

**Annual Accounts 2004
HeidelbergCement AG**

HEIDELBERGCEMENT



HeidelbergCement AG – five year summary

Figures in EURm	2000	2001	2002	2003	2004
Number of employees	2,183	1,986	1,925	1,702	1,460
Turnover					
Cement	384	347	293	228	249
Building materials	48	41	23	15	16
Total turnover	432	388	316	243	265
Operating results	49	67	-19	334	-179
Profit/loss for the financial year	95	74	192	384	-147
Dividend in EUR per share	1.15	1.15	¹⁾	1.15	0.55*
Investment in tangible fixed assets	27	20	17	7	9²⁾
Depreciation and amortisation on tangible fixed assets and intangible assets	27	27	20	15	11
Tangible fixed assets	146	131	124	104	163
Financial fixed assets	5,434	5,560	5,878	6,124	6,037
Current assets	640	691	476	623	376
Shareholders' equity	1,903	1,903	2,030	2,823	2,566
Provisions	409	405	468	462	591
Liabilities	3,908	4,074	3,980	3,566	3,419
Balance sheet total	6,220	6,382	6,478	6,851	6,576

¹⁾ Instead of a cash dividend a stock dividend, i.e. a capital increase out of retained earnings, in the amount of the previous year's dividend was issued.

²⁾ Owing to restructuring measures within the Group there were further additions to tangible fixed assets of EUR 63 million.

* Managing Board and Supervisory Board will propose to the Annual General Meeting on 4 May 2005 the distribution of a cash dividend of EUR 0.55 per share.

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Profit and loss accounts

EUR '000s	Notes	2003	2004
Turnover	1	243,499	264,952
Change in stocks and work in progress		-3,844	268
Own work capitalised		245	260
Operating revenues		239,900	265,480
Other operating income ¹⁾	2	486,662	84,760
Material costs	3	-88,731	-133,747
Personnel costs ²⁾	4	-119,149	-116,028
Depreciation and amortisation of tangible fixed assets and intangible assets	5	-15,305	-11,214
Other operating expenses ³⁾	6	-169,067	-268,000
Operating results ⁴⁾		334,310	-178,749
Results from participations ⁵⁾	7	168,441	252,977
Income from loans		54,739	53,339
Other interest receivable and similar income		17,494	6,766
Amounts written off financial fixed assets and short-term investments		-13,139	-80,844
Interest payable and similar charges		-165,756	-201,273
Profit/loss on ordinary activities before tax		396,089	-147,784
Taxes on income	8	-11,273	882
Other taxes		-600	-531
Profit/loss for the financial year		384,216	-147,433
Profit carried forward		95,992	365,062
Withdrawal from revenue reserves			
a) from reserves for company shares		1,926	2,676
b) from other revenue reserves			559
Transfer to revenue reserves			
a) to reserves for company shares			-559
b) to other revenue reserves		-2,626	-2,676
Profit and loss account	29	479,508	217,629

1) Of which non-operating income in EUR '000s: 16,851 (previous year: 436,710)

2) Of which non-operating expenses in EUR '000s: 9,732 (previous year: 3,425)

3) Of which non-operating expenses in EUR '000s: 163,298 (previous year: 39,958)

4) Excluding the non-operating result, the operating results total accordingly in EUR '000s:
-22,570 (previous year: -59,017)

5) Of which income from profit and loss transfer in EUR '000s: 91,827 (previous year: 80,646)

Fixed asset grid

EURm	Purchase price or production cost					Depreciation		Net book value
	1 Jan. 2004	Additions	Disposals	Reclassifications	31 Dec. 2004	Cumulative	2004	31 Dec. 2004
Intangible assets								
Goodwill		45.3			45.3	0.3	0.3	45.0
		45.3			45.3	0.3	0.3	45.0
Tangible fixed assets								
Land and buildings	424.9	5.2	9.6	0.2	420.7	340.0	3.4	80.7
Plant and machinery	382.8	14.6	9.3		388.1	363.3	4.8	24.8
Fixtures, fittings, tools and equipment	66.9	4.2	4.8	0.6	66.9	57.1	2.7	9.8
Payments on account and assets under construction	1.4	2.4	0.4	-0.8	2.6	0.1		2.5
	876.0	26.4	24.1	0.0	878.3	760.5	10.9	117.8
Financial fixed assets								
Shares in affiliated companies	4,429.0	225.3	111.1	205.2	4,748.4	111.9	80.3	4,636.5
Loans to affiliated companies ¹⁾	1,429.0		120.3	0.6	1,309.3	1.3		1,308.0
Participations	288.4			-205.2	83.2	1.7		81.5
Loans to participations	3.2		2.6		0.6			0.6
Other loans	11.7	0.1	0.2	-0.6	11.1	1.0		10.1
	6,161.3	225.4	234.2	0.0	6,152.6	115.9	80.3	6,036.7
Fixed assets	7,037.3	297.1	258.3	0.0	7,076.2	876.7	91.5	6,199.5

