

Annual Review

Holcim (New Zealand) Ltd for the year ending 2009





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For the year ending 2009

Holcim (New Zealand) Ltd

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Holcim National Sales Manager - Cement, Murray Dickson.

Inside Cover

Jeff McDonald and Nick Warren at Westport Works Quarry.

About Holcim

From small beginnings in Otago in 1888, Holcim (New Zealand) Ltd has become a cornerstone of the country's construction industry.

Today, Holcim directly employs approximately 510* people at over 37 sites to supply cement, aggregates, ready mixed concrete and lime products to build the country's industries, offices, houses and roads. The head office is in Christchurch.

The Company's vision of providing the foundations for society's future has strengthened over more than 120 years to incorporate long-term sustainability of the business and of its activities, and sustainable development that meets the needs of the present without compromising the needs of future generations.

The fulfilment of that vision of sustainability is built into the Company's values of strength, performance and passion: we care about our people, their safety and their development; we care about our customers and their success; and we care about our world, in particular the communities we live and work in. At the same time, sustainability at an operational level also means finding the best solutions for our customers and delivering on our promises, as well as contributing to a strong organisation that is a solid partner, demonstrating global leadership based on strong local relationships.

Cement

At Westport Works, Holcim produces approximately 500,000 tonnes of high quality Portland cement a year. When required local production is supplemented by imported cement to meet market demands.

Holcim operates two ships, marine terminals around the country and a network of road and rail tankers to deliver bulk cement to our customers. Most of it is used in ready-mixed concrete production.

A small amount of cement (about 10%) is delivered to customers as bagged cement in 40kg and 25kg bags. Our cement brands are Ultracem, Duracem and Rapidcem.

Aggregates

Holcim operates large quarries at Wellington, Bombay (south of Auckland) and Hastings (Hawke's Bay), supplying approximately 1 million tonnes of premium aggregates annually, primarily to the concrete and roading markets. Further supplies of aggregates are produced by Millbrook Quarries (50% owned) and Atlas Resources (25% owned).

Concrete

A network of 37 ready-mixed concrete plants owned by Holcim Concrete (100% owned) and AML (50% owned) supply ready mixed concrete for residential, commercial and infrastructure uses.

Lime

Holcim has two lime operations – McDonald's Lime (72% owned), in the Waikato, and Taylor's Lime (100% owned), in Otago. Both plants produce large quantities of burnt and hydrated lime, agricultural lime and a range of ground calcium carbonates.

Social Sustainability

As an employer, our primary responsibility is the health and safety of our employees in the quarries, at plants and at other worksites. Our goal is clear: nobody should come to any harm while working on or visiting a Holcim site.

Holcim is committed to being a good employer by creating an environment of mutual trust and respect for all employees and fostering employee development, initiative and involvement in an environment that is safe, healthy and free from harassment and discrimination. Annual study awards and other initiatives encourage young people to consider a career in the industry.

Holcim strives to be a good neighbour - to be supportive of and have good relationships in the communities in which we operate.

* Note: Staff numbers exclude the following partly owned subsidiaries and associates: AML, Millbrook Quarries, Fiji Industries, Basic Industries and Atlas Resources.



Environmental Sustainability

Holcim aims to keep the environmental impact of our operations as low as possible through careful, forward-thinking management. Our efforts have been acknowledged with continuing ISO14001 environmental certification at all Holcim sites. The accreditation was achieved through a series of protocols that meet the international ISO environmental standard. The protocols put measures and checks in place that minimise noise and emissions, reduce waste, and conserve energy.

For further information about Holcim New Zealand please visit the website www.holcim.com/nz

Holcim Ltd

Holcim (New Zealand) Ltd is owned by Holcim Ltd, based in Switzerland. Holcim Ltd is one of the world's leading suppliers of cement, aggregates, concrete and construction-related services. The Holcim group of companies employs some 85,000 people in around 70 countries.

For further information about Holcim Ltd, please visit the website: www.holcim.com

Holcim Foundation

As part of its commitment to sustainable development in the use of natural resources, Holcim Ltd established the Holcim Foundation for Sustainable Construction in 2003.

The Foundation's purpose is to encourage sustainable responses to technological, environmental, socio-economic and cultural issues affecting building and construction. The Foundation promotes innovative approaches to sustainable construction mainly through Awards competitions, an international forum and project funding.

For further information about the work of the Foundation and about the next Holcim Awards Competition please visit the website www.holcimfoundation.org



Since 1888

- 1888** Beginning of the Company's involvement in the New Zealand building industry when the Milburn Lime and Cement Company was incorporated in Otago.
- 1958** New Zealand Cement Company commenced operating a new cement plant at Westport to meet growing demand for cement.
- 1963** Milburn and New Zealand Cement Company merged to form New Zealand Cement Holdings Ltd.
- 1977** Holcim (then known as Holderbank), a Swiss company, bought 52% of New Zealand Cement Holdings Ltd.
- 1980s** Company diversified into concrete operations, including the joint venture AML Ltd.
- 1988** Company celebrated 100 years of operations and changed its name to Milburn New Zealand Ltd.
- 1999** Holcim moved to 100% ownership.
- 2002** The name Holcim (New Zealand) Ltd was adopted and the company rebranded throughout New Zealand.

Chairman's & Managing Director's Review

In 2009, Holcim New Zealand experienced one of the most difficult trading years in its 121-year history. Board, management and staff worked closely together throughout the year to ensure the Company responded decisively to this challenge.

Safety Performance

Despite the severity of the economic downturn, caring for the safety of our employees, site visitors and contractors continued to be top of mind throughout the Company. In the past five years the key safety indicator of Lost Time Injury (LTI) frequency rate (number of LTIs per million hours worked) has fallen from 20 to 4.5, and in 2008 alone it dropped by 50%. Holcim New Zealand sites and plants are now much safer places than they were as the culture of Zero Harm spreads deeper and wider throughout the Company. This is an achievement of which all staff can be proud. However safety can never be taken for granted and further effort will be required in 2010.

Financial Performance

The local construction industry felt the full force of the global recession in 2009. Cement sales experienced the largest single drop since 1932.

Across all divisions total sales fell by 14% to \$257.2 million compared to the 12 months to 31 December 2008, requiring close attention to costs and spending which ensured there was a lesser effect on the bottom line, where net profit before tax and finance costs fell by 10%. Maintaining cashflow was assisted through significant reductions to capital expenditure.

Response to recession

The Board and Executive Committee would like to recognise the tremendous effort which people at all levels in the Company went to in finding new or more effective ways of doing things with fewer resources. Importantly, despite the increased demands brought on by the recession, there was a requirement that no cutbacks or savings would affect safety, environmental security or customer service.

Furthermore, steps were taken to position the Company to take advantage of the upturn when it occurs. This was evidenced by the opening of two new concrete plants (in Auckland and Christchurch) and taking over the operations of Kiwi Point Quarry. The integration of this quarry in central Wellington into our Aggregates division has gone very well, due largely to the positive approach taken by the staff and the efforts by all involved in the acquisition.

One of the more difficult tasks management faced during the year was to size the operations to meet demand. This inevitably led to a reduction in employee numbers, which fell by over 9% on a like-for-like basis.

Values

For the past seven years the Holcim Values of *Strength. Performance. Passion.* have been a shared set of values around the world. Their purpose is to guide Company behaviour and to help lift everybody's performance. These Values have become embedded in the culture of the Company and have proved to be a cornerstone for guiding the Board and Management in their decision-making in these tough times.

Holcim Ltd's purchase of Cemex Australia

In June 2009, our parent Holcim Ltd announced the purchase of the Australian operations of Mexican-owned Cemex Australia for approximately AUD \$2.02 billion. The purchase was financed entirely with equity provided by shareholders and included a 25% stake in Cement Australia, bringing the total holding of Holcim Ltd in that company to 75%. This purchase reflects the strength of the Holcim Ltd balance sheet and shareholding base. This acquisition considerably strengthens the Holcim group presence in the Asia Pacific region. It also presents the opportunity for even closer technical and personnel exchanges and cooperation with Holcim Australia to assist us to provide increased service levels to our customers.



Long Term Cement Supply Options

In August, the Environment Court granted the resource consents required for a new cement plant at Weston near Oamaru. This decision upheld the February 2008 decision of the district and regional councils in which Holcim New Zealand was granted all the resource consents needed to construct and operate the proposed cement plant and associated quarries and pits.

The Company is now preparing the business case to Holcim Ltd for the construction of the Weston plant. This is Holcim New Zealand's preferred option to secure long-term cement supply and involves a number of steps. The case will be first presented to the Holcim New Zealand Board for consideration. The Board must decide whether to endorse a formal proposal to the Holcim Ltd executive committee in Switzerland. If that committee approves the business case it will then go to the parent's full Board for final consideration.

Environmental Performance

During the year, Government enacted the Climate Change Response Act 2009, which established the New Zealand Emissions Trading Scheme (NZ ETS) and which replaced previous legislation. An important aspect of this legislation was that, of all the tools available for combating climate change, this one left open the possibility for the future replacement of old manufacturing technologies with new state-of-the-art high efficiency plants.

In 1995, two years before the Kyoto Protocol was signed, Holcim New Zealand had already made a voluntary agreement to reduce CO₂ emissions from Westport Works. By 2009, CO₂ emissions per tonne of cement had been reduced by 17.5%. Also, during the year came encouraging results from a Holcim-sponsored University of Canterbury study into crushed concrete's ability to absorb CO₂, indicating that CO₂ emissions from cement are being over-estimated on a life-cycle basis.

The Company's environmental initiatives continue to win independent recognition. A highlight was when Holcim New Zealand received a Department of Conservation award during Conservation Week, acknowledging a long-time contribution to conservation and the community in the Buller Region of the West Coast. Another long-standing environmental security initiative – the Used Oil Recovery Programme (UORP) – was the first in New Zealand to be accredited as a Product Stewardship Scheme under the recently enacted Waste Minimisation Act. The Board and Management are however concerned that this high level of product stewardship is not being met by other participants in the used oil industry, resulting in unnecessary environmental risks being taken.

