

HEIDELBERGCEMENT

Interim report



January to March 2003

- Sales volumes largely stable in the first quarter
- Turnover weighed down by negative exchange rate effects
- Seasonal influences impair above average the development of turnover and results
- Consolidation course is continued with subdued prospects

Financial highlights January to March

EURm	2002	2003
Turnover	1,354	1,222
Operating income before depreciation (OIBD)	98	40
Operating income	-64	-112
Non-operating result	6	13
Results from participations	13	-4
Earnings before interest and income taxes (EBIT)	-45	-103
Profit before tax	-102	-163
Profit for the financial year	-79	-144
Group share in profit	-78	-140
Investments	126	142

Letter to the shareholders

Ladies and Gentlemen,

The assessment of the international economic environment remains subdued. At the beginning of the year, the economic phenomena were appreciably eclipsed in most regions of HeidelbergCement by seasonal effects.

The growth in turnover was considerably impaired in the first quarter by the continued ruinous competition on the German cement market, by the depreciation of the US dollar and also by the particularly long-lasting wintry weather. Group turnover in the first quarter 2003 was 9.8% below the previous year at EUR 1,222 million (previous year: 1,354). Adjusted for currency and consolidation effects, the decline amounted to 4.0%. Reductions in the operating income before depreciation (OIBD) at EUR 40 million (previous year: 98) or in the operating income at EUR -112 million (previous year: -64) are primarily attributable to market weakness in Germany, but also to seasonal influences from Western Europe and Central Europe East.

The non-operating result of EUR 13 million (previous year: 6) mainly results from sales of participations and creation of provisions. The results from participations at EUR -4 million (previous year: 13) also reflect market and seasonal factors. In relation to the profit before tax amounting to EUR -163 million (previous year: -102), the proceeds for income taxes decreased to EUR 19 million (previous year: 23) due to charges from prior year tax audits and unused tax losses for which no deferred tax assets are recognized.

Disinvestments are planned for 2003 with a volume of at least EUR 300 million under our programme for the reduction of debt. In March, the majority participation in the Philippine grinding facility Limay Grinding Mill Corporation as well as the 24.9% participation in Ciments Luxembourgeois were sold. Additional measures are nearing completion.

HeidelbergCement received a penalty notice for EUR 251.5 million from the Federal Cartel Office in the cartel proceedings against the German cement industry. The central accusation

amounts to participation for many years in quota agreements in South Germany. HeidelbergCement disputes the substantial part of the charges and immediately lodged an appeal. The competent court is unfettered in the assessment and appraisal of the circumstances and in no way committed to the allegations of the Federal Cartel Office. The company has created provisions that also represent an appropriate provision for contingencies in the judgment of its auditor and the cartel lawyers involved. There are no obligations to pay until the final legal decision on the charges.

■ Cement and clinker sales volumes

Cement and clinker sales volumes have increased across the Group by 2.4% to 9.3 million tonnes (previous year: 9.1). Without taking into consideration the new consolidations in Central Europe West and Central Europe East, sales volumes fell in this period by 1.6% compared with the previous year.

Cement and clinker sales volumes January - March

1.000 tonnes	2002	2003
Central Europe West	890	996
Western Europe	2,102	2,073
Northern Europe	1,183	1,214
Central Europe East	1,183	1,104
North America	2,484	2,436
Africa-Asia-Turkey	1,280	1,515
Total	9,122	9,338

■ Employees

In the first three months, HeidelbergCement employed 36,256 employees (previous year: 36,665) across the Group. Thus, the number of staff fell by 409 compared with the previous year. New consolidations - particularly in Central Europe East - with approximately 2,000 employees in total were more than compensated by restructuring measures in all regions.

■ Investments

Total investments rose by 13% to EUR 142 million (previous year: 126) compared to the previous year. We consistently reduced the tangible fixed asset investments according to plan. They fell by 29% to EUR 83 million (previous year: 116). The financial fixed asset investments mainly include the acquisition of the blast furnace cement grinding plant Königs Wusterhausen, southeast of Berlin, as well as the cement grinding plant in Katowice, South Poland, both from the Klöstere Beteiligungs-gesellschaft.

