

INTEGRATED ANNUAL REPORT

2019



LafargeHolcim



RECORD PERFORMANCE

CHF 26,722 m

+3.1%

Net sales¹

2018: CHF 27,466 m

CHF 6,153 m

+6.5%

Recurring EBITDA (pre-IFRS 16)¹

2018: CHF 6,016 m

CHF 3,047 m

+79%

Free Cash Flow (pre-IFRS16)

2018: CHF 1,703 m

CHF 2,072m

+32%

Net income (pre-IFRS 16)²

2018: CHF 1,569 m

CHF 8,811 m

-35%

Net Debt (pre-IFRS16)

2018: CHF 13,518 m

CHF 3.40

+29%

Earnings per share (pre-IFRS 16)³

2018: CHF 2.63

561kg

Net CO₂ emitted per ton of cementitious material (scope 1)⁴

2019: -1.4%^{4,5}

-5.7%

Reduction in freshwater withdrawn per ton of cementitious material^{4,5}

2019: 299 l

4.3%

Increase in waste reused in operations^{4,5}

2019: 48 million tons

-15.2%

Reduction in long-term injury frequency rate (LTIFR)^{4,5}

2019: 0.67

¹ Percentage change figures compare 2019 and 2018 on a like-for-like basis.

² Group share before impairment and divestments

³ Before impairment and divestments

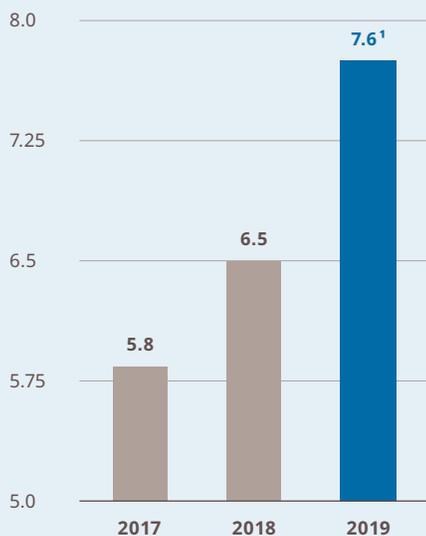
⁴ Information on scope and methodology of data collection, as well as assurance on 2019 reported figures, can be found in the Sustainability Performance Report on our website at www.lafargeholcim.com/sustainability.

⁵ At constant 2019 scope



For more details on any of the topics in this report, please visit: www.lafargeholcim.com

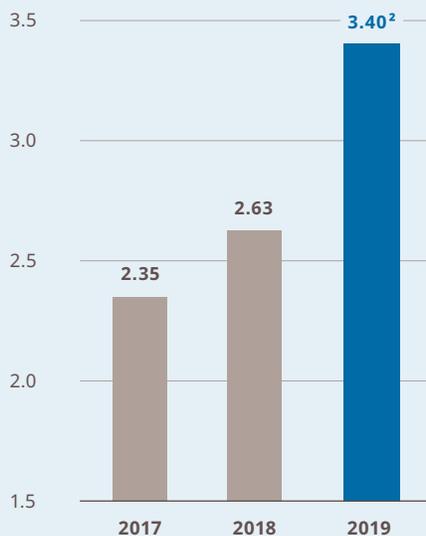
RETURN ON INVESTED CAPITAL (%)¹



¹ Return on invested capital for 2019 post-IFRS 16 is 7.4%.

EARNINGS PER SHARE (CHF)²

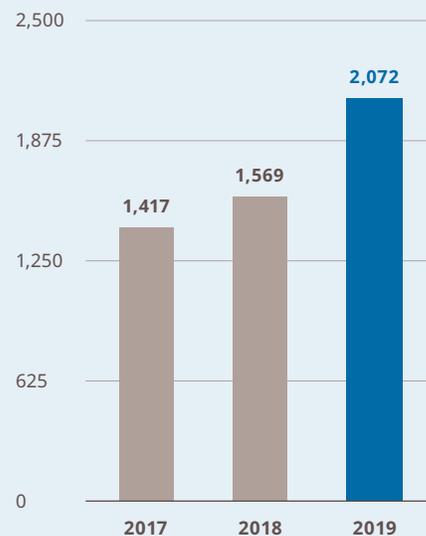
Before impairment and divestments



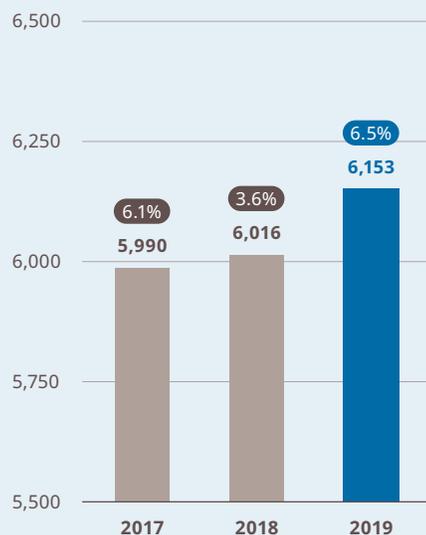
² Earnings per share before impairment and divestments for 2019 post-IFRS 16 is CHF 3.37.

NET INCOME (CHFM)

Group share, before impairment and divestments

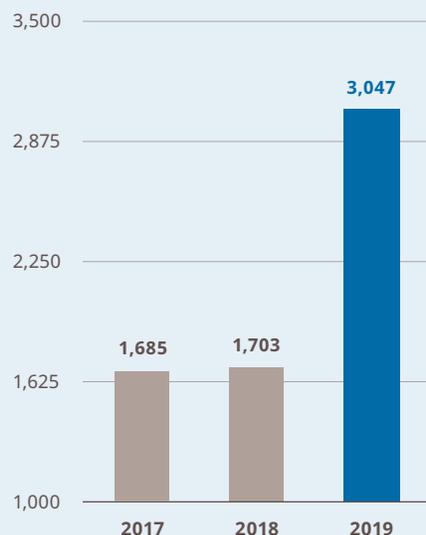


RECURRING EBITDA (CHFM)³

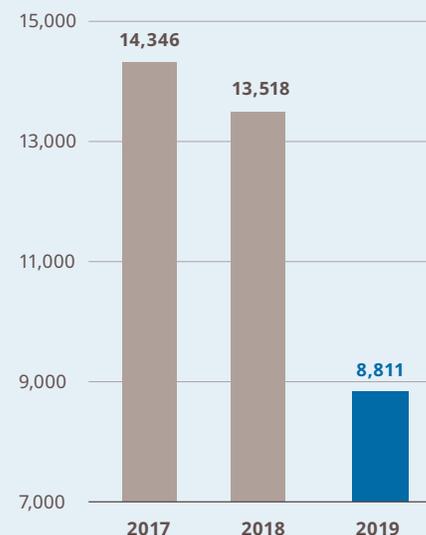


³ Percentage shows like-for-like growth from previous year.

FREE CASH FLOW (CHFM)



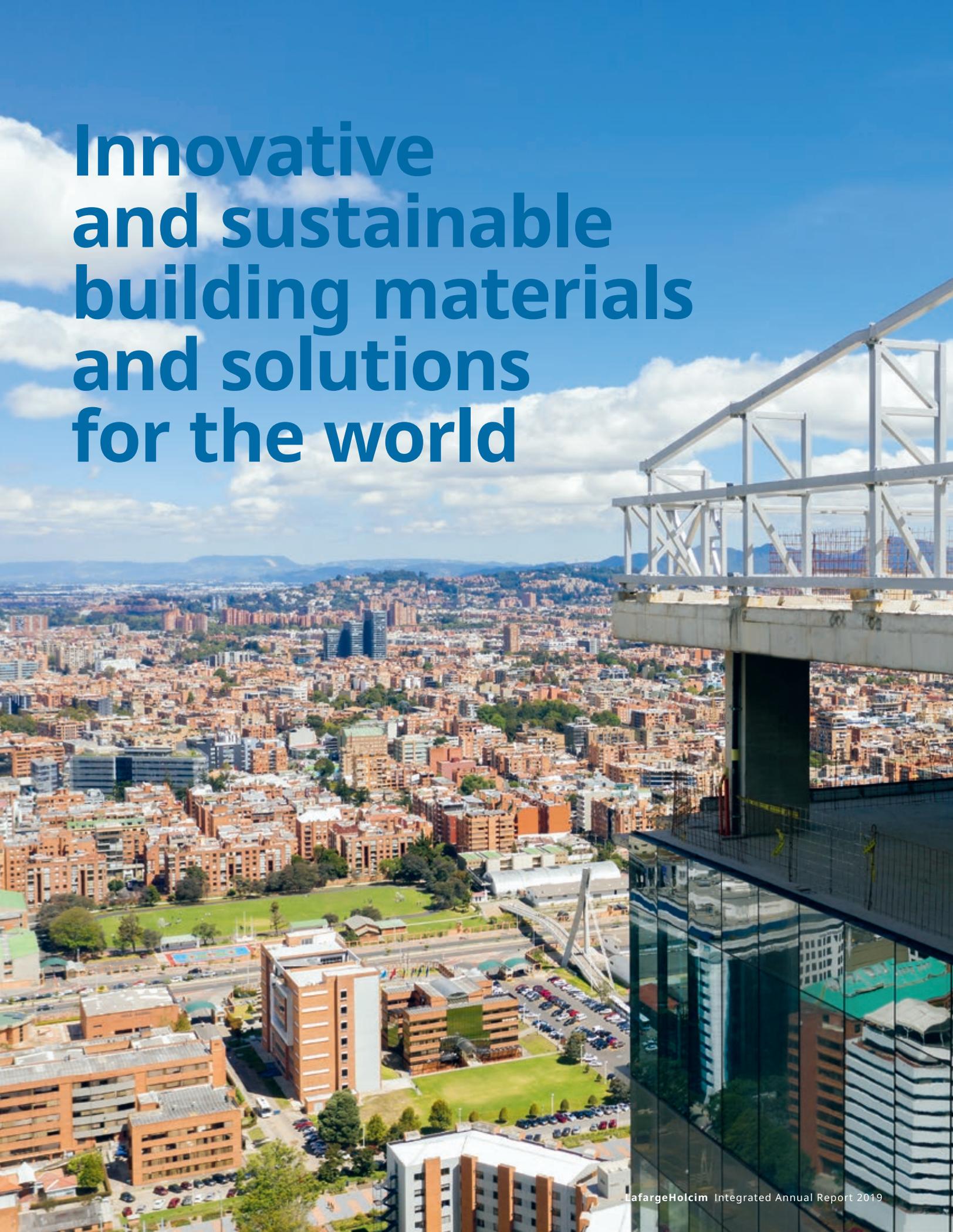
NET FINANCIAL DEBT (CHFM)



Notes

Figures are pre-IFRS 16. Figures for 2017 have been restated due to changes in presentation or in accounting policies. Earnings per share is net income attributable to the shareholder of LafargeHolcim Ltd, before impairment and divestments. Recurring EBITDA excludes restructuring, litigation, implementation and other non-recurring costs. Return On Invested Capital is Net Operating Profit After Tax (NOPAT) divided by the average Invested Capital. The average is calculated by adding Invested Capital at the beginning of the period to that at the end of the period and dividing the sum by 2 (based on a rolling 12-month calculation). The non-GAAP measures used in this report are defined on page 271.