Outlook for 2010

It is not expected that any genuine upturn will be seen in the construction industry before the second half of 2010. When it does arrive, Holcim New Zealand will be well positioned to meet the increasing level of demand.

Thank you

The Board and Executive Committee would like to thank everyone at Holcim New Zealand for the dedication and passion they have displayed throughout another tough year, our business partners for their ongoing loyalty, and the communities within which we operate for their ongoing support.

John Lindsay
Chairman

Jeremy Smith
Managing Director

Board Composition

Holcim (New Zealand) Ltd Board



1	4
2	5
3	6

1 John Lindsay (Chairman)

John has had extensive business experience as Chief Executive and board member of various large manufacturing and service companies, based in New Zealand and operating internationally, as a member of the executive committee of several national trade associations and as an independent director of the New Zealand Rugby Union.

He is currently Chairman of Ports of Auckland Ltd, Auckland Regional Chamber of Commerce and Industry, the New Zealand Chambers of Commerce and Industry and is a Director of a number of other companies. A member of the Audit and Compliance Committee, John has been a Director of Holcim New Zealand since 1999 and Chairman of the Board since 1 April 2004.

2 Jeremy Smith (Managing Director)

Appointed to the role of Chief Executive of Holcim New Zealand in June 2007, Jeremy was appointed to the Board in November of that year. He joined Holcim in 2000 and has held general management positions in the Lime and Cement divisions. A qualified lawyer, he has previously worked in executive management roles in other industries.

3 Tom Clough

Tom joined the Executive Committee of parent company Holcim Ltd in 2004, and has responsibility for East Asia, the Philippines and Oceania, as well as South and East Africa. Previous positions with Holcim include CEO of Holcim's Philippine Group company and Chief Executive of Jakarta-based PT Holcim Indonesia Tbk.

4 Murray Valentine

Murray is a director and investor in a number of South Island based companies involved in tourism, hotels and farming and in a New Zealand geographic information services company. He owns and operates the Dunedin based firm of Chartered Accountants, Jackson Valentine Limited, and is also a director of Alpine Deer Group Limited, Animation Research Limited, Farra Engineering Limited, Queenstown Airport Corporation Limited and Trojan Holdings Limited. Murray has been a director of Holcim New Zealand since 1988. He is Chair of the Audit and Compliance Committee.

5 Simon Upton

Former member of Parliament and Cabinet Minister Simon Upton joined the Board in 2007, furthering his four-year involvement with Holcim internationally as an Advisory Board member of the Holcim Foundation for Sustainable Construction. He is a member of the Audit and Compliance Committee.

6 Paul O'Callaghan

Formerly Chief Operating Officer for Holcim Philippines, Paul O'Callaghan has over 20 years experience in the cement industry. Prior to moving to the Philippines in 2001, he held a variety of positions in Queensland Cement Ltd.

He is also a director of both Cement Australia and Huaxin Cement, China, and Chairman of Holcim Australia.

As at January 2010

*Nick Hirst Account Manager -
Infrastructure, Concrete & Aggregates
with Ian Finlayson from Stresscrete.*

Economic Sustainability



Operational Highlights

The major fall in construction activity saw cement sales fall to a level not seen since 2003, with concrete and aggregates sales following the downward trend of cement.

Cement

- Sales fell by 20%, the largest single drop since 1932
- Westport Works' clinker production was reduced by 6%, due to a drop in demand and was well within the plant's production capacity
- Cement prices to customers were held despite production cost increases

Concrete

- Volume sales fell by 23% as construction activity dropped away
- Two large new concrete plants in Auckland and Christchurch were commissioned as the business secured its long-term position
- Concrete block business was successfully relaunched in Auckland region
- Significant contracts gained through technical and environmental excellence

Aggregates

- Kiwi Point Quarry acquisition re-established Holcim Aggregates' presence in lower North Island
- Production from Bombay and Hastings quarries fell by 20%, but Kiwi Point's contribution resulted in a 3% overall increase to close to 1 million tonnes per annum
- First stage to bring Jones Block extension at Bombay Quarry into production

Lime

- Burnt (calcinated) lime sales were steady at similar levels to 2008
- A domestic fall in unburnt lime demand was cushioned by exports remaining at good levels
- Further close attention to calcination production costs maintained international competitiveness

Outlook for 2010

Prospects for 2010 depend on a lift in construction and roading activity but even so, any increase would be coming off what was a substantial fall in activity in 2009. The total value of all building permits issued in 2009 fell by 10% to \$9.64 billion, with the residential sector experiencing an 18% fall to \$5.11 billion.

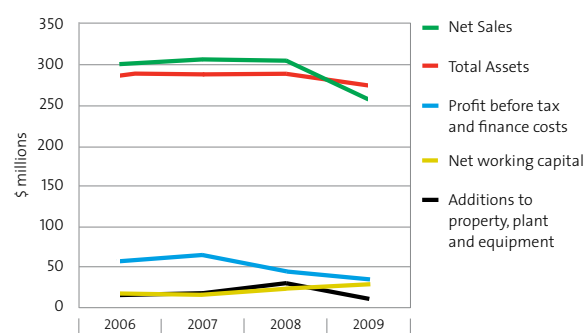
The non-residential sector was relatively unaffected in those 12 months with the value staying steady at \$4.52 billion.

Although gross domestic product (GDP) rose by 0.8% in the last quarter of 2009, for the 12 months it fell by 1.6%. Predicted small GDP rises through 2010 would appear to come from manufacturing rather than construction sector activity.

For the 12 months to February 2010 the overall value of building permits issued was still below the same period the previous year.

Based on the leading indicators of GDP and building permits issued, Holcim New Zealand is not expecting any lift in business across its operations in the first half. It remains to be seen if construction activity in the second half of 2010 shows any significant improvement.

Company Overview



Financial Result

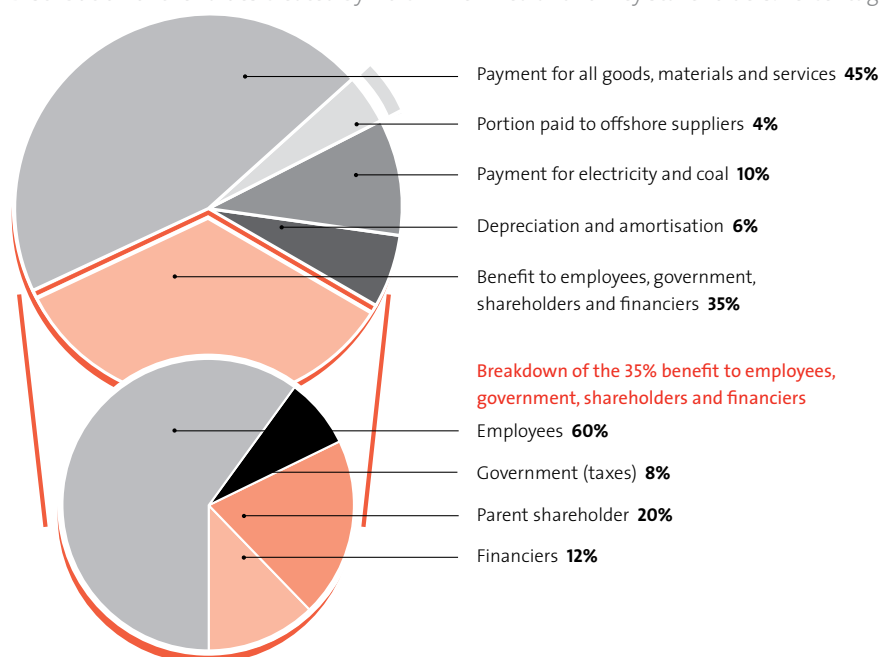
Value Creation

Value created by Holcim New Zealand for our key stakeholders

	2008		2009	
	\$000 Total	Offshore portion	\$000 Total	Offshore portion
Net Sales	300,180		257,203	
Other Income	6,261		5,586	
Total Income	306,441		262,789	
Less				
Payment for goods, materials and services	-165,483		-131,224	
Portion paid to offshore suppliers		-21,600		-10,993
Payment for electricity and coal	-24,077		-25,113	
Depreciation and amortisation	-15,819		-16,088	
Less				
Benefits provided to				
Employees	-57,123		-53,089	
Government (taxes)	-6,998		-7,021	
Parent Shareholder	-26,670		-17,560	
Financiers	-14,478		-10,841	
Increase in total equity	4,207		1,853	

Distribution

Distribution of the values created by Holcim New Zealand for key stakeholders. Percentage of net sales



Production and Sales



The rapid downturn in all construction activity that began in the latter half of 2008 continued unabated in 2009. As a result, cement, concrete and aggregate sales were hard hit, with cement sales retreating to levels not seen since 2003.

Lime however was a bright spot, with overall income about the same as last year.

Holcim New Zealand's net sales fell by 14.3% to \$257.20 million, but the fall in profit before tax and finance costs was held to 10.0%, thanks to rigorous attention to costs.

At Westport Works the large fall in cement sales did not have its equivalent effect on operations there. Westport Works' clinker production easily handled demand in 2009. In previous years the gap between Westport Works' production and overall cement sales was met by importing cement. This year, no GP (general purpose) cement imports were required.

Holcim Concrete had a very difficult year. Residential building activity fell away to low levels not seen for many years and commercial construction was seriously affected by the credit squeeze. While welcome, the promised surge in concrete-consuming infrastructure activity as a result of Government spending was slow to take effect.

Although Holcim Aggregates was also affected by the general economic downturn, production was boosted in the second half of the year when the Company took over the operations of Kiwi Point Quarry near Wellington.

Lime was a different story. New export orders were gained for bulk lime, domestic customers were nurtured and energy savings continued to be achieved in the calcinated lime production process.

Cement

The effect of the global financial crisis on New Zealand's construction industry in 2009 was reflected in the 20% fall in Holcim Cement's sales compared with 2008.

With the annual consumption of cement a generally reliable indicator of a country's economic health and activity, it was concerning that the 2009 sales figure had fallen to about the same level as 2003.

Clinker production was held fairly steady during the year, with a small decline on 2008 volumes. Clinker is milled together with various ingredients to make different types of cement.

