

**Interim Report**  
January to June 2000



**HEIDELBERGER  
ZEMENT**

For better building

## Dear Shareholders and Business Associates,

Our major markets were characterised by favourable overall economic conditions in the first half of the year. The positive trend should continue in the second half as well. Regionally, the building economy was not able to fully follow this favourable trend.

## Results increased despite higher interest charges

From January to June 2000, Heidelberger Zement achieved turnover of EUR 3.2 billion. This corresponds to a 3.3% rise compared to the prior year. Mild winter weather led to an above-average increase in the first quarter. In spite of a somewhat weaker development in the second quarter, we anticipate a turnover improvement of about 4% for the entire year.

Internal growth was at 2.6% in the first six months after elimination of positive exchange rate effects and negative effects from the deconsolidations.

Operating cash flow increased by 14.5%, or when adjusted, by 11%. In the operating results were included for the first time the goodwill amortisation for the acquired CBR minority shares starting 1 January 2000 and several nonre-current items.

In the Central Europe West and Western Europe regions the positive effects of the decision of the European Court to cancel or reduce the fines against Heidelberger Zement AG, S.A. Cimenteries CBR, ENCI N.V., and Castle Cement Ltd. imposed in 1994 by the EU Commission were included. In Northern Europe a substantial capital gain was realized from the sale of property in land in the Stockholm area.

After conclusion of the squeeze out procedure for the outstanding CBR shares, Heidelberger Zement is the sole shareholder of the Belgian subsidiary.

Heidelberger Zement is further strengthening its position in the Southeast Asian markets. In August an agreement was reached with the Salim Group for the establishment of a joint venture to control the Indonesian cement manufacturer Indocement. The company operates three cement plants and is the second largest cement manufacturer in Indonesia with a capacity of 15.8 million tons.

## Central Europe West

The building economy developed moderately in the second quarter. Declining construction demand and ongoing excess capacities increased competitive pressure especially in eastern Germany. The 4.5% and 5.5% decreases in turnover and operating cash flow, respectively, were caused by deconsolidations and declines in the concrete and building materials areas. Using a comparable scope of consolidation, the prior year's turnover level of EUR 730 million was matched. Sales volumes of cement and clinker developed favourably, rising disproportionately by 8.9% to 3.2 million tons. In the building materials business line, the restructuring of the dry mortar area is completed. There were drawbacks here, too, as a result of the declining construction development in eastern Germany.

## Western Europe

The high level of building activity in the Benelux countries was maintained. The United Kingdom likewise developed in a satisfactory manner. Cement sales volume increased by 4.3% to 5.1 million tons. In the concrete business line our expectations were exceeded by marked improvements in aggregates and further increases in ready-mixed concrete. Overall, turnover in the Western Europe region rose by about 10% to EUR 582 million. Just under 3% of the increase is attributable to the full consolidation of our Dutch dry mortar company Beamix, which was included at only 50% in the 1999 Group Annual Accounts. Operating cash flow increased by 29.2% to EUR 157 million also due to nonrecurrent income arising from the decision of the antitrust proceeding.

## Northern Europe

In Scandinavia, the anticipated recovery of the domestic market has been delayed. Due to the significantly increased export volume, however, cement sales volume rose by 4.5% to 2.2 million tons. An increase in domestic demand is expected in the second half of the year. Higher sales volume of ready-mixed concrete, a slightly relaxed demand for aggregates, and a satisfactory situation with concrete products led to an overall improvement in turnover and results in the concrete business line. Slight growth in Sweden and Norway and some significant increases outside the Nordic countries marked the development of our building materials activities. Overall, turnover rose by 13.5% to EUR 608 million. Operating cash flow increased by 46.8% including book profits resulting from the sale of property in land.

## Central Europe East

Our network of locations in Central Europe East was further expanded in the current year by the majority participation in the Romanian company Casial Deva S.A. and by a participation in the Bosnian cement plant Kakanj.

