KOPPERS COMPANY, INC.

SALE OF

TAR, WOOD, ROOFING & COKE

DECEMBER 29, 1988

KOPPERS COMPANY, INC.
SALE OF TAR, WOOD, ROOFING & COKE
DECEMBER 29, 1988
CLOSING DOCUMENTS

VOLUME I. ASSET PURCHASE AGREEMENT

VOLUME II. SCHEDULES TO ASSET PURCHASE AGREEMENT

VOLUME III. MISCELLANEOUS

(i) Asset Purchase Agreement

A. Deliveries by Purchaser & Seller

1. Transition Agreement
2. Koppers Building Office Lease
3. Cross-Receipt

B. Deliveries by Seller

1. Lease Assignments
2. Bill of Sale
3. Jill M. Blundon Opinion
4. Travers Smith Opinion
5. Intellectual Property Assignments
6. Beazer PLC Guarantee
7. Certified Resolutions
8. KAP Share Certificates
9. Tarconord Share Certificates
10. Certificate re: satisfaction of conditions
11. Letter re: transfer instructions
12. Incumbency Certificate

C. Deliveries by Purchaser

1. Assumption
2. DMC Opinion
3. Certified Resolutions
4. Purchase Price
5. Certificate re: satisfaction of conditions

(ii) **Stock Subscription Agreement**

A. Deliveries by each party

1. Stock Subscription Agreement
   a. Exhibit A -- Series A Preferred Certificate of Designation
   b. Exhibit B -- Series B Preferred Certificate of Designation

B. Deliveries by Koppers Holdings

1. Stock Certificates
   a. Beazer, Inc. Voting Common
   b. Beazer, Inc. Series A
   c. Beazer, Inc. Series B
   d. KAP Voting Common
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   f. Management Voting Common
2. Opinion of Counsel (original for each purchaser)

C. Deliveries by each purchaser

1. Purchase Price (including letter from Beazer, Inc. re: transfer instructions)

D. Cross Receipts

1. Beazer, Inc./Holdings
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(iii) **Stockholders' Agreement**

A. Deliveries by each party

1. Stockholders' Agreement
   a. Exhibit A -- By-laws
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B. Deliveries by Beazer & KAP

1. Beazer PLC Guarantee
2. KAP Guarantee

(iv) Placement and Option Agreement

A. Deliveries by each party

1. Placement and Option Agreement
   a. Exhibit A -- Debenture Agreement
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B. Deliveries by Beazer PLC

1. Beazer PLC Guarantee

VOLUME IV. REAL ESTATE DOCUMENTS

(i) Deeds

(ii) Pole Yard Licenses

(iii) Consents

[CONFORMED COPY]

ASSET PURCHASE AGREEMENT

by and between

KOPPERS COMPANY, INC.

and

KOPPERS INDUSTRIES, INC.

Dated as of December 28, 1988

ASSET PURCHASE AGREEMENT

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ASSET PURCHASE AGREEMENT

ASSET PURCHASE AGREEMENT, dated as of December 28, 1988 (the "Agreement"), by and between KOPPERS COMPANY, INC., a Delaware corporation ("Koppers"), and KOPPERS INDUSTRIES, INC., a Pennsylvania corporation ("Purchaser"). Koppers is sometimes hereinafter referred to as "Seller."

This Agreement sets forth the terms and conditions upon which Seller will sell to Purchaser, and Purchaser will purchase from Seller, certain of the properties and assets and certain of the rights, claims and contracts of Koppers' Tar and Wood Products Sector (other than the Wolman Division), Building Products Sector (other than the phenolic insulation business of the Commercial Roofing & Insulation Division) and the Woodward, Alabama, Coke Facilities and Purchaser will assume certain liabilities of such divisions, all upon the terms and subject to the conditions set forth in this Agreement.

In consideration of the foregoing and the mutual representations, warranties, covenants and agreements contained herein, intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I

TRANSFER OF ASSETS AND LIABILITIES

1.01 Purchase of Assets. (a) Upon the terms and subject to the conditions of this Agreement, at the Closing (as defined in Section 1.04 hereof), Seller shall sell, transfer, convey, assign and deliver to Purchaser, and Purchaser shall purchase, acquire and accept from Seller, all of Seller's right, title and interest in the following properties, assets, rights, claims and contracts (the "Assets") which are used in Koppers' Tar and Wood Products Sector (other than the Wolman Division), Building Products Sector (other than the phenolic insulation business of the Commercial Roofing & Insulation Division) and the Woodward, Alabama, Coke Facilities (the "Business"):

(i) all real property, easements, leaseholds and other real property interests identified in Schedule 1.01(a)(i) and all improvements thereon (the "Real Property");

(ii) all tangible personal property either (A) located at the Real Property (except property used exclusively by the polyester resins facility located at the Real Property production facility in Chicago, Illinois) or (B) identified in Schedule 1.01(a)(ii);

(iii) all inventories of raw materials, work-in-process, packaging supplies, samples and finished goods used or held for use in the Business;

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(iv) all rights in and under contracts (including any non-competition agreements), leases of personal property, licenses, joint venture, partnership or other arrangements, purchase and sale orders and other agreements related to the ownership and operation of the Business (the "Contracts");

(v) all patents, patent applications, trademarks, tradenames (including, except as provided on Schedule 2.07 and in Section 4.09 hereof, exclusive rights to the name "Koppers"), licenses, copyrights and copyright applications and related agreements identified in Schedule 1.01(a)(v) and all inventions, trade secrets, proprietary processes, know-how and formulae, whether patentable or unpatentable, that are used in the Business (the "Intellectual Property");

(vi) all accounts and notes receivable arising from the operation of the Business;

(vii) all books of account, records, files and invoices, including but not limited to all production data, equipment maintenance data, employee files, accounting records, inventory records, sales and sales promotional data, advertising materials, customer lists, cost and pricing information, supplier lists, business plans, reference catalogs and any other records and data used in connection with the Business

and located at the Real Property or identified on Schedule 1.01(a)(vii);

(viii) all motor vehicles and railroad cars identified in Schedule 1.01(a)(viii);

(ix) all rights under express or implied warranties from suppliers of the Business except to the extent related to Nonassumed Liabilities (as defined below);

(x) all shares of capital stock and other securities identified in Schedule 1.01(a)(x);

(xi) to the extent transferable, all licenses, permits or other rights granted by governmental authorities and all certificates of convenience or necessity, easements, consents, grants, rights to emission credits and other rights of every character whatsoever that are used, required or necessary for the lawful ownership or operation of the Business (collectively, "Permits");

(xii) all existing plans or designs for capital and cost reduction projects in process at or currently planned in connection with the Business; and

(xiii) petty cash in an amount not to exceed $25,000.00 in the aggregate and the bank accounts listed on Schedule 1.01(a)(xiii) (but excluding any cash balances (other than petty cash counted as part of the $25,000.00 referred to above) held therein).

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(b) The Assets shall exclude any assets not specifically identified in Section 1.01(a), including, without limitation, (i) cash and cash equivalents (other than as set forth in Section 1.01(a)(xiii); (ii) any insurance policies relating to the Assets or the Business; and (iii) those portions of the Real Property related to the Woodward, Alabama, Coke Facilities described in Schedule 1.01(b) (the "Excluded Woodward Assets").

1.02 Assumption of Liabilities. (a) Upon the terms and subject to the conditions of this Agreement, at the Closing, Purchaser shall assume the following liabilities and obligations of Seller (the "Assumed Liabilities"):

(i) all liabilities and obligations of Seller existing at the time of the Closing and included in the Adjusted Balance Sheets (as hereafter defined) or incurred subsequent to the date thereof, to the extent included in the Closing Balance Sheet (as hereafter defined), other than the liabilities and obligations referred to in Section 1.02(b)(i) through (iii);

(ii) all liabilities and obligations of Seller arising in respect of any period after the time of the Closing under any Contract;

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(iii) all obligations of Seller to maintain fire, casualty, liability and other insurance with respect to the Business after the time of the Closing (it being understood that any insurance maintained by Seller with respect to the Business will lapse as of the Closing and that any insurance relating to the Business after the Closing will be obtained by Purchaser);

(iv) all liabilities and obligations for claims for repair and replacement with respect to the built-up roofing program for built-up roofing installation installed prior to the Closing;

(v) all liabilities and obligations assumed by Purchaser pursuant to Article VI or VII hereof; and

(vi) all liabilities and obligations with respect to compliance with Chapter 6, Part 6.9.4 of the Jefferson County Board of Health, Air Pollution Control Rules and Regulations currently in effect, including without limitation expenditures related to the construction of two land based pushing emission control devices manufactured by Flakt, Inc. at the Woodward, Alabama Coke production facility (the "Flakt System").

(b) Purchaser shall not assume any liabilities, obligations or commitments of Seller other than the Assumed

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Liabilities (the "Nonassumed Liabilities"), including, without limitation, the following:

(i) all debts, liabilities, obligations and commitments of Seller and its subsidiaries and affiliates for income taxes and all deficiencies, assessments, charges, interest and penalties associated therewith imposed by the United States, any taxing authority outside the United States or any state or local instrumentality or authority within the United States, relating to or accrued in any period prior to the Closing;

(ii) all obligations and liabilities retained by Seller pursuant to Article VI or VII hereof; and

(iii) all expenses, liabilities, damages or obligations in respect of product liability claims for personal injuries, property damage or losses with respect to products sold or otherwise disposed of by Seller prior to the Closing (other than as set forth in Section 1.02(a)(iv) for claims for repair and replacement with respect to built-up roofing installed prior to the Closing).

1.03 Consideration. Upon the terms and subject to the conditions of this Agreement, Purchaser will deliver or cause to be delivered to Seller at the Closing, in full payment for the aforesaid sale, conveyance, assignment,

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transfer and delivery of the Assets, and for the covenant of Seller not to compete set forth in Section 4.07 hereof, immediately available funds in the amount of $226,834,000 (the "Purchase Price"), subject to adjustment as set forth in Section 1.07 hereof.

1.04 The Closing. The closing of the transactions contemplated by this Agreement (the "Closing") will take place at 10:00 a.m., at the offices of Koppers on December 29, 1988 or at such other time, at such other place or on such other date as the parties hereto may mutually agree. The date on which the Closing occurs is herein referred to as the "Closing Date".

1.05 Deliveries by Seller. At the Closing, Seller will deliver or cause to be delivered to Purchaser the following:

(a) deeds and assignments of leases containing the warranties set forth herein with respect to the Real Property and landlord consents, to the extent obtained, and assignments related thereto;

(b) a duly executed bill of sale, substantially in the form of Annex I hereto (the "Bill of Sale");

(c) instruments of assignment and licenses with respect to the United States and Canadian patents, patent applications, trademarks and trademark applications included in the Intellectual Property;

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(d) all such other deeds, endorsements, assignments and other instruments as, in the reasonable opinion of Purchaser's counsel, are necessary to vest in Purchaser title to the Assets to be transferred to it pursuant to this Agreement;

(e) an opinion of counsel to Seller substantially in the form attached as Annex II hereto;

(f) a duly executed Transition Agreement and a duly executed Office Lease (as such terms are defined in Section 4.08 hereof); and

(g) duly executed Pole Yard Licenses (as defined in Section 4.08 hereof).

1.06 Deliveries by Purchaser. At the Closing, Purchaser will deliver or cause to be delivered to Seller the following:

(a) immediately available funds in an amount equal to the Purchase Price;

(b) a duly executed Assumption Agreement substantially in the form of Annex III hereto (the "Assumption") and such other good and sufficient instruments of assumption as shall be reasonably necessary to vest in Purchaser as of the Closing the Assumed Liabilities;

(c) an opinion of counsel to Purchaser substantially in the form attached as Annex IV hereto;

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(d) a duly executed Transition Agreement and a duly executed Office Lease; and

(e) duly executed Pole Yard Licenses.

1.07 Purchase Price Adjustment. (a) Seller previously has delivered to Purchaser unaudited balance sheets of the divisions comprising the Business as of June 30, 1988, adjusted as described in Schedule 2.04(c)-2 (the "Adjusted Balance Sheets") (the book value of the total assets included in such Adjusted Balance Sheets (without reductions for any LIFO reserve included therein) less the book value of certain liabilities included in such Adjusted Balance Sheets equals $228,527,000 and is hereinafter referred to as the "June 30 Net Worth"). Such Adjusted Balance Sheets are included in Schedule 2.04(c)-1.

(b) Within 90 days following the Closing Date, Purchaser shall prepare or cause to be prepared and deliver to Seller a balance sheet of the Assets and Assumed Liabilities as of the Closing Date in accordance with generally accepted accounting principles, which shall be audited by a nationally recognized independent public accounting firm (the "Closing Balance Sheet"), together with a calculation of the book value of the total assets (without reductions for any LIFO reserve included therein and without any reduction in the value of the Assets listed on Schedule 1.07) less the total liabilities included in

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the Closing Balance Sheet (other than liabilities and reserves related to Nonassumed Liabilities and other than an accrual related to past service pension expenses related to previously operated properties) (such book value of such total assets less such book value of such liabilities is hereinafter referred to as the "Closing Date Net Worth"). Any accruals or reserves for the Flakt System or the liabilities assumed by Purchaser in Section 6.04 hereof shall not be included as liabilities for the purpose of calculating Closing Date Net Worth. Seller and its representatives shall have the right to review all work papers and procedures used to prepare the Closing Balance Sheet and the calculation of the Closing Date Net Worth and shall have the right to perform any other reasonable procedures necessary to verify the accuracy thereof. Unless Seller, within 20 days after delivery to Seller of the Closing Balance Sheet and the calculation of the Closing Date Net Worth, notifies Purchaser in writing that it objects to the Closing Balance Sheet or the calculation of the Closing Date Net Worth, and specifies the basis for such objection, such Closing Balance Sheet and calculation of the Closing Date Net Worth shall become final and binding upon the parties for purposes of this Agreement. If Purchaser and Seller are unable to resolve such objections within 10 days after any such notification has

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been given, the dispute shall be submitted to a nationally recognized public accounting firm mutually agreed upon by Purchaser and Seller. Such accounting firm shall make a final and binding determination as to the proper accounting treatment (including resolution of any factual issues in dispute underlying such treatment), in accordance with generally accepted accounting principles, of any items in dispute with respect to the Closing Balance Sheet and, based on such determination, shall make a final and binding calculation of the Closing Date Net Worth. Purchaser and Seller agree to cooperate with each other and with each other's authorized representatives in order to resolve any and all matters in dispute as soon as practicable.

(c) Within 10 days after the Closing Date Net Worth has been finally determined either by mutual agreement or by the independent public accounting firm as set forth in Section 1.07(b) hereof, the difference, if any, between the June 30 Net Worth and the Closing Date Net Worth shall be paid by Purchaser to Seller (if the Closing Date Net Worth exceeds the June 30 Net Worth) or by Seller to Purchaser (if the June 30 Net Worth exceeds the Closing Date Net Worth). Such payment shall be by certified or bank check, and shall include simple interest on such amount at a rate per annum equal to 10%, commencing on the Closing Date and continuing until the date of full payment hereunder.

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(d) Purchaser and Seller each shall bear one-half of the fees, costs and expenses of the accounting firm retained under subsection (b) to resolve any dispute.

1.08 Allocation of Purchase Price. Seller and Purchaser shall determine an allocation of the Purchase Price among the Assets and the covenant not to compete set forth in Section 4.07 hereof, using the allocation method required by Section 1060 of the Internal Revenue Code of 1986 (the "Code") and the regulations thereunder. Seller and Purchaser each agree to report the federal, state and local income and other tax consequences of the transactions contemplated herein, and in particular to report the information required by Code Section 1060(b), in a manner consistent with such allocation and will not take any position inconsistent therewith upon examination of any tax return, in any refund claim, in any litigation, investigation or otherwise.

ARTICLE II

REPRESENTATIONS AND WARRANTIES OF SELLER

Seller hereby represents and warrants to Purchaser as follows:

2.01 Corporate Organization and Subsidiaries. (a) Seller is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation and is duly qualified or

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licensed as a foreign corporation authorized to do business in each jurisdiction in which the character of the properties and assets now owned or held by it or the nature of the business now conducted by it requires it to be so licensed or qualified and where the failure would have a material and adverse effect on the Business. Seller has full corporate power and authority to own its properties and carry on the Business as now being conducted.

(b) Each of the corporations set forth in Schedule 1.01(a)(x) (each such corporation being herein referred to as a "Subsidiary" or, collectively, the "Subsidiaries") is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation. Seller has delivered to Purchaser true, correct and complete copies of the certificate of incorporation and by-laws or equivalent governing instruments, each as amended to the date hereof, of each Subsidiary. Schedule 1.01(a)(x) sets forth (i) a list of the jurisdiction of incorporation of each Subsidiary and (ii) the number of issued and outstanding shares of capital stock of each of the Subsidiaries. Except as set forth in Schedule 1.01(a)(x), (i) all outstanding shares of capital stock of each Subsidiary listed on Schedule 1.01(a)(x) as owned by Seller are owned beneficially and of record by Seller, (ii) all such shares

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of capital stock listed on Schedule 1.01(a)(x) as owned by Seller are owned free and clear of all liens, charges, encumbrances, rights of others, mortgages, pledges or security interests, and are not subject to any agreements or understandings among any persons with respect to the voting or transfer of such shares, and (iii) there are no outstanding subscriptions, options, convertible securities, warrants or calls of any kind issued or granted by or binding upon Seller to purchase or otherwise acquire any security or equity interest in any Subsidiary.

2.02 Authorization. Seller has full corporate power and authority to execute and deliver this Agreement and, to the extent it is a party thereto, the documents to be delivered at the Closing pursuant to Section 1.05 hereof (collectively, the "Seller Agreements") and to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and the Seller Agreements by Seller and the consummation by Seller of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate action and no other corporate action or proceeding on the part of Seller is necessary to authorize the execution and delivery by Seller of this Agreement or the Seller Agreements or the consummation by Seller of the transactions contemplated hereby or thereby. This Agreement has been, and the Seller

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Agreements on the Closing Date will be, duly executed and delivered by Seller and this Agreement is, and on the Closing Date each of the Seller Agreements will be, legal, valid and binding obligations of Seller, enforceable against it in accordance with their terms, subject to applicable laws affecting creditors' rights generally and, as to enforcement, to general principles of equity, regardless of whether applied in a proceeding at law or in equity.

2.03 No Violations; No Consents or Approvals Required. Except as set forth in Schedule 2.03, neither the execution and delivery of this Agreement or the Seller Agreements nor the consummation of the transactions contemplated hereby or thereby will (i) conflict with or violate any provision of the Certificate of Incorporation or By-Laws of Seller, (ii) conflict with or violate any law, rule, regulation, ordinance, order, writ, injunction, judgment or decree applicable to the Business or by which any of the Assets are bound or affected (except for violations of permits or licenses issued under Environmental Laws, as hereinafter defined) or (iii) conflict with or result in any breach of or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination or cancellation of, or accelerate the

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performance required by or maturity of, or result in the creation of any security interest, lien, charge or encumbrance on any of the Assets pursuant to any of the terms, conditions or provisions of, any note, bond, mortgage, indenture, permit, license (other than permits or licenses under Environmental Laws ("Environmental Permits")), franchise, lease, contract, or other instrument or obligation to which Seller is a party except, in the case of (ii) and (iii) above, for such conflicts, violations, breaches, defaults, terminations, cancellations and accelerations which in the aggregate will not have a material adverse effect on the Business and, in the case of (iii) above, such liens, charges or encumbrances permitted by Section 2.05 hereof. Except as set forth in Schedule 2.03 and with respect to the transfer of any Environmental Permits, no notice, declaration, report or other filing or registration with, and no waiver, consent, approval or authorization of, any governmental or regulatory authority or instrumentality or any other person is required to be submitted, made or obtained by Seller in connection with the execution, delivery or performance of this Agreement or the Seller Agreements and the consummation of the transactions contemplated hereby or thereby.

2.04 Financial Statements. (a) Seller has previously delivered to Purchaser (i) balance sheets of the

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divisions comprising the Business as of the end of each of the fiscal periods ended December 31, 1986, December 31, 1987 and June 30, 1988 (the balance sheet as of June 30, 1988 is hereinafter referred to as the "Balance Sheet") and the related statements of income for the respective fiscal periods then ended (all of the financial statements referred to above in this Section 2.04(a) are attached hereto as Schedule 2.04(a) and are herein collectively referred to as the "Financial Statements"). The Financial Statements fairly present the financial position of the Business as of the respective dates set forth therein and the results of operations of the Business for the respective periods or as of the respective dates set forth therein, in each case in conformity with generally accepted accounting principles applied on a consistent basis throughout the periods involved, except as otherwise noted therein and subject (in the case of interim financial statements referred to above) to year end audit adjustments; provided, however, that the Financial Statements do not include footnotes that may be required by generally accepted accounting principles.

(b) Except as set forth in Schedule 2.04(b) and except for those incurred in the ordinary course of business and consistent with past practice, to the best of Kopper's knowledge, since the date of the Balance Sheet to

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the date of this Agreement the Business has not incurred any liabilities or obligations (whether accrued, absolute, contingent or otherwise) which have not been discharged prior to the date of this Agreement.

(c) Attached hereto as Schedule 2.04(c)-1 are certain adjusted financial statements (the "Adjusted Financial Statements") of the Business as of and for the periods ended December 31, 1986, December 31, 1987 and June 30, 1988. Schedule 2.04(c)-2 describes the adjustments made to the historical financial statements of the Business for such periods, which adjustments resulted in the Adjusted Financial Statements.

2.05 Title to Properties and Related Matters. Upon consummation of the transactions contemplated by this Agreement, Seller shall convey and Purchaser will acquire good and marketable fee simple title to the Real Property reflected on Schedule 1.01(a)(i) as owned by Seller (which will be insurable by Chicago Title Insurance Company), will acquire a valid and assignable (except to the extent that the terms of any lease prohibits its assignment) leasehold estate in the Real Property reflected in Schedule 1.01(a)(i) as leased by Seller, and will become the legal and beneficial owner of the other Assets, free and clear of all mortgages, pledges, liens, leases, easements, restrictive covenants, security interests, conditional

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sales agreements, encumbrances or charges of any kind ("Liens"), except for (i) Liens created by Purchaser, (ii) Liens relating to the Assumed Liabilities, (iii) Liens which, either individually or in the aggregate, are not material to the Business and which do not provide for a reversion or a forfeiture of the subject Real Property, and (iv) Liens disclosed in the title reports with respect to the Real Property previously delivered to Purchaser. The Assets consist of all properties and assets necessary to operate the Business in the manner it has been operated prior to the date hereof. Except as expressly set forth in this Agreement, Seller expressly disclaims any other representation and warranty of any kind or nature, express or implied, as to the condition, value or quality of the Assets and SPECIFICALLY DISCLAIMS ANY REPRESENTATION OR WARRANTY OF MERCHANTABILITY, USAGE OR FITNESS FOR ANY PARTICULAR PURPOSE WITH RESPECT TO ANY OF THE ASSETS. EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, THE ASSETS SHALL BE TRANSFERRED TO PURCHASER "AS IS" AND "WHERE IS".

2.06 Absence of Change. Except as disclosed in Schedule 2.06, since the date of the Balance Sheet (i) the Business has been operated in the ordinary course in a manner consistent with past practice and (ii) there has not been any change in the operations, properties, assets or condition, financial or otherwise, of the Business other

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than changes, none of which, individually or in the aggregate, has been materially adverse to the Business.

2.07 Intellectual Property. Except as set forth on Schedule 2.07, in Section 4.09 and for matters as to which Purchaser has knowledge (the actual knowledge of any employee of Seller who will be a shareholder of Purchaser (a "Management Investor") being attributed to Purchaser), (i) Seller is the sole and exclusive owner of all rights to the Intellectual Property, the same are fully assignable and Seller has the right to use the same without the payment of any license, fee, royalty or similar charge and (ii) there is no material claim of any other person, firm or corporation or any proceeding pending or, to Seller's best knowledge, threatened which relates to any of the Intellectual Property.

2.08 Litigation. Except (i) as set forth in Schedule 2.08 and (ii) for claims, actions, suits, proceedings or investigations by governmental, regulatory or administrative authorities relating to Environmental Laws (which are addressed by Article VII hereof), to the best knowledge of Koppers, there are no claims, actions, suits, proceedings or investigations by or before any court or governmental or other regulatory or administrative agency, instrumentality or authority pending or threatened by or against or affecting the Business, except for such claims, actions, suits, proceedings or investigations which

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in the aggregate will not have a material adverse affect on the Business.

2.09 Compliance with Applicable Law. Except (i) for matters as to which Purchaser has knowledge (the actual knowledge of any Management Investor being attributed to Purchaser), (ii) as set forth in Schedule 2.09 and (iii) with respect to Environmental Laws (which are addressed by Article VII hereof), the Business is presently complying, and on the Closing will be in compliance, with all applicable laws, rules, regulations, orders, ordinances, judgments or decrees of all governmental authorities (federal, state, local or otherwise), except for such failures to comply which in the aggregate will not have a material adverse effect on the Business, and the Business holds and as of the Closing will hold all material Permits (other than Environmental Permits) necessary for the ownership or operation of the Business. Schedule 2.09 sets forth a complete list of such Permits that are not freely transferable to Purchaser or obtainable by Purchaser without material payment.

2.10 Brokers and Finders. Neither Seller nor any of their officers, directors or employees, has incurred any liability for any brokerage fees, commissions, finders' fees or similar fees or expenses for which Purchaser may be liable.

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2.11 Tax Matters. (i) For purposes of this Agreement, "Taxes" shall mean all Federal, state, local and foreign taxes for which Koppers or any subsidiary is or may be liable. Except as set forth on Schedule 2.11, each of Koppers and any of its subsidiaries and any affiliated group, within the meaning of Section 1504 of the Code, of which any of Koppers and its subsidiaries is or has been a member has filed or caused to be filed in a timely manner (within any applicable extension periods) all Tax returns, reports and forms required to be filed, all Taxes shown to be due on such returns, reports and forms have been or will be timely paid in full, all such returns, reports and forms are accurate in all material respects and no Tax liens have been filed and no material claims are being asserted or assessed with respect to any Taxes and there are no actions, suits, proceedings, audits or investigations threatened or pending in respect of any material Taxes.

2.12 Contracts and Commitments. To the best knowledge of Koppers based on an inquiry of the Management Investors, Schedule 2.12 sets forth an accurate and complete list of each Contract of the following type:

(i) employment agreement or consulting contract with a present or former employee that is not terminable at will and which either has a term remaining in excess of one year or requires the

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payment of amounts in excess of $100,000 per annum or upon severance;

(ii) collective bargaining agreement or other contract with any labor union;

(iii) contract for capital expenditures or the acquisition or construction of fixed assets which requires aggregate future payments in excess of $100,000;

(iv) contract (other than a contract of the type referred to in clause (i) or (iii) of this Section 2.12 or a purchase order issued in the ordinary course of business) for the purchase, maintenance or acquisition, or the sale or furnishing, of materials, supplies, merchandise, equipment or other property or services (including consulting services) which requires aggregate future payments in excess of $25,000 and has a remaining term in excess of one year;

(v) contract granting to any person a preferential right to purchase or acquire any right, asset or property or contract to provide goods or services at below cost (other than promotional arrangements entered into in the ordinary course of business);

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(vi) license or royalty agreement which is material to the business or operations of the Business taken as a whole;

(vii) contract with any dealer, distributor, manufacturer's representative or other sales agent having a remaining term in excess of one year and which is not terminable without penalty on 90 days' or less notice;

(viii) contract or arrangement with Seller or any of its Subsidiaries or any of their affiliates which involves payment or performance to or by the Business after the Closing;

(ix) lease or similar agreement under which (x) the Business is lessee of, or holds or uses, any machinery, equipment, vehicle or other tangible personal property owned by a third party or (y) is a lessor of, or makes available for use by any third party, any tangible personal property owned by the Business, in either case which requires aggregate annual payments in excess of $50,000; or

(x) other contract, agreement, license, commitment or instrument which is not made in the ordinary course or business and which involves future payment or performance valued in excess of $25,000.

Each such Contract is valid, binding and in full force and effect and, except as set forth in Schedule 2.03,

may be assigned to Purchaser without the consent of any third party. Except for matters as to which Purchaser has knowledge (the actual knowledge of any Management Investor being attributed to Purchaser), Seller has performed in all material respects all obligations required to be performed by it pursuant to such Contracts and is not in material default under or in material breach of nor in receipt of any claim of material default or material breach under any such Contract. Seller has no knowledge of any material default under any such Contract by any other party thereto.

2.13 Collective Bargaining; Labor Controversies. Except as described in Schedule 2.13, there have been no labor controversies in the last five years which have had a material adverse effect on the operations of the Business, and there is none pending between Seller and any of the employees of the Business.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser hereby represents and warrants to Seller as follows:

3.01 Corporate Organization. Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania.

3.02 Authorization. Purchaser has full corporate power and authority to execute and deliver this

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Agreement and the documents to be delivered at the Closing pursuant to Section 1.06 hereof (collectively, the "Purchaser Agreements") and to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and the Purchaser Agreements by Purchaser and the consummation by Purchaser of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate action and no other corporate action or proceeding on the part of Purchaser is necessary to authorize the execution and delivery by Purchaser of this Agreement or the Purchaser Agreements or the consummation by Purchaser of the transactions contemplated hereby or thereby. This Agreement has been, and the Purchaser Agreements on the Closing Date will be, duly executed and delivered by Purchaser and this Agreement is, and on the Closing Date each of the Purchaser Agreements will be, legal, valid and binding obligations of Purchaser, enforceable against Purchaser in accordance with their terms, subject to applicable laws affecting creditors' rights generally and, as to enforcement, to general principles of equity, regardless of whether applied in a proceeding at law or in equity.

3.03 No Violations; No Consents or Approvals Required. Neither the execution and delivery of this Agreement or the Purchaser Agreements nor the consummation of the transactions contemplated hereby or thereby will (i)

conflict with or violate any provision of the Articles of Incorporation or By-Laws of Purchaser, (ii) conflict with or violate any law, rule, regulation, ordinance, order, writ, injunction, judgment or decree applicable to Purchaser or by which any of its properties or assets are bound or affected or (iii) conflict with or result in any breach of or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination or cancellation of, or accelerate the performance required by or maturity of, or result in the creation of, any security interest, lien, charge or encumbrance on any of its assets or properties pursuant to any of the terms, conditions or provisions of, any note, bond, mortgage, indenture, permit, license, franchise agreement, lease, contract, or other instrument or obligation to which Purchaser is a party or by which Purchaser or any of its properties or assets is bound or affected, except, in the case of (ii) and (iii) above, for such conflicts, violations, breaches, defaults, terminations, cancellations and accelerations which in the aggregate will not have a material adverse effect on the ability of Purchaser to consummate the transactions contemplated by this Agreement and the Purchaser Agreements. Except as set forth in Schedule 3.03 and with respect to the transfer of any Environmental Permits, no

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notice, declaration, report or other filing or registration with, and no waiver, consent, approval or authorization of, any governmental or regulatory authority or instrumentality or any other person is required to be submitted, made or obtained by Purchaser in connection with the execution, delivery or performance of this Agreement or the Purchaser Agreements and the consummation of the transactions contemplated hereby or thereby.

3.04 Brokers and Finders. Neither Purchaser nor its officers, directors or employees has incurred any liability for any brokerage fees, commissions, finders' fees or similar fees or expenses for which Seller may be liable other than those described in the letter agreement dated November 17, 1988 among Goldman, Sachs & Co., Koppers and Beazer, Inc.

3.05 Financing. Purchaser has received commitments, copies of which have been provided to Seller, with respect to the funds necessary to consummate the transactions contemplated hereby.

3.06 Capitalization and Prior Activities. Purchaser is not, and as of the Closing will not be, controlled by any Entity (other than Beazer PLC or Koppers Holdings Corporation), as that term is defined in Section 801.1(b) of the rules promulgated under the HSR Act (the "Rules"); Purchaser does not have, and at no time prior to

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the Closing will Purchaser have, a regularly prepared balance sheet as described in Section 801.11(c)(2) of the Rules; Purchaser does not have, and at no time prior to the Closing will Purchaser have, annual net sales of $10,000,000 or more, determined in accordance with the Rules; and Purchaser does not have, and at no time prior to the Closing will Purchaser have, total assets of $10,000,000 or more other than cash used to purchase the Assets and to pay related fees and expenses.

ARTICLE IV

COVENANTS

4.01 Conduct of the Business Pending the Closing. Seller hereby covenants that, from the date hereof to and including the Closing Date, unless Purchaser shall otherwise agree in writing or as otherwise contemplated by this Agreement (it being understood that Seller shall not be deemed to have violated this Section 4.01 to the extent that any such alleged violation was caused by the act or omission of any Management Investor (other than acts or omissions directed by any officer of Seller or Beazer PLC other than a Management Investor)):

(a) the Business shall be conducted in the ordinary and usual course, in a manner consistent with past practice;

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(b) the Business shall not (i) except with respect to expenditures related to the Flakt System described in Section 1.02(a)(vi) hereof, make or make any commitment to make any capital expenditures individually in excess of $100,000 or in the aggregate in excess of $1 million; (ii) dispose of any Real Property or other capital assets with a book value, individually or in the aggregate, in excess of $100,000 or encumber any of its capital assets; (iii) incur, or guarantee or otherwise become liable for, any indebtedness for borrowed money; (iv) amend any of its material Contracts except in the ordinary course of business consistent with past practice; or (v) enter into any new employee benefit plan, program or arrangement or amend any existing employee benefit plan, program or arrangement or grant any increases in employee compensation except in the ordinary course of business consistent with past practice;

(c) Seller will maintain the properties, machinery and equipment of the Business in good operating condition and repair and separate from the other assets and operations of Seller to the same extent as is currently the case;

(d) Seller will maintain insurance coverage relating to the Business up to and including

the Closing (and will not cancel any such insurance or take (or fail to take) any action that would enable the insurers under such policies to avoid liability for claims arising out of occurrences prior to the Closing);

(e) Seller will not sell, transfer, license or otherwise dispose of, or agree to sell, transfer, license or otherwise dispose of any of the Intellectual Property except in the ordinary course of business consistent with past practice;

(f) Seller will not terminate, discontinue, close or dispose of any plant, facility or business operation used in the Business;

(g) Seller will promptly notify Purchaser of (i) any breach or violation of, default or event of default under, or actual or threatened termination or cancellation of any material Contract or other material instrument relating to the Business, (ii) any material loss of, damage to, or disposition of any of the Assets, other than dispositions in the ordinary course of business, (iii) any instituted or threatened material claim or litigation, or other material adverse event or occurrence affecting the Business; and

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(h) Seller will consult with Purchaser with respect to any collective bargaining negotiation affecting the Business.

4.02 Confidentiality. (a) Seller shall, at all times after the Closing of the transactions contemplated hereunder, hold and keep confidential all information that is either non-public, confidential or proprietary in nature regarding the Business (the "Confidential Information").

(b) In the event that Seller becomes legally compelled (by oral questions, interrogatories, requests for information or documents, subpoena, civil investigative demand or similar process) to disclose any of the Confidential Information, Seller will provide Purchaser with prompt written notice so that Purchaser may seek a protective or other appropriate remedy and/or waive compliance with the provisions of this Section 4.02. In the event that such protective order or other remedy is not obtained, or that the Purchaser waives compliance with the provisions of this Section 4.02, Seller will furnish only that portion of the Confidential Information that it is legally required to furnish and Seller will exercise its best efforts to obtain reliable assurance that confidential treatment will be accorded the Confidential Information.

(c) Purchaser will hold and will cause its representatives to hold in strict confidence all documents

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and information concerning the Business to the extent and in accordance with the terms and conditions of the Confidentiality Letter dated August 7, 1988 between Dickie, McCamey & Chilcote and Shearson Lehman Hutton Inc.

4.03 Access to Information. (a) From the date hereof through the Closing Date, Seller (i) will give Purchaser and its respective authorized representatives reasonable access, subject to such limitations or procedures as may be necessary to protect the attorney-client privilege or the work product doctrine, to all offices, warehouses, plants, stores and other facilities and to all books and records of the Business, (ii) will permit Purchaser and all such persons to make such inspections as they may reasonably request and (iii) will cause its officers to furnish Purchaser and all such persons with such financial and operating data and other information with respect to the Assets and the Business as they may from time to time reasonably request.

(b) For a period of at least 5 years following the Closing Date, Purchaser will retain, at Purchaser's sole expense, the books, records and other data of the Business transferred pursuant to Sections 1.01(a) hereof; provided, that all such books, records and other data not used for the operation of the Business by Purchaser may, at Seller's request, be retained by Seller,

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as agent for Purchaser, in the document retention facility used by Seller in the Pittsburgh area. After the Closing, Purchaser will afford to Seller, its counsel and accountants, during normal business hours, reasonable access to such books, records and other data. Following the expiration of such 5-year period, Purchaser may dispose of any such books, records and other data; provided, however, that before disposing of any such materials it will first notify Seller and permit Seller, at its sole expense, to remove such materials.

(c) Purchaser shall, at the request of Seller, (i) provide reasonable assistance in the collection of information or documents and (ii) make Purchaser's employees available when reasonably requested by Seller, in connection with claims or actions brought by or against third parties based upon events or circumstances concerning Nonassumed Liabilities. Seller shall reimburse Purchaser for all reasonable out-of-pocket costs and expenses incurred by Purchaser in providing said assistance.

(d) For a period of at least 5 years following the Closing Date, Seller will retain, at Seller's sole expense, any records and documents relating to the Business and the Assets retained by Seller (the "Retained Records"). After the Closing Date, Seller agrees to make available to Purchaser for inspection and copying at

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Purchaser's expense, at reasonable times upon request therefor, the Retained Records. Following the expiration of such 5-year period, Seller may dispose of any Retained Records, provided, however, that before disposing of any such Records, Seller will first notify Purchaser and permit Purchaser, at its sole expense, to remove such Records. In addition, Seller agrees to make available to Purchaser financial data and other information retained by Seller relating to the Business and the Assets, and will make available such former employees of the Business employed by Seller, as Purchaser shall from time to time reasonably request, to permit Purchaser to prepare any tax returns and in connection with any governmental examination of tax returns relating to the Business or the Assets for periods from and after the Closing Date, and in connection with claims or actions brought by or against third parties based upon events or circumstances concerning Assumed Liabilities. Seller's reasonable out-of-pocket expenses in connection therewith shall be reimbursed by Purchaser.

4.04 Solicitation. Seller agrees that unless this Agreement shall have been terminated and abandoned pursuant to Article VIII hereof, Seller shall neither solicit nor encourage, directly or indirectly (including by way of furnishing any information concerning the business, properties or assets of the Business) nor enter into any

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negotiations or discussions concerning, any proposal by any person with respect to the sale or other disposition by Seller of all or any part of the Business except in the ordinary course of business consistent with past practice.

4.05 Best Efforts. (a) Upon the terms and subject to the conditions hereof, each of the parties hereto agrees to use its best efforts to take or cause to be taken all actions and to do or cause to be done all things necessary, proper or advisable to consummate the transactions contemplated by this Agreement, the Seller Agreements and the Purchaser Agreements and shall use its best efforts to obtain all necessary waivers, consents and approvals and to effect all necessary registrations and filings.

(b) In the event Purchaser or Seller, as the case may be, is unable to obtain, prior to the Closing, any consents, approvals, waivers or other authorizations to transfer to Purchaser any Asset, and the transactions contemplated hereby are nonetheless consummated, Purchaser and Seller will cooperate with each other in order to obtain such consents, approvals, waivers or other authorizations at the earliest practicable date. In each instance where such consents, approvals, waivers or other authorization cannot be obtained prior to the Closing, Seller shall enter into such alternative arrangements and

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agreements with Purchaser as may be appropriate in order to permit Purchaser to realize, receive and enjoy substantially similar rights and benefits and to enable Purchaser to conduct operations of the Business until the consents, approvals, waivers or other authorizations are obtained. If, after the exercise of diligent effort, any such consents, approvals, waivers or other authorizations are not obtained, Seller agrees to cooperate with Purchaser in any reasonable arrangements designed to provide for the benefit of Purchaser any and all rights of Seller in and to such Asset. To the extent any such arrangement cannot be implemented with respect to the leases identified on Schedule 2.03 for the plants located in Newark, New Jersey, Portland, Oregon, Galesburg, Illinois and Chicago, Illinois (tank farm only), Seller will compensate Purchaser in an amount to be mutually agreed for the loss of the rights and benefits arising under such leases.

4.06 Public Announcements. Purchaser and Seller will consult with each other before issuing any press release or otherwise making any public statements with respect to this Agreement or the transactions contemplated hereby and shall not issue any such press release or make any such public statement prior to such consultation, except as may be required by law or any national securities exchange.

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4.07 Competition. Seller covenants and agrees that it shall not at any time within the three-year period immediately following the Closing have any ownership interest in any firm, corporation, partnership, proprietorship or other business, that engages with third parties in the activities now engaged in by the Business in the geographic areas in which the Business is now conducted, so long as Purchaser remains engaged in the Business; provided, however, that (i) Seller may own, directly or indirectly, solely as an investment, securities of any person which are publicly traded if Seller does not, directly or indirectly, beneficially own five percent or more of any class of securities of such person; and (ii) Seller may have such an ownership interest during such three-year period if such ownership arises as a result of the acquisition of a business entity having primary business activities other than those now engaged in by the Business and such Seller is proceeding actively to dispose of those business activities prohibited by this Section.

4.08 Miscellaneous Agreements. (a) At or prior to the Closing, Purchaser and Koppers shall enter into (i) an agreement substantially in the form attached hereto as Annex V (the "Transition Agreement") pursuant to which Koppers will provide certain transition services to Purchaser; (ii) a lease substantially in the form attached

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hereto as Annex VI (the "Office Lease") pursuant to which Purchaser will lease certain space located at the Koppers Building, Pittsburgh, Pennsylvania and (iii) pole yard licenses substantially in the form attached hereto as Annex VII (the "Pole Yard Licenses") pursuant to which Purchaser will be entitled to use the pole yards identified on Schedule 1.01(a)(i).

(b) From and after the Closing, Purchaser will (i) grant Koppers and its successors a license to remove personal property used exclusively by the polyester resins facility located at the Real Property production facility in Chicago, Illinois and (ii) operate such facility on Seller's behalf for an interim period. Such license and operation will be on the terms set forth in Annex VIII hereto, which terms will be embodied in a more detailed contract to be mutually agreed upon by Purchaser and Seller after the Closing.

4.09 Use of Intellectual Property. Purchaser agrees that (a) Seller shall retain the right to use the name "Koppers" as part of Seller's corporate name until the later of (i) six months from the Closing Date and (ii) the sale by Koppers of its Polyester Resins Division, but in no event later than one year from the Closing Date. Purchaser further agrees that Seller shall have the right to use the mark "Koppers" in connection with the sale of goods by any

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of the chemical and allied product operations of Koppers still owned by Koppers during the six-month period following Closing. Seller agrees not to use the mark "Koppers" after Closing except as provided herein. Purchaser agrees to grant licenses to future purchasers of Koppers' chemical and allied product assets to use the mark "Koppers" for a limited period of time, such licenses to be substantially in the form of the trademark license agreement attached hereto as Annex IX. Purchaser further agrees to grant such future purchasers the right to use the statement "formerly part of Koppers Company, Inc." or words of similar import for a period of up to one year after Closing.

ARTICLE V

CONDITIONS TO CLOSING

5.01 General Conditions. The obligations of each party hereto to effect the transactions contemplated by this Agreement shall be subject to the satisfaction at or prior to the Closing of the following condition:

> No order, statute, rule, regulation, executive order, injunction, stay, decree or restraining order shall have been enacted, entered, promulgated or enforced by any court of competent jurisdiction or governmental or regulatory authority or instrumentality that prohibits the consummation of the transactions contemplated hereby.

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5.02 Conditions to Obligations of Seller. The obligations of Seller to effect the transactions contemplated by this Agreement shall be subject to the satisfaction at or prior to the Closing of the following conditions:

(a) Purchaser shall have performed in all material respects its obligations required under this Agreement to be performed by it at or prior to the Closing.

(b) The representations and warranties of Purchaser contained herein shall be true and correct in all material respects at and as of the Closing Date as if made at and as of such time except to the extent that a different time is specifically stated in such representations and warranties.

(c) Seller shall have received the Purchase Price and the documents referred to in Section 1.06 hereof.

(d) Seller shall have received a certificate of Purchaser executed by a duly authorized executive officer of Purchaser certifying that the conditions set forth in paragraphs (a) and (b) above have been met.

5.03 Conditions to Obligation of Purchaser. The obligation of Purchaser to effect the transactions

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contemplated by this Agreement shall be subject to the satisfaction at or prior to the Closing of the following conditions:

(a) Seller shall have performed in all material respects its obligations required under this Agreement to be performed by it at or prior to the Closing.

(b) The representations and warranties of Seller contained herein shall be true and correct in all material respects at and as of the Closing Date as if made at and as of such time except to the extent that a different time is specifically stated in such representations and warranties.

(c) Purchaser shall have received the documents referred to in Section 1.05 hereof.

(d) Purchaser shall have received a certificate of Seller executed by a duly authorized executive officer of Seller certifying that the conditions set forth in paragraphs (a) and (b) above have been met.

(e) Purchaser shall have received all consents and approvals of third parties (including any governmental agencies or authorities) identified on Schedule 5.03(e), such consents or approvals to be upon terms and conditions reasonably satisfactory to Purchaser.

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(f) Purchaser shall have received the funds necessary to consummate the transactions contemplated hereby.

(g) No order, statute, rule, regulation, executive order, injunction, stay, decree or restraining order shall have been enacted, entered, promulgated or enforced by any court of competent jurisdiction or governmental or regulatory authority or instrumentality that has a material adverse effect on Purchaser's ability to own the Business or derive the benefits thereof.

(h) All applications for the transfer of Environmental Permits shall have been filed.

(i) Purchaser shall have received a guarantee of Beazer PLC substantially in the form of Annex X hereto.

ARTICLE VI

PERSONNEL, EMPLOYMENT ARRANGEMENTS AND EMPLOYEE BENEFITS

6.01 Definition of "Transferred Employees". Effective as of the Closing, Purchaser shall offer employment to all employees (whether or not active) employed at the plants of the Business other than those individuals listed on Part A of Schedule 6.01 and to those individuals listed on Part B of Schedule 6.01 attached

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hereto. (Such employees and individuals who accept employment with Purchaser shall hereinafter be referred to as the "Transferred Employees.") Purchaser agrees not to terminate involuntarily any Transferred Employee during the six-month period immediately following the Closing, other than due to cause.

6.02 Benefits In General. Without limiting any other provision hereof, with respect to compensation and benefit plans (including, without limitation, any savings plans, deferred compensation plans, bonus plans, life and medical insurance plans and other employee benefit plans), prior to June 16, 1990 Purchaser will provide overall compensation and benefits for each Transferred Employee (other than Transferred Employees whose compensation and benefits are the subject of collective bargaining) that are in the aggregate substantially equivalent to those being provided immediately prior to the Closing for such Transferred Employee. Within this framework, specific benefit plans may be expanded, modified or terminated, as the case may be. For purposes of this Section 6.02, if Purchaser adopts a defined benefit pension plan (the "New DB Plan") which is equivalent to the Retirement Plan (as such term is defined in Section 6.03 hereof) and which gives credit for past service with Seller for all purposes other than for purposes of benefit accrual, the New DB Plan

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shall be deemed to be substantially equivalent in the aggregate to the benefits provided under the Retirement Plan for Transferred Employees covered by the Retirement Plan and the New DB Plan.

6.03 Salaried Retirement Plan. Seller shall retain responsibility for benefits under the Koppers Company, Inc. Salaried Retirement Plan (the "Retirement Plan") for all Transferred Employees. No assets of the Retirement Plan shall be transferred from the Retirement Plan as a result of the consummation of the transactions contemplated hereby. The consummation of the transactions contemplated hereby shall not be deemed to constitute a separation from service for purposes of determining the date of the commencement of benefits to Transferred Employees under the Retirement Plan and Transferred Employees shall not be entitled to receive benefits under the Retirement Plan during their employment with Purchaser. Promptly after the Closing, Seller shall deliver to each Transferred Employee a letter substantially in the form attached hereto as Schedule 6.03. Seller agrees to indemnify and hold Purchaser harmless from any and all cost, liability, damage or expense arising out of the Salaried Retirement Plan.

6.04 Hourly Single Employer Retirement Plans. Purchaser agrees that effective as of the Closing it shall

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become the sponsor of the single employer defined benefit plans listed on Schedule 6.04 attached hereto (the "Hourly Plans"). Effective as of the Closing, Purchaser agrees to assume and discharge all of Seller's obligations and liabilities arising out of or in connection with the Hourly Plans and to indemnify and hold Seller harmless from any cost, damage, liability or expense arising out of or in connection with the Hourly Plans, except in connection with Seller's gross negligence, fraud or breach of law. Schedule 6.04 hereto sets forth (i) the aggregate present value of accrued liabilities under the Hourly Plans, determined as of June 30, 1988 under the actuarial valuation assumptions set forth therein and (ii) the aggregate market value as of June 30, 1988 of assets held under trust for the account of participants in the Hourly Plans. No later than the time prescribed by law for filing Seller's federal income tax return for 1988 (including extensions), Seller shall make the contributions required to be made to the Hourly Plans with respect to 1988 set forth on Schedule 6.04 hereto and Seller shall have no obligation to make any contributions to the Hourly Plans with respect to any period after 1988. As soon as practical after the Closing, Purchaser and Seller shall take all steps necessary to transfer the assets held for the account of participants in the Hourly Plans from the

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existing trust or trusts which hold such assets to such trust or trusts as Purchaser shall specify. Seller agrees that promptly after the Closing it will use its best efforts to provide Purchaser with information reasonably necessary for Purchaser to carry out its obligations pursuant to this Section 6.04.

6.05 Multiemployer Plans. Seller shall make all contributions required to be made to the multiemployer plans listed on Schedule 6.05 attached hereto (the "Multiemployer Plans") with respect to Transferred Employees prior to the Closing and shall not be required to make any contributions to such plans with respect to Transferred Employees after the Closing.

6.06 Salaried Savings Plan. As soon as practical after the Closing, Purchaser shall establish a defined contribution tax-qualified employee benefit plan (the "Purchaser's DC Plan") to accept from the Koppers Company, Inc. Employee Savings Plan (the "Savings Plan") a transfer, in cash or securities reasonably acceptable to the trustee of the Purchaser's DC Plan, of an amount equal to the aggregate value of the accounts held on behalf of the Transferred Employees under the Savings Plan. Such transfer shall be made as soon as practical after (A) Purchaser furnishes to Seller an Internal Revenue Service determination letter that the Purchaser's DC Plan is

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qualified under Section 401(a) of the Internal Revenue Code of 1986, as amended (the "Code") and that its related trust is exempt under Section 501(a) of the Code and (B) all required regulatory filings have been made and approvals received, which Purchaser and Seller shall use their best efforts to cause to occur as soon as practical after the Closing. Such transfer shall comply with the requirements of Section 414(l) of the Code. Purchaser and Seller agree to cooperate in establishing as an investment option under the Purchaser's DC Plan for Transferred Employees . guaranteed investment contracts ("GICs") and to attempt to cause the insurance companies that issue the GICs under the Savings Plan to issue substantially identical GICs to the Purchaser's DC Plan to the extent necessary to avoid the imposition, as a result of the transfer described in this Section 6.06, of any penalty or loss on the account balances of Transferred Employees invested in guaranteed investment contracts under the Savings Plan. The Purchaser's DC Plan shall credit service in the employment of Seller for Transferred Employees for all purposes. For the period commencing on the Closing Date and terminating on the date of transfer described in this Section 6.06, Purchaser shall collect on behalf of the Savings Plan by payroll withholding and remit to such plan any payments required to be made to such plan in connection with laws under such plan to Transferred Employees.

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6.07 Collective Bargaining Agreements. Effective as of the Closing, Purchaser shall be deemed to be the successor and assign of the Seller under any collective bargaining agreement covering any Transferred Employee and for purposes of collective bargaining with respect to Transferred Employees and shall assume and discharge all obligations of Seller under or with respect to such agreements (including retirement, medical and life obligations with respect to former employees of the Business covered by any collective bargaining agreement or the predecessor to any such agreement). Effective as of the Closing, Purchaser agrees to assume and discharge all of Seller's liabilities and obligations to provide retirement, health and life benefits (other than COBRA continuation of coverage benefits under welfare plans maintained at Seller's headquarters and not at the plants) to non-union hourly former employees of the Business and to indemnify and hold Seller harmless against any and all cost, liability, expense and damages arising out of or in connection with such liabilities and obligations, except in connection with Seller's gross negligence, fraud or breach of law.

6.08 Welfare Plans. Seller shall be responsible for any medical, hospitalization, survivor benefits, life insurance, disability and workers compensation and other

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claims that were incurred or provided prior to the Closing Date and reported to Seller prior to the expiration of three months after the Closing Date and Purchaser shall be responsible for any such claim that is incurred or provided on or after the Closing Date. Seller agrees to indemnify and hold Purchaser harmless from any cost, liability, damage or expense arising out of or in connection with obligations or liabilities of Seller under welfare benefit plans maintained by Seller. Seller shall retain liability with respect to covered claims under Seller's long-term disability plans applicable to Transferred Employees, as amended from time to time, incurred by: (1) a disabled Transferred Employee, until the earlier of (i) three (3) months after the Closing Date, or (ii) the date such Transferred Employee is capable of returning to work; and (2) a disabled dependent of a Transferred Employee until the earlier of (i) three (3) months after the Closing Date, or (ii) the date such dependent is no longer hospitalized. For the purposes of this Section 6.08, "disabled Transferred Employee" shall be all of the Transferred Employees not actively at work on the Closing Date as a result of a disability and "disabled dependent" shall be all dependents of the Transferred Employees covered under the long-term disability plans of Seller who are hospitalized on the Closing Date.

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6.09 Special Severance Obligations. Effective as of the Closing, Purchaser shall assume and discharge all of Seller's obligations and liabilities to Transferred Employees described in paragraph 4 of Schedule 6.08 ("Schedule 6.08") of the Merger Agreement, dated June 1, 1988, between Koppers Company, Inc., BNS Inc. and others, which Schedule 6.08 is attached hereto as Schedule 6.09A. Effective as of the Closing, Purchaser shall assume and discharge all of Seller's obligations and liabilities to Transferred Employees described in the letter attached hereto as Schedule 6.09. Purchaser shall not assume a liability under this Section 6.09 unless it arises out of (i) an actual or constructive termination of employment described in such Schedules 6.09A or 6.09 or (ii) the failure of Purchaser to provide terms and conditions of employment to a Transferred Employee which are substantially equivalent to the terms and conditions of such employee's employment prior to the Closing.

6.10 Incentive Plans. Seller shall retain responsibility for obligations to Transferred Employees under the Executive Incentive Plan and applicable sector Incentive Plans with respect to 1988 and Seller shall have no responsibility for obligations under such plans for any period after 1988.

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6.11 Salaried Retiree Medical and Life. Seller will provide each salaried Transferred Employee who would be entitled to post-retirement health insurance benefits if he terminated employment with Seller immediately prior to the Closing with post-retirement health insurance benefits upon his termination of employment with Purchaser after the Closing at a level equal to the lesser of (i) the level in effect for salaried employees of Seller at the time of the Closing and (ii) the level in effect for retiring salaried employees of Seller at the time of such termination of employment.

6.12 Survivor Benefit Plan. Effective as of the Closing, Purchaser agrees to assume and discharge all of Seller's liabilities and obligations under Seller's Survivor Benefit Plan to Transferred Employees and to indemnify and hold Seller harmless against any and all cost, expense, liability and damages arising out of or in connection with such liabilities and obligations, except as a result of Seller's fraud, gross negligence, or breach of law. Seller agrees to transfer to Purchaser, as soon as practical after the Closing, the life insurance policies owned by Seller related to Seller's obligations to Transferred Employees under Seller's Survivor Benefit Plan; premiums and other payments required to be paid after the Closing Date under such policies shall be paid by Purchaser.

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6.13 Individual Severance Agreements. Effective as of the Closing, Purchaser agrees to assume and discharge all of Seller's liabilities and obligations under any individual severance agreements described in paragraph 5 of Schedule 6.08 between Seller and any Transferred Employee and to indemnify and hold Seller harmless against any and all cost, expense, liability and damages arising out of or in connection with such liabilities and obligations.

6.14 Purchaser's Assumption and Indemnity. Except to the extent specifically provided herein, effective as of the Closing, Purchaser shall assume and discharge all of Seller's liabilities and obligations with respect to employee benefit plans, programs and arrangements for Transferred Employees other than benefits, liabilities and obligations required to be paid prior to the Closing Date, required to be accrued on the books of the Business under generally accepted accounting principles and not so accrued, or with respect to Seller's housing relocation program, which, except to the extent provided herein, shall be retained by Seller. The preceding sentence shall not require Purchaser to assume liabilities not described on Schedule 6.17, except those accrued on the books of the Business, to the extent such liabilities are material to the Business in the aggregate. Purchaser shall indemnify and hold Seller harmless from any and all cost,

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liability, expense or damages arising out of or in connection with obligations to Transferred Employees incurred by Seller as a result of (i) the incurrence of a liability described in Section 6.09 herein, (ii) any action taken by Purchaser after the Closing and (iii) the failure of the Purchaser to meet its obligations pursuant to this Section 6.14.

6.15 Service under Purchaser's Plans; Vacation Entitlement. (a) Purchaser shall recognize all service of Transferred Employees with the Seller and its predecessors for purposes of benefit entitlements under vacation policies and for eligibility and vesting purposes (but not benefit accrual purposes except as set forth herein) under each of Purchaser's employee benefit plans, programs and arrangements.

(b) Purchaser agrees to provide to Transferred Employees vacation time and vacation pay in accordance with their entitlements under Seller's vacation policy to the extent of unused and accrued vacation on the Closing Date.

6.16 Reimbursement for Rehiring. If within ninety days after the Closing Purchaser hires an individual who was an employee of Seller at any time after June 1987 other than a Transferred Employee, Purchaser shall reimburse Seller for any amounts paid by Seller to such individual pursuant to: (i) any individual severance

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agreement between Koppers Company, Inc. and such individual, (ii) any other severance plan, policy or program applicable to such individual and (iii) any subsidized early retirement program or provision under the Retirement Plan. If within ninety days after the Closing Seller hires any Transferred Employee, Seller shall reimburse Purchaser for any amounts paid by Purchaser to such Transferred Employee pursuant to: (i) any severance plan, policy, program or agreement applicable to such Transferred Employee and (ii) any subsidized early retirement program or provision applicable to such Transferred Employee.

6.17 Seller's Representation. Except as set forth on Schedule 6.17 attached hereto, Seller does not maintain or contribute to any material employee benefit plan, program or arrangement with respect to any Transferred Employee. To the best of Seller's knowledge, Schedule 6.17 also sets forth the post-retirement welfare benefits provided to non-union former hourly employees of the Business. (The plans, programs and arrangements set forth on Schedule 6.17 attached hereto shall hereinafter be referred to as the "Plans"). Each of the Plans is identified on Schedule 6.17, to the extent applicable, as one or more of the following: an "employee pension plan" (as defined in Section 3(2) of the Employment Retirement

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Income Security Act of 1974, as amended ("ERISA")), a "defined benefit plan" (as defined in Section 414 of the Code), an "employee welfare plan" (as defined in Section 3(1) of ERISA) or a "multiemployer plan" (as defined in Section 4001(a)(3) of ERISA). Each Plan has been administered in accordance with its terms and with applicable law. There are no actions, suits or claims pending with respect to any Plan that would, individually or in the aggregate be materially adverse to the Business. There have been no reportable events (as defined in ERISA) (other than a reportable event with respect to which the notice provisions of Section 4043(b) of ERISA have been waived) or any event or condition that represents a material risk of termination of any Plan subject to Title IV of ERISA or any plan maintained by the Seller or any person or entity treated as a single employer with the Seller (an "affiliate") subject to Title IV of ERISA. No transactions described in Section 502 of ERISA or Section 4975 of the Code have occurred with respect to the Plans which would have a material adverse effect on the Business, and no actions described in Section 4069 of ERISA have been taken by the Company or any of its affiliates. Prior to the date hereof, Seller has delivered to Purchaser a copy of each Plan.

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ARTICLE VII

ENVIRONMENTAL MATTERS

7.01 Definitions. For purposes of this Article VII, the following terms shall have the following meanings:

"Covered Assets" means (a) the Assets and (b) all other assets, properties or sites now or previously owned, operated, leased or used by Seller, its present or past subsidiaries or affiliates, or their respective predecessors in interest, or any person or entity acting on behalf of the Seller, including without limitation all assets, properties or sites used for off-site transport, storage, disposal, or treatment of materials or substances generated or contaminated on or prior to the Closing.

"Environmental Claim" means any liability, cost, expense, loss or damage resulting from any claim for personal injury, property damage or damage to natural resources made, asserted or prosecuted by or on behalf of any third party, including, without limitation, any governmental entity, employee or former employee of any person or entity, or their respective legal representatives, heirs, beneficiaries and estates, relating to the Covered Assets or their operation and either (a) arising or alleged to arise under any Environmental Law (whether now or hereafter in effect) or (b) asserted as a result of actual, threatened or alleged pollution or

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contamination by, or exposure to, toxic or hazardous substances, pollutants, contaminants or products, raw materials or other chemicals or substances from or on any of the Covered Assets and in each case without regard to the form of action, and whether based on strict liability, gross negligence, negligence, or any other theory of recovery at law or in equity.

"Environmental Cleanup Liability" means liability for or the incurrence of, whether by force of any Environmental Law (whether now or hereafter in effect) or otherwise, any cost, loss, damage (including without limitation punitive damages pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. Section 9607(c)(3), or expense of any nature whatsoever (including interest actually incurred and paid on such amounts) relating to or resulting from containment, removal, remediation, cleanup, or abatement of any deposit, emission, discharge or release of hazardous substances, pollutants or contaminants from or on any of the Covered Assets or their operation, including, without limitation, (a) any costs or expenses for investigation, study, assessment, legal representation, governmental oversight, cost recovery by governmental agencies, financial assurance, or on-going monitoring in connection therewith, (b) any cost, expense, loss or damage

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incurred with respect to any of the Covered Assets or their operation as a result of actions or measures necessary to implement or effectuate any such containment, removal, remediation, cleanup or abatement, including without limitation the cost of installation, operation and maintenance of any equipment or facilities installed by or on behalf of Seller for the purpose thereof and (c) the cost for closure and post-closure care of any hazardous waste treatment, storage or disposal facilities (including, without limitation, any associated solid waste management units, whether presently designated or not) including, without limitation, all necessary monitoring, reporting, and remediation and the maintenance of financial assurance in connection therewith.

"Environmental Compliance Cost" means any cost, expense or investment of any nature whatsoever (other than those assumed by Purchaser pursuant to Section 1.02(a)(vi) hereof and other than Pre-Closing Environmental Cleanup Liability) necessary to enable the Assets, with normal operation and maintenance, to comply with all applicable (a) Environmental Laws and (b) laws or regulations relating to the use or removal of asbestos or polychlorinated biphenyls, in each case to the extent in effect and requiring compliance as of the Closing and any loss, damage or expense arising from the failure of the Assets so to

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comply as of the Closing and accruing until such noncompliance is remedied. "Environmental Compliance Cost" shall include, with respect to equipment or facilities newly-installed at Seller's expense to achieve such compliance, all costs necessary to demonstrate that the assets so equipped are capable of such compliance, but shall not include the cost of normal operation and maintenance of such equipment or facilities.

"Environmental Law" means any federal, state or local statute, ordinance, rule, regulation, order, consent decree, judgment or common-law doctrine, and provisions and conditions of permits, licenses and other operating authorizations, other than a Structural Law, relating to (a) pollution or protection of the environment, including natural resources, (b) exposure of persons, including employees, to toxic or hazardous substances or other products, raw materials, chemicals or other substances, (c) protection of the public health or welfare from the effects of products, by-products, wastes, emissions, discharges or releases of chemical or other substances from industrial or commercial activities or (d) regulation of the manufacture, use or introduction into commerce of chemical substances, including, without limitation, their manufacture, formulation, packaging, labeling, distribution, transportation, handling, storage and disposal.

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"Pre-Closing Environmental Claims" means all Environmental Claims to the extent arising from acts, omissions, conditions or circumstances occurring or existing prior to or as of the Closing in connection with the Covered Assets or their operation (or arising from the performance of Seller's obligations under this Article VII); provided that, with respect to any Environmental Claims, except for any claims arising from off-site transport, storage, disposal or treatment by or on behalf of Seller (for which there shall be no limitation), any claim must be asserted by Purchaser or any third party, including governmental authorities, or specific and particularized notice with respect to acts, omissions, conditions or circumstances that may give rise to any such Pre-Closing Environmental Claim must be received by Seller, not later than the later of (a) the twelfth anniversary of the Closing and (b) the expiration of any period during which Seller is required to monitor groundwater related to the Covered Assets (provided such claim relates to such groundwater) in order to constitute a Pre-Closing Environmental Claim. When determining the extent to which an Environmental Claim constitutes a Pre-Closing Environmental Claim, all relevant factors shall be considered.

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"Pre-Closing Environmental Cleanup Liability" means any Environmental Cleanup Liability (a) voluntarily undertaken by or on behalf of Seller, (b) required to be undertaken as a result of any third party action, including without limitation enforcement of an Environmental Law (whether now or hereafter in effect) or prosecution of an Environmental Claim, (c) undertaken pursuant to Section 7.02(b) hereof or (d) subject to the obligations in Section 7.02(c), undertaken by or on behalf of Purchaser pursuant to Section 7.06(c) or 7.06(d)(ii) hereof, in each case to the extent arising from acts, omissions, circumstances or conditions occurring or existing prior to or as of the Closing (or arising from the performance of Seller's obligations under this Article VII); provided that, except for any claims arising from off-site transport, storage, disposal or treatment by or on behalf of Seller (for which there shall be no limitation), any claim must be asserted by Purchaser or any third party, including governmental authorities, or specific and particularized notice with respect to acts, omissions, conditions or circumstances that may give rise to any such Pre-Closing Environmental Cleanup Liability, must be received by Seller, not later than the later of (a) the twelfth anniversary of the Closing and (b) the expiration of any period during which Seller is required to monitor

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groundwater related to the Covered Assets (provided such claim relates to such groundwater) in order for any resulting liability to constitute a Pre-Closing Environmental Cleanup Liability. When determining the extent to which an Environmental Cleanup Liability constitutes a Pre-Closing Environmental Cleanup Liability, all relevant factors shall be considered.

"Structural Compliance Cost" means any cost, expense or investment necessary to comply with any Structural Law.

"Structural Law" means any federal, state or local statute, ordinance, rule, regulation, order or common-law doctrine and provisions and conditions of permits, licenses and other operating authorizations to the extent relating solely to the physical structure or condition of a building, fixture or other structure (including, without limitation, those relating to the use or removal of asbestos or polychlorinated biphenyls), excluding those to the extent relating solely to (a) pollution or protection of the environment, including natural resources, (b) exposure of persons, including employees, to toxic or hazardous substances or other products, raw materials, chemicals or other substances, (c) protection of the public health or welfare from the effects of by-products, wastes, emissions, discharges or releases

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of chemical or other substances from industrial or commercial activities or (d) regulation of the manufacture, use or introduction into commerce of chemical substances, including, without limitation, their manufacture, formulation, packaging, labeling, distribution, transportation, handling, storage and disposal.

7.02 Responsibility and Indemnification by Seller.

(a) From and after Closing, Seller shall retain responsibility for and shall defend, indemnify and hold harmless Purchaser and Purchaser's permitted assigns, and their respective officers, directors, shareholders, employees, agents and representatives ("Purchaser Indemnified Parties") from and against the following:

(i) Environmental Compliance Costs as to which a claim is asserted by Purchaser or a governmental authority not later than one year after the Closing (unless the noncompliance causing such Environmental Compliance Cost was not ascertainable by Purchaser after diligent inquiry during such one-year period);

(ii) Pre-Closing Environmental Cleanup Liability;

(iii) Pre-Closing Environmental Claims;

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(iv) Fines and penalties of any nature whatsoever assessed, levied or asserted against any Purchaser Indemnified Party as a result of a violation or alleged violation of any Environmental Law (whether now or hereafter in effect) to the extent arising from (x) any acts or omissions of Seller or any person or entity acting on behalf of Seller, including acts or omissions with respect to any Environmental Compliance Costs, Pre-Closing Environmental Cleanup Liability or Pre-Closing Environmental Claims, or (y) circumstances or conditions respecting the Assets or their operation and existing prior to or at the Closing; and

(v) Fines, penalties, costs, expenses, loss or damage, including, without limitation, lost profits (calculated on company-wide basis, subject to Purchaser's duty to use reasonable efforts to mitigate such lost profits) of any nature whatsoever assessed, levied or asserted against, or suffered by, any Purchaser Indemnified Party due to the absence of required permits, licenses and other operating authorizations as of the Closing under provisions of any Environmental Law (whether now or hereafter in effect), or the failure to follow applicable procedures for, or to obtain (other than due to Purchaser's acts or omissions), the appropriate

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transfer of such permits, licenses and other authorizations to Purchaser prior to or upon the Closing, provided that Purchaser notifies Seller of such absence or failure within one year following the Closing Date (unless such absence or failure was not ascertainable by Purchaser after diligent inquiry during such one-year period);

provided, that, Seller shall be liable for lost profits of the Business pursuant to clauses (i) through (iv) above only to the extent that Seller's acts or omissions, including without limitation remediation work directed by Seller, or the failure of Seller to direct remediation work, pursuant to Section 7.06(b) or 7.02(b) hereof, results in a shut-down or substantial impairment of the operation of any production facility included in the Assets and such lost profits shall be calculated on a company-wide basis, subject to Purchaser's duty to use reasonable efforts to mitigate such lost profits. Lost profits shall, in all cases, include without limitation any loss or damage due to the loss of a customer of Purchaser to the extent loss of such customer is attributable to such acts or omissions of Seller. Notwithstanding the foregoing, Seller shall not be responsible, either pursuant to this Section 7.02(a) or pursuant to Section 7.02(b) hereof, for any internal management costs incurred by any Purchaser

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Indemnified Party (including without limitation salaries or attorney's fees) except (A) as otherwise provided in Section 7.09(c) hereof, (B) to the extent that Seller is controlling any responsibility, liability or obligation pursuant to Section 7.06(b) or 7.02(b) hereof and specifically requests that such Purchaser Indemnified Party provide assistance with respect to such responsibility, liability or obligation and such assistance requires that such Purchaser Indemnified Party incur an internal management cost that would not be incurred in the ordinary course of its business or (C) with respect to attorney's fees, fees incurred by Purchaser while Purchaser is controlling, managing or directing any discussions, proceedings or activities with respect to any responsibility, liability or obligation pursuant to Sections 7.06(d) or 7.06(e) hereof.

(b) Without limiting the generality of the foregoing Section 7.02(a), the parties have agreed to the following specific procedures:

(i) To the extent permitted by law, Purchaser and Seller agree that (A) with respect to the permits, licenses and authorizations identified on Schedule 7.02(b), Seller will remain a holder of such permits, licenses and authorizations as "operator" of the related facilities and locations, (B) to the extent

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related to Pre-Closing Environmental Claims or Pre-Closing Environmental Cleanup Liability, Seller will undertake all remediation or other work required (within the time periods required) on or with respect to the Assets (including conducting negotiations, making notifications and rendering reports with respect thereto) and will retain responsibility to comply with related financial responsibility and bonding requirements and (C) Purchaser and Seller shall cooperate with the intention of implementing the foregoing.

(ii) Seller agrees that it shall use its best efforts to become a signatory to, and become bound by, the terms of any consent orders, consent decrees or settlements and become a holder of any permits required to be issued after the Closing, in each case to the extent related to Pre-Closing Environmental Claims or Pre-Closing Environmental Cleanup Liability.

(c) Purchaser agrees that, except as may be reasonably necessary for the operation of the Business (including expansion of the Business), including protection of public health or the environment, in each case to the extent reasonably related to the operation of the Business, it shall not, by voluntary or discretionary action (including, without limitation, moving or disturbing soil

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currently stored in huts), accelerate the timing or increase the cost of any obligations of Seller under Section 7.02(a) or (b).

