

## Media Release

### Acquisitions and efficient cost management in a strong construction industry produce record results

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- Higher sales volumes across all Group regions and segments.
  - Net sales up 31 percent to CHF 17.514 billion.
  - 28 percent rise in operating EBITDA to CHF 4.489 billion.
  - Operating profit advances 27 percent to CHF 3.281 billion.
  - Net income increases 43 percent to CHF 1.950 billion.
  - Cash flow from operating activities increases by 26 percent to CHF 2.348 billion.
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8 November 2006

#### **Holcim on track for growth**

In the first nine months of the year, sales continued to increase in all Group regions and segments. Financial results also developed well.

The global construction industry has lost momentum in some areas. Holcim succeeded in offsetting somewhat weaker demand in North America and several Asian countries with growth in other markets.

Higher sales volumes, price adjustments and efficiency increases were in combination with acquisitions key to the Group's success and helped to counter higher energy costs, competitive pressure and in some countries government price controls.

Consolidated cement sales rose by 25.1 percent to 103.8 million tonnes in the period under review. Holcim achieved its largest volume increases in Group regions Asia Pacific and Latin America.

Sales of aggregates saw a substantial improvement of 12.8 percent to 138 million tonnes. Additional deliveries by Aggregate Industries were a significant factor here. Higher output in western and southeastern Europe and South Africa also made an impact.

Shipments of ready-mix concrete increased by 16.7 percent to 32.8 million cubic meters. Aggregate Industries generated additional volumes in Europe and North America.

Group in million CHF	Jan - Sept 2006	Jan - Sept 2005 <sup>1</sup>	+/-%	July - Sept 2006	July - Sept 2005 <sup>1</sup>	+/-%
Net sales	17,514	13,425	+30.5	6,635	5,555	+19.4
Operating EBITDA	4,489	3,501	+28.2	1,772	1,464	+21.0
Operating profit	3,281	2,576	+27.4	1,340	1,128	+18.8
Net profit	1,950	1,362	+43.2	862	605	+42.5
Cash flow from operating activities	2,348	1,864	+26.0	1,532	1,178	+30.1

<sup>1</sup> Adjusted in line with revised IAS 21.

Consolidated net sales increased by 30.5 percent to CHF 17.514 billion. At CHF 4.489 billion (+28.2 percent), operating EBITDA was higher in all Group regions. The strongest increase (121.6 percent) was reported by Group region Asia Pacific, followed by Europe with 16.8 percent, North America with 15.1 percent, Latin America with 13 percent and Africa Middle East with 8 percent. Group internal operating EBITDA growth reached 10.9 percent. Factoring in the changes in the scope of consolidation and in product mix, the operating EBITDA margin was, as might be expected, somewhat lower at 25.6 percent. Excluding acquisition and currency effects, the operating EBITDA margin improved to 26.5 percent (first nine months of 2005: 26.1) despite an increase in energy costs. Consolidated operating profit rose by 27.4 percent to CHF 3.281 billion, and cash flow from operating activities came to CHF 2.348 billion (first nine months of 2005: 1.864). Group net income was 43.2 percent higher at CHF 1.950 billion, and the share of net income attributable to equity holders of Holcim Ltd was CHF 1.505 billion, corresponding to an increase of 30.5 percent.

### **Europe's construction industry strong**

The robust economic environment impacted positively on the European building industry. The level of new orders was particularly strong in France and the Benelux countries, but also in Spain and Switzerland. In the UK, demand held up thanks to public housing programs and commercial and industrial projects; in Germany, the general improvement in the economic climate contributed to greater construction activity. The eastern European economies also continued to expand. In southeastern Europe, the building materials industry benefited from the huge demand for housing and accelerated expansion of infrastructure. The building sector in Russia also expanded thanks to improved market conditions.

Higher sales volumes were recorded in France, Belgium and the Netherlands. Holcim Spain achieved record deliveries of ready-mix concrete, but focused cement and aggregates operations increasingly on high-margin product segments. Aggregate Industries UK reported higher sales of aggregates and a further rise in volumes of ready-mix concrete. However, the UK Group company posted lower sales of asphalt on account of delays in awarding projects for road construction and repaving. Holcim Germany benefited from robust building activity in the Hamburg area, achieving gains in sales volumes in all segments. Despite a sluggish market and increased price pressure, the Italian Group company expanded sales of aggregates and ready-mix concrete. Thanks to strong demand for building materials, solid growth was reported in Switzerland and southern Germany. Romania, Serbia and Bulgaria were the leading performers among the Group's eastern European operations; Holcim posted its largest percentage sales increases in these markets. As Holcim expects demand for building materials to continue to increase, Holcim Bulgaria has modernized its Beli Izvor plant and substantially lifted clinker capacity. The Volsk and Shurovo cement factories in Russia achieved sound capacity utilization rates, increasing sales volumes once again.