Innovative and sustainable building materials and solutions for the world





↳
Bogota, Colombia
Employee with a
customer on top of
the American
Business Center.

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Towards Integrated Reporting

This report applies the principles of Integrated Reporting. Besides the financial results, the report includes more information on our sustainability performance. Sustainability is central to the strategy and principles of our company.

RECORD PERFORMANCE

2019 was a year of record performance ahead of 2022 targets.

2019 was a very successful year for us and we achieved record results in operating profit, net income, earnings per share and free cash flow.

Our sharp decrease in net debt has significantly strengthened our balance sheet.

We have achieved all our targets for 2019 and have moved our company to a new level of performance.

On top of these very strong financial results, we strengthened our leadership in sustainability by setting more ambitious targets for carbon emissions.

We introduced our first carbon-neutral concrete in key markets and will further focus on expanding our range of low-carbon building solutions.

 Find out more online: www.lafargeholcim.com

2019 PERFORMANCE¹:

3.1%

Net sales growth

6.5%

Recurring EBITDA growth

49.5%

Free Cash Flow to Recurring EBITDA

7.6%

Return on Invested Capital

2022 TARGETS¹:

3–5%

Net sales growth

>5%

Recurring EBITDA growth²

>40%

Free Cash Flow to Recurring EBITDA

>8%

Return on Invested Capital

¹ All figures are like-for-like, pre-IFRS 16

² LafargeHolcim announces Recurring EBIT as its new key performance indicator starting in 2020, replacing Recurring EBITDA. The new indicator provides full transparency and accountability under IFRS 16 as it fully captures operational achievements and better reflects financial discipline on investments. The key performance indicator changes from the previously used Recurring EBITDA growth of at least 5% like-for-like to Recurring EBIT growth of at least 7% like-for-like.

OUR FOUR VALUE DRIVERS



GROWTH

OVER-PROPORTIONAL RECURRING EBITDA GROWTH

- Net Sales up 3.1% and over-proportional Recurring EBITDA growth of 6.5% like-for-like
- Eight bolt-on acquisitions in 2019
- Disciplined investments for future growth



SIMPLIFICATION &
PERFORMANCE

OVERACHIEVING OUR AMBITIOUS TARGETS

- SG&A cost savings program over-achieved with total net savings¹ of CHF 421 million
- Profitability growing in all four business segments
- Recurring EBITDA margin increase from 21.9% in 2018 to 23.0% in 2019



FINANCIAL
STRENGTH

RECORD FREE CASH FLOW GENERATION

- Record free cash flow of CHF 3,047m (+79%), cash conversion of 49.5%
- Net debt reduced by CHF 4.7 billion, deleveraging target over-delivered
- New level of financial strength achieved



VISION
& PEOPLE

EMPOWERING PEOPLE TO DELIVER RESULTS

- Full accountability established with more than 400 P&L leaders
- Strengthening our leadership in sustainability
- New Business School successfully rolled out, all P&L leaders trained

¹ At 2017 FX rate and scope

Building for growth



➤
**Villavicencio,
Colombia**
Concrete delivery to
a key infrastructure
project.



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OVERVIEW

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS

Your company had a very successful 2019.

We have managed to increase Recurring EBITDA by 6.5 percent like-for-like, which significantly exceeds the target of at least 5 percent that we set for ourselves in our Strategy 2022 –“Building for Growth”. Earnings per share grew by 29.1 percent to CHF 3.40 against CHF 2.63 in the previous year.

Two years after the launch of Strategy 2022, we are also seeing a much higher Free Cash Flow.

Cash conversion (cash flow to Recurring EBITDA) rose to nearly 50 percent in the past year and is a clear indicator of the increased financial health of your company. This strength is further supported by a significantly lower debt burden.

We are also getting near our 2022 target return on invested capital above 8 percent; in 2019, this figure was 7.6 percent.

In view of this positive result, the Board of Directors is very satisfied with the financial results for 2019 and is confident about the current financial year 2020.

STRENGTHENING SUSTAINABILITY

We are also optimistic about the progress made in the area of sustainability.

We are among the most ambitious companies in our sector in terms of emissions reductions. In 2019 the Science-Based Targets initiative (SBTi) validated our targets to reduce our global carbon emissions: they are adequate and consistent with the global effort to keep global warming below the '2°C' threshold.

The appointment of a Chief Sustainability Officer to the Group Executive Committee in autumn 2019 is representative of our intensified efforts to even better fulfil our leading role as a provider of sustainably produced construction materials and construction solutions.

Finally the Board decided that one-third of the Executive Committee's performance share rewards will be based on progress in carbon emissions, waste recycling and freshwater withdrawal as of 2020. To more strongly link our sustainability performance with our compensation demonstrates that sustainability is a central part to the strategy and principles of our company.

As you know, health and safety is one of our most important values. We set ourselves the target of zero occupational accidents. Unfortunately we did not meet this goal – in 2019, to our great regret, four employees and fifteen contractors lost their lives while performing their jobs.

This is of great concern to us, even though we have made significant progress in reducing the Lost Time Incident Frequency Rate (LTIFR) compared to previous years. It makes us all the more determined to put our efforts into pressing ahead with our safety program “Ambition 0” which aims to completely prevent all fatal accidents.

INTEGRATED REPORTING

This report aims to provide you with more comprehensive and, in particular, more holistic information about our sustainability activities. For this reason, we have modified the report this year and, for the first time, have structured it in accordance with the logic of integrated reporting.

In 2019, LafargeHolcim was again involved in numerous iconic projects around the world. Our unique global presence enables us to conduct global projects for the benefit of whole societies.

I express my sincere thanks to all employees around the world for their great work and commitment.

I would also like to thank the members of the Executive Committee under the guidance of our CEO, Jan Jenisch.

In 2019, they have further strengthened LafargeHolcim as a leading international company for construction materials and construction solutions, and through their commitment have helped us to further expand our leading position in the changing market for construction materials.

Finally, I would like to thank my colleagues on the Board of Directors. Today the Board is broader and more diverse than ever and, with three highly competent women, is one of the leading Boards of Directors in Switzerland in terms of gender diversity.



Beat Hess
Chairman

“We had a very successful 2019 – we are showing that sustainable business is a central component of our strategy.”

Beat Hess
Chairman



OVERVIEW

CEO LETTER TO SHAREHOLDERS

DEAR SHAREHOLDERS

2019 was a very successful year for us and we achieved record results in operating profit, net income, earnings per share and free cash flow.

Our sharp decrease in net debt has significantly strengthened our balance sheet. We have achieved all our targets for 2019 and have moved our company to a new level of performance.

Midway through Strategy 2022 "Building for Growth" LafargeHolcim has achieved almost all 2022 targets. The company significantly strengthened its balance sheet and is now well-positioned to continue growing profitably with strong market positions in all regions.

On top, eight bolt-on acquisitions in the attractive ready-mix and aggregates markets have been accomplished in 2019.

Net sales of CHF 26,722 million grew 3.1 percent on a like-for-like basis compared to the prior year, driven by good growth in Europe and North America and good price dynamics across all business segments and higher prices in most markets.

Recurring EBITDA (pre-IFRS16) reached CHF 6,153 million, up 6.5 percent on a like-for-like basis for the full year, driven by our CHF 400 million SG&A cost savings program, good pricing and improvements in efficiencies.

The Recurring EBITDA margin increased from 21.9 percent in 2018 to 23.0 percent in 2019.

Record net income¹ of CHF 2,072 million increased by 32 percent compared to 2018 (CHF 1,569 million), driven by less restructuring costs and financial

expenses as well as a decrease in the tax rate.

Earnings per share² were up by 29 percent accordingly to reach CHF 3.40 for the full year 2019 versus CHF 2.63 for 2018.

Record Free Cash Flow generation (pre-IFRS 16) of CHF 3,047 million (+79 percent) and strong improvement of cash conversion (pre-IFRS 16) reached 49.5 percent, well above the target of 40 percent as defined in Strategy 2022 - "Building for Growth".

This achievement reflects reduced cash paid for tax, financial and restructuring costs as well as improved working capital.

Net debt (pre-IFRS16) was substantially reduced by CHF 4.7 billion (-35 percent) to CHF 8.8 billion at year-end 2019, reflecting the strong Free Cash Flow and the positive impact following the sale of Indonesia and Malaysia.

This resulted in a significant deleveraging with a ratio of net debt to Recurring EBITDA (pre-IFRS16) of 1.4x (2.2x in 2018).

Return on Invested Capital (pre-IFRS 16) was at a strong 7.6 percent in 2019, close to the 2022 target of above 8 percent and compares to 6.5 percent in the previous year. ROIC is now above cost of capital thanks to higher profitability, lower tax rate and disciplined Capex.

On top of these record financial results, we strengthened our leadership in sustainability by setting even more ambitious targets for carbon emissions.

In 2019 we made significant progress in reducing our carbon footprint. Compared to 2018 we reduced our carbon emissions by 1.4 percent to 561 kg in 2019, nearly meeting our 2022 target of 560 kg.

Given this strong progress, we have revised our 2022 target to 550 kg as we move to reduce our carbon footprint to 520 kg by 2030.

In 2019 the Science-Based Targets initiative (SBTi) validated our targets to reduce our global carbon footprint as adequate and consistent with the effort to keep temperatures below the '2°C' threshold agreed at the COP21 world climate conference in Paris.

Compared to 1990 we have already reduced our directly attributable ('scope 1') CO₂ emissions per ton of cementitious material by 27 percent, by far the leader among international cement groups.

