Holcim

We know how to create value.

Annual Report 2001

Holcim Annual Report 2001

Group			
Financial data in million CHF	2001	2000	± %
Net sales	13,644	13,531	+0.8
Operating profit	1,945	2,001	–2.8
Operating profit margin in %	14.3	14.8	–
EBITDA	3,574	3,595	–0.6
EBITDA margin in %	26.2	26.6	–
Cash flow from operating activities	2,402	2,557	–6.1
Cash flow margin in %	17.6	18.9	–
Group net income before minority interests	1,031	1,035	–0.4
Group net income after minority interests	812	886	–8.4
Profit margin in %	6.0	6.6	–
Investments in property, plant and equipment net	1,730	1,640	+5.5
Financial investments net	1,949	1,929	+1.0
Depreciation and amortization	1,417	1,429	–0.8
Total assets	27,044	24,989	+8.2
Shareholders' equity[1]	10,383	9,000	+15.4
Shareholders' equity[1] in %	38.4	36.0	–
Volumes in million t			
Cement consumption Group countries[2]	526.3	517.2	+1.8
Production capacity cement	121.2	113.2	+7.1
Sales of cement and clinker	84.3	80.6	+4.6
Sales of aggregates	89.5	86.6	+3.3
Volumes in million m³			
Sales of ready-mix concrete	25.5	24.9	+2.4
Personnel as at 31.12.	47,362	44,316	+6.9

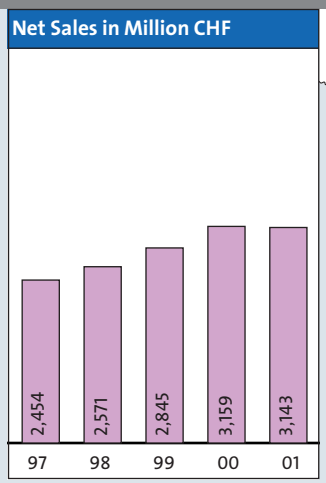
Holding Company			
Financial data in million CHF	2001	2000	± %
Financial income	297.7	293.9	+1.3
Net income	203.9	189.7	+7.5
Shareholders' equity	3,918	3,252	+20.5
Gross dividend	195.2[5]	187.6	+4.1

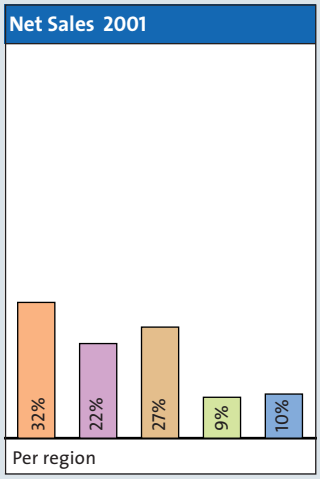
Key Figures per Share[3]			
In CHF	2001	2000	± %
Earnings per dividend-bearing bearer share	21.20	24.12	–12.1
Earnings per dividend-bearing registered share	4.24	4.82	–12.1
Fully diluted earnings per bearer share	20.85	23.60	–11.7
Fully diluted earnings per registered share	4.17	4.72	–11.7
Shareholders' equity per bearer share[4]	195.80	189.44	+3.4
Shareholders' equity per registered share[4]	39.16	37.89	+3.4
Gross dividend per bearer share	5.00[5]	5.00	–
Gross dividend per registered share	1.00[5]	1.00	–
Dividend yield per bearer share in %	1.4	1.0	–
Dividend yield per registered share in %	1.4	0.9	–
Bearer share high	403	455	–
Registered share high	109	120	–
Bearer share low	265	326	–
Registered share low	61	87	–
Bearer share price as at 31.12.	358	487	–
Registered share price as at 31.12.	73	109	–

[1] Including interests of minority shareholders.
[2] Holcim estimates.
[3] Both share categories were split 5-for-1 in 2001. Previous year's figures have been adjusted accordingly.
[4] After interests of minority shareholders, adjusted.
[5] Proposed by the Board of Directors.

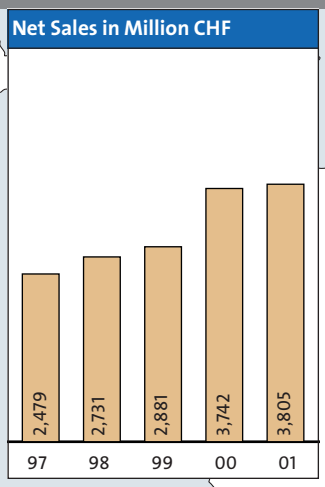
Better performance thanks to wider market presence.

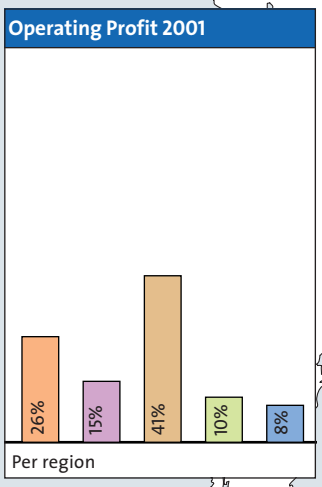
North America



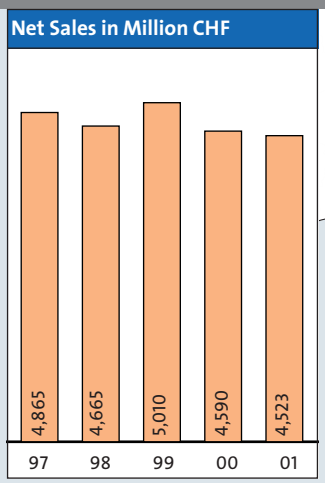


Latin America

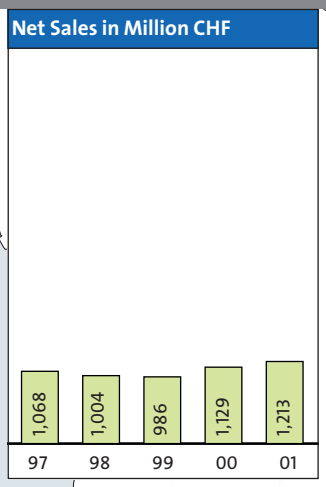




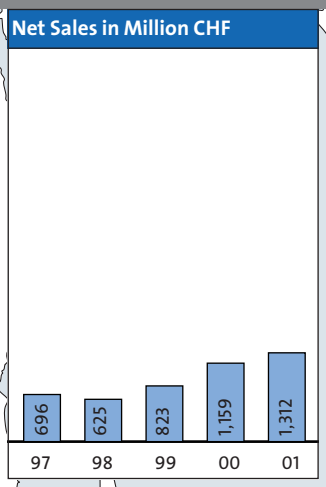
Europe



Africa Middle East



Asia Pacific



Holcim operates in more than 70 countries worldwide. Cement, aggregates and concrete make up the Group's core business.

Contents

“We want to be the most respected partner in the market and secure the pole position in our industry.”

Good results under difficult market conditions

In 2001, world markets became significantly more difficult. With sales growth in excess of 5 percent, the first half of 2001 once again surpassed the previous year’s very strong performance, but in the second half of the year sales fell 3 percent under the impact of the economic turbulence. On balance, consolidated sales rose 0.8 percent. As expected, owing to a combination of the appreciable fall-off in demand for construction materials, a deterioration in currency exchange rates in individual key markets and the delay in commissioning the new Portland plant in the US, our results failed to match the previous year’s record level. Operating results were also affected by one-time expenditures on restructuring measures directly linked to the recessionary environment in specific markets, as well as to further efficiency enhancements. Some of the measures will already have a positive impact on earnings in 2002.

Global presence strengthened

In the core cement business, Holcim has the world’s largest market presence, a fact that did not change during the year under review. On the contrary: we strengthened our positions through acquisitions, gaining access to new markets, and through investments to round off existing positions. Important moves included the acquisition of a majority stake in PT Semen Cibinong in Indonesia and the expansion of our grinding capacity in Bangladesh, Brazil, Chile, Ecuador and the United States. Since 1998, we have taken every available opportunity in the Asia Pacific region and, as previously in Latin America, established a unique basis for future growth. This reflects the resolve of the Board of Directors and the Executive Committee to continue to strengthen Holcim’s position as a leading player in the top tier of international cement manufacturers.

From “Holderbank” to Holcim

In line with the decision taken at last year’s General Meeting of Shareholders we have begun introducing Holcim as our new brand name. Most European Group companies have now successfully introduced the new name and, by the end of 2003, Holcim will be established as a globally visible umbrella brand in all regions and markets. This visible change of identity is coupled with our determination to grow closer into a strong Group. Group-wide standards will help ensure that our subsidiaries are increasingly able to focus on local market circumstances and the changes taking place in them.

New management structure

The Holcim Group has grown very strongly since the mid-1990s, significantly strengthening its market position in the Asian and Latin American regions in particular. This dynamic trend and the increasing competitive pressures of world markets have prompted the Board of Directors to considerably strengthen the Group’s executive management. At the beginning of 2002, Markus Akermann took over responsibility as Group CEO, Area Manager Paul Hugentobler was elected to the Executive Committee and Urs Bieri was appointed Deputy CEO. With the separation of the functions of Board Chairman and CEO, the Board of Directors has also taken into account the increased demands of efficient corporate governance. The establishment of an Audit Committee and a Nomination & Compensation Committee is designed to achieve the same objectives. Within the Group, we are implementing the expanded international standards for listed companies.

Cost-cutting measures introduced

The focus is on Group-wide measures to improve operating results. Restructuring measures taken in various mature markets have already made substantial progress towards achieving this goal. In particular, we have adjusted our production capacity to match long-term demand trends and have replaced inefficient plants with state-of-the-art, cost-effective and environmentally friendly production units. A second round of measures is aimed at reducing variable costs. We expect greater use of alternative fuels and raw materials and an increase in plant efficiency to deliver improvements in results. The central procurement platform e-PROCURE!, for instance, creates substantial scope for savings. However, such measures do lead to a temporary increase in central expenditure. A third initiative is the formation of cross-border management organizations and joint service centers. The management mergers between the Group companies in Belgium and France and in Colombia and Venezuela are good examples. Service centers were opened in São Paulo for Latin America's "Conosur" trade zone and in Bangkok for several ASEAN countries. The organizational structure of a number of Group companies in eastern Europe is also being concentrated and simplified. These projects are leading to a substantial reduction in fixed costs and also helping to integrate newly acquired companies into the Group rapidly and cost-effectively.

Cement consumption continuing to grow

The forecasts for our sector are favorable. Despite regional fluctuations, we expect the coming years to see an increase in global cement consumption. Market expansion and restructuring are providing us with new opportunities for solid growth and we shall continue to play an active part in shaping the consolidation of the industry. Within the Group, we shall continue to maintain the financial resources for targeted, value-creating investments.

Outlook: results still at a high level

In 2002, the world economy and the construction industry will encounter more difficult market conditions in certain countries. Regardless, we feel confident that Holcim will maintain or even surpass the financial level it has achieved. Our optimism is based on the efforts being made to raise the Group's fitness, coupled with the restructuring measures that have been completed for several Group companies. A possible economic recovery in the second half of the year would undoubtedly have a positive impact on the Group's financial performance.

