



# Half-Year Financial Report

January to June 2011

**HEIDELBERGCEMENT**

- Sales volumes of cement, aggregates, and ready-mixed concrete further increase in comparison with previous year
- Group turnover at EUR 6.0 billion (+9.5% compared with previous year)
- Significant rise in energy costs and time lag of price increases, particularly in cement
- Operating income before depreciation (OIBD) at EUR 904 million (+4.6% compared with previous year)
- Profit for the period increased to EUR 88 million (previous year: 5) because of lower financing costs
- "FOX 2013" savings programme progressing according to plan
- Net debt reduced by EUR 492 million compared with same quarter of previous year
- Sustained growth in Asia-Pacific and Africa-Mediterranean Basin and continuing recovery in Europe and, to a lesser extent, North America expected
- Continued focus on increasing efficiency, reducing costs, and raising prices in order to offset increased energy and raw material costs as well as rising inflation

Overview January to June 2011	April - June		January - June	
EURm	2010	2011	2010	2011
Turnover	3,296	3,394	5,476	5,996
Operating income before depreciation (OIBD)	693	651	865	904
in % of turnover	21.0%	19.2%	15.8%	15.1%
Operating income	492	441	474	501
Additional ordinary result	-37	4	-51	2
Result from participations	6	27	4	22
Earnings before interest and income taxes (EBIT)	461	472	427	526
Profit before tax	241	319	23	233
Net income from continuing operations	174	219	17	103
Net loss from discontinued operations	-7	-10	-12	-15
Profit for the period	166	208	5	88
Group share of profit	120	159	-79	-1
Investments	169	186	292	357

# Interim Group management report

## Business trend January to June 2011

### **Economic environment**

The global economy is continuing its recovery, although there are increasing signs that the economic dynamics are weakening. The economic development clearly differs from region to region: the national economies of Asia, particularly China and India, remain on a strong growth track; Africa is also recording solid growth. In contrast, the economic recovery in the industrialised countries of Europe and North America is taking place at a significantly more restrained pace; the US in particular still fall short of expectations.

### **Increase in sales volumes continued in second quarter**

In the second quarter of 2011, the sustained recovery in demand for building materials in Europe and Central Asia and the continuing growth in the countries of Asia and Africa led to a further increase in sales volumes in all business lines compared with the same quarter of the previous year. In North America, demand continued to develop weakly and was also adversely affected by a very long and harsh winter in Canada and a prolonged rain period in the North of the US; this resulted in a decline in deliveries of cement, aggregates, and asphalt. However, the growth in the other regions clearly outweighed these losses.

In the first half of the year, the Group's cement and clinker sales volumes rose by 10.7% to 41.0 million tonnes (previous year: 37.1); excluding consolidation effects, the increase amounted to 8.7%. The Western and Northern Europe, Eastern Europe-Central Asia, and Africa-Mediterranean Basin Group areas reported double-digit growth rates. In Asia-Pacific, Indonesia's demand continued to develop strongly and was thus able to more than compensate for declining sales volumes in other countries of the Group area. In North America, cement sales volumes were only slightly above the previous year's level. Group-wide deliveries of aggregates grew by 6.4% to 115.2 million tonnes (previous year: 108.3); adjusted for consolidation effects, the increase amounted to 6.1%. Deliveries of ready-mixed concrete rose by 13.2% to 18.6 million cubic metres (previous year: 16.4). Asphalt sales volumes grew by 10.5% to 4.1 million tonnes (previous year: 3.7); excluding consolidation effects, the increase amounted to 9.7%.

### **Development of turnover and results**

On the basis of the increases in sales volumes, Group turnover rose considerably in the first half of the year, by 9.5%, to EUR 5,996 million (previous year: 5,476). All Group areas, with the exception of North America, recorded double-digit growth rates. Effects arising from the change in the consolidation scope in Africa, Australia, and Eastern Europe were largely offset by negative exchange rate effects, particularly in relation to the US dollar. The disproportionately strong increase in the costs of energy and raw materials was only partly compensated for by price increases in some markets. Operating income before depreciation (OIBD) rose by 4.6% to EUR 904 million (previous year: 865). Operating income improved to EUR 501 million (previous year: 474).

The additional ordinary result improved by EUR 53 million to EUR 2 million (previous year: -51). The previous year's result was characterised primarily by restructuring expenses. Results from participations increased by EUR 18 million to EUR 22 million (previous year: 4). Besides improved results in the reporting period, impairments from the previous year also influenced the change in results from participations. Financial results improved by EUR 111 million to EUR -293 million (previous year: -404). This mainly relates to the decrease in interest expenses and other financial expenses in connection with the reorganisation of the financing structure in the first half of 2010 and the reduction of net debt.

The profit before tax from continuing operations amounts to EUR 233 million (previous year: 23). Expenses relating to taxes on income rose by EUR 124 million to EUR 130 million (previous year: 6). The figure was primarily characterised by non-capitalised deferred taxes on losses carried forward in North America. As a result, the effective tax rate changed in comparison with the previous year, from 27.1 % to 55.8%. Net income from continuing operations thus totals EUR 103 million (previous year: 17).

Overall, the profit for the reporting period amounts to EUR 88 million (previous year: 5). The profit attributable to minority interests rose by EUR 7 million to EUR 90 million (previous year: 83). The Group share of profit therefore amounts to EUR -1 million (previous year: -79).

### **"FOX 2013" programme progressing according to plan**

The three-year programme for financial and operational excellence ("FOX 2013") presented at the start of January is well on the way to achieving the targeted improvement of EUR 600 million in cash flow over the next three years. Cash effective savings of EUR 134 million have already been achieved in the first half of the year. In particular, improvement in working capital and savings against the significantly increasing energy cost indices have been achieved. The first results of the CLIMB project to decrease specific costs in the aggregates business line confirm the targeted potential for improvement.

### **Cash flow statement**

The cash outflow from operating activities increased in the first half of 2011 by EUR 95 million to EUR 165 million (previous year: 69). The increase results firstly from the rise of EUR 133 million in payments for taxes on income, which is primarily due to a tax refund in North America amounting to EUR 113 million, which was included in the previous year. Secondly, the cash outflow increased because of the disproportionately strong rise in the costs of energy and raw materials, which could only be partly absorbed by price increases. This was counteracted by the reduction of EUR 108 million in net interest payments and the decrease of EUR 46 million in payments for provisions. The cash outflow from changes in working capital increased slightly by EUR 5 million to EUR 448 million (previous year: 443). This includes an additional payment of EUR 10 million to Saint Gobain in connection with the sale of the discontinued maxit Group business in 2008. The cash outflow from investing activities rose by EUR 66 million to EUR 289 million (previous year: 222), which is primarily due to increased investments in tangible fixed assets for capacity expansions. The cash inflow from financing activities amounts to EUR 559 million (previous year: 284) and is primarily characterised by the net proceeds from bonds and loans of EUR 656 million (previous year: 351). Dividend payments led to a cash outflow of EUR 96 million (previous year: 68). Overall, this resulted in an increase of EUR 428 million (previous year: 643) in net financial liabilities, which is characteristic of the first half of the year.

### **Investments**

In the first half of the year, cash flow investments rose by 22.4% to EUR 357 million (previous year: 292). Investments in tangible fixed assets (including intangible assets), which relate to optimisation and environmental protection measures at our production sites, but also expansion projects in growing markets, accounted for EUR 336 million (previous year: 266) of this total. Investments in financial fixed assets amounted to EUR 21 million (previous year: 26); in addition to smaller acquisitions to round off shareholdings, these primarily related to the acquisition of 100% of the shares in the Swedish aggregates company Ledinge Fastighets AB.

