Interim Report
January to June 2001

HEIDELBERGER ZEMENT

For better building

Interim Report January to June 2001

Dear Shareholders and Business Associates,

following an unsatisfactory start to the year 2001, the second quarter failed to deliver the hoped-for economic upturn. The slowdown in the world economy, with its origins in the USA, has had a depressing influence on all the industrial countries. Germany is bringing up the tail end in the Euro zone. Whereas expert opinion differs markedly as to the growth levels still achievable in 2001, the consensus is that no sustained speedup of economic growth is to be expected earlier than 2002.

Heidelberger Zement achieved a turnover of EUR 3,226 million (previous year: 3,204) in the first six months, 0.7% above the figure for the previous year. Adjusted for exchange rate effects - mainly a higher valuation of the US Dollar and a lower valuation of the Swedish Krona against the Euro - as well as for new consolidations and deconsolidations, the result is a decline of 1.1%. Operating income before depreciation (OIBD), at EUR 514 million (previous year: 539) for the first six months, was down by 4.6%. The arrears for the first quarter proved impossible to eliminate, as weak demand in the German market showed no signs of abating. The same proves true for operating income, which, at EUR 208 million (previous year: 240), was EUR 32 million lower than the figure recorded for the same period in the previous year. However, the second quarter's figures for OIBD and operating income nearly reached, or even exceeded, last year's levels. Non-operating effects had an exceptionally positive influence on profit before tax for 2000. Due to unfavourable developments and lower non-operating results during the first quarter, profit before tax dropped by EUR 49 million to EUR 155 million for the first half of 2001. The financial results showed a slight improvement against the previous year.

Taxes on income rose by EUR 13 million to EUR 75 million, compared with the previous year. The comparatively low tax ratio before amortisation of goodwill last year, is accounted for by the reduction of the German corporation tax rate (to 25%), and the resulting release of provisions for deferred taxes, amounting to EUR 32.1 million.

The fixed assets grew by EUR 494 million (6%) to EUR 8,723 million. A significant contribution here was the higher volume of investments in comparison with the depreciations, as well as changes to the scope of consolidation. The changes in short-term assets and liabilities are mainly due to higher utilisation of the working capital

Changes to the Supervisory Board

With the conclusion of this year's Annual General Meeting of Shareholders on 19 June 2001, Mr Bernhard Walter and Senator h.c. Peter Schumacher retired from the Supervisory Board. For the rest of the current period of office of the present Supervisory Board, Prof. Dr. Bernd Fahrholz and Rolf Hülstrunk took over as their successors. Mr Schumacher was elected Honorary Chairman of Heidelberger Zement Aktiengesellschaft by the Annual General Meeting of Shareholders.

Central Europe West

The most recent figures for building permits and new orders suggest that no particular stimulus to weak domestic demand can be expected from the construction industry. Heidelberger Zement is thus consolidating the structural adjustment measures that have been initiated mainly in the concrete and building materials business lines.

Cement and clinker sales volumes fell by 14.1 % to 2.8 million tonnes, in comparison to the first half of 2000. In spite of the comparatively more favourable situation in South Germany in the past few months, a decline of about 8% is to be expected for the year as a whole. Capacity utilisation in cement and building materials continues to be unsatisfactory due to weak demand.

Overall, turnover at EUR 660 million (previous year: 730) was 9.6 % below the previous year's level. Further ready-mixed concrete companies were included into the consolidation scope in the concrete business line. OIBD fell in the first half of the year compared to the previous year, from EUR 104 to 78 million.

Western Europe

Once more in the second quarter, unfavourable weather conditions and delays to major building projects acted as a brake on growth in the Benelux countries, while sales volumes in Great Britain stabilised. It was thus not possible to make good the arrears in turnover and OIBD of the first quarter. Turnover for the first half of the year in the Western Europe region was, at EUR 564 million (previous year: 582), 3.1% below the corresponding figure for last year. OIBD fell to EUR 120 million (previous year: 138) in the period under review.

Cement and clinker sales volumes declined in the first half of the year by 2.9% to 4.9 million tonnes. The ready-mixed concrete operating line was also unable to live up to expectations. A stimulus was provided, however, by raised demand for aggregates and price increases for dry mortar.

