Holcim

Strength. Performance. Passion.

On the move

Annual Report 2013

Strength. Performance. Passion.

Annual Report 2013 Holcim Ltd

Holcim is one of the world's leading building materials companies and has a presence on all continents. With its innovative products and services and a commitment to sustainable construction, Holcim is contributing to the success of its customers around the world – as a trusted partner for more than 100 years. In 2013, the Group's global workforce of around 70,000 employees continued to work hard in order to further strengthen Holcim's position as a market leader in cement, aggregates, and ready-mix concrete. This Annual Report describes specific exemplary projects that were initiated as part of the Holcim Leadership Journey, which was launched in 2012 and is key to the future success of the Group. These initiatives and the motivated employees behind them each contribute toward reaching the target of increasing operating profit by at least CHF 1.5 billion by the end of 2014 – under similar market conditions and with the 2011 financial year as a base line. This journey around the Holcim world with stories of different topics provides an in-depth view into the variety of measures that make up the Holcim Leadership Journey.

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

Key figures Group Holcim

		2013	2012[1]	±%	±% like-for-like
Annual cement production capacity	million t	206.2	209.3	–1.4	–0.3
Sales of cement	million t	138.9	142.3	–2.4	–1.2
Sales of mineral components	million t	4.1	4.8	–14.8	–3.8
Sales of aggregates	million t	154.5	158.2	–2.4	–0.8
Sales of ready-mix concrete	million m^3	39.5	45.3	–12.9	–7.4
Sales of asphalt	million t	8.9	9.1	–2.0	–0.1
Net sales	million CHF	19,719	21,160	–6.8	+0.2
Operating EBITDA	million CHF	3,896	3,889	+0.2	+7.0
Operating EBITDA adjusted[2]	million CHF	3,896	4,128	–5.6	+0.8
Operating EBITDA margin	%	19.8	18.4		
Operating EBITDA margin adjusted[2]	%	19.8	19.5		
Operating profit	million CHF	2,357	1,749	+34.8	+43.7
Operating profit adjusted[2]	million CHF	2,357	2,485	–5.1	+1.1
Operating profit margin	%	12.0	8.3		
Operating profit margin adjusted[2]	%	12.0	11.7		
EBITDA	million CHF	4,332	4,352	–0.5	
Net income	million CHF	1,596	1,002	+59.3	
Net income margin	%	8.1	4.7		
Net income – shareholders of Holcim Ltd	million CHF	1,272	610	+108.4	
Cash flow from operating activities	million CHF	2,787	2,643	+5.4	+12.5
Cash flow margin	%	14.1	12.5		
Net financial debt	million CHF	9,461	10,325	–8.4	–4.0
Funds from operations[3]/net financial debt	%	33.4	30.5		
Total shareholders' equity	million CHF	18,677	19,234	–2.9	
Personnel		70,857	76,359	–7.2	–5.4
Earnings per share	CHF	3.91	1.89	+106.9	
Fully diluted earnings per share	CHF	3.91	1.89	+106.9	
Payout	million CHF	425[4]	374	+13.6	
Payout per share	CHF	1.30[4]	1.15	+13.0	

[1] Restated due to changes in accounting policies.

[2] Excluding restructuring costs in 2012.

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

[4] Proposed by the Board of Directors for a maximum payout of CHF 425 million from capital contribution reserves.

Principal key figures in USD (illustrative)

		2013	2012[1]	±%
Net sales	million USD	21,276	22,602	–5.9
Operating EBITDA	million USD	4,203	4,154	+1.2
Operating EBITDA adjusted[2]	million USD	4,203	4,409	–4.7
Operating profit	million USD	2,543	1,868	+36.1
Operating profit adjusted[2]	million USD	2,543	2,654	–4.2
Net income – shareholders of Holcim Ltd	million USD	1,373	652	+110.5
Cash flow from operating activities	million USD	3,007	2,823	+6.5
Net financial debt	million USD	10,634	11,284	–5.8
Total shareholders' equity	million USD	20,992	21,021	–0.1
Earnings per share	USD	4.22	2.02	+109.0

Principal key figures in EUR (illustrative)

Net sales	million EUR	16,022	17,548	–8.7
Operating EBITDA	million EUR	3,165	3,225	–1.9
Operating EBITDA adjusted[2]	million EUR	3,165	3,423	–7.5
Operating profit	million EUR	1,915	1,450	+32.1
Operating profit adjusted[2]	million EUR	1,915	2,061	–7.1
Net income – shareholders of Holcim Ltd	million EUR	1,034	506	+104.1
Cash flow from operating activities	million EUR	2,264	2,192	+3.3
Net financial debt	million EUR	7,717	8,552	–9.8
Total shareholders' equity	million EUR	15,235	15,930	–4.4
Earnings per share	EUR	3.18	1.57	+102.7

Contents

Articles about the special topic Holcim Leadership Journey can be found on the following pages:
page 34: OH&S and Customer Excellence ; page 56: Procurement and Logistics;
page 78: Energy and AFR; page 104: Fixed Costs and Investments Costs

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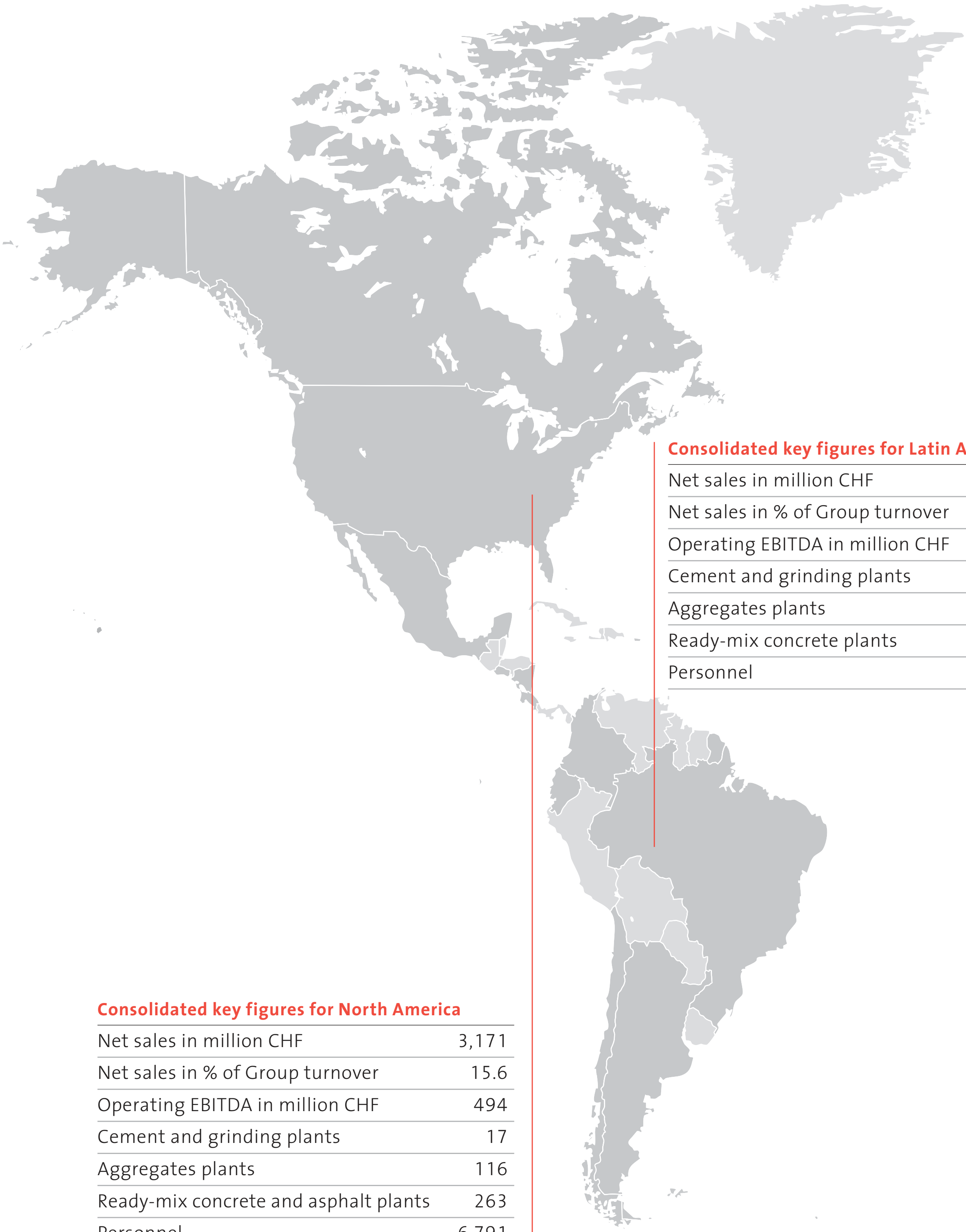
Higher operating EBITDA margin and net income



Consolidated key figures for Latin America

Net sales in million CHF	3,349
Net sales in % of Group turnover	16.5
Operating EBITDA in million CHF	938
Cement and grinding plants	27
Aggregates plants	18
Ready-mix concrete plants	119
Personnel	11,181

Consolidated key figures for North America

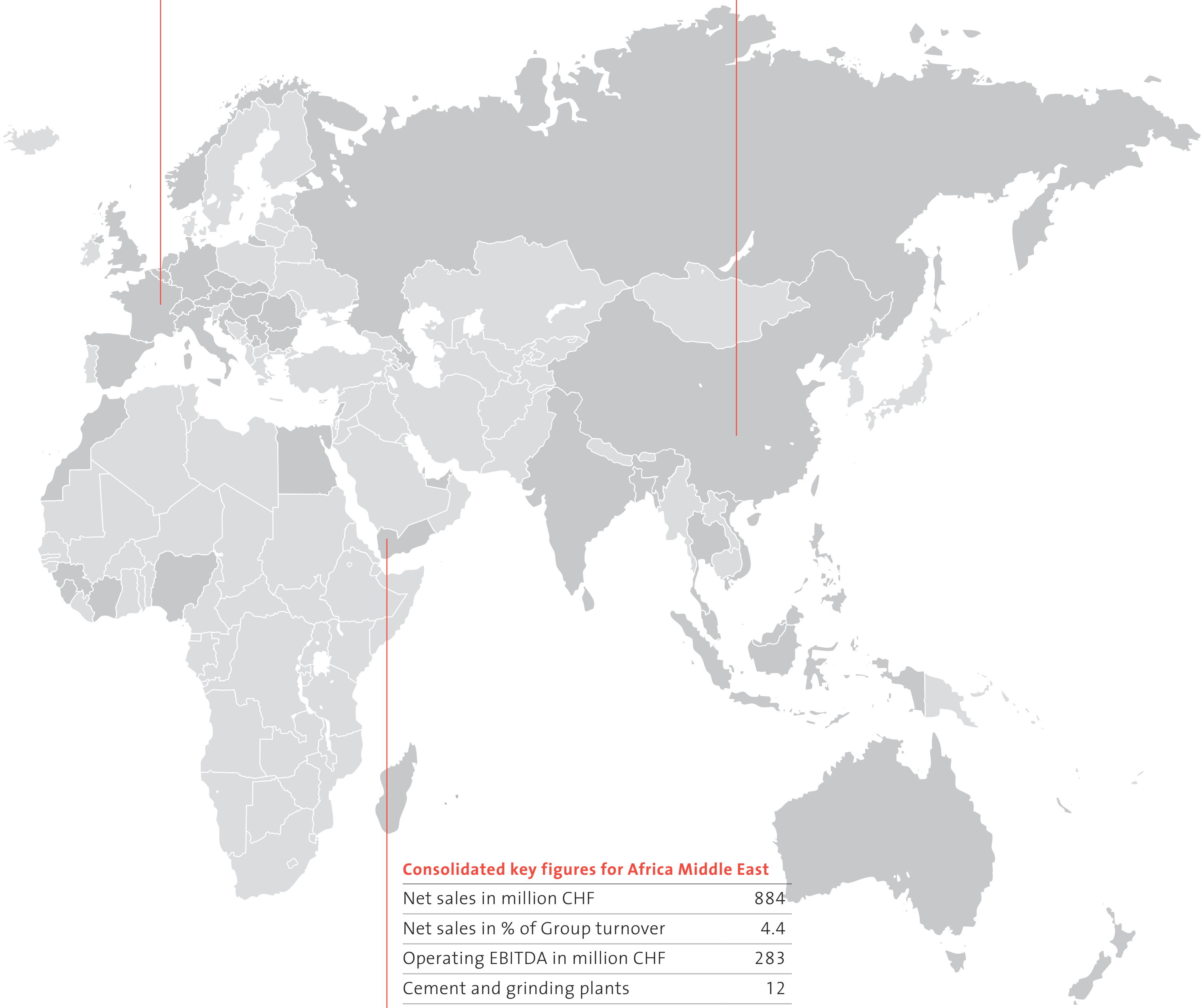
Net sales in million CHF	3,171
Net sales in % of Group turnover	15.6
Operating EBITDA in million CHF	494
Cement and grinding plants	17
Aggregates plants	116
Ready-mix concrete and asphalt plants	263
Personnel	6,791

Consolidated key figures for Europe

Net sales in million CHF	5,611
Net sales in % of Group turnover	27.6
Operating EBITDA in million CHF	946
Cement and grinding plants	35
Aggregates plants	203
Ready-mix concrete and asphalt plants	463
Personnel	15,868

Consolidated key figures for Asia Pacific

Net sales in million CHF	7,282
Net sales in % of Group turnover	35.9
Operating EBITDA in million CHF	1,473
Cement and grinding plants	51
Aggregates plants	84
Ready-mix concrete plants	320
Personnel	34,080



Consolidated key figures for Africa Middle East

Net sales in million CHF	884
Net sales in % of Group turnover	4.4
Operating EBITDA in million CHF	283
Cement and grinding plants	12
Aggregates plants	5
Ready-mix concrete plants	17
Personnel	2,128

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 semifinished product, called clinker, is created by sintering. In the cement mill, gypsum is added to the clinker and the mixture is ground to a fine powder – traditional Portland cement. Other high-grade materials such as granulated blast furnace slag, fly ash, pozzolan, and limestone are added in order to modify the properties of the cement. Holcim offers customers a very wide range of cements. 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.

Developments

Cement volumes in 2013 reached 138.9 million tonnes, a drop of 2.4 percent. The Group also sold 4.1 million tonnes of mineral components. The development was particularly impacted by lower volumes in Asia Pacific. In addition Group regions North America and Africa Middle East also recorded lower volumes. In Europe cement volumes were on the up, mainly due to ongoing high demand levels in Russia and Azerbaijan. Latin America recorded volumes that were on par with the previous year.

Aggregates

Profile

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

Developments

In 2013, aggregate sales volumes were down 2.4 percent to 154.5 million tonnes. Demand for crushed stone, gravel, and sand was higher in North America, due to positive market development in the US, and in Europe it was on a par with 2012. In Asia Pacific, volumes were down as Australia recorded lower sales. In Latin America restructuring of aggregate operations led to a more pronounced decrease in volumes.

Other construction materials and services

Profile

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

Developments

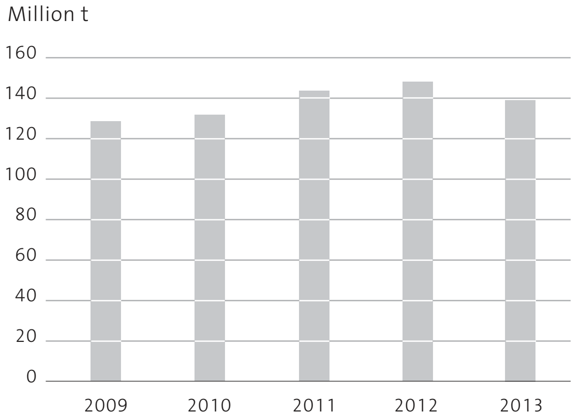
Ready-mix concrete deliveries decreased by 12.9 percent to 39.5 million cubic meters in 2013 as many Group companies restructured operations in this segment to improve their profitability. All Group regions reported lower volumes in this segment. Asphalt sales were affected by lower demand from Canada and the United States, while in the United Kingdom sales were higher in 2013. Group-wide volumes were down 2 percent and reached 8.9 million tonnes.

Consolidated key figures for cement in 2013

Production capacity cement in million t	206.2
Cement and grinding plants	142
Sales of cement in million t	138.9
Net sales[1] in million CHF	12,939
Operating EBITDA[1] in million CHF	3,252
Personnel	47,179

[1] Includes all other cementitious materials

Sales of cement



Consolidated sales of cement 2013 per region[1]

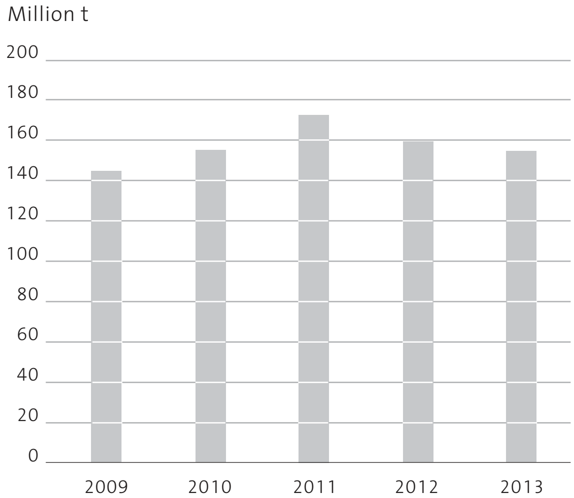
Asia Pacific	70.3 million t
Latin America	25.0 million t
Europe	26.7 million t
North America	11.7 million t
Africa Middle East	7.9 million t

[1] Inter-regional sales -2.6 million t

Consolidated key figures for aggregates in 2013

Aggregates plants	426
Sales of aggregates in million t	154.5
Net sales in million CHF	2,428
Operating EBITDA in million CHF	448
Personnel	5,812

Sales of aggregates



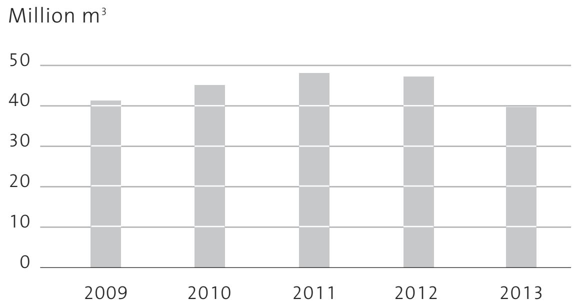
Consolidated sales of aggregates 2013 per region

Asia Pacific	25.2 million t
Latin America	10.2 million t
Europe	74.1 million t
North America	42.8 million t
Africa Middle East	2.2 million t

Consolidated key figures for other construction materials and services in 2013

Ready-mix concrete plants	1,091
Asphalt plants	91
Sales of ready-mix concrete in million m^3	39.5
Sales of asphalt in million t	8.9
Net sales in million CHF	6,812
Operating EBITDA in million CHF	195
Personnel	17,376

Sales of ready-mix concrete



Holcim generated a solid result in the 2013 financial year. Despite difficult market conditions, as a result of which volumes in all three segments were below those recorded last year, the operating EBITDA margin and net income increased due to the consistent implementation of the Holcim Leadership Journey.

Dear shareholder,

The global economy grew only slightly over the course of 2013. Although moderate growth was recorded in North America, the Eurozone continued to be burdened by the need to remedy the excessive levels of debt. However, the recession came to an end in the summer, even if the economic recovery was still very tentative.

The production growth rates recorded in emerging markets suffered larger declines than those in many of the advanced economies. In addition to a lack of demand from the advanced economies, the slowing down of the underlying growth rate due to domestic problems had a noticeable impact. Some countries temporarily experienced considerable capital outflows in the middle of the year, as many investors sought to minimize the amount of risk to which their investments would be exposed in light of the change in monetary policy announced in the United States. The announcement that the US would be implementing a stricter monetary policy caused a number of Asian currencies – most notably in Indonesia and India - to tumble; in some cases, significantly.

In view of these events, the volume development at Holcim was negative in all three segments, and net sales suffered a 6.8 percent decline to CHF 19.72 billion. It was significantly harder to implement price increases in various markets than it was in the previous year. Operating EBITDA was negatively impacted by the Group companies in India, Mexico, Canada, and Brazil in particular. Nevertheless, Holcim recorded stable operating EBITDA of CHF 3.9 billion. Net income significantly increased by 59.3 percent to CHF 1.6 billion, reflecting our culture of cost control in production, logistics, and administration.

Holcim Leadership Journey on track

The Holcim Leadership Journey made a significant contribution to the positive result and achieved the objectives set for 2013. The various workstreams of the Holcim Leadership Journey, which particularly gathered pace from the middle of the year, generated a contribution of CHF 943 million to the operating profit recorded in the financial year. ROIC before taxes increased from 6.8 percent in 2012 to 9.1 percent.

Holcim continues to maintain a strong balance sheet and a good balance between equity and debt, so the Group's net debt fell by CHF 864 million to CHF 9.46 billion.

The Holcim Leadership Journey is of particular importance across the entire Group. We have therefore reserved a special section for it in this Annual Report. We will provide specific projects as examples, in order to show you how our employees are undertaking this demanding journey.

Aim to further optimize value creation

Thanks to Holcim's existing global footprint, the Group can moderate its expansion capex to lower levels. We are currently concentrating on generating optimum added value from the investments made in previous years. We still continue to invest as shown by the existing pipeline of projects, for example in Brazil, India, and Indonesia.

Geographic realignment in Europe

In order to accommodate the evolving economic conditions and remain well positioned in the future, Holcim is further optimizing its presence in Europe. We plan to purchase certain positions in western Germany, a cement factory, two cement mills, a granulated slag production facility, and as well as several locations for aggregates and ready-mix concrete plants, and combine these with our existing business in northern Germany. Part of the transaction also includes selling Holcim Cesko. In Spain, we intend to combine all activities involving cement, ready-mix concrete and aggregates with Cemex. Holcim will hold a 25 percent stake in the combined unit. These transactions will help us to significantly increase our presence in Germany, while at the same time providing us with the necessary level of flexibility in Spain. We are confident of receiving the approvals required from the respective authorities.

In addition, Group management has been further streamlined and responsibilities within the individual regions redefined. We are pressing ahead with the development of a new generation of managers, who have a widely diversified commercial and technical background and as well as a solid track record in the area of occupational health and safety.

Commitment towards sustainability

Holcim's strategy has been characterized by sustainability for quite some time. This is how we intend to reconcile long-term profitability with ecological and social progress. Long-term corporate values can only be created through sustainable business practices. Our efforts and successes in this area, which we have detailed in a separate environmental and social report, have once again resulted in Holcim being listed on the Dow Jones Sustainability Index. This means that Holcim has been on both the Dow Jones Sustainability World Index and the Dow Jones STOXX Sustainability Index for 11 years now and is among the leading companies in the sector in this field.

Payout to shareholders

We are adhering to our principle that one-third of net income attributable to shareholders of Holcim Ltd should be distributed to shareholders. At the Annual General Meeting at the end of April 2014, we will propose increasing the payout per each registered share by 13 percent to CHF 1.30.

Outlook 2014

For 2014, Holcim expects the global economies to show another year of uneven performance. Construction markets in Europe are expected to have reached the bottom, with a slow recovery in sight. At the same time, North American markets are expected to continue to benefit from a further recovery, especially in the United States. Latin America, on the other hand, could continue to face uncertainties in Mexico but should overall show slight growth in 2014. The Asia Pacific region is expected to grow, although at a comparatively slower pace than experienced in recent years. Africa Middle East is expected to gradually improve.

Holcim expects cement volumes to increase in all Group regions in 2014. Aggregates volumes are expected to remain flat overall, as increases in Asia Pacific, Europe, North America, and Africa Middle East are offset by negative volumes in Latin America. In ready-mix concrete, volumes are also expected to increase in most regions, with the exception of Europe and Latin America.

The Board of Directors and Executive Committee expect that organic growth in operating profit can be achieved in 2014. The ongoing focus on the cost base coupled with all the benefits expected from the Holcim Leadership Journey will lead to a further expansion in operating margins in 2014.

A word of thanks to shareholders, customers, partners and employees

There is a great deal of spirit and energy within Holcim. The expertise and commitment shown by our employees have helped to make the company what it is today – an industry leader. The dedication that our employees have exhibited in their daily tasks to meet the various challenges faced has demonstrated that our teams around the world remain our most important asset. We would therefore like to thank them. We would like to take this opportunity to also pay tribute to their generosity, expressed through the many volunteering projects undertaken or in their generous donations to those affected by Typhoon Haiyan in the Philippines. For the latter, Holcim doubled the total raised.

We would also like to say a big thank you to our customers, business partners, and suppliers, and look forward to continuing our good working relationship in 2014.

We would especially like to thank you, our shareholders, for the loyalty and confidence that you have shown us over the past year. We hope that you continue to place your trust in us. Our focus is on developing solutions that make our customers more successful, and we are committed to operating and developing our positions and assets in a way that provides our shareholders with attractive returns.

Rolf Soiron
Chairman of the Board of Directors

Bernard Fontana
Chief Executive Officer

Zurich, February 2014

“True leadership builds on passion”

The economic success, credibility, and reputation of a company are all influenced by the actions of corporate management. On the one hand, for this the expertise of each individual plays an important role, whilst on the other it is only through the cooperation of all members of the Executive Committee that a strategy can be effectively implemented and coordinated across the Group. Over the following pages, the CEO and the Executive Committee explain why Holcim is a profitable investment, how the strategy looks in terms of geographical orientation and the development of individual segments, how global standards are being met, and how the Holcim Leadership Journey will be implemented going forwards.

Why should one invest in the building materials sector and why in Holcim in particular?

Bernard Fontana: Overall, we are in a favorable position with promising growth prospects for the industry—and with strong teams to deliver worldwide. Holcim with its strong footprint, in emerging and mature markets, is well placed to reap the benefits from three megatrends—population growth, economic growth, as well as urbanization. These will continue to drive demand for cement, aggregates, and concrete over the coming years.

Thomas Aebischer: We have one of the most solid balance sheets in the industry and consequently continue to receive investment grade ratings. There are two additional factors that make Holcim a very attractive stock—our risk profile and our commitment to sustainable development. Firstly, as our presence is spread across five continents, including mature and emerging markets, we are in a good position to deal


Roland Köhler, Thomas Aebischer, Bernard Fontana, Andreas Leu, Bernard Terver

with the two-speed economy and thus our risk profile is balanced. Secondly, with our global focus on sustainable development we not only strengthen our competitive position in the markets but also show our strong commitment to the society we operate in. Sustainable development can earn our licence to operate. This offers Holcim a very attractive risk-reward relation.

Holcim has restructured its aggregates and ready-mix business in a number of countries and has also closed sites. What are the perspectives for these two segments?

Roland Köhler: Aggregates and ready-mix concrete remain important business segments for us; however, we run them based on the value they add — either as stand-alone businesses or in combination with other offerings that we have in a market. So the aim is not to build up — or maintain — positions in all three segments in all of the countries in which we are present, but to focus on the markets and circumstances where it makes business sense to have an aggregates or ready-mix concrete presence. If we want to provide tailor-made solutions to our customers, an integrated business would especially add a lot of value.

In many markets, you are faced with competition from local companies that have a geographically-limited presence. What are the overall advantages of a global building materials provider?

Andreas Leu: Latin America provides us with a good example of how we can leverage our size, which of course is a major benefit of being a global provider. In order to allow our local companies to focus on operational efforts, we are creating a regional shared services center in Colombia that bundles administrative services. We can thus reduce back-office costs by around one-fifth — an achievement clearly not possible for a local competitor.

Bernard Fontana, Roland Köhler

Ian Thackwray, Bernard Terver, Thomas Aebischer

Thomas Aebischer: We have numerous global initiatives intended to reap large-scale benefits. Our LEAP! Program, which creates one global procurement team and aims for cost leadership in procurement, lever-

ages the size of our Group to secure better conditions with our suppliers. We also work on increasing the value we can get out of the vast amount of knowledge that exists within Holcim. We encourage and facilitate sharing and multiplication through various means – regional and global conferences, technical centers, or site visits. We are currently also rolling out a new global collaboration platform based on Google Apps that offers all employees a state-of-the-art platform to learn from each other without having to catch a plane.

A number of cement manufacturers have sold assets over the last couple of years. Is that a sign that the industry is about to become more fragmented — reversing the consolidation trends of the last decade?

Bernard Fontana: We believe that consolidation will continue. The experience of the last few years and the current economic environment has led to a more cautious approach toward acquisitions across the industry. However, for Holcim, value-creation for all stakeholders is key. If there are opportunities that meet our criteria of value creation, strategic fit, and long-term financing which secures our current credit rating, we may certainly also be part of future transactions. We look at this in the context of the Holcim Leadership Journey and our continued focus on financial stability.

Overall, the Holcim Leadership Journey is on track. However, for Customer Excellence, you have not met your targets. What are the reasons for this?

Ian Thackwray: Our vision of Customer Excellence is to be the most customer-focused company with the highest customer loyalty in our industry. We therefore aim to create more value for our customers and higher and sustainable returns for the company. This is a process that takes time and is made even more challenging by the currently flat or declining

Bernard Fontana, Andreas Leu, Paul Hugentobler

The members of the Holcim Executive Committee*:
Bernard Fontana, Chief Executive Officer (CEO),
Thomas Aebischer, Chief Financial Officer (CFO),
Roland Köhler, Europe excl. UK,
Andreas Leu, Latin America,
Paul Hugentobler, South Asia and ASEAN excl. Philippines (until December 31, 2013),
Bernard Terver, South Asia and Africa Middle East (until December 31, 2013 responsible for North America and UK),
Ian Thackwray, East Asia Pacific and Trading (until December 31, 2013 responsible for East Asia, China, Philippines, Oceania, International Trade)
*as at January 1, 2014

construction activity in some parts of the world. However, we are confident that we will gain traction in 2014 and we will continue our in depth work to implement Customer Excellence in the Group.

If you want to transform the Group, you need committed employees to do it. What about the people dimension of the Holcim Leadership Journey?

Paul Hugentobler: Investing in our people has always been a key element of the Holcim culture – and this has been accentuated by the Holcim Leadership Journey. Behavior and culture change do play a key role here, so leadership development is our focus at the moment. As we get this right, we can create an environment in which every employee thrives and enjoys working. Current employee satisfaction surveys show that we are already doing many things right, but we definitely have room for improvement.
Bernard Terver: Our procurement initiative LEAP! is a great example for personal development. In the last few months, procurement colleagues from Bratislava to Manila have undergone a two-step assessment program, identifying key development areas. These were then integrated into individual development plans and specific actions and support for employees were defined. Ultimately, there will be a better skilled workforce managing our ambitious LEAP! Program as a result of this approach.

We are seeing mixed signs from some emerging markets. In the long-run, do you need to be prepared for slower growth in these countries? What does this mean for the importance of mature markets?

Bernard Fontana: In 2013, we indeed faced a slower growth in some key emerging countries - still, if we look at the fundamentals, it is pretty clear that prospects in the emerging countries remain positive. World population is estimated to reach around 9 billion by 2050 with most of the growth happening in emerging markets. In addition, urbanization is set to continue. By 2050, the population living in urban areas is projected to rise to 6.4 billion – equivalent to the world's total population in 2004. We are not only counting on growth to occur in these countries: We also have a strong focus on operational excellence there.
Ian Thackwray: Asia is a main driver in this respect. In 2010, less than half of the population lived in cities. By 2050, it will be around two-thirds. This situation naturally requires solutions for the construction environment – be it for housing or infrastructure.
Roland Köhler: The mature markets of Europe and North America will continue to play a major role for us as, for instance, we are now beginning to see signs of stabilization in the housing market in Europe. In addition, ageing infrastructure needs to be fixed or replaced. The figures speak for themselves—the

Bernard Fontana

Bernard Terver, Roland Köhler, Thomas Aebischer

OECD expects that USD 53 trillion will need to be invested to cover the world's infrastructure needs by 2030. A fair share of this will be in mature markets.

The regulatory environment becomes more challenging for a globally active group. How do you balance your global standards with the need to comply with all relevant local laws and regulations?

Bernard Fontana: First of all, our standards are of course at least on the same level as the applicable local law and regulations, if not stricter. This means that it isn't always easy to compete with local competitors, but it is our conviction that we have a responsibility to uphold what we as a Group believe is right. This covers many topics—from OH&S and competition law to bribery and corruption, and discrimination, etc. We have put in place the necessary means to ensure that we can live up to our convictions. In compliance, we have a zero-tolerance policy for violations. And we enforce it. We provide our employees with anti-bribery and corruption, and competition law training sessions, both in the classroom and through e-learning. And these training sessions are mandatory.
Andreas Leu: The same is true for OH&S. It is our top priority and we are continuously improving the awareness and knowledge of our people on how to protect themselves and others from harm while working for us. There is nothing so urgent that it cannot be done safely! Our goal here is Zero Harm to People and this is not only a headquarters vision. People are measured on the ground against this goal, and OH&S track record is an important factor when we decide on promotions.

What about China? Are you planning to increase your presence there?

Ian Thackwray: Since 1999, Huaxin Cement has been our strategic partner in China and we intend to continue strengthening this partnership in the future. In addition to consolidating its position in the industry in China, Huaxin is in the process of transforming its business model to focus on environmental services. This is similar to what we are doing with AFR in many of Holcim's plants globally, but larger in scale and driven by the need to find a sustainable solution to waste for China's urbanising population. Huaxin's development of their waste business benefits from our vast experience in this area. In China, we are seeing major opportunities in this area, given that the needs are great and that the development of waste management systems is still at an early stage.

Holcim is talking a lot about leadership. What does leadership mean to you?

Bernard Fontana: The essence of leadership in my view is to take people to places they have never been—and they have never dreamt of being able to reach. Hence the Holcim Leadership Journey in which leaders across the Group are invited to explore new opportunities here and now, develop themselves, and generate new leaders with a strong focus on performance and the sustainability of the transformations we lead. A message I constantly give to them is that despite all the challenges, the long working hours, and the drawbacks they encounter, they should enjoy this journey. True leadership builds on conviction and passion and can only thrive in an environment where leaders are given the necessary freedom to learn and develop—every day and at every level of the organization.

Bernard Terver: The management changes that became effective at the beginning of the year are proof to how much importance we place on leadership development and succession within Holcim.

For me personally—as someone who has been with Holcim for more than 30 years—it is very reassuring to see that we have these talented colleagues who are willing to take responsibility within our company.

There has been a lot of talk about Holcim's sustainability credentials in recent years but it seems you have been a little quiet about your efforts here. What is the current role of sustainable development for the Group?

Roland Köhler: Over the last couple of years, Holcim has indeed developed into an industry leader in sustainability. It is our intention to build on this strong position and to renew our commitment to sustainability. We want to go beyond Holcim's operations and include customers or communities and take a lifecycle approach to buildings and infrastructure. We also want to go beyond CO_2 and look holistically at our resource management and the value we create for society.

Ian Thackwray

Key success factors

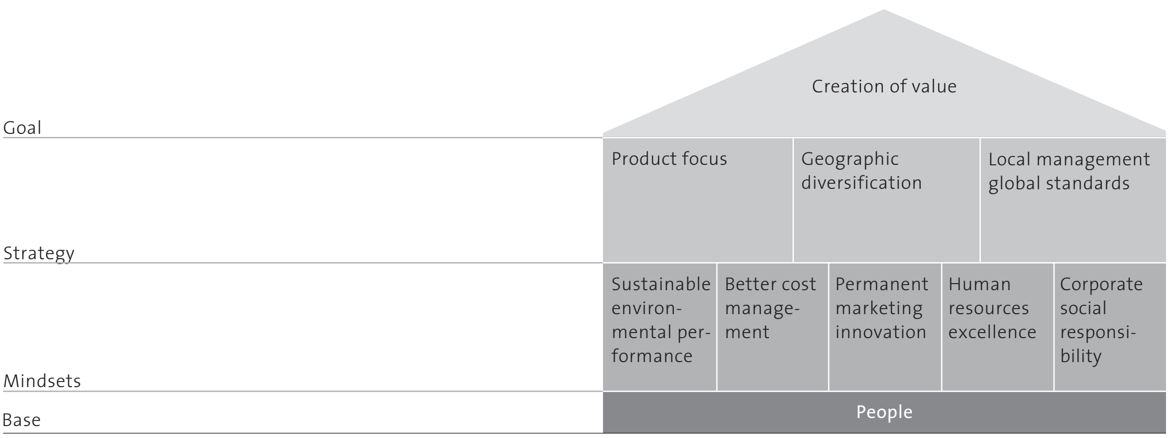
Holcim's vision is to provide foundations for society's future. To do so, the Group supplies customers across the globe with cement, aggregates, ready-mix concrete, concrete products, asphalt, and associated services and solutions. From 1,750 production sites located in all major markets of the world, 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 capacity located in the rapidly 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: The focus on the Group's core construction materials businesses; a targeted, broad-based geographical diversification, with continuously improving positions in growth markets; and a balance between global strategic and local operational leadership. These principles have proven themselves in different economic environments allowing for decisive and rapid responses in changing business conditions. A good example is the Holcim Leadership Journey, launched in May 2012 – for details, please 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 a higher aspiration level continue to generate a steadily increasing demand for better infrastructure and housing. In many areas, there is a huge backlog of demand in terms of both quantity and quality.

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

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.

processing of limestone, clay, and marl, and the quarrying and processing of crushed stone, gravel, and sand touch upon natural resources and depend on significant energy input. In a number of countries, particularly in mature markets and 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 and not only as sales channels for cement. These operations are regularly monitored in order to enhance their profit contribution.

Global presence

Holcim operates plants at 1,750 sites in around 70 countries on every continent, including cement plants, aggregates operations, ready-mix concrete and concrete elements plants, asphalt facilities, and platforms for the processing of 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.

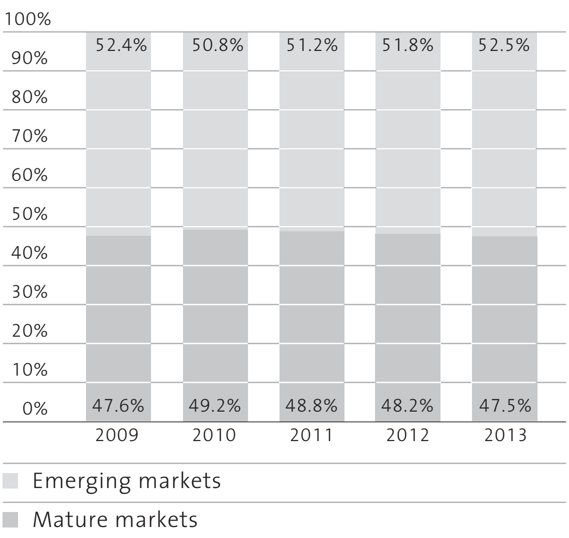
Through Holcim Trading, the Group also holds a leading position in cement, clinker, mineral components, and solid fuels trading. Holcim Trading also offers a full range of trading services to members of the Holcim Group, focusing mainly on supporting the purchase and sale of such products on international 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 are operating locally or regionally. This is why the operational companies are

Net Sales per Region		2013		2012
Million CHF				
Asia Pacific	7,282	35.9%	8,343	38.2%
Latin America	3,349	16.5%	3,490	16.0%
Europe	5,611	27.6%	5,809	26.6%
North America	3,171	15.6%	3,276	15.0%
Africa Middle East	884	4.4%	947	4.3%

Net sales mature versus emerging markets



firmly anchored in their local environment and why Holcim has always placed a 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 of the professional behavior expected of all staff. Non-compliance with the Code of Conduct automatically triggers 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 as unacceptable. Holcim will maintain its target of a Lost Time Injury Frequency Rate (LTIFR) of less than 1.0 but in line with best practice also move to a Total Injury Frequency Rate (TIFR) with a target of below 5.0.

The most important risks, as outlined by the "Fatality Prevention Elements" are monitored.

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

Customer excellence: Activities must center on creating value for and in cooperation with customers. This must be reflected in the range of products and services offered, as well as by the company's communication and engagement with customers. Innovations should respond to changing and new expectations.

Cost leadership: Holcim aims to have the most competitive cost basis for its different businesses. Targets are defined for each area of the business. Corporate functional units and regional service centers support individual Group companies in achieving them.

Permanent people development: Holcim aspires to be an employer that can attract, motivate, and retain top leaders and talents. Without these people, achieving continuously outstanding performance and living up to high standards would be impossible. Staff at all levels are provided with opportunities for systematic development and training.

Sustainable development: 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 strategy.

Holcim's corporate culture: Holcim's corporate cultural values are practiced on a Group-wide basis and can be summed up in the motto "Strength. Performance. Passion."

Continued value creation

The Group wants to grow for years to come. In the past, Holcim achieved this growth through acquisitions and also by building new plants or plant expansions, in particular in emerging markets. With the Holcim Leadership Journey, the Group will extract the growth potential of its current footprint and generate the necessary funds to support further profitable growth.

In the year under review, new capacity expansion projects were commissioned in the cement segment, adding 1.2 million tonnes of cement. In Morocco, the Fes expansion project was completed early in the year, adding 0.4 million tonnes of clinker. The new grinding plant at La Rochelle in France came on stream at year end, with an annual capacity of 0.6 million tonnes of cement. In Tuban on Java in Indonesia, the new cement plant construction, adding two production lines, is progressing well, and the commissioning of the cement mills has commenced.

Several projects will be completed in 2014, adding further clinker and cement capacity. In Bangladesh, the grinding capacity at the Meghnaghat plant near Dhaka will be completed, adding 0.7 million tonnes of cement. The Ruhunu grinding plant expansion in Sri Lanka will come on stream with an annual capacity of 0.6 million tonnes of cement. At the same time, Cement Australia will commence production at a new grinding plant with an annual capacity of 1.1 million tonnes in Port Kembla. In Tuban, line one will be fully commissioned early in the year, adding 1.6 million tonnes of cement and in 2015 the second identical kiln line will come on stream, adding 1.6 million tonnes. Also in 2014, 2.3 million tonnes of cement will be brought into operation at the Barroso plant in Brazil.

Cement capacity expansion within the Group in million tonnes 2014 to 2016

Company	2014	2015	2016	Total
Holcim Indonesia	1.6	1.6		3.2
Holcim Bangladesh	0.7			0.7
Holcim Lanka	0.6			0.6
Cement Australia	1.1			1.1
ACC, India		2.3		2.3
Total Asia Pacific				**7.9**
Holcim Brazil	2.3			2.3
Total Latin America				**2.3**
Holcim US			0.3	0.3
Total North America				**0.3**
Total Group	**6.3**	**3.9**	**0.3**	**10.5**

In 2015, a major facility with a combined cement capacity of more than 5.1 million tonnes will start up in India. As part of this project, a new plant at the Jamul site in the state of Chhattisgarh will replace older plants at Jamul. At the same time, the grinding capacity at this site is also being replaced. Part of the clinker produced in Jamul is earmarked for the expanded Sindri grinding plant and for the new grinding plants in Kharagpur and Kanti. This combined capacity expansion will further improve the efficiency of ACC. In Ecuador, a clinker capacity increase project of 1.4 million tonnes has started and is scheduled to go on stream at the Guayaquil plant by the end of 2015.

Several major plant expansion as well as plant replacement and upgrade projects have been initiated and will be completed by early 2017. In Russia, the Volsk plant upgrade will be completed, providing 1.8 million tonnes of cement with high efficiency. In the US, the Hagerstown plant close to Washington D.C. and the Ada plant in Oklahoma will complete their performance upgrade and improvement projects.

Sustainable construction must be economical
Networking construction experts around the globe and providing a platform for the exchange of views on sustainable construction – this is one of the top priorities of the Holcim Foundation for Sustainable Construction. The Foundation was set up by Holcim in 2003 and remains decidedly forward-looking – like sustainable construction itself.

The Holcim Foundation invites submissions for its international Holcim Awards every three years. The competition is arranged in two stages; it acknowledges sustainable construction projects that excel ecologically, socially, and economically, initially in five geographical regions and then at global level. The fourth competition cycle is currently underway.

A Holcim Forum is held every three years – the fourth was held in the year under review at the Indian Institute of Technology (IIT Bombay). Four hundred representatives of various sciences and industries from around 40 countries set out to explore the topic of "Economy of Sustainable Construction". There is a growing realisation that sustainable development has considerable economic potential, despite the additional investment costs it entails.

At the start of the three-day event, renowned experts, such as British architect Sir David Chipperfield, Chilean architect Alejandro Aravena, ETH Zurich economist Lucas Bretschger and Indian architect Brinda Somaya, expressed their views on the forum topic. Participants were then able to choose one of four workshops and further explore the topic in lectures, discussions, and guided excursions.

Few cities represent as many aspects of the economy of construction as Mumbai: It is the location of the biggest, most expensive private home, while many inhabitants of the Indian metropolis have to fight for a roof over their heads. The challenges facing Mumbai's authorities are enormous: There is a lack of green spaces, the air and water are polluted, and the traffic is difficult to manage. The city therefore offered plenty of illustrative material to stimulate reflection on the "Economy of Sustainable Construction". A discussion panel and poster competition for invited students from every continent concluded the program.

As the numerous media reports about the Fourth International Holcim Forum demonstrate, the event gives Holcim an excellent opportunity to bring its commitment to sustainable construction to a wider audience and make a significant contribution to the promotion of new technologies and concepts. The specialist articles on the topic "Economy of Sustainable Construction" have been published in a book of the same name in English: www.holcimfoundation.org.

Holcim Leadership Journey

The Holcim Leadership Journey aims at increasing the return on invested capital to at least 8 percent after tax. This corresponds to an increase in operating profit of at least CHF 1.5 billion under similar market conditions. Thus, Holcim will fully generate its cost of capital, improve its balance sheet, and be in a position to sustainably finance further growth. The program, launched Group-wide in May 2012, has continued to gain momentum in 2013. Cumulative with 2012 benefits, it has delivered an overall contribution of CHF 1.1 billion, stimulated a series of improvements on all levels, and strengthened functional excellence.

