Holcim

Strength. Performance. Passion.

# SOLUTIONS. TAILOR-MADE.

Annual Report 2014

# CONTENTS

# Dear shareholder,

In the financial year 2014 Holcim achieved solid like-for-like performance. Like-for-like net sales and operating profit increased, although in many places the economic situation presented difficult waters to navigate again in 2014.

The economies of the individual Group regions developed heterogeneously over the year. The economic climate in Asia Pacific was marked by solid growth in most of the key markets. In contrast, growth in Latin America was affected by a challenging economic climate with significant uncertainties, primarily in the form of lower raw materials prices and more difficult financing conditions. The recovery of the European economy stalled during the course of 2014, as chief markets failed to meet growth expectations and political insecurity mounted. On the other hand, the USA, after a weak first quarter of 2014, saw a solid upturn. Economic development in the Group region Africa Middle East was extremely heterogeneous.

Within this economic environment, the Group managed to increase cement volumes by 1.0 percent to 140.3 million tonnes. Significant contributions to this increase were made especially by the Group companies in the USA, the Philippines, and Mexico as well as by Ambuja Cements in India and Holcim Indonesia. Aggregates sales decreased by 0.9 percent to 153.1 million tonnes. Causes for this were the restructuring implemented in Latin America in the previous year and the tense market environment in France, Australia, Belgium, and Switzerland. Ready-mix concrete sales were also lower than the year before, dropping by 6.3 percent to 37.0 million cubic meters. Here too, results were affected by the restructuring in Latin America in 2013 as well as by less market demand in Singapore, Belgium, and France. On the other hand, asphalt volume increased by 12.4 percent to 10.0 million tonnes.

On a like-for-like basis, net sales rose 3.0 percent over the previous year. Consolidated net sales dropped by 3.1 percent to CHF 19.11 billion, mainly due to negative currency effects amounting to CHF 1,030 million. Through improved commercial excellence prices could be adapted in many Group regions. Like-for-like operating profit increased by 4.2 percent to CHF 2,317 million. On a like-for-like basis and adjusted for merger and restructuring costs, operating profit was up 10.6 percent.

Holcim also managed to improve its operating profit margin, measured on a like-for-like basis and adjusted for merger and restructuring costs.

### HOLCIM LEADERSHIP JOURNEY CONTINUES BEYOND 2014

The Holcim Leadership Journey, launched Group-wide in 2012, has proven a great success for Holcim, especially since the two core aspects – cost reduction and a shift of mindset toward stronger customer focus – have become firmly anchored within the organization. Overall, a contribution of CHF 1.848 billion was achieved, surpassing by far the originally envisaged contribution to operating profit of CHF 1.5 billion. Holcim launched over 6,000 initiatives at all levels of the Group, all of which enhanced the positive financial contribution. Thus, the Holcim Leadership Journey is a broad-based success in which all cost initiatives exceeded our original target. Customer Excellence is now strongly anchored in our corporate culture and is a foundation for the Group's future success. This is concretely documented as part of three representative stories in this report explaining the value added that Holcim has generated for customers in Switzerland, Mexico, and Vietnam.

The Holcim Leadership Journey will be continued on several levels beyond 2014, as continuous performance improvement is embedded in the Holcim culture and proves particularly useful in these times of cost inflation and a challenging market environment.

### PORTFOLIO OPTIMIZATION

The Group's overall presence in Europe was considerably strengthened through a series of transactions with Cemex, closed in early 2015. On one hand, the Group significantly expanded its presence in western Germany by connecting the companies in northern Germany with those in France and Benelux. On the other, by selling parts of the business in Spain and restructuring the aggregates segment, the necessary flexibility was created to remain successful in the future. Holcim also sold its activities in the Czech Republic.

## MERGER WITH LAFARGE PROMISES BENEFITS FOR ALL STAKEHOLDERS

Since April of last year, the interest of all stakeholders has been centered on the planned merger with Lafarge – a bold and decisive step through which we will combine the best of the two renowned Groups and create a unique basis for growth. The new company with European roots will offer all shareholders decisive benefits. It will be instrumental in providing solutions to the great challenges of urbanization: affordable housing, urban sprawl, and transportation. The Group's offerings for its customers will expand significantly, based on strong innovation capabilities, the highest level of research and development, and a consolidated portfolio of solutions and products. Both companies are pioneers in terms of sustainability and limiting the effects of climate change, and both are determined to strengthen this commitment even more in the future. The position as global market leader in cement, concrete, and aggregates offers the company new opportunities to optimize production and strengthen commercial partnerships. This places us perfectly to tackle the economic challenges of the future.

## OUTLOOK FOR 2015

Holcim expects for 2015 that the global economy continues its gradual recovery. Key construction markets of Holcim in countries like the USA, India, Indonesia, Mexico, Colombia, the UK, and the Philippines are expected to be the main growth drivers. Europe overall should have a flat development. Latin America will continue to face uncertainties in countries such as Argentina and Brazil but should overall show slight growth in 2015. The Asia Pacific region is expected to grow although at a still modest pace. Africa Middle East is expected gradually to improve.

In this environment cement volumes should increase in all Group regions in 2015 with the exception of Europe. Aggregate and ready-mix concrete volumes are expected to increase. On a stand-alone basis and unconnected to the proposed merger with Lafarge, the Board of Directors and Executive Committee of Holcim expect like-for-like operating profit adjusted for merger-related costs to be between CHF 2.7 billion and 2.9 billion in 2015. Higher pricing and ongoing cost savings are anticipated to offset cost inflation, leading to a further expansion in operating margins in 2015.

### PAYOUT TO SHAREHOLDERS

Against this backdrop of generally positive development, the Group is continuing its consistently practiced dividend policy and distributing one third of the Group's net income attributable to shareholders of Holcim Ltd. At the annual general meeting to be held mid-April, we will propose a payout of CHF 1.30.

### OUR THANKS TO SHAREHOLDERS, CUSTOMERS, PARTNERS, AND EMPLOYEES

We would like to thank you, our shareholders, for your loyalty and your trust during the past twelve months. Our special thanks also go to our customers, business partners, and suppliers – as well as our employees around the world. With competence and commitment, everyone has helped to make Holcim what it is today: a world leading company – one that operates sustainably, is well positioned globally, and offers excellent future perspectives.

Zurich, February 2015

Prof. Dr.-Ing. Wolfgang Reitzle
Chairman of the Board of Directors

Bernard Fontana
Chief Executive Officer

PROF. DR.-ING. WOLFGANG REITZLE
AND BERNARD FONTANA


IAN THACKWRAY
URS BLEISCH
BERNARD TERVER


ROLAND KÖHLER
THOMAS AEBISCHER
ANDREAS LEU
BERNARD FONTANA

# BOARD OF DIRECTORS

WOLFGANG REITZLE
Chairman of the Board of Directors
Chairman of the Governance & Strategy Committee

BEAT HESS
Deputy Chairman

ALEXANDER GUT
Chairman of the Audit Committee

ADRIAN LOADER
Chairman of the Nomination & Compensation Committee

JÜRG OLEAS

THOMAS SCHMIDHEINY

HANNE BIRGITTE BREINBJERG SØRENSEN

DIETER SPÄLTI

ANNE WADE

# HOLCIM IN BRIEF 2014

# KEY FIGURES GROUP HOLCIM

KEY FIGURES GROUP HOLCIM

| | | 2014 | 2013 | ±% | ±% like-for-like |
|---|---|---|---|---|---|
| Annual cement production capacity | million t | 211.4 | 206.2 | +2.5 | +2.5 |
| Sales of cement | million t | 140.3 | 138.9 | +1.0 | +1.4 |
| Sales of mineral components | million t | 4.3 | 4.1 | +5.5 | +8.4 |
| Sales of aggregates | million t | 153.1 | 154.5 | –0.9 | –0.4 |
| Sales of ready-mix concrete | million $m^3$ | 37.0 | 39.5 | –6.3 | –4.9 |
| Sales of asphalt | million t | 10.0 | 8.9 | +12.4 | +12.8 |
| Net sales | million CHF | 19,110 | 19,719 | –3.1 | +3.0 |
| Operating EBITDA | million CHF | 3,747 | 3,896 | –3.8 | +2.0 |
| Operating EBITDA adjusted[1] | million CHF | 3,885 | 3,896 | –0.3 | +5.5 |
| Operating EBITDA margin | % | 19.6 | 19.8 | | |
| Operating EBITDA margin adjusted[1] | % | 20.3 | 19.8 | | |
| Operating profit | million CHF | 2,317 | 2,357 | –1.7 | +4.2 |
| Operating profit adjusted[1] | million CHF | 2,466 | 2,357 | +4.6 | +10.6 |
| Operating profit margin | % | 12.1 | 12.0 | | |
| Operating profit margin adjusted[1] | % | 12.9 | 12.0 | | |
| EBITDA | million CHF | 4,156 | 4,332 | –4.1 | |
| Net income | million CHF | 1,619 | 1,596 | +1.5 | |
| Net income margin | % | 8.5 | 8.1 | | |
| Net income – shareholders of Holcim Ltd | million CHF | 1,287 | 1,272 | +1.2 | |
| Cash flow from operating activities | million CHF | 2,498 | 2,787 | –10.3 | –6.4 |
| Cash flow margin | % | 13.1 | 14.1 | | |
| Net financial debt | million CHF | 9,644 | 9,461 | +1.9 | –1.2 |
| Funds from operations[2]/net financial debt | % | 31.7 | 33.4 | | |
| Total shareholders' equity | million CHF | 20,112 | 18,677 | +7.7 | |
| Personnel | | 67,584 | 70,857 | –4.6 | –4.4 |
| Earnings per share | CHF | 3.95 | 3.91 | +1.0 | |
| Fully diluted earnings per share | CHF | 3.95 | 3.91 | +1.0 | |
| Payout | million CHF | 425[3] | 424 | +0.2 | |
| Payout per share | CHF | 1.30[3] | 1.30 | +0.0 | |

[1] Excluding merger and restructuring costs in 2014.
[2] Net income plus depreciation, amortization and impairment.
[3] Proposed by the Board of Directors for a maximum payout of CHF 425 million from capital contribution reserves.

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.

## PRINCIPAL KEY FIGURES IN USD (ILLUSTRATIVE)

| | | 2014 | 2013 | ±% |
|---|---|---|---|---|
| Net sales | million USD | 20,874 | 21,276 | –1.9 |
| Operating EBITDA | million USD | 4,093 | 4,203 | –2.6 |
| Operating EBITDA adjusted[1] | million USD | 4,244 | 4,203 | +1.0 |
| Operating profit | million USD | 2,531 | 2,543 | –0.5 |
| Operating profit adjusted[1] | million USD | 2,693 | 2,543 | +5.9 |
| Net income – shareholders of Holcim Ltd | million USD | 1,406 | 1,373 | +2.4 |
| Cash flow from operating activities | million USD | 2,729 | 3,007 | –9.2 |
| Net financial debt | million USD | 9,750 | 10,634 | –8.3 |
| Total shareholders' equity | million USD | 20,334 | 20,992 | –3.1 |
| Earnings per share | USD | 4.31 | 4.22 | +2.3 |

## PRINCIPAL KEY FIGURES IN EUR (ILLUSTRATIVE)

| | | 2014 | 2013 | ±% |
|---|---|---|---|---|
| Net sales | million EUR | 15,734 | 16,022 | –1.8 |
| Operating EBITDA | million EUR | 3,085 | 3,165 | –2.5 |
| Operating EBITDA adjusted[1] | million EUR | 3,199 | 3,165 | +1.0 |
| Operating profit | million EUR | 1,908 | 1,915 | –0.4 |
| Operating profit adjusted[1] | million EUR | 2,030 | 1,915 | +6.0 |
| Net income – shareholders of Holcim Ltd | million EUR | 1,060 | 1,034 | +2.5 |
| Cash flow from operating activities | million EUR | 2,057 | 2,264 | –9.2 |
| Net financial debt | million EUR | 8,018 | 7,717 | +3.9 |
| Total shareholders' equity | million EUR | 16,723 | 15,235 | +9.8 |
| Earnings per share | EUR | 3.25 | 3.18 | +2.4 |

[1] Excluding merger and restructuring costs in 2014.

# CEMENT

## PROFILE

Cement is manufactured through a large-scale, complex, and capital and energy-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 semi-finished 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. However, the Group sees itself as a service provider that generates added value for its partners through the advice it gives and the customized solutions it delivers for specific construction projects.

CONSOLIDATED KEY FIGURES FOR CEMENT IN 2014

| | |
|---|---|
| Production capacity cement in million t | 211.4 |
| Cement and grinding plants | 144 |
| Sales of cement in million t | 140.3 |
| Net sales[1] in million CHF | 12,509 |
| Operating profit[1] in million CHF | 2,104 |
| Personnel | 44,403 |

[1] Includes all other cementitious materials

CONSOLIDATED SALES OF CEMENT 2014 PER REGION[1]

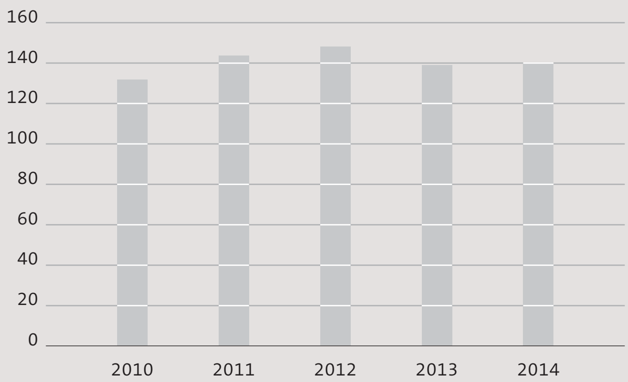
| | |
|---|---|
| Asia Pacific | 71.2 million t |
| Latin America | 24.6 million t |
| Europe | 26.4 million t |
| North America | 13.0 million t |
| Africa Middle East | 8.3 million t |

[1] Inter-regional sales -3.2 million t

## DEVELOPMENTS

In 2014 cement volumes increased 1.0 percent to 140.3 million tonnes. Volume increases in Asia Pacific, North America, and Africa Middle East were able to make up for the lower shipments in Europe and Latin America. The Group companies with the highest volume increases included Holcim US, Holcim Philippines, Holcim Morocco, Ambuja Cements, Holcim Indonesia, and Holcim Mexico. Azerbaijan, Ecuador, and Italy reported markedly lower cement shipments. The Group also sold 4.3 million tonnes of mineral components in 2014.

SALES OF CEMENT IN MILLION t



# 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.

CONSOLIDATED KEY FIGURES FOR AGGREGATES IN 2014

| | |
|---|---|
| Aggregates plants | 363 |
| Sales of aggregates in million t | 153.1 |
| Net sales in million CHF | 2,404 |
| Operating profit in million CHF | 214 |
| Personnel | 5,722 |

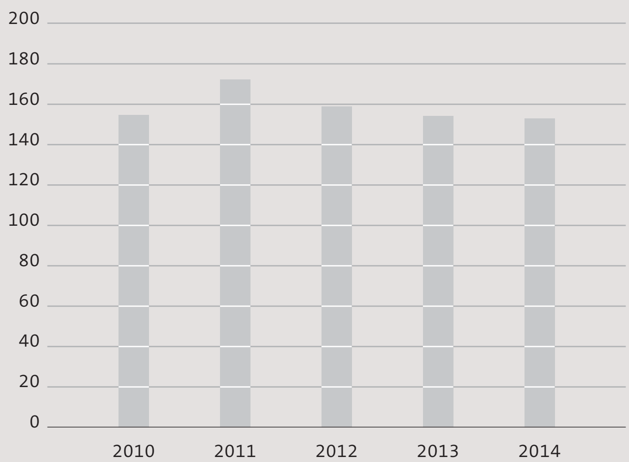
CONSOLIDATED SALES OF AGGREGATES 2014 PER REGION

| | |
|---|---|
| Asia Pacific | 24.8 million t |
| Latin America | 7.5 million t |
| Europe | 73.1 million t |
| North America | 45.7 million t |
| Africa Middle East | 2.0 million t |

## DEVELOPMENTS

Aggregate volumes across the Group reached 153.1 million tonnes, a drop of 0.9 percent. All Group regions except North America reported lower volumes. In Latin America restructuring of aggregate positions was the main contributor to the development while in Europe the increased shipments in the United Kingdom and the Czech Republic were exceptions. In North America both Aggregate Industries US and Holcim Canada contributed to a significant increase in volumes.

SALES OF AGGREGATES IN MILLION t




# 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.

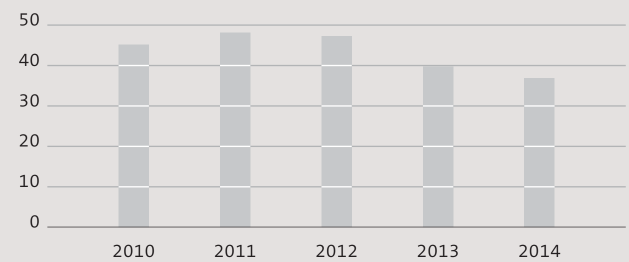
CONSOLIDATED KEY FIGURES FOR OTHER CONSTRUCTION MATERIALS AND SERVICES IN 2014

| | |
|---|---|
| Ready-mix concrete plants | 935 |
| Asphalt plants | 84 |
| Sales of ready-mix concrete in million m3 | 37.0 |
| Sales of asphalt in million t | 10.0 |
| Net sales in million CHF | 6,548 |
| Operating profit in million CHF | 0 |
| Personnel | 16,825 |

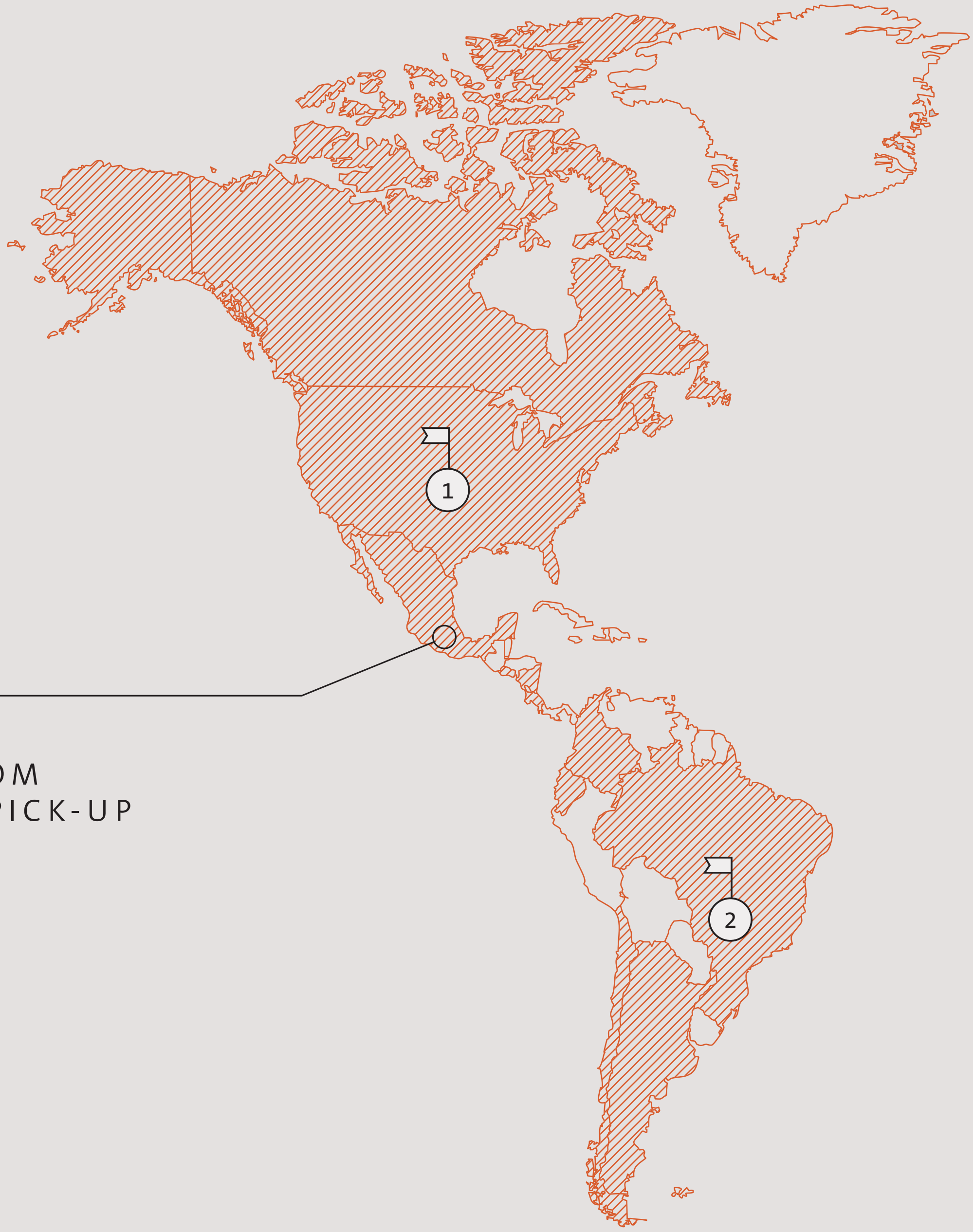
## DEVELOPMENTS

Deliveries of ready-mix concrete were down 6.3 percent to 37.0 million cubic meters, as all Group regions reported lower volumes. In Latin America, where the decreases were more significant, strategic efforts to right-size ready-mix concrete operations had a strong effect on sales volumes. Asphalt volumes were up 12.4 percent to 10.0 million tonnes. Higher demand in the United States and the United Kingdom in particular supported this development.

SALES OF READY-MIX CONCRETE IN MILLION $m^3$



# HIGHER CEMENT VOLUMES AND INCREASE IN LIKE-FOR-LIKE OPERATING PROFIT




MEXICO
AWARDS—FROM
HAMMER TO PICK-UP

» 24

## CONSOLIDATED KEY FIGURES

### 1 NORTH AMERICA

- Net sales in million CHF **»3,336**
- Net sales in % of Group turnover **»16.9**
- Operating profit in million CHF **»314**
- Cement and grinding plants **»17**
- Aggregates plants **»86**
- Ready-mix concrete and asphalt plants **»181**
- Personnel **»6,777**

### 2 LATIN AMERICA

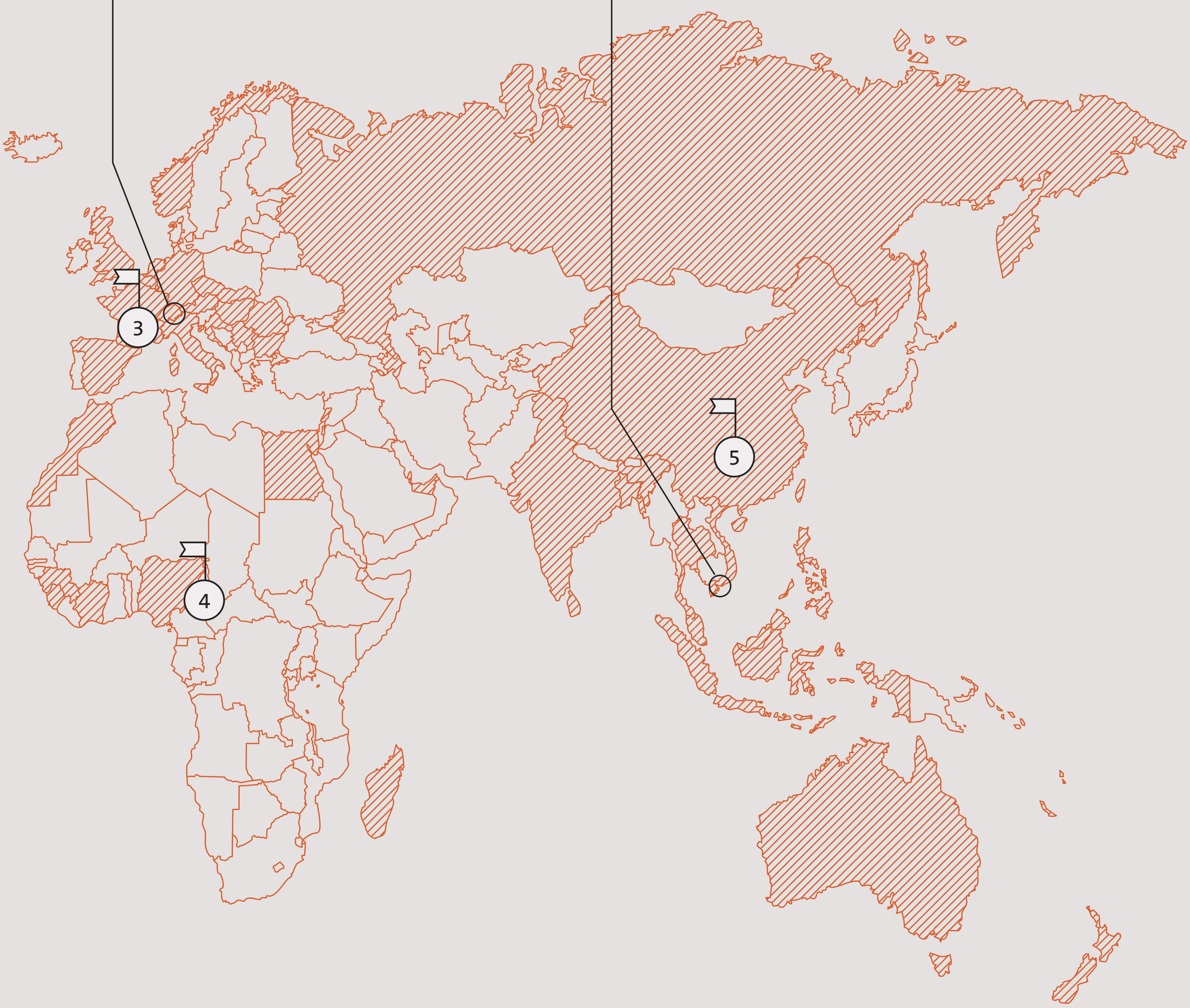
- Net sales in million CHF **»3,012**
- Net sales in % of Group turnover **»15.3**
- Operating profit in million CHF **»663**
- Cement and grinding plants **»27**
- Aggregates plants **»12**
- Ready-mix concrete plants **»109**
- Personnel **»10,733**

VIETNAM
A SOLID FOUNDATION

>> 30

SWITZERLAND
PARTNER FROM
VALLEY TO PEAK

>> 18




### 3 EUROPE

Net sales in million CHF **>>5,554**
Net sales in % of Group turnover **>>28.1**
Operating profit in million CHF **>>510**
Cement and grinding plants **>>34**
Aggregates plants **>>188**
Ready-mix concrete
and asphalt plants **>>424**
Personnel **>>15,399**

### 4 AFRICA, MIDDLE EAST

Net sales in million CHF **>>861**
Net sales in % of Group turnover **>>4.4**
Operating profit in million CHF **>>220**
Cement and grinding plants **>>12**
Aggregates plants **>>5**
Ready-mix concrete plants **>>15**
Personnel **>>1,928**

### 5 ASIA PACIFIC

Net sales in million CHF **>>6,970**
Net sales in % of Group turnover **>>35.3**
Operating profit in million CHF **>>934**
Cement and grinding plants **>>54**
Aggregates plants **>>72**
Ready-mix concrete plants **>>290**
Personnel **>>31,850**

Whether in the urban canyons of a megacity, in the mountains or in the swamplands of a river delta, Holcim is always committed to providing its clients with tailor-made solutions. Customer Excellence is an essential part of the company.

Innovative products that are tailored to the respective project requirements, integrated solutions that can also cope with extreme circumstances, and sales measures that adapt to local conditions are examples of Holcim's Customer Excellence and problem-solving skills. They create value for both the clients and Holcim.

A claim that Holcim lives up to every day and whose implementation has made the company what it is today, after more than 100 years in existence: one of the world's leading manufacturers of building materials with outstanding problem-solving skills.

# SOLUTIONS. TAILOR-MADE.

## THREE REPORTS

### SWITZERLAND. PARTNER FROM VALLEY TO PEAK

Implementation of a major dam construction project under extreme conditions.

»18

### VIETNAM. A SOLID FOUNDATION

Clever product and logistics concept for power plant construction.

»30


### MEXICO. AWARDS–FROM HAMMER TO PICK-UP

Sales support and customer retention using a loyalty program.

»24

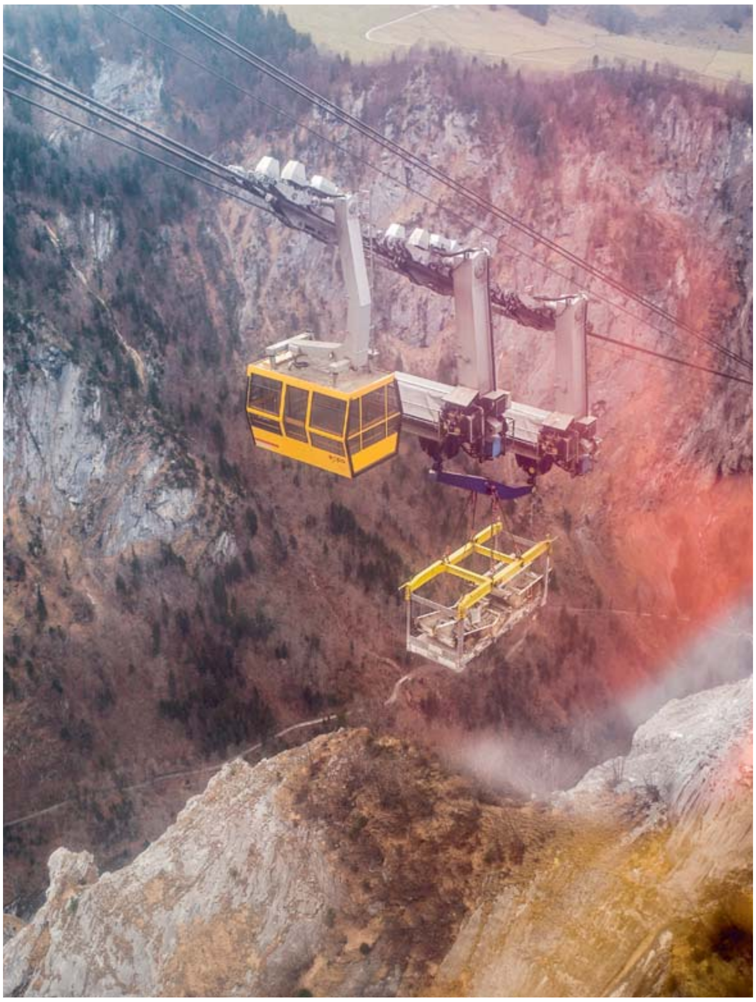
The concrete dam at Lake Mutt is 36 meters high,
15 meters wide at the base, and over a kilometer long at the
crown—the longest dam crown in Switzerland.

# PARTNER FROM VALLEY TO PEAK

## SOLUTION

Remo Pinazza,
Project Manager for Marti Tunnelbau AG


Cement silos and transport containers at the base station at Tierfehd: When the project is finished, Holcim will have delivered 140,000 tonnes of cement, 30,000 tonnes of fly ash, and 5,000 tonnes of special binders.
*→ see infographic, page 23, no. 3*



Two aerial cableways were erected to transport cement and other materials up the mountain. They are in operation 24 hours a day, seven days a week.
→ *see infographic, page 23, no. 4*

On the snow covered high ridge of the mountain, where the wind hits your face, you are at an altitude of almost 2,500 meters above sea level – making it slightly harder to breathe. So does the spectacular sight of the snow-dusted alpine lake just behind you, nestled against the peaks and crags.

This is probably the last place on earth you'd expect to find a ready-mix concrete plant. And yet there it is, its white, snow-capped silos looking themselves like small alpine peaks. Behind it, stretched out like an inverted "V" for over a kilometer, is the great dam for which the concrete is being made—among other things with material supplied by Holcim.

The dam is part of a major hydroelectric project here in the Alps, one of the largest and most spectacular such projects in recent Swiss history. The idea is to funnel water from Lake Mutt (pronounced "moot") through massive tunnels down to a huge power-generating plant nestled deep inside the mountain. The water then empties into Lake Limmern, some 600 meters below Mutt, where it can be pumped up again when needed.

"Building on this scale in the mountains is extremely difficult," says Remo Pinazza, Project Manager for Marti Tunnelbau AG. Marti leads the consortium which is responsible for the dam as well as the substantial tunneling and excavation work inside the mountain. "Success requires intense planning and reliable partners."

Ready-mix concrete plant at an altitude of 2,500 meters: The construction season at the dam site lasts only the warmest five months of the year. But even during this time, heavy winds and late snows have brought activity to a halt for days at a time.
→ *see infographic, page 23, no. 5*

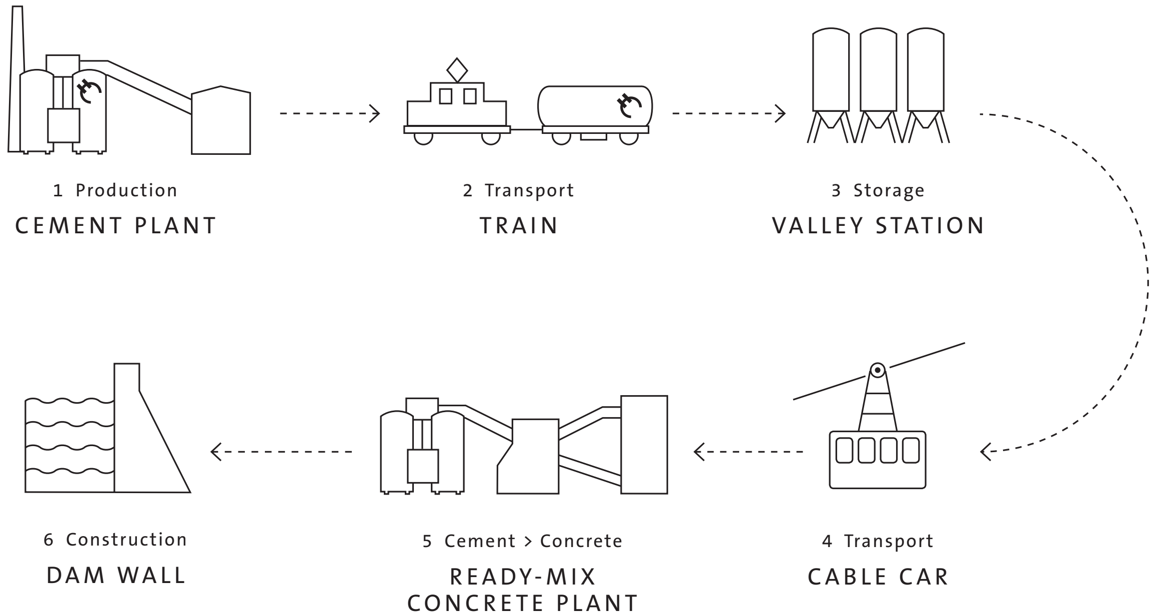
> “Building on this scale in the mountains is extremely difficult”.
>
> REMO PINAZZA

Standing on the ridge watching the concrete works you can see that planning and partnership in action. There are no roads here, so the cement, fly ash, and binders supplied by Holcim are brought up by a specially constructed industrial cable car. Marti makes concrete both at a plant at the dam site and, for the tunnel and chamber linings, at a plant in the middle of the mountain. With limited room to store material, deliveries must always be correct and on time, or risk costly delays.

Holcim is doing its part. Its plant at Untervaz has been guaranteeing an uninterrupted supply of cement (with backup from the Siggenthal plant). A constant rail link ensures timely delivery of the cement and binders as well as fly ash from Holcim Germany—a complex undertaking. Holcim experts have also provided Marti with technical assistance on the concrete mix, and Holcim has installed special electronic monitors on Marti’s material silos, giving both companies a real-time picture of the state of supplies. The result? Everything delivered as needed, with no delays—despite peaks with over 700 tonnes, or 14 rail car deliveries, per day.

“Marti has a long, successful relationship with the people at Holcim,” says Pinazza. “We know we can count on them. With Holcim, we have had one less thing to worry about on this project.”

Back on the ridge the wind whips up the snow on the crown of the great dam, now almost complete. As you turn to go you know how important—especially in the mountains—a reliable partner can be.




Within the mountain Marti is boring four kilometers of tunnels and two mammoth chambers for the turbines– the larger of which is 150 meters long and 50 meters wide.

→ *see infographic, page 23, no. 6*


Felipe Delgado has owned his building supplies store for 17 years. During all that time he has been a loyal Holcim customer. You can see that when you enter the shop. There are Holcim posters and materials everywhere, and Delgado's staff all wear white shirts embroidered with the logo of the store and the Holcim logo.

# AWARDS – FROM HAMMER TO PICK-UP

## SOLUTION

Victor Alva is 25 years old, and has been a mason for five years. He was born in Puebla but now lives in Mexico City.

Participants in the program earn points for each purchase they make. These points can be redeemed for prizes. The two catalogs—there is one for the retailer and another for the end-user—contain over 140 items. These run the gamut from in-ear headphones to trucks.

Victor Alva rises early and heads for the bus. It is already warm, and traffic is teeming. Cars and buses, taxis, and small trucks all squeeze onto the overcrowded roads. Yet somehow it is all under control. Traffic is a way of life in Mexico City.

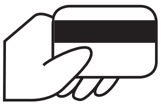
Alva, 25 years old, is a mason, one of the legions contributing to the seemingly endless expansion of Mexico's bustling capital. High office buildings, squat shopping malls, rows of apartments, and small worker's flats called viviendas—it is all part of the dense urban sprawl, and it all must be built or tended to by men like Alva. With modern technology and heavy equipment it is easy to overlook this fact: In this day and age, construction is still greatly dependent on the hard work and skill of individual men and women.

As he does whenever he needs to buy bags of cement, Alva is heading to Materiales Cuajimalpa, Felipe Delgado's building supplies store in the Huixquilucan district. Alva says that when he needs cement only Holcim products will do, and only from Delgado's store. He appreciates the Holcim quality and Delgado's friendly, personal service. For the past few months, however, he has had a further reason to prefer Materiales Cuajimalpa: the Holcim Más loyalty program.

"With Holcim Más," he explains, "every time I buy a bag of Holcim cement, I earn points which I can

> "With Holcim Más, every time I buy a bag of Holcim cement, I earn points which I can redeem for prizes. In my case, I use them to get tools for my work. It saves me money, and so helps increase my income".

VICTOR ALVA
Mason, Mexico City



USD 6.5m
additional net sales for Holcim Mexico

15,200
participating end-customers

redeem for prizes. In my case, I use them to get tools for my work. It saves me money, and so helps increase my income."

The program was born of an effort by Holcim Mexico to add value for retailers and end users. Unlike most loyalty programs, both customer groups can enroll. That means whenever Alva buys a bag of Holcim cement at Delgado's store, each of them earns points.

For store owners, the program also has benefits beyond the prizes. It helps retain customers and win new ones—an important consideration these days. "The market has been difficult in Mexico lately," Delgado says. "Sales at many retailers are down. But mine have remained steady, in great part thanks to Holcim Más."

This is exactly what the program was designed to do. That it benefits Holcim as well, through increased sales, makes it a true value-for-all solution.

It is mid-morning when Alva arrives at Delgado's store. The owner, a tall man with tousled hair and an infectious grin, comes down to greet him and have


The Holcim Más program is available throughout Mexico. Some 600 retailers and 15,200 end users such as masons are taking part. The program's goal is to increase sales of bagged cement by earning the loyalty of retailers and end-users alike. In 2014, the program accounted for USD 6.5 million in additional sales for Holcim Mexico. Despite the challenging market in the country, those Holcim retailers enrolled in the program increased sales significantly. Holcim retailers not in the program often saw sales drop.


In Mexico, Holcim sells roughly 60 percent of its cement in bags to customers such as Victor Alva. The remaining 40 percent are bulk deliveries used for larger construction sites such as infrastructure projects and other major works.

a chat. Afterwards Alva goes to place his order. The young woman behind the counter arranges for the cement to be delivered to the job site, and makes sure Alva's points are credited to his account. Alva then says his goodbyes and heads out to work.

"I have always favored this store and Holcim cement," he says as he leaves. "Holcim Más makes it even better."


Holcim
Holcim

At the Duyen Hai power plant , the chinese company GEDI used the cement deep mixing (CDM) method to stabilize the soils. In CDM, deep holes – up to 30 meters in this case – are bored into the ground with a special drill. During the drilling process a cement slurry is injected resulting in a stabilization of the soil column. In this way a foundation of stabilized soil columns is created. It is a very effective approach, but requires just the right cement. After extensive testing, GEDI chose Holcim Stable Soils (HSS) for its job. HSS has been specially developed for CDM. Among other things, it offers better chemical compatibility to soft clay soils than regular cement, while delivering twice the strength. That means contractors need less cement per cubic meter of soil, reducing the number of piles required – and reducing the cost.

# A SOLID FOUNDATION

## SOLUTION


Qing Li Wang, project manager for GEDI (Guangdong Electric Power Design Institute) at the Duyen Hai 1 power plant which is under construction on the coast of the Mekong Delta.

Captain Doan Minh Sang steers the “Saigon”. The barge transports Holcim cement in a three-day trip over inland rivers and canals in the Mekong Delta to the construction side at Duyen Hai.

Qing Li Wang guides his visitors around the grounds of the Duyen Hai 1 power plant with a clear sense of pride. “Soon,” says the project manager with a smile, “we will generate electricity here for the first time – thanks in part to Holcim.”

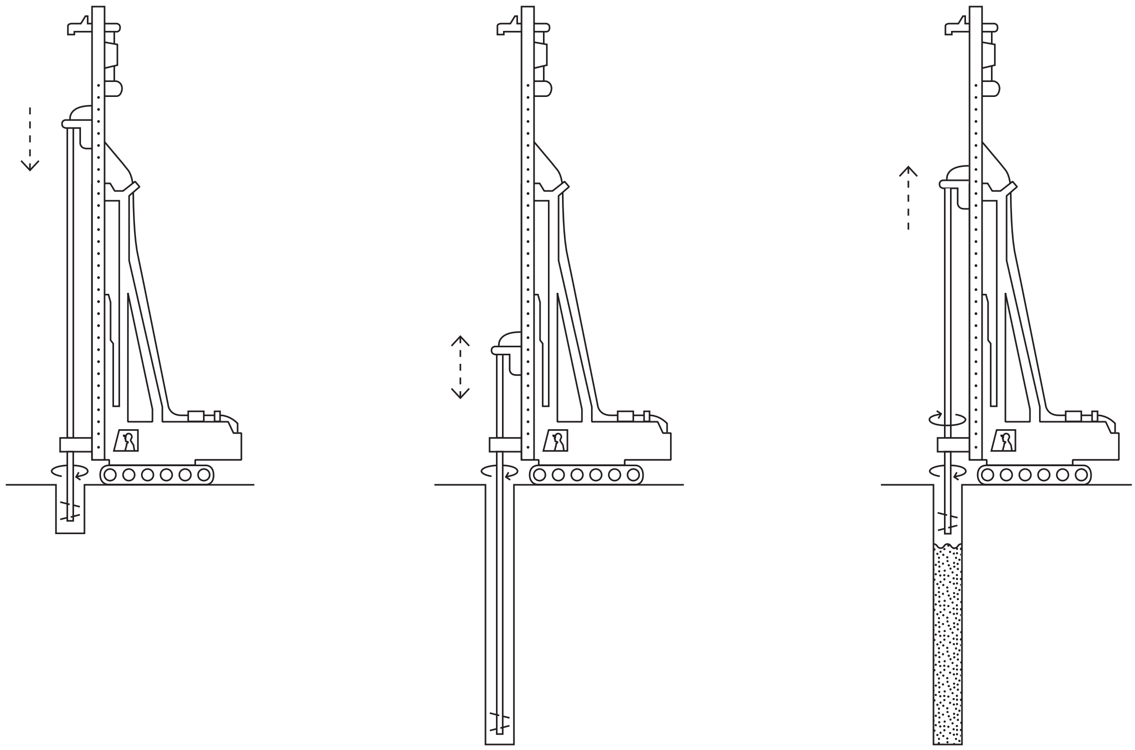
Duyen Hai 1 is the first of three new plants being built by the Vietnamese government here on the Mekong Delta coast, near the city of Trà Vinh. While these projects are bringing much needed jobs as well as power to the rapidly developing area, construction has been anything but easy.

The plants are located on an alluvial plain between two of the Mekong’s major distributaries. It is a flat, watery land, dotted with rice paddies and shrimp farms, and fronted by the sea. “The soil here is wet and soft,” says Wang. “You cannot build large structures on it. Before doing anything else, we needed to stabilize the ground.”

That’s where Holcim comes in. Its Holcim Stable Soil (HSS) product has been designed expressly to shore up weak earth. As part of a method known as cement deep mixing (CDM), HSS can be used to create a foundation of stabilized soil columns under the ground – turning swampy mud into terra firma.

Wang works for Guangdong Electric Power Design Institute (GEDI), the Chinese contractor building Duyen Hai 1. He says HSS not only helped GEDI lay the foundation for the plant, it also allowed them to build other important below-ground structures, like the intake and outtake canals. “Holcim’s know-how and ability to deliver large quantities to the extremely remote location were key for us as well,” he adds.


Holcim



**1 DRILLING**
Dril into the ground while adding water

**2 INJECTION**
When at pile depth, start injection of cement suspension into the soil

**3 FINISHING**
Mix the soil and cement suspension while extracting the mixing tool to create the CDM pile

Because of the remote location of Duyen Hai, delivering the required amounts of cement was a challenge for all involved. To meet it, Holcim Vietnam developed a detailed logistics concept, which included a fleet of 16 barges. Eleven of the barges transported the cement in jumbo bags, each holding 1,000 kilos, and the other five were specially equipped tanker barges for bulk cement.

The Duyen Hai 1 coal-fired thermal power plant covers 50 hectares of coastal land between two of the distributary mouths of the Mekong River. At full capacity, it will generate 1,245 MW of power, contributing 7.5 to 8 billion kWh annually to the region. Owned by Electricity Vietnam (EVN), it is being built by Guangdong Electric Power Design Institute (GEDI), a Chinese contractor with headquarters in Guangzhou. Two other plants, Duyen Hai 2 and 3, are also under construction nearby. These too are relying on Holcim for soil stabilization.

For Holcim Vietnam, success on this major project required a concerted, firmwide effort. Its commercial team worked closely with GEDI on initial evaluations and the all-important trial mixes. Its consultants supported GEDI with technical advice. The production team ensured that volumes were increased to meet the project's demands. And its supply-chain team tackled the complex delivery logistics.

This last was no mean feat, as Doan Minh Sang can attest. He is the captain of one of the tanker barges Holcim used to transport HSS from its Thi Vai cement grinding station to the site. Sang, who has been a captain for eight years, made the run regularly. That meant taking on product at the pier at Thi Vai and then making the 300-kilometer, three-day trip over inland rivers and canals to Duyen Hai,

## “Holcim’s know-how and ability to deliver large quantities to the extremely remote location were key for us as well”

QING LI WANG
Project Manager at GEDI

before returning for more. In this way, Sang and his colleagues delivered some 150,000 tonnes of HSS to the project, including over a crucial two-month period during the stabilization phase.

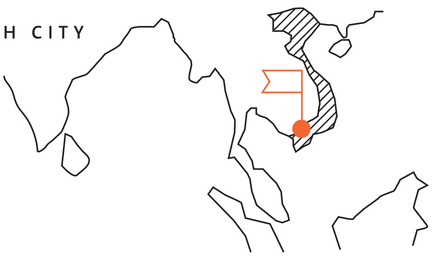
Back at Duyen Hai, Wang explains. “We had planned four months for the stabilization but delays left us only two, which meant we needed a supply of more than 1,000 tonnes of HSS per day. In spite of the rainy season, Holcim delivered – on many days supplying nearly 1,300 tonnes from both Hon Chong and Thi Vai plants. In China, where I come from, Holcim is famous for its products and services. The company really lived up to its reputation on this job.”

# 1

# VALUE-DRIVEN CORPORATE MANAGEMENT



VIETNAM
HO CHI MINH CITY



REGION ASIA PACIFIC

Asia Pacific is the region with the highest sales volume in the Holcim Group. Population growth, the great need for infrastructure, and increasing urbanization are the main growth drivers. Roughly a third of sales come from this Group region.

# Key success factors

Holcim's vision is to provide foundations for society's future. To do so, the Group supplies customers around the globe with cement, aggregates, ready-mix concrete, concrete products, asphalt, and associated services and solutions. From around 1,500 production sites located in all major markets of the world, Holcim supports construction work efficiently, sustainably, and safely. The Group seeks to grow its business with the customers and societies it serves. As a consequence, the asset footprint reflects the growth development of the construction industry, with two-thirds of the Group's capacity located in the growing emerging markets of Latin America and Asia.

**Strategy supports program to increase rate of return on invested capital**

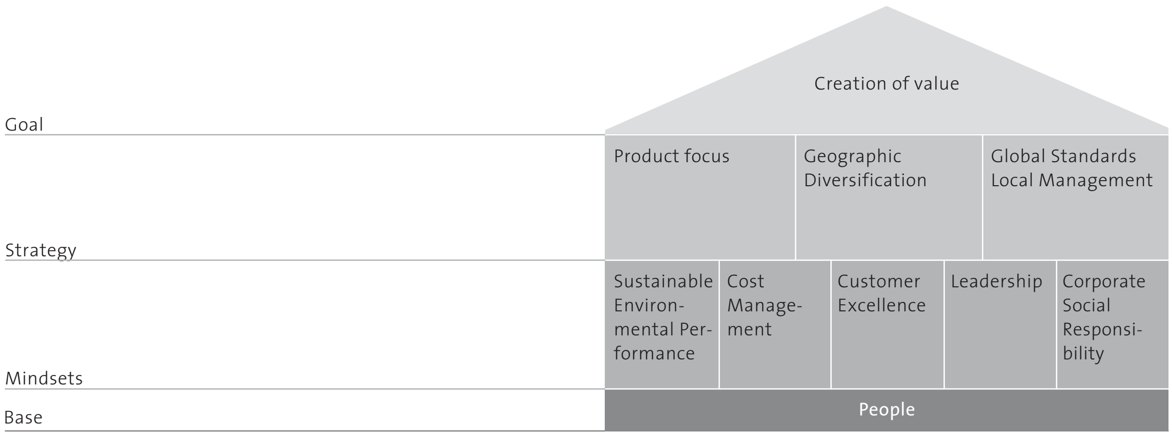
Holcim's strategy is based on three principles of success: focus on the Group's core construction materials businesses, targeted and broad-based geographical diversification with continually improving positions in growth markets, and a balance between global strategic and local operational leadership. These principles have proven effective throughout diverse economic environments, allowing for decisive and rapid response to changing business conditions. A good example of this is the Holcim Leadership Journey, launched in May 2012 (see the following section).

**Building materials as core business**

High-quality building materials as a business will continue to offer interesting opportunities, as global population growth, high-density construction, and increasing aspiration levels continue to generate steadily growing demand for better infrastructure and housing. Many areas harbor a huge backlog of demand in terms of both quantity and quality.

The basis for Holcim's success over decades has been delivering value-adding products, i.e. services and solutions, with a clear focus on cement and aggregates. For decades, the Group has attached great importance to sustainability concepts, as the process-

**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.



ing of limestone, clay, and marl and the quarrying and processing of crushed stone, gravel, and sand depend upon natural resources and significant energy input. In a number of countries, particularly in mature markets and in major urban areas, Holcim is also active in the ready-mix concrete, concrete products, and asphalt businesses. Global expert teams back up these product offerings with a diverse range of services, product-specific consulting, and innovative system solutions specially conceived for major projects. Tailored concepts for complex building projects are another success factor in a number of locations. Holcim runs these business units as profitable operations, not simply sales channels for cement. The operations are regularly monitored in order to enhance their profit contribution.