Northern Europe

Growth was experienced in the Northern Europe region, although the effect of exchange rate variations was to cancel this out. The slight fall in turnover by 0.8% to EUR 603 million (previous year: 608) translates into a 7.2% increase in terms of local currency. OIBD, which recorded an increase of 4.6% in local currency terms, fell to EUR 88 million (previous year: 91).

Due to increased domestic demand in Sweden and sustained high export volumes in Norway, cement and clinker sales volumes rose by a total of 3.1% to 2.5 million tonnes. The concrete business line profited from encouraging developments in ready-mixed concrete, aggregates and concrete products. Demand in Sweden remains consistently high, but prospects are also improving in Norway and Finland. Moreover, the building materials operating lines recorded noteworthy increases in the second quarter.

Central Europe East

The countries in Central Europe East are experiencing more dynamic growth than the average for the European Union. Currency effects and the incorporation of the Romanian company Casial Deva and of the Czech concrete activities contributed to an increase in turnover of 23.8% to EUR 234 million (previous year: 189). OIBD rose by 23.9% to EUR 55 million (previous year: 44).

Cement and clinker sales volumes achieved an increase of 7.6% to 3.3 million tonnes. The greatest contributions here were made by Hungary and, to an increasing extent, the Czech Republic. Exports fell markedly against the previous year.

Ready-mixed concrete sales volumes rose strongly due to favourable developments in the Czech republic, thus compensating for the weakness of the Polish market. Prices were raised in both countries. The building materials business line comprises, following the removal of dry mortar activities, principally the lime business in the Czech and Slovak Republics, Poland, Hungary and Romania. With the exception of the currently weak Polish market, the performance everywhere is satisfactory.

North America

An expansive monetary policy and tax reductions are supporting a weakening American economy. There has been scarcely any let up in construction activity despite the slowing momentum in the economy as a whole.

Cement sales volumes rose in the second quarter, particularly on the East Coast and in California, while demand in Florida and Texas fell over the same period. Overall, the figure of 5.8 million tonnes represented a further improvement of 1.1% on the high level of the previous year. Some of the increased energy costs could be compensated by higher selling prices. Demand has also picked up in the ready-mixed concrete business line over the past few months, while aggregates have failed to make good the arrears of the first quarter.

The high exchange rate of the US Dollar helped to push up turnover by 6.4% to EUR 935 million (previous year: 879). OIBD rose in the first six months to EUR 142 million (previous year: 135).

Africa-Asia-Turkey

There was a slight improvement in the situation on the African markets in the second quarter. Ghana continued to stabilise. Positive trends were also noted in Angola, Benin and Niger. Togo profited particularly from increased exports. However, total sales volumes, at 1.3 million tonnes, were still 6.8% short of the levels recorded at the middle of the previous year.

The increase in cement sales volumes in Asia in the first half of the year to 0.5 million tonnes was accounted for by the initial incorporation of Chittagong in Bangladesh and of the participation in Brunei, which were only consolidated from the third quarter of the previous year.

In Turkey, the recovery of the domestic market slowed down towards the middle of the year. Exports were markedly lower than in 2000. Intensive price competition had an adverse effect on the concrete business line in the second quarter.

Overall, cement and clinker sales volumes in the strategic business unit of Africa-Asia-Turkey recorded a growth of 3.2% to 2.7 million tonnes. Turnover and OIBD achieved double-digit growth against the previous year: turnover increased by 12% to EUR 205 million (previous year: 183), while OIBD rose by 19.9% to EUR 27 million (previous year: 23).

Group Services

Trade volumes of the internationally active HC Trading remained unchanged against the previous year, at 5.3 million tonnes of cement and clinker. Increased turnover of 6% was achieved, rising to EUR 246 million (previous year: 232). OIBD amounted to EUR 3.7 million (previous year: 4.4).

Cement and clinker sales volumes

Cement and clinker sales volumes could be maintained at the same level as last year, with 22 million tonnes. Taking into consideration individual variations, the first quarter's trend was largely confirmed in the different regions.

