

Further strong organic growth and proposal for a substantial dividend increase. The Group's major commitment to sustainable development is being widely recognized.

Dear Shareholders

Holcim had a good year in 2007. The great majority of targets were reached, and the Board of Directors would like you to share directly in this success in the form of a higher dividend.

Strong growth

Although economic conditions became more challenging in the second half of the year, the Group's fundamental strengths were in full evidence. There was strong organic growth and a marked improvement in operating results. As a result, Holcim has an exceptionally solid balance sheet.

This good performance has allowed Holcim to increase dividend payments regularly. It is our stated intention to achieve a payout ratio of one third of net income attributable to equity holders of Holcim Ltd. The increase in gross dividend per share from CHF 2.00 to CHF 3.30 as proposed by the Board of Directors means that this target has been fulfilled, excluding the "extraordinary" income derived from the sale of a majority stake in South Africa.

High profitability in the Group regions

Europe again made the biggest contribution to the consolidated operating EBITDA. The building materials industry in this Group region benefited from the good business activities in France and the UK, several countries in southeastern Europe, Russia and Azerbaijan.

North America performed well despite the turbulence in the US financial markets and the sharp downturn in the real estate sector. The results almost matched those achieved in the previous year. Significant success factors included higher capacity utilization, cost efficiency of our cement plants and good product pricing.

In Latin America, demand was driven by residential construction and infrastructure projects. Although energy prices continued to rise, many Group companies nevertheless improved their results, especially Colombia, Venezuela and Ecuador. There was also an encouraging increase in demand in Brazil. The price environment here remained unsatisfactory, although an improvement was seen in the second half of the year.

The majority sale of Holcim South Africa in accordance with Black Economic Empowerment legislation has led to a decline in the importance of Group region Africa Middle East as regards size within the Group. On a like-for-like basis, considerable progress was made in terms of sales and financial results due to a good business environment in North Africa.

Asia Pacific enjoyed dynamic growth. The two Indian Group companies made the largest contribution to the regional result. However, the Group companies in the Philippines, Indonesia, Vietnam, Australia and New Zealand also recorded a good performance.

Attractive investments for the future

The Group expanded further in 2007. In Canada, Holcim bought out all the minority shareholders of Group company St. Lawrence Cement. This enabled the US operations of St. Lawrence Cement to be integrated into Holcim US. Significant resources were invested in stepping up the Group's stake in India. This increased Holcim's shareholdings in Ambuja Cements and ACC to 46 percent and 43 percent respectively by the end of 2007. Holcim has strengthened its position in Singapore by acquiring Jurong Cement, a major ready-mix concrete supplier and building materials trader.

Strategy bears fruit

The consistent implementation of our targeted marketing strategy for mature and developing countries has proved its worth. Today, 75 percent of our production capacity is located in emerging markets. In order to keep pace with the predicted high growth in these markets, we are currently investing in extensive programs to expand capacity by 28.9 million tonnes. Holcim expects an additional EBITDA contribution of around CHF 1.1 billion a year as from 2012 as a result of these expansions. Capacity was already increased by 6.7 million tonnes in 2007. We also strengthened the aggregates business and gained greater proximity to our customers through further investment in ready-mix concrete, particularly in Europe and the US.

Concrete as a building material of the future

In terms of volume, usage of the end-product concrete in the world today is greater than any other commodity apart from water. Concrete is therefore of huge importance to economic development. Given its long life cycle, concrete is one of the most eco-friendly building materials. Sustainable urban development and the creation and expansion of modern infrastructure would not be possible without it. There is huge pent-up demand in the growth markets of Asia, Latin America and eastern Europe, particularly in the residential construction sector. Together with the Holcim Foundation for Sustainable Construction, Holcim supports research and development into innovative sustainable solutions in the construction industry. This is all the more urgent because the built environment accounts for some 40 percent of energy consumption in the world today. Holcim also underscores its commitment to the environment with intensive research into new technologies for the production process and environmentally friendly products. The Group is already making a significant contribution to limiting CO₂ emissions, and is on course to hit its target of voluntarily reducing specific CO₂ emissions by 20 percent per tonne of cement between 1990 and 2010.

“Passion for Safety” is a priority throughout the Group

Despite making significant progress, our record in terms of occupational health and safety is still not satisfactory. In 2007, the number of severe incidents involving employees, subcontractors and third parties increased. The Board of Directors and Executive Committee deeply regret these incidents and are making every effort to ensure that extensive accident prevention programs in every Group company will further yield improvements.

Industry leader for environmental protection and social responsibility

For the third year in a row, the Dow Jones Sustainability Index has recognized Holcim as “Leader of the Industry”. This provides independent confirmation that Holcim is committed to sustainability and social responsibility. Group companies have also won numerous awards, while the Sustainable Asset Management Group (SAM), in cooperation with PricewaterhouseCoopers, presented Holcim with the “Sector Leader” prize and a “Gold Class” distinction at the World Economic Forum 2008 in Davos.

Holcim has a successful partnership with GTZ, the German Technical Cooperation. There are still too many countries which do not yet have legislation in place regarding the recycling of waste materials in the cement manufacturing process. Holcim has worked with GTZ to formulate appropriate guidelines and recommend interested governments to implement them. This has occurred in over 20 Latin American and Asian countries.

Holcim has also entered into a new partnership with The World Conservation Union, the world’s largest network to conserve the integrity and diversity of nature. We are working together on much-needed standards for the protection of species with the aim of giving a lead to the whole sector. The first pilot projects have been successfully started.

Thanks go to our employees

Motivated employees are important, so we place great importance on providing specialist training and professional development at all hierarchical levels. Particular attention has traditionally been paid to our executive training. Holcim has expanded this further by introducing new leadership programs in collaboration with renowned universities and institutes.

Our success is based on the expertise and commitment of our employees throughout the world. The Board of Directors and the Executive Committee would like to thank them for all their hard work. We also would like to thank all our loyal customers and partners in the wide variety of sectors with which we have links.

Outlook

It is not easy to judge how far the turbulence in the financial markets will affect the real economy. However, the Board of Directors and the Executive Committee expect the emerging markets, where three quarters of our cement production capacity is located, to continue to grow. As a globally active company, we remain confident. Holcim enjoys excellent geographical diversification, offers innovative products and services, has expert teams, efficient plants and excellent market positioning. In 2008, the Group is expecting to again reach its long-term growth target of 5 percent in internal operating EBITDA.



Rolf Soiron
Chairman of the Board of Directors



Markus Akermann
Chief Executive Officer

February 27, 2008