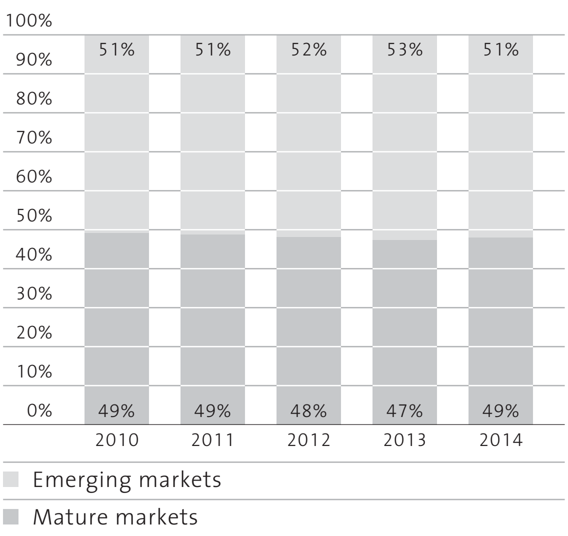
**Global presence**
Holcim has operations at roughly 1,500 sites in around 70 countries on every continent, including cement plants, aggregates operations, ready-mix concrete and concrete element plants, asphalt facilities, and platforms for processing alternative fuels and raw materials. The Group's broad-based presence demonstrates the value of a balanced portfolio, as it smoothes out cyclical fluctuations in individual markets and stabilizes earnings.

Through Holcim Trading, the Group also holds a leading position in cement, clinker, mineral components, and solid fuels trading. Holcim Trading offers a full range of trading services to members of the Holcim Group, focusing mainly on supporting the purchase and sale of such products on international markets.

**Balance between global strategic and local operational leadership**
Marketing and selling products, services, and solutions, extracting raw materials, operating cement plants, and distributing building materials is a local business. Most customers also operate locally or regionally. This is why the operating companies are

| Net Sales per Region | 2014 | | 2013 | |
|---|---|---|---|---|
| Million CHF | | | | |
| Asia Pacific | 6,970 | **35.3%** | 7,282 | **35.9%** |
| Latin America | 3,012 | **15.3%** | 3,349 | **16.5%** |
| Europe | 5,554 | **28.1%** | 5,611 | **27.6%** |
| North America | 3,336 | **16.9%** | 3,171 | **15.6%** |
| Africa Middle East | 861 | **4.4%** | 884 | **4.4%** |

**Net sales mature versus emerging markets**




firmly anchored in their local environment and why Holcim has always placed great emphasis on delegating operational and business responsibilities to Group companies. However, Group-wide directives, which make up the Holcim policy landscape, must be applied and complied with globally. This particularly applies to the Group-wide standards for the professional behavior expected of all staff. Noncompliance with the Holcim Code of Business Conduct is automatic grounds for disciplinary sanctions.

Occupational health and safety has the highest priority. As a consequence, the company focuses on the vision of "zero harm to people." The Occupational Health & Safety function reports directly to the Group CEO. Holcim considers accidents on its sites unacceptable. The company is maintaining its target for lost-time injury frequency rate (LTIFR) of less than 1.0. In line with best practice, the Group also moved to a total injury frequency rate (TIFR) with a target of below 5.0. The most important risks, addressed by the "Fatality Prevention Elements," are constantly monitored.

In Holcim's view, alongside occupational health and safety, the following areas are also of vital importance for the Group companies and as such are also reflected in the goals of the Holcim Leadership Journey:

**Customer excellence** stands for creating more value for the customer and higher and sustainable returns for the company. The goal is to be the most customer-focused company with highest customer loyalty in the industry. Activities must center on creating value for and in cooperation with customers. This must be reflected in the range of products and services offered and in the company's communication and engagement with customers. Innovations should respond to changing and new expectations.

**Cost leadership** is to continuously and creatively strive for cost savings and efficiency gains on all levels of the organization in order to achieve a highly competitive position in the relevant markets. Targets are defined for each area of the business. Cost management means using the Group's resources in the most efficient way while leveraging the Group's global size to gain a competitive edge. Hence, corporate functional units and regional service centers support individual Group companies in achieving their targets.

**Leadership** encompasses the development of leaders as an institutionalized practice. Holcim aspires to be an employer that can attract, motivate, and retain top leaders and talents. Leadership is to cultivate an accountable leadership attitude on all levels of the organization as a way of life. Hence, all employees are provided with opportunities for systematic development and training. Leaders must demonstrate and be role models for the Holcim values, Code of Business Conduct, and compliance requirements.

**Sustainable development** is a key strategic element, as Holcim's dependence on natural resources and its long-term planning horizons make sustainable management a strategic necessity for the company. This is why Holcim regards environmental performance and social responsibility as integral components of its strategy.

**Holcim's corporate culture** is practiced on a Group-wide basis and can be summed up in the values "Strength. Performance. Passion.". In order to bring these values to life, Holcim focuses on six behaviors. These principles represent what the Group stands for: integrity, customer excellence, collaboration, drive for results, develop yourself and others, change/inspirational leadership.

**Continued value creation**

The Group wants to grow for years to come. In the past, Holcim achieved growth through acquisitions and by building new plants or plant expansions, in particular in emerging markets. With the Holcim Leadership Journey, the Group is extracting the growth potential of its current footprint and generates the necessary funds to support further profitable growth. This will allow the company to substantially reduce its capital expenditure in the coming years.

In 2015 Holcim will conclude its extensive expansion strategy, allowing the Group to sustainably create value from its existing asset base. However, in the year under review, new capacity expansion projects were commissioned in the cement segment, adding 4.3 million tonnes of cement per annum.

In Indonesia, the first kiln line of the new Tuban cement plant was commissioned in mid-2014, adding 1.2 million annual tonnes of clinker capacity. The new grinding plant at Port Kembla in Australia came on stream earlier in the year, with an annual capacity of 1.1 million tonnes. In Rabriyawas, India, cement capacity was increased by 0.9 million tonnes and the Meghnaghat grinding station near Dhaka in Bangladesh added 0.7 million tonnes.

**Cement capacity expansion within the Group in million tonnes 2015 and 2016**

| Company | 2015 | 2016 | Total |
|---|---|---|---|
| Holcim Indonesia | 1.6 | | 1.6 |
| Holcim Lanka | 0.6 | | 0.6 |
| ACC, India | 2.5 | | 2.5 |
| **Total Asia Pacific** | | | **4.7** |
| | | | |
| Holcim Brazil | 2.3 | | 2.3 |
| **Total Latin America** | | | **2.3** |
| | | | |
| Holcim US | | 0.5 | 0.5 |
| **Total North America** | | | **0.5** |
| | | | |
| **Total Group** | **7.0** | **0.5** | **7.5** |

Several projects are planned to be completed in 2015, adding further clinker and cement capacity. In Sri Lanka, the Galle grinding station will expand its cement capacity by 0.6 million tonnes. The Barroso plant in Brazil will become fully operational, increasing annual cement capacity by 2.3 million tonnes. A new clinker line at the Guayaquil plant in Ecuador will augment the clinker capacity by 1.4 million tonnes. In Indonesia, the second clinker line of the Tuban plant will be commissioned, adding 1.6 million tonnes of cement capacity. In India, 2.5 million tonnes of additional cement capacity will be brought into operation at the Jamul plant along with its satellite grinding station in Sindri.

Two plants in the USA are scheduled to complete performance upgrade and improvement projects in 2016: the Hagerstown plant near Washington, D.C. and the Ada plant in Oklahoma. In New Zealand, a new import terminal in Timaru and one in Auckland will be constructed to replace the existing cement plant at Westport. In the second half of 2016 the Volsk plant upgrade in Russia will be finalized, providing 1.8 million annual tonnes of cement with high-efficiency production

**Holcim Awards for the best sustainable construction projects**

The Holcim Foundation for Sustainable Construction was established in 2003 to promote sustainable construction and to underscore Holcim's endeavors toward sustainable development. Since that time, the Foundation, which is financed by the Group but operates independently of it, has established a global network of architects, engineers, planners, and builders and has linked the Holcim brand with the notion of sustainable construction.

Among the main activities of the Foundation are the International Holcim Awards for Sustainable Construction, announced every three years. This competition, with prize money totaling USD 2 million, awards ecologically, socially, and economically outstanding projects for sustainable planning and construction. The competition is conducted in two phases: First the best entries in the regions Asia Pacific, Latin America, Europe, North America and, Africa Middle East are identified, and then the regional main prize winners are qualified to compete for the Global Holcim Awards, which are conferred the following year.

A total of over 6,100 projects were submitted in the current fourth cycle. Roughly half of them were entered in the "Next Generation" category for visions of students and professionals not older than 30 years. 2,514 projects from 152 countries met the formal entry criteria and were assessed by five independent juries. During the second half of the year, a total of 62 projects in the various regions were awarded at ceremonies conducted jointly with the local Holcim Group companies in Moscow, Toronto, Medellín, Beirut, and Jakarta.

During this year the Holcim Foundation published another book in its series of outstanding examples of sustainable construction on all continents. "Benny Farm," a rehabilitated and upgraded social housing development in Montreal, exemplifies how sustainable construction can be achieved by integrating users into the design process. The project, designed by Canadian architect Daniel Pearl, won the Global Holcim Awards Bronze in 2006.

The Board of the Holcim Foundation saw some personnel changes during the year: Yolanda Kakabadse (Ecuador), Hans-Rudolf Schalcher (Switzerland), and Klaus Töpfer (Germany), who have crucially contributed to the Foundation since its inception, stepped down and Marc Angélil (Switzerland), Alejandro Aravena (Chile), and Maria Atkinson (Australia) took their places. Information about the Holcim Foundation and its activities is available on www.holcimfoundation.org.

# Holcim Leadership Journey

With total realized benefits of CHF 1.848 billion by the end of 2014, Holcim has exceeded its contribution to operating profit objective of the Holcim Leadership Journey. The Group had committed to a target of a contribution to operating profit of CHF 1.5 billion by the end of 2014, compared to the base year 2011 and under similar market conditions. In the year under review the contribution of the Holcim Leadership Journey to the Group's operating performance amounted to CHF 748 million. The Customer Excellence stream contributed CHF 248 million to this result, and cost initiatives contributed CHF 500 million.

The Holcim Leadership Journey was launched Group-wide in May 2012, with the aim to sustainably improve return on invested capital. Value creation is measured with a focus on operating profit and capital expenditure. Since its introduction, around 6,000 initiatives have been launched and successfully implemented under the two main components of customer excellence and cost leadership. A Project Management Office was established to centrally manage and coordinate the program and to foster cross-stream and cross-regional collaboration. The entire Group has been mobilized and engaged and higher transparency and better sharing of good practices achieved, all leading to an improved focus on customers and innovation. In addition, lower cost base and net working capital, reduction of investment cost per tonne of new capacity, better talent management, stronger leadership, intensified social dialog with all stakeholders, and an improved legal and compliance framework could be realized.

**Organizational and process efficiency**

As part of the Holcim Leadership Journey several functional and regional organization structures were adjusted to contribute as efficiently as possible to the different focus topics. Processes and tools were standardized. Procurement, as one example, was set up in a completely new form in order to leverage the scale of the whole Group and reap benefits respectively.

Transparency was increased through the implementation of coordinated financial tracking and qualitative initiative tracking under the Holcim Leadership Journey.

While financial tracking shows the actual stream performance achieved, qualitative initiative tracking allows understanding of the activities behind the figures. Together they provide a holistic view of the actual performance in the Group.

The Holcim Leadership Journey required the Group to further focus on foundational elements. In line with the Group's strategic approach, highest priority was given to occupational health and safety with the goal of "zero harm to people". Holcim has built a broader range of talents and enhanced the experience of its leaders in management roles and functions. Intensified social dialog with all stakeholders has also been established. Holcim will continue to leverage its legal and compliance framework and live up to its values.

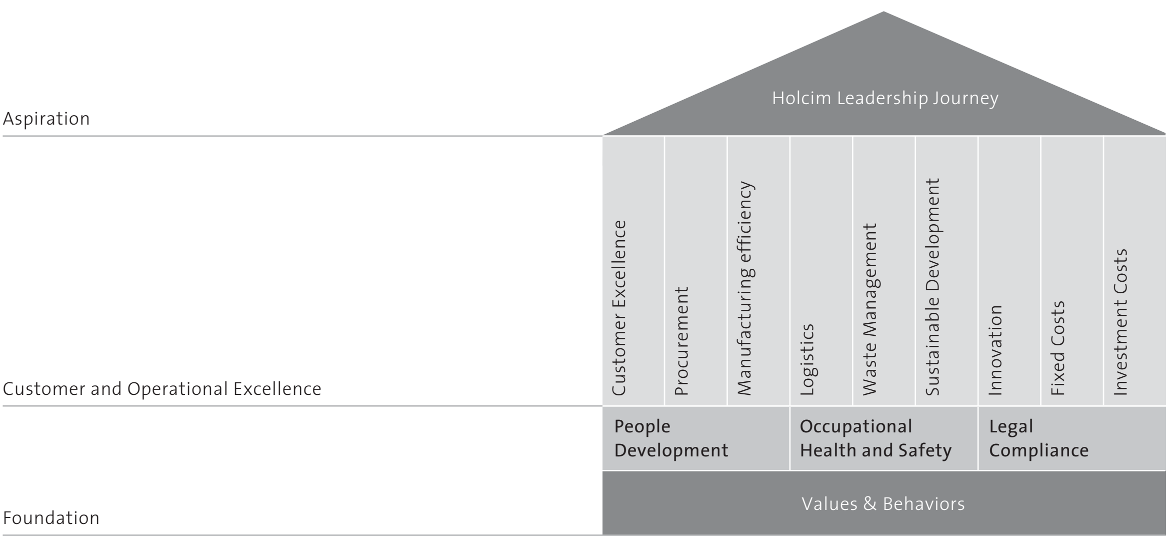
**Customer Excellence**

The Customer Excellence stream addresses three complementary objectives: customer centricity, distinctive marketing and sales capabilities, and the overall bottom-line impact.

Customer centricity enabled the entire Holcim organization to become more customer oriented in all its activities and to get a deeper understanding of the needs of its customers. This focus allowed for improved value for customers with differentiated products and services and a superior customer experience, as well as capturing more value for Holcim in the form of privileged relationships, premium compensation, and superior brand equity in the industry.

Distinctive marketing and sales capabilities were enhanced in a substantial way across the key commercial levers throughout the Group – from marketing to pricing and margin management, to customer value management and loyalty, to selling and branding. This contributed to strengthening margins, developing the best customer portfolio, and becoming a top-quartile industrial company in the medium and long term.

**The Holcim Leadership Journey Model**



Despite a challenging market environment particularly in 2013, Customer Excellence laid important groundwork for Holcim, achieving commitment and dedication to the customer on a higher level. As a result, the total contribution amounted to an improvement in operating profit of CHF 414 million by the end of 2014.

Customer Excellence is now firmly implanted in the Group's culture, serving as a sustainable base for realizing future benefits.

**Cost leadership**

**Energy & alternative fuels and raw materials (AFR)**
The Energy stream recorded substantial improvements in energy efficiency that contributed to reducing energy consumption. Initiatives in the areas of electrical energy management, grinding and fuel-mix optimization, and productivity improvement were key drivers for the performance achieved. In addition, Holcim launched and implemented the STAAR program (strategic and technical assessment of AFR business), further increasing the use of alternative fuels and raw materials and supporting the Sustainable Development Ambition 2030 of the Group. The implementation of the compliance program for ACERT (AFR certification) ensured transparent and sustainable operation of the AFR business under the strong global Geocycle brand.

Several ongoing or completed activities have created a sustainable base for continuous efficiency improvements, which will be leveraged further in the future. Energy and AFR exceeded their targeted savings of CHF 300 million by CHF 24 million, contributing total benefits of CHF 324 million.

**Logistics**
Logistics is a key topic within Holcim not only because of the size of the Group but also due to the different locations and the diversity of the plants. As part of the Holcim Leadership Journey, the Logistics stream launched and executed several local programs. Major contributions were achieved through network optimization, through which inter-unit and distribution flows were optimized. Third-party logistics sourcing assessments and improvements, increased capacity utilization, and other operational planning programs supported the generation of savings.

Logistics realized total savings of CHF 267 million, overachieving the announced target of CHF 250 million.

**Procurement**
As part of the comprehensive transformation of procurement across the Group, the global category management approach has been firmly established. The category management approach relies upon cross-functional interaction and requires integrated management. Within the Holcim Leadership Journey, global category management has been rolled out ahead of schedule, with global as well as regional governing councils put in place. Focus is on workforce training and capability building to ensure sustainable results.

The procurement transformation is nearly complete, with strong support and collaboration from all areas of the business. The Procurement function has firmly established a base for the category management approach to fully exploit its potential. The projected savings potential of CHF 250 million was exceeded with a total contribution of cost savings of CHF 438 million.

### Fixed costs

Holcim has always strived for optimization and reduction of its fixed costs. The economic environment in 2012 and subsequent years compelled the Group to adapt its structure and footprint to the challenging market conditions. A variety of local initiatives was executed, which contributed substantially to the savings achieved through the Fixed Costs stream. Significant traction was achieved already in the first full year of the Holcim Leadership Journey, and the contribution target for total fixed costs (CHF 250 million) was exceeded, with CHF 255 million being realized already in 2013. In 2014 the Fixed costs stream achieved additional savings of CHF 111 million. Contributing to the stream's performance were not only local initiatives but also process excellence, further restructuring measures, and the establishment of business shared service centers. The complementary strong emphasis on net working capital reduction supported this development.

The Fixed costs stream contributed cumulative savings of CHF 405 million, representing a key factor in the success of the Holcim Leadership Journey.

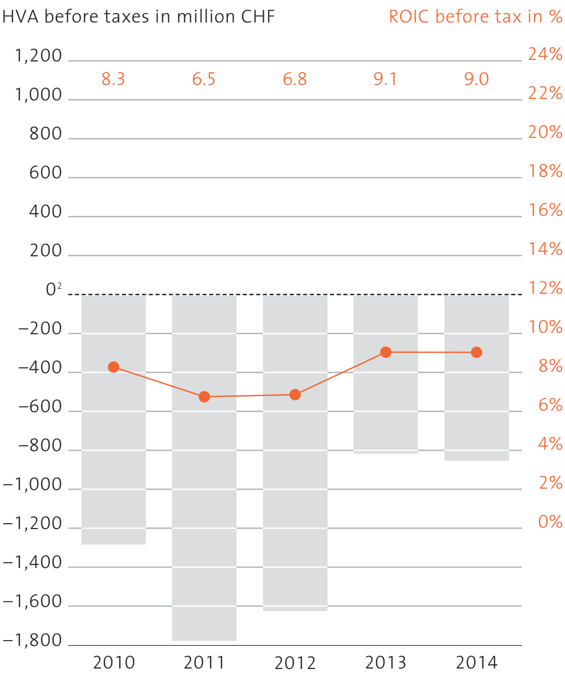
| Savings in million CHF | 2014 realized | cumulative since 2012 | Target by end of 2014 |
|---|---|---|---|
| Increase in customer excellence | 248 | 414 | >500 |
| | | | |
| Cost leadership | 500 | 1,434 | >1,000 |
| Energy and alternative fuels | 97 | 324 | >300 |
| Logistics | 105 | 267 | >250 |
| Procurement process | 187 | 438 | >250 |
| Fixed costs | 111 | 405 | >200 |
| | | | |
| Total contribution | 748 | 1,848 | >1,500 |
| | | | |
| Additional CAPEX net | 46 | 264 | 100–180 |

**Financial contribution of the Holcim Leadership Journey and Return on Invested Capital**

The Holcim Leadership Journey has achieved total benefits of CHF 1.848 billion since 2011 and as such has significantly exceeded the improvement target of CHF 1.5 billion. Whereas the savings in 2012 were modest, with a contribution of CHF 158 million, Holcim managed to realize continuous performance improvements, generating additional benefits of CHF 943 million in 2013 and CHF 748 million in 2014.

Thanks to the Holcim Leadership Journey absolute operating profit as well as the operating profit margin increased, despite partially adverse markets and extraordinary effects such as merger costs. Group return on invested capital before tax ($ROIC_{BT}$) reached 9.0 percent in 2014 (2013: 9.1 percent). After adjusting for merger and restructuring costs, the $ROIC_{BT}$ increased to 9.4 percent.

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




[1] Excluding cash and cash equivalents.
[2] WACC before tax of 11.76 percent.

**The Holcim Leadership Journey continues**

The Holcim Leadership Journey will continue on several levels beyond 2014 as ongoing cost inflation and challenging market conditions require continuous performance improvement. Beyond 2014, the Holcim Leadership Journey spirit will persist and its principles will remain unchanged. Holcim will continuously focus on further improving its performance.

**The Group plans to focus on major areas as follows:**

Occupational Health and Safety

Structural and strategic direction
- Proactive portfolio management
- Shift to asset-lighter demand/supply strategies
- Continuation of footprint optimization in aggregates, concrete, and construction materials
- Further development of the waste-management as business
- Continuation of the Sustainable Development Ambition

Operational efficiency
- Continuous performance improvement program targeting Customer Excellence and cost leadership
- Focus on existing operational projects and initiatives with only limited amount of new projects initiating
- Global Talent and succession management, and drive of values and behaviors

Organization and progress
- Standardization of processes
- Alignment in organizational structures
- Structured and aligned performance management approach

# Organization and management

## New Chairman of the Board and streamlined regional responsibilities for Executive Committee members

**Efficient management and control**

Holcim's corporate governance policy was developed to ensure transparent and sustainable value creation by clearly delineating responsibilities, management processes and organization, performance monitoring, and decisions on policy principles and controls.

The Group's credibility and reputation rely on the confidence of investors, regulators, business partners, the public at large, and the employees as well. Holcim is therefore adapting its corporate governance policy where necessary. The guiding principles of Holcim's corporate governance are described on pages 98 to 116.

In 2014 a number of changes took place at the Board level:

Wolfgang Reitzle was elected Chairman of the Board of Directors of Holcim Ltd at the annual general meeting. He joined the Board in 2012. Rolf Soiron did not stand for reelection after being Chairman for the past 11 years and a member of the Board of Directors for 20 years.

Jürg Oleas was elected to the Board of Directors. He is the CEO of GEA Group AG, a Dusseldorf-based mechanical engineering company listed on Germany's MDAX stock index.

In line with the Ordinance against Excessive Compensation in Public Corporations (OaEC), each member of the Board of Directors and the members of the Nomination & Compensation Committee proposed by the Board of Directors were reelected individually by the shareholders for a term of office of one year. Erich Hunziker and Andreas von Planta did not stand for reelection.

During 2014 Holcim also announced a number of changes in the Group's Senior Management:

Urs Bleisch, previously Corporate Functional Manager and member of Senior Management of Holcim Ltd, became member of the Holcim Executive Committee, keeping his responsibilities for Holcim Technology Ltd, Holcim Group Services Ltd, and the project management office of the Holcim Leadership Journey.

Alain Bourguignon, previously Area Manager in charge of Canada, UK, and the USA and member of Senior Management of Holcim Ltd, was seconded to the joint Divestment Committee that was established by Holcim and Lafarge in the context of their planned merger.

As a consequence, Roland Köhler, member of the Holcim Executive Committee in charge of Continental Europe, also took over responsibility for the UK. Andreas Leu, member of the Holcim Executive Committee in charge of Latin America, also assumed responsibility for the USA and Canada.

All these nominations became effective October 1, 2014.

### Board of Directors

**Wolfgang Reitzle**
Chairman,
Chairman of the Governance & Strategy Committee

**Beat Hess**
Deputy Chairman

**Alexander Gut**
Chairman of the Audit Committee

**Adrian Loader**
Chairman of the Nomination & Compensation Committee

**Jürg Oleas**

**Thomas Schmidheiny**

**Hanne Birgitte Breinbjerg Sørensen**

**Dieter Spälti**

**Anne Wade**

### Secretary of the Board of Directors

Peter Doerr

### Executive Committee

**Bernard Fontana**
Chief Executive Officer

**Thomas Aebischer**
Chief Financial Officer

**Urs Bleisch**
Holcim Technology, Holcim Group Services, Holcim Leadership Journey

**Roland Köhler**
Europe

**Andreas Leu**
Americas

**Bernard Terver**
South Asia and Africa Middle East

**Ian Thackwray**
East Asia Pacific and Trading

### Area Management

**Horia Adrian**

**Daniel Bach**

**Alain Bourguignon**

**Dominique Drouet**

**Urs Fankhauser**

**Kaspar E.A. Wenger**

### Auditors

Ernst & Young AG

### Management Structure

See organizational chart on pages 56 and 57.

### Changes

See also Corporate Governance on page 98 ff.

Status as at January 14, 2015.

In addition, Onne van der Weijde, Area Manager for India until April 25, 2014 and member of Holcim Senior Management, left Holcim effective June 1, 2014. Member of the Holcim Executive Committee Bernard Terver, responsible for the Indian subcontinent, subsequently took over direct responsibility for the country.

Dominique Drouet, CEO of Holcim Morocco, was appointed Area Manager for Africa Middle East effective January 1, 2015. He assumed this responsibility in addition to his local role. Javier de Benito, previously Area Manager for Africa Middle East, decided to leave Holcim to take up a new challenge outside the Group.

Jacques Bourgon has decided to pursue other challenges outside the Group and left the Group at the end of 2014.

**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, in order to ensure efficiency and knowledge sharing in the Group and to support fast implementation of new processes and standards.

The operating units fall under the line responsibility of individual Executive Committee members, who are assisted by Area Managers. If the Group companies are to strengthen their cost and market leadership in their markets, they need entrepreneurial room to manoeuver 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 global and regional levels and by corporate staff units at a global level. In line with the Holcim Leadership Journey (see pages 44 to 49), these functions focus more intensely on generating added value throughout the entire Group. Striking the balance between local competence on the one hand and appropriate support or intervention from Group headquarters on the other is a subject of permanent attention.

**Doing business with integrity**

Holcim's culture is to conduct all business with integrity and in accordance with the highest ethical standards. The Group's credibility in the communities in which it operates depends upon working together to build a sustainable future based on fairness and honesty. With this in mind, in 2014 Holcim revised its Code of Business Conduct, which sets forth the principles by which business is to be conducted worldwide. The code is firmly anchored in the Group's Values: Strength. Performance. Passion.

Holcim's Code of Business Conduct is the framework for guiding the behavior of all employees. It guides the way of doing business, and it provides examples to help employees when they are confronted with challenging situations in their daily work. Holcim applies a zero-tolerance policy. Measures have been introduced to ensure that the Group companies comply with the Code of Business Conduct as well as applicable legislation and the relevant regulations. These include a centrally coordinated training program and instructions on good business conduct in line with modern competition and anti-corruption law. Training and support materials are continuously updated in line with the latest developments in competition and anti-corruption law.

Communication and disclosure are central to Holcim's culture of integrity. The Group aims to ensure that all Holcim employees have the tools, resources, and information needed to make the right decisions. This is why the Holcim Integrity Line, a global ethics advisory and reporting system that complements existing advisory and reporting avenues, was launched in 2014.

The Code of Business Conduct can be found at www.holcim.com. Each Group company is responsible for incorporating these principles into its employee-related contracts and training activities.

Noncompliance with these rules is not tolerated and results in disciplinary measures.

Holcim is one of the Swiss companies that have pledged to observe the ten principles of the UN Global Compact on human rights, labor, the environment, and anti-corruption.

**Business Risk Management identifies risks and opportunities**

The Group Risk Management function supports the Board, the Executive Committee and the management teams of the Group companies in the identification, monitoring and management of risks. The objective is to systematically recognize major risks as well as opportunities. In focus are a wide range of strategic and business risk types. Group Risk Management actively involves the Group companies, the corporate functions, the Executive Committee and the Board in the risk assessment process.

Identified risks are evaluated, and countermeasures are proposed and implemented at the appropriate level. The Group's risk profile is established by top-down, bottom-up and functional risk assessments. The Board of Directors receives regular reports on important risk analysis findings (further information see also pages 105 and 106).

**Internal Audit as an important monitoring instrument**

The Group's approach to internal control is based on the underlying principle of management's accountability for risk and control management. Management in the Group is responsible for implementing, operating, and monitoring of the system of internal controls, which is designed to provide reasonable assurance of achieving business objectives and fulfilling its external obligations and commitments.

The Internal Audit function at Holcim has the responsibility to:

Perform the activities set out in the internal audit plan, including any special tasks or projects approved by the Audit Committee

Evaluate the effectiveness of the governance process in mitigating the risks

Report significant observations and findings to the Audit Committee and Executive Committee

Maintain competent staff with sufficient knowledge, skills, experience, and training to meet the requirements of this charter

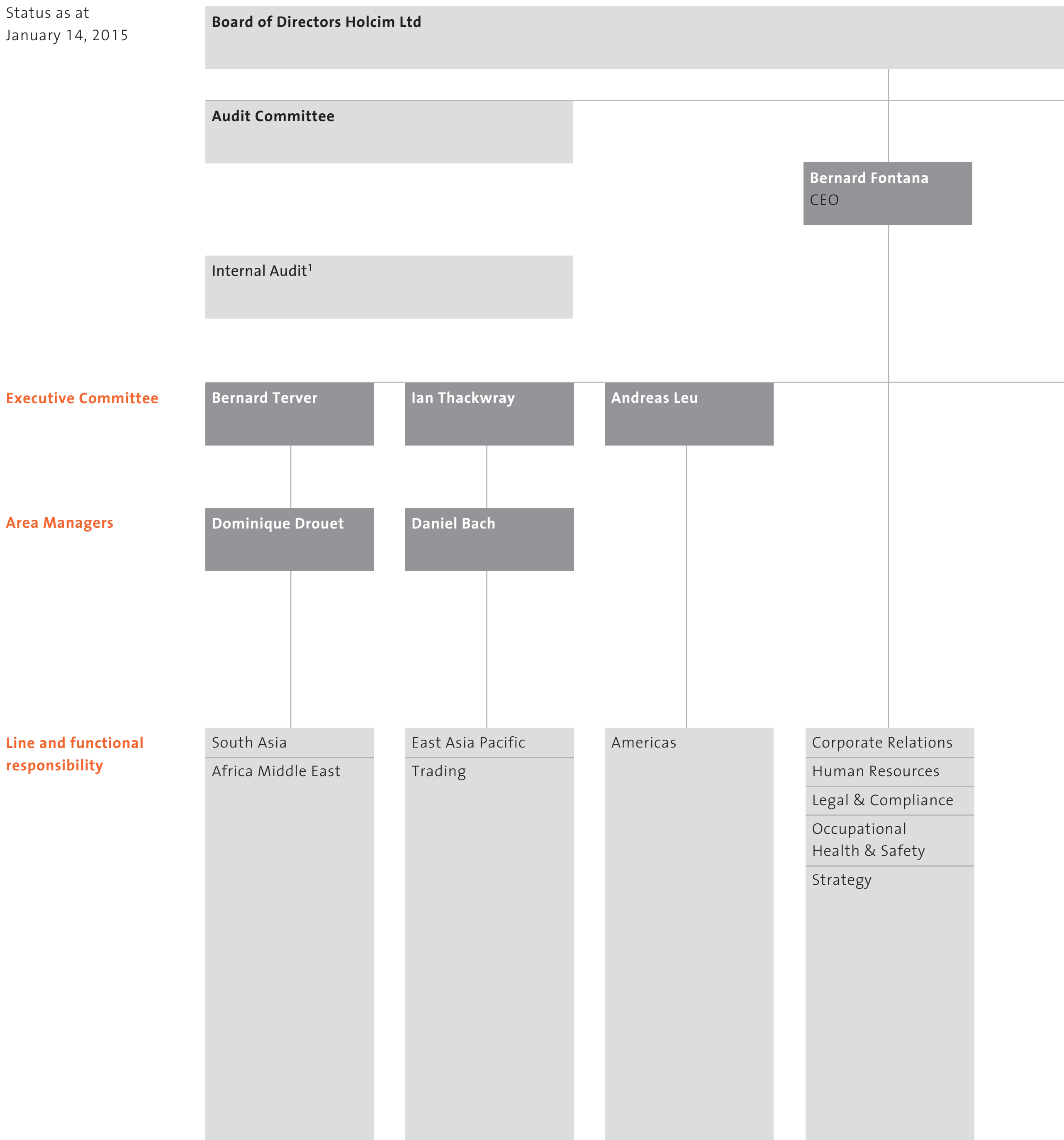
Maintain and update the internal audit methodology and process whenever appropriate

**Focus on joint objectives**

Holcim systematically measures performance. Compensation systems are designed to motivate management to perform at an above-average level and at consistently high standards. A standardized variable compensation system is in place for the most senior executives. Salaries are calculated not only on the basis of financial objectives but also in light of individual goals (see the Remuneration Report on pages 118 to 130). A significant proportion of variable compensation is currently paid in the form of Holcim shares locked in for a period of three to five years. This system strengthens the shared focus on a long-term increase in the Group's performance and value.

The internal control system (ICS) for presenting financial statements, conforming with the requirements of Art. 728a of the Swiss Code of Obligations and Swiss Auditing Standard 890, has proved to be sound. It increasingly covers the additional areas of business ethics and integrity.

# Organization Chart




[1] Internal Audit reports to the Audit Committee

**Governance & Strategy Committee**

**Nomination & Compensation Committee**

**Alain Bourguignon**

DivCo

**Roland Köhler**

**Horia Adrian**
**Urs Fankhauser**
**Kaspar Wenger**

Europe

**Thomas Aebischer**
CFO

- Controlling
- Finance & Treasury
- Group Structure & Tax
- Investor Relations
- IT
- Merger & Acquisitions
- Procurement
- Risk Management

**Urs Bleisch**

- Aggregates & Construction Materials
- Customer Excellence
- Cement Manufacturing
- CAPEX Projects
- Innovation
- Logistics
- Sustainable Development
- Alternative Fuels & Resources
- Program Management Office

# Innovation

Innovation at Holcim is fundamental to meeting customers' needs and creating value not only for them but also for the entire Group. From product technology to sustainable construction and business model innovation, Holcim strives to deliver innovation holistically.

Innovation goes beyond the Group's core products. Holcim aims to achieve leadership in driving sustainability throughout the building life cycle by maximizing cost efficiency along the entire supply chain, meeting customers' needs exceptionally well, and offering solutions all along the construction value chain. Holcim delivers this by fostering an innovation culture in which employees collaborate and innovate with passion.

**Sustainable construction**

Efforts in sustainable construction focus on the entire life cycle of applications of Holcim materials in customers' projects. Equally important for Holcim is to support partners – whether real estate investors and developers, local communities, or building users – in achieving their own sustainable value creation. As a leading actor in the construction industry, Holcim is committed to using resources efficiently and acting in an environmentally and socially responsible way, taking into consideration effects that reach far beyond its own operations. In accordance with the Holcim Sustainable Development Ambition 2030, the Group's sustainable construction portfolio is an integral element for achieving the target of generating a third of revenue through sustainability-enhanced solutions.

**Patent management**

Holcim derives its patent strategy from its business and innovation strategy. The Group patents innovative developments to reinforce its position as a preferred solution provider and to ensure its competitive advantage in strategically important innovation fields, using specific patent strategies for each field. An aligned innovation process ensures a strong link between Innovation and Patent Management to protect the intellectual property that is developed. Today Holcim has about 60 patent families and approximately 450 granted patents or patent applications, establishing the Group as one of the leading cement companies worldwide in patenting.

**Business model innovation**

Business model innovation is a strategic focus area for Holcim in its efforts to sustain long-term success. Innovative business models complement new product introductions by providing new mechanisms for value creation and value capture and engaging the entire construction value chain. To tackle the challenges ahead, Holcim has developed a systematic business model innovation approach aiming to support innovators in designing and implementing new business models and thereby leveraging the overall innovation potential of the Group.

**The six innovation fields of Holcim**

| 1. Integrated market solutions | 2. New materials/ functionalities | 3. Low-carbon solutions | 4. Low-energy solutions | 5. Waste/recycling opportunities | 6. Lean/clean/ efficient operations | **Innovation Fields** |
|---|---|---|---|---|---|---|
| Increase value by combining products, services and business models | Increase value by using new materials and enhancing functionalities | Increase value by reducing the $CO_2$ footprint throughout the construction lifecycle | Increase value by using less or sustainable energy sources | Increase value by seizing new opportunities in the waste and recycling business | Increase value through leaner assets, improved efficiency and less emissions and waste | **Goals** |



**Focus on six innovation fields**

Holcim continues to focus on six strategic innovation fields that offer the highest potential to add value. The following examples illustrate a few of Holcim's innovative achievements.

**1. Integrated market solutions**

**ACC, India: Green Building Centres**

India faces a considerable housing shortage, and many homes are built by unskilled practitioners with poor construction materials. The ACC Green Building Centres provide a simple and complete solution for the low-cost construction segment in rural areas. The key success factor is the combination of offering locally produced and easy-to-use construction solutions together with training courses on how to produce and apply these products in the rural context. The construction products are produced in the Green Building Centres by workers trained in the center and using in-house industrial machinery, thereby creating jobs and building trade capabilities. These simple construction products enable comfortable, safe, and affordable housing solutions. Training in the Green Building Centres gives people the skills they need not only to build their own houses but to establish their own businesses as tradespeople. Sustainable construction techniques are promoted by using locally sourced materials and incorporating alternative materials like fly ash, which significantly reduces CO2 emissions. This example of business model innovation is a sustainability-enhanced solution that reduces environmental impact and provides lasting socioeconomic improvement.

**2. New materials/functionalities**

**Holcim France: High-performance concrete**

With the introduction of Opticeo®, Holcim France developed an innovative solution for the high-performance concrete and high-durability market. The range of binders is complemented with related services, including support in concrete design and performance testing. As a premixed ready-to-use hydraulic binder, the new product provides advantages in concrete buildings and structures, civil engineering works, and precast concrete elements. And due to its color, it also allows production of light-colored concrete.

**3. Low carbon solutions**

**Holcim Switzerland: Alternative mineral components for composite cements**

New customized cement types using alternative mineral components like mixed rubber granulate are being developed. These new customized cement types can be used for making lean concrete and concrete for construction purposes with no specific durability requirements. The approach is to produce new types of composite cements with alternative mineral components that are directly milled or mixed together with the cement clinker and other constituents. By using alternative semi-reactive materials directly in the cement production process, $CO_2$ emissions can be reduced and natural resources conserved, making this a sustainability-enhanced solution. The solution closes the material cycle for construction materials like cement and concrete and prevents unnecessary landfilling.

**4. Low-energy solutions**

**Fan efficiency improvement**

The multiplication of low-energy solutions such as fan efficiency improvement by using online measuring and monitoring tools continued successfully during 2014. Implementation has been carried out in 34 operating companies, covering 93 percent of all larger fans in the Holcim Group. The year closed with a rate of 80 percent global implementation. Holcim is committed to continue the multiplication of such solutions to identify low performing assets, take the necessary measurements and therefore substantially reduce the consumption of electrical energy.

**5. Waste/recycling opportunities**

**Ecorec Eastern Europe: Mobile sorting line for municipal solid waste**

Most municipal solid waste in Eastern Europe is dumped into landfills. Holcim's local waste management unit ecorec offers mobile sorting lines to companies that collect municipal waste. The mobile sorting line offers flexibility and extends the waste pre-processing service. By sorting, the companies recover valuable waste for recycling and the remaining useful waste is sent to ecorec pre-processing plants where it is turned into alternative fuel. This provides Holcim a stable and long-term alternative fuel supply and reduces landfill volumes.

**6. Lean/clean/efficient operations**

**Roller-driven vertical roller mill**

To establish an improved concept for vertical roller mills, Holcim collaborated with a main equipment supplier in France to jointly develop a set of modifications and optimizations. Combining their technical knowledge in mills, the two companies engineered design modifications that reduce power consumption without compromising the high-quality production of high-strength ordinary Portland cement. The first roller-driven vertical roller mill was implemented using a step-by-step approach. It is the world's first application of this type of mill used to produce high-strength ordinary Portland cement.

**Holcim Innovation Fund**

The Holcim Innovation Fund has proven to be a strong incentive to drive innovation across the Group and foster an innovation culture. Several strategic innovation initiatives around the world have been funded in order to develop new solutions that can be multiplied, delivering growth and value to Holcim's customers.

# Capital market information

The Holcim Leadership Journey gained momentum in 2014 and made substantial contributions to the Group's results. A strong recovery in the United States and the United Kingdom and an improving sentiment in emerging markets mainly India and Mexico were slightly offset by a slowdown in continental Europe. With a total contribution of over CHF 1.8 billion, the Holcim Leadership Journey's target of 1.5 billion in operating profit contribution has been significantly exceeded. As a result Holcim's return on invested capital $ROIC_{BT}$ improved (adjusted for restructuring and merger related cost).

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

Equity markets remained volatile throughout 2014 as geopolitical tensions, a weakening economic situation in Europe, and the oil price deterioration towards the end of 2014 prevented a stable development. Share prices recovered somewhat during the year however experienced a massive drop in October with a number of dramatic sell-offs and rebounds as a result of growing fears about the global economic outlook and the US Federal Reserve raising interest rates sooner than expected. Holcim's share price started the year in line with the market but then was significantly boosted by the announcement of the planned merger with Lafarge in April 2014. After a high of CHF 82.80 beginning of June, Holcim shares corrected and ended the year at CHF 71.35 underperforming the Swiss Market Index SMI slightly. The average trading volume in 2014 amounted to approximately 1.1 million shares a day.

**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 2014, the company's market capitalization stood at approximately CHF 23.3 billion.

**Additional data**

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

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

The majority of shares held outside Switzerland are owned by shareholders in the UK and the US.

**Geographical distribution**

| | |
|---|---|
| Switzerland | 46% |
| Other countries | 23% |
| Shares pending registration of transfer | 31% |

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

| | |
|---|---|
| 1–100 | 8,797 |
| 101–1,000 | 27,574 |
| 1,001–10,000 | 5,165 |
| 10,001–100,000 | 477 |
| > 100,000 | 104 |

**Free Float**

Free float as defined by the SIX Swiss Exchange stands at 69 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 2014 financial year, the Board is again proposing a payout from the capital contribution reserves corresponding to last year’s amount of CHF 1.30 per registered share. The payout is scheduled for April 17, 2015.

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

| Index | Weighting in % |
|---|---|
| SMI, Swiss Market Index | 1.49 |
| SPI, Swiss Performance Index | 1.26 |
| SLI, Swiss Leader Index | 3.19 |
| BEBULDM, BE500 Building Materials Index | 20.30 |
| SXOP, Dow Jones STOXX 600 Construction | 8.17 |
| FTSE4Good Europe Index | 0.25 |

Sources: Bloomberg, FTSE Index Company, end-December 2014.

**Information on Holcim registered shares**

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

**Key data Holcim registered share**

| Par value CHF 2 | 2014 | 2013 | 2012[1] | 2011 | 2010 |
|---|---|---|---|---|---|
| Number of shares issued | 327,086,376 | 327,086,376 | 327,086,376 | 327,086,376 | 327,086,376 |
| Number of dividend-bearing shares | 327,086,376 | 327,086,376 | 327,086,376 | 327,086,376 | 327,086,376 |
| 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 | 1,219,339 | 1,522,510 | 1,736,538 | 7,270,081 | 7,131,083 |
| Stock market prices in CHF | | | | | |
| High | 83 | 79 | 68 | 76 | 85 |
| Low | 62 | 63 | 49 | 43 | 60 |
| Average | 73 | 69 | 58 | 60 | 71 |
| Market capitalization (billion CHF) | 23.3 | 21.8 | 21.9 | 16.4 | 23.1 |
| Trading volumes (million shares) | 266.8 | 215.0 | 231.4 | 357.6 | 378.8 |
| Earnings per dividend-bearing share in CHF[3] | 3.95 | 3.91 | 1.89 | 0.86 | 3.69 |
| Cash earnings per share in CHF[4] | 7.67 | 8.56 | 8.16 | 8.61 | 11.44 |
| Consolidated shareholders' equity per share in CHF[5] | 53.49 | 49.77 | 50.52 | 52.62 | 56.57 |
| Payout/dividend per share in CHF | 1.30[6] | 1.30 | 1.15 | 1.00 | 1.50 |
| Dividend yield (%) | 1.79 | 1.88 | 1.97 | 1.67 | 2.11 |

[1] Restated due to changes in accounting policies.
[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.

**Major shareholders**
Information on major shareholders can be found on page 232 of this report.

**Disclosure of shareholdings**
Under Art. 20 of the Swiss Federal Act on Stock Exchanges and Securities Trading (Stock Exchange Act), whosoever, directly, indirectly or in concert with third parties, acquires or disposes of shares, for his own account, in a company incorporated in Switzerland whose equity securities are listed, in whole or in part, in Switzerland and thereby attains, falls below, or exceeds the threshold of 3, 5, 10, 15, 20, 25, 33⅓, 50, or 66⅔ percent of the voting rights, whether or not such rights may be exercised, shall notify the company and the stock exchanges on which the equity securities in question are listed. Important shareholders are disclosed on page 232.

**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. The Board of Directors has issued the applicable Registration Regulations which can be found on the Holcim webpage.

**Current rating (February 2015)**

| | 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**

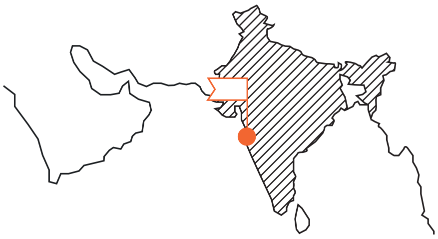
| | |
|---|---|
| Annual General Meeting of shareholders | April 13, 2015 |
| Ex date | April 15, 2015 |
| Payout | April 17, 2015 |
| Results for the first quarter 2015 | May 5, 2015 |
| Half-year results 2015 | July 29, 2015 |

# 2

# SUSTAINABLE DEVELOPMENT



INDIA
MUMBAI



REGION INDIA

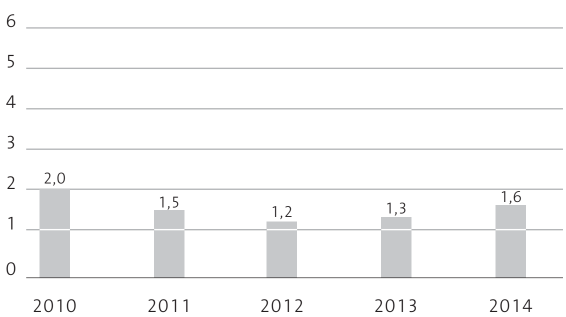
Holcim possesses substantial capacities on the Indian subcontinent. The positive economic momentum in India is one key to the Group's success. The two largest Group companies in the region, Ambuja Cements and ACC, boast a cement capacity of over 60 million tonnes.

# Environmental commitment and social responsibility

Creating value for all stakeholders in a sustainable manner requires balancing economic value creation with environmental and social responsibility. Holcim has been continuously recognized for its efforts in this.

**Occupational health and safety – Rising to the challenge**
Occupational health and safety is Holcim's number one priority. Holcim aims to be an employer of choice that reports with integrity and transparency, and shows a genuine commitment to the health and safety of the people that work for it. This is why the Group has spent years focusing on its reporting culture, meanwhile building trust throughout the Group, and the figures have started to reflect this change. Since Holcim introduced reporting of critical incidents, the number of reported incidents has increased from tens to hundreds per year. Holcim believes it is not experiencing more incidents today than before; the Group simply ascertains more, and this advancement in culture is reflected in the safety key performance indicators. These include Lost Time Injury Frequency Rate, LTIFR, and Total Injury Frequency Rate, TIFR, in particular, at 1.6 and 4.8 respectively in 2014. In the year under review 25 individuals lost their lives while working for Holcim, of whom 20 were indirectly employed through contractors or service providers. Seven out of these 25 were involved in road accidents outside of plants. A further 16 individuals not connected to Holcim lost their lives mainly as a result of traffic accidents with vehicles carrying Holcim products. The Group is sincerely saddened by each loss of life. Although the 2014 safety figures are disappointing, Holcim takes reassurance in knowing that today, more than at any other time in its history, it has a good understanding of what the actual situation is. This represents a great opportunity to make comprehensive analyses of risk exposure and target resources, and this is what Holcim is focusing on now.

**Lost time injury frequency rate**




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

The Group's programs and initiatives allow it to provide targeted support for cases in which specific and individual improvements are required in Group companies. The Directives Assessments Program assesses each Group company's capability and understanding in relation to hazard identification and risk management. The Design Safety and Construction Quality Program also allows Holcim to target support based on the risks associated with major hazards such as fires, explosions, and geotechnical and structural integrity, tackling issues at their source during the design, construction, and operation of quarries and facilities.

As a broader measure, Holcim continues to stress the importance of line managers demonstrating visible leadership to bring about positive behavior changes at all levels of the organization and continue working hard to strengthen the competence of the Health and Safety function itself. The Group also continued to roll out the Road Safety Improvement Program to strengthen performance in areas such as vehicle management, leadership and commitment, driver management, contractor management, journey management, and road and traffic conditions on its own sites.

The annual safety awards initiative continued to foster a culture in which safety excellence is recognized and shared for the benefit of everybody. The Group is in its third cycle of rewarding best practices at regional and global levels and is seeing these initiatives being replicated elsewhere in the Group.

Everything Holcim does in occupational health and safety is to move the Group toward being a zero-harm organization. Holcim believes this is not simply an aspirational target designed to drive better performance but an achievable one, and the Group will not cease in its endeavors to achieve it.

**Holcim – Supplier of sustainability-enhanced solutions**
Aligned with Holcim's vision "to provide foundations for society's future" in 2014 the Group developed its revised sustainability strategy, the Holcim Sustainable Development Ambition 2030, with the aim to significantly increase the interest in and uptake of its innovative range of sustainability-enhancing solutions.

Holcim aspires to generate one third of its revenue from a portfolio of sustainability-enhanced products and services by 2030.

The sustainability benefits of these solutions are proven. The solutions are defined as offering superior environmental and social performance in the manufacturing phase and/or in the use and disposal phases of buildings and other infrastructure, exceeding current standards.

The Sustainable Development Ambition 2030 has a number of aspirations and intermediate targets to help Holcim address three focus areas: Climate, Resources, and Communities.

**Climate – Acting to cap the carbon footprint across the lifecycle**

Holcim has a continuing commitment to a wide variety of measures to mitigate its $CO_2$ emissions, such as improving the energy efficiency of its own operations and substituting fossil fuels for lower-carbon alternatives. Holcim has committed to reducing its $CO_2$ emissions per tonne of cement by 25 percent by 2015, in comparison with the reference year of 1990, and is on track to meet this target. Holcim currently leads the sector with the lowest $CO_2$ emissions per tonne of cement. Details of 2014 emissions will be reported on www.holcim.com/sustainable in mid-2015.

But the global climate challenge requires an altogether more collaborative and far-reaching response.

As a responsible company, Holcim's approach to sustainability must reach beyond its own business and encompass its entire value chain. Throughout the building lifecycle, there is great potential for carbon reduction, so instead of focusing on just its own operations, Holcim recognizes its responsibility to make all the elements in its value chain more sustainable.

Therefore, by 2030 Holcim aspires to maintain net absolute $CO_2$ emissions at 2013 levels throughout the entire lifecycle of its products. This will require that Holcim caps its carbon footprint, regardless of the expected growth in the volume of cement produced. It acknowledges that any increases in emissions from operations will be offset or compensated through products, services, and solutions that reduce emissions from buildings, infrastructure, and transportation. By doing so, Holcim adopts a pioneering approach in the industry, becoming the first to not only monitor and account for $CO_2$ savings beyond its own operations but also to set a target on absolute emissions.

An important element in this is to support the growing trend towards transparency and to facilitate informed choices by customers and specifiers. Holcim uses a range of tools to deliver transparent information to customers. Examples are the Product Carbon Footprint tool, which enables tracking of emissions embedded in products, and Environmental Product Declarations (EPDs), which provide transparency in several environmental impact categories.

**Resources – Quantifiable targets for long-term improvements**
Holcim appreciates that its business success depends on nature and ecosystem services. That is why it has set very clear targets to be less dependent on primary materials and to manage natural resources and ecosystems in a sustainable way.

By 2030 Holcim aspires to use 1 billion tonnes of secondary resources, replacing approximately 25 percent of the primary materials it requires.

Holcim will continue to replace more fossil fuels with alternative energy sources and increase its use of industrial by-products such as fly ash and slag. Holcim will also use more construction and demolition waste to replace natural resources. These waste solutions also provide a valuable service for local communities by offering a responsible solution to the ever-increasing problem of waste.

