Annual Report 2005

HEIDELBERGCEMENT

Evolution 2005 of the HeidelbergCement share Index (base: 3 January 2005 = 100)

- **Turnover rises to EUR 7.8 billion**
- **Marked increase in operating income before depreciation (OIBD) and operating income**
- **Significant contributions to growth from almost all regions**
- **Spohn Cement is new main shareholder**
- **Increase in efficiency and cost reductions bear first fruits**
- **Shareholders' equity base strengthened**
- **Business portfolio further developed by means of targeted acquisitions**

Financial highlights

Figures in EURm	2001	2002	2003	2004	**2005**
Number of employees	34,846	36,761	37,774	42,062	**41.260**
Turnover					
Central Europe West	867	755	787	846	**920**
Western Europe	1,052	1,023	959	929	**900**
Northern Europe	825	872	758	716	**799**
Central Europe East	514	610	627	657	**849**
North America	1,990	1,865	1,686	1,699	**2,142**
Africa-Asia-Turkey	411	425	492	1,007	**1,057**
maxit Group	1,045	1,010	1,021	1,053	**1,118**
Group Services	510	453	417	505	**578**
Inter-region turnover	-525	-443	-375	-483	**-560**
Total Group turnover	6,689	6,570	6,372	6,929	**7,803**
Operating income before depreciation (OIBD)	1,185	1,147	1,024	1,219	**1,506**
Operating income	565	500	391	735	**1,010**
Profit/loss for the financial year	255	262	133	-333	**471**
Group share	244	248	117	-366	**415**
Dividend in EUR per share	1.15	[1]	1.15	0.55	**1.15**[2]
Investment in tangible fixed assets	817	457	386	466	**548**
Investment in financial fixed assets	412	218	227	45	**386**
Total fixed asset investments	1,229	675	612	511	**934**
Depreciation and amortisation	659	709	697	972	**593**
Tangible fixed assets	7,377	7,062	7,048	7,357	**7,949**
Financial fixed assets	1,358	1,399	1,178	926	**1,158**
Current assets	3,040	2,678	2,667	2,433	**2,828**
Shareholders' equity and minority interests	3,849	3,846	4,185	3,963	**5,058**
Provisions	1,364	1,378	1,423	1,706	**1,839**
Liabilities	6,562	5,915	5,285	5,047	**5,038**
Balance sheet total	11,775	11,139	10,893	10,716	**11,935**

[1] 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.
[2] Managing Board and Supervisory Board will propose to the Annual General Meeting on 23 May 2006 the distribution of a cash dividend of EUR 1.15.

for better building

With activities in around 50 countries and a Group turnover of EUR 7.8 billion, HeidelbergCement is one of the world's leading building material manufacturers. 41,000 employees contribute to the success of the Group with a consistent focus on performance and results. In 2005, our cement and clinker sales volumes rose to 68 million tonnes. We are pursuing a strategy of vertical integration in concrete and aggregates such as sand and gravel, in line with the local market conditions. Roads, bridges and tunnels link people, cities and regions; our products provide a stable basis for creating links and transcending borders.

The far-reaching changes initiated in 2005 and already implemented in part resulted in accelerated growth and increased efficiency: The development of the organisation into an integrated management approach, the standardisation of administrative processes and the management in accordance with uniform key performance indicators are cornerstones that strengthen HeidelbergCement's future viability. Leadership is also based on shared, firm principles. Absolute priority is given to a focus on customers and employees, cost awareness, speed, strength of implementation and close proximity to operating activities.

HeidelbergCement has made a commitment to the sustainable development of economy, ecology and social responsibility. In 2005, we made good progress in the implementation of these goals, which are set out in our sustainability programme.

Contents

Letter to the shareholders

Dear Shareholders,
Dear Fellow Employees and Friends of HeidelbergCement,

For HeidelbergCement, 2005 was an exciting and dynamic year, in which many things were tackled and successfully implemented. We were able to make considerable progress. Through extensive restructuring measures with a focus on Europe, an organisational reshuffle and significant cost savings, we positioned HeidelbergCement even closer to the market. What were the highlights?

Dr. Bernd Scheifele
Chairman of the Managing Board of HeidelbergCement

Accelerated growth

Group turnover rose by 12.6% to EUR 7.8 billion. Cement sales volumes increased by 4.9% to more than 68 million tonnes; in ready-mixed concrete, the growth amounted to around 8%. We succeeded in overcoming the weak growth of the previous years, putting HeidelbergCement back on a clear course for growth. The increase achieved in the dynamic regions of North America, China, Turkey and Eastern Europe was particularly pleasing.

Optimising our business portfolio

In 2005, we further developed our business portfolio by targeted acquisitions. In North America, we acquired 100% of the ownership of the Glens Falls cement plant at the beginning of the year, thereby strengthening our market position in the Boston and New York area – a region of high economic importance. In the southern US, currently experiencing strong growth, we acquired Campbell, the market leader in ready-mixed concrete, and significantly improved our market position in Houston, Texas.

In China, we entered into a joint venture with Jidong – one of the leading Chinese cement manufacturers. The joint venture will focus on the rapidly growing cement markets in central and northern China. By forming this co-operation with Jidong, we have established a second foothold in the growing Chinese market, alongside our commitment in Guangzhou (Canton province).

In eastern Ukraine, we have consistently extended our market leadership by acquiring Doncement. At the end of the year, we made our market entry in Kazakhstan with the acquisition of Buchtarma Cement Company. With its rich natural resources and the large number of infrastructural projects started there, Kazakhstan offers good prospects for future growth. In Northern Europe, we strengthened our vertical integration significantly with the acquisition of the two Danish companies: Randers Cement and DK Beton.

These acquisitions show that, despite the internal reorganisation, we are investing solidly in our future, even in times when the market environment in our traditional markets of Germany and the Benelux countries is somewhat strained.

We want to play a larger part in the development of the worldwide building materials market through targeted geographical diversification in rapidly growing markets and strengthened vertical integration in mature markets. This will make HeidelbergCement more economically robust. Consistent, sustainable development of our international business portfolio is the correct response to weak growth in individual markets.

Results exceed expectations

The Group profit after tax amounted to EUR 471 million, noticeably exceeding our internal projections. It is pleasing to note that, with only a few exceptions, all regions recorded marked increases in results compared with previous year and plan.

In particular, North America contributed to a very high degree to the results. The Northern Europe region has made a noticeable recovery from the weak results situation of the past year. In Germany, we recorded a further increase in results. However, the absolute level remains unsatisfactory. In Eastern Europe, we were able to continue the success story of previous years. Sales volumes, turnover and profit rose noticeably.

The Africa-Asia-Turkey region presented a varied picture: Indonesia and Turkey achieved substantial increases in results on the basis of markedly higher domestic demand. The market in China, particularly in Guangzhou, was characterised by intense competition and excess local capacities. Combined with one-time expenditure in connection with the streamlining of our investment portfolio in ready-mixed concrete, this led to unsatisfactory results.

“win” project

“win” is a three-year project initiated by the Managing Board and aimed at strengthening HeidelbergCement’s future viability. As part of the “win” project, we made some fundamental organisational changes, the most important being the move from an extremely decentralised Group organisation to an integrated management approach. This is characterised by consistent centralisation and large-scale automation of administrative processes and systems, while keeping redundancies as low as possible. Management at HeidelbergCement is based on strict performance management across the Group in accordance with clearly defined, common key performance indicators, global transparency and fast implementation.

At a national level, the basic administrative units for all business lines are combined in shared service centers. The shared service center concept helps us to achieve cost savings and improve efficiency through synergy effects and geographical consolidation.

We have regionalised the HeidelbergCement Technology Centre (HTC), which brings together the technical expertise for the cement business line. This ensures that the necessary expertise is closer to – and has greater responsibility for – operating activities. Within the HTC, the focus is placed on cost leadership and efficient investment management. On top of that, HTC plays an important part in the development of junior managers.

At the same time, we have created a transparent and efficient Group Purchasing organisation, streamlined hierarchies noticeably, closed the headquarters in Malmö and Singapore and significantly downsized the headquarters in Brussels.

We have strengthened the entrepreneurial responsibility of the subsidiaries in the individual countries in line with the motto “all business is local”. This new organisation not only makes us more flexible, but also accelerates the decision-making process significantly, optimises internal communication and increases speed, efficiency and consistency in implementation.

The reorganisation to strengthen our international competitiveness inevitably involved personnel reductions. This decision was not taken lightly. In line with the HeidelbergCement tradition, the measures were implemented in a socially responsible manner in constructive co-operation with the employee representatives.

We are convinced that sustainable profitability is an essential prerequisite for investing in future growth and thus creating attractive jobs in the long term.

Strengthening the equity base

One of HeidelbergCement's defining strengths has always been its extremely solid and stable group of shareholders. This competitive advantage has been strengthened even further by the successful completion of the takeover bid by Spohn Cement GmbH. Our shareholders' confidence in the long-term growth strategy is vital for the independence of our Group. In the 2005 financial year, our shareholders strengthened the shareholders' equity base of the Group by a total of EUR 581 million through two capital increases. We are sincerely grateful for the active support of our growth strategy and the high degree of confidence displayed.

Performance-oriented business culture: Challenge and support

By adopting Group-wide leadership principles, we have laid the foundation for a common management culture, thereby making it clear that management at HeidelbergCement is based on shared, firm principles. Absolute priority is given to focus on customers and employees, extreme cost awareness, speed, strength of implementation and close proximity to operating activities.

Our new management culture is characterised by a strong emphasis on performance and results. Therefore, we have started to introduce a standardised remuneration system for the Top Management with a large variable component in 2005. We hope to strengthen entrepreneurship at HeidelbergCement substantially with a high level of profit sharing. All managers now see both the positive and the negative consequences of their entrepreneurial activity much more clearly than before.

A successful company must be able to rely on an excellent management team and highly trained employees. By encouraging our employees in a targeted way, we create the basis for sustainable succession planning. Wherever possible, positions are being filled from among our own ranks with highly skilled and operationally experienced employees. Competent handling of our operating business, strength of implementation, a focus on employees and exemplary behaviour are essential requirements for taking on responsibility at HeidelbergCement.

HeidelbergCement's geographical diversification in over 50 countries worldwide requires employees to be open, fair, culturally tolerant and loyal in their dealings with one another, particularly when working across borders. Despite using similar management techniques, consideration must be given to the specific characteristics of each national – or even local – market.

Our more than 41,000 employees and managers worldwide have fulfilled these requirements to a high degree in a year characterised by considerable changes, and have moved the Group forward with loyalty and a high degree of personal dedication. I would like to express thanks and appreciation for this on behalf of myself and my colleagues on the Managing Board.

Outlook

Overall, 2005 was a successful year in many respects. We achieved an acceptable improvement in results and strengthened market positions in numerous countries. We laid the foundation for the successful future of the Group by investing in growth regions and optimising our Group organisation. All this serves to create sustainable value for the benefit of our customers, employees and shareholders.

HeidelbergCement is continuing to make progress in 2006. We will meet the anticipated new challenges dynamically, competently and consistently. All changes are made with discretion and a sense of responsibility towards our employees.

We have set ourselves demanding goals for 2006. We expect a marked increase in turnover and results. To achieve our goals, we rely on consistent management, highly efficient structures and processes, ongoing internal and external benchmarking, speed and transparency. This will form the basis of our long-term success!

Yours sincerely,

Bernd Scheifele

Dr. Bernd Scheifele
Chairman of the Managing Board

Report of the Supervisory Board

Ladies and Gentlemen,

From the point of view of the Supervisory Board, three events stand out in the reporting year: the change at the head of the Group, the successful takeover bid by Spohn Cement GmbH and the "win" project, which was started successfully and is currently being implemented.

Fritz-Jürgen Heckmann
Chairman of the Supervisory Board of HeidelbergCement

On 1 February 2005, as reported in this chapter in the previous year, the Supervisory Board appointed its former Chairman, Dr. Bernd Scheifele, as the new Chairman of the Managing Board. It elected the attorney Fritz-Jürgen Heckmann as the new Chairman of the Supervisory Board. The Supervisory Board issued its own statement on the takeover bid, as did the Managing Board. The "win" project initiated by the Managing Board, which aims to streamline the management structure and complete the integration of CBR and Scancem, acquired in the 1990s, was discussed thoroughly with the Managing Board and explicitly endorsed. These three measures have strengthened HeidelbergCement noticeably in terms of its independence, leadership and organisational structure. This puts the Group well on the way to regaining its former level of profitability, which is essential for achieving further growth in competition with the industry's major players.

Besides these events affecting the shareholder and management structure, important operational developments also occurred: the increased participation in the Indonesian company Indocement by means of a capital increase against contribution in-kind, a joint venture in China with the leading Chinese cement manufacturer Tangshan Jidong Cement, the first acquisition in Central Asia with the takeover of the Buchtarma Cement Company in Kazakhstan, investments in Denmark and the acquisition of a majority share in the German company Teutonia Zementwerk AG.

In the past year, the Supervisory Board dealt intensively with the topics mentioned, and numerous others, and performed its advisory and monitoring duties in the interests of the shareholders and employees. It was informed regularly, promptly and in detail by the Managing Board about the intended business policies, fundamental issues of financial, investment and personnel planning, the profitability of the company and the progress of business. The written documents compiled by the Managing Board for this purpose were made available to the members of the Supervisory Board and discussed in detail in the plenary sessions. The Supervisory Board was informed particularly about differences between actual development and previously reported plans and assumptions. Investment and financing projects requiring authorisation were presented and discussed individually before decisions were made. Where these concerned investments in growth markets, the Supervisory Board also asked for statements on the political risks in particular. The Supervisory Board is satisfied that the Managing Board has installed an effective risk management system capable of recognising at an early stage any developments that could jeopardise the survival of the company. It has also had this opinion confirmed by the auditors. The Supervisory Board responded promptly to the specific events of the past year by convening several extraordinary meetings. Outside the meetings, the Chairman of the Supervisory Board was in constant contact with the Managing Board, particularly with its Chairman.

In the 2005 financial year, eight meetings of the Supervisory Board took place, four ordinary and four extraordinary. The extraordinary meetings focused on the change in the chairmanship of the Managing Board, the capital increase against contribution in-kind to increase the participation in Indocement, the preparation for the Annual General Meeting 2005 and the statement on the takeover bid by Spohn Cement GmbH. The Personnel Committee met six times during the reporting year and prepared the decision regarding the appointment of a successor to the Chairman of the Managing Board, discussed the reappointments of members of the Managing Board and made decisions on matters relating to the Managing Board remuneration. The Audit Committee met once to prepare the decisions concerning the adoption of the 2004 annual accounts and to appoint the auditors for 2005. The Arbitration Committee, formed in accordance with § 27, section 3 of the German Codetermination Law, had no cause to meet. At the following meeting, the plenary session of the Supervisory Board was informed about the work of the committees.

The statement of compliance for the reporting year was submitted on 22 March 2005 and this year's statement of compliance will be submitted on 22 March 2006. The new recommendations of the German Corporate Governance Code, revised in June 2005, were all integrated into the Group's Corporate Governance Principles. In order to avoid conflicts of interest, Dr. Adolf Merckle and Ludwig Merckle, members of the Supervisory Board, did not take part in the discussion and adoption of the Supervisory Board's statement on the takeover bid by Spohn Cement GmbH. They merely explained the aims of the takeover bid at the beginning of the discussion. Further information on corporate governance within the Group and a detailed report on the amount and structure of the remuneration of the Managing Board and Supervisory Board can be found in the Corporate Governance chapter in the Report to the shareholders on page 30 ff.

The Supervisory Board examined and approved the report on the relationships with affiliated companies compiled by the Managing Board in accordance with § 312 of the German Stock Company Act (Aktiengesetz). The Supervisory Board approved the statements of the independent auditors in their audit report on the dependent companies report. The audit opinion reads: "In accordance with our duly performed audit and assessment, we confirm that 1) the factual details of the report are correct, 2) the amount paid by the company with respect to the legal transaction presented in the report was not unreasonably high." After its own final examination, the Supervisory Board raised no objections to the declaration made by the Managing Board at the end of the dependent companies report, which was also included into the report to the shareholders (page 27).

Before awarding the contract for the auditing of the annual accounts of the Company and Group, the focal points for the audit, the content of the audit and the costs were discussed in detail with the auditor. In December 2005, the auditor issued detailed information about the results of the pre-audit. The annual accounts of HeidelbergCement AG, the Group annual accounts as of 31 December 2005 and the combined report to the shareholders for the Company and the Group, as prepared by the Managing Board, were examined by 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 main results of their audit. Then, the Supervisory Board discussed the annual accounts in detail, once again in the presence of the auditors. The Supervisory Board approved the audit results. It examined the Company and the Group annual accounts, the combined report to the shareholders as well as the Managing Board's proposal 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 Managing Board's proposal for the use of net profit shown in the balance sheet, including the payment of a dividend of EUR 1.15 per share.

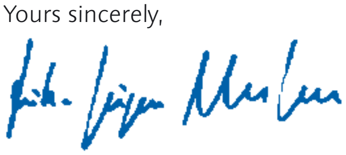
To replace Dr. Scheifele, who became Chairman of the Managing Board, the Local Court (Amtsgericht) of Heidelberg appointed, at the request of the Managing Board, Mr. Gerhard Hirth as a member of the Supervisory Board to represent the shareholders on 6 April 2005.

The particular challenges of 2005 could only be tackled thanks to a high level of commitment in all areas of the Group. 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 2005 financial year.

Heidelberg, 22 March 2006

On behalf of the Supervisory Board

Yours sincerely,



Fritz-Jürgen Heckmann
Chairman

Managing Board

Dr. Bernd Scheifele
Born in Freiburg (Germany), aged 47 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, Purchasing, Legal and Internal Audit.

Helmut S. Erhard
Born in Klingenbrunn (Germany), aged 62 years. Studies in mining engineering at Clausthal (Germany).

Since 1971 at HeidelbergCement. Member of the Managing Board since 1999; in charge of North America and worldwide coordination of HeidelbergCement Technology Center.

Daniel Gauthier
Born in Charleroi (Belgium), aged 49 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 Africa, Asia, Mediterranean Basin, Benelux, and HC Trading.

Andreas Kern
Born in Neckarsteinach (Germany), aged 47 years. Studies in business administration at Mannheim (Germany).

Since 1983 at HeidelbergCement. Member of the Managing Board since 2000; in charge of Europe.

Dr. Lorenz Näger
Born in Ravensburg (Germany), aged 45 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, Insurance & Corporate Risk Management, IT, and maxit Group.

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

Supervisory Board

Dr. Bernd Scheifele
Chairman until 31 January 2005
Heidelberg
until 31 January 2005, Chairman of the Managing Board of PHOENIX Pharmahandel AG & Co KG
since 1 February 2005, Chairman of the Managing Board of HeidelbergCement AG

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

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

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

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

Gerhard Hirth
since 6 April 2005
Ulm
Managing Director, SCHWENK group

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

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

Max Dietrich Kley
Heidelberg
Attorney

Hans Georg Kraut
Schelklingen
Director of the Schelklingen plant

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

Ludwig Merckle
Ulm
Managing Director, VEM Vermögens-verwaltung GmbH

Eduard Schleicher
Ulm
Partner with unlimited liability, SCHWENK group

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

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

Supervisory Board Committees

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

Dr. Bernd Scheifele
Chairman until 31 January 2005

Fritz-Jürgen Heckmann
Chairman from 1 February 2005

Josef Heumann

Heinz Schirmer

Eduard Schleicher

Personnel Committee

Dr. Bernd Scheifele
Chairman until 31 January 2005

Fritz-Jürgen Heckmann
Chairman from 1 February 2005
until 19 September 2005

Ludwig Merckle
Chairman since 19 September 2005

Theo Beermann

Hans Georg Kraut

Heinz Schirmer

Eduard Schleicher

Audit Committee

Dr. Bernd Scheifele
Chairman until 31 January 2005

Senator E.h. Dr. med. h.c. Adolf Merckle
Chairman since 1 February 2005

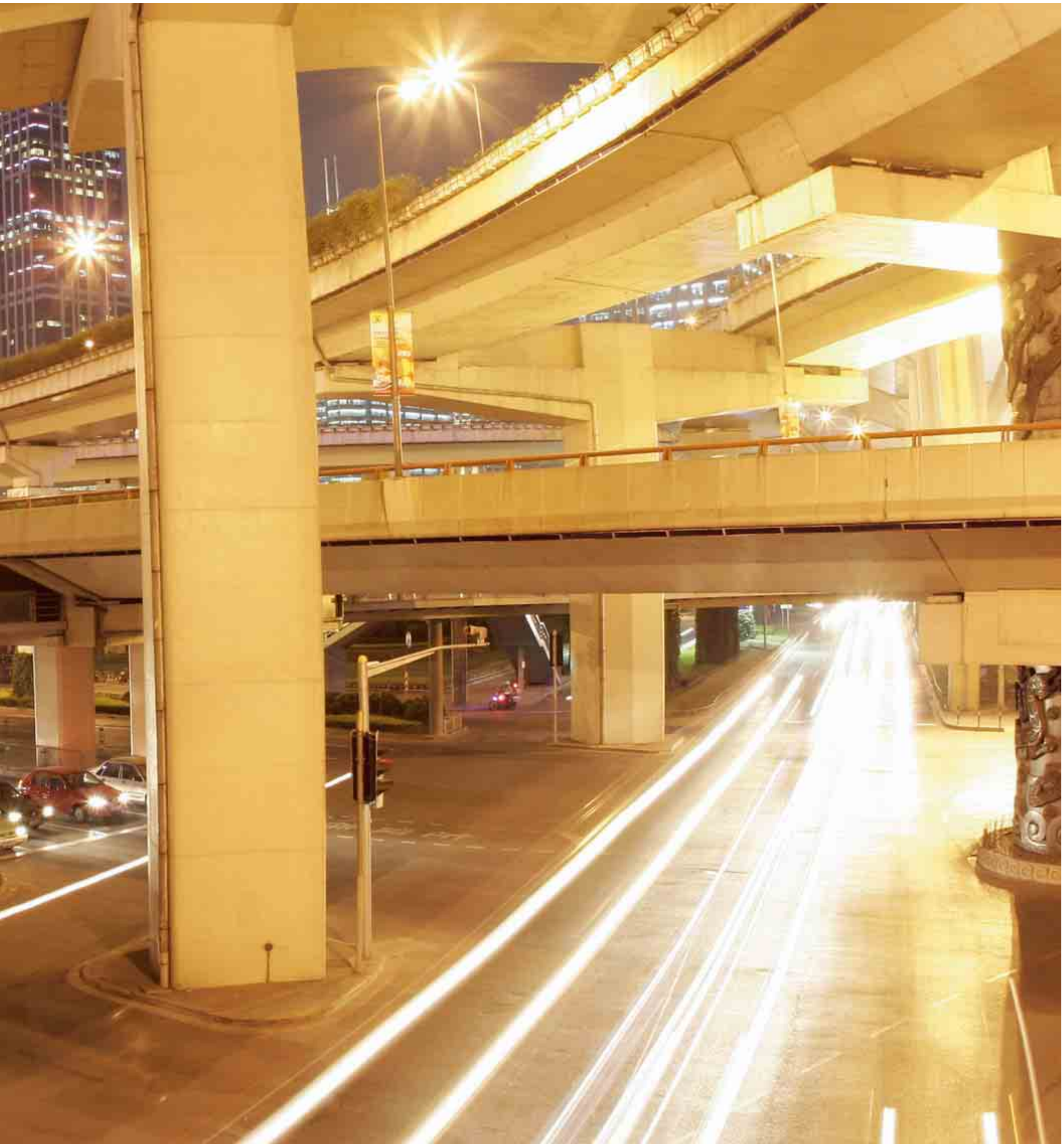
Fritz-Jürgen Heckmann
since 1 February 2005

Heinz Schirmer

Eduard Schleicher

Heinz Schmitt

Karl-Heinz Strobl



In a challenging market environment, we have to win the confidence in our products and services again and again, customer for customer, project for project and day by day. The customers' success is our success. Therefore, we maximise our efforts to offer the greatest possible benefit.

Share and financing

Overview

Earnings per share in accordance with IAS 33 for the financial year 2005 were EUR 3.74 (previous year: -3.64). The Managing Board and Supervisory Board will propose to the Annual General Meeting on 23 May 2006 the distribution of a dividend of EUR 1.15 per HeidelbergCement share.

The takeover bid by Spohn Cement GmbH led to a fundamental change in the shareholder structure of our company. The main shareholder is now Spohn Cement GmbH, including persons acting in concert with it and their subsidiaries, with 77.95% of the shares. SCHWENK Beteiligungen GmbH & Co. KG reduced its share in the share capital to 7.5%. 14.55% of our shares are still in free float.

With a year-end price of EUR 75.26, the HeidelbergCement share was listed 70% higher than in the previous year. Market capitalisation rose in the course of the year from EUR 4.5 billion to EUR 8.7 billion. On the capital markets, the reduction of HeidelbergCement's financing costs formed a central focus of the activities of our Group financial management.

Capital increases

In 2005, the share capital of HeidelbergCement AG rose by around EUR 37.6 million to EUR 296 million as a result of three capital increases. The number of shares thus increased by around 14.7 million to just under 116 million.

In order to strengthen the shareholders' equity base, we carried out a cash capital increase from authorised capital with subscription rights for the shareholders in March 2005. For every 13 existing shares, the shareholders received the right to subscribe for a new share at a subscription price of EUR 35. The around 7.8 million new shares will have full dividend-bearing rights for the 2005 financial year. The company received around EUR 270 million as a result of the successful capital increase. In the process of increasing our share in Indocement (see also the Africa-Asia-Turkey chapter, page 60), we carried out a capital increase against contribution in-kind from authorised capital, with subscription rights excluded. As a result, the share capital rose by EUR 16.7 million through the issue of 6.5 million shares.

HeidelbergCement AG share capital: development 2005	Share capital EUR '000s	Number of shares
1 January 2005	258,421	100,945,688
Cash capital increase	19,868	7,761,071
Capital increase against contribution in-kind	16,715	6,529,355
Exercising of stock options	1,060	414,195
31 December 2005	**296,065**	**115,650,309**

The share capital increased by a further EUR 1.1 million as a result of the exercising of stock options from the 2001/2007 stock option plan; this led to the creation of just over 0.4 million new shares (see also Corporate Governance, page 33).

Development of the HeidelbergCement share

The price development of the HeidelbergCement share in the 2005 financial year was influenced to a large extent by the public takeover bid from Spohn Cement GmbH. After varied performance in the first few months, our share reached its lowest point on 28 April with EUR 43.78, recovering slightly after that date. Immediately after the announcement of the takeover bid by Spohn Cement on 10 June, the share price levelled off as expected, at just under the bid price of EUR 60. Even after the expiry of the bid respite period on 12 August, the price initially remained at this level and then started to rise again from October. The share reached its highest level on 23 November with EUR 78.70 and closed at EUR 75.26 at the end of 2005.

Overall, the price of the HeidelbergCement share rose by 70 % in the course of the year, while DAX and MDAX increased by 27 % and 36 % respectively. The worldwide sector index, the MSCI World Construction Materials Index, recorded an increase of 35 %.

HeidelbergCement shares are represented in around 40 share indices and therefore rank among the most important building materials securities in Europe. Among others they are included in the MDAX, Deutsche Börse Prime Construction Index, 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 building materials shares in the world. In addition, HeidelbergCement is included in the Morgan Stanley Capital International (MSCI) indices. In the reporting year, our share was accepted into the FTSE4Good Index, which responds to the rising interest of socially responsible investors. Measured in terms of its weighting in the HDAX share index, HeidelbergCement was at position 56 of the 110 largest quoted companies in Germany at the end of 2005. Our share is listed on the Prime Standard stock market segment of the Frankfurt stock exchange and on several regional German stock exchanges.

Development of the HeidelbergCement share* 2005

EUR	2005
Year-end share price 2004	**44.30**
Highest share price	**78.70**
Lowest share price	**43.78**
Year-end share price 2005	**75.26**
Shareholders' equity per share	**43.73**
Change compared with 31 Dec. 2004	
HeidelbergCement share	**70 %**
DAX	**27 %**
MDAX	**36 %**
MSCI World Construction Materials Index	**35 %**
Market value on 31 Dec. 2005 (EUR '000s)	**8,703,842**

* ISIN DE0006047004 * WKN 604700

We provide comprehensive information to institutional investors, equity and credit analysts and private shareholders via our Internet site (www.heidelbergcement.com) and our shareholder hotline (+49 (0) 6221/481-696).

Group financial management

Our Group's credit rating improved further in the course of the year. The rating agency Moody's raised the outlook for our credit quality to positive. For the whole of 2005, Standard & Poor's and Moody's rated our credit quality as BB+/B and Ba1/Not-Prime respectively. Following the publication of the takeover bid by Spohn Cement, both agencies routinely placed their ratings on credit review initially, but subsequently confirmed our long-term credit rating. Returning to investment grade remains our objective.

Against this backdrop, HeidelbergCement was once again represented with adequate volumes on the money and capital markets in the 2005 financial year. Our Group made use of the Euro Commercial Paper Programme to issue short-term debenture bonds with a cumulative amount of EUR 1.4 billion. A cumulative volume in terms of EUR 430 million was issued under the Swedish SEK Commercial Paper Programme. In addition, we issued bonds amounting to EUR 166 million under our EUR 3 billion European Medium Term Note (EMTN) programme. At the end of 2005, the total amount in outstanding debenture bonds under the EMTN programme was approximately EUR 1.4 billion. We are currently in the process of updating the documentation for the framework programme and preparing the application for listing on the Luxembourg stock exchange in spring 2006.