(d) In connection with the foregoing Section 7.02(c), if Purchaser determines that it is reasonably necessary for the operation of the Business (including expansion of the Business) to voluntarily excavate soil located at the Assets, costs and expenses which are reasonable and necessary for the transportation and disposal of such soil shall constitute a Pre-Closing Environmental Cleanup Liability to the extent that the soil was contaminated prior to the Closing; provided that (except to the extent Purchaser is taking or requesting such action (i) pursuant to Section 7.06(c) or 7.06(d) and (ii) in response to any third party action, including without limitation prosecution of a Pre-Closing Environmental Claim or enforcement of an Environmental Law (whether now or hereafter in effect)), in addition to any costs and expenses for which Purchaser would otherwise be responsible, Purchaser shall reimburse Seller for 10% of the reasonable and necessary costs and expenses that would otherwise be borne under Section 7.02(a) by Seller for the transportation and disposal of such soil. Moreover, in each twelve month period ending on any anniversary of the Closing, before Seller shall have any obligation for such

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costs and expenses of transportation and disposal described in this Section 7.02(d), Purchaser shall pay up to an aggregate of $100,000 in each such period for such costs and expenses of transportation and disposal of soil contaminated prior to the Closing. Each party shall provide the other with an accounting of such costs and expenses in reasonable detail and shall allow the other parties reasonable access to all documents and employees which may be necessary to enable such parties to verify compliance herewith. The parties further agree that if a cost-effective alternative method to off-site disposal is available with respect to such soil (including, but not limited to, on-site storage, moving, treatment or replacement) and such method is in compliance with all applicable laws, regulations, rules, orders and decrees and does not unreasonably interfere with the ordinary conduct of the Business, the parties shall implement such alternative method and shall agree upon a reasonable sharing of the cost thereof.

(e) Seller shall have no liability for indemnification under this Section 7.02 to the extent such liability arises as a result of a change in the use of the Asset concerned to a purpose unrelated to the Business and businesses reasonably related thereto.

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(f) Except as set forth in Section 7.08(b) hereof, in no event shall Seller have any obligation to repair or replace any plant, equipment, buildings, fixtures or other structures constituting part of the Assets that must be repaired or replaced because they have become used, worn or obsolescent in the ordinary course of business.

7.03 Responsibility and Indemnification by the Purchaser.

(a) From and after the Closing, Purchaser shall assume responsibility for and shall defend, indemnify and hold harmless Seller and its respective officers, directors, stockholders, employees, agents and representatives ("Koppers Indemnified Parties") from and against the following:

(i) Environmental Compliance Costs as to which a claim is asserted more than one year after the Closing (unless the noncompliance causing such Environmental Compliance Cost was not ascertainable by Purchaser after diligent inquiry during such one-year period);

(ii) Environmental Cleanup Liability other than Pre-Closing Environmental Cleanup Liability;

(iii) Environmental Claims other than Pre-Closing Environmental Claims;

(iv) Structural Compliance Costs, except as otherwise provided in Section 7.12 hereof;

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(v) except to the extent retained by Seller in Section 7.02(a), fines and penalties of any nature whatsoever assessed, levied or asserted against any Koppers Indemnified Party to the extent that they are the result of a violation or alleged violation of any (A) Environmental Law (whether now or hereafter in effect) to the extent arising from (x) the acts or omissions of Purchaser, or any person or entity acting on behalf of Purchaser, or (y) circumstances or conditions respecting the Assets or their operation and arising after the Closing or (B) any Structural Law; and

(vi) Fines, penalties, costs and damages of any nature whatsoever resulting from Purchaser's gross negligence or bad faith in the discharge of its Inspection Responsibility (as defined below).

(b) Neither any environmental liabilities assumed by, nor the indemnification obligation of, Purchaser herein shall include or extend to any liabilities of any nature whatsoever arising from assets, properties or sites now or previously owned, operated or used by Seller, other than the Assets, except to the extent that such assets, properties or sites (other than the lake included in the Excluded Woodward Assets, which shall be governed by Section 7.11 hereof) are operated or used (whether as

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disposal sites or otherwise) by Purchaser in any way after the Closing.

7.04 Environmental Claims Regarding Transferred Employees. In the event that an Environmental Claim involving personal injury to a Transferred Employee as a result of actual, threatened or alleged pollution or contamination by, or exposure to, toxic or hazardous substances, pollutants, contaminants or products, raw materials or other chemicals or substances is asserted against one of the parties hereto and the extent to which such Environmental Claim is or is not a Pre-Closing Environmental Claim cannot readily be determined the parties agree, notwithstanding any requirement of Environmental Law (whether now or hereafter in effect) that imposes liability for such Environmental Claim upon a party entitled to indemnity hereunder and to the extent permitted by law, to share the responsibility for such Environmental Claim in the same proportion as the number of months such Transferred Employee was employed by each (including, in the case of Seller, any predecessors to Seller) bears to the total number of months such Transferred Employee was employed by all the parties hereto.

7.05 Notices. (a) Upon receiving notice or obtaining information that a claim or proceeding has been or may be commenced or initiated against or by one of the

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parties to this Agreement which may give rise to any liability on the part of the other under this Article VII, the party receiving such notice or obtaining such information shall promptly provide notice thereof to the other party which might incur liability under this Article VII. Such notice shall be by any reasonable means but, if not in writing, shall be followed within five working days by written notice of the claim or proceeding. Notwithstanding the foregoing, the failure to give such notice shall not release any party from its obligations under this Article VII except to the extent that such failure prejudiced the party entitled to such notice.

(b) Each party hereto shall provide to the other party a copy of all information or reports that are required to be reported by such party to the National Response Center ("NRC") or other federal, state or local agency concerning all spills, discharges and other releases of hazardous substances into the environment that are related to the Assets or the Business. In addition, Purchaser shall provide written notice to Seller of all other known spills, discharges and other releases of any substances into the environment that are related to the Assets or the Business, and which are released after the Closing in such quantity or at such location as to present a reasonable potential for an exacerbation of pre-Closing

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contamination. Seller agrees that it shall keep all such notices confidential and will not disclose any such notice except to the arbitrators in connection with an arbitration pursuant to Article XI hereof. As soon as practicable following the event, Purchaser shall provide to Seller copies of all photographs depicting any such event to the extent available.

7.06 Discharge of Environmental Indemnity. (a) In the event that any Purchaser Indemnified Party notifies Seller of any responsibility, liability or obligation that may be subject to Seller's indemnification obligation under this Article VII, Seller shall have 75 days from the date of receipt of notice within which to acknowledge and assume all or a portion of the responsibility, liability or obligation asserted. During such 75-day period, Purchaser shall not take any action or incur any expenses with respect to such responsibility, liability or obligation except to the extent such action or incurrence is (i) legally required, (ii) reasonably necessary for the operation of Purchaser's business, including protection of public health or the environment, in each case to the extent reasonably related to the operation of the Business or (iii) approved by Seller, which approval shall not be unreasonably withheld.

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(b) If Seller agrees within such 75-day period to assume liability for not less than 51% of the estimated responsibility, liability or obligation and provides written acknowledgment thereof to the Purchaser Indemnified Party, then Seller shall have the right to control, manage and direct all discussions, proceedings and activities regarding the satisfaction and discharge of such responsibility, liability or obligation. Purchaser shall reimburse Seller or otherwise pay its share, if any, of the costs and expenses of such responsibility, liability or obligation on a current basis as such costs and expenses are incurred.

(c) Notwithstanding the foregoing clause (b), if any action or omission of Seller pursuant to such clause (b) would cause a shut-down or substantial impairment of the Business, Purchaser shall have the right to approve such action, which approval shall not be unreasonably withheld, or request Seller to remedy such omission, which request shall not be unreasonably denied. If a dispute arises with respect to (i) whether Purchaser has the right pursuant to this clause (c) to approve any action or request that Seller remedy any omission or (ii) whether Purchaser unreasonably withheld any such approval or Seller unreasonably denied any such request, neither Purchaser nor Seller shall be entitled to take any action with respect to

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such disputed matter (including, without limitation, reaching agreement with any regulatory agency or third party, except as provided in Section 11.10 hereof) until such dispute is resolved as provided herein.

(d) Notwithstanding the foregoing clause (b), Purchaser shall be entitled to control, manage and direct discussions, proceedings and activities regarding any responsibility, liability or obligation if Seller fails to satisfy such responsibility, liability or obligation after (i) Seller has exhausted all remedies or appeals (judicial, administrative or otherwise) with respect to such responsibility, liability or obligation or (ii) Seller has specifically agreed in writing to satisfy such responsibility, liability or obligation in the manner Purchaser asserts such responsibility, obligation or liability should be satisfied. If a dispute arises with respect to whether Purchaser has the right pursuant to this clause (d) to control, manage and direct discussions, proceedings and activities regarding any such responsibility, liability or obligation, neither Purchaser nor Seller shall be entitled to take any action with respect to such disputed matter (including, without limitation, reaching agreement with any regulatory agency or third party, except as provided in Section 11.10 hereof) until such dispute is resolved as provided herein.

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(e) If Seller does not assume liability for 51% or more of any responsibility, liability or obligation pursuant to Section 7.06(b) hereof, Purchaser shall have the right to control, manage and direct all discussions, proceedings and activities regarding the satisfaction and discharge of such responsibility, liability or obligation.

(f) If any party hereto that is not controlling, managing and directing discussions, proceedings and activities regarding any responsibility, liability or obligation (the "Noncontrolling Party") disputes a claim by the party that is so controlling, managing and directing that the Noncontrolling Party is liable for any portion of such responsibility, liability or obligation, the Noncontrolling Party shall not be required to contribute to or fund the portion of the responsibility, liability or obligation that is in dispute until such dispute is resolved as provided herein.

7.07 Participation Permitted. Any party to this Agreement that could incur liability under this Article VII shall have the full right, at its own expense, to consult, through counsel or otherwise, with respect to all meetings and proceedings with adverse parties or governmental authorities and with respect to all activities pertaining to that matter. Prior to initiating, or participating in, any meeting or proceeding in which decisions or discussions

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adverse to one party may be made, the party attending the meeting or proceeding shall consult with the other. This right of consultation shall not apply to confidential meetings or documents or in cases where the parties are disputing, arbitrating or litigating claims against each other.

7.08 Access and Cooperation. (a) In order to assist the parties in fulfilling their respective obligations under this Article VII, each party will afford the other reasonable access to its properties (including, but not limited to, the right to enter upon, investigate, drill wells, take soil borings, excavate, monitor, test, cap and use available land for the testing and implementation of remedial technologies) and employees and to all relevant documents and records regarding the matter as to which a responsibility, liability or obligation is asserted; provided that, such access may be conditioned or restricted as may be reasonably necessary to protect the operations of such properties, to ensure compliance with law and the safety of personnel and facilities or to protect confidential or privileged information. The parties agree to use their best efforts and to cooperate with each other to minimize costs with respect to any action that may give rise to a claim for indemnification or payment of costs by or to any party hereto.

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(b) Subject to the availability of capacity (it being understood that Purchaser shall have first priority with respect thereto), and provided that Seller's activities are permitted under Purchaser's permits, licenses and other operating authorizations, are compatible with Purchaser's waste treatment processes, and do not increase Purchaser's health, safety or environmental liability exposure or interfere with the operation of the Business, Purchaser will make available and allow Seller, to the extent permitted by law, to use such equipment, facilities and utilities (including for treatment, reuse, recycling, reclamation or burning), at the site or sites at which such equipment, facilities and utilities are located, for the purpose of Seller's activities in discharge of its obligations and liabilities under this Article VII or to the government or to any third party with respect to wastes or other materials generated at the Assets, or at any other properties previously operated by Seller as part of the Business, in the manner such equipment, facilities or utilities were utilized prior to the Closing. Purchaser shall have the right to inspect Seller's shipments of wastes or other materials to its sites pursuant to the provisions of this paragraph and shall have the right to refuse to accept non-conforming wastes or materials, such rights to inspect or refuse not to be unreasonably

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exercised. Such use shall be at Seller's sole risk and Seller shall reimburse Purchaser:

(i) in the case of use of wastewater treatment plants, for Seller's pro rata (by volume of inflow) share of the full cost (including depreciation, repair, and maintenance expenses and cost of sludge or other residual disposal) of that wastewater plant's operation;

(ii) in the case of use of a permitted industrial boiler for fuel-additive burning, for the then-current handling charge assessed internally to other Assets plus ten percent (10%), but not to exceed 80% of the then-current market price; and

(iii) in all other cases, a reasonable reimbursement to be negotiated by the parties at the time;

and shall defend and hold harmless the Purchaser Indemnified Parties with respect thereto. Notwithstanding the foregoing, and except to the extent of Seller's activities in discharge of its obligations under this Article VII, the rights granted to Seller in paragraph (b)(ii) shall expire on the tenth anniversary of the Closing; provided that Purchaser and Seller shall negotiate in good faith to reach an agreement on extending such rights on terms and conditions mutually agreeable to

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Purchaser and Seller and, further provided, that beginning on the fourth anniversary of the Closing, the parties shall renegotiate in good faith the price for such services, but in no event shall the renegotiated price exceed 80% of the then-current market price for similar services.

(c) To effectuate the intent of this Article VII and consistent with the terms hereof, the parties agree to provide all other cooperation, assistance and consultation to each other that is reasonably requested with respect to matters covered by this Article VII.

7.09 Transition Matters. In order to facilitate a smooth transition in current operational responsibility for the Assets and to minimize overall Environmental Claims and Environmental Clean-Up Liability, the parties hereto agree that, to the extent permitted by law:

(a) Purchaser shall assist Seller in notifying appropriate permitting agencies of the change in ownership of the Assets and in effecting the modification or the transfer or issuance to Purchaser, as promptly as is reasonably possible, of all permits, licenses and approvals (or applications therefor) required under Environmental Laws for the ownership and operation of the Assets and the conduct of the Business by Purchaser as of the Closing. Purchaser and Seller shall file applications for such transfer or issuance prior to the Closing. During any

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interim period from the Closing until permit transfers or issuances in Purchaser's name can be completed, and to the extent allowed by law, Seller authorizes Purchaser to operate under and utilize Seller's existing permits, licenses, and approvals; provided that, Purchaser shall indemnify Seller for any permit violation during such interim period, except to the extent Seller is obligated to indemnify the Purchaser Indemnified Parties pursuant to Section 7.02.

(b) Seller shall cause to be delivered to Purchaser any and all data, reports, information and test results in the possession of Seller or developed by or for Sellers prior to the Closing in connection with proceedings for the re-registration of any substances produced by the Business under the Federal Insecticide, Fungicide and Rodenticide Act and hereby acknowledges that the Purchase Price includes adequate compensation for use of those data and any other data previously submitted or used by or for Seller in support of registrations for any product of the Assets or Business.

(c) At all Assets and at the Excluded Woodward Assets, Purchaser, as agent for, and at the request of, Seller, shall conduct such inspections and record-keeping, provide all notifications, make all reports and perform such maintenance and other caretaker activities required

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under Environmental Laws (whether now or hereafter in effect) or otherwise which are presently conducted by employees of Seller located at the Assets (collectively, "Inspection Responsibility"). Seller shall reimburse Purchaser for out-of-pocket costs incurred by Purchaser in connection therewith. In addition, Seller shall reimburse Purchaser for the actual time devoted by employees of Purchaser (other than plant managers, assistant plant managers and general foremen) to such Inspection Responsibility at a rate equal to 150% of the then-current hourly (or equivalent hourly) wage rate for such employees.

(d) Seller shall make all filings and take all actions necessary to satisfy the New Jersey Environmental Cleanup Responsibility Act with respect to any Assets located in New Jersey and shall defend, indemnify and hold harmless the Purchaser Indemnified Parties with respect thereto.

7.10 Limitations on Damages; Set-Off. (a) For purposes of this Article VII, all amounts for which any party seeks indemnification shall be computed net of (i) any actual income tax benefit resulting therefrom to the indemnified party, (ii) any insurance proceeds received (net of tax effects) with respect thereto, and (iii) any amounts recovered (net of tax effects) from any third parties based on claims the indemnified party has against

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such third parties which reduce the damages that would otherwise be sustained; provided, however, that, in all cases, the timing of the receipt or realization of insurance proceeds or income tax benefits or recoveries from third parties shall be taken into account in determining the amount of reduction of Damages. Each indemnified party agrees to use its reasonable efforts to pursue, or assign to the indemnifying party, any claims or rights it may have against any third party which would materially reduce the amount of damages otherwise incurred by such indemnified party.

(b) Seller, at its option, may set-off against any unpaid amounts determined or admitted to be due to Seller from a specified Purchaser Indemnified Party pursuant to this Article VII, any amounts due to such specified Purchaser Indemnified Party from Seller (whether pursuant to this Agreement or otherwise).

7.11 Excluded Woodward Assets. Purchaser shall have the right to use the lake included in the Excluded Woodward Assets for the purposes, and in the manner, such lake was used by Seller as of the Closing. Such use shall be for such period as Purchaser finds necessary, not to exceed one year after the Closing Date. Any Environmental Claim or Environmental Cleanup Liability related to such lake shall be deemed to be a Pre-Closing Environmental

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Claim or Pre-Closing Environmental Cleanup Liability, except to the extent that such use by Purchaser materially contributed to such Environmental Claim or Environmental Cleanup Liability. Purchaser acknowledges that Seller shall have no liability to Purchaser for loss of the use of the lake if such use is prohibited or restricted as a result of a third party action.

7.12 Asbestos. If a law or regulation comes into effect after the Closing that requires Purchaser to remove asbestos located at the Assets within seven years after the Closing, Seller shall be responsible for, and shall hold the Purchaser Indemnified Parties harmless from, 80% of the cost of removal and disposal (but not replacement) of such asbestos to the extent such asbestos was located at the Assets as of the Closing. In no event shall Seller's liability pursuant to this Section 7.12 exceed $3.5 million.

ARTICLE VIII

TERMINATION, AMENDMENT AND WAIVER

8.01 Termination. This Agreement may be terminated and the transactions contemplated hereby may be abandoned at any time prior to the Closing:

(a) By mutual consent of Purchaser and Seller;

(b) By either Purchaser or Seller if the Closing shall not have occurred by December 31, 1988;

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(c) By Purchaser if any of the conditions set forth in Section 5.01 or 5.03 hereof become incapable of satisfaction; or

(d) By Seller if any of the conditions set forth in Section 5.01 or 5.02 hereof become incapable of satisfaction.

Except for Sections 4.02(b) and 10.01 and for liability for breaches of this Agreement, upon the termination of this Agreement pursuant to this Section 8.01, this Agreement shall forthwith become null and void.

8.02 Amendment. This Agreement may be amended by the parties hereto at any time. This Agreement may not be amended except by an instrument in writing signed by the parties hereto.

8.03 Waiver. Any party hereto may (a) extend the time for the performance of any of the obligations or other acts of the other parties hereto, (b) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto or (c) waive compliance with any of the agreements, or satisfaction of any of the conditions, contained herein. Any agreement on the part of the party hereto to any such extension or waiver shall be valid only if set forth in an instrument in writing signed by such party.

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ARTICLE IX

INDEMNIFICATION

9.01 Survival of Representations and Warranties. (a) All representations and warranties made by Seller and by Purchaser shall survive the Closing hereunder for a period of two years following the Closing Date, except that the representations and warranties set forth in Section 2.05 hereof shall survive without limit, and any claim with respect to the inaccuracy of any such representation or warranty (other than those set forth in Section 2.05 hereof) must be made during such two-year period. The representations and warranties contained herein shall not be deemed to be waived or otherwise affected by any investigation at any time made by or on behalf of any party hereto.

(b) For the purposes of this Article IX, the term "Purchaser Group" shall include Purchaser and any of its subsidiaries and any director, officer, employee, stockholder, legal or financial advisor thereof, and the term "Seller Group" shall include Seller and any of its subsidiaries and any director, officer, employee, legal or financial advisor thereof.

9.02 Agreement to Indemnify. (a) Subject to the limitations hereinafter set forth, from and after the Closing, Seller agrees to indemnify, defend and hold

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harmless the Purchaser Group (and its permitted assigns, including its lenders) from and against any and all demands, claims, losses, damages, costs and expenses, including without limitation interest, costs, penalties and reasonable attorneys' fees (collectively, "Damages"), asserted against, resulting to, imposed upon or incurred or suffered by any member of the Purchaser Group (and its permitted assigns, including its lenders) as a result of or arising from (i) the Nonassumed Liabilities or any debt, liability, obligation, commitment or contract of Seller, other than the Assumed Liabilities; and (ii) any inaccuracy in or breach or nonfulfillment of any representation, warranty, covenant or agreement of Seller contained in this Agreement.

(b) Subject to the limitations hereinafter set forth, Purchaser agrees to indemnify, defend and hold harmless the Seller Group from and against any and all Damages, asserted against, resulting to, imposed upon or incurred or suffered by any member of the Seller Group as a result of or arising from (i) the Assumed Liabilities; (ii) any inaccuracy in or breach or nonfulfillment of any representation, warranty, covenant or agreement of Purchaser contained in this Agreement; (iii) except as otherwise set forth herein, all liabilities arising out of any acts or omissions of Purchaser after the Closing or

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events or occurrences involving the Business or the employees of Purchaser that take place after the Closing; and (iv) except as otherwise set forth herein, all expenses, liabilities, damages or obligations in respect of the operation of the Business after the Closing, including, without limitation, product liability claims for personal injuries, property damage or losses with respect to products sold or otherwise disposed of by Purchaser after the Closing in connection with the Business.

(c) For purposes of this Article IX, all Damages shall be computed net of (i) any actual income tax benefit resulting therefrom to the indemnified party, (ii) any insurance proceeds received (net of tax effects) with respect thereto, and (iii) any amounts recovered (net of tax effects) from any third parties based on claims the indemnified party has against such third parties which reduce the Damages that would otherwise be sustained; provided, however, that, in all cases, the timing of the receipt or realization of insurance proceeds or income tax benefits or recoveries from third parties shall be taken into account in determining the amount of reduction of Damages. Each indemnified party agrees to use its reasonable efforts to pursue, or assign to the indemnifying party, any claims or rights it may have against any third party which would materially reduce the amount of Damages otherwise incurred by such indemnified party.

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9.03 Procedure for Indemnification. (a) In the event that any indemnified party receives written notice of the commencement of any action or proceeding, the assertion of any claim by a third party or the imposition of any penalty or assessment for which indemnity may be sought pursuant to this Article IX (a "Third Party Claim"), and such indemnified party intends to seek indemnity pursuant to this Article IX, such indemnified party shall promptly provide the indemnifying party with notice of such action, proceeding, claim, penalty or assessment, and such indemnifying party shall, upon receipt of such notice, be entitled to participate in or, at the indemnifying party's option, assume the defense, appeal or settlement of such action, proceeding, claim, penalty or assessment with respect to which such indemnity has been invoked with counsel of its choosing, and such indemnified party will fully cooperate with the indemnifying party in connection therewith; provided that such indemnified party shall be entitled to employ one counsel to represent such indemnified party if, in such indemnified party's reasonable judgment, a conflict of interest between the indemnifying party and the indemnified party exists in respect of such claim and in that event the reasonable fees and expenses of such separate counsel shall be paid by the indemnifying party. In the event that the indemnifying

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party fails to assume the defense, appeal or settlement of such action, proceeding, claim, penalty or assessment within 20 days after receipt of notice thereof from such indemnified party, such indemnified party shall have the right to undertake the defense or appeal of or settle or compromise such action, proceeding, claim, penalty or assessment on behalf of and for the account and risk of the indemnifying party. The indemnifying party shall not settle or compromise any such action, proceeding, claim, penalty or assessment without such indemnified party's prior written consent, unless the terms of such settlement or compromise release such indemnified party from any and all liability with respect to such Claim.

(b) Any indemnifiable claim that is not a Third Party Claim shall be asserted by written notice to the indemnifying party. If the indemnifying party does not respond to such notice within 60 days, it shall have no further right to contest the validity of such claim.

9.04 Limitations on Indemnification. Seller shall not be liable for Damages under Section 9.02(a)(ii) of this Article IX, and Purchaser shall not be liable for Damages under Section 9.02(b)(ii) of this Article IX, unless the aggregate amount of Damages for which Seller or Purchaser, as the case may be, would, but for the provisions of this Section 9.04, be liable exceeds, on an

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aggregate basis, $1 million and then only to the extent of any such excess. The aggregate liability of Seller under Section 9.02(a)(ii), on the one hand, and Purchaser under Section 9.02(b)(ii), on the other hand, shall in no event exceed $200 million.

9.05 Remedies Exclusive. The remedies provided in this Article IX shall be exclusive as to the matters covered by this Article IX and shall preclude assertion by an indemnified party of any other rights or the seeking of any and all other remedies against an indemnifying party for claims based on the matters addressed in this Article IX.

9.06 Article VII Independent. Nothing contained in this Article IX shall in any way affect or limit the obligations of the parties pursuant to Article VII hereof and all matters covered by Article VII shall be governed by the terms and provisions thereof.

ARTICLE X

MISCELLANEOUS

10.01 Expenses, Taxes. (a) Except as otherwise provided herein, each party hereto will pay all fees and expenses incurred by it in connection with this Agreement and the consummation of the transactions contemplated hereby (other than any excise, sales, use or transfer taxes or any other such taxes which are payable or arise as a

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result of execution of this Agreement or the transfer of Assets to Purchaser pursuant to this Agreement, which shall be paid one half by Seller and one half by Purchaser. The parties hereto waive compliance with the requirements of the Bulk Sales Law of all applicable jurisdictions in connection with the sale of the Assets to Purchaser.

(b) Ad valorem and similar taxes, unearned insurance premiums, prepaid utility charges, prepaid rentals, other prepaid expenses and other pre-payments, and arrearage payments, to the extent not reflected on the Closing Balance Sheet, with respect to the Assets applicable to periods both prior to and after Closing shall be prorated based on number of days as of the Closing and amounts owing to Seller by Purchaser, or to Purchaser by Seller, resulting from such proration, shall be settled within 30 days after the amounts thereof have been agreed to by Seller and Purchaser. At or about the Closing, Purchaser and Seller shall take readings or other measurements of gas, water, electricity and other utilities. Such readings and measurements shall be binding, conclusive and used for purposes of the apportionment provided herein.

(c) If this Agreement or the transactions contemplated hereby are terminated or abandoned solely as the result of a failure of the conditions set forth in

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Section 5.03(a) or (b) hereof, Seller shall reimburse Purchaser and its affiliates, up to an aggregate of $500,000, for all reasonable and documented out-of-pocket expenses (including all fees of counsel, accountants, experts and consultants to Purchaser and its affiliates) incurred by them or on their behalf in connection with this Agreement (including, but not limited to, commitment fees and other fees and expenses of banks and other lenders or financial institutions and all other fees actually incurred relating to the financing of the transactions contemplated by this Agreement). Such right to reimbursement shall be Purchaser's exclusive remedy with respect to such breach.

10.02 Further Assurances. From time to time after the Closing and without further consideration, Sellers, upon the request of Purchaser and at Purchaser's expense, shall execute and deliver such documents and instruments of conveyance and transfer as Purchaser may reasonably request in order to consummate more effectively the purchase and sale of the Assets as contemplated hereby and to vest in Purchaser title to the Assets transferred hereunder.

10.03 Notices. Any notices or other communications required or permitted hereunder or otherwise in connection herewith (including notice of an intention to arbitrate pursuant to Article XI hereof) shall be in

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writing and shall be deemed to have been duly given when delivered in person or transmitted by facsimile transmission or on receipt after dispatch by registered or certified mail, postage prepaid, addressed, as follows:

If to Sellers to:

Koppers Company, Inc.
Koppers Building
Pittsburgh, Pennsylvania 15219
Attention: General Counsel

with a copy to:

Cleary, Gottlieb Steen & Hamilton
One State Street Plaza
New York, New York 10004
Attention: Laurent Alpert

If to Purchaser to:

Koppers Industries, Inc.
Two PPG Place, Suite 400
Pittsburgh, Pennsylvania 15222-5402
Attention: Clayton A. Sweeney

with a copy to:

Wachtell, Lipton, Rosen & Katz
299 Park Avenue
New York, New York 10171
Attention: Steven A. Rosenblum

or such other address as the person to whom notice is to be given has furnished in writing to the other parties. A notice of change in address shall not be deemed to have been given until received by the addressee.

10.04 Headings. The descriptive headings of the several Articles and Sections of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

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10.05 Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania regardless of the laws that might otherwise govern under applicable principles of conflict of laws thereof.

10.06 Assignment. This Agreement and all the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Neither this Agreement nor any of rights hereunder shall be assigned by any of the parties hereto without the prior written consent of the other parties, except that Purchaser may assign all of any part of its rights hereunder to any subsidiary of Purchaser provided that no such assignment shall relieve Purchaser of its obligations hereunder. Notwithstanding the foregoing, at or after Closing Purchaser may assign (including granting of a security interest in) its rights hereunder (including those pursuant to Article VII hereof) and other closing documents to financial institution(s) or their affiliates providing the financing referred to in Section 5.03(f); provided, that, if any such financial institution attempts to enforce such rights directly against Seller, Seller shall have the right to assert any claim or defense against such financial institution that is available to or which could be asserted by Seller against Purchaser. Upon

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foreclosure or sale in lieu of foreclosure or deed in lieu of foreclosure or deed of the Assets or any portion thereof by or to any such financial institutions or their affiliates, the warranties, representations, obligations, agreements and indemnities of Seller herein and in other documents with respect to such Assets or portion thereof (and related liabilities), as the case may be, will inure to the benefit of such financial institutions (or their affiliates) or any purchaser or grantee of such Assets if such financial institution, purchaser or grantee agrees to be bound by Purchaser's obligations contained herein with respect to such Assets or portion thereof (and related liabilities), as the case may be, provided that no such assignment shall relieve Purchaser of its obligations hereunder with respect to any period of time during which Purchaser or any of its subsidiaries owned such Assets. In addition, Purchaser may assign its rights hereunder to any subsequent purchaser of all or any portion of the Assets with respect to the Assets so purchased if such subsequent purchaser agrees to be bound by Purchaser's obligations contained herein, provided that no such assignment shall relieve Purchaser of its obligations hereunder with respect to any period of time during which Purchaser or any of its subsidiaries owned such Assets.

10.07 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

10.08 Entire Agreement. This Agreement (including the documents and instruments referred to herein) (a) constitute the entire agreement and supersede all other prior agreements and understandings, both written and oral, among the parties and (b) is not intended to confer upon any person other than the parties hereto any rights or remedies hereunder.

10.09 Severability. In the event that any one or more of the provisions or parts of a provision contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or part of a provision of this Agreement or any other jurisdiction, but this Agreement shall be reformed and construed in any such jurisdiction as if such invalid or illegal or unenforceable provision or part of a provision had never been contained herein and such provision or part shall be reformed so that it would be valid, legal and enforceable to the maximum extent permitted in such jurisdiction.

10.10 Consent to Jurisdiction. Each of the parties hereby submits to the exclusive jurisdiction of the courts of the Commonwealth of Pennsylvania and the Federal courts of the United States of America located in such state solely in respect of the interpretation and enforcement of the provisions of this Agreement (and the compelling of arbitration pursuant to Article XI hereof), and hereby waives, and agrees not to assert, as a defense in any action, suit or proceeding of the interpretation or enforcement of this Agreement, that it is not subject thereto or that such action, suit or proceeding may not be brought or is not maintainable in said courts or that its property is exempt or immune from execution, that the suit, action or proceeding is brought in an inconvenient forum, or that the venue of the suit, action or proceeding is improper. Each of the parties agrees that service of process in any such action, suit or proceeding shall be deemed in every respect effective service of process upon it if given in the manner set forth in Section 10.03 hereof.

10.11 Knowledge. Any reference herein to Seller's or Kopper's knowledge shall mean the actual knowledge of Koppers (without the knowledge of any Management Investor being attributed to Koppers).

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ARTICLE XI

ARBITRATION

11.01 Arbitration of Disputes. Any disagreement, dispute, controversy or claim (each, individually a "Dispute") arising out of or relating to this Agreement or the interpretation hereof or any arrangements relating hereto or contemplated herein or the breach, termination or invalidity hereof shall be settled exclusively and finally by arbitration. It is specifically understood and agreed that any Dispute which cannot be resolved between the parties, including without limitation any matter relating to the interpretation of this Agreement, may be submitted to arbitration irrespective of the magnitude thereof, the amount in controversy or whether such Dispute would otherwise be considered justiciable or ripe for resolution by a court or arbitral tribunal.

11.02. Arbitration Rules. The arbitration shall be conducted in accordance with the Commercial Arbitration Rules (the "Rules") of the American Arbitration Association (the "AAA") as in effect on the date of this Agreement, except as the Rules conflict with the provisions of this Article XI in which event the provisions of this Article XI shall control.

11.03. Number and Selection of Arbitrators. The arbitral tribunal shall consist of three arbitrators. As

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soon as practicable following the execution of this Agreement, Purchaser and Seller shall mutually select fifteen persons (the "Panel") and enter into retainer arrangements satisfactory to Purchaser, Seller and such persons, pursuant to which the members of the Panel shall agree to be generally available to act as arbitrators pursuant to this Article XI with respect to any Dispute arising exclusively under Article VII hereof. In the event an arbitration is initiated pursuant to this Article XI with respect to any Dispute arising exclusively under Article VII hereof, the AAA in its discretion shall appoint three members of the Panel to act as arbitrators therefor; provided that in the event that for any reason fewer than three members of the Panel are able or willing to accept such appointment, or Purchaser and Seller shall fail for any reason to mutually select the Panel, the AAA shall to the extent necessary appoint the arbitrators for such arbitration in accordance with Section 13 of the Rules from among persons who are familiar with environmental matters. In the event an arbitration is initiated pursuant to this Article XI with respect to any Dispute not arising exclusively under Article VII hereof, or if Purchaer and Seller cannot agree whether a Dispute arises exclusively under Article VII hereof, the AAA shall appoint three arbitrators for such arbitration in accordance with Section

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13 of the Rules from among persons who are attorneys or certified public accountants familiar with the purchase and sale of businesses generally.

11.04. Place of Arbitration. The arbitration shall be conducted in Pittsburgh, Pennsylvania or such other location as the parties may agree.

11.05. Statutory Authority Governing Arbitration; Discovery and Compulsion of Attendance and Testimony. Purchaser and Seller acknowledge that this Agreement is a contract evidencing a transaction involving commerce within the meaning of the United States Arbitration Act, 9 U.S.C. Section 1 et seq. (the "Federal Act"), and also is subject to Subchapter B of the Pennsylvania Uniform Arbitration Act, 42 Pa.C.S. Sections 7341-7342 (the "State Act"), except to the extent that the State Act is inconsistent with the Federal Act. In any arbitration pursuant to this Article XI, production of books, records, documents and other evidence prior to and at the hearing shall be freely granted at the request of any party thereto, subject to the discretion and control of the arbitrators (and subpoenas may be issued therefor and for the compulsory attendance of witnesses at the request of any party thereto to the extent provided by law); provided that nothing herein shall waive or preclude any objection to such production or testimony based on any privilege recognized by law.

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11.06. Right of Cross Examination. At any oral hearing of evidence in connection with an arbitration pursuant to this Article XI, each party thereto or its legal counsel shall have the right to examine its witnesses and to cross-examine the witnesses of an opposing party. No evidence of any witness shall be presented in written form unless the opposing party or parties shall have the opportunity to cross-examine such witness, except as the parties to the dispute otherwise agree in writing or except under extraordinary circumstances where the interests of justice require a different procedure.

11.07. Legal Counsel to Arbitrators. In the event that, with respect to any matter submitted to arbitration pursuant to this Article XI, the arbitrators desire the assistance of legal counsel, the arbitrators may engage such counsel (who shall not be counsel to either Seller or Purchaser, or to any of their respective affiliates); the costs and expenses of such counsel shall be considered part of the expenses of the arbitration.

11.08. Time of Award. The award in any arbitration pursuant to this Article XI shall be made not later than ninety (90) days after the date such arbitration is initiated.

11.09. Finality and Enforcement of Award. Any decision or award of the arbitral tribunal shall be final

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and binding upon the parties to the arbitration. The parties hereto hereby waive to the extent permitted by law any rights to appeal or to review of such award by any court or tribunal. The parties hereto agree that the arbitral award may be enforced against the parties to the arbitration or their assets wherever they may be found and that a judgment upon the arbitral award may be entered in any court having jurisdiction thereof.

11.10. Interim Orders. The arbitrators selected to resolve any dispute under Article VII hereof shall be entitled, upon the application of either party and notice to the other party, to enter any interim order permitting or directing action to be taken pending resolution of such dispute, to the extent the arbitrators determine that such interim order is necessary to preserve the status quo, comply with law or avoid undue hardship to either party.

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IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed on its behalf by its duly authorized officer, all as of the day and year first above written.

KOPPERS COMPANY, INC.

By /s/ Jill M. Blundon
Title: Vice President

KOPPERS INDUSTRIES, INC.

By /s/ Robert K. Wagner
Title: President and Chief Executive Officer

BZPH104E-0118

AMENDMENT AND RESTATEMENT TO
ARTICLE VII OF THE ASSET PURCHASE AGREEMENT

This Amendment and Restatement (this "Amendment") to Article VII of that certain Asset Purchase Agreement (the "APA") dated December 28, 1988 by and between **KOPPERS INC.**, f/k/a Koppers Industries, Inc., a Pennsylvania corporation ("Purchaser"), and **BEAZER EAST, INC.**, f/k/a Koppers Company, Inc., a Delaware corporation ("Seller") is made this 15th day of July, 2004 (the "Extension Date").

RECITALS

A. On December 28, 1988 Purchaser and Seller entered into the APA pursuant to which Purchaser purchased from Seller certain assets of Seller's Tar and Wood Products Sector (other than the Wolman Division), Building Products Sector (other than the phenolic insulation business of the Commercial Roofing and Insulation Division) and the Woodward, Alabama Coke Facilities.

B. The Purchaser and Seller desire to amend and restate Article VII of the APA in its entirety upon the terms and subject to the conditions set forth in this Amendment; and

C. Capitalized terms in this Amendment not otherwise defined herein have the meanings ascribed to them in the APA.

AGREEMENTS

NOW, THEREFORE, in consideration of the respective representations, covenants, rights and obligations herein contained, and other good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, Purchaser and Seller agree as follows:

1. Amendment. Article VII of the APA, and the portion of the APA's Table of Contents relating to Article VII, are hereby amended, restated and replaced in their entirety as follows:

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ARTICLE VII

ENVIRONMENTAL MATTERS

7.01 Definitions. For purposes of this Article VII, the following terms shall have the following meanings:

"Covered Assets" means (a) the Assets and (b) all other assets, properties or sites now or previously owned, operated, leased or used by Seller, its present or past subsidiaries or affiliates, or their respective predecessors in interest, or any person or entity acting on behalf of the Seller, including without limitation all assets, properties or sites used for off-site transport, storage, disposal, or treatment of materials or substances generated or contaminated on or prior to the Closing.

"Environmental Claim" means any liability, cost, expense, loss or damage resulting from any claim for personal injury, property damage or damage to natural resources made, asserted or prosecuted by or on behalf of any third party, including, without limitation, any governmental authority, employee or former employee of any person or entity, or their respective legal representatives, heirs, beneficiaries and estates, relating to the Covered Assets or their operation and either (a) arising or alleged to arise under any Environmental Law (whether now or hereafter in effect) or (b) asserted as a

result of actual, threatened or alleged pollution or contamination by, or exposure to, toxic or hazardous substances, pollutants, contaminants or products, raw materials or other chemicals or substances from or on any of the Covered Assets and in each case without regard to the form of action, and whether based on strict liability, gross negligence, negligence, or any other theory of recovery at law or in equity.

"Environmental Cleanup Liability" means liability for or the incurrence of, whether by force of any Environmental Law (whether now or hereafter in effect) or otherwise, any cost, loss, damage (including without limitation punitive damages pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. Section 9607(c)(3)), or expense of any nature whatsoever (including interest actually incurred and paid on such amounts) relating to or resulting from containment, removal, remediation, cleanup, or abatement of any deposit, emission, discharge or release of hazardous substances, pollutants or contaminants from or on any of the Covered Assets or their operation, including, without limitation, (a) any costs or expenses for investigation, study, assessment, legal representation, governmental oversight, cost recovery by governmental authorities, financial assurance, or on-going monitoring in connection therewith, (b) any cost, expense, loss or damage incurred with respect to any of the

Covered Assets or their operation as a result of actions or measures necessary to implement or effectuate any such containment, removal, remediation, cleanup or abatement, including without limitation the cost of installation, operation and maintenance of any equipment or facilities installed by or on behalf of Seller for the purpose thereof and (c) the cost for closure and post-closure care of any hazardous waste treatment, storage or disposal facilities (including, without limitation, any associated solid waste management units, whether presently designated or not) including, without limitation, all necessary monitoring, reporting, and remediation and the maintenance of financial assurance in connection therewith.

"Environmental Compliance Cost" means any cost, expense or investment of any nature whatsoever (other than those assumed by Purchaser pursuant to Section 1.02(a) (vi) hereof and other than Pre-Closing Environmental Cleanup Liability) necessary to enable the Assets, with normal operation and maintenance, to comply with all applicable (a) Environmental Laws and (b) laws or regulations relating to the use or removal of asbestos or polychlorinated biphenyls, in each case to the extent in effect and requiring compliance as of the Closing and any loss, damage or expense arising from the failure of the Assets so to comply as of the Closing and accruing until such noncompliance is remedied.

"Environmental Law" means any federal, state or local statute, ordinance, rule, regulation, order, consent decree, judgment or common-law doctrine, and provisions and conditions of permits, licenses and other operating authorizations, other than a Structural Law, relating to (a) pollution or protection of the environment, including natural resources, (b) exposure of persons, including employees, to toxic or hazardous substances or other products, raw materials, chemicals or other substances, (c) protection of the public health or welfare from the effects of products, by-products, wastes, emissions, discharges or releases of chemical or other substances from industrial or commercial activities or (d) regulation of the manufacture, use or introduction into commerce of chemical substances, including, without limitation, their manufacture, formulation, packaging, labeling, distribution, transportation, handling, storage and disposal.

"Grenada Litigation" means the following: Fred Beck, et al. v. Koppers Industries, et al., no. 3:03CV60-P-B, in the United States District Court for the Northern District of Mississippi - Western Division; Likisha Booker, et al. v. Koppers Industries, et al., no. 2002-549, in the Circuit Court of Holmes County, Mississippi; Walter Crowder, et al. v. Koppers Industries, et al., no. 2002-0225, in the Circuit Court of Leflore County, Mississippi; Benobe Beck, et al. v. Koppers

Industries, et al., no. 251-03-30CIV, in the Circuit Court of Hinds County, Mississippi; and Lynette Brown, et al. v. Koppers Industries, et al., no. CI2002-479, in the Circuit Court of Washington County, Mississippi.

"North Little Rock Litigation" means Farris Neal Wright v. Koppers Industries, et al., no. CV 2004-506, in the Circuit Court of Pulaski County, Arkansas - Seventeenth Division.

"Operative Pleading" means a complaint, cross-claim, third-party complaint or other pleading by which either Purchaser or Seller is named in legal proceedings, or any amendment to any of the foregoing.

"Pre-Closing Environmental Claims" means all Environmental Claims to the extent arising from alleged acts, omissions, conditions or circumstances occurring or existing prior to or as of the Closing (collectively, "Pre-Closing Conduct") in connection with the Covered Assets or their operation (or arising from the performance of Seller's obligations under this Article VII); provided that, with respect to any Environmental Claims, except for any claims arising from alleged off-site transport, storage, disposal or treatment by or on behalf of Seller (for which there shall be no limitation), any claim must be asserted by Purchaser or any third party, including governmental authorities, and must be received by

Seller, not later than 5:00 p.m. on July 14, 2019 (the "KI Claim Deadline") in order to constitute a Pre-Closing Environmental Claim. Any Environmental Claim for which Seller does not receive a written tender from Purchaser by the KI Claim Deadline shall not constitute a Pre-Closing Environmental Claim, and Seller shall have no obligation to defend or indemnify Purchaser as to such Environmental Claim. After the KI Claim Deadline, Purchaser will have no further right to tender to Seller any Environmental Claim, and Seller shall have no further obligation to defend or indemnify Purchaser from any Environmental Claim, except those Pre-Closing Environmental Claims tendered by Purchaser or any third party prior to the KI Claim Deadline and accepted by Seller in accordance with Section 7.06 of this Agreement. Following the KI Claim Deadline, new parties added to any Operative Pleading comprising a Pre-Closing Environmental Claim will only be considered a part of the original Pre-Closing Environmental Claim if the claims of such new parties are consistent with the gravamen of the original Operative Pleading that comprises the Pre-Closing Environmental Claim.

"Pre-Closing Environmental Cleanup Liability" means any Environmental Cleanup Liability (a) voluntarily undertaken by or on behalf of Seller, (b) required to be undertaken as a result of any third-party action, including without limitation enforcement of an Environmental Law (whether now or hereafter in

effect) or prosecution of an Environmental Claim, (c) undertaken pursuant to Section 7.02(b) hereof or (d) subject to the obligations in Section 7.02(c), undertaken by or on behalf of Purchaser pursuant to Section 7.06(c) or 7.06(d) (ii) hereof, in each case to the extent arising from alleged Pre-Closing Conduct (or arising from the performance of Seller's obligations under this Article VII); provided that, except for any claims arising from alleged off-site transport, storage, disposal or treatment by or on behalf of Seller (for which there shall be no limitation), any claim must be asserted by Purchaser or any third party, including governmental authorities, and must be received by Seller, not later than the KI Claim Deadline in order to constitute a Pre-Closing Environmental Cleanup Liability. Any Environmental Cleanup Liability for which Seller does not receive a written tender from Purchaser by the KI Claim Deadline shall not constitute a Pre-Closing Environmental Cleanup Liability, and Seller shall have no obligation to defend or indemnify Purchaser as to such Environmental Cleanup Liability. After the KI Claim Deadline, Purchaser will have no further right to tender to Seller any Environmental Cleanup Liability, and Seller shall have no further obligation to defend or indemnify Purchaser from any Environmental Cleanup Liability, except those Pre-Closing Environmental Cleanup Liability claims tendered by Purchaser or any third party prior to the KI Claim

Deadline and accepted by Seller in accordance with Section 7.06 of this Agreement.

"Structural Compliance Cost" means any cost, expense or investment necessary to comply with any Structural Law.

"Structural Law" means any federal, state or local statute, ordinance, rule, regulation, order or common-law doctrine and provisions and conditions of permits, licenses and other operating authorizations to the extent relating solely to the physical structure or condition of a building, fixture or other structure (including, without limitation, those relating to the use or removal of asbestos or polychlorinated biphenyls), excluding those to the extent relating solely to (a) pollution or protection of the environment, including natural resources, (b) exposure of persons, including employees, to toxic or hazardous substances or other products, raw materials, chemicals or other substances, (c) protection of the public health or welfare from the effects of by-products, wastes, emissions, discharges or releases of chemical or other substances from industrial or commercial activities or (d) regulation of the manufacture, use or introduction into commerce of chemical substances, including, without limitation, their manufacture, formulation, packaging, labeling, distribution, transportation, handling, storage and disposal.

7.02 Responsibility and Indemnification by Seller.

7.02(a) Indemnification. From and after Closing, Seller shall retain responsibility for and shall defend, indemnify and hold harmless Purchaser and Purchaser's permitted assigns, and their respective officers, directors, shareholders, employees, agents and representatives ("Purchaser Indemnified Parties") from and against the following:

(i) Pre-Closing Environmental Cleanup Liability, including any liabilities arising out of remedial activities by Seller, subject to the provisions of Section 7.03(a)(vi);

(ii) Pre-Closing Environmental Claims, including any claims arising out of remedial activities by Seller, subject to the provisions of Section 7.03(a)(vi) and Section 7.06(i); and

(iii) Fines and penalties of any nature whatsoever assessed, levied or asserted against any Purchaser Indemnified Party as a result of a violation or alleged violation of any Environmental Law (whether now or hereafter in effect) to the extent arising from (x) any acts or omissions of Seller or any person or entity acting on behalf of Seller, including acts or omissions with respect to any Pre-Closing Environmental Cleanup Liability or Pre-Closing Environmental Claims, or (y) circumstances

or conditions respecting the Assets or their operation and existing prior to or at the Closing;

provided, however, that Seller shall be liable for lost profits of the Business pursuant to clauses (i) through (iii) above only to the extent that Seller's acts or omissions, including without limitation remediation work directed by Seller, or the failure of Seller to direct remediation work, pursuant to Section 7.02(b) or 7.06(b) hereof, results in a shut-down or substantial impairment of the operation of any production facility included in the Assets and such lost profits shall be calculated on a company-wide basis, subject to Purchaser's duty to use reasonable efforts to mitigate such lost profits. Lost profits shall, in all cases, include without limitation any loss or damage due to the loss of a customer of Purchaser to the extent loss of such customer is attributable to such acts or omissions of Seller. Notwithstanding the foregoing, Seller shall not be responsible, either pursuant to this Section 7.02(a) or pursuant to Section 7.02(b) hereof, for any internal management costs incurred by any Purchaser Indemnified Party (including without limitation salaries or attorney's fees) except (A) to the extent that Seller is controlling any responsibility, liability or obligation pursuant to Section 7.02(b) or 7.06(b) hereof and specifically requests that such Purchaser Indemnified Party provide assistance with respect to such responsibility,

liability or obligation and such assistance requires that such Purchaser Indemnified Party incur an internal management cost that would not be incurred in the ordinary course of its business or (B) with respect to attorney's fees, fees incurred by Purchaser while Purchaser is controlling, managing or directing any discussions, proceedings or activities with respect to any responsibility, liability or obligation pursuant to Section 7.06(d) or the last sentence of Section 7.06(e) hereof.

7.02(b) Permits and Licenses. Without limiting the generality of the foregoing Section 7.02(a), the parties have agreed to the following specific procedures:

(i) To the extent permitted by law, Purchaser and Seller agree that (A) to the extent related to Pre-Closing Environmental Claims or Pre-Closing Environmental Cleanup Liability, Seller will undertake all remediation or other work required (within the time periods required) on or with respect to the Assets (including conducting negotiations, making notifications and rendering reports with respect thereto) and will retain responsibility to comply with related financial responsibility and bonding requirements and (B) Purchaser and Seller shall cooperate with the intention of implementing the foregoing.

(ii) Seller agrees that it shall use reasonable efforts to become the primary and exclusive signatory to, and become bound by the terms of, any consent orders, consent decrees, settlements and permits required to be issued after the Closing, in each case to the extent related to Pre-Closing Environmental Claims or Pre-Closing Environmental Cleanup Liability. Seller will provide Purchaser with notice of those situations in which Purchaser may be required to become a signatory to a consent order, consent decree, settlement or permit, and Purchaser shall be given an opportunity to participate in discussions with governmental authorities related to such matters, but solely with respect to those issues which may impose, or impose, obligations on Purchaser under such consent order, consent decree, settlement or permit. Purchaser agrees that if Seller is unsuccessful in becoming the primary and exclusive signatory, and if Purchaser is otherwise required by law, Purchaser will become a signatory to any consent orders, consent decrees or settlements and will become, and maintain its status as, a signatory to any permits required to be issued after the Closing, in each case to the extent related to Pre-Closing Environmental Claims or Pre-Closing Environmental Cleanup Liability.

7.02(c) No Acceleration of Seller's Obligations. Purchaser agrees that, except as may be reasonably necessary for the operation of the Business (including expansion of the Business), including protection of public health or the environment, in each case to the extent reasonably related to the operation of the Business, it shall not, by voluntary or discretionary action (including, without limitation, moving or disturbing soil currently stored in huts), accelerate the timing or increase the cost of any obligations of Seller under Section 7.02(a) or 7.02(b).

7.02(d) Transportation and Disposal. As of the Extension Date, Purchaser will, subject to the limitations set forth below, assume responsibility for all costs and expenses, including the costs and expenses of the transportation and disposal ("T&D"), necessary to manage of those soils that are excavated or disturbed and required to be managed by Purchaser, whether or not those soils have been contaminated as a result of alleged Pre-Closing Conduct, during Purchaser's expansion, maintenance, renovation or consolidation of then-existing Purchaser plant operations on any property that constitutes a part of the Assets (collectively, "Purchaser Alterations"). Purchaser's T&D obligations under this Subsection 7.02(d) do not apply to soils located beyond or deeper than those soils excavated or disturbed and required to be managed during

Purchaser Alterations. Seller will be responsible for all costs and expenses necessary to manage soils during its management of Pre-Closing Environmental Cleanup Liabilities and Pre-Closing Environmental Claims for which it has accepted responsibility, including T&D of such soils. The parties further agree that, if a cost-effective alternative method to off-site disposal is available with respect to such soils managed by Seller (including, but not limited to, on-site storage, moving, treatment or replacement) and such method is in compliance with all applicable laws, regulations, rules, orders and decrees and does not unreasonably interfere with the ordinary course of the Business, the parties shall implement such alternative method. Prior to implementing any material Purchaser Alteration, Purchaser will notify Seller of Purchaser's impending activities that may materially affect Seller's obligations hereunder. Purchaser agrees that, in the designing and locating of all Purchaser Alterations, it will cooperate with Seller to mitigate the cost of Seller's obligations hereunder.

7.02(e) Purchaser's Change in Use. Seller shall have no liability for indemnification under this Section 7.02 to the extent such liability arises as a result of a change in the use of the Asset concerned to a purpose unrelated to the Business and businesses reasonably related thereto.

7.02(f) Ordinary Wear and Tear. Except as set forth in Section 7.08(e) hereof, in no event shall Seller have any obligation to repair or replace any plant, equipment, buildings, fixtures or other structures constituting part of the Assets that must be repaired or replaced because they have become used, worn or obsolescent in the ordinary course of business.

7.03 Responsibility and Indemnification by the Purchaser.

7.03(a) Purchaser's Indemnity. From and after the Closing, Purchaser shall assume responsibility for and shall defend, indemnify and hold harmless Seller and its respective officers, directors, stockholders, employees, agents and representatives ("Koppers Indemnified Parties") from and against the following:

(i) Environmental Compliance Costs as to which a claim is asserted more than one year after the Closing (unless the noncompliance causing such Environmental Compliance Cost was not ascertainable by Purchaser after diligent inquiry during such one-year period);

(ii) Environmental Cleanup Liability other than Pre-Closing Environmental Cleanup Liability;

(iii) Environmental Claims other than Pre-Closing Environmental Claims, subject to the provisions of Section 7.06(i);

(iv) Structural Compliance Costs;

(v) except to the extent retained by Seller in Section 7.02(a), fines and penalties of any nature whatsoever assessed, levied or asserted against any Koppers Indemnified Party to the extent that they are the result of a violation or alleged violation of any (A) Environmental Law (whether now or hereafter in effect) to the extent arising from (x) the acts or omissions of Purchaser, or any person or entity acting on behalf of Purchaser, or (y) circumstances or conditions respecting the Assets or their operation and arising after the Closing or (B) any Structural Law; and

(vi) Any and all Post-KI Claim Deadline Claims, as this term is defined in Section 7.06(g) below.

7.03(b) Excluded Assets. None of the environmental responsibilities, liabilities or obligations assumed by, nor the indemnification obligation of, Purchaser herein shall include or extend to any responsibilities, liabilities or obligations of any nature whatsoever arising from assets, properties or sites now or previously owned, operated or used by Seller, other than the Assets, except to the extent that such assets, properties or

sites are operated or used (whether as disposal sites or otherwise) by Purchaser in any way after the Closing.

7.04 Additional Payments/Transfers. In consideration of Seller's undertakings in this Article VII, Purchaser will compensate Seller with a total of seven million dollars ($7,000,000) as follows:

7.04(a) Woodward Property. Within fifteen (15) days of the Extension Date, Purchaser will deed over to Seller all Purchaser's right, title and interest in approximately eighty three (83) acres of property at 2134 Koppers Drive in Dolomite, Alabama known as the Woodward Coke plant site, as well as any and all privileges, rights, easements and appurtenances thereto. On such date, Purchaser will execute all documents necessary to effect that transfer of title. The parties have valued the Woodward Coke property at Two Hundred and Seventy Thousand Dollars ($270,000).

7.04(b) Appel/Duckworth Payment. On the Extension Date, Purchaser will deliver to Seller an executed document releasing Seller from any claim by Purchaser for, and from any obligation whatsoever to pay Purchaser, any additional attorney fees in connection with the defense of the litigation captioned Appel et al. v. Beazer East, Inc. et. al. (Civil Action No. 98-C-2847) ("Appel") and the litigation captioned Duckworth et. al. v. Beazer East, Inc. et. al. (Civil Action No. 98-C-3216 through

3219) ("Duckworth") in which both Seller and Purchaser were party defendants. The parties have valued the Purchaser's claim for attorneys' fees for the Appel and Duckworth litigation at Fifty Six Thousand Dollars ($56,000).

7.04(c) Additional Payment One. On the Extension Date, Purchaser will pay Seller One Million Six Hundred and Seventy Four Thousand Dollars ($1,674,000).

7.04(d) Additional Payment Two. On July 1, 2005 Purchaser will pay Seller Two Million Dollars ($2,000,000).

7.04(e) Additional Payment Three. On July 1, 2006 Purchaser will pay Seller Two Million Dollars ($2,000,000).

7.04(f) Additional Payment Four. On July 1, 2007 Purchaser will pay Seller One Million Dollars ($1,000,000).

7.04(g) Methods of Payment. All such payments will be made in immediately available funds in cash, certified check or by bank wire transfer.

7.04(h) No Reservation of Claims. Purchaser and Seller hereby represent and warrant to each other that neither has received any notice of Environmental Claims or Environmental Cleanup Liability relating to the Assets that they have not asserted prior to the Extension Date nor do they have actual knowledge of any Environmental Claims, Environmental Clean-up Liability or demands for contribution relating to any of the foregoing, which would, on the basis of the facts and the law

existing as of the Extension Date, be the basis of claims to be asserted against the other pursuant to the terms of this Agreement. The parties agree that all claims set forth in the Grenada Litigation and the North Little Rock Litigation are deemed asserted and accepted by the parties under the terms of this Agreement.

7.05 Notices, Reports and Past Notices.

7.05(a) Notices. Upon receiving notice or obtaining information that a claim or proceeding has been or may be commenced or initiated against or by one of the parties to this Agreement which may give rise to any liability on the part of the other party under this Article VII, the party receiving such notice or obtaining such information shall promptly provide notice thereof to the other party which might incur liability under this Article VII. Such notice shall be by any reasonable means but, if not in writing, shall be followed within five working days by written notice of the claim or proceeding. Notwithstanding the foregoing, the failure to give such notice shall not release any party from its obligations under this Article VII except to the extent that such failure prejudiced the party entitled to such notice.

7.05(b) NRC Reports. On an annual basis, each party hereto shall provide to the other party a copy of all information or reports that are required to be reported by such

party to the National Response Center ("NRC") or other federal, state or local governmental authority concerning all spills, discharges and other releases of hazardous substances into the environment that are related to the Assets or the Business. In addition, on an annual basis, Purchaser shall provide a written summary to Seller of all other known spills, discharges and other releases of any substances into the environment that are related to the Assets or the Business, and which are released after the Closing in such quantity or at such location as to present a reasonable potential for an exacerbation of contamination attributable to alleged Pre-Closing Conduct. Seller agrees that it shall keep all such summaries confidential and will not disclose any such summary except to the arbitrators in connection with an arbitration pursuant to this Article VII or under legal compulsion. With each annual summary, Purchaser shall provide to Seller copies of all photographs depicting any such event to the extent available.

7.06 Discharge of Environmental Indemnity.

7.06(a) Notification of Claims. In the event that any Purchaser Indemnified Party notifies Seller of any responsibility, liability or obligation that may be subject to Seller's indemnification obligation under this Article VII, Seller shall have 75 days from the date of receipt of notice within which to acknowledge and assume all or a portion of the responsibility, liability or obligation asserted. During such 75-day period, Purchaser shall not take any action or incur any expenses with respect to such responsibility, liability or obligation except to the extent such action or incurrence is (i) legally required, (ii) reasonably necessary for the operation of Purchaser's business, including protection of public health or the environment, in each case to the extent reasonably related to the operation of the Business or (iii) approved by Seller, which approval shall not be unreasonably withheld.

7.06(b) Seller's Acceptance of Majority of Responsibility for Claims. If Seller agrees within such 75-day period to assume not less than 51% of the estimated responsibility, liability or obligation and provides written acknowledgment thereof to the Purchaser Indemnified Party, then except as set forth in Section 7.06(i) for Private Party Suits, Seller shall have the right to control, manage and direct all discussions, proceedings and activities regarding the

satisfaction and discharge of such responsibility, liability or obligation. Purchaser shall reimburse Seller or otherwise pay its share, if any, of the costs and expenses of such responsibility, liability or obligation on a current basis as such costs and expenses are incurred.

7.06(c) Purchaser's Rights Pending Seller Acceptance. Notwithstanding the foregoing clause (b), if any action or omission of Seller pursuant to such clause (b) would cause a shut-down or substantial impairment of the Business, Purchaser shall have the right to approve such action, which approval shall not be unreasonably withheld, or request Seller to remedy such omission, which request shall not be unreasonably denied. If a dispute arises with respect to (i) whether Purchaser has the right pursuant to this clause (c) to approve any action or request that Seller remedy any omission or (ii) whether Purchaser unreasonably withheld any such approval or Seller unreasonably denied any such request, neither Purchaser nor Seller shall be entitled to take any action with respect to such disputed matter (including, without limitation, reaching agreement with any governmental authority or third party, except as provided in Section 11.10 hereof) until such dispute is resolved as provided herein.

7.06(d) Purchaser's Rights After Seller Action. Notwithstanding the foregoing clause (b), Purchaser shall be

entitled to control, manage and direct discussions, proceedings and activities regarding any responsibility, liability or obligation if Seller fails to satisfy such responsibility, liability or obligation after (i) Seller has exhausted all remedies or appeals (judicial, administrative or otherwise) with respect to such responsibility, liability or obligation or (ii) Seller has specifically agreed in writing to satisfy such responsibility, liability or obligation in the manner Purchaser asserts such responsibility, obligation or liability should be satisfied. If a dispute arises with respect to whether Purchaser has the right pursuant to this clause (d) to control, manage and direct discussions, proceedings and activities regarding any such responsibility, liability or obligation, neither Purchaser nor Seller shall be entitled to take any action with respect to such disputed matter (including, without limitation, reaching agreement with any governmental authority or third party, except as provided in Section 11.10 hereof) until such dispute is resolved as provided herein.

7.06(e) Seller's Acceptance of Less than Majority of Responsibility. If Seller does not assume 51% or more of any responsibility, liability or obligation pursuant to Section 7.06(b) hereof, except as set forth in Section 7.06(i) for Private Party Suits, Purchaser shall have the right to control, manage and direct all discussions, proceedings and activities

regarding the satisfaction and discharge of such responsibility, liability or obligation. Seller shall reimburse Purchaser or otherwise pay its share, if any, of the costs and expenses of such responsibility, liability or obligation on a current basis as such costs and expenses are incurred.

7.06(f) Objections by Non-controlling Party. If any party hereto that is not controlling, managing and directing discussions, proceedings and activities regarding any responsibility, liability or obligation (the "Non-controlling Party") disputes a claim by the party that is so controlling, managing and directing that the Non-controlling Party is liable for any portion of such responsibility, liability or obligation, the Non-controlling Party shall not be required to contribute to or fund the portion of the responsibility, liability or obligation that is in dispute until such dispute is resolved as provided herein.

7.06(g) Post-KI Claim Deadline Claims. Seller shall have the right to tender to Purchaser any Environmental Claim or Environmental Cleanup Liability that either does not constitute a Pre-Closing Environmental Claim or a Pre-Closing Environmental Cleanup Liability, or that is a claim that Seller receives pertaining to the Assets after the KI Claim Deadline (a "Post-KI Claim Deadline Claim"), and Purchaser will accept the tender by Seller of any Post-KI Claim Deadline Claim, and will

address any such claim, defend Koppers Indemnified Parties against any such claim and indemnify and hold harmless Koppers Indemnified Parties against the consequences of such a claim, except as provided below. Consistent with the provisions of Section 7.03(b), Purchaser shall have the right to tender to Seller any lawsuit and/or claim not pertaining to the Assets at any time, including after the KI Claim Deadline. Purchaser will pay all defense costs and any compensatory damage award rendered against Purchaser and/or Seller and any punitive damages award rendered against Purchaser in any Post-KI Claim Deadline Claim, but Seller may defend or aid in the defense against any punitive damages allegations against Seller in accordance with the provisions of Section 7.06(j), and Seller will pay any punitive damages award rendered against Seller in any proceeding relating to such a Post-KI Claim Deadline Claim, subject to and as more particularly addressed in Section 7.06(j) below.

7.06(h) Environmental Claim Awards. Each of Seller and Purchaser will pay whatever settlement amount they can individually negotiate with a third party or a governmental authority and any judgment amount (including punitive damages subject to and as set forth in Section 7.06(j)) awarded against them individually with respect to Environmental Claims that are caused by Pre-Closing Conduct and/or caused by acts, omissions, conditions or circumstances to the extent occurring or existing

following the Closing (collectively "Post-Closing Conduct") and that are pending as of the Extension Date or tendered before the KI Claim Deadline and, in each case, accepted pursuant to this Section 7.06. As between Seller and Purchaser, however, if either party disputes with the other party a judgment concerning an Environmental Claim as being inconsistent with an allocation based on the Pre-Closing Conduct as against the Post-Closing Conduct, either party may commence an arbitration pursuant to Section 7.11 to determine the amount of the judgment that should be allocated to each party. In an Environmental Claim that is a lawsuit and/or claim pertaining to the Assets brought by a party other than a governmental authority (a "Private Party Suit"), or in a lawsuit and/or claim pertaining to the Assets brought by a governmental authority, in which only one of the two parties is named, if the named party disputes a judgment in the suit as being inconsistent with an allocation based on the Pre-Closing Conduct as against the Post-Closing Conduct, the named party may commence an arbitration pursuant to Section 7.11 to determine the amount of the judgment that should be allocated to each party. The only issue before the arbitrator in the arbitrations under this Section 7.06(h) would be how much of the judgment should be allocated to the Pre-Closing Conduct and how much should be allocated to the Post-Closing Conduct. Except as set forth in Section 7.06(j), Seller will pay 100% of the amount

allocated to Pre-Closing Conduct and Purchaser will pay 100% of the amount allocated to Post-Closing Conduct as determined by the arbitrator. The arbitrations described in this subsection shall be the sole and exclusive remedy for a party's allocation or objection to the allocation of any judgment awarded against it in connection with Private Party Suits as described in Section 7.06(i).

7.06(i) Private Party Suit Defense Costs and Control. Notwithstanding the provisions of Sections 7.06(b) and 7.06(e), and subject to the provisions set forth within the definition of "Pre-Closing Environmental Claims," the following provisions shall apply to Private Party Suits on and after the Extension Date:

(1) In a Private Party Suit in which either or both of Purchaser and Seller are named as parties to the proceeding, Purchaser shall pay one hundred percent (100%) of the applicable fees, expenses and costs of the defense ("Defense Costs") related to those allegations which are solely of Post-Closing Conduct.

(2) In a Private Party Suit in which both Purchaser and Seller are named parties to the proceeding, Seller and Purchaser shall each pay fifty percent (50%) of the Defense Costs related to those allegations which are not solely of Post-Closing Conduct, without regard to how much of such Defense

Costs relate to alleged Pre-Closing Conduct as opposed to alleged Post-Closing Conduct. If Purchaser settles with plaintiffs or is otherwise dismissed from the Private Party Suit, Purchaser shall continue to pay fifty percent (50%) of such Defense Costs to defend Seller, until the Private Party Suit is finally resolved, whether by settlement, trial or appeal.

(3) In a Private Party Suit in which only Purchaser is named as a party to the proceeding, Purchaser shall defend and shall pay one hundred percent (100%) of the Defense Costs. Purchaser shall not join Seller in such a Private Party Suit. If Seller is later named as a party to the proceeding, responsibility for payment of Defense Costs incurred on and after the date on which Seller is joined shall be as determined under Sections 7.06(i)(1) and 7.06(i)(2), until the Private Party Suit is finally resolved, whether by settlement, trial or appeal.

(4) In a Private Party Suit in which only Seller is named as a party to the proceeding, Seller and Purchaser shall each pay fifty percent (50%) of the Defense Costs related to those allegations which are not solely of Post-Closing Conduct, without regard to how much of such Defense Costs relate to alleged Pre-Closing Conduct as opposed to alleged Post-Closing Conduct. Such sharing of the Defense Costs shall

continue until the Private Party Suit is finally resolved, whether by settlement, trial or appeal. Seller shall not join Purchaser in such a Private Party Suit.

(5) The allocation of Defense Costs between Purchaser and Seller determined in accordance with this Section 7.06(i) shall be final and not subject to reallocation through arbitration or otherwise.

(6) In Private Party Suits in which either Seller alone or both Purchaser and Seller are named as parties to the proceeding, the control of the defense shall be as follows: Seller shall control the defense of matters relating to allegations of Pre-Closing Conduct and Purchaser shall control the defense of matters relating to allegations of Post-Closing Conduct. In both cases, such control includes the right to choose counsel. In the event the allegations relate to both Pre-Closing Conduct and Post-Closing Conduct, Seller and Purchaser shall cooperate to attempt to reach agreement on the manner of the defense. If they cannot agree, they shall submit the matter to a law firm mutually selected by them, for an expedited determination of who shall control the defense of the particular issue. Seller and Purchaser agree to be bound by the decision of the law firm.

7.06(j) Punitive Damages.

(1) Except as otherwise set forth in this Section 7.06(j), each party will pay in perpetuity all punitive damages awarded against it in Private Party Suits and each party will have the right to reallocate punitive damages awarded through a subsequent arbitration.

(2) From and after the Extension Date, including after the KI Claim Deadline, Purchaser shall provide written notice to Seller of any Private Party Suit seeking punitive damages relating to alleged Pre-Closing Conduct, in which Purchaser has been served and in which Seller is not named as a party. In the event that Seller receives such notice, Seller shall have the right, but not the obligation, at its sole option and at its sole cost, to control the defense against any allegations of punitive damages relating to alleged Pre-Closing Conduct through counsel of its own choosing, or to assist in the defense against such allegations through counsel of its own choosing or through Purchaser's counsel. If Purchaser fails to provide the written notice required by the second sentence of this Section 7.06(j)(2) and Seller's defense is prejudiced by such failure to provide notice, Seller shall not be responsible for the payment of punitive damages, and Purchaser shall be responsible for such punitive damages. If Purchaser and Seller disagree concerning whether Seller has been prejudiced by a

failure to provide such notice, Seller or Purchaser may commence an arbitration proceeding pursuant to Section 7.11 to determine whether such a failure has prejudiced Seller's defense. The only issue before the arbitrator in any arbitration under this Section 7.06(j)(2) shall be whether Seller's defense has been prejudiced by a failure of Purchaser to provide the notice required by this Section 7.06(j)(2).

(3) From and after the Extension Date, including after the KI Claim Deadline, Seller shall provide written notice to Purchaser of any Private Party Suit seeking punitive damages relating in whole or in part to alleged Post-Closing Conduct, in which Seller has been served and in which Purchaser is not named as a party. In the event that Purchaser receives such notice, Purchaser shall have the right, but not the obligation, at its sole option and at its sole cost, to control the defense against any allegations of punitive damages relating solely to alleged Post-Closing Conduct through counsel of its own choosing, or to assist in the defense against such allegations through counsel of its own choosing or through Seller's counsel, if any. If Seller fails to provide the written notice required by the second sentence of this Section 7.06(j)(3) and Purchaser's defense is prejudiced by such failure to provide notice, Purchaser shall not be responsible for the payment of punitive damages, and Seller shall be responsible for such punitive

damages. If Seller and Purchaser disagree concerning whether Purchaser has been prejudiced by a failure to provide such notice, Purchaser or Seller may commence an arbitration proceeding pursuant to Section 7.11 to determine whether such a failure has prejudiced Purchaser's defense. The only issue before the arbitrator in any arbitration under this Section 7.06(j)(3) shall be whether Purchaser's defense has been prejudiced by a failure of Seller to provide the notice required by this Section 7.06(j)(3).

(4) In a Private Party Suit that is a Post-KI Claim Deadline Claim seeking punitive damages against either Seller or Purchaser relating to alleged Pre-Closing Conduct, Purchaser will use reasonable efforts to defend against such allegations of punitive damages, regardless of whether Seller elects, in accordance with Section 7.06(j)(2), to control the defense against such allegations, to assist in the defense against such allegations, or to do neither.

7.06(k) Soil Management Plans. Beginning on the Extension Date, with input from Purchaser, Seller may develop a soil management plan ("SMP") for each facility that is a part of the Assets. Purchaser will receive drafts of the SMP for review and comment before Seller's submission to the governmental authority. The SMP will identify those areas of each such facility where it is applicable. The parties will work in good

faith and make all reasonable efforts to: (i) develop an SMP that does not unreasonably interfere with the Purchaser's operations; (ii) limit the size of the area in which an SMP is required to the process area and within such process area to the smallest area acceptable to the governmental authority; (iii) convince the governmental authority to accept the SMP; and (iv) negotiate any site-specific modifications to the SMP.

