Holcim

100 years of
Strength. Performance. Passion.

Annual Report 2011 Holcim Ltd

Holcim's original cement plant in Holderbank in the Swiss canton of Aargau.

The new Ste. Genevieve plant of Holcim US in Missouri.

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Annual Report 2011 Holcim Ltd

2012 – a remarkable year for Holcim as the company celebrates its centenary. One hundred years during which the company, originally established under the name of "Holderbank" in Aargau in the Swiss Mittelland, gradually developed from a local producer to one of the world's leading suppliers of building materials, playing an important role across all continents. Holcim operates in around 70 countries and employs more than 80,000 people.

The present Annual Report traces the history of Holcim in ten decades. It tells of people and of pioneers in the construction industry who during this period transformed Holcim from a family firm to a global building materials group with some 2,200 production sites around the globe. This is the story of a company whose development also reflects the major events of the past hundred years. The challenges of the early decades were followed by visionary decisions which drove the company's expansion onto all continents as more and more markets opened up. So that, going forward, Holcim will be a key player not only in the construction materials markets of Western Europe and North and Latin America but also in the emerging countries of Asia and Eastern Europe. Economically successful, ecologically sustainable and socially responsible. Truly in the tradition of the company's founders.

Due to rounding, numbers presented throughout this report may not add up precisely to the totals provided. All ratios and variances are calculated using the underlying amount rather than the presented rounded amount.

Key figures Group Holcim

		2011	2010	±%	±% like-for-like
Annual cement production capacity	million t	216.0	211.5	+2.1	+1.7
Sales of cement	million t	144.3	136.7	+5.6	+5.5
Sales of mineral components	million t	5.1	4.1	+23.9	+23.9
Sales of aggregates	million t	173.0	157.9	+9.6	+5.6
Sales of ready-mix concrete	million m^3	48.4	45.9	+5.4	+2.2
Sales of asphalt	million t	10.3	10.6	–2.8	–2.8
Net sales	million CHF	20,744	21,653	–4.2	+7.5
Operating EBITDA	million CHF	3,958	4,513	–12.3	–0.2
Operating EBITDA margin	%	19.1	20.8		
EBITDA	million CHF	4,264	4,988	–14.5	
Operating profit	million CHF	1,933	2,619	–26.2	–14.7
Operating profit margin	%	9.3	12.1		
Net income	million CHF	682	1,621	–57.9	–52.3
Net income margin	%	3.3	7.5		
Net income – shareholders of Holcim Ltd	million CHF	275	1,182	–76.7	–74.9
Cash flow from operating activities	million CHF	2,753	3,659	–24.8	–14.0
Cash flow margin	%	13.3	16.9		
Net financial debt	million CHF	11,549	11,363	+1.6	+0.7
Funds from operations[1]/net financial debt	%	26.4	31.3		
Total shareholders' equity	million CHF	19,656	21,121	–6.9	
Gearing[2]	%	58.8	53.8		
Personnel	31.12.	80,967	80,310	+0.8	–0.7
Earnings per share[3]	CHF	0.86	3.69	–76.7	
Fully diluted earnings per share[3]	CHF	0.86	3.69	–76.7	
Payout	million CHF	327[4]	480	–31.9	
Payout per share	CHF	1.00[4]	1.50	–33.3	

Principal key figures in USD (illustrative)[5]

		2011	2010	±%
Net sales	million USD	23,306	20,820	+11.9
Operating EBITDA	million USD	4,447	4,339	+2.5
Operating profit	million USD	2,172	2,518	–13.7
Net income – shareholders of Holcim Ltd	million USD	309	1,137	–72.8
Cash flow from operating activities	million USD	3,092	3,518	–12.1
Net financial debt	million USD	12,273	12,088	+1.5
Total shareholders' equity	million USD	20,889	22,469	–7.0
Earnings per share[3]	USD	0.97	3.55	–72.7

Principal key figures in EUR (illustrative)[5]

		2011	2010	±%
Net sales	million EUR	16,790	15,691	+7.0
Operating EBITDA	million EUR	3,203	3,270	–2.0
Operating profit	million EUR	1,565	1,898	–17.5
Net income – shareholders of Holcim Ltd	million EUR	222	857	–74.1
Cash flow from operating activities	million EUR	2,228	2,651	–16.0
Net financial debt	million EUR	9,484	9,090	+4.3
Total shareholders' equity	million EUR	16,142	16,897	–4.5
Earnings per share[3]	EUR	0.70	2.67	–73.8

[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 maximum payout of CHF 327 million from capital contribution reserves.

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

Contents

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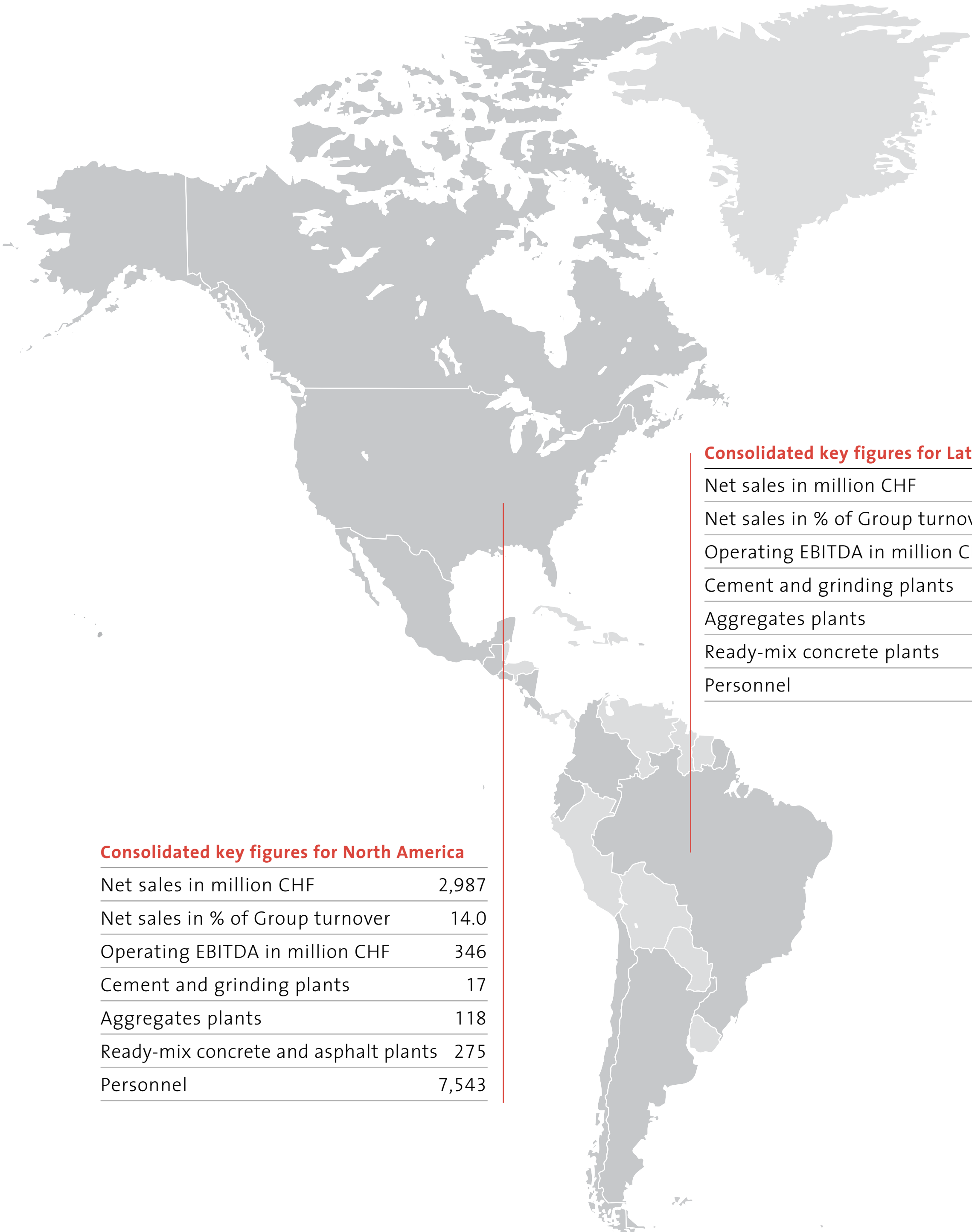
The German version is binding.

Holcim sold more cement, aggregates and ready-mix concrete; only asphalt deliveries were down slightly.



Consolidated key figures for Latin America

Net sales in million CHF	3,310
Net sales in % of Group turnover	15.5
Operating EBITDA in million CHF	888
Cement and grinding plants	27
Aggregates plants	25
Ready-mix concrete plants	220
Personnel	12,867

Consolidated key figures for North America

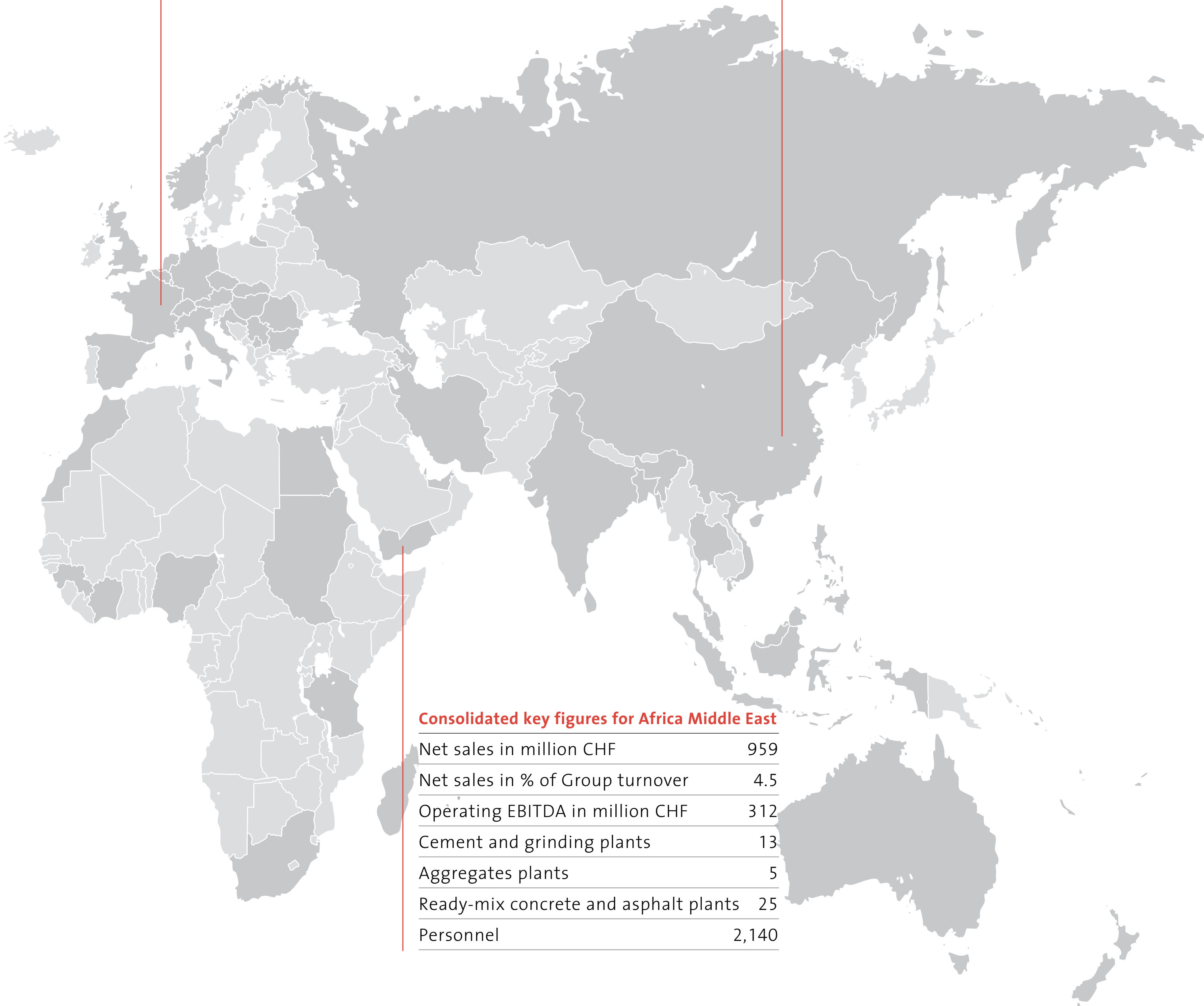
Net sales in million CHF	2,987
Net sales in % of Group turnover	14.0
Operating EBITDA in million CHF	346
Cement and grinding plants	17
Aggregates plants	118
Ready-mix concrete and asphalt plants	275
Personnel	7,543

Consolidated key figures for Europe

Net sales in million CHF	6,122
Net sales in % of Group turnover	28.6
Operating EBITDA in million CHF	930
Cement and grinding plants	37
Aggregates plants	256
Ready-mix concrete and asphalt plants	614
Personnel	19,602

Consolidated key figures for Asia Pacific

Net sales in million CHF	8,001
Net sales in % of Group turnover	37.4
Operating EBITDA in million CHF	1,700
Cement and grinding plants	55
Aggregates plants	88
Ready-mix concrete plants	406
Personnel	37,942



Consolidated key figures for Africa Middle East

Net sales in million CHF	959
Net sales in % of Group turnover	4.5
Operating EBITDA in million CHF	312
Cement and grinding plants	13
Aggregates plants	5
Ready-mix concrete and asphalt plants	25
Personnel	2,140

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 2011, cement sales increased by 5.6 percent to 144.3 million tonnes. In addition, 5.1 million tonnes of other mineral components were sold, representing a rise of 23.9 percent. With the exception of Group region Africa Middle East, deliveries were up, above all in Group regions Latin America and Asia Pacific. This positive trend reflects dynamic demand in the emerging markets as well as capacity expansions in important markets, including, for example, India, Mexico and Russia.

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 gaining importance at Holcim.

Developments

The aggregates segment saw a particularly sharp rise in sales, with an increase of 9.6 percent to 173 million tonnes. While volume growth was robust in Latin America, Asia Pacific and North America, Group companies in Europe also recorded gains. Numerous Group companies achieved higher sales volumes, with the largest growth posted by Holcim France, Aggregate Industries US and Holcim Australia. Aggregate Industries UK almost matched its prior-year volumes. By contrast, the aggregates business declined in Italy, Spain, Slovakia, Morocco and New Zealand.

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.

Developments

Sales of ready-mix concrete rose by 5.4 percent to 48.4 million cubic meters. The strongest growth was seen in North and Latin America. Sales volumes increased significantly in France, the USA, Chile, and Indonesia. Holcim suffered a setback in Spain. Deliveries of ready-mix concrete were lower in Italy, Hungary, Argentina and Vietnam. The volume of asphalt sold was down by 2.8 percent to 10.3 million tonnes.

Consolidated key figures for cement in 2011

Production capacity cement in million t	216.0
Cement and grinding plants	149
Sales of cement in million t	144.3
Net sales[1] in million CHF	13,379
Operating EBITDA[1] in million CHF	3,245
Personnel	51,492

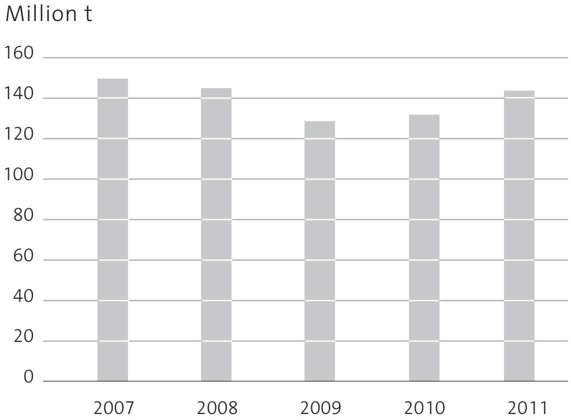
[1] Includes all other cementitious materials.

Consolidated sales of cement 2011 per region[1]

Europe	26.8 million t
North America	11.4 million t
Latin America	24.2 million t
Africa Middle East	8.7 million t
Asia Pacific	75.6 million t

[1] Inter-regional sales −2.4 million t

Sales of cement



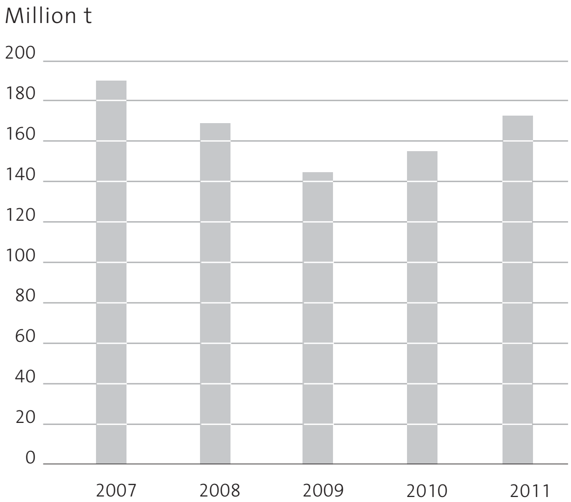
Consolidated key figures for aggregates in 2011

Aggregates plants	492
Sales of aggregates in million t	173.0
Net sales in million CHF	2,523
Operating EBITDA in million CHF	522
Personnel	6,898

Consolidated sales of aggregates 2011 per region

Europe	83.0 million t
North America	43.5 million t
Latin America	14.5 million t
Africa Middle East	2.3 million t
Asia Pacific	29.7 million t

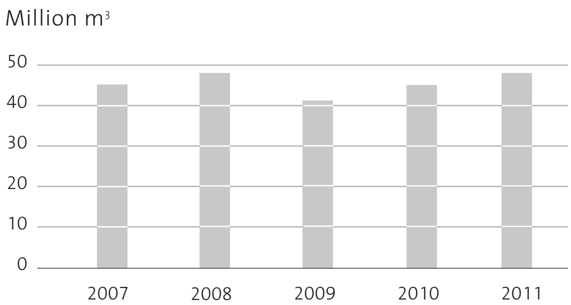
Sales of aggregates



Consolidated key figures for other construction materials and services in 2011

Ready-mix concrete plants	1,435
Asphalt plants	105
Sales of ready-mix concrete in million m^3	48.4
Sales of asphalt in million t	10.3
Net sales in million CHF	7,680
Operating EBITDA in million CHF	191
Personnel	22,469

Sales of ready-mix concrete



100 years – from a small factory to a global enterprise

Dear Shareholder,

100 years

This is a very special year for our company: it turns 100. We are pleased to be able to celebrate our centennial. On February 15, 1912, the Aargauische Portlandcementfabrik was founded with the purpose of building a cement factory in the small farming village of Holderbank in the Swiss canton of Aargau. In 1913, the plant was commissioned and in its first year produced 90,000 tonnes of cement. That may not seem much by today's standards, but at the time the factory and its modern technology made a difference. Another notable difference was the entrepreneurial energy brought to the enterprise by Ernst Schmidheiny – a businessman who joined the company soon after it was founded. Looking back over a century, it is clear that already in the early years the company's hallmarks, such as "technological leadership", "growing international presence", and "integration of employees at all levels" were part and parcel of its corporate thinking and actions.

World War One put a temporary brake on the company's development. But soon it moved into Belgium, France, Lebanon, Egypt, and elsewhere. The figures in this Annual Report illustrate once again how systematically the company has pursued international expansion. The 90,000 tonnes in small Holderbank have grown into a cement capacity of 216 million tonnes in 149 plants, plus 492 aggregates plants and 1,435 ready-mix concrete plants. This growth reflects how the world has changed. Cities have grown and industries have expanded, as has the infrastructure they need: schools and hospitals, airports and railways, roads, bridges, and dams. This has created markets for building materials. But these opportunities had to be grasped – by businessmen and investors who had the courage to commit themselves and their own funds. They could never have done it on their own, and they knew it. For the past 100 years the corporate strategy has been put into effect by employees at all levels. Hence, it is no coincidence that they, the employees – in the plants on all continents – are the center of attention in this centennial year. Highly renowned photographers depict the people as they are. The ensuing book is intended to express the respect and gratitude that those at the head of the company have for these people – and for those who went before them.

In the financial year under review, the world has been a source of progress for us, but also of setbacks; a lot has remained the same, but some things are changing as well.

Sales grow in all segments

Holcim increased sales of cement, aggregates, and ready-mix concrete in four of its five Group regions. Only the Group region Africa Middle East delivered slightly lower volumes. Aggregates experienced the strongest growth, especially in Latin America and Asia. Sales of cement were also impressive in Latin America, followed by Asia – no surprise there. In North America sales of ready-mix concrete were supported by acquisitions. The strongest organic growth was achieved by the Group companies in Latin America.

A world of multiple speeds

A pattern that has been developing for some time which continued in 2011: The global economy is changing and developing at different speeds. Unsurprisingly, the impact of this process is particularly noticeable in the building materials industry. In mature markets, where the construction industry in some instances had to fundamentally re-orient itself, demand expanded only slowly, and at times even contracted. Spain, a market that had long been one of Holcim's key contributors, is a case in point. However, the emerging markets in Asia and Latin America continued to grow robustly. We note with concern how energy and transport costs rose and signs of inflation began to appear here and there. Natural catastrophes also impacted construction activity. Holcim itself was directly affected by the severe flooding in eastern Australia and Thailand, as well as the earthquake in New Zealand.

Company management responds to the situation

Individual markets may pose serious economic challenges, to which management must take appropriate action. Already at the start of the financial crisis in 2008 Holcim introduced measures to reduce fixed costs. In 2011 further steps were taken to improve efficiency. Although cost controls, cost cutting, and the ever more efficient and careful deployment of all resources – raw materials and energy, labor and capital – have been a core corporate focus for the past 100 years, this is of particular importance in current times. As in the past, it may involve the temporary or permanent closure of production plants for reasons of economics or technology. In 2011 this happened in our mature markets, and not only in the cement sector, but in all segments, particularly in Spain, Italy, a number of Eastern European countries, and the USA.

Capacity expanded in important market regions

However, as mentioned above, certain major regions are growing. Holcim expanded its capacity in some of these markets in 2011. In Russia the new Shurovo plant was commissioned. Probably the most modern plant in the country, it supplies the booming Moscow market with building materials. Shortly before the end of the year the first clinker was produced at Garadagh Cement in Azerbaijan; this new kiln line will strengthen the Group company's position in this attractive market. As is well known, in Asia the shortfalls in housing and infrastructure are still enormous. Holcim is making great efforts to adjust existing capacity to the growth in demand. In India, ACC commissioned the world's largest clinker kiln at its Wadi plant; the Chanda plant was also expanded considerably; Ambuja Cements commissioned additional clinker capacity in Rauri and Bhatapara as well as two new grinding facilities; and in 2013 the Tuban plant in Indonesia, a market with huge potential, will come on stream. In Latin America, cement capacity was significantly increased in Ecuador, and in 2014 Holcim will go on stream with a new kiln line in the Barroso plant in Brazil.

Innovations not only improve products and processes, but also reduce environmental impact

The first plant in Holderbank was regarded as one of the most modern of its age. If Holcim had not continuously improved its products and processes, the small cement company would never have grown into a global enterprise. Today innovation is perhaps even more important. Customers – quite rightly – expect to be offered solutions that create added value. Process innovation is driven by various factors: competition, the necessity to conserve resources, optimization of investment, and opportunities offered by technological developments. Often these are small innovations rather than revolutionary steps, but combined they are significant.

In 2011, Holcim Group Support strengthened and refocused the innovation function with the objective of providing even greater support for Group companies in respect of innovation and speeding up the replication of best practices throughout the organization. For examples of innovation-focused activities in the Group please see pages 46 to 48 of this report. The demands of environmental compatibility and resource conservation have made innovation indispensable. As we are all aware, energy costs have risen appreciably in the past five years. Holcim responded by creating an internal energy fund which supports innovation in the fields of heat recovery, use of alternative fuels and raw materials, wind power and hydroelectricity. It is funded by the sale of CO_2 emission certificates; although proceeds were lower in 2011 owing to the economic slowdown, there were still enough funds to support interesting projects. An internal competition attracted numerous promising entries for energy projects, all of which were carefully evaluated. All in all, the projects approved to date will enable Holcim to save around 200,000 tonnes of CO_2 per year. This is equal to about one sixth of the annual CO_2 emissions of the city of Zurich.

The figures show: Management is focused on growth and profitability

Holcim's task is to supply its customers on building sites around the world with precisely the products they need. Despite weakness in some markets, Holcim succeeded in doing this in 2011. Adjusting for changes in exchange rates and the scope of consolidation, consolidated net sales increased by 7.5 percent. Translated into Swiss francs, however, consolidated net sales fell by 4.2 percent to CHF 20.7 billion.

The earnings figures show how productive the company's operations are, but also the extent to which external circumstances can bolster and at times hamper them. As is well known, the latter is currently the case. Despite cost increases, which could not be factored into prices everywhere, operating EBITDA was practically stable, down just 0.2 percent on a like-for-like basis, but 12.3 percent lower when measured in Swiss francs.

The substantial earnings of Holcim Russia and Holcim Australia and improvements in Indonesia, Singapore, Colombia, and Switzerland positively impacted results. In many markets higher costs for raw materials and energy could not immediately be passed on in full. This is one of the factors that impaired financial performance in the Philippines, India, North America, and the UK. Only in the fourth quarter of the year did this situation show signs of easing.

Impairments adversely affect consolidated net income, but are cash-neutral

In the 100 years of its existence, Holcim has often had to cope with fundamental changes in its operating environment. Precautions should of course be taken to protect against potential risks, but if they do occur, the consequences must be soberly recognized and resolutely addressed.

In 2007, Holcim responded to the South African policy of promoting Black Economic Empowerment (BEE) by selling a majority interest in AfriSam (formerly Holcim South Africa) to a BEE-compliant consortium; the Holcim Group retained a 15 percent stake in the company. Following a sharp decline in demand for building materials since 2010, AfriSam was forced to undertake a far-reaching financial restructuring. For Holcim this meant write-offs of CHF 415 million on issued notes, accrued interest, and foreign currency movements. It now holds a 2 percent stake in AfriSam. Because of the weakness in demand, impairments totaling CHF 360 million on property, plant and equipment, and goodwill impairment also had to be made in Spain, Eastern Europe and the USA.

The impairments, totaling CHF 775 million, are cash-neutral. However, they have to be taken into account in the annual financial statements. As a result, consolidated net income fell by 57.9 percent to CHF 682 million and the proportion attributable to shareholders of Holcim Ltd decreased to CHF 275 million. Cash flow from operating activities totaled CHF 2.8 billion; cash flow was particularly strong in the fourth quarter of 2011.

Payout proposal for the annual general meeting

Through their contributions and their loyalty, the shareholders have made it possible for the company to thrive for 100 years. Holcim has a solid balance sheet and liquidity position. That, too, is a traditional characteristic of the Group which management feels it has a duty to uphold. Although new plants were commissioned or are under construction, the Group's net debt increased by just 1.6 percent to CHF 11.5 billion.

As the aforementioned impairments are cash-neutral, the Board of Directors proposes to the annual general meeting to be held in Zurich on April 17, 2012 a payout in the sum of CHF 1.00 per registered share (2011: 1.50). It will be paid from the capital contribution reserves and is consequently subject to the corresponding Swiss statutory provisions.

A word of thanks to our customers, partners and staff

Particularly in this centennial year we want to thank those without whom Holcim would not be celebrating its 100th anniversary: customers, suppliers, and partners. 2011 was another year of successful cooperation. In the future Holcim will continue to do its utmost to supply the market with innovative and customer-oriented products and services.

A very special word of thanks is reserved for all our employees worldwide. Without their commitment to "Strength. Performance. Passion.", without their skills and knowledge, and without their efforts, Holcim will not be able to function in the future either.

And 2012?

Holcim expects demand for building materials to rise in emerging markets in Latin America and Asia, as well as in Russia and Azerbaijan in 2012. A slight improvement for North America can also be expected. In Europe, demand should remain stable, provided that the situation is not undermined by further systemic shocks. In any case, Holcim will accord cost management the closest attention and pass on inflation-induced cost increases. Our approach to new investments will be cautious. We expect that Holcim will achieve organic growth at operating EBITDA level.

Rolf Soiron
Chairman of the Board of Directors

Markus Akermann
Chief Executive Officer
until January 31, 2012

Bernard Fontana
Chief Executive Officer
as from February 1, 2012

February 29, 2012

Change at the top
Another reason why the company is able to celebrate its centennial is the practice of smooth succession at the top. It may seem almost symbolic that there is a change at the top precisely in the centennial year. The change has been well prepared with the close collaboration of all persons involved.

Upon reaching retirement age, Markus Akermann stepped down from Holcim's operational management at the end of January 2012. In recent years as CEO his influence decisively shaped the company that he joined in 1978 and for which he worked for almost 34 years. Initially responsible for Latin America – now one of Holcim's traditional pillars of success – he was elected to the Executive Committee in 1993. In 2002, he was named CEO and assumed responsibility for the operational management of the whole Group. Under his leadership the company once again expanded enormously, particularly in those future-oriented markets which today are among the firm's strengths. Growth, however, occurred not only geographically. The significant expansion of the aggregates segment was part of what is now known as the twin-leg strategy. Mention must also be made of two other dimensions which are indispensable if industries such as ours are to enjoy society's respect: sustainability and occupational health and safety. Thanks to Markus Akermann's commitment and consistency, Holcim is now a benchmark for the industry with regard to sustainable development. Of course, sustainability needs solid financial results, but with a long-term perspective, always taking account of the environment and creating added value both for the company and for society at large. One aspect of this is the priority given to occupational health and safety, which will always be a particular challenge in view of the specific working conditions that exist in our industry.

Markus Akermann,
CEO until
January 31, 2012

The Board of Directors wishes to take this opportunity to thank Markus Akermann for his energy and unfailing efforts, his capability and his commitment. Notwithstanding the headwinds of 2011, we are aware that under his leadership Holcim's attractiveness and reputation has been enhanced.

Change always opens up new opportunities. On February 1, 2012 Bernard Fontana assumed the role of the CEO. He has gained many years of experience in the steel industry, which is directly applicable to our situation. He has worked in all parts of the world. His education and training, his assignments, and his interests have allowed Bernard to familiarize himself with a rich variety of dimensions and situations in corporate leadership. The fact that Bernard Fontana has been brought in from outside the industry opens up the possibility of new perspectives. That said, his personality is a guarantee that Holcim's traditional strengths and values will continue to apply in the years ahead. The Board of Directors wishes Bernard Fontana all the best and will provide him with the necessary support.

Bernard Fontana,
CEO since
February 1, 2012

Rolf Soiron

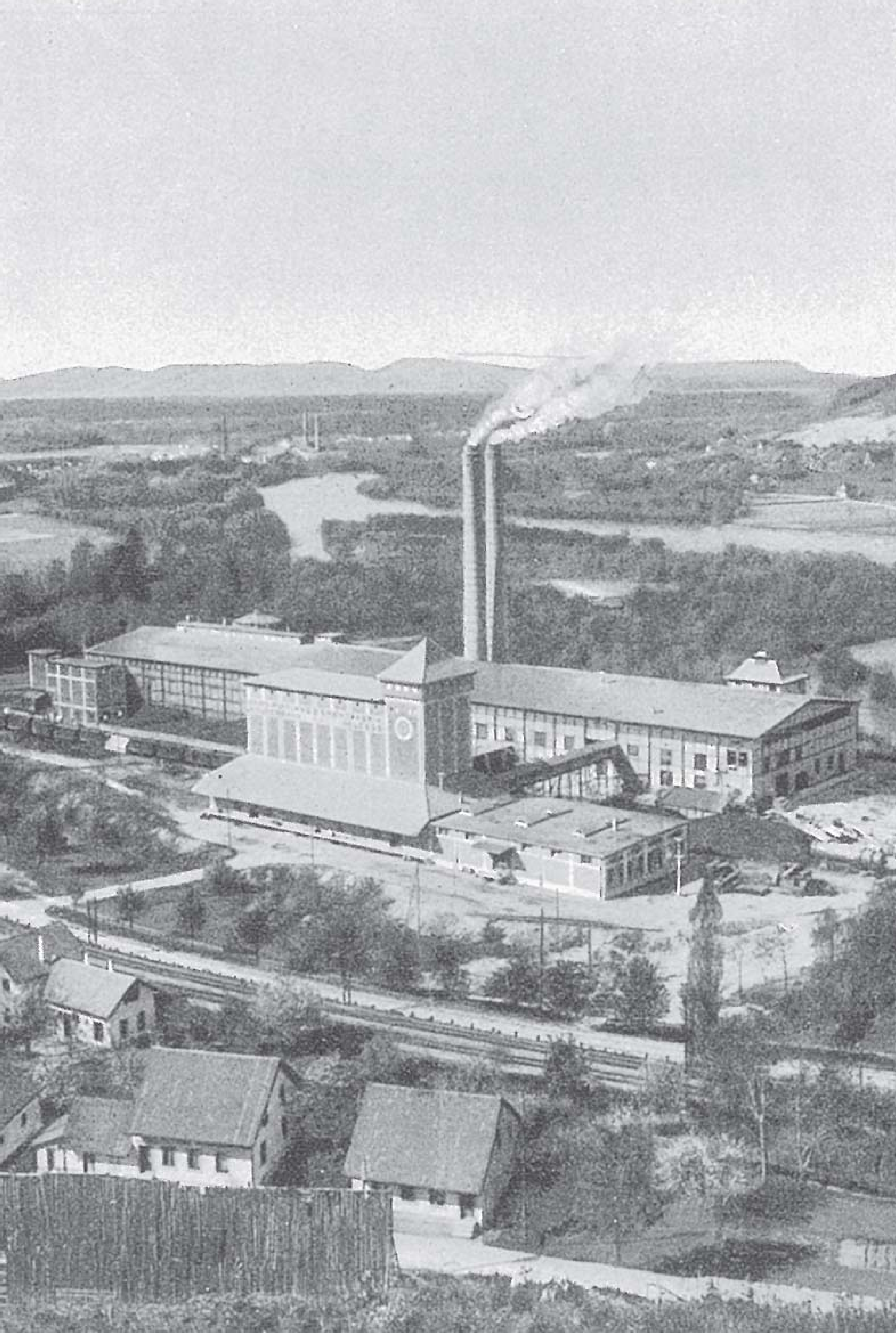
Chairman of the Board of Directors

Jura cement for building cities

While the first cement factories in the Swiss canton of Aargau were founded in the 19th century, their economic significance begins in the period just before Word War One. On 15 February, 1912, a visionary lime entrepreneur named Adolf Gygi laid the foundation for what was at the time a very modern cement factory in the Swiss village of Holderbank. It was ready to begin operations the next year. In 1914, the company merged with the "Rheintalischen Cementfabrik Rüthi", which was owned by Ernst Schmidheiny. Schmidheiny would be the force behind the rise of the firm to a globally leading construction materials company.

1912

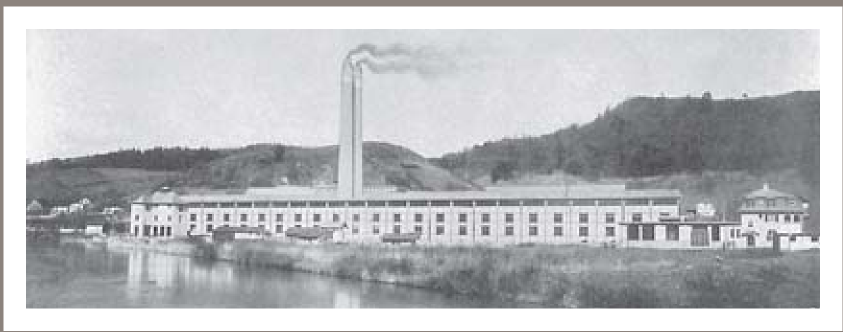
In Holderbank in the canton of Aargau everything began: The first factory of the Group shortly after it opened.



Twice Holderbank
In the spring of 1913, the district councillors of the Swiss village of Holderbank were summoned to appear before the civil court in Basel as witnesses. The case involved a dispute between cement producers and the operators of a cement factory called "Holderbank" which had been founded the previous year in the Swiss canton of Aargau. Questioned by the judge, the local politicians had little information to offer. They had not heard anything about a new cement factory, nor were they aware of any large land purchases. The judge was understandably furious at what he saw as a group of incompetent local representatives – until one of the witnesses, in response to a question, was able to solve the conundrum: they represented the Holderbank in the canton of Solothurn, not the Holderbank in the canton of Aargau.

In the middle of the 1800s the Swiss canton of Aargau was still a predominantly agricultural region, especially compared to many of the country's other cantons. Initial attempts at industrialization in the area had not come to much. This all changed with the construction of the railway in 1858. It not only led to greatly increased demand for lime and cement – it also solved a transportation problem which had been holding back the local earth and stone industries. These included Aargau's first Roman cement factory, founded back in 1832 by Karl Herosé and ultimately unsuccessful. Midcentury also saw a short period of cement production in Brugg (also in Aargau), but it had to be abandoned after a few years.

The railroad changed all this. By spurring the growth of cities it helped increase demand for cement. With it demand increased for the one raw material essential to cement production and available in great abundance in Aargau: limestone. This was thanks to the great deposits found in the Jura mountains. For a long time, however, only the lime factories in the area had any success with this promising material – and they were an exception in Switzerland, which otherwise lacks raw materials. Most of the lime was exported out of Aargau. The canton lagged behind in terms of industrial and technical development for quite a while, and there was little know-how in the field of cement production.



The cement plant seen from the north-east.

Limestone excavated in the quarry arrived at the plant via a cable car and was processed here.

This all changed with the turn of the century. New cement factories began to spring up on both sides of the Jura. By 1902 there were already 13 producers in Switzerland. Yet despite their growing numbers these producers found themselves, on the eve of World War One, unable to meet demand. At the same time, the domestic industry was suffering under continued price pressure from neighboring countries. In order to protect themselves, the cement owners started looking for ways to work together. But it was only in 1910, when an entrepreneur from the Rhine valley named Ernst Schmidheiny founded the Eingetragene Genossenschaft Portland, or E. G. Portland for short, that a first successful attempt at collaboration was made.

In 1911, cement usage in Switzerland rose to half a million tonnes. The country's cement plants, several of which were hopelessly out of date, could no longer meet demand. This fact was not lost on Adolf Gygi, then the director of the Portland Cement Factory Laufen. His father Philipp owned a lime factory in Holderbank and knew the local conditions well. The elder Gygi had already begun buying parcels of land in a town called Holderbank with an eye to building a cement factory there and one day turning it over to his son.

In doing so, this visionary lime entrepreneur laid the foundation upon which his son would build – at record speed. Having begun planning in 1911, Adolf Gygi was ready to begin production at the new Holderbank cement factory by 1913. As investors he was able to win the support of a wealthy circle from the city of Basel, including the bankers Henri Rieber and Charles Eckel. The company was officially founded on 15 February 1912 in Brugg. Its first Chairman was the Brugg barrister and Swiss Senator Edmund Schulthess who, however, resigned after a few months when he was elected to the Swiss Federal Council.

Adolf Gygi.

Ernst Schmidheiny.

The competition, including Ernst Schmidheiny and E. G. Portland, had long before gotten wind of Gygi's plans. Several weeks before it was formally begun, the Swiss newspaper Neue Zürcher Zeitung (NZZ) was already reporting on the project. "We hear that in Holderbank near Wildegg work will soon begin on the construction of a large, modern Portland cement factory," the paper wrote. "It is said that the factory will have a yearly production capacity of 9,000 wagons. The necessary capital has been raised, and the land and pit purchases have been completed."

Alarmed by the prospect of this new competition, E. G. Portland instructed Schmidheiny to try and persuade the investors to abandon the project. The industrialists feared that investment from what was, at the time, an economically very aggressive Germany, would get a toe hold in the new factory and that the bitter price war in which they found themselves would escalate even further. Schmidheiny failed in his mission at first. The fear of German capital proved unfounded, as the majority of the shares in the new company were subscribed to by Swiss investors (that said, several individuals from Alsace were to be represented on the board).

Schmidheiny didn't give up. Among his handwritten notes, the Schmidheiny biographer Hans O. Staub would later find an English saying which would become symbolic of his entrepreneurial vision:

"If you can't beat them, join them …"

It was a phrase which would turn into a credo of central importance in Holcim's eventful and successful rise to become one of the world's leading cement companies. It was also a precept that Schmidheiny had inherited from his father Jacob. It was Jacob Schmidheiny who, by purchasing a brickyard in the Rhine valley near St. Gallen in the 1870s, had laid the foundation for the Schmidheiny family's building materials empire.

The negotiations between Schmidheiny and the "Holderbank" owners were difficult, eventually ending up in civil court in Basel. Yet several weeks later the dispute was put aside, and on 6 May 1913, "Holderbank" and two other cement factories were admitted into the E. G. Portland cooperative. "We hear that admission was the result of

Dedicated to prosperity
Ernst Schmidheiny was a proud Swiss through and through. He worked hard for his country, both as a member of the Swiss National Council and as an officer in the army. Despite the economic chaos of World War One, he never forgot the social responsibilities which he bore as a wealthy entrepreneur. It was a characteristic which would also become important for Holcim. During the war, Federal Councillor Arthur Hoffmann named Schmidheiny as a negotiator in the Compensation Office. In this role he had to negotiate with the Great Powers in order to maintain vital supplies to Switzerland. Before the war, Swiss politicians had by and large thought they would be safe from its effects, turning a blind eye to the fact that Switzerland was dependent on foreign suppliers for two-fifths of its raw materials and foodstuffs. Schmidheiny took up this time-consuming work, which involved a great deal of travel, from the beginning of 1915 until the middle of 1918 – for a salary of 30 Swiss francs per day.

long, drawn-out negotiations," wrote the NZZ a day later. Noteworthy here is the fact that it was Ernst Schmidheiny who had led the negotiations, mainly with an eye to gaining a foothold for himself in the "Holderbank" company.

Schmidheiny clearly saw both the potential and the technical superiority of the new operation. In an early phase of the negotiations he even offered to close some unprofitable businesses of his own, if this would help convince the owners that the union made sense. This persistence would be rewarded. In 1914 "Holderbank" merged with the Rheintalischen Cementfabrik Rüthi, which Schmidheiny owned. It was a clever move for two reasons. Not only did Schmidheiny secure for himself a stake in a new, modern cement factory. He also got rid of one of his problem children by closing the Rüthi works. This factory in St. Gallen had been more expensive than planned, devouring almost twice the originally budgeted investment; the operation also never really took off, as the quality of the raw materials was poor.

Adolf Gygi, who before Schmidheiny had seen the potential in the strategically well-placed, raw material rich Aargau, quickly built Switzerland's most modern and efficient cement factory in Holderbank. The factory began operations a mere 13 months after the company's inaugural meeting. The first clinker was produced in April of 1913, and a month later the first ten tonnes of cement were delivered. It was an ultramodern factory for its time, and with its novel wet process rotary kilns and a yearly production capacity totaling some 90,000 tonnes, it quickly became a showpiece in the industry. Its central location and short transport routes contributed to its success as well, with Gygi building both a junction to the existing industrial rail line as well as an underground conveyor belt and a cable car over the river Aare to the quarry in neighboring Veltheim.

The deposits of limestone in the Jura mountains in Switzerland provided the most important raw material for the rise of the domestic cement industry (© Luftbild Schweiz).

There was nothing, it would seem, to stand in the way of success. In its first year of operations the factory received its first major order, delivering 60 percent of the cement for the new hydroelectric plant in Olten-Gösgen. But hopes of quickly bringing the factory up to full capacity were soon dashed. With the outbreak of World War One, the majority of the workers were called up for military duty. Unlike on the farms and in the textile industry, the physical demands of factory work meant that it wasn't possible to replace the missing workers with women.
The operation in Holderbank had to be temporarily shut down. In the first year of the war, demand for cement in Switzerland fell to 45 percent of pre-war levels, and the market would only begin to recover some three years later. Despite these conditions, "Holderbank" attempted a new beginning in May 1915. It was successful. Although the factory was only working at half capacity in 1916, a year later it was able to deliver some 86,000 tonnes of cement. This recovery was largely attributable to considerable exports to Italy and France. Another important factor in this success was the "Holderbank" special cement which began to be produced at the factory after it reopened. This high-quality Portland cement soon became an important export product, and other factories in Aargau subsequently began producing "special Portland cement" as well.

The "Schümel" quarry in Holderbank.

Ernst Schmidheiny had bet on the right horse. not only did he receive a considerable amount of equity in “Holderbank” through the merger, he was also elected to the Board of Directors. There he was able to rapidly build up his influence, until the Board named him a Managing Director. In 1921, he became Chairman. It was a position he likely would have assumed more quickly had it not been for the chaos of the war years, which demanded a great deal from Schmidheiny on many fronts – not just as an entrepreneur, but also in his capacity as an economic negotiator for the Swiss Confederation.

Clinker hall for the storage of this intermediate product.

Transport of the raw material with a cable car directly into the production halls.

With the post-war rebound, Schmidheiny could again concentrate on his business interests. As he worked his way up to the Chairmanship of “Holderbank”, the business credo he had worked under for decades finally paid off for him in Aargau as well. Instead of battling his original adversaries, he successfully sought affiliation with them, which led gradually to his assuming full control of this highly productive factory:

“If you can’t beat them, join them …”

After finally taking over, Schmidheiny promptly established syndicates with the Vigier cement works in Luterbach and the Portland Cement Factory Laufen, both of which were sealed with stock swaps. In doing so, Schmidheiny helped “Holderbank” achieve an outstanding position, and gained two further board memberships for himself too. These business relationships were built primarily on the basis of his already extensive experience in the cement market. Shortly thereafter Schmidheiny helped his new partners to close two cement factories and concentrate their production on the more important operation in Reuchenette in the canton of Bern. A scant 15 years after going into the cement business in his native Rhine valley with the factory in Rüthi, this visionary entrepreneur from St. Gallen had become one of the central figures in the Swiss cement industry.

First steps abroad

With the onset of its engineering activities in France in 1922, "Holderbank" ushered in a decade of expansion abroad. Ernst Schmidheiny began to invest, steadily and deliberately, with no qualms about taking on minority interests if they made strategic and economic sense. Along with stakes in Belgium and the Netherlands, as well as in Germany and Lebanon, Schmidheiny opened a plant in Tourah in Egypt in 1929. He financed this expansion according to his iron-clad principle of not becoming dependent on banks.

1922

Thank you letter: "Holderbank" engineers supported construction of the French cement plant in Beaumont-sur-Oise with their know-how.

USINE DE
BEAUMONT s/OISE
(S.&O.)
Registre du Commerce, Pontoise N° 3222

CIMENT PORTLAND ARTIFICIEL
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BEAUMONT S/O
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RÉF. à rappeler C/R

SOCIÉTÉ DES CIMENTS PORTLAND DE BEAUMONT s/OISE

SOCIÉTÉ ANONYME AU CAPITAL DE Fr. 15.000.000

SIÈGE SOCIAL & BUREAU DE VENTE : 24, Rue de Dunkerque, PARIS
Registre du Commerce Paris N° 22.504

Beaumont s/Oise, le 4 Novembre 1925

Monsieur WALDI
Chef de fabrication,
FABRIQUE ARGOVIENNE DE CIMENT PORTLAND
HOLDERBANK-WILDEGG.
(Suisse)

Cher Monsieur Waldi,

Au moment où vous quittez Beaumont, permettez-moi de vous dire combien nous avons apprécié votre travail et votre dévouement pendant la période de mise en marche de notre nouvelle Usine.

Nous vous remercions pour tous vos bons conseils et pour la peine que vous vous êtes donnée pour former notre personnel.

Nous vous souhaitons un bon retour chez vous et garderons à Beaumont un bon souvenir de votre séjour parmi nous.

Veuillez agréer, Cher Monsieur Waldi, l'expression de nos sentiments distingués.

SOCIÉTÉ DES CIMENTS PORTLAND
DE BEAUMONT-SUR-OISE
Le Directeur de l'Usine

A model Egyptian company
In 1929 "Holderbank"opened a cement factory in Tourah in Egypt. Life in Egypt would not be easy for the Swiss, and not just because of the officials who sat on the Board of Directors as local representatives. Concerned about their livelihoods – under Swiss leadership bribes for the necessary approvals weren't flowing as generously as before – lawyers in the area also sought to delay the operations and block further improvements to the cement factory. Despite this resistance, "Holderbank" was able to merge its older factory in Maasara with the new plant. The new operation struggled during the world economic crisis, mostly as a result of the depreciation of both the Egyptian and British pound. Nevertheless, Tourah would become a model enterprise, garnering the attention of King Fuad I. Four years after it opened, the King visited the factory with a large retinue. The Schmidheiny biographer, Hans O. Staub, would later describe this as one of the greatest days in Ernst Schmidheiny's life.

At the beginning of the Golden 20s Ernst Schmidheiny, along with "Holderbank" founder Adolf Gygi, laid the foundation upon which Holcim would build for decades to come. It's possible to trace many of the company's most important characteristics back to this decade.

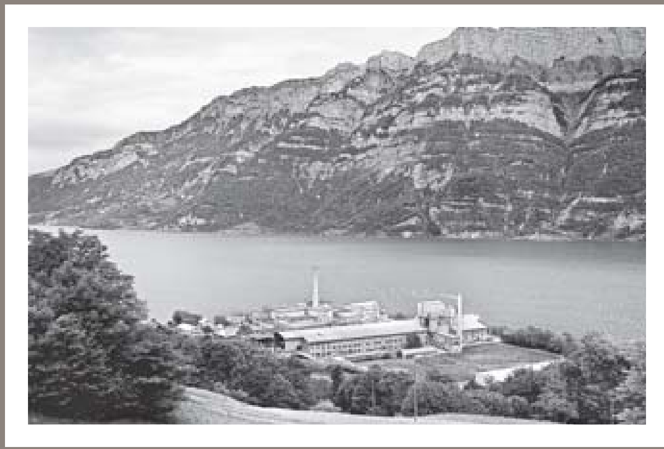
In 1922, "Holderbank" engineers began their first activities abroad, using their technical know-how to support the construction of a cement plant in Beaumont-sur-Oise, south of Paris. The work was carried out on behalf of the Société Suisse de Ciment Portland SA of Neuchâtel, in which "Holderbank" at the time had a large stake.