In October 2019, Chief Sustainability Officer Magali Anderson was appointed as a member of the Group Executive Committee, underlining our industry leadership with regard to social and ecological responsibility.

In January 2020, we introduced our first fully carbon-neutral concrete in Switzerland and Germany, demonstrating our move toward building a global family of carbon-neutral products.

I congratulate all our employees and teams on these impressive results and would like to thank them for their dedication and efforts in making this possible.



Jan Jenisch
Chief Executive Officer

¹ pre-IFRS16, before impairment & divestments, Group share

² pre-IFRS16, before impairment & divestments

“On top of these record financial results, we strengthened our leadership in sustainability.”

Jan Jenisch
Chief Executive Officer



175 kg CO₂
pro m³ Beton

Durchschnittlicher
Schweizer Beton

0 kg CO₂
pro m³ Beton

EvopactZERO



MEET THE LEADERSHIP TEAM

1 Feliciano González Muñoz
Human Resources

2 Oliver Osswald
Latin America

3 Martin Kriegner
Asia Pacific

4 Magali Anderson
Chief Sustainability Officer

5 René Thibault
North America

6 Marcel Cobuz
Europe



7 **Jan Jenisch**
CEO

8 **Géraldine Picaud**
CFO

9 **Keith Carr**
Legal and Compliance

10 **Miljan Gutovic**
Middle East Africa

Basel, Switzerland. The Executive Committee at SwissBau, the leading trade fair for the construction and real estate industry in Switzerland.

OVERVIEW

A GROWING MARKET

The global building materials market is worth CHF 2.5 trillion annually and it is continuously growing.

FIVE MEGATRENDS DRIVING MARKET GROWTH OF 2%-3% PER ANNUM

The building materials market is a fragmented, CHF 2,500 billion global market. It is forecast to grow 2 to 3 percent per annum, faster than GDP in most countries. While these markets are fundamentally local, they are all being driven by global megatrends such as population growth, urbanization, better living standards, sustainable construction and digitalization.

⊕ Find out more online: www.lafargeholcim.com



1 POPULATION GROWTH

Global population growth and changing demographics – Population expected to grow 22% by 2050 from 7.6 billion to 9.7 billion



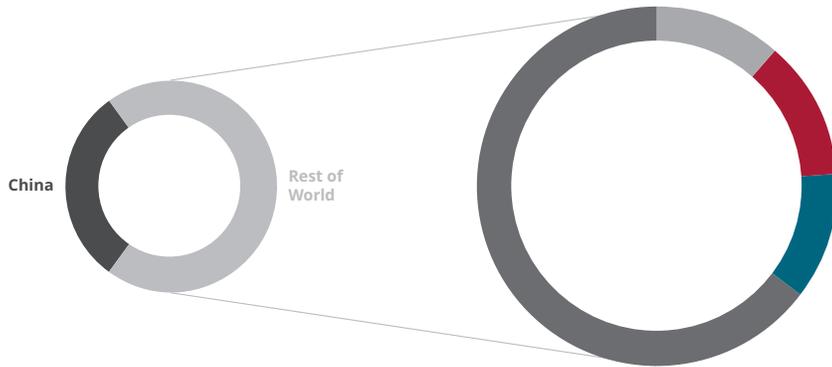
2 URBANIZATION

Urbanization and megacities – Approx. 2.5 billion more people are expected to live in cities by 2050

A FRAGMENTED MARKET – OPPORTUNITIES FOR GROWTH AND ACQUISITIONS

Global building materials market
CHF ~2,500 billion

Building materials market (without China)
CHF ~ 1,750 billion



● Cement	LH market share of ~ 8%	CHF 200 billion
● Aggregates	LH market share of ~ 2%	CHF 220 billion
● Ready-Mix Concrete	LH market share of ~ 3%	CHF 200 billion
● Other building materials		CHF 1,130 billion



3 LIVING STANDARDS

Increased demand for better living standards and more efficient infrastructure



4 SUSTAINABLE CONSTRUCTION

Increased demand for sustainable construction solutions and increasing resource scarcity



5 DIGITALIZATION

Digitalization is opening new avenues for growth & innovation

MATERIAL PRIORITIES

We care about long-term value creation for all stakeholders. In 2019 we conducted a comprehensive review of our material issues, asking external and internal stakeholders which topics were most relevant for future value creation, consistent with our commitment to integrated reporting and accounting for financial and non-financial value in our strategic thinking. The results have largely validated our focus and Strategy 2022 – “Building for Growth”.

WHY MATERIALITY MATTERS

- Stakeholder engagement
- Risk management
- Identify opportunities

METHODOLOGY

- 1 IDENTIFICATION**
of issues and stakeholder groups
- 2 STRATEGIC ALIGNMENT**
of survey/questions using clear criteria, on business strategy and sustainability pillars, aligned to our risk management approach
- 3 ISSUE RATING**
of internal and external stakeholders scored the issues against the defined criteria
- 4 VALIDATION**
of the materiality matrix by senior management

WHAT IS NEW IN 2019

In this assessment, the scope of issues was expanded to include financial and non-financial issues. A selection of internal senior leaders representing a cross section of business functions and regions were surveyed.

Additionally, in depth interviews were conducted with investors, and a range of external stakeholders including customers, suppliers, NGOs, regulators and academia were also surveyed.

Respondents were asked to score issues based on how it would impact the success of the company, or on their relationship with the company, rather than a generic assessment of how important an issue is.

The results of the comprehensive materiality assessment are summarized and shown on the following page.

The matrix depicts the relevance of the topics from the external stakeholder point of view on the vertical axis and relevance for value creation by LafargeHolcim senior management on the horizontal axis.

The results of this exercise have largely validated our focus and strategy.

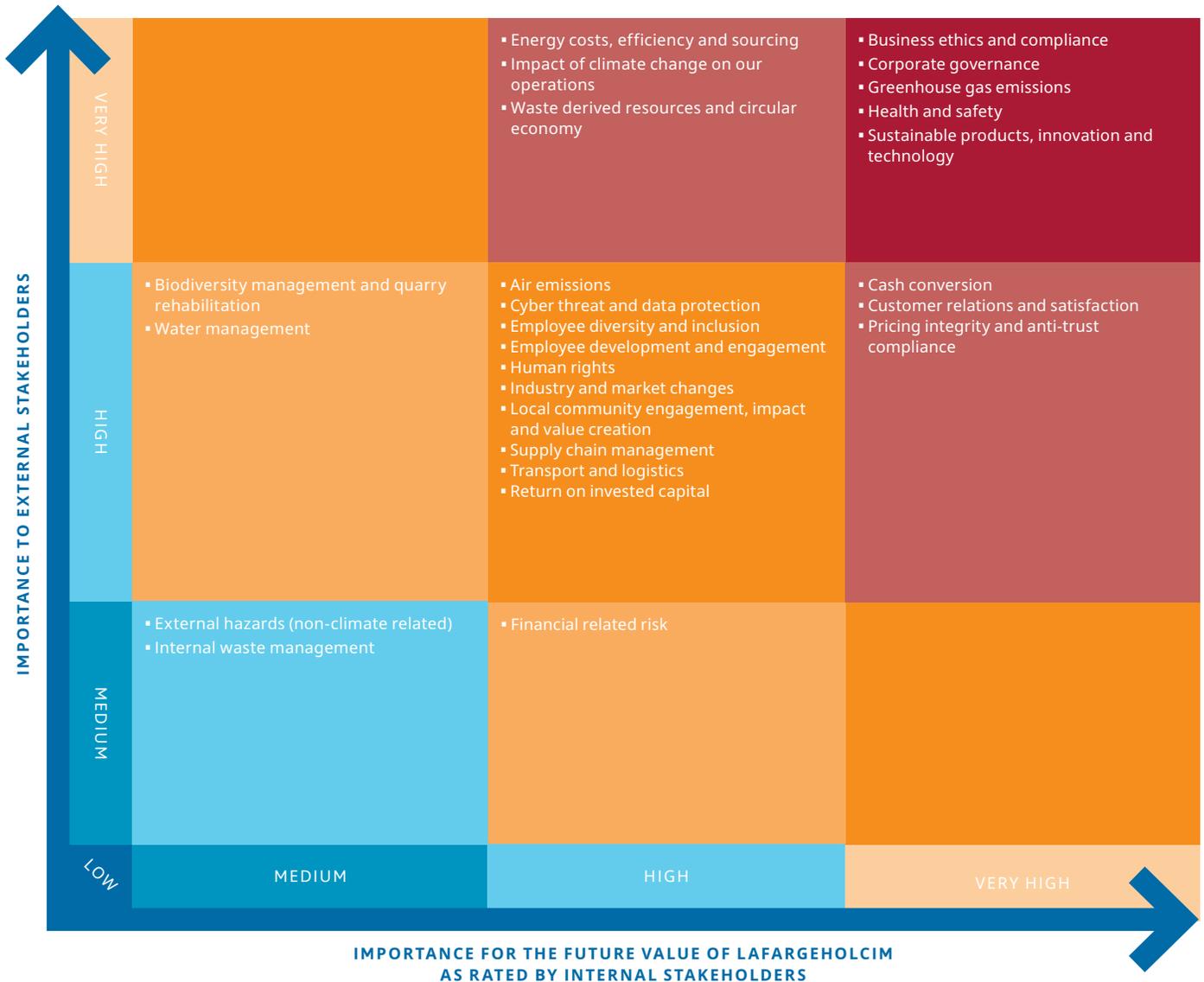
For more on how these material issues are governed, and how they relate to our key risk and control measures, please see the Corporate Governance and Risk and Control section of our annual report, beginning on page 78.

⊕ Find out more about our method and definitions:
www.lafargeholcim.com/sustainability

MATERIALITY MATRIX

The issues that we will focus on in the next 3–5 years in order to create value for all stakeholders.

* Issues within a materiality threshold box are arranged in alphabetical order. For full details on how the assessment was conducted, please visit www.lafargeholcim.com/sustainability.



KEY

- Focus
- Monitor and manage
- Maintain

OVERVIEW

BUILDING FOR GROWTH

RESOURCES

~72,000

Employees

264

Cement and grinding plants

649

Aggregates plants

1,402

Ready-mix concrete plants

170

Patent families in our patent portfolio, balanced across our value chain

40%

Of these patents relate to low-carbon solutions, the most recent focusing on low-carbon products and carbon capture and use from our cement plants

BUSINESS SEGMENTS



CEMENT

From classic masonry cements to high performance products tailored for specialized settings, we offer an extensive line of sustainable and innovative cements and hydraulic binders.