7.06(l) Conducting Risk Assessments. From and after the Extension Date, when Seller is required to conduct or modify a risk assessment for one of Purchaser's sites constituting a part of the Assets, it will do so in accordance with applicable regulations and guidance, and with the requirements agreed to by Seller and the governmental authority involved. Seller will direct and control all discussions and negotiations regarding the risk assessment with the governmental authority. Seller will promptly notify Purchaser that a risk assessment will be conducted or modified. Except as otherwise specifically set forth herein or as reasonably necessary for the operation of the Business, Purchaser will not take any voluntary or discretionary action that will increase or accelerate Seller's costs of the risk assessment or the resulting remedial investigation or remedial action.

7.06(m) Risk Assessment Remedies Due to Changed Use. In conducting a risk assessment, Seller may assume that the

future site use will be the same as the then-current site use. Purchaser may alter or expand its current operations or work practices. However, if Purchaser later relocates, installs buildings, equipment or storage areas, or changes work practices, and Purchaser demonstrates by risk assessment calculations that the subsequent relocation, installation or modification presents or will present a level of risk that a governmental authority would find must be addressed due to the existence of Pre-Closing contamination, Seller will address the risk, including T&D of the soils excavated or disturbed and required to be managed if the remedial approach includes off-site disposal, except for soils managed by Purchaser during Purchaser Alterations where soils excavated or disturbed and required to be managed by Purchaser Alterations will be Purchaser's responsibility. Such Purchaser demonstration will be conducted consistent with all of the assumptions and methodologies utilized by Seller in the prior risk assessment, except that any Default Assumptions (as defined in Section 7.06(n) below) utilized by Seller will be modified to model the new use.

7.06(n) Risk Assessment Assumptions. Seller and Purchaser have agreed on certain default risk assessment assumptions, which are attached hereto as Exhibit A ("Default Assumptions"). For each Purchaser operating site constituting a

part of the Assets at which Seller is required to conduct or modify a risk assessment, Seller may use the Default Assumptions, in its sole discretion, at any time. Seller may also request to use site-specific risk assessment assumptions ("Specific Assumptions") applicable to Purchaser's employees at that site. Seller may only use Specific Assumptions that have been approved in writing by the Purchaser's Vice President, Safety, Health and Environmental Affairs or other designee. Purchaser will not unreasonably withhold, condition or delay its approval of Specific Assumptions proposed by Seller. Purchaser will not be required to approve Specific Assumptions that would require Purchaser to monitor or comply with work practices beyond those applicable to Purchaser in the absence of such assumptions, and Purchaser will not be required to approve assumptions that would unreasonably impair, limit, alter or interfere with the work-related activities or operations of Purchaser's employees at a site constituting a part of the Assets. Purchaser will also not be required to approve risk assessment assumptions that would unreasonably impair, limit, alter or interfere with changes to, or expansions of, Purchaser's plant operations where Purchaser authorizes such expansions or changes and has communicated its decision to Seller in advance ("Planned Changes"). Purchaser will promptly bring material Planned Changes to Seller's attention by

delivering written notice to Seller as soon as reasonably possible after Purchaser authorizes such a change or expansion of Purchaser's plant operations or by including the same as an agenda item at any quarterly meeting of the parties or sooner if reasonably possible. Purchaser agrees that, in the designing and locating of its Planned Changes, it will cooperate with Seller to mitigate the cost of Seller's obligations hereunder. Purchaser will allow Seller, its agents and contractors (subject to compliance with Purchaser's risk-management policies and the provisions of Section 7.08(a)) reasonable access to the Assets to conduct any governmental authority-required monitoring, verifying and auditing of any risk assessment assumptions.

7.06(o) Technical Assumptions. In performing risk assessments, Seller will use its sole reasonable judgment in determining, and in obtaining approval from the governmental authority of, the technical assumptions for risk assessments, including, but not limited to, absorption factors and adjustment factors ("Technical Assumptions"). The Technical Assumptions will not be negotiated as Specific Assumptions, and do not need to be approved in writing or otherwise by Purchaser. Seller is responsible for the Technical Assumptions and will indemnify, defend and hold harmless Purchaser from any action resulting from these assumptions.

7.06(p) Final Risk Assessment. Seller will provide Purchaser with the final risk assessment and reports or revisions thereto when they are submitted to the governmental authority. Any review by Purchaser of a risk assessment does not constitute approval of its contents. If Purchaser has approved the assumptions utilized by Seller regarding Purchaser's employees pursuant to Section 7.06(n) above, including either Default Assumptions or Specific Assumptions, and no additional worker assumptions have been inserted, Purchaser will allow Seller alone to contact or communicate with the governmental authority involved regarding the risk assessment, and all communications with governmental authorities by Purchaser regarding risk assessments will otherwise be governed by the provisions of Section 7.07 below.

7.07 Participation Permitted/Communication.

7.07(a) General. Except as otherwise set forth in this Section 7.07, any party to this Agreement that could incur liability under this Article VII shall have the full right, at its own expense, to consult, through counsel or otherwise, with respect to all meetings and proceedings with adverse parties or governmental authorities and with respect to all activities pertaining to that matter. Prior to initiating, or participating in, any meeting or proceeding in which decisions or discussions adverse to one party may be made, the party

attending the meeting or proceeding shall consult with the other. This right of consultation shall not apply to confidential meetings or documents or in cases where the parties are disputing, arbitrating or litigating claims against each other.

7.07(b) Communication Procedures. In relation to any indemnity matter for which a party has assumed 51% or more of any responsibility, liability or obligation and is controlling, managing and directing discussions, proceedings and activities, except when legally required as described below, neither the Non-controlling Party nor its employees, consultants or agents will unilaterally communicate, either directly or indirectly, in any form whatsoever (including orally, in writing, electronically, via the internet or otherwise) with the governmental authority involved concerning such responsibility, liability or obligation, and the Non-controlling Party will not request, direct or assist others to make such a communication. If the Non-controlling Party as to an indemnification claim reasonably determines that it is now or in the future required to contact or communicate with the governmental authority or authorities involved at a plant constituting a part of the Assets concerning such responsibility, liability or obligation, the Non-controlling Party will notify the controlling party, and the parties will confer in good faith over whether the

communication is legally required. If, after conferring, the parties disagree on whether the communication is legally required and/or on the substance of the communication, either party may refer the issue or issues to a mutually agreeable law firm (with such law firm to be agreed to by the Purchaser and Seller within thirty (30) days of the Extension Date) for an expedited arbitration of the issue. If the law firm rules that the communication is legally required, or if the parties agree before arbitration that the communication is legally required, then the parties will use reasonable efforts to make the communications expeditiously and in a manner that is designed not to unnecessarily increase or accelerate the controlling party's costs. If the law firm rules that the communication is not legally required, or if the parties agree before arbitration that the communication is not legally required, then the Non-controlling Party will not communicate with the governmental authority or authorities. If the law firm makes a decision as to the substance of the communication, the parties will follow that decision in making the communication. Both parties agree that it is not either party's intention in this Section 7.07 to limit, eliminate or control, in any way the other party's ability to notify the governmental authority or authorities involved at a plant constituting a part of the Assets or to communicate with the authority or authorities where the Non-

controlling Party is now or in the future required by law or order or decree to make such communications or notifications. The parties acknowledge they may now or in the future be subject to disclosure requirements under applicable laws, orders or decrees. Subject to all of the foregoing, the parties will not engage in discussions with governmental authority representatives relating to each other's responsibility, liability, obligation, operations or compliance without the other party's prior consent.

7.08 Access and Cooperation.

7.08(a) Access to Properties. In order to assist the parties in fulfilling their respective obligations under this Article VII, each party will afford the other reasonable access to its properties constituting a part of the Assets (including, but not limited to, the right to enter upon, investigate, drill wells, take soil borings, excavate, monitor, test, cap and use available land for the testing and implementation of remedial technologies) and employees and to all relevant documents and records regarding the matter as to which a responsibility, liability or obligation is asserted; provided that such access may be conditioned or restricted as may be reasonably necessary to protect the operations of such properties, to ensure compliance with law and the safety of personnel and facilities or to protect confidential or

privileged information. The parties will use all reasonable efforts to cooperate with each other to minimize costs with respect to any action that may give rise to a claim for indemnification or payment of costs by or to any party hereto.

7.08(b) Quarterly Meetings. For purposes of implementing the Purchaser's and Seller's obligations under this Agreement and for no other reason, Purchaser and Seller will meet quarterly or at such other intervals as the parties may mutually agree, at mutually agreeable times and places, to discuss in good faith certain items necessary for each party's compliance with the terms and conditions of this Agreement, including without limitation the agenda items as set forth on Exhibit B and such other items as either party considers relevant to the actions contemplated by this Agreement.

7.08(c) Recycling/Reuse of Materials. To the extent permitted by law, subject to the capacity limitations of Purchaser's facilities and equipment and if there is no material non-reimbursed actual incremental cost to the Purchaser, the parties will cooperate with one another in good faith to develop recycling and reuse strategies at properties comprising the Assets in an environmentally sound manner so as maximize the recycle/reuse of Seller's materials from sites owned and/or operated by Seller prior to the Closing. Purchaser is not and will not become a treatment and disposal facility. Seller shall

provide data to Purchaser so that Purchaser can determine whether Seller's materials conform to Purchaser's recycle and reuse requirements. Seller will maintain documentation of all materials furnished to Purchaser. Seller will obtain all necessary permits and licenses and all governmental authorizations, if any, required for Purchaser's recycling or reuse of such materials. Additionally, Purchaser shall have the right to inspect Seller's shipments of materials to Purchaser's properties constituting a part of the Assets pursuant to the provisions of this Section 7.08(c) and shall have the right to refuse to accept non-conforming materials, such rights to inspect or refuse not to be unreasonably exercised. Non-conforming materials shall mean those materials that (i) would place the Asset in non-compliance with Environmental Law, (ii) would substantially interfere with Purchaser's ordinary conduct of the Business, or (iii) would otherwise be unacceptable to Purchaser in its good faith, reasonable determination. Seller shall be responsible for reimbursement to Purchaser of any actual incremental costs incurred by Purchaser in implementing any reuse or recycling strategy. Seller will indemnify, defend and hold harmless Purchaser from any Purchaser loss, cost, damage or expense caused by such reuse or recycling of such materials, unless caused by Purchaser's negligence in fulfilling its obligations under this Section 7.08(c).

7.08(d) Groundwater. Subject to the availability of capacity (it being understood that Purchaser shall have first priority with respect thereto), and provided that Seller's activities are permitted and such use is allowed under Purchaser's permits, licenses and other operating authorizations, are compatible with Purchaser's wastewater treatment processes, and do not substantially increase Purchaser's health, safety or environmental liability exposure or interfere with the operation of the Business, Purchaser will make available and allow Seller, to the extent permitted by law, to contribute groundwater to Purchaser's wastewater treatment process at the properties constituting a part of the Assets for the purpose of Seller's activities in discharge of its obligations and liabilities under this Article VII concerning groundwater generated at the Assets, or at any other properties previously operated by Seller as part of the Business. Purchaser will treat groundwater generated by Seller while it is addressing Pre-Closing Environmental Cleanup Liability in Purchaser's wastewater treatment system, at no cost to Seller, up to the treatment capacity of Purchaser's then-existing wastewater treatment systems. While treating wastewater and such groundwater, Purchaser will be responsible for the operating and maintenance cost of its then-existing wastewater treatment equipment, including any increase in the use of its

then-existing wastewater treatment equipment, to the extent of its then-existing capacity. Seller shall provide Purchaser with data reasonably obtainable by Seller so that Purchaser may determine whether such water can be processed in Purchaser's wastewater treatment facilities. Seller will indemnify, defend and hold harmless Purchaser from any Purchaser loss, cost, damage or expense caused by such treatment, unless caused by Purchaser's negligence in fulfilling its obligations under this Section 7.08(d).

7.08(e) Additional Capacity Required. Where additional wastewater treatment capacity, equipment or processes are necessary and requested by Seller, and acceptable to Purchaser, the parties will cooperate to add and construct equipment to increase capacity or treatment or to add new processes if reasonably possible, but Seller will be responsible for the costs of the design and construction of wastewater treatment equipment needed to add additional capacity requested by Seller or as otherwise necessary. Seller will be responsible for and will reimburse Purchaser for any actual incremental costs attributable to any new treatment equipment or new treatment processes requested by Seller and needed to add additional capacity or additional treatment beyond Purchaser's then-existing wastewater treatment infrastructure. Any such design and construction will be performed at Purchaser's

direction, but Purchaser will confer in good faith with Seller to try to mitigate Seller's costs and accomplish Seller's goals. Purchaser will work with Seller in good faith to try to meet the groundwater treatment needs of Seller in fulfilling its environmental indemnity obligations under this Section 7.08(e) at Purchaser's actual incremental cost. Purchaser is under no obligation to continue to operate or modify a wastewater treatment facility that is no longer needed by Purchaser. Should any additional permits be required for such treatment, Seller will obtain such permits at its cost and expense. Purchaser and Seller will work together in good faith in the routing of water lines and in the treatment of groundwater to limit substantial interference with Purchaser's operations.

7.08(f) Storm Water. Purchaser will retain and have responsibility for all storm water management issues at Purchaser's plants, other than storm water generated during and from the actual construction, operation, maintenance or redress of Seller remediation projects relating to the Assets, which shall be Seller's responsibility. However, if Purchaser has treatment capacity and its permits allow, at Seller's option, Purchaser will treat Seller's storm water also in accordance with the provisions of Sections 7.08(d) and 7.08(e) above. Seller will be responsible for the collection and conveyance to Purchaser's existing treatment facilities at the Assets of any

storm water that Seller wants Purchaser to treat. Seller shall provide Purchaser with data reasonably obtainable by Seller so that Purchaser may determine whether such water can be processed in Purchaser's wastewater treatment facilities. Seller will indemnify, defend and hold harmless Purchaser from any Purchaser loss, cost, damage or expense caused by such treatment, unless caused by Purchaser's negligence in fulfilling its obligations under this Section 7.08(f).

7.08(g) Institutional Controls. Seller agrees that, where its remedy requires institutional controls at a Purchaser facility that is part of the Assets, Seller will initially propose to the governmental authority involved and seek to convince the authority to accept only a "general industrial use" deed restriction, with no groundwater used as potable water (collectively "General Industrial Use"). Purchaser will accept General Industrial Use restrictions in its deeds on properties comprising the Assets without compensation. If the governmental authority requires a more extensive institutional control, Seller and Purchaser will work together in good faith and will each use its reasonable efforts to limit the extent and terms of any restriction on the use of Purchaser's property as much as possible including defining the Purchaser's process area in a manner reasonably acceptable to Purchaser. In particular, Seller will notify Purchaser prior to

proposing any institutional control restrictions to any governmental authority and will act reasonably and in good faith to limit the restrictions to either a General Industrial Use limitation or to other use limitations that do not substantially interfere with Purchaser's ordinary conduct of the Business, including any Planned Changes, and that do not impose on Purchaser an obligation to implement an auditing, monitoring or oversight program related to the effectiveness of the institutional controls. Seller will be responsible for implementing any required auditing, monitoring or oversight program related to the effectiveness of the institutional controls. For any material proposed limitations of which it is aware, Seller will timely report all such material proposed limitations on Purchaser's ongoing operations resulting from proposed institutional controls to Purchaser's Vice President, Safety, Health and Environmental Affairs or other designee prior to agreeing to or implementing such institutional controls. At the conclusion of such Seller and Purchaser efforts, Purchaser agrees that, with no compensation to Purchaser from Seller other than as may be required by Section 7.08(h), Purchaser will impose on its facility constituting a part of the Assets, and subject its property to, those deed restrictions, institutional controls and other controls, use limitations, restrictions and terms required by the governmental authority.

7.08(h) Compensation to Purchaser for Institutional Controls. Where the property use restriction (other than a General Industrial Use restriction for which no compensation is payable by Seller) required by any governmental authority would substantially interfere with Purchaser's ordinary conduct of the Business, including any Planned Changes, Seller agrees to negotiate in good faith with Purchaser compensation to be paid by Seller to Purchaser for the substantial interference. If the parties cannot agree on such compensation, then either Purchaser or Seller may submit to arbitration the issues of whether the property use restriction substantially interferes with Purchaser's ordinary conduct of the Business, including any Planned Changes, and, if so, what, if any, compensation from Seller to Purchaser is appropriate for such substantial interference with Purchaser's operations.

7.08(i) Costs and Oversight for Institutional Controls. Seller will be responsible for the costs of any required oversight, auditing, enforcement, confirmation, or similar activity related to the effectiveness of the deed or other institutional controls imposed on Purchaser's property. Seller will be responsible for all costs associated with the design, recording, installation, operation and maintenance of any institutional controls or other restrictions. Seller will be responsible for all record keeping relating to the foregoing.

Purchaser will cooperate with Seller and make its records related to the foregoing, if any, as well as reasonable space to store any relevant records, available to Seller.

7.08(j) Remedial Components. Purchaser agrees that, with no compensation to Purchaser, Seller may use Purchaser's property to implement environmental remedies, as long as the remediation component (e.g., cap, cover, barrier wall or landfill) does not substantially interfere with Purchaser's ordinary conduct of the Business, including any Planned Changes. In particular, Seller will notify Purchaser prior to proposing any remediation component on Purchaser's property to any governmental authority and will act reasonably and in good faith to attempt to limit the remediation components to those that: (i) would not substantially interfere with Purchaser's ordinary conduct of the Business, including any Planned Changes and (ii) do not impose on Purchaser an obligation to implement an auditing, monitoring or oversight program related to the effectiveness of the remedial components. If Purchaser and Seller cannot agree on whether a remediation component substantially interferes with the Purchaser's ordinary conduct of the Business, including any Planned Changes, they will submit the issue to arbitration under Section 7.11 of this Agreement. If the arbitrator determines that the remedy will substantially interfere with Purchaser's ordinary conduct of the

Business, including any Planned Changes, Seller and Purchaser will work together in good faith and will each use its reasonable efforts to try to relocate the remediation component or otherwise to limit such substantial interference with Purchaser's ordinary conduct of the Business, including any Planned Changes. At the conclusion of such Seller and Purchaser efforts to relocate the remediation component or try to limit such substantial interference with Purchaser's ordinary conduct of the Business, including any Planned Changes, Purchaser agrees that Seller may use Purchaser's property in implementing its environmental remedies. Further, Purchaser thereafter will, with no compensation to Purchaser from Seller other than as may be required by Subsection 7.08(k), impose on its property constituting part of the Assets, and subject such property to, those remedial components required by the governmental authority.

7.08(k) Compensation for Remedial Components. If the parties cannot agree on appropriate compensation for a remedial component, then either party may submit to arbitration the issue of whether the property use described in Section 7.08(j) above substantially interferes with Purchaser's ordinary conduct of the Business, including Planned Changes, and if so, what compensation, if any, from Seller to Purchaser is

appropriate for such substantial interference with Purchaser's ordinary conduct of the Business.

7.08(l) Temporary Discontinuance of Groundwater and Storm Water Treatment. Regarding Purchaser's agreement to treat Seller's groundwater and storm water as provided for in Section 7.08(d) and Section 7.08(f), respectively, Purchaser will provide reasonable advance notice to Seller prior to discontinuing treatment of Seller's groundwater or storm water if Purchaser has a reasonable concern for its compliance obligations until the compliance issue is resolved to the satisfaction of any governmental authority involved. Purchaser will attempt in good faith to provide Seller with as much advance notice of such a discontinuance of treatment as reasonably possible. Seller understands, however, that advance notice may not always be possible in, for example, cases of treatment process upsets. Purchaser will not discontinue groundwater or storm water treatment unless it is reasonably necessary.

7.08(m) Disposal of Wastewater Treatment Facility. If Purchaser decides to cease operations at an Asset or reasonably decides that it will no longer operate its wastewater treatment system at an Asset, Purchaser will have no further obligation to Seller to treat groundwater or storm water at such Asset, nor to operate or maintain such wastewater treatment

equipment. Whenever possible, Purchaser will attempt in good faith to provide Seller with as much advance notice of such determinations as reasonably possible. If Purchaser reasonably decides that it will no longer operate its wastewater treatment system, Purchaser will notify Seller before taking any steps to dismantle the wastewater treatment system, and, at Seller's option, the parties may engage in good faith negotiations for Seller's purchase of the system.

7.09 Recordkeeping. Seller will be responsible for maintaining all records, permits, authorizations and other materials relating to its activities contemplated by this Article VII, including, but not limited to, those related to risk assessments, institutional controls, and remedial components. In order to facilitate a smooth execution of Seller's satisfaction of its indemnity obligations, and to minimize Seller's costs in satisfying its indemnification obligations, and the overall Pre-Closing Environmental Claims and Pre-Closing Environmental Clean-Up Liability to the extent permitted by law, Seller may from time to time enter into arrangements for certain inspection, record keeping assistance and/or other services with Purchaser at Purchaser's actual incremental cost, and Purchaser will cooperate with Seller relating to such services, but Purchaser will not be responsible for, and will not indemnify Seller from, any claims relating to

the provision of those services described in this Section 7.09 by Purchaser. Nothing contained in this Section 7.09 will reduce or otherwise modify the obligations of the parties contained in Section 7.08.

7.10 Limitations on Damages; Set-Off.

7.10(a) Limitations. For purposes of this Article VII, all amounts for which any party seeks indemnification shall be computed net of (i) any actual income tax benefit resulting therefrom to the indemnified party, (ii) any insurance proceeds received (net of tax effects) with respect thereto, other than proceeds received from the insurance coverage known as the P97 Policy, being Seller's Policy No. P970001, and (iii) any amounts recovered (net of tax effects) from any third parties based on claims the indemnified party has against such third parties which reduce the damages that would otherwise be sustained; provided, however, that, in all cases, the timing of the receipt or realization of insurance proceeds or income tax benefits or recoveries from third parties shall be taken into account in determining the amount of reduction of Damages. Each indemnified party agrees to use its reasonable efforts to pursue, or assign to the indemnifying party, any claims or rights it may have against any third party which would materially reduce the amount of damages otherwise incurred by such indemnified party.

7.10(b) Setoff. Seller, at its option, may set-off against any unpaid amounts determined or admitted to be due to Seller from a specified Purchaser Indemnified Party pursuant to this Article VII, any amounts due to such specified Purchaser Indemnified Party from Seller (whether pursuant to this Agreement or otherwise).

7.11 Arbitration. Notwithstanding any other dispute resolution provision to the contrary contained in Article XI of this Agreement, all disputes (other than those described in Sections 7.06(i)(6) and 7.07(b) above) concerning all matters relating to this Article VII shall be submitted to arbitration, in accordance with the following terms and conditions:

7.11(a) Arbitrator. Arbitration requires the submission of the dispute to one arbitrator to be chosen by the Purchaser and Seller, as described below.

7.11(b) Procedures. The following procedures shall apply to any arbitration conducted under this Article VII.

(1) Within ten (10) days after the service by any party of a demand for arbitration hereunder, the Purchaser and Seller will meet and confer, either in person or by telephone, in an effort to informally resolve any such disputes before proceeding with arbitration. If the parties cannot resolve such disputes informally within the ten (10) day period, the Purchaser and Seller shall then jointly select one (1)

arbitrator. Should the Purchaser and Seller fail to select one arbitrator within ten (10) days, the party initiating the arbitration shall apply to the Pittsburgh, Pennsylvania office of the American Arbitration Association ("AAA") for appointment of one arbitrator.

(2) Within ten (10) days after the appointment of the arbitrator hereunder, the parties shall be entitled to file with the arbitrator written submissions not to exceed twenty (20) pages in length.

(3) Within ten (10) days after the filing of written submissions hereunder, the parties shall be entitled to file with the arbitrator reply submissions not to exceed ten (10) pages in length.

(4) At the arbitrator's discretion within ten (10) days after the filing of any reply submission, the arbitrator may request oral presentations by the parties. Oral presentations shall not exceed one (1) hour in length per party. Oral presentations may be made in person or by telephone conference call, at the arbitrator's discretion.

(5) Within ten (10) days after the filing of reply submissions or, if applicable, within ten (10) days after the conclusion of oral presentations, the arbitrator shall render his or her decision.

(6) The arbitrator's decision shall be in writing and shall state the reasons therefor.

(7) The arbitrator's decision shall be applicable as of the date of issuance and shall be final and binding on the parties.

(8) The arbitrator may apportion costs and expenses of the arbitration, including reasonable attorney's fees of the parties, in any manner he or she deems just and equitable in light of the circumstances.

All arbitrations conducted pursuant to this Section 7.11 shall continue to be governed by all non-conflicting additional arbitration provisions of this Agreement, including Sections 11.09 and 11.10 of this Agreement. Regarding any matter arising out of or relating to this Article VII which is the subject of arbitration between the parties, in the event of any conflict between this Article VII and any arbitration provision contained elsewhere in this Agreement, the terms and provisions of this Article VII will control.

2. Miscellaneous. The following provisions shall apply to this Amendment:

(a) Entire Agreement, Amendments and Waivers, Modification This Amendment contains the entire agreement and understanding of the parties with respect to the subject matter hereof. This Amendment may not be amended, modified or discharged nor may any of its terms be waived except by an instrument in writing signed by the party or parties to be bound thereby. The only provisions of the APA modified by this Amendment shall be those of Article VII thereof. Except as specifically set forth herein, the APA shall remain unchanged and in full force and effect according to the terms and conditions contained therein. Purchaser and Seller agree, in addition, that as between themselves, the provisions of this Amendment supersede any inconsistent provisions contained in the Mutual Release and Settlement Agreement dated as of January 1997 by and among CSX Transportation, Inc., Seller and Purchaser (the "Trilateral Settlement Agreement"), and that as between Purchaser and Seller, the provisions of the Trilateral Settlement Agreement shall be deemed amended to the extent of any inconsistencies with the provisions of this Amendment.

(b) Survival and Benefit. All representations, warranties, agreements, indemnifications and obligations of the parties shall inure to the benefit of and be binding upon the respective successors and permitted assigns of the parties.

(c) No Third Party Benefits. This Amendment is for the sole and exclusive benefit of the parties hereto and their respective successors and permitted assigns, and no third party is intended to or shall have any rights hereunder.

(d) Governing Law/Counterparts. . This Amendment shall be governed by and interpreted in accordance with the internal laws of the Commonwealth of Pennsylvania. This Amendment may be executed in any number of counterparts each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

(e) Recitals. The Recitals above are incorporated herein by reference as if fully set forth herein.

(f) Headings and Table of Contents. The headings and Table of Contents within this Amendment are for convenience only and not meant to modify and shall not affect construction or interpretation of any terms or provisions of this Amendment.

(g) Further Assurances. To effectuate the intent of this Article VII and consistent with the terms hereof, the parties agree to provide all other cooperation, assistance and consultation to each other that is reasonably requested with respect to matters covered by this Article VII.

IN WITNESS WHEREOF, this Amendment has been executed and delivered by Seller and Purchaser effective as of the date set forth in the introductory paragraph hereof.

BEAZER EAST, INC.

By: Robert S. Markwell

Name: Robert S. Markwell

Title: Vice President

KOPPERS INC.

By: R D Collins

Name: Randall D Collins

Title: Vice President

1357095v13

EXHIBIT A

DEFAULT AND WORKER POTENTIAL EXPOSURE ASSUMPTIONS

Default Assumptions

Summary of On-Site Potential Exposure Assumption for Risk Assessments

Receptor	Medium	Parameter (units)	Value	Comment
Purchaser Worker (1)	Surface Soil (2)	Potential Exposure Frequency (days/years) (3)		
		Process Area	235	5 days/week, 47 weeks/year, accounting for 2 weeks of vacation, ten holidays, and five sick days per year
		Yard Area	235	At some Purchaser facilities portions of the yard area may be visited less frequently by Purchaser's workers and will lead to the use of a potential exposure frequency of less than 235 days per year. Any such modification is subject to Purchaser's prior approval
		Inactive Area	equal to or less than trespasser	Portions of the property on which some Purchaser facilities are located have no active wood-treating or never have been used for wood-treating.
		Potential Exposure Duration (years)	25	EPA, 1989 (or as redefined in subsequent EPA guidelines)
		Potential Exposure Time (hours/day)	8	Standard work day
		Surface Area Potentially Exposed (square centimeters/day)		
		Process Area	502	Approximate area of skin on wrist and face (EPA, 1997) (or as redefined in subsequent EPA guidelines).
		Yard Area, Inactive Area	2478	Approximate area of forearms, hands and face (EPA, 1997) (or as redefined in subsequent EPA guidelines). This estimate of potentially exposed skin area is for Purchaser workers at facilities in warm climates In colder climates, a lower potentially exposed skin area (that accounts for workers wearing long sleeve shirts and jackets during cold weather) may be appropriate. Modifications will be in accordance with Subsection 7.07(n) of the Asset Purchase Agreement, as amended.

Notes

(1) For subsurface soils, Seller recognizes that, at times, Purchaser's workers are involved in excavation and/or construction type activity Therefore, Seller will incorporate a potential-exposure scenario for this worker that uses the same assumptions for duration and personal protection controls as that scenario which Seller uses to evaluate a third-party construction worker. The total potential-exposure value for these Purchaser construction workers will be determined by adding the values calculated for both the construction scenario and the "routine-worker" scenario Remedy selection will be evaluated in the same fashion for Purchaser construction workers as for third-party construction workers, while additionally taking into consideration any incremental potential exposure

(2) Incidental ingestion and dermal contact with surface soil by Purchaser's workers will be evaluated as potential exposure pathways in the HHRA If conditions exist that lead to the generation of substantial quantities of soil-derived dust, potential inhalation of such dust will also be evaluated in the HHRA

(3) The property on which an operating Purchaser facility resides and on which active wood-treating is taking place generally will be divided into three areas the "process area," the "yard area" and in some operating facilities that also contain areas that are not actively used for wood-treating or that never have been used for wood-treating ("inactive areas"). Purchaser and Seller will agree on the extent of these areas.

References

EPA (1989) RAGS Value I, Part A
EPA (1997) Exposure Factors Handbook

1398411

EXHIBIT B

MEETING AGENDA

The agenda for each quarterly meeting between the parties shall include, but not be limited to, discussion of the following:

1. Any plans for, and status of, expansion of plant operations or other plans that might entail excavation of soil, including, but not limited to, approved capital projects.

2. Any changes at the plants re: areas/duration of employee usage, including as a result of plant reconfiguration.

3. Any expectation by Seller that a Soil Management Plan may be required at a plant even though such a request has not been made by a governmental authority.

4. Any expectation by Seller that institutional controls beyond General Use Restrictions may be sought by Seller, or imposed by a governmental authority, at a plant.

5. Any plans by Purchaser for discontinuing operation of wastewater treatment plants.

6. Plant-related observations by Seller regarding indemnity obligations.

7. New Site Remediation Activities expected by Seller.

8. Reports submitted to governmental authorities.

9. Discussion of site specific risk assessment assumptions proposed.

10. Summary of project activities and discussions with governmental authorities.

11. Material recycling issues.

12. Any consent order, consent decree, settlement or permit that Seller believes Purchaser may be required to become a signatory to (of which Seller is required to notify Purchaser pursuant to Section 7.02(b)(ii)).

13. Storm water issues.

RELEASE

Koppers Inc. hereby releases Beazer East, Inc. from any claim by Koppers Inc. for, and from any obligation whatsoever to pay Koppers Inc., any additional attorneys' fees in connection with the defense of the litigation captioned Appel et al. v. Beazer East, Inc. et. al. (Civil Action No. 98-C-2847) and the litigation captioned Duckworth et. al. v. Beazer East, Inc. et. al. (Civil Action No. 98-C-3216 through 3219) in which both Beazer East, Inc. and Koppers Industries Inc. (n/k/a "Koppers Inc.") were party defendants.

Dated: July 15, 2004

Koppers Inc.

By: _____
Name: Randall D Collins
Its: Vice President

Agreed:

Beazer East, Inc.

By: _____
Name: Robert S. MacKwell
Its: Vice President

1400687

KOPPERS INDUSTRIES

Koppers Industries, Inc.
436 Seventh Avenue
Pittsburgh, PA 15219-1800

Stephen C. Kifer
Assistant General Counsel

Telephone: (412) 227-2421
Fax. (412) 227-2423
steve_kifer@koppers.com

December 19, 2000

VIA MESSENGER

Jill M. Blundon, Esq.
Beazer East, Inc.
One Oxford Centre, Suite 3000
Pittsburgh, PA 15219

Re: USEPA Region X v. Koppers Industries, Inc.
7540 Northwest St. Helens Road, Port Harbor
Superfund Site, Portland, OR

Dear Ms. Blundon:

Enclosed please find copies of a USEPA Notice and Port Harbor Initial General Notice List dated December 8, 2000 relating to the above-captioned matter. The Notice alleges Koppers Industries, Inc. ("Koppers Industries") is a potentially responsible party for the Portland Harbor Superfund Site, which was listed on the National Priority List on December 1, 2000. However, because discharges to the Portland Harbor since Koppers Industries acquired the facility have been pursuant to a NPDES permit and such discharges are excluded from the definition of release found at Section 101(10) of the Comprehensive Environmental Response, Compensation, and Liability Act (42 USC § 9601(10)), any liability associated with the Portland facility arises from acts, omissions, conditions, or circumstances occurring or existing prior to or as of December 28, 1988 . For further information on the Portland Harbor Superfund Site, see the attached Fact Sheet which we obtained from USEPA's web site.

Pursuant to the Asset Purchase Agreement between Koppers Industries, Inc. and Koppers Company, Inc., now Beazer East, Inc. ("BEI") dated December 28, 1988, Koppers Industries hereby tenders this matter to BEI for defense and indemnity.

Would you please acknowledge both your receipt of this letter and BEI's agreement to assume the defense of this claim and to indemnify Koppers Industries against same by signing, dating and returning a copy of this letter to me.

Please contact me if you have any questions or comments regarding this matter.

Very truly yours,

Stephen C. Kifer

Enclosures

AGREED AND ACCEPTED:

_____

Dated:_____

KOPPERS INDUSTRIES

Koppers Industries, Inc.
436 Seventh Avenue
Pittsburgh, PA 15219-1800

Stephen C. Kifer
Assistant General Counsel

Telephone (412) 227-2421
Fax (412) 227-2333
steve_kifer@koppers.com

Re-119
I

January 15, 2001

VIA MESSENGER

To: Bill

Jill M. Blundon, Esq.
Beazer East, Inc.
One Oxford Centre, Suite 3000
Pittsburgh, PA 15219

Re: USEPA Region X v. Koppers Industries, Inc.
7540 Northwest St. Helens Road, Port Harbor
Superfund site, Portland, OR

Dear Ms. Blundon:

Enclosed please find copies of correspondence dated December 28, 2000 from USEPA Region 10 to potentially responsible parties ("PRPs") concerning a general meeting in mid-January and an extension of response time from December 28, to late-January.

On December 19, 2000, Koppers Industries, Inc. ("Koppers") tendered the above-captioned matter to Beazer East, Inc. ("BEI") for defense and indemnity pursuant to the Asset Purchase Agreement between Koppers Industries, Inc. and Koppers Company, Inc. (now Beazer East, Inc.) dated December 29, 1988, a copy of which is attached.

Please contact me if you have any questions or comments regarding this matter.

Very truly yours,

Stephen C. Kifer

Enclosures

KOPPERS INDUSTRIES

Koppers Industries, Inc.
436 Seventh Avenue
Pittsburgh, PA 15219-1800

Stephen C. Kifer
Assistant General Counsel

Telephone: (412) 227-2421
Fax: (412) 227-2423
steve_kifer@koppers.com

119

December 19, 2000

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Jill M. Blundon, Esq.
Beazer East, Inc.
One Oxford Centre, Suite 3000
Pittsburgh, PA 15219

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Superfund Site, Portland, OR

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Would you please acknowledge both your receipt of this letter and BEI's agreement to assume the defense of this claim and to indemnify Koppers Industries against same by signing, dating and returning a copy of this letter to me.

Please contact me if you have any questions or comments regarding this matter.

Very truly yours,

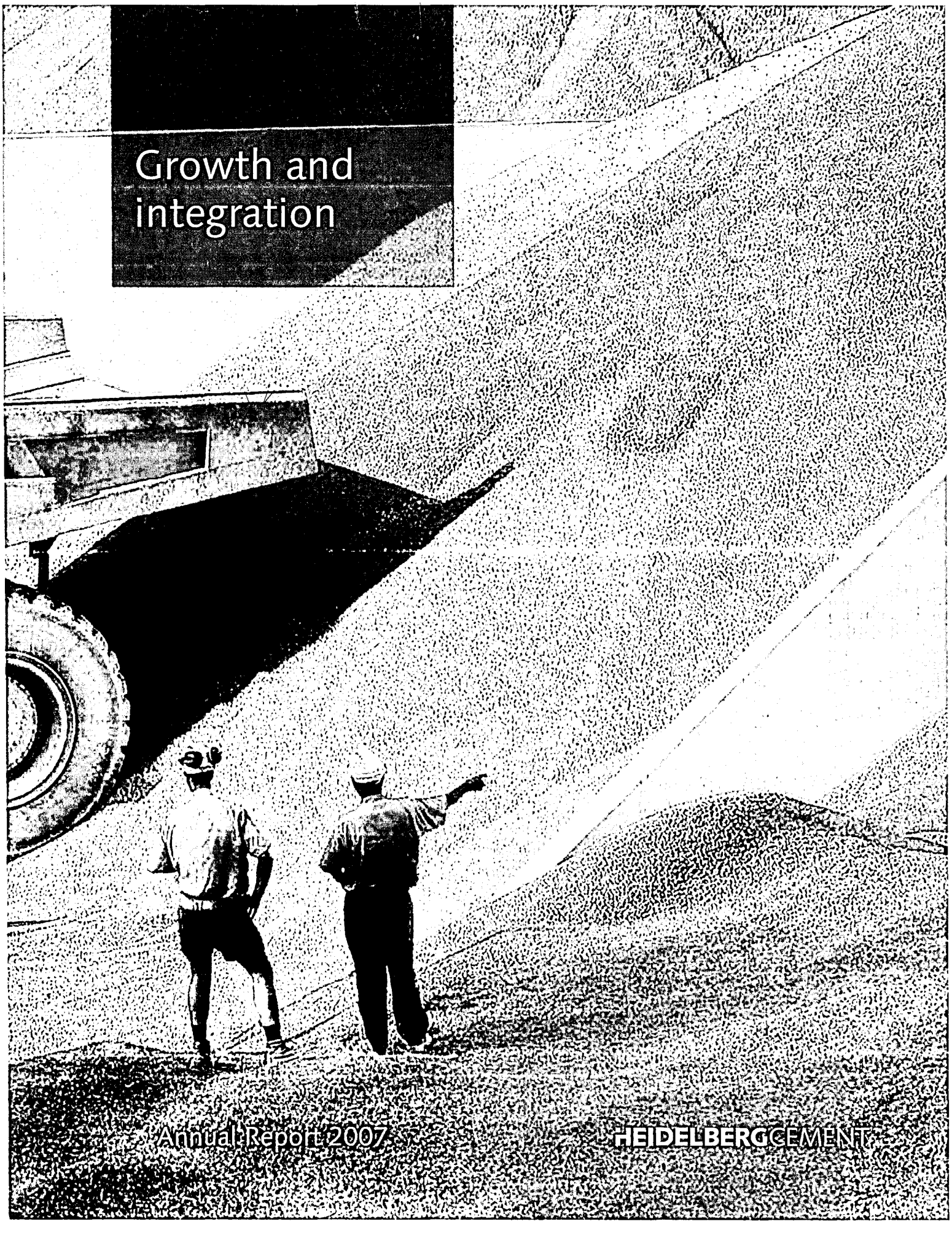
Stephen C. Kifer

Enclosures

AGREED AND ACCEPTED: ONLY TO THE EXTENT OF PRE-CLOSING ENVIRONMENTAL CLEAN-UP LIABILITY AS DEFINED IN THE APA.

Dated: 7-23-02

Growth and integration



Annual Report 2007

HEIDELBERGCEMENT

BZPH104E-0187

Financial highlights

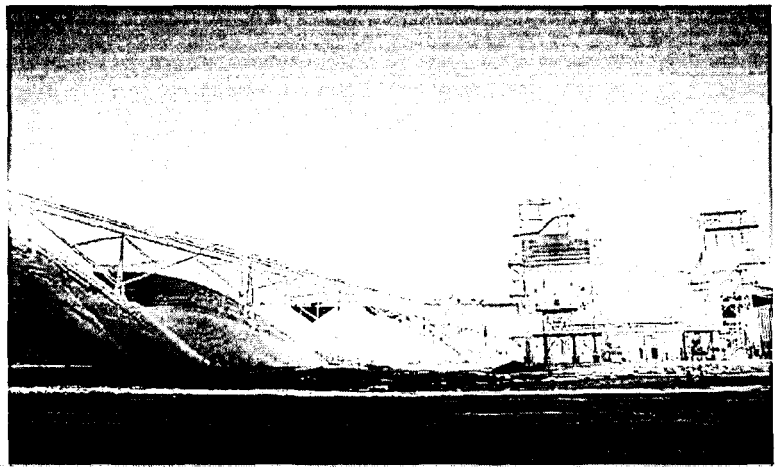
Figures in EURm	2003	2004	2005	2006[1]	**2007**
Number of employees[2]	37,774	42,062	41,260	40,983	**67,916**
Turnover					
Europe-Central Asia	3,116	3,132	3,446	4,230	**5,732**
North America	1,686	1,699	2,142	2,447	**3,205**
Asia-Australia-Africa-Mediterranean	492	1,007	1,057	1,302	**1,909**
maxit Group	1,021	1,053	1,118		
Group Services	417	505	578	642	**680**
Inter-Group area turnover	-360	-467	-539	-623	**-664**
Total Group turnover	6,372	6,929	7,803	7,997	**10,862**
Operating income before depreciation (OIBD)	1,024	1,219	1,506	1,790	**2,378**
Operating income	391	735	1,010	1,329	**1,805**
Profit/loss for the financial year	133	-333	471	1,026	**2,119**
Group share	117	-366	415	951	**2,022**
Dividend in EUR per share	1.15	0.55	1.15	1.25	**1.30[3]**
Investments in tangible fixed assets	386	466	548	506	**1,039**
Investments in financial fixed assets	227	45	386	315	**11,735**
Total investments in fixed assets	612	511	934	821	**12,774**
Depreciation and amortisation	697	972	593	513	**616**
Tangible fixed assets	7,048	7,357	7,949	8,344	**21,378**
Financial fixed assets	1,178	926	1,158	1,163	**1,020**
Current assets	2,667	2,433	2,828	2,811	**5,478**
Assets held for sale & discontinued operations					**1,406**
Shareholders' equity and minority interests	4,185	3,963	5,058	5,828	**7,519**
Provisions	1,423	1,706	1,839	1,789	**3,231**
Liabilities	5,285	5,047	5,038	4,701	**18,173**
Liabilities in disposal groups & discontinued operations					**359**
Balance sheet total	10,893	10,716	11,935	12,318	**29,282**

[1] The number of employees as well as the figures from the Group profit and loss accounts and Group cash flow statement have been adjusted following the presentation of maxit Group as discontinued operation (IFRS 5) and are therefore not comparable with the 2006 annual accounts

[2] 2003 – 2005: average number of employees; 2006 and 2007: number of employees as at 31 Dec.

[3] The Managing Board and Supervisory Board will propose to the Annual General Meeting on 8 May 2008 the distribution of a cash dividend of EUR 1.30

Growth and integration



The year 2007 was very special for HeidelbergCement. The Hanson takeover, one of the largest deals ever in the building materials industry, represented a decisive step towards significantly improving our position among the world's leading players in the sector. At the same time, by focussing on our new dual raw materials and global expansion strategy we have clearly set our sights on a future as a fully integrated building materials company. Important milestones in integrating Hanson were reached at the end of 2007, including the reorganisation of the North American and UK operations and important decisions concerning locations and their personnel. As the world's number one in aggregates, number three in cement and number two in ready-mixed concrete, we currently have a strong position in the important regions and metropolitan areas in the world.

HeidelbergCement and Hanson are a perfect match:

- The Hanson takeover has enabled us to secure an additional foothold in the raw materials sector which perfectly complements our cement business. The activities in North America and the United Kingdom, as well as new attractive markets such a Australia, Malaysia, Singapore, Spain and Israel, improve our geographical diversification.

- Cement and the raw materials sand, gravel and crushed rock form the foundation for concrete manufacturing and road construction. Downstream user-oriented services and products bring us closer to our customers.

- A sense of responsibilty for the environment and society is an integral part of our corpoarte strategy. The key aspects of our sustainabilty policy include a worldwide commitment to the conservation of the biological diversity at our quarries and sand and gravel pits, climate protection, and health and safety at the workplace.

- A significant level of agreement in the business culture, such as the focus on results and the customer, as well as closeness to operating activities, support the successful integration, which we hope to complete by the middle of 2008. Shared values unite our employees at the locations in 50 countries with a wide variety of cultures, which we appreciate and respect.

Evolution of the HeidelbergCement share 2005 - 2007 Index (base: 3 Januay 2005 = 100)

2007 – a milestone in the history of HeidelbergCement

- **Strategic reorientation with the takeover of Hanson**
- **Turnover rises to around EUR 11 billion**
- **Operating income increases to EUR 1.8 billion**
- **Group share of profit exceeds EUR 2 billion**
- **Success through consistent and fast integration**

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BZPH104E-0191

Letter to the shareholders

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

Dear Shareholders,
Dear Fellow Employees and Friends of HeidelbergCement,

We look back with pleasure on an eventful and extremely successful year 2007. In both a strategic and an operational sense, it has been one of the most significant in the 135-year history of HeidelbergCement. Our employees throughout the world are justifiably proud of what we have achieved together in the past year.

Strategic reorientation

As a result of the successful takeover of the Hanson Group in addition to the simultaneous sale of our business unit maxit and our minority participation in the French cement company Vicat, we have developed HeidelbergCement into a globally positioned building materials group with leading market positions worldwide in the core business areas of cement and aggregates, as well as in downstream ready-mixed concrete activities.

The strategy behind this reorientation is clear and convincing: Concrete, the building material for which there is most demand worldwide, is by far our most important end product. Concrete is composed of approximately 75% aggregates and approximately 10% cement. With the takeover of Hanson, one of the leading aggregates companies worldwide, our business is now supported by a second pillar in the raw materials and products segment. We are improving our position as a global, integrated supplier of building materials and are strengthening our raw material base for aggregates with well positioned, very extensive raw material deposits in the important markets of North America, the United Kingdom and Australia.

HeidelbergCement is strategically focusing on the production and distribution of cement and aggregates, the two essential raw materials for the end product of concrete. This is the focal area for future investment activity and the creation of value. Both business lines are characterised by high capital intensity and long-term capital commitment. They are classic, exchangeable "me-too" products, for which securing raw materials in the long term is a decisive factor for success. In addition, key competences include cost leadership, a strong local emphasis on customers and strength of implementation in the day-to-day business.

We are supplementing our product range with downstream activities such as ready-mixed concrete, concrete pipes, precast concrete parts, asphalt and other related products and services, particularly in the industrialised countries with an advanced degree of vertical integration. This brings us closer to the end consumer. In these product and service areas that are close to the customer, Hanson has leading market positions, a high level of expertise and first-class management competence. In terms of the emphasis on customers and product innovation, this will benefit the entire HeidelbergCement Group in the future.

The takeover of Hanson does not only make sense regarding the product strategy, however. The two companies are almost a perfect complement in a geographical sense: In the United Kingdom and the US, Hanson has a leading market position in the areas of aggregates and building products. HeidelbergCement has primarily focused on cement in these countries, and to some extent on ready-mixed concrete and aggregates in the US. Together, we are now the leading integrated supplier of building materials in both countries.

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Hanson's strong vertically integrated market position in Australia ideally complements our presence in the world's fastest-growing region, Asia-Oceania. Hanson's market positions in Malaysia, Singapore, Hong Kong, Israel and Spain also noticeably strengthen HeidelbergCement's geographical diversification. Together, we operate in around 50 countries.

Balanced financing

The acquisition of Hanson with a financing volume of around EUR 14 billion – of which the purchase price accounted for EUR 11.7 billion – was a financial tour de force for HeidelbergCement. The compelling industrial logic of the Hanson takeover and the favourable capital market conditions at that time meant that we were able to agree attractive terms for the financing package. We took various refinancing measures:

In June 2007 and in February 2008, we successfully completed two capital increases, from which we received proceeds of more than EUR 1 billion. We subsequently placed our 35% participation in the French building materials company Vicat S.A. on the stock exchange in Paris in June 2007, netting well over EUR 1.4 billion. In autumn 2007 and spring 2008, in an extremely difficult financial market environment, we placed four- and ten-year bonds and carried out a bonded loan issue. In March 2008, the Group received the sale proceeds of more than EUR 2.1 billion from the disinvestment of maxit Group. We used the entirety of the funds received, totalling more than EUR 6.3 billion, to repay the acquisition loan.

We will continue to work consistently on repaying our debt with a balanced mix of the sale of peripheral activities and property, strong and stable cash flow, strict expenditure and investment discipline and suitable capital market measures. At the same time, however, we will not dispense with targeted investments that support our profit-oriented course for growth.

Clear and consistent integration process

Efficient, fast integration is the essence of a successful acquisition. The worldwide integration of Hanson is of paramount importance to us, and this has been emphasised by the creation of a new Managing Board position. Our goal is clear: The synergy effects from the integration will amount to more than EUR 400 million per year in 2010.

We are expecting the highest synergy potential in the US and United Kingdom. In these countries, we have already reorganised the management structures in the first 100 days following the takeover. At an early stage, we also made the important personnel decisions for top and senior management, and integrated the continental European countries of Hanson fully into the HeidelbergCement Group. At the same time, a large number of important areas of activity have been repositioned and combined:

- Our purchasing departments – an important prerequisite for consistently exploiting the advantages of our worldwide procurement volume of more than EUR 10 billion.
- All our centralised functions in the Group, including the Finance, Tax and Legal departments, Internal Audit, Personnel and Communication, Group Development and Information Technology.

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- Our shared service centers, which will be subject to Group-wide benchmarking in the future on the basis of uniform processes and standardised IT infrastructure, in accordance with best practice.
- Competence Center Materials, which brings together our expertise in the aggregates, ready-mixed concrete and asphalt business. This creates the basis for ongoing benchmarking and the identification and introduction of worldwide best practices.
- Significant parts of our remuneration systems for top and senior management, in order to quickly create a strong shared focus on performance and results.

We will maintain this intentionally high speed in the new financial year. The integration of Hanson will be largely completed by the middle of 2008. We will do our utmost to achieve the identified synergy goals of more than EUR 400 million by 2010.

Strong organic growth

In 2007, HeidelbergCement was also enormously successful in its operating activities. The following figures illustrate this clearly:

- Increase in operating income on a comparable basis: +27 %
- Increase in profit for the financial year on a comparable basis: +52 %

Once again, Europe-Central Asia made the biggest contribution to results. Compared with the already highly ambitious value of the previous year, the quality of results was improved significantly once again. In this Group area – with the exception of Germany – we benefited from a sustained high level of construction activity and, consequently, a considerable increase in cement demand.

In North America, our subsidiary Lehigh held its ground despite the strong decline in residential construction and the turbulence on the US financial markets. On US dollar basis, we were able to maintain the record profit level of the previous year, despite difficult market conditions.

The Asia-Australia-Africa-Mediterranean Group area developed dynamically in terms of sales volumes and results. This applies particularly to Asia, where the development of construction demand was extraordinarily positive in China as well as in Indonesia and India.

In Turkey, our joint venture Akçansa once again increased its sales volumes, turnover and results at a high level. We also made significant progress in the development of sales volumes and results in Africa.

Hanson's business development was satisfactory overall:

- In the United Kingdom, Hanson Aggregates and Hanson Building Products increased their operating incomes considerably in comparison with the previous year.
- Records were also achieved in Australia, Malaysia, Singapore and Israel in 2007.
- Development was varied in North America: Hanson Aggregates held its ground in a declining market and slightly exceeded the previous year's level in operating income. In contrast, the development of results for Hanson Building Products declined noticeably as a result of the slump in the property market.

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Focus on sustainability

The goal of sustainable development is anchored in HeidelbergCement's corporate strategy. This underscores the fundamental importance of environmental protection and social responsibility for our business. As a result of the strategic reorientation of the Group, dealing carefully with raw material deposits in order to preserve species diversity has become particularly more important. Our renatured quarries and aggregates pits provide shelter for rare animal and plant species. The preservation of biological diversity is a particular concern for us. In order to achieve this goal, we are developing uniform guidelines and ensuring that they can be implemented systematically.

We protect the environment by maximising the energy efficiency of our production facilities and by reducing CO_2 emissions through the increasing use of alternative raw materials and fuels. We have established high standards across the Group in the area of occupational health and safety. Hanson contributes extensive experience in safeguarding the safety and health of our employees worldwide.

As part of our social responsibility, we have established the focal areas of Building – Environment – Education, which are closely linked to our core business. We are committed to numerous projects in the areas surrounding our locations. We place a high value on promoting education: we are involved at all levels from the exchange between educational institutions and industry to the construction of schools in emerging countries.

Acknowledgement of extraordinary commitment

The exeptional year 2007 tested the limits of the dedication and loyalty of our employees throughout the world. Their performance was outstanding. I would therefore like to express sincere thanks and appreciation on behalf of myself and my colleagues on the Managing Board. We would especially like to thank the employees of Hanson, who faced exceptional challenges in the context of the takeover and subsequent integration.

I would also like to thank the employee representatives for their traditionally constructive cooperation at HeidelbergCement.

Our managers – and in this I explicitly include the managers from Hanson – have worked under tight deadlines and enormous pressure to succeed, without neglecting our customers or the day-to-day business. The disproportionately strong increase in operating income in 2007, and the fast and efficient integration of Hanson would not have been possible without them. Our goal is clear: Together, we want to form the best management team in the industry.

Shareholder structure as a competitive advantage

One of HeidelbergCement's specific strengths is the extremely solid shareholder structure, which is geared towards the long term. Our major shareholders have actively supported several capital measures with a volume of around EUR 1.6 billion since 2005. Without this support, the dynamic development of recent years and the strategic reorientation would not have been possible.

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The high degree of confidence they have displayed on several occasions represents both an obligation and an incentive for us. We will not rest on our laurels. Success in the day-to-day business, which can soon become a habit, requires hard work every day from our employees throughout the world.

Prospects: Further increase in turnover and results

The forecast for the growth of the global economy in 2008 is somewhat complex. It is currently not clear whether the turbulence on the financial markets and the property crisis in the US will lead to a prolonged recession in North America. The consequences for Europe and Asia are equally difficult to predict.

At HeidelbergCement, we are confident overall: The takeover of Hanson has noticeably improved our geographical diversification. HeidelbergCement has become considerably less susceptible to cyclical fluctuations. At the same time, we have strategically broadened our raw material base and product portfolio. In this context, we hope to significantly increase turnover and results once again in 2008 and expand into a new dimension.

What is important is that despite all the changes and the new size of the Group, we remain true to ourselves: a down-to-earth approach, closeness to the business, consistent management, strict cost management and speed combined with strength of implementation continue to form the basis of our success.

Yours sincerely,

Bernd Scheifele

Dr. Bernd Scheifele
Chairman of the Managing Board

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Report of the Supervisory Board

Fritz-Jürgen Heckmann, Chairman of the Supervisory Board of HeidelbergCement

Ladies and Gentlemen,

The outstanding event of the 2007 financial year was the acquisition of the British Hanson Group. Besides the traditional core business of cement, aggregates – sand and gravel – became a second strategic pillar. The takeover of Hanson positioned HeidelbergCement as the most vertically integrated building materials manufacturer in the world. The Supervisory Board intensively followed and supported this step right from the beginning, and sincerely welcomes the 27,000 Hanson employees into the extended HeidelbergCement Group.

Consultation and monitoring

The Supervisory Board fulfilled its consultation and monitoring obligations in the interests of shareholders and employees and was involved in all decisions of fundamental importance for the Group. It received regular, prompt and detailed reports from the Managing Board about the intended business policies, fundamental issues of financial, investment and personnel planning, the progress of business and the profitability of the company. In addition, the topic of compliance was incorporated into the regular reporting catalogue. Documents compiled by the Managing Board were made available to the members of the Supervisory Board and discussed in detail in the plenary sessions. The Supervisory Board was also informed about differences between actual development and previously reported plans and assumptions. Investment, disinvestment and financing projects requiring authorisation were presented and discussed individually before decisions were made. Where these concerned investments in growth markets, the Supervisory Board also requested and received statements on and assessments of the existing political risks in particular. The Supervisory Board is satisfied that the Managing Board has installed an effective risk management system capable of recognising at an early stage any developments that could jeopardise the survival of the company. It has also had this opinion confirmed by the auditors. Outside the meetings, the Chairman of the Supervisory Board was in regular contact with the Chairman of the Managing Board.

In the reporting year, seven meetings of the Supervisory Board took place; the Personnel Committee met four times, the Audit Committee once. The plenary session in March primarily dealt with the 2006 annual accounts, the sale of the Vicat participation, decisions concerning the Corporate Governance Code and preparations for the 2007 Annual General Meeting. Two extraordinary meetings in April and May were devoted largely to the discussions and resolutions concerning the Hanson acquisition and related shareholders' equity and debt capital measures, while another extraordinary meeting in August dealt with the sale of the maxit Group as well as reporting on the status of the Hanson transaction. Ordinary meetings in May, September and December were used for discussions and resolutions on investments in Russia and Kazakhstan, the appointment of new members of the Managing Board, the authorisation of additional debt capital measures and the discussion of the compliance organisation, in addition to the quarterly reporting. In the meetings of the Personnel Committee, decisions on matters relating to Managing Board remuneration were made and a preliminary discussion took place on the appointment of new members of the Managing Board. In the Audit Committee's meeting in March 2007, a preliminary discussion was held on the plenary session's resolutions concerning the 2006 annual accounts and on the appointment of the auditors for 2007. The Arbitration Committee, formed in accordance with § 27, section 3 of the German Codetermination Law, did not meet during the reporting year. At the following meeting, the plenary session of the Supervisory Board was informed about the results of the committees' meetings.

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Corporate Governance

The statement of compliance for the reporting year was submitted on 21 March 2007 and the date for submission of his year's statement of compliance is 17 March 2008. The adoption of further recommendations of the German Corporate Governance Code, passed in June 2007, into the Group's Corporate Governance Principles also occurs in the meetings of both the Managing Board and Supervisory Board on 14 March 2008.

To avoid repetition, the fundamentals of the remuneration system for the members of the Managing Board are detailed under Remuneration of the Managing Board in the Corporate Governance and Compliance chapter of the management report (page 33).

Dependent companies report

The Supervisory Board examined and approved the report on the relationships with affiliated companies compiled by the Managing Board in accordance with § 312 of the German Stock Company Act (Aktiengesetz). The Supervisory Board approved the statements of the independent auditors in their audit report on the Managing Board's dependent companies report. The audit opinion reads: "In accordance with our duly performed audit and assessment, we confirm that 1) the factual details of the report are correct, and that 2) the amount paid by the company with respect to the legal transaction presented in the report was not unreasonably high." After its own final examination, the Supervisory Board raised no objections to the declaration made by the Managing Board at the end of the dependent companies report, which was also included in the management report (page 32).

Auditing and approval of annual accounts

Before the contract for the auditing of the annual accounts of the Company and Group was awarded, the focal points for the audit, the content of the audit and the costs were discussed in detail with the auditors, Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart. In December 2007, the auditors issued detailed information about the results of the pre-audit. The annual accounts of HeidelbergCement AG, the Group annual accounts as of 31 December 2007 and the combined management report for the Company and the Group, as prepared by the Managing Board, were examined by the independent auditors. The auditors gave the accounts the unqualified confirmation. The annual accounting documents and auditors' reports were sent to the members of the Supervisory Board. At first, the Audit Committee dealt intensively with the annual accounts in the presence of the auditors. The auditors reported on the main results of their audit. Then, the Supervisory Board discussed the annual accounts in detail, once again in the presence of the auditors. The Supervisory Board approved the audit results. It examined the Company and the Group annual accounts, the combined management report as well as the Managing Board's proposal for the use of net profit shown in the balance sheet. The Supervisory Board raised no objections to the final results of this examination. The Supervisory Board has therefore approved the Company and the Group annual accounts. The annual accounts have thus been adopted.

The Supervisory Board approved the Managing Board's proposal for the use of net profit shown in the balance sheet, including the payment of a dividend of EUR 1.30 per share.

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Personnel matters

Mr Helmut S. Erhard retired from the Managing Board for reasons of age at the end of 2007. The Supervisory Board thanks Mr Erhard for his many years of strong and successful dedication to the Group, particularly in the last years in North America. The Supervisory Board has appointed Dr. Albert Scheuer to the Managing Board with effect from 6 August 2007, as well as Dr. Dominik von Achten and Mr Alan Murray with effect from 1 October 2007. Dr. Scheuer has belonged to the Group for many years and has recently been in charge of our activities in China. Dr. von Achten was a partner in the management consultancy firm The Boston Consulting Group and brings with him international experience in complex integration processes, among other expertise. Mr Murray was previously Chief Executive of Hanson.

Mr Heinz-Josef Eichhorn gave up his Supervisory Board mandate as of 29 September 2007. The Supervisory Board thanks him for his many years of involvement. In his place, the Local Court (Amtsgericht) of Mannheim appointed Mr Robert Feiger, a member of the Managing Board of the Trade Union for Building-Agriculture-Environment (IG BAU), as a member of the Supervisory Board on 2 January 2008 at the recommendation of this trade union. As of 31 December 2007, Mr Rolf Hülstrunk gave up his Supervisory Board mandate, which he accepted in 2001 following his position as Chairman of the Managing Board. This brought to an end almost 50 years of extraordinarily successful professional involvement with HeidelbergCement, for which the Supervisory Board is particularly obliged to Mr Hülstrunk. In his place, the Local Court appointed Mr Helmut S. Erhard as a member of the Supervisory Board to represent the shareholders on 19 February 2008.

The Supervisory Board thanks the Group's management and all the employees of the Group for their high level of personal dedication and their accomplishments during the 2007 financial year.

Heidelberg, 14 March 2008

On behalf of the Supervisory Board

Yours sincerely,

Fritz-Jürgen Heckmann
Chairman

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Managing Board

Dr. Bernd Scheifele
Born in Freiburg (Germany), aged 49 years. Studies in law at the universities of Freiburg, Dijon (France), and the University of Illinois (US).

Since 2005, Chairman of the Managing Board; in charge of Strategy and Development, Communication & Investor Relations, Human Resources, Legal, Compliance, and Internal Audit.

Dr. Dominik von Achten
Born in Munich (Germany), aged 42 years. Studies in law and economics at the German universities of Freiburg and Munich.

Since 1 October 2007, member of the Managing Board; in charge of the United Kingdom, Purchasing, worldwide coordination of Competence Center Materials, and Hanson integration.

Helmut S. Erhard (until 31 December 2007)
Born in Klingenbrunn (Germany), aged 64 years. Studies in mining engineering at Clausthal (Germany).

Joined HeidelbergCement in 1971. Member of the Managing Board since 1999; in charge of North America and worldwide coordination of Heidelberg Technology Center until the end of 2007.

Daniel Gauthier
Born in Charleroi (Belgium), aged 51 years. Studies in mining engineering at Mons (Belgium).

Since 1982 at CBR, the Belgian subsidiary of HeidelbergCement. Member of the Managing Board since 2000; in charge of Northern and Western Europe, Mediterranean, Africa, Group Services, and Environmental Sustainability.

Andreas Kern
Born in Neckarsteinach (Germany), aged 49 years. Studies in business administration at Mannheim (Germany).

Since 1983 at HeidelbergCement. Member of the Managing Board since 2000; in charge of Central Europe and Central Asia, Sales and Marketing, and worldwide coordination of secondary cementitious materials.

Alan Murray
Born in Liverpool (UK), aged 54 years. Degree in economics and marketing from Lancaster University (UK).

Joined Hanson in 1988. Member of HeidelbergCement's Managing Board since 1 October 2007; in charge of North America.

Dr. Lorenz Näger
Born in Ravensburg (Germany), aged 47 years. Studies in business administration at the German universities of Regensburg and Mannheim, and in Swansea (UK).

Since 2004, member of the Managing Board; in charge of Finance, Group Accounting, Controlling, Taxes, Insurance & Corporate Risk Management, IT, Shared Service Center and Logistics.

Dr. Albert Scheuer
Born in Alsfeld (Germany), aged 50 years. Studies in mechanical engineering/process technology at Clausthal (Germany).

Since 1992 at HeidelbergCement. Member of the Managing Board since 6 August 2007; co-responsible for the Hanson North America integration (until 31 March 2008) and in charge of Asia and Oceania (as of 1 April 2008) and worldwide coordination of Heidelberg Technology Center.

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Managing Board

Alan Murray, Dr. Dominik von Achten, Daniel Gauthier, Dr. Bernd Scheifele (Chairman), Dr. Lorenz Näger, Helmut S. Erhard, Dr. Albert Scheuer, Andreas Kern (from left to right)

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Supervisory Board

Fritz-Jürgen Heckmann
Chairman
Stuttgart; Business Lawyer

Heinz Schirmer
Deputy Chairman
Schelklingen; Chairman of the Council of Employees at the Schelklingen plant, HeidelbergCement AG

Theo Beermann
Ennigerloh; Deputy Chairman of the Council of Employees at the Ennigerloh plant, HeidelbergCement AG

Heinz-Josef Eichhorn
until 29 September 2007
Frankfurt; Department Head of the Executive Committee Section IV – Building Materials Industry, IG Bauen-Agrar-Umwelt

Helmut S. Erhard
since 19 February 2008
Allentown, Pennsylvania/US; until 31 December 2007 member of the Managing Board of HeidelbergCement AG

Robert Feiger
since 2 January 2008
Frankfurt; member of the Federal Executive Committee, IG Bauen-Agrar-Umwelt

Josef Heumann
Burglengenfeld; Chairman of the Council of Employees at the Burglengenfeld plant, HeidelbergCement AG

Gerhard Hirth
Ulm; Managing Director, SCHWENK group of companies

Rolf Hülstrunk
until 31 December 2007
Mainz; former Chairman of the Managing Board, HeidelbergCement AG

Heinz Kimmel
until 13 March 2008
Sulzheim; Chairman of the Council of Employees at the Sulzheim plant, Südharzer Gipswerk GmbH

Max Dietrich Kley
Heidelberg; Attorney

Hans Georg Kraut
Schelklingen; Director of the Schelklingen plant, HeidelbergCement AG

Senator h.c. Dr. med. h.c. Adolf Merckle
Blaubeuren; Attorney

Ludwig Merckle
Ulm; Managing Director, VEM Vermögensverwaltung GmbH

Tobias Merckle
Leonberg; Managing Director of the association prisma – Initiative für Jugendhilfe und Kriminalprävention e.V.

Eduard Schleicher
Ulm; Partner with unlimited liability, SCHWENK group of companies

Heinz Schmitt
Heidelberg; Chairman of the Council of Employees at the headquarters, HeidelbergCement AG

Karl Heinz Strobl
Weiden; until 22 April 2007, member of the Federal Executive Committee, IG Bauen-Agrar-Umwelt

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Supervisory Board Committees

Arbitration Committee, according to § 27, section 3 of the German Codetermination Law

Fritz-Jürgen Heckmann
Chairman

Josef Heumann

Heinz Schirmer

Eduard Schleicher

Personnel Committee

Ludwig Merckle
Chairman

Theo Beermann

Fritz-Jürgen Heckmann

Hans Georg Kraut

Heinz Schirmer

Eduard Schleicher

Audit Committee

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

Fritz-Jürgen Heckmann

Heinz Schirmer

Eduard Schleicher

Heinz Schmitt

Karl Heinz Strobl

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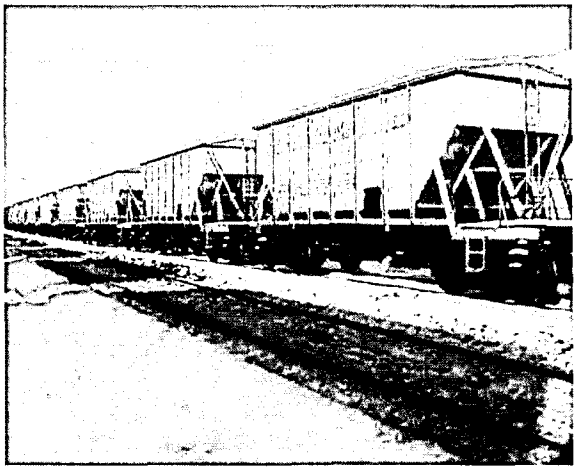

HeidelbergCement share

Overview

Earnings per share in accordance with IAS 33 for the financial year 2007 were EUR 17.11 (previous year: 8.22). For continuing operations, earnings per share amount to EUR 15.92 (previous year: 7.29). The Managing Board and Supervisory Board will propose to the Annual General Meeting on 8 May 2008 the distribution of a dividend of EUR 1.30 per HeidelbergCement share.

On 31 December 2007, according to the notifications available to us in accordance with the German Securities Trading Law (Wertpapierhandelsgesetz), the main shareholders of HeidelbergCement AG were Spohn Cement GmbH with 60.59 % of the shares, Senator h.c. Dr. med. h.c. Adolf Merckle with 17.98 % (of which 17.78 % is held via VEM Vermögensverwaltung GmbH) and Schwenk Beteiligungen GmbH & Co. KG with 7.2 %. In free float were 14.23 % of our shares.

With a year-end price of EUR 106.00, the HeidelbergCement share was listed 4.4 % lower than in the previous year. Market capitalisation decreased slightly in the course of the year from EUR 12.8 billion to EUR 12.7 billion.

Capital increase

To simplify the capital structure, the entire stock of 51,738 treasury shares previously acquired was cancelled in June 2007. As a result, the share capital was reduced to EUR 346.8 million and the number of shares to 115.6 million. We subsequently carried out a cash capital increase from authorised capital to strengthen the shareholders' equity base. VEM Vermögensverwaltung GmbH, which belongs to the Merckle group, subscribed for around 4.4 million new shares. The subscription rights of the remaining shareholders were excluded. HeidelbergCement received around EUR 527 million from the capital increase, which was used to reduce its financial liabilities. The share capital rose by EUR 13.2 million to EUR 360 million and the number of shares to 120 million.

Development of the HeidelbergCement share

After varied share performance in the first few months, the HeidelbergCement share reached its highest level on 9 May and 4 June with EUR 119.95. In July and August, our share was also affected by the sharp price correction on the international share markets as a result of the US sub-prime crisis and finally reached its low on 14 September with EUR 101.57. From October onwards, the price recovered to an interim high of EUR 117.05 in November and closed at EUR 106.00 at the end of 2007.

Overall, the price of the HeidelbergCement share fell by 4.4 % in the course of the year, while DAX and MDAX increased by 22 % and 4.9 % respectively. The worldwide sector index, the MSCI World Construction Materials Index, recorded a decrease of 5.1 %.

HeidelbergCement shares are represented in around 40 share indices and therefore rank among the most important building materials shares in Europe. Among others, they are included in the MDAX, Deutsche Börse Prime Construction Index, Dow Jones Stoxx, Dow Jones Euro Stoxx and in the Bloomberg Europe Building Materials Index. In addition, HeidelbergCement is included in

HeidelbergCement AG share capital: development 2007

	Share capital EUR '000s	Number of shares
1 January 2007	346,974	115,657,989
Capital reduction by cancellation of treasury shares	-155	-51,738
Cash capital increase	13,181	4,393,749
31 December 2007	**360,000**	**120,000,000**

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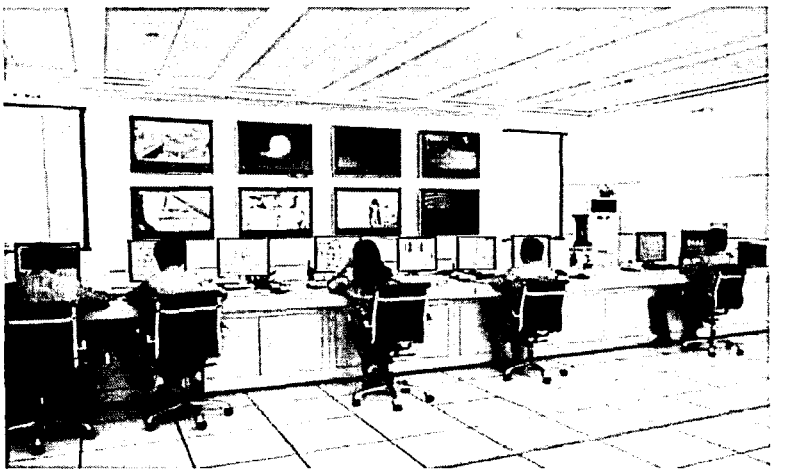

the Morgan Stanley Capital International (MSCI) indices. Measured in terms of its weighting in the HDAX share index, HeidelbergCement was at position 56 of the 110 largest quoted companies in Germany at the end of 2007. Our share is listed on the Prime Standard stock market segment of the Frankfurt stock exchange and on several regional German stock exchanges. We provide comprehensive information to institutional investors, equity and credit analysts and private shareholders via our Internet site (www.heidelbergcement.com) and our shareholder hotline (+ 49 6221-481-696).