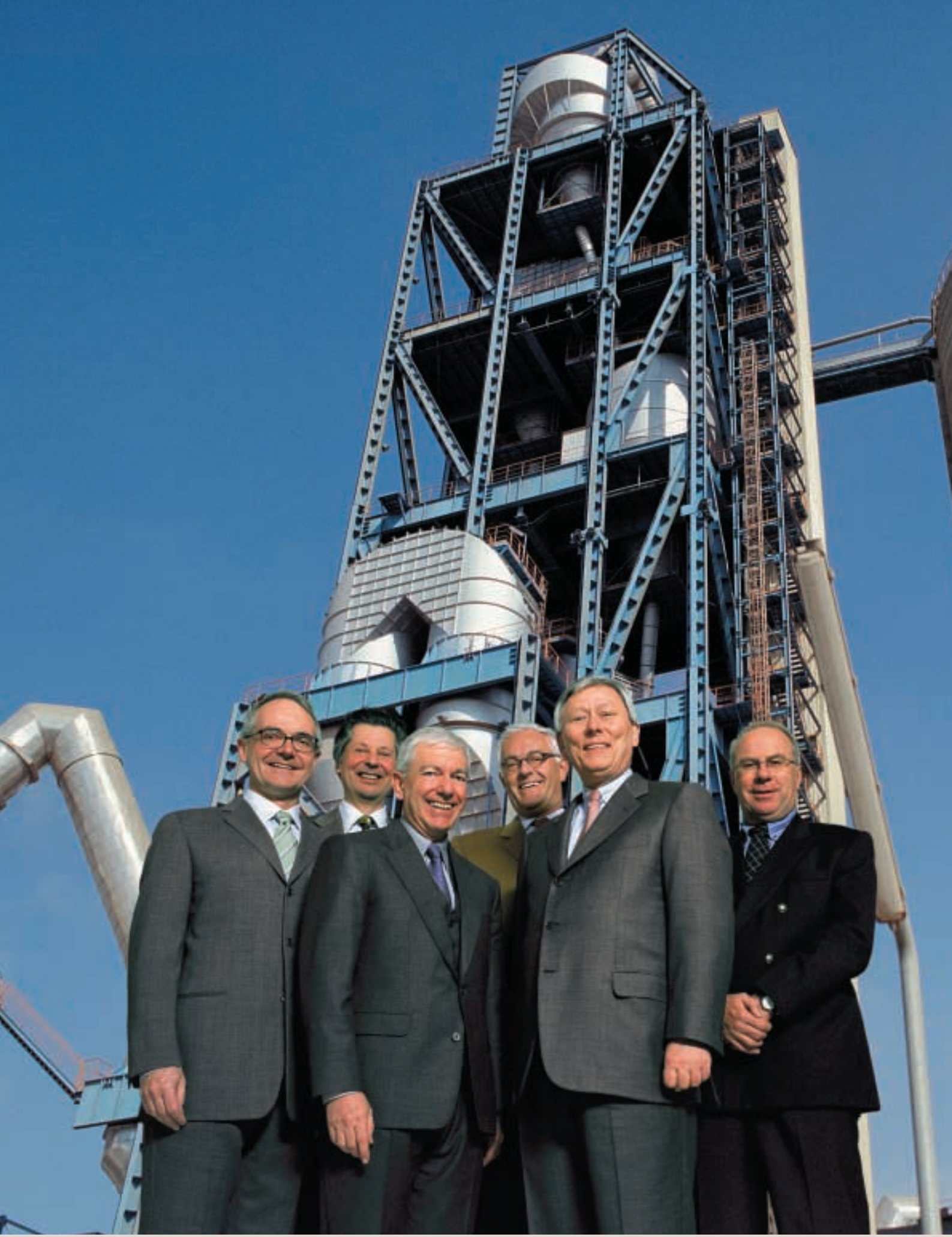
Thanks to everyone involved

The Board of Directors and the Executive Committee would like to thank all market partners for the confidence they have placed in them. We shall not ease up in our efforts to provide customers around the globe with high-quality products and services. A special word of thanks is due to the Group's employees whose initiative and determination have once again underscored their resolve to play an active part in securing the continuing success of the company.

Dr. h.c. Thomas Schmidheiny
Chairman of the Board of Directors

Markus Akermann
CEO

Jona, March 22, 2002



Theophil H. Schlatter | Dr. Hansueli Heé | Urs Bieri | Benoît-H. Koch | Markus Akermann | Paul Hugentobler

Once again, substantial resources were allocated in 2001 to maintain productive capacity and secure competitiveness. A major investment was the construction of an additional kiln line in Egypt. Egyptian Cement now operates four identical highly efficient kiln lines.

Board and Management

Board of Directors

Dr. h.c. Thomas Schmidheiny
Chairman
Dr. Anton E. Schrafl
Deputy Chairman
Dr. Erich Hunziker
Dr. Willy Kissling
Dr. Peter Kurer
Prof. Dr. Angelo Pozzi
Prof. Dr. Gilbert Probst
Dr. h.c. Wolfgang Schürer
Dr. Rolf Soiron
Peter G. Wodtke

Executive Committee

Markus Akermann
CEO as of 1.1.2002
Latin America (ad interim)

Urs Bieri
Deputy CEO as of 1.1.2002
Southern ASEAN, East Asia and Pacific, South and East Africa

Dr. Hansueli Heé
Central and Eastern Europe

Paul Hugentobler
South Asia and Northern ASEAN as of 1.1.2002

Benoît-H. Koch
North America, Western Europe, Mediterranean and International Trade

Theophil H. Schlatter
CFO
Finance and Controlling

Area Managers

Urs Böhlen
Jean Guillot
Dr. Thomas Knöpfel
Jerry C.R. Maycock

Secretary of the Board of Directors

Dr. Christian Wind

Heads Staff Functions

Thomas Aebischer
Beat Fellmann
Bernhard A. Fuchs
Pierre F. Haesler
André Haller
Christof Hässig
Roland Köhler
Roland Walker

Heads Service Functions

Hermann Bauert
Dr. Walter Baumgartner
Urs Bleisch
Jacques Bourgon
Dr. Hans Braun
Marc Füllemann
Dr. Jürg Meili
Samuel Plüss
Patrick Verhagen
Dr. Stefan Wolfensberger

Group and Holding Company Auditors

Arthur Andersen AG

Management Structure

See organizational chart on back cover flap.

Changes

The composition of the Board of Directors and the Executive Committee of Holcim Ltd remained unchanged during the reporting period. All members of the Board of Directors have been elected until the 2002 General Meeting of Shareholders. Newly named on 1.1.2002 as CEO of Holcim Ltd was Markus Akermann. Also newly appointed on 1.1.2002 to join the Executive Committee was Area Manager Paul Hugentobler. All information is provided as effective on 1.4.2002.

A key feature of our employees' open, partnership-based culture is cross-team, multicultural cooperation.

The Group stands or falls by its employees
Every strategy begins with a vision and ours is to help build the foundation for tomorrow's society. Realizing this ambitious goal depends on a number of strategic decisions on matters of principle. One such decision is to give a high priority to the people who work for the Group. We will only achieve our vision if we have competent, motivated and enthusiastic employees. Therefore, we apply high standards in recruiting and work to create a climate which ensures the people who join us, or who already work for us, have a long-term commitment to the company.

We foster the development of all our staff through continuous basic and advanced training. We recognize and support qualities such as initiative, team spirit, a sense of responsibility and a willingness to learn. We offer an environment that encourages employees to be curious and expand their knowledge, maintains an open, partnership-based corporate culture and allows people to learn from their mistakes without being penalized. This gives employees the scope to unfold their potential, acquire new skills and steadily build up their profile within the company. Our employees think and act like entrepreneurs.

Systematically developing management staff
International reach and mobility are key components of our corporate strategy. We aim to assume leading positions in all markets relevant to us and to achieve this we have established production facilities and branches on all five continents. We accept the operational challenges that come with the role of a global player while at the local company level we strengthen and promote the ability to act and assume responsibility. We recognize that the key to our continued success are the local management staff who make the daily operating decisions in response to regional and local market conditions. Within the Group, top priority is given to fostering their development and enabling them to progress in their careers.

Holcim's aims and strategies are specified at Group level. Building on this, the management development process defines what abilities and competencies the Group needs if it is to achieve its targets and ensure its competitiveness. These competencies cover three areas. First, professional competence which combines technical and practical skills with business sense and a feel for environmental facts. Second, social competence reflecting management quality, team spirit, communication or coaching. Finally, personal competence measured by criteria such as openness, motivation, stress resistance and creativity.

Our management development process is successful if we grow the right people with a passion for performance. In order to create this reservoir of personnel within the company, we pursue a targeted policy of encouraging staff who meet these strategic competencies and show a willingness to be mobile. These employees demonstrate our high standard of international management competence. Their mobility ensures a rapid exchange of experience and plays a decisive part in the integration of the many cultures within the company. Regular international transfers ensure knowledge, experience and "best practices" are rapidly spread throughout the company making Holcim an intrinsically strong multicultural Group. This unique position is reflected in our appeal as an employer. The global focus and the integration of widely varying cultures offer our management staff a broad range of major challenges and opens up the prospect of long-term, international career opportunities.

Promoting young talent
The "Holcim International Management Program" (HIMP) is part of the management development process. HIMP identifies promising talented individu-

als who are put through systematic development stages to groom them for roles as potential senior managers. The program prepares committed employees for the responsibility of accomplishing and embodying Holcim's "mission" at an international level: we aspire to be the most highly regarded and attractive company in the industry and to create enduring value for all relevant target groups. HIMP currently looks after a pool of around 200 talented employees.

International transfers help talented employees to gain multicultural experience that broadens their horizon and sharpens their ability to move with confidence in a rapidly changing environment. In addition, we promote regular exchange of knowledge, experience and raise employees' awareness that a forward-looking approach, mobility, a willingness to communicate and confidence in taking decisions are essential in a global company.

Expenditure on management development is an investment in the future. The initiatives we have put in place enable us to constantly maintain and improve the caliber of our management staff and ensure that our future management staff will be ready when we need them. Developing motivated and enthusiastic employees provides a basis for our confidence in the future.

We offer talented and motivated employees an attractive environment with international career opportunities. Two of the rules we operate: fair play and appreciation of different cultures.

Responsibility towards the environment and society – as illustrated by two examples.

Laying the foundations for the society of the future
Our vision, laying the foundations for the society of the future, places us under an obligation to engage in active environmental management and assume a high level of social responsibility. A component is striking a balance between economic growth, environmental efficiency and social progress. We create enduring value through active involvement in the economies and societies in which we work. We are committed to the places where our production facilities are located, offer a modern working environment and make optimum use of the limited resources available to us. We strive to preserve an environment worth living in for future generations. We seek to enable our employees to act responsibly towards society and the environment and make great efforts to be recognized as an esteemed and reliable partner by all interest groups. We are constantly working to improve our products and the service we provide. Participation in a large number of forums helps us to find the right way to grow. We reached a milestone in 1999 when we joined the "World Business Council for Sustainable Development" . In November 2002, we shall publish our first "Corporate Sustainable Development Report" which will give an account of the progress we are making on the path to sustainability for public discussion. The report will document our Group-wide guidelines on sustainable development and describe our activities and successes. Our benchmark will be the environmental principles we adopted in 2001 and our ideas on social responsibility.

Environmental certification in the Philippines
Within a year, the Mindanao-based Group company Alsons Cement Corporation has developed an environmental management concept which it has implemented in earnest. The Luga-It plant has had ISO 14001 certification since September 2001. Before finalizing specific measures, Alsons analyzed and tested all operational processes at the Luga-It plant. From the outset, we had high expectations in terms of boosting process efficiency, improving the image of the product and social acceptance of changes.

Backed up by highly motivated teams, the whole of management took part in and actively supported the program. The first step was to adopt a binding environmental policy for the whole company. This was supplemented by targeted environmental programs and institutionalized monitoring to measure successes and failures. With unusual speed, the project emerged as an exemplary model of sustainable development for the company and the public at large. As part of a reforestation program, some 60,000 trees suited to the local habitat have been planted on an area of land covering 16 hectares. The project has also led to the creation of an ecologically valuable quarry lagoon and a bird sanctuary. In addition, the overall concept includes ecologically valuable and commercially viable waste recycling as part of the production process and efficient emission monitoring. The results speak for themselves: the measures taken will bring health benefits and a sustained improvement in safety standards at the plant. There has been a perceptible increase in staff satisfaction, with employees taking pride in the work that has been done and noting with gratification the recognition that has come from wide sections of the public.