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## Balance sheet

For the first half of 2011, the balance sheet total fell by EUR 0.5 billion to EUR 26.8 billion (previous year: 27.4). The decrease of EUR 1.1 billion in fixed assets to EUR 21.2 billion (previous year: 22.4) is mainly due to exchange rate effects. As a result of seasonal factors, trade receivables rose by EUR 0.5 billion to EUR 1.9 billion (previous year: 1.4).

The changes on the liabilities side of the Group balance sheet with regard to equity are mainly caused by currency exchange fluctuation amounting to EUR -1.0 billion, the profit of EUR 0.1 billion for the period under review, and dividend payments of EUR 0.1 billion. The liabilities were affected in particular by the increase of EUR 0.5 billion in interest-bearing liabilities to EUR 9.6 billion (previous year: 9.2) as well as trade payables of EUR 0.1 billion to EUR 1.2 billion (previous year: 1.1). The decline of EUR 0.1 billion in provisions, bringing the figure to EUR 2.1 billion (previous year: 2.2), relates primarily to changes in provisions for pensions.

## Financing

On 18 March 2011, Standard & Poor's upgraded HeidelbergCement's long-term rating to BB and maintained the positive outlook. The rating agency's decision took into account the continuation of the consistent debt reduction and the prudent stance towards investments and dividend distribution.

On 9 May 2011, Fitch Ratings raised HeidelbergCement's long-term Issuer Default Rating (IDR) to BB+. As rationale, Fitch highlighted the company's improved maturity profile and liquidity as well as the view that the stringent execution of cost-cutting programmes and working capital management should allow HeidelbergCement to improve cash flow from operations in both 2011 and 2012.

On 31 May 2011, Moody's Investors Service raised HeidelbergCement's Corporate Family rating to Ba1. As rationale, Moody's highlighted the company's sound performance in the first quarter and the agency's expectation that HeidelbergCement will continue to perform well in 2011 leading to further deleveraging and improved credit metrics.

The current ratings from Standard & Poor's, Moody's, and Fitch Ratings are now BB/B, Ba1/NP, BB+/B. Already two rating agencies thus regard HeidelbergCement as being just one notch away from its targeted investment grade rating.

According to the terms and conditions of the Eurobond issued in July 2010, the two Eurobonds issued in January 2010, and the three Eurobonds issued in October 2009, with total issue volumes of EUR 650 million, EUR 1.4 billion, and EUR 2.5 billion, there is a limitation on incurring additional debt if the consolidated coverage ratio (i.e. the ratio of the aggregate amount of the consolidated EBITDA to the aggregate amount of the consolidated interest expense) of the HeidelbergCement Group is below 2. The consolidated EBITDA of EUR 2,195 million and the consolidated interest expense of EUR 519 million are calculated on a pro forma basis in accordance with the terms and conditions of the bonds. As at 30 June 2011, the consolidated coverage ratio amounted to 4.23.

The net financial liabilities decreased by EUR 492 million in comparison with 30 June 2010, amounting to EUR 8,574 million (previous year: 9,066) as at 30 June 2011. The increase of EUR 428 million in comparison with the end of 2010 is primarily due to the rise in working capital, related to seasonal factors.

The available liquidity from cash and cash equivalents, liquidable financial investments and derivative financial instruments, and unused credit lines amounted to EUR 2,982 million as at the end of June 2011.

## **Western and Northern Europe**

The economic recovery continued in the countries of the Western and Northern Europe Group area. Germany, Sweden, and Norway in particular recorded a solid upturn. The British economy is only slowly getting back on course for growth. In the first half of the year, construction activities in the Group area were boosted by mild weather conditions at the start of the year; in addition, the recovery of the construction industry also had a positive impact on demand for building materials. This meant that all business lines were able to achieve double-digit increases in sales volumes.

In the cement business line, our domestic deliveries in the first half of the year were considerably above the previous year's level in all countries. Germany achieved the biggest increase in quantities in domestic shipments with a rise of more than 20%, followed by Sweden, the Baltic States, and the Benelux countries. In the United Kingdom, both our cement shipments and deliveries of blast furnace slag recorded pleasing growth. Germany, the Benelux countries, and our cement plant in Kunda, Estonia, increased their cement and clinker exports significantly. Overall, our cement and clinker sales volumes in Western and Northern Europe rose by 15.2% in the first six months to 10.8 million tonnes (previous year: 9.4).

At the end of the first half of the year, deliveries of aggregates were considerably above the previous year's level in most countries. The aggregates operating line also achieved a slight increase in quantities in the United Kingdom. The Group area's aggregates sales volumes increased by 15.2% to 37.9 million tonnes (previous year: 32.9). In order to expand our activities in Sweden, we acquired an aggregates company north of Stockholm at the end of January 2011.

A clear upward trend was also evident in the ready-mixed concrete operating line. All countries, with the exception of the Baltic States, recorded double-digit increases in quantities. Overall, ready-mixed concrete sales volumes rose by 21.2% to 6.8 million cubic metres (previous year: 5.6). The sales volumes of the asphalt operating line were 11.0% above the previous year's level.

The building products business line essentially comprises Hanson's building products in the United Kingdom. All operating lines – bricks, precast concrete parts, masonry blocks, lightweight blocks, and concrete paving – were able to achieve volume increases. Thanks in part to the capacity adjustments and cost reduction measures introduced at an early stage, the building products business line achieved a considerable increase in results.

The turnover of the Western and Northern Europe Group area rose by 16.7% to EUR 2,109 million (previous year: 1,807); excluding consolidation and exchange rate effects, the increase amounted to 15.5%.

## **Eastern Europe-Central Asia**

In the Eastern Europe-Central Asia Group area, construction activity in some countries such as Hungary, the Czech Republic, and Romania is still significantly impaired by a hesitant economic recovery. However, the economy and construction activity have regained momentum in the majority of countries. Our sales volumes of building materials are showing a clear upward trend, particularly in Russia, Poland, Kazakhstan, and Georgia.

In the cement business line, sales volumes increased substantially in most countries; only in Bosnia-Herzegovina, our cement deliveries were still significantly below the previous year's level in the first half of the year. The overall positive development was boosted not only by relatively mild winter weather in the first quarter but also by the recovery in construction activity. In Russia, our sales volumes increased by a factor of more than two and a half. Besides the healthy market development, this was also due to the consolidation of the cement company CJSC "Construction Materials" in the Republic of Bashkortostan, in which we acquired the majority share in 2010. Ukraine, Kazakhstan, and in particular Georgia and Poland also recorded considerable increases in sales volumes. Overall, the cement and

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clinker sales volumes of the Group area grew by 24.3% to 7.6 million tonnes (previous year: 6.1) in the first half of the year. Excluding consolidation effects, the rise amounted to 15.4%.

At the end of March 2011, we completed the expansion of the clinker capacity at the Górazdze cement plant in Poland on schedule. At the beginning of April, the modernised kiln line No 2 started operation with a capacity of 6,000 tonnes of clinker per day. In a further project phase, the cement grinding capacity will also be expanded by approximately 1.2 million tonnes per year, with a new mill set to be constructed by mid-2012. In order to benefit from the growing construction activity and rising cement demand in western Georgia, we commissioned a new cement terminal in Supsa, a harbour city on the Black Sea, on 1 April 2011. Since June 2011, we have also supplied the Arkhangelsk region in Russia with cement from our plant in Kjøpsvik, Norway, via a new import terminal. On 13 July, we officially opened the newly constructed Russian TulaCement plant. The plant, which has an annual production capacity of 2 million tonnes of cement, will primarily supply the rapidly growing market in the Moscow area. In addition, we are planning to expand the cement capacity of the Cesla plant near Saint Petersburg to 1.5 million tonnes by 2014, with the construction of a new kiln line. We are also expanding our production capacity in Kazakhstan, with the construction of a new cement plant with a capacity of 0.8 million tonnes in Shetpe near Aktau in western Kazakhstan. The Caspi Cement plant, which should commence operation by mid-2013, will strengthen our nationwide presence and allow us to supply the oil- and gas-rich region on the Caspian Sea more cost-effectively.