Ernst Schmidheiny had hardly taken over as Chairman of the Board of "Holderbank" when he began pushing to expand abroad. He embarked on a steady series of well-considered transactions, and had no hesitation about taking on minority interests as long as they made strategic and economic sense. During a trip through Cyprus in the early 1920s, he made a detour to Egypt, having heard about an old cement factory in Maasara that was for sale. Cement production in Egypt was not really efficient at the time. The situation was so bad that most Egyptian cement had to be imported. Schmidheiny jumped in. In 1926, he founded the Société Égyptienne de Ciment Portland Tourah-le Caire with the goal of building an ultramodern cement factory south of Cairo. In 1927, the company was completely in Swiss hands, and two years later the new plant in Tourah was opened. Alongside his business interests, Schmidheiny quickly developed a personal affinity to Egypt, and considered emigrating. His wife Vera, who for health reasons was very fond of the warm climate, liked the idea as well.


King Fuad I of Egypt visits the "Holderbank" plant in Tourah.

It is a measure of their farsightedness that both Ernst Schmidheiny and Adolf Gygi dealt early with the issue of the company's succession planning. Schmidheiny's sons Ernst Jr. and Max, as well as Gygi's son Hans, were all integrated in various functions at "Holderbank" and quickly learned to take on business-related responsibilities. All three of them would play important roles in the subsequent development and expansion of the Group. In 1923, Gygi and Schmidheiny sent their sons to the Netherlands and Belgium to scout possible cement work acquisitions. It would prove to be a fruitful trip. Just two years later, "Holderbank" would take an equity position in Ciments d'Obourg in Belgium and a year later, in 1926, in the Dutch cement plant ENCI. Unfortunately the elder Gygi, who died in an automobile accident in 1924, would not be able to experience this first phase of expansion abroad.

For the younger generation, Adolf Gygi's death meant an unexpected and somewhat premature assumption of leadership roles. In 1924, Ernst Schmidheiny Jr., the elder of Schmidheiny's two sons, became the head of the cement factory in Holderbank-Wildegg. His father still held the reins of the company firmly in his hands, and continued pushing on with its rapid expansion both at home and abroad. It would only be in the following decade that "Holderbank" would feel the effects on its business of the world economic crisis of 1929. While sales at many other cement factories collapsed, it had the good luck of being called on to deliver cement for two hydroelectric plants scheduled to start construction in 1930. One was at Wettingen on the river Limmat, and the other in the German town of Albbruck on the upper Rhine. It was only after these two jobs were finished that sales at “Holderbank” fell off markedly.



The cement and lime factory at Unterterzen was one of Ernst and Max Schmidheiny’s oldest Swiss plants.

Schmidheiny continued to build up his holdings, for example in 1927 in a cement factory in Lägerdorf in Germany, and in 1929 in a production facility in Chekka in Lebanon. When it came to financing this expansion, he stuck to his iron-clad principle of avoiding becoming dependent on banks. This was another of Ernst Schmidheiny’s characteristics that would play an important role in the history of Holcim later on. (He had already financed the gradual expansion of the flagship factory in Holderbank-Wildegg from two to four wet kilns exclusively by raising equity capital.)

Wet mills for the preparation of the raw material.

This strong desire for financial independence was a result of the problems he was confronted with after “Black Friday” in October 1929, which signaled the onset of the Great Depression. Both the devaluation of the currency and some shady dealings of a Belgian business partner almost ruined him. The story was as follows: Schmidheiny had signed guarantees for his Belgian partner which subsequently led to enormous losses in connection with the Immobiliengesellschaft Glarus AG. As his biographer has traced in minute detail, with the interest on his liabilities amounting to over 100,000 Swiss francs more than his yearly income, Schmidheiny was close to bankruptcy. Not knowing what else to do, he turned to the Schweizerische Volksbank. After initially hesitating, the bank took over Schmidheiny’s stake in the Glarus real estate company, thus freeing him from the guarantee.

Expansion led to a reorganization of the cement business in 1930. The Aargauische Portlandcementfabrik Holderbank-Wildegg was converted into a holding company called “Holderbank” Financière Glarus AG (HOFI). The idea was to separate the manufacturing business from the new domestic and foreign activities. Schmidheiny wanted a structure which would secure him long-term independence from the banks. The goal was to keep the holding company debt-free and to secure financing via the subsidiaries. At the same time the Schweizerische Cement-Industrie-Gesellschaft (SCI) in Ennenda in the canton of Glarus was converted into a holding company. SCI owned the manufacturing company Cement- und Kalkfabrik Unterterzen on the Walensee in the canton of St. Gallen as well as minority interests in cement plants in Greece and Austria. Through an equity swap, Schmidheiny bound HOFI and SCI together. As history would subsequently show, this too would prove to be a prescient move in Holcim’s rise to become one of the world’s leading cement concerns.

Knowledge as capital
Ernst Schmidheiny early on recognized the important role knowledge transfer between the individual plants would play in the growth and expansion of “Holderbank”. In 1930, the first edition of the “Holderbank” Bulletin appeared, a publication designed to encourage the sharing of know-how and strengthen ties between the different parts of the organization. At the same time, Schmidheiny began organizing yearly meetings of his technicians and chemists. These set the basis for the Stelle für technische Zusammenarbeit (Center for Technical Cooperation) which Schmidheiny’s son Ernst Jr. would set up years later.

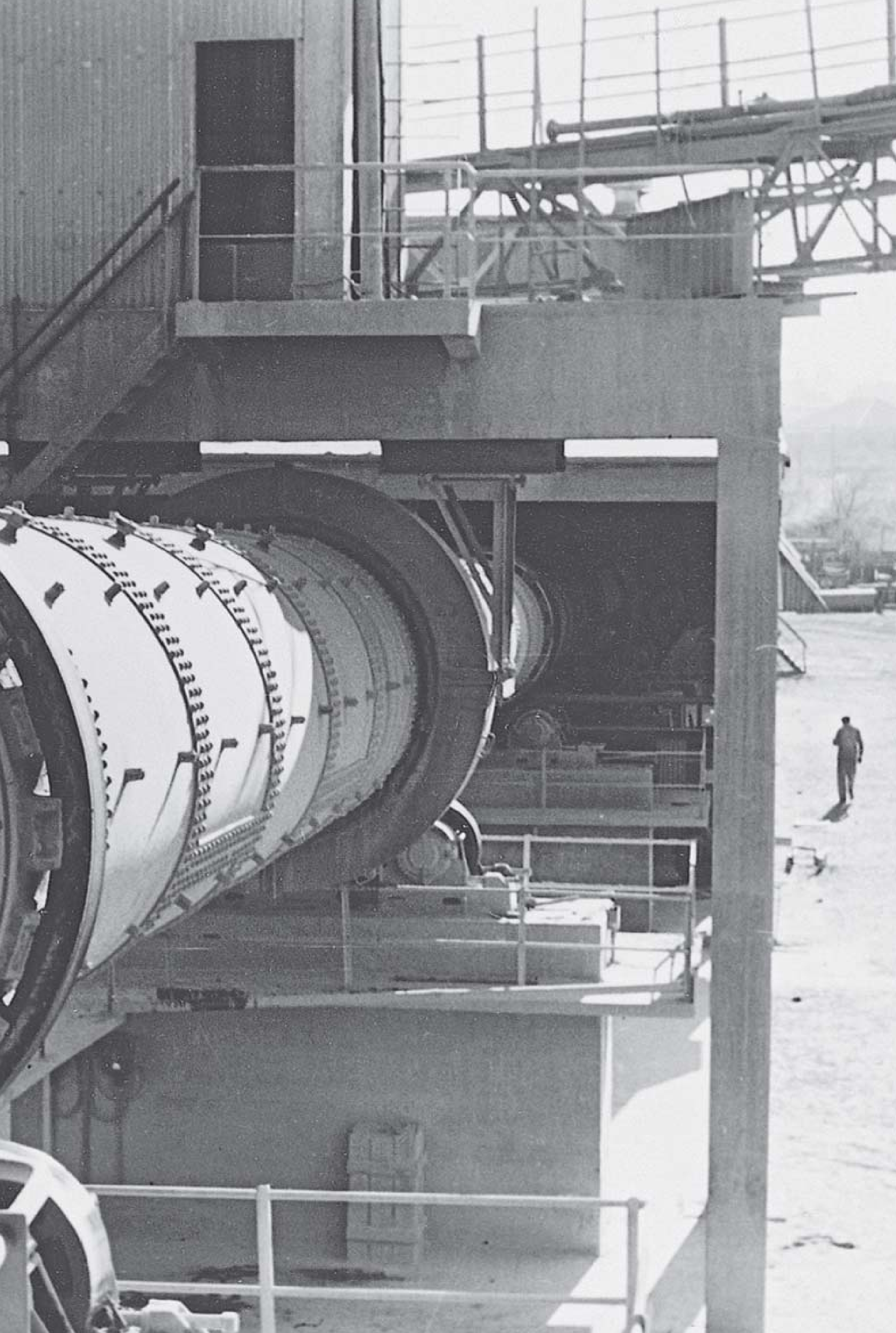
1931

Dividing up the markets among the brothers

After Ernst Schmidheiny's untimely death, his two sons Ernst Jr. and Max took over responsibility for "Holderbank". By mutual agreement and in close cooperation, the two young entrepreneurs split their inheritance. Ernst Jr. took over the reins at "Holderbank", while Max concentrated on the other business lines his father had built up. With this division of the business, the brothers implemented a principle to which they would remain true until the early 1970s. Thanks to the geographical diversification begun by their father, "Holderbank" was also able to survive the chaos of World War Two.

1932

Shortly before World War Two, "Holderbank" entered the South African market with the construction of a cement plant.



Ernst Schmidheiny's unexpected death, the effects of the world economic crisis and the onset of World War Two made Holcim's third decade the most economically precarious in its 100-year history. Faced with currency turbulence, difficulties with foreign business partners and crashes in the Swiss and foreign markets in which "Holderbank" was active, Schmidheiny's two sons had a difficult decision to make. Considering that it would likely be overloaded with debt, should they accept their father's inheritance? Neither Ernst nor Max Schmidheiny, 33 and 27 years old respectively, hesitated for long. Despite the desperate times, both would end up making far-sighted decisions which would affect the expansion of Holcim for decades to come. They were supported throughout this difficult period by Hans Gygi, whose sister Anna Maria had married Ernst Schmidheiny Jr. ten years before. The ensuing connection between these two industrialist families, both so important to Holcim's early years, further strengthened their position as the leading shareholders of the rising cement group.

Plane crash in Sinai
On 15 March 1935, a twin-engine De Havilland Dragon crashed to the ground in the northern Sinai desert near El Arish, the pilot having lost control of the plane in strong winds. Both Ernst Schmidheiny and Rudolf Frey perished in the accident. Frey was the president of E. G. Portland and the builder of the cement plant in Tourah in Egypt. Ernst Schmidheiny Jr. and a British officer were also on the plane, both surviving with light injuries. Schmidheiny Sr. and Frey were embalmed according to local custom and their remains transferred to Switzerland. With thousands of mourners lining the streets, Schmidheiny was buried on 6 April in Balgach in the canton of St. Gallen.

As their father Ernst and their uncle Jacob had done before them, the two young entrepreneurs decided to split their inheritance. Ernst took control of "Holderbank" Financière Glarus AG, while Max concentrated on the other business lines built up by his father. In the cement business, he looked to expand in markets that were of less interest to his brother. The two employed the same principle in Switzerland. Max regularly took over cement companies for which Ernst saw no use within "Holderbank".

This led to stakes in and liaisons with other cement companies in Switzerland and elsewhere which would only be integrated into the "Holderbank" network decades later, but which would make an important contribution to the Group's rise to the top at the beginning of the 1970s. Ernst and Max Schmidheiny developed a co-leadership approach to their cement activities in which each, alongside their "Holderbank" shares, built up their own cement groups, apportioning markets and responsibilities among themselves.

Ernst Schmidheiny Jr.

Max Schmidheiny.

At the same time they protected each other financially via reciprocal investments. In the years before World War Two, while Max concentrated heavily on the Middle East, Ernst began expanding in South Africa. In 1937, he learned of some suitable limestone deposits in Cape Town which led him to invest in the area. With the help of the engineers of the Stelle für technische Zusammenarbeit (Center for Technical Cooperation), which had been established that same year, the plant was finished shortly before the outbreak of the war, growing into a profitable company within a few years. At the same time, Max Schmidheiny expanded the family's holdings as well as the cement business in Egypt and Lebanon. While this couldn't fully compensate for the crisis years – above all the crash in cement sales in European markets during World War Two – it helped offset them. Without the geographic diversification initiated by their father, "Holderbank" would have been in severe difficulties during the war, as the Swiss market turned out to be built on feet of clay. In its home market – next to Belgium the most important market during this decade – it would take "Holderbank" 16 years to match 1931's cement sales of some 850,000 tonnes.

Transport of raw material in the Cape Town plant.

Expansion in South Africa
In the years directly after World War Two, "Holderbank" had to be patient with its expansion plans. In Europe, the Allied occupation authorities forbade company acquisitions during the first years of recovery, wanting to first settle ownership questions in the areas annexed by Germany. This left South Africa as a ray of light. As its single plant there at the time, on the coast in Cape Town, was vulnerable on its own, "Holderbank" sought to merge with a larger group of cement producers. Its goal was to operate closer to the key developing areas in the country. In 1948, it executed a stock swap with Anglo Alpha Cement Limited, which at that time operated three plants in Roodepoort, Henneman and Ulco. It wasn't long before a "Holderbank" representative assumed leadership of this group, successfully leading further expansion, not only in the cement sector but also in lime products and aggregates.

1941

Key success factors

Holcim has a unique global presence. Economically and ecologically efficient plants and innovative products are key to creating value for customers and shareholders and other stakeholders.

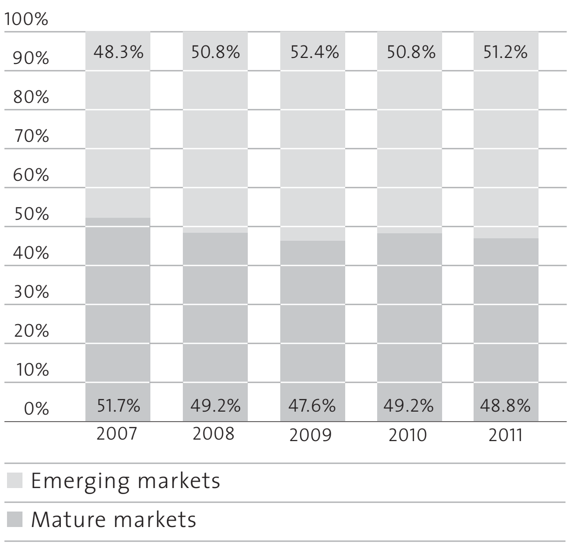
Continuity thanks to tried-and-tested strategy
The Group's strategy is based on three pillars: concentrating on the core business, geographical diversification and balancing local business responsibility and global leadership. These principles have proved themselves in good and bad economic times alike.

The resolve to respond rapidly and decisively to major changes in the business environment is a crucial factor. For example, during the recent, far-reaching financial crisis and ensuing recession, Holcim succeeded in achieving significant cost savings in many mature markets. Despite inflationary pressure and the commissioning of new capacity, a pivotal objective for 2011 was to maintain control over those costs which can be influenced.

Global presence
Holcim operates worldwide in around 70 countries on all continents, employs a workforce over 80,000 and has production facilities at around 2,200 locations. This broad-based presence, with cement plants, aggregates operations, ready-mix concrete and concrete elements plants, asphalt facilities and preparation platforms for alternative fuels and raw materials, plays a decisive part in stabilizing earnings by at least evening out some cyclical fluctuations in individual markets. This is confirmed in part by the intact revenue streams from the growth markets in Asia and Latin America in 2011.

Net sales per region	2011		2010	
Million CHF				
Europe	6,122	28.6%	6,535	29.3%
North America	2,987	14.0%	3,240	14.6%
Latin America	3,310	15.5%	3,442	15.5%
Africa Middle East	959	4.5%	1,098	4.9%
Asia Pacific	8,001	37.4%	7,958	35.7%

Net sales mature versus emerging markets



In 2011, the emerging markets in eastern and south-eastern Europe, Latin America, Africa, the Middle East and Asia accounted for 51.2 percent of Group net sales.

Cement and aggregates as core businesses
Holcim's success over decades is founded on a targeted and comprehensible product strategy. At its heart are the production and distribution of cement and the aggregates crushed stone, gravel and sand. Investment activities and value creation thus focus on processing natural resources, while at the same time giving increasingly important priority to recycling building materials. This is highly capital-intensive and ties up assets long term.

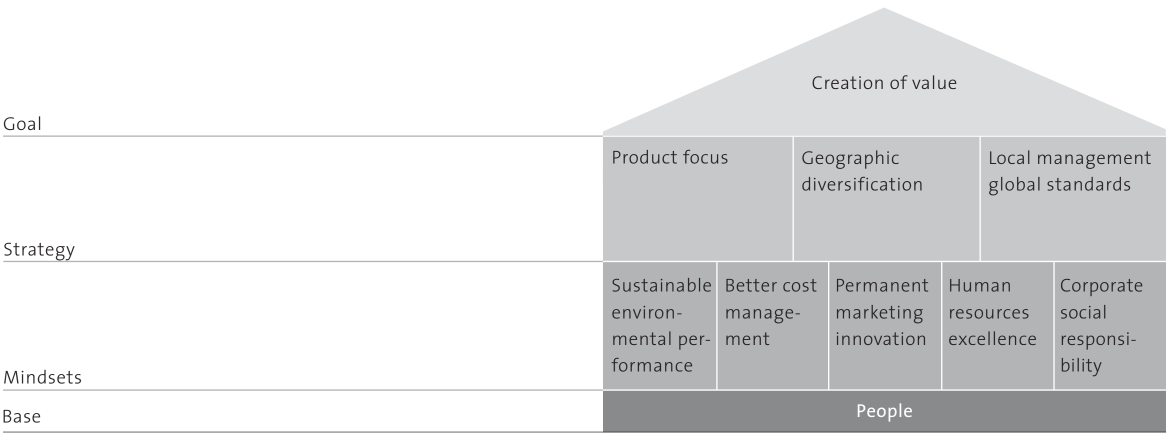
In addition to cement, Holcim also supplies ready-mix concrete, concrete elements and concrete products as well as asphalt in nearly all mature markets and in major urban centers on all continents. This includes high levels of service in areas such as product-specific advice, innovative sales concepts and system solutions specifically for large projects. Competent teams can offer customers solutions tailored to all kinds of construction projects.

Madrid-based Holcim Trading has a leading position in international trading in cement, clinker, hydraulic binders and fuels. It helps Group companies with buying and selling activities outside their market areas.

Extracting raw materials, operating cement plants and distributing building materials is a local or, at most, a regional business. Group companies and individual operating facilities are firmly anchored in their local environment and assume entrepreneurial responsibility accordingly.

Many mature markets saw a moderate increase in demand in 2011. Consumption of building materials was dynamic in most emerging markets – particularly in Asia and Latin America. A steady rise in demand is being fueled by a combination of population growth, rapidly expanding cities and conurbations, and higher housing aspirations. Many countries also have major quantitative and qualitative deficits in their infrastructure sectors. These factors will continue to be important growth drivers for Holcim in the future.

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.

Strong local management focused on five core areas
The five central challenges adopted at the 2010 Group-wide Management Meeting were confirmed in 2011, and the implementation strategies were fleshed out further and adapted:

Focus on customer benefit: All Holcim's activities are centered on creating value for the customer. Where the customer so requires, innovative customer-specific solutions are offered, particularly in the high-growth sectors of infrastructure and house building.

Operating excellence: Appropriate operating targets are defined for each area of business. Implementation falls within the remit of the individual Group companies. They receive targeted support from the corporate staff units of Holcim Group Support Ltd and from regional service centers.

Solid anchorage of the Holcim culture: There has been an exceptionally high increase in headcount in recent years due to acquisitions, and it is essential to ensure that Holcim's corporate cultural values are nonetheless practiced throughout the Group. The guiding principle in all Group companies is the motto "Strength. Performance. Passion."

Permanent staff development: Holcim aspires to be an employer of choice which can attract and retain talents. Without good employees and qualified managers there can be no outstanding operating performance, and high standards of health and safety in the workplace will not be possible to achieve. To this end, staff on all levels undergo continuous internal and external training and development.

Ongoing sustainable development: Holcim's long planning horizons and dependence on natural resources make sustainable management a strategic necessity for the company. The Group has been active in this area for many years. Staff at all levels are systematically guided and motivated on the question of sustainability. This has also earned Holcim external recognition, such as inclusion in the Dow Jones Sustainability Index.

Corporate staff units step up efforts for the Group companies
In 2010, the corporate staff units were combined under the overall management of the CEO of Holcim Group Support Ltd and increasingly aligned to the needs of the Group companies. After central processing by the corporate staff units, the Group's global pool of knowledge is rapidly and efficiently made accessible to the individual companies. Intensive cooperation between the individual service and support functions created important synergies and efficiency gains in 2011.

The complete overview of all Group services listed by topic published on the internal portal in the first quarter of 2011 provides Group companies with a quick and simple means of identifying and calling up cross-functional services. Commercial activities were organizationally adjusted, and a new innovation function was rolled out.

Slight increase in headcount
As demand continued to decline in a number of mature markets, several Group companies shut down facilities temporarily or permanently and laid off staff. Unavoidable redundancies were implemented in such a way as to minimize their social impact. However, many growth regions experienced the opposite trend and recruited new staff. The increase in headcount was due to the commissioning of new production units.

Whereas at the end of the last financial year the Group had 80,310 employees, by the end of 2011 the headcount was 80,967.

Changes in personnel by Group region

	2011	2010	±%
Europe	19,602	19,690	–0.4
North America	7,543	6,668	+13.1
Latin America	12,867	12,710	+1.2
Africa Middle East	2,140	2,213	–3.3
Asia Pacific	37,942	38,172	–0.6
Corporate	873	857	+1.9
Total Group	**80,967**	**80,310**	**+0.8**

Strategic expansion program in growth markets

Global demand for building materials will increase in future too. The corresponding strategic program for the expansion of production capacity was continued, largely in the cement segment. As has been the case for years, expansion was concentrated mainly in the so-called growth markets, which currently account for around 75 percent of production capacity. In 2011, Holcim consequently increased its cement capacity Group-wide by 4.5 million tonnes to 216 million tonnes.

In India, the Group companies ACC and Ambuja Cements commissioned cement capacity totaling around 3.9 million tonnes p.a. Notable instances include the replacement of an older kiln line at the Chanda plant and the modernization and expansion of ACC's Bargarh plant and Ambuja Cement's Bhatapara and Dadri plants. In the booming Indonesian cement market, work also began on the construction of a new plant in Tuban on the main island of Java. Slated to come on stream in the first half of 2013, this important plant will have an annual capacity of 1.6 million tonnes of cement.

In Latin America, the focus was on the commissioning of the Hermosillo plant in Mexico. Holcim Apasco's new plant, which was opened in the presence of the Mexican president, has an annual capacity of 1.6 million tonnes of cement. It strengthens the nationwide presence and will reduce the cost of deliveries to customers in the northwest of the country. The plant meets all the criteria for sustainable cement production. The construction included the strict requirements of the Holcim Foundation for Sustainable Construction and the new plant will serve as a model for other companies both within our Group and beyond. An additional 1.9 million tonnes of cement grinding capacity were commissioned at the Guayaquil plant in Ecuador in the fourth quarter of 2011. During the year under review, it was decided to build a second kiln line at the Barroso plant in Brazil. Offering an annual capacity of 2.6 million tonnes of cement, it will come on stream in 2014. This expansion project will enable Holcim to participate in the dynamic development of the construction materials market in Latin America's largest country.

In Europe, capacity expansion was focused on Russia and Azerbaijan. A new kiln line with a capacity of 2.1 million tonnes was commissioned at the Russian Shurovo plant in the presence of Russia's president and a delegation from Switzerland headed by the country's president. This eco-efficient plant supplies the key Moscow regional market with high quality products. At the end of 2011, Garadagh Cement in Azerbaijan commissioned a new kiln line with an annual capacity of 1.7 million tonnes.

Holcim initiated a capacity expansion program in 2007. At the end of 2011, this program totaled 35.2 million tonnes of which 9.5 million tonnes were under construction.

Approved cement capacity expansion within the Group in million tonnes 2012 to 2014

Company	2012	2013	2014	Total
Holcim France			0.6	0.6
Garadagh Cement, Azerbaijan	1.7			1.7
Total Europe	**1.7**		**0.6**	**2.3**
Holcim Brazil			2.6	2.6
Total Latin America			**2.6**	**2.6**
Holcim Morocco	0.0[1]			0.0
Ciments de Guinée		1.3		1.3
Total Africa Middle East	**0.0**	**1.3**		**1.3**
Holcim Bangladesh		0.7		0.7
Cement Australia			1.0	1.0
Holcim Indonesia		1.6		1.6
Total Asia Pacific		**2.3**	**1.0**	**3.3**
Total Group	**1.7**	**3.6**	**4.2**	**9.5**

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

Plant closures bring production capacity into line with medium-term demand

In parallel with the capacity expansion program, in markets with unsatisfactory demand plants were also shut down completely or closed temporarily to safeguard production efficiency. This affected Holcim Bulgaria's Pleven plant; Holcim US decided to suspend production at its Catskill plant in New York State and supply customers in this region from other plants. Finally, in the second half of the year, Cement Australia decommissioned its Kandos plant, an older and smaller facility with an annual capacity of just 350,000 tonnes.

Restructuring measures also took place in other segments. Aggregate Industries US continued to optimize its production facilities, for example, and Holcim Spain decided to close a further 25 ready-mix concrete plants.

Also, due to the insufficient capacity utilization rate, it was decided to book cash-neutral impairments on property, plant and equipment, and goodwill in Spain, Eastern Europe and North America in the fourth quarter of 2011. These adjustments were also related to the permanent closure of the Catskill and Artesia plants of Holcim US.

Investments in aggregates and concrete
As an economy becomes more mature, vertical integration becomes more important. 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 growing strategic importance.

With the full takeover of Lattimore Materials in March 2011, Aggregate Industries US strengthened its market presence in aggregates and ready-mix concrete in the important Texan market. In November, the Group company took over the assets of Ennstone, Inc. in the state of Virginia. Ennstone owns strategically well positioned ready-mix concrete plants, sand and gravel works and limestone quarries.

Concrete as an indispensable, environmentally friendly building material
The energy and CO_2-efficient building material concrete is used on a huge scale in construction projects worldwide. Modern and efficient infrastructures would be inconceivable without concrete. With our expertise we help customers increase 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 additives such as granulated slag, fly ash or naturally occuring pozzolan. Combining innovative products and special services helps to give Holcim a more distinctive profile. Here too, environmental considerations are an increasingly decisive factor.

One good example of this comes from Group company Holcim Germany, which successfully bid for the contract for the construction of the Nord Stream pipelines put out to tender by the EUPEC construction group. These pipelines across the Baltic Sea link Vyborg in Russia and Lubmin in Germany. Once the two pipelines are in operation next year, the system will secure the supply of the European Union with Russian natural gas. From the outset, EUPEC was concerned with the safety and, above all, environmental friendliness of the construction work. Holcim Germany provided a convincing solution that met these criteria.

Each pipeline is sheathed in a layer of concrete to give it the necessary weight to keep it in place in the seabed. The decisive factor behind Holcim Germany winning the cement delivery contract was a combination of a suitable product and the guarantee of a cost-effective logistics concept with a low environmental impact. 600 tonnes of cement had to be delivered daily by rail and shipped from the Lägerdorf plant to the construction sites in Germany and Finland. Road haulage was only used as an alternative in the event of extraordinary circumstances. Although this also required considerable investment in rail loading capacity at the plant, the effort proved worthwhile for Holcim Germany as it not only secured the contract for this project, but was also able to position itself as a reliable and innovative partner in the market.

Fund to promote energy efficiency
The production of cement is energy-intensive. Thermal and electrical energy accounts for around 40 percent of production costs, while the chemical conversion of stone in the rotary kiln releases large quantities of CO_2, as does the use of fossil fuels. Ensuring that plants are highly energy-efficient is therefore a key consideration for Holcim – particularly in light of rising energy costs.

Because low demand means that the European cement industry currently emits less CO_2 than producers are entitled to, non-required CO_2 emission certificates can be sold. The lower emissions not only reflect the current economic situation, but also the industry's efforts to increase plant efficiency and reduce the clinker factor.

The CHF 100 million in payments received by Holcim each year were channeled in 2011 into an internal energy fund created in 2010. The fund should help ensure the realization of innovative projects in the field of heat recovery, the recycling of alternative fuels and raw materials, as well as wind power and hydroelectricity. The objective is to further reduce consumption of fossil fuels and increase energy efficiency. Several projects are being implemented (see also pages 55). Together they will yield savings of around 200,000 tonnes of CO_2.

Definition of segment-specific operating EBITDA margin targets

Holcim has defined specific operating EBITDA margin targets for each segment. These targets still apply, but the situation in various markets and the corresponding decline in volumes means that, despite reductions in costs and increases in efficiency, they will only be achievable once consumption picks up again.

Operating EBITDA margin	Target	2011	2010
Cement	33%	24.3%	27.1%
Aggregates	27%	20.7%	21.2%
Other construction materials and services	8%	2.5%	2.8%

The higher expenditure on raw materials, transport and energy squeezed the cement margin in 2011. 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 24.3 percent, down on the previous year's figure of 27.1 percent.

In the case of aggregates, the operating EBITDA margin reached 20.7 percent (2010: 21.2). In 2011, Latin America was above the target band of 27 percent.

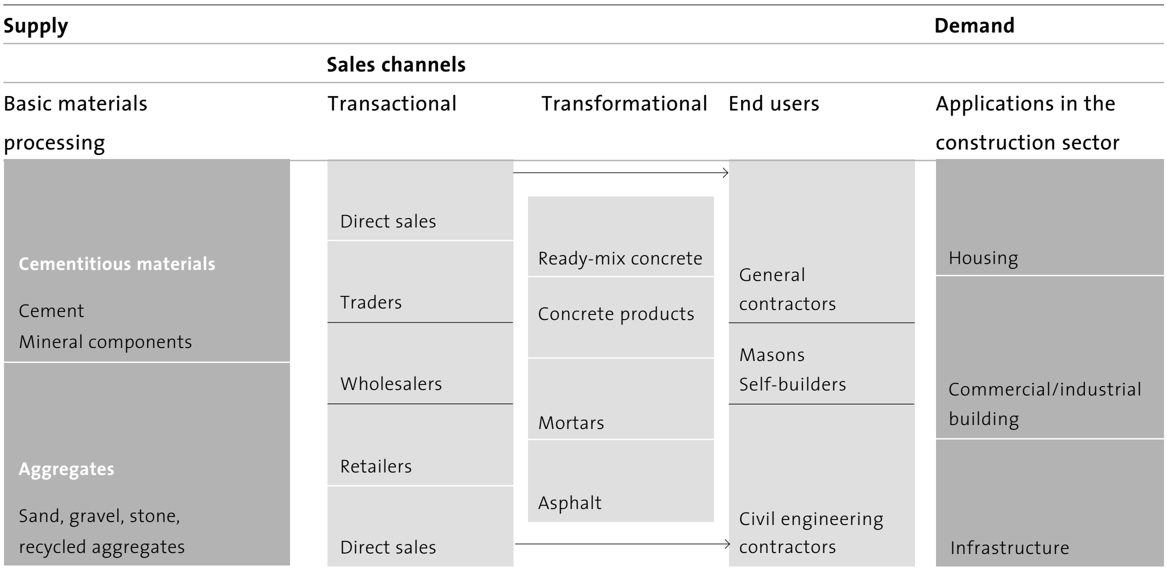
The operating EBITDA margin of the other construction materials and services segment declined to 2.5 percent (2010: 2.8). The target remains 8 percent.

Constant measurement and improvement of operating performance

Operating performance is compared objectively and improved in all areas of activities throughout the Group.

Progress has to be measurable if it is to be achieved. Many years ago Holcim began to systematically record changes in the performance of Group companies in the cement segment 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. 2011 saw the introduction of a Group-wide system of measurement and comparison for aggregates and ready-mix concrete as well. The system is based on a set of indicators covering sales, production, distribution and product quality. Clear rules and definitions make it possible both to conduct transparent reporting at factory level and to monitor trends and produce significant comparisons.

Value chain



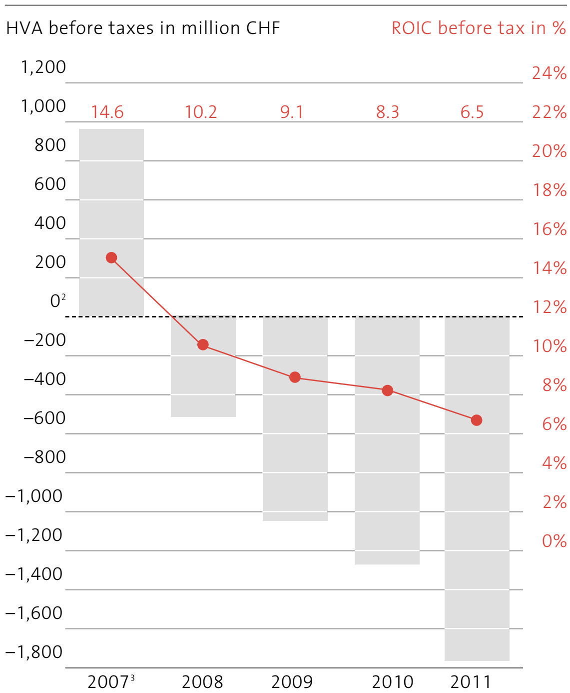
Cement and aggregates are the basis – concrete and asphalt bring us closer to the end consumer.

Sustainable value creation as paramount objective

A key element of Holcim's goal of being the most attractive company in the building materials industry is the return on its invested capital, which should exceed its pre-tax weighted average cost of capital (WACC) of 11.8 percent over the long term.

Owing to the current economic situation, the Group's return on invested capital (ROIC) declined by 1.8 percent in 2011. Measured according to Holcim Value Added (EBIT minus standard capital costs X invested capital), the Group has, however, over many years created substantial added value above the WACC of 11.8 percent before taxes.

Holcim Value Added (HVA)[1]



[1] Excluding cash and cash equivalents.
[2] WACC before tax of 11.8 percent.
[3] Excluding the majority sale in South Africa.

Attractive dividend policy

The Group's success should bear fruit for the shareholders of Holcim Ltd. In 2003, the Board of Directors determined as a guiding principle that one-third of Group net income attributable to shareholders of Holcim Ltd should be distributed. For the 2011 financial year, the Board is proposing to the annual general meeting to distribute a cash payment of CHF 1.00 per registered share from the capital contribution reserves, despite the impairment costs.

Environmental commitment and social responsibility enhance our reputation

Holcim is strengthened by its substantial efforts to promote sustainable development. In addition to the creation of economic value, Holcim also regards environmental performance and social responsibility as integral components of its overriding strategy.

This is, for instance, reflected in the partnership with the International Union for Conservation of Nature (IUCN). Holcim also maintains an ongoing dialog with various other stakeholder groups. Holcim is also listed in the Dow Jones Sustainability Index 2011/2012 and as such is regarded as one of the most sustainable companies in the construction materials sector.

Holcim Foundation promotes sustainability projects

In 2003, Holcim established the Holcim Foundation for Sustainable Construction. This independent foundation champions the cause of sustainability in the construction sector. Against the backdrop of rapidly rising population numbers, mass migration, increased pressure on resources, and urbanization, new approaches to construction are needed if future generations are to be able to live in a sustainable environment. This is why the foundation aims to promote knowledge and acceptance of sustainable building among construction specialists and developers.

The Holcim awards recognize exemplary sustainable construction projects all over the world. The competition, held in a three-year cycle, is endowed with prizes totaling USD 2 million awarded by a distinguished independent jury. The regional awards for the third competition cycle were presented in 2011 at ceremonies held in Milan, Washington D.C., Buenos Aires, Casablanca and Singapore. Prizes were awarded to a total of 53 sustainable projects from 29 countries.

At www.holcimfoundation.org information on the competitions and the award-winning projects can be found, along with details of the other activities, publications and partnerships of the Holcim Foundation.

Organization and management

In 2011 the Board of Directors elected Bernard Fontana as new CEO effective February 1, 2012. He replaces CEO Markus Akermann, who is retiring.

Efficient management and control
Holcim's corporate governance policy defines the processes, organization and monitoring of its top corporate management, as well as business policy principles and internal and external control mechanisms. The policy's aim is to clearly delineate responsibilities, and to ensure transparent and sustainable value creation with the appropriate management and control. This includes the Group's credibility and good reputation, which strengthens confidence among investors, business partners, employees and the public at large. Holcim's principles of corporate governance are continually revised in line with the latest developments and necessities.

The internal control system (ICS) introduced in 2007/2008 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, has proved itself. The internal control mechanisms go beyond financial control and increasingly also cover areas revolving round questions of business ethics and integrity. Holcim is one of the few Swiss companies to sign up to the ten principles of the UN Global Compact on human rights, labor, the environment and anti-corruption.

Code of Conduct
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. The Code of Conduct can be found on our website under www.holcim.com.

Each Group company is responsible for incorporating the principles of the Code of Conduct into staff and employment contracts. The Code states that non-compliance with the rules will not be tolerated and will result in disciplinary measures, which could go as far as termination of the employment relationship.

Value creation in a competitive environment
Among other things, the Code of Conduct requires strict respect for the rules of competition. Measures have been introduced to ensure that the Group companies comply with the relevant legislation and regulations of the country in question. These include a centrally coordinated training program and instructions on good business conduct in line with modern competition law. Training and support materials are continually brought into line with the latest developments in competition law.

Status as at
February 29, 2012

Board of Directors

Rolf Soiron
Chairman

Beat Hess
Deputy Chairman

Erich Hunziker
Deputy Chairman, Chairman of the Governance, Nomination & Compensation Committee

Markus Akermann

Christine Binswanger

Alexander Gut

Peter Küpfer
Chairman of the Audit Committee

Adrian Loader

Andreas von Planta

Thomas Schmidheiny

Wolfgang Schürer

Dieter Spälti

Secretary of the Board of Directors

Peter Doerr

Executive Committee

Markus Akermann
Chief Executive Officer until January 31, 2012

Bernard Fontana
Chief Executive Officer from February 1, 2012

Thomas Aebischer
Chief Financial Officer

Urs Böhlen
Eastern and 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

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

Area Management

Javier de Benito

Urs Fankhauser

Aidan Lynam

Bernard Terver

Onne van der Weijde
from January 1, 2012

Corporate Functional Manager

Jacques Bourgon

Auditors

Ernst & Young AG

Management Structure

See organizational chart on pages 44 and 45.

Changes

See also Corporate Governance on page 121 ff.

The Executive Committee from left to right: Benoît-H. Koch, Urs Böhlen, Ian Thackwray, Patrick Dolberg, Roland Köhler, Bernard Fontana, Andreas Leu, Paul Hugentobler, Thomas Aebischer.

At the 2011 annual general meeting, Alexander Gut was elected to the Board of Directors of Holcim Ltd. He holds a doctorate degree in Business Administration (Dr. oec. publ.) from the University of Zurich, Switzerland, and is a Swiss Certified Accountant. From 1991 to 2001 he was with KPMG in Zurich and London and from 2001 to 2003 with Ernst & Young in Zurich, being promoted to Partner in 2002. From 2003 to 2007 he was a Partner with KPMG in Zurich, being promoted to the Executive Committee of KPMG Switzerland in 2005. Alexander Gut is the Founder and Managing Partner of Gut Corporate Finance AG, an independent corporate finance advisory firm in Zurich. Since May 2010 he has been a member of the Board of Directors of Adecco S.A., Chéserex, Switzerland. Also at the general meeting, Board members Christine Binswanger, Andreas von Planta and Erich Hunziker were each confirmed for further three-year terms of office.

After the general meeting, the Board of Directors was reconstituted. Owing to other commitments, previous Deputy Chairman Andreas von Planta opted to stand down from this office. The Board of Directors elected Beat Hess and Erich Hunziker as the two Deputy Chairmen. The Audit Committee is still headed by Peter Küpfer. The other members are: Andreas von Planta, Dieter Spälti and Alexander Gut, who is new on the committee. Erich Hunziker is the new Chairman of the Governance, Nomination & Compensation Committee; the members are Thomas Schmidheiny, Wolfgang Schürer and Adrian Loader (new).

After decades of fruitful work within the Group, Markus Akermann, CEO since 2002, retired at the end of January. The Board of Directors would like to take this opportunity to thank Markus Akermann for the successful leadership he has provided and for a valuable working relationship.

With effect from February 1, 2012, Bernard Fontana took over as CEO of Holcim Ltd. In Bernard Fontana, Holcim has secured the services of a business leader with many years of international experience. Bernard Fontana is a French national. He holds degrees in engineering from the Ecole Polytechnique and the Ecole Nationale Supérieure des Techniques Avancées in Paris. His career began with Groupe SNPE in France. Shortly after joining ArcelorMittal in 2004, he was appointed head of HR, IT and Business Development at Flat Carbon. From 2006 to 2010, he was a Member of the Executive Committee of ArcelorMittal. From 2010 Bernard Fontana was CEO of Aperam, a listed corporate group domiciled in Luxembourg.

Thomas Aebischer has been a member of the Executive Committee of Holcim Ltd since January 1, 2011. He took over as Group CFO from Theophil H. Schlatter on April 1, 2011.

Andreas Leu has been a member of the Executive Committee of Holcim Ltd since January 1, 2011 and is responsible for Latin America.

Urs Fankhauser has been an Area Manager and a member of the senior management of Holcim Ltd since January 1, 2011. He is responsible for the markets in Eastern and Southeastern Europe and reports directly to Executive Committee member Urs Böhlen.

Corporate Functional Manager Stefan Wolfensberger left the Group at the end of June 2011.

Onne van der Weijde, CEO of Ambuja Cements Ltd. in India, was appointed Area Manager and a member of the senior management of Holcim Ltd effective January 1, 2012. Onne van der Weijde continues to serve as CEO of Ambuja Cements Ltd. He reports directly to Executive Committee member Paul Hugentobler.

Line and functional management responsibility

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 key to the Group's performance and success lies in the competence of the 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. Striking the right balance between local power and autonomy on the one hand, and the appropriate degree of support and intervention from Group headquarters on the other, is a permanent challenge. 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. The Group's managers, the regions, the countries and local sites are assisted by service centers at the regional level and by central corporate staff units at the global level. Since May 2010, the central service and support functions of Holcim Group Support Ltd have reported directly to an Executive Committee member.

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 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 systematically to 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 127).

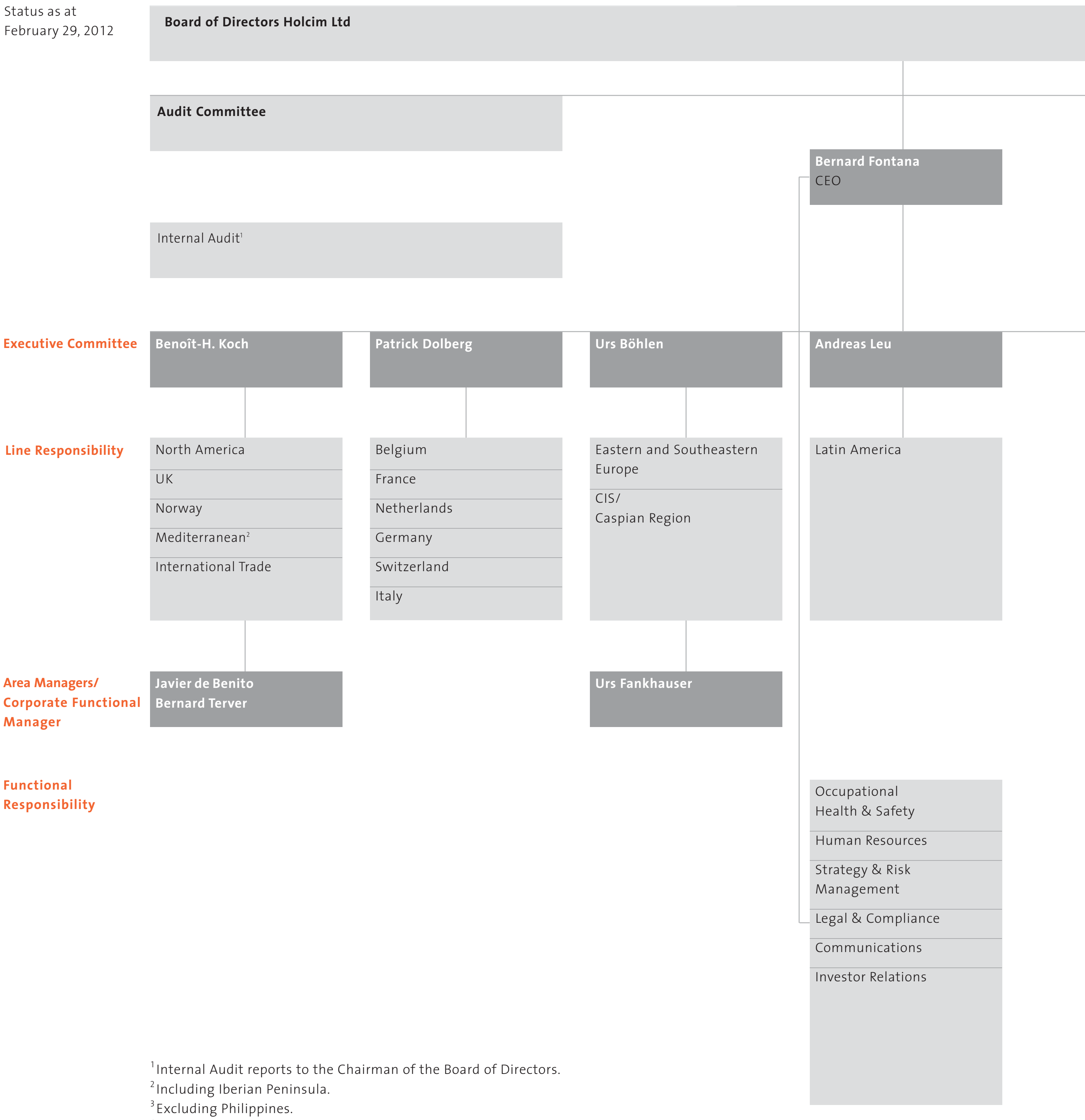
Internal Audit as an important monitoring instrument
Internal Audit is an independent body. It reports directly to the Chairman of the Board of Directors and submits regular reports to the Audit Committee. Internal Audit does not confine itself to financial matters, but also monitors compliance with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

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

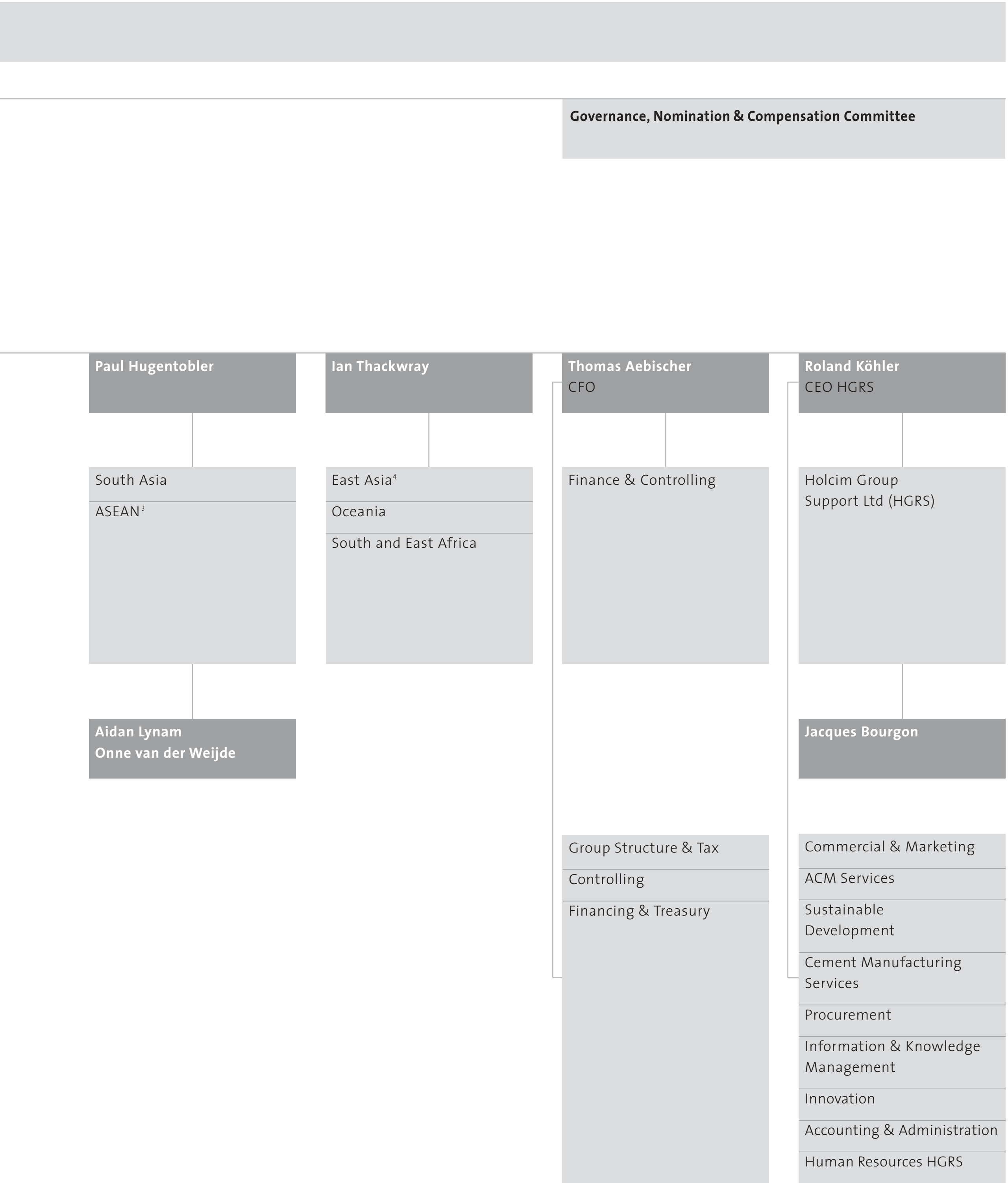
- Examining the reliability and completeness of financial and operational information;
- Examining the systems for controlling compliance with internal and external directives such as plans, processes, laws and ordinances;
- Examining whether operating assets are secure.

Focus on joint objectives
To achieve the corporate goals and added value it is aiming for, Holcim systematically measures performance. The compensation systems are designed to motivate management to perform to consistently high standards. A standardized, variable compensation system has been 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 142 to 152). 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.