1) Including appreciation in value of EUR 0.2 million

Balance sheet

Assets				Liabilities			
EUR 000s	Notes	31 Dec. 2003	31. Dec. 2004	EUR 000s	Notes	31 Dec. 2003	31. Dec. 2004
Fixed assets	9			Shareholders' equity			
Intangible assets	10			Subscribed share capital	21	255,104	258,421
Licenses, industrial property rights and similar rights			30	Capital reserves	22	1,736,207	1,736,886
Goodwill			45,001	Revenue reserves	23		
			45,031	Ehrhart Schott - Kurt Schmaltz-Trust		511	511
Tangible fixed assets	10			Reserve for environmentally responsible maintenance of real asset values		150,507	150,507
Land and buildings		80,228	80,704	Reserves for company shares	24	4,410	2,293
Plant and machinery		14,953	24,792	Other revenue reserves		197,335	199,452
Fixtures, fittings, tools and equipment		7,902	9,950			352,763	352,763
Payments on account and assets under construction		1,226	2,370				
		104,309	117,816	Profit and loss account	29	479,508	217,629
Financial fixed assets	11					2,823,582	2,565,699
Shares in affiliated companies	12	4,396,185	4,636,524				
Loans to affiliated companies	13	1,427,421	1,307,987	Special item with an equity portion	25	10,223	3,992
Participations	14	286,665	81,469				
Loans to participations	15	3,120	585	Provisions			
Other loans	16	10,720	10,072	Provisions for pensions	26	207,904	208,153
		6,124,111	6,036,637	Other provisions	27	243,686	378,960
		6,228,420	6,199,484			451,590	587,113
Current assets				Liabilities	28		
Stocks	17			Bank loans		471,943	356,027
Raw materials and consumables		10,817	12,928	Trade payables		21,148	19,414
Work in progress		3,399	4,175	Amounts owed to affiliated companies		2,823,749	2,917,834
Finished goods and goods for resale		3,660	4,089	Amounts owed to participations		9,485	166
Payments on account on stocks			10,001	Other liabilities		239,699	125,682
		17,876	31,193			3,566,024	3,419,123
Receivables and other assets	18						
Trade receivables		4,065	3,642				
Amounts owed by affiliated companies		449,478	275,655				
Amounts owed by participations		1,176	1,465				
Other receivables and other current assets		81,147	14,019				
		535,866	294,781				
Short-term investment	19	19,933	17,231				
Cash at bank and in hand		3,200	1,484				
Accrual and deferral	20	46,124	31,754				
Balance sheet total		6,851,419	6,575,927	Balance sheet total		6,851,419	6,575,927

Notes to the 2004 accounts of HeidelbergCement AG

The 2004 annual accounts of HeidelbergCement AG are explained below. Additional details prescribed for individual items in the balance sheet and the profit and loss account are shown. In the presentation of the profit and loss account, we have used the Nature of Expense Method.

Foreign currency conversion

As in the previous year, foreign currency conversion was performed at the year-end exchange rate. Receivables and liabilities in foreign currency are valued at the year-end exchange rate or the exchange rate on the transaction date. Exchange rate losses are accounted for.

Accounting and valuation methods

Accounting and valuation methods remain unchanged in comparison with the previous year. They are presented in detail in the explanations of the relevant balance sheet items.

Notes to the profit and loss account

1 Turnover

Since 1 January 2004, HeidelbergCement Produktionsgesellschaft Schelklingen mbH & Co. KG, Heidelberg (formerly the Schelklingen plant of HeidelbergCement AG), founded in 2003, has distributed its cement production through HeidelbergCement AG. On 1 April 2004, two additional distribution agreements were concluded with the subsidiaries HeidelbergCement Produktionsgesellschaft mbH & Co. KG, Heidelberg, (Wetzlar plant) and Hüttenzement GmbH, Königs Wusterhausen. Through joint distribution of the cements produced in Schelklingen, the cement and clinker sales volumes of HeidelbergCement AG decreased by just 2.6%. Excluding these trade effects, sales volumes of the AG would have fallen by 14%. The decline in quantities is higher than expected due to quantities being sacrificed temporarily in favour of a consistent proceeds policy. The noticeable improvement in cement proceeds in Germany has led to an increase in turnover of 9.2% in the cement business line. In building materials, turnover remained at the previous year's level.

The total turnover in 2004 amounted to EUR 265 million (previous year: 243).

Development of turnover by business line

EURm	2000	2001	2002	2003	2004
Cement	384	347	293	228	249
Building materials	48	41	23	15	16
Total turnover	432	388	316	243	265

2 Other operating income

Other operating income essentially relates to services, income from personnel placement, write-backs of provisions, proceeds from the exploitation of alternative fuels and raw materials, income from the disposal of tangible and financial fixed assets, and income from rental and lease agreements. Included under other operating income is EUR 10 million from the reversal of special tax-allowable reserves.

3 Material costs

Material and energy costs fell in comparison with the previous year, as a result of the Schelklingen plant becoming a legally independent company on 1 January 2004. This was heavily outweighed by the costs incurred by taking over the distribution activities for Schelklingen and purchasing goods required for this purpose. Furthermore, as a result of taking over distribution for HeidelbergCement Produktionsgesellschaft mbH & Co. KG, Heidelberg, (Wetzlar plant) and Hüttenzement GmbH, Königs Wusterhausen, the purchased goods increased significantly in comparison with the previous year. The measures arising from the cost saving programme had a positive impact in 2004.

Material costs

EURm	2003	2004
Raw materials, auxiliary supplies, fuels, purchased goods	88.7	133.7
Material costs	88.7	133.7

4 Employees and personnel costs

Employees

	2003	2004
Salaried employees	772	718
Workers	807	638
Apprentices	123	104
Employees	1,702	1,460

Personnel costs

EURm	2003	2004
Wages and salaries	86.8	84.5
Social security contributions	16.3	14.4
Pension costs	15.1	16.3
Other benefit costs	0.9	0.8
Personnel costs	119.1	116.0

In 2004, wage and salary costs also fell in comparison with the previous year, as a result of the restructuring measures begun in 2002. Additional expenses were incurred due to further restructuring measures. The increases in wage and salary rates are between 1.5% and 1.7% according to the tariff area. The wage agreements have varying terms.