One of the focal points of our activities on the capital markets was the reduction of the Group's financing costs. In April 2005, HeidelbergCement Finance B.V. redeemed 35 % of the nominal volume of the EUR 700 million 7.375 % high yield bond maturing in 2010. In addition, we made

Key financial ratios

	2002	2003	2004	**2005**
Assets and capital structure				
Shareholders' equity/total capital	34.5 %	38.4 %	37.0 %	**42.4 %**
Net financial liabilities/balance sheet total	37.8 %	33.1 %	34.3 %	**29.7 %**
Long-term capital/fixed assets	106.6 %	108.8 %	109.5 %	**104.7 %**
Gearing (net fin. liabilities/shareholders' equity)	111.9 %	86.1 %	92.7 %	**70.1 %**
Earnings per share				
Price/earnings ratio	9.1	23.8	-12.2	**20.1**
Earnings per share (EUR)	3.90	1.41	-3.64	**3.74**
Profitability				
Return on total assets before taxes	6.1 %	5.9 %	1.1 %	**8.9 %**
Return on equity	6.8 %	3.2 %	-8.4 %	**9.3 %**
Return on turnover	4.0 %	2.1 %	-4.8 %	**6.0 %**

early repayments amounting to EUR 100 million on debenture bonds issued under the EMTN programme and repurchased a further EUR 308 million in debenture bonds from the investors.

Finally, the EUR 1 billion syndicated loan renegotiated in 2004 was amended in December 2005; the amendments to the agreement include, in addition to a significantly lower credit margin, an extension of the tenor to five years from December 2005 with two extension options, both for a year, and a reduced volume of EUR 600 million. Besides this syndicated loan, entirely undrawn as of the end of 2005, further committed credit lines are available to the Group to guarantee liquidity. The Group also has a considerable volume of confirmed credit lines on an uncommitted basis.

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.

HeidelbergCement AG annual accounts

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 Mannheim, HRB No. 330082. Copies can be obtained on request from HeidelbergCement AG.

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

EURm	2004	**2005**
Profit/loss for the financial year	-332.9	**471.1**
Minority interests	-32.9	**-56.6**
Group share	-365.8	**414.5**
Number of shares in '000s (weighted average)	100,592	**110,789**
Earnings per share in EUR (IAS 33)	-3.64	**3.74**

Successful, active and trustful cooperation is based on timely and comprehensive communication and information. A regular and open flow of information is of great importance in motivating our employees.

HeidelbergCement report to the shareholders

2005 business trend

Economic environment

In 2005, HeidelbergCement broadened its geographical diversification even further. 85 % of its turnover was achieved on the international markets outside Germany. Despite the heavy increase in oil prices, the global economy experienced relatively favourable development. In North America, the continuing strong growth was primarily supported by the consumption and investment dynamics. Rapid economic expansion took place in the emerging countries in Asia. The growth rate of the European economy slowed to an average of 1.3 %. Northern Europe and the new EU countries recorded above-average growth. In Germany, the growth rate of the gross domestic product remained low, at 0.9 %.

The development of the construction and building materials industries also experienced an upward trend worldwide. Particularly in North America and Asia, but also in large parts of Europe – with the exception of Germany – cement consumption was boosted by the economic environment in the construction industry, rising by a global average of around 4 %.

Increase in turnover to EUR 7.8 billion

In 2005, Group turnover rose by 12.6 % to EUR 7,803 million (previous year: 6,929). Our operational growth of EUR 587 million was primarily achieved in North America, Central Europe East, Africa-Asia-Turkey and Northern Europe. Other significant influential factors were new consolidations, which contributed EUR 262 million. Exchange rate effects played an insignificant role, amounting to EUR 25 million.

Cement and clinker sales volumes grew by 4.9 % in 2005 to 68.4 million tonnes (previous year: 65.2). High increases in sales volumes were achieved primarily in North America, Central Europe East and Northern Europe. Excluding consolidation effects, growth amounted to 1.3 % compared with the previous year.

Cement and clinker sales volumes

1,000 tonnes	2004	**2005**
Central Europe West	7,138	**7,638**
Western Europe	8,649	**8,399**
Northern Europe	5,359	**5,735**
Central Europe East	9,804	**11,475**
North America	13,414	**14,688**
Africa-Asia-Turkey	20,822	**20,465**
Total	65,186	**68,400**

Operating income

In 2005, we continued our cost-saving and restructuring measures to ensure better utilisation of capacities and a more streamlined organisation. With regionally varying improvements in proceeds, we were able to balance out the worldwide increased energy prices. Operating income before depreciation (OIBD) rose by 23.5 % to EUR 1,506 million (previous year: 1,219) and operating income by 37.4 % to EUR 1,010 million (previous year: 735).

In the 2005 financial year, the additional ordinary result of EUR -117 million net was affected by special issues. The majority of the burden is due to the impairment of goodwill and of tangible fixed assets in China and Germany. Other significant amounts result from provisions for restructuring and the "win" project. Significant income resulted from the sale of fixed assets.

The results from participations of EUR 139 million (previous year: 67) were affected by the good business development of Vicat S.A. and one-time extraordinary income at Südbayerisches Portland-Zementwerk Gebr. Wiesböck & Co. GmbH.

The financial results improved by EUR 19 million to EUR -261 million (previous year: -280). Non-recurring expenses for the optimisation of Group financing were also stated under financial results. While exchange rate losses were stated in the previous year, gains were recorded in 2005. The Group's net financial liabilities decreased by EUR 123 million to EUR 3,545 million (previous year: 3,668).

As a result of the significant improvement in earnings before interest and income taxes (EBIT), profit before tax grew to EUR 772 million (previous year: -152). The rise in income tax expense to EUR 300 million (previous year: 181) is primarily attributable to the strong profit increase and the high tax rates in North America.

Group profit and loss accounts (short form)

EURm	2004	**2005**	change
Turnover	6,929	**7,803**	13 %
Operating income before depreciation (OIBD)	1,219	**1,506**	24 %
Depreciation of tangible and intangible fixed assets	-484	**-496**	2 %
Operating income	735	**1,010**	37 %
Additional ordinary result	-674	**-117**	-83 %
Results from participations	67	**139**	109 %
Earnings before interest and income taxes (EBIT)	128	**1,033**	706 %
Financial results	-280	**-261**	-7 %
Profit/loss before tax	-152	**772**	
Taxes on income	-181	**-300**	66 %
Profit/loss for the financial year	-333	**471**	
Group share	-366	**415**	

Profit for the financial year / earnings per share

The total profit for the financial year is EUR 471 million (previous year: -333). The Group share in profit amounts to EUR 415 million (previous year: -366). Our share is listed on the Frankfurt stock exchange and on several regional German stock exchanges. The earnings per share in accordance with IAS 33 amounted to EUR 3.74 (previous year: -3.64). The average number of shares in the 2005 financial year was 110.8 million (previous year: 100.6).

Business development in the regions

In Germany, the core market of **Central Europe West**, construction activity reached its lowest point once again with a decline of 3.4 %. In the past year, cement consumption fell again by around 7.5 %. HeidelbergCement was able to increase its cement and clinker sales volumes by 7.0 % to 7.6 million tonnes (previous year: 7.1) by expanding its consolidation scope. Although sales volumes of ready-mixed concrete decreased by 5 %, HeidelbergCement was able to maintain its market share in this highly competitive environment. Sales volumes of aggregates also declined. In the concrete products operating line, the adverse market conditions led to further adjustment measures. The lime operating line recorded good utilisation of capacities in the past year. We were able to improve our results in the sand-lime brick operating line.

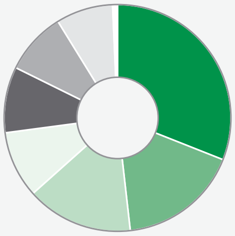
Turnover rose by 8.7 % to EUR 920 million (previous year: 846), primarily as a result of the new consolidation. The growth of operating income to EUR 67 million (previous year: 43) is attributable to improvements in the cement business line and the sand-lime brick operating line.

A recovery in construction activity in the Benelux countries led to a slight rise in cement consumption, while demand in the United Kingdom weakened. Overall, our cement and clinker sales volumes in **Western Europe** fell by 2.9 % to 8.4 million tonnes (previous year: 8.6). Restructuring measures were initiated in the cement business line. In the United Kingdom, we commissioned one of the most modern kiln lines in Europe.

Ready-mixed concrete sales volumes rose by 10.2 % to 3.0 million cubic metres in Belgium and the Netherlands, primarily as a result of acquiring new participations. In aggregates, our main focus was on securing raw materials. In the past year, sales volumes reached the previous year's level again with 15.3 million tonnes.

The decline of 3.1 % in turnover to EUR 900 million (previous year: 929) was partly due to the continuing import pressure from Germany. Operating income fell to EUR 65 million (previous year: 83).

OIBD by Regions



- 31.0 % North America
- 17.2 % Central Europe East
- 15.2 % Africa-Asia-Turkey
- 9.5 % maxit Group
- 9.4 % Western Europe
- 8.9 % Central Europe West
- 8.1 % Northern Europe
- 0.7 % Group Services

The positive economic situation in the construction industry led to a continuously strong cement demand in all countries of the **Northern Europe** region. Cement and clinker deliveries rose by 7.0% to 5.7 million tonnes (previous year: 5.4). Domestic sales volumes experienced an above-average increase. After the completion of the modernisation measures, our Cesla plant in the Saint Petersburg area restarted production. We expanded our activities in the ready-mixed concrete operating line considerably. Sales volumes grew by 11.0% to 1.8 million cubic metres. At the end of the year, we strengthened the region's vertical integration by acquiring the Danish companies Randers Cement and DK Beton. The aggregates operating line also experienced pleasing development.

Turnover improved significantly, rising by 11.6% to EUR 799 million (previous year: 716). The high increase in operating income to EUR 66 million (previous year: 34) was partly caused by the growth of domestic sales volumes.

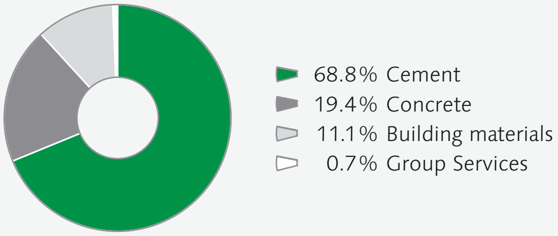
Most countries in the **Central Europe East** region recorded strong growth in economy and construction activity. Cement consumption increased in almost all countries as a result of numerous infrastructural projects. Our cement and clinker sales volumes rose by 17% to 11.5 million tonnes (previous year: 9.8). This increase is partly due to changes in the scope of consolidation. Through the acquisition of the cement manufacturer Doncement in Ukraine and our commitment in Kazakhstan at the end of 2005, we further strengthen our position in these growing markets. The ready-mixed concrete and aggregates operating lines were also able to expand their sales volumes considerably.

The increase of 29.2% in turnover to EUR 849 million (previous year: 657) was supported by consolidation and exchange rate effects. Operating income improved significantly, reaching EUR 188 million (previous year: 135).

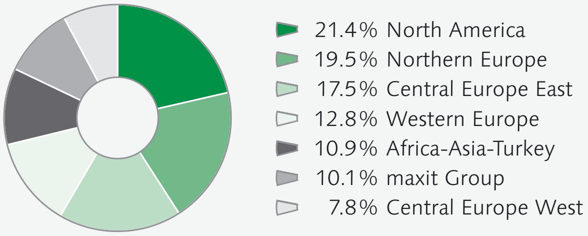
For **North America**, 2005 was a record year. With construction activity remaining strong and cement consumption increasing further, we achieved the highest sales volumes to date, with 14.7 million tonnes (previous year: 13.4). We were not directly affected by the devastating Hurricane Katrina. Sales volumes of ready-mixed concrete also rose significantly. We expanded our market position in Texas with the complete takeover of the leading ready-mixed concrete manufacturer in the Houston area. The sales volumes of aggregates also considerably increased. We were able to secure the supply of raw materials by obtaining additional mining concessions.

Turnover grew by 26.1% to EUR 2,142 million (previous year: 1,699). A peak figure was also reached in operating income with EUR 369 million (previous year: 230).

OIBD by business lines



Investment in tangible fixed assets by regions



In the combined growth region **Africa-Asia-Turkey**, cement and clinker sales volumes decreased by 1.7 % to 20.5 million tonnes (previous year: 20.8). This is primarily attributable to declining exports. Domestic sales volumes increased in almost all countries, with particularly significant growth in Turkey and China. Turnover climbed 4.9 % to EUR 1,057 million (previous year: 1,007), while operating income reached EUR 158 million (previous year: 119).

In Africa, the cement sales volumes of the consolidated participations improved slightly. In Tanzania, we increased our participation by 12.9 % to 63.3 %. While our sales volumes grew on the highly competitive Indonesian domestic market, a noticeable decrease was recorded in cement and clinker exports. In the middle of 2005, we increased our share in Indocement to 65.1 %. In China, we achieved growth in cement sales volumes; the new plant in Guangzhou started production in July 2005. With another joint venture in the north of the country we expand our market position.

With construction activity experiencing a positive trend, the domestic sales volumes of our Turkish joint venture Akçansa achieved double-digit growth. We responded to the further rise in demand by expanding the capacities of our Çanakkale plant. The ready-mixed concrete operating line, which expanded its activities with new plants, also achieved considerable increases in sales volumes.

The markets of **maxit Group** developed positively in 2005, with the exception of Germany. Northern Europe recorded the strongest growth. We commissioned two new dry mortar plants in Russia and China. Turnover rose by 6.1 % to EUR 1,118 million (previous year: 1,053). At EUR

Segment reporting

EURm	Turnover		OIBD		Return on Investment*		Operating income	
Regions	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**
Central Europe West	846	**920**	110	**134**	12 %	**13 %**	43	**67**
Western Europe	929	**900**	164	**141**	13 %	**11 %**	83	**65**
Northern Europe	716	**799**	89	**122**	12 %	**16 %**	34	**66**
Central Europe East	657	**849**	190	**259**	20 %	**24 %**	135	**188**
North America	1,699	**2,142**	326	**466**	24 %	**30 %**	230	**369**
Africa-Asia-Turkey	1,007	**1,057**	192	**230**	15 %	**16 %**	119	**158**
maxit Group	1,053	**1,118**	144	**143**	18 %	**18 %**	88	**88**
Group Services	505	**578**	3	**11**	8 %	**29 %**	2	**10**
Reconciliation Group**	-483	**-560**	-	**-**	-	**-**	-	**-**
	6,929	**7,803**	1,219	**1,506**	17 %	**19 %**	735	**1,010**
Business lines								
Cement	3,923	**4,474**	832	**1,035**	15 %	**17 %**		
Concrete	2,126	**2,464**	217	**293**	24 %	**30 %**		
Building materials	1,186	**1,251**	167	**167**	18 %	**18 %**		
Group Services	505	**578**	3	**11**	8 %	**29 %**		
Reconciliation Group**	-810	**-965**	-	**-**	-	**-**		
	6,929	**7,803**	1,219	**1,506**	17 %	**19 %**		

* Return on investment = OIBD/intangible assets and tangible fixed assets ** See segment reporting in the Notes, page 92 ff.

88 million, operating income remained at the previous year's level. In Germany, results of maxit were adversely affected by bad market conditions and restructuring costs. The results of all other major national companies have improved.

The trade volume of HC Trading decreased by 3.9 % to 11.6 million tonnes (previous year: 12.1). 2005 was characterised by changes in flows of trade. Increasing domestic demand, for example in Northern Europe and Turkey, led to a fall in exports. In addition to purchasing fossil fuels, the Group company HC Fuels is in charge of trading CO_2 emission rights.

The rise in turnover in the **Group Services** business unit by 14.5 % to EUR 578 million (previous year: 505) mainly resulted from increased freight rates. Operating income reached EUR 10 million (previous year: 2).

Regional branches

HeidelbergCement AG has no regional branches either domestically or internationally.

Cash flow statement

In 2005, cash flow rose to EUR 1,047 million (previous year: 1,009). Capital spending reached EUR 934 million (previous year: 511). Cash from changes in the consolidation scope due to acquisitions and proceeds from sales amounted to EUR 187 million (previous year: 202). In the 2005 financial year, dividend payments made by HeidelbergCement fell to EUR 90 million (previous year: 125).

Group cash flow statement (short form)

EURm	2004	**2005**	Difference
Cash flow	1,009	**1,047**	38
Changes in working capital	-72	**-252**	-180
Cash flow from operating activities	937	**795**	-142
Investments (cash outflow)	-511	**-934**	-423
Other inflows of cash and cash equivalents	202	**187**	-15
Cash flow from investing activities	-309	**-747**	-438
Capital increase	-	**292**	292
Dividend payments	-125	**-90**	35
Long-term borrowings	-704	**-290**	414
Cash flow from financing activities	-829	**-88**	741
Changes in cash and cash equivalents	-220	**12**	232

Investments

In 2005, cash relevant investments in tangible and financial fixed assets amounted to EUR 934 million (previous year: 511), a rise of EUR 423 million in comparison with the previous year.

EUR 548 million (previous year: 466) was invested in tangible fixed assets and intangible assets. This represents an increase of EUR 82 million compared with the previous year. The major investments in tangible fixed assets included the completion of the construction of the new kiln in Padeswood/United Kingdom and modernisations in Ribblesdale, the construction of another cement mill in the American Union Bridge plant, the completion of the Guangzhou plant in China and the purchase of a cement import terminal and several ready-mixed concrete plants in Denmark.

Our investments in financial fixed assets amounted to EUR 386 million (previous year: 45). They primarily involved the acquisition of the majority share in Teutonia Zementwerk AG, the acquisition of the remaining 50 % in Glens Falls Lehigh Cement Company and in Campbell Concrete & Materials, L.P. in the US, the purchase of Buchtarma Cement Company in Kazakhstan and the acquisition of the remaining shares in maxit Deutschland GmbH.

Fixed assets investments

EURm	2004	**2005**
Regions		
Central Europe West	38	**43**
Western Europe	71	**70**
Northern Europe	59	**107**
Central Europe East	70	**96**
North America	86	**117**
Africa-Asia-Turkey	83	**60**
maxit Group	59	**55**
Group Services	-	**-**
Financial investments	45	**386**
Business lines		
Cement	293	**320**
Concrete	111	**170**
Building materials	62	**58**
Group Services	-	**-**
Financial investments	45	**386**
	511	**934**

Group balance sheet

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

The balance sheet total increased in comparison with the previous year to EUR 11.9 billion (previous year: 10.7). Because of the high capital intensity of our business, 46 % is bound up in tangible fixed assets. The shareholders' equity ratio rose from 37 % to 42 %. The fixed assets of EUR 9.1 billion (previous year: 8.3) are completely covered by shareholders' equity and long-term provisions and liabilities. We have again made adequate provisions for all risks in the 2005 annual accounts.

Dependent companies report

In accordance with § 312 of the German Stock Company Act, the Managing Board of HeidelbergCement AG compiled a report on the relations between, on the one hand, HeidelbergCement AG and its affiliated companies and, on the other hand, Spohn Cement GmbH and its affiliated companies, and submitted it to the Supervisory Board. A reportable legal transaction took place between HeidelbergCement AG and Spohn Cement GmbH. The Managing Board declares at the end of the report: "We confirm that - under the circumstances known to us at the time at which the legal transaction was concluded - the agreed consideration represents an appropriate compensation for the provision of a service. We further confirm that no measures were taken, or not taken, in favour of or in the interests of Spohn Cement GmbH that adversely affected HeidelbergCement AG or its affiliated companies."

Group balance sheet (short form)

EURm	31 Dec. 2004	**31 Dec. 2005**	Part of balance sheet total
Tangible and intangible fixed assets	7,357	**7,949**	67 %
Financial fixed assets	926	**1,158**	10 %
Other long-term assets	217	**248**	2 %
Short-term assets	2,216	**2,580**	22 %
Shareholders' equity and minority interests	3,963	**5,058**	42 %
Long-term provisions and liabilities	5,102	**4,476**	38 %
Short-term provisions and liabilities	1,651	**2,401**	20 %
Balance sheet total	10,716	**11,935**	100 %

Prospects

Economic environment

Global economic growth is broadening in 2006/2007. Europe is experiencing increasing improvement; in the US, the growth rate is decreasing only to a small extent. Similarly, the high growth rates in Asia should fall only slightly. The further development of energy prices is a source of risk. Construction activity continues to grow at a below-average rate. A rise of around 1.5 % in the construction volume across Europe is expected in 2006. The infrastructure sector in particular has potential for growth. Besides the new EU countries, construction activity in Northern and Western Europe is expected to show stronger improvement than the European average. In North America, construction investments are expected to remain solid, particularly in commercial and public construction. In China and Southeast Asia, the expansion of infrastructure is an important growth driver.

In this favourable economic environment, the positive trend on the international cement markets should continue.

Turnover and results

HeidelbergCement's improved positioning leads us to anticipate further noticeable increases in sales volumes and turnover for 2006. Our expectations for the North American markets are positive. While we expect an overall turnover increase in Africa-Asia-Turkey, the development of results in China will remain unsatisfactory. Significant growth is predicted especially for the Indonesian cement market. Most of the countries in the Central Europe East region will develop positively. Germany will improve, but on a low level. The effects of the restructuring will be reflected in our results. Once again, increasing efficiency will be one of our main tasks.

Investments and financing

In 2006, we are continuing our strategy of expanding capacities in growth markets and ensuring efficiency in mature markets. Besides the major project of constructing a new kiln line in the Zhujiang plant in China, we are planning, for example, to expand grinding capacities in Tanzania and extend a kiln line at the Çanakkale plant in Turkey.

Research and development

Besides further developments in the field of photocatalysis, a significant focus is the improvement of the strength and processing characteristics of concrete. New findings about the combination of cement and additives play a particularly important role in this.

A second focus of our activity concerns sustainable products, particularly the substitution of natural raw materials and fuels, and the durability of concrete.

Employees

Besides the implementation of our new organisation, the main focuses of our personnel work in 2006 and 2007 will be the introduction of a standardised performance-related remuneration of the Top Management, the assessment of management performance and the Group-wide succession planning.

Strategy

Vertical integration

We maintain the strategy of vertically integrating our core activities of cement, ready-mixed concrete and sand and gravel. Cement continues to play the leading role. Where the local market conditions permit, we also become involved in the concrete and aggregates sectors, in order to achieve a strong market position secured for the long term through vertical integration. maxit Group is part of the vertical integration strategy, particularly in mature markets, where priority is naturally given to the renovation of existing buildings.

A change in management focus

HeidelbergCement's development in 2005 was characterised by considerable changes. The reorientation of the management style is based on proximity to operating activities, clear goals, consistent implementation and speed. The current management focuses are increasing efficiency, cost leadership and growth. In our industry, where it is difficult to develop really unique selling points, cost efficiency is the decisive criterion for competitiveness, adequate sustainable returns and, therefore, the basis for growth. Permanent increases in efficiency through consistent internal and external benchmarking, and the worldwide application of best practice solutions are critical factors for our success. In 2005, we took comprehensive steps to increase efficiency and optimize costs, and are now seeing the first fruits of some of these actions. Measures such as the centralisation of Group functions, the elimination of levels of hierarchy, the combining of administrative mass processes in shared service centers and the reorganisation of Group Purchasing will take us a decisive step forward on the way to cost leadership in the next few years.

Strengthened commitment in growing markets

We assume that worldwide cement consumption will increase further in the coming years. However, in the developed countries, where there is no population growth, development will range from neutral to a slight decline. In contrast, we expect a high increase in emerging countries, particularly in Asia. Therefore, HeidelbergCement will consistently continue its strategy of expanding its activities in countries with strongly growing economies. We will act selectively and concentrate on certain regions in order to strike the right balance between increased risk, growth and results. We have set ourselves the target of obtaining a mature to growing markets ratio of 50:50.

Participation in the process of consolidation

The worldwide consolidation of the cement industry is intensifying. Besides the established global competitors who are driving this process forward, there are more and more new large regional companies based in countries experiencing strong growth. HeidelbergCement will play an active yet cautious role in this process of consolidation, on the basis of a solid balance sheet with significantly improved key financial ratios.

Committed to sustainability

HeidelbergCement has made a commitment to the sustainable development of economy, ecology and social responsibility. These goals are implemented in practice on the basis of our sustainability programme. The strengthening of our profitability, which we improved noticeably in 2005, remains a primary strategic goal. We continue to place a high value on the environment. With the increasing use of alternative raw materials and fuels, we reduced our consumption of natural resources once again in 2005. Noticeably improving energy efficiency is a strategic focus both now and for the future. In the past year, we have moved a good deal closer to our goal of reducing our specific net CO_2 emissions by 15 % – compared with 1990 – by 2010.

In order to safeguard the future viability of our Group, we needed to make personnel cuts in 2005. The process was characterised by transparency and respectful treatment of others. The competence and customer focus demonstrated by our employees form the basis for HeidelbergCement's long-term success and competitiveness. By helping our employees gain qualifications, we support an international business culture in which they are both challenged and supported.

Corporate Governance[1)]

The management and supervisory structures at HeidelbergCement comply with the regulations under German Stock Company Act, the company's Articles of Association, the procedural rules of the Managing Board and Supervisory Board and the Group's Corporate Governance Principles, based on the German Corporate Governance Code. In the context of the reorganisation of the Group, the Advisory Council, provided for in the Articles of Association as an optional body, was disbanded in summer 2005.

In June 2005, the German Corporate Governance Code was revised once again and a number of points were amended. HeidelbergCement has integrated all these amendments into the Group's Corporate Governance Principles (see www.heidelbergcement.com, About us, Corporate Governance).

Statement of compliance

The 2005 statement of compliance was published on 22 March 2005, the 2006 statement of compliance will be published on 22 March 2006.

HeidelbergCement continues to comply with all the recommendations of the Corporate Governance Code, with a few exceptions. The exceptions are: no age limits for members of the Supervisory Board; the Chairman of the Supervisory Board does not chair the Personnel Committee; no individualised disclosure of the Managing Board remuneration; no disclosure of shareholdings of Supervisory Board members exceeding a one percent share in the company's share capital.

1) Equivalent to a Corporate Governance Report according to point 3.10 German Corporate Governance Code, which will be adopted by the Managing Board and the Supervisory Board on 22 March 2006.

Remuneration of the Managing Board

The remuneration determined by the Supervisory Board for the Managing Board of Heidelberg-Cement AG is adapted to the tasks and performance 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 of 2005, the variable remuneration component has been converted from a dividend-related bonus to a results-related bonus (Target Net Profit). In determining the Target Net Profit, extraordinary non-recurring business transactions are eliminated on both the positive and negative side. In addition, a long-term bonus based on the achievement of individually agreed goals will be awarded in the future, instead of the stock options granted previously.

In the reporting year, incumbent members of the Managing Board who have participated in the stock option plans have exercised their options within the scope of the possibilities available in accordance with the option terms. In this way, they obtained a total of 46,890 shares from the 2001 real stock option plan. The benefits in money's worth of this privileged possibility to exercise the options totalled EUR 511,000. A total of EUR 2.61 million was paid to members of the Managing Board from the 2000, 2002 and 2003 virtual plans.

The total remuneration of the Managing Board in 2005 amounted to EUR 10.1 million. EUR 3.3 million of this was paid in fixed remuneration, EUR 6.6 million in variable remuneration and EUR 0.2 million as part of other remuneration components, which corresponds to a ratio of 33 : 65 : 2. This does not include the payments from stock options. Allocations to pensions for current members of the Managing Board amounted to EUR 1.2 million. As a result of the change in the remuneration system, the dividend-dependent bonus, which was paid in May 2005, has not yet been disclosed in the annual accounts. It amounted to EUR 1.7 million for incumbent and former members of the Managing Board.

Payments to former members of the Managing Board and their survivors amounted to EUR 6.0 million in the reporting year. Provisions for pension obligations for members of the Managing Board amounted to EUR 28.8 million.

Remuneration of the Supervisory Board

The Supervisory Board remuneration is also made up of fixed and variable components. Both components were reduced by resolution of last year's Annual General Meeting. The fixed remuneration amounts to EUR 14,000, the variable EUR 630 for each cent of dividend above 30 cents. The Chairman of the Supervisory Board receives twice these amounts, his Deputy one-and-a-half times. Members of the Audit Committee receive EUR 7,000, members of the Personnel Committee EUR 3,500, the Chairmen of the Committees twice these respective amounts. In 2005, this resulted in the following compensation for the Supervisory Board [1]:

- The Chairman of the Supervisory Board, who retired on 6 May 2004, received a variable compensation of EUR 19,675.
- The Chairman of the Supervisory Board in office until 31 January 2005 received a fixed compensation of EUR 2,378 and a variable compensation of EUR 37,180. In addition, he received EUR 1,189 for chairing the Audit Committee and EUR 595 for chairing the Personnel Committee.

[1] This list shows the fixed remuneration for 2005, which was paid at the beginning of January 2006, and the variable remuneration for 2004, which was paid in May 2005. The variable remuneration for 2005 will be paid in May 2006; subject to the approval of the proposed amount of dividend by the Annual General Meeting, it will amount to a total of EUR '000s 928.