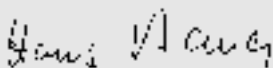
■ Prospects

The prospects for world economic development in 2003 continue to be rated as restrained. Significant improvements are expected for 2004 at the earliest. Therefore, Heidelberg-Cement is continuing its consolidation course. In spite of a difficult economic environment which continues to characterize the basic conditions, we improved our key financial ratios in the previous year according to plan. A further reduction in liabilities is planned for the current year. We therefore consider the downgrading of our long-term rating by Moody's unjustified.

We are accomplishing the objective of cost leadership with numerous measures for the adjustment of capacities and for the optimisation of our portfolio, which have been initiated or even completed. We can successfully meet the continuing challenges of the market from this strengthened position.

Heidelberg, 8 May 2003

Yours sincerely,



Hans Bauer
Chairman of the Managing Board

HeidelbergCement on the markets

■ Central Europe West

The economic environment in the construction industry remains weak in spite of special programmes announced. Ruinous competition, which characterised the cement market in the previous year, has continued in 2003. Severe winter weather also adversely affected the traditionally weak first quarter. The increase in cement and clinker sales volumes by 11.9% to just under 1 million tonnes is solely attributable to the first time included Wetzlar and Königs Wusterhausen cement plants. However, a welcome recovery in demand started in March. Without taking into consideration the new consolidations, sales volumes were slightly higher than in the comparable month of the previous year. The sales volumes of ready-mixed concrete, aggregates and sand-lime bricks were likewise on the decline in the first quarter. However, ready-mixed concrete recorded considerable increases in several German federal states in March. Turnover for the region fell overall by 14.7% to EUR 116 million (previous year: 135) in the first three months.

HeidelbergCement took over the leading position in Germany, Europe's largest construction market, with the increase in its participation in Anneliese Zementwerke AG from 41.5% to more than 90%.

■ Western Europe

The contrary performance of the Benelux countries on the one hand and of the United Kingdom on the other also continued in the first months of the year. The cement and clinker sales volumes of the Belgian and Dutch plants fell by 2.2%. Poor weather conditions at the beginning of the year and foreign imports, especially from Germany, adversely affected the cement market of both countries in particular. However, our sales volumes in the United Kingdom remained stable. Overall, the total sales volume of 2.1 million tonnes was just under the previous year's level. Thanks to several major construction projects, demand for ready-mixed concrete also increased satisfactorily in all marketing areas. The sales volumes of aggregates such as sand and gravel also increased slightly. At the

Turnover by business lines January - March 2003

Central Europe West			Western Europe		
EURm	2002	2003	EURm	2002	2003
Cement	62	52	Cement	181	166
Concrete	58	48	Concrete	65	69
Building materials	24	20	Building materials	-	-
Intra-Group eliminations	-9	-4	Intra-Group eliminations	-12	-11
Total turnover	135	116	Total turnover	234	224

beginning of the year, the operations of the Dutch company Paes Bouwtoeleveringen, the third largest aggregates manufacturer in the country, were included in the consolidation scope.

Taking also into account the weaker exchange rate of the pound, the turnover of the region fell overall by 4.1% to EUR 224 million (previous year: 234).

■ Northern Europe

The situation in the Northern Europe region is also unchanged. Domestic sales volumes nearly achieved previous year's level. Total sales volumes rose by 2.6% to 1.2 million tonnes due to higher cement and clinker exports from Norway. Ready-mixed concrete and aggregates operations in the concrete business line were impaired due to the weak market performance in Sweden and the cold winter. On the other hand, the prefabricated concrete products operating line recorded a positive development. The 50% participation in the Finnish company Parma Betonila was sold at the end of 2002.

In spite of the reduced scope of consolidation, the turnover for the region fell only by 3.1% to EUR 156 million (previous year: 161) compared with the corresponding period of the previous year.