Sales volumes also recovered considerably in the aggregates business line. Overall, our aggregates activities in the Group area increased their volumes by 14.8% to 8.9 million tonnes (previous year: 7.8). Deliveries of ready-mixed concrete rose even more substantially, with growth of 23.9% to 2.0 million cubic metres (previous year: 1.6).

The turnover of the Eastern Europe-Central Asia Group area rose by 25.8% to EUR 607 million (previous year: 482); excluding consolidation and exchange rate effects, the increase amounted to 18.6%.

## North America

In the North America Group area, HeidelbergCement is represented in the US and Canada. Although the economic recovery in the US is continuing, the upturn has lost much of its momentum. The sustained high level of unemployment is adversely affecting both private consumption and residential construction. The residential and commercial markets continue to be characterised by significant oversupply. The spending cuts made by the US government as well as the US states and cities are also putting a strain on the construction industry.

The cement sales volumes of our North American plants rose by 0.9% to 4.7 million tonnes (previous year: 4.6) in the first half-year. In the North market region, our cement deliveries were heavily impaired by the severe winter weather as well as a long period of rainfall and flooding that hit the Midwest in spring. While sales volumes in the South market region were only slightly above the previous year's level, the West region, particularly California, achieved a substantial volume increase. In the Canada region, our cement deliveries remained below the previous year as a result of the long, harsh winter; however, we expect cement demand to recover considerably in the second half of the year, thanks to the strong oil and gas industry.

In the aggregates business line, our volumes in the North and South regions declined, while the West and Canada regions recorded growth. Overall, the aggregates sales volumes decreased in the first half of the year, by 3.7% to 44.6 million tonnes (previous year: 46.2). Deliveries of ready-mixed concrete were 2.7% above the previous year's level, at 2.6 million cubic metres (previous year: 2.6). The asphalt operating line suffered considerably as a result of the adverse weather in the Midwest in the second quarter, resulting in an overall decrease of 5.1% in asphalt deliveries to 1.2 million tonnes (previous year: 1.2) in the first half of the year.

In the building products business line, which is heavily dependent on residential construction, the bricks, roof tiles, and pavers operating lines recorded significant volume decreases. Sales volumes of gravity pipes were slightly below the previous year's level. Significant increases were achieved by pressure pipes and precast concrete parts. Thanks to the cost reduction programmes, results of the business line have improved substantially in comparison with last year.

The total turnover in North America decreased by 3.9% to EUR 1,311 million (previous year: 1,363); excluding exchange rate effects, turnover grew by 1.7%.

### **Asia-Pacific**

The emerging countries of Asia remained on course for growth during the second quarter of 2011. In the second quarter, despite the central bank's restrictive monetary policy, China recorded solid economic growth of 9.5% in comparison with the previous year. The general economic conditions are also maintaining momentum in Indonesia, India, and Bangladesh. However, the consistently high inflation pressure in the Asian national economies is a cause for concern. Although the Australian economy was badly hit by the flood disaster and cyclones in the first three months, it is expected to have regained momentum in the second quarter.

During the first half-year, cement and clinker deliveries of the Asia-Pacific Group area grew by 3.7% to 13.6 million tonnes (previous year: 13.1). In Indonesia, our subsidiary Indocement profited from the extremely lively construction activity. In view of the strong domestic market, Indocement reduced its export deliveries substantially in the second quarter; the cement and clinker sales volumes increased by 10.8% overall. In order to meet the rising domestic demand for cement, Indocement has started to plan the construction of a further cement grinding facility at the Citeureup production site with a capacity of 2 million tonnes; construction is set to start this year, ready for commissioning early 2013.

In China, sales volumes of our joint ventures in the provinces of Guangdong and Shaanxi remained below the previous year. The decline is primarily due to production downtimes following a quarry accident in the first quarter, overcapacities in Shaanxi, and a slowdown in infrastructure activities in Guangdong after the boom of the Asian Games.

In India, cement demand was impaired by the government's restraint in the area of infrastructural projects and the weakening of residential construction in rural areas. Deliveries from our Indian cement plants remained at the previous year's level. Following a significant recovery in the first few months, cement prices fell slightly again in the second quarter because of the weakening of growth and the onset of the monsoon. The expansion of our cement capacities in central India by 2.9 million tonnes is proceeding according to schedule. We are planning to commission new facilities in our Damoh and Jhansi plants in the fourth quarter of 2011. HeidelbergCement will then have a total capacity of 6 million tonnes in India.

In Bangladesh, construction activity weakened in the second quarter as a result of sustained rainfall and nationwide strikes. Our sales volumes in the first six months were slightly above the previous year's level. We are currently constructing an additional cement mill at the Chittagong grinding plant with a capacity of 0.8 million tonnes, which is set to be commissioned towards the end of 2011. In Australia, the sales volumes of the proportionately consolidated cement company Cement Australia were adversely affected by the floods that occurred at the beginning of the year.

Deliveries of aggregates rose significantly in all Group countries. Malaysia and Indonesia in particular recorded a heavy increase. Overall, sales volumes of aggregates rose by 19.5% to 18.5 million tonnes (previous year: 15.4). The asphalt activities benefited from the market recovery in Malaysia, with a volume increase of 29.2%. Deliveries of ready-mixed concrete increased by 11.1% to 4.7 million cubic metres (previous year: 4.2); a particularly strong contribution was made by Indonesia, where sales volumes more than doubled.

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The turnover of the Asia-Pacific Group area rose by 11.1% to EUR 1,390 million (previous year: 1,251); excluding the consolidation and exchange rate effects, the increase amounted to 7.5%.

### Africa-Mediterranean Basin

The majority of African countries south of the Sahara are experiencing dynamic economic development and lively construction activity. Construction activity in Turkey is also benefiting from the sustained economic boom. In contrast, the construction industry in Spain is still suffering as a result of the property crisis, high unemployment, and the government's budget cuts.

In Africa, our cement deliveries recorded a considerable increase of 21.2%. Gabon, Sierra Leone, Ghana, Tanzania, and Togo made a particularly strong contribution to this growth, as did the consolidation of the cement activities in the Democratic Republic of the Congo acquired in September 2010. Excluding the consolidation effect, the growth in sales volumes amounted to 12.5%.

In light of the good growth prospects, HeidelbergCement is expanding its activities in Africa. A new cement mill is currently under construction in Liberia and is set to be commissioned during the first quarter of 2012. We are also expanding our cement production capacity in Ghana with the construction of a new cement mill at the Tema grinding plant; the commissioning of the mill with a capacity of 1 million tonnes is scheduled for the fourth quarter of 2012. An additional new cement mill with a capacity of 650,000 tonnes is scheduled for commissioning in Burkina Faso in 2013. In the Democratic Republic of the Congo, we intend to increase the cement capacity of the three plants from over 500,000 tonnes to more than 1.4 million tonnes in the coming years. We are also evaluating options for capacity expansions in other African countries.

Boosted by the lively construction activity in Turkey, the domestic cement sales volumes of our joint venture Akçansa increased by 10% in the first half of the year. Cement and clinker exports decreased considerably because of the unrest in North Africa. In total, Akçansa's cement and clinker sales volumes were 3.7% below the previous year. Overall, the cement and clinker sales volumes of the Africa-Mediterranean Basin Group area increased by 11.8% to 4.6 million tonnes (previous year: 4.1).