- The Chairman of the Supervisory Board in office from 1 February 2005 received a fixed compensation of EUR 26,811 and a variable compensation of EUR 28,350. In addition, he received EUR 6,405 for membership of the Audit Committee and EUR 5,418 for membership of the Personnel Committee, which he chaired until 19 September 2005.
- The Deputy Chairman of the Supervisory Board received a fixed compensation of EUR 21,000 and a variable compensation of EUR 42,525. In addition, he received EUR 7,000 for his membership of the Audit Committee and EUR 3,500 for membership of the Personnel Committee.
- The members of the Supervisory Board, who retired on 6 May 2004, received a variable compensation of EUR 9,837.
- The member of the Supervisory Board appointed judicially on 6 April 2005 received a fixed compensation of EUR 10,356.
- All other members of the Supervisory Board received a fixed compensation of EUR 14,000 and a variable compensation of EUR 28,350. The member of the Supervisory Board who took over the chairmanship of the Audit Committee on 1 February 2005 received an additional EUR 13,405 for membership of the Audit Committee. The member of the Supervisory Board who took over the chairmanship of the Personnel Committee on 19 September 2005 received an additional EUR 4,497 for membership of the Personnel Committee. The other members of the Supervisory Board received an additional EUR 7,000 if they were members of the Audit Committee and EUR 3,500 if they were members of the Personnel Committee.

This gives a total Supervisory Board remuneration of EUR 812,876 of which EUR 316,054 was paid in fixed remuneration and EUR 496,822 in variable remuneration.

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

Stock option plans

From 2000 to 2003, HeidelbergCement AG issued a stock option plan annually for the members of the Managing Board and for other senior managers of HeidelbergCement AG and affiliated companies. The plans issued in the years 2000, 2002 and 2003 grant virtual options on HeidelbergCement AG shares, while the plan issued in 2001 grants real options. The company does not intend to continue the series of stock option plans.

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

As a result of the price increase of the HeidelbergCement share, all stock option plans fulfilled the requirements for exercising options in the reporting year. The 2001, 2002 and 2003 plans also fulfilled the performance criterion; the options from the 2000 plan remain blocked in the relevant percentage due to the price development remaining 36.75% behind the international construction stocks index.

For all four plans, the majority of the plan participants exercised their options. As a result, 414,195 new shares were created through the 2001 real plan with a total issue amount of EUR 20.2 million. The company paid a total of EUR 20.6 million on the virtual options.

The following table shows an overview of volumes, terms and conditions and exercise status for each of the stock option plans issued in the years 2000 - 2003.

Prices and values

EUR	Virtual plan 2000/2006	Real plan 2001/2007	Virtual plan 2002/2008	Virtual plan 2003/2009
Date of issue	01.07.2000	21.08.2001	01.10.2002	01.10.2003
End of term	31.12.2006	31.12.2007	31.12.2008	31.12.2009
Expiration of waiting period	30.06.2002	10.10.2003	30.09.2004	10.08.2005
Initial basis price	60.49	52.82	41.21	32.70
Adjusted basis price [1]	57.21	48.82	37.21	31.69
Number of participants at grant	90	99	105	111
Number of options issued	430,500	462,000	484,500	492,000
Value per option at grant [2]	21.21	15.10	9.75	9.09
Value per option on 12/31/2005	17.28	26.38	37.46	42.69
Number of exercised and expired options on 12/31/2005	259,212	454,500	482,350	481,500
Number of existing options on 12/31/2005	171,288	7,500	2,150	10,500
Number of new shares issued	-	414.195	-	-
Amount of payments	3,496,902.45	-	6,842,260.46	10,288,224.00

1) After consideration of dividend payments and capital increases 2) Determined on the basis of prevailing valuation methods

Directors' Dealings and shareholdings of Board members

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

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

The shareholdings of members of the Supervisory Board are not shown in accordance with the statement of compliance (see page 30).

Directors' Dealings in 2005

Director	Function	Type of transaction	Transaction date	Number of shares or subscription rights traded		Transaction volume (EUR)
Helmut S. Erhard	MB [1]	Sale	01/25/2005	900	shares	44,280.00
		Acquisition	08/11/2005	15,630	shares	762,994.08
		Sale	08/12/2005	16,471	shares	983,065.38
		Sale	09/14/2005	494	shares	29,640.00
Daniel Gauthier	MB	Acquisition	08/11/2005	15,630	shares	762,994.08
		Sale	08/12/2005	16,411	shares	979,484.30
Andreas Kern	MB	Acquisition	08/11/2005	15,630	shares	762,994.08
		Sale	08/12/2005	16,897	shares	1,008,491.02
Waltraud Hertreiter	SB [2]	Acquisition*	03/18/2005	11	subscrip. rights	10.45
		Acquisition*	03/18/2005	173,145	shares	6,060,075.00
		Acquisition	03/16/2005	407	shares	14,245.00
		Sale	03/08/2005	14,278	subscrip. rights	14,278.00
		Acquisition	03/18/2005	2,650	shares	92,750.00
		Sale	03/16/2005	93,850	subscrip. rights	96,665.50
		Sale	09/13/2005	130,950	shares	7,857,000.00
		Sale	09/15/2005	18,000	shares	1,080,000.00
Rolf Hülstrunk	SB	Acquisition	03/11/2005	8	subscrip. rights	7.84
		Acquisition	03/11/2005	311	shares	10,885.00
		Sale	09/14/2005	4,000	shares	240,000.00
		Sale	10/11/2005	300	shares	19,200.00
Hans Georg Kraut	SB	Sale	09/13/2005	238	shares	14,280.00
Dr. h.c. Adolf Merckle	SB	Acquisition*	03/14/2005	1,141,895	shares	39,966,325.00
		Sale*	08/26/2005	1,500,000	shares	87,615,000.00
		Sale*	08/26/2005	60,000	shares	3,516,000.00
		Sale*	08/26/2005	1,800,000	shares	105,138,000.00
		Acquisition*	08/26/2005	3,300,000	shares	192,753,000.00
		Acquisition*	08/26/2005	60,000	shares	3,516,000.00
		Sale*	11/29/2005	35,000	shares	2,682,750.00
		Acquisition*	12/14/2005	2,800,000	shares	212,240,000.00
Heinz Schirmer	SB	Sale	09/14/2005	150	shares	9,000.00
Eduard Schleicher	SB	Acquisition*	03/08/2005	1,688,862	shares	59,110,870.00
		Sale*	07/14/2005	15,000,000	shares	900,000,000.00

[1] MB = Member of the Managing Board [2] SB = Member of the Supervisory Board

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

Risk management

As a result of their worldwide operations, all business lines within HeidelbergCement are exposed to a variety of risks in relation to their entrepreneurial activities. Identifying risks and dealing with them professionally is the responsibility of the Managing Board and is a key management task throughout the Group. HeidelbergCement's aim is not to avoid risks altogether, but to take targeted risks on the basis of advanced assessment methods and processes whenever there are opportunities that may adequately increase the value of the Group.

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

The risk co-ordinators at country, area and Group levels present detailed risk reports to the Group Corporate Risk department yearly, quarterly and when required. 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.

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 2006 financial year and in the foreseeable future after 2006 are described 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 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 individual companies or subgroups are generally not hedged. The associated effects on the Group balance sheet and Group profit and loss accounts are monitored on a continuous basis. Interest rate risks are maintained within the parameters set by the Group's Chief Financial Officer. A wide selection of financing instruments secures access to money and capital markets and ensures that refinancing risks are minimised. We apply strict standards with regard to the creditworthiness of our financial business partners. In this way – as well as by avoiding concentrations of positions – we are able to minimise the Group's credit risks.

Market and strategic risks

An important task in our mature markets is to strike the right balance between production capacity and long-term demand. The continuing restructuring process, particularly in Germany, Belgium and the Netherlands, and our efforts to adjust the production level, increase capacity utilisation and – through the increased use of alternative raw materials – reduce the proportion of clinker in the cement should secure the long-term competitiveness of HeidelbergCement in these countries. Our strategy of expanding our presence in growing markets entails major political and market risks. However, in our opinion, they are justifiable in view of the advantages such as broader geographical diversification and higher return on capital expenditure.

Acquisitions, which are an essential part of our growth strategy, often have to be examined and approved by the appropriate competition authorities. Before making an acquisition, we carefully examine the market situation and legal conditions in order to minimize the risk of a refusal of the acquisition.

Operating risks

In Europe, we initiated extensive personnel and organisational changes as a result of the "win" project, in order to become the cost leader and improve our operational performance. The risks connected with a project of this order, particularly uncertainty and anxiety among the employees, are significantly diminished by means of a strict timetable and a high degree of transparency in carrying out the measures.

For an energy-intensive company such as HeidelbergCement, the development of fuel and electricity prices represents a significant risk. We are able to alleviate any adverse effects using the portfolio and risk management strategy described in the Purchasing chapter, as well as long-term supply agreements.

Risks arising in connection with CO_2 emissions are dealt with in the Strategy and the Sustainable development and environmental precaution chapters.

Our locations in California, Indonesia and Turkey are exposed to increased risks of earthquakes and other natural disasters, which we cannot insure against fully.

The cartel proceedings against German cement companies are still pending. A court decision is not expected before 2007. In this context, the Belgian company Cartel Damage Claims SA brought an action for damages against six companies including HeidelbergCement, at the beginning of 2006. The action is based on allegedly inflated cement prices, as the result of a cartel between 1993 and 2002. HeidelbergCement is confident to successfully defend itself against the action. In order to avoid cartel law violations, we will continue to maintain the reinforced internal precautions, particularly training measures.

Employees

In 2005, HeidelbergCement employed an average of 41,260 members of staff (previous year: 42,062) throughout the Group. The decline of 802 employees compared with the previous year is primarily due to restructuring measures in Asia, Eastern and Western Europe and Germany.

Personnel costs rose by 6.2 % compared with the previous year to EUR 1,450 million (previous year: 1,365). This corresponds to a share in turnover of 18.6 % (previous year: 19.7 %).

Group-wide personnel strategy

Further development of the personnel strategy for the Group's senior and junior management was a central topic in 2005. For the first time, uniform management principles were compiled internally involving all regions, and introduced across the Group. They create the foundation for a uniform management culture with a strong emphasis on performance and results. Management training and the development of junior executives have been consistently adapted to the corporate strategy. The main focal points were cost management, managing effectively, project management and dealing professionally with processes of change.

We regard personnel decisions as being of paramount importance. In 2006, Group-wide, standardised succession planning will be carried out for the first time, for all key management positions to the level of plant managers. Wherever possible, positions will be filled from among the existing employees. As this will take place exclusively on the basis of abilities, performance and results, we have introduced standardised means of assessing the performances of managers within the Group, as well as the results they have achieved.

The remuneration structures for managers have been harmonised with regard to local market conditions. A significant proportion of the remuneration is now variable and depends on personal performance and the achievement of agreed goals.

Streamlining of personnel functions within the Group

In 2005, we created streamlined, efficient structures and processes, reducing the previously existing responsibilities at regional level to a minimum. In contrast, the personnel functions at Group and country level were strengthened. This organisation allows us to implement the personnel strategy established by the Managing Board throughout the Group competently, quickly and effectively, while offering sufficient support and services on site.

The Group Human Resources department advises the Managing Board on decisions regarding important personnel matters and attends to the employees in Group functions and all senior managers worldwide. It establishes guidelines, defines standards and ensures that the personnel strategy established by the Managing Board is implemented consistently across the Group.

Personnel development in the various countries

Personnel development at Group level is supplemented by measures within the various countries. These include, for example, training courses in the areas of leadership & management, business administration, sales, cement production, quality management, IT and foreign languages, as well as project work and assignments abroad for managers or experts. In order to maintain the high level of management resources, particularly in technical areas, and ensure further growth, university and college marketing in major markets will be intensified considerably.

Optimisation of the organisational structure and management processes

A specific focus for 2006 will be the implementation of the results of the "win" project throughout Europe. Combining the staff functions is particularly important. In addition, the procedures must be optimised. In the future, Group departments such as IT or Purchasing will offer largely uniform, cross-country management processes for the whole Group. We began implementing the project results after discussions with the employee representatives at European and national level in October 2005.

In Germany, HeidelbergCement Shared Services GmbH, based in Leimen, has performed administrative duties relating to accounts and payroll accounting since January 2006. The service and competence centre will provide support to the companies from all business lines throughout Germany by the end of 2007. All interests considered, the Heidelberg region asserted itself against alternative locations both in Germany and abroad, once competitive terms were agreed in a company agreement. Essentially, these related to extending the working hours per week, reducing holiday, making a part of the Christmas bonus variable and forming new wage groups.

Adjustment of fringe social benefits in Germany

We have reduced the fringe social benefits that still remain from the boom years of the building materials industry to a competitive level as a result of the economic development in Germany since that time. In view of the significant increase in life expectancy, we have closed the employer-financed occupational pension scheme for new employees in order to limit the future financial burden. Instead, we are promoting the company pension scheme, for which the employee is personally responsible, and are offering attractive programmes (e.g. pension fund, deferred compensation plan). We will also examine the fringe social benefits in the other countries of the Group.

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 many countries. At HeidelbergCement particularly affected were Belgium, the Netherlands, Germany, Poland, Romania, Ukraine, Norway, Sweden, China and Bangladesh.

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 social plans when dismissing employees for restructuring reasons and supporting professional reorientation.

All reorganisation measures taken or initiated lead to a significant streamlining of the organisational structure and considerable cost savings, with synergies fully exploited. We have taken a significant step towards our aim of increasing productivity and reducing costs. However, under the current competitive conditions, there is ongoing pressure that forces us to continuously adjust our organisation and personnel structure. Only with a tight and flexible organisation that utilises standardised processes and focuses on or measures itself by uniform key performance indicators can we catch up with the best. Our priority is therefore to make continuous optimisations in these areas.

Sustainable development and environmental precaution

The acceptance of social responsibility has special significance and a long tradition at HeidelbergCement. In May 2005, for the first time, we published a Group Sustainability Report which provides an overview of our activities and of the way in which we accept our social responsibility. The report covers the economic, ecological and social aspects and provides information about our goals.

Good partnerships

HeidelbergCement is a member of the World Business Council for Sustainable Development (WBCSD) and is committed to sustainable cement production. For this reason, we have drawn up guidelines at an international level, together with other cement companies, for the areas of climate protection, raw materials and fuels, occupational health and safety, emissions and the impact on the environment at production locations. They were published by the "Cement Sustainability Initiative" in June 2005 and are currently being implemented at the companies involved. This includes, for instance, collecting key figures, which we will publish regularly from the end of 2006. Within the Group, we use these key figures to identify possibilities for improvement, to direct measures and to monitor the achievement of goals.

Greenhouse gas emissions

The Kyoto Protocol, which sets binding upper limits for greenhouse gas emissions for the first time, came into force on 16 February 2005. The focal point for the cement industry is the reduction of carbon dioxide (CO_2) emissions. HeidelbergCement has made a commitment to reduce by 2010 its specific net CO_2 emissions by 15% compared with 1990.

In the reporting year, we were able to reduce gross CO_2 emissions by 0.9 million tonnes compared with 2004. Specific gross CO_2 emissions decreased from 721 kg CO_2/tonne of cement in 2004 to 708 kg CO_2/tonne of cement in 2005. Specific net emissions dropped from 691 kg CO_2/tonne of cement to 677 kg CO_2/tonne of cement. HeidelbergCement is clearly well on the way to fulfilling its voluntary commitment.

Our Clean Development Mechanism project in Indonesia, which intends to reduce CO_2 emissions by introducing low-clinker cement types and using alternative fuels, has cleared another hurdle. The Executive Board of the United Nations authorised the methods we proposed for determining the emissions. In the Ukraine, we are planning another project to reduce greenhouse gases, which is based on the flexible mechanisms of the Kyoto Protocol, known as a Joint Implementation project. With both these projects, we are taking a pioneering role in introducing measures to reduce CO_2 in developing and transition countries.

Lower environmental pollution

Our aim is to continuously reduce all emissions. To achieve this, on the one hand, we are optimising production processes, e.g. in Citeureup/Indonesia, where we are reducing the specific energy consumption of the kiln line and the emissions associated with it thanks to extensive modernisations. On the other hand, we are investing in post-production environmental protection, i.e. in exhaust gas purification facilities. We have replaced old kiln filters with new ones in the Vác plant in Hungary, the Fieni plant in Romania and the Burglengenfeld plant in Germany. The kiln in the Cesla plant in Russia was equipped with a bag filter for the first time. In order to increase the dedusting level of existing electrostatic precipitators we have improved the exhaust gas cleaning in Ketton/United Kingdom, Vác/Hungary and Çanakkale/Turkey.

To reduce NO_x emissions, SNCR systems have been installed in Beremend/Hungary, Ketton/United Kingdom, Mason City/US and Wetzlar/Germany. In Mason City, we have also put a wet scrubber into operation in order to reduce SO_2 emissions. The latest environmental protection technology was also deployed in the new plant constructed in Guangzhou/China and in the new kiln line in the Padeswood plant/United Kingdom.

■ Focus on preserving resources

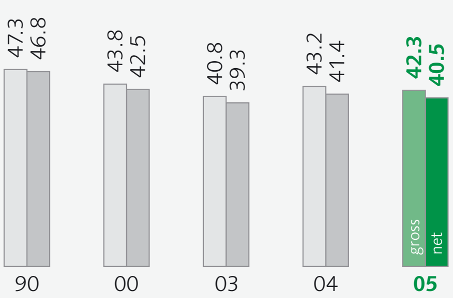
Thanks to the increasing use of substitute raw materials and alternative fuels, we are both preserving natural resources and strengthening our competitiveness. The Büyükçekmece plant was one of the first Turkish cement plants to successfully deploy used tyres in continuous operation. The Turkish Çanakkale plant has started using waste oil and oil sludge. In Sokoto/Nigeria, we have increased the proportion of alternative fuels by using rice husks and cotton hulls. The Hungarian Beremend plant increased its proportion of alternative fuels, in particular by increasing the use of animal meal. In the American Mason City and Union Bridge plants, the use of biomass was a central focus of activity in 2005. In Mason City, around half of the thermal energy is created from discarded corn. In Germany, HeidelbergCement has already achieved a substitution level of almost 50 %.

In total, we were able to replace 17 % of fossil fuels with alternative fuels in 2005. This corresponds to an absolute increase of three percentage points compared with the previous year.

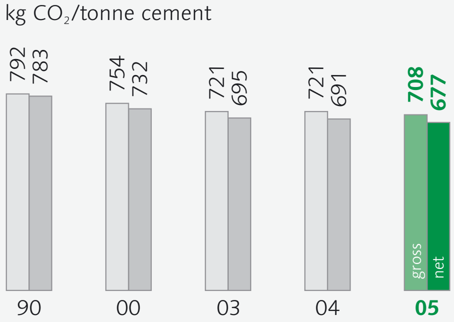
■ Environmental management

As planned, we have pressed ahead with the introduction of environmental management systems. During the past year, they were successfully introduced in the plants in Katowice/Poland, Glens Falls/US and in Bangladesh. Over 83 % of the cement we produce is now manufactured in plants with environmental management systems. For clinker production, the proportion is almost 90 %. We have prepared or planned the introduction of these systems in other plants.

Absolute gross and net CO_2 emissions
million tonnes CO_2



Specific gross and net CO_2 emissions
kg CO_2/tonne cement



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

Natura 2000

In 2005, we were once again intensively involved with Natura 2000, the European protected area network. In many cases, the processing of nature conservation data has contributed to clarifying difficult local circumstances. At locations where quarrying areas overlie Natura 2000 areas, the processes are supported by expert groups; external scientists are also involved in this.

Occupational health and safety

We continuously improve our high standard in occupational safety further by means of training and technical measures. Many plants have developed management systems for occupational health and safety. Since 2003, we have collected uniform occupational safety data across the Group for the cement business line. The table below shows that we are still recording too many accidents, unfortunately including some fatalities. In order to tackle this problem, we have established an expert group at Group level comprising members from all regions. The focal areas are the exchange of expertise concerning accidents, measures to prevent accidents and the information about best practice examples. Occupational health and safety guidelines, applicable across the Group, are also being compiled.

Research and technology

Organisation streamlined

HeidelbergCement has reorganised the processes and responsibilities in its technology and research & development activities in order to increase efficiency and implementation speed. In the future, there will be three Heidelberg Technology Centers (HTC), responsible for Asia, Europe and North America. The main task of HTC Europe is to provide the basis for constant improvement through Group-wide knowledge management and benchmarking. In the future, HTC Europe will additionally group together the research and development activities in the cement and concrete business lines. This will mean that redundancy is avoided and innovative potential is grasped and implemented more quickly. The close involvement of our regional companies as early as the

Occupational health and safety

	2003	2004	**2005**
Accident frequency rate [1]	10.5	8.1	**11.9**
Accident severity indicator [2]	281	167	**169**
Fatality rate [3]	1.1	2.4	**2.0**

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

project phase will ensure that products and applications are developed close to the market and the customers. The research and development activities of maxit Group are also co-ordinated closely with the HTC.

In 2005, around 500 employees (previous year: 520) were involved in research & development. The total expenditure for this amounted to approximately EUR 43 million (previous year: 44).

Increasing efficiency in production

In times of heavily rising fuel and electricity prices, we are especially concerned with increasing efficiency in cement production. An important goal is the reduction of heat consumption. This can be achieved by conversion from natural gas to coal. In both of our Hungarian plants, in Bosnia-Herzegovina and in the Mokra plant in the Czech Republic, the equipment was converted from natural gas to coal firing. Preparations are underway for the conversion of other plants.

If it is reasonable and technically possible, plants are also converted to low-priced petroleum coke. In order to burn it efficiently and in an environmentally-friendly way, we have equipped kilns with modernised precalciners. After the conversion of the equipment in the Turkish Çanakkale plant, for example, petroleum coke is used exclusively.

Another focal point is the increased use of alternative fuels. This saves resources and protects the environment. Bioenergy is becoming increasingly important. The proportion of alternative fuels out of the total fuel requirements is constantly rising.

As a result of heavily increased electricity prices, electricity consumption has the same economic importance as fuel consumption. Therefore, with high investments, we are reducing the electricity consumption in cement production. For example, conveying machinery has been converted from pneumatic to mechanical conveyance in the Fieni plant in Romania and the Leeds plant in Alabama/US. With a new cement grinding plant — currently under construction — in the American Union Bridge plant, it will be possible to reduce electricity consumption by approximately 30 % in comparison with the technology used so far.

Increase of capacities

In 2005, we put two new large-scale facilities into operation, which will significantly increase our production capacities. In the Southern Chinese province of Guangdong, the newly constructed Guangzhou plant with a cement capacity of 2.1 million tonnes started production. Our British subsidiary Castle Cement commissioned a new clinker production line in the Padeswood plant in the middle of the year. Approximately 900,000 tonnes of clinker are produced there in an environmentally-friendly way using the latest technology. As a result, four old, energy-inefficient wet kilns have been decommissioned.

Alternative raw materials

The use of alternative raw materials in cement production preserves natural resources and reduces energy requirements and CO_2 emissions. The development and marketing of cement types with a reduced proportion of clinker is very important. Major substitution products are blast furnace slag from steel production and fly ash from coal power stations. In many markets, we have achieved

considerable progress with newly developed cement types. In Poland, optimised blended cements are now used, even for highly demanding applications such as road and bridge construction. In Edmonton, Canada, the production of a cement containing fly ash is not only environmentally-friendly but also allows a capacity expansion with low investment costs. In Germany, we have successfully launched blended cements with two additives (blast furnace slag and limestone).

Durable products and easy processing

Life span and maintenance costs are important criteria in selecting a building material. When assessing the life cycle costs, the high durability of concrete makes it a valuable building material. Improving it further — even by using alternative raw materials — is therefore a focal area of research. As this represents fundamental research, it is mainly carried out in co-operation with other building material manufacturers and universities in the European research network Nanocem.

For structures that are under particular stress or are already damaged, maxit has developed effective corrosion protection with CarboCath®. The patented system has now been successfully introduced in several countries and is primarily used in bridges and car parks under heavy stress from road salt.

In the floor finish sector, the trend towards free-flowing and self-levelling concretes and mortars is continuing. Fluidised floor levelling finishes of this type have been successfully placed on the market in the Netherlands, Belgium and Germany. With the new product maxit Floor 2005, maxit has developed a fast drying screed mortar with improved fluidity, and low shrinkage. Another example of easier processing is the new Deitermann product Superflex D 2, a fast-setting, highly flexible sealing slurry. This new product represents a quantum leap in the processing of flexible sealing slurries. Its ability to dry fully in all weather conditions means that Superflex D 2 can be retouched in under two hours, even in wet and cold weather. This accelerates construction progress considerably.

Concrete – an extremely versatile building material

In order to fulfil the specific requirements of structures and customers, individual characteristics of concrete are developed and optimised time and again. The solutions are as diverse as the requirements and range from cement types with extremely low heat generation for tunnel construction in Norway to quick-hardening, high-strength cements for concrete tubes production in Southern Germany and particularly light concretes for high-rise construction in the US. The development of high-strength fibre concretes for slim building elements is primarily being advanced in Germany, the Netherlands and Belgium.

Another promising concrete application is "whitetopping", in which asphalt road surfaces in need of restoration are covered with a concrete surface. The resulting durability offers economic advantages, particularly under high volumes of traffic, at cross-roads, for example. The first launch projects have begun in Germany.

In a pilot project, photocatalytically active cement types were successfully used to produce self-cleaning façade elements. The use of photocatalytic properties in other applications is currently being tested.

Purchasing

In 2005, HeidelbergCement's purchasing volume, including investments in tangible fixed assets, amounted to EUR 5.3 billion; this corresponds to 67 % of the Group's total turnover.

By increasing our purchasing efficiency, we are helping to reduce our plants' production costs. The comprehensive reorientation of purchasing activities in the various countries and at Group level, which commenced in 2005, represents an important step. With the introduction of a lead buyer organisation, purchasing requirements are grouped together more closely across business lines and countries, helping us achieve a substantial economy of scale in terms of costs.

We have expanded Group Purchasing's area of responsibility significantly in relation to the countries and have established a clear division of tasks by purchasing categories. A comprehensive procurement project with potential savings of over EUR 45 million was started in the second half of 2005. We are able to reduce our investment costs through heavier rationalisation of purchasing and standardisation of technical equipment.

■ Global purchasing

The procurement markets for technical equipment for the building materials industry and especially the cement industry are increasingly relocating to countries with low production costs, particularly to Asia. Both the European suppliers, who are constructing new production sites, primarily in China, and the local companies in those countries offer new and improved purchasing possibilities. However, on-site quality and supplier management by HeidelbergCement is an essential requirement for long-term, sustainable cost savings. In 2006, together with our Indonesian subsidiary Indocement, we will systematically expand the existing, rapidly developing supplier relationships in Asia.

During the past year, the level of material prices remained high or continued to rise. Just as the raw material, steel and freight prices were by far the main cost drivers in the previous two years, the huge rise in electricity and gas prices worldwide led to cost increases in 2005. It is therefore vital for HeidelbergCement to increase the proportion of purchasing from the Asian supplier markets.

■ Electricity as a cost driver

With average electricity price increases of more than 10 %, the overall costs of electricity rose from EUR 285 million in 2004 to EUR 347 million in the Group in 2005. Electricity prices on the European trading markets underwent dramatic developments over the past year. The price of base load electricity for 2006 in Germany was around 34 EUR/MWh at the start of 2005; by the end of the year it had risen to over 52 EUR/MWh. This increase of over 50 % was partly due to the prices of CO_2 certificates, which were fully included in the price of electricity even though the certificates were, for the most part, allocated to the electricity producers free of charge. We were able to alleviate the burden significantly with the help of a long-term portfolio and risk management strategy.

HeidelbergCement is taking a pioneering role in the building materials industry in the exploitation of trading markets. We make use of electricity trading in all deregulated markets; in Germany, our subsidiary Heidelberger Energie GmbH is active in forward, futures and spot trading among others on the Leipzig Electricity Exchange. By distributing the electricity across our own electricity

balancing circle, we were able to achieve significant cost savings in comparison with the usual full supply agreements. In the future, the purchasing of electricity for the European cement plants will be controlled by means of co-ordinated portfolio management; this also offers important advantages in terms of experience for our plants in countries where deregulation is just starting.

Optimised fuel purchasing

The subsidiary HC Fuels Ltd. is responsible for the procurement of coal and petroleum coke for our plants in Europe and Africa. It also supports our plants in Asia and North America in procuring fuel.

After the price of coal had reached its highest level at the start of 2005 as a result of the tremendous rise in demand from China, at over USD 85/tonne free European seaport, it started to decrease during the second half of the year. This was predominantly encouraged by falling freight costs, reduced deliveries of coal to China and higher levels of coal production, especially in Indonesia. In December, the price of coal fell to as low as USD 50/tonne.

Long-term supply agreements, which were primarily secured for Northern Europe and North America in 2003, were able to contain the cost explosion for HeidelbergCement in 2004 and 2005. We have also intensified the use of alternative fuels and low-priced petroleum coke. We expect coal prices to fall further in 2006, which will improve our overall fuel costs situation in comparison with 2005, especially in Central Europe.