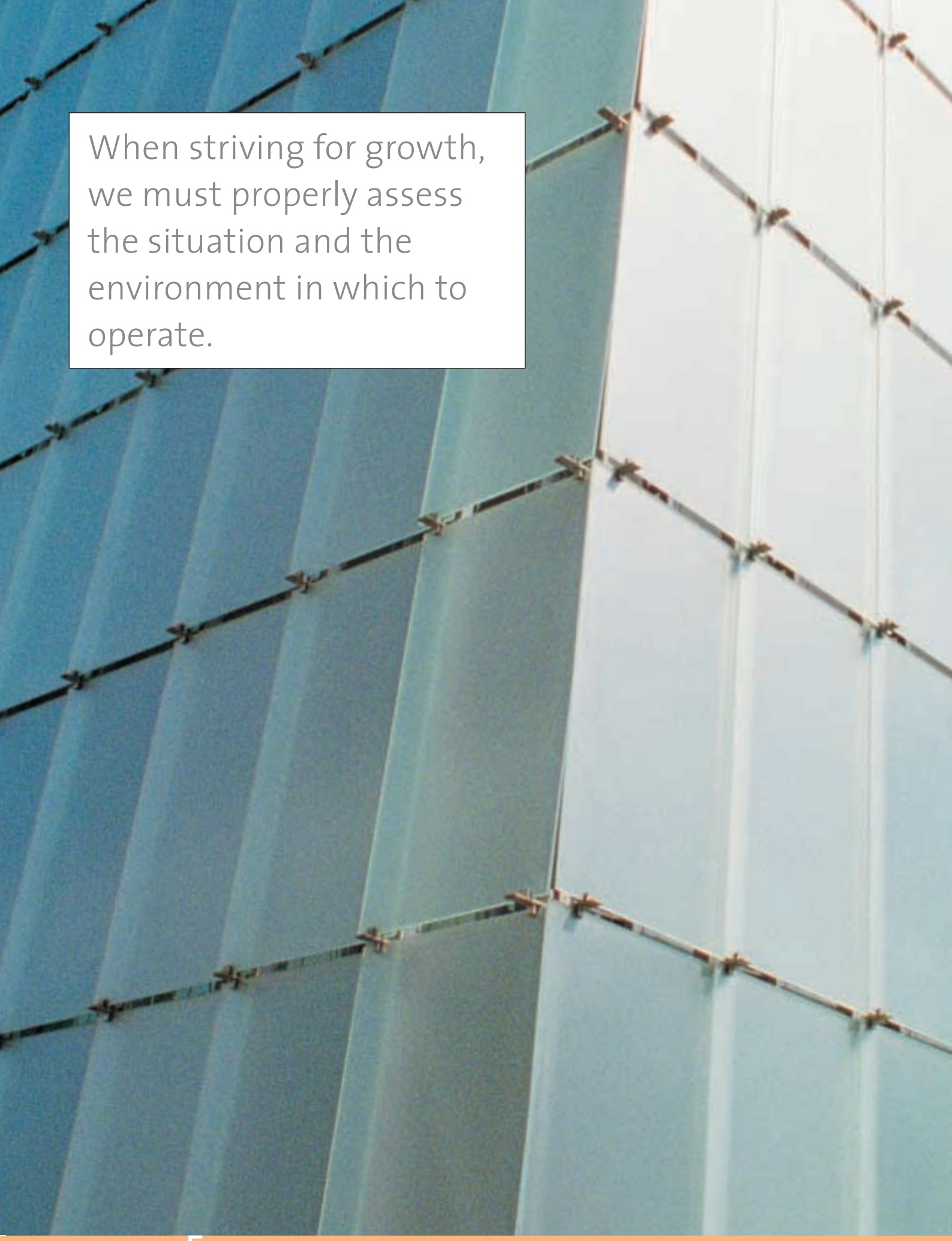
Promoting agriculture in Mexico
For many years now, Mexican Group company Apasco has operated agricultural training centers under the name "Centros de Capacitación Agropecuaria y Forestal" (CECAF). The centers have a twofold purpose: firstly to help raise living standards among the rural population and secondly to foster environmental awareness.

The first CECAF was opened in 1981 close to the Macuspana cement plant in the Mexican state of Tabasco and was followed by further centers in the immediate environs of the plants of Apaxco, Ramos Arizpe, Orizaba and Tecomán. The CECAFs educate

local farmers about optimum soil management, both in terms of environmental protection and from the point of view of improving crop yields. Once they have completed the course, participants are given the opportunity to buy quality livestock and plants at prices they can afford. Apasco thus makes a key contribution towards evening the social divide between industrial workers and the campesinos. At the same time, we create better conditions for the long-term survival of small farms.

Participation in the training courses is voluntary, and has generated a great deal of interest. Our initiatives have also come to the attention of the Mexican government, which has supported a total of 64 CECAF projects over the past three years. CECAF also promotes projects involving the cultivation of indigenous plants. One such plant is the "palma camedor", an ornamental palm for which a lucrative export market is currently emerging. Our Group company Apasco feels confident that the long-term CECAF projects and the commitment to the welfare of local communities is creating sustainable value for future generations.

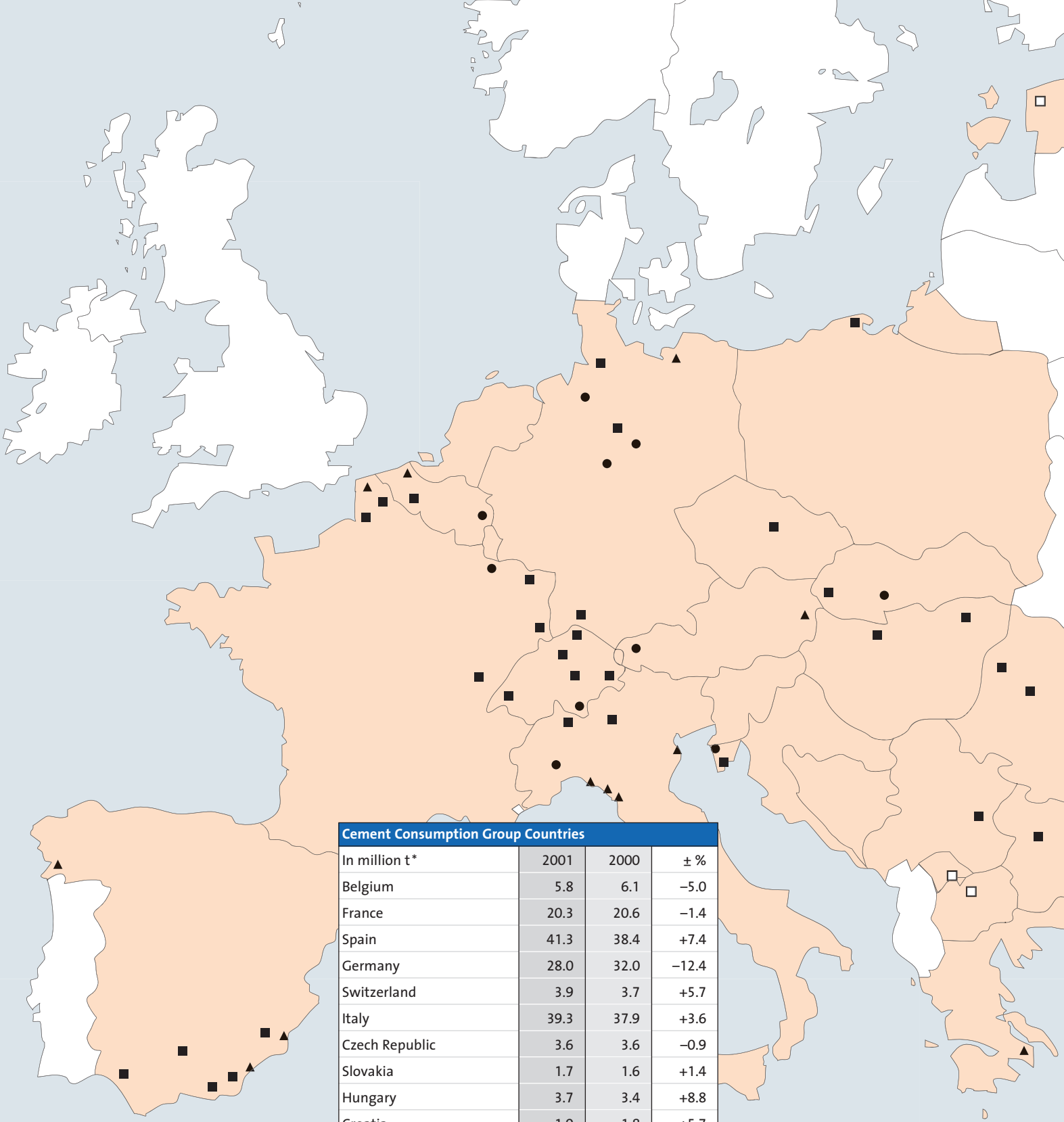
Our aims are captured in our vision. We intend to be a reliable partner wherever we operate, create enduring value and become widely known and respected for our continuous social commitment. Through our efforts on environmental issues, specifically to promote renewable resources, we are laying the foundations for the society of the future.



When striving for growth, we must properly assess the situation and the environment in which to operate.

Europe

The art of being in the right place at the right time has to do with knowledge, information and analysis. When Holcim becomes involved in acquisitions or enters new markets, it does so with a long-term view. Investments must pay off: for the Group, for shareholders, customers and employees and in the final analysis also for anyone building with cement and concrete.
Shown here: Bregenz Fine Arts Museum, Austria. Built with cement and know-how from Holcim.



Cement Consumption Group Countries			
In million t*	2001	2000	± %
Belgium	5.8	6.1	–5.0
France	20.3	20.6	–1.4
Spain	41.3	38.4	+7.4
Germany	28.0	32.0	–12.4
Switzerland	3.9	3.7	+5.7
Italy	39.3	37.9	+3.6
Czech Republic	3.6	3.6	–0.9
Slovakia	1.7	1.6	+1.4
Hungary	3.7	3.4	+8.8
Croatia	1.9	1.8	+5.7
Romania	4.4	4.2	+2.8
Bulgaria	1.4	1.5	–2.7
Total	155.3	154.8	+0.3

* Holcim estimates.

Consolidated Sales in Europe			
	2001	2000	± %
Cement and clinker in m t	24.692	24.184	+2.1
Aggregates in m t	47.557	46.510	+2.3
Ready-mix concrete in m m^3	12.431	12.454	–0.2

Holcim has grown stronger than the market

Cost-cutting measures introduced early

New products successfully launched

Further acquisitions across all segments in eastern Europe

Group: Cement plant ■ Grinding plant ● Important terminal ▲
Participation: Cement plant □

Consolidated Key Figures Europe

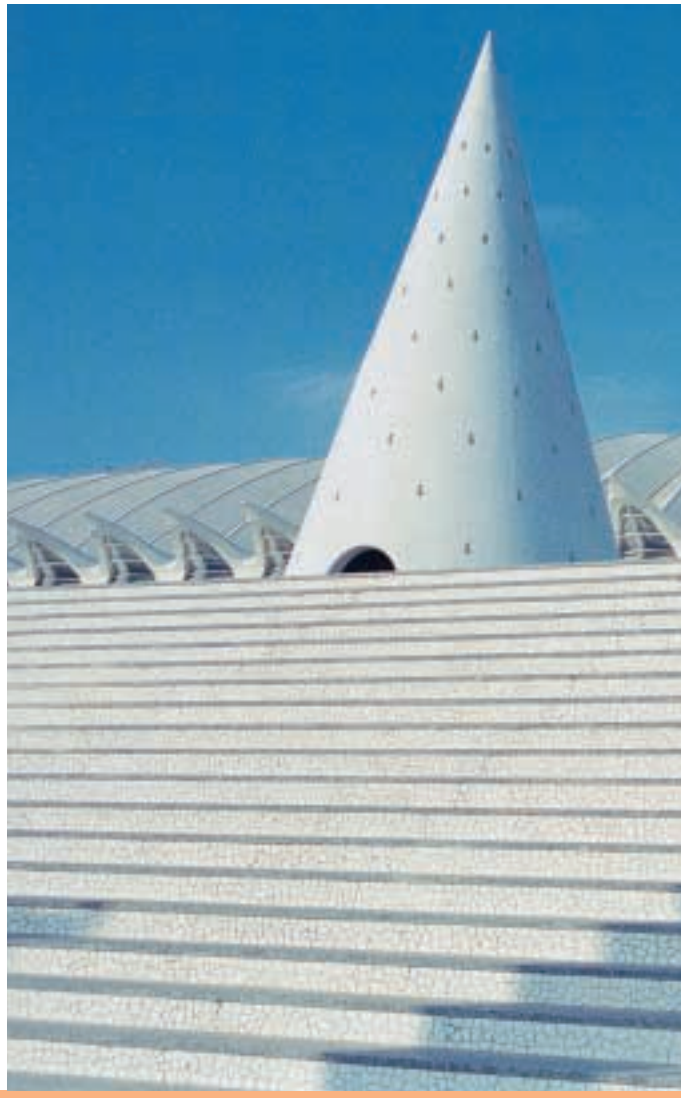
	2001	2000	± %
Net sales in million CHF	4,523	4,590	–1.5
Operating profit in million CHF	513	540	–5.0
Personnel	15,719	16,190	–2.9
Production capacity cement in million t	37.3	35.2	+6.0
Cement and grinding plants	41	38	–
Aggregate operations	136	137	–
Ready-mix concrete facilities	335	336	–

Muted growth in Europe.

Mixed picture for the construction industry
Europe's economic growth saw a significant slowdown in the year 2001, although this did not culminate in a general recession. There were still some markets in which the construction sector was buoyant. This was particularly true for Spain, Switzerland and Italy. There was also stronger construction demand in Slovakia, Hungary and Romania. The German construction industry, having been in a deep recession for several years, once again suffered a substantial fall in demand in the year under review.