Holcim aspires to have a positive impact on water resources in water-scarce areas by 2030. Water is a natural resource used at all Holcim operational sites across the world, and Holcim remains conscious of how precious water is. In partnership with the International Union for Conservation of Nature (IUCN), Holcim has developed and implemented a water management system for all its business units worldwide. In 2013 Holcim announced the target to reduce its specific water consumption by 20 percent by 2020, measuring from a 2012 baseline.

By 2030 Holcim aspires to demonstrate positive change for biodiversity. By 2020 the Group will use a biodiversity reporting system developed jointly with the IUCN to assess extraction sites against a number of habitat indicators and will report year-on-year improvements in biodiversity management.

**Communities – Creating positive social impact and business returns**

Holcim recognizes that market-based solutions that address social issues will drive both business and societal benefits, creating shared value for all. Holcim's 2030 aspiration is to improve the quality of life – in particular with regard to livelihoods and shelter – of 100 million people at the base of the wealth pyramid through inclusive business solutions and strategic social investments.

Inclusive business solutions approach social problems as business opportunities. By applying its core competencies and expertise, Holcim can improve the living conditions of low-income communities while extending access to its products, services, and solutions in ways that create mutual value.

To succeed, these initiatives must be profitable, strategic, address social needs, provide measurable benefits to the company, and drive product or service development. Examples include housing and sanitation solutions for low-income customers, microenterprises that market products and services relating to Holcim's core business, and supplying Holcim facilities with goods and services.

Inclusive business initiatives are intended to complement and not to replace traditional CSR programs, as not all social needs can be addressed through market-based solutions. Strategic social investments remain crucial. They seek to improve people's quality of life in a sustainable way by providing seed capital for activities and building capacity among community stakeholders. Social investment is considered strategic if it focuses on the needs of local communities, is implemented in close collaboration with stakeholders, and builds on core business knowledge and assets.

In 2014 Holcim Group companies invested over CHF 30 million in community engagement activities directly or indirectly benefitting several million people.

Close cooperation with local stakeholders is vital and builds mutual respect and trust. Holcim engages with stakeholders in a number of forums, including community advisory panels, formal dialog sessions, open door days, and local partnerships. To this end, all Holcim Group companies are encouraged to have a formal community engagement plan in place.

**Other sustainability impacts**

While the Holcim Sustainable Development Ambition focuses on the topics above, Holcim also manages a number of other sustainability-related issues as part of its business. These include:

**Emissions reduction**

By 2011 Holcim had already achieved its target to reduce specific emissions of dust and nitrogen oxides (NOx) by 20 percent by 2012 and 2013 respectively, compared with 2004 levels. Focus is now placed on maintaining or even improving the emission levels achieved thus far.

Emission levels of $CO_2$, NOx, dust, and $SO_2$ will be reported at www.holcim.com/sustainable mid-2015.

### Employee relations

Holcim is committed to recruiting, employing, developing, and retaining the best people in its sector. Holcim strives to be the most attractive employer in its industry by providing the best possible conditions, acknowledging that its employees are its greatest asset, and recognizing that their expertise, passion, and enthusiasm are the key to Holcim's performance. Diversity is valued and encouraged.

Unfortunately, the business environment in some regions led to unavoidable adjustments and reduction of capacity. Holcim is aware that the reduction of employment is a painful process, and thus not only complies with local applicable laws – especially with regard to appropriate involvement of labor councils and unions – but treats its employees with respect and tries to find the best possible solutions in the interest of both the employees and the company.

### Respecting human rights

Holcim recognizes the importance of respecting human rights and supports the UN Global Compact (UNGC). The principles of the UNGC are reflected in Holcim's Directives on the use of contract labor and in Holcim's Supplier Code of Conduct. Furthermore, Holcim has developed a Business Related Human Rights Management System. This system is based on global risk mapping using independent and respected indices. Related assessments are planned for all Group companies and have already been conducted in countries with high inherent risk. Details of Holcim's Human Rights Management System can be found at www.holcim.com/sustainable.

### Strategic partnerships

Holcim recognizes that it can achieve far more by collaborating with others, thus partnerships are an important element of its sustainable development strategy. Holcim is a member of the Corporate Support Group of the International Committee of the Red Cross (ICRC), an organization with exceptional credibility in protecting the lives and dignity of victims of conflict and other life-threatening situations. This engagement allows the Group to implement its commitment to sustainable development in conflict-affected regions where both Holcim and the ICRC operate.

Apart from these global partnerships, many Holcim Group companies engage in partnerships at the local level. A list of these partnerships can be found online at www.holcim.com/sustainable.

### Listed in leading sustainability indexes

For the twelfth consecutive year Holcim was confirmed as a member of the Dow Jones Sustainability Indexes. Holcim also continues to be a member of the FTSE4Good index series. In 2014 Holcim increased its score in the Carbon Disclosure Project.

In 2014 Holcim was rated sector leader in the Tomorrow's Value Rating (TVR), conducted by the respected DNV GL Group. This rating evaluates the sustainability performance of 45 major companies across five key domains: strategy, engagement, governance, innovation, and value chain.

# Human Resources

## Investing in people: Reinforcing the foundation on which to build and grow

Holcim knows that the success of its organization depends on the success of its people. With around 68,000 employees in 70 countries, the Group's reach is global. To benefit from this diversity and spread, Holcim continuously aligns its people processes to reinforce the right foundation upon which to build and grow.

**Values and behaviors**

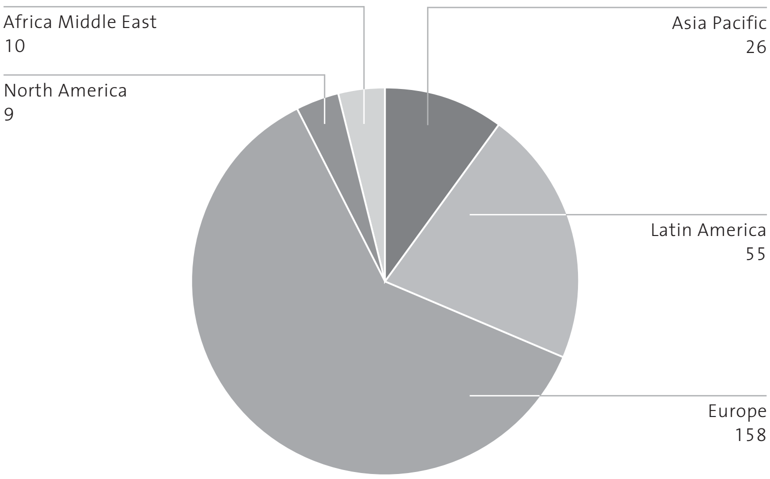
The values of Strength. Performance. Passion. are integral to Holcim's strategy. The Group focuses on behaviors that set standards against which all employees are measured. The six behaviors are customer excellence, drive for results, collaboration, integrity, develop yourself and others, and change/inspirational leadership. Together, the values and behaviors form an intrinsic part of Holcim's culture and identity.

**Investing in today and tomorrow**

Good people processes cultivate the right climate for employees to thrive and contribute to achieving organizational objectives. How Holcim attracts and recruits, manages and rewards performance, develops and engages talent, and manages its talent pipeline requires a holistic integrated approach: one that supports securing the right person with the right skills and attitude for the right job at the right time.

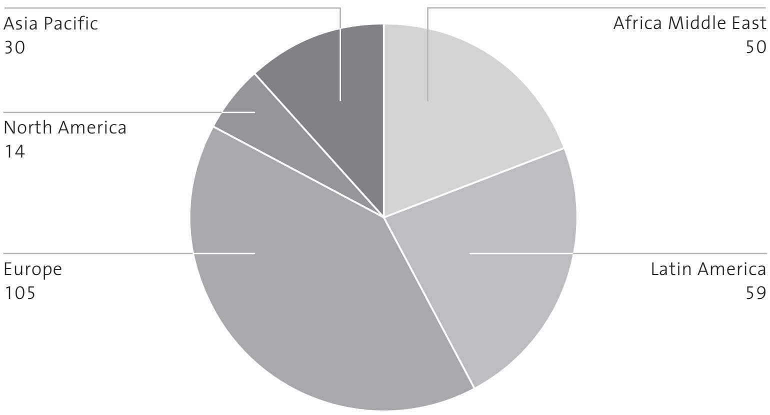
**Transfer of employees from the Group regions**

Number




**Transfer of employees to the Group regions**

Number



Holcim believes that diversity and inclusion are business imperatives to increase the right talent pool for sustainable performance. While Holcim has a very diverse workforce, particularly in terms of nationality, it recognizes the need to address gender diversity in leadership positions. Thus, a Diversity Council was established in 2014, with the aim to create a system and workforce that is open, taking a broader view, and embracing diversity in attitude and perspective. The Group believes that this leads to inspiring innovations and value creation.

Given that leaders shape an organization, excellence in leadership is a must. Through an assessment methodology for leaders, Holcim identifies role and personal development areas. To foster development and networking opportunities, a total of 294 managers participated in executive education programs in 2014. Recognizing that challenges faced by leaders today requires a different mindset, a six-month-long Future Leadership Program was designed in partnership with leading academic institutions to explore concepts such as self-awareness, authority, mindful leadership, resilience, and system dynamics.

**Commitment to people**

The relationship between Holcim and its people is based on active dialog first and foremost with employees and also with employee representatives and unions. A key factor in engagement is listening to needs and acting on feedback. Numerous engagement surveys have been conducted, leading to various company initiatives in response. In 2015 the first Group-wide engagement survey will be conducted.

Career Committees for the top 150 talents and for functions and regions were established in 2014 to facilitate collaboration and exchange, with the aim to develop a seamless, cross-functional, cross-regional talent pipeline. Additionally, a new global concept in Holcim to expedite learning was launched: The web-based Holcim Learning Institute comprises Functional Academies and elements such as Occupational Health & Safety and Legal and Compliance. It also offers virtual classroom capabilities with an internal training network that is 260 members strong. The institute proved a crucial enabler for diffusing know-how and sharing expertise Group-wide, with a total of 226 assignees around the world, including 93 new ones.

| Group employees by segments | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| Cement[1] | 44,403 | 47,179 | 50,293 | 51,492 | 51,133 |
| Aggregates | 5,722 | 5,812 | 6,379 | 6,898 | 6,478 |
| Other construction materials and services | 16,825 | 17,376 | 19,421 | 22,469 | 22,577 |
| Diverse | 634 | 490 | 266 | 108 | 122 |
| **Total Group** | **67,584** | **70,857** | **76,359** | **80,967** | **80,310** |

[1] Including all other cementitious materials.

| Group employees by region | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| Asia Pacific | 31,850 | 34,080 | 36,523 | 37,942 | 38,172 |
| Latin America | 10,733 | 11,181 | 11,765 | 12,867 | 12,710 |
| Europe | 15,399 | 15,868 | 17,924 | 19,602 | 19,690 |
| North America | 6,777 | 6,791 | 7,136 | 7,543 | 6,668 |
| Africa Middle East | 1,928 | 2,128 | 2,153 | 2,140 | 2,213 |
| Service and trading companies | 897 | 809 | 858 | 873 | 857 |
| **Total Group** | **67,584** | **70,857** | **76,359** | **80,967** | **80,310** |

| Origin of senior managers | | |
|---|---|---|
| From Asia Pacific | 14 nationalities | 60% of all senior management |
| From Latin America | 14 nationalities | 9% of all senior management |
| From Europe | 32 nationalities | 22% of all senior management |
| From North America | 2 nationalities | 8% of all senior management |
| From Africa Middle East | 11 nationalities | 1% of all senior management |

**Composition of senior managers**

| | Male | Female | Total | Percentage of women |
|---|---|---|---|---|
| Top management level | 306 | 36 | 342 | 11% |
| Senior management level | 1,549 | 168 | 1,717 | 10% |
| Middle management level | 5,571 | 871 | 6,442 | 14% |
| **Total** | **7,426** | **1,075** | **8,501** | **13%** |

**Personnel expenses in 2014 by function and region**

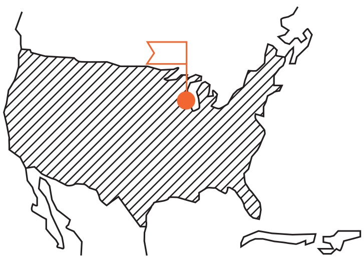
| Million CHF | Production and distribution | Marketing and sales | Administration | Total |
|---|---|---|---|---|
| Asia Pacific | 568 | 94 | 204 | 866 |
| Latin America | 310 | 67 | 91 | 468 |
| Europe | 777 | 128 | 219 | 1,124 |
| North America | 626 | 50 | 86 | 762 |
| Africa Middle East | 52 | 10 | 32 | 94 |
| Service and trading companies | 43 | 20 | 161 | 224 |
| **Total Group** | **2,377** | **368** | **793** | **3,538** |

# 3

# BUSINESS REVIEW



USA
CHICAGO



REGION NORTH AMERICA

In North America, Holcim is particularly active in the eastern and midwestern United States and in Canada. One of the world's highest-capacity and most modern cement plants is located in Ste. Genevieve on the Mississippi. The plant can produce four million tonnes of cement per year.


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

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

# Asia Pacific benefits from rebound in India

**Growth in key economies of the region**

Asia Pacific's economic climate was characterized by the start of a rebound in the Indian economy and solid growth levels in most other major markets in the region.

India's economic environment was lackluster over the first months of 2014, but following the federal elections signs of improvement became stronger as the new government kicked off a number of projects to stimulate growth. Sri Lanka's economy remained in solid shape, and Bangladesh reported significant growth despite some political uncertainties. The economic environment in Vietnam remained challenging despite solid growth. In 2014, Malaysia again benefited from public investment while Singapore's growth was less dynamic. The Philippine economy grew on solid levels, driven by the service and manufacturing industries as well as strong household spending, and Indonesia also recorded robust growth although lower than expectations due to the election in 2014. Growth in Australia moderated due to a sharp decline in resource sector investment and subdued non-mining business investment, while in New Zealand economic activity was dynamic.

**Demand for building materials increases in most markets**

India's construction markets gradually turned more positive in the course of 2014. Infrastructure investment remained comparably low but the situation for residential projects was more positive despite high inflation and interest rates. While Sri Lanka's construction market recovered from the challenging previous year, Bangladesh continued to be strongly positive also in 2014. Vietnam continued to face oversupply of many building materials, but Malaysia again benefited from various infrastructure projects. Singapore's construction sector suffered from a sharp slowdown. The positive economic climate continued to drive construction projects in the Philippines with strong government spending as a main contributor. Construction spending in Indonesia was less dynamic as a result of the national elections, but demand for housing remained high. Total construction activity in Australia declined in 2014 as a result of the cyclical downturn, despite residential construction growing strongly. New Zealand's construction sector was in good shape with a solid increase in cement consumption.

| Consolidated key figures Asia Pacific | 2014 | 2013 | ±% | ±% LFL* |
|---|---|---|---|---|
| Production capacity cement in million t | 96.4 | 90.3 | +6.8 | |
| Cement and grinding plants | 54 | 51 | | |
| Aggregates plants | 72 | 84 | | |
| Ready-mix concrete plants | 290 | 320 | | |
| Sales of cement in million t | 71.2 | 70.3 | +1.4 | +2.0 |
| Sales of mineral components in million t | 0.6 | 0.7 | –11.2 | +6.3 |
| Sales of aggregates in million t | 24.8 | 25.2 | –1.5 | –1.5 |
| Sales of ready-mix concrete in million $m^3$ | 10.8 | 10.9 | –0.8 | –0.6 |
| Net sales in million CHF | 6,970 | 7,282 | –4.3 | +3.8 |
| Operating EBITDA in million CHF | 1,332 | 1,473 | –9.5 | –1.7 |
| Operating EBITDA margin in % | 19.1 | 20.2 | | |
| Operating profit in million CHF | 934 | 1,030 | –9.4 | –1.7 |
| Operating profit margin in % | 13.4 | 14.1 | | |
| Personnel | 31,850 | 34,080 | –6.5 | –6.5 |

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

**Rebounding volumes in India drive Group region's net sales**
Both Indian Group companies of Holcim have from the more promising situation in construction markets in the country. Ambuja Cements and ACC increased top line in the year under review and benefited from various commercial initiatives across the country that opened new markets and increased sales of premium products. Cement deliveries in Sri Lanka and Bangladesh increased as well. In the year under review Holcim increased its cement grinding capacities in Meghnaghat, Bangladesh.

Cement volumes at Holcim Vietnam decreased. However, the Group company, which is mainly active in the southern part of the country recorded an increase in bagged cement sales building on a stronger premium position, but bulk cement and ready-mix concrete volumes declined. Cement shipments in Malaysia declined following a very good year in 2013, and in Singapore ready-mix concrete volumes were also down, reflecting the challenges in the local construction industry overall.

Holcim Philippines reported a strong increase in cement volumes as the government continued to fund infrastructure projects, while the positive business environment has emboldened the private sector to push through with expansion plans.

Volume development in Indonesia was positive for cement and aggregates, while ready-mix concrete deliveries were flat. In cement, the implementation of Customer Excellence initiatives and the opening of new markets contributed to the development which was particularly strong for bagged cement. The new kiln line of the Tuban I plant in East Java was commissioned in the fourth quarter of 2014.

Cement Australia increased like-for-like cement volumes despite lower demand from the resources sector. In 2014 the Group company started production at its new Port Kembla grinding station, south of Sydney. Holcim Australia was impacted by the decline in resource sector investment as large-scale projects, particularly in Western Australia, were completed in the course of 2014. Subsequently, aggregates volumes declined. In response to a continuing low growth environment and the decline of resource sector investment, Holcim Australia adjusted its footprint and reduced headcount to be more agile and effective. Ready-mix concrete shipments increased however. Holcim New Zealand increased cement volumes in a very competitive market and has decided to move to an import strategy by building two new terminals. Aggregates deliveries were up as well.

Consolidated cement volumes in the Group region Asia Pacific were up 1.4 percent to 71.2 million tonnes in 2014. In aggregates, volumes declined 1.5 percent to 24.8 million tonnes mainly due to the development at Holcim Australia. Ready-mix concrete deliveries were down slightly by 0.8 percent to 10.8 million cubic meters. Consolidated net sales in Asia Pacific reached CHF 6.97 billion, a decline of 4.3 percent mainly due to negative foreign exchange effects.

**Operating profit continues to be under pressure from currency effects**

Operating profit in the Group region Asia Pacific decreased 9.4 percent to CHF 934 million in 2014 with currency effects having a continuing negative impact coupled with lower performance in Holcim Australia. Like-for-like operating profit in the Group region was down 1.7 percent.

Overall, India recorded a plus in operating profit. Ambuja Cements was able to reverse the negative development of 2013 and reported increased operating profit. Operating profit at ACC remained impacted by the challenging situation on some of the Group company's markets. Financial performance in Sri Lanka and Bangladesh was down despite the continued strong focus on overall cost efficiences. At Holcim Vietnam operating financial performance was impacted by an oversupplied market. Malaysia recorded operating profit on par with the previous year, while in Singapore it was down. Holcim Philippines benefited from higher volumes and favorable price environment that outweighed the negative effects of increased costs for power and raw materials. Indonesia's performance was below that of 2013. Cement Australia increased like-for-like operating profit on the back of higher volumes and strict cost control. Holcim Australia suffered from a significant decline in operating profit as a result of the lower volumes from higher-margin mining projects and despite tight cost management. Holcim New Zealand however recorded higher operating profit in 2014.

China's growth was driven by investment supporting urbanization and privatization. As the market continued to be characterized by excess capacity, the focus of Huaxin, Holcim's local Group company, remained on differentiation through customer excellence initiatives, cost leadership, and vertical integration across the segments. While Huaxin's cement volumes remained flat, operating profit was higher than in 2013 due to higher prices and lower costs.

**Outlook for 2015**

Holcim's main cement markets in Asia Pacific are expected to benefit from increased demand in 2015. As India's main macro-economic indicators show a solid basis for growth and stable conditions in the mid-term, cement demand is expected to pick up again in 2015. Initiatives by the new Indian government for infrastructure and housing could further boost demand directly and indirectly throughout 2015. Cement demand in Indonesia and the Philippines is expected to continue to increase due to sound macroeconomic fundamentals. The road infrastructure and residential sector will continue to expand in Australia but not enough to mitigate the fall in construction activity in the resources sector.


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

# Latin America resists headwinds while Mexico recovers

**Mixed economic climate with considerable uncertainties**
Latin America faced with challenging development in 2014 as economic activity remained in low gear. Lower commodity prices and tightening financial conditions, as well as supply bottlenecks put pressure on growth in a number of countries.

Over the course of 2014 growth in Mexico rebounded, supported by an increase in exports, higher public spending on infrastructure, and an improved manufacturing sector. The Central American countries reported moderate growth. Colombia's economy expanded on solid levels thanks to investment in construction projects, while Ecuador could not maintain the high growth rates of the previous year. Brazil's economy largely moved sideways in 2014 as investment was low and interest rates and inflation high. Growth in Chile was low due to uncertainty of the impact of government reforms, and Argentina's economy suffered severely from the debt crisis.

**Mostly declines and moderate growth in construction markets**
The construction market in Mexico recovered in the second half of 2014, supported by the implementation of the National Infrastructure Investment Plan announced in June, but challenges remained in the housing market. In Central America construction activity in El Salvador declined due to less infrastructure spending, while in Costa Rica the sector has been basically flat, and in Nicaragua considerable growth was recorded. Colombia benefited from several infrastructure expansion and housing projects by the government, leading to increased demand for building materials. Ecuador's construction industry however was less dynamic in 2014. The construction sector in Brazil grew only slightly due to lower private and public investment and delays in infrastructure projects, reflecting the overall challenging economic climate. Chile's and Argentina's construction sectors shrank in 2014, however in Argentina the declines were not as pronounced as in other sectors.

| Consolidated key figures Latin America | 2014 | 2013 | ±% | ±% LFL* |
|---|---|---|---|---|
| Production capacity cement in million t | 35.3 | 35.3 | +0.1 | |
| Cement and grinding plants | 27 | 27 | | |
| Aggregates plants | 12 | 18 | | |
| Ready-mix concrete plants | 109 | 119 | | |
| Sales of cement in million t | 24.6 | 25.0 | –1.5 | –1.5** |
| Sales of aggregates in million t | 7.5 | 10.2 | –26.4 | –26.4 |
| Sales of ready-mix concrete in million $m^3$ | 6.4 | 8.0 | –20.0 | –20.0 |
| Net sales in million CHF | 3,012 | 3,349 | –10.0 | +0.6 |
| Operating EBITDA in million CHF | 861 | 938 | –8.2 | –0.8 |
| Operating EBITDA margin in % | 28.6 | 28.0 | | |
| Operating profit in million CHF | 663 | 722 | –8.2 | –1.1 |
| Operating profit margin in % | 22.0 | 21.6 | | |
| Personnel | 10,733 | 11,181 | –4.0 | –3.9 |

* Like-for-like, i.e. factoring out changes in the scope of consolidation and currency translation effects.
** The percentage change like-for-like adjusted for internal trading volumes eliminated in "Corporate/Eliminations" amounts to -1.0.

**Mexico recovers while Brazil remains challenging**
Holcim Mexico sold more cement in 2014, driven by the overall more favorable economic situation that has led to increased cement demand but also thanks to a variety of commercial measures. The Group company continued to export clinker to Holcim Ecuador in 2014. Volumes in aggregates and ready-mix concrete declined significantly, impacted by the closure of several plants in 2013 based on the strategy to focus on the most profitable markets and customers.

Following a year with solid volumes fueled by major road infrastructure projects, El Salvador delivered less cement in 2014. Volumes in all three segments for Holcim Costa Rica were down, reflecting the slower growth of the national economy and the impact of lower exports. Holcim Nicaragua continued to increase cement volumes in 2014, despite additional capacities of competitors having come on stream in the year under review.

Cement volumes at Holcim Colombia improved slightly as the Group company's cement plant operated close to capacity and competition increased. With a stronger focus on margins ready-mix concrete deliveries were up.

After Holcim Ecuador reported solid cement volume growth over the last years, with 2013 being a record year, the Group company was affected by the country's declining cement consumption in 2014. Public investment was subdued as a result of liquidity restraints by the government. Subsequently, deliveries in all three segments declined.

Brazil's economic situation remained difficult following the Soccer World Cup and 2014 federal elections. Holcim Brazil, with its presence in the southeast of the country, could however increase cement sales supported by strong demand mainly in Rio de Janeiro but also in Sao Paulo and Espirito Santo. The development in Minas Gerais however was less favorable. Following the strategic rightsizing of the ready-mix concrete business last year, volumes decreased in this segment.

In Chile, Cemento Polpaico suffered from the challenging economic situation in 2014 and reported volume declines in all three segments. As mining projects came to an end in the year under review, ready-mix concrete deliveries were negatively affected, following a peak in 2013. Subsequently, intra-company cement sales also declined as a result of this development.

As construction is considered a safe way to preserve the value of money in the context of the Argentinian recession, declines in cement consumption were less pronounced than in other industries. However, Holcim Argentina sold less cement in 2014 following the very good performance of the year before. Aggregates and ready-mix concrete volumes were down significantly as a result of the lack of infrastructure investment.

Consolidated cement volumes in the Group region Latin America were down by 1.5 percent to 24.6 million tonnes in 2014. In aggregates deliveries declined by 26.4 percent to 7.5 million tonnes and in ready-mix concrete shipments contracted by 20.0 percent to 6.4 million cubic meters, both mainly as a result of the strategic rightsizing-efforts in the Group region implemented in 2013. Net sales in the Group region Latin America were down 10.0 percent to CHF 3 billion.

**Operating profit declines**

Operating profit in the Group region Latin America was down 8.2 percent to CHF 663 million as declines were reported in a number of Group companies. Like-for-like operating profit was down 1.1 percent. However, Holcim was able to increase its operating profit margin in the Group region.

More favorable development in Mexico led to increases in operating profit for the Group company. While operating profit was down in Costa Rica, Nicaragua reported solid improvements. Holcim El Salvador, Holcim Colombia, and Holcim Ecuador all reported moderate decreases in their financial performance. Brazil suffered from lower prices and increased operating costs that lead to a significant drop in operating profit. Despite several initiatives to reduce fixed costs, Cemento Polpaico reported lower financial performance mainly because of the market situation. In Argentina, higher price levels were not able to compensate for the volume decrease and cost inflation leading to a lower financial performance.

**Outlook for 2015**

Export of goods and services as well as internal consumption will continue as growth drivers for Latin America, while the mining sector is expected to slow down. Infrastructure spending for example in Mexico and Colombia, is likely to increase, and Holcim's well-balanced portfolio is expected to provide stable volume growth. Brazil is however likely to remain a challenging market. Ongoing cost reduction resulting from foot print optimization in prior years should improve margins in the Group region.


**Group**
Cement plant
Grinding plant/Cement terminal
Aggregates
**Participation**
Aggregates

# Europe remains at low level despite good start into the year

**European recovery considerably weaker than expected**
The recovery of the European economy slowed down in the course of 2014 as major markets reported lower than expected growth rates and political uncertainties took their toll. Development in the first half of the year was stronger though.

The economy in the United Kingdom was one of the most robust in the Group region, showing solid growth despite some political uncertainty caused by the Scottish referendum for independence in the third quarter. Belgium and the Netherlands were impacted by their governments' austerity measures and budget cuts. France's economy continued to largely move sideways in the year under review, and economic development in Germany cooled down in the course of the year as consumer and business confidence developed less favorably. Switzerland's economy lost some of its momentum also as a result of uncertainty caused by political developments, while in Italy there were no signs of a recovery. In Spain, economic activity rebounded slightly in 2014 while the situation in Eastern Europe remained mixed with some countries not able to exit recession. Steady economic growth in Azerbaijan continued in 2014, but Russia felt the effects of the political instability caused by the Ukraine crisis.

**Construction activity rebounds in selected markets**
In the United Kingdom construction spending increased on solid levels in 2014 mainly driven by residential and commercial projects. Construction activity in Belgium and the Netherlands remained subdued in the year under review, while in France the slowdown continued, driven by a drop in new construction and a lack of government spending. In comparison with other countries in the region, Germany's construction sector remained solid. Switzerland's construction market continued to be in sound shape despite a decline in construction permits, but the Italian market deteriorated further and more intensely than other sectors in the country. In Spain, the very challenging situation of the past years began to ease slightly as construction activity increased in the year under review. Eastern Europe was still waiting for a major rebound in demand for building materials. Azerbaijan's construction sector was dynamically fueled by government spending. Despite the macroeconomic challenges, Russia's construction sector grew moderately.

**Volumes remain under pressure**
Aggregate Industries UK benefited from high demand for building materials in all its businesses. Aggregates volumes were up significantly and the Group company's strong position in the London market and ongoing growth in commercial and residential real estate

| Consolidated key figures Europe | 2014 | 2013 | ±% | ±% LFL* |
|---|---|---|---|---|
| Production capacity cement in million t | 46.8 | 47.7 | −2.0 | |
| Cement and grinding plants | 34 | 35 | | |
| Aggregates plants | 188 | 203 | | |
| Ready-mix concrete plants | 373 | 414 | | |
| Asphalt plants | 51 | 49 | | |
| Sales of cement in million t | 26.4 | 26.7 | −1.0 | −1.0 |
| Sales of mineral components in million t | 2.3 | 2.1 | +10.2 | +10.2 |
| Sales of aggregates in million t | 73.1 | 74.1 | −1.4 | −1.0 |
| Sales of ready-mix concrete in million $m^3$ | 11.9 | 12.3 | −3.0 | −2.5 |
| Sales of asphalt in million t | 5.6 | 4.9 | +14.5 | +15.3 |
| Net sales in million CHF | 5,554 | 5,611 | −1.0 | +0.2 |
| Operating EBITDA in million CHF | 991 | 946 | +4.8 | +6.7 |
| Operating EBITDA margin in % | 17.8 | 16.9 | | |
| Operating profit in million CHF | 510 | 436 | +16.8 | +16.1 |
| Operating profit margin in % | 9.2 | 7.8 | | |
| Personnel | 15,399 | 15,868 | −3.0 | −2.6 |

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

construction led to a significant increase in ready-mix concrete volumes. Asphalt deliveries were up as well, driven largely by road maintenance and repair works.

Holcim Belgium, which also serves the Netherlands, reported slightly higher cement volumes and significantly lower deliveries of aggregates and ready-mix concrete as a result of the low level of building activity. Following a good start into the year, Holcim France suffered from cement volume declines in the course of 2014, leading to lower deliveries for the full year. Aggregates and ready-mix concrete volumes were down as well as a result of the negative market environment.

Holcim Germany, like several other Group companies in the region, benefited from the mild winter, but growth of cement and aggregates volumes flattened out in the second half of 2014 as a result of the deteriorating economic climate. Fewer infrastructure projects led to lower cement volumes at Holcim South Germany. Aggregates and ready-mix concrete deliveries were down as well.

Holcim Switzerland was impacted by increased pressure through cement imports and stronger domestic competition which led to lower volumes in this segment. In aggregates and ready-mix concrete volumes were down as well. In Italy, volumes declined in all three segments as a result of the further worsening market development.

Holcim Spain recorded increases in cement volumes that were mainly supported by exports, and domestic volumes also started to develop favorably. Following the footprint adjustment in the second quarter of 2014, aggregates and ready-mix concrete volumes decreased markedly.

Eastern Europe also benefited from a strong start into the fiscal year, but most markets developed more slowly since then. In cement, all Group companies except Serbia, Croatia, and Hungary reported better volumes. Holcim Czech Republic increased aggregate volumes markedly, thanks to a major highway project. In ready-mix concrete, Holcim Romania, with the Group's most important market in the region, recorded significant increases thanks to larger projects in the Bucharest area.

Holcim Azerbaijan was faced with increased competitive pressure by two new local cement producers and more imports from Iran. Subsequently, the Group company was unable to maintain the high volumes of the previous year and sold less cement. In Russia, Holcim grew well above the market average thanks to infrastructure investments.

In 2014, consolidated cement volumes in the Group region were down 1.0 percent to 26.4 million tonnes mainly as a result of Azerbaijan and Italy. Aggregates shipments reached 73.1 million tonnes, a decline of 1.4 percent. Ready-mix concrete volumes were 3.0 percent lower to 11.9 million cubic meters but asphalt volumes increased 14.5 percent to 5.6 million tonnes. Net sales in Europe decreased 1.0 percent to CHF 5.55 billion.

**Trade volumes grow by around 5 percent**

In 2014 Holcim Trading posted a trading volume of 20.1 million tonnes (2013: 18.5 million tonnes). The growth can be attributed mostly to the larger share of non-Group customers. The larger customers are, as in the previous year, in the Philippines and the United Arab Emirates. Holcim Trading has proven an instrumental part of the Group, enabling countries to postpone investments in clinker production facilities by utilizing available capacity of other countries. The global trading patterns remained overall rather stable with approximately 40 percent sold to customers in Asia Pacific.

**Financial performance improves significantly**

Operating profit in the Group region Europe increased markedly by 16.8 percent to CHF 510 million thanks to disciplined cost management and restructurings. Like-for-like operating profit growth was 16.1 percent. The restructuring of certain of Holcim's operations in the Group region had an effect of CHF 38 million.

Aggregate Industries UK increased operating profit significantly on the back of strong demand across all its businesses and thanks to ongoing cost discipline. The financial performance in Belgium remained impacted by sluggish demand, and France also recorded declines. Holcim Germany increased operating profit, driven by strong volumes and higher prices, and Holcim South Germany also posted better results. In Switzerland, operating profit was up, as tight cost management was able to overcompensate the negative market development. Italy recorded improved financial performance, and Spain was impacted by restructuring costs that led to lower operating profit. In the Eastern European Group companies, operating profit increased substantially with the exception of Serbia. Holcim Azerbaijan was impacted by lower volumes, and consequently financial performance was lower, while in Russia operating profit was up markedly.

**Portfolio optimization continued**

In January 2015, Holcim and Cemex successfully closed their series of transactions in Europe. Holcim acquired Cemex's operations in western Germany and the Netherlands while Cemex took over Holcim Czech Republic with all its subsidiaries in the country.
In Spain the two companies decided not to form a joint organization as initially planned and communicated. Instead, Cemex purchased Holcim's Gador cement plant and Yeles grinding station, while Holcim has kept its remaining operations. This change of parameters reflects the change in the strategic landscape following the announcement of the proposed merger of Holcim with Lafarge. Hence Holcim and Cemex will remain competitors in Spain and in the Czech Republic. As a result of the transactions, Cemex paid Holcim EUR 45 million in cash. Holcim expects sustainable additional operating EBITDA of at least EUR 10 million on a yearly basis.

**Outlook for 2015**

Holcim expects the overall European construction market to stabilize at low levels. At one end of the spectrum, the United Kingdom should witness a continuation of the recovery of key sectors such as private housing and commercial real estate as well as of large infrastructure projects. At the other end of the spectrum, Russia and Azerbaijan are expected to feel the negative impact of lower public and private investment in buildings and infrastructure. Performance of the region is expected to improve mainly as a result of the numerous restructuring, footprint-adjustment, and efficiency-improvement initiatives across the Group region.


Group
Cement plant
Grinding plant/Cement terminal
Aggregates

# North America: Good performance in the United States drives Group region's results

**Solid economic rebound**

Following a slow-paced recovery in 2013, the United States' economy rebounded strongly in the course of the year under review. A decline in private debt, improved corporate liquidity, and improved unemployment data contributed to the positive development. With the resolution of the debt-ceiling crisis uncertainty was considerably lower than in the previous year.

Canada's economy recorded stronger growth than in 2013, fueled by the commercial sector rather than residential construction as in previous years. Supported by the favorable development in the United States, Canada also benefited from increased exports, which led to higher commercial investment. Public investment also increased.

**Broad-based recovery of the construction sector in the United States**

Following a slow start into the year 2014, influenced by the harsh winter and delayed construction in many markets, building activity in the United States was more dynamic and broad-based. While residential projects remained a driver - albeit a less intense one - for solid demand in building materials, the commercial sector supported the recovery more strongly than in 2013. Public investment however continued to be on a low level, reflecting tighter government spending.

| Consolidated key figures North America | 2014 | 2013 | ±% | ±% LFL* |
|---|---|---|---|---|
| Production capacity cement in million t | 21.9 | 22.0 | –0.1 | |
| Cement and grinding plants | 17 | 17 | | |
| Aggregates plants | 86 | 116 | | |
| Ready-mix concrete plants | 148 | 221 | | |
| Asphalt plants | 33 | 42 | | |
| Sales of cement in million t | 13.0 | 11.7 | +11.4 | +11.4 |
| Sales of mineral components in million t | 1.4 | 1.3 | +6.5 | +6.5 |
| Sales of aggregates in million t | 45.7 | 42.8 | +6.8 | +7.7 |
| Sales of ready-mix concrete in million $m^3$ | 7.2 | 7.5 | –4.1 | +2.2 |
| Sales of asphalt in million t | 4.5 | 4.1 | +9.9 | +9.9 |
| Net sales in million CHF | 3,336 | 3,171 | +5.2 | +10.7 |
| Operating EBITDA in million CHF | 600 | 494 | +21.5 | +26.0 |
| Operating EBITDA margin in % | 18.0 | 15.6 | | |
| Operating profit in million CHF | 314 | 199 | +58.3 | +65.1 |
| Operating profit margin in % | 9.4 | 6.3 | | |
| Personnel | 6,777 | 6,791 | –0.2 | +1.4 |

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

2014 was another challenging year for Canada's construction industry. The housing market remained under pressure, and housing starts were below levels of 2013. However, the non-residential sector showed solid momentum, mainly driven by investment in healthcare and education, natural resources projects, transit system improvements, and power generation projects.

**Positive development in the United States drives volume growth**

At Holcim US, cement volumes increased markedly over the course of the year, fueled by the overall recovery in cement consumption and some market share gain. The Group company also benefited from a new supply contract in Illinois. The Northern Central region recorded particularly high demand, and July was a very strong month for the Group company, with the highest monthly sales since 2008.

Aggregate Industries US also benefited from the dynamic US economy and reported growth in aggregates volumes across most of its regions. Increases were strongest in the West Central and the Twin Cities areas. Ready-mix concrete volumes were impacted by the sale of certain operations. Twin Cities and Lattimore reported higher deliveries, which were tempered by reductions in other regions. Robust increases in asphalt volumes were driven by increased construction activity in major regions, assisted by several large paving projects.

In a highly competitive market environment, Holcim Canada sold more cement thanks to higher demand in Western Canada which was partially offset by lower volumes in the Quebec and Atlantic regions. Shipments of aggregates increased markedly, mainly attributable to higher crushed stone demand in Ontario. Holcim Canada also sold more ready-mix concrete and asphalt.

Consolidated cement volumes in the Group region North America were up 11.4 percent to 13.0 million tonnes year-on-year mainly thanks to Holcim US. Aggregates shipments reached 45.7 million tonnes, an increase of 6.8 percent, as both the United States and Canada reported higher volumes. Ready-mix concrete volumes decreased 4.1 percent to 7.2 million cubic meters and asphalt volumes increased 9.9 percent to 4.5 million tonnes. Net sales in North America were up 5.2 percent to CHF 3.34 billion.

**Considerably improved financial performance**

Operating profit in North America grew markedly by 58.3 percent to CHF 314 million based on the good performance of both US Group companies. Like-for-like operating profit growth reached 65.1 percent.

Holcim US reported significantly improved operating profit, reflecting higher volumes and successful implementation of price increases. The measures taken during the downturn now place Holcim US in a favorable position to benefit from the recovery in the United States. Aggregate Industries US also increased operating profit significantly thanks to both better prices across all segments and lines and higher sales volumes in aggregates and asphalt. Canada however had to record slightly lower operating profit than 2013.

**Outlook for 2015**

In the United States, the housing recovery is expected to continue and many state and local governments will be in a better financial position than in the past. Both commercial real estate investment and public construction are expected to make positive contributions in 2015. At Holcim US, performance is expected to continue to increase in 2015, driven by higher sales volumes combined with price increases and operational efficiencies. Aggregate Industries US should see further price growth across all product lines. The Canadian economy is expected to suffer from the muted prospects of resource-based provincial economies, but development in Ontario and Quebec should be more favorable. Cement demand is expected to reflect this situation with higher volumes in Ontario, while pressure remains in other provinces.

**Group**
- Cement plant
- Grinding plant/Cement terminal
- Aggregates

**Participation**
- Cement plant
- Grinding plant/Cement terminal

# Africa Middle East with subdued growth

**Political challenges impact economic development**
Economic development in the Group region Africa Middle East was highly heterogeneous and political tensions and uncertainty impacted a number of Holcim markets in 2014. Growth was rather modest in countries such as Morocco and Lebanon, whereas the Ivory Coast and Madagascar were among the faster growing economies.

**Higher cement volumes**
Holcim Morocco reported higher cement volumes. While domestic demand was lower the Group company benefited from clinker exports to the Ivory Coast. Less dynamic activity in residential construction, which represents the majority of the local market, was the main driver behind the domestic development. Aggregates and ready-mix concrete volumes decreased. Holcim Lebanon held cement sales, but lost on ready-mix concrete volumes. In the Indian Ocean region, Holcim sold more aggregates and ready-mix concrete, mainly thanks to the Group's operations in La Réunion, where Holcim is involved in a major road-building project. Cement volumes at Holcim's grinding operations in West Africa and the Gulf region were roughly on par with last year. Development in the Ivory Coast remained lively as demand for building materials continued to be high.

Consolidated cement volumes in Africa Middle East increased 5.4 percent to 8.3 million tonnes. Aggregates shipments were down 8.7 percent to 2 million tonnes while ready-mix concrete volumes reached 0.7 million cubic meters, a decline of 15.0 percent. Net sales stood at CHF 861 million, 2.6 percent lower year-on-year.

| Consolidated key figures Africa Middle East | 2014 | 2013 | ±% | ±% LFL* |
|---|---|---|---|---|
| Production capacity cement in million t | 11.0 | 11.0 | –0.5 | |
| Cement and grinding plants | 12 | 12 | | |
| Aggregates plants | 5 | 5 | | |
| Ready-mix concrete plants | 15 | 17 | | |
| Sales of cement in million t | 8.3 | 7.9 | +5.4 | +6.2 |
| Sales of aggregates in million t | 2.0 | 2.2 | –8.7 | –8.7 |
| Sales of ready-mix concrete in million $m^3$ | 0.7 | 0.8 | –15.0 | –15.0 |
| Net sales in million CHF | 861 | 884 | –2.6 | +0.8 |
| Operating EBITDA in million CHF | 276 | 283 | –2.4 | +1.2 |
| Operating EBITDA margin in % | 32.1 | 32.0 | | |
| Operating profit in million CHF | 220 | 216 | +1.6 | +5.8 |
| Operating profit margin in % | 25.5 | 24.5 | | |
| Personnel | 1,928 | 2,128 | –9.4 | –9.4 |

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

**Financial performance increases thanks to Morocco**

In Africa Middle East operating profit increased slightly by 1.6 percent to CHF 220 million in the year under review. Like-for-like operating profit growth was 5.8 percent. While Holcim Lebanon reported lower financial performance most other Group companies in the region increased operating profit. Morocco was the biggest contributor to the overall increase as the Group company was able to mitigate lower domestic volumes with better prices.

**Outlook for 2015**

The development in Africa Middle East is expected to remain heterogeneous with Morocco as the region's most important market, being confronted with an ongoing challenging situation. Progress in Lebanon will to some extent depend on the situation in Syria, while West Africa and Indian Ocean are expected to see solid growth in building materials demand.

# 4

# CORPORATE GOVERNANCE



SWITZERLAND
ZURICH

REGION EUROPE

The Group's roots are in the Group region Europe. The company began expanding beyond Switzerland in 1925 and has established a presence on all continents. This region includes the Group companies in Russia and Azerbaijan.

# 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 Holcim operates.

**Acting responsibly**

The ultimate goal of effective corporate governance is long-term value creation and strengthening of 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 Business 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. All directors are independent according to the definition of the Swiss Code of Best Practice for Corporate Governance. Since the introduction of a uniform registered share in 2003, the principle of "one share, one vote" 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 the Group's website (www.holcim.com). Pages 102 to 104 of this report describe the duties of the Audit Committee, the Nomination & Compensation Committee, and the Governance & Strategy Committee as well as the Organizational Rules.

On November 20, 2013, the Swiss Federal Council approved the Federal Council Ordinance Against Excessive Compensation (OaEC). The OaEC implements key elements of the so-called "Minder Initiative" approved by Swiss citizens on March 3, 2013, which was intended to strengthen shareholder rights and impose board and executive compensation related requirements on Swiss public companies. The OaEC implements various requirements including, among others, a binding (rather than advisory) annual shareholder vote on each of total board compensation as well as total executive committee compensation. It prohibits severance payments, advance compensation and payments related to the acquisition or transfer of enterprises or parts thereof by the respective company or enterprises directly or indirectly controlled by said company. Further, it implements criminal sanctions in certain cases of intentional noncompliance if the offender acted against his or her "better knowledge". The OaEC also states that the Chairman and the members of the Board of Directors and the Nomination & Compensation Committee members be directly elected by shareholders annually. The measures required for implementation by 2014 have been implemented by Holcim starting from the annual general meeting in 2014. The shareholders' votes on compensation required by the OaEC must for the first time be obtained at the annual meeting in 2015. The OaEC will be applicable until the Swiss Parliament passes a new law on the subject matter.

Except as otherwise indicated, this Annual Report reflects the legal situation as of December 31, 2014, and mentions only certain of the modifications to be made under the Federal Council Ordinance against Excessive Compensation (OaEC) which is in force and effect since January 1, 2014, subject to transitional periods.

**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 219 to 221 of this Annual Report.

The Group is organized by geographical regions. The management structure as per December 31, 2014, and changes which occurred in 2014, are described in this chapter. The organizational chart as per January 14, 2015 is shown on pages 56 and 57.

Holcim has no mutual cross-holdings with any other company. There are neither shareholders' agreements nor other agreements regarding voting or the holding of Holcim shares.

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



**Capital structure**

Holcim has one uniform type of registered share 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.

**Share capital**

The share capital is divided into 327,086,376 registered shares of CHF 2 nominal value each. As at December 31, 2014, 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 per December 31, 2014). 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 restrictions set out in the Articles of Incorporation. As per December 31, 2014, 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 per December 31, 2014, 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. 226<br>Information for the year 2012 is included in the Annual Report 2013, P. 256<br>www.holcim.com/equity |
| Detailed information on conditional capital | www.holcim.com/corporate_governance<br>Articles of Incorporation, Art. $3^{bis}$ |
| Key data per share | P. 62–66, 213, 232 |
| Rights pertaining to the shares | www.holcim.com/corporate_governance<br>Articles of Incorporation, Art. 6, 9, 10 |
| Regulations on transferability of shares and nominee registration | P. 109<br>www.holcim.com/corporate_governance<br>Articles of Incorporation, Art. 4, 5 |
| Warrants/Options | P. 211–212 |

**Board of Directors**
The Board of Directors consists of 9 members, all of whom are independent according to the definition of the Swiss Code of Best Practice for Corporate Governance. According to Art. 15 of the Articles of Incorporation, all Directors are shareholders of the company.

Please see pages 112 to 114 for the biographical information of the Board members as per December 31, 2014.

Dr Rolf Soiron, Dr Andreas von Planta and Dr Erich Hunziker retired from the Board of Directors at the 2014 Annual General Meeting. The Board of Directors has expressed sincere gratitude for their services.

In 2014, the shareholders elected Mr Jürg Oleas, Swiss national, born in 1957, who holds an MSc in mechanical engineering from the Swiss Federal Institute of Technology (ETH) in Zurich, Switzerland. He is CEO of GEA Group Aktiengesellschaft, a Düsseldorf-based mechanical engineering company listed on Germany's MDAX stock index. GEA Group is one of the largest system suppliers for the food processing industry and a wide range of other process industries. Jürg Oleas has been a member of the GEA Group Executive Board since joining the company in May 2001. Initially responsible for the Group's chemical activities, he was appointed CEO of GEA Group on November 1, 2004. Before joining the GEA Group, he spent nearly 20 years with ABB and the Alstom Group, where he held several management positions.

In 2014, the shareholders also elected Prof Dr Wolfgang Reitzle as Chairman of the Board of Directors and re-elected eight Members of the Board of Directors. Further, the shareholders elected the Members of the Nomination & Compensation Committee. Please refer to the biographical data of all these persons on pages 112 to 114.

The shareholders also elected the auditors and the independent proxy.

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 a year. In 2014, six regular meetings were held. Two additional meetings focused on strategy topics. The Board of Directors held five regular meetings with all members present and one meeting with one member excused. As a rule, the members of the Executive Committee attended

**Other major Swiss and foreign mandates of the Board of Directors outside the Holcim Group as at December 31, 2014**

| Board of Directors | Mandate | Position |
|---|---|---|
| Wolfgang Reitzle | Continental AG, Hannover (Germany)* | Chairman of the Board |
| | Axel Springer SE, Berlin (Germany)* | Member of the Supervisory Board |
| | Hawesko Holding AG, Hamburg (Germany)* | Member of the Supervisory Board |
| | Medical Park AG, Amerang (Germany) | Chairman of the Supervisory Board |
| Beat Hess | Nestlé S.A., Vevey (Switzerland)* | Member of the Board, Member of the Chairman's and Corporate Governance Committee, Chairman of the Compensation Committee |
| | Sonova Holding AG, Stäfa (Switzerland)* | Vice Chairman of the Board, Member of the Nomination and Compensation Committee |
| Alexander Gut | Adecco S.A., Chéserex* (Switzerland) | Member of the Board & |
| | | Chairman of the Audit Committee |
| | Gut Corporate Finance AG, Zurich (Switzerland) | Managing Partner |
| Adrian Loader | Oracle Coalfields PLC, London* (United Kingdom) | Chairman of the Board |
| | GardaWorld, Montreal (Canada) | Member of the International Advisory Board |
| | Alderon Iron Ore, Montreal (Canada)* | Member of the Board |
| | Sherrit International Corporation, Toronto (Canada)* | Member of the Board |
| Jürg Oleas | GEA Group Aktiengesellschaft, Düsseldorf (Germany)* | Chief Executive Officer |
| | RUAG Holding AG, Bern (Switzerland)* | Member of the Board |
| Thomas Schmidheiny | Schweizerische Cement-Industrie-Aktiengesellschaft, Rapperswil-Jona (Switzerland)** | Chairman of the Board |
| | Spectrum Value Management Ltd., Rapperswil-Jona (Switzerland)** | Chairman of the Board |
| | Abraaj Holdings, Dubai (United Arab Emirates) | Member of the Board |
| Hanne B. Sørensen | Damco International B.V., The Hague (Netherlands) | Chief Executive Officer |
| Dieter Spälti | Rieter Holding AG, Winterthur (Switzerland)* | Member of the Board |
| | Schweizerische Cement-Industrie-Aktiengesellschaft, Rapperswil-Jona (Switzerland)** | Member of the Board |
| | Spectrum Value Management Ltd., Rapperswil-Jona (Switzerland)** | Member of the Board |
| Anne Wade | FB Heron Foundation, New York, (USA) | Member of the Board of Trustees |
| | Big Society Capital, London (United Kingdom) | Member of the Board of Directors |

* Listed company
** Related mandate of the same Board Member (company of the same group or mandate related to another mandate - e.g. association membership)

those parts of the regular meetings of the Board of Directors which dealt with operational issues of the Group. The average duration of each regular meeting was five hours.

### Composition of the Board of Directors

| | |
|---|---|
| Wolfgang Reitzle | Chairman[1] |
| Rolf Soiron | Chairman[2] |
| Beat Hess | Deputy Chairman |
| Erich Hunziker | Deputy Chairman[2] |
| Alexander Gut | Member |
| Adrian Loader | Member |
| Andreas von Planta | Member[2] |
| Thomas Schmidheiny | Member |
| Hanne Birgitte Breinbjerg Sørensen | Member |
| Dieter Spälti | Member |
| Anne Wade | Member |
| Jürg Oleas | Member[1] |

[1] As of April 29, 2014.
[2] Until April 29, 2014.

