Holcim

Strength. Performance. Passion.

# Annual Report 2010 Holcim Ltd – Preprint

**Biodiversity is life**
**2010 has been the International Year of Biodiversity**

Strength. Performance. Passion.

# Annual Report 2010 Holcim Ltd

Holcim is one of the world's leading producers of cement and aggregates. Further business activities are ready-mix concrete, concrete products, asphalt and a range of related services. The Group operates in around 70 countries and employs more than 80,000 people. For many years, Holcim has been doing pioneering work in the field of sustainable development, including the cultivation of fauna and flora at production sites.

Holcim today is more globally spread than any other building materials group and, with around 2,500 locations worldwide, very well positioned. Its consequent geographic diversification strengthens the Group during difficult economic times.

The local companies of the Group founded 1912 in Switzerland focus on optimum customer service, including innovative product-specific solutions. As a Group, Holcim applies global standards not only in production and distribution, but also in environmental and social responsibility.

The United Nations have declared 2010 the International Year of Biodiversity. Holcim is also reporting on activities in this area in the current Annual Report. The Group promotes biodiversity at production sites and forged a valuable partnership with the International Union for Conservation of Nature (IUCN) several years ago.

Holcim had been confirmed as a member of the Dow Jones Sustainability World Index for the eighth succeeding year. It is recognized as one of the most sustainable companies in the building materials industry. Holcim is also listed in the FTSE4Good sustainability index.

## Key figures Group Holcim

| | | 2010 | 2009 | ±% | ±% like-for-like |
|---|---|---|---|---|---|
| Annual cement production capacity | million t | 211.5 | 202.9 | +4.2 | +4.2 |
| Sales of cement | million t | 136.7 | 131.9 | +3.6 | +2.4 |
| Sales of mineral components | million t | 4.1 | 3.5 | +17.1 | +5.7 |
| Sales of aggregates | million t | 157.9 | 143.4 | +10.1 | −1.6 |
| Sales of ready-mix concrete | million $m^3$ | 45.9 | 41.8 | +9.8 | +0.2 |
| Sales of asphalt | million t | 10.6 | 11.0 | −3.6 | −3.6 |
| Net sales | million CHF | 21,653 | 21,132 | +2.5 | −2.1 |
| Operating EBITDA | million CHF | 4,513 | 4,630 | −2.5 | −6.1 |
| Operating EBITDA margin | % | 20.8 | 21.9 | | |
| EBITDA | million CHF | 4,988 | 5,229 | −4.6 | |
| Operating profit | million CHF | 2,619 | 2,781 | −5.8 | −10.1 |
| Operating profit margin | % | 12.1 | 13.2 | | |
| Net income | million CHF | 1,621 | 1,958 | −17.2 | −18.2 |
| Net income margin | % | 7.5 | 9.3 | | |
| Net income – shareholders of Holcim Ltd | million CHF | 1,182 | 1,471 | −19.6 | −21.1 |
| Cash flow from operating activities | million CHF | 3,659 | 3,888 | −5.9 | −8.3 |
| Cash flow margin | % | 16.9 | 18.4 | | |
| Net financial debt | million CHF | 11,363 | 13,833 | −17.9 | −9.9 |
| Funds from operations[1]/net financial debt | % | 31.3 | 27.6 | | |
| Total shareholders' equity | million CHF | 21,121 | 22,044 | −4.2 | |
| Gearing[2] | % | 53.8 | 62.8 | | |
| Personnel | 31.12. | 80,310 | 81,498 | −1.5 | −1.5 |
| Earnings per share[3] | CHF | 3.69 | 4.93 | −25.2 | |
| Fully diluted earnings per share[3] | CHF | 3.69 | 4.93 | −25.2 | |
| Payout | million CHF | 480[4] | 480 | 0.0 | |
| Payout/dividend per share | CHF | 1.50[4] | 1.50 | 0.0 | |

## Principal key figures in USD (illustrative)[5]

| | | 2010 | 2009 | ±% |
|---|---|---|---|---|
| Net sales | million USD | 20,820 | 19,387 | +7.4 |
| Operating EBITDA | million USD | 4,339 | 4,248 | +2.1 |
| Operating profit | million USD | 2,518 | 2,551 | −1.3 |
| Net income – shareholders of Holcim Ltd | million USD | 1,137 | 1,350 | −15.8 |
| Cash flow from operating activities | million USD | 3,518 | 3,567 | −1.4 |
| Net financial debt | million USD | 12,088 | 13,430 | −10.0 |
| Total shareholders' equity | million USD | 22,469 | 21,402 | +5.0 |
| Earnings per share[3] | USD | 3.55 | 4.52 | −21.5 |

## Principal key figures in EUR (illustrative)[5]

| | | 2010 | 2009 | ±% |
|---|---|---|---|---|
| Net sales | million EUR | 15,691 | 13,995 | +12.1 |
| Operating EBITDA | million EUR | 3,270 | 3,066 | +6.7 |
| Operating profit | million EUR | 1,898 | 1,842 | +3.0 |
| Net income – shareholders of Holcim Ltd | million EUR | 857 | 974 | −12.0 |
| Cash flow from operating activities | million EUR | 2,651 | 2,575 | +3.0 |
| Net financial debt | million EUR | 9,090 | 9,284 | −2.1 |
| Total shareholders' equity | million EUR | 16,897 | 14,795 | +14.2 |
| Earnings per share[3] | EUR | 2.67 | 3.26 | −18.1 |

[1] Net income plus depreciation, amortization and impairment.

[2] Net financial debt divided by total shareholders' equity.

[3] EPS calculation based on net income attributable to shareholders of Holcim Ltd weighted by the average number of shares.

[4] Proposed by the Board of Directors for a payout from capital contribution reserves.

[5] Statement of income figures translated at average rate; statement of financial position figures at year-end rate.

## Contents




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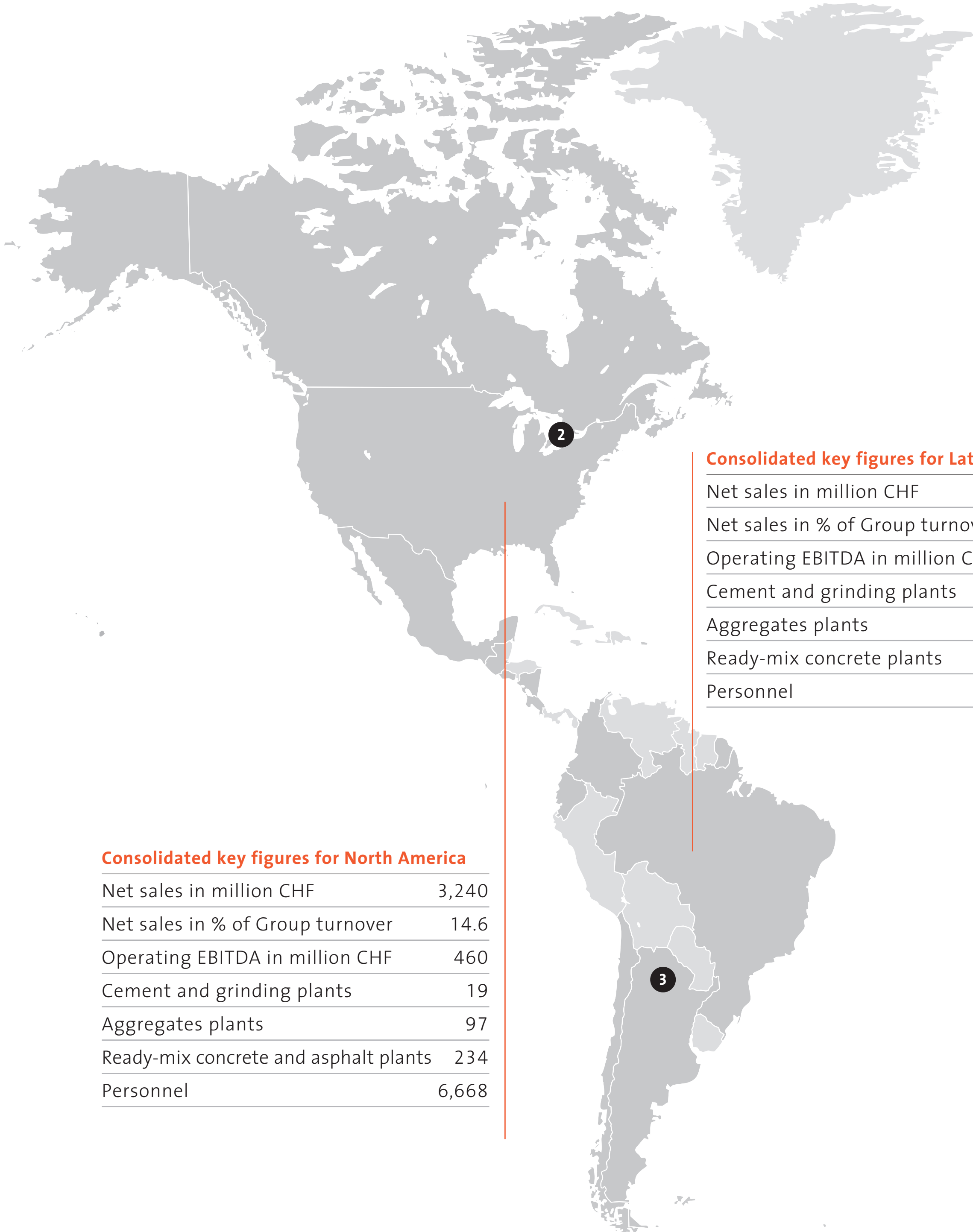
The German version is binding.

Milton, Canada: The rehabilitated quarry is now a showcase complex of wetlands, lakes, meadows and forests (see page 56).

Puesto Viejo, Argentina: The rehabilitated quarry provides shelter for rare flora (see page 64).

## Holcim sold more cement, aggregates and ready-mix concrete.



**Consolidated key figures for Latin America**

| | |
|---|---|
| Net sales in million CHF | 3,442 |
| Net sales in % of Group turnover | 15.5 |
| Operating EBITDA in million CHF | 999 |
| Cement and grinding plants | 27 |
| Aggregates plants | 25 |
| Ready-mix concrete plants | 233 |
| Personnel | 12,710 |

**Consolidated key figures for North America**

| | |
|---|---|
| Net sales in million CHF | 3,240 |
| Net sales in % of Group turnover | 14.6 |
| Operating EBITDA in million CHF | 460 |
| Cement and grinding plants | 19 |
| Aggregates plants | 97 |
| Ready-mix concrete and asphalt plants | 234 |
| Personnel | 6,668 |


El Puente, Spain: The gravel pit, inhabited by thousands of birds, was designated a zone of special protection for birds by the administration of Castile-La Mancha (see page 48).


El Gara, Morocco: This reforestation of 200 ha will contribute to combat desertification and to protect biodiversity (see page 72).

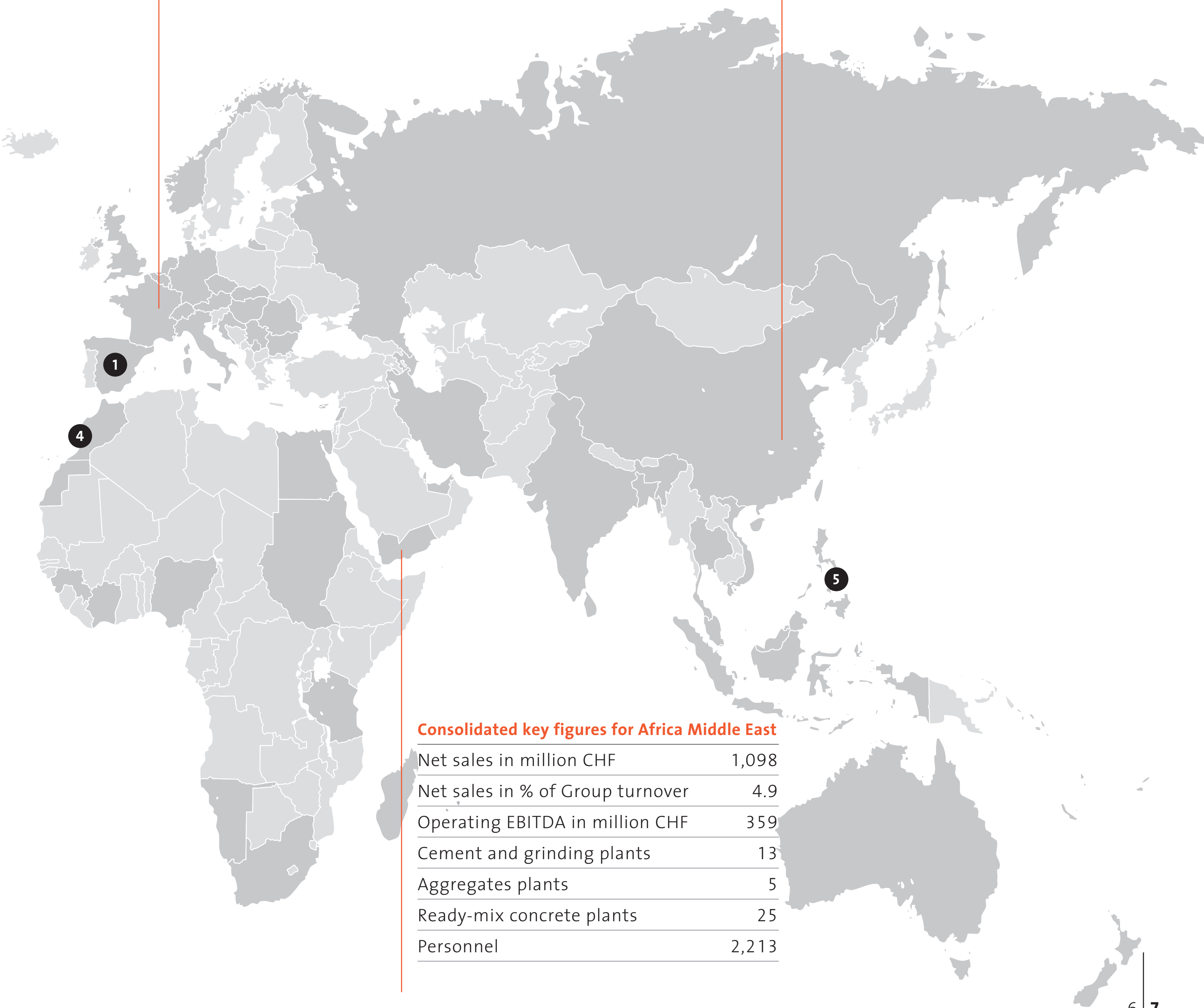

Lugait, Philippines: Children enjoy nature at the butterfly garden (see page 78).

**Consolidated key figures for Europe**

| | |
|---|---|
| Net sales in million CHF | 6,535 |
| Net sales in % of Group turnover | 29.3 |
| Operating EBITDA in million CHF | 1,045 |
| Cement and grinding plants | 40 |
| Aggregates plants | 259 |
| Ready-mix concrete and asphalt plants | 636 |
| Personnel | 19,690 |

**Consolidated key figures for Asia Pacific**

| | |
|---|---|
| Net sales in million CHF | 7,958 |
| Net sales in % of Group turnover | 35.7 |
| Operating EBITDA in million CHF | 1,820 |
| Cement and grinding plants | 58 |
| Aggregates plants | 86 |
| Ready-mix concrete plants | 403 |
| Personnel | 38,172 |




**Consolidated key figures for Africa Middle East**

| | |
|---|---|
| Net sales in million CHF | 1,098 |
| Net sales in % of Group turnover | 4.9 |
| Operating EBITDA in million CHF | 359 |
| Cement and grinding plants | 13 |
| Aggregates plants | 5 |
| Ready-mix concrete plants | 25 |
| Personnel | 2,213 |

# Cement

**Profile**

Cement is manufactured through a large-scale, complex and capital-intensive process. At the core of the production process is a rotary kiln, in which limestone and clay are heated to approximately 1,450 degrees Celsius. The semifinished product, called clinker, is created by sintering. In the cement mill, gypsum is added to the clinker and the mixture is ground to a fine powder – traditional Portland cement. Other high-grade materials such as granulated blast furnace slag, fly ash, pozzolan and limestone are added in order to modify the properties of the cement. Holcim offers customers a very wide range of cements and also develops customized solutions for special applications.

**Developments**

In 2010, the volume of cement sold grew by 3.6 percent to 136.7 million tonnes. In addition, 4.1 million tonnes of other mineral components were sold, representing a rise of 17.1 percent. The increase in volume stems from additional sales in Group regions Asia Pacific, North America and Africa Middle East. In terms of quantity, Latin America just maintained last year's level, and in Europe, deliveries declined as a result of the economic situation. The positive overall trend also reflects capacity expansion in important markets and the full consolidation of Cement Australia.

# Aggregates

**Profile**

Aggregates include crushed stone, gravel and sand. The production process centers around quarrying, preparing and sorting the raw material as well as quality testing. Aggregates are mainly used in the manufacturing of ready-mix concrete, concrete products and asphalt as well as for road building and railway track beds. The recycling of aggregates from concrete material is an alternative that is gaining importance at Holcim.

**Developments**

The aggregates segment experienced a sharp rise in sales, with an increase of 10.1 percent to 157.9 million tonnes. Holcim posted gains in Latin America, but primarily in Asia Pacific, where it benefited from the full consolidation of Holcim Australia. The Group companies in New Zealand, Thailand and the Philippines also lifted sales volumes. Europe and Africa Middle East witnessed an overall decline in the aggregates business. However, some Group companies delivered more crushed stone, gravel and sand, including Aggregate Industries UK and the companies in Belgium, Germany, Switzerland, Hungary and the Czech Republic. In North America, the aggregates business declined.

# Other construction materials and services

**Profile**

Globally, concrete is the second most consumed commodity by volume after water. One cubic meter consists of approximately 300 kilograms of cement, 150 liters of water and 2 tonnes of aggregates. Concrete is a very environmentally friendly energy-efficient building material. Asphalt is a bituminous construction material used primarily for road paving. It consists mainly of aggregates of differing grain size. Holcim's service offering also includes construction services and international trading. Following the acquisition in Australia, this segment has gained in significance.

**Developments**

Sales of ready-mix concrete rose by 9.8 percent to 45.9 million cubic meters. The strongest growth was seen in Asia Pacific driven by the full consolidation of Holcim Australia. Delivery volumes also increased in North and Latin America, with Canada, Mexico and Chile leading the way. Group region Africa Middle East just maintained sales volumes, while Europe saw a 5.9 percent decline. The volume of asphalt sold was down by 3.6 percent to 10.6 million tonnes.

**Consolidated key figures for cement in 2010**

| | |
|---|---|
| Production capacity cement in million t | 211.5 |
| Cement and grinding plants | 157 |
| Sales of cement in million t | 136.7 |
| Net sales[1] in million CHF | 13,948 |
| Operating EBITDA[1] in million CHF | 3,755 |
| Personnel | 51,133 |

[1] Includes all other cementitious materials.

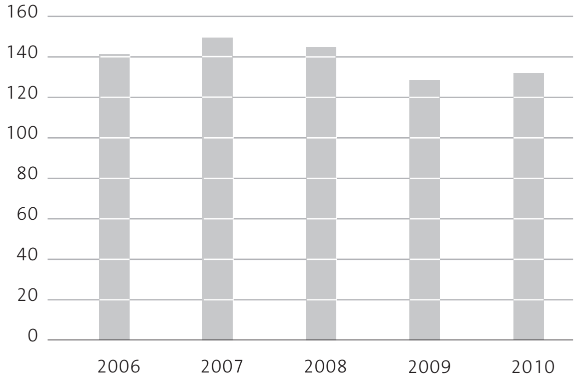
**Consolidated sales of cement 2010 per region[1]**

| | |
|---|---|
| Europe | 26.2 million t |
| North America | 11.1 million t |
| Latin America | 22.7 million t |
| Africa Middle East | 8.9 million t |
| Asia Pacific | 71.4 million. t |

[1] Inter-regional sales –3.6 million t

**Sales of cement**

Million t




**Consolidated key figures for aggregates 2010**

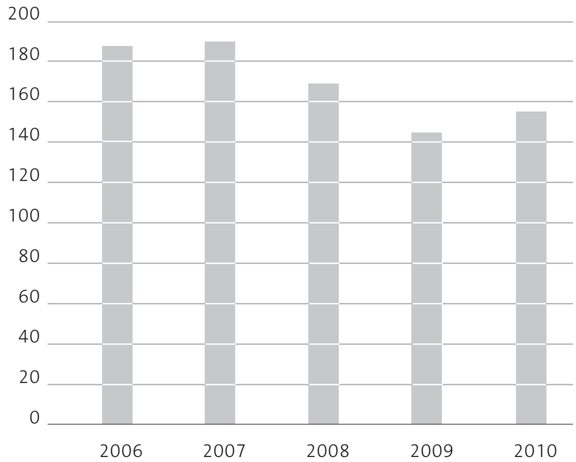
| | |
|---|---|
| Aggregates plants | 472 |
| Sales of aggregates in million t | 157.9 |
| Net sales in million CHF | 2,495 |
| Operating EBITDA in million CHF | 530 |
| Personnel | 6,478 |

**Consolidated sales of aggregates 2010 per region**

| | |
|---|---|
| Europe | 77.6 million t |
| North America | 39.2 million t |
| Latin America | 12.2 million t |
| Africa Middle East | 2.5 million t |
| Asia Pacific | 26.4 million t |

**Sales of aggregates**

Million t

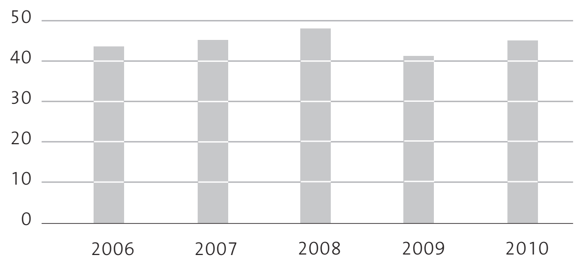



**Consolidated key figures for other construction materials and services in 2010**

| | |
|---|---|
| Ready-mix concrete plants | 1,426 |
| Asphalt plants | 106 |
| Sales of ready-mix concrete in million $m^3$ | 45.9 |
| Sales of asphalt in million t | 10.6 |
| Net sales in million CHF | 8,107 |
| Operating EBITDA in million CHF | 228 |
| Personnel | 22,577 |

**Sales of ready-mix concrete**

Million $m^3$



## In a challenging environment, Holcim sold more cement, aggregates and ready-mix concrete. Selective capacity expansion improves environmental and cost efficiencies.

Dear Shareholder

**Economic upturn had a delayed impact on demand for construction materials**

In 2010, the global economy continued to recover, although not at the same pace everywhere. Many industrialized countries overcame the recession, and the emerging markets largely remained on a growth track – also strengthened by solid construction activity. However, in Europe and North America, the improving economic condition has yet to have much impact on the construction sector. The stimulus programs were not implemented consistently in all regions. In addition, periods of cold weather, heavy rains and tropical storms hampered construction activity in many countries.

**Rising sales**

Despite the challenging environment in many markets, Holcim increased its sales volumes. This volume growth is broad-based, with Group companies in all five Group regions contributing to the success. The percentage increase was more pronounced for aggregates and ready-mix concrete than for cement. This became particularly evident in our enlarged operations in Australia, where the new consolidated Group company Holcim Australia – a leading nationwide supplier of aggregates, ready-mix concrete and concrete products – was consolidated for the full year for the first time. Sales of ready-mix concrete increased particularly above average in the rapidly growing major centers of Asia.

**Effective cost management**

In light of the uncertain economic outlook, Holcim continued to adhere to its tight cost management in 2010 with the aim of safeguarding the substantial reductions in fixed costs achieved the previous year despite the commissioning of new production capacity. The Group companies indeed succeeded to reduce their fixed costs by a further CHF 312 million. This had a positive impact on the income statement.

**Higher turnover and only slightly lower operating results**

Consolidated net sales increased by 2.5 percent to CHF 21.7 billion, while operating EBITDA declined by 2.5 percent to CHF 4.5 billion. The decisive factors were amongst others the less favorable results of Holcim Apasco in Mexico and ACC in India. Holcim Apasco was hit by weak domestic demand while in the case of ACC, the delayed commissioning of additional cement capacity led to higher production and distribution costs. In the aggregates segment, however, the Group's operating EBITDA margin increased.

Holcim suffered the sharpest decline in its operating result in Europe. In the two Group regions North America and Africa Middle East, operating EBITDA margin could be increased. The operating result was up compared to the previous year in Group region Asia Pacific, where it benefited from the full consolidations in Australia and the positive business development in Indonesia. The operating EBITDA margin declined in this Group region; reflecting among other things the change in the product mix due to the full consolidation of Holcim Australia, as well as the temporary price pressure in India during the monsoon season. In Latin America, Holcim Brazil in particular improved substantially.

Net income was down 17.2 percent at CHF 1.6 billion and the share of net income attributable to shareholders of Holcim Ltd declined by 19.6 percent to CHF 1.2 billion.

**Solid financing**

As in previous years, Holcim ended 2010 with a solid balance sheet and liquidity. The Group's net debt was further reduced despite the commissioning of new plants and additional capacity. Cash flow from operating activities stabilized at a high level at CHF 3.7 billion.

**Capacity expansion for lower costs, higher revenues and improved environmental balance sheet**

As in previous years, Holcim invested in specific capacity expansion in all segments. The main focus was on the cement segment expansion program initiated in 2007. Expenditures already peaked in 2009, but 2010 still saw CHF 1.2 billion invested in expansion projects in new and existing markets. Other investment activity was once again kept on a low level.

In 2010, the Group commissioned new cement capacity to the amount of 6.8 million tonnes. As part of the expansion program, Holcim Apasco commissioned a new cement plant in Hermosillo, Northwestern Mexico, shortly before the end of the year. With an annual cement capacity of 1.6 million tonnes, the new plant will make it possible to serve the regional construction industry more efficiently and to cut logistics costs. The Nobsa plant in Colombia also expanded its grinding capacity in 2010. In India, Ambuja Cements and ACC commissioned several cement and grinding plants which operate as a network. This means that the two Group companies are well equipped to capture their share of the steady growth in cement consumption. The expansion program also included the Wadi plant, where ACC commissioned an expanded kiln line. With a daily capacity of 12,500 tonnes, it is currently regarded as one of the largest production units worldwide.

Further capacity expansion is underway in Russia, Azerbaijan, Ecuador, India and Indonesia. In Australia, there are also plans for a large quarry which will allow for an optimal supply of aggregates to the Sydney urban area.

**Central services focused on market needs**

Holcim's corporate services organization sets the tone with innovative, environmentally friendly products and system solutions in an effort to add value to its customers. The Group works closely with various universities and major research and development institutes. The corporate staff units also have many highly qualified experts working in these directions. To strengthen the support provided to the Group companies, the central service functions have been given a stronger focus. Holcim Group Support Ltd optimally leverages the Group's global know-how and ensures rapid multiplication within the Group.

**Sustainability is a criteria for innovative products**

In its product development, Holcim is strongly committed to environmentally friendly building materials. This primarily means using new types of mineral components and alternative raw materials which reduce the clinker factor and cut $CO_2$ emissions. Holcim has successfully developed specific offerings for the many booming rural home markets in the emerging economies. The Group also offers new and innovative logistics concepts that help construction companies build demanding, complex and high-quality concrete structures within agreed deadlines. Training concepts form part of this service.

**Biodiversity as part of sustainable development**

The Group's strategy includes promoting sustainable development. Environmental responsibility also includes preserving biodiversity. To mark the UN's International Year of Biodiversity this Annual Report pays special attention to this topic. Protecting biodiversity is of special significance at around 600 locations where the Group extracts limestone, clay and marl for cement production and crushed stone, gravel and sand for use as aggregates. Already in 2007, Holcim signed an agreement with the International Union for Conservation of Nature (IUCN) with the aim of strengthening biodiversity. This partnership gave rise to an effective strategy and a corresponding management system for the protection of biodiversity. The partnership has since been extended by three years.

Throughout the Group, efforts continue to be centered on strengthening a culture of safety. While visible progress has been made, lives were still lost, which is a matter of great regret to us. However, the Board of Directors and the Executive Committee are convinced that the measures taken will pave the way for the necessary progress.

**Management development and rejuvenation of senior management**

Talent promotion and succession planning are implemented throughout the Group based on uniform rules. With vocational training in the workplace, dedicated training modules, and the cooperation with leading universities, we are permanently preparing our 80,000 employees for a rapidly changing environment.

At Group level, Board and Executive Committee concentrated their efforts on rejuvenating senior management. Newly elected Executive Committee members included Group CFO-elect Thomas Aebischer, Andreas Leu as the executive responsible for Latin America and Roland Köhler as CEO of Holcim Group Support Ltd. With this, it was possible to rejuvenate the Executive Committee by six new members within the last two years.

**A word of thanks to our customers, partners and staff**

Holcim's positive performance was possible only thanks to our customers across the globe – old and new alike – which place their trust in our products and services. Holcim will do its utmost to continue providing them with innovative solutions swiftly and efficiently. We also owe a debt of gratitude to all our partners who continued to provide us with effective support in many areas in 2010 and especially to all our employees whose committed efforts and skills continued to provide the foundations for Holcim's success last year.

**Proposal for a payout corresponding to last year's amount**

The Board of Directors will be proposing to the annual general meeting on May 5, 2011 a payout from the capital contribution reserves corresponding to last year's amount of CHF 1.50 per registered share. This means that the payout ratio is above the target ratio of one-third of Group net income and reflects the confidence of the Board of Directors and the Executive Committee in the future development of business.

**Outlook for 2011**

The development of the business cycle remains uncertain, particularly in certain areas of the world economy. From a global perspective, it can be expected that the construction sector in the mature markets will recover and that the growth in the emerging markets will continue. Holcim therefore anticipates an increase in sales across all segments. The Group will do its utmost to counter the rise in production and distribution costs by vigorously pursuing price increases.

In Asia, growth can be expected to continue and additional construction activity in Oceania is expected in the second half of the year. Volumes are expected to increase slightly in Europe and North America, and Latin America should also see growth in demand for building materials. The development will be more subdued in Group region Africa Middle East.

The Board of Directors and the Executive Committee are confident that the Group will be successful in securing its share of future growth in the emerging markets and that its lean cost structures will enable it to benefit above average from a continuing economic recovery in Europe and North America.

Rolf Soiron
Chairman of the
Board of Directors

Markus Akermann
Chief Executive Officer

March 2, 2011

The new IUCN Conservation Centre.

# Interview with Julia Marton-Lefèvre

**Director General IUCN**

**(International Union for Conservation of Nature)**

The Holcim Think Tank sits atop the IUCN Conservation Centre, with views over Lake Geneva and the Alps.

Julia Marton-Lefèvre, Director General IUCN

**Holcim and IUCN: "We share a vision"**

The International Union for Conservation of Nature (IUCN), headquartered in Gland, Switzerland, and Holcim have been partners for four years. The common activities aim to define environmental protection standards for the Holcim Group, thus contributing to the sustainability of the cement industry and related industries. The partnership agreement was recently extended for another three years. IUCN's Director General, Julia Marton-Lefèvre, comments on the cooperation with Holcim.

**IUCN is engaging with the private sector, why?**

Conserving biodiversity is one of the world's biggest challenges. The private sector plays such a prominent role in our society, so business must be an integral part of the solution. Companies depend on nature as much as people do and they often impact biodiversity directly through their operations, but they can also be important drivers of change. As long as a company has a genuine wish to change the way it does business in order to benefit nature, we would work with it.

**What is so "special" in working with Holcim compared to other partners?**

I believe that Holcim and IUCN have had a truly meaningful engagement over the years, starting with the commitment at the very top, from CEO Markus Akermann, with whom I signed the agreement four years ago, and right through to local Holcim employees with whom we work around the world. Holcim has been very transparent and flexible, which has made for a highly constructive working relationship. This openness has also meant that we have been able to take advantage of new opportunities, such as Holcim's participation in the major global study on The Economics of Ecosystems and Biodiversity (TEEB).

Holcim provided among other things $CO_2$-reduced cement, financial support and technical expertise.

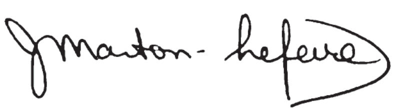
This is the headquarters of IUCN and other important international conservation organizations.

**What has IUCN learned from this first phase of the relationship?**
Our cooperation with Holcim has been very fruitful. Moreover the relationship has become a model for how we work with businesses in other sectors. Our work with Holcim has involved many different parts of IUCN, through our regional and country offices in Asia, Europe and North and South America, as well as our scientific expert volunteers from around the world. The knowledge gained from our relationship, for example on how quarry sites impact nature around them, is also being used in other aspects of IUCN's work.

**What do you hope the second phase agreement will bring?**
We are very much looking forward to the new three-year collaboration with Holcim. The main aim will be to further incorporate biodiversity management practices into Holcim's global operations. In addition, the work will include some new topics. Water issues, in particular, will be a key focus with the development of a water management strategy addressing how Holcim operations impact local watersheds. We will also increase engagement with the wider building materials sector.

**Many are sceptical about partnering with business. How do you protect your independence and integrity in such a partnership?**
IUCN is a democratic union of more than 1,100 member organizations and almost 11,000 experts, reaching deep into the conservation movement around the world. Some members of this large community are still sceptical about partnering with business and we place great emphasis on maintaining our integrity and independence, as well as constantly striving to be transparent and results-focused in all our business engagements. Aside from a wide range of operational policies and safeguards, the most important element is to make sure that any company we work with is truly committed to sustainability.

**What does the partnership with Holcim mean to you personally?**
Holcim and IUCN share the vision of a just world that values and conserves nature. The partnership was very beneficial for both sides. It has been a pleasure to work with Holcim and to get to know the company's strong commitment to biodiversity. Holcim and its Foundation for Sustainable Construction provided generous support to the recently opened IUCN Conservation Centre in Switzerland, helping to realize our dream of building the greenest global headquarters for IUCN.



Julia Marton-Lefèvre, Director General IUCN

Visits and workshops are regularly organized in the quarries for school classes.

Beautiful Peacook Butterfly.

## Biological diversity – a resource Holcim treats with care

The UN General Assembly declared 2010 as the "International Year of Biodiversity". The UN's move serves as a reminder to us all that the variety of species and habitats around the world is diminishing fast – and that this has implications for the whole of humanity. Holcim has long been aware of the importance of biodiversity: For many years, the firm has demonstrated its global commitment to biodiversity and a responsible approach to the use of natural resources.

Biodiversity is about more than just the variety of species: It is also inextricably linked to the diversity of ecosystems, as well as genetic diversity within a species. In its entirety, this natural wealth is part of the basis for life. But its rich variety is under threat: Over 52,000 species of animals and plants have been assessed on the IUCN Red List of Threatened Species™. 18,000 of them are facing extinction, including one in five mammals and one in eight species of bird. In recent years, there has been a major effort to stem the decline in biodiversity – but more work needs to be done.

**Holcim is aware of its responsibility**

One of the main threats to biodiversity is the world's increasing consumption of natural resources. This is resulting in a situation where valuable land is being lost, ecosystems are being broken up, and the quality of habitats is declining. The building materials industry too is dependent on large quantities of raw materials and energy. Existing ecosystems are affected by quarrying for the natural resources used to manufacture cement and aggregates. As one of the world's leading suppliers of building materials, Holcim is aware of this and acts accordingly. Because the protection of biodiversity around the globe is an important part of sustainable development, Holcim seeks opportunities to minimize the need for natural resources and the impact of production on the environment.

**Partnership with the IUCN**

As protecting biodiversity is a comprehensive, constantly evolving challenge, the firm cooperates closely with the International Union for Conservation of Nature (IUCN). In 2007, the two partners signed a collaboration agreement. An important milestone has since been achieved, with a group of experts having proposed to Holcim the Biodiversity Management System (BMS): Recommendations on how biodiversity can be embedded in Holcim's management of quarries, as well as on the need to organize and adapt our management system in order to help safeguard biodiversity. Holcim is now in the process of implementing these recom-


The biodiversity exhibition is dedicated to the public.


Courses on nature photography are regularly held.


The rehabilitation of the quarry starts already during the exploitation.

mendations. A number of Group companies have also worked together with IUCN at a local level – including Sri Lanka, Vietnam, Costa Rica, Nicaragua, Spain and China.

The partnership is intended to further the exchange of experience. Holcim and IUCN have therefore placed the recommendations in the public domain, in the hope of stimulating discussion and encouraging other companies in the industry to act.

**Rehabilitated quarries – a benefit to society and nature**
Holcim's rehabilitation projects are excellent examples of a positive contribution to the environment and diversity of species. Throughout the world, quarries are carefully rehabilitated and transformed into valuable oases for flora and fauna. The concept of "near-natural" landscaping is a core theme running through the quarrying process. Rehabilitation actually begins while quarrying is still underway. This benefits not only nature and, by extension, society but also the company – because good ecological planning can result in lower long-term costs. Holcim's cement plant in Belgium is a good example of this "win-win" situation. At Mons, close to the border with France, restoration of two closed quarries started in 1993; in 2009 – thanks to close cooperation with the environmental protection organization "Les Naturalistes du Hainaut", the University of Mons and EU funding – the "House of Biodiversity" was opened. The house is a multimedia educational establishment and information center. Tours for school groups and courses on nature photography, for example, are held there and in nearby quarries. The public has been involved in developing this project right from the outset, and remains so to this day. Holcim is proud to contribute with these activities to the education and awareness raising of a wider audience to the biodiversity topic.

**Plan of action for quarry sites in sensitive areas**
The IUCN is an ideal partner for Holcim because it has been dedicated to promoting biodiversity around the globe ever since being founded in 1948. The global umbrella organization now has more than 1,100 member organizations and brings together 11,000 experts who, through committees, exchange views on the biggest problems facing the world: climate change, sustainable energy supply, economic success and the creation of an environmentally sustainable economy. The members of the IUCN engage in scientific dialog, work on hundreds of conservation programs and exert influence on the formulation of international conventions and national laws. IUCN also shows its commitment to sustainability at a very practical level: In 2010, the organization renovated and expanded its headquarters, which is now know as the Conservation Centre, in Gland, Switzerland – the extension is seen today as one of the world's most sustainable buildings. Thanks to construction methods and building technology that help save raw materials and energy, it meets the strictest standards of environmentally responsible construction: LEED Platinum, Minergie-P and Minergie-Eco. With this new building, IUCN provides an impressive example of sustainable, cost-effective construction. Holcim is proud to have contributed innovative building materials and to have participated in the funding of this pioneering building. The company is also delighted that the strategic partnership with IUCN has now been extended for a further three years. Cooperation should ensure that by 2013 Holcim achieves its stated target of having a plan to protect biodiversity at 80 percent of its quarry sites situated in sensitive areas.

## Key success factors

Thanks to the global nature of its operations and its strong presence in growth markets, Holcim is ideally positioned.

**Proven strategy inspires confidence**

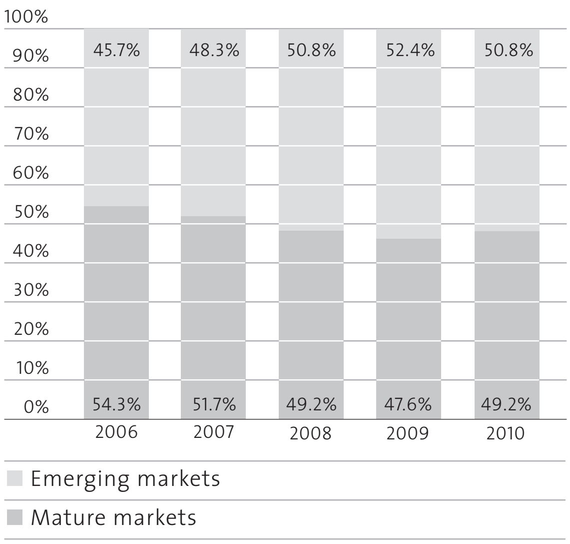
The Group's strategy is based on three pillars: concentrating on the core business, geographical diversification, and balancing local business responsibility and global leadership. These principles are proving effective even in a challenging economic environment. However, in situations such as this, it is also essential to rapidly cut costs, secure liquidity and maintain a strong balance sheet. Holcim has been very successful in these areas since the beginning of the financial crisis.

**Global presence as model for success**

Holcim is a globally active company. The Group operates in around 70 countries on all continents, employs a workforce of 80,310 and has production facilities at some 2,500 locations. This broad-based presence, with cement plants, aggregates operations (quarries, gravel and sand pits), ready-mix concrete and concrete elements plants, asphalt facilities and preparation platforms for alternative fuels and raw materials, makes a major contribution toward stabilizing earnings by evening out cyclical fluctuations in individual markets more effectively. Our sound revenue streams from Asia, Africa and Latin America confirm this and are bringing about the desired Group internal compensatory effect.

| Net sales per region | 2010 | | 2009 | |
|---|---|---|---|---|
| Million CHF | | | | |
| Europe | 6,535 | 29.3% | 7,320 | 33.6% |
| North America | 3,240 | 14.6% | 3,480 | 16.0% |
| Latin America | 3,442 | 15.5% | 3,348 | 15.4% |
| Africa Middle East | 1,098 | 4.9% | 1,206 | 5.5% |
| Asia Pacific | 7,958 | 35.7% | 6,418 | 29.5% |

**Net sales mature versus emerging markets**




In 2010, the Group companies in emerging markets in Eastern and Southeastern Europe, Latin America, Africa, the Middle East and Asia accounted for 50.8 percent of Group net sales.

**Cement and aggregates as the core business**

Holcim is one of the world's leading building materials groups. Our success over decades is founded on a focused and comprehensible product strategy. At its heart are the production and distribution of cement and aggregates (crushed stone, gravel and sand) – key basic materials for the construction industry. Our investment activities and value creation focus mainly on processing natural resources while at the same time maximizing the use of recyclable materials. However, this is by its nature highly capital-intensive and ties up assets over the long term.

Holcim supplies ready-mix concrete, concrete elements and concrete products as well as asphalt in mature markets and in urban centers on all continents. These products involve a high proportion of services: product-specific advice and innovative sales concepts, and system solutions specifically for major projects. Competent teams can offer customers services tailored to their construction projects.

Madrid-based Holcim Trading has a leading market position in international trading in cement, clinker, mineral components and fuels. It helps Group companies buy and sell such products outside their market areas.

Extracting raw materials, operating cement plants and distributing building materials to a local or regional market call for a strong presence in the respective environments and an awareness of the corporate responsibility this entails, particularly since the cyclical construction materials business is highly dependent on local conditions.

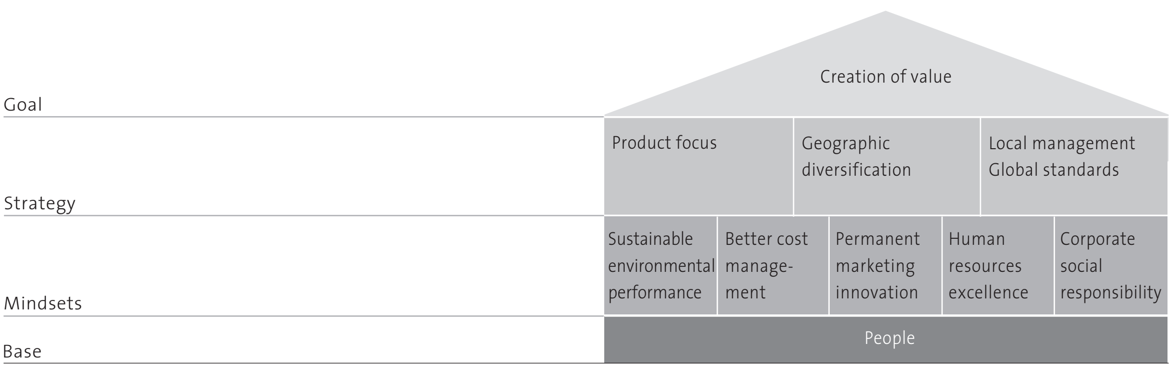
While 2010 saw little if any recovery in demand in many mature markets, consumption of building materials was again higher in Asia. In future too, the continuing growth in the world's population and advancing urbanization will lead to rising demand, not least because many countries, particularly in the emerging markets, still have major quantitative and qualitative deficits in their infrastructure and housing sectors. Holcim expects this to translate into market growth across all segments.

**Strong local management focused on five core areas**
At the annual Group-wide Management Meeting in 2010, the emphasis was on five central challenges:

**Focus on customer benefit:** All activities of Holcim are centered on creating value for the customer. The aim is to offer not just products, but customer-specific solutions, particularly in the high-growth sectors of infrastructure and housebuilding.

**Operating excellence:** Operating targets are defined for each area of business. Their implementation is the responsibility of the individual Group companies, which receive targeted support from the corporate staff units (Holcim Group Support Ltd) and from regional service centers.

**Central pillars of value creation**




Creating added value is Holcim's paramount objective, an objective that is based on the three strategic pillars and determines guidelines in the functional sectors. The most important foundation on which everything rests is a workforce that gives its best on a daily basis.

**Solid anchorage of the Holcim culture:** Given the exceptionally high increase in headcount seen in recent years due to acquisitions, it is imperative to ensure that our corporate cultural values are practiced throughout the Group. The motto "Strength.Performance.Passion." needs to be the guiding principle in all Group companies.

**Permanent staff development:** Holcim aspires to be an employer of choice. This is essential if talents are to be attracted and retained. There can be no outstanding operating performance without good employees and qualified managers. This is also the only way to achieve high internal standards of occupational health and safety (OH&S). To this end, staff at all levels undergo continuous internal and external training.

**Ongoing sustainable development:** Holcim's long planning horizons and dependence on natural resources make sustainable management a strategic necessity. The Group has therefore long been making efforts in this direction. This has also earned Holcim external recognition, such as from the Dow Jones Sustainability Index. In future too, there will be a continuing need to systematically guide and motivate staff at all levels.

**New structure of corporate staff units**

In May 2010, Holcim began coordinating its central service and support functions more closely. The relevant areas of responsibility were merged under a newly appointed Executive Committee member. Holcim Group Support Ltd's objective is to optimally process the available global pool of knowledge and Group-wide practices and make it accessible to the Group companies; new trends in the building materials industry and changes in customer needs are to be identified at an early stage; advantages of scale in procurement and production are to be exploited more effectively. However, closer coordination of the service and support functions will also lead to other efficiency improvements.

**Improved efficiency along the value chain**

Holcim anticipated the economic slowdown at an early stage and responded to the financial crisis rapidly and systematically with a raft of cost-saving measures. These included the mothballing or final closure of plants in the US and Europe. In 2009, fixed costs were reduced by an impressive CHF 857 million on a like-for-like basis. Despite the commissioning of new capacity, the 2010 financial year saw a further reduction (on a like-for-like basis) in the level of fixed costs by CHF 312 million. As a result, fixed costs were reduced by CHF 1.2 billion within two years. In the coming upturn, this baseline effect will be of particular benefit to Holcim.

**Slightly higher headcount owing to growth markets**

Falling demand in many mature markets forced a number of Group companies to reduce headcounts. Where redundancies were unavoidable, they were implemented in such a way as to minimize their social impact. However, growth regions bucked the trend in this respect, partly as a result of the commissioning of new production units or moves to increase customer proximity by expanding the distribution network and establishing ready-mix concrete positions.

Whereas at the end of the last financial year the Group had 81,498 employees, by the end of the year under review the headcount was 80,310. As expected, staff numbers declined significantly in the crisis-hit Group regions Europe and North America. The Group's headcount increased in Group region Asia Pacific, where the economy was strong.

**Change in personnel by Group region**

| | 2010 | 2009 | ±% |
|---|---|---|---|
| Europe | 19,690 | 20,800 | –5.3 |
| North America | 6,668 | 8,016 | –16.8 |
| Latin America | 12,710 | 12,626 | +0.7 |
| Africa Middle East | 2,213 | 2,256 | –1.9 |
| Asia Pacific | 38,172 | 36,858 | +3.6 |
| Corporate | 857 | 942 | –9.0 |
| **Total Group** | **80,310** | **81,498** | **–1.5** |

**Strategic expansion program in growth markets**

From a longer term point of view, the Group is primarily aiming to establish and grow cement capacity in the emerging markets, where some 74 percent of production capacity is currently located. Moves to expand existing and build new plants must anticipate trends in cement consumption irrespective of short-term fluctuations.

In 2010, Holcim increased its cement capacity Group-wide by 8.6 million tonnes to 211.5 million tonnes. In the growth market of India, ACC and Ambuja Cements increased capacity by 3.4 million tonnes of cement. In Latin America, the focus was on Hermosillo in Mexico, where Holcim Apasco opened a plant with an annual capacity of 1.6 million tonnes of cement shortly before the end of the year. This will enable Holcim to strengthen its nationwide presence and supply the northwestern market areas more cost-effectively. In addition, Holcim Colombia increased its cement grinding capacity at the Nobsa plant by 0.7 million tonnes to 2.1 million tonnes in line with planning for medium-term requirements, and Holcim Ecuador will increase its grinding capacity by 1.8 million tonnes in the first quarter of 2012. A new kiln line with a capacity of 2.1 million tonnes is to be commissioned at the Russian plant Shurovo. This eco-efficient plant supplies the key Moscow region market with high-grade products. Finally, a new kiln line with an annual capacity of 1.7 million tonnes due to come on stream in 2011 is under construction at the Garadagh plant in Azerbaijan.

The additional capacity meets the latest standards in terms of costs and environmental efficiency. Sites for new plants are normally selected in locations where Group companies already have guaranteed reserves of raw materials and well established market positions.

Of the total of 25.9 million tonnes of capacity expansion initiated in 2007, 9.2 million tonnes were still under construction as at the end of 2010.

In 2010, the decision was taken to build a new cement plant in Indonesia and France with an annual capacity of 1.6 and 0.6 million tonnes of cement, respectively. Scheduled to begin operations in 2013, the plant in Indonesia will help keep pace with continuing market growth on the main island of Java. Overall, 11.4 million tonnes of cement capacity expansion were under construction at year-end 2010.

**Further investments in aggregates and concrete**

As an economy becomes more mature, vertical integration assumes greater importance for Holcim. Major infrastructure projects and residential and commercial construction activity in such markets cause a rise in demand for high-grade aggregates and ready-mix concrete. Because of the high degree of regulation, securing guaranteed reserves of raw materials is of major strategic importance.

2010 saw the decision to open a new quarry plus a distribution center in Sydney, Australia, which over the coming decades will enable Holcim to supply this growth market with top-quality aggregates at low cost. The fact that the new site will be connected to the railway network also ensures green delivery.

**Approved cement capacity expansion within the Group in million tonnes 2011 to 2013**

| Company | 2011 | 2012 | 2013 | Total |
|---|---|---|---|---|
| Alpha Cement (Russia) | 2.1 | | | 2.1 |
| Garadagh Cement (Azerbaijan) | 1.7 | | | 1.7 |
| Holcim France | | | 0.6 | 0.6 |
| **Total Europe** | **3.8** | | **0.6** | **4.4** |
| | | | | |
| Holcim Ecuador | | 1.8 | | 1.8 |
| **Total Latin America** | | **1.8** | | **1.8** |
| | | | | |
| Holcim Morocco | | 0.0[1] | | 0.0 |
| **Total Africa Middle East** | | **0.0** | | **0.0** |
| | | | | |
| ACC (India) | 2.1 | | | 2.1 |
| Ambuja Cements (India) | 1.5 | | | 1.5 |
| PT Holcim Indonesia | | | 1.6 | 1.6 |
| **Total Asia Pacific** | **3.6** | | **1.6** | **5.2** |
| | | | | |
| **Total Group** | **7.4** | **1.8** | **2.2** | **11.4** |

[1] Clinker capacity will be increased from 0.4 to 0.8 million tonnes.

The company's strong position in the ready-mix concrete market will also be further strengthened.

In addition, Holcim is increasingly offering system solutions for new construction projects. Large construction groups are opting more and more for efficient end-to-end solutions with elaborate logistics, particularly when dealing with complex projects.

**Concrete as an indispensable, environmentally friendly building material**

Concrete is an energy and $CO_2$-efficient building material on a life cycle basis which is used on a huge scale in construction projects worldwide. In terms of volume, it is the world's second most sought-after commodity after water. Modern infrastructure would be inconceivable without concrete. With our expertise, we help customers increase their productivity and gain competitive advantages through differentiated product offerings. Innovative, needs-oriented solutions help ensure that the high quality standards are met.

In line with Holcim's commitment to premium quality sustainable building materials, we are stepping up the use of composite cements in the production of concrete. In addition to clinker and gypsum, they also incorporate special components such as granulated slag, fly ash or naturally occurring pozzolans. "Holcim Optimo", launched by Holcim Switzerland in 2010, is a good example. The new product's improved performance and versatility are impressive, but so too are its economic and environmental qualities. Its new formula, based on oil shale from our Dotternhausen plant in Southern Germany, is bringing about significant cuts in $CO_2$ emissions. Holcim Switzerland is assuming a pioneering role with this product.

In recent years, the Group has seen a steady increase in the proportion of overall sales of hydraulic binders accounted for by these composite cements (end 2010: more than 80 percent).

**Successful integration of Holcim Australia**

With 78 gravel and sand pits, 226 ready-mix concrete plants and 15 production facilities for concrete elements, Holcim Australia is one of the continent's leading suppliers of building materials. Operating nationwide, the Group company employs around 3,000 staffs. After the acquisition, work quickly started on integrating the new corporate unit into the Holcim Group. Care was taken to ensure that all relevant systems and processes were introduced along with the Holcim principles of corporate management.

A core team of experts from the Group and from Holcim Australia headed the integration process over a period of several months. Special programs were set up for the finance and HR sectors as well as for information technology and branding. The strategic business plan and major projects were also fleshed out by specialists, with the aim here too of improving efficiency and cutting costs. A regional IT center is to be established to support the Group companies Holcim Australia and Holcim New Zealand. The introduction of the Holcim brand posed a special challenge as the company has 1,500 trucks and operates at more than 300 locations.

**Definition of segment-specific operating EBITDA margin targets**

Holcim has defined specific operating EBITDA margin targets for each segment. However, the challenging economic situation in various markets and the resulting sharp decline in volumes mean that despite reductions in costs and increases in efficiency they will only be achievable once consumption picks up again.

| Operating EBITDA margin | Target | 2010 | 2009 |
|---|---|---|---|
| Cement | 33% | 27.1% | 28.4% |
| Aggregates | 27% | 21.2% | 19.7% |
| Other construction materials and services | 8% | 2.8% | 3.7% |

Higher raw material and energy costs depressed the cement margin in 2010. However, efficiency gains and the commissioning of new plants with favorable cost structures went some way toward cancelling out the negative effects. On balance, the operating EBITDA margin in the cement segment was 27.1 percent, down on the previous year's figure of 28.4 percent. In Group regions Latin America and Africa Middle East, the margin target of 33 percent was exceeded.

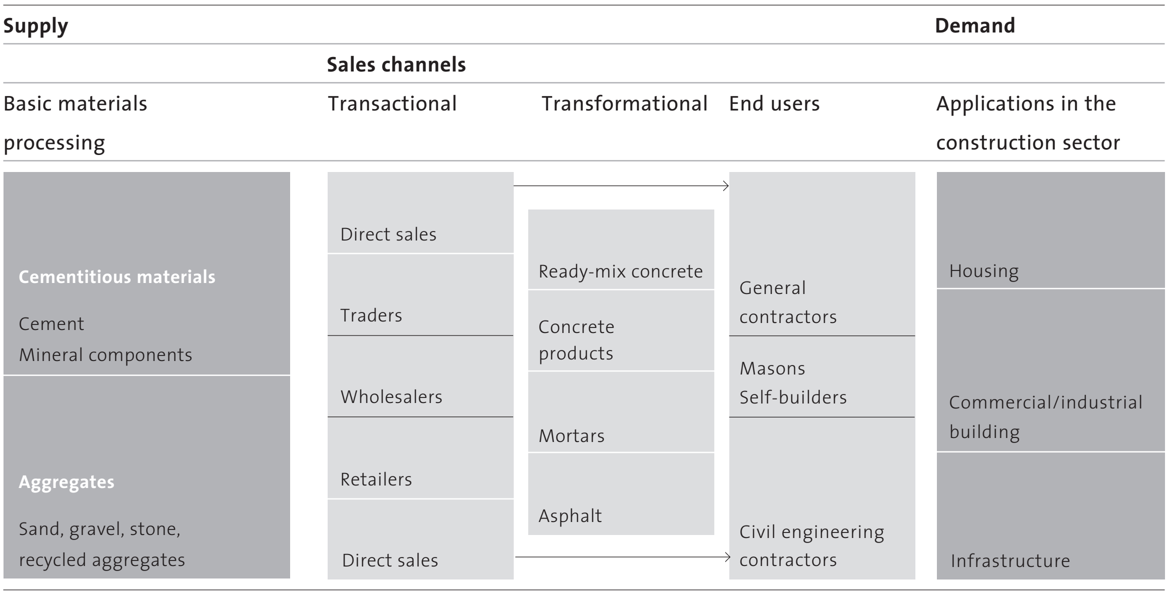
The operating EBITDA margin for aggregates could be increased to 21.2 percent (2009: 19.7). In 2010, Latin America was above the target band of 27 percent. Margin improvements could be realized in Europe, North America and Africa Middle East.

The operating EBITDA margin of the other construction materials and services segment declined to 2.8 percent (2009: 3.7). The target remains 8 percent.

**Constant measurement and improvement of operating performance**

To achieve improvements, progress needs to be measurable. This factor prompted Holcim many years ago to adopt a systematic approach in the cement segment that involves recording changes in the performance of a Group company both in absolute terms and in comparison with all other Group companies, for example by measuring the availability of kiln systems or capacity utilization. A composite index is compiled on the basis of these and other data. Clear targets for parameters of this type help us promptly identify and address gaps.

## Value chain






Cement and aggregates are the basis – concrete and asphalt bring us closer to the end consumer.

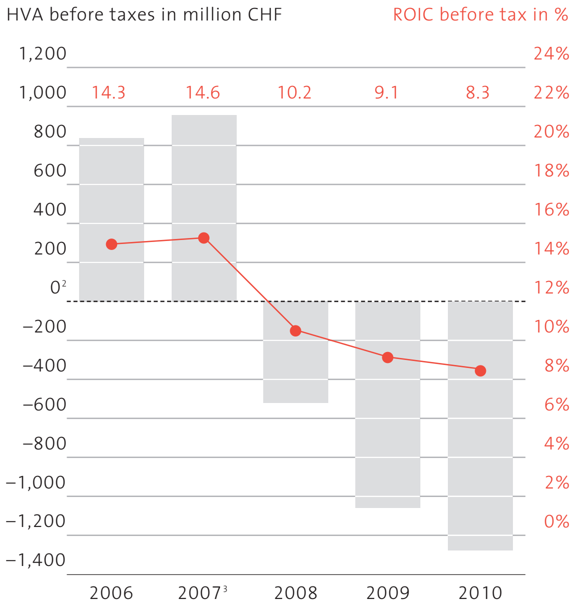
A similar system of measurement and comparison is currently under development for aggregates and ready-mix concrete and will gradually be introduced at Group level. This will enable Holcim to ensure that operating performance can be compared objectively and improved in all areas of activities throughout the Group.

**Sustainable value creation as paramount objective**

Holcim's goal is to be the most attractive company in the building materials industry. An important factor in determining the Group's appeal is naturally the return on its invested capital, which should exceed its pre-tax weighted average cost of capital (WACC) of 11.76 percent on a sustainable basis.

Measured according to Holcim Value Added (EBIT – standard capital costs × invested capital), the Group has over many years created substantial added value above the WACC of 11.76 percent before taxes. However, owing to the current economic situation, the Group's return on invested capital (ROIC) declined to 8.3 percent in 2010. Nevertheless, with the successful

### Holcim Value Added (HVA)[1]




[1] Excluding cash and cash equivalents.
[2] WACC before tax of 11.76 percent.
[3] Excluding the majority sale in South Africa.

reduction in fixed costs, this year too saw Holcim make a significant contribution toward improving its operating profit.