AGGREGATES

Our aggregates serve as raw materials for concrete, masonry and asphalt as well as base materials for buildings, roads and landfills. Our recycled aggregates use crushed concrete and asphalt from deconstruction.



READY-MIX

Concrete is the world's second most consumed substance by volume after water. In this highly competitive and decentralized market, we stand apart through the quality and consistency of our products, the breadth of our portfolio and our innovative solutions.



SOLUTIONS & PRODUCTS

Supported by technical expertise and decades of experience, we deliver targeted solutions to customers' specific needs. Our local market knowledge combined with R&D capabilities allows us to develop and scale up new solutions and products effectively.

OUR FOUR VALUE DRIVERS



VALUE CREATED IN 2019

FINANCIALS

3.1%

Net sales growth (like-for-like)

6.5%

Recurring EBITDA growth (pre-IFRS 16, like-for-like)

49.5%

Free cash flow to Recurring EBITDA (pre-IFRS 16)

7.6%

Return on invested capital (pre-IFRS 16)

NON-FINANCIALS

561 kg

CO₂ emitted per ton of cementitious material

48 m

Tons of waste reused in operations

299 l

Freshwater withdrawn per ton of cementitious material

5.9 m

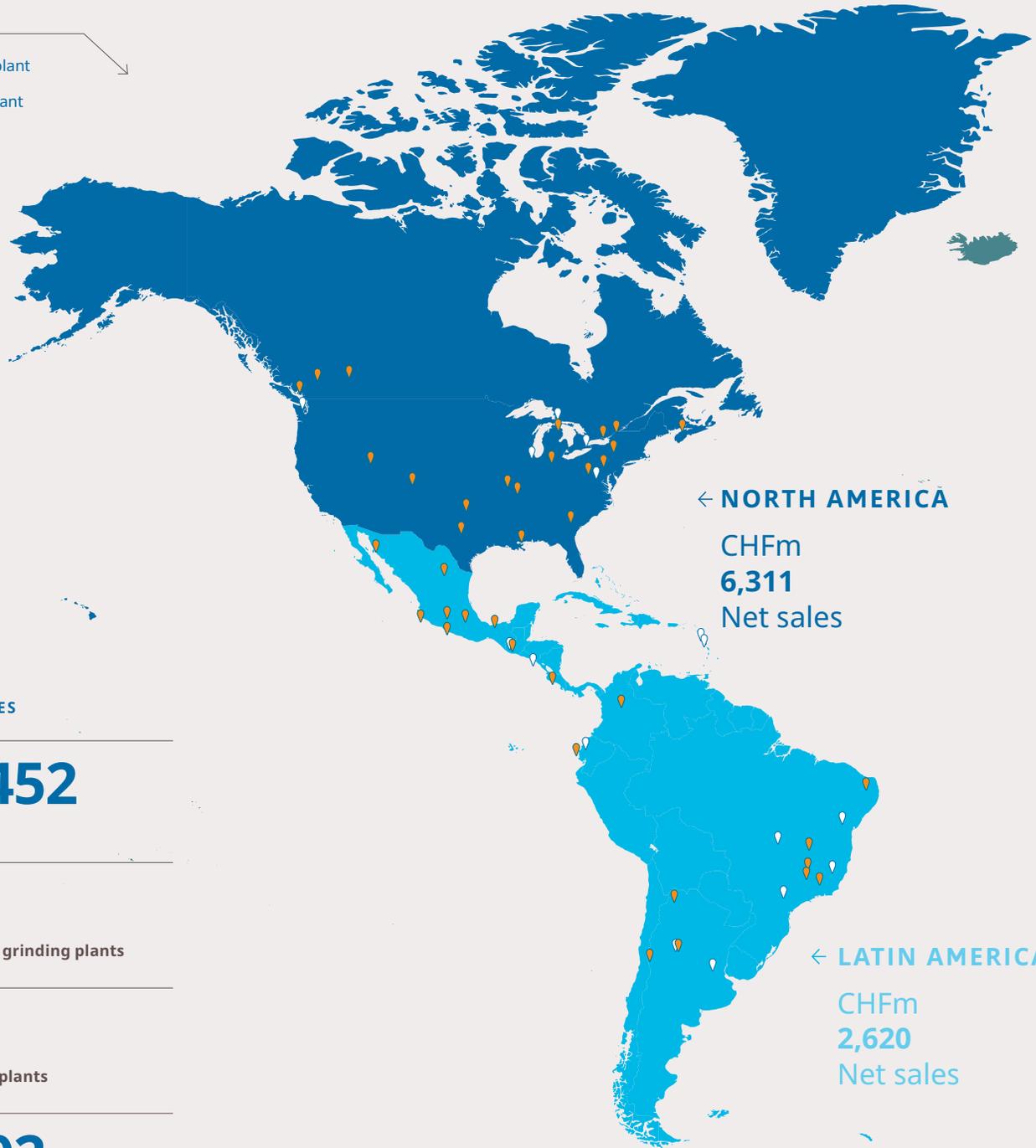
People benefiting from our community investments

OVERVIEW

LARGEST FOOTPRINT IN BUILDING MATERIALS

Grinding plant

Cement plant



KEY FIGURES

72,452

Employees

264

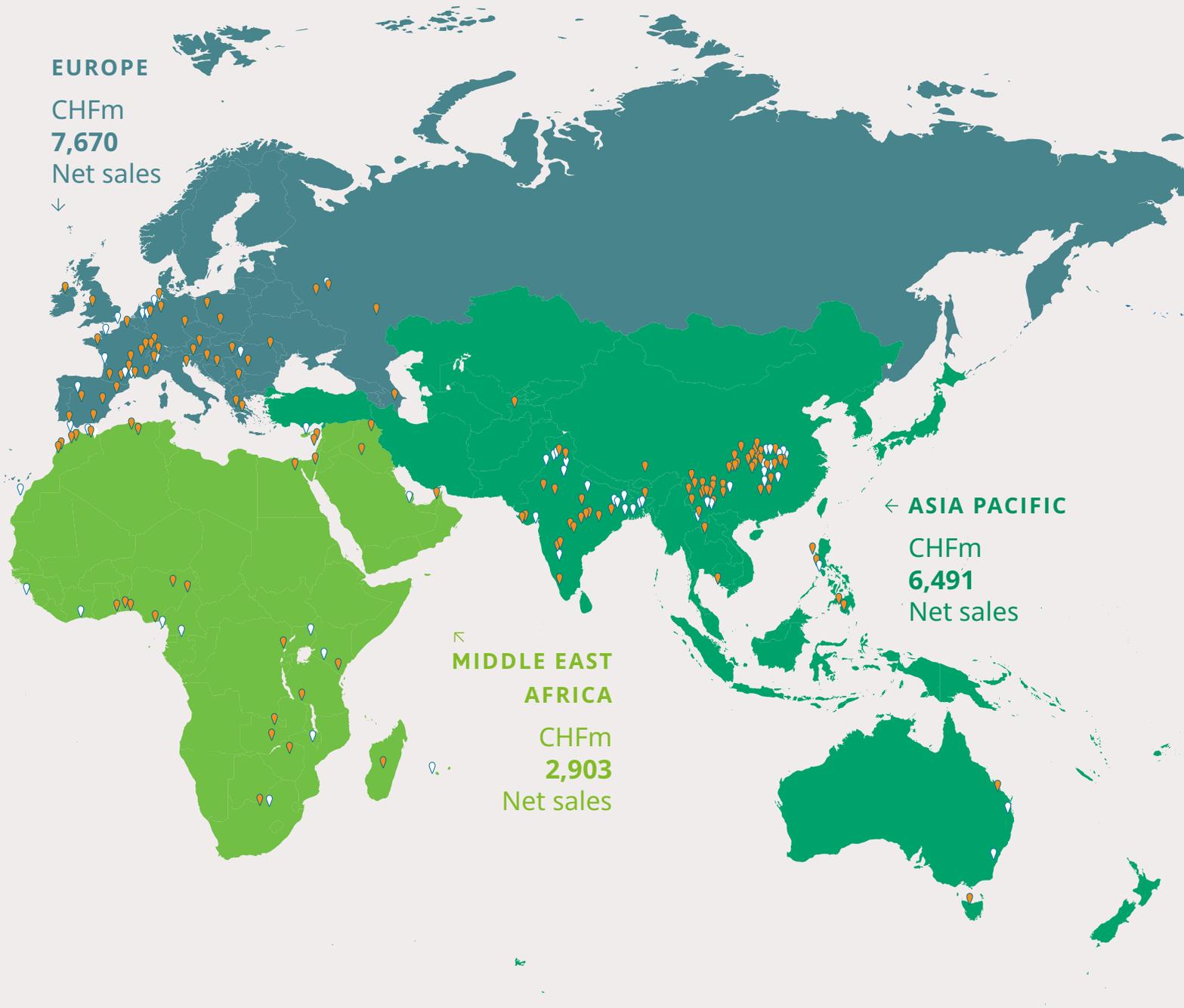
Cement and grinding plants

649

Aggregates plants

1,402

Ready-mix concrete plants





**Close to our
customers**

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↳
**Minneapolis,
Minnesota, USA**
Employee
facilitating the
digital delivery of
concrete to a
customer.

CEMENT

In 2019, the segment continued its excellent performance, with net sales climbing by 4.0 percent* and over-proportional growth in Recurring EBITDA of 6.1 percent*.

Customers increasingly choose from our range of next-generation cements for specialized characteristics, as well as our ability to tailor them for specific uses.

Our innovative cement mixes are pushing the boundaries of what can be expected from buildings. These cement solutions resist harsh environmental conditions, set more quickly for maximized productivity or use less water for a more economical and sustainable structure.

Our cement customers include construction and public works organizations, manufacturers (producers of ready-mix concrete and prefabricated products), and, via retailers, the general public.

At a basic level, the market can be broadly segmented into bag and bulk cement, with emerging markets generally the largest consumers of bagged cement.

We make cement through a large-scale, capital- and energy-intensive process. Production begins in a rotary kiln, in which limestone and clay are heated to approximately 1,450 degrees Celsius.

Under these extreme temperatures it coalesces into the semi-finished product called clinker. To make traditional Portland cement, gypsum is added to clinker in a cement mill and the mixture is ground to a fine powder. Other high-grade materials such as fly ash, pozzolan, limestone and chemical admixtures can be added to modify the cement for special uses. These products go hand in hand with complementary services such as technical support, order and delivery logistics, documentation, demonstrations and training.