### Elections and terms of office

In line with the Federal Council Ordinance against Excessive Compensation (OaEC), as of the 2014 Annual General Meeting, the terms of office of all members of the Board of Directors shall be one year expiring after completion of the following Annual General Meeting. In addition, the Chairman of the Board of Directors, all Members of the Board of Directors, and all Members of the Nomination & Compensation Committee are elected for a one-year term by the Annual General Meeting. The Chairman of the Board of Directors, the Members of the Board of Directors as well as the Members of the Nomination & Compensation Committee may be proposed for re-election by the Board of Directors upon motion by the Nomination & Compensation Committee. The Nomination & Compensation Committee bases its motion on a review of the overall performance of each candidate.

The following expert committees exist:

### Audit Committee (since 2002)

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

| | |
|---|---|
| Alexander Gut | Chairman |
| Beat Hess | Member |
| Andreas von Planta | Member[1] |
| Dieter Spälti | Member |

[1] Until April 29, 2014.

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 2014, four regular meetings of the Audit Committee were held. All regular meetings were held with all members of the committee present. Three meetings were also attended by the auditors. At all four meetings, the Head of Group Internal Audit and the Chief Legal & Compliance Officer were present for certain agenda topics. Furthermore, the Chairman of the Board of Directors, the CEO, and the CFO attended the meetings of the Audit Committee as guests. The average duration of each meeting was 4.75 hours.

In 2014, the committee reviewed in particular the financial reporting of the Group, the releases of the quarterly results and the findings of the external auditors, took note of the status of the ICS (internal control system), discussed the findings of the Group Internal Audit, dealt with compliance and internal directives, and evaluated financing issues. The committee has also evaluated the performance of the external auditors. The Audit Committee's Charter is available at www.holcim.com/corporate_governance.

**Nomination & Compensation Committee (since 2002)**

The Nomination & Compensation Committee supports the Board of Directors in planning and preparing succession at the Board of Directors and 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 individual 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 Nomination & Compensation Committee**

| | |
|---|---|
| Adrian Loader | Chairman[1] |
| Erich Hunziker | Chairman[2] |
| Wolfgang Reitzle | Member |
| Thomas Schmidheiny | Member |
| Hanne B. Sørensen | Member[3] |

[1] Chairman as of April 29, 2014.
[2] Until April 29, 2014.
[3] As of April 29, 2014.

In 2014, the Nomination & Compensation Committee held three regular meetings and one additional meeting. All of the regular 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 three hours.

The Charter of the Nomination & Compensation Committee may be found at www.holcim.com/corporate_governance. More details on the activities of the Nomination & Compensation Committee, in particular with regard to the process of determination of compensation, can be found in the remuneration report, starting on page 118.

**Governance & Strategy Committee (since 2013)**

The Governance & Strategy Committee supports the Board of Directors in all strategy related matters and in all governance related matters insofar as these governance related matters do not fall in the fields of tasks and responsibilities of either the Audit Committee or the Nomination & Compensation Committee. It monitors developments with regard to strategic and governance related matters and briefs the Board of Directors accordingly. The committee deals with any matters within the Board of Director's authority, which are urgent and may arise between scheduled ordinary Board of Directors meetings, including the authorization to take preliminary action on behalf of the Board, followed by adequate information of the Board of Directors.

**Composition of the Governance & Strategy Committee**

| | |
|---|---|
| Wolfgang Reitzle | Chairman[1,3] |
| Rolf Soiron | Chairman[2] |
| Beat Hess | Member |
| Erich Hunziker | Member[2] |
| Dieter Spälti | Member |
| Anne Wade | Member[3] |

[1] Ex officio as Chairman of the Board of Directors.
[2] Until April 29, 2014.
[3] As of April 29, 2014.

In 2014, the Governance & Strategy Committee held three regular and ten additional meetings. All of the regular 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 regular meeting was 2.0 hours.

The Charter of the Governance & Strategy Committee may be found at www.holcim.com/corporate_governance.

**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 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 reviewed in 2014.

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.

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 a Deputy Chairman 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 Meeting.

The Executive Committee is responsible for operational management, preparing a large part of the business of the Board of Directors – including corporate strategy proposals – and executing the latter's resolutions. The Executive Committee issues directives and recommendations with Group-wide significance in its own authority and is also responsible for electing and dismissing Area 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 mid term plan 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 delegate their tasks in relation to their geographical areas of responsibility to Area Managers.

The CEO assesses the performance of the members of the Executive Committee and, after advice and assessment by the Nomination & Compensation Committee, determines their respective objectives.

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 financial plan, and an annual budget are submitted to the Board of Directors.

**2. Business Risk Management**

Holcim benefits from many years of experience with risk management that was implemented in 1999. The risk assessment process is established across the Group covering the consolidated Group companies and their relevant business segments.

Group Risk Management (GRM) analyzes the Group's overall risk exposure and supports the strategic decision-making process. Therefore, the RA 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 profile is established by top-down, bottom-up and functional risk assessments which are combined to a Group 360° risk analysis. GRM involves the Board of Directors, the Executive Committee, corporate function heads and the Group companies in the risk assessment that is aligned with the Group's management cycle. The Executive Committee reports regularly to the Board of Directors on important risk findings.

The risk assessment 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 and a risk treatment is defined. The consolidated Group risk profile is established and Group risk initiatives are set up and monitored on their progress during the year. Information gathered in the process is stored in a protected, centralized database.

Responsibilities concerning risks are clearly defined at Group company and corporate level. The underlying principle is that risk management is a line management responsibility with GRM forming part of the second line of defense and Internal Audit forming the third line of defense. In 2014, the corporate function GRM within Corporate Finance & Treasury was responsible for the risk management 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 54. Internal Audit reports to the Chairman of the Audit Committee 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.

**Executive Committee and other senior management**

Members of the Executive Committee (including the CEO) are appointed by the Board of Directors and responsible for the management of the Group. The members of the Executive Committee may be assisted by Area Managers in their area of responsibility. Area Managers are appointed by the Executive Committee.

Until the December 31, 2014, the CEO, the members of the Executive Committee, the Area Managers, and the Corporate Functional Managers were referred to as Senior Management. With effect as of January 1, 2015 the Corporate Functional Managers are no longer distinguished from and are considered Function Heads. Also with effect as of January 1, 2015 and as reflected in this report, the CEO, the members of the Executive Committee are referred to as Senior Management.

The tasks of the Executive Committee as 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.

Further to the changes effective January 1, 2014 reported in the Annual Report 2013 on pages 121-122, the following changes within Senior Management as defined during the year under review have occurred:

Effective June 1, 2014, Onne van der Weijde, Area Manager for India until April 25, 2014, and member of Holcim Senior Management, left Holcim. Holcim thanked Onne van der Weijde for his contributions to the success of the Group, especially in India, and wished him all the best for his future endeavors.

Effective September 30, 2014, Urs Bleisch, previously Corporate Functional Manager and member of Senior Management of Holcim Ltd, has been nominated member of the Holcim Executive Committee. He keeps his responsibilities for Holcim Technology Ltd, Holcim Group Services Ltd, and the project management office of the Holcim Leadership Journey.

Effective October 1, 2014, Alain Bourguignon, Area Manager in charge of Canada, UK, and USA, and member of Senior Management of Holcim Ltd, was seconded to the joint Divestment Committee that was established by Holcim and Lafarge in the context of their planned merger.

Effective October 1, 2014, Roland Köhler, member of the Holcim Executive Committee previously in charge of Continental Europe, also took over responsibility for the UK. The enlarged region is named 'Europe'.

Also effective October 1, 2014, Andreas Leu, member of the Holcim Executive Committee in charge of Latin America, in addition assumed responsibility for USA and Canada. The enlarged region is named 'Americas'.

Effective December 31, 2014, Jacques Bourgon, Head of OH&S for the Group, Senior Advisor to the CEO, and member of Senior Management of Holcim Ltd, has decided to pursue other challenges outside the Group. Holcim thanked Jacques Bourgon for the valuable contributions he has made to the success of the Group in various roles during his 24 years with the company.

Effective January 1, 2015, Javier de Benito, Area Manager for Africa Middle East and member of Senior Management of Holcim Ltd, has decided to leave Holcim, to take up a new challenge outside the Group. Holcim thanked Javier de Benito for his valuable contributions to the success of the Group over the years.

Effective January 1, 2015, 2014, Dominique Drouet, CEO of Holcim Morocco, was appointed Area Manager for Africa Middle East. He assumed this responsibility in addition to his current role.

### Executive Committee

During the year under review, the Executive Committee of Holcim Ltd comprised six respectively seven 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

| | |
|---|---|
| Bernard Fontana | CEO |
| Thomas Aebischer | CFO |
| Urs Bleisch | Member[1] |
| Roland Köhler | Member |
| Andreas Leu | Member |
| Bernard Terver | Member |
| Ian Thackwray | Member |

[1] Since September 30, 2014.

Please refer to pages 115 and 116 for biographical information on the members of the Executive Committee. Regional and functional responsibilities are shown in the organizational chart on pages 56 and 57.

### Area Management

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

### Composition of the Area Management

| | |
|---|---|
| Horia Adrian | Eastern and Southeastern Europe, including CIS/Caspian region |
| Daniel Bach | South East Asia (except India) |
| Javier de Benito[1] | Africa Middle East including the Group's positions in West Africa, Arabian Gulf and South and East Africa |
| Dominique Drouet[2] | Africa Middle East including the Group's positions in West Africa, Arabian Gulf and South and East Africa |
| Alain Bourguignon[3] | North America / UK |
| Urs Fankhauser | Western Europe, including Spain but excluding the UK |
| Onne van der Weijde[4] | India |
| Kaspar E.A. Wenger | Central Europe (Switzerland, Southern Germany, Italy) |

[1] Until December 31, 2014
[2] Since January 1, 2015
[3] Until October 1, 2014
[4] Until April 25, 2014

### Corporate Functional Managers

Until December 31, 2014 Corporate Functional Managers were defined as a separate type of Function Heads and part of Senior Management of Holcim Ltd. As other Function Heads they assist the Executive Committee in specific functions and dimensions and report to the Group CEO and members of the Executive Committee. With effect as of January 1, 2015 the Corporate Functional Managers are no longer distinguished from and are considered Function Heads.

| Composition of the Corporate Functional Management | |
|---|---|
| Urs Bleisch[1] | CEO Holcim Group Services Ltd and Holcim Technology Ltd and PMO for the Holcim Leadership Journey |
| Jacques Bourgon[2] | Advisor to CEO |
| Xavier Dedullen | Chief Legal & Compliance Officer and Group General Counsel |
| Aidan Lynam[3] | Technical support for South Asia and continued oversight of Holcim activities in Bangladesh and Sri Lanka |

[1] As of September 30, 2014 appointed Member of the Executive Committee.
[2] Until December 31, 2014.
[3] Since February 6, 2014.

### 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 118) and in the consolidated financial statements (page 217, 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 closing date for the share registry (approximately one week prior to the general meeting. The closing date will be communicated with the invitation to the general assembly) are entitled to participate in, and vote at, general meetings. Shares held by trusts and shares for which no declaration has been made that the holder requesting registration is holding the shares in his own name and for his own account 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 or by the independent voting proxy. In line with the requirements of the OaEC, an electronic voting option is provided for as of the general meeting of shareholders 2015. Voting rights are not subject to any restrictions. Each share carries one vote.

### Statutory quorums

The general meeting of shareholders 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 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) and the removal or amendment of 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 and resolution. 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/AGM2015.

**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. According to the applicable rules and regulations 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 in force as at the date of the publication of this Annual Report can be accessed at www.holcim.com/corporate_governance. For the amendments to the Articles of Incorporation that will be proposed to the 2015 Annual General Meeting, please consult the report to the Shareholders (available at www.holcim.com/AGM2015).

**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 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 suggestions for improvement. Taking into account 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 2014, 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 Elisa Alfieri. The rotation of the lead auditor will be carried out in accordance with Art. 730a of the Swiss Code of Obligations. The auditors are elected for a one-year term by the Annual General Meeting.

The fees shown below were charged for professional services rendered to the Group by Ernst & Young in 2014 and 2013:

| Million CHF | 2014 | 2013 |
|---|---|---|
| Audit services[1] | 11.4 | 10.7 |
| Audit-related services[2] | 0.8 | 0.7 |
| Tax services | 0.3 | 0.6 |
| Other services[3] | 0.3 | 0.6 |
| **Total** | **12.8** | **12.5** |

[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 under an obligation to disclose facts that may materially affect the share price (ad-hoc disclosure, Art. 53 and 54 of the SIX listing rules). Holcim Ltd is subject to the SIX rules on the disclosure of management transactions made by the members of the Board of Directors and senior management. 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.

The commitment to sustainability is described on pages 68 to 73 of this Annual Report. Current information relating to sustainable development is available at www.holcim.com/sustainable. In 2015, Holcim Ltd will publish its eighth sustainability report. A full sustainability report is now published every year.

The financial reporting calendar is shown on pages 66 and 242 of this Annual Report.

Should there be any specific queries regarding Holcim, please contact:

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# Board of Directors[1]

**Wolfgang Reitzle,** German national, born 1949, Chairman of the Board and of the Governance & Strategy Committee since April 29, 2014, Member of the Nomination & Compensation Committee. He studied engineering and economics at the Technical University of Munich and holds a Degree and a PhD in Mechanical Engineering. From 1976 to 1999 he worked for the car manufacturer BMW, where in 1987 he was appointed regular member of the Executive Board, responsible for research and development. In 1999, he took over as CEO of the Premier Automotive Group and Vice President of the US car manufacturer Ford. In 2002, he joined the Executive Committee of Linde, a world-leading gases and engineering company, and was CEO from 2003 to 2014. Wolfgang Reitzle is also Chairman of the Supervisory Board of Continental AG, Hannover, and Member of the Supervisory Board (as of June 1, 2014 Chairman of the Supervisory Board) of Medical Park AG, Amerang, Germany and Member of the Supervisory Board of Springer SE, Berlin, Germany. He was elected to the Board of Directors of Holcim Ltd in 2012. He is also a member of the Supervisory Board of Hawesko AG, elected in 2014.

**Beat Hess,** Swiss national, born in 1949, Deputy Chairman of the Board of Directors, Member of the Nomination & Compensation Committee until April 17, 2013, Member of the Audit Committee since April 17, 2013 and Member of the Governance & Strategy Committee since January 1, 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 2004 until the end of 2010, he was Legal Director and Member of the Executive Committee of the Royal Dutch Shell Group, London and The Hague. He is also a Member of the Board of Directors and Member of the Chairman's and Corporate Governance Committee, and the Chairman of the Compensation Committee of Nestle S.A., Vevey, and Vice-Chairman and Member of the Nomination and Compensation Committee of the Board of Directors of Sonova Holding AG, Stafa. He was elected to the Board of Directors of Holcim Ltd in 2010.

**Alexander Gut,** British and Swiss national, born in 1963, Member of the Board of Directors, Chairman of the Audit Committee since April 17, 2013. He holds a doctorate degree 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 and from 2001 to 2003 he was with Ernst & Young in Zurich and was promoted to Partner in 2002. From 2003 to 2007, he was a Partner with KPMG in Zurich, and was 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. He is a Member of the Board of Directors and Chairman of the Audit Committee of Adecco S.A., Cheserex, Switzerland. He was elected to the Board of Directors of Holcim Ltd in 2011.

[1] Status as of December 31, 2014. For further information on major Swiss and foreign mandates of the Board of Directors outside the Holcim Group, see page 101.

**Adrian Loader,** British national, born in 1948, Member of the Board of Directors, Chairman of the Nomination & Compensation Committee since April 29, 2014. 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 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. From 2005, he was 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 Directors of Toronto-based Candax Energy Inc. and was Chairman until June 2010. He then served as Chairman of Compton Petroleum, Calgary, until August 2012. He is currently Chairman of the Board of Directors of Oracle Coalfields PLC, London, and a Member of the Board of Sherritt International Corporation, Toronto, and a member of the Board of Alderon Iron Ore, Montreal. He further serves as a member of the International Advisory Board of Garda World, Montreal. He was elected to the Board of Directors of Holcim Ltd in 2006.

**Jürg Oleas**, Swiss national, born in 1957, holds an MSc in mechanical engineering from the Swiss Federal Institute of Technology (ETH) in Zurich, Switzerland. He is CEO of GEA Group Aktiengesellschaft, a Düsseldorf-based mechanical engineering company listed on Germany's MDAX stock index. GEA Group is one of the largest system suppliers for the food processing industry and a wide range of other process industries. Jürg Oleas has been a member of the GEA Group Executive Board since joining the company in May 2001. Initially responsible for the Group's chemical activities, he was appointed CEO of GEA Group on November 1, 2004. Before joining the GEA Group, he spent nearly 20 years with ABB and the Alstom Group, where he held several management positions. He is a member of the Board of RUAG Holding AG, Bern (Switzerland). He was elected to the Board of Directors of Holcim Ltd in 2014.

**Thomas Schmidheiny,** Swiss national, born in 1945, Member of the Board of Directors, Member of the 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. 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.

**Hanne Birgitte Breinbjerg Sørensen,** Danish national, born 1965, Member of the Board of Directors, member of the Nomination & Compensation Committee since April 29, 2014. Until the end of the year 2013 she was the CEO of Maersk Tankers, Copenhagen and as of January 1, 2014 she is the CEO of Damco, another company of the A.P. Møller-Maersk Group. Hanne Birgitte Breinbjerg Sørensen holds an MSc in Business Economy from the University of Aarhus. She was elected to the Board of Directors of Holcim Ltd in 2013.

**Dieter Spälti,** Swiss national, born in 1961, Member of the Board of Directors, Member of the Audit Committee, Member of the Governance & Strategy Committee since January 1, 2013. 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 USA 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.

**Anne Wade,** US national, born 1972, Member of the Board of Directors, member of the Governance and Strategy Committee since April 29, 2014. From 1995 to 2012, she was Senior Vice President and Director of Capital International, based in London. Anne Wade is currently a Member of the Board of Trustees of the FB Heron Foundation in New York. She graduated with a BA from Harvard University and holds a Master of Science from the London School of Economics. She was elected to the Board of Directors of Holcim Ltd in 2013.

# Executive Committee

**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 in charge of Chemicals and of Industrial Explosives activities. 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 has been 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 thereafter CFO of Holcim US. He joined the Executive Committee at the beginning of 2011, and, effective April 1, 2011, took over as CFO. Since September 1, 2012 he has held additional responsibility for Procurement, IT, the Merger & Acquisitions and the HTS Accounting & Administration function. Effective January 1, 2014, the corporate functions Investor Relations as well as Risk Management report to Thomas Aebischer.

**Urs Bleisch,** Swiss National, born in 1960. He holds a Master's in Business and Economics from the University of Basel. He joined Holcim in 1994 as Head IT of Holcim Switzerland. From 2000 onwards, Urs Bleisch assumed Group-wide responsibility for Information Technology and was instrumental in the development and implementation of the global IT strategy of the Holcim Group. Since 2011, he has managed the Information and Knowledge Management function at Holcim Group Support Ltd. As of September 1, 2012 and as CEO of Holcim Group Services Ltd and of Holcim Technology Ltd, Urs Bleisch leads the global functions Customer Excellence (Marketing & Commercial), Aggregates & Construction Materials, Logistics, Cement Manufacturing, CAPEX Projects, Sustainable Development, Alternative Fuels and Resources, Innovation (including Knowledge Management) and the Program Management Office (PMO) for the Holcim Leadership Journey. On September 1, 2012, Urs Bleisch was appointed Corporate Functional Manager of Holcim Ltd and he reports directly to CEO Bernard Fontana. He was appointed Member of the Executive Committee effective September 30. 2014. He keeps his current responsibilities for Holcim Technology Ltd, Holcim Group Services Ltd, and the project management office of the Holcim Leadership Journey.

**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. He has headed Corporate Strategy & Risk Management since 2002, and in 2005 became Corporate Functional Manager. On March 15 2010, he was appointed Member of the Executive Committee and CEO of Holcim Group Support Ltd. Since September 1, 2012, Roland Köhler has been responsible for the Group region Europe, excluding the UK. Effective October 1, 2014, Roland Köhler also took over responsibility for the UK. The enlarged region is named 'Europe'.

**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 was appointed as Member of the Executive Committee. He is responsible for Latin America. Effective October 1, 2014, Andreas Leu in addition assumed responsibility for USA and Canada. The enlarged region is named 'Americas.'

**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. On April 1, 2010, Bernard Terver was appointed Area Manager with responsibility for Holcim US and Aggregate Industries US. As of September 1, 2012, Bernard Terver was appointed Member of the Executive Committee. As of January 1, 2014, Bernard Terver is responsible for Africa Middle East as well as South Asia, i.e. India, Sri Lanka and Bangladesh.

**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. As of January 1, 2014, his area of responsibility spans the Region EAPac & Trading. EAPac (East Asia Pacific) includes Southeast Asia, East Asia (primarily China) and Oceania.

# 5

# REMUNERATION REPORT



MEXICO
MEXICO CITY

REGION LATIN AMERICA

From Mexico in the north to Argentina and Chile in the south, Holcim is active throughout Latin America. Holcim supplies infrastructure projects in the fast-growing metropolitan areas, provides the oil industry with special well cement, and supplies construction materials for raw-material mines high in the Andes.

# Remuneration report

At Holcim, it is the employees who create value and success of the company. Holcim therefore wants to be an attractive employer in the competitive employment market worldwide. The Group's compensation system has proven robust, and forms a solid basis for compensation and motivation at the various hierarchical levels in line with the main objectives of Holcim.

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

This part of the Annual Report covers the financial compensation of the Board of Directors and Senior Management, as well as compensation of former members of governing bodies of Holcim Ltd. This part of the Annual Report has also been prepared in compliance with the applicable regulations, including the rules of the SIX Swiss Exchange. No payments were made to close persons.

**Architecture of the pay-setting process**

The Nomination & Compensation Committee advises and supports the Board of Directors, among other things, in determining the compensation policy and the compensation of 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. On the basis of these proposals, the Nomination & Compensation Committee decides on the assessment of the members of the Executive Committee and takes due note of the assessment of the performance of the other members of Senior Management. Also at the meeting at the beginning of the year, the Nomination & Compensation Committee determines the total financial compensation of the Executive Committee on a yearly basis, with the Board of Directors taking due note. On a yearly basis, the CEO determines the financial compensation of the other members of Senior Management, with the Nomination & Compensation Committee taking due note. In autumn, the Nomination & Compensation Committee reviews the financial compensation of the Board of Directors for the coming year. If necessary, it proposes adjustments to the Board of Directors.

The Chairman of the Nomination & Compensation Committee may invite members of the Executive Committee, other officers of the Group or third parties to attend the meetings. After each Nomination & Compensation Committee meeting, the Board is informed of the 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, the Nomination & Compensation Committee and the Governance & Strategy Committee receive additional compensation.

### Senior management

In 2014, the senior Management of Holcim Ltd included the Executive Committee, the Area Managers and the Corporate Functional Managers. The total annual compensation of Senior Management comprises a base salary and a variable compensation element. 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, i.e. 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 results 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 of Senior Management (excluding the CEO) accounts for between 48 percent and 90 percent of base salary, depending on the function concerned, and 92 percent in case of the CEO. For both the Group-related and the individual 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 so is variable. Minimum and maximum objective achievement levels are also set, for which the respective minimum and maximum payout factors apply, as detailed below. Payout factors in between are interpolated on a linear basis according to 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 an average of 61 percent of variable compensation for Senior Management (excluding the CEO) and 56 percent in the case of the CEO. It is calculated on the basis of the operating EBITDA and return on invested capital after tax ($ROIC_{AT}$) achieved. Both objectives are weighted equally, except for Area Managers, for whom 60 percent derives from the operating EBITDA component and 40 percent from the $ROIC_{AT}$ component. For each component, 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 at between CHF 120,000 and CHF 550,000 for Senior Management (excluding the CEO), depending on the function and based on 100 percent target objective achievement, and at CHF 901,600 for the CEO.

The performance share plan (PSP) approved for implementation by January 1, 2014 for CEO, Executive Committee, Senior Management and Function Heads was put on hold due to the merger project. The PSP would complement the existing variable compensation comprising Group-related and individual components. It is based on a combination of internal and external long-term targets set by the Nomination & Compensation Committee. Target achievement is measured over a three year period; depending on the level of achievement, the performance shares cliff vest after the performance period of three years. Award level and long-term targets are aligned with market practice. Good leaver provisions apply. For the CEO and the members of the Executive Committee, clawback provisions apply.

In view of the extended period between the announcement of the merger between Holcim and Lafarge and its closing, the Nomination & Compensation Committee has reviewed the cash compensation arrangements with certain members of the Executive Committee and Senior Management and put in place appropriate measures for the purpose of retention. The details will be finalized and disclosed in 2015.

For the year 2014, the operating EBITDA targets were set at 5 percent like-for-like growth versus the previous year (Area Managers at achievement of the budgeted regional operating EBITDA margin) and at $ROIC_{AT}$ of 8 percent. 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 of the regional operating EBITDA margin) and at ±3 percentage points for the $ROIC_{AT}$ target. In 2014, operating EBITDA increased on a comparable "like-for-like" basis and adjusted for merger costs by 4.0 percent, and the regional operating EBITDA margin was below budget by 1.8 percentage points on average, while $ROIC_{AT}$ reached 7.3 percent. This corresponds to an achievement level of 96 percent (operating EBITDA; regional operating EBITDA margin 48 percent) and 76 percent ($ROIC_{AT}$). Senior Management (excluding the CEO) achieved a payout factor of 78 percent, and the CEO 86 percent. The Group component is paid in the form of registered shares in the company, subject to a five-year sale and pledge restriction period, and a cash component of approximately 33 percent. Allotted shares are valued at the average market price in the period from January 1, 2015 to February 15, 2015, and are either taken from treasury stock or purchased from the market.

The individual component for Senior Management (excluding the CEO) amounts to around 39 percent of the variable compensation, if all objectives are achieved as per December 31, and for the CEO to 44 percent. It depends on the performance of the individual. A range of quantitative and qualitative individual objectives are set for all members of Senior Management depending on their roles and responsibilities. These measurable objectives are weighted and relate to functional performance, strategic objectives, operational objectives and specific project-related objectives. For each objective, an achievement level in percent is determined depending on target achievement, 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 2014, the individual component of the variable compensation, at 100 percent target achievement, was set at between CHF 120,000 and CHF 350,000 for Senior Management (excluding the CEO), depending on the function concerned, and CHF 708,400 for the CEO. The average target objective achievement and the payout factor for Senior Management (excluding the CEO) came to 76 percent, and for the CEO to 93 percent. The individual component is paid in the form of options on registered shares in the company and a cash component of around 33 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 212). The company reserves the underlying shares from treasury stock or purchases them from the market on the grant date of the options.

**Pension scheme for Senior Management**
The base salaries of Senior Management are 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 promises offering benefits payable in the form of retirement, disability, children, surviving spouse and orphans' pensions or equivalent lump sums.

The 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 Execu-

tive Committee members and the CEO is targeted to achieve, at the retirement age of 62 and based on 10 years of service in Senior Management and 20 years of service with the Group, an amount of 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 Nomination & Compensation Committee decides in view of forthcoming retirements about possible contributions to the individual insurance accounts. No contributions were made in 2014 and 2013.

**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.  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 in the company by the Nomination & Compensation Committee. 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. Individual allotments made during recent years are shown on page 127 of this Annual Report.

Options allotted upon appointment to the Executive Committee are subject to forfeiture without compensation, for 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 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 such shares and options allocated as part of the annual remuneration remains in force without any adjustment in terms of duration.

**Compensation of the Board of Directors and Senior Management**
The table shown on pages 122 to 123 discloses the compensation of the Board of Directors in 2014 in detail and that of the 16 members of Senior Management in aggregate, as well as the highest amount attributed to a member of Senior Management individually. The amounts disclosed are based on the accrual principle and relate to 2014 performance.

In 2014, twelve non-executive members of the Board of Directors received total remuneration of CHF 3.7 million (2013: 3.4) of which CHF 2.3 million (2013: 2.2) was paid in cash, CHF 0.1 million (2013: 0.1) was granted in the form of post-employment benefits, and CHF 1.0 million (2012: 0.9) was paid in shares. Other compensation paid totaled CHF 0.2 million (2013: 0.2).

The total annual compensation for the members of Senior Management (including CEO) amounted to 32.3 million (2013: 25.9). This amount comprises base salaries and variable cash compensation of CHF 19.6 million (2013: 15.1), share-based compensation of CHF 5.0 million (2013: 3.7), employer contributions to pension plans of CHF 7.2 million (2013: 6.6) and "other" compensation of CHF 0.5 million (2013: 0.5). The CEO received a base salary plus variable compensation in cash of CHF 3.8 million (2013: 2.1), share-based compensation of CHF 1.0 million (2013: 0.7), and employer contributions to pension benefits of CHF 0.5 million (2013: 0.5). As a result, the CEO's total compensation, amounted to CHF 5.2 million (2013: 3.2). In accordance with the Ordinance Against Excessive Compensation, the base salary and the variable cash compensation are disclosed, including foreign withholding tax.
The contribution to pension plans also include the employer's contributions to social security (AHV/IV).

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

| Name | Position | | Base Salary Cash | Base Salary Shares[2] |
|---|---|---|---|---|
| Wolfgang Reitzle | Member of the Board of Directors, Chairman since April 29, 2014, Chairman of the Governance & Strategy Committee since April 29, 2014, Member of the Nomination & Compensation Committee | Number | | 3,607 |
| | | CHF | 633,333 | 240,000 |
| Beat Hess | Deputy Chairman, Member of the Audit Committee, Member of the Governance & Strategy Committee | Number | | 1,403 |
| | | CHF | 386,667 | 93,333 |
| Alexander Gut | Member of the Board of Directors, Chairman of the Audit Committee | Number | | 1,403 |
| | | CHF | 210,000 | 93,333 |
| Erich Hunziker | Deputy Chairman and Member of the Board of Directors until April 29, 2014, Chairman of the Nomination & Compensation Committee until April 29, 2014, Member of the Governance & Strategy Committee until April 29, 2014 | Number | | 401 |
| | | CHF | 106,667 | 26,667 |
| Adrian Loader | Member of the Board of Directors, Member of the Nomination & Compensation Committee until April 29, 2014, Chairman of the Nomination & Compensation Committee since April 29, 2014 | Number | | 1,403 |
| | | CHF | 160,833 | 93,333 |
| Jürg Oleas | Member of the Board of Directors since April 29, 2014 | Number | | 1,002 |
| | | CHF | 66,667 | 66,667 |
| Andreas von Planta | Member of the Board of Directors until April 29, 2014, Member of the Audit Committee until April 29, 2014 | Number | | 401 |
| | | CHF | 36,667 | 26,667 |
| Thomas Schmidheiny | Member of the Board of Directors, Member of the Nomination & Compensation Committee | Number | | 1,403 |
| | | CHF | 154,133[4] | 93,333 |
| Hanne Sørensen | Member of the Board of Directors, Member of the Nomination & Compensation Committee since April 29, 2014 | Number | | 1,403 |
| | | CHF | 120,328 | 93,333 |
| Rolf Soiron | Chairman and Member of the Board of Directors until April 29, 2014, Chairman of the Governance & Strategy Committee until April 29, 2014 | Number | | 401 |
| | | CHF | 198,560 | 26,667 |
| Dieter Spälti | Member of the Board of Directors, Member of the Audit Committee, Member of the Governance & Strategy Committee | Number | | 1,403 |
| | | CHF | 156,667 | 93,333 |
| Anne Wade | Member of the Board of Directors, Member of the Governance & Strategy Committee since April 29, 2014 | Number | | 1,403 |
| | | CHF | 116,995 | 93,333 |
| **Total Board of Directors (non-executive members)** | | **Number** | | **15,633** |
| | | **CHF** | **2,347,517** | **1,039,999** |
| Bernard Fontana[5] | CEO | Number | | |
| | | CHF | 1,750,000 | |
| **Variable compensation in percentage of base salary** | | | | |
| **Total senior management[6]** | | **Number** | | |
| | | **CHF** | **13,668,400** | |
| **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 33 “Share compensation plans”.

[2] The shares were valued at the average market price in the period from January 1, 2015 to February 15, 2015, and are subject to a five-year sale and pledge restriction period.

| Variable Compensation Cash | Shares[2] | Options[3] | Other compensation Employer contributions to pension plans | Others | Total compensation 2014 | Total compensation 2013 |
|---|---|---|---|---|---|---|
| | | | 12,304 | 50,000 | 935,637 | 190,192 |
| | | | 22,632 | 10,000 | 512,632 | 434,116 |
| | | | 13,894 | 10,000 | 327,227 | 257,814 |
| | | | 5,139 | 3,333 | 141,806 | 419,259 |
| | | | | 10,000 | 264,166 | 190,000 |
| | | | | 6,667 | 140,001 | |
| | | | 4,967 | 3,333 | 71,634 | 208,744 |
| | | | 9,286 | 10,000 | 266,752 | 228,885 |
| | | | | 10,000 | 223,661 | 116,080 |
| | | | 13,016 | 41,667 | 279,910 | 758,571 |
| | | | 11,147 | 10,000 | 271,147 | 229,774 |
| | | | | 10,000 | 220,328 | 116,080 |
| | | | **92,385** | **175,000** | **3,654,901** | **3,149,515**[7] |
| | 7,765 | 30,253 | | | | |
| 2,020,845 | 516,619 | 436,849 | 489,592 | 26,000 | 5,239,905 | 3,219,414 |
| | **170.0%** | | | | | |
| | **45,368** | **139,199** | | | | |
| **5,971,261** | **3,018,261** | **2,010,020** | **7,158,546** | **468,543** | **32,295,031** | **25,872,834** |
| | **80.5%** | | | | | |

[3] Value of the options according to the Black Scholes model at the time of allocation.
[4] Including director's fees from subsidiary companies.
[5] Member of senior management receiving the highest compensation.
[6] Including CEO.
[7] The total compensation of the Board of Directors in 2013 amounted to CHF 3,366,431 and included the compensation of three Board members leaving in 2013.

**Compensation of former members of governing bodies**
In the year under review, compensation in the amount of CHF 3.5 million (2013: 2.8) was paid to six (2013: ten) former members of the Senior Management.

**Shareholdings and loans**

**Shares and options owned by the Board of Directors**
On December 31, 2014, non-executive members of the Board of Directors held a total of 65,843,343 registered shares in Holcim Ltd. This number comprises privately acquired shares and those allotted under participation and compensation schemes. As of the end of 2014 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 held by the Board of Directors as of December 31, 2014[1]**

| Name | Position | Total number of shares 2014 |
|---|---|---|
| Wolfgang Reitzle | Chairman, Governance & Strategy Committee Chairman | 2,241 |
| Beat Hess | Deputy Chairman | 4,693 |
| Alexander Gut | Member, Audit Committee Chairman | 4,092 |
| Adrian Loader | Member, Nomination and Compensation Committee Chairman | 10,493 |
| Jürg Oleas | Member | 0 |
| Thomas Schmidheiny | Member | 65,777,912 |
| Hanne Sørensen | Member | 1,015 |
| Dieter Spälti | Member | 41,912 |
| Anne Wade | Member | 985 |
| **Total Board of Directors** | | **65,843,343** |

**Number of shares held by the Board of Directors as of December 31, 2013[1]**

| Name | Position | Total number of shares 2013 |
|---|---|---|
| Rolf Soiron | Chairman, Governance & Strategy Committee Chairman | 39,514 |
| Beat Hess | Deputy Chairman | 3,515 |
| Erich Hunziker | Deputy Chairman, Nomination & Compensation Committee Chairman | 13,551 |
| Alexander Gut | Member, Audit Committee Chairman | 2,914 |
| Adrian Loader | Member | 9,315 |
| Andreas von Planta | Member | 13,309 |
| Wolfgang Reitzle | Member | 1,063 |
| Thomas Schmidheiny | Member | 65,776,734 |
| Hanne Sørensen | Member | 230 |
| Dieter Spälti | Member | 40,413 |
| Anne Wade | Member | 200 |
| **Total Board of Directors** | | **65,900,758** |

[1] From allocation, shares are subject to a five-year sale and pledge restriction period.

**Shares and options owned by Senior Management**

As of December 31, 2014, members of Senior Management held a total of 173,707 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 2014, Senior Management held a total of 548,184 share options; these arose as a result of the participation and compensation schemes of various years. Options are issued solely on registered shares in Holcim Ltd. One option entitles the holder to subscribe to one registered share in Holcim Ltd.

**Number of shares and options held by the senior management as of December 31, 2014[1]**

| Name | Position | Total number of shares 2014 | Total number of call options 2014 |
|---|---|---|---|
| Bernard Fontana | CEO | 10,113 | 73,794 |
| Thomas Aebischer | Member of the Executive Committee, CFO | 12,285 | 67,474 |
| Urs Bleisch | Member of the Executive Committee[2] | 3,921 | 38,563 |
| Roland Köhler | Member of the Executive Committee | 18,291 | 87,495 |
| Andreas Leu | Member of the Executive Committee | 19,302 | 69,934 |
| Bernard Terver | Member of the Executive Committee | 25,439 | 49,123 |
| Ian Thackwray | Member of the Executive Committee | 11,696 | 81,719 |
| Horia Adrian | Area Manager | 2,500 | 4,251 |
| Daniel Bach | Area Manager[3] | 1,785 | 0 |
| Alain Bourguignon | Area Manager[3] | 4,358 | 0 |
| Javier de Benito | Area Manager | 23,737 | 16,501 |
| Urs Fankhauser | Area Manager | 6,175 | 11,077 |
| Kaspar E.A. Wenger | Area Manager | 19,932 | 4,952 |
| Jacques Bourgon | Corporate Functional Manager | 5,480 | 24,872 |
| Xavier Dedullen | Corporate Functional Manager | 333 | 2,373 |
| Aidan Lynam | Corporate Functional Manager[4] | 8,360 | 16,056 |
| **Total senior management** | | **173,707** | **548,184** |

**Number of shares and options held by the senior management as of December 31, 2013[1]**

| Name | Position | Total number of shares 2013 | Total number of call options 2013 |
|---|---|---|---|
| Bernard Fontana | CEO | 5,489 | 55,302 |
| Thomas Aebischer | Member of the Executive Committee, CFO | 9,464 | 56,548 |
| Paul Hugentobler | Member of the Executive Committee | 40,843 | 96,050 |
| Roland Köhler | Member of the Executive Committee | 15,470 | 80,402 |
| Andreas Leu | Member of the Executive Committee | 16,481 | 69,934 |
| Bernard Terver | Member of the Executive Committee | 22,618 | 42,819 |
| Ian Thackwray | Member of the Executive Committee | 8,875 | 70,091 |
| Horia Adrian | Area Manager | 2,280 | 1,228 |
| Javier de Benito | Area Manager | 22,858 | 27,269 |
| Urs Fankhauser | Area Manager | 5,107 | 7,835 |
| Aidan Lynam | Area Manager | 7,482 | 12,718 |
| Onne van der Weijde | Area Manager | 3,152 | 3,378 |
| Kaspar E.A. Wenger | Area Manager | 19,759 | 1,228 |
| Urs Bleisch | Corporate Functional Manager | 3,306 | 939 |
| Jacques Bourgon | Corporate Functional Manager | 4,865 | 24,410 |
| Xavier Dedullen | Corporate Functional Manager | 0 | 0 |
| **Total senior management** | | **188,049** | **550,151** |

[1] From allocation, shares are subject to a five-year and options to a three-year and nine-year sale restriction period respectively.
[2] Since October 1, 2014.
[3] Since January 1, 2014.
[4] Since February 6, 2014.

Movements in the number of share options outstanding held by Senior Management are as follows:

| | Number[1] 2014 | Number[1] 2013 |
|---|---|---|
| **January 1** | **550,151** | **508,587** |
| Decrease due to change in senior management | 6,116 | 0 |
| Decrease due to retirements | 70,499 | 0 |
| Granted and vested (individual component of variable compensation) | 99,532 | 96,480 |
| Granted and vested (single allotment) | 33,550 | 11,183 |
| Exercised | 11,530 | 66,099 |
| Lapsed | 46,904 | 0 |
| **December 31** | **548,184** | **550,151** |
| Of which exercisable at the end of the year | 85,982 | 136,963 |

[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 2014 have the following expiry dates and exercise prices:

| Option grant date | Expiry date | Exercise price[1] | Number[1] 2014 | Number[1] 2013 |
|---|---|---|---|---|
| 2002 | 2014 | CHF 67.15 | 0 | 122,737 |
| 2003 | 2015[2] | CHF 67.15 | 0 | 33,550 |
| 2004 | 2016[2] | CHF 67.15 | 23,550 | 33,550 |
| 2005 | 2014[2] | CHF 74.54 | 0 | 71,423 |
| 2006 | 2014 | CHF 100.69 | 0 | 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 | 33,550 | 33,550 |
| 2009 | 2017 | CHF 38.26 | 153,482 | 224,478 |
| 2010 | 2018 | CHF 71.15 | 99,493 | 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 | 113,957 | 149,763 |
| 2011 | 2023 | CHF 71.50 | 67,100 | 67,100 |
| 2012 | 2020 | CHF 58.50 | 179,894 | 179,894 |
| 2012 | 2024 | CHF 67.15 | 33,550 | 33,550 |
| 2013 | 2021 | CHF 71.90 | 122,770 | 122,770 |
| 2013 | 2025 | CHF 71.50 | 11,183 | 11,183 |
| 2014 | 2022 | CHF 69.15 | 99,532 | 0 |
| 2014 | 2026 | CHF 71.50 | 33,550 | 0 |
| **Total** | | | **1,159,468** | **1,461,609** |

[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.

In 2014, one new Executive Committee member was granted in total 33,550 options.

### Loans granted to members of governing bodies

As at December 31, 2014, 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 in the open market. In this context, the company purchased Holcim Ltd shares of CHF 0.1 million (2013: 0.1) at the stock market price from members of senior management.

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

**To the General Meeting of Holcim Ltd, Jona**

Zurich, February 21, 2015

**Report of the statutory auditor on the remuneration report**

We have audited the remuneration report on pages 121 (as from section "Compensation of the Board of Directors and Senior Management") to 128 of Holcim Ltd for the year ended December 31, 2014.

**Responsibility of the Board of Directors**

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

**Auditor's responsibility**

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

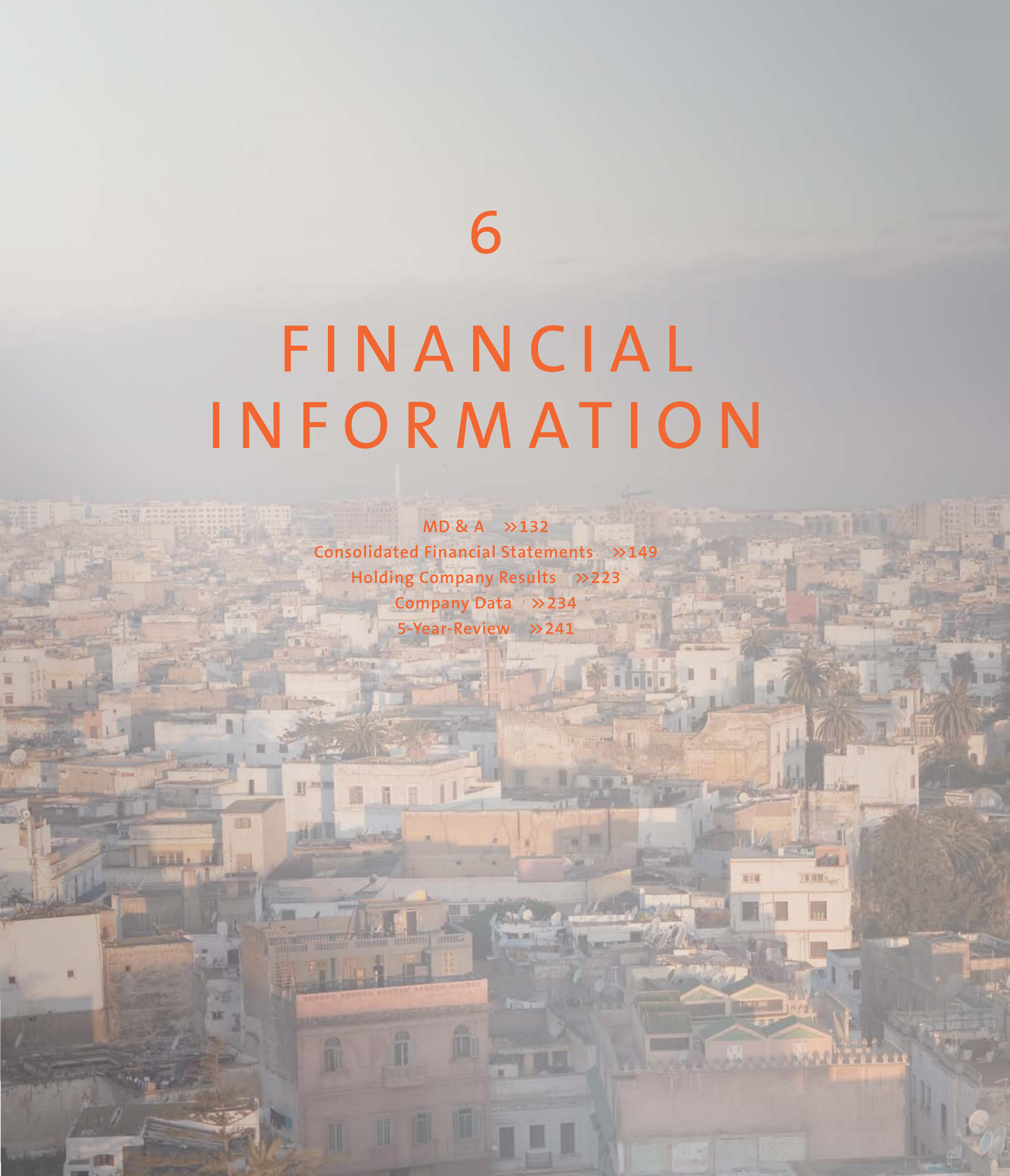
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion, the remuneration report for the year ended December 31, 2014, of Holcim Ltd complies with Swiss law and articles 14 – 16 of the Ordinance.

Ernst & Young Ltd

| | |
|---|---|
| Willy Hofstetter | Elisa Alfieri |
| Licensed audit expert | Licensed audit expert |
| (Auditor in charge) | |



# 6

# FINANCIAL INFORMATION



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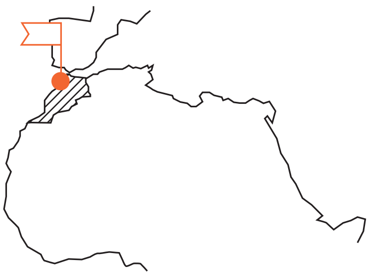


REGION AFRICA MIDDLE EAST

The heterogeneous Group region Africa Middle East is the smallest region of the Holcim Group. In the north the Group is active in Morocco and Lebanon, where Holcim has been supplying construction materials since 1929. In sub-Sahara Africa the Group sells cement in Nigeria, the Ivory Coast, Mauritius, and elsewhere.

# Management discussion and analysis 2014

Holcim achieved a solid financial performance with an increase in like-for-like operating profit and net income, despite restructuring and merger costs of CHF 149 million and further setbacks in the global economy this year. The Holcim Leadership Journey exceeded expectations, while the recovery in the US and UK, as well as the right-sizing initiatives implemented in previous years, proved advantageous for the operational results.

This discussion and analysis of the Group's financial situation 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 2014, the uneven global recovery continued. Among the advanced economies, the United States and the United Kingdom regained speed leaving the crisis behind; however, some European countries still had to address the legacies of the financial crisis, ranging from debt overhang to high levels of unemployment. In emerging economies, the growth was below the expected levels. The Indian economy experienced a rebound after the elections, partly thanks to a renewal of confidence and effective policies. The economy in a number of Latin American countries remained in a low gear. Political tensions and uncertainties took their toll in Russia as well as in certain economies in Africa Middle East. As a consequence, the demand for building materials was below prior-year levels in some Holcim markets.

Against this backdrop, Holcim was well-positioned to take advantage of opportunities and reduce costs further after the restructuring measures undertaken in the previous years. The clear focus toward customer excellence proved successful. A like-for-like operating profit and margin growth could be achieved thanks to successful price increases and cost optimizations, largely supported by the Holcim Leadership Journey.

The Holcim Leadership Journey launched in 2012 realized a total benefit of CHF 1.8 billion, exceeding its operating profit objective by CHF 348 million. The Group had set itself the target of contributing CHF 1.5 billion to the operating profit by the end of 2014, compared to the base year 2011 and under similar market conditions. In 2014, the contribution of the Holcim Leadership Journey to the Group's operating profit amounted to CHF 748 million.

Holcim also succeeded in improving its net income. However, the continued uncertainty in the economic situation was reflected in the currency market; the Swiss franc appreciated against a number of currencies in 2014, mainly the Indian Rupee, the Indonesian Rupee, the Canadian dollar along with a number of Latin American currencies. Overall, this led to a significant negative impact on the results reported in Swiss francs.

In the year under review, Holcim achieved an operating EBITDA of CHF 3,747 million, showing like-for-like growth of CHF 77 million or 2.0 percent. The currency translation effect and the change in Group structure affected the operating EBITDA by -5.4 percent and -0.4 percent respectively. Adjusted for restructuring costs of CHF 61 million and merger costs of CHF 77 million, the operating EBITDA increased by CHF 215 million or 5.5 percent on a like-for-like basis. The Group's operating EBITDA margin decreased by 0.1 percentage point to 19.6 percent. On a like-for-like basis, the margin dropped by 0.2 percentage point. Adjusted for restructuring and merger costs, the like-for-like operating EBITDA margin increased by 0.5 percentage point.

The Group generated an operating profit of CHF 2,317 million, which was up CHF 100 million or 4.2 percent on a like-for-like basis. The currency translation effect heavily impacted the operating profit growth by -6.2 percent while the positive change in structure effects contributed 0.3 percent to operating profit. Adjusted for restructuring costs of CHF 72 million and merger costs of CHF 77 million, the operating profit grew by CHF 249 million or 10.6 percent on a like-for-like basis. The Group's operating profit margin increased by 0.2 percentage point to 12.1 percent. On a like-for-like basis, the margin increased by 0.1 percentage point. Adjusted for restructuring and merger costs, the like-for-like operating profit margin increased by 0.9 percentage point.

Net income increased by CHF 23 million to CHF 1,619 million. The net income attributable to Holcim shareholders grew by CHF 15 million to CHF 1,287 million.

Cash flow from operating activities dropped by CHF 288 million or 10.3 percent. The currency translation had a substantial negative effect of CHF 103 million or 3.7 percent on the cash flow from operating activities, while changes in consolidation structure affected the cash flow by -0.2 percent. On a like-for-like basis, cash flow from operating activities decreased by CHF 179 million or 6.4 percent.

Net financial debt increased by CHF 183 million to CHF 9,644 million. The impact from the currency translation effect of CHF 250 million or 2.6 percent and the changes in consolidation structure of CHF 45 million explained this growth. Adjusted for these effects, net financial debt decreased by CHF 113 million or 1.2 percent on a like-for-like basis.

**Operating results fourth quarter**

**Sales volumes and principal key figures**

| | Oct–Dec 2014[1] | Oct–Dec 2013[1] | ±% | ±% like-for-like |
|---|---|---|---|---|
| Sales of cement in million t | 34.4 | 34.6 | –0.6 | –0.6 |
| – of which mature markets in % | 22 | 21 | | |
| – of which emerging markets in % | 78 | 79 | | |
| Sales of aggregates in million t | 39.4 | 39.7 | –0.7 | –0.5 |
| – of which mature markets in % | 86 | 85 | | |
| – of which emerging markets in % | 14 | 15 | | |
| Sales of ready-mix concrete in million $m^3$ | 9.2 | 10.0 | –8.0 | –7.1 |
| – of which mature markets in % | 59 | 59 | | |
| – of which emerging markets in % | 41 | 41 | | |
| Sales of asphalt in million t | 2.6 | 2.6 | +2.8 | +2.8 |
| | | | | |
| Net sales in million CHF | 4,867 | 4,778 | +1.9 | +1.9 |
| – of which mature markets in % | 49 | 48 | | |
| – of which emerging markets in % | 51 | 52 | | |
| Operating EBITDA in million CHF | 1,006 | 945 | +6.5 | +5.9 |
| – of which mature markets in % | 42 | 39 | | |
| – of which emerging markets in % | 58 | 61 | | |
| Operating EBITDA margin in % | 20.7 | 19.8 | | |
| Operating profit in million CHF | 598 | 559 | +6.9 | +8.9 |
| – of which mature markets in % | 35 | 31 | | |
| – of which emerging markets in % | 65 | 69 | | |
| Operating profit margin in % | 12.3 | 11.7 | | |
| Net income in million CHF | 458 | 319 | +43.5 | |
| Net income – shareholders of Holcim Ltd in million CHF | 355 | 233 | +52.5 | |
| Cash flow from operating activities in million CHF | 1,451 | 1,615 | –10.1 | –8.1 |

[1] The percentage split disclosed for mature markets and emerging markets is calculated based on the sum of the operating segments Asia Pacific, Latin America, Europe, North America and Africa Middle East, and does not include Corporate/Eliminations.