■ Central Europe East

The countries of the Central Europe East region were very heavily impaired in the first quarter of this year due to the weather. In addition, the pressure of imports prevailed in Hungary and in the Czech Republic. Nevertheless, the economic prospects for the current year are still positive. Cement and clinker sales volumes fell in the first three months by 6.7% to 1.1 million tonnes. While the aggregates operating line also suffered under the exceptionally protracted winter, increases could be achieved in ready-mixed concrete.

Turnover fell overall by 17.5% to EUR 77 million (previous year: 93), affected also by the lower valuation of the Polish zloty. Effects from the sale of the Polish lime operations were offset by the inclusion of additional cement activities in Romania, Poland and in the Ukraine.

Northern Europe

EURm	2002	2003
Cement	83	84
Concrete	79	71
Building materials	5	7
Intra-Group eliminations	-6	-6
Total turnover	161	156

Central Europe East

EURm	2002	2003
Cement	75	63
Concrete	16	19
Building materials	6	-
Intra-Group eliminations	-4	-5
Total turnover	93	77

■ North America

While Canada's economy continued its robust performance in the first quarter, the US was shaped by a persistently weak economy. However, repercussions on the US construction industry were kept within limits. Latest forecasts even expect a recovery at the end of 2003 and a further upward trend in the construction volume in 2004.

The sales volume situation continues to be satisfactory in virtually all our sales regions. The wintry weather conditions only had a moderating impact on sales volumes on the Northeast and Midwest of the US. Demand in Canada – both in British Columbia as well as in the Prairie Provinces – developed very favourably. Overall cement and clinker sales volumes in the first quarter at 2.4 million tonnes were below the previous year's level by 1.9%. Considerable sales volume increases could be achieved in some cases in the ready-mixed concrete and aggregates operating lines.

Turnover fell in the first three months by 17.6% to EUR 340 million (previous year: 412) due to the weakening of the US dollar against the euro; on the other hand turnover was approximately 1% above the previous year in national currency.

■ Africa-Asia-Turkey

The upsurge continued in this region at the beginning of the year. In Africa, demand increased in our important market Ghana in particular, and in Sierra Leone and Niger. Sales volumes markedly increased in Bangladesh as well, where at the beginning of the year we merged our two grinding plants that were hitherto legally independent. We sold our majority participation in the Limay Grinding Mill Corporation grinding facility in the Philippines, as we saw no possibility in the foreseeable future to expand cement activities. Our participation in Turkey, Akçansa, also reports a further increase in sales volumes.

Turnover by business lines January - March 2003

North America

EURm	2002	2003
Cement	247	200
Concrete	198	169
Building materials	-	-
Intra-Group eliminations	-33	-29
Total turnover	412	340

Africa-Asia-Turkey

EURm	2002	2003
Cement	92	99
Concrete	7	7
Building materials	-	-
Intra-Group eliminations	-1	-1
Total turnover	98	105

Cement and clinker sales volumes rose overall in the Africa-Asia-Turkey region by 18.4% to 1.5 million tonnes. Turnover increased by 7.6% to EUR 105 million (previous year: 98).

Our non-consolidated participation Indocement reached the previous year's level with cement and clinker sales volumes of 2.5 million tonnes. The sales volumes of our Chinese participation China Century Cement increased by 12.5% to just under 0.8 million tonnes.

■ Heidelberg Building Materials Europe (HBE)

The cold weather also adversely affected Heidelberg Building Materials Europe, which is operating in 27 European countries. Therefore, the sales volumes of our interior finishing products developed significantly better than the sales volumes of products for the external sector such as façade and masonry mortar. The concentration on high margin products as well as reduced capacities will also continue to contribute to the improvement in results.

The fall in turnover due to the weather could be tempered through the inclusion of Marmoran in Switzerland as well as Maxit Italy at the beginning of the year. Turnover fell overall by 3.3% to EUR 197 million (previous year: 204).