The slight reduction in cement sales volume from 3.2 to 3.1 million tons can be attributed essentially to falling exports from Poland and the Czech Republic and to a somewhat weakened domestic demand in Poland. Cost-oriented price increases were accomplished in nearly all countries. The sales volume of ready-mixed concrete in the first six months remained unchanged compared to the same period in the prior year, as losses in the Czech Republic were offset by gains in Poland. New locations which were not yet consolidated in Bosnia-Herzegovina, Bulgaria, Croatia, Romania, and Hungary led as a whole to a considerable increase in overall sales volume. Disappointing construction demand in the Czech Republic is the essential cause of the weak development in the building materials business line. Total turnover increased by just under 7% to EUR 189 million. Operating cash flow increased more significantly at 20.4%.

## North America

The 17.6% rise in turnover to EUR 879 million, when adjusted for exchange rates, comes to 3.8%. Regionally increased price pressure and higher energy and maintenance costs were a burden on results. The positive demand trend continued in nearly all sales regions. Declines, attributed to weather conditions and strike actions, affected the California market. The 4.6% increase in cement sales volume to 5.8 million tons in the first half of the year significantly exceeded our expectations. The additional quantity was supplied by increased imports from our Turkish plant Çanakkale and from the Scandinavian locations. The rebuilding of the Union Bridge cement plant, the capacity of which will be expanded to 1.9 million tons by the end of 2001, is progressing according to schedule. The concrete business line suffered from the weak market in California. In western Canada and in Alabama, on the other hand, growth was achieved due to vigorous building activity and new production sites.

## Africa-Asia-Turkey

Development in the first half of 2000 was varied in the individual countries. Our African cement plants achieved double-digit increases in sales volume despite higher price and competitive pressure in our main market Ghana and also in Togo. We expanded our market position in Bangladesh through the conclusion of a joint venture. In April of this year, we acquired a participation in a grinding plant with a capacity of 500,000 tons in the Sultanate of Brunei. The recovery of the Turkish market has been delayed. Overall, the cement sales volume of this strategic business unit rose by 4.7% to 2.5 million tons. Turnover increased by just under 3% to EUR 183 million.

## Group Services

International trading in cement and clinker by our HC Trading company increased considerably. With a quantity of 5.3 million tons, our expectations were greatly exceeded. Turnover, which also included the sale of calcium aluminate cement and the central co-ordination of fuel purchasing, increased in the first six months by 5% to EUR 232 million. It should be noted that the Kraftverkehr Bayern group is no longer included in the scope of consolidation in the current year.

## Investments

Total investments in tangible and intangible fixed assets amounted to EUR 301 million. For financial assets total payments added up to EUR 272 million. The main items in the financial investments were the acquisition of the remaining CBR shares, the purchase of an additional 15.1% stake in Maxit, the acquisition of a controlling participation of 25% in Chittagong Cement Clinker Grinding Company (Bangladesh) and of 50% in Butra Djajanti Cement (Brunei) as well as the take-over of the remaining 50% of the Dutch dry mortar company Beamix.

## Employees

In the first half of 2000, there were 36,000 employees throughout the Group. This represents an 8% reduction compared to the same period in the prior year and is attributable to the deconsolidations and to productivity increases in our plants in Central Europe East.

## Outlook

We anticipate in the second half of the year a continuation of the differentiated developments in the individual regions. Nonrecurrent items will contribute positively to the results. In spite of the reduced growth rates in the second quarter, we are optimistic about reaching our goals for 2000. While no recovery of building demand is expected in Central Europe West, we assume that in Western and Northern Europe, Central Europe East, and North America there will be continued vigorous demand and/or increasing domestic building activity. In Turkey the reconstruction measures will be delayed, therefore, a recovery can only be expected after year 2001. Apart from Asia Africa remains also a strategic focal point for the optimisation of our market position.