As part of the establishment of the European emissions trading system, the trading of CO_2 certificates began at various stock exchange centres in the second quarter of 2005. HC Fuels is responsible for performing this task for HeidelbergCement. The market strategy is co-ordinated together with the respective country managers and implemented at the stock exchanges.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Successful entrepreneurial activities require a high level of professional, social and management competence. Efficiency and fast implementation are decisive factors.

HeidelbergCement on the market

Central Europe West

Germany is the core market of the Group region Central Europe West. 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. A new consolidation in the cement business line caused turnover to increase by 8.7% to EUR 920 million (previous year: 846).

■ Construction activity at a low level

In 2005, the gross domestic product in Germany rose by only 0.9%; the construction industry experienced negative development once again, with a decline of 3.4%. In 2005, completed residential construction projects fell to a low of around 250,000 units.

Cement business line

■ Market leadership in cement maintained in Germany

In 2005, the market volume of the German cement industry fell by 7.5% in comparison with 2004 to 26.9 million tonnes. The cement and clinker sales volumes of our plants increased by 7.0% to 7.6 million tonnes (previous year: 7.1) in 2005 as a result of the inclusion of Teutonia Zementwerk AG, Hanover into the scope of consolidation. Excluding the effect of its inclusion, sales volumes would have decreased by 1.9%. The increase in demand in the second half of the year was not able to compensate for the decline in volumes in the first half of the year.

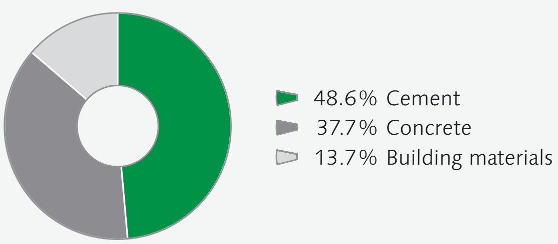
By acquiring the majority share in Teutonia in December 2004, we strengthened our presence in Northern Germany. As part of the streamlining of our activities, we integrated the cement plant in Ahlen of Zementwerk Bosenberg GmbH & Co. KG into HeidelbergCement AG and merged Anneliese Zementwerke AG into HeidelbergCement AG.

■ Growth at Rohrdorf

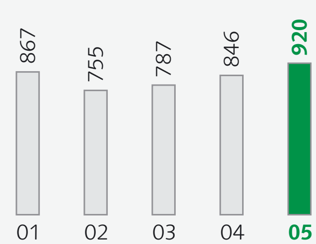
The participation Rohrdorfer Baustoffgruppe improved both its turnover and profit in comparison with the previous year. This was a result of higher proceeds, lower costs due to restructuring measures in the concrete products operating line, and the good order situation in Austria. The cement sales volumes reached the previous year's level again, with 1.7 million tonnes. Extensive replacement investments amounting to EUR 25 million are currently being made in the Bavarian cement plant in Rohrdorf. The raw mill, dedusting filters and exhaust chimney are being replaced. This investment will ensure that the plant reaches forward-looking standards in process engineering and environmental protection.

■ **Central Europe West**

Turnover 2005: 920 EURm



Turnover in EURm



Central service company established

In connection with the rearrangement and streamlining of our organisational structure within the Group, we set up a central service company, HeidelbergCement Shared Services GmbH, in Germany in January 2006, which is in charge of administrative duties relating to accounts and payroll accounting. We will achieve considerable savings and further strengthen our competitiveness as a result of handling many similar service processes centrally in a standardised way.

Concrete business line

Market share retained in ready-mixed concrete

In Germany, the production of ready-mixed concrete decreased by 8.4 % in the past year from 44.2 million cubic metres to 40.5 million cubic metres – this is the lowest level for 35 years. For our subsidiary Heidelberger Beton and its participations, 2005 was also characterised by declines and further structural adjustments. Despite the negative environment, in 2005 Heidelberger Beton was able to retain its market share in Germany at around 20 % and even expand it in some regions. The sales volumes of all 324 plants fell by 5 % in 2005 to just under 8 million cubic metres. For 2006, we expect a slight overall recovery, as the economic environment in the construction industry is slowly improving.

Decline in demand for concrete products

HeidelbergCement currently has 37 production locations in Germany for manufacturing concrete products. The product range includes the following areas: paving stones, prefabricated concrete elements for building construction, concrete blocks and prefabricated concrete elements for water supply and wastewater disposal.

Due to the continuing fall in demand, we carried out intensive restructuring and adjustment measures again in 2005. These related in particular to the 60 % participation Lithonplus and impaired the profit of the operating line.

Decline in aggregates

In Germany, the consumption of sand and gravel decreased from 279 million tonnes to 250 million tonnes in 2005. HeidelbergCement's aggregates operating line suffered decreases of 3.8 % in sales volumes, which reached 23.5 million tonnes, despite the expansion of activities in Southwest Germany and the acquisition of a new participation in Mecklenburg-Vorpommern.

Turnover by business lines

EURm	2004	**2005**
Cement	387	**474**
Concrete	376	**368**
Building materials	132	**133**
Intra-Group eliminations	-49	**-55**
Total turnover	846	**920**

Key data

EURm	2004	**2005**
OIBD	110	**134**
Operating income	43	**67**
Investment in tangible fixed assets	38	**43**
Tangible and intangible fixed assets	913	**1,012**
Employees	4,409	**4,423**

Building materials business line

■ Good capacity utilisation in lime activities and profit growth from sand-lime bricks

Due to difficult competitive conditions, HeidelbergCement's lime operating line was not quite able to reach the previous year's level of turnover with its two plants. In sales volumes, growth in the area of environmental protection compensated for declines in deliveries to the building materials industry. The capacity adjustments made in recent years ensured a high level of utilisation in 2005.

With 15 sand-lime brick plants, Heidelberger Kalksandstein has a leading position in Germany and Switzerland. With consistent cost management and by increasing efficiency in production and extending target groups from planners and architects to property developers, we were able to improve our results despite a fall in sales volumes. The market share of the KS-Quadro brand rose as a result of the property-oriented sales structure and innovative product developments.

Western Europe

In Western Europe we are the market leader in Belgium and the Netherlands, where we also 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 Vicat. The total region's turnover – excluding Vicat – fell by 3.1% to EUR 900 million (previous year: 929).

■ Varied construction development

With stable economic development, the Belgian construction industry primarily experienced growth in the residential and public construction sectors. After several years of decline, the economy in the Netherlands recovered and construction demand rose by 2.8%. In the United Kingdom, construction activity increased by just 1.3% instead of the expected 4%. In France, construction industry grew by around 3%.

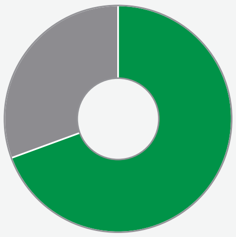
Cement business line

■ Rising domestic demand in Belgium and the Netherlands

After several years of stagnation, cement consumption in Belgium and the Netherlands increased by around 2%. As the domestic sales volumes of our Belgian and Dutch plants significantly ex-

■ Western Europe

Turnover 2005: 900 EURm



Turnover in EURm

ceeded this increase in demand, we were able to expand our market position in both countries. However, at 5.5 million tonnes, the total sales volumes only reached the previous year's level, due to falling cement exports and clinker sales. Both countries are under continuing import pressure from Germany.

A restructuring plan has been formulated together with the works councils and trade unions in order to increase productivity and improve the cost structure. The plan includes the decommissioning of the clinker kiln in the Maastricht plant between the end of 2007 and the end of 2009. Efficiency is being increased in the area of administration as part of the Europe-wide "win" project.

In 2005, major investments were started to upgrade the white cement plant in Harmignies, Belgium, which will be finished by the end of this year. Further investments were made to replace and modernise process control and IT systems.

Ultra-modern cement kiln in Wales

Due to the weak development of the construction industry in the United Kingdom and, in particular, the market entry of a new competitor, the cement sales volumes of our subsidiary Castle Cement fell to 2.9 million tonnes (previous year: 3.1).

In July 2005, we commissioned one of the most modern cement kilns in Europe at the Padeswood plant in Wales, enabling us to produce 900,000 tonnes of clinker per year. On the other hand, we decommissioned obsolete kilns in Padeswood and Ribblesdale. The new kiln conforms with the highest environmental and performance standards; in particular, it allows us to increase the use of alternative fuels.

Strong foreign operations at Vicat

The turnover of the French Vicat Group rose by 11% to EUR 1,797 million in 2005. Vicat's foreign subsidiaries in the US, Turkey and Egypt in particular contributed to this increase. In all three countries, the high domestic demand led to a considerable rise in sales volumes, turnover and prices. In the Turkish plants, the production capacity is being increased with the construction of a new kiln, a new cement mill, a cement silo and a cement packing machine.

While turnover also grew in Italy and Senegal, it decreased slightly in Switzerland. On Vicat's domestic French market, cement sales volumes also rose; it was possible to increase prices in line with the inflation rate. The heavy rise in fuel and electricity prices and the necessary acquisition of certificates for CO_2 emissions adversely affected costs in 2005. Vicat therefore intensified the search for and use of alternative fuels. In France, work began to modernise and expand the capacities of the Montalieu plant.

Turnover by business lines

EURm	2004	**2005**
Cement	683	**661**
Concrete	290	**292**
Building materials	-	**-**
Intra-Group eliminations	-44	**-53**
Total turnover	929	**900**

Key data

EURm	2004	**2005**
OIBD	164	**141**
Operating income	83	**65**
Investment in tangible fixed assets	71	**70**
Tangible and intangible fixed assets	1,301	**1,289**
Employees	3,640	**3,501**

Concrete business line

■ Participations in ready-mixed concrete expanded

With stable demand for ready-mixed concrete in Belgium and the Netherlands, we were able to increase our sales volumes in both countries by 10,2 % to 3.0 million cubic metres (previous year: 2.7). This growth in volume was mainly due to two new participations in Belgium and the increase of our share in a Dutch ready-mixed concrete company to 100 %. We thus succeeded in winning back market share in the Netherlands that we had lost in previous years. In addition, we made organisational changes in order to optimise work processes and adapt to market requirements. However, we had to put up with significant price reductions in the past year, particularly in the Netherlands, as a result of increasing competitive pressure.

In 2005, we primarily invested in the modernisation of production sites and in IT systems, new cranes and crane systems.

■ Securing raw materials for aggregates

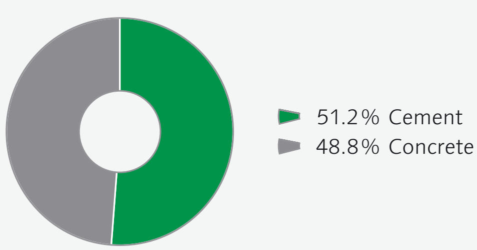
Sales volumes of aggregates in Belgium and the Netherlands reached again previous year's level of 15,3 million tonnes.

In the Belgian province of Limburg, the authorities have approved of the mining of gravel until the end of 2006. We have founded a joint venture with other gravel producers in order to more easily obtain new mining concessions from the Belgian government for a further 25 years. By increasing our participation in the Leffe quarry to 100 %, we have strengthened our core business. On the other hand, we sold non-core activities in the area of recycling, as well as assets not required for operational purposes.

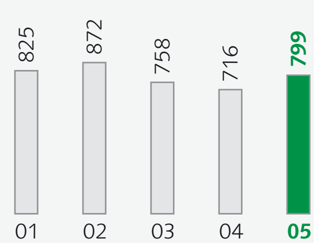
The Dutch company Paes was adversely affected by the weak demand in road construction in 2005. One of the company's main tasks is to secure its raw material base. Paes is endeavouring to obtain an extension of the mining concessions, which expire at the end of 2006, and is also looking for new raw material deposits and high-quality alternative products such as limestone and sea gravel.

■ Northern Europe

Turnover 2005: 799 EURm



Turnover in EURm



Northern Europe

In the countries of Sweden, Norway, Denmark, as well as the Baltic States and Northwest Russia, in addition to cement and ready-mixed concrete we manufacture prefabricated concrete elements, and convey sand and gravel. Boosted by the positive development of construction activity, the region's turnover improved by 11.6 % to EUR 799 million (previous year: 716). At the end of the year, we acquired a cement import terminal and 22 ready-mixed concrete plants in Denmark.

Significant growth in construction industry

With a positive general economic environment, the construction industry in Sweden and Norway experienced very pleasing development, with growth of around 5 % and 6 %, respectively. Construction activities in the Baltic States recorded an even more significant increase, with growth rates of over 10 %.

Cement business line

Domestic markets on the rise

Total cement and clinker sales volumes rose by 7.0 % to 5.7 million tonnes (previous year: 5.4); 1.5 million tonnes of this volume was exported, around 12 % less than in the previous year as a result of the increased domestic demand. The domestic sales volumes of our Scandinavian cement plants benefited in particular from lively new residential building in Sweden and Norway, and from the growing civil engineering activities in Sweden. Overall, our domestic deliveries in Scandinavia achieved a significant increase of 12.7 % to 3.1 million tonnes (previous year: 2.8). Our Estonian Kunda cement plant was able to raise its domestic sales volumes by 26 %; the Russian Cesla plant, which supplies the Saint Petersburg area, even recorded volume growth of over 40 %. Following the modernisation and capacity expansion of the cement kiln, we resumed clinker production in Cesla in July 2005.

Just under one third of the cement and clinker sales volumes of our Swedish and Norwegian cement plants were exported, mainly to the US and Iceland. We cut back export deliveries in order to meet the increased demand on the domestic markets. While cement exports from Estonia went to Latvia and Finland, the clinker exports went almost exclusively to our Russian Cesla plant due to the heavy demand in Saint Petersburg.

Turnover by business lines

EURm	2004	2005
Cement	385	**431**
Concrete	371	**411**
Building materials	-	**-**
Intra-Group eliminations	-40	**-43**
Total turnover	716	**799**

Key data

EURm	2004	2005
OIBD	89	**122**
Operating income	34	**66**
Investment in tangible fixed assets	59	**107**
Tangible and intangible fixed assets	731	**766**
Employees	4,084	**4,030**

■ Use of alternative materials increased

In 2005, we carried out numerous investment projects to increase the efficiency of our production facilities. In the Skövde plant in Sweden, a new filter allows the use of alternative fuels to be increased. Production capacities were increased in the Kunda and Cesla plants. Projects in the Swedish Slite plant concern the construction of a new cooler and the improvement of the use of alternative fuels. In order to meet the growing demand in Estonia, the Kunda plant started a project to modernise and recommission a third cement kiln.

In Northern Europe, a total of more than 500,000 tonnes of waste oil, solvent, used tyres and plastic and paper waste were processed in our own facilities for manufacturing alternative fuels.

Concrete business line

■ Growth in ready-mixed concrete and aggregates

In 2005, the ready-mixed concrete sales volumes of the Northern Europe region recorded an increase of 11 % to 1.8 million cubic metres (previous year: 1.6). The rise in sales volumes in Sweden is primarily attributable to the acquisition of 15 ready-mixed concrete plants in September 2004. While deliveries of ready-mixed concrete in Norway remained at the previous year's level, our sales volumes in Estonia, Latvia and Saint Petersburg achieved growth of around 30 %. Our aggregates activities in Sweden, Norway and the Baltic region also experienced pleasing development. Overall, sales volumes of sand and gravel increased by 9.1 % to 11.7 million tonnes (previous year: 10.7).

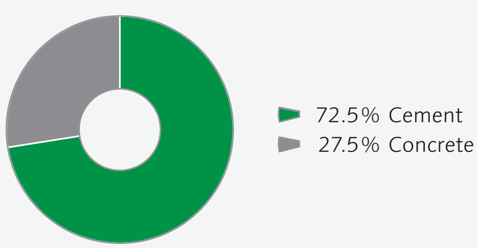
In the concrete products operating line, we manufacture prefabricated elements for agriculture, civil engineering and industrial and residential construction. The Swedish operations were able to improve their results once again, and restructuring measures led to significant progress in Denmark. We sold our activities in Portugal at the end of 2005.

■ New acquisitions in Denmark

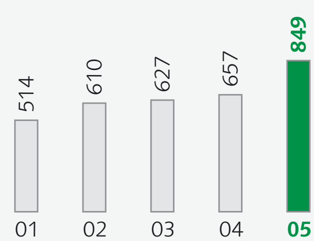
In Denmark, we acquired a cement import terminal with annual sales volumes of around 200,000 tonnes and one of the country's largest ready-mixed concrete manufacturers – with 22 plants – at the end of 2005. The two new acquisitions, which will be consolidated from 2006, strengthen HeidelbergCement's position in Northern Europe.

■ Central Europe East

Turnover 2005: 849 EURm



Turnover in EURm



Central Europe East

Since 1989, HeidelbergCement has built up a significant market position in the Central Europe East region as the largest investor in the building materials business. We are represented in Bosnia-Herzegovina, Croatia, the Czech Republic, Hungary, Poland, Romania, Slovakia, and Ukraine, where we produce cement, ready-mixed concrete, and aggregates. In the 2005 financial year, turnover in the region rose by 29.2 % to EUR 849 million (previous year: 657). Our participations in Hungary and Bosnia-Herzegovina have been fully included in the consolidation scope since the beginning of 2005. At the end of the year, we made our market entry into Kazakhstan.

Continuing economic growth

In most countries of the Central Europe East region, the solid economic upturn continued in 2005. General economic growth and construction activities continued to develop positively. In the new EU member states, construction activity benefited from infrastructure and environmental projects supported by the European Union; the construction industry in Poland recorded growth of 8.4 %, while an increase of 6.6 % was observed in the Czech Republic.

Cement business line

Further increase in sales volumes

As in the previous year, cement consumption grew in nearly all the countries of the region. Once again, Ukraine showed the highest growth rate. Only Bosnia-Herzegovina recorded a decline in cement demand after a record year in 2004. Our total sales volumes of cement and clinker rose by 17 % to 11.5 million tonnes (previous year: 9.8). The Hungarian participation Duna-Dráva Cement, previously operated as a joint venture, and its subsidiary Tvornica Cementa Kakanj in Bosnia-Herzegovina, are no longer proportionately consolidated, but have been fully included in the consolidation scope since 1 January 2005. Excluding the effect of consolidation, the sales volumes rose by 3.9 %. In the Czech Republic and Romania, our subsidiaries were able to noticeably increase their cement deliveries. We achieved the highest increase in sales volumes – despite intensified competition – in Ukraine, with growth of 13 %. In Hungary, increased export deliveries at least partially compensated for the declining domestic sales volumes. In Poland, our cement sales volumes remained slightly below the previous year's level; the significant increase in deliveries in the second half of the year did not fully compensate for the losses in the first half of the year.

Turnover by business lines

EURm	2004	**2005**
Cement	509	**660**
Concrete	187	**250**
Building materials	-	**-**
Intra-Group eliminations	-39	**-61**
Total turnover	657	**849**

Key data

EURm	2004	**2005**
OIBD	190	**259**
Operating income	135	**188**
Investment in tangible fixed assets	70	**96**
Tangible and intangible fixed assets	938	**1,075**
Employees	8,363	**8,052**

The investments were used for modernisation and optimisation of the production facilities, reduction of production costs and environmental protection. For example, the proportion of alternative fuels was increased further in the Górazdze plant in Poland and the Fieni plant in Romania. In the Mokra plant in the Czech Republic, a newly constructed coal-grinding installation will lower fuel costs substantially. New bag filters were installed in the two Hungarian plants in order to reduce dust emissions; in addition, we optimised the kiln operation and the loading installations. The Kakanj plant in Bosnia-Herzegovina started the exploitation of a new quarry to secure the supply of raw materials. In Ukraine, we invested primarily in the expansion of logistics and customer service; new bag filters are improving environmental protection.

HeidelbergCement further expanded its market position in Ukraine with the purchase of the cement manufacturer Doncement at the end of 2005. The plant, with a production capacity of 1.6 million tonnes of cement per year, supplies the local market in the Donezk industrial region and exports to Russia.

The market entry in Kazakhstan represents another important commitment in a growing market: in November 2005, we acquired the cement plant of Buchtarma Cement Company and its trading company Vostok Cement. HeidelbergCement will benefit from the strong growth in construction activity in Kazakhstan, as the expansion of the oil and gas industry leads us to expect dynamic economic development.

Concrete business line

■ Market position expanded

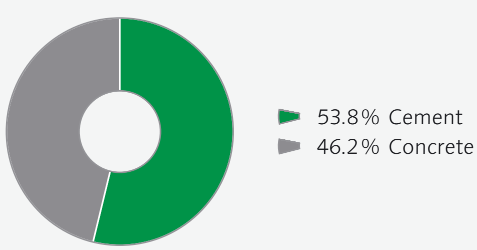
As part of the vertical integration of the ready-mixed concrete, aggregates and cement operating lines, we strengthened our market position in the concrete business line by portfolio optimisations and new acquisitions.

Our ready-mixed concrete activities experienced successful development in 2005: we achieved increases in sales volumes in all countries. This was primarily due to the lively activity in motorway and road construction, and additional infrastructure projects. The Czech Republic and Poland recorded the highest growth rates with 27 % and 16 % respectively. Overall, deliveries of ready-mixed concrete were 16.8 % above the previous year's level, with 4.7 million cubic metres (previous year: 4.0).

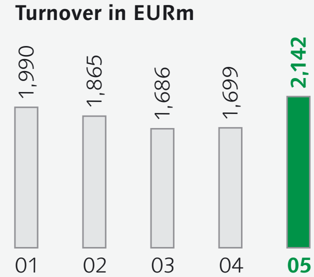
The aggregates operating line also benefited from the large number of projects in road construction. In total, our sand and gravel sales volumes rose by 8.0 % to 18.0 million tonnes (previous year: 16.7).

■ North America

Turnover 2005: 2,142 EURm



Turnover in EURm



North America

In the US and Canada, we produce cement, ready-mixed concrete, concrete products and aggregates. In 2005, turnover rose by 26.1 % to EUR 2,142 million (previous year: 1.699). In the national currency, it increased by the same percentage to USD 2,668 million – a record level in the 108-year history of our subsidiary Lehigh. This puts North America in the leading position in the Group.

Economic upturn slowed down

Economic growth in the US slightly weakened, with an increase of 3.5 % in the gross domestic product. Construction investments rose by 4.2 %, with residential construction experiencing the heaviest increase with 6.9 %.

In Canada, construction activity decreased by 1.0 % due to a significant decline of 6.0 % in residential construction, while the non-residential construction and infrastructure sector experienced a rise.

Cement business line

Record sales volumes thanks to construction boom

Cement consumption in the US rose by 5.2 % to 126 million tonnes in 2005. Although production capacities were expanded again in the past year, a further dramatic increase was observed in cement imports; they rose by 21.9 % to 33 million tonnes. In Canada, cement consumption reached the previous year's level again with 9.4 million tonnes.

The continuing construction boom in the US – along with insufficient imports – caused tightness in cement supply in several market regions. The cement and clinker sales volumes of our plants in North America increased by 9.5 % to the highest sales volumes so far of 14.7 million tonnes (previous year: 13.4). Excluding the full consolidation of Glens Falls Lehigh Cement Company, the total sales volumes would have risen by 6.2 %.

In our market regions on the East and West coasts, we benefited from the strong construction industry, particularly from residential construction, with heavy increases in sales volumes. Even though our production sites were not directly affected by Hurricane Katrina, other storms and ripple effects from Katrina adversely affected our markets in the Southern US. In Canada's Prairie Provinces, we achieved heavy increases in sales volumes thanks to the investments by the energy and mining industries.

Turnover by business lines

EURm	2004	**2005**
Cement	1,007	**1,242**
Concrete	829	**1,065**
Building materials	-	**-**
Intra-Group eliminations	-137	**-165**
Total turnover	1,699	**2,142**

Key data

EURm	2004	**2005**
OIBD	326	**466**
Operating income	230	**369**
Investment in tangible fixed assets	86	**117**
Tangible and intangible fixed assets	1,343	**1,556**
Employees	5,551	**5,914**

The construction boom in the US and Canada also led to significant volume increases in white cement. Both our white cement plants achieved records in cement production in 2005.

In the past year, we made investments in several plants – for example, Tehachapi, Mason City, Mitchell, Union Bridge and York – in order to allow the use of alternative fuels. In 2005, the volume of alternative fuels – including wood chips, used tyres, latex paints or biosolids – in our cement plants was doubled overall, thereby alleviating the effects of the increase in fossil fuel costs. In the Mason City plant, we commissioned an SNCR system for reducing NO_x emissions, along with a wet scrubber, which will significantly lower SO_2 emissions. Other projects related to expanding the production of blended cements in Edmonton.

Concrete business line

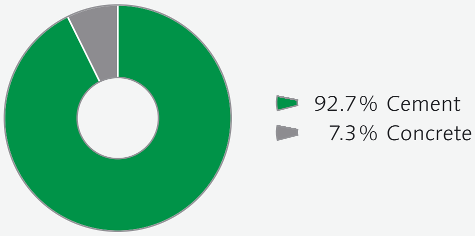
■ Market position in Texas expanded

In 2005, demand for ready-mixed concrete remained high throughout North America, especially in British Columbia, in parts of Washington State, in California, Texas and Florida. With ready-mixed concrete sales volumes of 8.5 million cubic metres, our plants exceeded the high level of the previous year by a further 18.8 %. Approximately 8 % of this growth resulted from the complete takeover of Campbell Concrete & Materials, L.P., the leading manufacturer of ready-mixed concrete and aggregates in the Houston area and Southern Texas.

Sales volumes of aggregates increased by 15.1 % to 29.1 million tonnes in 2005. With additional mining concessions for new or expanded quarries in California, Washington and British Columbia, our supply of raw materials is secured for the medium term. The Villeneuve quarry in the Canadian province of Alberta, modernised in 2004, continues to set production and efficiency records.

■ Africa-Asia-Turkey

Turnover 2005: 1,057 EURm



Turnover in EURm

Africa-Asia-Turkey

In the combined growth region Africa-Asia-Turkey, HeidelbergCement is represented in 17 countries. Whereas in Africa we are only active in the cement business, in Asia and Turkey we additionally manufacture ready-mixed concrete. In 2005, turnover rose by 4,9 % to EUR 1,057 million (previous year: 1,007).

Africa

Cement business line

Sales volumes slightly above previous year's level

In the ten African countries in which we operate, approximately 17 million tonnes of cement were consumed in 2005. Our subsidiaries and associated companies covered over a third of this requirement, with sales volumes of 6.2 million tonnes. The cement deliveries of the consolidated participations rose slightly by 0.6 % to 4.1 million tonnes (previous year: 4.0). In September 2005, we increased our participation in Tanzania Portland Cement Company by 12.9 % to 63.3 %.

Despite increasing competitive pressure from local manufacturers, we were able to maintain our position on the African markets. Our subsidiaries in Benin, Gabon, Liberia, Tanzania, Niger and the Republic of the Congo partly achieved considerable increases in sales volumes. In Ghana, we narrowly reached the previous year's level.

In Sierra Leone, we successfully completed the construction of a cement mill in August 2005. This investment served to improve the cost situation and increase the production capacity to just under 0.6 million tonnes of cement per year. Our plants in Africa achieved further cost savings by reducing the proportion of clinker in the cement and exploiting local raw material deposits.

Turnover by business lines

EURm	2004	**2005**
Cement	953	**1,005**
Concrete	74	**79**
Building materials	-	**-**
Intra-Group eliminations	-19	**-27**
Total turnover	1,007	**1,057**

Key data

EURm	2004	**2005**
OIBD	192	**230**
Operating income	119	**158**
Investment in tangible fixed assets	83	**60**
Tangible and intangible fixed assets	1,305	**1,413**
Employees	11,059	**10,344**

Asia

Dynamic economic development

In 2005, the economic dynamics continued overall in Asia. In Indonesia, economic growth remained largely unchanged from the previous year, at around 5.5 %. However, as a result of the high oil prices, the inflation rate rose to 17 % and the Indonesian Rupiah diminished continuously in value against the US dollar. In China, the gross domestic product rose by just under 10 %, despite government measures to dampen the economy. The provinces of Guangdong and Shaanxi, where our production sites are located, recorded above-average growth rates.

Cement business line

Varied growth

In Indonesia, cement consumption rose by 4.3 % to 31.5 million tonnes in 2005, remaining significantly below expectations. Due to the intense competition on the Indonesian domestic market and the declining exports, the cement and clinker sales volumes of our subsidiary Indocement decreased by 3.2 % to 12.1 million tonnes (previous year: 12.5). Exports contributed around 20 % to the total sales volumes.

In March 2005, part of Indocement's external debt – USD 150 million – was replaced by a Group loan. In order to eliminate the currency risk from the Group loan, Indocement concluded a USD/IDR interest rate and currency swap. In the 2005 financial year, Indocement significantly reduced its net liabilities from EUR 324 million to EUR 138 million.

In June 2005, we increased our share in Indocement to 65.1 %; this transaction was financed by the issue of new HeidelbergCement shares as part of a capital increase against contributions in-kind.

In China, our joint venture China Century Cement benefited from the increasing demand for high-quality rotary kiln cement in the Southern Chinese province of Guangdong. The sales volumes rose by 9.2 % to 3.7 million tonnes (consolidated: 1.85 million tonnes). In July 2005, the new plant in the provincial capital Guangzhou with an annual capacity of 2.3 million tonnes started production as planned; a plant situated in the urban area of Guangzhou was then closed.

By founding another joint venture in the north of the country, we have established a second foothold in the growing Chinese market. The joint venture formed at the end of 2005 in the Shaanxi province comprises an existing cement plant with a capacity of 1.8 million tonnes in the Fufeng district and the construction of a new cement plant in the provincial capital Xian.

