



**HEIDELBERGER  
ZEMENT**

Interim Report  
January to September 2000

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Dear Shareholders and Business Associates,

Despite the rise in oil prices, the macroeconomic environment has developed positively in the third quarter for most market areas. In some business regions, however, growth in construction economy fell short of expectations.

## Turnover up 4.2% to EUR 5.1 billion

From January to September 2000, Heidelberger Zement achieved turnover of EUR 5.1 (previous year 4.9) billion. This corresponds to a 4.2% increase compared to 1999, to which all the company's regions contributed, except Central Europe West. Operating cash flow grew by 10.3% to EUR 1,038 (previous year 941) million. Compared to the prior year, operating results rose by 8.3% to EUR 584 (previous year 540) million. When adjusted for consolidation and exchange rate effects, turnover and operating cash flow increased by 2% and 5% respectively.

Heidelberger Zement had about 36,400 employees at the end of the third quarter. In the first nine months, the Group's cement and clinker sales volume increased by 2.4% to 35.1 million tons.

## Investments

New investments decreased to EUR 766 (previous year 2,691) million. Of this, EUR 330 million were invested in financial assets. Focal points were the acquisition of the remaining CBR shares, an increase in Maxit by 15.1% to 76.3% and the extension of positions in markets of the future. Heidelberger Zement expanded its presence in Southeast Asia in the first half of the year with an in-

volvement in Bangladesh and Brunei. In September, we acquired a 75% stake in the African cement manufacturer Société des Ciments du Gabon.

By selling the brick operating line of the Scandinavian-based Optiroc, early in 2001, the Group continues its focus on its core business.

## Central Europe West Further decline in construction demand

In contrast to the general business revival, construction orders and building permits decreased further in both Eastern and Western Germany during the last few months. Excess capacities and growing price pressures are putting an especially strong burden on Eastern Germany.

An 8.7% decrease in turnover in the region to EUR 1,137 (previous year 1,245) million is based on declining demand in some areas of the concrete and building materials business lines and also on deconsolidation. Operating cash flow decreased by 13.4% to EUR 180 (previous year 208) million. Operating results declined to EUR 87 (previous year 111) million. After nine months, cement and clinker sales volume at about 5 million tons is 1.4% higher compared to the prior year and is clearly exceeding the general market trend.

## Western Europe Demand remains at a high level

In Belgium, the Netherlands and Great Britain, the high demand in construction continues. The region improved its turnover by a total of 7.5% to EUR 855 (previous year 796) million. Operating cash flow increased by 19.3% to

## Turnover by regions and business lines January to September 2000

EURm	Cement		Concrete		Building materials		Intra Group eliminations		Total	
	1999	2000	1999	2000	1999	2000	1999	2000	1999	2000
Central Europe West	332	339	285	259	655	561	-27	-22	1,245	1,137
Western Europe	584	620	226	228	42	64	-56	-57	796	855
Northern Europe	244	277	273	309	372	421	-45	-33	844	974
Central Europe East	231	257	40	56	33	20	-1	-6	303	327
North America	720	844	621	695	-	-	-94	-112	1,247	1,427
Africa - Asia - Turkey	249	284	23	27	-	-	-	-	272	311
<b>Total</b>	<b>2,360</b>	<b>2,621</b>	<b>1,468</b>	<b>1,574</b>	<b>1,102</b>	<b>1,066</b>	<b>-223</b>	<b>-230</b>	<b>4,707</b>	<b>5,031</b>
Group Services									331	377
Inter-region turnover									-140	-306
<b>Total Group</b>									<b>4,898</b>	<b>5,102</b>

EUR 231 (previous year 193) million. Operating results rose to EUR 132 (previous year 116) million.

In the cement business line, about 7.5 million tons of cement and clinker were sold. The highest growth rate was achieved by the plants in Great Britain. In Belgium, the demand for white cement grew more than average. In the concrete area, considerably more sand and gravel were sold in Belgium and the Netherlands than in the prior year.

### Northern Europe Growth continues

While Norway's domestic demand for cement rose slightly, recovery in the Swedish market has been delayed. In Estonia, strong construction demand has caused high increases in volume. Exports to Africa and the USA have improved the region's total cement and clinker sales volume by 6.3% to 3.8 million tons. Apart from aggregates, the concrete business line has developed favourably. Building materials activities have also achieved turnover increases in all product areas. Demand rose in almost all markets, particularly in the Nordic countries, the Baltic states, Poland and Russia. With EUR 974 (previous year 844) million, the region generated growth in turnover of 15.3%. Operating cash flow rose to EUR 190 (previous year 150) million and operating results to EUR 93 (previous year 58) million.

### Central Europe East Upturn stabilises

Improving economic conditions strengthened the building activities in most of the countries in the region. Turnover grew by a total of 8% to EUR 327 (previous year 303) million. Operating cash flow increased by 16.2% to EUR 95 (previous year 82) million and operating results by 9.8% to EUR 56 (previous year 52) million.

