



**Dr. Bernd Scheifele**  
Chairman of the Managing  
Board of HeidelbergCement

## Letter to the shareholders

**Dear Shareholders,  
Dear Fellow Employees and Friends of HeidelbergCement,**

For HeidelbergCement, the 2004 financial year was characterised by far-reaching personnel changes. At the same time, the Group's profit and loss accounts reported a loss for the first time in the postwar period. What made the year so difficult for our Group?

### **Changes in the Managing Board and Supervisory Board**

The personnel changes began after the Annual General Meeting on 6 May 2004. Following the withdrawal of Deutsche Bank and Dresdner Bank from the group of major shareholders, the bank representatives were replaced on the Supervisory Board by entrepreneurs such as A. Merckle and Max Dietrich Kley. Dr. Wolfgang Röller, who had headed the Supervisory Board for many years, retired. In his place, I was elected Chairman of the Supervisory Board.

On 1 July 2004, the Managing Board members Håkan Fernvik and Paul Vanfrachem also retired from the Managing Board. Their responsibilities were assigned to their colleagues Daniel Gauthier and Andreas Kern. Chief Financial Officer Horst R. Wolf retired on 31 October 2004. His successor was Dr. Lorenz Näger, who also contributes to the qualification and competence of the new managing team. After more than 35 years of successful work for HeidelbergCement, the Chairman of the Managing Board Hans Bauer retired at the end of January 2005. The Supervisory Board appointed me as the new Chairman of the Managing Board; Fritz-Jürgen Heckmann was elected as my successor as Chairman of the Supervisory Board.

This summary emphasises that some considerable changes have occurred in the year following the election of the new Supervisory Board. The positive aspects of these changes are that we now have clarity regarding the leadership of the Group and have clearly set the direction for the coming years in terms of personnel.

### **Elimination of balance sheet risks**

The annual accounts for the 2004 financial year reveal a somewhat varied picture. The profit and loss accounts report an improvement in operating income compared with the previous year – even after eliminating the discontinued goodwill amortisation. The increased results are primarily due to the improvement in the earnings position in Germany, which was supported by costs reductions and consistent price increases with a decline in volumes. Our Eastern European activities, North America and the initial full consolidation of Indocement made a substantial contribution to the increase in operating income. However, Indocement suffered from a strong foreign exchange rate loss, which used up most of the positive results from operations.

The profit and loss accounts also report extraordinary charges of approximately EUR 700 million. The depreciation on previously acquired goodwill (impairment test), the laying of a restructuring provision for the reorganisation of the cement business in Belgium and the Netherlands, and the valuation adjustments for deferred tax assets all had a negative impact.

At the end of a difficult year 2004, we recorded a loss for the financial year of EUR 333 million, despite an improvement in Group operating income. These results were undoubtedly disappointing for the shareholders. However, with these 2004 annual accounts, we have drawn a line under the last three difficult years. HeidelbergCement can now meet future tasks with increased strength.

#### **Direction for the future**

How does the new Managing Board envision the future of HeidelbergCement? The Group's management assigns absolute priority to focusing on comprehensive efficiency, sustainable profitability, a strong emphasis on customers, earnings-oriented growth and a performance-oriented business culture.

#### **Increase in efficiency and earnings**

Initially, the focus lies on increasing efficiency in the cement, concrete and building materials business lines and in nearly all Group companies. Our aim is to become cost leaders. For this reason, it is very important that we combine our support and service units. The Group functions IT, Human Resources, Risk Management, Finance, Controlling, Business Development, Purchasing and HC Trading have to offer largely uniform, cross-disciplinary management processes for the whole Group. The existing redundancies, geographical or otherwise, will be eliminated and replaced by streamlined, efficient structures and processes. Success in this area is important because cost savings strengthen our earnings in a sustainable manner.

However, comprehensive cost management is not just about doing what is necessary in the short term in order to be competitive and profitable today. We must also take measures to make the Group competitive in the long term. Therefore, in the future we will continue to invest in the high technical standard of our plants.

#### **A strong emphasis on customers**

Close contact to the customers has always been one of HeidelbergCement's strengths. However, there is still room for improvement in this area. By consistently breaking down the complexity and bureaucracy within the Group, the customer-oriented departments can direct all their energy and attention towards advising our customers and achieving sales. In a difficult market environment, we need to re-engage trust in our products and services, customer by customer, project by project, and day by day. This can only be achieved if the individual company areas work together quickly, unbureaucratically and transnationally on the basis of a clear organisational structure.

#### **Earnings-oriented growth**

As one of the leading companies in our sector, we will play an active yet cautious role in the worldwide process of consolidation in the cement and building materials industry. The emphasis is on medium and small acquisitions in selected growth markets. We will focus on the quick and consistent integration of the companies we acquire. However, sustainable, successful entrepreneurial activity also requires us to be able to say "no" when the risk/earnings ratio is no longer favourable.

**Performance-oriented business culture**

To achieve these goals, it is vital that we continue to develop our business culture. We need to be customer-focused and offer the best products and services. We must concentrate on the right business segments and attractive markets, and work cost-effectively in all sectors. In the future, our business culture must focus much more on strength of implementation, cost-effectiveness, as well as results and customer orientation. Finally, HeidelbergCement as a Group needs to become hungrier, faster and more entrepreneurial.

This calls for the introduction of attractive variable remuneration components for senior managers across the Group, which will allow them to see both the positive as well as the negative consequences of their entrepreneurial activity in a much clearer way.

**A note of thanks**

I would particularly like to thank our shareholders for their trust and patience. The past financial year has been somewhat challenging for them. 2004 was an exceptional year in the Group's history in every way. Therefore, despite the heavy loss for the Group, we propose the payment of a dividend of 0.55 EUR per share.

My sincere thanks also go to our employees, numbering around 42,000. In a difficult year, they have demonstrated their immense capabilities. I would also like to thank our employee representatives, who have loyally stood by the Group during a difficult phase.

**Prospects**

HeidelbergCement has rarely experienced such an eventful financial year as 2004. In view of the difficult market environment in Germany and Western Europe, it may take a while before we regain our old level of results in line with the market, but I am convinced that we will get there. HeidelbergCement will be strengthened by the gradual world-wide consolidation of the cement and building materials industry, and will emerge with an even better geographical position. My colleagues of the Managing Board and I will work with the highest degree of personal dedication to further promote HeidelbergCement.

We would be very pleased if you accompanied us on this journey and hope to report to you during the next year on the progress we have achieved.

Yours sincerely,



Dr. Bernd Scheifele  
Chairman of the Managing Board