Heidelberg, September 2000

Yours sincerely,

THE MANAGING BOARD

## Group profit and loss account

in EUR '000s	01-06/1999	01-06/2000
Turnover	3,102,643	<b>3,203,868</b>
<b>Operating cash flow</b>	509,297	<b>583,164</b>
Depreciation and amortisation	-259,118	<b>-299,045</b>
<b>Operating results</b>	250,179	<b>284,120</b>
Net income from participations	39,612	<b>47,358</b>
Financial results	-64,368	<b>-127,781</b>
<b>Profit on ordinary activities before tax</b>	225,423	<b>203,696</b>
Taxes on income	-86,344	<b>-61,567</b>
<b>Profit for the financial year</b>	139,079	<b>142,130</b>
Minority interests	-33,981	<b>-6,225</b>
<b>Group share in profit</b>	105,098	<b>135,905</b>
Earnings per ordinary share in EUR (IAS 33)	2.15	<b>2.15</b>
Earnings per preference share in EUR (IAS 33)	2.26	<b>2.26</b>

In the financial result financing costs for the acquisition of Scancem AB with effect from July 1999 and for the extension of the participation in S.A. Cimenteries CBR with effect from December 1999 were included.

Unique tax proceeds were included in the taxes on income due to the reduced provisions for deferred taxes as a result of the reduction of the German income tax rate.

# Group cash flow statement

in EUR '000s

January to June 2000

Cash flow	309,555
Changes in operating assets and liabilities	-157,089
<b>Net cash from operating activities</b>	<b>152,466</b>
Intangible fixed assets	-7,867
Tangible fixed assets	-293,354
Financial fixed assets	-271,678
Investments (cash outflow)	-572,899
Proceeds from fixed asset disposals	128,953
Cash from changes in consolidation scope	-1,146
<b>Net cash used in investing activities</b>	<b>-455,092</b>
Cash capital increase	60,785
Dividend payment – HZ AG	-66,352
Dividend payment – minority shareholders	-13,857
Proceeds from long-term borrowing	143,122
<b>Net cash from financing activities</b>	<b>123,697</b>
Net change in cash and cash equivalents	-168,929
Effect of exchange rate changes	1,044
Cash and cash equivalents 1 January	485,833
Cash and cash equivalents 30 June	317,948

# Group balance sheet

## Assets

in EUR '000s	31 Dec. 1999	30 June 2000
<b>Long-term assets</b>		
Intangible assets	2,659,269	2,799,135
Tangible assets	4,274,281	4,313,653
Financial assets	907,148	987,545
Fixed assets	7,840,698	8,100,333
Deferred taxes	20,517	20,677
Other long-term receivables	176,246	199,638
	8,037,461	8,320,647
<b>Short-term assets</b>		
Stocks	648,622	676,449
Trade and other receivables	1,241,006	1,706,983
Short-term investments	32,252	39,507
Cash at bank and in hand	453,581	278,441
	2,375,461	2,701,380
<b>Balance sheet total</b>	10,412,922	11,022,027

## Liabilities

<b>Shareholder's equity and minority interests</b>		
Capital entitled to shareholders	3,053,098	3,290,634
Minority interests	206,139	125,500
	3,259,237	3,416,134
<b>Long-term provisions and liabilities</b>		
Provisions	1,339,044	1,321,950
Liabilities	3,723,539	4,194,777
	5,062,583	5,516,727
<b>Short-term provisions and liabilities</b>		
Provisions	102,346	105,266
Liabilities	1,988,756	1,983,900
	2,091,102	2,089,166
<b>Balance sheet total</b>	10,412,922	11,022,027

## Group equity capital grid

in EUR '000s	Capital changes			Changes without effects on results		
	January 1, 2000	Increase Decrease	Dividends	Profit for the financial year	Exchange rates	June 30, 2000
<b>Subscribed share capital</b>						
Ordinary shares	142,763	4,609				147,372
Preference shares	15,488					15,488
	158,251	4,609				162,860
<b>Capital reserves</b>	1,401,352	116,485				1,517,837
<b>Revenue reserves</b>	1,493,495		-66,353	135,905	46,891	1,609,937
<b>Capital entitled to shareholders</b>	3,053,098	121,094	-66,353	135,905	46,891	3,290,634
<b>Minority interest</b>	206,139	-60,017	-13,857	6,225	-12,990	125,500
	<b>3,259,237</b>	<b>61,077</b>	<b>-80,210</b>	<b>142,130</b>	<b>33,901</b>	<b>3,416,134</b>

## Notes to the Interim Report

### Accounting and consolidation principles

The same accounting and consolidation principles as of 31 December 1999 were used as of 30 June 2000. The items - results from associated companies, other participations, and amortisation of financial investments - were combined as net income from participations. Income from loans, other interests and similar income, and interests and similar expenses were combined as financial results.