Governance, Nomination & Compensation Committee
Paul Hugentobler
South Asia
ASEAN[3]
Aidan Lynam
Onne van der Weijde
Ian Thackwray
East Asia[4]
Oceania
South and East Africa
Thomas Aebischer
CFO
Finance & Controlling
Group Structure & Tax
Controlling
Financing & Treasury
Roland Köhler
CEO HGRS
Holcim Group Support Ltd (HGRS)
Jacques Bourgon
Commercial & Marketing
ACM Services
Sustainable Development
Cement Manufacturing Services
Procurement
Information & Knowledge Management
Innovation
Accounting & Administration
Human Resources HGRS

Innovation: New solutions, new value

Innovation is a strategic priority for Holcim. It is one of the key ingredients to deliver new solutions to customers and to create value.

Holcim's innovations address customer needs and stakeholder requirements in an increasingly fast changing business context. Our aspiration is industry leadership in customer solutions, sustainability and cost efficiency.

A new Innovation function has been established at corporate level to act as a platform to coordinate the Group's activities. Additionally in 2012, the Holcim Foundation for Sustainable Construction for the first time is awarding three innovation prizes, which focus upon contributions to innovative building material and construction technologies in the context of sustainable construction.

Meeting customer needs exceptionally well across the entire construction value chain
Customer driven innovation demands a thorough understanding of the needs of direct customers as well as end-users. Competence in providing new customer solutions which incorporate innovative products and services is the main way Holcim differentiates itself in the markets.

Driving sustainability throughout the building lifecycle
As our industry is resource and energy intensive, environmental considerations are paramount when designing new solutions and improving our operations. Our ambition is to reduce energy needs and CO_2 emissions.

Maximizing efficiency along the whole supply chain
Research and development in manufacturing and process technology is essential both for cost management and the sustainability of production. New technological developments allow the further reduction of environmental footprint and increased use of alternative and renewable energy sources. A dedicated Energy Fund, financed with the proceeds of the sale of excess CO_2 emission certificates, has been set up to support projects of Group companies which conserve natural resources and make step changes in energy reduction.

In the following paragraphs, we highlight several of our newest innovations in these areas:

Holcim Belgium, Limroc 1 cement
Limroc 1 cement was custom blended to produce a specially formulated concrete. It was designed to meet specific customer requirements in the construction of a new railway tunnel under a sea-freight canal and tidal river north of Antwerp, Belgium. The product had to be able to be pumped over long distances, used underwater, and offer low resistance to drilling after six months. Holcim Belgium also set up a reliable logistics solution to address the project owner's needs.

Holcim Germany, Nord Stream offshore gas pipeline
Holcim Germany's contribution to the successful completion of the Nord Stream gas pipeline, through the Baltic Sea between Russia and Germany, demonstrated that it is more than a producer of high-performance products by delivering a tailor-made cement logistics solution for the customer. The Group company supplied a total of over 400,000 tonnes of sulfate-resistant, low-alkali Portland cement with high durability and early strength development over the course of the construction.

Holcim Switzerland, Zurich cross-city rail link project
Two bridges, a train station, a tunnel, and an underground train station expansion underneath the existing Zurich main station are the constituent parts of a major project being carried out for the Swiss Federal Railways in and around Zurich. The Group company is not only delivering cement and aggregates, but also acts as the project contact for cement technology within an environmentally friendly logistics concept. More than 90 percent of all material transport is handled by rail, minimizing the impact on the surrounding urban environment.

Cemento Polpaico, Chile, mine expansion project
An extreme construction environment demanded a creative approach to delivery and safety. Despite the remote location in the Andes at an altitude of 3,500 meters above sea-level, and harsh winter conditions with temperatures down to –25°C, Cemento Polpaico's engineering skills and commitment to safety meant it was able to guarantee the continuous, safe delivery of 240,000 cubic meters of ready-mix concrete from three ready-mix plants. Safety was the top priority for the customer, and here Cemento Polpaico's tailored management system delivered as promised, with zero 'lost time injuries' meeting the goal of "zero harm".

Holcim France, Créateurs de Sols Béton
The Créateurs de Sols Béton network markets decorative concrete directly to end-users, whether they be private individuals, local authorities or architects. Surfacing products for driveways, flooring, pavements, cycle paths, communal spaces, kerbs and tramways are presented and promoted as integrated solutions via the internet and cross-media. The network connects consumers with local, Holcim certified concreting companies, adding new value for the company and the customers.

Aggregate Industries UK, Sustainable Drainage System
Flourishing development of urban, suburban and brownfield sites has led to an increased incidence of flooding in the UK, often causing significant damage. Aggregate Industries' Sustainable Drainage Systems (SUDS) range improves soil water absorption and reduces flood risk. The unparalleled SUDS range now provides a tailored solution to the differing drainage demands encountered on today's construction projects. As well as excellent source control, SUDS can be designed to include pollution control, attenuation, rainwater harvesting, and infiltration near buildings.

Holcim Apasco, Mexico, Durable Flooring Solution
The Durable Flooring Solution for industrial and commercial use means that the Group company is not just delivering concrete, but rather providing a complete, integrated solution with structural design, placing and finishing, and a warranty. This turn-key customer solution is offered together with a global flooring company as a partner. A direct relationship with a major North American retailer has now been established, allowing Apasco to become involved in the specification stage of construction projects and be better positioned in the competitive environment.

Holcim Switzerland, Robusto 4R-S

To meet the increasing durability demands on infrastructure and civil engineering construction, Robusto was recently developed and launched in Switzerland. Holcim Robusto 4R-S, consisting of Portland cement clinker, granulated blast furnace slag and burnt shale, is characterized not only by its high resistance to alkali aggregate reaction, sulfate attack and chloride migration, but also by limited shrinkage and an equal carbonation resistance in comparison to the CEM I type cements normally used. During manufacturing, replacing part of the clinker with burnt shale and granulated blast furnace slag reduces CO_2 emissions substantially.

Collaboration in environmental technology

Collaboration within the Group, as well as with suppliers and leading experts outside the Group, has been further strengthened. One example is the successful collaboration of Holcim Slovakia, the Regional Manufacturing Support Organization for Eastern Europe, Holcim Group Support and Austria-based ATEC. Their expertise and commitment led to the development of an innovative solution for converting bypass dust into a marketable product. After being validated in a test laboratory, production will now move to an industrial scale.

Lower specific investment costs through higher capacity machinery

In line with the industry trend towards high capacity production facilities, the Group systematically develops components for large mechanical systems which allow reduced total cost of ownership. Improved reliability and shorter component delivery times lower cement production costs. This is illustrated by a new drive for vertical roller cement mills that has been developed in collaboration with Holcim France, Holcim Group Support, grinding equipment supplier Gebrüder Pfeiffer and drive system supplier Siemens-Flender. Synchronized high quality standard motors avoid the need for large motors and gear boxes. Experiences with the first installation have been positive so far.

Open innovation for the best energy-efficiency

Collaborative ventures are continually sought. For example, the Group has teamed up with ABB in a consortium seeking to develop new technology to valorize low temperature waste heat for power generation. This project includes a test installation at the Untervaz plant in Switzerland, and shows how committed Holcim is to developing sustainable and cost efficient production processes.

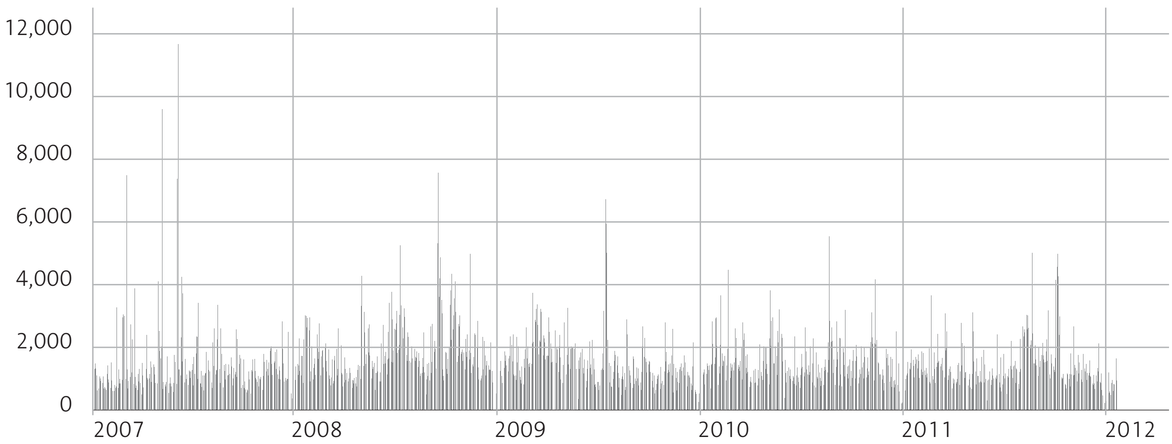
Capital market information

Holcim continued to focus on further increasing efficiency. The goal was to reduce costs and adjust prices. Inflation, competitive pressure and negative currency headwinds were stronger however, and weighed on performance. Nevertheless, Holcim's solid cash flow generation supported the stable capital structure.

Equity markets developed positively well into the spring of 2011. Then, the euro crisis, mounting risks in several European states and delayed economic recovery, especially in the US, led to a negative stock market development. Holcim shares could not avoid this trend. Similar to the overall market, they were subject to considerable price volatility and decline. The year's peak of CHF 76.35 was reached at the end of April 2011. The shares closed at CHF 50.25 on December 30, which represented a decrease of around 29 percent compared to the previous year end (2010: 70.65).

Performance of Holcim share versus Swiss Market Index (SMI)

Trading volume (in ’000)



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. At year-end 2011, the company’s market capitalization stood at approximately CHF 16.4 billion.

Additional data

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

Major shareholders

Information on major shareholders can be found on page 246 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	48%
Other countries	22%
Shares pending registration of transfer	30%

Breakdown of shareholders by number of registered shares held

1–100	11,611
101–1,000	38,315
1,001–10,000	7,508
10,001–100,000	640
> 100,000	97

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 2011 financial year, despite impairments, the Board is proposing a payout from the capital contribution reserves of CHF 1.00 per registered share. The payout is scheduled for April 24, 2012.

Weighting of the Holcim registered share in selected share indices

Index	Weighting in %
SMI, Swiss Market Index	1.71
SPI, Swiss Performance Index	1.43
SLI, Swiss Leader Index	3.62
BEBULDM, BE500 Building Materials Index	23.00
SXOP, Dow Jones STOXX 600 Construction	8.79
DJSI World, Dow Jones Sustainability Index	0.16
FTSE4Good Europe Index	0.48

Sources:
Bloomberg, Dow Jones Sustainability Indexes, FTSE Index Company, end-December 2011.

Information on Holcim registered shares

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

Key data Holcim registered share[1]

Par value CHF 2	2011	2010	2009	2008	2007
Number of shares issued	327,086,376	327,086,376	327,086,376	263,586,090	263,586,090
Number of dividend-bearing shares	327,086,376	327,086,376	327,086,376	263,586,090	263,586,090
Number of shares conditional capital[2]	1,422,350	1,422,350	1,422,350	1,422,350	1,422,350
Number of treasury shares	7,270,081	7,131,083	6,905,384	5,132,061	668,849
Stock market prices in CHF					
High	76	85	81	111	126
Low	43	60	28	40	102
Average	60	71	58	79	115
Market capitalization (CHF bn)	16.4	23.1	26.3	14.5	29.2
Trading volumes (million shares)	357.6	378.8	397.0	495.9	297.2
Earnings per dividend-bearing share in CHF[3]	0.86	3.69	4.93	6.27	13.66
Cash earnings per share in CHF[4]	8.61	11.44	13.04	13.02	18.81
Consolidated shareholders' equity per share in CHF[5]	52.62	56.57	59.44	59.42	71.44
Payout/dividend per share in CHF	1.00[6]	1.50	1.50	2.25	3.30
Dividend yield (%)	1.67	2.11	2.56	2.86	2.86

[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 oder 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 246.

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 2012)

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

Financial reporting calendar

General meeting of shareholders	April 17, 2012
Ex date	April 19, 2012
Payout	April 24, 2012
Results for the first quarter 2012	May 9, 2012
Half-year results 2012	August 15, 2012
Press and analyst conference for the third quarter 2012	November 7, 2012

Environmental commitment and social responsibility

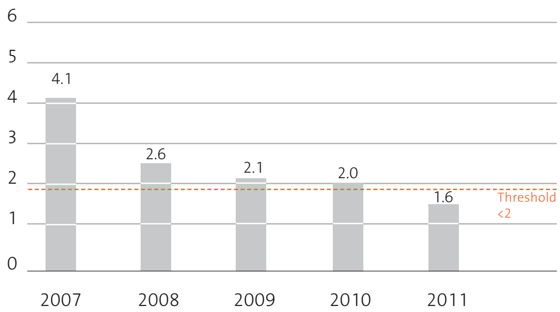
Holcim is guided by the aim to create value for all relevant stakeholders of the Group. The principle of sustainable development applies, seeking a balance between value creation, environmental performance and social responsibility.

Health and safety is a core value
Occupational Health and Safety (OH&S) is of utmost importance to Holcim. We expect our leaders to lead by example, to improve our safety performance, and to bring about the necessary behavior changes at all levels. Safety reviews are regularly being conducted and the findings are quickly implemented. Hence the commitment at all management levels is reinforced and more visible. The goal of "zero harm to people" is the long-term point of reference.

Intensive training and various line management interventions aim at the necessary behavior changes at all levels. This allowed the Group to reduce the number of injuries for directly employed personnel, and was supported by the continued strengthening of the OH&S management system.

Furthermore the number of severe accidents involving directly employed personnel continues to decline in line with the lost time injury frequency rate.

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 and paid. Data includes all operations.

Thanks to considerable efforts, the number of fatalities in the areas where Holcim has direct control steadily improved. Unfortunately, however, still 26 individuals lost their lives while working for Holcim in 2011. The majority of them were third party contractors not under direct Holcim supervision. The Board of Directors and the Executive Committee deeply regret the fatalities and will pursue the objective of an accident free working environment even more vigorously.

The continuous embedding of the Fatality Prevention Elements and the Contractor Safety Management Directive throughout the business remain a priority and the effectiveness of the implementation of these directives across all regions and businesses is constantly being assessed. We will further strengthen the competence of our people in OH&S through intensive training and an improved safety organization. Holcim will also continue to work on this topics with other companies through the Cement Sustainability Initiative.

Sustainable building materials and sustainable construction

Population growth, urbanization and the infrastructure growth of developing economies continue to drive demand for building materials despite difficult economic conditions. The challenge for the construction industry is to meet this demand while reducing the associated environmental impacts.

The main focus is on developing composite cements in which clinker content is reduced by adding mineral components such as blast furnace slag, fly ash and pozzolans. By 2011 approximately three quarters of Holcim's product portfolio comprised these composite cements, compared with only 30 percent in 1990. Initiatives along the value chain complement this. As an example, our Group company Aggregate Industries UK produces concrete products containing up to 80 percent recycled materials, thus reducing the reliance on natural resources and the impact on the environment.

More sustainable products are only effective if customers accept them. In 2010, Holcim Switzerland launched the "Optimo" product range; it uses fired oil shale to create a high quality product with a relatively small environmental footprint. By the end of 2011, Optimo represented around 31 percent of the sales of Holcim Switzerland, resulting in a meaningful reduction in ecological impact.

Holcim has developed a standardized methodology to calculate and report the embedded CO_2 emission per tonne of cement from "cradle-to-gate". It assists customers to make informed choices on the CO_2 efficiency of their products. The methodology, which will be ISO and PAS 2050[1] compatible, will be made available to Group companies, and will allow them to label their products accordingly. A similar methodology for concrete products is currently under development.

Holcim Foundation promotes sustainable construction

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 38 and at www.holcimfoundation.org.

Reducing emissions

Holcim has committed to reducing CO_2 emissions per tonne of cement by 25 percent by 2015 compared to the reference year of 1990. We will continue to focus on three main levers to achieve this reduction, namely reducing clinker content through the use of mineral components, substitution of fossil fuels with alternative fuels and energy efficiency improvements.

Holcim has further targeted to reduce specific emissions of dust and nitrogen oxides (NOx) by 20 percent by 2012 and 2013 respectively compared to 2004 levels. Despite a continuing difficult economic environment, Holcim is committed to achieving these reduction targets. Progress will be reported in our sustainability report and on our website in May 2012.

Managing carbon trading and credits

During the year in review Holcim focused on improving the security of European Union carbon allowances in our registry, made necessary by the inherent lack of security of the EU system.

Holcim realized revenues from the sale of CO_2 allowances of CHF 63 million (2010: 95). Revenues generated from carbon trading activities are used to increase energy efficiency of the Group (see below).

[1] A specification assessing the life cycle greenhouse gas emissions of goods and services

During 2011, Holcim received Certified Emission Reduction (CER) credits for wind power projects in India and alternative fuel projects in Indonesia, and it is expected that Holcim will continue receiving these credits in 2012.

Innovation in the energy field

Holcim sets aside some CHF 100 million every year to further improve energy efficiency in the Group. In 2010, a fund was set up for this purpose. The fund is an element in the Group's comprehensive energy strategy and is financed by the proceeds from the sale of excess CO_2 emission certificates. Projects for electricity generation by means of waste heat recovery, wind power and alternative fuels as replacement of fossil heat carriers have already been approved. With these projects alone, Holcim will save around 200,000 tonnes of CO_2 annually which is approximately about one sixth of the emissions of the city of Zurich.

The creation of the fund has sparked a whole series of new approaches for sustainable energy projects. 2010 saw funds earmarked for five waste heat recovery plants in Vietnam, India, Romania, Lebanon and Switzerland. These installations are under construction and will be commissioned between the end of 2011 and 2013. Another six projects were approved last year. They include four waste heat recovery units in Canada, Mexico, India and Slovakia, as well as two installations for the utilization of alternative fuels and raw materials in Germany and France. These facilities will be commissioned in 2013 and 2014.

Alternative fuels and raw materials

The recovery of energy and materials from waste conserves natural resources and reduces global CO_2 emissions, while also lowering production costs. Holcim currently produces approximately 12 percent of its thermal energy from waste derived fuels.

The co-processing of municipal solid waste offers economic, environmental and social benefits. It substantially reduces greenhouse gas emissions when compared to landfilling, contributes to solving the growing waste problem, provides so-called green employment, and makes production costs more competitive. Holcim will further strengthen its activities in this area. The Group already operates a number of waste treatment facilities in many parts of the world, notably in Eastern Europe. But also Huaxin Cement in China is active in this field.

To ensure the responsible handling of waste materials in the Group, Holcim launched the AFR Certification program (ACert). It provides an auditable management framework designed to minimize risks at AFR processing facilities. The ACert system has been rolled out in all Group companies that use alternative fuels and raw materials, and by the end of 2011, some 80 percent of Holcim facilities had been internally audited.

Biodiversity and water

In early 2011, Holcim extended its partnership with the International Union for Conservation of Nature (IUCN). The focus of the cooperation is the implementation of the Biodiversity Management System developed during the initial phase, as well as the development of indicators for measuring success. As required by the Cement Sustainability Initiative, Holcim reports the percentage of sites situated in areas of high biodiversity value which have biodiversity action plans in place. Progress will be reported in our sustainability report and on our website in May 2012. Rehabilitation manuals, which are applicable to all quarries and pits, have been revised to better integrate biodiversity.

In 2011 work continued, in conjunction with the IUCN on developing a water management scheme, which will include a water directive, a water measurement protocol and a water risk mapping tool. The tools were piloted in selected Group companies in all business segments in 2011 and will be implemented from 2012 onwards.

Promoting good sustainability practice in the sector

Holcim is currently co-chairing the Cement Sustainability Initiative (CSI) of the World Business Council for Sustainable Development (WBCSD). The CSI, a global association of cement producers, was created 10 years ago with the aim to coordinate actions on issues of sustainability. Activities include research, business planning, action and progress reporting, the creation of guidelines, publications, and databanks, and the development of a roadmap outlining technologies that could reduce greenhouse gas emissions from cement production. In the past 4 years, Holcim was active in the Executive Board of the WBCSD.

In both India and China, specific national CSI groups were initiated to ensure that the activities of the cement industry in these countries become more sustainable and verifiable. In June 2011 more than 50 participants gathered in Yichang, China, to discuss the development of co-processing in the Chinese cement industry. Chinese CSI members visited the Huaxin Cement Zigui pre-processing plant, which collects, dries, and shreds floating material from the Three Gorges Dam and injects it into the kiln as an alternative fuel.

Collaborating with our suppliers

In 2011, Holcim began work on developing and implementing a Sustainable Procurement Initiative. The existing practices in the supply chain will be strengthened and sustainable and responsible business practices will be promoted among suppliers. The initiative will include a Supplier Code of Conduct and a methodology for identifying and assessing critical suppliers.

Strategic community engagement

Holcim's approach to social engagement is strategic, not just philanthropic. Holcim considers the protection and consolidation of its social acceptance as a condition for creating value. In the focus of the engagement are innovative solutions for low cost and sustainable housing, the promotion of micro-enterprises and vocational training.

In 2011, Holcim Group companies invested CHF 38 million in community engagement activities, from which some 9.4 million people benefited directly and indirectly.

During the centennial year, 2012, employees will further strengthen contributions to communities through a global volunteering initiative.

Community spending 2011

Community development projects	22%
Education projects	14%
Infrastructure community projects	20%
Donations and charity	21%
CSR overhead	20%
Others	3%
Total in million CHF	**38**

Close cooperation with local stakeholders is vital and builds mutual respect and trust. Holcim engages with stakeholders in a number of forums locally including community advisory panels, formal dialog sessions, open days and local partnerships. All Group companies should have a formal Community Engagement Plan in place by 2012. By the end of 2011, 24 percent of Group companies report that such plans have already been developed and implemented.

Listed in leading sustainability indices

For the ninth consecutive year Holcim was confirmed as a member of the Dow Jones Sustainability Indexes. In the 2011 assessment, Holcim received top scores for its international production standards, biodiversity, environmental reporting, human capital development, social reporting and stakeholder engagement. Holcim also continues to be a member of the FTSE4Good sustainability index.

Human resources

Development of leaders is a structured process which draws on cutting edge IT technology and social media.

A close collaborative approach exists between top management, senior HR professionals in the individual Group companies, and the Talent Management team at Holcim Group Support Ltd to identify and develop candidates early for leadership positions. This includes the application of a structured process, part of which is the systematic charting of key positions and employees, and the maintenance of a talent pool of high potential and high performance managers.

A systematic approach to talent management

Four HR process streams contribute to the development of a strong talent base:

The performance management process stream has been established for many years within the Group under the keyword "Dialogue". The most important component of the Dialogue process is regular, open and constructive feedback to employees. It supports employees' individual development, strengthens their engagement and should also contribute to their identification with the Group. Group company management teams calibrate the goals of the individual employees and teams so that collectively, they can deliver the best possible performance. Holcim places a strong expectation on its leaders to act as role models and demonstrate the behavior they expect from their own staff.

The succession management process stream ensures talent identification and development on a global scale. Dynamic talent development which is responsive to current needs is made possible by quarterly reviews. In 2011, a new web-based IT solution, "iTalent", was introduced throughout Holcim. Following the integration phase, this solution will be the global data source for succession management analysis and reporting.

Assessment development is the third talent management process stream. Holcim cultivates a culture of constant professional advancement, continuous learning and personal development for potential managers, as well as encouraging innovation. This process stream is primarily about enhancing management potential aligned with Holcim's leadership competency model, encouraging employees to take more responsibility for their own development.

The fourth stream deals with international transfers. It includes all the processes and practices that enable Holcim to develop key talent through exposure to assignments in other countries and Group companies.

International transfers enhance performance

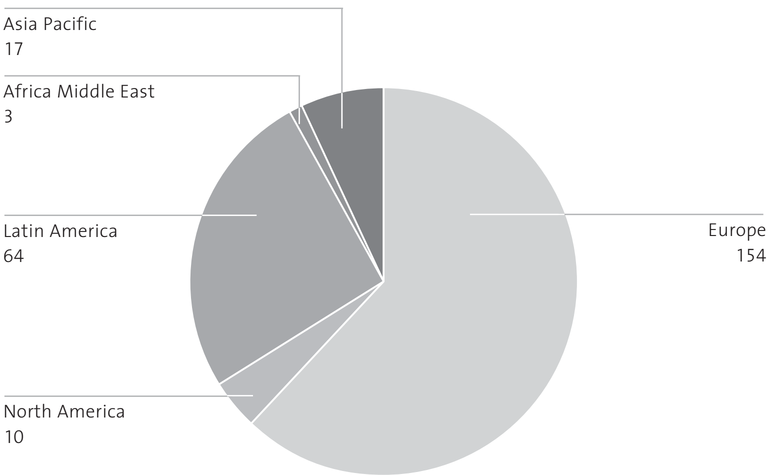
A prerequisite for further growth and maintaining productivity is the willingness of employees to be deployed around the world. International transfers not only support individual development, they also promote knowledge sharing and the rapid spread of best practices.

Moving jobs internationally is often not easy. Relocation to a different country normally presents bigger challenges and opportunities than changing jobs at home. In a Group the size of Holcim, it is important to have clear, simple and transparent directives for international transfers and to consistently apply them. In 2011, the International Transfer & Remuneration team supported Group companies in transferring around 125 employees globally. The team's work naturally includes ensuring proper benefits coverage and tax compliance. Line managers aim to make sure that employees and their families settle in quickly at their new location.

The geographical distribution of transfers at the end of 2011 can be seen in the tables and charts below:

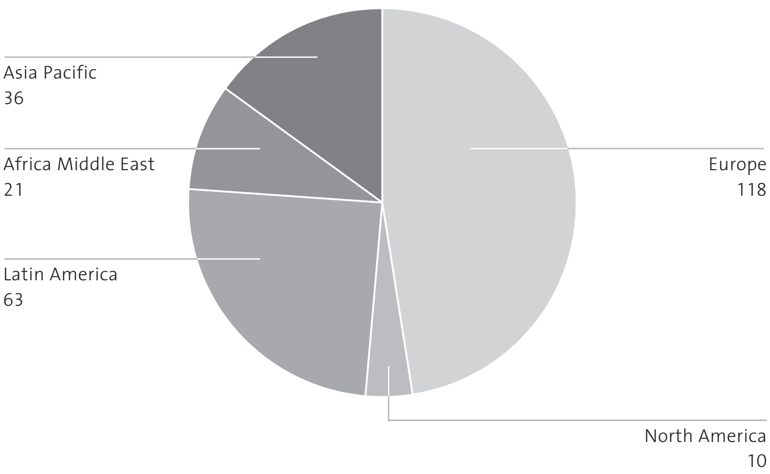
Transfer of employees from the following Group regions

Number



Transfer of employees to the following Group regions

Number



The use of social media in Human Resources

In global competition – including for talent – the use of social media is becoming an increasingly important success factor. Today, most global organizations and many local companies are present on the web. From an HR perspective, presence on the web is also a given for Holcim, providing access to career information and the opportunity to apply for open positions on line, both of which options are gaining in significance. With this in mind, Holcim's career website has been improved, largely as a result of feedback obtained through participation in benchmarking initiatives.

Holcim is also using social media such as Facebook and Flickr to be able to communicate effectively with potential future employees. Above all, young people are using these media to make decisions and to voice their opinions about companies.

The HR presence in social media provides a multitude of information to give future employees an insight into working in the Group. Holcim's Facebook presence contains video features of recent recruits and provides introductions to career paths. There are also links to the career website – a dynamic forum for current and future employees to exchange information.

Group employees by segments	2011	2010	2009	2008	2007
Cement[1]	51,492	51,133	50,335	56,282	57,671
Aggregates	6,898	6,478	6,850	6,369	7,000
Other construction materials and services	22,469	22,577	23,725	23,692	24,567
Service companies	108	122	588	370	126
Total Group	**80,967**	**80,310**	**81,498**	**86,713**	**89,364**

[1] Including all other cementitious materials.

Group employees by region	2011	2010	2009	2008	2007
Europe	19,602	19,690	20,800	23,557	22,905
North America	7,543	6,668	8,016	9,825	11,190
Latin America	12,867	12,710	12,626	13,548	13,409
Africa Middle East	2,140	2,213	2,256	2,477	2,795
Asia Pacific	37,942	38,172	36,858	36,196	38,133
Service and trading companies	873	857	942	1,110	932
Total Group	**80,967**	**80,310**	**81,498**	**86,713**	**89,364**

Origin of senior managers		
From Europe:	24 nationalities	32% of all senior management
From North America:	2 nationalities	2% of all senior management
From Latin America:	12 nationalities	8% of all senior management
From Africa Middle East:	7 nationalities	12% of all senior management
From Asia Pacific:	17 nationalities	46% of all senior management

Composition of senior managers	Male	Female	Total	Percentage of women
Top management level	329	32	361	9%
Senior management level	1,437	146	1,583	9%
Middle management level	6,825	994	7,819	13%
Total	**8,591**	**1,172**	**9,763**	**12%**

Personnel expenses in 2011 by function and region

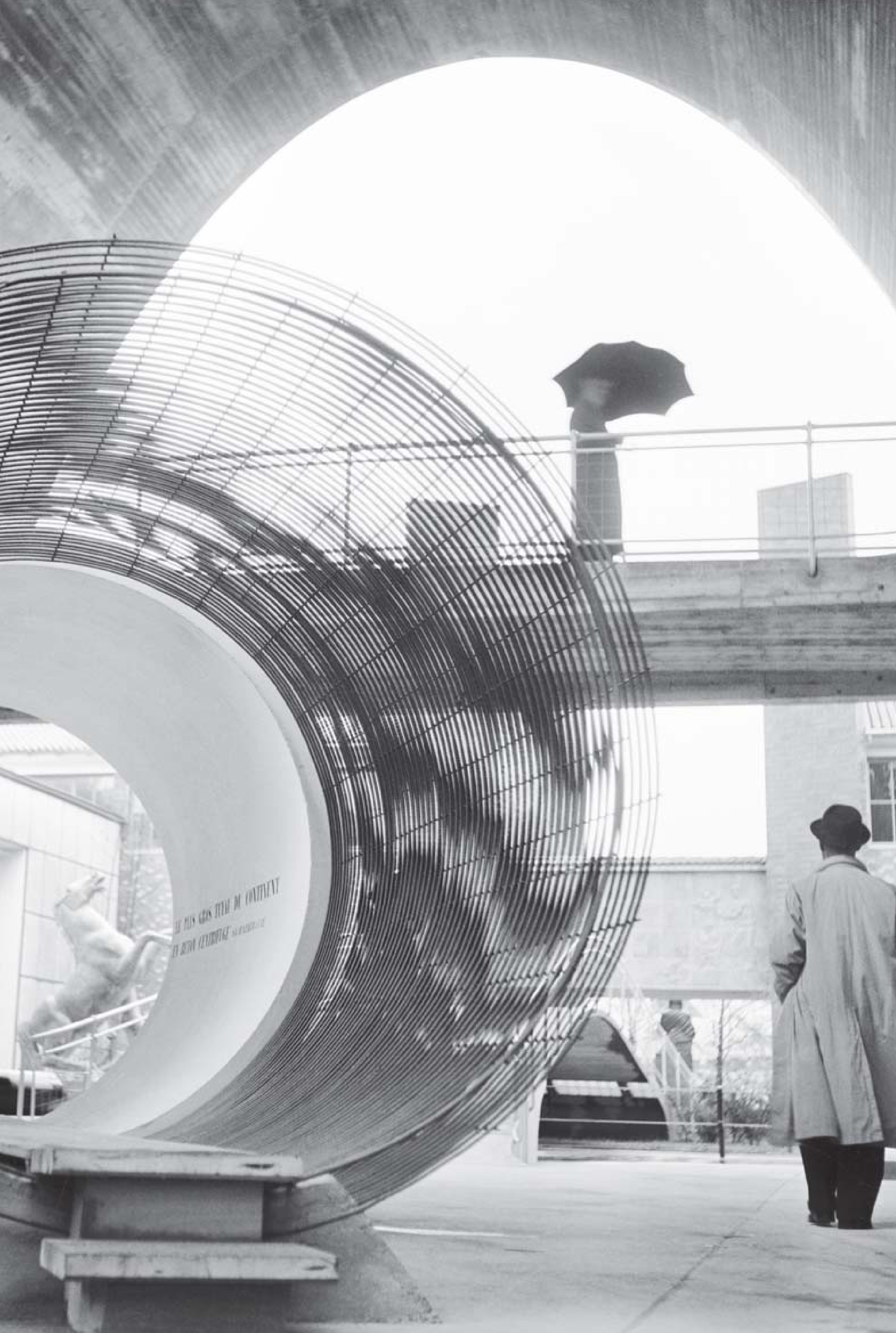
Million CHF	Production and distribution	Marketing and sales	Administration	Total
Europe	897	153	234	1,283
North America	591	53	101	744
Latin America	364	64	91	519
Africa Middle East	52	8	24	84
Asia Pacific	697	95	209	1,001
Service and trading companies	40	23	164	227
Total Group	**2,641**	**395**	**823**	**3,859**

After the war: boom times in Switzerland

Hans Gygi, son of the firm's founder Adolf Gygi, became the driving force behind the expansion of "Holderbank" after World War Two. He founded the Technische Stelle "Holderbank" and began planning for a new plant in the Canadian province of Quebec. This paved the way for a far-flung expansion in North and Latin America. In Switzerland, the housing boom after 1950 stimulated growth to such an extent that soon all sectors of the economy were booming.

1942

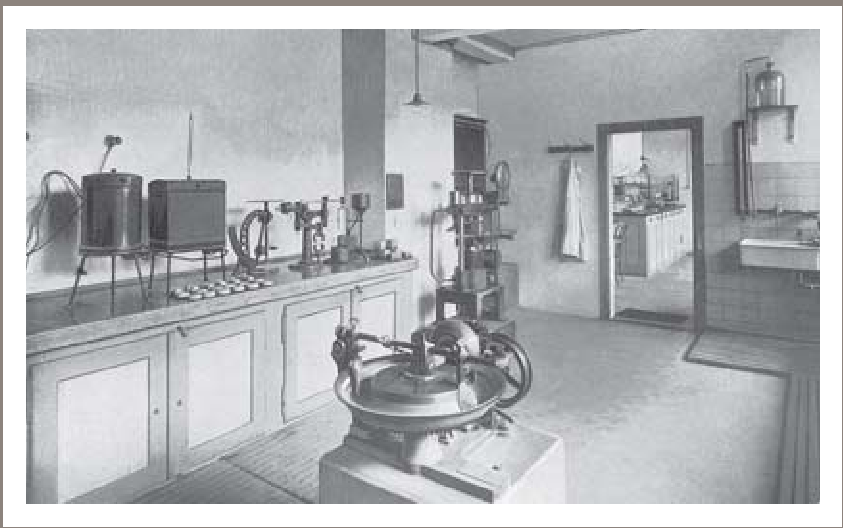
After the war: construction of the spectacular concrete hall at the Swiss National Exhibition in Zurich (© Keystone).



The agricultural production crisis in Holderbank
In the early 1940s, "Holderbank" saw a repeat of the conditions the cement factory had already experienced during World War One. Coal was in short supply, many workers were stuck at the border, demand collapsed. As with other Swiss companies, cement producers were forced to shut down their kilns, sometimes for weeks on end, and send their workers into the fields to help relieve the food supply crisis brought on by the war. Things did not look much better for the other European affiliates. The driving force during this period remained the factories in the Arab world. Max Schmidheiny used the profits from Tourah in Egypt and Chekka in Lebanon to finance expansion of Ernst Schmidheiny's cement-producing activities in South Africa. This was an important step towards the future dualism approach used by the Schmidheiny brothers in their foreign cement business undertakings.

Despite the difficult economic conditions at the start of the 1940s, this period would see several important decisions which would have a major influence on the recovery of "Holderbank" in the years following the war. For his part Hans Gygi, son of the founder Adolf, would be responsible for several key projects and expansion moves which likewise would leave their mark on the cement company. In 1942, he proposed creating a research and testing facility in Holderbank. It took two years to get the project approved and another two years to get it up and running. The research facility, which in 1947 was renamed the Technische Stelle "Holderbank" (Technical Center "Holderbank", or TSH), helped the Swiss to achieve a unique position in the areas of consulting, research, project development and services. The TSH offered its services also to third parties, and from its earliest beginnings, was able to pay for itself out of the sale of licences and consulting fees. A quarter century later in 1970, the TSH was renamed "Holderbank" Management and Consulting Ltd.

During this time, Hans Gygi was also the driving force behind efforts to expand across the Atlantic. Although the post-war Swiss economic boom had invigorated the expansion plans of "Holderbank", the 1950 decision to venture into North America was anything but easy. Tasked with project planning for a new factory in Quebec in Canada, the TSH had quickly come to a sobering conclusion: costs for the project would be astronomical, involving sums of money which the Swiss, after years of war and its consequences, simply could not fathom. They were several orders of magnitude greater than the amounts that the management of "Holderbank" had dealt with in the late 1930s when they expanded into South Africa.



Research and testing institute in Holderbank.

Max Schmidheiny showed little interest in the American market and left it to his brother Ernst. The latter set to work using the approach which had proven so successful during previous expansion phases. He decided to put together a group of companies under the leadership of "Holderbank" Financière Glarus AG and so, together with a handful of partners from the cement and finance industries, founded the St. Lawrence Cement Company with headquarters in Montreal. The goal was not necessarily to look for a majority stake at the outset but to gain a foothold and concentrate on the long-term effort of getting established in the new market. At the same time the decision was made to take on the strong Canadian competition by means of a product which was not just cheaper but also better.

Workplace around 1945 in the cement plant in Holderbank.

The Swiss did not pull their punches. Their guiding principle: the greater the capacity, the higher the efficiency. The equipment and kilns of the new plant in Villeneuve on the banks of the St. Lawrence river had more than double the usual capacity. The move paid off more quickly than expected, and they were soon able to open a second plant of the same size in Mississauga on the banks of Lake Ontario near Toronto. The entry into Canada proved to be a catalyst, considerably speeding up the plans of "Holderbank" to expand into North and Latin America. This, in turn, laid the basis for the company's rise to a global player over the following two decades.

The Mississauga cement plant in Canada belonging to St. Lawrence Cement: after World War Two "Holderbank" began its rise to become one of the leading cement producers in North America.

In 1950, after years of crisis, the Swiss economy experienced a major turnaround. Housing construction spurred growth, and within a year all sectors were booming. The future looked bright as well, with a slew of major infrastructure projects, such as large dams and power plants in Western Switzerland, on the horizon. "Holderbank" was able to secure a large share of the financing it needed for new investment domestically. This domestic financing compensated for the persistent difficulties the company experienced with some of its foreign investments in the post-war years. It was not until well into the 1950s, in fact, that "Holderbank" began to see dividends coming out of many of the warravaged countries in Europe, such as Germany and Austria. Problems arose in Egypt as well, where "Holderbank" had to struggle against a growing tendency towards the nationalization of industries.

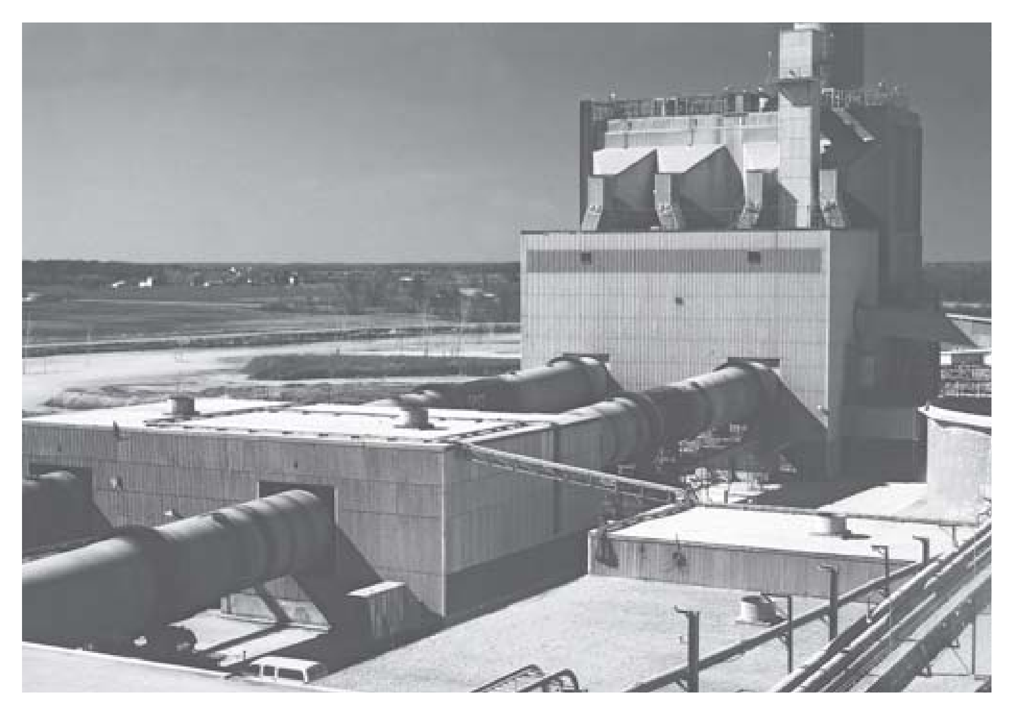
1951

The Marshall Plan boosts Europe

An important cause of the economic boom in Europe was the American aid program known as the Marshall Plan. From 1948 to 1952, the US supported Western European countries with 12.4 billion dollars worth of aid. "Holderbank" took advantage of the subsequent economic momentum and also began, early on, to enter the Latin American market. In 1958 the company listed itself on the stock exchange in order to raise capital for expansion. The construction of large hydroelectric power plants in Switzerland further fueled developments, so that the nationalization of the "Holderbank" plants in Egypt caused no lasting damage to the company.

1952

Workers during the building of the plant in Quebec.



The Dundee plant in Michigan was inaugurated in 1960.

After two decades of economic and political difficulties, "Holderbank" management was finally able to reap the rewards of its long-term vision. The large-scale, post-war economic recovery program initiated by the US, known as the Marshall Plan, helped Europe to sustainable economic growth. In all, the Americans provided 12.4 billion US dollars in aid to the countries of Western Europe from 1948 to 1952.

The 1950s were not only a profitable period for "Holderbank", they were also a decade of increased expansion. Following the entry into the Canadian market with the construction of two large plants, an equally large cement production facility was opened in the US in Dundee, Michigan, in 1960. This chain of three modern plants helped the company establish itself in the difficult and highly regulated North American market. This, however, was not enough for the Swiss – not by a long shot – and they began to target the Latin American market as well. To help finance its plans, "Holderbank" increased its capital from 10 to 30 million Swiss francs in the spring of 1958. Doing so involved a listing of registered and bearer shares of "Holderbank" Financière Glarus AG on the Zurich and Basel stock exchanges. Despite the large issue of stock, Ernst and Max Schmidheiny were able to keep control of the company for themselves through the use of voting right shares. This inflow of new capital paved the way for further expansion in North and Latin America. It was also a good example of how "Holderbank" early on recognized and made use of the leverage effects of the financial markets – one of the first of the large, Swiss family-run businesses to do so.

Prosperity for everyone

The economic upturn and rising company profits during the boom years of European recovery would pay off for employees and their families as well. Having built the Wohlfahrtshaus (welfare house) the previous year using money from an endowment created expressly for that purpose in Holderbank, in 1959 the company created no less than three new foundations. The first was a welfare fund which the Board of Directors endowed to the tune of 250,000 Swiss francs. At almost the same time, "Holderbank", acting on one of the last wishes of its long-time Director Oscar Wagner, established a foundation to help the children of employees pursue higher education opportunities and to provide vacations for women. This foundation was granted 200,000 Swiss francs. The third foundation that year, the Adolph Gygi Scholarship Fund, started life with a grant of 100,000 Swiss francs. With these three foundations, "Holderbank" was continuing the tradition of social responsibility that its management had begun in previous decades, for example through gradual expansion of pension funds and numerous other employee benefits.

Almost simultaneously with the entry into the US market, Ernst Schmidheiny invested in a small Brazilian plant near Sorocaba in the vicinity of São Paulo. In the 1960s, Brazil served the Group as the staging ground for moves into other Latin American markets. In 1959, a young Swiss, Max D. Amstutz, took over management of the Brazilian Companhia de Cimento Ipanema. He was to play a key role in the company's further expansion.

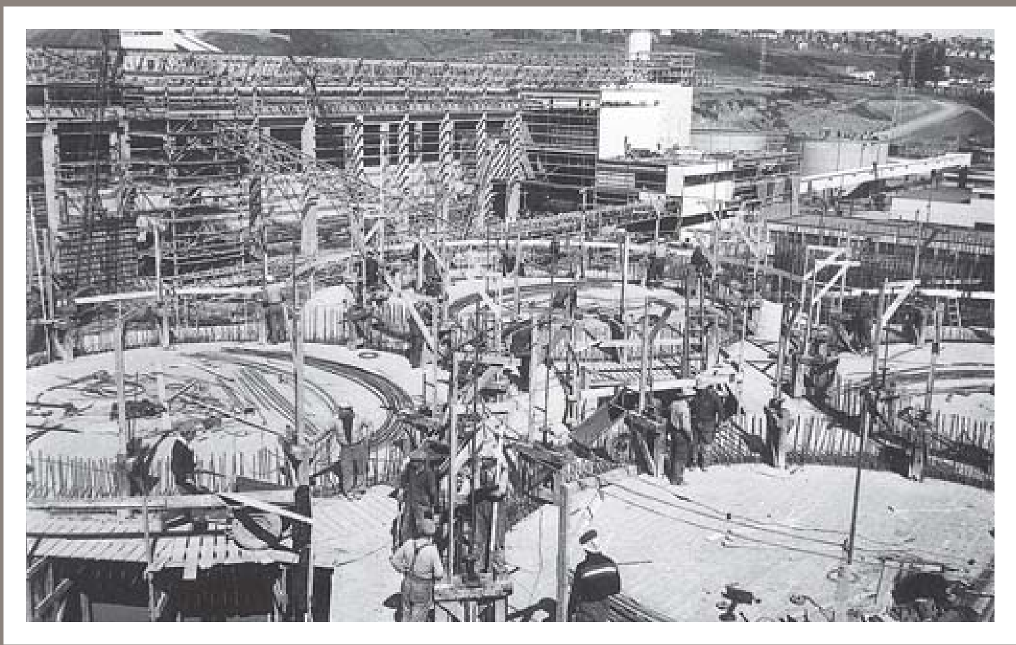
The Grande Dixance dam in Switzerland used 1.3 million tonnes of cement by the time it was finished in 1961 (© Keystone).

For the time being, however, "Holderbank" remained primarily concerned with European reconstruction and the enormous infrastructure projects which were being carried out in Switzerland. In the domestic market, 1953 saw the opening of a cement factory in Eclépens belonging to the Société des Chaux et Ciments de la Suisse Romande. This would become the main supplier of cement for the large dams and power plants being built in the Valais Alps, some of the largest construction projects in Swiss history. The Grande Dixence alone, which remains Switzerland's largest dam today, consumed some 1.3 million tonnes of cement by the time it was completed in 1961. In 1958, Max Schmidheiny opened a further factory in Untervaz to meet the cement needs of the power plants being planned in the cantons of Graubünden and Ticino. Besides the infrastructure projects, housing construction was a strong source of growth at the time. In 1954, the number of new housing units rose to 31,000, triple what the figure had been at the end of the war. That year "Holderbank" also finally received permission from the Allies to collect dividends from neighboring Germany and Austria.

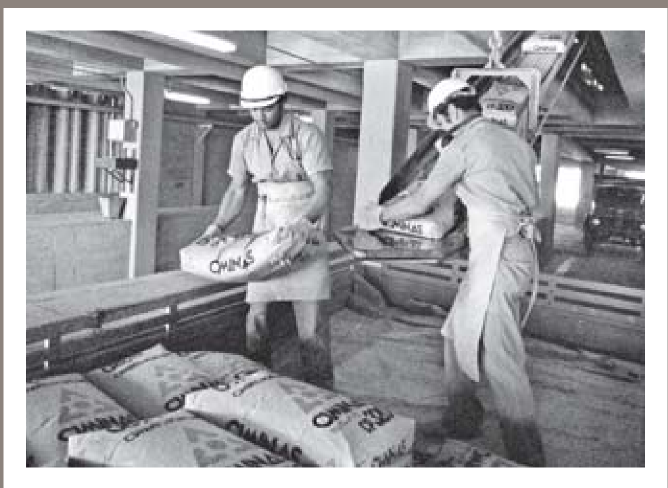
Although Belgium remained the major dividend-paying market for "Holderbank" during the 1950s, the domestic market became increasingly important in this regard as well. This was not least because of the increasing difficulties in Egypt. A key market for over three decades, with Nasser's coup in 1954 and the nationalization of the Suez Canal on 26 July 1956, dividend payments from this part of the Schmidheiny cement empire began drying up. As recently as 1952, Max Schmidheiny had started the Alexandria Company for Portland Cement along with the Sudan Portland Cement Company Ltd., which had a factory in Atabara on the Nile some 300 kilometers north of the Sudanese capital of Khartoum. These new, Swiss-built plants were a large reason why Egypt had been able, in only a few years, not only to finally meet its own demand for cement, but to become the largest cement exporter in the Arab world. The Egyptian factories ran at full capacity during those years, with the government's large-scale industrial and social projects claiming the lion's share of production.

On 20 July 1961, the Egyptian adventure, which had been extremely successful up to then, ended abruptly for the Swiss. At 11 p. m., a former civil servant from the Helwan factory appeared under police protection and presented himself as the new President and General Manager. On that same day, Colonel Nasser had nationalized the property of 52 foreign companies in Egypt. And while Max Schmidheiny used all the clout available to him to avoid being completely nationalized, he had to settle for compensation. In his memoirs, he wrote that in 1964 the original owners were given a sum that represented only 30 to 40 percent of what would have been a fair settlement price.

With demand for cement increasing considerably in Switzerland – it reached 3 million tonnes in 1960 and increased to 3.6 million the following year – Ernst Schmidheiny was at least able in the domestic market to make up for most of his brother's losses abroad. This good news came none too soon, as Belgium, one of the major markets for "Holderbank" at the time, started showing signs of stagnation (the only Western European country at the time to do so). This was a result of the Congo Crisis, which strained the Belgian economy and absorbed the funds that otherwise would have been used to expand its own infrastructure. For all its efforts to expand abroad, "Holderbank" always profited by never neglecting its home market. Growth in Switzerland and rising profits provided the basis for further geographic expansion in the following decade. This development was greatly supported by the extension of the Swiss national road network, which came on the heels of the power plant construction boom and in which "Holderbank" played a key role as market leader. The decade culminated in the founding of a new company, "Holderbank" Concreta AG, with headquarters in the Swiss town of Niederurnen. This company focused on planning and building ready-mix concrete plants, following a trend that had been devel-



The foundations and boardings for the cement silos in Quebec.