Cement and clinker sales volumes

in million tonnes	January - June	
	2000	**2001**
Central Europe West	3.2	**2.8**
Western Europe	5.1	**4.9**
Northern Europe	2.4	**2.5**
Central Europe East	3.1	**3.3**
North America	5.8	**5.8**
Africa-Asia-Turkey	2.6	**2.7**
Total	22.2	**22.0**

Employees

In the first half of 2001, an average of 36,000 staff members were employed by Heidelberger Zement world-wide. The figure thus remains largely unchanged against the previous year, after adjustments for new consolidations and deconsolidations.

Investments

The investments in financial fixed assets of EUR 280 million (previous year: 272) are principally accounted for by the successful acquisition at the end of April of Indocement, the second largest cement manufacturer in Indonesia. The increased investments in tangible and intangible fixed assets amounting to EUR 391 million (previous year: 301) related chiefly to the final stages of modernisation work to our Belgian cement plants and the Union Bridge project in North America. The considerable benefits in terms of cost reductions that will result from these investments will begin to be felt in 2002.

Prospects

The economic prospects in the industrial countries have weakened in the second quarter, and remain subdued for the second half of 2001. The timing of a reverse in the trend is fundamentally connected to the recovery of the US economy. Germany is expected to bottom out by the end of this year.

Compared to the first quarter, the second quarter developed well as usual. With reference to the usual seasonal patterns witnessed in the cement industry, more than half of turnover and earnings will be achieved in the stronger second half of the year. Thus the third and fourth quarters of 2001, under normal weather conditions, should confirm the second quarter's positive developments. Based on the above premises, Heidelberger Zement's turnover and sales volumes are thus expected to remain at the same level for the year as a whole, whereas we will not be able to make good the arrears of the first quarter for operating income.

There is encouraging growth in the region of Central Europe East. The picture is stable in North America, Western Europe, Northern Europe and Africa-Asia-Turkey. The measures that have been initiated in Germany for structural optimisation and improvement of cost efficiency will certainly counteract the unsatisfactory levels of capacity utilisation, although they will only lead to improved earnings by 2002 at the earliest. The balanced geographical distribution of Heidelberger Zement will guarantee satisfactory levels of overall growth even in 2001.

Heidelberg, 4 September 2001

Yours faithfully,

THE MANAGING BOARD

Group profit and loss account

EUR '000s	April - June		January - June	
	2000	**2001**	2000	**2001**
Turnover	1,857,449	**1,891,898**	3,203,868	**3,226,358**
Operating income before depreciation (OIBD)	395,428	**393,667**	538,764	**513,673**
Depreciation	-156,354	**-154,750**	-299,044	**-305,926**
Operating income	239,074	**238,917**	239,720	**207,747**
Non-operating result	32,318	**21,640**	44,400	**21,640**
Results from participations	30,699	**29,458**	46,218	**48,818**
Earnings before interest and income taxes (EBIT)	302,091	**290,015**	330,338	**278,205**
Financial results	-63,336	**-56,540**	-126,641	**-123,415**
Profit before tax	238,755	**233,475**	203,697	**154,790**
Taxes on income	-60,720	**-95,232**	-61,567	**-74,644**
Profit for the financial year	178,035	**138,243**	142,130	**80,146**
Minority interests	-8,707	**-7,869**	-6,225	**-4,790**
Group share in profit	169,328	**130,374**	135,905	**75,356**
Earnings per ordinary share in EUR (IAS 33)	2.69	**2.05**	2.15	**1.18**
Earnings per preference share in EUR (IAS 33)	2.71	**2.07**	2.20	**1.23**

Group cash flow statement

EUR '000s	**January to June 2001**
Cash flow	**304,551**
Changes in operating assets and liabilities	**-119,352**
Net cash from operating activities	**185,199**
Intangible fixed assets	**-2,034**
Tangible fixed assets	**-389,283**
Financial fixed assets	**-279,980**
Investments (cash outflow)	**-671,297**
Proceeds from fixed assets disposals	**155,379**
Cash from changes in consolidation scope	**12,864**
Net cash used in investing activities	**-503,054**
Cash capital increase	**-**
Dividend payment – HZ AG	**-73,736**
Dividend payment – minority shareholders	**-8,058**
Proceeds from bond issuance and loans	**330,782**
Cash flow from financing activities	**248,988**
Net change in cash and cash equivalents	**-68,867**
Effect of exchange rate changes	**6,547**
Cash and cash equivalents at 1 January	**491,363**
Cash and cash equivalents at 30 June	**429,043**