### Seasonal dependency of the business

As a manufacturer of building materials, in many regions Heidelberger Zement produces and sells fewer products in the winter and spring than in the summer and autumn months. Due to this seasonal variation, the figures for the first half of the year are considerably lower than the figures for the second half.

### Scope of consolidation

The scope of consolidated companies was changed since 31 December 1999 by the sale of Heidelberger Dämmsysteme and the deconsolidation of Kraftverkehr Bayern GmbH.

## Changes to financial instruments and shareholders' equity

In February 2000, Heidelberger Zement Finance B.V. issued a EUR loan guaranteed by Heidelberger Zement AG for EUR 1 billion, with a coupon of 6.375% and a term of 7 years.

The stock warrants for the purchase of Heidelberger Zement ordinary shares, issued in 1995 as part of the 7% DM convertible bond issue of 1995/2002, reached final maturity on 13 June 2000. Of the total 1.5 million stock warrants issued (Securities Identification Code [WKN] 604 705), 99.6% were presented in exercise of the purchase right. After the share capital had already increased by EUR 1.9 million (0.74 million shares) in January 2000 due to a capital increase for contributions in kind in connection with the CBR share exchange, it increased by another EUR 2.7 million (1.06 million shares) due to the option rights exercised during this year. The share capital now amounts to EUR 162.86 million and is divided into 57.57 million ordinary shares and 6.05 million preference shares.

## Dividends

In June 2000 dividends of EUR 1.05 per ordinary share and EUR 1.16 per preference share were paid for 1999.

## Segment Reporting

Reporting for January to June 2000 under IAS 14 Nr. 50 ff.

EURm	Central Europe West		Western Europe		Northern Europe	
	1999	2000	1999	2000	1999	2000
External turnover	764	<b>728</b>	531	<b>582</b>	517	<b>576</b>
Inter-region turnover		<b>2</b>			19	<b>32</b>
Turnover	764	<b>730</b>	531	<b>582</b>	536	<b>608</b>
<i>variance to prior year</i>		-4.5%		9.6%		13.5%
Operating cash flow	98	<b>92</b>	121	<b>157</b>	81	<b>119</b>
<i>in % of turnover</i>	12.8%	12.7%	22.9%	26.9%	15.1%	20.6%
Depreciation	63	<b>64</b>	51	<b>64</b>	61	<b>66</b>
Operating results	35	<b>29</b>	71	<b>93</b>	20	<b>52</b>
<i>in % of turnover</i>	4.6%	3.9%	13.3%	16.0%	3.7%	8.6%
Investments (1)	68	<b>48</b>	39	<b>50</b>	38	<b>28</b>
Employees	8,667	<b>8,144</b>	4,422	<b>4,417</b>	7,143	<b>7,466</b>

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

## Turnover by Regions and Business Lines January to June 2000

EURm	Cement		Concrete		Building materials		Intra Group eliminations		Total	
	1999	2000	1999	2000	1999	2000	1999	2000	1999	2000
Central Europe West	202	<b>215</b>	170	<b>164</b>	408	<b>365</b>	-16	<b>-14</b>	764	<b>730</b>
Western Europe	387	<b>421</b>	151	<b>158</b>	30	<b>44</b>	-37	<b>-41</b>	531	<b>582</b>
Northern Europe	153	<b>179</b>	174	<b>197</b>	236	<b>254</b>	-27	<b>-22</b>	536	<b>608</b>
Central Europa East	134	<b>149</b>	23	<b>24</b>	21	<b>17</b>	-1	<b>-1</b>	177	<b>189</b>
North America	441	<b>525</b>	362	<b>420</b>			-56	<b>-66</b>	747	<b>879</b>
Africa-Asia-Turkey	164	<b>171</b>	15	<b>12</b>					179	<b>183</b>
<b>Total</b>	<b>1,481</b>	<b>1,660</b>	<b>895</b>	<b>975</b>	<b>695</b>	<b>680</b>	<b>-137</b>	<b>-144</b>	<b>2,934</b>	<b>3,171</b>
Group Services									220	<b>232</b>
Inter-region turnover									-51	<b>-199</b>
<b>Total Group</b>									<b>3,103</b>	<b>3,204</b>