In 1953, "Holderbank" entered the Brazilian market: bag loading in the Pedro Leopoldo plant in the state of Minas Gerais.

A highway interchange in Toronto: infrastructure projects after the war boosted the cement industry.

oping in several markets for a number of years. At the same time, “Holderbank” Concreta AG was intended to be a parent company for future acquisitions of gravel-mining land. With pressure from the newly emerging environmental protection groups and their push for increased environmental regulations, “Holderbank” began to concentrate on doing more of its own gravel mining. The idea was to secure long-term access to raw materials, as it would become increasingly difficult to develop new sources of aggregate reserves.

In favor of liberalized labor markets
“Holderbank” management had every reason to be pleased with the situation in its native country. Each year saw new highs in cement production, primarily thanks to the construction of new power plants but also due to record per capita consumption of cement for housing construction – well above the European average. The flip side of this ongoing economic boom was a greatly exacerbated situation in what was an already tight labor market. Like other Swiss industries, the cement sector faced a serious labor shortage. In his address to the group’s 1956 annual general meeting, Ernst Schmidheiny spoke out forcefully about the situation. As reported in detail by the Neue Zürcher Zeitung (NZZ) on 27 April, the focus of his message was his concerns over a future labor shortage, accompanied by an appeal to the unions to revise their “rather restrictive policy towards the question of foreign workers in favor of a more tolerant approach”. Demographic developments at home, he added, made it impossible to rely solely on domestic labor. In light of these changes in the makeup of the population it was also fair to ask if the authorities shouldn’t review their immigration policy. Schmidheiny’s call for easing restrictions on qualified foreign workers in Switzerland would be echoed 15 years later by his brother Max who also spoke out against Switzerland’s restrictive labor market policies. “It’s a clear case of economic exploitation when hundreds of jobs remain vacant in a highly modernized, fully efficient industrial company simply because of an artificially created shortage in the labor market,” he said.

1961

The rise of a global concern

In the 1960s, the two Latin American markets of Brazil and Mexico became major contributors to the company's portfolio. At the same time the North American market became increasingly important. After years of discussion, the Schmidheiny brothers took the step in the early summer of 1970 of consolidating their cement activities. They were able to convince shareholders with their vision of a globally active construction materials company. The combination of "Holderbank" and the Schweizerische Cement-Industrie-Gesellschaft resulted in a company with total revenues of 800 million Swiss francs. From that moment on, "Holderbank" could hold its own with largest players in the industry.

1962

With Compañia Mexicana de Cemento Portland Apaxco, "Holderbank" laid the groundwork for its continued success in the Mexican market.

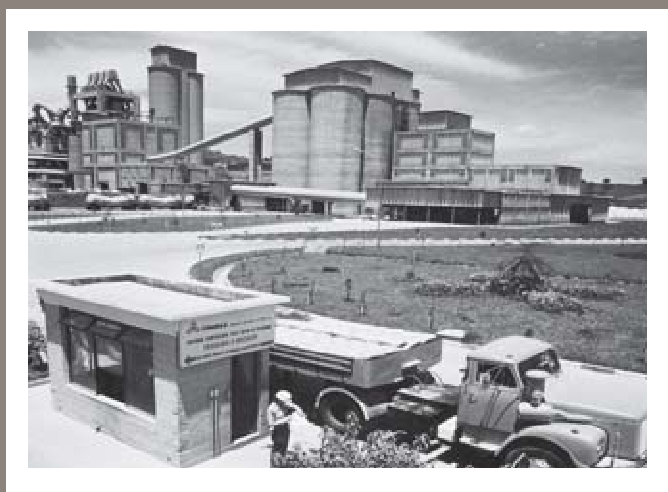
The Apaxco plant to the north of the Mexican capital city.

In its 50th anniversary year in 1962, "Holderbank" began a phase of expansion in Latin America which would propel the Group into a position as a leader among global cement manufacturers in the late 1960s.

"Holderbank" and the Schweizerische Cement-Industrie-Gesellschaft (SCI), also controlled by Ernst and Max Schmidheiny, divided the countries up between them. Having already entered Brazil a decade earlier, the Swiss participated in the construction of a new cement plant in Costa Rica in 1962 and 1963, in which they at first acquired a minority stake via SCI. They also succeeded in entering the Mexican market via SCI with a stake in Compañía Mexicana de Cemento Portland Apaxco, which was later renamed Cementos Apasco. "Holderbank" took over the holdings in both these companies in 1970. In 1967, the Group acquired a minority stake in Cementos Lima SA, though the company would experience political and monetary difficulties in the following year. With a new "Industrial Act", Peru began in 1970 to nationalize numerous branches of industry. Thanks to the bilateral agreement between Switzerland and Peru on investment protection, "Holderbank" was at least able to receive the nominal value of its investment back as compensation.

At the beginning of the sixties, investment was made in a cement plant in Costa Rica. Picture: Cartago plant.

At the start of 1969, "Holderbank" acquired a minority share of Cementos Boyacá in Colombia, which is now among the nation's leading construction materials manufacturers. The entry into the Australian market followed quickly through



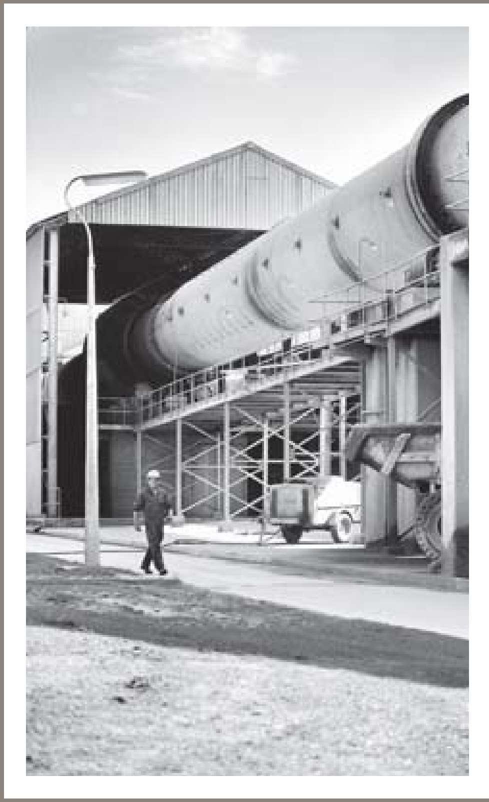
The Pedro Leopoldo plant in Brazil.

the founding of a new national company, and a few months later "Holderbank" acquired a stake in Australian & Kandos Cement Holdings Ltd., as a further means of taking part in this dynamic and significant market.

As the Group expanded into new regions of the world, its North American market increased in importance as well. In December 1967, Dundee Cement Co., an affiliate of "Holderbank", announced the opening of a new cement factory in Clarksville, Missouri. The cost of this plant, which had an initial capacity of 1.2 million tonnes, was secured for the most part by a long-term loan.

One side effect of expansion was an increasingly intense discussion in the Swiss financial press around demands that "Holderbank" completely divulge its shareholdings on a consolidated balance sheet, giving shareholders a better overview of the portfolio and its attendant risks. At the annual general meeting in 1965, Ernst Schmidheiny rejected the idea on the grounds that a consolidated balance sheet was impossible due to bureaucratic hurdles, divergent financial reporting standards and exchange rate fluctuations, but this didn't put a stop to talk of consolidation. Quite the contrary, intense discussion of the subject continued in the "Holderbank" executive suite, above all after the arrival of two new Directors in 1967 in the persons of Anton E. Schrafl, a nephew of the Schmidheiny brothers, and Max D. Amstutz. With time the Board would grow to realize that the financial markets would not continue to be satisfied with the current practice of simply listing the dividend payments from the individual national companies. At the same time the co-leadership approach of the Schmidheiny brothers was being called into question, as the two-track investment tactic used by "Holderbank" and SCI had reached its limits. Despite intensive and constructive co-operation between the two brothers, the prevailing structures hindered further expansion and a full exploitation of the company's industrial resources. Due to the nature of these structures, the Schmidheinys were also not able to individually access the cash flow in many of their holdings, another disadvantage. In the early summer of 1970, Ernst and Max Schmidheiny finally took the plunge and consolidated their cement manufacturing activities. This marked the end of an era in the Swiss cement industry: the age of industrialist families which had congregated around the Schmidheinys and enjoyed friendly relations with them.

The shareholders of "Holderbank", however, were attracted to the idea of a globally active construction materials company, approving the acquisition of assets of SCI with a combination of equity and cash.



Kiln line in the cement plant of Westport in New Zealand.

Economic upturn defies frost and ice
Despite some minor setbacks, the economic growth of the post-war years continued into the 1960s. Cement sales in most European countries set new records year after year, and the construction industry profited from an uninterrupted infrastructure boom fueled by power plant and highway construction projects. There was a brief, and somewhat frosty, break in this activity during the "winter of the century" in 1962/63. It was so cold that winter that major lakes all over Central Europe – like the Lake of Zurich, Lake Constance and the Chiemsee in Bavaria – froze over, as did canals in the Netherlands and Belgium. In many countries, construction activity came to a standstill for weeks. "Holderbank" suffered from the cold too, with sales collapsing in most markets for the first time since 1958. Luckily, the record winter was followed all over Europe by a long, warm and very dry summer, which in turn was followed by an extremely mild winter. This helped the construction industry rather rapidly recover from its slowdown. So while "Holderbank" had to accept a drop in cement sales in Switzerland in 1963, the next year demand in its domestic market increased by 19 percent, surpassing the four million tonne level for the first time.

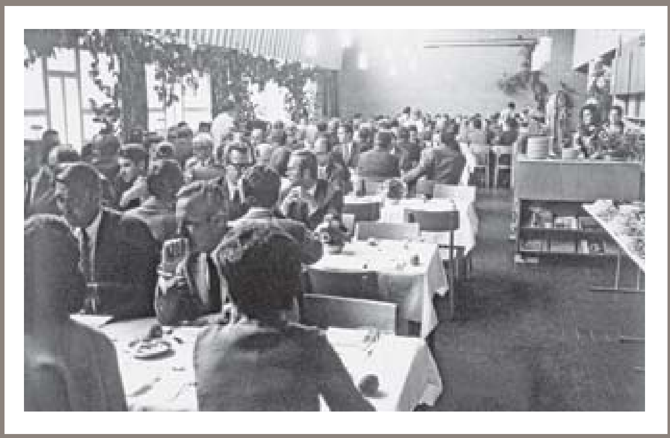
Ahead of their time
"Holderbank" was one of the first companies in Switzerland to see the trend from manual to electronic data processing in the 1960s. At the end of 1964 it acquired a stake in the newly formed Interdata AG, which was active at the time as a computing center for industry, trade and small business. Three years later the company was well established in the market and generating considerable profits. The cement group profited not just from the electronic processing of its data flow: Interdata also supported its research functions and factories with technical calculations and provided solutions for increasing efficiency.

At the same time, the family exchanged its holdings for a larger share of the "Holderbank" capital. The Neue Zürcher Zeitung (NZZ) was impressed by the numbers, which made clear just to what extent this move solidified the Group's position in almost all its markets. Before the acquisition, "Holderbank" held stakes in domestic and foreign companies with an annual capacity of around 21 million tonnes, of which it fully controlled barely a third. After the acquisition of SCI's cement activities, although annual capacity increased by "only" 25 percent to 25.5 million tonnes, "Holderbank" now controlled at least three-quarters. With total sales of 800 million Swiss francs, and increased geographic and risk diversification, "Holderbank" could easily hold its own against the other major players in the industry. It now participated in 31 cement companies. In a third of these it had a majority stake, in five others it possessed a large enough minority stake to be able to exercise full control. The newly enhanced transparency surrounding the Group's affairs also found clear expression in the 1970 annual report, which was nearly twice as long and twice as thick as its predecessors.

The advantages of the merger were apparent, as Ernst Schmidheiny made thoroughly clear in the annual report: strengthened positions in markets, increased production efficiency, improved earnings, better expansion potential, increased influence on subsidiaries' business decisions and – last but not least – easier access to financial and capital markets. Although many shareholders remained opposed to the plan, fearing dilution of their capital, Ernst and Max Schmidheiny prevailed, not least with the help of votes from shares held by the large banks on whose boards they sat.

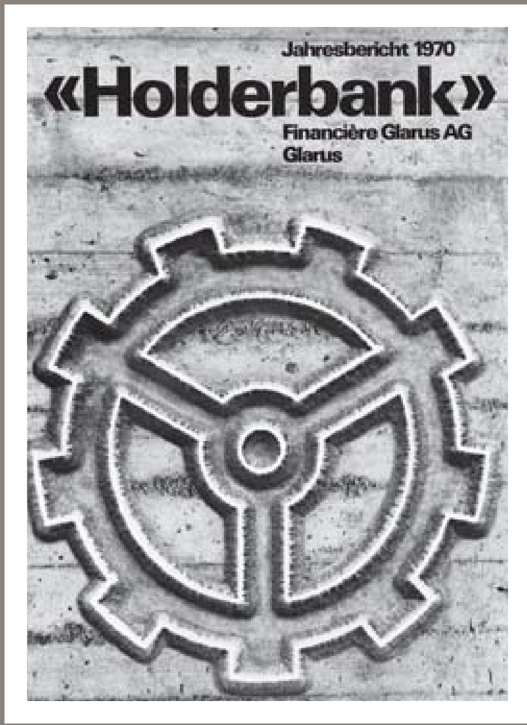
In Switzerland, the merger marked the beginning of a new era. The Koch family, for instance, which like "Holderbank" held a 50 percent share of the Vigier cement factory, did not go along with the share swap agreement, preferring to buy back the "Holderbank" stake. The time was also not yet ripe for a merger with the Société Suisse de Ciment Portland SA in the canton of Neuchâtel, with its stake in plants at Merone and Barletta in Italy.

Office building of "Holderbank" Management and Consulting Ltd (HMC) in Holderbank.



The canteen "Aarehus" in Holderbank was used by the employees of HMC and the cement plant in Holderbank.

The merger meant reorganization on several fronts. Ernst Schmidheiny remained Chairman of the Board, Max Schmidheiny became Deputy Chairman and Anton E. Schrafl and Max D. Amstutz were named Managing Directors. These four would also make up the company's executive management. The presence of Schrafl and Amstutz helped fill a gap which had arisen in the company's succession planning. Ernst Schmidheiny had no sons and only limited contact with his two daughters from his first marriage, while at the start of the 1970s Max Schmidheiny's three sons were still either in school or at university. All of the specialized services and functions which had been created during the days of the former Technical Center "Holderbank" were also reorganized. As part of the newly formed "Holderbank" Management and Consulting Ltd., the Technical Center, as well as the personnel, financial and controlling functions, along with Group planning, were combined under Ernst Schmidheiny's leadership. The goal of the reorganization was to expand business representation domestically and abroad and continue to take over the management of other cement factories. "Holderbank" continued with its expansion plans starting the year after the merger, rounding off its portfolio in the Mediterranean and South Pacific regions with acquisitions in Cyprus and New Zealand.



First Annual Report of "Holderbank" Financière Glarus AG after consolidation.

1971

Expansion despite oil crisis and inflation

The oil shock of 1973 ushered in a difficult phase in the history of “Holderbank”. Demand, especially in the construction sector, collapsed in many markets. Thanks, however, to good market conditions in Lebanon and South Africa, the company was able to withstand the crisis practically unscathed, and could increase revenues and profits again from 1976 onwards. This made possible a first move into Asia, as well accelerated expansion in Latin America and the very promising Spanish market.

1972

The Nobsa plant of Cementos Boyacá in Colombia.

The end of a chapter in Swiss industrial history
In its home market of Switzerland, responsible for 13 to 14 percent of the Group's sales at the end of the 1970s, the seventh decade marked the beginning of a new era. A new plant was opened in Rekingen in the canton of Aargau, spelling the end of the previous center of operations in Holderbank. In 1977 administration and company management moved to the new location. In 1979 a packing plant and bag distribution center were completed at Rekingen as well. With this change, an important part of Swiss industrial history came to an end. In 1980, 68 years after being built, the factory in Holderbank closed its doors for good.

Two years after taking over the construction activities of the Schweizerische Cement-Industrie-Gesellschaft (SCI) and becoming a global player, "Holderbank" Financière Glarus AG (HOFI) and its diversification strategy was put to a tough test. The oil price shock of 1973 and the subsequent recession shook the economies of the industrialized countries to the core. Energy prices exploded, triggering inflationary impulses not seen in Europe since World War Two. Demand collapsed in several markets as the construction industry was particularly hard hit by the deep recession. In several of its key markets "Holderbank" suffered double digit drops in sales for cement and aggregate materials. This was above all the case in Switzerland and West Germany, although Belgium, the Netherlands, France and the US were also among the biggest decliners. However, while many globally active companies suffered from the effects of the oil crisis well into the 1980s, "Holderbank" managed to survive the period without any lasting injury, and was able to increase sales and profits again as early as 1976. It owed its robustness during this difficult period mostly to strong business in Lebanon and South Africa. Earnings in both these markets more than compensated for the losses in the industrialized countries of Western Europe and North America. After 1975 there were also positive developments in the holdings and Group companies in Latin America. In 1976, "Holderbank" grew by eleven percent in Brazil, by 6.6 percent in Costa Rica and by 5.3 percent in Colombia. In comparison, Belgium showed a decline that same year of 4.5 percent, while in Switzerland demand was down by 5.8 percent and in New Zealand by 7.5 percent.

The control room of the cement plant in Eclépens in Switzerland.

In 1974, the Group entered the Asian market with a first stake in Pacific Cement in the Philippines.

The cash flow generated in South Africa and Lebanon helped the Group continue its expansion strategy despite the turbulence in its established core markets. In 1974, "Holderbank" made its first move in Asia with a participation in the Philippines. In 1975, it entered Ecuador, in 1977 Chile, 1979 Venezuela and 1980 Spain.

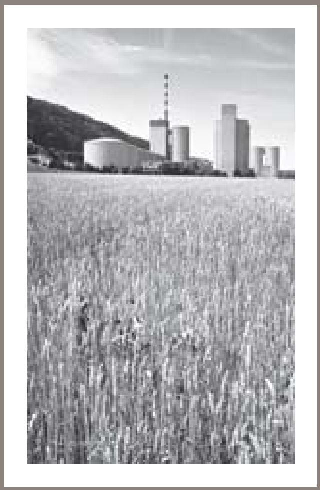
At the same time "Holderbank" expanded its stakes and plants in the US, Australia and Europe to such an extent that, even in these difficult markets, the losses caused by the recession could be quickly recouped. In Germany, "Holderbank" grew primarily through its acquisition of Nordcement and Alsen-Breitenburg, in France through the purchase of the Origny and Champagnole groups.

This period also saw a change in leadership at "Holderbank" with the completion of a long-planned and well-considered changeover to the next generation of the Schmidheiny family.

Although Max Schmidheiny remained active as Chairman of the Board until the 1980s, he gradually handed over the reins. From 1976 to 1977 the Group was run by Erwin Mächler, an experienced, long-serving "Holderbank" manager, greatly easing the generational transition from Max to Thomas Schmidheiny.

Thomas Schmidheiny was elected Chairman of the Executive Committee in 1978.

Thomas Schmidheiny had studied business administration as well as control and process technology at the Swiss Federal Institute of Technology in Zurich, before being sent to Peru by his father. There he first worked as a shift manager, in keeping with the family tradition of learning the business from the ground up. In 1970, he took over as technical head of the Apaxco plant in Mexico. After his return, he worked his way up step-by-step. In 1975, he was named a Managing Director of the Board of Directors of the HOFI cement plants in the German-speaking part of Switzerland. Parallel to that, he ran the company secretary function for the Executive Committee and Board of Directors. In 1976, the Board appointed him to the Executive Committee of HOFI, with responsibility for Switzerland and the Middle East. In 1978, he became Chairman of the Executive Committee and a Managing Director of the Board of HOFI. In 1980, he was named Deputy Chairman of the Board.



In 1977, the new cement plant in Rekingen, in the Swiss canton of Aargau, replaced the plant in Holderbank.

Business administration for high school students
In May 1972, the Board of "Holderbank" created the Ernst Schmidheiny Foundation with a grant of one million Swiss francs. The move was timed to coincide with Ernst Schmidheiny's 70th birthday. The stated purpose of the foundation was to promote – among the Swiss public and especially its youth – an interest in and understanding of the economic interdependencies in a liberal social market economy. The foundation began holding "business weeks" at secondary schools, organized by chambers of commerce and industrial associations. Instruction was provided by Swiss business executives. Through these discussions and by providing personal contact with business leaders, the foundation aimed to bring students into closer contact with the business world. The creation of the foundation also marked the completion of Ernst Schmidheiny's withdrawal from "Holderbank", for whose development he had been responsible for more than 40 years. In 1975, he passed the Chairmanship on to his brother Max, and a year later he was named Honorary Chairman of the company. Today, the foundation which bears his name is more active than ever, successfully carrying out its business weeks in schools in all Swiss cantons and in (primarily Swiss) schools abroad.

1981


Group
Cement plant
Capacity expansion
Grinding plant/Cement terminal
Capacity expansion
Aggregates
Participation
Cement plant
Aggregates

Positive volume development in Europe despite slowdown in growth

Debt crisis dampening economic performance

In 2011, the economy performed quite well in the western European countries where Holcim is present. There were some exceptions, however, such as Italy and Spain. During the course of the year, the financial and debt crises increasingly slowed down the economic recovery in the eurozone and created uncertainty among investors. In Eastern Europe, the need to reduce deficits prompted governments to cut spending – sometimes drastically – which adversely impacted domestic demand. In Russia, the economic recovery continued, accompanied by relatively high inflation rates. In Azerbaijan, growth was driven mainly by the oil and gas industries.

In a number of countries, the construction sector benefited from economic stimulus programs introduced in 2009/2010 which focused strongly on the infrastructure sector. Employment levels in the German construction industry were fairly good, despite regional variations. France experienced an increase in demand for construction materials, and in Switzerland brisk residential construction activity and major infrastructure projects resulted in high capacity utilization. In the UK, despite stringent government spending cuts, there were still sales opportunities for the construction industry in some areas such as transport and energy. In Italy and Spain, public sector construction activity continued to bear the brunt of the government austerity measures and suffer from the lack of private projects. The construction materials industry faced generally fiercer competition, which put pressure on prices in certain regions.

Many Eastern European governments postponed or suspended projects in an effort to reduce their infrastructure spending. This mainly applied to the Czech Republic, Hungary, Croatia and Slovakia. In some cases, construction activity in these countries was also hampered by tight lending, high interest rates and payment defaults. Romania, Bulgaria and Serbia invested in infrastructure projects – mostly road building – but there was little recovery in residential construction in these countries. In Russia, cement consumption increased sharply, driven by residential construction and infrastructure projects, which resulted in significantly higher cement prices.

Rising sales of cement and aggregates

In 2011, consolidated cement shipments in Group region Europe increased by 2.2 percent to 26.8 million tonnes. Deliveries of aggregates also increased by 7 percent to 83 million tonnes. Shipments of ready-mix concrete rose by 0.5 percent to 16.1 million cubic meters. Asphalt volumes declined by 5.8 percent to 5.4 million tonnes.

Consolidated key figures Europe	2011	2010	±%	±% LFL*
Production capacity cement in million t	49.8	50.0	–0.4	
Cement and grinding plants	37	40		
Aggregates plants	256	259		
Ready-mix concrete plants	556	578		
Asphalt plants	58	58		
Sales of cement in million t	26.8	26.2	+2.2	+1.9
Sales of mineral components in million t	2.4	1.6	+49.4	+49.4
Sales of aggregates in million t	83.0	77.6	+7.0	+3.3
Sales of ready-mix concrete in million m^3	16.1	16.0	+0.5	+0.3
Sales of asphalt in million t	5.4	5.7	–5.8	–5.8
Net sales in million CHF	6,122	6,535	–6.3	+3.1
Operating EBITDA in million CHF	930	1,045	–11.0	–3.8
Operating EBITDA margin in %	15.2	16.0		
Personnel	19,602	19,690	–0.4	–3.7

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

Despite the contracting domestic demand, Aggregate Industries UK sold slightly less aggregates, but more ready-mix concrete. However, exports of aggregates to continental Europe increased. The Group company's sales of building materials were supported by major construction sites in London, and by the construction of a new terminal at Heathrow Airport. The sales volume of asphalt dropped as a result of the decline in road building.

In a competitive market, Holcim France achieved significant increases in volumes across all segments, with the acquisitions made in Alsace at the beginning of the year impacting positively on sales of aggregates and ready-mix concrete. While the construction sector was faced with a difficult price situation, particularly for ready-mix concrete, the situation improved slightly for cement. Holcim Belgium – which also operates in the Netherlands – likewise increased its sales in all segments due to the revival of commercial and infrastructure construction projects. However, margins further declined as a result of fierce competition.

Holcim Germany, which is active in northern Germany, increased its sales in all product segments, with regional variations however. An increase in investment in residential and commercial building projects compensated for hesitant public sector construction activity. For Holcim, the projects requiring large volumes of construction materials included the Nord Stream Consortium's natural gas pipeline through the Baltic Sea, the JadeWeserPort in Wilhelmshaven and the reconstruction of the old Kaiserschleuse lock in Bremerhaven. The south German Group company posted substantial increases in deliveries of ready-mix concrete in particular. Sales of aggregates were also robust and only cement saw a slight decline in sales.

Holcim Switzerland's delivery volumes exceeded the previous year's high levels in all segments, with demand coming mainly from the infrastructure and residential construction sectors. Pressure from imports from Germany and Italy further increased due to the strong Swiss franc. In Italy, the government's stability program led to spending cuts in the infrastructure sector, and there was also a decline in private building projects. However, deliveries in preparation for the World Expo in Milan generated positive stimuli in the north-west of the country, where Holcim is most active. In Spain, the crisis in the construction sector was exacerbated by government's budget consolidation measures, leading to a further decline in sales volumes.

Competition was fierce in eastern and southeastern Europe. The Hungarian Group company in particular experienced a decline in shipments of building materials. Cement sales were adversely affected by a combination of poor market conditions and the market entry of a new competitor. In fall 2011, Holcim Hungary decided to close the Hejöcsaba plant in the east of the country and supplement the domestic market with imports from sister companies. In Slovakia, Holcim sold less aggregates and ready-mix concrete, but more cement. However, Holcim increased its sales of aggregates in the Czech Republic. Larger construction projects in urban centers enabled Holcim Romania and Holcim Bulgaria to increase their sales of cement, aggregates and ready-mix concrete. Romania also saw an increase in sales of special binders for road building projects. In the ready-mix concrete segment, Holcim Serbia benefited from large-scale deliveries for an oil refinery project and in particular sold more special concrete. In Croatia, Holcim lifted sales in all segments thanks to major infrastructure projects and industrial building work.

Holcim Russia posted double-digit increases in shipments of cement due to strong demand for municipal housing projects and an increase in production capacity at the newly constructed Shurovo plant. In addition, projects for the modernization of the Russian transport system opened up new prospects in the infrastructure sector. In Azerbaijan, Garadagh Cement increased its deliveries of cement slightly despite a rise in imports. The focus was on major infrastructure projects in the road building sector, the expansion of the Baku subway system and buildings in the aviation and shipping sectors.

Drive to cut costs continues

During the year under review, all European Group companies continued their efforts to reduce costs. Aggregate Industries UK had to temporarily cease production at several sites due to economic conditions. Also in Italy, plants were mothballed or closed due to a lack of demand. The ready-mix concrete plants in Turin were incorporated into a joint venture. Holcim Spain mainly focused its efforts on measures to optimize logistics, including the closure of ready-mix concrete production sites. Holcim France Benelux's service center in La Hulpe near Brussels was closed. However, the Group companies in France and Belgium will maintain a strong operational collaboration. Holcim Belgium sold a concrete products division to a local company, but kept a minority participation. In response to the crisis in the construction sector, Holcim Hungary initiated an extensive restructuring process, and in other markets of Eastern Europe, the production of aggregates and ready-mix concrete was also adjusted in line with lower demand.

Holcim Trading maintains leading position in global building materials trade

In 2011, Madrid-based Holcim Trading posted a trading volume of 21 million tonnes, which represents a year-on-year increase of 0.7 percent. While above all there was a decline in deliveries of cement and petroleum coke, trade in coal increased thanks to brisk demand. Customers in Africa, Southeast Asia and on the Indian subcontinent were the main buyers of cement and clinker, together absorbing around 65 percent of volumes traded worldwide. The key import markets in Latin America included Brazil and Chile. Demand from the mature markets remained relatively weak.

Lower operating result

The weak euro and higher costs, particularly for energy and transport, lower receipts from the sale of CO_2 emission certificates, and the difficulty in matching sales prices with inflation, impacted on the sales profitability of the region as a whole. Due to the positive volume development, operating EBITDA for Group region Europe only fell by 11 percent to CHF 930 million. The Group companies in Switzerland, the Czech Republic, Croatia, Spain and Russia improved their operating EBITDA. The Group company in southern Germany and Garadagh Cement just maintained their results. In local currency, Holcim France just maintained the previous year's results despite fierce competition. Holcim Italy faced particularly sharp declines in performance, as did Holcim Hungary due to restructuring costs. Aggregate Industries UK also saw a deterioration in its financial results. At –3.8 percent, internal operating EBITDA development practically matched the previous year's level.

In the fourth quarter of 2011, impairments of property, plant and equipment and goodwill in Spain and Eastern Europe were charged impacting net income in total by CHF 328 million.

Focused capacity expansion in growth markets

Holcim Russia commissioned its new Shurovo plant in the vicinity of Moscow in 2011. The plant lays the foundations for the company's strategic positioning in this important growth market. With an annual capacity of 2.1 million tonnes of cement, the state-of-the-art plant sets new standards in the Russian industry both on the environmental front and in terms of safety in the workplace. In Azerbaijan, the new kiln line at the Garadagh plant produced clinker for the first time shortly before the end of the year. The new facilities, with an annual capacity of 1.7 million tonnes of cement, will go fully on stream in the first quarter of 2012. In 2011, Holcim France began construction of a grinding station in the port of La Rochelle. The project is part of Holcim France's development plan and is geared to meet predicted regional demand. Shortly before the end of the year, the local Group company in Slovakia acquired the share capital of a competitor in the east of the country. This company – which owns a cement plant and is also active in the aggregates and ready-mix concrete business – will be fully integrated into the Slovak Group company in 2012.

Heat recovery systems cut production costs

A number of locations were upgraded for increased use of alternative fuels and raw materials. New co-processing platforms are currently under construction mainly in Eastern Europe. This equipment will generate substantial cost savings in the combustion process. Holcim Slovakia is investing in the use of waste kiln heat at its Rohožník plant. An innovative heat recovery system will enable annual net gains of up to 3.8 megawatts of electric power from the production process. A system for waste heat recovery is also being installed at the Alesd plant in Romania. Once operations commence in 2012, this system too will meet around 15 percent of energy requirements previously supplied by the main electricity grid. At Holcim Switzerland's Untervaz plant, work has begun on the construction of a new clinker cooler, which will improve the energy performance of the new waste heat recovery system. At the same time, it will also increase production efficiency.

New generation of building materials for the Swiss market

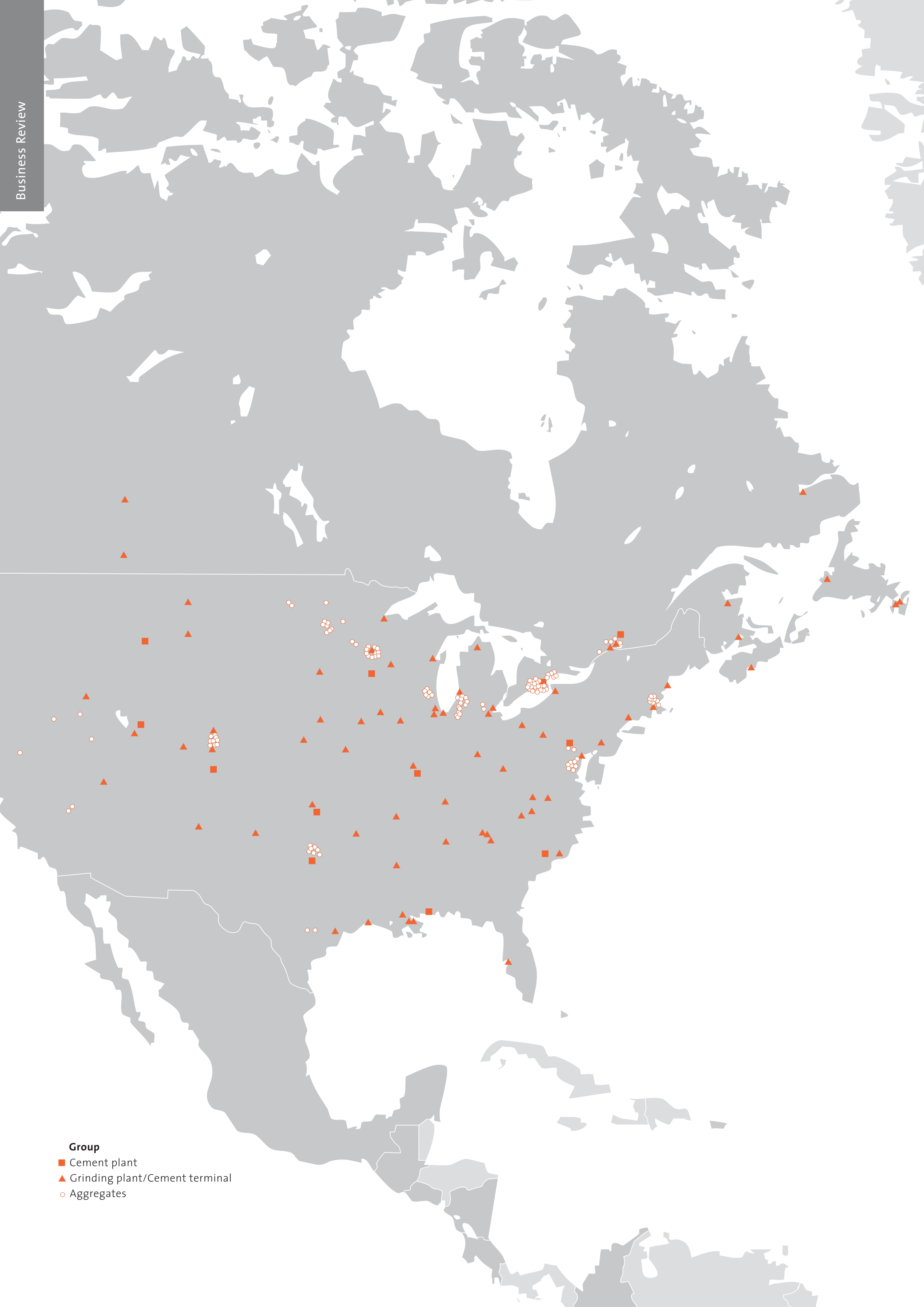
The "Optimo" composite cement launched by Holcim Switzerland marks the rollout of a new generation of environmentally friendly construction materials. Holcim Optimo is a standardized composite cement consisting mainly of clinker, high-grade limestone and burnt oil shale. Oil shale is a raw material excavated near the Dotternhausen plant of Holcim South Germany. It is used as fuel in a thermal power plant for electricity generation, and then used as mineral component in cement production not only in Germany but also in Switzerland. Holcim thus has access to a self-produced mineral component, which allows a substantial reduction in CO_2 emissions. The market response to this new product has been very positive.

Recycling of aggregates protects natural resources

In 2011, Aggregate Industries UK once again increased its sales of recycled aggregates, a high proportion of which was sourced from housing demolitions. Some of the recycled materials were used at construction sites for the 2012 London Olympics.

Market conditions remain difficult

The debt crisis and the ensuing drive to rein in public sector budget deficits will dampen construction spending in practically all European markets. Switzerland is only indirectly affected by the debt crisis and construction activity should follow a positive trend in Russia and Azerbaijan. Holcim has new capacity in both countries.


Group
Cement plant
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Slight recovery tendencies in North America

Modest growth momentum

Although US GDP grew moderately, due to a slight rise in consumer spending particularly in the second half of 2011, the economy did not really gain momentum. The budget deficit forced the public sector to cut spending, and unemployment remained high. In Canada, after a good year in 2010, the economy weakened slightly in the slipstream of the US economy. Uncertainties over the debt crises in the US and Europe held back economic development, leading to downward corrections in growth forecasts.

Little stimulus for the construction sector

The moderate economic recovery only had a limited impact on the US construction sector. The ongoing budget consolidation efforts and associated spending cuts reduced public subsidies for infrastructure projects. In the road building sector, the impact of the stimulus measures launched in the wake of the financial crisis also began to fade. Cement consumption declined in the southern US in particular, although this was offset by slightly higher delivery volumes in the northern states.

Private house-building also experienced a further contraction in activity as a result of the low employment rate, and sales of new units were at a very low level amid falling prices. Sales of existing homes did at least edge up slightly toward the end of the year, although the modest upwards trend is not yet indicative of a sustained recovery. The only segment to report moderate year-on-year gains was commercial and industrial construction, which benefited from an increase in investment in healthcare and the arts.

In Canada, the building industry was supported by a strong energy sector. Cement consumption increased mainly due to strong demand in western Canada. Government cost-cutting measures, coupled with a decline in infrastructure investment, slowed development in the public sector. Private sector construction increased slightly, at least in the commercial and industrial sector, while residential construction declined overall despite a slight increase in building permits and a stable market in Ontario.

Higher cement sales

During the year under review, Holcim US sold slightly more cement than the previous year. In the second half, monthly shipments twice exceeded the one million tonne mark – a level not seen since October 2008. Demand remained slack, however, particularly in the south of the country. Shipments were also impacted by unfavorable weather conditions in spring, offset by extraordinary good weather in the last two months of the year.

Consolidated key figures

North America	2011	2010	±%	±% LFL*
Production capacity cement in million t	21.9	23.2	–5.4	
Cement and grinding plants	17	19		
Aggregates plants	118	97		
Ready-mix concrete plants	229	187		
Asphalt plants	46	47		
Sales of cement in million t	11.4	11.1	+2.9	+2.9
Sales of mineral components in million t	1.5	1.5	–2.1	–2.1
Sales of aggregates in million t	43.5	39.2	+11.0	+2.4
Sales of ready-mix concrete in million m^3	7.1	5.6	+25.4	+0.2
Sales of asphalt in million t	5.0	4.9	+0.4	+0.4
Net sales in million CHF	2,987	3,240	–7.8	+1.3
Operating EBITDA in million CHF	346	460	–24.9	–15.5
Operating EBITDA margin in %	11.6	14.2		
Personnel	7,543	6,668	+13.1	+3.9

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

Holcim Canada experienced a decline in exports to the northeastern US, where customers were served directly by Holcim US, resulting in a fall-off in cement shipments. Significant volumes were used in two large mining projects of Xstrata and Vale Inco in the Atlantic provinces. Despite higher distribution costs, the Mississauga plant also supplied customers in the west of the country and in the north of Ontario. Public sector budget cuts led to cement-intensive infrastructure projects being delayed or postponed. This mainly affected the predominantly industrial region around the Great Lakes.

Overall, cement deliveries in Group region North America grew by 2.9 percent to 11.4 million tonnes.

Aggregate Industries US posted a significant increase in volumes of aggregates and ready-mix concrete. This is partly attributable to the full acquisition of Lattimore Materials in Texas. Like-for-like, deliveries declined, with the exception of the Mid-Atlantic region, amid strong competitive pressure. Asphalt sales increased despite the lower post-winter season road repairs, particularly in the northeast of the country.

In the second half of the year, deliveries for a major project enabled Holcim Canada to significantly increase its sales of aggregates. In the ready-mix concrete business, delivery volumes roughly reached the previous year's level. Demand was mainly supported by high-density construction in Montreal and Toronto, involving road building, residential construction and hospital projects.

In Group region North America, shipments of aggregates increased by 11 percent to 43.5 million tonnes, while deliveries of ready-mix concrete rose by 25.4 percent to 7.1 million cubic meters. Asphalt sales increased by 0.4 percent.

Efficiency improvements through systematic cost management

Holcim US succeeded in its efforts to further reduce operating costs. The focus was on efficient maintenance of its facilities. Savings were also achieved in electricity consumption. High fuel costs supported an increase in the use of alternative energy sources.

Aggregate Industries strengthens market presence with new acquisitions

In spring 2011, Aggregate Industries US obtained full control of building materials supplier Lattimore Materials, thus strengthening the Group's market presence in Texas. This company has been fully consolidated since March 2011. The acquisition of Ennstone, Inc. was completed in October. This Virginia-based company owns ready-mix concrete plants, sand and gravel pits, and quarries. The takeover improves Aggregate Industries market presence particularly in the Mid-Atlantic region.

Significantly lower operating result

Operating EBITDA for Group region North America fell by 24.9 percent to CHF 346 million. Apart from currency effects, the reasons for this decline were predominantly weak demand and higher production and distribution costs which could not be offset by the slight price increases. All three Group companies did not reach their previous year results. Internal operating EBITDA development reached –15.5 percent

Holcim US results were adversely affected by the difficult market environment and rising distribution costs. Expenses were also incurred for the initial mothballing of the Catskill plant. The new Ste. Genevieve plant had a beneficial impact on costs. The performance of Aggregate Industries US was impacted by higher production expenses. Holcim Canada's operating result was impacted by the slowdown in the construction sector and heavy price pressure. The change in the company's product mix also had a negative impact on the result, which declined significantly compared with the previous year's solid performance.

As demand for construction materials will only slowly recover in the US, and production capacity utilization rates will remain unsatisfactory, property, plant and equipment impairments were charged in the fourth quarter 2011 impacting net income in total by CHF 32 million. This figure relates to the permanent closure of the Catskill and Artesia plants of Holcim US.

Still focusing on sustainable development

Against the background of continuously high prices for petcoke and coal, Holcim US focusses in increasing the use of alternative fuels. In 2011, these efforts proved particularly successful at the Portland plant, where the use of waste materials more than doubled, leading to significant savings. The Group company also continued to increase the proportion of alternative fuels in the clinker-manufacturing process at its other plants.

Holcim Canada initiated various measures in the same direction. At the Joliette plant, the use of alternatives fuels – including asphalt shingle – reached a new record. The percentage of alternative fuels also increased at the Mississauga plant. Economic conditions led to a decline in the use of industrial solvents, but substitute materials were able to be sourced in, including from outside the province of Ontario.

Demand for building materials remains moderate

In the US, the outlook for private sector construction remains subdued due to economic uncertainties and continued high vacancy rates. The huge deficits at both federal and state level will also hamper infrastructure construction. In Canada, the overall economic trend will remain sluggish. Like the US, the country is expected to experience only modest growth in construction spending nationwide.


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Solid economic development in Latin America

Positive economic environment in many markets
In Mexico and the countries of Central America, the moderate economic recovery continued, albeit dampened by the US debt crisis. Ecuador, Colombia and Brazil benefited from access to foreign financing and from stable oil and commodity prices. Better access to loans, lower unemployment rates and government investment in growth sectors have created a favorable economic environment for these countries. Economic conditions also remained stable in Argentina and Chile. Rising inflation had a negative impact.

Lively construction activity in most countries
The Mexican construction sector continued to be affected by the economic slow-down in the US. However, a number of postponed infrastructure projects started construction, and private investment increased during the course of the year. Easier access to mortgages also led to a revival in residential construction. The decline in foreign trade with Mexico's northern neighbor resulted in a fall in demand for construction materials in the commercial and industrial sector.

El Salvador's construction sector regained momentum for the first time in four years, although the announced government investment did not fully materialize. However, important stimuli were generated through a development program for the economically weaker northern region. The program, which included projects to build roads, bridges and hospitals, played a key part in accelerating growth in the construction industry. In Costa Rica, private investors were instrumental in reactivating the sector, while Nicaragua's construction industry benefited from cooperation with Venezuela in the oil sector.

The Ecuadorian government undertook considerable effort to expand the country's infrastructure through the construction of roads and hydroelectric plants. Improved access to loans for developers and home owners also prompted a revival in residential construction. In Colombia, the government stimulus program to improve the economy impacted positively on the construction sector. Ongoing work on the construction of roads, ports, bridges and airports strongly supported consumption of construction materials, as did social housing projects.

Similarly in Brazil, infrastructure was the main driver in the construction sector, bolstered by stable oil prices and investments for the 2014 Soccer World Cup and the 2016 Olympics. Improvements in employment and incomes also translated into an increase in private construction. The picture was similar in Argentina, where demand was supported by residential and commercial construction activity in the run-up to the presidential elections in fall 2011. In Chile, strong growth in the construction sector was driven mainly by the commercial and residential construction sec-

Consolidated key figures

Latin America	2011	2010	±%	±% LFL*
Production capacity cement in million t	35.5	33.4	+6.2	
Cement and grinding plants	27	27		
Aggregates plants	25	25		
Ready-mix concrete plants	220	233		
Sales of cement in million t	24.2	22.7	+6.7	+6.7
Sales of aggregates in million t	14.5	12.2	+18.7	+18.7
Sales of ready-mix concrete in million m^3	11.0	10.5	+5.2	+5.2
Net sales in million CHF	3,310	3,442	−3.8	+11.1
Operating EBITDA in million CHF	888	999	−11.2	+2.9
Operating EBITDA margin in %	26.8	29.0		
Personnel	12,867	12,710	+1.2	+1.3

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

tors. After two years without any new, major infrastructure projects, the construction sector is expecting some stimuli related to the presidential elections at the end of 2013.

Consistently positive volume development

In Mexico, Holcim Apasco's cement sales increased compared to the previous year. A major project led to a sharp rise in deliveries of aggregates. Sales of ready-mix concrete also increased.

Holcim El Salvador sold more cement and aggregates, and a key road building project prompted a similarly marked increase in sales of ready-mix concrete. In October, delivery volumes declined slightly in the aftermath of flooding. Holcim Nicaragua substantially lifted volumes of ready-mix concrete in particular, due to shipments to a large wind power project in La Fe. Holcim Costa Rica realized an increase in the same business segment on the strength of a shopping center construction project. Deliveries of cement and aggregates also rose compared to the previous year, with Holcim Costa Rica stepping up exports of cement to Nicaragua.

A robust construction sector allowed Holcim Colombia to achieve a sharp increase in volumes in all segments, particularly for aggregates. The re-commissioning of a quarry mothballed in 2010 was an important factor. Demand for cement increased in the residential construction sector, while sales of ready-mix concrete grew due to construction work at Bogotá Airport and other infrastructure projects, as well as a boom in commercial and industrial construction. Holcim Ecuador reported higher sales in all segments. Significant quantities of cement were supplied for the country's largest hydroelectric power project.

In Brazil, Holcim once again succeeded in surpassing its good prior-year sales. In the southeast of the country, the company sold cement mainly for infrastructure and industrial projects. The commissioning of the new kiln line at the Barroso plant in 2014 will significantly increase the Group company's production capacity. In the second half of the year, project delays had a negative impact on shipments of aggregates in some markets; in the ready-mix concrete business, Holcim Brazil focused on optimizing margins at the expense of volumes.

Holcim Argentina – Minetti's new name since the end of August 2011 – supplied cement for major roadbuilding projects in Córdoba and Rosario. Shipments of ready-mix concrete declined as major construction projects reached completion. In Chile, Cemento Polpaico increased deliveries in all segments despite mounting pressure from imports and delays to a major project.

On a consolidated basis, the cement sales of Group region Latin America came to 24.2 million tonnes, representing an increase of 6.7 percent. Deliveries of aggregates rose by 18.7 percent to 14.5 million tonnes, and ready-mix concrete sales were up by 5.2 percent to 11 million cubic meters.

Weaker operating result

Operating EBITDA for Group region Latin America decreased by 11.2 percent to CHF 888 million. Better results were achieved by the companies in El Salvador, Colombia and Chile. In a few markets, prices could be adjusted in line with higher costs. Holcim Ecuador was unable to match last year's result as expensive clinker had to be imported to bridge supply bottlenecks due to strong demand. Furthermore, exchange rates worsened. The Group companies in Mexico, Brazil, Costa Rica and Nicaragua fared slightly under the previous year also due to the strong Swiss franc; they incurred higher costs as well, particularly for energy and transportation. The Venezuelan government transferred its annual installment of approximately USD 100 million in connection with the nationalization of the local Group company on time. Group region Latin America achieved internal operating EBITDA growth of 2.9 percent.

New equipment strengthens environmental efficiency
Capacity for processing and storing alternative fuels and raw materials was increased at several Group companies. Various plants in Mexico, El Salvador, Costa Rica and Argentina were equipped with state-of-the-art technology and control instruments with a view to ensuring even higher safety standards. 2012 will see the commissioning of a modern, environmentally-friendly aggregates plant in Nicaragua. Ultimately, attention also focused on reducing the use of clinker and hence CO_2 emissions.

In Costa Rica, Geocycle increased its storage capacity for alternative fuels and for cleaning liquid fuel tanks. This enabled Holcim to improve its market positioning for alternative fuels, particularly compared to the oil industry.

Holcim Colombia implemented its waste material supply contract with national oil producer Ecopetrol, resulting in a reduction in CO_2 emissions. In Ecuador, a new facility for the use of biomass came on stream, allowing the company to make greater use of alternative fuels. The facility was also equipped to be fed with sewage sludge.

In Argentina, Holcim concluded an agreement with steel producer Aceros Zapla for the disposal of slag and the recovery and resale of molten iron remnants. This project will reduce consumption of thermal energy. Cemento Polpaico in Chile achieved improvements in the use of alternative fuels in the kiln system.

Solid outlook
With a small number of exceptions, Latin America's economy will remain solid in 2012 and demand for building materials can be expected to continue to grow. While stimuli are expected to come from residential construction, infrastructure expansion will also be a very important factor. In the industrial construction sector, much will depend on how the global economic situation unfolds; however, sectors such as the oil, gas and mining industries will continue to drive demand.


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Stable markets in Africa Middle East

Mostly positive picture for construction activity
The construction sector in Group region Africa Middle East developed positively in most markets relevant to Holcim. In Morocco, the agriculture sector created the basis for solid economic growth. This benefited the construction of social housing, but also the ongoing infrastructure initiatives. Lebanon faced a slight slowdown in economic growth. However, construction activity continued to increase. The conclusion of presidential elections gave a positive impetus to the construction industry in the West African markets. In the Indian Ocean region and Arabian Gulf, construction activity increased slightly.

Solid demand for building materials
Cement consumption in Morocco increased with activity in the construction sector strengthening toward the end of the year. However, new market entrants increased competition and Holcim Morocco's cement deliveries declined versus the previous year. Volumes of aggregate shipments were also lower. Sales of ready-mix concrete rose, on the other hand, with the facilities in Casablanca and Tangiers in particular achieving a significant increase in sales. The project to double clinker capacity at the Fès plant progressed according to schedule. The plant will start production in the second half of 2012.