In order to sustainably finance continuous growth, businesses must fully generate their cost of capital. This is why the Holcim Leadership Journey, presented and launched at the internal Management Meeting in May 2012, focuses the Group more strongly on the return on invested capital. Value creation by the Group is no longer primarily measured in terms of operating EBITDA, but also via the return on invested capital and operating profit.

The objective of a return on invested capital of at least 8 percent after tax should be achieved with measures in various areas of activity, consolidated operating profit will be improved by CHF 1.5 billion, always in comparison with the base year 2011 and under similar market conditions.

The Holcim Leadership Journey is a combination of top-down and bottom-up targets for specific business areas. A key topic is greater customer excellence, i.e. the optimization of products, services, and solutions. In addition, a bundle of cost-cutting measures are improving efficiency along the entire value chain. Since 2012, more than 3,000 initiatives have been launched across the globe – initiated locally, regionally, and on a global basis.

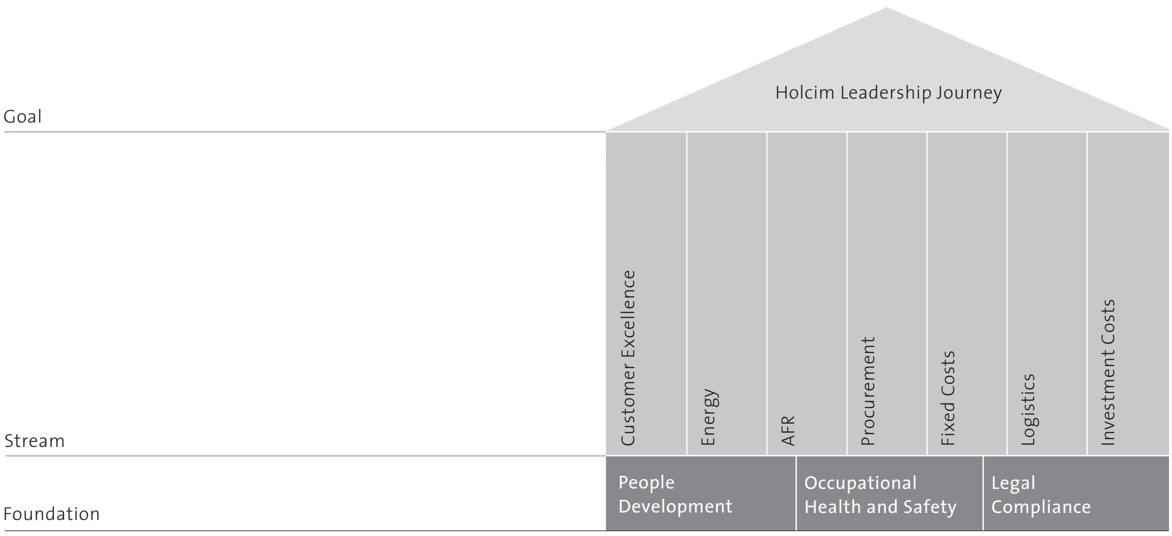
The number and scope of programs required the creation of a Project Management Office responsible for central program management, including monitoring, reporting as well as the coordination of global work streams with the regions and Group companies. It also challenges performance and ensures that the Group companies have access to the Group's entire know-how and the appropriate resources for implementing the program.

Enhancing profitability and its essential prerequisites
The two main components of the Holcim Leadership Journey are customer excellence and cost leadership. Basic prerequisites of all activities in these fields are employee related, i.e. professional and individual development of employees and of leaders in particular. Progress in these areas is indispensable for achieving Holcim's profitability targets and for generating the resources needed for the Group's continued growth. The key priority of ensuring occupational health and safety is part of the Holcim Leadership Journey, as an excellent record in this area is an indicator of the quality of leadership and management in general. For further information on the developments in occupational health and safety, please see pages 69 and 70 in this report.

Customer first
Holcim attaches particular importance to customer needs and to creating genuine value for the customer. Several programs optimize customer management know-how, and improve product quality, and measurement of service delivery. Market analysis, brand management, and value creation for customers take center stage. A well-defined differentiation of Holcim's offering will contribute to providing superior value to customers. Holcim drives this transformational process with a clear focus on its key markets and at the same time sets corresponding standards in all operating companies. In 2013, capabilities have been assessed in the Group companies and development potentials were identified. The drive for permanent innovation as well as anticipating customer requirements on the basis of technological and social trends are of great importance. For further details, please see the chapter on innovation, pages 52 to 55 in this report.

The efforts of this transformation are starting to pay off, with financial benefits generated so far amounting to CHF 166 million (in 2013: CHF 135 million).

The Holcim Leadership Journey Model



Reducing costs

Cost leadership is the second component of the Holcim Leadership Journey. Potentials were identified in energy management, alternative fuels and raw materials (AFR), logistics, procurement, and fixed costs. Since the launch of the Holcim Leadership Journey, cost savings totaling CHF 935 million were achieved (in 2013: CHF 808 million). The program is initially expected to produce cost savings of more than CHF 1 billion.

Energy management and AFR: Energy management concentrates on optimizing the energy mix and on improving energy efficiency in production, in particular in the manufacture of cement. This sometimes requires specific investments. Other measures promote the use of alternative fuels and raw materials. To ensure that this is environmentally compatible and safe, the internal certification ACERT (AFR certification) was created for all AFR preparation platforms in the Group. Moreover, Holcim has launched the STAAR program (strategic and technical assessment of the AFR business) with a view to further optimizing the use of such materials.

On a global basis, there is a comprehensive portfolio of ongoing activities that will lead to a continuous reduction of the specific energy consumption, an optimization of the fuel mix, and improved sourcing of energy. Of the total targeted energy savings of at least CHF 300 million by the end of 2014, total cost savings of CHF 227 million were achieved to date (in 2013: CHF 187 million).

Logistics: The planned improvements in logistics will be achieved primarily through local initiatives, as the associated challenges and opportunities differ highly case by case. Common elements however like network optimization, transport operations, or third-party logistics sourcing are practices which are made available and shared throughout the company. The Group supported the operating Group companies in various diagnostics projects, network optimizations, and performance improvement projects. A Group-wide target has been set for savings in this area of at least CHF 250 million by the end of 2014. After preparing the ground in 2012, the initiatives gained substantial momentum in 2013, contributing total benefits of CHF 162 million.

Procurement process: Procurement costs are of strategic importance in the capital-intensive building materials industry. Holcim seeks to fully leverage its corporate size to streamline the pooling of procurement wherever this makes financial sense. The goal is to increase the amount of spend under global category management from 9 percent to 58 percent by the end of 2014.Therefore, a transformation program was initiated with global and regional councils steering procurement activities. The projected savings potential of at least CHF 250 million by the end of 2014 was already reached with a contribution of CHF 251 million so far (in 2013: CHF 203 million).

Fixed costs: Holcim has long attached great importance to the optimization of fixed costs. The actual economic conditions call for a reduction in fixed costs. The target is fixed costs savings of at least CHF 200 million by the end of 2014. Significant restructuring measures have already taken place in various important markets in 2012. These laid the foundations for achieving the targeted cost savings. So far, fixed cost reductions contributed CHF 294 million to the Holcim Leadership Journey (in 2013: CHF 255 million).

Total cost of ownership of new capacity
Cost reductions in the provisioning and usage of production facilities are important drivers of better capital use. The Holcim Leadership Journey is to reduce the total cost of ownership per tonne of new capacity by 20 percent. This target is achieved by broadening the supplier base, improving contract management, and adapting standards of noncritical equipment – without compromising product quality in any way, OH&S and environmental compatibility. The projects currently under review confirm this potential.

Generation and development of employees and leaders
Employees and leaders at all levels must implement all program initiatives and they are ultimately responsible for the success of the Holcim Leadership Journey. Accordingly, Holcim seeks to ensure working environments that support a continuously high performance. For more details, please see the section on human resources, pages 75 to 77.

Measurement and improvement of operating performance
Holcim measures and objectively compares operating performance across all fields of activity in the Group and systematically strives for improvement. The Group's systems record performance in absolute terms and in comparison with all other Group companies. Such systems are now operating not only for Holcim's cement business, but for aggregates and ready-mix concrete as well. They facilitate the systematic and comparable tracking of progress achieved versus targets and allow the identification of best-in-class practices, which can subsequently be shared throughout the Group.

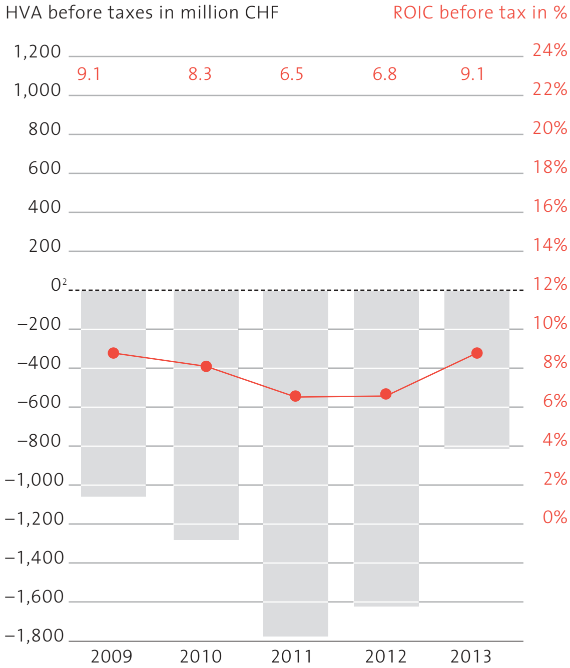
Strategic portfolio management
It is one of Holcim's goals to profitably optimize its strategic footprint and as part of the Holcim Leadership Journey the Group is open to an active portfolio management. Adjusting the size of operations to the expected long term markets conditions is a recurring management task in all regions and countries thereby building a more stable and successful company for the future. In 2013, Holcim continued to strengthen its portfolio: The Group reduced its stake in Cement Australia to 50 percent and also sold its operations in New Caledonia. In addition, Holcim announced its intention to optimize its footprint in Europe through a number of transactions with Cemex in Spain, Germany and the Czech Republic.

Savings in million CHF	2012/2013 cumulative	2013 realized	Total by end of 2014
Increase in customer excellence	166	135	>500
Cost leadership	935	808	>1,000
Energy and alternative fuels	227	187	>300
Logistics	162	162	>250
Procurement process	251	203	>250
Fixed costs	294	255	>200
Total contribution	1,101	943	>1,500
Additional CAPEX net	219	171	100–180

Segment-specific margin targets
Holcim has defined specific operating EBITDA margin targets for each segment and also specific targets for the Holcim Leadership Journey streams.

Higher expenditures on raw materials, transport and in some countries energy, combined with a difficult market environment, squeezed cement margins in 2013. However, price increases, efficiency gains, the commissioning of new plants with favorable cost structures, and the Holcim Leadership Journey were able to balance the negative effects. On balance, the operating EBITDA margin in the cement segment was 25.1 percent (2012: 24.3), the operating EBITDA margin for aggregates was 18.5 percent (2012: 15.6), and the operating EBITDA margin of the other construction materials and services segment was 2.9 percent (2012: 1.6).

Holcim Value Added (HVA)[1]



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

Operating EBITDA margin	Target	2013	2012
Cement	33%	25.1%	24.3%
Aggregates	27%	18.5%	15.6%
Other construction materials and services	8%	2.9%	1.6%

Value-added performance 2013

The baseline for measuring the success of the Holcim Leadership Journey is the operating profit in the 2011 financial year, excluding one-off charges for write-offs. In absolute figures, the base operating profit for comparison purposes in the 2011 financial year is CHF 2.193 billion (adjusted for changes in consolidation since 2011). Total program benefits amount to CHF 1.101 billion since 2011. These have however been partially offset by negative market developments and inflation, in particular for third-party services and energy costs in some emerging countries.

Thanks to the Holcim Leadership Journey, however Group return on invested capital ($ROIC_{BT}$) adjusted for restructuring costs rose – despite partially adverse markets – by 0.3 percentage points to 9.1 percent in 2013.

Holcim Leadership Journey: OH&S

Safety first

Two examples from Canada and Lebanon show how Holcim further develops its safety culture

Nick Traber
Head Occupational Health & Safety

For us, health and safety is a key feature of a performing business and thus the basis for the sustained success of the Holcim Leadership Journey. At the core of our efforts lies the development of a strong safety culture. Therefore, we place a strong emphasis on building competence in OH&S at all management levels and replicating best practices.

Holcim Lebanon conducts safety observations

Everyone is familiar with the following situation from their own experiences at work: One trips over a cable at the office, or bangs into a chair that a colleague accidentally leaves lying in the corridor. In an extreme case it could have resulted in an incident, perhaps a serious one, but it mainly remains an annoyance. For many, it is clear that someone should be informed of the hazard, but there are other things to do, and it soon slips one's mind.

This kind of thinking is normal, and very human. In a potentially dangerous environment like a cement plant, however, it can be fatal. Such "near-miss" incidents are often indications of a dangerous condition that is going unnoticed. While it may not seem like much at the time, even something as seemingly innocent as an electrical cord across a corridor can cause a serious trip or fall. Even if no injury occurs, someone tripping over the cable should of course report it. In this way, the hazard can be dealt with before something more serious happens.

Near misses

With this in mind, Holcim Lebanon has been running an ongoing program to encourage employees in its plants and offices to report such hazards. The Near Miss Program follows on from a successful campaign to encourage employees in plants to report dangerous acts or conditions which had already greatly improved safety in plants by helping to eliminate clear hazards. The idea behind the Near Miss Program was to go one step further, focusing on the causes of near misses.

The program was divided into four stages. First, the Group company surveyed supervisors and workers to determine the barriers that impeded reporting near misses. The company then carried out an extensive awareness-raising campaign focusing on its near-miss reporting procedures. As the program progressed, Holcim Lebanon analyzed its efficiency by comparing the near-miss reports with actual accidents. Finally, the company carried out surveys to compare manager understanding of the seriousness of near-miss reporting with that of supervisors and plant and office personnel.

The program has had the intended effect. There has been a strong increase in incidents brought to light. As a result, Holcim Lebanon has been able to, among other things, determine the primary cause of near misses and take appropriate measures.

Recognition

The success of its Near Miss program helped the company win a Holcim Occupational Health & Safety (OH&S) Excellence Award in 2012. The OH&S awards were introduced to encourage and publicize awareness raising and other safety-oriented programs being carried out across Holcim. They aim to foster a strong OH&S culture and mindset throughout the organization.

While awards are a nice way of saying “job well done,” the motivation behind the OH&S awards is very serious. Like other industrial facilities, a cement plant is a potentially dangerous place. At Holcim, safety is the first priority. One of the tasks in reaching the company’s ultimate goal of zero harm to people is to keep safety on everybody’s mind.

Focusing on causes of near misses

What is learned in classrooms is applied on site

A strengthened safety culture

This was very much the idea behind another winner of an OH&S Excellence Award—the Safety Culture Program carried out by Dufferin Construction Company, part of Holcim Canada. The objective of this program was to achieve safety excellence by involving all employees in safety awareness. It aimed to positively influence beliefs, assumptions, and norms throughout the organization, and to involve front-line workers in raising issues and developing solutions.

The program was based on a safety culture perception survey carried out with over 500 employees, which determined the baseline regarding safety awareness at the company. Dufferin then set up a guidance team, comprised of members from management and the workforce, who then attended a special three-day safety training course. At the same time, grass roots teams (GRTs), made up of hourly workers nominated by their peers, were assembled in various parts of the organization. Members of the GRTs participated in safety culture training sessions as well. They then developed action plans and projects to address unsafe practices, behaviors or norms that could lead to incidents, and to introduce positive changes.

The program has been a successful addition to Dufferin's overall safety effort. Thanks in part to increased safety awareness, the company has been able to reduce its medical treatment frequency rates and maintain its already low lost-time frequency rates.

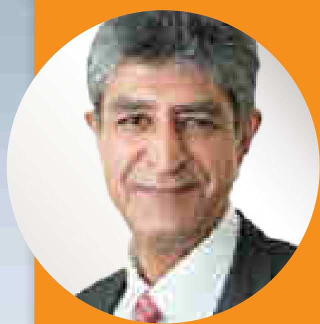
Occupational health and safety is at the core of the Holcim Leadership Journey, and the initiatives mentioned here are only two of the many such programs being carried out at Holcim every day. While they cannot all win an award, all of them contribute to making Holcim a safer place to work. And that is the most important award of all.

In Canada safety culture trainings helped reduce incidents

Holcim Leadership Journey: Customer Excellence

Meeting customer needs

Holcim is helping its customers succeed



Ramit Budhraja
Leader of the Customer Excellence stream in the Holcim Leadership Journey:

Putting the customer at the center of everything the Group does is one of Holcim's key long term success factors. It is both about further increasing our efforts and focus on short-term improvements through sales force development and margin- and price management, as well as developing sustainable long-term excellence through Customer Value Management and our brand. The Group is implementing several initiatives that will bring us closer to our customers and solve their needs better with value-adding solutions and services, creating value for our customers and for Holcim.

Holcim Philippines has introduced an new ordering and pick-up system

Holcim supports customers with value-adding solutions as two examples from the very different markets in Switzerland and the Philippines show.

When it is completed in 2015, the new Roche Tower in the Swiss city of Basel—officially known as Building 1—will be an impressive achievement by any measure. At 41 storeys and 178 meters high, it will be Switzerland's tallest building. Its distinctive tapered design is sure to become a defining element of the city's skyline, continuing Roche's longstanding tradition of high-quality industrial architecture. With approximately 2,000 workspaces, the company will offer an attractive work environment and top quality infrastructure. The building is also earthquake-resistant and adheres to the strict Swiss Minergie energy efficiency standards, making it both safe and environmentally friendly.

While visitors are sure to be impressed by its external appearance, fewer are likely to be aware of the equally impressive technical challenges faced during construction. This includes the design of the concrete being used as the primary construction material.

Holcim developed a special concrete formula and provided tailor-made logistics solutions for the Roche Tower

In a building with the size and complexity of Roche Tower, ordinary concrete is not sufficient. This is particularly true of the massive base plate in the foundation, upon which the tower rests, and the core walls around which it is being built. The reason can be found in chemistry. When concrete is poured into a mold and begins to dry, it gets hot. In a large pour, the temperature difference between the center of the element and the cooler surface can lead to serious problems such as cracks, which must be avoided at all costs. Roche knew that it needed a concrete supplier with strong technical expertise as well as high production capacity. It therefore turned to Holcim Switzerland.

Comprehensive service

Holcim understood immediately that this job required more than just mass deliveries of specialized concrete. What the customer needed was a service-oriented partner to help meet a complex materials challenge, one that would apply all of its experience and know-how to add real value to the project.

For this reason, Holcim Switzerland first set up a Key Account Project Management system for the project. This provides a single point of contact for the customer, making it easier for them to interact with the many different Holcim teams involved on the job. Internally, it allows Holcim Switzerland to coordinate its efforts under one lead. This ensures that all the Holcim units involved – from the technical teams and its cement, aggregates, and ready-mix concrete production units through to logistics, sales, marketing, and communications – are always on the same page.

Finding the right mix

Holcim then worked to develop a concrete formula to meet the challenging specifications. This was a technical balancing act, involving adjusting the ingredients to influence the final properties of the concrete, including its strength when dry and heat profile during hydration. In this particular case, the team also had to come up with a tailor-made cement, which is rare when designing specialized concrete.

In the laboratory, Holcim experts developed a number of trial mixes. These were then tested under conditions which simulated the pour in the largest and hence most difficult element planned for the job site. The testing involved sophisticated equipment as well as software modeling and forecasting tools, and resulted in strength and heat profiles being developed for each trial batch, as well as projections as to how the mix would perform over the long term.

In the end, the team came up with a mix that would never exceed 60 degrees Celsius during hydration—relatively cool considering the size of the elements—

and yet reach strengths of 70 megapascals about twice the strength of normal concrete. As an added plus, this high-strength concrete is also relatively fast-drying. This allows the builder to work at a brisk pace, saving time and therefore costs. It was an impressive achievement.

Logistics

The next challenge was how to get this special concrete—as well as the other construction materials that Holcim was supplying—to the job site. With over 20,000 tonnes of cement and 100,000 tonnes of aggregates on order, and a delivery schedule calling among other things for some 1,000 tonnes of aggregates to be transported per day, this was no mean feat.

A key task was ensuring that Holcim Switzerland had the capacity to supply the necessary volumes on schedule, as any delays would hold up construction and increase costs for the builders. Holcim Switzerland's logistics unit worked with the Holcim cement and ready-mix concrete teams, as well as the various plants, on developing a production schedule and backup plans in case there were any problems at the main plant. The team also developed a customized logistics plan, with rail and truck transport to silos outside the city, and truck deliveries to the site. This would ensure that supply was always available exactly when needed.

Serving needs both large and small

The Roche Tower is a good example both of a large, complex project in which Holcim acted as a full solutions provider and of the Holcim Leadership Journey's customer excellence stream in action. Working to solve such complex tasks is part of Holcim's commitment to help its customers succeed. As an initiative in the Philippines demonstrates, this commitment is not only reserved for Holcim's large, bulk cement clients. The company also works to address the needs of smaller customers, in this case dealers of bagged cement.

In the Philippines, demand for bagged cement can be greater than the supply, particularly in the dry summer months between January and June. For dealers and retailers, this can mean a scramble to ensure inventory completeness. During the peak season, it was not uncommon to see long queues of trucks waiting hour-upon-hour outside Holcim Philippines' plants.

Holcim Philippines could see that the situation was less than ideal for its customers. Hardly predictable access to product makes it hard to manage stock, and hence more difficult for customers to adequately service their clientele. Idle trucks means paying drivers who are not driving, and lost sales opportunities. Holcim Philippines also noticed that, in the rush to obtain the product, customers had a tendency to send trucks to the plant as often as possible, often without proper planning or paperwork, which compounded delays. Even though its own order books were full, Holcim Philippines decided to do something to help its customers secure more predictable access to its product.

Waiting times at plants in the Philippines are reduced significantly

A helping hand

In doing so, the company had the advantage of already knowing its customers very well. During an extensive customer value management exercise carried out previously, it had invested a lot of time and effort in understanding the business of its different customer segments. It knew there were customers which counted on steady supplies, such as retailers, and others which had a more ad-hoc demand, such as building contractors. For high-volume customers, it knew that there were those who needed steady volumes throughout the whole year, and others with peaks and troughs.

These insights provided the inspiration for a new product-ordering and pick-up system that Holcim Philippines has successfully piloted at its plant at La Union. The company likens it to an airline booking system. Enrollment is available to those who can profit most from it, generally high-volume customers, much like a frequent flyer scheme. Using the system, customers can pre-book their orders, receiving the equivalent of a plane ticket. This shows exactly when the order will be ready at the plant, and represents a commitment from Holcim Philippines that the agreed amounts will be available.

This makes picking up the product much easier. Two days before the order is due, the customer receives a text message—like a boarding pass—confirming the date, gate check-in time, and shift. This simultaneously ensures that all relevant documents are in order, eliminating paperwork-related delays. When the driver arrives, he checks in at the gate, the truck is weighed, and then the driver proceeds to the lounge while the bags are loaded. Screens show the progress and the exact "boarding" time. If the driver has questions, a help desk is available.

Planning ahead

Holcim Philippines has also been proactively working with customers on capacity planning. For large customers, Holcim sales staff discuss needs over the whole year. Sales staff also contact customers enrolled in the program during the last week of every month to plan the next month's orders.

Once volumes and times are agreed, both sides commit to them. If drivers do not arrive on schedule, the order cannot be processed on time. If this happens repeatedly, there are penalties to pay, like a rebooking fee for an airline ticket. On the other hand, if Holcim for any reason cannot deliver the volume agreed upon, it is obligated to provide a discount.


The new system makes picking up the product much easier

Bagged cement plays an important role in the Philippine market

A worthwhile investment

Naturally, implementing such a system was not possible without investment. A new IT system manages the order management process and also consolidates orders to help the company manage its capacity planning, as Holcim Philippines aims to have about half of its product reserved for customers enrolled in the new program. The company also made some modifications to its plant, installing the new screens in the lounge and also making the lounge more comfortable for the drivers.

The investment has been worth it. Since introducing the system, waiting times have been reduced on average by 25 percent, representing real efficiency gains and savings for frequent customers. For Holcim Philippines, it means better capacity planning, increased customer loyalty and a reinforced reputation in the market as a customer-oriented supplier. This has translated into meaningful results. Despite new competition in the market, Holcim Philippines estimates to have improved its market position while maintaining its price premium.

As with the solution for the Roche Tower, this new system, which will now be rolled out to all of the other plants in the Philippines, is a tangible example of how Holcim works to help customers succeed. The need here may have been different to the Roche project, but the commitment to customer excellence was similar, as was the approach. One of the streams of the Holcim Leadership Journey, customer excellence is about understanding the customer's business, being sympathetic to its concerns and, as Holcim Switzerland and Holcim Philippines have demonstrated, doing everything possible to help the customer succeed.

Organization and management

Holcim further strengthens senior management

Efficient management and control
Holcim's corporate governance policy is set up to ensure transparent and sustainable value creation by clearly delineating responsibilities, management processes and organization, the monitoring of performance as well as 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 113 to 133.

In 2013, a number of changes took place as far as the Board's composition was concerned:

Hanne Birgitte Breinbjerg Sørensen was elected to the Board of Directors of Holcim Ltd at the ordinary general meeting. She is a Danish national who was born in 1965. Up until the end of 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.

Also elected was Anne Wade, who is a US national born in 1972. From 1995 to 2012, she was the 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 Masters of Science from the London School of Economics.

Board member Beat Hess was confirmed in office for a further term at the 2013 general meeting. Rolf Soiron, Chairman of the Board of Directors, was nominated for re-election and retained his office for a further year in order to guarantee that the plans for the future Chairman are well organized.

Status as at
February 15, 2014.

Board of Directors

Rolf Soiron
Chairman,
Chairman of the Governance & Strategy Committee

Beat Hess
Deputy Chairman

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

Alexander Gut
Chairman of the Audit Committee

Adrian Loader

Andreas von Planta

Wolfgang Reitzle

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
North America and UK

Thomas Aebischer
Chief Financial Officer

Roland Köhler
Europe excl. UK

Andreas Leu
Latin America

Bernard Terver
South Asia and Africa Middle East

Ian Thackwray
East Asia Pacific and Trading

Area Management

Horia Adrian

Daniel Bach

Javier de Benito

Alain Bourguignon

Urs Fankhauser

Onne van der Weijde

Kaspar E.A. Wenger

Corporate Functional Management

Urs Bleisch

Jacques Bourgon

Xavier Dedullen

Aidan Lynam

Auditors

Ernst & Young AG

Management Structure

See organizational chart on pages 50 and 51.

Changes

See also Corporate Governance on page 113 ff.

The Executive Committee from left to right: Bernard Terver, Roland Köhler, Thomas Aebischer, Bernard Fontana, Andreas Leu, Ian Thackwray.

The Group's Senior Management was streamlined with effect from January 1, 2014:

Member of the Holcim Executive Committee Bernard Terver – previously responsible for North America and UK – has assumed responsibility for Africa Middle East as well as South Asia, i.e. India, Sri Lanka and Bangladesh. With his many years of experience in the cement business and his strong track record in financial performance and also Occupational Health & Safety, Bernard Terver is ideally equipped to tackle the challenges Holcim has in this region (CV see page 130).

Onne van der Weijde (CV see page 132) remains Area Manager for India, reporting to Bernard Terver.

Javier de Benito (CV see page 131) remains Area Manager for Africa Middle East, reporting to Bernard Terver.

Member of the Holcim Executive Committee Ian Thackwray became responsible for East Asia Pacific and Trading. With this move, important regional synergies in terms of increased collaboration can be reaped over time. (CV see page 130). He is assisted by Area Manager Daniel Bach (CV see page 131) for South East Asia.

Member of the Holcim Executive Committee Paul Hugentobler, responsible for South Asia & ASEAN (excluding the Philippines), has retired upon reaching the statutory age limit in February 2014. He acts as an advisor to the CEO of Holcim Ltd starting January 1, 2014. Until then, Paul Hugentobler, who has been instrumental in building up the Group's position in Asia, supported a smooth transition phase into the new setup. The Board of Directors and the Holcim Executive Committee would like to thank Paul Hugentobler for his many contributions to the success of the Group (CV see page 129).

Alain Bourguignon (CV see page 131) was appointed as Area Manager for North America and UK and member of Senior Management of Holcim Ltd. He reports to the CEO of Holcim Ltd.

Thomas Aebischer (CV see page 129), has assumed additional responsibility for Investor Relations as well as Risk Management.

The area of responsibility of Holcim Executive Committee members Roland Köhler, in charge of Europe excluding the UK, and Andreas Leu, responsible for Latin America, remain unchanged.

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 the fast implementation of new processes and standards.

The operating units in around 70 countries 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 the year under review, in line with the Holcim Leadership Journey (see pages 28 to 33), these functions focused more intently on generating added value throughout the entire Group. Striking the balance between local competence on the one hand, and the appropriate support or intervention from Group headquarters on the other, is a permanent subject of attention.

In this context, an industrial franchise fee was introduced with effect from January 1, 2013. The fee simplifies the collaboration between the Group companies and the relevant corporate staff units. An important aspect is to ensure that the central functions are more precisely focused on optimizing operations and enhancing customer excellence. All corporate staff units active in these areas have been merged into Holcim Technology Ltd with effect from January 1, 2013. The remaining corporate staff units now operate as part of Holcim Group Services Ltd.

Value creation in a competitive environment

Value creation must abide by a number of fundamental rules and priciples. This is why the Board of Directors and the Executive Committee have issued a Code of Conduct defining the expected business behavior for all employees. Among other things, the Code of Conduct requires strict respect for competition and anti-corruption laws. Here, Holcim applies a zero-tolerance policy. Measures have been introduced to ensure that the Group companies comply with the 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.

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

Non-compliance with such rules is not tolerated and will result in disciplinary measures.

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

Business Risk Management identifies risks and opportunities

Business Risk Management supports the Board, the Executive Committee, and the management teams of the Group companies. Its aim is to systematically recognize major risks as well as opportunities. In focus are a wide range of different internal and external risk types in the strategic, operating, and financial sectors. Besides the Group companies, the Executive Committee and the Board are also involved in the assessment process.

Identified risks are evaluated, and countermeasures are proposed and implemented at the appropriate level. The Group's risk profile is assessed both top-down and bottom-up. The Board of Directors receives regular reports on important risk analysis findings and is provided updates on the measures taken (see also pages 120 and 121).

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

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

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

Focus on joint objectives
The company systematically measures performance. Compensation systems are designed to motivate management to perform at an above-average level and to consistently high standards. A standardized, variable compensation system is in place for our most senior executives. Salaries are calculated not only on the basis of financial objectives, but also in light of individual goals (see also compensation report on pages 134 to 144). A significant proportion of the variable compensation is currently paid in the form of Holcim shares, which are locked in for a period of three to five years. This system strengthens the shared focus on a long-term increase in the Group's performance and value.

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

Organization Chart

Status as at
February 15, 2014

Board of Directors Holcim Ltd

Audit Committee

Internal Audit[1]

Executive Committee

Bernard Terver

Ian Thackwray

Andreas Leu

Area Managers/ Corporate Functional Managers

Javier de Benito
Aidan Lynam
Onne van der Weijde

Daniel Bach

Xavier Dedullen

Line and functional responsibility

South Asia
Africa Middle East

East Asia Pacific
Trading

Latin America

Legal & Compliance

[1] Internal Audit reports to the Audit Committee
[2] Excluding UK

Paul Hugentobler is advisor to the CEO.
Corporate Functional Manager Jacques Bourgon is advisor to the CEO.

Governance & Strategy Committee

Nomination & Compensation Committee

Bernard Fontana
CEO

- Communications
- Human Resources
- Occupational Health & Safety
- Strategy

Alain Bourguignon

- North America
- UK

Roland Köhler

Horia Adrian
Urs Fankhauser
Kaspar Wenger

- Europe[2]

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

Resources management, urbanization, climate change – the world and with it the demands of customers and society are changing faster than ever. Here, innovation has to respond by developing new solutions to meet the market needs.

A large number of innovations are developed in Holcim's Group companies and at Holcim Technology and Services (HTS). They strengthen Holcim's position as a global leader in the segments of high quality building materials. In cooperation with clients, innovation improves product offerings, develops integrated market solutions – and it constantly seeks out efficiency gains. Demonstrable innovation and differentiation turns building materials from a commodity product into high value customer solutions.

Buildings are directly or indirectly responsible for roughly 40 percent of global CO_2 emissions, 50 percent of global waste production and more than 35 percent of global energy consumption. Sustainability along the whole building lifecycle thus offers an immense potential for innovation – be it through low carbon materials, recycled resources or energy savings.

An important challenge and opportunity alike derives from multiplicating successful solutions. Such multiplication avoids reinventing the wheel and contributes to faster returns on investment.

Open Innovation partnerships

Open Innovation is an essential factor for innovation success, as innovation happens at intersections. This is why Holcim has always sought out innovative partners willing to challenge the status quo. Combining the knowledge of the materials manufacturing processes with other expertise of selected partners allows to constantly provide better solutions for the changing demands.

Holcim works closely with research institutes and equipment and technology suppliers. A partner network of leading universities such as ETH Zurich and MIT Boston enables Holcim to stay at the pulse of new developments and to transfer basic research insights into practical offerings for customers. Solutions are increasingly demanded in a faster way – another reason for working jointly with customers and partners. Open Innovation is strengthening Holcim's ability to deliver fast and smart solutions.

Focus on six innovation fields

Holcim focuses on the six innovation fields with the greatest potential to add value. In each field, Holcim's Group companies, corporate functions and external partners are developing innovative solutions. The following paragraphs outline several of the innovations in the six fields.

The six innovation fields of Holcim

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

1. Integrated market solutions

Holcim Canada: Niagara tunnel produces clean electricity for 160,000 homes

The Niagara tunnel is 10.4-kilometer long and 14.4 meters wide, and 500 cubic meters of water flows through it every second, providing 160,000 homes with clean hydro-electricity. At the core of this success stand many large and smaller innovations. The concrete solution was particularly sophisticated, with unique mix designs for cast-in-place concrete that has to set quickly and cannot shrink, creep or crack and has to be wear-resistant for a century. Furthermore, it had to be pumped over great distances and dropped through drop shafts without losing its consistency. The Niagara tunnel project also demonstrates the value of knowledge transfer: Holcim Canada benefited from Holcim Switzerland's experience of constructing the longest tunnel in the world, the Gotthard train tunnel.

Holcim Indonesia: Indoor Climate Solutions

Underfloor cooling is a comfortable, quiet, energy-efficient alternative to traditional systems in commercial and public buildings. The system uses innovative ways to embed water-carrying pipes for cooling in the building's concrete flooring. It has the capacity to transport energy 3,500 times greater than air. The pipes covered by the Holcim FloCrete technology deliver visually clean surfaces without disturbing appliances, and they allow flexible interior design – a feature that architects appreciate. The system operates without practically any noise. The benefits for the customer include significant savings on energy and operational costs, the value of the building is increased, and green building certification, such as LEED® or Green Mark, can be obtained.

2. New materials/functionalities

ACC, India: Water-repellant cement

The new ACC Gold cement, developed and launched by ACC Ltd in 2013, has intrinsic properties to stop water seepage. In tropical countries such as India, there is heavy rainfall in most areas – cracks in buildings lead to water seeping into the construction material, which initiates the deterioration of the structure. In addition to this, the shallow water table in northern India results in water seeping through the foundation and walls. An innovative solution to all these problems is ACC Gold. It significantly reduces water permeation into concrete, which results in dry walls and a healthy indoor climate. ACC Gold can be used in all applications, from masonry to concrete-making.

Alternative material to natural sand

A project was initiated among seven Group companies in South-East Asia, Australia and Holcim Technology in order to seize opportunities to use crushed sands as a replacement for natural sand. Many countries face a scarcity of natural sand or having to pay high costs for the material, therefore Holcim looked for alternatives. In aggregates quarries, crushed sands are produced as a by-product and are often stockpiled due to difficulties in concrete application. The challenges posed regularly by this material are its heterogeneity and the lack of easy-to-measure quality indicators, which are the prerequisite for an adequate quality management system. The development of Holcim Technology's application-oriented product-testing tools now allow the maximum use of such crushed sands – leading to substantial quality improvements for Holcim customers.

3. Low carbon solutions

Holcim Canada: low carbon concrete

Holcim is noticing a growing trend toward building "green homes", incorporating environmentally friendly concrete structures. An innovative initiative called the Smart Home Project allowed Holcim Canada to use low carbon concrete (LC2) to fill an insulated concrete structure made with recycled wood-fiber concrete blocks. In a joint development between Holcim Canada and Holcim Technology, low carbon concrete was designed to not only fulfill the strength requirements for the applications, but particularly to include the CO_2 and cost calculations in the concrete optimization. LC2 combines state-of-the-art knowledge, research and Holcim methods to ensure the optimized use of clinker and aggregates. The Smart Home Project shows that the use of LC2 can effect a reduction of up to 50 percent of CO_2 emissions in comparison with normal concrete.

4. Low-energy solutions

Fan efficiency improvement

Large process fans consume 30–50 percent of the electrical energy in cement plants. Experience and tests have shown that fans often run 10–20 percent below the expected efficiency of 75–85 percent. The use of newly developed online measuring and monitoring tools allows low performing fans to be identified, so that improvement measures or a plant overhaul can be implemented. Thus, continuous fan efficiency monitoring may lead to significant cost savings. The new fan monitoring system was installed and tested in two pilot plants in Switzerland and the Czech Republic. Rollout in Asia was started in 2013, followed by Europe in early 2014.

5. Waste/recycling opportunities

Roofing-felt waste as valuable alternative resource

This compound material is made of cardboard or fiber cloth, covered with bitumen or tar for sealing, and topped with sand or grit to allow persons to walk on it. It is used to cover roofs and make them watertight in cooler regions. Due to its organic compounds, roofing-felt is being excluded from more and more landfills. Holcim Germany and Holcim Canada have developed a sustainable option for the disposal of this material, which is highly appreciated by authorities. In cement plants, the tar and bitumen-containing organic fraction contributes to the heat balance as an alternative fuel. The fine parts of the mineral coating are used as raw meal components, and, particularly in Canada, the coarse material is used for paving roads in quarries, thus reducing dust emissions. Overall, this is an innovative solution which is environmentally sound and sustainable.

6. Lean/clean/efficient operations

Success story of new drives

In 2013, the emphasis lay on multiplication in order to fully leverage the success of the recently developed solutions – in particular the highly efficient vertical roller mill drives (Multidrive) and kiln drive (Bogiflex). Up until now, seven Bogiflex drives have been installed and three more are ready to be installed. The Multidrive saw the first multiplication in 2013 – with the biggest ever vertical roller mill in Barroso, Brazil, planned for 2014. This multiplication helps the plants to move forward toward key equipment becoming more reliable at lower costs. In addition, multiplication leads to a substantial reduction in Net Working Capital for the Group, thanks to standardization. Additional collaborations with suppliers have been initiated and new upcoming solutions for vertical roller mills and kiln drives with promising results are expected for 2014 – emphasizing the value of Open Innovation.

Holcim Leadership Journey: Procurement

Strengthening procurement

Thanks to a Group-wide initiative, Holcim is becoming an even better buyer

Uwe Wehnes
Leader of the procurement stream in the Holcim Leadership Journey:

The procurement stream of the Holcim Leadership Journey is about creating a competitive advantage for Holcim by achieving cost leadership in procurement. We do this through optimal leveraging of the Group's size and have identified around 1,500 savings initiatives so far. We are now capitalizing on the good work done as part of our LEAP! Initiative and are moving quickly to deliver a sustainable contribution from procurement to the goals of the Holcim Leadership Journey.

Pooling the purchase of refractories creates cost savings and assures quality

Everyone likes to get a good deal when shopping. At Holcim, where roughly two-thirds of the Group's costs go to purchasing products and services—some CHF 15.5 billion in 2013—excellence in procurement is a must. For this reason, the Group employs skilled specialists in its procurement team to ensure it always gets the best possible deals.

As a recent example in emerging Europe shows, these teams can make a difference. In this case, the Group companies in the region had decided to standardize their automated logistics systems. The new system promised savings through increased regional efficiencies, but it meant an initial investment in hardware and software. To reduce this investment cost, the companies sought to negotiate a regional contract. The challenge was how to best come to terms with a supplier when dealing with a system meant to cover many different countries.

By getting involved early, Procurement was able to help the Group companies analyze their needs in order to ensure that they would not be buying greater or lower volumes than was necessary. Having a clear, in-depth understanding of these needs also allowed the Procurement team to work with Holcim's technical experts and users to develop aligned technical specifications for the supplier, and prepare for the negotiations. The result was EUR 470,000 worth of savings, including an 11 percent reduction on equipment and materials measured against the original bid, preferable rates and discounts for services over the coming years, and savings from optimized payment terms.

The great transformation

This may not sound like much against CHF 15.5 billion of overall Group procurement costs, but at an organization as large and diverse as Holcim, every little bit counts. This is precisely the thinking behind LEAP!, a major transformation project now underway at Holcim aimed at improving the company's procurement performance at all levels.

The existence of LEAP! does not mean that Holcim's procurement skills have been wanting in the past, quite the contrary. When it comes to procurement, however, it always pays to do better if you can. Today in particular, with suppliers becoming more global, Holcim has more opportunities to leverage its biggest procurement asset—its size. Whenever the Group can take a global approach to buying products and services, it can negotiate from a position of increased strength. A global procurement approach can also help the company internally, for example with forecasting or sharing best practices.

But while size is an advantage in procurement, it is also a challenge. Much of Holcim's procurement expenditures happen locally and in small amounts. In certain cases, this makes sense. In others, pooling volumes would be much better. The trick is to be able to tell the difference and to make sure everyone in the organization is aware of the possibilities. It is a complex and daunting challenge.

A two-pronged approach

LEAP! is confronting the challenge from two sides. On the one hand, it is investing in the capabilities of procurement staff by implementing personal development plans for each of its 900 employees worldwide. Plans are developed on the basis of a two-part assessment process. In the first part, a survey and interviews assess the employee's knowledge of a wide range of procurement topics, from demand forecasting to the cost structure of sourced commodities. In the second, procurement staff attend a one-day "Development Center" program, where key behavioral competencies are assessed through procurement scenario simulations.

On the other hand, LEAP! is strengthening procurement's ability to work globally and in concert with the rest of the organization. This includes an increased focus on global category management—meaning for instance not buying trucks separately in each country or region, but negotiating a global deal with a global supplier. LEAP! also aims to ensure that procurement staff work even more closely with management and the company's technical divisions. Cross-functional cooperation is "built into" the new structure.

Finally, LEAP! looks to leverage the global view.

Global category management is becoming more and more important for Holcim

LEAP! helps Holcim become a better buyer—also for packaging products

A new global procurement database, for instance, tracks around 1,500 procurement savings initiatives currently being implemented. This gives management a constant, near real-time overview of savings progress. As it is open to everyone in the organization, it is also an excellent tool for sharing procurement information and best practice.

Savings

Although in its early days, the global approach represented by LEAP! is already starting to show results. A recently launched Global Procurement Initiative for Concrete Admixtures, for example, is replacing several local negotiations with global suppliers. As a result, the Group achieves significant price reductions as well as savings on administrative costs. In the Americas, Holcim kilns are now using refractory bricks from emerging market suppliers after Holcim procurement teams in Asia Pacific and Europe shared their positive experiences. This has brought in USD 600,000 in savings with a performance equivalent to that of traditional suppliers.

At Holcim, procurement excellence is clearly one of the keys to sustainable success. This is why procurement is an integral part of the Holcim Leadership Journey, and why the LEAP! transformation is a key part of that journey. As the result of many of the initiatives already underway, Holcim Procurement estimates that the Group will lock in significantly more savings globally over the next few years.

That is smart shopping.

Holcim Leadership Journey: Logistics

From here to there

Thanks to a new dispatch system, Aggregate Industries UK is greatly improving its logistics efficiency

Urs Bleisch
PMO Holcim Leadership Journey, and Head a.i. of the Logistics stream in the Holcim Leadership Journey:

For Holcim, leadership in logistics is an important driver for improving the competitiveness of our Group. The key priorities in logistics are network optimization, investment decisions on equipment, sourcing strategies and third party transportation management. The logistics initiatives are making good progress and deliver an important contribution to meeting the targets of the Holcim Leadership Journey.

Logistics costs account for more than half of the price of aggregates

A straight line may be the shortest distance between two points, but as the dispatchers scheduling deliveries for Aggregate Industries UK (AI UK) know, it is not always the most efficient.

In many cases, it is better for a truck which has just unloaded at point A to go to point B, do a pickup, and bring it to point C before returning to the plant, or potentially even moving on to point D. The trick is to know where the supply is, where the demand is, and the location and availability of the trucks in the fleet at any given time.

As a Group company of Holcim, AI UK is one of the UK's largest suppliers of aggregates, which include crushed stone, gravel, and sand. These are used in ready-mix concrete, concrete products and asphalt, building UK homes and infrastructure. For deliveries, AI UK makes use of a vast network of independent transport companies. Known as hauliers, these are generally small outfits or single, independent drivers with their own trucks.

Good timing is essential for efficient construction

A question of logistics

A considerable share of the price of a ton of aggregates is not related to getting the material out of the ground, but to getting it to the construction site. This makes aggregates as much a logistics business as it is a raw materials processing one. The companies with more efficient delivery systems have a competitive advantage.