Sales volumes of aggregates rose by 3.5% to 7.2 million tonnes (previous year: 7.0). While our deliveries in Spain only reached the previous year's level, our aggregates operations in Israel achieved a pleasing volume increase. Our asphalt activities recorded an increase of more than 40% in sales volumes. Deliveries of ready-mixed concrete were slightly above the previous year's level, with an increase of 2.9% to 2.5 million cubic metres (previous year: 2.5); increases in volumes in Turkey and particularly in Israel more than compensated for the losses in Spain.

The turnover of the Africa-Mediterranean Basin Group area rose by 11.7% to EUR 513 million (previous year: 459); excluding consolidation and exchange rate effects, the growth amounted to 11.0%.

### Group Services

HC Trading's trading activity in cement, clinker, and other building materials such as lime and dry mortar decreased by 12.6% to 4.3 million tonnes in the first half of the year (previous year: 5.0). The significant decline in cement and clinker deliveries to the Mediterranean Basin – particularly to North Africa – was not offset by growth in other regions. Deliveries of coal and petroleum coke, which HC Trading has only been conducting via sea routes since 2009, decreased by 15.6% to 0.9 million tonnes (previous year: 1.1).

Until the beginning of 2011, the Group Services business unit also comprised our subsidiary HC Fuels, which was responsible – amongst other things – for the overland supply of Group-owned plants with coal and petroleum coke

purchased on the international markets. In order to better co-ordinate energy purchasing across the Group, the purchase of fossil fuels and electricity was pooled together in the Group Purchasing department in the first quarter of 2011. The tasks formerly undertaken by HC Fuels were taken over by the Group Energy Purchasing team.

Turnover of the Group Services business unit decreased by 17.7% to EUR 285 million (previous year: 346); excluding exchange rate effects, turnover fell by 13.2%.

### **Employees**

At the end of the first half of 2011, the number of employees at HeidelbergCement stood at 54,539 (previous year: 53,572). The increase of 967 employees is primarily due to the expansion of our cement capacities in Africa and Russia. This includes the consolidation of cement activities in the Democratic Republic of the Congo and the CJSC "Construction Materials" cement plant in the Russian Republic of Bashkortostan, as well as the increase in the workforce for the new TulaCement plant south of Moscow. In the North America Group area, the number of employees decreased by around 600 following the successful implementation of the "WIN NAM" programme to increase efficiency in sales and administration. Location optimisations and capacity adjustments also led to a significant number of job cuts in the United Kingdom and some Eastern European countries.

### **Related parties disclosures**

No reportable transactions with related companies or persons took place in the reporting period beyond normal business relations.

## **Outlook**

The OECD and IMF still forecast a continuation of the global economic recovery this year, although it should be somewhat weaker than in 2010. The growth rates in the emerging countries of Asia and Africa will remain significantly above those of the mature markets in North America and Europe. However, the IMF's latest growth forecasts showed shifts between individual countries and regions because of the varying development since the beginning of the year. The growth expectations for the US were corrected downwards slightly, with economic data proving to be disappointing so far; in contrast, the prospects for the emerging countries in Eastern Europe and the stronger exporting nations in Western Europe, such as Germany, were raised.

The uncertainties regarding the impact of the debt crisis in the US and in individual countries of the euro zone, as well as the current growth forecasts, have also been reflected in the latest projections of the North American cement association PCA and the European research and advisory network Euroconstruct. The PCA further reduced its expectations for the increase in cement consumption in the US and now anticipates only a very slight recovery for 2011 and 2012. In Europe, the forecasts for cement growth in 2011 for HeidelbergCement's core countries in Scandinavia and Western and Eastern Europe, with the exception of the United Kingdom, were raised; in contrast, the expected growth rates in the euro zone's crisis regions in Southern Europe and Ireland – areas in which we do not have a presence apart from some small-scale activities in Spain – were reduced further. In addition, HeidelbergCement is not active in the crisis regions of North Africa or in Japan.

In the Western and Northern Europe Group area, we generally anticipate further recovery in demand and thus increasing sales volumes for cement and aggregates, which will be primarily driven by strong trends in Scandinavia and Germany. We expect varying trends in the Eastern Europe-Central Asia Group area: while we continue to anticipate consistently weak development in Hungary and Romania, we expect a rise in demand particularly in Poland and in the Czech Republic. For Central Asia, we anticipate a further increase in demand and a price recovery. Subject

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to new decisions on debt reduction by the US government, which could also adversely affect expenditure on road construction, we continue to expect a slight volume increase in cement and aggregates in North America driven by sustained investment in road construction in the US and the continuing growth of the oil and raw materials industry in Canada. We expect demand to continue developing positively in the Asia-Pacific and Africa-Mediterranean Basin Group areas.

Following the significant rise in the first half of 2011, the Group expects a sustained high level of energy and raw material prices in the second half of the year, as well as a further increase in inflation, particularly in emerging countries. We also anticipate rising personnel costs, particularly in the mature markets as well as in Asia. HeidelbergCement's aim still is to offset the rise in costs through cost-saving measures as well as targeted price increases and fuel surcharges in the individual markets. Once again, the Managing Board has set the objective of increasing turnover and operating income in 2011 in comparison with the previous year.

For the whole of 2011, we still anticipate a slow recovery in the mature markets as well as continuing growth in the emerging countries. Our objective is to offset the cost and inflation pressure, particularly in the cement business line, by means of continued cost-saving measures as well as the price increases already implemented and those planned for the second half of the year. We will consistently continue our efforts to reduce costs and increase efficiency within the scope of the "FOX 2013" programme. The subproject CLIMB is well on the way to further increasing margins in our aggregates activities. In addition, we are maintaining our focus on improved cash flow in order to reduce our debt and further improve the key financial ratios. At the same time, we will continue our targeted investments in new cement capacities in growing markets. Thanks to the advantageous geographical presence in attractive markets and as global market leader in aggregates, HeidelbergCement is ideally positioned to benefit over-proportionally from a further global economic recovery.

### Additional statements on the outlook

The Managing Board of HeidelbergCement has not seen evidence of developments that would suggest changes for the business year 2011 regarding the forecasts and other statements made in the 2010 Annual Report on the expected development of HeidelbergCement and its business environment.

The expected future development of HeidelbergCement and the business environment over the course of 2011 is described in the outlook. As such, please note that this Half-Year Financial Report contains forward-looking statements based on the information currently available and the current assumptions and forecasts of the Managing Board of HeidelbergCement. Such statements are naturally subject to risks and uncertainties and may therefore deviate significantly from the actual development. HeidelbergCement undertakes no obligation and furthermore has no intention to update the forward-looking statements made in this Half-Year Financial Report.

## Risk report

The HeidelbergCement risk policy is based on the business strategy, which focuses on safeguarding the Group's existence and sustainably increasing its value. Entrepreneurial activity is always forward-looking and therefore subject to certain risks. Identifying risks, understanding them, and reducing them systematically is the responsibility of the Managing Board and a key task for all managers. HeidelbergCement is subject to various risks that are not fundamentally avoided, but instead accepted, provided they are well balanced by the opportunities they present.

The Managing Board of HeidelbergCement AG is obliged to set up and supervise an internal control and risk management system. The Managing Board also has overall responsibility for the scope and organisation of the established systems. HeidelbergCement ensures that competences and responsibilities for risk management are governed by

transparent regulations that are based on the Group's structure. A code of conduct, guidelines, and principles apply across the Group for the implementation of systematic and effective risk management. The internal control and risk management system, standardised across the Group, comprises several components that are carefully co-ordinated and systematically incorporated into the structure and workflow organisation. It is based on the financial resources, operational planning, and the risk management strategy established by the Managing Board.

In a holistic view of individual risks and the overall risk situation, there are, from today's perspective, no identifiable risks that could threaten the existence of the Group or any other apparent significant risks. Our control and risk management system standardised across the Group ensures that major risks, which, if they occurred, would lead to a considerable deterioration of the Group's economic position, are identified at an early stage.