Consolidated sales in Europe increased in all segments in the first nine months of 2006. Cement sales rose by 2.9 percent to 24.7 million tonnes. Growth in sales of aggregates and ready-mix concrete was above average, the former rising by 18.4 percent to 69.6 million tonnes, and the latter by 14.6 percent to 14.9 million cubic meters. This strong gain is attributable primarily to Aggregate Industries UK, whose sales were fully consolidated for the first time in April 2005. Aggregate Industries UK sold 22.4 million tonnes of aggregates, 2.1 million cubic meters of ready-mix concrete, and 4.2 million tonnes of asphalt. Other positive contributions include higher sales by Holcim France Benelux and the Group companies in southeastern Europe.

Europe in million CHF	Jan - Sept 2006	Jan - Sept 2005	+/-%	July - Sept 2006	July - Sept 2005	+/-%
Net sales	6,306	5,153	+22.4	2,326	2,087	+11.5
Operating EBITDA	1,464	1,253	+16.8	574	515	+11.5
Operating profit	1,058	923	+14.6	433	401	+8.0

In Group region Europe, operating EBITDA increased by 16.8 percent to CHF 1.464 billion, while internal operating EBITDA grew by 9.5 percent. The performance of all Group companies improved, in some cases appreciably.

In September 2006, the European Union approved Aggregate Industries UK's takeover of the Foster Yeoman building materials group. This company owns attractive quarries and asphalt operations in the UK and an interesting network of sales centers for aggregates in important ports along the coast of northern and eastern Europe. The UK authorities are expected to give their approval by the end of this year.

### **Slowdown in North America**

In the USA, the real estate market in particular experienced a slowdown. The number of applications for building permits and the incidence of new housing starts both declined. On the other hand, industrial and commercial construction recorded further satisfactory development along with public infrastructure projects. In Canada, not all regions performed equally well. The situation in the provinces of Quebec and Ontario, the principal markets for St. Lawrence Cement, was subdued.

In the first nine months of 2006, Holcim's consolidated cement sales in North America were quite stable. In spite of a falloff in building activity in the third quarter in the area along the Mississippi and Missouri river systems, sales increased by a moderate 1.5 percent to 13.7 million tonnes. Owing to a deficit in supply, large quantities of clinker, cement and granulated slag – the basic material in the manufacture of GranCem® products – had to be imported.

Although Aggregate Industries US maintained its market share, the company faced a drop in sales volumes – above all in the Northeast and the Great Lakes region – on account of bad weather and tougher economic conditions. Sales of Canadian company St. Lawrence Cement were lower in the aggregates and ready-mix concrete segments. Thanks to the first-time nine-month consolidation of sales of Aggregate Industries US and the inclusion of the newly acquired Meyer Material Company since July 2006, Group region North America saw a sharp rise in deliveries. This year to date, Aggregate Industries US has sold 34.2 million tonnes of aggregates, 3.5 million cubic meters of ready-mix concrete, and 6.3 million tonnes of asphalt.

North America in million CHF	Jan - Sept 2006	Jan - Sept 2005	+/-%	July - Sept 2006	July - Sept 2005	+/-%
Net sales	4,110	3,349	+22.7	1,734	1,649	+5.2
Operating EBITDA	776	674	+15.1	400	368	+8.7
Operating profit	525	481	+9.1	308	287	+7.3

Operating EBITDA for Group region North America increased by 15.1 percent to CHF 776 million. Thanks to a favorable price situation, internal operating EBITDA growth reached 14.6 percent.

Acquired in July 2006, Meyer Material Company was fully integrated into Aggregate Industries US. The Chicago-based building materials firm strengthens Aggregate Industries' aggregates and related businesses, and opens up a further area of growth potential for the group.