Central Europe East		North America		Africa-Asia-Turkey		Group Services		Reconciliation		Group	
1999	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999	2000
171	<b>183</b>	747	<b>879</b>	171	<b>172</b>	202	<b>84</b>			3,103	<b>3,204</b>
6	<b>6</b>			8	<b>11</b>	18	<b>148</b>	-51	<b>-199</b>		
177	<b>189</b>	747	<b>879</b>	179	<b>183</b>	220	<b>232</b>	-51	<b>-199</b>	3,103	<b>3,204</b>
	6.8 %		17.6 %		2.7 %		5.2 %				3.3 %
38	<b>46</b>	134	<b>141</b>	28	<b>24</b>	9	<b>5</b>			509	<b>583</b>
21.7 %	24.5 %	17.9 %	16.0 %	15.9 %	12.9 %	4.0 %	2.0 %			16.4 %	18.2 %
19	<b>26</b>	50	<b>63</b>	12	<b>14</b>	4	<b>1</b>			259	<b>299</b>
19	<b>20</b>	84	<b>78</b>	17	<b>9</b>	5	<b>3</b>			250	<b>284</b>
10.7 %	10.5 %	11.2 %	8.8 %	9.4 %	5.0 %	2.2 %	1.5 %			8.1 %	8.9 %
46	<b>40</b>	67	<b>116</b>	9	<b>19</b>	6		142	<b>272</b>	415	<b>573</b>
9,014	<b>7,344</b>	6,764	<b>6,409</b>	1,733	<b>2,021</b>	1,336	<b>224</b>			39,079	<b>36,025</b>

## Exchange rates

Country	Exchange rates on reporting day		Average exchange rates	
	31 Dec. 1999 EUR	30 June 2000 EUR	30 June 1999 EUR	30 June 2000 EUR
USD USA	1.0046	<b>0.9539</b>	1.0879	<b>0.9603</b>
CAD Canada	1.4608	<b>1.4151</b>	1.6228	<b>1.4083</b>
GBP Great Britain	0.6217	<b>0.6301</b>	0.6717	<b>0.6119</b>
BGL Bulgaria	1.9122	<b>1.9464</b>	1.9502	<b>1.9485</b>
HRK Croatia	7.6679	<b>7.6297</b>	7.5152	<b>7.7157</b>
NOK Norway	8.0765	<b>8.1943</b>	8.4156	<b>8.1576</b>
PLN Poland	4.1587	<b>4.1641</b>	4.1984	<b>4.0708</b>
ROL Romania	18,286.4500	<b>20,455.4609</b>	15,029.7690	<b>20,455.4609</b>
SEK Sweden	8.5626	<b>8.4161</b>	8.7507	<b>8.3823</b>
CZK Czech Republic	36.1016	<b>35.7010</b>	37.3608	<b>36.0327</b>
HUF Hungary	254.7000	<b>260.0400</b>	251.1186	<b>257.5505</b>
TRL Turkey	545,782.8228	<b>591,475.0000</b>	402,008.0521	<b>591,475.0000</b>

# Financial calendar

Interim Report January - September 2000	Mid-November 2000
First overview of the financial year 2000	February 2001
Press conference on annual results	3 May 2001
Annual General Meeting 2001	19 June 2001
Dividend payment	20 June 2001

Translation of the Interim Report January to June 2000  
The German version in binding.

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

[www.hzag.com](http://www.hzag.com)

---

## Heidelberger Zement Aktiengesellschaft

Berliner Strasse 6  
69120 Heidelberg

### Contact:

Corporate Communication

Phone: ++49 (0) 62 21/4 81-227

Fax: ++49 (0) 62 21/4 81-217

E-Mail: [info@hzag.de](mailto:info@hzag.de)