In the second half, cement demand fell to the extent it was prudent to close the Westport plant over the Christmas-New Year period to avoid exceeding storage capacity in the supply chain. This meant most Westport Works staff had the rare experience of spending all of the Christmas-New Year period with their families.

During the year, delivered supplies of the used oil that helps the firing of the cement kilns dropped 27%, following a 24% fall in 2008 from a peak in 2007. These reductions were caused by many oil users switching to cheaper used oil, following a steep rise in the cost of ordinary fuel oil.

Cement prices to customers were held during 2009, there being no price rise since 1 August 2008. While transport fuel costs fell during the year, other costs did not.

Cost-saving achieved through measures such as using cement tankers more efficiently, and the slow-steaming of mv Westport and mv Milburn Carrier II to reduce their fuel consumption, helped mitigate the impact of rising costs.

Concrete

Holcim Concrete experienced a very tough year, with sales volumes reducing by 23% as a result of the major fall in construction activity. By year's end a slight recovery had occurred in both the residential and commercial sectors, but this appeared fragile.

Although some major contracts were secured and helped to sustain the business, a downturn of this size inevitably resulted in a downsizing of operations while protecting Holcim Concrete's ability to position itself to take advantage of a return to normal growth. This was mainly achieved with a sinking lid policy in filling job positions and withdrawing some delivery trucks from the road fleet.

Amid addressing these issues, a real highlight was the commissioning of two new concrete plants. The new Avondale concrete plant was opened by Holcim New Zealand Chairman John Lindsay in July.



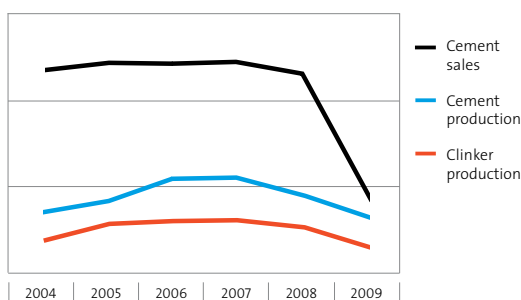
This plant can produce 150 cubic metres of concrete an hour, double the capacity of the former Avondale plant, and incorporates all of Holcim Concrete's environmental and operational learnings and initiatives from other concrete plants of the past few years. Its batching system, among the most modern in the world, features the ability to mix very precise quantities of ingredients to produce all kinds of concrete exactly to specification. Earlier, AML Ltd's new concrete plant was opened in the Isaac Conservation Park near Christchurch by Diana, Lady Isaac. (AML is 50% owned by Holcim New Zealand). With a production capacity of 200 cubic metres an hour the plant is the largest in the South Island.

Holcim Concrete has always recognised the value of partnerships within the construction industry in gaining major project business. This year, they also played a key role in helping to cushion the business from the severity of the downturn. These partnerships include Hawkins Construction, McConnell Dowell and Downer EDi Works, in relation to Auckland City roading work. Holcim Concrete has also partnered successfully with Conset, a concrete placing company, which specialises in floor slabs for mid-size commercial construction.

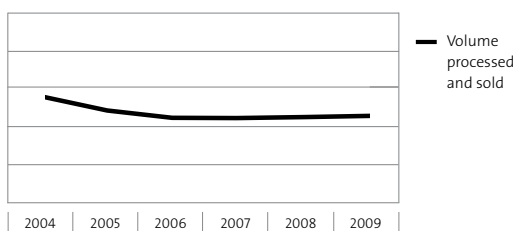
One important contract was the supply of environmentally friendly concrete (through partner Mainzeal) for the extension to the School of Biological Science's Green Star rated Thomas Building at the University of Auckland. This called on Holcim Concrete's technical expertise in supplying concrete using recycled aggregate and partial cement replacement with fly ash.

At the end of 2008, major changes in Auckland's concrete block industry presented a number of opportunities for Holcim Concrete. These were promptly considered by a strategy team, and a business plan involving Holcim Concrete Products was approved in early 2009. The plan proved an outstanding success and involved some quick work among the team, including redesigning block production processes at the Horotiu Masonry plant. The popularity of blocks produced at the plant is enhanced with colours on demand and a range of attractive surface finishing options.

Holcim Cement volumes

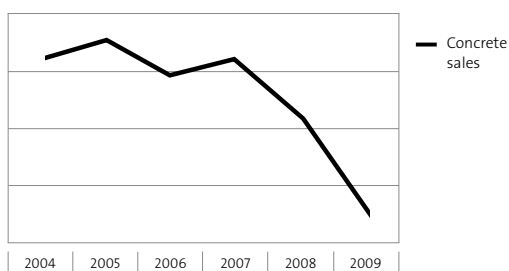


Holcim Aggregates volumes

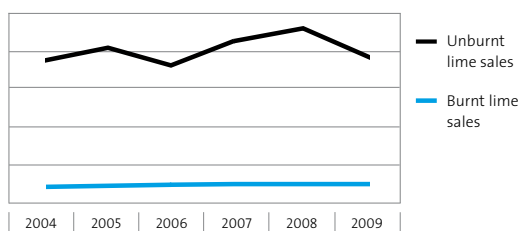


Note: This does not include sales from Atlas Resources (25% owned).

Holcim Concrete volumes



Lime volumes





Aggregates

Holcim Aggregates had a difficult year, with total sales from Bombay and Hastings quarries falling by about 20%.

In August, the company took over the operations of the Kiwi Point Quarry in the Ngauranga Gorge near Wellington. This re-established Holcim Aggregates' presence in the lower North Island and 23 people were welcomed into the company. The quarry produces greywacke aggregate and its five-month contribution brought Holcim Aggregates' total sales close to 1 million tonnes.

At Bombay, a major event was the opening overburden cut on the adjoining Jones Block, which is where the quarry will gradually transfer its operations. Depending on demand, the transfer will take two years. The Jones Block is expected to yield its first aggregate material during 2010.

Sales at Hastings Quarry held up reasonably well in the first six months, but fell off in the second half and by year's end total sales were well down on the previous year. Good contracts for roading base course material were gained during the year, which helped sustain sales.

Lime

Sales of agricultural lime were affected by the dairying downturn but this was offset by increased income from export sales after gaining new customers. Calcinated (burnt) lime sales were at similar levels to last year.

McDonald's Lime acquired a new bulk lime export customer during the year. In addition to supplying the Lihir gold mine in Papua New Guinea, McDonald's Lime gained a new contract from the nearby Morobe mine. This meant the shipping arrangements already in place by rail to the Port of Tauranga and then by container aboard Sofrana Line ships to PNG could be used. Using rail avoided the use of about 4000 truck movements on the roads to and from Tauranga.

Orders from domestic bulk customers New Zealand Steel and Pacific Steel continued throughout 2009.

Taylor's Lime continued supplying its export customer Fiji Sugar with product shipped by container to Fiji through the Port of Lyttelton. Major Taylor's Lime customer OceanaGold continued their strong performance and announced an extended life for the Macraes Goldfield.

Over the past three years McDonald's Lime has focused on reducing energy usage and costs in producing calcinated lime in order to maintain our international competitiveness.

Fiji

Holcim New Zealand has minority interests in two Fiji companies – a 49% share in concrete producer Basic Industries Ltd and a 24% share in cement producer Fiji Industries Ltd. Although economic activity in Fiji has been seriously affected by overseas reaction to the coup of 2007, both companies' operations have thriving exports to other Pacific Island countries.

Holcim New Zealand has been helping to improve the companies' environmental and safety operations. As a result, a small team from each company was brought to New Zealand this year for a series of environmental and safety seminars and to visit a number of sites and plants.

Holcim Ltd

The worldwide fall in the construction and building materials sectors resulted in a 16% fall in net sales in the 12 months to 31 December 2009, from CHF \$25.16 billion to CHF \$21.13 billion. On a like-for-like basis with the previous year (ie adjusted for new or sold businesses) the fall in sales was 10%. Sales of cement fell by 8% to 131.9 million tonnes. The Company continued its strict attention to reducing both operational costs and unused capacity, resulting in a 5% increase in cash flow from operating activities to CHF 3.88 billion. Although net income fell by 12% to CHF 1.98 billion, the Company's balance sheet remained strong. In its outlook for 2010, Holcim Ltd said uncertainty was high with regard to developments in Europe and North America, but there was a better outlook for the emerging markets.

Distribution



Holcim Cement

The significant downturn in the construction industry also had a significant effect on cement distribution around the country. Over the past few years cement sales exceeded Westport Works' production capacity, with the gap between production and sales being met by imported cement. The imports were mostly handled at Port Chalmers near Dunedin. General Purpose (GP) cement meeting New Zealand Standards was distributed from there by road tanker into Otago and Southland. In 2009, however, no GP cement imports were needed which meant that the Company's two cement ships mv Westport and mv Milburn Carrier II resumed their former delivery route from the Port of Westport round the top of the South Island by Lyttelton to Port Chalmers. The ships carried cement from Westport Works to the Ports of Onehunga, New Plymouth, Wellington, Nelson, Lyttelton and Port Chalmers. During the year the ships adopted the fuel conservation measure of "slow steaming" where ship speed is slightly reduced, resulting in a major saving (up to 20%) in fuel consumption, and reduction in CO₂ emissions.

The bar conditions at Westport for the ships were better this year than last, with only 40 days closed to shipping compared with 51 in 2008. The closed days mostly occurred in November-December and the standby road tanker fleet for taking cement from Westport to Nelson for on-shipping by sea was only minimally involved.

mv Westport is planned for replacement in 2012, when she nears the end of her economic operational life in New Zealand. Given her otherwise excellent condition, the ship will probably be seeing service under a new owner in some other part of the world. If the Company received parent company approval to build a new cement plant at Weston near Oamaru, only one new deep draught ship would be required working out of the Port of Timaru.

Road

Reduced sales of cement around the country proved a challenge for managing road distribution. With a road tanker fleet increased in number and capacity in response to growth over the past three years, there was excess capacity during 2009 as cement sales fell. There was little option but to reduce the number of tankers being operated and to ensure work was allocated efficiently.