**Attractive dividend policy**

The Group's success should bear fruit for the shareholders of Holcim Ltd. In 2003, the Board of Directors determined that one-third of net income attributable to shareholders of Holcim Ltd should be distributed. For the 2010 financial year, the Board is proposing to the annual general meeting a payout from the capital contribution reserves corresponding to last year's amount of CHF 1.50 per registered share.

**Environmental commitment and social responsibility enhance our reputation**

Holcim's reputation is based on its substantial efforts to promote sustainable development. Holcim is therefore guided by the basic concept of the "triple bottom line" of creation of value, sustainable environmental performance and social responsibility, and regards these as integral components of its overriding strategy. Holcim is in constant dialog with a wide range of stakeholder groups. This is also reflected in strategic partnerships with such bodies as the International Union for Conservation of Nature (IUCN). At the beginning of the year under review, Holcim joined the ICRC Corporate Support Group and committed itself to supporting specific humanitarian projects in conflict regions.

Holcim is once again listed in the Dow Jones Sustainability Index 2010/2011 and as such is regarded as one of the most sustainable companies in the construction materials sector.

**Promotion of sustainable construction**

In 2003, the Group established the Holcim Foundation for Sustainable Construction. Through this body it champions the cause of greater sustainability in the construction sector well beyond its core business. The Holcim Foundation aims to foster greater understanding of sustainability on the environmental, social and economic fronts in the construction sector and among its stakeholders. It makes a global contribution toward promoting outstanding architecture and a better quality of life. The Foundation's most important activities are a global competition with a very high public profile and a Holcim Forum focusing on a sustainability theme. These are conducted every three years.

The third international Holcim Forum, entitled "Re-inventing Construction", was held in April 2010 at the Universidad Iberoamericana in Mexico City. 270 experts from 40 countries engaged in exchanges of views in the plenary session, in theme-specific working groups and on excursions. The focus was on sustainability issues in construction planning and the construction process. The Forum attracted a great deal of interest. Its deliberations and conclusions were documented in an academic publication which can be obtained from the Holcim Foundation.

Public relations work has begun on the third cycle of five regional Holcim Awards competitions for sustainable construction projects. The regional awards with prizes totaling USD 2 million will take place in 2011, followed by the global award in 2012. Group companies are organizing events to publicize the launch of the international project competition nationwide. The Foundation will support their efforts with a global campaign.

Information on partnerships and activities of the Holcim Foundation can be found at www.holcimfoundation.org.

# Organization and management

The Group's management and line responsibility is structured by regions. A broad Code of Conduct ensures that all employees know what rights and obligations apply to them.

**Efficient management and control**

The aim of Holcim's corporate governance policy, which defines the management processes, the organization and monitoring of the highest corporate management levels, as well as business policy principles and internal and external control mechanisms, is to ensure responsible and transparent management and control of the company with the focus on sustainable value creation. It is the basis of the Group's credibility and good reputation and strengthens confidence among investors, business partners, employees and the public at large.

The principles of corporate governance are continuously being adjusted to requirements. The internal control system (ICS) introduced in 2007 and 2008 for the presentation of the annual financial statements conforming to the requirements of Art. 728a of the Swiss Code of Obligations and Swiss Auditing Standard 890 continues to prove itself.

**Value creation in a competitive environment**

Issued by the Board of Directors and the Executive Committee in 2003, the Code of Conduct defines Group-wide standards of business behavior expected of all staff. It can be found on our website under www.holcim.com. Among other things, it requires strict respect of the rules of competition. Non-compliance will result in disciplinary measures, which could go as far as termination of the employment relationship. Moreover, Holcim has introduced a centrally coordinated training program, and the Group companies undergo regular checks in this regard which are carried out by independent lawyers. All training and support materials concerned with fair competition are continually brought into line with the latest developments in competition law. During the year under review, a manual entitled "Value Creation in Practice" was drawn up. This reference work provides useful tips on good commercial practices which fully comply with European and US competition legislation.

Status as at
March 2, 2011

## Board of Directors

**Rolf Soiron**
Chairman, Chairman of the Governance, Nomination & Compensation Committee

**Andreas von Planta**
Deputy Chairman

**Markus Akermann**

**Christine Binswanger**

**Beat Hess**

**Erich Hunziker**

**Peter Küpfer**
Chairman of the Audit Committee

**Adrian Loader**

**Thomas Schmidheiny**

**Wolfgang Schürer**

**Dieter Spälti**

**Robert F. Spoerry**

### Secretary of the Board of Directors

Peter Doerr

## Executive Committee

**Markus Akermann**
Chief Executive Officer

**Thomas Aebischer**
As of January 1, 2011 member of the Executive Committee; effective April 1, 2011 Chief Financial Officer

**Urs Böhlen**
Eastern & Southeastern Europe, CIS/Caspian region

**Patrick Dolberg**
Belgium, France, Netherlands, Germany, Switzerland, Italy

**Paul Hugentobler**
South Asia & ASEAN excl. Philippines

**Benoît-H. Koch**
North America, UK, Norway, Mediterranean incl. Iberian Peninsula, International Trade

**Roland Köhler**
CEO Holcim Group Support Ltd

**Andreas Leu**
Latin America

**Theophil H. Schlatter**
Chief Financial Officer until March 31, 2011

**Ian Thackwray**
East Asia incl. China, Philippines, Oceania and South & East Africa

## Area Management

**Javier de Benito**

**Urs Fankhauser**

**Aidan Lynam**

**Bernard Terver**

## Corporate Functional Managers

**Jacques Bourgon**

**Stefan Wolfensberger**

## Auditors

Ernst & Young Ltd

### Management Structure

See organizational chart on page 31

## Changes

See also Corporate Governance page 87 ff.

Photo:
The Executive Committee from left to right:
Urs Böhlen
Benoît-H. Koch
Theophil H. Schlatter
Thomas Aebischer
Markus Akermann
Paul Hugentobler
Patrick Dolberg
Roland Köhler
Ian Thackwray
Andreas Leu

At the 2010 ordinary general meeting, H. Onno Ruding, who has been a member of the Board of Directors since 2004, retired from the Board on having reached the age limit. The Board of Directors would like to thank him for his valuable service.

Beat Hess was newly elected to the Board of Directors. An attorney and doctor of law, until the end of 2010, he was Group Legal Director and member of the Executive Committee of Royal Dutch Shell Group, The Hague.

The Board of Directors appointed Roland Köhler, Corporate Functional Manager and responsible for corporate strategy and risk management, member of the Executive Committee effective March 15, 2010. He heads the central service and support functions of Holcim Group Support Ltd (HGRS) as CEO.

At the end of March 2010, Bill Bolsover stepped down as Area Manager and Corporate Functional Manager for age reasons. Bernard Terver, CEO of Holcim US and Aggregate Industries US, was appointed Area Manager and member of the senior management of Holcim Ltd effective April 1, 2010. He is responsible at Group level for Holcim US und Aggregate Industries US. Bernard Terver reports directly to Executive Committee member Benoît-H. Koch.

On July 1, 2010, Ian Thackwray, member of the Executive Committee since the beginning of 2010, succeeded Tom Clough following his retirement at the end of June 2010. Ian Thackwray is responsible for the companies in East Asia, including China, the Philippines, Oceania, and South and East Africa.

As part of the succession planning process, Thomas Aebischer, CFO of Holcim US, was appointed to the Executive Committee effective January 1, 2011. On April 1, 2011, he will assume responsibility as Group CFO from Theophil H. Schlatter, who is retiring at the end of March 2011. Andreas Leu, Area Manager and member of the senior management of Holcim Ltd, joined the Executive Committee on January 1, 2011. He has taken over responsibility for Latin America from Thomas Knöpfel, who retired at the end of 2010.

With effect on January 1, 2011, Urs Fankhauser, Regional Technical Director Eastern Europe, was appointed Area Manager and member of the senior management of Holcim Ltd. In this function, he is responsible for the markets in Eastern and Southeastern Europe. He reports directly to Executive Committee member Urs Böhlen.

**Line and functional management responsibility**

The key to the Group's success lies in the competence of our local management teams. The operating units in around 70 countries fall under the line responsibility of individual Executive Committee members, assisted by Area Managers and Corporate Functional Managers.

If our Group companies are to strengthen their cost and market leadership in their markets, they need entrepreneurial room for maneuver as well as support from the Group in the form of specific know-how and predefined parameters.

We are convinced that success in our business depends on striking a balance between local power and autonomy on the one hand, and the right degree of support and intervention from Group headquarters on the other. A coherent program of basic and continuing management training, as well as systematic succession planning to develop candidates with executive potential at both national company and corporate level, are factors which will strengthen the Group on a lasting basis.

Holcim's hierarchical structures are flat and its divisions of responsibility clearly defined – both at Group level and in the individual Group companies. This ensures that decisions are based on expert knowledge and cost awareness, and that new processes or standards can be implemented without delay.

The Group's managers, the regions and the countries and local sites are assisted by service centers at the regional level and by central corporate staff units at a global level. To pool energies more efficiently, in May 2010, the central service and support functions of HGRS were merged under one management.

Holcim has well structured management systems in place. Group companies are given clear guidelines in key areas of the business, from technology and environmentally friendly production to human resources and finance.

**Business Risk Management identifies risks and opportunities**

Business Risk Management supports the Executive Committee and the management teams of the Group companies. Business Risk Management aims to systematically help recognize major risks – as well as opportunities – facing the company. Potential risks are identified and evaluated at an early stage. Countermeasures are then proposed and implemented at the appropriate level. Risk management looks at a wide range of different internal and external risk types in the strategic, operating and financial sectors.

In addition to the Group companies, the Executive Committee and the Board of Directors are also involved in the assessment process. The Group's risk profile is assessed both top-down and bottom-up. This not only entails identifying threats along the entire value chain, but also opportunities. The Board of Directors receives regular reports on important risk analysis findings and provides updates on the measures taken (see also page 93).

**Internal Audit as an important monitoring instrument**

Internal Audit is an independent body. It reports directly to the Chairman of the Board of Directors and submits regular reports to the Audit Committee. Internal Audit does not confine itself to financial matters, but also monitors compliance with external and internal guidelines.

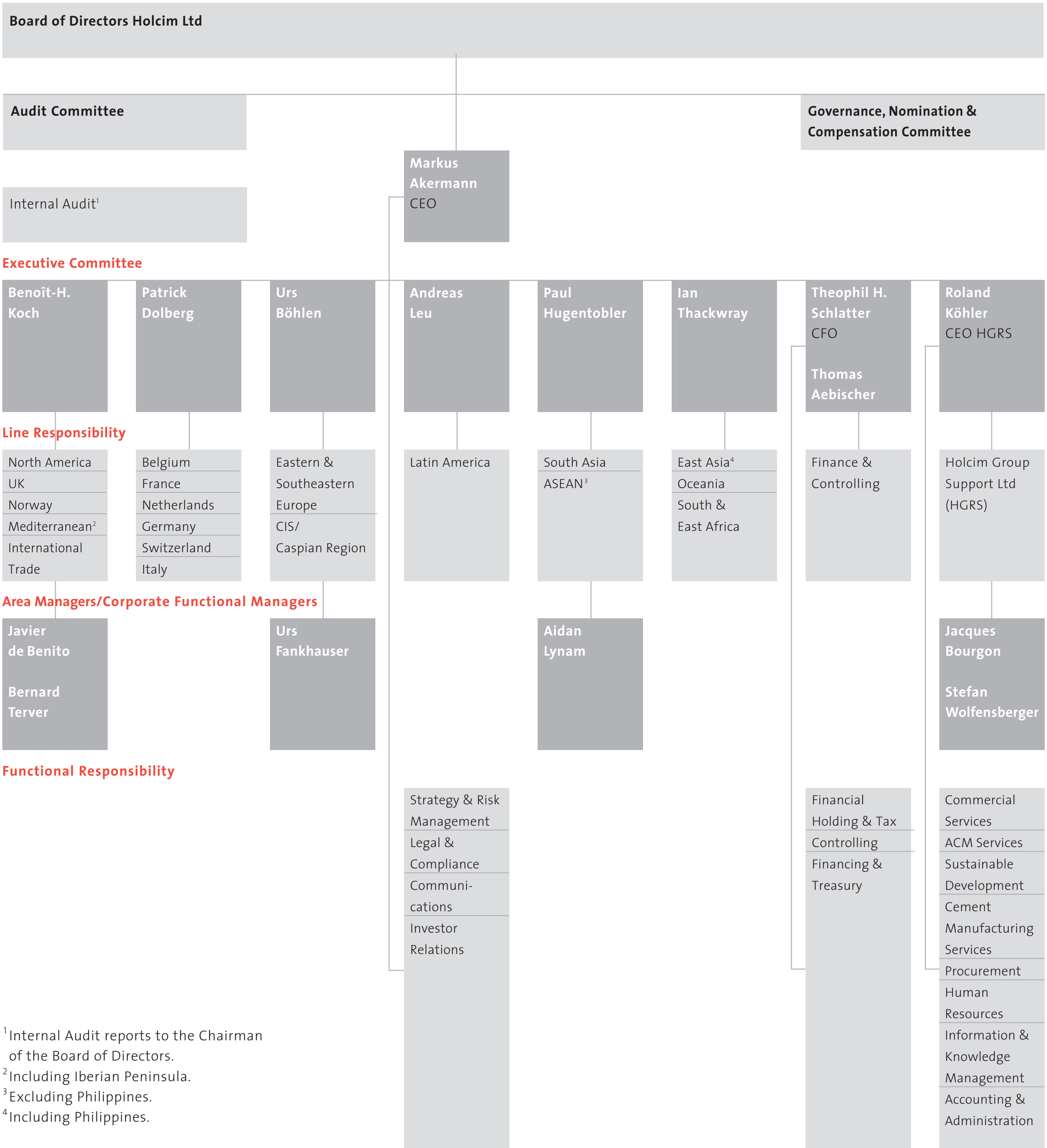
Particular attention is paid to the effectiveness and efficiency of internal management and control systems, including:

- Examining the reliability and completeness of financial and operational information;
- Examining the systems for controlling compliance with internal and external directives such as plans, processes, laws and ordinances;
- Examining whether operating assets are secure.

**Focus on joint objectives**

To achieve the corporate goals and added value it is aiming for, Holcim systematically measures performance, and operates systems to motivate management to perform on a consistently high level. A standardized, variable compensation system is in place for our most senior executives. Salaries are calculated not only on the basis of financial objectives, but also in light of individual goals (see also compensation report on pages 106 to 116). A significant proportion of the variable compensation is paid in the form of Holcim shares which are locked in for a period of three to five years. This system strengthens the shared focus on a sustainable increase in the Group's performance and value.

# Organizational chart




[1] Internal Audit reports to the Chairman of the Board of Directors.
[2] Including Iberian Peninsula.
[3] Excluding Philippines.
[4] Including Philippines.

Status as at March 2, 2011.

Holcim Switzerland will to deploy a new ABB system to generate electricity at the cement plant in Untervaz, Switzerland.

# Innovation

Holcim is enhancing benefits to customers through innovative and sustainable system solutions. Comprehensive services are successfully developed specifically for major projects.

As a leading manufacturer of construction materials, Holcim also makes an important contribution to sustainable development. The focus here is both on environmentally friendly production processes, and on products and services which strengthen our competitiveness and create added value for customers. Essential ingredients are not only broad-based research and development, but also the rapid multiplication of ideas and concepts in the Group and in our markets. Holcim holds patents on forward-looking technologies – including some held jointly with its research partners.

**Sustainable solutions in process technology and product development**

R&D efforts in the field of process technology are aimed at improving cost management and sustainability with safety as an underlying principle. New technologies leading to greater energy efficiency, more efficient use of fuels and other resources, and a smaller environmental footprint are high on the agenda. The focus is on renewable energy sources as long-term solutions in order to reduce $CO_2$ emissions. Over the short and medium-term, more efficient use of available energy can make an effective contribution toward addressing growing competition for energy. Holcim is using innovative and economically viable techniques to generate electricity even from low-temperature waste heat from the production process.

Product development primarily focuses on environmentally friendly building materials. It seeks to increase the use of new types of mineral binders and alternative raw materials which reduce the clinker factor and in doing so help cut $CO_2$ emissions.

With innovative problem solving for processes and products, Holcim is addressing the challenges posed by climate change, rising energy prices, resource shortages and increasing environmental awareness among our customers. Reducing the "environmental footprint" of our processes and products also offers the Group opportunities as it leads to increased productivity in the manufacturing process and lower costs.

**Innovations and partnerships set new standards in terms of sustainability**

Holcim is constantly setting up new cooperative ventures with highly qualified and motivated partners and experts. Contracts in this sector are placed both by the Group and by the Group companies. Cooperation with renowned universities, plant manufacturers and consultancy firms can often be very close.

ABB and Holcim Switzerland have agreed to deploy a new ABB system to generate electricity at the cement plant in Untervaz, Switzerland. The state-of-the-art solution is based on ORC technology (Organic Rankine Cycle), which can be used to turn exhaust gas heat into clean electricity. Re-using waste heat enables the Untervaz plant to operate more effi-

The ORC technology (Organic Rankine Cycle) which can be used to turn exhaust gas heat into electricity.

Ambuja Cements has developed a tailor-made solution package with products and services for rural housebuilding.

ciently, reducing its dependence on mains power. The result is a substantial reduction in energy costs.

Holcim cooperates successfully with leading research institutions and is a founding member of the Nanocem consortium. Nanocem, which conducts fundamental research into nanotechnology for cement and concrete, is an alliance of leading European universities and major companies in the building materials sector. We maintain close relationships with the Swiss Federal Institutes of Technology in Zurich and Lausanne (Switzerland), Clausthal University of Technology (Germany) and many other institutions.

Holcim is actively involved in initiatives at European and international level with the visionary goal of helping shape priorities for future global research and development into sustainable and energy efficient manufacturing processes. In the context of its involvement in the European Cement Research Academy, the company is looking into $CO_2$ capture with a view to an end-of-pipe solution. The aim is to continue to develop sustainable and economically viable technologies of this type which can be used worldwide.

**Knowledge management thanks to iShare**
Improving dissemination and leveraging maximum use of in-house knowledge is of strategic importance. The electronic platform iShare was launched with this aim in mind. This open platform enables staff to exchange information. Important documents are also stored there for easy access Group-wide, and virtual networks are in place for undocumented knowledge. The Group's global pool of expertise is thus fully accessible to the individual companies.

**Products and services for the construction of rural dwellings**
Holcim is constantly working on developing new groups of customers, one good example being Ambuja Cements in India. By closely engaging in the housebuilding needs of the rural population, the Indian Group company grew familiar with issues such as inadequate planning, poor quality construction, cost overruns and a lack of financing options.

To address these problems, Ambuja Cements has developed tailor-made solution packages. The cement distributors, who serve as the point of contact for potential home-builders, work closely with Ambuja Cements. The distributor coordinates the entire construction project and organizes the necessary support from the planning phase through the building contract, including the delivery of the building materials. The precast concrete elements needed to build a sturdy home are also supplied, guaranteeing rapid progress on the construction project. Ambuja Cements provides specialist support, along with training and quality control for the cement distributors. The company is therefore more than just a supplier of cement: as a solution provider, it is constantly winning the confidence of new customers and in doing so is helping improve the quality of life in rural areas.

Olympic Games 2012 in London: Aggregate Industries UK won the contract thanks to its well conceived proposal.

In Ho Chi Minh City, the 200-meter-high "Saigon M&C Tower" is currently under construction.

The Ceneri base tunnel, comprising two tubes of 15.4 kilometers in length.

**The London 2012 Olympics as an example of a customized solution**

From its very outset, the planning body responsible for the London 2012 Olympic Park identified sustainable construction and environmentally friendly building materials as key, and set the bidding targets for the suppliers accordingly. Thanks to its well conceived proposal, Aggregate Industries UK won the contract and over a period of years will supply the construction project with around 1.5 million tonnes of aggregates and 0.9 million cubic meters of ready-mix concrete, along with asphalt and numerous precast concrete elements.

A large proportion of the aggregates will be sourced from recycled building materials. Aggregate Industries UK is operating its own on-site ready-mix concrete center, enabling it to supply materials without interruption. Aggregate Industries UK has also won the contract for the terracing units for the Velodrome, with seating for 6,000, which will be constructed from precast concrete elements. To support the customer on the various large construction sites, Aggregate Industries UK has set up a dedicated project team with one team member working directly in the customer's office to ensure that the project goes smoothly.

**High product quality and ingenious logistics concept**

The "Saigon M&C Tower", a 200-meter-high skyscraper accommodating retail space, offices and apartments, is currently under construction in Ho Chi Minh City (Vietnam). It is being built by Bouygues, a renowned international contractor. Holcim Vietnam is supplying the project with 155,000 cubic meters of concrete on an exclusive basis. The company has developed a special "super-concrete" offering exceptional strength which will be used for all load-bearing structures. This will enable a significant reduction in the typically large number of pillars and allow the rooms to be made larger. The concrete's fast setting properties will make it possible to speed up the construction process, thus cutting costs and reducing the environmental impact. The customer is also being provided with first-class logistics which will ensure "just-in-time" delivery. Quality assurance and training concepts are important factors, which cover all stages from the procurement of raw materials and concrete production through to the end product, giving the developer a continual overview of the quality of all concrete deliveries.

The customer particularly appreciates Holcim Vietnam's technical expertise, its high standards in terms of product quality and site safety, its sophisticated logistics concept and the openness and flexibility of the cooperation.

**Holcim is first choice for construction of Ceneri base tunnel**

Holcim Switzerland recently began supplying cement, aggregates and ready-mix concrete to the construction site for the base tunnel through Monte Ceneri in the canton of Ticino. This tunnel, comprising two tubes of 15.4 kilometers in length, is part of the NEAT Transalpine axis which will expand rail links through the Swiss Alps. Between 2010 and 2018, Holcim Switzerland is to supply 0.4 million tonnes of cement for the Ceneri tunnel, along with 2 million tonnes of aggregates (20 percent of which will be prepared on site), and 1.1 million cubic meters of ready-mix concrete. Services will also be provided, including a technical laboratory and all on-site logistics. Up to 800 cubic meters of ready-mix concrete will be produced per day in a facility 2.7 kilometers into the mountain. Cement and aggregates will be delivered by rail. This extensive range of services can be offered thanks to Holcim's experience in handling large-scale projects.

Minetti has trained 2,500 employees and owners of "Red Minetti" retail outlets in more than 35 Argentinian cities.

Award-winning construction project of the Holcim Foundation for Sustainable Construction: a river remediation and urban development scheme in the Moroccan city of Fès.

Another good example of product innovation is Holcim Switzerland's new Optimo cement based on fired shale. For more on this, see page 23.

**Rapid multiplication of a concept in Argentina**

The example of the Argentinian Group company "Red Minetti" shows how a successful concept to simplify housebuilding can be developed from similar projects at other Holcim companies and customized to local circumstances. In addition to high-grade cements, Minetti offers targeted services for housebuilding, renovation and home extension projects in partnership with selected distributors. The idea is that end users obtain all the materials they need, plus the necessary advice and support, from a single distributor, along with easier access to bank finance. Minetti has now trained 2,500 employees and owners of "Red Minetti" retail outlets in more than 35 Argentinian cities and thus embarked on the successful dissemination of this innovative business model over the coming years.

**Award-winning construction projects of the Holcim Foundation for Sustainable Construction built with our construction materials**

Every three years, the Holcim Foundation for Sustainable Construction awards prizes for innovative sustainable construction projects around the world. The buildings in question are often constructed using Holcim products. A good example is the main prize winner in 2009 – a river remediation and urban development scheme in the Moroccan city of Fès. Holcim Morocco is now supplying building materials for the refurbishment of a section of the Medina. The 2008 regional winner from Latin America is at a more advanced stage. The comprehensive plan for the urban development of the city of Medellín has realized numerous subprojects using construction materials supplied by Holcim Colombia.

# Capital market information

Holcim continued to focus on efficiency improvements and cost savings as business conditions remained challenging. The company's cash flow generation capacity remained robust, giving increased financial flexibility to the already solid capital structure.

While the equity markets recorded an upswing at the beginning of 2010, fears of deteriorating European economies and the perceived risk of a looming double dip caused the markets to face high levels of volatility and pressure on stock levels well into the second half of the year. Holcim shares could not withstand these

**Performance of Holcim share versus Swiss Market Index (SMI)**

widespread market uncertainties, experiencing price volatility and decline following the annual peak of CHF 85.00, reached at the end of April 2010.

Improved market sentiment, combined with Holcim's continued sound business and financial profile with an ongoing focus on cost savings, gave Holcim shares some positive momentum toward the end of the year.

The share closed on December 30, 2010 at CHF 70.65 (2009: 80.50) which is equal to a decrease of approximately 12 percent compared to the 2009 year-end close.

**Listings**

Holcim is listed on the SIX Swiss Exchange. Its shares are traded on the Main Standard of SIX Swiss Exchange. Each share carries one voting right. As year-end 2010, the company's market capitalization stood at approximately CHF 23.1 billion.

**Additional data**

| | |
|---|---|
| ISIN | CH0012214059 |
| Security code number | 1221405 |
| Telekurs code | HOLN |
| Bloomberg codel | HOLN VX |
| Thomson Reuters- code | HOLN.VX |

**Major shareholders**

Information on major shareholders can be found on page 212 of this report.

**Distribution of Holcim shares and breakdown of shareholders**

The majority of shares held in other countries are owned by shareholders in the UK and the US.

**Geographical distribution**

| | |
|---|---|
| Switzerland | 47% |
| Other countries | 24% |
| Shares pending registration of transfer | 29% |

**Breakdown of shareholders by number of registered shares held**

| | |
|---|---|
| 1–100 | 11,874 |
| 101–1 000 | 38,831 |
| 1 001–10 000 | 7,648 |
| 10 001–100 000 | 648 |
| > 100 000 | 104 |

**Free Float**

The free float as defined by the SIX Swiss Exchange stands at 75 percent.

**Dividend policy**

Dividends are distributed annually. In 2003, the Board of Directors determined that one-third of Group net income attributable to shareholders of Holcim Ltd should be distributed. For the 2010 financial year, the Board is proposing a payout from the capital contribution reserves corresponding to last year's amount of CHF 1.50 per registered share. The next dividend is scheduled for May 12, 2011.

**Weighting of the Holcim registered share in selected share indices**

| Index | Weighting in % |
|---|---|
| SMI, Swiss Market Index | 2.23 |
| SPI, Swiss Performance Index | 1.81 |
| SLI, Swiss Leader Index | 4.27 |
| BEBULDM, BE500 Building Materials Index | 23.32 |
| SXOP, Dow Jones STOXX 600 Construction | 9.49 |
| DJSI World, Dow Jones Sustainability Index | 0.22 |
| FTSE4Good Europe Index | 0.35 |

Sources:
Bloomberg, Dow Jones Sustainability Indexes, FTSE Index Company, end of December 2010.

**Information on Holcim registered shares**

Further information on Holcim registered shares can be found at www.holcim.com/investors.

**Key data Holcim registered share[1]**

| Par value CHF 2 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| Number of shares issued | 327,086,376 | 327,086,376 | 263,586,090 | 263,586,090 | 255,348,625 |
| Number of dividend-bearing shares | 327,086,376 | 327,086,376 | 263,586,090 | 263,586,090 | 255,348,625 |
| Number of shares conditional capital[2] | 1,422,350 | 1,422,350 | 1,422,350 | 1,422,350 | 9,659,815 |
| Number of treasury shares | 7,131,083 | 6,905,384 | 5,132,061 | 668,849 | 679,912 |
| Stock market prices in CHF | | | | | |
| High | 85 | 81 | 111 | 126 | 103 |
| Low | 60 | 28 | 40 | 102 | 78 |
| Earnings per dividend-bearing share in CHF[3] | 3.69 | 4.93 | 6.27 | 13.66 | 7.95 |
| Cash earnings per share in CHF[4] | 11.44 | 13.04 | 13.02 | 18.81 | 16.70 |
| Consolidated shareholders' equity per share in CHF[5] | 58.58 | 59.44 | 59.42 | 71.44 | 59.60 |
| Payout/dividend per share in CHF | 1.50[6] | 1.50 | 2.25 | 3.30 | 2.00 |

[1] Adjusted for stock dividend 2008 and/or capital increases.
[2] Shares reserved for convertible bonds.
[3] EPS calculation based on net income attributable to shareholders of Holcim Ltd weighted by the average number of shares outstanding (see note 16).
[4] Cash EPS calculated based on cash flow weighted by the average number of shares outstanding.
[5] Based on shareholders' equity – attributable to shareholders of Holcim Ltd – and the number of dividend-bearing shares (less treasury shares) as per December 31.
[6] Proposed by the Board of Directors for a payout from capital contribution reserves.

**Disclosure of shareholdings**

Under Art. 20 of the Swiss Federal Act on Stock Exchanges and Securities Trading (Stock Exchange Act), whosoever, directly, indirectly or in concert with third parties, acquires or disposes of shares, for his own account, in a company incorporated in Switzerland whose equity securities are listed, in whole or in part, in Switzerland and thereby attains, falls below or exceeds the threshold of 3, 5, 10, 15, 20, 25, 33⅓, 50 or 66⅔ percent of the voting rights, whether or not such rights may be exercised, shall notify the company and the stock exchanges on which the equity securities in question are listed. Important shareholders are disclosed on page 212.

**Registration in the share register and restrictions on voting rights**

On request, purchasers of registered shares are entered in the share register as voting shareholders provided that they expressly declare that they acquired the shares in their own name and for their own account. The Board of Directors will enter individuals whose requests for registration do not include an express declaration that they hold the shares for their own account (nominees) in the share register as shareholders with voting rights, provided that such nominees have concluded an agreement with the company concerning their status and are subject to recognized banking or financial market supervision.

**Current rating (February 2011)**

| | Standard & Poor's | Fitch | Moody's |
|---|---|---|---|
| Long-term rating | BBB, outlook stable | BBB, outlook stable | Baa2, outlook stable |
| Short-term rating | A-2 | F2 | P-2 |

**Financial reporting calendar**

| | |
|---|---|
| Results for the first quarter 2011 | May 4, 2011 |
| General meeting of shareholders | May 5, 2011 |
| Ex date | May 9, 2011 |
| Dividend distribution | May 12, 2011 |
| Half-year results 2011 | August 18, 2011 |
| Press and analyst conference for the third quarter 2011 | November 9, 2011 |
| Press and analyst conference on annual results for 2011 | February 29, 2012 |

# Environmental commitment and social responsibility

## Environmental commitment remains a strategic necessity.

The principle of sustainable development and the objective of creating value for all stakeholders are anchored in Holcim's strategy. The Group remains resolute in its commitment even in difficult economic times. Accordingly, in 2010, the Group set new targets for, among other things, $CO_2$ emissions, the conservation of biodiversity, and community engagement at its sites.

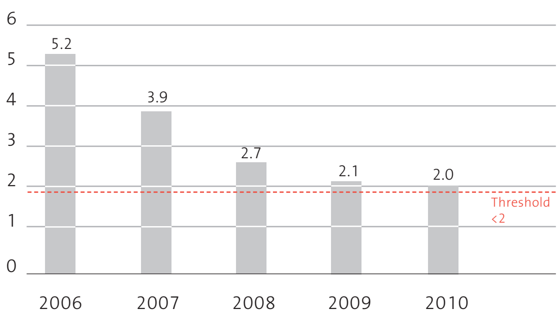
**Reinforced commitment to health and safety at work**
Holcim places absolute priority on the health and safety of all employees, suppliers, service providers, and visitors. By implementing procedures systematically and consistently, the Group is embedding a culture of safety. The Group implements and constantly monitors its multi-element occupational health and safety management system across its global operations. Great importance is placed on the training not only of employees, but also of contractors. Workshops highlight the role of leadership and responsibility in the field of safety and promote safety awareness. Organizational and individual competencies are clearly defined. The five "cardinal rules" apply at all times. In all Group companies, top management is expected to lead by example.

Despite all of the efforts in the year under review, 28 individuals lost their lives while working for Holcim. The Board of Directors and the Executive Committee deeply regret this and are committed to vigorously pursuing their goal of an accident-free working environment. Consequently, all accidents and risk situations are analyzed in detail and the conclusions communicated within the Group.

By the end of 2010, all Group companies had implemented accident prevention directives. Furthermore, a new directive was developed on supplier safety management and another on workplace safety when using alternative fuels; both are currently being implemented throughout the Group. In the course of 2010, Holcim integrated the WBCSD safety guidelines for drivers and suppliers into its internal directives.

As a member of the Cement Sustainability Initiative, the Group's health and occupational safety data will continue to be independently audited.

**Lost time injury frequency rate**[1]




[1] The lost time injury frequency rate (LTIFR) is calculated as: number of lost time injuries × 1,000,000 : total number of hours worked. Data includes all cement, aggregates as well as ready-mix concrete operations.

Holcim places absolute priority on the health and safety at work.

Contribution to climate protection and energy efficiency: increased use of alternative fuels and raw materials.

**Promotion of environmentally friendly products and sustainable construction**

Demand for building materials continues to rise on the back of population growth, economic development, and climate change. As buildings consume about 40 percent of global primary energy, there is a growing need for more environmentally compatible products and construction methods. The challenge for the entire construction industry is to meet the demand for high quality building materials while reducing the associated ecological footprint.

Holcim contributes through product and process innovations. A number of Group companies have successfully launched innovative building materials and services that promote more sustainable building solutions. The focus is on developing composite cements in which clinker content is reduced by increasing use of materials such as slag, fly ash, and natural pozzolans. In 2010, over 80 percent of Holcim's product portfolio comprised composite cements, compared to only 30 percent in 1990.

This is complemented by offerings along the value chain. An example is the "Optimo" range, recently developed by Holcim Switzerland. "Holcim Optimo" uses fired oil shale to create a high quality product with a comparatively small ecological footprint. Fired shale is mixed with Portland cement clinker, high-grade limestone and gypsum, and the resulting product is homogenized. As natural shale contains organic material, it burns at lower temperatures without the need for additional fuel. Because "Holcim Optimo" uses less clinker, it substantially reduces $CO_2$ emissions and energy consumption (see also page 23).

"Holcim Optimo" is innovative in other ways, too, offering greater durability, lower permeability, enhanced tensile strength, and lower risk of cracks.

The Holcim Foundation for Sustainable Construction has been working to promote sustainability in the construction sector since 2003. Further information can be found in the section headed "Key success factors" on page 26 of this Annual Report and at www.holcimfoundation.org.

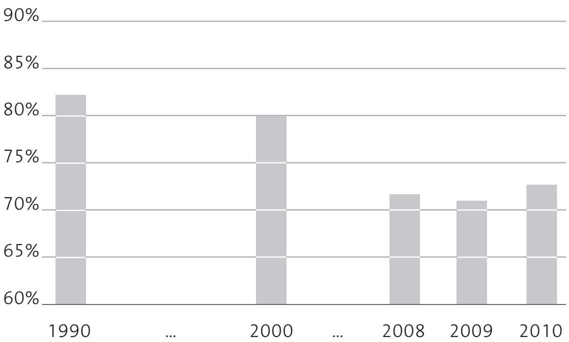
**Contribution to climate protection and energy efficiency**

Global $CO_2$ emissions have to be stabilized and then gradually reduced. Not only do all sectors of the economy need to contribute, but consumer behavior will also have to change. Climate protection and energy efficiency are key to sustainability. This requires substantial investment, for instance in production processes.

Holcim is an industry leader in improving the efficiency of production processes and products continuously. In cement production, its priorities are to reduce the clinker content, increase the use of alternative fuels and raw materials, and improve energy efficiency. This involves considerable efforts in research and development.

Holcim is using alternative fuels and waste materials. The recovery of energy and materials conserves natural resources and reduces global $CO_2$ emissions.

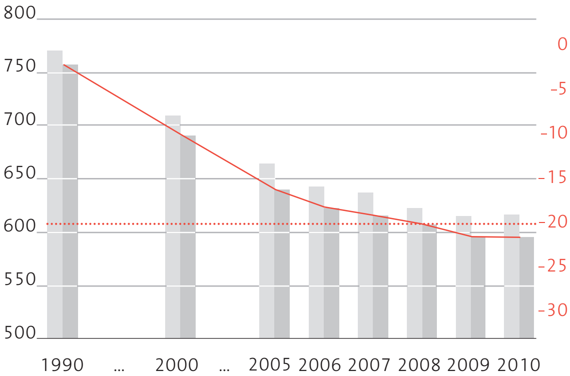
**Clinker factor**[1]




% of clinker in cement

[1] The clinker factor is an interim figure and will be updated and published on our website by mid-2011.

**Specific gross and net direct $CO_2$ emissions**[1]




kg $CO_2$/tonne cement

improvement in %
improvement rate —
reduction target ····

Gross Net[2]

[1] The $CO_2$ data are interim figures subject to external assurance. Updated emission figures will be published on our website by mid-2011.

[2] Net $CO_2$ emissions: account for indirect savings, such as use of alternative fuels.

Data excludes own power generation.

Already in 2009, Holcim achieved its own target of reducing net $CO_2$ emissions per tonne of cement by 20 percent compared to 1990 levels. In 2010, emissions were reduced by approximately 21 percent. Holcim is committed to further progress: It has set itself the target of reducing $CO_2$ emissions per tonne of cement by 25 percent until 2015 compared to the reference year 1990.

Taking 2004 as reference year, Holcim has committed itself to reducing specific emissions of dust and nitrogen oxides (NOx) by 20 percent by 2012 and 2013, respectively. By 2010, NOx emissions had already been reduced by 16 percent. By 2010, specific sulfur dioxide ($SO_2$) emissions were reduced by some 60 percent; the original target of 20 percent was met as long ago as 2006.

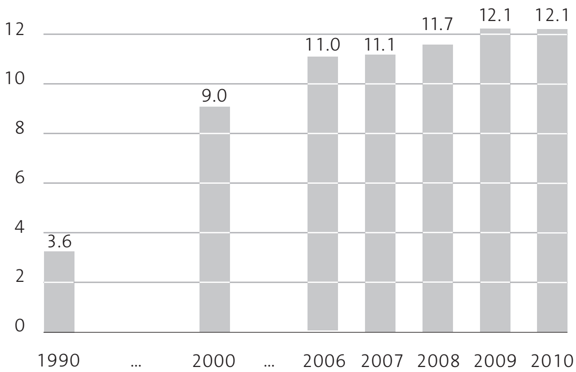
**New certification system for alternative fuels and raw materials**

Holcim is applying the most advanced technologies to make use of alternative fuels and waste materials. The recovery of energy and materials conserves natural resources and reduces global $CO_2$ emissions. At the same time, it helps to lower production costs and mitigate part of the waste problem, especially in

Holcim attaches great importance to the conservation of water. A new water management system is planned to be in place by 2013.


With its community engagement activities, Holcim aims to contribute to sustainable development in the communities where it operates. In 2010, Holcim Group companies spent a total of CHF 42 million, from which some 3 million people benefited.

**Thermal substitution**[1]




% thermal energy from alternative fuels

[1] The thermal substitution rate is an interim figure and will be updated and published on our website by mid-2011.

emerging countries. In 2010, Holcim had a thermal substitution rate of 12.1 percent, processing a total of 3 million tonnes of waste at its production sites.

To ensure the responsible handling of waste materials in the Group, Holcim introduced a new certification system for the use of alternative fuels and raw materials – ACert (AFR Certification). This system is based on internal regulations as well as guidelines for the use of waste in the cement industry developed in collaboration with the German Technical Cooperation (GTZ). The objectives of the project are to define requirements for "co-processing" activities and to provide the basis for internal and external audits. The ACert project is currently being rolled out in Group companies that use alternative fuels and raw materials. By the end of 2010, more than half of Holcim's processing facilities had been internally audited.

**Conservation of resources and biodiversity**

Extraction of mineral resources in quarries can have an impact on biodiversity in their surroundings. In 2007, Holcim signed an agreement with the International Union for Conservation of Nature (IUCN) to mitigate such impacts. With the guidance of a panel of independent experts and based on numerous site visits, a set of recommendations was developed. These recommendations have now been adopted as the basis for a comprehensive Group strategy and biodiversity management system. An independent assessment has shown that the partnership was successful and that the main objectives of the three year cooperation agreement had been fulfilled. However, Holcim and IUCN have decided to extend the partnership for a further three years. The topics of the extended cooperation include defining transparent indicators for measuring the success of the biodiversity management system, and work on the water management program.

Holcim attaches great importance to the conservation of water. A new water management strategy is planned to be in place by 2013. Measures have already been taken in a number of Group companies. After consulting with external partners, Aggregate Industries has developed a comprehensive water management plan focusing on specific themes.

**Active role in World Business Council for Sustainable Development**

Biodiversity and water are also important topics for the World Business Council for Sustainable Development (WBCSD). Holcim is actively involved in the Cement Sustainability Initiative (CSI) of the WBCSD and will be co-chair together with Votorantim (Brazil) and Siam Cement (Thailand) in 2011/2012.

In addition to health, safety, climate, and energy, CSI focus areas will in future also include biodiversity and water.

**Strategic community engagement in all locations of operation**

With its community engagement activities, Holcim aims to contribute to sustainable development in the communities where it operates and to ensure a stable business environment. Priority is given to developing innovative solutions in the areas of affordable and sustainable housing, microenterprise development, and vocational training. Close collaboration with local stakeholders is indispensable and helps to build mutual respect and trust.

Holcim has developed a "Social Engagement Scorecard" to help determine whether the projects meet the actual needs of the people in the communities in which it operates, while at the same time serving the overriding Group goals. By the end of the year under review, 65 percent of all Group companies had evaluated their most important social activities using the scorecard. One result has been to reduce cash donations and instead expand social projects of benefit to both sides. In 2010, Holcim Group companies spent a total of CHF 42 million on community engagement, from which some 3 million people benefited.

Dialog, neighborhood panels and similar activities have proved to be an effective means of improving relations with local stakeholders in the communities in which Holcim operates. All Group companies must draw up a community engagement plan that includes all operational sites by 2012.

Social engagement in regions of conflict is particularly challenging. To address this issue, Holcim joined the Corporate Support Group of the International Committee of the Red Cross (ICRC). The experience and credibility of the ICRC make it possible to contribute humanitarian assistance in affected areas. In 2010, Holcim supported an ICRC program for clean and more accessible water in rural areas of Sudan and a water project in Colombia.

**Community spending 2010**

| | |
|---|---|
| Community development projects | 25% |
| Education projects | 14% |
| Infrastructure community projects | 18% |
| Donations and charity | 20% |
| CSR overhead | 16% |
| Others | 7% |
| **Total in million CHF** | **42** |

**Listed in leading sustainability indices**

For the eighth consecutive year, Holcim was confirmed as a member of the Dow Jones Sustainability Indices (DJSI World and DJSI Europe). In the 2010 assessment, Holcim received top scores for its recycling strategy, environmental reporting, conservation of biodiversity, international production standards, and social reporting, human capital development, and dialog with stakeholder groups. Holcim also continues to be a member of the FTSE4Good sustainability index.



# Human resources

## Fit for the future thanks to efficient, transparent and demand-driven human resources management.

Holcim strives to offer its employees an attractive working environment with international perspectives, and to effectively support individual career planning.

**New direction for global Human Resources function**

Among the measures introduced to align central service and support functions, the activities of Human Resources (HR) have been reorganized to better suit the needs of the Group companies. Senior management shall be even better prepared to meet the business demands of the future. The focus was on the areas of Talent Management, International Assignments & Remuneration and the HR Knowledge & Solution Platform. By systematically exchanging best practices, exploiting synergies where they exist and reducing the advice of external consultants also cost savings will be possible.

**Building a strong talent pool**

Holcim places great importance on succession management. Prospective managers and experts need to develop continually and extensively to prepare for future responsibilities. Succession management is closely linked to resource and leadership planning, performance assessment, and remuneration. The interconnectivity of these processes provides the Group with a uniform base for “people planning”.

The 2010 talent review and succession planning cycle made use of a revised process. This included a review of the performance and potential of employees at the individual Group companies. Succession plans derived from the findings were consolidated Group-wide following reviews at the regional and functional levels.

The quality of data and the consistency of plans have been continuously improved. Moreover, the standalone database MDnet was replaced with the new SAP-based succession management platform iTalent. Launched in December 2010, iTalent is aligned with existing tools for performance management (eDialogue) and the learning management system (Holcim iCampus) to create an integrated talent management system.

**Dialogue enhancements**

Building and maintaining a high-performance culture is key to driving business value. The Dialogue process provides a robust framework for performance management and individual development, ensuring that employees are clear about what is expected from them and receive feedback and support in planning their development. The annual Dialogue process provides a comprehensive performance evaluation, relative to critical tasks and individual objectives, and builds the basis for individual development and career planning.

In 2010, innovative measures were undertaken to the Group-wide Dialogue process. Different levels of performance can now be more finely differentiated, motivating employees with more targeted incentives. The corresponding processes and alignments were better structured for performance measurements of individuals and teams.

**Employee engagement survey**

Throughout 2010, the engagement of our employees has been a key topic, particularly in the context of the downsizing and restructuring introduced at many Group companies. Various Group companies opted to carry out the global Employee Engagement and Values Survey, in some instances managed jointly with external specialists.

In 2010, employee surveys were run in Malaysia, Thailand, Russia, Canada, New Zealand and Australia as well as the Philippines. Group companies gained a strong base of information on which to draw action plans. Australia, for instance, ran the survey as a means to ascertain the degree of integration reached by Group company Holcim Australia, acquired in 2009.

**Human Resources Touchpoint Analysis**

HR Touchpoint Analysis is an easy-to-use tool to assess how a Group company manages its workforce from an HR perspective. It analyzes how consistently and strongly Holcim Group companies manage the candidate and employee experience at Holcim, and the impact this experience has on employee engagement and company reputation. Activities peripheral to typical HR activities that have a direct impact on the employment experience have also been included in the model, for example communications, branding, sustainable development, and knowledge management.

The tool was successfully piloted in ten Group companies. One of the major benefits of the Touchpoint Analysis tool is the ability to link the results to the Employee Engagement and Satisfaction Survey. This link provides good insight on where to focus the action plans. It also helps in recognizing how the HR function performance is seen by the employees. Objectives are high job satisfaction and respective engagement.

**Awards for the best plants**

Recognizing and rewarding excellence throughout the Group at all levels is part of the Holcim culture. Recognition of achievements and dedication that go beyond what might reasonably be expected contributs to making the values "Strength.Performance. Passion." become reality.

The Holcim Plant Awards, established in 2008, formally recognize the best performing and most improved cement plants in the Group. In 2010, Holcim Plant Awards were given to plants in Argentina, India and Mexico.

To determine the best plants, performance was measured and analyzed using a set of indicators such as OH&S, product quality, energy efficiency, cost and environmental track record. These awards, first and foremost, recognize staff achievements. While the right technical equipment is necessary, it is people who make the difference when it comes to delivering excellence at a plant.

| Group employees by segments | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| Cement[1] | 51,133 | 50,335 | 56,282 | 57,671 | 57,878 |
| Aggregates | 6,478 | 6,850 | 6,369 | 7,000 | 7,136 |
| Other construction materials and services | 22,577 | 23,725 | 23,692 | 24,567 | 23,724 |
| Corporate | 122 | 588 | 370 | 126 | 45 |
| **Total Group** | **80,310** | **81,498** | **86,713** | **89,364** | **88,783** |

[1] Including all other cementitious materials.

| Group employees by region | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| Europe | 19,690 | 20,800 | 23,557 | 22,905 | 22,006 |
| North America | 6,668 | 8,016 | 9,825 | 11,190 | 11,268 |
| Latin America | 12,710 | 12,626 | 13,548 | 13,409 | 12,234 |
| Africa Middle East | 2,213 | 2,256 | 2,477 | 2,795 | 5,218 |
| Asia Pacific | 38,172 | 36,858 | 36,196 | 38,133 | 37,212 |
| Corporate | 857 | 942 | 1,110 | 932 | 845 |
| **Total Group** | **80,310** | **81,498** | **86,713** | **89,364** | **88,783** |

**Origin of senior managers**

| | | |
|---|---|---|
| From Europe: | 24 nationalities | 38% of all senior management |
| From North America: | 2 nationalities | 10% of all senior management |
| From Latin America: | 11 nationalities | 18% of all senior management |
| From Africa Middle East: | 7 nationalities | 3% of all senior management |
| From Asia Pacific: | 18 nationalities | 31% of all senior management |

**Composition of senior managers**

| | Male | Female | Total | Percentage of women |
|---|---|---|---|---|
| Top management level | 301 | 31 | 332 | 9% |
| Senior management level | 1,297 | 112 | 1,409 | 8% |
| Middle management level | 7,045 | 1,006 | 8,051 | 13% |
| **Total** | **8,645** | **1,149** | **9,792** | **12%** |

**Personnel expenses in 2010 by function and region**

| Million CHF | Production and distribution | Marketing and sales | Administration | Total |
|---|---|---|---|---|
| Europe | 980 | 167 | 255 | 1,402 |
| North America | 627 | 57 | 109 | 793 |
| Latin America | 360 | 68 | 101 | 529 |
| Africa Middle East | 61 | 10 | 24 | 95 |
| Asia Pacific | 685 | 91 | 210 | 986 |
| Corporate | 46 | 22 | 162 | 230 |
| **Total Group** | **2,759** | **415** | **861** | **4,035** |

The gravel pit of El Puente.

# A paradise for birds between the gravel excavators: gravel pit El Puente, Spain


Warning signs to indicate certain dangers.

The El Puente gravel pit lakes, inhabited by thousands of birds, are today a zone of special protection.

The El Puente's zone of protection measures 180 hectares.

Rare Purple Swamphen with a cobalt plumage and a red beak.

The Purple Heron is also a rare bird species; it is purple-grey and has reddish plumage and yellow feet.

Every day, trucks remove tonnes of gravel while excavators bury their way deep into the ground. Yet right next door is a breeding ground for countless birds. At the gravel pits of El Puente in Spain, Holcim shows how active operations can successfully co-exist with sensitive ecological areas.

Holcim has operated in Spain since 1980, and the El Puente gravel pits in Seseña are a nationally and internationally well-known site of the firm – but it's not only because of the significant annual output of up to one million tonnes of crushed stone: El Puente is famous because it is where about two hundred species of birds live and nest amidst a green oasis. South of Madrid, Holcim proves that ecology and business do not necessarily clash – and that nature can even benefit from quarrying in the long term. "What has emerged here is better than what was before," says Manuel Regueiro y González-Barros, Extraordinary Professor at the Department for Crystallography and Mineralogy at the Geology Faculty of the Complutense University in Madrid.

**Planning the end in advance**

Holcim owes this recognition above all to astute project planning: The rehabilitation of the pits had already been planned before the first excavator began burying its way into the gravel. It was an ambitious objective, the aim being to create a landscape typical of the region. This objective limited the choice of flora, as did the climate – with its dry summers and inhospitable winters. A further aim was to meet the needs of fauna in the best possible way. To simplify the subsequent rehabilitation project, fundamental work was carried out before quarrying began. For example, the top, fertile layer of soil above the gravel was carefully removed and stored for later use in the reforestation of the area. The excavator drivers also needed to ensure that the walls and edges of the pits did not form straight lines, as these would have looked unnatural following restoration.

**A biologist's dream**

Quarrying operations left pits extending to a depth of 9.3 meters, which naturally filled with groundwater. The work of the specialists began at the same time. Under the supervision of biologist Tomás Velasco, who has been overseeing rehabilitation for the past 13 years, the contours of the banks were shaped and new islands created. The soil that had been stored was distributed around the new lakes, enabling plants to settle and grow. Velasco and his colleagues created wetlands, drier spots, as well as small areas of forest. As usual, however, the challenge often lay in the detail: In many places, the depth of the lake had to be reduced because light no longer penetrated to the bottom and aquatic plants could therefore not survive. Banks that had been rendered too steep needed to be reshaped with a flatter slope. The focus was also on monitoring water quality and continually optimizing sections of habitat. It all meant there was a lot to do – but everyone involved was highly motivated. "For a biologist, it's a dream to get the opportunity to participate in creat-

Of the endangered species Mediterranean Gull live less than 20 couples in all of Spain.


Watering of the roads hinders dust formation.

In the rehabilitated area live a variety duck species, among them the Ferruginous Duck, a species that is in danger of extinction.

Schoolchildren from Madrid plant trees in one of El Puente's restoration areas.

ing a bit of nature like this", Velasco enthuses. The realization of the dream is certainly viewed as an exemplary achievement by those in the profession. "The ecological measures taken in the gravel pits of El Puente for the rehabilitation project bear witness to Holcim's commitment to sustainable development", says Margarita Astrálaga, former Director of the Centre for Mediterranean Cooperation at the International Union for Conservation of Nature (IUCN).

**Diverse flora is attracting fauna**

Diverse flora is the basis for flourishing fauna – and indeed it didn't take long after rehabilitation for the fauna to arrive, with El Puente becoming a paradise for birds. Some species use the created islands and dense vegetation as a nesting place; others simply stop by here on their annual trip south because El Puente lies on one of the main routes for migratory birds. Around 200 species of birds have now been recorded at the 180 hectares of El Puente. Some of them are among very rare species or even those threatened by extinction – such as the Mediterranean gull, purple swamphen, white-headed duck, squacco heron, and ferruginous duck. But other species of animal also feel at home here: fish, foxes, wild rabbits and stone martens. By preserving existing habitats and creating new ones, a whole variety of wildlife is attracted. "This way, a maximum degree of biodiversity has been achieved", says Javier Andrada Andrada, Chairman of the Spanish Association of Aggregate Producers (Asociación Nacional de Empresarios Fabricantes de Áridos, ANEFA). El Puente, he said, was positive proof that the industry could create valuable ecosystems if it was committed to sustainability.

**Honor and obligation**

Sharing his view is Christoph Imboden, chair of the independent expert panel assembled by IUCN that advises Holcim at the Group level on how to best integrate biodiversity: "Holcim shows that it is possible to manage natural resources on a sustainable basis. The firm is constantly endeavoring to develop a set of worldwide guidelines for its quarrying operations that enable it to tackle the issue of biodiversity." Holcim consciously plays a pioneering role within the industry, and has also received accolades for this commitment: In 2010, Holcim Spain won the European Aggregates Association's European Sustainable Development Prize in the biodiversity category for its rehabilitation of El Puente. Carlos Abella, former Regional Head for Aggregates at Holcim Spain, is aware that such an award also brings with it responsibilities: "Being a member of the prizewinning team is at once an honor and an obligation." Fact is, El Puente is still far from being completed: The excavators will be digging pits there for another five to ten years. But at the same time, the paradise for birds that is El Puente will continue to grow.


Once rehabilitated, the landscape looks completely natural again.

# Mixed market development in Europe

**Economic recovery in some markets**
After an extremely harsh winter, economic activity improved above expectations in some Western European countries – notably Germany and the UK. In Southern and Eastern Europe however, the economic framework remained difficult throughout the year due to the high levels of debt. Russia's economy benefited from resurgent commodity markets.

**Sluggish construction activity in overall terms**
In many areas, the construction industry was still confronted with the prolonged impact of the global economic crisis. Government stimulus measures supported the order books in some areas only. Commercial construction continued to suffer from reluctant private investors. Housebuilding showed positive signals here and there, predominantly in Western Europe. While a recovery in the construction sector could be observed in the first six months of the year, activity leveled out again in the second half.

Overall, construction activity increased in several Western European markets following the weather-related setbacks of the first quarter. The exceptions were Spain, Italy, and the Netherlands. Construction activity in the Eastern European countries declined due to a lack of willingness to invest on the part of the public sector and private households. Although some infrastructure projects were continued, governments reduced their spending and shelved construction projects. Surplus capacity in the building materials industry resulted in tighter competition and falling prices.

**Fall in shipments due to weather and economic factors**
Consolidated delivery volumes in Group region Europe fell as a result of weather and economics factors. Sales of cement declined by 2.6 percent to 26.2 million tonnes. Deliveries of ready-mix concrete also fell by 5.9 percent to 16 million cubic meters, and shipments of aggregates declined by 1 percent to 77.6 million tonnes. Sales of asphalt experienced an increase of 1.8 percent to 5.7 million tonnes.

In the UK, the government stimulus program launched in 2009 continued to have an impact. The construction sector was supported by investment in schools, hospitals and public transportation. Although a number of customers postponed construction projects, Aggregate Industries UK was able to secure additional orders and sold more aggregates. Sales of ready-mix only slightly decreased from the previous year's level, despite deliveries in connection with construction work for the 2012 Olympic Games beginning to come to an end. Asphalt sales outperformed the 2009 level.

| Consolidated key figures Europe | 2010 | 2009 | ±% | ±% LFL* |
|---|---|---|---|---|
| Production capacity cement in million t | 49.9 | 49.4 | +1.0 | |
| Cement and grinding plants | 40 | 39 | | |
| Aggregates plants | 259 | 266 | | |
| Ready-mix concrete plants | 578 | 598 | | |
| Asphalt plants | 58 | 67 | | |
| Sales of cement in million t | 26.2 | 26.9 | −2.6 | −3.3 |
| Sales of mineral components in million t | 1.6 | 1.5 | +10.9 | +10.9 |
| Sales of aggregates in million t | 77.6 | 78.4 | −1.0 | −1.7 |
| Sales of ready-mix concrete in million $m^3$ | 16.0 | 17.0 | −5.9 | −6.5 |
| Sales of asphalt in million t | 5.7 | 5.6 | +1.8 | +1.8 |
| Net sales in million CHF | 6,535 | 7,320 | −10.7 | −5.5 |
| Operating EBITDA in million CHF | 1,045 | 1,232 | −15.2 | −10.8 |
| Operating EBITDA margin in % | 16.0 | 16.8 | | |
| Personnel | 19,690 | 20,800 | −5.3 | −5.5 |

* Like-for-like, i.e. factoring out changes in the scope of consolidation and currency translation effects.

Residential construction in France developed positively due to low interest rates and tax breaks. Rising cement sales were also supported by the commissioning of a new grinding plant in Rouen and the acquisition of the Nantes/St-Nazaire import terminal. Ready-mix concrete sales increased and shipments of aggregates declined. In December 2010, authorities gave permission for the construction of a new cement grinding plant in La Rochelle, which is another step to better position Holcim France in the coastal markets of Western France. The plant, with an annual capacity of 0.6 million tonnes of cement, is foreseen to go on stream in late 2013.

In Belgium and the Netherlands, building materials markets suffered from a restraint in government spending. Additionally, imports affected cement sales in Belgium. Deliveries of aggregates and ready-mix concrete increased. Shipments of cement and ready-mix concrete were supported by an important tunnel project in Antwerp.

Germany's economy recovered considerably faster than others. In particular, private housebuilding and construction activity in the public sector developed positively. Holcim Germany partially offset weaker domestic demand due to weather and competitive conditions with a higher level of exports, especially through deliveries to the Nord Stream gas pipeline consortium. Holcim Southern Germany sold significantly more cement and clinker. The positive market situation in the Stuttgart region and increased exports from the Dotternhausen plant to Switzerland also contributed to this development.

Economic growth in Switzerland was solid. This benefited all segments of the building materials industry, resulting in Holcim Switzerland producing to the limits of its capacity and exceeding volumes of the previous year. Holcim Italy's cement deliveries were on par with the level of 2009. Sales of aggregates fell sharply due to the temporary closure of another production site near Bergamo. However, development projects in the Greater Milan region in preparation for Expo 2015 resulted in higher deliveries of ready-mix concrete. Due to exports, Holcim Spain was able to sell more cement in a persistently weak market. Delivery volumes continued to decline in the other segments.

The markets of Eastern and Southeastern Europe suffered substantially from a lack of willingness to invest by the public as well as private sector. Despite EU-funded infrastructure projects, construction activity showed a decline. With the exception of Holcim Czech Republic, all Group companies recorded lower cement deliveries. Holcim Bulgaria was additionally affected by imports from Turkey. In aggregates, declines at Holcim Croatia, Holcim Romania and Holcim Bulgaria outweighed the positive trend in Hungary, Czech Republic and Slovakia. Only in Serbia was Holcim able to increase sales volumes in the ready-mix concrete segment.