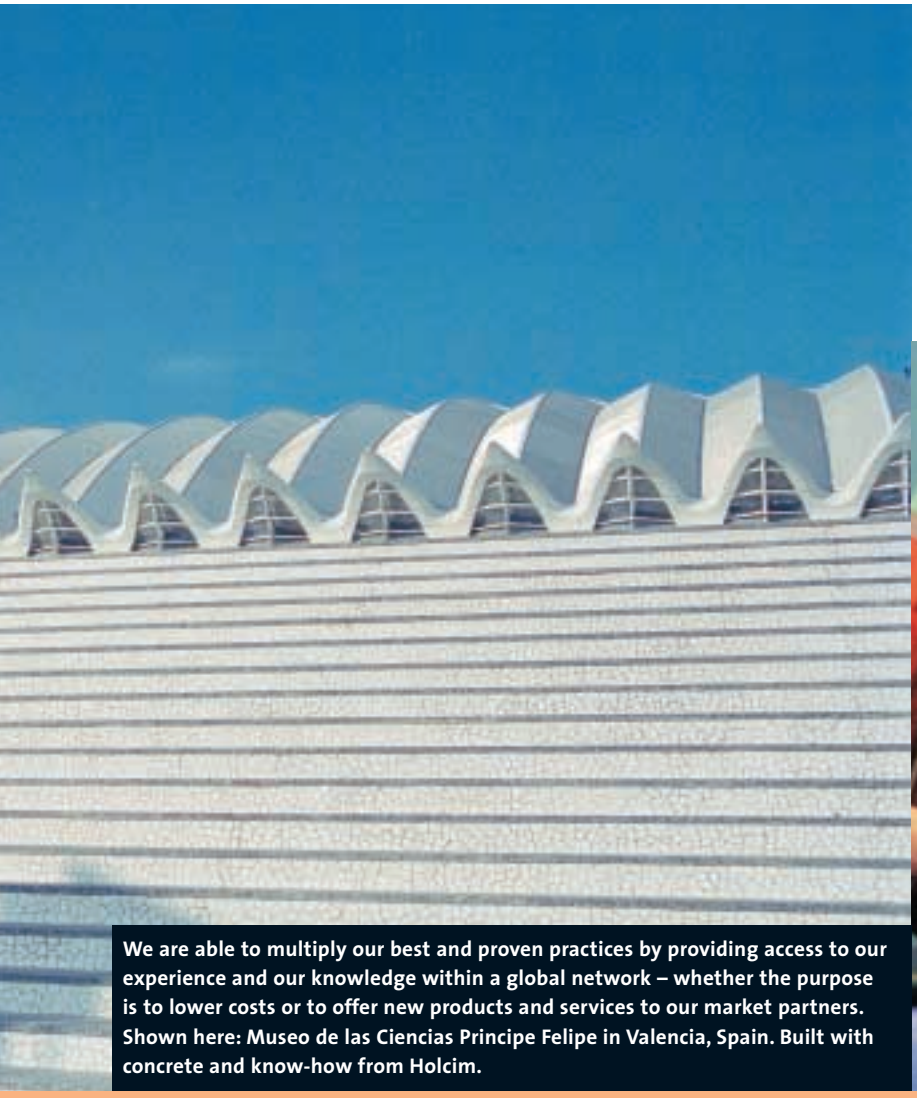
Cement consumption stagnating
In those European markets served by Holcim, cement consumption again amounted to around 155 million tonnes. In regional terms, however, it was a very mixed bag. Topping the growth league was Spain, where consumption grew by more than 7 percent. The main impetus came from major central and provincial government projects, as well as from the private residential sector. Cement volumes also increased in Switzerland and Italy. In Switzerland, the NEAT Alpine crossing and motorway building works in the Greater Zurich region stimulated demand. In Italy, residential and commercial construction was healthy throughout the year, with the public sector also picking up again towards the end of the year. Cement producers in the Benelux countries, France and particularly Germany all suffered declining sales. Markets were hit by public-sector restrictions on the placement of new orders. In Germany, the continuing fall in residential construction added to the industry's woes. The strict budgetary policies adopted by the authorities in the Czech Republic had a depressing effect on the country's construction industry. However, increased construction of shopping centres and new factory buildings underpinned the positive, medium-term uptrend. In the other markets of central and eastern Europe, positive and negative factors cancelled each other out. Cement consumption in Slovakia got a lift from an expansion of the road network, the building of new commercial premises as well as the construction of large apartment blocks. In Hungary, construction of private housing revived considerably on the back of government assistance programs. The Romanian construction industry recovered due to growth in private projects. In Bulgaria, cement demand fell slightly despite some road construction work.

Holcim has grown stronger than the market
The sales performance of our three core divisions were more or less in line with expectations. A gain of 2.1 percent in the cement sector meant that we performed better than the market. Significantly higher delivery volumes were generated by the Group companies in Switzerland, Hungary and – due to exports – Croatia. Holcim Spain and Merone in Italy also increased domestic deliveries. The Alesd plant in



Romania – consolidated for the first time over a five-month period – made a substantial contribution to Holcim Romania sales. Holcim (France Benelux) S.A. did not fully match the previous year's sales volume, though market share was held. Business was poor in northern Germany and the Czech Republic.
At an early stage, the conflicting conditions in some markets prompted us to implement cost-cutting measures in the cement division. The focus of these measures was on extensive rationalization at Alsen in Germany. Key points of the resizing program, triggered by the economic situation, were the stoppage of lime production at the Lägerdorf plant and a number of portfolio changes in the gravel and concrete divisions. In addition, we closed the Holcim Baden-Württemberg grinding facility at Kleinkems near Basel at the end of 2001. In Slovakia, clinker production at the Banská Bystrica plant was ceased.

The aggregates segment also showed an increase in deliveries. A significant proportion of the increased sales stemmed from acquisitions and first-time consolidations in several markets. Our concrete deliveries stagnated at year-2000 level. There was a drop in sales in some countries including Germany and Belgium. The German Group company Alsen divested a number of concrete plants, whereas the Belgian concrete company concentrated on quality business with superior margins against a very difficult competitive backdrop. While concrete sales in France remained at the level of the previous year, our Spanish Group company achieved an above-average expansion in volumes. Furthermore, additional concrete activities, notably in central and eastern Europe, were consolidated for the first time.



We are able to multiply our best and proven practices by providing access to our experience and our knowledge within a global network – whether the purpose is to lower costs or to offer new products and services to our market partners. Shown here: Museo de las Ciencias Principe Felipe in Valencia, Spain. Built with concrete and know-how from Holcim.

Holcim Trading maintains market position
Holcim Trading ranks among the world leaders in cement, clinker and commodity trading. Within our Group, the company acts as a hub for marketing surplus capacity as well as covering peaks in demand. Holcim Trading accomplished its role fully in the year under review. With a traded volume of 14 million tonnes, the company maintained its market position despite a clear reduction in demand for imported cement, particularly in the North America region.

The import positions managed by Holcim Trading in Africa and the Caribbean developed in line with our expectations. The West Africa group achieved a marked increase in volumes. The import terminals and grinding stations in the Caribbean were unable to repeat the good results of the previous year. The network of positions for capturing new sales channels has been further developed. We were increasingly successful in marketing the surplus capacity of Group companies within the region.

Better operating margin
Several Group companies achieved a clear improvement in results. They include Holcim in Spain, Merone in Italy, and the Group companies in Hungary, Croatia, Romania and Bulgaria. However, decreasing sales due to lower demand coupled with one-time restructuring expenses had a negative influence on the operating result in several countries. Structural adjustments were made in Slovakia. In Germany, we implemented early a major cost-cutting program in response to lower demand. Operating profit for the Group's Europe region fell by 5 percent to CHF 513 million. We view the programs that have been introduced as a means of strengthening future profitability.

Improved plant efficiency
Investments in the Europe region served primarily to enhance the efficiency of our plants and improve our ability to deliver. A new packaging facility was built at the Obourg plant in Belgium, while the Lumbres plant in France now has a new silo and blending facility. The main developments in Germany were the launch of a new special binder and the creation of the Georoc joint venture. The necessary blending facilities have been established at the Lägerdorf plant.

The establishment of Holcim White is enabling the Group to open up new channels for marketing white cement from its own production sites in Poland, Slovakia, Romania and Russia. The decision is based on growing demand for this aesthetically high-value building material and a desire for increased support.

Koromačno acquired a grinding plant in Umag, and at the three Romanian plants an extensive modernization program was under way.

Shortly before the end of the year, Holcim was given approval to acquire the Novi Popovac cement plant in Serbia. The company boasts the country's most advanced facility with an annual capacity of more than 1 million tonnes of cement.

A number of Group companies in central and eastern Europe extended their offering in the aggregates and concrete segments through acquisitions or new plants. Holcim Czech Republic opened an additional sand pit as part of an increase in vertical integration.

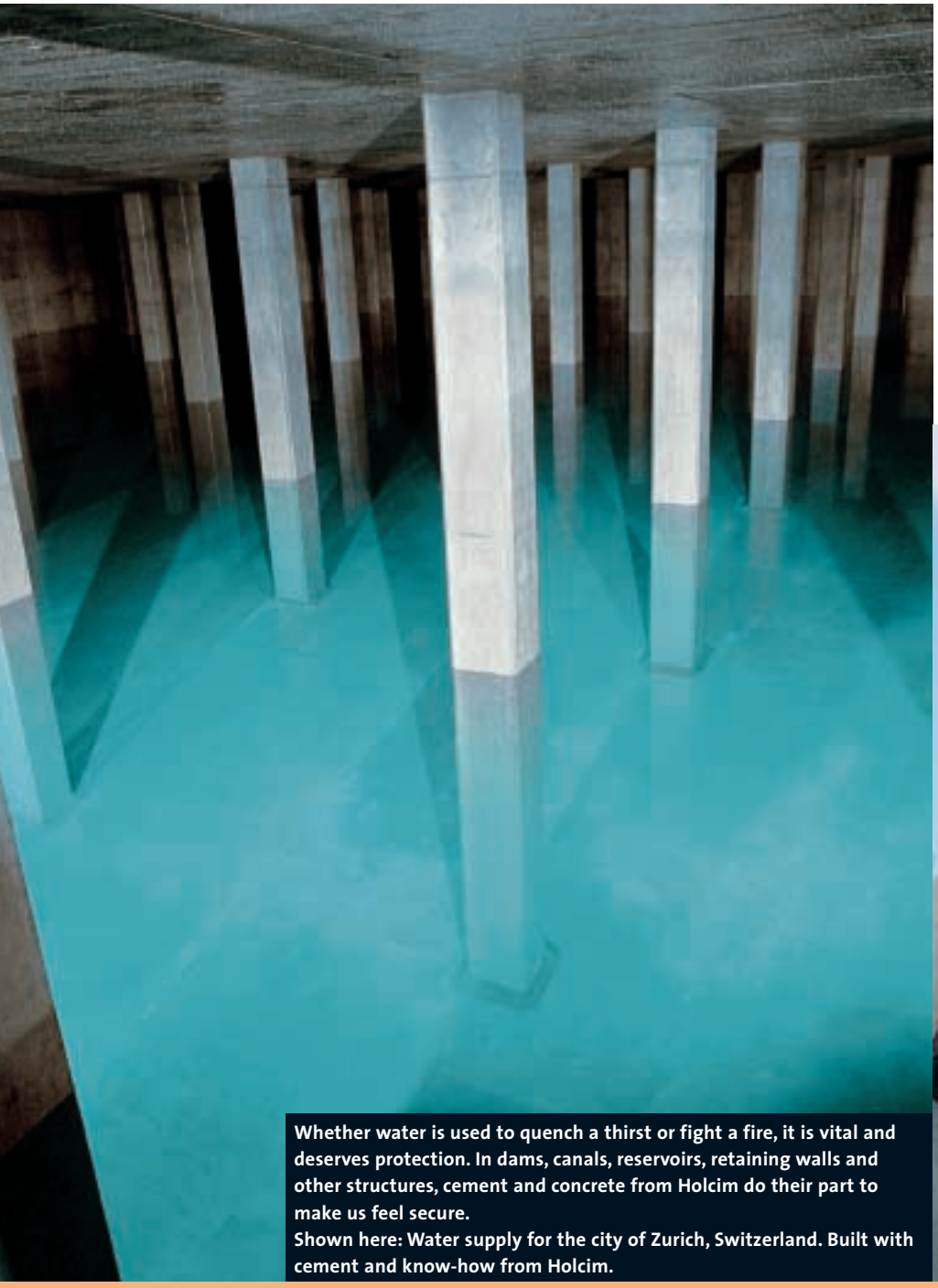
The shareholder structure at Cimpor – Portugal's largest cement manufacturer with major positions in Africa and Latin America – has yet to be streamlined. We made further attempts at consolidation in the year under review. This underlined our willingness to help devise a forward-looking solution for Cimpor that benefits all shareholders. With regard to residual privatization, Holcim Portugal decided not to submit a bid due to the excessive pricing being proposed by the government. We continue to hold a 10 percent stake in Cimpor. However, the stalemate situation at Cimpor prompted us, at a later date, to financially support a group of Spanish investors in acquiring a substantial stake of approximately 10 percent.