Historically, each of AI UK's plants tackled the logistics problem independently. This worked well enough on a local level, but from a greater perspective was not always as efficient as it could be. Plants often found that their trucks were crisscrossing on the way to and from delivery sites, or travelling empty on return trips and passing potential pick-ups without knowing it. Dispatchers had to rely on drivers calling in and giving them their location information, making it hard to know where the trucks were at any given moment. On the other side, drivers looking for orders were obliged to constantly call in and make their availability known.

The lack of a real-time overview of delivery status was a challenge for AI UK's customers as well. Paving companies will often not turn on their machines on a given day until all the trucks are on site, so they can be sure of a continuous supply of material. This can mean costly waiting times if trucks do not arrive simultaneously. Were it possible to provide the customer with the exact arrival times of trucks, the customer could start the process once the first few trucks have arrived. Similarly, if there are delays on the site, trucks will arrive only to have to stand idle. If AI UK were to be informed of such delays, it could reroute its deliveries, thus increasing sales opportunities.

Dispatchers know exactly where trucks are

Hauliers now can do more trips per day

The big picture

While these challenges are not new to the business, recent technological developments have made it possible for AI UK to introduce a powerful new regional planning and dispatch system, greatly improving the situation for all stakeholders. The new system relies on state-of-the-art scheduling software and a smartphone app which is used to communicate with the drivers.

The introduction of an app was a crucial decision. It means that drivers do not have to install any special equipment in their trucks, which is a common problem with older versions of such systems. Drivers simply download the app on the phone they already own, input the User ID and password provided by AI UK, and they are automatically connected.

Thanks to the app, dispatchers always know where trucks are and can easily send orders and modify them when necessary, even at short notice. Drivers can also easily communicate with AI UK, letting them know their availability and status. Since the app is designed to be used only when the truck is stopped, it is also safer than other means of communication.

Advantages

The new system has proven very popular with the hauliers, above all because it gives them a chance to make more trips during a single day, increasing volumes and income. For AI UK it means the better use of its vehicles and reduced administration costs, giving it an advantage in the all-important area of logistics. The system has also helped the company improve its customer service by being able to keep customers informed of delivery status and to react quickly to any changes in demand.

Logistics is a key aspect of all of Holcim's business segments, whether with aggregates, cement or its other products. As part of the Holcim Leadership Journey, the Group is focusing on logistics excellence, with a view to realizing substantial savings by being an industry leader in this field.

The new logistics solution at AI UK is an excellent example of this effort in action. According to projections, the new system will save AI UK GBP 2.5 million per year, while improving its customer service and relationships with drivers.

This is the right way of getting from A to B.

Capital market information

The Holcim Leadership Journey gained further momentum in 2013 and delivered substantial cost savings coupled with benefits from the customer excellence program. The operating performance in Europe improved substantially, benefitting from previously initiated restructuring measures. Challenging market conditions in some emerging countries offset most of the improvement. Nevertheless, Holcim's return on invested capital (ROIC) improved while solid cash flow generation continued to strengthen the balance sheet structure.

Performance of Holcim share versus Swiss Market Index (SMI)

Equity markets continued their substantial recovery until late-May 2013, when rising concerns about the economic strengths of many emerging markets, the mounting risks of Fed tapering, and reduced economic growth expectations in mature countries resulted in a marked price correction, followed by a steady, albeit more volatile recovery in the second half of the year. The high exposure to emerging markets like India and Mexico was a burden to Holcim's share price that led to a substantial underperformance compared to the Swiss Market Index SMI. After a high of CHF 79.10 in late May, Holcim shares corrected and ended the year at CHF 66.75 on December 30. The average trading volume in 2013 amounted to approximately 1.3 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 2013, the company's market capitalization stood at approximately CHF 21.8 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 in other countries are owned by shareholders in the UK and the US.

Geographical distribution

Switzerland	48%
Other countries	22%
Shares pending registration of transfer	30%

Breakdown of shareholders by number of registered shares held

1–100	9,617
101–1,000	32,550
1,001–10,000	6,287
10,001–100,000	545
> 100,000	99

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 2013 financial year, the Board is proposing a payout from the capital contribution reserves of CHF 1.30 (2012: 1.15) per registered share. The payout is scheduled for May 7, 2014.

Weighting of the Holcim registered share in selected share indices

Index	Weighting in %
SMI, Swiss Market Index	1.51
SPI, Swiss Performance Index	1.27
SLI, Swiss Leader Index	3.23
BEBULDM, BE500 Building Materials Index	19.98
SXOP, Dow Jones STOXX 600 Construction	7.96
DJSI World, Dow Jones Sustainability Index	0.18
FTSE4Good Europe Index	0.25

Sources: Bloomberg, Dow Jones Sustainability Indexes, FTSE Index Company, end-December 2013.

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	2013	2012[1]	2011	2010	2009
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	1,522,510	1,736,538	7,270,081	7,131,083	6,905,384
Stock market prices in CHF					
High	79	68	76	85	81
Low	63	49	43	60	28
Average	69	58	60	71	58
Market capitalization (billion CHF)	21.8	21.9	16.4	23.1	26.3
Trading volumes (million shares)	215.0	231.4	357.6	378.8	397.0
Earnings per dividend-bearing share in CHF[3]	3.91	1.89	0.86	3.69	4.93
Cash earnings per share in CHF[4]	8.56	8.16	8.61	11.44	13.04
Consolidated shareholders' equity per share in CHF[5]	49.77	50.52	52.62	56.57	59.44
Payout/dividend per share in CHF	1.30[6]	1.15	1.00	1.50	1.50
Dividend yield (%)	1.88	1.97	1.67	2.11	2.56

[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 note17).
[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 258 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 258.

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 2014)

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

Financial reporting calendar

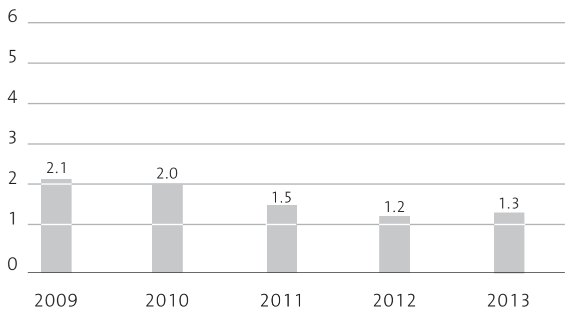
Results for the first quarter 2014	April 28, 2014
Annual General Meeting of shareholders	April 29, 2014
Ex date	May 2, 2014
Payout	May 7, 2014
Half-year results 2014	July 30, 2014
Results for the third quarter 2014	November 4, 2014

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.

Health and safety – Holcim's most important priority
Holcim's ambition strives for "Zero Harm to People". A safe and healthy workplace is a prerequisite for productive and committed employees and therefore a high priority for Holcim. Line managers are expected to earn their license to lead by demonstrating successful leadership to bring about positive behavioral changes at all levels of the organization as far as health and safety performance is concerned. Holcim continues working hard to strengthen the safety competence of the Occupational Health and Safety function and line management.

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.

In 2013 Holcim achieved a Lost Time Injury Frequency Rate (LTIFR) for direct employees of 1.3. and a Total Injury Frequency Rate (TIFR) of 5.7. In line with industry best practice, from the beginning of 2014 Holcim's focus has moved on to achieving a TIFR for direct employees below 5.0.

Holcim has been working closely with other companies as part of the Cement Sustainability Initiative.

To foster the creation of a culture where safety excellence is recognized and shared for the benefit of everybody, the annual safety awards competition is in its second cycle, rewarding best practices at regional and global levels. Additional credit is given to initiatives that can be reproduced in major business units or Group companies.

The integration of Holcim's Fatality Prevention Elements and the Contractor Safety Management Directives continues to take place throughout the business. Holcim continuously assesses the ability of Group companies to implement such directives and then addresses the respective gaps.

Following a tragic accident at the Bhatapara plant, a "Design Safety and Construction Quality Program" was launched in 2013 with the objective of being better able to cope with major hazards such as fires and explosions. The design, construction, and operation of quarries and facilities are essential components for improving safety. Road Safety remains a considerable challenge. Following the road safety study undertaken in 2012, a program focusing initially on countries with high accident rates was launched in 2013; the findings and best practices have been disseminated throughout the Group. The program aims to strengthen performance in vehicle management, driver management, contractor management, journey management, and road and traffic conditions on the Group's sites.

Despite Holcim's continuing efforts, 30 individuals lost their lives while working for Holcim, of whom 23 were indirectly employed through contractors or service providers. 11 out of these 30 were involved in road accidents outside of plants. A further 17 individuals not connected to Holcim lost their lives mainly as a result of traffic accidents with vehicles carrying Holcim products. The Board of Directors and the Executive Committee deeply regret these fatalities; they will continue to work tirelessly to pursue the objective of "Zero Harm to People".

Managing scarce resources

The global dynamics of population growth, urbanization, and a growing and increasingly educated and affluent middle class in developing countries – with the associated increase in consumption – will require businesses to make "more from less", to focus on efficient resource use, and – last but not least – to reduce or eliminate waste.

The resource of water is used at all Holcim operational sites across the world. Although the construction material industry is typically not a large consumer of water compared to other industries, water is an essential element in all operations. Conscious of growing global water sustainability challenges, Holcim, in partnership with the International Union for Conservation of Nature (IUCN), has developed and implemented a water management system for all its business units worldwide. Holcim has been employing innovative approaches alongside practical solutions, engaging with different stakeholders to address water issues and water sustainability. In 2013, Holcim announced the target to reduce its specific water consumption by 20 percent by 2020, based on a 2012 baseline.

Despite Holcim's cement production increasing by almost 120 percent since 1990, and thanks to energy efficiency increasing by 33 percent in the same period, the Group's annual energy consumption increased by only 45 percent. Due to the use of waste as an alternative fuel, energy from traditional sources (primarily coal and petcoke) increased by only 25 percent.

The use of waste as alternative fuel and raw material (AFR) makes a significant contribution to Holcim's sustainable development and economic performance. AFR can provide a certain solution to society's waste problem. It also offers opportunities for employment. It improves the environmental footprint of operations by limiting the use of fossil fuels and lowering emissions. In view of the full recovery of waste in the combustion process, Holcim mitigates the risk of rising energy costs, improves energy security, and reduces the consumption of natural resources and its production costs. Around 15 percent of Holcim's thermal energy demand is currently covered by co-processing waste-derived fuels.

To ensure the responsible handling and storage of waste materials throughout the Group, Holcim has developed and implemented an AFR Certification program (ACERT). The system provides an auditable management framework designed to minimize risks at alternative fuel-processing facilities. The ACERT system has been implemented at all Group companies using AFR.

Managing environmental impacts

The environmental impacts of cement production – predominantly CO_2, air emissions, and related impacts on habitats – are strictly regulated in many countries. They are a key factor in community and stakeholder relations, and Holcim estimates that in coming years more than half of its cement production could be subject to climate change regulations. But managing and reducing these impacts well can also result in higher efficiency, lower costs for complying with regulations, and good relationships with communities and regulators.

Aside from the environmental impacts, carbon emissions in cement production are a measure of resource and energy efficiency. Holcim has therefore been striving to reduce emissions per ton of product since 1990. Holcim is committed to reducing its CO_2 emissions per ton of cement by 25 percent by 2015, compared to the reference year of 1990, and the Group currently is on track to achieve this commitment, thanks to the continuous reduction of clinker in cement through the use of carbon neutral components, the use of alternative fuels to replace fossil fuels, and the implementation of energy efficiency improvements.

From the trading of CO_2 allowances, the Group realized revenues of CHF 27 million (2012: 62) during the reporting year.

In 2011, Holcim had already achieved its target of reducing specific emissions of dust and nitrogen oxides (NO_x) by 20 percent by 2012 and 2013 respectively, in comparison with 2004 levels. The Group is now focused on maintaining and further improving the emission levels achieved thus far.

The CO_2, NOx, dust, and SO_2 emission levels will be disclosed on www.holcim.com by mid-year 2014.

Holcim has been working together with the International Union for Conservation of Nature since 2007 with the aim of better biodiversity conservation. A first agreement, which ended in 2010, resulted in the development of a Biodiversity Management System (BMS) for the Group. Subsequently, the two organizations entered into a second phase with the aim of implementing the BMS across the Group, developing an indicator system to measure the relative change in biodiversity at extraction sites, and developing guidelines for the cement and aggregates sector for integrating biodiversity management into the business. A further aim was to develop guidelines for policymakers to promote better biodiversity management across the sector.

The partnership with the IUCN ran out at the end of 2013, with a whole series of useful tools and recommendations having been developed. The parties will continue to collaborate in the future with a focus on the implementation of tools within Holcim, but also in order to scale up in the wider sector. With support from IUCN and the Biodiversity Advisory Panel, Holcim will begin the implementation of the Biodiversity Indicators System in order to help operations understand and carry out habitat assessments.

Sustainable construction and solutions

The demand for building materials continues to grow based on population growth, urbanization, and infrastructure development in emerging markets. Holcim wants to meet this demand while reducing the environmental impacts of a construction over its entire lifecycle, and therefore it is developing innovative products and services that help improve the sustainability of customers.

Construction and the use of buildings are both directly and indirectly responsible for significant energy consumption, CO_2 emissions, and waste generation. Through product and process innovation, Holcim is helping to develop more sustainable construction solutions: from cement with a lower carbon footprint to more efficient production and distribution systems. One such focus has been on marketing composite cements with reduced clinker content, achieved by adding mineral components such as blast furnace slag, fly ash, and pozzolans. In 1990, such “sustainable cements” represented 30 percent of Holcim’s sales, while the corresponding figure was around 77 percent in 2013.

In the construction sector, there is a growing trend towards transparency, empowering customers to take informed decisions. This is driven by “green labels” and green building codes. Holcim supports green labels as they rightly assess the performance of a construction over its entire lifecycle. However, there is currently not enough credit and incentive for making decisions on the choice of building materials.

Holcim expects that green labels will grow in importance, even increasing the need for harmonization and transparency. To support the trend towards transparency, and to facilitate informed choice, Holcim has developed a range of tools to provide transparent information to customers. Examples are the Product Carbon Footprint tool which enables customers to track the emissions embedded in the products and Environmental Product Declarations (EPD) which provide transparency on several environmental impact categories.

Through the Holcim Foundation for Sustainable Construction, Holcim promotes sustainable construction in science and in practice. By organizing forums, publications, and the Holcim Awards Competition, the foundation promotes sustainable construction around the globe and facilitates the exchange of know-how among experts (see page 27).

Social responsibility

Holcim is committed to partnerships with stakeholders, building and maintaining relationships of mutual respect and trust. This includes contributing to effectively improving the quality of life of the workforce, their families, and in the communities around operations. Holcim believes that assuming its social responsibility not only contributes to maintaining its license to operate, but also contributes to risk management and mitigation and adds value to the business.

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 attractive conditions and acknowledging that employees are the Group's greatest asset, and that their expertise, passion, and enthusiasm are the key to the Group's performance. Diversity is valued and encouraged.

However, business environments in certain regions, especially Europe, where cement consumption has in some countries declined by as much as 75 percent, workforces need to be adjusted and capacities reduced. Such measures have been implemented with a focus on social responsibilty and close involvement of local employee representatives.

Holcim recognizes the importance of human rights and therefore supports the UN Global Compact. Its principles are reflected in Holcim's directives on the use of contract labor and in the Supplier Code of Conduct. Furthermore, Holcim has developed a business-related Human Rights Management System. It is based on global risk-mapping using independent and respected indices. Depending on the inherent risk of a country, appropriate assessments have already been implemented or are planned in all Group companies.

In addition to its partnership with IUCN, 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 demonstrate its commitment to sustainable development in conflict-affected regions where both Holcim and the ICRC operate. Holcim has worked with the ICRC to develop a training course for ICRC water and habitat engineers to build up an understanding of cement and its applications, and to improve their ability to diagnose construction-related problems. These courses are run at the plant in Eclépens, Switzerland, with three courses already having been successfully completed.

Apart from formal partnerships, Holcim continually works with others to promote the sustainability agenda. The Group was a founder member of the Cement Sustainability Initiative and is an active member of the World Business Council for Sustainable Development. Amongst a number of contributions in 2013, Holcim was active with others in developing a Global Water Tool (GWT) for the Cement Sector, which was launched at the Budapest Water Summit.

Several Group companies engage in other partnerships at a local level. A list of these partnerships can be found at www.holcim.com/sustainable.

Strategic community engagement

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 companies are encouraged to a have a formal community engagement plan in place.

Holcim's approach to social engagement has traditionally been more strategic than purely philanthropic. Priority is given to initiatives that contribute to solving societal problems and add value to the business. Examples have been given in developing solutions for low-cost housing and sanitation, microenterprise development, and vocational training.

Listed in leading sustainability indices

For the eleventh consecutive year, Holcim was confirmed as a member of the Dow Jones Sustainability Indexes. In the 2013 assessment, Holcim received top scores for its international production standards, environmental reporting, recycling strategy, labor practice indicators, and human rights and stakeholder engagement. Holcim also continues to be a member of the FTSE4Good index series.

Human Resources

Fostering leadership competencies and employee development

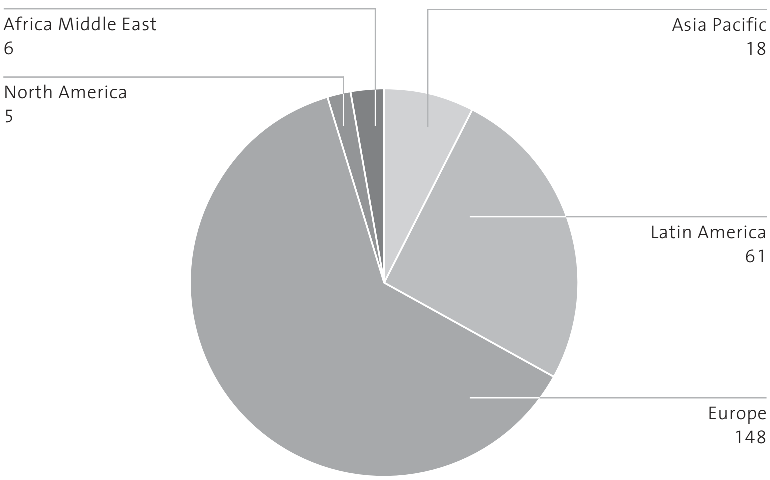
Leaders and employees play a critical role in achieving business goals. This is why human resources must always occupy a major part of the management's attention.

The Group has high expectations of its employees around the world in terms of commitment, professionalism, performance, and behavior. Reviews are carried out to ensure that performance and conduct standards are understood, shared, and complied with. As far as compliance issues are concerned, the Group follows a "zero tolerance" policy.

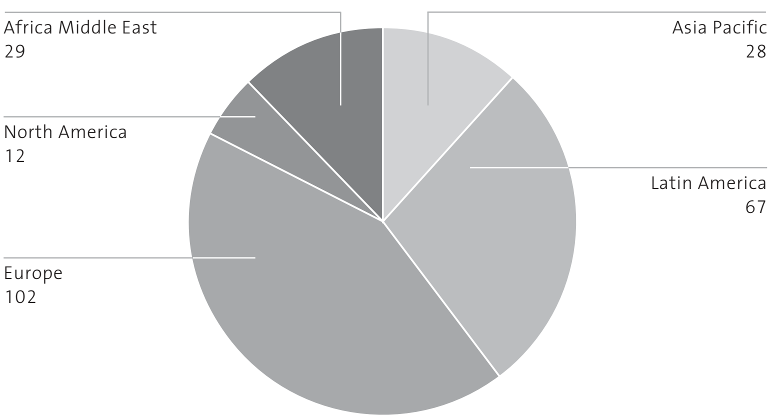
One cornerstone of the HR strategy is the development of professional and leadership skills. This includes the development of competencies relating to safeguarding health and safety. The "Dialogue" performance management process facilitates regular reviews of leadership competences, skills, and performance and ensures that employee development remains on the agenda of management on all levels.

In 2013, 404 managers have taken part in Holcim's global executive education programs. Capabilities to cope with mobility across cultures and continents are part of employee development. In 2013, the International Transfers and Remuneration team supported the Group companies in transferring 115 employees globally.

Transfer of employees from the following Group regions



Transfer of employees to the following Group regions



A good place for leaders

The aim of the Group's succession management processes, based upon quarterly reviews of needs and candidates, is to identify talent for managerial and professional carriers on a global scale. Holcim's ambition is to position itself as one of the best companies for developing and making use of leadership skills.

In 2012, the Group signed up with Aon Hewitt to introduce the pivotal leadership benchmark "Top Company for Leaders©" on a Group-wide basis. Subsequent assessments already showed significant progress in leadership development. Further evaluations will follow in 2014, stimulating systematic and continuous improvement in this field.

Knowledge transfer and coordination

The involvement of line management in management training programs has proven instrumental in transferring knowledge and putting it into practice. In India and neighboring countries, a regional leadership seminar for managers at Group companies was jointly developed with the India Business School in Hyderabad in order to support middle management's understanding of priorities and issues of the Holcim Leadership Journey. The first seminar was held in December 2012. Regional leadership academies have been established at other locations as well, offering training aligned to Group global development targets.

Employee engagement survey

Intensity and issues of employee engagement are repeatedly measured. In 2013, more than 12,000 employees responded to a survey on values associated with Holcim and employees' individual perceptions of the company. Such surveys give managers valuable insight into a range of current issues which preoccupy staff around the world. From 2015 the Group will conduct the engagement survey on a group-wide basis.

Group employees by segments	2013	2012	2011	2010	2009
Cement[1]	47,179	50,293	51,492	51,133	50,335
Aggregates	5,812	6,379	6,898	6,478	6,850
Other construction materials and services	17,376	19,421	22,469	22,577	23,725
Diverse	490	266	108	122	588
Total Group	**70,857**	**76,359**	**80,967**	**80,310**	**81,498**

[1]Including all other cementitious materials.

Group employees by region	2013	2012	2011	2010	2009
Asia Pacific	34,080	36,523	37,942	38,172	36,858
Latin America	11,181	11,765	12,867	12,710	12,626
Europe	15,868	17,924	19,602	19,690	20,800
North America	6,791	7,136	7,543	6,668	8,016
Africa Middle East	2,128	2,153	2,140	2,213	2,256
Service and trading companies	809	858	873	857	942
Total Group	**70,857**	**76,359**	**80,967**	**80,310**	**81,498**

Origin of senior managers

From Asia Pacific	13 nationalities	47% of all senior management
From Latin America	11 nationalities	10% of all senior management
From Europe	26 nationalities	33% of all senior management
From North America	2 nationalities	8% of all senior management
From Africa Middle East	8 nationalities	3% of all senior management

Composition of senior managers

	Male	Female	Total	Percentage of women
Top management level	322	35	357	9.8%
Senior management level	1,440	140	1,580	8.9%
Middle management level	5,383	807	6,190	13.0%
Total	**7,145**	**982**	**8,127**	**12.1%**

Personnel expenses in 2013 by function and region

Million CHF	Production and distribution	Marketing and sales	Administration	Total
Asia Pacific	613	96	186	894
Latin America	364	71	113	548
Europe	780	130	211	1,122
North America	635	52	90	777
Africa Middle East	54	10	22	86
Service and trading companies	48	19	160	227
Total Group	**2,493**	**377**	**782**	**3,653**

Holcim Leadership Journey: Energy

More power for less

A new technical data module is helping Holcim reduce its electricity bill

Andreas Halbleib
Leader of the energy stream in the Holcim Leadership Journey:

In the energy stream, we are working on reducing energy costs across two areas: optimization of energy use, excellence in buying energy. To foster the exchange of energy topics across the Group, Holcim is establishing a comprehensive energy network to actively support plants in managing energy costs wisely.

Controlling energy consumption is crucial for plant management

As homeowners in most parts of the world know all too well, energy prices are often on the rise. And if the cost of keeping the lights on is a concern for families, it is all the more one for a large industrial Group like Holcim.

Making cement is an energy-intensive proposition, with energy of one sort or another comprising roughly 40 percent of the cost of the final product. Slightly less than half of the energy that Holcim uses is electrical, leading to annual global electricity bills of over one billion US dollars.

While Holcim has always worked hard to be as efficient with electricity as possible, the cost of power remains a challenge, particularly in emerging markets. For this reason, Holcim continuously looks for new approaches to help contain its expenditures.

Becoming proactive

One promising approach is proactive energy management. Because of the way electricity is bought and sold, companies that are able to actively monitor and evaluate their electricity needs can go a long way to optimizing their usage.

For example, electricity is often less expensive on nights and weekends, which means that a company able to schedule production runs at these times can take advantage of a better rate. In many jurisdictions, energy markets are being liberalized, with competition among providers and from alternative energy sources. This is changing the way electrical energy contracts are structured. Companies with a solid understanding of their own usage patterns can take advantage of these changes during price negotiations.

In an industrial setting such as a cement plant, this involves much more than just reading the meter. Electrical usage patterns are complex and influenced by a host of factors, that are also reflected in supply contracts. In many cases, plants have to deal with multi-layer contracts and dynamic prices, compounding the number of variables to be considered.

Around 40 percent of the cost of cement is related to energy

A new module

In 2013, Holcim successfully tested a new system—known as the electrical energy management module (EEM)—which will go a long way toward helping Group companies handle and even exploit this complexity.

EEM is a monitoring and forecasting module designed to fit into the existing Technical Information System at use in most Holcim plants. It collects data on a plant's electrical usage and combines it with pertinent information from sales, production, procurement and other departments. This allows the plant to carry out three crucial energy management tasks.

First, it provides a monitoring function, letting the plant know in real time how much electrical energy it is using and for what processes. This lets the Group manage electricity costs in a more efficient way. EEM provides powerful visualization tools as well, letting operators "see" the energy situation as it evolves, and leading to insights about electrical use that might not otherwise have been available. It also makes it much easier for Holcim Group companies to take a regional view of their electrical energy needs, better aligning planning, processes, tools and reporting.

Second, EEM helps optimize energy use. Thanks to its sophisticated forecasting tools planners can compare different scenarios—alternate production schedules, or the installation of different kinds of equipment—to see the impact on electrical expenses. By providing real-time information, the module also lets them react quickly to changing market conditions, allowing them, for example, to lock in a better price if an offer suddenly appears.


EEM allows monitoring and forecasting of the use of electricity


EEM helps to make the kiln turn more efficiently

Third, the module helps plants buy and trade electricity more effectively. A plant that knows it will have excess power at a certain time can potentially sell this back to the grid. Under certain circumstances, Holcim plants within a given region can share excess power among themselves. The information provided by EEM also gives Holcim's procurement teams more leverage when negotiating contracts, helping them structure deals and negotiate on a more regional level.

Substantial savings

Initial indications are that EEM can contribute substantial savings. The module was developed in 2012 and began to be rolled out on a pilot basis in plants in Eastern and Central Europe in 2013. In one test plant, the optimization of equipment running schedules using EEM led to a decrease in unit costs for variable electrical energy. Usage data from EEM also helped the plant to negotiate a discount with the supplier. By simplifying the energy planning process, the plant reckons that it is able to reduce energy-associated administrative costs. Thanks to these and similar effects, it is estimated that EEM will help Holcim to save up to five percent on their energy expenditure compared to the current levels.

As part of the Holcim Leadership Journey's energy stream, the Group is concentrating on reducing its expenditure for all types of energy. Along with electricity, this includes thermal energy, where efforts such as using alternate fuels or participating in the energy business through waste heat recovery programs are helping reduce fuel costs and providing extra revenue streams.

EEM is an excellent example of such an energy-related effort. Thanks to the new module, Holcim is keeping the lights on for less.

Holcim Leadership Journey: AFR

Innovative waste management

Holcim is using its cement kilns to help communities and companies safely dispose of their waste

Thomas Guillot
Leader of the AFR stream in the Holcim Leadership Journey:

The objective of the AFR stream within the Holcim Leadership Journey is to generate value through the development of waste management services as a business. In AFR, we are working on almost 150 projects and that significantly contribute to the targets of the Holcim Leadership Journey.

Waste management at Holcim is more than just substitution of traditional fuels

Throw an old rubber sneaker into the bin in Vietnam today and it may very well end up in a surprising place—a Holcim cement kiln. This is because an increasing number of communities and companies in the country are using the services of Geocycle Vietnam, a Holcim-owned waste management unit, to help them safely and ecologically dispose of their waste, with full peace of mind.

Geocycle is the brand name for Holcim-owned or affiliated companies offering waste management services around the world. In Asia, alongside Vietnam Geocycle is active in Thailand, Singapore, Sri Lanka, Indonesia, the Philippines, and India.

The services of the Holcim Geocycle Asia Network are in high demand. Waste management is an increasingly urgent problem for communities and industries in the region, as it is in most parts of the world. By some estimates, worldwide solid waste production

Strict waste management regulations offer business opportunities for Holcim

will increase by more than 50 percent over the next 10 years. Industrial processes are also increasingly producing waste and by-products containing potentially harmful compounds that must be disposed of safely.

As a response, many governments are introducing more stringent regulations, and looking to find and implement sustainable waste management solutions. Thanks to rapid development, the challenge is particularly acute in Asia. This makes waste management in the region both an important industry in terms of protecting the environment, and also a growth market for the companies supplying these services.

Co-processing

The Geocycle business is based on the fortuitous circumstance that, along with producing clinker, a cement kiln is a very environmentally friendly place to dispose of waste. Inside the kiln, flame temperatures can reach up to 2,000 degrees Celsius, which is high enough to completely destroy any organic compounds and safely recycle inorganic compounds into clinker chemistry. The process works equally well for liquid waste, such as solvents or sludge from waste water plants, as it does for solid waste, such as plastics or rubber.

Over the years, the cement industry has developed the technology to use waste products as substitutes for traditional fuels such as coal or natural gas, or raw materials used in its kilns, such as iron. Known as co-processing, it is a highly efficient, environmentally friendly process which helps reduce carbon emissions of cement plants and leaves no residue.

To meet the waste management needs in Asia, Holcim is increasing its co-processing activities in the region. This requires a great deal of expertise. While it may sound simple, co-processing involves technical expertise Holcim has developed over years.

Rice husks are an important AFR source in Asia

Extending infrastructure and services
In Asia, Holcim has been extending its infrastructure for pre-processing and co-processing, including installing new feeding systems, platforms and transfer stations, and investing in further equipment necessary to ensure the safe transportation and proper transformation of the waste.

The Group has also been expanding the Geocycle organization in the region. It is hiring and training new staff, bolstering its presence in the market through increased marketing and sales efforts, and expanding its service offering. Today, along with co-processing, the seven companies in the Geocycle Asian Network offer waste transport, waste analysis, and waste management advisory services to a growing number of customers.

A win-win proposition
At Holcim, thermal energy accounts for more than half of total energy expenditure, and the Group works hard to manage these costs. Co-processing is one important contributor to this. It is also a true win-win proposition for communities, waste management services customers and the Group.

For customers, it is a safe, economical solution to a difficult and sometimes dangerous problem. For Holcim, it is a way of contributing toward sustainable development by consuming less fuel and fewer raw materials. It also represents a revenue stream through the fees the Group receives for its waste management services. In Asia, the Geocycle businesses are projected to contribute more than USD 100 million of gross added value to the Group over the next few years.

It is no wonder, then, that waste management services and alternative energy use play a significant role in the Holcim Leadership Journey, and that they are an important part of the company's overall alternative fuels and raw materials efforts. By recovering and recycling waste in a cement kiln, Holcim is reducing costs, creating value and contributing to a cleaner world.

Inorganic compounds are turned into safe recyclable ash


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

Development in India affects growth in Asia Pacific

Despite temporary challenges, growth remains solid
Overall, the economic climate in Asia Pacific in 2013 was solid, although there was considerable heterogeneity across the region. Growth in some emerging countries was lower, whereas others witnessed an ongoing high level of economic momentum.

Over the course of the year, tighter global liquidity as well as local structural impediments impacted growth in India, but the pressure eased slightly towards the end of the year. In India, the adjustment was more pronounced due to high inflation and reform backlogs. Both Bangladesh and Sri Lanka recorded strong increases in economic output. Growth in Vietnam remained at low levels. Malaysia recorded positive momentum that was fuelled by corporate investments and private demand. Indonesia's economy still witnessed growth levels that were in line with the region's average. The dynamic economic development continued in the Philippines, and the country had one of the highest growth rate levels in Asia. The economic development in Oceania was less dynamic and was impacted considerably by a slowdown in mining investments in Australia.

Construction markets affected by macro-economic developments
India's construction sector saw muted growth in 2013, which was attributable to lower demand from the commercial, real estate, and infrastructure sectors, reflecting the overall slowdown in economic growth in the country. Construction volumes in Sri Lanka were below those recorded last year, demand for building materials in Bangladesh was fuelled by rural housing and infrastructure projects. Construction activity in Vietnam remained subdued, as both public and private investments continued to slow. In Malaysia, the construction sector remained the major driver for economic growth, mainly fuelled by continuing high levels of public infrastructure spending. Despite the partial pressures on the Indonesian economy, construction activity remained solid, as infrastructure projects started to get realized and demand for new housing continued to be high. Significant infrastructure investments by the Government as well as the construction of commercial and residential buildings were the main drivers for the high demand for building materials in the Philippines. In Australia, construction activity declined during the year under review due to the cyclical downturn in the infrastructure and mining sectors. Some positive momentum from a growing number of residential housing consents has led to a slight increase in construction volumes in New Zealand.

Consolidated key figures Asia Pacific	2013	2012	±%	±% LFL*
Production capacity cement in million t	90.3	91.9	–1.8	
Cement and grinding plants	51	53		
Aggregates plants	84	86		
Ready-mix concrete plants	320	337		
Sales of cement in million t	70.3	72.9	–3.6	–1.3
Sales of mineral components in million t	0.7	1.1	–38.3	+9.7
Sales of aggregates in million t	25.2	26.3	–4.2	–4.6
Sales of ready-mix concrete in million m³	10.9	11.2	–2.9	–1.6
Net sales in million CHF	7,282	8,343	–12.7	–2.0
Operating EBITDA in million CHF	1,473	1,789	–17.7	–6.3
Operating EBITDA margin in %	20.2	21.4		
Personnel	34,080	36,523	–6.7	–4.9

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

Volumes affected by divestment in Australia

As India struggled with unfavorable macro-economic conditions, the demand for building materials was also affected. This led to a drop in cement volumes for ACC and Ambuja Cements, Holcim's two Indian Group companies. However, volumes at ACC nearly matched last year's result, as the Group company was less exposed to the Western region where demand was lower and could benefit from its presence in the East and South-West regions where demand was more robust. Cement volumes at Holcim Sri Lanka were down, whereas Holcim Bangladesh recorded a slight increase in cement sales.

As the Vietnamese economy continued to face challenges in 2013, Holcim also experienced lower demand for construction materials, and subsequently recorded lower cement and ready-mix concrete deliveries. Large-scale infrastructure expansion resulted in considerable increases in cement and ready-mix concrete volumes for Holcim Malaysia. The Group company also fully entered the aggregates market in 2013. Holcim Singapore was not able to match the record deliveries achieved in the previous year and sold less ready-mix concrete. As Indonesia's high growth flattened during the second half of the year, the demand for construction was also affected, and the local Group company subsequently reported cement volumes that nearly matched last year's levels. Nevertheless, ready-mix concrete deliveries increased strongly, due to demand from infrastructure and housing projects in the Jakarta area. The dynamic construction activities in the Philippines translated into higher cement sales for the local Group company; however, growth was slightly curbed in November and December due to the effects of typhoon Haiyan.

Less demand, particularly from the mining industry, led to Cement Australia recording lower cement volumes. As part of the Holcim Leadership Journey, 25 percent of the share capital of Cement Australia was sold to joint venture partner HeidelbergCement in the first quarter of 2013, thus reducing Holcim's stake in Cement Australia to 50 percent. Both shareholders now have a stake of 50 percent in this company. Due to the new shareholder structure, Cement Australia was proportionately consolidated as of the end of March 2013. Holcim Australia was also affected by the declining mining boom as well as by delays in some building projects and unfavorable weather conditions. Subsequently, the Group company reported lower volumes in aggregates and ready-mix concrete. The Group company in New Zealand reported declines in all three segments.

Consolidated cement volumes in Asia Pacific were down 3.6 percent to 70.3 million tonnes in 2013, primarily on account of the proportional consolidation of Cement Australia. Deliveries of aggregates reached 25.2 million tonnes, which equates to a decline of 4.2 percent. Ready-mix concrete volumes were down 2.9 percent to 10.9 million cubic meters. Net sales in Asia Pacific dropped 12.7 percent to CHF 7.28 billion.

Weaker performance in India negatively impacts Group region's financial results

Operating EBITDA in Group region Asia Pacific decreased by 17.7 percent to CHF 1.47 billion. On a like-for-like basis, operating EBITDA was down 6.3 percent. Operating profit for the year 2013 was down 19.1 percent and reached CHF 1.03 billion. Both the weaker performance of ACC and Ambuja Cements as well as the proportional consolidation of Cement Australia impacted these developments.

As logistics cost rose and pricing pressure remained high, both Indian Group companies had to report significant declines in operating EBITDA, and major efforts to keep costs in check only partially mitigated these developments. Holcim Sri Lanka and Holcim Bangladesh both increased operating EBITDA. Vietnam was able to cushion the unfavorable economic environment through strict cost management measures and operational efficiency gains leading to a significantly better financial performance. The Group company in Malaysia reported higher operating EBITDA, whereas financial performance was weaker at Holcim Singapore. In Indonesia negative currency impacts had their effect on the operating EBITDA. Due to high demand and better prices, Holcim Philippines recorded the highest increases in operating EBITDA in South East Asia. All three Group companies in Oceania reported a decrease in operating EBITDA.

Huaxin Cement in China, in which Holcim holds 41.9 percent, benefited from increasing demand and more focused marketing efforts. The company registered volume increases in all three segments and also significantly increased profitability thanks in part to strict cost management.

Simplification of Group structure in India

In July, Holcim announced that it intends to streamline the ownership structure of its operations in India to strengthen the existing platform. The Group will increase its shareholding in Ambuja Cements Ltd. to 61.39 percent and Ambuja in turn will acquire Holcim's 50.01 percent stake in ACC Ltd. Both Ambuja and ACC will continue to operate as separate entities with their own brands and go-to-market strategies. The restructuring will allow for closer back-end cooperation between the companies as well as simplify the Group structure. The restructuring was approved by the Ambuja shareholders in November 2013 and is subject to regulatory approvals with expected completion in second quarter 2014.

Outlook for 2014

The heterogeneous development of Asian economies is likely to continue into 2014. In India, an improvement in construction activity can be expected, backed up by government spending in infrastructure, although macroeconomic weaknesses will persist ahead of the mid-2014 general elections. Vietnam's economic recovery is expected to accelerate in 2014, but its construction sector will continue to face low domestic demand. Malaysia and Singapore are both expected to experience positive economic growth, supported by construction activity through government infrastructure projects. Indonesia's economy will remain dynamic but expand at a slower pace due to rising borrowing costs, which will be reflected in construction growth. The strength and growth in the Philippine market is likely to continue in 2014. Development in Australia is set to be muted by a decline in resource sector activities as well as cuts in public spending, while signs of a recovery are expected in New Zealand. In Asia Pacific cement sales are expected to reach higher levels than the previous year.


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

Latin America experiencing solid development

An overall favorable but mixed economic environment
Most economies in Latin America witnessed solid growth in 2013, but generally on a lower level than in previous years, as Mexico and Brazil recorded lower than anticipated increases. While sluggish external demand and domestic supply constraints took their toll, infrastructure expansion, mining projects, and housing construction contributed to the growth.

Mexico temporarily suffered from weaker than anticipated demand with a marginally positive impetus toward the end of the year. The Central American countries were affected by lower demand, mainly from the United States, but economic output was generally robust. Growth in Colombia has moderated from high cyclical levels, while Ecuador's economy remained dynamic, as prices for oil and gas as well as macroeconomic policies remained favorable. The Brazilian economy witnessed a continued slowdown in the first half of the year, but has gradually recovered since then. Strong local demand and a good investment climate resulted in Chile recording solid economic growth. Argentina benefited from a strong development in the agricultural sector, which led to a year-on-year increase in growth.

Mostly positive signs for the construction industry
Mexico's construction sector suffered from the postponement of important infrastructure projects as well as low demand from private housebuilders. In Central America, demand for building materials was high in Nicaragua, whereas only slight growth was recorded in Costa Rica, and El Salvador saw a decline. In Colombia, the construction of new housing was the main driver for the very moderate increase in demand in building materials, as infrastructure projects only materialized slowly. The construction industry in Ecuador benefited from strong demand for new housing and considerable infrastructure investments. In Brazil, construction activities increased only moderately, as public and private spending remain mulled, and planned infrastructure projects were postponed. Following very dynamic growth in the construction sector in Chile in 2012, the increases recorded were lower in 2013, but remained significant. Argentina witnessed a strong recovery in construction activity, as investments into new housing projects increased.

Consolidated key figures Latin America	2013	2012	±%	±% LFL*
Production capacity cement in million t	35.3	35.5	–0.8	
Cement and grinding plants	27	27		
Aggregates plants	18	21		
Ready-mix concrete plants	119	166		
Sales of cement in million t	25.0	24.9	+0.1	0.1**
Sales of aggregates in million t	10.2	14.0	–26.8	–26.8
Sales of ready-mix concrete in million m³	8.0	10.2	–21.2	–21.2
Net sales in million CHF	3,349	3,490	–4.0	+0.8
Operating EBITDA in million CHF	938	960	–2.3	+1.3
Operating EBITDA margin in %	28.0	27.5		
Personnel	11,181	11,765	–5.0	–5.1

* 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 -0.6%.

Volumes on a par with the previous year

Holcim Mexico recorded lower sales volumes in all three segments, due mainly to reduced or delayed spending on infrastructure projects as well as to the closure of ready-mix plants in markets with secondary relevance. Nevertheless, the Group company benefited from clinker exports and also managed to keep costs in check.

In El Salvador, cement sales increased, while the other two segments recorded lower volumes. High domestic demand led to a significant increase in cement sales in Costa Rica. Nicaragua reported slightly lower cement volumes, but sold considerably more aggregates than in the previous year.

In Colombia, cement sales almost reached last year's levels, as demand for construction materials was more moderate than in 2012. A focus on more profitable ready-mix businesses and subsequent plant closures caused a decline in volumes for this segment. The Group company also temporarily exited the aggregates segment in the year under review.

Holcim Ecuador was able to continue the very positive trend from 2012 into 2013 and sold more cement on the back of strong private and public demand. However, volumes in the other two segments declined with a more pronounced drop in aggregates mainly caused by divestments at the end of the previous financial year.

With market growth below expectations and delays in infrastructure projects, Holcim Brazil with its presence in the south-east of the country suffered from lower cements sales. In ready-mix, the decline was more considerable due to the refocusing of the segment and related plant closures. In contrast, aggregates volumes increased slightly.

Cemento Polpaico in Chile increased cement volumes in 2013, but recorded lower deliveries in both other segments. Holcim Argentina benefited from an increasing part of the population using savings to invest in houses and subsequently recorded higher cement sales volumes. Aggregate deliveries increased significantly.

Consolidated cement sales volumes in Group region Latin America in 2013 increased slightly by 0.1 percent to 25 million tonnes. Aggregates shipments were down 26.8 percent and reached 10.2 million tonnes, and ready-mix concrete volumes stood at 8 million cubic meters, which equates to a decline 21.2 percent. Net sales in the Group region were down 4.0 percent to CHF 3.35 billion.

Robust operating EBITDA

In Latin America, operating EBITDA was down by 2.3 percent and reached CHF 938 million in the financial year 2013, affected mainly by Mexico and Brazil being the only Group companies recording decreases. On a like-for-like basis however, operating EBITDA increased by 1.3 percent. Operating profit stood at CHF 722 million, which equates to an increase of 1.9 percent.

The contracting market development in Mexico also led to a significant decline in operating EBITDA in the respective Group company. The three Central American Group companies, Holcim Colombia and Holcim Ecuador increased operating EBITDA. Brazil was able to cushion some of the effects of the mixed market environment, but overall reported a drop in financial performance. In Chile, efforts to refocus the commercial strategy with a stronger emphasis on margins led to a considerably better operating EBITDA than in the previous year. Holcim Argentina surpassed last year's financial result.

Outlook for 2014

Economic development in Group region Latin America is expected to remain solid overall, and demand for construction materials will continue to increase. While there are signs that Mexico's construction markets will become more dynamic again, Brazil, however, will need more time to return to previous demand levels. Cement volumes are expected to be at a similar level compared to 2013.


Group
Cement plant
Grinding plant/Cement terminal
Aggregates
Participation
Aggregates

Europe showing initial positive signs

Sustained positive economic stimuli still lacking
2013 was another year of mostly decreasing or stagnating economic development across Europe, although some isolated positive developments began to materialize. Conditions eased slightly in the second half of the year, albeit on a very low level. While some factors of the crisis in Europe eased, they were far from disappearing over the course of the year under review.

In the United Kingdom, economic growth picked up mainly due to increased manufacturing output, but overall remained low. Economic output in Belgium stagnated, while the Netherlands suffered from an ongoing recession. As the fiscal consolidation continued, France only reported marginal improvements and Germany's growth was behind that of last year, despite solid consumer and business confidence. Switzerland's economy once again proved to be stable and growing. The crisis in Southern Europe continued, as economic output remained below previous years' levels. In Eastern Europe, only very few and mostly smaller economies could escape the general development of further decreases. Russia was not able to continue the solid growth levels of the past, but Azerbaijan maintained the positive dynamics of 2012.