The Russian economy recovered from the crisis, supported by prospering commodity markets and a number of stimulus measures. Thus, cement sales at Alpha Cement picked up in the second half of the year and were slightly better than in 2009. The increase in private residential construction in the Greater Moscow region and expansion of infrastructure projects had a positive impact. The new energy-efficient kiln line at the Shurovo plant started clinker production at the end of 2010. It replaces the Soviet-era wet line, resulting in substantial cost savings. Alpha Cement will achieve a sustained improvement in its market position and also set new standards in environmental protection. In Azerbaijan, economic growth slowed slightly. However, massive investment in infrastructure almost offset the decline in private housebuilding activity. Despite import pressure from Russia, Iran, Georgia and Turkey, cement deliveries by Garadagh

Cement slightly exceeded the previous year's level. Work on the construction of a new kiln line, which will produce around 1.7 million tonnes of cement from 2011, is proceeding.

**Rise in trading volumes at Holcim Trading**

Madrid-based Holcim Trading achieved a trading volume of 21 million tonnes in 2010 – 7.3 percent more than in the previous year. The Asian markets remained relatively stable amid rising inter-regional volumes. As demand for imports weakened in the Middle East, the region became a net exporter. Africa remained an importer, as did Latin America – with Brazil and Chile in particular increasing their imports. Trading in the US and Europe was rather sluggish.

**Significantly lower operating result**

Operating EBITDA for Group region Europe declined by 15.2 percent to CHF 1,045 million, above all due to weak markets in Southern and Southeastern Europe, but also because of the weak euro. This figure includes sales of $CO_2$ emission certificates totaling CHF 95 million (2009: 90). The cost-cutting measures at many Group companies only partly offset the decline in volumes and prices. The internal operating EBITDA came to –10.8 percent.

**Greater environmental efficiency through alternative fuels and raw materials**

In 2010, several Group companies once again invested in facilities for the preparation and utilization of alternative fuels and raw materials, as well as optimized process technology for the use of such materials in the clinker manufacturing process. These measures make an important contribution to the continued reduction in $CO_2$ emissions. Other measures designed to tackle climate change include the installation of facilities to use waste heat, solar energy or wind.

Holcim France has installed a series of solar panels at its Rochefort site quarry. In 2011, Aggregate Industries UK will continue to invest in wind power plants at various operating sites. The Untervaz (Switzerland) and Alesd (Romania) plants are building ultra-modern facilities for the generation of electricity from waste heat.

The utilization of decommissioned wind turbine rotor blades got off to a successful start at Holcim Germany's Lägerdorf plant. This reusable material can be used as fuel, and at the same time serves as an additive. While the Alesd and Campulung plants in Romania as well as Beli Izvor in Bulgaria increased their use of sorted industrial and domestic waste as alternative fuel, Holcim Spain utilized more wood chips in clinker production.

Holcim France switched from truck to rail transportation for imports of aggregates from Belgium, as well as for clinker transport from the Obourg plant to the new Grand Couronne grinding station near Rouen. Aggregate Industries UK is likewise focused increasingly on transportation by rail or waterway for shipments of aggregates.

**Better demand trend**

In Western Europe, demand for construction materials will remain subdued. However, a modest recovery is to be expected. In most countries of Eastern and Southeastern Europe, the situation in the construction sector is unlikely to change fundamentally. Despite the expected moderate increase in volumes across all segments, Holcim will also give high priority to costs in 2011.

The Milton quarry is adjacent to natural woodland of the Niagara Escarpment.

Habitat for a variety of fauna, including the Leopard Frog.

# 100,000 new trees:

# Milton quarry, Canada

Queen Anne's Lace is one of Ladybugs favourite food plants.

Today, biodiversity in Milton quarry is higher than before excavation.

Here, also the Monarch Butterfly feels at home.

The water levels and temperatures around the extraction area are monitored.

To reduce its environmental footprint, a closed-loop system of recycled water is used.

Canada's forests are vast. Despite this, each tree that has fallen, can mean a loss of biodiversity for the country. Holcim Canada therefore attaches great importance to the proper rehabilitation of its depleted pits and quarries. The efforts in Milton have been so successful that the environmental measures were showcased as an example of best practice at the Convention on Biological Diversity in Nagoya.

In October 2010, the tenth meeting of the Conference of the Parties to the Convention on Biological Diversity was held in Japan. The participants discussed the new targets for halting the loss of biodiversity. A Holcim project was among those that countries presented as best practice: the quarry in Milton, Canada.

**Working at a sensitive site**

The quarry in Milton is operated by Dufferin Aggregates, a division of Holcim Canada. Thanks to its site of 550 hectares and its location in the immediate vicinity of Toronto, Dufferin is one of the leading suppliers of stone products in the metropolitan area. What makes the plant exceptional, however, is its natural location: The quarry is on the so-called Niagara Escarpment. This more than 700 kilometer long, unique and sensitive geological area has been declared a World Biosphere Reserve by UNESCO. Accordingly, Dufferin had to fulfill a number of conditions before the company could begin to quarry dolomite limestone in 1962. Since then, three to four million tonnes of stone have been mined annually and this rate is likely to be maintained for another 25 years.

**Everything according to plan**

Since 1973, the Niagara Escarpment Planning and Development Act (NEPDA) had regulated all activities in the area of the Niagara Escarpment. In 1985, the Niagara Escarpment Plan (NEP) came into place to guide land use decisions on the Escarpment.
One of the objectives of the plan is to ensure that depleted areas are rehabilitated in harmony with their surroundings. Christoph Imboden, chairman of the independent group of experts assembled by International Union for Conservation of Nature (IUCN) as an advisory panel to Holcim, knows: "A lot can be done to reduce or even avoid the negative effects of quarrying on biodiversity." Dufferin meets this challenge with verve.

**More than 100,000 trees planted**

Rehabilitation of the spent portion of the quarry is a long-term, ongoing task. While the excavators, drills, and trucks quarry the next section, an interdisciplinary team of experts consider how the scars left in the landscape can be healed. In this country of vast forests, reforestation plays a major role. The trees used for this purpose include weymouth pine, dog-


Employees are actively participating in the rehabilitating.

Insects and plants are critical components of the healthy ecosystem.

The Milton quarry rehabilitation is a self-sustaining ecosystem.

wood, white spruce, oak, and maple. Each year during Earth Week, Dufferin organizes a large tree-planting campaign in conjunction with partners such as Scoutrees for Canada and the Halton Conservation Authority – with resounding success: In 2008, the 100,000th tree was planted.

**Natural integration**

In the meantime, the Milton rehabilitation plan has grown to encompass far more than reforestation. The goal is to completely integrate the "new" landscape where stone was extracted into the surrounding area. The materials found in the quarry – earth, water, stone, sand, gravel, etc. – are being used to help create wetlands, meadows, and lakes. Over time, this diversity of biotopes has become a habitat for hundreds of species of animals and plants. The ongoing monitoring of the rehabilitated areas of the quarry has revealed the existence of not only 325 plant species, but also 235 animal species: birds, insects, amphibians, reptiles, and mammals. All of them are living proof that, with expertise and the appropriate measures an ecosystem can be revived.

**Instructive especially for schools**

People, too, have returned to the rehabilitated area. Every year Holcim organizes more than 100 lectures, courses, and other events on the site of the Milton quarry. Most of the tours are aimed at school groups and deal with topics such as geology, environmental management, and rehabilitation. In addition, there are regular tours for environmental organizations. Dufferin is also a founding member of the Bruce Trail Association, which tends the longest uninterrupted hiking trail in Canada. A portion of the 1,300-kilometer Bruce Trail passes through Dufferin lands, where a pedestrian bridge offers hikers fascinating views of the quarrying operations from a safe distance.

**Recognition of a future**

The rehabilitation efforts in Milton have already received widespread recognition. For example the Ontario Stone Sand and Gravel Association Award of Excellence, the Conservation Halton Ralph Sherwood Conservation Award and the National Stone Sand and Gravel Association Environmental Eagle Award. This recognition is an important signal: Quarrying does not have to be a permanent scar in the landscape – if done with circumspection and responsibility. With this approach it is possible to have heavy earth-moving machinery quarrying stone just a few meters away from flourishing fauna and flora, hikers enjoy nature, and children play baseball. One day, when the quarry is completely exhausted and rehabilitated, hundreds of hectares of intact nature will be handed over to the local environmental organization, Conservation Halton. And then the former quarry will become part of the largest cohesive protected natural environment in the Greater Toronto Area.


Natural vegetation and forests thrive adjacent to the quarry.

# Some stimuli in North America

**Still no sign of a sustained recovery**

In mid-2009, the US economy seemed to show signs of a recovery due to a number of government stimulus measures. The public's confidence in a sustained economic recovery was only partially restored. So, investment activity and consumption remained subdued. However, Canada's economy benefited from government stimulus programs and a strong demand for commodities. But here too, growth leveled off during the course of the year.

**Decline in US construction investment; stable construction activity in Canada**

Construction activity remained weak in the US, and the high level of unemployment impeded housebuilding. A record number of foreclosures and the expiration of homebuyer subsidies in the first half of the year clearly slowed demand. In fact, house sales rose unexpectedly in the fall of 2010, but a considerable recovery has yet to materialize. Also investment in commercial and industrial construction still declined. However, the healthcare and cultural sectors were the exceptions.

The effects of the US federal government's stimulus program for the infrastructure sector were reduced by project delays and cancellations by the states and municipalities, whose budgetary positions are dire in some cases. In the second half of the year, fortunately, the public authorities approved several infrastructure projects particularly in road building.

In Canada, cement consumption rose thanks to government-subsidized residential construction as well as infrastructure spending. This was driven not only by road building but also expansion in the oil, gas, electricity and steel industries. In the Ontario and Quebec markets, which are important for Holcim, cement consumption continued to rise due to solid domestic demand.

**Partially higher sales volumes**

Due to the exceptionally severe winter across large parts of the US, Holcim US sold significantly less cement in the first quarter of 2010. However, delivery volumes rose over the course of the year. Alongside unfavorable weather conditions, lacking demand for residential and commercial real estate impacted volumes. Shipments for industrial construction projects and infrastructure investments provided some compensation. On balance, cement sales of Holcim US increased.

**Consolidated key figures**

| North America | 2010 | 2009 | ±% | ±% LFL* |
|---|---|---|---|---|
| Production capacity cement in million t | 23.2 | 20.6 | +12.6 | |
| Cement and grinding plants | 19 | 19 | | |
| Aggregates plants | 97 | 105 | | |
| Ready-mix concrete plants | 187 | 198 | | |
| Asphalt plants | 47 | 47 | | |
| Sales of cement in million t | 11.1 | 10.7 | +3.7 | +3.7 |
| Sales of mineral components in million t | 1.5 | 1.3 | +11.6 | +11.6 |
| Sales of aggregates in million t | 39.2 | 40.2 | –2.5 | –2.5 |
| Sales of ready-mix concrete in million $m^3$ | 5.6 | 5.5 | +1.8 | +1.8 |
| Sales of asphalt in million t | 4.9 | 5.4 | –9.3 | –9.3 |
| Net sales in million CHF | 3,240 | 3,480 | –6.9 | –6.6 |
| Operating EBITDA in million CHF | 460 | 400 | +15.0 | +14.3 |
| Operating EBITDA margin in % | 14.2 | 11.5 | | |
| Personnel | 6,668 | 8,016 | –16.8 | –16.8 |

* Like-for-like, i.e. factoring out changes in the scope of consolidation and currency translation effects.

In the first half of the year, Holcim Canada benefited from government stimulus programs and a stable domestic economy. However, higher interest rates and changes in tax legislation caused economic growth to slow from mid-year. Due to the crisis in the US construction industry and the weakness of the US dollar, exports declined.

Overall, cement deliveries in Group region North America rose by 3.7 percent to 11.1 million tonnes.

Aggregate Industries US experienced declining sales volumes across all segments. Only in the Washington region were shipments of building materials maintained, due to a significant road building project. Deliveries of aggregates declined particularly in the west and northeast of the country; demand on the Eastern Seaboard improved toward the end of the year. In ready-mix concrete, a higher market share in the Midwest helped the Group company offset part of the decline in volumes in other regions. Sales of asphalt declined.

At Holcim Canada, deliveries of aggregates remained nearly stable. The Group company saw slightly lower sales in Quebec, but benefited in Ontario from more buoyant construction activity in Toronto. There, shipments of ready-mix concrete in particular showed a marked increase. Demanding construction projects such as the Niagara Falls tunnel were supplied with high-quality ready-mix concrete, requiring sophisticated production. Also other major projects such as Montreal Airport and various highway sections contributed to the rise in sales of ready-mix concrete.

Overall, consolidated shipments of aggregates fell 2.5 percent to 39.2 million tonnes. Sales of ready-mix concrete rose by 1.8 percent to 5.6 million cubic meters. Deliveries of asphalt fell by 9.3 percent to 4.9 million tonnes.

**Streamlined organizational structure in the US**

The two Group companies Holcim US and Aggregate Industries US are now reporting to an US Area Manager as of April 2010. The emphasis is on the vigorous exploitation of synergies at operating level and in information technology.

**Largest cement plant in the US inaugurated**

The new Ste. Genevieve cement plant in the US state of Missouri was inaugurated on June 4, 2010, in the presence of numerous high-ranking government officials. Since the middle of 2009, this cost and energy-efficient plant has been supplying customers along the catchment area of the Mississippi and Missouri. With a production capacity of 4 million tonnes of cement, as well as its own port, Ste. Genevieve is the largest and most environmentally friendly plant in the US.

**Higher operating result**

Operating EBITDA for Group region North America increased by 15 percent to CHF 460 million. At 14.3 percent, internal operating EBITDA growth was clearly positive. The improved result was attributable to rigorous cost management in the US, but also to the efficiency gains resulting from the new Ste. Genevieve plant. Holcim Canada also significantly improved its result. Aggregate Industries US could not match its previous year's result.

**Further advancement in alternative fuels**

Holcim US improved its $CO_2$ footprint and costs through the increased use of alternative fuels and raw materials. This was particularly achieved at its Holly Hill plant, which benefited from the temporary closure of other plants and raised the proportion of alternative energy sources it uses to well in excess of 50 percent. Holcim US also achieved an increase in sales of GranCem®, a product based on granulated slag and fly ash.

At Holcim Canada's Joliette plant, old asphalt shingle and plastic materials have recently been used for kiln firing. The Mississauga plant increased the proportion of petroleum coke used.

Holcim US strengthened its presence in the field of sustainable construction. As LEED (Leadership in Energy and Environmental Design) certification of buildings is gaining in significance, a program was developed to provide construction engineers and architects with an easy way to calculate the proportion of recycled material used in the concrete of their building projects.

Aggregate Industries US has 56 ready-mix concrete plants certified with the "Green Star" label from the National Ready Mixed Concrete Association (NRMCA) on the basis of environmental management. No other producer of ready-mix concrete in the US can boast as many certified plants. The NRMCA rated the plants in Colorado and Minnesota first and second for their efforts in protecting the environment.

**Slight growth in volume expected for 2011**

Despite the generally brighter economic situation, the North American construction industry is not yet expected to enjoy a significant recovery. The residential construction market in the US will at best enjoy a modest revival. In the infrastructure sector, much depends on the availability of government resources, as well as the realization of planned stimulus programs. Overall, cement consumption should rise slightly. In Canada, construction activity in 2011 will probably remain similar to the previous year's satisfactory level. Although the Canadian economy will still not be receiving much impetus from the US, government stimulus programs should have a positive impact on the construction sector.

Andrés Palavecino is a warden at the Puesto Viejo site.

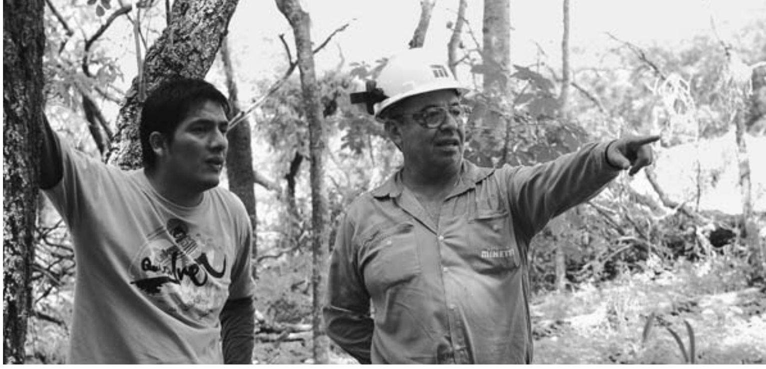
“Wood” Lily.

# Large-scale biodiversity: rehabilitation at Puesto Viejo, Argentina

Red-legged Seriema. This bird species is typical of the mountainous province Chaco.

The Red Iguana “Caraguay” lives here.

Paper tree – endagered, endemic species from Northwestern Argentina.



Ivan Escalier (left), from Bosque Modelo Jujuy, who is monitoring the rehabilitated site and Armando Molina, the Quarry Coordinator.

A reforested wooded area.

Holcim has adopted a particularly proactive approach toward biodiversity and sustainability at one of the largest quarries in the Group: A master plan is being put into effect in Puesto Viejo in Northern Argentina. The UN Food and Agricultural Organization (FAO) has already paid tribute to the plan.

The rehabilitation of a quarry is a laborious process. It is not enough to fill pits and plant a few trees and shrubs – at any rate not, if like Holcim your basic principle is to leave an area in the same or better condition than you originally found it. All Holcim Group companies worldwide base on this guiding idea. In Argentina the company is Juan Minetti, which, with more than 1,300 employees and an annual production volume of 4.2 million tonnes, is one of the largest suppliers of cement in this country.

**A big opportunity for a big area**

Covering 13,000 hectares, the site of the quarries of the cement plant in Puesto Viejo in the north of the country is one of the largest in the Group. However, only a small portion of the quarry is actively mined. Limestone has been quarried in this region since 1970; the cement plant opened in 1981 is still in operation today. The first steps toward rehabilitating the spent sections of the quarry were initiated shortly before the turn of the millennium. In 1999 Minetti contacted "Bosque Modelo Jujuy" (BMJ), a non-governmental organization that focuses on saving the severely stressed dry forests in the region. Extensive cattle ranching, mining, soil erosion and, not least, deforestation have substantially reduced the tree population. The cooperation between Minetti and BMJ led to the founding of a tree nursery in the same year. Each year, thousands of indigenous seedlings are cultivated, sold or used in forestation programs. At the same time, the tree nursery provides employment for trainee biologists and the local population.

**Seeds for the future**

Another important step in favor of biodiversity was taken in 2004 when Minetti, in conjunction with the German embassy in Argentina and the Centro de Rehabilitation "Dr. Vicente Arroyabe," founded the first seed bank for indigenous trees of Northwestern Argentina. Since then the seeds are collected, studied, treated, and stored – strictly in accordance with the guidelines of the UN Food and Agricultural Organization (FAO). This ensures that the genetic material of the tree population is preserved. The seed bank has, moreover, created jobs. Some of them are reserved for people with physical or mental disabilities: They collect and process seeds.

The nursery of native trees from Northern Argentina.

"Raw material" for the seed bank.

Before being stored in the seed bank, the seeds are tested.

**Inventory of nature**

To ensure that the result of rehabilitation efforts is harmonious integration with the existing landscape requires detailed knowledge of this landscape. To this end, in 2006 Minetti asked BMJ to study the flora and fauna in Puesto Viejo. The study revealed an astonishing biodiversity. All in all, 587 plant species were identified, including Brazilwood, Humboldt's willow, and quebracho trees. The wildlife count produced, among others, 136 bird, 82 butterfly, and 12 reptile species. Equally remarkable and pleasing is that the southern boa constrictor lives on the Minetti site. This snake can grow up to three meters in length. As an endangered species it is protected by the Washington Agreement on the Protection of Species.

**Supervised rehabilitation**

After a lot of preparatory work it was time to develop a specific concept to rehabilitate the disused quarries in Puesto Viejo. The concept had to meet rigorous standards. To ensure that the local gene pool is not diluted, only trees grown exclusively from seeds from the Minetti site may be planted – a condition that can be fulfilled thanks to the seed bank and the tree nursery. To enable the young plants to grow at their own pace, the planning had to include enclosures. Finally, a sophisticated irrigation system had to be installed to prevent erosion or leaching of the soil. Moreover, none of these measures was to impair the company's operations. To ensure a harmonious juxtaposition of rehabilitation and business operations, responsibility for the two was given to the same person: Juan Pablo Ramognino, Mining Development and Planning Expert. Eventually, from 2007 onward, the master plan was put into effect on twelve lots on the company site. BMJ acted as advisor to the company.

**A lot of work, a lot of praise**

The rehabilitation project in Puesto Viejo is unique in its comprehensiveness. All the material, all the insights, knowledge, and experience can be applied to the entire region. In addition, the collaboration with local and national organizations guarantees that new knowledge and insights will be passed on. Owing to the complementarities of the individual subprojects, a sustainable modularity is inherent to the rehabilitation process. The local population also benefits from the concept: New jobs, better soil, and intact surroundings have perceptibly improved the local inhabitants' quality of life. Recently, the FAO paid tribute to these successes: The project in Puesto Viejo was highlighted as exemplary in the field of sustainable forest management.


A dump truck at work.

# Latin American construction sector largely resistant to crisis

**Continued economic growth**
In most countries in Group region Latin America the economy continued to grow in 2010. Domestic demand in Mexico and Central America however remained weak – largely as a consequence of the absence of demand from the US; only toward the end of the year were signs of a nascent recovery visible. Economic activity in the Andean countries remained stable, while in Ecuador the growth curve leveled off slightly. Brazil's economy was extremely buoyant, with Argentina and Chile also achieving robust growth.

**Construction activity still solid in many markets**
Construction activity grew in Latin America in 2010 compared to the previous year, with the exception of Mexico and Central America where lower remittances from abroad, less tourism and poor weather affected the economy. This negatively impacted particularly cement volumes and prices. The national infrastructure program in Mexico was trimmed as a result of spending cuts, with the result that public expenditure rose only marginally. Despite better access to credit, private housebuilding suffered from a lack of remittances from the US. The construction industry in El Salvador suffered from delays to government infrastructure projects and a significant drop in remittances from abroad. In Costa Rica and Nicaragua, demand for building materials felt the lack of government infrastructure programs; private investors also remained reluctant.

In Colombia, private and social housebuilding, as well as commercial construction, developed very well thanks to low interest rates. Additionally, the government also approved many major projects for the construction of roads, ports, airports and bridges. Many of these are already in the execution phase. In Ecuador, construction activity leveled off after a good previous year. Momentum was impacted by a decline in government spending, fewer remittances from abroad and lower receipts of the oil industry.

Consumption of building materials increased in Brazil due to lower unemployment, government support programs, a rise in lower and middle-class incomes, as well as easier access to credit. The government also endeavored to address housing and infrastructure shortcomings. The construction industry in Argentina grew significantly, driven by the continuation of public infrastructure programs and private investment in industrial and commercial construction. The Chilean construction industry also reported good capacity utilization rates, but residential construction suffered delays in the aftermath of February's earthquake.

**Consolidated key figures**

| Latin America | 2010 | 2009 | ±% | ±% LFL* |
|---|---|---|---|---|
| Production capacity cement in million t | 33.4 | 31.0 | +7.7 | |
| Cement and grinding plants | 27 | 26 | | |
| Aggregates plants | 25 | 24 | | |
| Ready-mix concrete plants | 233 | 234 | | |
| Sales of cement in million t | 22.7 | 22.8 | –0.4 | –0.4 |
| Sales of aggregates in million t | 12.2 | 11.8 | +3.4 | +3.4 |
| Sales of ready-mix concrete in million $m^3$ | 10.5 | 10.1 | +4.0 | +4.0 |
| Net sales in million CHF | 3,442 | 3,348 | +2.8 | +1.6 |
| Operating EBITDA in million CHF | 999 | 1,076 | –7.2 | –7.5 |
| Operating EBITDA margin in % | 29.0 | 32.1 | | |
| Personnel | 12,710 | 12,626 | +0.7 | +0.6 |

* Like-for-like, i.e. factoring out changes in the scope of consolidation and currency translation effects.

**Shipments of building materials stable in overall terms**
Domestic cement shipments fell at Holcim Apasco in Mexico, although by less than the market as a whole. Due to infrastructure projects in the transportation and utilities sectors, shipments of aggregates and ready-mix concrete rose. The main destinations were road, bridge and dam projects, as well as LNG in Manzanillo.

The commissioning of the new Hermosillo plant in the federal state of Sonora was an important capacity expansion project for Holcim Apasco. The plant strengthens the Group company's position as a nationwide supplier of building materials and will result in a considerable reduction in logistics costs. With this sizable investment, which also factored in sustainability criteria, Holcim Apasco increases its total cement capacity to 12 million tonnes per year.

The decline in activity in the construction industry impacted sales of building materials at Holcim El Salvador. The major "El Chaparral" dam project was temporarily halted and the large "Vacas Falls" dam project was terminated. Holcim Costa Rica and Holcim Nicaragua also felt the market-driven decline in demand. Deliveries of cement in Costa Rica fell following completion of the Pirris dam. The Group company's sales of ready-mix concrete also declined. However, deliveries of concrete products by the subsidiary Productos de Concreto increased. Deliveries of aggregates were supported by expansion of the Guápiles industrial park, but nevertheless fell in overall terms. In Nicaragua, investment in social housing in the run-up to the 2011 elections led to higher sales across all segments.

Holcim Colombia sold more cement due to infrastructure projects and an expansion of grinding capacity at the Nobsa plant. A temporary production stoppage at the Manas plant, ordered by the authorities, resulted in a decline in shipments of aggregates in the Greater Bogotá area. However, deliveries of ready-mix concrete matched the previous year's level. Holcim Ecuador experienced a slight drop in volumes of cement and in particular aggregates, while shipments of ready-mix concrete remained stable.

Cement deliveries at Holcim Brazil benefited from steadily rising demand. The Group company's market positioning in the metropolises of Rio de Janeiro and São Paolo, as well as the entire industrial belt of this region, also resulted in significantly higher sales of aggregates.

At Minetti in Argentina, cement sales were driven by rising domestic demand as well as clinker and cement exports to neighboring countries. While shipments of aggregates fell short of the previous year's level, Minetti's ready-mix concrete operations benefitted from concrete roadbuilding. Cemento Polpaico in Chile sold significantly more aggregates and ready-mix concrete. Sales of cement fell slightly, however, due to new competitors.

Consolidated cement sales in Group region Latin America fell 0.4 percent to 22.7 million tonnes. Deliveries of aggregates were up 3.4 percent at 12.2 million tonnes. Sales of ready-mix concrete increased 4 percent to 10.5 million cubic meters.

During the year under review, additional production capacity at a number of Group companies came on stream, or new investment projects were initiated. In addition to Holcim Apasco's new Hermosillo cement plant in the northwest of Mexico, a third cement mill was commissioned in Colombia, increasing cement capacity at the Nobsa plant to 2.1 million tonnes.

The Group company in Ecuador also has a project ongoing that is aimed at raising production capacity by 1.8 million tonnes of cement per year. Responding to demand, new capacity was also created for aggregates and ready-mix concrete, especially in Mexico and Chile.

**Lower operating result**

The operating EBITDA of Group region Latin America decreased by 7.2 percent to CHF 999 million. The good results from the Brazilian and Argentine Group companies failed to offset the absence of momentum in other markets – most notably Mexico. Internal operating EBITDA development came to –7.5 percent.

**Agreement signed with Venezuelan government**

In September, Holcim signed an agreement with the Bolivarian Republic of Venezuela, in which the parties agreed the terms of Venezuela's compensation payments in relation to the June 2008 nationalization of Holcim (Venezuela) C.A. At the same time, arbitration proceedings at the International Centre for Settlement of Disputes (ICSID) in Washington D.C. were suspended. The total compensation amounts to USD 650 million, with an initial payment of USD 260 million having been recorded in the fourth quarter. The remaining sum of USD 390 million will be paid in four equal annual installments.

**New facilities for preparation of alternative fuels**

As part of the measures designed to lower $CO_2$ emissions, capacity for processing and storing alternative fuels and raw materials was increased at several plants. The Cartago plant in Costa Rica was able to double the use of such materials thanks to a new shredder unit. At its Malagueño plant, Minetti in Argentina installed two pumping systems for the use of combustible sludge.

**Solid outlook**

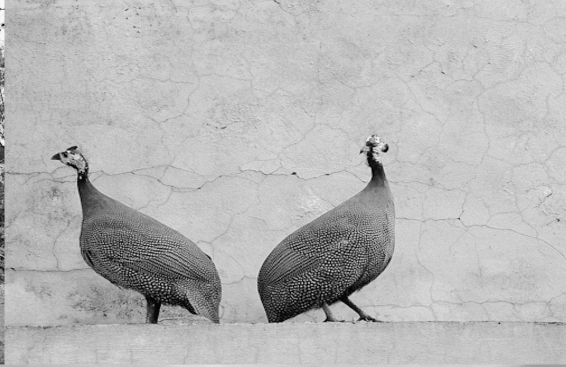
In general, Latin America's economy is likely to remain solid in 2011 and continue to grow. A tendency toward rising demand for building materials can be expected. Strong impetus will continue to come from the Brazilian construction sector. Construction volumes are also expected to rise in Mexico, Argentina and Colombia.

Ecoval waste treatment platform.

Ecoval is equipped with a high-tech laboratory to test waste samples.

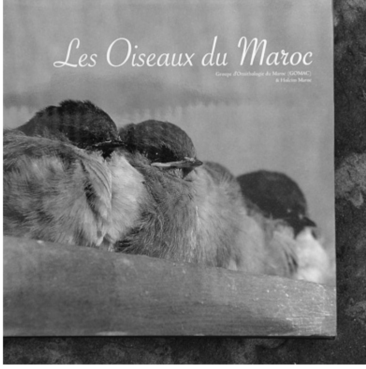
# Creating a forest out from nowhere: El Gara, Morocco

The M'Goun Geopark has a unique landscape.



More than 334 bird species are listed in a scientific guidebook.

An ornithology organization observed birds in their natural environment for five years.




"Les oiseaux du Maroc" is the first birds scientific guidebook that has ever been published in Morocco.

"Les oiseaux du Maroc" has been realized in partnership with the Ornithology Group of Central Morocco.

Holcim has been practicing sustainability in Morocco for more than three decades – through both its support for local communities and its stewardship of the environment. This approach has enabled Holcim to create a forest in El Gara – from seemingly nowhere.

Morocco at the northwestern tip of Africa is a country of contrasts: a Mediterranean climate in the northwest of the country and searingly hot siroccos in the south. On the northern flank of the Atlas Mountains pistachio and juniper trees flourish, while on the other side thorny bushes and date palms grow. Holcim has been active in this climatically diverse country since 1978. Today, more than 500 employees work to ensure that the company's output of cement, stone, and concrete products keeps pace with the steadily rising demand in this emerging market.

**A good track record of sustainable development**

In Morocco, Holcim wants to be seen not only as a leading provider of building materials – but also as a responsible company in the field of sustainability. In 2000, Holcim (Maroc) S.A. joined the "Association pour la Protection du Patrimoine Géologique du Maroc". Through its membership Holcim assists the association financially to maintain the 7,200 square kilometer M'Goun Geopark in the midst of the Atlas Mountains – an area that has a high historic, geologic, and cultural value and offers a valuable habitat for a rich diversity of plant and animal wildlife.

Emphasis has also been placed on the protection of birds. In 2002, Holcim, in cooperation with the "Administration des Eaux et Forêts" and the "Association Tazekka", launched a program to re-establish the Northern Bald Ibis, which was once found all over Morocco and is now critically endangered. Since the program was launched, 26 Bald-Headed Ibis have been successfully raised at the breeding and research station near Mezguitem. Holcim Morocco also initiated a partnership with the "Groupe d'Ornithologie du Maroc Central". With Holcim's support, ornithologists spent five years observing, counting, and cataloging the birds of Morocco. In 2007 they published their results in a widely acclaimed scientific guidebook that was awarded a prize by the Environment Ministry of Morocco.

**Modern waste disposal complemented by forestation**

In another contribution to sustainability in Morocco, Ecoval, a Group company, invested 45 million dirhams – more than five million Swiss francs – in the construction of a waste treatment platform in El Gara. In Morocco, this operation is unique: The platform ensures the proper separation and disposal of waste. Where appropriate, waste materials are co-processed in the nearby cement plant. As the waste materials replace fossil fuels, this conserves resources and at the same time ensures the environmentally responsible disposal of waste.


In Holcim Morocco, sustainability development is part of its business strategy.

The reforestation will enable the development of forest grazing.

Forest grazing enhances residents' quality of life.

Shortly after opening the waste treatment platform, Holcim took another step toward greater sustainability: It began to reforest an area covering 200 hectares in the vicinity of the Ecoval plant. Reforestation fulfills several objectives simultaneously: On the one hand, it is intended as a contribution to the Moroccan Programme Forestier National (PFN). The PFN is a 20-year plan that includes ecological and social projects: among other things to protect the soil, to combat further desertification, to advance controlled forestry, and, not least, to protect biodiversity.

On the other hand, the forest is intended to help to compensate for $CO_2$ emissions: The goal is 51,000 tonnes of $CO_2$ over 40 years. Over and above this, an intact, flourishing forest offers many other advantages. It provides a habitat for numerous species of flora and fauna. Moreover, as a self-contained ecosystem it makes a fundamental contribution to protecting biodiversity. In addition, it offers the local population opportunities for work and recreation.

**Four steps to success**

The project was broken down into four phases. In the first phase, over the course of six months 200,000 young plants were cultivated in a tree nursery especially established for this purpose: red eucalyptus, tuart, and carob. In the second phase, these saplings were planted out. This was followed by a labor-intensive thinning out process to optimize the forest density. The fourth phase is maintenance, which in the case of artificially created forests has to be guaranteed over the long term to protect the new ecosystem against diseases and the forces of nature.

**From all for all**

As with everywhere else in the world, in Morocco Holcim attaches great importance to social as well as ecological responsibility. Consequently, the inhabitants of the surrounding communities are responsible for maintaining the new forest. However, the population of El Gara had already taken responsibility for the project at an earlier stage: They were the people who planted out the saplings. Like this, they have been integrated in the project from the outset, giving them a sense of responsibility for "their" forest.

It takes eight years for the young plants to develop into trees. Until then the soil and the saplings must be carefully tended. Thought is already being given to follow-up projects. These could include educational and nature trails, ornithological programs, and even beekeeping in and around the new forest in El Gara. The aspirations of Holcim extend well beyond the site: that the forestation project will prove to be the seed of a movement that other companies will join in time.


The forest will cover 200 hectare planted area of eucalyptus.

# Stable demand for building materials in Africa Middle East

**Economy remained on a growth path**
The construction sector developed positively in most parts of Group region Africa Middle East. In Morocco, infrastructure and private projects supported demand, which declined in other areas. Lebanon saw heavy investment, although the pace of growth slowed in the fourth quarter. Presidential elections gave an impetus to the construction industry in the West African markets, and in the Indian Ocean region construction activity remained robust.

**Demand for building materials was predominantly solid**
Cement sales at Holcim Morocco declined due to lower market momentum and increasing competition due to additional capacity. Sales were also impacted by road closures caused by bad weather conditions in the Casablanca region. Sales of aggregates benefited from the expansion of the Rabat-Casablanca highway, and by the commissioning of a new quarry in Skhirat. Volumes of ready-mix concrete were supported by considerable deliveries for a new water treatment plant near Fès, but showed a decline overall. Doubling clinker capacity at the Fès plant progressed according to schedule. Holcim Lebanon recorded a significant increase in deliveries of cement and ready-mix concrete. The Indian Ocean operations remained stable in terms of cement, but aggregates and ready-mix concrete sales declined due to the lack of large infrastructure projects. The operations managed by Holcim Trading in West Africa and the Arabian Gulf increased their sales of cement. National Cement in Abu Dhabi established itself as the biggest grinding station in the Emirates.

Cement deliveries increased by 1.1 percent to 8.9 million tonnes. Shipments of aggregates fell by 3.8 percent to 2.5 million tonnes. Mainly as a result of the weak market on La Réunion, sales of ready-mix concrete remained at 1.1 million cubic meters.

**Decline in operating result**
Group region Africa Middle East's operating EBITDA declined by 3.8 percent to CHF 359 million, especially due to Morocco. Internal operating EBITDA growth was 5.4 percent.

**Predominantly subdued development**
The market environment in Group region Africa Middle East is expected to be largely subdued in 2011. Construction of social housing in Morocco is expected to gain momentum only in the second half of the year, and activity in the Lebanese construction sector appears to have peaked in 2010. There will be no upturn in construction activity on La Réunion, but Madagascar is expected to develop positively. Holcim expects a slight decline only in the cement segment in this Group region, particularly due to the political uncertainties in the West African markets.

**Consolidated key figures**

| Africa Middle East | 2010 | 2009 | ±% | ±% LFL* |
|---|---|---|---|---|
| Production capacity cement in million t | 11.2 | 11.2 | 0.0 | |
| Cement and grinding plants | 13 | 13 | | |
| Aggregates plants | 5 | 5 | | |
| Ready-mix concrete plants | 25 | 25 | | |
| Sales of cement in million t | 8.9 | 8.8 | +1.1 | +4.5 |
| Sales of aggregates in million t | 2.5 | 2.6 | –3.8 | –3.8 |
| Sales of ready-mix concrete in million $m^3$ | 1.1 | 1.1 | 0.0 | 0.0 |
| Net sales in million CHF | 1,098 | 1,206 | –9.0 | +2.5 |
| Operating EBITDA in million CHF | 359 | 373 | –3.8 | +5.4 |
| Operating EBITDA margin in % | 32,7 | 30.9 | | |
| Personnel | 2,213 | 2,256 | –1.9 | –1.9 |

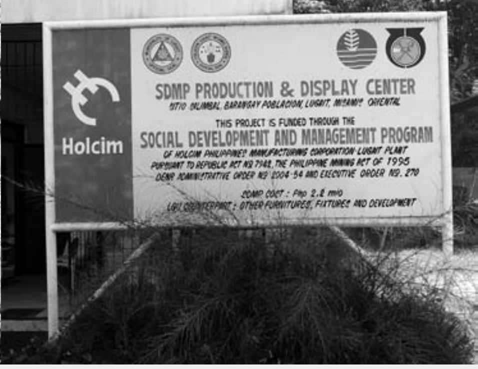
* Like-for-like, i.e. factoring out changes in the scope of consolidation and currency translation effects.


The entrance to the public butterfly garden.

At this site can that butterfly species be found everywhere.

In the early morning, an employee is checking if the eggs have developed into larvae.

# Flashes of color at the cement plant: Butterfly garden at Lugait, Philippines




The Social Development Management Program (SDMP) is done in partnership with the regulatory bodies.

Lemon juice is the basis for the “Kalamansi”, a local specialty.

The “Kalamansi” drink is produced within a social project.

“Kalamansi” satisfy the thirst.

A happy boy picked a papaya.


A place where the farmers can take a rest.

Biodiversity is essential for survival – but it can also be simply beautiful. Holcim proves this in the Philippines: A butterfly garden at the Lugait cement plant brightens the daily routine.

Factory buildings, huge machines, a significant level of background noise – and in the middle of it all brightly colored, fragile-looking butterflies. What at first glance seems out of sync is reality at the cement plant in Lugait in Misamis Oriental province in the Philippines. Here, Holcim has succeeded in creating a peaceful oasis of biodiversity amid the ceaseless bustling activity: a butterfly garden – and not only that.

**Over 30 years of cement tradition**

Holcim has been active in the Philippines since 1974. Today, Holcim is the largest cement company on the archipelago, operating four plants strategically located across the country and employing around 1,700 employees. Cement production is resource and energy-intensive. Hence, ensuring that the production of this essential building material impacts man and nature as little as possible is as important a task as it is challenging. “Our commitment to reduce our ecological footprint is emphasized by the integration of sustainable practices into our daily operations”, says Julius Baliog, whose responsibilities include mining at the Lugait plant. This attitude has given rise to, among other things, the concept of using alternative energies to reduce the consumption of fossil fuels. This is regulated by a continuous emissions monitoring system that verifies that Holcim’s complies with the requirements of the Philippine Clean Air Act by a wide margin.

**A living eco-control**

Quite a different sort of monitoring system was inaugurated on the premises of the factory in Lugait in September 2007: a butterfly garden. Lorenzo Pendang, Vice President for operations at the Lugait plant, explains: “Butterflies are an indicator of the status of the environment. Our butterfly garden has become a sanctuary and breeding ground for many butterfly species. Butterflies play an important role in the pollination of plants. In this way, they help us enhancing biodiversity in the area.” The idea of a butterfly biotope on the company site arose in the course of numerous discussions with local authorities. But it was a long road from idea to realization. First, it was necessary to choose the right plants. At times, butterflies are very picky about their nourishment, which prompted the experts to design the garden’s flora exclusively around the needs of the butterflies that would later live there. Today, a wide variety of butterflies can be seen at the plant.

**Handing over responsibility**

However, the butterfly garden in Lugait is more than a prestigious object for show and also more than just proof that business and biodiversity can flourish in the same place. “We want to include the community and show them how taking care of nature can benefit people”, explains Julius Baliog. This is the reason why Holcim initiated an accord with the community and organizations of the private sector for the supervision

The tree nursery at the Lugait plant.


A worker of the tree nursery delivering seedlings.


The organic vegetables are served in the nearby canteen.

of the garden. Holcim also organized workshops to train various members of regulatory bodies from different regions. Topics included butterfly breeding and how to integrate the processing of dead butterflies into arts and crafts, for example in picture frames or as bookmarks. Training also includes how to market such souvenirs. In this way, underprivileged families gain access to an additional vital source of income.

**Widening horizons**

Holcim also went a "step further" with the garden's plant life. After the selected flora had established itself and stabilized, the same plants were used in the rehabilitation of the quarries in the area. In this way, it was possible not only to preserve endemic species, but also to establish them in the immediate surroundings of the cement plant. On top of this, more than 60 hectares of land were reforested. About 90 percent of the colonizing plants survived. On one hand this is evidence of the quality of the rehabilitation efforts, and on the other an indication of Holcim's ecologically responsible approach to cement production at this plant.

**Attractive for visitors and locals**

Since its inauguration, the butterfly garden in Lugait has become an attraction for eco-tourists. Meanwhile, everyday life is brightened not only by the iridescence of the butterflies, but also by the blooms of an orchidarium, and the complex now includes a herb garden as well.

The butterfly garden and its brightly colored fluttering activity serve as an accessible recreational area for Holcim's employees and the inhabitants in the vicinity. In addition, the company organizes courses and lectures for school and college students from the surrounding towns, cities, and provinces. The local tourist office wants to include the entire Lugait plant in its official tourist program – as a compelling example of how to link economy and ecology.


The Lugait cement plant at night.

# Building activity solid in Asia Pacific

**Strong economic growth in nearly all markets**
The economic areas in Group region Asia Pacific developed consistently positive. High infrastructure expenditure, an attractive investment climate and rising consumption boosted the economies particularly in India, Thailand, Vietnam, Malaysia and the Philippines. Also, Indonesia attracted more foreign investment, and in Australia, the generally friendly Asian economic climate supported demand. However, the heavy rainfall and flooding in the east of Australia dampened the otherwise positive picture in the fourth quarter. New Zealand emerged from recession and returned to a modest rate of growth.

**Higher demand for building materials**
Cement consumption remained at a high level in India. Activity in the construction sector was supported by investments in infrastructure and pent-up demand for new homes, as well as by growing demand in the commercial and industrial sectors. Consumption of cement reached double-digit growth rates in the first half, before slowing slightly in the second half due to the monsoon. The construction sector in Sri Lanka and Bangladesh also saw strong growth, driven by government infrastructure and residential building projects.

In Thailand, private housebuilding showed an exceptionally sharp increase. The Vietnamese government invested in energy supply, ports and bridges. Growth in the demand for cement in Malaysia slowed due to delays in implementing government stimulus programs.

Despite unfavorable weather, the construction sector in the Philippines grew more strongly than expected due to the climate of confidence in the new government and remittances from workers living abroad. In Indonesia, cement consumption increased despite heavy rainfalls and natural disasters, including the eruption of the Mount Merapi volcano.

The moderate upward trend in Australia tapered off slightly in the second half. In addition, construction activity in many areas came to a halt shortly before the end of the year and then especially in the new year due to the devastating floods in the eastern part of the continent. Furthermore, rising interest rates adversely affected investment in housebuilding. New Zealand's slight economic recovery has not yet had an effect on the construction sector.

| Consolidated key figures Asia Pacific | 2010 | 2009 | ±% | ±% LFL* |
|---|---|---|---|---|
| Production capacity cement in million t | 93.7 | 90.7 | +3.3 | |
| Cement and grinding plants | 58 | 57 | | |
| Aggregates plants | 86 | 85 | | |
| Ready-mix concrete plants | 403 | 402 | | |
| Sales of cement in million t | 71.4 | 67.3 | +6.1 | +3.6 |
| Sales of mineral components in million t | 1.0 | 0.7 | +42.9 | –9.5 |
| Sales of aggregates in million t | 26.4 | 10.4 | +153.8 | –2.9 |
| Sales of ready-mix concrete in million $m^3$ | 12.7 | 8.1 | +56.8 | +7.4 |
| Net sales in million CHF | 7,958 | 6,418 | +24.0 | +1.6 |
| Operating EBITDA in million CHF | 1,820 | 1,760 | +3.4 | –10.8 |
| Operating EBITDA margin in % | 22.9 | 27.4 | | |
| Personnel | 38,172 | 36,858 | +3.6 | +3.4 |

* Like-for-like, i.e. factoring out changes in the scope of consolidation and currency translation effects.

**Higher sales in all segments**

The expansion of capacity at Ambuja Cements in India resulted not only in above-average domestic shipments, but also good export growth. In Himachal Pradesh and Chattisgarh, two new kiln lines were commissioned, and in Himachal Pradesh and Uttar Pradesh new grinding stations went on stream. The Group company's production capacity consequently increased by 36 percent to 16.4 million tonnes.

ACC just managed to maintain cement sales. The Group company was heavily affected in several markets by transportation bottlenecks and especially adverse weather conditions. In addition, the commissioning of new production capacity was delayed. In return, shipments of ready-mix concrete – which are concentrated in urban centers – rose at a double-digit rate. ACC supplied significant infrastructure projects, including the expansion of Kolkata airport and the construction of the Mumbai metro.

In the third quarter, ACC commissioned the expanded kiln line 2 at its Wadi plant. Up to 12,500 tonnes of clinker can now be produced there on a daily basis, making the plant one of the world's biggest production lines. Also, the two new grinding stations in Karnataka are now being supplied out of this plant. In the fourth quarter, the commissioning of the new kiln line at the Chanda plant started. In total, ACC commissioned more than 3.3 million tonnes of new clinker capacity during 2010.

With expansions in both Group companies and greater focus on customer needs, particularly in terms of servicing, preconditions for increased competitiveness in the growing Indian market were set.

Holcim Lanka secured a major share of the market in the northeast of the country through its involvement in various infrastructure projects, and sold significantly more cement. Holcim Bangladesh also achieved double-digit growth in cement sales thanks to contracts for the construction of roads and high-rise buildings.

Despite intense competition, Siam City Cement in Thailand sold more cement than in the previous year. Exports to neighboring countries also increased. Aggregates and ready-mix concrete sales were positively affected by significant construction projects in Bangkok. Holcim Vietnam built three new ready-mix concrete facilities, and achieved record sales volumes. The Group company supplied important projects for the expansion of port infrastructure in the south of the country and, like Holcim Malaysia, sold more cement and ready-mix concrete. In Malaysia too, sales volumes were supported by new ready-mix concrete facilities. Holcim Singapore concentrated on technologically demanding contracts, deliberately accepting a lower volume of ready-mix concrete. From mid-year, all production sites in Singapore were united under a single management team, and Jurong Cement delisted from the stock exchange.

In the Philippines, Holcim increased shipments of cement despite competitive pressures. However, demand fell slightly in the fourth quarter of the year, as the government partially switched spending from infrastructure to education and welfare. At Holcim Indonesia, volumes of ready-mix concrete grew in the second half of the year in particular, after being held back at the start of the year by delays in infrastructure projects. Due to a decline in export activity, cement sales remained at the previous year's level. Work was started in December on the construction of a new cement plant in Tuban, on the main island of Java. Due to come on stream in the second half of 2013, the plant will have an annual capacity of 1.6 million tonnes of cement. The new location is a perfect complement to the existing production and distribution network, and will lower logistical costs.

Cement Australia just managed to maintain cement sales in a sluggish market and despite adverse weather conditions toward the year-end in Queensland. Holcim Australia continued to deal with lower aggregates volumes due to delays in major projects and strong competitive pricing pressures in the ready-mix concrete business – further exacerbated by unusually high rainfall followed by the flooding in Queensland. Holcim New Zealand supplied less cement amid a general decline in activity in the construction sector. Sales of aggregates increased due to an additional quarry in Wellington. September's major earthquake had only a marginal effect on the Group company's deliveries; the damage to the road and rail network is now under repair.

In overall terms, cement sales in Group region Asia Pacific grew by 6.1 percent to 71.4 million tonnes. The sales volume of aggregates rose by 153.8 percent to 26.4 million tonnes. Shipments of ready-mix concrete increased by 56.8 percent to 12.7 million cubic meters.

**Increased operating EBITDA**

Despite temporary pricing pressures during the monsoon in India and the considerable rise in variable production and distribution costs, operating EBITDA for Group region Asia Pacific increased by 3.4 percent compared with the previous year to CHF 1,820 million. Cost efficiency was further improved in many locations. Ambuja Cements, Holcim Indonesia and Holcim Philippines made a solid contribution to results, as did the Group companies in Australia which were consolidated for the full year for the first time. Internal operating EBITDA development was –10.8 percent.

**Private placement of Huaxin Cement still pending**

The private placement to increase the share capital of Huaxin Cement – announced in spring 2009 – remains pending and is expected to conclude in the second quarter 2011. The affiliate intends to continue positioning itself favorably in the market and to participate in the ongoing consolidation in the cement industry. In December 2010, Huaxin Cement acquired all of the shares of Hubei Sanyuan Cement Co Ltd. from the Hubei Jinglan Group as well as 70 percent of the equity of Fangxian Zuanshi. The acquisition of 80 percent of the equity of Hubei Jinlong is in progress. These acquisitions will further strengthen Huaxin Cement's market position in the Hubei province.

**Active environmental protection**

Special efforts on the environmental protection front and the use of alternative fuels are currently being undertaken by the two Indian Group companies. Under the Geocycle umbrella brand, all activities in relation to the increased use of alternative fuels and raw materials will in future be combined and coordinated on a nationwide basis. In close cooperation with the relevant authorities, ACC developed guidelines for the use of such materials, which came into force in February 2010. The conditions for granting the necessary license were achieved through advance test phases at several ACC plants. By the year-end, ACC had already used a substantial amount of alternative fuels in the combustion process. The systematic recovery of plastic from household waste is a key focal point. In March 2010, ACC also commissioned two turbines at a wind turbine farm, each with a capacity of 1.25 megawatts. Ambuja Cements began a wind mill project in Gujarat, with a view to reducing its dependency on the public electricity grid.

In Thailand, Siam City Cement invested in the preparation of combustible materials. The plant has a capacity of 1,200 tonnes per month. In addition, a new heat recovery equipment of 17 megawatts was installed.

The Philippines also agreed to guidelines for the recycling of alternative fuels and raw materials. They include promoting the cement kiln as a sensible alternative in the waste disposal chain. This year saw all Holcim Philippines cement plants receive the coveted environmental award from the President of the Philippines for the first time. In Indonesia, Holcim's Cilacap plant also achieved a major success by receiving the government's highest accolade for exceptional performance in environmental management.

Cement Australia's Gladstone plant not only has the country's biggest cement mill, but thanks to its high level of efficiency, it also leads in terms of environmental protection. In 2010, the mill completed its first full year of operation, including the new system for shredding washed drums and containers. The resulting material produces a high quality fuel, and any residual metal is recovered for recycling.

**Further growth expected**

Asia will continue to grow in 2011. In particular, the step-up of infrastructure spending in most countries and the increased private housebuilding will have considerable impetus on the building materials industry. Holcim will also benefit from additional production capacity in India. In Australia, the continuing rainfall and the devastating flooding will have a negative impact on the operating results of both Group companies in the first quarter of 2011. In the second half however, rebuilding not only in Australia, but also in New Zealand will lead to higher activity. Overall, increased sales volumes and higher turnover are expected for Group region Asia Pacific.

# Corporate Governance

Holcim applies high standards to corporate governance. The goal is to assure the long-term value and success of the company in the interests of various stakeholder groups: customers, shareholders, employees, creditors, suppliers and the communities where we operate.

**Acting responsibly**

The ultimate goal of effective corporate governance is long-term economic success and strengthening the Group's reputation. This includes continuous improvement of decision-making processes and management systems through legal, organizational and ethical directives and terms of reference, as well as measures to enhance transparency. Compliance with internal and external directives, early recognition of business risks, social responsibility for stakeholder groups and open communication on all relevant issues are among the principles of Holcim. Since 2004, the Code of Conduct, binding on the entire Group, has been part of the mission statement.

Holcim aims to achieve a balanced relationship between management and control by keeping the functions of Chairman of the Board of Directors and CEO separate. With the exception of Markus Akermann, CEO of Holcim Ltd, all directors are independent according to the definition of the Swiss Code of Best Practice for Corporate Governance. Since the introduction of a uniform type of registered share in 2003, the principle of "one share, one vote" also applies.

The information published in this chapter conforms to the Corporate Governance Directive of the SIX Swiss Exchange (SIX) and the disclosure rules of the Swiss Code of Obligations. In the interest of clarity, reference is made to other parts of the Annual Report or for example to our website (www.holcim.com). Pages 91 and 92 of this report reflect on the duties of the Audit Committee and the Governance, Nomination & Compensation Committee as well as on the Organizational Rules.

**Group structure and shareholders**

The holding company Holcim Ltd operates under the laws of Switzerland for an indefinite period. Its registered office is in Rapperswil-Jona (Canton of St. Gallen, Switzerland). It has direct and indirect interests in all companies listed on pages 196 to 198 of the Annual Report.

The Group is organized by geographical regions. The management structure as at December 31, 2010, and changes which occurred in 2010, are described in this chapter. The current organizational chart is shown on page 31.

Holcim has no mutual cross-holdings in any other company. In Holcim, there are neither shareholders' agreements nor other agreements regarding voting or holding of Holcim shares.

More detailed information on the business review, Group structure and shareholders can be found on the following pages of the Annual Report:



**Capital structure**

In 2003, one uniform type of registered share was introduced in order to comply with international capital market requirements in terms of an open, transparent and modern capital structure and to enhance attractiveness, particularly for institutional investors.

The share capital of Holcim Ltd is divided into the following categories:

**Share capital**

The share capital is divided into 327,086,376 registered shares of CHF 2 nominal value each. As at December 31, 2010, the nominal, fully paid-in share capital of Holcim Ltd amounted to CHF 654,172,752.

**Conditional share capital**

The share capital may be raised by a nominal amount of CHF 2,844,700 through the issuance of a maximum of 1,422,350 fully paid-in registered shares, each with a par value of CHF 2 (as at December 31, 2010). The conditional capital may be used for exercising convertible and/or option rights relating to bonds or similar debt instruments of the company or one of its Group companies. The subscription rights of the shareholders shall be excluded. The current owners of conversion rights and/or warrants shall be entitled to subscribe for the new shares. The acquisition of shares through the exercise of conversion rights and/or warrants and each subsequent transfer of the shares shall be subject to the transfer and voting right restrictions set out in the Articles of Incorporation. As at December 31, 2010, no bonds or similar debt instruments of the company or one of its Group companies were outstanding that would give rise to conversion rights related to the conditional capital; therefore, in the year under review, no conversion rights have been exercised. Further information on conversion rights and/or warrants and applicable conditions may be found in the Articles of Incorporation of Holcim Ltd at www.holcim.com/corporate_governance.

**Authorized share capital/Certificates of participation**

As at December 31, 2010, neither authorized share capital nor certificates of participation were outstanding.

Additional information can be found as follows:

| Topic | |
|---|---|
| Articles of Incorporation Holcim Ltd | www.holcim.com/corporate_governance |
| Code of Conduct | www.holcim.com/corporate_governance |
| Changes in equity Holcim Ltd | 210<br>Information for the year 2008 is included in the Annual Report 2009, page 194<br>www.holcim.com/equity |
| Detailed information on conditional capital | www.holcim.com/corporate_governance<br>Articles of Incorporation, Art. 3^bis |
| Key data per share | 36–39, 186, 212–213 |
| Rights pertaining to the shares | www.holcim.com/corporate_governance<br>Articles of Incorporation, Art. 6, 9, 10 |
| Regulations on transferability of shares and nominee registration | 95–96<br>www.holcim.com/corporate_governance<br>Articles of Incorporation, Art. 4, 5 |
| Warrants/Options | 184–185 |

**Board of Directors**

The Board of Directors consists of 12 members, 11 of whom are independent according to the definition of the Swiss Code of Best Practice for Corporate Governance. CEO Markus Akermann is the sole executive member in the Board of Directors. According to Art. 15 of the Articles of Incorporation, all Directors are shareholders of the company.

Please see pages 98 to 101 for the biographical information of the Board members.

Having reached retirement age, H. Onno Ruding resigned from the Board of Directors at the annual general meeting of shareholders 2010. He has been a member of this body since 2004. The Board of Directors has expressed sincere gratitude for his service.

The shareholders elected Beat Hess to the Board of Directors. He holds a doctorate in law and is admitted to the bar. Until the end of 2010, Beat Hess was Legal Director and member of the Executive Committee of Royal Dutch Shell Group, The Hague.

New members of the Board of Directors are introduced in detail to the company's areas of business.

The Board of Directors meets as often as business requires, but at least four times each year. In 2010, five regular meetings, four private meetings without the presence of the Executive Committee, and one strategy meeting were held. The Board of Directors held four regular meetings with all members present and one meeting with one member excused. As a rule, the members of the Executive Committee attended the regular meetings of the Board as guests, insofar as they themselves were not affected by the items on the agenda. The average duration of each meeting was 3.7 hours.

**Composition of the Board of Directors**

| | |
|---|---|
| Rolf Soiron | Chairman[1] |
| Andreas von Planta | Deputy Chairman |
| Markus Akermann | Member |
| Christine Binswanger | Member |
| Beat Hess | Member |
| Erich Hunziker | Member |
| Peter Küpfer | Member[2] |
| Adrian Loader | Member |
| Thomas Schmidheiny | Member |
| Wolfgang Schürer | Member |
| Dieter Spälti | Member |
| Robert F. Spoerry | Member |

[1] Governance, Nomination & Compensation Committee Chairman.
[2] Audit Committee Chairman.

**Election and terms of office of the Board of Directors**

The members of the Board of Directors are each elected individually and for a three-year term of office. Elections are staggered such that every year approximately one-third of the Board of Directors stands for election. Members of the Board of Directors may be proposed for re-election by the Board of Directors upon motion by the Governance, Nomination & Compensation Committee. The Governance, Nomination & Compensation Committee bases its motion on a review of the overall performance of each candidate. After four three-year terms, the review includes the question as to why a further tenure as a member of the Board of Directors is deemed to be in the best interest of the company.

Members of the Board of Directors shall retire regardless of a current term of office at the first general meeting of shareholders following their seventieth birthday.