Demand for cement, aggregates and other construction materials and services is seasonal, as climatic conditions affect the level of activity in the construction sector. Holcim typically experiences a reduction in sales during the first and fourth quarters, reflecting the effect of the winter season in its principal markets in Europe and North America, and tends to see an increase in sales in the second and third quarters, reflecting the effect of the summer season. This effect can be particularly pronounced in harsh winters.

On a like-for-like basis, cement deliveries of 34.4 million tonnes declined by 0.2 million tonnes or 0.6 percent compared to the fourth quarter 2013. The solid growth of 14.6 percent in North America could not make up for volume drops in Europe, Latin America and Africa Middle East while volume growth slowed down in Asia Pacific.

Sales of aggregates reached 39.4 million tonnes. They declined by 0.2 million tonnes or 0.5 percent on a like-for-like basis, impacted by the business restructuring last year in Latin America and lower sales volume in Asia Pacific and Africa Middle East. These unfavorable developments could be partly offset by the robust growth in North America and improvements in Europe. In Europe, volumes slightly progressed in the fourth quarter, backed by lively activity in the United Kingdom and in Romania which compensated for market contraction in other countries such as France, Belgium and Switzerland.

9.2 million cubic meters of ready-mix concrete were supplied in the quarter, a year-on-year reduction of 0.7 million cubic meters or 7.1 percent on a like-for-like basis. With the exception of North America, all regions recorded lower volumes. In Europe, the drop was mostly driven by a shrinking construction market in Western and Central Europe. In Latin America especially, volumes dropped as the ready-mix concrete business has been rationalized and re-oriented toward the most-profitable markets.

| Million CHF | Oct–Dec 2014 | Oct–Dec 2013 | ±% | ±% like-for-like |
|---|---|---|---|---|
| **Net sales by region** | | | | |
| Asia Pacific | 1,764 | 1,679 | +5.1 | +2.4 |
| Latin America | 770 | 793 | –2.9 | +1.5 |
| Europe | 1,303 | 1,367 | –4.7 | –3.6 |
| North America | 958 | 828 | +15.7 | +14.4 |
| Africa Middle East | 207 | 218 | –5.4 | –6.5 |
| Corporate/Eliminations | (134) | (107) | | |
| Total | 4,867 | 4,778 | +1.9 | +1.9 |
| **Operating profit by region** | | | | |
| Asia Pacific | 232 | 229 | +1.1 | –1.1 |
| Latin America | 174 | 147 | +18.1 | +19.1 |
| Europe | 113 | 121 | –6.5 | +8.6 |
| North America | 99 | 52 | +90.0 | +88.8 |
| Africa Middle East | 49 | 54 | –10.1 | –10.5 |
| Corporate/Eliminations | (68) | (44) | | |
| Total | 598 | 559 | +6.9 | +8.9 |
| **Cash flow** | | | | |
| **Cash flow from operating activities** | **1,451** | **1,615** | **–10.1** | **–8.1** |
| Net capital expenditures on property, plant and equipment to maintain productive capacity and to secure competitiveness | (373) | (346) | –7.9 | |
| Investments in property, plant and equipment for expansion | (237) | (373) | +36.5 | |
| Financial di(in)vestments net | 39 | (74) | +152.5 | |
| **Cash flow from investing activities** | **(570)** | **(793)** | **+28.1** | |

Fourth quarter consolidated net sales increased year-on-year by CHF 89 million or 1.9 percent to CHF 4,867 million. A favorable currency translation effect of 0.4 percent almost canceled out the impact from the change in structure of -0.4 percent on net sales. At constant scope and exchange rates consolidated net sales rose by CHF 90 million or 1.9 percent. The quarterly net sales increase was supported by favorable price development in all regions and primarily North America, Europe and Asia Pacific. However, negative volume effect in Europe, Latin America and Africa Middle East harmed the Group's net sales.

The quarterly operating EBITDA rose year-on-year by CHF 62 million or 6.5 percent to CHF 1,006 million. The currency effect of 0.6 percent slightly benefited the operating result, while the change in structure had no significant influence. On a like-for-like basis, the operating EBITDA rose by CHF 55 million or 5.9 percent. Adjusted for restructuring costs of CHF 33 million and merger costs of CHF 23 million booked in the quarter, the like-for-like operating EBITDA growth reached CHF 111 million or 11.8 percent.

The quarterly operating profit increased year-on-year by CHF 39 million to CHF 598 million. Adjusted for the positive currency impact of 0.9 percent and the unfavorable change in structure effect of 2.9 percent, the like-for-like operating profit rose by CHF 50 million or 8.9 percent. Excluding restructuring and merger costs of CHF 58 million, the operating profit growth reached CHF 108 million or 19.2 percent on a like-for-like basis. This improvement was largely driven by North America, where good market conditions allowed for favorable price and volume development. By contrast with the sluggish development observed in the previous quarters in 2014, like-for-like operating profit grew by 19.1 percent in Latin America thanks to lower fixed costs and successful price increases in some countries. After a setback in the third quarter 2014, Europe once again posted a positive performance despite merger-related costs. In Asia Pacific, operating profit slightly missed last year's level as effects from cost increases could not be compensated by favorable volume and price development. Africa Middle East, affected by volume reductions in its chief markets, reported negative operating profit growth in the quarter.

The quarterly operating profit margin increased like-for-like by 0.8 percentage point to 12.3 percent. Adjusted for merger and restructuring costs, the margin rose by 2.0 percentage points on a like-for-like basis to 13.5 percent.

Fourth quarter cash flow from operating activities decreased year-on-year by CHF 164 million or 10.1 percent. On a like-for-like basis, the cash flow from operating activities declined by CHF 130 million or 8.1 percent; the positive operating EBITDA variance was offset by the unfavorable change in net working capital recorded in all regions and primarily Europe.

**Operating results for the year 2014**

**Sales volumes and principal key figures**

| | Jan–Dec 2014[1] | Jan–Dec 2013[1] | ±% | ±% like-for-like |
|---|---|---|---|---|
| Sales of cement in million t | 140.3 | 138.9 | +1.0 | +1.4 |
| – of which mature markets in % | 21 | 21 | | |
| – of which emerging markets in % | 79 | 79 | | |
| Sales of aggregates in million t | 153.1 | 154.5 | –0.9 | –0.4 |
| – of which mature markets in % | 86 | 85 | | |
| – of which emerging markets in % | 14 | 15 | | |
| Sales of ready-mix concrete in million $m^3$ | 37.0 | 39.5 | –6.3 | –4.9 |
| – of which mature markets in % | 60 | 58 | | |
| – of which emerging markets in % | 40 | 42 | | |
| Sales of asphalt in million t | 10.0 | 8.9 | +12.4 | +12.8 |
| | | | | |
| Net sales in million CHF | 19,110 | 19,719 | –3.1 | +3.0 |
| – of which mature markets in % | 49 | 47 | | |
| – of which emerging markets in % | 51 | 53 | | |
| Operating EBITDA in million CHF | 3,747 | 3,896 | –3.8 | +2.0 |
| – of which mature markets in % | 37 | 35 | | |
| – of which emerging markets in % | 63 | 65 | | |
| Operating EBITDA margin in % | 19.6 | 19.8 | | |
| Operating profit in million CHF | 2,317 | 2,357 | –1.7 | +4.2 |
| – of which mature markets in % | 29 | 26 | | |
| – of which emerging markets in % | 71 | 74 | | |
| Operating profit margin in % | 12.1 | 12.0 | | |
| Net income in million CHF | 1,619 | 1,596 | +1.5 | |
| Net income – shareholders of Holcim Ltd in million CHF | 1,287 | 1,272 | +1.2 | |
| Cash flow from operating activities in million CHF | 2,498 | 2,787 | –10.3 | –6.4 |

[1] The percentage split disclosed for mature markets and emerging markets is calculated based on the sum of the operating segments Asia Pacific, Latin America, Europe, North America and Africa Middle East, and does not include Corporate/Eliminations.

**Sales volumes**

Cement sales volumes exceeded the previous year's level, backed by a stronger economy in North America and economic growth experienced in some countries in Asia Pacific such as India and the Philippines. This progress could offset adverse situations in Latin America where some economies remained in a low gear, as well as in Europe, which still faces economic headwinds as the legacy of the global crisis. Consolidated cement sales were up 1.0 percent to 140.3 million tonnes, a like-for-like increase of 1.4 percent or 1.9 million tonnes.

Some economies in the Asia Pacific Group region remained on course to record growth. As a consequence, cement sales volumes rose by 1.4 percent or 1.0 million tonnes. At constant scope of consolidation, cement sales volumes increased by 2.0 percent or 1.4 million tonnes. In the Philippines, the reconstruction and rehabilitation efforts of the government in areas affected by natural disasters supported the demand for infrastructure projects and residential buildings. In addition, both the government and the private sector invested in infrastructure projects while some companies were venturing in mining and power plants. As a result, Holcim sales volumes increased significantly versus last year. The situation in India proved to be more promising following the elections, and construction activities started to pick up gradually as the government kicked off new projects in order to stimulate growth. Both Group companies in India have benefited from this rebound. Growth of cement sales in Indonesia is estimated to have slowed down in 2014 amid uncertainties brought about by the "political year", which led to the postponement of various infrastructure projects. However, Holcim sales volumes improved over the last year, supported by additional volumes from the newly commissioned Tuban cement plant.

In Latin America, the economic situation remained uneven in 2014 as solid development in some smaller economies was coupled with slower growth in larger countries such as Brazil and Argentina – with the latter being affected by the debt crisis. Cement sales volumes decreased by 1.5 percent or 0.4 million tonnes and were not impacted by changes in the Group structure. While Holcim Ecuador achieved an all-time record in 2013, lower consumption of bagged cement and delays in large public projects caused by government liquidity constraints led to cement volumes decrease for the local Group company in 2014. Holcim Argentina suffered from a volume drop in cement, as the debt crisis strongly affected construction markets, leading to a significant fall in demand for building materials. Drops in some countries were partly mitigated by the volumes improvement experienced in Brazil, where Holcim benefited from its position in the livelier construction markets of the south-east, as well as in Mexico. The Mexican construction sector benefited from the National Infrastructure Plan, which boosted public sector investment and provided financial support for construction activity.

Europe witnessed a slow and fragile recovery. GDP growth began to slow in spring 2014 and remained very modest, below the expected levels. Construction markets were affected by the level of uncertainty felt, which caused demand to slow down following a strong first quarter with lively building activity. Cement sales volumes fell by 1.0 percent or 0.3 million tonnes. A change in Group structure did not impact cement sales volumes. The largest volume drop was experienced in Azerbaijan; the local Group company faced with market pressure from new entrants and increasing imports could not maintain the high levels of volume growth recorded in the last years. In Italy, Holcim sales volumes were down as a result of the sluggish demand for building materials being exacerbated by a further contraction of economic output in 2014. These drawbacks could however be partly compensated by significant volume growth in Russia – despite political tensions – and in Spain, where the Group company was able to increase cement sales on the strength of export deliveries. It is also worth mentioning the cement volume growth in Holcim Romania, which came about thanks to larger projects in the Bucharest area.

North America recorded growth in cement sales volumes of 11.4 percent or 1.3 million tonnes, mostly stemming from the United States, where economic activity gathered momentum as the headwinds from fiscal policy waned and household consumption gained speed. Holcim benefited from particularly strong demand in the Northern Central region and a new monthly sales record was reported by the Group company over the last 7 years.

Cement shipment in Africa Middle East picked up by 5.4 percent or 0.4 million tonnes. A change in Group structure impacted volumes by -0.8 percent or -0.1 million tonnes. In Morocco, the national cement consumption fell by 5.4 percent over the last twelve months however, the Group company achieved volume growth thanks to clinker exports to the Ivory Coast. Sales volumes contraction in Guinea, Mauritius and Lebanon partly offset the regional growth.

Aggregates sales volumes decreased by 0.9 percent to 153.1 million tonnes. On a like-for-like basis, the decrease amounted to 0.4 percent or 0.7 million tonnes, a development partly explained by the closure of unprofitable business units notably in Latin America. The region posted a drop of 26.4 percent or 2.7 million tonnes. Shipments of aggregates fell by 1.0 percent or 0.7 million tonnes in Europe. Significant setbacks were experienced in France, where the lack of governmental stimuli severely hampered demand for construction and infrastructure projects. Volumes in Asia Pacific retracted by 1.5 percent or 0.4 million tonnes, hindered by fewer projects in the resource sector at Holcim Australia. Africa Middle East recorded a contraction of 0.2 million tonnes or 8.7 percent in aggregates volumes. North America was the only region to record substantial growth with 7.7 percent or 3.3 million tonnes.

Sales of ready-mix concrete declined by 6.3 percent to 37.0 million cubic meters. Adjusted for changes in Group structure, the drop amounted to 4.9 percent or 1.9 million cubic meters. With the exception of North America which posted a moderate growth of 2.2 percent or 0.2 million cubic meters on a like-for-like basis, all Group regions witnessed a negative development. Lower volumes primarily resulted from restructuring initiatives implemented in Latin America to refocus the ready-mix concrete business. The region reported for the financial year a decrease in ready-mix concrete sales of 20.0 percent or 1.6 million cubic meters with the largest volume drops being recorded mainly in Mexico, Chile, Brazil and Ecuador. In Europe, the solid growth in the United Kingdom could only mitigate volume losses in Belgium, France and Italy which suffered from the sluggish demand; at a constant scope, ready-mix concrete volumes fell by 2.5 percent or 0.3 million cubic meter. Singapore and Vietnam contributed most to the volume decrease of 0.6 percent or 0.1 million cubic meters in Asia Pacific. The volume contraction of 15.0 percent or 0.1 million cubic meters recorded in Africa Middle East was mostly stemming from Lebanon and resulted from the disposal of a plant and a general slowdown of the business, especially in the Beirut area.

**Net sales**

**Net sales by region**

| Million CHF | Jan–Dec 2014 | Jan–Dec 2013 | ±% | ±% like-for-like |
|---|---|---|---|---|
| Asia Pacific | 6,970 | 7,282 | –4.3 | +3.8 |
| Latin America | 3,012 | 3,349 | –10.0 | +0.6 |
| Europe | 5,554 | 5,611 | –1.0 | +0.2 |
| North America | 3,336 | 3,171 | +5.2 | +10.7 |
| Africa Middle East | 861 | 884 | –2.6 | +0.8 |
| Corporate/Eliminations | (623) | (578) | | |
| Total | 19,110 | 19,719 | –3.1 | +3.0 |

For the full year, net sales receded by CHF 608 million or 3.1 percent to reach CHF 19,110 million in 2014. An unfavorable currency effect of CHF 1,030 million or 5.2 percent and negative changes in consolidation structure impact of CHF 173 million or 0.9 percent strongly harmed net sales performance. Like-for-like net sales increased by CHF 595 million or 3.0 percent. All regions recorded like-for-like net sales increases. This growth mostly resulted from price increases, particularly in North America against the backdrop of a favorable market environment and in Latin America in response to cost inflation.

In Asia Pacific, net sales rose by CHF 274 million or 3.8 percent on a like-for-like basis, driven by the two Indian companies, the Philippines and Indonesia. Both Indian Group companies increased their top line, thanks to commercial initiatives opening new markets and the sale of premium products, as well as overall price increases in almost all regions, partly implemented as a response to cost inflation. At Holcim Philippines, net sales improved mostly on the back of volume growth. The cement construction industry grew at a dynamic pace, boosted by the new government's infrastructure projects and the continued high level of demand from the private sector backed by increased confidence in the government. Holcim Indonesia recorded a top-line growth due to price increases in cement and ready-mix concrete, as well as an increase in volumes thanks to commercial initiatives and the opening of new markets with the commissioning of Tuban I. Most Group companies in Asia Pacific witnessed net sales growth on a like-for-like basis; however, at Holcim Australia, prices were hit by a detrimental regional and product mix effect. At Holcim Singapore, volumes of ready-mix concrete fell, reflecting challenging market conditions.

In Latin America, net sales grew by CHF 20 million or 0.6 percent on a like-for-like basis with an uneven economic development throughout the Group region. This growth was mostly supported by Holcim Argentina, driving prices up. Stronger cement and ready-mix concrete prices were also witnessed at Holcim Mexico, making up for a volume contraction in the aggregates and ready-mix concrete businesses following the closure of several plants. On the other hand, net sales at Cemento Polpaico in Chile suffered from lower volumes in all segments. This volume effect was particularly sharp in the ready-mix concrete business, which was affected by the completion of several mining projects and the right-sizing initiatives implemented in late 2013. Lower volumes harmed net sales growth at Holcim Ecuador, while growth in the construction industry decelerated on the back of a drop-off in government spending which partly resulted from weakening oil revenue. A reduction in net sales at Holcim Brazil was driven by weaker volumes in the ready-mix concrete business, mostly explained by the strategic right-sizing of the business last year. Despite a difficult economic situation affecting the construction market, the Group company managed to raise cement volumes thanks to strong demand in larger cities, mitigating the overall volume loss impact on net sales.

Europe reported a modest like-for-like net sales growth of CHF 12 million or 0.2 percent thanks to the significant positive contribution of Aggregate Industries UK. Growth became more firmly established in the United Kingdom, where activity was buoyed by improved credit conditions and increased confidence. Government programs supported residential construction and drove the demand for building materials. The Group company's top line benefited from this robust momentum. In this context, prices were raised further. Despite the sanctions against Russia deteriorating the country's business environment and deterring foreign investment, Holcim Russia managed to increase net sales through higher volumes in 2014 due to capacity optimization in its Shurovo plant. At Holcim Romania, net sales profited from the higher volumes generated out of specific projects in the Bucharest area, even though the country experienced modest growth in the construction industry. These good performances where however hampered by adverse net sales developments caused by lower volumes in France, Azerbaijan, Switzerland, Belgium and Italy.

In North America, net sales were up CHF 338 million or 10.7 percent on a like-for-like basis. Strong volumes development in both countries and higher prices implemented in a favorable economic context in the United States coalesced to push revenues up. In the US, net sales growth was strongly supported by volumes improvement driven by a favorable economic environment in most states with a higher growth in Mid-Atlantic, Texas, Colorado and Oklahoma. The return to growth allowed Holcim US to achieve market price increases while Customer Excellence initiatives were implemented toward margin optimization and supported top line growth. In Canada, the net sales progression relied mainly on volumes growth. The cement volumes reported by the Group company were up during the period under review, as construction markets in all regions except Quebec and Atlantic were more dynamic. Deliveries of aggregates and ready-mix concrete also increased thanks to greater demand for highways as well as a number of large projects that were kicked off in summer.

In Africa Middle East, net sales increased by CHF 7 million or 0.8 percent like-for-like. In Holcim Morocco, the main contributor to net sales, the growth resulted from higher volumes thanks to clinker exports to Socimat in Ivory Coast and efficient pricing management from various commercial initiatives. On the other hand, net sales in Holcim Lebanon were affected by a drop in ready-mix concrete sales due to plant closure and lower demand in the Beirut area. Cement prices contracted as well, while the demand for construction material fell versus last year. Guinea, impacted by the outbreak of Ebola virus, recorded a strong drop in cement volumes.

The relative weight of Europe in the Group's total net sales increased slightly compared to the previous year, to 29 percent. The contribution of Asia Pacific at 37 percent remained close to the previous year value. However, the weighting of emerging markets slightly decreased to 51 percent of total net sales (2013: 53).

**Operating Profit**

## Operating Profit by region

| Million CHF | Jan–Dec 2014 | Jan–Dec 2013 | ±% | ±% like-for-like |
|---|---|---|---|---|
| Asia Pacific | 934 | 1,030 | –9.4 | –1.7 |
| Latin America | 663 | 722 | –8.2 | –1.1 |
| Europe | 510 | 436 | +16.8 | +16.1 |
| North America | 314 | 199 | +58.3 | +65.1 |
| Africa Middle East | 220 | 216 | +1.6 | +5.8 |
| Corporate/Eliminations | (324) | (247) | | |
| Total | 2,317 | 2,357 | –1.7 | +4.2 |

The operating profit decreased in 2014 by CHF 40 million or 1.7 percent to CHF 2,317 million. The currency-related effect, which was particularly strong, pulled down operating profit by CHF 147 million or 6.2 percent, while effects from changes in the scope of consolidation of CHF 7 million or 0.3 percent contributed positively to the operating profit. On a like-for-like basis, the operating profit grew by CHF 100 million or 4.2 percent. Adjusted for the restructuring and merger costs booked in 2014 and amounting to CHF 149 million, the operating profit was up by CHF 249 million or 10.6 percent on a like-for-like basis, representing a clear improvement over 2013. At constant scope and exchange rates, North America's operating profit improved by 65.1 percent, and Europe recorded an increase of 16.1 percent. These two Group regions contributed the most to the positive operating profit performance, offsetting the adverse development in Asia Pacific (-1.7 percent) and Latin America (-1.1 percent). Holcim sold more CO2 certificates in 2014, improving the operating EBITDA by CHF 20 million (2014: CHF 47 million, 2013: CHF 27 million).

The Holcim Leadership Journey contributed CHF 748 million to the improvements in the consolidated operating profit 2014. Out of this increase, CHF 248 million was generated by customer excellence initiatives, while CHF 500 million resulted from specific cost leadership programs related to energy, logistics, procurement and fixed costs.

On a like-for-like basis, Asia Pacific experienced the largest reduction in operating profit among the Group's regions with a drop of CHF 18 million or 1.7 percent. The three Group companies behind this decline were Holcim Indonesia, Holcim Australia and ACC in India. Indonesia in particular was faced with costs increases driven by inflation, the commissioning of additional capacities and increased electricity costs. At Holcim Australia, visible costs containment and lower depreciations could only mitigate the unfavorable effect from lower prices. Prices dropped in aggregate and ready-mix concrete due to product mix effects, the termination of projects with high-value products and the competitive environment in some markets. Furthermore the volume development was detrimental to the operating profit since the aggregate business was affected by fewer projects in the resources sector. ACC in India was faced with cost increases partly explained by delayed renewal of extraction permits which could not be passed on to customers. These drawbacks were however tempered by improvements in Ambuja Cements in India, where efficient price increases largely favored the operating profit growth, as well as in Holcim Philippines, thanks to a positive effect on operating profit from robust volumes hike.

In Latin America, the operating profit decreased on a like-for-like basis by CHF 8 million or 1.1 percent despite a stronger performance in Mexico. With the exception of Mexico, Costa Rica and Nicaragua, the region's Group companies reported lower results. Brazil and Chile in particular impacted the regional performance. Brazil faced increases in input costs which could not be passed on to customers due to the difficult market environment; further, prices were impacted by the unfavorable product mix effect. As a result of a shrinking construction sector in Chile, volumes plummeted, putting a burden on the region's operating profit.

In 2014, Europe was the second largest growth contributor and generated a like-for-like operating profit increase of CHF 70 million or 16.1 percent. This growth was the combined result of a good first quarter, supported by favorable climate conditions, while the restructuring initiatives implemented in prior years continued to bear fruits. Aggregate Industries UK benefited from high demand for building materials, driven by the residential sector. The Group company clearly led the operating profit improvement in the region thanks to a strong top line growth and a leaner cost structure. Despite the lack of impetus in the Italian economy, Holcim managed to increase its operating profit, mostly thanks to cost optimizations and the right-sizing of its operations. The situation in Eastern Europe was mixed, however the Group companies recorded improvements overall. As the volume growth remained favorable, the main performance lever in Eastern Europe was the cost optimizations following the restructuring initiatives implemented in the previous years. Nevertheless, the recovery of many European economies remained muted and below expectations. Some markets such as France, Spain and Belgium recorded lower than expected growth rates in the second half of 2014 due to stagnating economies. While volumes were under pressure, in most cases prices could not be raised. The largest negative impact on operating profit came however from volumes drop in Azerbaijan, which faced new entrants on the cement market and imports from Iran. Furthermore, restructuring costs of CHF 38 million have impacted the region's performance but were partly offset by higher $CO_2$ revenues of CHF 34 million.

In North America, the operating profit increased by CHF 129 million or 65.1 percent like-for-like. Strong volumes growth and pricing effects in the United States, but as well to a lesser extent in Canada, were the driving force of this solid progress. The United States economy continued on the path to recovery, fuelled by a dynamic residential sector, while Canada experienced growth driven by commercial and public investments.

Africa Middle East recorded an increase in operating profit of CHF 12 million or 5.8 percent on a like-for-like basis. Morocco, the major player with regard to growth in the region, experienced a drop of its national cement consumption, although the Group company compensated this drop via clinker exports to Socimat in Ivory Coast. Despite the lower domestic cement sales volumes, Holcim Morocco managed to improve its financial performance through general price increases as well as through various Customer Excellence initiatives. Thanks to lower depreciation, the operating profit improved as well in Guinea and compensated for significant losses from volumes drop. While most entities were on the positive side, Socimat in Ivory Coast and Holcim Lebanon reported lower operating profit.

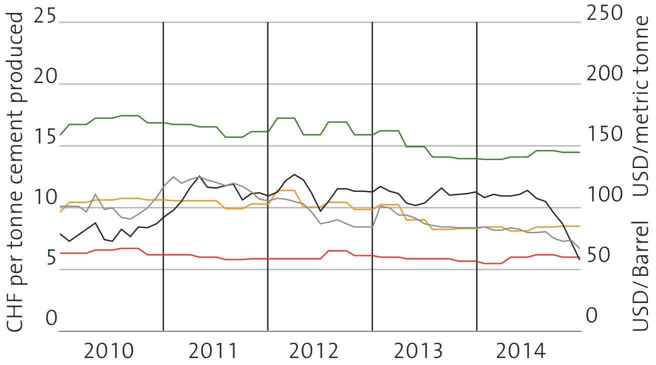
The shift in the regional weighting of operating profit was most pronounced for North America, which accounted for 14 percent of operating profit (2013: 8), and Europe, which accounted for 22 percent of operating profit (2013: 19), while the relative weighting of Asia Pacific decreased to 40 percent (2013: 44). In 2014, the weighting of emerging markets in the Group's operating profit amounted to 71 percent (2013: 74).

**Energy costs**

Energy expenses comprise costs related to both fuel and electricity. In absolute terms, the Group's energy costs had followed a slight declining trend over recent years, particularly visible since 2012, which was partly explained by improvements in energy efficiency that contributed to reduce energy consumption. Initiatives in the areas of electrical energy management, grinding and fuel-mix optimization and productivity improvements were key to reduce costs. Strategic sourcing, implementation of hedging and long-term contracts contributed further.

Holcim's energy prices are subject to much less, and sometimes delayed volatility as compared to market prices since 60 percent of the fuel consumed in the cement production is coal, of which about half is purchased on the international market while the remaining portion is bought locally by Group companies and is therefore less subject to volatility. In addition, fuel stocks result in time lags. Thus, changes in market prices do not immediately impact the expenses recorded in the statement of income.

**Holcim energy cost per tonne of cement produced compared to market prices**




- Total energy expenses (CHF)[1]
- Fuel expenses (CHF)
- Electricity expenses (CHF)
- Market price coal (USD)
- Market price crude oil (USD)[2]

[1] Energy espenses stated quarterly.
[2] Free on board – shipping point (excluding freight cost)

**Operating profit margin**

In the year under review, the Group's operating profit margin increased by 0.2 percentage point to 12.1 percent. Currency fluctuation and changes in the scope of consolidation had a slightly positive effect on the Group's margin. On a like-for-like basis the operating profit margin improved by 0.1 percentage point. Adjusted for restructuring and merger costs booked in 2014, the operating profit progressed by 0.9 percentage point on a like-for-like basis. This margin improvement was mostly driven by a strong effect from higher prices underpinned by favorable volume development, while cost containment measures associated to the Holcim Leadership Journey proved to be effective. Adjusted for restructuring and merger costs, fixed costs were stable as compared to the previous year.

At constant scope and exchange rate, operating profit margin in Asia Pacific fell by 0.7 percentage point, as stronger prices were not sufficient to cover the unfavorable effects from inflation-induced increases in input costs. The margin decrease in this Group region was brought about by Holcim Indonesia and ACC in India while improvements in Ambuja Cements in India and Holcim Philippines partly mitigated this drop.

In Latin America, the operating profit margin dropped by 0.4 percentage point on a like-for-like basis. While cost hikes driven by inflation could be passed on to customers through higher prices, the corresponding margin improvement was negatively impacted by a drop in volumes. Holcim Mexico succeeded in improving its margin, but other Group companies such as Holcim Argentina, Holcim Brazil and Cemento Polpaico in Chile failed to match the previous year's margin, putting pressure on the regional indicator.

In Europe, the operating profit margin grew by 1.2 percentage points like-for-like. Volumes losses were largely compensated by successful price increases and lower costs, partially resulting from the restructuring measures implemented in previous years. Weaker margins recorded in Azerbaijan, Spain and France were offset by growth in most other Group companies and primarily in Aggregate Industries UK and Holcim Italy. Adjusted for restructuring costs booked in Europe, the operating profit margin grew by 2.0 percentage points.

In North America, the operating profit margin grew by a solid 3.1 percentage points on a like-for-like basis, mostly on the account of Holcim US. Strong volume growth and a favorable price development throughout all segments contributed to this success.

The like-for-like operating profit margin was up by 1.2 percentage points in Africa Middle East. Successful price increases in Morocco and overall cost containment in the region (except for Ivory Coast) were the main reasons behind this progress. Furthermore, lower depreciation charges in Guinea contributed positively to the margin growth.

In the cement segment, the operating profit margin decreased like-for-like by 0.6 percent to 17.0 percent. With the exception of Asia Pacific, Latin America and Europe, all Group regions reported a margin improvement in this segment. In the aggregates segment, the margin improved like-for-like by 1.2 percentage points to 8.9 percent, driven by Europe and North America. In the product segment other construction materials and services, the operating profit margin rose by 0.9 percentage point to -0.1 percent on account of the better performance in Europe and North America.

**Group net income**

The Group net income grew by CHF 23 million or 1.5 percent to CHF 1,619 million. A significant reduction in financing costs and foreign exchange losses as well as higher gains on sales of Property Plant and Equipment overcompensated lower operating profit, increased income taxes, reduced share of profit of associates and joint ventures and lower gains on sales of financial investments (In 2013, Holcim recorded a gain of CHF 136 million on the sale of a 25 percent stake in Cement Australia while In 2014, a gain of CHF 56 million was recorded on the disposal of subsidiaries).

**Outlook 2015**

Holcim expects for 2015 that the global economy continues its gradual recovery. Key construction markets of Holcim in countries like the USA, India, Indonesia, Mexico, Colombia, the UK, and the Philippines are expected to be the main growth drivers. Europe overall should have a flat development. Latin America will continue to face uncertainties in countries such as Argentina and Brazil but should overall show slight growth in 2015. The Asia Pacific region is expected to grow although at a still modest pace. Africa Middle East is expected gradually to improve.

In this environment cement volumes should increase in all Group regions in 2015 with the exception of Europe. Aggregate and ready-mix concrete volumes are expected to increase. On a stand-alone basis and unconnected to the proposed merger with Lafarge, the Board of Directors and Executive Committee of Holcim expect like-for-like operating profit adjusted for merger-related costs to be between CHF 2.7 billion and 2.9 billion in 2015. Higher pricing and ongoing cost savings are anticipated to offset cost inflation, leading to a further expansion in operating margins in 2015.

**Financing activities, investments and liquidity**

**Cash flow**

| Million CHF | Jan–Dec 2014 | Jan–Dec 2013 | ±% |
|---|---|---|---|
| **Cash flow from operating activities** | **2,498** | **2,787** | **–10.3** |
| Net capital expenditures on property, plant and equipment to maintain productive capacity and to secure competitiveness | (738) | (719) | –2.8 |
| **Free cash flow** | **1,760** | **2,068** | **–14.9** |
| Investments in property, plant and equipment for expansion | (1,020) | (1,282) | +20.4 |
| Financial divestments net | 34 | 336 | –89.8 |
| Dividends paid | (721) | (576) | –25.2 |
| **Financing surplus** | **53** | **546** | **–90.3** |
| Cash flow from financing activities (excluding dividends) | (253) | (1,048) | +75.8 |
| **Decrease in cash and cash equivalents** | **(201)** | **(503)** | **+60.1** |

**Cash flow from operating activities**

In 2014, cash flow from operating activities retracted by CHF 289 million or 10.3 percent to CHF 2,498 million. At constant scope and exchange rates, the cash flow from operating activities decreased by CHF 179 million or 6.4 percent. This setback was mainly the consequence of a lower operating EBITDA, impacted by restructuring and merger cash costs and higher net working capital. In the year under review, the cash flow margin was 13.0 percent (2013: 14.1).

**Investment activities**

The cash flow from investing activities increased by CHF 59 million to CHF 1,724 million. The net capital expenditure to maintain productive capacity and to secure competitiveness amounted to CHF 738 million, while investments in expansion and diversification projects reached CHF 1,020 million. Proceeds from sale of Property Plant and Equipment amounted to CHF 209 million (2013: 205). Investments in property, plant and equipment for expansion mainly reflect key projects, the objective of which was to increase cement capacity in emerging countries such as Brazil, Indonesia, Ecuador and India, as well as in some mature countries such as Holcim Australia.

The net financial divestments consisted mainly of the sale of subsidiaries.

**Key investment projects**

**Indonesia – capacity expansion at Tuban and new Cement Terminal at Lampung in South Sumatra**

In order to meet rising demand, Holcim is building a new integrated cement plant in Tuban, East Java, with two production lines of 1.6 million tonnes each. The cement mill of the first line was put into commercial operation in December 2013 and the kiln followed in September 2014. The second line will be fully operational in the second quarter of 2015.

Holcim is also building a cement terminal and packing plant near Lampung, South Sumatra. This terminal is expected to be in operation in the first quarter of 2016. Holcim already has a strong position in the regional market of Southern Sumatra which is growing faster than the Indonesian average, and this strengthening of the footprint will allow for an improvement in customer service and a reduction in logistics costs.

**Brazil – capacity expansion at Barroso**

In Brazil, a second kiln line is being installed at the Barroso plant and will be commissioned in the second half of 2015. The additional cement capacity of 2.3 million tonnes will bring the total capacity of Holcim Brazil to 7.7 million tonnes. With this investment, the Group company will be better positioned to meet the long term growing demand for building materials in the south-east of the country.

**Ecuador – clinker capacity expansion at Guayaquil**

Following the timely commissioning of the new cement mill in the second half of 2011, Holcim Ecuador began the second phase of the cement plant modernization in Guayaquil in December 2012, which will increase clinker capacity by 1.4 million tonnes in May 2015 when the project will be commissioned. This investment will balance local clinker production capacity with local cement capacity in order to eliminate costly clinker imports, reduce logistics-related risks, increase local value creation and reduce the $CO_2$ footprint. With this investment, Holcim Ecuador will be better positioned to further leverage its strong brand presence, meet its customer's needs and substitute imports.

**India – expansion of market position**

The ongoing construction of a new cement plant at Jamul in India is progressing as per the plans. The production unit with a capacity of 2.8 million tonnes of clinker at Jamul is expected to commence operations by mid-2015. The satellite grinding units with a capacity of 2.5 million tonnes per annum at Jamul and Sindri are expected to go on stream by the end of 2015. The two additional proposed grinding units in the eastern region have been temporarily put on hold due to change in market conditions.

**Australia – expansion of aggregates capacity**

In 2011, Holcim began work in the south-west of Sydney on what will become the company's largest project in the field of aggregates. Known as Lynwood Quarry, the site will supply aggregates to 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 May 2015. The site is expected to enable Holcim to strengthen its integrated market position in Sydney and New South Wales.

### Russia – modernization at Volsk plant

Holcim Russia's modernization strategy continues with the upgrade of its existing wet process Volsk plant in the Volga region. The modernization of the Volsk plant is divided into two phases: "clinker line" and "cement upgrade". The main structural foundations were already completed and the installation of mechanical equipments is on-going. The project is generally progressing according to plan with the new clinker line to be commissioned in the second half of 2016. This project will strengthen Holcim Russia's ability to capture growth and will improve the long-term cost competitiveness of the Volsk plant.

### 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 % |
|---|---|---|---|---|---|
| 2014 | 2,723 | 31,089 | 29,736 | 30,412 | 9.0 |
| 2013 | 2,785 | 29,736 | 31,458 | 30,597 | 9.1 |

[1] Earnings before interest and taxes.

In 2014, the $ROIC_{BT}$ slightly decreased from 9.1 percent to 9.0 percent, a development primarily due to an increase in the average Group invested capital. After adjusting for restructuring and merger costs, the $ROIC_{BT}$ increased to 9.4 percent.

### Financing activity

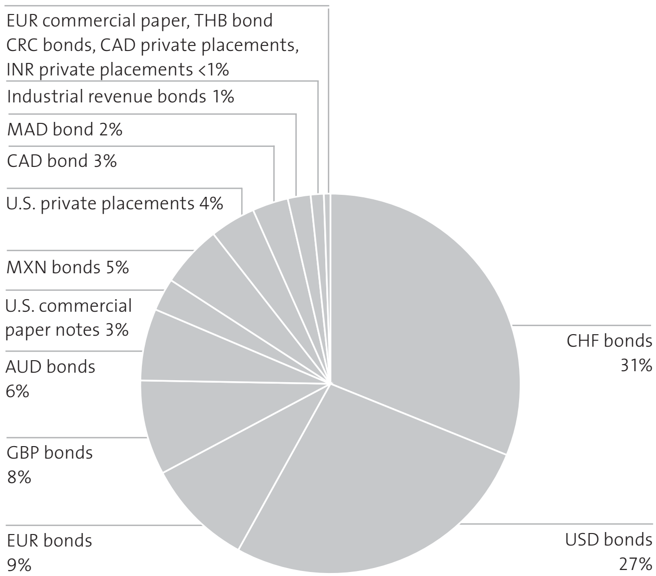
Holcim's investments were funded from the cash flow from operating activities. New debt capital issuances were mainly conducted to refinance existing borrowings. In the year under review, capital market transactions of CHF 0.7 billion were undertaken by Holcim, enabling the Group to lock in historically low interest rates and to extend the average maturity of financial liabilities. The main capital market transactions were as follows:

| | |
|---|---|
| EUR 500 million | Holcim Finance (Luxembourg) S.A. bond with a coupon of 3.00%, term 2014–2024 |
| MXN 2,000 million | Holcim Capital México S.A. de C.V. bond with a floating interest rate, term 2014–2018 |

### Net financial debt

Net financial debt increased by CHF 183 million to CHF 9,644 million due to an unfavorable currency impact of CHF 250 million and a change in consolidation structure impact of CHF 45 million. On a like-for-like basis, net financial debt decreased by CHF 113 million. At the end of 2014, the ratio of net financial debt to shareholders' equity (gearing) was 48.0 percent (2013: 50.7). Gearing declined as a result of the higher shareholders' equity. The Group's financial structure remained solid and allows sufficient flexibility to capture new opportunities.

**Capital market financing of the Group as per December 31, 2014 (CHF 8,862 million)**

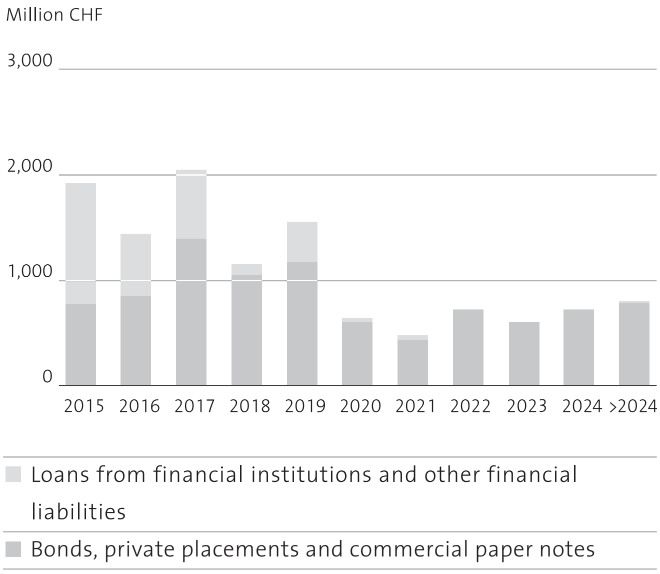



### Financing profile

Holcim was able to further strengthen its financial profile. 75 percent of the financial liabilities are financed through various capital markets (see overview of all outstanding bonds and private placements on pages 199 and 200) and 25 percent through banks and other lenders. There are no major positions with individual lenders. With 5.2 years, the average maturity of financial liabilities was successfully extended in comparison to the previous year (2013: 5.0). The Group's maturity profile is widely spread with a large proportion of mid to long-term financing.

Maintaining a favorable credit rating is one of the Group's objectives and Holcim therefore gives priority to achieving its financial targets and retaining its investment-grade rating. Detailed information on the credit ratings can be found on pages 66 and 170 of this Annual Report. The ratio of funds from operations to net financial debt declined by 1.7 percentage points to 31.7 percent (Holcim target: >25 percent), and the ratio of net financial debt to EBITDA slightly deteriorated to 2.3x (Holcim target: <2.8x). The EBITDA net interest coverage reached 8.6x (Holcim target: >5x), and the EBIT net interest coverage 5.7x (Holcim target: >3x). The average nominal interest rate on Holcim's financial liabilities as at December 31, 2014, was 4.2 percent (2013: 4.6), whereas the proportion of fixed-rate debt stood at 58 percent (2013: 56).

**Maturity profile of total financial liabilities as per December 31, 2014[1]**




### Liquidity

To secure liquidity, the Group held cash and cash equivalents of CHF 2,149 million at December 31, 2014 (2013: 2,244). 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, 2014, Holcim also had unused credit lines amounting to CHF 7,105 million (2013: 7,990) (see also page 197). This includes unutilized committed credit lines of CHF 3,820 million (2013: 4,967). Existing borrowings as at December 31, 2014, of CHF 1,947 million (2013: 2,521) maturing in the next 12 months are comfortably covered by existing cash, cash equivalents and unutilized committed credit lines. Holcim has a U.S. commercial paper program as well as a EUR commercial paper program. The aim of these programs is to fund short-term liquidity needs at attractive terms. Notes in the amount of USD 241 million (2013: 448) and EUR 28 million (2013: 0) were outstanding as per December 31, 2014.

### Currency sensitivity

The Group operates in around 70 countries, generating the majority 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. As 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 statement of financial position have not, in general, resulted in significant distortions in the consolidated statement of financial position.

[1] After risk-related adjustment of CHF 555 million from current financial liabilities to long-term financial liabilities.

The following sensitivity analysis presents the effect of the main currencies 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 individually hedged.

The following table shows the effects of a hypothetical 5 percent depreciation of the respective foreign currencies versus the Swiss franc.

**Sensitivity analysis**

| Million CHF | 2014 | EUR | GBP | USD | Latin American basket (MXN, BRL, ARS, CLP) | INR | Asian basket (AUD, IDR, PHP) |
|---|---|---|---|---|---|---|---|
| | Actual figures | Assuming a 5% strengthening of the Swiss franc the impact would be as follows: | | | | | |
| Net sales | 19,110 | (120) | (96) | (163) | (93) | (160) | (156) |
| Operating profit | 2,317 | (3) | (6) | (26) | (11) | (19) | (24) |
| Net income | 1,619 | (47) | (6) | (31) | 3 | (21) | (14) |
| Cash flow from operating activities | 2,498 | (48) | (10) | (44) | 1 | (29) | (16) |
| Net financial debt | 9,644 | (55) | (35) | (155) | (50) | 42 | (54) |

# CONSOLIDATED FINANCIAL STATEMENTS

## Consolidated statement of income of Group Holcim

| Million CHF | Notes | 2014 | 2013 |
|---|---|---|---|
| **Net sales** | 5, 6 | **19,110** | **19,719** |
| Production cost of goods sold | 7 | (10,548) | (11,087) |
| **Gross profit** | | **8,562** | **8,632** |
| Distribution and selling expenses | 8 | (4,924) | (5,021) |
| Administration expenses | | (1,321) | (1,254) |
| **Operating profit** | | **2,317** | **2,357** |
| Other income | 11 | 179 | 204 |
| Share of profit of associates and joint ventures | 23 | 140 | 161 |
| Financial income | 12 | 183 | 183 |
| Financial expenses | 13 | (611) | (777) |
| **Net income before taxes** | | **2,207** | **2,128** |
| Income taxes | 14 | (588) | (533) |
| **Net income** | | **1,619** | **1,596** |
| | | | |
| **Attributable to:** | | | |
| Shareholders of Holcim Ltd | | 1,287 | 1,272 |
| Non-controlling interest | | 332 | 324 |
| | | | |
| **Earnings per share in CHF** | | | |
| Earnings per share | 16 | 3.95 | 3.91 |
| Fully diluted earnings per share | 16 | 3.95 | 3.91 |

## Consolidated statement of comprehensive earnings of Group Holcim

| Million CHF | Notes | 2014 | 2013 |
|---|---|---|---|
| **Net income** | | **1,619** | **1,596** |
| | | | |
| **Other comprehensive earnings** | | | |
| | | | |
| **Items that will be reclassified to the statement of income in future periods** | | | |
| Currency translation effects | | | |
| – Exchange differences on translation | | 686 | (1,608) |
| – Realized through statement of income | | 0 | 8 |
| – Tax effect | | 40 | 14 |
| Available-for-sale financial assets | | | |
| – Change in fair value | | (2) | (14) |
| – Realized through statement of income | 20 | (63) | (65) |
| – Tax effect | | (1) | 0 |
| Cash flow hedges | | | |
| – Change in fair value | | (1) | 5 |
| – Realized through statement of income | | 0 | 0 |
| – Tax effect | | 0 | (1) |
| Net investment hedges in subsidiaries | | | |
| – Change in fair value | | 0 | 3 |
| – Realized through statement of income | | 0 | 0 |
| – Tax effect | | 0 | 0 |
| **Subtotal** | | **660** | **(1,657)** |
| | | | |
| **Items that will not be reclassified to the statement of income in future periods** | | | |
| Defined benefit plans | | | |
| – Remeasurements | 32 | (200) | 217 |
| – Tax effect | | 42 | (48) |
| **Subtotal** | | **(157)** | **169** |
| | | | |
| **Total other comprehensive earnings** | | **503** | **(1,488)** |
| | | | |
| **Total comprehensive earnings** | | **2,122** | **108** |
| | | | |
| **Attributable to:** | | | |
| Shareholders of Holcim Ltd | | 1,615 | 86 |
| Non-controlling interest | | 507 | 22 |

## Consolidated statement of financial position of Group Holcim

| Million CHF | Notes | 31.12.2014 | 31.12.2013 |
|---|---|---|---|
| Cash and cash equivalents | 17 | 2,149 | 2,244 |
| Accounts receivable | 18 | 2,695 | 2,521 |
| Inventories | 19 | 1,863 | 1,704 |
| Prepaid expenses and other current assets | 20 | 317 | 365 |
| Assets classified as held for sale | 21 | 283 | 756 |
| **Total current assets** | | **7,307** | **7,590** |
| | | | |
| Long-term financial assets | 22 | 491 | 536 |
| Investments in associates and joint ventures | 23 | 1,758 | 1,562 |
| Property, plant and equipment | 24 | 21,410 | 20,029 |
| Intangible assets | 25 | 7,779 | 7,486 |
| Deferred tax assets | 30 | 527 | 391 |
| Other long-term assets | | 412 | 351 |
| **Total long-term assets** | | **32,378** | **30,355** |
| | | | |
| **Total assets** | | **39,684** | **37,944** |
| | | | |
| Trade accounts payable | 26 | 2,101 | 1,934 |
| Current financial liabilities | 27 | 2,502 | 2,920 |
| Current income tax liabilities | | 419 | 462 |
| Other current liabilities | | 1,634 | 1,708 |
| Short-term provisions | 31 | 234 | 224 |
| Liabilities directly associated with assets classified as held for sale | 21 | 33 | 213 |
| **Total current liabilities** | | **6,923** | **7,461** |
| | | | |
| Long-term financial liabilities | 27 | 9,291 | 8,785 |
| Defined benefit obligations | 32 | 863 | 655 |
| Deferred tax liabilities | 30 | 1,415 | 1,290 |
| Long-term provisions | 31 | 1,080 | 1,077 |
| **Total long-term liabilities** | | **12,649** | **11,807** |
| | | | |
| **Total liabilities** | | **19,572** | **19,267** |
| | | | |
| Share capital | 35 | 654 | 654 |
| Capital surplus | | 7,776 | 8,200 |
| Treasury shares | 35 | (82) | (102) |
| Reserves | | 9,082 | 7,453 |
| **Total equity attributable to shareholders of Holcim Ltd** | | **17,430** | **16,205** |
| Non-controlling interest | 36 | 2,682 | 2,471 |
| **Total shareholders' equity** | | **20,112** | **18,677** |
| | | | |
| **Total liabilities and shareholders' equity** | | **39,684** | **37,944** |

## Consolidated statement of changes in equity of Group Holcim

| Million CHF | Share capital | Capital surplus | Treasury shares | *Retained earnings* |
|---|---|---|---|---|
| **Equity as at January 1, 2014** | **654** | **8,200** | **(102)** | **17,294** |
| Net income | | | | 1,287 |
| Other comprehensive earnings | | | | (157) |
| Total comprehensive earnings | | | | 1,130 |
| Payout | | (424) | | |
| Change in treasury shares | | | 13 | (1) |
| Share-based remuneration | | 0 | 7 | |
| Capital paid-in by non-controlling interest | | | | |
| Change in participation in existing Group companies | | | | 15 |
| **Equity as at December 31, 2014** | **654** | **7,776** | **(82)** | **18,438** |
| | | | | |
| **Equity as at January 1, 2013** | **654** | **8,573** | **(114)** | **15,808** |
| Net income | | | | 1,272 |
| Other comprehensive earnings | | | | 169 |
| Total comprehensive earnings | | | | 1,442 |
| Payout | | (374) | | |
| Change in treasury shares | | | 1 | (1) |
| Share-based remuneration | | 2 | 12 | |
| Capital paid-in by non-controlling interest | | | | |
| Disposal of participation in Group companies | | | | |
| Change in participation in existing Group companies | | | | 44 |
| **Equity as at December 31, 2013** | **654** | **8,200** | **(102)** | **17,294** |

[1] Currency translation adjustments include CHF -22 million relating to assets and directly associated liabilities classified as held for sale, see note 21.

| *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 |
|---|---|---|---|---|---|---|
| **52** | **(4)** | **(9,889)** | **7,453** | **16,205** | **2,471** | **18,677** |
| | | | 1,287 | 1,287 | 332 | 1,619 |
| (65) | (1) | 551 | 328 | 328 | 175 | 503 |
| (65) | (1) | 551 | 1,615 | 1,615 | 507 | 2,122 |
| | | | | (424) | (301) | (725) |
| | | | (1) | 12 | | 12 |
| | | | | 7 | 0 | 7 |
| | | | | | 6 | 6 |
| | | | 15 | 15 | (2) | 13 |
| **(13)** | **(5)** | **(9,338)**[1] | **9,082** | **17,430** | **2,682** | **20,112** |
| | | | | | | |
| **132** | **(7)** | **(8,608)** | **7,324** | **16,437** | **2,797** | **19,234** |
| | | | 1,272 | 1,272 | 324 | 1,596 |
| (79) | 4 | (1,281) | (1,186) | (1,186) | (302) | (1,488) |
| (79) | 4 | (1,281) | 86 | 86 | 22 | 108 |
| | | | | (374) | (199) | (573) |
| | | 0 | (1) | 0 | | 0 |
| | | 0 | 0 | 13 | | 13 |
| | | | | | 6 | 6 |
| | | | | | (109) | (109) |
| | | | 44 | 44 | (46) | (1) |
| **52** | **(4)** | **(9,889)** | **7,453** | **16,206** | **2,471** | **18,678** |

## Consolidated statement of cash flows of Group Holcim

| Million CHF | Notes | 2014 | 2013 |
|---|---|---|---|
| **Net income before taxes** | | **2,207** | **2,128** |
| Other income | 11 | (179) | (204) |
| Share of profit of associates and joint ventures | 23 | (140) | (161) |
| Financial expenses net | 12, 13 | 429 | 594 |
| **Operating profit** | | **2,317** | **2,357** |
| Depreciation, amortization and impairment of operating assets | 9 | 1,430 | 1,538 |
| Other non-cash items | | 217 | 178 |
| Change in net working capital | | (393) | (217) |
| **Cash generated from operations** | | **3,571** | **3,857** |
| Dividends received | | 73 | 137 |
| Interest received | | 124 | 145 |
| Interest paid | | (582) | (652) |
| Income taxes paid | | (679) | (659) |
| Other expenses | | (8) | (42) |
| **Cash flow from operating activities (A)** | | **2,498** | **2,787** |
| | | | |
| Purchase of property, plant and equipment | | (1,968) | (2,205) |
| Disposal of property, plant and equipment | | 209 | 205 |
| Acquisition of participation in Group companies | | (2) | (8) |
| Disposal of participation in Group companies | | 36 | 407 |
| Purchase of financial assets, intangible and other assets | | (300) | (263) |
| Disposal of financial assets, intangible and other assets | | 300 | 199 |
| **Cash flow from investing activities (B)** | 39 | **(1,724)** | **(1,665)** |
| | | | |
| Payout on ordinary shares | 16 | (424) | (374) |
| Dividends paid to non-controlling interest | | (297) | (202) |
| Capital paid-in by non-controlling interest | | 6 | 6 |
| Movement of treasury shares | 35 | 11 | 0 |
| Proceeds from current financial liabilities | | 3,833 | 6,252 |
| Repayment of current financial liabilities | | (3,506) | (6,465) |
| Proceeds from long-term financial liabilities | | 2,849 | 2,635 |
| Repayment of long-term financial liabilities | | (3,453) | (3,471) |
| Increase in participation in existing Group companies | | (3) | (5) |
| Decrease in participation in existing Group companies | | 10 | 0 |
| **Cash flow from financing activities (C)** | | **(975)** | **(1,625)** |
| | | | |
| **Decrease in cash and cash equivalents (A + B + C)** | | **(201)** | **(503)** |
| | | | |
| **Cash and cash equivalents as at January 1 (net)** | 17 | **1,993** | **2,711** |
| Decrease in cash and cash equivalents | | (201) | (503) |
| Currency translation effects | | 150 | (215) |
| **Cash and cash equivalents as at December 31 (net)** | 17 | **1,942** | **1,993** |

## 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 2014, Group Holcim adopted no new or revised standards or interpretations relevant to the Group.