Few stimuli in construction markets
In the United Kingdom, construction output in 2013 was muted despite a slight recovery in private housing activity. Benelux was faced with a decline in building activity, and the Netherlands recorded a more pronounced drop. In France, construction activity remained below that of last year, as both private and public investments suffered from the overall challenging economic situation. Spain's construction industry continued to feel the economic crisis and minimal government spending, while similar patterns were observed in Italy. Despite some impetus from investments in housing, Germany was faced with stagnation in non-residential construction, and public spending also remained low. In 2013, the level of infrastructure and residential construction in Switzerland remained solid. Eastern Europe's construction markets were still waiting for a substantial recovery, and volumes decreased further in the majority of markets. In contrast, the Russian government continued with its high level of infrastructure investment and the residential market was dynamic. Azerbaijan also recorded considerable growth in construction volumes.

Volume developments of previous years partly reversed
In the United Kingdom, stimulating Government initiatives partly helped local Group company Aggregate Industries UK which reported aggregates, ready-mix concrete and asphalt volumes roughly matched last year's result.

Consolidated key figures Europe	2013	2012	±%	±% LFL*
Production capacity cement in million t	47.7	49.2	–2.9	
Cement and grinding plants	35	36		
Aggregates plants	203	239		
Ready-mix concrete plants	414	497		
Asphalt plants	49	57		
Sales of cement in million t	26.7	26.3	+1.5	+1.5
Sales of mineral components in million t	2.1	2.3	–8.0	–8.0
Sales of aggregates in million t	74.1	74.3	–0.3	+2.7
Sales of ready-mix concrete in million m³	12.3	14.7	–16.7	–1.9
Sales of asphalt in million t	4.9	4.6	+6.4	+10.1
Net sales in million CHF	5,611	5,809	–3.4	+2.4
Operating EBITDA in million CHF	946	615	+53.8	+55.8
Operating EBITDA margin in %	16.9	10.6		
Personnel	15,868	17,924	–11.5	–7.9

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

Holcim Belgium, which also serves the Dutch market, reported volume declines in all three segments owing to the challenging construction markets in both countries that continued in 2013. Holcim France also felt the effects of low economic dynamics, but reported cement volumes mainly on a par with last year as well as slight decreases in ready-mix. Aggregates deliveries however increased. Holcim commissioned production to be started at a new grinding plant in La Rochelle, which has an annual capacity of 0.6 million tonnes per year, in the fourth quarter of 2013. This plant will serve the markets of Western France. In Spain, the deteriorating macro-economic climate was once again felt harshly by the construction markets, and the local Group company only increased cement volumes due to exports. The other two segments reported declines.

Operating mostly in the Northern part of the country, Holcim Germany recorded slightly increasing volumes in cement and decreases in aggregates, as volume losses due to the long and pronounced winter could only be partially recovered. In ready-mix concrete, the restructuring of operations led to the deconsolidation of most of the volumes. Cement volume development at sister company Holcim Southern Germany was largely similar to the levels recorded in the previous year. In Switzerland, market pressure remained high due to imports from neighboring countries and pressure on prices; however, the local Group company delivered considerably more aggregates, while cement volumes were almost on a par with last year. Ready-mix concrete volumes however declined. In Italy, where Holcim is mainly present in the north of the country, the Group company delivered more aggregates and ready-mix concrete.

As the situation in construction markets in Eastern Europe remained challenging and also lacked momentum throughout 2013, Holcim was only able to increase volumes in a few markets. Bulgaria reported significant increases across all three segments, while aggregates volumes were up in Croatia, and Slovakia recorded an increase in cement and ready-mix deliveries. All other Group companies suffered from volume declines.

Holcim Azerbaijan continued to benefit from a dynamic construction market with high public and private spending and increased cement volumes significantly in the course of 2013. While demand for building materials in Russia remained high and cement volumes increased, the additional capacity brought in by competitors meant that prices were placed under pressure.

In Europe, consolidated cement volumes in the year under review grew by 1.5 percent to 26.7 million tonnes. Deliveries of aggregates were down 0.3 percent to 74.1 million tonnes, whereas in ready-mix concrete there was a more pronounced volume decline of 16.7 percent to 12.3 million cubic meters, mainly driven by the segment's change in focus as well as selected plant closures and divestments. Asphalt volumes reached 4.9 million tonnes, 6.4 percent above last year. Net sales in Group region Europe reached CHF 5.61 billion, a drop of 3.4 percent.

Trade volumes below last year

In 2013, Holcim Trading posted a trading volume of 18.5 million tonnes (2012: 23.7 million tonnes). Most of the traded volumes were purchased by customers in the Philippines, the United States and the United Arab Emirates. On a regional level, the countries in Asia Pacific represented nearly 40 percent of the overall demand, while Central and South America as well as Africa represented slightly below 20 percent, and the rest of the world made up the remaining part.

Operating EBITDA increased markedly

In Europe, the consolidated operating EBITDA markedly increased by 53.8 percent to CHF 946 million. On a like-for-like basis, growth was at 55.8 percent. Operating profit increased significantly and reached CHF 436 million. After the previous year that was affected by cash restructuring costs in particular, Aggregate Industries UK, Holcim Spain and Holcim Hungary contributed to the positive development in 2013. In addition, cost management efforts across all Group companies in the region supported the increases in financial performance.

Aggregate Industries UK benefited from cost optimizations and the restructuring of its business, which led to a considerably better financial performance. Commercial excellence initiatives also positively contributed to this development. Operating EBITDA at Holcim Belgium was negatively impacted by sluggish demand. France suffered from a drop. At Holcim Spain and Holcim Germany, operating EBITDA rose as a result of the implemented restructuring measures and other cost-reduction initiatives. While Southern Germany also posted improved operating EBITDA, Switzerland felt the effects of imports and lower prices. In Eastern Europe, Hungary and Croatia were the only Group companies that were able to increase financial results, despite an environment of low demand and ongoing price pressure. Operating EBITDA at Holcim Azerbaijan was again on the up and margins increased further. In Russia however, market and price pressure led to a lower financial performance during 2013.

Planned portfolio optimization

In August 2013, Holcim announced plans to further optimize its strategic portfolio in Europe through a number of transactions to be undertaken jointly with Cemex. Holcim is to acquire operations in western Germany, predominantly in North Rhine-Westphalia. Cemex will buy Holcim Cesko, while in Spain, Cemex and Holcim will combine their operations in cement, ready-mix concrete and aggregates. Holcim will hold a 25 percent interest in the combined entity in Spain. The completion of the transaction is subject to due diligence and regulatory approval.

Outlook for 2014

The European construction industry will continue to be influenced by challenging market conditions across the region in 2014. There will be very few exceptions in which Holcim expects an increase in demand for construction materials. These include Azerbaijan, where the dynamic development of the construction industry will continue. The United Kingdom will also see increasing construction output in 2014. Holcim will generate further improved results through Customer Excellence, efficiency improvements, restructuring measures and portfolio optimizations. Growth in cement sales is expected to be positive in 2014.


Group
Cement plant
Grinding plant/Cement terminal
Aggregates

North America: recovery in the US, balanced by lower growth in Canada

Further positive signs but uncertainty remains

The United States continued its slow-paced recovery. Unemployment further declined, but rates remained high in historical terms. While the monetary policy of the Federal Reserve Bank continued to positively influence the economy through low interest rates, there were significant uncertainties. In particular, the temporary political gridlock in Washington and fierce budget debates coupled with a more difficult regulatory environment took their toll leading to investment uncertainty for businesses.

The Canadian economy had a lower growth profile in 2013 and economic output only slightly increased. Lower-than-expected growth rates in the United States, temporary uncertainty in some emerging markets, and Europe's very marginal recovery provided a less favorable backdrop for Canadian exports. Austerity measures implemented by the government also had an unfavorable impact.

Residential projects fuel construction markets in US

The recovery in construction markets in the United States has continued in 2013. Demand for residential construction remained the key driver as housing starts continued to increase. Nevertheless, growth from non-residential projects was weak. Public investments were lower, as government spending on infrastructure projects once again dropped. Frequent periods of adverse weather conditions with large amounts of rain in the spring and early summer season also hampered construction activity in several states.

Consolidated key figures North America	2013	2012	±%	±% LFL*
Production capacity cement in million t	22.0	22.0	+0.0	
Cement and grinding plants	17	17		
Aggregates plants	116	117		
Ready-mix concrete plants	221	225		
Asphalt plants	42	42		
Sales of cement in million t	11.7	12.0	−2.8	−2.8
Sales of mineral components in million t	1.3	1.4	−7.4	−7.4
Sales of aggregates in million t	42.8	41.3	+3.6	+4.3
Sales of ready-mix concrete in million m³	7.5	8.1	−7.2	−5.4
Sales of asphalt in million t	4.1	4.5	−10.5	−10.5
Net sales in million CHF	3,171	3,276	−3.2	−0.7
Operating EBITDA in million CHF	494	480	+3.0	+5.5
Operating EBITDA margin in %	15.6	14.6		
Personnel	6,791	7,136	−4.8	−3.8

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

The Canadian construction industry was faced with more challenging developments over the previous year. Volume growth was only marginal reflecting a significant cooling of the national economy. Tighter lending restrictions negatively impacted residential construction, leading to a pronounced drop in housing starts for single-family homes. Federal and provincial governments cut budgets in 2013. Infrastructure spending was reduced and subsequently public construction volumes also decreased. Only non-residential construction activity was above that of 2012.

Demand for private houses remains solid
Cement volumes at Holcim US decreased during 2013. An unusually wet spring and early summer, which postponed concrete projects in the first half of the year, affected Holcim US as it shortened the construction season. Some of the backlog though was able to be recuperated during the second half of the year.

Aggregate Industries US sold more aggregates, primarily in the West Central and the Mid West regions with improvements in single family home segments and public as well as commercial construction segments respectively. Asphalt sales volumes were lower due to change in construction activity in the South West region, and ending of major contracts in Mid Atlantic region. During 2013 Aggregate Industries US sold its aggregates and ready-mix concrete business in San Antonio, Texas to Vulcan Materials and leased out its ready-mix concrete plants in South Carolina. Ready-mix concrete volumes in 2013 almost met the previous years' level.

Holcim Canada sold less cement in 2013 and volumes in aggregates as well as ready-mix concrete were also below the previous year. However, there was some heterogeneity with a view to developments in different regions. Fuelled in part by mining investments, provinces in the west of the country performed better, mitigating some of the lower demand in Ontario, Quebec and the Atlantic region. Canada's construction business performed well in 2013 and recorded increased sales due to a number of significant infrastructure projects such as highway improvements, a new runway at Calgary Airport and the airport rail link in Toronto.

2013 cement volumes in Group region North America decreased by 2.8 percent to 11.7 million tonnes. Shipments of aggregates reached 42.8 million tonnes, which equates to an increase of 3.6 percent. In ready-mix concrete, volumes were down 7.2 percent to 7.5 million cubic meters. Asphalt volumes decreased by 10.5 percent to 4.1 million tonnes. Net sales for the Group region declined by 3.2 percent to CHF 3.17 billion.

Operating EBITDA rises further

Operating EBITDA in North America grew by 3.0 percent to CHF 494 million on account of the two Group companies in the United States. Like-for-like growth reached 5.5 percent. Operating profit was up by 21.1 percent to CHF 199 million.

Both Holcim US and Aggregate Industries US reported significant improvements in operating EBITDA thanks to strong cost control and a favorable price development for cement, asphalt and ready-mix concrete. Savings on energy and costs on various raw materials had a particularly positive effect on the financial performance of Holcim US and its cement operations. The company also benefited from operational improvements, while Aggregate Industries US benefited from higher sales volumes for aggregates. In Canada, the market situation impacted operating EBITDA negatively in 2013. Lower demand was the main factor leading to a weaker financial performance.

Outlook for 2014

The US economy will continue to recover in 2014 and construction markets will subsequently be affected positively. Residential construction will continue to be a positive force, with non-residential construction also being likely to see more pronounced growth in 2014, fuelled by an increase in highway and roadwork construction. In Canada, construction activity is projected to see relatively flat to moderate growth in most provinces where Holcim is active. Cement volumes are expected to grow in 2014.

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

Participation
- Cement plant
- Grinding plant/Cement terminal

Africa Middle East feels the pressure from political uncertainty

Growth profile remains limited

Economic development in the markets of Group region Africa Middle East were again impacted by the political turmoil in a number of Arabian states in 2013, although tensions eased slightly. There was a lack of considerable impetus for the construction industry in areas in which noteworthy growth was registered.

Volume development generally below that of the previous year

In Morocco, weak demand for housing and low spending on infrastructure impacted construction markets, and Holcim Morocco subsequently suffered from decreases in all three segments. Increased competition also contributed to this development; however, the situation in cement eased slightly towards the end of 2013. Despite the turmoil in Syria that affected business confidence in the entire region, Holcim Lebanon was able to slightly increase cement volumes. The main driver for the increase was the higher demand from regions outside Beirut. Ready-mix concrete deliveries were below those made last year. Group companies in the Indian Ocean region reported lower volumes in all three segments. Holcim divested its operations in New Caledonia in 2013, and the deconsolidation of the local Group company in June 2013 contributed to this development. With the exception of Qatar, the grinding plants in West Africa and the Arabian Gulf reported lower cement deliveries, impacted mainly by increased competition. In Group region Africa Middle East, cement volumes for 2013 reached 7.9 million tonnes, a drop of 5.2 percent. Aggregate deliveries fell by 7.0 percent to 2.2 million tonnes, and shipments of ready-mix concrete declined by 27.7 percent to 0.8 million cubic meters. Net sales in the group region declined by 6.6 percent to CHF 884 million.

Operating EBITDA increased

Despite lower volumes, the operating EBITDA in Group region Africa Middle East increased by 1.4 percent and reached CHF 283 million. On a like-for-like basis growth reached 2.6 percent. Operating profit decreased by 1.7 percent and reached CHF 216 million. Measures to adapt prices as well as focus on cost management were able to overcompensate for the effects caused by lower volumes. While Holcim Lebanon, West Africa, and the Gulf region markedly increased their operating EBITDA, Morocco improved its financial result despite the challenging market conditions. At Holcim Indian Ocean, operating EBITDA was below the previous year's level.

Outlook for 2014

The economic situation in Africa Middle East is likely to be characterized by regional heterogeneity, as the market situation in Morocco remains difficult. Meanwhile, competition in West Africa is increasing, but Lebanon should remain stable. Domestic volumes are expected to be slightly below 2013 but should be compensated with exports.

Consolidated key figures Africa Middle East	2013	2012	±%	±% LFL*
Production capacity cement in million t	11.0	10.7	+2.8	
Cement and grinding plants	12	13		
Aggregates plants	5	5		
Ready-mix concrete plants	17	24		
Sales of cement in million t	7.9	8.4	–5.2	–4.4
Sales of aggregates in million t	2.2	2.3	–7.0	–7.0
Sales of ready-mix concrete in million m³	0.8	1.1	–27.7	–27.7
Net sales in million CHF	884	947	–6.6	–5.6
Operating EBITDA in million CHF	283	279	+1.4	+2.6
Operating EBITDA margin in %	32.0	29.5		
Personnel	2,128	2,153	–1.2	+0.6

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

Holcim Leadership Journey: Fixed Cost

Service from a single source

Thanks to a new regional shared business process service center, Group companies in Latin America are reducing their fixed costs

Andreas Leutenegger
Leader of the fixed-cost stream in the Holcim Leadership Journey:

We have initiated and are implementing hundreds of individual initiatives and actions across Holcim. Group companies are continuously monitoring their fixed-cost levels to avoid creeping cost inflation and to identify further reduction potential. We continue learning from each other and sharing whatever was successful. What is more, the restructuring efforts initiated in 2012 are starting to pay off, further reducing the fixed-cost baseline of the Group.

The service center bundles transactional services at one location

As any entrepreneur can tell, business processes require time and resources. Regardless of the product or service, certain basic tasks have to be carried out. Bills and salaries have to be paid, invoices sent, the books kept, contracts filed, documents archived, etc.

Holcim has always worked hard to keep its fixed costs under control, but as the Holcim Group companies in Latin America can tell, there are limits to what an individual company can do. Having streamlined their processes as far as was possible, particularly since the financial crisis, the companies found it challenging to individually improve efficiencies further. Should they want to gain any significant further savings, they would have to unite and tackle the problem on a regional level.

This was the thinking behind the decision to set up a regional business process service center to provide transactional services for all Holcim Group companies in Latin America from a single location.

Getting up to speed

Known as the Centro Regional de Servicios Transaccionales, or CREST, the organization was designed along the lines of other Holcim regional business process service centers. In particular, the Latin America team relied on the advice and experience of their colleagues at Holcim North America, whose regional business process center, NABS, has been in operation since 2005. During the conceptual phase of the project, the team visited their northern neighbors to understand their setup, learn from their experience, and gain insight into best practices.

With this information as a background, the team then set out to design the center in a way that would fit the regional specifics. Among the tasks it undertook was the separation of transactional activities from other business processes. For example, sales staff used to handle invoicing or bookkeeping tasks along with their sales activities; the former were earmarked to be centralized. The team's objective was to standardize transactional business processes across the region. To do this, they examined how things were done in each company, identified gaps with regional standards or best practices, and allocated clear responsibilities and action plans for resolution before transitioning to CREST.

At the same time, the team set out to find a location for the center. After considering several options, it decided for Medellin in Colombia, a location which offered an educated population, a motivated workforce, and competitive labor costs. The new employees then underwent a comprehensive training program covering the specifics of their future jobs as well as the Holcim values, mission, and code of conduct. When all was ready, the team began moving processes out of the Group companies and into the center. This was carried out in a series of waves, allowing for a smooth transition.

A single source

Today, CREST handles four major transactional categories for the Latin American Group companies. These include:

- **Book to Report (B2R)** services, including general accounting, month-end closing activities, and performance reporting.
- **Purchase to Pay (P2P)** services, including master data management for vendors and materials in Latin America, payments processing, travel expenses, cards processing and similar services.
- **Order to Cash (O2C)** services, which entail the management of customer information, credit evaluation, sales orders management, invoicing, and cash applications.
- **Hire to Retire (H2R)** services, comprising payroll, employee services, human resources services, and records management.

In addition, CREST has a Regional Customer Service Center where requests and inquiries from customers, vendors, and employees of Holcim in Latin America are dealt with by the team in Spanish and Portuguese.

The focus on customer excellence is supported by the firm agreements CREST has entered into with Group companies on the level and quality of the services it supplies to the different clients. CREST has systems in place to monitor the fulfillment of its obligations.

The center is situated in Medellin, Colombia

Motivated employees are the most important ingredient for success

CREST, which was up-and-running for the entire region by the end of 2013, was implemented according to plan and within budget. It now serves eight Group companies and some 10,000 Holcim staff throughout Latin America. The business process service center is projected to reduce specific annual back-office costs by 20 percent, and to pay for itself within the next three years.

With these savings, CREST will be making a meaningful contribution to further reducing fixed costs at Holcim. Such savings are one of the goals of the fixed-cost stream of the Holcim Leadership Journey. As part of this stream, Holcim also significantly restructured operations in order to rightsize capacities in several markets. This will allow Holcim to take care of its necessary business tasks in the most efficient and effective way possible.

Eight Group companies with some 10,000 employees are served by CREST

Holcim Leadership Journey: Investment Costs

The better builders

In Ecuador, Holcim is optimizing its capital expenditure costs while maintaining quality

Rudy Blum
Leader of the investment cost stream in the Holcim Leadership Journey:

Growing Holcim's presence only makes sense if we generate the appropriate returns over time. This implies that we become even more disciplined with our capital expenditures or Capex—an approach we are implementing for all our current and future expansion projects. The target of the investment costs stream of the Holcim Leadership Journey is to reduce the investment cost per tonne of standard cement capacity for new expansion projects by 20 percent.

High future cement demand required the construction of a new kiln line in Ecuador

With annual compounded growth projections of over four percent, demand for cement in Ecuador will be very strong over the coming years. This makes the country an important market for Holcim, necessitating investments to meet growing customer needs. As part of this, Holcim Ecuador commissioned a new 260 tonne per hour cement mill at its Guayaquil plant in 2010.

Demand has remained so high, however, that the company found itself obliged to import clinker, which is a costly prospect. It therefore decided in 2012 to construct a new kiln line at the plant as well. This will ensure that Holcim Ecuador will once again be able to meet its clinker needs on its own. Despite falling interest rates across the globe, construction costs for large assets such as cement plants have gone up. This is due, on the one hand, to the increased cost of materials. Over the last decade, the price of steel, copper, and oil has increased much more rapidly than the inflation rate. On the other hand, as emerging markets continue to grow, the cost of labor in many parts of the world is rising as well.

Building smart

One of the hallmarks of a well-run business is its ability to control capital expenditure costs. At Holcim, this is done by carefully considering all major investment decisions and by working hard to implement expansion projects in an efficient and cost-effective way. In response to the more difficult market conditions since the financial crisis, Holcim has had to step up its efforts in this regard. This has culminated in a Group-wide program aimed at reducing the cost of building cement plants by 20 percent compared to previous levels.

Such reductions can be achieved in a number of ways. One is to carefully consider scale. By optimizing the scope and concept of a project, Holcim can ensure that it sizes its plants correctly and only spends as much as it needs. During detail planning, Holcim uses value engineering techniques to develop simplified specifications, for example installing fewer or optimized pieces of equipment where it can while still delivering the required results. When planning for the actual construction, the company tries to select the best contracting approach for each project depending on local conditions. Strong project management, careful vendor selection and other construction planning best practices are also employed to help keep costs under control—all without compromising safety or quality.

The new kiln

The new kiln line at Guayaquil is a good example of these principles in action. In developing an optimal concept for the new plant, for instance, the Holcim planning team carefully considered the exact location of the new line. One obvious decision was to try and build it as close as possible to the existing facilities, reducing the amount of equipment needed to transport the materials from the kiln to the plant. The team, however, also had to consider the condition of the ground upon which the new facility would be built. In any structure, the foundations and load-bearing elements are generally the most expensive. By choosing a location with the most favorable ground conditions, planners were able to reduce the projected construction costs.

The team also worked hard to optimize the scope of the project. One way to achieve this was by reusing existing facilities and infrastructure as much as possible, which is less costly than building from scratch. Choosing the right size of equipment—a two-support kiln versus a three-support one, for example, and a ball mill for coal grinding over more costly alternatives—also helped keep costs down while still delivering the necessary safety, quality and capacity.

The new kiln line in Guayaquil will be operational in 2015

Cost of building cement plants should be reduced significantly

Value for money

Finally, the Holcim team looked to get the best quality and value from suppliers, both on the technical design side and during construction. After an extensive search, an engineering firm which had successfully completed similar projects for other Holcim Group companies was chosen for the Guayaquil project. The company provided architectural, mechanical, and electrical design services, a large part of the plant's non-critical equipment, and the structural steel for the beams, floors, and roofs—all at excellent quality and a good price. During construction, it also provided an experienced pool of supervisors and construction workers to the job site, with a strong focus on safety.

When the new kiln line is finished in 2015, it will have been constructed at a 25 percent saving per tonne of cement compared to a benchmark project. As part of the Holcim Leadership Journey, the investment cost stream is looking to get similar results from all current and future Holcim capital projects, and is already recording tangible results. It pays to be a smart builder.

Suppliers must provide quality and value at best price

Corporate governance

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

Acting responsibly

The ultimate goal of effective corporate governance is long-term 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 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 117 to 119 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 Chairman and the members of the Board of Directors and the Nomination & Compensation Committee members be directly elected by shareholders annually; starting from the next 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, 2013, 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 as of January 1, 2014, subject to transitional periods. A more comprehensive report on OaEC related modifications to the corporate governance framework and to the remuneration system of the Company will be included in the 2014 Annual Report.

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 243 to 245 of this Annual Report.

The Group is organized by geographical regions. The management structure as per December 31, 2013, and changes which occurred in 2013, are described in this chapter. The organizational chart as per February 15, 2014 is shown on pages 50 and 51.

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:

Topic	
Business review in the individual Group regions	P. 86–103
Segment information	P. 192–195
Principal companies	P. 243–245
Information about Holcim Ltd and listed Group companies	P. 67, 244
Important shareholders	P. 258

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, 2013, 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, 2013). 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, 2013, 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, 2013, 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. 256 Information for the year 2011 is included in the Annual Report 2012, P. 212 www.holcim.com/equity
Detailed information on conditional capital	www.holcim.com/corporate_governance Articles of Incorporation, Art. 3bis
Key data per share	P. 64–68, 233, 258–259
Rights pertaining to the shares	www.holcim.com/corporate_governance Articles of Incorporation, Art. 6, 9, 10
Regulations on transferability of shares and nominee registration	P. 124 www.holcim.com/corporate_governance Articles of Incorporation, Art. 4, 5
Warrants/Options	P. 231–232

Board of Directors

The Board of Directors consists of 11 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 126 to 128 for the biographical information of the Board members as per January 1, 2014.

Mrs Christine Binswanger, Mr Peter Küpfer and Mr Markus Akermann retired from the Board of Directors at the 2013 Annual General Meeting. The Board of Directors has expressed sincere gratitude for their services.

In 2013, the shareholders elected Mrs Hanne Birgitte Breinbjerg Sørensen to the Board of Directors. She is a Danish citizen. Previously as CEO of Maersk Tankers, Copenhagen, one of the world's largest tanker operators, and currently as CEO of Damco the Maersk Group's logistics and transport division, she has experience in logistics questions, which are becoming increasingly important for international companies. Hanne Birgitte Breinbjerg Sørensen holds an MSc in Business Economy from the University of Aarhus.

In 2013, the shareholders also elected Mrs Anne Wade. She is an American citizen and an investor with extensive experience in capital markets. From 1995 to 2012, she was Senior Vice President and Director of an investment management company, 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.

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 2013, six regular meetings were held. Two additional meetings focused on strategy topics. The Board of Directors held four regular meetings with all members present and two meetings with two member excused. As a rule, the members of the Executive Committee attended 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.

Other major Swiss and foreign mandates of the Board of Directors outside the Holcim Group as at January 1, 2014

Board of Directors	Mandate	Position
Rolf Soiron	Lonza Group Ltd, Basel (Switzerland)*	Chairman of the Board
Beat Hess	Nestlé S.A., Vevey (Switzerland)*	Member of the Board, Member of the Chairman's and Corporate Governance Committee
	Sonova Holding AG, Stäfa (Switzerland)*	Vice Chairman of the Board, Member of the Nomination and Compensation Committee
Erich Hunziker	AB2 Bio SA, Lausanne, Switzerland	Member of the Board
	BB Biotech AG, Schaffhausen (Switzerland)*	Chairman of the Board
	EngMab AG, Wilen, Switzerland	Vice Chairman of the Board
	IMD, Lausanne (Switzerland)	Member of the Supervisory Board
	Permira Advisers LLP, London (United Kingdom)	Senior Advisor
	Pharmaq AS, Oslo (Norway)	Member of the Board
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
	Bema Capital Group, Charlottesville (USA)	Member of the Advisory Board
	Sherrit International Corporation, Toronto (Canada)*	Member of the Board
Andreas von Planta	SIX Swiss Exchange AG, Zurich (Switzerland)	Chairman of the Regulatory Board
	Schweizerische National-Versicherungs-Gesellschaft AG, Basel (Switzerland)*	Chairman of the Board
	Générale-Beaulieu Holding SA, Geneva (Switzerland)	Chairman of the Board
	HSBC Private Bank (Switzerland) SA, Geneva (Switzerland)**	Chairman of the Board
	HSBC Private Banking Holding (Switzerland) SA, Geneva (Switzerland)**	Chairman of the Board
	Novartis AG, Basel (Switzerland)*	Member of the Board
	Raymond Weil SA, Geneva (Switzerland)	Member of the Board
	Socotab Frana SA, Geneva (Switzerland)	Member of the Board
Wolfgang Reitzle	Linde AG, Munich (Germany)*	Chief Executive Officer
	Continental AG, Hannover (Germany)*	Chairman of the Board
	Medical Park AG, Amerang (Germany)	Member of the Supervisory 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
Hanne B. Sørensen	Damco International B.V., The Hague (Netherlands)[1]**	Chief Executive Officer
	The International Tanker Owners Pollution Federation Limited (ITOPF), London (United Kingdom)**	Member of the Board
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

* Listed company
** Related mandate of the same Board Member (company of the same group or mandate related to another mandate - e.g. association membership)
[1] Until December 31, 2013 Hanne B. Sørensen was CEO of Maersk Tankers A/S, Copenhagen (Denmark)

Composition of the Board of Directors

Rolf Soiron	Chairman
Beat Hess	Deputy Chairman
Erich Hunziker	Deputy Chairman
Markus Akermann	Member[1]
Christine Binswanger	Member[1]
Alexander Gut	Member[4]
Peter Küpfer	Member[1,3]
Adrian Loader	Member
Andreas von Planta	Member
Wolfgang Reitzle	Member
Thomas Schmidheiny	Member
Hanne Birgitte Breinbjerg Sørensen	Member[2]
Dieter Spälti	Member
Anne Wade	Member[2]

[1] Until April 17, 2013.
[2] As of April 17, 2013.
[3] Audit Committee Chairman until April 17, 2013.
[4] Audit Committee Chairman as of April 17, 2013.

Election and terms of office of the Board of Directors

In the year under review members of the Board of Directors proposed to be re-elected were each elected individually and for a three-year term of office. Elections are staggered such that every year approximately one-third of the Board of Directors stands for election. In line with recent legislation changes, in particular with regard to 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. 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 and 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[1]	Chairman
Peter Küpfer[2]	Chairman
Beat Hess[3]	Member
Andreas von Planta	Member
Dieter Spälti	Member

[1] Chairman since April 17, 2013.
[2] Chairman and member until April 17, 2013.
[3] Since April 17, 2013.

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 2013, 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 meetings, the Head of Group Internal Audit and at two meetings 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 5.6 hours.

In 2013, 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.

In 2013, the Nomination & Compensation Committee held three regular meetings and one additional. Two of the meetings were attended by all members of the committee and one meeting was held with one member excused. 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 134.

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 Nomination & Compensation Committee

Erich Hunziker	Chairman
Beat Hess[1]	Member
Adrian Loader	Member
Wolfgang Reitzle[2]	Member
Thomas Schmidheiny	Member

[1] Until April 17, 2013.
[2] Since April 17, 2013.

Composition of the Governance & Strategy Committee

Rolf Soiron	Chairman[1]
Beat Hess	Member
Erich Hunziker	Member
Dieter Spälti	Member

[1] Ex officio as Chairman of the Board of Directors.

In 2013, the Governance & Strategy Committee held three regular and four additional meetings. All of the meetings were attended by all members of the committee. The meetings were also attended by the CEO as a guest, insofar as he was not himself affected by the items on the agenda. The average duration of each meeting was 2.25 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 on our website at www.holcim.com/corporate_governance.

Organizational Rules

The Organizational Rules entered into force on May 24, 2002, and according to the Organizational Rules shall be reviewed at least every two years and amended as required. They were last reviewed in 2013.

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

The Board of Directors also has the power to establish expert committees and, if required, ad-hoc committees for special tasks. The Board of Directors can delegate special tasks or tasks related to specific functions to the Deputy Chairmen on a temporary or permanent basis.

As part of its non-transferable statutory responsibilities, the Board of Directors defines the corporate strategy, approves the consolidated Group budget, the quarterly consolidated financial statements (with the exception of the report of the first quarter of the year, which is to be adopted and released by the Audit Committee) and the Annual Report for submission to the Annual General 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, Corporate Functional Managers, Function Heads and CEOs of Group companies, as well as for the nomination of the members of the Board of Directors and supervisory bodies of the Group companies.

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

The members of the Executive Committee may, in concert with the CEO, delegate their tasks in relation to their geographical areas of responsibility to Area Managers, or in relation to their functional areas of responsibility, to Corporate Functional Managers.

The CEO assesses the performance of the members of the Executive Committee and, after advice and assessment by the 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 several years of experience with Business Risk Management (BRM) implemented in 1999. The BRM process has been anchored in the entire Group covering all consolidated Group companies and their relevant business segments.

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

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

The BRM process consists of several steps. First, risks as well as opportunities are assessed and prioritized according to significance and likelihood. Top risks are analyzed more deeply regarding their causes. In a third step, the analysis of the current risk situation is completed with a detailed assessment of the consequences. Then, decisions are taken on how to deal with specific risks, on the consolidated risk profile and on mitigating actions. During the year, risks and opportunities are systematically monitored and reported. Information gathered in the process is stored in a protected, centralized database which allows instant access for all Group companies around the world to their information for data evaluation and reporting. Responsibilities concerning risks are clearly defined. In 2013, the corporate function Strategy & Risk Management was responsible for the BRM process and timely reporting by the Executive Committee to the Board of Directors.

3. Internal Audit

Internal Audit assures the existence and pertinence of process controls and integrity of information. For more details, see page 49. 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 and Corporate Functional Managers in their area of responsibility. Area Managers and Corporate Functional Managers are appointed by the Executive Committee in concert with the CEO. In this report, the CEO, the members of the Executive Committee, the Area Managers and the Corporate Functional Managers are referred to as Senior Management.

The tasks of the Executive Committee and of the other members of senior management are divided into different areas of responsibility in terms of country, division and function, each of these areas being ultimately supervised and managed by a member of the Executive Committee.

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

Effective January 1, 2014:

Executive Committee Member Bernard Terver has assumed responsibility for Africa Middle East as well as South Asia, i.e. India, Sri Lanka and Bangladesh. Onne van der Weijde and Javier de Benito remain Area Managers for India and Africa Middle East respectively, reporting directly to Executive Committee Member Bernard Terver.

Executive Committee Member and CFO Thomas Aebischer, is responsible for the corporate functions Investor Relations as well as Risk Management, effective January 1, 2014.

Paul Hugentobler, Executive Committee Member until December 31, 2013, acted as advisor to the Group CEO until the end of February 2014.

Executive Committee Member Ian Thackwray has assumed responsibility for the Region EAPac & Trading. EAPac (East Asia Pacific) includes South East Asia, East Asia (primarily China) and Oceania.

Daniel Bach, former CEO of Holcim (Romania), has beeen appointed Area Manager for South East Asia and Member of Senior Management of Holcim Ltd, reporting directly to Executive Committee Member Ian Thackwray.

Alain Bourguignon, former CEO of Aggregate Industries (UK), has been appointed Area Manager for North America / UK, reporting directly to the Group CEO and is Member of Senior Management of Holcim Ltd.

Corporate Functional Manager Jacques Bourgon, from January 1, 2005 responsible for Cement Manufacturing Services took over a new responsibility as advisor to the Group CEO as of April 1, 2013, reporting directly to the Group CEO.

Xavier Dedullen has been appointed corporate functional manager and member of the senior management of Holcim Ltd with responsibility as Chief Legal & Compliance officer and Group General Counsel effective June 28, 2013 reporting directly to the Group CEO and with a functional dotted reporting line to the Audit Committee.

As Area Manager Aidan Lynam was responsible for Bangladesh, Malaysia, Singapore, Sri Lanka and Vietnam, until December 31, 2013. As of February 6, 2014, he was appointed Corporate Functional Manager in charge of the technical support for South Asia, leading Techport and Geocycle activities. He continues to oversee Holcim activities in Bangladesh and Sri Lanka, and reports directly to Bernard Terver.

Executive Committee

During the year under review, the Executive Committee of Holcim Ltd comprised 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
Paul Hugentobler	Member
Roland Köhler	Member
Andreas Leu	Member
Bernard Terver	Member
Ian Thackwray	Member

Please refer to pages 129 and 130 for biographical information on the members of the Executive Committee. Regional and functional responsibilities are shown in the organizational chart on pages 50 and 51.

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[1]	South East Asia (except India)
Javier de Benito	Africa Middle East including the Group's positions in West Africa, Arabian Gulf and South and East Africa
Alain Bourguignon[1]	North America / UK
Urs Fankhauser	Western Europe, including Spain but excluding the UK
Aidan Lynam	Bangladesh, Malaysia, Singapore, Sri Lanka, Vietnam[2]
Onne van der Weijde	India
Kaspar E.A. Wenger	Central Europe (Switzerland, Southern Germany, Italy)

[1] Since January 1, 2014
[2] Until December 31, 2013

Please see pages 131 and 132 for biographical information on Area Managers.

Corporate Functional Managers

Corporate Functional Managers assist the Executive Committee in specific functions and dimensions and report to the Group CEO, members of the Executive Committee or to the CEO Holcim Group Services Ltd and Holcim Technology Ltd, who in turn reports to the Group CEO.

Composition of the Corporate Functional Management

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

[1] Since April 1, 2013.
[2] Since June 28, 2013.
[3] Since February 6, 2014.

Please see page 133 for biographical information on the Corporate Functional Managers.

Management agreements

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

Compensation, shareholdings and loans

Details of Board and management compensation are contained in the remuneration report (page 134) and in the consolidated financial statements (page 237, note 42).

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. 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/AGM2014.

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 2014 Annual General Meeting, please consult the report to the Shareholders (available at www.holcim.com/AGM2014).

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 2013, 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 following fees were charged for professional services rendered to the Group by Ernst & Young in 2013 and 2012:

Million CHF	2013	2012
Audit services[1]	10.7	11.1
Audit-related services[2]	0.7	0.4
Tax services	0.6	0.3
Other services[3]	0.6	0.3
Total	**12.5**	**12.1**

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

Information policy

Holcim Ltd reports to shareholders, the capital market, employees and the public at large in a transparent and timely manner concerning its corporate performance, including achievement of 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 69 to 74 of this Annual Report. Current information relating to sustainable development is available at www.holcim.com/sustainable. In 2014, Holcim Ltd will publish its seventh sustainability report. A full sustainability report is published every second year, with data and performance information updated on the Holcim website every year.

The financial reporting calendar is shown on pages 68 and 264 of this Annual Report.

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

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Board of Directors[1]

Rolf Soiron, Swiss national, born in 1945, Chairman of the Board of Directors since 2003 and Chairman of the Governance, Nomination & Compensation Committee from 2005 until 2011. Chairman of the Governance & Strategy Committee since January 1, 2013. He studied history at the University of Basel, where he obtained a PhD in Philosophy in 1972. He began his professional career in 1970 with Sandoz in Basel, where he held various positions, ultimately as COO of Sandoz Pharma AG with the responsibility for the global pharmaceuticals business. From 1993 until the end of June 2003, he managed the Jungbunzlauer Group in Basel (leading international manufacturer of citric acid and related products), ultimately as Managing Director. From 1996 until March 2005, he was – on a part-time basis – Chairman of the University of Basel. He served from early 2003 until spring 2010 as Chairman of the Board of Directors of Nobel Biocare. In April 2005, he was appointed Chairman of the Board of Directors of Lonza Group Ltd, Basel. In 2009, he was elected to the Board of the Swiss Industry Association "economiesuisse", Zurich, and to the chair of the freemarket think tank "Avenir Suisse", Zurich. He is also a Member of the International Committee of the Red Cross (ICRC) in Geneva. He is a Member of the Foundation Board of the Graduate Institute of International and Development Studies in Geneva. He was elected to the Board of Directors of Holcim Ltd in 1994.

Beat Hess, Swiss national, born in 1949, Deputy Chairman of the Board of Directors, 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, The Hague. He is also a Member of the Board of Directors and Member of the Chairman's and Corporate Governance 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.

Erich Hunziker, Swiss national, born in 1953, Deputy Chairman of the Board of Directors, Chairman of the Governance, Nomination & Compensation Committee until December 2012, Chairman of the Nomination & Compensation Committee and Member of the Governance & Strategy Committee since January 1, 2013. He studied industrial engineering at the ETH Zurich, obtaining a PhD in 1983. In the same year, he joined Corange AG, where he was appointed CFO in 1997 and, among other things, managed a project handling the financial aspects of the sale of the Corange Group to F. Hoffmann-La Roche AG. From 1998 until 2001, he was CEO at the Diethelm Group and Diethelm Keller Holding AG. From 2001 until the end of March 2011, he served as CFO of F. Hoffmann-La Roche AG and as a Member of the Executive Committee. In 2005, he was appointed Deputy Head of Roche's Corporate Executive Committee, in addition to his function as CFO. From 2004 until 2011, he was a Member of the Board of Directors of Genentech Inc., USA. From 2006 until 2011, he was a Member of the Board of Directors of Chugai Pharmaceutical Co. Ltd., Japan. He is Chairman of the Board of Directors of BB Biotech AG, Schaffhausen, and Vice Chairman of the Board of Directors of EngMab AG, Wilen (Switzerland), Member of the Board of Directors of AB2 Bio SA, Lausanne (Switzerland) and Member of the Supervisory Board of IMD, Lausanne. He was elected to the Board of Directors of Holcim Ltd in 1998.

[1] Status as of January 1, 2014. For further information on major Swiss and foreign mandates of the Board of Directors outside the Holcim Group, see page 116.

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.

Adrian Loader, British national, born in 1948, Member of the Board of Directors, Member of the Governance, Nomination & Compensation Committee until December 2012 and Member of the Nomination & Compensation Committee since January 1, 2013. 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. He further serves as Member of the Advisory Board of Bema Capital Group, Charlottesville, as well as being a Member of the International Advisory Board of Garda World, Montreal. He was elected to the Board of Directors of Holcim Ltd in 2006.

Andreas von Planta, Swiss national, born in 1955, Deputy Chairman of the Board of Directors from 2005 until 2011, Member of the Audit Committee. He studied law at the University of Basel (doctorate, 1981) and Columbia, New York (LL.M., 1983). He began his professional career in 1983 with Lenz & Staehelin, an international law firm based in Geneva. In 1988, he became Partner and was Managing Partner from 2002 until the end of 2005. He has a wealth of experience in corporate law, business financing and mergers and acquisitions. He acts as Chairman of the Board of Schweizerische National-Versicherungs-Gesellschaft, Basel, as Member of the Board of Novartis AG, Basel, , and as Chairman of the Regulatory Board of SIX Swiss Exchange AG, Zurich,. Among other mandates, he is Chairman of Generale-Beaulieu Holding SA, Geneva, , Chairman of HSBC Private Bank (Switzerland) SA, Geneva, Chairman of HSBC Private Banking Holding (Switzerland) SA, Geneva and Member of the Board of Directors of Raymond Weil SA, Geneva, as well as serving in other affiliates and companies of foreign groups. He was elected to the Board of Directors of Holcim Ltd in 2003.

Wolfgang Reitzle, German national, born 1949, Member of the Board and Member of the Nomination & Compensation Committee since April 17, 2013. 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 became CEO in 2003. 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. He was elected to the Board of Directors of Holcim Ltd in 2012.

Thomas Schmidheiny, Swiss national, born in 1945, Member of the Board of Directors, Member of the Governance, Nomination & Compensation Committee until December 2012 and Member of the Nomination & Compensation Committee since January 1, 2013. 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. 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. 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.

Paul Hugentobler, Swiss national, born in 1949. Paul Hugentobler has a Degree in Civil Engineering from the ETH Zurich and a Degree in Economic Science from the University of St. Gallen. He joined what is now Holcim Group Support Ltd in 1980 as Project Manager and in 1994 was appointed Area Manager for Holcim Ltd. From 1999 until 2000, he also served as CEO of Siam City Cement Company, headquartered in Bangkok, Thailand. He has been a Member of the Executive Committee since January 1, 2002, with responsibility for South Asia and ASEAN excluding the Philippines. Paul Hugentobler retired upon reaching the statutory age limit in February 2014.

Roland Köhler, Swiss national, born in 1953. Roland Köhler, a graduate in business administration from the University of Zurich, joined building materials group Hunziker, Switzerland, in 1988 as Head of Finance and Administration and transferred to Holcim Group Support Ltd as a management consultant in 1994. From 1995 to 1998, he was Head of Corporate Controlling and, from 1999 to end 2001, Head of Business Risk Management. Since 2002, he has headed Corporate Strategy & Risk Management. Effective January 1, 2005, Roland Köhler was promoted to Corporate Functional Manager responsible for Corporate Strategy & Risk Management. 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 newly structured Group region Europe. This region consists of Western (excluding the UK), Central, Eastern, and Southeastern Europe, as well as the CIS/Caspian region.

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.

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.

Area Management

Horia Adrian, Romanian national, born in 1969, holds a PhD in Mechanical Engineering from the Dunarea de Jos University in Romania and an MBA from the Ajou University in Suwon (South Korea). Horia Adrian joined Holcim Romania in 2001 as a Project Manager and became Sales & Marketing Director of Garadagh Cement, Azerbaijan in 2004. In 2007, he was appointed CEO of this company and, in 2010, CEO of Holcim Russia. As of September 1, 2012, Horia Adrian was appointed Area Manager of Holcim Ltd. He is responsible for Eastern and Southeastern Europe, including CIS/Caspian region, and reports directly to Executive Committee Member Roland Köhler.

Daniel Bach, Swiss national, born in 1963, holds a PhD in Mechanical Engineering from the Swiss Federal Institute of Technology (ETH, Zurich, Schweiz). Daniel Bach joined Holcim as Project Engineer and Manager in 1994 and moved to Corporate Business Risk Management in 1998. In 2001, he was made Technical Director of Holcim Indonesia. From 2004 to 2007 he acted as assistant to a Member of the Holcim Executive Committee. In 2007, he became Senior Vice President Manufacturing of Holcim Philippines. In 2011, he was appointed CEO of Holcim Romania. As of January 1, 2014, Daniel Bach has been appointed Area Manager for South East Asia and Member of Senior Management of Holcim Ltd, reporting to Executive Committee Member Ian Thackwray.

Javier de Benito, Spanish national, born in 1958, studied business administration and economics at the Universidad Autónoma de Madrid and undertook further studies at the Harvard Business School. After a number of years of professional experience in the finance department of an international steel trading company and as a specialist for finance projects with a Spanish export promotion company, he joined Holcim Trading in 1988. Along with responsibility for controlling at the subsidiary companies division and for business development, he took on the position of Deputy General Manager in 1992, with responsibility for the trading division. On April 1, 2003, he was appointed Area Manager for the Mediterranean, Indian Ocean and West Africa. Since September 1, 2012, Javier de Benito has directly managed Africa Middle East including the Group's positions in West Africa and the Arabian Gulf that were formerly run by Holcim Trading. As of the same date, he has also been responsible for the company's interests in South and East Africa. Javier de Benito reports directly to Bernard Terver.

