, the market in Portugal was characterised by strong competition. In Northern Europe, particularly in the Baltic region, we experienced a welcome increase in demand for our products. In Sweden, the number of new construction starts rose by 35%, which will have a positive effect on our sales volumes in the current year. In Norway, we decommissioned an expanded clay plant and discontinued trading in clay bricks. In Russia – predominantly in the densely populated areas of Moscow and Saint Petersburg – demand increased. In Poland, our sales volumes were adversely affected by the increase in VAT. In November, we closed the block plant in Warsaw. As part of the expansion of our activities in growth markets, we are constructing a dry mortar facility in Russia – in the region of Nizhny Novgorod southeast of Moscow – and China, both of which will start production in the course of this year. In China, we founded a joint venture with the Beijing Building Materials Group, the largest Chinese building materials company in Beijing.

Product development

The fundamental strengths of the maxit Group include the continuous development of new products and solutions and the improvement of existing products and processes. We continue to focus on high-margin products, which enables us to further increase the profitability of our production activities.

One of the new products developed during the past year that is particularly worth to be mentioned is “maxit airfresh”, a gypsum-based interior mineral plaster with a long-lasting air purification effect. At the Bau 2005 building materials trade fair at the beginning of this year, maxit Germany received a product innovation award for this plaster. In the building chemicals sector, we have developed products with a high level of chemical resistance.

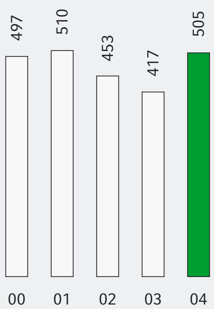
Group Services

HC Trading and HC Fuels are part of Group Services. While HC Trading trades with cement and clinker and is one of the largest trading companies in this sector, HC Fuels manages world-wide trading in fossil fuels, which it sells to Group-owned and third party companies. The turnover of the Group Services business unit increased by 21.1 % to EUR 505 million (previous year: 417) as a result of the heavily increased freight rates.

HC Trading

Higher trade volume – wider product range

Turnover Group Services in EURm



With a total trade volume of 12.1 million tonnes (previous year: 11.9), our subsidiary HC Trading exceeded the high level of the previous year by a further 2%. In particular, a significant increase was recorded in trading with materials such as gypsum, lime, white cement, oil well cement for the oil industry, and slag. Cement trading also increased slightly, while demand for clinker decreased. The 800 ships employed by HC Trading called at more than 134 ports in 76 countries during the past year. HC Trading now coordinates its activities via five locations in Istanbul, Oslo, Singapore, Dubai and Florida.

Through our global trading network, we increase the capacity utilisation of our plants by transporting cement and clinker from regions with a surplus to countries where there is heavy demand. For example, in 2004, the growing demand in African countries south of the Sahara was covered by increased deliveries from Asia and the Mediterranean region.

Freight costs, which had increased dramatically in 2003, almost doubled in 2004. One of the main causes was the tremendous economic growth in China, which caused freight quantities to soar. HC Trading managed to counter this cost trend by means of long-term freight agreements. However, the high freight rates led to a significant increase in turnover in comparison with the previous year.

HC Fuels

Optimised purchasing of fuels

The subsidiary HC Fuels, based in London, is responsible for the cost-effective purchase of fossil fuels on the international commodity markets. It supplies Group companies in Europe, Africa, Asia and North America with coal and petroleum coke. In 2004, HC Fuels expanded its group of customers to include the plants of Anneliese Zementwerke/Germany, maxit Germany and our Icelandic cement participation.

In the past year, HC Fuels managed to absorb the freight and fuel costs, which had risen to historically high levels as a result of the enormous demand in China for energy and raw materials, by means of medium-term, fixed-price supply agreements for coal and petroleum coke. Although the prices for petroleum coke also increased, this fuel is still comparatively cheaper than coal. Therefore, we increased the use of petroleum coke and the even more cost-effective alternative fuels throughout the Group. In the past two years, we have converted the plants in Gabon, Estonia, Portugal, and Romania from coal to petroleum coke. In several European and American plants, we have increased the proportion of petroleum coke in the fuel mix. The high freight and fuel costs are not expected to fall until the second half of 2005, as a result of a slowdown in the Chinese economy, increasing coal production, and availability of new shipping capacities.

After the CO_2-emissions trading scheme in the European Union came into force on 1 January 2005, HC Fuels was mandated to trade CO_2-emissions allowances for our Group companies within the EU.

Key data

EURm	2003	2004
OIBD	12	**3**
Operating income	10	**2**
Investment in tangible fixed assets	-	**-**
Tangible and intangible fixed assets	38	**38**
Employees	48	**54**

- International cement trading – for your export & import needs. Advertisement of HC Trading.

  HC Trading supplies cement, clinker and other building materials throughout the world via a global network of cement terminals.

HeidelbergCement report to the shareholders

Corporate Governance

HeidelbergCement adopted and published Corporate Governance Principles for the Group in close conformity with the German Corporate Governance Code (DCGK) in 2002. They bring together the fundamental legal provisions and the internationally acknowledged best practices for corporate governance and monitoring and, together with the articles of association and the procedural rules of the Supervisory Board, Managing Board and Advisory Council, represent HeidelbergCement's company constitution. After HeidelbergCement's Corporate Governance Principles were adapted to the DCGK's modifications in the previous year, there was no reason for any further changes during the reporting year.

Statement of compliance

The statement of compliance required by § 161 of the German Stock Corporation Act (Aktiengesetz) for 2004 was submitted on 24 March 2004, and for 2005 will be submitted on 22 March 2005.

HeidelbergCement continues to comply with all the recommendations of the DCGK, with only three exceptions. These exceptions are: no age limits for members of the Supervisory Board, no individualised disclosure of the Managing Board salaries, no disclosure of shareholdings of Supervisory Board members exceeding a one percent share in the company's share capital.

Remuneration system for the Managing Board

The remuneration determined by the Supervisory Board for the Managing Board of HeidelbergCement AG is adapted to the tasks and performances of the individual members of the Managing Board, to the performance of the entire Managing Board and to the Group's economic situation, its success and future prospects, taking into account its peer companies. It is made up of fixed and variable components.

As variable remuneration, the majority of the Managing Board members receive a directly dividend-related bonus; others receive a bonus that depends on the extent to which agreed targets were accomplished. In the past, stock options were awarded as components with a long-term incentive effect containing risk elements. However, the option plans issued annually from 2000 were not continued in 2004; the existing plans are merely running to their conclusion. The option plans made no contribution to remuneration during the reporting year; the share price level did not allow any options to be exercised. In the future, an EVA-based bonus will be awarded instead of the option plans.

The ratio between fixed and variable remuneration elements varies between the members of the Managing Board. The differences are connected with the decentralised organisational structure of the Group, the various national practices and company cultures and the different dates for conclusion of contract.

The total remuneration of the Managing Board in 2004 amounted to EUR 5.98 million. EUR 2.57 million of this was paid in fixed remuneration, EUR 3.25 million in variable remuneration and EUR 0.16 million as part of other remuneration components, which corresponds to a ratio of 43:54:3.

Stock option plans

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

All plans have a duration of six to six and a half years and a blocking period of two years. Within the exercising period, the options may only be exercised during specific time frames.

The requirement for exercising the options is that the share price has risen by 5% per annum on average since issuance of the options. Furthermore, the share price development may not be worse than that of an international construction stocks index, otherwise the options remain blocked in the percentage range of the underperformance. In addition, an individual investment in HeidelbergCement shares was required for participants of the real 2001/2007 option plan.

The plan issued in 2003 additionally specifies that, in the event of exceptional, unforeseen developments, the Supervisory Board may limit the appreciation of value to be offset when an option is exercised. Furthermore, the requirements for exercising options were increased for this plan. In contrast to the previous plans, the requirement of an annual average share price increase of 5% must be fulfilled on the specific exercise date. Additionally, in the event that the development of the share price remains below the reference index, the options are blocked not merely in the same percentage, but at double the percentage of the underperformance.

The Supervisory Board and Managing Board have decided not to continue the annual stock option plans and thus did not issue another plan in 2004. In the future, an EVA-based bonus system will serve as a remuneration component with a long-term incentive effect instead.

As in the previous years, no options were exercised in 2004. The 2003/2009 plan is still in the waiting period; in the previous plans, the share price did not fulfil the exercise requirements.

The following table gives an overview of additional data relating to the existing stock option plans.

Prices and values

EUR	Virtual plan 2000/2006	Real plan 2001/2007	Virtual plan 2002/2008	Virtual plan 2003/2009
Date of issue	07/01/2000	08/21/2001	10/01/2002	10/01/2003
End of term	12/31/2006	12/31/2007	12/31/2008	12/31/2009
Expiration of waiting period	06/30/2002	10/10/2003	09/30/2004	09/30/2005
Initial basis price	60.49	52.82	41.21	32.70
Adjusted basis price[1]	58.22	49.83	38.22	32.70
Number of participants at grant	90	99	105	111
Number of options issued	430,500	462,000	484,500	492,000
Current number of participants	86	91	89	101
Number of existing options[2] (on 02/28/2005)	414,000	420,000	394,500	420,000
Value per option at grant[3]	21.21	15.10	9.75	9.09
Current value on 02/28/2005	3.66	8.68	16.55	21.36
Number of exercised options (on 02/28/2005)	0	0	0	0

1) after consideration of dividend payments and capital increases, before capital increase 2005
2) number of options issued minus expired options
3) roughly determined on the basis of prevailing valuation methods

Risk management

Through their global operations, all business lines within HeidelbergCement are exposed to a variety of risks in relation to their entrepreneurial activities. Identifying risks and managing them professionally is the main task of our risk management system. HeidelbergCement's aim is not to avoid risks altogether, but to take targeted risks on the basis of advanced methods and processes whenever there are opportunities that may increase the value of the Group. Significant risks arise when there is a threat not to achieve the planned results or when other corporate goals of importance for our Group are not reached.

The risk management system consists of a number of different components, which are systematically incorporated in all of HeidelbergCement's organisational structures and processes. It is mainly oriented by operational planning and the established risk management strategy. The Group-wide standardised risk management system is coordinated centrally by the Group Internal Audit & Corporate Risk Management department, but is based on decentralised risk responsibility within the various Group companies and strategic business units. The risks are analysed, evaluated and efficiently controlled wherever they arise. All significant risks, both quantitative and qualitative risks, are documented in a central risk map, which is updated and added to regularly.

The risk coordinators in the strategic business units present detailed risk reports to the Corporate Risk Management yearly, quarterly and in case of need. The Managing Board is informed of the overall risk status on a quarterly basis. Along with instantaneous internal reports when unforeseen risks arise, this allows the Managing Board to identify and control possible risk developments at an early stage.

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

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

Group-specific risks that may have a significant impact on our net assets, financial position and results in the 2005 financial year are dealt with below. The risks are divided into three categories based on the risk catalogue established in the Group.

Financial risks

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

Currency risks arising as a result of processing transactions in foreign currency (transaction risks) are hedged using appropriate financial instruments with a hedging horizon of up to twelve months. Currency risks arising from converting the annual accounts of foreign subgroups are generally not hedged. The associated effects on the Group balance sheet and Group profit and loss account are monitored on a continuous basis. Interest rate risks are maintained within the parameters set by the Group's Chief Financial Officer. Refinancing risks are minimised by a wide selection of appropriate financing instruments. They are deployed on the basis of the expected maturities. Strict standards are applied with regard to the creditworthiness of our financial business partners. In this way – as well as by avoiding concentrations of positions – we are able to minimise the Group's credit risks.

Market and strategic risks

The ongoing difficult situation in some European markets, particularly in Germany, Belgium and the Netherlands, presents HeidelbergCement with considerable challenges. Extensive restructuring measures are planned for Belgium and the Netherlands. Continuous measures to improve costs and processes shall put HeidelbergCement in a good position to reduce the effects of further increasing competition in these and other regions.

Operating risks

Risks connected with emissions restrictions are outlined in the sustainable development and environmental precaution chapter. Other significant risks from business areas such as procurement and production, which do not affect operational planning, have not been identified in our risk management process.

The locations in California, Indonesia, and Turkey are exposed to an increased risk of earthquakes, which we cannot insure against fully. The plants in Indonesia and Bangladesh escaped the flood disaster in South-East Asia.

The cartel proceedings against German cement companies are still pending. The German Federal Cartel Office (Bundeskartellamt) has not yet made a decision about referring the proceedings to the competent court. For this reason, the legal proceedings are not expected to open until 2006. In order to avoid cartel violations, we are maintaining the reinforced internal precautions, particularly training measures.

Preventive measures are being taken to further improve internal and external security in IT. The information security project is an example of this.

Employees

In 2004, HeidelbergCement employed an average of 42,062 members of staff (previous year: 37,774) throughout the Group. The increase of 4.288 employees compared with the previous year is primarily due to the consolidation of Indocement. This new consolidation more than compensated for the decline in personnel, which resulted from restructuring measures and disinvestments in all other regions.

Personnel costs

Personnel costs in 2004 fell by 0.6% to EUR 1,365 million (previous year: 1,373) compared to the previous year. This corresponds to a share in turnover of 19.7 % (previous year: 21.5 %).

Group-wide human resources function

A company's ability to adjust constantly to changing market conditions in a quick and flexible manner is becoming an increasingly important factor in global competition. As employees play a decisive role in this, we rely on dedicated, qualified employees and an excellent management team. With their enthusiasm, their focus on results, their entrepreneurial capabilities, and, above all, their ability to put ideas into practice, they guarantee the long-term success of the company.

The creation of the Group Human Resources (Group HR) department on 1 July 2004 underlines our awareness of the growing importance of this potential. The objective of the new Group HR function is to advise the Managing Board in its decisions on personnel issues at Group level, to provide an efficient HR service for employees at Group level and to implement the personnel strategy established by the Managing Board.

Standardisation of the personnel strategy

One of the central topics in 2005 will be the standardisation of the personnel strategy for senior and junior management in the Group and in the individual regions. This will involve bringing together the topics of personnel, personnel management, junior executives, management training and remuneration systems within the Group, to create a performance culture with a consistent focus on results. Consistent management, clear objectives for the managers and employees, along with clearly established responsibilities, freedom in implementation, consistent implementation control and performance-related, result-oriented remuneration are simple and clear fundamental principles that are applied throughout the Group.

Management training in the Group

Group-wide management programs and the consistent promotion of junior executives are becoming increasingly important. Around 110 experienced senior managers from all regions and business lines have now undergone the Senior Management Development Program, which started in 2003 and which we run in collaboration with the management college INSEAD in Fontainebleau near Paris. Central elements of this one-week program are the Group strategy, its implementation and effective management. The participation of members of the Managing Board accounts for a large part of this program's success, as it underlines the importance of the development of managers within the Group.

The International Management Candidate Program promotes junior employees with management potential. It lasts ten months and is now taking place for the sixth time. More than 20 selected candidates from all business regions are trained in several areas. Effective leadership and communication, intercultural management, project management, dealing with processes of change and quick implementation of these changes are conveyed by means of practical examples and exercises. At the same time, the candidates are divided into several groups to work on projects, which they present to the Managing Board at the end of the program.

Regional personnel development

The personnel development concept pursued at Group level is supplemented by development measures in the regions. This includes regional programs for senior managers; advanced training offers in the areas of leadership and management, business administration, sales, cement production, quality management, IT, and foreign languages, as well as assignments abroad for managers or experts.

We are specifically supporting our local management in Africa with the HeidelbergCement Africa Academy, founded in 2003. We are now seeing the first fruits of this program. One participant from Ghana is currently working as a controller for the Group in Heidelberg and will later return to Africa in order to incorporate his experiences there in a more advanced position. In this way, we are able to introduce experiences, knowledge and best practices throughout the various countries in a profitable manner.

At our American subsidiary Lehigh, total quality, which centres on customer satisfaction, is of great importance, particularly in the area of personnel. The focus on customer satisfaction is supported in particular by specific programs for new employees to senior managers, in order to create a “quality culture” throughout the company. It also involves clear communication of the critical factors for success. All employees understand that each individual has responsibility within his area of work and contributes to the results of the company.

Staff surveys are increasingly being used as an effective tool in the various regions. They help us to identify shortcomings at an early stage, and place us in a position to take countermeasures promptly.

Consolidation and reorganisation

The worldwide process of consolidation in the cement industry is continuing. Besides acquisitions and sales, the trend of job reductions continued in nearly all regions. Particularly affected were Belgium and the Netherlands in Western Europe, Germany in Central Europe West, Poland, Romania and the Ukraine in Central Europe East, China and Bangladesh in Asia, and Norway and Sweden in Northern Europe. Around 2,400 jobs were cut back.

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

Extensive reorganisation measures such as merging the management teams of Central Europe West and Central Europe East to form a unified management group, combining cement operations in Belgium and the Netherlands to form the new organisational unit CEM-BENE or forming the Southern German cement production sites into two plant groups led to a significant streamlining of the organisational structure and considerable cost savings, with synergy effects fully exploited.

We have taken a major step towards our aim of increasing productivity and saving costs. However, under the current competitive conditions, there is ongoing pressure to make adjustments, which forces us to continuously adjust our organisation and personnel structure. Only with a tight and flexible organisation we can catch up with the best. Our priority is therefore to increase transparency in these areas.

Group employees by regions

	2000	2001	2002	2003	**2004**
Central Europe West	8,233	4,523	4,470	4,589	**4,409**
Western Europe	4,450	4,227	3,894	3,840	**3,640**
Northern Europe	7,476	5,027	5,368	4,685	**4,084**
Central Europe East	7,448	7,047	9,600	9,755	**8,363**
North America	6,191	6,110	5,923	5,715	**5,551**
Africa-Asia-Turkey	2,552	2,388	2,513	4,201	**11,059**
maxit Group	-	5,476	4,885	4,941	**4,902**
Group Services	122	48	108	48	**54**
	36,472	34,846	36,761	37,774	**42,062**

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

Sustainable development and environmental precaution

In our Group environmental report, published in May 2002, we formulated our goal of gradually achieving a higher level of sustainable development within the Group: We want to secure the economic performance of HeidelbergCement in the long term and, at the same time, accept our responsibility towards the environment and the community. We have made considerable progress along this path. The publication of our first Group sustainability report in May 2005 will substantiate this aim.

Sustainable development and future orientation

We are organised regionally, yet joined by common goals set in the Corporate Mission. Our vision for a sustainable development as regards economy, ecology and social responsibility is based on these:

- Growth and profits through fairness and responsibility
  Our economic objectives are connected with the creation of value for customers, employees, suppliers, shareholders and the communities in which our plants are located.
- Protecting resources for tomorrow's economy
  By making innovative use of raw materials and fuels, we keep adverse effects on the environment to a minimum in the areas surrounding our locations. Economic commitment and the exchange of expertise are also closely linked in environmental issues.
- Employees and communities at our locations
  Our success is based on competent and dedicated employees with a variety of cultures and nationalities. Through our commitment to the community, we contribute to the development of our locations.

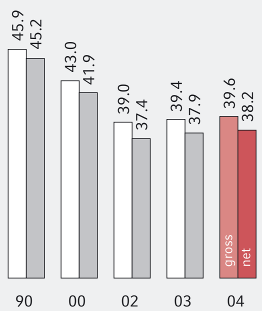
Partnership and dialogue

We incorporate our experience in a variety of national and international initiatives. One of the ways in which HeidelbergCement is involved in sustainable cement production is, for instance, as a member of the World Business Council for Sustainable Development (WBCSD). Guidelines for the topics of climate protection, fuels and raw materials, employee health and safety, emissions and effects on the local environment were drawn up in project groups. The next step will see the implementation of these guidelines in each individual company. An interim report for the Cement Sustainability Initiative will be published halfway through 2005. Our commitment also comprises other activities at a national level, such as the German industry sustainability initiative “Econsense – Forum for Sustainable Development of German Business”.

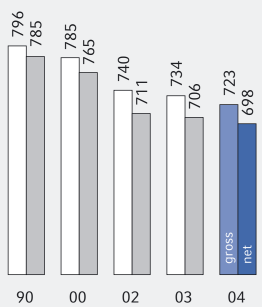
Environmental precaution

The challenges we face in dealing responsibly with the environment are met by increasing use of alternative fuels and raw materials and continuous technical improvements. The concept of integrated environmental protection enables us to avoid or limit adverse environmental effects from the outset.