Overall, the fall in cement sales meant that cement storage facilities throughout the country became full, and the decision was made to close Westport Works for Christmas-New Year, which avoided an over-supply of cement in storage.

Rail

Where available, rail provides an effective way to transport bulk cement from a manufacturing plant to a depot as it removes a considerable amount of road traffic by cement tankers. This rail transport linkage exists between Westport Works and the Sockburn depot near Christchurch, using the Midland Line through the Southern Alps. This year rail shipments to Sockburn continued at similar to previous rates.

Holcim Concrete

The downturn in construction had perhaps its most noticeable effect in fewer concrete deliveries throughout Holcim Concrete. This resulted in a reduction in the distribution fleet from about 85 trucks to 60. Despite this, some notable deliveries were undertaken, such as servicing several 600 cubic metre continuous pours for Lion Nathan's Project Century brewery in Auckland, where deliveries by between six and ten trucks were coordinated from the East Tamaki plant. Fewer trucks in the fleet was a disappointing aspect of the year but did provide the opportunity to retire older trucks and be therefore operating the most modern fleet with greater fuel efficiency and cost savings.

Significant Projects



Road stabilisation

When the country's newest coal mine needed an extraordinary amount of strength for one of its roads, close cooperation between Hiway Stabilizers and Holcim Cement provided the solution. Pike River Coal operates a coal mine in the Paparoa Ranges 50km northeast of Greymouth on the West Coast. Production started in mid-2009, and meant large coal trucks would pound the road from the mine hauling up to 1,000,000 tonnes of coal a year.

The top layer of the sealed roads is only a few centimetres thick, meaning the most significant component in making the road strong and durable for the long term is the half-metre or so of the material underneath. This area is known as the sub-grade and the engineering work involved is called road stabilisation.

Using cement in this stabilisation work is becoming increasingly popular because of cement's technical advantages over other materials, a reduction in the use of heavy machinery for excavation work and providing a better working surface during road-building, especially in winter.

The Romans, who invented cement over 2000 years ago, mixed it with lime for stabilising road pavements all over Europe and some of these have survived to the present day. While a much higher degree of chemical engineering and mechanisation are evident today, Hiway Stabilizers still uses the same principles of spreading lime oxide, which is then watered (slaked) to form lime hydroxide and mixed or hoed into the sub-grade soil with cement. Strength gains of up to 20 times over soil mean that roads can be designed with reduced depths of sub-base and base-course aggregates.

Because the coal trucks come down from the mine fully loaded but return empty, only one side of the road needed strengthening. Hiway Stabilizers uses purpose-built spreader trucks to spread the lime and cement mix, water is applied from tankers, the mixture is turned with a unique stabilising hoe, and then compacted and trimmed ready for sealing.

With the significant benefits offered by this technology,

both companies are keen to increase awareness of it among roading engineers.

Building for the Stars

Concrete for the extension to the Thomas Block at the University of Auckland, provided by Holcim Concrete, contains recycled aggregate as part of the building's Green Star rating. The Green Star New Zealand standard promoted by the New Zealand Green Building Council is being taken seriously by building owners and developers, architects and specifiers. Although the standard is voluntary, more than two dozen large buildings have achieved Green Star rating, with those involved keen to show their environmental credentials.

With the standard awarding Green Star points for using recycled material in concrete, Holcim Concrete quickly developed a concrete mix that would qualify. This has enabled commercial production to begin at all concrete plants of Recycled Concrete Aggregate (RCA) as an aggregate replacement in concrete.

As with many proposals for using seemingly innocuous recycled materials in cement or concrete, the idea of putting what is essentially crushed and washed demolition concrete into the mix is actually a major technical challenge. Any deviation from standard mixes results in changes to concrete's strength and workability, so repeated testing is needed to establish the right ratio of RCA in the mix to ensure the product still meets building standards.

Wind Farm

A wind turbine needs a concrete foundation of up to 200 cubic metres, so the burgeoning number of wind farms around the country with their hundreds of turbines is an important new market for concrete. Wind farms are often sited in remote locations, making it an interesting exercise getting large concrete trucks on site before their contents harden.

This was certainly a challenge for Allied Concrete when organising an unusually large wind turbine pour of 180 cubic metres at Pioneer Generation's small windfarm at Horseshoe Bend near Alexandra, Central Otago. Only



three 750 Kw turbines were involved, but they were at a remote site 80 minutes' drive from the depot and 12 trucks were needed to feed the single pour for each foundation. In addition, such a large single pour needed careful attention to the mix as the volume of cement was reduced to avoid the risk of the heat of hydration causing structural distortion and cracking during the set.

Projects involving small-scale windfarms (or even just single turbines) are likely to grow. These are economical where wind conditions are suitable and a turbine can be connected to existing transmission lines. Pioneer Generation saved money by importing good second-hand turbines that are becoming available as overseas wind farms re-power in favour of larger capacity units. Over the past five years Holcim Concrete has supplied thousands of cubic metres of concrete for wind farms' turbine bases around the country.

Well done by Holcim

In deep drilling, whether for oil extraction or geothermal applications, cement is used to isolate the oil or geothermal zone from down-hole water and neighbouring rock formations. This process is called zonal isolation and needs concrete that can stay fluid for several hours while it's being pumped. Then it must set quickly after being placed so that drilling can promptly resume.

International deep drilling expert BJ Services has been drilling on geothermal projects near Taupo for Mighty River Power and Contact Energy, where it was using the Class G cement designed for use in bores down to 2,500 metres.

But the company wanted to see if the cement blend could be improved to make savings in time, materials costs, and technical performance. Drilling rigs are very expensive to operate and any time saved amounts to an important cost saving.

BJ Services had developed a new cement blend and began working with Holcim to produce a blended product made up of Class G cement and other special ingredients. Holcim was able to work with a local blending plant at Cemix in Onehunga to produce the new blend to BJ Services' specifications.

Similar benefits have been achieved in working with BJ Services on cement blends for the oil industry.

Stockton Mine

Once a continuous concrete pour has begun, it must be completed "come hell or high-water". This means getting a good weather forecast before starting the pour, but on the wind-swept Stockton Plateau, 1000 metres above sea level on the South Island's West Coast, weather forecasts don't count for much. This is the site of Solid Energy's Stockton Mine, the country's largest open-cast coal mine, where a new coal handling and processing plant is being built.

Brightwater Engineers awarded Firth Industries the contract to supply the concrete, who in turn appointed Holcim Cement to supply the cement. The size of the project justified having onsite a mobile Gough concrete batching plant, which produces about 35 cubic metres an hour. Just before winter, the team committed itself to a 22-hour continuous pour of 700 cubic metres for the base of the main processing plant.

True to Stockton form the weather was kind to begin with, but turned bad overnight to become extremely unpleasant, even for Stockton. Everyone involved – truck drivers, engineers, plant supervisors and a regional manager who cooked sausages – was mightily relieved when the 22 hours were up. This is a significant infrastructure project and one of a number which is sustaining the construction industry in difficult times.

Allied Concrete meets the challenge of a 180cu.m. pour for a windfarm turbine foundation at the remote Horseshoe Bend site in Central Otago.

Long-term Cement Supply Options

Members of Holcim New Zealand Board visit the Weston site. From left: Simon Upton, Murray Valentine, Jeremy Smith and Chairman John Lindsay.

In August, the Environment Court granted the resource consents required for a new cement plant at Weston near Oamaru. This appeal hearing outcome upheld the February 2008 decision in which Holcim was granted all 46 resource consents it needs to construct and operate the proposed cement plant and associated quarries and pits. Also during the year, the Timaru District Council granted the land use consents that would be required at the Port of Timaru to build the cement shipping terminal to handle Weston's cement output.

These decisions cleared the way for Holcim New Zealand to prepare the business case to its parent Holcim Ltd for the construction of the plant. This is Holcim New Zealand's preferred option to secure long-term cement supply.

If approved, detailed planning, construction and commissioning of the plant and its associated services will then take approximately four years.

The decision would have major shipping implications. The Weston option needs only one deep draught ship working out of the Port of Timaru in comparison to the two ships currently working the Port of Westport distributing Westport Works product.



What is most important is approval of the business case for the new plant and this involves a number of steps. The case will be first presented to the Holcim New Zealand Board for consideration, which must decide whether to endorse a formal proposal to the Holcim Ltd executive committee in Switzerland. If that committee approves the business case it will then go to the parent's full board for final consideration.

Capital Investment

Chairman John Lindsay opening the new Avondale Concrete Plant.

As a result of the recessionary slowdown in the construction industry, Holcim deferred all but essential capital investment until an improvement was forthcoming. Nevertheless the opportunity arose to re-establish an aggregates market presence in the lower North Island and this was achieved by taking over Kiwi Point Quarry's operations near Wellington. Two new concrete plants were commissioned at a combined cost of \$17 million: at Avondale for Holcim Concrete; and in Christchurch North for AML, in which Holcim New Zealand has a 50% interest.

A modest level of capital expenditure continued at Westport Works with the company ensuring security of production at the Works but keeping in mind the possibility of the Weston option being approved.



The wero (or challenge) at the start of the Oparure Quarry Open Day.

Social Sustainability



Social Sustainability

By placing sustainable development at the core of the Holcim business strategy, we aim to enhance the value created for our stakeholders, safeguard our reputation and ensure continued success. At the core of our sustainability is the wellbeing of our staff and the communities in which we operate.

A major competitive advantage is the combined knowledge, creativity and innovation of our employees, making it essential to look after their wellness and safety, and to monitor and nurture their development.

We are also committed to being a good neighbour. To achieve this we assess local needs, promote community involvement and partner with local stakeholders to improve educational, social and cultural development in those communities.

Safety Initiatives



As a result of our ongoing focus on fostering safety behaviour and compliance aimed at Zero Harm, we can look back over the last five years and track a significant reduction in lost time injuries, a key indicator that our safety performance has improved.

However, while the Company has come a long way towards instilling a safety-first culture, we have still not reached our goal of zero injuries. In 2009 there was no let-up in the vigilance required to ensure no-one was harmed. Many sites are now operating at a very advanced level of safety awareness, which is a credit to all staff.