In 2015, Group Holcim will adopt the following amended standard relevant to the Group:

| | |
|---|---|
| IAS 19 (amended) | *Employee Benefits* |
| Improvements to IFRSs | *Clarifications of existing IFRSs (issued in December 2013)* |

The amendment to IAS 19 relating to defined benefit plans clarifies how employee contributions which are linked to service should be attributed to the periods of service. For contributions that are independent of the number of years of service, the amendment permits a company to reduce service cost either (a) by attributing them to periods of service or (b) by reducing service costs in the period in which the related service is rendered. Since Group Holcim already applied the option (a) above, the amendment to IAS 19 will therefore not impact the consolidated financial statements.

The improvements to IFRSs relate largely to clarification issues only. Therefore, the adoption of these amendments will not materially impact the Group's financial statements.

In 2016, Group Holcim will adopt the following amended standards relevant to the Group:

| | |
|---|---|
| Amendments to IAS 1 | *Disclosure Initiative* |
| Amendments to IFRS 10 and IAS 28 | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* |
| Amendments to IFRS 11 | *Accounting for Acquisitions of Interests in Joint Operations* |
| Amendments to IAS 16 and IAS 38 | *Clarification of Acceptable Methods of Depreciation and Amortization* |
| Improvements to IFRSs | *Clarifications of existing IFRSs (issued in September 2014)* |

The amendments to IAS 1 Presentation of Financial Statements largely clarify a number of presentation issues and highlight that preparers are permitted to tailor the format and presentation of the financial statements to their circumstances. The adoption of this amendment will not materially impact the presentation of the Group's financial statements.

The amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures require a full gain to be recognized when the assets transferred to an associate or joint venture meet the definition of a business under IFRS 3 Business Combinations whereas a gain is only recognized to the extent of the unrelated investor's interest in that associate or joint venture when the assets transferred do not meet the definition of a business under IFRS 3. The adoption of this amendment will not materially impact the Group's financial statements.

The amendments to IFRS 11 Joint Arrangements require business combination accounting according to IFRS 3 Business Combinations to be applied to an acquisition of an interest in a joint operation that constitutes a business. The adoption of this amendment will not materially impact the Group's financial statements.

The amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets clarify that revenue-based amortization is generally inappropriate. The adoption of this amendment will not impact the Group's financial statements.

The improvements to IFRSs relate largely to clarification issues only. Therefore, the adoption of these amendments will not materially impact the Group's financial statements.

In 2017, Group Holcim will adopt the following new standard relevant to the Group:

| | |
|---|---|
| IFRS 15 | *Revenue from Contracts with Customers* |

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which replaces IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations. The Group is in the process of evaluating the impact IFRS 15 may have on its consolidated financial statements.

In 2018, Group Holcim will adopt the following new standard relevant to the Group:

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

In July 2014, the IASB issued IFRS 9 Financial Instruments which replaces IAS 39 Financial Instruments: Recognition and Measurement and that will change the classification and measurement requirements of financial assets and financial liabilities and the general hedge accounting rules. The Group is in the process of evaluating the impact IFRS 9 may have on its consolidated 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, site restoration and other long-term provisions, depreciation of property, plant and equipment and the 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, 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 32).

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

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

**Scope of consolidation**
The consolidated financial statements comprise those of Holcim Ltd and of its subsidiaries, including interests in joint operations. 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 is able to exercise control over the operations, are consolidated. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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 Group 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.

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 carrying amount 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.

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.

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 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.

Interests in joint arrangements are interests over which the Group exercises joint control and are classified as either joint operations or joint ventures depending on the contractual rights and obligations arising from the agreement rather than the legal structure of the joint arrangement. If the interest is classified as a joint operation, the Group recognizes its share of the assets, liabilities, revenues and expenses in the joint operation in accordance with the relevant IFRSs. All transactions and balances between the Group and the joint operation are eliminated to the extent of the Group's interest in the joint operation. When such transactions provide evidence of a reduction in the net realizable value of the assets to be sold or contributed to the joint operation, or of an impairment loss of those assets, those losses are fully recognized.

Associates are companies in which the Group generally holds between 20 and 50 percent of the voting rights and over which the Group has significant influence but does not exercise control.

Investments in associated companies and joint ventures are accounted for using the equity method of accounting.

Goodwill arising from the acquisition is included in the carrying amount of the investment in associated companies and joint ventures. Equity accounting is discontinued when the carrying amount of the investment together with any long-term interest in an associated company or joint venture reaches zero, unless the Group has also either incurred or guaranteed additional obligations in respect of the associated company or joint venture.

**Foreign currency translation**

The assets and liabilities 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 the exchange rates prevailing on December 31.

Goodwill arising from the acquisition of a foreign operation 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 reclassified to the statement of income should Group Holcim lose control of a subsidiary, lose joint control over an interest in a joint arrangement or lose significant influence in an associate. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized 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**

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

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

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.

**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) financial investments – third parties, (b) long-term receivables – associates and joint ventures, (c) long-term receivables – third parties, and (d) derivative assets. Financial investments in third parties are classified as available-for-sale and long-term receivables from associates, joint ventures and third parties are classified as loans and receivables. 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 long-term financial assets are recognized on trade date, which is the date that the Group commits to purchase or sell the asset. The 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. 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 for dismantling and removing the item and for 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 costs on borrowings to finance construction projects, which necessarily take 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 operations 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 and joint ventures is included in the carrying amount of the respective investments. 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 or joint operation the related goodwill is included in the determination of profit or loss on disposal.

Goodwill on acquisitions of subsidiaries and interests in joint operations is allocated to cash generating units for the purpose of impairment testing (note 25). Impairment losses relating to goodwill cannot be reversed in future periods.

**Other intangible assets**

Expenditure on acquired patents, trademarks, licenses and other intangible assets 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 of disposal 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 uncollectable.

**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 stipulated 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 substantively 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 interests in joint arrangements 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, in order 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, which comprise plan amendments and curtailments, as well as gains or losses on the settlement of pension benefits are recognized immediately when they occur.

Remeasurements, which comprise actuarial gains and losses on the pension obligation, the return on plan assets and changes in the effect of the asset ceiling excluding amounts included in net interest, are recognized directly in other comprehensive earnings and are not reclassified to profit or loss in a subsequent period. The pension obligation is measured at the present value of estimated future cash flows using a discount rate that is determined by reference 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.

**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 expected to be settled wholly 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 remeasurements are recognized immediately in profit or loss and not in other comprehensive earnings.

**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).

**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. The significant risks and rewards of products sold are transferred according to the specific delivery terms that have been formally agreed with the customer, generally upon delivery when the bill of lading is signed by the customer as evidence that they have accepted the product delivered to them.

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 Group activities are driven by construction contracts. Consequently, contract revenue and contract costs are recognized in the statement of income using 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 past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Holcim. They are accordingly only disclosed in the notes to the financial statements.

**Financial instruments**
Information on accounting for derivative financial instruments and hedging activities is included in the section "Risk management".

## Risk management

### Group risk management

Group Risk Management supports the Board of Directors, the Executive Committee and the management teams of the Group companies in their strategic decisions. Group Risk Management aims to systematically recognize major risks the company encounters. All types of risks from industry, operations, finance and legal, up to the external business environment are considered including compliance, sustainable development and reputational aspects. Risks are understood as the effect of uncertainty on business objectives which can be an opportunity or a threat. The risk horizon includes long-term strategic risks but also short- to medium-term business risks. Potential risks are identified and evaluated at an early stage and monitored. Countermeasures are proposed and implemented at the appropriate level so that risk management remains a key responsibility of the line management. Risk transfer through insurance solutions forms an integral part of Group Risk Management.

The Group's risk profile is established by top-down, bottom-up and functional risk assessments which are combined to a Group 360° risk analysis. Besides the Group companies, the Board of Directors, the Executive Committee and selected Corporate Function Heads are involved in the risk assessment during the Group's management cycle. The Executive Committee reports regularly to the Board of Directors on important risk 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 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.

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 the investing of excess cash.

### Liquidity risk

Group companies need liquidity to meet their obligations. Individual companies are responsible for their own cash balances and the raising of internal and external credit lines to cover the liquidity needs, subject to guidance by the Group.

The Group monitors its liquidity risk by using a recurring liquidity planning tool and maintains cash, unused credit lines and readily realizable marketable securities to meet its liquidity requirements. In addition, the strong creditworthiness of the Group allows it to make efficient use of international financial markets for financing purposes.

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.

**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 |
| **2014** | | | | | | | | |
| Trade accounts payable | 2,101 | | | | | | 2,101 | 2,101 |
| Loans from financial institutions | 1,411 | 428 | 643 | 145 | 96 | 98 | 2,822 | 2,833 |
| Bonds, private placements and commercial paper notes | 1,128 | 926 | 1,313 | 1,038 | 1,018 | 3,416 | 8,840 | 8,861 |
| Interest payments | 466 | 425 | 355 | 247 | 191 | 1,086 | 2,769 | |
| Finance leases | 22 | 18 | 16 | 12 | 12 | 62 | 143 | 96 |
| Derivative financial instruments net[1] | (14) | (17) | (6) | (3) | (3) | 17 | (26) | (47) |
| **Total** | **5,114** | **1,780** | **2,322** | **1,440** | **1,314** | **4,679** | **16,650** | |
| **2013** | | | | | | | | |
| Trade accounts payable | 1,934 | | | | | | 1,934 | 1,934 |
| Loans from financial institutions | 797 | 385 | 402 | 112 | 65 | 187 | 1,949 | 1,952 |
| Bonds, private placements and commercial paper notes | 2,173 | 765 | 880 | 1,293 | 879 | 3,658 | 9,648 | 9,652 |
| Interest payments | 534 | 390 | 357 | 304 | 217 | 1,143 | 2,944 | |
| Finance leases | 25 | 20 | 15 | 15 | 14 | 61 | 150 | 101 |
| Derivative financial instruments net[1] | (24) | (19) | (21) | (17) | (4) | (63) | (149) | (101) |
| **Total** | **5,439** | **1,540** | **1,632** | **1,708** | **1,171** | **4,986** | **16,476** | |

[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 29.

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.

**Market risk**

Holcim is exposed to market risk, primarily relating to foreign exchange and interest rate risk. To manage the volatility relating to these exposures, Holcim enters into a variety of derivative financial instruments. The Group's objective is to reduce fluctuations in earnings and cash flows associated with changes in foreign exchange and interest rate risk.

**Interest rate risk**
Interest rate risk arises from movements in 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 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 a 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 38 million (2013: 36) of annual additional/lower financial expenses before tax on a post hedge basis.

The Group's sensitivity to interest rates is slightly higher than last year mainly due to a shift of the reset dates of floating rate liabilities towards the lower end of the one year period. This effect has even compensated the decrease of the ratio of financial liabilities at variable rates to total financial liabilities from 44 percent to 42 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 is therefore 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 in general do not include the hedging of forecasted transactions.

**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 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.

**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 light of changes in economic conditions, its business activities, the 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 the ratio of funds from operations as a percentage of net financial debt and the ratio of net financial debt to EBITDA.

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.

The net financial debt to EBITDA ratio is used as an indicator of financial risk and shows how many years it would take the Group to pay back its debt.

During 2014, the Group's target, which remained the same as in 2013, was to maintain a ratio of funds from operations as a percentage of net financial debt of at least 25 percent and a net financial debt to EBITDA ratio of less than 2.8x.

| Million CHF | 2014 | 2013 |
|---|---:|---:|
| Net income | 1,619 | 1,596 |
| Depreciation, amortization and impairment (note 9) | 1,434 | 1,565 |
| Funds from operations | 3,053 | 3,161 |
| | | |
| Financial liabilities (note 27) | 11,793 | 11,705 |
| Cash and cash equivalents (note 17) | (2,149) | (2,244) |
| Net financial debt | 9,644 | 9,461 |
| **Funds from operations/net financial debt** | **31.7%** | **33.4%** |

| Million CHF | 2014 | 2013 |
|---|---:|---:|
| Net financial debt | 9,644 | 9,461 |
| EBITDA | 4,156 | 4,332 |
| **Net financial debt/EBITDA** | **2.3** | **2.2** |

**Credit risk**
Credit risks arise, among others, 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 counterparty to be unable to fulfill their obligations under their respective financing agreements. 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**
The Group mainly uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain exposures relating to debt, as well as foreign exchange contracts to hedge firm commitments for the acquisition of certain property, plant and equipment.

The fair values of various derivative instruments are disclosed in note 29. Movements in the cash flow hedging reserve are shown in the statement of changes in consolidated equity of Group Holcim.

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.

**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 (by measurement basis) | | | | Comparison |
|---|---|---|---|---|---|
| | Amortized cost | Fair value level 1 | Fair value level 2 | Total | Fair value |
| **2014** | | | | | |
| **Current financial assets** | | | | | |
| Cash and cash equivalents | 2,149 | | | 2,149 | |
| Trade accounts receivable | 2,226 | | | 2,226 | |
| Other receivables | 211 | | | 211 | |
| Other current assets | | 1[1] | | 1 | |
| | | | | | |
| **Long-term financial assets** | | | | | |
| Long-term receivables | 327 | | | 327 | 331[4] |
| Financial investments third parties | 28[2] | 2[1] | 85[1] | 115 | |
| Derivative assets[3] | | | 50 | 50 | |
| | | | | | |
| **Current financial liabilities** | | | | | |
| Trade accounts payable | 2,101 | | | 2,101 | |
| Current financial liabilities | 2,499 | | | 2,499 | |
| Derivative liabilities[3] | | | 3 | 3 | |
| | | | | | |
| **Long-term financial liabilities** | | | | | |
| Long-term financial liabilities | 9,291 | | | 9,291 | 10 347[5] |

[1] Available-for-sale.
[2] Financial investments measured at cost.
[3] Held for hedging.
[4] The comparison fair value for long-term receivables consists of CHF 6 million level 1 and CHF 326 million level 2 fair value measurements.
[5] The comparison fair value for long-term financial liabilities consists of CHF 8,191 million level 1 and CHF 2,156 million level 2 fair value measurements.

| Million CHF | Carrying amount (by measurement basis) | | | | Comparison |
|---|---|---|---|---|---|
| | Amortized cost | Fair value level 1 | Fair value level 2 | Total | Fair value |
| **2013** | | | | | |
| **Current financial assets** | | | | | |
| Cash and cash equivalents | 2,244 | | | 2,244 | |
| Trade accounts receivable | 2,121 | | | 2,121 | |
| Other receivables | 152 | | | 152 | |
| Other current assets | | 1[1] | 86[1] | 87 | |
| Derivative assets[3] | | | 6 | 6 | |
| | | | | | |
| **Long-term financial assets** | | | | | |
| Long-term receivables | 314 | | | 314 | 316[4] |
| Financial investments third parties | 35[2] | 2[1] | 89[1] | 126 | |
| Derivative assets[3] | | | 96 | 96 | |
| | | | | | |
| **Current financial liabilities** | | | | | |
| Trade accounts payable | 1,934 | | | 1,934 | |
| Current financial liabilities | 2,920 | | | 2,920 | |
| Derivative liabilities[3] | | | 1 | 1 | |
| | | | | | |
| **Long-term financial liabilities** | | | | | |
| Long-term financial liabilities | 8,785 | | | 8,785 | 9 303[5] |

[1] Available-for-sale.
[2] Financial investments measured at cost.
[3] Held for hedging.
[4] The comparison fair value for long-term receivables consists of CHF 4 million level 1 and CHF 312 million level 2 fair value measurements.
[5] The comparison fair value for long-term financial liabilities consists of CHF 7,416 million level 1 and CHF 1,887 million level 2 fair value measurements.

The table shows the carrying amounts and fair values of financial assets and liabilities.

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 2014 and 2013, there were no financial assets and liabilities allocated to level 3.

There have been no transfers between the different hierarchy levels in 2014 and 2013.

## Notes to the consolidated financial statements

### 1 Changes in the scope of consolidation

During 2014 and 2013, there were no business combinations that were either individually material or that were considered material on an aggregated basis.

On March 28, 2013, Holcim disposed of a 25 percent equity interest in Cement Australia to HeidelbergCement, and retained a 50 percent equity interest in that company. This resulted in a net gain on disposal of CHF 136 million (AUD 151 million) included in "Other income". This transaction resulted in Holcim losing control of Cement Australia and obtaining joint control over that entity. According to IFRS 11 Joint Arrangements, it has been classified as a joint operation.

An overview of the subsidiaries, joint ventures and associated companies is included in the section "Principal companies of the Holcim Group" on pages 219 to 221.

### 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 | |
|---|---|---|---|---|---|
| | | 2014 | 2013 | 31.12.2014 | 31.12.2013 |
| 1 Euro | EUR | 1.21 | 1.23 | 1.20 | 1.23 |
| 1 US Dollar | USD | 0.92 | 0.93 | 0.99 | 0.89 |
| 1 British Pound | GBP | 1.51 | 1.45 | 1.54 | 1.47 |
| 1 Australian Dollar | AUD | 0.83 | 0.90 | 0.81 | 0.79 |
| 1 Canadian Dollar | CAD | 0.83 | 0.90 | 0.85 | 0.84 |
| 1,000 Indonesian Rupiah | IDR | 0.08 | 0.09 | 0.08 | 0.07 |
| 100 Indian Rupee | INR | 1.50 | 1.59 | 1.56 | 1.44 |
| 100 Moroccan Dirham | MAD | 10.88 | 11.02 | 10.95 | 10.90 |
| 100 Mexican Peso | MXN | 6.88 | 7.27 | 6.72 | 6.81 |
| 100 Philippine Peso | PHP | 2.06 | 2.19 | 2.21 | 2.00 |

## 3 Information by reportable segment

| | Asia Pacific | | Latin America | | Europe | |
|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| **Capacity and sales** | | | | | | |
| Million t | | | | | | |
| Annual cement production capacity | 96.4 | 90.3 | 35.3 | 35.3 | 46.8 | 47.7 |
| Sales of cement | 71.2 | 70.3 | 24.6 | 25.0 | 26.4 | 26.7 |
| – of which mature markets | 2.7 | 3.0 | | | 14.6 | 15.0 |
| – of which emerging markets | 68.6 | 67.3 | 24.6 | 25.0 | 11.7 | 11.7 |
| Sales of mineral components | 0.6 | 0.7 | | | 2.3 | 2.1 |
| Sales of aggregates | 24.8 | 25.2 | 7.5 | 10.2 | 73.1 | 74.1 |
| – of which mature markets | 22.3 | 22.8 | | | 63.8 | 65.3 |
| – of which emerging markets | 2.5 | 2.4 | 7.5 | 10.2 | 9.3 | 8.8 |
| Sales of asphalt | | | | | 5.6 | 4.9 |
| Million m³ | | | | | | |
| Sales of ready-mix concrete | 10.8 | 10.9 | 6.4 | 8.0 | 11.9 | 12.3 |
| – of which mature markets | 5.1 | 4.8 | | | 10.0 | 10.6 |
| – of which emerging markets | 5.7 | 6.1 | 6.4 | 8.0 | 1.9 | 1.7 |
| | | | | | | |
| **Statement of income, statement of financial position and statement of cash flows** | | | | | | |
| Million CHF | | | | | | |
| Net sales to external customers | 6,926 | 7,210 | 2,896 | 3,198 | 5,208 | 5,282 |
| Net sales to other segments | 44 | 72 | 117 | 150 | 346 | 329 |
| Total net sales | 6,970 | 7,282 | 3,012 | 3,349 | 5,554 | 5,611 |
| – of which mature markets | 1,775 | 2,043 | | | 4,465 | 4,423 |
| – of which emerging markets | 5,195 | 5,240 | 3,012 | 3,349 | 1,089 | 1,188 |
| Operating EBITDA | 1,332 | 1,473 | 861 | 938 | 991 | 946 |
| Operating EBITDA margin in % | 19.1 | 20.2 | 28.6 | 28.0 | 17.8 | 16.9 |
| Depreciation, amortization and impairment of operating assets | (398) | (442) | (197) | (216) | (482) | (510) |
| Operating profit (loss) | 934 | 1,030 | 663 | 722 | 510 | 436 |
| – of which mature markets | 150 | 176 | | | 312 | 295 |
| – of which emerging markets | 784 | 854 | 663 | 722 | 198 | 141 |
| Operating profit margin in % | 13.4 | 14.1 | 22.0 | 21.6 | 9.2 | 7.8 |
| Depreciation, amortization and impairment of non-operating assets | 0 | (6) | (1) | 0 | (2) | (1) |
| Other (expenses) income | (122) | (85) | (104) | (143) | (132) | (138) |
| Share of profit of associates and joint ventures | 11 | 8 | (1) | 0 | 6 | 5 |
| Other financial income | 9 | 7 | 6 | 3 | 5 | 8 |
| EBITDA | 1,231 | 1,408 | 763 | 798 | 872 | 822 |
| Investments in associates and joint ventures | 70 | 65 | 0 | 1 | 265 | 263 |
| Net operating assets | 7,408 | 6,540 | 3,456 | 3,331 | 7,964 | 8,112 |
| Total assets[1] | 11,889 | 10,616 | 5,436 | 5,083 | 12,713 | 13,479 |
| Total liabilities[1] | 4,994 | 4,441 | 3,597 | 3,208 | 6,283 | 6,511 |
| Cash flow from operating activities | 831 | 1,179 | 283 | 478 | 485 | 502 |
| Cash flow margin in % | 11.9 | 16.2 | 9.4 | 14.3 | 8.7 | 8.9 |
| Acquisition cost segment assets[2] | 829 | 924 | 530 | 636 | 414 | 470 |
| Cash flow from investing activities[3] | (867) | (790) | (477) | (605) | (415) | (403) |
| Impairment loss[4] | (2) | (17) | (5) | (7) | (7) | (16) |
| | | | | | | |
| **Personnel** | | | | | | |
| Number of personnel | 31,850 | 34,080 | 10,733 | 11,181 | 15,399 | 15,868 |

[1] Due to the reallocation of a reporting unit from "Corporate/Eliminations" to "Asia Pacific", the allocation of the positions "Total assets" and "Total liabilities" changed and as a result, the comparative figures for these two reportable segments were restated accordingly by CHF 495 million for "Total assets" and by CHF 1,415 million for "Total liabilities".

[2] Property, plant and equipment and intangible assets acquired during the period.

| | North America | | Africa Middle East | | Corporate/Eliminations | | Total Group | |
|---|---|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| | | | | | | | | |
| | | | | | | | | |
| | 21.9 | 22.0 | 11.0 | 11.0 | | | 211.4 | 206.2 |
| | 13.0 | 11.7 | 8.3 | 7.9 | (3.2) | (2.6) | 140.3 | 138.9 |
| | 13.0 | 11.7 | | | | | | |
| | | | 8.3 | 7.9 | | | | |
| | 1.4 | 1.3 | | | | | 4.3 | 4.1 |
| | 45.7 | 42.8 | 2.0 | 2.2 | | | 153.1 | 154.5 |
| | 45.7 | 42.8 | | | | | | |
| | | | 2.0 | 2.2 | | | | |
| | 4.5 | 4.1 | | | | | 10.0 | 8.9 |
| | | | | | | | | |
| | 7.2 | 7.5 | 0.7 | 0.8 | | | 37.0 | 39.5 |
| | 7.2 | 7.5 | | | | | | |
| | | | 0.7 | 0.8 | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | 3,336 | 3,171 | 745 | 857 | | | 19,110 | 19,719 |
| | | | 117 | 27 | (623) | (578) | | |
| | 3,336 | 3,171 | 861 | 884 | (623) | (578) | 19,110 | 19,719 |
| | 3,336 | 3,171 | | | | | | |
| | | | 861 | 884 | | | | |
| | 600 | 494 | 276 | 283 | (314) | (238) | 3,747 | 3,896 |
| | 18.0 | 15.6 | 32.1 | 32.0 | | | 19.6 | 19.8 |
| | (286) | (295) | (56) | (67) | (10) | (8) | (1,430) | (1,538) |
| | 314 | 199 | 220 | 216 | (324) | (247) | 2,317 | 2,357 |
| | 314 | 199 | | | | | | |
| | | | 220 | 216 | | | | |
| | 9.4 | 6.3 | 25.5 | 24.5 | | | 12.1 | 12.0 |
| | 0 | (1) | | | | | (4) | (8) |
| | (24) | (66) | (13) | 7 | 573 | 629 | 179 | 204 |
| | | | | | 124 | 149 | 140 | 161 |
| | 1 | 3 | | | 66 | 43 | 87 | 63 |
| | 577 | 431 | 264 | 290 | 448 | 583 | 4,156 | 4,332 |
| | | | 2 | 2 | 1,421 | 1,231 | 1,758 | 1,562 |
| | 6,282 | 5,940 | 852 | 783 | (16) | 7 | 25,946 | 24,712 |
| | 7,568 | 6,947 | 1,240 | 1,339 | 838 | 481 | 39,684 | 37,944 |
| | 4,109 | 3,851 | 634 | 610 | ( 45)[5] | 646[5] | 19,572 | 19,267 |
| | 384 | 249 | 163 | 183 | 352 | 197 | 2,498 | 2,787 |
| | 11.5 | 7.8 | 18.9 | 20.7 | | | 13.1 | 14.1 |
| | 189 | 140 | 35 | 46 | 4 | 11 | 2,000 | 2,227 |
| | (115) | (98) | (23) | (6) | 172 | 237 | (1,724) | (1,665) |
| | (5) | (3) | 0 | (10) | 0 | (16) | (20) | (69) |
| | | | | | | | | |
| | | | | | | | | |
| | 6,777 | 6,791 | 1,928 | 2,128 | 897 | 809 | 67,584 | 70,857 |

[3] Net investments in property, plant and equipment, Group companies, financial assets, intangible and other assets.
[4] Included in depreciation, amortization and impairment of operating and non-operating assets respectively.
[5] The amount of CHF -45 million (2013: 646) consists of borrowings by Corporate from third parties amounting to CHF 9,997 million (2013: 9,836) and eliminations for cash transferred to regions of CHF 10,042 million (2013: 9,190).

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

| Million CHF | Notes | 2014 | 2013 |
|---|---|---|---|
| **Operating profit** | | **2,317** | **2,357** |
| Depreciation, amortization and impairment of operating assets | 9 | 1,430 | 1,538 |
| **Operating EBITDA** | | **3,747** | **3,896** |
| Dividends earned | 11 | 5 | 4 |
| Other ordinary income | 11 | 177 | 208 |
| Share of profit of associates and joint ventures | 23 | 140 | 161 |
| Other financial income | 12 | 87 | 63 |
| **EBITDA** | | **4,156** | **4,332** |
| Depreciation, amortization and impairment of operating assets | 9 | (1,430) | (1,538) |
| Depreciation, amortization and impairment of non-operating assets | 11 | (4) | (8) |
| Interest earned on cash and marketable securities | 12 | 96 | 120 |
| Financial expenses | 13 | (611) | (777) |
| **Net income before taxes** | | **2,207** | **2,128** |

## 4 Information by product line

| | Cement[1] | |
|---|---|---|
| Million CHF | 2014 | 2013 |
| **Statement of income, statement of financial position and statement of cash flows** | | |
| Net sales to external customers | 11,575 | 11,884 |
| Net sales to other segments | 934 | 1,055 |
| Total net sales | 12,509 | 12,939 |
| – of which Asia Pacific | 5,345 | 5,497 |
| – of which Latin America | 2,569 | 2,747 |
| – of which Europe | 2,441 | 2,618 |
| – of which North America | 1,518 | 1,369 |
| – of which Africa Middle East | 793 | 807 |
| – of which Corporate/Eliminations | (158) | (99) |
| Operating profit (loss) | 2,104 | 2,236 |
| – of which Asia Pacific | 851 | 915 |
| – of which Latin America | 653 | 697 |
| – of which Europe | 396 | 414 |
| – of which North America | 257 | 171 |
| – of which Africa Middle East | 221 | 221 |
| – of which Corporate/Eliminations | (275) | (182) |
| Operating profit (loss) margin in % | 16.8 | 17.3 |
| Net operating assets | 17,585 | 16,641 |
| Acquisition cost segment assets[2] | 1,620 | 1,756 |
| Cash flow from investing activities[3] | (1,621) | (1,708) |
| | | |
| **Personnel** | | |
| Number of personnel | 44,403 | 47,179 |

[1] Cement, clinker and other cementitious materials.
[2] Property, plant and equipment and intangible assets acquired during the period.
[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 | |
|---|---|---|---|---|---|---|---|
| 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| | | | | | | | |
| 1,538 | 1,585 | 5,997 | 6,249 | | | 19,110 | 19,719 |
| 866 | 842 | 551 | 562 | (2,352) | (2,460) | | |
| 2,404 | 2,428 | 6,548 | 6,812 | (2,352) | (2,460) | 19,110 | 19,719 |
| 554 | 647 | 1,522 | 1,641 | (451) | (503) | 6,970 | 7,282 |
| 61 | 85 | 632 | 822 | (250) | (305) | 3,012 | 3,349 |
| 1,240 | 1,189 | 2,606 | 2,545 | (732) | (742) | 5,554 | 5,611 |
| 519 | 478 | 1,667 | 1,694 | (368) | (369) | 3,336 | 3,171 |
| 28 | 26 | 76 | 84 | (36) | (33) | 861 | 884 |
| 3 | 2 | 46 | 26 | (515) | (507) | (623) | (578) |
| 214 | 188 | 0 | (67) | | | 2,317 | 2,357 |
| 74 | 95 | 10 | 21 | | | 934 | 1,030 |
| 1 | 11 | 9 | 14 | | | 663 | 722 |
| 118 | 83 | (4) | (61) | | | 510 | 436 |
| 47 | 34 | 10 | (6) | | | 314 | 199 |
| 3 | 1 | (4) | (6) | | | 220 | 216 |
| (29) | (36) | (20) | (29) | | | (324) | (247) |
| 8.9 | 7.8 | 0.0 | (1.0) | | | 12.1 | 12.0 |
| 4,997 | 4,848 | 3,364 | 3,222 | | | 25,946 | 24,712 |
| 238 | 227 | 138 | 240 | 4 | 3 | 2,000 | 2,227 |
| (206) | (157) | (87) | (113) | 190 | 313 | (1,724) | (1,665) |
| | | | | | | | |
| | | | | | | | |
| 5,722 | 5,812 | 16,825 | 17,376 | 634 | 490 | 67,584 | 70,857 |

## 5 Information by country

| | Net sales to external customers | | Non-current assets | |
|---|---|---|---|---|
| Million CHF | 2014 | 2013 | 2014 | 2013 |
| Switzerland | 654 | 697 | 969 | 980 |
| India | 3,163 | 3,187 | 4,277 | 3,762 |
| USA | 2,181 | 1,923 | 5,616 | 5,155 |
| United Kingdom | 1,920 | 1,720 | 2,349 | 2,283 |
| Australia | 1,615 | 1,890 | 1,816 | 1,767 |
| Other countries | 9,577 | 10,302 | 14,162 | 13,568 |
| **Total Group** | **19,110** | **19,719** | **29,189** | **27,515** |

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 | 2014 | 2013 |
|---|---|---|
| Volume and price | 595 | 49 |
| Change in structure | (173) | (692) |
| Currency translation effects | (1,030) | (798) |
| **Total** | **(609)** | **(1,441)** |

## 7 Production cost of goods sold

| Million CHF | 2014 | 2013 |
|---|---|---|
| Material expenses | (3,163) | (3,291) |
| Fuel expenses | (1,141) | (1,198) |
| Electricity expenses | (918) | (899) |
| Personnel expenses | (1,578) | (1,635) |
| Depreciation, amortization and impairment | (1,184) | (1,279) |
| Other production expenses | (2,539) | (2,692) |
| Change in inventory | (26) | (93) |
| **Total** | **(10,548)** | **(11,087)** |

## 8 Distribution and selling expenses

| Million CHF | 2014 | 2013 |
|---|---|---|
| Distribution expenses | (4,353) | (4,406) |
| Selling expenses | (570) | (614) |
| **Total** | **(4,924)** | **(5,021)** |

## 9 Summary of depreciation, amortization and impairment

| Million CHF | 2014 | 2013 |
|---|---|---|
| Production facilities | (1,184) | (1,279) |
| Distribution and sales facilities | (166) | (185) |
| Administration facilities | (80) | (75) |
| **Total depreciation, amortization and impairment of operating assets (A)** | **(1,430)** | **(1,538)** |
| | | |
| Impairment of long-term financial assets | (1) | (19) |
| Impairment of investments in associates and joint ventures | 0 | (2) |
| Ordinary depreciation of non-operating assets | (3) | (3) |
| Unusual write-offs | (1) | (3) |
| **Total depreciation, amortization and impairment of non-operating assets (B)** | **(4)** | **(27)** |
| | | |
| **Total depreciation, amortization and impairment (A + B)** | **(1,434)** | **(1,565)** |
| Of which depreciation of property, plant and equipment (note 24) | (1,344) | (1,420) |

## 10 Change in operating profit

| Million CHF | 2014 | 2013 |
|---|---|---|
| Volume, price and cost | 100 | 764 |
| Change in structure | 7 | (43) |
| Currency translation effects | (147) | (112) |
| **Total** | **(40)** | **608** |

## 11 Other income

| Million CHF | 2014 | 2013 |
|---|---|---|
| Dividends earned | 5 | 4 |
| Other ordinary income | 177 | 208 |
| Depreciation, amortization and impairment of non-operating assets | (4) | (8) |
| **Total** | **179** | **204** |

The position “Other ordinary income” relates primarily to gains on disposal of property, plant and equipment.

In 2013 the position “Other ordinary income” included a net gain on the disposal of 25 percent equity interest in Cement Australia of CHF 136 million (AUD 151 million). Additional information is disclosed in note 1.

## 12 Financial income

| Million CHF | 2014 | 2013 |
|---|---|---|
| Interest earned on cash and marketable securities | 96 | 120 |
| Other financial income | 87 | 63 |
| **Total** | **183** | **183** |

In 2014 the position “Other financial income” included the partial realization of the change in fair value of the compensation related to the nationalization of Holcim Venezuela in the amount of CHF 56 million (USD 61 million), respectively CHF 57 million (USD 61 million) in 2013. Additional information is disclosed in note 20.

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

## 13 Financial expenses

| Million CHF | 2014 | 2013 |
|---|---|---|
| Interest expenses | (558) | (616) |
| Amortization on bonds and private placements | (15) | (13) |
| Fair value changes on financial instruments | 4 | 0 |
| Unwinding of discount on provisions | (22) | (19) |
| Other financial expenses | (54) | (68) |
| Foreign exchange loss net | (35) | (98) |
| Financial expenses capitalized | 69 | 38 |
| **Total** | **(611)** | **(777)** |

The weighted average nominal interest rate of financial liabilities at December 31, 2014, was 4.2 percent (2013: 4.6).

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

The position "Financial expenses capitalized" comprises interest expenditures on large-scale projects during the reporting period.

Information about the Group's exposure to the risk of changes in market interest rates and foreign currency exchange rates is disclosed within the section "Risk management" on page 169.

## 14 Income taxes

| Million CHF | 2014 | 2013 |
|---|---|---|
| Current taxes | (552) | (798) |
| Deferred taxes | (36) | 266 |
| **Total** | **(588)** | **(533)** |

Current taxes include an income of CHF 72 million (2013: -148) in respect of prior years. Last year tax expense of CHF 148 million largely related to Holcim Mexico as a result of changes in tax rules.

**Deferred tax by type**

| Million CHF | 2014 | 2013 |
|---|---|---|
| Property, plant and equipment | 4 | 24 |
| Intangible and other long-term assets | 3 | (30) |
| Provisions | (16) | 5 |
| Tax losses carryforward | 32 | 301 |
| Other | (60) | (33) |
| **Total** | **(36)** | **266** |

**Reconciliation of tax rate**

| | 2014 | 2013 |
|---|---|---|
| **Group's expected tax rate** | **33%** | **30%** |
| Effect of non-deductible items | 1% | 2% |
| Effect of non-taxable items and income taxed at different tax rates | (6%) | (4%) |
| Net change of unrecognized tax losses carryforward | 3% | (6%) |
| Prior year taxes | (3%) | 7% |
| Other items | 0% | (3%) |
| **Group's effective tax rate** | **27%** | **25%** |

The Group’s expected tax rate is a weighted average tax rate based on profits (losses) before taxes of Group companies. The increase of the Group’s expected tax rate is largely due to a shift of net income before taxes to regions with higher tax rates.

In 2013, the changes in tax rules in Mexico largely resulted in the increase in prior year taxes and in the net change of unrecognized tax losses carryforward.

## 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 74 million (2013: 74) were charged directly to the consolidated statement of income.

## 16 Earnings per share

| | 2014 | 2013 |
|---|---|---|
| **Earnings per share in CHF** | **3.95** | **3.91** |
| Net income – shareholders of Holcim Ltd – as per statement of income (in million CHF) | 1,287 | 1,272 |
| Weighted average number of shares outstanding | 325,734,235 | 325,492,506 |
| | | |
| **Fully diluted earnings per share in CHF** | **3.95** | **3.91** |
| Net income used to determine diluted earnings per share (in million CHF) | 1,287 | 1,272 |
| Weighted average number of shares outstanding | 325,734,235 | 325,492,506 |
| Adjustment for assumed exercise of share options | 128,743 | 141,343 |
| Weighted average number of shares for diluted earnings per share | 325,862,978 | 325,633,849 |

In conformity with the decision taken at the annual general meeting on April 29, 2014, a cash payment out of the capital contribution reserves related to 2013 of CHF 1.30 per registered share has been paid. This resulted in a total payout of CHF 424 million.

A cash payment out of the capital contribution reserves in respect of the financial year 2014 of CHF 1.30 per registered share, amounting to a maximum payment of CHF 425 million, is to be proposed at the annual general meeting of shareholders on April 13, 2015. These consolidated financial statements do not reflect this cash payment, since it will be effective in 2015 only.

## 17 Cash and cash equivalents

| Million CHF | 2014 | 2013 |
|---|---|---|
| Cash at banks and on hand | 787 | 615 |
| Short-term deposits | 1,362 | 1,629 |
| **Total** | **2,149** | **2,244** |
| Bank overdrafts | (207) | (251) |
| **Cash and cash equivalents for the purpose of the consolidated statement of cash flows** | **1,942** | **1,993** |

Cash and cash equivalents comprise cash at banks and on 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 | 2014 | 2013 |
|---|---|---|
| Trade accounts receivable – associates and joint ventures | 81 | 91 |
| Trade accounts receivable – third parties | 2,145 | 2,031 |
| Other receivables – associates and joint ventures | 83 | 50 |
| Other receivables – third parties | 386 | 343 |
| Derivative assets | 0 | 6 |
| **Total** | **2,695** | **2,521** |
| Of which pledged/restricted | 59 | 42 |

**Overdue accounts receivable**

| Million CHF | 2014 | 2013 |
|---|---|---|
| Not overdue | 1,962 | 2,064 |
| Overdue 1 to 89 days | 546 | 316 |
| Overdue 90 to 180 days | 98 | 83 |
| Overdue more than 180 days | 271 | 221 |
| ./. Allowances for doubtful accounts | (182) | (163) |
| **Total** | **2,695** | **2,521** |

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 | 2014 | 2013 |
|---|---|---|
| **January 1** | **(163)** | **(171)** |
| Change in structure | (3) | 0 |
| Allowance recognized | (24) | (25) |
| Amounts used | 15 | 5 |
| Unused amounts reversed | 2 | 1 |
| Currency translation effects | (9) | 27 |
| **December 31** | **(182)** | **(163)** |

## 19 Inventories

| Million CHF | 2014 | 2013 |
|---|---|---|
| Raw materials and additives | 271 | 245 |
| Semi-finished and finished products | 932 | 845 |
| Fuels | 260 | 229 |
| Parts and supplies | 364 | 354 |
| Unbilled services | 36 | 30 |
| **Total** | **1,863** | **1,704** |

In 2014, the Group recognized inventory write-downs to net realizable value of CHF 2 million (2013: 3).

## 20 Prepaid expenses and other current assets

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 total agreed compensation amount was CHF 611 million (USD 650 million), of which a first down-payment of CHF 244 million (USD 260 million) was received on September 10, 2010 and in the years 2011 to 2013 further payments were received, each amounting to USD 97.5 million (2011: CHF 87 million; 2012: CHF 91 million; 2013: CHF 88 million). In 2014, a final payment of USD 97.5 million (CHF 89 million) was received.

In 2014, CHF 56 million (USD 61 million) was realized through "other financial income"; in 2013, this amounted to CHF 57 million (USD 61 million).

## 21 Assets and related liabilities classified as held for sale

| Million CHF | 2014 | 2013 |
|---|---|---|
| Cash and cash equivalents | 1 | 0 |
| Other current assets | 29 | 88 |
| Property, plant and equipment | 194 | 464 |
| Intangible assets | 19 | 64 |
| Other long-term assets | 40 | 141 |
| **Assets classified as held for sale** | **283** | **756** |
| | | |
| Short-term liabilities | 25 | 115 |
| Long-term provisions | 8 | 92 |
| Other long-term liabilities | 0 | 6 |
| **Liabilities directly associated with assets classified as held for sale** | **33** | **213** |
| | | |
| **Net assets classified as held for sale** | **249** | **543** |

On January 5, 2015, based on binding agreements dated October 2014, Group Holcim and Cemex announced the successful closure of their series of transactions in Europe, as detailed below.

In Germany, Holcim will purchase a cement plant, two grinding stations and one slag granulator as well as various aggregates locations and ready-mix plants from Cemex in the western part of the country, which will be combined with Holcim's existing Northern German operations. In Spain, Holcim and Cemex will no longer form a joint organization as initially planned and communicated. Instead, Cemex will purchase Holcim's Gador cement plant and Yeles grinding station, while Holcim will keep its remaining operations in Spain, as well as its aggregates and ready-mix positions. Cemex will buy Holcim (Česko) a.s. which is involved in the cement, aggregates and ready-mix businesses.

As a result of these transactions, Cemex pays Group Holcim CHF 54 million (EUR 45 million) in cash.

As per September 30, 2013, the assets and liabilities of the operations in Spain and Czech Republic were classified as held for sale based on a Memorandum of Understanding, which had foreseen, in contrast to the binding agreements mentioned above, that Holcim and Cemex would combine their entire Spanish operations in cement, ready-mix and aggregates, giving Holcim a shareholding of 25 percent of the combined entity. The scope of the transaction for Germany and the Czech Republic in the binding agreement remains unchanged.

As a result of the above, those assets and liabilities which will not be sold have been reclassified as per December 31, 2014, back to their respective balance sheet positions while, as per September 30, 2014, they were classified as held for sale. In addition, a catch-up of depreciation covering the period while those assets were classified as held for sale was made and reflected as a depreciation charge in the fourth quarter 2014. The comparatives have not been reclassified or re-presented in any way.

## 22 Long-term financial assets

| Million CHF | 2014 | 2013 |
|---|---|---|
| Financial investments – third parties | 115 | 126 |
| Long-term receivables – associates and joint ventures | 197 | 198 |
| Long-term receivables – third parties | 130 | 116 |
| Derivative assets | 50 | 96 |
| **Total** | **491** | **536** |
| Of which pledged/restricted | 8 | 6 |

Long-term receivables and derivative assets are primarily denominated in USD, CHF and AUD. The repayment dates vary between one and 25 years (2013: one and 26 years).

## 23 Investments in associates and joint ventures

| Million CHF | 2014 | 2013 |
|---|---|---|
| Investments in associates | 1,387 | 1,232 |
| Investments in joint ventures | 372 | 330 |
| **Total** | **1,758** | **1,562** |

### Movement in investments in associates

| Million CHF | 2014 | 2013 |
|---|---|---|
| **January 1** | **1,232** | **1,269** |
| Share of profit of associates | 93 | 117 |
| Dividends earned | (41) | (98) |
| Net additions (disposals) | 7 | (7) |
| Reclassifications | 8 | (29) |
| Impairments | 0 | (2) |
| Currency translation effects | 87 | (18) |
| **December 31** | **1,387** | **1,232** |

### Investments in associates

| Million CHF | 30.9.2014 | 31.12.2013 |
|---|---|---|
| Huaxin Cement | 819 | 729 |
| Other associates | 520 | 503 |
| **Total** | **1,339** | **1,232** |

The disclosed amounts for the investments in associates are as of September 30, 2014 and include only the first nine months. This is due to the fact that Huaxin Cement, a material associate of the Group, is a publicly listed company in China and has not yet published its financial statements for the year 2014.

**Huaxin Cement**

Huaxin Cement is Holcim's strategic partner in China. As of December 31, 2014, the Group holds 41.9% (2013: 41.9%) of the voting rights in the associate company Huaxin Cement.

The fair value of Huaxin Cement based on a quoted market price on December 31, 2014 amounted to CHF 2,303 million (2013: 1,521).

Set out below is the summarized financial information for the material associate company Huaxin Cement, which is accounted for using the equity method. The summarized financial information presented below are the amounts included in the IFRS financial statements of Huaxin Cement as at September 30, 2014 and as at December 31, 2013. As of September 30, 2014, dividends of CHF 11 million (December 31, 2013: 11) were received from Huaxin Cement.

**Huaxin Cement - Statement of financial position**

| Million CHF | 30.9.2014 | 31.12.2013 |
|---|---|---|
| Current assets | 975 | 946 |
| Long-term assets | 3,169 | 2,913 |
| **Total assets** | **4,144** | **3,859** |
| | | |
| Current liabilities | 1,233 | 1,291 |
| Long-term liabilities | 1,123 | 999 |
| **Total liabilities** | **2,356** | **2,290** |
| | | |
| **Net assets** | **1,787** | **1,569** |
| | | |
| **Shareholders' equity (excluding non-controlling interest)** | **1,587** | **1,390** |

**Huaxin Cement - Statement of comprehensive earnings**

| Million CHF | Jan–Sept 2014 | Jan–Dec 2013 |
|---|---|---|
| **Net sales** | **1,657** | **2,419** |
| | | |
| **Net income** | **180** | **258** |
| | | |
| Other comprehensive earnings | 0 | (1) |
| **Total comprehensive earnings** | **179** | **257** |

A reconciliation of the summarized financial information to the carrying amount of the investment in Huaxin Cement is as follows:

**Huaxin Cement**

| Million CHF | 30.9.2014 | 31.12.2013 |
|---|---|---|
| Group share of 41.9% (2013: 41.9%) of shareholders' equity (excluding non-controlling interest) | 665 | 582 |
| Goodwill | 155 | 147 |
| **Total** | **819** | **729** |

The Group has additional interests in associates none of which is considered as individually material. The following table summarizes, in aggregate, the financial information of all individually immaterial associates that are accounted for using the equity method:

**Aggregated financial information of Holcim's share in other associates**

| Million CHF | 30.9.2014 | 31.12.2013 |
|---|---|---|
| **Carrying amount of investments in other associates** | **520** | **503** |
| | | |
| Net income | 24 | 25 |
| Other comprehensive earnings | 0 | 0 |
| **Total comprehensive earnings** | **24** | **25** |

There are no unrecognized shares of losses, either for the current reporting period or cumulatively, relating to the above associates.

**Movement in investments in joint ventures**

| Million CHF | 2014 | 2013 |
|---|---|---|
| **January 1** | **330** | **270** |
| Share of profit of joint ventures | 46 | 43 |
| Dividends earned | (32) | (30) |
| Net (disposals) additions | (3) | 2 |
| Reclassifications | (1) | 75 |
| Currency translation effects | 31 | (29) |
| **December 31** | **372** | **330** |

The Group has no interests in joint ventures that are regarded as individually material.

The following table summarizes, in aggregate, the financial information of all individually immaterial joint ventures that are accounted for using the equity method:

**Aggregated financial information of Holcim's share in joint ventures**

| Million CHF | 2014 | 2013 |
|---|---|---|
| **Carrying amount of investments in joint ventures** | **372** | **330** |
| | | |
| Net income | 46 | 43 |
| Other comprehensive earnings | 0 | 0 |
| **Total comprehensive earnings** | **46** | **43** |

There are no unrecognized shares of losses, either for the current reporting period or cumulatively, relating to the above joint ventures.

**Joint operation**

| Company | Principal place of business | Ownership interest |
|---|---|---|
| Cement Australia | Australia | 50% |

Cement Australia is a strategic partner of the Group by mainly supplying its shareholders with cement.

On March 28, 2013 the Group disposed of a 25 percent equity interest in Cement Australia to HeidelbergCement and retained a 50 percent equity interest in that company. This transaction resulted in Holcim losing control of Cement Australia and obtaining joint control over that entity. According to IFRS 11 Joint Arrangements it has been classified as a joint operation.

