

Dear shareholders and business associates,

after a very positive 1999 business year, and a year, which was certainly unique in the history of the Group, Heidelberger Zement entered the first quarter of 2000 with optimism.

### **The economic situation in the construction economy**

The world economy and the economy in Germany were in a phase of growth during the first quarter of the new year. The continuing positive expectations for the German economy are supported by the experts' spring reports and by the leading research institutes. Forecasts for the year 2000 in Germany predict a stable economic growth of up to 3%. The positive situation in the world economy has also improved the prospects in our foreign business regions. That particularly applies to Eastern Asia, there production is rapidly increasing, but it also applies to Central and Eastern Europe. Here, economic development is continuing to accelerate. In Western Europe a strong upward trend is apparent, which is initially fed by a strong export economy. Growth in North America remains at a high level.

The economic growth in Germany is not reflected in the construction economy, which is still weak and shows a divided pattern. Whereas the construction economy in West Germany showed a modest total growth in 1999, the decline in East Germany continued. This pattern did not change fundamentally in the first quarter of 2000.

### **Overview of the first quarter of 2000**

The first quarter of 2000 went as planned for Heidelberger Zement. The Group turnover rose by 7.7% and the operating cash flow by 24.5%. The greatest growth in turnover was achieved by the regions of North America and Northern Europe, both of which grew by 20%.

Without taking into account the positive effects of the currency exchange rates and the changes in the scope of consolidated companies – arising from the sale of Heidelberger Dämmsysteme GmbH and the withdrawal of Kraftverkehr Bayern from the group of consolidated companies – the resulting rise in turnover amounts to 8.4%, and the increase in the operating cash flow amounts to 20.6%.

If we consider the turnover by regions, Western Europe benefited from a mild winter and a healthy state of the construction economy, which has been sustained since 1999. The growth in turnover in the first quarter compared with the previous year reached 13.6%. In Central Europe West, the mild winter and the slight increase in demand also had a positive effect on the development. Turnover rose by 2.1% compared with the same period in the previous year.

In Northern Europe, we achieved an increase of 20% in turnover; higher prices and a rise in the volume of cement exports were the major positive effects.

Central Europe East saw an average increase of 5.7% in turnover, although this figure differed from one country to another.

Adjusted for the effects of currency exchange rates, turnover in North America rose by 5.9%.

Turnover in the markets of the future in Asia-Africa-Turkey rose by 6.3%. This result was particularly supported by growth in the Asian markets and in Ghana in Africa.

Group Services increased by 3%. Due to a pleasing rise in its turnover, HC Trading was able to compensate for the withdrawal of Kraftverkehr Bayern from the Heidelberger Zement group of consolidated companies.

Group sales of cement and clinker reached 10.4 million tonnes in the first quarter, which was an increase of 6.4%.

## **Prospects**

On the whole, we expect stable economic growth in Germany and the euro region against the background of a positive world economy. We anticipate an increase of 0.5% in building investments in Germany in the year 2000, and 1.0% in the following year. The positive economic developments will also continue in our foreign business regions, and growth in the respective building investments will be sustained.

As a result of the takeovers of Scancem and Maxit and the complete acquisition of CBR, Heidelberger Zement has created a new and expanded basis for ensuring competitiveness and the ability to react in the global cement, concrete and building materials business. We are now entering an active and positive phase of consolidation in which we wish to utilise

strategically important expansion opportunities if they serve to strengthen and consolidate the company in a sustainable manner. However, the preservation of our financial flexibility will be a prime consideration.

The current business year started well. Although some disinvestments are causing a reduction in turnover, we nevertheless anticipate a slight rise in overall turnover as a result of the increase in demand in all regions. Cost reductions and other internal optimisation measures will contribute to an improvement in the results.

Heidelberg, May 2000

Yours sincerely,

THE MANAGING BOARD

**Important dates 2000:**

Annual General Meeting	7 June 2000
Dividend payment	8 June 2000
Interim report January to June 2000	11 September 2000
Interim report January to September 2000	Mid-November 2000

**Heidelberger Zement Group**  
**January - March 2000**

EURm	Central Europe West		Western Europe		Northern Europe		Central Europe East		North America		Africa-Asia- Turkey		Total	
	1999	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999	2000
<b>Cement</b>	76	85	173	191	61	79	43	47	180	224	83	90	616	716
<b>Concrete</b>	62	62	64	70	70	80	8	9	149	172	6	4	359	397
<b>Building materials</b>	158	154	14	21	94	109	8	6	0	0	0	0	274	290
	0	0	0	0	0	0	0	0	0	0	0	0		
<b>Intra Group eliminations</b>	-7	-6	-16	-15	-10	-9	0	-1	-23	-27	-2	-2	-58	-60
<b>Total</b>	<b>289</b>	<b>295</b>	<b>235</b>	<b>267</b>	<b>215</b>	<b>259</b>	<b>59</b>	<b>61</b>	<b>306</b>	<b>369</b>	<b>87</b>	<b>92</b>	<b>1.191</b>	<b>1.343</b>
<b>Group Services</b>													96	99
<b>Inter-region turnover</b>													-36	-96
<b>Total</b>													<b>1.251</b>	<b>1.346</b>