### Continuing upward trend in Latin America

The economic recovery in Latin America continued to make steady progress. In all countries, in which Holcim operates, domestic demand increased year-on-year. Continuing high prices for commodities and agricultural products in global markets had a particularly positive impact. This favorable economic environment supported the expansion in building activity. Once again, construction activity was driven by investment in private and public housing and in infrastructure projects.

Sales volumes of Holcim Apasco in Mexico witnessed substantial increases. Deliveries of aggregates and ready-mix concrete have, impressively, grown at a double-digit rate this year, driven in particular by commercial and industrial construction and investment in the transport network and the energy supply infrastructure. Exports of clinker and cement also witnessed an increase. In Central America, too, all Group companies succeeded in increasing cement sales. Cemento de El Salvador and Panamá Cement turned in very strong performances. Holcim Ecuador again achieved record deliveries. Sales also held up well in Colombia, although the continuing low cement prices are recovering only very slowly. To meet the steady growth in domestic demand, Holcim Venezuela has reduced exports of cement. This Group company saw robust growth in sales volumes of aggregates and ready-mix concrete. Thanks to lively building activity, all segments in the Brazilian operations reported higher sales volumes. However, sustained strong competition depressed earnings. Deliveries by Cemento Polpaico in Chile and, above all, Minetti in Argentina were higher year-on-year, in some cases significantly so.

Holcim's consolidated sales of cement in Latin America rose by 10.8 percent to 19.5 million tonnes. All Group companies reported higher local sales volumes. Consolidated sales of aggregates and ready-mix concrete increased by 9 percent to 9.7 million tonnes and 17.2 percent to 7.5 million cubic meters, respectively.

Latin America in million CHF	Jan - Sept 2006	Jan - Sept 2005	+/-%	July - Sept 2006	July - Sept 2005	+/-%
Net sales	2,750	2,294	+19.9	934	830	+12.5
Operating EBITDA	955	845	+13.0	309	299	+3.3
Operating profit	765	657	+16.4	245	231	+6.1

Operating EBITDA increased by 13 percent to CHF 955 million. Almost all Group companies in this region contributed to this satisfactory result, in particular Holcim Apasco in Mexico and Holcim Ecuador. With prices still low, Holcim Brazil reported an operating loss. Largely on account of hefty increases in energy costs, Minetti's results trailed the strong performance seen the previous year. Internal operating EBITDA in Group region Latin America grew by 10.5 percent.

### **Good results in Group region Africa Middle East**

Economic development in Africa and the Middle East was generally satisfactory, despite regional differences in growth. Construction activity was robust in Morocco and South Africa in particular. In Lebanon, on the other hand, business was hit by the recent war, and Egypt suffered a temporary slowdown in growth. By contrast, the building materials markets that Holcim supplies on the coast of West Africa and in the Indian Ocean reported stronger demand.

Holcim Morocco recorded an impressive improvement in cement sales in the first nine months of 2006. Motorway construction, public development programs (in particular housing construction) and growing investment in the tourism sector boosted deliveries of aggregates and ready-mix concrete. Holcim Lebanon maintained clinker and cement production at its plant in Chekka in northern Lebanon almost until the end of the fighting. However, for a brief spell cement deliveries virtually ceased, quickly picking up again when hostilities ended. Domestic sales remained solid at Egyptian Cement, but exports fell. In the Indian Ocean area, sales of cement were held at the previous-year level. Road and housing construction on La Réunion resulted in noticeably higher sales of ready-mix concrete. Thanks to an increase in construction activity, sales of Holcim South Africa – in particular aggregates and ready-mix concrete – have been rising steadily since the beginning of 2006.

Cement sales of Group region Africa Middle East were temporarily hit by the difficult situation in Lebanon. As a result, deliveries increased only by a modest 0.9 percent to 11.3 million tonnes. Sales volumes of aggregates and ready-mix concrete, by contrast, rose strongly by 15.1 percent to 8.4 million tonnes and 11.8 percent to 1.9 million cubic meters, respectively.

Africa Middle East in million CHF	Jan - Sept 2006	Jan - Sept 2005	+/-%	July - Sept 2006	July - Sept 2005	+/-%
Net sales	1,547	1,384	+11.8	542	525	+3.2
Operating EBITDA	512	474	+8.0	190	183	+3.8
Operating profit	445	411	+8.3	167	161	+3.7

Operating EBITDA of Group region Africa Middle East rose by 8 percent to CHF 512 million. All Group companies contributed to this solid result, with the exception of Holcim Lebanon. Results in Egypt, Morocco and South Africa were sharply higher. The Group region Africa Middle East posted internal operating EBITDA growth of 10.5 percent.