Industrialized countries are mainly bulk markets, as cement is mainly consumed by larger business-to-business customers such as construction companies or building products manufacturers.

Since cement is costly to transport over land, a cement plant is generally uncompetitive outside of a 300-kilometer radius, though cement can also be shipped economically by sea and inland waterways. Most of our plants are located in highly populated areas, benefiting from the ongoing global trend in urbanization.

207.9

Sales of cement (million tons)

2018: 221.9

Recurring EBITDA for Cement grew* by 6.1 percent while net sales grew by 4.0 percent on a like-for-like basis. Volumes grew 0.5 percent on a like-for-like basis compared with 2018.

The North American market grew strongly despite flooding in the Mississippi river system. Eastern and Central European markets were strong with ongoing public infrastructure spending across the region. Volumes for the Asia Pacific region were slightly lower than in 2018 on a like-for-like basis, while in Latin America, demand recovered in Brazil and in Middle East Africa, net sales held close to prior-year levels.

* Like-for-like, pre-IFRS16

↳ **Câmpulung, Romania**
Employee at our cement plant.



↳ Loading operations at our cement plant.



A VISION FOR SUSTAINABLE URBAN LIVING IN ITALY

Buildings and
infrastructure
are fundamental
to society.

CityLife, a new business and residential district in Milan, shows one way forward. To make optimal use of the land available, CityLife was built vertically – while at the same time creating a spacious, beautiful and sustainable urban environment.

AN OASIS FOR MILAN

CityLife covers an area of just 336,000 square meters. Its apartments are home to 4,500 residents. Ten thousand more work in its business towers. Another 700,000 live in the surrounding area. The shopping district is the largest of its kind in Italy and already a destination in its own right.

One of its attractions is that it's one of the largest car-free zones in Europe. Residents and other occupants of

CityLife buildings can reach shops, and other public amenities by public transport rather than car. The M5 metro line connects the neighborhood to popular destinations such as Bicocca University and the San Siro football stadium.

The project has drawn on the talents of world-class architectural firms such as the Studio Daniel Libeskind and Arata Isozaki and Associates, many of whose projects we supplied.

In the section designed by Zaha Hadid Architects, Holcim Italy helped to create an environment of great beauty, fluidity and lightness by integrating the buildings with surrounding gardens, most famously at the building affectionately known as Lo Storto ('the twisted one' - pictured on page 70).



↳ **Milan, Italy**
The CityLife district is one of the largest car-free zones in Europe.

READY TO MEET A CHALLENGE

Holcim Italy has been a trusted partner for many spectacular buildings in the area, including Milan's famous Bosco Verticale (pictured on page 40).

The cement that went into Lo Storto came from our Ternate and Merone plants, where the high proportion of recycled materials and renewable fuels helped the building to obtain the Leadership in Energy and Environmental Design (LEED) Gold standard, the world's leading green building rating system. LEED judges also acknowledged the reduced impact of our construction site operations, our management of construction waste and the low emission levels of our products.

Holcim Italy is one of the few companies that could deliver the kind of high-strength concrete that such projects require. Buildings such as Lo Storto demand structural rigidity to allow for more floor area and leaner elements like pillars, beams and walls. The products supplied for Lo Storto are more than twice as strong as normal concrete products.

"Our customers appreciate the quality of our products and our high level of service. This type of project requires excellence in every aspect - from production to logistics to organization to customer relations. I am proud to work with the people who made this project possible," says Calogero Santamaria, one of our colleagues and a key member of the CityLife team.

"This type of project requires excellence in every aspect."

Calogero Santamaria
Holcim Italy



www.lafargeholcim.com/major-construction-projects

AGGREGATES

The segment continued to deliver in 2019, with net sales growth and improved Recurring EBITDA*.

Our aggregates are used as raw materials for concrete, masonry and asphalt and as base materials for roads, landfills and buildings. As such, they are a key component of construction.

Crushed stone, gravel and sand are all typical aggregates. Most aggregates are produced by blasting hard rock from quarries and then extracting and crushing it.

Aggregate production also involves the extraction of sand and gravel from both land and marine locations. In both cases, the aggregates are processed and sorted to obtain various sizes to meet different needs, or for other physical characteristics such as hardness, granularity, shape and color.

Such characteristics determine the applications for which the various types of aggregates are suited. Because of the high weight of aggregates and cost of transporting them, aggregates markets are nearly always local.

We are also increasingly supplying recycled aggregates, which can be made from construction waste as well as the materials left over after demolition, especially in urban areas. These recycled aggregates replace the need for quarry extraction and contribute to a truly circular economy in building.

LafargeHolcim operates more than 600 aggregates plants worldwide. This segment supplies a broad range of customers that includes concrete and asphalt producers, manufacturers of prefabricated products and construction and public works contractors of all sizes.

LafargeHolcim holds significant reserves of quality aggregates in our key markets: at current production rates our average reserve life in Europe is around 40 years, in Australia around 50 years, and in North America we have an average reserve life of around 100 years.

269.9

Sales of aggregates (million tons)

2018: 273.8

Recurring EBITDA* improved by 3.0 percent compared to the prior year, in line with net sales growth of 3.5 percent on a like-for-like basis.

Volumes were healthy in the United States and Eastern Canada, offset by weakness in Australia and Western Canada.

* Like-for-like, pre-IFRS16

↘
Houston, Texas,
USA
Employee with a
customer on site.





DELIVERING SUSTAINABLE INFRASTRUCTURE IN CANADA

Bridges have been crucially important for societies for centuries. Bridges allow safe passage where previously it was not possible or much more difficult.

To see how bridges have been changing societies and have changed over the last sixty years, take a boat up the St. Lawrence River.

As downtown Montreal approaches on the western shore and the suburbs of La Prairie and Brossard appear to the east, the 3,400 meter Champlain Bridge spans the river to connect the two shores.

REPLACING A NATIONAL ICON

Conceived in 1955, the Champlain Bridge soon became the country's busiest. The rugged truss design – with the bridge deck enclosed in a triangular arrangement of steel girders – is strong, simple and characteristic of its era.

Fifty million cars, buses and trucks cross the bridge each year. Over nearly sixty years of service, this has led to considerable wear and tear, compounded by the road salt that keeps roads clear through Montreal's long winters.

Over time the bridge has demanded ever more frequent maintenance. For this reason, authorities started planning to build its replacement in 2013.

STRENGTH AND SUSTAINABILITY

The towers of the New Champlain Bridge rise 170 meters above the St. Lawrence River. The bridge deck is suspended from cables which are attached to the towers, following the bridge's elegant twin cable-stayed design. The bridge was built in less than four years and opened to traffic in June 2019.

In addition to the six vehicle traffic lanes, the bridge offers different transit options, such as a multi-use corridor for pedestrians and cyclists and a two-lane rail corridor for the electric train, which will come into operation in the next two years.

Its more modern design helped assure quicker construction and a more economical use of materials. The design also promises lower maintenance as well as an expected service life that's more than twice as long as its predecessor.

The Institute for Sustainable Infrastructure has designated the New Champlain Bridge as ENVISION-certified, the prominent North American standard.

**HIGH PERFORMANCE,
LOW IMPACT**

LafargeCanada played a big part in reaching this new level of sustainability. More than 1.5 million tons of sustainably-sourced aggregates were delivered by truck from a nearby quarry to construct the piers and surrounding road infrastructure.

An additional 700,000 tons were delivered by barge for the central jetty, minimizing greenhouse gas emissions related to the transportation of aggregates and reducing traffic on local roads and highways.

More than 165,000 m³ of ultra-high performance concrete, or 22,000 truckloads, were delivered throughout the project. Concrete of these specifications had never been used before in North America, meeting criteria of low heat release and high compressive strength, sufficient for its intended 125-year lifespan.

HIGHLIGHTS

1.5mt

aggregates

165,000m³

ready-mix concrete



[www.lafargeholcim.com/
major-construction-projects](http://www.lafargeholcim.com/major-construction-projects)



↳ Employee at our quarry.

READY-MIX CONCRETE

Strong performance and development of value-added products drove over-proportional growth in Recurring EBITDA of 18 percent*, representing a margin gain of 1 percentage point.

Customers value the quality and consistency of our ready-mix concrete products, the breadth of our portfolio, our expertise in large projects, and our flexibility and reliability. We also offer a range of innovative concretes including self-filling and self-leveling concrete, architectural concrete, insulating concrete and pervious concrete.

We also innovate for sustainable materials and are increasing our portfolio of carbon-neutral concrete solutions. In 2019, we launched Evopact in Switzerland while in Germany we launched Ecopact, both fully carbon-neutral concretes (Find out more on page 56).

Ready-mix concrete is one of the largest markets for the cement and aggregates industries. Buyers of ready-mix concrete are typically construction and public works contractors, ranging from major multinational corporations to small-scale customers.

Concrete is the world's second-most consumed good by volume after water. One cubic meter consists of approximately 300 kilograms of cement, 150 liters of water and two tons of aggregates.

The production of ready-mix concrete is less capital intensive than the production of cement. It is also highly decentralized, since concrete is a heavy product that must be delivered quickly, requiring production facilities to be near the place of use.

As with our Aggregates segment, we are focused on closing the performance gap with other best-in-class performers in Ready-Mix Concrete as part of Strategy 2022 – “Building for Growth”.

47.7

Sales of ready-mix concrete (million m³)

2018: 50.9

Recurring EBITDA* grew by 18 percent compared to the prior year. Net sales declined by 0.2 percent compared to 2018 and volumes declined by 2.0 percent, both on a like-for-like basis.

Good demand in North America was offset by softer markets in Mexico and Middle East Africa.

* Like-for-like, pre-IFRS16



∨
Switzerland
Creative exchange
between our
application expert
and architects:
Holcim Ammocret
concrete is being
used for a family
home.

KEEPING INDIA ON THE MOVE

Infrastructure is critical to keep a growing city functioning and metros play a key role. Nowhere does this have more of an impact than in India.

The country's first metro was opened in Kolkata in 1984. However, high cost and long delays kept subsequent metro projects out of consideration for almost 20 years. When the metro option was revived the population of Delhi had doubled and the number of vehicles on its roads quintupled. The Delhi metro system, opened in 2002, provides for over 1 billion trips per year. That means around 580,000 less vehicles on the roads – and around 855,000 tons of pollutants out of the air.