Absolute gross and net CO_2 emissions
million tonnes CO_2



Specific gross and net CO_2 emissions
kg CO_2/tonne cement



Greenhouse gas emissions

The Kyoto Protocol on climate protection came into force on 16 February 2005. This has produced a revival in worldwide climate protection. HeidelbergCement aims to be a pacesetter in international climate protection. In 2002, we committed ourselves to reducing specific net CO_2 emissions by 15 % compared with the base year of 1990, by 2010. In addition, we have started to implement projects to reduce greenhouse gases according to the rules of the flexible Joint Implementation and Clean Development mechanisms described in the Kyoto Protocol.

We are consistently exploiting all the possibilities for reducing emissions in cement production. The development of CO_2 emissions in recent years reflects this. Although gross CO_2 emissions rose from 39.4 million tonnes/year in 2003 to 39.6 million tonnes/year in 2004 as a result of increased clinker production in Central Europe East, Asia, and North America, we were able to reduce specific gross CO_2 emissions from 734 kg CO_2/tonne cement in 2003 to 723 kg CO_2/tonne cement in 2004. Over the same period, specific net emissions dropped from 706 kg CO_2/tonne cement to 698 kg CO_2/tonne cement. HeidelbergCement is clearly well on the way to fulfilling its voluntary commitment by 2010.

HeidelbergCement has carried out the necessary internal preparations in order to participate successfully in the European carbon dioxide emissions rights trading. The allocation process has only been completed for some of our clinker production facilities. In Germany, HeidelbergCement has instituted legal action requesting an investigation into the constitutionality of the Greenhouse Gases Emissions Trading Act (TEHG), on account of the disadvantageous implementation of the European emissions trading directive in Germany.

HeidelbergCement reports on its emissions in accordance with the widely accepted Greenhouse Gas Protocol produced by the World Business Council for Sustainable Development (WBCSD), which distinguishes between net and gross emissions. Net emissions are all direct emissions less the savings that are achieved, for instance, through the use of alternative fuels and which are assessed to be CO_2 neutral. Gross emissions, on the other hand, comprise all direct CO_2 emissions from a cement plant including those arising from the use of alternative fuels.

Conservation of resources

We want to use fewer natural resources and become a more efficient consumer. Dealing with resources responsibly also strengthens the competitiveness of our company. Therefore, HeidelbergCement encouraged further use of alternative fuels in 2004. We were able to increase the proportion of alternative fuels across the Group from 13.2 % in 2003 to 13.9 % in 2004. This corresponds to an absolute increase of 5.3 %. The prior year figures were adjusted for consolidation effects.

The general conditions determining the use of alternative fuels vary quite widely. As a result, some plants have just started using alternative fuels, whereas other plants have already been using alternative fuels for many years, replacing 50 % to 60 % of primary fuels and up to 90 % in some cases.

The spectrum of alternative fuels ranges from used tyres, waste wood and waste oil to plastic and animal meal. The choice of alternative fuel depends on a number of factors including regional availability. Essentially, the substances that make up the fuels must fulfil the quality requirements of the final product. Quality assurance concepts ensure that there are no adverse effects on emissions and the environmental-friendliness of the final product.

In 2004, the use of biomass was a central focus of our activities. In our cement plant in Paderborn/Germany, we have further increased the use of sewage sludge, bringing the proportion of biomass to 52 %. Additionally, we have obtained new permits, e.g. for the Ribblesdale plant, which was the first cement plant in the United Kingdom to acquire a permit for the use of animal meal.

Reduction of environmental pollution

HeidelbergCement endeavours to make continuous improvements in environmental protection worldwide. In the Kryvyi Rih cement plant in the Ukraine, for example, we have installed a crossbelt analyser in order to analyse raw materials more quickly, with the aim of making the clinker burning process more consistent, as well as reducing fuel consumption and associated emissions.

In the British Padeswood plant, construction of the new kiln line continued. We intend to replace five obsolete kilns there with a modern rotary kiln. The use of modern process and filter technology will substantially reduce energy consumption and emissions. We expect SO_2 and NO_X emissions to fall by approximately 90 % and 50 % respectively. The new kiln is scheduled to start production in 2005.

The modernisation of the rotary kilns in Brevik/Norway, Çanakkale/Turkey and Lengfurt and Schelklingen in Germany will also improve the environment.

We have optimised or modernised filter systems in many plants. This enabled us, for example, to reduce dust emissions by approximately 50 % in the Vác and Beremend plants in Hungary. In order to improve the dust separation properties of electrostatic precipitators, the exhaust gases from the rotary kilns are cooled and humidified, enabling optimum cleaning. At our locations in Wazo Hill/Tanzania and Górazdze/Poland, we have completely replaced the exhaust gas cleaning systems. In Fieni/Romania, Cesla/Russia and Burglengenfeld/Germany, we have started constructing new kiln filters. In addition, a cooler exhaust air filter has been installed in our plant in Vác/Hungary, and a gas scrubber in the plant in Mason City/US.

Environmental management system

The relevant procedures and responsibilities are systematically recorded in management systems. We now run environmental management systems in a total of 55 plants. This means that over 80 % of the cement and nearly 90 % of the clinker is produced in plants with a management system. In 2004, we introduced environmental management systems in the plants of Anneliese Zementwerke AG/Gemany, in Bosnia-Herzegovina and Brunei and in a plant in the Ukraine. We plan to introduce these systems in our production sites in Katowice/Poland, Kryvyi Rih/Ukraine, and Bangladesh for 2005.

Natura 2000

During 2004, we have been intensively involved with the European protected area network Natura 2000. HeidelbergCement has drawn up an agenda for action. An expert group has reviewed all locations in the European Union to determine whether they should be designated as protected areas. Working groups have also been set up on site to support the ongoing processes.

Research and development

Research and development – a shared task

Innovative, customer-oriented products and applications are fundamental requirements for the success of HeidelbergCement. Therefore, we carry out research and development close to the market in all regions and business lines – often in direct cooperation with our customers. In 2004, approximately 520 employees (previous year: 430) were involved in further development of the product range, with related costs amounting to approximately EUR 44 million (previous year: 43).

HeidelbergCement has an extensive network of expert groups and an intranet platform, which make it possible to distribute important research results globally and make use of successful developments across the Group. In areas of research with Group-wide significance, the Heidelberg Technology Center (HTC) coordinates all activities to ensure that we make the best possible use of resources.

Three subject areas currently form the focus of our research and development: In the centre is our obligation to act in a sustainable manner, with the areas of "replacing primary raw materials" (preservation of resources) and "durability". Another major focus is optimising building site processes by improving the processability of our products. Finally, developing new or improved products allows us to expand the range of applications of building materials containing cement.

Sustainable products and applications

The preservation of natural raw materials and reduction of emissions are core elements of sustainable business, to which HeidelbergCement is committed. We achieve this through increased use of alternative fuels in place of primary energy sources. In each individual case, this requires research and development expenditure in order to guarantee a consistently high product quality. The results are plain to see: In the past year, the proportion of alternative fuels increased by a further 5.3 % to 13.9 %.

The use of alternative raw materials saves large volumes of natural resources and energy and reduces CO_2 emissions. In particular, blast furnace slag – a by-product of steel production – and fly ash from coal power stations are used in large quantities at our plants to produce various types of cement. We therefore assign high priority to the development and optimisation of composite cements and blast furnace slag cements. In the past year, we developed and successfully launched high-early-strength, blast furnace slag-rich cements in Poland, Germany, Belgium and the Netherlands, with a considerably broader range of applications. In Germany, the Netherlands and Bangladesh, we have developed, and successfully introduced onto the market, cements containing both blast furnace slag and limestone as additives. As a result of these and other measures, we were able to increase the volume of alternative raw materials in our cements to a total of around 10 million tonnes.

Waste prevention is another central element of sustainable development. Previously, we had to dispose of large quantities of process dust, which builds up during clinker production. As a result of intensive research and development work, we can now make good use of the positive characteristics of these intermediate products – such as water binding properties and reactivity. The use of these intermediate products in soil stabilisation, to bind pollutants or as an adhesive in asphalt reduces waste quantities and, at the same time, opens up new market segments.

Another focus of our work is increasing the life span of concrete buildings under tough environmental conditions. With higher repair costs and increased expectations regarding guarantees, particularly in infrastructure projects such as roads and bridges, the durability of concrete is of vital importance. We have made significant progress in avoiding damaging alkali-silica reactions by means of new products and application rules in Norway and Germany. In order to bring these successes to the public's attention and position cement in the market as a sustainable product, HeidelbergCement is involved in relevant ecological balance initiatives for building materials both in Europe and in North America. Analyses show that concrete building materials have many advantages over other building materials, when considered on a life cycle basis. These studies are starting to influence requests for bids of authorities that base their choice of building materials on ecological balance. In Sweden near Stockholm, for example, 15 houses with four apartments each are being built in concrete rather than the traditional wood, due to ecological advantages. The concrete building is not only better in view of thermal and sound insulation and energy costs but also regarding safety aspects and fire prevention.

Application-friendly products

The trend toward easily processable concrete is continuing. Thanks to their high flowability, the labour-intensive and noisy process of compacting can be reduced or even becomes unnecessary altogether with these types of cement. Most concrete companies within HeidelbergCement now offer products of this type, for example under the brand name "Flowcrete" in North America and the Netherlands or "Easycrete" in Germany. The development of these concretes is supported by intensive research – often together with external partners – on the combined effects of cements and admixtures. This enables us to further improve the properties of the cement and make concrete more resistant to environmental influences. The information acquired is implemented in various concrete companies and the maxit Group in many areas, including the development of fluidised floor finishes. They allow automated production of floors, without the labour-intensive manual treatment that was previously necessary.

New products and applications

HeidelbergCement's research and development spectrum also includes a variety of new products and applications. For example, maxit Group and Heidelberger Beton have introduced light floor finish onto the market under the brand names "maxit plan 414" and "Poriment P" respectively. These products combine the properties of a floor finish with heat and impact sound insulation and, at the same time, can level out any unevenness in the substrate. This means that the three-step process used previously can now be accomplished in a single procedure.

maxit Group has also developed two silicate-based joint mortars, “Multidur F” and “Silicadur F”. Both have a high chemical resistance and can be used, for example, in swimming pools and other places exposed to water, or in areas that are exposed to chemical substances, such as breweries or laboratories.

HTC has developed a special cement for the concrete products industry. Its optimised composition and special admixtures offer high protection against efflorescence and discolouration in concrete products, which are widespread aesthetic problems. This product will be ready for the market shortly, following further application tests.

Nanotechnology makes its first entry into HeidelbergCement’s product range with “maxit airfresh”. Through the use of photocatalysts, this gypsum-bound interior plaster can break down indoor air pollutants to ensure comfortable indoor air quality.

Future focuses of research

A follow-up research program aims to exploit the photocatalysis effect in cement-bound building materials. Furthermore, nanotechnology will create additional possibilities for incorporating new functionality into building materials. Sustainable development will also form an essential focus of HeidelbergCement’s research activities in the next few years. Besides the areas already mentioned, “preservation of resources” and “durability”, the recycling of building materials will also play an important role.

Of course, customer-oriented development and product improvement close to the market will remain central to our activities. Basic research, which HeidelbergCement carries out in close cooperation with research institutes in many locations, is always necessary in all fields. In order to fully utilise this potential, we are deeply involved in the European research network Nanocem, to which a large number of cement manufacturers and leading European universities belong.

Purchasing

In 2004, HeidelbergCement's purchasing volume amounted to more than 65 % of turnover. This corresponds to supplier invoices of EUR 85 million per week.

The Group Purchasing department coordinates the procurement of selected, strategically important products and services. This coordination is the task of the Purchasing Strategy Team, in which the purchasing managers from all business regions are represented. In order to exploit potential purchasing synergies within our Group, we have formed international product teams, which combine our procurement requirements across the Group and thus hold a strong position in dealing with our global suppliers. We currently have 75 Group general agreements with suppliers – this number is set to increase further; we are constantly looking for new, cost-effective international suppliers. Through our intranet, we are able to specifically adapt our purchasing activities to the purchasing requirements within our Group.

Purchasing optimisation

Thanks to efficient coordination of purchasing activities at Group level and achieving of higher standards at a regional level, potential synergies are exploited effectively.

In almost all regions we have implemented Purchasing Efficiency Projects (PEP) to date and transferred this project-oriented system to our general purchasing management. By continuing the Purchasing Efficiency Projects, we are able to guarantee highly efficient purchasing processes both now and in the future.

Cross-departmental work and cost-effective procurement processes require widespread support at Group and regional levels; therefore, we consistently continued the training programs for employees having an active influence on costs in their respective areas of activity in 2004. The aim of these programs is to systematically optimise the economic awareness and commercial competence of all employees involved in the procurement process.

Global purchasing

International product teams, which procure selected strategic products and services in a cost-effective manner, have already contributed to significant cost savings – through both price negotiations and the exchange of market knowledge. For example, the regional raw material procurement teams especially in North America, but also in Europe and Asia significantly increased the number of general agreements with suppliers, introduced purchasing guidelines and tools, and improved contract management. The number of regular international suppliers is constantly rising. We have been able to establish some long-term fixed-price supply agreements below the market level.

Group purchasing benefited from Indocement's business connections, particularly because many material prices increased heavily in the course of 2004, allowing HeidelbergCement to enter new and more cost-effective procurement markets in Asia.

Energy

Due to the enormous demand from China for raw materials, freight and energy costs rose to new peak levels in 2004. Our energy costs in 2004 amounted to around EUR 590 million or 8.5 % of turnover and were equally distributed between fuel and electricity. For a significant proportion of this, the price level was secured by means of long-term supply agreements.

In several countries, we were able to limit rising energy costs through risk management. Long-term price hedges enabled us to achieve considerable cost advantages on the recently deregulated European electricity markets. In the coal and petroleum coke business, the effects of the increase in sea freight and fuel costs on our plants in Europe and North America were limited by means of long-term forward contracts. Our subsidiary HC Fuels successfully concluded favourable forward contracts for internationally traded fossil fuels, thereby achieving considerable savings compared with current market prices for Group companies in Europe, Africa and North America.

eProcurement

In Central Europe West, we followed up the extensive pilot project for the procurement of goods and services via the Internet – eProcurement – and set up an extensive electronic catalogue system. In Central Europe East, we introduced eSourcing – tendering via the Internet – for diesel, oil and IT equipment.

Profit and loss accounts

EUR '000s	Notes	2003	2004
Turnover	1	6,371,829	**6,929,407**
Change in stocks and work in progress		-29,317	**-2,395**
Own work capitalised		1,938	**1,504**
Operating revenues		6,344,450	**6,928,516**
Other operating income	2	191,516	**204,010**
Material costs	3	-2,468,524	**-2,655,598**
Employees and personnel costs	4	-1,373,060[1]	**-1,365,441**
Other operating expenses	5	-1,669,971	**-1,892,199**
Operating income before depreciation (OIBD)		1,024,411	**1,219,288**
Depreciation and amortisation of tangible fixed assets	6	-445,324	**-471,589**
Depreciation and amortisation of intangible assets	6	-187,937	**-12,587**
Operating income		391,150	**735,112**
Additional ordinary result	7	21,664	**-673,886**
Results from associated companies	8	94,630	**97,629**
Results from other participations	8	-5,518	**-30,816**
Earnings before interest and income taxes (EBIT)		501,926	**128,039**
Interest income and expense	9	-208,465	**-229,556**
Exchange rates gains and losses	9	-13,707	**-50,193**
Profit/loss before tax		279,754	**-151,710**
Taxes on income	10	-146,285[1]	**-181,177**
Profit/loss for the financial year		133,469[1]	**-332,887**
Minority interests		-16,905	**-32,910**
Group share		116,564	**-365,797**
Amount for dividend payment	43	114,446	**55,492**
Earnings per share in EUR (IAS 33)	11	1.41[1]	**-3.64**

[1] The retrospective application of IAS 19 (amendment December 2004) would have reduced employees and personnel costs by EUR '000s 10,226 and increased the taxes on income by EUR '000s 3,659 in 2003. The profit for the financial year would have increased by EUR '000s 6,567 and the earnings per share up to EUR 1.49 (see points 36, 38 and 39).

Cash flow statement

EUR '000s	Notes	2003	2004
Operating income before depreciation (OIBD)		1,024,411	**1,219,288**
Additional ordinary result before depreciation		68,766	**-228,070**
Dividends received	12	27,533	**43,973**
Interest paid	13	-226,867	**-182,980**
Taxes paid		-139,449	**-161,963**
Elimination of non-cash items	14	35,537	**319,196**
Cash flow		789,931	**1,009,444**
Changes in operating assets	15	11,035	**-113,311**
Changes in operating liabilities	16	-140,748	**41,220**
Cash flow from operating activities		660,218	**937,353**
Intangible assets		-9,111	**-15,519**
Tangible fixed assets		-377,043	**-450,975**
Financial fixed assets		-225,937	**-44,713**
Investments (cash outflow)	17	-612,091	**-511,207**
Proceeds from fixed asset disposals	18	305,065	**137,949**
Cash from changes in consolidation scope	19	16,512	**64,603**
Cash flow from investing activities		-290,514	**-308,655**
Capital increase		392,068	
Dividend payments - HeidelbergCement AG	20		**-114,446**
Dividend payments - minority shareholders	21	-17,255	**-10,480**
Proceeds from bond issuance and loans	22	880,728	**259,932**
Repayment of bonds and loans	23	-1,477,096	**-963,717**
Cash flow from financing activities		-221,555	**-828,711**
Net change in cash and cash equivalents		148,149	**-200,013**
Effect of exchange rate changes		-22,661	**-19,939**
Cash and cash equivalents at 1 January		399,473	**524,961**
Cash and cash equivalents at 31 December	24	524,961	**305,009**

Balance sheet ■ Assets

EUR '000s	Notes	31 Dec. 2003	31 Dec. 2004
Long-term assets			
Intangible assets	25	2,505,258	**2,297,697**
Tangible fixed assets	26		
Land and buildings		1,621,290	**1,872,849**
Plant and machinery		2,492,667	**2,684,415**
Fixtures, fittings, tools and equipment		188,732	**171,124**
Payments on account and assets under construction		240,140	**330,302**
		4,542,829	**5,058,690**
Financial fixed assets	27		
Shares in associated companies	28	683,649	**655,987**
Shares in other participations	29	401,072	**205,455**
Loans to participations	30	30,308	**12,792**
Other loans		62,852	**51,843**
		1,177,881	**926,077**
Fixed assets		8,225,968	**8,282,464**
Deferred taxes		167,776	**168,271**
Other long-term receivables		101,466[1]	**48,884**
		8,495,210	**8,499,619**
Short-term assets			
Stocks	31		
Raw materials and consumables		343,506	**413,496**
Work in progress		74,093	**79,916**
Finished goods and goods for resale		235,361	**244,207**
Payments on account		13,944	**20,847**
		666,904	**758,466**
Receivables and other assets	32		
Short-term financial receivables		157,659	**138,486**
Trade receivables		660,486	**738,207**
Other short-term operating receivables		184,515	**157,339**
Current income tax assets		40,847	**38,640**
		1,043,507	**1,072,672**
Short-term investments and similar rights	33	238,579	**117,436**
Cash at bank and in hand	33	448,528	**267,714**
		2,397,518	**2,216,288**
Balance sheet total		10,892,728	**10,715,907**

[1] The retrospective application of IAS 19 (amendment December 2004) would have led to an increase of provisions for pensions by EUR '000s 105,419 in 2003. The other long-term receivables (overfunded pension funds) would have decreased by EUR '000s 59,073, the provisions for deferred taxes by EUR '000s 58,865 and the revenue reserves by EUR '000s 105,627 (see points 36, 38 and 39).