5 Depreciation of tangible fixed assets

Depreciation of tangible fixed assets

EURm	2003	2004
Ordinary depreciation	13.8	11.0
Depreciation at the lower value and extraordinary depreciation	1.5	0.2
	15.3	11.2

6 Other operating expenses

Generally, outbound freight and storage costs, expenses for repairs, external services, administrative and distribution costs and risk provision costs are shown under other operating expenses. A provision of EUR 113 million was formed as a result of share purchase obligations in connection with the acquisition of Indocement. In addition, an amount of EUR 4.0 million was transferred to the special tax-allowable reserves in accordance with § 6b of the German Income Tax Act (EStG).

7 Results from participations

Results from participations

EURm	2003	2004
Results from affiliated companies	161.5	244.4
Results from associated companies	6.8	7.2
Results from other participations	0.1	1.4
	168.4	253.0

The majority of the results from participations relates to the dividends paid by S.A. Cimenteries CBR, Belgium, Lehigh UK Ltd., United Kingdom, and Scancem Group Limited, United Kingdom, and the profit and loss transfer agreement with HeidelbergCement International Holding GmbH, Heidelberg.

Income and expenses from affiliated companies

EURm	2003	2004
Income from participations	161.5	244.4
Income from loans	54.7	52.7
Other interest and similar income	13.9	5.3
Interest and similar expenses	109.7	150.8

8 Taxes on income

The income tax yield relates in particular to income from levies on trade tax consolidation with subsidiaries and refunds for previous years.

Notes to the balance sheet – assets

9 Fixed assets

The total fixed assets fell by a total of around EUR 29 million from EUR 6,228 million to EUR 6,199 million. The development of fixed assets is shown on page 5.

10 Intangible assets and tangible fixed assets

Intangible assets and tangible fixed assets are accounted for at purchase price or production cost less ordinary and extraordinary depreciation and amortisation. Production costs include direct costs of materials and consumables as well as direct manufacturing costs and appropriate amounts of overheads, including production-related depreciation. The useful lives on which our schedule of depreciation is based are determined on the basis of many years of practice and experience. As far as possible, we use the declining balance depreciation method. We make full use of the opportunity to record extraordinary tax depreciation.

Low cost assets are fully written off in the year of acquisition; their disposal is assumed in the following year.

New investments amounting to EUR 9.3 million were made. As part of the restructuring measures within the Group there were further additions to tangible fixed assets of EUR 60.9 million as a result of the acquisition of the assets belonging to the business of HeidelbergCement Produktionsgesellschaft mbH & Co. KG, Heidelberg, (Wetzlar plant).

The tangible fixed assets increased by a total of around EUR 13.5 million.

11 Financial fixed assets

The major participations are listed in the 2004 Annual Report on pages 110 to 115. The complete list of our shareholdings, accompanied by all legally required information, is filed with the Commercial Register of the local court (Amtsgericht) in Heidelberg. § 286, section 3, clause 1, no. 2 of the German Commercial Code (HGB) is applied.

Under financial fixed assets, shares in affiliated companies and participations are accounted at the lower of acquisition cost or fair market value at the balance sheet date. Expected permanent impairments in value are taken into account by means of extraordinary write-offs.

In the 2004 financial year, write-offs of EUR 80.3 million were recorded at the lower attributable value. The financial fixed assets decreased by a total of EUR 87.5 million.

We value loans at their nominal value less valuation adjustments due to permanent impairment.

12 Shares in affiliated companies

Besides the acquisition of further shares, restructuring measures were once again taken within the Group in 2004.

Further shares were acquired in Anneliese Zementwerke AG, Ennigerloh and Heidelberger Zement South-East Asia GmbH, Heidelberg.

The shares already held in Heidelberger Zement South-East Asia GmbH, Heidelberg, which in turn has an involvement in PT Indocement Tungal Prakarsa Tbk., Indonesia, were transferred from participations.

Zementwerk Bosenberg GmbH & Co. KG, Ahlen was a new acquisition.

The capital reserves of HC-Asia Holding GmbH, Heidelberg were increased through cash contributions.

The capital reserves of HeidelbergCement Produktionsgesellschaft Schelklingen mbH & Co. KG, Heidelberg, and HeidelbergCement Produktionsgesellschaft mbH & Co. KG, Heidelberg were increased through contributions in kind.

HeidelbergCement UK Ltd., Birmingham/United Kingdom was newly founded.

A portion of the capital reserves of HeidelbergCement Central Europe East Holding B.V., 's-Hertogenbosch/Netherlands, was reduced in 2004.

The shares in HZ Beteiligungs GmbH, Salzburg/Austria, were sold.

13 Loans to affiliated companies

The repayments and disposals amounted to EUR 120.3 million. At the end of the year, the total amount of loans to affiliated companies was EUR 1,308.0 million.

14 Participations

The main participations are Vicat S.A., Paris/France, Südbayer. Portland-Zementwerk Gebr. Wiesböck & Co. GmbH, Rohrdorf, Kronimus AG, Iffezheim and NCD Nederlandse Cement Deelnemingsmaatschappij B.V., Nieuwegein/Netherlands.

15 Loans to participations

As of the balance sheet date, there is one loan of EUR 0.6 million.

16 Other loans

Other loans fell from EUR 10.7 million to EUR 10.1 million as a result of repayments and transfers.

17 Stocks

Stocks are valued at the lower of purchase price, production cost or the reference date price. Appropriate provisions for quality and quantity risks are made according to the principles of commercial prudence. Goods are valued at production cost, which is already described under tangible fixed assets. Provisions were made for reduced capacity utilisation.