ACC AND AMBUJA CEMENT, PARTNERS FOR GROWTH

Today several new metro systems are under construction and old ones are being expanded all over India. By 2021, Delhi's metro network will be bigger than the London Underground. Mumbai, Bengaluru, Chennai, Kolkata, Ahmedabad, to name just a few, are also upgrading their urban infrastructure extensively.

↳
Nagpur, India
The city is now home to India's greenest metro.





↳ **Mumbai, India**
An employee at one of our retail stores completes a transaction with a customer.

LafargeHolcim, through its subsidiaries ACC and Ambuja Cement, is a key enabler of this expansion. In Delhi alone, ACC has already delivered 300,000 cubic meters of concrete, along with other specially developed materials. Ambuja Cement's contribution has also been very important, supplying innovative high-performance materials that enhance the durability of the structures.

The lives of more than 70 million city dwellers are being transformed by projects supplied with ACC or Ambuja concrete.

Through ACC and Ambuja, LafargeHolcim has both the capacity and the presence to supply materials for the largest and most demanding projects in India – and at a pace to accommodate what will soon be the most populous country in the world with more cities with over one million residents than all of Europe put together and overtaking China as the world's most populous country by 2030.

For many, a journey by metro will mean more comfort. "It's better for the city than road transport because there's no traffic or pollution," says Toussef, a resident of the greater Delhi area. "I don't have the troubles of the road, and can be in an environment that is air-conditioned and clean."

It also means that India's rich history can be preserved. Delhi metro's "Heritage Line," for example, carries more than 90,000 people per day beneath iconic sites such as the Delhi gate, Jama Masjid and Red Fort, as well as one of the country's most prominent cricket grounds. The same could not be achieved with roads.

HIGHLIGHT

70m

Lives transformed by ACC and Ambuja metro projects



www.lafargeholcim.com/major-construction-projects

SOLUTIONS & PRODUCTS

In 2019 the segment showed strong, over-proportional growth, with Recurring EBITDA up 20 percent* from the previous year.

Our fourth business segment, Solutions & Products, bundles a range of offers delivering targeted solutions to our customers' specific needs.

Today the segment offers asphalt, contracting services, dry mortars and a range of application specific solutions. The mineral foam Airium® improves the energy performance of buildings through fire resistant and fully recyclable thermal insulation materials. Ductal®, one of our ultra-high performance concretes, can be applied to bridge decks to extend the service life of infrastructure investments.

Through the Solutions & Products segment we also provide a wide range of precast construction systems that can solve a host of building and infrastructure challenges – Basalton, for example, which provides a durable and cost-effective means to protect vulnerable landscapes from storm and rising sea levels.

The Solutions & Products segment gives us a way to leverage our local construction market knowledge, extensive customer base, global key accounts and R&D capabilities.

Solutions & Products also leverages our strength as a global company that can develop and scale up new solutions and products effectively.

This agility is important to this segment especially as nearly all of its offerings fall into markets where spending is growing faster than the general average for construction.

We view Solutions & Products as a growth driver under Strategy 2022 – “Building for Growth” and expect to substantially increase our revenue in this segment over the coming years.

2,248 m

Net sales (CHF)

2018: 2,396 m

Recurring EBITDA* for the segment grew by 20 percent compared to 2018, mainly driven by strong growth in the concrete products business in Australia. Net sales for the segment overall grew by 0.2 percent on a like-for-like basis.

* Like-for-like, pre-IFRS16

↳
Sydney, Australia
An employee
inspects precast
elements.





Galápagos, Ecuador
Soil stabilization ensures sustainable roads at a UNESCO World Heritage Site.

HELPING FARMERS REACH THE GLOBAL MARKETPLACE

Over a quarter of the bananas traded globally are grown in Ecuador, representing the country's second-largest export after oil.

Compared to oil, however, the banana industry involves far more people. Hundreds of thousands of Ecuadorians are involved in planting, harvesting, washing, packaging and loading bananas for export. The industry is composed largely of small- and medium-sized growers who often sell through cooperatives – a complex arrangement that allows consumers practically anywhere in the world to enjoy this once-exotic commodity.

WHEN THE FIRST MILE IS THE HARDEST

In the rural areas of Ecuador where bananas are grown, around half the roads are built with gravel. These roads are typically vulnerable to both rain and traffic, lasting no more than six months.

Poor rural roads are more than just an inconvenience – they can have devastating effects on rural incomes. A far greater share of produce is vulnerable to damage en route, or products may even be cut off from the market altogether.

A SOLUTION FOR ALL SEASONS

The provincial government of Santa Elena is making a big difference to its farmers with our Agrovia solution. Agrovia is a specially developed hydraulic binder for stabilization of soils and rural roads that is both cost-effective and innovative, allowing roads to be more resistant and durable for pedestrian, animal and vehicular use.

Testing the soil at a major highway project.



Road construction and maintenance costs are up to 40% lower compared to conventionally built roads. They also last three times longer. They avoid the formation of potholes and are far more resistant to heavy rains, so that farmers can continue to produce the whole year round while also spending less time on road repairs.

More stable roads mean that farmers' effective yields are an average of 30% higher. Such reliability is not only critical to the individual farmer but to the reputation of the industry overall.

MINIMIZING ENVIRONMENTAL IMPACT

The benefits of Agrovia go beyond economics. Agrovia combines cement with locally-sourced soils. Since those base materials are 100% local, there's no need to transport quarried rocks or gravel over long distances. For this reason, the solution was also applied in the recent road refurbishments on Ecuador's Galápagos Islands, where having a sustainable, local solution was an absolute priority.

The Agrovia solution has been well received in Ecuador since its debut in 2017, and continuously growing in popularity for rural areas. It is now expanding to Argentina as well – another South American agricultural heavyweight.



www.lafargeholcim.com/major-construction-projects

Creating sustainable value





↙
Milan, Italy
The Bosco Verticale
forms an iconic part
of the Milanese
skyline.

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CREATING SUSTAINABLE VALUE

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SUSTAINABILITY

We are committed to living up to the responsibilities that come with being the global leader in building materials and solutions. We spearhead the transition towards low-carbon construction and are the leader in promoting a circular economy, from alternative fuels to concrete recycling.

With construction and building representing a significant share of CO₂ emissions, our commitment to sustainability leadership begins with carbon.

We are leading the transition towards more low-carbon construction by introducing more low-carbon products and solutions to our customers

worldwide and by being at the forefront of innovation in building materials.

Our business also puts us in a leading position to address society's waste problem and to promote a circular economy.

As building materials draw on natural resources, protecting our environment is also a strategic priority.

And finally, as our business is fundamentally local, we make sure to create value for the communities in which we live and work.

These four strategic pillars of sustainability – Climate & Energy, Circular Economy, Environment and Communities – create value for our business and shareholders and underpin Strategy 2022.

FOUR STRATEGIC SUSTAINABILITY PILLARS¹



CLIMATE AND ENERGY

[+ Find out more on page 44](#)

561kg

Net CO₂ emissions per ton of cementitious material (scope 1)
(Scope 2: 37kg)



CIRCULAR ECONOMY

[+ Find out more on page 48](#)

+4.3%

Tons waste reused in operations
(48m)



ENVIRONMENT

[+ Find out more on page 50](#)

-5.7%

Freshwater withdrawn per ton of cementitious material
(299l)

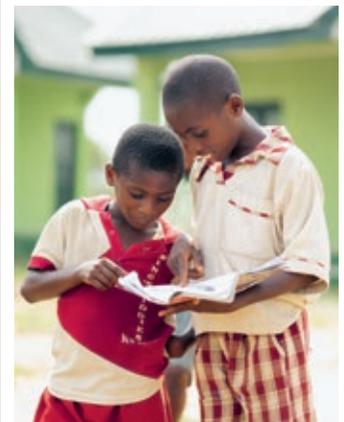


COMMUNITY

[+ Find out more on page 52](#)

+5.4%

Beneficiaries of our community investments
(5.9m)



¹ Percentage change compares 2019 results to 2018 results at the same consolidation scope. Information on scope and methodology of data collection, as well as assurance on 2019 reported figures, can be found in the Sustainability Performance Report on our website at www.lafargeholcim.com/sustainability.



Boyaca, Colombia

The Holcim school at Nobsa has provided low income children an education for over 20 years.



CLIMATE AND ENERGY

LafargeHolcim cement is one of the most carbon-efficient in the world. With our target of 520kg of CO₂/ton of cementitious by 2030, we are among the most ambitious companies in our sector. We are committed to reducing emission levels in line with a 2-degree scenario as agreed at the COP21 world climate conference in Paris.

"We at SBTi are delighted that LafargeHolcim, a global leader in building materials and solutions, has recently joined the group of over 300 industry leaders whose ambitious emissions reductions targets we have approved. By setting goals to reduce absolute scope 1 and 2 emissions, LafargeHolcim has taken a bold step towards building the net-zero economy of the future. With their ambitious targets LafargeHolcim is an industry leader in reducing CO₂."

Alberto Carrillo Pineda
Director Science Based Targets & Renewable Energy at CDP & Co-founder and Steering Committee member of the Science Based Targets initiative

2019 PERFORMANCE

In 2019 our net CO₂ scope 1 emissions (i.e., emissions directly under our control) decreased to 561 kilograms per ton of cementitious (kg CO₂ /ton), or 1.4 percent lower than in 2018.

Given this very strong progress we have revised our 2022 target to be more ambitious in the near term, from 560kg to 550kg, as we move toward our 2030 carbon targets of 520kg. We also aim to reduce our scope 2 emissions (indirect emissions from our electricity consumption) by 65% in the same timeframe.

In 2019 both targets were validated by the Science Based Targets Initiative (SBTi), a leading organization which mobilizes companies to set science-based targets in the transition to the low-carbon economy.

We were also recognized by the CDP, a non-profit organization that enables organizations to manage their environmental impacts. In their latest assessment our score improved from B in 2018 to A minus for 2019, placing us in the CDP's Leadership band.