Risks that may have a significant impact on our financial position and performance in the 2011 financial year and in the foreseeable future are described in detail in the 2010 Annual Report.

The risks arising from volatile exchange rates remain high. Energy and raw material prices have risen considerably since the start of the year and are expected to remain at a high level in the second half of the year. Although fears that the industrialised countries would slide back into recession were not confirmed, and forecasts are based on a sustained global economic recovery, ongoing development is subject to uncertainties and risks. In the industrialised countries, the most pressing task is to consolidate state finances and tackle unemployment. In contrast, the challenge facing many emerging countries is to counteract the overheating of the economy and strong inflation pressure. Significant uncertainties still remain with regard to the stability of the global financial system.

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# HeidelbergCement interim accounts

## Group profit and loss accounts

Group profit and loss accounts	April - June		January - June	
	2010	2011	2010	2011
EURm				
<b>Turnover</b>	3,296.3	<b>3,393.8</b>	5,476.0	<b>5,996.0</b>
Change in stock and work in progress	-36.7	<b>-44.0</b>	-17.3	<b>-8.7</b>
Own work capitalised	1.5	<b>3.8</b>	3.0	<b>7.0</b>
<b>Operating revenue</b>	3,261.1	<b>3,353.6</b>	5,461.7	<b>5,994.4</b>
Other operating income	87.2	<b>74.6</b>	154.4	<b>148.8</b>
Material costs	-1,257.6	<b>-1,359.5</b>	-2,210.9	<b>-2,527.2</b>
Employee and personnel costs	-550.3	<b>-513.4</b>	-1,036.5	<b>-1,038.9</b>
Other operating expenses	-847.0	<b>-904.0</b>	-1,503.9	<b>-1,672.8</b>
<b>Operating income before depreciation (OIBD)</b>	693.4	<b>651.3</b>	864.8	<b>904.3</b>
Depreciation of tangible fixed assets	-193.6	<b>-189.6</b>	-376.5	<b>-381.5</b>
Amortisation of intangible assets	-7.6	<b>-20.6</b>	-14.2	<b>-21.6</b>
<b>Operating income</b>	492.2	<b>441.1</b>	474.1	<b>501.2</b>
Additional ordinary income	7.3	<b>23.5</b>	11.4	<b>25.6</b>
Additional ordinary expenses	-43.8	<b>-19.4</b>	-62.5	<b>-23.3</b>
<b>Additional ordinary result</b>	-36.5	<b>4.1</b>	-51.1	<b>2.2</b>
Result from associated companies <sup>1)</sup>	14.1	<b>24.2</b>	13.2	<b>19.3</b>
Result from other participations	-8.4	<b>2.5</b>	-9.3	<b>3.0</b>
<b>Earnings before interest and taxes (EBIT)</b>	461.4	<b>472.0</b>	426.8	<b>525.7</b>
Interest income	21.8	<b>17.4</b>	47.3	<b>38.4</b>
Interest expenses	-174.4	<b>-156.4</b>	-344.4	<b>-301.7</b>
Foreign exchange losses	1.4	<b>-1.6</b>	-1.3	<b>-1.1</b>
Other financial result	-69.4	<b>-12.3</b>	-105.3	<b>-28.8</b>
<b>Financial result</b>	-220.5	<b>-152.8</b>	-403.7	<b>-293.1</b>
<b>Profit before tax from continuing operations</b>	240.9	<b>319.1</b>	23.1	<b>232.6</b>
Taxes on income	-67.0	<b>-100.6</b>	-6.3	<b>-129.9</b>
<b>Net income from continuing operations</b>	173.9	<b>218.6</b>	16.8	<b>102.7</b>
Net loss from discontinued operations	-7.4	<b>-10.2</b>	-12.3	<b>-14.6</b>
<b>Profit for the period</b>	166.5	<b>208.4</b>	4.6	<b>88.2</b>
Thereof minority interests	46.4	<b>49.2</b>	83.3	<b>89.6</b>
<b>Thereof Group share of profit</b>	120.1	<b>159.2</b>	-78.7	<b>-1.4</b>
<b>Earnings per share in EUR (IAS 33)</b>				
Earnings/loss per share attributable to the parent entity	0.64	<b>0.85</b>	-0.42	<b>-0.01</b>
Earnings/loss per share – continuing operations	0.68	<b>0.90</b>	-0.35	<b>0.07</b>
Loss per share – discontinued operations	-0.04	<b>-0.05</b>	-0.07	<b>-0.08</b>

1) Net result from associated companies

10.2

20.0

10.0

15.8

## Group statement of comprehensive income

Group statement of comprehensive income	April - June				January - June			
	2010	2010	2011	2011	2010	2010	2011	2011
EURm								
<b>Profit for the period</b>		166.5		<b>208.4</b>		4.6		<b>88.2</b>
Actuarial gains and losses	-18.8		<b>14.6</b>		-181.7		<b>52.9</b>	
Income taxes	4.9		<b>-4.2</b>		51.8		<b>-16.5</b>	
		-13.9		<b>10.4</b>		-129.9		<b>36.5</b>
Cash flow hedges – change in fair value	4.5		<b>-5.5</b>		6.2		<b>-5.5</b>	
Reclassification of gains/losses included in the profit and loss accounts			<b>0.5</b>				<b>0.5</b>	
Income taxes	-1.0		<b>-0.9</b>		-1.4		<b>-0.9</b>	
		3.6		<b>-5.9</b>		4.8		<b>-6.0</b>
Available for sale assets – change in fair value	10.7		<b>-3.3</b>		11.8		<b>-2.9</b>	
Income taxes	-3.5		<b>0.2</b>		-3.3		<b>0.1</b>	
		7.2		<b>-3.1</b>		8.5		<b>-2.8</b>
Business combinations	1.4							
Income taxes	0.1				0.1			
		1.5				0.1		
Other		-1.4						
Currency translation	1,129.5		<b>-263.8</b>		1,925.1		<b>-962.0</b>	
Income taxes	1.9		<b>-0.8</b>		8.5		<b>0.5</b>	
		1,131.4		<b>-264.6</b>		1,933.5		<b>-961.5</b>
<b>Other comprehensive income</b>		1,128.4		<b>-263.1</b>		1,817.1		<b>-933.8</b>
<b>Total comprehensive income</b>		1,294.9		<b>-54.7</b>		1,821.7		<b>-845.7</b>
Relating to minority interests		102.9		<b>38.6</b>		186.0		<b>57.2</b>
Relating to HeidelbergCement AG shareholders		1,191.9		<b>-93.3</b>		1,635.7		<b>-902.8</b>

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## Group cash flow statement

Group cash flow statement	January - June		
	EURm	2010	2011
Net income from continuing operations		16.8	102.7
Taxes on income		6.3	129.9
Interest income/expenses		297.1	263.3
Dividends received		9.4	13.1
Interest received		60.9	58.6
Interest paid		-494.8	-384.1
Taxes paid		-40.9	-174.3
Depreciation, amortisation and impairment		417.1	408.6
Elimination of other non-cash items		246.3	-36.0
<b>Cash flow</b>		518.1	381.9
Changes in operating assets		-509.9	-662.7
Changes in operating liabilities		67.1	214.6
<b>Changes in working capital</b>		-442.8	-448.1
Decrease in provisions through cash payments		-144.6	-98.4
<b>Cash flow from operating activities</b>		-69.3	-164.6
Intangible assets		-2.8	-5.7
Tangible fixed assets		-263.0	-330.9
Subsidiaries and other business units		-11.4	-14.1
Other financial fixed assets		-14.6	-6.8
<b>Investments (cash outflow)</b>		-291.9	-357.4
Subsidiaries and other business units			7.4
Other fixed assets		68.7	62.0
<b>Divestments (cash inflow)</b>		68.7	69.4
Cash from changes in consolidation scope		0.8	-0.5
<b>Cash flow from investing activities</b>		-222.4	-288.5
Dividend payments – HeidelbergCement AG		-22.5	-46.9
Dividend payments – minority shareholders		-45.2	-49.4
Increase in ownership interests in subsidiaries			-0.1
Proceeds from bond issuance and loans		2,798.6	4,032.5
Repayment of bonds and loans		-2,447.4	-3,377.0
<b>Cash flow from financing activities</b>		283.5	559.1
<b>Net change in cash and cash equivalents</b>		-8.3	106.0
Effect of exchange rate changes		120.1	-45.8
Cash and cash equivalents at 1 January		854.4	870.5
Cash and cash equivalents at 30 June		966.2	930.7