**Other major Swiss and foreign mandates of the Board of Directors outside the Holcim Group as at December 31, 2010**

| Board of Directors | Mandate | Position |
|---|---|---|
| Rolf Soiron | Lonza Group Ltd, Basel* | Chairman of the Board |
| Andreas von Planta | SIX Swiss Exchange AG, Zurich | Chairman of the Regulatory Board |
| | Schweizerische National-Versicherungs-Gesellschaft, Basel* | Chairman of the Board |
| | Novartis AG, Basel* | Member of the Board |
| Christine Binswanger | Herzog & de Meuron, Basel | Senior Partner |
| Beat Hess | Legal Director Royal Dutch Shell Group, The Hague* | Member of the Executive Committee |
| | Nestlé S.A., Vevey* | Member of the Board |
| Erich Hunziker | F. Hoffmann-La Roche AG, Basel* | Member of the Executive Committee |
| | Chugai Pharmaceutical Co. Ltd., Tokyo (Japan)* | Member of the Board |
| | Genentech Inc., San Francisco (USA) | Member of the Board |
| Peter Küpfer | GE Money Bank AG , Zurich | Chairman of the Board of Directors |
| | Julius Bär Group Ltd., Zurich* | Member of the Board |
| | Metro AG, Düsseldorf (Germany)* | Member of the Supervisory Board |
| Adrian Loader | Lane, Clark & Peacock, London | Member of the Advisory Board |
| | GardaWorld, Montreal (Canada)* | Member of the International Advisory Board |
| Thomas Schmidheiny | Schweizerische Cement-Industrie-Aktiengesellschaft, Rapperswil-Jona | Chairman of the Board |
| | Spectrum Value Management Ltd., Rapperswil-Jona | Chairman of the Board |
| Wolfgang Schürer | Swiss Reinsurance Company, Zurich* | Member of the Swiss Re Advisory Panel |
| Dieter Spälti | Rieter Holding AG, Winterthur* | Member of the Board |
| | Schweizerische Cement-Industrie-Aktiengesellschaft, Rapperswil-Jona | Member of the Board |
| | Spectrum Value Management Ltd., Rapperswil-Jona | Member of the Board |
| Robert F. Spoerry | Mettler-Toledo International Inc., Greifensee* | Chairman of the Board |
| | Conzzeta Holding AG, Zurich* | Member of the Board |
| | Geberit AG, Rapperswil-Jona* | Member of the Board |
| | Schaffner Holding AG, Luterbach* | Member of the Board |
| | Sonova Holding AG, Stäfa* | Member of the Board |

* Listed company.

Since 2002, the following expert committees have been operational:

### Audit Committee

The Audit Committee assists and advises the Board of Directors in conducting its supervisory duties with respect to the internal control systems. It examines the reporting for the attention of the Board of Directors and evaluates the Group's external and internal audit procedures, reviews the risk management systems of the Group and assesses financing issues.

**Composition of the Audit Committee**

| | |
|---|---|
| Peter Küpfer | Chairman |
| Andreas von Planta | Member |
| Dieter Spälti[1] | Member |

[1] Since May 6, 2010; H. Onno Ruding until May 6, 2010.

All members are independent according to the definition of the Swiss Code of Best Practice for Corporate Governance, in order to ensure the necessary degree of objectivity required for an Audit Committee.

In 2010, four regular meetings of the Audit Committee were held. Except for one, all of the meetings were attended by all members of the committee. Three meetings were also attended by the auditors, and at three meetings, the Head of Group Internal Audit was present for certain agenda topics. Furthermore, the Chairman of the Board of Directors (except for one meeting), the CEO and the CFO attended the meetings of the Audit Committee as guests. The average duration of each meeting was 3.7 hours.

In 2010, the committee has particularly taken note of the status of the ICS (internal control system), dealt with internal directives and evaluated financing issues. The Audit Committee's Charter is available at www.holcim.com/corporate_governance.

### Governance, Nomination & Compensation Committee

The Governance, Nomination & Compensation Committee supports the Board of Directors in planning and preparing succession at the senior management level. It monitors developments with regard to compensation for the Board of Directors and senior management, and briefs the Board of Directors accordingly. The committee decides on the compensation paid to the Executive Committee, and on the CEO's targets and performance assessment, and informs the Board of Directors as a whole of the decisions taken.

**Composition of the Governance, Nomination & Compensation Committee**

| | |
|---|---|
| Rolf Soiron | Chairman |
| Erich Hunziker | Member |
| Thomas Schmidheiny | Member |
| Wolfgang Schürer | Member |

The Governance, Nomination & Compensation Committee held three regular meetings in 2010. All except for one of the meetings were attended by all members of the committee. The meetings were also attended by the CEO as a guest, insofar as he was not himself affected by the items on the agenda. The average duration of each meeting was 3.8 hours.

The Charter of the Governance, Nomination & Compensation Committee may be found at www.holcim.com/corporate_governance. More details on the activities of the Governance, Nomination & Compensation Committee, in particular with regard to the process of determination of compensation, can be found in the Remuneration Report, starting on page 106.

### Areas of responsibility

The division of responsibilities between the Board of Directors and the Executive Committee is set out in detail in the company's Organizational Rules. The Organizational Rules may be found on our website at www.holcim.com/corporate_governance.

**Organizational Rules**

The Organizational Rules entered into force on May 24, 2002, and according to the Organizational Rules shall be reviewed at least every two years and amended as required. They were last amended in 2011.

The Organizational Rules were issued by the Board of Directors of Holcim Ltd in accordance with the terms of Art. 716b of the Swiss Code of Obligations and Art. 19 of the company's Articles of Incorporation. They stipulate the organizational structure of the Board of Directors and the Executive Committee and govern the tasks and powers conferred on the company's executive bodies. They regulate the convocation, execution and number of meetings to be held by the Board of Directors and the Executive Committee as well as the tasks and competences of the company's bodies. The Organizational Rules set out the tasks and responsibilities of the Chairman of the Board of Directors and the CEO. In the event that the Chairman of the Board of Directors is not independent, the Organizational Rules provide for the election of an Independent Lead Director, such election must be confirmed on a yearly basis.

The Board of Directors also has the power to establish expert committees and, if required, ad-hoc committees for special tasks.

As part of its non-transferable statutory responsibilities, the Board of Directors defines the corporate strategy, approves the consolidated Group budget, the quarterly consolidated financial statements (with the exception of the report of the first quarter of the year which is to be adopted and released by the Audit Committee) and the Annual Report for submission to the annual general shareholders meeting, and reviews the professional qualifications of the external auditors.

The Executive Committee is responsible for operational management, preparing a large part of the business of the Board of Directors – including proposals of corporate strategies – and executing the latter's resolutions. The Executive Committee issues directives and recommendations with Group-wide significance in its own authority; furthermore, the Executive Committee is responsible for electing and dismissing Area Managers, Corporate Functional Managers, Function Heads and CEOs of Group companies, as well as for the nomination of the members of the Board of Directors and supervisory bodies of the Group companies.

Within the framework of budget approval, the Board of Directors defines limits for investments and financing. Within these limits, the Executive Committee decides on financing transactions and on one-off investments and divestments for amounts up to CHF 200 million. Amounts beyond this are subject to approval by the Board of Directors. The Board of Directors is regularly informed about important transactions within the authority of the Executive Committee.

The members of the Executive Committee may, in concert with the CEO, delegate their tasks in relation to their geographical areas of responsibility to Area Managers, or in relation to their functional areas of responsibility, to Corporate Functional Managers. The CEO assesses the performance of the members of the Executive Committee and, after advice and assessment by the Governance, Nomination & Compensation Committee, determines their respective objectives.

The CEO, together with the Executive Committee, oversees Business Risk Management following appraisal by the Audit Committee. The Board of Directors is informed annually about the risk situation.

In case of a direct conflict of interest, the Organizational Rules require each member of the corporate body concerned to stand aside voluntarily prior to any discussion of the matter in question. Members of the corporate bodies are required to treat all information and documentation which they may obtain or view in the context of their activities on these bodies as confidential, and not to make such information available to third parties.

All individuals vested with the powers to represent the company have only joint signatory power at two.

**Information and control instruments of the Board of Directors**

The Board of Directors determines in which manner it is to be informed about the course of business. Any member of the Board of Directors may demand information on all issues relating to the Group and the company. All Directors may request information from the CEO through the Chairman of the Board of Directors. At meetings of the Board, any attending member of the Executive Committee has a duty to provide information. All members of the Board of Directors have a right to inspect books and files to the extent necessary for the performance of their tasks.

### 1. Financial reporting

The Board of Directors is informed on a monthly basis about the current course of business, adopts the quarterly reports (with the exception of the report of the first quarter of the year which is to be adopted and released by the Audit Committee) and releases them for publication. The Board of Directors discusses the Annual Report, takes note of the auditors' reports and submits the Annual Report to the general meeting for approval.

With regard to Group strategy development, a strategy plan, a five-year financial plan and an annual budget are submitted to the Board of Directors.

### 2. Business Risk Management

Holcim benefits from several years of experience with Business Risk Management (BRM) implemented in 1999. The BRM process has been anchored in the entire Group covering all consolidated Group companies and their relevant business segments.

BRM analyzes the Group's overall risk exposure and supports the strategic decision-making process. Therefore, the BRM process is closely linked with the Group's strategic management process. The full risk spectrum, from market, operations, finance and legal, to external risk factors of the business environment, is reviewed, including compliance and reputational risks. The risk assessment is not limited to a hazard analysis, but also identifies measures and possible opportunities.

The Group's risk position is assessed from both top-down and bottom-up. In addition to the Group companies, senior management also conducts an annual risk analysis. The Board of Directors analyzes the Group's risks and opportunities at least once a year and discusses them with the Executive Committee as part of the annual strategy review.

The BRM process consists of several steps. First, risks as well as opportunities are assessed and prioritized according to significance and likelihood. Top risks are analyzed more deeply regarding their causes. In a third step, the analysis of the current risk situation is completed with a detailed assessment of the consequences. Then, decisions are taken on how to deal with specific risks, on the consolidated risk profile and on mitigating actions. During the year, risks and opportunities are systematically monitored and reported. Information gathered in the process is stored in a protected, centralized database which allows instant access for all Group companies around the world to their information for data evaluation and reporting. Responsibilities concerning risks are clearly defined. The corporate function Corporate Risk Management is responsible for the BRM process and timely reporting by the Executive Committee to the Board of Directors.

### 3. Internal Audit

Internal Audit assures existence and pertinence of process controls and integrity of information. For more details, see page 30. Internal Audit reports to the Chairman of the Board of Directors and periodically informs the Audit Committee. The members of the Board of Directors have access to Internal Audit at all times. Each year, the Audit Committee defines the audit focal areas to be addressed by Internal Audit, and the Head of Internal Audit periodically updates the Audit Committee on the activities of Internal Audit.

**Senior management**

Senior management of Holcim Ltd comprises the CEO, members of the Executive Committee, Area Managers and Corporate Functional Managers. The tasks of senior management are divided into different areas of responsibility in terms of country, division and function, each of these areas being ultimately supervised and managed by a member of the Executive Committee. Members of the Executive Committee may be assisted by Area Managers and Corporate Functional Managers in their area of responsibility.

The following changes within senior management occurred during the year under review:

The Board of Directors has appointed Roland Köhler, Corporate Functional Manager responsible for Corporate Strategy & Risk Management, as member of the Executive Committee, effective March 15, 2010. He leads the central service and support functions for the Group as CEO of Holcim Group Support Ltd (HGRS).

Bill Bolsover retired from his position as Area Manager and Corporate Functional Manager at the end of March 2010. Bernard Terver, CEO of Holcim US and CEO of Aggregate Industries US, has been appointed Area Manager and member of senior management of Holcim Ltd as of April 1, 2010. In this function at Group level, he is responsible for Holcim US and Aggregate Industries US. He reports directly to Benoît-H. Koch, a member of the Executive Committee.

On July 1, 2010, Ian Thackwray, member of the Executive Committee since the beginning of 2010, succeeded Tom Clough, who retired at the end of June. His area of responsibility spans the companies in East Asia, including China, the Philippines and Oceania and South and East Africa.

Thomas Aebischer, CFO of Holcim US, has been appointed as member of the Executive Committee as of January 1, 2011. Effective April 1, 2011, he will take over responsibility for Group CFO from Theophil H. Schlatter, who will be retiring at the end of March 2011. This is a further step in the systematic process of succession planning which is managed and supervised by the Executive Committee and the Board of Directors.

In this context, Andreas Leu, Area Manager and member of senior management of Holcim Ltd, has been appointed as member of the Executive Committee as of January 1, 2011. He has taken over responsibility for Latin America from Thomas Knöpfel, who retired from this capacity at year-end 2010.

Urs Fankhauser, Regional Technical Director Eastern Europe, has been appointed Area Manager and as such member of senior management of Holcim Ltd as per January 1, 2011. He is responsible for the markets in Eastern and Southeastern Europe, and reports directly to Executive Committee member Urs Böhlen.

**Executive Committee**

During the year under review, the Executive Committee of Holcim Ltd comprised ten and nine members respectively. None of the members of the Executive Committee has important functions outside the Holcim Group or any other significant commitments of interest.

**Composition of the Executive Committee**

| | |
|---|---|
| Markus Akermann | CEO |
| Thomas Aebischer[1] | Member |
| Urs Böhlen | Member |
| Tom Clough[2] | Member |
| Patrick Dolberg | Member |
| Paul Hugentobler | Member |
| Thomas Knöpfel[3] | Member |
| Benoît-H. Koch | Member |
| Roland Köhler[4] | Member, CEO HGRS |
| Andreas Leu[5] | Member |
| Theophil H. Schlatter[6] | CFO |
| Ian Thackwray | Member |

[1] Since January 1, 2011, member of the Executive Committee; effective April 1, 2011, CFO.
[2] Until end of June 2010.
[3] Until end of December 2010.
[4] Since March 15, 2010.
[5] Since January 1, 2011.
[6] Until March 31, 2011.

Please consult pages 102 and 103 for biographical information on the members of the Executive Committee. Regional and functional responsibility respectively is shown on the organizational chart on page 31.

#### Area Management

The individual members of the Executive Committee are assisted by Area Managers.

**Composition of the Area Management**

| | |
|---|---|
| Bill Bolsover[1] | Aggregate Industries |
| Javier de Benito | Mediterranean, Indian Ocean, West Africa |
| Urs Fankhauser[2] | Eastern and South Eastern Europe |
| Andreas Leu[3] | Colombia, Ecuador, Argentina, Chile, Brazil |
| Aidan Lynam | Bangladesh, Malaysia, Singapore, Sri Lanka, Vietnam |
| Bernard Terver[4] | Holcim US, Aggregate Industries US |

[1] Until March 31, 2010.
[2] Since January 1, 2011.
[3] Until December 31, 2010.
[4] Since April 1, 2010.

Please see page 104 for biographical information on Area Managers.

#### Corporate Functional Managers

The Corporate Functional Managers are responsible for specific functions and dimensions and report to the Executive Committee.

**Composition of the Corporate Functional Management**

| | |
|---|---|
| Bill Bolsover[1] | Aggregates & Construction Materials Services |
| Jacques Bourgon | Cement Manufacturing Services |
| Roland Köhler[2] | Strategy & Risk Management |
| Stefan Wolfensberger | Commercial Services |

[1] Until March 31, 2010.
[2] Until March 15, 2010.

Please see page 105 for biographical information on Corporate Functional Managers.

#### Management agreements

Holcim has no management agreements in place with companies or private individuals outside the Group.

### Compensation, shareholdings and loans

Details of Board and management compensation are contained in the Remuneration Report (page 106) and in the Consolidated Financial Statements (page 189, note 41).

### Shareholders' participation

#### Voting rights and representation restrictions

All holders of registered shares who are registered as shareholders with voting rights in the share register at the date communicated in the invitation to the general meeting approximately one week prior to the general meeting (the exact date will be communicated in the invitation to the general meeting) are entitled to participate in, and vote at, general meetings. Shares held by trusts and shares for which no declaration has been made in the context of the regulations of the Board of Directors governing the entry of shareholders in the share register of Holcim Ltd are entered in the share register as having no voting rights. Shareholders not participating in person in the general meeting may be represented by another shareholder, by the custodian bank, by the company as representative of the governing body or by the independent voting rights representative. Voting rights are not subject to any restrictions. Each share carries one vote.

#### Statutory quorums

The general meeting of shareholders normally constitutes a quorum, regardless of the number of shares represented or shareholders present; resolutions are passed by an absolute majority of the votes allocated to the shares represented, unless Art. 704 para. 1 of the Swiss Code of Obligations or the Swiss Merger Act provide otherwise. In such cases, resolutions may only be passed with the respective qualified majority of the votes represented.

According to Art. 10 para. 2 of the Articles of Incorporation and in addition to Art. 704 para. 1 of the Swiss Code of Obligations, the approval of at least two-thirds of the votes represented and the absolute majority of the par value of shares represented shall be required for resolutions of the general meeting of shareholders with respect to the removal of the restrictions set forth in Art. 5 of the Articles of Incorporation (entries in the share register), the removal of the mandatory bid rule (Art. 22 para. 3 of the Stock Exchange Act), the removal or amendment of this para. 2 of Art. 10 of the Articles of Incorporation.

The chair of the meeting may also have votes and elections conducted electronically. Electronic votes and elections are deemed equivalent to secret votes and elections.

**Convocation of the general meeting and agenda rules**

The ordinary general meeting of shareholders takes place each year, at the latest six months following the conclusion of the financial year. It is convened by the Board of Directors, whereby invitations are published at least twenty days prior to the meeting and in which details are given of the agenda and items submitted. Shareholders representing shares with a par value of at least one million Swiss francs may request the addition of a particular item for discussion. A corresponding application must be submitted in writing to the Board of Directors at least forty days prior to the annual general meeting. Such application should indicate the items to be submitted. The invitations as well as the minutes of the general meetings shall be published on www.holcim.com/AGM2011.

**Entries in the share register**

The company maintains a share register for registered shares in which the names and addresses of owners and beneficiaries are entered. Only those included in the share register are deemed shareholders or beneficial owners of the registered shares of the company. Upon request, purchasers of registered shares shall be included in the share register as shareholders with voting rights if they expressly declare that they have acquired the shares in their own name and for their own account. Exceptions to this rule apply for nominees, which have signed a nominee agreement with the company regarding this position and are subject to a recognized banking or financial markets supervisory authority.

The share register is closed approximately one week prior to the date of the general meeting (the exact date will be communicated in the invitation to the general meeting). Shareholders' participation and rights of protection are furthermore governed by the Swiss Code of Obligations.

This information comprises excerpts from the Articles of Incorporation of Holcim Ltd. The full version of the Articles of Incorporation can be retrieved at www.holcim.com/corporate_governance.

**Changes of control and defense measures**

The Articles of Incorporation contain no waiver of the duty to make a public offer under the terms of Art. 32 and 52 of the Swiss Stock Exchange Act ("opting out"). The result is that a shareholder who directly, indirectly or in concert with third parties acquires shares in the company and, together with the shares he already possesses, thereby exceeds the 33⅓ percent threshold of voting rights in the company must make an offer for all listed shares of the company.

There are no clauses relating to changes of control.

**Auditors**

As part of their auditing activity, the auditors inform the Audit Committee and the Executive Committee regularly about their findings and about proposals for improvement. Considering the reporting and assessments by the Group companies, the Audit Committee evaluates the performance of the auditors and their remuneration in line with market conditions. The Audit Committee approves the audit focus area, provides recommendations to the auditors and makes suggestions for improvement. In 2010, the auditors participated in three meetings of the Audit Committee to discuss individual agenda items.

Ernst & Young Ltd, Zurich, were appointed in 2002 as auditors to Holcim Ltd. Ernst & Young partner Christoph Dolensky (since 2004) is responsible for managing the audit mandate supported since 2007 by partner Willy Hofstetter. The rotation of the lead auditor will be carried out in accordance with the statutory provisions in Art. 730a of the Swiss Code of Obligations. The auditors are elected for a one-year term by the annual general meeting.

The following fees were charged for professional services rendered to the Group by Ernst & Young in 2010 and 2009:

| Million CHF | 2010 | 2009 |
|---|---|---|
| Audit services[1] | 12.4 | 11.9 |
| Audit-related services[2] | 0.9 | 2.5 |
| Tax services | 0.6 | 0.6 |
| Other services[3] | 0.3 | 0.1 |
| **Total** | **14.2** | **15.1** |

[1] This amount includes the fees for the individual audits of Group companies carried out by Ernst & Young as well as their fees for auditing the Group financial statements.
[2] Audit-related services comprise, among other things, amounts for due diligences, comfort letters, accounting advice, information systems reviews and reviews on internal controls.
[3] Other services include, among other things, amounts for accounting, actuarial and legal advisory services.

**Information policy**
Holcim Ltd reports to shareholders, the capital market, employees and the public at large in a transparent and timely manner concerning its corporate performance, including achievement of the sustainability targets. An open dialog is nurtured with the most important stakeholders, based on mutual respect and trust. This promotes knowledge of the company and understanding of objectives, strategy and business activities of the company.

As a listed company, Holcim Ltd is committed to disclose facts that may materially affect the share price (ad-hoc disclosure, Art. 53 and 54 of the SIX listing rules). Members of the Board of Directors and senior management are subject to SIX rules on the disclosure of management transactions. These can be accessed on the SIX website (www.six-exchange-regulation.com/regulation/directives/being_public_en.html).

The most important information tools are the annual and quarterly reports, the website (www.holcim.com), media releases, press conferences, meetings for financial analysts and investors as well as the annual general meeting.

Our commitment to sustainability is described on pages 40 to 47 of this Annual Report. Current information relating to sustainable development is available at www.holcim.com/sustainable. In 2012, Holcim Ltd will publish its sixth sustainability report.

The financial reporting calendar is shown on pages 39 and 218 of this Annual Report.

Should you have any specific queries regarding Holcim, please contact:

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# Board of Directors[1]

**Rolf Soiron**, Swiss national, born in 1945, Chairman of the Board of Directors since 2003, elected until 2013, Chairman of the Governance, Nomination & Compensation Committee. He studied history at the University of Basel, where he obtained a PhD in Philosophy in 1972. He began his professional career in 1970 with Sandoz in Basel, where he held various positions, ultimately as COO of Sandoz Pharma AG with the responsibility for the global pharmaceuticals business. From 1993 until the end of June 2003, Rolf Soiron managed the Jungbunzlauer Group in Basel (leading international manufacturer of citric acid and related products), ultimately as Managing Director. From 1996 until March 2005, he was – on a part-time basis – Chairman of the University of Basel. He served from early 2003 until spring 2010 as Chairman of the Board of Directors of Nobel Biocare. In April 2005, he was appointed Chairman of the Board of Directors of Lonza Group Ltd, Basel. In 2009, he was elected to the Board of the Swiss Industry Association "economiesuisse" and to the chair of the free-market think tank "Avenir Suisse". He is also a member of the International Committee of the Red Cross (ICRC) in Geneva. He is a member of the Foundation Board of the Graduate Institute of International and Development Studies in Geneva. He was elected to the Board of Directors of Holcim Ltd in 1994.

**Andreas von Planta**, Swiss national, born in 1955, Deputy Chairman of the Board of Directors since May 2005, elected until 2011, member of the Audit Committee. He studied law at the University of Basel (doctorate, 1981) and Columbia, New York (LL.M., 1983). He began his professional career in 1983 with Lenz & Staehelin, an international law firm based in Geneva. In 1988, he became partner and was Managing Partner from 2002 until the end of 2005. He has a wealth of experience in corporate law, business financing and mergers and acquisitions. He acts as Chairman of the Board of Schweizerische National-Versicherungs-Gesellschaft, Basel, as Member of the Board of Novartis AG, Basel, and as Chairman of the Regulatory Board of SIX Swiss Exchange AG, Zurich. He was elected to the Board of Directors of Holcim Ltd in 2003.

**Markus Akermann**, Swiss national, born in 1947, CEO, member of the Board of Directors, elected until 2013. He obtained a degree in business economics from the University of St. Gallen in 1973 and studied economic and social sciences at the University of Sheffield, UK. He began his professional career in 1975 with the former Swiss Bank Corporation. In 1978, he moved to Holcim, where he was active in a number of roles, including Area Manager for Latin America and Holcim Trading. In 1993, he was appointed to the Executive Committee, with responsibility for Latin America and international trading activities. On January 1, 2002, he was appointed CEO and at the annual general meeting in 2002, he was elected to the Board of Directors of Holcim Ltd.

**Christine Binswanger**, Swiss national, born in 1964, member of the Board of Directors, elected until 2011. She holds a degree in architecture from the ETH Zurich and in 1994, she became a partner at Herzog & de Meuron Architects, Basel. In 2001, she acted as a visiting professor at EPFL Lausanne. In 2004, she was awarded the Meret Oppenheim Prize for architecture by the Federal Office of Culture. She was elected to the Board of Directors of Holcim Ltd in 2008.

[1] For further information on major Swiss and foreign mandates of the Board of Directors outside the Holcim Group, see page 90.

**Beat Hess**, Swiss national, born in 1949, member of the Board of Directors, elected until 2013. He holds a doctorate in law and is admitted to the bar. From 1977 to 2003, he was initially Legal Counsel and subsequently General Counsel for the ABB Group. From 2003 until end of 2010, Beat Hess was Legal Director and member of the Executive Committee of Royal Dutch Shell Group, The Hague, Netherlands. He is also member of the Board of Directors of Nestlé S.A., Vevey, Switzerland.

**Erich Hunziker**, Swiss national, born in 1953, member of the Board of Directors, elected until 2011, member of the Governance, Nomination & Compensation Committee. He studied industrial engineering at the ETH Zurich, obtaining a PhD in 1983. In the same year, he joined Corange AG (holding company for the Boehringer Mannheim group), where he was appointed CFO in 1997 and among other things managed a project handling the financial aspects of the sale of the Corange group to F. Hoffmann-La Roche AG. From 1998 until 2001, he was CEO at the Diethelm group and Diethelm Keller Holding AG. From 2001 until end of March 2011, he served as CFO of F. Hoffmann-La Roche AG and as a member of the Executive Committee. In 2005, he was appointed as Deputy Head of Roche's Corporate Executive Committee, in addition to his function as Chief Financial Officer. Since 2004, he has been a member of the Board of Genentech Inc., USA. In 2006, he was elected to the Board of Directors of Chugai Pharmaceutical Co. Ltd., Japan. He was elected to the Board of Directors of Holcim Ltd in 1998.

**Peter Küpfer**, Swiss national, born in 1944, member of the Board of Directors, elected until 2013, Chairman of the Audit Committee. As a Swiss Certified Accountant, he began his career with Revisuisse Pricewaterhouse AG in Basel and Zurich, where he became a member of management. From 1985 until 1989, he was CFO at Financière Credit Suisse First Boston and CS First Boston, New York; from 1989 until 1996, he was at CS Holding, Zurich, as a member of the Executive Board. He has been an independent business consultant since 1997. He was elected to the Board of Directors of Holcim Ltd in 2002.

**Adrian Loader**, British national, born in 1948, member of the Board of Directors, elected until 2012. Adrian Loader holds an Honours Degree in History from Cambridge University and is a Fellow of the Chartered Institute of Personnel and Development. He began his professional career at Bowater in 1969, and joined Shell the following year. Until 1998, he held various management positions in Latin America, Asia, Europe and at the corporate level. In 1998, he was appointed President of Shell Europe Oil Products and became Director for Strategic Planning, Sustainable Development and External Affairs in 2004. In 2005, he became Director of the Strategy and Business Development Directorate of Royal Dutch Shell, and became President and CEO of Shell Canada in 2007, retiring from Shell at the end of the year. In January 2008, he joined the Board of Toronto-based Candax Energy Inc. and was appointed Chairman. He retired from this position end of June 2010. He is a member of the Advisory Board of Lane, Clark & Peacock in London and member of the International Advisory Board of GardaWorld, Montreal (Canada). He was elected to the Board of Directors of Holcim Ltd in 2006.

**Thomas Schmidheiny**, Swiss national, born in 1945, member of the Board of Directors, elected until 2012, member of the Governance, Nomination & Compensation Committee. He studied mechanical engineering at the ETH Zurich and complemented his studies with an MBA from the IMD Lausanne (1972). In 1999, he was awarded an honorary doctorate for his services in the field of sustainable development from Tufts University, Massachusetts, USA. He began his career in 1970 as Technical Director with Cementos Apasco and was appointed to the Executive Committee of Holcim in 1976, where he held the office of Chairman from 1978 until 2001. He was elected to the Board of Directors of Holcim Ltd in 1978 and was Chairman of the Board from 1984 until 2003.

**Wolfgang Schürer**, Swiss national, born in 1946, member of the Board of Directors, elected until 2012, member of the Governance, Nomination & Compensation Committee. He studied economic and social sciences at the University of St. Gallen, where he was awarded an honorary doctorate in 1999. He is Chairman of the Board of Directors and CEO of MS Management Service AG, St. Gallen (international consultancy firm focusing on strategy and risk evaluation for multinational firms in Asia, North America, Africa, Europe and the Middle East as well as mandates in the international regulatory environment). He is Chairman of the Foundation Lindau Nobelprizewinners Meetings at Lake Constance as well as a regular visiting Professor for Public Affairs at the University of St. Gallen. Since 2006, he has served as a member of Swiss Re's Advisory Panel and since 2009 as a member of the T-System Council for European Affairs and Economy. He was elected to the Board of Directors of Holcim Ltd in 1997.

**Dieter Spälti**, Swiss national, born in 1961, member of the Board of Directors, member of the Audit Committee, elected until 2012. He studied law at the University of Zurich, obtaining a doctorate in 1989. He began his professional career as a credit officer with Bank of New York in New York, before taking up an appointment as CFO of Tyrolit (Swarovski group), based in Innsbruck and Zurich, in 1991. From 1993 until 2001, he was with McKinsey & Company, ultimately as a partner, and was involved in numerous projects with industrial, financial and technology firms in Europe, the US and Southeast Asia. In October 2002, he joined Rapperswil-Jona-based Spectrum Value Management Ltd. as a partner, the firm which administers the industrial and private investments of the family of Thomas Schmidheiny. Since 2006, he has been CEO of Spectrum Value Management Ltd. He was elected to the Board of Directors of Holcim Ltd in 2003.

**Robert F. Spoerry**, Swiss national, born in 1955, member of the Board of Directors, elected until 2011. He holds a degree in mechanical engineering from the ETH Zurich (1981) and an MBA from the University of Chicago (1983). Joining Mettler-Toledo International Inc. in 1983, he was the company's CEO from 1993 through 2007 and was nominated Chairman of the Board in 1998. He is also a Board member of Conzzeta Holding AG, Geberit AG, Schaffner Holding AG and Sonova Holding AG. He was elected to the Board of Directors of Holcim Ltd in 2008.

# Executive Committee

**Markus Akermann**, please refer to the section Board of Directors on page 98 for his biographical information.

**Thomas Aebischer**, Swiss national, born in 1961. Thomas Aebischer is a Swiss Certified Accountant and alumnus of the Advanced Management Program of the Harvard Business School. He started his career with the tax authorities of the Canton of Berne. From 1988 to 1996, Thomas Aebischer worked with PricewaterhouseCoopers in Hong Kong and Zurich. In 1996, he joined Holcim Group Support Ltd, and from 1998 to 2002 acted as Head of Corporate Controlling. From 2002 to 2003, he was CFO of Holcim Apasco in Mexico and since then CFO of Holcim US. In 2010, the Board of Directors of Holcim Ltd has appointed him as member of the Executive Committee. He joined the Executive Committee at the beginning of 2011. Effective April 1, 2011, he will take over CFO responsibilities from Theophil H. Schlatter, who will be retiring at the end of March 2011.

**Urs Böhlen**, Swiss national, born in 1950. Urs Böhlen studied business administration at the University of Berne, graduating in 1977, and complemented his education at the Stanford Business School in 1991. From 1977 to 1979, he served as Project Manager in the accounts division at Union Bank of Switzerland. From 1980 until 1985, he was Head of Controlling at Autophon AG. He joined Holcim in 1985; after holding various positions, he was entrusted with overall management of the former Cementfabrik "Holderbank" at Rekingen in 1989. From 1992 until 1998, he served as CEO of Holcim Switzerland, and subsequently Area Manager of Holcim Ltd, responsible for Eastern Europe and the CIS/Caspian region. As member of the Executive Committee, he took over responsibility for Eastern/Southeastern Europe and the CIS/Caspian region effective November 1, 2008.

**Patrick Dolberg**, Belgian national, born in 1955. Patrick Dolberg has an MBA from the Solvay Business School, Belgium. He began his professional career with Exxon Chemical. From 1984 to 1986, he worked in sales and marketing with the Unilever Group and Exxon Chemical. Subsequently, he held executive positions with Exxon Chemical International and Monsanto. Patrick Dolberg joined the Holcim Group in 1991. From 1992 to the end of 1996, he was General Manager of Scoribel, a Belgian Group company of Holcim. In 1997, he assumed management responsibility for a Holcim Group company in Australia. Patrick Dolberg was appointed CEO of St. Lawrence Cement (now Holcim Canada) at the end of 1998, and was made CEO of Holcim US in March 2003. As member of the Executive Committee, he assumed responsibility for Belgium, France, the Netherlands, Germany, Switzerland and Italy effective November 1, 2008.

**Paul Hugentobler**, Swiss national, born in 1949. Paul Hugentobler has a degree in civil engineering from the ETH Zurich and a degree in economic science from the University of St. Gallen. He joined what is now Holcim Group Support Ltd in 1980 as Project Manager and in 1994 was appointed Area Manager for Holcim Ltd. From 1999 until 2000, he also served as CEO of Siam City Cement, headquartered in Bangkok, Thailand. He has been a member of the Executive Committee since January 1, 2002 with the responsibility for South Asia and ASEAN excluding the Philippines.

**Benoît-H. Koch**, French and Brazilian national, born in 1953. Benoît-H. Koch completed his education as an engineer at the ETH Zurich. He joined Holcim in 1977, occupying various positions at Group companies in Brazil, France, Belgium and Switzerland until 1992. He has been a member of the Executive Committee since then and is currently responsible for North America, the UK and Norway, the Mediterranean, including Iberian Peninsula, and International Trade.

**Roland Köhler**, Swiss national, born in 1953. Roland Köhler, a graduate in business administration from the University of Zurich, joined building materials group Hunziker (Switzerland) in 1988 as Head of Finance and Administration and transferred to Holcim Group Support Ltd as a management consultant in 1994. From 1995 to 1998, he was Head of Corporate Controlling and from 1999 to end 2001 Head of Business Risk Management. Since 2002, he headed Corporate Strategy & Risk Management. Effective January 1, 2005, Roland Köhler was promoted to Corporate Functional Manager responsible for Corporate Strategy & Risk Management. The Board of Directors appointed Roland Köhler as member of the Executive Committee, effective March 15, 2010. In his new role as CEO of Holcim Group Support Ltd (HGRS), he leads the central service and support functions of the Group.

**Andreas Leu**, Swiss national, born in 1967, studied business administration at the University of St. Gallen and holds an MBA from the Johnson Graduate School at Cornell University. After working for the International Committee of the Red Cross (ICRC), he joined Holcim Group Support Ltd in 1999 as a consultant. In 2002, he was appointed General Manager of Holcim Centroamérica, before assuming the position of CEO of Holcim Ecuador in 2003. During 2006 and 2007, he also held the position of CEO of Holcim Venezuela. On August 1, 2008, Andreas Leu was appointed Area Manager of Holcim Ltd, with responsibility for Colombia, Ecuador, Argentina, Chile and Brazil. As of January 1, 2011, Andreas Leu has been appointed a member of the Executive Committee and has taken over responsibility for Latin America from Thomas Knöpfel, who retired at year-end 2010.

**Theophil H. Schlatter**, Swiss national, born in 1951. Theophil H. Schlatter graduated in business economics at the University of St. Gallen and is a Swiss Certified Accountant. He began his career as a public accountant at STG Coopers & Lybrand. After six years, he moved to Holcim Group Support Ltd, where he was active for a further six years in Corporate Controlling. From 1991 until 1995, he was Head of Finance and a member of the Executive Committee of Sihl Papier AG. He then served as CFO and a member of the Management Committee of Holcim Switzerland for two years. He has been CFO and a member of the Executive Committee of Holcim Ltd since 1997. At the end of March 2011, Theophil H. Schlatter will resign from the Executive Committee and retire.

**Ian Thackwray**, British national, born in 1958. Ian Thackwray holds an MA (Hons) in Chemistry from Oxford University and is also a chartered accountant. After his studies, he joined PriceWaterhouse and handled major corporate accounts in Europe. In 1985, he started a career with Dow Corning Corporation, serving in various management roles in Europe, North America and particularly in Asia. From 2004 to 2006, he served as Dow Corning's Asian/Pacific President based out of Shanghai. In September 2006, he became CEO of Holcim Philippines. Since the beginning of 2010, he has been a member of the Executive Committee, and with effect from July 1, 2010, he has taken over from Tom Clough, who retired at the end of June. His area of responsibility spans the companies in East Asia, including China, the Philippines and Oceania and South and East Africa.

# Area Management

**Javier de Benito**, Spanish national, born in 1958, studied business administration and economics at the Universidad Autónoma de Madrid and undertook further studies at the Harvard Business School. After a number of years of professional experience in the finance department of an international steel trading company and as a specialist for finance projects with a Spanish export promotion company, he joined Holcim Trading in 1988. Along with responsibility for controlling at the subsidiary companies division and for business development, he took on the position of Deputy General Manager in 1992, with responsibility for the trading division. On April 1, 2003, he was appointed Area Manager for the Mediterranean, Indian Ocean and West Africa.

**Urs Fankhauser**, Swiss national, born in 1963, completed his education at the Swiss Federal Institute of Technology Zurich (ETH Zurich) in 1989. He holds a Master of Science in Mechanical Engineering and worked at the Institute for "Konstruktion und Bauweisen" of the ETH Zurich. Urs Fankhauser joined Holcim Group Support Ltd in 1991 as a process performance engineer. After holding several managerial roles abroad and being an Assistant to Urs Böhlen, he was appointed General Manager of Holcim Croatia in 2002 and took over his role as Regional Technical Director Eastern Europe in 2004. As per January 1, 2011, he was appointed Area Manager and member of senior management of Holcim Ltd. In this function, he is responsible for the markets in Eastern and Southeastern Europe.

**Aidan Lynam**, citizen of the Republic of Ireland, born in 1960, holds an Honours Degree in Mechanical Engineering from University College Dublin and an Executive MBA from IMD in Lausanne. He joined Holcim Group Support Ltd in 1986 working on assignments in Egypt and Switzerland. After spending some years with Krupp Polysius in Germany, he returned to the Group in 1996, assigned to the Morning Star project of Holcim Vietnam where he was appointed as Terminal Manager in 1999. In 2002, he was appointed Vice President Manufacturing at Holcim Lanka and returned to Holcim Vietnam as CEO in 2006. On January 1, 2010, he took up his position as Area Manager and member of the senior management of Holcim Ltd, assuming country responsibility for Bangladesh, Malaysia, Singapore, Sri Lanka and Vietnam.

**Bernard Terver**, French national, born in 1952, concluded his studies at the Ecole Polytechnique in Paris in 1976. After beginning his career in the steel industry, in 1977 he moved to cement producer CEDEST, which was taken over by Holcim France in 1994. In 1999, Bernard Terver became CEO of Holcim Colombia and in 2003 he was appointed Area Manager for the Andes nations, Central America and the Caribbean. Since October 2008, he has been CEO of Holcim US and effective November 2010 CEO of Aggregate Industries US. Bernard Terver was appointed Area Manager and member of senior management of Holcim Ltd with effect April 1, 2010. In this role at Group level, he is responsible for Holcim US and Aggregate Industries US.

# Corporate Functional Managers

**Jacques Bourgon**, French national, born in 1958. A graduate in mechanical engineering of the Ecole Catholique d'Arts et Métiers, Lyon, and a postgraduate of Harvard Business School, he joined Holcim in 1990 and occupied several positions at Holcim Apasco in Mexico, mainly as Plant Manager at Tecomán and later responsible for cement operations as member of Holcim Apasco Senior Management. He became Head of Corporate Engineering at Holcim Group Support Ltd in Switzerland in mid-2001 and was promoted to Corporate Functional Manager, Cement Manufacturing Services, effective January 1, 2005. Jacques Bourgon is member of both the Industrial Advisory Board of the Department of Mechanical and Process Engineering and the International Advisory Board of the Swiss Federal Institute of Technology Zurich (ETH Zurich).

**Stefan Wolfensberger**, Swiss national, born in 1957, has a doctorate from the ETH Zurich and also completed postgraduate studies at Stanford University in the USA. He joined Holcim in 1987 as a management consultant. From 1990 to 1994, he was Assistant to a member of the Executive Committee. He was subsequently appointed CEO of a Belgian construction materials group. From 1997, he headed the Mineral Components/Product Development service function. He has been Head of Commercial Services since October 2004. Effective January 1, 2005, Stefan Wolfensberger was promoted to Corporate Commercial Services Manager.

# Remuneration Report

Also at Holcim it is the employees who create value and success of the company. Holcim therefore wants to be an attractive employer in the highly competitive employment market worldwide. Our compensation system has proven conducive and robust, and forms a solid basis for compensation and motivation at the various hierarchical levels.

**Financial compensation for governing bodies of Holcim Ltd**

This part of the Annual Report covers the financial compensation for the Board of Directors and senior management, as well as compensation for former members of governing bodies of Holcim Ltd. No payments were made to close persons.

**Architecture of the pay-setting process**

The Governance, Nomination & Compensation Committee advises and supports the Board of Directors, among other things, in determining the compensation policy and the compensation for the Board of Directors and senior management. It holds ordinary meetings at least three times a year; at the beginning of the year, in the middle of the year and in autumn.

At the beginning of the year, the degree of achievement of objectives for the previous year is assessed and objectives are set for the current year. The CEO assesses the performance of the other members of senior management and the Governance, Nomination & Compensation Committee takes due note. Also in the meeting at the beginning of the year, the total financial compensation of the Executive Committee is determined by the Governance, Nomination & Compensation Committee on a yearly basis, with the Board of Directors taking due note. On a yearly basis, the CEO determines the financial compensation for the other members of senior management, with the Governance, Nomination & Compensation Committee taking due note. In autumn, the financial compensation of the Board of Directors for the coming year is reviewed by the Governance, Nomination & Compensation Committee. If necessary, it proposes adjustments to the Board of Directors.

The Chairman of the Governance, Nomination & Compensation Committee may invite members of the Executive Committee, other officers of the Group or third parties to attend the meetings. After each Governance, Nomination & Compensation Committee meeting, the Board is informed of topics discussed, decisions taken and recommendations made.

**Compensation policy**

**Board of Directors**

The members of the Board of Directors receive a fixed fee, consisting of a set remuneration in cash and shares in Holcim Ltd. The shares are subject to a five-year sale and pledge restriction period. The Chairman and Deputy Chairman of the Board of Directors and members of the Audit Committee or the Governance, Nomination & Compensation Committee receive additional compensation. The Chairman of the Board of Directors is insured in the pension fund.

**Senior management**

Senior management of Holcim Ltd includes the Executive Committee, the Area Managers and the Corporate Functional Managers. The annual total compensation of senior management comprises a base salary and a variable compensation. Members of senior management are insured in the pension fund. The base salary of members of senior management is fixed and is paid in cash.

Benchmarking of the total compensation is carried out periodically on the basis of the annual compensation reports of benchmark companies. The benchmark companies include four international companies in the same industry as Holcim with similar geographical spread and complexity, as well as the ten companies with the largest market capitalization in Switzerland, therefore with companies of similar size and complexity. The benchmarking is based on position and responsibilities. In 2010, PricewaterhouseCoopers AG was consulted as external advisor for a fundamental and detailed review of the compensation system for the CEO and Executive Committee. The result of this review confirmed that the current system served robustly during the economic upswing and subsequent crisis, and also offers a value-oriented compensation philosophy for the future.

The variable compensation comprises a Group-related and an individual component. Assuming that all targets are achieved as per December 31 of the year, the variable compensation for senior management (excluding the CEO), depending on the function concerned, accounts for between 45 percent and 90 percent of the base salary, and 92 percent for the CEO. For both components, a "target" amount is determined at the beginning of the year. This amount is only paid out if the objectives set are achieved by 100 percent and is accordingly variable. Moreover, minimum and maximum objective achievement levels are set for which the respective minimum and maximum payout factors apply, as detailed below. Payout factors in between are interpolated linearly depending on objective achievement levels.

The Group-related component depends on the financial results of the Group. If all objectives are achieved at target as per December 31 of the relevant year, it accounts for senior management (without CEO) in the average for 61 percent and for the CEO for 56 percent of the variable compensation. It is calculated on the basis of the achieved operating EBITDA and the return on invested capital after tax ($ROIC_{AT}$). Both objectives are weighted equally, except for Area Managers for whom 60 percent derive from the operating EBITDA component and 40 percent from the $ROIC_{AT}$ component. For both components, a target objective (which, if achieved, results in 100 percent of the targeted variable compensation being paid) and maximum and minimum target levels (which, if achieved, result in 200 percent and 0 percent of the targeted variable compensation being paid, respectively) are set. The Group component of the variable compensation was set for senior management (without CEO) depending on the function and based on 100 percent target objective achievement, between CHF 120,000 and CHF 550,000, and for the CEO to CHF 1,100,000.

For the year 2010, the operating EBITDA targets were set to 5 percent growth versus previous year (Area Managers at achievement of the budgeted regional operating EBITDA margin) and to 8 percent $ROIC_{AT}$, both on a like-for-like basis. The $ROIC_{AT}$ target was set based on the defined weighted average cost of capital after tax ($WACC_{AT}$) of 8 percent. The minimum and maximum payout factors were set at ±20 percent for the operating EBITDA target (for Area Managers –2.5/+5 percentage points regional operating EBITDA margin) and at ±3 percentage points for the $ROIC_{AT}$ target. In 2010, the operating EBITDA declined by –6.1 percent and the regional operating EBITDA margin was above budgets by +1 percentage point on average, while $ROIC_{AT}$ reached 5.9 percent, all on a like-for-like basis. This corresponds to an achievement level of 55 percent (operating EBITDA; regional operating EBITDA margin 120 percent) respectively 30 percent ($ROIC_{AT}$). Senior management (without CEO) achieved a payout factor of 48 percent and the CEO of 43 percent. The Group component is paid in the form of registered shares of the company, subject to a five-year sale and pledge restriction period, and a cash component of approximately 30 percent. Allotted shares are valued at the average market price in the period from January 1, 2011 to February 15, 2011 and are either taken from treasury stock or are purchased from the market.

The individual component for senior management (without CEO), if all objectives are achieved as per December 31, amounts to around 39 percent of the variable compensation, and for the CEO to 44 percent, and depends on the performance of the individual. A range of quantitative and qualitative individual objectives is set for all members of senior management depending on their roles and responsibilities. These measurable objectives are weighted and they relate to functional performance, strategic objectives, operational objectives and specific project-related objectives. For each objective, depending on target achievement, an achievement level in percent is determined, resulting in a total achievement factor between 0 percent and 100 percent. In rare instances, discretion may be used by the CEO (and by the Governance, Nomination & Compensation Committee if the CEO is concerned) to adjust the resulting achievement factor if unforeseeable events occurred, but in no circumstances can this achievement factor exceed 100 percent. In 2010, the CEO increased one senior manager's achievement factor due to extraordinary achievements. The total achievement factor is then multiplied by the targeted variable compensation to determine the amount of the individual component. For the year 2010, the individual component of the variable compensation, at 100 percent target achievement, was set for senior management (without CEO) depending on the function concerned between CHF 90,000 and CHF 350,000 and for the CEO to CHF 850,000. The average target objective achievement and the payout factor for senior management (without CEO) amounted to 86 percent and for the CEO to 83 percent, respectively. The individual component is paid in the form of options on registered shares of the company and a cash component of around 30 percent. The exercise price of the options corresponds to the stock market price at the grant date. The options are restricted for a period of three years following the grant date and have an overall maturity period of eight years. The options are valued in accordance with the Black Scholes model (input parameters are detailed on page 185). The company reserves the underlying shares on the grant date of the options as part of treasury stock or purchases them from the market.

**Pension scheme for senior management**

The base salary of senior management is insured in a layered pension plan system, which includes the state-controlled social security schemes, i.e. AHV/IV, the Holcim Pension Fund, the Holcim Supplementary Pension Fund and the Gemini Pension Fund. With the exception of the Swiss Federal AHV/IV and some local social security systems, all pension plans are defined contribution plans offering benefits payable in the form of retirement, disability, children, surviving spouse and orphans' pensions and/or equivalent lump sums.

The Governance, Nomination & Compensation Committee has reviewed and determined the pension scheme for senior management as of June 30, 2005 and February 23, 2010. Accordingly, the pension scheme for Executive Committee members and the CEO is targeted to achieve, at the retirement age of 62, based on 10 years of service in senior management and 20 years of service with the Group, an amount of approximately 40 percent of the average of the last three annual base salaries, or 50 percent for other senior managers, taking into account all pension schemes related to current and past occupation, including state-controlled social security schemes. Early or deferred retirement leads to adjustments based on actuarial calculations.

In the event of differences between the actual pension fund benefits and the target pension, the Governance, Nomination & Compensation Committee decides in view of forthcoming retirements about possible contributions in favor of the individual insurance accounts. In July 2010, the Governance, Nomination & Compensation Committee decided to grant an equalization contribution in the total amount of CHF 8.8 million. These contributions were made from the employer's trust through the provisions in the Holcim International Pension Trust, and have no impact on the statement of income of the Group.

**Employment contracts for senior management**
The contracts of employment of senior management are concluded for an indefinite period of time and may be terminated with one year's notice. Depending on the length of tenure with the Group, contracts concluded before 2004 include severance compensation amounting to one annual salary or two annual salaries in the event of notice being given by the company. More recent contracts of employment no longer include severance compensation.

Upon appointment, members of the Executive Committee may be granted a single allotment of options on registered shares of the company by the Governance, Nomination & Compensation Committee. It is a requirement that the members have been with the Group for five years. The options are restricted for nine years and have a maturity period of twelve years. The company reserves the underlying shares as part of treasury stock or purchases them from the market. Single allotments made during recent years are shown on page 185 of the Annual Report.

Options allotted upon appointment to the Executive Committee are subject to forfeiture without compensation, as long as they are restricted, if the Executive Committee member leaves the Group, except in the case of retirement, death or disability. Shares and options received as part of the annual remuneration may not be sold or pledged until the end of the restriction period. If a member steps down from senior management, the restriction period for shares and annually allocated options remains in force without any adjustment in terms of duration.

**Compensation for Board of Directors and senior management**
The table shown on page 110 discloses the compensation of the Board of Directors in 2010 in detail and those of the 15 members of senior management in aggregate as well as the highest amount attributed to a member of the senior management individually. The amounts disclosed are based on the accrual principle and relate to 2010 performance.

In 2010, eleven non-executive members of the Board of Directors received a total remuneration of CHF 2.9 million (2009: 3.1) in the form of short-term employee benefits of CHF 1.8 million (2009: 1.9), post-employment benefits of CHF 0.1 million (2009: 0.1), share-based payments of CHF 0.9 million (2009: 0.9) and other compensation of CHF 0.1 million (2009: 0.2).

The total annual compensation for the 15 members of senior management (including CEO) amounted to CHF 36.7 million (2009: 27.2). This amount comprises of base salary and variable cash compensation of CHF 18.2 million (2009: 16.7), share-based compensations of CHF 4.4 million (2009: 4.9), employer contributions to pension plans of CHF 5.3 million (2009: 4.8) and "Others" compensation of CHF 8.8 million (2009: 0.8) which includes, according to the rules of SIX Swiss Exchange, the contributions from the Holcim International Pension Trust for the additional financing of retirement benefits in the amount of CHF 8.3 million. The CEO received a base salary plus variable compensation in cash of CHF 2.5 million (2009: 2.5), share-based compensation of CHF 0.8 million (2009: 0.9), and employer contributions to pension benefits of CHF 0.4 million (2009: 0.5).
As a result, total compensation, before the additional contributions for the financing of retirement benefits, amounted to CHF 3.7 million (2009: 4). Including the additional contributions from the Holcim International Pension Trust in the amount of CHF 5 million, based on actuarial considerations and disclosed under "Others", the CEO's total compensation, in accordance with the rules of SIX Swiss Exchange, amounted to CHF 8.7 million (2009: 4). In accordance with Art. 663b[bis] of the Swiss Code of Obligations (transparency law), the base salary and the variable cash compensation are disclosed, including foreign withholding tax. Further included in the contribution to pension plans are the employers contributions to social security (AHV/IV).

**Compensation Board of Directors/senior management[1]**

| Name | Position | | Base salary Cash | Base salary Shares[2] |
|---|---|---|---|---|
| Rolf Soiron | Chairman, Chairman of the | Number | | 1,166 |
| | Governance, Nomination & Compensation Committee | CHF | 595,680 | 80,000 |
| Andreas von Planta | Deputy Chairman, Member of the Audit Committee | Number | | 1,166 |
| | | CHF | 300,000 | 80,000 |
| Christine Binswanger | Member of the Board of Directors | Number | | 1,166 |
| | | CHF | 80,000 | 80,000 |
| Lord Norman Fowler | Member of the Board of Directors until May 7, 2009 | Number | | |
| | | CHF | | |
| Beat Hess | Member of the Board of Directors since May 6, 2010 | Number | | 680 |
| | | CHF | 46,667 | 46,667 |
| Erich Hunziker | Member of the Board of Directors, Member of the | Number | | 1,166 |
| | Governance, Nomination & Compensation Committee | CHF | 100,000 | 80,000 |
| Peter Küpfer | Member of the Board of Directors, | Number | | 1,166 |
| | Chairman of the Audit Committee | CHF | 180,000 | 80,000 |
| Adrian Loader | Member of the Board of Directors | Number | | 1,166 |
| | | CHF | 80,000 | 80,000 |
| H. Onno Ruding | Member of the Board of Directors, | Number | | |
| | Member of the Audit Committee until May 6, 2010 | CHF | | |
| Thomas Schmidheiny | Member of the Board of Directors, Member of the | Number | | 1,166 |
| | Governance, Nomination & Compensation Committee | CHF | 130,800[5] | 80,000 |
| Wolfgang Schürer | Member of the Board of Directors, Member of the Governance, | Number | | 1,166 |
| | Nomination & Compensation Committee | CHF | 100,000 | 80,000 |
| Dieter Spälti | Member of the Board of Directors, | Number | | 1,166 |
| | Member of the Audit Committee since May 6, 2010 | CHF | 97,500 | 80,000 |
| Robert F. Spoerry | Member of the Board of Directors | Number | | 1,166 |
| | | CHF | 80,000 | 80,000 |
| **Total Board of Directors** | | **Number** | | **12,340** |
| **(non-executive members)** | | **CHF** | **1,790,647** | **846,667** |
| Markus Akermann[6] | Executive member of the Board of Directors, | Number | | |
| | CEO | CHF | 2,124,500 | |
| **Variable compensation** | | | | |
| **in percent of base salary** | | | | |
| **Total senior management[8]** | | **Number** | | |
| | | **CHF** | **15,613,946** | |
| **Variable compensation** | | | | |
| **in percent of base salary** | | | | |

[1] Compensation for the Board of Directors and senior management is disclosed gross of withholding tax and employee social security contributions. "Other compensation" includes employer contributions to pension plans (state old age and survivors insurance [AHV]/disability insurance [IV], pension funds) as well as a lump sum allowance, long-service benefits, government child payments, etc. The parameters for the fair value calculation of shares and options allocated in the year under review are disclosed on page 184 under "Share compensation plan".

[2] The shares were valued at the average market price in the period from January 1, 2011 to February 15, 2011 and are subject to a five-year sale and pledge restriction period.

[3] Value of the options according to the Black Scholes model at the time of allocation.

[4] In line with the rules of SIX Swiss Exchange, these amounts include primarily the contributions from the Holcim International Pension Trust in the amount of CHF 8.3 million, which do not affect the statement of income of the Group.

[5] Including director's fees from subsidiary companies.

[6] Member of senior management receiving the highest compensation.

[7] Includes the expense of the employer's trust for the additional financing of the pension benefits, according to the rules of SIX Swiss Exchange. Excluding this contribution, the total compensation for 2010 would have amounted to CHF 3.7 million.

[8] Including executive member of the Board of Directors, CEO.

| Variable compensation Cash | Shares[2] | Options[3] | Other compensation Employer contributions to pension plans | Others[4] | Total compensation 2010 | Total compensation 2009 |
|---|---|---|---|---|---|---|
| | | | 32,394 | 50,023 | 758,097 | 759,028 |
| | | | 18,170 | 10,023 | 408,193 | 408,169 |
| | | | 7,060 | 10,023 | 177,083 | 175,801 |
| | | | | | | 70,834 |
| | | | 2,357 | 5,833 | 101,524 | |
| | | | 8,070 | 10,023 | 198,093 | 198,069 |
| | | | 11,262 | 10,023 | 281,285 | 281,331 |
| | | | 0 | 10,023 | 170,023 | 170,000 |
| | | | | | | 207,726 |
| | | | 9,625 | 10,023 | 230,448 | 225,801 |
| | | | 8,070 | 10,023 | 198,093 | 198,069 |
| | | | 7,944 | 10,023 | 195,467 | 177,059 |
| | | | 7,060 | 10,023 | 177,083 | 175,801 |
| | | | **112,012** | **146,063** | **2,895,389** | **3,047,688** |
| | 4,567 | 28,180 | | | | |
| 390,515 | 313,479 | 467,506 | 379,676 | 5,038,320 | 8,713,996[7] | 3,993,318 |
| | **55.1%** | | | | | |
| | **29,081** | **145,380** | | | | |
| **2,625,502** | **1,996,120** | **2,411,854** | **5,260,900** | **8,786,016** | **36,694,338** | **27,221,571** |
| | **45.0%** | | | | | |

**Compensation for former members of governing bodies**

In the year under review, compensation in the amount of CHF 2.9 million was paid to one former member of the Board of Directors and three former members of senior management. This amount includes according to the rules of SIX Swiss Exchange the expense of the employer's trust for the additional financing of the pension benefit of one former member of the senior management in the amount of CHF 0.5 million.

**Shareholdings and loans**

**Shares and options owned by the Board of Directors**

At the end of 2010, non-executive members of the Board of Directors held a total of 59,714,164 registered shares in Holcim Ltd. This number comprises privately acquired shares and those allotted under participation and compensation schemes. As of the end of 2010, non-executive members of the Board of Directors do not hold any options from compensation and participation schemes.

Until the announcement of market-relevant information or projects, the Board of Directors, senior management and any employees involved are prohibited from effecting transactions with equity securities or other financial instruments of Holcim Ltd, exchange-listed Group companies or potential target companies (trade restriction period).

**Number of shares and options held by the Board of Directors[1]**

| Name | Position | Total number of shares 2010 | Total number of call options 2010 |
|---|---|---|---|
| Rolf Soiron | Chairman, Governance, Nomination & Compensation Committee Chairman | 35,713 | – |
| Andreas von Planta | Deputy Chairman | 9,508 | – |
| Christine Binswanger | Member | 2,760 | – |
| Beat Hess | Member | 200 | – |
| Erich Hunziker | Member | 9,750 | – |
| Peter Küpfer | Member, Audit Committee Chairman | 9,749 | 37,000[2] 31,000[3] |
| Adrian Loader | Member | 5,514 | – |
| Thomas Schmidheiny | Member | 59,568,933 | – |
| Wolfgang Schürer | Member | 42,454 | – |
| Dieter Spälti | Member | 21,404 | – |
| Robert F. Spoerry | Member | 8,179 | – |
| **Total Board of Directors (non-executive members)** | | **59,714,164** | **68,000** |

[1] From allocation, shares are subject to a five-year sale and pledge restriction period.
[2] Exercise price: CHF 70; Ratio 1:1; Style: American; Maturity: 19.8.2014.
[3] Exercise price: CHF 80; Ratio 1:1; Style: American; Maturity: 12.11.2013.

**Number of shares and options held by the Board of Directors[1]**

| Name | Position | Total number of shares 2009 | Total number of call options 2009 |
|---|---|---|---|
| Rolf Soiron | Chairman, Governance, Nomination & Compensation Committee Chairman | 34,667 | – |
| Andreas von Planta | Deputy Chairman | 8,462 | – |
| Christine Binswanger | Member | 1,714 | – |
| Erich Hunziker | Member | 8,704 | – |
| Peter Küpfer | Member, Audit Committee Chairman | 8,703 | 83,288[2] 31,000[3] |
| Adrian Loader | Member | 5,468 | – |
| H. Onno Ruding | Member | 4,595 | – |
| Thomas Schmidheiny | Member | 59,567,887 | – |
| Wolfgang Schürer | Member | 41,408 | – |
| Dieter Spälti | Member | 20,017 | – |
| Robert F. Spoerry | Member | 7,133 | – |
| **Total Board of Directors (non-executive members)** | | **59,708,758** | **114,288** |

[1] From allocation, shares are subject to a five-year sale and pledge restriction period.
[2] Exercise price: CHF 110; Ratio 1.0411:1; Style: European; Maturity: 21.5.2010.
[3] Exercise price: CHF 80; Ratio 1:1; Style: American; Maturity: 12.11.2013.