In Bangladesh, market development was characterised by excess capacities and intense competition. Nevertheless, with slight increases in sales volumes, we were able to significantly increase our profit by means of strict cost management. Our grinding plant in the Sultanate of Brunei also achieved an improvement in results. 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, the plant recorded further increases in sales volumes and turnover.

Overall, cement and clinker sales volumes in Asia decreased slightly by 2.2 % to 14.8 million tonnes (previous year: 15.1) as a result of the declining exports from Indonesia.

Concrete business line

■ **Boom in Indonesia**

Indocement's ready-mixed concrete sales volumes rose by just under 30% to around 800,000 cubic metres. The government's plans to expand infrastructure lead us to expect further increases in sales volumes for 2006. China Century Cement's ready-mixed concrete facilities in Hong Kong also experienced positive development. We sold our ready-mixed concrete activities in Guangzhou.

Turkey

■ **High level of construction activity**

With projected general economic growth of 5.5%, construction investments increased by 20% in 2005, supported by low interest rates and a significant fall in the inflation rate.

Cement business line

■ **Growing domestic market**

In 2005, cement consumption in Turkey increased from 31 million tonnes to around 35 million tonnes. As a result of the high market demand, the domestic sales volumes of our participation Akçansa rose by 17.0%. However, total sales volumes fell by 3.0% to 4.1 million tonnes (consolidated: 1.6 million tonnes) due to declining clinker and cement exports. With higher domestic proceeds and reduced costs, the company was able to significantly improve its profit in 2005.

Measures to expand the capacity of the Çanakkale cement plant should be completed by the end of 2007; this will increase the company's clinker capacity from 3.8 million tonnes to 5.7 million tonnes and expand its market position in Turkey. Akçansa is also a pioneer in the Turkish cement industry in the use of alternative fuels.

Concrete business line

■ **Record sales volumes**

The sales volumes of the ready-mixed concrete operating line Betonsa increased considerably, rising by 19.1% to 2.4 million cubic metres. However, prices were under heavy competitive pressure. At the end of 2004 and beginning of 2005, Betonsa extended its activities with the addition of six locations.

maxit Group

The activities of maxit Group essentially comprise the areas of dry mortar, expanded clay products, building chemicals and plant engineering. The company operates a total of 117 plants and numerous sales offices in 29 countries. maxit Group is the market leader in Europe, achieving turnover of EUR 1,118 million (previous year: 1,053) in 2005, an increase of 6.1 % in comparison with the previous year.

Growth almost down the line

With the exception of Germany, maxit's European market regions all developed positively in the past year. Transnational marketing of maxit's complete range of products and services, with a focus on product innovations, played an important role in this development. In 2005, Northern Europe recorded the strongest growth. In Sweden, the healthy economic development contributed to the highest profit achieved so far. In Norway and Finland, demand remained at a high level; in the Baltic States, additional raw materials had to be imported in order to guarantee sufficient production of expanded clay products.

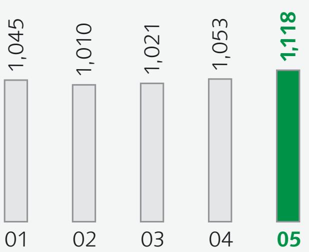
In Germany, sales volumes decreased once again in 2005, in the face of continuing tough price competition. We therefore started a restructuring programme towards the end of the year to increase efficiency. The aim is to adjust the organisation to the structural changes in the German construction industry. The market in Switzerland was also characterised by highly intense competition. While sales volumes in the Benelux countries reached the previous year's level, activities in Austria and the United Kingdom developed positively as planned.

In France and Spain, we expanded our activities by purchasing two new dry mortar plants – one near Lyon, the other in the province of Andalusia. In Portugal, the declining trend did not continue in 2005; in Italy, we sold the dry mortar plant in Zandobbio near Bergamo at the start of 2006. In the future, maxit will supply the Italian market by means of imports.

In Russia, we expanded our market position with the commissioning of the newly built dry mortar plant in Arzamas near Nizhny Novgorod at the end of November. An important step in the Chinese market was the opening of a new dry mortar plant in the Peking area in October 2005.

maxit Group

Turnover in EURm



Turnover by business lines

EURm	2004	**2005**
Cement	-	**-**
Concrete	-	**-**
Building materials	1,053	**1,118**
Intra-Group eliminations	-	**-**
Total turnover	1,053	**1,118**

The activities of our subsidiary m-tec, which specialises in plant construction and plant engineering, continued to develop positively in 2005. In July, m-tec opened a production site for silos and mixers in Shanghai. A new, improved silo mixing pump introduced in Europe met with great interest.

Product development at the forefront

By continuously developing existing and new products and systems, maxit secures its place at the forefront of quality and innovation. In the past year, several innovations were introduced onto the market. These included, for example, maxit Floor 2005 – a new generation of floor products with significantly improved fluidity, faster drying and less shrinkage. Special floor concepts have been developed for maxit Floor 2005, based on aspects such as aesthetics, installation and comfort. For example, this product is being installed with a special design in the branches of an international chain of fashion stores. maxit has developed the interactive Navigator product guide to support the floor concept.

For concrete structures that are damaged or under particular stress, CarboCath® offers effective corrosion protection (see Research and technology, page 43). With Natural Stone, maxit has developed special products for building with natural stones in exterior and interior flooring and masonry. Thanks to the patented maxit DSM blocks made from expanded clay, walls can be constructed without mortar.

Key data

EURm	2004	2005
OIBD	144	**143**
Operating income	88	**88**
Investment in tangible fixed assets	59	**55**
Tangible and intangible fixed assets	788	**801**
Employees	4,902	**4,945**

Group Services

Group Services comprises the activities of HC Trading and HC Fuels. HC Trading primarily trades with cement and clinker and is one of the largest trading companies in the sector. HC Fuels manages worldwide trading in fossil fuels, which are sold to Group-owned and third party companies. The turnover of both subsidiaries improved by 14.5% to EUR 578 million (previous year: 505), mainly as a result of the increased freight rates.

HC Trading

The trade volume of our subsidiary HC Trading decreased by 3.9% to 11.6 million tonnes (previous year: 12.1) in the past year. Rising deliveries to the East coast of the US and the Middle East were not able to compensate for the falling freight volumes to the Western US and to Africa and Asia. The more than 800 ships employed by HC Trading called at over 130 ports in 78 countries during 2005.

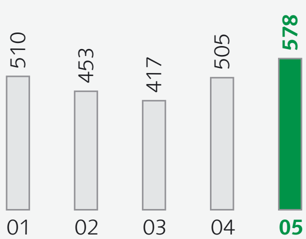
The lists of exporting and importing countries have changed somewhat in the past year. Rising domestic demand, for example in Northern Europe, Indonesia and Turkey, led to a decline in exports in these regions. On the other hand, the export capacities of countries such as China increased as a result of newly constructed production facilities. HC Trading adapted to this change by opening two new trading offices in Shanghai and Malta. This increased the number of locations co-ordinating its trading activities to seven.

Thanks to our global trading network, we are able to increase the capacity utilisation of our plants by transporting the surplus from one country to another country with high demand. In addition, HC Trading is increasingly supplying third party customers, particularly in the Middle East. The proportion of these activities rose by 14% in the past year.

After a noticeable decline in the summer, freight rates rose significantly again in the autumn of 2005. However, HC Trading managed to compensate for these changes by means of long-term freight agreements. We expect that freight rates will continue to fluctuate heavily in 2006 but experience an overall fall.

Group Services

Turnover in EURm



Key data

EURm	2004	**2005**
OIBD	3	**11**
Operating income	2	**10**
Investment in tangible fixed assets	-	**-**
Tangible and intangible fixed assets	38	**38**
Employees	54	**51**

HC Fuels

Our subsidiary HC Fuels, based in London, is responsible for the cost-effective purchase of fossil fuels on the international commodity markets (see Purchasing, page 45). HC Fuels is also entrusted with the task of trading CO_2 emission rights on behalf of our Group companies in Europe.

Management and employees at HeidelbergCement have one common goal: adding value to the company in the long term. They work together as partners and promote corporate citizenship.

Group profit and loss accounts

EUR '000s	Notes	2004	2005
Turnover	1	6,929,407	**7,802,572**
Change in stocks and work in progress		-2,395	**12,057**
Own work capitalised		1,504	**1,204**
Operating revenues		6,928,516	**7,815,833**
Other operating income	2	204,010	**194,174**
Material costs	3	-2,655,598	**-3,018,040**
Employees and personnel costs	4	-1,365,441[2]	**-1,450,175**
Other operating expenses	5	-1,892,199	**-2,035,767**
Operating income before depreciation (OIBD)		1,219,288	**1,506,025**
Depreciation and amortisation of tangible fixed assets	6	-471,589	**-486,089**
Depreciation and amortisation of intangible assets	6	-12,587	**-10,034**
Operating income		735,112	**1,009,902**
Additional ordinary result	7	-673,886	**-116,791**
Results from associated companies[1]	8	97,629[2]	**149,515**
Results from other participations	8	-30,816	**-10,109**
Earnings before interest and income taxes (EBIT)		128,039	**1,032,517**
Interest and similar income	9	36,566	**24,941**
Interest and similar expenses	9	-266,122	**-294,899**
Exchange rates gains and losses	9	-50,193	**8,945**
Profit/loss before tax		-151,710	**771,504**
Taxes on income	10	-181,177[2]	**-300,415**
Profit/loss for the financial year		-332,887[2]	**471,089**
Minority interests		-32,910	**-56,588**
Group share		-365,797	**414,501**
Amount for dividend payment	43	55,491	**132,938**
Earnings per share in EUR (IAS 33)	11	-3.64[2]	**3.74**

[1] Net result from associated companies 68,606 112,427

[2] The retrospective application of IAS 28 (Investments in Associates – amendment December 2004) and IFRS 2 (Share-based Payment) would have reduced the result from associated companies by EUR '000s 10,804 and employees and personnel costs by EUR '000s 1,784 in 2004. The taxes on income would have increased by EUR '000s 4,084. The profit for the financial year would have decreased by EUR '000s 13,104 and the earnings per share down to EUR -3.77.

Group cash flow statement

EUR '000s	Notes	2004	**2005**
Operating income before depreciation (OIBD)		1,219,288	**1,506,025**
Additional ordinary result before depreciation		-228,070	**-44,317**
Dividends received	12	43,973	**28,749**
Interest paid	13	-182,980	**-295,971**
Taxes paid		-161,963	**-223,482**
Elimination of non-cash items	14	319,196	**76,222**
Cash flow		1,009,444	**1,047,226**
Changes in operating assets	15	-113,311	**-197,739**
Changes in operating liabilities	16	41,220	**-54,469**
Cash flow from operating activities		937,353	**795,018**
Intangible assets		-15,519	**-20,869**
Tangible fixed assets		-450,975	**-527,256**
Financial fixed assets		-44,713	**-386,216**
Investments (cash outflow)	17	-511,207	**-934,341**
Proceeds from fixed asset disposals	18	137,949	**166,629**
Cash from changes in consolidation scope	19	64,603	**20,460**
Cash flow from investing activities		-308,655	**-747,252**
Capital increase			**291,732**
Dividend payments - HeidelbergCement AG	20	-114,446	**-55,491**
Dividend payments - minority shareholders	21	-10,480	**-34,785**
Proceeds from bond issuance and loans	22	259,932	**192,206**
Repayment of bonds and loans	23	-963,717	**-481,253**
Cash flow from financing activities		-828,711	**-87,591**
Net change in cash and cash equivalents	24	-200,013	**-39,825**
Effect of exchange rate changes		-19,939	**51,632**
Cash and cash equivalents at 1 January		524,961	**305,009**
Cash and cash equivalents at 31 December		305,009	**316,816**

Group balance sheet

Assets

EUR '000s	Notes	31 Dec. 2004	**31 Dec. 2005**
Long-term assets			
Intangible assets	25	2,297,697	**2,454,657**
Tangible fixed assets	26		
Land and buildings		1,872,849	**2,039,467**
Plant and machinery		2,684,415	**2,982,037**
Fixtures, fittings, tools and equipment		171,124	**190,109**
Payments on account and assets under construction		330,302	**283,107**
		5,058,690	**5,494,720**
Financial fixed assets	27		
Shares in associated companies	28	655,987 [1]	**759,950**
Shares in other participations	29	205,455	**334,531**
Loans to participations	30	12,792	**17,722**
Other loans		51,843	**45,279**
		926,077	**1,157,482**
Fixed assets		8,282,464	**9,106,859**
Deferred taxes		168,271	**170,490**
Other long-term receivables		48,884	**77,618**
		8,499,619	**9,354,967**
Short-term assets			
Stocks	31		
Raw materials and consumables		413,496	**491,348**
Work in progress		79,916	**90,454**
Finished goods and goods for resale		244,207	**275,153**
Payments on account		20,847	**12,686**
		758,466	**869,641**
Receivables and other assets	32		
Short-term financial receivables		138,486	**185,955**
Trade receivables		738,207	**920,971**
Other short-term operating receivables		157,339	**193,320**
Current income tax assets		38,640	**45,067**
		1,072,672	**1,345,313**
Short-term investments and similar rights	33	117,436	**64,744**
Cash at bank and in hand	33	267,714	**299,986**
		2,216,288	**2,579,684**
Balance sheet total		10,715,907	**11,934,651**

[1] The retrospective application of IAS 28 (Investments in Associates – amendment December 2004) would have led to a decrease in shares in associated companies and revenue reserves by EUR '000s 9,445. The revenue reserves would have retrospectively decreased by EUR '000s 4,879, the deferred taxes by EUR '000s 2,990 and the other long-term provisions increased by EUR '000s 7,869 due to IFRS 2 (Share-based Payment).

Liabilities

EUR '000s	Notes	31 Dec. 2004	**31 Dec. 2005**
Shareholders' equity and minority interests			
Subscribed share capital	34	258,421	**296,065**
Capital reserves	35	1,930,491	**2,512,679**
Revenue reserves	36	1,720,735[1]	**1,999,286**
Currency translation		-372,498	**-174,938**
Company shares		-2,936	**-2,936**
Capital entitled to shareholders		3,534,213	**4,630,156**
Minority interests	37	429,110	**427,709**
		3,963,323	**5,057,865**
Long-term provisions and liabilities			
Provisions	38		
Provisions for pensions	39	576,547	**736,010**
Deferred taxes	40	470,436[1]	**493,409**
Other long-term provisions	41	549,061[1]	**493,509**
		1,596,044	**1,722,928**
Liabilities	42		
Debenture loans		1,949,188	**1,473,966**
Bank loans		1,025,294	**878,530**
Other long-term financial liabilities		524,505	**391,842**
		3,498,987	**2,744,338**
Other long-term operating liabilities		7,138	**8,144**
		3,506,125	**2,752,482**
		5,102,169	**4,475,410**
Short-term provisions and liabilities			
Provisions	38	110,013	**116,271**
Liabilities	42		
Bank loans (current portion)		219,697	**643,900**
Other short-term financial liabilities		334,831	**521,523**
		554,528	**1,165,423**
Trade payables		488,934	**568,731**
Current income taxes payables		55,280	**72,248**
Other short-term operating liabilities		441,660	**478,703**
		1,540,402	**2,285,105**
		1,650,415	**2,401,376**
Balance sheet total		10,715,907	**11,934,651**

Statement of recognised income and expense

EUR '000s	2004	2005
IAS 39 Financial instruments	30,751	**22,225**
IAS 19 Actuarial gains and losses	-89,812 [1]	**-93,507**
IAS 28 Investments in Associates		**-9,445** [2]
IFRS 2 Share-based Payment		**-4,879** [2]
IFRS 3.81 Negative Goodwill	25,562	
Currency translation	-55,147	**179,576**
Other consolidation adjustments	-545	**5,074**
Income and expense directly recognised in equity	-89,191	**99,044**
Profit/loss for the financial year	-332,887	**471,089**
Total result for the period	-422,078	**570,133**
Part of minorities	10,291	**38,531**
Part of shareholders HeidelbergCement AG	-432,369	**531,602**
Effect of changes in accounting and valuation principles	-13,104	

[1] Including restatement at 1 January 2004 with an amount of EUR '000s -105.627 [2] Restatement revenue reserves at 1 January 2005

Group equity capital grid/notes EUR '000s	Subscribed share capital	Capital reserves
1 January 2004	255,104	1,888,454
Effect of adopting IAS 19 (amendment Dec. 2004)		
1 January 2004 (restated)	255,104	1,888,454
Profit for the financial year		
Capital increase from issuance of new shares	3,317	42,037
Issuance of company shares		
Dividends		
Changes without effects on results		
Consolidation adjustments		
IFRS 3.81 Offsetting of negative goodwill		
IAS 19 Actuarial gains and losses		
Financial instruments IAS 39		
Exchange rates		
31 December 2004 / 1 January 2005	258,421	1,930,491
Effect of adopting IAS 28 Investments in Associates		
Effect of adopting IFRS 2 Share-based Payment		
1 January 2005 (restated)	258,421	1,930,491
Profit for the financial year		
Capital increase from issuance of new shares	37,644	582,188
Dividends		
Changes without effects on results		
Consolidation adjustments		
IAS 19 actuarial gains and losses		
Financial instruments IAS 39		
Exchange rates		
31 December 2005	296,065	2,512,679

[1] Realised currency translation adjustments

[2] The effects of adopting IAS 28 (Investments in Associates – amendment December 2004) and the first time application of IFRS 2 (Share-based Payment) with amounts of EUR '000s 4,765 and EUR '000s -5,985 respectively led to a decrease of the revenue reserves to a restated amount of EUR '000s 2,130,491 at 1 January 2004. Adjustments in 2004 with an effect on results of EUR '000s -14,210 and EUR '000s 1,106 changed the revenue reserves to a restated amount of EUR '000s 1,706,411 at 31 December 2004 (see notes, point 36 revenue reserves).

Revenue reserves	Currency translation	Company shares	Capital entitled to shareholders	Minority interests	**Total**
2,237,338	-342,286	-7,465	4,031,145	153,902	**4,185,047**
-105,627			-105,627		**-105,627**
2,131,711	-342,286	-7,465	3,925,518	153,902	**4,079,420**
-365,797			-365,797	32,910	**-332,887**
			45,354		**45,354**
		4,529	4,529		**4,529**
-114,446			-114,446	-10,480	**-124,926**
-545			-545	275,397	**274,852**
25,562			25,562		**25,562**
15,815			15,815		**15,815**
30,751			30,751		**30,751**
-2,316 [1)]	-30,212		-32,528	-22,619	**-55,147**
1,720,735	-372,498	-2,936	3,534,213	429,110	**3,963,323**
-9,445 [2)]			-9,445		**-9,445**
-4,879 [2)]			-4,879		**-4,879**
1,706,411	-372,498	-2,936	3,519,889	429,110	**3,948,999**
414,501			414,501	56,588	**471,089**
			619,832		**619,832**
-55,491			-55,491	-34,785	**-90,276**
4,954			4,954	-5,027	**-73**
-93,375			-93,375	-132	**-93,507**
22,286			22,286	-61	**22,225**
	197,560		197,560	-17,984	**179,576**
1,999,286	-174,938	-2,936	4,630,156	427,709	**5,057,865**

Notes to the 2005 Group accounts

Accounting and valuation principles

Accounting principles

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

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

Compared with the previous year, changes in the accounting and valuation principles affecting the financial position and performance of the Group arose through the first-time application of IFRS 2 (Share-based Payment), IFRS 4 (Insurance Contracts), IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations) and the revised version of IAS 28 (Investments in Associates). 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 annual 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), a statement of recognised income and expense recorded in the Group annual accounts and 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 is shown separately in the profit and loss accounts and in the segment reporting. The profit and loss accounts classify the expenses by their nature, using the cost-of-production method.

Consolidation principles

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

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

Like in 2004, according to IFRS 3, goodwill is no longer amortised over its useful life, but is tested for impairment at least once a year according to IAS 36 (Impairment of Assets). Furthermore, IFRS 3 states that negative goodwill from business combinations must not be recognised in the balance sheet.

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

Shares in associated companies, in which HeidelbergCement has a voting power of 20 % or more, were accounted for in accordance with the equity method (IAS 28 Investments in Associates) in the Group annual accounts. In order to improve the meaningfulness of the presentation of results from participations, proportionate results from associated companies 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 and Separate Financial Statements). Profits and losses from intra-Group sales are eliminated, provided they have a significant impact. Internal Group deliveries are settled on the basis of market prices and transfer prices, which in principle correspond to those in relation to third parties ("arm's length principle").

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

Application of new accounting standards

HeidelbergCement followed the recommendation of the International Accounting Standards Board (IASB) and applied IFRS 3 (Business Combinations) in connection with the revised standards IAS 36 (Impairment of Assets) and IAS 38 (Intangible Assets) already in 2004. The amendments of IAS 19 (Employee Benefits), adopted by the IASB on 16 December 2004, were 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).

Other standards that have been changed as part of the "Improvement Project" and adopted by the EU Commission were applied for the first time in 2005. In particular, the revised IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors, rev. 2003) and the revised version of IAS 28 (Investments in Associates) are applied as of 1 January 2004. 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), IFRS 6 (Exploration for and Evaluation of Mineral Resources) and IFRS 7 (Financial Instruments: Disclosures). IFRS 6 and IFRS 7 were not applied in advance. Adjustments to the previous year's values are shown as footnotes in the respective sections.

IAS 32 (Financial Instruments: Disclosure and Presentation) and IAS 39 (Financial Instruments: Recognition and Measurement) were adopted by HeidelbergCement for all regulations mandatorily applicable for all financial years starting on or after 1 January 2005; amendments that only became mandatory for financial years starting on or after 1 January 2006 were not applied. These amendments concern the extended right to value financial instruments according to the fair value option and the accounting of issued financial guarantees, which will fall within the scope of application of IAS 39 in the future.

Since 1 January 2005, the application of Group-wide accounting and valuation methods to determine the equity approach of associated companies in the Group annual accounts has been mandatory (IAS 28.26). The adjustment to Group-wide accounting and valuation methods was applied by the balance sheet date.

For the first time, IFRS 2 (Share-based Payment) governs in detail the accounting of share-based payment transactions in the annual accounts and Group annual accounts. In particular, the standard deals with stock options for managers. For share-based equity-settled payment transactions, this IFRS must be applied to shares, stock options and other equity instruments which were granted after 7 November 2002 and which were not yet exercisable at the time this IFRS came into force (IFRS 2.53). Consequently, IFRS 2 has not been applied to the real 2001/2007 option plan. For the virtual stock option plans 2000/2006, 2002/2008 and 2003/2009, the stock options have been valued at their fair value.

IFRS 4 (Insurance Contracts) regulates the accounting method for insurance contracts. In particular, the standard requires details concerning the identification and explanation of the amounts originating from insurance contracts in an insurer's financial statements. The introduction of the standard did not have any impact within the Group.

IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations) includes requirements for classification, valuation and presentation of long-term assets held for sale. No significant circumstances currently exist within the Group that justify the application of IFRS 5.

IFRS 6 (Exploration for and Evaluation of Mineral Resources): The objective of IFRS 6 is to establish the accounting method for the extraction and evaluation of mineral resources. The standard comes into force for the first time on 1 January 2006. The Group has not applied the standard in advance as recommended by the IASB.

IFRS 7 (Financial Instruments: Disclosures): This essentially relates to disclosures regarding the nature and significance of financial instruments in the accounts and the nature, scale and management of financial risks. From 1 January 2007, IFRS 7 and the amended regulations in IAS 1 (Presentation of Financial Statements) must be applied by all companies holding financial instruments. HeidelbergCement has not applied this standard in advance.

In addition, the International Financial Reporting Interpretations Committee (IFRIC) has adopted the following interpretations: IFRIC 4 (Determining whether an Arrangement contains a Lease), IFRIC 5 (Rights to Interests from Decommissioning, Restoration and Environmental Rehabilitation Funds), IFRIC 6 (Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment) and IFRIC 7 (Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperfinlationary Economies). The Group has not applied these standards in advance.

Valuation principles

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

Emission rights

In Germany, the law on the trading of emission rights for greenhouse gases (TEHG) of 8 July 2004 has created the conditions for an EU-wide emissions trading system.

The regulations of the IFRS/IAS require these to be accounted for as intangible assets under fixed assets (IAS 38). Emission rights granted free of charge are accounted for at a nominal value of zero at the time of accession. The Group is currently making the assumption that sufficient emission rights are available to ensure that no provisions need to be formed for the purchase of additional emission rights. Emission rights acquired for a consideration must be accounted for at acquisition cost and are subject to extraordinary amortisation in the event of impairment in value.

Goodwill

As a result of IFRS 3 (Business Combinations), goodwill arising from business combinations is no longer amortised - this applies also to 2004. Instead, an impairment test according to IAS 36 (Impairment of Assets) is carried out. In this impairment test, the carrying amount of a group of cash-generating units (CGUs) to which goodwill is allocated is compared with the recoverable amount of this group of CGUs. Based on the sales and management structure, a group of cash-generating units is, in principle, defined as a country or region.

If the carrying amount of an asset is higher than the recoverable amount, the asset shall be depreciated to its recoverable amount. That reduction is an impairment loss. The recoverable amount is the higher value of fair value less cost to sell and the value in use of an asset. The fair value less cost to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction less costs of disposal. The value in use is calculated by discounting estimated future cash flows after taxes with a risk-adjusted discounting rate (WACC). A cash flow-based method in accordance with IAS 36 was used to determine the necessary impairment. The necessary impairment was determined on the basis of the cash flow estimates for the groups of CGUs. Operational Planning normally involves a planning horizon of three years.

Assumptions made in the calculation of amortisation of goodwill

Cash-generating unit	Carrying amount of goodwill EURm	Weighted average cost of capital after taxes
Europe	1,749.2	7.5 %
North America	354.8	6.0 %
Africa-Asia-Turkey	299.6	9.5 %
Total	2,403.6	

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

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

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

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

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 or payables and financial receivables or payables.

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

Derivative financial instruments such as forward exchange contracts, currency option contracts, interest rate swaps or interest rate options are 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 124 ff.

Receivables and other assets are measured at the original transaction amount less any necessary write-downs; liabilities are recorded at amortised cost, taking the effective interest method into account. 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

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 major 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 which arose during the reporting year against shareholder's equity without effects on results.
- 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 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 adjusted 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 IAS 32 (Financial Instruments: Disclosure and Presentation), formerly 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, shown as an impairment loss. Negative goodwill from business combinations is taken into account with effect on results in the period of acquisition.
- Emission rights acquired free of charge are measured at the nominal value of zero.
- Discontinued operations are shown separately in accordance with IFRS 5.

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 2005, the inflation rate in Turkey reached 13.31 %. During this period, the Turkish lira (TRL) was devalued by 4.54 % 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 31 Dec. 2004	**31 Dec. 2005**	Av. annual exchange rates 2004	**2005**
	Country	EUR	**EUR**	EUR	**EUR**
USD	US	1.3558	**1.1840**	1.2431	**1.2453**
CAD	Canada	1.6308	**1.3762**	1.6157	**1.5080**
GBP	Great Britain	0.7067	**0.6879**	0.6783	**0.6846**
HRK	Croatia	7.6318	**7.3704**	7.4859	**7.3995**
IDR	Indonesia	12,595.38	**11,638.72**	11,169.92	**12,142.44**
NOK	Norway	8.2378	**7.9843**	8.3601	**8.0223**
PLN	Poland	4.0810	**3.8422**	4.5154	**4.0234**
RON	Romania	39,313	**3.6841** [1]	40,519	**3.6371** [1]
SEK	Sweden	9.0191	**9.4026**	9.1286	**9.2975**
CZK	Czech Republic	30.3903	**29.0483**	31.8706	**29.7958**
HUF	Hungary	244.9253	**252.2512**	250.7770	**248.2210**
TRY	Turkey	1,823,551	**1.5984** [2]	[3]	[3]

[1] On 1st July 2005, the National Bank of Romania decided to adopt the new leu (RON). 1 new leu is equal to 10,000 old lei (ROL).
[2] On 1st January 2005, the Turkish lira was renamed to Turkish new lira and it was redenominated by cutting six zeros.
[3] In accordance with IAS 21.42 (a) all amounts are translated using the closing rate at the date of the most recent balance sheet.

Scope of consolidation

In addition to HeidelbergCement AG, the Group annual accounts include 469 subsidiaries that have been fully or proportionately consolidated, of which 82 are German and 387 are foreign. Proportionately consolidated companies accounted for 5.2 % of the revenues and 6.1 % of the expenses; they contributed 4.1 % and 8.4 %, respectively, to the consolidated long-term and short-term assets. In addition, 4.3 % of debt capital (IAS 31 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 2004.

In 2005, 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

The expansion of the consolidation scope in Central Europe West with a further seven companies was primarily due to the acquisition of Teutonia Zementwerk AG, Hanover (92.53 %), Hannoversche Portland Cementfabrik AG, Hanover (87.70 %), and Germania GbR, Hanover (90.11 %). In addition, Kerpen & Kerpen GmbH & Co. KG, Ochtendung (30 %), and three ready-mixed concrete companies have been fully consolidated. Despite a participation of just 30 %, the parent company's control of the subsidiary Kerpen & Kerpen GmbH & Co. KG is established by means of contractual agreements.