In Lebanon, the large number of small residential construction projects in the Beirut area was positive for the consumption of building materials and Holcim Lebanon increased its cement deliveries. Sales of ready-mix concrete benefited mainly from large construction projects in the Beirut area.

The companies managed by Holcim Trading in West Africa and the Arabian Gulf performed well, with sales of cement remaining stable overall. National Cement in Abu Dhabi supplied large quantities of cement to the Port Khalifa project, thereby increasing its sales significantly. In the Indian Ocean region, the Group company in Mauritius achieved a considerable increase in shipments versus the previous year. La Reunion remained practically stable.

Consolidated cement deliveries in Group region Africa Middle East fell by 2.1 percent to 8.7 million tonnes. The intense competition in Morocco was a decisive factor. Shipments of aggregates declined by 7 percent to 2.3 million tonnes. Sales of ready-mix concrete increased by 4 percent to 1.1 million cubic meters.

Consolidated key figures

Africa Middle East	2011	2010	±%	±% LFL*
Production capacity cement in million t	11.1	11.2	–1.5	
Cement and grinding plants	13	13		
Aggregates plants	5	5		
Ready-mix concrete plants	24	25		
Sales of cement in million t	8.7	8.9	–2.1	–2.1
Sales of aggregates in million t	2.3	2.5	–7.0	–7.0
Sales of ready-mix concrete in million m^3	1.1	1.1	+4.0	+4.0
Net sales in million CHF	959	1,098	–12.6	–0.3
Operating EBITDA in million CHF	312	359	–13.0	–1.1
Operating EBITDA margin in %	32.6	32.7		
Personnel	2,140	2,213	–3.3	–3.3

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

Growing use of alternative fuels and blended cements
Holcim Morocco increased the use of alternative fuels in the clinker combustion process. This success is attributable to Holcim Morocco subsidiary Ecoval which was very active in promoting alternative fuels. Holcim Lebanon concentrated on further improvements in terms of dust emissions and energy saving programs at the Chekka plant. Also with an ecological view, Holcim Madagascar and Al Jabor Cement Industries in Qatar concentrated its efforts on marketing low-CO_2 blended cements with a reduced clinker factor. This is supporting the efforts of the government of Qatar to promote sustainable construction.

Decline in operating result
Group region Africa Middle East's operating EBITDA declined by 13 percent to CHF 312 million. In Morocco, the company's result was adversely affected by lower volumes, higher fuel costs and strong pressure on prices. In order to cope with market growth, the Lebanese plant in Chekka occasionally had to purchase expensive additional clinker. Selling prices were, however, increased. The Group companies in the Indian Ocean region only just failed to match the previous year's result, solely as a result of the strong Swiss franc. Internal operating EBITDA development fell by –1.1 percent.

In 2007, Holcim initiated a transaction to create AfriSam (previously Holcim South Africa), the leading cement and construction materials company in the country, as part of the South African to support the Black Economic Empowerment (BEE) initiative. Holcim sold its majority stake to a BEE-compliant consortium, and has since held a minority stake of 15 percent in AfriSam. The Group continued to support the company technically, and in 2009 subscribed to a notes issue in the amount of ZAR 2.6 billion, or CHF 292 million. As demand for construction materials has heavily decreased since 2010, AfriSam found itself forced to initiate additional financial restructuring measures in 2011. Due to this restructuring decision, Holcim writes off investments, made up of the notes issue, accrued interest and foreign currency movements, by CHF 415 million in the fourth quarter of 2011. Today, Holcim has a stake of 2 percent in AfriSam.

Business trend still solid

Construction activity in most markets of Group region Africa Middle East is likely to remain solid. Assuming a reasonably stable political situation, Holcim expects sales to be on a similar level to 2011. In Morocco in particular, residential construction activity is likely to remain dynamic.


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Lively building activity in Asia Pacific

Economy on a growth path

Most markets in Group region Asia Pacific enjoyed strong economic growth in 2011, supported by private consumption and strong investment activity in many countries. In Indonesia, the healthy economic situation remained unaffected by the debt crisis in mature markets. Thailand's economic performance suffered a setback following the floods in and around the capital city in the fourth quarter. In Australia, the year began with the extensive flooding in Queensland and ended with a clear two-speed economic development with only the mining sector showing economic strength.

Higher construction investment

Construction activity continued to expand in the emerging markets of Asia. Due to high interest rates and general inflation, however, the construction industry in India grew less strongly this year. This was compounded by the fact that failure to reform the building approvals process resulted in extensive delays to major infrastructure projects. Following a good monsoon, investment in private housing and commercial construction increased again significantly in rural areas, but above all in the east and west. In Sri Lanka and Bangladesh, infrastructure and housing needs resulted in higher sales of building materials. In Sri Lanka, the cheap imports offered in retail shops resulted in fiercer competition.

In Thailand, the booming real estate market, pent-up demand for office and commercial space, as well as government investment in the road network and expansion of metro lines in Bangkok, ensured robust demand. In Vietnam, construction was one of the key economic drivers. However, growth was adversely affected by high inflation, and the above-average interest rates depressed investment activity. Malaysia drove up cement consumption with measures to stimulate the development of urban centers and private residential construction. In Singapore, demand for construction materials remained stable.

In the Philippines, private residential and commercial construction continued to develop positively. On the other hand, cement-intensive infrastructure investment declined as the government slowed down the awarding of contracts in an effort to ensure an accurate process. In Indonesia, the growing middle class requires more residential and commercial space. Therefore, demand for building materials significantly exceeded supply, resulting in capacity bottlenecks in the market.

Construction activity remained subdued in Australia. In particular, there was a lack of major concrete-intensive projects – including the public sector. Construction activity fell in New Zealand. Reconstruction work follow-

Consolidated key figures

Asia Pacific	2011	2010	±%	±% LFL*
Production capacity cement in million t	97.8	93.7	+4.4	
Cement and grinding plants	55	58		
Aggregates plants	88	86		
Ready-mix concrete plants	406	403		
Sales of cement in million t	75.6	71.4	+5.9	+5.8
Sales of mineral components in million t	1.2	1.0	+21.4	+21.4
Sales of aggregates in million t	29.7	26.4	+12.6	+12.6
Sales of ready-mix concrete in million m^3	13.0	12.6	+2.8	+2.8
Net sales in million CHF	8,001	7,958	+0.5	+14.2
Operating EBITDA in million CHF	1,700	1,820	–6.6	+6.8
Operating EBITDA margin in %	21.2	22.9		
Personnel	37,942	38,172	–0.6	–0.6

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

ing February's earthquake disaster is not expected to have an effect on the construction sector until later in 2012.

Higher delivery volumes in most markets
In India, ACC in particular sold considerably more cement due to capacity expansion at its Chanda and Wadi plants. In the ready-mix concrete business, ACC's sales were more or less on a par with the previous year. Ambuja Cements produced more clinker at its Rauri and Bhatapara plants, which were commissioned in 2010, and also brought two new grinding stations on stream in Bhatapara and Maratha. The company also sold more cement. In September, Ambuja Cements acquired a 60 percent majority shareholding in fly-ash trader Dirk India, thus expanding its product portfolio. Shortly before the year-end, Holcim acquired the remaining shareholdings of the founding families of Ambuja Cements and raised its participation to 50.3 percent.

Holcim Lanka positioned itself successfully in the emerging retail market with the sale of the "Supri" cement brand. Various major infrastructure projects, such as Mattala International Airport, hydropower projects and highways, increased the Group company's cement shipments. Holcim Bangladesh achieved an increase in cement deliveries, largely due to infrastructure projects in road building.

Despite the floods, Siam City Cement in Thailand sold slightly more cement in the domestic market, but exported less cement and clinker. Sales of aggregates and ready-mix concrete rose above-average due to the growing construction sector and a good distribution strategy. Holcim Vietnam's quality products enabled it to win major orders in the commercial and industrial sector. However, the inflationary environment led to a fall in deliveries of cement and ready-mix concrete. In Malaysia, the Iskandar development project in Johor provided a significant catalyst for growth. The local Group company increased its shipments of cement and ready-mix concrete, securing some attractive projects despite stiff competition. On slightly higher ready-mix concrete volumes, Holcim Singapore concentrated on projects with above-average margins.

In the Philippines, Holcim strengthened its customer base. The company sold more ready-mix concrete for skyscraper projects such as Stratford in Manila – the country's tallest apartment building. Cement deliveries fell due to weak infrastructure construction. Holcim Indonesia achieved robust sales increases in all segments due to a booming construction sector. Due to high domestic demand and better prices, exports were reduced. The important new construction project of a cement plant in Tuban on the main island of Java is progressing according to plan, and will contribute to increasing clinker and cement capacity in this rapidly expanding market in 2013.

Cement Australia sold slightly less cement due to declining residential construction and the floods on the east coast. Holcim Australia also suffered from the poor weather conditions. However, the Group company sold more aggregates as reconstruction work got underway. Ready-mix concrete sales only just matched the previous year's level. Holcim New Zealand fell short of the previous year's figures across all segments. The effect of the earthquake and weak demand hit deliveries of building materials throughout the sector.

Cement sales in Group region Asia Pacific grew by 5.9 percent to 75.6 million tonnes. Deliveries of aggregates rose by 12.6 percent at 29.7 million tonnes, and ready-mix concrete sales increased by 2.8 percent to 13 million cubic meters.

Like-for-like increase in operating EBITDA
Operating EBITDA for Group region Asia Pacific declined by 6.6 percent to CHF 1.7 billion due to inflation-related cost pressures, not all of which could be passed on to prices as yet and primarily due to the negative currency development. On a like-for-like basis, however, Holcim achieved growth. In India and the Philippines in particular, the higher cost of raw materials, energy and transportation was only partly passed on to prices. Good demand for building materials in Asia supported the results of several Group companies, primarily of Holcim in Indonesia. Holcim Singapore also improved results. In the Pacific region, the weak economic environment and consequences of natural disasters had a negative impact on the income statement of Group companies operating in these markets. Holcim Australia nevertheless performed remarkably better than in the previous year. Internal operating EBITDA growth in this Group region reached 6.8 percent.

Positioning of Huaxin Cement in the growing Chinese market
Huaxin Cement in China – in which Holcim has approximately a 42 percent stake, making it the largest single shareholder – benefited from government investment in infrastructure and residential construction. Considerably more building materials were sold in all segments and the process of vertical integration continued. Financial performance improved in part because selling prices increased in the fourth quarter as a result of the customary seasonal bottlenecks affecting the electricity grid. Environmental awareness and sound technology constitute the company's strengths in the ongoing consolidation process within the cement industry.

In the year under review, Huaxin Cement acquired three plants in the province of Hubei with a capacity of 5 million tonnes of cement. Huaxin Cement's first two aggregates plants in Wuxue and Yangxin will start operations in 2012. Located close to the Yangtze river, they give the company access to the major markets in Shanghai and Nanjing.

Growing use of alternative fuels
Many Group companies successfully increased their use of alternative fuels and raw materials in the year under review, including Holcim Indonesia and Holcim Philippines. This not only safeguards natural resources but also makes a contribution to preventing growing waste landfills.

In India, the two Group companies continued to work on active environmental protection under the Geocycle umbrella brand. The authorities gave their approval for the use of alternative fuel and raw materials in the clinker manufacturing process in 2010. In 2011, large quantities of industrial waste were re-used by ACC. In addition, the company is now successfully using household waste in the combustion process. Extensive testing demonstrated that such waste does not have any negative effect on the environment or product quality. In Gujarat, Ambuja Cements commissioned wind mills with a total capacity of 7.5 megawatts, enabling the company to procure CO_2-free electricity.

Holcim Vietnam tested the combustion of contaminated oil under the supervision of an international team of experts.

Further growth in Asia Pacific
Group region Asia Pacific will continue to grow in 2012. In the emerging markets in particular, infrastructure and residential construction will have a positive influence on the demand for building materials. Above all in India, Holcim will benefit from additional production capacity. In the Pacific region, activity in the construction sector is likely to recover slightly.

A focus on Eastern Europe and Asia

In the 1980s, "Holderbank" began to look for new markets. As a result, both Asia and Eastern Europe came into focus. At the same time the expansion into Spain showed positive effects. The country was experiencing a construction boom in connection with the Universal Exposition in Seville scheduled for 1992 and the Olympic games in Barcelona scheduled for the same year. Thomas Schmidheiny became the third generation of the Schmidheiny family to take over responsibility for the company. Under his leadership "Holderbank" rose to be the world's largest cement company in 1986 and 1987.

1982

The Rohožnik plant in Slovakia.

From oil to coal
Although "Holderbank", compared with other industrial companies, survived both oil crises of the 1970s without any serious damage, the Group made a decision to reduce its dependence on oil. Through the end of 1982 it invested hundreds of millions of Swiss francs in converting the firing of its kilns from oil to coal. This led to considerable savings in fuel costs in subsequent years, but was also one of the main reasons why the 1980s would be a period of generally high levels of investment for the Group. The plants were designed so that they could be switched back to oil should prices fall again. These investments would pay off in the long run, helping "Holderbank" at least partially mitigate the effects of the recession (which lasted until 1985).

The economic boom in Latin America ended abruptly at the start of the 1980s. The "Holderbank" strategy of broad geographic diversification of risk, which had served it well up to then, was now tarnished for the first time. The second oil crisis, brought on by the revolution in Iran and the subsequent war between Iraq and the Ayatollahs, caused a world economic slump which also affected emerging markets. Latin America was severely impacted, with most countries on the continent experiencing some sort of economic crisis. It would take nearly ten years before Latin America would once again play a key role for the Group. Countries like Brazil and Mexico, two of its biggest markets in terms of sales and earnings, found themselves in a massive debt trap as a result of excessive government spending. This led to an ever-increasing inflationary spiral across Latin America. Demand for cement and aggregate materials collapsed, and plant utilization in core markets fell to a record-low 50 percent. While this led to overcapacity in many "Holderbank" Group plants during the recession, which saw a worldwide collapse in construction investment, it also meant the Group was well-positioned to take advantage of the recovery when it came in the second half of the 1980s. In 1986, "Holderbank" also built up its internal trading network. This addition to its worldwide network allowed the company to export excess capacity in individual countries to other areas where it was needed.


The round blending storage yard for coal at the Rekingen plant.

Despite these measures, all of which were intended to "future proof" the Group, "Holderbank" began scouting around for new markets. Although China and other Asian countries had long been a focus of management interest, this large blank spot on the "Holderbank" map would not be filled in until the 1990s.

Conditions for foreign investors in Asia remained difficult, above all in China, despite the economic opening initiated by Deng Xiaoping in 1979. This was particularly true in the cement industry, which the Chinese considered strategically important. Although Swiss cement and concrete experts had long been in contact with Chinese delegations, they were loath to divulge their know-how with nothing in return. There was no significant change in this attitude at "Holderbank" when the family patron divided his inheritance between his sons in 1984. Thomas Schmidheiny, who took over "Holderbank" from his father and would become Chairman of the Board, kept an eye on China and the rest of Asia, but concentrated his attention at first on opening up those areas of the US and Europe the company had not yet reached. The entry into Spain in 1980 would have a positive effect on business for "Holderbank" during the decade. The Iberian Peninsula, which had long been barely accessible to foreign investors, began to experience a construction boom some ten years after the end of the Franco dictatorship. This was spurred on to a great extent by preparations for the Universal Exposition of Seville in 1992 (Expo '92) and the Olympic Summer games in Barcelona (planned for that same year). Starting with an initial minority stake in a cement plant in southern Spain, "Holderbank" grew via a merger with another cement manufacturer and other acquisitions to become one of the leading cement producers in the country. Its strong position in the south was enhanced by participations in the aggregate materials and ready-mix concrete area. This allowed

"HOLDERBANK"

Logo from 1987 till 2001.

"Holderbank" to take part in large-scale infrastructure programs, ranging from expansion of the railways through to new highway projects, as well as participate in what would become a long-term boom in housing construction. After years of stagnation, Spain was catching up, going through what Western Europe had experienced in the first decades after World War Two.

Already in 1980 "Holderbank" entered the market in Spain.

While the entry into Spain contributed a great deal towards "Holderbank" becoming the world's largest cement manufacturer during 1986 and 1987, the US also played a role. In 1986 the Swiss acquired Ideal Basic Industries, Inc. and with it – some thirty years after initial entry – a significant share of the US cement market. By the end of the 1980s, "Holderbank" employed a quarter of its 20,000 employees worldwide in North America, and the market accounted for more than a third of its total sales of clinker and cement. This put "Holderbank" among the ranks of leading American construction materials producers. In 1988, the Group bundled together its activities on the continent, transferring them to a newly formed North American holding company named Holnam, in which "Holderbank" held 89 percent and the Société Suisse de Ciment Portland SA eleven percent.

The Ada cement plant of Ideal Basic Industries, Inc., which was acquired by "Holderbank" in 1986.

With the worldwide economic boom that began in 1988, Latin America also picked up again, with the exception of Brazil and Mexico, which were not to recover from their debt crises for another few years. After the fall of the Berlin Wall, "Holderbank" began expanding in new directions. Having previously concentrated on strengthening its position in existing markets and reinforcing its network, "Holderbank" management now began putting out feelers in the direction of Eastern Europe, China, India and Southeast Asia. Their first move into Eastern Europe came with the entry into Hungary at the end of 1989. Acquisitions in the Czech Republic and in Slovakia followed two years later. "Holderbank" also acquired small holdings in Macao and in India, although these were mostly in order to secure engineering contracts for "Holderbank" Management and Consulting Ltd. Along with a speeding-up of its expansion efforts and further geographic diversification, Group strategy now contained a second element: vertical integration of all business areas related to the cement business. In the future, "Holderbank" would not rely solely on cement production, but would increasingly concentrate on the entire range of concrete technology. The idea was, among other things, to be able to exert more influence on the quality of its concrete.

Under the motto "from cement to concrete", this meant concentrating on the extraction and processing of aggregate materials like gravel and sand as well as the production of ready-mix concrete and expansion of the construction chemicals business. This was hardly a radical reorientation. Instead, it was a well-considered enhancement of the activities in and around cement manufacturing, and would sustainably strengthen the overall strategy of the Group over the long run.

Farewell to Ernst and Max Schmidheiny
At a press conference for the "Holderbank" results held on 6 June 1984, Max Schmidheiny announced a reorganization of his assets. It had taken four months to manage the division of his estate. His business holdings were complex and intertwined. According to the Schmidheiny biographer, Hans O. Staub, it took several months of fine-tuning to untangle the web. When it was done, his son Thomas could finally assume control of "Holderbank". He was 39. When Max Schmidheiny retired from the Board of Directors of "Holderbank" Financière Glarus AG, it was the culmination of a plan for a generational change at the top that had been in the works for some time. Ernst Schmidheiny died a year later after a lingering and painful illness, having suffered a stroke ten years before. For his part, despite difficult age-related illnesses, Max Schmidheiny followed the development of "Holderbank" with unshakeable energy until his death on 19 August 1991.

Leading construction materials company in emerging markets

During the 1990s, "Holderbank" entered new markets and consolidated its position in existing ones. Thanks to the booming American building sector, the company was able to speed up expansion in Eastern Europe. In this decade alone, stakes in companies in Romania, Bulgaria and Russia were added. The company also succeeded in returning to Egypt, some 30 years after Nasser had nationalized the Schmidheinys' Egyptian plants. In the spring of 2001 the annual general meeting decided to do business worldwide under the name of Holcim.

1992

From "Holderbank" to Holcim

It's hardly surprising that, outside of Switzerland, a Swiss company named "Holderbank" would more often than not be confused with a financial institution. With this in mind, the annual general meeting voted in the spring of 2001 to change the company's name worldwide to Holcim. "Hol" was meant as a reference to the company's 90-year success story, while "cim" suggested the company's main product: cement.


Holcim

Faster learning organization
Founded on the principle of decentralized leadership, "Holderbank" began implementing a personnel strategy centered on the principle of a "faster learning organization". It did so in the conviction that classic hierarchical thinking was out of date. Instead, "Holderbank" emphasized consensus and motivation, in order to better utilize the abilities of its staff in the service of the Group as a whole. Such an approach allows for more freedom of action, but also requires a more deliberate delegation of many tasks. Employees and managers are encouraged to experiment to a certain degree, and to take calculated risks. This in turn demands increased flexibility from managers, as they have to respond quickly to problems that arise – a leadership principle which has in the meantime become part of many successful companies. "Holderbank" was in many ways predestined for such a leadership philosophy, as one of the key preconditions for it, a common goal to be pursued by all levels of the organization, is a given considering the nature of the Swiss cement group: in its case, a strict focus on core competencies. It's also a principle which Holcim employees worldwide follow to this day and which is one of the key factors in the Group's success.

It took just under 80 years for three generations of Swiss entrepreneurs, starting with a single cement factory in Holderbank in the Swiss canton of Aargau, to build a group of companies with worldwide annual sales of over six billion Swiss francs' worth of cement, aggregate materials and ready-mix concrete. It would take less than ten years to add another six billion and double annual sales on all five continents. Like few other Swiss companies, "Holderbank" was able to take advantage of the climate in the 1990s to break into new markets and expand its share of existing markets. A major focus was the post-communist acquisitions of outdated state-run operations in Eastern Europe and the subsequent revamping of their production equipment – a process which continues to this day. Markets in Western Europe as well as in North and Latin America were also "rounded out", accompanied by extensive restructuring programs, resulting in a substantial increase in earnings at almost all levels.

In its home market, the ninth decade of "Holderbank" started with a bang with an announcement in the summer of 1992. The Neue Zürcher Zeitung (NZZ) went so far as to describe it as one of the "most important reorganizations of recent decades". Via acquisitions and a regrouping of its holdings, Thomas Schmidheiny initiated one of the most far-reaching restructurings the Swiss construction materials market had ever seen. Over half of the Swiss cement market was now united under the aegis of the newly formed "Holderbank" Cement und Beton AG (HCB). After more than eighty years, E. G. Portland was dissolved, marking the end of the Swiss cement cartel. This came amid a general trend towards consolidation in the cement industry. The increasing pressure of market liberalization within the European Union and through the World Trade Organization (WTO) – which, under the Uruguay Round, was taking steps to open markets worldwide – was also a key motivation behind restructuring "Holderbank" in Switzerland. Just two years after the repositioning, the shareholders of the Société Suisse de Ciment Portland SA ceded half their shares to Thomas Schmidheiny, including nine percent of the votes in "Holderbank". This secured the entrepreneur from St. Gallen 57 percent of the votes in the Group.

Holcim supports training and education following the principle of a "Faster learning organization".


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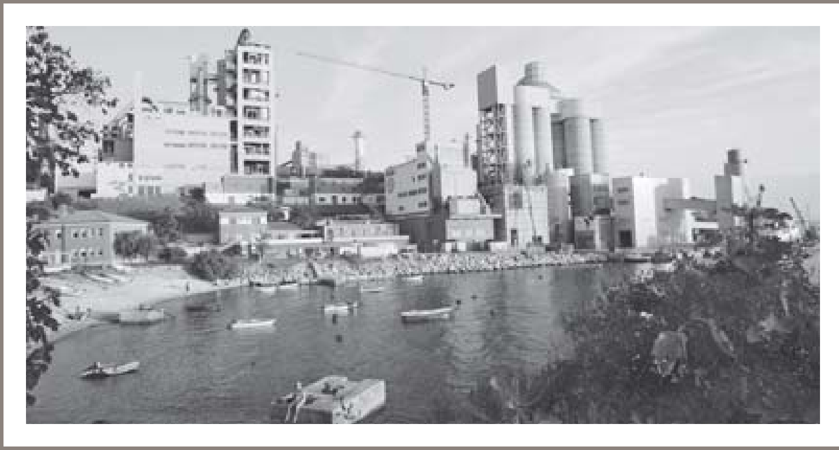
The restructuring of the market in Switzerland also affected the Group's expansion policies. Thanks to its decades-old holdings in the Société Suisse de Ciment Portland SA, "Holderbank" was able to gain a foothold in Northern Italy and Croatia, while in the US increasing its stake in its Holnam subsidiary from 95 to 100 percent. During the 1990s Holnam profited from an unparalleled American construction boom. Its plants operated at full capacity for years at a time, selling up to 15 million tonnes of cement annually. During the decade, the Unión Marítima Internacional S.A. in Madrid also rose to become the world's largest construction materials trading company.


In 1995, "Holderbank" entered the Croatian market.


In Argentina, "Holderbank took a stake in Corcemar.

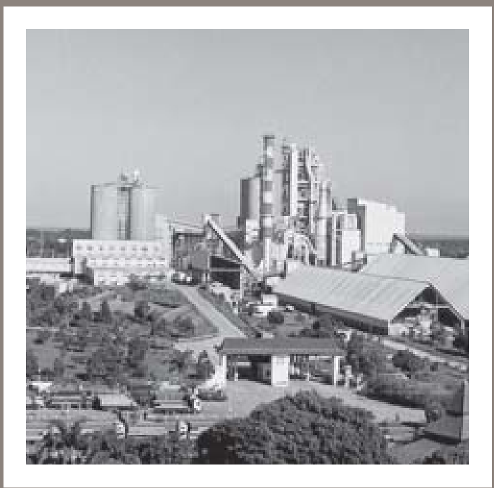

The Campulung plant in Romania.

The boom in the US was supported by predominantly stable Latin American markets. The Swiss were also able to significantly expand their position in Brazil. In Argentina "Holderbank" took a stake in Corcemar, which in turn, thanks to a merger with Minetti, rose to become the country's second-largest cement maker. Acquisitions in El Salvador, Nicaragua, Guatemala and Panama, as well as a major investment in Venezuela, all served to strengthen the already nearly unassailable position of "Holderbank" in Latin America. In 1993 these markets contributed 40 percent of "Holderbank" profits. During the decade, management would ramp up overall capacity in the flourishing and highly profitable South and Central American "Holderbank" subsidiaries from 12 to 30 million tonnes of cement. Thanks to booming American markets, the Group was able to push on with its expansion into new regions. During the decade, in Eastern Europe alone, it acquired participations in Romania, Bulgaria and Russia and made acquisitions in Serbia and Azerbaijan. It was able to re-enter the Egyptian market as well, nearly 30 years after the Schmidheiny factories had been expropriated by Nasser. The decade would also see the entry into a further North African country with Morocco, while positions were built up in West Africa and the Indian Ocean as well.

The Fez plant of Holcim Morocco.

The Asian market crisis of 1997/98 accelerated the company's move into the region, as "Holderbank" management was quicker than the competition to see the resultant opportunities to make acquisitions, first in East Asia and then in other parts of the continent. During the 1990s, the company would rise to become the largest cement producer in the ASEAN region. For "Holderbank", this period of upheaval would present opportunities which would pay off handsomely later. Having already entered Vietnam (1993) as well as Sri Lanka (1996), the Asian crisis facilitated the purchase of stakes in Thailand and Malaysia (both 1998). At the turn of the millennium, another large and promising market, Indonesia, was added. At the same time, the Group bought a grinding plant in Bangladesh. In the Philippines, where it had been active as early as 1974, "Holderbank" prepared to become the country's largest cement producer when it signed a memorandum of understanding for the acquisition of a stake in Union Cement Corporation (UCC) in 1998. It would not be until 2002, however, that UCC and the existing Group company Alsons Cement could be combined under the aegis of Holcim Philippines.

Gaining a firm foothold in China, however, not to speak of building up significant market share, remained tough. In 1995 "Holderbank" had its first success: through its New Zealand affiliate, it acquired a stake in Golden Cat Cement in Shanghai. But the collaboration proved difficult, and operational management eventually had to be ceded to the local joint venture partner. The Swiss were more successful with their participation in Huaxin Cement, acquired in 1999. This opened the door for "Holderbank", in the following decade, to become the biggest shareholder in this major Chinese cement group, whose production facilities lie mainly along the Yangtze River. Despite the difficulties it was an important step, especially considering that China's annual consumption of cement – nearly one billion tonnes – comprised some 50 percent of the world market during the decade.



Cilacap plant in Indonesia.

In the industrialized countries, which were stagnating at the time, "Holderbank" began investing to expand, renovate and improve existing plants. This allowed it, especially in Switzerland, France, Belgium and Italy, to phase out less efficient equipment and so significantly improve its cost structure.

Cement plant Huaxin of Huaxin Cement in China.

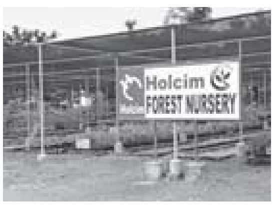
"Holderbank" also received a full-time Chief Financial Officer for the first time in its history. His task was to unify the controlling, reporting and financing functions in one organization. This was done with the clear goal of further strengthening the tradition of decentralized leadership which the Group had always upheld.

The Shanghai skyline: "Holderbank" entered China in 1995 (© Getty Images).

2001

Sustainability
Sustainable business practice became a central part of the "Holderbank" strategy in the 1990s. In 1992 the Group signed the International Chamber of Commerce's "Business Charter for Sustainable Development"; seven years later it joined the "World Business Council for Sustainable Development". Internally, the cement giant implemented a new environmental concept. Its focus was – and still is – not just on conserving resources, but also on economic considerations in the form of sustainable economic growth as well as an emphasis on environmentally friendly products. Various basic principles, which the Group had consistently followed in preceding decades, were now adopted and codified in the environmental concept. Along with a focus on new technologies, these principles included an emphasis on the recycling of industrial and civil waste such as old tires, solvents or sewage sludge as substitutes for oil and coal, as well as educating employees at all levels of the organization about environmentally sound production methods. A strict product differentiation concept was also introduced in order to reduce CO_2 emissions. Its primary focus was to reduce the share of clinker in cement through CO_2 neutral alternative raw materials such as granulated slag or pozzolan. The goal was – and remains – to increase the trust of customers and the general public in the Group and to strengthen its image as an environmentally conscious enterprise.

Holcim's tradition of engagement in the communities where it does business is also an important part of the sustainability concept. As a major employer, Holcim supports education and sustainable community development. It does so by, on the one hand, regularly financing the construction and improvement of local infrastructure, and on the other supporting the local population in their own building projects, above all in emerging markets. It does this by making it easier to acquire building materials and providing financing solutions for private construction.



For many years, Holcim has performed pioneering work in sustainable development.

Holcim advocates the use of alternative fuels in the cement industry.

Biodiversity is essential.

A strong position in 70 countries

The new millennium began with a historic change from a family-run business to an open, public company. The introduction of a unified registered share and modern corporate governance structures made it easier to access international capital markets and so supported the growth of the company. Asia became the engine both of the world economy and Holcim. It was one of the first globally active construction materials companies to achieve the goal of having more than 50 percent of its revenues generated in emerging markets.

2002

Passion for Safety
A central concern of the Group – which would be addressed during the decade with the launch of the "Passion for Safety" campaign – is workplace health and safety. The goal of this on-going campaign is to avoid accidents in general and completely eliminate fatalities. Among the numerous measures adopted by the Group was the introduction of global work safety and health management directives. The campaign has been showing results, even if the Group is still far from being able to guarantee absolute safety at its plants. This will remain a top priority for Holcim in its eleventh decade.

Holcim entered a new era in 2003 when – under the motto “one share, one vote” – it introduced a unified registered share structure. Although the Schmidheiny family had controlled the majority of voting shares for decades, Thomas Schmidheiny gave up his position as Chairman of the Board one year after retiring as Chairman of the Executive Committee. As a major shareholder, he remained a member of the Board. The unified share was a decisive factor in the further expansion of the Group. A more modern structure than what had preceded it, it among other things significantly eased access to international capital markets. In 2002, Holcim expanded its corporate governance as well, creating an independent Audit Committee and a Governance, Nomination & Compensation Committee. After a short interim period, another experienced business leader followed as Chairman of the Board in the person of Rolf Soiron. A Board member since 1994, Soiron had had first-hand experience of Holcim’s rise to become a major world player in the cement and aggregate materials industry. Together with CEO Markus Akermann, Soiron continued to rely on the core values which had always been the basis of Holcim’s strategy: global presence, focus on cement and aggregate materials and decentralized management of Group companies as well as maintaining trust in the Group governance structures and the good name of Holcim.

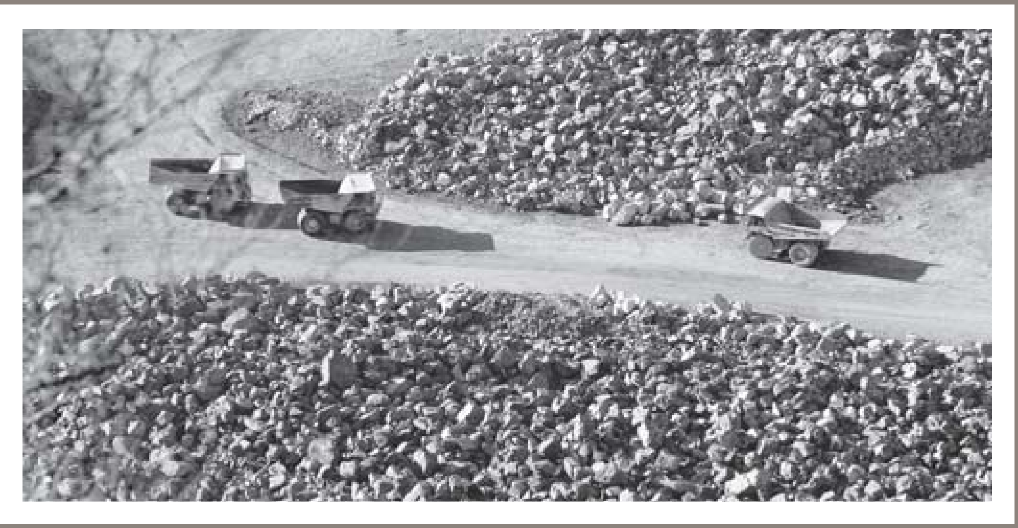
Another experienced captain of industry, in the form of Rolf Soiron, followed as President of the Board of Directors. Together with Markus Akermann at the helm of the Group, he has continued to champion the core values of the Holcim strategy.

Holcim’s historic transition from a family enterprise to an open, public company also heralded the start of a decade of increased geographic expansion in developing markets as well as intensified vertical integration in the saturated markets of Europe and North America. In the previous decade, Holcim had already begun its conquest of Asia – demonstrating a great deal of foresight along the way. After the turn of the millennium, Asia became the driving force of the world economy, and with it the major driver for the Swiss cement and construction materials giant. Holcim was one of the first global construction materials companies to earn more than 50 percent of its sales in emerging markets. In doing so, it achieved a degree of geographic diversification that not only would balance out business cycle-related fluctuations in various regions of the world over the long term, but also secure sustainable growth.To help ensure a leading presence in these geographically ever more diversified markets, the Group standardized its centralized management and service tasks. This did not alter the principle of decentralized responsibility. On the contrary, the Group relied more and more on local and regional management to keep on top of and work the markets. The approach greatly contributed to the Group’s steady growth – in a

Foundation to promote sustainable construction
In 2003, Holcim launched the Holcim Foundation for Sustainable Construction to promote sustainable construction practices worldwide and support related projects. In collaboration with well-known universities, including the Swiss Federal Institute of Technology in Zurich, the foundation sponsors competitions around the world. Examples of previous award winners include plans to restore a riverbed in Morocco and a concept for rural settlement development in China. A series of award-winning projects have also been completed, including the “Metropol Parasol” by Jürgen Mayer in Seville and the Research Center for Drinking Water by John Gunn in Sudbury, Canada. The foundation’s focus is on a socially and environmentally compatible, as well as an economically beneficial use of construction materials. Awards are given to pro-j-ects that assure a high quality of life today as well as in the future.

A number of awarded projects were realized, as for example the “Metropol Parasol” of Jürgen Mayer in Sevilla.

scant two decades, Holcim was able to triple worldwide sales. For his part, CEO Markus Akermann concentrated on his main concern: driving expansion while at the same time never losing sight of the overall management of the growing company, and in so doing maintaining confidence in the Holcim brand among all stakeholders.



The Bardon Hill quarry in Great Britain: the quarry belongs to Aggregate Industries, which Holcim acquired in 2005.

A key element of this strategy was the vertical integration of the construction materials business with the other important links of the value chain. These included asphalt and concrete products along with aggregate materials such as sand and gravel. In 2005, Holcim made the largest acquisition in its history, clearly demonstrating that the Swiss were intent on becoming an even more strongly integrated supplier of construction materials in the future. Paying four billion Swiss francs for the British company Aggregate Industries, Holcim secured itself a strong market share in aggregate materials in Great Britain and, more importantly, in the US. The focal point of the acquisition was ensuring access to resources, as starting up new mining operations, especially in mature markets, was becoming more difficult due to stricter environmental regulations. Another key factor in the acquisition decision was the strong logistics capabilities of Aggregate Industries, which fit in well with the intensified intercontinental trade between Holcim Group companies.

Staying ahead of the competition in emerging markets had been a key strategic principle throughout Holcim's history. At the heart of the strategy was the acquisition of minority stakes in local companies, which were then gradually built up. This approach, which in previous decades had helped the Group enter many a new market, would be responsible for an impressive phase of expansion during its tenth decade. As it had previously done in Latin America, the Middle East and in Europe, management began to patiently but persistently establish contacts with local cement companies in the high-growth Indian subcontinent. Negotiations with families holding large shares of two Indian cement groups lasted two years. After entering the market via a minority stake in the ACC cement company in 2005, and in Ambuja Cements a year later, Holcim gradually built up its stake until it held more than 50 percent while integrating the two Indian companies into the Group. This made Holcim, in one stroke, the number two in the Indian cement market. Once again these were investments which would pay off handsomely, as growth in this huge market played a large part in the Swiss group's rise to become the leading cement supplier in Asia.

When it shut down a number of obsolete plants in the US and opened the largest cement factory in North America at Ste. Genevieve in Missouri, Holcim also demonstrated its continued determination to close old plants and to use new technology

Sustainable use of resources
In the new millennium, the issue of resource use would become increasingly important in the cement industry. Holcim played a key role in the "Cement Sustainability Initiative" as part of the "World Business Council for Sustainable Development". The goal was to encourage long-term improvement in the industry and to promote sustainability. Although there is no disputing that such measures enhance the Group's image and so help business, Holcim has always, alongside economic considerations, paid a great deal of attention to the environmental and social aspects of its activities. From an economic point of view, the Group has primarily striven to significantly reduce its energy consumption through such means as waste heat recovery or use of alternative fuels. From an environmental point of view, Holcim has for decades promoted the recultivation of stone and sand quarries and has reduced its own emissions. The Group's social engagement – above all in the areas around its production facilities – is also very important. Its focus here is on innovative solutions for affordable housing, supporting micro businesses and vocational training. In all these areas, the Group has been able to set standards for sustainable performance to which today's global players in the cement industry orient themselves, and which play a useful role when it comes to exchanging best practice. Its investment in this area has paid off for Holcim: in the past decade the Group was named as industry leader in the Dow Jones Sustainability Index for four years in a row.

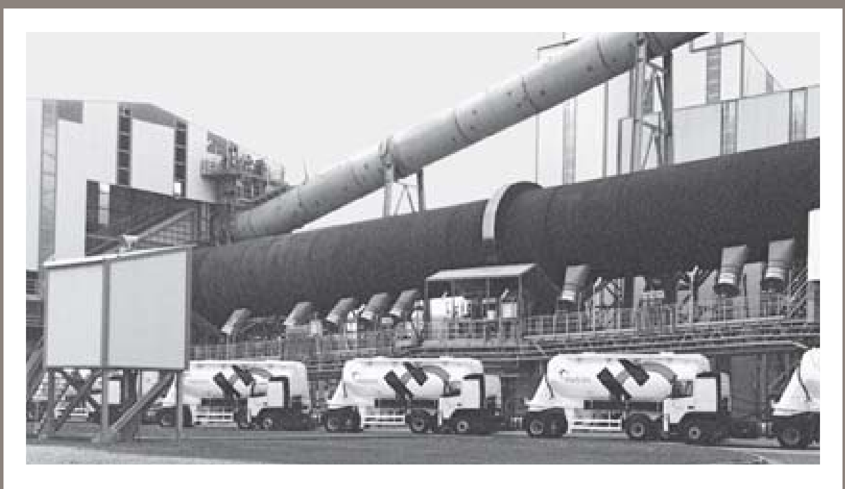
to, among other things, set new environmental standards. Thanks to Ste. Genevieve, with its integrated harbor and shipping facilities and an annual capacity of four million tonnes, Holcim was also able to achieve cost leadership in the American market.

But it was above all the expansion into Asia which would prove most prescient, especially after the financial crisis of 2008 and 2009. Thanks to strong Asian markets and stable conditions in Latin America (with the exception of Venezuela, which nationalized the local Group company in 2008), losses in the North American and European markets could be compensated. Not that the crisis had no effect, leading Holcim to implement cost reduction measures to the tune of 1.2 billion Swiss francs as well as close 23 kiln lines representing a production capacity of some ten million tonnes of cement.

The Ste. Genevieve plant of Holcim US, which went on stream in 2009, is currently the largest state-of-the-art kiln line of the USA.

Yet despite the crisis, Holcim's capacity expansion program, launched in 2007 and focused on growth markets, was able to continue practically unchanged. Part of this program was the construction of a new cement plant in Kolomna, some 100 kilometers south of Moscow. The new plant was opened in July 2011 with the Russian President, the Swiss President and the Swiss Economy Minister in attendance. With an annual capacity of 2.1 million tonnes, it was a milestone in the modernization of Russia's cement industry, both in terms of efficiency and environmental impact. All these measures contributed to sustainably strengthen Holcim's presence in around 70 countries, and helped Holcim come out of the crisis with the highest capitalization and lowest debt of all the global construction materials companies.

The move into Asia and expansion of business on that continent reflect a general shift of emphasis in the world economy. This shift has been strengthened by the financial crisis, as mature markets suffered not only a construction lull but also empty government coffers. Holcim used these years to institute an intensive retooling campaign in order to be ready to take advantage of the recovery in the markets affected by the crisis. Holcim also expanded its business in China and has currently grown to become the largest shareholder in Huaxin Cement, one of China's ten largest cement companies. That said, there are still blank spots on the Holcim map in Asia, including the Japanese and Korean markets, where strong and closely networked local producers dominate.



In 2011, the new Shurovo plant in Russia was inaugurated.

Despite the weak world economy, in 2009 Holcim took advantage of the chance to take over the Australian operations of its competitor Cemex. Cemex at the time owned 83 aggregate materials plants with raw materials reserves of over a billion tonnes, and held a 25 percent stake of Australia's leading cement producer Cement Australia, in which Holcim already held a 50 percent stake.

Thanks to its acquisition of the Australian business of its competitor Cemex, Holcim became the leading construction materials producer in Australia in 2009.

2011

The expanded Wadi plant of ACC in India reached a world record in clinker production with 13,187 tonnes of clinker in one day in February 2011.

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 to 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 for 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, former CEO of Holcim Ltd, all directors are independent according to the definition of the Swiss Code of Best Practice for Corporate Governance in the year under review. 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 125 and 126 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 229 to 231 of this Annual Report.

The Group is organized by geographical regions. The management structure as at December 31, 2011, and changes which occurred in 2011, are described in this chapter. The current organizational chart is shown on pages 44 and 45.

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:

Topic	
Business review in the individual Group regions	P. 82–103
Segment information	P. 190–194
Principal companies	P. 229–231
Information about Holcim Ltd and listed Group companies	P. 51, 230
Important shareholders	P. 246

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, 2011, 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, 2011). 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, 2011, 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, 2011, 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	P. 244 Information for the year 2009 is included in the Annual Report 2010, P. 210 www.holcim.com/equity
Detailed information on conditional capital	www.holcim.com/corporate_governance Articles of Incorporation, Art. 3bis
Key data per share	P. 49–52, 220, 246–247
Rights pertaining to the shares	www.holcim.com/corporate_governance Articles of Incorporation, Art. 6, 9, 10
Regulations on transferability of shares and nominee registration	P. 129–130 www.holcim.com/corporate_governance Articles of Incorporation, Art. 4, 5
Warrants/Options	P. 218–219

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. Former CEO Markus Akermann is the sole non-independent 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 132 to 135 for the biographical information of the Board members.

As Robert F. Spoerry has been elected Chairman of the Board of Directors of Sonova he resigned from the Board of Directors at the annual general meeting of shareholders 2011. He had been a member of this body since 2008. The Board of Directors has expressed sincere gratitude for his service.

In 2011, the shareholders elected Alexander Gut to the Board of Directors. He is Founder and Managing Partner of Gut Corporate Finance AG, Zurich. He holds a PhD in Business Administration (Dr. oec. publ.) from the University of Zurich and is a Swiss Certified Accountant. From 1991 to 2001 he was with KPMG in Zurich and London, from 2001 to 2003 with Ernst & Young in Zurich, being promoted to Partner in 2002. From 2003 to 2007 he was a Partner with KPMG in Zurich, being promoted to the Executive Committee of KPMG Switzerland in 2005. Since 2010, he has been a member of the Board of Directors of Adecco S.A., Switzerland.

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 2011, six regular meetings, five regular private meetings without the presence of the Executive Committee, and two strategy meetings were held. The Board of Directors held four regular meetings with all members present, one meeting with one member excused and one meeting with two members 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 3.8 hours. Three of the ordinary private meetings were held with all board members present, while in one ordinary private meeting one member was excused and in another meeting two members were excused. As a rule the members of the Executive Committee do not attend the private meetings as guests. The average duration of each meeting was 1.9 hours.

Composition of the Board of Directors

Rolf Soiron	Chairman
Beat Hess	Deputy Chairman
Erich Hunziker	Deputy Chairman[1]
Markus Akermann	Member
Christine Binswanger	Member
Alexander Gut	Member
Peter Küpfer	Member[2]
Adrian Loader	Member
Andreas von Planta	Member
Thomas Schmidheiny	Member
Wolfgang Schürer	Member
Dieter Spälti	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, 2011

Board of Directors	Mandate	Position
Rolf Soiron	Lonza Group AG, Basel*	Chairman of the Board
Beat Hess	Nestlé S.A., Vevey*	Member of the Board
Erich Hunziker	BB Biotech AG, Schaffhausen*	Member of the Board
	IMD, Lausanne	Member of the Board
Christine Binswanger	Herzog & de Meuron, Basel	Senior Partner
Alexander Gut	Gut Corporate Finance AG, Zurich	Managing Partner
	Adecco S.A., Chéserex*	Member of the Board
Peter Küpfer	GE Money Bank AG, Zurich	Chairman of the Board
	Julius Bär Gruppe AG, Zurich*	Member of the Board
	Metro AG, Düsseldorf*	Member of the Supervisory Board
Adrian Loader	Compton Petroleum Corporation, Calgary*	Chairman of the Board
	Oracle Coalfields PLC, London*	Chairman of the Board
	Lane, Clark & Peacock, London	Member of the Advisory Board
	GardaWorld, Montreal*	Member of the International Advisory Board
Andreas von Planta	SIX Swiss Exchange AG, Zurich	Chairman of the Regulatory Board
	Schweizerische National-Versicherungs-Gesellschaft, Basel*	Chairman of the Board
	Générale-Beaulieu Holding S.A., Geneva	Chairman of the Board
	HSBC Private Bank (Switzerland) S.A., Geneva	Vice Chairman of the Board
	HSBC Private Banking Holding (Switzerland) S.A., Geneva	Member of the Board
	Novartis AG, Basel*	Member of the Board
	Raymond Weil S.A., Geneva	Member of the 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
	T-Systems Council for European Affairs and Economy, Bonn	Member
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

* 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
Alexander Gut[1]	Member
Andreas von Planta	Member
Dieter Spälti	Member

[1] Since May 5, 2011.

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 2011, four regular meetings of the Audit Committee were held. 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 4.5 hours.

In 2011, 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

Erich Hunziker[1]	Chairman
Adrian Loader[2]	Member
Thomas Schmidheiny	Member
Wolfgang Schürer[3]	Member

[1] Since May 5, 2011; Rolf Soiron until May 5, 2011.
[2] Since May 5, 2011.
[3] Until April 17, 2012.

The Governance, Nomination & Compensation Committee held three regular meetings in 2011. 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 3.7 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 142.

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. The Board of Directors can delegate special tasks or tasks related to specific functions to Deputy Chairmen on a temporary or permanent basis.

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 Strategy & 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 the existence and pertinence of process controls and integrity of information. For more details, see page 43. 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:

Thomas Aebischer, former CFO of Holcim US, has been appointed as member of the Executive Committee as of January 1, 2011. Effective April 1, 2011, he took over CFO responsibility for the Group.

Andreas Leu, former Area Manager and member of senior management of Holcim Ltd, has been appointed as member of the Executive Committee as of January 1, 2011, with responsibility for Latin America.

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

Stefan Wolfensberger, Corporate Functional Manager Holcim Ltd and Head Commercial Services Holcim Group Support Ltd, retired from his position on June 30, 2011 to pursue a new challenge.

Executive Committee

During the year under review, the Executive Committee of Holcim Ltd comprised nine members. 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[1]	CEO
Bernard Fontana[2]	CEO
Thomas Aebischer[3]	CFO
Urs Böhlen	Member
Patrick Dolberg	Member
Paul Hugentobler	Member
Benoît-H. Koch	Member
Roland Köhler	Member, CEO HGRS
Andreas Leu[4]	Member
Theophil H. Schlatter[5]	CFO
Ian Thackwray	Member

[1] Until January 1, 2012.
[2] Since February 1, 2012.
[3] Since January 1, 2011, member of the Executive Committee; effective April 1, 2011, CFO.
[4] Since January 1, 2011.
[5] Until March 31, 2011.

Please consult pages 136 and 138 for biographical information on the members of the Executive Committee. Regional and functional responsibilities are shown on the organizational chart on pages 44 and 45.

Area Management

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

Composition of the Area Management

Javier de Benito	Mediterranean, Indian Ocean, West Africa
Urs Fankhauser[1]	Eastern and Southeastern Europe
Aidan Lynam	Bangladesh, Malaysia, Singapore, Sri Lanka, Vietnam
Bernard Terver	Holcim US, Aggregate Industries US
Onne van der Weijde[2]	

[1] Since January 1, 2011.
[2] Since January 1, 2012.

Please see pages 139 to 140 for biographical information on Area Managers.

Corporate Functional Managers

Corporate Functional Managers are responsible for specific functions and dimensions and report to the CEO HGRS.

Composition of the Corporate Functional Management

Jacques Bourgon	Cement Manufacturing Services

Please see page 141 for biographical information on the Corporate Functional Manager.