**Shares and options owned by senior management**

As of December 31, 2010, the executive member of the Board of Directors and the other members of senior management held a total of 379,034 registered shares in Holcim Ltd. This figure includes both privately acquired shares and those allocated under the Group's participation and compensation schemes.

Furthermore, at the end of 2010, senior management held a total of 976,831 share options; these arise as a result of the participation and compensation schemes of various years. Options are issued solely on registered shares of Holcim Ltd. One option entitles to subscribe to one registered share of Holcim Ltd.

**Number of shares and options held by the senior management**[1]

| Name | Position | Total number of shares 2010 | Total number of call options 2010 |
|---|---|---|---|
| Markus Akermann | Executive Member of the Board of Directors, CEO | 89,429 | 261,916 |
| Urs Böhlen | Member of the Executive Committee | 15,943 | 69,801 |
| Patrick Dolberg | Member of the Executive Committee | 10,505 | 53,609 |
| Paul Hugentobler | Member of the Executive Committee | 73,511 | 105,704 |
| Thomas Knöpfel | Member of the Executive Committee | 34,284 | 99,896 |
| Benoît-H. Koch | Member of the Executive Committee | 28,239 | 94,133 |
| Roland Köhler | Member of the Executive Committee, CEO HGRS | 7,411 | 53,693 |
| Theophil H. Schlatter | Member of the Executive Committee, CFO | 59,627 | 120,883 |
| Ian Thackwray | Member of the Executive Committee | 1,589 | 33,550 |
| Javier de Benito | Area Manager | 17,095 | 18,885 |
| Andreas Leu | Area Manager | 9,455 | 9,124 |
| Aidan Lynam | Area Manager | 1,226 | 0 |
| Bernard Terver | Area Manager | 18,132 | 20,960 |
| Jacques Bourgon | Corporate Functional Manager | 7,202 | 16,783 |
| Stefan Wolfensberger | Corporate Functional Manager | 5,386 | 17,894 |
| **Total senior management** | | **379,034** | **976,831** |

**Number of shares and options held by the senior management**[1]

| Name | Position | Total number of shares 2009 | Total number of call options 2009 |
|---|---|---|---|
| Markus Akermann | Executive Member of the Board of Directors, CEO | 83,847 | 234,065 |
| Urs Böhlen | Member of the Executive Committee | 13,052 | 58,545 |
| Tom Clough | Member of the Executive Committee | 23,254 | 83,688 |
| Patrick Dolberg | Member of the Executive Committee | 7,714 | 41,029 |
| Paul Hugentobler | Member of the Executive Committee | 70,720 | 93,124 |
| Thomas Knöpfel | Member of the Executive Committee | 31,493 | 89,633 |
| Benoît-H. Koch | Member of the Executive Committee | 25,448 | 83,772 |
| Theophil H. Schlatter | Member of the Executive Committee, CFO | 56,836 | 108,303 |
| Bill Bolsover | Area Manager and Corporate Functional Manager | 6,438 | 12,531 |
| Javier de Benito | Area Manager | 15,256 | 16,618 |
| Gérard Letellier | Area Manager | 10,156 | 17,726 |
| Andreas Leu | Area Manager | 7,092 | 5,719 |
| Jacques Bourgon | Corporate Functional Manager | 6,590 | 14,059 |
| Roland Köhler | Corporate Functional Manager | 6,802 | 16,908 |
| Stefan Wolfensberger | Corporate Functional Manager | 4,777 | 14,965 |
| **Total senior management** | | **369,475** | **890,685** |

[1] From allocation, shares are subject to a five-year and options to a three-year and nine-year sale restriction period respectively.

Movements in the number of share options outstanding held by senior management are as follows:

| | Number[1] 2010 | Number[1] 2009 |
|---|---|---|
| **January 1** | **890,685** | **550,003** |
| Increase due to change in senior management | 20,960 | 0 |
| Decrease due to retirements | 133,545 | 0 |
| Granted and vested (individual component of variable compensation) | 131,631 | 340,682 |
| Granted and vested (single allotment) | 67,100 | 0 |
| Forfeited | 0 | 0 |
| Exercised | 0 | 0 |
| Lapsed | 0 | 0 |
| **December 31** | **976,831** | **890,685** |
| Of which exercisable at the end of the year | 215,650 | 179,108 |

[1] Adjusted to reflect former share splits and/or capital increases.

The share options outstanding held by senior management (including former members) at year-end have the following expiry dates and exercise prices:

| Option grant date | Expiry date | Exercise price[1] | | Number[1] |
|---|---|---|---|---|
| 2002 | 2014 | CHF | 67.15 | 201,300 |
| 2003 | 2012 | CHF | 33.85 | 45,910 |
| 2003 | 2015 | CHF | 67.15[2] | 33,550 |
| 2004 | 2013 | CHF | 63.35 | 34,341 |
| 2004 | 2016 | CHF | 67.15[2] | 33,550 |
| 2005 | 2014 | CHF | 74.54 | 71,423 |
| 2006 | 2014 | CHF | 100.69 | 58,573 |
| 2007 | 2015 | CHF | 125.34 | 49,674 |
| 2008 | 2016 | CHF | 104.34 | 71,083 |
| 2008 | 2020 | CHF | 67.15[2] | 67,100 |
| 2009 | 2017 | CHF | 38.26 | 385,124 |
| 2010 | 2018 | CHF | 71.15 | 131,631 |
| 2010 | 2022 | CHF | 75.40 | 33,550 |
| 2010 | 2022 | CHF | 81.45 | 33,550 |
| **Total** | | | | **1,250,359** |

[1] Adjusted to reflect former share splits and/or capital increases.
[2] Valued according to the single allocation in 2002.

Due to extraordinary trade restrictions in 2008, the expiry date of the annual options granted for the years 2003 to 2005 has been extended by one year.

In 2010, two new Executive Committee members have been granted in total 67,100 options.

**Loans granted to members of governing bodies**

As at December 31, 2010, there were no loans outstanding, which were granted to members of senior management. There were no loans to members of the Board of Directors or to parties closely related to members of governing bodies.

**Other transactions**

As part of the employee share purchase plan, Holcim manages employees' shares. It sells and purchases Holcim Ltd shares to and from employees and on the open market. In this context, the company purchased Holcim Ltd shares of CHF 0.29 million (2009: 0.91) at stock market price from members of senior management.

No compensation was paid to parties closely related to members of the governing bodies.

Strength. Performance. Passion.

# Financial Information 2010 Holcim Ltd

# Management discussion and analysis 2010

2010 was marked by volatility in the construction sector; the positive signals in the first half of the year had slightly weakened towards the end of the year. Despite this, many of the emerging markets – in which Holcim has a very strong footing – showed substantial growth. For the first time since 2007 the Group experienced increasing demand for building materials. Even though Holcim faced pricing pressure in some leading markets as well as higher distribution costs, operating EBITDA nearly equaled the previous year's level.

This discussion and analysis of the Group's financial condition and results of operations should be read in conjunction with the shareholders' letter, the individual reports for the Group regions, the consolidated financial statements and the notes thereto. The quarterly reports contain additional information on the Group regions and business performance.

**Overview**

Although the world economy stabilized in 2010, the drivers of global growth have shifted from the West to the East, and in the Americas from the North to the South. As a result, growth in the construction industry returned in particular to the emerging markets in Asia Pacific, Africa Middle East and Latin America (with the exception of Mexico). The capacity expansion program initiated in 2007 and now largely completed, positioned Holcim to benefit from market growth and, for the first time since 2007, to record higher volumes. The Group's strategy of broad geographic diversification has once again proven to be an important cornerstone of Holcim's success.

The present growth has resulted in higher inflation, particularly in the Group region Asia Pacific, which forced central banks to raise interest rates. Despite these measures, commodity and energy prices faced upward pressure, which intensified during the course of the year.

Holcim successfully managed factors it could influence directly. Despite the commissioning of about seven million tonnes of new cement capacity, the Group succeeded not only in keeping its fixed costs steady on a year-on-year and like-for-like basis, but reduced them further from quarter to quarter. The net reduction amounted to a remarkable CHF 312 million. Holcim substantially exceeded its guideline of keeping fixed costs at the previous year's level through a major savings exercise conducted in all business areas and across the whole Group. As in the previous year, the greatest efforts were made in the Group regions that were impacted most severely by continued weak demand.

Due to these measures, the operating EBITDA margin was only slightly lower. In the aggregates segment the margin even improved. Overall, the operating EBITDA margin fell by 1.1 percentage points to 20.8 percent (2009: 21.9) year-on-year.

On October 1, 2009, Holcim acquired 100 percent of the share capital of Holcim Australia (formerly Cemex Australia), including its 25 percent interest in Cement Australia. As a result of this acquisition, Holcim's shareholding in Cement Australia increased from 50 to 75 percent, changing the consolidation method for Cement Australia from a proportionate to a full consolidation as of October 1, 2009. As a result of this acquisition, in 2010 net sales increased by CHF 1,662 million, operating EBITDA by CHF 264 million, and cash flow from operating activities by CHF 245 million.

**Operating results**

**Sales volumes and principal key figures**

| | January–December (12 months) | | | | October–December (3 months) | | | |
|---|---|---|---|---|---|---|---|---|
| | 2010 | 2009 | ±% | ±% like-for-like | 2010 | 2009 | ±% | ±% like-for-like |
| Sales of cement in million t | 136.7 | 131.9 | +3.6 | +2.4 | 33.9 | 32.8 | +3.4 | +3.0 |
| – of which mature markets in million t | 31.5 | 29.5 | +6.8 | +0.7 | 7.5 | 7.2 | +4.2 | +4.2 |
| – of which emerging markets in million t | 105.2 | 102.4 | +2.7 | +2.9 | 26.4 | 25.6 | +3.1 | +2.7 |
| Sales of aggregates in million t | 157.9 | 143.4 | +10.1 | –1.6 | 39.1 | 40.2 | –2.7 | –3.2 |
| – of which mature markets in million t | 131.8 | 117.5 | +12.2 | –2.0 | 32.0 | 33.9 | –5.6 | –5.3 |
| – of which emerging markets in million t | 26.1 | 25.9 | +0.8 | +0.4 | 7.1 | 6.3 | +12.7 | +7.7 |
| Sales of ready-mix concrete in million $m^3$ | 45.9 | 41.8 | +9.8 | +0.2 | 11.5 | 11.4 | +0.9 | +0.9 |
| – of which mature markets in million $m^3$ | 25.5 | 22.1 | +15.4 | –3.2 | 6.0 | 6.4 | –6.3 | –5.4 |
| – of which emerging markets in million $m^3$ | 20.4 | 19.7 | +3.6 | +4.1 | 5.5 | 5.0 | +10.0 | +8.9 |
| Sales of asphalt in million t | 10.6 | 11.0 | –3.6 | –3.6 | 2.8 | 2.9 | –3.4 | –3.4 |
| | | | | | | | | |
| Net sales in million CHF | 21,653 | 21,132 | +2.5 | –2.1 | 5,085 | 5,358 | –5.1 | –1.6 |
| – of which mature markets in million CHF | 10,656 | 10,063 | +5.9 | –4.6 | 2,462 | 2,709 | –9.1 | –5.8 |
| – of which emerging markets in million CHF | 10,997 | 11,069 | –0.7 | +0.1 | 2,623 | 2,649 | –1.0 | +2.7 |
| Operating EBITDA | 4,513 | 4,630 | –2.5 | –6.1 | 936 | 1,016 | –7.9 | –4.2 |
| – of which mature markets in million CHF | 1,522 | 1,377 | +10.5 | –3.5 | 330 | 324 | +1.9 | +3.5 |
| – of which emerging markets in million CHF | 2,991 | 3,253 | –8.1 | –7.2 | 606 | 692 | –12.4 | –7.8 |
| Operating EBITDA margin in % | 20.8 | 21.9 | | | 18.4 | 19.0 | | |
| Operating profit in million CHF | 2,619 | 2,781 | –5.8 | –10.1 | 441 | 444 | –0.7 | +2.5 |
| Net income in million CHF | 1,621 | 1,958 | –17.2 | –18.2 | 398 | 381 | +4.5 | +6.6 |
| Net income – shareholders of Holcim Ltd – in million CHF | 1,182 | 1,471 | –19.6 | –21.1 | 307 | 271 | +13.3 | +15.1 |
| Cash flow from operating activities in million CHF | 3,659 | 3,888 | –5.9 | –8.3 | 1,606 | 1,696 | –5.3 | –2.6 |

The continued uncertainty in the economic situation was reflected in the currency market. The Swiss franc appreciated throughout 2010, causing a significant negative impact on the translation of some local financial statements. The pound sterling, US dollar, and in particular the Euro depreciated materially against the Swiss franc. A compensating effect had the increase of the average exchange rates of the Canadian and Australian dollar, the Mexican Peso, as well as the Asian currencies so that on balance the currency effect on operating EBITDA was only –0.5 percent (2009: –7.4).

The combined effect of the changes in the scope of consolidation and currency increased net sales by a total of CHF 965 million, operating EBITDA by CHF 167 million, and cash flow from operating activities by CHF 94 million.

The situation in the financial markets has normalized. As the prospects for the real economy remain uncertain, central banks continue to provide high levels of liquidity. Although the period of comparatively low interest rates continues, they edged up in the second half of the year reflecting recurring fears of inflation. Holcim continues to have a very solid balance sheet and strong liquidity. In 2010 Holcim refinanced CHF 548 million in the capital markets.

**Sales volumes**

The quarterly key figures are subject to seasonal fluctuations, in particular in Europe and North America. Local weather conditions often varied considerably from quarter to quarter and must be taken into account when evaluating these figures.

In the fourth quarter, cement sales volume increased by 3.4 percent, or 1.1 million tonnes, to 33.9 million tonnes. On a like-for-like basis, the increase amounted to 3.0 percent or 1.0 million tonnes. The largest increases were recorded by Holcim US and the two Indian Group companies.

Aggregate sales volume was slightly negative in the last quarter, resulting in a decrease of 2.7 percent or 1.1 million tonnes. On a like-for-like basis, the decrease amounted to 3.2 percent or 1.3 million tonnes. Only Group region Latin America managed to increase sales of aggregates, namely by 10.3 percent.

In the last quarter 11.5 million cubic meters of ready-mix concrete were delivered, an increase of 0.1 million cubic meters year-on-year. Aside from Europe, all Group regions posted higher sales volumes.

For the full year 2010 cement sales volume rose by 3.6 percent to 136.7 million tonnes, which included like-for-like growth of 2.4 percent or 3.2 million tonnes. In the Group region Europe, sales fell by 3.3 percent or 0.9 million tonnes on persistently weak demand and the early start to winter. Eastern Europe was hit particularly hard by the economic downturn. Sales volume in North America rose by 3.7 percent or 0.4 million tonnes, primarily due to Holcim US. Despite higher sales volume in Brazil, sales of cement in Latin America declined marginally by 0.4 percent or 0.1 million tonnes. Group region Africa Middle East recorded an increase in cement sales of 4.5 percent or 0.4 million tonnes. Group region Asia Pacific's sales of cement were up 3.6 percent or 2.4 million tonnes compared with the previous year on a like-for-like basis. This was mainly due to the fundamentally healthy state of the construction markets, in particular in India and Thailand, as well as the new additional capacity available.

Aggregates volume rose by 10.1 percent to 157.9 million tonnes. Adjusted for changes in the scope of consolidation, sales of aggregates declined by 1.6 percent or 2.3 million tonnes. While the Group region Asia Pacific, which was reporting for the first-time a full-year consolidation of Holcim Australia, increased sales by 16 million tonnes, volumes in the other Group regions remained relatively stable. On a like-for-like basis, aggregate sales in Europe declined by 1.7 percent or 1.3 million tonnes, in North America by 2.5 percent or 1.0 million tonnes, and in Africa Middle East by 3.8 percent or 0.1 million tonnes. In the Group region Latin America sales exceeded the previous year by 3.4 percent or 0.4 million tonnes.

Ready-mix concrete sales volume grew by 9.8 percent to 45.9 million cubic meters. On a like-for-like basis, the increase amounted to 0.2 percent or 0.1 million cubic meters. Among the Group regions, only Europe reported a decline of 6.5 percent or 1.1 million cubic meters as Spain was particularly hit hard by overcapacity in its market. North America increased sales of ready-mix concrete by 0.1 million cubic meters as did Latin America by 0.4 million cubic meters as well as Asia Pacific by 0.6 million cubic meters. The Group region Africa Middle East maintained sales volumes at the previous year's level.

**Net sales**

**Net sales by region**

| | January–December (12 months) | | | | October–December (3 months) | | | |
|---|---|---|---|---|---|---|---|---|
| Million CHF | 2010 | 2009 | ±% | ±% like-for-like | 2010 | 2009 | ±% | ±% like-for-like |
| Europe | 6,535 | 7,320 | –10.7 | –5.5 | 1,399 | 1,656 | –15.5 | –6.3 |
| North America | 3,240 | 3,480 | –6.9 | –6.6 | 791 | 854 | –7.4 | –4.7 |
| Latin America | 3,442 | 3,348 | +2.8 | +1.6 | 855 | 821 | +4.1 | +6.7 |
| Africa Middle East | 1,098 | 1,206 | –9.0 | +2.5 | 249 | 289 | –13.8 | –2.8 |
| Asia Pacific | 7,958 | 6,418 | +24.0 | +1.6 | 1,938 | 1,880 | +3.1 | +1.4 |
| Corporate/Eliminations | (620) | (640) | | | (147) | (142) | | |
| Total Group | 21,653 | 21,132 | +2.5 | –2.1 | 5,085 | 5,358 | –5.1 | –1.6 |

Fourth quarter sales decreased by 5.1 percent to CHF 5,085 million compared to the prior year. Strong exchange rate fluctuations are the main reasons for this negative development and accounted for 4.3 percent or CHF 228 million. On a like-for-like basis, there was a decline of only 1.6 percent or CHF 86 million. Price pressures remained in the fourth quarter, particularly in the cement segment, but less so than in the previous quarter.

In the fourth quarter, Latin America and Asia Pacific achieved like-for-like growth of 6.7 percent and 1.4 percent, respectively, while the other Group regions reported lower sales on a like-for-like basis.

In 2010 net sales increased by 2.5 percent to CHF 21,653 million. On a like-for-like basis, a decrease of 2.1 percent or CHF 444 million was experienced. In Europe, net sales fell by 5.5 percent or CHF 399 million. In particular, Eastern Europe, France Benelux and Spain posted lower sales. In North America net sales fell by 6.6 percent or CHF 229 million on a like-for-like basis, primarily due to greater pressure on prices and the lower activities in construction and paving in Las Vegas. Latin America reported on a like-for-like basis an increase of 1.6 percent or CHF 53 million, with the major contribution from Brazil. Africa Middle East recorded sales growth of 2.5 percent or CHF 30 million on a like-for-like basis. Overall net sales in Asia Pacific increased by 24.0 percent or CHF 1,540 million. This improvement is primarily a reflection of the consolidation of the Australian Group companies, on a like-for-like basis the increase is 1.6 percent.

Compared with the previous year, there was a slight shift in the regional contribution to overall 2010 net sales. The breakdown was as follows: Europe 29.3 percent (2009: 33.6), North America 14.6 percent (2009: 16), Latin America 15.5 percent (2009: 15.4), Africa Middle East 4.9 percent (2009: 5.5), and Asia Pacific 35.7 percent (2009: 29.5).

The purchase of Holcim Australia in 2009 caused the percentage of the net sales generated from emerging and mature markets to shift slightly in 2010: The emerging markets accounted for 50.8 percent (2009: 52.4) of Group sales and mature markets for 49.2 percent (2009: 47.6).

**Operating EBITDA**

**Operating EBITDA by region**

| | January–December (12 months) | | | | October–December (3 months) | | | |
|---|---|---|---|---|---|---|---|---|
| Million CHF | 2010 | 2009 | ±% | ±% like-for-like | 2010 | 2009 | ±% | ±% like-for-like |
| Europe | 1,045 | 1,232 | –15.2 | –10.8 | 190 | 197 | –3.6 | +6.1 |
| North America | 460 | 400 | +15.0 | +14.3 | 94 | 72 | +30.6 | +34.7 |
| Latin America | 999 | 1,076 | –7.2 | –7.5 | 237 | 258 | –8.1 | –5.0 |
| Africa Middle East | 359 | 373 | –3.8 | +5.4 | 73 | 94 | –22.3 | –12.8 |
| Asia Pacific | 1,820 | 1,760 | +3.4 | –10.8 | 381 | 454 | –16.1 | –17.2 |
| Corporate/Eliminations | (170) | (211) | | | (39) | (59) | | |
| Total Group | 4,513 | 4,630 | –2.5 | –6.1 | 936 | 1,016 | –7.9 | –4.2 |

Compared with the fourth quarter in the previous year, operating EBITDA fell by 7.9 percent to CHF 936 million. Currency fluctuations reduced operating EBITDA by CHF 42 million or 4.1 percent. On a like-for-like basis, the Group experienced a decline of 4.2 percent or CHF 43 million as a result of substantially higher variable costs per unit. In particular rising fuel costs had a negative impact on the variable costs. However, compared with the previous period, fixed costs were reduced by CHF 122 million. Whereas Europe and North America posted higher operating EBITDA on a like-for-like basis, the change in other Group regions was negative year-on-year.

Due to Holcim's geographic diversification and the contribution from the acquisition in Australia, operating EBITDA remained at a solid level compared with the previous year. For the full year under review, operating EBITDA declined by 2.5 percent or CHF 117 million to CHF 4,513 million. On a like-for-like basis, operating EBITDA fell by 6.1 percent or CHF 284 million.

Due to rigorous cost management and despite the capacity expansion of about seven million tonnes, Holcim saved on a like-for-like basis CHF 312 million in fixed costs in 2010 and substantially exceeded its guideline of maintaining fixed costs at the previous year's level. As a result of reduced demand in Europe, $CO_2$ emissions certificates were sold for a total amount of CHF 95 million compared to proceeds in 2009 of CHF 90 million.

Despite higher variable costs, production costs as a percentage of net sales increased only by 0.1 percentage points to 57.2 percent of net sales, due to the aforementioned savings in fixed costs. As a percentage of net sales, distribution and selling expenses increased from 22.8 percent in the previous year to 24.4 percent. This increase is a result of higher transport costs, caused by higher fuel costs and longer distribution routes, especially in the USA and India. As a percentage of net sales, administrative expenses decreased significantly by 0.5 percentage points to 6.4 percent of sales.

On a like-for-like basis, Group region Europe posted a drop in operating EBITDA of 10.8 percent or CHF 133 million. The reason for this decrease resided mainly in Eastern Europe, which experienced a sharp decline in volumes and prices through all regions. Falling prices in North America were offset by higher volumes in the cement segment and substantial cost savings. This was in part due to the new Ste. Genevieve cement plant, which came on stream in 2009 and made it possible to sharply improve energy and cost efficiencies. As a result, operating EBITDA increased by 14.3 percent or CHF 57 million. In Latin America operating EBITDA decreased by 7.5 percent or CHF 81 million. Brazil and Argentina generated positive changes, while operating EBITDA fell in Mexico and Colombia. Driven by higher volumes, operating EBITDA in Group region Africa Middle East increased by 5.4 percent or CHF 20 million. In Asia Pacific it decreased by 10.8 percent or CHF 190 million. ACC in India suffered from higher variable production costs.

Compared with the previous year the regional weighting of operating EBITDA changed primarily in the Group region Asia Pacific, because of the inclusion of Holcim Australia. In 2010 Europe contributed 22.3 percent to operating EBITDA (2009: 25.4), North America 9.8 percent (2009: 8.3), Latin America 21.3 percent (2009: 22.2), Africa Middle East 7.7 percent (2009: 7.7), and Asia Pacific 38.9 percent (2009: 36.4).

There was a shift in the weighting between emerging and mature markets compared with the previous year, primarily as a result of the acquisition of Holcim Australia in 2009. In the year under review, the emerging markets accounted for 66.3 percent (2009: 70.3) of operating EBITDA and mature markets for 33.7 percent (2009: 29.7).

**Operating EBITDA margin**

In the fourth quarter, the operating EBITDA margin was 18.4 percent, or 0.6 percentage points, lower than in the previous year. Margins declined year-on-year in the Group regions Latin America, Africa Middle East and Asia Pacific, whereas they increased in Europe and North America.

In the cement segment EBITDA margins declined from 25.1 percent to 23.5 percent, while aggregates margins increased from 17.8 percent to 22.9 percent. Lower fixed costs had a positive impact on the margins. The margin in the other construction materials and services segment contracted by 1.3 percentage points to 1.9 percent.

For the year as a whole, the operating EBITDA margin across the Group decreased by 1.1 percentage points from 21.9 percent to 20.8 percent. On a like-for-like basis, the EBITDA margin was down by 0.9 percent points. The reduction in Group region Europe of 0.9 percentage point was strongly influenced by decreasing volumes and prices. Despite lower selling prices, operating EBITDA margins in North America improved by 2.6 percentage points, attributable to the substantial cuts in fixed costs. Margins in Latin America fell by 2.8 percentage points, owing in particular to the deterioration in the market environment in Colombia and Mexico, but also because of higher costs. Group region Africa Middle East could improve its margins by 0.9 percentage points. Margins in the Asia Pacific region fell by 3.3 percentage points, mainly on account of ACC and generally higher variable costs.

In the cement segment, the operating EBITDA margin fell by 1.5 percentage points from 28.4 percent in the previous year to 26.9 percent (Holcim target: > 33 percent). North America and Africa Middle East were able to increase their margins. In the aggregates segment the margin edged up 1.5 percentage points to 21.2 percent (Holcim target: > 27 percent). With the exception of Latin America and Asia Pacific, all Group regions reported higher margins in this segment. The margin in the other construction materials and services segment contracted by 0.9 percentage points to 2.8 percent (Holcim target: > 8 percent). In this segment, all Group regions reported narrower margins.

**Operating profit**

In the fourth quarter operating profit declined by 0.7 percent to CHF 441 million compared with the same quarter in 2009. Negative currency developments reduced operating profit by CHF 15 million. On a like-for-like basis, operating profit improved by 2.5 percent or CHF 11 million. The lower operating EBITDA was offset by a positive impact from lower depreciation.

For the year as a whole, operating profit fell by 5.8 percent to CHF 2,619 million. On a like-for-like basis, operating profit declined by 10.1 percent or CHF 281 million. The total decrease was a result of the lower operating EBITDA of CHF 117 million and higher depreciation of CHF 45 million due to the new plants in the USA and India.

**Group net income**

In the fourth quarter Group net income rose to CHF 398 million from CHF 381 million one year previously, confirming the positive trend. For the year as a whole, Group net income fell by 17.2 percent or CHF 337 million to CHF 1,621 million. On a like-for-like basis the decrease was 18.2 percent.

The decrease in Group net income is a consequence of lower operating profit and a number of non-recurring items. Lower income contributions from associated companies were offset in part by an increase of CHF 89 million in financial income, which is primarily attributable to the change in fair value of a receivable (notes 12 and 21, on pages 160 and 164).

In 2010, the effective tax rate was 27.5 percent (2009: 24.1). The tax rate for the past financial year was affected by a non-recurring, cash-neutral tax charge in connection with the internal transfer of the investment in Holcim (Canada) Inc.

Group net income – attributable to shareholders of Holcim Ltd – declined by 19.6 percent or CHF 289 million to CHF 1,182 million. Their share was 72.9 percent of Group net income, compared with 75.1 percent in the previous year. The decrease is mainly attributable to the profit contributions of Cement Australia (fully consolidated since October 1, 2009, reporting 25 percent non-controlling interests). On a like-for-like basis net income attributable to Holcim shareholders decreased by 21.1 percent. Earnings per Holcim Ltd share fell by 25.2 percent from CHF 4.93 in the previous year to CHF 3.69. The decline is attributable in part to new shares issued in 2009.

Given the adverse economic environment, the successful performance is primarily attributable to consistent cost-cutting measures.

## Financing activities, investments and liquidity

### Cash flow

| | January–December (12 months) | | | October–December (3 months) | | |
|---|---|---|---|---|---|---|
| Million CHF | 2010 | 2009 | ±% | 2010 | 2009 | ±% |
| Cash flow from operating activities | 3,659 | 3,888 | –5.9 | 1,606 | 1,696 | –5.3 |
| Net capital expenditures on property, plant and equipment to maintain productive capacity and to secure competitiveness | (410) | (376) | –9.0 | (186) | (195) | +4.6 |
| **Free cash flow** | **3,249** | **3,512** | **–7.5** | **1,420** | **1,501** | **–5.4** |
| Investments in property, plant and equipment for expansion | (1,182) | (1,929) | +38.7 | (322) | (469) | +31.3 |
| Financial di(in)vestments net | 230 | (2,125) | +110.8 | (36) | (1,812) | +98.0 |
| Dividends paid | (719) | (192) | –274.5 | (21) | (19) | –10.5 |
| **Financing surplus (requirement)** | **1,578** | **(734)** | **+315.0** | **1,041** | **(799)** | **+230.3** |
| Cash flow from financing activities (excl. dividends) | (2,521) | 1,388 | –281.6 | (1,060) | (425) | –149.4 |
| **(De)Increase in cash and cash equivalents** | **(943)** | **654** | **–244.2** | **(19)** | **(1,224)** | **+98.4** |

**Cash flow from operating activities**

In the fourth quarter, the cash flow from operating activities decreased by CHF 90 million to CHF 1,606 million year-on-year. Currency fluctuations had a negative impact of CHF 47 million. On a like-for-like basis, the cash flow from operating activities fell by CHF 44 million. Aside from the change in operating EBITDA, the decrease is mainly attributable to the scheduling of tax payments, partially offset by favorable changes in net working capital.

In the year under review, cash flow from operating activities declined by CHF 229 million or 5.9 percent to CHF 3,659 million. On a like-for-like basis, there was a decrease of CHF 323 million or 8.3 percent. Lower operating EBITDA, an adverse impact from higher net working capital, and higher interest charges were partially offset by tax refunds. In the year under review the cash flow margin achieved was 16.9 percent (2009: 18.4).

**Investment activities**

In the fourth quarter, cash flow used in investing activities of CHF 544 million represented a decrease of 78.0 percent or CHF 1,932 million year-on-year. The change was primarily attributable to the purchase of Holcim Australia (formerly Cemex Australia) in October 2009.

In the financial year under review, cash flow used in investing activities decreased by CHF 3,068 million to CHF 1,362 million. In the previous year, financial investments contained the acquisition of Holcim Australia. As a result, in the year under review, all segments of Holcim's activities benefited from the market in Australia. Further information on investments in financial assets can be found on pages 151 and 152 of the Annual Report.

In the financial year under review, Holcim invested a net CHF 1,592 million in production and other fixed assets. Compared with the previous year's figure of CHF 2,305 million, this represents a decrease of 31 percent. This decrease is attributable primarily to the completion of several cement plants, which were part of the strategic expansion program to increase cement capacity in existing and new markets. All in all, in the year under review, seven million tonnes of cement capacity came on stream, most of it in the growth market in India along with Latin America. As all the new operations are equipped with cutting-edge technology, they help to further improve the Group's overall cost and environmental efficiency. The most important current investment projects include the systematic expansion of capacities in the emerging market of India and the modernization of cement plants in Azerbaijan and Morocco.

## Major investment and divestment projects

### Shurovo – capacity expansion in Russia

In order to create a stable Russian base called for in Holcim's fundamental strategy, work began on the modernization and expansion of the cement plant in Shurovo, near Moscow, in the first quarter of 2007. The kiln line came on stream in the fourth quarter of 2010. This has doubled annual capacity to 2.1 million tonnes of cement and enables Holcim to participate in Russia's vigorous long-term economic growth. At the same time, the modernization of the plant is a major contribution to better environmental and workplace safety.

### Hermosillo – new cement plant in Mexico

At the end of 2010 the new cement plant near Hermosillo in northwestern Mexico with an annual capacity of 1.6 million tonnes came on stream. The new plant will be the ideal complement to the existing production network in Mexico and will further strengthen the position of Holcim Apasco.

### India – expanding our market position

The two Indian companies, ACC and Ambuja Cements, successfully completed a number of capacity expansion projects in 2010. This additional capacity will be fully employed in 2011 and help Holcim to strengthen its position in the rapidly growing Indian market.

### Azerbaijan – modernization

As part of the long-term growth strategy for the region, Garadagh Cement plant is being modernized in a program spanning approximately two years. The central element of the modernization is the replacement of the existing wet-process with a dry-process kiln line. This will reduce energy requirements and improve efficiency. Besides the modernization of the production process, the program is also focused on improving the plant's environmental compatibility by reducing the level of emissions. The modernized plant is scheduled to come on stream in the third quarter of 2011.

### Colombia – expanding cement capacity

Starting from the second half of 2010, a new cement mill came into operation in Nobsa Plant Boyacá, with additional annual capacity of 0.7 million tonnes of cement. The new grinding line allows operating with a comprehensive system of cement production, from raw material preparation to storage and shipping. With the project in operation, Holcim Colombia is in a position to address all sectors of construction, providing structured and specific solutions to align their products with the needs of a developing market.

### Morocco – rationalization

The work on doubling of the clinker capacity at the Fès plant is proceeding on schedule. The plant will come on stream in the first quarter of 2012. The investment will generate savings in the field of logistics, cut production costs, and improve Holcim's positioning for a growth market in the future.

Investments in rationalizing and improving processes in environmental and occupational health and safety measures amounted to CHF 639 million (2009: 578).

On September 4, 2010 Holcim signed a settlement with the Bolivarian Republic of Venezuela agreeing on the terms for Venezuela's compensation payment for the June 2008 nationalization of Holcim (Venezuela) C.A. and the suspension of the international arbitration procedure currently pending before the International Centre for Settlement of Investment Disputes (ICSID) in connection with that nationalization. The agreed total compensation amount is USD 650 million, of which the first payment in the amount of USD 260 million was received on September 10, 2010. The remaining compensation amount of USD 390 million will be paid in four equal yearly installments. The resulting change in fair value totals USD 410 million, of which USD 164 million was realized in 2010.

## Group ROIC$_{BT}$

The Group return on invested capital before tax (ROIC$_{BT}$) measures the profitability of the capital employed. It is regarded as a measure of operating profitability. It is calculated by expressing EBIT as a percentage of the average invested capital (excluding cash and marketable securities).

**Group ROIC$_{BT}$**

Million CHF

| | EBIT[1] | Invested capital | | | ROIC$_{BT}$ in % |
|---|---|---|---|---|---|
| | | Previous year | Business year | Average | |
| 2010 | 3,054 | 38,438 | 35,040 | 36,739 | 8.3 |
| 2009 | 3,371 | 35,371 | 38,438 | 36,905 | 9.1 |

[1] Earnings before interest and taxes.

In the last financial year the $ROIC_{BT}$ fell by 0.8 percentage points from 9.1 percent to 8.3 percent. The negative development in the financial year under review is mostly attributable to the decrease in EBIT, but also average invested capital was slightly reduced. The investment activity, which normally only starts to affect income after a construction phase of two to three years, is charged to invested capital immediately.

**Financing activity**

Aside from cash flow from operating activities, additional debt capital was raised to fund investments and refinance/repay existing borrowings. Mention should be made of the following significant bonds issued:

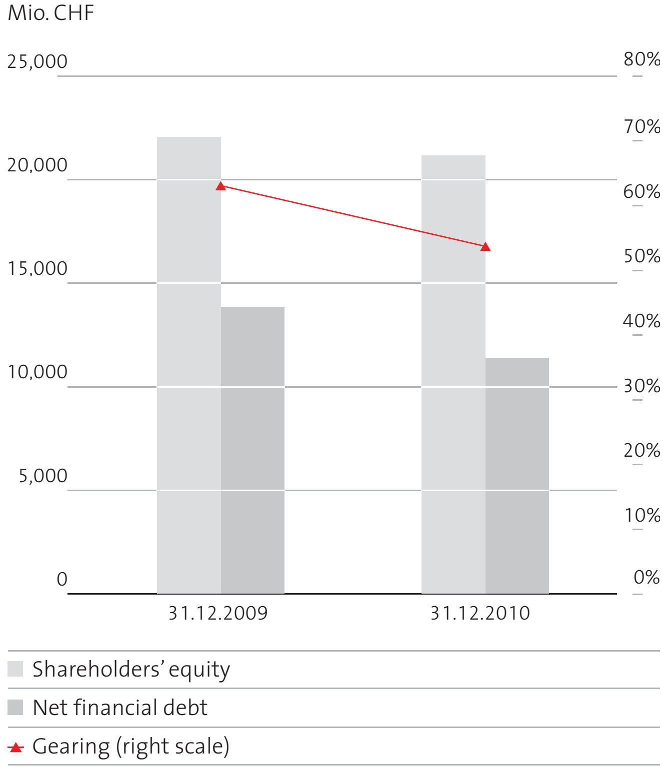
| | | |
|---|---|---|
| CHF | 475 million | Holcim Ltd bond with a fixed interest rate of 2.375% and a term of 2010–2016. |
| THB | 2,000 million | Holcim Capital (Thailand) Ltd. bond with a fixed interest rate of 3.52% and a term of 2010–2015. Guaranteed by Holcim Ltd. |

**Net financial debt**

In the 2010 financial year net financial debt fell significantly from CHF 13,833 million to CHF 11,363 million due to cash flow from operating activities, lower capital expenditures, and the depreciation of various currencies versus the Swiss franc.

At the end of 2010 the ratio of net financial debt to shareholders' equity (gearing) was 53.8 percent (2009: 62.8). Gearing fell mainly as a result of the sharp reduction in the level of net financial debt.

**Total shareholders' equity, net financial debt and gearing**

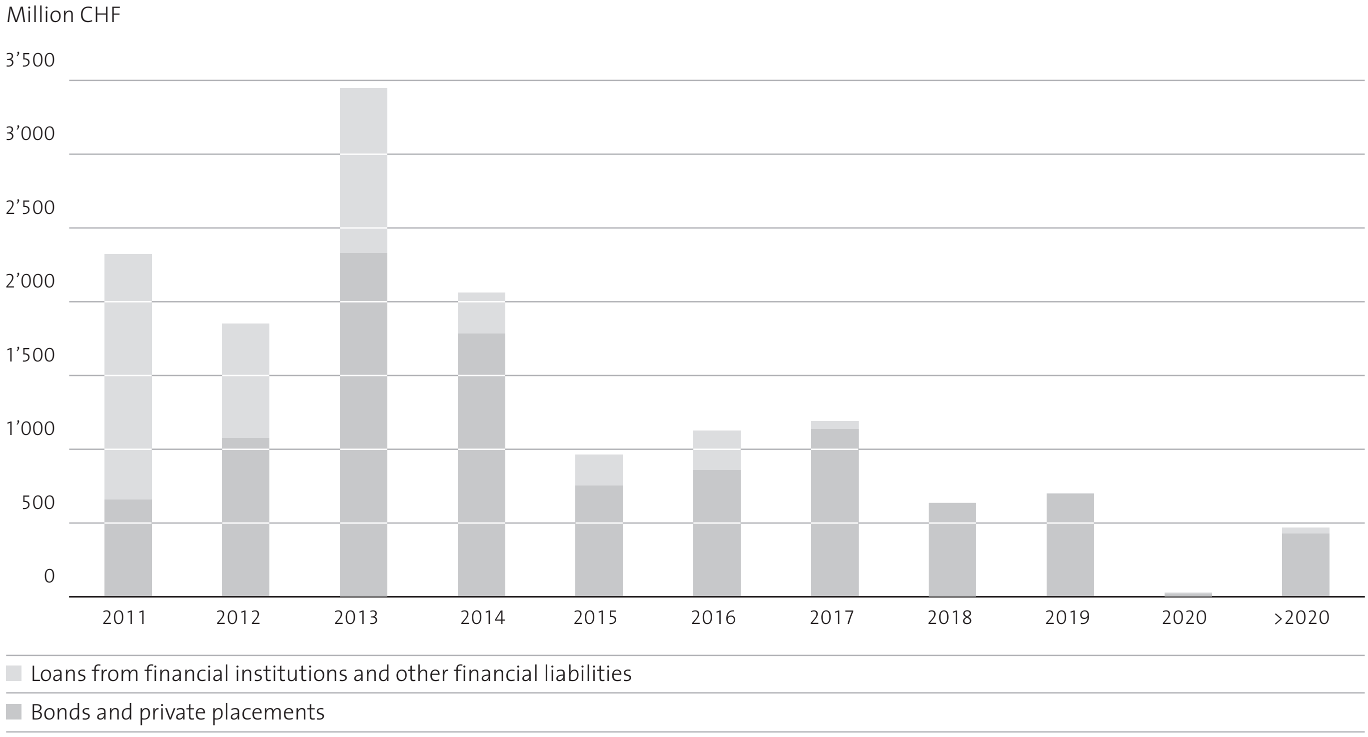



**Financing profile**

Holcim was able to maintain its strong financial profile: 70 percent of the financial liabilities are financed through various capital markets (see overview of all outstanding bonds and private placements on pages 172 to 173) and 30 percent by banks and other lenders. There are no significant positions with individual lenders. Holcim fosters regular contact and open communication with investors and banks.

At 4.2 years, the average maturity of financial liabilities is at the lower end of the target range (Holcim target: 4–6 years). CHF 652 million bonds and private placements in capital markets mature over the next 12 months.

**Maturity profile of total financial liabilities**[1]




Holcim attaches great importance to a favorable credit rating and, therefore, gives corresponding priority to achieving its financial targets and retaining its solid investment grade rating. Detailed information on the credit ratings can be found on page 147 of this Annual Report. Holcim improved its financial targets to retain a solid investment grade rating. The ratio of funds from operations (FFO) to net financial debt improved to 31.3 percent (Holcim target: >25%) and the ratio of net financial debt to EBITDA to 2.3 (Holcim target: <2.8). The EBITDA net interest coverage reached 6.1x (Holcim target: >5.0x) and the EBIT net interest coverage 3.7x (Holcim target: >3.0x).

Due to the depreciation of the US dollar and the Euro versus the Swiss franc, the proportion of US dollar- and Euro-denominated liabilities decreased from 54 percent to 49 percent. Compared with the previous year, there was no change in the average interest rate of 4.4 percent on Holcim's financial liabilities as per December 31, 2010. Fixed interest-bearing debt accounted for 58 percent of financial liabilities.

**Liquidity**

To secure liquidity, the Group held liquid funds of CHF 3,386 million (2009: 4,474). This cash is invested to a large extent in time deposits held with a large number of banks on a broadly diversified basis. The counterparty risk is constantly monitored on the basis of clearly defined principles as part of the risk management process. As of December 31, 2010, Holcim also had unutilized credit lines amounting to CHF 8,867 million (2009: 8,188) (see also page 171). This includes unused committed credit lines of CHF 6,378 million (2009: 5,365). Existing borrowings[1] of CHF 2,318 million (2009: 3,334) maturing in the next 12 months are covered by existing cash and cash equivalents and unutilized, committed credit lines.

**Currency sensitivity**

The Group operates in around 70 countries, generating by far the largest part of its results in currencies other than the Swiss franc. Only about 3 percent of net sales are generated in Swiss francs.

As the Group produces a very high proportion of its products locally, most sales and costs are incurred in the same respective local currencies. The effects of foreign exchange movements are therefore largely restricted to the translation of local financial statements into the consolidated statement of income. In the last financial year these were, due to the strong Swiss franc, slightly negative. Because a large part of the foreign liability is financed with matching currencies in local currency, the effects of the foreign currency translation of local balance sheets into the consolidated statement of financial position

[1] Current financial liabilities adjusted for short-term drawings under long-term committed credit lines of CHF 150 million.

have not, in general, resulted in significant distortions in the consolidated statement of financial position.

The currency effect of the most relevant currencies on some key figures is presented on the basis of the following sensitivity analysis. The sensitivity analysis only factors on those effects caused by the translation of local financial statements into Swiss francs (translation effect). Currency effects from transactions conducted locally in foreign currencies cannot be reflected in the analysis. As a result of local business activity, this type of transaction involves only very small amounts or is individually hedged.

The following shows the effects of a hypothetical decline of 5 percent in the respective foreign currency versus the Swiss franc:

**Sensitivity analysis**

| Million CHF | 2010 | USD | EUR | GBP | INR | Latin American basket (MXN, BRL, ARS, CLP) | Asian basket (AUD, IDR, PHP, THB) |
|---|---|---|---|---|---|---|---|
| | Actual figures | Assuming a 5% lower exchange rate the impact would be as follows: | | | | | |
| Net sales | 21,653 | (122) | (153) | (98) | (174) | (120) | (162) |
| Operating EBITDA | 4,513 | (33) | (19) | (10) | (43) | (30) | (42) |
| Net income | 1,621 | (31) | 1 | (4) | (23) | (10) | (10) |
| Cash flow from operating activities | 3,659 | (24) | (15) | (8) | (44) | (19) | (18) |
| Net financial debt | 11,363 | (146) | (76) | (19) | 35 | (31) | (126) |

## Consolidated statement of income of Group Holcim

| Million CHF | Notes | 2010 | 2009 | ±% |
|---|---|---|---|---|
| **Net sales** | 5, 6 | **21,653** | **21,132** | **+2.5** |
| Production cost of goods sold | 7 | (12,379) | (12,072) | |
| **Gross profit** | | **9,274** | **9,060** | **+2.4** |
| Distribution and selling expenses | 8 | (5,278) | (4,828) | |
| Administration expenses | | (1,377) | (1,451) | |
| **Operating profit** | | **2,619** | **2,781** | **–5.8** |
| Other income | 11 | 7 | 206 | |
| Share of profit of associates | 23 | 245 | 302 | |
| Financial income | 12 | 262 | 173 | |
| Financial expenses | 13 | (897) | (881) | |
| **Net income before taxes** | | **2,236** | **2,581** | **–13.4** |
| Income taxes | 14 | (615) | (623) | |
| **Net income** | | **1,621** | **1,958** | **–17.2** |
| | | | | |
| **Attributable to:** | | | | |
| Shareholders of Holcim Ltd | | 1,182 | 1,471 | –19.6 |
| Non-controlling interest | | 439 | 487 | –9.9 |
| | | | | |
| **Earnings per share in CHF** | | | | |
| Earnings per share[1] | 16 | 3.69 | 4.93 | –25.2 |
| Fully diluted earnings per share[1] | 16 | 3.69 | 4.93 | –25.2 |

| Million CHF | | | | |
|---|---|---|---|---|
| Operating EBITDA | 3, 10 | 4,513 | 4,630 | –2.5 |
| EBITDA | 3 | 4,988 | 5,229 | –4.6 |

[1] EPS calculation based on net income attributable to shareholders of Holcim Ltd weighted by the average number of shares.

## Consolidated statement of comprehensive earnings of Group Holcim

| Million CHF | Notes | 2010 | 2009 |
|---|---|---|---|
| **Net income** | | **1,621** | **1,958** |
| **Other comprehensive earnings** | | | |
| Currency translation effects | | (2,042) | 345 |
| – Tax expense | | (7) | (34) |
| Available-for-sale financial assets | | | |
| – Change in fair value | 21 | 421 | (7) |
| – Realized through statement of income | 21 | (171) | 9 |
| – Tax expense | | | |
| Cash flow hedges | | | |
| – Change in fair value | | 9 | (18) |
| – Realized through statement of income | | | |
| – Tax expense | | | |
| Net investment hedges | | | |
| – Change in fair value | | (3) | (4) |
| – Tax expense | | | |
| **Total other comprehensive earnings** | | **(1,793)** | **291** |
| | | | |
| **Total comprehensive earnings** | | **(172)** | **2,249** |
| | | | |
| **Attributable to:** | | | |
| Shareholders of Holcim Ltd | | (395) | 1,734 |
| Non-controlling interest | | 223 | 515 |

## Consolidated statement of financial position of Group Holcim

| Million CHF | Notes | 31.12.2010 | 31.12.2009 |
|---|---|---|---|
| Cash and cash equivalents | 17 | 3,386 | 4,474 |
| Marketable securities | | 30 | 33 |
| Accounts receivable | 18 | 2,590 | 3,401 |
| Inventories | 19 | 2,072 | 2,162 |
| Prepaid expenses and other current assets | 20 | 416 | 493 |
| Assets classified as held for sale | 21 | 18 | 234 |
| **Total current assets** | | **8,512** | **10,797** |
| | | | |
| Long-term financial assets | 22 | 921 | 677 |
| Investments in associates | 23 | 1,432 | 1,529 |
| Property, plant and equipment | 24 | 23,343 | 25,493 |
| Intangible assets | 25 | 9,061 | 9,983 |
| Deferred tax assets | 32 | 385 | 412 |
| Other long-term assets | 26 | 605 | 315 |
| **Total long-term assets** | | **35,747** | **38,409** |
| | | | |
| **Total assets** | | **44,259** | **49,206** |
| | | | |
| Trade accounts payable | 28 | 2,303 | 2,223 |
| Current financial liabilities | 29 | 2,468 | 4,453 |
| Current income tax liabilities | | 555 | 531 |
| Other current liabilities | | 1,632 | 1,821 |
| Short-term provisions | 33 | 256 | 252 |
| **Total current liabilities** | | **7,214** | **9,280** |
| | | | |
| Long-term financial liabilities | 29 | 12,281 | 13,854 |
| Defined benefit obligations | 34 | 317 | 376 |
| Deferred tax liabilities | 32 | 2,203 | 2,389 |
| Long-term provisions | 33 | 1,123 | 1,263 |
| **Total long-term liabilities** | | **15,924** | **17,882** |
| | | | |
| **Total liabilities** | | **23,138** | **27,162** |
| | | | |
| Share capital | 37 | 654 | 654 |
| Capital surplus | | 9,371 | 9,368 |
| Treasury shares | 37 | (476) | (455) |
| Reserves | | 8,552 | 9,466 |
| **Total equity attributable to shareholders of Holcim Ltd** | | **18,101** | **19,033** |
| Non-controlling interest | | 3,020 | 3,011 |
| **Total shareholders' equity** | | **21,121** | **22,044** |
| | | | |
| **Total liabilities and shareholders' equity** | | **44,259** | **49,206** |

## Statement of changes in consolidated equity of Group Holcim

| Million CHF | Share capital | Capital surplus | Treasury shares | Retained earnings |
|---|---|---|---|---|
| **Equity as at January 1, 2010** | **654** | **9,368** | **(455)** | **15,019** |
| Share capital increase | | | | |
| Payout | | | | (480) |
| Change in treasury shares | | | (32) | 3 |
| Share-based remuneration | | 3 | 11 | |
| Capital paid-in by non-controlling interest | | | | |
| Acquisition of participation in Group companies | | | | |
| Change in participation in existing Group companies | | | | (36) |
| Net income | | | | 1,182 |
| Other comprehensive earnings | | | | |
| **Equity as at December 31, 2010** | **654** | **9,371** | **(476)** | **15,688** |
| | | | | |
| **Equity as at January 1, 2009** | **527** | **6,870** | **(401)** | **14,178** |
| Share capital increase | 100 | 1,940 | | |
| Payout | 27 | 552 | | (594) |
| Change in treasury shares | | | (63) | (9) |
| Share-based remuneration | | 6 | 9 | |
| Capital paid-in by non-controlling interest | | | | |
| Acquisition of participation in Group companies | | | | (27) |
| Change in participation in existing Group companies | | | | |
| Net income | | | | 1,471 |
| Other comprehensive earnings | | | | |
| **Equity as at December 31, 2009** | **654** | **9,368** | **(455)** | **15,019** |

| Available-for-sale reserve | Cash flow hedging reserve | Currency translation adjustments | Total reserves | Total equity attributable to shareholders of Holcim Ltd | Non-controlling interest | Total shareholders' equity |
|---|---|---|---|---|---|---|
| **(2)** | **(2)** | **(5,549)** | **9,466** | **19,033** | **3,011** | **22,044** |
| | | | | | | |
| | | | (480) | (480) | (236) | (716) |
| | | | 3 | (29) | | (29) |
| | | | | 14 | 4 | 18 |
| | | | | | 29 | 29 |
| | | | | | | |
| | | (6) | (42) | (42) | (11) | (53) |
| | | | 1,182 | 1,182 | 439 | 1,621 |
| 251 | 9 | (1,837) | (1,577) | (1,577) | (216) | (1,793) |
| **249** | **7** | **(7,392)** | **8,552** | **18,101** | **3,020** | **21,121** |
| | | | | | | |
| **(3)** | **17** | **(5,830)** | **8,362** | **15,358** | **2,616** | **17,974** |
| | | | | 2,040 | | 2,040 |
| | | | (594) | (15) | (218) | (233) |
| | | | (9) | (72) | | (72) |
| | | | | 15 | 1 | 16 |
| | | | | | 2 | 2 |
| | | | (27) | (27) | 100 | 73 |
| | | | | | (5) | (5) |
| | | | 1,471 | 1,471 | 487 | 1,958 |
| 1 | (19) | 281 | 263 | 263 | 28 | 291 |
| **(2)** | **(2)** | **(5,549)** | **9,466** | **19,033** | **3,011** | **22,044** |

## Consolidated statement of cash flows of Group Holcim

| Million CHF | Notes | 2010 | 2009 |
|---|---|---|---|
| **Net income before taxes** | | **2,236** | **2,581** |
| Other income | 11 | (7) | (206) |
| Share of profit of associates | 23 | (245) | (302) |
| Financial expenses net | 12, 13 | 635 | 708 |
| **Operating profit** | | **2,619** | **2,781** |
| Depreciation, amortization and impairment of operating assets | 9 | 1,894 | 1,849 |
| Other non-cash items | | 238 | 315 |
| Change in net working capital | | (43) | 159 |
| **Cash generated from operations** | | **4,708** | **5,104** |
| Dividends received | | 183 | 94 |
| Interest received | | 122 | 145 |
| Interest paid | | (829) | (726) |
| Income taxes paid | | (471) | (639) |
| Other expenses | | (54) | (90) |
| **Cash flow from operating activities (A)** | | **3,659** | **3,888** |
| | | | |
| Purchase of property, plant and equipment | | (1,821) | (2,507) |
| Disposal of property, plant and equipment | | 229 | 202 |
| Acquisition of participation in Group companies | | (60) | (1,782) |
| Disposal of participation in Group companies | | 0 | 139 |
| Purchase of financial assets, intangible and other assets[1] | | (446) | (744) |
| Disposal of financial assets, intangible and other assets[1] | | 736 | 262 |
| **Cash flow used in investing activities (B)** | 40 | **(1,362)** | **(4,430)** |
| | | | |
| Dividends paid on ordinary shares | | (480) | 0 |
| Dividends paid to non-controlling interest | | (239) | (192) |
| Capital increase | 37 | 0 | 2,040 |
| Capital paid-in by non-controlling interest | | 29 | 2 |
| Movements of treasury shares | | (29) | (72) |
| Proceeds from current financial liabilities | | 6,097 | 12,170 |
| Repayment of current financial liabilities | | (7,713) | (13,433) |
| Proceeds from long-term financial liabilities | | 2,544 | 11,234 |
| Repayment of long-term financial liabilities | | (3,325) | (10,393) |
| Increase in participation in existing Group companies[1] | | (154) | (160) |
| Decrease in participation in existing Group companies[1] | | 30 | 0 |
| **Cash flow (used in) from financing activities (C)** | | **(3,240)** | **1,196** |
| | | | |
| **(De)Increase in cash and cash equivalents (A+B+C)** | | **(943)** | **654** |
| | | | |
| **Cash and cash equivalents as at January 1 (net)** | 17 | **4,261** | **3,611** |
| (De)Increase in cash and cash equivalents | | (943) | 654 |
| Currency translation effects | | (249) | (4) |
| **Cash and cash equivalents as at December 31 (net)** | 17 | **3,069** | **4,261** |

[1] Based on an amendment in IAS 7, cash flows arising from changes in ownership interests in a subsidiary that do not result in a loss of control are classified as cash flows from financing activities and not as investing activities, which is to be applied on a retrospective basis.

## Accounting policies

### Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

### Adoption of revised and new International Financial Reporting Standards and new interpretations

In 2010, Group Holcim adopted the following revised standards relevant to the Group, which became effective from January 1, 2010:

| | |
|---|---|
| IAS 27 (amended) | *Consolidated and Separate Financial Statements* |
| IFRS 3 (revised) | *Business Combinations* |
| IFRS 2 (amended) | *Share-based Payment* |
| Improvements to IFRSs | *Clarifications of existing IFRSs* |

According to IAS 27 (amended), changes in the ownership interest of a subsidiary that do not result in a loss of control are accounted for as an equity transaction. The amendment to IFRS 3 (revised) introduced several changes such as the choice to measure a non-controlling interest in the acquiree either at fair value or at its proportionate interest in the acquiree's identifiable net assets, the accounting for step acquisitions requiring the remeasurement of a previously held interest to fair value through profit or loss as well as the expensing of acquisition costs directly to the statement of income. The effect of applying IFRS 2 (amended) clarifying the accounting of group cash-settled shared-based payment transactions had no impact on the Group. The improvements to IFRSs relate largely to clarification issues only. Therefore, the effect of applying these amendments had no material impact on the Group's financial statements.

In 2011, Group Holcim will adopt the following revised standards relevant to the Group:

| | |
|---|---|
| IAS 24 (amended) | *Related Party Disclosures* |
| IFRIC 14 (amended) | *IAS 19 – Prepayment of a minimum funding requirement* |
| Improvements to IFRSs | *Clarifications of existing IFRSs* |

The amendments to IAS 24 are disclosure related only and will have no impact on the Group's financial statements. The amendment to IFRIC 14 clarifies that companies recognize the benefit of a prepayment as a pension asset. The effect of applying this amendment will have no material effect on the Group's financial statements. The improvements to IFRSs relate largely to clarification issues only. Therefore, the effect of applying these amendments will have no material impact on the Group's financial statements.

In 2013, Group Holcim will adopt the following new standard relevant to the Group:

| | |
|---|---|
| IFRS 9 | *Financial Instruments* |

IFRS 9 will ultimately replace IAS 39. Classification and measurement of financial assets and financial liabilities represents the first part of the new standard. This standard will require financial assets to be classified on initial recognition at either amortized cost or fair value. For financial liabilities, the new standard retains most of the current IAS 39 requirements. Therefore, the effect of applying the first part of this new standard will have no material impact on the Group's financial statements.

### Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and related disclosures at the date of the financial statements. These estimates are based on management's best knowledge of current events and actions that the Group may undertake in the future. However, actual results could differ from those estimates.

### Critical estimates and assumptions

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year relate primarily to goodwill, and to a lesser extent defined benefit obligations, deferred tax assets, long-term provisions, depreciation of property, plant and equipment and disclosure of contingent liabilities at the end of the reporting period. The cost of defined benefit pension plans and other post-employment benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on plan assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty (note 34).

The Group tests annually whether goodwill has suffered any impairment in accordance with its accounting policy. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (note 25).

All estimates mentioned above are further detailed in the corresponding disclosures.

**Scope of consolidation**
The consolidated financial statements comprise those of Holcim Ltd and of its subsidiaries, including joint ventures. The list of principal companies is presented in the section "Principal companies of the Holcim Group".

**Principles of consolidation**
Subsidiaries, which are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has the power to exercise control over the operations, are consolidated. Business combinations occurring on or after January 1, 2010, are accounted for using the acquisition method. The cost of an acquisition is measured at the fair value of the consideration given at the date of exchange. For each business combination, the acquirer measures the noncontrolling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed in the statement of income. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at fair value at the date of acquisition, irrespective of the extent of any non-controlling interest assumed.

When Group Holcim acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of Group Holcim's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are recognized in profit or loss.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

All intercompany transactions and balances between Group companies are eliminated in full.