## Group balance sheet

<b>Assets</b>		
EURm	31 Dec. 2010	30 June 2011
<b>Non-current assets</b>		
<b>Intangible assets</b>		
Goodwill	10,561.3	10,056.7
Other intangible assets	351.9	344.2
	10,913.2	10,400.9
<b>Tangible fixed assets</b>		
Land and buildings	5,233.4	4,968.4
Plant and machinery	4,584.9	4,247.2
Fixtures, fittings, tools and equipment	240.1	254.5
Payments on account and assets under construction	865.4	885.7
	10,923.9	10,355.9
<b>Financial fixed assets</b>		
Investments in associates	367.5	362.6
Financial investments	63.8	58.0
Loans to participations	19.1	18.6
Other loans and derivative financial instruments	70.0	38.5
	520.4	477.7
<b>Fixed assets</b>	22,357.4	21,234.5
<b>Deferred taxes</b>	355.8	323.5
<b>Other long-term receivables</b>	305.3	369.0
<b>Long-term tax assets</b>	22.1	22.0
<b>Total non-current assets</b>	23,040.7	21,949.0
<b>Current assets</b>		
<b>Stock</b>		
Raw materials and consumables	649.1	636.1
Work in progress	152.3	164.8
Finished goods and goods for resale	659.2	604.0
Payments on account	25.0	27.3
	1,485.6	1,432.1
<b>Receivables and other assets</b>		
Short-term financial receivables	76.5	90.1
Trade receivables	1,429.8	1,929.8
Other short-term operating receivables	374.6	431.2
Current tax assets	61.0	52.0
	1,941.9	2,503.1
<b>Financial investments and derivative financial instruments</b>	36.0	19.6
<b>Cash and cash equivalents</b>	869.7	930.7
<b>Total current assets</b>	4,333.2	4,885.5
<b>Disposal groups held for sale</b>	2.8	
<b>Balance sheet total</b>	27,376.7	26,834.5

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<b>Liabilities</b>		
EURm	31 Dec. 2010	30 June 2011
<b>Shareholders' equity and minority interests</b>		
Subscribed share capital	562.5	562.5
Share premium	5,539.4	5,539.4
Retained earnings	6,481.6	6,472.7
Other components of equity	-522.1	-1,460.8
<b>Equity attributable to shareholders</b>	12,061.4	11,113.8
<b>Minority interests</b>	822.8	827.5
<b>Total equity</b>	12,884.2	11,941.3
<b>Non-current liabilities</b>		
Debenture loans	7,023.9	5,907.7
Bank loans	935.7	1,330.5
Other long-term financial liabilities	267.3	175.5
	8,226.9	7,413.7
Puttable minorities	76.6	75.6
	8,303.5	7,489.3
Provisions for pensions	844.4	804.4
Deferred taxes	823.8	763.3
Other long-term provisions	1,051.3	995.5
Other long-term operating liabilities	223.6	215.2
Long-term tax liabilities	90.7	88.1
	3,033.9	2,866.4
<b>Total non-current liabilities</b>	11,337.4	10,355.8
<b>Current liabilities</b>		
Debenture loans (current portion)	204.9	1,156.1
Bank loans (current portion)	203.3	377.1
Other short-term financial liabilities	416.6	576.9
	824.9	2,110.2
Puttable minorities	18.9	17.4
	843.8	2,127.6
Provisions for pensions (current portion)	94.4	98.0
Other short-term provisions	209.9	187.8
Trade payables	1,084.7	1,201.2
Other short-term operating liabilities	779.7	816.9
Current income taxes payables	138.9	106.0
	2,307.6	2,409.8
<b>Total current liabilities</b>	3,151.3	4,537.4
<b>Provisions and liabilities associated with disposal groups</b>	3.8	
<b>Total liabilities</b>	14,492.5	14,893.2
<b>Balance sheet total</b>	27,376.7	26,834.5

## Group statement of changes in equity

EURm	Subscribed share capital	Share premium	Retained earnings	Cash flow hedge reserve
<b>1 January 2010</b>	562.5	5,539.4	6,166.5	-13.3
Profit for the period			-78.7	
Other comprehensive income			-129.9	4.8
<b>Total comprehensive income</b>			-208.6	4.8
Adjustments consolidation scope and other changes			1.1	
Dividends			-22.5	
<b>30 June 2010</b>	562.5	5,539.4	5,936.4	-8.5
<b>1 January 2011</b>	562.5	5,539.4	6,481.6	-4.2
Profit for the period			-1.4	
Other comprehensive income			36.5	-5.4
<b>Total comprehensive income</b>			35.0	-5.4
Adjustments consolidation scope and other changes			2.9	
Dividends			-46.9	
<b>30 June 2011</b>	562.5	5,539.4	6,472.7	-9.6

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Other components of equity							
	Available for sale reserve	Asset revaluation reserve	Currency translation	Total other components of equity	Equity attributable to shareholders	Minority interests	<b>Total equity</b>
	12.9	39.6	-1,906.5	-1,867.4	10,401.0	602.0	<b>11,003.0</b>
					-78.7	83.3	<b>4.6</b>
	8.5	0.1	1,830.9	1,844.3	1,714.4	102.7	<b>1,817.1</b>
	8.5	0.1	1,830.9	1,844.3	1,635.7	186.0	<b>1,821.7</b>
	-0.1	-1.7		-1.9	-0.8	3.9	<b>3.1</b>
					-22.5	-45.2	<b>-67.7</b>
	21.3	37.9	-75.7	-24.9	12,013.4	746.7	<b>12,760.1</b>
	23.9	37.1	-578.9	-522.1	12,061.4	822.8	<b>12,884.2</b>
					-1.4	89.6	<b>88.2</b>
	-2.8		-929.7	-937.9	-901.4	-32.4	<b>-933.8</b>
	-2.8		-929.7	-937.9	-902.8	57.2	<b>-845.7</b>
		-0.8		-0.8	2.1	-3.0	<b>-0.9</b>
					-46.9	-49.4	<b>-96.3</b>
	21.1	36.3	-1,508.6	-1,460.8	11,113.8	827.5	<b>11,941.3</b>

## Segment reporting / Notes

Group areas January - June 2011	Western and Northern Europe		Eastern Europe-Central Asia		North America	
	2010	2011	2010	2011	2010	2011
EURm						
External turnover	1,782	2,082	482	607	1,363	1,311
Inter-Group areas turnover	26	27	0	0	0	0
<b>Turnover</b>	1,807	2,109	482	607	1,363	1,311
Change to previous year in %		16.7%		25.8%		-3.9%
<b>Operating income before depreciation (OIBD)</b>	226	298	95	106	147	122
as % of turnover	12.5%	14.1%	19.7%	17.5%	10.8%	9.3%
Depreciation	-133	-137	-46	-50	-129	-122
<b>Operating income</b>	92	161	49	56	18	0
as % of turnover	5.1%	7.6%	10.1%	9.2%	1.3%	0.0%
Results from participations	38	20	0	0	-13	-4
Impairments	-21	-4	-1			-1
Reversal of impairments	5		3			
Other additional result						
Additional ordinary result	-17	-4	2			-1
<b>Earnings before interest and taxes (EBIT)</b>	114	176	50	56	5	-5
<b>Capital expenditures<sup>1)</sup></b>	62	65	87	114	61	55
<b>Segment assets<sup>2)</sup></b>	7,064	6,615	1,945	2,180	8,933	7,524
OIBD as % of segment assets	3.2%	4.5%	4.9%	4.9%	1.6%	1.6%
<b>Number of employees as at 30 June</b>	14,282	14,031	9,355	10,018	13,807	13,204
<b>Average number of employees</b>	14,299	13,958	9,324	9,884	13,391	12,733