In the period under review, Holcim signed a declaration of intent to dispose of a substantial share of the majority interest in Holcim South Africa. By doing so, Holcim seeks to act in accordance with the statutory obligations under Black Economic Empowerment and ensure Holcim South Africa an optimal market positioning. If all preconditions are satisfied, Holcim expects the transaction to close sometime next year. Until that point, Holcim South Africa will remain part of the Group.

### **India as growth driver in Asia Pacific**

The majority of construction markets in Group region Asia Pacific have continued to make good progress. Economic development was generally solid, and construction volumes – above all in India and China – remained impressive. In Thailand, political uncertainty dampened economic activity, and in the Philippines, budget constraints negatively affected the investment climate. Demand for building materials in Australia remained relatively strong, and construction activity in New Zealand also held up satisfactorily.

Despite very heavy monsoon rains, the Indian group companies significantly increased deliveries of cement. Holcim also sold more cement in Sri Lanka, Bangladesh and Malaysia compared with the first nine months of 2005. Holcim Singapore reported very good sales volumes.

Higher exports of cement and clinker by the Group company in Thailand virtually compensated for a temporary spell of weaker domestic demand. Sales of ready-mix concrete were also lifted. In Vietnam and Indonesia, sales decreased in the period under review. Domestic sales were stable at Holcim Philippines. However, a production bottleneck at the Davao plant – where, among other things, a new silo is being built – resulted in lower cement exports. Holcim New Zealand succeeded in more or less making up the shortfall caused by bad weather in the first half of the year.

The strong increase in consolidated cement sales in Group region Asia Pacific by 79.9 percent to 39.4 million tonnes reflects the recent consolidation of ACC and Gujarat Ambuja Cements in India. In the aggregates segment, sales volumes declined by 4.2 percent to 2.3 million tonnes on account of Holcim New Zealand. On the other hand, sales of ready-mix concrete increased, up by 26.9 percent to 3.3 million cubic meters. This is a consequence of the recent consolidation of the new positions in India and enhanced vertical integration in several major areas in this Group region.

Asia Pacific in million CHF	Jan - Sept 2006	Jan - Sept 2005	+/-%	July - Sept 2006	July - Sept 2005	+/-%
Net sales	3,342	1,676	+99.4	1,262	583	+116.5
Operating EBITDA	933	421	+121.6	351	155	+126.5
Operating profit	645	276	+133.7	241	105	+129.5

In Group region Asia Pacific, operating EBITDA rose sharply by 121.6 percent to CHF 933 million. The marked improvement in results reflects the expanded scope of consolidation, rigorous cost controls and generally stable sales prices. Group region Asia Pacific posted internal operating EBITDA growth of 0.2 percent.

#### **New margin targets per segment**

Having significantly strengthened the business portfolio by means of acquisitions in the Asian region as well as in the aggregates and "Other Construction Materials and Services" segments as part of the growth strategy, Holcim has now set specific margin targets per segment at Group level aimed at sustainably exceeding the Group's weighted average costs of capital (WACC) of 8 percent after tax. To secure this target by 2010, Holcim will consistently continue pursuing efficiency-enhancing programs and measures in all segments. Factoring in the changes in the scope of consolidation already announced, the operating EBITDA margin target for the cement segment, including mineral components, is 33 percent. A target of an average 27 percent has been determined for aggregates. An 8 percent target has been defined for the segment "Other Construction Materials and Services", including ready-mix concrete and asphalt.

#### **Continuing good signs of successful conclusion to 2006**

Activity in the building sector has slowed in individual market regions. Thanks to new consolidations, excellent geographic diversification and an encouraging performance by the Group companies, Holcim will be able to report pleasing annual results. The Board of Directors and Executive Committee are convinced that internal operating EBITDA growth in 2006 will substantially exceed the long-term average of 5 percent.