Balance sheet ■ Liabilities

EUR '000s	Notes	31 Dec. 2003	31 Dec. 2004
Shareholders' equity and minority interests			
Subscribed share capital	34	255,104	**258,421**
Capital reserves	35	1,888,454	**1,930,491**
Revenue reserves	36	2,237,338[1]	**1,720,735**
Currency translation		-342,286	**-372,498**
Company shares		-7,465	**-2,936**
Capital entitled to shareholders		4,031,145	**3,534,213**
Minority interests	37	153,902	**429,110**
		4,185,047	**3,963,323**
Long-term provisions and liabilities			
Provisions	38		
Provisions for pensions	39	461,579[1]	**576,547**
Deferred taxes	40	518,737[1]	**470,436**
Other long-term provisions	41	354,946	**549,061**
		1,335,262	**1,596,044**
Liabilities	42		
Debenture loans		2,021,152	**1,949,188**
Bank loans		845,578	**1,025,294**
Other long-term financial liabilities		529,815	**524,505**
		3,396,545	**3,498,987**
Other long-term operating liabilities		30,615	**7,138**
		3,427,160	**3,506,125**
		4,762,422	**5,102,169**
Short-term provisions and liabilities			
Provisions	38	87,221	**110,013**
Liabilities	42		
Bank loans (current portion)		521,667	**219,697**
Other short-term financial liabilities		372,243	**334,831**
		893,910	**554,528**
Trade payables		439,696	**488,934**
Current income taxes payables		60,622	**55,280**
Other short-term operating liabilities		463,810	**441,660**
		1,858,038	**1,540,402**
		1,945,259	**1,650,415**
Balance sheet total		10,892,728	**10,715,907**

Group

Equity capital grid

EUR '000s

	Subscribed share capital	Capital reserves	Revenue reserves	Currency translation	Company shares	Capital entitled to shareholders	Minority interests	Total
1 January 2003	163,468	1,526,016	2,123,302[3]	-110,613	-10,123	3,692,050	153,957	3,846,007
Profit for the financial year			116,564[3]			116,564	16,905	133,469
Capital increase								
from issuance of new shares	84,616	362,428				447,054		447,054
out of revenue reserves	7,020		-7,020					
Issuance of company shares					2,658	2,658		2,658
Dividends							-17,255	-17,255
Changes without effects on results								
Consolidation adjustments			-315			-315	4,713	4,398
Financial instruments IAS 39			15,056			15,056		15,056
Exchange rate			-10,249[2]	-231,673		-241,922	-4,418	-246,340
31 December 2003	255,104	1,888,454	2,237,338[3]	-342,286	-7,465	4,031,145	153,902	4,185,047
1 January 2004	255,104	1,888,454	2,237,338	-342,286	-7,465	4,031,145	153,902	4,185,047
Effect of adopting IAS 19 (amendment Dec. 2004)			-105,627			-105,627		-105,627
1 January 2004 (restated)	255,104	1,888,454	2,131,711[3]	-342,286	-7,465	3,925,518	153,902	4,079,420
Profit for the financial year			-365,797			-365,797	32,910	-332,887
Capital increase								
from issuance of new shares	3,317	42,037				45,354		45,354
Issuance of company shares					4,529	4,529		4,529
Dividends			-114,446			-114,446	-10,480	-124,926
Changes without effects on results								
Consolidation adjustments			25,017[1]			25,017	275,397	300,414
IAS 19 actuarial gains and losses			15,815			15,815		15,815
Financial instruments IAS 39			30,751			30,751		30,751
Exchange rate			-2,316[2]	-30,212		-32,528	-22,619	-55,147
31 December 2004	**258,421**	**1,930,491**	**1,720,735**	**-372,498**	**-2,936**	**3,534,213**	**429,110**	**3,963,323**

[1] Thereof EUR '000s 25,562 from adjustment according to IFRS 3.81
[2] Realised currency translation adjustments
[3] The retrospective application of IAS 19 (amendment December 2004) would have decreased the revenue reserves by EUR '000s 126,910 to a restated amount of EUR '000s 1,996,392 at 1 January 2003. Adjustments with effects on results of EUR '000s +6,567 and adjustments with no effects on results of EUR '000s +14,716 would have changed the revenue reserves to a restated amount of EUR '000s 2,131,711 at 31 December 2003 (see points 36, 38 and 39).

Profit and loss accounts*

EUR '000s	2003	2004
Turnover	243,499	**264,952**
Change in stocks and work in progress	-3,844	**268**
Own work capitalised	245	**260**
Operating revenues	239,900	**265,480**
Other operating income[1]	486,662	**84,760**
Material costs	-88,731	**-133,747**
Personnel costs[2]	-119,149	**-116,028**
Depreciation and amortisation of tangible fixed assets and intangible assets	-15,305	**-11,214**
Other operating expenses[3]	-169,067	**-268,000**
Operating results[4]	334,310	**-178,749**
Results from participations[5]	168,441	**252,977**
Income from loans	54,739	**53,339**
Other interest receivable and similar income	17,494	**6,766**
Amounts written off financial fixed assets and short-term investments	-13,139	**-80,844**
Interest payable and similar charges	-165,756	**-201,273**
Profit/loss on ordinary activities before tax	396,089	**-147,784**
Taxes on income	-11,273	**882**
Other taxes	-600	**-531**
Profit/loss for the financial year	384,216	**-147,433**
Profit carried forward	95,992	**365,062**
Withdrawal from revenue reserves		
a) from reserves for company shares	1,926	**2,676**
b) from other revenue reserves		**559**
Transfer to revenue reserves		
a) to reserves for company shares		**-559**
b) to other revenue reserves	-2,626	**-2,676**
Profit and loss account	479,508	**217,629**

* According to German Commercial Code (Handelsgesetzbuch - HGB)
[1] Of which non-operating income in EUR '000s: 16,851 (previous year: 436,710)
[2] Of which non-operating expenses in EUR '000s: 9,732 (previous year: 3,425)
[3] Of which non-operating expenses in EUR '000s: 163,298 (previous year: 39,958)
[4] Excluding the non-operating result, the operating results total accordingly in EUR '000s: -22,570 (previous year: -59,017)
[5] Of which income from profit and loss transfer in EUR '000s: 91,827 (previous year: 80,646)

Balance sheet* ■ Assets

EUR '000s	31 Dec. 2003	31 Dec. 2004
Fixed assets		
Intangible assets		
Licenses, industrial property rights and similar rights		30
Goodwill		45,001
		45,031
Tangible fixed assets		
Land and buildings	80,228	80,704
Plant and machinery	14,953	24,792
Fixtures, fittings, tools and equipment	7,902	9,950
Payments on account and assets under construction	1,226	2,370
	104,309	117,816
Financial fixed assets		
Shares in affiliated companies	4,396,185	4,636,524
Loans to affiliated companies	1,427,421	1,307,987
Participations	286,665	81,469
Loans to participations	3,120	585
Other loans	10,720	10,072
	6,124,111	6,036,637
	6,228,420	6,199,484
Current assets		
Stocks		
Raw materials and consumables	10,817	12,928
Work in progress	3,399	4,175
Finished goods and goods for resale	3,660	4,089
Payments on account on stocks		10,001
	17,876	31,193
Receivables and other assets		
Trade receivables	4,065	3,642
Amounts owned by affiliated companies	449,478	275,655
Amounts owned by participations	1,176	1,465
Other receivables and other current assets	81,147	14,019
	535,866	294,781
Short-term investment	19,933	17,231
Cash at bank and in hand	3,200	1,484
Accrual and deferral	46,124	31,754
Balance sheet total	6,851,419	6,575,927

* According to German Commercial Code (Handelsgesetzbuch - HGB)

Balance sheet* ■ Liabilities

EUR '000s	31 Dec. 2003	**31 Dec. 2004**
Shareholders' equity		
Subscribed share capital	255,104	**258,421**
Capital reserves	1,736,207	**1,736,886**
Revenue reserves		
Ehrhart Schott - Kurt Schmaltz-Trust	511	**511**
Reserve for environmentally responsible maintenance of real asset values	150,507	**150,507**
Reserves for company shares	4,410	**2,293**
Other revenue reserves	197,335	**199,452**
	352,763	**352,763**
Profit and loss account	479,508	**217,629**
	2,823,582	**2,565,699**
Special item with an equity portion	10,223	**3,992**
Provisions		
Pensions	207,904	**208,153**
Other provisions	243,686	**378,960**
	451,590	**587,113**
Liabilities		
Bank loans	471,943	**356,027**
Trade payables	21,148	**19,414**
Amounts owned to affiliated companies	2,823,749	**2,917,834**
Amounts owned to participations	9,485	**166**
Other liabilities	239,699	**125,682**
	3,566,024	**3,419,123**
Balance sheet total	6,851,419	**6,575,927**

Fixed asset grid*

EURm	Purchase price or production cost				
	1 Jan. 2004	Additions	Disposals	Reclassi-fications	31 Dec. 2004
Intangible assets					
Goodwill		45.3			45.3
		45.3			45.3
Tangible fixed assets					
Land and buildings	424.9	5.2	9.6	0.2	420.7
Plant and machinery	382.8	14.6	9.3		388.1
Fixtures, fittings, tools and equipment	66.9	4.2	4.8	0.6	66.9
Payments on account and assets under construction	1.4	2.4	0.4	-0.8	2.6
	876.0	26.4	24.1	0.0	878.3
Financial fixed assets					
Shares in affiliated companies	4,429.0	225.3	111.1	205.2	4,748.4
Loans to affiliated companies[1]	1,429.0		120.3	0.6	1,309.3
Participations	288.4			-205.2	83.2
Loans to participations	3.2		2.6		0.6
Other loans	11.7	0.1	0.2	-0.6	11.1
	6,161.3	225.4	234.2	0.0	6,152.6
Fixed assets	7,037.3	297.1	258.3	0.0	7,076.2

* According to German Commercial Code (Handelsgesetzbuch - HGB)
[1] Including appreciation in value of EUR 0.2 million.

Depreciation		Net book value
Cumulative	2004	31 Dec. 2004
0.3	0.3	45.0
0.3	0.3	45.0
340.0	3.4	80.7
363.3	4.8	24.8
57.1	2.7	9.8
0.1		2.5
760.5	10.9	117.8
111.9	80.3	4,636.5
1.3		1,308.0
1.7		81.5
		0.6
1.0		10.1
115.9	80.3	6,036.7
876.7	91.5	6,199.5

Notes
to the 2004 Group accounts

Accounting and valuation principles

Accounting principles

HeidelbergCement AG, as a listed parent company, made use of the election permitted under § 292 a of the German Commercial Code (Handelsgesetzbuch – HGB) to prepare its Group accounts according to internationally recognised accounting principles. The Group accounts of HeidelbergCement AG and the individual accounts of the subsidiaries were prepared in accordance with International Financial Reporting Standards (IFRS) applicable at the balance sheet date. The previous year's figures were prepared according to the same principles. The Group accounts are prepared in euros.

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

Compared with the previous year, changes in the accounting and valuation principles affecting the financial position and performance of the Group arose through application of IFRS 3 (Business Combinations) – published by the International Accounting Standards Board (IASB) in late March 2004 – for the first time in connection with the revised IAS 36 (Impairment of Assets) and IAS 38 (Intangible Assets). The amendments to IAS 19 (Employee Benefits) were also applied in 2004 for the first time. Where changes have been made to the presentation, these are explained in the notes for each respective item. Reasons for non-comparable or adjusted values from the previous year are also given in the corresponding parts of the text.

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

In accordance with international standards of Group accounts, the profit and loss accounts make up the first part of the reporting. Besides the profit and loss accounts and the balance sheet according to IAS 1 (Presentation of Financial Statements), the annual accounts contain a cash flow statement according to IAS 7 (Cash Flow Statements) as well as a presentation of changes in equity and minority interests according to IAS 1. In addition, a presentation and explanation of segment reporting according to the regulations of IAS 14 (Segment Reporting) is included in the notes.

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

Consolidation principles

Capital consolidation is performed by applying the purchase method. As of the 2004 financial year, HeidelbergCement applies the new standard IFRS 3 (Business Combinations). For all business combinations the acquirer measures all assets, liabilities and contingent liabilities at their fair value at the date of acquisition.

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

IFRS 3 demands that goodwill shall not be amortised any more. Instead, the acquirer shall test it for impairment according to IAS 36 (Impairment of Assets) at least once a year. Furthermore, IFRS 3 states that a negative goodwill from business combinations must not be recognised in the balance sheet.

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

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

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

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

Application of new accounting standards

HeidelbergCement followed the recommendation of the IASB and applied IFRS 3 (Business Combinations) in connection with the revised standards IAS 36 (Impairment of Assets) and IAS 38 (Intangible Assets) in advance. The amendments of IAS 19 (Employee Benefits), adopted by the IASB on 16 December 2004, are applied for the first time in the 2004 financial year, taking into account the alternative accepted method according to IAS 8 (Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies, rev. 1993). Adjustments to the previous year’s values are shown as footnotes in the respective sections. Effects of the first-time application of the amendments of IAS 19 will be explained under point 39.

Other standards that have been changed as part of the “Improvement Project” were not applied in advance in the 2004 financial year. In particular, the revised IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors, rev. 2003) will not be applied before 1 January 2005. Standards that should also be mentioned at this point are IFRS 2 (Share-based Payment), IFRS 4 (Insurance Contracts), IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations) and IFRS 6 (Exploration for and Evaluation of Mineral Resources). These new standards were adopted by the IASB in 2004 and will be applied from 1 January 2005. At present, HeidelbergCement is reviewing the impact of the new standards on the financial position and performance of the Group.

Valuation principles

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

Emissions rights

HeidelbergCement does not apply IFRIC Interpretation 3 (Emission Rights) in the 2004 financial year. In the 2004 Group accounts, the granted emission rights are measured at EUR 0 in the balance sheet.

Goodwill

As a result of IFRS 3 (Business Combinations), goodwill arising from business combinations is no longer amortised. Instead, an impairment test according to IAS 36 (Impairment of Assets) is carried out. In this impairment test, the carrying amount of a cash-generating unit (CGU) to which goodwill is allocated is compared with the recoverable amount of this CGU.

Based on the sales and management structure, business activities were principally combined by countries.

If the carrying amount of an asset is higher than the recoverable amount, the asset shall be impaired to its recoverable amount. That reduction is an impairment loss. The recoverable amount is the higher of fair value less cost to sell and value in use of an asset. The fair value less cost to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction less cost of disposal. The value in use is calculated by discounting estimated future cash flows after taxes with a risk-adjusted discounting rate (WACC). A cash flow-based method in accordance with IAS 36 was used to determine the necessary impairment. The impairment was determined on the basis of the cash flow estimates for the segments. Operational Planning normally involves a planning horizon of three years. The values in use are calculated on the basis of the country-specific weighted average cost of capital (WACC) between 7% and 12%. In addition, growth rates of between 1% and 2% were used to determine the perpetuity.

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

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

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

The standard IAS 41 (Agriculture) is not applicable at HeidelbergCement as there are no such circumstances in the Group.

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

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

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

The primary financial instruments comprise trade receivables and payables or financial receivables or payables, which are recognised in the balance sheet.

A derivative is a financial instrument whose value changes in response to a specified variable, which requires little or no initial net investment and is settled at a future date.

Derivative financial instruments such as forward exchange contracts, currency option contracts, interest rate swaps or interest rate options are essentially used to hedge interest rate and currency risks at HeidelbergCement. Pure trade transactions without corresponding underlying transactions are eschewed. The accounting and valuation of the financial instruments is explained in detail on pages 145 ff.

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

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

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

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

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

Whereas the HGB is oriented towards the prudence principle, which aims at protecting creditors and maintaining capital, the IFRS give priority to providing current and potential investors with relevant and reliable information. The accounting and valuation guidelines in accordance with IFRS, which form the basis of the annual accounts, aim to portray business transactions and other events, not merely according to their legal form, but also in accordance with their substance and economic reality (substance over form).

These differing objectives lead to recognition and valuation differences between the requirements of the HGB, valid for HeidelbergCement AG's individual accounts, and the IFRS regulations used in the Group annual accounts.

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

- Valuation of certain financial instruments at market values.
- Valuation of provisions for pensions according to the Projected Unit Credit Method, which takes into account expected increases in salaries and pensions. Furthermore, we have applied the new IAS 19 (Employee Benefits) – revised December 2004 – and entered the actuarial profits and losses arising during the reporting year against shareholders' equity without effects on results. This adjustment has been applied retrospectively from 1 January 2003 in accordance with IAS 8 (Accounting Policies, Changes in Accounting, Estimates and Errors). For 2003, this adjustment was made for information purposes.
- The HGB permits provisions for expenses in exceptional cases, taking into account commercial prudence even with no legal obligations towards third parties (§ 249 HGB). According to IFRS, provisions may only be made in relation to existing obligations towards a third party and on an objectively limited scale, insofar as the utilisation of these provisions is probable (more likely than not) and the expected amount of the required provision can be estimated reliably. Therefore, the IFRS do not allow for provisions for expenses (especially provisions for omitted repairs and maintenance).
- Calculation of deferred taxes using the liability method in accordance with IAS 12 (Income Taxes). For revaluations not affecting results (under hyperinflation accounting and the market valuation of financial instruments), deferred taxes are also recognised without effects on results. Deferred taxes are recognised for the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which these can be utilised.
- In accordance with IAS 1 (Presentation of Financial Statements) and SIC-16 (Share Capital - Reacquired Own Equity Instruments, Treasury Shares), company shares are to be shown in the balance sheet as a deduction from the shareholders' equity.
- According to IFRS 3 (Business Combinations), positive goodwill from the acquisition of companies is no longer amortised but tested for impairment annually according to IAS 36 (Impairment of Assets) and, if necessary, an impairment loss is carried out. Negative goodwill from business combinations is recognised as a gain in the profit and loss statement in the period of acquisition.

Foreign currency translation

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

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

Conversion of the annual accounts of companies in Turkey followed IAS 29 (Financial Reporting in Hyperinflationary Economies). In 2004, the inflation rate in Turkey reached 13.84%. During this period, the Turkish lira (TRL) was devalued by 3.48% compared with the euro.

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

Exchange rates

		Exchange rates at		Av. annual exchange rates	
		31 Dec. 2003	**31 Dec. 2004**	2003	**2004**
	Country	EUR	**EUR**	EUR	**EUR**
USD	US	1.2578	**1.3558**	1.1361	**1.2431**
CAD	Canada	1.6307	**1.6308**	1.5812	**1.6157**
GBP	Great Britain	0.7047	**0.7067**	0.6933	**0.6783**
HRK	Croatia	7.6516	**7.6318**	7.5669	**7.4859**
IDR	Indonesia	10,647.28	**12,595.38**	9,737.15	**11,169.92**
NOK	Norway	8.3887	**8.2378**	8.0407	**8.3601**
PLN	Poland	4.6922	**4.0810**	4.4072	**4.5154**
ROL	Romania	41,155	**39,313**	[1]	**40,519**
SEK	Sweden	9.0514	**9.0191**	9.1624	**9.1286**
CZK	Czech Republic	32.2902	**30.3903**	31.8465	**31.8706**
HUF	Hungary	262.5909	**244.9253**	253.9127	**250.7770**
TRL	Turkey	1,762,304	**1,823,551**	[1]	**[1]**

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

Scope of consolidation

In addition to HeidelbergCement AG, the Group accounts include 469 subsidiaries that have been fully or proportionately consolidated, of which 75 are German and 394 are foreign. Proportionately consolidated companies accounted for 7.1% of the revenues and 7.7% of the expenses; they contributed 5.4% and 11.4%, respectively, to the consolidated long-term and short-term assets. In addition, 4.4% of debt capital (IAS 31 - Financial Reporting of Interests in Joint Ventures) was accounted for by proportionately consolidated companies.

In the following regions, there were changes to the consolidation scope in comparison with 31 December 2003. With the exception of Heidelberger Betonelemente GmbH & Co. KG, Baden-Baden, Lithonplus GmbH & Co. KG and TBG Transportbeton Franken GmbH & Co. KG – proportionate consolidation – all companies that have been included in the Group annual accounts for the first time are fully consolidated. The percentage of shares owned by the Group in each case is given in brackets.

Central Europe West

On 1 January 2004, HeidelbergCement acquired the Westphalian company Zementwerk Bosenberg GmbH & Co. KG, Ahlen (100%). In addition, the companies Heidelberger Betonelemente GmbH & Co. KG, Baden-Baden (85.0%), Lithonplus GmbH & Co. KG, Lingenfeld (60.0%), TBG Betonpumpendienst Rhein-Main-Nahe GmbH & Co. KG, Bad Kreuznach (90.9%), TBG Fertigbeton Köln GmbH & Co. KG, Cologne (99.7%), TBG Transportbeton Franken GmbH & Co. KG, Fürth (51.0%), TBG Transportbeton Rhein-Haardt GmbH & Co. KG, Speyer (70.0%), and Wetterauer Lieferbeton GmbH & Co. KG, Bad Nauheim (57.5%), have been included for the first time. TBG Transportbeton GmbH & Co. Franken KG, Nuremberg, left the scope of consolidation.

Western Europe

In Western Europe, HeidelbergCement UK Ltd., Birmingham (100%), has been included in the scope of consolidation for the first time. This is counterbalanced by the deconsolidation of the two Dutch companies ENCI-IJmuiden B.V., IJmuiden, and ENCI-Maastricht B.V., Maastricht.