On 1 January 2005, Anneliese Zementwerke AG, Ennigerloh (100 %) was merged into HeidelbergCement AG. Additionally, the accretion of Zementwerk Bosenberg GmbH & Co. KG, Ahlen (100 %), to HeidelbergCement AG took place on 1 September 2005. Scheidt GmbH & Co. KG, Rinteln, left the consolidation scope on 1 July 2005.

Western Europe

In Western Europe, the consolidation scope was expanded by means of the inclusion of the Belgian company Betoncentrale Coeck, Niel (100 %), for the first time. In addition, the shares in the Belgian companies DMI Beton N.V., Brussels, and Carrières de Leffe, Brussels, were increased from 50 % in each case to 100 %. The activities of the Belgian companies Henri Brock et ses Fils SA, Liège, Carrières de Barbençon, Barbençon, and Carrières Dullière SA, Woluwe-Saint-Lambert, were merged into Gralex S.A., Brussels. The German-based company Inter-Beton GmbH, Neuss, was sold and deconsolidated.

Northern Europe

In Northern Europe, the consolidation scope was expanded on 1 January 2005 with the addition of the Swedish companies Fodina Öresund AB, Malmö (100 %), and Tondere Öresund AB, Malmö (100 %). In addition, the newly founded Danish companies HeidelbergCement Danmark A/S, Copenhagen (100 %), DK Cement A/S, Copenhagen (100 %), and HeidelbergCement Beton A/S, Copenhagen (100 %), were consolidated on 1 December 2005.

On the other hand, the Swedish company Returindustri AB, Danderyd, the French-based company Sonopar SA, Paris, and the Portuguese company Soplacas Sociedade de Placas de Betao Lda, Cascais, were deconsolidated.

Central Europe East

The Romanian company Carpatcemtrans S.R.L., Bucharest (98.9 %), entered the scope of consolidation for the first time while the Polish company BT Bick Kielce Sp. z.o.o., Kielce, left the consolidation scope on 31 December 2005. After acquiring a share in Duna-Dráva Cement Kft, Vác (50.01 %), on 4 April 2005, this company and its Hungarian subsidiaries TBG Hungaria Betonipari Servezö Befektetö Tanacsado Kft, Budapest (50.01 %), and Donau-Kies Kft, Budapest (50.01 %), were converted from proportionate to full consolidation. After the acquisition of one share in Duna-Dráva Cement Kft, Vac, and a further increase in shares, the previously proportionately included Bosnian company Tvornica Cementa Kakanj d.d., Kakanj, was also fully consolidated.

North America
The companies Glens Falls Lehigh Cement Company, Glens Falls, New York (100 %), and Campbell Concrete & Materials L.P., Cleveland (100 %), proportionately consolidated in the previous year, were fully consolidated after the shares were increased from 50 % in each case to 100 %.

Africa-Asia-Turkey
In the Africa-Asia-Turkey region, the companies Scanang Trading Ltd., Irishtown/Gibraltar, and Shale Shipping Ltd., Nassau/Bahamas, were deconsolidated.

maxit Group
Changes to the consolidation scope of the maxit Group in comparison with 2004 were the first-time inclusion of the Hungarian company Deitermann Hungaria Kereskedelmi Kft., Budapest (100 %), and the first-time consolidation of the two newly founded companies maxit Italy s.r.l., Bergamo/Italy (100 %), and m-tec machinery technology (Shanghai) Co. Ltd., Shanghai/China (100 %). In addition, the Polish company m-tec Polska Sp. Z.o.o, Bralin (100 %), m-tec Inc, Wilmington/US (100 %), and the Czech company Franken Maxit s.r.o., Cheb (100 %), were included in the Group annual accounts for the first time.

The German companies Proplan Frankenfeld GmbH, Gütersloh (100 %), Proplan Bodensysteme GmbH, Neuss (100 %), and Lamstedter Baustoff-Vertriebs GmbH, Langen (100 %), and the Belgian Promix International SA, Argentaux (100 %), all consolidated at equity in the previous year, were fully consolidated for the first time on 1 January 2005.

Group Services
The consolidation scope in the Group Services strategic business unit was reduced as a result of the withdrawal of the Norwegian company Christopher J. Dahl A/S, Oslo.

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

Assets EUR '000s	
Long-term assets	
Intangible assets	6,767
Tangible fixed assets	99,169
Financial fixed assets	5,986
Fixed assets	111,922
Deferred taxes	28
Other long-term receivables	602
	112,552
Short-term assets	
Stocks	7,917
Receivables and other assets	15,715
Short-term investments	8,859
Cash at bank and in hand	4,085
	36,576
Balance sheet total	149,128

Liabilities EUR '000s	
Shareholders' equity and minority interests	
Capital entitled to shareholders	86,041
Minority interests	0
	86,041
Long-term provisions and liabilities	
Provisions	42,981
Liabilities	3,381
	46,362
Short-term provisions and liabilities	
Provisions	376
Liabilities	16,349
	16,725
Balance sheet total	149,128

Result for the companies consolidated for the first time in the financial year 2005 EUR '000s	
Loss for the financial year	**-7,776**
Minority interests	**856**
Group share	**-8,632**

For reasons of materiality, we refrained from individual disclosures (IFRS 3.68).

In accordance with IFRS 3.61 ff., the acquired assets and liabilities of the companies Teutonia Zementwerk AG, Hanover, Hannoversche Portland Cementfabrik AG, Hanover, Germania GdR, Hanover, and Kerpen & Kerpen GmbH & Co. KG, Ochtendung, are included in the Group annual accounts of HeidelbergCement AG on the basis of provisional information. The same applies to the Hungarian companies Duna-Dráva Cement Kft, Vác, TBG Hungaria Betonipari Servezö Befektetö Tanacsado Kft, Budapest, Donau-Kies Kft, Budapest, the Bosnian company Tvornica Cementa Kakanj d.d., Kakanj, Campbell Concrete & Materials L.P., Cleveland/US, and Bukhtarminskaya Cement Company, Zyryanovskiy/Kazakhstan, which were consolidated for the first time from 1 January 2006.

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 Mannheim.

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 und Tiefbau GmbH & Co. KG, Ennigerloh
Anneliese Beton GmbH & Co. KG, Ennigerloh
Baustoffwerke Dresden GmbH & Co. KG, Dresden
BLG Transportbeton GmbH & Co. KG, Munich
BUT Anneliese 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., Kasendorf
Frischbeton Bettels GmbH & Co. KG, Hildesheim
HeidelbergCement Grundstücksgesellschaft Wetzlar mbH & Co. KG, Heidelberg
HeidelbergCement Produktionsgesellschaft Schelklingen mbH & Co. KG, Heidelberg
Heidelberger Abwassertechnik GmbH & Co. KG, Sömmerda
Heidelberger Beton Bremen GmbH & Co. KG, Bremen
Heidelberger Beton Rhein Ruhr GmbH & Co. KG, Recklinghausen
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
Kerpen & Kerpen GmbH & Co. KG, Ochtendung

Lithonplus GmbH & Co. KG, Lingenfeld
Paderborner Transport-Beton GmbH & Co. KG, Paderborn
Roewekamp GmbH & Co. KG, Gelsenkirchen
TBG Betonwerk Prignitz GmbH & Co. KG, Weisen
TBG Betonpumpendienst GmbH & Co. KG, Hoppegarten
TBG Betonpumpendienst Rhein-Main-Nahe GmbH & Co. KG, Bad Kreuznach
Heidelberger Beton Rheinland 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 Zwickau GmbH & Co. KG, Zwickau
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

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
HeidelbergCement Produktionsgesellschaft Schelklingen mbH & Co. KG, Heidelberg	2003	92	100.0	HC
Hüttenzement GmbH, Königs Wusterhausen	2003	14	100.0	HC
Teutonia Zementwerk AG, Hanover	2005	68	92.5	HC
Concrete				
Baustoffwerke Wittmer + Klee GmbH, Waghäusel	1991	11	100.0	HB
BLG Betonlieferungsgesellschaft mbH, Munich	1959	7	100.0	HB
Heidelberger Betonelemente GmbH & Co. KG, Chemnitz	2000	6	83.0	HB
Heidelberger Beton GmbH (HB), Heidelberg	1959	33	100.0	HC
Heidelberger Sand und Kies GmbH (HSK), Heidelberg	1960	70	100.0	HC
Sandwerke Biesern GmbH, Penig	1992	13	100.0	HSK
TBG Transportbeton Nord-Ost GmbH & Co. KG, Rostock	2002	1	100.0	HB
TBG Transportbeton Lüssen GmbH & Co. KG, Bremen	1994	1	100.0	HB
TBG Transportbeton Kurpfalz GmbH & Co. KG, Eppelheim	1970	7	51.1	HB
TBG Transportbeton Rhein-Nahe GmbH & Co. KG, Idar-Oberstein	1969	1	100.0	HB
TBG Transportbeton Mainfranken GmbH & Co. KG, Sand a. Main	2002	2	57.0	HB
TBG WIKA Beton GmbH & Co. KG, Stade	1994	3	73.9	HB
Heidelberger Abwassertechnik GmbH & Co. KG, Sömmerda	1991	18	100.0	HB
Wetterauer Lieferbeton GmbH & Co. KG, Bad Nauheim	2004	1	57.5	HB
Heidelberger Beton GmbH & Co. Bremen KG, Bremen	2005	3	100.0	HB
Heidelberger Beton Rhein-Ruhr GmbH & Co. KG, Recklinghausen	2005	*	100.0	HB
Heidelberger Beton Rheinland GmbH & Co. KG, Cologne	2004	3	100.0	HB
Building materials				
Heidelberger Kalksandstein GmbH, Durmersheim	2003	57	100.0	HC
Heidelberger Kalksandstein Grundstücks- u. Beteiligungs GmbH & Co. KG (HKGB), Durmersheim	2003	38	100.0	HSK
Hunziker Kalksandstein AG, Brugg/Switzerland	1992	13	66.7	HKGB
Baustoffwerke Dresden GmbH & Co. KG, Dresden	1991	10	51.0	HKGB
Walhalla Kalk GmbH & Co. KG, Regensburg	1970	8	79.9	HC
Anneliese Baustoffe für Umwelt und Tiefbau GmbH & Co. KG, Ennigerloh	1996	5	100.0	HC

* Equity below EUR 0.5 million

Affiliated companies	since	Equity EURm	Holding in %	Parent company
■ Western Europe				
Cement				
S.A. Cimenteries CBR (CBR), Brussels/Belgium	1993	1,321	100.0	HC/HCIH
CBR International Services S.A., Brussels/Belgium	1993	1,000	100.0	CBR
ENCI Holding N.V. (ENCI), ‘s-Hertogenbosch/Netherlands	1993	60	100.0	CBR/HC
Scancem Group Ltd. (SGL), Birmingham/United Kingdom	1999	117	100.0	HC
Castle Cement Ltd, Birmingham/United Kingdom	1999	118	100.0	SGL
Concrete				
MEBIN B.V., ‘s-Hertogenbosch/Netherlands	1993	31	100.0	ENCI
Inter-Beton S.A., Brussels/Belgium	1993	*	97.7	CBR
■ Northern Europe				
Cement				
NEWCEM Holding AB (NEW), Malmoe/Sweden	1999	597	100.0	HC
HeidelbergCement Northern Europe AB (HCNE), Malmoe/Sweden	1999	1,555	100.0	NEW
Cementa AB, Danderyd/Sweden	1999	39	100.0	HCNE
Holding Cement Norway AS (HCN), Oslo/Norway	1999	197	100.0	HCNE
Norcem AS, Oslo/Norway	1999	109	100.0	HCN
Atlas Nordic Cement Ltd. Oy, Virkkala/Finland	1999	2	75.0	HCNE
Kunda Nordic Cement Corp., Kunda/Estonia	1999	59	75.0	HCNE
OAO Cesla, Slancy/Russia	2001	4	96.7	HCNE
Concrete				
Euroc Beton AB (EB), Växjö/Sweden	1999	67	100.0	HCNE
Euroc Rudus Group AB (ER), Stockholm/Sweden	1999	27	100.0	HCNE
Abetong AB, Växjö/Sweden	1999	12	100.0	EB
Betongindustri AB, Stockholm/Sweden	1999	13	100.0	ER
Norbetong AS, Oslo/Norway	1999	52	100.0	HCN
Sand & Grus AB Jehander, Stockholm/Sweden	1999	9	100.0	ER

* Equity below EUR 0.5 million

Affiliated companies	since	Equity EURm	Holding in %	Parent company
Central Europe East				
Cement				
HeidelbergCement Central Europe East Holding B.V. (HCCEE), 's-Hertogenbosch/Netherlands	1993	725	100.0	HC
Carpatcement Holding S.A. (CAR), Bucharest/Romania	1998	190	98.9	HCCEE
CBR Baltic B.V. (CBRB), 's-Hertogenbosch/Netherlands	1993	239	100.0	HCCEE
CBR Portland B.V. (CBRPO), 's-Hertogenbosch/Netherlands	2004	73	100.0	HCCEE
Ceskomoravský Cement, a.s. (CMC), Beroun/Czech Republic	1991	87	100.0	HCCEE
Duna-Dráva Cement Kft (DDC), Vác/Hungary	1989	141	50.0	HCCEE
Open Joint Stock Company „Dniprocement", Dniprodserschynsk/Ukraine	2002	7	99.9	CBRPO
Ekocem Sp. z o.o., Kattowice/Poland	2003	74	100.0	GOR
Górazdze Cement S.A. (GOR), Chorula/Poland	1993	168	100.0	CBRB
ISTRA Cement d.o.o., Pula/Croatia	1993	31	92.5	HCCEE
Open Joint Stock Company „Kryvyi Rih Cement", Kryvyi Rih/Ukraine	2001	24	99.7	CBRPO
Tvornica Cementa Kakanj d.d., Kakanj/Bosnia-Herzegovina	2000	67	85.9	DDC
Concrete				
Ceskomoravské sterkovny, a.s. (CST), Brno/Czech Republic	1993	68	99.1	CMC
Zielonogórskie Kopalnie Surowców Mineralnych S.A., Zielona Góra/Poland	1996	4	100.0	OKSM
Opolskie Kopalnie Surowców Mineralnych S.A., Opole/Poland (OKSM)	1998	13	100.0	GOR
Carpat Agregate SA, Bucharest/Romania	2002	9	98.9	CAR
Górazdze Beton sp. z o.o., Chorula/Poland	2003	23	100.0	GOR
Top Beton, Gorzow Wielkopolski/Poland	2002	7	50.0	GOR
Vltavské sterkopisky, s.r.o., Chlumin/Czech Republic	2002	1	50.0	CST
TBG Bohemia Group, Beroun/Czech Republic	1993	41	100.0	CMC
Carpat Beton S.R.L., Bucharest/Romania	2002	23	100.0	CAR
BT Poznan sp. z o.o., Janikowo/Poland	1996	1	75.0	GOR
TBG Hungaria Betonipari Servezö Befektetö Tanacsado Kft (TBGH), Budapest/Hungary	2002	24	100.0	DDC
Donau-Kies Kft, Budapest/Hungary	2002	7	100.0	TBGH/DDC
North America				
Cement				
Lehigh B.V. (LBV), 's-Hertogenbosch/Netherlands	1993	1,624	100.0	HCIH/CBR
Heidelberg Cement, Inc. (HCI), Wilmington/US	1977	728	100.0	LBV
Lehigh Cement Company (LEH), Allentown/US	1977	770	100.0	HCI
Lehigh Southwest Cement Company, Concord/US	1993	259	100.0	LEH
Lehigh Cement Limited (LCL), Calgary/Canada	1993	239	100.0	LBV
Concrete				
Sherman Industries, Inc., Birmingham/US	1994	88	100.0	LEH
Continental Florida Materials Inc., Fort Lauderdale/US	1999	68	100.0	LEH
Campbell Concrete & Materials, L.P., Cleveland/US	1998	97	100.0	LEH

Affiliated companies	since	Equity EURm	Holding in %	Parent company
■ Africa-Asia-Turkey				
Cement				
Scancem International ANS (SI), Oslo/Norway	1999	163	100.0	HCNE
Ciments du Togo S.A., Lomé/Togo	1999	4	99.6	SI
Ghacem Ltd., Accra/Ghana	1999	26	93.1	SI
Sierra Leone Cement Corp. Ltd., Freetown/Sierra Leone	1999	2	50.0	SI
Société Nigérienne de Cimenterie, Malbaza/Niger	1999	*	93.0	SI
Liberia Cement Corporation, Monrovia/Liberia	1999	2	61.8	SI
Cimbenin S.A., Cotonou/Benin	1999	3	55.9	SI
Cimcongo S.A., Pointe Noire/Republic of the Congo	2000	*	70.0	SI
Edocement LTD, Benin City/Nigeria	2002	*	87.0	SI
Tanzania Portland Cement Company Ltd., Dar Es Salaam/Tanzania	1999	27	63.3	SI
Cement Company of Northern Nigeria Plc, Sokoto/Nigeria	2000	11	51.4	SI
Société des Ciments du Gabon, Libreville/Gabon	2000	4	75.0	SI
HeidelbergCement Bangladesh Ltd., Chittagong/Bangladesh	2000	19	60.7	HC
PT Indocement Tunggal Prakarsa Tbk., Jakarta/Indonesia	2001	513	65.1	HC
■ maxit Group				
maxit Holding AB (MH), Sollentuna/Sweden	2003	243	100.0	HC
maxit Group AB (MG), Sollentuna/Sweden	1999	315	100.0	MH
maxit Holding GmbH (MHG), Breisach	2003	444	100.0	MG
maxit Deutschland GmbH (MAX), Breisach	1999	154	100.0	MHG
Erste Salzburger Gipswerks-Gesellschaft Christian Moldan KG, Kuchl/Austria	1971	2	92.4	MAX
Franken maxit Mauermörtel GmbH & Co., Kasendorf	1999	16	50.0	MAX
m-tec mathis technik gmbh, Neuenburg	1999	6	100.0	MAX
Beamix Holding B.V., Eindhoven/Netherlands	1993	13	100.0	MG
MarmoranMaxit AG, Dättwil/Switzerland	1984	11	100.0	MG
maxit AB, Sollentuna/Sweden	1999	4	100.0	MG
maxit Oy Ab (OY), Kärkölä/Finland	1999	47	100.0	MG
maxit Estonia AS, Tallin/Estonia	1999	32	100.0	OY
maxit as, Oslo/Norway	1999	42	100.0	MG
maxit A/S, Risskov/Denmark	1999	18	100.0	MG
maxit S.L., Madrid/Spain	1999	22	100.0	MG
■ Konzernservice				
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	17	60.0	HB
TBG Transportbeton Franken GmbH & Co. KG, Fürth	2004	2	51.0	HB
Heidelberger Betonelemente GmbH & Co. KG, Baden-Baden	2005	4	85.0	HB
Trapobet Transportbeton GmbH Kaiserslautern KG, Kaiserslautern	2003	3	50.0	HB
Mibau Holding GmbH, Cadenberge	1993	16	50.0	HSK
Western Europe				
Concrete				
Gralex S.A., Brussels/Belgium	1993	47	50.0	CBR
North America				
Cement				
Texas-Lehigh Cement Company, Buda/US	1986	43	50.0	LEH
Africa-Asia-Turkey				
Cement				
Akçansa Çimento Sanayi ve Ticaret A.S. (AC), Istanbul/Turkey	1996	470	39.7	CBR
Karçimsa Çimento Sanayi ve Ticaret A.S., Karabük/Turkey	1996	15	51.0	AC
Butra HeidelbergCement Sdn. Bhd., Muara/Brunei	2000	4	50.0	ENCI
China Century Cement Limited, Hong Kong/China	1995	67	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	228	32.3	HC
Concrete				
Kronimus AG, Iffezheim	1991	28	24.9	HC
Western Europe				
Cement				
Vicat S.A., Paris/France	1968	795	35.0	HC
Nederlandse Cement Deelnemingsmaatschappij B.V., Nieuwegein/Netherlands	1972	61	34.6	HC

Segment reporting

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

EURm	Central Europe West		Western Europe		Northern Europe		Central Europe East	
	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**
External turnover	829	**900**	909	**883**	662	**744**	648	**839**
Inter-region turnover	17	**19**	20	**17**	54	**55**	9	**9**
Turnover	846	**920**	929	**900**	716	**799**	657	**849**
Change to previous year in %		**8.7 %**		**-3.1 %**		**11.6 %**		**29.2 %**
Operating income before depreciation	110	**134**	164	**141**	89	**122**	190	**259**
(OIBD) in % of turnover	13.0 %	14.6 %	17.7 %	15.7 %	12.4 %	15.3 %	28.9 %	30.5 %
Depreciation	67	**67**	81	**76**	55	**57**	55	**71**
Operating income	43	**67**	83	**65**	34	**66**	135	**188**
in % of turnover	5.1 %	7.2 %	9.0 %	7.2 %	4.8 %	8.2 %	20.6 %	22.2 %
Results from participations	54	**133**	1	**-23**	2	**3**	1	**4**
Impairment	58	**21**	119		163		10	
Other ordinary result								
Total additional ordinary result	-58	**-21**	-119		-163		-10	
Earnings before interest and income taxes (EBIT)	39	**179**	-35	**43**	-127	**69**	126	**192**
Investments[1]	38	**43**	71	**70**	59	**107**	70	**96**
Segment assets[2]	913	**1,012**	1,301	**1,289**	731	**766**	938	**1,075**
OIBD in % of segment assets	12.1 %	13.3 %	12.6 %	10.9 %	12.2 %	15.9 %	20.3 %	24.1 %
Segment liabilities[3]	837	**822**	496	**533**	294	**297**	196	**188**
Employees	4,409	**4,423**	3,640	**3,501**	4,084	**4,030**	8,363	**8,052**

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

EURm	Cement		Concrete		Building materials		Group Services	
	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**
External turnover	3,467	**3,931**	2,105	**2,442**	1,179	**1,244**	179	**186**
Inter-business line turnover	456	**543**	21	**22**	7	**7**	326	**393**
Turnover	3,923	**4,474**	2,126	**2,464**	1,186	**1,251**	505	**578**
Changes to previous year in %		14.0 %		15.9 %		5.6 %		14.6 %
OIBD	832	**1,035**	217	**293**	167	**167**	3	**11**
in % of turnover	21.2 %	23.1 %	10.2 %	11.9 %	14.1 %	13.4 %	0.6 %	1.9 %
Investments[1]	293	**320**	111	**170**	62	**58**		
Segment assets[2]	5,521	**5,996**	892	**973**	906	**942**	38	**38**
OIBD in % of segment assets	15.1 %	17.3 %	24.3 %	30.1 %	18.4 %	17.8 %	8.1 %	28.7 %

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

North America		Africa-Asia-Turkey		maxit Group		Group Services		Reconciliation		Group	
2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**
1,699	**2,142**	938	**988**	1,052	**1,116**	191	**191**			6,929	**7,803**
		69	**69**	1	**2**	314	**387**	-483	**-560**		
1,699	**2,142**	1,007	**1,057**	1,053	**1,118**	505	**578**	-483	**-560**	6,929	**7,803**
	26.1 %		4.9 %		6.1 %		14.5 %				12.6 %
326	**466**	192	**230**	144	**143**	3	**11**			1,219	**1,506**
19.2 %	21.8 %	19.1 %	21.7 %	13.7 %	12.8 %	0.6 %	1.9 %			17.6 %	19.3 %
96	**98**	73	**72**	57	**55**	1	**1**			484	**496**
230	**369**	119	**158**	88	**88**	2	**10**			735	**1,010**
13.5 %	17.2 %	11.9 %	14.9 %	8.3 %	7.9 %	0.5 %	1.7 %			10.6 %	12.9 %
8	**6**	-1	**13**	3	**2**					67	**139**
		85	**46**	11	**16**					446	**83**
								-228	**-34**	-228	**-34**
		-85	**-46**	-11	**-16**			-228	**-34**	-674	**-117**
238	**375**	34	**125**	79	**74**	2	**10**	-228	**-34**	128	**1,033**
86	**117**	83	**60**	59	**55**			45	**386**	511	**934**
1,343	**1,556**	1,305	**1,413**	788	**801**	38	**38**			7,356	**7,949**
24.3 %	30.0 %	14.7 %	16.2 %	18.3 %	17.9 %	8.1 %	28.6 %			16.6 %	18.9 %
376	**544**	203	**269**	263	**265**	35	**49**	4,054	**3,910**	6,753	**6,877**
5,551	**5,914**	11,059	**10,344**	4,902	**4,945**	54	**51**			42,062	**41,260**

Reconciliation		Group	
2004	**2005**	2004	**2005**
		6,929	**7,803**
-810	**-965**		
-810	**-965**	6,929	**7,803**
			12.6 %
		1,219	**1,506**
		17.6 %	19.3 %
45	**386**	511	**934**
		7,356	**7,949**
		16.6 %	18.9 %

Notes to the segment reporting

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

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

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

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

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

maxit Group – key figures by regions

EURm	Central Europe West		Western Europe	
	2004	**2005**	2004	**2005**
Turnover	461	**459**	168	**194**
Operating income before depreciation (OIBD)	54	**42**	22	**23**
in % of turnover	11.7 %	9.2 %	13.1 %	11.6 %
Depreciation	29	**25**	16	**10**
Operating income	26	**17**	6	**12**
in % of turnover	5.6 %	3.7 %	3.6 %	6.4 %
Results from participations				
Impairment	3	**16**	4	
Earnings before interest and income taxes (EBIT)	23	**1**	2	**12**
Investments	14	**10**	10	**8**
Segment assets	331	**327**	107	**108**
OIBD in % of segment assets	16.3 %	12.9 %	20.6 %	20.9 %
Segment liabilities	130	**141**	42	**49**
Employees	2,162	**2,092**	767	**783**

Northern Europe		Central Europe East		Africa-Asia-Turkey		maxit Group	
2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**
335	**369**	80	**82**	9	**14**	1,053	**1,118**
51	**64**	15	**18**	1	**-3**	144	**143**
15.2 %	17.3 %	18.8 %	22.1 %	11.1 %	-21.6 %	13.7 %	12.8 %
9	**16**	3	**4**			57	**55**
43	**47**	11	**14**	1	**-3**	88	**88**
12.8 %	12.7 %	13.8 %	17.1 %	11.1 %	-21.6 %	8.3 %	7.9 %
3	**2**					3	**2**
4						11	**16**
42	**49**	11	**14**	1	**-3**	79	**74**
19	**23**	16	**9**		**5**	59	**55**
286	**286**	60	**66**	4	**15**	788	**801**
17.8 %	22.4 %	25.0 %	27.3 %	25.0 %	-20.0 %	18.3 %	17.9 %
84	**65**	7	**8**		**2**	263	**265**
1,433	**1,449**	457	**453**	83	**168**	4,902	**4,945**

Notes to the profit and loss accounts

1 Turnover

Turnover development by regions and business lines in the years 2004 and 2005

EURm	Cement		Concrete		Building materials		Intra-Group eliminations		Total	
	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**
Central Europe West	387	**474**	376	**368**	132	**133**	-49	**-55**	846	**920**
Western Europe	683	**661**	290	**292**			-44	**-53**	929	**900**
Northern Europe	385	**431**	371	**411**			-40	**-43**	716	**799**
Central Europe East	509	**660**	187	**250**			-39	**-61**	657	**849**
North America	1,007	**1,242**	829	**1,065**			-137	**-165**	1,699	**2,142**
Africa-Asia-Turkey	953	**1,005**	74	**79**			-19	**-27**	1,007	**1,057**
maxit Group					1,053	**1,118**			1,053	**1,118**
Total	3,923	**4,474**	2,126	**2,464**	1,186	**1,251**	-327	**-404**	6,907	**7,785**
Group Services									505	**578**
Inter-region turnover									-483	**-560**
Total									6,929	**7,803**

2 Other operating income

Other operating income

EURm	2004	**2005**
Income from sale of non-core products	63.1	**71.3**
Rental and leasing income	16.0	**18.0**
Income from reduction of bad debt provision	5.4	**16.6**
Gains from sale of assets	24.7	**26.2**
Write back of provisions	13.0	**11.9**
Other income	81.8	**50.2**
	204.0	**194.2**

Other operating income fell by EUR 9.8 million compared with the previous year to EUR 194.2 million. Significant non-recurring business transactions are shown in the additional ordinary result.

3 Material costs

Material costs

EURm	2004	**2005**
Raw materials	1,076.7	**1,163.3**
Supplies, repair materials and packaging	401.5	**447.4**
Costs of energy	592.6	**724.7**
Goods purchased for resale	515.8	**626.2**
Miscellaneous	69.0	**56.4**
	2,655.6	**3,018.0**

In 2005, material costs increased by EUR 362.4 million to EUR 3,018.0 million. The increase is largely attributable to the rise in energy prices. In addition, expenditure on goods for resale also increased, particularly in the North America region, which recorded growth in import volumes and prices. Material costs amounted to 38.7 % of turnover (previous year: 38.3 %).

4 Employees and personnel costs

Personnel costs

EURm	2004	2005
Wages, salaries, social security costs	1,274.3	**1,296.3**
Costs of retirement benefits	76.1	**130.3**
Other personnel cost	15.0	**23.6**
	1,365.4	**1,450.2**

Personnel costs equalled 18.6 % of turnover (previous year: 19.7 %). Regarding the costs for retirement, we refer to point 39 provisions for pensions.