Earnings per share

The calculation of the earnings per share in compliance with IAS 33 is shown in the table below. Further comments are provided in the Notes under item 10.

Development of the HeidelbergCement share 2007 (ISIN DE0006047004, WKN 604700)

EUR	2007
Year-end share price 2006	**110.93**
Highest share price	**119.95**
Lowest share price	**101.57**
Year-end share price 2007	**106.00**
Shareholders' equity per share	**62.66**
Change compared with 31 Dec. 2006	
HeidelbergCement share	**-4.4%**
DAX	**22%**
MDAX	**4.9%**
MSCI World Construction Materials Index	**-5.1%**
Market value on 31 Dec. 2007 (EUR '000s)	**12,720,000**

Earnings per share according to International Financial Reporting Standards (IAS 33)

EURm	2006	2007
Group share in profit	950.7	**2,021.8**
Number of shares in '000s (weighted average)	115,602	**118,177**
Earnings per share in EUR	8.22	**17.11**
Net income from continuing operations – attributable to the parent entity	843.7	**1,880.7**
Earnings per share in EUR – continuing operations	7.29	**15.92**
Net income from discontinued operations – attributable to the parent entity	107.0	**141.1**
Earnings per share in EUR – discontinued operations	0.93	**1.19**

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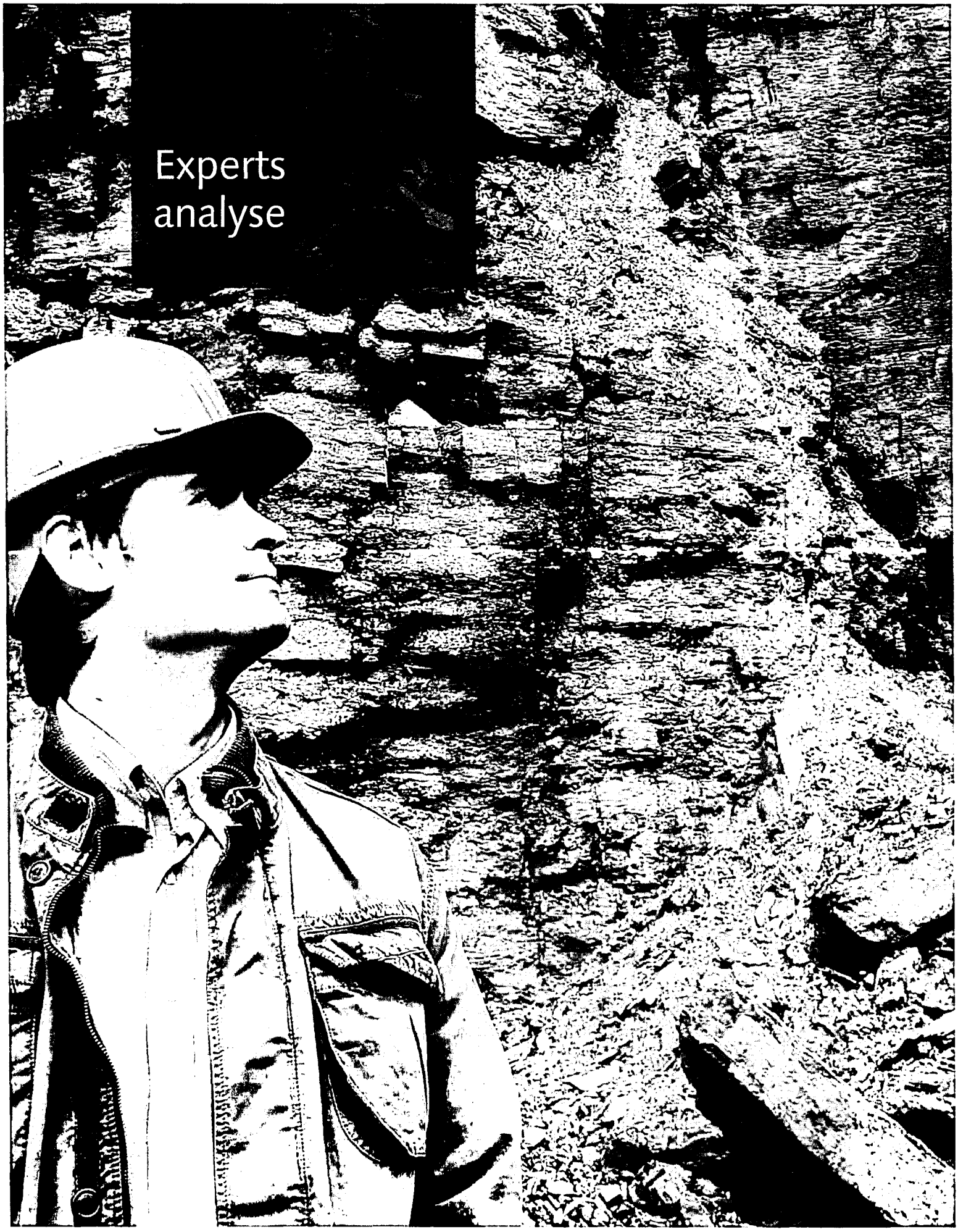

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Immediately after the closing, joint expert teams visited two thirds of all Hanson locations in North America, Continental Europe, the United Kingdom, as well as in Australia and Malaysia. In the record time of three months, they gained comprehensive knowledge of processes and markets, and created the basis for benchmarking and the application of best practice.

Combined management report of HeidelbergCement Group and HeidelbergCement AG

Core activities and organisational structure

The core activities of HeidelbergCement include the production and distribution of cement and aggregates, the two essential raw materials for concrete. We supplement our product range with downstream activities such as ready-mixed concrete, concrete products and concrete elements, as well as other related products and services. Cement and aggregates form the basis of our dual raw materials and growth strategy. In the cement activities, the focus is on growth markets, while in mature markets we concentrate on strengthening vertical integration and securing raw materials for aggregates.

As a result of the takeover of the British building materials manufacturer Hanson, we now operate on five continents as a fully integrated building materials company. We have adapted our reporting to the new positioning. The Europe-Central Asia Group area has been extended to include Spain and Israel. Besides Australia, the Asia-Australia-Africa-Mediterranean Group area now also includes Malaysia and Singapore. As before, North America includes the US and Canada. Our trading activities are grouped together in the Group Services business unit.

HeidelbergCement relies on an integrated management approach. Its success is based on a balance between local responsibility for the business, Group-wide standards and global leadership.

Our local operating units are crucial to the success of the business. Local management has full responsibility for production, market cultivation and the development of managers, with the aim of market and cost leadership. In order to support the local managers, the administrative functions are grouped together in national shared service centers on the basis of a standardised IT infrastructure for all business lines. All major management processes within the Group are standardised to ensure transparency, efficiency and quick implementation across the Group. Uniform Group-wide key performance indicators allow direct comparison. They are an important prerequisite for continuous benchmarking.

Change in consolidation scope

In order to ensure the comparability of operational development, the following significant consolidation-related changes have to be taken into account:

- Our new acquisition Hanson, whose takeover was completed on 23 August, has been included in the Group annual accounts since 24 August 2007.
- An agreement for the sale of maxit Group was signed at the beginning of August; as a discontinued operation in accordance with IFRS 5, it is no longer included in the 2006/2007 figures for continuing operations. For information regarding the business development of maxit Group see page 24.
- For the period from 17 May to 23 August 2007, results from participations include our participation in Hanson (at equity) and the contribution of Vicat until its sale on 18 June 2007.

2007 business trend

Economic environment

In 2007, global economic growth was at an overall resilient level of just under 5%, despite record oil prices, the massive increase in the value of the euro and the US property crisis. Considering the increased risks, however, the forecasts for this year have been reduced. In the past year, the euro zone experienced stronger growth than the US for the first time. Once again, the economic situation in the Central and Eastern European countries developed far more dynamically than the European average. In the United Kingdom, the impetus from the property market weakened significantly in the course of the year.

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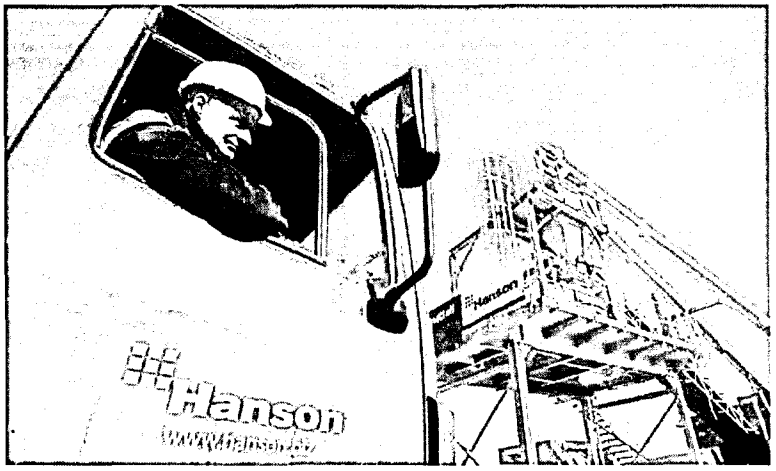

In Germany, the gross domestic product rose by around 2.5% due to increased domestic demand. Once again, the growth dynamics were strongest in the emerging countries of Asia, with growth rates of between 9% and 10%.

Building materials demand benefited from the sustained expansion of the economy. Cement consumption rose by around 8% worldwide. The markets in our Group areas developed positively for the most part; in the US, cement consumption declined by 10.0%, in Germany, it decreased by 5.9%.

2007 – a milestone for HeidelbergCement

The acquisition of the British building materials manufacturer Hanson and the resulting changes had a decisive influence on the development of HeidelbergCement in 2007. Group turnover for the whole of the year rose by 35.8% to EUR 10,862 million (previous year: 7,997). This was due mainly to the contribution of EUR 2,140 million resulting from the initial consolidation of Hanson on 24 August and the organic growth in the countries of Eastern Europe and Central Asia, as well as Norway, Africa, Asia and Turkey. Excluding exchange rate and consolidation effects, a significant operational increase of 10.7% was achieved.

During the past year, the cement and clinker sales volumes increased by 10.3% to 87.9 million tonnes. Excluding consolidation effects, they rose by 3.5%. The strongest volume growth was achieved in the Asia-Australia-Africa-Mediterranean Group area, followed by Europe-Central Asia. Deliveries of aggregates more than doubled, reaching 179.6 million tonnes (previous year: 85.8), with Hanson contributing 83.5 million tonnes. The countries of Northern

Group profit and loss accounts (short form)

EURm	2006[1]	**2007**	Change
Turnover	7,997	**10,862**	36%
Operating income before depreciation (OIBD)	1,790	**2,378**	33%
Amortisation and depreciation of intangible assets and tangible fixed assets	-461	**-573**	24%
Operating income	1,329	**1,805**	36%
Additional ordinary result	23	**844**	3500%
Results from participations	178	**167**	-7%
Earnings before interest and income taxes (EBIT)	1,531	**2,815**	84%
Financial results	-225	**-472**	110%
Profit before tax	1,306	**2,343**	79%
Taxes on income	-390	**-369**	-5%
Net income from continuing operations	916	**1,974**	115%
Net income from discontinued operations	110	**144**	31%
Profit for the financial year	1,026	**2,119**	106%
Group share in profit	951	**2,022**	113%

[1] Figures have been adjusted following the presentation of maxit Group as discontinued operation (IFRS 5) and are therefore not comparable with the 2006 annual accounts

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and Eastern Europe recorded also particularly pleasing increases in quantities. The same is true for ready-mixed concrete sales volumes, which rose by 31.4 % overall to 32.7 million cubic metres (previous year: 24.9). Excluding the consolidation of Hanson, the increase amounted to 3.2 %.

Earnings position

In the 2007 financial year, the earnings position was significantly affected by the inclusion of the Hanson activities since 24 August 2007 as well as by one-off effects resulting from the sale of the participation in Vicat S.A. and Florida Rock Industries Inc.

The presentation of the Group's earnings before interest and income taxes (EBIT) and the operating incomes of our Group areas helps to clarify the consolidation effects of the Hanson acquisition. Operating income before depreciation (OIBD) rose by 32.8 % to EUR 2,378 million (previous year: 1,790); Hanson accounted for EUR 255 million of this figure.

Operating income increased by 35.8 % to EUR 1,805 million (previous year: 1,329), with Hanson contributing EUR 138 million. The marked organic growth of 27.2 % is attributable to higher sales volumes, price adjustments and increases in efficiency. By far the biggest contribution to the increase in results came from Europe-Central Asia. The decline in North America is a result of currency-related factors; calculated in US dollars, the operating income remained stable.

In addition to the inclusion of Hanson, the increase in material costs by EUR 1,023 million to EUR 4,114 million is mainly attributable to rising costs of electricity and fuel, as well as freights. We were able to offset part of the rise in energy prices by further increasing the proportion of alternative fuels. We continued to optimise costs by pooling our purchasing activities and standardising our technical equipment. Personnel costs rose to EUR 1,694 million (previous year: 1,271). This reflects the increase in the number of employees.

The additional ordinary result of EUR 844 million (previous year: 23) is mainly characterised by the sales of our participations in Vicat S.A. and Florida Rock Industries Inc. The inclusion of Hanson PLC as an associated company until the full takeover of the business and the pro rata

Impact of Hanson consolidation on Group profit and loss accounts EURm	HeidelbergCement exclud. Hanson 2006	**2007**	Hanson since 08/24/2007	Combined **2007**	Change 2006/2007
Turnover	7,997	**8,723**	2,139	**10,862**	36 %
Operating income before depreciation (OIBD)	1,790	**2,123**	255	**2,378**	33 %
Amortisation and depreciation of intangible assets and tangible fixed assets	-461	**-456**	-117	**-573**	24 %
Operating income	1,329	**1,667**	138	**1,805**	36 %
Additional ordinary result	23	**898**	-54	**844**	3500 %
Results from other participations	178	**143**	24	**167**	-7 %
Earnings before interest and income taxes (EBIT)	1,531	**2,707**	108	**2,815**	84 %

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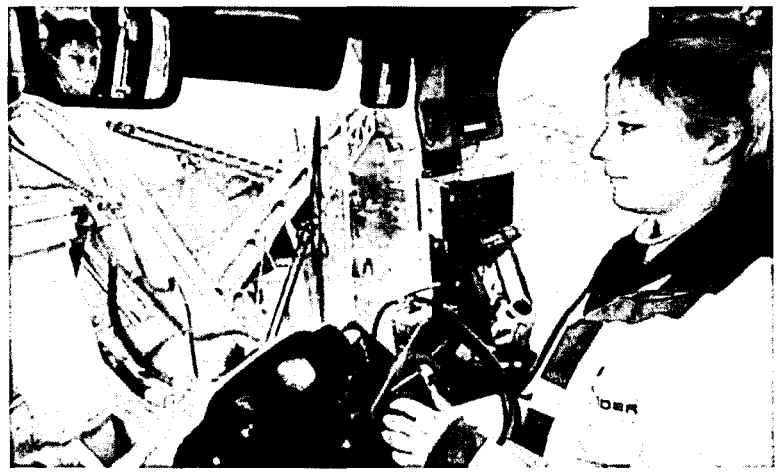

profit for the financial year achieved by Vicat S.A. until its sale in June 2007 brought the overall results from participations to EUR 167 million (previous year: 178). The change of EUR 247 million in the financial results is essentially attributable to the additional financing required for the Hanson acquisition. Excluding the consolidated interest expenses from the Hanson Group and the acquisition expenses, the financial results even improved by around EUR 20 million.

As a result of the development described above, the profit before tax from continuing operations rose to EUR 2,343 million (previous year: 1,306); considering effects from the purchase price allocation, Hanson contributed EUR 48 million to this increase. Taxes on income fell to EUR 369 million (previous year: 390); of which Hanson contributed EUR 19 million. The decline in tax expense is essentially attributable to the below-average taxation of capital gains, the disproportionately strong increases in profit in countries with a low tax ratio, e.g. in Eastern Europe, as well as tax optimisation measures. The net income from continuing operations improved to EUR 1,974 million (previous year: 916). The resulting return on turnover amounts to 18.2% (previous year: 11.5%). The Group share in profit rose to EUR 2,022 million (previous year: 951).

Operating income

EURm	2006	**2007**
Europe-Central Asia	645	**1,026**
HeidelbergCement	645	**948**
Hanson		**78**
North America	475	**460**
HeidelbergCement	475	**435**
Hanson		**25**
Asia-Australia-Africa-Mediterranean	193	**304**
HeidelbergCement	193	**269**
Hanson		**35**
Group Services	15	**15**
HeidelbergCement	15	**15**
Hanson		
Total	1,329	**1,805**
HeidelbergCement	1,329	**1,667**
Hanson		**138**

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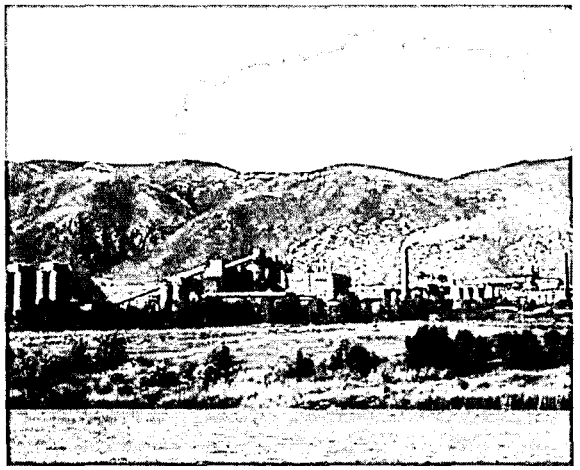

Earnings per share – Group share in profit – in accordance with IAS 33 increased to EUR 17.11 (previous year: 8.22). For continuing operations, the earnings per share amount to EUR 15.92 (previous year: 7.29).

In view of the development of results, the Managing Board and Supervisory Board will propose to the Annual General Meeting on 8 May 2008 the distribution of a dividend of EUR 1.30 (previous year: 1.25) per share.

Business trend in the Group areas

As a result of the inclusion of the Hanson activities, the **Europe-Central Asia** Group area has been extended to include Israel and Spain; the United Kingdom has also become considerably more important. In most countries of the Group area, the construction industry was the growth driver in the past year. Our cement and clinker sales volumes rose by 9.7% to 43.7 million tonnes (previous year: 39.8). Excluding consolidation effects – especially the first-time inclusion of SaqCementi in Georgia and Hanson's blast furnace slag activities in the United Kingdom - the increase amounted to 2.6%. The strongest growth was recorded by the countries of Eastern Europe and Central Asia; in Northern Europe and the Benelux countries, domestic demand developed in a pleasing way. In Germany, our cement sales volumes decreased. By constructing a new plant in Tula (Moscow area), increasing the cement capacity in the Cesla plant near Saint Petersburg and establishing a central administrative office and a technical competence center in Moscow, we have taken further important investment steps on the rapidly growing Russian market. In Georgia, a new kiln line, which we relocated from the decommissioned German cement plant in Kiefersfelden, will commence operation in March. In Kazakhstan, we started construction of a new plant on the Caspian Sea.

The aggregates and concrete business line, which also includes asphalt production, was expanded considerably. This is particularly true in the United Kingdom, where we previously operated only in the cement business line. Aggregates sales volumes were up by 55.0% to 88.0 million tonnes (previous year: 56.8), with Hanson contributing 22.5 million tonnes. In the past year, we commissioned new production sites in Romania and Poland, and produced aggregates for the first time in the Ukraine, Russia and Kazakhstan. On 26 January 2008, HeidelbergCement sold its shares in the British joint venture United Marine Holdings Limited to the joint venture partner Tarmac Limited. Following the takeover of Hanson PLC, the sale had become necessary on the basis of the joint venture agreement.

Our deliveries of ready-mixed concrete grew by 28.9% to 17.6 million cubic metres (previous year: 13.7). Excluding Hanson, we achieved an increase of 3.2%. We expanded our market positions in the Czech and Slovak

Sales volumes

	2006	**2007**
Cement and clinker (million tonnes)	79.7	**87.9**
Aggregates (million tonnes)	85.8	**179.6**
Ready-mixed concrete (million cubic metres)	24.9	**32.7**

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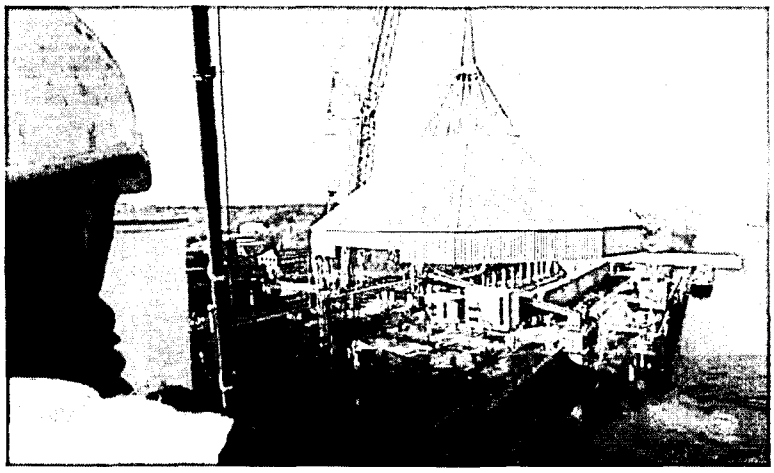

Republic, Romania, Belgium and the Netherlands by increasing participations, making acquisitions and commissioning new plants. In Kazakhstan, the first ready-mixed concrete plant will start production in spring 2008.

In the United Kingdom, there is a strong emphasis on the building products business line, in which we previously operated only in Germany and Sweden. Our Group companies there are market leaders in bricks and aircrete blocks. Leading market positions are held in wall cladding and flooring systems, pavers, roof tiles and chimneys. While turnover in the concrete products operating line rose in Germany, it declined in Sweden. The sales volumes of the German sand-lime brick plants experienced a slight cyclical decrease.

The turnover of the Europe-Central Asia Group area increased by 35.5% in 2007 to EUR 5,732 million (previous year: 4,230), with Hanson contributing EUR 878 million. The operational increase amounted to 11.9%.

As a result of the acquisition of Hanson, HeidelbergCement is one of the leading manufacturers of aggregates, ready-mixed concrete, cement, asphalt and building products in **North America**. Last year, construction activity in the US decreased considerably as a result of the decline in residential construction and the sub-prime crisis. This is also reflected in the decline in cement consumption, which dropped by 6.9 % to 118 million tonnes. The cement and clinker sales volumes of our plants developed significantly better than the market, falling by 0.7% to 14.9 million tonnes (previous year: 15.0). Excluding the consolidation of Hanson, the decrease amounted to 4.5%. We benefited in particular from the investments made by the energy and mining industries in western Canada and for the 2010 Winter Olympics in Vancouver, British Columbia.

In the aggregates operating line, the number of aggregates location increased fivefold to more than 250. Sales volumes of aggregates amounted to 78.0 million tonnes (previous year: 28.9). Excluding the Hanson activities, the sales volumes increased by 5.4% to 30.4 million tonnes. Asphalt production, in which we operate at 40 locations in the US, is an important customer of aggregates. We have also expanded our network of ready-mixed concrete plants considerably. Deliveries of ready-mixed concrete increased by 10.3% in the reporting year to 9.9 million cubic metres (previous year: 8.9); excluding Hanson, the figure rose by 1.6%. The acquisition of Hanson is allowing us to take up leading positions on the US and Canadian markets in the building products sector. We are the largest manufacturer of bricks and one of the leading producers of pipes and other precast concrete parts.

The turnover in the North America Group area rose by 31.0% to EUR 3,205 million (previous year: 2,447), of which EUR 893 million were contributed by Hanson. Excluding consolidation and exchange rate effects, the increase amounted to 3.1%.

Following the takeover of Hanson, the Group area **Asia-Australia-Africa-Mediterranean** now also includes Malaysia and Singapore as well as Australia. We benefited from lively construction activity in almost all markets of the Group area. Our cement and clinker sales volumes rose by 17.8% to 29.4 million tonnes (previous year: 24.9). This is partly due to consolidation effects in India and capacity expansion in China. We have expanded the aggregates and concrete business line considerably as a result of the newly added production sites in Australia and Malaysia. In aggregates, a sector in which we previously did not operate in this Group area, we achieved sales volumes of 13.6 million tonnes. Deliveries of ready-mixed concrete more than doubled to 5.2 million cubic metres (previous year: 2.3). Excluding Hanson, the growth amounted to 9.7%.

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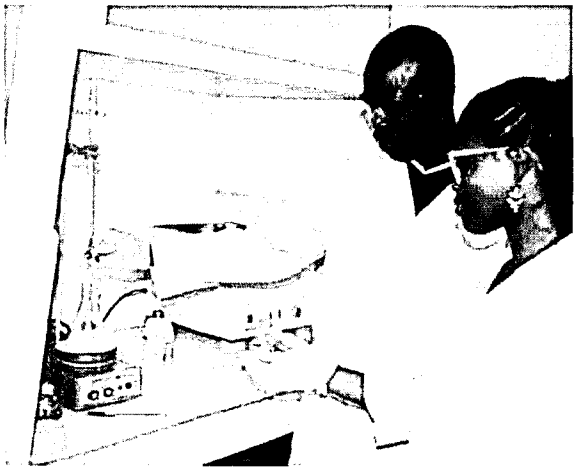

Overall, the turnover of this Group area rose by 46.6% in 2007, reaching EUR 1,909 million (previous year: 1,302), with Hanson contributing EUR 370 million to this increase. Excluding the consolidation and exchange rate effects, the increase amounted to 16.9%

In **Asia**, the strong economic expansion continued. We have further strengthened our market position in Asia with the commissioning of the new Jingyang plant in the Chinese province of Shaanxi and the increase in the kiln capacity in the Citeureup plant in Indonesia.

In Tanzania, our second largest market in **Africa** in terms of sales volumes, we will modernise and expand our Tanzania Portland Cement Company cement plant by 2009 in order to meet demand in the coastal metropolis of Dar Es Salaam. As part of the reorientation of our Group, we have sold the participations in the Cement Company of Northern Nigeria in Nigeria and Société Nigérienne de Cimenterie in Niger. The transaction was completed in March 2008.

In Turkey, which belongs to the **Mediterranean** subarea, our joint venture Akçansa recorded stronger growth than the market as a whole. By purchasing the Ladik cement plant, the company expanded its presence to the Central Black Sea region and consolidated its leading market position in western Turkey. The market position will be strengthened further by the commissioning of a second kiln line in the Çanakkale plant in spring 2008.

Turnover in the **Group Services** business unit, which includes our trading companies, improved by 5.9% in 2007 to EUR 680 million (previous year: 642). In contrast, the trade volume of our subsidiary HC Trading decreased by 6.8% to 11.6 million tonnes (previous year: 12.4). The main causes are the increase in domestic demand in traditional export countries such as India or Turkey, the reduction of imports into the US and higher freight rates.

Discontinued operations

On 7 August 2007, HeidelbergCement signed an agreement for the sale of maxit Group for a price of EUR 2,125 million with the French building materials manufacturer Saint Gobain. The transaction was completed on 13 March 2008.

The market environment developed positively in most countries in which maxit Group operates. Germany was adversely affected by the decline in residential construction. Overall, turnover grew to EUR 1,338 million (previous year: 1,237) in 2007. The positive market development and improvement in cost efficiency contributed significantly to an increase in earnings.

Cash flow statement

The presentation of the cash flow statement was changed in the 2007 financial year so that the net income from continuing operations is taken as a basis for the calculation, rather than the operating income before depreciation (OIBD). The cash flow statement for the 2007 financial year is characterised primarily by the inclusion of the Hanson Group from 24 August 2007 and the separate presentation of the cash inflows and outflows from discontinued operations that relate to maxit Group.

The cash flow from operating activities from continuing operations increased by EUR 629 million to EUR 1,750 million, with Hanson contributing EUR 441 million.

The net cash used in investing activities from continuing operations rose by EUR 10,079 million to EUR 10,640 million; this amount results primarily from the purchase of shares in the Hanson Group totalling EUR 11,519 million, the acquisition of the cement activities in Georgia for EUR 72 million and the sale of the participations in Vicat S.A. for EUR 1,395 million and Florida Rock Industries Inc. for EUR 88 million. The net cash used in invest-

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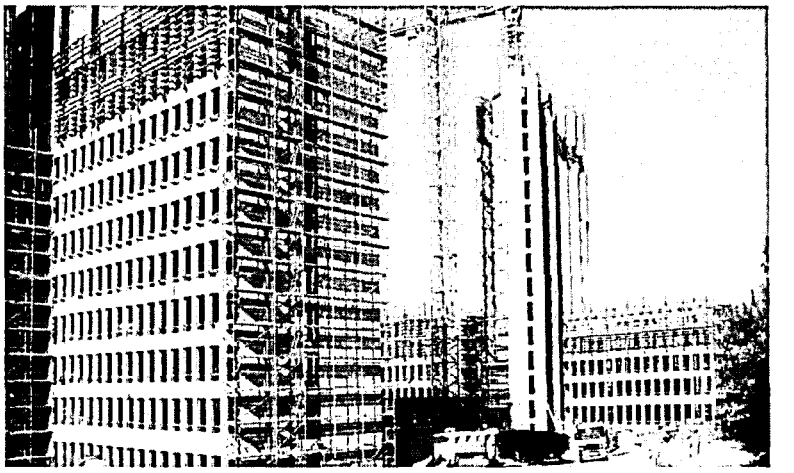

ments in intangible and tangible fixed assets increased by EUR 534 million to EUR 1,039 million, of which EUR 210 million was connected with Hanson. The assumption of cash, of which EUR 447 million concerned Hanson, reduced the net cash used in investing activities from continuing operations by a total of EUR 483 million.

The net cash from financing activities from continuing operations rose by a total of EUR 10,250 million to EUR 9,512 million. The net proceeds from loans of EUR 9,162 million and the money inflow from the capital increase of EUR 527 million in June 2007 were primarily used to finance the Hanson acquisition. Dividend payments led to a cash outflow of EUR 177 million.

In the 2007 financial year, HeidelbergCement was able to meet its payment obligations at all times.

Group financial management

In 2007, the Group financial management was dominated by the structuring and syndication of the GBP 8.75 billion and EUR 3.4 billion syndicated loan financing for the acquisition of Hanson PLC, which was signed on 14 May 2007. The syndication process was executed in four weeks. 44 banks joined the initial two underwriters. The syndication was oversubscribed by 30%.

Shortly after the announcement of the acquisition, the equity of the company was increased by approximately EUR 527 million. In addition, EUR 1.5 billion of the acquisition facility were already repaid prior to the closing of the transaction following the sale of the stake in Vicat's share capital. In the fourth quarter 2007, HeidelbergCement issued sub-benchmark senior unsecured

Group cash flow statement (short form)

EURm	2006 [1]	**2007**	Difference
Cash flow	1,375	**1,680**	305
Changes in working capital	-254	**70**	324
Cash flow from operating activities	1,121	**1,750**	629
Investments (cash outflow)	-821	**-12,774**	-11,953
Other inflows of cash and cash equivalents	260	**2,134**	1,874
Cash flow from investing activities	-561	**-10,640**	-10,079
Capital increase		**527**	527
Dividend payments	-166	**-177**	-11
Long-term borrowings	-572	**9,162**	9,734
Cash flow from financing activities	-738	**9,512**	10,250
Changes in cash and cash equivalents – discontinued operations	3	**-15**	-18
Changes in cash and cash equivalents	-98	**627**	725

[1] Figures have been adjusted following the presentation of maxit Group as discontinued operation (IFRS 5) and are therefore not comparable with the 2006 annual accounts

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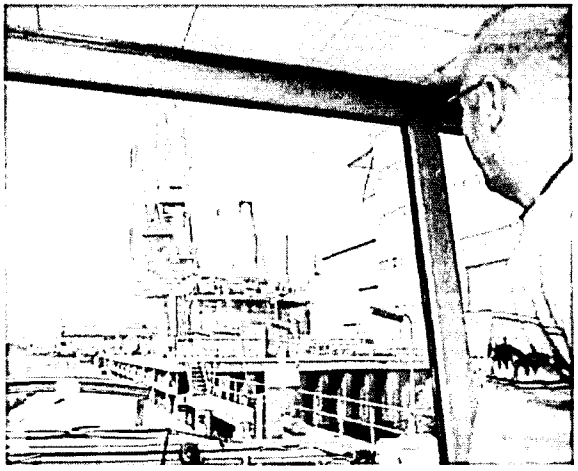

Eurobond targeted at private investors in Germany, Austria, Luxembourg, Switzerland and the Netherlands. The bond issued at 94% carried a coupon of 5.625% maturing in January 2018 and was well received in the capital market, so that the issuance volume of EUR 480 million exceeded expectations significantly. In parallel, two certificates of indebtedness with tenors of five and seven years and overall volume of EUR 300 million and a SEK private placement out of our updated, increased and supplemented EUR 10 billion debt issuance programme (EMTN programme) were issued as well. The proceeds were used to repay parts of the acquisition facility.

During the process of integrating the Hanson financing into the central Group Treasury of HeidelbergCement, all commercial papers of Hanson were repaid and the programmes were cancelled. The existing syndicated bank credit facilities of Hanson, being USD 475 million and GBP 500 million, expired on 22 September 2007. The three outstanding SEC registered US Dollar bonds issued or guaranteed by Hanson, were de-listed from the London Stock Exchange and New York Stock Exchange and re-listed on the Euro MTF operated by Luxembourg Stock Exchange. Thereby, the SEC registration was terminated, which reduced reporting requirements. These measures ensured significant savings and pari-passu ranking of the capital markets debt within the new HeidelbergCement Group.

In the framework of the ongoing financial management, HeidelbergCement exercised its call to repay the remaining outstanding amount of the 2003/2010 7.375% high yield bond prior to its final maturity on 15 July 2007.

Key financial ratios

	2005	2006[1]	**2007[1]**
Assets and capital structure			
Shareholders' equity/total capital	42.4%	47.9%	**25.8%**
Net financial liabilities/balance sheet total	29.7%	25.0%	**49.9%**
Long-term capital/fixed assets	104.7%	99.4%	**108.0%**
Gearing (net fin. liabilities/shareholders' equity)	70.1%	52.5%	**193.4%**
Earnings per shares			
Price/earnings ratio	20.1	13.5	**6.1**
Earnings per share (EUR)	3.74	8.22	**17.11**
Profitability[2]			
Return on total assets before taxes	8.4%	12.9%	**9.8%**
Return on equity	8.2%	15.6%	**26.1%**
Return on turnover	6.2%	11.5%	**18.2%**

[1] Without adjustment to IAS 32.18 b) Puttable Minorities in the amount of EUR 86 million (2007), EUR 106 million (2006)
[2] Figures have been adjusted following the presentation of maxit Group as discontinued operation (IFRS 5) and are therefore not comparable with the 2006 annual accounts

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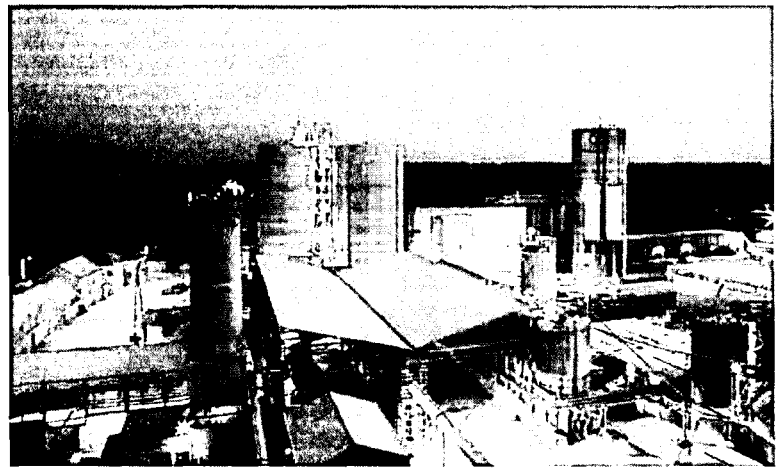

Although the sub-prime crisis has spilled over to commercial paper issuance, HeidelbergCement was able to issue EUR 2.85 billion through the updated EUR 1 billion Euro Commercial Paper Programme. The Swedish SEK 3 billion Commercial Paper Programme was cancelled in order to streamline the administrative burden in June 2007.

Despite the increased leverage of the Group, HeidelbergCement was able to establish additional credit lines with significantly improved conditions. Most of these lines and the entirely existing EUR 1 billion revolving syndicated credit facility were undrawn as of the end of 2007 and secure liquidity.

The integration of Hanson's former treasury department into the Group Financial Management was completed in December 2007. All Hanson subsidiaries make now use of the Heidelberg based Group Treasury department. This department acts as in-house bank and secures full cash control and external financing on parent group level for the entire enlarged HeidelbergCement Group. The quick integration unlocked significant synergy potential in terms of reduced personnel cost, process standardisation, netting of financial risk positions as well as realisation of economies of scale for banking services, e.g. cash management services and foreign exchange transactions.

Although the acquisition of Hanson was mostly debt financed, the rating agencies Standard & Poor's, Moody's and Fitch Ratings affirmed their corporate credit ratings within the investment grade range (BBB-/A-3, Baa3/P-3, BBB-/F3). The ratings were supported by the improved market positions as one of the leading global players in building materials, with an extended geographic diversity and strong cash flow generation.

Investments

In 2007, cash relevant investments in continuing operations amounted to a total of EUR 12,774 million (previous year: 821). EUR 1,039 million (previous year: 506) was invested in tangible fixed assets and intangible assets. As a result of the takeover of Hanson, investments in financial fixed assets rose to EUR 11,735 million (previous year: 315).

Fixed assets investments in continuing operations

EURm	2006	**2007**
Europe-Central Asia	263	**492**
North America	149	**312**
Asia-Australia-Africa-Mediterranean	94	**234**
Group Services	0	**0**
Financial investments	315	**11,735**
Total	821	**12,774**

Investments in intangible assets and tangible fixed assets by business lines 2007 (in continuing operations)

56.8% Cement
36.7% Aggregates and concrete
6.5% Building products

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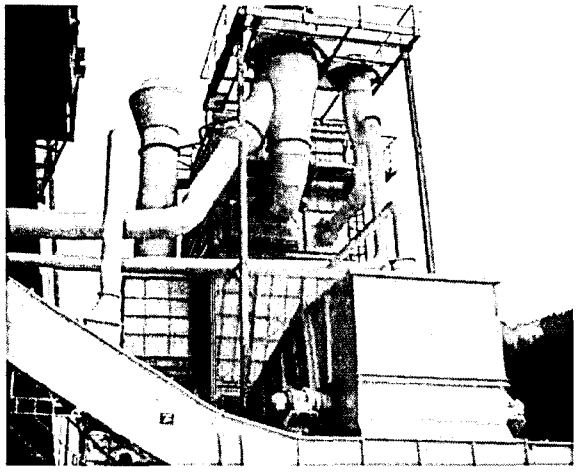

Larger investments in tangible fixed assets related to the modernisation of the Beremend cement plant in Hungary, the expansion of capacities at our Wazo Hill plant in Tanzania, the construction of the new Jingyang cement plant in the Chinese province of Shaanxi, the purchase of the Ladik cement plant in Turkey and the construction of a second production line in the Çanakkale plant in Turkey. Other significant investments were used for the commissioning of a cement import terminal on the west coast of the US near Seattle, the installation of modern equipment at aggregates locations in the Canadian province of Manitoba, the construction of coal mills in Georgia and second production lines in the Fufeng and Jingyang cement plants in China, as well as the installation of equipment for the use of alternative fuels in Poland.

The acquisition of 100% of the shares in the British building materials manufacturer Hanson accounted for the majority – around EUR 11.5 billion – of the investments in financial fixed assets. The rest were divided between other acquisitions, including the purchase of a majority participation in the Georgian cement company SaqCementi.

Group balance sheet

As a result of the acquisition of Hanson, the balance sheet total rose to EUR 29.3 billion (previous year: 12.3).

On the assets side, the long-term assets increased considerably. A purchase price allocation led to fair value adjustments of EUR 1,109 million. These are counterbalanced, however, by identified risks and provisions of EUR 677 million accounted for in the balance sheet, leading to an increase of around EUR 432 million in the shareholders' equity.

On the liabilities side, the change in the balance sheet total is primarily attributable to the increase in financial liabilities to EUR 15,567 million (previous year: 3,421). A syndicated loan of GBP 8.75 billion and EUR 3.4 billion, in

Group balance sheet (short form)

EURm	31 Dec. 2006	**31 Dec. 2007**	Part of balance sheet total
Intangible assets and tangible fixed assets	8,344	**21,378**	73%
Financial fixed assets	1,163	**1,020**	3%
Other long-term assets	208	**531**	2%
Short-term assets	2,603	**4,947**	17%
Assets & discontinued operations held for sale		**1,406**	5%
Shareholders' equity and minority interests	5,828	**7,519**	26%
Long-term provisions and liabilities	3,576	**16,628**	57%
Short-term provisions and liabilities	2,914	**4,776**	16%
Liabilities in disposal groups & discontinued operations		**359**	1%
Balance sheet total	12,318	**29,282**	100%

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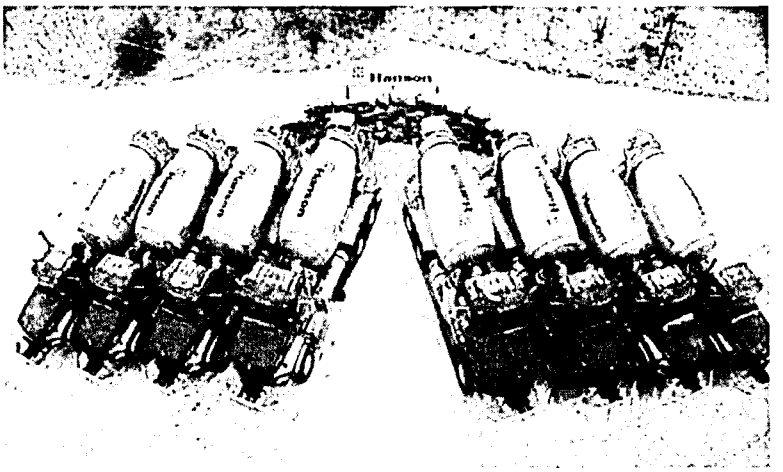

which 46 banks were involved, was used to finance the Hanson acquisition. To refinance this loan, we used the proceeds from the sale of our participation in Vicat S.A., which amounted to EUR 1.4 billion, and from a Eurobond of EUR 480 million, targeted primarily at private investors (additional measures in the Group financial management section on p. 25).

HeidelbergCement's shareholders' equity grew to EUR 7,519 million (previous year: 5,828). The most important factors were the increase in the profit for the financial year to EUR 2,119 million and the proceeds from a capital increase in June 2007 amounting to EUR 527 million. The development of exchange rates, particularly of the US dollar and the British pound, had a negative effect of around EUR 824 million on the shareholders' equity. In addition, a total of EUR 179 million in dividends was paid out to HeidelbergCement shareholders and minority shareholders.

Results of operations, assets positions and financial conditions of HeidelbergCement AG

In addition to the Group reporting, the parent company's development is described below:

In contrast with the Group annual accounts, the annual accounts of HeidelbergCement AG are prepared in accordance with German commercial law. HeidelbergCement AG's report to the shareholders is combined with that of the Group in accordance with § 315, section 3 of the German Commercial Code (Handelsgesetzbuch – HGB), as the business trend, economic position, and future opportunities and risks of the parent company are closely linked with the Group on account of their common activity in the building materials business.

As the controlling company, HeidelbergCement AG plays the leading role in the HeidelbergCement Group. In addition, it is operationally active in Germany in the cement and building products business lines with ten cement and grinding facilities and one lime plant.

In 2007, the turnover of HeidelbergCement AG fell slightly by 1.2% to EUR 471 million (previous year: 477); the decline in cement and clinker sales volumes resulting from the weakening of construction activity in Germany was not fully offset by the increase in cement prices. The rise in earnings before interest and income taxes (EBIT) to EUR 3,741 million (previous year: 169) is essentially attributable to income from disposals of financial fixed assets from the sale of the 35% participation in Vicat S.A. and internal restructuring within the Group in connection with the Hanson acquisition. As a result of this restructuring, the income from participations also escalated to EUR 3,762 million (previous year: 202). The profit for the financial year increased to EUR 7,511 million (previous year: 272) and the balance sheet profit to EUR 3,804 million (previous year: 149).

The acquisition of Hanson had a considerable effect on the balance sheet of HeidelbergCement AG. The balance sheet total rose to EUR 19.0 billion (previous year: 7.1). On the assets side, financial fixed assets more than doubled to EUR 10.3 billion (previous year: 4.8) as a result of the acquisition of Hanson, the resulting internal restructuring within the Group and the disbursement of long-term loans to affiliated companies. In current assets, the amounts owed by affiliated companies increased from EUR 1.8 billion to EUR 8.3 billion; this increase results essentially from the internal restructuring within the Group and the integration of Hanson's treasury activities into the central Group Financial Management department based at HeidelbergCement AG.

On the liabilities side, the shareholders' equity rose to EUR 11.4 billion (previous year: 3.5) because of the high balance sheet profit. As a result of the takeover of Hanson, liabilities increased to EUR 7.0 billion (previous year: 3.0); these include, in particular, the liabilities to banks, amounting to EUR 1.8 billion (previous year: 0.8) and to affiliated companies – primarily HeidelbergCement Finance B.V. – of EUR 4.8 billion (previous year: 2.0).

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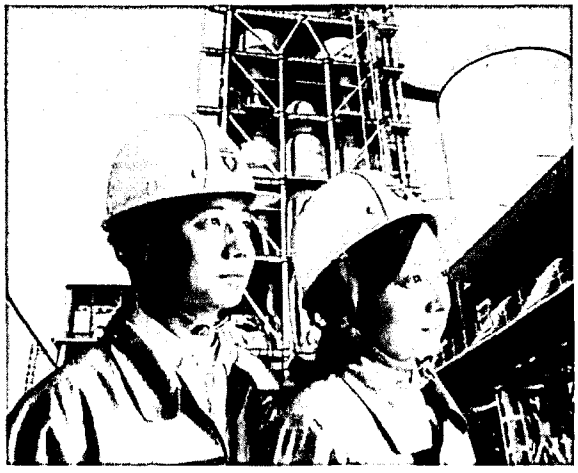

Summary of the economic position
According to the Managing Board's assessment, the economic position of the Group at the time of the preparation of the combined management report of the Group and HeidelbergCement AG is positive overall.

The 2007 financial year was characterised primarily by the takeover and integration of Hanson. The sharp increase in turnover and results was also supported by strong organic growth, particularly in the Europe-Central Asia and Asia-Australia-Africa-Mediterranean Group areas. In North America, we were able to hold our ground successfully despite the US property crisis. Targeted measures to reduce costs and increase efficiency were consistently continued.

Additional statements

Statements according to §§ 289, section 4, 315, section 4 of the German Commercial Code (HGB)
On 31 December 2007, the share capital of HeidelbergCement AG amounts to EUR 360,000,000 and is divided into 120,000,000 no-par value bearer shares. The Managing Board knows of no restrictions concerning voting rights or the transfer of shares. The following shareholders hold more than 10% of the voting rights in the company: Spohn Cement GmbH, Norderfriedrichskoog, with 60.59% of the voting rights and Senator h.c. Dr. med. h.c. Adolf Merckle, Blaubeuren, with 17.98% of the voting rights (of which 17.78% is held via VEM Vermögensverwaltung GmbH, Dresden). No holder of shares has been granted special rights giving powers of control. The company's Managing Board is appointed and discharged by the Supervisory Board. The Articles of Association may be amended by the Annual General Meeting with a simple majority of the share capital represented at the time of voting, except where a greater majority is required by law.

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 60,818,753 – with the indicated amount having been reduced to EUR 45,818,753 as a result of the cash capital increase of February 2008 – by issuing new no-par value bearer shares in return for cash contributions on one or more occasions until 22 May 2011 (Authorised Capital I). Furthermore, the Managing Board is authorised to increase the Company's share capital, with the consent of the Supervisory Board, by up to EUR 74,000,000 by issuing new shares against contributions in kind until 22 May 2011 (Authorised Capital II). In addition, the Managing Board is authorised to acquire shares in the Company until 8 November 2008 with a proportional amount of

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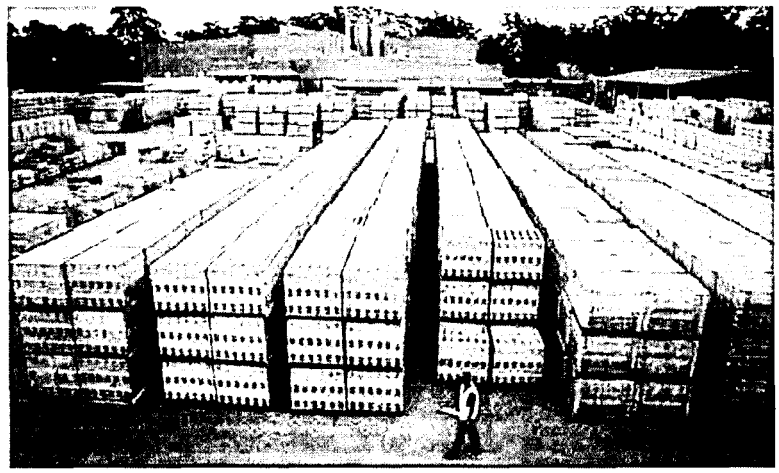

share capital of up to EUR 34,697,396 (corresponds to around 9.64 % of the share capital on 31 December 2007) via the stock market or by means of a public purchase offer.

A summary of the company's significant agreements contingent on a change of control resulting from a takeover bid, and the effects thereof, is provided below in accordance with §§ 289, section 4 no. 8, 315 section 4 no. 8 of the German Commercial Code. Please note that we are disregarding agreements whose potential consequences for the company fall below the thresholds of EUR 50 million in a singular instance or EUR 100 million in the case of several similar agreements, as they will not normally affect the decision of a potential bidder. The existing change-of-control covenants are standard for this industry and type of transaction and have not been agreed with the intention of hindering any takeover bids. The following significant agreements of HeidelbergCement AG are contingent on a change of control resulting from a takeover bid:

- syndicated credit facility of 14 May 2007 for GBP 8.75 billion and EUR 3.4 billion with staggered terms ending on 14 May 2009, 14 May 2010 and 14 May 2012;
- bilateral credit lines of 26 June 2002, most recently amended in 2007, for EUR 100 million with staggered repayment on 28 June 2010, 28 June 2011 and 28 June 2012;
- bilateral credit lines of 24 June 2004, most recently amended in 2007, for EUR 60 million with a term ending on 30 November 2008, under which, in the event of a change of control, the contractual partner gains a right indirectly by means of a reference to the onset of an early repayment obligation from the corresponding agreement in the syndicated credit facility 2007/2012;
- 5.625 % bond from 2007 for EUR 480 million with a term ending on 4 January 2018, issued by HeidelbergCement Finance B.V. and guaranteed by HeidelbergCement AG;
- bonded loans of 16 October 2007 with tranches of EUR 200 million (term ending on 16 October 2012) and EUR 100 million (term ending on 16 October 2014) issued by HeidelbergCement Finance B.V. and guaranteed by HeidelbergCement AG.

The relevant change-of-control clauses allow the contractual partner to demand immediate repayment of the outstanding loans or debenture bonds in the event of a change in the shareholder structure as defined variously below: The syndicated credit facility 2007/2012, the bilateral credit lines for EUR 60 million, the 5.625 % bond and the bonded loans give the relevant contractual partner a right of early termination in the event of changes in the shareholder structure that lead to a change in the control of the company. An entity has control if it controls more than 50 % of the subscribed capital or more than 50 % of the voting rights contractually or by other means, whereby – in connection with a concept of "registered partner" – a change in control to (i) Spohn Cement GmbH or (ii) any partner of Spohn Cement GmbH including successors and legatees of partners of Spohn Cement GmbH and persons who are beneficial owners of shares in Spohn Cement GmbH, or (iii) any legal person or foundation or comparable institution managed by such persons to whom shares in HeidelbergCement AG were transferred by persons mentioned under (i) to (iii) is exempted from the regulation regarding a right of early termination. The bilateral credit lines for EUR 100 million give the contractual partner a right of early termination if a significant change of control of the company occurs which – in the reasonable assessment of the contractual partner – prejudices his interests significantly.

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There are no compensation agreements between the company and members of the Managing Board or employees for the event of a takeover bid.

Regional branches
HeidelbergCement AG has no regional branches either domestically or internationally.

Dependent companies report
The Managing Board of HeidelbergCement AG compiled a report on the relationships between HeidelbergCement AG and its associated companies on the one hand and Spohn Cement GmbH and its associated companies on the other, and submitted it to the Supervisory Board in accordance with § 312 of the German Stock Company Act (AktG). A reportable legal transaction took place between HeidelbergCement AG and Spohn Cement GmbH. The Managing Board declares at the end of the report: "We confirm that – under the circumstances known to the Managing Board at the time at which the legal transaction took place – the company received an appropriate compensation for each legal transaction. We further confirm that no measures were taken, or not taken, in favour of or in the interests of Spohn Cement GmbH that adversely affected the company or its associated companies."

Events occurring after the close of the 2007 financial year
On 17 January 2008 (settlement on 25 January 2008), we issued a four-year Eurobond with a volume of EUR 1 billion via our EUR 10 billion European Medium Term Note (EMTN) programme.

On 14 February 2008, the Managing Board of HeidelbergCement AG decided on the conditions for carrying out a cash capital increase from authorised capital, with the consent of the Supervisory Board, following its resolution of 15 January 2008. VEM Vermögensverwaltung GmbH, Dresden, which belongs to the Merckle group, has subscribed for 5 million new shares at the near-market subscription price of EUR 102.50 per share. The Group received EUR 512.5 million on 19 February from the capital increase.

On 7 August 2007, HeidelbergCement had reached an agreement with the French building materials manufacturer Saint Gobain regarding the sale of maxit Group. The transaction with a value of EUR 2,125 million was completed on 13 March 2008 with the approval of the cartel authorities.

The proceeds from all three measures were used to repay the syndicated loan taken out in connection with the Hanson acquisition.

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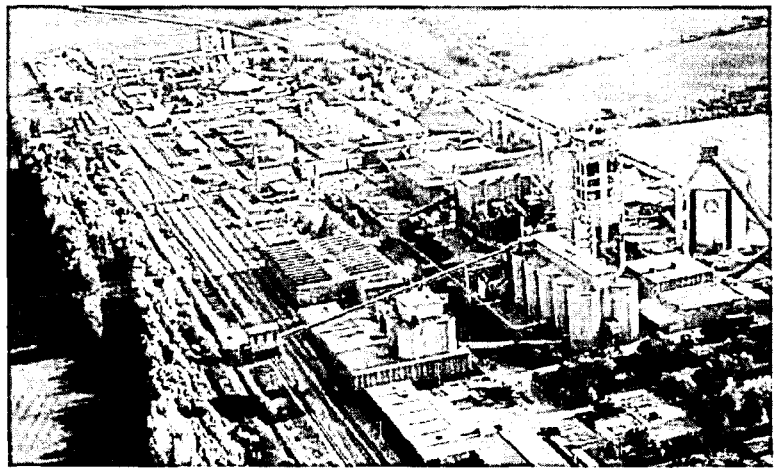

Corporate Governance and compliance[1)]

Statement of compliance and amendments to Corporate Governance Principles

The management and supervisory structures at HeidelbergCement comply with the regulations under the German Stock Company Act and the German Codetermination Law. They are described in detail in the company's Articles of Association and the Group's Corporate Governance Principles, based on the German Corporate Governance Code (see www.heidelbergcement.com, About us, Corporate Governance).

The statement of compliance for the reporting year was published on 21 March 2007 and this year's will be published on 17 March 2008. HeidelbergCement meets the recommendations of the German Corporate Governance Code with the following exceptions:

- the Managing Board remuneration is not disclosed on an individualised basis;
- the Chairman of the Supervisory Board does not chair the Personnel Committee;
- there are no age limits for members of the Supervisory Board;
- an application made in February 2008 for the judicial appointment of a Supervisory Board member was not limited in time up to the next Annual General Meeting;
- the Supervisory Board remuneration does not contain a variable component;
- the shareholdings of members of the Supervisory Board are not disclosed.

In March this year, the Group's Corporate Governance Principles will be adapted to the latest amendments of the German Corporate Governance Code. The key issue is the fact that compliance is expressly mentioned for the first time as an independent management task and is included in the Managing Board's catalogue of reporting duties to the Supervisory Board as well as in the Audit Committee's catalogue of responsibilities.

Remuneration of the Managing Board

The remuneration determined by the Supervisory Board for the Managing Board of HeidelbergCement AG is adapted to the size and international activity of the Group, its economic and financial situation, and the amount and structure of the Managing Board remuneration in comparable companies. In addition, the tasks and contribution of the relevant member of the Managing Board, as well as the entire Managing Board, are taken into account. The remuneration is calculated in such a way that it is competitive on the market for highly qualified senior managers and provides an incentive for successful work in a business culture with a clear focus on performance and results.

The remuneration is made up of fixed and variable components. In connection with this, we are consciously aiming for a large variable element as part of the total remuneration in order to reflect, in a clear and direct way, the collective and personal performance of the Managing Board and the performance of the Group. The variable bonus depends on the achievement of specific financial goals set at the beginning of the financial year (target net profit). In addition, a long-term bonus based on the achievement of individually agreed goals is awarded. There are no stock options.

The total remuneration of the Managing Board in 2007 amounted to EUR 25.0 million (previous year: 20.1). EUR 4.0 million (previous year: 3.3) of this was paid in fixed remuneration, EUR 20.2 million (previous year: 16.7) in variable remuneration and EUR 0.8 million (previous year: 0.1) as part of other remuneration elements. The other remuneration elements consist of payments for committee activities at subsidiaries of HeidelbergCement AG

[1)] Also the Corporate Governance Report in accordance with point 3.10 of the German Corporate Governance Code, which was adopted by the Managing Board and Supervisory Board on 14 March 2008

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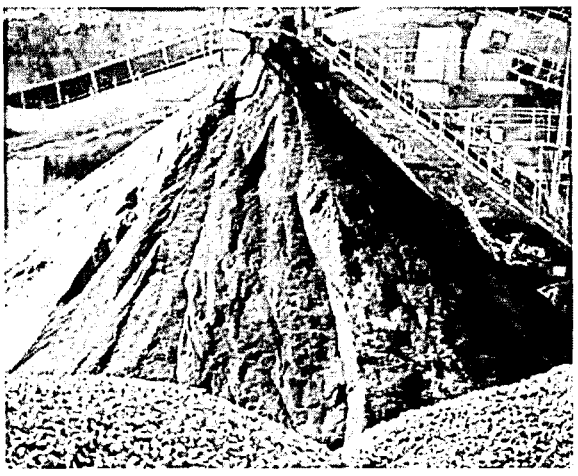

and non-cash benefits arising from the provision of company cars. Allocations to provisions for pensions (current service cost) for current members of the Managing Board amounted to EUR 1.7 million (previous year: 1.4). EUR 5.2 million was charged to expense for redundancy payments in connection with the Hanson acquisition. Payments to former members of the Managing Board and their surviving dependants amounted to EUR 2.9 million (previous year: 3.8) in the reporting year. Provisions for pension obligations for former members of the Managing Board amounted to EUR 25.8 million (previous year: 28.1).

When comparing the figures with the total remuneration for 2006, it is important to bear in mind that the number of members of the Managing Board has increased from five to eight as a result of the Hanson acquisition. The variable remuneration elements also include the payment of the long-term bonus agreed for the 2006 and 2007 financial years for five members of the Managing Board. On a comparable basis, the total remuneration of the Managing Board did not increase.

In accordance with § 286, section 5 and § 314, section 2 sentence 2 of the German Commercial Code, the 2006 Annual General Meeting exercised their right to exempt the company from the obligation to publish the remuneration of each individual member of the Managing Board.

In 2007, no loans or advances were granted to members of the Managing Board of HeidelbergCement AG.

Remuneration of the Supervisory Board

The Supervisory Board remuneration is made up of fixed amounts and attendance fees. The dividend-related bonus, paid up to and including 2006, has been discontinued.

Each member receives EUR 21,000, with the Chairman receiving twice this amount and his Deputy one-and-a-half times. The members of the Audit Committee additionally receive EUR 7,000, the members of the Personnel Committee EUR 3,500, and the Chairmen of the Committees twice these respective amounts. In addition, an attendance fee of EUR 1,500 is paid for each meeting personally attended. This gives a total Supervisory Board remuneration of EUR 608,133 (previous year: 1,366,077) (see table below).

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 – with the exception of the representative of the senior managers – to the trade union-linked Hans Böckler Foundation.

Remuneration of the Supervisory Board

EUR	2007
Theo Beermann	33,500
Heinz-Josef Eichhorn	24,633
Fritz-Jürgen Heckmann	66,000
Josef Heumann	31,500
Gerhard Hirth	30,000
Rolf Hülstrunk	31,500
Heinz Kimmel	31,500
Max Dietrich Kley	28,500
Hans Georg Kraut	38,000
Senator h.c. Dr. h.c. Adolf Merckle	47,000
Ludwig Merckle	41,500
Tobias Merckle	27,000
Heinz Schirmer	55,500
Eduard Schleicher	43,500
Heinz Schmitt	40,000
Karl Heinz Strobl	38,500
	608,133

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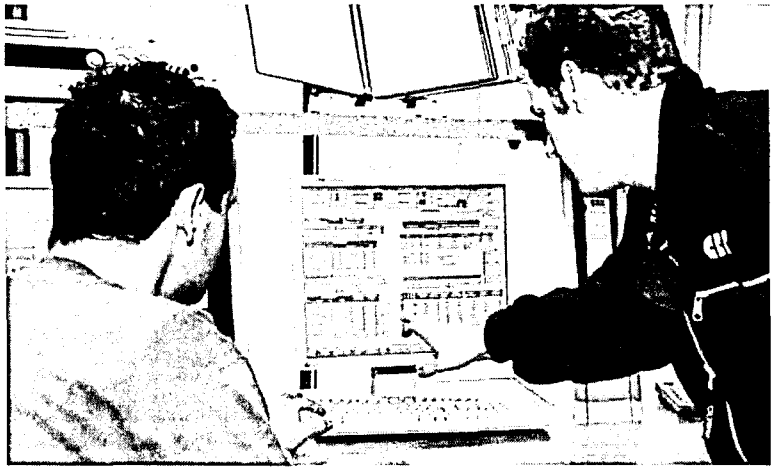

Directors' Dealings and shareholdings of Board members

In the reporting year, the company received the following disclosures in relation to transactions in securities in accordance with § 15a of the German Securities Trading Act (Directors' Dealings):

Directors' Dealings Director	Function	Type of transaction	Transaction date	Number/type of financial instruments traded		Transaction volume (EUR)
Dr. h.c. Adolf Merckle	SB [1]	Purchase *	05/10/2007	3,627,160	Shares	429,999,818.00
Dr. h.c. Adolf Merckle	SB	Sale *	05/31/2007	8,154	Shares	970,569.89
Dr. h.c. Adolf Merckle	SB	Capital increase *	05/29/2007	4,393,749	Shares	527,249,880.00
Dr. h.c. Adolf Merckle	SB	Sale *	06/01/2007	19,072	Shares	2,269,743.65
Dr. h.c. Adolf Merckle	SB	Sale *	06/01/2007	3,600	Shares	428,760.00
Dr. h.c. Adolf Merckle	SB	Sale *	06/04/2007	16,703	Shares	1,984,228.21
Dr. h.c. Adolf Merckle	SB	Sale *	06/08/2007	21,000	Shares	2,361,189.39
Dr. h.c. Adolf Merckle	SB	Sale *	06/06/2007	3,057	Shares	362,921.60
Dr. h.c. Adolf Merckle	SB	Sale *	06/05/2007	12,198	Shares	1,452,760.21
Dr. h.c. Adolf Merckle	SB	Sale *	06/08/2007	23,000	Shares	2,586,064.57
Dr. h.c. Adolf Merckle	SB	Sale *	06/11/2007	40,070	Shares	4,571,987.00
Ludwig Merckle	SB	Sale *	07/11/2007	55,500	Shares	6,135,203.10
Dr. Bernd Scheifele	MB [2]	Purchase	08/07/2007	5,000	Shares	527,200.00
Dr. Bernd Scheifele	MB	Purchase	08/07/2007	5,000	Shares	526,000.00
Dr. Lorenz Näger	MB	Purchase	08/07/2007	385	Shares	40,659.85
Dr. Lorenz Näger	MB	Purchase	08/07/2007	131	Shares	13,836.22
Dr. Lorenz Näger	MB	Purchase	08/07/2007	1,884	Shares	199,138.80
Dr. Lorenz Näger	MB	Purchase	08/07/2007	84	Shares	8,896.44
Dr. h.c. Adolf Merckle	SB	Purchase *	10/01/2007	50,000	Shares	5,169,200.00
Dr. h.c. Adolf Merckle	SB	Purchase *	10/12/2007	30,000	Shares	3,155,250.00
Dr. h.c. Adolf Merckle	SB	Purchase *	11/06/2007	660,616	Shares	71,346,528.00
Dr. h.c. Adolf Merckle	SB	Purchase *	11/06/2007	300,000	Shares	32,400,000.00
Dr. h.c. Adolf Merckle	SB	Sale *	11/06/2007	1,384,616	Shares	149,538,528.00

[1] SB = Member of the Supervisory Board
[2] MB = Member of the Managing Board

* The marked transactions were carried out by legal persons where the director or a closely connected person holds an executive function or a controlling stake

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

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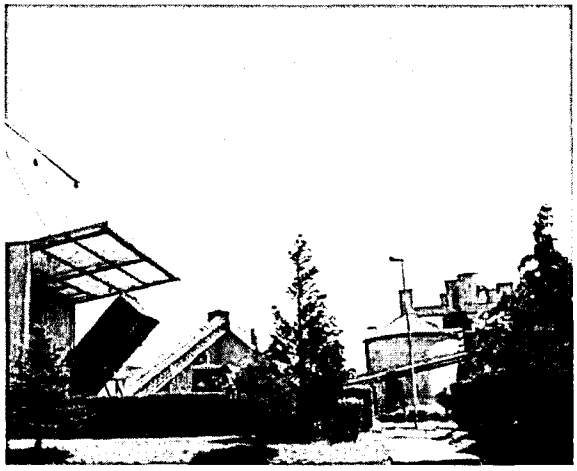

Compliance

The increasing complexity of the legal framework for companies calls for independent, comprehensive compliance management. During the reporting year, HeidelbergCement reorganised and further developed its compliance structures:

- The compliance responsibilities are allocated clearly at every level. A newly created independent compliance function at Group level co-ordinates the compliance efforts across the Group.
- A Code of Business Conduct and conduct guidelines for important compliance areas such as anti-corruption and competition legislation give the employees clear and comprehensible instructions for correct external and internal conduct in the performance of their tasks.
- The employees are informed of and familiarised with the content of the regulations by means of information and training measures. The use of interactive e-learning modules is to be extended and should increase the availability of learning content.
- The violation of regulations results in appropriate organisational and disciplinary action. Every employee knows that violations will not be tolerated.
- A compliance hotline offers every employee the opportunity to contact competent advisors with compliance-related concerns in confidence and, if desired, anonymously.
- Regular and ad-hoc reporting as well as specific compliance audits form the management and supervisory instruments of the new compliance organisation. By producing consistent documentation, we ensure that evidence of the compliance measures taken can be provided if necessary.

Our compliance efforts focus on the area of cartel law. Every employee with market responsibility must be aware and be continually made aware that cartel law violations do not "pay off". The loss of confidence on the part of the customer and the high risk of fines or demands for damages, in some countries even the risk of criminal penalties extending to imprisonment for those personally responsible, outweigh any perceived benefit. In order to convey this message, we have further expanded our range of training courses with compulsory participation for relevant employees.

We also pay particular attention to advisor contracts. There is now a general suspicion surrounding these contracts that they are used to conceal bribes. We have therefore standardised detailed requirements for advisor contracts in a special anti-corruption guideline, which eliminates the risk of concealed cases of corruption.

The Supervisory Board's involvement in the monitoring of the compliance organisation corresponds to the new requirements of the Corporate Governance Code as follows: The Supervisory Board is informed about the compliance situation by the Managing Board as part of the regular reporting. The Audit Committee of the Supervisory Board reviews, on an annual basis, whether the compliance organisation satisfies the legal requirements and recognised best practices.

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Risk management

Entrepreneurial activity is always forward-looking and therefore carries certain risks. HeidelbergCement's aim is not to avoid risks altogether, but to accept risks whenever they are balanced by the opportunities they present. Identifying risks, understanding them and reducing them systematically is the responsibility of the Managing Board and is a key task for all managers.

Our risk system, standardised across the Group, consists of a number of different elements, which are co-ordinated and systematically incorporated in our organisational structures and processes. It is based on the financial resources, operational planning and the risk management strategy established by the Managing Board.

Regular risk reporting at country level, aligned primarily with the geographical organisational structure of the Group, forms the foundation for this system. Appropriate thresholds for risk reporting have been established for the individual countries, taking into account their specific circumstances. The presentation and discussion of the risk report is an integral part of the quarterly meetings between the Managing Board and the national management teams. Short channels of communication and quick decisions allow prompt countermeasures to be taken. The Hanson Group was included in the risk reporting of the 2008–2010 operating plan. Hanson's existing risk reporting was adapted to HeidelbergCement standards as part of the integration, thus allowing uniform risk assessment for the enlarged Group.

The quarterly risk reports from each country are incorporated in the Group's central management reporting. The regular risk reports are supplemented by regulations for ad-hoc reports in the event of risks that arise suddenly or unexpectedly, particularly in connection with political events, developments on the financial markets or natural disasters.

The Group Insurance & Corporate Risk department is responsible for co-ordinating the risk management processes. All significant risks, both quantitative and qualitative, are summarised once a year in a central risk map at Group level.

In addition, the auditors carry out an examination of the risk management system as part of the annual audit to determine whether the monitoring system is capable of identifying in good time issues that could threaten the Group's existence.

After evaluation of the overall risk situation, there are, from today's perspective, deemed to be no identifiable risks, either at present or for the foreseeable future, that could threaten the existence of the Group or other significant risks whose occurrence would lead to a considerable deterioration of the Group's economic position.

Risks that may have a significant impact on our net assets, financial position and results in the 2008 financial year and in the foreseeable future after 2008 are divided into three categories based on the risk catalogue established in the Group.

Financial risks

Our significant financial risks are currency risks, interest rate risks, refinancing risks and credit risks. We manage these risks primarily as part of our ongoing business and financing activities and, when required, by using derivative financial instruments. These risk areas are monitored on a continuous basis by the Group Treasury department in accordance with our internal Group guidelines.

As part of our ongoing risk management, we manage the transaction risk, i.e. the risk of fluctuating prices (e.g. currency exchange rates, interest rates, raw material prices) that may affect the Group's earnings position.

Currency risks arising as a result of transactions with third parties in foreign currency (transaction risks) are hedged using derivative financial instruments with a hedging horizon of up to twelve months. We primarily use currency

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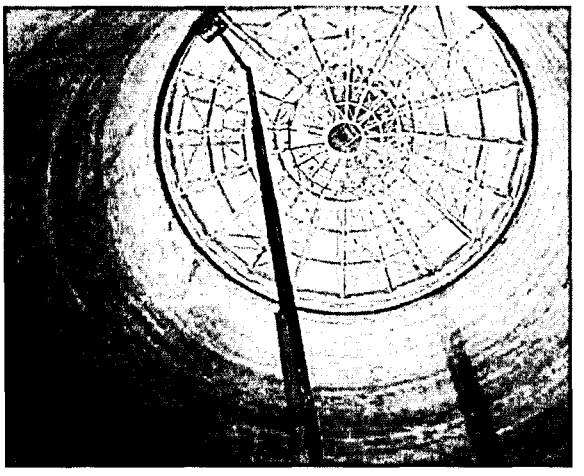

swaps and forward exchange contracts for this purpose, as well as currency options in some individual cases. Currency risks arising from intra-Group transactions are not hedged, as the inflows and outflows in the various currency pairs cancel one another out at Group level to a large extent.

In general, we do not hedge currency risks arising from converting the annual accounts of foreign individual companies or subgroups (translation risks). The associated effects have no impact on cash flow, and influences on the Group balance sheet and profit and loss accounts are monitored on a continuous basis.