Northern Europe

On 1 January 2004, the scope of consolidation was extended to include the Estonian company Kunda Port AS, Kunda (75.0%), the Icelandic company Norcem a Islandi Ehf (100%) in Reykjavik and the Swedish companies AB Fabriksbetong, Norrköping (100%), Betongfabriken i Eskilstuna KB, Eskilstuna (100%), Eskilstuna Betongfabrik AB, Eskilstuna (100%), Fabriksbetong i Norrköping KB, Eskilstuna (100%) and SRS Rail Vehicles AB, Stockholm (100%). However, the Danish company H+H Fiboment A/S, Vejle, and the Swedish company SRS Industri AB, Ystad, were deconsolidated.

Central Europe East
The Bulgarian companies Zlatna Panega AD, Zlatna Panega, and Zlatna Panega Beton EOOD group, Zlatna Panega, left the scope of consolidation.

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

Africa-Asia-Turkey
The Indonesian companies PT Indocement Tunggal Prakarsa Tbk., Jakarta (32.8%), and PT Indomix Persaka, Jakarta (32.8%), (both companies are referred to below as “Indocement”) have been included in the Group annual accounts for the first time as a result of the restrictions on capital transfer being lifted on 1 January 2004.

In addition, Heidelberger Zement South-East Asia GmbH, Heidelberg (50.3%) and Meghna Energy Ltd., Bangladesh (100%) are consolidated for the first time.

maxit Group
The British company m-tec UK Ltd., Warrington, Cheshire (100%), maxit Baustoffe GmbH, Lassee (100%), based in Austria, and the Chinese company Beijing maxit Building Materials CO Ltd., Beijing (100%), were included in the consolidation scope of the maxit Group for the first time.

Group Services
Recem S.A., Luxembourg (100%), was no longer consolidated in the Group Services strategic business unit, but assigned to the Central Europe West region.

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

Assets

EUR '000s	Indocement	Others	**Total**
Long-term assets			
Intangible assets		3,124	**3,124**
Tangible fixed assets	853,078	18,558	**871,636**
Financial fixed assets	2,308	15,578	**17,886**
Fixed assets	855,386	37,260	**892,646**
Deferred taxes	320		**320**
Other long-term receivables	7,487		**7,487**
	863,193	37,260	**900,453**
Short-term assets			
Stocks	71,447	3,676	**75,123**
Receivables and other assets	35,715	9,564	**45,279**
Short-term investments	519		**519**
Cash at bank and in hand	62,833	10,082	**72,915**
	170,514	23,322	**193,836**
Balance sheet total	1,033,707	60,582	**1,094,289**

Results for the companies consolidated for the first time in the financial year 2004

EUR '000s	Indocement	Others	**Total**
Profit for the financial year	12,829	241	**13,070**
Minority interests	-8,734	-471	**-9,205**
Group share in profit	4,095	-230	**3,865**

Liabilities

EUR '000s	Indocement	Others	**Total**
Shareholders' equity and minority interests			
Capital entitled to shareholders	465,741	23,072	**488,813**
Minority interests		1,600	**1,600**
	465,741	24,672	**490,413**
Long-term provisions and liabilities			
Provisions	31,712	2,128	**33,840**
Liabilities	456,376	8,171	**464,547**
	488,088	10,299	**498,387**
Short-term provisions and liabilities			
Provisions		955	**955**
Liabilities	79,878	24,656	**104,534**
	79,878	25,611	**105,489**
Balance sheet total	1,033,707	60,582	**1,094,289**

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

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

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

Anneliese Baustoffe für Umwelt u. Tiefbau GmbH & Co. KG, Ennigerloh
Anneliese Beton GmbH & Co. KG, Ennigerloh
Baustoffwerke Dresden GmbH & Co. KG, Dresden
BLG Transportbeton GmbH & Co. KG, Munich
BUT Anneliese Baustoffe für Umwelt und Tiefbau GmbH & Co. Walsum KG, Duisburg-Walsum
Exakt Kiesaufbereitung GmbH & Co. KG, Paderborn
Felsberger Transportbeton GmbH & Co. KG, Felsberg
Franken maxit Mauermörtel GmbH & Co., Azendorf
Frischbeton Bettels GmbH & Co. KG, Hildesheim
HeidelbergCement Produktionsgesellschaft mbH & Co. KG, Heidelberg
HeidelbergCement Produktionsgesellschaft Schelklingen mbH & Co. KG, Heidelberg
Heidelberger Abwassertechnik GmbH & Co. KG, Sömmerda
Heidelberger Betonelemente GmbH & Co. KG, Baden-Baden
Heidelberger Betonelemente GmbH & Co. KG, Chemnitz
Heidelberger Grundstücksgesellschaft mbH & Co. KG, Heidelberg
Heidelberger Kalksandstein Grundstücks- und Beteiligungs- GmbH & Co. KG, Durmersheim
Hellweg Baustoffe GmbH & Co. KG, Geseke
Lithonplus GmbH & Co. KG, Lingenfeld
Paderborner Transport-Beton GmbH & Co. KG, Paderborn
Roewekamp GmbH & Co. KG, Gelsenkirchen
Scheid GmbH & Co. KG, Rinteln

TBG Betonwerk Prignitz GmbH & Co. KG, Weisen
TBG Betonpumpendienst GmbH & Co. KG, Hoppegarten
TBG Betonpumpendienst Rhein-Main-Nahe GmbH & Co. KG, Bad Kreuznach
TBG Fertigbeton Köln GmbH & Co. KG, Cologne
TBG Lieferbeton Aschaffenburg GmbH & Co. KG, Aschaffenburg
TBG Transportbeton Franken GmbH & Co. KG, Fürth
TBG Transportbeton GmbH & Co. KG Donau-Naab, Burglengenfeld
TBG Transportbeton GmbH & Co. KG Naabbeton, Nabburg
TBG Transportbeton Kurpfalz GmbH & Co. KG, Eppelheim
TBG Transportbeton Lüssen GmbH & Co. KG, Bremen
TBG Transportbeton Mainfranken GmbH & Co. KG, Sand a. Main
TBG Transportbeton Niederbayern GmbH & Co. KG, Voglarn, municipality of Fürstenzell
TBG Transportbeton Nord-Ost GmbH & Co. KG, Rostock
TBG Transportbeton Oberlausitz GmbH & Co. KG, Zittau
TBG Transportbeton Rhein-Haardt GmbH & Co. KG, Speyer
TBG Transportbeton Rhein-Nahe GmbH & Co. KG, Idar-Oberstein
TBG Transportbeton Saalfeld GmbH & Co. KG, Saalfeld
TBG Transportbeton und Betonpumpendienst GmbH & Co. KG, Gera
TBG WIKA Beton GmbH & Co. KG, Stade
Transportbeton Hellweg GmbH & Co. KG, Geseke
TRAPOBET Transportbeton GmbH Kaiserslautern KG, Kaiserslautern
Walhalla Kalk GmbH & Co. KG, Regensburg
Wetterauer Lieferbeton GmbH & Co. KG, Bad Nauheim
Wiking Baustoff und Transport GmbH & Co. KG, Soest
Zementwerk Bosenberg GmbH & Co. KG, Ahlen

Principal shareholdings

Affiliated companies

	since	Equity EURm	Holding in %	Parent company
Central Europe West				
Cement				
HeidelbergCement International Holding GmbH (HCIH), Heidelberg	1993	700	100.0	HC
Anneliese Zementwerke AG (AZ), Ennigerloh	1984	105	99.7	HC
HeidelbergCement Produktionsgesellschaft mbH & Co. KG, Heidelberg	2003	15	100.0	HC
HeidelbergCement Produktionsgesellschaft Schelklingen mbH & Co. KG, Heidelberg	2003	80	100.0	HC
Hüttenzement GmbH, Königs Wusterhausen	2003	14	100.0	HC
Zementwerk Bosenberg GmbH & Co. KG, Ahlen	2004	*	100.0	HC
Concrete				
Baustoffwerke Wittmer + Klee GmbH, Waghäusel	1991	13	100.0	HB
BLG Betonlieferungsgesellschaft mbH, Munich	1959	7	100.0	HB
Heidelberger Betonelemente GmbH & Co. KG, Chemnitz	2000	7	83.0	HB
Heidelberger Beton GmbH (HB), Heidelberg	1959	97	100.0	HC
Heidelberger Sand und Kies GmbH (HSK), Heidelberg	1960	66	100.0	HC
Sandwerke Biesern GmbH, Penig	1992	14	100.0	HSK
TBG Transportbeton Nord-Ost GmbH & Co. KG, Rostock	2002	2	100.0	HB
TBG Transportbeton Lüssen GmbH & Co. KG, Bremen	1994	2	100.0	HB
TBG Transportbeton Kurpfalz GmbH & Co. KG, Eppelheim	1970	7	51.1	HB
TBG Transportbeton Rhein-Nahe GmbH & Co. KG, Idar-Oberstein	1969	*	100.00	HB
TBG Transportbeton Mainfranken GmbH & Co. KG, Sand a. Main	2002	1	57.0	HB
TBG WIKA Beton GmbH & Co. KG, Stade	1994	4	73.9	HB
Heidelberger Abwassertechnik GmbH & Co. KG, Sömmerda	1991	25	100.0	HB
Wetterauer Lieferbeton GmbH & Co. KG, Bad Nauheim	2004	1	57.5	HB
Building materials				
Heidelberger Kalksandstein GmbH, Durmersheim	2003	53	100.0	HC
Heidelberger Kalksandstein Grundstücks- u. Beteiligungs GmbH & Co. KG (HKGB), Durmersheim	2003	42	100.0	HSK
Hunziker Kalksandstein AG, Brugg/Switzerland	1992	12	66.6	HKGB
Baustoffwerke Dresden GmbH & Co. KG, Dresden	1991	10	51.0	HKGB
Walhalla Kalk GmbH & Co. KG, Regensburg	1970	9	79.9	HC
Anneliese Baustoffe für Umwelt und Tiefbau GmbH & Co. KG, Ennigerloh	1996	7	100.0	AZ
Western Europe				
Cement				
S.A. Cimenteries CBR (CBR), Brussels/Belgium	1993	1,322	100.0	HC/HCIH
CBR International Services S.A., Brussels/Belgium	1993	996	100.0	CBR
ENCI Holding N.V. (ENCI),'s-Hertogenbosch/Netherlands	1993	69	100.0	CBR/HC
Scancem Group Ltd. (SGL), Birmingham/United Kingdom	1999	105	100.0	HC
Castle Cement Ltd, Birmingham/United Kingdom	1999	160	100.0	SGL

Affiliated companies

	since	Equity EURm	Holding in %	Parent company
Concrete				
MEBIN B.V., 's-Hertogenbosch/Netherlands	1993	39	100.0	ENCI
Inter-Beton S.A., Brussels/Belgium	1993	*	97.7	CBR

Northern Europe

	since	Equity EURm	Holding in %	Parent company
Zement				
NEWCEM Holding AB (NEW), Malmoe/Sweden	1999	774	100.0	HC
HeidelbergCement Northern Europe AB (HCNE) (former Scancem AB), Malmoe/Sweden	1999	1,618	100.0	NEW
Cementa AB, Danderyd/Sweden	1999	43	100.0	HCNE
Norcem AS, Oslo/Norway	1999	104	100.0	HCNE
Atlas Nordic Cement Ltd. Oy, Virkkala/Finland	1999	30	75.0	HCNE
Kunda Nordic Cement Corp., Kunda/Estonia	1999	48	75.0	HCNE
OAO Cesla, Slancy/Russia	2001	2	96.7	HCNE
Concrete				
Euroc Beton AB (EB), Växjö/Sweden	1999	72	100.0	HCNE
Euroc Rudus Group AB (ER), Stockholm/Sweden	1999	28	100.0	HCNE
Abetong AB, Växjö/Sweden	1999	13	100.0	EB
Betongindustri AB, Stockholm/Sweden	1999	11	100.0	ER
Norbetong AS, Oslo/Norway	1999	47	100.0	HCNE
Sand & Grus AB Jehander, Stockholm/Sweden	1999	10	100.0	ER

Central Europe East

	since	Equity EURm	Holding in %	Parent company
Cement				
HeidelbergCement Central Europe East B.V. (HCCEE), 's-Hertogenbosch/Netherlands	1993	693	100.0	HC
Carpatcement Holding S.A. (CAR), Bucharest/Romania	1998	188	98.9	HCCEE
CBR Baltic B.V. (CBRB), 's-Hertogenbosch/Netherlands	1993	228	100.0	HCCEE
Ceskomoravský Cement, a.s. (CMC), Beroun/Czech Republic	1991	74	100.0	HCCEE
Open Joint Stock Company „Dniprocement", Dniprodserschynsk/Ukraine	2002	6	99.9	HCCEE
Ekocem Sp. z o.o., Kattowitz/Poland	2003	68	100.0	GOR
Górazdze Cement S.A. (GOR), Chorula/Poland	1993	137	100.0	CBRB
ISTRA Cement d.o.o., Pula/Croatia	1993	30	92.5	HCCEE
Open Joint Stock Company „Kryvyi Rih Cement", Kryvyi Rih/Ukraine	2001	16	84.6	HCCEE

* Equity below EUR 0.5 million

Affiliated companies

	since	Equity EURm	Holding in %	Parent company
Concrete				
Ceskomoravské sterkovny, a.s. (CST), Brno/Czech Republic	1993	62	98.9	HCCEE/CMC
Zielonogórskie Kopalnie Surowców Mineralnych S.A., Zielona Góra/Poland	1996	1	100.0	OKSM
Opolskie Kopalnie Surowców Mineralnych S.A., Opole/Poland (OKSM)	1998	7	99.9	GOR
Carpat Agregate SA, Bucharest/Romania	2002	8	97.4	CAR
Górazdze Beton sp. z o.o., Chorula/Poland	2003	17	100.0	GOR
Top Beton, Gorzow Wielkopolski/Poland	2002	6	50.0	GOR
Vltavské sterkopísky, s.r.o., Chlumin/Czech Republic	2002	1	50.0	CST
TBG Bohemia Group, Beroun/Czech Republic	1993	24	100.0	CMC
Carpat Beton S.R.L., Bucharest/Romania	2002	18	100.0	CAR
BT Poznan sp. z o.o., Janikowo/Poland	1996	1	75.0	GOR

North America

	since	Equity EURm	Holding in %	Parent company
Cement				
Lehigh B.V. (LBV), ’s-Hertogenbosch/Netherlands	1993	1,625	100.0	HCIH/CBR
Heidelberg Cement, Inc. (HCI), Wilmington/US	1977	667	100.0	LBV
Lehigh Cement Company (LEH), Allentown/US	1977	700	100.0	HCI
Lehigh Southwest Cement Company, Concord/US	1993	198	100.0	LEH
Lehigh Cement Limited (LCL), Calgary/Canada	1993	249	100.0	LBV
Concrete				
Sherman Industries, Inc., Birmingham/US	1994	104	100.0	LEH
Continental Florida Materials Inc., Fort Lauderdale/US	1999	47	100.0	LEH

Africa-Asia-Turkey

	since	Equity EURm	Holding in %	Parent company
Cement				
Scancem International ANS (SI), Oslo/Norway	1999	118	100.0	HCNE
Ciments du Togo S.A., Lomé/Togo	1999	10	100.0	SI
Ghacem Ltd., Accra/Ghana	1999	21	93.1	SI
Sierra Leone Cement Corp. Ltd., Freetown/Sierra Leone	1999	*	50.0	SI
Société Nigérienne de Cimenterie, Malbaza/Niger	1999	*	93.0	SI
Liberia Cement Corporation, Monrovia/Liberia	1999	1	63.7	SI
Cimbenin S.A., Cotonou/Benin	1999	5	53.1	SI
Cimcongo S.A., Pointe Noire/Republic of the Congo	2000	*	70.0	SI
Edocement LTD, Benin City/Nigeria	2002	*	63.8	SI
Tanzania Portland Cement Company Ltd., Dar Es Salaam/Tanzania	1999	17	50.4	SI
Cement Company of Northern Nigeria Plc, Sokoto/Nigeria	2000	8	51.0	SI
Société des Ciments du Gabon, Libreville/Gabon	2000	8	75.0	SI
HeidelbergCement Bangladesh Ltd., Chittagong/Bangladesh	2000	10	60.7	HC
PT Indocement Tunggal Prakarsa Tbk., Jakarta/Indonesia	2001	413	32.8	HC

Affiliated companies

	since	Equity EURm	Holding in %	Parent company
maxit Group				
maxit Holding AB (MH), Sollentuna/Sweden	2003	253	100.0	HC
maxit Group AB (MG), Sollentuna/Sweden	1999	344	100.0	MH
maxit Holding GmbH (MHG), Breisach	2003	288	100.0	MG
maxit Deutschland GmbH (MAX), Breisach	1999	151	80.9	MHG
Deitermann GmbH, Datteln	1990	42	100.0	MAX
Erste Salzburger Gipswerks-Gesellschaft Christian Moldan KG, Kuchl/Austria	1971	*	92.4	MAX
Franken maxit Mauermörtel GmbH & Co., Azendorf	1999	14	50.0	MAX
m-tec mathis technik gmbh, Neuenburg	1999	6	100.0	MAX
Beamix Holding B.V., Eindhoven/Netherlands	1993	16	100.0	MG
MarmoranMaxit AG, Volketswil/Switzerland	1984	1	100.0	MG
maxit AB, Sollentuna/Sweden	1999	4	100.0	MG
Optiroc Oy Ab (OY), Kärköla/Finland	1999	46	100.0	MG
maxit AS, Tallin/Estonia	1999	25	100.0	OY
Optiroc A.S., Oslo/Norway	1999	28	100.0	MG
maxit a.s, Århus/Denmark	1999	17	100.0	MG
maxit S.L., Madrid/Spain	1999	21	100.0	MG
Group Services				
HC Trading B.V., ‘s-Hertogenbosch/Netherlands	1996	19	100.0	CBR

* Equity below EUR 0.5 million

Proportionately consolidated companies

	since	Equity EURm	Holding in %	Parent company
Central Europe West				
Concrete				
Lithonplus GmbH & Co. KG, Lingenfeld	2004	9	60.0	HB
TBG Transportbeton Franken GmbH & Co. KG, Fürth	2004	1	51.0	HB
EWH Verwaltungs- und Beteiligungs GmbH, Cadenberge	1993	18	50.0	HBW
Western Europe				
Concrete				
Gralex S.A. (GRL), Brussels/Belgium	1993	51	50.0	CBR
Central Europe East				
Cement				
Duna-Dráva Cement Kft (DDC), Vác/Hungary	1989	157	50.0	HC
Tvornika Cementa Kakanj d.d., Kakanj/Bosnia-Herzegovina	2000	67	73.9	DDC
Concrete				
TBG Hungaria Betonipari Servezö Befektetö Tanacsado Kft, (TBGH), Budapest/Hungary	2002	21	50.0	DDC
Donau-Kies Kft, Budapest/Hungary	2002	7	50.0	DDC/TBGH
North America				
Cement				
Texas-Lehigh Cement Company, Buda/US	1986	40	50.0	LEH
Glens Falls Lehigh Cement Company, Glens Falls/US	1999	62	50.0	LEH
Concrete				
Campbell Concrete & Materials, L.P., Cleveland/US	1998	84	50.0	LEH
Africa-Asia-Turkey				
Cement				
Akçansa Çimento Sanayi ve Ticaret A.S. (AC), Istanbul/Turkey	1996	339	39.7	CBR
Karçimsa Çimento Sanayi ve Ticaret A.S., Karabük/Turkey	1996	10	51.0	AC
Butra HeidelbergCement Sdn. Bhd., Muara/Brunei	2000	3	50.0	ENCI
China Century Cement Limited, Hong Kong/China	1995	50	50.0	CBR

Associated companies

	since	Equity EURm	Holding in %	Parent company
Central Europe West				
Cement				
Südbayerisches Portland-Zementwerk Gebr. Wiesböck & Co. GmbH, Rohrdorf	1968	106	32.3	HC
Concrete				
Kronimus AG, Iffezheim	1991	20	24.9	HC
Western Europe				
Cement				
Vicat S.A., Paris/France	1968	725	35.0	HC
Nederlandse Cement Deelnemingsmaatschappij B.V., Nieuwegein/Netherlands	1972	78	29.9	AZ/HC