It is common practice for the Group to write put options and acquire call options in connection with the remaining shares held by the non-controlling shareholders mainly as part of a business combination. If the Group has acquired a present ownership interest as part of a business combination, the fair value of the put option is recognized as a financial liability with any excess over the carrying amount of the non-controlling interest recognized directly as goodwill. In such a case, the non-controlling interest is deemed to have been acquired at the acquisition date and therefore any excess arising should follow the accounting treatment as in a business combination. All subsequent fair value changes of the financial liability are recognized in profit or loss and no earnings are attributed to the non-controlling interest. However, where the Group has not acquired a present ownership interest as part of a business combination, non-controlling interest continues to receive an allocation of profit or loss and is reclassified as a financial liability at each reporting date as if the acquisition took place at that date. Any excess over the reclassified carrying amount of the non-controlling interest and all subsequent fair value changes of the financial liability are recognized directly in retained earnings.

The Group's interest in jointly controlled entities is consolidated using the proportionate method of consolidation. Under this method, the Group records its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows in the consolidated financial statements on a line-by-line basis. All transactions and balances between the Group and joint ventures are eliminated to the extent of the Group's interest in the joint ventures.

Investments in associated companies are accounted for using the equity method of accounting. These are companies over which the Group generally holds between 20 and 50 percent of the voting rights and has significant influence but does not exercise control. Goodwill arising on the acquisition is included in the carrying amount of the investment in associated companies. Equity accounting is discontinued when the carrying amount of the investment together with any long-term interest in an associated company reaches zero, unless the Group has in addition either incurred or guaranteed additional obligations in respect of the associated company.

**Foreign currency translation**

The individual financial statements of each of the Group's companies are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). Statements of income of foreign entities are translated into the Group's reporting currency at average exchange rates for the year and statements of financial position are translated at exchange rates ruling on December 31.

Goodwill arising on the acquisition of a foreign entity is expressed in the functional currency of the foreign operation and is translated at the closing rate.

Foreign currency transactions translated into the functional currency are accounted for at the exchange rates prevailing at the date of the transactions; gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income, except when deferred outside the statement of income as qualifying cash flow hedges.

Exchange differences arising on monetary items that form part of a company's net investment in a foreign operation are reclassified to equity (currency translation adjustment) in the consolidated financial statements and are only fully recycled to the statement of income when Group Holcim loses control of a subsidiary, loses joint control over a joint venture or loses significant influence in an associate.

**Segment information**

Segment information is presented in respect of the Group's reportable segments.

For management purposes, the Group is organized by geographical areas and has five reportable segments based on location of assets as follows:

| |
|---|
| Europe |
| North America |
| Latin America |
| Africa Middle East |
| Asia Pacific |

Each of the above reportable segments derives its revenues from the sale of cement, aggregates and other construction materials and services.

The Group has three product lines:

| |
|---|
| Cement, which comprises clinker, cement and other cementitious materials |
| Aggregates |
| Other construction materials and services, which comprises ready-mix concrete, concrete products, asphalt, construction and paving, trading and other products and services |

Group financing (including financing costs and financing income) and income taxes are managed on a Group basis and are not allocated to any reportable segments.

Transfer prices between segments are set on an arms-length basis in a manner similar to transactions with third parties. Segment revenue and segment result include transfers between segments. Those transfers are eliminated on consolidation.

**Cash and cash equivalents**
Cash and cash equivalents are financial assets. Cash equivalents are readily convertible into a known amount of cash with original maturities of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at banks and in hand, deposits held on call with banks and other short-term highly liquid investments, net of bank overdrafts.

**Marketable securities**
Marketable securities consist primarily of debt and equity securities which are traded in liquid markets and are classified as available-for-sale. They are carried at fair value with all fair value changes recorded in other comprehensive earnings until the financial asset is either impaired or disposed of at which time the cumulative gain or loss previously recognized in other comprehensive earnings is reclassified from equity to the statement of income.

**Accounts receivable**
Trade accounts receivable are carried at original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts of the financial asset at the year end.

**Inventories**
Inventories are stated at the lower of cost and net realizable value. Cost is determined by using the weighted average cost method. The cost of finished goods and work in progress comprises raw materials and additives, direct labor, other direct costs and related production overheads. Cost of inventories includes transfers from equity of gains or losses on qualifying cash flow hedges relating to inventory purchases.

**Long-term financial assets**
Long-term financial assets consist of (a) investments in third parties, (b) long-term receivables from associates, (c) long-term receivables from third parties, and (d) long-term derivative assets. Investments in third parties are classified as available-for-sale and long-term receivables from associates and third parties are classified as loans and receivables. A loan or receivable where the payment terms are not fixed or determinable may be designated as available-for-sale. Long-term derivative assets are regarded as held for hedging unless they do not meet the strict hedging criteria under IAS 39 *Financial Instruments: Recognition and Measurement*, in which case they will be classified as held for trading.

All purchases and sales of investments are recognized on trade date, which is the date that the Group commits to purchase or sell the asset. Purchase cost includes transaction costs, except for derivative instruments. Loans and receivables are measured at amortized cost using the effective interest method. Available-for-sale investments are carried at fair value, while held-to-maturity investments are carried at amortized cost using the effective interest method. Gains and losses arising from changes in the fair value of available-for-sale investments are included in other comprehensive earnings until the financial asset is either impaired or disposed of, at which time the cumulative gain or loss previously recognized in other comprehensive earnings is reclassified from equity to the statement of income.

**Property, plant and equipment**

Property, plant and equipment is valued at acquisition or construction cost less depreciation and impairment loss. Cost includes transfers from equity of any gains or losses on qualifying cash flow hedges. Depreciation is charged so as to write off the cost of property, plant and equipment over their estimated useful lives, using the straight-line method, on the following bases:

| | |
|---|---|
| Land | No depreciation except on land with raw material reserves |
| Buildings and installations | 20 to 40 years |
| Machinery | 10 to 30 years |
| Furniture, vehicles and tools | 3 to 10 years |

Costs are only included in the asset's carrying amount when it is probable that economic benefits associated with the item will flow to the Group in future periods and the cost of the item can be measured reliably. Costs include the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. All other repairs and maintenance expenses are charged to the statement of income during the period in which they are incurred.

Mineral reserves, which are included in the class "land" of property, plant and equipment, are valued at cost and are depreciated based on the physical unit-of-production method over their estimated commercial lives.

Costs incurred to gain access to mineral reserves are capitalized and depreciated over the life of the quarry, which is based on the estimated tonnes of raw material to be extracted from the reserves.

Interest cost on borrowings to finance construction projects which necessarily takes a substantial period of time to get ready for their intended use are capitalized during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed in the period in which they are incurred.

Government grants received are deducted from property, plant and equipment and reduce the depreciation charge accordingly.

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Property, plant and equipment acquired through a finance lease is capitalized at the date of the commencement of the lease term at the present value of the minimum future lease payments or, if lower, at an amount equal to the fair value of the leased asset as determined at the inception of the lease. The corresponding lease obligations, excluding finance charges, are included in either current or long-term financial liabilities.

For sale and lease-back transactions, the book value of the related property, plant or equipment remains unchanged. Proceeds from a sale are included as a financing liability and the financing costs are allocated over the term of the lease in such a manner that the costs are reported over the relevant periods.

**Non-current assets (or disposal groups) classified as held for sale**

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

**Goodwill**

Goodwill represents the excess of the aggregate of the consideration transferred and the amount recognized for the non-controlling interest over the fair value of the net identifiable assets acquired and liabilities assumed. Goodwill on acquisitions of subsidiaries and interests in joint ventures is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is tested annually for impairment or whenever there are impairment indicators and carried at cost less accumulated impairment losses. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the statement of income.

On disposal of a subsidiary, associate or joint venture, the related goodwill is included in the determination of profit or loss on disposal.

Goodwill on acquisitions of subsidiaries and interests in joint ventures is allocated to cash generating units for the purpose of impairment testing (note 25). Impairment losses relating to goodwill cannot be reversed in future periods.

**Computer software**
Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Group and which will probably generate economic benefits exceeding costs beyond one year are recognized as intangible assets.

Expenditures which enhance or extend the performance of computer software programs beyond their original specifications are capitalized and added to the original cost of the software. Computer software development costs recognized as assets are amortized using the straight-line method over their useful lives, but not exceeding a period of three years.

**Other intangible assets**
Expenditure on acquired patents, trademarks and licenses is capitalized and amortized using the straight-line method over their estimated useful lives, but not exceeding 20 years.

**Impairment of non-financial assets**
At each reporting date, the Group assesses whether there is any indication that a non-financial asset may be impaired. If any such indication exists, the recoverable amount of the non-financial asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual non-financial asset, the Group estimates the recoverable amount of the smallest cash generating unit to which the non-financial asset belongs. The recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use. If the recoverable amount of a non-financial asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the non-financial asset or cash generating unit is reduced to its recoverable amount. Impairment losses are recognized immediately in the statement of income.

Where an impairment loss subsequently reverses, the carrying amount of the non-financial asset or cash generating unit is increased to the revised estimate of its recoverable amount. However, this increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for that non-financial asset or cash generating unit in prior periods. A reversal of an impairment loss is recognized immediately in the statement of income.

**Impairment of financial assets**
At each reporting date, the Group assesses whether there is any indication that a financial asset may be impaired. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the future estimated cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Any reversal of an impairment loss is recognized in profit or loss.

An impairment loss in respect of an available-for-sale financial asset is recognized in the statement of income and is calculated by reference to its fair value. Individually significant financial assets are tested for impairment on an individual basis. Reversals of impairment losses on equity instruments classified as available-for-sale are recognized in other comprehensive earnings while reversals of impairment losses on debt instruments are recognized in profit or loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the statement of income.

In relation to accounts receivable, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired receivables are derecognized when they are assessed as uncollectible.

**Long-term financial liabilities**
Bank loans acquired and non-convertible bonds issued are recognized initially at the proceeds received, net of transaction costs incurred. Subsequently, bank loans and non-convertible bonds are stated at amortized cost using the effective interest method with any difference between proceeds (net of transaction costs) and the redemption value being recognized in the statement of income over the term of the borrowings.

Upon issuance of convertible bonds, the fair value of the liability portion is determined using a market interest rate for an equivalent non-convertible bond; this amount is carried as a long-term liability on the amortized cost basis using the effective interest method until extinguishment on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option which is recognized and included in shareholders' equity; the value of the conversion option is not remeasured in subsequent periods.

Long-term derivative liabilities are regarded as held for hedging unless they do not meet the strict hedging criteria under IAS 39 *Financial Instruments: Recognition and Measurement*, in which case they will be classified as held for trading.

Financial liabilities that are due within 12 months after the end of the reporting period are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability until more than 12 months after the reporting period.

**Deferred taxes**

Deferred tax is provided, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Tax rates enacted or substantially enacted by the end of the reporting period are used to determine the deferred tax expense.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which temporary differences or unused tax losses can be utilized. Deferred tax liabilities are recognized for taxable temporary differences arising from investments in subsidiaries, associates and joint ventures except where the Group is able to control the distribution of earnings from these respective entities and where dividend payments are not expected to occur in the foreseeable future.

Deferred tax is charged or credited in the statement of income, except when it relates to items credited or charged outside the statement of income, in which case the deferred tax is treated accordingly.

**Site restoration and other environmental provisions**

The Group provides for the costs of restoring a site where a legal or constructive obligation exists. The cost of raising a provision before exploitation of the raw materials has commenced is included in property, plant and equipment and depreciated over the life of the site. The effect of any adjustments to the provision due to further environmental damage as a result of exploitation activities is recorded through operating costs over the life of the site to reflect the best estimate of the expenditure required to settle the obligation at the end of the reporting period. Changes in the measurement of a provision that result from changes in the estimated timing or amount of cash outflows, or a change in the discount rate, are added to, or deducted from, the cost of the related asset to the extent that they relate to the asset's installation, construction or acquisition. All provisions are discounted to their present value.

**Emission rights**

The initial allocation of emission rights granted is recognized at nominal amount (nil value). Where a Group company has emissions in excess of the emission rights granted, it will recognize a provision for the shortfall based on the market price at that date. The emission rights are held for compliance purposes only and therefore the Group does not intend to speculate with these in the open market.

**Other provisions**

A provision is recognized when there exists a legal or constructive obligation arising from past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of this amount.

**Employee benefits – Defined benefit plans**
Some Group companies provide defined benefit pension plans for employees. Professionally qualified independent actuaries value the defined benefit obligations on a regular basis. The obligation and costs of pension benefits are determined using the projected unit credit method. The projected unit credit method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Past service costs are recognized on a straight-line basis over the average period until the amended benefits become vested. Gains or losses on the curtailment or settlement of pension benefits are recognized when the curtailment or settlement occurs.

Actuarial gains or losses are amortized based on the expected average remaining working lives of the participating employees, but only to the extent that the net cumulative unrecognized amount exceeds 10 percent of the greater of the present value of the defined benefit obligation and the fair value of plan assets at the end of the previous year. The pension obligation is measured at the present value of estimated future cash flows using a discount rate that is similar to the interest rate on high quality corporate bonds where the currency and terms of the corporate bonds are consistent with the currency and estimated terms of the defined benefit obligation.

A net pension asset is recorded only to the extent that it does not exceed the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan and any unrecognized net actuarial losses and past service costs.

**Employee benefits – Defined contribution plans**
In addition to the defined benefit plans described above, some Group companies sponsor defined contribution plans based on local practices and regulations. The Group's contributions to defined contribution plans are charged to the statement of income in the period to which the contributions relate.

**Employee benefits – Other long-term employment benefits**
Other long-term employment benefits include long-service leave or sabbatical leave, medical aid, jubilee or other long-sevice benefits, long-term disability benefits and, if they are not due to be settled within twelve months after the year end, profit sharing, variable and deferred compensation.

The measurement of these obligations differs from defined benefit plans in that all actuarial gains and losses are recognized immediately and no corridor approach is applied.

**Employee benefits – Equity compensation plans**
The Group operates various equity-settled share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options or shares is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted. The amounts are charged to the statement of income over the relevant vesting periods and adjusted to reflect actual and expected levels of vesting (note 34).

**Non-controlling interest**
Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent and is presented separately in the consolidated statement of income, in the consolidated statement of comprehensive earnings and within equity in the consolidated statement of financial position.

Changes in the ownership interest of a subsidiary that do not result in loss of control are accounted for as an equity transaction. Consequently, if Holcim acquires or partially disposes of a non-controlling interest in a subsidiary, without losing control, any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognized directly in retained earnings.

**Revenue recognition**

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the entity and the amount of the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received net of sales taxes and discounts. Revenue from the sale of goods is recognized when delivery has taken place and the transfer of risks and rewards of ownership has been completed.

Interest is recognized on a time proportion basis that reflects the effective yield on the asset. Dividends are recognized when the shareholder's right to receive payment is established.

Certain activities of the Group are construction contract driven. Consequently, contract revenue and contract costs are recognized in the statement of income on the percentage of completion method, with the stage of completion being measured by reference to actual work performed to date.

**Contingent liabilities**

Contingent liabilities arise from conditions or situations where the outcome depends on future events. They are disclosed in the notes to the financial statements.

**Financial instruments**

Information about accounting for derivative financial instruments and hedging activities is included in the section "Risk management".

## Risk management

### Business risk management

Business Risk Management supports the Executive Committee and the management teams of the Group companies in their strategic decisions. Business Risk Management aims to systematically recognize major risks but also opportunities the company encounters. Potential risks are identified and evaluated at an early stage and constantly monitored. Countermeasures are then proposed and implemented at the appropriate level. All types of risk, from market, operations, finance and legal up to the external business environment, are considered including compliance and reputational aspects.

In addition to the Group companies, the Executive Committee and the Board of Directors are also involved in the assessment. The Group's risk profile is assessed from a variety of top-down and bottom-up angles. The Executive Committee reports regularly to the Board of Directors on important risk analysis findings and provides updates on the measures taken.

### Financial risk management

The Group's activities expose it to a variety of financial risks, including the effect of changes in debt structure and equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain exposures. Therefore, the Group does not enter into derivative or other financial transactions which are unrelated to its operating business. As such, a risk-averse approach is pursued.

Financial risk management within the Group is governed by policies approved by key management personnel. It provides principles for overall risk management as well as policies covering specific areas such as interest rate risk, foreign exchange risk, counterparty risk, use of derivative financial instruments and investing excess liquidity.

### Market risk

Holcim is exposed to market risk, primarily relating to foreign exchange and interest rate risk. Management actively monitors these exposures. To manage the volatility relating to these exposures, Holcim enters into a variety of derivative financial instruments. The Group's objective is to reduce, where appropriate, fluctuations in earnings and cash flows associated with changes in foreign exchange and interest rate risk. To manage liquid funds, it might write call options on assets it has or it might write put options on positions it wants to acquire and has the liquidity to acquire. Holcim, therefore, expects that any loss in value of those instruments generally would be offset by increases in the value of the underlying transactions.

### Liquidity risk

Group companies need a sufficient availability of cash to meet their obligations. Individual companies are responsible for their own cash surpluses and the raising of loans to cover cash deficits, subject to guidance by the Group and, in certain cases, to approval at Group level.

The Group monitors its liquidity risk by using a recurring liquidity planning tool and maintains sufficient reserves of cash, unused credit lines and readily realizable marketable securities to meet its liquidity requirements at all times. In addition, the strong international creditworthiness of the Group allows it to make efficient use of international financial markets for financing purposes.

**Contractual maturity analysis**

| | Contractual cash flows | | | | | | |
|---|---|---|---|---|---|---|---|
| Million CHF | Within 1 year | Within 2 years | Within 3 years | Within 4 years | Within 5 years | Thereafter | Total |
| **2010** | | | | | | | |
| Trade accounts payable | 2,303 | | | | | | 2,303 |
| Loans from financial institutions | 1,906 | 624 | 826 | 233 | 166 | 326 | 4,081 |
| Bonds and private placements | 815 | 1,076 | 2,313 | 1,780 | 751 | 3,542 | 10,277 |
| Interest payments | 568 | 567 | 473 | 386 | 233 | 919 | 3,146 |
| Finance leases | 27 | 29 | 14 | 11 | 5 | 63 | 149 |
| Derivative financial instruments held for hedging net[1] | (28) | (24) | 72 | (14) | 31 | (27) | 10 |
| **Total** | **5,591** | **2,272** | **3,698** | **2,396** | **1,186** | **4,823** | **19,966** |
| **2009** | | | | | | | |
| Trade accounts payable | 2,223 | | | | | | 2,223 |
| Loans from financial institutions | 3,347 | 666 | 752 | 1,150 | 107 | 236 | 6,258 |
| Bonds and private placements | 1,392 | 682 | 1,062 | 2,454 | 2,166 | 4,098 | 11,854 |
| Interest payments | 738 | 627 | 615 | 482 | 384 | 1,255 | 4,101 |
| Finance leases | 35 | 28 | 28 | 11 | 11 | 73 | 186 |
| Derivative financial instruments held for hedging net[1] | (40) | (26) | (16) | (64) | (13) | (65) | (224) |
| **Total** | **7,695** | **1,977** | **2,441** | **4,033** | **2,655** | **5,597** | **24,398** |

The maturity profile is based on contractual undiscounted amounts including both interest and principal cash flows and based on the earliest date on which Holcim can be required to pay.

Contractual interest cash flows relating to a variable interest rate are calculated based on the rates prevailing as of December 31.

**Interest rate risk**

The Group is exposed to fluctuations in financing costs and market value movements of its debt portfolio related to changes in market interest rates. Given the Group's substantial borrowing position, interest rate exposure is mainly addressed through the steering of the fixed/floating ratio of debt. To manage this mix, Holcim may enter into interest rate swap agreements, in which it exchanges periodic payments, based on notional amounts and agreed-upon fixed and variable interest rates.

**Interest rate sensitivity**

The Group's sensitivity analysis has been determined based on the interest rate exposure relating to the Group's financial liabilities at variable rate on a post hedge basis as at December 31.

A 1 percentage point change is used when the interest rate risk is reported internally to key management personnel and represents management's assessment of a reasonably possible change in interest rates.

At December 31, a ±1 percentage point shift in interest rates, with all other assumptions held constant, would result in approximately CHF 46 million (2009: 68) of annual additional/lower financial expenses before tax on a post hedge basis. The Group's sensitivity to interest rates is lower than last year mainly due to the fact that the ratio of financial liabilities at variable rates to total financial liabilities has decreased from 49 percent to 42 percent.

[1] The contractual cash flows for all derivative financial instruments held for hedging include both cash in- and outflows. Additional information is disclosed in note 31.

Impacts on equity due to derivative instruments are considered as not material based on the shareholders' equity of Group Holcim.

**Currency risk**
The Group operates internationally in over 70 countries and therefore is exposed to foreign currency risks.

The translation of foreign operations into the Group reporting currency leads to currency translation effects. The Group may hedge certain net investments in foreign entities with foreign currency borrowings or other instruments. Hedges of net investments in foreign entities are accounted for similarly to cash flow hedges. To the extent that the net investment hedge is effective, all foreign exchange gains or losses are recognized in equity and included in currency translation adjustments.

Due to the local nature of the construction materials business, transaction risk is limited. However, for many Group companies, income will be primarily in local currency whereas debt servicing and a significant amount of capital expenditures may be in foreign currencies. As a consequence thereof, subsidiaries may enter into derivative contracts which are designated as either cash flow hedges or fair value hedges, as appropriate, but which do not include the hedging of forecasted transactions as it is not considered economical.

**Currency sensitivity**
The Group's sensitivity analysis has been determined based on the Group's net transaction exposure that arises on monetary financial assets and liabilities at December 31 that are denominated in a foreign currency other than the functional currency in which they are measured. The Group's net foreign currency transaction risk mainly arises from CHF, USD and EUR against the respective currencies the Group operates in.

A 5 percent change is used when the net foreign currency transaction risk is reported internally to key management personnel and represents management's assessment of a reasonably possible change in foreign exchange rates.

A ±5 percent change in the CHF, USD and EUR against the respective currencies the Group operates in would only have an immaterial impact on foreign exchange losses before tax on a post hedge basis in both the current and prior year.

Impacts on equity due to derivative instruments are considered as not material based on the shareholders' equity of Group Holcim.

**Equities and securities risk**
In general, the Group does not hold or acquire any shares or options on shares or other equity products, which are not directly related to the business of the Group.

**Capital structure**
The Group's objectives when managing capital are to secure the Group's ongoing financial needs to continue as a going concern as well as to cater for its growth targets in order to provide returns to shareholders and benefits for other stakeholders and to maintain a cost-efficient and risk-optimized capital structure.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions, its business activities, investment and expansion program and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, increase debt or sell assets to reduce debt.

The Group monitors capital, among others, on the basis of both the ratio of funds from operations as a percentage of net financial debt and gearing.

Funds from operations is calculated as net income plus depreciation, amortization and impairment as shown in the consolidated statement of income. Net financial debt is calculated as financial liabilities less cash and cash equivalents as shown in the consolidated statement of financial position.

Gearing is calculated as net financial debt divided by total shareholders' equity as shown in the consolidated statement of financial position.

During 2010, the Group's target, which was unchanged from 2009, was to maintain a ratio of funds from operations as a percentage of net financial debt of at least 25 percent and a gearing in the range of no more than 100 percent in order to maintain a solid investment grade rating.

Despite a decrease in net income, the ratio funds from operations/net financial debt increased as a result of the disproportionate decrease in net financial debt.

The decrease in gearing arose due to the disproportionate decrease in net financial debt compared to the decrease in total shareholders' equity. Shareholders' equity decreased by 4.2 percent during 2010 mainly as a result of currency translation adjustments and dividends paid.

| Million CHF | 2010 | 2009 |
|---|---|---|
| Net income | 1,621 | 1,958 |
| Depreciation, amortization and impairment (note 9) | 1,934 | 1,858 |
| Funds from operations | 3,555 | 3,816 |
| | | |
| Financial liabilities (note 29) | 14,749 | 18,307 |
| Cash and cash equivalents (note 17) | (3,386) | (4,474) |
| Net financial debt | 11,363 | 13,833 |
| **Funds from operations/net financial debt** | **31.3%** | **27.6%** |

| Million CHF | 2010 | 2009 |
|---|---|---|
| Net financial debt | 11,363 | 13,833 |
| Total shareholders' equity | 21,121 | 22,044 |
| **Gearing** | **53.8%** | **62.8%** |

**Credit risk**

Credit risks arise from the possibility that customers may not be able to settle their obligations as agreed. To manage this risk, the Group periodically assesses the financial reliability of customers.

Credit risks, or the risk of counterparties defaulting, are constantly monitored. Counterparties to financial instruments consist of a large number of major financial institutions. The Group does not expect any counterparties to fail to meet their obligations, given their high credit ratings. In addition, Holcim has no significant concentration of credit risk with any single counterparty or group of counterparties.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the consolidated statement of financial position.

**Accounting for derivative financial instruments and hedging activities**

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss is dependent on the nature of the item being hedged. On the date a derivative contract is entered into, the Group designates certain derivatives as either (a) a hedge of the fair value of a recognized asset or liability (fair value hedge) or (b) a hedge of a particular risk associated with a recognized asset or liability, such as future interest payments on floating rate debt (cash flow hedge) or (c) a hedge of a foreign currency risk of a firm commitment (cash flow hedge) or (d) a hedge of a net investment in a foreign entity.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that are highly effective are recorded in the statement of income, along with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges and that are highly effective are recognized outside the statement of income. Where the firm commitment results in the recognition of an asset, for example, property, plant and equipment, or a liability, the gains or losses previously deferred in equity are transferred from equity and included in the initial measurement of the non-financial asset or liability. Otherwise, amounts deferred in equity are transferred to the statement of income and classified as revenue or expense in the same periods during which the cash flows, such as interest payments, or hedged firm commitments, affect the statement of income.

Changes in the fair value of derivatives that are designated and qualify as net investment hedges and that are highly effective are recognized outside the statement of income and included in currency translation adjustments. The amounts deferred in equity are transferred to the statement of income on disposal of the foreign entity.

Certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, may not qualify for hedge accounting under the specific rules in IAS 39. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under IAS 39 are recognized immediately in the statement of income.

When a hedging instrument is sold, or when a hedge no longer meets the criteria for hedge accounting under IAS 39, any cumulative gain or loss recognized in equity at that time remains in equity until the committed transaction occurs. However, if a committed transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of income. In the case of a fair value hedge, any valuation adjustment relating to a hedged item is amortized to profit or loss over the remaining life of the hedged item.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives designated as hedges to specific assets and liabilities or to specific firm commitments or to investments in foreign entities. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items including translation gains and losses in hedged foreign investments.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 31. Movements in the cash flow hedging reserve are shown in the statement of changes in consolidated equity of Group Holcim.

**Fair value estimation**

The fair value of publicly traded derivatives and available-for-sale assets is generally based on quoted market prices at the end of the reporting period. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the end of the reporting period.

In assessing the fair value of non-traded derivatives and other financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of the reporting period. Other techniques, such as option pricing models and estimated discounted value of future cash flows, are used to determine fair values for the remaining financial instruments.

The amortized cost for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

**Fair value hierarchy**

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

| | |
|---|---|
| Level 1: | Quoted (unadjusted) prices in active markets for identical assets or liabilities. |
| Level 2: | Other valuation methods for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly. |
| Level 3: | Valuation methods which use inputs which have a significant effect on the recorded fair value that are not based on observable market data. |

The following table presents the Group's financial instruments that are recognized and measured at fair value:

| Million CHF | Level 1 | Level 2 | Total |
|---|---|---|---|
| **2010** | | | |
| **Financial assets** | | | |
| Available-for-sale financial assets | | | |
| – Marketable securities | 30 | 0 | 30 |
| – Financial investments in third parties | 5 | 0 | 5 |
| – Other (note 20, 26) | 0 | 353 | 353 |
| Derivatives held for hedging (note 31) | 0 | 80 | 80 |
| | | | |
| **Financial liabilities** | | | |
| Derivatives held for hedging (note 31) | 0 | 137 | 137 |
| | | | |
| **2009** | | | |
| **Financial assets** | | | |
| Available-for-sale financial assets | | | |
| – Marketable securities | 33 | 0 | 33 |
| – Financial investments in third parties | 4 | 0 | 4 |
| – Other | 0 | 0 | 0 |
| Derivatives held for hedging (note 31) | 0 | 86 | 86 |
| | | | |
| **Financial liabilities** | | | |
| Derivatives held for hedging (note 31) | 0 | 87 | 87 |

## Notes to the consolidated financial statements

### 1 Changes in the scope of consolidation

During 2010 there were no business combinations that were either individually material or that were considered material on an aggregated basis.

During 2009 the scope of consolidation has been affected mainly by the following additions and deconsolidations:

| **Newly included in 2009** | **Effective as at** |
|---|---|
| Holcim Australia | October 1, 2009 |
| Cement Australia (50 percent) | October 1, 2009 |

| **Deconsolidated in 2009** | **Effective as at** |
|---|---|
| United Cement Company of Nigeria Ltd | April 1, 2009 |

On October 1, 2009, Holcim acquired 100 percent of the share capital of **Holcim Australia** (formerly Cemex Australia), including its 25 percent interest in Cement Australia.

As a result of the acquisition of Holcim Australia, Holcim's interest in **Cement Australia** increased from 50 percent to 75 percent. Until September 30, 2009, Holcim accounted for Cement Australia as a joint venture and proportionately consolidated its 50 percent interest. As from October 1, 2009, Cement Australia has been fully consolidated.

The identifiable assets and liabilities arising from the acquisition are as follows:

**Assets and liabilities arising from the acquisition of Holcim Australia and Cement Australia (consolidated)**

| Million CHF | Fair value | Carrying amount[1] |
|---|---|---|
| Current assets | 648 | 648 |
| Property, plant and equipment | 1,852 | 1,635 |
| Other assets | 227 | 304 |
| Short-term liabilities | (492) | (479) |
| Long-term provisions | (238) | (148) |
| Other long-term liabilities | (372) | (383) |
| **Net assets** | **1,625** | **1,577** |

| | |
|---|---|
| Previously held net assets of Cement Australia (50 percent) | (201) |
| Non-controlling interest in Cement Australia (25 percent) | (100) |
| **Net assets acquired** | **1,324** |

| | |
|---|---|
| **Total purchase consideration (cash)** | **1,725** |
| Fair value of net assets acquired | (1,324) |
| **Goodwill** | **401** |

[1] Excluding goodwill previously included in the accounts of Cement Australia.

The total goodwill arising from this transaction is CHF 401 million of which CHF 98 million had been previously recognized in the accounts of the former joint venture Cement Australia. The goodwill is attributable to the favorable presence that both Holcim Australia and Cement Australia enjoy in Australia, including the good location and strategic importance of mineral reserves.

Holcim Australia and Cement Australia (50 percent) contributed net income of CHF 40 million to the Group for the period from October 1, 2009 to December 31, 2009. If the acquisition had occurred on January 1, 2009, Group net sales and net income would have been CHF 1,268 million and CHF 123 million higher respectively.

On April 1, 2009, **United Cement Company of Nigeria Ltd** was deconsolidated as joint control ceased and recognized as an investment in associate as a result of retaining significant influence. The impact of the above resulted in Group Holcim derecognizing its proportionate interest of total assets and liabilities amounting to CHF 476 million and CHF 533 million respectively and the recognition of an investment in an associate at zero cost.

Business combinations individually not material are included in aggregate in note 40. If the acquisitions had occurred on January 1, 2010, Group net sales and net income would have remained substantially unchanged.

An overview of the subsidiaries, joint ventures and associated companies is included in the section "Principal companies of the Holcim Group" on pages 196 to 198.

## 2 Foreign currencies

The following table summarizes the principal exchange rates that have been used for translation purposes.

| | Statement of income<br>Average exchange rates in CHF | | | Statement of financial position<br>Year-end exchange rates in CHF | | |
|---|---|---|---|---|---|---|
| | 2010 | 2009 | ±% | 31.12.2010 | 31.12.2009 | ±% |
| 1 EUR | 1.38 | 1.51 | –8.6 | 1.25 | 1.49 | –16.1 |
| 1 GBP | 1.61 | 1.70 | –5.3 | 1.45 | 1.66 | –12.7 |
| 1 USD | 1.04 | 1.09 | –4.6 | 0.94 | 1.03 | –8.7 |
| 1 CAD | 1.01 | 0.95 | +6.3 | 0.94 | 0.98 | –4.1 |
| 100 MXN | 8.24 | 8.02 | +2.7 | 7.56 | 7.88 | –4.1 |
| 100 INR | 2.28 | 2.24 | +1.8 | 2.09 | 2.21 | –5.4 |
| 100 THB | 3.27 | 3.15 | +3.8 | 3.09 | 3.08 | +0.3 |
| 1,000 IDR | 0.12 | 0.11 | +9.1 | 0.10 | 0.11 | –9.1 |
| 100 PHP | 2.31 | 2.28 | +1.3 | 2.14 | 2.23 | –4.0 |
| 1 AUD | 0.96 | 0.86 | +11.6 | 0.95 | 0.93 | +2.2 |

### 3 Information by reportable segment

| | Europe | | North America | | Latin America | |
|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| **Capacity and sales** | | | | | | |
| Million t | | | | | | |
| Annual cement production capacity | 50.0 | 49.4 | 23.2 | 20.6 | 33.4 | 31.0 |
| Sales of cement | 26.2 | 26.9 | 11.1 | 10.7 | 22.7 | 22.8 |
| – of which mature markets | 16.3 | 16.1 | 11.1 | 10.7 | | |
| – of which emerging markets | 9.9 | 10.8 | | | 22.7 | 22.8 |
| Sales of mineral components | 1.6 | 1.5 | 1.5 | 1.3 | | |
| Sales of aggregates | 77.6 | 78.4 | 39.2 | 40.2 | 12.2 | 11.8 |
| – of which mature markets | 69.4 | 70.0 | 39.2 | 40.2 | | |
| – of which emerging markets | 8.2 | 8.4 | | | 12.2 | 11.8 |
| Sales of asphalt | 5.7 | 5.6 | 4.9 | 5.4 | | |
| Million m³ | | | | | | |
| Sales of ready-mix concrete | 16.0 | 17.0 | 5.6 | 5.5 | 10.5 | 10.1 |
| – of which mature markets | 14.1 | 14.7 | 5.6 | 5.5 | | |
| – of which emerging markets | 1.9 | 2.3 | | | 10.5 | 10.1 |
| **Statement of income, statement of financial position and statement of cash flows** | | | | | | |
| Million CHF | | | | | | |
| Net sales to external customers | 6,391 | 7,207 | 3,240 | 3,480 | 3,442 | 3,324 |
| Net sales to other segments | 144 | 113 | | | | 24 |
| Total net sales | 6,535 | 7,320 | 3,240 | 3,480 | 3,442 | 3,348 |
| – of which mature markets | 5,402 | 5,911 | 3,240 | 3,480 | | |
| – of which emerging markets | 1,133 | 1,409 | | | 3,442 | 3,348 |
| Operating EBITDA | 1,045 | 1,232 | 460 | 400 | 999 | 1,076 |
| – of which mature markets | 717 | 826 | 460 | 400 | | |
| – of which emerging markets | 328 | 406 | | | 999 | 1,076 |
| Operating EBITDA margin in % | 16.0 | 16.8 | 14.2 | 11.5 | 29.0 | 32.1 |
| Depreciation, amortization and impairment of operating assets | (652) | (749) | (360) | (360) | (209) | (197) |
| Operating profit | 393 | 483 | 100 | 40 | 790 | 879 |
| Operating profit margin in % | 6.0 | 6.6 | 3.1 | 1.1 | 23.0 | 26.3 |
| Depreciation, amortization and impairment of non-operating assets | (2) | (6) | (5) | (2) | (2) | |
| Other (expenses) income | (28) | 51 | 456 | (33) | (168) | (123) |
| Share of profit of associates | 24 | 35 | | | | |
| Other financial income | 19 | 44 | 1 | 3 | 12 | 6 |
| EBITDA | 1,062 | 1,368 | 922 | 372 | 845 | 959 |
| Investments in associates | 172 | 172 | | | 2 | 3 |
| Net operating assets | 8,738 | 10,551 | 6,809 | 7,532 | 4,000 | 3,844 |
| Total assets | 14,379 | 16,430 | 7,882 | 9,240 | 5,315 | 5,561 |
| Total liabilities | 6,793 | 8,241 | 5,375 | 6,587 | 3,387 | 3,442 |
| Cash flow from operating activities | 968 | 923 | 260 | 235 | 493 | 570 |
| Cash flow margin in % | 14.8 | 12.6 | 8.0 | 6.8 | 14.3 | 17.0 |
| Acquisition cost segment assets[1] | 750 | 798 | 101 | 474 | 312 | 397 |
| Cash flow (used in) from investing activities[2] | (625) | (256) | 601 | (437) | (316) | (415) |
| Impairment loss[3] | (51) | (108) | (3) | (20) | | |
| **Personnel** | | | | | | |
| Number of personnel | 19,690 | 20,800 | 6,668 | 8,016 | 12,710 | 12,626 |

[1] Property, plant and equipment and intangible assets.
[2] Net investments in property, plant and equipment, Group companies, financial assets, intangible and other assets. Refer further to the consolidated statement of cash flows, footnote 1.
[3] Included in depreciation, amortization and impairment of operating and non-operating assets respectively.

| | Africa Middle East | | Asia Pacific | | Corporate/Eliminations | | Total Group | |
|---|---|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| | | | | | | | | |
| | | | | | | | | |
| | 11.2 | 11.2 | 93.7 | 90.7 | | | 211.5 | 202.9 |
| | 8.9 | 8.8 | 71.4 | 67.3 | (3.6) | (4.6) | 136.7 | 131.9 |
| | | | 4.7 | 3.2 | (0.6) | (0.5) | 31.5 | 29.5 |
| | 8.9 | 8.8 | 66.7 | 64.1 | (3.0) | (4.1) | 105.2 | 102.4 |
| | | | 1.0 | 0.7 | | | 4.1 | 3.5 |
| | 2.5 | 2.6 | 26.4 | 10.4 | | | 157.9 | 143.4 |
| | | | 23.2 | 7.3 | | | 131.8 | 117.5 |
| | 2.5 | 2.6 | 3.2 | 3.1 | | | 26.1 | 25.9 |
| | | | | | | | 10.6 | 11.0 |
| | | | | | | | | |
| | 1.1 | 1.1 | 12.7 | 8.1 | | | 45.9 | 41.8 |
| | | | 5.8 | 1.9 | | | 25.5 | 22.1 |
| | 1.1 | 1.1 | 6.9 | 6.2 | | | 20.4 | 19.7 |
| | | | | | | | | |
| | | | | | | | | |
| | 1,098 | 1,204 | 7,482 | 5,917 | | | 21,653 | 21,132 |
| | | 2 | 476 | 501 | (620) | (640) | | |
| | 1,098 | 1,206 | 7,958 | 6,418 | (620) | (640) | 21,653 | 21,132 |
| | | | 2,319 | 977 | (305) | (305) | 10,656 | 10,063 |
| | 1,098 | 1,206 | 5,639 | 5,441 | (315) | (335) | 10,997 | 11,069 |
| | 359 | 373 | 1,820 | 1,760 | (170) | (211) | 4,513 | 4,630 |
| | | | 402 | 214 | (57) | (63) | 1,522 | 1,377 |
| | 359 | 373 | 1,418 | 1,546 | (113) | (148) | 2,991 | 3,253 |
| | 32.7 | 30.9 | 22.9 | 27.4 | | | 20.8 | 21.9 |
| | (55) | (56) | (589) | (459) | (29) | (28) | (1,894) | (1,849) |
| | 304 | 317 | 1,231 | 1,301 | (199) | (239) | 2,619 | 2,781 |
| | 27.7 | 26.3 | 15.5 | 20.3 | | | 12.1 | 13.2 |
| | | | (1) | (2) | (30) | 1 | (40) | (9) |
| | (16) | (28) | (40) | (55) | (197) | 394 | 7 | 206 |
| | | | 8 | 12 | 213 | 255 | 245 | 302 |
| | | 1 | 45 | 24 | 106 | 4 | 183 | 82 |
| | 343 | 346 | 1,834 | 1,743 | (18) | 441 | 4,988 | 5,229 |
| | 2 | 2 | 72 | 59 | 1,184 | 1,293 | 1,432 | 1,529 |
| | 695 | 842 | 9,371 | 9,331 | 204 | 275 | 29,817 | 32,375 |
| | 1,250 | 1,407 | 14,095 | 14,434 | 1,338 | 2,134 | 44,259 | 49,206 |
| | 620 | 739 | 4,030 | 3,860 | 2,933 | 4,293 | 23,138 | 27,162 |
| | 247 | 294 | 1,572 | 1,680 | 119 | 186 | 3,659 | 3,888 |
| | 22.5 | 24.4 | 19.8 | 26.2 | 0.0 | 0.0 | 16.9 | 18.4 |
| | 97 | 90 | 580 | 819 | 14 | 3 | 1,854 | 2,581 |
| | (98) | (112) | (233) | (492) | (691) | (2,718) | (1,362) | (4,430) |
| | (1) | (1) | (4) | (7) | (6) | | (65) | (136) |
| | | | | | | | | |
| | 2,213 | 2,256 | 38,172 | 36,858 | 857 | 942 | 80,310 | 81,498 |

**Reconciling measures of profit and loss to the consolidated statement of income of Group Holcim**

| Million CHF | Notes | 2010 | 2009 |
|---|---|---|---|
| **Operating profit** | | **2,619** | **2,781** |
| Depreciation, amortization and impairment of operating assets | 9 | 1,894 | 1,849 |
| **Operating EBITDA** | | **4,513** | **4,630** |
| Other income | 11 | 7 | 206 |
| Depreciation, amortization and impairment of non-operating assets | 9 | 40 | 9 |
| Share of profit of associates | 23 | 245 | 302 |
| Other financial income | 12 | 183 | 82 |
| **EBITDA** | | **4,988** | **5,229** |
| Depreciation, amortization and impairment of operating assets | 9 | (1,894) | (1,849) |
| Depreciation, amortization and impairment of non-operating assets | 9 | (40) | (9) |
| Interest earned on cash and marketable securities | 12 | 79 | 91 |
| Financial expenses | 13 | (897) | (881) |
| **Net income before taxes** | | **2,236** | **2,581** |

## 4 Information by product line

| | Cement[1] | |
|---|---|---|
| | 2010 | 2009 |
| **Statement of income, statement of financial position and statement of cash flows** | | |
| Million CHF | | |
| Net sales to external customers | 12,572 | 12,608 |
| Net sales to other segments | 1,376 | 1,200 |
| Total net sales | 13,948 | 13,808 |
| Operating EBITDA | 3,755 | 3,924 |
| Operating EBITDA margin in % | 26.9 | 28.4 |
| Operating profit | 2,551 | 2,730 |
| Net operating assets | 19,907 | 20,944 |
| Acquisition cost segment assets[2] | 1,495 | 2,260 |
| Cash flow (used in) from investing activities[3] | (1,529) | (2,490) |
| | | |
| **Personnel** | | |
| Number of personnel | 51,133 | 50,335 |

[1] Cement, clinker and other cementitious materials.
[2] Property, plant and equipment and intangible assets.
[3] Net investments in property, plant and equipment, Group companies, financial assets, intangible and other assets. Refer further to the consolidated statement of cash flows, footnote 1.

| | Aggregates | | Other construction materials and services | | Corporate/Eliminations | | Total Group | |
|---|---|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| | | | | | | | | |
| | | | | | | | | |
| | 1,571 | 1,391 | 7,510 | 7,133 | | | 21,653 | 21,132 |
| | 924 | 745 | 597 | 509 | (2,897) | (2,454) | | |
| | 2,495 | 2,136 | 8,107 | 7,642 | (2,897) | (2,454) | 21,653 | 21,132 |
| | 530 | 421 | 228 | 285 | | | 4,513 | 4,630 |
| | 21.2 | 19.7 | 2.8 | 3.7 | | | 20.8 | 21.9 |
| | 198 | 102 | (130) | (51) | | | 2,619 | 2,781 |
| | 5,822 | 6,723 | 4,088 | 4,708 | | | 29,817 | 32,375 |
| | 168 | 140 | 188 | 179 | 3 | 2 | 1,854 | 2,581 |
| | (76) | (1,620) | (154) | (138) | 397 | (182) | (1,362) | (4,430) |
| | | | | | | | | |
| | | | | | | | | |
| | 6,478 | 6,850 | 22,577 | 23,725 | 122 | 588 | 80,310 | 81,498 |

## 5 Information by country

| | Net sales to external customers | | Non-current assets | |
|---|---|---|---|---|
| Million CHF | 2010 | 2009 | 2010 | 2009 |
| Switzerland | 746 | 737 | 1,005 | 1,034 |
| USA | 1,933 | 2,289 | 5,811 | 6,628 |
| United Kingdom | 1,975 | 2,071 | 2,506 | 3,010 |
| Australia | 2,126 | 800 | 2,390 | 2,403 |
| India | 3,557 | 3,317 | 5,326 | 5,550 |
| | | | | |
| Remaining countries | 11,316 | 11,918 | 15,366 | 16,851 |
| **Total Group** | **21,653** | **21,132** | **32,404** | **35,476** |

Net sales to external customers are based primarily on the location of assets (origin of sales).

Non-current assets for this purpose consist of property, plant and equipment and intangible assets.

## 6 Change in consolidated net sales

| Million CHF | 2010 | 2009 |
|---|---|---|
| Volume and price | (444) | (2,510) |
| Change in structure | 1,147 | 195 |
| Currency translation effects | (182) | (1,710) |
| **Total** | **521** | **(4,025)** |

## 7 Production cost of goods sold

| Million CHF | 2010 | 2009 |
|---|---|---|
| Material expenses | (3,488) | (3,309) |
| Fuel expenses | (1,420) | (1,383) |
| Electricity expenses | (979) | (952) |
| Personnel expenses | (1,852) | (1,783) |
| Depreciation, amortization and impairment | (1,528) | (1,472) |
| Other production expenses | (3,079) | (2,908) |
| Change in inventory | (33) | (265) |
| **Total** | **(12,379)** | **(12,072)** |

## 8 Distribution and selling expenses

| Million CHF | 2010 | 2009 |
|---|---|---|
| Distribution expenses | (4,582) | (4,144) |
| Selling expenses | (696) | (684) |
| **Total** | **(5,278)** | **(4,828)** |

## 9 Summary of depreciation, amortization and impairment

| Million CHF | 2010 | 2009 |
|---|---|---|
| Production facilities | (1,528) | (1,472) |
| Distribution and sales facilities | (246) | (247) |
| Administration facilities | (120) | (130) |
| **Total depreciation, amortization and impairment of operating assets (A)** | **(1,894)** | **(1,849)** |
| | | |
| Impairment of investments in associates | (30) | 0 |
| Ordinary depreciation of non-operating assets | (4) | (9) |
| Unusual write-offs | (6) | 0 |
| **Total depreciation, amortization and impairment of non-operating assets (B)** | **(40)** | **(9)** |
| | | |
| **Total depreciation, amortization and impairment (A+B)** | **(1,934)** | **(1,858)** |
| Of which depreciation of property, plant and equipment | (1,711) | (1,603) |

## 10 Change in operating EBITDA

| Million CHF | 2010 | 2009 |
|---|---|---|
| Volume, price and cost | (284) | (270) |
| Change in structure | 188 | (39) |
| Currency translation effects | (21) | (394) |
| **Total** | **(117)** | **(703)** |

## 11 Other income

| Million CHF | 2010 | 2009 |
|---|---|---|
| Dividends earned | 5 | 13 |
| Other ordinary income | 42 | 202 |
| Depreciation, amortization and impairment of non-operating assets | (40) | (9) |
| **Total** | **7** | **206** |

In 2010, the position "Other ordinary income" mainly includes gains on sale of Property, Plant and Equipment. In 2009, the position "Other ordinary income" includes the gain on the sale of Panamá Cement Holding S.A., Caricement Antilles N.V., Cimenterie Nationale S.E.M. Haiti and Cementos Colón S.A. in the amount of CHF 66 million plus the release of a provision not needed anymore related to the German antitrust investigation in the amount of CHF 85 million (note 33).

## 12 Financial income

| Million CHF | 2010 | 2009 |
|---|---|---|
| Interest earned on cash and marketable securities | 79 | 91 |
| Other financial income | 183 | 82 |
| **Total** | **262** | **173** |

In 2010, the position "Other financial income" includes the partial realization of the change in fair value of the compensation related to the nationalization of Holcim Venezuela in the amount of USD 164 million (CHF 170 million). Additional information is disclosed in note 21. Further the position includes a negative value adjustment of CHF 42 million on "Long-term receivables – associates" (note 22). The remaining amount relates primarily to income from loans and receivables.

## 13 Financial expenses

| Million CHF | 2010 | 2009 |
|---|---|---|
| Interest expenses | (789) | (780) |
| Fair value changes on financial instruments | 0 | (3) |
| Amortization on bonds and private placements | (10) | (2) |
| Unwinding of discount on provisions | (58) | (17) |
| Other financial expenses | (102) | (98) |
| Foreign exchange gain (loss) net | 5 | (78) |
| Financial expenses capitalized | 57 | 97 |
| **Total** | **(897)** | **(881)** |
| Of which to associates | 0 | (1) |

The average rate of interest of financial liabilities at December 31, 2010, was 4.4 percent (2009: 4.4).

The positions "Interest expenses" and "Other financial expenses" relate primarily to financial liabilities measured at amortized cost.

The position "Financial expenses capitalized" comprises interest expenditures on large-scale projects during the reporting period.

Information about the Group's exposure to the risk of changes in market interest rates and foreign currency exchange rates is disclosed within the section "Risk management" on pages 145 and 146.

## 14 Income taxes

| Million CHF | 2010 | 2009 |
|---|---|---|
| Current taxes | (602) | (742) |
| Deferred taxes | (13) | 119 |
| **Total** | **(615)** | **(623)** |

As a last restructuring step following the buyout of the non-controlling interest in Holcim (Canada) Inc., Holcim (US) Inc. transferred in the first quarter 2010 its entire stake in Holcim (Canada) Inc. to its parent company Holcim Ltd. As a consequence, Holcim (US) Inc. realized a capital gain in the amount of CHF 509 million, which is eliminated in the Group's consolidated accounts. The non-recurring tax charge of USD 171 million (CHF 178 million) on the capital gain appears as of the first quarter 2010 in deferred taxes. However, this charge is cash-neutral as it is fully offset by tax losses carried forward.

Current taxes include an income of CHF 94 million (2009: 12) relating to prior years.

**Deferred tax by type**

| Million CHF | 2010 | 2009 |
|---|---|---|
| Property, plant and equipment | 49 | (45) |
| Intangible and other long-term assets | (12) | (8) |
| Provisions | (39) | 60 |
| Tax losses carryforward | 4 | 135 |
| Other | (15) | (23) |
| **Total** | **(13)** | **119** |

**Reconciliation of tax rate**

| | 2010 | 2009 |
|---|---|---|
| **Group's expected tax rate** | **36%** | **30%** |
| Effect of non-deductible or non-taxable items and income taxed at different tax rates | (5%) | (6%) |
| Net change of unrecognized tax loss carryforwards | 2% | 0% |
| Prior year and other items | (5%) | 0% |
| **Group's effective tax rate** | **28%** | **24%** |

The Group's expected tax rate is a weighted average tax rate based on profits (losses) before taxes of the Group companies. The increase in 2010 is largely based on a change of the relative weight of the profit at the Group companies which includes the effect of the internal transfer of the investment in Holcim (Canada) Inc. (see above).

## 15 Research and development

Research and development projects are carried out with a view to generate added value for customers through end user oriented products and services. Additionally, process innovation aims at environmental protection and production system improvements. Research and development costs of CHF 15 million (2009: 17) were charged directly to the consolidated statement of income. No significant costs were incurred for licenses obtained from third parties, nor was any major revenue generated from licenses granted.

## 16 Earnings per share

| | 2010 | 2009 |
|---|---|---|
| **Earnings per share in CHF** | **3.69** | **4.93** |
| Net income – shareholders of Holcim Ltd – as per statement of income (in million CHF) | 1,182 | 1,471 |
| Weighted average number of shares outstanding | 319,980,805 | 298,137,630 |
| | | |
| **Fully diluted earnings per share in CHF** | **3.69** | **4.93** |
| Net income used to determine diluted earnings per share (in million CHF) | 1,182 | 1,471 |
| Weighted average number of shares outstanding | 319,980,805 | 298,137,630 |
| Adjustment for assumed exercise of share options | 225,319 | 153,751 |
| Weighted average number of shares for diluted earnings per share | 320,206,124 | 298,291,381 |

In conformity with the decision taken at the annual general meeting on May 6, 2010, a cash dividend related to 2009 of CHF 1.50 per registered share has been paid. This resulted in a total ordinary dividend payment of CHF 480 million.

A cash payment out of the capital contribution reserve in respect of the financial year 2010 of CHF 1.50 per registered share, amounting to a total payout of CHF 480 million, is to be proposed at the annual general meeting of shareholders on May 5, 2011. These consolidated financial statements do not reflect this cash payment, since it will be effective in 2011 only.

## 17 Cash and cash equivalents

| Million CHF | 2010 | 2009 |
|---|---|---|
| Cash at banks and in hand | 790 | 871 |
| Short-term deposits | 2,596 | 3,603 |
| **Total** | **3,386** | **4,474** |
| Bank overdrafts | (317) | (213) |
| **Cash and cash equivalents for the purpose of the consolidated statement of cash flows** | **3,069** | **4,261** |

Cash and cash equivalents comprise cash at banks and in hand, deposits held on call with banks and other short-term highly liquid investments.

Bank overdrafts are included in current financial liabilities.

## 18 Accounts receivable

| Million CHF | 2010 | 2009 |
|---|---|---|
| Trade accounts receivable – associates | 56 | 84 |
| Trade accounts receivable – third parties | 2,054 | 2,276 |
| Other receivables – associates | 35 | 539 |
| Other receivables – third parties | 436 | 497 |
| Derivative assets | 9 | 5 |
| **Total** | **2,590** | **3,401** |
| Of which pledged/restricted | 115 | 112 |

**Overdue accounts receivable**

| Million CHF | 2010 | 2009 |
|---|---|---|
| Not overdue | 2,146 | 2,879 |
| Overdue 1 to 89 days | 334 | 368 |
| Overdue 90 to 180 days | 99 | 126 |
| Overdue more than 180 days | 194 | 245 |
| ./. Allowances for doubtful accounts | (183) | (217) |
| **Total** | **2,590** | **3,401** |

Due to the local nature of the business, specific terms and conditions for accounts receivable trade exist for local Group companies and as such Group guidelines are not required.

The overdue amounts relate to receivables where payment terms specified in the terms and conditions established with Holcim customers have been exceeded.

**Allowance for doubtful accounts**

| Million CHF | 2010 | 2009 |
|---|---|---|
| **January 1** | **(217)** | **(179)** |
| Change in structure | 0 | (5) |
| Allowance recognized | (32) | (52) |
| Amounts used during the year | 12 | 3 |
| Unused amounts reversed during the year | 12 | 4 |
| Currency translation effects | 42 | 12 |
| **December 31** | **(183)** | **(217)** |

## 19 Inventories

| Million CHF | 2010 | 2009 |
|---|---|---|
| Raw materials and additives | 312 | 310 |
| Semifinished and finished products | 940 | 1,022 |
| Fuels | 314 | 287 |
| Parts and supplies | 472 | 504 |
| Unbilled services | 34 | 39 |
| **Total** | **2,072** | **2,162** |

In 2010, the Group recognized inventory write-downs to net realizable value of CHF 6 million (2009: 12). The carrying amount of inventories carried at net realizable value was CHF 42 million (2009: 63).

### 20 Prepaid expenses and other current assets

This position includes an amount of USD 96 million (CHF 90 million) relating to a compensation receivable from the Bolivarian Republic of Venezuela. Additional information is disclosed in note 21.

### 21 Assets classified as held for sale

The major classes of assets and liabilities classified as held for sale are as follows:

| Million CHF | 2010 | 2009 |
|---|---|---|
| Other current assets | 0 | 1 |
| Property, plant and equipment | 18 | 18 |
| Financial assets | 0 | 214 |
| Other long-term assets | 0 | 1 |
| **Assets classified as held for sale** | **18** | **234** |
| | | |
| **Liabilities directly associated with assets classified as held for sale** | **0** | **0** |
| | | |
| **Net assets classified as held for sale** | **18** | **234** |

Financial assets of CHF 214 million in year 2009 related to **Holcim Venezuela**. The remaining assets classified as held for sale consist of individually immaterial assets and disposal groups.

In April 2008, the Venezuelan government announced that it would nationalize at least 60 percent of the share capital of the three foreign cement producers operating in the country. On June 18, 2008, the respective decree was published. Holcim and the government have engaged in consultations regarding the compensation Holcim is due under the applicable Bilateral Investment Treaties. On August 18, 2008, as a result of these consultations, a Memorandum of Understanding was signed between the government and Holcim, which provides for the negotiation of a final sales agreement by which 85 percent of Holcim Venezuela's shares would be transferred to the government and Holcim would keep a stake of 15 percent. The Memorandum of Understanding also reflected an agreement in principle regarding the compensation to be paid, subject to due diligence. Holcim Venezuela was deconsolidated as of December 31, 2008. In accordance with IFRS 5, the investment was classified as held for sale.

On March 20, 2009, Holcim initiated international arbitration proceedings against the Republic of Venezuela in order to seek full compensation for the nationalization of its subsidiary, Holcim Venezuela, by the Venezuelan government. On April 10, 2009, the International Centre for Settlement of Investment Disputes (ICSID) registered Holcim's request for arbitration.

On September 4, 2010, Holcim Ltd signed a settlement with the Bolivarian Republic of Venezuela agreeing on the terms for Venezuela's compensation payment for the June 2008 nationalization of Holcim (Venezuela) C.A. and the suspension of the international arbitration procedure currently pending before the International Centre for Settlement of Investment Disputes (ICSID) in connection with that nationalization.

The agreed total compensation amount is still USD 650 million (CHF 611 million), of which a first down-payment of USD 260 million (CHF 244 million) was received on September 10, 2010, with the remaining compensation amount of USD 390 million (CHF 367 million) to be paid in four equal yearly installments of USD 97.5 million (CHF 92 million) starting in September 2011 (see also note 20 and 26). The resulting change in fair value amounted to USD 410 million (CHF 426 million) of which USD 164 million (CHF 171 million) was realized through "other financial income".

## 22 Long-term financial assets

| Million CHF | 2010 | 2009 |
|---|---|---|
| Financial investments – third parties | 58 | 94 |
| Long-term receivables – associates | 682 | 313 |
| Long-term receivables – third parties | 110 | 189 |
| Derivative assets | 71 | 81 |
| **Total** | **921** | **677** |
| Of which pledged/restricted | 8 | 6 |

In 2010, the position "Long-term receivables – associates" includes a negative value adjustment of CHF 42 million (note 12).

The fair value of long-term receivables and derivative assets amounted to CHF 852 million (2009: 591).

Long-term receivables and derivative assets are primarily denominated in CHF, USD and ZAR. The repayment dates vary between one and 29 years.

## 23 Investments in associates

| Million CHF | 2010 | 2009 |
|---|---|---|
| **January 1** | **1,529** | **1,341** |
| Share of profit of associates | 245 | 302 |
| Dividends earned | (202) | (89) |
| Acquisitions net | 49 | 24 |
| Reclassifications net and impairments | 30 | (43) |
| Currency translation effects | (219) | (6) |
| **December 31** | **1,432** | **1,529** |

Sales to and purchases from associates amounted to CHF 168 million (2009: 210) and CHF 32 million (2009: 19) respectively.

The following amounts represent the Group's share of assets, liabilities, net sales and net income of associates:

**Aggregated financial information – associates**

| Million CHF | 2010 | 2009 |
|---|---|---|
| Assets | 3,514 | 3,715 |
| Liabilities | (2,146) | (2,330) |
| **Net assets** | **1,368** | **1,385** |
| | | |
| Net sales | 1,951 | 1,853 |
| Net income | 229 | 138 |

Net income and net assets also reflect the unrecognized share of losses of associates where equity accounting is discontinued as the carrying amount of the investment reached zero. The unrecognized share of losses of associates amounts to CHF 16 million (2009: 102). The accumulated unrecognized share of losses of associates amounts to CHF 64 million (2009: 107).