Interest rate risks exist as a result of potential changes in the market rate of interest and may lead to a change in fair value in the case of fixed interest-bearing financial instruments and to fluctuations in interest payments in the case of variable interest-bearing financial instruments. Interest rate risks are maintained within the parameters set by the Group's Chief Financial Officer. By using financial instruments, primarily interest rate swaps, we are able to hedge both the risk of fluctuating cash flows and the risk of value fluctuations.

Refinancing risks arise if a company is not able to procure the funds necessary to fulfil the obligations entered into in connection with financial instruments. In order to minimise the refinancing risk, we secure access to money and capital markets via a wide selection of financing instruments. We also perform extensive cash management. Besides the cash inflow from operating activities, we maintain sufficient cash and credit lines with first-class banks. In addition to a revolving syndicated credit facility of EUR 1 billion with a term ending in May 2012, other unused bilateral credit lines of a significant amount are available.

Credit risks exist when a contractual partner in a business cannot fulfil its obligations, or at least not within the stipulated period. We minimise the risk position arising from this by diversification and ongoing assessment of the creditworthiness of the contracting parties. Cash is only invested with financial institutions with first-class external rating classifications.

Credit risks from operating activities are monitored continuously as part of our receivables management. We apply strict standards with regard to the creditworthiness of our business partners. In this way – as well as by avoiding concentrations of positions – we are able to minimise the Group's credit risks.

In connection with credit agreements, we agreed to comply with various financial covenants, which were all met in the reporting period. The most important key financial ratios are the ratio of net indebtedness to EBITDA and the interest coverage ratio. Within the framework of the Group plan, compliance with the covenants is monitored consistently, with notification issued to the creditors on a half-yearly basis. In the event of a breach of the covenants, the creditors could, under certain conditions, accelerate corresponding loans irrespective of the contractually agreed terms. Depending on the volume of the relevant loan, this could lead to a refinancing risk for the Group.

Market and strategic risks

In the cement business line, 2007 was characterised by the strengthening of our leading market positions in Eastern Europe and Central Asia with two new construction projects in Russia and Kazakhstan, as well as capacity increases in Hungary and Georgia. Cement is our strategic focus in growth markets. The political risks and market risks connected with our presence in the CIS countries but also in other growth markets like India, China and Africa are, in our opinion, more than compensated for by the strong economic growth and heavy increase in cement consumption expected in these regions. With the sale of our activities in Nigeria and Niger, we improved our risk profile.

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The acquisition of Hanson in the middle of 2007 represents a milestone in the Group's growth strategy: Aggregates now form our second strategic pillar. This focus on the refinement of raw materials not only supplements the existing core business, but also helps to balance risks in mature markets and in North America. The vertical integration of the cement and aggregates activities and the resulting extension of the value chain provide an efficient instrument for handling both international and local market risks. Clear competitive advantages in existing markets and arising from the country diversification are due to a better supply of raw materials, a greater number of locations and the exploitation of potential for cost reduction by means of economies of scale.

We believe that the existing risk of recession in the US is to be viewed in a differentiated way: On the one hand, residential construction is heavily affected by the sub-prime crisis but, on the other hand, the significance of this segment for our activities in the US has decreased considerably as a result of the takeover of Hanson. Only around 25% of our aggregates deliveries pertain to residential construction; the vast majority are used in road construction and other public infrastructural projects. While continued solid growth is expected in public construction, there remains the risk that, in the event of a significant cooling down of the US economy, the previously stable area of commercial construction will be affected. Our other core regions – Europe, Canada, Asia and Australia – continue to present a stable economic environment and economic growth.

Operating risks

The development of energy prices, particularly of fuel, electricity and natural gas, with a historic high having been reached, represents a significant risk for an energy-intensive company such as ours. We are therefore promoting the use of alternative fuels across the Group. Continuing heavy fluctuations in freight rates and occasionally insufficient transport capacities may have a significant effect on our operating income. With the help of suitable risk management instruments, long-term supply agreements and an optimised purchasing organisation, in which our Group Services companies HC Trading and HC Fuels play a vital role, we are able to mitigate the effects of negative developments and keep possible financial burdens within the set limits. In addition, these risks are adequately taken into account in the 2008 Group operating plan.

Hanson has now been fully integrated into the Group's insurance management system. At the beginning of 2008, we introduced insurance concepts, optimised in terms of content and prices, for the extended Group. The strategic reorientation and restructuring of the insurance programmes initiated at the beginning of 2007 was continued as planned. After a thorough analysis of the loss experience, and taking into account the financial power and new size of the Group, we adjusted the self-insured retentions in an additional Group insurance programme. Synergy effects resulting from Hanson's integration into HeidelbergCement, in the form of noticeable savings in risk transfer costs, create a solid basis for smoothing out the higher level of risk volatility. The increase in the maximum compensation limits for natural disasters, including earthquakes, in 2007 will guarantee comprehensive coverage for all existing and new locations in heavily endangered regions of North America and Asia, both now and in the future.

The takeover of Hanson has changed the shape of HeidelbergCement's risk map, particularly in the operational environment. As part of the integration process, we have identified various risks in further areas:

In the course of the integration process, it became clear at an early stage that the departure of employees with key functions in North America and the United Kingdom represented a risk. As a result of bringing forward the decision regarding the reorganisation in these important

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markets, clarity was created quickly and an unwanted fluctuation was prevented. In view of pension scheme commitments, an adjustment to provisions for pensions is needed in the United Kingdom.

The detailed implementation schedule until the final completion of the Hanson integration in 2008 contains further optimisation measures to manage and control the identified risks directly connected with the integration.

Besides the operating risks already described, the Hanson Group is subject to particular legal risks, disputes and tax risks relating to former activities. The most significant of the legal risks and disputes are the asbestos-related claims alleging bodily injury and involving various Hanson subsidiaries in the US. The manufacture of asbestos–containing products between 1973 and 1984 was prior to the time that these companies became member of the Hanson Group. In the US, these damage claims are being handled and intensively managed by a team of in-house lawyers together with insurance carriers and external consultants. Adequate provisions have been made on the basis of an extrapolation of the claims and reliable estimates of the development of costs.

Furthermore, there has been a substantial increase in environmental and product liability claims against former and existing participations in the US, which are not connected with the current business activity. There is sometimes insufficient insurance cover for law suits and liability loss claims relating to toxic substances such as coal by-products or wood preservatives. In the US in particular, our subsidiaries may receive additional penalties over and above the amount of the damages; however, there is a possibility of concluding settlements. Sufficient financial provision has been made for this event.

The cartel proceedings against German cement companies initiated in 2002 are still pending. The initial court decision is not expected until the end of 2008 at the earliest. Likewise, no decision has yet been made regarding the action for damages brought by the Belgian company Cartel Damage Claims SA, which is based on allegedly inflated cement prices as the result of a cartel between 1993 and 2002. HeidelbergCement believes that it has a good chance of defending itself successfully against the action. Irrespective of this, we will continue to take intensive internal precautions, particularly regular training measures, in order to avoid cartel law violations.

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Employees

At the end of 2007, the number of employees in HeidelbergCement's continuing operations amounted to 67,916 (previous year: 40,983). The increase of 26,933 is largely due to the acquisition of Hanson. As Hanson's activities were only included since 24 August 2007, the annual average of headcounts amounted to 50,370. Expenditure on salaries, social security contributions, pension scheme contributions and social aid rose by 33.3 % in comparison with the previous year to EUR 1,694 million (previous year: 1,271). This corresponds to a share in turnover of 15.6 % (previous year: 15.9 %).

Focus on integration

The key issue in 2007 was the acquisition and integration of Hanson. In recent years, HeidelbergCement has standardised its personnel management and created the necessary conditions for a uniform management culture by means of Group-wide guidelines. On the basis of this and the experience gained from the "win" optimisation programme, we were able to organise the integration process in the area of personnel in a transparent and consistent manner.

Immediately following the due diligence, we analysed Hanson's organisational structure in detail on the basis of our Group standards. In the most important countries, such as the United Kingdom and North America, we also collected details of all employees who could be assigned to the staff functions (for example Finance, Personnel, Purchasing). The results of the two subprojects provided a high level of transparency, a basic prerequisite for the development of the new organisation in the United Kingdom and North America.

Learning from each other creates added value for the Group and for our customers. For this reason, we have formed mixed working groups made up of employees from HeidelbergCement and Hanson – not just for the technology and the market areas, but also in the Group staff units – whose task was to record in detail and evaluate their most important working processes and key performance indicators. The best practices determined were established as new Group standards. We benefited from Hanson's experience, particularly in the aggregates business.

Filling key functions fairly and openly

Internal management audits involving the top management of HeidelbergCement and Hanson ensured a fair and open process for filling key positions in the United Kingdom and North America. The integration was accelerated considerably by the establishment of the new organisational structures at an early stage and prompt personnel decisions. In the next stage, the structures at subsequent organisational levels are being established by local teams. The process of filling management positions will be characterised by openness and fairness at these levels as well.

Shared corporate culture

We have intensively dealt with the topic of corporate culture. We believe that the cultural fit, taking specific regional characteristics into account, is a fundamental criterion for the success of every international acquisition. In order to determine the core elements that shape our culture, we surveyed managers from HeidelbergCement and Hanson throughout the world. What is striking is the pleasingly high level of agreement in important areas. By introducing a package of measures, we aim to smooth out the existing differences in order to sustainably promote the development of a shared culture on the basis of our existing basic values and our understanding of management and leadership.

It is decisive for our success that the shared corporate culture is practised and demonstrated daily by all managers. The application of Group-wide standards, for example in

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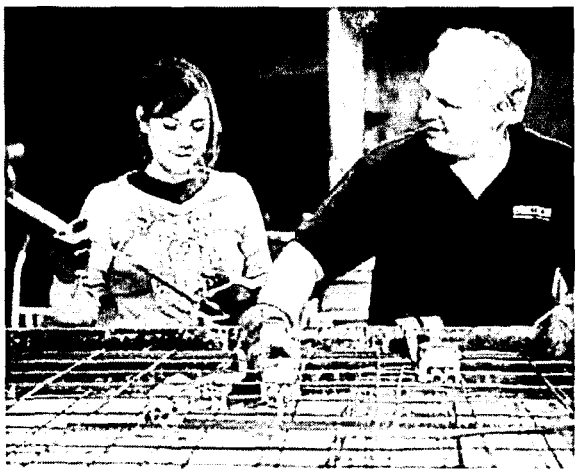

the key performance indicators or the method of capital expenditure budgeting are essential for the development of a shared culture. This also applies to the remuneration system, which is geared towards equal performance and results criteria, or performance management, which involves regular assessment of the performances of our managers according to the same standards. Concrete measures are being implemented already or are in the planning stage: For example, significant parts of the remuneration systems for top and senior management were already harmonised on 1 January 2008.

Communication as a factor for success

We have set ourselves the goal of informing all employees and managers continuously and openly about the integration process. By means of letters from the Chairman of the Managing Board, a special newsletter and numerous events, we have conveyed the key messages and provided information on the progress of the integration process. Regular electronic surveys allowed us to examine the perception of the employees involved regarding the individual integration steps. Above all, the results showed us in which areas we had to strengthen our communication and, in particular, the presence of our managers. The tireless and professional commitment of our top managers and integration teams on site made a significant contribution to the hitherto positive perception of the integration among the employees.

Advancement of future executives and management training

All training programmes at HeidelbergCement are tailored to the specific needs of our company. The integration of Hanson was at the forefront of our activities in 2007. Managers and experts from HeidelbergCement and Hanson who co-operated in the due diligence process were prepared for this task in advance by special training in the United Kingdom and North America. Besides business-specific topics, a focal point of the training was dealing professionally with one another in international teams. This intensive preparation made a decisive contribution to allowing the integration process to be implemented so successfully and smoothly within a short period of time.

The advancement of future executives and management training were consistently continued in 2007. The focal points of the training were cost management, managing effectively, project management and dealing professionally with processes of change.

Succession planning

We are consciously pursuing the approach of filling management positions from among the existing employees as far as possible. The takeover of Hanson opens up additional outstanding potential, which we are incorporating into our talent management: operationally experienced managers, who know our business, with strong cost awareness and a focus on performance and results. Their personal integrity and leadership strength make them ideal candidates for assuming management responsibility in the enlarged Group.

To guarantee future growth, we also rely on young executives, whom we train specifically for assignments in our markets. In 2007, we strengthened our recruiting measures considerably, with a focus on growth markets. We have expanded our university and college marketing worldwide for this purpose. In our recruitment activities at universities, we not only rely on experienced managers but also deliberately use employees who have only been with our Group for a short time. This gives interested applicants an authentic view of HeidelbergCement and the people who work there. We have also pursued this approach with our new university and college marketing brochure, which earned us the gold medal from the renowned "League of American Communications Professionals" at the 2007 Spotlight Awards.

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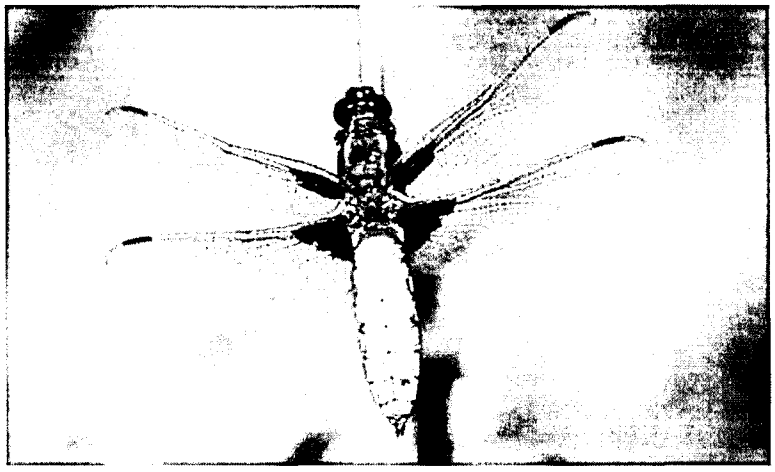

Sustainable development and environmental precaution

Sustainable development is firmly established in HeidelbergCement's corporate strategy. In the enlarged Group that now includes Hanson, the key areas – operating efficiently, considering the environmental impact of our activities, dealing fairly with customers and partners, and acting responsibly towards employees and at our locations – remain as valid as ever. Dealing carefully with raw material deposits in order to preserve species diversity is becoming increasingly important.

Our consistent work is recognised by our stakeholders. Once again, we were listed in the FTSE4Good this year. A variety of awards for local initiatives and projects is proof of this recognition (www.heidelbergcement.com).

Our concrete goals and measures essentially arise from our commitment to the Cement Sustainability Initiative, which operates under the auspices of the World Business Council for Sustainable Development (WBCSD), and are also brought to us by stakeholders. We published these in 2007 in our sustainability programme, thus advancing the programme that we formulated on a Group-wide basis for the first time in 2002.

By continually expanding our sustainable development management system, we ensure the systematic implementation of goals and measures in our daily business. We pressed ahead with the introduction of environmental management systems in 2007. In Ghana, HeidelbergCement's first African cement plant was certified in accordance with ISO 14001 at the beginning of 2008. Preparations were started for the certification of additional plants, e.g. Kryvyi Rih in Ukraine. At Castle Cement in the United Kingdom, as part of a broad-based study, a variety of possible steps to improve our sustainable activities were determined on the basis of sustainability indicators. We will analyse the recommendations and draw up an agenda for action.

Preserving natural resources

Reducing the consumption of resources and increasing resource efficiency are the foundations of sustainable business. Therefore, we further intensified the use of alternative materials in 2007. We are particularly proud of our progress in countries where, until now, valuable alternative materials have almost exclusively been brought to dumping sites or simply dumped in an uncontrolled manner. Our dedication is contributing to the establishment of a waste removal industry with the required collection and sorting systems.

In 2007, our substitution rate for alternative raw materials further rose in many countries. We were thus able to continue the positive development of previous years. For example, at Kryvyi Rih Cement in Ukraine, we are replacing the raw material limestone with blast furnace slag to some extent. In the United Kingdom, Hanson is a leader in the production and utilisation of blast furnace slag. In the production of asphalt, waste glass and other materials are used as aggregates.

Last year, we achieved an alternative fuel ratio of 17%. We increased the proportions of biomass considerably in 2007, e.g. in the North American plants in Evansville, Mason City and Redding. In Indonesia, we were able to replace 20% of the fossil fuel in one kiln line with rice husks. In several plants in Belgium, Sweden, Poland and Turkey, we built or extended facilities for the processing, storage and metering of alternative fuels. In two German plants, we have created the necessary regulatory conditions for a substitution rate of 75%.

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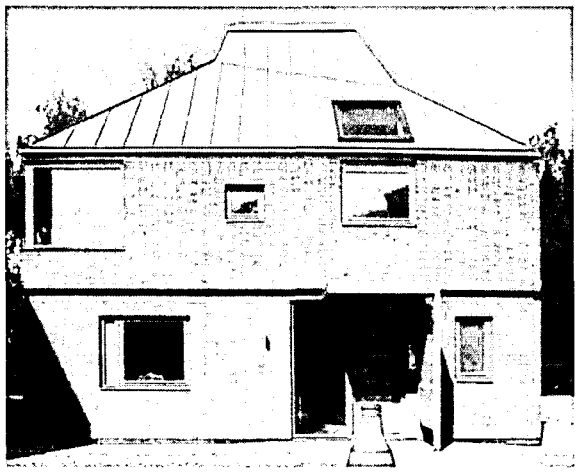

Reducing emissions to protect the climate
Climate protection has been one of the central topics of HeidelbergCement's sustainability strategy for several years. We have made a commitment to reducing specific net CO_2 emissions by 15 % by 2010 compared with 1990. The progress made in 2007 shows that we are on the right track for achieving our reduction targets. The exact CO_2 data will be available on our website from the middle of the year.

In 2007, we intensively examined the possibility of undertaking further projects to reduce greenhouse gases – in addition to our CDM (Clean Development Mechanism) project in Indonesia – in accordance with the rules of Joint Implementation (JI) and Clean Development Mechanisms as described in the Kyoto Protocol. Several projects were identified and will be started in 2008.

The European Union has set ambitious reduction targets for the second trading period for CO_2 certificates (2008–2012). Although we have achieved a significant reduction in CO_2 emissions and further reduction measures are planned, the massive shortage of CO_2 certificates in some EU countries may mean that we need to purchase additional certificates to some extent.

Reducing environmental pollution
HeidelbergCement is aware of its responsibility for the environment and has set ambitious reduction targets for dust, nitrogen oxides and sulphur oxides. We achieved considerable reductions in dust emissions by means of investments in the Kryvyi Rih plant in the Ukraine and the Radotin plant in the Czech Republic. At SaqCementi/ Georgia, we will install new dedusting filters in the six production lines by the end of 2008. In Tanzania, the emissions will fall considerably as a result of the replacement of the old kiln line: dust by 90 %, nitrogen oxides by 45 % and sulphur oxides by 65 %.

To reduce nitrogen oxides (NO_x) we use the SNCR (selective non-catalytic reduction) process, for example. SNCR systems were optimised or installed during the reporting year. In Schelklingen, for example, we improved the efficiency of the SNCR system, thus reducing the NO_x emissions. An SNCR system was commissioned in Ennigerloh for the first time. Once again, the emissions data will be available on our website from the middle of the year.

Protecting species diversity
Nature and species conservation have a high priority at HeidelbergCement and Hanson. We want to make use of our opportunities to counteract the worldwide decrease in species diversity, by consistent measures in the extraction of raw materials and the renaturation of quarries. The development of Group-wide guidelines and uniform co-ordination create the foundations for systematic implementation of our goals. In 2007, we continued ongoing projects, e.g. in Slite, Sweden and Górazdze, Poland, and started projects in Ukraine and Georgia. The pilot project "Sustainability indicators for integrated raw material and nature management" developed at the German location Schelklingen is an example to other European locations.

Sustainable building
We also contribute directly to sustainable building with our products. For example, we produce the special cement TioCem®, which is able to absorb pollutants from the air. A series of products is being manufactured with an increasing proportion of recycled material. Hanson has designed a complete prefabricated eco house. The Hanson EcoHouse™ combines short construction times and flexible design with high energy efficiency. The house represents a decisive step on the road to a zero-energy house.

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Occupational health and safety

In 2007, we started our initiative "Safe work – Healthy life", which will last several years, with the focal areas of analysis, communication and management. For each of these three focal areas, we have identified individual measures, which we will implement in the next few years. Hanson contributes extensive experience in occupational health and safety. The integration has already progressed a long way in this area, and both sides are able to benefit. In 2008, the existing internal expert group, which until now has been largely dominated by the cement business line, will be adapted to the new structure.

In 2007, HeidelbergCement was able to further reduce both the frequency rate and severity of accidents suffered by Group employees; however, the fatality rate increased. In the future, we want to counteract the increased level of serious accidents suffered by employees of contracting companies by means of specific guidelines.

Social responsibility

HeidelbergCement has made a commitment to numerous projects at its locations in accordance with the established focal areas of Building – Environment – Education. High value is placed on education projects in all countries. This involves co-operation with schools, colleges and universities, with a high level of personal commitment from employees, and even extends to the construction of schools as in Indonesia and Turkey. We support diverse social and cultural projects across the Group with donations of building materials.

Occupational health and safety

	2004	2005	2006	**2007**
Accident frequency rate [1]	8.1	11.9	6.0	5.6
Accident severity indicator [2]	167	169	169	129
Fatality rate [3]	2.4	2.0	0.4	1.1

[1] Number of accidents (with at least one lost working day) suffered by Group employees per 1,000,000 working hours
[2] Number of lost working days resulting from accidents suffered by Group employees per 1,000,000 working hours.
[3] Number of fatalities of Group employees per 10,000 Group employees

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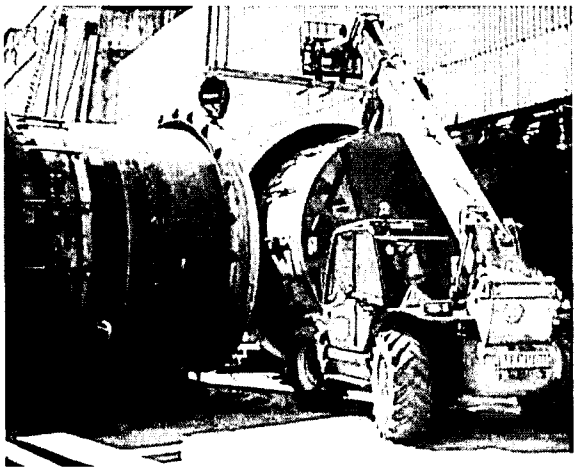

Research and technology

Efficient networks

In the enlarged Group, which now includes Hanson, the range of tasks has expanded, particularly in the area of technology. In 2008, we will set up a Competence Center Materials (CCM) with branches in Europe and the US, to meet the increased requirements in the aggregates, ready-mixed concrete and asphalt business. The CCM ensures the knowledge transfer between Hanson and HeidelbergCement, provides operational support in day-to-day business and assists in the conception and construction of new production plants and the upgrading of existing facilities. Particular emphasis is placed on improving productivity and managing energy efficiently.

The Heidelberg Technology Center (HTC) supports the cement plants in all issues relating to production technology, facility planning and product quality. In addition to the existing branches in Europe and North America, the responsibility of the HTC Asia is being extended to Oceania. The close contact between the cement plants and the HTC means that optimisations and technological developments of existing applications are implemented quickly. In the HTC Europe, Group-wide performance comparisons, systematic networking of experts and innovative studies are being carried out in order to create the conditions needed to identify potential areas for improvement.

The research and development activities for the cement and concrete lines are also combined centrally in the HTC Europe. In close consultation with the local companies, new projects, applications, or research and improvement requirements are identified and quickly implemented in practice. The fundamental research activities involve close co-operation with numerous European universities. The HTC has close contact with leading European researchers in the field of cement science, particularly through the Nanocem research network. Via our subsidiary Norcem, we are also involved in what is currently the largest national development programme in the field of building materials research, "COIN" (COncrete INnovation), in Norway.

In 2007, the Group's total expenditure for research and technology, involving 388 employees (previous year: 338), amounted to EUR 47 million (previous year: 31).

New construction and expansion of production facilities

Because of the strong cement demand in many countries, one area of focus in 2007 was increasing clinker and cement capacities. Projects were supervised in China, Turkey, Belgium, Estonia and Indonesia. We transferred a production line from our decommissioned plant in Kiefersfelden, Germany, to our Kartuli Cementi cement plant in Georgia. In 2008, the new construction projects in Tula, Russia (Moscow area) and in Shetpe in Western Kazakhstan on the Caspian Sea will be given priority. As a result of the heavy increase in electricity and fuel costs, we converted several cement plants from natural gas to coal in the last year. Coal grinding installations were constructed in record time in our Romanian plants in Bicaz and Deva and the two Georgian plants in Kaspi and Rustavi. Additional plants are being converted at present.

Innovative technologies

We used technology that generates electricity from kiln waste heat for the first time on a large scale in our Chinese plants in Jingyang, Fufeng and Zhujiang. Using waste heat from clinker coolers and kiln exhaust gases and converting water into steam can generate up to 9 MW electrical power. This corresponds to around a third of the total electricity consumption of a cement plant.

An essential goal of our research and development is to minimise the environmental impact of cement production. Besides the use of alternative raw materials and

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fuels, reducing the proportion of clinker in our cement makes a significant contribution to lowering CO_2 emissions and preserving natural raw materials. As blast furnace slag – a by-product of steel production – is only available in limited quantities, we are increasingly producing composite cements with other additives such as fly ash and pulverised limestone. We achieved remarkable progress in this area during the last year. In a number of countries, there is intensive collaboration with universities and colleges, public authorities and awarding authorities, allowing us to use composite cements in areas in which, previously, Portland cement varieties without additives were used exclusively. In 2007, HeidelbergCement produced already a total of more than 15 million tonnes of composite cements whose main components were materials other than clinker and blast furnace slag.

Besides methods for reducing and avoiding CO_2 emissions, innovative technologies for separating CO_2 off from the burning process were also investigated. The CO_2 can then be disposed of underground. Through this process, known as sequestration, it is extracted from the atmosphere as a greenhouse gas. There are research collaborations in connection with this concept at the European Cement Research Academy and, via our subsidiary Cementa, in a Swedish research network.

In the Netherlands, ENCI is involved in a research programme called Kringbouw, which will last several years. This project aims to develop processes that allow waste concrete to be completely recycled. In this process, not only are the aggregates recovered, but the previously unusable fine cement stone content is returned into cement production. This creates a completely closed material cycle with no waste.

Concrete purifies the air

What sounds like science fiction becomes a reality with TioCem®. This photocatalytically active cement contains very fine nanoparticles of titanium dioxide. These act on the surface of the building material like the catalytic converter in a car. When activated by sunlight they break down air pollutants such as organic substances and nitrogen oxides into harmless compounds. Initial large-scale tests show that up to 50% of the low-level nitrogen oxides (NO_x), the main cause of summer smog in cities, can be broken down in this way. This new building material has strong market potential, particularly in the context of the future European guidelines on air pollution control with tightened limits for NO_x pollution.

Various concrete products with TioCem® are ready for the market. These include paving stones from our German joint venture Lithonplus, as well as roof tiles, finishing coatings and facade elements, which will be brought onto the German and European market in 2008. This new building material, which gives cement and concrete completely new functionality, is meeting with a high level of interest from the public and media.

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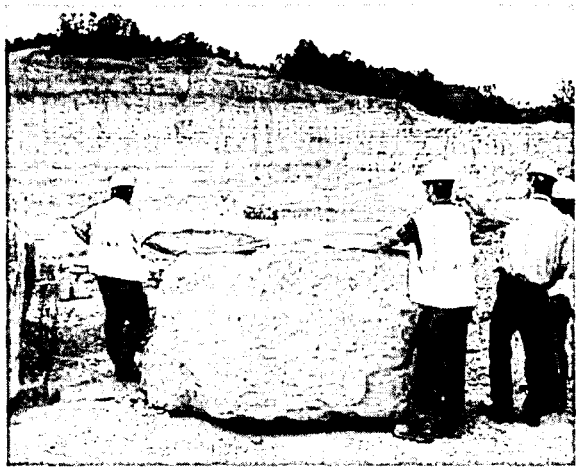

Prospects

The expected future development of HeidelbergCement and the business environment in 2008 and 2009 is described below. As such, please note that this annual report contains forward-looking statements based on the information currently available and the current assumptions and forecasts of the Group management of HeidelbergCement. Such statements are naturally subject to risks and uncertainties and may therefore deviate significantly from the actual development. HeidelbergCement undertakes no obligation and furthermore has no intention to update the forward-looking statements made in this annual report.

Economic environment

As a result of the significant economic slowdown in the US and the sustained volatility on the financial markets, the general economic growth forecasts for 2008 were reduced at the beginning of the year. On the basis of a recovery trend in the US, a slight improvement in growth rates is forecast once again for the industrial countries in 2009.

For 2008, the International Monetary Fund anticipates global growth of well over 4 %, after a figure of just under 5 % in 2007. This value still indicates overall satisfactory development. Development in emerging and developing countries remains sound. Above-average growth is also forecast in Central and Eastern Europe. In Germany, the general economic growth rate is expected to fall to a level below 2 %, after a rise of 2.5 % in 2007. The growth forecast for the US is 1.8 %, as a hesitant recovery is not anticipated until the end of the year.

Turnover and results

Growth and integration – the main focuses of 2007 – will also define our development in 2008. The major steps towards the integration of Hanson will be completed by the middle of 2008; responsibility will then pass to the line organisation.

For 2008, we expect a significant rise in turnover. This expectation is due to the full-year inclusion of Hanson as well as organic growth. We anticipate strong contributions once again from our markets in Europe-Central Asia and in the emerging countries – particularly in Asia – of the Asia-Australia-Africa-Mediterranean Group area. In North America, the property market continues to adversely affect construction activities in the US; we expect positive impetus from the infrastructure sector. In Canada, we expect the positive development to continue. The consistent exploitation of synergy potential from the integration of Hanson will contribute to solid growth in results.

In view of further rises in energy prices, we will extend the use of alternative fuels and increase the energy efficiency of our production sites.

Investments

In the cement business line, we are concentrating on major projects in growth markets, such as the construction of new plants in Russia, Kazakhstan and China, and the expansion of production capacities in Turkey and Tanzania. In the aggregates operating line, individual measures to supplement our position in regional markets and projects for securing raw materials are planned.

Expected financing

We will make flexible use of the capital markets once again in 2008 and 2009. As of 31 December 2007, our syndicated loan of EUR 1 billion and extensive bilateral credit lines were undrawn. The EUR 1 billion Euro Commercial Paper Programme is also available to us. In addition, HeidelbergCement has access to the capital market when required via the EUR 10 billion European Medium Term Note (EMTN) programme and is already firmly established on the USD bond market as a result of Hanson's three outstanding USD bonds. The attractive domestic market

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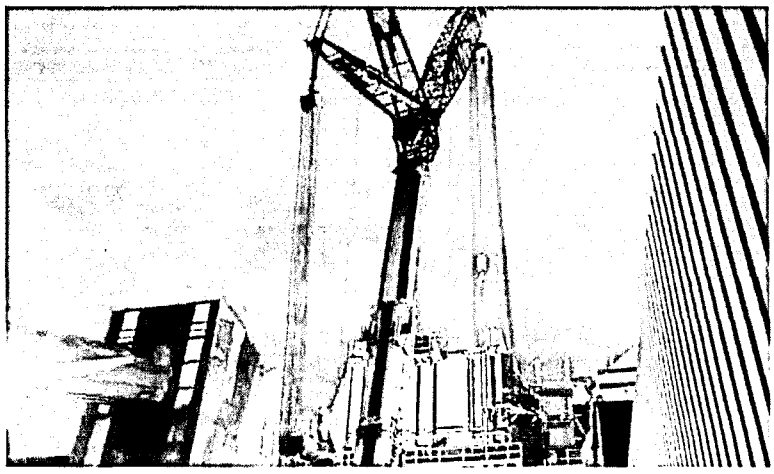

for certificates of indebtedness also offers favourable refinancing options for HeidelbergCement, which can be used opportunistically when required.

Sustainability
We have defined concrete goals in our sustainability programme. Besides climate protection and occupational heath and safety, one focal area is our commitment to preserving biological species diversity. A Group guideline for recultivation and biodiversity is being compiled in order to ensure systematic implementation in the business processes.

Research and technology
In research and technology, the topics of reducing emissions and preserving resources will continue to play a vital role over the next few years. The range of applications of TioCem®, the concrete coating with air purifying properties, will be systematically expanded in collaboration with key customers. In addition, further projects for optimising the processing characteristics and durability of cement-based building materials are in the planning stage.

Employees
The harmonisation of instruments and processes in the area of personnel is supporting the rapid integration of Hanson and contributing to the exploitation of synergies. We will strengthen our talent management concept, with a focus on university and college marketing, in order to cover the growing need for qualified junior employees worldwide.

Estimates for 2008 and 2009 – risks and opportunities
In accordance with the detailed statements, HeidelbergCement anticipates a noticeable improvement in turnover and results in the next two years. First and foremost, risks are inherent in the fact that the turbulence on the financial markets is continuing and increasingly spreading to the real economy. The US government's package of economic measures is not expected to have positive effects on American domestic demand until the second half of 2008.

The sustained upturn in most building materials markets presents us with numerous opportunities. The Asian markets, Eastern Europe and Central Asia remain strong. This will undoubtedly benefit HeidelbergCement, the most vertically integrated building materials manufacturer in the world.

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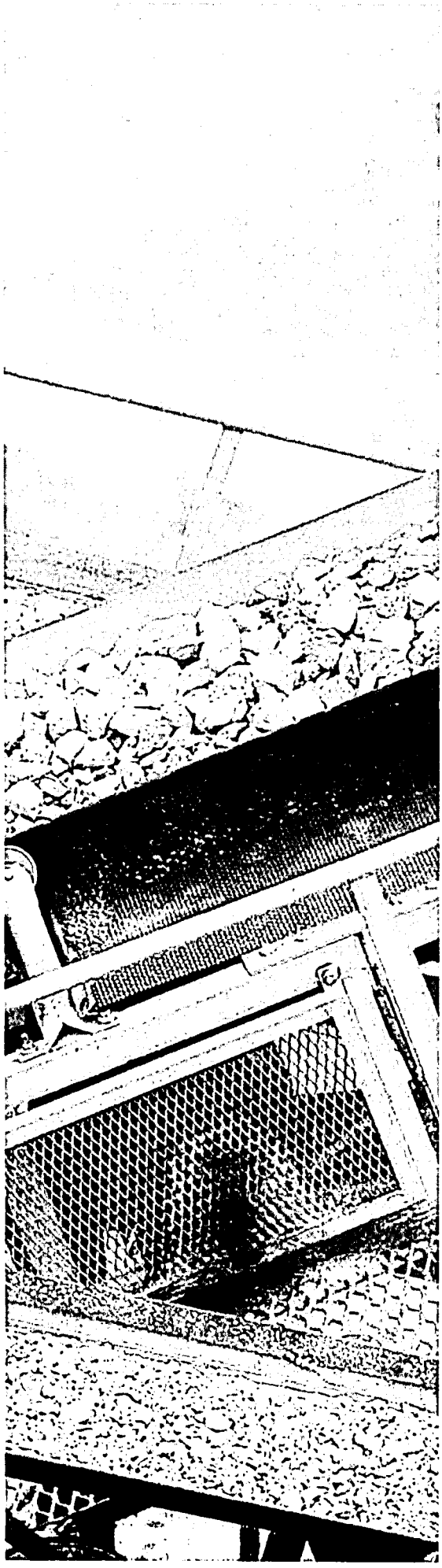
Broadening our
market reach



We are a perfect match, in both our product range and our geographical positioning. Together, we are the leading aggregates company worldwide, number three in cement and number two in the ready-mixed concrete sector. Our aim is to fulfil our customers' requirements even more effectively at a local level. For us, being close to the customer is the decisive factor for success.

HeidelbergCement on the market

Europe-Central Asia

In the Europe-Central Asia Group area, the integration of Hanson is reflected in the substantial expansion of the aggregates and ready-mixed concrete operating lines in Germany, Austria, the Benelux countries and the Czech Republic. The United Kingdom has become considerably more important; as a fully integrated building materials company, we employ around 8,600 people there in cement, aggregates, asphalt, ready-mixed concrete and building products. With the addition of Israel and Spain, the Group area now includes 25 countries. In most of these countries, HeidelbergCement is the market leader in the cement business.

The turnover of the Europe-Central Asia Group area increased by 35.5% in 2007 to EUR 5,732 million (previous year: 4,230). The operational increase amounted to 11.9%.

The construction industry as a growth driver

The upward economic trend weakened only slightly. In particular, most countries in Eastern Europe and Central Asia are showing hardly any decrease in dynamics. Private consumption offset the slowdown in investments and exports. The construction industry remains a growth driver in most countries. In Germany, the growth in construction investments fell to around 2%; residential construction is declining, while infrastructural projects and commercial construction increased. The continuing and robust economic improvement in the United Kingdom lost some momentum in the second half of the year. Residential and commercial property in particular is having a dampening effect on the construction sector, although the first large projects in the run-up to the 2012 Olympic Games in London have begun.

Cement business line

Double-digit growth rates in Eastern Europe and Central Asia

The positive development of the construction industry in most countries of the Europe-Central Asia Group area led to significant increases in the consumption of building materials. Overall, our cement and clinker sales volumes rose by 9.7% to 43.7 million tonnes (previous year: 39.8) and thus accounted for half of the Group sales volumes. Excluding new consolidations such as Georgia, Doncement in Ukraine and Hanson's blast furnace slag activities in the United Kingdom, sales volumes grew by 2.6%. Shipments in the Eastern European and Central Asian countries experienced a significant double-digit increase; domestic demand in Scandinavia and the Benelux countries also

Key data

EURm	2006	**2007**
Operating income	645	**1,026**
Investment in tangible fixed assets	263	**492**
Cement and clinker sales volumes (Mt)	39.8	**43.7**
Aggregates sales volumes (Mt)	56.8	**88.0**
Ready-mixed concrete sales vol. (Mm³)	13.7	**17.6**
Employees (as of 31 Dec. 2007)	21,809	**30,597**

Turnover 2007: 5,732 EURm

53.8% Cement
39.3% Aggregates and concrete
6.9% Building products

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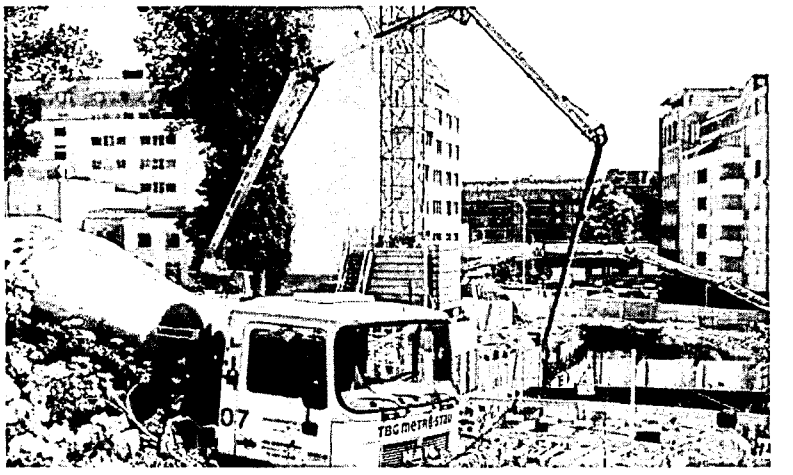

grew strongly. Exports – intended primarily for the North American market – were cut back. Cement sales volumes in Germany decreased. In the United Kingdom, they were at previous year's level.

We are continuing our expansion in Russia: In Tula (Moscow area) we are building a new cement plant with a capacity of 2 million tonnes. In the Cesla plant near Saint Petersburg, important investment measures were taken to increase the cement capacity. Our new central administration office and new technical competence center in Moscow manage activities in the fast growing Russian market. In Georgia the production line, which we transferred from our decommissioned plant in Kiefersfelden, Germany, will start operation in March. On the Caspian Sea we began construction of a cement plant with a capacity of 2 million tonnes in order to expand our market position to Western Kazakhstan.

Modernisation, capacity expansion and increased use of alternative materials

In 2007, our investments in the cement business line focused on expanding and optimising capacities as well as improving our environmental protection. The use of alternative fuels was intensified. We increased the proportion of alternative fuels significantly, particularly in the cement plant in Slite, Sweden, in the Górazdze plant in Poland and in our Romanian plants. We expanded the alternative fuel facilities in the Paderborn and Schelklingen plants in Germany. In Georgia and Ukraine, filter systems are being replaced, allowing us to considerably reduce dust emissions. In Belgium, the modernisation of the Harmignies white cement plant was completed. In Bosnia, we strengthened our presence in the north of the country, which is experiencing strong growth, by constructing a cement terminal. In the Czech Republic, we started the expansion and modernisation of the Mokra plant. We are also modernising clinker production in the Beremend plant in Hungary.

Aggregates and concrete business line

Substantial expansion of raw material base for aggregates

Aggregates in the form of sand, gravel and crushed rock are used principally for concrete manufacturing or for road maintenance and construction. Following the acquisition of Hanson, this business line has taken on significant proportions as the second pillar of our raw materials activities. In the Europe-Central Asia Group area, this is most strongly reflected in the United Kingdom, with 90 aggregate production sites and substantial permitted raw material deposits. Other locations were added in Spain, Israel, Germany, Austria and the Czech Republic.

Overall, the sales volumes of aggregates in the Europe-Central Asia Group area rose by 55% to 88.0 million tonnes (previous year: 56.8) in the past year. Excluding Hanson, the increase amounted to 15.3%. Our plants in the Benelux countries and Poland recorded high double-digit growth rates – partly as a result of the 100% inclusion of existing production sites and the commissioning of new ones. Shipments in Sweden and Norway recorded a welcome increase and the sales volumes of our German plants were also higher than in the previous year. The new countries, Israel and Spain, developed rather differently: While sales volumes increased considerably in Israel, there was a decrease in the quantities sold in Spain.

In 2007, we expanded our aggregates activities by capacity increases and the commissioning of new production facilities in Romania and Poland, as well as the purchase of new raw material sites: We produced aggregates in Ukraine, Russia and Kazakhstan for the first time in 2007. Quarrying is expected to begin in Georgia in 2009. In addition, we have modernised our production sites. In the United Kingdom, for example, we carried out four major quarry replants and equipped all our marine aggregate dredgers with new propulsion systems.

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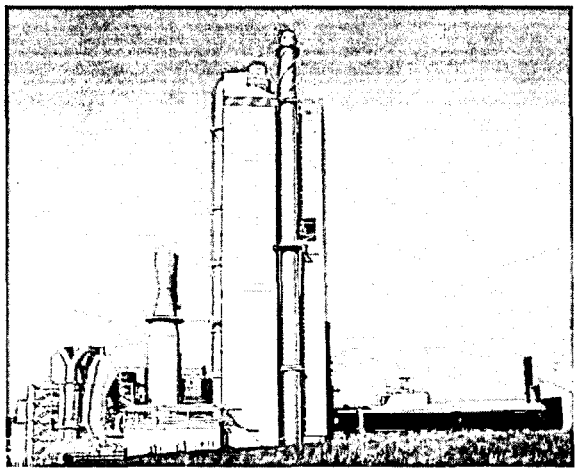

Asphalt production using recycled material
The aggregates and concrete business line also includes asphalt production. Asphalt is manufactured from a mixture of graded aggregates, sand, filler and bitumen. Apart from several production sites in Israel, Germany and the Czech Republic, our subsidiary Hanson operates 49 asphalt plants in the United Kingdom. As a result of limited public investments in road maintenance and construction, sales volumes there were only slightly above the previous year's level.

In 2007, five new or replacement asphalt plants were constructed in the United Kingdom and the efficiency of existing facilities was increased. Investments also focused on processing recycled material taken from worn-out roads and increasing the proportion of this material used in production.

Ready-mixed concrete network extended
By purchasing Hanson, HeidelbergCement extended the network of ready-mixed concrete plants in the Europe-Central Asia Group area to Israel, Spain and, in particular, the United Kingdom. With 240 locations, the United Kingdom has the highest density of plants after Germany. In 2007, the total sales volumes of our ready-mixed concrete plants grew by 28.9% to 17.6 million cubic metres (previous year: 13.7). Excluding Hanson, sales volumes increased by 3.2%. With the exception of Hungary, which saw a significant decline, all Eastern European countries recorded double-digit growth rates. The Northern European and Baltic countries experienced pleasing development, while Germany suffered considerable losses as a result of the weak construction activity.

In the past year, we further consolidated our market positions in the Czech Republic, Slovak Republic, Romania, Ukraine, Belgium and the Netherlands by increasing our stakes in participations, making acquisitions and commissioning new plants. In Kazakhstan the first ready-mixed concrete facility will start production in spring; additional plants are in the construction and planning stages. In the United Kingdom, we commissioned 18 new production plants, primarily on major construction sites, and increased the capacities of several plants.

Building products business line

Strong market position in the United Kingdom
The acquisition of Hanson expanded the building products business line, which previously mainly comprised the concrete products operating line in Germany and Sweden and the sand-lime brick operating line in Germany, to include the substantial activities in the United Kingdom. The Group companies are market leaders in bricks and aircrete blocks. Sales volumes of these products were heavily affected by weakening residential construction activity. Leading market positions are held in wall cladding and flooring systems, pavers, roof tiles and chimneys. All products are marketed throughout the United Kingdom. While the concrete products operating line in Germany recorded increases in turnover it declined in Sweden. The sales volumes of our German sand-lime brick plants decreased in the past year.

In 2007, a new precast concrete flooring plant and a new plant for concrete blocks started production in the United Kingdom. Construction work began on a state-of-the-art production site for bricks. In the past year, Hanson also acquired one of the leading British masonry and bricklaying companies – Irvine Whitlock – with 900 employees. In addition, the business line was expanded following the acquisition of a manufacturer of structural cladding and precast concrete building systems.

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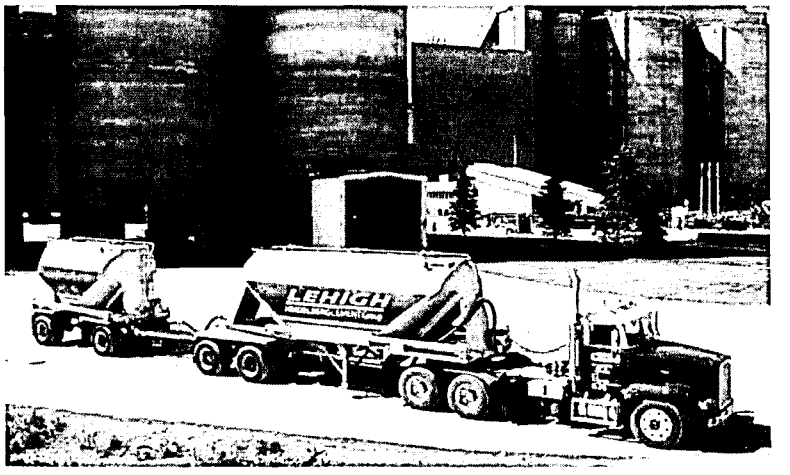

North America

In the United States and Canada – the Group area North America – HeidelbergCement has expanded its market presence considerably with the acquisition of Hanson and is one of the leading manufacturers of aggregates, ready-mixed concrete, cement, asphalt and building products. The building products business line includes pipes, precast concrete parts, concrete paving, roof tiles, and bricks. In order to offer comprehensive customer service, an integrated market approach for cement, aggregates, asphalt and ready-mixed concrete will be pursued in the future in the four regions North, South, West and Canada. The building products are marketed regionally or nationally, depending on the product.

In 2007, turnover rose by 31% to EUR 3,205 million (previous year: 2,447) as a result of the new consolidations. In the national currency, it increased by 42.9% to USD 4,393 million (previous year: 3,074). Excluding the new consolidation of Hanson and exchange rate effects, turnover increased by 3.1%.

Decline in residential construction

At 2.2% in 2007, the growth in the US gross domestic product weakened considerably in comparison with 2.9% in the previous year. A general economic growth rate of 1.8% is expected for 2008. The main cause is the continuing decline in residential construction and the sub-prime crisis, which is also having an adverse effect on consumer confidence. The US Government and Federal Reserve Bank are supporting economic development with reductions in interest rates and an expenditure programme of more than USD 150 billion. Construction activity decreased by 3.2% overall in the US. The decline in residential construction of 18.1% overshadowed slight growth in other construction sectors. For 2008, the US Portland Cement Association PCA expects a contraction of 3.7% in total construction spending.

In Canada, economic growth was only slightly below the previous year's level, at 2.6%. An increase of 1.8% is expected for 2008. While residential construction activity also decreased in Canada, infrastructure and commercial construction remained sound. Overall, construction investment increased slightly in 2007.

Key data

EURm	2006	**2007**
Operating income	475	**460**
Investment in tangible fixed assets	149	**312**
Cement and clinker sales volumes (Mt)	15.0	**14.9**
Aggregates sales volumes (Mt)	28.9	**78.0**
Ready-mixed concrete sales vol. (Mm^3)	8.9	**9.9**
Employees (as of 31 Dec. 2007)	5,773	**19,267**

Turnover 2007: 3,205 EURm

38.7% Cement
49.6% Aggregates and concrete
11.7% Building products

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Cement business line

Production still at record level

In 2007, cement consumption in the US dropped by 10.0% in comparison with the previous year to 114.5 million tonnes. Nevertheless, 24.7 million tonnes had to be imported in order to cover the demand. A further slight decline in cement demand is anticipated for 2008. In Canada, cement consumption rose by 1.9% in comparison with 2006 to 9.7 million tonnes and is expected to increase to 10 million tonnes in 2008. The high level of growth in Canada's western provinces more than compensated for the weakened demand in the east of the country.

Overall, the cement and clinker sales volumes of our plants in North America, which now include a further location in Northern California and a slag grinding plant in Florida as a result of the acquisition of Hanson, performed significantly better than the market: Including the new consolidation of Hanson, they decreased by 0.7% to 14.9 million tonnes (previous year: 15.0), excluding the new consolidation by 4.5%. We benefited in particular from the high level of investment by the energy and mining industries in Canada's Prairie Provinces and for the 2010 Winter Olympics in Vancouver, British Columbia. The decline in construction activity has also led to a fall in the sales volumes of white cement; nevertheless, very high capacity utilisation of the plants itself was achieved.

In order to ensure that our plants continue to be fully utilised, we have significantly restricted imports from other Group areas. Clinker production and kiln uptimes in all our plants reached overall record levels once again. The proportion of alternative fuels – particularly biomass – was greatly increased. This allowed us to compensate at least partially for the increase in fuel costs.

A new clinker cooler was installed in the cement plant in Mason City, Iowa, in 2007. New automation control systems were installed in Mason City, as well as in Evansville, Pennsylvania, and Tehachapi, California. The cement plant in Mitchell, Indiana, is expected to be completely modernised by 2012, with more than double its present production capacity. In order to improve market supply, we have commissioned a new import terminal with a loading capacity of 800,000 tonnes near Seattle, Washington. In addition, we have improved the loading system and rail link of the Union Bridge cement plant in Maryland.

Aggregates and concrete business line

Number of aggregates locations increased fivefold

With the Hanson acquisition, we have increased the number of our aggregates locations from 54 to more than 250. This makes HeidelbergCement one of the largest aggregates producers in North America. The newly added plants are located in 18 US states and Mexico. Sales volumes of aggregates amounted to 78 million tonnes (previous year: 28.9). Excluding Hanson's activities, the figure is 30.4 million tonnes, which corresponds to an increase of 5.4% in comparison with the previous year. Performance in the western provinces of Canada, which are rich in raw materials, was particularly pleasing. Rising demand in the northeast of the US led to an increase in production capacity. New facilities were installed, for example at locations in the Philadelphia area and in the state of New York, as well as in Pennsylvania. At the Santee location in Southern California, the entire production facility was relocated to a new, undeveloped part of the quarry.

New asphalt operating line

Hanson's 40 asphalt production sites are managed by the aggregates and concrete business line in North America. They are located primarily in the northeast of the US – New York and Pennsylvania – as well as in California and Arizona. Sales volumes rose as a result of the ongoing infrastructure projects in the northeast and in California.

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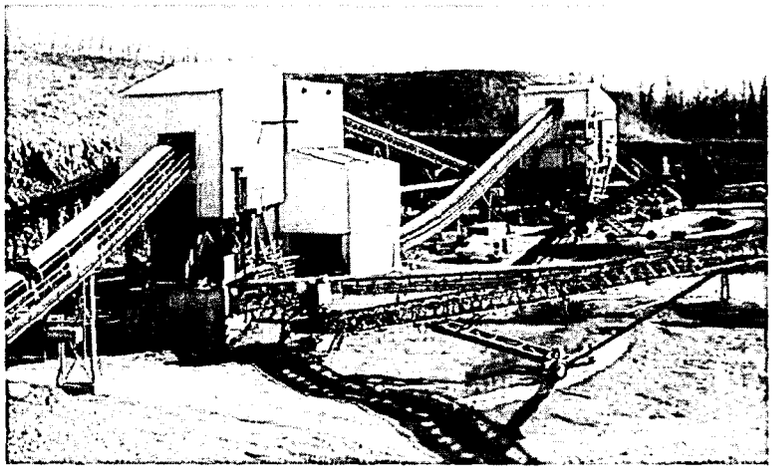

Ready-mixed concrete network expanded
The network of our ready-mixed concrete plants has expanded to around 190 locations. The 55 newly added plants are located in the states of Arizona, California, New York and Ohio. In the reporting year, deliveries of ready-mixed concrete increased by 10.3% to 9.9 million cubic metres (previous year: 8.9). Excluding the new consolidation, the growth amounted to 1.6%. While the pleasing economic development in Western Canada led to increases in demand, we suffered losses in the other market regions.

Building products business line

New business line in North America
Through the acquisition of Hanson, HeidelbergCement has expanded its activities in the building products business line in North America considerably, with around 150 additional plants in the US and Canada. This makes HeidelbergCement the largest producer of bricks in North America and one of the leading manufacturers of pipes and other precast concrete parts. The market organisation varies according to the product: While concrete roof tiles, paving stones and bricks have a national market presence, the activities for pipes and precast concrete parts are structured regionally.

The business line expanded in 2007 as a result of the increase in capacities and the acquisition of new companies. In the heavily populated states of Florida, Texas, Arizona and California in the Southern US and in Ohio, five fully automated concrete pipe plants, some equipped with the latest technology available worldwide, commenced operation in the past year. In addition, several companies in the concrete pipes, precast concrete parts and paving blocks segments were acquired in the US and Canada.

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Asia-Australia-Africa-Mediterranean

Following the takeover of Hanson, the combined Group area Asia-Australia-Africa-Mediterranean now includes besides Australia also Malaysia and Singapore. Whereas in Africa we only produce cement, in Asia, Australia and Turkey we also operate in the aggregates and ready-mixed concrete business. As a result of favourable market conditions and the inclusion of Hanson, turnover rose by 46.6% in 2007, reaching EUR 1,909 million (previous year: 1,302). Excluding consolidation and exchange rate effects, turnover increased by 16.9%.

Solid economic development continues

The emerging markets of Asia continued to experience a dynamic economic development in 2007. China's, gross domestic product (GDP) once again showed a double-digit growth of 11.4%, despite government measures to cool the economy. The Indian economic expansion gathered pace, with an estimated GDP growth rate of 8.5%. In Indonesia, the largest economy in Southeast Asia, GDP growth amounted to around 6.3%. With an estimated GDP increase of 4.3%, Australia recorded its 16th successive year of growth. The Turkish economy experienced a similar level of expansion.

Cement business line

Heavy increase in cement sales volumes

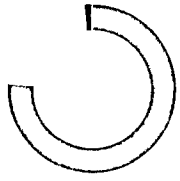
In 2007, HeidelbergCement benefited from lively construction activity in almost all markets of this Group area. Cement and clinker sales volumes rose by 17.8% to 29.4 million tonnes (previous year: 24.9); consolidation effects in India and the expansion of our capacities in China contributed to this increase.

As a result of the takeover of Hanson, HeidelbergCement acquired a 25% participation in Cement Australia Pty Ltd. As this company is consolidated at equity as an

Key data

EURm	2006	**2007**
Operating income	193	**304**
Investment in tangible fixed assets	94	**234**
Cement and clinker sales volumes (Mt)	24.9	**29.4**
Aggregates sales volumes (Mt)		**13.6**
Ready-mixed concrete sales vol. (Mm^3)	2.3	**5.2**
Employees (as of 31 Dec. 2007)	13,353	**17,999**

Turnover 2007: 1,909 EURm



76.1% Cement
22.3% Aggregates and concrete
1.6% Building products

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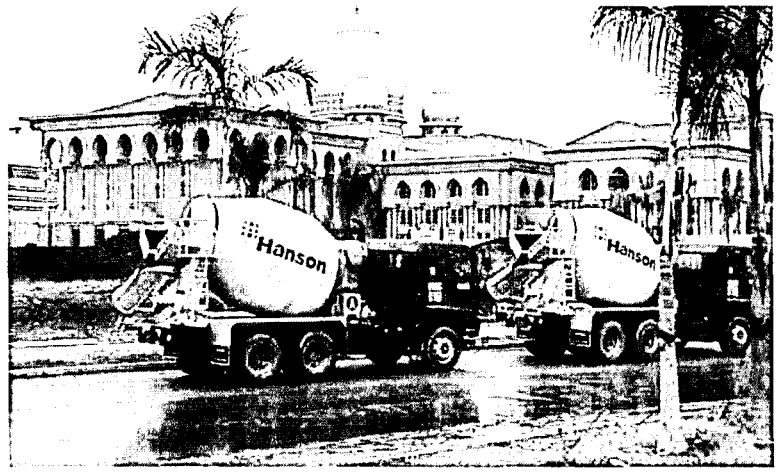

associated company, it is not included in the sales volume figures. Cement Australia operates four cement plants and a grinding facility in the states of Queensland and New South Wales on the east coast of Australia, as well as on the island of Tasmania.

Asia

In Indonesia, our subsidiary Indocement benefited from the recovery of private construction and the government's infrastructural projects. National cement consumption rose by 6.6% to 34.2 million tonnes in 2007. Indocement was able to increase its domestic sales volumes of cement by 7.9%. While cement exports fell considerably, clinker deliveries, e.g. to Bangladesh and Brunei, increased strongly. Overall, cement and clinker sales volumes grew by 10.6% to 14.6 million tonnes (previous year: 13.2).

The project started in the previous year to modernise and expand the kiln capacity at the Citeureup plant was completed in the second half of 2007. On top of an additional clinker capacity of 600,000 tonnes, it allows Indocement to use more alternative fuels.

In China, the largest cement market in the world, cement consumption rose to more than 1.3 billion tonnes in 2007. Thanks to the high level of demand for high-quality rotary kiln cement, the sales volumes of our joint venture China Century Cement in the southern province of Guangdong increased by 7.4%. At the end of June 2007, we commissioned the new Jingyang cement plant in the central province of Shaanxi. Like the Fufeng plant, we operate this unit in joint venture with the Chinese cement manufacturer Jidong Cement. The plant, which has a cement capacity of 2.3 million tonnes, primarily supplies the fast growing market around the provincial capital of Xi'an. As a result of the commissioning of the new plant, our joint ventures were able to expand their sales volumes in Shaanxi by 21.5%. Capacity of both the Jingyang and Fufeng plants will be doubled with a second line. Overall, our consolidated cement and clinker sales volumes in China rose by 11.4% to 3.8 million tonnes (previous year: 3.4).

In India, cement consumption is expected to reach 170 million tonnes in the fiscal year 2007 – an 11% increase compared to the previous year. The main growth drivers are residential construction and infrastructure projects. The cement and clinker sales volumes of our three Indian subsidiaries recorded a rise of 180%, mainly as a result of consolidations. Indorama Cement was consolidated as from 1 April 2006 and Mysore Cements as from 1 September 2006. The consolidation of Cochin Cements, a grinding facility in southern India, became effective 1 January 2007.

While our cement deliveries in Bangladesh just exceeded the previous year's level, we achieved a noticeable increase in sales volumes in the Sultanate of Brunei.

Overall, our cement and clinker sales volumes in Asia grew by 19.7% to 22.5 million tonnes (previous year: 18.8). Excluding consolidation effects, the increase amounted to 9.0%.

Africa

In Africa, our cement plants and grinding facilities recorded a significant rise in overall demand in 2007, with varied development in the individual markets. We realised significant volume increases in most countries. The highest increases in sales volumes were achieved by our subsidiaries in Tanzania, Togo and in our main market, Ghana. Total cement sales volumes from our African plants rose by 12.4% to 4.7 million tonnes (previous year: 4.2).

In Tanzania, our second largest market in Africa in terms of sales volumes, we will invest around USD 100 million by 2009 to modernise and expand our Tanzania Portland Cement Company (TPCC) plant. In order to cover the growing cement demand in the coastal metropolis of Dar es Salaam, the cement capacity of TPCC is being increased to around 1.2 million tonnes with a new kiln line and a cement mill.

As part of the reorientation of the Group, we sold our participations in the Cement Company of Northern Nigeria in Nigeria and Société Nigérienne de Cimenterie

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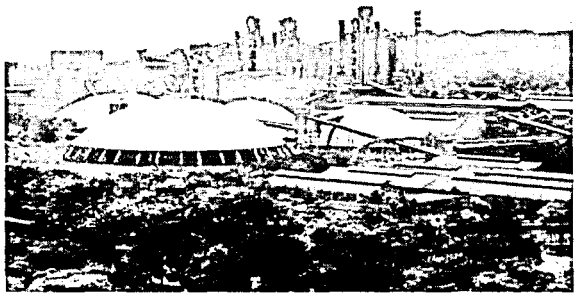

in Niger. The sale of these activities also improves HeidelbergCement's risk profile. The transaction was completed in March 2008

Mediterranean

In Turkey, the growth in the construction industry and thus in cement consumption slowed down during 2007. Our joint venture Akçansa performed above the market average. Including the Ladik cement plant, the company increased domestic sales volumes by 18.4 %. Cement exports were cut back by 43 % in order to meet domestic demand. Overall, the cement sales volumes grew by 11.6 % to 5.4 million tonnes (consolidated: 2.1 million tonnes). With the purchase of the Ladik cement plant in the first half of 2007, Akçansa extended its presence to the central Black Sea region and secured its leading market position in Western Turkey. The market position will be strengthened further by the commissioning of a second production line in the Çanakkale plant, for which construction will soon be completed.

In the United Arab Emirates, we have management contracts with a cement plant in Ras al-Khaimah and a sales company in which we hold a stake of 40 %.

Aggregates and concrete business line

Strengthening in Asia and Australia

The consolidation of Hanson's activities in Malaysia and, in particular, Australia significantly strengthens the aggregates and concrete business line in this Group area. HeidelbergCement now operates also in the aggregates business line in Asia and Australia. The sales volumes of aggregates for the Hanson locations included since 24 August 2007 amounted to 13.5 million tonnes; aggregates operations in Turkey and Indonesia added 0.1 million tonnes to this figure.

Deliveries of ready-mixed concrete more than doubled, to 5.2 million cubic metres (previous year: 2.3). Excluding Hanson's ready-mixed concrete activities, the growth amounted to 9.7 %.

Asia

Following the acquisition of Hanson, HeidelbergCement now has around 50 ready-mixed concrete facilities and 20 aggregates locations in Malaysia. We also gained 17 Hanson asphalt plants in Malaysia and one in Singapore. Indocement acquired a majority participation in an aggregates company in West Java.

While demand for ready-mixed concrete declined in Malaysia, our deliveries in Indonesia and China increased considerably. Sales volumes of aggregates in Malaysia developed extremely positively.

Australia

HeidelbergCement gained a significant market position in Australia as a result of the acquisition of Hanson: We now operate more than 240 ready-mixed concrete and 60 aggregates plants on this continent. Both the aggregates and the ready-mixed concrete activities recorded pleasing development during the reporting year.

Turkey

Like the domestic sales volumes of cement, Akçansa's ready-mixed concrete sales volumes also experienced a substantial increase. Deliveries of Betonsa ready-mixed concrete reached 3.2 million cubic metres (consolidated: 1.3 million cubic metres), thereby exceeding the record sales volumes of the previous year by a further 10.8 %.

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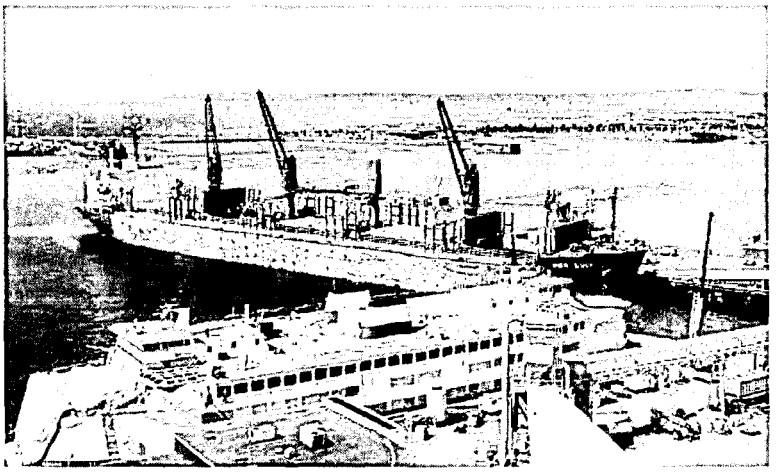

Group Services

Group Services comprises the activities of HC Trading and HC Fuels. HC Trading is one of the largest international trading companies for cement and clinker. HC Fuels manages worldwide trading in fossil fuels, which are sold to Group-owned and third-party companies. The turnover of the two subsidiaries improved by 5.9% in 2007 to EUR 680 million (previous year: 642).

Thanks to the global trading network of HC Trading, which was expanded in 2007 to include a new office in Shanghai, we are able to better control the capacity utilisation of our plants and deliver the surplus from one country to another with higher demand.

While worldwide sea trading in cement and clinker decreased by an estimated 20% in 2007, the trade volume of HC Trading fell by just 6.8% to 11.6 million tonnes (previous year: 12.4). Three major causes contributed to the decline in international trading: Traditional export countries such as Turkey and India have decreased export quantities in order to meet domestic demand; imports to the US, the world's biggest cement importer, fell by around a third and, finally, freight rates rose by 100% in 2007 according to the Baltic Supramax Index.

HC Trading's deliveries to Group companies decreased by 3%, with lower exports to the US offset to some extent by higher deliveries to Africa and Europe. Just under two thirds of the total trade volume was purchased by Group companies; as a result of HC Trading's successful management of the sea freight contracts, the freight costs were 45% below the freight rate index.

Despite high freight rates, HC Trading managed to limit the decrease in shipments to third parties to 13%. They also achieved considerable savings at Group level by efficiently re-routing trading flows.

At the end of 2007, HC Trading became the first international cement and clinker trading company to be awarded the BSI ISO 9002 certification by the British Standards Institute for its high quality management system.

Our subsidiary HC Fuels, based in London, is responsible for the cost-effective purchase of fossil fuels on the international commodity markets. HC Fuels is able to counteract heavy price increases in the fuel sector by means of long-term supply agreements. The company is also entrusted with the task of trading CO_2 emission rights on behalf of our Group companies in Europe.

Key data

EURm	2006	**2007**
Turnover	642	**680**
Operating income	15	**15**
Employees (as of 31 Dec. 2007)	48	**52**

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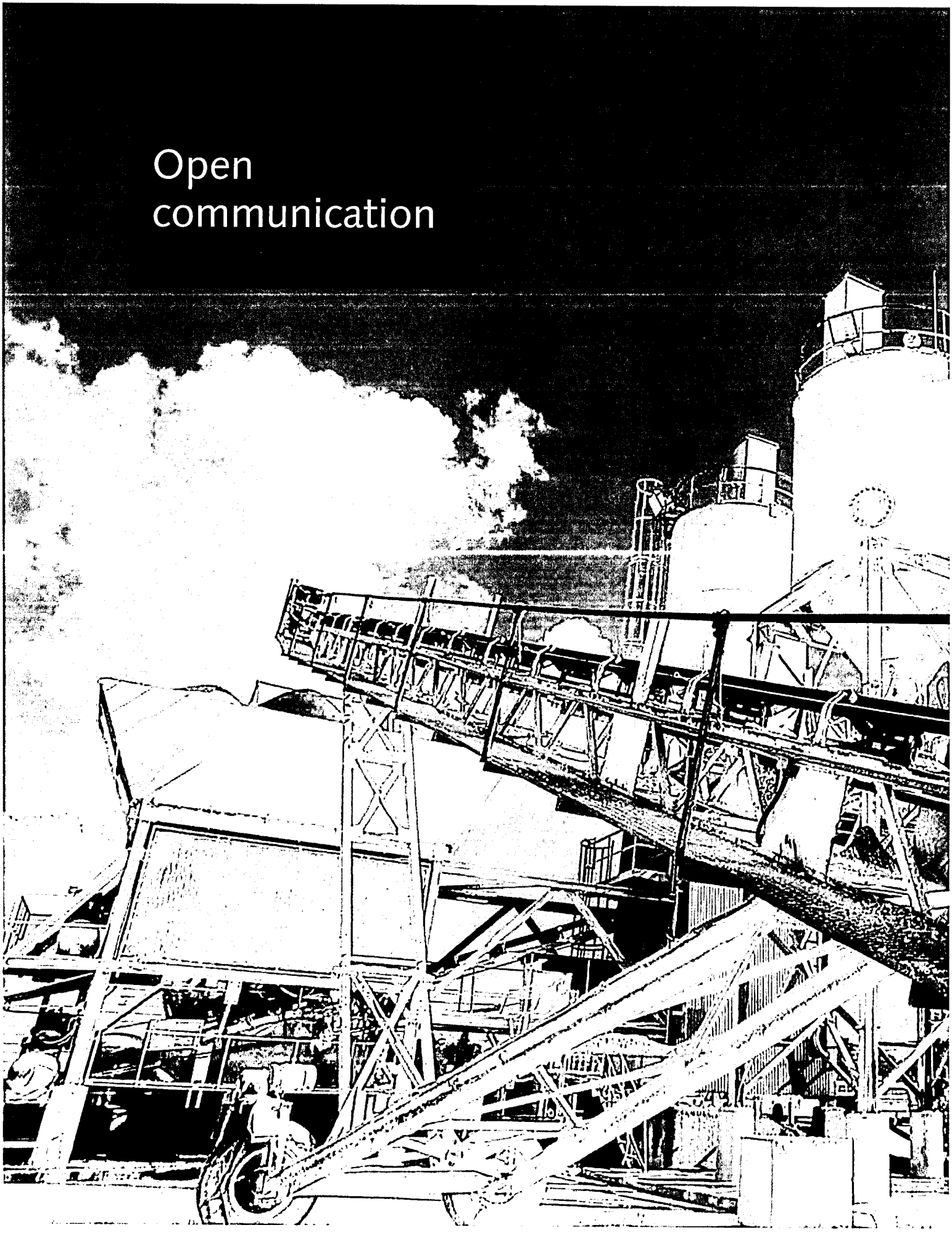
Open communication



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Changes always lead to uncertainties among employees. In order to counteract this, we have consistently reported openly and regularly on the progress of the integration, right from the beginning. Besides written communication, the personal dedication of the managers is needed in order to provide information and explain decisions directly on site.