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 142) and in the consolidated financial statements (page 223, note 40).

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 proxy. 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/AGM2012.

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 who 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 2011, the auditors participated in three regular meetings of the Audit Committee to discuss individual agenda items.

Ernst & Young Ltd, Zurich, were appointed in 2002 as auditors to Holcim Ltd. Since 2011, Willy Hofstetter is responsible for managing the audit mandate, supported by Michael Brenner. 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 2011 and 2010:

Million CHF	2011	2010
Audit services[1]	11.6	12.4
Audit-related services[2]	0.8	0.9
Tax services	0.7	0.6
Other services[3]	0.1	0.3
Total	**13.2**	**14.2**

[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 its 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 53 to 57 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 52 and 252 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 from 2005 until 2011. 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.

Beat Hess, Swiss national, born in 1949, Deputy Chairman of the Board of Directors, elected until 2013. He holds a doctorate in law and is admitted to the bar in Switzerland. 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, and has been nominated as member of the Board of Directors of Sonova Holding AG, Stäfa. He was elected to the Board of Directors of Holcim Ltd in 2010.

Erich Hunziker, Swiss national, born in 1953, Deputy Chairman of the Board of Directors, elected until 2014, Chairman 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. From 2004 until 2011, he was a member of the Board of Genentech Inc., USA. From 2006 until 2011, he was a member of the Board of Directors of Chugai Pharmaceutical Co. Ltd., Japan. He is a member of the Board of Directors of BB Biotech, Schaffhausen, and IMD, Lausanne. He was elected to the Board of Directors of Holcim Ltd in 1998.

[1] For further information on major Swiss and foreign mandates of the Board of Directors outside the Holcim Group, see page 124.

Markus Akermann, Swiss national, born in 1947, CEO until January 31, 2012, 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. From January 1, 2002 until his retirement at the end of January 2012, he was CEO of Holcim Ltd. 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 2014. 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.

Alexander Gut, British and Swiss national, born in 1963, member of the Board of Directors, elected until 2014, member of the Audit Committee. Alexander Gut holds a doctorate degree in Business Administration (Dr. oec. publ.) from the University of Zurich, Switzerland, and is a Swiss Certified Accountant. From 1991 to 2001 he was with KPMG in Zurich and London and from 2001 to 2003 with Ernst & Young in Zurich, being promoted to Partner in 2002. From 2003 to 2007 he was a Partner with KPMG in Zurich, being promoted to the Executive Committee of KPMG Switzerland in 2005. Alexander Gut is the Founder and Managing Partner of Gut Corporate Finance AG, an independent corporate finance advisory firm in Zurich. Since May 2010, he has been a member of the Board of Directors of Adecco S.A., Chéserex, Switzerland. He was elected to the Board of Directors of Holcim Ltd in 2011.

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, member of the Governance, Nomination & Compensation Committee. He 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 Chairman of the Board of Directors of Oracle Coalfields, London, and of Compton Petroleum, Calgary, as well as 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.

Andreas von Planta, Swiss national, born in 1955, Deputy Chairman of the Board of Directors from 2005 until 2011, elected until 2014, 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. In addition, he is Chairman of Générale-Beaulieu Holding SA, Geneva, Vice Chairman of HSBC Private Bank (Switzerland) SA, Geneva, and member of the Board of Directors of Raymond Weil SA, Geneva, and HSBC Private Banking Holding (Switzerland) SA, Geneva, and in other companies which are affiliates of foreign groups. He was elected to the Board of Directors of Holcim Ltd in 2003.

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 and will resign from this body at the annual general meeting 2012.

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.

Executive Committee

Markus Akermann, please refer to the section Board of Directors on page 133 for his biographical information.

Bernard Fontana, French national, born in 1961. Bernard Fontana holds a degree in engineering from the Ecole Polytechnique and the Ecole Nationale Supérieure des Techniques Avancées in Paris. His career began with Groupe SNPE in France. In 1998, he was appointed head of US operations, and from 2001 to 2004 was a member of the Executive Committee. Shortly after joining ArcelorMittal in 2004, he was given responsibility for HR, IT and business development at Flat Carbon. From 2006 to 2007 he was a member of the Executive Committee of ArcelorMittal with responsibility for the Automotive Worldwide Business Unit. In his capacity as Group Management Committee member, he was subsequently responsible for HR and the global alliance with Nippon Steel. From 2010 until 2011 Bernard Fontana was CEO of Aperam, a Luxembourg-domiciled listed corporate group that was spun off from ArcelorMittal in the fall of 2010. Since February 1, 2012, he is CEO of Holcim Ltd.

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. He joined the Executive Committee at the beginning of 2011, and effective April 1, 2011, he has taken over as CFO.

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 as 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 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 as member of the Executive Committee. He is responsible for Latin America.

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. Between 2006 and 2010, he was CEO of Holcim Philippines. Since the beginning of 2010, he has been a member of the Executive Committee. His area of responsibility spans the companies in East Asia, including China, the Philippines, 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, he was appointed General Manager of Holcim Croatia in 2002 and took over his role as Regional Technical Director Eastern Europe in 2004. As of 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.

Onne van der Weijde, a Dutch national, born in 1964, holds a bachelor degree and a masters degree in business administration. He has been CEO of Ambuja Cements Limited since November 2009. Onne van der Weijde started his career in the Dutch subsidiary Holderfin as international tax consultant in 1990. After four years he moved to Switzerland to join the Corporate Finance team, followed by a transfer to Australia were he was responsible for business development and acquisitions in Asia. He was CFO at Holcim Indonesia from 2001 to 2005 and was appointed General Manager of Holcim India Ltd in 2005 and he also assumed the CFO function at ACC Ltd until 2008. From 2008 till 2009 he assumed responsibility for Sri Lanka and Bangladesh in addition to a board membership of Holcim's operational companies in India. As of January 1, 2012, Onne van der Weijde has been appointed Area Manager of Holcim Ltd.

Corporate Functional Manager

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 a 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).

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 makes proposals for the assessment of the members of the Executive Committee and assesses the performance of the other members of senior management and the Governance, Nomination & Compensation Committee, decides on the assessment of the member of the Executive Committee and takes due note of the assessment of the performance of the other members of senior management. 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 Chairmen of the Board of Directors and Chairmen 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 88 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 2011, the operating EBITDA targets were set to 5 percent growth versus the 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 2011, the operating EBITDA declined by –0.2 percent and the regional operating EBITDA margin was above budgets by +0.6 percentage point on average, while $ROIC_{AT}$ reached 4.3 percent, all on a comparable "like-for-like" basis. This corresponds to an achievement level of 79 percent (operating EBITDA; regional operating EBITDA margin 111 percent) respectively 0 percent ($ROIC_{AT}$). Senior management (without CEO) achieved a payout factor of 44 percent and the CEO of 40 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, 2012, to February 15, 2012, 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 38 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. The total achievement factor is then multiplied by the targeted variable compensation to determine the amount of the individual component. For the year 2011, 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 87 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 219). 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 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 2011, contributions have been made in the amount of CHF 3.6 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 in the year under review.

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 218 of this 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 146 discloses the compensation of the Board of Directors in 2011 in detail and those of the 14 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 2011 performance.

In 2011, twelve non-executive members of the Board of Directors received a total remuneration of CHF 3.1 million (2010: 2.9) in the form of short-term employee benefits of CHF 2.0 million (2010: 1.8), post-employment benefits of CHF 0.1 million (2010: 0.1), share-based payments of CHF 0.9 million (2010: 0.9) and other compensation of CHF 0.2 million (2010: 0.1).

The total annual compensation for the 14 members of senior management (including CEO) amounted to CHF 31.6 million (2010: 36.7). This amount comprises a base salary and a variable cash compensation of CHF 18.2 million (2010: 18.2), share-based compensations of CHF 4.4 million (2010: 4.4), employer contributions to pension plans of CHF 5.1 million (2010: 5.3) and "Others" compensation of CHF 4.0 million (2010: 8.8) 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 3.6 million. The CEO received a base salary plus variable compensation in cash of CHF 2.6 million (2010: 2.5), share-based compensation of CHF 0.8 million (2010: 0.8), and employer contributions to pension benefits of CHF 0.4 million (2010: 0.4). As a result, total compensation, before the additional contributions for the financing of retirement benefits, amounted to CHF 3.8 million (2010: 3.7). Including the additional contributions from the Holcim International Pension Trust in the amount of CHF 1.8 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 5.7 million (2010: 8.7). 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 Governance, Nomination & Compensation Committee until May 5, 2011	Number		1,491
		CHF	595,680	80,000
Beat Hess	Deputy Chairman since May 5, 2011	Number		1,491
		CHF	190,833	80,000
Erich Hunziker	Deputy Chairman since May 5, 2011, Chairman of the Governance, Nomination & Compensation Committee since May 5, 2011	Number		1,491
		CHF	216,667	80,000
Christine Binswanger	Member of the Board of Directors	Number		1,491
		CHF	80,000	80,000
Alexander Gut	Member of the Board of Directors since May 5, 2011,	Number		870
	Member of the Audit Committee since May 5, 2011	CHF	62,500	46,667
Peter Küpfer	Member of the Board of Directors,	Number		1,491
	Chairman of the Audit Committee	CHF	180,000	80,000
Adrian Loader	Member of the Board of Directors, Member of the Governance, Nomination & Compensation Committee since May 5, 2011	Number		1,491
		CHF	91,667	80,000
Andreas von Planta	Deputy Chairman until May 5, 2011,	Number		1,491
	Member of the Audit Committee	CHF	189,167	80,000
Thomas Schmidheiny	Member of the Board of Directors, Member of the	Number		1,491
	Governance, Nomination & Compensation Committee	CHF	130,800[5]	80,000
Wolfgang Schürer	Member of the Board of Directors, Member of the	Number		1,491
	Governance, Nomination & Compensation Committee	CHF	100,000	80,000
Dieter Spälti	Member of the Board of Directors,	Number		1,491
	Member of the Audit Committee	CHF	110,000	80,000
Robert F. Spoerry	Member of the Board of Directors until May 5, 2011	Number		621
		CHF	33,333	33,333
Total Board of Directors		**Number**		**16,401**
(non-executive members)		**CHF**	**1,980,647**	**880,000**
Markus Akermann[6]	Executive member of the Board of Directors,	Number		
	CEO until January 31, 2012	CHF	2,223,500	
Variable compensation in percent of base salary				
Total senior management[8]		**Number**		
		CHF	**15,377,609**	
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, etc. The parameters for the fair value calculation of shares and options allocated in the year under review are disclosed on page 217 under "Share compensation plan".
[2] The shares were valued at the average market price in the period from January 1, 2012, to February 15, 2012, 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 3.6 million (2010: 8.3), 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 2011 would have amounted to CHF 3.8 million (2010: 3.7).
[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 2011	compensation 2010
			32,891	50,000	758,571	758,097
			11,624	10,000	292,457	101,524
			8,229	10,000	314,896	198,093
			7,199	10,000	177,199	177,083
			3,219	5,833	118,219	0
			11,484	10,000	281,484	281,285
			0	10,000	181,667	170,023
			12,821	10,000	291,988	408,193
			7,631	10,000	228,431	230,448
			8,012	10,000	198,012	198,093
			8,744	10,000	208,744	195,467
			4,795	4,167	75,628	177,083
			116,649	**150,000**	**3,127,296**	**2,895,389**
	5,397	36,654				
391,347	289,657	492,996	378,877	1,876,100	5,652,477[7]	8,713,996[7]
	52.8%					
	36,057	**179,894**				
2,797,698	**1,935,179**	**2,419,574**	**5,084,342**	**3,959,107**	**31,573,509**	**36,662,463**
	46.5%					

Compensation for former members of governing bodies
In the year under review, compensation in the amount of CHF 4.2 million (2010: 2.9) was paid to one former member of the Board of Directors and five former members of senior management.

Shareholdings and loans

Shares and options owned by the Board of Directors
At the end of 2011, non-executive members of the Board of Directors held a total of 65,930,455 registered shares in Holcim Ltd. This number comprises privately acquired shares and those allotted under participation and compensation schemes. As of the end of 2011, 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 2011	Total number of call options 2011
Rolf Soiron	Chairman	36,879	–
Beat Hess	Deputy Chairman	880	–
Erich Hunziker	Deputy Chairman, Governance, Nomination & Compensation Committee Chairman	10,916	–
Christine Binswanger	Member	3,926	–
Alexander Gut	Member	900	–
Peter Küpfer	Member, Audit Committee Chairman	10,915	37,000[2] 31,000[3]
Adrian Loader	Member	6,680	–
Andreas von Planta	Member	10,674	–
Thomas Schmidheiny	Member	65,774,099	–
Wolfgang Schürer	Member	43,620	–
Dieter Spälti	Member	30,966	–
Total Board of Directors (non-executive members)		**65,930,455**	**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 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.

Shares and options owned by senior management

As of December 31, 2011, the executive member of the Board of Directors and the other members of senior management held a total of 296,824 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 2011, senior management held a total of 924,382 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 the holder 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 2011	Total number of call options 2011
Markus Akermann	Executive Member of the Board of Directors, CEO	93,996	290,096
Thomas Aebischer	Member of the Executive Committee, CFO	3,417	33,550
Urs Böhlen	Member of the Executive Committee	18,227	82,319
Patrick Dolberg	Member of the Executive Committee	12,789	66,619
Paul Hugentobler	Member of the Executive Committee	75,796	119,769
Benoît-H. Koch	Member of the Executive Committee	19,383	104,763
Roland Köhler	Member of the Executive Committee, CEO HGRS	9,323	65,581
Andreas Leu	Member of the Executive Committee	10,434	46,773
Ian Thackwray	Member of the Executive Committee	2,828	45,786
Javier de Benito	Area Manager	19,123	21,855
Urs Fankhauser	Area Manager	3,319	–
Aidan Lynam	Area Manager	2,625	3,675
Bernard Terver	Area Manager	19,262	23,600
Jacques Bourgon	Corporate Functional Manager	6,302	19,996
Total senior management		**296,824**	**924,382**

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**

[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] 2011	Number[1] 2010
January 1	**976,831**	**890,685**
Increase due to change in senior management	0	20,960
Decrease due to retirements	238,673	133,545
Granted and vested (individual component of variable compensation)	119,124	131,631
Granted and vested (single allotment)	67,100	67,100
Forfeited	0	0
Exercised	0	0
Lapsed	0	0
December 31	**924,382**	**976,831**
Of which exercisable at the end of the year	331,004	215,650

[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 2011 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
2011	2019	CHF 67.15	149,763
2011	2023	CHF 71.50	67,100
Total			**1,467,222**

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

In 2011, two new Executive Committee members have been granted in total 67,100 options.

Loans granted to members of governing bodies

As at December 31, 2011, there were no loans outstanding 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 2.1 million (2010: 0.3) at the stock market price from members of senior management.

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

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Financial Information 2011 Holcim Ltd

Management discussion and analysis 2011

2011 was characterized by a growing demand for building materials, particularly in the emerging markets. The Group sold greater volumes of cement, aggregates, and ready-mix concrete. Although the strength of the Swiss franc and inflation-related cost increases put pressure on operating EBITDA, it was on a like-for-like basis only marginally lower than in the previous year. Cash flow from operating activities was lower than in the previous year due to the strong Swiss franc and tax credits received in 2010.

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

In many emerging markets the construction industry reported steady growth throughout the year. Volumes were up in the product segments cement, aggregates, and ready-mix concrete, most notably in the emerging markets of Asia and Latin America. Once again, broad geographical diversification proved to be a cornerstone of the Group's success.

Although Holcim succeeded in raising selling prices, the increase was not enough to completely cover the inflation-related cost increases in energy, transportation, and raw materials. The factor with the greatest negative impact on the results was the strength of the Swiss franc. On a like-for-like basis operating EBITDA was only slightly lower than in the previous year.

Despite the commissioning of net new cement capacity of 3.6 million tonnes in 2011, in addition to 1.7 million tonnes in the final quarter of 2010, and various non-recurring expenses, on a like-for-like basis, fixed costs, excluding CO_2 transactions, increased by a moderate CHF 367 million compared to the previous year. Owing to this result and the increase in distribution costs, the operating EBITDA margin fell from 20.8 percent in 2010 to 19.1 percent in the year under review.

The substantial appreciation of the Swiss franc against the most important foreign currencies for the Group put considerable pressure on the 2011 consolidated statement of income. Year-on-year, the currency effect reduced net sales by 12.5 percent, operating EBITDA by 12.3 percent, and cash flow from operating activities by 10.5 percent. As in the previous year, there were only marginal changes in the scope of consolidation.

In the past 12 months, net financial debt rose slightly to CHF 11,549 million from CHF 11,363 million.

Operating results fourth quarter

Sales volumes and principal key figures

	Oct.–Dec. 2011	Oct.–Dec. 2010	±%	±% like-for-like
Sales of cement in million t	36.2	33.9	+6.7	+6.3
– of which mature markets in million t	7.5	7.5	+0.6	+1.0
– of which emerging markets in million t	28.7	26.4	+8.6	+7.9
Sales of aggregates in million t	42.6	39.1	+8.9	+7.2
– of which mature markets in million t	34.5	32.0	+7.6	+6.4
– of which emerging markets in million t	8.1	7.1	+15.1	+10.6
Sales of ready-mix concrete in million m^3	12.2	11.5	+6.5	+3.0
– of which mature markets in million m^3	6.8	6.0	+12.7	+6.1
– of which emerging markets in million m^3	5.4	5.5	–2.1	–0.5
Sales of asphalt in million t	2.7	2.8	–4.4	–4.4
Net sales in million CHF	5,284	5,085	+3.9	+13.1
– of which mature markets in million CHF	2,577	2,462	+4.7	+8.6
– of which emerging markets in million CHF	2,707	2,623	+3.2	+17.3
Operating EBITDA in million CHF	987	936	+5.3	+15.5
– of which mature markets in million CHF	336	330	+1.6	+5.0
– of which emerging markets in million CHF	651	606	+7.5	+21.2
Operating EBITDA margin in %	18.7	18.4		
Operating profit in million CHF	180	441	–59.2	–55.6
Net (loss) income in million CHF	(322)	398	–180.8	–197.6
Net (loss) income – shareholders of Holcim Ltd – in million CHF	(438)	307	–242.9	–270.4
Cash flow from operating activities in million CHF	1,823	1,606	+13.5	+28.4

The quarterly key figures are subject to seasonal fluctuations, particularly in Europe and North America. Hence, depending on the local weather conditions, there may be variations between the quarters.

In the fourth quarter, cement deliveries rose by 6.7 percent or 2.3 million tonnes compared to the same quarter in the previous year. The largest increases were posted in the Group regions Asia Pacific and Latin America. Sales of aggregates also advanced in this period, rising by 8.9 percent or 3.5 million tonnes. Europe and North America accounted for the largest increases. Sales of ready-mix concrete rose in all regions with the exception of Asia Pacific. The overall increase amounted to 6.5 percent or 0.7 million cubic meters. The major contributions were posted in North America and Europe.

Quarterly results fourth quarter

Million CHF	Oct.–Dec. 2011	Oct.–Dec. 2010	±%	±% like-for-like
Net sales by region				
Europe	1,431	1,399	+2.3	+7.4
North America	836	791	+5.6	+8.6
Latin America	843	855	–1.4	+12.3
Africa Middle East	254	249	+2.0	+9.5
Asia Pacific	2,072	1,938	+6.9	+19.6
Corporate/Eliminations	(152)	(147)		
Total Group	5,284	5,085	+3.9	+13.1
Operating EBITDA by region				
Europe	224	190	+17.6	+21.7
North America	82	94	–12.4	–9.4
Latin America	226	237	–4.9	+7.1
Africa Middle East	75	73	+2.7	+8.9
Asia Pacific	437	381	+14.7	+28.3
Corporate/Eliminations	(56)	(39)		
Total Group	987	936	+5.3	+15.5
Cash flow				
Cash flow from operating activities	**1,823**	**1,606**	**+13.5**	
Net capital expenditures on property, plant and equipment to maintain productive capacity and to secure competitiveness	(324)	(186)	–75.3	
Investments in property, plant and equipment for expansion	(304)	(322)	+5.9	
Financial investments net	(208)	(36)	–506.2	
Cash flow from investing activities	**(836)**	**(542)**	**–54.1**	

In the fourth quarter net sales increased by 3.9 percent to CHF 5,284 million compared to the same quarter in the previous year, despite the substantial negative exchange rate impact of 10 percent or CHF 508 million. On a like-for-like basis there was an increase of 13.1 percent. This was driven primarily by developments in the Group region Asia Pacific, where net sales on a like-for-like basis rose by 19.6 percent in the fourth quarter. All other regions also recorded higher net sales on a like-for-like basis.

In the fourth quarter, operating EBITDA climbed by 5.3 percent or CHF 50 million compared to the same quarter in the previous year, despite the negative exchange rate impact of 10.5 percent or CHF 98 million. On a like-for-like basis, primarily due to Group regions Asia Pacific and Europe, an increase of 15.5 percent was reported. In Europe the sale of CO_2 emission certificates had a positive impact of CHF 52 million on operating EBITDA in the fourth quarter (Q4 2010: 20). In the Group region Asia Pacific operating EBITDA rose by 28.3 percent on a like-for-like basis. The operating EBITDA margin increased to 18.7 percent in the fourth quarter of 2011 from 18.4 percent in the fourth quarter of 2010.

In the fourth quarter, cash flow from operating activities increased by CHF 217 million or 13.5 percent compared to the final quarter of 2010. The increase is primarily due to the higher inflows resulting from changes in net working capital.

Operating results

Sales volumes and principal key figures

	Jan.–Dec. 2011	Jan.–Dec. 2010	±%	±% like-for-like
Sales of cement in million t	144.3	136.7	+5.6	+5.5
– of which mature markets in million t	31.4	31.5	–0.1	–0.1
– of which emerging markets in million t	112.9	105.2	+7.3	+7.1
Sales of aggregates in million t	173.0	157.9	+9.6	+5.6
– of which mature markets in million t	141.4	131.8	+7.3	+3.3
– of which emerging markets in million t	31.7	26.1	+21.1	+17.6
Sales of ready-mix concrete in million m^3	48.4	45.9	+5.4	+2.2
– of which mature markets in million m^3	27.0	25.5	+6.2	+0.0
– of which emerging markets in million m^3	21.3	20.4	+4.4	+4.9
Sales of asphalt in million t	10.3	10.6	–2.8	–2.8
Net sales in million CHF	20,744	21,653	–4.2	+7.5
– of which mature markets in million CHF	10,132	10,656	–4.9	+2.9
– of which emerging markets in million CHF	10,612	10,997	–3.5	+12.0
Operating EBITDA in million CHF	3,958	4,513	–12.3	–0.2
– of which mature markets in million CHF	1,280	1,522	–15.9	–9.6
– of which emerging markets in million CHF	2,678	2,991	–10.5	+4.5
Operating EBITDA margin in %	19.1	20.8		
Operating profit in million CHF	1,933	2,619	–26.2	–14.7
Net income in million CHF	682	1,621	–57.9	–52.3
Net income – shareholders of Holcim Ltd – in million CHF	275	1,182	–76.7	–74.9
Cash flow from operating activities in million CHF	2,753	3,659	–24.8	–14.0

Sales volumes

In the 2011 financial year, the increase in cement sales totalled 7.6 million tonnes, which corresponds to a growth of 5.6 percent to 144.3 million tonnes. On a like-for-like basis, the increase amounted to 5.5 percent or 7.5 million tonnes. In Europe, despite the challenging market situation in Spain, sales volumes increased by 0.5 million tonnes or 1.9 percent, primarily due to the contributions of France, Romania, and Russia. The Russian Group company benefited from expanding cement consumption in Russia, which was boosted by major infrastructure projects, and the increase in production capacity at the Shurovo cement plant. Cement sales in the Group region North America increased by 2.9 percent or 0.3 million tonnes. The moderate economic recovery was barely evident in the US construction sector. Due to numerous infrastructure projects, sales of cement in Latin America strongly increased by 6.7 percent or 1.5 million tonnes. Primarily due to fierce competition in Morocco, cement sales in the Group region Africa Middle East declined by 2.1 percent or 0.2 million tonnes. Asia Pacific benefited from additional production capacity in India and solid macroeconomic conditions in Indonesia. The result was an increase in cement sales volumes of 5.8 percent or 4.1 million tonnes.

Deliveries of aggregates increased by 9.6 percent to 173 million tonnes. On a like-for-like basis, the increase amounted to 5.6 percent or 8.9 million tonnes. Growth was driven primarily by demand in Europe (increase of 2.5 million tonnes) and North America (increase of 0.9 million tonnes). Acquisitions in both of these regions increased sales volumes further (total increase in Europe: 5.4 million tonnes; total increase in North America: 4.3 million tonnes). Sales of aggregates rose by 2.3 million tonnes in Latin America and by 3.3 million tonnes in Asia Pacific.

Sales of ready-mix concrete grew by 5.4 percent to 48.4 million cubic meters. On a like-for-like basis, the increase amounted to 2.2 percent or 1 million cubic meters. Volumes rose in all Group regions, with North America reporting the largest increase of 25.4 percent, which corresponds to a gain of 1.4 million cubic meters. On a like-for-like basis, sales volumes in North America were unchanged from the previous year. Volumes in Latin America expanded by 0.5 million cubic meters or 5.2 percent and in Asia Pacific by 0.4 million cubic meters or 2.8 percent.

Net sales

Net sales by region

Million CHF	Jan.–Dec. 2011	Jan.–Dec. 2010	±%	±% like-for-like
Europe	6,122	6,535	–6.3	+3.1
North America	2,987	3,240	–7.8	+1.3
Latin America	3,310	3,442	–3.8	+11.1
Africa Middle East	959	1,098	–12.6	–0.3
Asia Pacific	8,001	7,958	+0.5	+14.2
Corporate/Eliminations	(636)	(620)		
Total Group	20,744	21,653	–4.2	+7.5

For the year under review, net sales fell by 4.2 percent to CHF 20,744 million mainly due to negative currency impacts. On a like-for-like basis net sales increased by 7.5 percent or CHF 1.6 billion. In Europe net sales increased by 3.1 percent on a like-for-like basis, primarily owing to higher net sales in France and Russia. However, these increases were overshadowed by the decline in Spain, where the situation for construction markets was challenging. The Group region North America increased net sales by 1.3 percent on a like-for-like basis. In Latin America, the increase in net sales totalled 11.1 percent on a like-for-like basis, which is primarily attributable to Argentina and Colombia. Apart from inflation-related price increases in Argentina, a 5.1 percent increase in cement volumes also contributed to the growth in net sales. Holcim Colombia was able to benefit from rising demand for building materials, particularly in the infrastructure segment and the residential and industrial construction sectors. On a like-for-like basis the Group region Asia Pacific posted impressive growth of 14.2 percent. The two Indian companies benefited from the country's solid economic growth, additional production capacity, and substantial growth in sales volumes. Holcim Australia profited from rapid expansion in the mining sector. Indonesia continued to experience strong economic growth.

There were only minor changes in net sales by Group region compared to the previous year. Europe's contribution shrank from 29.3 to 28.6 percent as did North America's from 14.6 to 14.0 percent. By contrast, net sales of Asia Pacific increased from 35.7 to 37.4 percent.

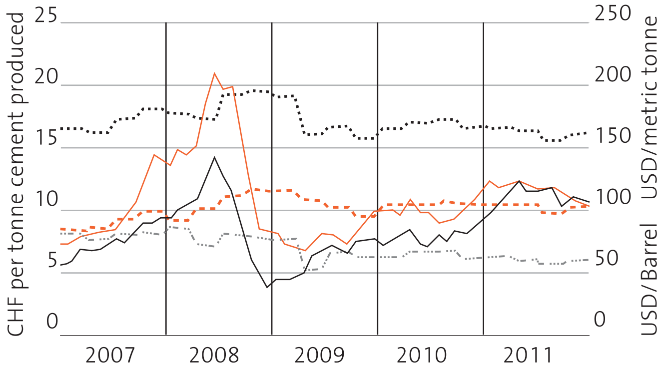
The emerging markets accounted for a slightly larger proportion of total net sales than the mature markets. The ratio was 51.2 percent (2010: 50.8) to 48.8 percent (2010: 49.2).

Energy costs

Energy costs consist of the expenses related to fuel and electricity. Since 2007 the energy costs involved in producing a tonne of cement have remained relatively constant. There are two major differences between developments in our energy costs and those in energy market prices. Firstly, since the economic turbulences in late 2008, market prices have for the most part risen steadily, while due to strengthening of the Swiss franc, Holcim's energy costs have marginally changed. Without the strengthening of the Swiss franc, Holcim's energy costs would have risen by 10 percent year-on-year in 2011.

Secondly, Holcim's energy prices are subject to much less, and sometimes delayed, volatility than market prices, as was particularly evident in 2008. This is attributable to the fact that around 60 percent of the fuel consumed is coal, of which only about half is bought on the international market. The other half is bought locally. The price trends shown in the adjacent chart reflect prices in the international markets, which are more volatile than prices in local markets. Moreover, in some countries the government directly influences the latter. In addition, fuel stocks result in time lags. Thus, changes in market prices do not immediately impact the expense recorded in the statement of income.

Holcim energy cost per tonne cement produced compared to market prices



[1] Energy expenses stated quarterly.
[2] WEFA Steam Coal ARA index, in USD per metric tonne.
[3] Crude oil "Brent" per Barrel (free on board, excluding freight cost).

Operating EBITDA

Operating EBITDA by region

Million CHF	Jan.–Dec. 2011	Jan.–Dec. 2010	±%	±% like-for-like
Europe	930	1,045	–11.0	–3.8
North America	346	460	–24.9	–15.5
Latin America	888	999	–11.2	+2.9
Africa Middle East	312	359	–13.0	–1.1
Asia Pacific	1,700	1,820	–6.6	+6.8
Corporate/Eliminations	(219)	(170)		
Total Group	3,958	4,513	–12.3	–0.2

In the year under review there was a primarily currency-related fall in operating EBITDA of 12.3 percent. The decrease on a like-for-like basis was 0.2 percent or CHF 11 million. The decrease in the Group region Europe was 3.8 percent or CHF 39 million on a like-for-like basis. Much of this decline is accounted for by the year-on-year drop in sales of CO_2 emission certificates, which were additionally sold at lower prices, but also by the marked falls in prices and volumes, and tighter government austerity measures in Eastern Europe. Despite higher sales volumes, all segments in the Group region North America were affected by falling prices and higher energy and distribution costs in the USA. Thus in 2011, operating EBITDA fell by 15.5 percent or CHF 71 million on a like-for-like basis compared to the previous year. On the other hand, in Latin America, operating EBITDA rose by 2.9 percent or CHF 29 million on a like-for-like basis. Colombia and Argentina in particular made positive contributions. Economic growth in Brazil was lower than in the previous year. Coupled with more rapidly rising costs, this had a negative impact on operating EBITDA. Owing to higher fuel costs and lower sales of cement and aggregates, operating results for the Group region Africa Middle East slipped by 1.1 percent or CHF 4 million on a like-for-like basis. However, in Asia Pacific, Holcim was able to generate 6.8 percent or CHF 124 million more operating EBITDA on a like-for-like basis. In particular

Holcim Indonesia, Holcim Australia and Ambuja Cements in India reported very good results. Indonesia is experiencing a building boom, which fueled higher volumes and prices. Operations in the Philippines were impacted by the government's short-term postponement of major capital projects. To ensure appropriate Corporate Governance procedures, the tendering and award process was slowed down; and at the same time, there was a marked increase in pricing pressures and energy costs.

The shift in the regional weighting of operating EBITDA was most marked between North America and Asia Pacific. In 2011 North America accounted for 8.3 percent of operating EBITDA (2010: 9.8) and Asia Pacific 40.7 percent (2010: 38.9).

In 2011 the emerging markets' share of operating EBITDA at 67.7 percent (2010: 66.3) was higher than that of the mature markets, which contributed 32.3 percent (2010: 33.7) of the overall result.

Operating EBITDA margin

For the year as a whole, the Group operating EBITDA margin decreased by 1.8 percentage points to 19.1 percent. On a like-for-like basis it fell by 1.5 percentage points. This is attributed primarily to the fact that while on the one hand Holcim was able to sharply increase revenues, on the other it could not increase operating EBITDA to the same extent because of inflation-driven cost increases. The reduction of 0.8 percent points in Europe is largely attributable to the smaller number of CO_2 certificates sold at a lower market price. In North America, US prices which stabilized at a low level, and rising distribution costs reflecting changes in transport routes, resulted in the operating EBITDA margin falling by 2.6 percentage points. Latin America reported a decline of 2.2 percentage points in the operating EBITDA margin largely on account of rising fuel costs coupled with slowing sales increases in Brazil. The Group region Africa Middle East reported a steady margin year-on-year. In the Group region Asia Pacific the operating EBITDA margin fell by 1.6 percentage points primarily due to higher costs for fuel and transport services.

In the cement segment, the operating EBITDA margin fell from 26.9 percent in previous year to 24.3 percent (Holcim target: > 33 percent). All Group regions reported a margin reduction in this segment. In the aggregates segment the margin edged down by just 0.6 percent to 20.7 percent (Holcim target: > 27 percent). The situation was similar in the other construction materials and services segment, where the margin declined by a modest 0.3 percentage points to 2.5 percent (Holcim target: > 8 percent). In this segment only the Group region Africa Middle East reported a sizable increase of 4.2 percentage points.

Operating profit

In 2011, operating profit fell by 26.2 percent to CHF 1,933 million. On a like-for-like basis the development in operating profit was a negative 14.7 percent, or a decrease of CHF 385 million. The decrease resulted mainly from the impairments of property, plant and equipment, and goodwill announced in January 2012 (see Notes 23 and 24 on pages 202 – 204).

Group net income

Group net income declined by 57.9 percent to CHF 682 million. This was impacted by the lower operating profit, the write-down of the investment in AfriSam which increased financial expenses (see Note 13 on page 196), and the lower share of profit of associates in 2011.

In 2011, the effective tax rate stood at 39.7 percent (2010: 27.5). The increase is primarily attributable to the non-tax-effective impairments of investments, goodwill and property, plant and equipment recognized in the fourth quarter of 2011.

Financing activities, investments and liquidity

Cash flow

Million CHF	Jan.–Dec. 2011	Jan.–Dec. 2010	±%
Cash flow from operating activities	2,753	3,659	−24.8
Net capital expenditures on property, plant and equipment to maintain productive capacity and to secure competitiveness	(752)	(410)	−83.5
Free cash flow	**2,001**	**3,249**	**−38.4**
Investments in property, plant and equipment for expansion	(886)	(1,182)	+25.0
Financial (in)divestments net	(154)	230	−166.5
Dividends paid	(713)	(719)	+0.8
Financing surplus	**248**	**1,578**	**−84.3**
Cash flow from financing activities (excl. dividends)	(653)	(2,521)	+74.1
Decrease in cash and cash equivalents	**(405)**	**(943)**	**+57.1**

Cash flow from operating activities

In the year under review, cash flow from operating activities fell by CHF 906 million or 24.8 percent to CHF 2,753 million. Currency fluctuations had a negative impact of CHF 384 million on cash flow. On a like-for-like basis, there was a decrease of CHF 511 million or 14 percent. This is a consequence in particular of the one-time tax credits received in 2010 by Holcim (US) and both Indian Group companies (see note 14 on page 197). Other factors that negatively impacted cash flow from operating activities included lower inflows from changes in net working capital than in the previous year, and greater pressure on the operating EBITDA margin. In the year under review the cash flow margin was 13.3 percent (2010: 16.9).

Investment activities

In the financial year under review, cash flow used in investing activities increased by CHF 429 million to CHF 1,791 million. In 2011, Holcim invested CHF 886 million in expansion and CHF 752 million in maintenance of production plants and other fixed assets. Compared to the previous year's total of CHF 1,592, this represents an increase of 2.8 percent. Maintenance activities and investments in rationalizing and improving processes in environmental and occupational health and safety measures amounted to gross CHF 890 million (2010: 639). Investments in property, plant and equipment for expansion mainly include projects in emerging markets such as India and Russia, as well as in Australia. Holcim continued to pursue the strategic expansion program in existing and new markets. All in all, in the year under review, 3.6 million net tonnes of cement capacity was commissioned, most of it in the growth market India, with smaller amounts in Latin America and Europe. Equipped with modern technology, these capacity investments are expected to further improve the Group's overall cost efficiency and environmental impact. Currently the more important investment projects include the expansion of aggregates capacity in Australia, the systematic expansion of capacities in the emerging market of India, the expansion of cement plants in Azerbaijan and Morocco, and the construction of new cement plants in Brazil and Indonesia.

Key investment projects

Australia – expansion of aggregates capacity

In 2011, Holcim began work south-west of Sydney on what will become the company's largest project in the field of aggregates. Known as Lynwood Quarry, the site has adequate reserves to cover the long-term supply of one of Australia's largest markets. Due to the possibility of transporting the raw material by rail, the quarry, together with the distribution center in West Sydney will offer one of the most cost-effective and sustainable solutions of this kind. The plant is due to be commissioned in 2014. With reserves estimated to guarantee production for several decades, the site is expected to enable Holcim to strengthen its integrated market position in Sydney and New South Wales.

India – expansion of market position

In India both ACC and Ambuja Cements continue to expand capacity. A combined additional capacity of 3.7 million tonnes was commissioned in 2011 in the eastern and south-western regions of India, which offer favorable prospects in terms of price. In the eastern region, another 3.5 million tonnes capacity is expected to be commissioned in 2015. These capacities are expected to help improve efficiency and competitiveness in the rapidly growing Indian market and strengthen Holcim's presence in the country.

Russia – capacity expansion at Shurovo plant

The Shurovo plant, the cornerstone of Holcim's strategic positioning in Russia, was commissioned in 2011. With an annual production capacity of 2.1 million tonnes of cement, the plant is equipped to use alternative fuels and raw materials and sets new standards for the industry in Russia for environmental aspects, health and safety. This modern production site strengthens Holcim's ability to participate in Russia's economic growth.

Azerbaijan – modernizing the Garadagh Cement plant

As part of its regional expansion strategy, Holcim is creating a technologically advanced cement plant in Azerbaijan. To be fully commissioned in the first quarter of 2012, it will have a cement capacity of 1.7 million tonnes. The modernization project includes replacing the outmoded wet process with a more efficient dry process kiln line. Goals include higher production volumes, lower fuel and energy consumption, improved environmental compatibility by reducing emissions, and better occupational health and safety.

Morocco – rationalization

Work on doubling clinker capacity at the Fez site is proceeding according to plan. When commissioned in the third quarter of 2012, the plant's clinker capacity will increase by 0.4 million tonnes. One expected result of the investment is savings in the field of logistics, which should reduce production costs and improve Holcim's positioning in an important growth market.

Brazil – capacity expansion

To keep up with Brazil's dynamic market development, a second kiln line will be installed at Barroso. The facility is due to be commissioned in 2014. This investment should enable Holcim Brazil to increase its capacity by 2.6 million tonnes to 7.1 million tonnes and better position itself to meet growing demand for building materials in the country.

Indonesia – capacity expansion

To meet rising domestic demand and optimize logistics, Holcim decided to build a new cement plant with an annual production capacity of 1.7 million tonnes in Tuban, East Java. Clinker production should come on stream in December 2013, while commissioning of the cement production and shipping facilities is scheduled for the first quarter of 2013. By leveraging a strong brand presence and optimizing the costs of logistics and production, this investment is expected to position Holcim Indonesia to participate in the country's robust economic growth.

Group $ROIC_{BT}$

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

Group $ROIC_{BT}$

Million CHF

	EBIT[1]	Invested capital Current year	Invested capital Previous year	Average	$ROIC_{BT}$ in %
2011	2,235	33,426	35,040	34,233	6.5
2010	3,054	35,040	38,438	36,739	8.3

[1] Earnings before interest and taxes.

Owing to the decline in EBIT, the $ROIC_{BT}$ fell in the year under review from 8.3 percent to 6.5 percent. Investment activity, which normally starts to generate EBIT after a construction phase of two to three years, is charged to invested capital immediately.

Financing activity

Investments were largely funded out of cash flow from operating activities. Additional debt capital was used to refinance or repay existing borrowings. Transactions in 2011 included, among others, the following:

CHF 425 million	Holcim Overseas Finance Ltd. bond with a fixed interest rate of 3.375%, term 2011–2021.
EUR 2,000 million	Syndicated credit facility with term 2011–2016 and two one-year extension options for the purpose of early refinancing of the existing syndicated credit facility with maturity in May 2013.

Net financial debt

Although cash flow from operating activities was higher than cash outflows for investment activities, net financial debt increased from CHF 11,363 million to CHF 11,549 million, primarily due to the dividend payment to the shareholders of Holcim Ltd and the increase of participations in Group companies.

At the end of 2011, the ratio of net financial debt to shareholders' equity (gearing) was 58.8 percent (2010: 53.8). Gearing increased primarily as a consequence of negative currency translation effects on shareholders' equity.

Financing profile

Holcim has a solid financial profile. 67 percent of the financial liabilities are financed through various capital markets (see overview of all outstanding bonds and private placements on pages 208 and 209) and 33 percent through banks and other lenders. There are no major positions with individual lenders. The company explicitly favors a very broad investor base and continues to expand it.

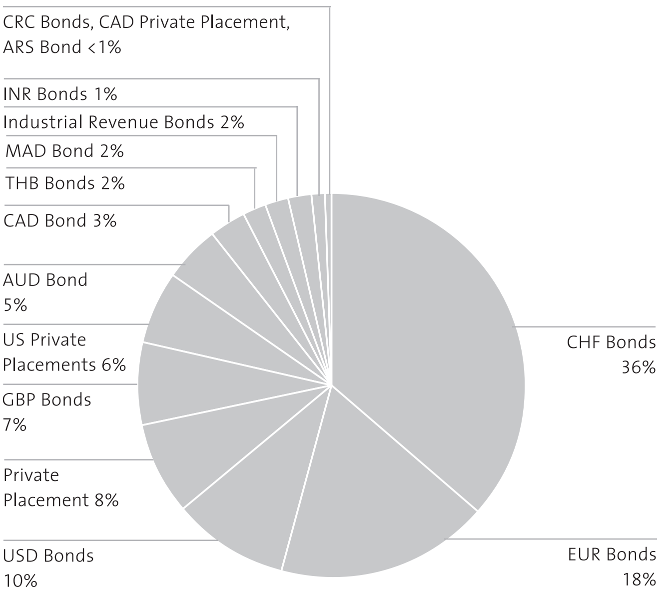
At 4.0 years, the average maturity of financial liabilities remained within the target zone. The Group's maturity profile is widely spread with a large proportion of mid to long-term financing.

To optimize the Group's maturity profile and make efficient use of the Group's cash and cash equivalents, Holcim Ltd and Holcim Overseas Finance Ltd. purchased own bonds for an amount of CHF 305 million in 2011 which were due to mature within the next 18 months.

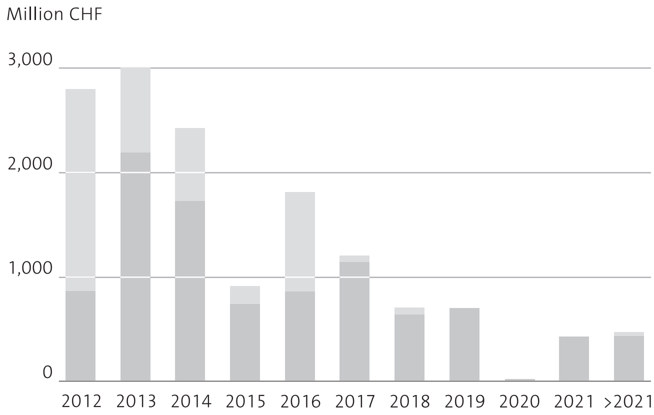
One of the Group's objectives is the maintenance of a favorable credit rating, as evidenced by the Group's focus on financial targets required for a solid investment grade rating. Detailed information on the credit ratings can be found on pages 52, 183 and 184 of this Annual Report. At December 31, 2011, the ratio of funds from operations (FFO) to net financial debt was 26.4 percent (Holcim target: >25 percent) and that of net financial debt to EBITDA was 2.7 (Holcim target: <2.8). The EBITDA net interest coverage excluding the value adjustments announced in January 2012 was 6.4x[1] (Holcim target: >5x) and the EBIT net interest coverage, also excluding the value adjustments announced in January 2012 was 3.9x[2] (Holcim target: >3x).

Compared with the previous year, there was no change in the average interest rate of 4.4 percent on Holcim's financial liabilities as at December 31, 2011. The proportion of fixed-rate debt was reduced to 53 percent (2010: 58).

Capital market financing of the Group as per December 31, 2011 (CHF 9,713 million)



Maturity profile of total financial liabilities as per December 31, 2011[3]



[3] Current financial liablities adjusted for short-term drawings under long-term committed credit lines of CHF 12 milion.

[1] Including the value adjustments announced in January 2012, the EBITDA net interest coverage was 4.2x.
[2] Including the value adjustments announced in January 2012, the EBIT net interest coverage was 2.2x.

Liquidity

To secure liquidity, the Group held liquid funds of CHF 2,946 million at December 31, 2011 (2010: 3,386), whereby liquidity was intentionally reduced compared to the previous year. Most of this cash is invested in term 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, 2011, Holcim also had unutilized credit lines amounting to CHF 6,674 million (2010: 8,867) (see also page 206). This includes unused, committed credit lines of CHF 4,319 million (2010: 6,378). Existing borrowings[1] at December 31, 2011 of CHF 2,808 (2010: 2,318) maturing in the next 12 months are more than covered by existing cash and cash equivalents and unutilized, committed credit lines.

In the financial year under review, the USD 3,500 million syndicated credit facility with a term of 2007–2013 was early refinanced with a new EUR 2,000 million syndicated loan with a term of 2011–2016 and two one-year extension options. The main reasons for early refinancing were favorable refinancing conditions, optimizing the maturity profile and pending regulatory changes in the banking world (Basel III). 16 lenders participated in the transaction. The banking syndicate includes both international and national lenders from Europe, Asia, Australia and America, which underscores the global presence and standards of Holcim's banking businesses. The credit facility allows Holcim to finance any liquidity needs at any time in the world's leading currencies.

Currency sensitivity

The Group operates in around 70 countries, generating the substantial portion of its results in currencies other than the Swiss franc. Only about 4 percent of net sales are generated in Swiss francs.

Foreign-currency volatility has little effect on the Group's operating profitability. As the Group produces a very high proportion of its products locally, most sales and costs are incurred in the respective local currencies. The effects of foreign exchange movements are therefore largely restricted to the translation of local financial statements for the consolidated statement of income. In the last financial year these were, on balance, negative. Because a large part of the foreign capital is financed with matching currencies in local currency, the effects of the foreign currency translation of local balance sheets for the consolidated balance sheet have not, in general, resulted in significant distortions in the consolidated balance sheet.

The following sensitivity analysis presents the currency effect of the euro, pound sterling, US dollar and the Indian rupee on selected key figures of the consolidated financial statements. The sensitivity analysis only factors in effects that result from the conversion of local financial statements into Swiss francs (translation effect). Currency effects from transactions conducted locally in foreign currencies are not included in the analysis. Given the local nature of business activities, this type of transaction is seldom respectively individually hedged.

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

Sensitivity analysis

Million CHF	2011	EUR	GBP	USD	Latin American basket (MXN, BRL, ARS, CLP)	INR	Asian basket (AUD, IDR, PHP, THB)
	Actual figures	Assuming a 5% lower exchange rate the impact would be as follows:					
Net sales	20,744	(139)	(88)	(110)	(114)	(174)	(168)
Operating EBITDA	3,958	(14)	(8)	(24)	(27)	(39)	(40)
Net income	682	(14)		(16)	(7)	(23)	(9)
Cash flow from operating activities	2,753	(7)	(4)	(19)	(13)	(32)	(21)
Net financial debt	11,549	(88)	(31)	(121)	(32)	38	(129)

[1] Current financial liabilities adjusted for short-term drawings under long-term committed credit lines of CHF 12 million.