1) Capital expenditures = in the segment columns: tangible fixed assets and intangible assets investments;  
in the reconciliation column: financial fixed assets investments and acquisitions of shares

2) Segments assets = tangible fixed assets and intangible assets

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Asia-Pacific		Africa-Mediterranean Basin		Group Services		Reconciliation Overhead-Other		Continuing operations	
2010	2011	2010	2011	2010	2011	2010	2011	2010	2011
1,239	<b>1,382</b>	439	<b>498</b>	170	<b>117</b>			5,476	<b>5,996</b>
12	<b>9</b>	20	<b>15</b>	175	<b>167</b>	-233	<b>-218</b>	0	<b>0</b>
1,251	<b>1,390</b>	459	<b>513</b>	346	<b>285</b>	-233	<b>-218</b>	5,476	<b>5,996</b>
	<b>11.1%</b>		<b>11.7%</b>		<b>-17.7%</b>				<b>9.5%</b>
361	<b>343</b>	77	<b>84</b>	9	<b>6</b>	-50	<b>-54</b>	865	<b>904</b>
28.8%	<b>24.7%</b>	16.8%	<b>16.3%</b>	2.7%	<b>1.9%</b>	21.4%	<b>24.8%</b>	15.8%	<b>15.1%</b>
-67	<b>-71</b>	-17	<b>-18</b>	0	<b>0</b>	2	<b>-5</b>	-391	<b>-403</b>
294	<b>272</b>	60	<b>66</b>	9	<b>5</b>	-48	<b>-59</b>	474	<b>501</b>
23.5%	<b>19.6%</b>	13.1%	<b>12.9%</b>	2.7%	<b>1.9%</b>	20.7%	<b>27.1%</b>	8.7%	<b>8.4%</b>
-23	<b>3</b>	2	<b>3</b>	0	<b>0</b>			4	<b>22</b>
	<b>0</b>		<b>0</b>					-22	<b>-6</b>
								8	<b>0</b>
						-36	<b>8</b>	-36	<b>8</b>
	<b>0</b>		<b>0</b>			-36	<b>8</b>	-51	<b>2</b>
271	<b>275</b>	62	<b>69</b>	9	<b>5</b>	-85	<b>-51</b>	427	<b>526</b>
50	<b>88</b>	6	<b>14</b>			26	<b>21</b>	292	<b>357</b>
3,663	<b>3,695</b>	676	<b>704</b>	38	<b>39</b>			22,319	<b>20,757</b>
9.8%	<b>9.3%</b>	11.4%	<b>11.9%</b>	24.7%	<b>14.3%</b>			3.9%	<b>4.4%</b>
13,606	<b>13,727</b>	2,467	<b>3,511</b>	55	<b>48</b>			53,572	<b>54,539</b>
13,560	<b>13,721</b>	2,455	<b>3,509</b>	55	<b>49</b>			53,085	<b>53,853</b>

# Notes to the interim Group accounts

## Accounting and consolidation principles

The interim Group accounts of HeidelbergCement AG as of 30 June 2011 were prepared on the basis of IAS 34 "Interim Financial Statements". All International Financial Reporting Standards (IFRS) that were binding at the reporting date and have been ratified by the European Union as well as the announcements of the International Financial Reporting Interpretations Committee (IFRIC) were applied.

The interim Group accounts as of 30 June 2011 were not subject to any audits or reviews.

The accounting and valuation principles applied in the preparation of the interim Group accounts correspond in principle to those of the Group annual accounts as of 31 December 2010, with the exception of the amendments to announcements issued by the IASB listed below, which were applicable for the first time in the 2011 financial year:

- Amendments to IAS 24 (Related Parties Disclosures)
- Amendments to IFRIC 14 (Prepayments of a Minimum Funding Requirement)
- Annual Improvement Project 2010

The first-time application of the amendments had no impact on the financial position and performance of the Group.

As part of an extensive project to reform group accounting, the IASB adopted a number of standards in May 2011 (outlined below). Their application is mandatory from 1 January 2013 and they have not yet been ratified by the European Commission:

IFRS 10 (Consolidated Financial Statements) creates a standardised definition of the term "control" and sets out the existence of parent-subsidiary relationships in concrete terms. The first-time application of IFRS 10 may have an impact on the composition of the consolidation scope. IFRS 10 supersedes the regulations of IAS 27 (Consolidated and Separate Financial Statements), which governs the preparation of annual accounts for groups, and SIC-12 Consolidation – Special Purpose Entities.

IFRS 11 (Joint Arrangements) governs accounting in situations where a company exercises joint control over a joint venture or a joint operation. IFRS 11 supersedes IAS 31 (Interests in Joint Ventures). The most significant effect of the new standard is the abolition of proportionate consolidation for joint ventures. In the future, all joint ventures must be accounted for using the equity method. The first-time application of IFRS 11 will have an impact on the structure of HeidelbergCement's Group annual accounts. The assets and liabilities as well as the income and expenses of joint ventures will no longer be shown proportionately in the relevant balance sheet or profit and loss account items, but will simply be shown in a separate line using the equity method: the proportionate carrying amount in the balance sheet and the results from participations in the profit and loss account.

IFRS 12 (Disclosure of Interests in Other Entities) summarises the disclosure regulations for a company's participations in subsidiaries, joint arrangements, and associated companies, which were previously included in IAS 27, IAS 31, and IAS 28, and extends the disclosure requirements in relation to the consolidation scope and subsidiaries with minority shareholders.

The IASB also adopted IFRS 13 (Fair Value Measurement) in May 2011. This standard introduces a uniform framework for fair value measurement, which applies to all IFRSs, with a few exceptions (IFRS 2 Share-based Payment, IAS 17 Leases, and IAS 36 Impairment of Assets). IFRS 13 is applicable for the first time for financial years beginning on 1 January 2013 and has not yet been ratified by the European Commission.

Business trend January to June 2011	Group cash flow statement
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### Seasonal nature of the business

The production and sales of building materials are seasonal due to the regional weather patterns. Particularly in our important markets in Europe and North America, business figures of the first and fourth quarters are adversely affected by the winter months, whereas the warmer months contribute to higher sales and profit numbers in the second and third quarters.

### Business combinations in the reporting year

In order to expand its activities in the aggregates business line in the north of the Swedish capital, Stockholm, HeidelbergCement acquired 100% of the shares in Ledinge Fastighets AB, Rimbo, and its subsidiaries on 31 January 2011. The acquired group's area of activity primarily comprises the operation of sand, gravel, and crushed stone pits. The goodwill of EUR 10.0 million arising on the difference between the purchase price of EUR 12.6 million and the provisionally measured net assets of EUR 2.6 million represents growth prospects resulting from the improved market position. The purchase price was paid in cash. The transaction costs of EUR 0.2 million were recognised in the profit and loss account as additional ordinary expenses. The purchase price allocation has not yet been completed. The figure may be revised following the adjustment of the fair values of the intangible assets, tangible fixed assets, and the deferred taxes applicable to these assets. The receivables recognised as at the acquisition date primarily include trade receivables and other short-term operating receivables with fair values amounting to EUR 1.4 and 0.5 million respectively, which are expected to be fully recoverable.