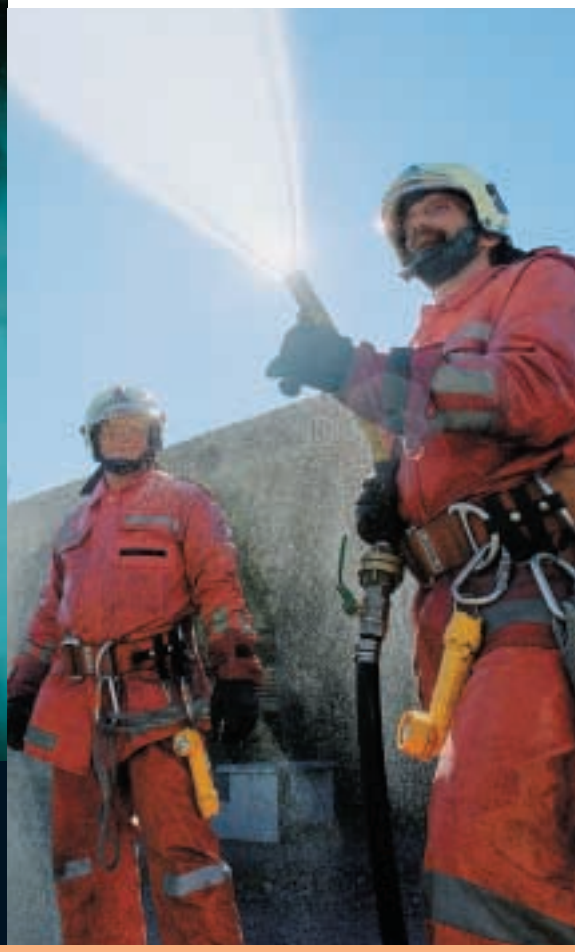
Actively protecting the environment
Extensive programs to curb emissions and generally protect the environment proceeded at full pace. At many sites, we built new filter facilities or upgraded existing restraint systems to incorporate the latest technical standards. This included our plants in Belgium, Hungary and Romania. In Kosovo, clinker production at Sharr Cement will not be commissioned until the filter systems are fully rebuilt.

A great deal of attention was paid to promoting the use of alternative fuels and raw materials in the manufacturing process. The focus was on incinerating animal meal to solve the disposal bottlenecks in the public sector in several countries.

Growth expectations are mixed

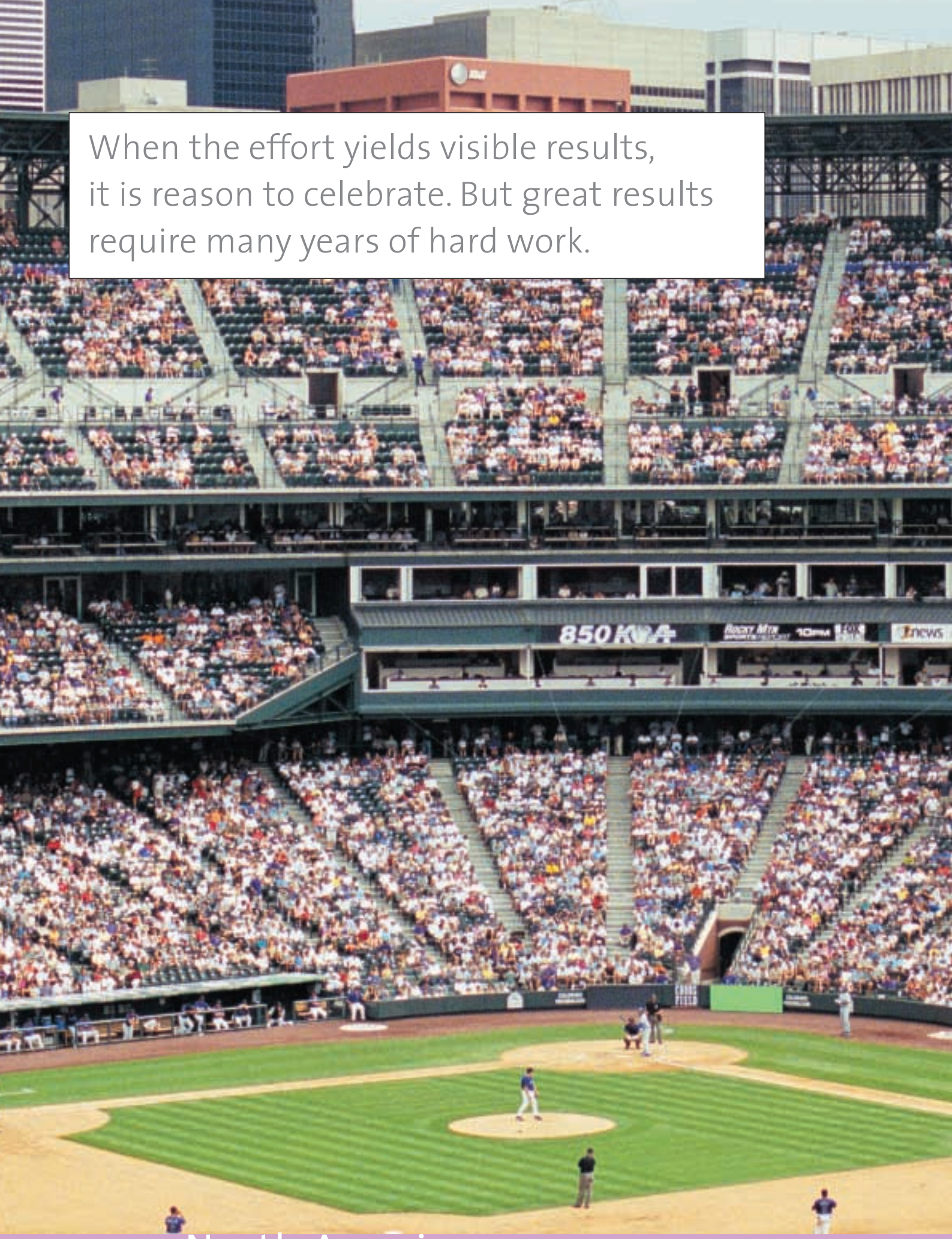
We expect that overall economic growth in western Europe will remain at a minimal level in 2002. However, in central and eastern Europe we are assuming that the market will continue to develop well. Expectations for the construction sector are mixed. In Germany, Belgium and France, demand for cement is likely to trend lower, while in other Group countries we will probably witness at least a marginal rise in demand. We believe the financial results will show a positive performance. The rationalization programs that we have introduced and already concluded have allowed us to pave the way to higher consolidated operating profit in Group region Europe.





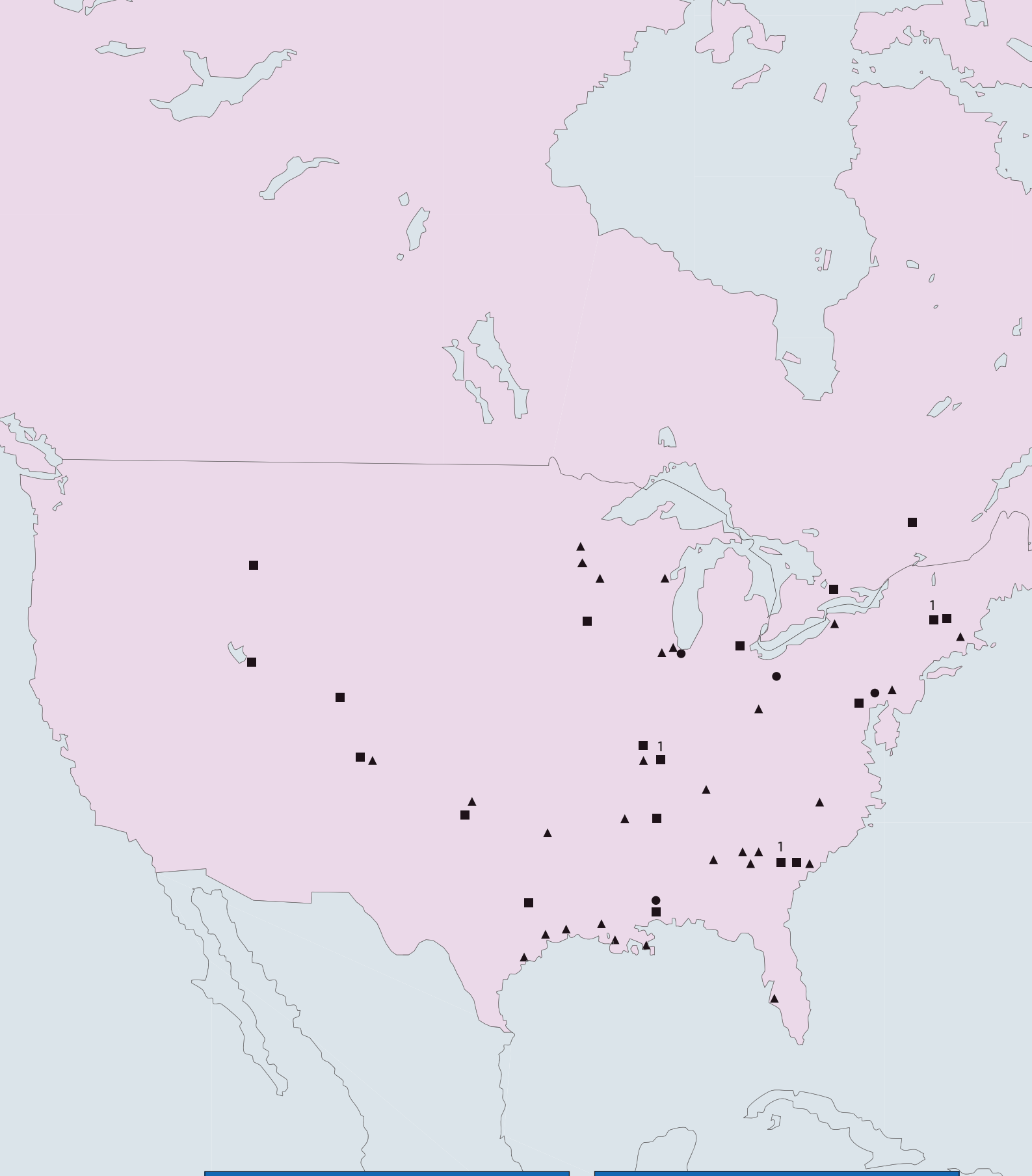
Whether water is used to quench a thirst or fight a fire, it is vital and deserves protection. In dams, canals, reservoirs, retaining walls and other structures, cement and concrete from Holcim do their part to make us feel secure.
Shown here: Water supply for the city of Zurich, Switzerland. Built with cement and know-how from Holcim.

When the effort yields visible results, it is reason to celebrate. But great results require many years of hard work.



North America

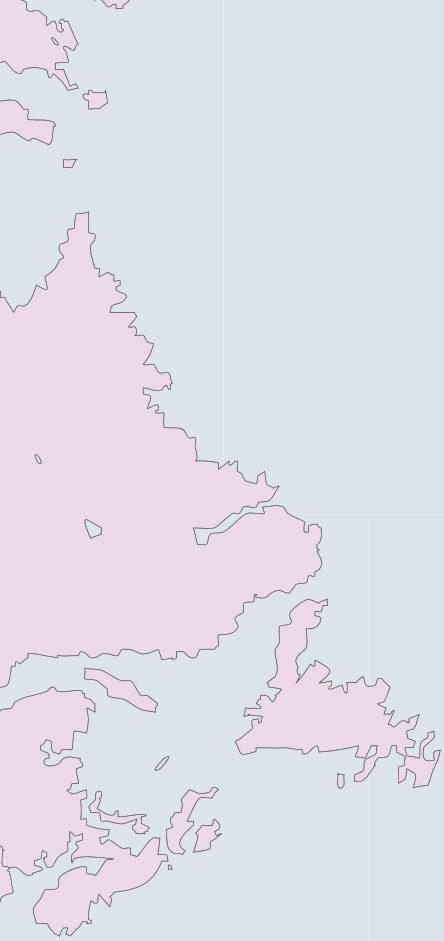
What really counts each time is the next challenge. A top athlete, for example, requires tough training and clear goals. Holcim aims to be the strongest competitor in relevant markets. We want to stay ahead with creative product development.
Shown here: Baseball stadium in Denver, Colorado. Built with cement and know-how from Holcim.



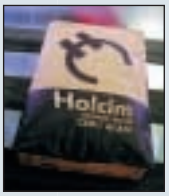
Cement Consumption Group Countries			
In million t*	2001	2000	± %
USA	112.6	109.5	+2.8
Canada	8.4	8.3	+1.7
Total	121.0	117.8	+2.7

* Holcim estimates.