Through acquisition of a majority stake in the Romanian cement company Casial Deva S.A. and participation in the Bosnian cement plant Kakanj, Heidelberger Zement significantly expanded and strengthened its market position in the first half of 2000. The decline in cement and clinker sales volume by 3.8% to 5.4 million tons is mainly due to decreasing exports to Western neighbouring countries. Domestic shipments in Hungary, Bulgaria and Romania achieved double-digit growth.

Increases in volume and turnover in the concrete business line are attributed to the first-time consolidation of additional Czech ready-mixed concrete locations. The building materials area is burdened by high competitive pressure in almost all markets.

### North America Strongest Group region

The North American economy has lost momentum in some regions. Markets in California, Texas and the Pacific coast of Canada are affected. However, cement sales volume increased slightly by 0.6% to 9.1 million tons compared to 1999. In the concrete business line, while ready-mixed concrete volume grew, sales of sand and gravel declined slightly. Total turnover in the region rose by 14.4% to EUR 1,427 (previous year 1,247) million. Operating cash flow increased by 13.9% to EUR 289 (previous year 254) million. Operating results of EUR 193 (previous year 177) million were achieved. North America, also favoured by positive currency exchange rates, thus continues to be the strongest region in both turnover and earnings.

### Operating cash flow and operating results by regions January to September 2000

EURm	Operating cash flow		Operating results	
	1999	2000	1999	2000
Central Europe West	208	180	111	87
Western Europe	193	231	116	132
Northern Europe	150	190	58	93
Central Europe East	82	95	52	56
North America	254	289	177	193
Africa - Asia - Turkey	40	45	18	17
Group Services	14	8	8	6
<b>Total</b>	<b>941</b>	<b>1,038</b>	<b>540</b>	<b>584</b>

### Africa – Asia – Turkey Progress in growth markets

In most countries, construction demand developed encouragingly until the end of the third quarter. In Africa, cement sales volume increased in almost every market. However, our important locations in Ghana, Togo and Benin were hit by declining revenues.

In Asia, the cement business is also showing high growth rates, which result from the first-time consolidation of our joint venture in Bangladesh and our participation in Brunei.

In Turkey, high export volume and slowly recovering building activity after the earthquake for the first time caused cement shipments to increase this year compared to 1999. The concrete business line is also enjoying growing demand. But the overall revenue situation is still unsatisfactory.

Cement and clinker sales volumes in the Africa-Asia-Turkey business unit rose by 18.5% to 4.3 million tons. Turnover reached EUR 311 (previous year 272) million, a plus of 14.3%. Operating cash flow improved to EUR 45 (previous year 40) million. Operating results declined slightly to EUR 17 (previous year 18) million.

### Cement and clinker sales volume January to September 2000

in 1,000 tons	1999	2000
Central Europe West	4,937	5,008
Western Europe	7,456	7,477
Northern Europe	3,597	3,822
Central Europe East	5,632	5,418
North America	9,024	9,078
Africa - Asia - Turkey	3,642	4,315
<b>Total</b>	<b>34,288</b>	<b>35,118</b>

### Group Services Successful trading activity

HC Trading has considerably expanded the cement and clinker trade. In the first nine months, 8.3 million tons were traded. The largest volumes were shipped from Scandinavia, Asia and Turkey to the USA and Africa. Group Services' turnover, which also includes sales of calcium aluminate cement and management of fuel purchases, increased by 13.8% to EUR 377 (previous year 331) million. Operating cash flow and operating results declined after deconsolidation of the logistics activities to EUR 8 (previous year 14) million and EUR 6 (previous year 8) million respectively.

### Outlook 2000 Promising prospects for the entire year

As an internationally active company that currently generates about 80% of its turnover and operating cash flow abroad, Heidelberger Zement is less affected by the weak construction economy in Germany. Despite diminishing momentum, prospects for North America remain positive. The Central Europe East region — especially the Czech Republic, Poland and Hungary — expects robust growth. Northern and Western Europe contribute stable earnings while Africa, Asia and Turkey show strong potential for growth.

Higher oil prices are only slightly increasing energy expenses, which achieved in total a share of just under 7% of total turnover in 1999. The increasing use of secondary fuels, a continuously tight cost management and significantly lower electricity costs in Germany are helping us control energy costs.

In conclusion, we continue to forecast an increase in turnover and results for the rest of the year. The Group's share in profit for the financial year will grow more than average. Despite a marked increase in the number of shares, earnings per share will remain stable. As we previously announced, we have managed to avoid earnings dilution despite record levels in investment last year and to strategically develop the company's position.

Heidelberg, November 2000

Yours sincerely,

THE MANAGING BOARD

### Financial calendar 2001:

First overview of the financial year 2000  
Press conference on annual accounts  
Interim report January to March 2001  
Annual General Meeting 2001  
Dividend payment

February 2001  
3 May 2001  
May 2001  
19 June 2001  
20 June 2001