Group profit and loss accounts

Group profit and loss accounts

EUR '000s	Notes	2006*	**2007**
Turnover	1	7,997,181	**10,862,329**
Change in stock and work in progress		18,722	**-59,197**
Own work capitalised		1,368	**2,018**
Operating revenue		8,017,271	**10,805,150**
Other operating income	2	198,885	**204,973**
Material costs	3	-3,091,257	**-4,114,163**
Employee and personnel costs	4	-1,270,971	**-1,694,260**
Other operating expenses	5	-2,064,082	**-2,824,005**
Operating income before depreciation (OIBD)		1,789,846	**2,377,695**
Depreciation of tangible fixed assets	6	-451,604	**-558,504**
Amortisation of intangible assets	6	-9,408	**-14,363**
Operating income		1,328,834	**1,804,828**
Additional ordinary income	7	209,662	**1,061,762**
Additional ordinary expenses	7	-186,224	**-218,042**
Additional ordinary result		23,438	**843,720**
Result from associated companies [1]	8	185,112	**170,733**
Results from other participations	8	-6,861	**-4,125**
Earnings before interest and taxes (EBIT)		1,530,523	**2,815,156**
Interest and similar income		58,936	**73,663**
Interest and similar expenses		-283,384	**-539,565**
Foreign exchange gains and losses		4,574	**3,387**
Financial result of puttable minorities		-4,768	**-9,192**
Profit before tax		1,305,881	**2,343,449**
Taxes on income	9	-389,586	**-369,073**
Net income from continuing operations		916,295	**1,974,376**
Net income from discontinued operations		110,005	**144,404**
Profit for the financial year		1,026,300	**2,118,780**
Thereof minority interests		-75,629	**-96,998**
Thereof Group share in profit		950,671	**2,021,782**
Thereof proposed dividend	41	144,508	**162,500**
Earnings per share in EUR (IAS 33)	10		
Earnings per share attributable to the parent entity		8.22	**17.11**
Earnings per share - continuing operations		7.29	**15.92**
Earnings per share - discontinued operations		0.93	**1.19**

[1] Net result from associated companies 151,955 126,124

* Figures have been adjusted following the presentation of maxit Group as discontinued operation (IFRS 5) and are therefore not comparable with the 2006 annual accounts

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Group cash flow statement

Group cash flow statement

EUR '000s	Notes	2006 *	2007
Net income from continuing operations		916,295	**1,974,376**
Taxes on income		389,586	**369,073**
Interest income/expenses		224,448	**465,902**
Dividends received	11	36,104	**77,803**
Interest paid	12	-210,451	**-495,574**
Taxes paid		-335,378	**-406,266**
Elimination of non-cash items	13	354,582	**-305,803**
Cash flow		1,375,186	**1,679,511**
Changes in operating assets	14	-204,723	**321,819**
Changes in operating liabilities	15	-49,399	**-251,360**
Cash flow from operating activities - continuing operations		1,121,064	**1,749,970**
Cash flow from operating activities - discontinued operations		137,762	**161,261**
Cash flow from operating activities		1,258,826	**1,911,231**
Intangible fixed assets		-4,213	**-46,641**
Tangible fixed assets		-501,177	**-992,246**
Financial fixed assets		-315,872	**-11,735,400**
Investments (cash outflow)	16	-821,262	**-12,774,287**
Proceeds from fixed asset disposals	17	189,167	**1,651,204**
Cash from changes in consolidation scope	18	71,266	**482,693**
Cash flow from investing activities - continuing operations		-560,829	**-10,640,390**
Cash flow from investing activities - discountinued operations		-104,614	**-36,121**
Cash flow from investing activities		-665,443	**-10,676,511**
Capital increase		374	**527,208**
Dividend payments - HeidelbergCement AG	19	-132,938	**-144,508**
Dividend payments - minority shareholders	20	-33,344	**-32,100**
Proceeds from bond issuance and loans	21	605,162	**13,704,606**
Repayment of bonds and loans	22	-1,176,987	**-4,543,210**
Cash flow from financing activities - continuing operations		-737,733	**9,511,996**
Cash flow from financing activities - discountinued operations		-30,162	**-125,768**
Cash flow from financing activities		-767,895	**9,386,228**
Net change in cash and cash equivalents - continuing operations		-177,498	**621,576**
Net change in cash and cash equivalents - discontinued operations		2,986	**-628**
Net change in cash and cash equivalents	23	-174,512	**620,948**
Effect of exchange rate changes		76,535	**5,949**
Cash and cash equivalents at 1 January		316,816	**218,839**
Reclassification of cash and cash equivalents from discontinued operations			**-14,151**
Cash and cash equivalents at 31 December		218,839	**831,585**

* Figures have been adjusted following the presentation of maxit Group as discontinued operation (IFRS 5) and are therefore not comparable with the 2006 annual accounts

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Group balance sheet

Assets

EUR '000s	Notes	31 Dec. 2006	**31 Dec. 2007**
Long-term assets			
Intangible assets	24	2,802,535[1]	**10,943,310**
Tangible fixed assets	25		
Land and buildings		2,048,053	**4,962,660**
Plant and machinery		2,916,338	**4,481,000**
Fixtures, fittings, tools and equipment		197,138	**219,237**
Payment on account and assets under construction		379,799[1]	**771,804**
		5,541,328	**10,434,701**
Financial fixed assets	26		
Investments in associates	27	850,561	**761,864**
Financial investments	28	234,493	**152,609**
Loans to participations	29	32,052	**79,770**
Other loans and derivative financial instruments	29	45,416	**25,993**
		1,162,522	**1,020,236**
Fixed assets		9,506,385	**22,398,247**
Deferred taxes	9	132,829[1]	**157,408**
Other long-term receivables	29	75,932	**353,991**
Long-term tax assets			**19,781**
		9,715,146	**22,929,427**
Short-term assets			
Stock	30		
Raw materials and consumables		504,088	**663,131**
Work in progress		91,095	**145,247**
Finished goods and goods for resale		283,881	**741,381**
Payments on account		16,970	**21,135**
		896,034	**1,570,894**
Receivables and other assets	31		
Short-term financial receivables		100,818	**189,114**
Trade receivables		1,024,255	**1,746,691**
Other short-term operating receivables		291,497[1]	**429,072**
Current tax assets		56,516	**138,261**
		1,473,086	**2,503,138**
Financial investments and derivative financial instruments	32	19,261	**40,968**
Cash at bank and in hand	32	214,919	**831,585**
		2,603,300	**4,946,585**
Assets held for sale and discontinued operations			**1,406,300**
Balance sheet total		12,318,446	**29,282,312**

[1] The retrospective adjustments for the year 2006 due to the application of IFRS 3.62 would decrease goodwill by EUR '000s 7,783, decrease tangible fixed assets by EUR '000s 195, increase deferred tax asset by EUR '000s 10,804, decrease other short-term operating receivables by EUR '000s 528, decrease deferred tax liability by EUR '000s 125, increase trade payables by EUR '000s 249 and increase other short-term operating liabilities by EUR '000s 2,174

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Liabilities

EUR '000s	Notes	31 Dec. 2006	**31 Dec. 2007**
Shareholders' equity and minority interests			
Subscribed share capital	33	346,974	**360,000**
Share premium	34	2,462,144	**2,973,392**
Profit and loss reserve	35	2,845,682	**4,761,976**
Currency translation		-303,455	**-1,098,404**
Treasury shares		-2,934	
Equity attributable to shareholders		5,348,411	**6,996,964**
Minority interests	36	479,511	**521,861**
		5,827,922	**7,518,825**
Long-term provisions and liabilities			
Provisions	37		
Provisions for pensions	38	678,906	**648,360**
Deferred taxes	9	506,583[1]	**1,103,934**
Other long-term provisions	39	459,597	**1,199,235**
		1,645,086	**2,951,529**
Liabilities	40		
Debenture loans		748,207	**2,312,166**
Bank loans		694,061	**10,547,677**
Other long-term financial liabilities		475,307	**389,312**[2]
		1,917,575	**13,249,155**
Other long-term operating liabilities		13,327	**140,328**
Long-term tax liabilities			**287,533**
		1,930,902	**13,677,016**
		3,575,988	**16,628,545**
Short-term provisions and liabilities			
Provisions	39	143,762	**280,358**
Liabilities	40		
Debenture loans (current portion)		672,400	**30,140**
Bank loans (current portion)		437,943	**1,365,933**
Other short-term financial liabilities		392,869	**921,335**[2]
		1,503,212	**2,317,408**
Trade payables		657,362[1]	**1,010,724**
Current income taxes payables		72,646	**188,548**
Other short-term operating liabilities		537,554[1]	**979,262**
		2,770,774	**4,495,942**
		2,914,536	**4,776,300**
Provisions and liabilities associated with assets held for sale and discontinued operations			**358,642**
Balance sheet total		12,318,446	**29,282,312**

[2] Includes puttable minorities with an amount of EUR '000s 85,977 (previous year: 105,974)

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Statement of recognised income and expense

Statement of recognised income and expense

EUR '000s	2006	**2007**
IAS 39 Financial Instruments: Recognition and Measurement	3,814	**-27,584**
IAS 19 Employee Benefits	5,053	**68,771**
IFRS 3 Business Combinations	32,634[1]	
IAS 32 Financial Instruments: Presentation	-14,653[1]	
Currency translation	-160,786	**-823,997**
Other consolidation adjustments	2,773	**7**
Income and expense directly recognised in equity	-131,165	**-782,803**
Profit for the financial year	1,026,300	**2,118,780**
Total earnings for the period	895,135	**1,335,977**
Relating to minority interests	44,318	**70,124**
Relating to HeidelbergCement AG shareholders	850,817	**1,265,853**

[1] Adjustment of profit and loss reserve and minority interests at 1 January 2006

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Reconciliation of changes in total equity / Notes to the annual accounts

Reconciliation of changes in total equity EUR '000s	Subscribed share capital	Share premium	Profit and loss reserve	Currency translation	Treasury shares	Equity attrib. to shareholders	Minority interests	**Total equity**
1 January 2006	296,065	2,512,679	1,999,286	-174,938	-2,936	4,630,156	427,709	**5,057,865**
Effect of adopting								
IFRS 3 Business Combinations			15,777			15,777	16,857	**32,634**
IAS 32 Financial Instruments: Presentation							-14,653	**-14,653**
1 January 2006 (restated)	296,065	2,512,679	2,015,063	-174,938	-2,936	4,645,933	429,913	**5,075,846**
Profit for the financial year			950,671			950,671	75,629	**1,026,300**
Capital increase								
from issuance of new shares	20	354				374		**374**
out of revenue reserves	50,889	-50,889						
Issuance of treasury shares					2	2		**2**
Dividends			-132,938			-132,938	-35,062	**-168,000**
Changes without effects on results								
Consolidation adjustments			2,796			2,796	42,523	**45,319**
IAS 19 Employee Benefits			5,337			5,337	-284	**5,053**
IAS 39 Financial Instruments: Recognition and Measurement			4,753			4,753	-939	**3,814**
Exchange rate				-128,517		-128,517	-32,269	**-160,786**
31 December 2006	346,974	2,462,144	2,845,682	-303,455	-2,934	5,348,411	479,511	**5,827,922**
1 January 2007	346,974	2,462,144	2,845,682	-303,455	-2,934	5,348,411	479,511	**5,827,922**
Profit for the financial year			2,021,782			2,021,782	96,998	**2,118,780**
Capital increase								
from issuance of new shares	13,181	514,027				527,208		**527,208**
Withdrawal of treasury shares	-155	-2,779			2,934			
Dividends			-144,508			-144,508	-34,450	**-178,958**
Changes without effects on results								
Consolidation adjustments			-1,572			-1,572	8,255	**6,683**
IAS 19 Employee Benefits			68,584			68,584	187	**68,771**
IAS 39 Financial Instruments: Recognition and Measurement			-27,992			-27,992	408	**-27,584**
Exchange rate				-794,949		-794,949	-29,048	**-823,997**
31 December 2007	360,000	2,973,392	4,761,976	-1,098,404		6,996,964	521,861	**7,518,825**

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Segment reporting / Notes to the annual accounts

Group areas (Primary reporting format under IAS 14 No. 50 ff.)

EURm	Europe-Central Asia		North America	
	2006	**2007**	2006	**2007**
External turnover	4,135	**5,642**	2,447	**3,205**
Inter-Group areas turnover	95	**90**		
Turnover	4,230	**5,732**	2,447	**3,205**
Change to previous year in %		35.5%		31.0%
Operating income before depreciation (OIBD)	926	**1,346**	574	**613**
as % of turnover	21.9%	23.5%	23.5%	19.1%
Depreciation	-281	**-320**	-99	**-153**
Operating income	645	**1,026**	475	**460**
as % of turnover	15.3%	17.9%	19.4%	14.3%
Results from participations	162	**133**	8	**31**
Impairments	-24	**-17**		
Reversal of impairments	9	**2**		
Other additional result				
Additional ordinary result	-15	**-15**		
Earnings before interest and taxes (EBIT)	792	**1,144**	483	**491**
Capital expenditures [1]	263	**492**	149	**312**
Segment assets [2]	4,444	**9,842**	1,477	**7,959**
OIBD as % of segment assets	20.8%	13.7%	38.9%	7.7%
Segment liabilities [3]	1,938	**3,127**	479	**2,015**
Number of employees as at 31 December [4]	21,809	**30,597**	5,773	**19,267**
Average number of employees [5]	21,820	**25,407**	6,028	**10,523**

Business lines (Secondary reporting format under IAS 14 No. 68 ff.)

EURm	Cement		Aggregates and concrete	
	2006	**2007**	2006	**2007**
External turnover	4,721	**5,349**	2,948	**4,455**
Inter-business lines turnover	649	**702**	24	**43**
Turnover	5,370	**6,051**	2,972	**4,498**
Changes to previous year in %		12.7%		51.3%
Capital expenditures [1]	358	**590**	145	**381**
Segment assets [2]	6,263	**6,466**	1,106	**13,507**

[1] Capital expenditures = in the segment columns: tangible fixed assets and intangible assets investments; in the reconciliation column: financial fixed assets investments
[2] Segments assets = tangible fixed assets and intangible assets
[3] Segment liabilities = liabilities and provisions; the financial liabilities are recorded in the reconciliation column
[4] Number of Hanson Group employees as at 31 Dec. 2007 = 27,415
[5] Includes Hanson Group employees for four months

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Asia-Australia-Africa-Mediterranean		Group Services		Reconciliation		Continuing operations		Discontinued operations	
2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**
1,221	**1,823**	195	**192**			7,997	**10,862**	1,237	**1,338**
81	**86**	448	**488**	-623	**-664**				
1,302	**1,909**	642	**680**	-623	**-664**	7,997	**10,862**	1,237	**1,338**
	46.6%		5.9%				35.8%		8.2%
274	**404**	15	**16**			1,790	**2,378**	185	**200**
21.0%	21.1%	2.4%	2.3%			22.4%	21.9%	14.9%	14.9%
-80	**-99**	-1	**-1**			-461	**-573**	-53	**-28**
193	**304**	15	**15**			1,329	**1,805**	131	**172**
14.9%	15.9%	2.3%	2.2%			16.6%	16.6%	10.6%	12.8%
9	**2**					178	**167**	2	**1**
-9	**-12**					-33	**-28**		
	8					9	**10**		
				47	**862**	47	**862**		
-9	**-3**			47	**862**	23	**844**	1	**1**
193	**303**	15	**15**	47	**862**	1,531	**2,815**	134	**174**
94	**234**			315	**11,913**	821	**12,952**	112	**73**
1,530	**3,541**	38	**36**			7,489	**21,378**	855	**896**
17.9%	11.4%	40.6%	43.6%			23.9%	11.1%	21.6%	22.3%
326	**648**	39	**48**	3,421	**15,567**	6,203	**21,405**	288	**300**
13,353	**17,999**	48	**52**			40,983	**67,916**	4,943	**5,218**
13,077	**14,389**	53	**52**			40,979	**50,370**	4,979	**5,196**

Building products		Group Services		Reconciliation		Continuing operations		Discontinued operations	
2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**
131	**840**	197	**218**			7,997	**10,862**	1,237	**1,338**
8	**4**	446	**462**	-1,127	**-1,211**				
139	**844**	642	**680**	-1,127	**-1,211**	7,997	**10,862**	1,237	**1,338**
	507.1%		5.8%				35.8%		8.2%
3	**68**			315	**11,913**	821	**12,952**	112	**73**
84	**1,370**	37	**36**			7,489	**21,378**	855	**896**

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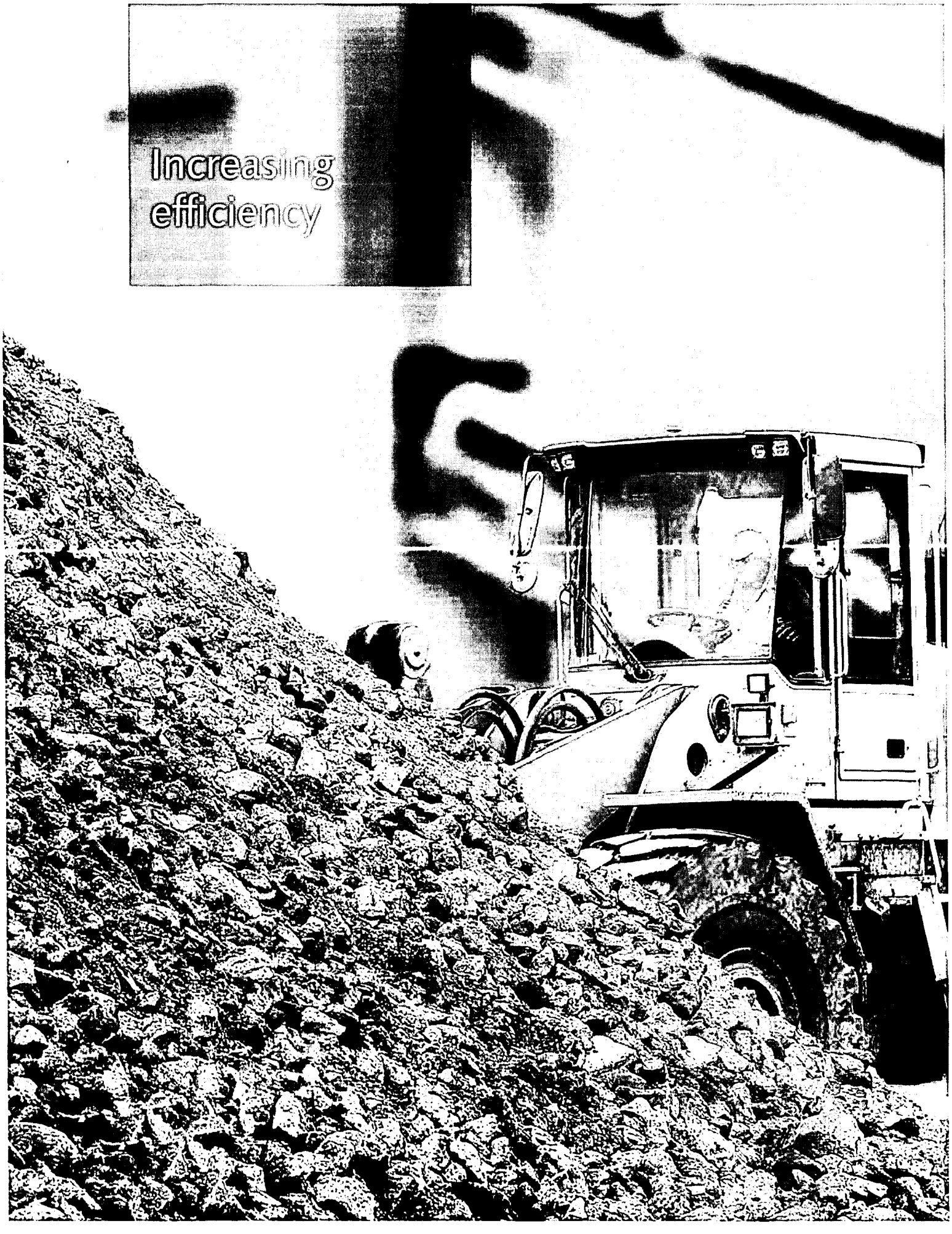
Increasing efficiency



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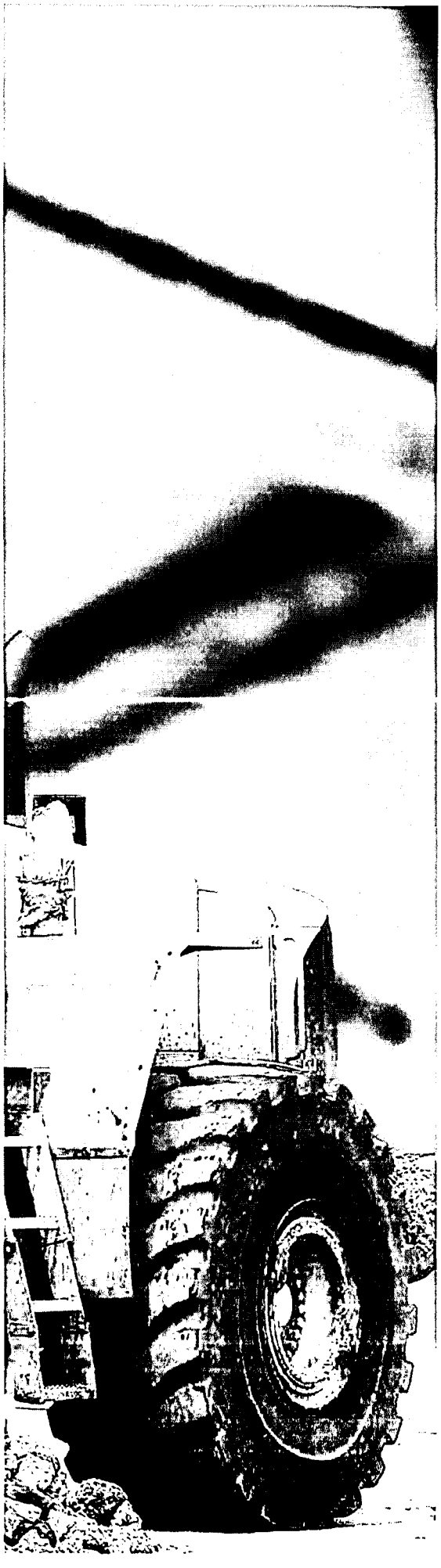

The potential for synergies is high: EUR 400 million. By merging the national organisations in North America and the United Kingdom, creating shared service centers and grouping together our purchasing activities, we are achieving significant cost savings. These savings are supplemented by strict benchmarking and the application of best practice solutions in the operational business units. On top of this, we are able to exploit synergies in the markets.

Notes to the 2007 Group annual accounts

General information

HeidelbergCement AG is a public limited company based in Germany. The company has its registered office in Heidelberg, Germany. Its address is: HeidelbergCement AG, Berliner Strasse 6, 69120 Heidelberg.

The core activities of HeidelbergCement include the production and distribution of cement, aggregates, concrete and building products. Further details are given in the management report.

Accounting and valuation principles

Accounting principles

The Group Annual Accounts of HeidelbergCement AG were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and the additional requirements of German Commercial Law pursuant to § 315a, section 1 of the German Commercial Code. All binding IFRSs for the 2007 financial year adopted into European law by the European Commission, as well as the announcements of the International Financial Reporting Interpretations Committee (IFRIC) were applied.

The previous year's figures were determined according to the same principles. The Group Annual Accounts are prepared in Euros. The Annual Accounts show a true and fair view of the financial position and performance of the HeidelbergCement Group.

Where the presentation has been changed, these changes are explained in the notes for each respective item. Explanations of prior year restatements, in accordance with IAS 8.22 are also given in the relevant parts of the text.

In accordance with the internationally accepted structure for group accounts, the profit and loss accounts make up the first part of the reporting. Besides the profit and loss accounts and the balance sheet according to IAS 1 (Presentation of Financial Statements), the annual accounts contain a cash flow statement according to IAS 7 (Cash Flow Statements), a statement of recognised income and expense, a presentation of changes in shareholders' equity and minority interests and a segment report in accordance with the provisions of IAS 14 (Segment Reporting).

For reasons of clarity, some individual items have been combined in the profit and loss accounts and in the balance sheet. Explanations of these items are contained in the notes. To improve the level of information, the additional ordinary result is shown separately on the face of the profit and loss accounts and in the segment report. The profit and loss accounts classify the expenses according to their nature.

In the Group Annual Accounts, certain estimates and assumptions must be made, which affect the amount of assets and liabilities, contingent liabilities and income and expenses accounted for in the reporting period. The actual values may differ from these estimates. At HeidelbergCement, estimates are made particularly for the valuation of assets, liabilities and contingent liabilities acquired through business combinations, as well as in the measurement of provisions for pensions, provisions for claims, environmental risks, recultivation as well as tax risks, the impairment tests according to IAS 36 (Impairment of Assets) and deferred tax assets on loss carried forward.

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Consolidation principles

The consolidation is performed using the purchase method in accordance with IFRS 3 (Business Combinations). For business combinations, the acquirer measures all assets, liabilities and contingent liabilities at their fair values at the acquisition date.

The acquiring entity's investment is eliminated against the revalued shareholders' equity of the newly consolidated subsidiary at acquisition date. The residual difference between the fair value of the cost of acquisition and the fair value of acquired assets and liabilities is shown as goodwill if it cannot be recognised as an intangible asset according to IAS 38 (Intangible Assets). Goodwill is tested for impairment according to IAS 36 (Impairment of Assets) at least once a year or upon the occurrence of significant events or changes in circumstances that indicate a present value below the carrying amount. Furthermore, IFRS 3 states that negative goodwill from business combinations must not be recognised in the balance sheet.

The Group Annual Accounts comprise the subsidiaries in which HeidelbergCement is able to govern the financial and operating policies. Normally, this is the case when more than 50% of the shares are owned. If company law stipulates that a company can be controlled despite a shareholding of less than 50%, this company is included in the Group Annual Accounts as a subsidiary. If a company cannot be controlled with a shareholding of more than 50% as a result of contractual regulations, this company is not included in the Group Annual Accounts as a subsidiary.

The minority interests' share of the shareholders' equity and of the profit or loss for the financial year are shown separately. Minority interests in the shareholders' equity, for which put options or forward contracts exist, interest-bearing or non-interest-bearing, and minority interests in German partnerships are shown as a financial liability, at the present value of the repayment sum. The excess of the present value of the liability over the carrying amount of the minority interests is recognised as goodwill. The minority's share of profit for the period is shown in financial results.

Significant joint ventures of the HeidelbergCement Group are included in the Group Annual Accounts as proportionately consolidated companies (IAS 31 Interests in Joint Ventures). Using this method, the Group accounts for its share of the assets, liabilities, income, expenses and cash flows in the corresponding lines of the Group Annual Accounts.

Investments in associates, in cases where HeidelbergCement exerts significant influence on the operating and financial policies of the participation through a shareholding of between 20% and 50% are accounted for in accordance with the equity method (IAS 28 Investments in Associates) in the Group Annual Accounts. Initially, the acquired investments are recognised at cost, with the Group's share of profit or loss being recognised as an increase or decrease to the carrying value of the investment (IAS 28 Investments in Associates). In order to present the results from participations in a more meaningful way, the Group's share of income from associates is shown before taxes on income. The proportionate income tax expense is shown under taxes on income. The net profit from associated companies is shown separately below the profit and loss accounts.

Income and expenses as well as receivables and payables between consolidated companies are eliminated according to IAS 27 (Consolidated and Separate Financial Statements). Profits and losses from intra-Group sales of assets are eliminated, where they have a significant impact. Intra-Group transactions are settled on the basis of market prices and transfer prices that correspond in principle to the prices that would apply to third parties ("arm's length principle"). The consequences of consolidation on income tax are taken into account by recognising deferred taxes.

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Application of new accounting standards

The new and revised standards and interpretations of the International Accounting Standards Board (IASB) explained below were applicable for the first time to the financial year ending on 31 December 2007.

- IFRS 7 (Financial Instruments: Disclosures) requires disclosures that allow the users of the Annual Accounts to evaluate the significance of the financial instruments for the financial position and profitability of the Group and the nature and extent of risks arising from these financial instruments. The new disclosures have been reflected throughout the existing Notes to the Accounts. Comparative information is shown accordingly.
- The amendments to IAS 1 (Presentation of Financial Statements) have resulted in additional disclosures regarding the Group's goals, methods and processes for capital management, which are explained on page 131.
- IFRIC 7 (Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflation Economies) governs how comparative information should be restated under IFRS where a country, whose currency is the functional currency of the accounts, becomes a hyperinflationary.
- IFRIC 8 (Scope of IFRS 2) clarifies that IFRS 2 (Share-Based Payment) applies to arrangements where an entity makes share-based payments for apparently nil or inadequate consideration.
- IFRIC 9 (Reassessment of Embedded Derivatives) clarifies that the assessment of whether an embedded derivative is required to be separated from the host contract and accounted for separately may, in principle, only take place at the time the contract is concluded.
- IFRIC 10 (Interim Financial Reporting and Impairment) states that impairment losses recognised in an interim period and for which reversal is prohibited in accordance with IAS 36 or IAS 39 must not be reversed in subsequent interim periods or Annual Accounts.

The first-time application of the above regulations had no impact on the financial position and performance of the Group.

The IASB and IFRIC also adopted the standards and interpretations listed below, whose application was not yet mandatory for the 2007 financial year.

- IFRS 8 Operating Segments (applicable for financial years beginning on or after 1 January 2009);
- IAS 1 Presentation of Financial Statements – Revised (applicable for financial years beginning on or after 1 January 2009; not yet adopted into EU law);
- IAS 23 Borrowing Costs – Revised (applicable for financial years beginning on or after 1 January 2009; not yet adopted into EU law);
- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions (applicable for financial years beginning on or after 1 March 2007);
- IFRIC 12 Service Concession Arrangements (applicable for financial years beginning on or after 1 January 2008; not yet adopted into EU law);
- IFRIC 13 Customer Loyalty Programmes (applicable for financial years beginning on or after 1 July 2008; not yet adopted into EU law);
- IFRIC 14 IAS 19 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (applicable for financial years beginning on or after 1 January 2008; not yet adopted into EU law).

HeidelbergCement has not opted for early application of these standards and interpretations. Our current assessment is that the first-time application will not have a significant impact on the financial position and performance of the Group.

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Finally, in January and February 2008, the following standards were published by the IASB:

- Change to IFRS 2 Share-based Payment
  (applicable for financial years beginning after 1 January 2009; not yet adopted into EU law);
- IFRS 3 Business Combinations (revised 2008)
  (applicable for financial years beginning after 1 July 2009; not yet adopted into EU law);
- IAS 27 Consolidated and Separate Financial Statements (revised 2008) (applicable for financial years beginning after 1 July 2009; not yet adopted into EU law);
- Change to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements (applicable for financial years beginning after 1 January 2009; not yet adopted into EU law).

Recognition and measurement principles

The Group Annual Accounts are generally prepared using the historical cost principle. Exceptions to this are derivative financial instruments and available-for-sale investments, which are measured at fair value. The carrying amounts of hedged assets and liabilities recognised in the balance sheet and hedged by fair value hedge relationships, are adjusted for changes in the fair value attributable to the risk being hedged. These assets and liabilities would otherwise be accounted for at cost. The fundamental recognition and measurement principles are outlined below.

According to IAS 38 (Intangible Assets), an **intangible asset** is an identifiable non-monetary asset without physical substance. The definition requires an intangible asset to be identifiable in order to distinguish it from goodwill. An asset meets the identifiability criterion if it is separable or arises from contractual or other legal rights. Intangible assets are initially measured at cost. In subsequent periods, intangible assets with a finite useful life are measured at cost less accumulated amortisation and impairment, and intangible assets with an indefinite useful life are measured at cost less impairment. Intangible assets with a finite useful life are amortised using the unit of production or the straight line method.

In Germany, **emission rights** trading is governed by the Greenhouse Gases Emissions Trading Act (TEHG), 8 July 2004. The provisions of the IFRS require these rights to be accounted for as intangible assets (IAS 38). Emission rights granted free of charge are initially measured at a nominal value of zero. The Group currently believes that sufficient emission rights are available to ensure that no provisions need be recognised for the purchase of additional emission rights. Emission rights acquired for consideration must be accounted for at cost and are subject to write-down in the event of impairment.

In accordance with IFRS 3 (Business Combinations), **goodwill** arising from business combinations is not amortised. Instead, an impairment test according to IAS 36 (Impairment of Assets) is carried out. In this impairment test, the carrying amount of a group of cash-generating units (CGUs) to which goodwill is allocated is compared to its recoverable amount of this group of CGUs. On the basis of the sales and management structure, a group of cash-generating units is defined generally as a country or region.

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As soon as the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in profit or loss to reduce the asset to its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction less costs of disposal. The value in use is calculated by discounting estimated future cash flows after taxes with a risk-adjusted discount rate (WACC). A cash flow-based method in accordance with IAS 36 was used to determine the impairment. The impairment is determined on the basis of the cash flow estimates for the groups of CGUs. Operational forecasting usually projects a three year period.

Assumptions made in the calculation of impairment of goodwill Cash-generating unit	Carrying amount of goodwill EURm	Weighted average cost of capital after taxes
Europe-Central Asia	4,993.2	7.5%
North America	4,089.3	6.0%
Asia-Australia-Africa-Mediterranean	1,648.2	8.0% - 14.0%
Group Services	33.0	7.5%
Total	10,763.7	

In order to calculate the values in use, growth rates between 1.0% and 2.5% were applied into perpetuity.

Tangible fixed assets are accounted for according to IAS 16 (Property, Plant and Equipment) at cost less accumulated depreciation and impairment. The costs of conversion include all costs that can be attributed to the manufacturing process and appropriate amounts of production overheads. Costs for repair and maintenance of tangible fixed assets are expensed as incurred. Capitalisation takes place in exceptional cases, if the measures lead to an extension or significant improvement of the asset. Tangible fixed assets are generally depreciated on a straight-line basis unless, in an individual case, there is another depreciation method more appropriate for the pattern of use. Borrowing costs that can be allocated directly to the construction of large facilities are capitalised as part of the cost.

Stock is valued in accordance with IAS 2 (Inventories) at the lower of cost and net realisable value, using the weighted average cost method. Adequate provisions are made for risks relating to quality and quantity. Besides direct expenses, the costs for finished goods and work in progress include proportional amounts of indirect materials and indirect labour costs, as well as production-related depreciation. Spare parts for equipment are reported under stock or fixed assets.

Long-term service and construction contracts spanning a longer period of time are accounted according to the extent of completion (Percentage of Completion Method).

Provisions for pensions and similar liabilities are determined in accordance with IAS 19 (Employee Benefits) using the Projected Unit Credit Method. Actuarial gains and losses are recognised directly in shareholders' equity in the period in which they arise, taking deferred taxes into account. Detailed explanations concerning the accounting of provision for pensions are provided in Note 38.

Other provisions are recognised in accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) if, as a result of past events, there are legal or constructive obligations towards third parties that are likely to lead to outflows of assets that can be reliably determined. The provisions are calculated on the basis of the best estimate, taking into account all identifiable risks.

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Deferred tax assets and liabilities are recognised in accordance with the liability method (IAS 12 Income Taxes). This means that, with the exception of goodwill arising on consolidation, deferred taxes are recognised for all temporary differences between the IFRS accounts and the tax accounts regardless of the period of time within which these differences are likely to reverse. Furthermore, deferred tax assets are recognised on unused tax losses carried forward, to the extent that the probability of their recovery in subsequent years is sufficiently high. Deferred tax liabilities are considered in connection with undistributed profits from subsidiaries, joint ventures and associates, unless HeidelbergCement is able to control the dividend policy of the companies and no dividend distribution or disposal is anticipated in the foreseeable future. The deferred taxes are measured using the rates of taxation that, as of the balance sheet date, are applicable or have been announced as applicable in the individual countries for the period when the deferred taxes are realised. Deferred tax assets and liabilities are offset if there is an enforceable right to set off current tax assets and liabilities and if they relate to taxes on income levied by the same taxing authority and the Group intends to settle its current tax assets and liabilities on a net basis.

A **financial instrument** is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The financial instruments include non-derivative and derivative financial instruments.

Non-derivative financial instruments are, in principle, measured at fair value when first recognised. These include non-current and current investments, loans and receivables granted and financial liabilities.

Non-current and current investments that are categorised as available for sale in accordance with IAS 39 are regularly measured at fair value if it can be reliably ascertained. This class of instrument is referred to, in the following, as investments available for sale at fair value. The unrealised gains and losses resulting from the subsequent measurement are recognised directly in shareholders' equity. The stock market price at the balance sheet date forms the basis of the fair value. Investments in equity instruments, for which no listed price on an active market exists and whose fair values cannot be reliably determined with justifiable expense, are measured at cost. This class of instrument is referred to in the following as investments available for sale at cost. In the HeidelbergCement Group, this concerns shares in non-consolidated companies and in other participations that are not listed on the stock exchange. If the fair values of available-for-sale investments fall below the cost and there is objective evidence of a significant or permanent impairment, the accumulated gains and losses previously recognised in the shareholders' equity are recognised directly in profit or loss. The recognition of reversals of impairment in profit or loss for equity instruments held is not permitted.

Loans and receivables are measured at amortised cost, using the effective interest method if applicable, provided that they are not linked with hedging instruments. This concerns long-term loans, interest-bearing receivables, trade receivables and other short-term operating receivables. In principle, the amortised cost in the case of short-term receivables corresponds to the nominal value or the repayment sum. If there is objective evidence of impairment of the loans and receivables, impairment losses are recognised in profit or loss. For trade receivables, the impairment losses are recognised through the use of a provision for doubtful debts account. Reversals are carried out if the reasons for the impairment losses no longer apply. In the past financial year, there were no financial assets (as in the previous year) whose terms have been changed which would otherwise have been overdue or impaired.

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Non-derivative financial liabilities are recognised for the first time at the fair value of the consideration received or at the value of the cash received less transaction costs incurred, if applicable. These instruments are subsequently measured at amortised cost using the effective interest method. This includes trade payables, other short-term operating liabilities and short- and long-term financial debts. Long-term financial liabilities are discounted. In principle, the amortised cost in the case of short-term financial liabilities corresponds to the nominal value or the repayment sum.

The Group has not yet made use of the possibility of designating non-derivative financial instruments, when first recognised, as financial instruments at fair value through profit or loss. All non-derivative financial assets are accounted for at the settlement date.

A **derivative financial instrument** is a contract whose value is dependent on a variable, which usually requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors, and which is settled at a later date. All derivative financial instruments are measured at fair value on the trade date when first recognised. The fair values are also relevant for the subsequent measurement. The fair value of traded derivative financial instruments corresponds to the market value. This value can be positive or negative. For derivative financial instruments, the fair value corresponds to the amount that HeidelbergCement would either receive or have to pay at the reporting date in the case of early termination of this financial instrument. This is calculated on the basis of the relevant exchange and interest rates on the reporting date. Average rates are used for the calculation.

In the HeidelbergCement Group, derivative financial instruments such as currency forwards, currency option contracts, interest rate swaps or interest rate options are, in principle, used to minimise financial risks. The focus is on hedging interest, currency and other market price risks. The market valuations are monitored regularly by the Group Treasury department. No derivative financial instruments are contracted or held for speculative purposes.

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Hedge accounting denotes a specific accounting method that modifies the hedged item and hedge of a hedging relationship so that the results of measuring the hedged item or hedge are recognised in the period incurred directly in the shareholders' equity or in profit or loss. Accordingly, hedge accounting is based on matching the offsetting values of the hedge and the hedged item.

For accounting purposes, three types of hedge exist in accordance with IAS 39, provided that the stringent conditions for hedge accounting are fulfilled in each individual case:

- Cash flow hedges
  HeidelbergCement hedges the risk of fluctuation in future cash flows. The risk of interest rate fluctuations in the case of variable interest is hedged by means of swaps that convert variable interest payments into fixed interest payments. This method is also used for hedging currency risks of transactions to be executed in foreign currency in the future. The market value of the derivatives used for hedging is shown in the balance sheet. As an offsetting item, the profit and loss reserve is adjusted directly in shareholders' equity to the amount of the effective portion, taking deferred taxes into account. They are only recognised in profit or loss when the future cash flows are realised. The ineffective portion is recognised directly in the profit or loss for the period.
- Fair value hedges
  The Group hedges against fluctuations in the fair value of assets or liabilities. In particular, the foreign exchange risk that arises when financial instruments are accounted for in a currency other than the functional currency is hedged. In addition, selectively the fair value of fixed interest-bearing liabilities by means of conversion to variable interest is hedged. In the case of hedging against fluctuations in the fair value of certain balance sheet items (fair value hedges), both the hedge and the hedged share of the risk of the underlying transaction are recognised at fair value. Changes in fair value are recognised in profit or loss.
- Hedging a net investment in a foreign operation
  When acquiring foreign companies, in some cases the investment is financed with loans in the functional currency of the foreign company, the settlement of which is neither planned nor likely to occur in the foreseeable future. In these cases, the risk arising on the subsidiary's equity through fluctuations in exchange rates (transaction risk) is designated as a hedge. The loans are converted using the exchange rate applicable at the balance sheet date. As an offsetting item, the foreign currency translation reserves in shareholders' equity are adjusted. Consequently, translation differences are recognised directly in equity until the net investment is sold and are recognised in profit or loss on its disposal.

Derivative financial instruments for which no hedge accounting is used nevertheless represent an effective hedge in an economic sense within the context of the Group strategy. In accordance with IAS 39, these instruments are classified for accounting purposes as held for trading. The changes in the market values of these derivative financial instruments recognised in profit or loss are almost offset by changes in the market values of the hedged items.

Assets held for sale and discontinued operations are shown separately in the balance sheet if they can be sold in their present condition and the sale is probable. Assets classified as held for sale are recognised at the lower of their carrying amount and fair value less costs to sell. According to their classification, provisions and liabilities directly connected with these assets are shown separately on the liability side.

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For discontinued operations, the profit after tax is shown in a separate line in the profit and loss accounts. In the cash flow statement, the cash flows are broken down into continuing and discontinued operations. Likewise, the discontinued operations are shown separately in the segment reporting. For discontinued operations, the previous year's values in the profit and loss accounts, the cash flow statement and the segment reporting are restated. The notes include additional details on the assets held for sale and discontinued operations.

Contingent liabilities and assets are current or possible obligations or assets arising from past events and whose existence is due to the occurrence or non-occurrence of one or more uncertain future events that are not within the Group's control. Contingent liabilities are recognised in the balance sheet at their fair value if they have been taken on as a result of a business combination. Contingent assets are only recognised in the balance sheet if they are virtually certain. In so far as an outflow or inflow of economic benefits is possible, details of contingent liabilities and assets are provided in the notes.

Income is recognised if it is sufficiently probable that the Group will receive future economic benefits that can be reliably determined. It is measured at the fair value of the consideration received; sales tax and other duties are not taken into account. Turnover is recognised as soon as the goods have been delivered and the opportunities and risks have passed to the purchaser. Interest income is recognised pro rata temporis using the effective interest method. Dividend income is realised when the legal entitlement to payment arises.

Foreign currency translation

The Annual Accounts of the Group's foreign subsidiaries are translated into Euros according to IAS 21 (The Effects of Changes in Foreign Exchange Rates) using the concept of functional currency. In general, for operating companies, the functional currency is that of the country in which the subsidiary is based, since all foreign subsidiaries are financially, economically and organisationally independent in the conduct of their business. Assets and liabilities are converted using the average exchange rates at the balance sheet date, with shareholders' equity, in contrast, using the historical exchange rates. The translation differences resulting from this are recognised directly in shareholders' equity in the profit and loss reserve until the subsidiary is disposed of. The share of shareholders' equity of the foreign associates is translated using the same method. Income and expenses are translated using average annual exchange rates.

Foreign currency transactions in the companies' individual accounts are accounted for using historical exchange rates. Exchange gains or losses from the measurement of monetary items in foreign currency at the balance sheet date are recognised in profit or loss. Exceptions to the described translation method are exchange differences arising from foreign currency borrowings, to the extent that they are part of a net investment in a foreign operation. In these cases, settlement is neither planned nor likely to occur in the foreseeable future. Translation differences are recognised directly in shareholders' equity until the net investment is sold and are not recognised in profit or loss until its disposal.

The following key exchange rates were used in the translation of the companies' individual accounts into Euros:

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Exchange rates		Exchange rates at reporting date		Average annual exchange rates	
		31 Dec. 2006	**31 Dec. 2007**	2006	**2007**
	Country	EUR	**EUR**	EUR	**EUR**
USD	US	1.3196	**1.4589**	1.2565	**1.3707**
CAD	Canada	1.5373	**1.4536**	1.4247	**1.4719**
CNY	China	10.3015	**10.6552**	10.0156	**10.4252**
GBP	Great Britain	0.6737	**0.7351**	0.6816	**0.6848**
GEL	Georgia	2.2544	**2.3182**	2.2232	**2.2811**
HRK	Croatia	7.3502	**7.3310**	7.3267	**7.3444**
IDR	Indonesia	11,902.79	**13,741.38**	11,485.67	**12,560.94**
INR	India	58.2076	**57.4515**	56.7675	**56.4360**
KZT	Kazakhstan	167.46	**176.06**	158.28	**167.95**
NOK	Norway	8.2248	**7.9287**	8.0507	**8.0273**
PLN	Poland	3.8279	**3.5976**	3.8955	**3.7881**
RON	Romania	3.3808	**3.6063**	3.5245	**3.3363**
SEK	Sweden	9.0331	**9.4277**	9.2579	**9.2567**
SKK	Slovak Republik	34.4442	**33.5707**	37.2161	**33.8021**
CZK	Czech Republic	27.4741	**26.5053**	28.3324	**27.7863**
HUF	Hungary	251.0803	**252.1417**	263.9377	**251.3956**
TRY	Turkey	1.8672	**1.7003**	1.8040	**1.7875**

Consolidation scope

In addition to HeidelbergCement AG, the Group Annual Accounts include 1,189 subsidiaries that have been fully or proportionately consolidated, of which 82 are German and 1,107 are foreign. The newly acquired subgroup of Hanson Limited accounts for a substantial proportion of these, with 724 companies. Proportionately consolidated joint ventures according to IAS 31 accounted for 1.6% of the revenues and 5.5% of the expenses; they contributed 2.4% and 5.8%, respectively, to the consolidated long-term and short-term assets. Furthermore, they account for 1.6% of the liabilities.

In comparison with 31 December 2006, the consolidation scope changed as follows:

Companies consolidated at equity

The participation in Vicat S.A., which was included in the Group Annual Accounts as an associate, was sold on 18 June 2007 for a price of EUR 1.4 billion.

Fully consolidated companies

The coming into effect of the scheme of arrangement (share cancellation process) on 23 August 2007 completed the acquisition of 100% of the shares in the British building materials manufacturer Hanson. The cost for the outstanding shares and the existing stock option programmes amounted to EUR 11,696.7 million. This includes transaction costs, particularly for legal and economic advisory services, of EUR 19.9 million. The purchase price was settled with cash and in exchange for the issue of loan notes amounting to EUR 178.1 million.

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As a result of the size and complexity of the transaction, the purchase price allocation as at 31 December 2007 is only provisional, as important analysis steps are yet to be completed. The provisional goodwill from the acquisition amounts to EUR 8,940.8 million and is essentially attributable to expected synergies in the areas of administration, purchasing and sales within the context of vertical integration with the existing HeidelbergCement activities as well as the strategically important locations. In the period from 17 May to 23 August 2007, Hanson was included in the Group Annual Accounts according to the equity method with a percentage of 27.6%.

Other additions to the consolidation scope in comparison with 31 December 2006 primarily occurred in the Europe-Central Asia Group area. The following table summarises the changes.

Further additions of fully consolidated companies in 2007

Country / Company	Domicile	%	Acquisition costs EURm	Goodwill EURm	Included since
Belgium					
Beton de Liège SA	Liège	100.0	0.5	0.3	1 Jan.
Germany					
TBH Transportbeton Hamburg GmbH & Co. KG	Hamburg	85.0	0.4	0.2	1 Jan.
Heidelberger Beton Frankfurt/ Main GmbH & Co. KG	Frankfurt	100.0	3.7	0.7	1 Jan.
KG Andresen Grundstücksverwaltungs GmbH & Co. KG	Damsdorf	100.0	0.9		1 July
Kieswerke Andresen GmbH	Damsdorf	100.0	3.5	1.2	1 July
Georgia					
Limited Liability Company RustavCementi	Rustavi	75.0	3.4	2.6	1 Feb.
Limited Liability Company SaqCementi	Manglis	75.0	68.2	55.8	1 Feb.
Indonesia					
PT Gunung Tua Mandiri	Kabupalen Bogor	51.0	3.5		31 July
Latvia					
Baltik Saule	Riga	71.4	3.2	1.8	1 Aug.
Lithuania					
UAB Gerdukas	Kaunas	70.0	2.4	1.6	1 Oct.
Poland					
Bialostockie Kopalnie Surowców Mineralnych Sp. z o.o.	Bialostockie	99.2	2.6	1.6	1 Jan.
Russia					
Open Joint Stock Company Gurovo-Beton	Novogurovsky	80.1	7.4	4.6	1 Jan.
Ukraine					
Limited Liability Company "Rybalski Quarry"	Dnipropetrovsk	100.0	5.3	1.5	1 Jan.
United States					
Aggresource, Ltd	Cleveland	100.0	3.0	1.0	31 Dec.

The provisional goodwill of the other companies consolidated for the first time comprises market shares purchased that cannot be assigned to any other identifiable and separable intangible asset.

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The assets and liabilities at the acquisition date and the subsequently earned turnover and profits of companies acquired and included for the first time in the Group Annual Accounts are as follows, in accordance with IFRS 3.67 ff:

Assets contributed by companies consolidated for the first time at acquisition date	Hanson Group		Other companies	
EUR '000s	Carrying value	Fair value	Carrying value	Fair value
Long-term assets				
Intangible assets	85,648	77,472	464	12,945
Tangible fixed assets	4,559,212	5,572,084	16,967	37,471
Financial fixed assets	396,565	493,761	1,289	1,289
Fixed assets	5,041,425	6,143,317	18,720	51,705
Deferred taxes	-13	-13	228	213
Other long-term receivables	392,047	392,047	130	130
	5,433,459	6,535,351	19,078	52,048
Short-term assets				
Stock	726,589	828,294	7,230	7,130
Receivables and other assets	1,500,254	1,499,281	13,960	13,923
Cash at bank and in hand	462,004	462,004	1,694	1,694
	2,688,847	2,789,579	22,884	22,747
Total Assets	**8,122,306**	**9,324,930**	**41,962**	**74,795**

Liabilities contributed by companies consolidated for the first time at acquisition date	Hanson Group		Other companies	
EUR '000s	Carrying value	Fair value	Carrying value	Fair value
Long-term provisions and liabilities				
Provisions	638,898	863,009	5,987	10,197
Liabilities	1,911,897	2,067,793	7,766	7,852
	2,550,795	2,930,802	13,753	18,049
Short-term provisions and liabilities				
Provisions	744,163	1,040,540	938	938
Liabilities	2,557,516	2,557,516	17,071	17,130
	3,301,679	3,598,056	18,009	18,068
Total Liabilities	**5,852,474**	**6,528,858**	**31,762**	**36,117**

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Turnover and profit contributed by companies consolidated for the first time since acquisition date

EUR '000s	Hanson Group	Other	**Total**
Turnover	2,139,455	117,785	**2,257,240**
Profit for the financial year	21,843	23,183	**45,026**
Minority interests	-543	-4,108	**-4,651**
Group share in profit	21,300	19,075	**40,375**

For reasons of materiality, we refrained from individual disclosures for the other companies (IFRS 3.68).

Assuming that the companies had been consolidated for the first time on 1 January 2007, the Group turnover would have been EUR 4,192.8 million higher and the profit for the financial year EUR 176.6 million higher.

The net assets of the companies included for the first time in the Group Annual Accounts for the financial year 2006 amounted to EUR 129.4 million. Final adjustments to the business combinations, provisionally accounted in 2006 in accordance with IFRS 3.61 ff. within the 12-month period, of the Indian companies Mysore Cements Ltd., Ammasandra; Indorama Cement Ltd, Navi Mumbai; and Cochin Cements Ltd., Kerala led to an adjustment of EUR 10.1 million in assets and an adjustment of EUR 2.3 million in liabilities. This led to a decrease of EUR 7.8 million in the goodwill recognised in 2006.

Discontinued operations and disposal groups

On 7 August 2007, HeidelbergCement signed an agreement for the sale of maxit Group with the French building materials manufacturer Saint Gobain. The sales price is EUR 2,125 million. The transaction was completed on 13 March 2008, after approval by the competition authorities. By selling maxit, HeidelbergCement is consistently pursuing its strategy of focusing on the refinement of raw materials for its core products cement and aggregates and for downstream concrete activities. The sales proceeds are being used to finance the acquisition of the British building materials manufacturer Hanson. maxit Group, which until now has formed an independent segment, is summarised separately in the profit and loss accounts, in the cash flow statement, in the Group balance sheet and in the segment reporting as a discontinued operation in accordance with IFRS 5.

In addition, HeidelbergCement has signed an agreement for the sale of the participations in the African companies Cement Company of Northern Nigeria in Nigeria and Société Nigérienne de Cimenterie in Niger with the private Nigerian company Damnaz Cement Company Limited. The transaction is expected to be completed in March 2008. By selling these activities, HeidelbergCement is focusing its financial resources on markets in which it can achieve a leading market position and which have an appropriate opportunity/risk ratio.

On 26 January 2008, HeidelbergCement sold its shares in the joint venture United Marine Holdings Limited to the joint venture partner Tarmac Limited, a subsidiary of Anglo American PLC. Following the takeover of Hanson PLC, the former parent company of United Marine Holdings, by HeidelbergCement, the sale had become necessary on the basis of the joint venture agreement. The assets and liabilities of these companies are shown in the balance sheet as disposal groups in accordance with IFRS 5.

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The profit after tax of discontinued operations can be broken down as follows:

Profit after tax of discontinued operations

EUR '000s	2006	**2007**
Revenue	1,249,558	**1,372,194**
Expenses	-1,116,691	**-1,210,443**
	132,867	**161,751**
Income tax expense	-22,862	**-17,347**
Profit after tax	110,005	**144,404**

The following overview shows the main groups of assets and liabilities classified as held for sale.

Non-current assets and liabilities held for sale EUR '000s	Discontinued operations	Disposal groups
Intangible assets	403,585	12,333
Tangible fixed assets	492,333	73,539
Other long-term assets	25,899	
Inventories	142,246	22,896
Cash and cash equivalents	14,151	12,266
Other short-term assets	197,759	9,293
Non-current assets held for sale	**1,275,973**	**130,327**
Provisions for pensions	31,213	
Other long-term provisions	80,830	7,092
Long-term liabilities	10,982	268
Short-term provisions	2,372	481
Short-term liabilities	192,100	33,305
Liabilities held for sale	**317,497**	**41,146**
Cumulative income/expense recognised directly in equity	**5,066**	**-628**

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Principal shareholdings – continuing operations

Affiliated companies	since	Equity EURm	Holding in %[1]	Parent company
Europe-Central Asia				
Cement				
Amvrosiyivske Open Joint Stock Company „Doncement", Novoamvrosiyivske village/Ukraine	2006	48	98.7	CBRPO
Bukhtarminskaya Cement Company, Zyryanovskiy/Kazakhstan	2005	34	100.0	HCCEE
Carpatcement Holding S.A. (CAR), Bucharest/Romania	1998	275	99.0	HCCEE
Castle Cement Ltd, Birmingham/UK	1999	142	100.0	HCUK
CBR Baltic B.V. (CBRB), 's-Hertogenbosch/Netherlands	1993	350	100.0	HCCEE
CBR International Services S.A., Brussels/Belgium	1993	1,111	99.4	CBR
CBR Portland B.V. (CBRPO), 's-Hertogenbosch/Netherlands	2004	74	100.0	HCCEE
Cementa AB, Danderyd/Sweden	1999	42	100.0	HCSWE
Ceskomoravský Cement, a.s. (CMC), Beroun/Czech Republic	1991	116	100.0	HCCEE
Civil and Marine Slag Cement Ltd., London/UK[2]	2007	104	100.0	CIVHO
Duna-Dráva Cement Kft (DDC), Vác/Hungary	1989	186	50.0	HCCEE
Ekocem Sp. z o.o., Katowice/Poland	2003	110	100.0	GOR
ENCI Holding N.V. (ENCI), 's-Hertogenbosch/Netherlands	1993	356	100.0	HCNETH
Górazdze Cement S.A. (GOR), Chorula/Poland	1993	206	100.0	CBRB
Hanson Ltd. (HANSON), London/UK	2007	13,534	100.0	HCUKEU
HC CAUCAS Holding (HCCAUS), 's-Hertogenbosch/Netherlands	2007	95	75.00	HCCEE
HeidelbergCement Central Europe East Holding B.V. (HCCEE), 's-Hertogenbosch/Netherlands	1993	883	100.0	HC
HeidelbergCement Denmark A/S (HCDEN), Ringsted/Denmark	2005	18	100.0	HCNE
HeidelbergCement International Holding GmbH (HCIH), Heidelberg	1993	700	100.0	HC
HeidelbergCement Netherlands Holding B.V. (HCNETH), 's-Hertogenbosch/Netherlands	2006	659	100.0	HC/CBR
HeidelbergCement Northern Europe AB (HCNE), Malmö/Sweden	1999	355	100.0	HC
HeidelbergCement Norway AS (HCN), Oslo/Norway	1999	146	100.0	HCNE
HeidelbergCement Sweden AB (HCSWE), Limhamn/Sweden	2006	677	100.0	HCNE
HeidelbergCement UK Holding II Limited (HCUKUS), Birmingham/UK	2007	9,848	100.0	HANSON
HeidelbergCement UK Holding Ltd. (HCUKEU), Birmingham/UK	2007	6,400	100.0	HCHLUX
HeidelbergCement UK Ltd. (HCUK), Birmingham/UK	1999	101	100.0	HC
Hüttenzement GmbH, Königs Wusterhausen	2003	15	100.0	HC
Kunda Nordic Cement Corp., Kunda/Estonia	1999	104	75.0	HCSWE
Limited Liability Company SaqCementi, Manglisi village/Georgia	2007	28	75.0	HCCAUS
Norcem AS, Oslo/Norway	1999	121	100.0	HCN
OAO Cesla, Slancy/Russia	2001	26	96.7	HCSWE
Open Joint Stock Company „Kryvyi Rih Cement", Kryvyi Rih/Ukraine	2001	58	99.9	CBRPO
S.A. Cimenteries CBR (CBR), Brussels/Belgium	1993	919	100.0	HCHLUX
Teutonia Zementwerk AG, Hanover	2005	81	94.5	HC
Tvornica Cementa Kakanj d.d., Kakanj/Bosnia-Herzegovina	2000	108	45.6	DDC

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Affiliated companies	since	Equity EURm	Holding in %[1]	Parent company
Europe-Central Asia (cont.)				
Aggregates and concrete				
Abetong AB, Växjö/Sweden	1999	13	100.0	EB
Betongindustri AB, Stockholm/Sweden	1999	18	100.0	HCSWE
BLG Betonlieferungsgesellschaft mbH, Munich	1959	7	100.0	HB
BT Poznan sp. z o.o., Janikowo/Poland	1996	2	75.0	GOR
BT Topbeton Sp. z.o.o., Gorzow Wielkopolski/Poland	2002	12	50.0	GOR
Carpat Agregate SA, Bucharest/Romania	2002	13	98.5	CAR
Carpat Beton S.R.L., Bucharest/Romania	2002	29	99.0	CAR
Ceskomoravský Beton, a.s., Beroun/Czech Republic	2000	34	100.0	CMC
Ceskomoravský Sterk, a.s. (CST), Brno/Czech Republic	1993	93	100.0	CMC
Euroc Beton AB (EB), Växjö/Sweden	1999	73	100.0	HCSWE
Górazdze Beton sp. z o.o., Chorula/Poland	2003	37	100.0	GOR
Hanson (Israel) Ltd, Ramat Gan/Israel[2]	2007	38	100.0	PIBV
Hanson Aggregates Belgium NV, Zeebrugge/Belgium[2]	2007	17	100.0	HOUS
Hanson Aggregates Nederland BV, Maarssen/Netherlands[2]	2007	4	100.0	HAHN
Hanson Aggregates Verwaltungs GmbH, Gospiteroda[2]	2007	*	100.0	STLUK
Hanson Beton Nederland BV, Maarssen/Netherlands[2]	2007	12	100.0	PIBV
Hanson CR, a.s., Veseli nad Luznici/Czech Republic[2]	2007	*	100.0	PIBV
Hanson Finance PLC, London/UK[2]	2007	1,381	100.0	HHOL
Hanson Germany GmbH & Co. KG, Gospiteroda[2]	2007	1	100.0	STLUK
Hanson Hispania, S.A. (HAHIS), Madrid/Spain[2]	2007	100	100.0	HPES
Hanson Holdings Ltd (HHOL), London/UK[2]	2007	2,993	100.0	HANSON
Hanson Pioneer España, S.L., Madrid/Spain[2]	2007	95	100.0	STNIC
Hanson Quarry Products Europe Ltd (HQPE), Bristol/UK[2]	2007	53,770	100.0	UDSX
HeidelbergCement Beton A/S, Ringsted/Denmark	2005	12	100.0	HCDEN
Heidelberger Beton GmbH & Co. Bremen KG, Bremen	2005	3	100.0	HB
Heidelberger Beton GmbH (HB), Heidelberg	1959	34	100.0	HC
Heidelberger Beton Rhein-Haardt GmbH & Co. KG, Speyer	1969	2	100.0	HB
Heidelberger Sand und Kies GmbH (HSK), Heidelberg	1960	88	100.0	HC
Houserate Ltd (HOUS), London/UK[2]	2007	968	100.0	HANSON
Inter-Beton S.A., Brussels/Belgium	1993	*	99.9	CBR
Limited Liability Company Rybalsky Quarry, Ukraine	2007	4	100.0	CBRPO
MEBIN B.V., 's-Hertogenbosch/Netherlands	1993	48	100.0	ENCI
Norbetong AS, Oslo/Norway	1999	71	100.0	HCN
Opolskie Kopalnie Surowców Mineralnych S.A. (OKSM), Opole/Poland	1998	18	100.0	GOR
Quarzsande GmbH, Eferding/Austria[2]	2007	2	100.0	HHGMB
Sand & Grus AB Jehander, Stockholm/Sweden	1999	13	100.0	HCSWE
Sandwerke Biesern GmbH, Penig	1992	12	100.0	HSK
TBG Hungaria-Beton Befektetö, Gyarto es Forgalmazo Kft, Budapest/Hungary	2002	26	50.0	DDC

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Affiliated companies	since	Equity EURm	Holding in %[1]	Parent company
Europe-Central Asia (cont.)				
Aggregates and concrete				
TBG Transportbeton Berlin-Brandenburg GmbH & Co. KG, Hoppegarten	1994	13	100.0	HB
TBG Transportbeton Kurpfalz GmbH & Co. KG, Eppelheim	1970	8	51.1	HB
TBH Transportbeton Hamburg GmbH & Co. KG, Hamburg	2003	*	85.0	HB
Wetterauer Lieferbeton GmbH & Co. KG, Bad Nauheim	2004	1	57.5	HB
Zielonogórskie Kopalnie Surowców Mineralnych S.A., Zielona Góra/Poland	1996	9	100.0	OKSM
Building products				
Baustoffwerke Dresden GmbH & Co. KG, Dresden	1991	6	51.0	HKGB
Hanson Building Products Ltd, Stewartby/UK[2]	2007	248	100.0	HERX
HeidelbergCement Baustoffe für Geotechnik GmbH & Co. KG, Ennigerloh	1996	6	100.0	HC
Heidelberger Betonelemente GmbH & Co. KG, Chemnitz	1995	9	100.0	HB
Heidelberger Kalksandstein GmbH, Durmersheim	2003	68	100.0	HC
Heidelberger Kalksandstein Grundstücks- u. Beteiligungs GmbH & Co. KG (HKGB), Durmersheim	2003	43	100.0	HSK
HKS Hunziker Kalksandstein AG, Brugg/Switzerland	1992	13	66.7	HKGB
Walhalla Kalk GmbH & Co. KG, Regensburg	1970	9	79.9	HC
North America				
Cement				
Civil and Marine Inc. (CIVMI), Cape Canaveral/US[2]	2007	**	100.0	CIVMH
Heidelberg Cement, Inc. (HCI), Wilmington/US	1977	795	100.0	LBV
Lehigh B.V. (LBV), 's-Hertogenbosch/Netherlands	1993	2,174	100.0	HCUKUS
Lehigh Cement Company (LEH), Allentown/US	1977	787	100.0	HCI
Lehigh Cement Limited (LCL), Calgary/Canada	1993	420	100.0	LBV
Lehigh Southwest Cement Company, Concord/US	1993	295	100.0	LEH
Permanente Cement Company, Pleasanton/US[2]	2007	**	100.0	HPMC
Aggregates and concrete				
Campbell Concrete & Materials, L.P., Cleveland/US	1998	80	100.0	LEH
Continental Florida Materials Inc., Fort Lauderdale/US	1999	109	100.0	LEH
HBMA Holdings, Inc., Irving/US[2]	2007	2,371	100.0	HNA
Material Service Corporation, Chicago/US[2]	2007	**	100.0	HAH
Mission Valley Rock Co., Sunol/US[2]	2007	**	100.0	HAMP
Sherman Industries, Inc., Birmingham/US	1994	81	100.0	LEH
Sinclair General Corporation, Panama/Panama[2]	2007	9,109	100.0	HOUS
Building products				
Hanson Pipe & Precast, Inc., Irving/US[2]	2007	**	100.0	HAC
PaverModule, Inc., Irving/US[2]	2007	**	100.0	HAC

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Affiliated companies	since	Equity EURm	Holding in %[1]	Parent company
Asia-Australia-Africa-Mediterranean				
Cement				
Butra HeidelbergCement Sdn. Bhd., Muara/Brunei	2000	5	100.0	ENCI
Cimbenin S.A., Cotonou/Benin	1999	1	55.9	SI
Ciments du Togo S.A., Lomé/Togo	1999	1	99.6	SI
Cochin Cements Ltd., Kottayan Dristrict, Kerala/India	2006	*	98.7	ENCI
Edocement Ltd., Okpella/Nigeria	2002	*	87.0	SI
Ghacem Ltd., Accra/Ghana	1999	35	93.1	SI
HeidelbergCement Bangladesh Ltd., Chittagong/Bangladesh	2000	20	60.7	HC
Indorama Cement Limited, Navi Mumbai/India[3]	2006	20	50.0	HCCEE
Liberia Cement Corporation Ltd., Monrovia/Liberia	1999	*	77.1	SI
Mysore Cements Limited, Ammasandra/India	2006	71	54.9	ENCI
PT Indocement Tunggal Prakarsa Tbk., Jakarta/Indonesia	2001	531	65.1	HC
Scancem International ANS (SI), Oslo/Norway	1999	178	100.0	HCNE
Sierra Leone Cement Corp. Ltd., Freetown/Sierra Leone	1999	6	50.0	SI
Société des Ciments du Gabon, Libreville/Gabon	2000	2	75.0	SI
Tanzania Portland Cement Company Ltd., Dar Es Salaam/Tanzania	1999	47	69.3	SI
Aggregates and concrete				
Hanson Australia (Holdings) Pty Ltd, Sydney/Australia[2]	2007	1,242	100.0	SINC
Hanson Australia Funding Ltd, Sydney/Australia[2]	2007	****	100.0	HHOL
Hanson Building Materials (S) Pte Ltd, Singapore[2]	2007	1	100.0	HNOH
Hanson Building Materials Malaysia Sdn Bhd, Kuala Lumpur/Malaysia[2]	2007	36	100.0	PIHL
Hanson Construction Materials Pty Ltd, Sydney/Australia[2]	2007	***	100.0	HAPL
Hanson Finance Australia Ltd, Sydney/Australia[2]	2007	***	100.0	HAPL
Hanson Quarry Products (Holdings) Sdn Bhd, Kuala Lumpur/Malaysia[2]	2007	87	100.0	PIHL
Pioneer Concrete (Hong Kong) Ltd, Hong Kong/China[2]	2007	31	100.0	PICO
Pioneer Concrete Services (Malaysia) Sdn Bhd, Kuala Lumpur/Malaysia[2]	2007	*	100.0	PIHL
Pioneer International (Labuan) Sdn Bhd , Kuala Lumpur/Malaysia[2]	2007	10	100.0	HOUS
Group Services				
HC Trading B.V., 's-Hertogenbosch/Netherlands	1996	15	100.0	CBR

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Proportionately consolidated companies	since	Equity EURm	Holding in %[1]	Parent company
Europe-Central Asia				
Aggregates and concrete				
Gralex S.A., Brussels/Belgium	1993	60	50.0	CBR
Heidelberger Beton Rhein-Ruhr GmbH & Co. KG, Recklinghausen[4]	2005	*	51.0	HB
Lithonplus GmbH & Co. KG, Lingenfeld[4]	2004	20	60.0	HB
Mibau Holding GmbH, Cadenberge	1993	16	50.0	HSK
TBG Transportbeton Franken GmbH & Co. KG, Fürth[4]	2004	2	51.0	HB
Trapobet Transportbeton GmbH Kaiserslautern KG, Kaiserslautern	2003	3	50.0	HB
United Marine Holdings Ltd, Chichester/UK[2]	2007	44	50.0	HQPE
Building products				
Heidelberger Betonelemente GmbH & Co. KG, Baden-Baden[4]	2005	3	85.0	HB
North America				
Cement				
Texas-Lehigh Cement Company, Buda/US	1986	53	50.0	LEH
Asia-Australia-Africa-Mediterranean				
Cement				
Akçansa Çimento Sanayi ve Ticaret A.S. (AC), Istanbul/Turkey	1996	501	39.7	CBR
China Century Cement Limited, Hong Kong/China	1995	54	50.0	CBR
Jidong Heidelberg (Fufeng) Cement Company Limited, Fufeng/China	2005	38	47.0	CBR
Jidong Heidelberg (Jingyang) Cement Company Limited, Jingyang/China	2006	24	50.0	CBR
Karçimsa Çimento Sanayi ve Ticaret A.S., Karabük/Turkey	1996	15	20.3	AC

Associated companies	since	Equity EURm	Holding in %[1]	Parent company
Europe-Central Asia				
Cement				
Südbayerisches Portland-Zementwerk Gebr. Wiesböck & Co. GmbH, Rohrdorf	1968	238	32.3	HC
Aggregates and concrete				
Kronimus AG, Iffezheim	1991	20	24.9	HC
Midland Quarry Products Ltd, Whitwick/UK[2]	2007	81	50.0	HQPE

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Associated companies	since	Equity EURm	Holding in %[1]	Parent company
Asia-Australia-Africa-Mediterranean				
Cement				
Cement Australia Holdings Pty Ltd, North Sydney/Australia[2]	2007	251	25.0	HANPL
Aggregates and concrete				
Alliance Construction Materials Ltd, Hong Kong/China[2]	2007	19	50.0	PICO
Metromix Pty Ltd, Paramatta/Australia[2]	2007	17	50.0	HANPL
Pioneer Road Services Pty Ltd, Melbourne/Australia[2]	2007	48	50.0	HANPL

[1] Ultimate shareholding
[2] The consolidated accounts of the subgoup Hanson are based on a management structure which differs from the legal company structure. Therefore stated amounts are based on statutory (partly consolidated) accounts of 2006
[3] Due to legal regulations the company is included as a fully consolidated company in the consolidated financial statements even though it is a 50%shareholding
[4] Due to legal regulations the company is included as a proportionately consolidated company in the consolidated financial statements even though the shareholding exceeds 50%
* Equity below EUR 0.5 million
** Equity of the parent company HBMA Holdings Inc. is reported
*** Equity of the parent company Hanson Australia (Holdings) Pty Ltd is reported
**** Equity of the parent company Hanson Holdings Ltd is reported

The complete list of our shareholdings, accompanied by all legally required information, will be published in the Electronic Federal Gazette. The list of shareholdings also includes a concluding list of all subsidiaries that make use of the exemption from disclosure obligations in accordance with § 264b of the German Commercial Code.

Notes to the segment reporting

Certain key figures are represented by Group areas and business lines in accordance with IAS 14 (Segment Reporting). The segments disclosed correspond to the Group's internal management reporting.

The segmental integration of our new acquisition, Hanson, follows the existing Group areas. The North American Hanson divisions are shown in the Group area "North America". Hanson activities in Austria, Belgium, Czech Republic, Germany, Israel, Netherlands, Spain and UK are reported in the Group area "Europe-Central Asia" whereas the remaining parts of the Hanson Group's activities in Australia, Hong Kong, Malaysia and Singapore are shown in the Group area "Asia-Australia-Africa-Mediterranean".

In accordance with IFRS 5 (Discontinued Operations), maxit Group is no longer included in the 2006/2007 figures of continuing operations.

In the business lines, we combine operating lines that are active in related markets. The "aggregates and concrete" business line is composed of the operating lines aggregates, ready-mixed concrete, concrete products and asphalt. The "building products" business line contains the operating lines bricks, aircrete blocks and pipes. Group Services includes the Group's distribution activities.

Turnover with Group areas or business lines represents the turnover between segments. Transfer prices were determined in accordance with the market prices.

In the "Additional ordinary result" line, impairment losses and reversals of impairment losses have been broken down by segment in accordance with IAS 36.139, in contrast with the previous year's presentation.

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Notes to the profit and loss accounts

1 Turnover

Turnover development by Group areas and business lines

EURm	Cement		Aggregates and concrete		Building products		Intra-Group eliminations		Total	
	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**
Europe-Central Asia	2,708	**3,254**	1,662	**2,377**	139	**414**	-279	**-313**	4,230	**5,732**
North America	1,413	**1,318**	1,227	**1,688**		**399**	-193	**-200**	2,447	**3,205**
Asia-Africa-Australia-Mediterranean	1,249	**1,479**	84	**433**		**31**	-31	**-34**	1,302	**1,909**
Total	5,370	**6,051**	2,972	**4,498**	139	**844**	-504	**-547**	7,978	**10,846**
Group Services									642	**680**
Inter-Group area turnover									-623	**-664**
Continuing operations									7,997	**10,862**

2 Other operating income

Other operating income

EURm	2006	**2007**
Income from sale of non-core products	71.1	**56.8**
Rental and leasing income	19.3	**23.7**
Income from reduction of bad debt provision	4.8	**6.2**
Gains from sale of assets	19.0	**21.0**
Write back of provisions	11.8	**8.8**
Other income	72.9	**88.5**
	198.9	**205.0**

Significant non-recurring transactions occurring in the course of ordinary business activity are shown in the line additional ordinary income.