At the end of 2008, the Holcim Safety Council established its Corporate Safety Plan for 2009. This set key objectives to be achieved in 2009. They included a review of Holcim Fatality Prevention Elements, the introduction of a new Rescue Planning Sub-Committee, and a renewed focus on leading indicator trends, such as Safety Tours and Incident Investigation. Later in the year, a review of the Holcim Contractor Management process took place to align with the Holcim Ltd directive for contractor safety management.

Also during the year, audits were carried out on the following safety initiatives: Prevention of Falls, Equipment Lock-out and Confined Space Entry.

Results of the audit are due early in 2010. Meanwhile ongoing training continues to emphasise the importance of these safety initiatives to all staff and contractors.

Safety Alerts – To improve staff awareness of safety issues, the Company introduced coloured borders around health and safety notices to indicate the significance of the information. A red border alerts staff to high-risk activities, incidents and practices requiring immediate change; a blue border communicates changes to standards, procedures and rules; and a green border provides ongoing safety awareness information. Staff wanting to share information continued to do so through the online Health and Safety Alerts and Good Ideas database, another safety initiative introduced five years ago.

Safety Tours – Safety Tours were initiated in 2004 and are carried out regularly at all Holcim sites to proactively identify and rectify existing or potential unsafe acts or situations.

Over the past five years, they have continued to increase in number and significance. By year end, 6723 Safety Tours had occurred across all sites, an improvement on the 5991 carried out the year before and more than double the number of Safety Tours carried out in the first full year (2005).

However, the focus during 2009 was not just on the quantity but also on the quality of each Safety Tour, making sure effective conversations were occurring, and positive reinforcement given to safe behaviours.



Take 2 to do it right



Take 2 to do it right –

Now regarded as part of the Company culture, this personal risk assessment

tool has become widely used and the “Take 2” catchphrase is commonly heard, even in the home, according to many employees. This links into one of the 10 Holcim Health and Safety Principles, the promotion of off-the-job health and safety.

Actions Employees Can Take (AECT) – As part of encouraging a safety culture throughout Holcim, this behavioural management initiative provides tools and procedures for staff to follow while working at Holcim sites.

Now in its fifth year, AECT has undoubtedly been integral to the gains made towards achieving Zero Harm. But after five years, it was acknowledged that it was in need of revitalisation and the programme was remoulded during the year to give it a fresh appeal and to link it more closely to the Health and Safety Principles. A key focus of AECT is to make people aware that they are responsible for their own safety and to also watch out for the safety of their work colleagues.

Job Hazard Analysis – Introduced to the Company at the beginning of 2008, this documentation process proved to be well entrenched at most sites when a safety audit was carried out, but some sites were identified as needing more assistance and further training. This was carried out during the year to ensure the processes were fully implemented. A further audit will take place next year to ensure this has been effective.

Safety Leadership Programme – One Safety Leadership Programme was held during the year and was completed by 16 managers and leaders. The programme is leadership-based, with behavioural health and safety being a key focus. The Safety Leadership Programme was initiated in 2006, so that all managers have a common understanding and belief about the importance of safety to Holcim. 107 of the Company's leaders have attended.

Safety Induction – A new programme was developed during 2009 to ensure that new managers receive one-on-one training and information about health and safety requirements relevant to their jobs as part of their company and management induction programme. The Safety Induction is carried out as soon as possible after their promotion or engagement with the Company.

Incident Investigation – Incident investigation and incident management play a major role in preventing repeat incidents. The number of trained ICAM (Incident Causation Analysis Method) investigators to complete high and extreme level investigations throughout the Company remained at 21 during the year.

Contractor Management – The seven-step Contractor Management programme was reviewed during the year to align with the Holcim Ltd directive on contractor safety management. Key changes to the programme were communicated to managers and will be fully implemented in early 2010. The programme ensures only trained and competent contractors are on site, with all hazards associated with their work effectively managed.

Managing Rescues – Rescue teams are now fully trained and operational at the Westport Works, McDonald's Lime and Oparure Quarry sites. A sub-committee was appointed to develop a strategy for all other sites to ensure that a rescue could be carried out immediately, with staff trained in scenarios including rescue from confined spaces and at height. Simulated rescues and evacuation training continued to occur during the year for the operational rescue teams.

Fatality Prevention Elements (FPE) – Developed by Holcim Ltd, FPE aims to better control hazards in activities where there is a high risk of serious harm or a fatality. FPE continued to be a focus in 2009. A gap analysis was undertaken during the year for a number of FPE including vehicle and traffic, lifting and supporting loads, electrical work, and machinery guarding. The findings of the gap analysis identified a list of prevention measures to be taken to meet FPE standards and some progress has been made to address these gaps. Further fatality prevention elements have been identified and will be addressed at a later date.

Safety Performance

While the goal of Zero Harm has yet to be achieved, there is no doubt that Holcim is a safer company for employees, site visitors and contractors than we were five years ago. Since 2004, lost time injuries (LTIs) have reduced from 38 to 6 (including 1 contractor LTI), while the LTI frequency rate (number of LTIs per million hours worked) has dropped from over 20 to 4.5.

The 6 LTIs in 2009 represent a 45% reduction on the 11 recorded in the previous year, while the frequency rate of 4.5 is a 50% reduction on the 9 recorded in 2008.

LTI frequency rates were targeted for attention during the year in an effort to bring the rate down as close as possible to World Best Practice. While this frequency rate of 2 injuries per million hours worked was not achieved, the result was the lowest rate yet. Zero harm will remain our target in 2010.

The predominant injuries continued to be sprains and strains (39%, down from 47% the year before). Specialised "Move at Work" training aimed at further reducing injuries of this type continued in 2009. Initially introduced at McDonald's Lime in 2007 as a pilot, the training proved successful and was extended to Shipping and Concrete. All other divisions will receive similar training over the next two years.

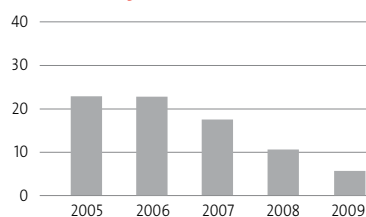
Bruising and lacerations represented 30% of all injuries, indicating a need for a more rigorous application of the "Take 2" process by individuals when approaching a task.

The severity rate (443 hours lost per million hours worked) decreased by 3.5% during the year. The figure includes 230 hours lost from two injuries sustained in 2008 which were initially medical treatment injuries but developed to a stage where remedial surgery and rehabilitation were required.

ACC Partnership Programme

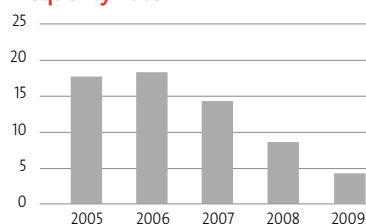
Holcim retained its tertiary level status, the highest level in the ACC Partnership Programme, after ACC carried out its annual audit in September. The full audit involved mv Milburn Carrier II and a secondary audit occurred at Buller Port Services. The Partnership Programme enables the Company to take on ACC's usual role of administering, remunerating and rehabilitating employees injured at work.

Lost Time Injuries



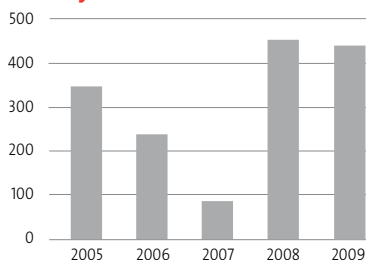
A Lost Time Injury (LTI) is one where the employee is unable to resume work for the next shift.

Frequency Rate



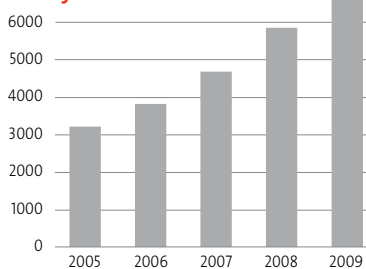
The Frequency Rate is the number of LTIs per million hours worked.

Severity Rate



The Severity Rate of accidents is the number of days lost per million hours worked.

Safety Tours



Regular Safety Tours are carried out at all Holcim sites to proactively identify and rectify existing or potential unsafe acts or situations.

Employee Initiatives



The tight economic situation prevailing throughout the year made it even more necessary to contain costs. Employee initiatives were pared back to core activities while the HR team was heavily involved in a realignment of staff resources, finding new ways of managing workloads with fewer staff available.

Tight controls on staff replacement the previous year continued, but as the downturn heightened, non-replacement of staff – except in critical roles/essential positions – became more widespread and recruitment was scaled back. On a like-for-like basis the Company lost over 9% of its workforce through redundancy, non-replacement and attrition.

With less product to deliver, redundancies were inevitable. 20 positions were made redundant during the year, compared with five the year before. A structured outplacement support package was introduced to assist those whose positions became redundant.

Despite considerable non-replacement of staff leaving and the rise in redundancies, there was little change in organisational demographics in 2009. The tight job market encouraged considerable stability, with fewer than usual staff leaving, and stability in the management team also continued.

Gender

	2005	2006	2007	2008	2009
All Employees					
Female	13%	12%	13%	14%	13%
Male	87%	88%	87%	86%	87%
Management Positions					
Female	14%	12%	12.5%	15%	13%
Male	86%	88%	87.5%	85%	87%

Turnover

	2005	2006	2007	2008	2009
Resignations	65	65	83	107	41
Retirements	7	5	11	4	5
Death in service	0	2	0	1	1
Redundancies	9	7	3	5	20
Dismissals	4	6	5	6	6
Average number staff	539	523	554	539	512*
Voluntary turnover	13.7%	13.7%	15.5%	15.2%	6.6%
Total turnover	15.7%	16.2%	18.4%	18.3%	11.9%

Age of Employees

Age Band	2005	2006	2007	2008	2009
15 – 29 years	8.9%	9%	11%	11%	9%
30 – 49 years	49.4%	49%	45%	45%	43%
50 – 60 years	28.4%	28%	32%	25%	29%
60 years plus	11.9%	13%	11%	17%	17%
Age unknown	1.4%	1%	2%	1%	2%

* Includes 23 new staff after the acquisition of Kiwi Point Quarry, Wellington.