## Key figures

Group Holcim January – September		2006	2005 <sup>1</sup>	+/-%	+/-% local currency
Annual production capacity cement	million t	193.8	160.4 <sup>2</sup>	+20.8	
Sales of cement	million t	103.8	83.0	+25.1	
Sales of mineral components	million t	4.4	4.1	+7.3	
Sales of aggregates	Million t	138.0	122.3	+12.8	
Sales of asphalt	million t	11.1	9.0	+23.3	
Sales of ready-mix concrete	million m <sup>3</sup>	32.8	28.1	+16.7	
Net sales	million CHF	17,514	13,425	+30.5	+27.9
Operating EBITDA	million CHF	4,489	3,501	+28.2	+26.0
Operating EBITDA margin	%	25.6	26.1		
EBITDA	million CHF	4,616	3,587	+28.7	+25.8
Operating profit	million CHF	3,281	2,576	+27.4	+25.3
Operating profit margin	%	18.7	19.2		
Net income	million CHF	1,950	1,362	+43.2	+38.8
Net income margin	%	11.1	10.1		
Net income – equity holders of Holcim Ltd	million CHF	1,505	1,153	+30.5	+25.7
Cash flow from operating activities	million CHF	2,348	1,864	+26.0	+25.1
Cash flow margin	%	13.4	13.9		
Net financial debt	million CHF	12,892	12,693 <sup>2</sup>	+1.6	+1.7
Total shareholders' equity	million CHF	18,629	14,250 <sup>2</sup>	+30.7	+33.8
Gearing <sup>3</sup>	%	69.2	89.1 <sup>2</sup>		
Personnel		30.9.	89,507	59,901 <sup>2</sup>	+49.4
Earnings per dividend-bearing share <sup>4</sup>	CHF	6.28	5.04	+24.6	+19.9
Fully diluted earnings per share <sup>4</sup>	CHF	6.17	4.97	+24.1	+19.7
Cash earnings per dividend bearing share <sup>4 5</sup>	CHF	6.64	5.23	+27.0	+22.5

### Principal key figures in USD (illustrative) <sup>6</sup>

Net sales	million USD	13,900	10,915	+27.3	
Operating EBITDA	million USD	3,563	2,846	+25.2	
Operating profit	million USD	2,604	2,094	+24.4	
Net income – equity holders of Holcim Ltd	million USD	1,194	937	+27.4	
Cash flow from operating activities	million USD	1,863	1,515	+23.0	
Net financial debt	million USD	10,314	9,616 <sup>2</sup>	+7.3	
Total shareholders' equity	million USD	14,903	10,795 <sup>2</sup>	+38.1	
Earnings per dividend-bearing share <sup>4</sup>	USD	4.98	4.10	+21.5	
Cash earnings per dividend bearing share <sup>4 5</sup>	USD	5.27	4.25	+24.0	

### Principal key figures in EUR (illustrative) <sup>6</sup>

Net sales	million EUR	11,155	8,661	+28.8	
Operating EBITDA	million EUR	2,859	2,259	+26.6	
Operating profit	million EUR	2,090	1,662	+25.8	
Net income – equity holders of Holcim Ltd	million EUR	959	744	+28.9	
Cash flow from operating activities	million EUR	1,496	1,203	+24.4	
Net financial debt	million EUR	8,108	8,137 <sup>2</sup>	-0.4	
Total shareholders' equity	million EUR	11,716	9,135 <sup>2</sup>	+28.3	
Earnings per dividend-bearing share <sup>4</sup>	EUR	4.00	3.25	+23.1	
Cash earnings per dividend bearing share <sup>4 5</sup>	EUR	4.23	3.37	+25.5	

<sup>1</sup> Adjusted in line with IAS 21 amended.

<sup>2</sup> As of December 31, 2005.

<sup>3</sup> Net financial debt divided by total shareholders' equity.

<sup>4</sup> EPS calculation based on net income attributable to equity holders of Holcim Ltd.

<sup>5</sup> Excludes the amortization of other intangible assets.

<sup>6</sup> Income statement figures translated at average rate; balance sheet figures at closing rate.

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Holcim is one of the world's leading suppliers of cement and aggregates (crushed stone, sand and gravel) as well as downstream activities such as ready-mix concrete and asphalt including services. The Group holds majority and minority interests in more than 70 countries on all continents.

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This media release is also available in German.

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**This media release, the printed third quarter report 2006 and results presentation can be downloaded from [www.holcim.com/presentations](http://www.holcim.com/presentations). The press conference starts today at 9:30 a.m., Hagenholzstrasse 85, Zurich.**

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