## 24 Property, plant and equipment

| Million CHF | Land | Buildings, installations | Machines | Furniture, vehicles, tools | Construction in progress | Total |
|---|---|---|---|---|---|---|
| **2010** | | | | | | |
| **Net book value as at January 1** | **5,585** | **5,633** | **9,765** | **1,512** | **2,998** | **25,493** |
| Change in structure | 67 | 14 | 4 | 15 | 42 | 142 |
| Additions | 36 | 75 | 169 | 25 | 1,516 | 1,821 |
| Disposals | (103) | (21) | (21) | (18) | 0 | (163) |
| Transferred from construction in progress | 74 | 509 | 1,396 | 143 | (2,122) | 0 |
| Depreciation | (129) | (333) | (947) | (302) | 0 | (1,711) |
| Impairment loss (charged to statement of income) | (4) | (6) | (10) | (4) | (18) | (42) |
| Currency translation effects | (473) | (555) | (884) | (109) | (176) | (2,197) |
| **Net book value as at December 31** | **5,053** | **5,316** | **9,472** | **1,262** | **2,240** | **23,343** |
| | | | | | | |
| At cost of acquisition | 6,037 | 9,307 | 19,235 | 3,394 | 2,330 | 40,303 |
| Accumulated depreciation/impairment | (984) | (3,991) | (9,763) | (2,132) | (90) | (16,960) |
| **Net book value as at December 31** | **5,053** | **5,316** | **9,472** | **1,262** | **2,240** | **23,343** |
| Net asset value of leased property, plant and equipment | 1 | 48 | 23 | 68 | 0 | 140 |
| Of which pledged/restricted | | | | | | 210 |
| | | | | | | |
| **2009** | | | | | | |
| **Net book value as at January 1** | **4,684** | **4,303** | **8,169** | **1,419** | **4,687** | **23,262** |
| Change in structure | 707 | 52 | 218 | 130 | 63 | 1,170 |
| Additions | 32 | 59 | 168 | 39 | 2,209 | 2,507 |
| Disposals | (40) | (32) | (35) | (39) | (1) | (147) |
| Transferred from construction in progress | 167 | 1,539 | 2,006 | 239 | (3,951) | 0 |
| Depreciation | (118) | (298) | (875) | (312) | 0 | (1,603) |
| Impairment loss (charged to statement of income) | (15) | (13) | (21) | (3) | (80) | (132) |
| Currency translation effects | 168 | 23 | 135 | 39 | 71 | 436 |
| **Net book value as at December 31** | **5,585** | **5,633** | **9,765** | **1,512** | **2,998** | **25,493** |
| | | | | | | |
| At cost of acquisition | 6,602 | 9,746 | 19,659 | 3,615 | 3,079 | 42,701 |
| Accumulated depreciation/impairment | (1,017) | (4,113) | (9,894) | (2,103) | (81) | (17,208) |
| **Net book value as at December 31** | **5,585** | **5,633** | **9,765** | **1,512** | **2,998** | **25,493** |
| Net asset value of leased property, plant and equipment | 0 | 55 | 31 | 91 | 0 | 177 |
| Of which pledged/restricted | | | | | | 333 |

The net book value of CHF 23,343 million (2009: 25,493) represents 57.9 percent (2009: 59.7) of the original cost of all assets. At December 31, 2010, the fire insurance value of property, plant and equipment amounted to CHF 33,912 million (2009: 36,144). Net gains on sale of property, plant and equipment amounted to CHF 66 million (2009: 55).

In 2010, the impairment loss relates primarily to plants in Hungary, Spain and India and is included in production cost of goods sold in the statement of income.

Included in land, buildings and installations is investment property with a net book value of CHF 87 million (2009: 94). The fair value of this investment property amounted to CHF 87 million (2009: 117). Rental income related to investment property amounted to CHF 2 million (2009: 3).

## 25 Intangible assets

| Million CHF | Goodwill | Other intangible assets | Total |
|---|---|---|---|
| **2010** | | | |
| **Net book value as at January 1** | **8,926** | **1,057** | **9,983** |
| Change in structure | 31 | 14 | 45 |
| Additions | 2 | 31 | 33 |
| Disposals | (27) | (4) | (31) |
| Amortization | 0 | (119) | (119) |
| Impairment loss (charged to statement of income) | (23) | 0 | (23) |
| Currency translation effects | (765) | (62) | (827) |
| **Net book value as at December 31** | **8,144** | **917** | **9,061** |
| | | | |
| At cost of acquisition | 8,179 | 1,541 | 9,720 |
| Accumulated amortization/impairment | (35) | (624) | (659) |
| **Net book value as at December 31** | **8,144** | **917** | **9,061** |
| | | | |
| **2009** | | | |
| **Net book value as at January 1** | **8,378** | **928** | **9,306** |
| Change in structure | 395[1] | 174 | 569 |
| Additions | 30 | 44 | 74 |
| Disposals | (3) | 0 | (3) |
| Amortization | 0 | (119) | (119) |
| Impairment loss (charged to statement of income) | (4) | 0 | (4) |
| Currency translation effects | 130 | 30 | 160 |
| **Net book value as at December 31** | **8,926** | **1,057** | **9,983** |
| | | | |
| At cost of acquisition | 8,938 | 1,562 | 10,500 |
| Accumulated amortization/impairment | (12) | (505) | (517) |
| **Net book value as at December 31** | **8,926** | **1,057** | **9,983** |

The other intangible assets included above have finite useful lives, over which the assets are amortized.

The amortization expense relating to intangible assets with finite useful lives is recognized mainly in administration expenses.

[1] Included in this amount is the net goodwill arising on the acquisition of Holcim Australia and Cement Australia (consolidated) in the amount of CHF 303 million.

**Impairment tests for goodwill**

For the purpose of impairment testing, goodwill is allocated to a cash generating unit or to a group of cash generating units that are expected to benefit from the synergies of the respective business combination. The Group's cash generating units are defined on the basis of geographical market, normally country-related. The carrying amount of goodwill allocated to the countries or regions stated below is significant in comparison with the total carrying amount of goodwill, while the carrying amount of goodwill allocated to the other cash generating units is individually not significant.

For the impairment test, the recoverable amount of a cash generating unit, which has been determined based on value-in-use, is compared to its carrying amount. An impairment loss is only recognized if the carrying amount of the cash generating unit exceeds its recoverable amount. Future cash flows are discounted using the weighted average cost of capital (WACC).

The cash flow projections are based on a four-year financial planning period approved by management. Cash flows beyond the four-year budget period are extrapolated based either on steady or increasing sustainable cash flows. In any event, the growth rate used to extrapolate cash flow projections beyond the four-year budget period does not exceed the long-term average growth rate for the relevant market in which the cash generating unit operates.

In respect of the goodwill allocated to "Others", the same impairment model and parameters are used as is the case with individually significant goodwill positions, except that different key assumptions are used depending on the risks associated with the respective cash generating units.

**Key assumptions used for value-in-use calculations in respect of goodwill 2010**

| Cash generating unit | Carrying amount of goodwill | Currency | Pre-tax discount rate | Long-term GDP growth rate |
|---|---|---|---|---|
| Million CHF | Total 2010 | | | |
| India | 1,660 | INR | 11.4% | 8.1% |
| North America | 1,765 | USD/CAD | 7.7% | 2.4% |
| United Kingdom | 830 | GBP | 8.8% | 2.5% |
| Central Europe | 433 | CHF/EUR | 6.6% | 2.0% |
| Mexico | 413 | MXN | 7.9% | 4.0% |
| Others[1] | 3,043 | Various | 6.7%–14.7% | 1.2%–7.5% |
| **Total** | **8,144** | | | |

**Key assumptions used for value-in-use calculations in respect of goodwill 2009**

| Cash generating unit | Carrying amount of goodwill | Currency | Pre-tax discount rate | Long-term GDP growth rate |
|---|---|---|---|---|
| Million CHF | Total 2009 | | | |
| India | 1,701 | INR | 12.5% | 8.0% |
| North America | 1,918 | USD/CAD | 9.0% | 2.5% |
| United Kingdom | 962 | GBP | 8.0% | 2.8% |
| Central Europe | 562 | CHF/EUR | 7.5% | 1.5% |
| Mexico | 428 | MXN | 9.0% | 4.9% |
| Others[1] | 3,355 | Various | 6.2%–13.9% | 2.0%–7.0% |
| **Total** | **8,926** | | | |

[1] Individually not significant.

**Sensitivity to changes in assumptions**

With regard to the assessment of value-in-use of a cash generating unit or a group of cash generating units, management believes that a reasonably possible change in the pre-tax discount rate of 1 percentage point would not cause the carrying amount of a cash generating unit or a group of cash generating units to materially exceed its recoverable amount.

## 26 Other long-term assets

This position includes an amount of USD 280 million (CHF 263 million) relating to a compensation receivable from the Bolivarian Republic of Venezuela. Additional information is disclosed in note 21.

## 27 Joint ventures

The following amounts represent the effect of proportionately consolidated assets, liabilities and sales and results of significant joint ventures disclosed on pages 196 and 197.

The amounts are included in the consolidated statement of financial position and consolidated statement of income.

**Statement of financial position**

| Million CHF | 2010 | 2009 |
|---|---|---|
| Current assets | 98 | 93 |
| Long-term assets | 366 | 368 |
| **Total assets** | **464** | **461** |
| | | |
| Short-term liabilities | 57 | 49 |
| Long-term liabilities | 102 | 102 |
| **Total liabilities** | **159** | **151** |
| | | |
| **Net assets** | **305** | **310** |

**Statement of income**

| Million CHF | 2010 | 2009 |
|---|---|---|
| **Net sales** | **343** | **617** |
| | | |
| **Operating profit** | **53** | **102** |
| | | |
| **Net income from joint ventures** | **35** | **64** |

Sales to and purchases from significant joint ventures amounted to CHF 5 million (2009: 29) and CHF 95 million (2009: 64) respectively.

As from October 1, 2009, the formerly proportionately consolidated interest in Cement Australia has been fully consolidated (note 1). Mainly due to this reason, the proportionately consolidated sales and results of significant joint ventures have decreased compared to the prior year.

### 28 Trade accounts payable

| Million CHF | 2010 | 2009 |
|---|---|---|
| Trade accounts payable – associates | 14 | 8 |
| Trade accounts payable – third parties | 2,137 | 2,087 |
| Advance payments from customers | 152 | 128 |
| **Total** | **2,303** | **2,223** |

The fair values of accounts payable are not materially different from their carrying amounts.

### 29 Financial liabilities

| Million CHF | 2010 | 2009 |
|---|---|---|
| Current financial liabilities – associates | 1 | 1 |
| Current financial liabilities – third parties | 1,384 | 2,928 |
| Current portion of long-term financial liabilities | 1,076 | 1,520 |
| Derivative liabilities | 7 | 4 |
| **Total current financial liabilities** | **2,468** | **4,453** |
| | | |
| Long-term financial liabilities – associates | 9 | 10 |
| Long-term financial liabilities – third parties | 12,142 | 13,761 |
| Derivative liabilities | 130 | 83 |
| **Total long-term financial liabilities** | **12,281** | **13,854** |
| | | |
| **Total** | **14,749** | **18,307** |
| Of which secured | 167 | 206 |

The fair values of current financial liabilities are not materially different from their carrying amounts.

The fair values of long-term financial liabilities amount to CHF 13,706 million (2009: 15,313).

**Details of total financial liabilities**

| Million CHF | 2010 | 2009 |
|---|---|---|
| Loans from financial institutions | 4,188 | 6,264 |
| Bonds and private placements | 10,316 | 11,818 |
| **Total loans and bonds** | **14,504** | **18,082** |
| Obligations under finance leases (note 30) | 108 | 138 |
| Derivative liabilities (note 31) | 137 | 87 |
| **Total** | **14,749** | **18,307** |

Loans from financial institutions include amounts due to banks and other financial institutions. Repayment dates vary between one and 15 years. CHF 1,783 million (2009: 3,207) are due within one year.

Unutilized credit lines totaled CHF 8,867 million (2009: 8,188) at year-end 2010, of which CHF 6,378 million (2009: 5,365) are committed.

**Financial liabilities by currency**

| Currency | 2010 | | | 2009 | | |
|---|---|---|---|---|---|---|
| | Million CHF | In % | Interest rate[1] | Million CHF | In % | Interest rate[1] |
| CHF | 3,709 | 25.1 | 2.7 | 3,240 | 17.7 | 2.8 |
| USD | 4,097 | 27.8 | 3.4 | 5,037 | 27.5 | 3.2 |
| EUR | 3,105 | 21.0 | 4.8 | 4,822 | 26.3 | 4.3 |
| GBP | 731 | 5.0 | 7.4 | 893 | 4.9 | 7.0 |
| AUD | 816 | 5.5 | 7.7 | 1,402 | 7.7 | 6.0 |
| INR | 262 | 1.8 | 5.9 | 296 | 1.6 | 6.4 |
| THB | 217 | 1.5 | 5.0 | 234 | 1.3 | 5.7 |
| NZD | 98 | 0.7 | 4.9 | 112 | 0.6 | 3.6 |
| Others | 1,714 | 11.6 | 6.5 | 2,271 | 12.4 | 7.2 |
| **Total** | **14,749** | **100.0** | **4.4** | **18,307** | **100.0** | **4.4** |

[1] Weighted average nominal interest rate on financial liabilities at December 31.

**Interest rate structure of total financial liabilities**

| Million CHF | 2010 | 2009 |
|---|---|---|
| Financial liabilities at fixed rates | 8,541 | 9,312 |
| Financial liabilities at variable rates | 6,208 | 8,995 |
| **Total** | **14,749** | **18,307** |

Financial liabilities that are hedged to a fixed or floating rate are disclosed on a post hedge basis.

**Maturity schedule of loans and bonds**

| Million CHF | 2010 | 2009 |
|---|---|---|
| Within 1 year | 2,434 | 4,416 |
| Within 2 years | 1,824 | 1,412 |
| Within 3 years | 3,195 | 1,842 |
| Within 4 years | 2,047 | 3,590 |
| Within 5 years | 916 | 2,276 |
| Thereafter | 4,088 | 4,546 |
| **Total** | **14,504** | **18,082** |

The maturity information is based on the carrying amounts and shows the remaining contractual maturities.

In addition to the CHF 2,434 million (2009: 4,416) an amount of CHF 34 million (2009: 37) from obligations under finance leases and derivative liabilities is due within one year. The total of CHF 2,468 million (2009: 4,453) includes short-term drawings under long-term committed credit lines of CHF 150 million (2009: 1,119).

Additional information on the maturity of financial instruments is disclosed in the section "Risk management".

**Bonds and private placements as at December 31**

| Nominal value | | Nominal interest rate | Effective interest rate | Term | Description | Net book value | Net book value |
|---|---|---|---|---|---|---|---|
| Million CHF | | | | | | 2010 | 2009 |
| **Holcim Ltd** | | | | | | | |
| CHF | 500 | 2.50% | 2.69% | 2005–2012 | Bonds with fixed interest rate | 499 | 498 |
| CHF | 250 | 3.00% | 3.19% | 2006–2015 | Bonds with fixed interest rate | 248 | 248 |
| CHF | 400 | 3.13% | 0.42% | 2007–2017 | Bonds swapped into floating interest rates at inception | 438 | 431 |
| CHF | 1,000 | 4.00% | 4.33% | 2009–2013 | Bonds with fixed interest rate | 991 | 988 |
| CHF | 450 | 4.00% | 4.19% | 2009–2018 | Bonds with fixed interest rate | 444 | 444 |
| CHF | 475 | 2.38% | 2.64% | 2010–2016 | Bonds with fixed interest rate | 469 | 0 |
| **Holcim Capital Corporation Ltd.** | | | | | | | |
| USD | 150 | 7.05% | 1.78% | 2001–2011 | Private placement guaranteed by Holcim Ltd, swapped into floating interest rates at inception | 148 | 169 |
| USD | 208 | 7.05% | 7.08% | 2001–2011 | Private placement guaranteed by Holcim Ltd | 195 | 215 |
| USD | 50 | 7.65% | 7.65% | 2001–2031 | Private placement guaranteed by Holcim Ltd | 47 | 51 |
| USD | 65 | 6.59% | 6.60% | 2002–2014 | Private placement guaranteed by Holcim Ltd | 61 | 67 |
| USD | 100 | 6.59% | 6.59% | 2002–2014 | Private placement guaranteed by Holcim Ltd | 94 | 103 |
| USD | 250 | 6.88% | 7.28% | 2009–2039 | Bonds guaranteed by Holcim Ltd | 226 | 249 |
| **Holcim Overseas Finance Ltd.** | | | | | | | |
| CHF | 300 | 2.75% | 2.79% | 2006–2011 | Bonds guaranteed by Holcim Ltd | 300 | 300 |
| CHF | 250 | 3.00% | 0.42% | 2007–2013 | Bonds guaranteed by Holcim Ltd, swapped into floating interest rates at inception | 268 | 269 |
| **Holcim Finance (Canada) Inc.** | | | | | | | |
| CAD | 10 | 6.91% | 6.92% | 2002–2017 | Private placement guaranteed by Holcim Ltd | 9 | 10 |
| CAD | 300 | 5.90% | 6.10% | 2007–2013 | Bonds guaranteed by Holcim Ltd | 280 | 293 |
| **Holcim Finance (Luxembourg) S.A.** | | | | | | | |
| EUR | 450 | 4.38% | | 2003–2010 | Bonds guaranteed by Holcim Ltd | 0 | 669 |
| EUR | 300 | 4.38% | | 2003–2010 | Bonds guaranteed by Holcim Ltd, swapped into floating interest rates at inception | 0 | 450 |
| EUR | 600 | 4.38% | 4.45% | 2004–2014 | Bonds guaranteed by Holcim Ltd | 747 | 889 |
| EUR | 650 | 9.00% | 8.92% | 2009–2014 | Bonds guaranteed by Holcim Ltd | 814 | 969 |
| EUR | 200 | 6.35% | 6.40% | 2009–2017 | Private placement guaranteed by Holcim Ltd | 249 | 296 |
| **Holcim Finance (Australia) Pty Ltd** | | | | | | | |
| AUD | 500 | 8.50% | 8.90% | 2009–2012 | Bonds guaranteed by Holcim Ltd | 475 | 461 |
| **Holcim Capital (Thailand) Ltd.** | | | | | | | |
| THB | 2,150 | 6.48% | | 2005–2010 | Bonds guaranteed by Holcim Ltd | 0 | 66 |
| THB | 2,450 | 6.69% | 6.78% | 2005–2012 | Bonds guaranteed by Holcim Ltd | 76 | 75 |
| THB | 2,000 | 3.52% | 3.62% | 2010–2015 | Bonds guaranteed by Holcim Ltd | 62 | 0 |
| **Subtotal** | | | | | | **7,140** | **8,210** |

| Nominal value | | Nominal interest rate | Effective interest rate | Term | Description | Net book value | Net book value |
|---|---|---|---|---|---|---|---|
| Million CHF | | | | | | 2010 | 2009 |
| **Subtotal** | | | | | | **7,140** | **8,210** |
| **Holcim US Finance S.à r.l. & Cie S.C.S.** | | | | | | | |
| USD | 200 | 6.21% | 6.24% | 2006–2018 | Private placement guaranteed by Holcim Ltd | 187 | 206 |
| USD | 125 | 6.10% | 6.14% | 2006–2016 | Private placement guaranteed by Holcim Ltd | 117 | 129 |
| USD | 125 | 5.96% | 6.01% | 2006–2013 | Private placement guaranteed by Holcim Ltd | 117 | 129 |
| EUR | 90 | 5.12% | 1.47% | 2008–2013 | Private placement guaranteed by Holcim Ltd, swapped into USD and floating interest rates at inception | 118 | 141 |
| EUR | 358 | 2.10% | 1.49% | 2008–2013 | Private placement guaranteed by Holcim Ltd, swapped into USD at inception | 446 | 530 |
| EUR | 202 | 2.25% | 1.60% | 2008–2015 | Private placement guaranteed by Holcim Ltd, swapped into USD at inception | 252 | 300 |
| USD | 750 | 6.00% | 6.25% | 2009–2019 | Bonds guaranteed by Holcim Ltd | 690 | 760 |
| **Aggregate Industries Holdings Limited** | | | | | | | |
| GBP | 163 | 7.25% | 4.33% | 2001–2016 | Bonds, partly swapped into floating interest rates | 267 | 305 |
| **Holcim GB Finance Ltd.** | | | | | | | |
| GBP | 300 | 8.75% | 8.81% | 2009–2017 | Bonds guaranteed by Holcim Ltd | 433 | 497 |
| **Holcim (US) Inc.** | | | | | | | |
| USD | 5 | 0.50% | 0.50% | 1996–2031 | Industrial revenue bonds – Devil's Slide | 5 | 5 |
| USD | 22 | 0.37% | 0.37% | 1997–2027 | Industrial revenue bonds – South Louisiana Port | 21 | 23 |
| USD | 15 | 0.33% | 0.33% | 1999–2031 | Industrial revenue bonds – Midlothian | 14 | 16 |
| USD | 67 | 0.31% | 0.31% | 1999–2032 | Industrial revenue bonds – Mobile Dock & Wharf | 62 | 69 |
| USD | 18 | 0.33% | 0.33% | 2000–2020 | Industrial revenue bonds – Canada | 17 | 19 |
| USD | 25 | 0.44% | 0.44% | 2003–2033 | Industrial revenue bonds – Holly Hill | 23 | 26 |
| USD | 27 | 0.28% | 0.28% | 2009–2034 | Industrial revenue bonds – Midlothian | 25 | 28 |
| **Holcim (Maroc) S.A.** | | | | | | | |
| MAD | 1,500 | 5.49% | 5.49% | 2008–2015 | Bonds with fixed interest rate | 168 | 197 |
| **ACC Limited** | | | | | | | |
| INR | 2,000 | 11.30% | 11.30% | 2008–2013 | Non-convertible debentures with fixed interest rate | 42 | 44 |
| INR | 3,000 | 8.45% | 8.45% | 2009–2014 | Non-convertible debentures with fixed interest rate | 62 | 67 |
| **Ambuja Cements Ltd.** | | | | | | | |
| INR | 1,000 | 6.85% | | 2005–2010 | Non-convertible debentures with fixed interest rate | 0 | 22 |
| **Siam City Cement (Public) Company Limited** | | | | | | | |
| THB | 4,000 | 4.50% | 4.55% | 2009–2013 | Bonds with fixed interest rate | 62 | 61 |
| **Juan Minetti S.A.** | | | | | | | |
| ARS | 63 | 17.54% | 18.32% | 2009–2012 | Amortizing floating rate bonds | 15 | 19 |
| **Holcim (Costa Rica) S.A.** | | | | | | | |
| CRC | 8,500 | 10.00% | 10.38% | 2009–2012 | Floating rate bonds | 15 | 15 |
| CRC | 10,000 | 10.15% | 10.54% | 2010–2015 | Floating rate bonds | 18 | 0 |
| **Total** | | | | | | **10,316** | **11,818** |

## 30 Leases

**Future minimum lease payments**

| Million CHF | Operating leases 2010 | Finance leases 2010 | Operating leases 2009 | Finance leases 2009 |
|---|---|---|---|---|
| Within 1 year | 157 | 27 | 167 | 35 |
| Within 2 years | 123 | 29 | 144 | 28 |
| Within 3 years | 96 | 14 | 117 | 28 |
| Within 4 years | 77 | 11 | 98 | 11 |
| Within 5 years | 71 | 5 | 87 | 11 |
| Thereafter | 357 | 63 | 470 | 73 |
| **Total** | **881** | **149** | **1,083** | **186** |
| Interest | | (41) | | (48) |
| **Total finance leases** | | **108** | | **138** |

Total expenses for operating leases recognized in the consolidated statement of income in 2010 was CHF 170 million (2009: 161). There are no individually significant operating lease agreements.

The liabilities from finance leases due within one year are included in current financial liabilities and liabilities due thereafter are included in long-term financial liabilities (note 29). There are no individually significant finance lease agreements.

## 31 Derivative financial instruments

Derivative assets with maturities exceeding one year are included in long-term financial assets (note 22) and derivative assets with maturities less than one year are included in accounts receivable (note 18).

Derivative liabilities are included in financial liabilities (note 29).

**Derivative assets and liabilities**

| Million CHF | Fair value assets 2010 | Fair value liabilities 2010 | Nominal amount 2010 | Fair value assets 2009 | Fair value liabilities 2009 | Nominal amount 2009 |
|---|---|---|---|---|---|---|
| **Fair value hedges** | | | | | | |
| Interest rate | 78 | 0 | 863 | 81 | 0 | 1,334 |
| Currency | 0 | 0 | 0 | 0 | 0 | 0 |
| Cross-currency | 0 | 12 | 150 | 0 | 1 | 165 |
| **Total fair value hedges** | **78** | **12** | **1,013** | **81** | **1** | **1,499** |
| | | | | | | |
| **Cash flow hedges** | | | | | | |
| Interest rate | 0 | 3 | 94 | 0 | 6 | 129 |
| Currency | 0 | 4 | 76 | 0 | 1 | 12 |
| Cross-currency | 0 | 117 | 823 | 0 | 77 | 908 |
| **Total cash flow hedges** | **0** | **124** | **993** | **0** | **84** | **1,049** |
| | | | | | | |
| **Net investment hedges** | | | | | | |
| Currency | 0 | 0 | 0 | 0 | 0 | 0 |
| Cross-currency | 2 | 1 | 61 | 5 | 2 | 94 |
| **Total net investment hedges** | **2** | **1** | **61** | **5** | **2** | **94** |
| | | | | | | |
| **Held for trading** | | | | | | |
| Interest rate | 0 | 0 | 0 | 0 | 0 | 0 |
| Currency | 0 | 0 | 0 | 0 | 0 | 0 |
| Cross-currency | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total held for trading** | **0** | **0** | **0** | **0** | **0** | **0** |
| | | | | | | |
| **Total** | **80** | **137** | **2,067** | **86** | **87** | **2,642** |

## 32 Deferred taxes

| Deferred tax by type of temporary difference | 2010 | 2009 |
|---|---|---|
| Million CHF | | |
| **Deferred tax assets** | | |
| Property, plant and equipment | 32 | 23 |
| Intangible and other long-term assets | 40 | 76 |
| Provisions | 171 | 236 |
| Tax losses carryforward | 385 | 381 |
| Other | 309 | 350 |
| **Total** | **937** | **1,066** |
| | | |
| **Deferred tax liabilities** | | |
| Property, plant and equipment | 2,367 | 2,614 |
| Intangible and other long-term assets | 281 | 310 |
| Provisions | 5 | 18 |
| Other | 102 | 101 |
| **Total** | **2,755** | **3,043** |
| | | |
| **Deferred tax liabilities net** | **1,818** | **1,977** |
| | | |
| **Reflected in the statement of financial position as follows:** | | |
| Deferred tax assets | (385) | (412) |
| Deferred tax liabilities | 2,203 | 2,389 |
| **Deferred tax liabilities net** | **1,818** | **1,977** |

**Temporary differences for which no deferred tax is recognized**

| Million CHF | 2010 | 2009 |
|---|---|---|
| On unremitted earnings of subsidiary companies (taxable temporary difference) | 3,303 | 3,749 |
| On tax losses carryforward (deductible temporary difference) | 879 | 732 |

**Tax losses carryforward**

| | Loss carry-forwards 2010 | Tax effect 2010 | Loss carry-forwards 2009 | Tax effect 2009 |
|---|---|---|---|---|
| Million CHF | | | | |
| **Total tax losses carryforward** | **2,281** | **650** | **2,240** | **599** |
| Of which reflected in deferred taxes | (1,402) | (385) | (1,508) | (381) |
| **Total tax losses carryforward not recognized** | **879** | **265** | **732** | **218** |
| Expiring as follows: | | | | |
| 1 year | 35 | 9 | 2 | 1 |
| 2 years | 3 | 1 | 40 | 10 |
| 3 years | 23 | 5 | 12 | 3 |
| 4 years | 10 | 2 | 3 | 1 |
| 5 years | 22 | 6 | 10 | 3 |
| Thereafter | 786 | 242 | 665 | 200 |

## 33 Provisions

| Million CHF | Site restoration and other environmental provisions | Specific business risks | Other provisions | Total 2010 | Total 2009 |
|---|---|---|---|---|---|
| **January 1** | **585** | **282** | **648** | **1,515** | **1,375** |
| Change in structure | 0 | 0 | 3 | 3 | 215 |
| Provisions recognized | 146 | 81 | 216 | 443 | 494 |
| Provisions used during the year | (37) | (42) | (126) | (205) | (270) |
| Provisions reversed during the year | (25) | (52) | (182) | (259) | (344) |
| Currency translation effects | (51) | (30) | (37) | (118) | 45 |
| **December 31** | **618** | **239** | **522** | **1,379** | **1,515** |
| Of which short-term provisions | 47 | 30 | 179 | 256 | 252 |
| Of which long-term provisions | 571 | 209 | 343 | 1,123 | 1,263 |

Site restoration and other environmental provisions represent the Group's legal or constructive obligations of restoring a site. The timing of cash outflows of this provision is dependent on the completion of raw material extraction and the commencement of site restoration.

Specific business risks comprise litigation and restructuring costs which arise during the normal course of business. Provisions for litigations mainly relate to antitrust investigations, product liability as well as tax claims and are set up to cover legal and administrative proceedings. In 2010, it includes several provisions for risks related to direct and indirect taxes of CHF 32 million (2009: 41) and a provision of CHF 21 million (2009: 27) related to the German antitrust investigation set up in 2002. Total provisions for litigations amounted to CHF 180 million (2009: 210) at December 31. The timing of cash outflows of provisions for litigations is uncertain since it will largely depend upon the outcome of administrative and legal proceedings. Provisions for restructuring costs relate to various restructuring programs and amounted to CHF 59 million (2009: 72) at December 31. These provisions are expected to result in future cash outflows mainly within the next one to three years.

Other provisions relate mainly to provisions that have been set up to cover other contractual liabilities. The composition of this item is extremely manifold and comprises as at December 31, among other things: various severance payments to employees of CHF 111 million (2009: 101), provisions for vacation and overtime of CHF 91 million (2009: 99), provisions for health insurance and pension schemes, which do not qualify as benefit obligations, of CHF 22 million (2009: 64), provisions related to sales and other taxes of CHF 71 million (2009: 104) and provisions for contingent liabilities arising from business combinations of CHF 77 million (2009: 89). The expected timing of the future cash outflows is uncertain.

## 34 Employee benefits

| Personnel expenses | 2010 | 2009 |
|---|---|---|
| Million CHF | | |
| Production and distribution | 2,759 | 2,687 |
| Marketing and sales | 415 | 407 |
| Administration | 861 | 845 |
| **Total** | **4,035** | **3,939** |

**Personnel expenses and number of personnel**
The Group's total personnel expenses, including social charges, are recognized in the relevant expenditure line by function of the consolidated statement of income and amounted to CHF 4,035 million (2009: 3,939). As at December 31, 2010, the Group employed 80,310 people (2009: 81,498).

**Defined benefit pension plans**
Some Group companies provide pension plans for their employees which under IFRS are considered as defined benefit pension plans. Provisions for pension obligations are established for benefits payable in the form of retirement, disability and surviving dependent's pensions. The benefits offered vary according to the legal, fiscal and economic conditions of each country. Benefits are dependent on years of service and the respective employee's compensation and contribution. A net pension asset is recorded only to the extent that it does not exceed the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan and any unrecognized actuarial losses and past service costs. The obligation resulting from the defined benefit pension plans is determined using the projected unit credit method. Unrecognized gains and losses resulting from changes in actuarial assumptions are recognized as income (expense) over the expected average remaining working lives of the participating employees, but only to the extent that the net cumulative unrecognized amount exceeds 10 percent of the greater of the present value of the defined benefit obligation and the fair value of plan assets at the end of the previous year.

**Other post-employment benefit plans**
The Group operates a number of other post-employment benefit plans. The method of accounting for these provisions is similar to the one used for defined benefit pension schemes. A number of these plans are not externally funded, but are covered by provisions in the statements of financial position of the respective Group companies.

The following table reconciles the funded, partially funded and unfunded status of defined benefit pension plans and other post-employment benefit plans to the amounts recognized in the statement of financial position.

**Reconciliation of retirement benefit plans to the statement of financial position**

| Million CHF | 2010 | 2009 |
|---|---|---|
| Net liability arising from defined benefit pension plans | 222 | 287 |
| Net liability arising from other post-employment benefit plans | 69 | 74 |
| **Net liability** | **291** | **361** |
| | | |
| **Reflected in the statement of financial position as follows:** | | |
| Other long-term assets | (26) | (15) |
| Defined benefit obligations | 317 | 376 |
| **Net liability** | **291** | **361** |

**Retirement benefit plans**

| | Defined benefit pension plans | | Other post-employment benefit plans | |
|---|---|---|---|---|
| Million CHF | 2010 | 2009 | 2010 | 2009 |
| **Present value of funded obligations** | **2,786** | **2,793** | **0** | **0** |
| Fair value of plan assets | (2,405) | (2,541) | 0 | 0 |
| **Plan deficit of funded obligations** | **381** | **252** | **0** | **0** |
| **Present value of unfunded obligations** | **225** | **235** | **83** | **89** |
| Unrecognized actuarial losses | (379) | (237) | (14) | (15) |
| Unrecognized past service costs | (6) | (16) | 0 | 0 |
| Unrecognized plan assets | 1 | 53 | 0 | 0 |
| **Net liability from funded and unfunded plans** | **222** | **287** | **69** | **74** |
| | | | | |
| **Amounts recognized in the statement of income are as follows:** | | | | |
| Current service costs | 78 | 76 | 1 | 2 |
| Interest expense on obligations | 149 | 147 | 4 | 5 |
| Expected return on plan assets | (137) | (122) | 0 | 0 |
| Amortization of actuarial losses | 62 | 34 | 0 | 0 |
| Past service costs | 1 | 4 | 0 | 0 |
| Losses (gains) on curtailments and settlements | 0 | 3 | 0 | (3) |
| Limit of asset ceiling | (50) | (27) | 0 | 0 |
| Others | (4) | 2 | 0 | 0 |
| **Total (included in personnel expenses)** | **99** | **117** | **5** | **4** |
| | | | | |
| **Actual return on plan assets** | **51** | **196** | **0** | **0** |
| | | | | |
| **Present value of funded and unfunded obligations** | | | | |
| Opening balance as per January 1 | 3,028 | 2,731 | 89 | 95 |
| Current service costs | 78 | 76 | 1 | 2 |
| Employees' contributions | 22 | 24 | 0 | 0 |
| Interest cost | 149 | 147 | 4 | 5 |
| Actuarial losses (gains) | 147 | 193 | (1) | (1) |
| Currency translation effects | (211) | 76 | (5) | (1) |
| Benefits paid | (183) | (263) | (5) | (8) |
| Past service costs | 9 | 4 | 0 | 0 |
| Change in structure | (9) | 43 | 0 | 0 |
| Curtailments | (10) | (2) | 0 | (3) |
| Settlements | (9) | (1) | 0 | 0 |
| **Closing balance as per December 31** | **3,011** | **3,028** | **83** | **89** |

**Retirement benefit plans**

| | Defined benefit pension plans | | Other post-employment benefit plans | |
|---|---|---|---|---|
| Million CHF | 2010 | 2009 | 2010 | 2009 |
| **Fair value of plan assets** | | | | |
| Opening balance as per January 1 | 2,541 | 2,375 | 0 | 0 |
| Expected return on plan assets | 137 | 122 | 0 | 0 |
| Actuarial (losses) gains | (86) | 73 | 0 | 0 |
| Currency translation effects | (148) | 85 | 0 | 0 |
| Contribution by the employer | 109 | 79 | 4 | 7 |
| Contribution by the employees | 22 | 24 | 0 | 0 |
| Benefits paid | (166) | (243) | (4) | (7) |
| Change in structure | 0 | 27 | 0 | 0 |
| Settlements | (4) | (1) | 0 | 0 |
| **Closing balance as per December 31** | **2,405** | **2,541** | **0** | **0** |
| | | | | |
| **Plan assets consist of:** | | | | |
| Equity instruments of Holcim Ltd or subsidiaries | 1 | 2 | 0 | 0 |
| Equity instruments of third parties | 846 | 754 | 0 | 0 |
| Debt instruments of Holcim Ltd or subsidiaries | 23 | 25 | 0 | 0 |
| Debt instruments of third parties | 592 | 1,031 | 0 | 0 |
| Land and buildings occupied or used by third parties | 330 | 321 | 0 | 0 |
| Other | 613 | 408 | 0 | 0 |
| **Total fair value of plan assets** | **2,405** | **2,541** | **0** | **0** |
| | | | | |
| **Principal actuarial assumptions used at the end of the reporting period** | | | | |
| Discount rate | 4.4% | 4.9% | 4.9% | 5.4% |
| Expected return on plan assets | 5.4% | 5.1% | | |
| Future salary increases | 2.9% | 2.8% | | |
| Medical cost trend rate | | | 7.2% | 8.1% |

The overall expected rate of return on plan assets is determined based on the market prices prevailing on that date applicable to the period over which the obligation is to be settled.

**Experience adjustments**

| Million CHF | Defined benefit pension plans 2010 | 2009 | 2008 | 2007 | 2006 | Other post-employment benefit plans 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|---|---|---|---|
| Present value of defined benefit obligation | 3,011 | 3,028 | 2,731 | 3,292 | 3,435 | 83 | 89 | 95 | 112 | 143 |
| Fair value of plan assets | (2,405) | (2,541) | (2,375) | (3,068) | (2,939) | 0 | 0 | 0 | (12) | (28) |
| **Deficit** | **606** | **487** | **356** | **224** | **496** | **83** | **89** | **95** | **100** | **115** |
| Experience adjustments: | | | | | | | | | | |
| On plan liabilities | (33) | 0 | 24 | (17) | 57 | (3) | (6) | (3) | 3 | 0 |
| On plan assets | (86) | 73 | (341) | 13 | 76 | 0 | 0 | 0 | 0 | 0 |

**Change in assumed medical cost trend rate**

| A 1 percentage point change in the assumed medical cost trend rate would have the following effects: | Increase Million CHF 2010 | Increase Million CHF 2009 | Decrease Million CHF 2010 | Decrease Million CHF 2009 |
|---|---|---|---|---|
| – On the aggregate of the current service cost and interest cost components of net periodic post-employment medical costs | 0 | 0 | 0 | 0 |
| – On the accumulated post-employment benefit obligations for medical costs | 5 | 4 | 4 | 3 |

Expected contributions by the employer to be paid to the post-employment benefit plans during the annual period beginning after the end of the reporting period are CHF 119 million (2009: 111).

## 35 Share compensation plans

### Employee share purchase plan

Holcim has an employee share ownership plan for all employees of Swiss subsidiaries and some executives from Group companies. This plan entitles employees to acquire a limited amount of discounted Holcim shares generally at 70 percent of the market value based on the prior-month average share price. The shares cannot be sold for a period of two years from the date of purchase. The total expense arising from this plan amounted to CHF 1.7 million in 2010 (2009: 2).

### Share plan for management of Group companies

Part of the variable, performance-related compensation for management of Group companies is paid in Holcim shares, which are granted based on the market price of the share in the following year. The shares cannot be sold by the employee for the next three years. The total expense arising from this share plan amounted to CHF 6.4 million in 2010 (2009: 5.8).

### Senior management share plans

Part of the variable, performance-related compensation of senior management is paid in Holcim shares, which are granted based on the market price of the share in the following year. The shares cannot be sold nor pledged by the employee for the next five years. The total expense arising from these share plans amounted to CHF 2 million in 2010 (2009: 2.6).

No dilution of Holcim shares occurs as all shares granted under these plans are purchased from the market.

### Share option plans

Two types of share options are granted to senior management of the Holcim Group, the ones, which are granted as part of the annual variable compensation and those, which are allotted to the Executive Committee upon appointment. In both cases, each option represents the right to acquire one registered share of Holcim Ltd at the market price of the shares at the date of grant (see explanations on page 108).

The contractual term of the first type of option plan is eight years, with immediate vesting but exercise restrictions for a period of three years following the grant date.

The contractual term of the second type of option plan is twelve years and the options have a vesting period (service related only) of nine years from the date of grant with sale and pledge restriction.

The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

| | Weighted average exercise price[1] | | Number[1] 2010 | Number[1] 2009 |
|---|---|---|---|---|
| **January 1** | **CHF** | **62.55** | **1,054,493** | **676,127** |
| Granted and vested (individual component of variable compensation) | CHF | 71.15 | 131,631 | 385,124 |
| Granted and vested (single allotment) | CHF | 78.43 | 67,100 | 0 |
| Forfeited | | | 0 | 0 |
| Exercised | CHF | 33.85 | 2,865 | 6,758 |
| Lapsed | | | 0 | 0 |
| **December 31** | **CHF** | **64.37** | **1,250,359** | **1,054,493** |
| Of which exercisable at the end of the year | | | 259,921 | 213,112 |

[1] Adjusted to reflect former share splits and/or capital increases.

Share options outstanding at the end of the year have the following expiry dates and give the right to acquire one registered share of Holcim Ltd at the exercise prices as listed below:

| Option grant date | Expiry date | Exercise price[1] | Number[1] 2010 | Number[1] 2009 |
|---|---|---|---|---|
| 2002 | 2014 | CHF 67.15 | 201,300 | 201,300 |
| 2003 | 2012[2] | CHF 33.85 | 45,910 | 48,775 |
| 2003 | 2015[2] | CHF 67.15[3] | 33,550 | 33,550 |
| 2004 | 2013[2] | CHF 63.35 | 34,341 | 34,341 |
| 2004 | 2016[2] | CHF 67.15[3] | 33,550 | 33,550 |
| 2005 | 2014[2] | CHF 74.54 | 71,423 | 71,423 |
| 2006 | 2014 | CHF 100.69 | 58,573 | 58,573 |
| 2007 | 2015 | CHF 125.34 | 49,674 | 49,674 |
| 2008 | 2016 | CHF 104.34 | 71,083 | 71,083 |
| 2008 | 2020 | CHF 67.15[3] | 67,100 | 67,100 |
| 2009 | 2017 | CHF 38.26 | 385,124 | 385,124 |
| 2010 | 2018 | CHF 71.15 | 131,631 | |
| 2010 | 2022 | CHF 75.40 | 33,550 | |
| 2010 | 2022 | CHF 81.45 | 33,550 | |
| **Total** | | | **1,250,359** | **1,054,493** |

In 2010, options exercised resulted in 2,865 shares being issued at an exercise price of CHF 33.85. In 2009, options exercised resulted in 6,758 shares having been issued at an exercise price of CHF 63.35.

The fair value of options granted for the year 2010 using the Black Scholes valuation model is CHF 16.59 (2009: 17.62). The significant inputs into the model are the share price and an exercise price at the date of grant, an expected volatility of 31.6 percent (2009: 30), an expected option life of six years, a dividend yield of 2.2 percent (2009: 1.9) and an annual riskfree interest rate of 1.3 percent (2009: 1.2). Expected volatility was determined by calculating the historical volatility of the Group's share price over the respective vesting period.

All shares granted under these plans are either purchased from the market or derived from treasury shares. The total personnel expense arising from the grant of options based on the individual component of variable compensation amounted to CHF 2.4 million in 2010 (2009: 2.3).

[1] Adjusted to reflect former share splits and/or capital increases.
[2] Due to trade restrictions in 2008, the expiry date of the annual options granted for the years 2003 to 2005 has been extended by one year.
[3] Valued according to the single allocation in 2002.

## 36 Construction contracts

| Million CHF | 2010 | 2009 |
|---|---|---|
| **Contract revenue recognized during the year** | **1,341** | **1,487** |
| | | |
| Contract costs incurred and recognized profits (less recognized losses) to date | 2,963 | 3,127 |
| Progress billings to date | (2,982) | (3,151) |
| **Due to contract customers at the end of the reporting period** | **(19)** | **(24)** |
| Of which: | | |
| Due from customers for contract work | 23 | 26 |
| Due to customers for contract work | (42) | (50) |

## 37 Details of shares

| Number of registered shares | | |
|---|---|---|
| December 31 | 2010 | 2009 |
| **Total outstanding shares** | **319,955,293** | **320,180,992** |
| | | |
| **Treasury shares** | | |
| Shares reserved for convertible bonds | 5,785,824 | 5,785,824 |
| Shares reserved for call options | 1,250,359 | 1,054,493 |
| Unreserved treasury shares | 94,900 | 65,067 |
| **Total treasury shares** | **7,131,083** | **6,905,384** |
| | | |
| **Total issued shares** | **327,086,376** | **327,086,376** |
| – of which issued on May 26, 2009 | | 13,179,305 |
| – of which issued on July 20, 2009 | | 50,320,981 |
| | | |
| **Shares out of conditional share capital** | | |
| Reserved for convertible bonds | 1,422,350 | 1,422,350 |
| Unreserved | 0 | 0 |
| **Total shares out of conditional share capital** | **1,422,350** | **1,422,350** |
| | | |
| **Total shares** | **328,508,726** | **328,508,726** |

The par value per share is CHF 2. The share capital amounts to nominal CHF 654 million (2009: 654) and the treasury shares amount to CHF 476 million (2009: 455).

The annual general meeting of shareholders of May 7, 2009 approved a CHF 26,358,610 capital increase (5 percent of the previous share capital) through the issuance of 13,179,305 fully paid-in registered shares with a par value of CHF 2. The new shares were paid by the conversion of freely disposable equity capital into share capital. The new Holcim shares were paid as a stock dividend at a ratio of 1:20 to the shareholders of Holcim Ltd (note 16).

On July 8, 2009, the extraordinary shareholders' meeting of Holcim Ltd resolved to increase the company's share capital through a rights issue from CHF 553,530,790 to CHF 654,172,752 by issuing 50,320,981 fully paid-in registered shares with a par value of CHF 2 each. The subscription price for the new registered shares was CHF 42, which corresponded to gross proceeds of CHF 2,113 million. Transaction costs amounted to CHF 73 million, which were recognized directly in equity. The cash proceeds were used to finance the acquisition of Cemex Australia Holdings Pty Ltd (note 1). In addition, Holcim wanted to affirm its strategic partnership in China through the participation in the planned private placement of Huaxin Cement. The announced increase in the share capital of Huaxin Cement is still pending, but is expected to be completed in the second quarter of 2011. The new registered shares were listed on July 20, 2009 under the Main Standard of the SIX Swiss Exchange.

## 38 Contingencies, guarantees and commitments

### Contingencies

In the ordinary course of business, the Group is involved in lawsuits, claims, investigations and proceedings, including product liability, commercial, environmental, health and safety matters, etc. There are no single matters pending that the Group expects to be material in relation to the Group's business, financial position or results of operations.

At December 31, 2010, the Group's contingencies amounted to CHF 363 million (2009: 436). It is possible, but not probable and estimable, that the respective legal cases will result in future liabilities.

The Group operates in countries where political, economic, social and legal developments could have an impact on the Group's operations. The effects of such risks which arise in the normal course of business are not foreseeable and are therefore not included in the accompanying consolidated financial statements.

### Guarantees

At December 31, 2010, guarantees issued to third parties in the ordinary course of business amounted to CHF 508 million (2009: 335).

### Commitments

In the ordinary course of business, the Group enters into purchase commitments for goods and services, buys and sells investments, associated companies and Group companies or portions thereof. It is common practice that the Group makes offers or receives call or put options in connection with such acquisitions and divestitures.

At December 31, 2010, the Group's commitments amounted to CHF 1,236 million (2009: 1,775), of which CHF 342 million (2009: 532) relate to the purchase of property, plant and equipment.

Holcim has agreed to subscribe to a private placement issued by its associated company Huaxin Cement Co. Ltd. amounting to a maximum of CNY 1 billion (CHF 142 million) and so confirms its commitment to further deepen the strategic relationship with Huaxin.

## 39 Monetary net current assets by currency

| | Cash and marketable securities | Accounts receivable | Trade accounts payable | Current financial liabilities | Other current liabilities | Total 2010 | Total 2009 |
|---|---|---|---|---|---|---|---|
| Million CHF | | | | | | | |
| EUR | 640 | 540 | 453 | 999 | 343 | (615) | (1,323) |
| GBP | 323 | 226 | 333 | 24 | 137 | 55 | (110) |
| CHF | 472 | 128 | 92 | 340 | 193 | (25) | 729 |
| USD | 474 | 311 | 279 | 466 | 295 | (255) | 237 |
| CAD | 17 | 176 | 136 | 3 | 94 | (40) | (51) |
| MXN | 42 | 117 | 109 | 35 | 40 | (25) | (152) |
| INR | 975 | 120 | 210 | 78 | 768 | 39 | 69 |
| THB | 30 | 37 | 36 | 16 | 25 | (10) | (70) |
| IDR | 101 | 54 | 46 | 34 | 35 | 40 | 4 |
| PHP | 55 | 31 | 23 | 13 | 22 | 28 | 11 |
| AUD | 25 | 338 | 170 | 97 | 196 | (100) | (537) |
| Others | 262 | 512 | 416 | 363 | 295 | (300) | (179) |
| **Total** | **3,416** | **2,590** | **2,303** | **2,468** | **2,443** | **(1,208)** | **(1,372)** |

## 40 Cash flow used in investing activities

| Million CHF | 2010 | 2009 |
|---|---|---|
| **Purchase of property, plant and equipment net** | | |
| Replacements | (639) | (578) |
| Proceeds from sale of property, plant and equipment | 229 | 202 |
| **Capital expenditures on property, plant and equipment to maintain productive capacity and to secure competitiveness** | **(410)** | **(376)** |
| Expansion investments | (1,182) | (1,929) |
| **Total purchase of property, plant and equipment net (A)** | **(1,592)** | **(2,305)** |
| | | |
| **Acquisition of participation in Group companies (net of cash and cash equivalents acquired)[1]** | **(60)** | **(1,782)** |
| | | |
| **Disposal of participation in Group companies** | | |
| Disposal of participation in Group companies (net of cash and cash equivalents disposed of) | 0 | 162 |
| Cash and cash equivalents of reclassified Group companies[2] | 0 | (23) |
| **Total disposal of participation in Group companies** | **0** | **139** |
| | | |
| **Purchase of financial assets, intangible and other assets** | | |
| Increase in financial investments including associates | (252) | (65) |
| Increase in other assets | (194) | (679) |
| **Total purchase of financial assets, intangible and other assets[3]** | **(446)** | **(744)** |
| | | |
| **Disposal of financial assets, intangible and other assets** | | |
| Decrease in financial investments including associates | 61 | 98 |
| Decrease in other assets | 675 | 164 |
| **Total disposal of financial assets, intangible and other assets** | **736** | **262** |
| | | |
| **Total purchase of financial assets, intangible, other assets and businesses net (B)** | **230** | **(2,125)** |
| | | |
| **Total cash flow used in investing activities (A+B)** | **(1,362)** | **(4,430)** |

[1] Including goodwill of new Group companies.
[2] This position relates to United Cement Company of Nigeria Ltd (note 1), reclassified as associate in 2009.
[3] Refer to the consolidated statement of cash flows, footnote 1.

**Cash flow from acquisitions and disposals of Group companies**

| | Acquisitions | | Disposals | |
|---|---|---|---|---|
| Million CHF | 2010 | 2009 | 2010 | 2009 |
| Current assets | (28) | (753) | 0 | 148 |
| Property, plant and equipment | (23) | (2,089) | 0 | 0 |
| Other assets | (13) | (266) | 0 | 0 |
| Current liabilities | 11 | 586 | 0 | (53) |
| Long-term provisions | 7 | 277 | 0 | 0 |
| Other long-term liabilities | 4 | 433 | 0 | 0 |
| **Net assets** | **(42)** | **(1,812)** | **0** | **95** |
| Previously held net assets[1] | 0 | 221 | 0 | 0 |
| Non-controlling interest | 1 | 128 | 0 | 0 |
| **Net assets (acquired) disposed** | **(41)** | **(1,463)** | **0** | **95** |
| Goodwill (acquired) disposed | (28) | (400) | 0 | 3 |
| Net gain on disposals[2] | 0 | 0 | 0 | 64 |
| **Total (purchase) disposal consideration** | **(69)** | **(1,863)** | **0** | **162** |
| Acquired cash and cash equivalents | 1 | 81 | 0 | 0 |
| Payables and loan notes | 8 | 0 | 0 | 0 |
| **Net cash flow** | **(60)** | **(1,782)** | **0** | **162** |

## 41 Transactions and relations with members of the Board of Directors and senior management

### Key management compensation

#### Board of Directors

In 2010, eleven non-executive members of the Board of Directors received a total remuneration of CHF 2.9 million (2009: 3.1) in the form of short-term employee benefits of CHF 1.8 million (2009: 1.9), post-employment benefits of CHF 0.1 million (2009: 0.1), share-based payments of CHF 0.9 million (2009: 0.9) and other compensation of CHF 0.1 million (2009: 0.2).

#### Senior management

The total annual compensation for the 15 members of senior management (including CEO) amounted to CHF 36.7 million (2009: 27.2). This amount comprises of base salary and variable cash compensation of CHF 18.2 million (2009: 16.7), share-based compensations of CHF 4.4 million (2009: 4.9), employer contributions to pension plans of CHF 5.3 million (2009: 4.8) and "Others" compensations of CHF 8.8 million (2009: 0.8) which includes, according to the rules of SIX Swiss Exchange, the contributions from the Holcim International Pension Trust for the additional financing of retirement benefits in the amount of CHF 8.3 million. The CEO received a base salary plus variable compensation in cash of CHF 2.5 million (2009: 2.5), share based compensation of CHF 0.8 million (2009: 0.9), and employer contributions to pension benefits of CHF 0.4 million (2009: 0.5). As a result, total compensation, before the additional contributions for the financing of retirement benefits, amounted to CHF 3.7 million (2009: 4). Including the additional contributions from the Holcim International Pension Trust in the amount of CHF 5 million, based on actuarial considerations and disclosed under "Others", the CEO's total compensation, in accordance with the rules of SIX Swiss Exchange, amounted to CHF 8.7 million (2009: 4). In accordance with Art. 663b$^{bis}$ of the Swiss Code of Obligations (transparency law), the base salary and the variable cash compensation are disclosed, including foreign withholding tax. Further included in the contribution to pension plans are the employers contributions to social security (AHV/IV).

The following table provides details on the total compensation awarded to the individual members of the Board of Directors, the highest compensation paid to a senior management member and the total amount of senior management compensation.

[1] Relates to previously held interest of 50 percent in Cement Australia.
[2] In 2009 including transaction costs.

**Compensation Board of Directors/senior management[1]**

| Name | Position | | Base Salary Cash | Base Salary Shares[2] |
|---|---|---|---|---|
| Rolf Soiron | Chairman, Chairman of the Governance, Nomination & Compensation Committee | Number | | 1,166 |
| | | CHF | 595,680 | 80,000 |
| Andreas von Planta | Deputy Chairman, Member of the Audit Committee | Number | | 1,166 |
| | | CHF | 300,000 | 80,000 |
| Christine Binswanger | Member of the Board of Directors | Number | | 1,166 |
| | | CHF | 80,000 | 80,000 |
| Lord Norman Fowler | Member of the Board of Directors until May 7, 2009 | Number | | |
| | | CHF | | |
| Beat Hess | Member of the Board of Directors since May 6, 2010 | Number | | 680 |
| | | CHF | 46,667 | 46,667 |
| Erich Hunziker | Member of the Board of Directors, Member of the Governance, Nomination & Compensation Committee | Number | | 1,166 |
| | | CHF | 100,000 | 80,000 |
| Peter Küpfer | Member of the Board of Directors, Chairman of the Audit Committee | Number | | 1,166 |
| | | CHF | 180,000 | 80,000 |
| Adrian Loader | Member of the Board of Directors | Number | | 1,166 |
| | | CHF | 80,000 | 80,000 |
| H. Onno Ruding | Member of the Board of Directors, Member of the Audit Committee until May 6, 2010 | Number | | |
| | | CHF | | |
| Thomas Schmidheiny | Member of the Board of Directors, Member of the Governance, Nomination & Compensation Committee | Number | | 1,166 |
| | | CHF | 130,800[5] | 80,000 |
| Wolfgang Schürer | Member of the Board of Directors, Member of the Governance Nomination & Compensation Committee | Number | | 1,166 |
| | | CHF | 100,000 | 80,000 |
| Dieter Spälti | Member of the Board of Directors, Member of the Audit Committee since May 6, 2010 | Number | | 1,166 |
| | | CHF | 97,500 | 80,000 |
| Robert F. Spoerry | Member of the Board of Directors | Number | | 1,166 |
| | | CHF | 80,000 | 80,000 |
| **Total Board of Directors (non-executive members)** | | **Number** | | **12,340** |
| | | **CHF** | **1,790,647** | **846,667** |
| Markus Akermann[6] | Executive member of the Board of Directors, CEO | Number | | |
| | | CHF | 2,124,500 | |
| **Variable compensation in percentage of base salary** | | | | |
| **Total senior management[8]** | | **Number** | | |
| | | **CHF** | **15,613,946** | |
| **Variable compensation in percentage of base salary** | | | | |

[1] Compensation for the Board of Directors and senior management is disclosed gross of withholding tax and employee social security contributions. "Other compensation" includes employer contributions to pension plans (state old age and survivors insurance [AHV]/disability insurance [IV], pension funds) as well as a lump sum allowance, long-service benefits, government child payments, etc. The parameters for the fair value calculation of shares and options allocated in the year under review are disclosed on page 184 under "Share compensation plan".

[2] The shares were valued at the average market price in the period from January 1, 2011 to February 15, 2011 and are subject to a five-year sale and pledge restriction period.

[3] Value of the options according to the Black Scholes model at the time of allocation.

[4] In line with the rules of SIX Swiss Exchange, these amounts include primarily the contributions from the Holcim International Pension Trust in the amount of CHF 8.3 million, which do not affect the statement of income of the Group.

[5] Including director's fees from subsidiary companies.

[6] Member of senior management receiving the highest compensation.

[7] Includes the expense of the employer's trust for the additional financing of the pension benefits, according to the rules of SIX Swiss Exchange. Excluding this contribution, the total compensation for 2010 would have amounted to CHF 3.7 million.

[8] Including executive member of the Board of Directors, CEO.

| Variable Compensation | | | Other compensation | | Total | Total |
|---|---|---|---|---|---|---|
| Cash | Shares[2] | Options[3] | Employer contributions to pension plans | Others[4] | compensation 2010 | compensation 2009 |
| | | | 32,394 | 50,023 | 758,097 | 759,028 |
| | | | 18,170 | 10,023 | 408,193 | 408,169 |
| | | | 7,060 | 10,023 | 177,083 | 175,801 |
| | | | | | | 70,834 |
| | | | 2,357 | 5,833 | 101,524 | |
| | | | 8,070 | 10,023 | 198,093 | 198,069 |
| | | | 11,262 | 10,023 | 281,285 | 281,331 |
| | | | 0 | 10,023 | 170,023 | 170,000 |
| | | | | | | 207,726 |
| | | | 9,625 | 10,023 | 230,448 | 225,801 |
| | | | 8,070 | 10,023 | 198,093 | 198,069 |
| | | | 7,944 | 10,023 | 195,467 | 177,059 |
| | | | 7,060 | 10,023 | 177,083 | 175,801 |
| | | | **112,012** | **146,063** | **2,895,389** | **3,047,688** |
| | 4,567 | 28,180 | | | | |
| 390,515 | 313,479 | 467,506 | 379,676 | 5,038,320 | 8,713,996[7] | 3,993,318 |
| | **55.1%** | | | | | |
| | **29,081** | **145,380** | | | | |
| **2,625,502** | **1,996,120** | **2,411,854** | **5,260,900** | **8,786,016** | **36,694,338** | **27,221,571** |
| | **45.0%** | | | | | |

**Compensation for former members of governing bodies**

In the year under review, compensation in the amount of CHF 2.9 million (2009: 1.3) was paid to one (2009: two) former member of the Board of Directors and three (2009: four) former members of senior management. This amount includes according to the rules of SIX Swiss Exchange the expense of the employer's trust for the additional financing of the pension benefit of one former member of the senior management in the amount of CHF 0.5 million (2009: 0).

**Loans**

As at December 31, 2010 and December 31, 2009, there were no loans outstanding, which were granted to members of the Board of Directors and members of senior management.