Note: Staff demographics exclude the following partly owned subsidiaries and associates: AML, Millbrook Quarries, Fiji Industries, Basic Industries and Atlas Resources.

Managers and leaders share learning at the Management Forum.

To help economise, staff were encouraged to teleconference rather than travel to meetings. Unused leave also received special attention during the year, especially during the three-week closure of Westport Cement Plant over the Christmas-New Year holiday period, when staff cooperated well with management by taking available leave.

Keeping people engaged and motivated during these tough times proved essential and continued emphasis was placed on keeping staff informed about the Company's position and future direction. The Managing Director visited most sites during the year to meet with staff and answer questions.

Training and Development

The Company retained most of its training programmes during the year, recognising that especially in times of uncertainty, staff motivation and development is more important than ever. An annual training calendar (capturing core training programmes) was made available to staff on the intranet. A process to improve the capture of training attendance via SAP was also implemented, although further development is still required. This has improved access to training records and the ability to report on training attendance, certificates and qualifications.

Tough economic conditions worldwide and the resulting focus on core business meant participation in Holcim Group learning and development programmes overseas was reduced and there were very few visits from Holcim people to New Zealand.

However, the acquisition by Holcim Ltd of Cemex Australia, since rebranded as Holcim Australia, led to much more frequent communication and exchange of senior staff between Australia and New Zealand. Bringing more than 2500 additional employees into the



Holcim Group, the acquisition has provided a significant opportunity for learning and organisational development in Australia and the Pacific.

Dialogue

A strategic objective to develop a strong feedback culture throughout the Company through the Dialogue process was further progressed in 2009. Dialogue involves using formal and informal channels for employees to talk with their manager about how they are performing and their training and development requirements.

With the exception of a small number of waged employees scheduled for training in early 2010, all Holcim staff participated in the Dialogue skills for effective interaction training programme. This programme prepared people for what to expect of their formal Dialogue discussion and ensured they had the information to participate in the process with their manager.

Dialogue training was delivered with assistance from an organisational development expert from Holcim Ltd who was in New Zealand during the roll-out period. At the same time, she was able to assist with a number of other training programmes, including facilitation and budgeting skills. Training has incorporated the Holcim Values, which are intrinsic to the Dialogue process.



Holcim Values

Since 2002 the Holcim Values of *Strength. Performance. Passion.* have guided the Company culture and its direction both locally and internationally. One shared set of Values around the world helps Holcim grow as one global Group, with a consistency of identity in each country.

After a series of “Everyone Living our Values” workshops in 2008, the Holcim Values continued to be incorporated into the Company culture in New Zealand through inclusion in discussions, in workshops, on the Intranet, and into all informal and formal communication, such as the quarterly *Staff News*.

New Quarry

The addition of a new quarry at Kiwi Point, in Wellington, required induction of its 23 employees, the signing of their employment agreements, and their inclusion into the Holcim fold. Dialogue training and introduction to the Holcim Values will be an integral part of the integration process.



Staff participated in scenarios filmed to prompt discussion on the Holcim Values.

Community Initiatives

Holcim provided the concrete floor for New Zealand's first eco-classroom at Hukanui, near Hamilton.

The ongoing commitment by Holcim to support the communities in which it operates was formalised during 2009 with the introduction of the Community Support Programme. Like other Holcim Group companies worldwide, we have now implemented a programme that gives preference to providing community support to three focus areas of corporate social responsibility. These are education that increases future career and life options, including second-chance education and training; initiatives that foster the development of strong communities; and community infrastructure.

Sponsorship applications from the Westport, Bombay and Hastings areas are considered annually by local Holcim Community Support Committees, made up of community representatives, Holcim management and staff. By involving local staff and community representatives in the decision-making process, sponsorships are more targeted and more effective.

To initiate the programme, advertisements were placed in local papers seeking applications from community groups that fitted at least one of the three criteria. These applications were then reviewed by the relevant Community Support Committee who allocated sponsorships of funding or product.

In Westport, 14 new sponsorships were added to existing commitments. These included providing cement for restoration of the Ngakawau Community Hall, funding for new dictionaries for schoolchildren, helping local cricketers, brass band members and hockey players to attend competitions, and supporting high school students to attend a Model United Nations event.

One of three new sponsorship projects chosen by the Hastings Quarry committee was for the provision of Life Tubes for more than 200 elderly Hastings residents. Small Life Tube cylinders, usually kept in the fridge, contain vital personal information for emergency services in case of accident or illness. Further sponsorships included kitchen equipment for the rebuilt Camberley Community Centre and funding Tiny Tim, a horse at the Leg-Up Trust, which uses horses to help at-risk youth learn to manage anger, build confidence and communicate.



The Bombay Quarry committee allocated support for free tuition to adults who have left school without sufficient literacy skills by covering the transport costs for volunteer tutors at Adult Literacy Franklin. Other local sponsorships included providing equipment for Pokeno Playcentre and Tuakau District Sea Scouts.

The three Community Support Committees met later in the year to assess applications for scholarships offering funds to support study costs and holiday work.

Tertiary Scholarships

Holcim is building on the success of the educational scholarships offered in the Buller area for the last 25 years and in 2009 extended these scholarship opportunities to two other areas in which we operate: Hastings and Bombay, which is part of the Franklin district.

In each of these three communities, a Holcim scholarship offers \$2000 per year (for a maximum of four years) towards tertiary study costs plus paid work at the relevant Holcim site during each holiday period. Preference is given to students who have a connection with the community and whose tertiary studies are relevant to our industry, such as degrees in science, mining, manufacturing and engineering.



Winners of the 2009 scholarships were:

- Westport: Cameron Abbey, who will be studying for a Bachelor of Science, majoring in Geophysics, at Victoria University.
- Bombay: Elyse Bedford, studying for a Bachelor of Engineering with Honours, majoring in Mechanical Engineering, at Canterbury University
- Hastings: George Jensen, studying for a Bachelor of Science, majoring in Geography, at Massey University.



The 2009 Holcim scholars are, from left: Elyse Bedford (on site at Bombay), Cameron Abbey (Westport) and George Jensen (Hastings).

Community Liaison

As part of the Company's drive to develop and maintain its positive relationships with neighbours, Holcim has continued to meet with local communities in key areas where we operate. In Westport and Bombay contact has been maintained through regular meetings of their Community Liaison Groups, while at Hastings Quarry there continues to be a more informal community liaison network. The liaison gives locals the opportunity to voice any concerns, discuss community needs and learn about planned Holcim activities in the area.

Early in the year, 12 McDonald's Lime staff attended a cultural workshop to gain an overview of the history, tribal structure, marae protocols and customs, environmental perspectives and aspirations of local iwi Ngāti Maniapoto.

Community Efforts Recognised

The Company's contribution to the Buller community and to conservation on the West Coast was recognised in September by the presentation of a Department of Conservation award. Several community support initiatives were highlighted in the award citation. (see details on page 28).

Westport Wetland Sanctuary

In June, Holcim invited Westport school pupils to help with the first stage of planting the wetland and bird sanctuary at Cape Foulwind, near Westport Works. Nearly 50 students and parents planted more than 1500 native trees on the eight hectare site, which will eventually include a series of small lakes, a walkway, a bird hide and interpretive panels to explain the wetland ecosystem. Further planting events with school pupils are planned for the site, which was used for quarrying up until the 1960s.

Blue Penguin Study

Holcim continued its five-year sponsorship with the West Coast Blue Penguin Trust, helping to provide assistance for tracking and counting colonies of blue penguins, particularly near the Cape Foulwind Quarry. The aim of the project is to better understand the nature of their breeding and migrations, as well as carry out habitat enhancement, predator control and planting.

Community Complex

The Company's contribution to Westport's \$15.5 million sports and events centre at McDonald Park was acknowledged at the official opening of the complex in April. Holcim has made a five-year commitment to contribute a total of \$250,000 to the centre, which includes an aquatic centre, dry court facility, fitness centre, hockey turf, two squash courts and seminar and meeting rooms.



By replanting a former quarry site near Cape Foulwind, Holcim is creating a wetland and bird sanctuary. Trish Costelloe and Chester Goodson show the wetland planting plan.

Ruakuri Reserve

McDonald's Lime staff, looking for a local environmental project to make a contribution to the local community while fostering team spirit, decided to become involved with the Ruakuri Reserve project. In conjunction with Department of Conservation Te Kuiti, McDonald's staff have been laying poison to control rats and possums so the wildlife in the 114-hectare unenclosed reserve can survive. Staff carried out the seven-hour poison-laying work every two months and monitored 60 tracking sites. Staff have given their own time to the project. Once predator numbers are better controlled, DOC plans to release other native species into the reserve, which has a small protected enclosure as a wildlife refuge.

Staff also assisted DOC with planting along the riverbank section of Te Kuiti Heritage Trail Walkway near McDonald's Lime Te Kuiti site.

Eco-classroom Sponsored

Holcim continued to support the efforts of students at a Hamilton primary school to halve their ecological footprint by building New Zealand's first eco-classroom. The Hukanui Primary School students combined with a local architect to research environmentally-friendly building materials and the resulting design made use of natural light and ventilation, solar heating, rainwater collection, double glazing and a concrete floor to retain heat. The concrete floor, which included around 1000 recycled wine bottles as underfloor insulation, was provided by Holcim and was laid during the year. Inserted into 600 of the bottles were messages written by past and present pupils containing information about life at Hukanui School and environmental tips for the future from past and present pupils. The classroom was officially opened in December.



Ngāi Tahu Māori Rock Art Trust

Holcim made a two-year \$15,000 commitment, starting in 2009, to sponsor the Ngāi Tahu Māori Rock Art Trust, which was set up in 2002 to protect and celebrate the iwi's 550-plus rock art sites around the South Island. The Trust is raising funds to create greater awareness of Māori rock art, conserve and protect it, ensure all sites are under some form of management, and carry out an inventory of rock art material held in institutions in New Zealand and overseas.