Group balance sheet

Assets

EUR '000s	31 Dec. 2000	**30 June 2001**
Long-term assets		
Intangible fixed assets	2,648,597	**2,568,785**
Tangible fixed assets	4,496,291	**4,816,131**
Financial fixed assets	1,084,002	**1,337,771**
Fixed assets	8,228,890	**8,722,687**
Deferred taxes	25,242	**27,278**
Other long-term receivables	206,278	**241,296**
	8,460,410	**8,991,261**
Short-term assets		
Stocks	692,125	**735,570**
Receivables and other assets	1,357,704	**1,674,044**
Short-term investments	183,463	**224,003**
Cash at bank and in hand	307,900	**205,040**
	2,541,192	**2,838,657**
Balance sheet total	11,001,602	**11,829,918**

Liabilities

Shareholders' equity and minority interests		
Capital entitled to shareholders	3,508,892	**3,584,662**
Minority interests	130,153	**139,498**
	3,639,045	**3,724,160**
Long-term provisions and liabilities		
Provisions	1,321,989	**1,342,163**
Liabilities	3,767,069	**3,862,932**
	5,089,058	**5,205,095**
Short-term provisions and liabilities		
Provisions	75,782	**74,197**
Liabilities	2,197,717	**2,826,466**
	2,273,499	**2,900,663**
Balance sheet total	11,001,602	**11,829,918**

Group equity capital grid

EUR '000s		Capital changes			Changes without effects on results		
	1 Jan. 2001	Increase Decrease	Dividends	Profit for the financial year	Exchange rates	Other changes	30 June 2001
Subscribed share capital							
Ordinary shares	147,372	192					147,564
Preference shares	15,488						15,488
	162,860	192					163,052
Capital reserves	1,517,838						1,517,838
Revenue reserves	1,732,820		-73,736	75,356		5,794*	1,740,234
Currency translation	104,572				68,164		172,736
Own shares	-9,198						-9,198
Capital entitled to shareholders	3,508,892	192	-73,736	75,356	68,164	5,794	3,584,662
Minority interests	130,153	11,960	-8,058	4,790	653		139,498
	3,639,045	**12,152**	**-81,794**	**80,146**	**68,817**	**5,794**	**3,724,160**

* First-time application of IAS 39.

Notes to the Interim Report

Accounting and consolidation principles

IAS 39 Financial Instruments were applied in 2001 for the first time. Changes in the shareholders' equity in the amount of EUR 6 million resulted from the revaluation of the off-balance-sheet financial instruments. The other accounting and consolidation principles remained unchanged compared to 31 December 2000.

Results from associated companies, other participations and depreciation of financial fixed assets were combined as results from participations.

Income from loans, other interest receivable and similar income, and interest payable as well as similar charges 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 following quarters.

Scope of consolidation

The main changes to the scope of consolidation against 31 December 2000 were the initial incorporation of Casial Deva S.A, Deva/Romania, the Czech Vulkan Bohemia and individual German ready-mixed concrete locations into the scope of consolidation, as well as the deconsolidation of the clay brick operating line of Optiroc Group AB, Sollentuna/Sweden.

Segment reporting

Regions January to June 2001 (Primary reporting format under IAS 14 No. 50 ff.)

EURm	Central Europe West		Western Europe		Northern Europe	
	2000	**2001**	2000	**2001**	2000	**2001**
External turnover	728	**652**	582	**564**	576	**564**
Inter-region turnover	2	**8**			32	**39**
Turnover	730	**660**	582	**564**	608	**603**
Change to prior year in %		*-9.6 %*		*-3.1%*		*-0.8%*
Operating income before depreciation (OIBD)	104	**78**	138	**120**	91	**88**
in % of turnover	*14.2%*	*11.8 %*	*23.7 %*	*21.3 %*	*15.0%*	*14.6 %*
Depreciation	65	**59**	64	**64**	65	**61**
Operating income	39	**19**	74	**56**	26	**27**
in % of turnover	*5.4 %*	*2.9%*	*12.8 %*	*9.9%*	*4.2%*	*4.5 %*
Results from participations	34	**42**	5	**5**	3	**3**
Non-operating result						
Earnings before interest and income taxes (EBIT)	73	**61**	79	**61**	29	**30**
Investments (1)	48	**37**	50	**67**	28	**29**
Employees	8,144	**8,170**	4,417	**4,449**	7,466	**7,050**