18 Receivables and other assets

We state receivables and other assets at their nominal values. Adequate provisions are recorded for all identifiable individual risks; non-interest-bearing loan receivables are discounted.

The general credit risks for all our receivables are covered by sufficient lump-sum valuation adjustments.

Other receivables and other current assets include short-term loans, interest receivables and receivables from tax refund claims.

Receivables and other assets

EURm	Remaining term over 1 year	
31 December	2003	2004
Amounts owed by affiliated companies	38.3	21.3
Other receivables and other current assets	27.5	6.8
	65.8	28.1

19 Short-term investment

Securities are valued at the lower of net purchase value or stock market price.

The stock of securities is made up of treasury shares (EUR 2.3 million) and other securities (shares and covered bonds (*Pfandbriefe*)). The treasury shares were valued at the market price as of the balance sheet date.

20 Accrual and deferral

This balance sheet item largely includes accrued discount from the utilisation of the syndicated loan and the high yield bond.

Notes to the balance sheet – equity and liabilities

21 Subscribed share capital and shares

Subscribed share capital and shares

	Subscribed share capital EUR '000s	Number of shares
1 January 2004	255,104	99,649,850
Issue of new shares against contribution in kind (purchase of Zementwerk Bosenberg GmbH & Co. KG, Ahlen)	3,317	1,295,838
31 December 2004	258,421	100,945,688

As of 31 December 2004, the share capital amounts to EUR 258,420,961.28 and is divided into 100,945,688 no-par bearer shares.

The Managing Board is authorised to increase, with the consent of the Supervisory Board, the Company's registered share capital by a total amount of up to EUR 50,000,000.00 by issuing new no-par bearer shares in return for cash contributions on one or more occasions until 5 May 2009 (Authorised Capital I). The shareholders shall have subscription rights. However, the Managing Board is authorised to exclude, with the consent of the Supervisory Board, the subscription rights of shareholders with respect to fractional amounts.

The Managing Board shall decide, with the consent of the Supervisory Board, on the remaining contents of the rights attached to the shares and the terms of the share issue.

The Managing Board is authorised to increase, with the consent of the Supervisory Board, the Company's share capital by a total amount of up to EUR 20,000,000.00 by issuing new no-par bearer shares in return for contributions in kind on one or more occasions until 5 May 2009 (Authorised Capital II). The Managing Board is authorised, with the consent of the Supervisory Board, to exclude the subscription rights of shareholders and determine all other details of the capital increase as well as the terms and conditions of the share issue.

The registered share capital is conditionally increased by up to EUR 1,333,333.33. The conditional capital increase shall exclusively serve to fulfil the subscription rights granted to members of the Managing Board and to senior managers of the Company, as well as to members of the management boards and senior managers of affiliated domestic and foreign companies pursuant to the authorisation by the Annual General Meeting on 19 June 2001 (stock option plan 2001/2007) and, if applicable, as amended by the authorisation granted by the Annual General Meeting on 7 May 2002. The conditional capital increase will be carried out only to the extent that the holders of the subscription rights exercise their subscription rights. The new shares will carry a dividend entitlement as of the beginning of the financial year in which they are issued.

The Company has 51,774 company shares at the balance sheet date of 31 December 2004. As part of the voluntary exchange offer to the minority shareholders of Anneliese Zementwerke AG, 78,070 shares were given to these shareholders. In addition, a further 1,771 company shares were exchanged for Anneliese shares.

As of the balance sheet date, there was a write-up to treasury shares of EUR 558,641.46 on account of the increased stock market price.

A reserve for treasury shares exists in the amount of the capitalised treasury shares as of the balance sheet date.

By resolution of the Managing Board and Supervisory Board of 21 February 2005, the Company's share capital was increased from EUR 258,420,961.28 by EUR 19,868,341.76 to a total of EUR 278,289,303.04 through the issue of 7,761,071 new shares, utilising part of the Authorised Capital I. Following the capital increase, the total number of shares is now 108,706,759. The capital increase will be entered in the commercial register during the second half of March 2005.

After entry of the capital increase, the Authorised Capital I will be reduced from EUR 50,000,000 to EUR 30,131,658.24.

22 Capital reserves

The capital reserves were essentially created by means of the premium from the following capital increases:

- 1991: EUR 140.6 million from cash capital increase
- 1993: EUR 186.6 million from cash capital increase
- 1997: EUR 10.8 million from exercising of option rights from warrant bonds 1995/2002
- 1999: EUR 892.2 million from capital increases and EUR 25.7 million from exercising of option rights from warrant bonds 1995/2002
- 2000: EUR 64.8 million from capital increase against contributions in kind and EUR 51.6 million from exercising of option rights from warrant bonds 1995/2002
- 2002: EUR 8.2 million from capital increase against contributions in kind
- 2003: EUR 324.7 million from cash capital increase
- 2004: EUR 0.7 million from capital increase against contributions in kind

23 Revenue reserves

Revenue reserves

EURm	2003	2004
1. January	359.1	352.8
Withdrawals	-8.9	-3.2
Transfers	2.6	3.2
31. December	352.8	352.8

The balance sheet item "Reserve for environmentally responsible maintenance of real asset values", which also includes all environmental precaution requirements that are identifiable according to the latest technology, amounts to EUR 150.5 million.

24 Reserves for company shares

The reserve was formed in accordance with § 272, section 4 of the German Commercial Code (HGB) for the company shares shown on the asset side of the balance sheet by withdrawals from the other revenue reserves. In 2004, EUR 2.7 million was withdrawn through the issue of company shares to the minority shareholders of Anneliese Zementwerke AG. In addition, EUR 0.6 million was transferred to the reserve on account of the increased stock market price. The reserve now amounts to EUR 2.3 million.