Alain Bourguignon, French national, born in 1959, holds a Degree in Economics and Finance from the University of Lille (France) and is a public accountant. Alain Bourguignon joined Holcim in 1988 as Head of Controlling of Holcim France. In 1996, he was appointed CFO of the same company and in 1998 of Holcim France-Benelux. From 2001, Alain Bourguignon was General Managing Director of Holcim France-Benelux and in 2007 he joined Holcim Spain – first as COO and subsequently as CEO. In 2010, he took over as CEO of Aggregate Industries UK. As of January 1, 2014, Alain Bourguignon has been appointed Area Manager for North America / UK and Member of senior Management of Holcim Ltd, reporting directly to the Group CEO.

Urs Fankhauser, Swiss national, born in 1963, completed his education at the Swiss Federal Institute of Technology Zurich (ETH Zurich) in 1989. He holds a Master of Science in Mechanical Engineering and an MBA from the University of St. Gallen. Urs Fankhauser joined Holcim Group Support Ltd in 1991 as a process performance engineer. After holding several managerial roles, he was appointed General Manager of Holcim Croatia in 2002 and took over the role of Regional Technical Director Eastern Europe in 2004. As of January 1, 2011, he was appointed Area Manager and Member of Senior Management of Holcim Ltd with responsibility for the markets of Eastern and Southeastern Europe. Since September 1, 2012, Urs Fankhauser has been responsible for Western Europe, including Spain, but excluding the UK, and reports directly to Executive Committee Member Roland Köhler.

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

Kaspar E.A. Wenger, Swiss national, born in 1959, holds a Degree in Economics from the University of St. Gallen and undertook further studies at the Harvard Business School. Kaspar E.A. Wenger started his professional career at UBS and joined Holcim in 1994 as a consultant at Holcim New Zealand. A year later he was transferred to China where he became Chief Representative China and, from 1998 to 2000, was Member of the Executive Committee in the capacity of Assistant for the Area Far East. In 2000, he was appointed Head of Marketing & Sales at Holcim Switzerland and, in 2004, Country Manager. As of September 1, 2012, Kaspar E.A. Wenger assumed additional responsibility for the Area Central Europe (Switzerland, Southern Germany, Italy) and was appointed Area Manager of Holcim Ltd. He reports directly to Executive Committee Member Roland Köhler.

Corporate Functional Manager

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.

Jacques Bourgon, French national, born in 1958. He holds a Degree in Mechanical Engineering from the Ecole Catholique d'Arts et Métiers, Lyon, and a Postgraduate Degree from Harvard Business School. He joined Holcim in 1990 and held several positions at Holcim Apasco in Mexico, mainly as Plant Manager at Tecomán and later responsible for cement operations as Member of Holcim Apasco Senior Management. Jacques Bourgon is a Member of both the Industrial Advisory Board of the Department of Mechanical and Process Engineering and of the Extended Global Advisory Board of the Swiss Federal Institute of Technology Zurich (ETH Zurich). He became Head of Corporate Engineering at Holcim Group Support Ltd in Switzerland in mid-2001 and was promoted to Corporate Functional Manager with responsibility for Cement Manufacturing Services from January 1, 2005, until taking over his new responsibility as advisor to the Group CEO as of April 1, 2013, reporting directly to the Group CEO.

Xavier Dedullen, Belgian national, born in 1964. He holds a Master's in Law from the Katholieke Universiteit Leuven, Belgium, and an LL.M. in General Legal Studies from New York University, School of Law in the USA. He is admitted to the bar of New York. Xavier Dedullen is Head of the Legal and Compliance function, as well as Group General Counsel and he assumes responsibility for all legal and compliance matters. As Corporate Functional Manager he became a Member of Holcim Senior Management effective June 28, 2013. He reports directly to the Group CEO with a functional dotted reporting line to the Audit Committee of the Board of Directors.

Aidan Lynam, citizen of the Republic of Ireland, born in 1960, holds an Honours Degree in Mechanical Engineering from University College Dublin and an Executive MBA from IMD in Lausanne. He joined Holcim Group Support Ltd in 1986, working on assignments in Egypt and Switzerland. After spending some years with Krupp Polysius in Germany, he returned to the Group in 1996, and was assigned to the Morning Star project of Holcim Vietnam where he was appointed Terminal Manager in 1999. In 2002, he was appointed Vice President Manufacturing at Holcim Lanka and returned to Holcim Vietnam as CEO in 2006. On January 1, 2010 he was promoted to Area Manager and Member of the Senior Management of Holcim Ltd with country responsibility for Bangladesh, Malaysia, Singapore, Sri Lanka and Vietnam until December 31, 2013. As of February 6, 2014, he was appointed Corporate Functional Manager in charge of the technical support for South Asia, leading Techport and Geocycle activities. He continues to oversee Holcim activities in Bangladesh and Sri Lanka, and reports directly to Bernard Terver.

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. The Chairman of the Board of Directors is insured in the pension fund.

Senior management

In 2013, 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.

Effective January 1, 2014, a performance share plan (PSP) has been introduced for CEO, Executive Committee, Senior Management and Function Heads. The PSP complements 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.

For the year 2013, 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 2013, operating EBITDA increased on a comparable "like-for-like" basis and adjusted for restructuring costs by 0.6 percent, and the regional operating EBITDA margin was below budget by 2.9 percentage points on average, while $ROIC_{AT}$ reached 5.7 percent. This corresponds to an achievement level of 82 percent (operating EBITDA; regional operating EBITDA margin zero percent) and 22 percent ($ROIC_{AT}$). Senior Management (excluding the CEO) achieved a payout factor of 49 percent, and the CEO 52 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, 2014 to February 15, 2014, and are either taken from treasury stock or purchased from the market.

The individual component for Senior Management (excluding the CEO) amounts to around 38 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 2013, 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 75 percent, and for the CEO to 72 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 232). 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 plans 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 Executive 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 2013 (2012: 0.9).

Employment contracts for Senior Management

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

Upon appointment, members of the Executive Committee may be granted a single allotment of options on registered shares 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 143 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 page 138 discloses the compensation of the Board of Directors in 2013 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 2013 performance.

In 2013, fourteen non-executive members of the Board of Directors received total remuneration of CHF 3.4 million (2012: 3.3) of which CHF 2.2 million (2012: 2.1) was paid in cash, CHF 0.1 million (2012: 0.1) was granted in the form of post-employment benefits, and CHF 0.9 million (2012: 0.9) was paid in shares. Other compensation paid totaled CHF 0.2 million (2012: 0.2).

The total annual compensation for the members of Senior Management (including CEO) amounted to 25.9 million (2012: 30.3). This amount comprises base salaries and variable cash compensation of CHF 15.1 million (2012: 16.7), share-based compensation of CHF 3.7 million (2012: 4.3), employer contributions to pension plans of CHF 6.6 million (2012: 6.3) and "other" compensation of CHF 0.5 million (2012: 3.0). This amount includes the contributions from the Holcim International Pension Trust for the additional financing of retirement benefits in the amount of CHF 0.9 million in 2012. No additional payments were made in the year under review, as the Holcim International Pension Trust has been liquidated. The CEO received a base salary plus variable compensation in cash of CHF 2.1 million (2012: 2.2), share-based compensation of CHF 0.7 million (2012: 0.8), and employer contributions to pension benefits of CHF 0.5 million (2012: 0.5). As a result, the CEO's total compensation, amounted to CHF 3.2 million (2012: 5.0). In accordance with Art. 663bbis of the Swiss Code of Obligations (transparency law), the base salary and the variable cash compensation are disclosed, including foreign withholding tax. 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]
Rolf Soiron	Chairman, Chairman of the Governance & Strategy Committee since January 1, 2013	Number		1,178
		CHF	595,680	80,000
Beat Hess	Deputy Chairman, Member of the Audit Committee since April 17, 2013, Member of the Governance & Strategy Committee since January 1, 2013, Member of the Nomination & Compensation Committee until April 17, 2013	Number		1,178
		CHF	324,334	80,000
Erich Hunziker	Deputy Chairman, Chairman of the Nomination & Compensation Committee, Member of the Governance & Strategy Committee since January 1, 2013	Number		1,178
		CHF	320,000	80,000
Markus Akermann	Member of the Board of Directors until April 17, 2013	Number		393
		CHF	26,667	26,667
Christine Binswanger	Member of the Board of Directors until April 17, 2013	Number		393
		CHF	26,667	26,667
Alexander Gut	Member of the Board of Directors, Member of the Audit Committee until April 17, 2013, Chairman of the Audit Committee since April 17, 2013	Number		1,178
		CHF	156,667	80,000
Peter Küpfer	Member of the Board of Directors until April 17, 2013, Chairman of the Audit Committee until April 17, 2013	Number		393
		CHF	60,000	26,667
Adrian Loader	Member of the Board of Directors, Member of the Nomination & Compensation Committee	Number		1,178
		CHF	100,000	80,000
Andreas von Planta	Member of the Board of Directors, Member of the Audit Committee	Number		1,178
		CHF	110,000	80,000
Wolfgang Reitzle	Member of the Board of Directors, Member of the Nomination & Compensation Committee since April 17, 2013	Number		1,178
		CHF	93,333	80,000
Thomas Schmidheiny	Member of the Board of Directors, Member of the Nomination & Compensation Committee	Number		1,178
		CHF	130,800[4]	80,000
Hanne Sørensen	Member of the Board of Directors since April 17, 2013	Number		785
		CHF	53,333	53,333
Dieter Spälti	Member of the Board of Directors, Member of the Audit Committee, Member of the Governance & Strategy Committee since January 1, 2013	Number		1,178
		CHF	130,000	80,000
Anne Wade	Member of the Board of Directors since April 17, 2013	Number		785
		CHF	53,333	53,333
Total Board of Directors (non-executive members)		**Number**		**13,351**
		CHF	**2,180,814**	**906,667**
Bernard Terver[5]	Member of the Executive Committee	Number		
		CHF	1,350,000	
Bernard Fontana	CEO	Number		
		CHF	1,750,000	
Variable compensation in percentage of base salary				
Total senior management[7]		**Number**		
		CHF	**13,281,548**	
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 35 “Share compensation plans”.

[2] The shares were valued at the average market price in the period from January 1, 2014 to February 15, 2014, and are subject to a five-year sale and pledge restriction period.

Variable Compensation			Other compensation		Total	Total
Cash	Shares[2]	Options[3]	Employer contributions to pension plans	Others	compensation 2013	compensation 2012
			32,891	50,000	758,571	758,571
			19,782	10,000	434,116	376,984
			9,259	10,000	419,259	398,229
			3,322	3,333	59,989	129,797
			4,452	3,333	61,119	177,199
			11,147	10,000	257,814	207,461
			5,808	3,333	95,808	281,484
				10,000	190,000	190,000
			8,744	10,000	208,744	208,744
			6,859	10,000	190,192	116,081
			8,085	10,000	228,885	228,885
			2,747	6,667	116,080	
			9,774	10,000	229,774	208,744
			2,747	6,667	116,080	
			125,617	**153,333**	**3,366,431**	**3,282,179**[8]
	2,821	10,478				
191,457	191,584	191,334	2,526,113[6]	26,000	4,476,488	3,547,431
	4,624	18,492				
325,861	314,059	337,672	465,822	26,000	3,219,414	4,950,494
	55.9%					
	27,730	**99,532**				
1,850,432	**1,883,406**	**1,817,497**	**6,559,007**	**480,944**	**25,872,834**	**30,312,614**
	41.8%					

[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] Includes the vested amount of CHF 1,943,211 from foreign pension plan agreement, used for the financing of the retirement benefits.
[7] Including CEO.
[8] The total compensation of the Board of Directors in 2012 amounted to CHF 3,349,875 and included the compensation of a Board member leaving in 2012.

Compensation of former members of governing bodies
In the year under review, compensation in the amount of CHF 2.8 million (2012: 9.2) was paid to ten (2012: nine) former members of the Senior Management. The total compensation in 2012 included social security contributions of CHF 2.2 million which were settled in 2012 and related to contributions out of the Holcim International Pension Trust disclosed in the years 2008 to 2011, as net amounts.

Shareholdings and loans

Shares and options owned by the Board of Directors
On December 31, 2013, non-executive members of the Board of Directors held a total of 65,900,758 registered shares in Holcim Ltd. This number comprises privately acquired shares and those allotted under participation and compensation schemes. As of the end of 2013 non-executive members of the Board of Directors do not hold any options from compensation and participation schemes.

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

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

Name	Position	Total number of shares 2013	Total number of call options 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**	

Number of shares and options held by the Board of Directors as of December 31, 2012[1]

Name	Position	Total number of shares 2012	Total number of call options 2012
Rolf Soiron	Chairman, Governance & Strategy Committee Chairman	38,370	
Beat Hess	Deputy Chairman	2,371	
Erich Hunziker	Deputy Chairman, Nomination & Compensation Committee Chairman	12,407	
Markus Akermann[2]	Member	79,393	310,905 [3]
Christine Binswanger	Member	5,417	
Alexander Gut	Member	1,770	
Peter Küpfer	Member, Audit Committee Chairman	12,406	37,000 [4] 31,000 [5]
Adrian Loader	Member	8,171	
Andreas von Planta	Member	12,165	
Wolfgang Reitzle	Member	300	
Thomas Schmidheiny	Member	65,775,590	
Dieter Spälti	Member	32,886	
Total Board of Directors		**65,981,246**	**378,905**

[1] From allocation, shares are subject to a five-year sale and pledge restriction period.
[2] Markus Akermann was a non-executive member from February 1, 2012 until April 30, 2013.
[3] Including 20,000 options (not related to compensation), exercise price: CHF 56, Ratio: 1:1, Style: American, Maturity: 18.3.2013.
[4] Exercise price: CHF 70; Ratio 1:1; Style: American; Maturity: 19.8.2014.
[5] Exercise price: CHF 80; Ratio 1:1; Style: American; Maturity: 12.11.2013.

Shares and options owned by Senior Management

As of December 31, 2013, members of Senior Management held a total of 188,049 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 2013, Senior Management held a total of 550,151 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, 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[2]		
Total senior management		**188,049**	**550,151**

Number of shares and options held by the senior management as of December 31, 2012[1]

Name	Position	Total number of shares 2012	Total number of call options 2012
Bernard Fontana	CEO		33,550
Thomas Aebischer	Member of the Executive Committee, CFO	6,116	46,995
Paul Hugentobler	Member of the Executive Committee	78,495	134,515
Roland Köhler	Member of the Executive Committee	12,022	81,194
Andreas Leu	Member of the Executive Committee	13,133	59,784
Bernard Terver	Member of the Executive Committee	17,762	28,894
Ian Thackwray	Member of the Executive Committee	5,527	59,642
Horia Adrian	Area Manager	1,359	
Javier de Benito	Area Manager	21,966	25,201
Urs Fankhauser	Area Manager	4,810	4,491
Aidan Lynam	Area Manager	5,606	9,299
Onne van der Weijde	Area Manager	1,836	
Kaspar E.A. Wenger	Area Manager	19,660	
Urs Bleisch	Corporate Functional Manager	2,837	
Jacques Bourgon	Corporate Functional Manager	6,141	25,022
Total senior management		**197,270**	**508,587**

[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 July 1, 2013.

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

	Number[1]	Number[1]
	2013	2012
January 1	**508,587**	**924,382**
Decrease due to retirements		543,797
Granted and vested (individual component of variable compensation)	96,480	94,452
Granted and vested (single allotment)	11,183	33,550
Exercised	66,099	
December 31	**550,151**	**508,587**
Of which exercisable at the end of the year	136,963	167,388

[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 2013 have the following expiry dates and exercise prices:

Option grant date	Expiry date	Exercise price[1]	Number[1]	Number[1]
			2013	2012
2002	2014	CHF 67.15	122,737	201,300
2003	2015[2]	CHF 67.15	33,550	33,550
2004	2013[2]	CHF 63.35	0	34,341
2004	2016[2]	CHF 67.15	33,550	33,550
2005	2014[2]	CHF 74.54	71,423	71,423
2006	2014	CHF 100.69	58,573	58,573
2007	2015	CHF 125.34	49,674	49,674
2008	2016	CHF 104.34	71,083	71,083
2008	2020	CHF 67.15	33,550	67,100
2009	2017	CHF 38.26	224,478	300,499
2010	2018	CHF 71.15	131,631	131,631
2010	2022	CHF 75.40	33,550	33,550
2010	2022	CHF 81.45	33,550	33,550
2011	2019	CHF 67.15	149,763	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	
2013	2025	CHF 71.50	11,183	
Total			**1,461,609**	**1,550,131**

[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 2013, one new Executive Committee member was granted in total 11,183 options.

Loans granted to members of governing bodies

As at December 31, 2013, 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 (2012: 0.7) at the stock market price from members of senior management.

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

Holcim

Strength. Performance. Passion.

Financial Information 2013 Holcim Ltd

Management discussion and analysis 2013

Holcim managed to improve its operational performance and increase its net income substantially, despite there being challenging environments in some key markets. Cost leadership gained further momentum and the right-sizing initiatives implemented last year started to pay off particularly in Europe.

This discussion and analysis of the Group's financial situation and the 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 2013, the global economy continued to grow at a subdued pace. Advanced economies have recently regained some speed, while emerging economies have slowed, coming off cyclical peaks. As a consequence, demand for construction material remained below potential in many key markets of Holcim, most notably in India, Mexico and Brazil. In the second half of 2013, the economic activity gained further momentum in the US. Progress was observed in Europe thanks to cost reductions and restructuring. In this context, the unique geographical diversification of Holcim proved this year to be once again a key asset to sustainable growth.

Holcim's reaction to this lackluster environment was to focus on price adjustments, while substantial efforts were made toward fixed cost management and variable cost optimization. As inflation remained globally stable, an increase in sales prices as well as a reduction in fixed costs contributed to the operating EBITDA growth and compensated for lower volumes.

The Holcim Leadership Journey launched in 2012 gained further momentum in 2013. The cost streams of the Holcim leadership Journey have contributed CHF 808 million and the Customer Excellence program CHF 135 million to the consolidated operating profit this year, despite there being challenging environments in some key markets. Last year, cash costs of CHF 239 million and asset write-offs of CHF 497 million were incurred to get this program underway.

Holcim succeeded in slightly improving its operating performance and further increased its net income and cash flow from operating activities.

This year, Holcim recorded an operating EBITDA of CHF 3,896 million, which represents a like-for-like growth of CHF 273 million or 7.0 percent. Change in consolidation structure and currency translation effects negatively impacted the operating EBITDA by 2.8 percent and 4.0 percent respectively. Adjusted for the restructuring costs in 2012 inherent to the implementation of the Holcim Leadership Journey, operating EBITDA increased by CHF 34 million or 0.8 percent on a like-for-like basis.

The Group generated an operating profit of CHF 2,357 million, which was up by CHF 764 million or 43.7 percent on a like-for-like basis. Change in structure effects hampered the operating profit development by 2.5 percent, while the currency translation effects more heavily burdened the operating profit by 6.4 percent. Adjusted for the restructuring costs in 2012, the operating profit organic growth stood at CHF 28 million or 1.1 percent.

Net income increased by CHF 594 million to CHF 1,596 million. The net income attributable to Holcim shareholders grew by CHF 662 million to CHF 1,272 million.

Cash flow from operating activities rose by CHF 143 million or 5.4 percent. As the change in consolidation structure and currency translation effects had a substantial effect on cash flow (–3.0 percent and –4.0 percent, respectively), the like-for-like increase amounted to CHF 330 million or 12.5 percent.

Net financial debt was further reduced by CHF 864 million to CHF 9,461 million. Changes in consolidation structure and currency translation effect contributed to this reduction by CHF 252 million and CHF 195 million, respectively.

Operating results fourth quarter

Sales volumes and principal key figures

	Oct.–Dec. 2013	Oct.–Dec. 2012[1]	±%	±% like-for-like
Sales of cement in million t	34.6	35.3	–1.9	–0.2
– of which mature markets	7.0	7.8	–9.3	–2.0
– of which emerging markets	27.5	27.5	+0.2	+0.3
Sales of aggregates in million t	39.7	39.0	+1.7	+3.8
– of which mature markets	33.9	32.1	+5.5	+8.1
– of which emerging markets	5.8	6.9	–15.9	–16.1
Sales of ready-mix concrete in million m^3	10.0	10.9	–8.5	–5.1
– of which mature markets	5.9	6.3	–6.3	–0.4
– of which emerging markets	4.1	4.6	–11.5	–11.5
Sales of asphalt in million t	2.6	2.5	+0.9	+2.8
Net sales in million CHF	4,778	5,251	–9.0	+1.5
– of which mature markets	2,282	2,571	–11.3	–0.5
– of which emerging markets	2,496	2,680	–6.9	+3.3
Operating EBITDA in million CHF	945	812	+16.3	+29.7
– of which mature markets	433	182	+137.6	+164.4
– of which emerging markets	512	630	–18.8	–9.3
Operating EBITDA margin in %	19.8	15.5		
Operating profit (loss) in million CHF	559	(81)	+794.7	+858.2
– of which mature markets	235	(431)	+154.4	+156.8
– of which emerging markets	325	351	–7.4	+4.3
Operating profit (loss) margin in %	11.7	(1.5)		
Net income (loss) in million CHF	319	(91)	+450.4	
Net income (loss) – shareholders of Holcim Ltd in million CHF	233	(169)	+238.0	
Cash flow from operating activities in million CHF	1,615	1,556	+3.8	+10.9

[1] Restated due to changes in accounting policies.

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 decreased by 0.1 million tonnes or 0.2 percent compared to the fourth quarter 2012. The sales volume increases reported in Europe and Africa Middle East could not make up for volume contraction in Asia Pacific, Latin America and North America.

Sales of aggregates picked up on a like-for-like basis by 1.5 million tonnes or 3.8 percent with contrasting performance in the regions: robust growth in Europe and North America has been partially offset by a volume drop in Latin America while aggregates shipments remained rather stable in Asia Pacific and Africa Middle East.

10 million cubic meters of ready-mix concrete were supplied in the quarter, a year-on-year reduction of 0.6 million cubic meters or 5.1 percent like-for-like. The solid volume development in Europe has been canceled out by the volume deterioration in all other regions and primarily Latin America where major right-sizing initiatives were implemented in late-2012 in response to market contraction in Mexico and Brazil.

Million CHF	Oct.–Dec. 2013	Oct.–Dec. 2012[1]	±%	±% like-for-like
Net sales by region				
Asia Pacific	1,679	2,057	–18.4	–3.1
Latin America	793	877	–9.6	–1.1
Europe	1,367	1,376	–0.7	+7.4
North America	828	882	–6.2	–0.9
Africa Middle East	218	220	–0.9	+2.7
Corporate/Eliminations	(107)	(162)		
Total	4,778	5,251	–9.0	+1.5
Operating EBITDA by region				
Asia Pacific	342	410	–16.5	+3.0
Latin America	202	239	–15.5	–8.7
Europe	252	42	+496.7	+502.5
North America	124	131	–5.5	+0.1
Africa Middle East	68	58	+15.6	+19.9
Corporate/Eliminations	(43)	(68)		
Total	945	812	+16.3	+29.7
Cash flow				
Cash flow from operating activities	**1,615**	**1,556**	**+3.8**	
Net capital expenditures on property, plant and equipment to maintain productive capacity and to secure competitiveness	(346)	(403)	+14.2	
Investments in property, plant and equipment for expansion	(373)	(343)	–8.8	
Financial (in)divestments net	(74)	329	–122.6	
Cash flow from investing activities	(793)	(416)	–90.5	

[1] Restated due to changes in accounting policies.

Fourth-quarter consolidated net sales decreased year-on-year by CHF 474 million or 9.0 percent to CHF 4,778 million. The currency translation effect and the change in structure dragged net sales down by 7.0 percent and 3.5 percent, respectively. However, at constant scope and exchange rates, consolidated sales rose by CHF 76 million or 1.5 percent, mainly thanks to the volume growth recorded in Europe and Africa Middle East. Net sales declined in Latin and North America, as price increases could not compensate for the volume losses. In Asia Pacific, volumes went down and price development was unfavorable, which hurt the Group's net sales.

In the fourth quarter, the Group's operating EBITDA raised year-on-year by CHF 132 million or 16.3 percent to CHF 945 million. The currency translation effect and the change in structure further hampered the Group's operating result by 9.3 percent and 4.1 percent, respectively. At constant scope and exchange rate, the operating EBITDA rose by CHF 241 million or 29.7 percent. This progress was partly explained by the restructuring costs of CHF 181 million, which put a burden on the operational results in the last quarter of 2012. Adjusted for restructuring costs, the operating EBITDA grew on a like-for-like basis by CHF 60 million or 6.0 percent. Europe was the driving force behind this improvement thanks to favorable volume development and effective cost containment. In addition, the Group region benefited from savings directly related to the restructuring initiatives implemented in the previous year. Furthermore, Africa Middle East reported better results thanks to higher volumes and prices, while efforts on the costs side were visible. Adverse developments in other regions, Latin America in particular, diluted these successes.

The operating EBITDA margin increased like-for-like by 4.1 percentage points to 19.8 percent. Adjusted for restructuring costs, the margin rose by 0.9 percentage point.

Cash flow from operating activities increased by CHF 59 million or 3.8 percent compared to the final quarter of 2012. Like-for-like, this improvement stood at CHF 170 million or 10.9 percent and was driven by higher operating EBITDA (adjusted for non-cash restructuring costs) and favorable changes in net working capital in North and Latin America in particular.

Operating results for the year 2013

Sales volumes and principal key figures

	Jan.–Dec. 2013	Jan.–Dec. 2012[1]	±%	±% like-for-like
Sales of cement in million t	138.9	142.3	–2.4	–1.2
– of which mature markets	28.4	30,9	–8.1	–2.7
– of which emerging markets	110.4	111.4	–0.8	–0.8
Sales of aggregates in million t	154.5	158.2	–2.4	–0.8
– of which mature markets	130.9	130.0	+0.7	+2.6
– of which emerging markets	23.5	28.2	–16.5	–16.8
Sales of ready-mix concrete in million m^3	39.5	45.3	–12.9	–7.4
– of which mature markets	22.9	26.3	–12.6	–3.2
– of which emerging markets	16.5	19.0	–13.2	–13.2
Sales of asphalt in million t	8.9	9.1	–2.0	–0.1
Net sales in million CHF	19,719	21,160	–6.8	+0.2
– of which mature markets	9,360	10,198	–8.2	+0.4
– of which emerging markets	10,358	10,962	–5.5	+0.1
Operating EBITDA in million CHF	3,896	3,889	+0.2	+7.0
– of which mature markets	1,338	1,113	+20.2	+32.6
– of which emerging markets	2,558	2,776	–7.9	–3.2
Operating EBITDA margin in %	19.8	18.4		
Operating profit in million CHF	2,357	1,749	+34.8	+43.7
– of which mature markets	549	(183)	+400.7	+434.9
– of which emerging markets	1,808	1,932	–6.4	–1.6
Operating profit margin in %	12.0	8.3		
Net income in million CHF	1,596	1,002	+59.3	
Net income – shareholders of Holcim Ltd in million CHF	1,272	610	+108.4	
Cash flow from operating activities in million CHF	2,787	2,643	+5.4	+12.5

[1] Restated due to changes in accounting policies.

Sales volumes

Cement sales volumes did not reach the previous year's level, hampered by a slow-down in growth momentum in emerging markets such as India, Mexico, and Brazil, as well as a subdued economic situation and political uncertainty in Africa Middle East. North America further burdened the volume progression. In the United States, public investments were weaker, and weather conditions hindered construction activity. The sector was also hindered in Canada, as a result of the slowing down of the economy. Only Europe managed to slightly improve cement sales volumes. Consolidated cement sales dropped by 2.4 percent to 138.9 million tonnes, a like-for-like decrease of 1.2 percent or 1.7 million tonnes.

Although overall growth in the Asian construction industry remained solid, Holcim experienced falls in some key markets whereas others experienced growth momentum. Cement sales volumes went down by 3.6 percent or 2.6 million tonnes in Group region Asia Pacific. At constant scope of consolidation, cement sales volumes reduced by 1.3 percent or 1 million tonnes. In India, the construction activity was hindered by the backlog of reform, the weak rupee and higher inflation: Holcim sold 0.7 million tonnes less cement (–1.5 percent). Sales volumes lost ground in Sri Lanka and demand in Indonesia was affected by the temporary flattening of the economic growth. The Vietnamese economy continued to face challenges which negatively impacted the demand for construction materials. On the other hand, Holcim Malaysia reported significant volume growth, boosted by the demand for large-scale infrastructure projects while volumes in Holcim Philippines benefited from a dynamic construction activity.

In Latin America, countries experienced diverging situations in the construction industry. Improvements recorded in Ecuador, Argentina, and Costa Rica have been netted off by adverse development in Mexico and Brazil where cement sales declined due to a lack of market momentum as well as delays in initiating larger-scale infrastructure projects. As a result, cement volumes remained almost stable.

In Europe, the construction sector still lacked the economic stimulus to reverse the setbacks suffered over the past few years. Public sector projects remained thin on the ground and private investors were also rather reluctant to commit to construction projects. In this challenging context, Holcim nevertheless managed to increase volumes sold. Overall, cement sales increased by 1.5 percent or 0.4 million tonnes. Holcim Italy reported significantly less cement sales due to recessionary economic conditions. In Belgium, the economy showed signs of a sharp slowdown in the light of deteriorating macroeconomics, which impacted the construction market. With the exception of Bulgaria and Slovakia, sales volumes declined in Eastern Europe, as public and private investments remained weak. These drawbacks were, however, compensated by significant volume growth in the CIS Caspian region and in Holcim Spain, which despite sustained low demand was able to increase cement sales on the strength of export deliveries.

North America recorded a decrease of 2.8 percent or 0.3 million tonnes in cement sales volumes. In spite of the incipient recovery, public investments in infrastructure projects remained weak in the United States, and demand for building materials was subdued in Canada.

Cement shipments in Africa Middle East contracted by 5.2 percent or 0.4 million tonnes, dragged down by lower public infrastructure spending in Morocco, as well as shrinking volumes in Guinea and Ivory Coast, both impacted by increased competition.

Aggregates volumes declined by 2.4 percent to 154 million tonnes. On a like-for-like basis, the decrease amounted to 0.8 percent or 1.3 million tonnes, a development largely explained by the 2012 closure of unprofitable operations initiated in the framework of the Holcim Leadership Journey. North America was the only region to record a growth which was at 3.6 percent or 1.5 million tonnes. Asia Pacific and Latin America posted a drop of 4.2 percent (or 1.1 million tonnes) and 26.8 percent (or 3.8 million tonnes), respectively. Shipments of aggregates fell by 0.3 percent or 0.2 million tonnes in Europe and by 7.0 percent or 0.2 million tonnes in Africa Middle East.

Consolidated sales of ready-mix concrete declined by 12.9 percent to 39.5 million cubic meters. All regions contributed to this negative development, primarily driven by restructuring initiatives implemented in the previous year to refocus the ready-mix concrete business. At constant scope, a decrease in ready-mix concrete sales of 7.4 percent or 3.4 million cubic meters was reported for the financial year. The largest volume drop was recorded in Europe, where most of the countries experienced adverse development. This drop was to a large extent attributed to the restructuring of the segment in Germany, which was transferred to joint ventures. At constant scope, ready-mix concrete volumes fell by 1.9 percent. Latin America reported the second largest drop, with a decrease of 21.2 percent or 2.2 million cubic meters, driven by Mexico and Brazil and reflecting the fall in demand. Canada contributed most to the volume decrease of 7.2 percent or 0.6 million cubic meters in North America. Asia Pacific witnessed a drop of 2.9 percent or 0.3 million cubic meters, driven by Holcim Australia and Holcim Vietnam, while volume contraction of 27.7 percent or 0.3 million cubic meters recorded in Africa Middle East was driven by Morocco and Lebanon.

Net sales

Net sales by region

Million CHF	Jan.–Dec. 2013	Jan.–Dec. 2012[1]	±%	±% like-for-like
Asia Pacific	7,282	8,343	–12.7	–2.0
Latin America	3,349	3,490	–4.0	+0.8
Europe	5,611	5,809	–3.4	+2.4
North America	3,171	3,276	–3.2	–0.7
Africa Middle East	884	947	–6.6	–5.6
Corporate/Eliminations	(578)	(705)		
Total	19,719	21,160	–6.8	+0.2

[1] Restated due to changes in accounting policies.

Net sales of CHF 19,719 million were achieved for the full-year 2013, which represented a decrease of CHF 1,441 million or 6.8 percent, explained by unfavorable currency effects (–3.8 percent) and changes in consolidation structure (–3.3 percent). Like-for-like, net sales increased by CHF 49 million or 0.2 percent. This growth mostly resulted from price adjustments in response to cost inflation in Latin America, as well as price increases in North America and Africa Middle East. The solid volume progression reported in Europe further supported net sales and helped to offset adverse net sales development in Asia Pacific.

In Asia Pacific, net sales dropped by 2.0 percent or CHF 165 million on a like-for-like basis, dragged down by the Indian Group companies and Holcim Australia. India witnessed an economic slowdown in 2013; the cement construction industry grew at a meager 1 percent, and net sales receded by 3.8 percent. The Australian economy and construction industry grew at a substantially slower pace, due to a weaker mining sector and a lower level of investment. At Holcim Australia, net sales declined as a result of lower volumes sold across the three segments and the unfavorable effect from the regional and product mix on prices. These developments were partly offset by improved performance recorded in Holcim Indonesia and Holcim Philippines. Both countries increased prices substantially against the backdrop of favorable cement market conditions. Nevertheless, sales volumes growth decelerated in Indonesia due to slower demand outside the main consumption hub of Java, while Holcim Philippines experienced a record level of demand.

Latin America reported a timid net sales growth of 0.8 percent like-for-like. Adverse performance in Mexico and Brazil almost offset efforts to drive net sales up in other countries. Mexico was hit by a slowdown in economic activity with a negative construction output for 2013, high overcapacity in the industry, and a new market entrant. These factors impacted the cement and ready-mix concrete demand, and generated pressure on sales prices. The conditions were not much better in Brazil, where the economy developed much weaker than expected with a GDP growth rate estimated in the low 2 percent. The local currency accelerated its depreciation versus the US Dollar, and the government's stimulus programs were targeting consumption instead of infrastructure and productivity increases. Cement consumption has been reduced due to this weak GDP development, delays to infrastructure projects, and smaller-than-expected private projects. In addition, ready-mix concrete was further restructured and the number of plants reduced. On the other hand, Argentina, Chile, Ecuador, and Costa Rica reported solid net sales increases. These companies realized successful price increases, and sales volumes were above last year's level.

Europe reported the largest positive sales development with a like-for-like increase of 2.4 percent. The main contributors to this growth were Aggregate Industries UK, the countries bordering the Caspian Sea (Russia and Azerbaijan), and Holcim Germany. Aggregate Industries UK benefited from the recovery in construction output fuelled by the government's initiatives to facilitate access to home ownership. Furthermore, price increases were implemented in response to higher input costs. Both CIS Caspian countries benefited from the economic boost and increased volumes significantly; however, price increases remained challenging in Russia in light of active competition. Net sales progress in Holcim Germany stemmed from an increase in cement sales to joint ventures in the ready-mix concrete business. However, challenging market situation continued to pressure volumes and prices in Italy, Spain, and Romania, partially offsetting the net sales progression in other countries of Europe.

In North America, net sales regressed on a like-for-like basis by 0.7 percent. Despite price increases in all countries, volumes were strongly hit in Canada due to a weaker residential construction market exacerbated by the economic slow-down. Adverse weather conditions and strikes in the construction business further contributed to the negative impact. Net sales also dropped at Aggregate Industries US, with a difficult situation in asphalt and paving. On the other hand, while the US economy continued with its recovery, Holcim US marked a year in which the region outperformed with a significant price increase.

Net sales in Africa Middle East declined by 5.6 percent on a like-for-like basis, following volume contraction in every country in the region, with Holcim Morocco in particular facing a drop of 6 percent in national cement consumption.

The relativity of Europe in the Group's net sales slightly increased from 27.5 percent to 28.5 percent compared to the previous year. In contrast, the contribution of Asia Pacific declined from 39.4 percent to 36.9 percent. However, the weighting of emerging markets slightly increased to 52.5 percent of total net sales (2012: 51.8).

Operating EBITDA

Operating EBITDA by region

Million CHF	Jan.–Dec. 2013	Jan.–Dec. 2012[1]	±%	±% like-for-like
Asia Pacific	1,473	1,789	–17.7	–6.3
Latin America	938	960	–2.3	+1.3
Europe	946	615	+53.8	+55.8
North America	494	480	+3.0	+5.5
Africa Middle East	283	279	+1.4	+2.6
Corporate/Eliminations	(238)	(234)		
Total	3,896	3,889	+0.2	+7.0

[1] Restated due to changes in accounting policies.

Operating EBITDA increased by CHF 6 million or 0.2 percent to CHF 3,896 million in 2013. The currency-related effect had a negative impact on operating EBITDA, which resulted in a reduction of CHF 157 million or 4.0 percent, while changes in the scope of consolidation, mainly driven by the deconsolidation of Cement Australia, were also unfavorable and reduced the performance by CHF 110 million or 2.8 percent. On a like-for-like basis, operating EBITDA grew by CHF 273 million or 7.0 percent. Adjusted for the restructuring costs booked in 2012, the operating EBITDA rose by CHF 34 million or 0.8 percent, a slight improvement over 2012. As Holcim sold less CO_2 certificates in 2013, the operating profit growth was further burdened by CHF 36 million.

On a like-for-like basis, Asia Pacific recorded a major drop in operating EBITDA with a decline of CHF 112 million or 6.3 percent. In particular, Ambuja Cements and ACC in India together reported a decrease of CHF 205 million or 24.7 percent. Pricing and volume pressure remained high, while raw material and logistics costs further increased. The drawbacks in India were however tempered by improvements in the Philippines and Indonesia, where a stronger construction market allowed for price increases. Furthermore, energy and logistics costs were optimized in the Philippines. Holcim Australia succeeded in substantially improving its operating EBITDA, despite a deterioration in market conditions, thanks to substantial cost savings from personnel reductions, lower maintenance costs and lower third-party services. With the exception of New Zealand which was impacted by unfavorable volume development, all of the other companies managed to improve their operational performance. Fixed cost optimization was visible in the region and helped to mitigate weaker results.

In Latin America, operating EBITDA increased on a like-for-like basis by CHF 12 million or 1.3 percent. However, adjusting for the restructuring costs booked in 2012, the operating EBITDA receded by CHF 18 million or 1.9 percent. Most of the Group companies reported higher operational results driven by price increases, but these efforts were hindered by the adverse performance in Mexico and Brazil, as both countries were hit by poor market conditions.

Europe was the largest growth contributor in 2013 and generated a like-for-like operating EBITDA increase of CHF 343 million or 55.8 percent. A large part of this growth was however attributable to the restructuring initiatives executed in many countries in the second half of 2012. Adjusted for these, the operating EBITDA of the region still grew by CHF 161 million or 20.2 percent. Overall, price drops were offset by volume hikes in CIS Caspian countries, France, and Switzerland. Cost saving measures enforced by the Holcim Leadership Journey gained further momentum in 2013, and additional savings were realized following the restructuring measures implemented in 2012. Aggregate Industries UK in particular benefited from cost optimization, partly derived from the restructuring initiatives implemented last year. Commercial excellence initiatives also contributed greatly to this success. At Holcim Spain, the operating EBITDA rose mainly as a result of the restructuring measures initiated in 2012 and some cost-reduction initiatives inherent to the Holcim Leadership Journey. Azerbaijan benefited from an excellent market development and could in this context increase volumes while keeping costs in check. On the other hand, Romania was affected by lower CO_2 revenues, and Russia, under competitive pressure, recorded a price decrease.

In North America, the operating EBITDA increased by CHF 26 million or 5.5 percent. The recovery in the residential building sector continued apace. Better pricing combined with cost containment benefited Holcim US. Aggregates sales volumes improved at Aggregate Industries US. In Canada, good performance in the construction business could not make up for the significant volume losses recorded in cement, aggregates, and ready-mix concrete.

Africa Middle East recorded a like-for-like increase in its operating EBITDA of CHF 7 million or 2.6 percent. Cost reductions across the region combined with price increases in Morocco and Indian Ocean offset the unfavorable volume impact experienced in almost all countries.

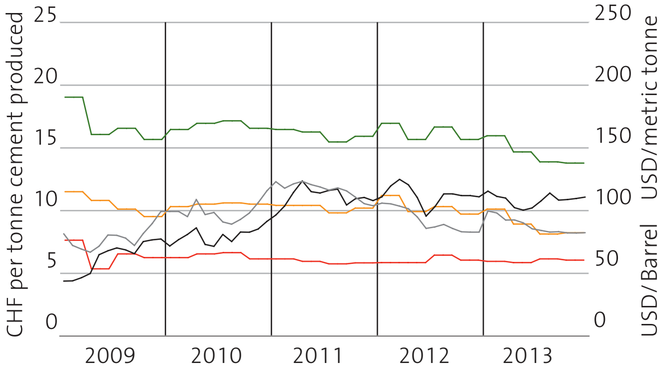
The shift in the regional weighting of operating EBITDA was most pronounced for Europe, which accounted for 24.3 percent of operating EBITDA (2012: 15.8), while the relative weighting of Asia Pacific decreased to 37.8 percent (2012: 46.0). In 2013, the weighting of emerging markets in the Group's operating EBITDA amounted to 65.7 percent (2012: 71.4).

Energy costs

Energy expenses comprise costs related to both fuel and electricity. Energy costs required to produce one tonne of cement have remained, in absolute terms, largely constant at Group level with a decreasing trend however observed since 2012. Improvements in the fuel mix, efficiency gains, strategic sourcing, and implementation of long-term contracts partly explained this trend. At a constant exchange rate, the Group's energy costs would have decreased by 5.3 percent year-on-year in 2013.

Holcim's energy prices are subject to much less, and sometimes delayed, volatility as compared to market prices (particularly evident in 2008 as shown in corresponding graph) for the following reasons: 50 percent of the fuel consumed in cement production is coal, of which about half is acquired on the international market. The remaining portion is bought locally by Group companies and is less volatile. Moreover, in some countries, the government directly influences the price of coal. 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 procuced compared to market prices



- Total energy expenses (CHF)[1]
- Fuel expenses (CHF)[1]
- Electricity expenses (CHF)[1]
- Market price coal (USD)[2]
- Market price crude oil (USD)[3]

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

Operating EBITDA margin

In the year under review, the Group's operating EBITDA margin increased by 1.4 percentage point from 18.4 percent to 19.8 percent. Currency fluctuation and changes in the scope of consolidation did not have a significant effect on the Group's margin. This development resulted mainly from the CHF 239 million restructuring costs incurred last year in connection with the Holcim Leadership Journey. Adjusted for these costs, the operating EBITDA margin grew by 0.1 percentage point on a like-for-like basis. Price increases and cost containment measures associated with the Holcim Leadership Journey could offset the unfavorable effect from volume losses.

At a constant scope and exchange rate, margin in Asia Pacific fell by 0.9 percentage point, as fixed costs savings were not sufficient to cover the unfavorable effects from lower volumes and prices, as well as inflation-induced increases of input costs such as distribution costs. The margin decrease in the Group region was brought on by both Indian companies, while Holcim Philippines and Holcim Australia mitigated this drop.

In Latin America, the operating EBITDA margin rose by 0.1 percentage point on a like-for-like basis, despite a higher inflation rate. This improvement however resulted from the effect of the restructuring costs, which lowered the margin last year. Tight cost management and the measures initiated in 2012 to restructure unprofitable businesses – particularly in the ready-mix concrete segment – contributed to this development. Mexico and Brazil failed to match the previous year's margin, which put pressure on the region, while all other countries, in particular Ecuador, succeeded in improving their performance.

In Europe, the growth of the operating EBITDA margin by 5.5 percentage points on a like-for-like basis was to a large extent the result of the restructuring and right-sizing measures implemented last year combined with cost management efforts achieved across all Group companies. Most of the Eastern European countries as well as Russia recorded weaker performances; however, all of the other countries improved their margins, especially Aggregate Industries UK, Holcim Spain, and Holcim Italy. Adjusted for the restructuring costs in 2012, the margin rose by 2.4 percentage points.

In North America, operating EBITDA margin grew by 0.9 percentage point on a like-for-like basis on account of the two Group companies in the United States. Strong cost control and a favorable price development for cement and ready-mix concrete supported this improvement.

Like-for-like operating EBITDA margin was up by 2.5 percentage points in Africa Middle East. Price-adjustment and cost-management-oriented measures more than compensated for the effects caused by lower volumes.

In the cement segment, the operating EBITDA margin increased like-for-like by 0.6 percentage point to 25.1 percent. With the exception of Asia Pacific and Latin America, the Group regions reported an improved margin. Adjusted for restructuring costs, the progression was negative at –0.5 percentage point. In the aggregates segment, the margin improved on a like-for-like basis by 2.9 percentage points to 18.5 percent, driven by Europe, North America and Asia Pacific. In other construction materials and services, the operating EBITDA margin rose by 1.7 percentage points to 2.9 percent on account of the improved performance in Latin America and Europe.

Operating Profit

Operating Profit by region

Million CHF	Jan.–Dec. 2013	Jan.–Dec. 2012[1]	±%	±% like-for-like
Asia Pacific	1,030	1,273	–19.1	–8.0
Latin America	722	709	+1.9	+5.6
Europe	436	(372)	+217.2	+211.6
North America	199	164	+21.1	+24.8
Africa Middle East	216	220	–1.7	–0.3
Corporate/Eliminations	(247)	(245)		
Total	2,357	1,749	+34.8	+43.7

[1] Restated due to changes in accounting policies.