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

Turnover development by regions and business lines January to June 2001

EURm	Cement		Concrete		Building materials		Intra Group eliminations		Total	
	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**
Central Europe West	215	**191**	165	**172**	367	**316**	-17	**-19**	730	**660**
Western Europe	421	**403**	158	**149**	44	**44**	-41	**-32**	582	**564**
Northern Europe	179	**177**	197	**216**	254	**230**	-22	**-20**	608	**603**
Central Europa East	148	**190**	25	**35**	17	**15**	-1	**-6**	189	**234**
North America	525	**567**	420	**434**			-66	**-66**	879	**935**
Africa-Asia-Turkey	176	**195**	12	**13**			-5	**-3**	183	**205**
Total	1,664	**1,723**	977	**1,019**	682	**605**	-152	**-146**	3,171	**3,201**
Group Services									232	**246**
Inter-region turnover									-199	**-221**
Total Group									3,204	**3,226**

Central Europe East		North America		Africa-Asia-Turkey		Group Services		Reconciliation		Group	
2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**
183	**226**	879	**935**	172	**195**	84	**90**			3,204	**3,226**
6	**8**			11	**10**	148	**156**	-199	**-221**		
189	**234**	879	**935**	183	**205**	232	**246**	-199	**-221**	3,204	**3,226**
	23.8%		*6.4%*		*12.0 %*		*6.0%*				*0.7%*
44	**55**	135	**142**	23	**27**	4	**4**			539	**514**
23.3%	*23.5 %*	*15.4 %*	*15.2 %*	*12.6%*	*13.2 %*	*1.7 %*	*1.6%*			*16.8 %*	*15.9 %*
26	**33**	63	**69**	15	**19**	1	**1**			299	**306**
18	**22**	72	**73**	8	**8**	3	**3**			240	**208**
9.3%	*9.4 %*	*8.1 %*	*7.8%*	*4.4 %*	*3.9%*	*1.3 %*	*1.2%*			*7.5%*	*6.4 %*
-	**-2**	2	**-1**	2	**2**					46	**49**
								44	**21**	44	**21**
18	**20**	74	**72**	10	**10**	3	**3**	44	**21**	330	**278**
40	**24**	116	**207**	19	**27**			272	**280**	573	**671**
7,344	**7,368**	6,409	**6,171**	2,021	**2,393**	224	**55**			36,025	**35,656**

Exchange rates

	Country	Exchange rates on reporting day 31 Dec. 2000 EUR	Exchange rates on reporting day 30 June 2001 EUR	Average exchange rates 01-06/2000 EUR	Average exchange rates 01-06/2001 EUR
USD	USA	0.9396	**0.8473**	0.9603	**0.8982**
CAD	Canada	1.4097	**1.2847**	1.4083	**1.3779**
GBP	Great Britain	0.6288	**0.6002**	0.6119	**0.6235**
BGL	Bulgaria	1.9561	**1.9478**	1.9485	**1.9497**
HRK	Croatia	7.5926	**7.3341**	7.7157	**7.5485**
NOK	Norway	8.2998	**7.9045**	8.1576	**8.1056**
PLN	Poland	3.8610	**3.3970**	4.0708	**3.6289**
ROL	Romania	24,340	**24,698**	[1]	[1]
SEK	Sweden	8.8684	**9.2057**	8.3823	**9.0594**
CZK	Czech Republic	35.2710	**33.8480**	36.0327	**34.5471**
HUF	Hungary	265.0800	**243.6200**	257.5505	**261.6651**
TRL	Turkey	623,550	**1,062,422**	[1]	[1]

[1] In accordance with IAS 21.30 (b) the income and expenses are converted using the exchange rates on the reporting day.

Financial calendar

Interim report January to September 2001	21 November 2001
First overview of the financial year 2001	February 2002
Analysts' and press conference on annual accounts	26 March 2002
Annual General Meeting of Shareholders 2002	7 May 2002
Dividend payment	8 May 2002

Translation of the interim report January to June 2001.
The German version is binding.

You find this interim report and further information on Heidelberger Zement on the Internet:

www.hzag.com

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