25 Special item with an equity portion

The special item with an equity portion was formed in accordance with § 6b of the German Income Tax Act (EstG). In the reporting year, EUR 10.2 million from previous years was released and EUR 4.0 million was created.

26 Provisions for pensions

The provisions for pensions are formed using the present value for pensions, calculated using actuarial methods, and the proportion for existing entitlements based on an actuarial interest rate of 5.5%.

27 Other provisions

Other provisions take into account all liabilities that are uncertain due to their purpose or amount, and identifiable risks. They include amounts for reclamation of quarries and guarantee obligations, obligations arising from holiday arrears, other risks and uncertain liabilities. Provisions were also formed for omitted repairs carried out in the first quarter of the following financial year.

28 Liabilities

Remaining terms of liabilities

Liabilities on 31 December:	up to 1 year		more than 5 years	
	2003	2004	2003	2004
EURm				
Bank loans	66.4	23.4	274.3	197.9
Trade payables	21.1	19.4	-	-
Amounts owed to affiliated companies	231.2	436.5	2,151.9	110.0
Amounts owed to participations	9.5	0.2		
Other liabilities	142.6	63.3	0.3	10.3
	470.8	542.8	2,426.5	318.2

Other short-term liabilities include, in particular, the short-term portion of the Euro Medium Term Note programme. All scheduled repayments were made.

In 1996, an open-ended Euro Medium Term Note programme was issued together with HeidelbergCement Finance B.V., 's-Hertogenbosch/Netherlands (General agreement of 28 October 1996 concerning EUR 0.5 billion, version of 12 November 1998). The EMTN programme was extended to EUR 3 billion in 2001.

In 2004, a new syndicated loan of EUR 1.0 billion was jointly taken out with HeidelbergCement Financial Services AB, Malmö/Sweden. The new loan served to completely refinance the committed credit line from the syndicated loan established in 2003 with a volume of EUR 1.5 billion and a term that initially ran until 2006.

The high yield bond issued in 2003 together with HeidelbergCement Finance B.V., 's-Hertogenbosch/Netherlands still exists in the amount of EUR 700 million. HeidelbergCement AG provides a guarantee for these financing companies.

Additional information on liabilities

EURm	31 December	
	2003	2004
Tax liabilities	1.3	1.1
Social security liabilities	3.9	3.3

Guarantees and other financial commitments

EURm	31 December	
	2003	2004
Liabilities arising from the issue and transfer of bills	0.6	0.4
Liabilities from guarantees	807.3	554.7
Guarantees for newly obtained capital market loans	2,568.5	1,448.7

Liabilities from guarantees mainly relate to guarantees for subsidiaries amounting to EUR 541.1 million, of which EUR 532.4 pertains to affiliated companies. This allows the subsidiaries to make use of HeidelbergCement AG's low-interest credit lines through Group financing.

HeidelbergCement AG is liable for the observance of the obligations of the financing companies HeidelbergCement Finance B.V. and HeidelbergCement Financial Services AB.

Derivative financial instruments

For an international Group, risks relating to operating activities and financing arise from changes in exchange and interest rates. Derivative financial instruments are used to minimise these risks, by means of appropriate hedging transactions. These include, in particular, interest swaps, combined interest/currency swaps, forward exchange and currency option contracts, and foreign exchange swaps. Uniform guidelines apply to the use of these instruments; they are subject to strict internal controls and remain limited to the hedging of operating activities and financing transactions. Since the 2001 financial year, new derivative transactions for Group companies have been made principally by HeidelbergCement Financial Services AB, Malmö/Sweden, HeidelbergCement's in-house bank (HCFSAB, in turn, carries out its derivative transactions with external contracting parties). However, exceptions may be made to this policy at the request of specific contracting parties. The external partners in derivative transactions are, without exception, creditworthy banks.

The foreign exchange hedging transactions mainly relate to the hedging of foreign currency loans. The interest rate hedging transactions are essentially carried out from the viewpoint of the Group's central interest rate management and thus serve to realise the desired fixed interest rate period of the Group's portfolio of liabilities.

Interest-rate related transactions

in EUR '000s	Nominal amount	Fair value	Valuation method
Interest swaps/External	327,976.6	-14,400.0	clean price
CIRS External	1,773.8	-200.0	clean price
Interest swaps/Internal	295,335.0	-10,900.0	clean price

Exchange rate-related transactions

in EUR '000s	Nominal amount	Fair value	Valuation method
Forward/External	172,066.5	47,773.6	flows npv
Cross/Currency Swaps Internal	1,157.9	-25.0	flows npv

Supervisory Board, Advisory Council, and Managing Board

Remuneration

EUR '000s

Compensation of the Supervisory Board	1,603
fixed	445
variable	1,158
Compensation of the Advisory Council	99
Compensation of the Managing Board	3,780

Former Members of the Managing Board
and their survivors:

Compensation	1,597
Provisions for pension obligations	19,171

The above figures present the compensation paid as of the balance sheet date. Portions of the remuneration granted for the reporting year but not paid until the following year, such as the dividend-dependent remuneration component paid to the members of the Supervisory Board, are not included in the compensation shown here until the following year. For the 2004 financial year, variable remuneration will amount to EUR 497,000 for the Supervisory Board and to EUR 1,948,500 for the Managing Board, dependent on the decision of the Personnel Committee and dependent on the dividend resolution of the Annual General Meeting.