Head Office Family Day

More than 50 children and 30 other family members joined the fun at Head Office in October for Family Day. The event gave families the opportunity to learn more about Holcim and see where one of their parents worked. Children had their photos taken wearing safety gear, made concrete, learnt about how clinker and cement is made, viewed the computer control room and other parts of the office. For many the highlight was checking out the cement tanker and concrete truck parked outside before concluding with a sausage sizzle.

Westport school pupils assist with planting at the Cape Foulwind wetland and bird sanctuary.

Environmental Sustainability



Environmental Performance

The new emissions trading system legislation gave certainty to forward planning for cement production, and a Conservation Week award underscored the company's work in striving for environmental performance.

Emissions Trading System (NZ ETS)

Ongoing uncertainty in any area of business activity makes long-term planning extremely difficult. So, after more than a decade of uncertainty, the enacting of the Climate Change (Emissions Trading) Act in November 2009 was welcome.

Holcim New Zealand has always supported the application of an emissions trading scheme in New Zealand (NZ ETS), but has consistently submitted that earlier Government proposals would make the cement industry uncompetitive against overseas cement producers.

Whilst the risks remain real, the final form of the NZ ETS appears to have reduced trade-exposure vulnerability for a number of energy-intensive industries which otherwise would have been at serious risk of closure, with the loss of a large number of jobs and national income. Those industries included Holcim New Zealand's cement and lime businesses.

Of remaining concern to major New Zealand industries (including cement) was the failure of the Australian Government to pass its 2009 ETS legislation. This is because the NZ ETS has a number of important linkages with the proposed Australian scheme. Whilst the New Zealand scheme will now proceed in the absence of the Australian scheme, such a decoupling presents its own challenges to ensure that New Zealand industry is not disadvantaged against Australian competitors.

Just prior to the general election in 2008, Holcim New Zealand's Group Manager – Energy and Climate Change, Michael Rynne, became an expert member of the Stationary Energy and Industrial Processes (SEIP) Technical Advisory Group formed by the then Minister of Climate Change. The advisory group was given the task of drafting regulations relating to the stationary energy and industry sectors.

Awards

Prestigious environmental accolades are awarded by the Department of Conservation during Conservation Week.

This year an award went to Holcim New Zealand to recognise the Company's contribution to conservation and the community in the Buller region. While in the Company's name, the award acknowledged the large number of Holcim New Zealand people who have devised and worked on the Company's environmental projects and initiatives in Buller.

Among the work recognised by the award was the Company's five-year sponsorship of the West Coast Blue Penguin Trust. This included support for tracking and counting blue penguin colonies to find out more about their breeding and migration. The sponsorship has also helped with habitat enhancement, predator control and planting. Another initiative highlighted in the award was the wetland and bird sanctuary being created on eight hectares of Holcim New Zealand land at a former quarrying site at Omau, near Westport Works. This wetland habitat complements existing conservation projects at Cape Foulwind and will contain small lakes, a wetland walkway, a hide for watching birds and interpretive panels about the eco-system. A further project recognised was the Company's sponsorship of the rehabilitation of a whitebait spawning site at Walls Creek, which flows into Tauranga Bay. When presenting the award, the acting West Coast Conservator Chris Hickford said that Holcim New Zealand had contributed greatly to the community in a conservation and education role, as well as economically. "Holcim have proved to be a good corporate citizen in the Buller area."

A paper examining the use of recycled crushed glass to replace some of the quarried aggregate in concrete won best written paper at the Waste Management Institute of New Zealand 2009 conference. The paper was written by Sustainability Manager Greg Slaughter, Technical Services Manager - Concrete & Aggregates Campbell Robertson and Sustainability Manager for Mainzeal Property & Construction Ross Copland. Concrete containing the waste glass was used in the building of Lion Nathan's



new Project Century brewery in Auckland. Many technical issues were overcome by the team which developed the concrete mix (sometimes called glasscrete) including dealing with the wide range of raw glass and its contamination, which are features of New Zealand glass.

CO₂ reduction

Holcim New Zealand has continually been proactive in devising ways to reduce the amount of carbon dioxide emitted in a particular manufacturing process. In 1995, two years before the Kyoto Protocol was signed, Holcim New Zealand had already made a voluntary agreement to reduce CO₂ emissions from Westport Works. By 2009 CO₂ emissions per tonne of cement had been reduced by 17.5% compared with 1994 levels. These reductions came about after significant spending on upgrading Westport Works' environmental performance and researching ways to improve energy efficiency.

During 2009 Holcim has been involved in a proposed revision to the New Zealand Specification for Portland and blended cements (NZS 3122) to allow the inclusion of up to 10% of approved mineral additions in General Purpose Cement.

In cement terminology, it is proposed to change the "clinker factor". This change is required to align production with recent changes in world cement Standards, which are aimed at reducing the Greenhouse Gas emissions attributable to concrete and concrete products. Lowering the clinker factor in General Purpose Cement will significantly reduce carbon dioxide emissions and improve the sustainable credentials of Holcim cement.

Holcim has undertaken extensive durability, fresh and hardened concrete testing to ensure the existing performance specifications of NZS3122 can be met. Extensive consultation and field trials are continuing with customers to ensure the change is acceptable to stakeholders before release to market when the Standard is revised.

The cement industry releases quantities of CO₂ into the atmosphere during the manufacture of Portland



Zoë Crook and Julie Irvine noise monitoring at Bombay Quarry.

Cement. The intrinsic property of the cement to uptake some of this CO₂, after being crushed at the end of its service life through a process called recarbonation, has been investigated by a Holcim-sponsored University of Canterbury Chemistry Masters student.

The research found that up to 40% of the original CO₂ generated during the manufacture of cement could be reabsorbed into crushed concrete. The rate at which recarbonation occurs appeared to happen quickly and is directly related to the cement content of the concrete and the size of the crushed material. It is hoped that the results of this research will assist future investigations into the sustainability of concrete as a building material.

Used Oil Recovery Programme (UORP)

In the past two years there have been major changes to the UORP which have affected the amount of used oil being recovered.

The recovery programme is based on a cement (and lime) kiln's ability to safely destroy the hazardous content of used oil. In New Zealand, this is the only way of safely removing this toxic material from the environment, with its ash being harmlessly incorporated into the cement or lime.

UORP was established in 1996 and involves a large number of participants including oil companies and waste oil producers and collectors. The programme collects mainly used engine and lubrication oils from around the country for storage and transport to Westport

Holcim New Zealand receives the inaugural Product Stewardship Scheme accreditation certificate for the Used Oil Recovery Programme.

Works. Most of the used oil arrives as backloads on the Company's two cement ships. There it helps to fire the cement kilns, reducing the use of non-renewable coal, reducing the amount of CO₂ produced per tonne of cement and making a useful reduction in Westport Works' energy costs.

In 2009, Holcim was advised that two oil companies, BP and Shell, no longer wished to participate in the scheme after earlier assurances of their long-term commitment. This, together with a steep rise in the cost of ordinary fuel oil making used oil an attractive energy alternative, resulted in a 45% fall in tonnages arriving at Westport Works between 2007 and 2009. For Westport Works, this meant making up the energy difference by using non-renewable coal.

This situation is of major concern to New Zealand's environmental security as many of the alternative uses are low temperature applications that may not effectively render the oil environmentally inert.

UORP's environmental security role was recognised during the year when it was the first in New Zealand to be accredited as a Product Stewardship Scheme under the recently enacted Waste Minimisation Act. When he presented Holcim New Zealand with the inaugural accreditation certificate, West Coast-Tasman MP Chris Auchinvole (standing in for Environment Minister Nick Smith) said the Government would like to see more producers, brand owners, importers, retailers and consumers accepting responsibility for the environmental impacts of their products. UORP was used by the Environment Ministry as a test model for the accreditation processes. Since UORP began in 1996, over 100 million litres of waste oils have been safely removed from the New Zealand environment.

Alternative Fuels and Raw Materials (AFR)

The high temperatures in a cement kiln (up to 2000 degC) allow the use of other waste or by-product materials as alternative fuels or raw materials in the cement process. The resource consents held by Westport Works for these materials are on the basis that kiln



emissions cannot exceed those specified in the consents allowing the use of coal. While many AFRs are products otherwise difficult to dispose of in an environmentally safe way, some simply pose local storage or disposal issues for their producers. A number of these materials provide useful mineral additives for cement. For instance Westport Works' kilns use iron-sand tailings resulting from black sand gold operations at nearby Charleston and spent activated carbon, a charcoal byproduct from The New Zealand Refining Company at Marsden Point.

In December, Holcim New Zealand and Rio Tinto Alcan, the owner of the Tiwai Point aluminium smelter, successfully concluded negotiations for the supply of spent cell liner (SCL) for trial use in the kilns, with an agreement signed in January 2010. SCL is a smelter by-product containing both carbon (for coal replacement) and useful minerals for raw material replacement. Consents are in place to conduct a full scale trial of this AFR for up to 12 months.