LEADING THE TRANSITION

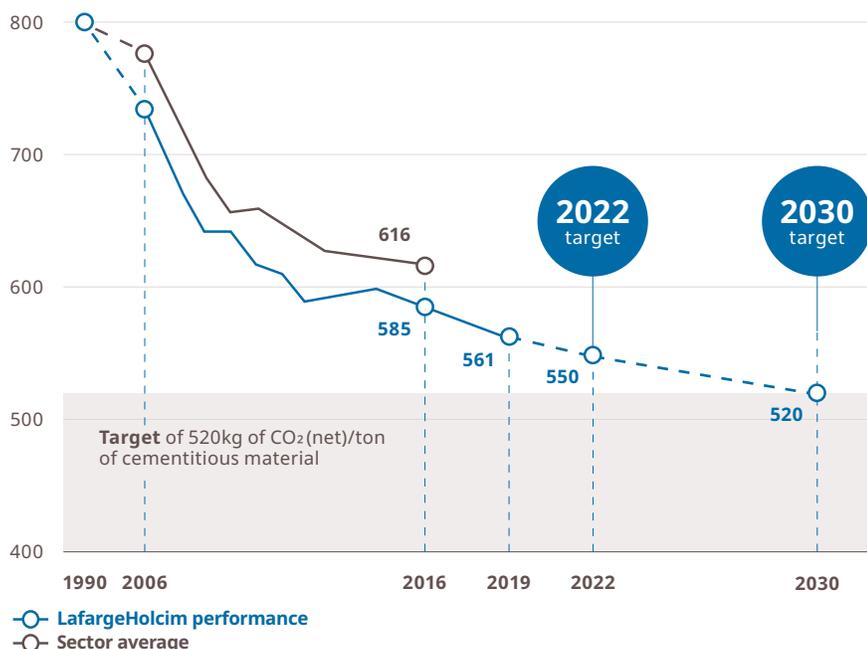
We are not just committed to reducing carbon emissions from our own activities. We aim to lead the transition towards low-carbon and circular construction by introducing more low-carbon products and solutions to our customers worldwide and by being at the forefront of innovation in construction materials and solutions (see "low-carbon solutions" on page 54).

We engage proactively and transparently with our external stakeholders, including regional and national governments, international organizations and civil society.

In particular we advocate:

- Preserving a level playing field where carbon pricing mechanisms are in place, thereby fostering investment in low-carbon technologies and innovation;
- Developing mechanisms that incentivize carbon efficiency across the construction value chain and strengthen demand for low-carbon products and solutions;
- Building standards that are material-neutral and take lifecycle performance into account.

OUR CARBON EMISSIONS



COMMITTED TO TRANSPARENCY

On page 63 we summarize our 2019 alignment with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

The identification, assessment and effective management of climate-related risks and opportunities are fully embedded in our risk management process and subject to continuous improvement.

We will continue to monitor developments and to update our scenario planning in line with the TCFD's recommendations.

DID YOU KNOW?

LafargeHolcim has reduced its CO₂ intensity by 27% since 1990. This is equivalent to over 40 million tons of CO₂ avoided in 2019 compared to 1990 performance levels, or 8.6 million cars taken off the road.

INVESTING IN LOWER CARBON

In 2019 we allocated CHF 160 million for capital expenditure to reduce our carbon footprint in Europe, increasing our efforts to further improve the carbon efficiency of our products and solutions.

The objective is to reduce annual CO₂ emissions in Europe by a further 15 percent, representing 3 million tons, by 2022. The investment will draw on advanced equipment and technologies that can help increase our use of low-carbon fuels and recycled materials in our processes and products. Further funds are earmarked for the introduction of new carbon-efficient materials and services. Over the next three years, we will work on more than 80 projects across 19 European countries.

In all countries, we are working on products and services to help customers improve the carbon efficiency of buildings and infrastructure across their lifecycle.

In France, for example, the company has recently launched Lafarge360, an integrated offer that includes scoring and carbon footprint modelling, enabling customers to make informed decisions around the environmental impact of their project. Such low-carbon products are a strategic priority of our innovation agenda.

[+ Find out more on page 54](#)

CHF 160m

Investments in low-carbon solutions in Europe

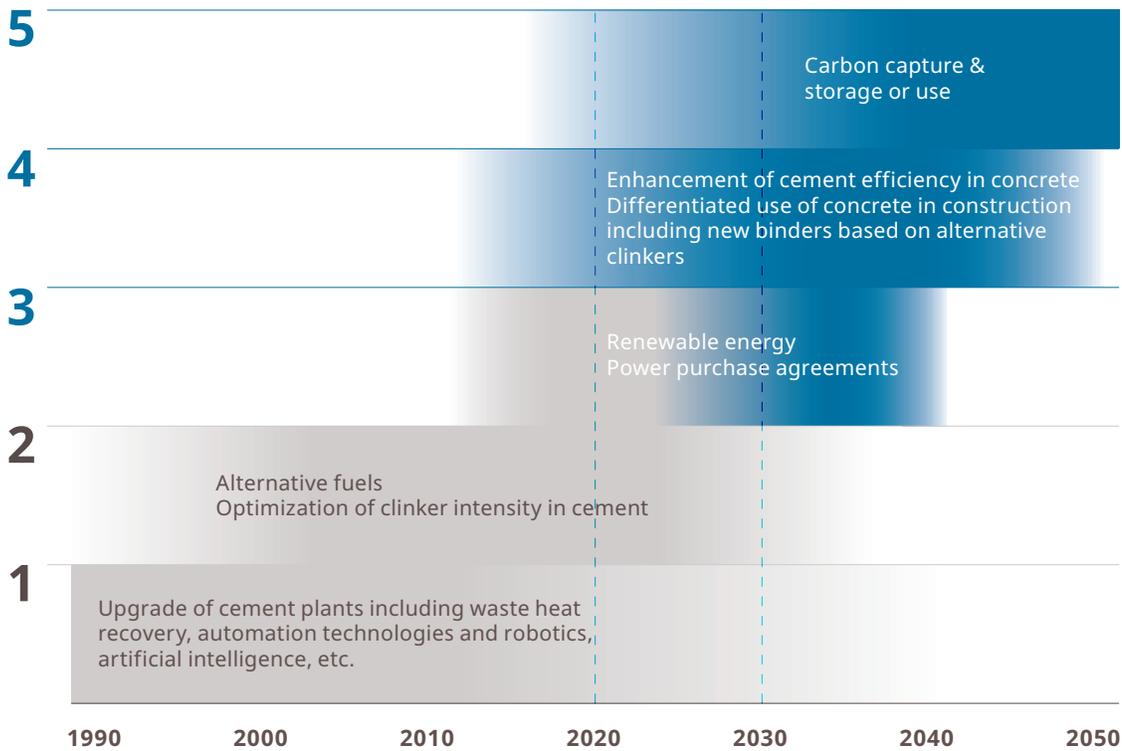
3m tons

Reduction in European carbon emissions by 2022

CO₂ EFFICIENCY ROADMAP

LAFARGEHOLCIM CARBON ROADMAP

Largest contribution in next decade expected from construction value chain



UPGRADE OF CEMENT PLANTS AND ENERGY EFFICIENCY

Cement production is an energy-intensive process. We have modernized our plants and improved our energy efficiency to reduce the carbon intensity of our products and lower our production costs, driving energy consumption per ton of clinker from 4,623 megajoules in 1990 to 3,526 megajoules in 2019, making us among the most efficient in the sector.

DID YOU KNOW?

Our energy consumption has increased three times less than our cement production since 1990.

ALTERNATIVE FUELS AND OPTIMIZATION OF CLINKER INTENSITY IN CEMENT

We also reduce the carbon intensity of our cement by replacing fossil fuels with pretreated waste and low-carbon fuels to operate our cement kilns.

We currently source 20 percent of our energy from alternative fuels, low carbon fuels and biomass. In some of our operations, we've met over 90 percent of our energy requirements with alternative fuels (further information on our Geocycle operations is on page 48). These alternative energy sources not only help reduce our CO₂ emissions – they also divert waste from incineration or landfill.

Our primary carbon reduction lever is to lower the clinker-to-cement ratio. It is during the production of clinker, the

main component of cement, when most CO₂ emissions associated with cement occur. The majority of these emissions are unavoidable, as they result from the chemical reaction that occurs when the raw material (limestone) calcinates into clinker in the kiln. This decarbonation process is our largest source of CO₂ emissions, accounting for 65 percent of our total scope 1 emissions in cement production. Replacing the clinker in our final cement products with alternative mineral components (a significant portion of which comes from waste or byproducts from other industries) reduces the carbon intensity.

Our products currently use an average of 29 percent of constituents to replace clinker, resulting in one of the lowest levels of clinker content (or 'clinker factor') in the sector.

RENEWABLE ENERGY

In 2019, we continued to expand our renewable energy portfolio, adding close to 250 MW equivalent of clean power to our global electricity mix. We also optimized our power-producing assets (for example by installing waste heat recovery units) across our production plant portfolio.

We currently operate 5 waste heat recovery units in 4 countries and plan to increase this to 13 units by 2021, with a larger pipeline to be implemented in phases.

We are also taking advantage of opportunities to generate renewable energy on our land by installing wind turbines and solar panel farms. In October 2019, for example, three wind turbines built on our site in Paulding, OH (US) began delivering 12 million kilowatt hours per year to the plant, eliminating

the emission of at least 9,000 tons of CO₂ annually. In India Ambuja Cement has recently commissioned an onsite solar plant at its Rabriyawas plant. The plant will have a capacity of 11.5 Gigawatt hours per year and will avoid 8,900 tons of CO₂ emissions per year.

LOW-CARBON SOLUTIONS

We have made significant investments in low-carbon solutions, much of it through our Innovation Center in Lyon, France. Today we have a broad portfolio of low-carbon projects including low-carbon clinker, cement, concrete, and binders. We take it as our responsibility as a global leader in building materials to pave the way to low-carbon construction. For more information on our innovation program and products, please see page 54.

CARBON CAPTURE

Apart from our ongoing activities to reduce CO₂ emissions, reducing CO₂ emissions from cement production to zero will require carbon capture and usage or storage (CCUS).

The IEA Roadmap for the cement sector projects CCUS to begin at scale from 2030 onwards.

LafargeHolcim is currently working with a number of partners on five projects in four countries, and plans to increase that number in the coming years.

The potential carbon capture capacity from these projects is approximately 2 million tons of CO₂ per year (see below).

DID YOU KNOW?

One-third of our 2019 net sales comes from our portfolio of sustainable solutions.

PARTNERING TO CAPTURE AND USE CARBON

We're assessing the viability and design of a commercial-scale carbon-capture facility at our cement plants in North America.

This study, undertaken with Svante, Inc and Oxy Low Carbon Ventures, will evaluate the cost of capturing up to 725,000 tons of carbon dioxide per year directly from the plant using Svante's technology, which captures carbon directly from industrial sources at half the cost of existing solutions. Occidental, the industry leader in CO₂ management and storage, would permanently sequester the captured CO₂ underground.