* Equity below EUR 0.5 million

Segment reporting

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

EURm	Central Europe West		Western Europe		Northern Europe		Central Europe East	
	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**
External turnover	773	**829**	943	**909**	690	**662**	619	**648**
Inter-region turnover	15	**17**	17	**20**	68	**54**	8	**9**
Turnover	787	**846**	959	**929**	758	**716**	627	**657**
Change to previous year in %		7.4%		-3.2%		-5.5%		4.8%
Operating income before depreciation	46	**110**	177	**164**	101	**89**	169	**190**
(OIBD) in % of turnover	5.8%	13.0%	18.4%	17.7%	13.3%	12.4%	26.9%	28.9%
Depreciation	88	**67**	130	**81**	81	**55**	75	**55**
Operating income	-42	**43**	47	**83**	19	**34**	94	**135**
in % of turnover	-5.3%	5.1%	4.9%	9.0%	2.5%	4.8%	15.0%	20.6%
Results from participations	62	**54**	17	**1**	2	**2**	1	**1**
Impairment		**58**		**119**		**163**		**10**
Other ordinary result								
Total additional ordinary result		**-58**		**-119**		**-163**		**-10**
Earnings before interest and income taxes (EBIT)	20	**39**	64	**-35**	22	**-127**	95	**126**
Investments[1]	108	**38**	72	**71**	29	**59**	71	**70**
Segment assets[2]	928	**913**	1,435	**1,301**	897	**731**	930	**938**
OIBD in % of segment assets	4.9%	12.1%	12.3%	12.6%	11.2%	12.2%	18.2%	20.3%
Segment liabilities[3]	715	**837**	412	**496**	292	**294**	191	**196**
Employees	4,589	**4,409**	3,840	**3,640**	4,685	**4,084**	9,755	**8,363**

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

EURm	Cement		Concrete		Building materials		Group Services	
	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**
External turnover	2,964	**3,467**	2,078	**2,105**	1,172	**1,179**	158	**179**
Inter-business line turnover	385	**456**	22	**21**	10	**7**	259	**326**
Turnover	3,349	**3,923**	2,099	**2,126**	1,182	**1,186**	417	**505**
Changes to previous year in %		17.2%		1.3%		0.3%		21.1%
Operating income before depreciation (OIBD)	639	**832**	216	**217**	157	**167**	12	**3**
in % of turnover	19.1%	21.2%	10.3%	10.2%	13.3%	14.1%	2.9%	0.6%
Investments[1]	336	**293**	83	**111**	47	**62**		
Segment assets[2]	4,949	**5,521**	1,161	**892**	900	**906**	38	**38**
OIBD in % of segment assets	12.9%	15.1%	18.6%	24.3%	17.5%	18.4%	31.7%	8.1%

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

North America		Africa-Asia-Turkey		maxit Group		Group Services		Reconciliation		Group	
2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**
1,686	**1,699**	475	**938**	1,018	**1,052**	170	**191**			6,372	**6,929**
		17	**69**	4	**1**	247	**314**	-375	**-483**		
1,686	**1,699**	492	**1,007**	1,021	**1,053**	417	**505**	-375	**-483**	6,372	**6,929**
	0.8%		104.8%		3.2%		21.1%				8.8%
313	**326**	72	**192**	136	**144**	12	**3**			1,024	**1,219**
18.5%	19.2%	14.6%	19.1%	13.4%	13.7%	2.9%	0.6%			16,1%	17.6%
129	**96**	45	**73**	83	**57**	2	**1**			633	**484**
184	**230**	26	**119**	53	**88**	10	**2**			391	**735**
10.9%	13.5%	5.4%	11.9%	5.2%	8.3%	2.3%	0.5%			6.1%	10.6%
4	**8**	2	**-1**		**3**					89	**67**
			85		**11**						**446**
								22	**-228**	22	**-228**
			-85		**-11**			22	**-228**	22	**-674**
187	**238**	28	**34**	54	**79**	10	**2**	22	**-228**	502	**128**
83	**86**	59	**83**	44	**59**			227	**45**	693	**511**
1,415	**1,343**	614	**1,305**	791	**788**	38	**38**			7,048	**7,356**
22.1%	24.3%	11.7%	14.7%	17.2%	18.3%	31.8%	8.1%			14.5%	16.6%
362	**376**	149	**203**	255	**263**	42	**35**	4,290	**4,054**	6,708	**6,753**
5,715	**5,551**	4,201	**11,059**	4,941	**4,902**	48	**54**			37,774	**42,062**

Reconciliation		Group	
2003	**2004**	2003	**2004**
		6,372	**6,929**
-676	**-810**		
-676	**-810**	6,372	**6,929**
			8.8%
		1,024	**1,219**
		16.1%	17.6%
227	**45**	693	**511**
		7,048	**7,356**
		14.5%	16.6%

Notes on segment reporting

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

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

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

maxit Group - key figures by regions

EURm	Central Europe West		Western Europe	
	2003	**2004**	2003	**2004**
Turnover	491	**461**	143	**168**
Operating income before depreciation (OIBD)	57	**54**	19	**22**
(OIBD) in % of turnover	11.6%	11.7%	13.0%	13.1%
Depreciation	38	**29**	15	**16**
Operating income	19	**26**	3	**6**
in % of turnover	3.9%	5.6%	2.2%	3.6%
Results from participations				
Impairment		**3**		**4**
Earnings before interest and income taxes (EBIT)	19	**23**	3	**2**
Investments	13	**14**	9	**10**
Segment assets	355	**331**	111	**107**
OIBD in % of segment assets	16.0%	16.3%	16.8%	20.6%
Segment liabilities	148	**130**	30	**42**
Employees	2,476	**2,162**	720	**767**

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

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

Northern Europe		Central Europe East		Africa-Asia-Turkey		maxit Group	
2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**
313	**335**	67	**80**	6	**9**	1,021	**1,053**
48	**51**	13	**15**		**1**	136	**144**
15.3%	15.2%	19.6%	18.8%		11.1%	13.4%	13.7%
26	**9**	4	**3**			83	**57**
22	**43**	9	**11**		**1**	53	**88**
7.1%	12.8%	13.2%	13.8%		11.1%	5.2%	8.3%
	3						**3**
	4						**11**
23	**42**	9	**11**		**1**	54	**79**
19	**19**	3	**16**			44	**59**
281	**286**	42	**60**	3	**4**	791	**788**
17.0%	17.8%	31.1%	25.0%		25.0%	17.2%	18.3%
69	**84**	5	**7**	1		255	**263**
1,417	**1,433**	236	**457**	92	**83**	4,941	**4,902**

Notes to the profit and loss accounts

1 Turnover

In Central Europe East, North America and maxit Group, we recorded an increase in turnover. In Central Europe West and Africa-Asia-Turkey, turnover was driven by the impact of new consolidations. Western Europe suffered from a competitive environment. In Northern Europe, turnover fell as a result of deconsolidations.

Turnover development by regions and business lines in the years 2003 and 2004

EURm	Cement		Concrete		Building materials		Inter-business line turnover		Total	
	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**
Central Europe West	349	**387**	351	**376**	132	**132**	-45	**-49**	787	**846**
Western Europe	691	**683**	310	**290**			-42	**-44**	959	**929**
Northern Europe	377	**385**	383	**371**	29		-32	**-40**	758	**716**
Central Europe East	497	**509**	159	**187**			-30	**-39**	627	**657**
North America	982	**1,007**	846	**829**			-142	**-137**	1,686	**1,699**
Africa-Asia-Turkey	452	**953**	50	**74**			-10	**-19**	492	**1,007**
maxit Group					1,021	**1,053**			1,021	**1,053**
Subtotal	3,349	**3,923**	2,099	**2,126**	1,182	**1,186**	-301	**-327**	6,330	**6,907**
Group Services									417	**505**
Inter-region turnover									-375	**-483**
Total									6,372	**6,929**

2 Other operating income

Other operating income

EURm	2003	**2004**
Income from sale of non-core products	62.1	**63.1**
Rental and leasing income	13.1	**16.0**
Income from reduction of bad debt provision	7.0	**5.4**
Gains from sale of assets	22.6	**24.7**
Write back of provisions	15.8	**13.0**
Other income	70.9	**81.8**
	191.5	**204.0**

Other operating income increased by EUR 12.5 million compared with the previous year to EUR 204.0 million. Significant non-recurring business transactions are shown in the additional ordinary result.

3 Material costs

Material costs

EURm	2003	2004
Raw materials	1,027.4	**1,076.7**
Supplies, repair materials and packaging	345.0	**401.5**
Costs of energy	468.0	**592.6**
Goods purchased for resale	536.4	**515.8**
Miscellaneous	91.7	**69.0**
	2,468.5	**2,655.6**

In 2004, material costs increased by EUR 187.1 million to EUR 2,655.6 million. The increase, particularly the expenses for supplies, repair materials and packaging, as well as energy costs, is essentially attributable to the first-time inclusion of Indocement. Material costs decreased to 38.3% of turnover (previous year: 38.7%).

4 Employees and personnel costs

Personnel costs

EURm	2003	2004
Wages, salaries, social security costs	1,271.7	**1,274.3**
Costs of retirement benefits	82.8	**76.1**
Other personnel costs	18.6	**15.0**
	1,373.1	**1,365.4**

Personnel costs equalled 19.7% of turnover (previous year: 21.5%). The average number of employees (including apprentices) increased during the reporting period by 4,288 compared with the previous year to 42,062 (previous year: 37,774). This includes an increase of 7,182 employees due to new consolidations. This is counterbalanced by a decrease of 2,894 in the number of employees as a result of disinvestments and capacity adjustment measures.

5 Other operating expenses

Other operating expenses

EURm	2003	2004
Selling and administrative expenses	614.8	**654.0**
Freight	582.8	**746.2**
Expenses for third party repairs	351.5	**346.6**
Rental and leasing costs	55.7	**61.8**
Other expenses	36.7	**46.6**
Other taxes	28.5	**37.0**
	1,670.0	**1,892.2**

The increase in selling and administrative expenses is primarily attributable to the first-time consolidation of Indocement.

The worldwide increase in demand for cargo ships led to a significant rise in freight costs in the Group Services business unit. Furthermore, the increased sales volumes from the first-time inclusion of Indocement brought about a rise in freight expenses.

Significant non-recurring business transactions are shown in the additional ordinary result. Expenses of EUR 22 million (previous year: 24) for research and development are not capitalised according to the conditions stated in IAS 38 (Intangible Assets). This amount does not include personnel costs, in contrast to the expenses listed in the Group report to the shareholders.

6 Depreciation and amortisation of intangible assets and tangible fixed assets

The depreciation of intangible assets with a definite useful life is realized either performance-related or using the straight-line method. Tangible fixed assets, however, are always depreciated using the straight-line method. Ordinary depreciation of intangible assets and tangible fixed assets is determined on the basis of the following Group-wide useful lives:

Useful lives

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

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

Depreciation of intangible assets and tangible fixed assets

EURm	2003	2004
Software, concessions	17.6	**12.6**
Goodwill	170.3	
Intangible assets	187.9	**12.6**
Tangible fixed assets, operating	445.3	**471.6**
Ordinary depreciation	633.2	**484.2**
Impairment (2003: Extraordinary depreciation)	47.1	**445.8**
	680.3	**930.0**

As of 1 January 2004, goodwill is no longer amortised in accordance with IFRS 3. Following the goodwill impairment test, impairment (2003: Extraordinary depreciation) of EUR 345.3 million was applied.

Impairment was recorded on the goodwill from the consolidation of Scancem AB (EUR 162.9 million) in Northern Europe, Castle Cement (EUR 72.0 million) in Western Europe, and in Africa-Asia-Turkey (EUR 66.5 million).

Furthermore, impairment totalling EUR 99.9 million was applied to tangible fixed assets and EUR 0.6 million to other intangible assets. The impairment of tangible fixed assets essentially results from restructuring measures in Belgium, the Netherlands and Germany.

7 Additional ordinary result

Additional ordinary result

EURm	2003	2004
Non-recurring income and expenses	68.8	**-228.1**
Impairment (2003: Extraordinary depreciation)	-47.1	**-445.8**
	21.7	**-673.9**

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

The non-recurring proceeds and expenses include provisions created for restructuring and future risks as well as profits from the sale of financial fixed assets as a result of focusing on the core business. A provision of EUR 113 million was layed as a result of share purchase obligations in connection with the acquisition of Indocement.

Impairment (2003: Extraordinary depreciation) is explained under point 6.

8 Results from participations

The results from participations essentially include profit distributions from corporations and partnerships. Depreciation on participations and loans are shown separately in order to give a detailed presentation of the depreciation of financial fixed assets.

Results from participations

EURm	2003	2004
Results from associated companies	94.6	**97.6**
Income from other participations	11.6	**11.2**
Write-offs of other participations	-10.6	**-9.3**
Write-offs of loans	-6.5	**-16.3**
Amortisation of securities		**-16.4**
	89.1	**66.8**

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

Despite the strained market situation in Central Europe West, the results from associated companies recorded an improvement, with the French company Vicat S.A. making a particularly significant contribution.

Impairment was applied to the necessary extent. Depreciation of EUR 16.4 million was recorded for securities (Available-for-Sale Financial Assets).

9 Financial results

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

Foreign exchange gains and losses were significantly affected by the foreign exchange losses of Indocement amounting to EUR -45.9 million.

Financial results

EURm	2003	2004
Income from loans	6.5	**5.1**
Other interest receivable and similar income	28.1	**31.5**
Interest payable and similar charges	-243.1	**-266.1**
Foreign exchange gains/losses	-13.7	**-50.2**
	-222.2	**-279.7**

10 Taxes on income

Taxes on income

EURm	2003	2004
Current taxes	188.9	**195.2**
Deferred taxes	-42.6	**-14.0**
	146.3	**181.2**

The increase of EUR 6.3 million in current taxes is primarily attributable to the improved earnings situation, particularly in North America. Adjusted for tax refunds and additional tax payments for previous years, which amounted to EUR -2.8 million (previous year: 22.1), the current taxes increased by EUR 27.0 million.

The proportionate tax expense of associated companies accounted for according to the equity method and amounting to EUR 29.0 million (previous year: 25.2) is also included in the current taxes.

EUR 67.1 million (previous year: 9.8) of deferred tax assets created in previous years for losses carried forward were released during the reporting year. The reduction in the tax expense for deferred tax assets as a result of unused tax benefits from previous years amounted to EUR 37.0 million in the 2004 financial year. This results primarily from the formation of tax credit assets amounting to EUR 33.4 million due to a change in the tax laws in Poland.

Tax losses carried forward and deductible temporary differences, for which no deferred tax asset is recognised, amount to EUR 433.2 million (previous year: 5.5), i.e. non-posted deferred tax assets amounted to EUR 149.2 million (previous year: 1.6) in the reporting year.

In 2004, EUR 8.6 million (previous year: 3.6) of deferred taxes were directly charged to equity without effects on results. The provisions for deferred taxes increased, without effects on results, by EUR 13.9 million (previous year: 47.6) as a result of changes in the scope of consolidation.

Reconciliation

EURm	2003	2004
Profit before tax	279.7	**-151.7**
Impairment of goodwill (2003: amortisation)	190.0	**345.3**
Profit before tax and impairment of goodwill	469.7	**193.6**
Theoretical tax expense at 26.5% (2003: 27.2%)[1]	127.9	**51.3**
Changes to the theoretical tax expense due to:		
tax-free earnings (-) and non deductible expenses (+)[2]	-1.7	**136.3**
tax increase (+), reduction (-) for prior years	22.1	**-2.8**
changes in tax rate	-2.0	**-3.6**
Taxes on income	146.3	**181.2**

[1] weighted average tax rate
[2] Including write-down of deferred tax assets set up in prior years and not recognized deferred tax assets for the current year.

11 Earnings per share

Earnings per share (Basic Earnings Per Share IAS 33.10)

EURm	2003	2004
Profit/loss for the financial year	133.5	**-332.9**
Minority interests	-16.9	**-32.9**
Group share	116.6	**-365.8**
Number of shares in '000s (weighted average)	82,519	**100,592**
Earnings in EUR/ share	1.41	**-3.64**
Earnings in EUR/ share before ordinary goodwill amortisation	3.48	**-3.64**

The calculation of the basic earnings per share is made in accordance with IAS 33 (Earnings per Share), by dividing the Group share in profit for the financial year by the weighted average of the number of issued shares. For calculating the average number of shares in 2004, only the addition from the capital increase for the acquisition of Zementwerk Bosenberg GmbH & Co. KG in Ahlen/Germany and the change in the stock of company shares during the year must be taken into account on a weighted average basis.

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

Notes to the cash flow statement

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

The cash flow statement begins with the operating income before depreciation (OIBD) plus additional ordinary result (see point 7) before amortisation (earnings before interest, taxes, depreciation and amortisation – EBITDA). EBITDA, adjusted for non-cash items and including cash flows from dividends received, interests and taxes paid, changes in operating assets and liabilities, result in net cash from operating activities.

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

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

The following notes are provided:

12 Dividends received

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

13 Interest paid

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

14 Elimination of non-cash items

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

15 Changes in operating assets

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

16 Changes in operating liabilities

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

17 Investments (cash outflow)

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

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

- 0.67% share of Heidelberger Zement South-East Asia GmbH, Heidelberg/Germany, for EUR 1.8 million
- 2.30% share of Anneliese Zementwerke AG, Ennigerloh/Germany, for EUR 5.6 million
- 50.00% share of Ferndale Ready Mix Gravel Inc., Washington/US, for EUR 4.5 million
- 1.00% share of China Century Cement Limited, Hong Kong/China, for EUR 2.6 million
- 6.49% share of RMC Romania, Bucharest/Romania, for EUR 1.6 million

The additions of shares in associated companies and other participations have an insignificant impact.

18 Proceeds from fixed assets disposals

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

- Nova Cimangola S.A.R.L./Angola for EUR 26.1 million
- HZ Beteiligungs GmbH/Austria for EUR 9.9 million
- SRS Industri AB/Sweden for EUR 6.6 million
- HeidelbergCement Lime Hungary B.V./Hungary for EUR 6.4 million
- H+H Fiboment A/S/Denmark for EUR 4.2 million

19 Cash from changes in consolidation scope

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

20 Dividend payments HeidelbergCement AG

In 2004, HeidelbergCement AG paid dividends of EUR 114.4 million (previous year: stock dividend).

21 Dividend payments minority shareholders

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

22 Proceeds from bond issuance and loans

This item includes the total volume issued in Euro Medium Term Notes in 2004 with a term of more than one year, amounting to EUR 120 million. It also includes a number of smaller bilateral loans taken out in the reporting year and an amount of EUR 54 million in accrued earnings from the early termination of two fixed rate receiver interest rate swaps with a nominal volume of EUR 1 billion, which related to the EUR 1 billion HeidelbergCement Finance B.V. 6.375% Euro Medium Term Note 2000/2007.

23 Repayment of bonds and loans

The total repayments of liabilities, amounting to EUR 964 million, include an amount of EUR 371 million to repay a syndicated loan taken out in 2003 by HeidelbergCement and repaid ahead of schedule in 2004. Also recognised in this item are repayments of bank loans by our subsidiary PT Indocement Tunggal Prakarsa Tbk., Jakarta/Indonesia, amounting to EUR 112 million (converted) and early repayments of private placements by our subsidiary S.A. Cimenteries CBR, Brussels/Belgium, amounting to EUR 49 million (converted). The repayment amount shown also includes EUR 50 million in scheduled maturities of Euro Medium Term Notes and EUR 35 million in scheduled maturities of debentures, as well as repayments of substantial bilateral bank loans with a total volume of EUR 120 million.

24 Cash and cash equivalents

Cash and cash equivalents include securities with a short-term validity period of less than three months and liquid funds. In the balance sheet, the item “Short-term investments” also lists the market value of hedging transactions and the “available-for-sale financial assets”, amounting to EUR 80.1 million (previous year: 162.1).