The following table shows the provisional fair values of the identifiable assets and liabilities of Ledinge Fastighets AB as at the acquisition date.

Preliminary fair values recognised as at the acquisition date	
EURm	
Tangible fixed assets	4.7
Stocks	1.2
Trade and other operating receivables	1.9
Cash at bank and in hand	0.4
Other assets	0.1
<b>Total assets</b>	<b>8.3</b>
Liabilities	5.0
Deferred taxes	0.7
<b>Total liabilities</b>	<b>5.7</b>
<b>Net assets</b>	<b>2.6</b>

The company's turnover and results since the acquisition date or since 1 January 2011 were deemed to be insignificant.

### Business combinations in the previous year

On 13 May 2010, HeidelbergCement acquired the remaining 50% of the shares in the joint venture Pioneer North Queensland Pty Ltd, thus further strengthening its activities in Australia. The purchase price amounted to EUR 11.4 million and was paid in cash. The company was previously accounted for using the equity method. The fair value

of the equity participation amounted to EUR 11.4 million. The revaluation of the shareholding resulted in a loss of EUR 1.1 million, which was recognised in the additional ordinary expenses. The purchase price allocation has been completed. The goodwill of EUR 8.4 million, which is not deductible for tax purposes, reflects the synergy potential arising from the business combination. Transaction costs of EUR 34,000 were recognised in the additional ordinary expenses. As part of the business combination, receivables with a fair value of EUR 3.8 million were acquired. The gross value of the receivables is EUR 4.3 million, of which EUR 0.5 million is likely to be irrecoverable.

<b>Fair values recognised as at the acquisition date</b>	
EURm	
Tangible fixed assets	15.5
Stocks	0.6
Trade receivables	3.8
Cash and cash equivalents	0.7
Other assets	2.2
<b>Total assets</b>	<b>22.8</b>
Provisions	0.2
Liabilities	8.2
<b>Total liabilities</b>	<b>8.4</b>
<b>Net assets</b>	<b>14.4</b>

From the acquisition date to 30 June 2010, Pioneer North Queensland achieved turnover of EUR 2.7 million and a profit for the period of EUR 0.3 million. If the business combination had taken place on 1 January 2010, the Group's turnover as at 30 June 2010 would have been EUR 11.7 million higher and the profit for the period EUR 0.3 million higher.

### Divestments in the reporting year

On 1 January 2011, the 50% proportionately consolidated Mibau Group sold the shipping partnership MS "Splittnes" GmbH & Co. KG, Cadenberge, for EUR 7.7 million. The purchase price was offset against a liability of EUR 7.0 million; the remainder was paid in cash.

On 9 February 2011, HeidelbergCement disposed of its shares in the proportionately consolidated company Heidelberg Betonelemente GmbH & Co. KG, Baden-Baden, for a sales price of EUR 7.0 million, which was paid in cash.

The assets and liabilities of the companies at the time of sale are shown in the following table.

<b>Assets and liabilities at divestiture date</b>	
EURm	
Non-current assets	7.9
Current assets	7.2
Cash and cash equivalents	0.8
<b>Total assets</b>	<b>15.9</b>
Non-current liabilities	3.8
Current liabilities	4.6
<b>Total liabilities</b>	<b>8.4</b>

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## Turnover development by Group areas and business lines

January to June 2011	Cement		Aggregates		Building products		Concrete-service-other		Intra-Group eliminations		Total	
	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011
EURm												
Western-Northern Europe	767	885	367	423	210	224	741	901	-278	-324	1,807	2,109
Eastern Europe-Central Asia	372	473	48	56			101	126	-38	-48	482	607
North America	411	385	403	385	330	329	362	343	-142	-133	1,363	1,311
Asia-Pacific	758	813	198	250	14	21	417	471	-136	-165	1,251	1,390
Africa-Med. Basin	320	366	41	44			132	140	-34	-38	459	513
Group Services							346	285			346	285
Inter-Group area turnover within business lines	-2	-6									-2	-6
<b>Total</b>	2,626	2,916	1,056	1,158	554	575	2,099	2,266	-629	-707	5,707	6,208
Inter-Group area turnover between business lines											-231	-212
<b>Continuing operations</b>	2,626	2,916	1,056	1,158	554	575	2,099	2,266	-629	-707	5,476	5,996

## Exchange rates

The following table contains the key exchange rates used in the conversion of the companies' individual accounts into euro.

Exchange rates		Exchange rates at reporting date		Average annual exchange rates	
EUR		31 Dec. 2010	30 June 2011	01-06/2010	01-06/2011
USD	US	1.3379	1.4506	1.3276	1.4049
AUD	Australia	1.3081	1.3528	1.4861	1.3582
CAD	Canada	1.3348	1.3975	1.3731	1.3716
CNY	China	8.8173	9.3771	9.0618	9.1850
GBP	Great Britain	0.8575	0.9040	0.8704	0.8686
GEL	Georgia	2.3735	2.4174	2.3265	2.4065
GHC	Ghana	1.9608	2.2084	1.9042	2.1363
HKD	Hong Kong	10.3918	11.2860	10.3170	10.9318
IDR	Indonesia	12,029.06	12,470.81	12,189.97	12,245.44
INR	India	59.8190	64.8410	60.6852	63.1416
KZT	Kazakhstan	197.2200	211.7200	195.4591	205.0996
MYR	Malaysia	4.1252	4.3801	4.3852	4.2597
NOK	Norway	7.7920	7.8110	8.0263	7.8298
PLN	Poland	3.9630	3.9795	4.0095	3.9513
RON	Romania	4.2355	4.2345	4.1595	4.1774
RUB	Russia	40.9229	40.4427	39.9447	40.1748
SEK	Sweden	8.9834	9.1751	9.8052	8.9445
CZK	Czech Republic	25.0250	24.3080	25.7477	24.3301
HUF	Hungary	278.2300	265.9100	272.2061	269.3181
TZS	Tanzania	1,966.51	2,318.61	1,799.63	2,130.53
TRY	Turkey	2.0612	2.3548	2.0226	2.2093

## **Goodwill**

An impairment test on goodwill in accordance with IAS 36 (Impairment of Assets) is generally performed annually within the HeidelbergCement Group in the fourth quarter once the operational three-year plan has been prepared, or if there are reasons to suspect impairment. 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.

As at 30 June 2011, the management carried out an impairment review. The review indicated that, as at 30 June 2011, no impairment loss needed to be recognised on goodwill.

## **Changes in estimates for provisions for pensions**

The actuarial gains and losses were adjusted on the basis of the interest rates for the key countries applicable at the reporting date. The increase of around 0.4 percentage points in interest rates, particularly in Germany, the United Kingdom, Belgium, and the Netherlands, led to a decrease of approximately EUR 52.9 million in the actuarial losses recognised in equity. The legally mandated adjustment of the inflation index for the calculation of performance-oriented pension plans in the United Kingdom resulted in the release of EUR 38.3 million to profit and loss in the second quarter of 2011.

## **Related parties disclosures**

No reportable transactions with related parties took place in the reporting period beyond normal business relations.

## **Contingent liabilities**

As at 30 June 2011, there are contingent liabilities of EUR 420.8 million (31 December 2010: 376.4). These include obligations of EUR 330.6 million (31 December 2010: 303.4) for which the probability of outflow is remote.

## **Events after the balance sheet date**

After the balance sheet date, there were no reportable events.

## **Responsibility statement**

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Heidelberg, 29 July 2011  
HeidelbergCement AG

The Managing Board

The Company has its registered office in Heidelberg, Germany.  
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The Half-Year Financial Report January to June 2011 was published on 29 July 2011.

**Financial calendar**

Interim Financial Report January to September 2011

3 November 2011

Annual General Meeting 2012

3 May 2012

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