## 24 Property, plant and equipment

| Million CHF | Land | Buildings, installations | Machines | Furniture, vehicles, tools | Construction in progress | Total |
|---|---|---|---|---|---|---|
| 2014 | | | | | | |
| **Net book value as at January 1** | **4,341** | **4,692** | **7,588** | **958** | **2,451** | **20,029** |
| Change in structure | 2 | 0 | (2) | (2) | 0 | (2) |
| Reclassification from assets classified as held for sale | 59 | 143 | 59 | 5 | 0 | 266 |
| Additions | 32 | 42 | 68 | 18 | 1,842 | 2,002 |
| Disposals | (44) | (1) | (14) | (24) | (2) | (86) |
| Reclassifications | 111 | 480 | 909 | 167 | (1,667) | 0 |
| Depreciation | (109) | (290) | (754) | (191) | 0 | (1,344) |
| Impairment loss (charged to statement of income) | (3) | (4) | (6) | 0 | (5) | (19) |
| Currency translation effects | 216 | 88 | 191 | 17 | 52 | 563 |
| **Net book value as at December 31** | **4,605** | **5,149** | **8,040** | **947** | **2,670** | **21,410** |
| | | | | | | |
| At cost of acquisition | 6,066 | 9,436 | 18,092 | 3,102 | 2,749 | 39,445 |
| Accumulated depreciation/impairment | (1,461) | (4,288) | (10,052) | (2,155) | (79) | (18,034) |
| **Net book value as at December 31** | **4,605** | **5,149** | **8,040** | **947** | **2,670** | **21,410** |
| Net asset value of leased property, plant and equipment | 0 | 44 | 29 | 45 | 0 | 117 |
| Of which pledged/restricted | | | | | | 3 |

| Million CHF | Land | Buildings, installations | Machines | Furniture, vehicles, tools | Construction in progress | Total |
|---|---|---|---|---|---|---|
| 2013 | | | | | | |
| **Net book value as at January 1** | **4,834** | **5,377** | **8,635** | **1,131** | **1,815** | **21,791** |
| Change in structure | (100) | (104) | (163) | (26) | (48) | (442) |
| Reclassification to assets classified as held for sale | (77) | (226) | (132) | (17) | (12) | (464) |
| Additions | 29 | 10 | 44 | 17 | 2,147 | 2,247 |
| Disposals | (55) | (19) | (23) | (17) | (2) | (115) |
| Reclassifications | 69 | 285 | 595 | 185 | (1,127) | 6 |
| Depreciation | (108) | (304) | (793) | (216) | 0 | (1,420) |
| Impairment loss (charged to statement of income) | (3) | (16) | (11) | 0 | (10) | (40) |
| Currency translation effects | (249) | (310) | (563) | (100) | (311) | (1,533) |
| **Net book value as at December 31** | **4,341** | **4,692** | **7,588** | **958** | **2,451** | **20,029** |
| | | | | | | |
| At cost of acquisition | 5,522 | 8,299 | 16,879 | 3,022 | 2,543 | 36,265 |
| Accumulated depreciation/impairment | (1,181) | (3,607) | (9,291) | (2,065) | (92) | (16,236) |
| **Net book value as at December 31** | **4,341** | **4,692** | **7,588** | **958** | **2,451** | **20,029** |
| Net asset value of leased property, plant and equipment | 0 | 44 | 34 | 51 | 0 | 128 |
| Of which pledged/restricted | | | | | | 19 |

At December 31, 2014, the fire insurance value of property, plant and equipment amounted to CHF 32,892 million (2013: 30,942). Net gains on sale of property, plant and equipment amounted to CHF 123 million (2013: 90).

In 2014, the impairment loss related mainly to Group region Europe (CHF 7 million), Group region North America (CHF 5 million) and Group region Latin America (CHF 5 million).

In 2013, the impairment loss related mainly to Group region Europe (CHF 11 million in the United Kingdom) and Group region Africa Middle East (CHF 10 million).

In both years, the impairment losses were a consequence of the decrease in demand for construction material in the respective regions and were largely 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 71 million (2013: 69). The fair value of this investment property amounted to CHF 107 million (2013: 107). Rental income related to investment property amounted to CHF 2 million (2013: 2).

## 25 Intangible assets

| Million CHF | Goodwill | Other intangible assets | Total |
|---|---|---|---|
| 2014 | | | |
| **Net book value as at January 1** | **6,881** | **605** | **7,486** |
| Change in structure | (2) | 0 | (2) |
| Reclassification from assets classified as held for sale | 20 | 13 | 33 |
| Additions | 0 | 32 | 33 |
| Disposals | 0 | 0 | 0 |
| Amortization | 0 | (67) | (67) |
| Impairment loss (charged to statement of income) | (1) | 0 | (1) |
| Currency translation effects | 278 | 20 | 297 |
| **Net book value as at December 31** | **7,176** | **603** | **7,779** |
| | | | |
| At cost of acquisition | 7,422 | 1,609 | 9,032 |
| Accumulated amortization/impairment | (247) | (1,006) | (1,253) |
| **Net book value as at December 31** | **7,176** | **603** | **7,779** |
| | | | |
| 2013 | | | |
| **Net book value as at January 1** | **7,386** | **745** | **8,131** |
| Change in structure | (44) | (13) | (57) |
| Reclassification to assets classified as held for sale | (50) | (15) | (64) |
| Additions | 0 | 23 | 23 |
| Disposals | 0 | 0 | 0 |
| Amortization | 0 | (76) | (76) |
| Impairment loss (charged to statement of income) | (5) | (1) | (5) |
| Currency translation effects | (407) | (57) | (465) |
| **Net book value as at December 31** | **6,881** | **605** | **7,486** |
| | | | |
| At cost of acquisition | 7,127 | 1,544 | 8,671 |
| Accumulated amortization/impairment | (246) | (939) | (1,184) |
| **Net book value as at December 31** | **6,881** | **605** | **7,486** |

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

**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 the geographical market, normally country- or region-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 three-year financial planning period approved by management. Cash flows beyond the three-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 three-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 2014**

| Cash generating unit (Million CHF) | Carrying amount of goodwill | Currency | Pre-tax discount rate | Long-term GDP growth rate |
|---|---|---|---|---|
| North America | 1,788 | USD/CAD | 7.1% | 2.4% |
| India | 1,257 | INR | 9.9% | 6.6% |
| United Kingdom | 843 | GBP | 6.8% | 2.8% |
| Central Europe | 510 | CHF/EUR | 6.1% | 1.3% |
| Philippines | 393 | PHP | 9.5% | 5.0% |
| Mexico | 374 | MXN | 8.3% | 4.0% |
| France Benelux | 288 | EUR | 7.1% | 1.6% |
| Australia | 279 | AUD | 7.5% | 2.9% |
| Eastern Europe | 274 | Various | 8.0% | 3.6% |
| Others[1] | 1,170 | Various | 6.7%–28.5% | 1.3%–8.4% |
| **Total** | **7,176** | | | |

**Key assumptions used for value-in-use calculations in respect of goodwill 2013**

| Cash generating unit (Million CHF) | Carrying amount of goodwill | Currency | Pre-tax discount rate | Long-term GDP growth rate |
|---|---|---|---|---|
| North America | 1,647 | USD/CAD | 7.6% | 3.3% |
| India | 1,160 | INR | 13.1% | 6.9% |
| United Kingdom | 805 | GBP | 6.9% | 2.1% |
| Central Europe | 515 | CHF/EUR | 6.0% | 1.9% |
| Philippines | 391 | PHP | 10.2% | 5.5% |
| Mexico | 378 | MXN | 7.8% | 3.3% |
| France Benelux | 293 | EUR | 7.3% | 1.8% |
| Eastern Europe | 290 | Various | 7.2% | 3.3% |
| Australia | 273 | AUD | 8.8% | 3.2% |
| Others[1] | 1,129 | Various | 6.4%–27.8% | 1.3%–7.5% |
| **Total** | **6,881** | | | |

[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 France Benelux, Brazil and Spain (both included in Others above), a reasonably possible change in the pre-tax discount rate of 1 percentage point, and a 1 percentage point change in long-term GDP growth rate in cases where increasing sustainable cash flows were used, would not cause the carrying amount of a cash generating unit or a group of cash generating units to materially exceed its recoverable amount. With the used pre-tax discount rate of 7.1 percent, the impairment test for France Benelux resulted in a recoverable amount exceeding its carrying amount by CHF 91 million. An increase in the pre-tax discount rate to 7.5 percent would result in the recoverable amount of France Benelux to be equal to its carrying amount. With the used pre-tax discount rate of 8.5 percent, the impairment test for Brazil resulted in a recoverable amount exceeding its carrying amount by CHF 215 million. An increase in the pre-tax discount rate to 9.2 percent would result in the recoverable amount of Brazil to be equal to its carrying amount. With the used pre-tax discount rate of 6.8 percent, the impairment test for Spain resulted in a recoverable amount exceeding its carrying amount by CHF 9 million. An increase in the pre-tax discount rate to 7.0 percent would result in the recoverable amount of Spain to be equal to its carrying amount.

## 26 Trade accounts payable

| Million CHF | 2014 | 2013 |
|---|---|---|
| Trade accounts payable – associates and joint ventures | 16 | 13 |
| Trade accounts payable – third parties | 2,085 | 1,921 |
| **Total** | **2,101** | **1,934** |

## 27 Financial liabilities

| Million CHF | 2014 | 2013 |
|---|---|---|
| Current financial liabilities – associates and joint ventures | 16 | 5 |
| Current financial liabilities – third parties | 1,428 | 1,030 |
| Current portion of long-term financial liabilities | 1,056 | 1,884 |
| Derivative liabilities | 3 | 1 |
| **Total current financial liabilities** | **2,502** | **2,920** |
| | | |
| Long-term financial liabilities – associates and joint ventures | 0 | 9 |
| Long-term financial liabilities – third parties | 9,291 | 8,776 |
| Derivative liabilities | 0 | 0 |
| **Total long-term financial liabilities** | **9,291** | **8,785** |
| | | |
| **Total** | **11,793** | **11,705** |
| Of which secured | 84 | 95 |

Details of total financial liabilities

| Million CHF | 2014 | 2013 |
|---|---|---|
| Loans from financial institutions | 2,833 | 1,952 |
| Bonds and private placements | 8,589 | 9,253 |
| Commercial paper notes | 272 | 399 |
| **Total loans and bonds** | **11,694** | **11,604** |
| Obligations under finance leases (note 28) | 96 | 101 |
| Derivative liabilities (note 29) | 3 | 1 |
| **Total** | **11,793** | **11,705** |

“Loans from financial institutions” include amounts due to banks and other financial institutions. Repayment dates vary between one and 16 years (2013: one and 12 years). CHF 1,441 million (2013: 800) is due within one year.

The Group complied with its debt covenants.

Unutilized credit lines totaled CHF 7,105 million (2013: 7,990) at year-end 2014, of which CHF 3,820 million (2013: 4,967) are committed.

**Financial liabilities by currency**

| Currency | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | Million CHF | In % | Interest rate[1] | Million CHF | In % | Interest rate[1] |
| USD | 3,723 | 31.6 | 4.4 | 3,546 | 30.3 | 4.2 |
| CHF | 2,826 | 24.0 | 2.5 | 2,819 | 24.1 | 2.5 |
| EUR | 1,265 | 10.7 | 3.1 | 2,033 | 17.4 | 6.1 |
| AUD | 850 | 7.2 | 4.9 | 701 | 6.0 | 6.0 |
| GBP | 772 | 6.5 | 7.4 | 782 | 6.7 | 7.1 |
| MXN | 506 | 4.3 | 4.5 | 436 | 3.7 | 4.3 |
| CAD | 448 | 3.8 | 3.1 | 482 | 4.1 | 3.1 |
| Others | 1,404 | 11.9 | 5.8 | 906 | 7.7 | 6.3 |
| **Total** | **11,793** | **100.0** | **4.2** | **11,705** | **100.0** | **4.6** |

[1] Weighted average nominal interest rate on financial liabilities at December 31.

**Interest rate structure of total financial liabilities**

| Million CHF | 2014 | 2013 |
|---|---|---|
| Financial liabilities at fixed rates | 6,819 | 6,567 |
| Financial liabilities at floating rates | 4,974 | 5,138 |
| **Total** | **11,793** | **11,705** |

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 168.

**Bonds and private placements as at December 31**

| Nominal value | | Nominal interest rate | Effective interest rate | Term | Description | Net book value in CHF[1] | Net book value in CHF[1] |
|---|---|---|---|---|---|---|---|
| In million | | | | | | 2014 | 2013 |
| **Holcim Ltd** | | | | | | | |
| CHF | 250 | 3.00% | 3.19% | 2006–2015 | Bonds with fixed interest rate | 250 | 250 |
| CHF | 400 | 3.13% | 0.25% | 2007–2017 | Bonds swapped into floating interest rates at inception | 436 | 441 |
| CHF | 450 | 4.00% | 4.19% | 2009–2018 | Bonds with fixed interest rate | 447 | 446 |
| CHF | 475 | 2.38% | 2.64% | 2010–2016 | Bonds with fixed interest rate | 473 | 472 |
| CHF | 450 | 3.00% | 2.97% | 2012–2022 | Bonds with fixed interest rate | 451 | 451 |
| CHF | 250 | 2.00% | 2.03% | 2013–2022 | Bonds with fixed interest rate | 250 | 250 |
| **Aggregate Industries Holdings Limited** | | | | | | | |
| GBP | 163 | 7.25% | 4.38% | 2001–2016 | Bonds, partly swapped into floating interest rates | 269 | 262 |
| **Holcim GB Finance Ltd.** | | | | | | | |
| GBP | 300 | 8.75% | 8.81% | 2009–2017 | Bonds guaranteed by Holcim Ltd | 461 | 441 |
| **Holcim Capital Corporation Ltd.** | | | | | | | |
| USD | 50 | 7.65% | 7.65% | 2001–2031 | Private placement guaranteed by Holcim Ltd | 49 | 44 |
| USD | 65 | 6.59% | | 2002–2014 | Private placement guaranteed by Holcim Ltd | 0 | 58 |
| USD | 100 | 6.59% | | 2002–2014 | Private placement guaranteed by Holcim Ltd | 0 | 89 |
| USD | 250 | 6.88% | 7.28% | 2009–2039 | Bonds guaranteed by Holcim Ltd | 239 | 215 |
| USD | 250 | 6.50% | 6.85% | 2013–2043 | Bonds guaranteed by Holcim Ltd | 240 | 216 |
| **Holcim Capital México, S.A. de C.V.** | | | | | | | |
| MXN | 1,500 | 3.86% | 5.06% | 2012–2015 | Bonds guaranteed by Holcim Ltd, with floating interest rates | 101 | 102 |
| MXN | 800 | 3.98% | 4.80% | 2012–2016 | Bonds guaranteed by Holcim Ltd, with floating interest rates | 54 | 54 |
| MXN | 1,700 | 7.00% | 7.23% | 2012–2019 | Bonds guaranteed by Holcim Ltd | 114 | 115 |
| MXN | 2,000 | 3.68% | 3.93% | 2014–2018 | Bonds guaranteed by Holcim Ltd, with floating interest rates | 134 | 0 |
| **Holcim Capital (Thailand) Ltd.** | | | | | | | |
| THB | 1,220 | 3.52% | 3.62% | 2010–2015 | Bonds guaranteed by Holcim Ltd | 37 | 33 |
| **Holcim Finance (Canada) Inc.** | | | | | | | |
| CAD | 10 | 6.91% | 6.92% | 2002–2017 | Private placement guaranteed by Holcim Ltd | 9 | 8 |
| CAD | 300 | 3.65% | 3.77% | 2012–2018 | Bonds guaranteed by Holcim Ltd | 255 | 250 |
| **Holcim Finance (Luxembourg) S.A.** | | | | | | | |
| EUR | 600 | 4.38% | | 2004–2014 | Bonds guaranteed by Holcim Ltd | 0 | 735 |
| EUR | 650 | 9.00% | | 2009–2014 | Bonds guaranteed by Holcim Ltd | 0 | 797 |
| EUR | 200 | 6.35% | 6.40% | 2009–2017 | Bonds guaranteed by Holcim Ltd | 240 | 245 |
| EUR | 500 | 3.00% | 3.11% | 2014–2024 | Bonds guaranteed by Holcim Ltd | 596 | 0 |
| **Holcim Finance (Australia) Pty Ltd** | | | | | | | |
| AUD | 250 | 7.00% | 7.21% | 2012–2015 | Bonds guaranteed by Holcim Ltd | 203 | 198 |
| AUD | 250 | 6.00% | 6.24% | 2012–2017 | Bonds guaranteed by Holcim Ltd | 202 | 197 |
| AUD | 200 | 5.25% | 5.52% | 2012–2019 | Bonds guaranteed by Holcim Ltd | 161 | 157 |
| **Holcim Overseas Finance Ltd.** | | | | | | | |
| CHF | 425 | 3.38% | 3.42% | 2011–2021 | Bonds guaranteed by Holcim Ltd | 424 | 424 |
| **Subtotal** | | | | | | **6,093** | **6,950** |

[1] Includes adjustments for fair value hedge accounting, where applicable.

| Nominal value | | Nominal interest rate | Effective interest rate | Term | Description | Net book value in CHF[1] | Net book value in CHF[1] |
|---|---|---|---|---|---|---|---|
| In million | | | | | | 2014 | 2013 |
| Subtotal | | | | | | 6,093 | 6,950 |
| **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 | 198 | 178 |
| USD | 125 | 6.10% | 6.14% | 2006–2016 | Private placement guaranteed by Holcim Ltd | 124 | 111 |
| USD | 750 | 6.00% | 6.25% | 2009–2019 | Bonds guaranteed by Holcim Ltd | 734 | 659 |
| EUR | 500 | 2.63% | 2.10% | 2012–2020 | Bonds guaranteed by Holcim Ltd, swapped into USD and floating interest rates at inception | 621 | 594 |
| USD | 500 | 5.15% | 5.30% | 2013–2023 | Bonds guaranteed by Holcim Ltd | 489 | 440 |
| USD | 50 | 4.20% | 4.20% | 2013–2033 | Bonds guaranteed by Holcim Ltd | 49 | 45 |
| **ACC Limited** | | | | | | | |
| INR | 320 | 8.45% | | 2009–2014 | Non-convertible debentures with fixed interest rate | 0 | 5 |
| **Holcim (Costa Rica) S.A.** | | | | | | | |
| CRC | 10,000 | 9.80% | 10.17% | 2010–2015 | Floating rate bonds | 18 | 18 |
| CRC | 8,500 | 8.30% | | 2012–2014 | Floating rate bonds | 0 | 15 |
| CRC | 8,000 | 8.70% | 8.99% | 2014–2016 | Bonds with fixed interest rate | 15 | 0 |
| **Holcim (Maroc) S.A.** | | | | | | | |
| MAD | 1,500 | 5.49% | 5.49% | 2008–2015 | Bonds with fixed interest rate | 164 | 163 |
| **Holcim (US) Inc.** | | | | | | | |
| USD | 33 | 0.08% | 0.08% | 1999–2032 | Industrial revenue bonds – Mobile Dock & Wharf | 33 | 29 |
| USD | 25 | 0.09% | 0.09% | 2003–2033 | Industrial revenue bonds – Holly Hill | 25 | 22 |
| USD | 27 | 0.02% | 0.02% | 2009–2034 | Industrial revenue bonds – Midlothian | 26 | 24 |
| **Total** | | | | | | **8,589** | **9,253** |

[1] Includes adjustments for fair value hedge accounting, where applicable.

## 28 Leases

**Future minimum lease payments**

| | Operating leases | Finance leases | Operating leases | Finance leases |
|---|---|---|---|---|
| Million CHF | 2014 | 2014 | 2013 | 2013 |
| Within 1 year | 121 | 22 | 118 | 25 |
| Within 2 years | 98 | 18 | 90 | 20 |
| Within 3 years | 78 | 16 | 72 | 15 |
| Within 4 years | 57 | 12 | 58 | 15 |
| Within 5 years | 48 | 12 | 47 | 14 |
| Thereafter | 256 | 62 | 301 | 61 |
| **Total** | **657** | **143** | **686** | **150** |
| Interest | | (47) | | (49) |
| **Total finance leases** | | **96** | | **101** |

The total expense for operating leases recognized in the consolidated statement of income in 2014 was CHF 127 million (2013: 123). 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 27). There are no individually significant finance lease agreements.

## 29 Derivative financial instruments

Derivative assets with maturities exceeding one year are included in long-term financial assets (note 22) and derivative assets with maturities less than one year are included in accounts receivable (note 18).

Derivative liabilities are included in financial liabilities (note 27).

**Derivative assets and liabilities**

| Million CHF | Fair value assets 2014 | Fair value liabilities 2014 | Nominal amount 2014 | Fair value assets 2013 | Fair value liabilities 2013 | Nominal amount 2013 |
|---|---|---|---|---|---|---|
| **Fair value hedges** | | | | | | |
| Interest rate | 42 | 0 | 477 | 51 | 0 | 474 |
| Currency | 0 | 0 | 0 | 0 | 0 | 19 |
| Cross-currency | 7 | 0 | 621 | 44 | 0 | 558 |
| **Total fair value hedges** | **50** | **0** | **1,098** | **95** | **0** | **1,050** |
| | | | | | | |
| **Cash flow hedges** | | | | | | |
| Interest rate | 0 | 0 | 5 | 0 | 0 | 73 |
| Currency | 0 | 3 | 181 | 1 | 1 | 33 |
| **Total cash flow hedges** | **0** | **3** | **186** | **1** | **1** | **106** |
| | | | | | | |
| **Net investment hedges** | | | | | | |
| Cross-currency | 0 | 0 | 0 | 6 | 0 | 60 |
| **Total net investment hedges** | **0** | **0** | **0** | **6** | **0** | **60** |
| | | | | | | |
| **Total** | **50** | **3** | **1,283** | **102** | **1** | **1,216** |

## 30 Deferred taxes

| Deferred tax by type of temporary difference | 2014 | 2013 |
|---|---|---|
| Million CHF | | |
| **Deferred tax assets** | | |
| Property, plant and equipment | 22 | 8 |
| Intangible and other long-term assets | 10 | 6 |
| Provisions | 360 | 316 |
| Tax losses carryforward | 913 | 835 |
| Other | 263 | 261 |
| **Total** | **1,568** | **1,426** |
| | | |
| **Deferred tax liabilities** | | |
| Property, plant and equipment | 2,209 | 2,074 |
| Intangible and other long-term assets | 174 | 172 |
| Provisions | 4 | 0 |
| Other | 70 | 78 |
| **Total** | **2,456** | **2,325** |
| | | |
| **Deferred tax liabilities net** | **888** | **898** |
| | | |
| **Reflected in the statement of financial position as follows:** | | |
| Deferred tax assets | (527) | (391) |
| Deferred tax liabilities | 1,415 | 1,290 |
| **Deferred tax liabilities net** | **888** | **898** |

**Temporary differences for which no deferred tax is recognized**

| Million CHF | 2014 | 2013 |
|---|---|---|
| On unremitted earnings of subsidiary companies (taxable temporary difference) | 9,465 | 8,729 |

**Tax losses carryforward**

| | Losses carry-forward 2014 | Tax effect 2014 | Losses carry-forward 2013 | Tax effect 2013 |
|---|---|---|---|---|
| Million CHF | | | | |
| **Total tax losses carryforward** | **4,725** | **1,428** | **4,302** | **1,188** |
| Of which reflected in deferred taxes | (2,861) | (913) | (2,749) | (835) |
| **Total tax losses carryforward not recognized** | **1,864** | **516** | **1,554** | **353** |
| Expiring as follows: | | | | |
| 1 year | 9 | 2 | 1 | 0 |
| 2 years | 17 | 5 | 4 | 1 |
| 3 years | 64 | 15 | 47 | 12 |
| 4 years | 39 | 9 | 15 | 4 |
| 5 years | 26 | 6 | 7 | 2 |
| Thereafter | 1,709 | 479 | 1,480 | 334 |

The increase in total tax losses carryforward not recognized relates largely to Holcim Spain which was classified as held for sale in 2013 and which has been reclassified as per December 31, 2014, back to the respective balance sheet positions (note 21).

## 31 Provisions

| | Site restoration and other environmental provisions | Specific business risks | Other provisions | Total 2014 | Total 2013 |
|---|---|---|---|---|---|
| Million CHF | | | | | |
| **January 1** | **719** | **136** | **445** | **1,301** | **1,459** |
| Change in structure | 0 | 0 | 0 | 0 | (27) |
| Reclassification from (to) liabilities directly associated with assets held for sale | 21 | 25 | 2 | 49 | (51) |
| Provisions recognized | 53 | 41 | 233 | 327 | 351 |
| Provisions used during the year | (59) | (30) | (187) | (275) | (258) |
| Provisions reversed during the year | (36) | (37) | (70) | (142) | (119) |
| Unwinding of discount and discount rate changes | 21 | 1 | 0 | 22 | 21 |
| Currency translation effects | 23 | (1) | 11 | 33 | (75) |
| **December 31** | **742** | **136** | **435** | **1,314** | **1,301** |
| Of which short-term provisions | 75 | 11 | 147 | 234 | 224 |
| Of which long-term provisions | 667 | 125 | 288 | 1,080 | 1,077 |

Site restoration and other environmental provisions represent the Group's legal or constructive obligations of restoring a site. The timing of cash outflows of these provisions 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 litigation mainly relate to antitrust investigations, product liability as well as tax claims and are set up to cover legal and administrative proceedings. Total provisions for litigations amounted to CHF 85 million (2013: 71) on December 31. In 2014, it included several provisions for risks related to income taxes and other taxes of CHF 30 million (2013: 32). 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 51 million (2013: 65) 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 these items is extremely manifold and comprises, as of December 31, among other things: provisions for various severance payments to employees of CHF 30 million (2013: 27), provisions for performance related compensation payments of CHF 58 million (2013: 51), provisions for contingent liabilities arising from business combinations of CHF 17 million (2013: 18), provisions related to sales and other taxes of CHF 12 million (2013: 10) and provisions for health insurance and pension schemes, which do not qualify as benefit obligations, of CHF 7 million (2013: 9). The expected timing of the future cash outflows is uncertain.

## 32 Employee benefits

| Personnel expenses | 2014 | 2013 |
|---|---|---|
| Million CHF | | |
| Production and distribution | 2,377 | 2,493 |
| Marketing and sales | 368 | 377 |
| Administration | 793 | 782 |
| **Total** | **3,538** | **3,653** |

**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 3,538 million (2013: 3,653). As of December 31, 2014, the Group employed 67,584 people (2013: 70,857).

**Defined benefit pension plans**

The Group's main defined benefit pension plans are in Switzerland, the United Kingdom and in North America and are funded through legally separate trustee administered funds. The cash funding of these plans, which may from time to time involve special payments, is designed to ensure that present and future contributions should be sufficient to meet future liabilities.

**Switzerland**

The Swiss pension plans of Swiss companies contain a cash balance benefit formula, accounted for as a defined benefit plan. Employer and employee contributions are defined in the pension fund rules in terms of an age related sliding scale of percentages of salary. Under Swiss law, the pension fund guarantees the vested benefit amount as confirmed annually to members. Interest may be added to member balances at the discretion of the Board of Trustees. At retirement date, members have the right to take their retirement benefit as a lump sum, an annuity or part as a lump sum with the balance converted to a fixed annuity at the rates defined in the fund rules. The Board of Trustees may increase the annuity at their discretion subject to the plan's funded status including sufficient free funds as determined according to Swiss statutory valuation rules. The Swiss pension plans fulfill the requirements of the regulatory framework which requires a minimum level of benefits.

The trustees invest in a diversified range of assets. The investment strategy takes into account the pension fund's tolerance to risk as well as the funding needs (minimum investment return necessary to stabilize the coverage ratio in the long run).

No material plan amendment, curtailment or settlement has occurred during the year.

**United Kingdom (UK)**

The companies operate several defined benefit pension plans in the UK, under which pensions payable to employees depend on final salary and length of service. Active members of these plans pay a contribution as a percentage of pensionable salary, and the companies meet the balance of the cost of providing the benefits. All of these plans are closed to new entrants, and the companies operate defined contribution plans which employees who are not members of a defined benefit plan are eligible to join.

The companies' UK defined benefit pension plans are registered schemes under UK tax law, and in each case the assets are held in a trust and managed by trustees separate from the company. In accordance with UK legislation, the trustees of each plan undertake an actuarial valuation at least once every three years. After each valuation, the company and the trustees agree on the contributions required to be made to the relevant plan. These contributions are determined based on certain assumptions including the returns which will be achieved on the plans' investments and the longevity of plan members. To the extent that the assumptions are not borne out in practice, there is a risk that future contributions from the companies will be higher than anticipated. The trustees invest in a diversified range of assets including insurance policies, thereby reducing the potential risks.

The companies and trustees agree a contribution schedule for the defined benefit pension plans in accordance with an actuarial valuation for funding purposes. This contribution schedule is revised following these actuarial valuations.

No material plan amendment or curtailment has occurred during the year. In 2013, a defined benefit plan was transferred to an insurance company. The plan liabilities transferred, which equaled the plan assets, amounted to CHF 115 million and no settlement gain or loss was recognized. As a result of this transaction, all future benefits will be paid out by the insurance company to the respective employees concerned.

**North America (United States and Canada)**
The companies operate defined contribution plans for existing and new employees and a number of defined benefit pension plans. Some defined benefit pension plans have been closed to new entrants and were frozen to future accruals. Active employees participate in defined contribution or defined benefit plans. The defined benefit pension plans have been based or are based on the average final salary.

The companies must contribute a minimum amount to the defined benefit pension plans annually which is determined actuarially and is comprised of service costs as well as payment toward any existing deficits. For plans that are currently closed, there will generally be no service component in the future. Employer contributions toward the defined contribution plan are made either monthly or quarterly and are based on a percentage of covered payroll.

The pension committees of the various companies are responsible for operating the defined benefit plans in compliance with existing regulations and for the management of plan assets.

The plans hold a large percentage of plan assets in equity investments. To the extent that equity performance is volatile in the future, the required employer contributions would also experience similar volatility in the future. The companies assume and are responsible for the management of all risks associated with the defined benefit pension plans, including investment risks, interest rate risks and longevity risks. These risks are not considered significant to the various companies as a whole.

The plan assets are invested in a diversified range of assets. The assets in the United States include a certain proportion which hedge the liability swings against interest rate movements, with those assets primarily invested in fixed income investments, particularly intermediate and longer term instruments.

The companies in the United States intend to pay the minimum required contributions as prescribed under Internal Revenue Service (IRS) regulations in addition to voluntary amounts in order to achieve and maintain an IRS funded status of at least 80%. However, for the Canadian plans, the companies intend to pay at least the minimum amount prescribed by the Ontario Pension Benefits Act.

No material plan amendment, curtailment or settlement has occurred during the year.

**Other post-employment benefit plans**
The Group operates a number of other post-employment benefit plans. A number of these plans are not externally funded, but are covered by provisions in the statement of financial position of the respective companies.

**Status of the Group's defined benefit plans**
The status of the Group's defined benefit plans using actuarial assumptions determined in accordance with IAS 19 Employee Benefits is summarized below. The tables provide reconciliations of defined benefit obligations, plan assets and the funded status for the defined benefit pension plans to the amounts recognized in the statement of financial position.

**Reconciliation of retirement benefit plans to the statement of financial position**

| Million CHF | 2014 | 2013 |
|---|---|---|
| Net liability arising from defined benefit pension plans | 774 | 587 |
| Net liability arising from other post-employment benefit plans | 81 | 64 |
| **Net liability** | **854** | **651** |
| | | |
| **Reflected in the statement of financial position as follows:** | | |
| Other long-term assets | (8) | (4) |
| Defined benefit obligations | 863 | 655 |
| **Net liability** | **854** | **651** |

**Retirement benefit plans**

| | Defined benefit pension plans | | Other post-employment benefit plans | |
|---|---|---|---|---|
| Million CHF | 2014 | 2013 | 2014 | 2013 |
| **Present value of funded obligations** | **3,454** | **2,976** | **0** | **0** |
| Fair value of plan assets | (2,942) | (2,628) | 0 | 0 |
| **Plan deficit of funded obligations** | **512** | **348** | **0** | **0** |
| Present value of unfunded obligations | 262 | 239 | 81 | 64 |
| **Net liability from funded and unfunded plans** | **774** | **587** | **81** | **64** |
| Of which: | | | | |
| Switzerland | 201 | 117 | 0 | 0 |
| United Kingdom | 162 | 109 | 0 | 0 |
| North America (United States and Canada) | 72 | 55 | 59 | 51 |
| Rest of world | 339 | 305 | 22 | 13 |
| | | | | |
| **Costs recognized in the statement of income are as follows:** | | | | |
| Current service costs | 84 | 91 | 2 | 2 |
| Past service costs (including curtailments) | 0 | (14) | 3 | (3) |
| (Gains) losses on settlements | (1) | 4 | 2 | 0 |
| Net interest expense | 23 | 28 | 3 | 3 |
| Others | 1 | 1 | 0 | 0 |
| **Total (included in personnel expenses)** | **107** | **110** | **10** | **2** |
| Of which: | | | | |
| Switzerland | 41 | 43 | 0 | 0 |
| United Kingdom | 16 | 16 | 0 | 0 |
| North America (United States and Canada) | 17 | 23 | 3 | 4 |
| Rest of world | 33 | 28 | 7 | (1) |
| | | | | |
| **Amounts recognized in other comprehensive earnings:** | | | | |
| Actuarial gains (losses) arising from changes in demographic assumptions | 26 | (21) | (3) | 6 |
| Actuarial gains (losses) arising from changes in financial assumptions | (418) | 99 | (5) | 5 |
| Actuarial gains (losses) arising from experience adjustments | 32 | (35) | 3 | 7 |
| Return on plan assets excluding interest income | 165 | 155 | 0 | 0 |
| **Total recorded in other comprehensive earnings** | **(195)** | **198** | **(5)** | **18** |
| Of which: | | | | |
| Switzerland | (80) | 98 | 0 | 0 |
| United Kingdom | (44) | 30 | 0 | 0 |
| North America (United States and Canada) | (30) | 71 | (3) | 16 |
| Rest of world | (41) | 0 | (2) | 2 |

**Retirement benefit plans**

| | Defined benefit pension plans | | Other post-employment benefit plans | |
|---|---|---|---|---|
| Million CHF | 2014 | 2013 | 2014 | 2013 |
| **Present value of funded and unfunded obligations** | | | | |
| Opening balance as per January 1 | 3,214 | 3,445 | 64 | 83 |
| Current service costs | 84 | 91 | 2 | 2 |
| Interest expense | 117 | 108 | 3 | 3 |
| Contribution by the employees | 20 | 21 | 0 | 0 |
| Actuarial (gains) losses | 360 | (43) | 5 | (18) |
| Benefits paid | (165) | (204) | (5) | (3) |
| Past service costs (including curtailments) | 0 | (14) | 3 | (3) |
| Change in structure | 0 | (13) | 0 | 3 |
| Settlements | (5) | (112) | 2 | 0 |
| Currency translation effects | 89 | (65) | 6 | (2) |
| **Closing balance as per December 31** | **3,715** | **3,214** | **81** | **64** |
| Of which: | | | | |
| Switzerland | 1,627 | 1,420 | 0 | 0 |
| United Kingdom | 957 | 821 | 0 | 0 |
| North America (United States and Canada) | 609 | 511 | 59 | 51 |
| Rest of world | 522 | 463 | 22 | 13 |
| | | | | |
| **Fair value of plan assets** | | | | |
| Opening balance as per January 1 | 2,628 | 2,631 | 0 | 0 |
| Interest income | 94 | 80 | 0 | 0 |
| Return on plan assets excluding interest income | 165 | 155 | 0 | 0 |
| Contribution by the employer | 106 | 109 | 4 | 3 |
| Contribution by the employees | 20 | 21 | 0 | 0 |
| Benefits paid | (142) | (190) | (4) | (3) |
| Change in structure | 0 | (13) | 0 | 0 |
| Settlements | (3) | (116) | 0 | 0 |
| Currency translation effects | 74 | (49) | 0 | 0 |
| **Closing balance as per December 31** | **2,942** | **2,628** | **0** | **0** |
| Of which: | | | | |
| Switzerland | 1,427 | 1,302 | 0 | 0 |
| United Kingdom | 795 | 712 | 0 | 0 |
| North America (United States and Canada) | 537 | 456 | 0 | 0 |
| Rest of world | 183 | 158 | 0 | 0 |

**Retirement benefit plans**

| | Defined benefit pension plans | |
|---|---|---|
| Million CHF | 2014 | 2013 |
| **Plan assets based on quoted market prices:** | | |
| Cash and cash equivalents | 113 | 92 |
| Equity instruments of Holcim Ltd or subsidiaries | 2 | 2 |
| Equity instruments of third parties | 979 | 934 |
| Debt instruments of Holcim Ltd or subsidiaries | 5 | 8 |
| Debt instruments of third parties | 716 | 637 |
| Land and buildings occupied or used by third parties | 373 | 358 |
| Derivatives | 26 | 15 |
| Investment funds | 102 | 88 |
| Asset-backed securities | 2 | 9 |
| Structured debt | 42 | 28 |
| **Plan assets based on non-quoted prices:** | | |
| Equity instruments of third parties | 47 | 25 |
| Debt instruments of Holcim Ltd or subsidiaries | 4 | 5 |
| Debt instruments of third parties | 59 | 25 |
| Land and buildings occupied or used by Holcim Ltd or subsidiaries | 0 | 1 |
| Land and buildings occupied or used by third parties | 26 | 25 |
| Derivatives | 7 | 6 |
| Investment funds | 54 | 35 |
| Structured debt | 3 | 3 |
| Others | 382 | 332 |
| **Total plan assets at fair value** | **2,942** | **2,628** |
| | | |
| **Effect of asset ceiling** | | |
| Opening balance as per January 1 | 0 | 1 |
| Interest expense or (income) | 0 | 0 |
| Change in effect of asset ceiling excluding interest (income) expense | 0 | (1) |
| **Closing balance as per December 31** | **0** | **0** |

**Principal actuarial assumptions (weighted average) used at the end of the reporting period for defined benefit pension plans**

| | Total Group | | Switzerland | | United Kingdom | | North America | |
|---|---|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Discount rate in % | 2.7% | 3.6% | 1.2% | 2.4% | 3.5% | 4.6% | 4.0% | 4.6% |
| Expected salary increases in % | 2.5% | 2.7% | 1.2% | 1.7% | 2.9% | 3.2% | 3.6% | 3.5% |
| Life expectancy in years after the age of 65 | 21.4 | 21.8 | 21.9 | 22.5 | 22.0 | 22.0 | 20.4 | 20.5 |

**Weighted average duration of defined benefit pension plans**

| Duration of the defined benefit obligation | Total Group | | Switzerland | | United Kingdom | | North America | |
|---|---|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Weighted average duration in years | 13.8 | 12.9 | 13.5 | 11.5 | 17.0 | 17.0 | 11.8 | 11.8 |

**Sensitivity analysis as per December 31, 2014 on defined benefit pension plans**

| Impact on the defined benefit obligation | Total Group | | Switzerland | | United Kingdom | | North America | |
|---|---|---|---|---|---|---|---|---|
| Million CHF | Increase | Decrease | Increase | Decrease | Increase | Decrease | Increase | Decrease |
| Discount rate (1% point change) | (444) | 552 | (196) | 242 | (135) | 174 | (62) | 77 |
| Expected salary increases (1% point change) | 104 | (90) | 22 | (20) | 26 | (23) | 16 | (12) |
| Life expectancy in years after the age of 65 (1 year change) | 109 | (116) | 48 | (58) | 35 | (33) | 12 | (12) |

**Sensitivity analysis as per December 31, 2013 on defined benefit pension plans**

| Impact on the defined benefit obligation | Total Group | | Switzerland | | United Kingdom | | North America | |
|---|---|---|---|---|---|---|---|---|
| Million CHF | Increase | Decrease | Increase | Decrease | Increase | Decrease | Increase | Decrease |
| Discount rate (1% point change) | (363) | 446 | (148) | 177 | (119) | 154 | (55) | 65 |
| Expected salary increases (1% point change) | 92 | (74) | 21 | (17) | 22 | (19) | 15 | (12) |
| Life expectancy in years after the age of 65 (1 year change) | 87 | (97) | 36 | (45) | 27 | (27) | 11 | (11) |

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 106 million (2013: 105), of which CHF 34 million (2013: 33) related to Switzerland, CHF 14 million (2013: 14) related to the United Kingdom and CHF 36 million (2013: 37) related to North America.

## 33 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 5.2 million in 2014 (2013: 4.4).

### 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 5.6 million in 2014 (2013: 4.5).

### Senior management share plans

Part of the variable, performance-related compensation of senior management is paid in Holcim shares, which are granted based on the market price of the share in the following year. The shares cannot be sold nor pledged by the employee for the next five years. The total expense arising from these share plans amounted to CHF 2.2 million in 2014 (2013: 2.3).

### 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, that 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 120).

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] 2014 | Number[1] 2013 |
|---|---|---|---|---|
| **January 1** | **CHF** | **68.65** | **1,461,609** | **1,550,131** |
| Granted and vested (individual component of variable compensation) | CHF | 69.15 | 99,532 | 122,770 |
| Granted and vested (single allotment) | CHF | 71.50 | 33,550 | 11,183 |
| Forfeited | | | 0 | 5,083 |
| Exercised | CHF | 76.90 | 182,490 | 183,842 |
| Lapsed | CHF | 77.01 | 252,733 | 33,550 |
| **December 31** | **CHF** | **68.85** | **1,159,468** | **1,461,609** |
| Of which exercisable at the end of the year | | | 511,239 | 796,699 |

[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] | Number[1] |
|---|---|---|---|---|
| | | | 2014 | 2013 |
| 2002 | 2014 | CHF 67.15 | 0 | 122,737 |
| 2003 | 2015[2] | CHF 67.15 | 0 | 33,550 |
| 2004 | 2016[2] | CHF 67.15 | 23,550 | 33,550 |
| 2005 | 2014[2] | CHF 74.54 | 0 | 71,423 |
| 2006 | 2014 | CHF 100.69 | 0 | 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 | 33,550 | 33,550 |
| 2009 | 2017 | CHF 38.26 | 153,482 | 224,478 |
| 2010 | 2018 | CHF 71.15 | 99,493 | 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 | 113,957 | 149,763 |
| 2011 | 2023 | CHF 71.50 | 67,100 | 67,100 |
| 2012 | 2020 | CHF 58.50 | 179,894 | 179,894 |
| 2012 | 2024 | CHF 67.15 | 33,550 | 33,550 |
| 2013 | 2021 | CHF 71.90 | 122,770 | 122,770 |
| 2013 | 2025 | CHF 71.50 | 11,183 | 11,183 |
| 2014 | 2022 | CHF 69.15 | 99,532 | 0 |
| 2014 | 2026 | CHF 71.50 | 33,550 | 0 |
| **Total** | | | **1,159,468** | **1,461,609** |

[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.

In 2014, options exercised resulted in 182,490 shares (2013: 183,842) being issued at a weighted average share price of CHF 76.90 (2013: 72.52).

The fair value of options granted for the year 2014 using the Black Scholes valuation model is CHF 14.44 (2013: 18.26). The significant inputs into the model are the share price and an exercise price of CHF 72.05 (2013: 69.15) at the date of grant, an expected volatility of 28.0 percent (2013: 33.5), an expected option life of 6 years (2013: 6), a dividend yield of 1.80 percent (2013: 1.70) and an annual risk-free interest rate of -0.3 percent (2013: 0.4). 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 granting of options based on the individual component of variable compensation amounted to CHF 2.0 million in 2014 (2013: 2.0).

## 34 Construction contracts

| Million CHF | 2014 | 2013 |
|---|---|---|
| **Contract revenue recognized during the year** | **1,130** | **1,072** |
| | | |
| Contract costs incurred and recognized profits (less recognized losses) to date | 2,350 | 2,923 |
| Progress billings to date | (2,316) | (2,925) |
| **Due from (to) contract customers at the end of the reporting period** | **34** | **(2)** |
| Of which: | | |
| Due from customers for contract work | 69 | 31 |
| Due to customers for contract work | (35) | (34) |

## 35 Details of shares

| Number of registered shares | | |
|---|---|---|
| December 31 | 2014 | 2013 |
| **Total outstanding shares** | **325,867,037** | **325,563,866** |
| | | |
| **Treasury shares** | | |
| Reserved for call options | 1,159,468 | 1,461,609 |
| Unreserved | 59,871 | 60,901 |
| **Total treasury shares** | **1,219,339** | **1,522,510** |
| | | |
| **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 |
| **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 (2013: 654) and the treasury shares amount to CHF 82 million (2013: 102).

## 36 Non-controlling interest

Holcim has two Group companies with material non-controlling interests. Information regarding these subsidiaries is as follows:

**Material non-controlling interest**

| Company | Principal place of business | Non-controlling interest[1] | | Net income[2] | | Total equity[2] | | Dividends paid to non-controlling interest | |
|---|---|---|---|---|---|---|---|---|---|
| Million CHF | | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| ACC Limited | India | 49.7% | 49.7% | 79 | 76 | 771 | 679 | 48 | 44 |
| Ambuja Cements Ltd. | India | 49.6% | 49.5% | 97 | 90 | 949 | 818 | 46 | 44 |

[1] The non-controlling interest of ACC Limited and Ambuja Cements Ltd. represents the ownership interests, which is equal to the voting rights in these two companies.
[2] Attributable to non-controlling interest.

Set out below is the summarized financial information relating to ACC Limited and Ambuja Cements Ltd. before intercompany eliminations.

**Statement of financial position**

| | ACC Limited | | Ambuja Cements Ltd. | |
|---|---|---|---|---|
| Million CHF | 2014 | 2013 | 2014 | 2013 |
| Current assets | 598 | 634 | 942 | 802 |
| Long-term assets | 1,677 | 1,375 | 1,562 | 1,396 |
| **Total assets** | **2,275** | **2,009** | **2,504** | **2,198** |
| | | | | |
| Current liabilities | 472 | 358 | 379 | 344 |
| Long-term liabilities | 252 | 285 | 216 | 203 |
| **Total liabilities** | **724** | **643** | **595** | **546** |
| | | | | |
| **Net assets** | **1,551** | **1,366** | **1,909** | **1,651** |

**Statement of income**

| Million CHF | 2014 | 2013 | 2014 | 2013 |
|---|---|---|---|---|
| **Net sales** | **1,714** | **1,732** | **1,479** | **1,437** |
| | | | | |
| **Net income** | **158** | **153** | **195** | **182** |

**Statement of cash flows**

| Million CHF | 2014 | 2013 | 2014 | 2013 |
|---|---|---|---|---|
| **Cashflow from operating activities** | **225** | **208** | **290** | **244** |
| | | | | |
| **(De)Increase in cash and cash equivalents** | **(141)** | **(101)** | **72** | **20** |

## 37 Contingencies, guarantees and commitments

**Contingencies**

In the ordinary course of business, the Group is involved in lawsuits, claims of various natures, investigations and proceedings, including product liability, commercial, environmental, health and safety matters, etc. 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.

At December 31, 2014, the Group's contingencies amounted to CHF 1,037 million (2013: 779), which included contingencies of CHF 362 million (2013: 333) from ACC Limited and Ambuja Cements Ltd. and of CHF 190 million from Holcim Brazil. It is possible, but not probable, that the respective legal cases will result in future liabilities.

The Competition Commission of India issued an order dated June 20, 2012, imposing a penalty of CHF 362 million (INR 23,119 million) on ACC Limited and Ambuja Cements Ltd. concerning an alleged breach of competition law by certain cement manufacturers in India. The two Indian Holcim Group companies contest the allegation and have filed an appeal against the order before the appropriate authority, which is pending a decision. As per the order, a total deposit of 10% of the penalty amounts has been placed with a financial institution by both Holcim Group companies with a lien in favor of the Competition Appellate Tribunal. Based on the advice of external legal counsel, Holcim believes that it has good grounds for appeal. Accordingly, no provision has been recognized in the statement of financial position.

On May 28, 2014, the Administrative Council for Economic Defense (CADE) has ruled an order including fines against several Brazilian cement companies. This also applies to Holcim Brazil, which has been fined CHF 190 million (BRL 508 million). The order relates to the competition law proceedings started in 2006 which aimed at investigating the conduct of several of the leading cement producers in Brazil. In the context of the proceeding, Holcim Brazil has always supplied all information requested. The company reinforces that it acts lawfully and in accordance with fair competition rules and practices. Holcim Brazil will pursue all available legal steps to defend its position. Accordingly, no provision has been recognized in the statement of financial position.

There are no further single matters pending that the Group expects to be material in relation to the Group's business, financial position or results of operations.

**Guarantees**

At December 31, 2014, guarantees issued in the ordinary course of business amounted to CHF 386 million (2013: 411).

**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 for the Group to make offers or receive call or put options in connection with such acquisitions and divestitures.

At December 31, 2014, the Group's commitments amounted to CHF 1,351 million (2013: 1,284), of which CHF 543 million (2013: 759) related to the purchase of property, plant and equipment.

On November 7, 2014, Group Holcim signed a Share and Loan Purchase Agreement where it agreed to purchase an additional 15% interest in United Cement Company of Nigeria Ltd ("Unicem") and also agreed to purchase shareholder loans to Unicem in 2015. The total estimate of the financial commitment relating to these transactions amounts to CHF 146 million (USD 148 million).

## 38 Monetary net current assets by currency

| Million CHF | Cash and cash equivalents | Accounts receivable | Trade accounts payable | Current financial liabilities | Other current liabilities[1] | Total 2014 | Total 2013 |
|---|---|---|---|---|---|---|---|
| CHF | 172 | 130 | 53 | 337 | 239 | (327) | (84) |
| USD | 349 | 420 | 429 | 491 | 311 | (462) | (638) |
| EUR | 111 | 534 | 313 | 264 | 305 | (237) | (1,835) |
| GBP | 59 | 343 | 351 | 29 | 167 | (145) | (161) |
| AUD | 99 | 226 | 98 | 351 | 170 | (294) | (43) |
| CAD | 38 | 152 | 159 | 85 | 69 | (123) | (78) |
| IDR | 12 | 71 | 82 | 68 | 59 | (126) | (30) |
| INR | 965 | 187 | 184 | 114 | 542 | 312 | 428 |
| MAD | 8 | 84 | 41 | 217 | 53 | (219) | 57 |
| MXN | 19 | 108 | 42 | 138 | 97 | (150) | (172) |
| PHP | 108 | 49 | 55 | 35 | 55 | 12 | 61 |
| Others | 209 | 391 | 294 | 373 | 253 | (320) | (201) |
| **Total** | **2,149** | **2,695** | **2,101** | **2,502** | **2,320** | **(2,079)** | **(2,696)** |

[1] Beside "Other current liabilities", this position includes as well "Current income tax liabilities", "Short-term provisions" and "Liabilities directly associated with assets classified as held for sale".

## 39 Cash flow from investing activities

| Million CHF | 2014 | 2013 |
|---|---|---|
| **Purchase of property, plant and equipment net** | | |
| Replacements | (947) | (923) |
| Proceeds from sale of property, plant and equipment | 209 | 205 |
| **Capital expenditures on property, plant and equipment to maintain productive capacity and to secure competitiveness** | **(738)** | **(719)** |
| Expansion investments | (1,020) | (1,282) |
| **Total purchase of property, plant and equipment net (A)** | **(1,759)** | **(2,000)** |
| | | |
| **Acquisition of participation in Group companies (net of cash and cash equivalents acquired)[1]** | **(2)** | **(8)** |
| | | |
| **Disposal of participation in Group companies (net of cash and cash equivalents disposed of)[1]** | **36** | **407** |
| | | |
| **Purchase of financial assets, intangible and other assets** | | |
| Increase in financial investments including associates and joint ventures | (4) | (23) |
| Increase in other financial assets, intangible and other assets | (296) | (240) |
| **Total purchase of financial assets, intangible and other assets** | **(300)** | **(263)** |
| | | |
| **Disposal of financial assets, intangible and other assets** | | |
| Decrease in financial investments including associates and joint ventures | 46 | 11 |
| Decrease in other financial assets, intangible and other assets | 254 | 188 |
| **Total disposal of financial assets, intangible and other assets** | **300** | **199** |
| | | |
| **Total disposal (purchase) of financial assets, intangible and other assets and businesses net (B)** | **35** | **336** |
| | | |
| **Total cash flow from investing activities (A + B)** | **(1,724)** | **(1,665)** |

[1] Including goodwill.