Consolidated statement of income of Group Holcim

Million CHF	Notes	2011	2010
Net sales	5, 6	**20,744**	**21,653**
Production cost of goods sold	7	(12,216)	(12,379)
Gross profit		**8,528**	**9,274**
Distribution and selling expenses	8	(5,226)	(5,278)
Administration expenses		(1,369)	(1,377)
Operating profit		**1,933**	**2,619**
Other income	11	69	7
Share of profit of associates	22	149	245
Financial income	12	191	262
Financial expenses	13	(1,210)	(897)
Net income before taxes		**1,131**	**2,236**
Income taxes	14	(449)	(615)
Net income		**682**	**1,621**
Attributable to:			
Shareholders of Holcim Ltd		275	1,182
Non-controlling interest		408	439
Earnings per share in CHF			
Earnings per share[1]	16	0.86	3.69
Fully diluted earnings per share[1]	16	0.86	3.69

Million CHF			
Operating EBITDA	3, 10	3,958	4,513
EBITDA	3	4,264	4,988

[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	2011	2010
Net income		**682**	**1,621**
Other comprehensive earnings			
Currency translation effects			
– Exchange differences on translation		(1,247)	(2,042)
– Realized through statement of income		108	
– Tax effect		3	(7)
Available-for-sale financial assets			
– Change in fair value		(2)	421
– Realized through statement of income	25	(55)	(171)
– Tax effect			
Cash flow hedges			
– Change in fair value		(3)	9
– Realized through statement of income			
– Tax effect		(1)	
Net investment hedges in subsidiaries			
– Change in fair value		2	(3)
– Realized through statement of income			
– Tax effect			
Total other comprehensive earnings		**(1,195)**	**(1,793)**
Total comprehensive earnings		**(513)**	**(172)**
Attributable to:			
Shareholders of Holcim Ltd		(606)	(395)
Non-controlling interest		93	223

Consolidated statement of financial position of Group Holcim

Million CHF	Notes	31.12.2011	31.12.2010
Cash and cash equivalents	17	2,946	3,386
Marketable securities		4	30
Accounts receivable	18	2,719	2,590
Inventories	19	2,086	2,072
Prepaid expenses and other current assets	20	382	416
Assets classified as held for sale		16	18
Total current assets		**8,154**	**8,512**
Long-term financial assets	21	561	921
Investments in associates	22	1,425	1,432
Property, plant and equipment	23	22,933	23,343
Intangible assets	24	8,453	9,061
Deferred tax assets	31	490	385
Other long-term assets	25	539	605
Total long-term assets		**34,400**	**35,747**
Total assets		**42,554**	**44,259**
Trade accounts payable	27	2,547	2,303
Current financial liabilities	28	2,820	2,468
Current income tax liabilities		418	555
Other current liabilities		1,667	1,632
Short-term provisions	32	242	256
Total current liabilities		**7,695**	**7,214**
Long-term financial liabilities	28	11,675	12,281
Defined benefit obligations	33	285	317
Deferred tax liabilities	31	2,061	2,203
Long-term provisions	32	1,181	1,123
Total long-term liabilities		**15,202**	**15,924**
Total liabilities		**22,897**	**23,138**
Share capital	36	654	654
Capital surplus		8,894	9,371
Treasury shares	36	(486)	(476)
Reserves		7,768	8,552
Total equity attributable to shareholders of Holcim Ltd		**16,830**	**18,101**
Non-controlling interest		2,827	3,020
Total shareholders' equity		**19,656**	**21,121**
Total liabilities and shareholders' equity		**42,554**	**44,259**

Consolidated statement of changes in equity of Group Holcim

Million CHF	Share capital	Capital surplus	Treasury shares	*Retained earnings*
Equity as at January 1, 2011	**654**	**9,371**	**(476)**	**15,688**
Net income				275
Other comprehensive earnings				
Total comprehensive earnings				275
Payout		(480)		
Change in treasury shares			(21)	
Share-based remuneration		3	11	1
Capital paid-in by non-controlling interest				
Acquisition and disposal of participation in Group companies				
Change in participation in existing Group companies				(179)
Equity as at December 31, 2011	**654**	**8,894**	**(486)**	**15,785**
Equity as at January 1, 2010	**654**	**9,368**	**(455)**	**15,019**
Net income				1,182
Other comprehensive earnings				
Total comprehensive earnings				1,182
Payout				(480)
Change in treasury shares			(32)	3
Share-based remuneration		3	11	
Capital paid-in by non-controlling interest				
Change in participation in existing Group companies				(36)
Equity as at December 31, 2010	**654**	**9,371**	**(476)**	**15,688**

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
249	**7**	**(7,392)**	**8,552**	**18,101**	**3,020**	**21,121**
			275	275	408	682
(56)	(3)	(822)	(881)	(881)	(315)	(1,195)
(56)	(3)	(822)	(606)	(606)	93	(513)
				(480)	(226)	(706)
				(21)		(21)
			1	15	1	16
					32	32
					23	23
			(179)	(179)	(116)	(295)
193	**4**	**(8,214)**	**7,768**	**16,830**	**2,827**	**19,656**
(2)	**(2)**	**(5,549)**	**9,466**	**19,033**	**3,011**	**22,044**
			1,182	1,182	439	1,621
251	9	(1,837)	(1,577)	(1,577)	(216)	(1,793)
251	9	(1,837)	(395)	(395)	223	(172)
			(480)	(480)	(236)	(716)
			3	(29)		(29)
				14	4	18
					29	29
		(6)	(42)	(42)	(11)	(53)
249	**7**	**(7,392)**	**8,552**	**18,101**	**3,020**	**21,121**

Consolidated statement of cash flows of Group Holcim

Million CHF	Notes	2011	2010
Net income before taxes		**1,131**	**2,236**
Other income	11	(69)	(7)
Share of profit of associates	22	(149)	(245)
Financial expenses net	12, 13	1,020	635
Operating profit		**1,933**	**2,619**
Depreciation, amortization and impairment of operating assets	9	2,025	1,894
Other non-cash items		242	238
Change in net working capital		(259)	(43)
Cash generated from operations		**3,941**	**4,708**
Dividends received		137	183
Interest received		132	122
Interest paid		(701)	(829)
Income taxes paid		(705)	(471)
Other expenses		(52)	(54)
Cash flow from operating activities (A)		**2,753**	**3,659**
Purchase of property, plant and equipment		(1,776)	(1,821)
Disposal of property, plant and equipment		138	229
Acquisition of participation in Group companies		(137)	(60)
Disposal of participation in Group companies		5	0
Purchase of financial assets, intangible and other assets		(242)	(446)
Disposal of financial assets, intangible and other assets		221	736
Cash flow used in investing activities (B)	39	**(1,791)**	**(1,362)**
Payout on ordinary shares		(480)	(480)
Dividends paid to non-controlling interest		(234)	(239)
Capital paid-in by non-controlling interest		32	29
Movements of treasury shares		(21)	(29)
Proceeds from current financial liabilities		6,232	6,097
Repayment of current financial liabilities		(6,301)	(7,713)
Proceeds from long-term financial liabilities		4,067	2,544
Repayment of long-term financial liabilities		(4,298)	(3,325)
Increase in participation in existing Group companies		(390)	(154)
Decrease in participation in existing Group companies		27	30
Cash flow used in financing activities (C)		**(1,366)**	**(3,240)**
Decrease in cash and cash equivalents (A+B+C)		**(405)**	**(943)**
Cash and cash equivalents as at January 1 (net)	17	**3,069**	**4,261**
Decrease in cash and cash equivalents		(405)	(943)
Currency translation effects		(168)	(249)
Cash and cash equivalents as at December 31 (net)	17	**2,497**	**3,069**

Accounting policies

Basis of preparation

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

Due to rounding, numbers presented throughout this report may not add up precisely to the totals provided. All ratios and variances are calculated using the underlying amount rather than the presented rounded amount.

Adoption of revised and new International Financial Reporting Standards and interpretations

In 2011, Group Holcim adopted the following amended standard and interpretation relevant to the Group, which became effective from January 1, 2011:

IAS 24 (revised)	*Related Party Disclosures*
IFRIC 14 (amended)	*IAS 19 – Prepayment of a minimum funding requirement*
Improvements to IFRSs	*Clarifications of existing IFRSs* (issued in May 2010)

The revisions to IAS 24 are disclosure-related only and had 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 had 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 had no material impact on the Group's financial statements.

In 2013, Group Holcim will adopt the following new and amended standards and interpretations relevant to the Group:

IFRS 10	*Consolidated Financial Statements*
IFRS 11	*Joint Arrangements*
IFRS 12	*Disclosure of Interests in Other Entities*
IFRS 13	*Fair Value Measurement*
IAS 1 (amended)	*Presentation of Items of Other Comprehensive Income*
IAS 19 (revised)	*Employee Benefits*
IAS 28 (revised)	*Investments in Associates and Joint Ventures*
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*

IFRS 10, which replaces IAS 27 Consolidated and Separate Financial Statements, introduces a single consolidation model applicable to all investees. That model states that the investor consolidates an investee when it has control over the investee, i.e. when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group is in the process of evaluating any impact this new standard may have on its consolidated financial statements.

IFRS 11, which replaces IAS 31 Interests in Joint Ventures, will require companies to classify joint arrangements as either a joint operation or as a joint venture, based on the rights and obligations arising from the joint arrangement. The standard also requires companies to apply the equity method of accounting for interests in joint ventures. As a consequence thereof, Holcim will be unable to continue to apply the proportionate method of consolidation for such entities. Based on the joint ventures held in 2011, Holcim believe that had the Group applied IFRS 11 for the current year, the impact would not have been material.

IFRS 12 sets out the disclosure requirements for IFRS 10, IFRS 11 and IAS 28. This standard is disclosure related only. The Group is in the process of evaluating whether the current disclosures will need to be expanded.

IFRS 13 provides guidance on how to measure the fair value of financial and non-financial assets and liabilities when required or permitted by IFRS. The new standard does not change the IFRS as to when an entity is required to use fair value. The Group is in the process of evaluating any impact this new standard may have on its consolidated financial statements.

IAS 1 (amended) requires companies to group items presented in other comprehensive earnings on the basis of whether they are potentially reclassifiable to profit or loss subsequently. As such, the amendment will only impact the presentation of certain items in the Group's statement of comprehensive earnings.

According to IAS 19 (revised), Group companies will not be able to defer actuarial gains and losses and subsequently amortize them to profit or loss by applying the corridor method but instead will be required to recognize such changes immediately in other comprehensive earnings. No reclassification of these amounts will be permitted in future periods. In addition, the expected return on plan assets has been removed and instead companies will be required to calculate a net interest expense on the net defined benefit liability and recognize the resulting cost in the income statement. Based on the 2011 results, Holcim believes that had the Group applied IAS 19 (revised) for the current year, the approximate financial impacts would have been as follows:

The net interest component of personnel expenses would have increased by approximately CHF 31 million as a result of the removal of the expected return on plan assets. Operating profit would have decreased by about CHF 15 million as the increase in net interest expense would have more than offset the elimination of the amortization of the actuarial losses of CHF 17 million as a result of the removal of the 10 percent corridor.

The derecognition of unrecognized actuarial losses and past service costs at 1 January 2011 would have resulted in a decrease in retained earnings of CHF 399 million. Other comprehensive earnings (OCE) would have decreased by about CHF 210 million largely due to the immediate recognition of net actuarial losses relating to defined benefit obligations and the remeasurement of plan assets for the current year.

The defined benefit obligation in the statement of financial position of Group Holcim would have increased by about CHF 627 million as a result of the removal of the corridor method.

The approximate impacts mentioned above should not be considered predictive for future years considering the volatility of the underlying nature of the defined benefit pension plans and other post-employment benefit plans.

IAS 28 (revised) has been consequentially revised to include joint ventures in its scope as a result of IFRS 11 which requires such entities to be equity accounted in accordance with IAS 28 (revised).

IFRIC 20 states that costs incurred to remove waste materials (overburden) to gain access to raw material is recognized as an asset and is depreciated over the expected useful life of the area exposed as a result of the stripping activity based on the unit-of-production method. Since Holcim applies such accounting policy, IFRIC 20 will not impact the Group's financial statements.

In 2015, 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 33).

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 24).

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 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 non-controlling 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 of the acquisition date.

If the business combination is achieved in stages, the 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 present value of the redemption amount 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, the 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 from 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 prevailing on December 31.

Goodwill arising from 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 or net investment 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 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. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the statement of income as part of the net gain or loss on sale, except for a partial disposal of a subsidiary without loss of control.

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 the 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 may also 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 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. Such goodwill is tested annually for impairment or whenever there are impairment indicators and is carried at cost less accumulated impairment losses. Goodwill on acquisitions of associates is included in investments in associates. 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 24). 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-service 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 33).

Non-controlling interest

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent company 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

Million CHF	Contractual undiscounted cash flows							Carrying
	Within 1 year	Within 2 years	Within 3 years	Within 4 years	Within 5 years	Thereafter	Total	amount
2011								
Trade accounts payable	2,547						2,547	2,547
Loans from financial institutions	1,936	692	677	122	957	147	4,532	4,528
Bonds and private placements	1,029	2,189	1,730	737	829	3,139	9,654	9,713
Interest payments	604	519	393	257	227	801	2,802	
Finance leases	34	21	10	5	5	58	133	97
Derivative financial instruments net[1]	(11)	95	(17)	38	(15)	(12)	78	69
Total	**6,140**	**3,517**	**2,792**	**1,160**	**2,003**	**4,133**	**19,745**	
2010								
Trade accounts payable	2,303						2,303	2,303
Loans from financial institutions	1,906	624	826	233	166	326	4,081	4,188
Bonds and private placements	815	1,076	2,313	1,780	751	3,542	10,277	10,316
Interest payments	568	567	473	386	233	919	3,146	
Finance leases	27	29	14	11	5	63	149	108
Derivative financial instruments net[1]	(28)	(24)	72	(14)	31	(27)	10	57
Total	**5,591**	**2,272**	**3,698**	**2,396**	**1,186**	**4,823**	**19,966**	

[1] All derivative financial instruments are held for hedging. The contractual cash flows include both cash in- and outflows. Additional information is disclosed in note 30.

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

Interest rate risk arises from movements in market interest rates which could affect the Group's financial result and market values of its financial instruments. The Group is primarily exposed to fluctuations in market interest rates on its financial liabilities at floating rates which may cause variations in the Group's financial result. The exposure is addressed through the management of the fixed/floating ratio of financial liabilities. To manage this mix, the Group may enter into interest rate swap agreements, in which it exchanges periodic payments based on notional amounts and agreed-upon fixed and floating 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 50 million (2010: 46) of annual additional/lower financial expenses before tax on a post hedge basis. The Group's sensitivity to interest rates is higher than last year mainly due to the fact that the ratio of financial liabilities at variable rates to total financial liabilities has increased from 42 percent to 47 percent.

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 around 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 (loss) gains net 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 2011, the Group's target, which was unchanged from 2010, was to maintain a ratio of funds from operations as a percentage of net financial debt of at least 25 percent and a gearing below 100 percent in order to maintain a solid investment grade rating.

Due to a decrease in net income and an increase in net financial debt, the ratio of funds from operations/net financial debt decreased.

The increase in gearing arose due to the increase in net financial debt and the decrease in total shareholders' equity. Shareholders' equity decreased by 6.9 percent during 2011 mainly as a result of currency translation adjustments.

Million CHF	2011	2010
Net income	682	1,621
Depreciation, amortization and impairment (note 9)	2,367	1,934
Funds from operations	3,049	3,555
Financial liabilities (note 28)	14,495	14,749
Cash and cash equivalents (note 17)	(2,946)	(3,386)
Net financial debt	11,549	11,363
Funds from operations/net financial debt	**26.4%**	**31.3%**

Million CHF	2011	2010
Net financial debt	11,549	11,363
Total shareholders' equity	19,656	21,121
Gearing	**58.8%**	**53.8%**

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. At year end 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 hedged firm commitments or interest payments, 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 as part of the financial result.

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 related to items carried at amortised cost, 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 30. 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 financial instruments is generally based on quoted market prices at the end of the reporting period.

For non-publicly traded financial instruments the fair value is determined by using a variety of methods, such as the discounted cash flow method and option pricing models. The valuation methods seek to maximize the use of observable market data existing at the end of the reporting period.

The fair value of current financial assets and liabilities at amortized cost are assumed to approximate their carrying amounts due to the short-term nature of these financial instruments.

Fair values

Million CHF	Carrying amount (based on measurement basis)				Comparison
	Amortized cost	Fair value level 1	Fair value level 2	Total	fair value
2011					
Current financial assets					
Cash and cash equivalents	2,946			2,946	2,946
Marketable securities		4[1]		4	4
Trade accounts receivable	2,348			2,348	2,348
Other receivables	78			78	78
Other current assets			91[1]	91	91
Derivative assets[3]			5	5	5
Long-term financial assets					
Long-term receivables	330			330	345
Other long-term assets			177[1]	177	177
Financial investments third parties	45[2]	6[1]	96[1]	147	147
Derivative assets[3]			84	84	84
Current financial liabilities					
Trade accounts payable	2,547			2,547	2,547
Current financial liabilities	2,814			2,814	2,814
Derivative liabilities[3]			6	6	6
Long-term financial liabilities					
Long-term financial liabilities	11,523			11,523	13,120
Derivative liabilities[3]			152	152	152

[1] Available-for-sale.
[2] Financial investments measured at cost.
[3] Held for hedging.

Million CHF	Carrying amount (based on measurement basis)				Comparison
	Amortized cost	Fair value level 1	Fair value level 2	Total	fair value
2010					
Current financial assets					
Cash and cash equivalents	3,386			3,386	3,386
Marketable securities		30[1]		30	30
Trade accounts receivable	2,110			2,110	2,110
Other receivables	116			116	116
Other current assets			90[1]	90	90
Derivative assets[3]			9	9	9
Long-term financial assets					
Long-term receivables	792			792	781
Other long-term assets			263[1]	263	263
Financial investments third parties	53[2]	5[1]		58	58
Derivative assets[3]			71	71	71
Current financial liabilities					
Trade accounts payable	2,303			2,303	2,303
Current financial liabilities	2,461			2,461	2,461
Derivative liabilities[3]			7	7	7
Long-term financial liabilities					
Long-term financial liabilities	12,151			12,151	13,576
Derivative liabilities[3]			130	130	130

[1] Available-for-sale.
[2] Financial investments measured at cost.
[3] Held for hedging.

The table shows the carrying amounts and fair values of financial assets and liabilities. The fair value hierarchy level is shown for those financial assets and liabilities that are carried at fair value in the statement of financial position.

The levels of fair value hierarchy used are defined as follows:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. The types of assets carried at level 1 fair value are equity and debt securities listed in active markets.

Level 2 fair value measurements are those derived from valuation techniques using inputs for the asset or liability that are observable market data, either directly or indirectly. Such valuation techniques include the discounted cash flow method and option pricing models. For example, the fair value of interest rate and currency swaps is determined by discounting estimated future cash flows, and the fair value of forward foreign exchange contracts is determined using the forward exchange market at the end of the reporting period.

Level 3 fair value measurements are those derived from valuation techniques using inputs for the asset or liability that are not based on observable market data. In 2011 and 2010 there were no financial assets and liabilities allocated to level 3.

There have been no transfers between the different hierarchy levels in 2011 and 2010.

1 Changes in the scope of consolidation

During 2011 there were several business combinations that were individually immaterial but considered material on an aggregated basis.

Newly included in 2011	Effective as at	Participation acquired
Lattimore Materials Company, L.P.	4 March 2011	51 percent
Východoslovenské stavebné hmoty, a.s.	25 October 2011	51 percent
Others	–	–

The aggregated identifiable net assets and liabilities arising from the acquisitions are disclosed in Note 39. The amounts disclosed were determined provisionally. Further adjustments may be made to the fair values assigned to property, plant and equipment, other assets, long-term provisions and other long-term liabilities up to twelve months from the date of acquisition.

The amount of the non-controlling interest recognized amounted to CHF 23 million and was measured at the proportionate share of the acquirees' identifiable net assets at the date of acquisition.

The total goodwill arising from the transactions was CHF 79 million. The goodwill is attributable to the favorable presence that the companies enjoy in their respective markets, including the good locations and strategic importance of mineral reserves. None of the goodwill recognized is expected to be deductible for income tax purposes.

Holcim recognized a gain of CHF 27 million as a result of measuring at fair value its previously held equity interests in the acquired companies held before the business combinations. The gains are included in other income in Holcim's consolidated statement of income for the year ending 31 December 2011.

The acquired companies contributed net sales of CHF 203 million and a negative net income of CHF 8 million to the Group from the date of acquisition to December 31, 2011. If the acquisitions had occurred on January 1, 2011, Group net sales and net income would have been CHF 126 million and CHF 10 million higher respectively.

Holcim recognized acquisition-related costs of CHF 4 million which has been reflected as administration expenses in the consolidated statement of income.

During 2010 there were no business combinations that were either individually material or that were considered material on an aggregated basis.

An overview of the subsidiaries, joint ventures and associated companies is included in the section "Principal companies of the Holcim Group" on pages 229 to 231.

2 Principal exchange rates

The following table summarizes the principal exchange rates that have been used for translation purposes.

	Statement of income Average exchange rates in CHF		Statement of financial position Year-end exchange rates in CHF	
	2011	2010	31.12.2011	31.12.2010
1 EUR	1.24	1.38	1.22	1.25
1 USD	0.89	1.04	0.94	0.94
1 GBP	1.42	1.61	1.45	1.45
1 CAD	0.90	1.01	0.92	0.94
100 MXN	7.16	8.24	6.71	7.56
100 BRL	53.23	59.16	50.46	56.33
100 INR	1.91	2.28	1.77	2.09
1,000 IDR	0.10	0.12	0.10	0.10
100 PHP	2.05	2.31	2.15	2.14
1 AUD	0.92	0.96	0.96	0.95

3 Information by reportable segment

	Europe		North America		Latin America	
	2011	2010	2011	2010	2011	2010
Capacity and sales						
Million t						
Annual cement production capacity	49.8	50.0	21.9	23.2	35.5	33.4
Sales of cement	26.8	26.2	11.4	11.1	24.2	22.7
– of which mature markets	16.5	16.3	11.4	11.1		
– of which emerging markets	10.3	9.9			24.2	22.7
Sales of mineral components	2.4	1.6	1.5	1.5		
Sales of aggregates	83.0	77.6	43.5	39.2	14.5	12.2
– of which mature markets	72.0	69.4	43.5	39.2		
– of which emerging markets	11.0	8.2			14.5	12.2
Sales of asphalt	5.4	5.7	5.0	4.9		
Million m^3						
Sales of ready-mix concrete	16.1	16.0	7.1	5.6	11.0	10.5
– of which mature markets	14.2	14.1	7.1	5.6		
– of which emerging markets	1.9	1.9			11.0	10.5
Statement of income, statement of financial position and statement of cash flows						
Million CHF						
Net sales to external customers	5,922	6,391	2,987	3,240	3,195	3,442
Net sales to other segments	200	144			116	
Total net sales	6,122	6,535	2,987	3,240	3,310	3,442
– of which mature markets	5,026	5,402	2,987	3,240		
– of which emerging markets	1,096	1,133			3,310	3,442
Operating EBITDA	930	1,045	346	460	888	999
– of which mature markets	640	717	346	460		
– of which emerging markets	290	328			888	999
Operating EBITDA margin in %	15.2	16.0	11.6	14.2	26.8	29.0
Depreciation, amortization and impairment of operating assets	(884)	(652)	(346)	(360)	(206)	(209)
Operating profit	47	393	0	100	682	790
Operating profit margin in %	0.8	6.0	0.0	3.1	20.6	23.0
Depreciation, amortization and impairment of non-operating assets	(1)	(2)	0	(5)	(1)	(2)
Other (expenses) income	(57)	(28)	(25)	456	(139)	(168)
Share of profit of associates	24	24				
Other financial income	21	19	2	1	9	12
EBITDA	920	1,062	322	922	759	845
Investments in associates	223	172			11	2
Net operating assets	8,512	8,738	6,736	6,809	3,817	4,000
Total assets	14,807	14,379	8,114	7,882	4,989	5,315
Total liabilities	7,092	6,793	5,610	5,375	2,783	3,387
Cash flow from operating activities	621	968	153	260	376	493
Cash flow margin in %	10.1	14.8	5.1	8.0	11.4	14.3
Acquisition cost segment assets[1]	645	750	115	101	296	312
Cash flow (used in) from investing activities[2]	(680)	(625)	(117)	601	(233)	(316)
Impairment loss[3]	(351)	(51)	(32)	(3)	(8)	
Personnel						
Number of personnel	19,602	19,690	7,543	6,668	12,867	12,710

[1] Property, plant and equipment and intangible assets.
[2] Net investments in property, plant and equipment, Group companies, financial assets, intangible and other assets.
[3] Included in depreciation, amortization and impairment of operating and non-operating assets respectively.

	Africa Middle East		Asia Pacific		Corporate/Eliminations		Total Group	
	2011	2010	2011	2010	2011	2010	2011	2010
	11.1	11.2	97.8	93.7			216.0	211.5
	8.7	8.9	75.6	71.4	(2.4)	(3.6)	144.3	136.7
			4.7	4.7	(1.2)	(0.6)	31.4	31.5
	8.7	8.9	70.9	66.7	(1.2)	(3.0)	112.9	105.2
			1.2	1.0			5.1	4.1
	2.3	2.5	29.7	26.4			173.0	157.9
			25.9	23.2			141.4	131.8
	2.3	2.5	3.8	3.2			31.7	26.1
							10.3	10.6
	1.1	1.1	13.0	12.7			48.4	45.9
			5.8	5.8			27.0	25.5
	1.1	1.1	7.2	6.9			21.3	20.4
	959	1,098	7,681	7,482			20,744	21,653
			320	476	(636)	(620)		
	959	1,098	8,001	7,958	(636)	(620)	20,744	21,653
			2,431	2,319	(312)	(305)	10,132	10,656
	959	1,098	5,570	5,639	(324)	(315)	10,612	10,997
	312	359	1,700	1,820	(219)	(170)	3,958	4,513
			404	402	(110)	(57)	1,280	1,522
	312	359	1,297	1,418	(109)	(113)	2,678	2,991
	32.6	32.7	21.2	22.9			19.1	20.8
	(51)	(55)	(516)	(589)	(22)	(29)	(2,025)	(1,894)
	262	304	1,185	1,231	(241)	(199)	1,933	2,619
	27.3	27.7	14.8	15.5			9.3	12.1
			(1)	(1)	(339)	(30)	(342)	(40)
	(18)	(16)	(42)	(40)	350	(197)	69	7
	0	0	10	8	114	213	149	245
	0	0	44	45	7	106	83	183
	295	343	1,715	1,834	253	(18)	4,264	4,988
	3	2	71	72	1,116	1,184	1,425	1,432
	660	695	8,885	9,371	179	204	28,790	29,817
	1,401	1,250	13,692	14,095	(450)	1,338	42,554	44,259
	696	620	4,019	4,030	2,697	2,933	22,897	23,138
	225	247	1,368	1,572	9	119	2,753	3,659
	23.5	22.5	17.1	19.8			13.3	16.9
	76	97	652	580	8	14	1,792	1,854
	(76)	(98)	(754)	(233)	68	(691)	(1,791)	(1,362)
		(1)	(12)	(4)	(338)	(6)	(741)	(65)
	2,140	2,213	37,942	38,172	873	857	80,967	80,310

Reconciling measures of profit and loss to the consolidated statement of income of Group Holcim

Million CHF	Notes	2011	2010
Operating profit		**1,933**	**2,619**
Depreciation, amortization and impairment of operating assets	9	2,025	1,894
Operating EBITDA		**3,958**	**4,513**
Dividends earned	11	3	5
Other ordinary income	11	70	42
Share of profit of associates	22	149	245
Other financial income	12	83	183
EBITDA		**4,264**	**4,988**
Depreciation, amortization and impairment of operating assets	9	(2,025)	(1,894)
Depreciation, amortization and impairment of non-operating assets	11	(4)	(40)
Interest earned on cash and marketable securities	12	108	79
Financial expenses	13	(1,210)	(897)
Net income before taxes		**1,131**	**2,236**

4 Information by product line

	Cement[1]	
Million CHF	2011	2010
Statement of income, statement of financial position and statement of cash flows		
Net sales to external customers	12,050	12,572
Net sales to other segments	1,329	1,376
Total net sales	13,379	13,948
Operating EBITDA	3,245	3,755
Operating EBITDA margin in %	24.3	26.9
Operating profit (loss)	1,969	2,551
Net operating assets	19,060	19,907
Acquisition cost segment assets[2]	1,309	1,495
Cash flow used in investing activities[3]	(1,440)	(1,529)
Personnel		
Number of personnel	51,492	51,133

[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.

	Aggregates		Other construction materials and services		Corporate/Eliminations		Total Group	
	2011	2010	2011	2010	2011	2010	2011	2010
	1,632	1,571	7,062	7,510			20,744	21,653
	891	924	617	597	(2,837)	(2,897)		
	2,523	2,495	7,680	8,107	(2,837)	(2,897)	20,744	21,653
	522	530	191	228			3,958	4,513
	20.7	21.2	2.5	2.8			19.1	20.8
	122	198	(158)	(130)			1,933	2,619
	5,672	5,822	4,058	4,088			28,790	29,817
	258	168	223	188	2	3	1,792	1,854
	(234)	(76)	(198)	(154)	82	397	(1,791)	(1,362)
	6,898	6,478	22,469	22,577	108	122	80,967	80,310

5 Information by country

	Net sales to external customers		Non-current assets	
Million CHF	2011	2010	2011	2010
Switzerland	795	746	1,012	1,005
United Kingdom	1,760	1,975	2,466	2,506
USA	1,806	1,933	5,829	5,811
Australia	2,251	2,126	2,477	2,390
India	3,556	3,557	4,521	5,326
Remaining countries	10,576	11,316	15,080	15,366
Total Group	**20,744**	**21,653**	**31,385**	**32,404**

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 net sales

Million CHF	2011	2010
Volume and price	1,632	(444)
Change in structure	171	1,147
Currency translation effects	(2,712)	(182)
Total	**(909)**	**521**

7 Production cost of goods sold

Million CHF	2011	2010
Material expenses	(3,385)	(3,488)
Fuel expenses	(1,447)	(1,420)
Electricity expenses	(957)	(979)
Personnel expenses	(1,777)	(1,852)
Depreciation, amortization and impairment	(1,719)	(1,528)
Other production expenses	(2,905)	(3,079)
Change in inventory	(25)	(33)
Total	**(12,216)**	**(12,379)**

8 Distribution and selling expenses

Million CHF	2011	2010
Distribution expenses	(4,563)	(4,582)
Selling expenses	(662)	(696)
Total	**(5,226)**	**(5,278)**

9 Summary of depreciation, amortization and impairment

Million CHF	2011	2010
Production facilities	(1,719)	(1,528)
Distribution and sales facilities	(218)	(246)
Administration facilities	(88)	(120)
Total depreciation, amortization and impairment of operating assets (A)	**(2,025)**	**(1,894)**
Impairment of long-term financial assets	(338)	0
Impairment of investments in associates	0	(30)
Ordinary depreciation of non-operating assets	(4)	(4)
Unusual write-offs	0	(6)
Total depreciation, amortization and impairment of non-operating assets (B)	**(342)**	**(40)**
of which recognized in financial expenses	(338)	0
Total depreciation, amortization and impairment (A + B)	**(2,367)**	**(1,934)**
Of which depreciation of property, plant and equipment	(1,527)	(1,711)

10 Change in operating EBITDA

Million CHF	2011	2010
Volume, price and cost	(11)	(284)
Change in structure	11	188
Currency translation effects	(556)	(21)
Total	**(556)**	**(117)**

11 Other income

Million CHF	2011	2010
Dividends earned	3	5
Other ordinary income	70	42
Depreciation, amortization and impairment of non-operating assets	(4)	(40)
Total	**69**	**7**

The position “Other ordinary income” mainly includes the gain from sale of property, plant and equipment and the gain from the remeasurement at fair value of previously held equity interest in acquired companies before business combinations.

12 Financial income

Million CHF	2011	2010
Interest earned on cash and marketable securities	108	79
Other financial income	83	183
Total	**191**	**262**

In 2011 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 61 million (CHF 54 million), respectively USD 164 million (CHF 171 million) in 2010. Additional information is disclosed in note 25.

In 2010 the position further included a negative value adjustment of CHF 42 million on "Long-term receivables – associates" (note 21).

The remaining amounts in both years relate primarily to income from loans and receivables.

13 Financial expenses

Million CHF	2011	2010
Interest expenses	(655)	(789)
Fair value changes on financial instruments	(1)	0
Amortization on bonds and private placements	(9)	(10)
Unwinding of discount on provisions	(54)	(58)
Other financial expenses	(437)	(102)
Foreign exchange (loss) gain net	(95)	5
Financial expenses capitalized	40	57
Total	**(1,210)**	**(897)**
Of which associates	(415)	0

The average rate of interest of financial liabilities at December 31, 2011, was 4.4 percent (2010: 4.4).

The positions "Interest expenses" and "Other financial expenses" relate primarily to financial liabilities measured at amortized cost.

In 2011, the positions "Other financial expenses" and "Foreign exchange (loss) gain net" include an impairment charge and a reclassification of foreign exchange losses amounting to CHF 415 million recognized for AfriSam (Pty) Ltd as a result of the legal restructuring of that company in December 2011 (note 21).

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 182 and 183.

14 Income taxes

Million CHF	2011	2010
Current taxes	(600)	(602)
Deferred taxes	151	(13)
Total	**(449)**	**(615)**

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 was eliminated in the Group's consolidated accounts. The non-recurring tax charge of USD 171 million (CHF 178 million) on the capital gain appeared as of the first quarter 2010 in deferred taxes. However, this charge was cash-neutral as it was fully offset by tax losses carried forward.

"Income taxes paid" in 2011 are higher in comparison to the previous year. In the second quarter of 2010, Holcim (US) Inc. received a tax refund pursuant to a change in local tax law which enabled it to offset tax losses incurred in 2009 against taxable income of the previous five years. Further tax refunds were received by the two Indian companies in the third quarter 2010.

Current taxes include an income of CHF 48 million (2010: 94) relating to prior years.

Deferred tax by type

Million CHF	2011	2010
Property, plant and equipment	(73)	49
Intangible and other long-term assets	(9)	(12)
Provisions	32	(39)
Tax losses carryforward	222	4
Other	(20)	(15)
Total	**151**	**(13)**

Reconciliation of tax rate

	2011	2010
Group's expected tax rate	**39%**	**36%**
Effect of non-deductible items	7%	3%
Effect of non-taxable items and income taxed at different tax rates	(9%)	(7%)
Effect on deferred tax balance due to changed tax rate	(3%)	(1%)
Net change of unrecognized tax loss carryforwards	9%	2%
Prior year taxes	(4%)	(4%)
Other items	1%	0%
Group's effective tax rate	**40%**	**28%**

The Group's expected tax rate is a weighted average tax rate based on profits (losses) before taxes of the Group companies.

The increase of the Group's effective tax rate is largely due to non-deductible impairments and write-offs on property, plant and equipment, goodwill and investments and to current period tax losses not capitalized related to certain countries.

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 8 million (2010: 15) 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

	2011	2010
Earnings per share in CHF	**0.86**	**3.69**
Net income – shareholders of Holcim Ltd – as per statement of income (in million CHF)	275	1,182
Weighted average number of shares outstanding	319,802,593	319,980,805
Fully diluted earnings per share in CHF	**0.86**	**3.69**
Net income used to determine diluted earnings per share (in million CHF)	275	1,182
Weighted average number of shares outstanding	319,802,593	319,980,805
Adjustment for assumed exercise of share options	158,024	225,319
Weighted average number of shares for diluted earnings per share	319,960,617	320,206,124

In conformity with the decision taken at the annual general meeting on May 5, 2011, a cash payment out of the capital contribution reserves related to 2010 of CHF 1.50 per registered share has been paid. This resulted in a total payout of CHF 480 million.

A cash payment out of the capital contribution reserves in respect of the financial year 2011 of CHF 1.00 per registered share, amounting to a maximum payment of CHF 327 million, is to be proposed at the annual general meeting of shareholders on April 17, 2012. These consolidated financial statements do not reflect this cash payment, since it will be effective in 2012 only.

17 Cash and cash equivalents

Million CHF	2011	2010
Cash at banks and in hand	748	790
Short-term deposits	2,199	2,596
Total	**2,946**	**3,386**
Bank overdrafts	(450)	(317)
Cash and cash equivalents for the purpose of the consolidated statement of cash flows	**2,497**	**3,069**

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	2011	2010
Trade accounts receivable – associates	56	56
Trade accounts receivable – third parties	2,292	2,054
Other receivables – associates	8	35
Other receivables – third parties	359	436
Derivative assets	5	9
Total	**2,719**	**2,590**
Of which pledged/restricted	90	115

Overdue accounts receivable

Million CHF	2011	2010
Not overdue	2,224	2,146
Overdue 1 to 89 days	384	334
Overdue 90 to 180 days	85	99
Overdue more than 180 days	191	194
./. Allowances for doubtful accounts	(165)	(183)
Total	**2,719**	**2,590**

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	2011	2010
January 1	**(183)**	**(217)**
Change in structure	0	0
Allowance recognized	(14)	(32)
Amounts used	6	12
Unused amounts reversed	2	12
Currency translation effects	24	42
December 31	**(165)**	**(183)**

19 Inventories

Million CHF	2011	2010
Raw materials and additives	297	312
Semifinished and finished products	941	940
Fuels	350	314
Parts and supplies	463	472
Unbilled services	36	34
Total	**2,086**	**2,072**

In 2011, the Group recognized inventory write-downs to net realizable value of CHF 2 million (2010: 6). The carrying amount of inventories carried at net realizable value was CHF 61 million (2010: 42).

20 Prepaid expenses and other current assets

This position includes a discounted installment of USD 96 million (CHF 91 million), relating to a compensation receivable from the Bolivarian Republic of Venezuela. In 2010 this amounted to USD 96 million (CHF 90 million). Additional information is disclosed in note 25.

21 Long-term financial assets

Million CHF	2011	2010
Financial investments – third parties	147	58
Long-term receivables – associates	201	682
Long-term receivables – third parties	128	110
Derivative assets	84	71
Total	**561**	**921**
Of which pledged/restricted	6	8

The reduction in the position "Long-term receivables – associates" is largely due to an impairment charge recognized for AfriSam (Pty) Ltd. The impairment charge arose due to the legal restructuring of AfriSam (Pty) Ltd which resulted in Group Holcim losing significant influence over that company in December 2011 (note 13).

In 2010, the position "Long-term receivables – associates" included a negative value adjustment of CHF 42 million (note 12).

Long-term receivables and derivative assets are primarily denominated in CHF and USD. The repayment dates vary between one and 28 years.

22 Investments in associates

Million CHF	2011	2010
January 1	**1,432**	**1,529**
Share of profit of associates	149	245
Dividends earned	(137)	(202)
Net additions	130	49
Reclassifications	(128)	60
Impairments	0	(30)
Currency translation effects	(21)	(219)
December 31	**1,425**	**1,432**

Sales to and purchases from associates amounted to CHF 146 million (2010: 168) and CHF 61 million (2010: 32) 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	2011	2010
Assets	2,917	3,514
Liabilities	(1,494)	(2,146)
Net assets	**1,423**	**1,368**
Net sales	1,654	1,951
Net income	143	229

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 6 million (2010: 16). The accumulated unrecognized share of losses of associates amounts to CHF 2 million (2010: 64).

23 Property, plant and equipment

Million CHF	Land	Buildings, installations	Machines	Furniture, vehicles, tools	Construction in progress	Total
2011						
Net book value as at January 1	**5,053**	**5,316**	**9,472**	**1,262**	**2,240**	**23,343**
Change in structure	145	77	129	61	4	415
Additions	85	77	178	35	1,472	1,846
Disposals	(64)	(13)	(11)	(20)	0	(108)
Reclassifications	100	403	667	259	(1,420)	9
Depreciation	(111)	(300)	(841)	(276)	0	(1,527)
Impairment loss (charged to statement of income)	(50)	(33)	(64)	(2)	(11)	(160)
Currency translation effects	(61)	(221)	(473)	(42)	(87)	(886)
Net book value as at December 31	**5,097**	**5,305**	**9,056**	**1,277**	**2,197**	**22,933**
At cost of acquisition	6,251	9,484	19,229	3,551	2,273	40,787
Accumulated depreciation/impairment	(1,154)	(4,178)	(10,173)	(2,274)	(76)	(17,855)
Net book value as at December 31	**5,097**	**5,305**	**9,056**	**1,277**	**2,197**	**22,933**
Net asset value of leased property, plant and equipment	1	54	16	65	0	136
Of which pledged/restricted						60
2010						
Net book value as at January 1	**5,585**	**5,633**	**9,765**	**1,512**	**2,998**	**25,493**
Change in structure	15	1	1	0	6	23
Additions	71	75	170	24	1,551	1,891
Disposals	(103)	(21)	(21)	(18)	0	(163)
Reclassifications	91	522	1,398	159	(2,121)	49
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

The net book value of CHF 22,933 million (2010: 23,343) represents 56.2 percent (2010: 57.9) of the original cost of all assets. At December 31, 2011, the fire insurance value of property, plant and equipment amounted to CHF 35,956 million (2010: 33,912). Net gains on sale of property, plant and equipment amounted to CHF 30 million (2010: 66).

In 2011, the impairment loss relates mainly to Group region Europe (CHF 69 million in Spain and CHF 38 million in certain markets in Eastern Europe) and North America (CHF 32 million), which is a consequence of the decrease in demand for constrution material in these regions. The impairment loss recognized in 2010 relates primarily to plants in Hungary, Spain and India. The impairment loss 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 78 million (2010: 87). The fair value of this investment property amounted to CHF 81 million (2010: 87). Rental income related to investment property amounted to CHF 3 million (2010: 2).

24 Intangible assets

Million CHF	Goodwill	Other intangible assets	Total
2011			
Net book value as at January 1	**8,144**	**917**	**9,061**
Change in structure	77	45	122
Additions	0	25	25
Disposals	0	0	0
Amortization	0	(94)	(94)
Impairment loss (charged to statement of income)	(194)	(49)	(243)
Currency translation effects	(365)	(53)	(417)
Net book value as at December 31	**7,663**	**790**	**8,453**
At cost of acquisition	7,887	1,558	9,445
Accumulated amortization/impairment	(229)	(768)	(996)
Net book value as at December 31	**7,663**	**790**	**8,453**
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**

The other intangible assets have finite useful lives, over which the assets are amortized. The corresponding amortization expense is recognized mainly in administration expenses.

In 2011, the impairment loss relates mainly to Group region Europe (CHF 174 million in Spain and CHF 65 million in certain markets in Eastern Europe) which is a consequence of the decrease in demand for construction materials in these regions. The recoverable amount for Spain was based on value-in-use by applying a pre-tax discount rate of 6.7 percent. The impairment loss is included in production cost of goods sold in the statement of income.

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 2011

Cash generating unit (Million CHF)	Carrying amount of goodwill	Currency	Pre-tax discount rate	Long-term GDP growth rate
India	1,417	INR	11.4%	8.1%
North America	1,762	USD/CAD	7.7%	2.7%
United Kingdom	833	GBP	9.5%	2.6%
Central Europe	513	CHF/EUR	6.6%	1.8%
Mexico	374	MXN	8.5%	3.2%
Others[1]	2,764	Various	6.3%–14.2%	1.3%–7.5%
Total	**7,663**			

Key assumptions used for value-in-use calculations in respect of goodwill 2010

Cash generating unit (Million CHF)	Carrying amount of goodwill	Currency	Pre-tax discount rate	Long-term GDP growth rate
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**			

[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 except for Spain (included in Others above) 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. Using a pre-tax discount rate of 6.7 percent, the recoverable amount of Spain equals its carrying amount of CHF 52 million.

25 Other long-term assets

This position includes an amount of USD 188 million (CHF 177 million), respectively USD 280 million (CHF 263 million) in 2010, relating to a compensation receivable from the Bolivarian Republic of Venezuela.

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 before the International Centre for Settlement of Investment Disputes (ICSID) in connection with that nationalization.

The agreed total compensation amount was 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. A second payment of USD 97.5 (CHF 87 million) was received on September 12, 2011. The remaining compensation amount of USD 292.5 million (CHF 275 million) is to be paid in three equal yearly installments of USD 97.5 million (CHF 92 million) starting in September 2012. The resulting change in fair value in 2010 amounted to USD 410 million (CHF 426 million) of which USD 164 million (CHF 171 million) was realized through "other financial income". In 2011 a further USD 61 million (CHF 54 million) was realized through "other financial income".

26 Joint ventures

The following amounts represent the effect of proportionately consolidated assets, liabilities and sales and results of significant joint ventures disclosed on pages 229 and 230.

The amounts are included in the consolidated statement of financial position and consolidated statement of income.

Statement of financial position

Million CHF	2011	2010
Current assets	100	98
Long-term assets	354	366
Total assets	**454**	**464**
Short-term liabilities	63	57
Long-term liabilities	93	102
Total liabilities	**155**	**159**
Net assets	**298**	**305**

Statement of income

Million CHF	2011	2010
Net sales	**336**	**343**
Operating profit	**57**	**53**
Net income from joint ventures	**47**	**35**

Sales to and purchases from significant joint ventures amounted to CHF 5 million (2010: 5) and CHF 63 million (2010: 95) respectively.

27 Trade accounts payable

Million CHF	2011	2010
Trade accounts payable – associates	12	14
Trade accounts payable – third parties	2,384	2,137
Advance payments from customers	151	152
Total	**2,547**	**2,303**

28 Financial liabilities

Million CHF	2011	2010
Current financial liabilities – associates	3	1
Current financial liabilities – third parties	1,433	1,384
Current portion of long-term financial liabilities	1,377	1,076
Derivative liabilities	6	7
Total current financial liabilities	**2,820**	**2,468**
Long-term financial liabilities – associates	9	9
Long-term financial liabilities – third parties	11,514	12,142
Derivative liabilities	152	130
Total long-term financial liabilities	**11,675**	**12,281**
Total	**14,495**	**14,749**
Of which secured	171	167

Details of total financial liabilities

Million CHF	2011	2010
Loans from financial institutions	4,528	4,188
Bonds and private placements	9,713	10,316
Total loans and bonds	**14,240**	**14,504**
Obligations under finance leases (note 29)	97	108
Derivative liabilities (note 30)	158	137
Total	**14,495**	**14,749**

"Loans from financial institutions" include amounts due to banks and other financial institutions. Repayment dates vary between one and 14 years. CHF 1,925 million (2010: 1,783) are due within one year.

Unutilized credit lines totaled CHF 6,674 million (2010: 8,867) at year-end 2011, of which CHF 4,319 million (2010: 6,378) are committed.

Financial liabilities by currency

Currency	2011			2010		
	Million CHF	In %	Interest rate[1]	Million CHF	In %	Interest rate[1]
CHF	3,934	27.1	2.7	3,709	25.1	2.7
USD	3,927	27.1	3.4	4,097	27.8	3.4
EUR	3,009	20.8	5.1	3,105	21.0	4.8
GBP	724	5.0	7.5	731	5.0	7.4
AUD	994	6.9	7.2	816	5.5	7.7
MXN	442	3.0	6.2	446	3.0	6.4
CAD	299	2.1	5.9	303	2.1	5.9
Others	1,166	8.0	6.5	1,542	10.5	6.2
Total	**14,495**	**100.0**	**4.4**	**14,749**	**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	2011	2010
Financial liabilities at fixed rates	7,706	8,541
Financial liabilities at floating rates	6,790	6,208
Total	**14,495**	**14,749**

Financial liabilities that are hedged to a fixed or floating rate are disclosed on a post hedge basis.

Information on the maturity of financial instruments is disclosed in the section "Risk management" on page 182.

Bonds and private placements as at December 31

Nominal value		Nominal interest rate	Effective interest rate	Term	Description	Net book value in CHF	Net book value in CHF
In million						2011	2010
Holcim Ltd							
CHF	290	2.50%	2.69%	2005–2012	Bonds with fixed interest rate	290	499
CHF	250	3.00%	3.19%	2006–2015	Bonds with fixed interest rate	249	248
CHF	400	3.13%	0.29%	2007–2017	Bonds swapped into floating interest rates at inception	456	438
CHF	1,000	4.00%	4.33%	2009–2013	Bonds with fixed interest rate	994	991
CHF	450	4.00%	4.19%	2009–2018	Bonds with fixed interest rate	445	444
CHF	475	2.38%	2.64%	2010–2016	Bonds with fixed interest rate	470	469
Holcim Capital Corporation Ltd.							
USD	150	7.05%		2001–2011	Private placement guaranteed by Holcim Ltd, swapped into floating interest rates at inception	0	148
USD	208	7.05%		2001–2011	Private placement guaranteed by Holcim Ltd	0	195
USD	50	7.65%	7.65%	2001–2031	Private placement guaranteed by Holcim Ltd	47	47
USD	65	6.59%	6.60%	2002–2014	Private placement guaranteed by Holcim Ltd	61	61
USD	100	6.59%	6.59%	2002–2014	Private placement guaranteed by Holcim Ltd	94	94
USD	250	6.88%	7.28%	2009–2039	Bonds guaranteed by Holcim Ltd	227	226
Holcim Overseas Finance Ltd.							
CHF	300	2.75%		2006–2011	Bonds guaranteed by Holcim Ltd	0	300
CHF	155	3.00%	0.29%	2007–2013	Bonds guaranteed by Holcim Ltd, swapped into floating interest rates at inception	164	268
CHF	425	3.38%	3.42%	2011–2021	Bonds guaranteed by Holcim Ltd	424	0
Holcim Finance (Canada) Inc.							
CAD	10	6.91%	6.92%	2002–2017	Private placement guaranteed by Holcim Ltd	9	9
CAD	300	5.90%	6.10%	2007–2013	Bonds guaranteed by Holcim Ltd	276	280
Holcim Finance (Luxembourg) S.A.							
EUR	600	4.38%	4.45%	2004–2014	Bonds guaranteed by Holcim Ltd	729	747
EUR	650	9.00%	8.92%	2009–2014	Bonds guaranteed by Holcim Ltd	793	814
EUR	200	6.35%	6.40%	2009–2017	Bonds guaranteed by Holcim Ltd	243	249
Holcim Finance (Australia) Pty Ltd							
AUD	500	8.50%	8.90%	2009–2012	Bonds guaranteed by Holcim Ltd	477	475
Holcim Capital (Thailand) Ltd.							
THB	2,450	6.69%	6.78%	2005–2012	Bonds guaranteed by Holcim Ltd	72	76
THB	2,000	3.52%	3.62%	2010–2015	Bonds guaranteed by Holcim Ltd	59	62
Subtotal						**6,580**	**7,140**

Nominal value		Nominal interest rate	Effective interest rate	Term	Description	Net book value in CHF	Net book value in CHF
In million						2011	2010
Subtotal						**6,580**	**7,140**
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	188	187
USD	125	6.10%	6.14%	2006–2016	Private placement guaranteed by Holcim Ltd	117	117
USD	125	5.96%	6.01%	2006–2013	Private placement guaranteed by Holcim Ltd	118	117
EUR	90	5.12%	1.82%	2008–2013	Private placement guaranteed by Holcim Ltd, swapped into USD and floating interest rates at inception	114	118
EUR	358	2.67%	1.84%	2008–2013	Private placement guaranteed by Holcim Ltd, swapped into USD at inception	436	446
EUR	202	2.82%	1.95%	2008–2015	Private placement guaranteed by Holcim Ltd, swapped into USD at inception	245	252
USD	750	6.00%	6.25%	2009–2019	Bonds guaranteed by Holcim Ltd	695	690
Aggregate Industries Holdings Limited							
GBP	163	7.25%	4.41%	2001–2016	Bonds, partly swapped into floating interest rates	267	267
Holcim GB Finance Ltd.							
GBP	300	8.75%	8.81%	2009–2017	Bonds guaranteed by Holcim Ltd	434	433
Holcim (US) Inc.							
USD	5	0.26%	0.26%	1996–2031	Industrial revenue bonds – Devil's Slide	5	5
USD	22	0.16%	0.16%	1997–2027	Industrial revenue bonds – South Louisiana Port	21	21
USD	15	0.19%	0.19%	1999–2031	Industrial revenue bonds – Midlothian	14	14
USD	67	0.30%	0.30%	1999–2032	Industrial revenue bonds – Mobile Dock & Wharf	63	62
USD	18	0.12%	0.12%	2000–2020	Industrial revenue bonds – Canada	17	17
USD	25	0.19%	0.19%	2003–2033	Industrial revenue bonds – Holly Hill	24	23
USD	27	0.09%	0.09%	2009–2034	Industrial revenue bonds – Midlothian	25	25
Holcim (Maroc) S.A.							
MAD	1,500	5.49%	5.49%	2008–2015	Bonds with fixed interest rate	164	168
ACC Limited							
INR	2,000	11.30%	11.30%	2008–2013	Non-convertible debentures with fixed interest rate	35	42
INR	3,000	8.45%	8.45%	2009–2014	Non-convertible debentures with fixed interest rate	53	62
Siam City Cement (Public) Company Limited							
THB	4,000	4.50%	4.55%	2009–2013	Bonds with fixed interest rate	59	62
Juan Minetti S.A.							
ARS	24	25.93%	27.26%	2009–2012	Amortizing floating rate bonds	5	15
Holcim (Costa Rica) S.A.							
CRC	8,500	10.25%	10.65%	2009–2012	Floating rate bonds	15	15
CRC	10,000	10.40%	10.81%	2010–2015	Floating rate bonds	18	18
Total						**9,713**	**10,316**

29 Leases

Future minimum lease payments

	Operating leases	Finance leases	Operating leases	Finance leases
Million CHF	2011	2011	2010	2010
Within 1 year	149	34	157	27
Within 2 years	114	21	123	29
Within 3 years	86	10	96	14
Within 4 years	68	5	77	11
Within 5 years	57	5	71	5
Thereafter	285	58	357	63
Total	**759**	**133**	**881**	**149**
Interest		(36)		(41)
Total finance leases		**97**		**108**

Total expense for operating leases recognized in the consolidated statement of income in 2011 was CHF 165 million (2010: 170). 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 28). There are no individually significant finance lease agreements.