In 2004, the individual members of the Supervisory Board received the following compensation:

- The Chairman of the Supervisory Board in office until the Annual General Meeting of 2004 received a fixed compensation of EUR 13,880 and a variable compensation of EUR 132,300. In addition, he received EUR 6,940 for chairing the Audit Committee and EUR 3,470 for chairing the Personnel Committee.
- The Chairman of the Supervisory Board in office from the Annual General Meeting of 2004 until 31 January 2005 received a fixed compensation of EUR 26,230. In addition, he received EUR 13,115 for chairing the Audit Committee and EUR 6,557 for chairing the Personnel Committee.
- The Deputy Chairman of the Supervisory Board received a fixed compensation of EUR 30,000 and a variable compensation of EUR 99,225. In addition, he received EUR 10,000 for his membership in the Audit Committee and EUR 5,000 for his membership in the Personnel Committee.
- All other members of the Supervisory Board who belonged to the Supervisory Board for the whole financial year received a fixed compensation of EUR 20,000 and a variable compensation of EUR 66,150. Those who were members of the Audit Committee received an additional EUR 10,000 and those who were members of the Personnel Committee received an additional EUR 5,000.
- The member of the Supervisory Board who stepped down at the Annual General Meeting of 2003 received a variable compensation of EUR 23,198.
- The members of the Supervisory Board who stepped down at the 2004 Annual General Meeting received a fixed compensation of EUR 6,940 and a variable compensation of EUR 66,150. Those who were members of the Audit Committee received an additional EUR 3,470 and those who were members of the Personnel Committee received an additional EUR 1,735.
- The members of the Supervisory Board newly elected by the Annual General Meeting of 2004 received a fixed compensation of EUR 13,115. Those who were members of the Audit Committee received an additional EUR 6,750 and those who were members of the Personnel Committee received an additional EUR 3,270.

The employee representatives on the Supervisory Board remit a significant portion of their Supervisory Board compensation to the recuperation facility for the employees at HeidelbergCement AG and to the trade union-linked Hans Böckler Foundation.

The members of the Supervisory Board and its Committees can be found in the list below.

In 2004, the Group received two disclosures in relation to transactions in securities in accordance with § 15 a of the German Securities Trading Act (Directors' Dealings):

- Mr. Hans Bauer, Chairman of the Managing Board until 31 January 2005, purchased 1,000 shares in the company at the price of EUR 32.74 per share on 8 January 2004.
- Mr. Rolf Hülstrunk, member of the Supervisory Board, sold 1,000 shares in the company at the price of EUR 39.25 per share on 5 October 2004.

No member of the Managing Board directly or indirectly holds company shares or options to the extent of more than 1% of the shares issued by the company. In addition, the total holding of all the members of the Managing Board does not exceed 1% of the shares issued by the company.

The members of the Advisory Council can be found in the Group Annual Report on page 13.

Mandates of members of the Supervisory Board and Managing Board

The members of the Supervisory Board and Managing Board hold the following mandates:

- a) Membership in other legally required supervisory boards for German companies
- b) Membership in comparable German and foreign supervisory committees of commercial corporations.

Group mandates are marked with ¹⁾.

Supervisory Board*

Dr. rer. pol. Wolfgang Röller

Chairman until 6 May 2004

until 6 May 2004, Chairman of the Audit, the Personnel and the Arbitration Committee
Honorary Chairman of the Supervisory Board, Dresdner Bank AG

Dr. Bernd Scheifele

Chairman from 6 May 2004 to 31 January 2005

from 6 May 2004 to 31 January 2005, Chairman of the Audit, the Personnel and the Arbitration Committee

until 31 January 2005, Chairman of the Managing Board, PHOENIX Pharmahandel AG & Co KG
since 1 February 2005, Chairman of the Managing Board, HeidelbergCement AG

- a) Hageda AG (Deputy Chairman)
LAVATEC Wäschereimaschinen AG (Chairman)
- b) PHOENIX Lékárenský veľkoobchod, a.s.¹⁾ (Chairman)
PHOENIX Pharma Rt.¹⁾ (Chairman)
BROCACEF Holding N.V.¹⁾ (Chairman)
PHOENIX Medical Supplies Ltd.¹⁾ (Chairman of the Board of Directors)
TAMRO Oyj¹⁾ (Chairman of the Board of Directors)
Amedis UE AG¹⁾
Medifarm-Velebit d.d.¹⁾

Fritz-Jürgen Heckmann

Chairman since 1 February 2005

since 1 February 2005, Chairman of the Personnel and the Arbitration Committee and member of the Audit Committee

Attorney

- a) All for One Systemhaus AG
businessMart AG (Chairman)
Drews Holding AG
Infoman AG
Informatik Consulting Systems AG
Paul Hartmann AG
- b) HERMA Holding GmbH + Co KG (Deputy Chairman)
Hübner GmbH (Chairman)
Neue Pressegesellschaft (Südwestpresse) mbH & Co. KG
Südwestdeutsche Medien Holding GmbH
URACA GmbH & Co. KG (Deputy Chairman)

Heinz Schirmer

Deputy Chairman

Member of the Audit, the Personnel and the Arbitration Committee

Mechanic and locksmith foreman; Chairman of the General Council of Employees,

HeidelbergCement AG, and Chairman of the Council of Employees at the Schelklingen plant

Theo Beermann

since 6 May 2004

since 6 May 2004, member of the Personnel Committee

Chairman of the General Council of Employees, Anneliese Zementwerke AG, and Chairman of the Council of Employees at the Ennigerloh plant, Anneliese Zementwerke AG