**Cash flow from acquisitions and disposals of Group companies**

| | Acquisitions | | Disposals | |
|---|---|---|---|---|
| Million CHF | 2014 | 2013 | 2014 | 2013 |
| Current assets | 0 | (9) | 2 | 124 |
| Property, plant and equipment | (2) | (7) | 4 | 450 |
| Other assets | 0 | 0 | 0 | 30 |
| Current liabilities | 0 | 6 | 0 | (254) |
| Long-term provisions | 0 | 0 | 0 | (27) |
| Other long-term liabilities | 0 | 1 | 0 | (26) |
| **Net assets** | **(2)** | **(9)** | **6** | **298** |
| Non-controlling interest | 0 | 0 | (1) | (98) |
| **Net assets (acquired) disposed** | **(2)** | **(9)** | **5** | **201** |
| Goodwill (acquired) disposed | 0 | (4) | 2 | 48 |
| Fair value of previously held (retained) equity interest | 0 | 1 | 0 | 0 |
| Net gain (loss) on disposals | 0 | 0 | 32 | 156 |
| **Total (purchase) disposal consideration** | **(2)** | **(12)** | **39** | **405** |
| Acquired (disposed) cash and cash equivalents | 0 | 1 | 0 | 2 |
| Payables and loan notes | 0 | 4 | (2) | 0 |
| **Net cash flow** | **(2)** | **(8)** | **36** | **407** |

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

### Key management compensation

#### Board of Directors

In 2014, twelve non-executive members of the Board of Directors received a total remuneration of CHF 3.7 million (2013: 3.4) in the form of short-term employee benefits of CHF 2.3 million (2013: 2.2), post-employment benefits of CHF 0.1 million (2013: 0.1), share-based payments of CHF 1.0 million (2013: 0.9) and other compensation of CHF 0.2 million (2013: 0.2).

#### Senior management

The total annual compensation for the 16 members of senior management (including CEO) amounted to CHF 32.3 million (2013: 25.9). This amount comprises of base salary and variable cash compensation of CHF 19.6 million (2013: 15.1), share-based compensations of CHF 5.0 million (2013: 3.7), employer contributions to pension plans of CHF 7.2 million (2013: 6.6) and "Others" compensation of CHF 0.5 million (2013: 0.5). 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).

### Compensation for former members of governing bodies

In the year under review, compensation in the amount of CHF 3.5 million (2013: 2.8) was paid to six (2013: ten) former members of senior management.

### Loans

As at December 31, 2014, and December 31, 2013, there were no loans outstanding, to members of the Board of Directors and members of senior management.

### Other transactions

As part of the employee share purchase plan, Holcim manages employees' shares. It sells and purchases Holcim Ltd shares to and from employees and on the open market. In this context, the company purchased Holcim Ltd shares of CHF 0.1 million (2013: 0.1) at the 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 Other information

On April 7, 2014, Holcim Ltd and Lafarge S.A. announced their intention to combine the two companies through a merger. The proposed combination would be structured as a public offer filed by Holcim for all outstanding shares of Lafarge on the basis of a 1 for 1 exchange ratio. The combination is conditional upon, amongst other things, execution of definitive documentation, obtaining required approvals from the relevant regulatory authorities and other customary authorizations and approval of the shareholders of Holcim Ltd and is expected to be completed by the end of the first half of 2015. In 2014, Holcim has incurred merger costs of CHF 77 million.

Holcim and Lafarge have completed all necessary notifications with regulatory authorities worldwide. On December 15, 2014, Holcim and Lafarge received clearance from the European Commission for their proposed merger.

As part of the proposed merger, Holcim and Lafarge announced on February 2, 2015, that they have entered exclusive negotiations, further to a binding commitment made by CRH, regarding the sale of several assets.

## 42 Events after the reporting period

On January 15, 2015, the Swiss National Bank announced to abandon its cap on the Swiss franc against the Euro. As of this date, the major currencies relevant for Group Holcim (EUR and USD) devalued considerably against the Swiss franc. However, the event described had no impact on the Group's financial statements for the year ended December 31, 2014.

## 43 Authorization of the financial statements for issuance

The consolidated financial statements were authorized for issuance by the Board of Directors of Holcim Ltd on February 20, 2015, and are subject to shareholder approval at the annual general meeting of shareholders scheduled for April 13, 2015.

## Principal companies of the Holcim Group

| Region | Company | Place | Nominal share capital in 000 | | Participation (voting right) |
|---|---|---|---|---|---|
| **Asia Pacific** | ACC Limited | India | INR | 1,879,518 | 50.3% |
| | Ambuja Cements Ltd. | India | INR | 3,099,492 | 50.4% |
| | Holcim (Lanka) Ltd | Sri Lanka | LKR | 2,858,021 | 98.9% |
| | Holcim Cement (Bangladesh) Ltd. | Bangladesh | BDT | 8,824 | 74.2% |
| | Holcim (Malaysia) Sdn Bhd | Malaysia | MYR | 10,450 | 100.0% |
| | Holcim (Singapore) 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 | 85.8% |
| | Cement Australia Holdings Pty Ltd[1] | Australia | AUD | 390,740 | 50.0% |
| | Holcim (Australia) Holdings Pty Ltd | Australia | AUD | 1,413,929 | 100.0% |
| | Holcim (New Zealand) Ltd | New Zealand | NZD | 22,004 | 100.0% |
| **Latin America** | Holcim Mexico 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 | 95.2% |
| | Holcim (Costa Rica) S.A. | Costa Rica | CRC | 8,577,371 | 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 | 455,259 | 99.9% |
| | Holcim (Argentina) S.A. | Argentina | ARS | 352,057 | 79.6% |
| | Cemento Polpaico S.A. | Chile | CLP | 7,675,262 | 54.3% |
| **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 | 177,772 | 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 | 100.0% |
| | Holcim (Süddeutschland) GmbH | Germany | EUR | 6,450 | 100.0% |
| | Holcim (Schweiz) AG | Switzerland | CHF | 71,100 | 100.0% |
| | Holcim Group Services Ltd | Switzerland | CHF | 1,000 | 100.0% |
| | Holcim Technology Ltd | Switzerland | CHF | 10,000 | 100.0% |
| | Holcim Gruppo (Italia) S.p.A. | Italy | EUR | 115,103 | 100.0% |
| | Holcim (Česko) a.s. | Czech Republic | CZK | 486,297 | 100.0% |
| | Holcim (Slovensko) a.s. | Slovakia | EUR | 283,319 | 99.7% |
| | Holcim Magyarország Kft. | Hungary | HUF | 600,000 | 99.9% |
| | Holcim (Hrvatska) d.o.o. | Croatia | HRK | 243,852 | 99.9% |
| | Holcim (Serbia) d.o.o. | Serbia | RSD | 493,837 | 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 | 8,147 | 100.0% |
| | Holcim (Azerbaijan) O.J.S.C. | Azerbaijan | AZN | 31,813 | 70.2% |

[1] Joint operation

| Region | Company | Place | Nominal share capital in 000 | | Participation (voting right) |
|---|---|---|---|---|---|
| North America | Holcim (US) Inc. | USA | USD | 0 | 100.0% |
| | Aggregate Industries Management Inc. | USA | USD | 121 | 100.0% |
| | Holcim (Canada) Inc. | Canada | CAD | 91,201 | 100.0% |
| Africa Middle East | Holcim (Maroc) S.A. | Morocco | MAD | 494,626 | 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 | 195,160,400 | 52.1% |
| | Holcim (Outre-Mer) S.A.S. | La Réunion | EUR | 37,748 | 100.0% |

## Listed Group companies

| Region | Company | Domicile | Place of listing | Market capitalization at December 31, 2014 in local currency | | Security code number |
|---|---|---|---|---|---|---|
| Asia Pacific | ACC Limited | Mumbai | Mumbai | INR | 262,731 million | INE012A01025 |
| | Ambuja Cements Ltd. | Mumbai | Mumbai | INR | 354,659 million | INE079A01024 |
| | PT Holcim Indonesia Tbk. | Jakarta | Jakarta | IDR | 16,743,437 million | ID1000072309 |
| | Holcim Philippines Inc. | Manila | Manila | PHP | 96,652 million | PHY3232G1014 |
| Latin America | Holcim (Costa Rica) S.A. | San José | San José | CRC | 183,985 million | CRINC00A0010 |
| | Holcim (Ecuador) S.A. | Guayaquil | Quito, Guayaquil | USD | 1,536 million | ECP516721068 |
| | Holcim (Argentina) S.A. | Buenos Aires | Buenos Aires | ARS | 1,901 million | ARP6806N1051 |
| | Cemento Polpaico S.A. | Santiago | Santiago | CLP | 98,311 million | CLP2216J1070 |
| Africa Middle East | Holcim (Maroc) S.A. | Rabat | Casablanca | MAD | 9,418 million | MA0000010332 |
| | Holcim (Liban) S.A.L. | Beirut | Beirut | USD | 298 million | LB0000012833 |

## Principal finance and holding companies

| Company | Place | Nominal share capital in 000 | | Participation (voting right) |
|---|---|---|---|---|
| Holcim Ltd[1] | Switzerland | CHF | 654,173 | 100.0% |
| Aggregate Industries Holdings Limited | United Kingdom | GBP | 339,563 | 100.0% |
| Holcibel S.A. | Belgium | EUR | 1,366,000 | 100.0% |
| Holchin B.V. | Netherlands | EUR | 20 | 100.0% |
| Holcim Auslandbeteiligungs GmbH (Deutschland) | Germany | EUR | 2,557 | 100.0% |
| Holcim Beteiligungs GmbH (Deutschland) | Germany | EUR | 102,000 | 100.0% |
| Holcim Capital Corporation Ltd. | Bermuda | USD | 2,630 | 100.0% |
| Holcim Capital México, S.A. de C.V. | Mexico | MXN | 20,050 | 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 | 15,552 | 100.0% |
| Holcim Investments (Spain) S.L. | Spain | EUR | 173,834 | 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% |
| Holderind Investments Ltd. | Mauritius | USD | 130,000 | 100.0% |
| Vennor Investments Pty Ltd | Australia | AUD | 30,115 | 100.0% |

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

## Principal joint ventures and associated companies

| Region | Company | Country of incorporation or residence | Participation (voting right) |
|---|---|---|---|
| **Asia Pacific** | Huaxin Cement Co. Ltd. | China | 41.9% |
| | Siam City Cement Public Company Limited[1] | Thailand | 27.5% |
| **Africa Middle East** | Lafarge Cement Egypt S.A.E. | Egypt | 43.7% |
| | United Cement Company of Nigeria Ltd | Nigeria | 35.0% |

[1] Joint venture

## To the General Meeting of Holcim Ltd, Jona

Zurich, February 20, 2015

**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, consolidated statement of changes in equity, consolidated statement of cash flows and notes on pages 151 to 221 for the year ended December 31, 2014.

**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, 2014, 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 | Elisa Alfieri |
| Licensed Audit Expert | Licensed Audit Expert |
| Auditor in charge | |

# HOLDING COMPANY RESULTS

## Statement of income Holcim Ltd

| Million CHF | 2014 | 2013 |
|---|---|---|
| Financial income | 418.3 | 1,019.1 |
| Other ordinary income | 277.2 | 277.3 |
| Extraordinary income | 0.0 | 52.7 |
| **Total income** | **695.5** | **1,349.1** |
| | | |
| Financial expenses | (73.0) | (112.0) |
| Other ordinary expenses | (219.5) | (145.9) |
| Taxes | (25.7) | (26.3) |
| **Total expenses** | **(318.2)** | **(284.2)** |
| | | |
| **Net income** | **377.3** | **1,064.9** |

## Balance Sheet Holcim Ltd

| Million CHF | 31.12.2014 | 31.12.2013 |
|---|---|---|
| Cash and cash equivalents | 81.5 | 72.6 |
| Accounts receivable – Group companies | 64.5 | 31.2 |
| Prepaid expenses and other current assets | 8.5 | 3.7 |
| **Total current assets** | **154.5** | **107.5** |
| | | |
| Loans – Group companies | 1,772.4 | 1,607.5 |
| Financial investments – Group companies | 18,411.8 | 18,531.1 |
| Other financial investments | 84.9 | 85.9 |
| **Total long-term assets** | **20,269.1** | **20,224.5** |
| | | |
| **Total assets** | **20,423.6** | **20,332.0** |
| | | |
| Current financing liabilities – Group companies | 52.2 | 209.0 |
| Current financing liabilities – Third parties | 250.0 | 0.0 |
| Other current liabilities | 93.5 | 29.9 |
| **Total current liabilities** | **395.7** | **238.9** |
| | | |
| Long-term financing liabilities – Group companies | 231.0 | 0.0 |
| Outstanding bonds | 2,025.0 | 2,275.0 |
| **Total long-term liabilities** | **2,256.0** | **2,275.0** |
| | | |
| **Total liabilities** | **2,651.7** | **2,513.9** |
| | | |
| Share capital | 654.2 | 654.2 |
| | | |
| Legal reserves | | |
| – Ordinary reserves | 2,450.3 | 2,430.5 |
| – Capital contribution reserves | 5,717.1 | 6,140.6 |
| – Reserves for treasury shares | 81.8 | 101.6 |
| | | |
| Free reserves | 7,662.8 | 6,862.8 |
| | | |
| Retained earnings | 1,205.7 | 1,628.4 |
| **Total shareholders' equity** | **17,771.9** | **17,818.1** |
| | | |
| **Total liabilities and shareholders' equity** | **20,423.6** | **20,332.0** |

## Change in shareholders' equity Holcim Ltd

| Million CHF | Share Capital | Ordinary reserves | Capital contribution reserves | Reserves for treasury shares | Free reserves | Retained earnings | Total |
|---|---|---|---|---|---|---|---|
| **Equity as at January 1, 2014** | **654.2** | **2,430.5** | **6,140.6** | **101.6** | **6,862.8** | **1,628.4** | **17,818.1** |
| Decrease reserves for treasury shares | | 19.8 | | (19.8) | | | |
| Allocation to free reserves | | | (423.5) | | 423.5 | | |
| Payout | | | | | (423.5) | | (423.5) |
| Allocation to free reserves | | | | | 800.0 | (800.0) | |
| Net income of the year | | | | | | 377.3 | 377.3 |
| **Equity as at December 31, 2014** | **654.2** | **2,450.3** | **5,717.1** | **81.8** | **7,662.8** | **1,205.7** | **17,771.9** |
| | | | | | | | |
| **Equity as at January 1, 2013** | **654.2** | **2,417.8** | **6,514.9** | **114.3** | **6,062.8** | **1,363.5** | **17,127.5** |
| Decrease reserves for treasury shares | | 12.7 | | (12.7) | | | |
| Allocation to free reserves | | | (374.3) | | 374.3 | | |
| Payout | | | | | (374.3) | | (374.3) |
| Allocation to free reserves | | | | | 800.0 | (800.0) | |
| Net income of the year | | | | | | 1,064.9 | 1,064.9 |
| **Equity as at December 31, 2013** | **654.2** | **2,430.5** | **6,140.6** | **101.6** | **6,862.8** | **1,628.4** | **17,818.1** |

## Notes to the financial statements of Holcim Ltd

| Contingent liabilities | 31.12.2014 | 31.12.2013 |
|---|---|---|
| Million CHF | | |
| **Holcim Capital Corporation Ltd.** | | |
| Guarantees in respect of holders of | | |
| 6.59% USD 165 million private placement due in 2014 | 0 | 160 |
| 7.65% USD 50 million private placement due in 2031 | 83[1] | 68 |
| 6.88% USD 250 million bonds due in 2039 | 272[1] | 245 |
| 6.50% USD 250 million bonds due in 2043 | 272[1] | 245 |
| **Holcim Capital México, S.A. de C.V.** | | |
| Guarantees in respect of holders of | | |
| 3.86% MXN 1,500 million bonds due in 2015 | 111[2] | 112 |
| 3.98% MXN 800 million bonds due in 2016 | 59[2] | 60 |
| 3.68% MXN 2,000 million bonds due in 2018 | 148[2] | 0 |
| 7.00% MXN 1,700 million bonds due in 2019 | 126[2] | 127 |
| **Holcim Capital (Thailand) Ltd.** | | |
| Guarantees in respect of holders of | | |
| 3.52% THB 1,220 million bonds due in 2015 | 40[3] | 36 |
| **Holcim Finance (Australia) Pty Ltd** | | |
| Guarantees in respect of holders of | | |
| 7.00% AUD 250 million bonds due in 2015 | 223[4] | 218 |
| 6.00% AUD 250 million bonds due in 2017 | 223[4] | 218 |
| 5.25% AUD 200 million bonds due in 2019 | 178[4] | 174 |
| **Holcim Finance (Belgium) S.A.** | | |
| Commercial Paper Program, guarantee based on utilization, EUR 500 million maximum | 37[6] | 0 |
| **Holcim Finance (Canada) Inc.** | | |
| Guarantees in respect of holders of | | |
| 6.91% CAD 10 million private placement due in 2017 | 10[5] | 10 |
| 3.65% CAD 300 million bonds due in 2018 | 281[5] | 276 |
| **Holcim Finance (Luxembourg) S.A.** | | |
| Guarantees in respect of holders of | | |
| 4.38% EUR 600 million bonds due in 2014 | 0 | 809 |
| 9.00% EUR 650 million bonds due in 2014 | 0 | 877 |
| 6.35% EUR 200 million bonds due in 2017 | 265[6] | 270 |
| 3.00% EUR 500 million bonds due in 2024 | 661[6] | 0 |
| **Holcim GB Finance Ltd.** | | |
| Guarantees in respect of holders of | | |
| 8.75% GBP 300 million bonds due in 2017 | 508[7] | 485 |
| **Holcim Overseas Finance Ltd.** | | |
| Guarantees in respect of holders of | | |
| 3.38% CHF 425 million bonds due in 2021 | 468 | 468 |
| **Holcim US Finance S.à r.l. & Cie S.C.S.** | | |
| Commercial Paper Program, guarantee based on utilization, USD 1,000 million maximum | 263[1] | 439 |
| Guarantees in respect of holders of | | |
| 6.10% USD 125 million private placement due in 2016 | 124[1] | 111 |
| 6.21% USD 200 million private placement due in 2018 | 198[1] | 178 |
| 6.00% USD 750 million bonds due in 2019 | 816[1] | 734 |
| 2.63% EUR 500 million bonds due in 2020 | 661[6] | 674 |
| 4.20% USD 50 million bonds due in 2033 | 54[1] | 49 |
| 5.15% USD 500 million bonds due in 2023 | 544[1] | 489 |
| | | |
| Guarantees for committed credit lines, utilization CHF 283 million (2013: 209) | 3,004 | 3,697 |
| Other guarantees | 16 | 20 |

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 0.9891.
[2] Exchange rate MXN: CHF 0.0672.
[3] Exchange rate THB: CHF 0.0301.
[4] Exchange rate AUD: CHF 0.8104.
[5] Exchange rate CAD: CHF 0.8522.
[6] Exchange rate EUR: CHF 1.2027.
[7] Exchange rate GBP: CHF 1.5391.

**Issued bonds**

The outstanding bonds and private placements as of December 31, 2014, are listed on pages 199 and 200.

**Principal investments**

The principal direct and indirect investments of Holcim Ltd are listed under the heading "Principal companies of the Holcim Group" on pages 219 to 221.

| Treasury Shares | | Number | Price per share in CHF | Million CHF |
|---|---|---|---|---|
| 01.01.2014 | Treasury shares | 1,522,510 | 66.72 | 101.6 |
| 01.01. to 31.12.2014 | Purchases | 61,542 | 74.92 | 4.6 |
| 01.01. to 31.12.2014 | Sales | (364,713) | 62.45 | (24.4) |
| 31.12.2014 | Treasury shares | 1,219,339 | 67.08 | 81.8 |
| | | | | |
| 01.01.2013 | Treasury shares | 1,736,538 | 65.81 | 114.3 |
| 01.01. to 31.12.2013 | Purchases | 163,846 | 75.20 | 12.3 |
| 01.01. to 31.12.2013 | Sales | (377,874) | 62.14 | (25.0) |
| 31.12.2013 | Treasury shares | 1,522,510 | 66.72 | 101.6 |

| Conditional share capital | | Number | Price per share in CHF | Million CHF |
|---|---|---|---|---|
| 01.01.2014 | Conditional shares par value | 1,422,350 | 2.00 | 2.8 |
| 01.01. to 31.12.2014 | Movement | 0 | 0 | 0 |
| 31.12.2014 | Conditional shares par value | 1,422,350 | 2.00 | 2.8 |
| | | | | |
| 01.01.2013 | Conditional shares par value | 1,422,350 | 2.00 | 2.8 |
| 01.01. to 31.12.2013 | Movement | 0 | 0 | 0 |
| 31.12.2013 | Conditional shares par value | 1,422,350 | 2.00 | 2.8 |

**Share interests of Board of Directors and senior management**
As of December 31, 2014, the members of the Board of Directors and senior management of Holcim held directly and indirectly in the aggregate 66,017,050 registered shares (2013: 66,088,807) and no rights to acquire further registered shares and 548,184 call options on registered shares (2013: 550,151).

**Number of shares held by the Board of Directors as of December 31, 2014**[1]

| Name | Position | Total number of shares 2014 |
|---|---|---|
| Wolfgang Reitzle | Chairman, Governance & Strategy Committee Chairman | 2,241 |
| Beat Hess | Deputy Chairman | 4,693 |
| Alexander Gut | Member, Audit Committee Chairman | 4,092 |
| Adrian Loader | Member, Nomination and Compensation Committee Chairman | 10,493 |
| Jürg Oleas | Member | 0 |
| Thomas Schmidheiny | Member | 65,777,912 |
| Hanne Sørensen | Member | 1,015 |
| Dieter Spälti | Member | 41,912 |
| Anne Wade | Member | 985 |
| **Total Board of Directors** | | **65,843,343** |

**Number of shares held by the Board of Directors as of December 31, 2013**[1]

| Name | Position | Total number of shares 2013 |
|---|---|---|
| Rolf Soiron | Chairman, Governance & Strategy Committee Chairman | 39,514 |
| Beat Hess | Deputy Chairman | 3,515 |
| Erich Hunziker | Deputy Chairman, Nomination & Compensation Committee Chairman | 13,551 |
| Alexander Gut | Member, Audit Committee Chairman | 2,914 |
| Adrian Loader | Member | 9,315 |
| Andreas von Planta | Member | 13,309 |
| Wolfgang Reitzle | Member | 1,063 |
| Thomas Schmidheiny | Member | 65,776,734 |
| Hanne Sørensen | Member | 230 |
| Dieter Spälti | Member | 40,413 |
| Anne Wade | Member | 200 |
| **Total Board of Directors** | | **65,900,758** |

[1] From allocation, shares are subject to a five-year sale and pledge restriction period.

**Shares and options owned by Senior Management**

As of December 31, 2014, members of Senior Management held a total of 173,707 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 2014, Senior Management held a total of 548,184 share options; these arose as a result of the participation and compensation schemes of various years. Options are issued solely on registered shares in Holcim Ltd. One option entitles the holder to subscribe to one registered share in Holcim Ltd.

**Number of shares and options held by the senior management as of December 31, 2014**[1]

| Name | Position | Total number of shares 2014 | Total number of call options 2014 |
|---|---|---|---|
| Bernard Fontana | CEO | 10,113 | 73,794 |
| Thomas Aebischer | Member of the Executive Committee, CFO | 12,285 | 67,474 |
| Urs Bleisch | Member of the Executive Committee[2] | 3,921 | 38,563 |
| Roland Köhler | Member of the Executive Committee | 18,291 | 87,495 |
| Andreas Leu | Member of the Executive Committee | 19,302 | 69,934 |
| Bernard Terver | Member of the Executive Committee | 25,439 | 49,123 |
| Ian Thackwray | Member of the Executive Committee | 11,696 | 81,719 |
| Horia Adrian | Area Manager | 2,500 | 4,251 |
| Daniel Bach | Area Manager[3] | 1,785 | 0 |
| Alain Bourguignon | Area Manager[3] | 4,358 | 0 |
| Javier de Benito | Area Manager | 23,737 | 16,501 |
| Urs Fankhauser | Area Manager | 6,175 | 11,077 |
| Kaspar E.A. Wenger | Area Manager | 19,932 | 4,952 |
| Jacques Bourgon | Corporate Functional Manager | 5,480 | 24,872 |
| Xavier Dedullen | Corporate Functional Manager | 333 | 2,373 |
| Aidan Lynam | Corporate Functional Manager[4] | 8,360 | 16,056 |
| **Total senior management** | | **173,707** | **548,184** |

**Number of shares and options held by the senior management as of December 31, 2013**[1]

| Name | Position | Total number of shares 2013 | Total number of call options 2013 |
|---|---|---|---|
| Bernard Fontana | CEO | 5,489 | 55,302 |
| Thomas Aebischer | Member of the Executive Committee, CFO | 9,464 | 56,548 |
| Paul Hugentobler | Member of the Executive Committee | 40,843 | 96,050 |
| Roland Köhler | Member of the Executive Committee | 15,470 | 80,402 |
| Andreas Leu | Member of the Executive Committee | 16,481 | 69,934 |
| Bernard Terver | Member of the Executive Committee | 22,618 | 42,819 |
| Ian Thackwray | Member of the Executive Committee | 8,875 | 70,091 |
| Horia Adrian | Area Manager | 2,280 | 1,228 |
| Javier de Benito | Area Manager | 22,858 | 27,269 |
| Urs Fankhauser | Area Manager | 5,107 | 7,835 |
| Aidan Lynam | Area Manager | 7,482 | 12,718 |
| Onne van der Weijde | Area Manager | 3,152 | 3,378 |
| Kaspar E.A. Wenger | Area Manager | 19,759 | 1,228 |
| Urs Bleisch | Corporate Functional Manager | 3,306 | 939 |
| Jacques Bourgon | Corporate Functional Manager | 4,865 | 24,410 |
| Xavier Dedullen | Corporate Functional Manager | 0 | 0 |
| **Total senior management** | | **188,049** | **550,151** |

[1] From allocation, shares are subject to a five-year and options to a three-year and nine-year sale restriction period respectively.
[2] Since October 1, 2014.
[3] Since January 1, 2014.
[4] Since February 6, 2014.

Movements in the number of share options outstanding held by Senior Management are as follows:

| | Number[1] 2014 | Number[1] 2013 |
|---|---|---|
| **January 1** | **550,151** | **508,587** |
| Decrease due to change in senior management | 6,116 | 0 |
| Decrease due to retirements | 70,499 | 0 |
| Granted and vested (individual component of variable compensation) | 99,532 | 96,480 |
| Granted and vested (single allotment) | 33,550 | 11,183 |
| Exercised | 11,530 | 66,099 |
| Lapsed | 46,904 | 0 |
| **December 31** | **548,184** | **550,151** |
| Of which exercisable at the end of the year | 85,982 | 136,963 |

[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 2014 have the following expiry dates and exercise prices:

| Option grant date | Expiry date | Exercise price[1] | Number[1] 2014 | Number[1] 2013 |
|---|---|---|---|---|
| 2002 | 2014 | CHF 67.15 | 0 | 122,737 |
| 2003 | 2015[2] | CHF 67.15 | 0 | 33,550 |
| 2004 | 2016[2] | CHF 67.15 | 23,550 | 33,550 |
| 2005 | 2014[2] | CHF 74.54 | 0 | 71,423 |
| 2006 | 2014 | CHF 100.69 | 0 | 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 | 33,550 | 33,550 |
| 2009 | 2017 | CHF 38.26 | 153,482 | 224,478 |
| 2010 | 2018 | CHF 71.15 | 99,493 | 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 | 113,957 | 149,763 |
| 2011 | 2023 | CHF 71.50 | 67,100 | 67,100 |
| 2012 | 2020 | CHF 58.50 | 179,894 | 179,894 |
| 2012 | 2024 | CHF 67.15 | 33,550 | 33,550 |
| 2013 | 2021 | CHF 71.90 | 122,770 | 122,770 |
| 2013 | 2025 | CHF 71.50 | 11,183 | 11,183 |
| 2014 | 2022 | CHF 69.15 | 99,532 | 0 |
| 2014 | 2026 | CHF 71.50 | 33,550 | 0 |
| **Total** | | | **1,159,468** | **1,461,609** |

[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.

In 2014, one new Executive Committee member was granted in total 33,550 options.

**Important shareholders**[1]

As per December 31, 2014, Thomas Schmidheiny directly and indirectly held 65,777,912 shares (20.11 percent) (2013: 65,776,734 shares or 20.11 percent)[2]. Eurocement Holding AG declared holdings of 35,402,772 shares (10.82 percent) as per December 31, 2014 (2013: 35,402,772 shares or 10.82 percent). Harris Associates L.P. declared holdings of 16,163,815 shares (4.94 percent) as per April 14, 2014 (2013: 16,711,883 shares or 5.11 percent), Harbour International Fund declared holdings of 9,840,977 shares (3.01 percent) as per August 4, 2014 and BlackRock Inc. declared holdings of 9,582,830 shares (2.93 percent) as per January 26, 2015 (April 9, 2014: 11,398,633 shares or 3.48 percent).

The information disclosed complies with Swiss legal requirements. Further information can be found in the remuneration report on pages 117 to 129 and in the notes to the consolidated financial statements on pages 175 to 218. Specific information in accordance with Art. 663b para. 12 (risk assessment) and Art. 663c para. 3 (transparency law) of the Swiss Code of Obligations are disclosed in the section "Risk management" on pages 167 to 173.

| **Share capital** | 2014 | | 2013 | |
|---|---|---|---|---|
| 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** | 2014 | 2013 |
|---|---|---|
| | Million CHF | Million CHF |
| Retained earnings brought forward | 828.4 | 563.5 |
| Net income of the year | 377.3 | 1 064.9 |
| **Retained earnings available for annual general meeting of shareholders** | **1,205.7** | **1,628.4** |
| The Board of Directors proposes to the annual general meeting of shareholders the following appropriation: | | |
| | | |
| Allocation to free reserves | (600.0) | (800.0) |
| **Balance to be carried forward** | **605.7** | **828.4** |

**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 1.30 per registered share up to an amount of CHF 425 million[3].

| | 2014 | 2013 |
|---|---|---|
| | Cash payout CHF | Cash payout CHF |
| Payout per share, gross | 1.30 | 1.30 |
| Less withholding tax | 0 | 0 |
| Payout per share, net | 1.30 | 1.30 |

[1]Shareholding of more than 3 percent.
[2]Included in share interests of Board of Directors and senior management.
[3]There is no payout on treasury shares held by Holcim. On January 1, 2015, treasury holdings amounted to 1,219,339 registered shares.

**To the General Meeting of Holcim Ltd, Jona**

Zurich, February 20, 2015

**Report of the statutory auditor on the financial statements**

As statutory auditor, we have audited the financial statements of Holcim Ltd, which comprise the statement of income, balance sheet, change in shareholders' equity and notes presented on pages 224 to 232 for the year ended December 31, 2014.

**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, 2014, 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<br>Licensed Audit Expert<br>Auditor in charge | Elisa Alfieri<br>Licensed Audit Expert |

## Principal companies of the Holcim Group

### ACC Limited, India

| | |
|---|---|
| Chief Executive: | Harish Badami |
| Personnel: | 11,827 |
| 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 | ■ |
| Damodhar grinding plant | ■ |
| Kudithini grinding plant | ■ |
| Sindri grinding plant | ■ |
| Thondebhavi grinding plant | ■ |
| Tikaria grinding plant | ■ |
| Ready-mix concrete operations | ▲ |

### Ambuja Cements Ltd., India

| | |
|---|---|
| Chief Executive: | Ajay Kapur |
| Personnel: | 8,299 |
| Production capacity: | 32.1 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: | Philippe Richart |
| Personnel: | 666 |
| Production capacity: | 1.7 million t of cement |
| Palavi plant | ■ |
| Ruhunu grinding plant | ■ |

### Holcim Cement (Bangladesh) Ltd., Bangladesh

| | |
|---|---|
| Chief Executive: | Sumanta Pandit |
| Personnel: | 636 |
| Production capacity: | 1.9 million t of cement |
| Meghnaghat grinding plants | ■ |
| Mongla grinding plant | ■ |

### Holcim (Malaysia) Sdn Bhd, Malaysia

| | |
|---|---|
| Chief Executive: | Mahanama Ralapanawa |
| Personnel: | 291 |
| Production capacity: | 1.2 million t of cement |
| Pasir Gudang grinding plant | ■ |
| Aggregates operations | ● |
| Ready-mix concrete operations | ▲ |

### Holcim (Singapore) Ltd, Singapore

| | |
|---|---|
| Chief Executive: | Sujit Ghosh |
| Personnel: | 237 |
| Ready-mix concrete operations | ▲ |

### PT Holcim Indonesia Tbk., Indonesia

| | |
|---|---|
| Chief Executive: | Gary Schutz |
| Personnel: | 2,783 |
| Production capacity: | 11.6 million t of cement |
| Cilacap plant | ■ |
| Narogong plant | ■ |
| Tuban plant | ■ |
| Ciwandan grinding plant | ■ |
| Aggregates operations | ● |
| Ready-mix concrete operations | ▲ |

### Holcim (Vietnam) Ltd, Vietnam

| | |
|---|---|
| Chief Executive: | Bao C. Nguyen |
| Personnel: | 1,241 |
| 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 | ▲ |

■ Cement

● Aggregates

▲ Other construction materials and services

### Holcim Philippines Inc., Philippines

| | |
|---|---|
| Chief Executive: | Eduardo A. Sahagun |
| Personnel: | 1,813 |
| Production capacity: | 9.3 million t of cement |
| Bulacan plant | ■ |
| Davao plant | ■ |
| La Union plant | ■ |
| Lugait plant | ■ |
| Mabini grinding plant | ■ |
| Ready-mix concrete operations | ▲ |

### Cement Australia Holdings Pty Ltd and Cement Australia Partnership, Australia

| | |
|---|---|
| Chief Executive: | Rob Davies |
| Personnel: | 894 |
| Production capacity: | 5.3 million t of cement |
| Gladstone plant | ■ |
| Railton plant | ■ |
| Bulwer Island grinding plant | ■ |
| Port Kembla grinding plant | ■ |

### Holcim (Australia) Holdings Pty Ltd, Australia

| | |
|---|---|
| Chief Executive: | Mark Campbell |
| Personnel: | 2,981 |
| Aggregates operations | ● |
| Ready-mix concrete operations | ▲ |
| Concrete products operations | ▲ |

### Holcim (New Zealand) Ltd, New Zealand

| | |
|---|---|
| Chief Executive: | Mark Campbell |
| Personnel: | 444 |
| Production capacity: | 0.5 million t of cement |
| Westport plant | ■ |
| Aggregates operations | ● |

### Holcim Mexico S.A. de C.V., Mexico

| | |
|---|---|
| Chief Executive: | Rodolfo Montero |
| Personnel: | 2,894 |
| Production capacity: | 12.2 million t of cement |
| Acapulco plant | ■ |
| Apaxco plant | ■ |
| Hermosillo plant | ■ |
| Macuspana plant | ■ |
| Orizaba plant | ■ |
| Ramos Arizpe plant | ■ |
| Tecomán plant | ■ |
| Aggregates operations | ● |
| Ready-mix concrete operations | ▲ |

### Holcim El Salvador S.A. de C.V., El Salvador

| | |
|---|---|
| Chief Executive: | Dolores Prado |
| Personnel: | 561 |
| Production capacity: | 1.7 million t of cement |
| El Ronco plant | ■ |
| Maya plant | ■ |
| Ready-mix concrete operations | ▲ |

### Holcim (Costa Rica) S.A., Costa Rica

| | |
|---|---|
| Chief Executive: | Manrique Arrea |
| Personnel: | 522 |
| Production capacity: | 1.1 million t of cement |
| Cartago plant | ■ |
| Aggregates operations | ● |
| Ready-mix concrete operations | ▲ |

### Holcim (Nicaragua) S.A., Nicaragua

| | |
|---|---|
| Chief Executive: | Henry Rathgeb |
| Personnel: | 162 |
| Production capacity: | 0.3 million t of cement |
| Nagarote grinding plant | ■ |
| Aggregates operation | ● |
| Ready-mix concrete operations | ▲ |

### Holcim (Colombia) S.A., Colombia

| | |
|---|---|
| Chief Executive: | Jaime Hill |
| Personnel: | 900 |
| Production capacity: | 2.1 million t of cement |
| Nobsa plant | ■ |
| Ready-mix concrete operations | ▲ |

### Holcim (Ecuador) S.A., Ecuador

| | |
|---|---|
| Chief Executive: | Nick Traber |
| Personnel: | 1,231 |
| Production capacity: | 5.5 million t of cement |
| Guayaquil plant | ■ |
| Latacunga grinding plant | ■ |
| Aggregates operations | ● |
| Ready-mix concrete operations | ▲ |

### Holcim (Brasil) S.A., Brazil

| | |
|---|---|
| Chief Executive: | Otmar Hübscher |
| Personnel: | 1,626 |
| Production capacity: | 5.4 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: | Oliver Osswald |
| Personnel: | 1,346 |
| Production capacity: | 4.6 million t of cement |
| Capdeville plant | ■ |
| Malagueño plant | ■ |
| Puesto Viejo plant | ■ |
| Campana grinding plant | ■ |
| Yocsina grinding plant | ■ |
| Aggregates operation | ● |
| Ready-mix concrete operations | ▲ |

### Cemento Polpaico S.A., Chile

| | |
|---|---|
| Chief Executive: | Mauricio Echeverri |
| Personnel: | 1,093 |
| Production capacity: | 2.3 million t of cement |
| Cerro Blanco plant | ■ |
| Coronel grinding plant | ■ |
| Mejillones grinding plant | ■ |
| Aggregates operations | ● |
| Ready-mix concrete operations | ▲ |

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

| | |
|---|---|
| Chief Executive: | Gérard Letellier |
| Personnel: | 1,771 |
| Production capacity: | 5.8 million t of cement |
| Altkirch plant | ■ |
| Héming plant | ■ |
| Lumbres plant | ■ |
| Rochefort plant | ■ |
| Dannes grinding plant | ■ |
| Dunkerque grinding plant | ■ |
| Grand-Couronne grinding plant | ■ |
| La Rochelle grinding plant | ■ |
| Aggregates operations | ● |
| Ready-mix concrete operations | ▲ |

### Holcim (Belgique) S.A., Belgium

| | |
|---|---|
| Chief Executive Belgium/Netherlands: | Louis Beauchemin |
| Personnel: | 912 |
| Production capacity: | 2.2 million t of cement |
| Obourg plant | ■ |
| Aggregates operations | ● |
| Ready-mix concrete operations | ▲ |

### Holcim (España) S.A., Spain

| | |
|---|---|
| Chief Executive: | Feliciano Gonzalez Muñoz |
| Personnel: | 533 |
| Production capacity: | 3.9 million t of cement |
| Carboneras plant | ■ |
| Gádor plant | ■ |
| Jerez plant | ■ |
| Yeles grinding plant | ■ |
| Aggregates operations | ● |
| Ready-mix concrete operations | ▲ |

### Holcim Trading S.A., Spain

| | |
|---|---|
| Chief Executive: | Roland van Wijnen |
| Personnel: | 83 |
| Seaborne clinker and cement trading and others | ▲ |

■ Cement

● Aggregates

▲ Other construction materials and services

### Aggregate Industries Ltd, United Kingdom

| | |
|---|---|
| Chief Executive: | Pat Ward |
| Personnel: | 4,008 |
| Aggregates | ● |
| Aggregate Bagging | ▲ |
| Aggregate Industries Scotland | ● ▲ |
| Asphalt | ▲ |
| Building Products | ▲ |
| Cementitious Materials | ▲ |
| Commerical Landscaping | ▲ |
| Concrete | ▲ |
| Contracting | ▲ |
| Domestic Landscaping | ▲ |
| Express Asphalt | ▲ |
| London Concrete | ▲ |
| Ronez | ● ▲ |
| Spade Oak | ▲ |

### Holcim (Deutschland) AG, Germany

| | |
|---|---|
| Chief Executive: | Urs Fankhauser |
| Personnel: | 903 |
| Production capacity: | 3.3 million t of cement |
| Höver plant | ■ |
| Lägerdorf plant | ■ |
| Bremen grinding plant | ■ |
| Aggregates operations | ● |

### Holcim (Süddeutschland) GmbH, Germany

| | |
|---|---|
| Chief Executive: | Kaspar Wenger |
| Country Manager: | Urs Kern |
| Personnel: | 349 |
| Production capacity: | 1.1 million t of cement |
| Dotternhausen plant | ■ |
| Aggregates operations | ● |
| Ready-mix concrete operations | ▲ |

### Holcim (Schweiz) AG, Switzerland

| | |
|---|---|
| Chief Executive: | Kaspar Wenger |
| Personnel: | 1,154 |
| Production capacity: | 3.4 million t of cement |
| Eclépens plant | ■ |
| Siggenthal plant | ■ |
| Untervaz plant | ■ |
| Aggregates operations | ● |
| Ready-mix concrete operations | ▲ |

### Holcim Group Services Ltd, Switzerland

| | |
|---|---|
| Chief Executive: | Urs Bleisch |
| Personnel: | 366 |
| Management services | ▲ |

### Holcim Technology Ltd, Switzerland

| | |
|---|---|
| Chief Executive: | Urs Bleisch |
| Personnel: | 346 |
| Management services | ▲ |

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

| | |
|---|---|
| Chief Executive: | Kaspar Wenger |
| Personnel: | 397 |
| Production capacity: | 4.2 million t of cement |
| Ternate plant | ■ |
| Merone grinding plant | ■ |
| Ravenna grinding plant | ■ |
| Aggregates operations | ● |
| Ready-mix concrete operations | ▲ |

### Holcim (Česko) a.s., Czech Republic

| | |
|---|---|
| Chief Executive: | Ottó Magera |
| Personnel: | 438 |
| Production capacity: | 1.2 million t of cement |
| Prachovice plant | ■ |
| Aggregates operations | ● |
| Ready-mix concrete operations | ▲ |

### Holcim (Slovensko) a.s., Slovakia

| | |
|---|---|
| Chief Executive: | Richard Skene |
| Personnel: | 932 |
| Production capacity: | 3.5 million t of cement |
| Rohožník plant | ■ |
| Turňa plant | ■ |
| Aggregates operations | ● |
| Ready-mix concrete operations | ▲ |

### Holcim Magyarország Kft., Hungary

| | |
|---|---|
| Chief Executive: | Richard Skene |
| Personnel: | 211 |
| Cement distribution | ■ |
| Ready-mix concrete operations | ▲ |

### Holcim (Hrvatska) d.o.o., Croatia

| | |
|---|---|
| Chief Executive: | Alan Šišinački |
| Personnel: | 290 |
| Production capacity: | 1.0 million t of cement |
| Koromačno plant | ■ |
| Aggregates operations | ● |
| Ready-mix concrete operations | ▲ |

### Holcim (Serbia) d.o.o., Serbia

| | |
|---|---|
| Chief Executive: | Claudiu Soare |
| Personnel: | 369 |
| Production capacity: | 1.4 million t of cement |
| Novi Popovac plant | ■ |
| Aggregates operations | ● |
| Ready-mix concrete operations | ▲ |

### Holcim (Romania) S.A., Romania

| | |
|---|---|
| Chief Executive: | François Pétry |
| Personnel: | 792 |
| Production capacity: | 6.1 million t of cement |
| Alesd plant | ■ |
| Campulung plant | ■ |
| Turda grinding plant | ■ |
| Aggregates operations | ● |
| Ready-mix concrete operations | ▲ |

### Holcim (Bulgaria) AD, Bulgaria

| | |
|---|---|
| Chief Executive: | Todor Kostov |
| Personnel: | 436 |
| Production capacity: | 1.7 million t of cement |
| Beli Izvor plant | ■ |
| Aggregates operations | ● |
| Ready-mix concrete operations | ▲ |

### Holcim (Rus) OAO, Russia

| | |
|---|---|
| Chief Executive: | Guillermo Brusco |
| Personnel: | 1,247 |
| Production capacity: | 5.8 million t of cement |
| Shurovo plant | ■ |
| Volsk plant | ■ |

### Holcim (Azerbaijan) O.J.S.C., Azerbaijan

| | |
|---|---|
| Chief Executive: | Rossen Papazov |
| Personnel: | 412 |
| Production capacity: | 2.0 million t of cement |
| Garadagh plant | ■ |

### Holcim (US) Inc., USA

| | |
|---|---|
| Chief Executive: | Filiberto Ruiz |
| Personnel: | 1,828 |
| 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 | ■ |

### Aggregate Industries Management Inc., USA

| | |
|---|---|
| Chief Executive: | Filiberto Ruiz |
| Personnel: | 2,351 |
| Mid Atlantic Region | ● ▲ |
| Mid West Region | ● ▲ |
| North East Region | ● ▲ |
| Western Region | ● ▲ |

### Holcim (Canada) Inc., Canada

| | |
|---|---|
| Chief Executive: | Baudouin Nizet |
| Personnel: | 2,598 |
| Production capacity: | 3.3 million t of cement |
| Joliette plant | ■ |
| Mississauga plant | ■ |
| Demix group | ● ▲ |
| Dufferin group | ● ▲ |

■ Cement

● Aggregates

▲ Other construction materials and services

### Holcim (Maroc) S.A., Morocco

| | |
|---|---|
| Chief Executive: | Dominique Drouet |
| Personnel: | 458 |
| Production capacity: | 5.1 million t of cement |
| Fès plant | ■ |
| Oujda plant | ■ |
| Settat plant | ■ |
| Nador grinding plant | ■ |
| Aggregates operations | ● |
| Ready-mix concrete operations | ▲ |

### Ciments de Guinée S.A., Guinea

| | |
|---|---|
| Chief Executive: | Jaafar Skalli |
| Personnel: | 137 |
| Production capacity: | 0.6 million t of cement |
| Conakry grinding plant | ■ |

### Société de Ciments et Matériaux, Ivory Coast

| | |
|---|---|
| Chief Executive: | Stefan Heeb |
| Personnel: | 220 |
| Production capacity: | 1.2 million t of cement |
| Abidjan grinding plant | ■ |

### Holcim (Liban) S.A.L., Lebanon

| | |
|---|---|
| Chief Executive: | Benedikt Vonnegut |
| Personnel: | 460 |
| Production capacity: | 2.9 million t of cement |
| Chekka plant | ■ |
| Kalecik grinding plant | ■ |
| Ready-mix concrete operations | ▲ |

### Holcim (Outre-Mer) S.A.S., La Réunion

| | |
|---|---|
| Chief Executive: | Vincent Bouckaert |
| Personnel: | 505 |
| Production capacity: | 0.6 million t of cement |
| Ibity plant | ■ |
| Le Port grinding plant | ■ |
| Aggregates operations | ● |
| Ready-mix concrete operations | ▲ |

## 5-year-review Group Holcim

| | | 2014 | 2013 | 2012[1] | 2011[2] | 2010[2] |
|---|---|---|---|---|---|---|
| **Statement of income** | | | | | | |
| Net sales | million CHF | 19,110 | 19,719 | 21,160 | 20,744 | 21,653 |
| Gross profit | million CHF | 8,562 | 8,632 | 8,631 | 8,528 | 9,274 |
| Operating EBITDA | million CHF | 3,747 | 3,896 | 3,889 | 3,958 | 4,513 |
| Operating EBITDA margin | % | 19.6 | 19.8 | 18.4 | 19.1 | 20.8 |
| Operating profit | million CHF | 2,317 | 2,357 | 1,749 | 1,933 | 2,619 |
| Operating profit margin | % | 12.1 | 12.0 | 8.3 | 9.3 | 12.1 |
| EBITDA | million CHF | 4,156 | 4,332 | 4,352 | 4,264 | 4,988 |
| Depreciation, amortization and impairment | million CHF | 1,434 | 1,547 | 2,150 | 2,367 | 1,934 |
| EBIT | million CHF | 2,723 | 2,785 | 2,202 | 2,235 | 3,054 |
| Income taxes | million CHF | 588 | 533 | 550 | 449 | 615 |
| Tax rate | % | 27 | 25 | 35 | 40 | 28 |
| Net income | million CHF | 1,619 | 1,596 | 1,002 | 682 | 1,621 |
| Net income margin | % | 8.5 | 8.1 | 4.7 | 3.3 | 7.5 |
| Net income – shareholders of Holcim Ltd | million CHF | 1,287 | 1,272 | 610 | 275 | 1,182 |
| **Statement of cash flows** | | | | | | |
| Cash flow from operating activities | million CHF | 2,498 | 2,787 | 2,643 | 2,753 | 3,659 |
| Cash flow margin | % | 13.1 | 14.1 | 12.5 | 13.3 | 16.9 |
| Investments in property, plant and equipment for maintenance net | million CHF | 738 | 719 | 790 | 752 | 410 |
| Investments in property, plant and equipment for expansion | million CHF | 1,020 | 1,282 | 803 | 886 | 1,182 |
| (Disposal) Purchase of financial assets, intangible and other assets and businesses net | million CHF | (35) | (336) | (396) | 154 | (230) |
| **Statement of financial position** | | | | | | |
| Current assets | million CHF | 7,307 | 7,590 | 8,275 | 8,154 | 8,512 |
| Long-term assets | million CHF | 32,378 | 30,355 | 32,922 | 34,400 | 35,747 |
| Total assets | million CHF | 39,684 | 37,944 | 41,198 | 42,554 | 44,259 |
| Current liabilities | million CHF | 6,923 | 7,461 | 8,299 | 7,695 | 7,214 |
| Long-term liabilities | million CHF | 12,649 | 11,807 | 13,665 | 15,202 | 15,924 |
| Total shareholders' equity | million CHF | 20,112 | 18,677 | 19,234 | 19,656 | 21,121 |
| Shareholders' equity as % of total assets | | 50.7 | 49.2 | 46.7 | 46.2 | 47.7 |
| Non-controlling interest | million CHF | 2,682 | 2,471 | 2,797 | 2,827 | 3,020 |
| Net financial debt | million CHF | 9,644 | 9,461 | 10,325 | 11,549 | 11,363 |
| **Capacity, sales and personnel** | | | | | | |
| Annual production capacity cement | million t | 211.4 | 206.2 | 209.3 | 216.0 | 211.5 |
| Sales of cement | million t | 140.3 | 138.9 | 142.3 | 144.3 | 136.7 |
| Sales of mineral components | million t | 4.3 | 4.1 | 4.8 | 5.1 | 4.1 |
| Sales of aggregates | million t | 153.1 | 154.5 | 158.2 | 173.0 | 157.9 |
| Sales of ready-mix concrete | million $m^3$ | 37.0 | 39.5 | 45.3 | 48.4 | 45.9 |
| Personnel | 31.12. | 67,584 | 70,857 | 76,359 | 80,967 | 80,310 |
| **Financial ratios** | | | | | | |
| Return on equity[3] | % | 7.6 | 7.8 | 3.7 | 1.6 | 6.4 |
| Funds from operations[4]/net financial debt | % | 31.7 | 33.4 | 30.5 | 26.4 | 31.3 |
| EBITDA net interest coverage | x | 8.6 | 7.8 | 6.9 | 4.2 | 6.1 |
| EBIT net interest coverage | x | 5.7 | 5.0 | 3.5 | 2.2 | 3.7 |
| Net financial debt/EBITDA | x | 2.3 | 2.2 | 2.4 | 2.7 | 2.3 |

[1] Restated due to changes in accounting policies.
[2] As reported in the respective years, not restated due to changes in accounting policies.
[3] Excludes non-controlling interest.
[4] Net income plus depreciation, amortization and impairment.

**Cautionary statement regarding forward-looking statements**

This document may contain certain forward-looking statements relating to the Group's future business, development and economic performance. Such statements may be subject to a number of risks, uncertainties and other important factors, such as but not limited to (1) competitive pressures; (2) legislative and regulatory developments; (3) global, macroeconomic and political trends; (4) fluctuations in currency exchange rates and general financial market conditions; (5) delay or inability in obtaining approvals from authorities; (6) technical developments; (7) litigation; (8) adverse publicity and news coverage, which could cause actual development and results to differ materially from the statements made in this document. Holcim assumes no obligation to update or alter forward-looking statements whether as a result of new information, future events or otherwise.

**Disclaimer**

Holcim Ltd publishes Annual Reports in English and German. The English version is legally binding.

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**Financial reporting calendar**

| | |
|---|---|
| General meeting of shareholders | April 13, 2015 |
| Ex date | April 15, 2015 |
| Payout | April 17, 2015 |
| Results for the first quarter 2015 | May 5, 2015 |
| Half-year results 2015 | July 29, 2015 |

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