In the current financial year, the operating profit improved by CHF 608 million or 34.8 percent to CHF 2,357 million. The currency translation effect and change in consolidation structure impacted the Group operating profit by –6.4 percent and –2.5 percent, respectively. On a like-for-like basis, the operating profit increased by CHF 764 million or 43.7 percent. This increase was mainly attributable to the restructuring cash costs in connection with the Holcim Leadership Journey to the amount of CHF 239 million, and the asset write-offs of CHF 497 million, both of which were booked in the previous year. These write-offs comprised mostly CHF 447 million from Group region Europe (Spain, Italy, Belgium, France, Germany, UK, and several countries in Eastern Europe), and CHF 46 million from Latin America, chiefly related to the closure of the Yocsina cement plant in Argentina. Excluding impacts from restructuring costs and asset write-offs, the operating profit was CHF 28 million or 1.1 percent up on last year's figure on a like-for-like basis. Europe's operating profit improved – at constant scope and exchange rates – by 62.8 percent, and North America recorded an increase of 21.8 percent. These regions contributed the most to the positive performance offsetting adverse developments in Asia Pacific (–10.0 percent) and Latin America (–4.7 percent).

The Holcim Leadership Journey contributed CHF 943 million to the improvements in the consolidated operating profit. Out of this increase, CHF 135 million was generated by customer excellence initiatives, while CHF 808 million resulted from specific cost leadership programs on energy, procurement, and fixed costs.

Group net income

The Group net income grew by CHF 594 million or 59.3 percent to CHF 1,596 million. Restructuring costs booked last year lowered the comparison year by CHF 736 million. Holcim recorded a gain of CHF 136 million on the disposal of 25 percent of the equity interest in Cement Australia. Despite this major transaction, below operating profit items did not impact the net income development significantly as Holcim recorded a profit of CHF 153 million last year, following the disposal of 9.3 percent of the share capital of Siam City Cement Company in Thailand.

Outlook 2014

For 2014 Holcim expects the global economies to show another year of uneven performance. Construction markets in Europe are expected to have reached the bottom with slow recovery in sight. At the same time, North American markets are expected to continue to benefit from a further recovery especially in the United States. Latin America on the other hand could continue to face uncertainties in Mexico but should overall show slight growth in 2014. The Asia Pacific region is expected to grow although at a comparatively slower pace than experienced in recent years. Africa Middle East is expected to gradually improve.

Holcim expects cement volumes to increase in all Group regions in 2014. Aggregates volumes are expected to remain flat overall as increases in Asia Pacific, Europe, North America and Africa Middle East are offset by negative volumes in Latin America. In ready-mix concrete volumes are also expected to increase in most regions with the exception of Europe and Latin America.

The Board of Directors and Executive Committee expect that organic growth in operating profit can be achieved in 2014. The ongoing focus on the cost base coupled with all the benefits expected from the Holcim Leadership Journey will lead to a further expansion in operating margins in 2014.

Financing activities, investments and liquidity

Cash flow

Million CHF	Jan.–Dec. 2013	Jan.–Dec. 2012[1]	±%
Cash flow from operating activities	2,787	2,643	+5.4
Net capital expenditures on property, plant and equipment to maintain productive capacity and to secure competitiveness	(719)	(790)	+9.0
Free cash flow	**2,068**	**1,854**	**+11.6**
Investments in property, plant and equipment for expansion	(1,282)	(803)	−59.5
Financial divestments net	336	396	−15.2
Dividends paid	(576)	(532)	−8.3
Financing surplus	**546**	**914**	**−40.3**
Cash flow from financing activities (excluding dividends)	(1,048)	(595)	−76.3
(De)increase in cash and cash equivalents	**(503)**	**320**	**−257.3**

[1] Restated due to changes in accounting policies.

Cash flow from operating activities

In 2013, cash flow from operating activities improved by CHF 143 million or 5.4 percent to CHF 2,787 million. At constant scope and exchange rates, the cash flow from operating activities increased by CHF 330 million or 12.5 percent. This improvement was mainly the consequence of a favorable change in net working capital and higher operating EBITDA, although it was partly offset by the development of the non-cash items included in the operating EBITDA related to the restructuring initiatives in 2012. In the year under review, the cash flow margin was 14.1 percent (2012: 12.5).

Investment activities

Cash flow from investing activities increased by CHF 468 million to CHF 1,665 million. Net capital expenditure to maintain productive capacity and to secure competitiveness amounted to CHF 719 million, while investments in expansion and diversification projects reached CHF 1,282 million. Maintenance activities, investments in rationalizing and improving procuct quality, investments in environmental and occupational health and safety amounted to CHF 923 million gross (2012: 908). Investments in property, plant, and equipment for expansion mainly reflect major projects which aimed to increase capacities in emerging countries such as Indonesia, Brazil, Ecuador, and India, as well as in some mature countries such as Australia.

The net financial divestments consisted mainly of the sale of 25 percent of equity interest in Cement Australia to HeidelbergCement.

Key investment projects

Indonesia – capacity expansion at Tuban

In order to meet rising demand, Holcim decided in 2010 to build a new cement plant in Tuban, East Java, with an annual production capacity of 1.6 million tonnes and with optimized logistic costs. Cement mills were put into commercial use in December 2013 and are undergoing the final commissioning process. The full kiln line will start producing clinker early in the year 2014. In view of the continued positive development of the Indonesian market, Holcim has approved the construction of a second identical kiln line in Tuban, which is planned to go into operation in 2015. By leveraging a strong brand presence and optimizing the costs of logistics and production, this investment is expected to strengthen Holcim Indonesia's positioning to participate in the country's robust economic growth.

Brazil – capacity expansion at Barroso

In Brazil, a second kiln line is being installed at the Barroso plant and will come on stream in June 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 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 late-2011, Holcim Ecuador began the second phase of the cement plant modernization in Guayaquil in December 2012, thus increasing clinker capacity by 1.4 million tonnes in 2015. This investment will balance local clinker production capacity with local cement capacity in order to eliminate costly clinker imports, reduce logistics-related risks, and increase local value addition. 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

In 2015, a major facility with a combined cement capacity of more than 5 million tonnes will start up in India. As part of this project, the construction of a new plant with an annual production capacity of 2.8 million tonnes of clinker at the Jamul site in the state of Chhattisgarh has started and is progressing according to plans. This project will replace some older plants and is expected to be commissioned in early 2015. In addition, the installation of a roller press at Sankrail will increase the capacity by 0.8 million tonnes by 2015. As a result, the Group company will be well positioned to meet the fast-growing demand in the Eastern region. In the Northern region, the installation of a roller press at Rabriawas will increase the cement capacity by 0.8 million tonnes by 2014.

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 has sufficient reserves to cover the long-term supply of one of Australia's largest markets. Due to the possibility of transporting the raw material by rail, the quarry, together with the distribution center in West Sydney, will offer one of the most cost-effective and sustainable solutions of this kind. The plant is due to be commissioned in May 2015. With reserves estimated to guarantee production for several decades, the site is expected to enable Holcim to strengthen its integrated market position in Sydney and New South Wales.

Russia – modernization at Volsk plant

After the finalization of the Shurovo plant modernization project near Moscow, Holcim Russia is putting a lot of resources into the modernization project of its old Volsk plant in the Volga region. The project aims to replace the outdated wet production process technology with a much more efficient semi-wet kiln line. Environmental and health and safety aspects are the focal points of this project. Commissioning is planned for 2017 and will strengthen Holcim's ability to participate in Russia's favorable economic development.

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	Previous year	Average	$ROIC_{BT}$ in %
2013	2,785	29,736	31,458	30,597	9.1
2012[2]	2,202	31,458	33,426	32,442	6.8

[1] Earnings before interest and taxes.
[2] Restated due to changes in accounting policies.

In 2013, the $ROIC_{BT}$ rose from 6.8 percent to 9.1 percent, a development primarily supported by a reduction in average Group invested capital. After adjusting for restructuring costs in 2012, the $ROIC_{BT}$ increased by 0.3 percentage point.

Financing activity

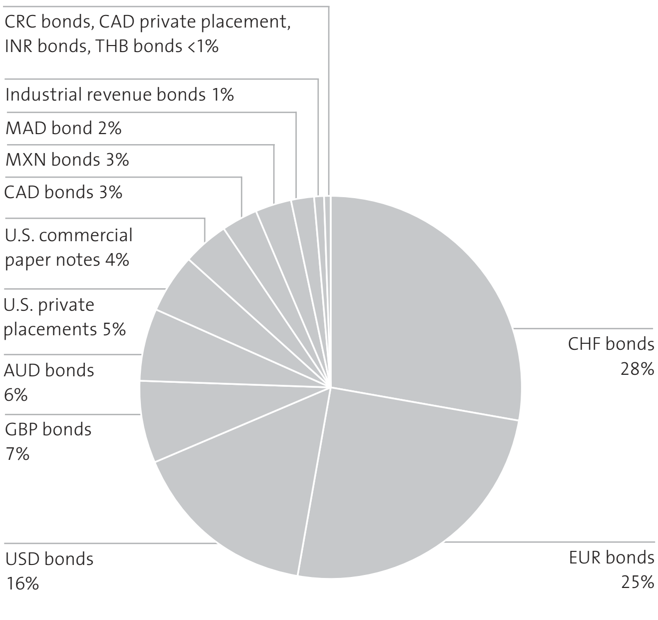
Holcim's investments were funded out of cash flow from operating activities. New debt capital was mainly used to refinance existing borrowings. In the year under review, capital market transactions to the amount of CHF 1.0 billion were undertaken by Holcim, enabling the Group to lock in historically low interest rates in various currencies and to extend the average maturity of financial liabilities. The main transactions were as follows:

USD 50 million	Holcim US Finance S.à r.l. & Cie S.C.S. bond with a coupon of 4.20%, term 2013–2033
USD 500 million	Holcim US Finance S.à r.l. & Cie S.C.S. bond with a coupon of 5.15%, term 2013–2023
USD 250 million	Holcim Capital Corporation Ltd bond with a coupon of 6.50%, term 2013–2043
CHF 250 million	Holcim Ltd bond with a coupon of 2.00%, term 2013–2022

Net financial debt

Net financial debt was reduced from CHF 10,325 million to CHF 9,461 million in the year under review. This reduction was supported by higher cash flow from operating activities and the sale of the 25 percent equity interest in Cement Australia to HeidelbergCement.

Capital market financing of the Group as per December 31, 2013 (CHF 9,652 million)



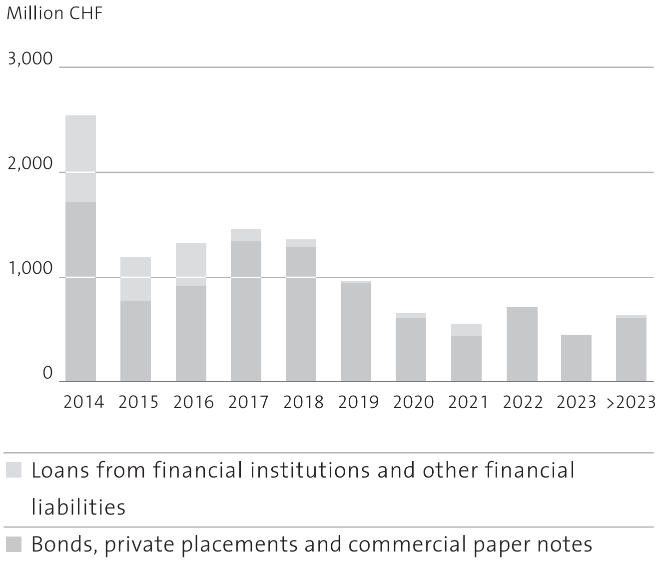
Financing profile

Holcim was able to further strengthen its financial profile. 82 percent of the financial liabilities are financed through various capital markets (see overview of all outstanding bonds and private placements on pages 218 and 219) and 18 percent through banks and other lenders. There are no major positions with individual lenders. With 5.0 years, the average maturity of financial liabilities was successfully extended compared to the previous year (2012: 4.2). The Group's maturity profile is widely spread with a large proportion of mid to long-term financing.

To further optimize the Group's maturity profile and make efficient use of the Group's cash and cash equivalents, Holcim US Finance S.à r.l. & Cie S.C.S. repaid a EUR 202 million private placement, which was due to mature in April 2015, early in October 2013.

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 68 and 180 of this Annual Report. Holcim improved its financial targets to retain an investment-grade rating. The ratio of funds from operations to net financial debt improved to 33.4 percent (Holcim target: >25 percent), and the ratio of net financial debt to EBITDA improved to 2.2x (Holcim target: <2.8x). The EBITDA net interest coverage reached 7.8x (Holcim target: >5x), and the EBIT net interest coverage 5.0x (Holcim target: >3x). The average nominal interest rate on Holcim's financial liabilities as at December 31, 2013 was 4.6 percent (2012: 4.5), whereas the proportion of fixed-rate debt increased to 56 percent (2012: 55).

Maturity profile of total financial liabilities as per December 31, 2013[1]



[1] After reclassification of CHF 399 million from current financial liabilities to long-term financial liabilities.

Liquidity

To secure liquidity, the Group held cash and cash equivalents of CHF 2,244 million at December 31, 2013 (2012: 3,119). 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, 2013, Holcim also had unused credit lines amounting to CHF 7,990 million (2012: 8,026) (see also page 216). This includes unused committed credit lines of CHF 4,967 million (2012: 5,363). Existing borrowings[1] as at December 31, 2013 of CHF 2,521 million (2012: 3,142) maturing in the next 12 months are comfortably covered by existing cash, cash equivalents and unused 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 448 million (2012: 442) were outstanding as per December 31, 2013.

[1] After reclassification of CHF 399 million from current financial liabilities to long-term financial liabilities.

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 limited effect on the Group's operating profitability. As the Group produces a very high proportion of its products locally, most sales and costs are incurred in the respective local currencies. The effects of foreign exchange movements are therefore largely restricted to the translation of local financial statements for the consolidated statement of income. In the last financial year, these were, on balance, negative. Because a large part of the foreign capital is financed with matching currencies in local currency, the effects of the foreign currency translation of local balance sheets for the consolidated statement of financial position have not, in general, resulted in significant distortions in the consolidated statement of financial position. However in 2013, the devaluation of some currencies had major impact on the financial statements.

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 in the respective foreign currency versus the Swiss franc:

Sensitivity analysis

Million CHF	2013	EUR	GBP	USD	Latin American basket (MXN, BRL, ARS, CLP)	INR	Asian basket (AUD, IDR, PHP)
	Actual figures	Assuming a 5% lower exchange rate the impact would be as follows:					
Net sales	19,719	(114)	(86)	(120)	(104)	(158)	(175)
Operating EBITDA	3,896	(15)	(8)	(35)	(20)	(28)	(40)
Net income	1,596	0	0	(14)	2	(17)	(17)
Cash flow from operating activities	2,787	(7)	(1)	(26)	(9)	(23)	(22)
Net financial debt	9,461	(60)	(34)	(75)	(81)	42	(74)

Consolidated statement of income of Group Holcim

Million CHF	Notes	2013	2012 Restated[1]
Net sales	6, 7	**19,719**	**21,160**
Production cost of goods sold	8	(11,087)	(12,529)
Gross profit		**8,632**	**8,631**
Distribution and selling expenses	9	(5,021)	(5,418)
Administration expenses		(1,254)	(1,464)
Operating profit		**2,357**	**1,749**
Other income	12	204	208
Share of profit of associates and joint ventures	24	161	147
Financial income	13	183	232
Financial expenses	14	(777)	(782)
Net income before taxes		**2,128**	**1,552**
Income taxes	15	(533)	(550)
Net income		**1,596**	**1,002**
Attributable to:			
Shareholders of Holcim Ltd		1,272	610
Non-controlling interest		324	392
Earnings per share in CHF			
Earnings per share	17	3.91	1.89
Fully diluted earnings per share	17	3.91	1.89

[1] Restated due to changes in accounting policies, see note 1.

Consolidated statement of comprehensive earnings of Group Holcim

Million CHF	Notes	2013	2012 Restated[1]
Net income		**1,596**	**1,002**
Other comprehensive earnings			
Items that will be reclassified to the statement of income in future periods			
Currency translation effects			
– Exchange differences on translation		(1,608)	(530)
– Realized through statement of income		8	3
– Tax effect		14	17
Available-for-sale financial assets			
– Change in fair value		(14)	2
– Realized through statement of income	27	(65)	(63)
– Tax effect		0	
Cash flow hedges			
– Change in fair value		5	(15)
– Realized through statement of income			3
– Tax effect		(1)	
Net investment hedges in subsidiaries			
– Change in fair value		3	(1)
– Tax effect			
Subtotal		**(1,657)**	**(584)**
Items that will not be reclassified to the statement of income in future periods			
Defined benefit plans			
– Remeasurements and effect of asset ceiling		217	(83)
– Tax effect		(48)	29
Subtotal		**169**	**(54)**
Total other comprehensive earnings		**(1,488)**	**(637)**
Total comprehensive earnings		**108**	**365**
Attributable to:			
Shareholders of Holcim Ltd		86	96
Non-controlling interest		22	270

[1] Restated due to changes in accounting policies, see note 1.

Consolidated statement of financial position of Group Holcim

Million CHF	Notes	31.12.2013	31.12.2012 Restated[1]	1.1.2012 Restated[1]
Cash and cash equivalents	18	2,244	3,119	2,918
Accounts receivable	19	2,521	2,682	2,687
Inventories	20	1,704	2,018	2,052
Prepaid expenses and other current assets	21	365	401	384
Assets classified as held for sale	22	756	56	16
Total current assets		**7,590**	**8,275**	**8,058**
Long-term financial assets	23	536	551	559
Investments in associates and joint ventures	24	1,562	1,539	1,747
Property, plant and equipment	25	20,029	21,791	22,643
Intangible assets	26	7,486	8,131	8,299
Deferred tax assets	32	391	478	536
Other long-term assets	27	351	433	497
Total long-term assets		**30,355**	**32,922**	**34,280**
Total assets		**37,944**	**41,198**	**42,338**
Trade accounts payable	28	1,934	2,146	2,360
Current financial liabilities	29	2,920	3,546	2,816
Current income tax liabilities		462	442	410
Other current liabilities		1,708	1,868	1,807
Short-term provisions	33	224	298	241
Liabilities directly associated with assets classified as held for sale	22	213	0	0
Total current liabilities		**7,461**	**8,299**	**7,635**
Long-term financial liabilities	29	8,785	9,899	11,611
Defined benefit obligations	34	655	902	851
Deferred tax liabilities	32	1,290	1,702	1,954
Long-term provisions	33	1,077	1,161	1,167
Total long-term liabilities		**11,807**	**13,665**	**15,583**
Total liabilities		**19,267**	**21,964**	**23,219**
Share capital	37	654	654	654
Capital surplus		8,200	8,573	8,894
Treasury shares	37	(102)	(114)	(486)
Reserves		7,453	7,324	7,315
Total equity attributable to shareholders of Holcim Ltd		**16,205**	**16,437**	**16,377**
Non-controlling interest	38	2,471	2,797	2,742
Total shareholders' equity		**18,677**	**19,234**	**19,118**
Total liabilities and shareholders' equity		**37,944**	**41,198**	**42,338**

[1] Restated due to changes in accounting policies, see note 1.

Consolidated statement of changes in equity of Group Holcim

Million CHF	Share capital	Capital surplus	Treasury shares	*Retained earnings*
Equity as at January 1, 2013[1]	**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**
Equity as at December 31, 2011	**654**	**8,894**	**(486)**	**15,785**
Restatement[1]				(453)
Equity as at January 1, 2012[1]	**654**	**8,894**	**(486)**	**15,332**
Net income[1]				610
Other comprehensive earnings[1]				(48)
Total comprehensive earnings[1]				563
Payout[1]		(325)		
Change in treasury shares			342	(49)
Share-based remuneration		4	11	
Capital paid-in by non-controlling interest				
Change in participation in existing Group companies[1]			18	(38)
Equity as at December 31, 2012[1]	**654**	**8,573**	**(114)**	**15,808**

[1] Restated due to changes in accounting policies, see note 1.
[2] Currency translation adjustments include CHF –19 million relating to assets and directly associated liabilities classified as held for sale, see note 22.

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
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)**[2]	**7,453**	**16,205**	**2,471**	**18,677**
193	**4**	**(8,214)**	**7,768**	**16,830**	**2,827**	**19,656**
			(453)	(453)	(85)	(538)
193	**4**	**(8,214)**	**7,315**	**16,377**	**2,742**	**19,118**
			610	610	392	1,002
(61)	(12)	(394)	(515)	(515)	(122)	(637)
(61)	(12)	(394)	96	96	270	365
				(325)	(206)	(531)
			(49)	293		293
		1	1	16		16
					16	16
			(38)	(20)	(24)	(43)
132	**(7)**	**(8,608)**	**7,324**	**16,437**	**2,797**	**19,234**

Consolidated statement of cash flows of Group Holcim

Million CHF	Notes	2013	2012 Restated[1]
Net income before taxes		**2,128**	**1,552**
Other income	12	(204)	(208)
Share of profit of associates and joint ventures	24	(161)	(147)
Financial expenses net	13, 14	594	551
Operating profit		**2,357**	**1,749**
Depreciation, amortization and impairment of operating assets	10	1,538	2,140
Other non-cash items		178	429
Change in net working capital		(217)	(552)
Cash generated from operations		**3,857**	**3,766**
Dividends received		137	98
Interest received		145	159
Interest paid		(652)	(707)
Income taxes paid		(659)	(646)
Other expenses		(42)	(27)
Cash flow from operating activities (A)		**2,787**	**2,643**
Purchase of property, plant and equipment		(2,205)	(1,711)
Disposal of property, plant and equipment		205	118
Acquisition of participation in Group companies		(8)	(1)
Disposal of participation in Group companies		407	8
Purchase of financial assets, intangible and other assets		(263)	(182)
Disposal of financial assets, intangible and other assets		199	571
Cash flow from investing activities (B)	41	**(1,665)**	**(1,197)**
Payout on ordinary shares	17	(374)	(325)
Dividends paid to non-controlling interest		(202)	(207)
Capital paid-in by non-controlling interest		6	16
Movement of treasury shares	37	0	293
Proceeds from current financial liabilities		6,252	7,299
Repayment of current financial liabilities		(6,465)	(7,170)
Proceeds from long-term financial liabilities		2,635	5,202
Repayment of long-term financial liabilities		(3,471)	(6,168)
Increase in participation in existing Group companies		(5)	(66)
Cash flow from financing activities (C)		**(1,625)**	**(1,127)**
(De)Increase in cash and cash equivalents (A + B + C)		**(503)**	**320**
Cash and cash equivalents as at January 1 (net)	18	**2,711**	**2,468**
(De)Increase in cash and cash equivalents		(503)	320
Currency translation effects		(215)	(78)
Cash and cash equivalents as at December 31 (net)	18	**1,993**	**2,711**

[1] Restated due to changes in accounting policies, see note 1.

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 2013, Group Holcim adopted the following new and revised standards and interpretations relevant to the Group:

IFRS 10	*Consolidated Financial Statements*
IFRS 11	*Joint Arrangements*
IFRS 12	*Disclosure of Interests in Other Entities*
IFRS 13	*Fair Value Measurement*
IAS 1 (amended)	*Presentation of Items of Other Comprehensive Income*
IAS 19 (revised)	*Employee Benefits*
IAS 28 (revised)	*Investments in Associates and Joint Ventures*
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*
Improvements to IFRSs	*Clarifications of existing IFRSs (issued in May 2012)*

For further details, refer to changes in accounting policies (note 1).

In addition to the new and revised standards and interpretation above, Group Holcim has in the current year early adopted the amendments to IAS 36 regarding recoverable amount disclosures for non-financial assets, which are effective retrospectively for annual periods beginning on or after January 1, 2014. Earlier application is permitted, provided IFRS 13 is also applied. The amendments to IAS 36 require the disclosure of the recoverable amounts for individual assets (including goodwill) or cash generating units for which an impairment loss has been recognized or reversed during the period. The Group has early adopted these amendments to IAS 36 as it provides useful information as intended by the IASB.

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 either (a) reduce service cost by attributing it to periods of service or (b) by reducing service cost in the period in which the related service is rendered. Since Group Holcim already applies the option in (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.

Group Holcim plans to adopt the following new standard relevant to the Group not before 2017:

IFRS 9	*Financial Instruments*

IFRS 9 will ultimately replace IAS 39. The classification and measurement of financial assets and financial liabilities represents the first part of the new standard. This standard will require financial assets to be classified on initial recognition at either amortized cost or fair value. For financial liabilities, the new standard retains most of the current IAS 39 requirements. Therefore, the effect of applying the first part of this new standard will have no material impact on the Group's financial statements. Hedge accounting represents the second part of the new standard. The Group is in the process of evaluating any impact that hedge accounting may have on its consolidated financial statements. The IASB tentatively decided that the mandatory effective date of IFRS 9 will be no earlier than annual periods beginning on or after January 1, 2017.

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 34).

The Group tests annually whether goodwill has suffered any impairment in accordance with its accounting policy. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (note 26).

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 (note 23) 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 26). 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 to sell and its value in use. If the recoverable amount of a non-financial asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the non-financial asset or cash generating unit is reduced to its recoverable amount. Impairment losses are recognized immediately in the statement of income. In its 2013 impairment testing, the Group has relied in certain instances upon its 2012 recoverable amount estimates wherever these exceeded the cash generating units carrying amounts by a substantial margin.

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 35).

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

Business risk management

Business Risk Management supports the Executive Committee and the management teams of the Group companies in their strategic decisions. Business Risk Management aims to systematically recognize major risks but also opportunities the company encounters. Potential risks are identified and evaluated at an early stage and constantly monitored. Countermeasures are then proposed and implemented at the appropriate level. All types of risk, from market, operations, finance and legal up to the external business environment, are considered including compliance and reputational aspects.

In addition to the Group companies, the Executive Committee and the Board of Directors are also involved in the assessment. The Group's risk profile is assessed from a variety of top-down and bottom-up angles. The Executive Committee reports regularly to the Board of Directors on important risk analysis findings and provides updates on the measures taken.

Financial risk management

The Group's activities expose it to a variety of financial risks, including the effect of changes in debt structure and equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain exposures. Therefore, the Group does not enter into derivative or other financial transactions which are unrelated to its operating business.

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
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**	
2012[2]								
Trade accounts payable	2,146						2,146	2,146
Loans from financial institutions	1,422	314	229	220	66	183	2,435	2,441
Bonds, private placements and commercial paper notes	2,149	1,689	1,077	887	1,332	3,658	10,792	10,840
Interest payments	593	497	345	303	258	770	2,767	
Finance leases	25	19	12	10	9	68	143	93
Derivative financial instruments net[1]	9	(14)	32	(16)	(12)	(30)	(31)	(40)
Total	**6,343**	**2,505**	**1,695**	**1,404**	**1,653**	**4,650**	**18,251**	

[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 31.
[2] Restated due to changes in accounting policies, see note 1.

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 36 million (2012: 38) of annual additional/lower financial expenses before tax on a post hedge basis.

The Group's sensitivity to interest rates is lower than last year mainly due to the fact that the ratio of financial liabilities at variable rates to total financial liabilities has decreased from 45 percent to 44 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 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 the CHF, USD and EUR against the respective currencies the Group operates in would only have an immaterial impact on foreign exchange (loss) gains net on a post hedge basis in both the current and prior year.

Impacts on equity due to derivative instruments are considered as not material based on the shareholders' equity of Group Holcim.

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. The gearing, calculated as net financial debt divided by total shareholders' equity, is no longer used internally as a key figure for the monitoring of capital.

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 2013, the Group's target, which remained the same as in 2012, 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	2013	2012[1]
Net income	1,596	1,002
Depreciation, amortization and impairment (note 10)	1,565	2,150
Funds from operations	3,161	3,152
Financial liabilities (note 29)	11,705	13,444
Cash and cash equivalents (note 18)	(2,244)	(3,119)
Net financial debt	9,461	10,325
Funds from operations/net financial debt	**33.4%**	**30.5%**

Million CHF	2013	2012[1]
Net financial debt	9,461	10,325
EBITDA	4,332	4,352
Net financial debt/EBITDA	**2.2**	**2.4**

[1] Restated due to changes in accounting policies, see note 1.

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 31. 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
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]
Derivative liabilities[3]			0	0	

[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.

Million CHF	Carrying amount (by measurement basis)				Comparison
	Amortized cost	Fair value level 1	Fair value level 2	Total	Fair value
2012[1]					
Current financial assets					
Cash and cash equivalents	3,119			3,119	
Trade accounts receivable	2,361			2,361	
Other receivables	62			62	
Other current assets		1[2]	88[2]	89	
Derivative assets[4]			5	5	
Long-term financial assets					
Long-term receivables	288			288	308[5]
Other long-term assets			87[2]	87	
Financial investments third parties	55[3]	3[2]	99[2]	157	
Derivative assets[4]			106	106	
Current financial liabilities					
Trade accounts payable	2,146			2,146	
Current financial liabilities	3,522			3,522	
Derivative liabilities[4]			24	24	
Long-term financial liabilities					
Long-term financial liabilities	9,852			9,852	11,535[6]
Derivative liabilities[4]			47	47	

[1] Restated due to changes in accounting policies, see note 1.
[2] Available-for-sale.
[3] Financial investments measured at cost.
[4] Held for hedging.
[5] The comparison fair value for long-term receivables consists of CHF 4 million level 1 and CHF 304 million level 2 fair value measurements.
[6] The comparison fair value for long-term financial liabilities consists of CHF 9,535 million level 1 and CHF 2,000 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 2013 and 2012, there were no financial assets and liabilities allocated to level 3.

There have been no transfers between the different hierarchy levels in 2013 and 2012.

1 Changes in accounting policies

IFRS 10, which replaced IAS 27 Consolidated and Separate Financial Statements, introduces a single consolidation model applicable to all investees. This model states that the investor consolidates an investee when it has control over the investee. The adoption of this new standard has not materially impacted the Group's financial statements.

IFRS 11, which replaced IAS 31 Interests in Joint Ventures, requires companies to classify joint arrangements as either a joint operation or as a joint venture, based on the rights and obligations arising from the arrangement. The standard also requires companies to apply the equity method of accounting for interests in joint ventures. As a consequence thereof, Holcim was unable to continue to apply the proportionate method of consolidation for such entities. This accounting policy change has been applied retrospectively, and its effect on the comparative information (restated amounts) presented for each financial statement line item is set out in the tables below.

IFRS 12 sets out the disclosure requirements for IFRS 10, IFRS 11 and IAS 28 (revised) and is disclosure related only.

IFRS 13 provides guidance on how to measure the fair value of financial and non-financial assets and liabilities when required or permitted by IFRS. The new standard does not change the IFRS as to when a company is required to use fair value. The adoption of this new standard does not materially impact the Group's financial statements.

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

The amendments to IAS 19 (revised) introduced several changes, the primary one being the elimination of the corridor method of deferred recognition. As a result, Group companies are now unable to defer actuarial gains and losses and subsequently amortize them to profit or loss, but instead are required to recognize such changes (remeasurements) immediately in other comprehensive earnings. No reclassifications of these amounts will be permitted in future periods. In addition, the expected return on plan assets has been removed and companies are instead required to calculate a net interest expense on the net defined benefit liability and recognize the resulting cost in the statement of income. Had the Group continued to apply the corridor method during 2013, this would not have resulted in the immediate recognition of remeasurements of CHF 217 million and the related deferred tax impact of CHF –48 million in other comprehensive earnings. Instead, the remeasurements would have been deferred and subsequently amortized to profit or loss. This accounting policy change has been applied retrospectively, and its effect on the comparative information (restated amounts) presented for each financial statement line item is set out in the tables below.

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

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

Improvements to IFRSs relate largely to clarification issues only. Therefore, the adoption of these amendments has not materially impacted the Group's financial statements.

Changes to consolidated statement of income of Group Holcim

Million CHF	2012 Reported	Impact from changes in accounting policies[1] *IFRS 11 and IAS19R*	2012 Restated
Net sales	**21,544**	**(385)**	**21,160**
Production cost of goods sold	(12,752)	223	(12,529)
Gross profit	**8,793**	**(162)**	**8,631**
Distribution and selling expenses	(5,501)	83	(5,418)
Administration expenses	(1,475)	11	(1,464)
Operating profit	**1,816**	**(67)**	**1,749**
Other income	207	1	208
Share of profit of associates and joint ventures	115	32	147
Financial income	233	(1)	232
Financial expenses	(786)	4	(782)
Net income before taxes	**1,585**	**(32)**	**1,552**
Income taxes	(558)	8	(550)
Net income	**1,026**	**(24)**	**1,002**
Attributable to:			
Shareholders of Holcim Ltd	622	(11)	610
Non-controlling interest	404	(13)	392
Earnings per share in CHF			
Earnings per share	1.92	(0.03)	1.89
Fully diluted earnings per share	1.92	(0.03)	1.89

[1] Of which the impact due to changes in IAS 19 Employee Benefits: Production cost of goods sold CHF –4 million; Distribution and selling expenses CHF –3 million; Administration expenses CHF –1 million; Income taxes CHF –3 million; Net income attributable to shareholders of Holcim Ltd CHF –11 million; Net income attributable to non-controlling interest CHF 1 million; Earnings per share CHF –0.03; Fully diluted earnings per share CHF –0.03.

Changes to consolidated statement of comprehensive earnings of Group Holcim

Million CHF	2012 Reported	Impact from changes in accounting policies[1] *IFRS 11 and IAS19R*	2012 Restated
Net income	**1,026**	**(24)**	**1,002**
Other comprehensive earnings			
Items that will be reclassified to the statement of income in future periods			
Currency translation effects			
– Exchange differences on translation	(533)	3	(530)
– Realized through statement of income	3		3
– Tax effect	17	0	17
Available-for-sale financial assets			
– Change in fair value	2	0	2
– Realized through statement of income	(63)		(63)
Cash flow hedges			
– Change in fair value	(15)	0	(15)
– Realized through statement of income	3	0	3
Net investment hedges in subsidiaries			
– Change in fair value	(1)	0	(1)
– Tax effect			
Subtotal	**(586)**	**3**	**(584)**
Items that will not be reclassified to the statement of income in future periods			
Defined benefit plans			
– Remeasurements and effect of asset ceiling	0	(83)	(83)
– Tax effect	0	29	29
Subtotal	**0**	**(54)**	**(54)**
Total other comprehensive earnings	**(586)**	**(52)**	**(637)**
Total comprehensive earnings	**441**	**(76)**	**365**
Attributable to:			
Shareholders of Holcim Ltd	152	(56)	96
Non-controlling interest	289	(19)	270

[1] Of which the impact due to changes in IFRS 11 Joint Arrangements: Net Income CHF –13 million; Total comprehensive earnings attributable to non-controlling interest CHF –13 million.

Changes to consolidated statement of financial position of Group Holcim as of December 31, 2012

Million CHF	31.12.2012 Reported	Impact from changes in accounting policies *Joint Ventures (IFRS 11)*	*Employee Benefits (IAS 19R)*	31.12.2012 Restated
Cash and cash equivalents	3,145	(26)	0	3,119
Accounts receivable	2,717	(36)	0	2,682
Inventories	2,042	(24)	0	2,018
Prepaid expenses and other current assets	404	(2)	0	401
Assets classified as held for sale	56	0	0	56
Total current assets	**8,363**	**(88)**	**0**	**8,275**
Long-term financial assets	557	(6)	0	551
Investments in associates and joint ventures	1,289	251	0	1,539
Property, plant and equipment	22,026	(235)	0	21,791
Intangible assets	8,258	(128)	0	8,131
Deferred tax assets	417	(8)	68	478
Other long-term assets	521	0	(88)	433
Total long-term assets	**33,068**	**(125)**	**(19)**	**32,922**
Total assets	**41,431**	**(214)**	**(19)**	**41,198**
Trade accounts payable	2,179[1]	(34)	0	2,146
Current financial liabilities	3,599	(53)	0	3,546
Current income tax liabilities	443	(1)	0	442
Other current liabilities	1,879	(11)	0	1,868
Short-term provisions	299	(1)	0	298
Total current liabilities	**8,399**	**(100)**	**0**	**8,299**
Long-term financial liabilities	9,908	(9)	0	9,899
Defined benefit obligations	305	(15)	612	902
Deferred tax liabilities	1,820	(11)	(107)	1,702
Long-term provisions	1,162	0	0	1,161
Total long-term liabilities	**13,195**	**(35)**	**504**	**13,665**
Total liabilities	**21,594**	**(135)**	**504**	**21,964**
Share capital	654	0	0	654
Capital surplus	8,573	0	0	8,573
Treasury shares	(114)	0	0	(114)
Reserves	7,836	0	(512)	7,324
Total equity attributable to shareholders of Holcim Ltd	**16,949**	**0**	**(512)**	**16,437**
Non-controlling interest	2,889	(79)	(12)	2,797
Total shareholders' equity	**19,837**	**(79)**	**(524)**	**19,234**
Total liabilities and shareholders' equity	**41,431**	**(214)**	**(19)**	**41,198**

[1] Advance payments to the amount of CHF 137 million have been reclassified to other current liabilities, as this results in more appropriate disclosure.

Changes to consolidated statement of financial position of Group Holcim as of January 1, 2012

Million CHF	1.1.2012 Reported	Impact from changes in accounting policies *Joint Ventures (IFRS 11)*	*Employee Benefits (IAS 19R)*	1.1.2012 Restated
Cash and cash equivalents	2,946	(28)	0	2,918
Accounts receivable	2,719	(32)	0	2,687
Inventories	2,086	(34)	0	2,052
Prepaid expenses and other current assets	386	(2)	0	384
Assets classified as held for sale	16	0	0	16
Total current assets	**8,154**	**(96)**	**0**	**8,058**
Long-term financial assets	561	(3)	0	559
Investments in associates and joint ventures	1,425	322[1]	0	1,747
Property, plant and equipment	22,933	(290)	0	22,643
Intangible assets	8,453	(154)	0	8,299
Deferred tax assets	490	(8)	54	536
Other long-term assets	539	(1)	(41)	497
Total long-term assets	**34,400**	**(133)**	**13**	**34,280**
Total assets	**42,554**	**(229)**	**13**	**42,338**
Trade accounts payable	2,396[2]	(36)	0	2,360
Current financial liabilities	2,820	(4)	0	2,816
Current income tax liabilities	418	(8)	0	410
Other current liabilities	1,818	(11)	0	1,807
Short-term provisions	242	(1)	0	241
Total current liabilities	**7,695**	**(60)**	**0**	**7,635**
Long-term financial liabilities	11,675	(64)	0	11,611
Defined benefit obligations	285	0	566	851
Deferred tax liabilities	2,061	(15)	(92)	1,954
Long-term provisions	1,181	(14)	0	1,167
Total long-term liabilities	**15,202**	**(93)**	**474**	**15,583**
Total liabilities	**22,897**	**(152)**	**474**	**23,219**
Share capital	654	0	0	654
Capital surplus	8,894	0	0	8,894
Treasury shares	(486)	0	0	(486)
Reserves	7,768	0	(453)	7,315
Total equity attributable to shareholders of Holcim Ltd	**16,830**	**0**	**(453)**	**16,377**
Non-controlling interest	2,827	(77)	(8)	2,742
Total shareholders' equity	**19,656**	**(77)**	**(461)**	**19,118**
Total liabilities and shareholders' equity	**42,554**	**(229)**	**13**	**42,338**

[1] The investments in joint ventures amount to CHF 344 million. For the breakdown of assets and liabilities of joint ventures that have been aggregated into a single line investment balance as of January 1, 2012, see note 24.

[2] Advance payments to the amount of CHF 151 million have been reclassified to other current liabilities, as this results in more appropriate disclosure.

Changes to consolidated statement of cash flows of Group Holcim

Million CHF	2012 Reported	Impact from changes in accounting policies[1] *IFRS 11 and IAS19R*	2012 Restated
Net income before taxes	**1,585**	**(32)**	**1,552**
Other income	(207)	(1)	(208)
Share of profit of associates and joint ventures	(115)	(32)	(147)
Financial expenses net	553	(3)	551
Operating profit	**1,816**	**(67)**	**1,749**
Depreciation, amortization and impairment of operating assets	2,168	(28)	2,140
Other non-cash items	425	5	429
Change in net working capital	(554)	2	(552)
Cash generated from operations	**3,855**	**(89)**	**3,766**
Dividends received	69	29	98
Interest received	160	(1)	159
Interest paid	(711)	3	(707)
Income taxes paid	(663)	16	(646)
Other expenses	(29)	2	(27)
Cash flow from operating activities (A)	**2,682**	**(39)**	**2,643**
Purchase of property, plant and equipment	(1,740)	29	(1,711)
Disposal of property, plant and equipment	120	(2)	118
Acquisition of participation in Group companies	(2)	0	(1)
Disposal of participation in Group companies	239	(230)	8
Purchase of financial assets, intangible and other assets	(186)	5	(182)
Disposal of financial assets, intangible and other assets	334	237	571
Cash flow from investing activities (B)	**(1,235)**	**38**	**(1,197)**
Payout on ordinary shares	(325)	0	(325)
Dividends paid to non-controlling interest	(219)	12	(207)
Capital paid-in by non-controlling interest	16	0	16
Movement of treasury shares	293	0	293
Proceeds from current financial liabilities	7,314	(15)	7,299
Repayment of current financial liabilities	(7,183)	13	(7,170)
Proceeds from long-term financial liabilities	5,209	(7)	5,202
Repayment of long-term financial liabilities	(6,169)	1	(6,168)
Increase in participation in existing Group companies	(66)	0	(66)
Decrease in participation in existing Group companies	0	0	0
Cash flow from financing activities (C)	**(1,130)**	**3**	**(1,127)**
Increase in cash and cash equivalents (A + B + C)	**317**	**2**	**320**
Cash and cash equivalents as at January 1 (net)	**2,497**	**(28)**	**2,468**
Increase in cash and cash equivalents	317	2	320
Currency translation effects	(78)	0	(78)
Cash and cash equivalents as at December 31 (net)	**2,737**	**(26)**	**2,711**

[1] Of which the impact due to changes in IAS 19 Employee Benefits: Net income before taxes CHF –8 million; Other non-cash items CHF 8 million.

Changes to consolidated statement of changes in equity of Group Holcim as of December 31, 2012

Million CHF	Reported	Impact from changes in accounting policies: *Joint Ventures (IFRS 11)*	Impact from changes in accounting policies: *Employee Benefits (IAS 19R)*	Restated
Total equity attributable to shareholders of Holcim Ltd as at January 1, 2012	16,830	0	(453)[1]	16,377
Net income	622	0	(11)	610
Other comprehensive earnings	(470)	0	(45)	(515)
Total comprehensive earnings	152	0	(56)	96
Change in participation in existing Group companies	(18)	1	(2)	(20)
Total equity attributable to shareholders of Holcim Ltd as at December 31, 2012	16,949	0	(512)	16,437
Non-controlling interest as at January 1, 2012	2,827	(78)	(8)	2,742
Net income	404	(13)	1	392
Other comprehensive earnings	(115)	0	(6)	(122)
Total comprehensive earnings	289	(13)	(6)	270
Payout	(218)	12	0	(206)
Change in participation in existing Group companies	(26)	0	1	(24)
Non-controlling interest as at December 31, 2012	2,889	(79)	(12)	2,797

[1] Retained earnings.

2 Changes in the scope of consolidation

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 AUD 151 million (CHF 136 million) based on net book values (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.

During 2013 and 2012, there were no business combinations that were either individually material or that were considered material on an aggregated basis.

An overview of the subsidiaries, joint ventures and associated companies is included in the section "Principal companies of the Holcim Group" on pages 243 to 245.