3 Material costs

Material costs

EURm	2006	**2007**
Raw materials	1,072.8	**1,555.3**
Supplies, repair materials and packaging	450.5	**665.0**
Costs of energy	885.2	**1,125.6**
Goods purchased for resale	627.2	**662.2**
Miscellaneous	55.6	**106.1**
	3,091.3	**4,114.2**

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In 2007, material costs increased by EUR 1,022.9 million to EUR 4,114.2 million. Hanson's impact amounted to EUR 848.9 million. Material costs amounted to 37.9 % of turnover (previous year: 38.7 %)

4 Employees and personnel costs

Personnel costs

EURm	2006	**2007**
Wages, salaries, social security costs	1,166.7	**1,543.8**
Costs of retirement benefits	82.8	**111.2**
Other personnel cost	21.5	**39.3**
	1,271.0	**1,694.3**

Personnel costs equalled 15.6 % of turnover (previous year: 15.9 %). The increase in personnel costs in comparison with the previous year is essentially attributable to the inclusion of Hanson for the first time. The development of expenses for retirement benefits is explained in Note 38 Provisions for pensions.

Annual average number of employees

Categories of employees	2006	**2007**
Blue-collar employees	31,190	**37,946**
White-collar employees	14,364	**17,221**
Apprentices	404	**399**
	45,958	**55,566**

During the reporting period, the average number of employees rose by 9,608 compared with the previous year to 55,566 (previous year: 45,958). This includes an average increase of 11,494 employees as a result of new consolidations, with Hanson accounting for 9,191. This is counterbalanced by a decrease of 2,103 in the number of employees as a result of disposals of businesses and capacity adjustment measures. The number of employees of proportionately consolidated companies amounts to 2,555. The number of employees at the end of the year amounts to 73,133. In contrast with the personnel costs, the average 5,196 employees of maxit Group are included in the employee figures.

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5 Other operating expenses

Other operating expenses

EURm	2006	**2007**
Selling and administrative expenses	590.0	**771.7**
Freight	779.9	**1,106.6**
Expenses for third party repairs and services	512.0	**724.2**
Rental and leasing expenses	94.3	**134.5**
Other expenses	48.6	**41.0**
Other taxes	39.3	**46.0**
	2,064.1	**2,824.0**

The increase in other operating expenses in comparison with the previous year is essentially attributable to the inclusion of Hanson for the first time, which accounted for EUR 524.3 million.

Expenses of EUR 23.2 million (previous year: 15.4) for research and development are not capitalised according to the conditions stated in IAS 38 (Intangible Assets). This amount does not include personnel costs, in contrast with the expenses reported in the Group management report.

Significant non-recurring transactions occurring in the course of ordinary business activities are shown in the additional ordinary expenses.

6 Amortisation and depreciation of intangible assets and tangible fixed assets

Scheduled amortisation and depreciation of intangible assets and tangible fixed assets is determined on the basis of the following Group-wide useful lives:

Useful lives

	Years
Standard software	**3**
SAP applications	**3 to 5**
Buildings	**20 to 40**
Technical equipment and machinery	**10 to 20**
Plant and office equipment	**5 to 10**
IT hardware	**4 to 5**

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The following table shows the scheduled amortisation and depreciation of intangible assets with a finite useful life and tangible fixed assets:

Amortisation and depreciation

EURm	2006	**2007**
Intangible assets	9.4	**14.4**
Tangible fixed assets	451.6	**558.5**
	461.0	**572.9**

Impairment losses are shown in the line additional ordinary income.

7 Additional ordinary result

The additional ordinary result includes transactions which, although occurring in the course of ordinary business activities, are not shown in operating income because they are non-recurring.

Additional ordinary result

EURm	2006	**2007**
Additional ordinary income		
Non-recurring income	200.4	**1,052.0**
Reversal of impairment losses	9.2	**9.8**
	209.6	**1,061.8**
Additional ordinary expenses		
Non-recurring expenses	-153.3	**-189.7**
Impairment losses	-32.9	**-28.4**
	-186.2	**-218.1**
	23.4	**843.7**

The non-recurring income primarily includes profits from fixed asset disposals. Significant items in the 2007 financial year were the profits from the sale of Vicat (EUR 804.8 million) and Florida Rock Industries (EUR 81.9 million).

Reversals of impairment losses were recognised for tangible fixed assets impaired in previous years. One significant item was the reversal of EUR 8.2 million on technical equipment and machinery of Butra HeidelbergCement Sdn. Bhd., Brunei, to the value in use.

The non-recurring expenses include losses from the sale of fixed assets and additions to provisions for restructuring and other risks. The expenses for restructuring and reorganisation amounted to EUR 53.7 million and were incurred particularly in connection with the acquisition of the Hanson Group. Significant items in the previous year were losses from the sale of fixed assets and non-recurring expenses from the measurement of spare parts, which amounted to EUR 53.5 million.

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Following the goodwill impairment test, impairment losses to the value in use amounting to EUR 16.2 million (previous year: 13.1) were recognised in the reporting year. The goodwill of Cimbenin S.A., Cotonou/Benin, accounts for EUR 5.0 million of this total and Kerpen & Kerpen GmbH & Co. KG, Ochtendung/Germany for EUR 9.7 million. In connection with the sensitivity analysis, a change of 0.5 percentage points in the average cost of capital would not result in any additional need for goodwill impairment.

Impairment losses to the value in use amounting to EUR 11.4 million (previous year: 19.8) were recognised on tangible fixed assets. Significant items were technical equipment and machinery of Cimgabon S.A, Libreville/Gabon, accounting for EUR 5.5 million, and of S.A. Cimenteries CBR, Brussels/Belgium, accounting for EUR 3.6 million.

8 Results from participations

Results from participations

EURm	2006	**2007**
Results from associated companies	185.1	**170.7**
Income from financial investments	12.0	**10.7**
Impairment of other particpations	-17.9	**-9.1**
Impairment of loans	-0.9	**-5.7**
	178.3	**166.6**

The results from associated companies are measured using the gross amounts, i.e. they are shown before taxes on income. The Group's share of their tax expense is reported under taxes on income.

The results from associated companies are composed particularly of the pro rata profit for the financial year achieved by Vicat S.A. until its sale in June 2007, the equity period's profit of Hanson from 17 May to 23 August 2007 and the results from associated companies of Hanson from 24 August 2007.

The income from financial investments essentially includes profit distributions from corporations and partnerships. To give a detailed overview of impairment losses on financial investments, impairment losses on participations and loans are shown separately. Impairments were recognised as necessary.

9 Taxes on income

Taxes on income of continuing operations

EURm	2006	**2007**
Current taxes	-361.3	**-433.2**
Deferred taxes	-28.3	**64.1**
	-389.6	**-369.1**

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The increase of EUR 71.9 million in current taxes is essentially attributable to the first-time consolidation of Hanson. Adjusted for tax refunds and additional tax payments for previous years, which amounted to EUR 4.2 million (previous year: 3.2), the current taxes increased by EUR 73.0 million. The share of associates' tax expense accounted for under the equity method and amounting to EUR 44.6 million (previous year: 33.1) is included in the current taxes. EUR 0.9 million (previous year: 1.6) of deferred tax assets created in previous years for losses carried forward were released during the reporting year. The reduction in the tax expense for deferred taxes as a result of tax losses not recognised in previous years amounted to EUR 34.8 million (previous year: 4.2) in the financial year.

Tax losses carried forward and tax credits for which no deferred tax is recognised amount to EUR 1,906.0 million (previous year: 602.4). Hanson made a significant contribution to the increase with EUR 1,299.7 million, as it is probable that these losses carried forward (of which a considerable amount has not yet been ascertained) cannot be used in the foreseeable future. Unrecognised deferred tax assets amounted to EUR 431.6 million (previous year: 226.2) in the reporting year.

In 2007, EUR 18.6 million (previous year: 7.4) of deferred taxes, resulting primarily from the recognition of actuarial gains and losses in accordance with IAS 19 and from subsequent purchase price allocations in accordance with IFRS 3.62, were charged directly to shareholders' equity. The provision for deferred taxes increased by EUR 698.7 million (previous year: 30.7) as a result of changes in the scope of consolidation, particularly the consolidation of Hanson for the first time; the increase was recognised directly in shareholder's equity.

In accordance with IAS 12, deferred taxes must be recognised on the difference between the share of shareholders' equity of a subsidiary recognised in the Group balance sheet and the carrying amount for this subsidiary in the parent company's tax accounts, if realisation is more likely than not (Outside Basis Differences). On the basis of the regulations for the application of IAS 12.39, deferred taxes of EUR 1.2 million (previous year: 12.5) were recognised on planned future dividends. No deferred tax liabilities were recognised for outside basis differences from the undistributed profits of the subsidiaries of HeidelbergCement AG amounting to EUR 1.4 billion (previous year: 1.3), as no further dividend payments are planned.

To measure deferred taxes, an average income tax rate of 28.78% is applied for the domestic companies in accordance with the 2008 German Business Tax Reform Act (Unternehmensteuerreformgesetz).

Tax reconciliation of continuing operations

EURm	2006	**2007**
Profit before tax	1,305.9	**2,343.4**
Impairment of goodwill	-13.1	**-16.2**
Profit before tax and impairment of goodwill	1,319.0	**2,359.6**
Theoretical tax expense at 30.7% (2006: 30.0%) [1]	-395.3	**-724.9**
Changes to the theoretical tax expense due to:		
Tax-free earnings (+) and non deductible expenses (-) [2]	-5.6	**340.2**
Tax increase (-), reduction (+) for prior years	3.2	**4.2**
Changes in tax rate	8.1	**11.4**
Taxes on income	-389.6	**-369.1**

[1] Weighted average tax rate
[2] Including writedown of deferred tax assets set up in prior years and not recognised deferred tax assets for the current year

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Deferred tax by type of temporary difference

EURm	2007
Deferred tax assets	
Fixed assets	**20.3**
Other assets	**35.6**
Provisions and liabilities	**626.3**
Carryforward of unused tax losses and tax credits	**127.8**
Gross amount	**810.0**
Netting	**-652.6**
	157.4
Deferred tax liabilities	
Fixed assets	**1,599.1**
Other assets	**98.1**
Provisions and liabilities	**59.3**
Gross amount	**1,756.5**
Netting	**-652.6**
	1,103.9

In 2006, the Group balance sheet showed deferred tax assets of EUR 132.8 million and deferred tax liabilities of EUR 506.6 million. The distribution of the balance sheet items is essentially unchanged in comparison with the previous year.

10 Earnings per share (Basic Earnings per Share IAS 33.10)

Earnings per share

EURm	2006	2007
Profit for the financial year	1,026.3	**2,118.8**
Minority interests	75.6	**97.0**
Group share	950.7	**2,021.8**
Number of shares in '000s (weighted average)	115,602	**118,177**
Earnings per share in EUR attributable to the parent entity	8.22	**17.11**
Net income from continuing operations attributable to the parent entity	843.7	**1,880.7**
Earnings per share in EUR – continuing operations	7.29	**15.92**
Net income from discontinued operations attributable to the parent entity	107.0	**141.1**
Earnings per share in EUR – discontinued operations	0.93	**1.19**

The basic earnings per share are calculated in accordance with IAS 33 (Earnings per Share), by dividing the Group share in profit for the financial year by the weighted average of the number of issued shares.

The diluted earnings per share indicator takes into account not only currently issued shares but also shares potentially available through option rights. The earnings per share were not diluted in the reporting period in accordance with IAS 33.24.

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Notes to the cash flow statement

The cash flow statement shows how the Group's cash changed through inflows and outflows during the reporting year. Cash flows in this statement are categorised according to operating, investing and financing activities (IAS 7 Cash Flow Statements). Since the 2007 Annual Accounts, the cash flow statement has been based on the profit after tax from continuing operations. The previous year's values have been restated.

The net cash from operating activities is calculated as profit after tax from continuing operations adjusted for taxes on income, net interest and non-cash items and including cash flows from dividends received, interest and taxes paid, and changes in operating assets and liabilities.

Net cash used in investing activities includes cash outflow for capital expenditures, cash inflow from disposals and changes in the consolidation scope.

Net cash used in financing activities mainly results from changes in capital, dividend payments as well as proceeds from and repayments of bonds and loans. The following notes are provided:

11 Dividends received

The receipt of dividends from non-consolidated companies is shown here.

12 Interest paid

In accordance with IAS 7 (Cash Flow Statements), the interest paid must be shown separately. These amounts are calculated by adjusting the interest expenses for accruals and deferrals recognised in the balance sheet.

13 Elimination of non-cash items

The non-cash items mainly include depreciation and amortisation as well as changes in long-term provisions. In addition, the non-cash portion of the deconsolidation gain from the sale of Vicat S.A. was taken into account in the reporting year. Furthermore, the profits were adjusted for the profits and losses from fixed asset disposals. The total amount earned from these disposals is shown under proceeds from fixed asset disposals in investing activities.

14 Changes in operating assets

Operating assets consist of stock, trade receivables and other assets used in operating activities.

15 Changes in operating liabilities

Operating liabilities include short-term provisions, trade payables and other liabilities from operating activities. Changes in operating liabilities are attributable to the decrease in trade payables as well as other operating liabilities.

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16 Investments (cash outflow)

The investments relate to cash outflows for intangible assets and tangible and financial fixed assets. They differ from additions in the fixed-asset movement schedule, which shows non-cash items as additions, for example. Furthermore, purchases of shares of consolidated companies are shown in the cash flow statement under investments in financial fixed assets while such acquisitions do not appear as additions in the fixed-asset movement schedule. Below is a list of the significant cash payments in connection with consolidated companies.

- 100%share of Hanson Limited, London/United Kingdom, for EUR 11,696.7 million (of which EUR 11,518.6 million affects cash flow);
- 75%share of CaucasusCement Holding B.V., 's-Hertogenbosch/Netherlands, for EUR 71.6 million;
- 4.3%share of Mysore Cements Ltd., Ammasandra/India, for EUR 15.6 million;
- 14.9%share of HC Central Asia B.V., 's-Hertogenbosch/Netherlands, for EUR 12.2 million;
- 6.5%share of Amvrosiyivske Open Joint Stock Company "Doncement", Novoamrvosiyivske/Ukraine, for EUR 5.3 million;
- 29.1%share of Open Joint Stock Company Gurovo-Beton, Tula Oblast/Russia, for EUR 3.8 million;
- 100%share of Kieswerke Andresen GmbH, Damsdorf/Germany, for EUR 3.5 million;
- 51.0%share of PT Gunung Tua Mandiri, Kabupalen Bogor/Indonesia, for EUR 3.4 million;
- 71.4%share of SIA Baltik Saule, Riga/Latvia, for EUR 3.2 million;
- 70%share of UAB Gerdukas, Kaunas/Lithuania, for EUR 2.4 million;
- 0.43%share of CBR International Services, Brussels/Belgium for EUR 2.3 million;
- 100%share of Aggresource Limited, Cleveland/US, for EUR 2.0 million (a deposit of EUR 1.0 million was already paid in 2006).

The additions of investments in associates and other long-term investments are explained in Notes 27 and 28.

17 Proceeds from fixed asset disposals

Cash flows from the sale of tangible and financial fixed assets and the repayment of loans are shown here. The following list shows the significant cash sales of financial fixed assets in the reporting year:

- Vicat S.A., France for EUR 1,394.9 million;
- Florida Rock Industries, Inc., US for EUR 87.8 million;
- Reci Industry Aktiebolag, Sweden for EUR 24.9 million;
- Enerjisa Enerji Üretim A.S., Turkey for EUR 6.4 million;
- Fehrbellin GmbH & Co. KG, Germany for EUR 5.2 million;
- Kies- und Sandwerk Börner GmbH & Co. KG, Germany for EUR 2.4 million;
- Donau Kies GmbH, Germany for EUR 2.0 million (repayment of capital).

18 Cash from changes in consolidation scope

This line shows the inflow or outflow of cash arising from changes in the consolidation scope. The regulations of IAS 7 require these cash flows to be disclosed separately from gross investments or proceeds from fixed asset disposals.

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19 Dividend payments HeidelbergCement AG

In 2007, HeidelbergCement AG paid dividends of EUR 144.5 million (previous year: 132.9).

20 Dividend payments to minority shareholders

The item "Dividend payments to minority shareholders" shows dividends paid during the financial year for minority interests.

21 Proceeds from bond issuance and loans

Besides the long-term Euro Medium Term Notes of SEK 290 million and EUR 50 million newly issued during 2007, this item primarily includes the drawings under the GBP 8.75 billion and EUR 3.4 billion syndicated acquisition facility to pay the purchase price of the Hanson shares and refinance existing debt of Hanson PLC and HeidelbergCement Finance B.V. This loan was partially refinanced in 2007 by the issue of a ten-year bond of EUR 480 million and two bonded loans of EUR 300 million. As a result of the inflow from the sale of Vicat S.A., the volume of the acquisition facility was reduced to GBP 7.72 billion and EUR 3.4 billion in July 2007.

22 Repayment of bonds and loans

This item includes the balance from repayments of ordinary financial liabilities and net cash from taking out or issuing short-term financial debts or obligations. The scheduled repayment of the EUR 1 billion HeidelbergCement Finance BV 6.375 % bond 2000/2007 and the early repayment of the outstanding volume of the HeidelbergCement Finance B.V. 7.375 % high-yield bond of EUR 455 million are included in addition to scheduled repayments of Euro Medium Term Notes and private placement debt amounting to EUR 30 million. In addition, bank liabilities of Hanson Limited and its subsidiaries amounting to approx. EUR 500 million were also refinanced by HeidelbergCement in the course of the Hanson takeover. In addition, EUR 1.7 billion of the syndicated acquisition facility were repaid.

23 Cash and cash equivalents

Cash and cash equivalents include securities with a remaining term of less than three months and liquid funds.

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Notes to the balance sheet – Assets

24 Intangible assets

Intangible assets EURm	Goodwill	Other intangible assets	Total
Cost			
1 January 2006	2,783.1	196.1	2,979.2
Previous year adjustment	52.2	10.1	62.3
Additions	320.3	4.1	324.4
Disposals	-25.9	-20.0	-45.9
Reclassifications	-14.9	22.4	7.5
31 December 2006	3,114.8	212.7	3,327.5
Amortisation and impairment			
1 January 2006	379.5	145.0	524.5
Previous year adjustment	12.9	-8.7	4.2
Additions		10.6	10.6
Impairment	13.1		13.1
Disposals	-9.3	-18.5	-27.8
Reclassifications		0.4	0.4
31 December 2006	396.2	128.8	525.0
Net book value at 31 December 2006	**2,718.6**	**83.9**	**2,802.5**
Cost			
1 January 2007	3,114.8	212.7	3,327.5
Previous year adjustment	-577.5	93.9	-483.6
Additions	9,071.1	15.7	9,086.8
Disposals	-36.1	-4.3	-40.4
Reclassifications		9.6	9.6
Reclassifications to current assets	-409.0	-18.5	-427.5
31 December 2007	11,163.3	309.1	11,472.4
Amortisation and impairment			
1 January 2007	396.2	128.8	525.0
Previous year adjustment	-11.7	-4.3	-16.0
Additions		14.4	14.4
Impairment	16.2	0.8	17.0
Disposals	-0.5	-1.9	-2.4
Reclassifications		4.0	4.0
Reclassification to current assets	-0.5	-12.4	-12.9
31 December 2007	399.7	129.4	529.1
Net book value at 31 December 2007	**10,763.6**	**179.7**	**10,943.3**

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Goodwill, concessions and software are shown under intangible assets. As at the balance sheet date, there were no acquired and capitalised emission rights. The expenses incurred in connection with development activities do not fulfil the recognition criteria of IAS 38 (Intangible Assets) and were consequently recognised fully in the profit and loss accounts.

Intangible assets with finite useful lives amounted to EUR 162.8 million and those with indefinite useful lives to EUR 16.9 million. The goodwill comprises acquired market shares that cannot be assigned to any other determinable and separable intangible assets.

In 2007, goodwill of EUR 9,071.1 million was capitalised. Significant additions were the goodwill from the acquisition of the Hanson Group amounting to EUR 8,940.8 million, the acquisition of SaqCementi LLC/Georgia, amounting to EUR 55.8 million, and the acquisition of Open Joint Stock Company Gurovo-Beton/Russia, amounting to EUR 4.6 million. The acquisition of a further 4.3%share of Mysore Cement Ltd./India, led to an increase of EUR 8.7 million in goodwill. The acquisition of assets of the cement plant in Ladik/Turkey resulted in goodwill of EUR 28.4 million. The valuation of put options held by minorities led to a decrease of EUR 20.4 million in goodwill. Existing larger individual items of goodwill are connected with the acquisition of S.A. Cimenteries CBR, Brussels/Belgium, HeidelbergCement, Inc., Wilmington/US, Akçansa Cimento Sanayi ve Ticaret A.S., Istanbul/Turkey, HeidelbergCement Bangladesh Ltd., Chittagong/ Bangladesh, and ENCI N.V., 's-Hertogenbosch/Netherlands.

The line "Previous year adjustment" comprises the acquired intangible assets of the Hanson Group, amounting to EUR 77.5 million. Reclassifications to current assets include the goodwill from the acquisitions of maxit Group, Cement Company of Northern Nigeria and Société Nigérienne de Cimentérie, which are transferred to assets held for sale and discontinued operations.

Goodwill impairment tests are carried out annually in accordance with IAS 36 (Impairment of Assets). Impairment losses on goodwill of EUR 16.2 million were recognised in the reporting year. This impairment is taken into account in the additional ordinary expenses and explained in more detail in Note 7. The remaining negative goodwill arising from business combinations amounted to EUR 0.1 million (previous year: 0.2) and was recognised in the additional ordinary result.

Adjustments of EUR -565.5 million (previous year: 4.3) were made as a result of the effects of changes in currency exchange rates.

25 Tangible fixed assets

The tangible fixed assets of the acquired Hanson Group are included in the line "Previous year adjustment" with an amount of EUR 5,572.1 million. The tangible fixed assets of maxit Group, Cement Company of Northern Nigeria, Société Nigérienne de Cimenterie and United Marine Holdings Limited were reclassified to current assets and shown under assets held for sale and discontinued operations.

In the reporting year, impairment losses of EUR 11.4 million and reversals of EUR 9.8 million were recognised; these are explained in Note 7 "Additional ordinary result". Tangible fixed assets also include EUR 30.7 million (previous year: 10.5) of capitalised leased assets. Liens amounting to EUR 30.7 million (previous year: 86.0) were granted as security. Adjustments made during the reporting year for the effects of changes in exchange rates totalled EUR -533.9 million (previous year -150.6).

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Tangible fixed assets EURm	Land and buildings	Plant and machinery	Fixtures, tools and equipment	Payments on account and assets under construction	Total
Cost					
1 January 2006	3,790.1	7,696.5	913.0	283.1	12,682.7
Previous year adjustment	13.2	-27.6	-28.8	-12.4	-55.6
Additions	43.6	125.5	44.4	344.1	557.6
Disposals	-76.6	-147.2	-62.0	-1.0	-286.8
Reclassifications	92.0	119.6	14.9	-234.0	-7.5
31 December 2006	3,862.3	7,766.8	881.5	379.8	12,890.4
Depreciation and impairment					
1 January 2006	1,750.6	4,714.5	722.9		7,188.0
Previous year adjustment	-19.3	-85.4	-25.6		-130.3
Additions	100.7	349.6	53.4		503.7
Impairment	18.1	1.6	0.1		19.8
Reversal of impairment		-9.2			-9.2
Disposals	-43.1	-122.1	-57.3		-222.5
Reclassifications	7.2	1.5	-9.1		-0.4
31 December 2006	1,814.2	4,850.5	684.4		7,349.1
Net book value at 31 December 2006	**2,048.1**	**2,916.3**	**197.1**	**379.8**	**5,541.3**
Cost					
1 January 2007	3,862.3	7,766.8	881.5	379.8	12,890.4
Previous year adjustment	3,055.8	1,534.2	13.3	331.3	4,934.6
Additions	87.9	264.7	54.4	585.5	992.5
Disposals	-85.5	-144.8	-43.4	-1.2	-274.9
Reclassifications	132.1	341.3	23.6	-506.6	-9.6
Reclassifications to current assets	-371.8	-787.8	-202.1	-17.0	-1,378.7
31 December 2007	6,680.8	8,974.4	727.3	771.8	17,154.3
Depreciation and impairment					
1 January 2007	1,814.2	4,850.5	684.4		7,349.1
Previous year adjustment	-21.0	-118.8	-10.1		-149.9
Additions	118.1	392.3	48.1		558.5
Impairment	0.5	10.2	0.7		11.4
Reversal of impairment	-0.3	-9.4	-0.1		-9.8
Disposals	-32.7	-126.2	-36.1		-195.0
Reclassifications	21.1	-21.2	-3.9		-4.0
Reclassification to current assets	-181.8	-484.0	-174.9		-840.7
31 December 2007	1,718.1	4,493.4	508.1		6,719.6
Net book value at 31 December 2007	**4,962.7**	**4,481.0**	**219.2**	**771.8**	**10,434.7**

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26 Financial fixed assets

Participations EURm	Investments in associates	Financial investments	Total
Cost			
1 January 2006	821.2	349.2	1,170.4
Previous year adjustment	-61.2	-98.7	-159.9
Additions	179.1	22.2	201.3
Disposals	-44.2	-14.5	-58.7
Reclassifications	-0.8	0.8	0.0
31 December 2006	894.1	259.0	1,153.1
Impairment			
1 January 2006	61.2	14.7	75.9
Previous year adjustment	-26.0	1.2	-24.8
Impairment	11.8	8.9	20.7
Reversal of impairment	-2.0	-0.3	-2.3
Disposals	-1.1	-0.4	-1.5
Reclassifications	-0.4	0.4	0.0
31 December 2006	43.5	24.5	68.0
Net book value at 31 December 2006	**850.6**	**234.5**	**1,085.1**
Cost			
1 January 2007	894.1	259.0	1,153.1
Previous year adjustment	-162.3	-73.8	-236.1
Additions	136.3	59.9	196.2
Disposals	-68.1	-78.1	-146.2
Reclassifications	-0.2	0.2	0.0
Reclassifications to current assets	-4.7	-7.5	-12.2
31 December 2007	795.1	159.7	954.8
Impairment			
1 January 2007	43.5	24.5	68.0
Previous year adjustment	-12.5	-7.0	-19.5
Impairment	11.0	1.1	12.1
Reversal of impairment	-2.6	-0.4	-3.0
Disposals	-6.2	-4.9	-11.1
Reclassification to current assets		-6.2	-6.2
31 December 2007	33.2	7.1	40.3
Net book value at 31 December 2007	**761.9**	**152.6**	**914.5**

The line "Previous year adjustment" in 2007 includes the participations of the acquired Hanson Group, which account for EUR 457.5 million. The participations of maxit Group were reclassified to current assets and shown under discontinued operations. Changes in exchange rates had an effect of EUR - 4.1 million (previous year: -31.6) on the investments in associates and of EUR 0.7 million (previous year: -14.5) on financial investments.

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27 Investments in associates

The following table contains the summarised financial information concerning the investments in associates of the HeidelbergCement Group.

Investments in associates

EURm	2006	**2007**
Investments in associates – balance sheet		
Assets	1,569.4	**1,259.5**
Liabilities	-691.7	**-480.6**
	877.7	**778.9**
Impairment	-43.6	**-33.3**
Net assets	834.1	**745.6**
Investments in associates – profit and loss accounts		
Turnover	1,500.2	**1,087.8**
Profit	159.6	**122.7**
Unrecognised share of losses for the period	-1.0	**-4.1**
Unrecognised share of losses cumulated	-16.4	**-16.3**
Carrying amount of associates	850.6	**761.9**

Significant changes resulted from the sale of Vicat S.A. in June 2007. This was counteracted by the inclusion of the associated companies of the Hanson Group with net assets of EUR 442.8 million.

28 Financial investments

This item includes investments in equity securities acquired on the basis of long-term investment planning. As at the reporting date, the fair value of investments categorised as "Available for sale at fair value" amounts to EUR 27.4 million (previous year: 94.0). In the period, changes in the fair value of EUR 3.6 million were recognised directly in equity and EUR -58.2 million released to profit or loss. The release relates primarily to the sale of shares in Florida Rock Industries, Inc., US. The carrying amount of the investments classified as "Available for sale at cost" amounts to EUR 125.2 million (previous year: 140.4). The decline in comparison with the previous year is based essentially on the fact that Kopalnia Wapienia Podgrozie, Poland, is now accounted for "at equity".

29 Long-term receivables and derivative financial instruments

The following table shows the composition of the long-term receivables and derivative financial instruments.

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Long-term receivables and derivative financial instruments

EURm	2006	**2007**
Loans to participations	32.0	**79.8**
Other loans	41.7	**24.0**
Derivative financial instruments	3.8	**2.0**
Other long-term operating receivables	69.5	**230.6**
Other long-term non-financial receivables	6.4	**123.4**
	153.4	**459.8**

The long-term derivative financial instruments with positive market values of EUR 2.0 million (previous year: 3.8) include currency forwards of EUR 2.0 million (previous year: 1.2) and interest rate swaps of EUR 0.0 million (previous year: 2.6). At the balance sheet date, these instruments are not accounted for as hedges in accordance with IAS 39. The change in fair value amounted to EUR -1.8 million and was recognised in profit or loss. Additional statements on the derivative financial instruments are provided on pages 126 ff. Other long-term operating receivables particularly include claims for reimbursement against insurance companies for environmental and third-party liability damages. The increase is essentially attributable to the first-time consolidation of Hanson.

The other long-term non-financial receivables primarily include overfunding of pension schemes as well as prepaid expenses and accrued income. The increase in comparison with the previous year mainly relates to the increase in the overfunding of pension schemes and the increase in prepaid expenses and accrued income, which were shown under other operating receivables in the previous year.

The following table shows the due term structure of the long-term financial receivables.

Due terms of long-term financial receivables EURm	Loans to participations		Other loans		Other long-term operating receivables		Total	
	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**
not impaired not overdue	31.4	**78.1**	40.6	**23.4**	60.4	**223.0**	132.4	**324.5**
not impaired overdue, 1 - 60 days					0.1		0.1	
not impaired overdue, 61 - 360 days				**0.4**	0.5	**1.3**	0.5	**1.7**
not impaired overdue, > 360 days	0.6	**0.1**	1.1	**0.2**	8.5	**5.7**	10.2	**6.0**
impaired		**1.6**				**0.6**		**2.2**
	32.0	**79.8**	41.7	**24.0**	69.5	**230.6**	143.2	**334.4**

As at the reporting date, there are no indications that the debtors of the receivables shown as "not impaired" will not meet their payment obligations.

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30 Stock

Stock, measured at fair value less cost to sell, and resulting impairment are insignificant.

31 Receivables and other assets

The following overview shows the composition of the receivables and other assets.

Receivables and other assets

EURm	2006	**2007**
Other short-term financial receivables	89.1	**182.1**
Trade receivables	1,024.3	**1,746.7**
Other short-term operating receivables	265.2	**326.4**
Non-financial other assets	38.0	**109.7**
Current income tax assets	56.5	**138.3**
	1,473.1	**2,503.2**

The increase in other short-term financial receivables and trade receivables is essentially attributable to the first-time consolidation of Hanson.

The other short-term operating receivables include, in particular, claims for damages as well as claims for reimbursement against insurance companies for environmental and third-party liability damages. The increase is due to the first-time consolidation of Hanson in particular.

Non-financial other assets, which do not fall within the scope of IAS 39, essentially include interest paid in advance and other prepayments.

The following table shows the due term structure of the short-term financial receivables.

Due of terms of short-term financial receivables EURm	Other short-term financial receivables		Trade receivables		Other short-term operating receivables		Total	
	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**
not impaired not overdue	86.7	**173.5**	623.7	**1,002.0**	234.6	**301.4**	945.0	**1,476.9**
not impaired overdue, 1 - 60 days	0.6	**0.2**	302.3	**478.4**	14.7	**10.7**	317.6	**489.3**
not impaired overdue, 61 - 360 days	1.5		34.2	**108.3**	2.0	**10.1**	37.7	**118.4**
not impaired overdue, > 360 days	0.3	**4.4**	8.7	**13.9**	1.1	**4.1**	10.1	**22.4**
impaired		**4.0**	55.4	**144.1**	12.8	**0.1**	68.2	**148.2**
	89.1	**182.1**	1,024.3	**1,746.7**	265.2	**326.4**	1,378.6	**2,255.2**

As at the reporting date, there are no indications that the debtors of the receivables shown as "not impaired overdue" and "not overdue" will not meet their payment obligations.

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The valuation allowances on trade receivables have developed as follows:

Valuation allowances on trade receivables

EURm	2006	**2007**
Valuation allowances 1 January	75.1	**70.4**
Additions	6.4	**22.7**
Use and reversal	-4.8	**-5.5**
Currency translation and other adjustments	-6.3	**-24.5**
Valuation allowances 31 December	70.4	**63.1**

The valuation allowances are essentially based on historical default probabilities and due terms. The valuation allowances are primarily valuation allowances for collective impairments. The other movements result mainly from the reclassification of maxit Group to discontinued operations, which accounts for EUR -20.2 million.

32 Financial investments, derivative financial instruments and cash

The short-term investments in the category "available for sale" are measured at fair value directly in equity ("Available for sale at fair value"). The short-term investments increased to EUR 2.7 million (previous year: 0.1). EUR 4.2 million was recognised directly in equity and EUR -1.5 million released to profit or loss. The release relates to the sale of shares in PT Buket Sentul Tbk (BKSL), Indonesia.

The short-term derivatives with positive market values of EUR 38.3 million (previous year: 15.2) include currency swaps of EUR 21.1 million (previous year: 9.3), currency forwards of EUR 1.4 million (previous year: 0.6) and commodities of EUR 15.8 million (previous year: 5.3). The effective portion of the change in the fair values of derivative financial instruments, accounted for as hedging instruments of cash flow hedges, amounts to EUR 9.1 million and is recognised directly in equity. The changes in the fair values of the derivatives accounted for as "held for trading" amount to EUR 14.0 million and were recognised in profit or loss. Additional statements on the derivative financial instruments are provided on pages 126 ff.

Cash and cash equivalents include cash balances and deposits at banks with a first-class credit rating. EUR 3.4 million of the cash is not available for the use by HeidelbergCement.

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Notes to the balance sheet – Equity and liabilities

33 Subscribed share capital

Subscribed share capital	Subscribed share capital EUR '000s	Number in '000s
1 January 2007	346,974	115,658
Capital decrease through withdrawal of treasury shares	-155	-52
Cash capital increase	13,181	4,394
31 December 2007	**360,000**	**120,000**

As at the balance sheet date, the subscribed share capital amounts to EUR 360,000,000 and is divided into 120,000,000 shares; the shares are no-par value bearer shares. The nominal value is 3 Euro per share.

Authorised capital

The Annual General Meeting held on 23 May 2006 authorised the Managing Board, with the consent of the Supervisory Board, to increase the Company's subscribed share capital by a total amount of up to EUR 74,000,000 by issuing new no-par value bearer shares in return for cash contributions on one or more occasions until 22 May 2011 (Authorised Capital I). The shareholders must be granted subscription rights. However, the Managing Board is authorised to exclude the subscription rights of shareholders with respect to fractional amounts and to exclude the subscription right completely or partially for an amount of up to EUR 29,600,000 or, if this value is lower, of 10% of the available subscribed share capital at the time of exercise of the authorisation, in order to issue new shares at an issue price that is not substantially lower than the stock market price of the old shares; the limit for the amount should take into account those shares otherwise issued or sold during the term of this authorisation in application of § 186, section 3, clause 4 of the German Stock Company Act. With the consent of the Supervisory Board, the Managing Board will decide on the further nature of the share rights and the terms of the share issue.

By resolution of the Managing Board and Supervisory Board of 13 May 2007, the 51,738 treasury shares held by the Company were cancelled. This reduced the subscribed share capital to EUR 346,818,753 and the number of shares to 115,606,251. By resolution of the Managing Board and Supervisory Board of the same date, the subscribed share capital was then increased by EUR 13,181,247 to EUR 360,000,000 through the issue of 4,393,749 new shares, utilising part of the Authorised Capital I; the total number of shares rose to 120,000,000. This reduced the Authorised Capital I to EUR 60,818,753. Only VEM Vermögensverwaltung GmbH, Dresden, was permitted to subscribe to the new shares; the subscription right of the remaining shareholders was excluded by exercising the authorisation mentioned above.

The Annual General Meeting held on 23 May 2006 also authorised the Managing Board, with the consent of the Supervisory Board, to increase the Company's subscribed share capital by a total amount of up to EUR 74,000,000 by issuing new no-par value bearer shares in return for contributions in kind on one or more occasions until 22 May 2011 (Authorised Capital II). The Managing Board is authorised, with the consent of the Supervisory Board, to exclude the subscription rights of shareholders and determine the further details of the capital increase and the terms of the share issue.

As at the balance sheet date, the Company has no treasury shares.

On the basis of the authorisation contained in the Articles of Association (Authorised Capital I), the subscribed share capital was increased by EUR 15,000,000 to EUR 375,000,000 by resolutions of the Managing Board of 15 January 2008 and 14 February 2008 and with the consent of the Supervisory Board of 14 February 2008. The capital increase has been carried out. The new shares are entitled to participate in dividends from 1 January 2007. Following this capital increase, the Authorised Capital I amounts to EUR 45,818,753.

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34 Share premium

The share premium was essentially created from the premium from capital increases. The development of share premium is shown in the following table.

Share premium

EUR '000s	2006	**2007**
1 January	2,512,679	**2,462,144**
Withdrawal of treasury shares		**-2,779**
Conversion into subscribed share capital	-50,889	
Exercise of stock options	354	
Cash capital increase		**514,027**
31 December	2,462,144	**2,973,392**

The capital increase for cash takes into account net transaction costs of EUR 41,000.

35 Profit and loss reserve

The profit and loss reserve includes profits earned in previous years by HeidelbergCement AG and its subsidiaries which have not yet been distributed, as well as changes recognised directly in equity. The statement of recognised income and expense is presented separately in accordance with IAS 1.96 ff. (Presentation of Financial Statements). Explanations of the changes recognised directly in equity as shown in the reconciliation of changes in total equity:

- Consolidation adjustments: In particular, this relates to changes recognised directly in equity of associates accounted for at equity.
- IAS 19 Employee Benefits: The application of IAS 19 (Employee Benefits) led to an adjustment of EUR 68.8 million (previous year: 5.1) in revenue reserves.
- IAS 39 Financial Instruments: Recognition and Measurement: The financial instruments comprise the "available-for-sale financial assets" of EUR -34.4 million (previous year: -7.0) and the derivative financial instruments of EUR 6.4 million (previous year: 11.8).
- Exchange rate: The net assets denominated in foreign currency changed primarily as a result of the disproportionate fall in the GBP and USD prices since the acquisition of the Hanson Group.

36 Minority interests

The increase in minority interests in connection with the consolidation adjustments is attributable in particular to the first-time consolidation of the Georgian companies and the inclusion of Hanson.

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37 Provisions

The following overview shows the development of the provisions. The "Adjustments to 2006" line includes changes in the consolidation scope and foreign exchange differences. The "Reclassification to current liabilities" line shows the reclassification of the provisions of maxit Group to the liabilities from discontinued operations and of Cement Company of Northern Nigeria, Société Nigérienne de Ciment and United Marine Holdings Ltd. to the liabilities from disposal groups.

Provisions EURm	Pensions and similar liabilities	Deferred taxes	Other	Total
1 January 2007	750.9	506.6	531.3	1,788.8
Adjustments to 2006	134.8	654.6	956.6	1,746.0
Reclassification to current liabilities	-35.9	-37.9	-43.0	-116.8
Utilisation	-122.2		-116.0	-238.2
Release	-145.5	-65.0	-61.4	-271.9
Addition	145.8	45.6	132.6	324.0
31 December 2007	**727.9**	**1,103.9**	**1,400.1**	**3,231.9**

We have set up appropriate provisions in the balance sheet to ensure adequate provision for risks and uncertainties. Detailed explanations of the provisions can be found in Notes 38 and 39.

38 Provisions for pensions

For numerous employees, the Group makes provision for retirement benefits either directly or indirectly through contributions to pension funds. Various retirement benefit systems are in place, depending on the legal, economic and tax framework in each country. These are generally based on employees' years of service and remuneration. The provisions for pensions include those from current pensions and from entitlements from pensions to be paid in the future. At HeidelbergCement, the company pension schemes include both defined contribution plans and defined benefit plans. In defined contribution plans, the Group pays contributions into earmarked funds. After paying the contributions, the Group has no further benefit obligations. The sum of all pension expenses in connection with defined contribution plans amounted to EUR 31.4 million (previous year: 28.2). In 2007, the contributions to the statutory pension insurance fund amounted to EUR 20.5 million (previous year: 20.6).

In defined benefit plans, the Group's obligation is to provide the agreed benefits to current and former employees. A distinction is made between benefit systems financed by provisions and those financed by funds. The most significant retirement benefit plans financed by funds exist in Belgium, the Netherlands, the United Kingdom, the US, Canada, Norway, India and Indonesia. The retirement benefit system in Indonesia consists of a statutory defined benefit plan and a company-based defined contribution plan financed by funds, the benefits from which may be set off against the statutory benefits. In Germany and Sweden, the retirement benefit plans are financed by means of provisions. HeidelbergCement also has a retirement benefit system financed by provisions to cover the medical care costs of pension

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recipients in Belgium, Indonesia and the US, and for early retirement commitments in Belgium. The Dutch system to cover medical care costs was closed in 2006; the outstanding obligations relate purely to the settlement of ongoing cases of illness.

The effect of the acquisition of the Hanson Group in 2007 was shown in the business acquisitions. The pension expenses were shown in the personnel costs from continuing operations. The assets and liabilities and the income and expenses from the pension obligations of maxit Group were reclassified to discontinued operations.

Calculation of pension obligations

The pension obligations and the available plan assets are valued annually by independent experts for all major Group companies. The pension obligations and the expenses required to cover this obligation are measured in accordance with the internationally accepted projected unit credit method (IAS 19 Employee Benefits).

The actuarial assumptions on which the calculations are based are summarised in the following table (weighted presentation):

Actuarial assumptions

	2006	**2007**
Discount rate	4.87%	**5.72%**
Expected return on plan assets	6.41%	**6.13%**
Future salary increases	3.36%	**4.03%**
Expected increase in health care cost	4.93%	**6.45%**

The actuarial assumptions are dependent on the economic situation in each individual country and reflect realistic expectations. The interest rate is based on the interest rate level obtained on the measurement date for high-quality fixed interest-bearing securities/corporate bonds with a duration corresponding to the pension plans concerned in the relevant country. The expected income from the pension funds is determined using a uniform method based on long-term actual historical yields, the portfolio structure and the future yields expected in the long term.

Actuarial gains and losses may result from increases or decreases in the present value of the defined benefit obligations or the fair value of the plan assets. These may be caused by, for example, changes in the calculation parameters, changes in estimates of the risk experience of the pension obligations or differences between the actual and expected return on plan assets. In accordance with the third option "Statement of recognised income and expense (SORIE)" of IAS 19, these actuarial gains and losses are recognised directly in equity.

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Overview of types of retirement benefit plans

In accordance with IAS 19 (Employee Benefits), detailed information concerning pension plans and benefit plans for medical care costs amounting to EUR 645.9 million (previous year: 744.5) is provided below, showing the funding of the plans and how they are accounted for in the balance sheet and profit and loss accounts.

Types of retirement benefit plans

EUR '000s	2006	**2007**
Defined benefit pension plans	619,639	**433,375**
Plans for health care costs	124,826	**212,485**
	744,465	**645,860**

Presentation in the balance sheet

EUR '000s	2006	**2007**
Long-term pension provisions	678,906	**648,360**
Short-term pension provisions	71,956	**79,498**
Overfunding in pension schemes	-6,397	**-81,998**
	744,465	**645,860**

Pension obligations and pension funds

In 2007, pension obligations amounting to EUR 3,627.5 million (previous year: 1,055.3) existed in the Group, which were covered by outside pension funds. In addition there were direct agreements of EUR 471.0 million (previous year: 537.0). Obligations in the US, Indonesia, Belgium, Canada and the Netherlands for medical care costs for pension recipients amounted to EUR 212.6 million (previous year: 124.9). The following table shows the financing status of these plans and their presentation in the balance sheet.

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Pension obligations and pension funds: Continuing operations EUR '000s	Pension plans		Plans for health care cost		Total	
	2006	**2007**	2006	**2007**	2006	**2007**
Present value of funded obligations	1,055,336	**3,627,538**			1,055,336	**3,627,538**
Fair value of plan assets	-976,217	**-3,697,610**			-976,217	**-3,697,610**
Recognised limitation acc. to IAS 19.58 B		**29,008**				**29,008**
Fair value of plan assets after limitation acc. to IAS 19.58 B	-976,217	**-3,668,602**			-976,217	**-3,668,602**
Deficit (+) / surplus (-)	79,119	**-41,064**			79,119	**-41,064**
Present value of unfunded obligations	536,975	**470,996**	124,936	**212,633**	661,911	**683,629**
Total liability	616,094	**429,932**	124,936	**212,633**	741,030	**642,565**
Obligation in the balance sheet	619,639	**433,375**	124,826	**212,485**	744,465	**645,860**
Unrecognised past service cost	-3,545	**-3,443**	110	**148**	-3,435	**-3,295**

The pension plans and the plans for medical care costs include actuarial losses totalling EUR 144.0 million (previous year: 263.1), which have been recognised directly in shareholders' equity. The decrease of EUR 113.5 million (previous year: 20.0) in actuarial losses results primarily from the positive development of the funds' assets, the foreign currency translation and the rise in the interest rate on which the actuarial calculation is based. This rise amounted to 0.85 percentage points (previous year: 0.10). The following table shows the development of the actuarial gains and losses.

Actuarial losses / gains recognised in the statement of recognised income and expense

EUR '000s	2006	**2007**
1 January	283,132	**263,139**
Change during year	-8,617	**-104,635**
Allocation to discontinued operations		**-5,576**
Exchange rate changes	-11,376	**-8,898**
31 December	263,139	**144,030**

In 2007, as a result of changes in fund balances (i.e. not as a result of the change in the actuarial assumptions on which the measurement is based), profits of EUR 47.2 million (previous year: 11.7) accrued on the funds' assets and losses of EUR 7.6 million (previous year: 29.8) accrued on the obligations.

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Development in the profit and loss accounts

The expenses for retirement benefits for the significant pension plans, included in the personnel costs, amounted to EUR 77.0 million (previous year: 59.1) and can be summarised as follows:

Development in the profit and loss accounts EUR '000s	Pension plans		Plans for health care cost		Total	
	2006	**2007**	2006	**2007**	2006	**2007**
Current service cost	39,020	**52,460**	3,147	**3,301**	42,167	**55,761**
Interest cost	68,237	**126,992**	6,395	**9,062**	74,632	**136,054**
Expected return on plan assets	-52,587	**-112,249**			-52,587	**-112,249**
Expected return on reimbursement rights acc. to IAS 19.104A		**-183**				**-183**
Acturial losses/(gains) recognised	1,909	**1,863**			1,909	**1,863**
Past service cost recognised	-97	**-172**	66	**-85**	-31	**-257**
Curtailment or settlement losses/(gains) recognised	1,709	**-2,360**	-9,097	**-1,598**	-7,388	**-3,958**
Transition amount (from local GAAP to IAS)	410				410	
Expense from continuing operations recognised in profit and loss accounts	58,601	**66,351**	511	**10,680**	59,112	**77,031**
Expense from discontinued operations recognised in profit and loss accounts	5,009	**4,625**	-1,040		3,969	**4,625**
Total expense recognised in profit and loss accounts	63,610	**70,976**	-529	**10,680**	63,081	**81,656**

The actual return on the funds' assets amounted to EUR 173.5 million (previous year: 80.2), exceeding the expected return on plan assets by EUR 61.3 million (previous year: 24.9).

Sensitivity analysis of the expected health care cost

Developments in the cost of health care affect the profit and loss accounts and the pension obligations. The following table shows the effects of a one-percent increase or decrease in the expected cost of health care:

Sensitivity analysis of the expected health care cost EUR '000s	changes in health care cost by +1%	 -1%
Effect on the service cost and interest cost	1,089	-1,399
Effect on defined benefit obligation	17,736	-12,266

Development of the pension obligations and the funds' assets

The following table shows the development of pension obligations of EUR 4,311.2 million (previous year: 1,717.2) and the funds' assets of EUR 3,697.6 million (previous year: 976.2):

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Development of pension obligations and plan assets: Continuing operations EUR '000s	Pension plans		Plans for health care cost		Total	
	2006	**2007**	2006	**2007**	2006	**2007**
Defined benefit obligation at 1 January	1,597,995	**1,592,311**	133,138	**124,936**	1,731,133	**1,717,247**
Change in scope of consolidation	3,696	**-4,744**			3,696	**-4,744**
Current service cost	42,174	**52,311**	3,147	**3,301**	45,321	**55,612**
Interest cost	71,849	**126,992**	6,395	**9,062**	78,244	**136,054**
Employee contributions	5,452	**7,946**	473		5,925	**7,946**
Actuarial losses/(gains)	-7,981	**-72,657**	11,666	**-3,981**	3,685	**-76,638**
Benefits paid by company	-34,943	**-51,934**	-7,850	**-11,077**	-42,793	**-63,011**
Benefits paid by fund	-57,326	**-101,539**			-57,326	**-101,539**
Expenses, taxes and premiums paid	-468	**-579**		**-241**	-468	**-820**
Past service cost	7,171	**289**	621		7,792	**289**
Business combinations	2,589	**2,913,905**	27	**110,245**	2,616	**3,024,150**
Plan curtailments	1,709	**-2,360**		**-1,598**	1,709	**-3,958**
Plan settlements	-7,200	**-5,892**	-10,137		-17,337	**-5,892**
Reclassifications to current assets/ liabilities from discontinued operations		**-97,910**		**-36**		**-97,946**
Exchange rate changes	-32,406	**-257,605**	-12,544	**-17,978**	-44,950	**-275,583**
Defined benefit obligation at 31 December	1,592,311	**4,098,534**	124,936	**212,633**	1,717,247	**4,311,167**
Funded obligation	1,055,336	**3,627,538**			1,055,336	**3,627,538**
Unfunded obligation	536,975	**470,996**	124,936	**212,633**	661,911	**683,629**
Fair value of plan assets at 1 January	946,865	**976,217**			946,865	**976,217**
Change in scope of consolidation	3,649				3,649	
Expected return on plan assets	55,279	**112,249**			55,279	**112,249**
Actuarial gains/(losses)	13,205	**61,508**			13,205	**61,508**
Employer contributions	43,604	**58,040**			43,604	**58,040**
Employee contributions	5,452	**7,946**			5,452	**7,946**
Benefits, expenses, taxes and premiums paid	-59,213	**-103,083**			-59,213	**-103,083**
Business combinations	296	**2,910,395**			296	**2,910,395**
Plan settlements	-7,200	**-5,892**			-7,200	**-5,892**
Reclassifications to current assets/ liabilities from discontinued operations		**-67,155**				**-67,155**
Exchange rate changes	-25,720	**-252,615**			-25,720	**-252,615**
Fair value of plan assets at 31 December	976,217	**3,697,610**			976,217	**3,697,610**

HeidelbergCement paid EUR 63.0 million (previous year: 42.8) directly to the pension recipients and EUR 58.0 million (previous year: 43.6) as employer contributions to the funds. In 2008, we expect to pay EUR 129.3 million (previous year: 81.5).

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Breakdown of the funds' assets

The funds' assets originate primarily from North America, with 27% (previous year: 25%), the United Kingdom, with 61% (previous year: 25%) and the Netherlands, with 9%(previous year: 33%). The assets in the funds can be divided into the following categories on a percentage basis:

Breakdown of the funds' assets

	2006	**2007**
Equities North America	13%	**10%**
Equities Western Europe	16%	**13%**
Equities other regions	15%	**7%**
Bonds North America	6%	**19%**
Bonds Western Europe	30%	**40%**
Bonds other regions	7%	**1%**
Others	13%	**10%**

Five-year comparison

The development of the pension obligations and the funds' assets is shown in the following table:

Five-year comparison: Continuing operations

EUR '000s	2003	2004	2005	2006	**2007**
Pension Plans					
Present value of funded obligations for pension plans	798,962	827,172	1,050,514	1,055,336	**3,627,538**
Present value of unfunded obligations for pension plans	441,416	450,240	547,479	536,975	**470,996**
Present value of unfunded obligations for health care plans	101,647	105,368	133,138	124,936	**212,633**
Total present value of obligations	1,342,025	1,382,780	1,731,131	1,717,247	**4,311,167**
Fair value of plan assets after limitation acc. to IAS 19.58 B	-722,545	-784,811	-946,865	-976,217	**-3,668,602**
Deficit (+) / Surplus (-)	619,480	597,969	784,266	741,030	**642,565**
Experience (gains) / losses on obligations		-12,556	66,728	29,773	**-7,617**
Experience gains / (losses) on assets		-9,406	-46,528	-11,716	**-47,160**
Expected development of obligations		55,572	33,059	30,873	**85,888**
Expected development of assets		-45,645	-47,110	42,940	**120,143**

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HeidelbergCement also participates in "Multi-Employer Pension Plans" (MEP), predominantly in the US, which award some unionised employees fixed benefits after their retirement. Multi-Employer Pension Plans are accounted for as defined contribution plans, as it is not possible to isolate the individual components of these plans. The contributions are determined on the basis of collective bargaining. The undercoverage and overcoverage of these plans have no significant impact on the Group Annual Accounts. Contributions of EUR 2.8 million were paid in 2007.

39 Other provisions

Other provisions comprise all identifiable risks from uncertain liabilities and anticipated losses from pending transactions. Recultivation obligations are recognised in profit or loss in accordance with the progress of extraction from quarries. In 2007, provisions for recultivation amounted to EUR 187.3 million (previous year: 147.5). Obligations from restructuring measures are included, as are obligations from guarantee commitments. Other provisions also include adequate risk provision for legal disputes including risks from pending cartel proceedings, environmental obligations, product liability or long-service awards.

With the exception of provisions for restructuring measures of EUR 53.3 million, for which a cash outflow is expected in the next two years, the dates of the cash outflows for the other provisions are uncertain as they are dependent on various external factors outside HeidelbergCement's control.

The increase of EUR 868.8 million in other provisions is essentially attributable to the obligations assumed as a result of the acquisition of the Hanson Group. As at the balance sheet date, these relate primarily to liability for damages amounting to EUR 301.5 million and environmental obligations of EUR 291.8 million, as well as restoration and recultivation obligations of EUR 77.1 million and EUR 62.0 million respectively.

The liability for damages relates mainly to US subsidiaries of Hanson. These subsidiaries are facing claims for damages in connection with the manufacture of products containing asbestos in the period from 1973 to 1984. Furthermore, a substantial increase in environmental and product liability claims in connection with toxic substances against former and existing participations, which are not linked to the current business activity, is being recorded in the US Adequate provisions have been formed on the basis of an extrapolation of the claims and reliable estimates of the development of costs. The corresponding claims for reimbursement against the environmental and third-party liability insurers amount to EUR 173.0 million and are shown under other operating receivables.

The interest rate effect of other provisions amounted to EUR 0.9 million. Changes in the discount rate led to a decrease of EUR 0.2 million in provisions.

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40 Liabilities

The following table splits up the liabilities into financial and operating liabilities.

Liabilities

EURm	2006	**2007**
Financial liabilities		
Debenture loans	1,420.6	**2,342.3**
Bank loans	1,132.0	**11,913.6**
Other financial liabilities	846.2	**1,279.4**
Liabilities from finance lease		**20.9**
Derivative financial instruments	22.0	**10.4**
	3,420.8	**15,566.6**
Operating liabilities		
Trade payables	657.4	**1,010.7**
Current income taxes payables	72.6	**476.1**
Liabilities relating to personnel	156.6	**233.6**
Other operating liabilities	388.3	**850.9**
Deferred income and non-financial liabilities	6.0	**35.1**
	1,280.9	**2,606.4**
	4,701.7	**18,173.0**

Of the financial liabilities, EUR 10.5 million (previous year: 28.3) is secured by mortgages to banks. The increase in liabilities to banks results from the syndicated acquisition facility to pay the purchase price of the Hanson shares and refinance existing debt of Hanson and HeidelbergCement Finance B.V. In the previous year, finance lease liabilities were included in the other financial liabilities. The other financial liabilities primarily include European Medium Term Note programmes and loan notes. The increase is primarily due to the first-time consolidation of Hanson.

The derivative financial instruments with negative market values of EUR 10.4 million (previous year: 22.0) include interest rate swaps of EUR 0.0 million (previous year: 9.8), currency forwards of EUR 1.2 million (previous year: 2.1) and currency swaps of EUR 9.2 million (previous year: 10.1). The change in the market values of derivative financial instruments, accounted for as hedging instruments of cash flow hedges, amounts to EUR -5.2 million and was recognised directly in shareholders' equity. The changes in the market values of the derivatives included in the fair value hedge amount to EUR -3.6 million and the derivatives accounted for as "held for trading" amount to EUR -2.8 million. These changes were recognised in profit or loss. Additional statements on the derivative financial instruments are provided on pages 126 ff.

In connection with liabilities relating to personnel, provisions of EUR 120,000 (previous year: 120,000) were set up for outstanding virtual stock option plans. For the virtual stock option plan 2003/2009, the stock options were recognised at their fair value. At the end of the year, the total number of outstanding stock options still amounted to 3,000 (previous year: 3,000).

The following tables give an overview of the maturities of the financial liabilities.

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Maturities of financial liabilities

EURm	<= 1 year	1-5 years	> 5 years	**Total**
31 December 2007				
Debenture loans	30.2	845.7	1,466.4	**2,342.3**
Bank liabilities	1,365.9	10,096.4	451.3	**11,913.6**
Other financial liabilities	903.4	261.5	114.5	**1,279.4**
Liablities from finance lease	7.6	11.4	1.9	**20.9**
Derivative financial instruments	10.4			**10.4**
	2,317.5	11,215.0	2,034.1	**15,566.6**
31 December 2006				
Debenture loans	672.4	748.2		**1,420.6**
Bank liabilities	437.9	691.3	2.8	**1,132.0**
Other financial liabilities	377.2	343.2	125.8	**846.2**
Liablities from finance lease				
Derivative financial instruments	15.8	6.2		**22.0**
	1,503.3	1,788.9	128.6	**3,420.8**

The following table contains further details of the finance lease liabilities. It shows the reconciliation of the total future minimum lease payments at the balance sheet date to their present value.

Minimum lease payments of finance leases

EURm	<= 1 year	1-5 years	> 5 years	**Total**
Present value of future minimum lease payments	7.6	11.4	1.9	**20.9**
Interest of future minimum lease payments	0.7	0.8	0.5	**2.0**
Future minimum lease payments	8.3	12.2	2.4	**22.9**

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Additional statements on financial instruments

The following table assigns the individual balance sheet items for the financial instruments to classes and categories. In addition, the aggregate carrying amounts for each measurement category and the fair values for each class are shown.

Carrying values and fair values of financial instruments

EURm	31 December 2006		**31 December 2007**	
	Carrying value	Fair value	Carrying value	Fair value
Assets				
Financial investments "Availabe for sale at cost"	140.4		**125.2**	
Financial investments "Available for sale at fair value"	94.1	94.1	**30.1**	**30.1**
Loans and other financial receivables	162.8	163.8	**285.9**	**300.1**
Trade receivables and other operating receivables	1,359.0	1,357.3	**2,303.7**	**2,305.5**
Cash and cash equivalents	214.9	214.9	**831.6**	**831.6**
Derivatives				
Hedge accounting	9.7	9.7	**14.4**	**14.4**
Held for trading	9.3	9.3	**25.9**	**25.9**
Liabilities				
Loans and other short-term financial liabilities	3,398.8	3,408.7	**15,535.3**	**15,590.7**
Trade creditors and other operating liabilities	1,199.0	1,199.0	**2,095.2**	**2,131.5**
Liabilities from finance lease			**20.9**	**20.9**
Derivatives				
Hedge accounting	10.5	10.5	**1.7**	**1.7**
Held for trading	11.5	11.5	**8.7**	**8.7**

Investments "Available for sale at cost" are equity securities measured at cost, for which no listed price on an active market exists and whose fair values cannot be reliably determined. Therefore, no fair value is indicated for these instruments. "Available for sale at fair value" investments are measured at fair value on the basis of the stock market prices on the reporting date. Derivative financial instruments, both those using hedge accounting and those held for trading, are also measured at fair value. In these items, the fair value always corresponds to the carrying amount.

The fair values of the long-term loans, other long-term operating receivables, bank loans, finance lease liabilities, and other long-term financial and operating liabilities correspond to the present values of the future payments, taking into account the interest parameters at the time of payment.

The fair values of the listed bonds correspond to the nominal values multiplied by the price quotations on the reporting date. For the financial instruments with short-term maturities, the carrying amounts on the reporting date represent reasonable estimates of the fair values.

The following overview shows the carrying amounts of the financial instruments aggregated by the categories given in IAS 39.

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Financial instruments according to categories of IAS 39 EURm	31 December 2006 Fair value with P/L effect	Fair value without P/L effect	Cost/ amortised cost	**31 December 2007** Fair value with P/L effect	Fair value without P/L effect	Cost/ amortised cost
Loans and receivables			1,736.7			**3,421.2**
Assets available for sale		94.1	140.4		**30.1**	**125.2**
Assets held for trading	-2.2			**17.2**		
Financial liabilities			-4,597.9			**-17,651.4**
	-2.2	94.1	-2,720.8	**17.2**	**30.1**	**-14,105.0**

The following table shows the net gains or losses from the financial instruments by category.

Net gains or losses

EURm	2006	**2007**
Loans and receivables	23.2	**23.8**
Financial assets available for sale	-40.1	**28.1**
Financial assets held for trading	-7.2	**24.4**
Financial liabilities	-15.9	**-66.7**
	-40.0	**9.6**

The net gains from loans and receivables include impairments of EUR -31.9 million (previous year: 15.5) and exchange rate effects of EUR 55.7 million (previous year: 38.7).

In the recognition of the available for sale financial assets directly in shareholders' equity, a gain of EUR 7.8 million (previous year: -16.7) was recognised in shareholders' equity and EUR -59.7 million (previous year: 0.0) released from equity. The release relates to the sale of shares in Florida Rock Industries, Inc., US and of shares in PT Buket Sentul Tbk (BKSL), Indonesia. Furthermore, these sales produced a gain of EUR 81.9 million. A net loss of EUR -1.1 million (previous year: -8.9) is attributable to valuation allowances. In addition, foreign exchange losses of EUR -0.8 million (previous year: -14.5) were incurred. The net gains from the subsequent measurement of the financial assets held for trading includes foreign exchange and interest rate effects. In financial liabilities, the net profit includes effects from foreign currency translation of EUR -15.9 million (previous year: -66.7). The following table shows the total interest income and expenses for the financial instruments not measured at fair value through profit or loss.

Total interest income and expense

EURm	2006	**2007**
Total interest income	10.7	**39.8**
Total interest expense	-182.6	**-510.2**
	-171.9	**-470.4**

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The impairment of financial assets by class is shown in the following table:

Impairment

EURm	2006	**2007**
Financial assets available for sale at cost	-8.9	**-1.0**
Financial assets available for sale at fair value		**-0.1**
Loans and other financial receivables	-3.5	**-5.8**
Trade receivables and other operating receivables	-12.0	**-26.1**
	-24.4	**-33.0**

Financial assets of EUR 22.3 million were pledged as collateral for liabilities and contingent liabilities.

Derivative financial instruments

The following table shows the nominal values and market values of the derivative financial instruments and the commodities, which fall within the scope of IAS 39.

Derivative financial instruments	31 December 2006		**31 December 2007**	
EURm	Nominal value	Market value	Nominal value	Market value
Assets				
Cash flow hedges				
Interest rate swaps	3.8	0.0		
Commodities		5.3		**14.4**
Fair value hedges				
Currency forwards	40.9	1.8		
Interest rate swaps	50.0	2.6		
Derivatives held for trading				
Currency forwards			**36.1**	**3.4**
Currency swaps	327.4	9.3	**1,296.7**	**21.1**
Interest rate swaps			**3.8**	**0.0**
Commodities				**1.4**
	422.1	19.0	**1,336.6**	**40.3**
Liabilities				
Cash flow hedges				
Interest rate swaps	30.7	0.5		
Currency swaps	113.7	6.4	**102.8**	**1.7**
Fair value hedges				
Interest rate swaps	455.0	3.6	**271.8**	**0.0**
Derivatives held for trading				
Currency forwards	45.6	2.1	**97.2**	**1.2**
Currency swaps	460.3	3.5	**951.4**	**7.5**
Interest rate swaps	217.3	5.9		
	1,322.6	22.0	**1,423.2**	**10.4**

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Cash flow hedges

The currency risk of a business acquisition was hedged using currency forwards. The valuation effects of EUR -1.28 million, recognised directly in equity, were charged to goodwill at the time of acquisition. The currency interest rate swap hedges the future currency and interest rate risks of a variable interest-bearing loan. This swap with a market value of EUR -1.7 million matures in March 2009. During the reporting period, EUR 4.2 million was recognised directly in equity and EUR 4.8 million released to profit or loss as a foreign exchange gain in financial results. The hedged cash flows from currency arise at every reporting date and the hedged cash flows from interest arise quarterly.

The commodities hedge future electricity prices. In 2008, around half of the outstanding market value (EUR 14.4 million) matures. The remaining amount is distributed across the next three years. In the reporting year, EUR 9.1 million was recognised directly in equity. Half of the hedged cash flows arise in 2008. The remaining cash flows are distributed across the next three years. There was no appreciable ineffectiveness in the cash flow hedges.

Fair value hedge

In order to hedge the risk of a change in the market interest rate of a fixed interest-bearing loan, an interest rate swap was designated as a hedging instrument in a fair value hedge. As at the reporting date, the market value is EUR 0.03 million. The interest swap matures in January 2008. The valuation effects of the interest rate swap, amounting to EUR 1.2 million, and the valuation effects of the loan, amounting to EUR -1.5 million, were recognised in profit or loss.

The currency forwards used to hedge the foreign-currency risks of a loan in a fair value hedge were dedesignated at the beginning of the year and accounted for as derivatives held for trading. The adjustment of the loan to its fair value until dedesignation is amortised over the term of the loan.

Derivatives not accounted for as hedges ("held for trading")

Of the market values of the held for trading derivatives, EUR 1.1 million of the currency forwards mature in the middle of 2009 and EUR 0.9 million mature in the middle of 2010. All other derivatives mature within one year.

Risks from financial instruments

As regards its assets, liabilities, firm commitments and planned transactions, HeidelbergCement is particularly exposed to risks arising from changes in foreign exchange rates, interest rates, and market and stock market prices. These market price risks may have a negative impact on the Group's financial position and performance. The Group manages these risks primarily as part of its ongoing business and financing activities and, when required, by using derivative financial instruments. The main aspects of the financial policy are determined by the Managing Board. The Group Treasury department is responsible for implementation of the financial policy and ongoing risk management.

The Group Treasury department acts on the basis of existing binding guidelines, which determine the decision criteria, competences, responsibilities and processes for managing the financial risks. Certain transactions also require the prior approval of the Managing Board. The Group Treasury department informs the Managing Board on an ongoing basis about the amount and scope of the current risk exposure and the current market development on the global financial markets. The Group Internal Audit department monitors the observance of the guidelines mentioned above and the corresponding legal framework by means of targeted auditing.

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Credit risk

HeidelbergCement is exposed to credit risks through its operating activities and certain financial transactions. The credit risk is the risk that a contracting party unexpectedly does not fulfil, or only partially fulfils, the obligations agreed when signing a financial instruments contract. The Group limits its credit risk by only concluding contracts for financial investments and derivative financial instruments with partners with a first-class credit rating.

Credit rating

The rating agencies Standard & Poor's, Moody's Investor Service and Fitch Ratings assess the creditworthiness of HeidelbergCement as BBB-/A3, Baa3/P3 and BBB-/F3 respectively. The downgrading of the ratings awarded by the rating agencies could have a negative impact on HeidelbergCement's cost of capital and refinancing possibilities.

Cash and cash equivalents

This item essentially comprises cash. The Group is exposed to losses arising from credit risks in connection with the investment of cash and cash equivalents if contracting parties do not fulfil their obligations. HeidelbergCement manages the resulting risk position by diversification of contracting parties. Cash and cash equivalents are invested in carefully selected financial institutions with external ratings. At present, no cash or cash equivalents are overdue or impaired as a result of failures. The maximum credit risk of the cash and cash equivalents corresponds to the carrying amount.

Trade receivables

Trade receivables result mainly from the sale of cement, concrete and aggregates. In operating activities, the outstanding debts are monitored on an ongoing basis. Credit risks are taken into account by means of individual valuation allowances and lump-sum individual valuation allowances. The maximum risk position from the trade receivables corresponds to the carrying amount.

Other receivables and assets

The credit risk position from other receivables and assets corresponds to the carrying amount of these instruments. HeidelbergCement regards this credit risk as insignificant.

Derivative financial instruments

Derivative financial instruments are generally used to reduce risks. In the course of its business activity, HeidelbergCement is exposed to interest rate, currency and energy price risks. For accounting purposes, a significant portion of the derivatives are not accounted for as hedges in accordance with IAS 39, but as instruments in the category "held for trading". However, from a commercial perspective, the changes in the market value of these instruments represent an economically effective hedge within the context of the Group strategy. The maximum credit risk of this item corresponds to the market value of the derivative financial instruments that have a positive market value and are shown as financial assets at the balance sheet date. In order to reduce the credit risk, the hedging transactions are, in principle, only concluded with leading financial institutions with a first-class credit rating. The contracting parties have very good credit ratings, awarded by external rating agencies, such as Moody's Investor Service, Standard & Poor's or Fitch Ratings. There are currently no past-due derivative financial instruments in the portfolio.

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Liquidity risk

The liquidity risk describes the risk that a company cannot fulfil its financial obligations to a sufficient degree. To manage HeidelbergCement's liquidity, the Group maintains sufficient cash and extensive credit lines with banks, besides the cash inflow from operating activities. The operating liquidity management includes a daily reconciliation of cash and cash equivalents; the Group Treasury department, based in Heidelberg, acts as an in-house bank. This allows liquidity surpluses and requirements to be managed in accordance with the needs of the entire Group and of individual Group companies. In addition to a revolving credit facility of EUR 1 billion with a term ending in May 2012, HeidelbergCement has other unused bilateral credit lines of a significant amount available in order to secure liquidity.

The following maturity overview shows how the cash flows of the liabilities as at 31 December 2007 affect the Group's liquidity position. The overview describes the progress of

- undiscounted repayments and interest payments for bonds
- undiscounted bank loans and interest payments to banks
- undiscounted other liabilities and
- undiscounted contractually agreed payments for derivative financial instruments, as a total for the year.

The trade payables are assigned to short-term maturities (within a year). For variable interest payments, the current interest rate is taken as a basis. Payments in foreign currency are translated using the exchange rate at year end.

Cash flows of financial liabilities and derivative financial instruments EURm	**Book value 31.12.2007**	Cash flows 2008	Cash flows 2009	Cash flows 2010	Cash flows 2011	Cash flows 2012-2016
Debenture loans	**2,342.3**	113.3	509.4	703.8	149.2	1,958.8
Bank loans	**11,913.6**	5,860.8	5,966.4	146.1	157.2	213.0
Other financial liabilities	**1,300.2**	974.6	55.2	23.6	122.8	443.5
Derivatives with positive market values						
Cash flow hedges	**14.4**	7.2	3.9	2.7	0.6	
Fair value hedges						
Derivatives held for trading	**25.9**	1,313.0	9.9	9.3		
Derivatives with negative market values						
Cash flow hedges	**1.7**		102.2			
Fair value hedges		0.2				
Derivatives held for trading	**8.7**	1,048.5				

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Cash flows of financial liabilities and derivative financial instruments EURm	Book value 31.12.2006	Cash flows 2007	Cash flows 2008	Cash flows 2009	Cash flows 2010	Cash flows 2011-2016
Debenture loans	1,420.6	763.2	47.9	347.8	473.0	
Bank loans	1,132.0	492.5	177.0	77.8	125.0	263.8
Other financial liabilities	846.2	426.8	222.2	42.7	9.8	183.1
Derivatives with positive market values						
Cash flow hedges	5.3			3.8		
Fair value hedges	4.3	11.2	10.5	9.9	59.3	
Derivatives held for trading	9.3	327.4				
Derivatives with negative market values						
Cash flow hedges	6.9	10.2	20.5	113.7		
Fair value hedges	3.6	455.0				
Derivatives held for trading	15.3	553.7	63.9	153.4		

Interest rate risk

Interest rate risks exist as a result of potential changes in the market interest rate and may lead to a change in fair value in the case of fixed interest-bearing financial instruments and to fluctuations in interest payments in the case of variable interest-bearing financial instruments. The Managing Board and Supervisory Board of HeidelbergCement AG have decided against hedging the variable interest-bearing financial instruments. This strategy is based on the historically strong correlation between increasing profits and rising interest rates. For financial instruments with fixed interest that are measured at amortised cost, interest rate risks have no impact on the earnings and shareholders' equity.