- a) Anneliese Zementwerke AG¹⁾

Heinz-Josef Eichhorn

until 6 May 2004, member of the Arbitration Committee

Head of the Executive Committee Section Building Materials, IG Bauen-Agrar-Umwelt

- a) Dussmann AG & Co. KGaA

Prof. Dr. Bernd Fahrholz

until 6 May 2004

Former Chairman of the Managing Board, Dresdner Bank AG, and former Deputy Chairman of the Managing Board, Allianz AG

- a) Bayerische Motoren Werke AG
Fresenius Medical Care AG

Wilhelm Fürst

until 6 May 2004

Retired industrial mechanic; until 31 May 2004, Chairman of the Council of Employees at the Mainz-Weisenau plant, HeidelbergCement AG

Veronika Füss

until 6 May 2004

Commercial employee; Chairwoman of the Council of Employees at the Schelklingen sales office, HeidelbergCement AG

Waltraud Hertreiter

Member of the Managing Board, Schaltbau Holding AG

- a) ERWO Holding AG (Chairwoman)
Textilgruppe Hof AG
- b) Südbayer. Portland-Zementwerk Gebr. Wiesböck & Co. GmbH (Chairwoman)

Josef Heumann

since 6 May 2004

since 6 May 2004, member of the Arbitration Committee

Chairman of the Council of Employees at the Burglengenfeld plant, HeidelbergCement AG

Rolf Hülstrunk

Former Chairman of the Managing Board, HeidelbergCement AG

Heinz Kimmel

since 6 May 2004

Chairman of the Council of Employees at the Sulzheim plant, Südharzer Gipswerk GmbH

Max Dietrich Kley

since 6 May 2004

Attorney

- a) Bayerische Hypo- und Vereinsbank AG
- BASF AG
- Infineon Technologies AG (Chairman)
- Schott AG
- SGL Carbon AG (Chairman)

Hans Georg Kraut

since 6 May 2004

since 6 May 2004, member of the Personnel Committee

Director of the Schelklingen plant

Josef Löffler

until 6 May 2004

until 6 May 2004, member of the Audit Committee

Retired technical employee; until 30 September 2004, Member of the Council of Employees at the Schelklingen plant

Senator h.c. Dr. med. h.c. Adolf Merckle

since 6 May 2004

since 6 May 2004, member and since 1 February 2005, Chairman of the Audit Committee

Attorney

- a) Hanfwerke Oberachern AG (Chairman)
- Kässbohrer Geländefahrzeug AG
- PHOENIX Pharmahandel AG & Co KG (Deputy Chairman)
- Pommersche Provinzial-Zuckersiederei AG (Chairman)
- F. Reichelt AG (Chairman)

Ludwig Merckle

until 6 May 2004, member of the Audit Committee, since 6 May 2004, member of the Personnel Committee

Managing Director, Merckle GmbH

- a) Kässbohrer Geländefahrzeug AG (Chairman)
- b) Württembergische Leinenindustrie AG (Chairman)

Eduard Schleicher

Member of the Personnel Committee and since 6 May 2004, member of the Audit and the Arbitration Committee

Partner with unlimited liability, SCHWENK group, Ulm

- a) Grundstücks- und Baugesellschaft AG
- Wieland-Werke AG
- Wohnungsverein Ulm AG
- b) Duna-Dráva Cement Kft
- Nederlandse Cement Handelmaatschappij B.V.

Heinz Schmitt

since 6 May 2004

since 6 May 2004, member of the Audit Committee

Chairman of the Council of Employees at the headquarters of HeidelbergCement AG

Wilhelm Schwerdhöfer

until 6 May 2004

Motor mechanic; Chairman of the European Works Council, HeidelbergCement, and

Chairman of the Council of Employees at the Lengfurt plant, HeidelbergCement AG

Karl-Heinz Strobl

since 6 May 2004, member of the Audit Committee

Member of the Federal Executive Committee, IG Bauen-Agrar-Umwelt

a) WALTER BAU AG

Meinhard Thru

until 6 May 2004

until 6 May 2004, member of the Personnel Committee

Senior Manager, Hüttenzement GmbH

Dr. rer. pol. Ulrich Weiss

until 6 May 2004

until 6 May 2004, member of the Arbitration Committee

Former member of the Managing Board, Deutsche Bank AG

a) BEGO Medical AG

Continental AG

b) Benetton Group S.p.A.

Ducati Motor Holding S.p.A.

* All indications refer to 31 December 2004 or, if the person in question left the Supervisory Board of HeidelbergCement AG prior to that date, the date on which the person stepped down.

Managing Board***Hans Bauer**

Chairman until 31 January 2005

a) Bilfinger Berger AG

b) S.A. Cimenteries CBR¹⁾

ENCI Holding N.V.¹⁾ (Deputy Chairman)

HeidelbergCement Northern Europe AB¹⁾ (Chairman)

PT Indocement Tunggul Prakarsa Tbk.¹⁾

Lehigh Cement Company¹⁾

Lehigh Cement Limited¹⁾

Nederlandse Cement Deelnemingsmaatschappij B.V.

Südbayer. Portland-Zementwerk Gebr. Wiesböck & Co. GmbH (Deputy Chairman)

Vicat S.A.