■ Group Services

The volume of cement sales by HC Trading showed double-digit growth in the first quarter. Overall, growth by 9.2% to 2.6 million tonnes could be accomplished despite decreasing clinker volumes.

The turnover of the Group Services unit, which also covers the worldwide procurement of fossil fuels in addition to trading activities, fell by 13.5% to EUR 92 million (previous year: 107) due to the weak US-dollar.

Heidelberg Building Materials Europe

EURm	2002	2003
Cement	-	-
Concrete	-	-
Building materials	204	197
Intra-Group eliminations	-	-
Total turnover	204	197

HeidelbergCement interim accounts

Group profit and loss accounts

January - March

EUR '000s	2002	2003
Turnover	1,354,014	1,221,648
Operating income before depreciation (OIBD)	98,412	40,302
Depreciation and amortisation	-162,776	-152,581
Operating income	-64,364	-112,279
Non-operating result	5,860	13,228
Results from participations	12,890	-3,514
Earnings before interest and income taxes (EBIT)	-45,614	-102,565
Financial results	-56,742	-60,285
Profit before tax	-102,356	-162,850
Taxes on income	23,204	19,106
Profit for the financial year	-79,152	-143,744
Minority interests	1,537	3,599
Group share in profit	-77,615	-140,145
Earnings per ordinary share in EUR (IAS 33)	-1.22	-2.20
Earnings per preference share in EUR (IAS 33)	-1.20	

Group cash flow statement

January - March

EUR '000s	2002	2003
Cash flow	70,019	-8,214
Change in operating assets and liabilities	-198,566	-158,770
Net cash from operating activities	-128,547	-166,984
Intangible fixed assets	-6,379	-1,331
Tangible fixed assets	-109,425	-81,875
Financial fixed assets	-10,412	-58,509
Investments (cash outflow)	-126,216	-141,715
Proceeds from fixed asset disposals	27,336	58,564
Cash from changes in consolidation scope	12,657	4,427
Net cash used in investing activities	-86,223	-78,724
Dividend payments - minority shareholders	-4,298	-2,813
Proceeds from bond issuance and loans	49,190	145,056
Cash flow from financing activities	44,892	142,243
Net change in cash and cash equivalents	-169,878	-103,465
Effect of exchange rate changes	6,031	-5,000
Cash and cash equivalents at 1 January	567,739	399,473
Cash and cash equivalents at 31 March*	403,892	291,008

* In the balance sheet, the item short-term investments additionally lists the market value of hedging transactions and the "available for sale financial assets" amounting to EUR 252.2 million (previous year: 107.1)

Group balance sheet

Assets

EUR '000s	31 Dec. 2002	31 March 2003
Long-term assets		
Intangible fixed assets	2,397,052	2,490,788
Tangible fixed assets	4,665,249	4,631,007
Financial fixed assets	1,399,225	1,261,610
Fixed assets	8,461,526	8,383,405
Deferred taxes	148,250	172,628
Other long-term receivables	128,465	114,000
	<u>8,738,241</u>	<u>8,670,033</u>
Short-term assets		
Stocks	693,279	699,435
Receivables and other assets	1,101,500	1,230,048
Short-term investments	328,298	318,166
Cash at bank and in hand	277,610	224,993
	<u>2,400,687</u>	<u>2,472,642</u>
Balance sheet total	<u>11,138,928</u>	<u>11,142,675</u>

Liabilities

EUR '000s	31 Dec. 2002	31 March 2003
Shareholders' equity and minority interests		
Capital entitled to shareholders	3,692,050	3,536,655
Minority interests	153,957	148,676
	<u>3,846,007</u>	<u>3,685,331</u>
Long-term provisions and liabilities		
Provisions	1,302,667	1,303,288
Liabilities	3,872,346	4,093,443
	<u>5,175,013</u>	<u>5,396,731</u>
Short-term provisions and liabilities		
Provisions	75,621	81,330
Liabilities	2,042,287	1,979,283
	<u>2,117,908</u>	<u>2,060,613</u>
Balance sheet total	<u>11,138,928</u>	<u>11,142,675</u>