3 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	
		2013	2012	31.12.2013	31.12.2012
1 Euro	EUR	1.23	1.21	1.23	1.21
1 US Dollar	USD	0.93	0.94	0.89	0.92
1 British Pound	GBP	1.45	1.48	1.47	1.48
1 Australian Dollar	AUD	0.90	0.97	0.79	0.95
100 Brazilian Real	BRL	43.13	48.06	37.67	44.76
1 Canadian Dollar	CAD	0.90	0.94	0.84	0.92
1,000 Indonesian Rupiah	IDR	0.09	0.10	0.07	0.09
100 Indian Rupee	INR	1.59	1.75	1.44	1.67
100 Moroccan Dirham	MAD	11.02	10.86	10.90	10.82
100 Mexican Peso	MXN	7.27	7.11	6.81	7.05

4 Information by reportable segment

	Asia Pacific		Latin America		Europe	
	2013	2012[1]	2013	2012[1]	2013	2012[1]
Capacity and sales						
Million t						
Annual cement production capacity	90.3	91.9	35.3	35.5	47.7	49.2
Sales of cement	70.3	72.9	25.0	24.9	26.7	26.3
– of which mature markets	3.0	4.7			15.0	15.2
– of which emerging markets	67.3	68.2	25.0	24.9	11.7	11.1
Sales of mineral components	0.7	1.1			2.1	2.3
Sales of aggregates	25.2	26.3	10.2	14.0	74.1	74.3
– of which mature markets	22.8	23.9			65.3	64.8
– of which emerging markets	2.4	2.4	10.2	14.0	8.8	9.5
Sales of asphalt					4.9	4.6
Million m^3						
Sales of ready-mix concrete	10.9	11.2	8.0	10.2	12.3	14.7
– of which mature markets	4.8	5.2			10.6	12.9
– of which emerging markets	6.1	6.0	8.0	10.2	1.7	1.8
Statement of income, statement of financial position and statement of cash flows						
Million CHF						
Net sales to external customers	7,210	8,288	3,198	3,328	5,282	5,320
Net sales to other segments	72	54	150	162	329	489
Total net sales	7,282	8,343	3,349	3,490	5,611	5,809
– of which mature markets	2,043	2,613			4,423	4,643
– of which emerging markets	5,240	5,729	3,349	3,490	1,188	1,166
Operating EBITDA	1,473	1,789	938	960	946	615
Operating EBITDA margin in %	20.2	21.4	28.0	27.5	16.9	10.6
Depreciation, amortization and impairment of operating assets	(442)	(516)	(216)	(251)	(510)	(987)
Operating profit (loss)	1,030	1,273	722	709	436	(372)
– of which mature markets	176	235			295	(462)
– of which emerging markets	854	1,038	722	709	141	90
Operating profit (loss) margin in %	14.1	15.3	21.6	20.3	7.8	(6.4)
Depreciation, amortization and impairment of non-operating assets	(6)	(1)	0	0	(1)	(1)
Other (expenses) income	(85)	(53)	(143)	(145)	(138)	(35)
Share of profit of associates and joint ventures	8	3	0	(2)	5	23
Other financial income	7	18	3	8	8	18
EBITDA	1,408	1,758	798	821	822	623
Investments in associates and joint ventures	65	51	1	8	263	240
Net operating assets	6,540	8,249	3,331	3,647	8,112	8,259
Total assets	11,111	13,143	5,083	5,080	13,479	13,843
Total liabilities	3,026	3,790	3,208	2,960	6,511	6,851
Cash flow from operating activities	1,179	1,385	478	517	502	421
Cash flow margin in %	16.2	16.6	14.3	14.8	8.9	7.3
Acquisition cost segment assets[2]	924	721	636	312	470	501
Cash flow from investing activities[3]	(790)	(575)	(605)	(311)	(403)	(468)
Impairment loss[4]	(17)	(5)	(7)	(35)	(16)	(444)
Personnel						
Number of personnel	34,080	36,523	11,181	11,765	15,868	17,924

[1] Restated due to changes in accounting policies, see note 1.
[2] Property, plant and equipment and intangible assets.
[3] Net investments in property, plant and equipment, Group companies, financial assets, intangible and other assets.

	North America		Africa Middle East		Corporate/Eliminations		Total Group	
	2013	2012[1]	2013	2012[1]	2013	2012[1]	2013	2012[1]
	22.0	22.0	11.0	10.7			206.2	209.3
	11.7	12.0	7.9	8.4	(2.6)	(2.1)	138.9	142.3
	11.7	12.0			(1.2)	(1.0)	28.4	30.9
			7.9	8.4	(1.4)	(1.1)	110.4	111.4
	1.3	1.4					4.1	4.8
	42.8	41.3	2.2	2.3			154.5	158.2
	42.8	41.3					130.9	130.0
			2.2	2.3			23.5	28.2
	4.1	4.5					8.9	9.1
	7.5	8.1	0.8	1.1			39.5	45.3
	7.5	8.1					22.9	26.3
			0.8	1.1			16.5	19.0
	3,171	3,276	857	947			19,719	21,160
			27		(578)	(705)		
	3,171	3,276	884	947	(578)	(705)	19,719	21,160
	3,171	3,276			(276)	(335)	9,360	10,198
			884	947	(302)	(370)	10,358	10,962
	494	480	283	279	(238)	(234)	3,896	3,889
	15.6	14.6	32.0	29.5			19.8	18.4
	(295)	(316)	(67)	(59)	(8)	(11)	(1,538)	(2,140)
	199	164	216	220	(247)	(245)	2,357	1,749
	199	164			(120)	(119)	549	(183)
			216	220	(126)	(126)	1,808	1,932
	6.3	5.0	24.5	23.2			12.0	8.3
	(1)	(5)			0	(3)	(8)	(10)
	(66)	(29)	7	(18)	629	487	204	208
			0	0	149	123	161	147
	3	1	0	0	43	54	63	100
	431	457	290	261	583	433	4,332	4,352
			2	2	1,231	1,238	1,562	1,539
	5,940	6,274	783	785	7	(128)	24,712	27,087
	6,947	7,527	1,339	1,434	(14)	171	37,944	41,198
	3,851	4,380	610	720	2,061[5]	3,262[5]	19,267	21,964
	249	118	183	158	197	44	2,787	2,643
	7.8	3.6	20.7	16.7			14.1	12.5
	140	111	46	81	11	8	2,227	1,734
	(98)	(112)	(6)	(82)	237	350	(1,665)	(1,197)
	(3)	(10)	(10)		(16)	(2)	(69)	(495)
	6,791	7,136	2,128	2,153	809	858	70,857	76,359

[4] Included in depreciation, amortization and impairment of operating and non-operating assets respectively.
[5] The amount of CHF 2,061 million (2012: 3,262) consists of borrowings by Corporate from third parties amounting to CHF 11,493 million (2012: 12,651) and eliminations for cash transferred to regions of CHF 9,433 million (2012: 9,389).

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

Million CHF	Notes	2013	2012[1]
Operating profit		**2,357**	**1,749**
Depreciation, amortization and impairment of operating assets	10	1,538	2,140
Operating EBITDA		**3,896**	**3,889**
Dividends earned	12	4	1
Other ordinary income	12	208	217
Share of profit of associates and joint ventures	24	161	147
Other financial income	13	63	100
EBITDA		**4,332**	**4,352**
Depreciation, amortization and impairment of operating assets	10	(1,538)	(2,140)
Depreciation, amortization and impairment of non-operating assets	12	(8)	(10)
Interest earned on cash and marketable securities	13	120	132
Financial expenses	14	(777)	(782)
Net income before taxes		**2,128**	**1,552**

[1] Restated due to changes in accounting policies, see note 1.

5 Information by product line

	Cement[1]	
Million CHF	2013	2012[2]
Statement of income, statement of financial position and statement of cash flows		
Net sales to external customers	11,884	12,620
Net sales to other segments	1,055	1,267
Total net sales	12,939	13,887
– of which Asia Pacific	5,497	6,361
– of which Latin America	2,747	2,787
– of which Europe	2,618	2,633
– of which North America	1,369	1,383
– of which Africa Middle East	807	849
– of which Corporate/Eliminations	(99)	(125)
Operating profit (loss)	2,236	2,012
– of which Asia Pacific	915	1,176
– of which Latin America	697	710
– of which Europe	414	(47)
– of which North America	171	160
– of which Africa Middle East	221	220
– of which Corporate/Eliminations	(182)	(206)
Operating profit (loss) margin in %	17.3	14.5
Net operating assets	16,641	18,247
Acquisition cost segment assets[3]	1,756	1,271
Cash flow from investing activities[4]	(1,708)	(1,138)
Personnel		
Number of personnel	47,179	50,293

[1] Cement, clinker and other cementitious materials.
[2] Restated due to changes in accounting policies, see note 1.
[3] Property, plant and equipment and intangible assets.
[4] 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	
	2013	2012[2]	2013	2012[2]	2013	2012[2]	2013	2012[2]
	1,585	1,616	6,249	6,924			19,719	21,160
	842	925	562	721	(2,460)	(2,913)		
	2,428	2,541	6,812	7,645	(2,460)	(2,913)	19,719	21,160
	647	747	1,641	1,902	(503)	(668)	7,282	8,343
	85	109	822	963	(305)	(369)	3,349	3,490
	1,189	1,167	2,545	2,810	(742)	(801)	5,611	5,809
	478	475	1,694	1,798	(369)	(379)	3,171	3,276
	26	27	84	111	(33)	(39)	884	947
	2	15	26	61	(507)	(656)	(578)	(705)
	188	(18)	(67)	(245)			2,357	1,749
	95	90	21	7			1,030	1,273
	11	12	14	(13)			722	709
	83	(105)	(61)	(219)			436	(372)
	34	16	(6)	(12)			199	164
	1	2	(6)	(2)			216	220
	(36)	(33)	(29)	(5)			(247)	(245)
	7.8	(0.7)	(1.0)	(3.2)			12.0	8.3
	4,848	5,272	3,222	3,568			24,712	27,087
	227	231	240	220	3	12	2,227	1,734
	(157)	(200)	(113)	(190)	313	331	(1,665)	(1,197)
	5,812	6,379	17,376	19,421	490	266	70,857	76,359

6 Information by country

	Net sales to external customers		Non-current assets	
Million CHF	2013	2012[1]	2013	2012[1]
Switzerland	697	702	980	988
India	3,187	3,656	3,762	4,264
USA	1,923	1,959	5,155	5,489
Australia	1,890	2,447	1,767	2,501
United Kingdom	1,720	1,739	2,283	2,472
Remaining countries	10,302	10,657	13,568	14,209
Total Group	**19,719**	**21,160**	**27,515**	**29,922**

[1] Restated due to changes in accounting policies, see note 1.

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.

7 Change in net sales

Million CHF	2013	2012[1]
Volume and price	49	791
Change in structure	(692)	(18)
Currency translation effects	(798)	(44)
Total	**(1,441)**	**729**

[1] Restated due to changes in accounting policies, see note 1.

8 Production cost of goods sold

Million CHF	2013	2012[1]
Material expenses	(3,291)	(3,558)
Fuel expenses	(1,198)	(1,425)
Electricity expenses	(899)	(951)
Personnel expenses	(1,635)	(1,789)
Depreciation, amortization and impairment	(1,279)	(1,805)
Other production expenses	(2,692)	(3,104)
Change in inventory	(93)	103
Total	**(11,087)**	**(12,529)**

[1] Restated due to changes in accounting policies, see note 1.

9 Distribution and selling expenses

Million CHF	2013	2012[1]
Distribution expenses	(4,406)	(4,771)
Selling expenses	(614)	(647)
Total	**(5,021)**	**(5,418)**

[1] Restated due to changes in accounting policies, see note 1.

10 Summary of depreciation, amortization and impairment

Million CHF	2013	2012[1]
Production facilities	(1,279)	(1,805)
Distribution and sales facilities	(185)	(246)
Administration facilities	(75)	(89)
Total depreciation, amortization and impairment of operating assets (A)	**(1,538)**	**(2,140)**
Impairment of long-term financial assets	(19)	0
Impairment of investments in associates and joint ventures	(2)	(2)
Ordinary depreciation of non-operating assets	(3)	(3)
Unusual write-offs	(3)	(5)
Total depreciation, amortization and impairment of non-operating assets (B)	**(27)**	**(10)**
Total depreciation, amortization and impairment (A + B)	**(1,565)**	**(2,150)**
Of which depreciation of property, plant and equipment	(1,420)	(1,574)

[1] Restated due to changes in accounting policies, see note 1.

11 Change in operating profit

Million CHF	2013	2012[1]
Volume, price and cost	764	(105)
Change in structure	(43)	(17)
Currency translation effects	(112)	(5)
Total	**608**	**(127)**

[1] Restated due to changes in accounting policies, see note 1.

12 Other income

Million CHF	2013	2012[1]
Dividends earned	4	1
Other ordinary income	208	217
Depreciation, amortization and impairment of non-operating assets	(8)	(10)
Total	**204**	**208**

[1] Restated due to changes in accounting policies, see note 1.

The position "Other ordinary income" includes a net gain on the disposal of 25 percent equity interest in Cement Australia of AUD 151 million (CHF 136 million). Additional information is disclosed in note 2.

The remaining amount of the position "Other ordinary income" relates primarily to gains on disposal of property, plant and equipment.

In December 2012, Holcim reduced its shareholding in Siam City Cement Public Company Limited from 36.8 percent to 27.5 percent, while still maintaining joint control over the company. The pre-tax gain on the sale amounted to CHF 153 million and is included in "Other ordinary income". Total cash proceeds received amounted to CHF 237 million, which is included in "Disposal of financial assets, intangible and other assets" in the consolidated statement of cash flows.

13 Financial income

Million CHF	2013	2012[1]
Interest earned on cash and marketable securities	120	132
Other financial income	63	100
Total	**183**	**232**

[1] Restated due to changes in accounting policies, see note 1.

In 2013 the position "Other financial income" includes the partial realization of the change in fair value of the compensation related to the nationalization of Holcim Venezuela in the amount of USD 61 million (CHF 57 million), respectively USD 61 million (CHF 58 million) in 2012. Additional information is disclosed in note 27.

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

14 Financial expenses

Million CHF	2013	2012[1]
Interest expenses	(616)	(649)
Amortization on bonds and private placements	(13)	(12)
Unwinding of discount on provisions	(19)	(31)
Other financial expenses	(68)	(95)
Foreign exchange loss net	(98)	(24)
Financial expenses capitalized	38	29
Total	**(777)**	**(782)**

[1] Restated due to changes in accounting policies, see note 1.

The weighted average nominal interest rate of financial liabilities at December 31, 2013, was 4.6 percent (2012: 4.5).

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 179.

15 Income taxes

Million CHF	2013	2012[1]
Current taxes	(798)	(683)
Deferred taxes	266	133
Total	**(533)**	**(550)**

[1] Restated due to changes in accounting policies, see note 1.

Current taxes include an expense of CHF 148 million (2012: –19) in respect of prior years, which largely relates to Holcim Mexico as a result of changes in tax rules.

Deferred tax by type

Million CHF	2013	2012[1]
Property, plant and equipment	24	(37)
Intangible and other long-term assets	(30)	10
Provisions	5	46
Tax losses carryforward	301	77
Other	(33)	37
Total	**266**	**133**

Reconciliation of tax rate

	2013	2012[1]
Group's expected tax rate	**30%**	**31%**
Effect of non-deductible items	2%	5%
Effect of non-taxable items and income taxed at different tax rates	(4%)	(7%)
Effect on deferred tax balance due to changed tax rate	0%	(1%)
Net change of unrecognized tax losses carryforward	(6%)	10%
Prior year taxes	7%	(1%)
Other items	(3%)	(1%)
Group's effective tax rate	**25%**	**35%**

[1] Restated due to changes in accounting policies, see note 1.

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

As noted above, 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.

16 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 (2012: 61) were charged directly to the consolidated statement of income. No significant costs were incurred for licenses obtained from third parties, nor was any major revenue generated from licenses granted.

17 Earnings per share

	2013	2012[1]
Earnings per share in CHF	**3.91**	**1.89**
Net income – shareholders of Holcim Ltd – as per statement of income (in million CHF)	1,272	610
Weighted average number of shares outstanding	325,492,506	323,849,497
Fully diluted earnings per share in CHF	**3.91**	**1.89**
Net income used to determine diluted earnings per share (in million CHF)	1,272	610
Weighted average number of shares outstanding	325,492,506	323,849,497
Adjustment for assumed exercise of share options	141,343	103,043
Weighted average number of shares for diluted earnings per share	325,633,849	323,952,540

[1] Restated due to changes in accounting policies, see note 1.

In conformity with the decision taken at the annual general meeting on April 17, 2013, a cash payment out of the capital contribution reserves related to 2012 of CHF 1.15 per registered share has been paid. This resulted in a total payout of CHF 374 million.

A cash payment out of the capital contribution reserves in respect of the financial year 2013 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 29, 2014. These consolidated financial statements do not reflect this cash payment, since it will be effective in 2014 only.

18 Cash and cash equivalents

Million CHF	2013	2012[1]
Cash at banks and on hand	615	879
Short-term deposits	1,629	2,240
Total	**2,244**	**3,119**
Bank overdrafts	(251)	(408)
Cash and cash equivalents for the purpose of the consolidated statement of cash flows	**1,993**	**2,711**

[1] Restated due to changes in accounting policies, see note 1.

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.

19 Accounts receivable

Million CHF	2013	2012[1]
Trade accounts receivable – associates and joint ventures	91	78
Trade accounts receivable – third parties	2,031	2,283
Other receivables – associates and joint ventures	50	10
Other receivables – third parties	343	306
Derivative assets	6	5
Total	**2,521**	**2,682**
Of which pledged/restricted	42	9

Overdue accounts receivable

Million CHF	2013	2012[1]
Not overdue	2,064	2,104
Overdue 1 to 89 days	316	412
Overdue 90 to 180 days	83	122
Overdue more than 180 days	221	215
./. Allowances for doubtful accounts	(163)	(171)
Total	**2,521**	**2,682**

[1] Restated due to changes in accounting policies, see note 1.

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	2013	2012[1]
January 1	**(171)**	**(160)**
Change in structure	0	(2)
Allowance recognized	(25)	(33)
Amounts used	5	9
Unused amounts reversed	1	0
Currency translation effects	27	14
December 31	**(163)**	**(171)**

[1] Restated due to changes in accounting policies, see note 1.

20 Inventories

Million CHF	2013	2012[1]
Raw materials and additives	245	277
Semifinished and finished products	845	1,019
Fuels	229	262
Parts and supplies	354	431
Unbilled services	30	30
Total	**1,704**	**2,018**

[1] Restated due to changes in accounting policies, see note 1.

In 2013, the Group recognized inventory write-downs to net realizable value of CHF 3 million (2012: 13).

21 Prepaid expenses and other current assets

This position includes a discounted installment of USD 96 million (CHF 86 million), relating to a compensation receivable from the Bolivarian Republic of Venezuela. In 2012, this amounted to USD 96 million (CHF 88 million). Additional information is disclosed in note 27.

22 Assets and related liabilities classified as held for sale

Million CHF	2013	2012
Cash and cash equivalents	0	0
Other current assets	88	0
Property, plant and equipment	464	48
Intangible assets	64	0
Other long-term assets	141	8
Assets classified as held for sale	**756**	**56**
Short-term liabilities	115	0
Long-term provisions	92	0
Other long-term liabilities	6	0
Liabilities directly associated with assets classified as held for sale	**213**	**0**
Net assets classified as held for sale	**543**	**56**

In third quarter 2013, Holcim signed a Memorandum of Understanding with Cemex as detailed below.

In Spain, Holcim and Cemex will combine their operations in cement, ready-mix and aggregates where Holcim will hold a shareholding of 25 percent of the combined entity. This combination will enable the Group to add value to its Spanish business and to benefit from synergies in the supply chain.

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.

This will allow the Group to better connect its operations in Northern Germany and also in France Benelux and is expected to yield synergies in the supply chain. As consideration for the above, Cemex will buy Holcim (Česko) a.s. which is involved in the cement, aggregates and ready-mix businesses.

Closure of the transaction is subject to due diligence and to regulatory approval. At this moment, Holcim anticipates that the competition authorities' decision will be communicated during the course of 2014.

The assets and liabilities of the operations in Spain and Czech Republic were classified as held for sale in the third quarter 2013.

23 Long-term financial assets

Million CHF	2013	2012[1]
Financial investments – third parties	126	157
Long-term receivables – associates and joint ventures	198	197
Long-term receivables – third parties	116	91
Derivative assets	96	106
Total	**536**	**551**
Of which pledged/restricted	6	6

[1] Restated due to changes in accounting policies, see note 1.

Long-term receivables and derivative assets are primarily denominated in USD and CHF. The repayment dates vary between one and 26 years.

24 Investments in associates and joint ventures

Million CHF	2013	2012[1]
Investments in associates	1,232	1,269
Investments in joint ventures	330	270
Total	**1,562**	**1,539**

Movement in investments in associates

Million CHF	2013	2012[1]
January 1	**1,269**	**1,402**
Share of profit of associates	117	110
Dividends earned	(98)	(65)
Net disposals	(7)	(135)
Reclassifications	(29)	(2)
Impairments	(2)	(2)
Currency translation effects	(18)	(39)
December 31	**1,232**	**1,269**

Investments in associates

Million CHF	30.9.2013	31.12.2012[1]
Huaxin Cement	689	643
Other associates	509	626
Total	**1,198**	**1,269**

[1] Restated due to changes in accounting policies, see note 1.

The disclosed amounts for the investments in associates are as of September 30, 2013 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 2013.

Huaxin Cement
Huaxin Cement is Holcim's strategic partner in China. As of December 31, 2013, the Group holds 41.9% (2012: 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, 2013 amounted to CHF 1,521 million (2012: 1,830).

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, 2013 and as at December 31, 2012. As of September 30, 2013, dividends of CHF 11 million (December 31, 2012: 9) were received from Huaxin Cement.

Huaxin Cement – Statement of financial position

Million CHF	30.9.2013	31.12.2012
Current assets	886	884
Long-term assets	2,891	2,577
Total assets	**3,777**	**3,461**
Current liabilities	1,290	1,195
Long-term liabilities	1,033	964
Total liabilities	**2,323**	**2,159**
Net assets	**1,454**	**1,302**
Shareholders' equity (excluding non-controlling interests)	**1,293**	**1,189**

Huaxin Cement – Statement of comprehensive earnings

Million CHF	Jan–Sept 2013	Jan–Dec 2012
Net sales	**1,613**	**1,869**
Net income	**133**	**109**
Other comprehensive earnings	(1)	0
Total comprehensive earnings	**132**	**109**

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

Huaxin Cement

Million CHF	30.9.2013	31.12.2012
Group share of 41.9% (2012: 41.9%) of net assets excluding non-controlling interests	542	498
Goodwill	148	145
Total	**689**	**643**

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	30.9.2013	31.12.2012
Carrying amount of investments in other associates	**509**	**626**
Net income	14	64
Other comprehensive earnings	0	0
Total comprehensive earnings	**14**	**64**

The unrecognized share of losses of associates amounts to zero (2012: 0). The accumulated unrecognized share of losses of those associates amounts to zero (2012: 1).

Movement in investments in joint ventures

Million CHF	2013	2012
January 1	**270**	**344**
Share of profit of joint ventures	43	37
Dividends earned	(30)	(32)
Net additions (disposals)	2	(80)
Reclassifications	75	0
Impairments	0	0
Currency translation effects	(29)	2
December 31	**330**	**270**

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	2013	2012
Carrying amount of investments in joint ventures	**330**	**270**
Net income	43	37
Other comprehensive earnings	0	0
Total comprehensive earnings	**43**	**37**

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

The following table presents a breakdown of assets and liabilities of joint ventures that have been aggregated into a single line investment balance as of January 1, 2012:

Statement of financial position

Million CHF	01.01.2012
Current assets	99
Long-term assets	479
Total assets	**578**
Current liabilities	63
Long-term liabilities	93
Total liabilities	**156**
Aggregated into the line investments in associates and joint ventures[1]	**344**

[1] Excluding non-controlling interest of CHF 77 million.

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 Holcim Australia 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.

25 Property, plant and equipment

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 of 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
2012[1]						
Net book value as at January 1	**5,059**	**5,251**	**8,897**	**1,261**	**2,174**	**22,643**
Change in structure	0	0	(7)	(2)	(1)	(10)
Additions	30	17	53	41	1,605	1,745
Disposals	(28)	(16)	(15)	(23)	(1)	(83)
Reclassifications	83	710	950	131	(1,906)	(32)
Depreciation	(128)	(329)	(863)	(253)	0	(1,574)
Impairment loss (charged to statement of income)	(116)	(143)	(181)	(7)	(11)	(459)
Currency translation effects	(65)	(114)	(198)	(16)	(46)	(438)
Net book value as at December 31	**4,834**	**5,377**	**8,635**	**1,131**	**1,815**	**21,791**
At cost of acquisition	6,139	9,811	18,720	3,410	1,902	39,982
Accumulated depreciation/impairment	(1,305)	(4,435)	(10,086)	(2,278)	(87)	(18,190)
Net book value as at December 31	**4,834**	**5,377**	**8,635**	**1,131**	**1,815**	**21,791**
Net asset value of leased property, plant and equipment	0	47	17	65	0	130
Of which pledged/restricted						39

[1] Restated due to changes in accounting policies, see note 1.

At December 31, 2013, the fire insurance value of property, plant and equipment amounted to CHF 30,942 million (2012: 34,668). Net gains on sale of property, plant and equipment amounted to CHF 90 million (2012: 36).

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

In 2012, the impairment loss related mainly to Group region Europe (CHF 424 million of which CHF 397 million was recognized in the fourth quarter). The main countries affected were Spain and Italy (CHF 192 million and CHF 117 million, respectively, largely due to asset footprint adjustments in cement and aggregates) and certain countries in Eastern Europe (CHF 44 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 69 million (2012: 75). The fair value of this investment property amounted to CHF 69 million (2012: 76). Rental income related to investment property amounted to CHF 2 million (2012: 3).

26 Intangible assets

Million CHF	Goodwill	Other intangible assets	Total
2013			
Net book value as at January 1	**7,386**	**745**	**8,131**
Change in structure	(44)	(13)	(57)
Reclassification of 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**

2012[1]			
Net book value as at January 1	**7,534**	**764**	**8,299**
Change in structure	1	0	1
Additions	0	60	60
Disposals	0	0	0
Amortization	0	(81)	(81)
Impairment loss (charged to statement of income)	(13)	(17)	(29)
Currency translation effects	(137)	18	(118)
Net book value as at December 31	**7,386**	**745**	**8,131**
At cost of acquisition	7,628	1,607	9,234
Accumulated amortization/impairment	(241)	(861)	(1,102)
Net book value as at December 31	**7,386**	**745**	**8,131**

[1] Restated due to changes in accounting policies, see note 1.

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 its 2013 impairment testing, the Group has in certain instances relied on its 2012 recoverable amounts estimates wherever these exceeded the cash generating unit asset carrying amounts by a substantial margin (see below).

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.

In 2013, as permitted by IAS 36, the detailed calculations performed in 2012 of recoverable amounts of certain cash generating units to which goodwill had been allocated were used for the 2013 impairment test, as the criteria of IAS 36 were considered as being satisfied: the headroom was substantial in 2012, there had been no significant change in the assets and liabilities and the likelihood that the current recoverable amount would be less than the current carrying amount is considered remote. The carrying amount of goodwill allocated to the cash generating units affected comprises 36.0 percent of the total carrying amount of goodwill allocated to 'Others' in the following table.

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**			

Key assumptions used for value-in-use calculations in respect of goodwill 2012[2]

Cash generating unit (Million CHF)	Carrying amount of goodwill	Currency	Pre-tax discount rate	Long-term GDP growth rate
North America	1,726	USD/CAD	7.8%	3.3%
India	1,340	INR	11.2%	8.1%
United Kingdom	849	GBP	8.9%	2.8%
Central Europe	511	CHF/EUR	6.3%	1.9%
Philippines	395	PHP	9.9%	5.0%
Mexico	390	MXN	8.2%	3.3%
Australia	353	AUD	7.7%	3.5%
France Benelux	293	EUR	7.9%	2.0%
Eastern Europe	293	Various	7.5%	3.5%
Others[1]	1,236	Various	6.2%–16.2%	1.3%–7.5%
Total	**7,386**			

[1] Individually not significant.
[2] Restated due to changes in accounting policies, see note 1.

Sensitivity to changes in assumptions

With regards 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, 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 7.3 percent, the impairment test for France Benelux resulted in a recoverable amount exceeding its carrying amount by CHF 49 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.

27 Other long-term assets

This position included a discounted amount of USD 95 million (CHF 87 million) in 2012, relating to a compensation receivable from the Bolivarian Republic of Venezuela. The remaining compensation amount of USD 97.5 million (CHF 87 million) is due to be paid in September 2014 and is disclosed in note 21.

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 USD 650 million (CHF 611 million), of which a first down-payment of USD 260 million (CHF 244 million) was received on September 10, 2010. 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 2013, USD 61 million (CHF 57 million) was realized through "other financial income"; in 2012, this amounted to USD 61 million (CHF 58 million).

28 Trade accounts payable

Million CHF	2013	2012[1]
Trade accounts payable – associates and joint ventures	13	23
Trade accounts payable – third parties	1,921	2,123
Total	**1,934**	**2,146**

[1] Restated due to changes in accounting policies, see note 1.

29 Financial liabilities

Million CHF	2013	2012[1]
Current financial liabilities – associates and joint ventures	5	2
Current financial liabilities – third parties	1,030	1,468
Current portion of long-term financial liabilities	1,884	2,051
Derivative liabilities	1	24
Total current financial liabilities	**2,920**	**3,546**
Long-term financial liabilities – associates and joint ventures	9	9
Long-term financial liabilities – third parties	8,776	9,843
Derivative liabilities	0	47
Total long-term financial liabilities	**8,785**	**9,899**
Total	**11,705**	**13,444**
Of which secured	95	81

[1] Restated due to changes in accounting policies, see note 1.

Details of total financial liabilities

Million CHF	2013	2012[1]
Loans from financial institutions	1,952	2,441
Bonds and private placements	9,253	10,436
Commercial paper notes	399	404
Total loans and bonds	**11,604**	**13,281**
Obligations under finance leases (note 30)	101	93
Derivative liabilities (note 31)	1	71
Total	**11,705**	**13,444**

[1] Restated due to changes in accounting policies, see note 1.

"Loans from financial institutions" include amounts due to banks and other financial institutions. Repayment dates vary between one and 12 years. CHF 800 million (2012: 1,429) is due within one year.

The Group complied with its debt covenants.

Unutilized credit lines totaled CHF 7,990 million (2012: 8,026) at year-end 2013, of which CHF 4,967 million (2012: 5,363) are committed.

Financial liabilities by currency

Currency	2013			2012[1]		
	Million CHF	In %	Interest rate[2]	Million CHF	In %	Interest rate[2]
USD	3,546	30.3	4.2	3,377	25.1	3.7
CHF	2,819	24.1	2.5	3,710	27.6	2.9
EUR	2,033	17.4	6.1	2,426	18.0	5.4
GBP	782	6.7	7.1	785	5.8	7.1
AUD	701	6.0	6.0	1,107	8.2	5.8
CAD	482	4.1	3.1	586	4.4	4.8
MXN	436	3.7	4.3	427	3.2	5.8
Others	906	7.7	6.3	1,026	7.6	5.9
Total	**11,705**	**100.0**	**4.6**	**13,444**	**100.0**	**4.5**

[1] Restated due to changes in accounting policies, see note 1.
[2] Weighted average nominal interest rate on financial liabilities at December 31.

Interest rate structure of total financial liabilities

Million CHF	2013	2012[1]
Financial liabilities at fixed rates	6,567	7,448
Financial liabilities at floating rates	5,138	5,996
Total	**11,705**	**13,444**

[1] Restated due to changes in accounting policies, see note 1.

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 178.

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						2013	2012
Holcim Ltd							
CHF	250	3.00%	3.19%	2006–2015	Bonds with fixed interest rate	250	249
CHF	400	3.13%	0.27%	2007–2017	Bonds swapped into floating interest rates at inception	441	453
CHF	1,000	4.00%		2009–2013	Bonds with fixed interest rate	0	997
CHF	450	4.00%	4.19%	2009–2018	Bonds with fixed interest rate	446	446
CHF	475	2.38%	2.64%	2010–2016	Bonds with fixed interest rate	472	471
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	0
Aggregate Industries Holdings Limited							
GBP	163	7.25%	4.17%	2001–2016	Bonds, partly swapped into floating interest rates	262	270
Holcim GB Finance Ltd.							
GBP	300	8.75%	8.81%	2009–2017	Bonds guaranteed by Holcim Ltd	441	443
Holcim Capital Corporation Ltd.							
USD	50	7.65%	7.65%	2001–2031	Private placement guaranteed by Holcim Ltd	44	46
USD	65	6.59%	6.60%	2002–2014	Private placement guaranteed by Holcim Ltd	58	59
USD	100	6.59%	6.59%	2002–2014	Private placement guaranteed by Holcim Ltd	89	92
USD	250	6.88%	7.28%	2009–2039	Bonds guaranteed by Holcim Ltd	215	221
USD	250	6.50%	6.85%	2013–2043	Bonds guaranteed by Holcim Ltd	216	0
Holcim Capital México, S.A. de C.V.							
MXN	1,500	4.36%	5.18%	2012–2015	Bonds guaranteed by Holcim Ltd, with floating interest rates	102	105
MXN	800	4.46%	5.05%	2012–2016	Bonds guaranteed by Holcim Ltd, with floating interest rates	54	56
MXN	1,700	7.00%	7.23%	2012–2019	Bonds guaranteed by Holcim Ltd	115	119
Holcim Capital (Thailand) Ltd.							
THB	1,220	3.52%	3.62%	2010–2015	Bonds guaranteed by Holcim Ltd (partially repaid in 2013)	33	59
Holcim Finance (Canada) Inc.							
CAD	10	6.91%	6.92%	2002–2017	Private placement guaranteed by Holcim Ltd	8	9
CAD	300	5.90%		2007–2013	Bonds guaranteed by Holcim Ltd	0	276
CAD	300	3.65%	3.77%	2012–2018	Bonds guaranteed by Holcim Ltd	250	275
Holcim Finance (Luxembourg) S.A.							
EUR	600	4.38%	4.45%	2004–2014	Bonds guaranteed by Holcim Ltd	735	723
EUR	650	9.00%	8.92%	2009–2014	Bonds guaranteed by Holcim Ltd	797	786
EUR	200	6.35%	6.40%	2009–2017	Bonds guaranteed by Holcim Ltd	245	241
Holcim Finance (Australia) Pty Ltd							
AUD	250	7.00%	7.21%	2012–2015	Bonds guaranteed by Holcim Ltd	198	237
AUD	250	6.00%	6.24%	2012–2017	Bonds guaranteed by Holcim Ltd	197	236
AUD	200	5.25%	5.52%	2012–2019	Bonds guaranteed by Holcim Ltd	157	188
Holcim Overseas Finance Ltd.							
CHF	155	3.00%		2007–2013	Bonds guaranteed by Holcim Ltd, swapped into floating interest rates at inception	0	160
CHF	425	3.38%	3.42%	2011–2021	Bonds guaranteed by Holcim Ltd	424	424
Subtotal						**6,950**	**8,092**

[1] Includes ajdustments 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						2013	2012
Subtotal						**6,950**	**8,092**
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	178	183
USD	125	6.10%	6.14%	2006–2016	Private placement guaranteed by Holcim Ltd	111	114
USD	125	5.96%		2006–2013	Private placement guaranteed by Holcim Ltd	0	114
EUR	90	5.12%		2008–2013	Private placement guaranteed by Holcim Ltd, swapped into USD and floating interest rates at inception	0	109
EUR	202	1.57%		2008–2015	Private placement guaranteed by Holcim Ltd, swapped into USD at inception (early repaid in 2013)	0	244
USD	750	6.00%	6.25%	2009–2019	Bonds guaranteed by Holcim Ltd	659	677
EUR	500	2.63%	2.15%	2012–2020	Bonds guaranteed by Holcim Ltd, swapped into USD and floating interest rates at inception	594	603
USD	500	5.15%	5.30%	2013–2023	Bonds guaranteed by Holcim Ltd	440	0
USD	50	4.20%	4.20%	2013–2033	Bonds guaranteed by Holcim Ltd	45	0
ACC Limited							
INR	750	11.30%		2008–2013	Non-convertible debentures with fixed interest rate	0	13
INR	320	8.45%	8.45%	2009–2014	Non-convertible debentures with fixed interest rate (partially repaid in 2013)	5	14
Holcim (Costa Rica) S.A.							
CRC	10,000	9.20%	9.52%	2010–2015	Floating rate bonds	18	18
CRC	8,500	8.30%	8.56%	2012–2014	Floating rate bonds	15	15
Holcim (Maroc) S.A.							
MAD	1,500	5.49%	5.49%	2008–2015	Bonds with fixed interest rate	163	162
Holcim (US) Inc.							
USD	33	0.08%	0.08%	1999–2032	Industrial revenue bonds – Mobile Dock & Wharf	29	31
USD	25	0.11%	0.11%	2003–2033	Industrial revenue bonds – Holly Hill	22	23
USD	27	0.03%	0.03%	2009–2034	Industrial revenue bonds – Midlothian	24	24
Total						**9,253**	**10,436**

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

30 Leases

Future minimum lease payments

Million CHF	Operating leases 2013	Finance leases 2013	Operating leases 2012[1]	Finance leases 2012[1]
Within 1 year	118	25	142	25
Within 2 years	90	20	110	19
Within 3 years	72	15	84	12
Within 4 years	58	15	66	10
Within 5 years	47	14	54	9
Thereafter	301	61	300	68
Total	**686**	**150**	**755**	**143**
Interest		(49)		(50)
Total finance leases		**101**		**93**

[1] Restated due to changes in accounting policies, see note 1.

The total expense for operating leases recognized in the consolidated statement of income in 2013 was CHF 123 million (2012: 161). There are no individually significant operating lease agreements.

The liabilities from finance leases due within one year are included in current financial liabilities and liabilities due thereafter are included in long-term financial liabilities (note 29). There are no individually significant finance lease agreements.

31 Derivative financial instruments

Derivative assets with maturities exceeding one year are included in long-term financial assets (note 23) and derivative assets with maturities less than one year are included in accounts receivable (note 19).

Derivative liabilities are included in financial liabilities (note 29).

Derivative assets and liabilities

Million CHF	Fair value assets 2013	Fair value liabilities 2013	Nominal amount 2013	Fair value assets 2012[1]	Fair value liabilities 2012[1]	Nominal amount 2012[1]
Fair value hedges						
Interest rate	51	0	474	73	0	629
Currency	0	0	19	0	1	56
Cross-currency	44	0	558	37	16	703
Total fair value hedges	**95**	**0**	**1,050**	**109**	**17**	**1,389**
Cash flow hedges						
Interest rate	0	0	73	0	2	153
Currency	1	1	33	0	4	61
Cross-currency	0	0	0	0	45	290
Total cash flow hedges	**1**	**1**	**106**	**0**	**52**	**504**
Net investment hedges						
Currency	0	0	0	0	0	0
Cross-currency	6	0	60	1	1	59
Total net investment hedges	**6**	**0**	**60**	**1**	**1**	**59**
Total	**102**	**1**	**1,216**	**111**	**71**	**1,952**

[1] Restated due to changes in accounting policies, see note 1.

32 Deferred taxes

Deferred tax by type of temporary difference	2013	2012[1]
Million CHF		
Deferred tax assets		
Property, plant and equipment	8	28
Intangible and other long-term assets	6	13
Provisions	316	422
Tax losses carryforward	835	653
Other	261	315
Total	**1,426**	**1,431**
Deferred tax liabilities		
Property, plant and equipment	2,074	2,337
Intangible and other long-term assets	172	218
Provisions	0	4
Other	78	98
Total	**2,325**	**2,656**
Deferred tax liabilities net	**898**	**1,225**
Reflected in the statement of financial position as follows:		
Deferred tax assets	(391)	(478)
Deferred tax liabilities	1,290	1,702
Deferred tax liabilities net	**898**	**1,225**

[1] Restated due to changes in accounting policies, see note 1.

Temporary differences for which no deferred tax is recognized

Million CHF	2013	2012[2]
On unremitted earnings of subsidiary companies (taxable temporary difference)	8,729	8,516

[2] The method used to determine the taxable temporary difference has been modified to include only the unremitted earnings of subsidiaries and therefore excludes foreign exchange translation differences as they cannot reliably be allocated to the individual tax jurisdictions concerned.

Tax losses carryforward

	Losses carry-forward 2013	Tax effect 2013	Losses carry-forward 2012[1]	Tax effect 2012[1]
Million CHF				
Total tax losses carryforward	**4,302**	**1,188**	**4,422**	**1,214**
Of which reflected in deferred taxes	(2,749)	(835)	(2,194)	(653)
Total tax losses carryforward not recognized	**1,554**	**353**	**2,228**	**561**
Expiring as follows:				
1 year	1	0	7	1
2 years	4	1	4	1
3 years	47	12	18	4
4 years	15	4	14	3
5 years	7	2	13	3
Thereafter	1,480	334	2,173	549

[1] Restated due to changes in accounting policies, see note 1.

The decrease in total tax losses carryforward not recognized relates largely to Holcim Spain (2012: CHF 481 million), which was classified as held for sale in 2013 (Note 22).

33 Provisions

	Site restoration and other environmental provisions	Specific business risks	Other provisions	Total 2013	Total 2012[1]
Million CHF					
January 1	**842**	**210**	**406**	**1,459**	**1,408**
Change in structure	(21)	0	(6)	(27)	(1)
Reclassification to liabilities directly associated with assets held for sale	(23)	(25)	(3)	(51)	0
Provisions recognized	29	60	262	351	496
Provisions used during the year	(47)	(57)	(155)	(258)	(365)
Provisions reversed during the year	(40)	(44)	(36)	(119)	(97)
Unwinding of discount and discount rate changes	20	1	0	21	45
Currency translation effects	(42)	(9)	(24)	(75)	(27)
December 31	**719**	**136**	**445**	**1,301**	**1,459**
Of which short-term provisions	84	27	113	224	298
Of which long-term provisions	636	109	332	1,077	1,161

[1] Restated due to changes in accounting policies, see note 1.

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 litigations mainly relate to antitrust investigations, product liability as well as tax claims and are set up to cover legal and administrative proceedings. In 2013, it included several provisions for risks related to income taxes and other taxes of CHF 32 million (2012: 51). Total provisions for litigations amounted to CHF 71 million (2012: 125) on December 31. The timing of cash outflows of provisions for litigations is uncertain since it will largely depend upon the outcome of administrative and legal proceedings. Provisions for restructuring costs relate to various restructuring programs and amounted to CHF 65 million (2012: 85) 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 related to sales and other taxes of CHF 60 million (2012: 76), provisions for various severance payments to employees of CHF 27 million (2012: 69), provisions for performance related compensation payments of CHF 51 million (2012: 56), provisions for contingent liabilities arising from business combinations of CHF 18 million (2012: 32) and provisions for health insurance and pension schemes, which do not qualify as benefit obligations, of CHF 9 million (2012: 11). The expected timing of the future cash outflows is uncertain.

34 Employee benefits

Personnel expenses	2013	2012[1]
Million CHF		
Production and distribution	2,493	2,712
Marketing and sales	377	408
Administration	782	873
Total	**3,653**	**3,993**

[1] Restated due to changes in accounting policies, see note 1.

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 3,653 million (2012: 3,993). As of December 31, 2013, the Group employed 70,857 people (2012: 76,359).

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	2013	2012[1]
Net liability arising from defined benefit pension plans	587	814
Net liability arising from other post-employment benefit plans	64	83
Net liability	**651**	**897**
Reflected in the statement of financial position as follows:		
Other long-term assets	(4)	(5)
Defined benefit obligations	655	902
Net liability	**651**	**897**

[1] Restated due to changes in accounting policies, see note 1.

Retirement benefit plans

	Defined benefit pension plans		Other post-employment benefit plans	
Million CHF	2013	2012[1]	2013	2012[1]
Present value of funded obligations	**2,976**	**3,197**	**0**	**0**
Fair value of plan assets	(2,628)	(2,631)	0	0
Plan deficit of funded obligations	**348**	**566**	**0**	**0**
Present value of unfunded obligations	239	248	64	83
Total deficit	**587**	**814**	**64**	**83**
Effect of asset ceiling	0	1	0	0
Net liability from funded and unfunded plans	**587**	**814**	**64**	**83**
Of which:				
Switzerland	117	211	0	0
United Kingdom	109	138	0	0
North America (United States and Canada)	55	140	51	68
Rest of world	305	324	13	15
Costs recognized in the statement of income are as follows:				
Current service costs	91	85	2	2
Past service costs (including curtailments)	(14)	(33)	(3)	0
Losses on settlements	4	0	0	0
Net interest expense	28	31	3	3
Others	1	3	0	0
Total (included in personnel expenses)	**110**	**85**	**2**	**5**
Of which:				
Switzerland	43	36	0	0
United Kingdom	16	15	0	0
North America (United States and Canada)	23	(3)	4	4
Rest of world	28	38	(1)	1
Amounts recognized in other comprehensive earnings:				
Actuarial gains (losses) arising from changes in demographic assumptions	(21)	(18)	6	2
Actuarial gains (losses) arising from changes in financial assumptions	99	(187)	5	(6)
Actuarial gains (losses) arising from experience adjustments	(35)	1	7	9
Return on plan assets excluding interest income	155	116	0	0
Change in effect of asset ceiling excluding interest (income) expense	0	(1)	0	0
Total recorded in other comprehensive earnings	**198**	**(88)**	**18**	**4**
Of which:				
Switzerland	98	36	0	0
United Kingdom	30	(53)	0	0
North America (United States and Canada)	71	(14)	16	5
Rest of world	0	(56)	2	(1)

[1] Restated due to changes in accounting policies, see note 1.

Retirement benefit plans

	Defined benefit pension plans		Other post-employment benefit plans	
Million CHF	2013	2012[1]	2013	2012[1]
Present value of funded and unfunded obligations				
Opening balance as per January 1	3,445	3,232	83	89
Current service costs	91	85	2	2
Interest expense	108	122	3	3
Contribution by the employees	21	21	0	0
Actuarial (gains) losses	(43)	203	(18)	(4)
Benefits paid	(204)	(181)	(3)	(5)
Past service costs (including curtailments)	(14)	(33)	(3)	0
Change in structure	(13)	2	3	0
Settlements	(112)	(2)	0	0
Currency translation effects	(65)	(4)	(2)	(2)
Closing balance as per December 31	**3,214**	**3,445**	**64**	**83**
Of which:				
Switzerland	1,420	1,444	0	0
United Kingdom	821	920	0	0
North America (United States and Canada)	511	573	51	68
Rest of world	463	508	13	15
Fair value of plan assets				
Opening balance as per January 1	2,631	2,469	0	0
Interest income	80	91	0	0
Return on plan assets excluding interest income	155	116	0	0
Contribution by the employer	109	101	3	5
Contribution by the employees	21	21	0	0
Benefits paid	(190)	(168)	(3)	(5)
Change in structure	(13)	0	0	0
Settlements	(116)	(2)	0	0
Currency translation effects	(49)	3	0	0
Closing balance as per December 31	**2,628**	**2,631**	**0**	**0**
Of which:				
Switzerland	1,302	1,234	0	0
United Kingdom	712	783	0	0
North America (United States and Canada)	456	432	0	0
Rest of world	158	183	0	0

[1] Restated due to changes in accounting policies, see note 1.