Annual average of employees

Categories of employees	2004	2005
Blue-collar employees	27,594	**26,281**
White-collar employees	14,230	**14,521**
Apprentices	238	**458**
	42,062	**41,260**

The average number of employees (including apprentices) decreased during the reporting period by 802 compared with the previous year to 41,260 (previous year: 42,062). This includes an increase of 1,352 employees due to new consolidations. This is counterbalanced by a decrease of 2,154 in the number of employees as a result of disinvestments and capacity adjustment measures. The number of employees of proportionately included companies amounted to 2,296.

5 Other operating expenses

Other operating expenses

EURm	2004	2005
Selling and administrative expenses	654.0	**666.6**
Freight	746.2	**797.4**
Expenses for third party repairs	346.6	**408.7**
Rental and leasing costs	61.8	**74.2**
Other expenses	46.6	**48.3**
Other taxes	37.0	**40.6**
	1,892.2	**2,035.8**

The increase in freight costs results partly from the reclassification of sales costs under freight costs in Northern Europe. Significant non-recurring business transactions are shown in the additional ordinary result. Expenses of EUR 22 million (previous year: 22) for research and development are not capitalised according to the conditions stated in IAS 38 (Intangible Assets). This amount does not include personnel costs, in contrast with the expenses listed in the Group report to the shareholders.

6 Depreciation and amortisation of intangible assets and tangible fixed assets

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

Useful lives

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

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

Depreciation and amortisation of intangible assets and tangible fixed assets

EURm	2004	2005
Intangible assets	12.6	**10.0**
Tangible fixed assets, operating	471.6	**486.1**
Ordinary depreciation	484.2	**496.1**
Intangible assets	345.9	**19.5**
Tangible fixed assets, operating	99.9	**53.0**
Impairment	445.8	**72.5**
	930.0	**568.6**

Following the goodwill impairment test, impairment of EUR 19.4 million (previous year: 345.3) was applied in the reporting year. Goodwill in China accounts for EUR 17.8 million of this total.

Sensitivity analysis

A change of 0.5 percentage points in the average cost of capital would not result in any additional need for amortisation of goodwill.

Impairment for tangible fixed assets amounted to EUR 53.0 million (previous year: 99.9) in the reporting year. In particular, the tangible fixed assets of Huadu Cement Ltd., Guangzhou/China, and Guangzhou Cement Ltd., Guangzhou/China, were impaired by a total of EUR 33.4 million.

Comments about events and circumstances that led to the recognition or reversal of impairment loss of intangible assets (IAS 36.130a) EURm	Goodwill	Other intangible assets	Total
Impairment			
Fair value less costs to sell	0.0	0.0	0.0
Fair value in use	345.3	0.6	345.9
31 December 2004	**345.3**	**0.6**	**345.9**
Impairment			
Fair value less costs to sell	0.0	0.0	0.0
Fair value in use	19.4	0.1	19.5
31 December 2005	**19.4**	**0.1**	**19.5**

Comments about events and circumstances that led to the recognition or reversal of impairment loss of tangible fixed assets (IAS 36.130a) EURm	Land and buildings	Plant and machinery	Fixtures, tools and equipment	Payments on account and assets under construction	Total
Impairment					
Fair value less costs to sell	1.2	9.6	0.1	0.0	10.9
Fair value in use	24.9	62.7	1.4	0.0	89.0
31 December 2004	**26.1**	**72.3**	**1.5**	**0.0**	**99.9**
Impairment					
Fair value less costs to sell	0.1	0.0	0.0	0.0	0.1
Fair value in use	15.4	37.1	0.4	0.0	52.9
31 December 2005	**15.5**	**37.1**	**0.4**	**0.0**	**53.0**

Impairment is shown in the additional ordinary result.

7 Additional ordinary result

Additional ordinary result

EURm	2004	**2005**
Non-recurring income and expenses	-228.1	**-44.3**
Impairment	-445.8	**-72.5**
	-673.9	**-116.8**

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 for restructuring and other risks as well as profits from the sale of fixed assets. Impairment 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 amounts written off financial fixed assets.

Results from participations

EURm	2004	**2005**
Results from associated companies	97.6	**149.5**
Income from other participations	11.2	**13.9**
Write-offs of other participations	-9.3	**-18.2**
Write-offs of loans	-16.3	**-1.7**
Amortisation of securities	-16.4	**-4.1**
	66.8	**139.4**

The amount of income refers to gross amounts before income taxes. The proportionate tax expense is reported under taxes on income.

The French company Vicat S.A. made a significant contribution to the results from participations.

Impairment depreciation was applied to the necessary extent. Depreciation of EUR 4.1 million was recorded for short-term investments (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.

Financial results EURm	2004	**2005**
Income from loans	5.1	**2.9**
Other interest receivable and similar income	31.5	**22.1**
Interest payable and similar charges	-266.1	**-294.9**
Exchange rates gains/losses	-50.2	**8.9**
	-279.7	**-261.0**

The interest and similar expenses for the financial year include non-recurring expenses from the retirement of bonds amounting to EUR 40 million.

10 Taxes on income

Taxes on income EURm	2004	**2005**
Current taxes	195.2	**271.4**
Deferred taxes	-14.0	**29.0**
	181.2	**300.4**

The increase of EUR 76.2 million in current taxes is primarily attributable to the strongly improved results, particularly in North America, which contributed EUR 63.8 million to the tax increase. Adjusted for tax refunds and additional tax payments for previous years, which amounted to EUR -21.2 million (previous year: -2.8), the current taxes increased by EUR 94.6 million. The proportionate tax expense of associated companies accounted for according to the equity method and amounting to EUR 37.1 million (previous year: 29.0) is also included in the current taxes.

EUR 20.9 million (previous year: 67.1) 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 7.3 million (previous year: 37.0) in the 2005 financial year.

Tax losses carried forward and deductible temporary differences, for which no deferred tax asset is recognised, amount to EUR 535.8 million (previous year: 433.2). Non-posted deferred tax assets amounted to EUR 207.1 million (previous year: 149.2) in the reporting year.

In 2005, EUR -41.0 million (previous year: 39.1) of deferred taxes were directly charged to equity without effects on results. Most of this total related to taxes on the recording of actuarial gains and losses in accordance with IAS 19. The provisions for deferred taxes increased, without effects on results, by EUR 23.4 million (previous year: 13.9) as a result of changes in the scope of consolidation.

Reconciliation

EURm	2004	2005
Profit before tax	-151.7	**771.5**
Impairment of goodwill	345.3	**19.4**
Profit before tax and impairment of goodwill	193.6	**790.9**
Theoretical tax expense at 28,9 % (2004: 26,5%) [1]	51.3	**228.3**
Changes to the theoretical tax expense due to:		
tax-free earnings (-) and non deductible expenses (+) [2]	136.3	**94.0**
tax increase (+), reduction (-) for prior years	-2.8	**-21.2**
changes in tax rate	-3.6	**-0.7**
Taxes on income	181.2	**300.4**

[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 (Basic Earnings per Share IAS 33.10)

Earnings per share (Basic Earnings per Share IAS 33.10)

EURm	2004	2005
Profit/loss for the financial year	-332.9	**471.1**
Minority interests	-32.9	**-56.6**
Group share	-365.8	**414.5**
Number of shares in '000s (weighted average)	100,592	**110,789**
Earnings in EUR/share (IAS 33)	-3.64	**3.74**

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 2005, the capital increases through the issue of new shares against cash contributions, against contribution in-kind (contribution of shares in HeidelbergCement South-East Asia GmbH) and through the exercise of issued stock options 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, investing and financing activities (IAS 7 Cash Flow Statements).

The cash flow statement begins with the operating income before depreciation (OIBD) plus additional ordinary result (see point 7) before 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, from dividend payments as well as from proceeds from and repayments of bonds and loans.

The following notes are provided:

12 Dividends received

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

13 Interest paid

The interest paid must be shown separately in accordance with IAS 7 (Cash Flow Statements). These amounts are calculated by adjusting the interest expenses for accruals and deferrals 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 proceeds from fixed assets 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 assets and tangible and financial fixed assets. These investments differ from additions in the fixed asset grid, which, for example, shows non-cash items as additions. Furthermore, purchases of shares of consolidated companies are shown in the cash flow statement under investments in financial fixed assets while such acquisitions do not appear as additions in the fixed asset grid. Following is a list of the substantial additions to consolidated companies:

- 88.9 % share of Teutonia Zementwerk AG, Hanover/Germany, for EUR 103.8 million
- 50.0 % share of Glens Falls Lehigh Cement Company, Glens Falls, New York/US, for EUR 42.6 million

- 50.0 % share of Campbell Concrete & Materials L.P., Cleveland/US, for EUR 46.6 million
- 19.1 % share of maxit Deutschland GmbH, Breisach/Germany, for EUR 42.7 million
- 100.0 % share of Betoncentrale Coeck N.V., Niel/Belgium, for EUR 9.0 million

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

18 Proceeds from fixed asset disposals

Cash flows from the sale of tangible and financial fixed assets and the repayment of loans are shown. The following list shows the most important sales of financial fixed assets in the reporting year affecting the cash flow:
- Inter-Beton GmbH/Germany for EUR 1.4 million
- Kamenolom Cisarsky a.s./Czech Republic for EUR 6.4 million
- Soplacas Sociedade de Placas de Betao Lda/Portugal for EUR 4.0 million
- Sonopar SA/France for EUR 5.9 million
- Scheidt GmbH & Co. KG/Germany for EUR 1.3 million

19 Cash from changes in consolidation scope

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

20 Dividend payments HeidelbergCement AG

In 2005, HeidelbergCement AG paid dividends of EUR 55.5 million (previous year: 114.4).

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 primarily comprises long-term bilateral loans of EUR 129 million taken out during 2005 and new issues of long-term Euro Medium Term Notes of EUR 36 million.

23 Repayment of bonds and loans

This item includes the balance from repayments of ordinary and extraordinary financial liabilities and net cash from taking up or issuing short-term financial debts or obligations. The retirement of a nominal amount of EUR 238 million of the HeidelbergCement Finance BV 6.375 % bond 2000/2007 and the early repayment of a nominal amount of EUR 245 million of the HeidelbergCement Finance BV 7.375 % bond 2003/2010 during 2005 are therefore included in this item. In addition, scheduled repayments of Euro Medium Term Notes of EUR 35 million and early repayments of Euro Medium Term Notes of EUR 100 million affected this item, as did the scheduled repayment of a private placement of EUR 50 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 and similar rights" also lists the market value of hedging transactions and the "available-for-sale financial assets", amounting to EUR 47.9 million (previous year: 80.1).

Notes to the balance sheet – Assets

25 Intangible assets

Intangible assets

EURm	Goodwill	Other intangible assets	Total
Purchase price or production costs			
1 January 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		12.6	12.6
Impairment	345.3	0.6	345.9
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**
Purchase price or production costs			
1 January 2005	2,620.6	166.8	2,787.4
Previous year adjustment	6.7	20.6	27.3
Additions	175.1	5.3	180.4
Disposals	-20.5	-9.8	-30.3
Reclassifications	1.2	13.2	14.4
31 December 2005	2,783.1	196.1	2,979.2
Depreciation and amortisation			
1 January 2005	357.7	132.0	489.7
Previous year adjustment	2.4	11.2	13.6
Additions		10.0	10.0
Impairment	19.4	0.1	19.5
Disposals		-9.3	-9.3
Reclassifications		1.0	1.0
31 December 2005	379.5	145.0	524.5
Net book value at 31 December 2005	**2,403.6**	**51.1**	**2,454.7**

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

In the countries of the European Union, HeidelbergCement received an allocation of emission rights for the European CO_2 trading scheme that started on 1 January 2005. The first allocation of authorised emission rights is measured at the nominal value of zero and recorded at acquisition cost.

Intangible assets with a definite useful life amounted to EUR 49.7 million and those with an indefinite useful life to EUR 1.4 million. The intangible assets are recorded if it is probable that the Group will enjoy the future economic benefit from the asset and the purchase price or production cost of the asset can be reliably determined. The goodwill included in the item comprises market shares purchased that cannot be assigned to any other determinable and separable intangible assets.

In 2005, goodwill of EUR 175.1 million was capitalised. This mainly comprises the goodwill for PT Indocement Tunggal Prakarsa Tbk., Jakarta/Indonesia, and PT Indocement Perkasa, Jakarta/Indonesia, amounting to EUR 71.4 million, for maxit Deutschland GmbH, Breisach/Germany, amounting to EUR 25.6 million and for Teutonia Zementwerk AG, Hanover/Germany, amounting to EUR 40.3 million.

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

Impairment tests are carried out annually in accordance with IAS 36 (Impairment of Assets). This impairment is taken into account in the additional ordinary result to the extent that the recoverable amount of the asset is exceeded by the carrying amount. The recoverable amount is determined individually for each asset; it is the higher of fair value less cost to sell and value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction less costs of disposal. The value in use is determined on the basis of the estimated future cash flows.

Impairment of EUR 19.4 million was recorded on goodwill in the reporting year. The impairment is explained in more detail under point 6 “Depreciation and amortisation of intangible assets and tangible fixed assets". The remaining negative goodwill arising from business combinations amounted to EUR 2.6 million (previous year: 3.9) and was recognised in the additional ordinary result.

Adjustments of EUR -7.4 million (previous year: 6.1) were made as a result of the effects of changes in currency exchange rates.

■ 26 Tangible fixed assets

Tangible fixed assets are accounted for at purchase price or production cost less 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. The ordinary depreciation is recorded on the basis of the expected pattern of consumption of the future economic benefit. Low cost assets are fully written off in the year of acquisition.

Impairment of EUR 53.0 million was recorded. Further details on this impairment can be found under point 6 "Depreciation and amortisation of intangible assets and tangible fixed assets".

Tangible fixed assets also include EUR 7.4 million (previous year: 3.3) of capitalised leased assets. Liens amounting to EUR 425.5 million (previous year: 456.5) were granted to third parties as security. Adjustments for the effects of changes in exchange rates during the reporting year totalled EUR 288.9 million (previous year -150.4).

Tangible fixed assets EURm	Land and buildings	Plant and machinery	Fixtures, tools and equipment	Payments on account and assets under construction	Total
Purchase price or production costs					
1 January 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	92.6	322.2	56.8		471.6
Impairment	26.1	72.3	1.5		99.9
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**
Purchase price or production costs					
1 January 2005	3,428.8	7,014.7	853.2	330.3	11,627.0
Previous year adjustment	322.7	451.4	67.2	30.3	871.6
Additions	53.7	172.5	34.2	270.0	530.4
Disposals	-54.3	-203.3	-67.1	-7.2	-331.9
Reclassifications	39.2	261.2	25.5	-340.3	-14.4
31 December 2005	3,790.1	7,696.5	913.0	283.1	12,682.7
Depreciation and amortisation					
1 January 2005	1,555.9	4,330.3	682.1		6,568.3
Previous year adjustment	110.5	185.3	43.9		339.7
Additions	96.6	334.1	55.4		486.1
Impairment	15.5	37.1	0.4		53.0
Disposals	-28.7	-164.7	-64.7		-258.1
Reclassifications	0.8	-7.6	5.8		-1.0
31 December 2005	1,750.6	4,714.5	722.9		7,188.0
Net book value at 31 December 2005	**2,039.5**	**2,982.0**	**190.1**	**283.1**	**5,494.7**

27 Financial fixed assets

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

Participations EURm	Shares in associated companies	Shares in other participations	Total
Purchase price or production costs			
1 January 2004	726.8	414.4	1,141.2
Previous year adjustment	-34.0	-182.8	-216.8
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	934.2
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**
Purchase price or production costs			
1 January 2005	704.4	229.8	934.2
Previous year adjustment	30.8	41.3	72.1
Additions	116.6	103.0	219.6
Disposals	-30.6	-24.9	-55.5
Reclassifications			
31 December 2005	821.2	349.2	1,170.4
Depreciation and amortisation			
1 January 2005	48.4	24.4	72.8
Previous year adjustment	1.8	-3.6	-1.8
Additions	17.3	0.9	18.2
Disposals	-6.3	-7.0	-13.3
Reclassifications			
31 December 2005	61.2	14.7	75.9
Net book value at 31 December 2005	**760.0**	**334.5**	**1,094.5**

28 Shares in associated companies

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

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

The largest single item is the share in Vicat S.A. – accounted at EUR 476.8 million.

Shares in associated companies

EURm	2004	**2005**
Shares of associated companies – balance sheet		
Assets	1,396,572	**1,621,739**
Liabilities	692,213	**800,539**
	704,359	**821,200**
Depreciation and amortisation	-48,372	**-61,250**
Net assets	655,987	**759,950**
Shares of associated companies – profit and loss accounts		
Turnover	1,156,136	**1,255,557**
Profit	67,525	**112,076**
Unrecognised share of losses for the period	-1,827	**-3,165**
Unrecognised share of losses cumulated	-26,867	**-24,393**
Carrying amount of the associated companies	655,987	**759,950**

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 acquisition of shares in Bukhtarminskaya Cement Company, Zyryanovskiy/Kazakhstan (75.1%), for EUR 67.0 million. There is a put/call option for the remaining shares (24.9%) for the period 2006-2010. The company will be consolidated for the first time on 1 January 2006.

30 Loans

Loans

EURm	2004	2005
Loans to participations	12.8	**17.7**
Other loans	51.8	**45.3**
	64.6	**63.0**

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 other loans in the reporting year essentially results from the repayments of loans on the part of Vienna Capital Partners; the increase in loans to participations is attributable to the loans granted by Inter-Beton S.A., Brussels/Belgium.

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. Stocks valued at net realisable value less cost to sell and related depreciation have an insignificant impact.

32 Receivables and other assets

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

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 4.1 million to EUR 9.7 million (previous year: 13.8) 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 38.2 million (previous year: 66.3). The interest-bearing liabilities increased accordingly.

Further details regarding short-term investments can be found under the section on financial instruments on pages 124 ff.

34 Subscribed share capital

Subscribed share capital	2004	2005
Number of shares (in '000s)	100,946	**115,650**
Subscribed share capital (EUR '000s)	258,421	**296,065**

As of the balance sheet date, 31 December 2005, the share capital amounts to EUR 296,064,791.04 and is divided into 115,650,309 no-par value bearer shares. In 2005, the detailed development of the share capital was as follows:

Movement in the subscribed share capital	EUR '000s	Number in '000s
1 January 2005	258,421	100,946
Capital increase by issuing new shares in return for cash contributions	19,869	7,761
Issue of new shares against contributions in-kind	16,715	6,529
Capital increase by issuing new shares (Stock Option Plan 2001/2007)	1,060	414
31 December 2005	**296,065**	**115,650**

Authorised and conditional share capital

The Annual General Meeting held on 6 May 2004 authorised the Managing Board, with the consent of the Supervisory Board, to increase the Company's share capital by a total amount of up to EUR 50,000,000 by issuing new no-par value 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.

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. This reduced the Authorised Capital I from EUR 50,000,000 to EUR 30,131,658.24.

The Annual General Meeting held on 6 May 2004 also authorised the Managing Board, with the consent of the Supervisory Board, to increase the Company's share capital by a total amount of up to EUR 20,000,000 by issuing new no-par value 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.

By resolution of the Managing Board and Supervisory Board of 31 May 2005, the Company's share capital was increased from EUR 278,289,303.04 by EUR 16,715,148.80 to a total of EUR 295,004,451.84 through the issue of 6,529,355 new shares, utilising part of the Authorised Capital II. This reduced the Authorised Capital II from EUR 20,000,000 to EUR 3,284,851.20.

The Annual General Meeting of 19 June 2001 decided to conditionally increase the Company's share capital by up to EUR 1,280,000.00. The conditional capital increase shall exclusively serve to fulfil the subscription rights granted to members of the Managing Board and to senior executives of the Company, as well as to management members and senior executives of affiliated domestic and foreign companies pursuant to the authorisation by the Annual General Meeting on 19 June 2001 (stock option plan 2001/2007) 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.

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

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

The Company has 51,774 company shares at the balance sheet date of 31 December 2005 (no change from the previous year). In contrast with the individual balance sheet for HeidelbergCement AG, company shares purchased are not capitalised in accordance with IAS 32 (Financial Instruments: Disclosure and Presentation, formerly: SIC-16 Share Capital – Reacquired Own Equity Instruments (Treasury Shares)), but deducted from shareholders' equity. The shares were valued using the stock exchange price at the time of acquisition.

35 Capital reserves

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

1991: EUR 140.6 million from cash capital increase
1993: EUR 186.6 million from cash capital increase
1997: EUR 10.8 million from exercising of option rights from warrant bonds 1995/2002
1999: EUR 1,006.7 million from capital increases and EUR 25.7 million from exercising of option rights from warrant bonds 1995/2002
2000: EUR 64.8 million from capital increase against contributions in-kind and EUR 51.6 million from exercising of option rights from warrant bonds 1995/2002
2002: EUR 8.2 million from capital increase against contributions in-kind
2003: EUR 362.4 million from:
- Cash capital increase of EUR 317.1 million taking into account the net transaction costs according to IAS 32 (formerly SIC-17)
- Capital increase against contributions in-kind of EUR 45.3 million in connection with the acquisition of the cement plant in Wetzlar

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

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

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. In the 2005 Annual Report, the profits and losses recorded in the Group annual accounts were published in a separate presentation for the first time in accordance with IAS 1.96 ff. (Presentation of Financial Statements).

The application of IAS 28 (Investments in Associates – amendments December 2004) and the first-time application of IFRS 2 (Share-based Payment) led to an adjustment of the values from 2004, 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 28 and IFRS 2

EUR '000s	Revenue reserves before adjustment	Adjustment according to IAS 28	Adjustment according to IFRS 2	Revenue reserves after adjustment
1 January 2004	**2,237,338**			**2,237,338**
Effect of adopting				
IAS 19 (Amendment December 2004)	-105,627			-105,627
IFRS 2 Share-based Payment			-5,985	-5,985
IAS 28 Investments in Associates		4,765		4,765
1 January, 2004 (restated)	**2,131,711**	**4,765**	**-5,985**	**2,130,491**
Profit for the financial year	-365,797	-14,210	1,106	-378,901
Dividends	-114,446			-114,446
Changes without effects on results				
Consolidation adjustments	-545			-545
IFRS 3.81 Offsetting of negative goodwill	25,562			25,562
IAS 19 Actuarial gains and losses	15,815			15,815
Financial instruments IAS 39	30,751			30,751
Exchange rates	-2,316			-2,316
31 December 2004	**1,720,735**	**-9,445**	**-4,879**	**1,706,411**

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

– Consolidation measures
The consolidation measures essentially related to the increase from the revaluation of assets of EUR 4.7 million in accordance with IFRS 3.58 ff. (Business Combinations) in connection with the acquisition of shares in the North American companies Glens Falls Lehigh Cement Company, Glens Falls, New York, and Campbell Concrete & Materials L.P., Cleveland, which were converted from proportionate (50 %) to full consolidation (100 %).
– IAS 19 Actuarial gains and losses
The application of IAS 19 (Employee Benefits) led to an adjustment of EUR -93.4 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 23.5 million (previous year: 33.0) and the derivative financial instruments of EUR -1.2 million (previous year: -2.2).
– Exchange rates
The net assets denominated in foreign currency changed primarily as a result of the rise in the US dollar as of the closing date.

37 Minority interests

The decline in minority interests resulted primarily from the acquisition of the remaining shares in HeidelbergCement South-East Asia GmbH in Heidelberg. This was counteracted by the acquisition of shares in Duna-Dráva Cement Kft, Vác/Hungary, and the acquisition of the participation Teutonia Zementwerk AG, Hanover.

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. The development of the provisions is shown in the following overview:

Provisions

EURm	1 Jan. 2005	Previous year adjustment	Utilisation	Release	Addition	**31 Dec. 2005**
Pensions and similar liabilities	617.6	30.2	-57.9	-21.7	233.9	**802.1**
Deferred taxes	470.4	34.3		-61.5	50.2	**493.4**
Other	618.0	-1.6	-139.5	-76.3	143.1	**543.7**
	1,706.0	62.9	-197.4	-159.5	427.2	**1,839.2**

The starting values of the provisions for deferred taxes fell by EUR 3.0 million on 1 January 2005 as a result of the first application of IFRS 2 (Share-based payment).

39 Provisions for pensions

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

At HeidelbergCement, company pension schemes are formulated as both defined contribution plans and defined benefit plans.

In defined contribution plans, the Group pays contributions into earmarked funds. After paying the contributions, the Group has no further benefit commitments. The sum of all contribution-based pension expenses amounted to EUR 28.7 million (previous year: 27.0). In 2005, the contributions to the statutory pension insurance fund in Germany amounted to EUR 22.5 million.

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

Calculation of pension obligations

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

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

Calculation of pension obligations

	2004	**2005**
Discount rate	5.44 %	**4.77 %**
Expected return on plan assets	6.47 %	**6.26 %**
Future salary increases	3.30 %	**3.54 %**
Expected increase in health care cost	5.00 %	**4.96 %**

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

Actuarial gains and losses may result from increases or decreases in the present value of the defined benefit obligations or the fair value of the plan assets. These may be caused by, for example, changes in the calculation parameters, changes in estimates of the risk experience of the pension obligations and differences between the actual and expected return on plan assets. In accordance with the third option "Statement of recognised income and expense (SORIE)" of IAS 19, these actuarial gains and losses have been entered against shareholders' equity without effects on results since 2004.

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 795.5 million (previous year: 610.7) 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	2004	**2005**
Defined benefit pension plans	505,325	**661,846**
Plans for health care cost	105,358	**133,689**
	610,683	**795,535**

Presentation in the balance sheet

EUR '000s	2004	**2005**
Long-term pension provisions	576,547	**736,010**
Short-term pension provisions	41,097	**66,037**
Excess endowment of funds	-6,961	**-6,512**
	610,683	**795,535**

Pension obligations and pension funds

Pension obligations amounting to EUR 1,050.5 million (previous year: 827.2) existed in the Group in 2005, which were covered by outside pension funds.

In addition there were direct agreements of EUR 547.5 million (previous year: 450.2). Obligations in the United States, Indonesia, Belgium and the Netherlands for medical care expenses for pension recipients amounted to EUR 133.1 million (previous year: 105.4). The following table shows the financing status of these plans and their presentation in the balance sheet.

Pension obligations and pension funds

EUR '000s	Pension plans		Plans for health care cost		Total	
	2004	**2005**	2004	**2005**	2004	**2005**
Present value of obligations covered by funds	827,172	**1,050,514**			827,172	**1,050,514**
Market value of asset items	-784,811	**-946,865**			-784,811	**-946,865**
Undercoverage (+)/ overcoverage (-)	42,361	**103,649**			42,361	**103,649**
Present value of direct obligations	450,240	**547,479**	105,368	**133,138**	555,608	**680,617**
Total liability	492,601	**651,128**	105,368	**133,138**	597,969	**784,266**
Total liability after recognition of losses	512,286	**651,128**	105,358	**133,138**	617,644	**784,266**
Overcoverage after recognition of losses	-6,961				-6,961	
Obligation shown in the balance sheet	505,325	**661,846**	105,358	**133,689**	610,683	**795,535**
Unrecognised past service cost	12,724	**-10,718**	-10	**-551**	12,714	**-11,269**

The pension plans and the plans for health care cost include actuarial losses of EUR 145.6 million (previous year: 137.5), which have been entered against shareholders' equity without effects on results. The increase in actuarial losses results almost exclusively from the considerable decrease in the interest rate on which the actuarial calculation is based. This decrease amounted to 0.67 percentage points (previous year: 0.12).

Development in the profit and loss accounts

The expenses classified as personnel costs for retirement pensions for the significant pension plans, amounting to EUR 101.5 million (previous year: 70.3), can be shown as follows:

Development in the profit and loss accounts

EUR '000s	Pension plans		Plans for health care cost		Total	
	2004	**2005**	2004	**2005**	2004	**2005**
Current service cost	44,991	**43,872**	2,273	**2,712**	47,264	**46,584**
Interest cost	67,868	**70,839**	5,506	**6,551**	73,374	**77,390**
Expected return on plan assets	-49,766	**-53,356**			-49,766	**-53,356**
Actuarial loss/gain recognised	389	**218**			389	**218**
Past service cost recognised	-274	**-83**	-1,915	**-4,745**	-2,189	**-4,828**
Curtailment or settlement gain/loss recognised	1,222	**40,680**		**-7,563**	1,222	**33,117**
Transition amount (from local GAAP to IAS)		**2,288**		**130**		**2,418**
Expense recognised in profit and loss accounts	64,430	**104,458**	5,864	**-2,915**	70,294	**101,543**

The actual earnings from the funds' assets amounted to EUR 96.2 million (previous year: 63.2), exceeding the expected proceeds by EUR 42.8 million (previous year: 13.4).