Dr. Bernd Scheifele, Chairman since 1 February 2005

For mandates, see Supervisory Board section on page 18

Helmut S. Erhard

b) Lehigh Cement Company¹⁾ (Chairman)

Lehigh Cement Limited¹⁾ (Chairman)

Håkan Fernvik

until 30 June 2004

b) HeidelbergCement Northern Europe AB¹⁾

PT Indocement Tunggul Prakarsa Tbk.¹⁾

maxit Group AB¹⁾

Daniel Gauthier

- b) Akçansa Çimento Sanayi ve Ticaret A.S. (Deputy Chairman)
Carrières Lemay S.A.¹⁾ (Chairman)
S.A. Cimenteries CBR¹⁾ (Chairman)
ENCI Holding N.V.¹⁾ (Chairman)
HeidelbergCement Northern Europe AB¹⁾
PT Indocement Tunggul Prakarsa Tbk.¹⁾

Andreas Kern

- a) Anneliese Zementwerke AG¹⁾ (Deputy Chairman)
Kronimus AG
- b) Carpatcement Holding S.A.¹⁾
Ceskomoravský Cement, a.s.¹⁾ (Chairman)
Duna-Dráva Cement Kft
Górazdce Cement S.A.¹⁾ (Chairman)
ISTRA Cement International d.o.o.¹⁾
maxit Group AB¹⁾ (Chairman)
Nederlandse Cement Handelmaatschappij B.V. (Deputy Chairman)
Nederlandse Cement Overslagbedrijf B.V. (Deputy Chairman)
Open Joint Stock Company "Kryvyi Rih Cement"¹⁾
Südbayer. Portland-Zementwerk Gebr. Wiesböck & Co. GmbH
Tvornica Cementa Kakanj d.d.

Dr. Lorenz Näger

since 1 October 2004

- b) Apokjeden A.S.
S.A. Cimenteries CBR¹⁾
HeidelbergCement Northern Europe AB¹⁾
PT Indocement Tunggul Prakarsa Tbk.¹⁾
Lehigh Cement Company¹⁾
Lehigh Cement Limited¹⁾
maxit Group AB¹⁾
TAMRO Oyj

Paul Vanfrachem

until 30 June 2004

- b) Vicat S.A.

Horst R. Wolf

until 31 October 2004

- a) Circel AG (Chairman)
EnBW Kraftwerke AG
Kraftverkehr Bayern GmbH
- b) S.A. Cimenteries CBR¹⁾
HeidelbergCement Northern Europe AB¹⁾
PT Indocement Tunggul Prakarsa Tbk.¹⁾
Lehigh Cement Company¹⁾
Lehigh Cement Limited¹⁾
maxit Group AB¹⁾

* All indications refer to 31 December 2004 or, if the person in question left the Managing Board of HeidelbergCement AG prior to that date, the date on which the person stepped down.

29 Recommendation for the use of net profit

The Managing Board and Supervisory Board recommend that from the net profit of EUR 217,629,507.41 shown in the annual accounts, an amount of EUR 55,491,652.70 be used to pay a dividend of EUR 0.55 per share on 100,893,914 no-par value shares entitled to dividend payment for the 2004 financial year, a further amount of EUR 161,548,016.84 be transferred to the revenue reserves and the remaining amount of EUR 589,837.87 be carried forward to the following year.

The recommendation for the use of net profit takes into account the company shares held by the company at the time of the recommendation for the use of net profit by the Managing Board and Supervisory Board, which are not entitled to dividend payment in accordance with § 71 b of the German Stock Company Act (AktG). If the number of company shares held by the company at the time of the passing of the resolution by the Annual General Meeting on the use of the net profit is larger or smaller than at the time of the recommendation for the use of net profit by the Managing Board and Supervisory Board, the amount to be distributed to the shareholders is reduced or increased by the proportion of the dividend accounted for by the difference in shares. The profit carried forward is altered conversely by the same amount.

Heidelberg, 18 March 2005

HeidelbergCement AG

The Managing Board

Audit opinion on the annual financial statements

“We have audited the annual financial statements including the accounts and the report to the shareholders, combined with the Group report to the shareholders, of HeidelbergCement AG, Heidelberg, for the financial year from 1 January to 31 December 2004. The accounts and the preparation of the annual financial statements and report to the shareholders in accordance with the German commercial law regulations and the supplementary regulations in the articles of association are the responsibility of the company’s legal representatives. Our task is to deliver an assessment, based on the audit carried out by us, of the annual financial statements including accounts and of the report to the shareholders.

We have carried out our annual audit pursuant to § 317 of the HGB in accordance with the principles of proper auditing established by the Institut der Wirtschaftsprüfer (IDW). Those principles require that we plan and perform the audit in such a manner that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual accounts in accordance with principles of proper accounting and in the report to the shareholders are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-based internal control system and the evidence supporting the disclosures in the accounts, annual financial statements and report to the shareholders are examined primarily on a sample basis within the framework of the audit. The audit includes the assessment of the accounting principles used and significant estimates made by the legal representatives, and evaluation of the overall presentation of the annual accounts and report to the shareholders. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, the annual financial statements give a true and fair view of the net assets, financial position, results of operations and cash flows of the company in accordance with principles of proper accounting. On the whole, the report to the shareholders provides a suitable understanding of the company’s position and suitably presents the risks of future development.”

Stuttgart, 18 March 2005

ERNST & YOUNG AG
Wirtschaftsprüfungsgesellschaft

Elkart
Wirtschaftsprüfer
(Independent German Auditor)

Wiesner
Wirtschaftsprüfer
(Independent German Auditor)

Chairman of the Supervisory Board:
Fritz-Jürgen Heckmann

Managing Board:
Dr. Bernd Scheifele, Chairman
Helmut S. Erhard
Daniel Gauthier
Andreas Kern
Dr. Lorenz Näger

Corporate seat is Heidelberg, Germany;
registered with the Heidelberg registration court, HRB No. 82

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