Notes to the balance sheet - Assets

25 Intangible assets

Intangible assets

EURm	Goodwill	Other intangible assets	Total
Purchase price or production costs			
1 January 2003	3,330.5	174.5	3,505.0
Previous year adjustment	42.8	-5.1	37.7
Additions	290.0	7.4	297.4
Disposals	-73.7	-8.8	-82.5
Reclassifications		0.2	0.2
31 December 2003	3,589.6	168.2	3,757.8
Depreciation and amortisation			
1 January 2003	982.2	125.7	1,107.9
Previous year adjustment	21.6	-6.5	15.1
Additions	189.9	19.6	209.5
Disposals	-70.6	-8.9	-79.5
Reclassifications		-0.5	-0.5
31 December 2003	1,123.1	129.4	1,252.5
Net book value at 31 December 2003	**2,466.5**	**38.8**	**2,505.3**
Purchase price or production costs			
1 January 2004	3,589.6	168.2	3,757.8
Previous year adjustment	-1,074.1	-7.4	-1,081.5
Additions	127.5	5.8	133.3
Disposals	-15.9	-3.8	-19.7
Reclassifications	-6.5	4.0	-2.5
31 December 2004	2,620.6	166.8	2,787.4
Depreciation and amortisation			
1 January 2004	1,123.1	129.4	1,252.5
Previous year adjustment	-1,110.3	-8.6	-1,118.9
Additions	345.3	13.2	358.5
Disposals	-0.4	-2.0	-2.4
Reclassifications			
31 December 2004	357.7	132.0	489.7
Net book value at 31 December 2004	**2,262.9**	**34.8**	**2,297.7**

The significant goodwill resulting from the first-time consolidation of Indocement and Zementwerk Bosenberg GmbH & Co. KG amounted to EUR 54.1 million and EUR 44.5 million respectively. The goodwill comprises market shares purchased that cannot be assigned to any other determinable and separable intangible assets.

Larger individual goodwill items already existing were derived from the acquisition of S.A. Cimenteries CBR, Brussels/Belgium, maxit Deutschland GmbH, Breisach/Germany, Heidelberg Cement, Inc., Wilmington/US, Akçansa Cimento Sanayi ve Ticaret A.S., Istanbul/Turkey, HeidelbergCement Bangladesh Ltd., Chittagong/Bangladesh, and ENCI Holding N.V., ‘s-Hertogenbosch/Netherlands.

Impairment tests are carried out annually in accordance with IAS 36 (Impairment of Assets). If devaluation is necessary, impairment of goodwill is shown in the additional ordinary result. Impairment of EUR 345.3 million was recorded in the reporting year.

As a result of these impairment tests and with the aforementioned goodwill allocated to individual regions, the three largest individual goodwill items related to Western Europe excluding the activities of Castle Cement (EUR 413.3 million), North America (EUR 345.1 million) and Northern Europe excluding our Russian activities (EUR 163.9 million).

The remaining negative differences arising from business combinations amounted to EUR 3.9 million and were recognised in the additional ordinary result in the reporting year.

Adjustments for the effects of changes in currency exchange rates during the reporting year totalled EUR 6.1 million (previous year: -6.1). Intangible assets with an indefinite useful life have an insignificant impact.

In the countries of the European Union, HeidelbergCement received an allocation of emission rights for the European CO2 trading scheme that started on 1 January 2005. As of 31 December 2004, HeidelbergCement received a total of 36.6 million tonnes of emission rights for the first trading period that runs from 2005 to 2007. In some countries, however, emission rights have still to be allocated. From the current perspective, the allocation of emission rights is sufficient to fulfil the obligation to return them according to the actual emissions at the end of each year without additional purchases. Therefore, for the 2005-2007 period, HeidelbergCement expects no financial expenses arising from the participation in the emission trading.

26 Tangible fixed assets

Tangible fixed assets are accounted for at purchase price or production cost less ordinary depreciation and impairment. Production costs include all costs that can be attributed to the manufacturing process and appropriate amounts of production-related overheads. Costs for repair and maintenance of tangible fixed assets are in principle entered as expenses. Capitalisation takes place in exceptional cases, if the measures lead to an extension or significant improvement of the asset. Low cost assets are fully written off in the year of acquisition.

Impairment of EUR 99.9 million was recorded. Further details on this impairment can be found in the additional ordinary result under point 7.

Tangible fixed assets also include EUR 3.3 million (previous year: 10.3) of capitalised leased assets. Liens amounting to EUR 456.5 million (previous year: 21.0) were granted to third parties as security. Adjustments for the effects of changes in currency exchange rates during the reporting year totalled EUR -150.4 million.

Tangible fixed assets

EURm	Land and buildings	Plant and machinery	Fixture, tools and equipment	Payments on account and assets under construction	Total
Purchase price or production costs					
1 January 2003	2,998.4	6,421.1	893.4	284.4	10,597.3
Previous year adjustment	58.6	-50.6	-3.2	-3.5	1.3
Additions	52.8	138.0	29.3	196.5	416.6
Disposals	-55.3	-196.2	-55.8	-6.5	-313.8
Reclassifications	40.9	179.2	10.5	-230.8	-0.2
31 December 2003	3,095.4	6,491.5	874.2	240.1	10,701.2
Depreciation and amortisation					
1 January 2003	1,405.0	3,858.5	668.5		5,932.0
Previous year adjustment	10.6	9.3	-2.0		17.9
Additions	93.1	312.3	65.4		470.8
Disposals	-35.7	-178.8	-48.3		-262.8
Reclassifications	1.1	-2.5	1.9		0.5
31 December 2003	1,474.1	3,998.8	685.5		6,158.4
Net book value at 31 December 2003	**1,621.3**	**2,492.7**	**188.7**	**240.1**	**4,542.8**
Purchase price or production costs					
1 January 2004	3,095.4	6,491.5	874.2	240.1	10,701.2
Previous year adjustment	304.8	377.8	6.3	-1.4	687.5
Additions	43.2	110.3	27.4	274.5	455.4
Disposals	-46.6	-98.8	-71.0	-3.2	-219.6
Reclassifications	32.0	133.9	16.3	-179.7	2.5
31 December 2004	3,428.8	7,014.7	853.2	330.3	11,627.0
Depreciation and amortisation					
1 January 2004	1,474.1	3,998.8	685.5		6,158.4
Previous year adjustment	-6.2	21.6	1.0		16.4
Additions	118.7	394.5	58.3		571.5
Disposals	-31.1	-82.0	-64.9		-178.0
Reclassifications	0.4	-2.6	2.2		
31 December 2004	1,555.9	4,330.3	682.1		6,568.3
Net book value at 31 December 2004	**1,872.9**	**2,684.4**	**171.1**	**330.3**	**5,058.7**

■ 27 Financial fixed assets

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

Detailed development of the participations:

Participations

EURm	Shares in associated companies	Shares in other participations	Total
Purchase price or production costs			
1 January 2003	807.3	488.0	1,295.3
Previous year adjustment	-98.3	-113.5	-211.8
Additions	72.0	74.8	146.8
Disposals	-55.0	-34.1	-89.1
Reclassifications	0.8	-0.8	
31 December 2003	726.8	414.4	1,141.2
Depreciation and amortisation			
1 January 2003	41.0	36.7	77.7
Previous year adjustment	2.2	-2.3	-0.1
Additions	5.8	4.8	10.6
Disposals	-5.8	-25.9	-31.7
Reclassifications			
31 December 2003	43.2	13.3	56.5
Net book value at 31 December 2003	**683.6**	**401.1**	**1,084.7**
Purchase price or production costs			
1 January 2004	726.8	414.4	1,141.2
Previous year adjustment	-34.0	-182.8	-216.7
Additions	76.8	8.7	85.5
Disposals	-59.2	-16.5	-75.7
Reclassifications	-6.0	6.0	
31 December 2004	704.4	229.8	934.3
Depreciation and amortisation			
1 January 2004	43.2	13.3	56.5
Previous year adjustment	10.1	2.8	12.9
Additions	4.1	5.2	9.3
Disposals	-3.4	-2.5	-5.9
Reclassifications	-5.6	5.6	
31 December 2004	48.4	24.4	72.8
Net book value at 31 December 2004	**656.0**	**205.4**	**861.4**

28 Shares in associated companies

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

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

The largest single item is the share in Vicat S.A. – accounted at EUR 408.7 million.

29 Shares in other participations

The shares in non-consolidated companies and the fixed assets securities are shown here. They are accounted at market values (IAS 39 - Financial Instruments: Recognition and Measurement). One item that should be mentioned in particular is the entrance of Heidelberger Zement South-East Asia GmbH, Heidelberg/Germany, into the scope of consolidation amounting to EUR 205.2 million.

30 Loans

Loans

EURm	2003	2004
Loans to participations	30.3	**12.8**
Other loans	62.9	**51.8**
	93.2	**64.6**

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

The reduction in loans in the reporting year essentially results from the repayments made by the deconsolidated company Zlatna Panega/Bulgaria and by Carpatcemtrans/Romania.

31 Stocks

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

32 Receivables and other assets

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

33 Cash, short-term investments and similar rights

Liquid funds refer to cash balances and bank credits at banks with first-class credit rating.

Securities held in the securities portfolio under the category available-for-sale financial assets decreased by EUR 0.5 million to EUR 13.8 million (previous year: 14.3) due to balance sheet preparation at market values (IAS 39 - Financial Instruments: Recognition and Measurement).

According to IAS 39, the underlying transactions must be adjusted and the market value of the hedging transactions (derivative transactions) must be shown in the balance sheet. Hedging transactions (forward exchange contracts, interest rate and currency swaps, options trading) are thus shown as rights similar to securities with a market value of EUR 66.3 million (previous year: 147.8). The interest-bearing liabilities increased accordingly.

Further details regarding short-term investments can be found under the section on financial instruments on pages 145 ff.

Notes to the balance sheet – Equity and liabilities

34 Subscribed share capital

Subscribed share capital

	2003	**2004**
Number of shares (in '000s)	99,650	**100,946**
Subscribed share capital (EUR '000s)	255,104	**258,421**

As of 31 December 2004, the share capital amounts to EUR 258,420,961.28 and is divided into 100,945,688 no-par bearer shares.

Movement in the subscribed share capital

	EUR '000s	Number in '000s
1 January 2004	255,104	99,650
Issue of new shares against contribution in kind (purchase of the cement plant Bosenberg GmbH & Co. KG, Ahlen)	3,317	1,296
31 December 2004	**258,421**	**100,946**

Authorised and conditional share capital

The Managing Board is authorised to increase, with the consent of the Supervisory Board, the Company's registered share capital by a total amount of up to EUR 50,000,000.00 by issuing new no-par bearer shares in return for cash contributions on one or more occasions until 5 May 2009 (Authorised Capital I). The shareholders shall have subscription rights. However, the Managing Board is authorised to exclude, with the consent of the Supervisory Board, the subscription rights of shareholders with respect to fractional amounts.

The Managing Board shall decide, with the consent of the Supervisory Board, on the remaining contents of the rights attached to the shares and the terms of the share issue.

The Managing Board is authorised to increase, with the consent of the Supervisory Board, the Company's share capital by a total amount of up to EUR 20,000,000.00 by issuing new no-par bearer shares in return for contributions in kind on one or more occasions until 5 May 2009 (Authorised Capital II). The Managing Board is authorised, with the consent of the Supervisory Board, to exclude the subscription rights of shareholders and determine all other details of the capital increase as well as the terms and conditions of the share issue.

The registered share capital is conditionally increased by up to EUR 1,333,333.33. The conditional capital increase shall exclusively serve to fulfil the subscription rights granted to members of the Managing Board and to senior managers of the Company, as well as to members of the management boards and senior managers of affiliated domestic and foreign companies pursuant to the authorisation by the Annual General Meeting on 19 June 2001 (stock option plan 2001/2007) and, if applicable, as amended by the authorisation granted by the Annual General Meeting on 7 May 2002. The conditional capital increase will be carried out only to the extent that the holders of the subscription rights exercise their subscription rights. The new shares will carry a dividend entitlement as of the beginning of the financial year in which they are issued.

The Company has 51,774 company shares at the balance sheet date of 31 December 2004. As part of the voluntary exchange offer to the minority shareholders of Anneliese Zementwerke AG, 78,070 shares were given to these shareholders. In addition, a further 1,771 company shares were exchanged for Anneliese shares.

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

By resolution of the Managing Board and Supervisory Board of 21 February 2005, the Company's share capital was increased from EUR 258,420,961.28 by EUR 19,868,341.76 to a total of EUR 278,289,303.04 through the issue of 7,761,071 new shares, utilising part of the Authorised Capital I. Following the capital increase, the total number of shares is now 108,706,759. The capital increase will be entered in the commercial register during the second half of March 2005.

After entry of the capital increase, the Authorised Capital I will be reduced from EUR 50,000,000 to EUR 30,131,658.24.

35 Capital reserves

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

1991: EUR 140.6 million from cash capital increase
1993: EUR 186.6 million from cash capital increase
1997: EUR 10.8 million from exercising of option rights from warrant bonds 1995/2002
1999: EUR 1,006.7 million from capital increases and EUR 25.7 million from exercising of option rights from warrant bonds 1995/2002
2000: EUR 64.8 million from capital increase against contributions in kind and EUR 51.6 million from exercising of option rights from warrant bonds 1995/2002
2002: EUR 8.2 million from capital increase against contributions in kind
2003: EUR 362.4 million from:
- cash capital increase of EUR 317.1 million taking into account the net transaction costs according to SIC-17 (Equity – Costs of an Equity Transaction) and
- capital increase against contributions in kind of EUR 45.3 million in connection with the acquisition of the cement plant in Wetzlar.

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

36 Revenue reserves

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

The application of the amendments to IAS 19 (Employee Benefits) led to an adjustment of the values from 2003, which are reported in the equity capital grid for information purposes only and can be seen in the following table.

Adjustment on revenue reserves according to IAS 19

EUR '000s	Revenue reserves before adjustment	Adjustment according to IAS 19	Revenue reserves after adjustment
1 January 2003	**2,123,302**		**2,123,302**
Effect of adopting IAS 19 (Amendment December 2004)		-126,910	-126,910
1 January 2003 (restated)	**2,123,302**	**-126,910**	**1,996,392**
Profit for the financial year	116,564	6,567	123,131
Capital increase out of revenue reserves	-7,020		-7,020
Changes without effects on results			
Consolidation adjustments	-315		-315
IAS 19 actuarial gains and losses		14,716	14,716
Financial instruments IAS 39	15,056		15,056
Exchange rate	-10,249		-10,249
31 December 2003	**2,237,338**	**-105,627**	**2,131,711**

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

– Consolidation measures
  The consolidation measures essentially related to negative goodwill, which arose prior to the first application of IFRS 3 (Business Combinations) and was written off at the beginning of the 2004 financial year, making an adjustment of EUR 25.6 million to the opening balance sheet values in accordance with IFRS 3.81.

– IAS 19 actuarial profits and losses
  The application of the amended version of IAS 19 (Employee Benefits) from December 2004 led to an adjustment of EUR 15.8 million in revenue reserves.

– Financial instruments in accordance with IAS 39 (Financial Instruments: Recognition and Measurement)
  The financial instruments include the "available-for-sale financial assets" of EUR 33.0 million (previous year: 13.3) and the derivative financial instruments of EUR -2.2 million (previous year: 1.8).

– Exchange rates
  The net assets denominated in foreign currency changed primarily as a result of the decline in the US dollar as of the closing date. In addition, there were exchange rate effects in connection with consolidation measures, totalling EUR 2.3 million (previous year: 10.2).

37 Minority interests

The increase in minority interests results mainly from the first-time inclusion of Indocement. This was counteracted by the partial sale of Tvornika Cementa Kakanj d.d., Kakanj/Bosnia-Herzegovina.

38 Provisions

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

Provisions

EURm	1 Jan. 2004	Previous year adjustment	Utilisation	Release	Addition	31 Dec. 2004
Pensions and similar liabilities	619.2	-37.4	-35.9	-14.8	86.5	617.6
Deferred taxes	459.9	28.2		-33.2	15.5	470.4
Other	390.0	10.0	-16.8	-29.0	263.8	618.0
	1,469.1	0.8	-52.7	-77.0	365.8	1,706.0

The starting values on 1 January 2004 have changed as a result of the amendments to IAS 19 (Employee Benefits). The provisions for pensions and similar liabilities rose from EUR 513.8 million to EUR 619.2 million. The provisions for deferred taxes fell by EUR 58.8 million to EUR 459.9 million.

39 Provisions for pensions

For numerous employees, pensions are provided for either directly or indirectly through contributions to pension funds. All pension obligations are based on employees' compensation and years of service (defined benefit plans). The most significant retirement pension plans exist in Germany, Belgium, the Netherlands, the United States, Canada, the United Kingdom and in the Scandinavian countries. The pension plan obligations and the plan assets available are evaluated annually by independent assessors. In Belgium, HeidelbergCement also has a retirement benefit system for early retirement commitments. In the US and, since 2004, in Belgium and the Netherlands, the system covers medical care costs of pension recipients. These obligations are covered by provisions.

In order to increase the clarity and transparency of the balance sheet, HeidelbergCement has already applied the new regulations of IAS 19 (Employee Benefits) for the 2004 financial year. Consequently, actuarial profits and losses are entered against revenue reserves, without effects on results, in the year in which they arise. This also applies at the time of transition to the amendments for unrealised actuarial profits and losses. The previous year's figures have been adjusted accordingly.

Calculation of pension obligations

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

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

Calculation of pension obligations

	2003	2004
Interest rate	5.56%	**5.44%**
Anticipated return on plan assets	6.63%	**6.47%**
Future salary development	3.51%	**3.30%**
Anticipated increases in medical-care costs	5.00%	**5.00%**

Overview of types of retirement benefit plans

In accordance with IAS 19 (Employee Benefits), detailed information concerning pension plans and benefit plans for medical care amounting to EUR 610.7 million (previous year: 617.9) is provided below, showing the funding of the plans and how they are accounted for in the balance sheet and profit and loss accounts.

Types of retirement benefit plans

EUR '000s	2003	2004
Defined benefit pension plans	516,899	**505,325**
Post-employment medical plans	100,962	**105,358**
	617,861	**610,683**

Presentation in the balance sheet

EUR '000s	2003	2004
Long-term pension provisions	566,998	**576,547**
Short-term pension provisions	52,203	**41,097**
Excess endowment of fund	-1,340	**-6,961**
	617,861	**610,683**

As a result of the changes to IAS 19 (Employee Benefits), the pension plans include EUR 121.8 million (previous year: 137.9) and the benefit plans for medical care EUR 15.7 million (previous year: 26.6) in actuarial losses entered with no effect on results. The adjustment of the previous year's values increased the pension plans by EUR 137.9 million to EUR 516.9 million and the benefit plans for medical care by EUR 26.6 million to EUR 101.0 million. The long-term provisions for pensions rose by EUR 105.4 million and the overfunding fell by EUR 59.1 million.

Pension obligations and pension funds

Pension obligations amounting to EUR 827.2 million (previous year: 799.0) existed in the Group in 2004, which were covered by outside pension funds. In addition there were direct agreements of EUR 450.2 million (previous year: 441.4). Obligations entered into in the United States, Belgium and the Netherlands for medical care expenses for pension recipients amounted to EUR 105.4 million (previous year: 101.6). The following table shows the development of these plans and their presentation in the balance sheet.

Pension obligations and pension funds

EUR '000s	Pension plans		Medical plans		Total	
	2003	**2004**	2003	**2004**	2003	**2004**
Present value of funded obligations	798,962	**827,172**			798,962	**827,172**
Fair value of plan assets	-722,545	**-784,811**			-722,545	**-784,811**
Deficit (+) / surplus (-)	76,417	**42,361**			76,417	**42,361**
Present value of unfunded obligations	441,416	**450,240**	101,647	**105,368**	543,063	**555,608**
Total obligations	517,833	**492,601**	101,647	**105,368**	619,480	**597,969**
Pension provisions	518,239	**512,286**	100,962	**105,358**	619,201	**617,644**
Overfunding	-1,340	**-6,961**			-1,340	**-6,961**
Recognised in balance sheet	516,899	**505,325**	100,962	**105,358**	617,861	**610,683**
Unrecognised past service cost	-934	**12,724**	-685	**-10**	-1,619	**12,714**

Development in the profit and loss accounts

The expenses classified as personnel costs for retirement pensions for the significant pension plans, amounting to EUR 70.3 million (previous year: 72.6), can be shown as follows:

Development in the profit and loss accounts

EUR '000s	Pension plans		Medical plans		Total	
	2003	**2004**	2003	**2004**	2003	**2004**
Current service cost	41,925	**44,991**	3,343	**2,273**	45,268	**47,264**
Interest cost	69,432	**67,868**	6,011	**5,506**	75,443	**73,374**
Expected return on plan assets	-45,392	**-49,766**			-45,392	**-49,766**
Past service cost recognised	-1,687	**-274**	179	**-1,915**	-1,508	**-2,189**
Other adjustments	-625				-625	
Realisation of loss (+)/ gain (-)		**389**				**389**
Others	-564	**1,222**			-564	**1,222**
Total	63,089	**64,430**	9,533	**5,864**	72,622	**70,294**

The actual earnings from the funds' assets amounted to EUR 63.2 million (previous year: 80.8). Through application of the additions to IAS 19 (Employee Benefits), the expenses in 2003 were reduced by realised actuarial losses amounting to EUR 9.9 million for pension plans and EUR 0.3 million for medical care plans.