Consolidated Sales in North America			
	2001	2000	± %
Cement and clinker in m t	17.698	17.333	+2.1
Aggregates in m t	15.667	14.564	+7.6
Ready-mix concrete in m m^3	2.493	2.276	+9.5



Moderate rise in cement consumption
Restructuring costs squeeze Holcim (US) Inc. annual result
Operating profit up at St. Lawrence Cement
Aggregates business stronger in Ontario



Consolidated Key Figures North America			
	2001	2000	± %
Net sales in million CHF	3,143	3,159	–0.5
Operating profit in million CHF	306	423	–27.7
Personnel	5,494	5,348	+2.7
Production capacity cement in million t	19.5	19.3	+1.0
Cement and grinding plants	20	16	–
Aggregate operations	15	13	–
Ready-mix concrete facilities	43	40	–

Group: Cement plant ■ Grinding plant ● Important terminal ▲ Project 1

Economic downturn in the USA.

Construction activity declining sharply in some segments

The US economy – the main driver of the world's economy for nearly a decade – slid into recession in 2001. The economic slowdown that had already been in evidence in the fourth quarter of 2000 became more pronounced. Additionally, the USA was badly hit by the tragic events of September 11.

The impact of this was also felt in the building sector. Publicly financed construction projects showed growth of only 1 percent. There was also a decline in residential and commercial/industrial construction. However, cement consumption in the USA still rose by 2.8 percent to 112.6 million tonnes. For the first time in many years, there was a decline in cement imports – from 28 million tonnes in the previous year to 25 million tonnes in 2001.

The symptoms of recession in the USA also spread to Canada. Growth in the Canadian economy – which is highly dependent on the USA – slowed to 1.5 percent. Strict security measures along the border curtailed the traditionally substantial flow of goods between the two countries. The biggest decline was in industrial construction, which suffered from sluggish investment activity in the automotive sector. On the other hand, major infrastructure improvement projects provided a positive impetus for the construction industry. The new Toronto airport construction project, estimated to be worth CAD 4.4 billion, stimulated demand for building materials, as did motorway construction in the province of Ontario. In both these major projects, our Group company is delivering on significant contracts. Construction activity was also buoyant in the schools, retirement homes and hospitals sectors. Total cement consumption in Canada was slightly above the previous year's level at 8.4 million tonnes, although in regional terms there were mixed results.

Cement sales down

Holcim's continued expansion in North America over a period of many years came to a temporary halt in the year under review. We continue to hold strong positions in nearly all major building materials markets in the USA. However, Holcim (US) Inc.'s volume of sales was approximately 1 percent below the previous year's level. Not only did our Group company suffer from the economic downturn, a number of extraordinary factors also hindered growth. Production bottlenecks arose at some plants due to technical problems.

Structural weaknesses of the preheater tower led to production being ceased at the new kiln line in Portland. The plant is to resume production in the first half of 2002 and the proportion of cements produced in-house should reach target levels.

Canadian Group company St. Lawrence Cement reported an increase of approximately 3 percent in deliveries of cement and GranCem® products to 4.5 million tonnes. In the province of Quebec, there was a slight fall in delivery volumes, while in Ontario a further rise in volumes was achieved thanks to supply contracts for major projects. We extended our positions in the gravel and concrete sector. St. Lawrence Cement boosted sales in both segments and in the markets it serves.

US business affects results

Consolidated operating profit for Group region North America failed to match our expectations. The decline from CHF 423 million in the previous year to CHF 306 million is solely due to results at US Group company

Holcim nurtures a corporate culture which views challenges as opportunities for all Group companies. Even if a storm should set in, we want to stay on course. This means that Holcim has a clear vision of the future and is able to build on reliable management structures.
Shown here: Hotel property near Niagara Falls, Canada. Built with cement and know-how from Holcim.

Holcim. There were several reasons for the decrease. Holcim (US) Inc. had to cope with declining deliveries and prices and higher production costs. Restructuring costs totaling some CHF 112 million for the planned closure of the old plant in Fort Collins in 2002 and production stoppage at the Portland plant had a significant impact. In contrast, the Group's Canadian company performed significantly better. St. Lawrence Cement boosted its operating profit by over 20 percent to CHF 131 million.

Further investments

The positive, long-term demand forecasts for North America and our goal of cutting production costs underpin our decision to continue extensive investment programs to modernize and expand our existing facilities as well as build new, more efficient plants.

Holcim's investments in the USA concentrated on the construction of new kiln lines at the Portland and Holly Hill plants as well as completing building work on the new GranCem® facility in Alabama. The approval process is also underway for a new cement plant in Lee Island, with an annual capacity of 4 million tonnes.

St. Lawrence Cement generated substantial resources for extending our quarrying activities. In Ontario, the Group company acquired a limestone quarry as well as substantial sand and gravel deposits and associated operations, which have all been integrated into the Dufferin group. Another key area for investment was the CAD 50 million slag grinding plant in Camden, which came on stream (albeit delayed) on June 18, 2001, satisfying the most stringent of environmental legislation. The new plant's products have been well received in the market. The Greenport project on the Hudson river in New York state was aggressively pursued. If the project is realized, an inefficient wet plant could be replaced by an ecologically friendly and highly efficient modern facility. The start of construction on the new cement plant, with a capacity of 2 million tonnes annually, depends on further developments in the approval process.

New environmental standards being met

Holcim (US) Inc. and St. Lawrence Cement are playing a leading role in the debate about carbon dioxide emissions, which is crucial for the industry. Over several years, we have been taking measures to improve air quality and have consistently been installing the latest environmental technology at our new plants. A series of internal tests have shown that the Group companies will fully meet the new, stricter clean air standards likely to be implemented in the USA in the third quarter of 2002.

Another important activity is the search for alternative fuels and raw materials in the production process. In the year under review, Holcim stepped up its efforts in the USA and made major progress. At the Clarksville plant, the burning of wood chips and oil-containing waste has been given the green light, while the Trident plant has obtained permission to use a higher proportion of petcoke. The Dundee plant is successfully using old tires. The Mississauga plant in Canada has been environmentally certified.

Economic recovery in 2002

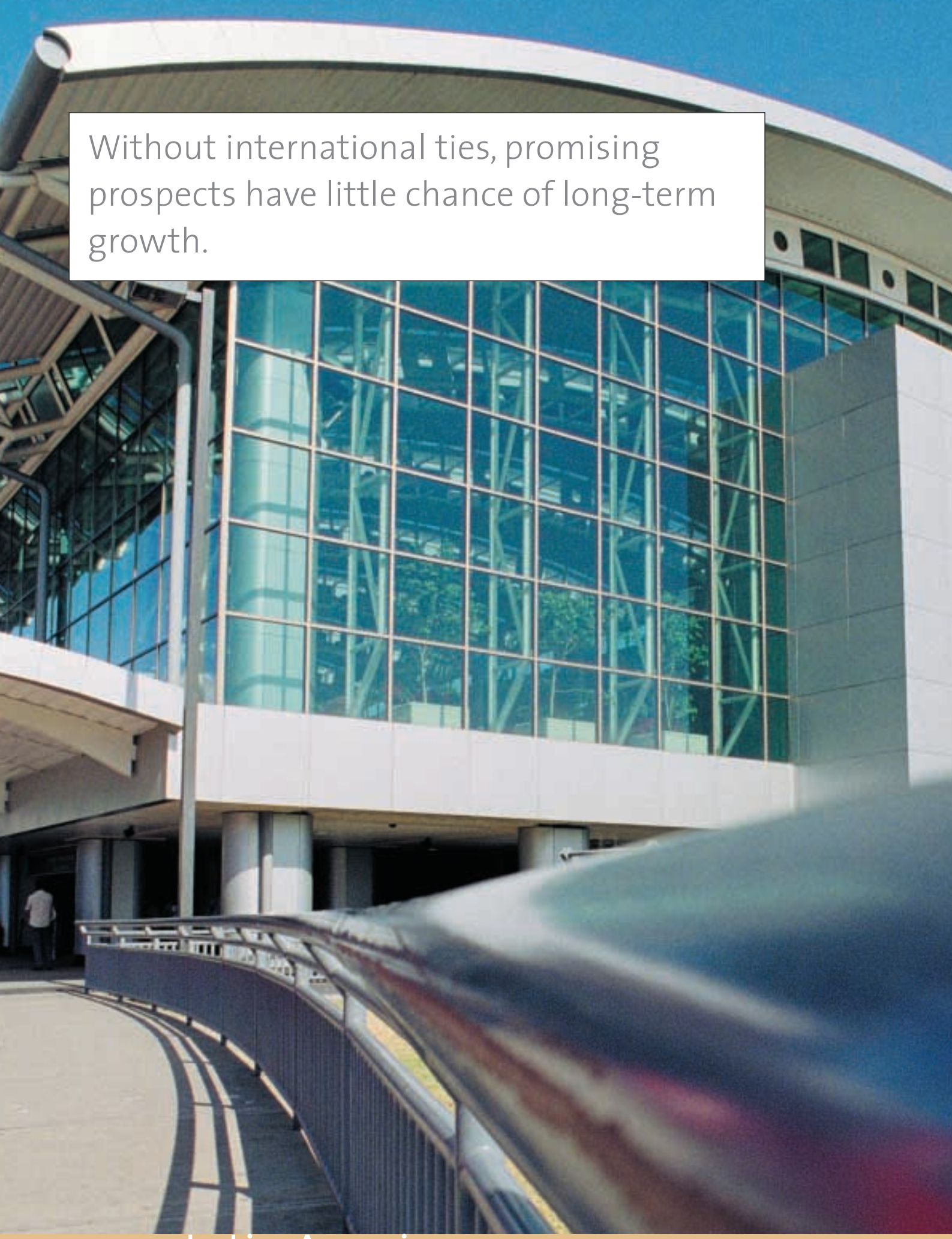
In the USA, we expect the economy to hit the low point of its current cycle during the first half of 2002 and to show modest growth over the year as a whole.

Although we expect a slowdown in the factors that are driving growth, we believe the Canadian economy will manage to escape recession.

Holcim (US) Inc. has budgeted a slight drop in cement deliveries. Efficiency improvements will have a gradual positive impact. Final restructuring costs for the Fort Collins closure will, however, affect 2002 financial results.

For St. Lawrence Cement, we anticipate a slight decline in sales in all three segments, but still expect results to show a continuation of the success achieved in 2001.

Our highly motivated men and women deserve credit for the fact that Holcim is an industry leader. Ongoing learning on the job, targeted continued education and a great sense of initiative make Holcim employees stand out. This is what customers recognize.
Shown here: Ocean Journey Park, Denver, Colorado.
Built with cement and know-how from Holcim.



Without international ties, promising prospects have little chance of long-term growth.

Latin America

Before Holcim becomes active somewhere around the world, we assess market opportunities and growth potential. Such considerations concern existing as well as planned facilities. Indeed, the investments we make must enable us to deliver products and services that prove profitable over the long term.
Shown here: San José Airport, Costa Rica. Built with cement and know-how from Holcim.

Cement Consumption Group Countries			
In million t*	2001	2000	± %
Mexico	28.3	29.9	–5.4
Costa Rica	1.2	1.1	+8.4
Colombia	5.0	5.5	–8.7
Venezuela	4.4	4.0	+8.1
Ecuador	3.1	2.7	+12.6
Brazil	38.3	39.2	–2.4
Argentina	5.4	6.2	–12.9
Chile	3.6	3.5	+3.5
Total	89.3	92.1	–3.1

* Holcim estimates.

Consolidated Sales in Latin America			
	2001	2000	± %
Cement and clinker in m t	19.112	19.166	–0.3
Aggregates in m t	13.327	12.515	+6.5
Ready-mix concrete in m m^3	7.562	7.185	+5.2

Consolidated Key Figures Latin America			
	2001	2000	± %
Net sales in million CHF	3,805	3,742	+1.7
Operating profit in million CHF	820	835	–1.8
Personnel	12,266	10,499	+16.8
Production capacity cement in million t	30.9	28.8	+7.3
Cement and grinding plants	29	24	–
Aggregate operations	39	36	–
Ready-mix concrete facilities	265	230	–

Sales successes in most markets
Continued major contribution to profits
Group companies solidly financed
Capacity increased on selective basis
Sustainability commitment

Group: Cement plant ■ Grinding plant ● Important terminal ▲
Participation: Cement plant □ Grinding plant ○ Important terminal △

Latin America follows the global economic trend.