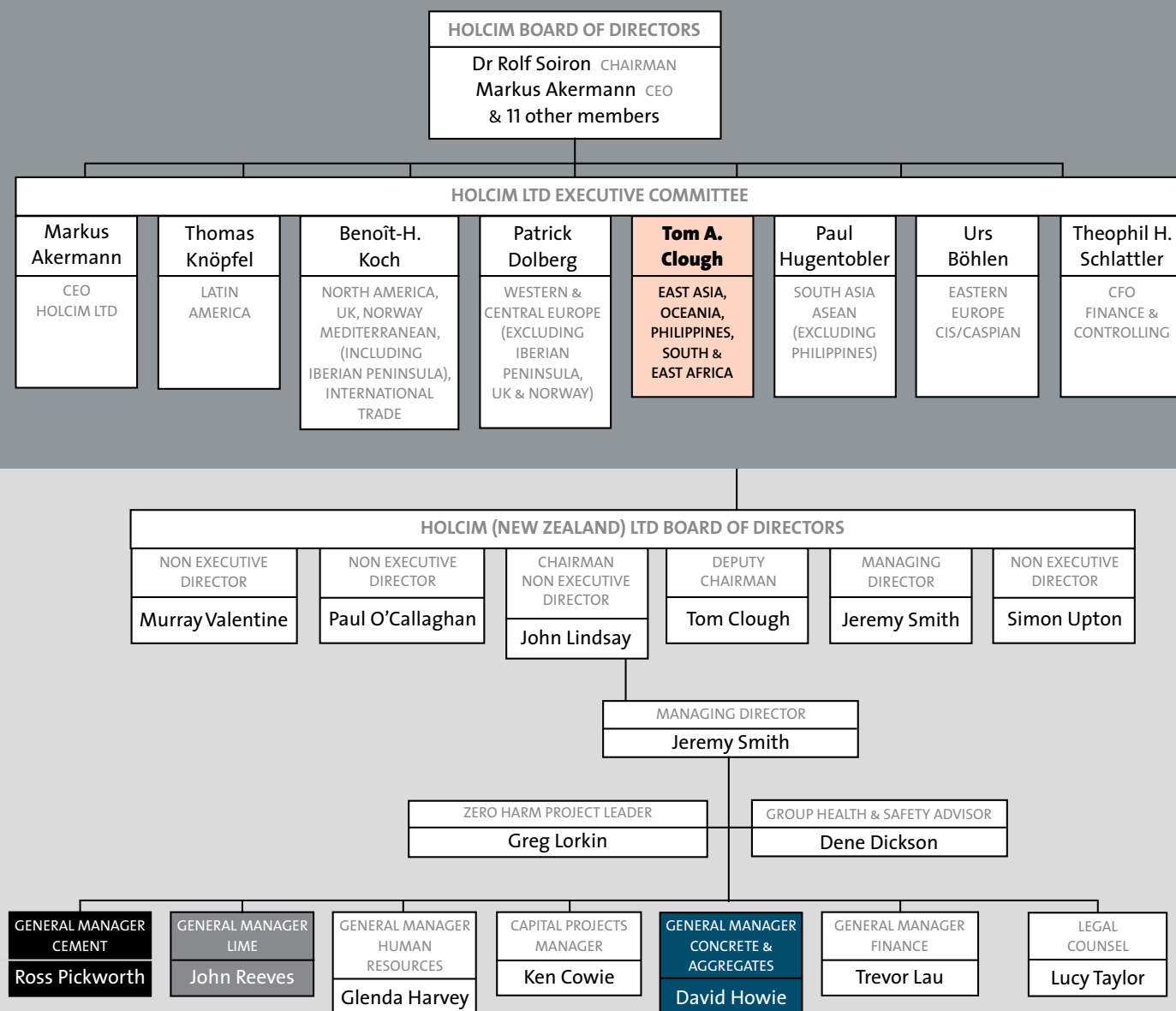
In 2009, a further AFR came closer to being used at Westport Works. Resource consents were granted to allow the trial use of the gypsum contained in waste wallboard, with the trials proving very promising. This source would replace some of the 25,000 tonnes of high-quality gypsum that is imported annually from Australia, and ground with clinker principally to prevent the flash setting of concrete.

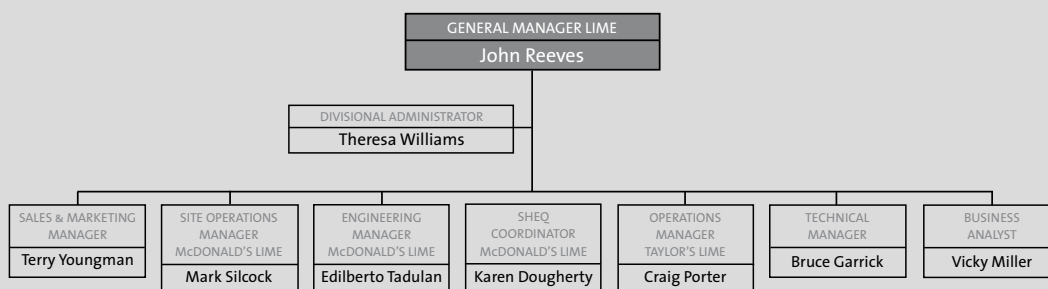
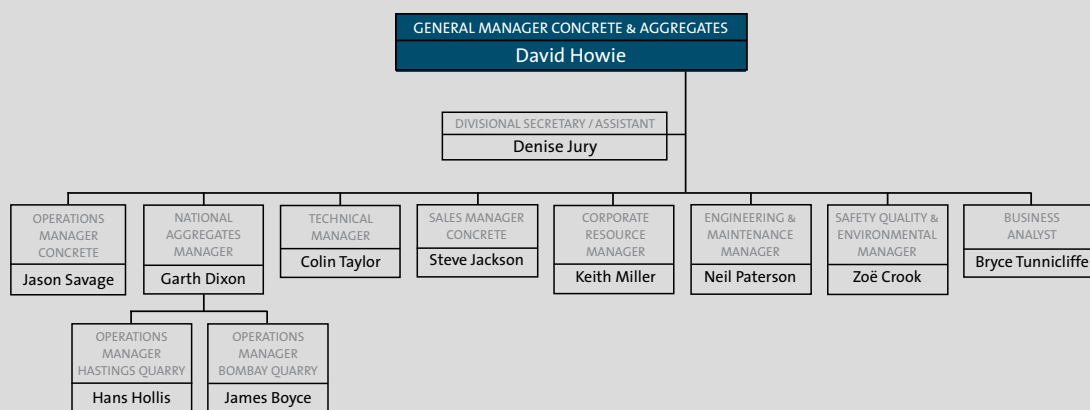
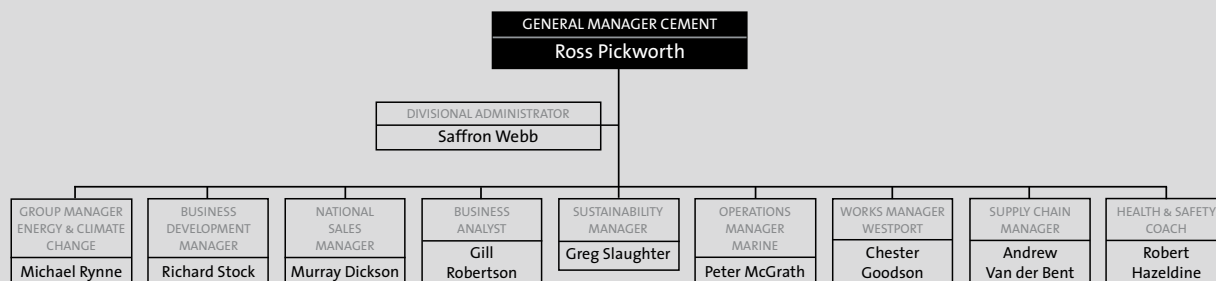


Holcim (New Zealand) Ltd Environmental Plan 2009

Targets for 2009	Status	Details
Retain ISO14001 certification for all Holcim (New Zealand) Ltd sites.	✓	Certification was retained. Review and update of the Environmental Management system has been completed.
Zero fines and prosecutions under the Resource Management Act 1991	✓	No fines or prosecutions received during 2009.
Improve environmental compliance and awareness for Holcim Concrete	✓	Planned resource consents obtained. Concrete Truck Drivers Guide produced.
Undertake a review of consent compliance issues at Bombay Quarry	✓	Consent compliance plan produced for Bombay Quarry.
Complete planned research projects and continue links with industry R&D.	✓	Published papers on the use of glass aggregate concrete and recarbonation of crushed concrete.
Develop energy efficiency strategy and initiatives.	Partly completed	Energy use and CO ₂ emissions were measured across all divisions. Further initiatives aimed at improving energy efficiency will continue in 2010.
Investigate minimising key manufacturing waste streams.	✓	Waste minimisation initiatives for: Concrete returns & washings Cement kiln dust McDonald's pond sludge McDonald's kiln dust.
Ensure a high completion rate for all planned environmental audits.	✓	Over 95% completion rate was achieved for all planned environmental audits.

Company Structure





As at January 2010

Holcim New Zealand Executive Team



Left to right:

John Reeves

GENERAL MANAGER - *Lime*

Ken Cowie

CAPITAL PROJECTS MANAGER

Trevor Lau

GENERAL MANAGER - *Finance*

Jeremy Smith

MANAGING DIRECTOR

David Howie

GENERAL MANAGER - *Concrete and Aggregates*

Glenda Harvey

GENERAL MANAGER - *Human Resources*

Ross Pickworth

GENERAL MANAGER - *Cement*

Lucy Taylor

LEGAL COUNSEL

As at January 2010

Holcim (New Zealand) Ltd – Directors

John Lindsay (*Chairman*)
Tom Clough (*Deputy Chairman*)
Murray Valentine
Paul O'Callaghan
Simon Upton
Jeremy Smith (*Managing Director*)

AUDITORS

PricewaterhouseCoopers

SOLICITORS

Anthony Harper

BANKERS

ANZ National Bank Limited
Bank of New Zealand
Citibank N.A
Westpac Banking Corporation

REGISTERED OFFICE

1/1 Show Place, Addington
PO Box 6040, Christchurch
New Zealand
Tel + 64 3 339 7500
Fax + 64 3 339 7499
enquiries-nz@holcim.com
www.holcim.com/nz

Operating Subsidiaries – Directors

AML LIMITED

Jeremy Smith
Trevor Lau
Scott O'Donnell
Jocelyn O'Donnell

50% Holcim (New Zealand) Ltd owned. Concrete company

BULLER PORT SERVICES LIMITED

Jeremy Smith
Ross Pickworth
Andrew Van der Bent

100% Holcim (New Zealand) Ltd owned.

Holds management contract for Port of Westport

MCDONALD'S LIME LIMITED

Jeremy Smith
John Lindsay
John Reeves
Anthony Burg
Ron Gillespie
Ross Murray

72% Holcim (New Zealand) Ltd owned. Lime manufacturer

MILLBROOK QUARRIES LTD

Jeremy Smith
David Howie
Stephen Dodd
Phillip Schmidt

50% Holcim (New Zealand) Ltd owned. Aggregates quarry







Holcim (New Zealand) Ltd
Unit 1, 1 Show Place
PO Box 6040, Christchurch
New Zealand
enquiries-nz@holcim.com
www.holcim.com/nz
Phone +64 3 339 7500
Fax +64 3 339 7499