### Shares and options owned by members of the Board of Directors and Senior management

The tables show the number of shares and options held by members of the Board of Directors and Senior management as at December 31, 2010 and December 31, 2009 respectively.

**Board of Directors**[1]

| Name | Position | Total number of shares 2010 | Total number of call options 2010 |
|---|---|---|---|
| Rolf Soiron | Chairman, Governance, Nomination & Compensation Committee Chairman | 35,713 | |
| Andreas von Planta | Deputy Chairman | 9,508 | |
| Christine Binswanger | Member | 2,760 | |
| Beat Hess | Member | 200 | |
| Erich Hunziker | Member | 9,750 | |
| Peter Küpfer | Member, Audit Committee Chairman | 9,749 | 37,000[2] 31,000[3] |
| Adrian Loader | Member | 5,514 | |
| Thomas Schmidheiny | Member | 59,568,933 | |
| Wolfgang Schürer | Member | 42,454 | |
| Dieter Spälti | Member | 21,404 | |
| Robert F. Spoerry | Member | 8,179 | |
| **Total Board of Directors (non-executive members)** | | **59,714,164** | **68,000** |

**Board of Directors**

| Name | Position | Total number of shares 2009 | Total number of call options 2009 |
|---|---|---|---|
| Rolf Soiron | Chairman, Governance, Nomination & Compensation Committee Chairman | 34,667 | |
| Andreas von Planta | Deputy Chairman | 8,462 | |
| Christine Binswanger | Member | 1,714 | |
| Erich Hunziker | Member | 8,704 | |
| Peter Küpfer | Member, Audit Committee Chairman | 8,703 | 83,288[2] 31,000[3] |
| Adrian Loader | Member | 5,468 | |
| H. Onno Ruding | Member | 4,595 | |
| Thomas Schmidheiny | Member | 59,567,887 | |
| Wolfgang Schürer | Member | 41,408 | |
| Dieter Spälti | Member | 20,017 | |
| Robert F. Spoerry | Member | 7,133 | |
| **Total Board of Directors (non-executive members)** | | **59,708,758** | **114,288** |

The total number of shares and call options comprise privately acquired shares and call options, and shares allocated under profit-sharing and compensation schemes. Non-executive members of the Board of Directors did not receive any options from compensation and profit-sharing schemes.

[1] From allocation, shares are subject to a five-year sale and pledge restriction period.
[2] 2010 – Exercise price: CHF 70; Ratio 1:1; Style: American; Maturity: 19.8.2014 (2009 – Exercise price: CHF 110; Ratio 1.0411:1; Style: European; Maturity: 21.5.2010).
[3] 2010 – Exercise price: CHF 80; Ratio 1:1; Style: American; Maturity: 12.11.2013 (2009 – Exercise price: CHF 80; Ratio 1:1; Style: American; Maturity: 12.11.2013).

**Senior management[1]**

| Name | Position | Total number of shares 2010 | Total number of call options 2010 |
|---|---|---|---|
| Markus Akermann | Executive Member of the Board of Directors, CEO | 89,429 | 261,916 |
| Urs Böhlen | Member of the Executive Committee | 15,943 | 69,801 |
| Patrick Dolberg | Member of the Executive Committee | 10,505 | 53,609 |
| Paul Hugentobler | Member of the Executive Committee | 73,511 | 105,704 |
| Thomas Knöpfel | Member of the Executive Committee | 34,284 | 99,896 |
| Benoît-H. Koch | Member of the Executive Committee | 28,239 | 94,133 |
| Roland Köhler | Member of the Executive Committee | 7,411 | 53,693 |
| Theophil H. Schlatter | Member of the Executive Committee, CFO | 59,627 | 120,883 |
| Ian Thackwray | Member of the Executive Committee | 1,589 | 33,550 |
| Javier de Benito | Area Manager | 17,095 | 18,885 |
| Andreas Leu | Area Manager | 9,455 | 9,124 |
| Aidan Lynam | Area Manager | 1,226 | 0 |
| Bernard Terver | Area Manager | 18,132 | 20,960 |
| Jacques Bourgon | Corporate Functional Manager | 7,202 | 16,783 |
| Stefan Wolfensberger | Corporate Functional Manager | 5,386 | 17,894 |
| **Total senior management** | | **379,034** | **976,831** |

**Senior management**

| Name | Position | Total number of shares 2009 | Total number of call options 2009 |
|---|---|---|---|
| Markus Akermann | Executive Member of the Board of Directors, CEO | 83,847 | 234,065 |
| Urs Böhlen | Member of the Executive Committee | 13,052 | 58,545 |
| Tom Clough | Member of the Executive Committee | 23,254 | 83,688 |
| Patrick Dolberg | Member of the Executive Committee | 7,714 | 41,029 |
| Paul Hugentobler | Member of the Executive Committee | 70,720 | 93,124 |
| Thomas Knöpfel | Member of the Executive Committee | 31,493 | 89,633 |
| Benoît-H. Koch | Member of the Executive Committee | 25,448 | 83,772 |
| Theophil H. Schlatter | Member of the Executive Committee, CFO | 56,836 | 108,303 |
| Bill Bolsover | Area Manager and Corporate Functional Manager | 6,438 | 12,531 |
| Javier de Benito | Area Manager | 15,256 | 16,618 |
| Gérard Letellier | Area Manager | 10,156 | 17,726 |
| Andreas Leu | Area Manager | 7,092 | 5,719 |
| Jacques Bourgon | Corporate Functional Manager | 6,590 | 14,059 |
| Roland Köhler | Corporate Functional Manager | 6,802 | 16,908 |
| Stefan Wolfensberger | Corporate Functional Manager | 4,777 | 14,965 |
| **Total senior management** | | **369,475** | **890,685** |

The total number of shares and call options include both privately acquired shares and call options, and those allocated under the Group's profit-sharing and compensation schemes. Options are issued solely on registered shares of Holcim Ltd.

[1] From allocation, shares are subject to a five-year and options to a three-year and nine-year sale restriction period respectively.

**Other transactions**

As part of the employee share purchase plan, Holcim manages employees' shares. It sells and purchases Holcim Ltd shares to and from employees and on the open market. As a result, the company purchased Holcim Ltd shares of CHF 0.29 million (2009: 0.91) at stock market price from members of senior management.

No compensation was paid or loans granted to parties closely related to members of the governing bodies.

## 42 Events after the reporting period

There were no significant events after the reporting period.

## 43 Authorization of the financial statements for issuance

The consolidated financial statements were authorized for issuance by the Board of Directors of Holcim Ltd on February 25, 2011 and are subject to shareholder approval at the annual general meeting of shareholders scheduled for May 5, 2011.

## Principal companies of the Holcim Group

| Region | Company | Place | Nominal share capital in 000 | | Participation (voting right) |
|---|---|---|---|---|---|
| **Europe** | Holcim France Benelux S.A.S. | France | EUR | 192,253 | 100.0% |
| | Holcim (España) S.A. | Spain | EUR | 345,787 | 99.9% |
| | Holcim Trading S.A. | Spain | EUR | 19,600 | 100.0% |
| | Aggregate Industries Ltd | United Kingdom | GBP | 0 | 100.0% |
| | Holcim (Deutschland) AG | Germany | EUR | 47,064 | 88.9% |
| | Holcim (Süddeutschland) GmbH | Germany | EUR | 6,450 | 100.0% |
| | Holcim (Schweiz) AG | Switzerland | CHF | 71,100 | 100.0% |
| | Holcim Gruppo (Italia) S.p.A. | Italy | EUR | 67,000 | 100.0% |
| | Holcim Group Support Ltd | Switzerland | CHF | 1,000 | 100.0% |
| | Holcim (Česko) a.s. | Czech Republic | CZK | 486,297 | 100.0% |
| | Holcim (Slovensko) a.s. | Slovakia | EUR | 42,325 | 98.0% |
| | Holcim Hungária Zrt. | Hungary | HUF | 3,176,805 | 99.7% |
| | Holcim (Hrvatska) d.o.o. | Croatia | HRK | 94,000 | 99.8% |
| | Holcim (Serbia) d.o.o. | Serbia | CSD | 2,300,000 | 100.0% |
| | Holcim (Romania) S.A. | Romania | RON | 274,243 | 99.7% |
| | Holcim (Bulgaria) AD | Bulgaria | BGN | 1,093 | 100.0% |
| | Alpha Cement J.S.C. | Russia | RUB | 24,893 | 82.7% |
| | "Garadagh" Sement O.J.S.C. | Azerbaijan | AZN | 31,813 | 69.6% |
| **North America** | Holcim (US) Inc. | USA | USD | 0 | 100.0% |
| | Aggregate Industries Management Inc. | USA | USD | 194,058 | 100.0% |
| | Holcim (Canada) Inc. | Canada | CAD | 171,201 | 100.0% |
| **Latin America** | Holcim Apasco S.A. de C.V. | Mexico | MXN | 5,843,086 | 100.0% |
| | Holcim El Salvador S.A. de C.V. | El Salvador | USD | 78,178 | 91.6% |
| | Holcim (Nicaragua) S.A. | Nicaragua | NIO | 19,469 | 80.0% |
| | Holcim (Costa Rica) S.A. | Costa Rica | CRC | 8,604,056 | 59.8% |
| | Holcim (Colombia) S.A. | Colombia | COP | 72,536,776 | 99.8% |
| | Holcim (Ecuador) S.A. | Ecuador | USD | 102,405 | 92.2% |
| | Holcim (Brasil) S.A. | Brazil | BRL | 455,675 | 99.9% |
| | Juan Minetti S.A. | Argentina | ARS | 352,057 | 79.6% |
| | Cemento Polpaico S.A. | Chile | CLP | 7,675,262 | 54.3% |

| Region | Company | Place | Nominal share capital in 000 | | Participation (voting right) |
|---|---|---|---|---|---|
| Africa Middle East | Holcim (Maroc) S.A. | Morocco | MAD | 421,000 | 61.0% |
| | Ciments de Guinée S.A. | Guinea | GNF | 46,393,000 | 59.9% |
| | Société de Ciments et Matériaux | Ivory Coast | XOF | 912,940 | 99.9% |
| | Holcim (Liban) S.A.L. | Lebanon | LBP | 135,617,535 | 52.1% |
| | Holcim (Outre-Mer) S.A.S. | La Réunion | EUR | 37,748 | 100.0% |
| | Aden Cement Enterprises Ltd. | Republic of Yemen | YER | 106,392 | 100.0% |
| Asia Pacific | ACC Limited[1] | India | INR | 1,877,453 | 48.3% |
| | Ambuja Cements Ltd.[1] | India | INR | 3,059,718 | 45.5% |
| | Holcim (Lanka) Ltd | Sri Lanka | LKR | 4,457,771 | 98.9% |
| | Holcim (Bangladesh) Ltd | Bangladesh | BDT | 269,004,000 | 89.0% |
| | Siam City Cement (Public) Company Limited[2] | Thailand | THB | 2,375,000 | 36.8% |
| | Holcim (Malaysia) Sdn Bhd | Malaysia | MYR | 10,450 | 100.0% |
| | Holcim (Singapore) Pte. Ltd | Singapore | SGD | 44,322 | 90.8% |
| | PT Holcim Indonesia Tbk. | Indonesia | IDR | 3,645,034,000 | 80.6% |
| | Holcim (Vietnam) Ltd | Vietnam | USD | 189,400 | 65.0% |
| | Holcim (Philippines) Inc. | Philippines | PHP | 6,452,099 | 85.7% |
| | Cement Australia Holdings Pty Ltd | Australia | AUD | 370,740 | 75.0% |
| | Holcim (Australia) Holdings Pty Ltd | Australia | AUD | 1,145,867 | 100.0% |
| | Holcim (New Zealand) Ltd | New Zealand | NZD | 22,004 | 100.0% |

## Listed Group companies

| Region | Company | Domicile | Place of listing | Market capitalization at December 31, 2010 in local currency | | Security code number |
|---|---|---|---|---|---|---|
| Europe | Holcim (Deutschland) AG | Hamburg | Frankfurt | EUR | 527 million | DE0005259006 |
| Latin America | Holcim (Costa Rica) S.A. | San José | San José | CRC | 161,154 million | CRINC00A0010 |
| | Holcim (Ecuador) S.A. | Guayaquil | Quito, Guayaquil | USD | 1,055 million | ECP516721068 |
| | Juan Minetti S.A. | Buenos Aires | Buenos Aires | ARS | 1,588 million | ARP6806N1051 |
| | Cemento Polpaico S.A. | Santiago | Santiago | CLP | 134,668 million | CLP2216J1070 |
| Africa Middle East | Holcim (Maroc) S.A. | Rabat | Casablanca | MAD | 11,173 million | MA0000010332 |
| | Holcim (Liban) S.A.L. | Beirut | Beirut | USD | 332 million | LB0000012833 |
| Asia Pacific | ACC Limited | Mumbai | Mumbai | INR | 201,939 million | INE012A01025 |
| | Ambuja Cements Ltd. | Mumbai | Mumbai | INR | 219,076 million | INE079A01024 |
| | Siam City Cement (Public) Company Limited | Bangkok | Bangkok | THB | 53,820 million | TH0021010002 |
| | PT Holcim Indonesia Tbk. | Jakarta | Jakarta | IDR | 17,241,525 million | ID1000072309 |
| | Holcim Philippines Inc. | Manila | Manila | PHP | 100,008 million | PHY3232G1014 |

[1] Control obtained because of the power to cast the majority of votes at meetings of the Board of Directors.
[2] Joint venture, proportionate consolidation.

## Principal finance and holding companies

| Company | Place | Nominal share capital in 000 | | Participation (voting right) |
|---|---|---|---|---|
| Holcim Ltd | Switzerland | CHF | 654,173 | 100.0% |
| Aggregate Industries Holdings Limited | United Kingdom | GBP | 505,581 | 100.0% |
| Cemasco B.V. | Netherlands | USD | 1,030 | 100.0% |
| Holcibel S.A. | Belgium | EUR | 976,000 | 100.0% |
| Holcim Auslandbeteiligungs GmbH (Deutschland) | Germany | EUR | 2,556 | 100.0% |
| Holcim Beteiligungs GmbH (Deutschland) | Germany | EUR | 102,000 | 100.0% |
| Holcim Capital Corporation Ltd. | Bermuda | USD | 2,630 | 100.0% |
| Holcim Capital (Thailand) Ltd. | Thailand | THB | 1,100 | 100.0% |
| Holcim (Centroamérica) B.V. | Netherlands | USD | 3,855 | 100.0% |
| Holcim European Finance Ltd. | Bermuda | EUR | 25 | 100.0% |
| Holcim Finance (Australia) Pty Ltd | Australia | AUD | 0 | 100.0% |
| Holcim Finance (Belgium) S.A. | Belgium | EUR | 62 | 100.0% |
| Holcim Finance (Canada) Inc. | Canada | CAD | 0 | 100.0% |
| Holcim Finance (Luxembourg) S.A. | Luxembourg | EUR | 1,900 | 100.0% |
| Holcim GB Finance Ltd. | Bermuda | GBP | 8 | 100.0% |
| Holcim (India) Private Limited | India | INR | 19,317,267 | 100.0% |
| Holcim Investments (France) SAS | France | EUR | 15,551 | 100.0% |
| Holcim Investments (Spain) S.L. | Spain | EUR | 88,850 | 100.0% |
| Holcim Overseas Finance Ltd. | Bermuda | CHF | 16 | 100.0% |
| Holcim Participations (UK) Limited | United Kingdom | GBP | 690,000 | 100.0% |
| Holcim Participations (US) Inc. | USA | USD | 67 | 100.0% |
| Holcim Reinsurance Limited | Bermuda | CHF | 1,453 | 100.0% |
| Holcim US Finance S.à r.l. & Cie S.C.S. | Luxembourg | USD | 10 | 100.0% |
| Holderfin B.V. | Netherlands | EUR | 3,772 | 100.0% |

## Principal associated companies

| Region | Company | Country of incorporation or residence | Participation (voting right) |
|---|---|---|---|
| **North America** | Lattimore Materials Company, L.P. | USA | 49.0% |
| **Latin America** | Cementos Progreso S.A. | Guatemala | 20.0% |
| **Africa Middle East** | AfriSam (Pty) Ltd[1] | South Africa | 15.0% |
| | Lafarge Cement Egypt S.A.E. | Egypt | 43.7% |
| | United Cement Company of Nigeria Ltd | Nigeria | 35.9% |
| **Asia Pacific** | Espandar Cement Investment Co. (P.J.S.) | Iran | 49.9% |
| | Huaxin Cement Co. Ltd. | China | 39.9% |

[1] Due to significant influence.

**To the General Meeting of Holcim Ltd, Jona**

Zurich, February 25, 2011

**Report of the statutory auditor on the consolidated financial statements**

As statutory auditor, we have audited the consolidated financial statements of Holcim Ltd, which comprise the consolidated statement of income, consolidated statement of comprehensive earnings, consolidated statement of financial position, statement of changes in consolidated equity, consolidated statement of cash flows and notes on pages 129 to 198 for the year ended December 31, 2010.

**Board of Directors' responsibility**

The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

**Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law, Swiss Auditing Standards and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements for the year ended December 31, 2010 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

**Report on other legal requirements**

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (Art. 728 Code of Obligations (CO) and Art. 11 AOA) and that there are no circumstances incompatible with our independence. In accordance with Art. 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors. We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

Christoph Dolensky
Licensed Audit Expert
Auditor in charge

Willy Hofstetter
Licensed Audit Expert

## Principal companies of the Holcim Group

### Holcim France Benelux S.A.S., France

| | |
|---|---|
| Chief Executive: | Vincent Bichet |
| Country Manager France: | Gérard Letellier |
| Country Manager Belgium/Netherlands: | Lukas Epple |
| Personnel: | 3,130 |
| Production capacity: | 9.0 million t of cement |
| Altkirch plant | ■ |
| Dannes plant | ■ |
| Héming plant | ■ |
| Lumbres plant | ■ |
| Obourg plant | ■ |
| Rochefort plant | ■ |
| Dunkerque grinding plant | ■ |
| Ebange grinding plant | ■ |
| Grand-Couronne grinding plant | ■ |
| Haccourt grinding plant | ■ |
| Shareholdings: | |
| Dijon Béton Soc | ▲ |
| Geocycle S.A. | ■ |
| Holcim Betonproducten B.V. | ▲ |
| Holcim Bétons (Belgique) S.A. | ▲ |
| Holcim Bétons (France) S.A.S. | ▲ |
| Holcim Granulats (Belgique) S.A. | ● |
| Holcim Granulats (France) S.A.S. | ● |
| Holcim Grondstoffen B.V. | ▲ |

### Holcim (España) S.A., Spain

| | |
|---|---|
| Chief Executive: | Vincent Lefebvre |
| Personnel: | 1,333 |
| Production capacity: | 5.0 million t of cement |
| Carboneras plant | ■ |
| Gádor plant | ■ |
| Jerez plant | ■ |
| Lorca plant | ■ |
| Yeles plant | ■ |
| Shareholdings: | |
| Holcim Aridos S.L. | ● |
| Holcim Hormigones S.A. | ▲ |
| Holcim Morteros S.A. | ▲ |

### Holcim Trading S.A., Spain

| | |
|---|---|
| Chief Executive: | Alfonso Gárate |
| Personnel: | 88 |
| Seaborne clinker and cement trading and others | ▲ |

### Aggregate Industries Ltd, United Kingdom

| | |
|---|---|
| Chief Executive: | Alain Bourguignon |
| Personnel: | 5,440 |
| Aggregate Industries Scotland | ● ▲ |
| Aggregate Supplies | ▲ |
| Ash Solutions | ▲ |
| Bardon Aggregates | ● |
| Bardon Asphalt | ▲ |
| Bardon Concrete | ▲ |
| Bardon Contracting | ▲ |
| Borderstone | ▲ |
| Bradstone | ▲ |
| Charcon | ▲ |
| Express Asphalt | ▲ |
| London Concrete | ▲ |
| Masterblock | ▲ |
| Moxon Traffic Management | ▲ |
| Paragon Materials | ▲ |
| Ronez | ● ▲ |
| Spade Oak | ▲ |
| Yeoman Aggregates | ● |
| Yeoman Asphalt | ▲ |
| Yeoman Glensanda | ● |
| Shareholdings: | |
| Aggregate Industries UK Ltd. | ● ▲ |
| Charcon Holdings Ltd | ▲ |
| Dansk Natursten A/S | ● |
| Halsvik Aggregates AS | ● |
| Lytag Holdings Ltd | ▲ |
| Yeoman Baumineralien GmbH | ● |
| Yeoman Poland sp Zoo | ● |

### Holcim (Deutschland) AG, Germany

| | |
|---|---|
| Chief Executive: | Leo Mittelholzer |
| Personnel: | 1,389 |
| Production capacity: | 3.3 million t of cement |
| Höver plant | ■ |
| Lägerdorf plant | ■ |
| Bremen grinding plant | ■ |
| Shareholdings: | |
| Hannoversche Silo-Gesellschaft mbH | ▲ |
| Holcim Beton und Zuschlagsstoffe (NRW) GmbH | ● ▲ |
| Hüttensand Salzgitter GmbH & Co. KG | ● |
| SBU Kieswerk Zeithain GmbH & Co. KG | ● |
| Vereinigte Transportbetonwerke GmbH & Co. KG | ▲ |

■ Cement
● Aggregates
▲ Other construction materials and services

### Holcim (Süddeutschland) GmbH, Germany

| | |
|---|---|
| Regional General Manager: | Carlo Gervasoni |
| Country Manager: | Reto Willimann |
| Personnel: | 320 |
| Production capacity: | 1.1 million t of cement |
| Dotternhausen plant | ■ |
| Shareholding: | |
| Holcim Kies und Beton GmbH | ● ▲ |

### Holcim (Schweiz) AG, Switzerland

| | |
|---|---|
| Regional General Manager: | Carlo Gervasoni |
| Country Manager: | Kaspar Wenger |
| Personnel: | 1,189 |
| Production capacity: | 3.6 million t of cement |
| Eclépens plant | ■ |
| Siggenthal plant | ■ |
| Untervaz plant | ■ |
| Lorüns grinding plant, Austria | ■ |
| Shareholdings: | |
| Holcim BF+P SA | ▲ |
| Holcim Kies und Beton AG | ● ▲ |
| Holcim (Vorarlberg) GmbH, Austria | ■ |

### Holcim Gruppo (Italia) S.p.A., Italy

| | |
|---|---|
| Regional General Manager: | Carlo Gervasoni |
| Country Manager: | Domenico Salvadore |
| Personnel: | 593 |
| Production capacity: | 5.1 million t of cement |
| Merone plant | ■ |
| Ternate plant | ■ |
| Morano grinding plant | ■ |
| Ravenna grinding plant | ■ |
| Shareholdings: | |
| Eurofuels | ■ |
| Holcim Aggregati S.r.l. | ● |
| Holcim Calcestruzzi S.r.l. | ▲ |

### Holcim Group Support Ltd, Switzerland

| | |
|---|---|
| Personnel: | 754 |
| Management services | ▲ |

### Holcim (Česko) a.s., Czech Republic

| | |
|---|---|
| Chief Executive: | Patrick Stapfer |
| Personnel: | 390 |
| Production capacity: | 1.2 million t of cement |
| Prachovice plant | ■ |
| Aggregates operations | ● |
| Ready-mix concrete operations | ▲ |
| Shareholdings: | |
| Lom Klecany s.r.o | ● |
| Transbeton Skanska s.r.o | ▲ |

### Holcim (Slovensko) a.s., Slovakia

| | |
|---|---|
| Chief Executive: | Alan Šišinacki |
| Personnel: | 559 |
| Production capacity: | 2.2 million t of cement |
| Rohožník plant | ■ |
| Aggregates operations | ● |
| Ready-mix concrete operations | ▲ |
| Shareholding: | |
| Holcim Wien GmbH, Austria | ■ |

### Holcim Hungária Zrt., Hungary

| | |
|---|---|
| Chief Executive: | Richard Skene |
| Personnel: | 557 |
| Production capacity: | 2.2 million t of cement |
| Hejöcsaba plant | ■ |
| Lábatlan plant | ■ |
| Aggregates operations | ● |
| Ready-mix concrete operations | ▲ |

### Holcim (Hrvatska) d.o.o., Croatia

| | |
|---|---|
| Chief Executive: | Mario Grassl |
| Personnel: | 310 |
| Production capacity: | 1.0 million t of cement |
| Koromačno plant | ■ |
| Aggregates operations | ● |
| Ready-mix concrete operations | ▲ |
| Shareholdings: | |
| Holcim mineralni agregati d.o.o. Nedešcina | ● |
| Holcim mineralni agregati d.o.o. Očura | ● |

■ Cement

● Aggregates

▲ Other construction materials and services

### Holcim (Serbia) d.o.o., Serbia

| | |
|---|---|
| Chief Executive: | Gustavo Navarro |
| Personnel: | 398 |
| Production capacity: | 1.3 million t of cement |
| Novi Popovac plant | ■ |
| Ready-mix concrete operations | ▲ |

### Holcim (Romania) S.A., Romania

| | |
|---|---|
| Chief Executive: | Markus Wirth |
| Personnel: | 1,073 |
| Production capacity: | 6.1 million t of cement |
| Alesd plant | ■ |
| Campulung plant | ■ |
| Turda grinding plant | ■ |
| Aggregates operations | ● |
| Ready-mix concrete operations | ▲ |
| Shareholdings: | |
| AgroComp International SRL | ● |
| Estagre SRL | ● |
| Romest Betoane si Agregate SA Bacau | ● |

### Holcim (Bulgaria) AD, Bulgaria

| | |
|---|---|
| Chief Executive: | Todor Kostov |
| Personnel: | 539 |
| Production capacity: | 2.4 million t of cement |
| Beli Izvor plant | ■ |
| Pleven plant | ■ |
| Aggregates operations | ● |
| Ready-mix concrete operations | ▲ |
| Shareholdings: | |
| Holcim Beton Plovdiv AD | ▲ |
| Holcim Karierni Materiali AD | ● |
| Holcim Karierni Materiali Plovdiv AD | ● |
| Holcim Karierni Materiali Rudinata AD | ● |

### Alpha Cement J.S.C., Russia

| | |
|---|---|
| Chief Executive: | Horia Adrian |
| Personnel: | 1,754 |
| Production capacity: | 4.4 million t of cement |
| Shurovo plant | ■ |
| Volsk plant | ■ |

### "Garadagh" Sement O.J.S.C., Azerbaijan

| | |
|---|---|
| Chief Executive: | Raoul Waldburger |
| Personnel: | 577 |
| Production capacity: | 2.0 million t of cement |
| Garadagh plant | ■ |

### Holcim (US) Inc., USA

| | |
|---|---|
| Chief Executive: | Bernard Terver |
| Personnel: | 1,894 |
| Production capacity: | 19.9 million t of cement |
| Ada plant | ■ |
| Artesia plant | ■ |
| Catskill plant | ■ |
| Devil's Slide plant | ■ |
| Hagerstown plant | ■ |
| Holly Hill plant | ■ |
| Mason City plant | ■ |
| Midlothian plant | ■ |
| Portland plant | ■ |
| Ste Genevieve plant | ■ |
| Theodore plant | ■ |
| Trident plant | ■ |
| Birmingham grinding plant | ■ |
| Camden grinding plant | ■ |
| Chicago grinding plant | ■ |

### Aggregate Industries Management Inc., USA

| | |
|---|---|
| Chief Executive: | Bernard Terver |
| Personnel: | 2,134 |
| Mid Atlantic Region | ● ▲ |
| Mid West Region | ● ▲ |
| North East Region | ● ▲ |
| Western Region | ● ▲ |

### Holcim (Canada) Inc., Canada

| | |
|---|---|
| Chief Executive: | Paul Ostrander |
| Personnel: | 2,640 |
| Production capacity: | 3.3 million t of cement |
| Joliette plant | ■ |
| Mississauga plant | ■ |
| Shareholdings: | |
| Demix group | ● ▲ |
| Dufferin group | ● ▲ |

### Holcim Apasco S.A. de C.V., Mexico

| | |
|---|---|
| Chief Executive: | Eduardo Kretschmer |
| Personnel: | 3,916 |
| Production capacity: | 12.2 million t of cement |
| Acapulco plant | ■ |
| Apaxco plant | ■ |
| Hermosillo plant | ■ |
| Macuspana plant | ■ |
| Orizaba plant | ■ |
| Ramos Arizpe plant | ■ |
| Tecomán plant | ■ |
| Shareholdings: | |
| Cementos Apasco S.A. de C.V. | ■ |
| Concretos Apasco S.A. de C.V. | ▲ |
| Ecoltec S.A. de C.V. | ■ |
| Gravasa S.A. de C.V. | ● |

### Holcim El Salvador S.A. de C.V., El Salvador

| | |
|---|---|
| Chief Executive: | Ricardo A. Chavez Caparroso |
| Personnel: | 675 |
| Production capacity: | 1.7 million t of cement |
| El Ronco plant | ■ |
| Maya plant | ■ |
| Shareholdings: | |
| Bolsas de Centroamérica S.A. de C.V. | ▲ |
| Geocycle S.A. de C.V. | ■ |
| Holcim Concretos S.A. de C.V. | ▲ |

### Holcim (Nicaragua) S.A., Nicaragua

| | |
|---|---|
| Chief Executive: | Sergio Egloff |
| Personnel: | 128 |
| Production capacity: | 0.3 million t of cement |
| Nagarote grinding plant | ■ |

### Holcim (Costa Rica) S.A., Costa Rica

| | |
|---|---|
| Chief Executive: | Sergio Egloff |
| Personnel: | 1,064 |
| Production capacity: | 1.5 million t of cement |
| Cartago plant | ■ |
| Shareholdings: | |
| Hidroeléctrica Aguas Zarcas S.A. | ▲ |
| Productos de Concreto S.A. | ▲ |
| Servicios Ambientales Geocycle SAG, S.A. | ■ |

### Holcim (Colombia) S.A., Colombia

| | |
|---|---|
| Chief Executive: | Moisés Pérez |
| Personnel: | 1,022 |
| Production capacity: | 2.1 million t of cement |
| Nobsa plant | ■ |
| Aggregates operations | ● |
| Ready-mix concrete operations | ▲ |
| Shareholding: | |
| Eco-procesamiento Ltda | ■ |

### Holcim (Ecuador) S.A., Ecuador

| | |
|---|---|
| Chief Executive: | Rodolfo Montero |
| Personnel: | 1,054 |
| Production capacity: | 3.5 million t of cement |
| Guayaquil plant | ■ |
| Latacunga grinding plant | ■ |
| Aggregates operations | ● |
| Ready-mix concrete operations | ▲ |
| Shareholdings: | |
| Construmercado S.A. | ▲ |
| Generadora Rocafuerte S.A. | ▲ |

### Holcim (Brasil) S.A., Brazil

| | |
|---|---|
| Chief Executive: | Otmar Hübscher |
| Personnel: | 2,137 |
| Production capacity: | 5.3 million t of cement |
| Barroso plant | ■ |
| Cantagalo plant | ■ |
| Pedro Leopoldo plant | ■ |
| Sorocaba grinding plant | ■ |
| Vitória grinding plant | ■ |
| Aggregates operations | ● |
| Ready-mix concrete operations | ▲ |

■ Cement
● Aggregates
▲ Other construction materials and services

### Juan Minetti S.A., Argentina

| | |
|---|---|
| Chief Executive: | José Cantillana |
| Personnel: | 1,487 |
| Production capacity: | 4.3 million t of cement |
| Capdeville plant | ■ |
| Malagueño plant | ■ |
| Puesto Viejo plant | ■ |
| Yocsina plant | ■ |
| Campana grinding plant | ■ |
| Aggregates operation | ● |
| Ready-mix concrete operations | ▲ |
| Shareholding: | |
| Ecoblend S.A. | ■ |

### Cemento Polpaico S.A., Chile

| | |
|---|---|
| Chief Executive: | Louis Beauchemin |
| Personnel: | 1,215 |
| Production capacity: | 2.5 million t of cement |
| Cerro Blanco plant | ■ |
| Coronel grinding plant | ■ |
| Mejillones grinding plant | ■ |
| Shareholdings: | |
| Compañia Minera Polpaico Ltd. | ■ |
| Pétreos S.A. | ● ▲ |
| Planta Polpaico del Pacifico Ltd. | ■ |
| Polpaico Inversiones Ltd. | ■ |

### Holcim (Maroc) S.A., Morocco

| | |
|---|---|
| Chief Executive: | Dominique Drouet |
| Personnel: | 623 |
| Production capacity: | 5.2 million t of cement |
| Fès plant | ■ |
| Oujda plant | ■ |
| Settat plant | ■ |
| Nador grinding plant | ■ |
| Shareholdings: | |
| Ecoval | ■ |
| Holcim AOZ | ■ |
| Holcim Bétons | ▲ |
| Holcim Granulats | ● |

### Ciments de Guinée S.A., Guinea

| | |
|---|---|
| Chief Executive: | Mohamed Ali Bensaid |
| Personnel: | 135 |
| Production capacity: | 0.6 million t of cement |
| Conakry grinding plant | ■ |

### Société de Ciments et Matériaux, Ivory Coast

| | |
|---|---|
| Chief Executive: | Johan Pachler |
| Personnel: | 217 |
| Production capacity: | 0.8 million t of cement |
| Abidjan grinding plant | ■ |

### Holcim (Liban) S.A.L., Lebanon

| | |
|---|---|
| Chief Executive: | Urs Spillmann |
| Personnel: | 440 |
| Production capacity: | 2.9 million t of cement |
| Chekka plant | ■ |
| Shareholdings: | |
| Holcim Béton S.A.L. | ▲ |
| Société Libanaise des Ciments Blancs | ■ |
| Bogaz Endustri ve Madencilik, Northern Cyprus | ■ |

### Holcim (Outre-Mer) S.A.S., La Réunion

| | |
|---|---|
| Chief Executive: | Vincent Bouckaert |
| Personnel: | 553 |
| Production capacity: | 0.9 million t of cement |
| Ibity plant | ■ |
| Le Port grinding plant | ■ |
| Nouméa grinding plant | ■ |
| Shareholdings: | |
| Holcim Madagascar S.A. | ■ |
| Holcim (Mauritius) Ltd | ■ |
| Holcim (Nouvelle Calédonie) S.A. | ■ |
| Holcim Précontraint S.A. | ▲ |
| Holcim (Réunion) S.A. | ■ |
| SAS Group Ouest Concassage | ● |

### Aden Cement Enterprises Ltd., Republic of Yemen

| | |
|---|---|
| Chief Executive: | Jaafar Skalli |
| Personnel: | 76 |
| Aden terminal | ■ |

### ACC Limited, India

| | |
|---|---|
| Chief Executive: | Kuldip K. Kaura |
| Personnel: | 14,969 |
| Production capacity: | 28.2 million t of cement |
| Bargarh plant | ■ |
| Chaibasa plant | ■ |
| Chanda plant | ■ |
| Gagal plants | ■ |
| Jamul plant | ■ |
| Kymore plant | ■ |
| Lakheri plant | ■ |
| Madukkarai plant | ■ |
| Wadi plants | ■ |
| Bellary grinding plant | ■ |
| Damodhar grinding plant | ■ |
| Kolar grinding plant | ■ |
| Sindri grinding plant | ■ |
| Tikaria grinding plant | ■ |
| Ready-mix concrete operations | ▲ |
| Shareholding: | |
| Associated Cement Concrete Ltd. | ▲ |

### Ambuja Cements Ltd., India

| | |
|---|---|
| Chief Executive: | Onne van der Weijde |
| Personnel: | 8,283 |
| Production capacity: | 25.8 million t of cement |
| Ambujanagar plants | ■ |
| Bhatapara plants | ■ |
| Darlaghat plants | ■ |
| Maratha plant | ■ |
| Rabriyawas plant | ■ |
| Bhatinda grinding plant | ■ |
| Dadri grinding plant | ■ |
| Farakka grinding plant | ■ |
| Nalagarh grinding plant | ■ |
| Roorkee grinding plant | ■ |
| Ropar grinding plant | ■ |
| Sankrail grinding plant | ■ |
| Surat grinding plant | ■ |

### Holcim (Lanka) Ltd, Sri Lanka

| | |
|---|---|
| Chief Executive: | Stefan Huber |
| Personnel: | 630 |
| Production capacity: | 1.5 million t of cement |
| Palavi plant | ■ |
| Ruhunu grinding plant | ■ |

### Holcim (Bangladesh) Ltd, Bangladesh

| | |
|---|---|
| Chief Executive: | Rajnish Kapur |
| Personnel: | 603 |
| Production capacity: | 1.3 million t of cement |
| Menghnaghat grinding plant | ■ |
| Mongla grinding plant | ■ |
| Shareholdings: | |
| Saiham Cement Industries Ltd | ■ |
| United Cement Industries Limited | ■ |

### Siam City Cement (Public) Company Limited, Thailand

| | |
|---|---|
| Chief Executive: | Philippe Arto |
| Personnel: | 3,172 |
| Production capacity: | 16.5 million t of cement |
| Saraburi plants | ■ |
| Shareholdings: | |
| Conwood Co. Ltd. | ▲ |
| Siam City Concrete Co. Ltd. | ▲ |

### Holcim (Malaysia) Sdn Bhd, Malaysia

| | |
|---|---|
| Chief Executive: | Mahanama Ralapanawa |
| Personnel: | 209 |
| Production capacity: | 1.2 million t of cement |
| Pasir Gudang grinding plant | ■ |
| Ready-mix concrete operations | ▲ |
| Shareholding: | |
| Geocycle Malaysia Sdn Bhd | ■ |

### Holcim (Singapore) Pte. Ltd, Singapore

| | |
|---|---|
| General Manager: | Sujit Ghosh |
| Personnel: | 220 |
| Ready-mix concrete operations | ▲ |
| Shareholding: | |
| Ecowise Material Pte Ltd. | ▲ |

■ Cement
● Aggregates
▲ Other construction materials and services

### PT Holcim Indonesia Tbk., Indonesia

| | |
|---|---|
| Chief Executive: | Eamon Ginley |
| Personnel: | 2,581 |
| Production capacity: | 8.2 million t of cement |
| Cilacap plant | ■ |
| Narogong plant | ■ |
| Ciwandan grinding plant | ■ |
| Shareholdings: | |
| Holcim (Malaysia) Sdn Bhd | ■ ▲ |
| PT Holcim Beton | ● ▲ |
| PT Wahana Transtama | ■ |

### Holcim (Vietnam) Ltd, Vietnam

| | |
|---|---|
| Chief Executive: | Gary Schütz |
| Personnel: | 1,703 |
| Production capacity: | 5.1 million t of cement |
| Hon Chong plant | ■ |
| Cat Lai grinding plant | ■ |
| Hiep Phuoc grinding plant | ■ |
| Thi Vai grinding plant | ■ |
| Ready-mix concrete operations | ▲ |

### Holcim (Philippines) Inc., Philippines

| | |
|---|---|
| Chief Executive: | Roland van Wijnen |
| Personnel: | 1,767 |
| Production capacity: | 9.2 million t of cement |
| Bulacan plant | ■ |
| Davao plant | ■ |
| La Union plant | ■ |
| Lugait plant | ■ |
| Mabini grinding plant | ■ |
| Ready-mix concrete operations | ▲ |
| Shareholding: | |
| Trans Asia Power Corporation | ■ |

### Cement Australia Holdings Pty Ltd and Cement Australia Partnership, Australia

| | |
|---|---|
| Chief Executive: | Chris Leon |
| Personnel: | 1,345 |
| Production capacity: | 4.3 million t of cement |
| Gladstone plant | ■ |
| Kandos plant | ■ |
| Railton plant | ■ |
| Rockhampton plant | ■ |
| Bulwer Island grinding plant | ■ |
| Shareholdings: | |
| Australian Steel Mill Services Pty | ▲ |
| Cement Australia Packaged Products Pty Ltd. | ■ |
| Ecocem Pty Ltd. | ▲ |
| Pozzolanic Industries Pty Ltd. | ▲ |
| The Cornwall Coal Mining Company Pty Ltd. | ▲ |

### Holcim (Australia) Holdings Pty Ltd, Australia

| | |
|---|---|
| Chief Executive: | Mark Campbell |
| Personnel: | 3,337 |
| Aggregates operations | ● |
| Ready-mix concrete operations | ▲ |
| Concrete products operations | ▲ |
| Shareholdings: | |
| Broadway & Frame Premix Concrete Pty Ltd | ▲ |
| Excel Concrete Pty Ltd | ▲ |

### Holcim (New Zealand) Ltd, New Zealand

| | |
|---|---|
| Chief Executive: | Jeremy Smith |
| Personnel: | 756 |
| Production capacity: | 0.6 million t of cement |
| Westport plant | ■ |
| Christchurch grinding plant | ■ |
| Aggregates operations | ● |
| Ready-mix concrete operations | ▲ |
| Shareholdings: | |
| AML Ltd | ▲ |
| McDonald's Lime Ltd | ▲ |
| Millbrook Quarries Ltd | ● |

## Statement of income Holcim Ltd

| Million CHF | 2010 | 2009 |
| --- | --- | --- |
| Financial income | 751.3 | 834.6 |
| Other ordinary income | 32.7 | 76.8 |
| **Total income** | **784.0** | **911.4** |
| | | |
| Financial expenses | (102.0) | (96.5) |
| Other ordinary expenses | (43.1) | (54.8) |
| Taxes | (6.6) | (3.6) |
| **Total expenses** | **(151.7)** | **(154.9)** |
| | | |
| **Net income** | **632.3** | **756.5** |

## Balance sheet Holcim Ltd as at December 31

| Million CHF | 2010 | 2009 |
|---|---|---|
| Cash and cash equivalents | 355.6 | 610.5 |
| Accounts receivable – Group companies | 4.1 | 48.9 |
| Prepaid expenses and other current assets | 4.7 | 7.9 |
| **Total current assets** | **364.4** | **667.3** |
| | | |
| Loans – Group companies | 1,745.4 | 1,745.6 |
| Financial investments – Group companies | 17,693.7 | 16,880.8 |
| Other financial investments | 67.6 | 50.8 |
| **Total long-term assets** | **19,506.7** | **18,677.2** |
| | | |
| **Total assets** | **19,871.1** | **19,344.5** |
| | | |
| Current financing liabilities – Group companies | 184.7 | 165.9 |
| Other current liabilities | 33.5 | 31.5 |
| **Total current liabilities** | **218.2** | **197.4** |
| | | |
| Long-term financing liabilities – Group companies | 32.4 | 154.0 |
| Outstanding bonds | 3,075.0 | 2,600.0 |
| **Total long-term liabilities** | **3,107.4** | **2,754.0** |
| | | |
| **Total liabilities** | **3,325.6** | **2,951.4** |
| | | |
| Share capital | 654.2 | 654.2 |
| | | |
| Legal reserves | | |
| – Ordinary reserve[1] | 9,375.6 | 9,396.9 |
| – Reserve for treasury shares | 476.1 | 454.8 |
| | | |
| Free reserve | 4,962.8 | 4,962.8 |
| | | |
| Retained earnings | 1,076.8 | 924.4 |
| **Total shareholders' equity** | **16,545.5** | **16,393.1** |
| | | |
| **Total liabilities and shareholders' equity** | **19,871.1** | **19,344.5** |

[1] The statutory capital contributions, which have been provided by the shareholders after December 31, 1996, amounted to CHF 7.5 billion as of December 31, 2010. This amount is calculated by applying Art. 5 para.1$^{bis}$ of the Swiss withholdingtax law and circular letter No 29 dated December 9, 2010, issued by the federal tax administration.

## Change in shareholders' equity Holcim Ltd

| Million CHF | Share capital | Ordinary reserve | Reserve for treasury shares | Free reserve | Retained earnings | Total |
|---|---|---|---|---|---|---|
| **January 1, 2010** | **654.2** | **9,396.9** | **454.8** | **4,962.8** | **924.4** | **16,393.1** |
| Capital increase | | | | | | 0 |
| Increase reserve for treasury shares | | (21.3) | 21.3 | | | 0 |
| Payout | | | | | (479.9) | (479.9) |
| Allocation to free reserve | | | | | | 0 |
| Net income of the year | | | | | 632.3 | 632.3 |
| **December 31, 2010** | **654.2** | **9,375.6** | **476.1** | **4,962.8** | **1,076.8** | **16,545.5** |
| | | | | | | |
| **January 1, 2009** | **527.2** | **6,958.5** | **400.6** | **4,962.8** | **761.9** | **13,611.0** |
| Capital increase | 127.0 | 2,492.6 | | | | 2,619.6 |
| Increase reserve for treasury shares | | (54.2) | 54.2 | | | 0 |
| Stock dividend | | | | | (594.0) | (594.0) |
| Allocation to free reserve | | | | | | 0 |
| Net income of the year | | | | | 756.5 | 756.5 |
| **December 31, 2009** | **654.2** | **9,396.9** | **454.8** | **4,962.8** | **924.4** | **16,393.1** |

**Data as required under Art. 663b and c of the Swiss Code of Obligations**

| **Contingent liabilities** | 31.12.2010 | 31.12.2009 |
|---|---|---|
| Million CHF | | |
| **Holcim Capital Corporation Ltd.** | | |
| Guarantees in respect of holders of | | |
| 7.05% USD 358 million private placement due in 2011 | 364[1] | 420 |
| 6.59% USD 165 million private placement due in 2014 | 188[1] | 205 |
| 7.65% USD 50 million private placement due in 2031 | 69[1] | 73 |
| 6.88% USD 250 million bonds due in 2039 | 257[1] | 284 |
| **Holcim Capital (Thailand) Ltd.** | | |
| Guarantees in respect of holders of | | |
| 6.48% THB 2,150 million bonds due in 2010 | 0 | 66 |
| 6.69% THB 2,450 million bonds due in 2012 | 76[2] | 75 |
| 3.52% THB 2,000 million bonds due in 2015 | 68[2] | 0 |
| **Holcim Finance (Australia) Pty Ltd** | | |
| Guarantees in respect of holders of | | |
| 8.50% AUD 500 million bonds due in 2012 | 477[3] | 463 |
| **Holcim Finance (Belgium) S.A.** | | |
| Commercial Paper Program, guarantee based on utilization, EUR 500 million maximum | 25[5] | 0 |
| **Holcim Finance (Canada) Inc.** | | |
| Guarantees in respect of holders of | | |
| 6.91% CAD 10 million private placement due in 2017 | 12[4] | 12 |
| 5.90% CAD 300 million bonds due in 2013 | 309[4] | 324 |
| **Holcim Finance (Luxembourg) S.A.** | | |
| Guarantees in respect of holders of | | |
| 4.38% EUR 750 million bonds due in 2010 | 0 | 1,227 |
| 4.38% EUR 600 million bonds due in 2014 | 824[5] | 981 |
| 9.00% EUR 650 million bonds due in 2014 | 893[5] | 1,063 |
| 6.35% EUR 200 million private placement due in 2017 | 275[5] | 327 |
| **Holcim GB Finance Ltd.** | | |
| Guarantees in respect of holders of | | |
| 8.75% GBP 300 million bonds due in 2017 | 478[6] | 549 |
| **Holcim Overseas Finance Ltd.** | | |
| Guarantees in respect of holders of | | |
| 2.75% CHF 300 million notes due in 2011 | 330 | 330 |
| 3.00% CHF 250 million notes due in 2013 | 275 | 275 |
| **Holcim US Finance S.à r.l. & Cie S.C.S.** | | |
| Guarantees in respect of holders of | | |
| 5.96% USD 125 million private placement due in 2013 | 117[1] | 129 |
| 6.10% USD 125 million private placement due in 2016 | 117[1] | 129 |
| 6.21% USD 200 million private placement due in 2018 | 187[1] | 206 |
| 5.12% EUR 90 million private placement due in 2013 | 124[5] | 147 |
| 2.10% EUR 358 million private placement due in 2013 | 492[5] | 586 |
| 2.25% EUR 202 million private placement due in 2015 | 278[5] | 330 |
| 6.00% USD 750 million bonds due in 2019 | 772[1] | 852 |
| | | |
| Guarantees for committed credit lines, utilization CHF 1,040 million (2009: 2,018) | 5,658 | 5,896 |
| Other guarantees | 825 | 241 |

Holcim Ltd is part of a value added tax group and therefore jointly liable to the Swiss Federal Tax Administration for the value added tax liabilities of the other members.

[1] Exchange rate USD: CHF 0.9363.
[2] Exchange rate THB: CHF 0.0309.
[3] Exchange rate AUD: CHF 0.9530.
[4] Exchange rate CAD: CHF 0.9365.
[5] Exchange rate EUR: CHF 1.2490.
[6] Exchange rate GBP: CHF 1.4484.

**Issued bonds**

The outstanding bonds and private placements as at December 31, 2010 are listed on pages 173 and 174.

**Principal investments**

The principal direct and indirect investments of Holcim Ltd are listed under the heading "Principal companies of the Holcim Group" on pages 196 to 198.

| Treasury shares | | Number | Price per share in CHF | Million CHF |
|---|---|---|---|---|
| 01.01.09 | Treasury shares | 5,132,061 | 78.05 | 400.6 |
| 01.01. to 31.12.09 | Purchases | 2,075,762 | 37.29 | 77.4 |
| 01.01. to 31.12.09 | Sales | (302,439) | 46.90 | (23.2) |
| 31.12.09 | Treasury shares | 6,905,384 | 65.86 | 454.8 |
| | | | | |
| 01.01.10 | Treasury shares | 6,905,384 | 65.86 | 454.8 |
| 01.01. to 31.12.10 | Purchases | 432,300 | 77.52 | 33.5 |
| 01.01. to 31.12.10 | Sales | (206,601) | 73.26 | (12.2) |
| 31.12.10 | Treasury shares | 7,131,083 | 66.76 | 476.1 |

| Conditional share capital | | Number | Price per share in CHF | Million CHF |
|---|---|---|---|---|
| 01.01.09 | Conditional shares par value | 1,422,350 | 2.00 | 2.8 |
| 01.01. to 31.12.09 | Movement | 0 | 0 | 0 |
| 31.12.09 | Conditional shares par value | 1,422,350 | 2.00 | 2.8 |
| | | | | |
| 01.01.10 | Conditional shares par value | 1,422,350 | 2.00 | 2.8 |
| 01.01. to 31.12.10 | Movement | 0 | 0 | 0 |
| 31.12.10 | Conditional shares par value | 1,422,350 | 2.00 | 2.8 |

**Share interests of Board of Directors and senior management**

As of December 31, 2010, the members of the Board of Directors and senior management of Holcim held directly and indirectly in the aggregate 60,093,198 registered shares (2009: 60,078,233) and no rights to acquire further registered shares and 1,044,831 call options on registered shares (2009: 1,004,973).

**Important shareholders[1]**

As of December 31, 2010, Thomas Schmidheiny directly and indirectly held 59,568,933 or 18.21 percent registered shares (2009: 59,567,887 or 18.21 percent)[2], and Eurocement Holding AG held 21,326,032 or 6.52 percent registered shares (2009: 21,326,032 or 6.52 percent).

Capital Group Companies Inc. held 13,181,456 or 5 percent registered shares as of August 15, 2008.

[1] Shareholding of more than 3 percent.
[2] Included in share interests of Board of Directors and senior management.

The information disclosed complies with Swiss legal requirements. Further information can be found in the notes to the consolidated financial statements on pages 151 to 198. Specific information in accordance with Art. 663b para. 12 (risk assessment), Art. 663b[bis] and Art. 663c para. 3 (transparency law) of the Swiss Code of Obligations are disclosed in the section "Risk management" on pages 144 to 150 and note 41 on pages 189 to 195 respectively.

| Share capital | 2010 | | 2009 | |
|---|---|---|---|---|
| Shares | Number | Million CHF | Number | Million CHF |
| Registered shares of CHF 2 par value | 327,086,376 | 654.2 | 327,086,376 | 654.2 |
| **Total** | **327,086,376** | **654.2** | **327,086,376** | **654.2** |

| Appropriation of retained earnings | 2010 | 2009 |
|---|---|---|
| | Million CHF | Million CHF |
| Retained earnings brought forward | 444.5 | 167.9 |
| Net income of the year | 632.3 | 756.5 |
| Transfer from ordinary reserves (capital contribution reserves) | 479.9 | 0 |
| **Retained earnings available for annual general meeting of shareholders** | **1,556.7** | **924.4** |
| The Board of Directors proposes to the annual general meeting of shareholders of May 5, 2011 in Dübendorf the following appropriation: | | |
| | | |
| Gross payout (out of capital contribution reserves)[1] | (479.9) | 0 |
| Gross payout (out of retained earnings) | 0 | (479.9) |
| | | |
| **Total payout** | **(479.9)** | **(479.9)** |
| Appropriation to free reserves | (600.0) | 0 |
| **Balance to be carried forward** | **476.8** | **444.5** |

| | 2010 | 2009 |
|---|---|---|
| | Cash payout CHF | Cash payout CHF |
| Payout/dividend per share, gross | 1.50 | 1.50 |
| Less withholding tax | 0 | (0.53) |
| Payout/dividend per share, net | 1.50 | 0.97 |

[1] There is no payout on treasury shares held by Holcim. On January 1, 2011, treasury holdings amounted to 7,131,083 registered shares.

**To the General Meeting of Holcim Ltd, Jona**

Zurich, February 25, 2011

**Report of the statutory auditor on the financial statements**

As statutory auditor, we have audited the accompanying financial statements of Holcim Ltd, which comprise the statement of income, balance sheet, change in shareholders' equity and notes presented on pages 208 to 213 for the year ended December 31, 2010.

**Board of Directors' responsibility**

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

**Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements for the year ended December 31, 2010 comply with Swiss law and the company's articles of incorporation.

**Report on other legal requirements**

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (Art. 728 Code of Obligations (CO) and Art. 11 AOA) and that there are no circumstances incompatible with our independence.
In accordance with Art. 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.
We further confirm that the proposed appropriation of available retained earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

| | |
|---|---|
| Christoph Dolensky | Willy Hofstetter |
| Licensed Audit Expert | Licensed Audit Expert |
| Auditor in charge | |

## 5-year-review Group Holcim

| | | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|
| **Statement of income** | | | | | | |
| Net sales | Million CHF | 21,653 | 21,132 | 25,157 | 27,052 | 23,969 |
| Gross profit | Million CHF | 9,274 | 9,060 | 11,041 | 12,979 | 11,353 |
| Operating EBITDA | Million CHF | 4,513 | 4,630 | 5,333 | 6,930 | 6,086 |
| Operating EBITDA margin | % | 20.8 | 21.9 | 21.2 | 25.6 | 25.4 |
| EBITDA | Million CHF | 4,988 | 5,229 | 5,708 | 8,468 | 6,333 |
| Operating profit | Million CHF | 2,619 | 2,781 | 3,360 | 5,024 | 4,385 |
| Operating profit margin | % | 12.1 | 13.2 | 13.4 | 18.6 | 18.3 |
| Depreciation, amortization and impairment | Million CHF | 1,934 | 1,858 | 1,985 | 1,919 | 1,723 |
| EBIT | Million CHF | 3,054 | 3,371 | 3,723 | 6,549 | 4,610 |
| Income taxes | Million CHF | 615 | 623 | 663 | 1,201 | 1,078 |
| Tax rate | % | 28 | 24 | 23 | 21 | 28 |
| Net income | Million CHF | 1,621 | 1,958 | 2,226 | 4,545 | 2,719 |
| Net income margin | % | 7.5 | 9.3 | 8.8 | 16.8 | 11.3 |
| Net income – shareholders of Holcim Ltd | Million CHF | 1,182 | 1,471 | 1,782 | 3,865 | 2,104 |
| **Statement of cash flows** | | | | | | |
| Cash flow from operating activities | Million CHF | 3,659 | 3,888 | 3,703 | 5,323 | 4,423 |
| Cash flow margin | % | 16.9 | 18.4 | 14.7 | 19.7 | 18.5 |
| Investments in property, plant and equipment for maintenance | Million CHF | 410 | 376 | 1,104 | 1,043 | 1,062 |
| Investments in property, plant and equipment for expansion | Million CHF | 1,182 | 1,929 | 3,287 | 2,245 | 1,265 |
| (Disposal) Acquisition of participation in Group companies, (di)investments financial, intangible and other assets net[1] | Million CHF | (230) | 2,125 | 747 | (50) | 1,460 |
| **Statement of financial position** | | | | | | |
| Current assets | Million CHF | 8,512 | 10,797 | 9,994 | 10,372 | 9,747 |
| Long-term assets | Million CHF | 35,747 | 38,409 | 35,199 | 37,839 | 34,955 |
| Total assets | Million CHF | 44,259 | 49,206 | 45,193 | 48,211 | 44,702 |
| Current liabilities | Million CHF | 7,214 | 9,280 | 10,765 | 9,025 | 8,621 |
| Long-term liabilities | Million CHF | 15,924 | 17,882 | 16,454 | 17,241 | 17,356 |
| Total shareholders' equity | Million CHF | 21,121 | 22,044 | 17,974 | 21,945 | 18,725 |
| Shareholders' equity as % of total assets | | 47.7 | 44.8 | 39.8 | 45.5 | 41.9 |
| Non-controlling interest | Million CHF | 3,020 | 3,011 | 2,616 | 3,163 | 3,548 |
| Net financial debt | Million CHF | 11,363 | 13,833 | 15,047 | 12,873 | 12,837 |
| **Capacity, sales and personnel** | | | | | | |
| Annual production capacity cement | Million t | 211.5 | 202.9 | 194.4 | 197.8 | 197.8 |
| Sales of cement | Million t | 136.7 | 131.9 | 143.4 | 149.6 | 140.7 |
| Sales of mineral components | Million t | 4.1 | 3.5 | 4.8 | 5.5 | 6.0 |
| Sales of aggregates | Million t | 157.9 | 143.4 | 167.7 | 187.9 | 187.6 |
| Sales of ready-mix concrete | Million $m^3$ | 45.9 | 41.8 | 48.5 | 45.2 | 44.2 |
| Personnel | 31.12. | 80,310 | 81,498 | 86,713 | 89,364 | 88,783 |
| **Financial ratios** | | | | | | |
| Return on equity[2] | % | 6.4 | 8.6 | 10.4 | 22.8 | 15.8 |
| Gearing[3] | % | 53.8 | 62.8 | 83.7 | 58.7 | 68.6 |
| Funds from operations[4]/net financial debt | % | 31.3 | 27.6 | 28.0 | 50.2 | 34.6 |
| EBITDA net interest coverage | x | 6.1 | 7.3 | 7.6 | 11.0 | 6.8 |
| EBIT net interest coverage | x | 3.7 | 4.7 | 4.9 | 8.5 | 5.0 |

[1] Refer to the consolidated statement of cash flows, footnote 1.
[2] Excludes non-controlling interest.
[3] Net financial debt divided by total shareholders' equity.
[4] Net income plus depreciation, amortization and impairment.

**Cautionary statement regarding forward-looking statements**

This document may contain certain forward-looking statements relating to the Group's future business, development and economic performance. Such statements may be subject to a number of risks, uncertainties and other important factors, such as but not limited to (1) competitive pressures; (2) legislative and regulatory developments; (3) global, macroeconomic and political trends; (4) fluctuations in currency exchange rates and general financial market conditions; (5) delay or inability in obtaining approvals from authorities; (6) technical developments; (7) litigation; (8) adverse publicity and news coverage, which could cause actual development and results to differ materially from the statements made in this document. Holcim assumes no obligation to update or alter forward-looking statements whether as a result of new information, future events or otherwise.

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**Financial reporting calendar**

| | |
|---|---|
| Results for the first quarter of 2011 | May 4, 2011 |
| General meeting of shareholders | May 5, 2011 |
| Ex date | May 9, 2011 |
| Dividend distribution | May 12, 2011 |
| Half-year results for 2011 | August 18, 2011 |
| Press and analyst conference for the third quarter of 2011 | November 9, 2011 |
| Press and analyst conference on annual results for 2011 | February 29, 2012 |

**Holcim is a worldwide leading producer of cement and aggregates. Further activities include the provision of ready-mix concrete and asphalt as well as other services. The Group works in around 70 countries and employs more than 80,000 people.**