30 Derivative financial instruments

Derivative assets with maturities exceeding one year are included in long-term financial assets (note 21) and derivative assets with maturities less than one year are included in accounts receivable (note 18).

Derivative liabilities are included in financial liabilities (note 28).

Derivative assets and liabilities

Million CHF	Fair value assets 2011	Fair value liabilities 2011	Nominal amount 2011	Fair value assets 2010	Fair value liabilities 2010	Nominal amount 2010
Fair value hedges						
Interest rate	81	0	628	78	0	863
Currency	0	0	0	0	0	0
Cross-currency	0	15	85	0	12	150
Total fair value hedges	**81**	**15**	**713**	**78**	**12**	**1,013**
Cash flow hedges						
Interest rate	0	3	78	0	3	94
Currency	5	7	141	0	4	76
Cross-currency	0	133	527	0	117	823
Total cash flow hedges	**5**	**143**	**746**	**0**	**124**	**993**
Net investment hedges						
Currency	0	0	0	0	0	0
Cross-currency	3	0	59	2	1	61
Total net investment hedges	**3**	**0**	**59**	**2**	**1**	**61**
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	**89**	**158**	**1,518**	**80**	**137**	**2,067**

31 Deferred taxes

Deferred tax by type of temporary difference	2011	2010
Million CHF		
Deferred tax assets		
Property, plant and equipment	19	32
Intangible and other long-term assets	26	40
Provisions	199	171
Tax losses carryforward	595	385
Other	291	309
Total	**1,129**	**937**
Deferred tax liabilities		
Property, plant and equipment	2,348	2,367
Intangible and other long-term assets	254	281
Provisions	3	5
Other	96	102
Total	**2,701**	**2,755**
Deferred tax liabilities net	**1,571**	**1,818**
Reflected in the statement of financial position as follows:		
Deferred tax assets	(490)	(385)
Deferred tax liabilities	2,061	2,203
Deferred tax liabilities net	**1,571**	**1,818**

Temporary differences for which no deferred tax is recognized

Million CHF	2011	2010
On unremitted earnings of subsidiary companies (taxable temporary difference)	1,946	3,303
On tax losses carryforward (deductible temporary difference)	1,488	879

Tax losses carryforward

	Loss carry-forwards 2011	Tax effect 2011	Loss carry-forwards 2010	Tax effect 2010
Million CHF				
Total tax losses carryforward	**3,527**	**1,013**	**2,281**	**650**
Of which reflected in deferred taxes	(2,039)	(595)	(1,402)	(385)
Total tax losses carryforward not recognized	**1,488**	**418**	**879**	**265**
Expiring as follows:				
1 year	1	0	35	9
2 years	14	4	3	1
3 years	21	4	23	5
4 years	8	2	10	2
5 years	19	4	22	6
Thereafter	1,425	403	786	242

32 Provisions

Million CHF	Site restoration and other environmental provisions	Specific business risks	Other provisions	Total 2011	Total 2010
January 1	**618**	**239**	**522**	**1,379**	**1,515**
Change in structure	51	4	13	68	3
Provisions recognized	172	51	183	406	443
Provisions used during the year	(51)	(30)	(185)	(266)	(205)
Provisions reversed during the year	(29)	(57)	(42)	(128)	(259)
Currency translation effects	(4)	(13)	(19)	(36)	(118)
December 31	**757**	**194**	**472**	**1,423**	**1,379**
Of which short-term provisions	52	41	149	242	256
Of which long-term provisions	705	153	323	1,181	1,123

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 2011, it included several provisions for risks related to direct and indirect taxes of CHF 32 million (2010: 32) and a provision of CHF 20 million (2010: 21) related to the German antitrust investigation set up in 2002. Total provisions for litigations amounted to CHF 130 million (2010: 180) on 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 64 million (2010: 59) on 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 of December 31, among other things: various severance payments to employees of CHF 101 million (2010: 111), provisions for vacation and overtime of CHF 93 million (2010: 91), provisions for health insurance and pension schemes, which do not qualify as benefit obligations, of CHF 23 million (2010: 22), provisions related to sales and other taxes of CHF 58 million (2010: 71) and provisions for contingent liabilities arising from business combinations of CHF 52 million (2010: 77). The expected timing of the future cash outflows is uncertain.

33 Employee benefits

Personnel expenses	2011	2010
Million CHF		
Production and distribution	2,641	2,759
Marketing and sales	395	415
Administration	823	861
Total	**3,859**	**4,035**

Personnel expenses and number of personnel

The Group's total personnel expenses, including social charges, are recognized in the relevant expenditure line by function in the consolidated statement of income and amounted to CHF 3,859 million (2010: 4,035). As of December 31, 2011, the Group employed 80,967 people (2010: 80,310).

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	2011	2010
Net liability arising from defined benefit pension plans	175	222
Net liability arising from other post-employment benefit plans	69	69
Net liability	**244**	**291**
Reflected in the statement of financial position as follows:		
Other long-term assets	(41)	(26)
Defined benefit obligations	285	317
Net liability	**244**	**291**

Retirement benefit plans

	Defined benefit pension plans		Other post-employment benefit plans	
Million CHF	2011	2010	2011	2010
Present value of funded obligations	**3,026**	**2,786**	**0**	**0**
Fair value of plan assets	(2,469)	(2,405)	0	0
Plan deficit of funded obligations	**557**	**381**	**0**	**0**
Present value of unfunded obligations	**225**	**225**	**89**	**83**
Unrecognized actuarial losses	(599)	(379)	(20)	(14)
Unrecognized past service costs	(8)	(6)	0	0
Unrecognized plan assets	0	1	0	0
Net liability from funded and unfunded plans	**175**	**222**	**69**	**69**
Amounts recognized in the statement of income are as follows:				
Current service costs	72	78	1	1
Interest expense on obligations	125	149	4	4
Expected return on plan assets	(129)	(137)	0	0
Amortization of actuarial losses	17	62	0	0
Past service costs	6	1	0	0
Losses on curtailments and settlements	2	0	0	0
Limit of asset ceiling	(1)	(50)	0	0
Others	(4)	(4)	0	0
Total (included in personnel expenses)	**88**	**99**	**5**	**5**
Actual return on plan assets	**39**	**51**	**0**	**0**
Present value of funded and unfunded obligations				
Opening balance as per January 1	3,011	3,028	83	89
Current service costs	72	78	1	1
Employees’ contributions	20	22	0	0
Interest expense	125	149	4	4
Actuarial losses (gains)	143	147	6	(1)
Currency translation effects	0	(211)	0	(5)
Benefits paid	(150)	(183)	(5)	(5)
Past service costs	8	9	0	0
Change in structure	34	(9)	0	0
Curtailments	0	(10)	0	0
Settlements	(12)	(9)	0	0
Closing balance as per December 31	**3,251**	**3,011**	**89**	**83**

Retirement benefit plans

	Defined benefit pension plans		Other post-employment benefit plans	
Million CHF	2011	2010	2011	2010
Fair value of plan assets				
Opening balance as per January 1	2,405	2,541	0	0
Expected return on plan assets	129	137	0	0
Actuarial (losses) gains	(89)	(86)	0	0
Currency translation effects	(10)	(148)	0	0
Contribution by the employer	110	109	5	4
Contribution by the employees	20	22	0	0
Benefits paid	(130)	(166)	(5)	(4)
Change in structure	45	0	0	0
Settlements	(10)	(4)	0	0
Closing balance as per December 31	**2,469**	**2,405**	**0**	**0**
Plan assets consist of:				
Equity instruments of Holcim Ltd or subsidiaries	1	1	0	0
Equity instruments of third parties	877	846	0	0
Debt instruments of Holcim Ltd or subsidiaries	24	23	0	0
Debt instruments of third parties	591	592	0	0
Land and buildings occupied or used by third parties	364	330	0	0
Other	613	613	0	0
Total fair value of plan assets	**2,469**	**2,405**	**0**	**0**
Principal actuarial assumptions used at the end of the reporting period				
Discount rate	3.8%	4.4%	4.2%	4.9%
Expected return on plan assets	4.8%	5.4%		
Future salary increases	2.7%	2.9%		
Medical cost trend rate			7.2%	7.2%

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

	Defined benefit pension plans					Other post-employment benefit plans				
Million CHF	2011	2010	2009	2008	2007	2011	2010	2009	2008	2007
Present value of defined benefit obligation	3,251	3,011	3,028	2,731	3,292	89	83	89	95	112
Fair value of plan assets	(2,469)	(2,405)	(2,541)	(2,375)	(3,068)	0	0	0	0	(12)
Deficit	**782**	**606**	**487**	**356**	**224**	**89**	**83**	**89**	**95**	**100**
Experience adjustments:										
On plan liabilities	(19)	(33)	0	24	(17)	0	(3)	(6)	(3)	3
On plan assets	(89)	(86)	73	(341)	13	0	0	0	0	0

A 1 percentage point change in the assumed medical cost trend rate would have no material effect on the current service and interest cost components as well as on the accumulated post-employment benefit obligations for medical cost.

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 105 million (2010: 119).

34 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 2011 (2010: 1.7).

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 6.5 million in 2011 (2010: 6.4).

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 1.9 million in 2011 (2010: 2).

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 144).

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 restrictions.

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] 2011	Number[1] 2010
January 1	**CHF**	**64.37**	**1,250,359**	**1,054,493**
Granted and vested (individual component of variable compensation)	CHF	67.15	149,763	131,631
Granted and vested (single allotment)	CHF	71.50	67,100	67,100
Forfeited			0	0
Exercised			0	2,865
Lapsed			0	0
December 31	**CHF**	**64.98**	**1,467,222**	**1,250,359**
Of which exercisable at the end of the year			331,004	259,921

[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] 2011	Number[1] 2010
2002	2014	CHF	67.15	201,300	201,300
2003	2012[2]	CHF	33.85	45,910	45,910
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	131,631
2010	2022	CHF	75.40	33,550	33,550
2010	2022	CHF	81.45	33,550	33,550
2011	2019	CHF	67.15	149,763	
2011	2023	CHF	71.50	67,100	
Total				**1,467,222**	**1,250,359**

[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.

In 2011 no options were exercised. In 2010, options exercised resulted in 2,865 shares having been issued based on an average share price of CHF 33.85.

The fair value of options granted for the year 2011 using the Black Scholes valuation model is CHF 13.45 (2010: 16.59). The significant inputs into the model are the share price and an exercise price of CHF 58.50 (2010: 67.15) at the date of grant, an expected volatility of 32.9 percent (2010: 31.6), an expected option life of 6 years (2010: 6), a dividend yield of 2.6 percent (2010: 2.2) and an annual risk-free interest rate of 0.3 percent (2010: 1.3). 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 2011 (2010: 2.4).

35 Construction contracts

Million CHF	2011	2010
Contract revenue recognized during the year	**1,118**	**1,341**
Contract costs incurred and recognized profits (less recognized losses) to date	2,365	2,963
Progress billings to date	(2,366)	(2,982)
Due to contract customers at the end of the reporting period	**(1)**	**(19)**
Of which:		
Due from customers for contract work	33	23
Due to customers for contract work	(34)	(42)

36 Details of shares

Number of registered shares

December 31	2011	2010
Total outstanding shares	**319,816,295**	**319,955,293**
Treasury shares		
Shares reserved for convertible bonds	5,785,824	5,785,824
Shares reserved for call options	1,467,222	1,250,359
Unreserved treasury shares	17,035	94,900
Total treasury shares	**7,270,081**	**7,131,083**
Total issued shares	**327,086,376**	**327,086,376**
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 (2010: 654) and the treasury shares amount to CHF 486 million (2010: 476).

37 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, 2011, the Group's contingencies amounted to CHF 406 million (2010: 363). It is possible, but not probable, 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, 2011, guarantees issued to third parties and associates in the ordinary course of business amounted to CHF 721 million (2010: 508).

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, 2011, the Group's commitments amounted to CHF 1,210 million (2010: 1,236), of which CHF 558 million (2010: 342) relate to the purchase of property, plant and equipment.

38 Monetary net current assets by currency

Million CHF	Cash and marketable securities	Accounts receivable	Trade accounts payable	Current financial liabilities	Other current liabilities	Total 2011	Total 2010
EUR	324	555	486	811	401	(819)	(615)
GBP	89	248	361	20	117	(161)	55
CHF	303	114	87	376	206	(252)	(25)
USD	561	377	387	287	295	(31)	(255)
CAD	20	183	153	1	100	(51)	(40)
MXN	29	117	113	182	33	(182)	(25)
INR	1,029	136	217	45	603	300	39
THB	40	27	37	76	20	(66)	(10)
IDR	109	60	55	27	58	29	40
PHP	70	36	31	27	24	24	28
AUD	55	391	200	671	221	(646)	(100)
Others	322	475	420	297	250	(170)	(300)
Total	**2,951**	**2,719**	**2,547**	**2,820**	**2,328**	**(2,025)**	**(1,208)**

39 Cash flow used in investing activities

Million CHF	2011	2010
Purchase of property, plant and equipment net		
Replacements	(890)	(639)
Proceeds from sale of property, plant and equipment	138	229
Capital expenditures on property, plant and equipment to maintain productive capacity and to secure competitiveness	**(752)**	**(410)**
Expansion investments	(886)	(1,182)
Total purchase of property, plant and equipment net (A)	**(1,638)**	**(1,592)**
Acquisition of participation in Group companies (net of cash and cash equivalents acquired)[1]	**(137)**	**(60)**
Disposal of participation in Group companies (net of cash and cash equivalents disposed of)	**5**	**0**
Purchase of financial assets, intangible and other assets		
Increase in financial investments including associates	(137)	(252)
Increase in other financial assets, intangible and other assets	(105)	(194)
Total purchase of financial assets, intangible and other assets	**(242)**	**(446)**
Disposal of financial assets, intangible and other assets		
Decrease in financial investments including associates	32	61
Decrease in other financial assets, intangible and other assets	189	675
Total disposal of financial assets, intangible and other assets	**221**	**736**
Total (purchase) disposal of financial assets, intangible and other assets and businesses net (B)	**(154)**	**230**
Total cash flow used in investing activities (A + B)	**(1,791)**	**(1,362)**

[1] Including goodwill of new Group companies.

Cash flow from acquisitions and disposals of Group companies

	Acquisitions		Disposals	
Million CHF	2011	2010	2011	2010
Current assets	(131)	(28)	20	0
Property, plant and equipment	(424)	(23)	9	0
Other assets	(55)	(13)	6	0
Current liabilities	123	11	(24)	0
Long-term provisions	69	7	(1)	0
Other long-term liabilities	107	4	0	0
Net assets	**(311)**	**(42)**	**10**	**0**
Non-controlling interest	29	1	(6)	0
Net assets (acquired) disposed	**(282)**	**(41)**	**4**	**0**
Goodwill (acquired) disposed	(79)	(28)	2	0
Fair value of previously held (retained) equity interest	127	0	(6)	0
Net gain on disposals	0	0	3	0
Total (purchase) disposal consideration	**(234)**	**(69)**	**3**	**0**
Acquired cash and cash equivalents	38	1	(2)	0
Contingent consideration	0	0	0	0
Payables and loan notes	59	8	4	0
Net cash flow	**(137)**	**(60)**	**5**	**0**

40 Transactions and relations with members of the Board of Directors and senior management

Key management compensation

Board of Directors

In 2011, twelve non-executive members of the Board of Directors received a total remuneration of CHF 3.1 million (2010: 2.9) in the form of short-term employee benefits of CHF 2.0 million (2010: 1.8), post-employment benefits of CHF 0.1 million (2010: 0.1), share-based payments of CHF 0.9 million (2010: 0.9) and other compensation of CHF 0.2 million (2010: 0.1).

Senior management

The total annual compensation for the 14 members of senior management (including CEO) amounted to CHF 31.6 million (2010: 36.7). This amount comprises of base salary and variable cash compensation of CHF 18.2 million (2010: 18.2), share-based compensations of CHF 4.4 million (2010: 4.4), employer contributions to pension plans of CHF 5.1 million (2010: 5.3) and "Others" compensation of CHF 4.0 million (2010: 8.8) 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 3.6 million (2010: 8.3). The CEO received a base salary plus variable compensation in cash of CHF 2.6 million (2010: 2.5), share based compensation of CHF 0.8 million (2010: 0.8), and employer contributions to pension benefits of CHF 0.4 million (2010: 0.4). As a result, total compensation, before the additional contributions for the financing of retirement benefits, amounted to CHF 3.8 million (2010: 3.7). The CEO's total compensation, in accordance with the rules of SIX Swiss Exchange, amounted to CHF 5.7 million (2010: 8.7). In 2011 the CEO's total compensation included additional contributions from the Holcim International Pension Trust in the amount of CHF 1.8 million (2010: 5), based on actuarial considerations and disclosed under "Others". In accordance with Art. 663bbis 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 employer's 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.

Compensation for former members of governing bodies

In the year under review, compensation in the amount of CHF 4.2 million (2010: 2.9) was paid to one former member of the Board of Directors (2010: one) and five (2010: three) former members of senior management. In 2010, this amount included, 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.

Loans

As at December 31, 2011, and December 31, 2010, there were no loans outstanding, to members of the Board of Directors and members of senior management.

Compensation Board of Directors/senior management[1]

Name	Position		Base Salary Cash	Shares[2]
Rolf Soiron	Chairman	Number		1,491
		CHF	595,680	80,000
Beat Hess	Deputy Chairman since May 5, 2011	Number		1,491
		CHF	190,833	80,000
Erich Hunziker	Deputy Chairman since May 5, 2011, Chairman of the Governance, Nomination & Compensation Committee since May 5, 2011	Number		1,491
		CHF	216,667	80,000
Christine Binswanger	Member of the Board of Directors	Number		1,491
		CHF	80,000	80,000
Alexander Gut	Member of the Board of Directors since May 5, 2011	Number		870
	Member of the Audit Committe since May 5, 2011	CHF	62,500	46,667
Peter Küpfer	Member of the Board of Directors,	Number		1,491
	Chairman of the Audit Committee	CHF	180,000	80,000
Adrian Loader	Member of the Board of Directors, Member of the Governance,	Number		1,491
	Nomination & Compensation Committee since May 5, 2011	CHF	91,667	80,000
Andreas von Planta	Member of the Board of Directors,	Number		1,491
	Member of the Audit Committee	CHF	189,167	80,000
Thomas Schmidheiny	Member of the Board of Directors, Member of the	Number		1,491
	Governance, Nomination & Compensation Committee	CHF	130,800[5]	80,000
Wolfgang Schürer	Member of the Board of Directors, Member of the	Number		1,491
	Governance, Nomination & Compensation Committee	CHF	100,000	80,000
Dieter Spälti	Member of the Board of Directors,	Number		1,491
	Member of the Audit Committee	CHF	110,000	80,000
Robert F. Spoerry	Member of the Board of Directors until May 5, 2011	Number		621
		CHF	33,333	33,333
Total Board of Directors		**Number**		**16,401**
(non-executive members)		**CHF**	**1,980,647**	**880,000**
Markus Akermann[6]	Executive member of the Board of Directors,	Number		
	CEO	CHF	2,223,500	
Variable compensation in percentage of base salary				
Total senior management[8]		**Number**		
		CHF	**15,377,609**	
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 in note 34 "Share compensation plans".

[2] The shares were valued at the average market price in the period from January 1, 2012 to February 15, 2012, 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 expenses of the contributions from the Holcim International Pension Trust in the amount of CHF 3.6 million (2010: 8.3), which do not affect the statement of income of the Group in the reporting period.

[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 2011 would have amounted to CHF 3.8 million (2010: 3.7).

[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 2011	Total compensation 2010
			32,891	50,000	758,571	758,097
			11,624	10,000	292,457	101,524
			8,229	10,000	314,896	198,093
			7,199	10,000	177,199	177,083
			3,219	5,833	118,219	
			11,484	10,000	281,484	281,285
				10,000	181,667	170,023
			12,821	10,000	291,988	408,193
			7,631	10,000	228,431	230,448
			8,012	10,000	198,012	198,093
			8,744	10,000	208,744	195,467
			4,795	4,167	75,628	177,083
			116,649	**150,000**	**3,127,296**	**2,895,389**
	5,397	36,654				
391,347	289,657	492,996	378,877	1,876,100	5,652,477[7]	8,713,996[7]
	52.8%					
	36,057	**179,894**				
2,797,698	**1,935,179**	**2,419,574**	**5,084,342**	**3,959,107**	**31,573,509**	**36,662,463**
	46.5%					

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 of December 31, 2011, and December 31, 2010, respectively.

Board of Directors[1]

Name	Position	Total number of shares 2011	Total number of call options 2011
Rolf Soiron	Chairman	36,879	
Beat Hess	Deputy Chairman	880	
Erich Hunziker	Deputy Chairman, Governance, Nomination & Compensation Committee Chairman	10,916	
Christine Binswanger	Member	3,926	
Alexander Gut	Member	900	
Peter Küpfer	Member, Audit Committee Chairman	10,915	37,000[2] 31,000[3]
Adrian Loader	Member	6,680	
Andreas von Planta	Member	10,674	
Thomas Schmidheiny	Member	65,774,099	
Wolfgang Schürer	Member	43,620	
Dieter Spälti	Member	30,966	
Total Board of Directors (non-executive members)		**65,930,455**	**68,000**

Board of Directors

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.

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.

Senior management[1]

Name	Position	Total number of shares 2011	Total number of call options 2011
Markus Akermann	Executive Member of the Board of Directors, CEO	93,996	290,096
Thomas Aebischer	Member of the Executive Committee, CFO	3,417	33,550
Urs Böhlen	Member of the Executive Committee	18,227	82,319
Patrick Dolberg	Member of the Executive Committee	12,789	66,619
Paul Hugentobler	Member of the Executive Committee	75,796	119,769
Benoît-H. Koch	Member of the Executive Committee	19,383	104,763
Roland Köhler	Member of the Executive Committee, CEO HGRS	9,323	65,581
Andreas Leu	Member of the Executive Committee	10,434	46,773
Ian Thackwray	Member of the Executive Committee	2,828	45,786
Javier de Benito	Area Manager	19,123	21,855
Urs Fankhauser	Area Manager	3,319	
Aidan Lynam	Area Manager	2,625	3,675
Bernard Terver	Area Manager	19,262	23,600
Jacques Bourgon	Corporate Functional Manager	6,302	19,996
Total senior management		**296,824**	**924,382**

Senior management

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	
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**

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

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.

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 2.1 million (2010: 0.3) 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.

41 Events after the reporting period

There were no significant events after the reporting period.

42 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 24, 2012, and are subject to shareholder approval at the annual general meeting of shareholders scheduled for April 17, 2012.

Principal companies of the Holcim Group

Region	Company	Place	Nominal share capital in 000		Participation (voting right)
Europe	Holcim (France) S.A.S.	France	EUR	96,971	100.0%
	Holcim (Belgique) S.A.	Belgium	EUR	750,767	100.0%
	Holcim (España) S.A.	Spain	EUR	420,945	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 Group Support Ltd	Switzerland	CHF	1,000	100.0%
	Holcim Gruppo (Italia) S.p.A.	Italy	EUR	67,000	100.0%
	Holcim (Česko) a.s.	Czech Republic	CZK	486,297	100.0%
	Holcim (Slovensko) a.s.	Slovakia	EUR	42,325	98.0%
	Východoslovenské stavebné hmoty a.s.	Slovakia	EUR	362	100.0%
	Holcim Hungária Zrt.	Hungary	HUF	3,170,446	99.9%
	Holcim (Hrvatska) d.o.o.	Croatia	HRK	243,852	99.9%
	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%
	Holcim (Rus) OAO	Russia	RUB	24,893	83.5%
	"Garadagh" Sement O.J.S.C.	Azerbaijan	AZN	31,813	69.7%
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	91,201	100.0%
Latin America	Holcim Apasco S.A. de C.V.	Mexico	MXN	10,513,086	100.0%
	Holcim El Salvador S.A. de C.V.	El Salvador	USD	78,178	91.6%
	Holcim (Costa Rica) S.A.	Costa Rica	CRC	8,577,370	60.0%
	Holcim (Nicaragua) S.A.	Nicaragua	NIO	19,469	80.0%
	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%
	Holcim (Argentina) 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	India	INR	1,879,518	50.3%
	Ambuja Cements Ltd.	India	INR	3,068,738	50.3%
	Holcim (Lanka) Ltd	Sri Lanka	LKR	4,457,771	98.9%
	Holcim Cements (Bangladesh) Ltd.	Bangladesh	BDT	8,824	84.6%
	Siam City Cement (Public) Company Limited[1]	Thailand	THB	2,300,000	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	390,740	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%

[1] Joint venture, proportionate consolidation.

Listed Group companies

Region	Company	Domicile	Place of listing	Market capitalization at December 31, 2011 in local currency		Security code number
Europe	Holcim (Deutschland) AG	Hamburg	Frankfurt	EUR	423 million	DE0005259006
Latin America	Holcim (Costa Rica) S.A.	San José	San José	CRC	143,585 million	CRINC00A0010
	Holcim (Ecuador) S.A.	Guayaquil	Quito, Guayaquil	USD	1,168 million	ECP516721068
	Holcim (Argentina) S.A.	Buenos Aires	Buenos Aires	ARS	1,630 million	ARP6806N1051
	Cemento Polpaico S.A.	Santiago	Santiago	CLP	119,483 million	CLP2216J1070
Africa Middle East	Holcim (Maroc) S.A.	Rabat	Casablanca	MAD	8,559 million	MA0000010332
	Holcim (Liban) S.A.L.	Beirut	Beirut	USD	335 million	LB0000012833
Asia Pacific	ACC Limited	Mumbai	Mumbai	INR	213,344 million	INE012A01025
	Ambuja Cements Ltd.	Mumbai	Mumbai	INR	238,364 million	INE079A01024
	Siam City Cement (Public) Company Limited	Bangkok	Bangkok	THB	61,534 million	TH0021010002
	PT Holcim Indonesia Tbk.	Jakarta	Jakarta	IDR	18,443,834 million	ID1000072309
	Holcim Philippines Inc.	Manila	Manila	PHP	94,330 million	PHY3232G1014

Principal finance and holding companies

Company	Place	Nominal share capital in 000		Participation (voting right)
Holcim Ltd[1]	Switzerland	CHF	654,173	–
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 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	56,903,850	100.0%
Holcim Investments (France) SAS	France	EUR	15,551	100.0%
Holcim Investments (Spain) S.L.	Spain	EUR	107,152	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 US Finance S.à r.l. & Cie S.C.S.	Luxembourg	USD	20	100.0%
Holderfin B.V.	Netherlands	EUR	3,772	100.0%

[1] Holcim Ltd, Zürcherstrasse 156, CH-8645 Jona.

Principal associated companies

Region	Company	Country of incorporation or residence	Participation (voting right)
Latin America	Cementos Progreso S.A.	Guatemala	20.0%
Africa Middle East	Lafarge Cement Egypt S.A.E.	Egypt	43.7%
	United Cement Company of Nigeria Ltd	Nigeria	35.9%
Asia Pacific	Huaxin Cement Co. Ltd.	China	41.6%

To the General Meeting of Holcim Ltd, Jona

Zurich, February 24, 2012

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 165 to 231 for the year ended December 31, 2011.

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, 2011, 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

Willy Hofstetter	Michael Brenner
Licensed Audit Expert	Licensed Audit Expert
Auditor in charge	

Principal companies of the Holcim Group

Holcim (France) S.A.S., France

Chief Executive:	Gérard Letellier
Personnel:	1,934
Production capacity:	6.5 million t of cement
Altkirch plant	■
Dannes plant	■
Héming plant	■
Lumbres plant	■
Rochefort plant	■
Dunkerque grinding plant	■
Ebange grinding plant	■
Grand-Couronne grinding plant	■
Shareholdings:	
Dijon Béton S.A.	▲
Holcim Bétons (France) S.A.S.	▲
Holcim Granulats (France) S.A.S.	●

Holcim (Belgique) S.A., Belgium

Chief Executive Belgium/Netherlands:	Lukas Epple
Personnel:	1,105
Production capacity:	3.0 million t of cement
Obourg plant	■
Haccourt grinding plant	■
Shareholdings:	
Geocycle S.A.	■
Holcim Bétons (Belgique) S.A.	▲
Holcim Granulats (Belgique) S.A.	●
Holcim (Nederland) S.A.	▲

Holcim (España) S.A., Spain

Chief Executive:	Vincent Lefebvre
Personnel:	1,257
Production capacity:	5.2 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:	81
Seaborne clinker and cement trading and others	▲

Aggregate Industries Ltd, United Kingdom

Chief Executive:	Alain Bourguignon
Personnel:	5,188
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	●

■ Cement
● Aggregates
▲ Other construction materials and services

Holcim (Deutschland) AG, Germany

Chief Executive:	Leo Mittelholzer
Personnel:	1,289
Production capacity:	3.3 million t of cement
Höver plant	■
Lägerdorf plant	■
Bremen grinding plant	■
Shareholdings:	
Holcim Beton und Zuschlagsstoffe GmbH	● ▲
Hüttensand Salzgitter GmbH & Co. KG	■
Holcim Kieswerk Zeithain GmbH & Co. KG	●
Vereinigte Transportbetonwerke GmbH & Co. KG	▲

Holcim (Süddeutschland) GmbH, Germany

Regional General Manager:	Carlo Gervasoni
Country Manager:	Urs Kern
Personnel:	333
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:	1,212
Production capacity:	3.4 million t of cement
Eclépens plant	■
Siggenthal plant	■
Untervaz plant	■
Shareholdings:	
Holcim BF+P SA	▲
Holcim Kies und Beton AG	● ▲
Holcim (Vorarlberg) GmbH, Austria	■

Holcim Group Support Ltd, Switzerland

Personnel:	777
Management services	▲

Holcim Gruppo (Italia) S.p.A., Italy

Regional General Manager:	Carlo Gervasoni
Country Manager:	Piero Corpina
Personnel:	544
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 (Česko) a.s., Czech Republic

Chief Executive:	Patrick Stapfer
Personnel:	476
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	▲
TransPlus (Česko) s.r.o	■

Holcim (Slovensko) a.s., Slovakia

Chief Executive:	Alan Šišinacki
Personnel:	615
Production capacity:	2.2 million t of cement
Rohožník plant	■
Aggregates operations	●
Ready-mix concrete operations	▲
Shareholding:	
Holcim Wien GmbH, Austria	■
TransPlus (Slovensko) s.r.o	■

Východoslovenské stavebné hmoty a.s., Slovakia

Chief Executive:	Alan Šišinacki
Personnel:	574
Production capacity:	1.0 million t of cement
Turňa plant	■
Aggregates operations	●
Ready-mix concrete operations	▲

Holcim Hungária Zrt., Hungary

Chief Executive:	Richard Skene
Personnel:	427
Production capacity:	0.5 million t of cement
Lábatlan plant	■
Aggregates operations	●
Ready-mix concrete operations	▲
Shareholding:	
VSH Trans (Hungary) Kft.	■

Holcim (Hrvatska) d.o.o., Croatia

Chief Executive:	Mario Grassl
Personnel:	330
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	●
Transplus d.o.o. Koromačno	■

Holcim (Serbia) d.o.o., Serbia

Chief Executive:	Gustavo Navarro
Personnel:	454
Production capacity:	1.4 million t of cement
Novi Popovac plant	■
Aggregates operations	●
Ready-mix concrete operations	▲
Shareholding:	
Holcim Agregati a.d.	●

Holcim (Romania) S.A., Romania

Chief Executive:	Daniel Bach
Personnel:	1,012
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	●

Holcim (Bulgaria) AD, Bulgaria

Chief Executive:	Todor Kostov
Personnel:	498
Production capacity:	1.7 million t of cement
Beli Izvor 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	●

Holcim (Rus) OAO, Russia

Chief Executive:	Horia Adrian
Personnel:	1,662
Production capacity:	5.1 million t of cement
Shurovo plant	■
Volsk plant	■

"Garadagh" Sement O.J.S.C., Azerbaijan

Chief Executive:	Raoul Waldburger
Personnel:	535
Production capacity:	1.7 million t of cement
Garadagh plant	■

Holcim (US) Inc., USA

Chief Executive:	Bernard Terver
Personnel:	1,801
Production capacity:	18.6 million t of cement
Ada 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	■

■ Cement
● Aggregates
▲ Other construction materials and services

Aggregate Industries Management Inc., USA

Chief Executive:	Bernard Terver
Personnel:	2,819
Mid Atlantic Region	● ▲
Mid West Region	● ▲
North East Region	● ▲
Western Region	● ▲

Holcim (Canada) Inc., Canada

Chief Executive:	Paul Ostrander
Personnel:	2,923
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:	3,986
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:	677
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.	▲
Agresal S.A. de C.V.	●

Holcim (Costa Rica) S.A., Costa Rica

Chief Executive:	Sergio Egloff
Personnel:	1,065
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 (Nicaragua) S.A., Nicaragua

Chief Executive:	Sergio Egloff
Personnel:	140
Production capacity:	0.3 million t of cement
Nagarote grinding plant	■

Holcim (Colombia) S.A., Colombia

Chief Executive:	Miguel Angel Rubalcava
Personnel:	1,031
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:	1,083
Production capacity:	5.5 million t of cement
Guayaquil plant	■
Latacunga grinding plant	■
Aggregates operations	●
Ready-mix concrete operations	▲
Shareholding:	
Construmercado S.A.	▲

Holcim (Brasil) S.A., Brazil

Chief Executive:	Otmar Hübscher
Personnel:	2,131
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	▲

Holcim (Argentina) S.A., Argentina

Chief Executive:	José Cantillana
Personnel:	1,541
Production capacity:	4.6 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:	1,213
Production capacity:	2.3 million t of cement
Cerro Blanco plant	■
Coronel grinding plant	■
Mejillones grinding plant	■
Shareholdings:	
Compañia Minera Polpaico Ltd.	■
Pétreos S.A.	● ▲
Plantas Polpaico del Pacifico Ltd.	■
Polpaico Inversiones Ltd.	■

Holcim (Maroc) S.A., Morocco

Chief Executive:	Dominique Drouet
Personnel:	590
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:	Jaafar Skalli
Personnel:	125
Production capacity:	0.5 million t of cement
Conakry grinding plant	■

Société de Ciments et Matériaux, Ivory Coast

Chief Executive:	Johan Pachler
Personnel:	223
Production capacity:	0.9 million t of cement
Abidjan grinding plant	■

■ Cement
● Aggregates
▲ Other construction materials and services

Holcim (Liban) S.A.L., Lebanon

Chief Executive:	Urs Spillmann
Personnel:	459
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:	560
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:	Mahmood Al-Solwi
Personnel:	23
Aden terminal	■

ACC Limited, India

Chief Executive:	Kuldip K. Kaura
Personnel:	14,491
Production capacity:	30.1 million t of cement
Bargarh plant	■
Chaibasa plant	■
Chanda plant	■
Gagal plants	■
Jamul plant	■
Kymore plant	■
Lakheri plant	■
Madukkarai plant	■
Wadi plants	■
Kudithini grinding plant	■
Damodhar grinding plant	■
Thondebhavi grinding plant	■
Sindri grinding plant	■
Tikaria grinding plant	■
Ready-mix concrete operations	▲
Shareholding:	
ACC Concrete Ltd.	▲

Ambuja Cements Ltd., India

Chief Executive:	Onne van der Weijde
Personnel:	8,497
Production capacity:	28.5 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:	637
Production capacity:	1.5 million t of cement
Palavi plant	■
Ruhunu grinding plant	■

Holcim Cements (Bangladesh) Ltd., Bangladesh

Chief Executive:	Rajnish Kapur
Personnel:	606
Production capacity:	1.2 million t of cement
Menghnaghat grinding plant	■
Mongla grinding plant	■

Siam City Cement (Public) Company Limited, Thailand

Chief Executive:	Philippe Arto
Personnel:	3,262
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:	218
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:	257
Ready-mix concrete operations	▲
Shareholding:	
Ecowise Material Pte Ltd.	▲

PT Holcim Indonesia Tbk., Indonesia

Chief Executive:	Eamon Ginley
Personnel:	2,697
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:	1,571
Production capacity:	5.2 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:	1,790
Production capacity:	9.1 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

● Aggregates

▲ Other construction materials and services

Cement Australia Holdings Pty Ltd and Cement Australia Partnership, Australia

Chief Executive:	Rob Davies
Personnel:	1,217
Production capacity:	3.9 million t of cement
Gladstone plant	■
Railton 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:	3,384
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:	771
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	2011	2010
Financial income	654.9	751.3
Other ordinary income	30.0	32.7
Total income	**684.9**	**784.0**
Financial expenses	(107.8)	(102.0)
Other ordinary expenses	(58.2)	(43.1)
Taxes	(4.1)	(6.6)
Total expenses	**(170.1)**	**(151.7)**
Net income	**514.8**	**632.3**

Balance sheet Holcim Ltd as at December 31

Million CHF	2011	2010
Cash and cash equivalents	249.8	355.6
Accounts receivable – Group companies	19.5	4.1
Prepaid expenses and other current assets	6.6	4.7
Total current assets	**275.9**	**364.4**
Loans – Group companies	1,781.0	1,745.4
Financial investments – Group companies	17,873.8	17,693.7
Other financial investments	88.0	67.6
Total long-term assets	**19,742.8**	**19,506.7**
Total assets	**20,018.7**	**19,871.1**
Current financing liabilities – Group companies	180.0	184.7
Other current liabilities	333.1	33.5
Total current liabilities	**513.1**	**218.2**
Long-term financing liabilities – Group companies	0.0	32.4
Outstanding bonds	2,925.0	3,075.0
Total long-term liabilities	**2,925.0**	**3,107.4**
Total liabilities	**3,438.1**	**3,325.6**
Share capital	654.2	654.2
Legal reserves		
– Ordinary reserves	2,045.8	9,375.6[1]
– Capital contribution reserves	6,839.9	0
– Reserves for treasury shares	486.3	476.1
Free reserves	5,562.8	4,962.8
Retained earnings	991.6	1,076.8
Total shareholders' equity	**16,580.6**	**16,545.5**
Total liabilities and shareholders' equity	**20,018.7**	**19,871.1**

[1] The statutory capital contributions, which have been provided by the shareholders after December 31, 1996, amounted to CHF 7.3 billion as of December 31, 2010. This amount is calculated by applying Art. 5 para.1bis of the Swiss withholding tax law and circular letter No 29 dated December 9, 2010, issued by the federal tax administration.

Change in shareholders' equity Holcim Ltd

	Share capital	Ordinary reserves	Capital contribution reserves	Reserves for treasury shares	Free reserves	Retained earnings	Total
Million CHF							
January 1, 2011	**654.2**	**9,375.6**	**0**	**476.1**	**4,962.8**	**1,076.8**	**16,545.5**
Capital increase							0
Increase reserves for treasury shares		(10.2)		10,2			0
Allocation to capital contribution reserves		(7,319.6)	7,319.6				0
Allocation to free reserves			(479.7)		479.7		0
Payout					(479.7)		(479.7)
Allocation to free reserves					600.0	(600.0)	0
Net income of the year						514.8	514.8
December 31, 2011	**654.2**	**2,045.8**	**6,839.9**	**486.3**	**5,562.8**	**991.6**	**16,580.6**
January 1, 2010	**654.2**	**9,396.9**	**0**	**454.8**	**4,962.8**	**924.4**	**16,393.1**
Capital increase							0
Increase reserves for treasury shares		(21.3)		21.3			0
Payout						(479.9)	(479.9)
Allocation to free reserves							0
Net income of the year						632.3	632.3
December 31, 2010	**654.2**	**9,375.6**	**0**	**476.1**	**4,962.8**	**1,076.8**	**16,545.5**

Data as required under Art. 663b and c of the Swiss Code of Obligations

Contingent liabilities	31.12.2011	31.12.2010
Million CHF		
Holcim Capital Corporation Ltd.		
Guarantees in respect of holders of		
7.05% USD 358 million private placement due in 2011	0[1]	364
6.59% USD 165 million private placement due in 2014	186[1]	188
7.65% USD 50 million private placement due in 2031	82[1]	69
6.88% USD 250 million bonds due in 2039	259[1]	257
Holcim Capital (Thailand) Ltd.		
Guarantees in respect of holders of		
6.69% THB 2,450 million bonds due in 2012	72[2]	76
3.52% THB 2,000 million bonds due in 2015	65[2]	68
Holcim Finance (Australia) Pty Ltd		
Guarantees in respect of holders of		
8.50% AUD 500 million bonds due in 2012	478[3]	477
Holcim Finance (Belgium) S.A.		
Commercial Paper Program, guarantee based on utilization, EUR 500 million maximum	61[5]	25
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	304[4]	309
Holcim Finance (Luxembourg) S.A.		
Guarantees in respect of holders of		
4.38% EUR 600 million bonds due in 2014	804[5]	824
9.00% EUR 650 million bonds due in 2014	871[5]	893
6.35% EUR 200 million bonds due in 2017	268[5]	275
Holcim GB Finance Ltd.		
Guarantees in respect of holders of		
8.75% GBP 300 million bonds due in 2017	479[6]	478
Holcim Overseas Finance Ltd.		
Guarantees in respect of holders of		
2.75% CHF 300 million bonds due in 2011	0	330
3.00% CHF 155 million bonds due in 2013	171	275
3.38% CHF 425 million bonds due in 2021	468	0
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	118[1]	117
6.10% USD 125 million private placement due in 2016	118[1]	117
6.21% USD 200 million private placement due in 2018	188[1]	187
5.12% EUR 90 million private placement due in 2013	121[5]	124
2.67% EUR 358 million private placement due in 2013	480[5]	492
2.82% EUR 202 million private placement due in 2015	271[5]	278
6.00% USD 750 million bonds due in 2019	776[1]	772
Guarantees for committed credit lines, utilization CHF 898 million (2010: 1,040)	3,982	5,658
Other guarantees	614	825

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 0.9410.
[2] Exchange rate THB: CHF 0.0296.
[3] Exchange rate AUD: CHF 0.9557.
[4] Exchange rate CAD: CHF 0.9217.
[5] Exchange rate EUR: CHF 1.2177.
[6] Exchange rate GBP: CHF 1.4506.

Issued bonds

The outstanding bonds and private placements as of December 31, 2011, are listed on pages 208 and 209.

Principal investments

The principal direct and indirect investments of Holcim Ltd are listed under the heading "Principal companies of the Holcim Group" on pages 229 to 231.

Treasury shares		Number	Price per share in CHF	Million CHF
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
01.01.11	Treasury shares	7,131,083	66.76	476.1
01.01. to 31.12.11	Purchases	369,168	68.50	25.3
01.01. to 31.12.11	Sales	(230,170)	75.86	(15.1)
31.12.11	Treasury shares	7,270,081	66.90	486.3

Conditional share capital		Number	Price per share in CHF	Million CHF
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
01.01.11	Conditional shares par value	1,422,350	2.00	2.8
01.01. to 31.12.11	Movement	0	0	0
31.12.11	Conditional shares par value	1,422,350	2.00	2.8

Share interests of Board of Directors and senior management

As of December 31, 2011, the members of the Board of Directors and senior management of Holcim held directly and indirectly in the aggregate 66,227,279 registered shares (2010: 60,093,198) and no rights to acquire further registered shares and 992,382 call options on registered shares (2010: 1,044,831).

Important shareholders[1]

As per December 31, 2011, Thomas Schmidheiny directly and indirectly held 65,774,099 shares (20.10 percent), all registered (2010: 59,568,933 shares or 18.21 percent). Eurocement Holding AG, on September 16, 2011 declared holdings of 33,091,556 shares (10.12 percent) of which 21,326,032 shares (6.52 percent) were registered as per December 31, 2011 (2010: 21,326,032 shares or 6.52 percent). On September 14, 2011, Capital Group Companies Inc. declared holdings of 15,996,300 shares (4.89 percent) (August 15, 2008: 13,181,456 shares or 5 percent) .

The information disclosed complies with Swiss legal requirements. Further information can be found in the notes to the consolidated financial statements on pages 188 to 228. 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 181 to 187 and note 40 on pages 223 to 228, respectively.

[1] Shareholding of more than 3 percent.

[2] Included in share interests of Board of Directors and senior management.

Share capital	2011		2010	
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	2011	2010
	Million CHF	Million CHF
Retained earnings brought forward	476.8	444.5
Net income of the year	514.8	632.3
Retained earnings available for annual general meeting of shareholders	**991.6**	**1,076.8**
The Board of Directors proposes to the annual general meeting of shareholders of April 17, 2012, in Zurich the following appropriation:		
Appropriation to free reserves	(500.0)	(600.0)
Balance to be carried forward	**491.6**	**476.8**

Payout from capital contribution reserves

The Board of Directors proposes to the annual general meeting of shareholders an appropriation from capital contribution reserves to free reserves and payout of CHF 1.00 per registered share up to an amount of CHF 327.0 million[1].

	2011	2010
	Cash payout CHF	Cash payout CHF
Payout per share, gross	1.00	1.50
Less withholding tax	0	0
Payout per share, net	1.00	1.50

[1] There is no payout on treasury shares held by Holcim. On January 1, 2012, treasury holdings amounted to 7,270,081 registered shares.

To the General Meeting of Holcim Ltd, Jona

Zurich, February 24, 2012

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 242 to 247 for the year ended December 31, 2011.

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, 2011, 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

Willy Hofstetter	Michael Brenner
Licensed Audit Expert	Licensed Audit Expert
Auditor in charge	

5-year-review Group Holcim

		2011	2010	2009	2008	2007
Statement of income						
Net sales	Million CHF	20,744	21,653	21,132	25,157	27,052
Gross profit	Million CHF	8,528	9,274	9,060	11,041	12,979
Operating EBITDA	Million CHF	3,958	4,513	4,630	5,333	6,930
Operating EBITDA margin	%	19.1	20.8	21.9	21.2	25.6
EBITDA	Million CHF	4,264	4,988	5,229	5,708	8,468
Operating profit	Million CHF	1,933	2,619	2,781	3,360	5,024
Operating profit margin	%	9.3	12.1	13.2	13.4	18.6
Depreciation, amortization and impairment	Million CHF	2,367	1,934	1,858	1,985	1,919
EBIT	Million CHF	2,235	3,054	3,371	3,723	6,549
Income taxes	Million CHF	449	615	623	663	1,201
Tax rate	%	40	28	24	23	21
Net income	Million CHF	682	1,621	1,958	2,226	4,545
Net income margin	%	3.3	7.5	9.3	8.8	16.8
Net income – shareholders of Holcim Ltd	Million CHF	275	1,182	1,471	1,782	3,865
Statement of cash flows						
Cash flow from operating activities	Million CHF	2,753	3,659	3,888	3,703	5,323
Cash flow margin	%	13.3	16.9	18.4	14.7	19.7
Investments in property, plant and equipment for maintenance	Million CHF	752	410	376	1,104	1,043
Investments in property, plant and equipment for expansion	Million CHF	886	1,182	1,929	3,287	2,245
Purchase (Disposal) of financial assets, intangible and other assets and businesses net	Million CHF	154	(230)	2,125	747	(50)
Statement of financial position						
Current assets	Million CHF	8,154	8,512	10,797	9,994	10,372
Long-term assets	Million CHF	34,400	35,747	38,409	35,199	37,839
Total assets	Million CHF	42,554	44,259	49,206	45,193	48,211
Current liabilities	Million CHF	7,695	7,214	9,280	10,765	9,025
Long-term liabilities	Million CHF	15,202	15,924	17,882	16,454	17,241
Total shareholders' equity	Million CHF	19,656	21,121	22,044	17,974	21,945
Shareholders' equity as % of total assets		46.2	47.7	44.8	39.8	45.5
Non-controlling interest	Million CHF	2,827	3,020	3,011	2,616	3,163
Net financial debt	Million CHF	11,549	11,363	13,833	15,047	12,873
Capacity, sales and personnel						
Annual production capacity cement	Million t	216.0	211.5	202.9	194.4	197.8
Sales of cement	Million t	144.3	136.7	131.9	143.4	149.6
Sales of mineral components	Million t	5.1	4.1	3.5	4.8	5.5
Sales of aggregates	Million t	173.0	157.9	143.4	167.7	187.9
Sales of ready-mix concrete	Million m^3	48.4	45.9	41.8	48.5	45.2
Personnel	31.12.	80,967	80,310	81,498	86,713	89,364
Financial ratios						
Return on equity[1]	%	1.6	6.4	8.6	10.4	22.8
Gearing[2]	%	58.8	53.8	62.8	83.7	58.7
Funds from operations[3]/net financial debt	%	26.4	31.3	27.6	28.0	50.2
EBITDA net interest coverage	×	4.2	6.1	7.3	7.6	11.0
EBIT net interest coverage	×	2.2	3.7	4.7	4.9	8.5

[1] Excludes non-controlling interest.
[2] Net financial debt divided by total shareholders' equity.
[3] 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

General meeting of shareholders	April 17, 2012
Ex date	April 19, 2012
Payout	April 24, 2012
Results for the first quarter 2012	May 9, 2012
Half-year results 2012	August 15, 2012
Press and analyst conference for the third quarter 2012	November 7, 2012

Holcim from 1912 to 2012

Countless companies are founded every year, yet not many survive for long. That makes it worthy of note when a company celebrates its 100th anniversary, as Holcim is doing in 2012. Founded in 1912, in the village of Holderbank in the Swiss canton of Aargau, it has grown steadily, first as “Holderbank” and then later as Holcim, to become one of the world’s leading construction materials companies. It now has a significant presence on every continent.

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 is active in around 70 countries and employs more than 80,000 people.