Sensitivity analysis of the expected health care cost

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

Sensitivity analysis of the expected health care cost

EUR '000s	changes in health care cost by +1 %	-1 %
Effect on the service cost and interest cost	1,143	-1,013
Effect on defined benefit obligation	12,343	-7,179

Development of the pension obligations and the funds' assets

The following table shows the development in pension obligations of EUR 1,731.1 million (previous year: 1,382.8) and the funds' assets of EUR 946.9 million (previous year: 784.8):

Development of the pension obligations and plan assets

EUR '000s	Pension plans		Plans for health care cost		Total	
	2004	**2005**	2004	**2005**	2004	**2005**
Defined benefit obligation at 1 January	1,240,378	**1,277,412**	101,647	**105,368**	1,342,025	**1,382,780**
Change in scope of consolidation	21,227	**25,987**	20,623	**2,660**	41,850	**28,647**
Current service cost	44,991	**42,213**	2,273	**2,712**	47,264	**44,925**
Interest cost	67,868	**70,839**	5,506	**6,551**	73,374	**77,390**
Employee contributions		**5,552**		**311**		**5,863**
Actuarial loss/gain	-20,580	**160,163**	-10,492	**24,322**	-31,072	**184,485**
Benefits paid by company	-23,888	**-26,883**	-6,758	**-8,217**	-30,646	**-35,100**
Benefits paid by fund	-39,819	**-50,163**			-39,819	**-50,163**
Expenses, taxes and premiums paid		**-482**				**-482**
Past service cost		**1,479**		**-6,269**		**-4,790**
Business combinations		**4,542**				**4,542**
Plan curtailments		**14,848**		**-7,563**		**7,285**
Plan settlements		**25,670**				**25,670**
Exchange rate changes	-12,765	**46,816**	-7,431	**13,263**	-20,196	**60,079**
Defined benefit obligation at 31 December	1,277,412	**1,597,993**	105,368	**133,138**	1,382,780	**1,731,131**
Funded obligation	827,172	**1,050,514**			827,172	**1,050,514**
Unfunded obligation	450,240	**547,479**	105,368	**133,138**	555,608	**680,617**
Fair value of plan assets at 1 January	722,545	**784,811**			722,545	**784,811**
Change in scope of consolidation	21,762	**9,697**			21,762	**9,697**
Expected return on plan assets	49,766	**53,356**			49,766	**53,356**
Actuarial loss/gain	10,244	**66,046**			10,244	**66,046**
Employer contributions	31,214	**35,857**			31,214	**35,857**
Employee contributions		**5,552**				**5,552**
Benefits, expenses, taxes and premiums paid	-39,819	**-52,053**			-39,819	**-52,053**
Business combinations		**4,986**				**4,986**
Plan settlements		**-162**				**-162**
Exchange rate changes	-10,901	**38,775**			-10,901	**38,775**
Fair value of plan assets at 31 December	784,811	**946,865**			784,811	**946,865**

HeidelbergCement paid EUR 35.1 million (previous year: 30.6) directly to the pension recipients and EUR 35.9 million (previous year: 31.2) as employer contributions to the funds. In 2006, we expect to pay EUR 84.9 million (previous year: 71.0).

Breakdown of the funds' assets

The funds' assets originate primarily from North America, with 27 % (previous year: 24 %) and the Western Europe region, with 64 % (previous year: 63 %). The assets in the funds are divided into the following categories on a percentage basis:

Breakdown of the fund's assets in %	2004	2005
Equities North America	13 %	**13 %**
Equities Western Europe	28 %	**19 %**
Equities other regions	2 %	**11 %**
Bonds North America	8 %	**6 %**
Bonds Western Europe	26 %	**30 %**
Bonds other regions	9 %	**6 %**
Others	14 %	**15 %**

Five-year comparison

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

Five-year comparison EUR '000s	2001	2002	2003	2004	2005
Pension Plans					
Present value of funded obligations pension plans	776,225	819,224	798,962	827,172	**1,050,514**
Present value of unfunded obligations pension plans	402,187	419,270	441,416	450,240	**547,479**
Present value of unfunded obligations health care plans	112,118	94,902	101,647	105,368	**133,138**
Total present value of obligations	1,290,530	1,333,396	1,342,025	1,382,780	**1,731,131**
Market value of assets	-791,861	-690,808	-722,545	-784,811	**-946,865**
Deficit (+) / Surplus (-)	498,669	642,588	619,480	597,969	**784,266**
Expected development of obligations				55,572	**33,059**
Expected development of assets				-45,645	**-47,110**

The expected development of pension obligations, estimation in 2005 for 2006, amounts to EUR '000s 33,059 (previous year: 55,572 – estimation in 2004). The expected development of fund's assets, estimation in 2005 for 2006, amounts to EUR '000s -47,110 (previous year: -45,645 – estimation in 2004).

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 143.2 million (previous year: 138.4). 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 124 ff.

Additional information on liabilities

Liabilities EURm	2004	**2005**
Financial Liabilities		
Debenture loans	1,949.2	**1,474.0**
Bank loans	1,245.0	**1,522.4**
Other financial liabilities	859.3	**913.4**
	4,053.5	**3,909.8**
Operating Liabilities		
Trade payables	488.9	**568.7**
Current income taxes payables	55.3	**72.2**
Liabilities relating to personnel	129.9	**146.7**
Other operating liabilities	318.9	**340.2**
	993.0	**1,127.8**
	5,046.5	**5,037.6**

Of the financial liabilities, EUR 240.7 million (previous year: 416.3) are secured by mortgages from banks. In connection with liabilities relating to personnel, provisions for outstanding virtual stock option plans of EUR 3.9 million (previous year: 8.4; after adjustment of previous year's value in accordance with IFRS 2: 16,3) were formed as a result of the first application of IFRS 2 (Share-based Payment). For the virtual stock option plans 2000/2006, 2002/2008 and 2003/2009, the stock options were considered at their fair value. At the end of the year, the total number of outstanding stock options amounted to just 198,978 (previous year: 1,892,001).

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	08/10/2005
Initial basis price	60.49	52.82	41.21	32.70
Adjusted basis price[1]	57.21	48.82	37.21	31.69
Number of participants at grant	90	99	105	111
Number of options issued	430,500	462,000	484,500	492,000
Value per option at grant[2]	21.21	15.10	9.75	9.09
Value per option on 12/31/2005	17.28	26.38	37.46	42.69
Number of exercised and expired options on 12/31/2005	259,212	454,500	482,350	481,500
Number of existing options on 12/31/2005	171,288	7,500	2,150	10,500
Number of new shares issued	-	414,195	-	-
Amount of payments	3,496,902.45	-	6,842,260.46	10,288.224.00

[1] after consideration of dividend payments and capital increases [2] determined on the basis of prevailing valuation methods

For the valuation of the options, a Monte Carlo simulation was applied, which is based on a modified binomial model according to Hull and White.

Guarantees and other financial commitments

The guarantees amounting to EUR 88.8 million (previous year: 76.2) 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 control.

Guarantees

EURm	2004	**2005**
Liabilities resulting from negotiation and transfer of bills of exchange	4.2	**3.7**
Liabilities arising from guarantees	72.0	**85.1**

The liabilities arising from guarantees include obligations of EUR 66.8 million (previous year: 43.7) where the probability of outflow is extremely low (IAS 37.28).

Other financial commitments EURm	2004	2005
Rental and leasing contracts		
Total of all leasing payments mature within 1 year	25.9	**35.4**
Total of all leasing payments mature within 1 to 5 years	80.3	**96.8**
Total of all leasing payments mature after more than 5 years	70.1	**71.6**
Other off-balance-sheet financial commitments for planned tangible and financial fixed asset investments	124.0	**150.0**

Other financial commitments are listed with their nominal value. The future rental and leasing obligations totalling EUR 203.8 million (previous year: 176.3) refer essentially to property and other assets used by HeidelbergCement.

Related party disclosures

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

M&H Medizin und Handel Beteiligungs- und Immobilienverwaltungsgesellschaft mbH, Blaubeuren, and Spohn Cement GmbH, Norderfriedrichskoog, companies belonging to members of the Merckle family, contributed their share (49.67 %) in HeidelbergCement South-East Asia GmbH in exchange for new HeidelbergCement shares (see notes, points 35 and 36).

Lithonplus GmbH & Co. KG, Lingenfeld, operated as a joint venture together with SCHWENK Betontechnik GmbH & Co. KG, obtained cement and services from the Schwenk group totalling EUR 7.3 million (previous year: 6.4). With effect from 4 April 2005, we acquired a share in Duna-Dráva Cement Kft, Vác, from SCHWENK Zement KG for EUR 17,000. Other relationships with persons holding considerable influence have an insignificant impact.

Business transactions with associated companies include turnover and other sales, primarily in ready-mixed concrete companies consolidated at equity, amounting to EUR 95.1 million (previous year: 74.2), the receipt of goods and services of EUR 66.1 million (previous year: 39.2) and services provided to a total of EUR 1.9 million (previous year: 0.7). In addition, loans of EUR 12.2 million and guarantees of EUR 1.5 million were granted to associated companies.

Intra-Group turnover and other sales with joint ventures amounted to EUR 122.7 million (previous year: 82.7). These joint ventures obtained raw materials, goods and other services amounting to EUR 109.3 million (previous year: 77.8). EUR 2.5 million (previous year: 2.9) was generated in services. Receivables amounting to EUR 105.2 million (previous year: 76.5) and liabilities of EUR 34.4 million (previous year: 31.4) exist in connection with these activities and financial transactions.

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

Financial instruments

Accounting of financial instruments

In accordance with IAS 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" 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 fair value. This concerns both fixed assets securities and short-term investments. 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 any indications of lower fair values, these are assessed.

At HeidelbergCement, non-financial items do not fall within the scope of application of IAS 39 (2004) because the underlying receipt and supply agreements are concluded for our own use only.

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 to be performed in non-functional currency. We secure the currency risk for future transactions with parties outside the Group that are expected within one year and have a volume greater than EUR 2 million per transaction. The market value of cash flow hedges is shown in the balance sheet. As an offsetting item, the revenue reserves are adjusted 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 addition, we have selectively secured the fair value of fixed interest-bearing liabilities by conversion to variable interest. In the case of protection against "fair value" volatilities of certain balance sheet items (fair value hedges), both the hedging transaction and the secured share of the risk of the underlying transaction are valued at the fair value. Value modifications are entered with an effect on results.

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

The market value of the derivative hedge is calculated using option price and other valuation 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 2005 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 curr. in million	Nominal value in EURm	Market value in EURm	Term total	Term remaining	Nominal interest rate	Effective interest rate
Liabilities – Bonds								
Bond	EUR	727	727	752	00/07	1-5y	6.375 %	6.795 %
Bond	EUR	300	300	308	99/09	1-5y	4.750 %	4.950 %
Bond	EUR	455	455	499	03/10	>5y	7.375 %	8.598 %
Liabilities – Bank loans								
Loan	EUR	27	27	27	96/06	<1y	2.588 %	2.588 %
Loan	USD	20	17	17	99/06	<1y	4.430 %	4.430 %
Loan	USD	50	42	44	99/06	<1y	8.860 %	8.860 %
Loan	EUR	100	100	100	05/06	<1y	2.918 %	2.918 %
Loan	EUR	60	60	60	05/06	<1y	3.040 %	3.040 %
Loan	EUR	30	30	32	00/07	1-5y	6.140 %	6.140 %
Loan	JPY	2,495	18	19	00/07	1-5y	3.300 %	3.300 %
Loan	EUR	10	10	10	98/08	1-5y	4.700 %	4.700 %
Loan	EUR	30	30	30	00/08	1-5y	2.676 %	2.676 %
Loan	EUR	30	30	30	01/08	1-5y	2.953 %	2.953 %
Loan	EUR	15	15	15	02/08	1-5y	3.836 %	3.836 %
Loan	USD	112	95	95	03/08	1-5y	6.099 %	6.099 %
Loan	USD	106	90	90	00/08	1-5y	5.585 %	5.585 %
Loan	JPY	7,803	56	56	00/08	1-5y	2.800 %	2.800 %
Loan	EUR	10	10	10	03/08	1-5y	4.836 %	4.836 %
Loan	EUR	24	24	24	99/09	1-5y	2.504 %	2.504 %
Loan	EUR	25	25	25	03/09	1-5y	4.666 %	4.666 %
Loan	EUR	50	50	58	00/10	1-5y	6.485 %	6.485 %
Loan	EUR	25	25	28	00/10	1-5y	5.850 %	5.850 %
Loan	EUR	25	25	28	02/10	1-5y	6.560 %	6.560 %
Loan	EUR	25	25	25	02/10	1-5y	5.013 %	5.013 %
Loan	EUR	25	25	25	02/11	>5y	5.013 %	5.013 %
Loan	EUR	20	20	20	05/11	>5y	3.046 %	3.046 %

Conditions of the main non-derivative financial instruments (continued)

Balance sheet item Financial instrument	Currency	Nominal value in local curr. in million	Nominal value in EURm	Market value in EURm	Term total	Term remaining	Nominal interest rate	Effective interest rate
Loan	EUR	25	25	25	05/11	>5y	3.181 %	3.181 %
Loan	EUR	35	35	35	05/11	>5y	3.313 %	3.313 %
Loan	EUR	50	50	50	02/12	>5y	5.013 %	5.013 %
Loan	EUR	33	33	37	02/12	>5y	5.600 %	5.600 %
Loan	JPY	5,208	37	37	02/12	>5y	3.800 %	3.800 %
Liabilities – Other								
Commercial Paper	SEK	150	16	16	05/06	<1y	2.047 %	2.135 %
Commercial Paper	EUR	20	20	20	05/06	<1y	2.778 %	2.919 %
Commercial Paper	SEK	149	16	16	05/06	<1y	2.095 %	2.124 %
Commercial Paper	SEK	249	26	27	05/06	<1y	2.083 %	2.112 %
Commercial Paper	EUR	19	19	19	05/06	<1y	2.710 %	2.748 %
Commercial Paper	EUR	30	30	30	05/06	<1y	2.840 %	2.879 %
Commercial Paper	EUR	10	10	10	05/06	<1y	2.830 %	2.869 %
Commercial Paper	EUR	20	20	20	05/06	<1y	2.870 %	2.910 %
Commercial Paper	EUR	10	10	10	05/06	<1y	2.880 %	2.920 %
Private placement	EUR	60	60	60	05/06	<1y	2.687 %	2.687 %
Private placement	EUR	45	45	45	99/06	<1y	2.544 %	2.544 %
Private placement	EUR	20	20	20	98/08	1-5y	2.327 %	2.327 %
Private placement	EUR	13	13	13	98/08	1-5y	5.590 %	5.590 %
Private placement	EUR	60	60	60	03/08	1-5y	5.573 %	5.573 %
Private placement	EUR	20	20	20	03/08	1-5y	5.702 %	5.702 %
Private placement	EUR	20	20	20	03/08	1-5y	4.850 %	4.850 %
Private placement	EUR	50	50	50	03/08	1-5y	5.150 %	5.150 %
Private placement	EUR	10	10	10	04/11	>5y	4.992 %	4.992 %
Private placement	EUR	10	10	10	04/11	>5y	4.992 %	4.992 %
Private placement	EUR	50	50	50	04/11	>5y	5.083 %	5.083 %
Private placement	EUR	30	30	30	05/15	>5y	3.902 %	3.902 %
Total			3,066	3,167				

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 derivatives

in million	Forward exchange contracts	Currency option contracts	Currency swaps	Interest-related derivatives	**Total**
Currency transformation					
EUR	304		87	1	**392**
USD	-173		-315	150	**-338**
SEK	-756		3,604		**2,848**
CHF			10	-2	**8**
DKK			-480		**-480**
NOK	114		618		**732**
CNY				-382	**-382**
LTL			-8		**-8**
LVL			-1		**-1**
HKD			-145	360	**215**
IDR				-1,403,700	**-1,403,700**
HUF			-88		**-88**
GBP	-20		-47		**-67**
CZK			-2,284		**-2,284**
PLN	17		-256		**-239**
CAD	-67		-20		**-87**
EEK			311		**311**
Total of nominal values in EUR	466	19	975	969	**2,429**
Market value in EUR	22	0	-5	-10	**7**

The amounts presented in the above table 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

As a result of evaluating hedge transactions at market values, securities decreased to EUR 38.2 million (previous year: 66.3), other long-term interest-bearing liabilities to EUR 5.1 million (previous year: 7.3) and revenue reserves to EUR 32.3 million (previous year: 41.4).

Other short-term interest-bearing liabilities increased to EUR 25.7 million (previous year: 23.1), minority interests to EUR 0.1 million (previous year: 0) and deferred tax assets to EUR 6.0 million (previous year: 5.3).

As a result of the change in market value of "available for sale financial assets", the shares in other participations increased to EUR 106.8 million (previous year: 67.1); short-term investments and similar rights decreased to EUR 9.7 million (previous year: 13.8); provisions for deferred taxes increased to EUR 30.6 million (previous year: 22.2) and revenue reserves and foreign currency translation to EUR 90.0 million (previous year: 75.1).

Risks from financial instruments

■ Interest rate risk

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

Fixed interest-bearing financial instruments are those that yield the same market rate of interest throughout their entire term. A risk exists that the market value of the financial instrument may change with fluctuating interest rates (interest rate price risk). The market value is calculated as the present value of future payments (interest and principal repayments), discounted using the market 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 net liabilities with long interest rate fixation periods of around EUR 1.7 billion, EUR net liabilities with short interest rate fixation periods of around EUR 1.2 billion, USD net liabilities with short interest rate fixation periods of around USD 179 million, JPY liabilities with long interest rate fixation periods of around JPY 0.8 billion and JPY liabilities with short interest rate fixation periods of approximately JPY 13.9 billion. These amounts were modified with regard to their interest structure using derivative financial instruments; this led to a reduction in the overall interest rate fixation of the Group's liabilities. At the end of 2005, the Group had a volume of interest rate swaps and interest rate and currency swaps of EUR 555 million, which enabled a change 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 288 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 fixed assets and derivative financial instruments with partners that have first-class credit rating.

Statement of compliance with the German Corporate Governance Code

The statement of compliance with the German Corporate Governance Code required by § 161 of the German Stock Company Act (Aktiengesetz) was submitted by the Managing Board and the Supervisory Board of HeidelbergCement on 22 March 2005 and made permanently available to the shareholders on Internet www.heidelbergcement.com. The statement for 2006 will be submitted on 22 March 2006 and made available to the shareholders on the same day.

The statement of compliance with the German Corporate Governance Code required by § 161 of the German Company Act (Aktiengesetz) for Teutonia Zementwerk AG, a company listed on the stock exchange and included in the Group Annual Results, was submitted by the Managing Board and Supervisory Board on 22 March 2005 and made permanently available to the shareholders on Intranet www.Teutonia-zement.de.

Fees of the public auditors

In the business year, the public auditors Ernst & Young AG Wirtschaftsprüfungsgesellschaft received fees amounting to EUR '000s 2,572.

Fees of the public auditors

EUR '000s	2005
Approval of the Group annual accounts	1,991
Other charges for confirmation services	225
Tax advisory service	140
Other services	216
	2,572

Supervisory Board and Managing Board

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

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. Bernd Scheifele
Chairman until 31 January 2005
until 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 Arbitration Committee and member of the Personnel Committee (Chairman from 1 February to 19 September 2005) and 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 (Chairman)
b) HERMA Holding GmbH + Co KG (Deputy Chairman)
   Hübner GmbH (Chairman)
   Neue Pressegesellschaft (Südwestpresse) mbH & Co. KG
   Südwestdeutsche Medien Holding GmbH
   URACA GmbH & Co. KG (Deputy Chairman)

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

* All indications refer to 31 December 2005 or, if the person in question left the Supervisory Board of HeidelbergCement AG prior to that date, the date on which they stepped down.

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

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

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

Gerhard Hirth
since 6 April 2005
Managing Director of the SCHWENK group
a) Köster AG
b) Duna-Dráva Cement Kft (Chairman)
Open Joint Stock Company "Dniprocement"
Open Joint Stock Company "Kryvyi Rih Cement"
Tvornica Cementa Kakanj d.d.

Rolf Hülstrunk
Former Chairman of the Managing Board, HeidelbergCement AG

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

Max Dietrich Kley
Attorney
a) BASF AG
Infineon Technologies AG (Chairman)
Schott AG
SGL Carbon AG (Chairman)
b) UniCredit S.p.A. (member of the Board of Directors since 1 January 2006)

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

Senator h.c. Dr. med. h.c. Adolf Merckle
since 1 February 2005, Chairman of the Audit Committee
Attorney
a) Hanfwerke Oberachern AG (Chairman)
Kässbohrer Geländefahrzeug AG
Pommersche Provinzial-Zuckersiederei AG (Chairman)
F. Reichelt AG (Chairman)

Ludwig Merckle
since 19 September 2005, Chairman of the Personnel Committee
Managing Director, VEM Vermögensverwaltung GmbH
a) Kässbohrer Geländefahrzeug AG (Chairman)
Phoenix Aktiengesellschaft (Deputy Chairman)
Württembergische Leinenindustrie AG (Chairman)

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

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

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

Managing Board*

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
a) Hageda AG (Deputy Chairman)
Landesbank Hessen-Thüringen Girozentrale
(member of the Board of Directors since 1 January 2006)
LAVATEC Wäschereimaschinen AG (Chairman)
PHOENIX Pharmahandel AG & Co KG (Chairman)
b) PT Indocement Tunggal Prakarsa Tbk.[1)]
TAMRO Oyj (Chairman of the Board of Directors)
Vicat S.A.

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

Daniel Gauthier
b) Akçansa Çimento Sanayi ve Ticaret A.S. (Deputy Chairman)
Carrières Lemay S.A.[1)] (Chairman)
Ceskomoravský Cement, a.s.[1)]
China Century Cement Limited
S.A. Cimenteries CBR [1)] (Chairman)
Duna-Dráva Cement Kft [1)]
ENCI Holding N.V.[1)] (Chairman)
Górazdze Cement S.A.[1)]
HeidelbergCement Northern Europe AB [1)]
ISTRA Cement International d.o.o.[1)]
PT Indocement Tunggal Prakarsa Tbk.[1)] (Chairman)
Vicat S.A.

* All indications refer to 31 December 2005 or, if the person in question left the Supervisory Board of HeidelbergCement AG prior to that date, the date on which they stepped down.

Andreas Kern

a) Kronimus AG

b) Carpatcement Holding S.A.[1)]

Castle Cement Ltd[1)] (Chairman)

Ceskomoravský Cement, a.s.[1)] (Chairman)

Duna-Dráva Cement Kft[1)]

Górazdze Cement S.A.[1)] (Chairman)

HeidelbergCement Northern Europe AB[1)] (Chairman)

Nederlandse Cement Deelnemingsmaatschappij B.V.

Nederlandse Cement Handelmaatschappij B.V. (Deputy Chairman)

Open Joint Stock Company "Dniprocement"[1)]

Open Joint Stock Company "Kryvyi Rih Cement"[1)]

Südbayer. Portland-Zementwerk Gebr. Wiesböck & Co. GmbH

Tvornica Cementa Kakanj d.d.[1)]

Dr. Lorenz Näger

a) PHOENIX Pharmahandel AG & Co KG

b) S.A. Cimenteries CBR[1)]

HeidelbergCement Northern Europe AB[1)]

PT Indocement Tunggal Prakarsa Tbk.[1)]

Lehigh Cement Company[1)]

Lehigh Cement Limited[1)]

maxit Group AB[1)]

TAMRO Oyj

■ Events after the balance sheet date

After 31 December 2005, there were no reportable events in accordance with IAS 10.

■ 43 Proposed dividend

Managing Board and Supervisory Board propose the following dividend: EUR 1.15 dividend per share. Referring to 115,598,535 no-par value shares, entitled to dividend payment for the 2005 financial year, the amount for dividend payment is EUR 132,938,315.25.

■ 44 Approval of the Group annual accounts

The Group annual accounts were prepared by the Managing Board and adopted on 17 March 2006. They were then submitted to the Supervisory Board for approval.

Heidelberg, 17 March 2006

HeidelbergCement AG

The Managing Board

Report of the public auditors

We issued the following audit opinion on the Group annual accounts and the Group report to the shareholders:

"We have audited the consolidated financial statements prepared by the HeidelbergCement AG, Heidelberg, comprising the balance sheet, the income statement, statement of changes in equity, statement of recognized income and expenses, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from 1 January to 31 December 2005. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

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

Our audit has not led to any reservations.

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

Stuttgart, 17 March 2006
Ernst & Young AG
Wirtschaftsprüfungsgesellschaft

Elkart	Somes
Wirtschaftsprüfer	Wirtschaftsprüferin
(German Public Auditor)	(German Public 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 (§ 16), dependent or controlling companies (§ 17), Group companies (§ 18), cross-held companies (§ 19) or contracting parties to a contract between business enterprises (§§ 291, 292).

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

Alternative raw materials and fuels

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%).

Base load

Electricity supply of a fixed constant amount of power for a determined period, for example 5 MW daily, monthly or annual base load.

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.

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

*The index indicates the main references.

EBIT **p. 21, 68, 92, 94**	Earnings before interest and income taxes; this term corresponds to results of operating activities according to IAS 1 (Presentation of Financial Statements).
EBITDA **p. 103**	Earnings before interest, taxes, depreciation and amortisation; EBITDA = OIBD plus additional ordinary result before amortisation.
Electricity balancing circle **p. 44 f.**	An electricity balancing circle comprises all power supplies and power withdrawals at points of consumption of an electricity provider.
Equity method **p. 75 f., 101, 109**	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 f., 104**	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.
Goodwill (IFRS 3.51) **p. 21, 72, 75, 77 f., 80, 98 f., 102, 105 f., 113**	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, 21 f., 68, 85, 102**	Profit or loss for the financial year after deduction of minority interests.
IFRIC **p. 76**	See SIC
International Financial Reporting Standards (IFRS) **p. 17, 27, 74 ff.**	The International Financial Reporting Standards (IFRS) – previously International Accounting Standards (IAS) – are accounting standards issued by the International Accounting Standards Board (IASB) for the purposes of international harmonisation and better comparability of consolidated accounts. HeidelbergCement has been preparing its Group annual accounts in accordance with IFRS and IAS, respectively, since 1994.
Kyoto Protocol **p. 39**	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.
Net financial liabilities **p. 16, 21, 60, 129**	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. 21 ff., 68, 92 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. 21 ff., 68 f., 92 ff.

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

Price-earnings ratio (PER)
p. 16

Share price divided by earnings per share.

Profit/loss before tax
p. 21, 68, 102

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

Profitability
p. 16

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.

SIC
p. 80, 112

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

SNCR installation
p. 40, 58

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

Sustainable development
p. 30, 39

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. 17

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

Wet kiln
p. 42

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

Wet scrubber
p. 40, 58

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

Review of 2005 events

01/02

The Supervisory Board names Dr. Bernd Scheifele as the new Chairman of the Managing Board of HeidelbergCement. Fritz-Jürgen Heckmann is elected the new Chairman of the Supervisory Board.

As part of a pre-audit of the annual accounts 2004, balance sheet items are revalued in order to eliminate balance sheet risks. This leads to one-time extraordinary charges of around EUR 700 million.

03/04

HeidelbergCement shows a loss in its Group annual accounts for the first time since 1945.

Boston Consulting Group carries out an analysis of the organisation and management processes at Group, regional and country levels in Europe as part of the "win" project and develops proposals for savings and improvements together with Group managers.

05/06

HeidelbergCement publishes the first Sustainability Report for the Group.

The participation in the Indonesian company Indocement is increased to 65.1 %.

Spohn Cement GmbH submits a takeover bid to the shareholders of HeidelbergCement at the price of EUR 60 per share.

With the upgrade of the Çanakkale cement plant, our Turkish participation Akçansa will increase its clinker capacity to 5.7 million tonnes by the end of 2007.

The American subsidiary Lehigh acquires the remaining 50 % of Campbell Concrete & Materials in Texas.

07/08

In our British plant in Padeswood, one of the most modern kilns in Europe begins production with a clinker capacity of 900,000 tonnes.

Start of production of the new cement plant in the Chinese provincial capital Guangzhou with a capacity of 2.3 million tonnes.

maxit Group commissions a new dry mortar plant in Beijing.

Anneliese Zementwerke AG is merged into HeidelbergCement AG; the Bosenberg cement plant is integrated into HeidelbergCement.

09/10

Following the completion of the takeover bid, Spohn Cement – including the persons trading jointly with it and its subsidiaries – holds around 78 % of the shares in HeidelbergCement.

Publication of the measures from the "win" project to be implemented by the end of 2007. These include: streamlining the administrative organisation and setting up shared service centres, uniform standards and key performance indicators, centralising IT, and moving Group functions to Heidelberg.

HeidelbergCement forms a joint venture in the Chinese province of Shaanxi which includes the Fufeng cement plant and the construction of a new plant in Xian, the capital of the province.

11/12

HeidelbergCement becomes a member of the FTSE4 Good index. This index is aimed at socially responsible investors in particular.

Entry into the Kazakhstan market with the acquisition of the cement plant of Buchtarma Cement Company and its trading company Vostok Cement.

HeidelbergCement acquires a cement import terminal in Denmark and 22 ready-mixed concrete plants.

By purchasing Doncement, HeidelbergCement expands its market position in Ukraine.

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Copies of the 2005 accounts of HeidelbergCement AG and further information are available on request from Group Communication & Investor Relations. Kindly find this annual report and further information about HeidelbergCement on the Internet:
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◀ Strategic business regions

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Interim Report January to September 2006	6 November 2006

Strategic business regions

■ **North America**
Canada
USA

■ **Africa**
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, Kazakhstan Poland, Romania, Slovakia, Ukraine

■ **Mediterranean region**
Turkey

■ **Asia**
Bangladesh
Brunei
China
Indonesia
United Arab Emirates

■ **maxit Group**

■ **Group Services**

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

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