Construction industry lending support to the economy

The economy in Latin America weakened noticeably in 2001. Nearly all countries were affected. Mexico, which in recent years has derived significant benefit from continuing integration into NAFTA, was caught in the wake of weak US demand. Capacity utilization in the industrial sector fell back. Also in Central America, there was growing reluctance to invest. Falling raw material prices added to the difficulties. Costa Rica – a country with a high degree of political stability – benefited from a series of measures affecting the construction sector, particularly in the run-up to the presidential elections at the beginning of 2002. The situation in Colombia deteriorated again when talks between the government and opposition forces ran into difficulties. Venezuela's economy recovered slightly despite increasing uncertainty, while in Ecuador the situation stabilized in the wake of dollarization. Brazil proved to be surprisingly immune to the crisis. There were pleasing developments in the first half of the year in particular. In the second half of the year, electricity rationing and a decline in foreign direct investment had a detrimental effect on growth. In Argentina, the situation worsened daily. The economy slid even further into recession. Chile held up very well. However, over the course of the year, there were signs of recession.

The construction sector in Latin America was remarkably stable, lending support to the economy in several countries. This was particularly the case for Central America, Venezuela, Ecuador, Brazil and Chile. In Mexico, cement consumption fell by more than 5 percent below the previous year's record volume of around 30 million tonnes due to a decline in publicly and privately financed construction activity. In Costa Rica, construction-sector demand benefited from major infrastructure projects and government development programs in public and private-sector housebuilding. Construction activity in Colombia was weak again, with cement sales falling 9 percent. The only glimmer of hope was in residential construction, which picked up slightly towards year end due to tax incentives. In contrast, cement consumption in Venezuela and Ecuador increased significantly. In Venezuela, the construction industry benefited from major infrastructure projects. In Ecuador, a major stimulus came from renewal of the road network in the coastal region and from the private sector in the Quito region. In Brazil, the position of key building contractors remained positive, with cement consumption falling only 2 percent to 38 million tonnes. However, in Argentina, there was a sharp drop in construction activity. Cement consumption fell below the 6 million tonnes mark. The drop reflects a lack of government funds and reluctance to invest on the part of domestic and foreign investors. Meanwhile, Chile showed a rise in cement output of over 3 percent.

In the Latin American Group countries, cement consumption fell by around 3 percent in overall terms to just under 90 million tonnes.

Holcim bolstering its positions

Our policy of targeted expansion in selected, strategically important markets proved correct in the year under review. Despite the sluggish construction situation in major markets, the Group companies suffered only a marginal drop in sales on a consolidated basis in the cement/clinker segment. In the aggregates and concrete segments, deliveries rose by over 6 and 5 percent respectively. Against the backdrop of increasing global uncertainties, we view this as an impressive result.

In Mexico, cement deliveries of Group company Apasco fell to 6.8 million tonnes in line with the market. The dense, nationwide network of our sales and service branches proved its worth in a difficult situation. E-sales activities also provided an important impetus. In the ready-mix concrete segment, there was a rise in deliveries, and in aggregates Apasco achieved a clear increase following the opening of a new quarrying operation in northern Mexico. Our Group company in Costa Rica operated successfully, having derived substantial benefit from vertical integration. A new quarrying activity led to a marked

expansion in sales in the aggregates sector. Ready-mix concrete sales also grew at a double-digit rate, with the increased use of mobile facilities proving a success.

Our strong position in Central America and the Caribbean is defined by a broad-based, close-knit network of shareholdings in cement plants, terminals and grinding facilities. The business performance of these companies was dictated by local demand for building materials. A number of companies suffered a slight falloff due to the weak US economy and a noticeable decline in the tourism sector. Non-consolidated sales of our partner companies nevertheless amounted to more than 5 million tonnes of cement.

Group company Cementos Boyacá in Colombia saw a decline in deliveries of cement and concrete due to the market situation, although it maintained its market share. The entry of a large number of new, small-scale suppliers created difficult market conditions in the aggregates sector. Cementos Boyacá concentrated on customers that require high-quality building materials for outstanding building projects. This specialization led to a fall in sales for quarried materials and sand. Our Venezuelan company, Cementos Caribe, benefited from a strong impetus in the domestic market and boosted cement deliveries, while exports fell due to exchange rate factors. Major orders for the Valencia metro led to a sharp increase in the ready-mix concrete division. Sales of aggregates were also significantly higher. In Ecuador, Group company La Cemento Nacional consistently benefited from market opportunities arising from reconstruction of the country's storm-battered infrastructure. Holcim Brazil was successful in resisting the difficult market conditions. The fall in cement deliveries was minimal,

Global growth through geographical diversification has a long-term and ongoing basis. With a tradition of strong management and healthy performance, Holcim is able to bring life to entire areas through new investments. Shown here: New production plant for Abbott Laboratories in San José, Costa Rica. Built with cement and know-how from Holcim.

while deliveries of ready-mix concrete remained at the previous year's level. The only major setback was in aggregates. In Argentina, our company Minetti suffered a fall in sales at all divisions. In contrast, the Chilean company Cemento Polpaico strongly defended its position. In all market segments, volumes rose despite stiff competition and constant pressure on prices.

Significant contribution to Group results

Consolidated operating profit for Group region Latin America fell by just under 2 percent to CHF 820 million. All Group companies achieved better financial results apart from Holcim Brazil and Apasco. The performance of this Group region remains impressive, highlighting the significance of Latin America for the Group as a whole. Our outstanding presence, high degree of availability and the efficiency of our plants, as well as financial solidity, are the key factors behind our success.

Profits at Mexico's Apasco fell, but were still at an acceptable level thanks to an improved cost structure. Negative factors included a decline in cement deliveries and lower prices on the basis of Swiss francs. On the cost side, the increased use of alternative fuels had a favorable impact. Better results were contributed by the Group companies in Costa Rica, Colombia, Venezuela and Ecuador. Grupo Incsa-PC in Costa Rica benefited from the greater density of its distribution network and associated increases in volume, respectable prices and further enhancements to its cost structure. At Cementos Boyacá in Colombia, lower financial costs and synergies from close cooperation with the affiliate Cementos Caribe in Venezuela led to a stronger performance. Cementos Caribe turned in an excellent performance. The company doubled its operating profit. The jump in earnings was explained by a sharp improvement in its market position in ready-mix concrete and substantial benefits from rationalization. La Cemento Nacional in Ecuador also provided a greatly enhanced contribution to profits due to significant additional sales. Also in Argentina, our Group company achieved better results. Minetti enjoyed the benefits of the Group's consistent restructuring. Cemento Polpaico in Chile also ended the year with better results.

Targeted expansion of capacity

A large proportion of investment was assigned to an expansion of capacity. We focused further on the increased use of alternative fuels and raw materials, accompanied by concerted measures to protect the environment. Apasco's work on building a second kiln line at the Ramos Arizpe plant in northern Mexico proceeded according to schedule. The new facility, with an annual capacity of 1.2 million tonnes, is due to come on stream in the first half of 2002. The company also invested in installations to increase the use of petcoke. Cementos Caribe in Venezuela boosted its market presence in the Greater Caracas area by acquiring a significant ready-mix concrete company. At the same time, this takeover assured it an important sales channel for cement and aggregates. In Ecuador, the new grinding plant in Latacunga in the centre of the country was completed. Also in Chile, Cemento Polpaico in the north of the country commissioned a new grinding facility in Mejillones with 0.3 million tonnes annual capacity. Together with the Cerro Blanco clinker and cement plant near Santiago and the grinding facility in Coronel in southern Chile, we now have full coverage of this market.

Committed to sustainable development

In Latin America, we operate a consistent strategy of sustainable development. In the environment sector, nearly all Group companies are pursuing projects to strengthen waste disposal operations. The focus is on kiln facilities that are suitable for the use of alternative fuels. In the process, we always adhere to strict security and environmental criteria. Our efforts to protect the environment have in turn led some plants to be awarded ISO 14002 certificates. In addition, our social commitments in the region have traditionally been strongly anchored. The emphasis here is on actively promoting and supporting initiatives in the field of self-sufficiency, for example by means of agricultural training centres in Mexico under the CECAF program and the Vivamos Mejor foundation projects in a number of countries. With the aim of developing rural regions, the Group companies in Mexico, Brazil and Ecuador also operate workshops for trainee mechanics and electricians. Among our projects in Colombia, we are responsible for initiating and managing a youth centre.

Profitability remains at high level

Economic developments in Latin America present a mixed outlook in 2002. In Argentina, we expect a substantial reduction in sales on lower prices due to the abolition of the fixed peg between the Argentinian peso and US dollar. However, we believe the positive and negative market forces will more or less balance out. Aside from the possibility of unforeseen, extraordinary events, we expect the operating results of our Group companies to remain at a high level.

At an early stage, we opted for a healthy mix between mature markets and developing markets with significant potential. With growing shareholder value to motivate us, we want to stay in the passing lane.
Shown here: TransMilenio mass transit facility in Bogotá, Colombia. Built with cement and know-how from Holcim.

New standards build satisfaction and foster sustainable development.

Africa Middle East

Holcim's standards for achieving long-lasting customer satisfaction are very high. Indeed, our own success is dictated by the satisfaction of our customers. Advanced technical know-how and the use of state-of-the-art technologies enable us to offer tailored solutions for special cements and concrete applications.
Shown here: Subsidized housing in Sala Al Jadida, Morocco. Built with cement and know-how from Holcim.

Cement Consumption Group Countries			
In million t*	2001	2000	± %
Morocco	8.1	7.5	+7.7
West Africa	11.6	10.3	+12.0
Madagascar, La Réunion	0.8	0.8	+5.3
South Africa	9.2	9.0	+1.9
Tanzania	0.8	0.8	+5.9
Egypt	27.0	26.5	+2.3
Lebanon	2.7	2.6	+3.8
Total	60.2	57.5	+4.8

* Holcim estimates.

Consolidated Sales in Africa Middle East			
	2001	2000	± %
Cement and clinker in m t	11.269	9.798	+15.0
Aggregates in m t	8.836	9.161	–3.5
Ready-mix concrete in m m^3	1.540	1.683	–8.5

Consolidated Key Figures Africa Middle East			
	2001	2000	± %
Net sales in million CHF	1,213	1,129	+7.5
Operating profit in million CHF	200	152	+31.6
Personnel	5,224	4,779	+9.3
Production capacity cement in million t	12.4	12.6	–1.6
Cement and grinding plants	14	14	–
Aggregate operations	26	25	–
Ready-mix concrete facilities	47	46	–

Cement sales higher

Capacity expansion in Egypt lends additional impetus

Strong rise in operating income

Alpha in South Africa increases market position

Group: Cement plant ■ Grinding plant ● Important terminal ▲ Project 1
Participation: Cement plant □ Grinding plant ○ Important terminal △

Markets have held up well.

Growth in the construction industry
The economic downturn in the USA had only a marginal effect on developments on the African continent. The region, which includes the Middle East, has traditionally been characterized by mixed trends and divergences in economic momentum. Overall, the markets in which we operate held up well and progress was made on the economic front.

These construction markets, that are important from a Group point of view, proved to be very robust. In Morocco, the motorway extension project in the north of the country and in the area around Casablanca, as well as the development of social housing, led to a revival in demand for building materials. In Egypt, the economy was slightly more buoyant due to government moves to boost exports and tourism. The construction industry benefited from a number of major projects with a high cement content. The economic situation in South Africa was largely stable, although speculative pressure on the South African rand put a brake on momentum towards the end of the year. For the construction industry, delays in awarding important contracts in the infrastructure and residential construction sectors had a negative impact. Madagascar and La Réunion showed continuing growth. In Guinea, foreign investment persisted at a very low level due to political uncertainties. The construction sector in most West African countries provided a glimmer of hope in economic terms.

Impressive sales in several countries
Sales at the Group companies improved in the year under review. Many of them contributed to the rise in cement sales. Consolidated cement sales in the region grew by 15 percent. The decline in deliveries of aggregates and ready-mix concrete was attributable to extraordinary factors. The drop in aggregates was primarily the result of the deconsolidation of a quarry in Lebanon. The fall in ready-mix concrete was due to the strategic decision of the Group's South African company, Alpha (Pty) Limited, to concentrate on high-value products.

The rise in cement deliveries was partly the result of consolidation factors. Egyptian Cement, in which we have a 44 percent shareholding, made a significant contribution. For the first time, it was included in the figures on a proportionate basis for a full year. Egyptian Cement sold more than 5 million tonnes in total, thereby becoming the country's leading producer. The high technical standards of the facilities enabled consistent, rapid expansion of its market positions. Developments at Holcim Morocco were also pleasing; it raised sales of cement and ready-mix concrete by 7 and 14 percent respectively. In recent years, Alpha (Pty) Limited has substantially increased its clout following a successful restructuring. It has extended its market share for cement in South Africa and Tanzania and maintained its position in aggregates despite increasing competition. Cement sales at the West Africa group increased considerably. Developments were favored by the modernized grinding facility in Ivory Coast as well as growth in exports to neighbouring countries. Holcim (Outre-Mer), which serves the Madagascar and La Réunion markets, managed to raise sales in the aggregates sector. Group company Holcim Lebanon lifted its volume of cement output by 20 percent. Contributory factors included an improvement in the construction situation in the south of the country and rising exports.