The average share of variable interest-bearing financial instruments is 84% (previous year: 80%). If the market interest rate level had been 100 basis points higher (lower) on 31 December 2007, HeidelbergCement's interest cost would have risen (fallen) by EUR 73 million (previous year: 28).

Currency risk

HeidelbergCement AG's currency risks result from its investing, financing and operating activities. Risks from foreign currencies are primarily hedged in so far as they affect the Group's cash flows. In contrast, foreign currency risks that do not affect the Group's cash flows (i.e. the risks resulting from the translation of the assets and liabilities of foreign subsidiaries into the Group reporting currency) generally remain unhedged. However, if necessary, HeidelbergCement AG can also hedge this foreign currency risk. Currency forwards, currency swaps and, in isolated cases, currency options are used in the elimination of existing currency risks.

Through the in-house banking activities of HeidelbergCement AG, the borrowing and investment of liquidity of the subsidiaries leads to currency positions that are hedged by means of external currency swap transactions which are appropriate in terms of maturities and amounts. Consequently, currency fluctuations in connection with the in-house banking activities would have no impact on profit or shareholders' equity.

The hypothetical profit implications, considering the external financial instruments (primarily currency swap transactions) in isolation, in the event of a 10% increase (decrease) in the value of the Euro against all other currencies on 31 December 2007 would be as follows:

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EUR/USD: EUR +9.5 million, EUR/AUD: EUR -15.5 million, EUR/SEK: EUR -63.3 million, EUR/GBP: EUR -48.4 million, EUR/NOK: EUR -66.2 million, EUR/CAD: EUR -6.0 million, EUR/DKK: EUR -4.5 million, EUR/CZK: EUR -4.2 million, EUR/RUB: EUR -1.1 million, EUR/CHF: EUR +1.6 million, EUR/EEK: EUR +4.7 million, EUR/ILS: EUR +1.2 million, EUR/PLN: EUR +1.4 million, EUR/RON: EUR +4.2 million, EUR/HKD: EUR +2.9 million, IDR/USD: EUR +11.2 million

(At 31 December 2006 EUR/USD: EUR -9.7 million, EUR/SEK: EUR -26.0 million, EUR/GBP: EUR -5.5 million, EUR/NOK: EUR -13.8 million, EUR/CZK: EUR -5.5 million, EUR/DKK: EUR -5.4 million, EUR/PLN: EUR -1.9 million, EUR/HKD: EUR -1.6 million, EUR/EEK: EUR +1.3 million, EUR/RON: EUR +1.5 million, IDR/USD: EUR +14.5 million)

Capital management

To ensure the sustainability of the Group's financial position and performance, the management primarily employs three instruments.

The investments are aligned with HeidelbergCement's strategic and operational planning. For all investments, with the exception of replacement investments, the long-term contribution to profits for the Group is measured and subjected to a 'contribution to profits' test. Significant strategic investments with a volume exceeding EUR 5 million are subject to central testing and are presented individually to the Managing Board. The test centres on the impact of investments on the balance sheet and the profit and loss accounts of the HeidelbergCement Group. HeidelbergCement also uses country-specific weighted average cost of capital after tax, which was between 7.5% and 14% for 2007.

HeidelbergCement has a worldwide, results-related remuneration system for management (see management report page 41 f.). Clear goal agreements ensure a results-focused management approach. For all countries in the Group, the Managing Board defines the target profit required in order to obtain bonus payments.

Through regular quarterly meetings with all country managers, the Managing Board of HeidelbergCement discusses and follows up agreed goals and countries' profits, as well as the strategic orientation. An extensive discussion on operational planning at national level is held in the fourth quarter. In personal talks with the national management, the Managing Board establishes profit goals, activities and the important investments.

Guarantees and other financial commitments

Guarantees are potential future obligations to third parties, the existence of which depends on the occurrence of at least one uncertain future event outside HeidelbergCement's control.

At the reporting date, there are contractually provided guarantees of EUR 136.5 million (previous year: 129.5). These include obligations of EUR 119.3 million (previous year: 96.5) for which the probability of outflow is remote (IAS 37.28).

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Other financial commitments

EURm	2006	2007
Rental and leasing contracts		
Total of all leasing payments mature within 1 year	38.1	**75.3**
Total of all leasing payments mature within 1 to 5 years	107.2	**194.5**
Total of all leasing payments mature after more than 5 years	77.6	**242.0**
	222.9	**511.8**
Other off-balance-sheet financial commitments for planned tangible and financial fixed asset investments	210.2	**232.8**

Other financial commitments are listed with their nominal values. The future rental and leasing obligations refer primarily to property and other assets used by HeidelbergCement.

Related parties disclosures

IAS 24 requires a statement concerning the most important relationships with related companies and persons that may exert a significant influence on HeidelbergCement AG. This applies to companies accounted for as joint ventures or associates and key management personnel.

Spohn Cement GmbH, Norderfriedrichskoog, holds a 60.59 % share in HeidelbergCement AG. Spohn Cement GmbH is included in the Group Annual Accounts of Kötitzer Ledertuch- und Wachstuch Werke AG, Norderfriedrichskoog. The companies belong to the Merckle Group.

HeidelbergCement has purchased a total of 2.6 million shares in Hanson PLC at a price of EUR 33.5 million from MeTo Beteiligungen GmbH, Ulm, Pan GmbH, Norderfriedrichskoog and HWO GmbH, Norderfriedrichskoog. The companies belong to the Merckle Group and sold the shares to HeidelbergCement at their acquisition prices. In addition, HeidelbergCement provided services to the value of EUR 101,000 (previous year: 43,000) to Spohn Cement GmbH, Norderfriedrichskoog.

Business transactions with associates include turnover and other sales, primarily to ready-mixed concrete companies accounted for at equity, amounting to EUR 87.9 million (previous year: 116.4), the procurement of goods and services amounting to EUR 101.3 million (previous year: 105.2), and services provided amounting to EUR 1.4 million (previous year: 3.0). In addition, guarantees of EUR 2.8 million (previous year: EUR 1.8) were granted to associated companies. In 2007, no loans were provided to associated companies (previous year: EUR 15.4 million).

Intra-group turnover and other sales with joint ventures amounted to EUR 110.2 million (previous year: 66.9). Raw materials, goods and other services amounting to EUR 149.6 million (previous year: 48.1) were procured from these joint ventures. EUR 9.6 million (previous year: 10.0) was generated in financial and other services. Receivables amounting to EUR 74.8 million (previous year: 82.8) and liabilities of EUR 19.4 million (previous year: 9.3) exist in connection with these activities and financial transactions. Guarantees of EUR 68.3 million (previous year: 51.8) were granted.

All transactions were conducted at standard market terms and conditions. In addition, companies of the HeidelbergCement Group have not carried out reportable transactions of any kind with members of the Supervisory Board of Managing Board as persons in key positions or with companies in whose executive or governing bodies these persons are represented.

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Statement of compliance with the German Corporate Governance Code

The statement of compliance with the German Corporate Governance Code required by § 161 of the German Stock Company Act (Aktiengesetz) was submitted by the Managing Board and the Supervisory Board of HeidelbergCement AG on 21 March 2007. The statement for 2008 will be published on 17 March 2008.

Fees of the independent auditors

In 2007, the independent auditors Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft received fees amounting to EUR 7,273,900.

Fees of the independent auditors

EUR '000s	2007
Approval of the Group Annual Accounts	**2,574.3**
Other charges for confirmation and valuation services	**1,409.0**
Tax advisory service	**2,842.8**
Other services	**447.8**
	7,273.9

Supervisory Board and Managing Board

We refer to the details given in the in the Corporate Governance chapter of the management report (pages 33 f.).

The total remuneration of the Managing Board in 2007 amounted to EUR 25.0 million (previous year: 20.1). EUR 4.0 million (previous year: 3.3) of this was paid in fixed remuneration, EUR 20.2 million (previous year: 16.7) in variable remuneration and EUR 0.8 million (previous year: 0.1) as part of other remuneration elements. The other remuneration elements consist of payments for committee activities at subsidiaries of HeidelbergCement AG and non-cash benefits arising from the provision of company cars. Allocations to provisions for pensions (current service cost) for current members of the Managing Board amounted to EUR 1.7 million (previous year: 1.4). EUR 5.2 million was charged to expense for redundancy payments in connection with the Hanson acquisition. Payments to former members of the Managing Board and their surviving dependants amounted to EUR 2.9 million (previous year: 3.8) in the reporting year. Provisions for pension obligations for former members of the Managing Board amounted to EUR 25.8 million (previous year: 28.1).

The total Supervisory Board remuneration in 2007 amounted to EUR 608,113 (previous year: 1,366,077).

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 of German companies

b) Membership in comparable German and foreign supervisory committees of commercial enterprises.

Group mandates are marked with [1].

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Supervisory Board*

Fritz-Jürgen Heckmann
Chairman
Chairman of the Arbitration Committee and member of the Personnel Committee and the Audit Committee
Business lawyer
a) All for One Systemhaus AG
Drews Holding AG
INFORMATIK CONSULTING SYSTEMS AG
Paul Hartmann AG (Chairman)
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 Council of Employees at the Schelklingen plant of HeidelbergCement AG

Theo Beermann
Member of the Personnel Committee
Production controller; Deputy Chairman of the Council of Employees at the Ennigerloh plant, Heidelberg-Cement AG

Heinz-Josef Eichhorn
until 29 September 2007
Department Head of the Executive Committee Section IV – Building Materials Industry, IG Bauen-Agrar-Umwelt

Josef Heumann
Member of the Arbitration Committee
Kiln supervisor; Chairman of the Council of Employees at the Burglengenfeld plant, HeidelbergCement AG

Gerhard Hirth
Managing Director of the SCHWENK group of companies
a) Köster AG
b) Duna-Dráva Cement Kft
Tvornica Cementa Kakanj d.d.

Rolf Hülstrunk
until 31 December 2007
Former Chairman of the Managing Board, Heidelberg-Cement AG

Heinz Kimmel
until 13 March 2008
Sales employee; Chairman of the Council of Employees at the Sulzheim plant, Südharzer Gipswerk GmbH

Max Dietrich Kley
Attorney
a) BASF AG
Infineon Technologies AG (Chairman)
Schott AG
SGL Carbon AG (Chairman)
b) UniCredito Italiano S.p.A. (member of the Board of Directors)

Hans Georg Kraut
Member of the Personnel Committee
Director of the Schelklingen plant of HeidelbergCement AG

* All indications refer to 31 December 2007 or, if the person in question left the Supervisory Board of HeidelbergCement AG prior to that date, the date on which they stepped down

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Senator h.c. Dr. med. h.c. Adolf Merckle
Chairman of the Audit Committee
Attorney
a) Hanfwerke Oberachern AG (Chairman)
Kässbohrer Geländefahrzeug AG
Pommersche Provinzial-Zuckersiederei AG (Chairman)
F. Reichelt AG (Chairman)

Ludwig Merckle
Chairman of the Personnel Committee
Managing Director, VEM Vermögensverwaltung GmbH
a) Kässbohrer Geländefahrzeug AG (Chairman)
Phoenix Aktiengesellschaft (Deputy Chairman)
Württembergische Leinenindustrie AG (Chairman)

Tobias Merckle
Managing Director of the association prisma – Initiative für Jugendhilfe und Kriminalprävention e.V., Leonberg

Eduard Schleicher
Member of the Audit, the Personnel and the Arbitration Committee
Partner with unlimited liability, SCHWENK group of companies
a) Wieland-Werke AG
Wohnungsverein Ulm AG
b) Duna-Dráva Cement Kft
Nederlandse Cement Handelmaatschappij B.V.

Heinz Schmitt
Member of the Audit Committee
Controller; Chairman of the Council of Employees at the headquarters of HeidelbergCement AG

Karl Heinz Strobl
Member of the Audit Committee
until 22 April 2007 Member of the Federal Executive Committee, IG Bauen-Agrar-Umwelt

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Managing Board*

Dr. Bernd Scheifele
Chairman
a) PHOENIX Pharmahandel AG & Co KG (Chairman)
Verlagsgruppe Georg von Holtzbrink GmbH (Deputy Chairman)
Landesbank Hessen-Thüringen Girozentrale (member of the Board of Directors)
b) TAMRO Oyj (Chairman of the Board of Directors)
Hanson Limited[1)]
PT Indocement Tunggal Prakarsa Tbk.[1)]
Mysore Cements Limited[1)]

Dr. Dominik von Achten
since 1 October 2007

Helmut S. Erhard
until 31 December 2007
b) Lehigh Cement Company[1)] (Chairman)
Lehigh Cement Limited[1)] (Chairman)

Daniel Gauthier
b) S.A. Cimenteries CBR[1)] (Chairman)
ENCI Holding N.V.[1)] (Chairman)
PT Indocement Tunggal Prakarsa Tbk.[1)] (Chairman)
Mysore Cements Limited[1)] (Chairman)
Indorama Cement Limited[1)] (Chairman)
Scancem International AS[1)] (Chairman)
Akçansa Çimento Sanayi ve Ticaret A.S. (Deputy Chairman)
China Century Cement Limited (Deputy Chairman)
Tanzania Portland Cement Company Ltd.
Górazdze Cement S.A.[1)]
Duna-Dráva Cement Kft[1)]
Ceskomoravský Cement, a.s.[1)]
Carmeuse Holding S.A.

Andreas Kern
a) Basalt-Actien-Gesellschaft Kronimus AG
b) Bukhtarminskaya Cement Company[1)] (Chairman)
Carpatcement Holding S.A.[1)]
Castle Cement Ltd[1)] (Chairman)
Ceskomoravský Cement, a.s.[1)] (Chairman)
Duna-Dráva Cement Kft[1)] (Chairman)
Górazdze Cement S.A.[1)] (Chairman)
HeidelbergCement Northern Europe AB[1)] (Chairman)
Limited Liability Company SaqCementi[1)]
Nederlandse Cement Handelmaatschappij B.V. (Deputy Chairman)
Open Joint Stock Company "Kryvyi Rih Cement"[1)]
Südbayer. Portland-Zementwerk Gebr. Wiesböck & Co. GmbH
Tvornica Cementa Kakanj d.d.[1)]

Alan Murray
since 1 October 2007
b) Hanson Limited[1)]
Hanson Pension Trustees Limited
International Power plc

Dr. Lorenz Näger
a) PHOENIX Pharmahandel AG & Co KG
b) S.A. Cimenteries CBR[1)]
Hanson Limited[1)]
HeidelbergCement Finance B.V.[1)]
HeidelbergCement Netherlands Holding B.V.[1)]
HeidelbergCement Northern Europe AB[1)]
Lehigh Cement Company[1)]
Lehigh Cement Limited[1)]
Mysore Cements Limited[1)]
PT Indocement Tunggal Prakarsa Tbk.[1)]
RECEM S.A.[1)]
TAMRO Oyj

Dr. Albert Scheuer
since 6 August 2007
b) Heidelberg Cement, Inc.[1)]
HeidelbergCement UK Holding II Limited[1)]
Lehigh Cement Company[1)]
Lehigh Cement Limited[1)]

* All indications refer to 31 December 2007

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Events after the Balance Sheet date

On 17 January 2008 (settlement on 25 January 2008), a four-year Euro Bond with a volume of EUR 1 billion was issued via our EUR 10 billion European Medium Term Note (EMTN) programme.

On 14 February 2008, the Managing Board of HeidelbergCement AG decided on the conditions for carrying out the cash capital increase from authorised capital, with the consent of the Supervisory Board, following its resolution of 15 January 2008. VEM Vermögensverwaltung GmbH, Dresden, which belongs to the Merckle Group, has subscribed for 5 million new shares at the near-market subscription price of EUR 102.50 per share. The Group received EUR 512.5 million on 19 February from the capital increase.

On 7 August 2007, HeidelbergCement had reached an agreement with the French building materials manufacturer Saint Gobain regarding the sale of maxit Group. The transaction, with a value of EUR 2,125 million was completed on 13 March 2008 with the approval of the European Commission.

The proceeds from all three measures were used to repay the syndicated loan taken out in connection with the Hanson acquisition.

There were no other reportable events in accordance with IAS 10 (Events after the Balance Sheet Date) after 31 December 2007.

41 Proposed dividend

The Managing Board and Supervisory Board propose the following dividend: EUR 1.30 dividend per share. Based on 125,000,000 no-par value shares, entitled to participate in dividends for the 2007 financial year, the amount for dividend payment is EUR 162,500,000.

42 Approval of the Group Annual Accounts

The Group Annual Accounts were prepared by the Managing Board and adopted on 14 March 2008. They were then submitted to the Supervisory Board for approval.

Heidelberg, 14 March 2008

HeidelbergCement AG

The Managing Board

BZPH104E-0327

Audit Opinion

We issued the following audit opinion on the Group annual accounts and the management report of HeidelbergCement Group and HeidelbergCement AG:

"We have audited the consolidated financial statements prepared by the HeidelbergCement AG, Heidelberg, comprising the balance sheet, the income statement, statement of changes in equity, statement of recognized income and expense, cash flow statement and the notes to the consolidated financial statements, together with the combined management report of HeidelbergCement Group and HeidelbergCement AG for the business year from 1 January to 31 December 2007. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a (1) HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Stuttgart, 14 March 2008
Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Elkart	Somes
Wirtschaftsprüfer	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)

BZPH104E-0328

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report, which has been combined with the management report of the company, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Heidelberg, 14 March 2008

HeidelbergCement AG

The Managing Board

Dr. Bernd Scheifele

Alan Murray

Dr. Dominik von Achten

Dr. Lorenz Näger

Daniel Gauthier

Dr. Albert Scheuer

Andreas Kern

BZPH104E-0329

Additional information

Group functions and Country Managers

Group functions

Böttcher, Henner	Director Group Treasury
Fickel, Dr. Brigitte	Director Group Communication & Investor Relations
Fischer, Helmut	Director Group Reporting, Controlling & Consolidation
Glitz, Dr. Albrecht	Director Group Compliance
Huhn, Claus	Director Group Purchasing
Kern, Thomas	Director Group Strategy & Development
Kozelka, Rolf	Director Group Tax
Schaffernak, Dr. Ingo	Director Group Legal
Schnurr, Andreas	Director Group Human Resources
Schwind, Klaus	Director Group Shared Service Centers
Standhaft, Dr. Wolfgang	Director Group Information Technology
Vandenberghe, Marc	Director Group Insurance & Corporate Risk Management
Weingardt, Stefan	Director Group Internal Audit

Heidelberg Technology Center (HTC)

Breyer, Robert	Senior Vice President Manufacturing & Engineering, President – HTC North America
Jelito, Ernest	Director Manufacturing & Engineering TEAM and Head of HTC TEAM.
Nobis, Rainer	Director Manufacturing & Engineering Europe-Central Asia and Head of HTC Europe-Central Asia

Country Managers

Europe-Central Asia	
Baltics/Denmark/Noway/Sweden	
Syvertsen, Gunnar	General Manager Northern Europe
Belgium/Netherlands	
Jacquemart, André	General Manager Benelux
Bosnia & Herzegovina	
Muidza, Branimir	Country Manager Bosnia & Herzegovina
Czech Republic	
Hrozek, Jan	General Manager Czech Republic
Georgia	
Thrul, Meinhard	General Manager Georgia
Germany	
Seitz, Gerhard	General Manager Germany
Hungary	
Szarkándi, János	General Manager Hungary

BZPH104E-0330

Country Managers (cont.)

Israel	
Priel, Eliezer	Country Manager Israel
Kazakhstan	
Seher, Hans-Jürgen	General Manager Kazakhstan
Poland	
Balcerek, Andrzej	General Manager Poland
Romania	
Rohan, Mihai	General Manager Romania
Russia	
Knell, Christian	General Manager Russia
Spain	
Ortiz, Jesus	Country Manager Spain
Ukraine	
Lysenko, Stanislav	General Manager Ukraine
United Kingdom	
O'Shea, Patrick	Chief Executive Officer Hanson UK
North America	
Kitzmiller, James	Chief Executive Officer Lehigh Hanson
Harrington, Dan	Chief Operating Officer, Regional President South, White Cement
Purcell, Jim	Regional President North
Hummel, David	Regional President West
Derkatch, Jim	Regional President Canada
Manning, Richard	President Building Products
Asia-Australia-Africa-Mediterranean	
China	
Bogdan, Ludek	Chief Operating Officer China
India	
Guha, Ashish	Chief Operating Officer India
Indonesia/Bangladesh/Brunei	
Lavallé, Daniel	Chief Operating Officer South East Asia
Malaysia	
Jeffery, Simon	Country Manager Malaysia
Australia	
Cadzow, Leslie	Chief Executive Officer Australia
Africa	
Junon, Jean-Marc	Chief Operating Officer Africa
Mediterranean/HC Trading	
Adigüzel, Emir	Chief Operating Officer Mediterranean Basin & Middle East and HC Trading

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Glossary/index*

Aggregates

Aggregates in the form of sand, gravel and crushed rock are used principally for concrete manufacturing or for road construction and maintenance.

Alternative raw materials and fuels p. 5, 20, 28, 39, 43, 48, 53, 56, 59

By-products or waste from other industries, whose chemical components make them suitable substitutes for natural resources (raw materials, fuels).

Asphalt p. 54, 56

Asphalt is manufactured from a mixture of graded aggregates, sand, filler and bitumen. It is used primarily for road construction and maintenance.

Biodiversity p. 5, 44, 49

Biodiversity or biological diversity is the genetic diversity within species, diversity between species and diversity of ecosystems.

Blast furnace slag p. 43, 47

Finely ground, glassy by-product from steel production. Additive for cement.

Cement

Cement is a hydraulic binder, i.e. a finely ground inorganic material that sets and hardens by chemical interaction with water and that is capable of doing so also under water. Cement is mainly used to produce concrete. It binds the sand and gravel into a solid mass.

Clinker (cement clinker) p. 47

Intermediate product in the cement production process that is made by heating a finely-ground raw material mixture to around 1,450° C in the cement kiln. For the manufacture of cement, the greyish-black clinker nodules are extremely finely ground. Clinker is the main ingredient in most cement types.

Commercial Paper p. 26 f., 48

Bearer notes issued by companies within the framework of a Commercial Paper Programme (CP Programme) to meet short-term financing needs.

Concrete

Building material that is manufactured by mixing cement, aggregates (gravel, sand or chippings as a rule) and water.

* The index indicates the main references

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Euro Medium Term Note (EMTN) programme p. 26, 32, 48, 103, 122, 137

An EMTN programme represents a framework agreement made between the company and the banks appointed to be dealers. HeidelbergCement AG has the option of issuing debenture bonds up to a total volume of EUR 10 billion under its EMTN programme.

Fly ash p. 47

Solid, particulate combustion residue from coal-fired power plants. Additive for cement.

Net financial liabilities p. 26, 38

The sum of all long-term and short-term financial liabilities minus cash at bank and in hand, short-term investments and short-term derivatives. Synonyms: net indebtedness, net liabilities, net debt.

Price-earnings ratio (PER) p. 26

Share price divided by earnings per share.

Rating (credit rating) p. 27, 128

Classification of the credit standing of debt instruments and their issuers. Specialised agencies such as Standard & Poor's, Fitch Ratings and Moody's produce such ratings. Ratings range from AAA or Aaa as the highest credit standing to C or D as the lowest.

Ready-mixed concrete

Concrete that is manufactured in a ready-mixed concrete facility and transported to the building site using ready-mix trucks.

SNCR installation p. 44

An installation to reduce nitrogen oxide emissions by the SNCR process (selective non-catalytic reduction).

Sustainable development p. 5, 43 ff., 49

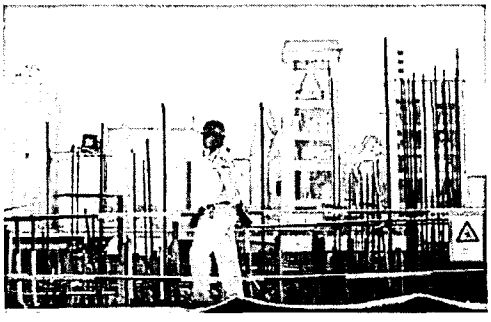
Sustainable development signifies a development that fulfils the economic, ecological and social needs of people alive today without endangering the ability of future generations to fulfil their own needs.

Syndicated loan p. 25 ff., 31 f., 38, 48, 103, 122, 137

Large-sized loan which is distributed ("syndicated") among several lenders for the purpose of risk spreading.

BZPH104E-0333

Review of 2007 events



January/February

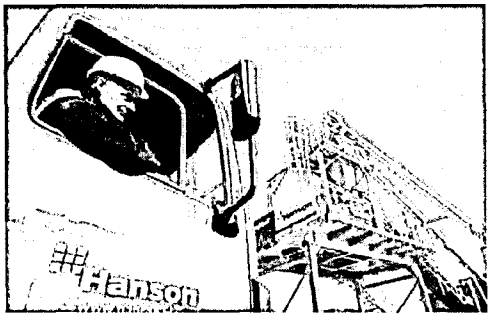
Investment in Tanzania

In order to cover the growing cement demand in Tanzania, we are investing around USD 100 million by 2009 in the modernisation of our Tanzania Portland Cement Company cement plant and in expanding the production capacity to 1.2 million tonnes of cement.

March/April

Akçansa acquires Ladik cement plant

The purchase of the Ladik cement plant extends the market region of our joint venture Akçansa to the Central Black Sea region in Turkey. The plant, constructed in 1983, has a cement capacity of 1.2 million tonnes and has large raw material deposits at its disposal.



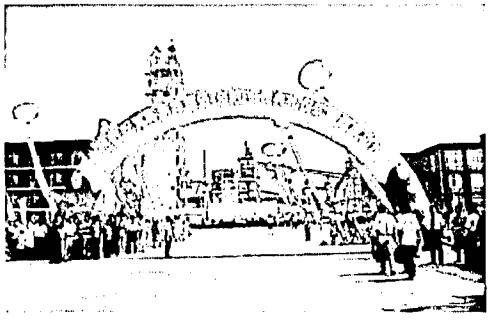
May/June

Takeover bid for Hanson

HeidelbergCement submits a takeover bid to the shareholders of Hanson PLC for the acquisition of their shares. The price per share is 1,100 pence, the total purchase price approximately GBP 8 billion. Hanson's Board of Directors recommends that its shareholders accept the takeover bid.

Sale of Vicat

As part of the strategic reorientation, HeidelbergCement sells its 35% stake in the French company Vicat. The proceeds of around EUR 1.4 billion are used specifically to expand the aggregates activities in mature markets.



July/August

New cement plant in China

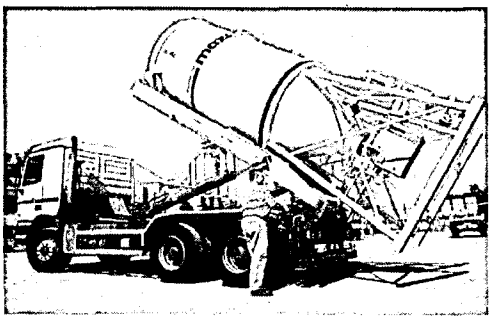
In the Chinese province of Shaanxi, HeidelbergCement commissions the newly constructed Jingyang cement plant. The state-of-the-art plant has a cement capacity of 2.3 million tonnes and has large raw material deposits at its disposal. It is operated as a joint venture with Jidong Cement.

Acceptance and authorisation of the Hanson takeover

A few days after the acceptance of the takeover bid by the Hanson shareholders, with more than 99% of the votes at an Extraordinary General Meeting, the US competition authorities FTC and the European Commission approve the purchase.

BZPH104E-0334

Sale of maxit Group to Saint-Gobain
As part of the strategic reorientation, HeidelbergCement sells the subsidiary maxit Group to the French building materials manufacturer Saint-Gobain for EUR 2,125 million. The transaction was completed on 13 March 2008.



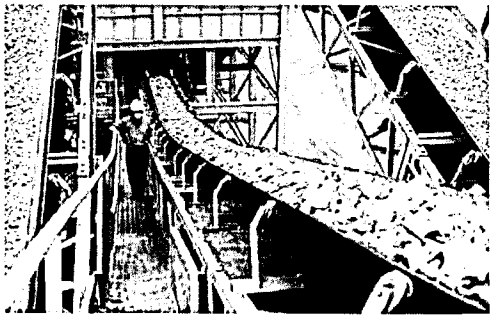
Purchase of Hanson completed
With the approval from the competent courts on 23 August, the purchase of Hanson is completed. The company, now owned 100 % by HeidelbergCement, is delisted from the stock exchange and renamed Hanson Limited.

September/October
Integration of Hanson
Start of a tight integration programme, which should be completed by mid-2008. By the end of 2007, numerous locations are visited, data collected, areas of synergy and best practices determined, and important decisions concerning the Group organisation made.

Disinvestments in Niger and Nigeria
As it is not possible to establish leading market positions in Nigeria and Niger, HeidelbergCement sells its participations in the Cement Company of Northern Nigeria in Nigeria and Société Nigérienne de Cimenterie in Niger.

Modernisation of the cement plant in Mitchell, Indiana
By 2012, the Mitchell cement plant in the US state of Indiana will be modernised and its capacity expanded. One important goal is to considerably reduce the electricity and fuel consumption as well as emissions.

November/December
Integration significantly ahead of schedule
Just 100 days after the completion of the takeover of Hanson, the fundamental cornerstones of the reorganisation in the two important markets, North America and the United Kingdom, are established. The new organisation takes effect from 1 January 2008.



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DG Medien GmbH, Heidelberg, Germany
abcdruck GmbH, Heidelberg, Germany

Photographs
HeidelbergCement photo archives
Angelo Caggiano, Allentown/US – pages 62-63
Steffen Fuchs, Heidelberg – pages 11 and 16-17
Lloyd Lutz, Evansville/US – pages 72-73

Translation of the Annual Report 2007. The German version is binding.

Copies of the 2007 accounts of HeidelbergCement AG and further information are available on request from Group Communication & Investor Relations. Kindly find this annual report and further information about HeidelbergCement on the Internet: **www.heidelbergcement.com**

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Financial calendar 2008

Interim Report January to March 2008	8 May 2008
Annual General Meeting	8 May 2008
Interim Report January to June 2008	5 August 2008
Interim Report January to September 2008	5 November 2008

Group areas

North America

Canada
US

Europe-Central Asia

Austria
Belgium
Bosnia-Herzegovina
Croatia
Czech Republic
Denmark
Estonia
Georgia
Germany
Hungary
Israel
Kazakhstan
Latvia
Lithuania
Netherlands
Norway
Poland
Romania
Russia
Slovak Republic
Spain
Sweden
Switzerland
Ukraine
United Kingdom

Asia-Australia-Africa-Mediterranean

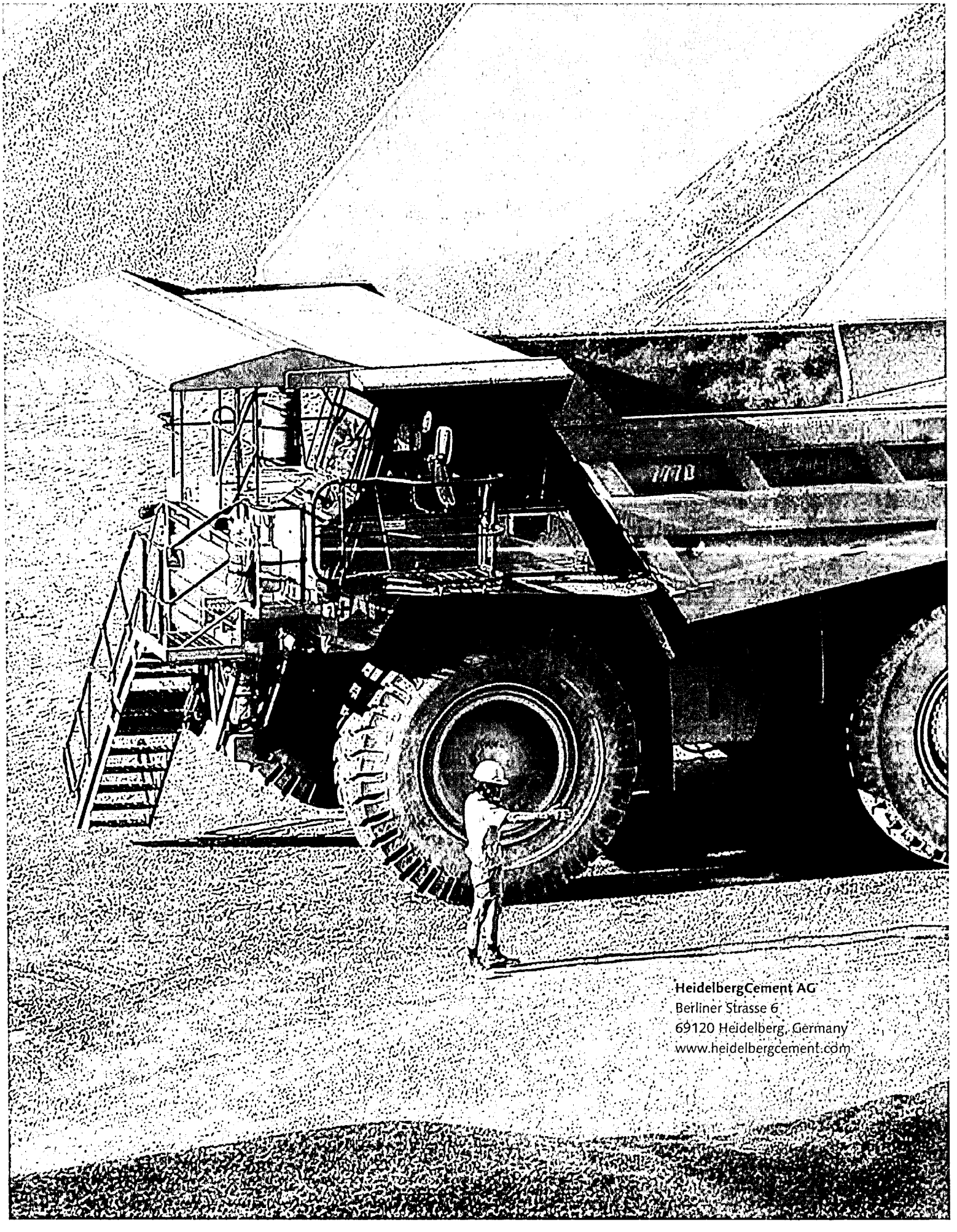
Bangladesh
Brunei
China
India
Indonesia
Malaysia
Singapore
Benin
Gabon
Ghana
Liberia
Sierra Leone
Tanzania
Togo

Australia
Turkey
United Arab Emirates

Group Services

Heidelberg Cement is member:

World Business Council for Sustainable Development | econsense Forum Nachhaltige Entwicklung



HeidelbergCement AG
Berliner Strasse 6
69120 Heidelberg, Germany
www.heidelbergcement.com

CERTIFICATE

State of Oregon

OFFICE OF THE SECRETARY OF STATE
Corporation Division

I, BILL BRADBURY, Secretary of State of Oregon, and Custodian of the Seal of said State, do hereby certify:

That the attached Document File for:

BEAZER EAST, INC.

is a true copy of the original documents that have been filed with this office.

In Testimony Whereof, I have hereunto set my hand and affixed hereto the Seal of the State of Oregon.

BILL BRADBURY, Secretary of State

By Debra L. Virag

Debra L. Virag
May 6, 2008

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State of Oregon

CORPORATION | DEPARTMENT

Certificate of Authority

To Engage in Business Within the State of Oregon

To All to Whom These Presents May Come, Greeting:

Know Ye, *That whereas* KOPPERS COMPANY, INC.

a corporation organized and existing under and pursuant to the Laws of Delaware *has complied with the requirements of the Laws of Oregon preliminary to the issuing of this*

Certificate of Authority

Now, Therefore, I, Maurice Hudson ~~Lloyd R. Smith~~ *Corporation Commissioner of the State of Oregon, DO HEREBY CERTIFY, that*

KOPPERS COMPANY, INC.

has, on November 16, 1944 *filed in the office of the Corporation Commissioner of the State of Oregon, a declaration of its desire and purpose to engage in business within the State of Oregon, accompanied by a duly authenticated copy of the* certificate of incorporation *of said corporation satisfactory in substance and form, showing that the full name under which it proposes to transact business is*

KOPPERS COMPANY, INC.

that the name of the State or Country under whose laws it was organized is Delaware *; that the location of its Home Office is at* 100 West Tenth Street *in the City of* Wilmington, Delaware *; that the date of its formation or incorporation was* September 30, 1944 *; that the amount of its Capital Stock is*

Fifty Million and No/100 ($50,000,000.00) *Dollars; that the nature of the pursuit, business or occupation in which it is authorized to engage is:*

Dealing in the company's products, and the installation, construction, servicing and erecting thereof.

0000 0000

BZPH104E-0342

KOPPERS COMPANY, INC.

Title	Name	Address
Elected Officers		
Chairman of Board	Vacancy	
President	J. P. Williams, Jr.	Koppers Building, Pittsburgh, Pa.
Vice President	Joseph Becker	Koppers Building, Pittsburgh, Pa.
Vice President	Stanley M. Brown	Koppers Building, Pittsburgh, Pa.
Vice President	John F. Byrne	P. O. Box 367, Granite City, Ill.
Vice President	Fred Danig	Koppers Building, Pittsburgh, Pa.
Vice President	J. M. Forker	Koppers Building, Pittsburgh, Pa.
Vice President	M. T. Harvold	1000 N. Hamline Ave., St. Paul, Minn.
Vice President	W. Reed Morris	Kearny, N. J.
Vice President	Allen W. Morton	Bush & Hamburg Sts., Baltimore, Md.
Vice President	W. F. Muenchmyer	Koppers Building, Pittsburgh, Pa.
Vice President	W. F. Perkins	Scott & McHenry Sts., Baltimore, Md.
Vice President	D. M. Rugg	P. O. Box 92, Monaca, Pa.
Secretary (ex off. Asst. Treas.)	R. S. Ruffin, Jr.	Koppers Building, Pittsburgh, Pa.
Treasurer (ex off. Asst. Sec'y)	E. A. Berry	Koppers Building, Pittsburgh, Pa.
Assistant Secretary	C. M. Crick	Koppers Building, Pittsburgh, Pa.
Assistant Secretary	John M. Crimmins	Koppers Building, Pittsburgh, Pa.
Assistant Secretary	T. M. Hamilton	Koppers Building, Pittsburgh, Pa.
Asst. Sec'y & Asst. Treas.	George W. Brooks	Belleville Turnpike, Kearny, N. J.
Asst. Sec'y & Asst. Treas.	M. G. Hunt	Koppers Building, Pittsburgh, Pa.
Asst. Sec'y & Asst. Treas.	L. F. Love	Kearny, N. J.
Asst. Sec'y & Asst. Treas.	George H. Persch	Industrial Trust Bldg., Providence, R.I.
Asst. Sec'y & Asst. Treas.	Roy D. Pippen	Bush & Hamburg Sts., Baltimore, Md.
Asst. Sec'y & Asst. Treas.	C. J. Robb	16 Court Street, Brooklyn, N.Y.
Asst. Sec'y & Asst. Treas.	J. A. Tellman	Scott & McHenry Sts., Baltimore, Md.
Asst. Sec'y & Asst. Treas.	Richard J. Wheeler	1000 N. Hamline Ave., St. Paul, Minn.
Asst. Treas.	O. H. Curren	Koppers Building, Pittsburgh, Pa.
Asst. Treas.	F. M. Hepper	P. O. Box 92, Monaca, Pa.
Asst. Treas.	L. S. Graham	Koppers Building, Pittsburgh, Pa.
Asst. Treas.	E. B. Shack	Koppers Building, Pittsburgh, Pa.
Appointed Officers		
Divisional Vice President, Engineering and Construction Division	J. B. Black	Koppers Building, Pittsburgh, Pa.
Divisional Vice President, Tar and Chemical Division	K. A. Burke	Koppers Building, Pittsburgh, Pa.
Divisional Vice President, Engineering and Construction Division	George M. Carvlin	Koppers Building, Pittsburgh, Pa.
Divisional Vice President, Wood Preserving Division	H. R. Condon	Koppers Building, Pittsburgh, Pa.
Divisional Vice President, Financial Division	H. Doolittle	Koppers Building, Pittsburgh, Pa.
Divisional Vice President, Wood Preserving Division	R. P. Jackson	P. O. Box 20, Texarkana, Ark.
Divisional Vice President, Wood Preserving Division	D. C. Jones	1426 Railway Exchange Bldg., Chicago, Ill.
Divisional Vice President, Tar and Chemical Division	Maurice D. Gill	Industrial Trust Bldg., Providence, R.I.
Divisional Vice President, Wood Preserving Division	L. J. McGehee	Koppers Building, Pittsburgh, Pa.
Divisional Vice President, Wood Preserving Division	L. S. Park	P. O. Box 516, Nashua, N. H.

(over)

BZPH104E-0343

Divisional Vice President, Research Division	C. J. Hensburg	Koppers Building, Pittsburgh, Pa.
Divisional Vice President, Engineering and Construction Division	Joseph van Ackeren	Koppers Building, Pittsburgh, Pa.
Assistant Vice President, Tar and Chemical Division	R. C. Wickersham	Koppers Building, Pittsburgh, Pa.
Manager, Brooklyn Division	T. S. Fillebrown	16 Court Street, Brooklyn, N. Y.
Manager, White Tar Division	R. R. Holmes	Kearny, N. J.
Manager, Koppers Building Division	H. B. Kirkpatrick	Koppers Building, Pittsburgh, Pa.

DIRECTORS

Name	Address
Vacancy (Chairman)	Koppers Building, Pittsburgh, Pa.
Stanley N. Brown	R. L. No. 3, Bethlehem, Pa.
J. N. Marshall	
R. H. McClintic	Koppers Building, Pittsburgh, Pa.
R. K. Mellon	514 Smithfield Street, Pittsburgh, Pa.
L. N. Murray	514 Smithfield Street, Pittsburgh, Pa.
D. D. Shepard	716 Jackson Place, Washington, D. C.
Clarance Stanley	439 Fifth Avenue, Pittsburgh, Pa.
J. P. Williams, Jr.	Koppers Building, Pittsburgh, Pa.

0093 0002

UD WITHOUT WATERMARK OR IS ALTERED OR ERASED

BZPH104E-0344

that the location of the Principal Office within the State of Oregon is at 800 Pacific Building in the City of Portland in the County of Multnomah; that the name s of its attorneys-in-fact, constituted and appointed in accordance with the provisions of the Laws of Oregon Alfred A. Hampson, Andrew Koerner, and Frank C. McCulloch whose business address is 800 Pacific Building in the City of Portland in the County of Multnomah; that the names and addresses of its principal officers, and of its directors and trustees, are as follows:

NAMES	OFFICIAL TITLE	POSTOFFICE
See Exhibit "A" attached.		

that the name and address of its General Agent within the State of Oregon Not yet appointed at in the City of , County of

I Further Certify, That said corporation has furnished satisfactory evidence of its legal existence and of its authority, under the laws of its domicile, to engage in the occupation, business or pursuit stated in said declaration, and that it has paid the declaration and annual license fees required by law, as follows: For filing declaration, Fifty and 00-100 ($50.00) Dollars, and for annual license fees for the current fiscal year ending June 30, 1945, One Hundred Twenty-four and 38/100 ($124.38) Dollars.

In Testimony Whereof, I have hereunto set my hand and affixed hereto the seal of the Corporation Department of the State of Oregon, at Salem, this 16th day of November, 1944.

SEAL

Clarence Hudson

Corporation Commissioner.

STATE PRINTING DEPT.

0092 0003

BZPH104E-0345

OREGON

POWER OF ATTORNEY

To be executed, acknowledged, and recorded in the office of the Corporation Commissioner by a foreign corporation. Required under the provisions of section 77-[illegible], O. C. L. A.

Know All Men By These Presents:

That KOPPERS COMPANY, INC.

is a corporation duly organized under and by virtue of the laws of Delaware *having its principal place of business in* Wilmington, *in the State of* Delaware

That said corporation has made, constituted and appointed, and does hereby make, constitute and appoint ALFRED A. HAMPSON; ANDREW KOERNER; FRANK C. McCOLLOCH, citizens of the United States, and citizens and residents of the state of Oregon, residing at Portland, Oregon, and whose place of business is NO. 800 PACIFIC BUILDING, PORTLAND, OREGON, and each of them, separately, singly and individually, its true and lawful Attorneys-in-Fact and authorized Agents for it, and in its name, place and stead to make and accept service of all writs, processes and summonses in any action, suit or proceeding in any of the courts of the state of Oregon, or United States courts therein, and upon any of whom all lawful writs, processes and summonses may be served with the same effect as though the company existed in the state of Oregon, requisite and necessary to give competent and complete jurisdiction of the said corporation to any of the said courts;

GIVING AND GRANTING unto said ALFRED A. HAMPSON; ANDREW KOERNER; FRANK C. McCOLLOCH, and each of them, separately, singly and individually, full power and authority to do and perform every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as the said corporation might or could do if personally present, hereby ratifying and confirming all that the said ALFRED A. HAMPSON; ANDREW KOERNER; FRANK C. McCOLLOCH, and each of them, separately, singly and individually, shall lawfully do or cause to be done by authority hereof.

This Power of Attorney is irrevocable except by the substitution of another qualified person for the ones hereby appointed Attorneys-in-Fact.

IN WITNESS WHEREOF, said corporation, in pursuance of a resolution duly adopted by its Board of Directors, has caused this instrument to be executed in its name by its Vice *President and* Asst. *Secretary, and its Corporate Seal to be hereto affixed the* 10th *day of* November *19*44

[CORPORATE SEAL]

KOPPERS COMPANY, INC.
(Name of Corporation)

By Stanley V. Brown
Vice President

By C. W. Crick
Asst. Secretary

(OVER)

0093 0004

VOID WITHOUT WATERMARK OR IF ALTERED OR ERASED

BZPH104E-0346

STATE OF Pennsylvania
COUNTY OF Allegheny } ss.

THIS CERTIFIES, that on this 10th day of November, 1944, before the undersigned, a Notary Public in and for Allegheny County, personally appeared the within named Stanley N. Brown, the Vice President, and C. M. Crick, the Asst. Secretary, of Koppers Company, Inc. the corporation mentioned in and which executed the foregoing Power of Attorney and acknowledged that they executed the same by the authority and on behalf of said corporation pursuant to a resolution of the Board of Directors of said corporation, duly adopted on the 10th day of November, 1944; and C. M. Crick, the Asst. Secretary of said corporation, further acknowledged that the Corporate Seal hereinbefore attached and impressed herein is the Corporate Seal of said Corporation and was affixed thereto by him.

IN TESTIMONY WHEREOF, I have hereunto set my hand and official seal this 10th day of November, 1944.

Martha W. Johnson

[NOTARIAL SEAL]

Notary Public for Allegheny County

~~My commission expires~~

[illegible] Notary Public
MY COMMISSION EXPIRES
FEBRUARY 17, 1946

F-3901

Power of Attorney

KOPPERS COMPANY, INC.

TO

ALFRED A. HAMPSON;
ANDREW KOERNER;
FRANK C. McCOLLOCH.

Filed in the office of the CORPORATION COMMISSIONER of the STATE of OREGON at 10 o'clock A.M. the 16th day of November 1944

Virginia Johnson
CORPORATION COMMISSIONER

0093 0005

VOID WITHOUT WATERMARK OR IF ALTERED OR ERASED

BZPH104E-0347

DECLARATION—Foreign Corporation

This declaration must be accompanied by a certified copy of the charter, or articles of incorporation of such foreign corporation, joint stock company or association, certified to by the legal keeper of the original, together with a certificate of the Secretary of State of a State or Territory of the United States, or of the United States Ambassador, Minister, Consul General, Vice Consul of Charge d'Affaire in a foreign country, under whose jurisdiction such corporation, joint stock company or association was formed, that such certifying officer has the requisite official knowledge as to whether such charter or articles of incorporation are of a genuine, valid and subsisting character, and that such charter is duly certified by the officer having the legal custody of the original.

DECLARATION OF PURPOSE TO ENGAGE IN BUSINESS IN OREGON

KNOW ALL MEN BY THESE PRESENTS:

That the KOPPERS COMPANY, INC.

a corporation

organized and existing under and pursuant to the laws of Delaware,

having its principal office at Number 100 West Tenth *Street,*

in the City *of* Wilmington, Delaware

hereby makes the following declaration of its desire and purpose to engage in business within the State of Oregon, which declaration is accompanied by a duly authenticated copy of its certificate of incorporation, *in compliance with the provisions of Chapter XI of Title XXV, Oregon Code 1930:*

The full name under which it proposes to transact business in Oregon is KOPPERS COMPANY, INC.

The name of the state or country under whose laws it was organized is Delaware

The location of its home office is at Number 100, West Tenth *Street, in the* City *of* Wilmington, Delaware

The date of its formation or incorporation was the 30th *day of* September, 1944.

The amount of its authorized capital stock is $50,000,000.00

$20,000,000 - com
30,000,000 - Pref
50,000,000

The nature of the pursuit, business, or occupation in which it is authorized to engage

Dealing in the company's products, and the installation, construction, servicing and erecting thereof.

OID WITHOUT WATERMARK OR IS ALTERED OR ERASED

The location of the principal office within the State of Oregon is at Number 800 Pacific, Building *Street, in the* City *of* Portland *County of* Multnomah

The name of its Attorney in Fact, constituted and appointed in accordance with the provisions of section 25-1101, Oregon Code 1930, Alfred A. Hampson, Andrew Koerner, Frank C. McCulloch, and each of them separately, singly and individually *whose business address is at Number* 800 Pacific Building *Street, in the* City *of* Portland, *in the County of* Multnomah

The names and addresses of its principal officers, and of its directors or trustees, are as follows:

NAME	OFFICIAL POSITION	POST OFFICE ADDRESS
	See Schedule Attached	

The name and address of its General Agent within the State of Oregon

(not yet appointed)

Number

BZPH104E-0349

KOPPERS COMPANY, INC.

Title	Name	Address
Elected Officers		
Chairman of Board	Vacancy	
President	J. P. Williams, Jr.	Koppers Building, Pittsburgh, Pa.
Vice President	Joseph Becker	Koppers Building, Pittsburgh, Pa.
Vice President	Stanley N. Brown	Koppers Building, Pittsburgh, Pa.
Vice President	John F. Byrne	P.O. Box 367, Granite City, Ill.
Vice President	Fred Denig	Koppers Building, Pittsburgh, Pa.
Vice President	J. N. Forker	Koppers Building, Pittsburgh, Pa.
Vice President	M. T. Herreid	1000 N. Hamline Ave., St. Paul, Minn.
Vice President	W. Reed Morris	Kearny, N. J.
Vice President	Allen W. Morton	Bush & Hamburg Sts., Baltimore, Md.
Vice President	W. F. Munnikhuysen	Koppers Building, Pittsburgh, Pa.
Vice President	W. F. Perkins	Scott & McHenry Sts., Baltimore, Md.
Vice President	D. M. Rugg	P.O. Box 92, Monaca, Pa.
Secretary (ex off. Asst. Treas.)	E. S. Ruffin, Jr.	Koppers Building, Pittsburgh, Pa.
Treasurer (ex off. Asst. Sec'y)	E. A. Berry	Koppers Building, Pittsburgh, Pa.
Assistant Secretary	C. M. Crick	Koppers Building, Pittsburgh, Pa.
Assistant Secretary	John M. Crimmins	Koppers Building, Pittsburgh, Pa.
Assistant Secretary	T. H. Hamilton	Koppers Building, Pittsburgh, Pa.
Asst. Sec'y & Asst. Treas.	George W. Brooks	Belleville Turnpike, Kearny, N. J.
Asst. Sec'y & Asst. Treas.	W. G. Hunt	Koppers Building, Pittsburgh, Pa.
Asst. Sec'y & Asst. Treas.	L. J. Love	Kearny, N. J.
Asst. Sec'y & Asst. Treas.	George H. Persch	Industrial Trust Bldg., Providence, R. I.
Asst. Sec'y & Asst. Treas.	Roy D. Pippen	Bush & Hamburg Sts., Baltimore, Md.
Asst. Sec'y & Asst. Treas.	C. J. Robb	16 Court Street, Brooklyn, N. Y.
Asst. Sec'y & Asst. Treas.	J. E. Tellman	Scott & McHenry Sts., Baltimore, Md.
Asst. Sec'y & Asst. Treas.	Richard J. Wheeler	1000 N. Hamline Ave., St. Paul, Minn.
Asst. Treas.	A. H. Curran	Koppers Building, Pittsburgh, Pa.
Asst. Treas.	F. M. Dapper	P.O. Box 92, Monaca, Pa.
Asst. Treas.	L. S. Graham	Koppers Building, Pittsburgh, Pa.
Asst. Treas.	E. B. Shuck	Koppers Building, Pittsburgh, Pa.
Appointed Officers		
Divisional Vice President, Engineering and Construction Division	J. B. Black	Koppers Building, Pittsburgh, Pa.
Divisional Vice President, Tar and Chemical Division	K. R. Burke	Koppers Building, Pittsburgh, Pa.
Divisional Vice President, Engineering and Construction Division	George M. Carvlin	Koppers Building, Pittsburgh, Pa.
Divisional Vice President, Wood Preserving Division	H. R. Condon	Koppers Building, Pittsburgh, Pa.
Divisional Vice President, Financial Division	H. Doolittle	Koppers Building, Pittsburgh, Pa.
Divisional Vice President, Wood Preserving Division	R. P. Jackson	P. O. Box 20, Texarkana, Ark

KOPPERS COMPANY, INC.

Title	Name	Address
Appointed Officers (Continued)		
Divisional Vice President, Wood Preserving Division	D. C. Jones	1426 Railway Exchange Bldg., Chicago, Ill.
Divisional Vice President, Tar and Chemical Division	Maurice D. Gill	Industrial Trust Bldg., Providence, R. I.
Divisional Vice President, Wood Preserving Division	E. J. McGehee	Koppers Building, Pittsburgh, Pa.
Divisional Vice President, Wood Preserving Division	E. S. Park	P.O. Box 516, Nashua, N. H.
Divisional Vice President, Research Division	C. J. Ramsburg	Koppers Building, Pittsburgh, Pa.
Divisional Vice President, Engineering and Construction Division	Joseph van Ackeren	Koppers Building, Pittsburgh, Pa.
Assistant Vice President, Tar and Chemical Division	R. C. Wickersham	Koppers Building, Pittsburgh, Pa.
Manager, Brooklyn Division	T. S. Fillebrown	16 Court Street, Brooklyn, N. Y.
Manager, White Tar Division	R. R. Holmes	Kearny, N. J.
Manager, Koppers Building Division	H. B. Kirkpatrick	Koppers Building, Pittsburgh, Pa.

BZPH104E-0351

KOPPERS COMPANY, INC

DIRECTORS

Name	Address
Vacancy (Chairman)	
Stanley N. Brown	Koppers Building, Pittsburgh, Pa.
J. N. Marshall	R. D. No. 3, Bethlehem, Pa
R. H. McClintic	Koppers Building Pittsburgh Pa.
R. K. Mellon	514 Smithfield Street Pittsburgh, Pa.
L. N. Murray	514 Smithfield Street Pittsburgh, Pa.
D. D. Shepard	716 Jackson Place Washington D. C.
Clarance Stanley	439 Fifth Avenue Pittsburgh Pa.
J. P Williams, Jr.	Koppers Building Pittsburgh Pa

0093 0010

VOID WITHOUT WATERMARK OR IF ALTERED OR ERASED

Street, in the ..... of

in the County of .....

IN WITNESS WHEREOF, said Corporation, in pursuance of a resolution duly adopted by its Board of Directors, has caused this declaration to be signed by its Vice President and Asst. Secretary, and its Corporate Seal to be affixed, the 10th day of November, 19 44

[CORPORATE SEAL]

KOPPERS COMPANY, INC. [SEAL]
(Name of corporation)

By Stanley N. Brown [SEAL]
Vice President

By C. M. Crick [SEAL]
Asst. Secretary

STATE OF PENNSYLVANIA
COUNTY OF ALLEGHENY } ss.

I, Stanley N. Brown, Vice President, and I, C. M. Crick, Asst. Secretary, of the KOPPERS COMPANY, INC., being severally duly sworn, depose and say, and each for himself says, that I am Vice President and Asst. Secretary, respectively, of the KOPPERS COMPANY, INC., the corporation mentioned in and which executed the foregoing declaration, and that said declaration is a full, true, and correct statement of the matters therein contained according to the best of my information, knowledge, and belief.

Stanley N. Brown
C. M. Crick

Subscribed and sworn to before me this 10th day of November, 19 44

Martha W. Johnson

[NOTARIAL SEAL]

Notary Public for Allegheny County

My commission expires MARTHA W. JOHNSON, Notary Public
MY COMMISSION EXPIRES
FEBRUARY 17, 1945

STATE OF PENNSYLVANIA
COUNTY OF ALLEGHENY } ss.

I, C. M. Crick, Asst. Secretary of the KOPPERS COMPANY, INC., being first duly sworn, depose and say upon oath that Stanley N. Brown is the Vice President of said corporation, and that the signature affixed to the above and foregoing declaration is the genuine signature of said Stanley N. Brown; that the Corporate Seal hereinbefore attached and impressed herein is the Corporate Seal of said corporation, and was affixed thereto by me, and that the foregoing declaration was executed for the KOPPERS COMPANY, INC. by its Vice President and Asst. Secretary, pursuant to a resolution of the Board of Directors of said corporation duly adopted on the 10th day of November, 19 44

C. M. Crick

Subscribed and sworn to before me this 10th day of November, 19 44

Martha W. Johnson

[NOTARIAL SEAL]

Notary Public for Allegheny County

My commission expires

0093 0011

BZPH104E-0353

File No. F-3901

DECLARATION

OF

KOPPERS COMPANY, INC.

Principal Office Wilmington, Delaware.

Filed in the office of the CORPORATION COMMISSIONER of the STATE of OREGON at 10 o'clock A.M. this 16th day of November, 1944

Maurine Hudson

CORPORATION COMMISSIONER

STATE PRINTING DEPT.

50.
124.38

BZPH104E-0354

INFORMATION BLANK

FOREIGN CORPORATION

FOR THE CORPORATION DEPARTMENT OF THE STATE OF OREGON

1. Full name of company KOPPERS COMPANY, INC., a foreign corporation organized under the laws of Delaware

2. Name of attorney in fact in Oregon Alfred A. Hampson; Andrew Koerner; Frank C. McCulloch, (and each of them, separately, singly and individually)
Address 800 Pacific Building, Portland, Oregon

3. The nature, and general plan of the business to be followed in Oregon Dealing in the company's products, and the installation, erection and servicing thereof.

4. The total authorized capital stock is $50,000,000.00 and no NPV shares; consisting of 2,000,000 shares common, par value $10. each; 300,000 shares preferred, par value $100. each; no shares NPV common; and no shares NPV preferred.

5. The amount thereof subscribed: $9,000,000 par value common; $15,000,000 par value preferred; no shares NPV common; no shares NPV preferred. The amount remaining unsubscribed, $11,000,000 par value common; $15,000,000 par value preferred; No shares NPV common; No shares NPV preferred.

6. Will any of the above stock be for sale by the company within the State of Oregon? No

7. Mention what, if any, stock, bonds, notes, contracts, or other securities are to be issued by the company within the State of Oregon None
(If none, please so state)

8. The officers and directors, and their addresses are as follows:

See Schedule Attached

Stanley N. Brown Vice PRESIDENT

November 10, 1944 C. M. Crick Asst. SECRETARY

Kindly fill out the above, signed by two of the principal officers of the company, and return at once to the Corporation Commissioner, Salem, Oregon. No fee is required for this blank. If the corporation is a close corporation, and no securities are to be issued of any kind whatsoever to anyone within the State of Oregon, the following should be executed also:

AFFIDAVIT OF EXEMPTION

STATE OF PENNSYLVANIA
County of ALLEGHENY } ss.

I, Stanley N. Brown, and I, C. M. Crick,

being first duly sworn, depose and say:

That I, Stanley N. Brown, am the duly elected, qualified and acting Vice President, and that I, C. M. Crick, am the duly elected, qualified and

0093 0013

VOID WITHOUT WATERMARK OR IF ALTERED OR ERASED

BZPH104E-0355

acting Asst. Secretary of KOPPERS COMPANY, INC.
(Name of company or corporation)

a corporation formed under the laws of Delaware;

that I am fully conversant with, and qualified and authorized to speak of, the affairs of the said corporation; that the said corporation does not intend generally to deal in or sell any stocks, bonds, notes, contracts, or other securities, whatsoever in the State of Oregon; that no stocks, bonds, notes, contracts, or other corporate securities of this corporation will be sold, transferred or issued in Oregon except as may be permitted by the provisions of the Oregon Securities Law, Chapter 397, Oregon Laws, 1939.

Stanley N. Brown
Vice PRESIDENT

C. M. Crick
Asst. SECRETARY

Subscribed and sworn to before me by the said Stanley N. Brown

and the said C. M. Crick above named, on this 10th day

of November, 1944, at Pittsburgh, Pa.

Martha W. Johnson
Notary Public for Allegheny County

[Notarial Seal]

My commission expires ....., 19...

MARTHA W. JOHNSON, Notary Public
MY COMMISSION EXPIRES
FEBRUARY 17, 1946

File No. F-3901

INFORMATION BLANK
AND
AFFIDAVIT OF EXEMPTION
OF
KOPPERS COMPANY, INC.

A Foreign Corporation

Filed in the office of the CORPORATION COMMISSIONER of the State of OREGON at 10 o'clock A.M. the 16th day of November, 1944

Maurice Hanson
CORPORATION COMMISSIONER
STATE OF OREGON DEPT.

BZPH104E-0356

KOPPERS COMPANY, INC

Title	Name	Address
Elected Officers		
Chairman of Board	Vacancy	
President	J. P. Williams, Jr.	Koppers Building, Pittsburgh, Pa.
Vice President	Joseph Becker	Koppers Building, Pittsburgh, Pa.
Vice President	Stanley N. Brown	Koppers Building, Pittsburgh, Pa.
Vice President	John F. Byrne	P.O Box 367, Granite City, Ill.
Vice President	Fred Denig	Koppers Building, Pittsburgh, Pa.
Vice President	J. N. Forker	Koppers Building, Pittsburgh, Pa.
Vice President	M. T. Herreid	1000 N. Hamline Ave., St. Paul, Minn.
Vice President	W. Reed Morris	Kearny, N. J.
Vice President	Allen W. Morton	Bush & Hamburg Sts., Baltimore, Md
Vice President	W. F. Mannikhuysen	Koppers Building, Pittsburgh, Pa
Vice President	W. F. Perkins	Scott & McHenry Sts., Baltimore, Md.
Vice President	D. M. Rugg	P.O. Box 92, Monaca, Pa.
Secretary (ex off. Asst. Treas.)	E. S. Ruffin, Jr.	Koppers Building, Pittsburgh, Pa
Treasurer (ex off. Asst. Sec'y)	E. A. Berry	Koppers Building, Pittsburgh, Pa.
Assistant Secretary	C. M. Crick	Koppers Building, Pittsburgh, Pa.
Assistant Secretary	John M. Crimmins	Koppers Building, Pittsburgh, Pa.
Assistant Secretary	T. H. Hamilton	Koppers Building, Pittsburgh, Pa.
Asst. Sec'y & Asst. Treas.	George W. Brooks	Belleville Turnpike, Kearny, N. J.
Asst. Sec'y & Asst. Treas.	W. G. Hunt	Koppers Building, Pittsburgh, Pa.
Asst. Sec'y & Asst. Treas.	L. J. Love	Kearny, N. J.
Asst. Sec'y & Asst. Treas.	George H. Persch	Industrial Trust Bldg., Providence, R. I.
Asst. Sec'y & Asst. Treas.	Roy D. Pippen	Bush & Hamburg Sts., Baltimore, Md.
Asst. Sec'y & Asst. Treas.	C. J. Robb	16 Court Street, Brooklyn, N. Y.
Asst. Sec'y & Asst. Treas.	J. E. Tellman	Scott & McHenry Sts., Baltimore, Md.
Asst. Sec'y & Asst. Treas.	Richard J. Wheeler	1000 N. Hamline Ave., St. Paul, Minn.
Asst. Treas.	G. H. Curran	Koppers Building, Pittsburgh, Pa
Asst. Treas.	F. M. Dapper	P.O. Box 92, Monaca, Pa.
Asst. Treas.	L. S. Graham	Koppers Building, Pittsburgh, Pa.
Asst. Treas.	E. B. Shuck	Koppers Building, Pittsburgh, Pa.
Appointed Officers		
Divisional Vice President, Engineering and Construction Division	J. B. Black	Koppers Building, Pittsburgh, Pa.
Divisional Vice President, Tar and Chemical Division	E. R. Burke	Koppers Building, Pittsburgh, Pa.
Divisional Vice President, Engineering and Construction Division	George M. Carvlin	Koppers Building, Pittsburgh, Pa.
Divisional Vice President, Wood Preserving Division	H. R. Condon	Koppers Building, Pittsburgh, Pa
Divisional Vice President, Financial Division	H. Doolittle	Koppers Building, Pittsburgh, Pa.
Divisional Vice President, Wood Preserving Division	R. P. Jackson	P. O. Box 20, Texarkana, Ark.

BZPH104E-0357

KOPPERS COMPANY, Inc.

Title	Name	Address
Appointed Officers (Continued)		
Divisional Vice President, Wood Preserving Division	D. C. Jones	1416 Railway Exchange Bldg., Chicago, Ill
Divisional Vice President, Tar and Chemical Division	Maurice D. Gill	Industrial Trust Bldg., Providence, R. I.
Divisional Vice President, Wood Preserving Division	E. J. McGehee	Koppers Building, Pittsburgh, Pa.
Divisional Vice President, Wood Preserving Division	E. S. Park	P.O. Box 514, Nashua, N. H.
Divisional Vice President, Research Division	C. J. Ramsburg	Koppers Building, Pittsburgh, Pa
Divisional Vice President, Engineering and Construction Division	Joseph van Ackeren	Koppers Building, Pittsburgh, Pa
Assistant Vice President, Tar and Chemical Division	R. C. Wickersham	Koppers Building, Pittsburgh, Pa
Manager, Brooklyn Division	T. S. Fillebrown	16 Court Street, Brooklyn, N. Y.
Manager, White Tar Division	H. R. Holmes	Kearny, N. J.
Manager, Koppers Building Division	H. B. Kirkpatrick	Koppers Building, Pittsburgh, Pa.

BZPH104E-0358

KOPPERS COMPANY, INC

DIRECTORS

Name	Address
[illegible] (Chairman)	Koppers Building, Pittsburgh Pa
Stanley N. Brown	P. O. No. 3, Bethlehem Pa
[illegible] Marshall	Koppers Building Pittsburgh Pa
[illegible] McClintic	514 Smithfield Street Pittsburgh Pa
[illegible] Mellon	514 Smithfield Street Pittsburgh Pa
[illegible] Murray	716 Jackson Place Washington D C
[illegible] Shepard	439 Fifth Avenue Pittsburgh Pa
[illegible] Stanley	Koppers Building Pittsburgh Pa
[illegible] Williams, Jr.	

VOID WITHOUT WATERMARK OR IF ALTERED OR ERASED

No. 0. Required by ORS 57.055 (Section 11, Chapter 549, Oregon Laws 1953). Mail to Corporation Commissioner, Salem, Oregon. There is no fee. Any corporation failing to file this document is subject to involuntary dissolution.

CORPORATION DEPARTMENT
RECEIVED
DEC 7 - 1953
STATE OF OREGON

DESIGNATION OF INITIAL REGISTERED OFFICE AND REGISTERED AGENT

KOPPERS COMPANY, INC., a corporation organized and existing under the laws of the State of DELAWARE, hereby certifies that, pursuant to a duly adopted resolution of its board of directors, the address of the registered office of the corporation in the State of Oregon shall be 800 Pacific Building, Portland 4, Oregon, that the registered agent of the corporation shall be C T CORPORATION SYSTEM; and that the address of its registered office and the address of the business office of its registered agent are identical.

(Exact name of corporation)

IN WITNESS WHEREOF, the undersigned corporation has caused this certificate to be executed in its name by its ~~President or~~ Secretary, this 20th day of October, 1953.

KOPPERS COMPANY, INC.
(Name of corporation)
By [signature]
(~~President or~~ Secretary)

Commonwealth ~~STATE OF~~ Pennsylvania,)
) SS.
County of Allegheny)

I, Martha W. Johnson, a Notary Public, do hereby certify that on the 20th day of October, A. D. 1953, personally appeared before me K. S. Buffin, Jr., who declares he is Secretary of the corporation executing the foregoing document, and being first duly sworn acknowledged that he signed the foregoing document in the capacity therein set forth and declared that the statements therein contained are true.

IN WITNESS WHEREOF, I have hereunto set my hand and seal the day and year before written.

Martha W. Johnson
Notary Public for Allegheny County

MARTHA W. JOHNSON, Notary Public
MY COMMISSION EXPIRES
JANUARY 7, 1955

My commission expires:

BZPH104E-0360

File No. F-3901

DESIGNATION OF INITIAL
REGISTERED OFFICE AND
REGISTERED AGENT
of
KOPPERS COMPANY, INC.

FILED
DEC 31 1:53
MAURICE HUDSON
Corporation Commissioner

BZPH104E-0361

Submit the Original
And One True Copy
No Fee Required

STATE OF OREGON
CORPORATION DIVISION
158 12th Street NE
Salem, OR 97310

THIS SPACE FOR OFFICE USE ONLY
FILED
IN THE OFFICE OF THE SECRETARY
OF STATE OF THE STATE OF ORE.
MAY 15 1989
CORPORATION DIVISION

Oregon Registry Number:
003904-20
(If known)

FOREIGN CORPORATION
AMENDMENT TO APPLICATION FOR
AUTHORITY TO TRANSACT BUSINESS

PLEASE TYPE OR PRINT LEGIBLY IN BLACK INK

1. The name of the corporation prior to the amendment:

Koppers Company, Inc.

2. The corporate name has been changed to:

Beazer Materials and Services, Inc.

3. The duration of the corporation has been changed to: No Change

☐ Perpetual

OR

☐ _____, _____

(Please give a specific date.)

Execution: Jill M Blindon — Jill M Blindon — Vice Pres.
Signature — Printed Name — Title

Person to contact about this filing: _____
Name — Daytime Phone Number

Submit the original and a true copy to the Corporation Division, 158 12th Street NE, Salem, Oregon 97310. There is no fee required. If you have questions, please call (503) 378-4166.

5/15/89
PM

FBC-2 (3/88) (ORE. - 1236 - 5/3/88)

BZPH104E-0362

Submit the Original
And One True Copy
(831.115) $10.00

SECRETARY OF STATE
CORPORATION DIVISION
158 12th Street NE
Salem, OR 97310

THIS SPACE FOR OFFICE USE ONLY

FILED
IN THE OFFICE OF THE SECRETARY
OF STATE OF THE STATE OF OREGON
APR 19 1990
CORPORATION DIVISION

Oregon Registry Number:
003901-20
(If known)

FOREIGN CORPORATION
AMENDMENT TO APPLICATION FOR
AUTHORITY TO TRANSACT BUSINESS

PLEASE TYPE OR PRINT LEGIBLY IN BLACK INK

1. The name of the corporation prior to the amendment:

Beazer Materials and Services, Inc.

PLEASE NOTE: This form may be used to change the corporate name, the duration of the corporation and to change officers during the first year of the corporation's authorization. Once the annual report has been filed, use GC-4, Amendment to Annual Report, to change officer information.

2. The amendment is as follows:

The name of the corporation has been changed to Beazer East, Inc.

Execution: Jill M. Blundon — Vice President
Signature — Printed Name — Title

Person to contact about this filing: Sally Karanzas — (412) 227-2625
Name — Daytime Phone Number

Make checks payable to the Corporation Division. Submit the completed form and fees to: Corporation Division, 158 12th Street NE, Salem, Oregon 97310-0210. If you have any questions, please call (503) 378-4166.

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FBC-2 (6/89)

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