Sensitivity analysis

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

Sensitivity analysis of healthcare costs

EUR '000s	Changes in healthcare costs by	
	+1%	-1%
Effect on the aggregate of the service cost and interest cost	1,168	-1,031
Effect on defined benefit obligation	11,072	-10,028

Development of the pension obligations and the funds' assets

The following table shows the development in pension obligations of EUR 1,382.8 million (previous year: 1,342.0) and the funds' assets of EUR 784.8 million (previous year: 722.5):

Development of pension obligations and plan assets

EUR '000s	Pension plans		Medical plans		Total	
	2003	**2004**	2003	**2004**	2003	**2004**
Defined benefit obligation at 1 Jan.	1,238,494	**1,240,378**	94,902	**101,647**	1,333,396	**1,342,025**
Consolidation adjustments	-2,014	**21,227**		**20,623**	-2,014	**41,850**
Current service cost	41,925	**44,991**	3,343	**2,273**	45,268	**47,264**
Interest cost	69,432	**67,868**	6,011	**5,506**	75,443	**73,374**
Benefits paid by HeidelbergCement	-9,233	**-23,888**	-5,745	**-6,758**	-14,978	**-30,646**
Benefits paid by fonds	-38,868	**-39,819**			-38,868	**-39,819**
Exchange differences	-56,773	**-12,765**	-16,089	**-7,431**	-72,862	**-20,196**
Unrecognised gains/losses	-2,585	**-20,580**	19,225	**-10,492**	16,640	**-31,072**
Defined benefit obligation at 31 Dec.	1,240,378	**1,277,412**	101,647	**105,368**	1,342,025	**1,382,780**
Thereof funded	798,962	**827,172**			798,962	**827,172**
Thereof unfunded	441,416	**450,240**	101,647	**105,368**	543,063	**555,608**
Fair value of plan assets at 1 Jan.	690,808	**722,545**			690,808	**722,545**
Consolidation adjustments	321	**21,762**			321	**21,762**
Contribution to fund	44,721	**31,214**			44,721	**31,214**
Benefits paid by fund	-38,868	**-39,819**			-38,868	**-39,819**
Expected return on plan assets	45,392	**49,766**			45,392	**49,766**
Exchange differences	-50,014	**-10,901**			-50,014	**-10,901**
Unrecognised gains/losses	30,185	**10,244**			30,185	**10,244**
Fair value of plan assets at 31 Dec.	722,545	**784,811**			722,545	**784,811**

HeidelbergCement paid EUR 30.6 million (previous year: 15.0) directly to the pension recipients and EUR 31.2 million (previous year: 44.7) in employer contributions to the funds. In 2005, we expect to pay EUR 63.1 million.

Breakdown of the funds' assets

The funds' assets originate primarily from North America, with 24% (previous year: 26%) and the Western Europe region, with 63% (previous year: 64%). The assets available in the funds are divided into the following categories on a percentage basis:

Breakdown of the funds' assets

in %	2003	2004
Equities North America	16%	**13%**
Equities Western Europe	30%	**28%**
Equities other regions	1%	**2%**
Bonds North America	8%	**8%**
Bonds Western Europe	33%	**26%**
Bonds other regions	7%	**9%**
Others	5%	**14%**

Five-year comparison

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

Five-year comparison

EUR '000s	2000	2001	2002	2003	2004
Present value of funded obligations pension plans	781,711	776,225	819,224	798,962	**827,172**
Present value of unfunded obligations pension plans	343,792	402,187	419,270	441,416	**450,240**
Present value of unfunded obligations medical plans	86,127	112,118	94,902	101,647	**105,368**
Total obligations	1,211,630	1,290,530	1,333,396	1,342,025	**1,382,780**
Fair value of plan assets	-850,126	-791,861	-690,808	-722,545	**-784,811**
Deficit (+)/Surplus (-)	361,504	498,669	642,588	619,480	**597,969**

40 Deferred taxes

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

41 Other provisions

Other provisions are valued in accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) and, if required, in accordance with IAS 19 (Employee Benefits). Other provisions comprise all recognisable risks from uncertain liabilities and anticipated losses from pending transactions. Provisions for recultivation obligations amount to EUR 138.4 million (previous year: 142.8). Obligations from restructuring measures are included as are obligations from guarantee commitments. Other provisions likewise include adequate risk provision for legal disputes including risks from the pending cartel proceedings, environmental obligations, product liability or long service awards.

42 Liabilities

Liabilities are classified according to current/non-current and according to whether the liabilities are interest-bearing. Further details regarding interest-bearing liabilities can be found under the section on financial instruments on pages 145 ff.

Liabilities

EURm	2003	2004
Financial liabilities		
Debenture loans	2,021.2	**1,949.2**
Bank loans	1,367.2	**1,245.0**
Other financial liabilities	902.1	**859.3**
	4,290.5	**4,053.5**
Operating liabilities		
Trade payables	439.7	**488.9**
Current income taxes payables	60.6	**55.3**
Liabilities relating to personnel	126.7	**129.9**
Other operating liabilities	367.7	**318.9**
	994.7	**993.0**
	5,285.2	**5,046.5**

Of the financial liabilities, EUR 43.0 million (previous year: 47.3) are secured by mortgages from banks.

Guarantees and other financial commitments

The guarantees amounting to EUR 76.2 million (previous year: 105.4) comprise potential future obligations to third parties, the existence of which must depend on the occurrence of at least one uncertain future event outside HeidelbergCement's sphere of influence.

Guarantees

EURm	2003	2004
Liabilities resulting from negotiation and transfer of bills of exchange	3.6	**4.2**
Liabilities arising from guarantees	101.8	**72.0**

The liabilities arising from guarantees include obligations of EUR 43.7 million (previous year: 77.7) where the probability of outflow is extremely low (IAS 37.28).

Other financial commitments

EURm	2003	2004
Rental and leasing contracts		
Total of all leasing payments mature within 1 year	20.5	**25.9**
Total of all leasing payments mature within 1 to 5 years	71.4	**80.3**
Total of all leasing payments mature after more than 5 years	80.8	**70.1**
Other off-balance-sheet financial commitments for planned tangible and financial fixed asset investments	108.0	**124.0**

Other financial commitments are listed with their nominal value. The future rental and leasing obligations totalling EUR 176.3 million (previous year: 172.7) refer essentially to property and other assets used by HeidelbergCement.

Related party disclosures 2004

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

– Together with ratiopharm GmbH, a company belonging to the Merckle group, we hold a participation in Heidelberger Zement South-East Asia GmbH, Heidelberg/Germany. This holding company, in turn, owns a 65.14% share of PT Indocement Tunggal Prakarsa Tbk., Jakarta/Indonesia. We have a purchase option with a nominal value of EUR 4,900 (= 16.33% of the shares) to acquire the share held by ratiopharm GmbH on 1 July 2005 at an exercise price of EUR 99.1 million. Through the contract dated 21 December 2004, with effect from 3 January 2005, a further purchase option was agreed with ratiopharm GmbH.

- Together with SCHWENK Zement KG, we operate Duna-Dráva Cement Kft in Vác/Hungary and its subsidiary Tvornica Cementa Kakanj d.d. in Kakanj/Bosnia-Herzegovina as joint ventures.
- As of 1 January 2004, Heidelberger Stein GmbH & Co. KG and SCHWENK Betontechnik GmbH & Co. KG, a subsidiary of SCHWENK Zement KG, Ulm/Germany have combined their concrete activities in the joint venture Lithonplus GmbH & Co. KG, Lingenfeld/Germany.
- 49.99% of the shares in CBR Portland B.V., 's-Hertogenbosch/Netherlands were sold to SCHWENK Zement Beteiligungen GmbH for EUR 34.6 million through the contract dated 13 December 2004. The transfer is still subject to approval by cartel authorities. In turn, CBR Portland B.V. holds the shares in the Open Joint Stock Companies "Dniprocement" and "Kryvyi Rih Cement" in the Ukraine via holding companies.
- Through the contract dated 13 December 2004, we purchased a 6.49% share in Carpat Beton S.R.L., Romania for EUR 1.6 million from SCHWENK Transportbeton Beteiligungen GmbH.
- We sold significant quantities of cement to various ready-mixed concrete companies in which we have a minority participation.

Financial instruments

Accounting of financial instruments

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

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

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

Accounting of hedging transactions

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

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

- **Fair value hedges**
  The Group hedges against the risk of fluctuation in the fair value of certain assets or liabilities. In particular, we hedge against the currency risk that arises when financial instruments are accounted in a currency other than the reporting currency. In the case of protection against “fair value” volatilities of certain balance sheet items (fair value hedges), both the hedging transaction and the secured share of the risk of the underlying transaction are valued at the attributable current value. Value modifications are entered with an effect on results.

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

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

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

Disclosure on financial instruments

Non-derivative financial instruments

The important interest-bearing non-derivative financial instruments outstanding at the end of 2004 are listed in the following table under the corresponding balance sheet items. Only those transactions with an open repayment sum of more than EUR 10 million on the balance sheet date are listed.

Conditions of the main non-derivative financial instruments

Balance sheet item Financial instrument	Currency	Nominal value in local currency in million	Nominal value in EURm	Market value in EURm	Term total	Term remaining	Nominal interest rate	Effective interest rate
Liabilities - Bonds								
Bond	EUR	965	965	1,027	00/07	1-5 y	6.375%	6.498%
Bond	EUR	300	300	313	99/09	1-5 y	4.750%	4.950%
Bond	EUR	700	700	791	03/10	>5 y	7.375%	7.877%
Liabilities - Bank loans								
Loan	EUR	27	27	27	96/06	1-5 y	2.435%	2.435%
Loan	USD	20	15	15	99/06	1-5 y	2.340%	2.340%
Loan	USD	50	37	40	99/06	1-5 y	8.860%	8.860%
Loan	EUR	30	30	33	00/07	1-5 y	6.140%	6.140%
Loan	JPY	4,159	30	32	00/07	1-5 y	3.300%	3.300%
Loan	EUR	13	13	14	98/08	1-5 y	4.700%	4.700%
Loan	EUR	30	30	30	00/08	1-5 y	2.606%	2.606%
Loan	EUR	30	30	30	01/08	1-5 y	2.841%	2.841%
Loan	EUR	15	15	15	02/08	1-5 y	3.685%	3.685%
Loan	USD	112	83	83	03/08	1-5 y	4.230%	4.230%
Loan	USD	217	160	160	00/08	1-5 y	3.757%	3.757%
Loan	JPY	18,081	130	130	00/08	1-5 y	2.700%	2.700%
Loan	IDR	116,007	9	9	00/08	1-5 y	7.875%	7.875%
Loan	EUR	10	10	10	03/08	1-5 y	4.685%	4.685%
Loan	EUR	30	30	30	99/09	1-5 y	2.511%	2.511%
Loan	EUR	25	25	25	03/09	1-5 y	4.700%	4.700%
Loan	EUR	50	50	57	00/10	>5 y	6.485%	6.485%
Loan	EUR	30	30	34	00/10	>5 y	5.850%	5.850%
Loan	EUR	25	25	29	02/10	>5 y	6.560%	6.560%
Loan	EUR	25	25	25	02/10	>5 y	4.575%	4.575%
Loan	EUR	25	25	25	02/11	>5 y	4.575%	4.575%
Loan	EUR	50	50	50	02/12	>5 y	4.575%	4.575%
Loan	EUR	38	38	38	02/12	>5 y	5.600%	5.600%
Loan	JPY	5,208	37	37	02/12	>5 y	3.700%	3.700%
Liabilities - Other								
Private placement	EUR	50	50	52	95/05	<1 y	7.300%	7.300%
Private placement	EUR	30	30	30	02/05	<1 y	2.956%	2.956%
Private placement	EUR	45	45	45	99/06	1-5 y	2.576%	2.576%
Private placement	EUR	20	20	20	98/08	1-5 y	2.399%	2.399%
Private placement	EUR	13	13	14	98/08	1-5 y	5.590%	5.590%
Private placement	EUR	60	60	60	03/08	1-5 y	5.422%	5.422%
Private placement	EUR	50	50	54	03/08	1-5 y	5.000%	5.000%
Private placement	EUR	20	20	20	03/08	1-5 y	5.422%	5.422%
Private placement	EUR	20	20	20	03/08	1-5 y	4.676%	4.676%
Private placement	EUR	50	50	50	03/08	1-5 y	4.976%	4.976%
Private placement	EUR	10	10	10	04/11	>5 y	4.721%	4.721%
Private placement	EUR	10	10	10	04/11	>5 y	4.721%	4.721%
Private placement	EUR	50	50	50	04/11	>5 y	5.050%	5.050%
Private placement	EUR	50	50	50	04/14	>5 y	5.131%	5.131%
Total			3,396	3,594				

Derivative financial instruments

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

Currency-related derivates

in millions	Forward exchange contracts	Currency option contracts	Currency swaps	Interest-related derivatives	Total
Currency transformation					
EUR	266		-129	2	**139**
USD	-202		-155		**-357**
SEK	167		3,952		**4,119**
CHF			-11	-3	**-14**
DKK			25		**25**
NOK	52		20		**72**
CNY	-7			-335	**-342**
LTL			-8		**-8**
LVL	-7		-1		**-8**
HKD	8		-144	315	**179**
GBP	-52		-15		**-67**
CZK			-2,742		**-2,742**
PLN	-6		-324		**-330**
CAD	-22				**-22**
EEK	142		134		**276**
Total of nominal values in EUR	344	4	797	423	**1,568**
Market value in EUR	54		-5	-17	**32**

The amounts presented in the above table under currency transformation show the exchange obligations of the Group from the use of derivative financial instruments. The nominal values of opposing transactions that affect payment are shown as net amounts.

In the nominal value row, nominal value totals are shown without offsetting opposing transactions.

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

Fair value evaluation according to IAS 39

Due to evaluating hedge transactions at market values, short-term investments decreased to EUR 66.3 million (previous year: 147.8), other long-term interest-bearing liabilities to EUR 7.3 million (previous year: 8.3) and other short-term interest bearing liabilities to EUR 23.1 million (previous year: 28.1). Revenue reserves increased to EUR 41.4 million (previous year: 16.9). Secured loans in accordance with IAS 39 (previous year: EUR 72.2 million) were fully repaid in the 2004 financial year. Deferred tax assets increased to EUR 5.3 million (previous year: 4.2).

Due to the change in market value of "available-for-sale financial assets", the shares in other participations increased to EUR 67.1 million (previous year: 44.9), short-term investments and similar rights decreased to EUR 13.8 million (previous year: 14.3); provisions for deferred taxes increased to EUR 22.2 million (previous year: 14.6) and revenue reserves to EUR 75.1 million (previous year: 44.6).

Risks from financial instruments

Interest rate risk

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

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

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

At the end of the year, the Group was mainly financed through EUR liabilities with long interest rate fixation periods of around EUR 2.2 billion, EUR liabilities with short interest rate fixation periods of around EUR 1.0 billion, USD liabilities with long interest rate fixation periods of around USD 50 million, USD liabilities with short interest rate fixation periods of around USD 370 million, JPY liabilities with short interest rate fixation periods of approximately JPY 25.1 billion and JPY liabilities with long interest rate fixation periods of around JPY 2.5 billion. These amounts were modified with regard to their interest structure using derivative financial instruments, although this did not lead to a significant change in the overall interest rate fixation of the Group's liabilities. At the end of 2004, the Group had a volume of interest swaps and interest/currency swaps of EUR 279 million, which enabled a transformation from fixed to variable interest rate periods. The stock of swaps allowing a change from variable to fixed interest rate periods covered a volume of EUR 144 million on the balance sheet date.

Currency risk

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

Credit risk

The credit risk is the risk that a contracting party does not, or does not completely, fulfil the obligations agreed by him when signing a financial instrument.

The Group’s credit risk is limited in that we only sign financial assets and derivative financial instruments with partners that have first-class credit rating

Corporate Governance Code

The statement of compliance required by § 161 of the German Stock Corporation Act (Aktiengesetz) was submitted on 24 March 2004 and made available to the shareholders on 31 March 2004. The statement for 2005 will be submitted on 22 March 2005 and made available to the shareholders on the same day.

Supervisory Board, Advisory Council and Managing Board

Remuneration

EUR '000s	
Compensation of the Supervisory Board	1,603
fixed	445
variable	1,158
Compensation of the Advisory Council	99
Compensation of the Managing Board	5,975
fixed	2,571
variable	3,247
others	157
Former Members of the Managing Board and their survivors	
Compensation	8,193
Provisions for pension obligations	23,995

The above figures present the compensation paid as of the balance sheet date. Portions of the remuneration granted for the reporting year but not paid until the following year, such as the dividend-dependent remuneration component paid to the members of the Supervisory Board, are not included in the compensation shown here until the following year. For the 2004 financial year, variable remuneration will amount to EUR 497,000 for the Supervisory Board and to EUR 2,073,500 for the Managing Board, dependent on the decision of the Personnel Committee and dependent on the dividend resolution of the Annual General Meeting.

In 2004, the individual members of the Supervisory Board received the following compensation:

- The Chairman of the Supervisory Board in office until the Annual General Meeting of 2004 received a fixed compensation of EUR 13,880 and a variable compensation of EUR 132,300. In addition, he received EUR 6,940 for chairing the Audit Committee and EUR 3,470 for chairing the Personnel Committee.
- The Chairman of the Supervisory Board in office from the Annual General Meeting of 2004 until 31 January 2005 received a fixed compensation of EUR 26,230. In addition, he received EUR 13,115 for chairing the Audit Committee and EUR 6,557 for chairing the Personnel Committee.
- The Deputy Chairman of the Supervisory Board received a fixed compensation of EUR 30,000 and a variable compensation of EUR 99,225. In addition, he received EUR 10,000 for his membership in the Audit Committee and EUR 5,000 for his membership in the Personnel Committee.
- All other members of the Supervisory Board who belonged to the Supervisory Board for the whole financial year received a fixed compensation of EUR 20,000 and a variable compensation of EUR 66,150. Those who were members of the Audit Committee received an additional EUR 10,000 and those who were members of the Personnel Committee received an additional EUR 5,000.
- The member of the Supervisory Board who stepped down at the Annual General Meeting of 2003 received a variable compensation of EUR 23,198.
- The members of the Supervisory Board who stepped down at the 2004 Annual General Meeting received a fixed compensation of EUR 6,940 and a variable compensation of EUR 66,150. Those who were members of the Audit Committee received an additional EUR 3,470 and those who were members of the Personnel Committee received an additional EUR 1,735.
- The members of the Supervisory Board newly elected by the Annual General Meeting of 2004 received a fixed compensation of EUR 13,115. Those who were members of the Audit Committee received an additional EUR 6,750 and those who were members of the Personnel Committee received an additional EUR 3,270.

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

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

In 2004, the Group received two disclosures in relation to transactions in securities in accordance with § 15a of the German Securities Trading Act (Directors Dealings):

- Mr. Hans Bauer, Chairman of the Managing Board until 31 January 2005, purchased 1,000 shares in the company at the price of EUR 32.74 per share on 8 January 2004.
- Mr. Rolf Hülstrunk, member of the Supervisory Board, sold 1,000 shares in the company at the price of EUR 39.25 per share on 5 October 2004.

No member of the Managing Board directly or indirectly holds company shares or options to the extent of more than 1% of the shares issued by the company. In addition, the total holding of all the members of the Managing Board does not exceed 1% of the shares issued by the company.