Group equity capital grid

EUR '000s	1 Jan. 2003	Capital changes	
		Increase Decrease	Dividends
Subscribed share capital	163,468	5,000	
Capital reserves	1,526,016	73,125	
Revenue reserves	2,123,302		
Currency translation	-110,613		
Company shares	-10,123	2,658	
Capital entitled to shareholders	3,692,050	80,783	
Minority interests	153,957	3,899	-2,813
	3,846,007	84,682	-2,813

* Mainly IAS 39

Changes without effects on results

Profit for the financial year	Exchange rates	Other changes	31 March 2003
			168,468
			1,599,141
-140,145		-23,751*	1,959,406
	-72,282		-182,895
			-7,465
-140,145	-72,282	-23,751	3,536,655
-3,599	-2,768		148,676
-143,744	-75,050	-23,751	3,685,331

Notes to the interim report

■ Accounting and consolidation principles

The accounting and consolidation principles as of 31 March 2003 remained unchanged compared to 31 December 2002.

Results from associated undertakings, revenues from 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 are included in the financial results.

■ Seasonal nature of the business

As a manufacturer of building materials, HeidelbergCement is regionally exposed to the poor weather conditions of the first months of the year. Production and sales volumes were especially adversely affected by the higher number of frosty days compared to the previous year that led to a decline in building activities. These seasonal volatilities are mirrored in the figures for the first quarter.

■ Scope of consolidation

The main changes in the scope of consolidation against 31 December 2002 were the initial incorporation of the HeidelbergCement Produktionsgesellschaft mbH & Co. KG, Heidelberg, and the Hüttenzement GmbH, Königs Wusterhausen. Additionally included into the scope of consolidation were the companies Rostocker Zement Umschlags-GmbH, Rostock, Splitt Chartering Aps, Aabenraa/Denmark, Stema Shipping Norge A/S, Larvik/Norway, Maxit s.r.l., Zandobbio/Italy, Brnenske Pisky a.s., Nemociky/Czech Republic, Ekocem sp.z o.o., Katowice/Poland, S.C. Tagrimpex Romcif S.A. Fieni, Fieni/Romania, Kamenivo Slovakia, Bytca/Slovakia, Zlatna Panega Beton, Zlatna Panega/Bulgaria, TBG Plovdiv, Plovdiv/Bulgaria, TBG Vác Kft, Vác/Hungary, TBG Dunabeton Kft, Dunajvaros/Hungary, TBG Debrecen Kft, Debrecen/Hungary. The following companies were removed from the scope of consolidation: Kalksandsteinwerk Saale-Dreieck GmbH & Co. KG, Groß Rosenburg, TBG Fertigbeton Saar GmbH & Co. KG, Saarbrücken, HZN Beteiligungen GmbH & Co. KG, Heidelberg, Círcel Grundstücks- und Vermögensverwaltung AG, Rohrdorf, Argex BVBA, Zwijndrecht/Belgium, Société des Entreprises Rudigoz S.A.S., Meximieux/France, Duna Dráva Mészművek Kft, Vác/Hungary, Ceskomoravské Vapno a.s., Mokrá/Czech Republic, and Limay Grinding Mill Corporation, Makati City/Philippines.

Segment reporting

Regions January to March 2003 (Primary reporting format under IAS 14 No. 50ff.)