Retirement benefit plans

	Defined benefit pension plans	
Million CHF	2013	2012[1]
Plan assets based on quoted market prices:		
Cash and cash equivalents	92	124
Equity instruments of Holcim Ltd or subsidiaries	2	2
Equity instruments of third parties	934	861
Debt instruments of Holcim Ltd or subsidiaries	8	32
Debt instruments of third parties	637	572
Land and buildings occupied or used by third parties	358	346
Derivatives	15	14
Investment funds	88	90
Asset-backed securities	9	8
Structured debt	28	51
Plan assets based on non-quoted prices:		
Equity instruments of third parties	25	24
Debt instruments of Holcim Ltd or subsidiaries	5	0
Debt instruments of third parties	25	21
Land and buildings occupied or used by Holcim Ltd or subsidiaries	1	3
Land and buildings occupied or used by third parties	25	29
Derivatives	6	5
Investment funds	35	39
Structured debt	3	3
Others	332	407
Total plan assets at fair value	**2,628**	**2,631**
Effect of asset ceiling		
Opening balance as per January 1	1	0
Interest expense or (income)	0	0
Change in effect of asset ceiling excluding interest (income) expense	(1)	1
Closing balance as per December 31	**0**	**1**

[1] Restated due to changes in accounting policies, see note 1.

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	
	2013	2012[1]	2013	2012[1]	2013	2012[1]	2013	2012[1]
Discount rate in %	3.6%	3.3%	2.4%	2.1%	4.6%	4.1%	4.6%	3.8%
Expected salary increases in %	2.7%	2.7%	1.7%	1.8%	3.2%	2.7%	3.5%	3.6%
Life expectancy in years after the age of 65	21.8	21.2	22.5	22.4	22.0	21.8	20.5	20.0

[1] Restated due to changes in accounting policies, see note 1.

Weighted average duration of defined benefit pension plans

Duration of the defined benefit obligation	Total Group		Switzerland		United Kingdom		North America	
	2013	2012	2013	2012	2013	2012	2013	2012
Weighted average duration in years	12.9	13.3	11.5	12.1	17.0	16.7	11.8	12.2

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% change in assumption)	(363)	446	(148)	177	(119)	154	(55)	65
Expected salary increases (±1% change in assumption)	92	(74)	21	(17)	22	(19)	15	(12)
Life expectancy in years after the age of 65 (±1 year change in assumption)	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 105 million (2012: 107), of which CHF 33 million (2012: 35) related to Switzerland, CHF 14 million (2012: 13) related to the United Kingdom and CHF 37 million (2012: 41) related to North America.

35 Share compensation plans

Employee share purchase plan

Holcim has an employee share ownership plan for all employees of Swiss subsidiaries and some executives from Group companies. This plan entitles employees to acquire a limited amount of discounted Holcim shares generally at 70 percent of the market value based on the prior-month average share price. The shares cannot be sold for a period of two years from the date of purchase. The total expense arising from this plan amounted to CHF 4.4 million in 2013 (2012: 2.5).

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 4.5 million in 2013 (2012: 6.5).

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 2.3 million in 2013 (2012: 0.6).

No dilution of Holcim shares occurs as all shares granted under these plans are purchased from the market.

Share option plans

Two types of share options are granted to senior management of the Holcim Group, the ones, which are granted as part of the annual variable compensation and those, 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 136).

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] 2013	Number[1] 2012
January 1	**CHF**	**66.75**	**1,550,131**	**1,467,222**
Granted and vested (individual component of variable compensation)	CHF	71.90	122,770	179,894
Granted and vested (single allotment)	CHF	71.50	11,183	33,550
Forfeited	CHF	63.35	5,083	0
Exercised	CHF	54.60	183,842	130,535
Lapsed	CHF	63.35	33,550	0
December 31	**CHF**	**68.65**	**1,461,609**	**1,550,131**
Of which exercisable at the end of the year			796,699	786,893

[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]
			2013	2012
2002	2014	CHF 67.15	122,737	201,300
2003	2015[2]	CHF 67.15	33,550	33,550
2004	2013[2]	CHF 63.35		34,341
2004	2016[2]	CHF 67.15	33,550	33,550
2005	2014[2]	CHF 74.54	71,423	71,423
2006	2014	CHF 100.69	58,573	58,573
2007	2015	CHF 125.34	49,674	49,674
2008	2016	CHF 104.34	71,083	71,083
2008	2020	CHF 67.15	33,550	67,100
2009	2017	CHF 38.26	224,478	300,499
2010	2018	CHF 71.15	131,631	131,631
2010	2022	CHF 75.40	33,550	33,550
2010	2022	CHF 81.45	33,550	33,550
2011	2019	CHF 67.15	149,763	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	
2013	2025	CHF 71.50	11,183	
Total			**1,461,609**	**1,550,131**

[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 2013, options exercised resulted in 183,842 shares (2012: 130,535) being issued at a weighted average share price of CHF 72.52 (2012: 62.07).

The fair value of options granted for the year 2013 using the Black Scholes valuation model is CHF 18.26 (2012: 19.54). The significant inputs into the model are the share price and an exercise price of CHF 69.15 (2012: 71.90) at the date of grant, an expected volatility of 33.5 percent (2012: 33.3), an expected option life of 6 years (2012: 6), a dividend yield of 1.70 percent (2012: 1.39) and an annual risk-free interest rate of 0.4 percent (2012: 0.3). Expected volatility was determined by calculating the historical volatility of the Group's share price over the respective vesting period.

All shares granted under these plans are either purchased from the market or derived from treasury shares. The total personnel expense arising from the granting of options based on the individual component of variable compensation amounted to CHF 2.0 million in 2013 (2012: 2.0).

36 Construction contracts

Million CHF	2013	2012[1]
Contract revenue recognized during the year	**1,072**	**1,103**
Contract costs incurred and recognized profits (less recognized losses) to date	2,923	2,326
Progress billings to date	(2,925)	(2,321)
Due from (to) contract customers at the end of the reporting period	**(2)**	**5**
Of which:		
Due from customers for contract work	31	27
Due to customers for contract work	(34)	(22)

[1] Restated due to changes in accounting policies, see note 1.

37 Details of shares

Number of registered shares		
December 31	2013	2012
Total outstanding shares	**325,563,866**	**325,349,838**
Treasury shares		
Reserved for convertible bonds	0	0
Reserved for call options	1,461,609	1,550,131
Unreserved	60,901	186,407
Total treasury shares	**1,522,510**	**1,736,538**
Total issued shares	**327,086,376**	**327,086,376**
Shares out of conditional share capital		
Reserved for convertible bonds	1,422,350	1,422,350
Unreserved	0	0
Total shares out of conditional share capital	**1,422,350**	**1,422,350**
Total shares	**328,508,726**	**328,508,726**

The par value per share is CHF 2. The share capital amounts to nominal CHF 654 million (2012: 654) and the treasury shares amount to CHF 102 million (2012: 114).

On March 27, 2012, Holcim Ltd sold 5 million treasury shares at a price of CHF 59.25 per share. The proceeds of CHF 296 million were used for general corporate purposes.

38 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		2013	2012	2013	2012	2013	2012	2013	2012
ACC Limited	India	49.7%	49.7%	76	106	679	761	44	46
Ambuja Cements Ltd.	India	49.5%	49.4%	90	120	818	897	44	43

[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	2013	2012	2013	2012
Current assets	634	808	802	889
Long-term assets	1,375	1,510	1,396	1,578
Total assets	**2,009**	**2,319**	**2,198**	**2,466**
Current liabilities	358	449	344	423
Long-term liabilities	285	339	203	228
Total liabilities	**643**	**788**	**546**	**651**
Net assets	**1,366**	**1,530**	**1,651**	**1,815**

Statement of income

Million CHF	2013	2012	2013	2012
Net sales	**1,732**	**1,947**	**1,437**	**1,693**
Net income	**153**	**213**	**182**	**243**

Statement of cash flows

Million CHF	2013	2012	2013	2012
Cashflow from operating activities	**208**	**314**	**244**	**355**
(De)Increase in cash and cash equivalents	**(101)**	**36**	**20**	**173**

39 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, 2013, the Group's contingencies amounted to CHF 779 million (2012: 852), which included contingencies of CHF 333 million (2012: 386) from two Indian Holcim Group companies. 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 INR 23,119 million (CHF 333 million) on two Indian Holcim Group companies 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.

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, 2013, guarantees issued in the ordinary course of business amounted to CHF 411 million (2012: 427).

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, 2013, the Group's commitments amounted to CHF 1,284 million (2012: 1,434), of which CHF 759 million (2012: 856) related to the purchase of property, plant and equipment.

40 Monetary net current assets by currency

Million CHF	Cash and cash equivalents	Accounts receivable	Trade accounts payable	Current financial liabilities	Other current liabilities	Total 2013	Total 2012[1]
CHF	139	147	72	77	221	(84)	(1,024)
USD	303	327	257	651	360	(638)	(513)
EUR	222	542	358	1,748	493	(1,835)	(530)
AUD	68	235	133	49	164	(43)	(337)
GBP	89	286	288	65	183	(161)	(225)
BRL	53	46	59	2	19	19	82
CAD	12	150	119	15	106	(78)	(346)
IDR	17	60	61	3	43	(30)	4
INR	957	166	163	48	484	428	418
MAD	103	90	59	39	38	57	51
MXN	23	109	56	85	163	(172)	(57)
Others	258	363	309	138	333	(159)	(22)
Total	**2,244**	**2,521**	**1,934**	**2,920**	**2,607**	**(2,696)**	**(2,499)**

[1] Restated due to changes in accounting policies, see note 1.

41 Cash flow used in investing activities

Million CHF	2013	2012[1]
Purchase of property, plant and equipment net		
Replacements	(923)	(908)
Proceeds from sale of property, plant and equipment	205	118
Capital expenditures on property, plant and equipment to maintain productive capacity and to secure competitiveness	**(719)**	**(790)**
Expansion investments	(1,282)	(803)
Total purchase of property, plant and equipment net (A)	**(2,000)**	**(1,593)**
Acquisition of participation in Group companies (net of cash and cash equivalents acquired)[2]	**(8)**	**(1)**
Disposal of participation in Group companies (net of cash and cash equivalents disposed of)[2]	**407**	**8**
Purchase of financial assets, intangible and other assets		
Increase in financial investments including associates and joint ventures	(23)	(16)
Increase in other financial assets, intangible and other assets	(240)	(165)
Total purchase of financial assets, intangible and other assets	**(263)**	**(182)**
Disposal of financial assets, intangible and other assets		
Decrease in financial investments including associates and joint ventures	11	394
Decrease in other financial assets, intangible and other assets	188	177
Total disposal of financial assets, intangible and other assets	**199**	**571**
Total disposal (purchase) of financial assets, intangible and other assets and businesses net (B)	**336**	**396**
Total cash flow used in investing activities (A + B)	**(1,665)**	**(1,197)**

[1] Restated due to changes in accounting policies, see note 1.
[2] Including goodwill.

Cash flow from acquisitions and disposals of Group companies

	Acquisitions		Disposals	
Million CHF	2013	2012[1]	2013	2012[1]
Current assets	(9)	0	124	20
Property, plant and equipment	(7)	0	450	11
Other assets	0	(1)	30	7
Current liabilities	6	0	(254)	(14)
Long-term provisions	0	0	(27)	(1)
Other long-term liabilities	1	0	(26)	0
Net assets	**(9)**	**(1)**	**298**	**24**
Non-controlling interest	0	0	(98)	0
Net assets (acquired) disposed	**(9)**	**(1)**	**201**	**24**
Goodwill (acquired) disposed	(4)	(1)	48	0
Fair value of previously held (retained) equity interest	1	0	0	(6)
Net gain (loss) on disposals	0	0	156	(3)
Total (purchase) disposal consideration	**(12)**	**(2)**	**405**	**14**
Acquired (disposed) cash and cash equivalents	1	0	2	(6)
Contingent consideration	0	0	0	0
Payables and loan notes	4	0	0	0
Net cash flow	**(8)**	**(1)**	**407**	**8**

[1] Restated due to changes in accounting policies, see note 1.

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

Key management compensation

Board of Directors

In 2013, 14 non-executive members of the Board of Directors received a total remuneration of CHF 3.4 million (2012: 3.3) in the form of short-term employee benefits of CHF 2.2 million (2012: 2.1), post-employment benefits of CHF 0.1 million (2012: 0.1), share-based payments of CHF 0.9 million (2012: 0.9) and other compensation of CHF 0.2 million (2012: 0.2).

Senior management

The total annual compensation for the 16 members of senior management (including CEO) amounted to CHF 25.9 million (2012: 30.3). This amount comprises of base salary and variable cash compensation of CHF 15.1 million (2012: 16.7), share-based compensations of CHF 3.7 million (2012: 4.3), employer contributions to pension plans of CHF 6.6 million (2012: 6.3) and "Others" compensation of CHF 0.5 million (2012: 3.0) which includes, according to the rules of SIX Swiss Exchange, the contributions from the Holcim International Pension Trust for the additional financing of retirement benefits in the amount of CHF 0.0 million (2012: 0.9). The CEO received a base salary plus variable compensation in cash of CHF 2.1 million (2012: 2.2), share based compensation of CHF 0.7 million (2012: 0.8), and employer contributions to pension benefits of CHF 0.5 million (2012: 0.5). The CEO's total compensation, in accordance with the rules of SIX Swiss Exchange, amounted to CHF 3.2 million (2012: 5.0). In accordance with Art. 663bbis of the Swiss Code of Obligations (transparency law), the base salary and the variable cash compensation are disclosed, including foreign withholding tax. Further included in the contribution to pension plans are the employer's contributions to social security (AHV/IV).

The following table provides details on the total compensation awarded to the individual members of the Board of Directors, the largest compensation amount paid to a senior management member and the total amount of senior management compensation.

Compensation for former members of governing bodies

In the year under review, compensation in the amount of CHF 2.8 million (2012: 9.2) was paid to ten (2012: nine) former members of senior management. The total compensation in 2012 included social security contributions of CHF 2.2 million which were settled in 2012 and related to contributions out of the Holcim International Pension Trust disclosed in the years 2008 to 2011, as net amounts. No former members of the Board of Directors received any compensation in the year under review.

Loans

As at December 31, 2013, and December 31, 2012, there were no loans outstanding, to members of the Board of Directors and members of senior management.

Compensation Board of Directors/senior management[1]

Name	Position		Base Salary Cash	Base Salary Shares[2]
Rolf Soiron	Chairman, Chairman of the Governance & Strategy Committee since January 1, 2013	Number		1,178
		CHF	595,680	80,000
Beat Hess	Deputy Chairman, Member of the Audit Committee since April 17, 2013, Member of the Governance & Strategy Committee since January 1, 2013, Member of the Nomination & Compensation Committee until April 17, 2013	Number		1,178
		CHF	324,334	80,000
Erich Hunziker	Deputy Chairman, Chairman of the Nomination & Compensation Committee, Member of the Governance & Strategy Committee since January 1, 2013	Number		1,178
		CHF	320,000	80,000
Markus Akermann	Member of the Board of Directors until April 17, 2013	Number		393
		CHF	26,667	26,667
Christine Binswanger	Member of the Board of Directors until April 17, 2013	Number		393
		CHF	26,667	26,667
Alexander Gut	Member of the Board of Directors, Member of the Audit Committee until April 17, 2013, Chairman of the Audit Committee since April 17, 2013	Number		1,178
		CHF	156,667	80,000
Peter Küpfer	Member of the Board of Directors until April 17, 2013, Chairman of the Audit Committee until April 17, 2013	Number		393
		CHF	60,000	26,667
Adrian Loader	Member of the Board of Directors, Member of the Nomination & Compensation Committee	Number		1,178
		CHF	100,000	80,000
Andreas von Planta	Member of the Board of Directors, Member of the Audit Committee	Number		1,178
		CHF	110,000	80,000
Wolfgang Reitzle	Member of the Board of Directors, Member of the Nomination & Compensation Committee since April 17, 2013	Number		1,178
		CHF	93,333	80,000
Thomas Schmidheiny	Member of the Board of Directors, Member of the Nomination & Compensation Committee	Number		1,178
		CHF	130,800[4]	80,000
Hanne Sørensen	Member of the Board of Directors since April 17, 2013	Number		785
		CHF	53,333	53,333
Dieter Spälti	Member of the Board of Directors, Member of the Audit Committee, Member of the Governance & Strategy Committee since January 1, 2013	Number		1,178
		CHF	130,000	80,000
Anne Wade	Member of the Board of Directors since April 17, 2013	Number		785
		CHF	53,333	53,333
Total Board of Directors (non-executive members)		**Number**		**13,351**
		CHF	**2,180,814**	**906,667**
Bernard Terver[5]	Member of the Executive Committee	Number		
		CHF	1,350,000	
Bernard Fontana	CEO	Number		
		CHF	1,750,000	
Variable compensation in percentage of base salary				
Total senior management[7]		**Number**		
		CHF	**13,281,548**	
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 35 "Share compensation plans".

[2] The shares were valued at the average market price in the period from January 1, 2014 to February 15, 2014, and are subject to a five-year sale and pledge restriction period.

Variable Compensation			Other compensation		Total	Total
Cash	Shares[2]	Options[3]	Employer contributions to pension plans	Others	compensation 2013	compensation 2012
			32,891	50,000	758,571	758,571
			19,782	10,000	434,116	376,984
			9,259	10,000	419,259	398,229
			3,322	3,333	59,989	129,797
			4,452	3,333	61,119	177,199
			11,147	10,000	257,814	207,461
			5,808	3,333	95,808	281,484
				10,000	190,000	190,000
			8,744	10,000	208,744	208,744
			6,859	10,000	190,192	116,081
			8,085	10,000	228,885	228,885
			2,747	6,667	116,080	
			9,774	10,000	229,774	208,744
			2,747	6,667	116,080	
			125,617	**153,333**	**3,366,431**	**3,282,179**[8]
	2,821	10,478				
191,457	191,584	191,334	2,526,113[6]	26,000	4,476,488	3,547,431
	4,624	18,492				
325,861	314,059	337,672	465,822	26,000	3,219,414	4,950,494
	55.9%					
	27,730	**99,532**				
1,850,432	**1,883,406**	**1,817,497**	**6,559,007**	**480,944**	**25,872,834**	**30,312,614**
	41.8%					

[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] Includes the vested amount of CHF 1,943,211 from foreign pension plan agreement, used for the financing of the retirement benefits.
[7] Including CEO.
[8] The total compensation of the Board of Directors in 2012 amounted to CHF 3,349,875 and included the compensation of a Board member leaving in 2012.

Shares and options owned by members of the Board of Directors and senior management

The tables show the number of shares and options held by members of the Board of Directors and senior management as of December 31, 2013, and December 31, 2012 respectively.

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

Name	Position	Total number of shares 2013	Total number of call options 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**	

Number of shares and options held by the Board of Directors as of December 31, 2012[1]

Name	Position	Total number of shares 2012	Total number of call options 2012
Rolf Soiron	Chairman, Governance & Strategy Committee Chairman	38,370	
Beat Hess	Deputy Chairman	2,371	
Erich Hunziker	Deputy Chairman, Nomination & Compensation Committee Chairman	12,407	
Markus Akermann[2]	Member	79,393	310,905[3]
Christine Binswanger	Member	5,417	
Alexander Gut	Member	1,770	
Peter Küpfer	Member, Audit Committee Chairman	12,406	37,000[4] 31,000[5]
Adrian Loader	Member	8,171	
Andreas von Planta	Member	12,165	
Wolfgang Reitzle	Member	300	
Thomas Schmidheiny	Member	65,775,590	
Dieter Spälti	Member	32,886	
Total Board of Directors		**65,981,246**	**378,905**

[1] From allocation, shares are subject to a five-year sale and pledge restriction period.
[2] Markus Akermann was a non-executive member from February 1, 2012 until April 30, 2013.
[3] Including 20,000 options (not related to compensation), exercise price: CHF 56, Ratio: 1:1, Style: American, Maturity: 18.3.2013.
[4] Exercise price: CHF 70; Ratio 1:1; Style: American; Maturity: 19.8.2014.
[5] Exercise price: CHF 80; Ratio 1:1; Style: American; Maturity: 12.11.2013.

The total number of shares and call options comprise privately acquired shares and call options, and shares allocated under profit-sharing and compensation schemes. Non-executive members of the Board of Directors did not hold any options from compensation and profit-sharing schemes, as per end of 2013.

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[2]		
Total senior management		**188,049**	**550,151**

Number of shares and options held by the senior management as of December 31, 2012[1]

Name	Position	Total number of shares 2012	Total number of call options 2012
Bernard Fontana	CEO		33,550
Thomas Aebischer	Member of the Executive Committee, CFO	6,116	46,995
Paul Hugentobler	Member of the Executive Committee	78,495	134,515
Roland Köhler	Member of the Executive Committee	12,022	81,194
Andreas Leu	Member of the Executive Committee	13,133	59,784
Bernard Terver	Member of the Executive Committee	17,762	28,894
Ian Thackwray	Member of the Executive Committee	5,527	59,642
Horia Adrian	Area Manager	1,359	
Javier de Benito	Area Manager	21,966	25,201
Urs Fankhauser	Area Manager	4,810	4,491
Aidan Lynam	Area Manager	5,606	9,299
Onne van der Weijde	Area Manager	1,836	
Kaspar E.A. Wenger	Area Manager	19,660	
Urs Bleisch	Corporate Functional Manager	2,837	
Jacques Bourgon	Corporate Functional Manager	6,141	25,022
Total senior management		**197,270**	**508,587**

[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 July 1, 2013.

The total number of shares and call options include both privately acquired shares and call options, and those allocated under the Group's profit-sharing and compensation schemes. Options are issued solely on registered shares of Holcim Ltd.

Other transactions

As part of the employee share purchase plan, Holcim manages employees' shares. It sells and purchases Holcim Ltd shares to and from employees and on the open market. In this context, the company purchased Holcim Ltd shares of CHF 0.1 million (2012: 0.7) 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.

43 Events after the reporting period

On January 22, 2014, Holcim Finance (Luxembourg) S.A. issued a EUR 500 million bond with a coupon of 3.0 percent and a tenor of 10 years, guaranteed by Holcim Ltd. The proceeds were used to refinance existing debt and for general corporate purposes.

44 Authorization of the financial statements for issuance

The consolidated financial statements were authorized for issuance by the Board of Directors of Holcim Ltd on February 25, 2014, and are subject to shareholder approval at the annual general meeting of shareholders scheduled for April 29, 2014.

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	3,091,719	50.5%
	Holcim (Lanka) Ltd	Sri Lanka	LKR	4,458,021	98.9%
	Holcim Cements (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	85.7%
	Cement Australia Holdings Pty Ltd[1]	Australia	AUD	390,740	50.0%
	Holcim (Australia) Holdings Pty Ltd	Australia	AUD	1,145,867	100.0%
	Holcim (New Zealand) Ltd	New Zealand	NZD	22,004	100.0%
Latin America	Holcim Apasco S.A. de C.V.	Mexico	MXN	10,513,086	100.0%
	Holcim El Salvador S.A. de C.V.	El Salvador	USD	78,178	95.1%
	Holcim (Costa Rica) S.A.	Costa Rica	CRC	8,577,370	60.0%
	Holcim (Nicaragua) S.A.	Nicaragua	NIO	19,469	80.0%
	Holcim (Colombia) S.A.	Colombia	COP	72,536,776	99.8%
	Holcim (Ecuador) S.A.	Ecuador	USD	102,405	92.2%
	Holcim (Brasil) S.A.	Brazil	BRL	455,675	99.9%
	Holcim (Argentina) S.A.	Argentina	ARS	352,057	79.6%
	Cemento Polpaico S.A.	Chile	CLP	7,675,262	54.3%
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	42,346	98.0%
	Holcim Magyarország Kft.	Hungary	HUF	481,862	99.9%
	Holcim (Hrvatska) d.o.o.	Croatia	HRK	243,852	99.9%
	Holcim (Serbia) d.o.o.	Serbia	CSD	2,300,000	100.0%
	Holcim (Romania) S.A.	Romania	RON	274,243	99.7%
	Holcim (Bulgaria) AD	Bulgaria	BGN	1,093	100.0%
	Holcim (Rus) OAO	Russia	RUB	347	89.8%
	Holcim (Azerbaijan) O.J.S.C.	Azerbaijan	AZN	31,813	70.2%

[1] Joint operation, proportionate consolidation.

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, 2013 in local currency		Security code number
Asia Pacific	ACC Limited	Mumbai	Mumbai	INR	208,162 million	INE012A01025
	Ambuja Cements Ltd.	Mumbai	Mumbai	INR	282,506 million	INE079A01024
	PT Holcim Indonesia Tbk.	Jakarta	Jakarta	IDR	17,433,098 million	ID1000072309
	Holcim Philippines Inc.	Manila	Manila	PHP	100,008 million	PHY3232G1014
Latin America	Holcim (Costa Rica) S.A.	San José	San José	CRC	173,692 million	CRINC00A0010
	Holcim (Ecuador) S.A.	Guayaquil	Quito, Guayaquil	USD	1,434 million	ECP516721068
	Holcim (Argentina) S.A.	Buenos Aires	Buenos Aires	ARS	1,313 million	ARP6806N1051
	Cemento Polpaico S.A.	Santiago	Santiago	CLP	101,893 million	CLP2216J1070
Africa Middle East	Holcim (Maroc) S.A.	Rabat	Casablanca	MAD	6,147 million	MA0000010332
	Holcim (Liban) S.A.L.	Beirut	Beirut	USD	304 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	976,000	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	50	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	35.9%

[1] Joint venture

To the General Meeting of Holcim Ltd, Jona

Zurich, February 25, 2014

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 161 to 245 for the year ended December 31, 2013.

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, 2013, 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	

Principal companies of the Holcim Group

ACC Limited, India

Chief Executive:	Kuldip K. Kaura
Personnel:	13,242
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:	8,724
Production capacity:	30.6 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:	679
Production capacity:	1.7 million t of cement
Palavi plant	■
Ruhunu grinding plant	■

Holcim Cements (Bangladesh) Ltd., Bangladesh

Chief Executive:	Rajnish Kapur
Personnel:	637
Production capacity:	1.2 million t of cement
Menghnaghat grinding plant	■
Mongla grinding plant	■

Holcim (Malaysia) Sdn Bhd, Malaysia

Chief Executive:	Mahanama Ralapanawa
Personnel:	271
Production capacity:	1.2 million t of cement
Pasir Gudang grinding plant	■
Ready-mix concrete operations	▲

Holcim (Singapore) Ltd, Singapore

General Manager:	Sujit Ghosh
Personnel:	252
Ready-mix concrete operations	▲

PT Holcim Indonesia Tbk., Indonesia

Chief Executive:	Eamon Ginley
Personnel:	2,807
Production capacity:	8.2 million t of cement
Cilacap plant	■
Narogong plant	■
Ciwandan grinding plant	■
Aggregates operations	●
Ready-mix concrete operations	▲

Holcim (Vietnam) Ltd, Vietnam

Chief Executive:	Gary Schütz
Personnel:	1,326
Production capacity:	5.2 million t of cement
Hon Chong plant	■
Cat Lai grinding plant	■
Hiep Phuoc grinding plant	■
Thi Vai grinding plant	■
Aggregates operations	●
Ready-mix concrete operations	▲

■ Cement

● Aggregates

▲ Other construction materials and services

Holcim Philippines Inc., Philippines

Chief Executive:	Eduardo A. Sahagun
Personnel:	1,704
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:	965
Production capacity:	4.2 million t of cement
Gladstone plant	■
Railton plant	■
Bulwer Island grinding plant	■

Holcim (Australia) Holdings Pty Ltd, Australia

Chief Executive:	Mark Campbell
Personnel:	3,297
Aggregates operations	●
Ready-mix concrete operations	▲
Concrete products operations	▲

Holcim (New Zealand) Ltd, New Zealand

Chief Executive:	Jeremy Smith
Personnel:	449
Production capacity:	0.5 million t of cement
Westport plant	■
Aggregates operations	●

Holcim Apasco S.A. de C.V., Mexico

Chief Executive:	Eduardo Kretschmer
Personnel:	3,014
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:	Ricardo A. Chavez Caparroso
Personnel:	627
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:	531
Production capacity:	1.1 million t of cement
Cartago plant	■
Aggregates operations	●
Ready-mix concrete operations	▲

Holcim (Nicaragua) S.A., Nicaragua

Chief Executive:	Dolores Prado
Personnel:	158
Production capacity:	0.3 million t of cement
Nagarote grinding plant	■
Aggregates operation	●
Ready-mix concrete operations	▲

Holcim (Colombia) S.A., Colombia

Chief Executive:	Miguel Angel Rubalcava
Personnel:	881
Production capacity:	2.1 million t of cement
Nobsa plant	■
Ready-mix concrete operations	▲

Holcim (Ecuador) S.A., Ecuador

Chief Executive:	Rodolfo Montero
Personnel:	1,276
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:	1,661
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:	José Cantillana
Personnel:	1,376
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:	1,285
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:	1,863
Production capacity:	5.9 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:	985
Production capacity:	3.0 million t of cement
Obourg plant	■
Haccourt grinding plant	■
Aggregates operations	●
Ready-mix concrete operations	▲

Holcim (España) S.A., Spain

Chief Executive:	Feliciano Gonzalez Muñoz
Personnel:	677
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:	67
Seaborne clinker and cement trading and others	▲

■ Cement

● Aggregates

▲ Other construction materials and services

Aggregate Industries Ltd, United Kingdom

Chief Executive:	Alain Bourguignon
Personnel:	3,956
Aggregates	●
Aggregate Bagging	▲
Aggregate Industries Scotland	● ▲
Asphalt	▲
Building Products	▲
Cementitious Materials	▲
Commerical Landscaping	▲
Concrete	▲
Contracting	▲
Domestic Landscaping	▲
Express Asphalt	▲
London Concrete	▲
Ronez	● ▲
Spade Oak	▲
Yeoman Glensanda	●

Holcim (Deutschland) AG, Germany

Chief Executive:	Leo Mittelholzer
Personnel:	891
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:	348
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:	1,155
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:	342
Management services	▲

Holcim Technology Ltd, Switzerland

Chief Executive:	Urs Bleisch
Personnel:	386
Management services	▲

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

Chief Executive:	Kaspar Wenger
Country Manager:	Piero Corpina
Personnel:	409
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:	Patrick Stapfer
Personnel:	453
Production capacity:	1.2 million t of cement
Prachovice plant	■
Aggregates operations	●
Ready-mix concrete operations	▲

Holcim (Slovensko) a.s., Slovakia

Chief Executive:	Patrick Stapfer
Personnel:	975
Production capacity:	3.5 million t of cement
Rohožník plant	■
Turňa plant	■
Aggregates operations	●
Ready-mix concrete operations	▲

Holcim Magyarország Kft., Hungary

Chief Executive:	Patrick Stapfer
Personnel:	179
Cement distribution	■
Ready-mix concrete operations	▲

Holcim (Hrvatska) d.o.o., Croatia

Chief Executive:	Alan Šišinački
Personnel:	315
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:	383
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:	798
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:	453
Production capacity:	1.7 million t of cement
Beli Izvor plant	■
Aggregates operations	●
Ready-mix concrete operations	▲

Holcim (Rus) OAO, Russia

Chief Executive:	Gustavo Navarro
Personnel:	1,370
Production capacity:	5.8 million t of cement
Shurovo plant	■
Volsk plant	■

Holcim (Azerbaijan) O.J.S.C., Azerbaijan

Chief Executive:	Rossen Papazov
Personnel:	450
Production capacity:	2.0 million t of cement
Garadagh plant	■

Holcim (US) Inc., USA

Chief Executive:	Filiberto Ruiz
Personnel:	1,787
Production capacity:	18.7 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:	2,118
Mid Atlantic Region	● ▲
Mid West Region	● ▲
North East Region	● ▲
Western Region	● ▲

Holcim (Canada) Inc., Canada

Chief Executive:	Baudouin Nizet
Personnel:	2,886
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:	553
Production capacity:	5.2 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:	150
Production capacity:	0.5 million t of cement
Conakry grinding plant	■

Société de Ciments et Matériaux, Ivory Coast

Chief Executive:	Stefan Heeb
Personnel:	294
Production capacity:	1.2 million t of cement
Abidjan grinding plant	■

Holcim (Liban) S.A.L., Lebanon

Chief Executive:	Benedikt Vonnegut
Personnel:	478
Production capacity:	2.9 million t of cement
Chekka plant	■
Ready-mix concrete operations	▲

Holcim (Outre-Mer) S.A.S., La Réunion

Chief Executive:	Vincent Bouckaert
Personnel:	496
Production capacity:	0.6 million t of cement
Ibity plant	■
Le Port grinding plant	■
Aggregates operations	●
Ready-mix concrete operations	▲

Statement of income Holcim Ltd

Million CHF	2013	2012
Financial income	1,019.1	1,011.3
Other ordinary income	277.3	39.7
Extraordinary income	52.7	0
Total income	**1,349.1**	**1,051.0**
Financial expenses	(112.0)	(110.8)
Other ordinary expenses	(145.9)	(61.1)
Taxes	(26.3)	(7.2)
Total expenses	**(284.2)**	**(179.1)**
Net income	**1,064.9**	**871.9**

Balance Sheet Holcim Ltd

Million CHF	31.12.2013	31.12.2012
Cash and cash equivalents	72.6	143.4
Accounts receivable – Group companies	31.2	23.2
Prepaid expenses and other current assets	3.7	6.5
Total current assets	**107.5**	**173.1**
Loans – Group companies	1,607.5	1,507.1
Financial investments – Group companies	18,531.1	18,597.7
Other financial investments	85.9	89.6
Total long-term assets	**20,224.5**	**20,194.4**
Total assets	**20,332.0**	**20,367.5**
Current financing liabilities – Group companies	209.0	189.6
Other current liabilities	29.9	1,025.4
Total current liabilities	**238.9**	**1,215.0**
Outstanding bonds	2,275.0	2,025.0
Total long-term liabilities	**2,275.0**	**2,025.0**
Total liabilities	**2,513.9**	**3,240.0**
Share capital	654.2	654.2
Legal reserves		
– Ordinary reserves	2,430.5	2,417.8
– Capital contribution reserves	6,140.6	6,514.9
– Reserves for treasury shares	101.6	114.3
Free reserves	6,862.8	6,062.8
Retained earnings	1,628.4	1,363.5
Total shareholders' equity	**17,818.1**	**17,127.5**
Total liabilities and shareholders' equity	**20,332.0**	**20,367.5**

Change in shareholders' equity Holcim Ltd

Million CHF	Share Capital	Ordinary reserves	Capital contribution reserves	Reserves for treasury reserves	Free reserves	Retained earnings	Total
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**
Capital increase	0	0	0	0	0	0	0
Decrease reserves for treasury shares	0	12.7	0	(12.7)	0	0	0
Allocation to free reserves	0	0	(374.3)	0	374.3	0	0
Payout	0	0	0	0	(374.3)	0	(374.3)
Allocation to free reserves	0	0	0	0	800.0	(800.0)	0
Net income of the year	0	0	0	0	0	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**
Equity as at January 1, 2012	**654.2**	**2,045.8**	**6,839.9**	**486.3**	**5,562.8**	**991.6**	**16,580.6**
Capital increase	0	0	0	0	0	0	0
Decrease reserves for treasury shares	0	372.0	0	(372.0)	0	0	0
Allocation to free reserves	0	0	(325.0)	0	325.0	0	0
Payout	0	0	0	0	(325.0)	0	(325.0)
Allocation to free reserves	0	0	0	0	500.0	(500.0)	0
Net income of the year	0	0	0	0	0	871.9	871.9
Equity as at December 31, 2012	**654.2**	**2,417.8**	**6,514.9**	**114.3**	**6,062.8**	**1,363.5**	**17,127.5**

Data as required under Art. 663b and c of the Swiss Code of Obligations

Contingent liabilities	31.12.2013	31.12.2012
Million CHF		
Holcim Capital Corporation Ltd.		
Guarantees in respect of holders of		
6.59% USD 165 million private placement due in 2014	160[1]	173
7.65% USD 50 million private placement due in 2031	68[1]	103
6.88% USD 250 million bonds due in 2039	245[1]	252
6.50% USD 250 million bonds due in 2043	245[1]	0
Holcim Capital México, S.A. de C.V.		
Guarantees in respect of holders of		
4.36% MXN 1,500 million bonds due in 2015	112[2]	116
4.46% MXN 800 million bonds due in 2016	60[2]	62
7.00% MXN 1,700 million bonds due in 2019	127[2]	132
Holcim Capital (Thailand) Ltd.		
Guarantees in respect of holders of		
3.52% THB 1,220 million bonds due in 2015	36[3]	65
Holcim Finance (Australia) Pty Ltd		
Guarantees in respect of holders of		
7.00% AUD 250 million bonds due in 2015	218[4]	261
6.00% AUD 250 million bonds due in 2017	218[4]	261
5.25% AUD 200 million bonds due in 2019	174[4]	209
Holcim Finance (Canada) Inc.		
Guarantees in respect of holders of		
6.91% CAD 10 million private placement due in 2017	10[6]	12
5.90% CAD 300 million bonds due in 2013	0[6]	304
3.65% CAD 300 million bonds due in 2018	276[6]	304
Holcim Finance (Luxembourg) S.A.		
Guarantees in respect of holders of		
4.38% EUR 600 million bonds due in 2014	809[5]	797
9.00% EUR 650 million bonds due in 2014	877[5]	863
6.35% EUR 200 million bonds due in 2017	270[5]	266
Holcim GB Finance Ltd.		
Guarantees in respect of holders of		
8.75% GBP 300 million bonds due in 2017	485[7]	488
Holcim Overseas Finance Ltd.		
Guarantees in respect of holders of		
3.00% CHF 155 million bonds due in 2013	0	171
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	439[1]	444
Guarantees in respect of holders of		
5.96% USD 125 million private placement due in 2013	0[1]	114
6.10% USD 125 million private placement due in 2016	111[1]	114
6.21% USD 200 million private placement due in 2018	178[1]	183
5.12% EUR 90 million private placement due in 2013	0[5]	120
1.57% EUR 202 million private placement due in 2015 – early repaid	0[5]	268
6.00% USD 750 million bonds due in 2019	734[1]	755
2.63% EUR 500 million bonds due in 2020	674[5]	664
4.20% USD 50 million bonds due in 2033	49[1]	0
5.15% USD 500 million bonds due in 2023	489[1]	0
Guarantees for committed credit lines, utilization CHF 209 million (2012: 0)	3,697	3,983
Other guarantees	20	2

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 0.8897.
[2] Exchange rate MXN: CHF 0.0681.
[3] Exchange rate THB: CHF 0.0272.
[4] Exchange rate AUD: CHF 0.7931.
[5] Exchange rate EUR: CHF 1.2259.
[6] Exchange rate CAD: CHF 0.8356.
[7] Exchange rate GBP: CHF 1.4706.

Issued bonds

The outstanding bonds and private placements as of December 31, 2013, are listed on pages 218 and 219.

Principal investments

The principal direct and indirect investments of Holcim Ltd are listed under the heading "Principal companies of the Holcim Group" on pages 243 to 245.

Treasury Shares		Number	Price per share in CHF	Mio CHF
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
01.01.2012	Treasury shares	7,270,081	66.90	486.3
01.01. to 31.12.2012	Purchases	284,746	55.98	16.0
01.01. to 31.12.2012	Sales	(5,818,289)	58.21	(388.0)
31.12.2012	Treasury shares	1,736,538	65.81	114.3

Conditional share capital		Number	Price per share in CHF	Mio CHF
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
01.01.2012	Conditional shares par value	1,422,350	2.00	2.8
01.01. to 31.12.2012	Movement	0	0	0
31.12.2012	Conditional shares par value	1,422,350	2.00	2.8

Share interests of Board of Directors and senior management

As of December 31, 2013, the members of the Board of Directors and senior management of Holcim held directly and indirectly in the aggregate 66,088,807 registered shares (2012: 66,178,113) and no rights to acquire further registered shares and 550,151 call options on registered shares (2012: 853,942).

Important shareholders[1]

As per December 31, 2013, Thomas Schmidheiny directly and indirectly held 65,776,734 shares (20.11 percent) (2012: 65,775,590 shares or 20.11 percent)[2]. Eurocement Holding AG declared holdings of 35,402,772 shares (10.82 percent) as per December 31, 2013 (2012: 35,402,772 shares or 10.82 percent). Harris Associates L.P. declared holdings of 16,711,883 shares (5.11 percent) as per September 5, 2013.

The information disclosed complies with Swiss legal requirements. Further information can be found in the notes to the consolidated financial statements on pages 184 to 242. Specific information in accordance with Art. 663b para. 12 (risk assessment), Art. 663b^bis and Art. 663c para. 3 (transparency law) of the Swiss Code of Obligations are disclosed in the section "Risk management" on pages 177 to 183 and note 42 on pages 237 to 242, respectively.

Financial statement presentation

Due to the amalgamation of Holcim IP Ltd as of January 1, 2013 the prior year figures are only comparable to a limited extent with those of the reporting period.

[1]Shareholding of more than 3 percent.
[2]Included in share interests of Board of Directors and senior management.

Share capital	2013		2012	
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	2013	2012
	Million CHF	Million CHF
Retained earnings brought forward	563,5	491.6
Net income of the year	1,064.9	871.9
Retained earnings available for annual general meeting of shareholders	**1,628.4**	**1,363.5**
The Board of Directors proposes to the annual general the following appropriation:		
Allocation to free reserves	(800.0)	(800.0)
Balance to be carried forward	**828.4**	**563.5**

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[1].

	2013	2012
	Cash payout CHF	Cash payout CHF
Payout per share, gross	1.30	1.15
Less withholding tax	0	0
Payout per share, net	1.30	1.15

[1]There is no payout on treasury shares held by Holcim. On January 1, 2014, treasury holdings amounted to 1,522,510 registered shares.

To the General Meeting of Holcim Ltd, Jona

Zurich, February 25, 2014

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 254 to 259 for the year ended December 31, 2013.

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, 2013, 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	Elisa Alfieri
Licensed Audit Expert	Licensed Audit Expert
Auditor in charge	

5-year-review Group Holcim

		2013	2012[1]	2011[2]	2010[2]	2009[2]
Statement of income						
Net sales	million CHF	19,719	21,160	20,744	21,653	21,132
Gross profit	million CHF	8,632	8,631	8,528	9,274	9,060
Operating EBITDA	million CHF	3,896	3,889	3,958	4,513	4,630
Operating EBITDA margin	%	19.8	18.4	19.1	20.8	21.9
Operating profit	million CHF	2,357	1,749	1,933	2,619	2,781
Operating profit margin	%	12.0	8.3	9.3	12.1	13.2
EBITDA	million CHF	4,332	4,352	4,264	4,988	5,229
Depreciation, amortization and impairment	million CHF	1,547	2,150	2,367	1,934	1,858
EBIT	million CHF	2,785	2,202	2,235	3,054	3,371
Income taxes	million CHF	533	550	449	615	623
Tax rate	%	25	35	40	28	24
Net income	million CHF	1,596	1,002	682	1,621	1,958
Net income margin	%	8.1	4.7	3.3	7.5	9.3
Net income – shareholders of Holcim Ltd	million CHF	1,272	610	275	1,182	1,471
Statement of cash flows						
Cash flow from operating activities	million CHF	2,787	2,643	2,753	3,659	3,888
Cash flow margin	%	14.1	12.5	13.3	16.9	18.4
Investments in property, plant and equipment for maintenance	million CHF	719	790	752	410	376
Investments in property, plant and equipment for expansion	million CHF	1,282	803	886	1,182	1,929
(Disposal) Purchase of financial assets, intangible and other assets and businesses net	million CHF	(336)	(396)	154	(230)	2,125
Statement of financial position						
Current assets	million CHF	7,590	8,275	8,154	8,512	10,797
Long-term assets	million CHF	30,355	32,922	34,400	35,747	38,409
Total assets	million CHF	37,944	41,198	42,554	44,259	49,206
Current liabilities	million CHF	7,461	8,299	7,695	7,214	9,280
Long-term liabilities	million CHF	11,807	13,665	15,202	15,924	17,882
Total shareholders' equity	million CHF	18,677	19,234	19,656	21,121	22,044
Shareholders' equity as % of total assets		49.2	46.7	46.2	47.7	44.8
Non-controlling interest	million CHF	2,471	2,797	2,827	3,020	3,011
Net financial debt	million CHF	9,461	10,325	11,549	11,363	13,833
Capacity, sales and personnel						
Annual production capacity cement	million t	206.2	209.3	216.0	211.5	202.9
Sales of cement	million t	138.9	142.3	144.3	136.7	131.9
Sales of mineral components	million t	4.1	4.8	5.1	4.1	3.5
Sales of aggregates	million t	154.5	158.2	173.0	157.9	143.4
Sales of ready-mix concrete	million m^3	39.5	45.3	48.4	45.9	41.8
Personnel	31.12.	70,857	76,359	80,967	80,310	81,498
Financial ratios						
Return on equity[3]	%	7.8	3.7	1.6	6.4	8.6
Funds from operations[4]/net financial debt	%	33.4	30.5	26.4	31.3	27.6
EBITDA net interest coverage	x	7.8	6.9	4.2	6.1	7.3
EBIT net interest coverage	x	5.0	3.5	2.2	3.7	4.7
Net financial debt/EBITDA	x	2.2	2.4	2.7	2.3	2.6

[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.

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Financial reporting calendar

Results for the first quarter 2014	April 28, 2014
General meeting of shareholders	April 29, 2014
Ex date	May 2, 2014
Payout	May 7, 2014
Half-year results 2014	July 30, 2014
Results for the third quarter 2014	November 4, 2014