Marked increase in profits
The financial position of the companies in Group region Africa Middle East improved considerably. A rise in delivery volumes and higher prices in some markets led to an increase in consolidated net sales. The financial performance of the companies strengthened at an even faster rate. Consolidated operating profit improved by 32 percent to CHF 200 million. Substantial contributions were made by the Group companies in Lebanon, Morocco, South Africa and Egypt.

Fourth kiln line in Egypt
The Group companies invested substantial resources in expanding and maintaining facilities and boosting competitiveness. The biggest and most important

investment program was the construction of a fourth kiln line in Egypt. Production began at the plant earlier than expected in November 2001. Egyptian Cement now has four identical, highly efficient kiln lines. The expansion of our capacity enables us to capture the strong growth potential of this large market in a more targeted way. Holcim Morocco acquired an independent ready-mix concrete producer in Casablanca and commissioned a new ready-mix concrete installation in Nador. Our partner company in Nigeria carried out an expansion project at its port and terminal facilities.

Committed to protecting the environment

The companies in Group region Africa Middle East carried out a large number of measures in line with our overall environmental protection policy. In the case of Holcim Morocco, a new high-performance filter facility was installed at the Oujda plant, and the Ras El Ma plant near Fès was awarded dual certification to both ISO 9002 and 14001.

Positive results expected

The construction climate in those markets on the African continent in which the Group operates should remain stable in the majority of cases. We anticipate that the sales situation will improve further. Increased sales, coupled with the implementation of programs to optimize costs, will have a positive effect on our financial results. We expect operating profit for 2002 to be above the previous year's figure.

Innovative products and comprehensive services are one of the foundations of Holcim's success. This is especially true for developing markets where we create a solid basis for customer satisfaction and long-term partnerships. Shown here: New port facilities along the Suez Canal, Egypt. Built with cement and know-how from Holcim.

Market proximity involves a feel for customer needs but also the knowledge how to reach customers better.

Asia Pacific

To be faster requires the right attitude and the right technical resources. When building and operating cement plants, Holcim is able to fall back on exceptional expertise. We want to achieve the same type of market leadership with e-sales – and everywhere else where we want to be faster and closer to our customers. Shown here: Sky Train, the rapid transit system of Bangkok, Thailand. Built with cement and know-how from Holcim.

Market positions significantly expanded

Record result

Grinding capacity increased in Bangladesh

Strong sales growth in Vietnam

Majority holding acquired in Indonesia

Cement Consumption Group Countries			
In million t*	2001	2000	± %
Azerbaijan	1.1	0.9	+22.0
Sri Lanka	2.6	2.6	+0.3
Bangladesh	5.5	5.0	+10.0
Thailand	18.3	17.8	+3.3
Vietnam	15.5	13.9	+11.0
Malaysia	11.8	11.8	+0.2
Indonesia	25.8	22.3	+15.6
Philippines	11.9	12.2	–2.4
Australia	6.9	7.5	–8.0
New Zealand	1.1	1.0	+10.5
Total	100.5	95.0	+5.8

* Holcim estimates.

Consolidated Key Figures Asia Pacific			
	2001	2000	± %
Net sales in million CHF	1,312	1,159	+13.2
Operating profit in million CHF	156	97	+60.8
Personnel	8,659	7,500	+15.5
Production capacity cement in million t	21.1	17.3	+22.0
Cement and grinding plants	20	17	–
Aggregate operations	17	17	–
Ready-mix concrete facilities	69	60	–

Consolidated Sales in Asia Pacific			
	2001	2000	± %
Cement and clinker in m t	14.500	11.654	+24.4
Aggregates in m t	4.082	3.833	+6.5
Ready-mix concrete in m m^3	1.448	1.302	+11.2

Group: Cement plant ■ Grinding plant ● Important terminal ▲
Participation: Cement plant □ Grinding plant ○ Important terminal △

Economy slowly picking up.

Subdued construction climate

The recessionary tendencies in the USA also cast a shadow over economic developments in the emerging markets of Asia. After a relatively good start, the recovery process in the Asian economies began to stall as the year progressed. Countries like Malaysia and Sri Lanka saw their economy stagnate, while in Thailand the growth rate was limited to 1 percent. The Philippines economy suffered from political uncertainties and declining US and Japanese demand for imports. Also in Australia and New Zealand, there was a leveling-out of the growth curve. Only a handful of economies escaped the general economic slowdown. Based on official data, China showed strong growth across all sectors. In Bangladesh, market developments were stimulated by the extensive deregulation process, while Vietnam's economy remained stable and on a growth trajectory.

The subdued global economic picture was mirrored in developments in the region's construction industry. Cement consumption in Group countries amounted to approximately 100 million tonnes. Building activity was buoyant in Azerbaijan, Bangladesh, Vietnam and New Zealand, but there were setbacks in the Philippines, and in particular Australia. In Sri Lanka, public-sector construction declined, as did residential construction later in the year. The momentum in Bangladesh stemmed from a high demand for homes and office buildings in Dhaka as well as an increase in infrastructure developments. In Vietnam, the building industry was driven mainly by private-sector residential construction and an increase in the number of major infrastructure projects.

Holcim growing contrary to market trend

Sales of the Group companies showed an encouraging performance in all segments. Cement deliveries grew by 24.4 percent, aggregates by 6.5 percent and ready-mix concrete by 11.2 percent. The considerable rise in cement and clinker output was due to two developments; firstly the success of the established Group companies in all key markets and secondly our entry into the Bangladeshi market which generated additional volumes. In this attractive import market, we have an overall capacity of 1.1 million tonnes of cement per year in the form of two grinding stations.

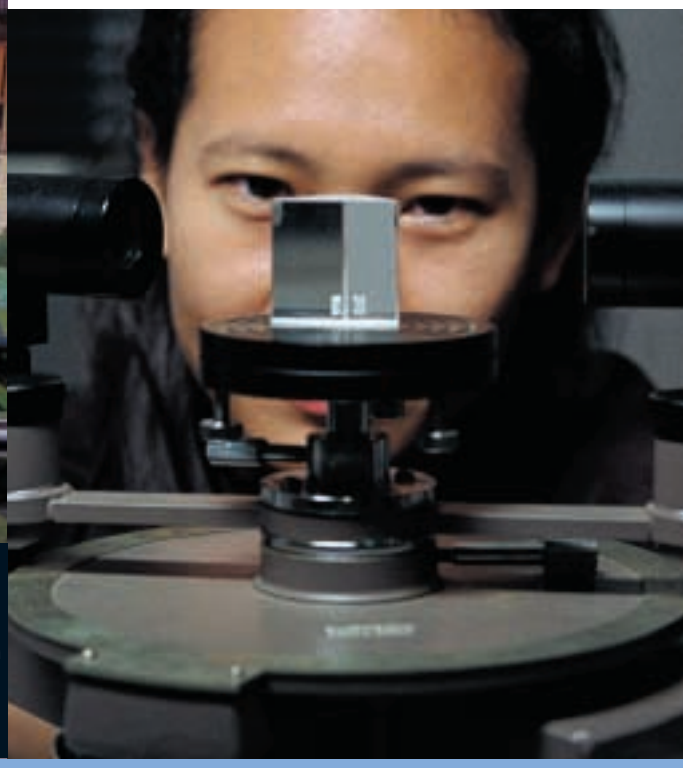
Our Group company in Sri Lanka held its position well in a difficult environment, maintaining its leadership position. In the second half of the year, prices came under strong pressure from imports following a massive lowering of import tariffs. Siam City Cement – the Group's Thai company – achieved a further strengthening. It lifted cement and clinker deliveries to more than 10 million tonnes, and also sold significantly more ready-mix concrete. The Group company in Malaysia managed to raise cement deliveries on stable

prices despite operating in a stagnating market. In the Philippines, the first-time consolidation of Union Cement resulted in a higher volume of sales. The Alsons Cement affiliate suffered a slight decline. The entire industry suffered as a result of increased imports. For Holcim, Vietnam is an Asian success story. Our Group company used the continuing rise in construction activity to extend its position as the leading cement producer in the south of the country. The company achieved a 19 percent increase in volumes. This was due to strong demand from its expanded service offering and improvements in distribution logistics. The plants in Hon Chong and Cat Lai operated at full capacity. Australia's Queensland Cement more than offset weak domestic sales with a rise in exports. Despite regional fluctuations, Milburn New Zealand raised its sales volume across all divisions.

Sustainable increase in profits

With a few exceptions, companies in Group region Asia Pacific achieved a substantial improvement in their financial performance in the year under review. Despite a deterioration in exchange rates in some cases, a majority of Group companies managed to lift sales in Swiss franc terms. This was especially the case for the Group companies in Azerbaijan, Vietnam and Thailand. Taking into account the wider scope of consolidation, there was a significant rise in consolidated net sales.

Consolidated operating profit grew at a disproportionately strong rate of more than 60 percent to CHF 156 million. All companies made a greater contribution to profits, the only exception being the Group's Australian company. The rise in delivery volumes, significant increases in efficiency in production and



Clear strategies, faster learning and ultramodern technologies are among Holcim's success factors. But without the ongoing interaction with governments, international organizations and local authorities, such perspectives would remain one-sided.
Shown here: University of Chiang Rai in Thailand's extreme north. Built with cement and know-how from Holcim.

distribution, plus successful debt rescheduling, had a positive influence on results. Strong competition and unsatisfactory pricing in many markets had a negative impact.

A strong market position in Sri Lanka enabled Holcim to neutralize the effects of rising energy, production and financial expenses on profits. Siam City Cement benefited from higher delivery volumes, better cement prices and a concentration on its core business. Tenggara Cement in Malaysia achieved another slight improvement in its results. Our Vietnam company made a significant contribution. A marked increase in sales and greater plant efficiency led to a substantial increase in the operating result. Alsons Cement also achieved an improvement, although its result remains unsatisfactory. The contribution from first-time consolidated affiliate Union Cement was very positive. Lower export prices for cement and tighter competition resulted in a fall in profits at Queensland Cement. Milburn New Zealand made significant progress in all aspects of its financial performance.

Acquisitive strategy continues

In the ASEAN zone, we now have a unique position and a forward-looking regional network that gives us a leading market position in this region. Acquisitions to strengthen our presence were carried out in all three segments of cement, aggregates and concrete.

One milestone was the purchase of a majority stake in Indonesia's PT Semen Cibinong Tbk. shortly before year end. The transaction was preceded by intensive, complex negotiations with creditors regarding a rescheduling of debt. Semen Cibinong provides us with access to one of the most highly populated markets with strong growth potential. The company operates two efficient cement plants on Java with an annual capacity of nearly 10 million tonnes. Semen Cibinong will be fully consolidated in the financial year 2002.

We also stepped up our presence in Bangladesh, which is still a relatively young market for us. With no limestone of its own for producing cement, Bangladesh is becoming a dynamic import market. In April 2001, we acquired a second grinding plant, and in November a third cement mill came on stream at our plant northeast of Dhaka.

The major projects to expand our market presence complemented investments to strengthen and fine-tune our distribution systems and to develop innovative e-business platforms.

Initiatives in the field of alternative fuels

Besides measures to curb emissions, projects for the use of alternative fuels and raw materials are being accorded an increasingly central role in our environ-

ment policy. In Azerbaijan, Garadagh Cement concluded an initial project for the combustion of residual waste from an international oil producer. Queensland Cement, which already incinerates used tires at its Gladstone plant, successfully concluded a series of tests for evaluating alternative liquid fuels. The government of Queensland has given its approval for an impressive, environmentally responsible project for the increased use of alternative fuels at the Gladstone plant. Also Siam City Cement substituted more coal with alternative heat sources. Alsons Cement was awarded ISO 14001 environmental certification in September.

Positive outlook

Following its acquisition of Indonesia's largest cement producer, Semen Cibinong, Holcim is continuing to gain importance in the Asia Pacific region. Forecasts for the new financial year are positive. Despite the economic clouds hanging over this major geographical region, almost all the Group companies are forecasting at least unchanged or slightly higher sales for 2002.

Even though Holcim is among the industry's major global players, all employees are highly sensitive to local cultures and markets. Smaller customers are equally important. Shown here: Vegetable depot in Dambulla, Central Sri Lanka. Built with cement and know-how from Holcim.