EURm	Central Europe West		Western Europe	
	2002	2003	2002	2003
External turnover	134	113	231	221
Inter-region turnover	1	3	3	3
Turnover	135	116	234	224
Change to prior year in %		-14.7%		-4.1%
Operating income before depreciation (OIBD)	-5	-20	27	15
in % of turnover	-3.7%	-17.2%	11.5%	6.7%
Depreciation	18	17	31	31
Operating income	-23	-37	-4	-16
in % of turnover	-17.0%	-31.9%	-1.7%	-7.1%
Results from participations	9	-4	2	1
Non-operating result				
Earnings before interest and income taxes (EBIT)	-14	-41	-2	-15
Investments*	13	8	20	12
Employees	4,452	4,316	3,970	3,851

* Investments = in the segments columns: tangible and intangible fixed asset investments;

Turnover development

by regions and business lines January to March 2003

EURm	Cement	
	2002	2003
Central Europe West	62	52
Western Europe	181	166
Northern Europe	83	84
Central Europe East	75	63
North America	247	200
Africa-Asia-Turkey	92	99
HBE		
Total	740	664
Group Services		
Inter-region turnover		
Total Group		

Northern Europe		Central Europe East		North America		Africa-Asia-Turkey	
2002	2003	2002	2003	2002	2003	2002	2003
140	137	90	75	412	340	92	100
21	19	3	2			6	5
161	156	93	77	412	340	98	105
	-3.1%		-17.5%		-17.6%		7.6%
12	6	6	-4	38	24	9	10
7.5%	3.8%	6.5%	-5.2%	9.2 %	7.1%	9.2%	9.5%
21	20	19	19	41	33	11	10
-9	-14	-13	-23	-3	-9	-2	
-5.6%	-9.0%	-14.0%	-29.9%	-0.7 %	-2.6%	-2.0%	
1			-2	1	-2		2
-8	-14	-13	-25	-2	-11	-2	2
7	8	13	19	53	23	4	7
5,290	4,902	9,218	10,121	6,169	5,899	2,372	2,351

in the reconciliation column: financial asset investments

Concrete		Building materials		Intra Group eliminations		Total	
2002	2003	2002	2003	2002	2003	2002	2003
58	48	24	20	-9	-4	135	116
65	69			-12	-11	234	224
79	71	5	7	-6	-6	161	156
16	19	6		-4	-5	93	77
198	169			-33	-29	412	340
7	7			-1	-1	98	105
		204	197			204	197
423	383	239	224	-65	-56	1,337	1,215
						107	92
						-90	-85
						1,354	1,222

HBE		Group Services		Reconciliation		Group	
2002	2003	2002	2003	2002	2003	2002	2003
202	196	53	40			1,354	1,222
2	1	54	52	-90	-85		
204	197	107	92	-90	-85	1,354	1,222
	-3.3%		-13.5%				-9.8%
11	8		1			98	40
5.4%	4.1%		1.1%			7.2%	3.3%
21	21		1			162	152
-10	-13					-64	-112
-4.9%	-6.6%					-4.7%	-9.2%
	1					13	-4
				6	13	6	13
-10	-12			6	13	-45	-103
6	6			10	59	126	142
5,087	4,773	107	43			36,665	36,256

Exchange rates

	Exchange rates on reporting day		Average exchange rates	
	31 Dec. 2002	31 March 2003	01-03/2002	01-03/2003
Country	EUR	EUR	EUR	EUR
USD US	1.0492	1.0915	0.8772	1.0734
CAD Canada	1.6491	1.6012	1.3982	1.6199
GBP Great Britain	0.6517	0.6895	0.6147	0.6692
BGL Bulgaria	1.9592	1.9627	1.9520	1.9530
HRK Croatia	7.5219	7.7606	7.4002	7.5779
NOK Norway	7.2759	7.9349	7.8119	7.5740
PLN Poland	4.0177	4.4703	3.6195	4.1878
ROL Romania	35,132	36,268	¹⁾	¹⁾
SEK Sweden	9.1197	9.2236	9.1598	9.1817
CZK Czech Republic	31.5420	32.0520	31.7292	31.6205
HUF Hungary	235.3800	247.7100	243.4550	243.7661
TRL Turkey	1,735,900	1,871,549	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 2003

Interim report January to June 2003
as well as analysts' and press conferences

Frankfurt 5 August 2003

London 6 August 2003

Interim report January to September 2003 6 November 2003

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