Mandates of members of the Supervisory Board and Managing Board

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

a) Membership in other legally required supervisory boards for German companies
b) Membership in comparable German and foreign supervisory committees of commercial corporations.
Group mandates are marked with [1)]

Supervisory Board*

Dr. rer. pol. Wolfgang Röller
Chairman until 6 May 2004
until 6 May 2004, Chairman of the Audit, the Personnel and the Arbitration Committee
Honorary Chairman of the Supervisory Board, Dresdner Bank AG

Dr. Bernd Scheifele
Chairman from 6 May 2004 to 31 January 2005
from 6 May 2004 to 31 January 2005, Chairman of the Audit, the Personnel and the Arbitration Committee
until 31 January 2005, Chairman of the Managing Board, PHOENIX Pharmahandel AG & Co KG
since 1 February 2005, Chairman of the Managing Board, HeidelbergCement AG
a) Hageda AG (Deputy Chairman)
LAVATEC Wäschereimaschinen AG (Chairman)
b) PHOENIX Lékárenský velkoobchod, a.s.[1)] (Chairman)
PHOENIX Pharma Rt.[1)] (Chairman)
BROCACEF Holding N.V.[1)] (Chairman)
PHOENIX Medical Supplies Ltd.[1)] (Chairman of the Board of Directors)
TAMRO Oyj[1)] (Chairman of the Board of Directors)
Amedis UE AG[1)]
Medifarm-Velebit d.d.[1)]

Fritz-Jürgen Heckmann
Chairman since 1 February 2005
since 1 February 2005, Chairman of the Personnel and the Arbitration Committee and member of the Audit Committee
Attorney
a) All for One Systemhaus AG
businessMart AG (Chairman)
Drews Holding AG
Infoman AG
Informatik Consulting Systems AG
Paul Hartmann AG

* All indications refer to 31 December 2004 or, if the person in question left the Supervisory Board of HeidelbergCement AG prior to that date, the date on which the person stepped down.

b) HERMA Holding GmbH + Co KG (Deputy Chairman)
Hübner GmbH (Chairman)
Neue Pressegesellschaft (Südwestpresse) mbH & Co. KG
Südwestdeutsche Medien Holding GmbH
URACA GmbH & Co. KG (Deputy Chairman)

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

Theo Beermann
since 6 May 2004
since 6 May 2004, member of the Personnel Committee
Chairman of the General Council of Employees, Anneliese Zementwerke AG, and Chairman of the Council of Employees at the Ennigerloh plant, Anneliese Zementwerke AG
a) Anneliese Zementwerke AG[1)]

Heinz-Josef Eichhorn
until 6 May 2004, member of the Arbitration Committee
Head of the Executive Committee Section Building Materials, IG Bauen-Agrar-Umwelt
a) Dussmann AG & Co. KGaA

Prof. Dr. Bernd Fahrholz
until 6 May 2004
Former Chairman of the Managing Board, Dresdner Bank AG, and former Deputy Chairman of the Managing Board, Allianz AG
a) Bayerische Motoren Werke AG
Fresenius Medical Care AG

Wilhelm Fürst
until 6 May 2004
Retired industrial mechanic; until 31 May 2004, Chairman of the Council of Employees at the Mainz-Weisenau plant, HeidelbergCement AG

Veronika Füss
until 6 May 2004
Commercial employee; Chairwoman of the Council of Employees at the Schelklingen sales office, HeidelbergCement AG

Waltraud Hertreiter
Member of the Managing Board, Schaltbau Holding AG
a) ERWO Holding AG (Chairwoman)
Textilgruppe Hof AG
b) Südbayer. Portland-Zementwerk Gebr. Wiesböck & Co. GmbH (Chairwoman)

Josef Heumann
since 6 May 2004
since 6 May 2004, member of the Arbitration Committee
Chairman of the Council of Employees at the Burglengenfeld plant, HeidelbergCement AG

Rolf Hülstrunk
Former Chairman of the Managing Board, HeidelbergCement AG

Heinz Kimmel
since 6 May 2004
Chairman of the Council of Employees at the Sulzheim plant, Südharzer Gipswerk GmbH

Max Dietrich Kley
since 6 May 2004
Attorney
a) Bayerische Hypo- und Vereinsbank AG
BASF AG
Infineon Technologies AG (Chairman)
Schott AG
SGL Carbon AG (Chairman)

Hans Georg Kraut
since 6 May 2004
since 6 May 2004, member of the Personnel Committee
Director of the Schelklingen plant

Josef Löffler
until 6 May 2004
until 6 May 2004, member of the Audit Committee
Retired technical employee; until 30 September 2004, Member of the Council of Employees at the Schelklingen plant

Senator h.c. Dr. med. h.c. Adolf Merckle
since 6 May 2004
since 6 May 2004, member and since 1 February 2005, Chairman of the Audit Committee
Attorney
a) Hanfwerke Oberachern AG (Chairman)
Kässbohrer Geländefahrzeug AG
PHOENIX Pharmahandel AG & Co KG (Deputy Chairman)
Pommersche Provinzial-Zuckersiederei AG (Chairman)
F. Reichelt AG (Chairman)

Ludwig Merckle
until 6 May 2004, member of the Audit Committee
since 6 May 2004, member of the Personnel Committee
Managing Director, Merckle GmbH
a) Kässbohrer Geländefahrzeug AG (Chairman)
b) Württembergische Leinenindustrie AG (Chairman)

Eduard Schleicher
Member of the Personnel Committee and since 6 May 2004
member of the Audit and the Arbitration Committee
Partner with unlimited liability, SCHWENK group, Ulm
a) Grundstücks- und Baugesellschaft AG
Wieland-Werke AG
Wohnungsverein Ulm AG
b) Duna-Dráva Cement Kft
Nederlandse Cement Handelmaatschappij B.V.

Heinz Schmitt
since 6 May 2004
since 6 May 2004, member of the Audit Committee
Chairman of the Council of Employees at the headquarters
of HeidelbergCement AG

Wilhelm Schwerdhöfer
until 6 May 2004
Motor mechanic; Chairman of the European Works Council,
HeidelbergCement, and Chairman of the Council of Employees
at the Lengfurt plant, HeidelbergCement AG

Karl-Heinz Strobl
since 6 May 2004, member of the Audit Committee
Member of the Federal Executive Committee,
IG Bauen-Agrar-Umwelt
a) WALTER BAU AG

Meinhard Thrul
until 6 May 2004
until 6 May 2004, member of the Personnel Committee
Senior Manager, Hüttenzement GmbH

Dr. rer. pol. Ulrich Weiss
until 6 May 2004
until 6 May 2004, member of the Arbitration Committee
Former member of the Managing Board, Deutsche Bank AG
a) BEGO Medical AG
Continental AG
b) Benetton Group S.p.A.
Ducati Motor Holding S.p.A.

Managing Board*

Hans Bauer
Chairman until 31 January 2005
a) Bilfinger Berger AG
b) S.A. Cimenteries CBR[1)]
ENCI Holding N.V.[1)] (Deputy Chairman)
HeidelbergCement Northern Europe AB[1)] (Chairman)
PT Indocement Tunggal Prakarsa Tbk.[1)]
Lehigh Cement Company[1)]
Lehigh Cement Limited[1)]
Nederlandse Cement Deelnemingsmaatschappij B.V.
Südbayer. Portland-Zementwerk Gebr. Wiesböck & Co. GmbH (Deputy Chairman)
Vicat S.A.

Dr. Bernd Scheifele
Chairman since 1 February 2005
For mandates, see Supervisory Board section on p. 152

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

Håkan Fernvik
until 30 June 2004
b) HeidelbergCement Northern Europe AB[1)]
PT Indocement Tunggal Prakarsa Tbk.[1)]
maxit Group AB[1)]

Daniel Gauthier
b) Akçansa Çimento Sanayi ve Ticaret A.S. (Deputy Chairman)
Carrières Lemay S.A.[1)] (Chairman)
S.A. Cimenteries CBR[1)] (Chairman)
ENCI Holding N.V.[1)] (Chairman)
HeidelbergCement Northern Europe AB[1)]
PT Indocement Tunggal Prakarsa Tbk.[1)]

Andreas Kern
a) Anneliese Zementwerke AG[1)] (Deputy Chairman)
Kronimus AG
b) Carpatcement Holding S.A.[1)]
Ceskomoravský Cement, a.s.[1)] (Chairman)
Duna-Dráva Cement Kft
Górazdze Cement S.A.[1)] (Chairman)
ISTRA Cement International d.o.o.[1)]
maxit Group AB[1)] (Chairman)

* All indications refer to 31 December 2004 or, if the person in question left the Managing Board of HeidelbergCement AG prior to that date, the date on which the person stepped down.

Nederlandse Cement Handelmaatschappij B.V. (Deputy Chairman)
Nederlandse Cement Overslagbedrijf B.V. (Deputy Chairman)
Open Joint Stock Company “Kryvyi Rih Cement” [1)]
Südbayer. Portland-Zementwerk Gebr. Wiesböck & Co. GmbH
Tvornica Cementa Kakanj d.d.

Dr. Lorenz Näger
since 1 October 2004
b) Apokjeden A.S.
S.A. Cimenteries CBR[1)]
HeidelbergCement Northern Europe AB[1)]
PT Indocement Tunggal Prakarsa Tbk.[1)]
Lehigh Cement Company[1)]
Lehigh Cement Limited[1)]
maxit Group AB[1)]
TAMRO Oyj

Paul Vanfrachem
until 30 June 2004
b) Vicat S.A.

Horst R. Wolf
until 31 October 2004
a) Circel AG (Chairman)
EnBW Kraftwerke AG
Kraftverkehr Bayern GmbH
b) S.A. Cimenteries CBR[1)]
HeidelbergCement Northern Europe AB[1)]
PT Indocement Tunggal Prakarsa Tbk.[1)]
Lehigh Cement Company[1)]
Lehigh Cement Limited[1)]
maxit Group AB[1)]

43 Proposed dividend

Managing Board and Supervisory Board propose the following dividend: EUR 0.55 dividend per share. Referring to 100,893,914 non-par value shares, entitled to dividend payment for the 2004 financial year, the amount for dividend payment is EUR 55,491,652.70.

44 Approval of the Group annual accounts

The Group annual accounts were prepared by the Managing Board and adopted on 18 March 2005. They were then submitted to the Supervisory Board for approval.

Heidelberg, 18 March 2005

HeidelbergCement AG

The Managing Board

Report of the independent auditors

We have audited the Group annual accounts of HeidelbergCement AG, Heidelberg, for the financial year from 1 January to 31 December 2004. The Group annual accounts include the Group financial statement, consisting of the balance sheet, profit and loss accounts, statement of changes in equity, cash flow statement, and notes to the Group financial statements as well as a structured presentation of the additional disclosures required for the Group management report according to Article 36 of the 7th EU Directive. The Group annual accounts are the responsibility of the legal representatives of the company. Our responsibility is to express an opinion, based on our audit, whether the Group annual accounts are in accordance with International Financial Reporting Standards (IFRS) and whether the conditions for exemption pursuant to § 292a Sect. 2 HGB (Handelsgesetzbuch: German Commercial Code) have been fulfilled.

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

Our audit has not led to any reservations.

In our opinion, the Group financial statements give a true and fair view of the net assets, financial position, results of operations and cash flows of the Group for the business year in accordance with IFRS. Our audit, which also extends to the Group management report prepared by the Managing Board, has not led to any reservations. In our opinion, on the whole, the Group management report provides a suitable understanding of the Group’s position and suitably presents the risks of future development. In addition, we confirm that the Group financial statements and Group management report satisfy the conditions required for the Company’s exemption from its obligation to prepare Group financial statements and a Group management report in accordance with German law.

Stuttgart, 18 March 2005

ERNST & YOUNG
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Pfitzer Wirtschaftsprüfer (Independent German Auditor)	Elkart Wirtschaftsprüfer (Independent German Auditor)

Glossary/index*

Affiliated companies (§ 15 German Stock Corporation Act)

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

Aggregates

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

Alternative raw materials and fuels

By-products or waste from other industries, whose chemical components make them suitable substitutes for natural resources (raw materials, fuels).

Associated companies

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

Cash flow

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

Cement

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

Clinker (cement clinker)

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

Commercial Paper

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

Concrete

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

Consolidation

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

Credit Default Swap (CDS)

An agreement between two parties whereby one party pays the other a fixed coupon over a specified term. The other party makes no payment unless a specified credit event such as a default occurs, at which time a payment is made and the swap terminates.

*The index indicates the main references.

Dry kiln
p. 43

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

Dry mortar

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

EBIT
p. 21 ff., 88, 116 ff.

Earnings before interest and income taxes; this term corresponds to results of operating activities according to IAS 1 (Presentation of Financial Statements).

EBITDA
p. 126

Earnings before interest, taxes, depreciation and amortisation; EBITDA = OIBD plus additional ordinary result before amortisation.

Equity method
p. 99, 133

Consolidation method for depicting associated companies in group accounts. The participation is initially measured at the acquisition price and then constantly adjusted to the development of the associated company's equity.

Euro Medium Term Notes (EMTN)
p. 16, 128

Debenture bonds issued as part of the EMTN program. An EMTN program represents a framework agreement made between the company and the banks appointed to be dealers. HeidelbergCement AG has the option of floating debt issues up to a total volume of EUR 3 billion under its EMTN program.

EVA®
p. 28

EVA® stands for "Economic Value Added" and is an integrated management and control concept developed by the consulting firm Stern Stewart to measure value creation in companies.

Goodwill (IFRS 3.51)
p. 20 f., 94, 96 f., 99 f., 102, 122 f., 125, 129 f.

Positive difference between the consideration made to take over a company and the fair value of the identifiable assets, liabilities and contingent liabilities at the date of acquisition.

Group share
p. 17 f., 21, 27, 88, 106, 125

Profit or loss for the financial year after deduction of minority interests.

IFRIC
p. 100

See SIC

International Financial Reporting Standards (IFRS)
p. 98 ff.

The International Financial Reporting Standards (IFRS) – previously International Accounting Standards (IAS) – are accounting standards issued by the International Accounting Standards Board (IASB) for the purposes of international harmonisation and better comparability of consolidated accounts. HeidelbergCement has been preparing its Group annual accounts in accordance with IFRS and IAS, respectively, since 1994.

Kyoto Protocol
p. 81

The Kyoto Protocol is an international agreement on global climate protection. The protocol was adopted in 1997 at the Conference on Climate Change in the Japanese city of Kyoto. It is a treaty binding under international law to reduce greenhouse gas emissions. After its ratification by Russia in late 2004, the treaty came into force on 16 February 2005.

Net financial liabilities
p. 16, 18, 21, 25, 32

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

Operating income
p. 2, 20 f., 88, 116 ff.

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

Operating income before depreciation (OIBD)
p. 20 ff., 24, 32 f., 88 f., 116 ff.

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

Preheater kiln
p. 57

A preheater kiln is a dry kiln with a preheater. This preheater consists of several heat exchange cyclones in which the raw meal is preheated before being fed into the rotary kiln.

Price-earnings ratio (PER)
p. 18

Share price divided by earnings per share.

Profit/loss before tax
p. 21, 88, 125

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

Profitability
p. 18

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

Rating (credit rating)
p. 16

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

Ready-mixed concrete

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

Return on investment (ROI)
p. 24

Operating income before depreciation as a per cent of tangible fixed assets and intangible assets.

SIC
p. 102, 135 f.

Standing Interpretations Committee; the role of the SIC (founded in 1997) is to provide timely guidance on newly identified financial reporting issues not specifically addressed in IFRS or issues where unsatisfactory or conflicting interpretations have developed or seem likely to develop. In March 2002, the SIC was replaced by the IFRIC (International Financial Reporting Interpretations Committee).

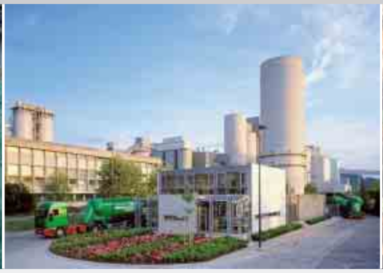
Sustainable development
p. 31, 80, 83 ff.

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

Syndicated loan
p. 5, 16, 128

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

Review of 2004 events

01

By including Indocement in the consolidation scope, Heidelberg-Cement increases its sales volumes by around 24%.

Joint venture between maxit Group and Beijing Building Materials Group for the construction of a new dry mortar plant in Beijing, which will start production in 2005.

02/03

The subsidiaries Duna-Dráva Cement/Hungary, Norcem/Norway and Cementa/Sweden (October 2004) sell their concrete admixtures businesses to Sika AG.

Conferences for analysts and the press on the 2003 annual accounts in Heidelberg and London.

Election of the new employee representatives to the Supervisory Board.

04

Introduction of a new pricing and conditions system for the sale of cement in Germany.

HeidelbergCement sells the building chemicals brands Compakta and Pactan.

05

Election of the new shareholder representatives to the Supervisory Board during the Annual General Meeting. Dr. Bernd Scheifele, Chairman of the Managing Board of PHOENIX Pharmahandel AG, Mannheim/Germany, becomes the new Chairman of the Supervisory Board.

Publication of the Interim Report on the first quarter of 2004.

06

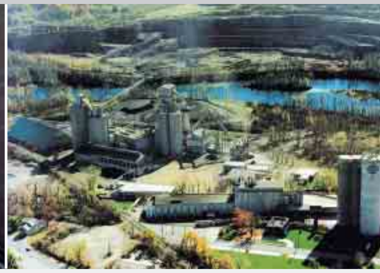
In Indonesia, HeidelbergCement is one of the first companies to develop a Clean Development Mechanism (CDM) project within the framework of the Kyoto Protocol. The CDM allows investments in emissions reducing measures in developing countries, thereby obtaining emissions certificates that can be sold or used in the European emissions trading scheme.

07

Our Romanian cement activities are merged under the name Carpatcement Holding S.A.

Following the retirement of Håkan Fernvik and Paul Vanfrachem, Daniel Gauthier takes over responsibility for Western Europe, Northern Europe, Africa-Asia-Turkey, and HC Trading. Andreas Kern is responsible for Central Europe West, Central Europe East, and maxit Group.

HeidelbergCement takes legal action against the Greenhouse Gases Emissions Trading Act (TEHG) and refers to its operating licences, which permit the CO_2 emissions required for operational purposes. Under the TEHG, HeidelbergCement would be permanently committed to the low production levels of the 2000-2002 reference period and with increasing cement demand would be forced to purchase additional emissions rights at a high price.



08/09

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

The Dutch and Belgian concrete activities are combined into one organisational unit in order to achieve better synergies.

The Swedish subsidiary Betongindustri acquires 15 ready-mixed concrete plants from the Swedish company NCC.

Clinker production is discontinued in Bosenberg/Germany and the production site is converted into a grinding plant.

10

Dr. Lorenz Näger becomes the Group's new Chief Financial Officer, succeeding Horst R. Wolf, who retires.

To ensure competitiveness in Belgium and the Netherlands, plans are made to reduce clinker capacities and to implement an extensive restructuring program.

By means of the voluntary exchange offer to the minority shareholders of Anneliese Zementwerke AG, HeidelbergCement increases its share in the company to 99.7%. A squeeze-out process is initiated.

11

HeidelbergCement publishes the Interim Report January to September 2004.

As part of the optimisation of its portfolio, HeidelbergCement sells its minority participation in the Angolan company Nova Cimangola.

The American subsidiary Lehigh purchases all shares in the Glens Falls cement plant, by acquiring the 50% participation held by Buzzi Unicem and Dyckerhoff.

The legal action against the Greenhouse Gases Emissions Trading Act is dismissed by two German Administrative Courts (Verwaltungsgerichte). HeidelbergCement appeals against this decision.

12

Signing of a new syndicated loan of EUR 1 billion, which refinances the syndicated loan from the previous year with improved conditions. The rating agencies Standard & Poor's and Moody's thus upgrade the long-term unsecured liabilities by two notches to BB+ and Ba1, respectively.

By acquiring the majority share in Teutonia Zementwerk AG, which is still subject to the approval of the cartel authorities, HeidelbergCement expands its market position in Northern Germany.

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69120 Heidelberg, Germany

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Translation of the Annual Report 2004.
The German version is binding.

Copies of the 2004 accounts of HeidelbergCement AG
and further information are available on request
from Group Communication.

Kindly find this annual report and further information
about HeidelbergCement on the Internet:
www.heidelbergcement.com

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Strategic business regions

■ **North America**

Canada
USA

HeidelbergCement is member of:

World Business Council for Sustainable Development

econsense
Forum Nachhaltige Entwicklung

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

Mediterranean region

Turkey

Africa

Angola
Benin
Gabon
Ghana
Liberia
Niger
Nigeria
Republic of the Congo
Sierra Leone
Tanzania
Togo

Central Europe West

Austria, Germany, Switzerland

Western Europe

Belgium, France, Netherlands, United Kingdom

Northern Europe

Denmark, Estonia, Latvia, Lithuania, Norway, Russia, Sweden

Central Europe East

Bosnia-Herzegovina, Croatia, Czech Republic, Hungary, Poland, Romania, Slovakia, Ukraine

Asia

Bangladesh
Brunei
China
Indonesia
Singapore
United Arab Emirates

maxit Group

Group Services

Strategic business regions

Financial calendar 2005

Annual General Meeting	4 May 2005
Interim Report January to March 2005	4 May 2005
Interim Report January to June 2005 as well as press and analysts' conferences	9 August 2005
Interim Report January to September 2005	8 November 2005

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