Pairing carbon capture from a cement plant with CO₂ sequestration is a significant step forward for our industry. This joint initiative follows the recently-launched Project CO₂MENT between Svante, LafargeHolcim and Total in Canada at the Lafarge Richmond cement plant, where progress has been made towards re-injecting captured CO₂ into concrete.



CIRCULAR ECONOMY

The volume of waste materials used in our operations rose by 4.3 percent, outpacing our production volume growth as we head toward our 2030 target of 80 million tons.

Waste products can be used as a substitute for fossil fuels and other raw materials, providing us with an excellent opportunity to address society's waste problem.

This process – called co-processing – helps lower greenhouse gas emissions by reducing the quantity of fossil fuels in cement manufacturing. This also means less waste in landfills or incinerators.

We promote the use of recycled materials in our production value chain.

In our Aggregates, Ready-Mix Concrete and asphalt businesses we use around 16 million tons of recycled material per year (mostly recycled aggregates) to make our products. At some sites recycled aggregates represent more than 50 percent of the material used. We are especially interested in targeting this aspect of our business to issues of broad social relevance, such as marine litter (see below).

In 2019 around two million tons of plastic waste were co-processed in our cement kilns and we remain committed to increasing these volumes by actively growing the processing of plastic waste.

DID YOU KNOW?

LafargeHolcim's global waste management business, Geocycle, transformed 10.2 million tons of waste into energy in 2019, or the equivalent amount of waste from 2 million garbage collection trucks.

REDUCING MARINE LITTER

The rise in ocean plastics is a global environmental policy challenge. Without significant action, plastic marine litter could outweigh all the fish in the ocean by 2050.

Geocycle, our sustainable waste management solutions business, has taken a lead in addressing this challenge by partnering with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) on a project to stem marine litter.

Initiated in key urban areas in Egypt, Mexico, Morocco and the Philippines, the project works in a number of ways to stem marine pollution including reducing waste generation, improving waste management and raising public awareness.

Key actions are already underway in the selected countries. Geocycle México, for example, has launched the OLAS clean ocean initiative to play a lead role in fighting marine pollution.

Geocycle and other key stakeholders have developed a focused communication plan for building awareness about this issue and are meeting with government representatives at federal, regional and municipal levels to increase awareness and gain support.

Geocycle has also partnered with GIZ and the Fachhochschule Nordwestschweiz (FHNW) to update the 2006 Guidelines on Co-processing Waste Materials in Cement Production to support further development of environmentally safe pre- and co-processing.

Almería, Spain
Collecting waste plastics at their source is essential to keeping the ocean clean.



ENVIRONMENT

Freshwater withdrawal per ton of cementitious material decreased by 5.7 percent in 2019 due to strong efforts across our cement plants.

Today we are shifting our focus to consider our total impact on water resources in the communities where we operate, particularly in water-scarce areas.

We optimize and prevent the use of freshwater as well as reduce the risk of depletion or pollution by measuring our operational water footprint, reducing freshwater withdrawal, assessing water risks, engaging with stakeholders on sharing water and providing more water to communities (see below).

AIR EMISSIONS

Air emissions are a key environmental aspect of cement production. We expect that all our cement sites measure and manage air emissions. In 2019, we monitored dust, NOx and SO2 emissions from 94 percent of the clinker we produced; 86 percent of clinker production is monitored continuously.

The majority of LafargeHolcim plants operate within best practice emission ranges and some are among the best in the sector. In 2019 Group dust emissions reduced by around 5 percent year on year.

ENVIRONMENTAL MANAGEMENT SYSTEMS

To ensure compliance with stringent company requirements we expect all our cement plants to have an environmental management system in place. In 2019, 86 percent of our cement plants had an environmental management system equivalent to ISO 14001 in place.

WATER MANAGEMENT IN INDIA

Whether it's the communities in the hills of the Himalayas, the deserts in Rajasthan or the coastal areas in Gujarat, water is a critical issue.

On the coastline of Gujarat salinity was seeping almost ten kilometers inland. Groundwater in Rajasthan was being overexploited, resulting in high salinity and fluoride content, making it unfit for human consumption. People in the hills of Himachal Pradesh had poor water quality for cultivation, animal rearing and domestic use. There was heavy erosion of the rich and fertile topsoil, making it difficult to grow produce.

For over 25 years the Ambuja Cement Foundation has worked hard to provide solutions and resolve the issues of these communities. In Gujarat, check dams were built, wells for ground water were recharged and channels were dug to link ponds which help around 200,000 people. In Rajasthan, traditional water harvesting structures like community ponds and tanks were revived, and dykes were constructed for groundwater recharge, increasing soil moisture for crop production in the villages. In Himachal, interventions began with a

watershed project and awareness-raising for harvesting and managing rainwater.

The community has taken ownership of water resource development programs, making water available for both domestic and agricultural uses. By partnering with the government and other development agencies, the Ambuja Cement Foundation has built 426 check dams and over 7000 roof rainwater harvesting structures which, when full, supply close to 55 million cubic meters of water back to the community.

In the community of Kodinar, Gujarat, every 1 rupee invested by Ambuja has resulted in 13 rupees of value back for the community. Today the region is water positive and has seen a drastic decline in soil erosion, with an increase in groundwater recharge and more natural vegetation, and more water available for all uses.

↳ **Gujarat, India**
Every 1 rupee
invested in water
projects results in
13 rupees of value
back into local
communities.



COMMUNITY

We are proud to support the communities where we live and work, with our investments delivering benefits to more than 28 million people over the last five years.

We regularly interact with stakeholders at all levels – customers, employees, investors and financial institutions, suppliers, regulators, media, NGOs / development agencies, and academia – to preserve our standing as good members of our communities.

RESPONSIBLE SOURCING

We have short and predominantly local supply chains. With our large geographic footprint, this poses challenges, particularly in countries where business practices are not well regulated. We therefore identify high environmental, social and governance (ESG) impact suppliers and ensure they are qualified to work with us.

PROMOTING HUMAN RIGHTS

Our approach to managing human rights is fully aligned with the UN Guiding Principles on Business and Human Rights.

In February 2020, CEO Jan Jenisch signed the Call to Action for Business Leadership on Human Rights by the World Business Council for Sustainable Development (WBCSD), joining forty other leaders in sending a clear message on the need to elevate companies' ambitions concerning human rights.

Together our vision is to make human rights more than just a risk and compliance issue for companies – they should be actively promoted as part of a commitment to social responsibility.

At LafargeHolcim we promote transformative change in the human rights dimension through such longstanding policies as our Supplier Code of Conduct and our Human Rights due diligence methodology.

At the same time we champion human rights internally, for example by setting concrete targets for diversity and inclusion across our operations.

We make significant investments to support community development around the world, for example by providing education and medical care in line with our human rights agenda (see box, right).

DID YOU KNOW?

Over the last five years LafargeHolcim has invested CHF 240 million in community projects.

LAFARGEHOLCIM FOUNDATION FOR SUSTAINABLE CONSTRUCTION

The LafargeHolcim Foundation for Sustainable Construction encourages sustainable responses to the technological, environmental, socioeconomic and cultural issues affecting building and construction. The Foundation stimulates exchange among all players in the construction industry to contribute proactively to tomorrow's built environment.

The Foundation conducted the 6th LafargeHolcim Forum in 2019, where more than 350 experts from 55 countries met at the American University in Cairo, Egypt. Experts from architecture, materials management, engineering,

urban planning and related fields addressed the theme of "Re-materializing Construction" and discussed innovative solutions and progressive approaches related to new materials, the optimization of circular material flows, and the potential of digitalization in the construction industry.

Participants were inspired by presentations and best-practice examples, including keynote speeches from thought leaders such as Lord Norman Foster. Michael Braungart presented his "cradle-to-cradle" concept, which provides important insights for a circular economy.

In recognition of his achievements, LafargeHolcim CEO Jan Jenisch presented the first LafargeHolcim Foundation Catalyst Award to Prof. Dr. Braungart, an accolade conferred to experts who made a substantial, outstanding, and lasting contribution to the advancement of sustainable construction.

Advancing sustainable construction is also the purpose of the international LafargeHolcim Award competition, which the Foundation is currently holding for the sixth time. The award is recognized as the world's most significant competition for sustainable design.

MEDICAL CARE FOR 250,000 PEOPLE

With many of our employees living closer to our facilities than to the nearest hospital, we're fulfilling our duty to support the health of our communities.

In 2019 we offered health services to a quarter-million people in addition to our employees and contractors.

In other words, nearly 250,000 of our employee's dependents and other community members were served by the 66 health clinics we own and manage across 18 countries.

"The Health & Safety of our employees is a core value of our company – and we are proud to extend that commitment to our communities," comments Magali Anderson, Chief Sustainability Officer.

In addition to health clinics, we provide access to education for more than 15,000 people at the 22 schools that we manage.

These benefits come on top of the inherent advantages we already offer (e.g., direct employment, infrastructure development and local procurement) to the communities where we live and work. These social investments are based on long-term strategies and implemented together with specialized partners.

In 2019 we invested CHF 42 million in community projects.

▾
Ambuja Nagar, India
An instructor trains nurses at one of our clinics.



INNOVATION

We are committed to creating new and value-added solutions, with fully half of our innovation projects aimed at finding low-carbon solutions.

Over the next forty years, the world will need 230 billion square meters in new construction – adding the equivalent of Paris every week.

TOWARD CARBON-NEUTRAL CONSTRUCTION

With the strongest innovation organization in the industry and an extended global network of regional labs, reducing carbon emissions is a key priority of our innovation agenda.

Half of our innovation projects are aimed at finding low-carbon solutions, whether they are digital tools to empower greener building, breakthroughs in the chemical processes underlying our cement or shaping the construction industry of the future through our contributions to 3D-printed buildings.

Today, around 40 percent of our patents have a positive impact on our carbon footprint along the value chain.

In addition to providing more low-carbon solutions, we seek to further differentiate our products offering for improved performance and growth and to develop 300 new products per year by 2022, meeting regional needs with custom-tailored products – more than triple the amount we delivered in 2018.

BEING A LEADER MEANS OFFERING MORE

All our customers – whether they buy from ACC, Aggregate Industries, Ambuja, Bamburi, Holcim or Lafarge; or they use one of our global brands such as Airium or Ductal; or even the retail customers of our Disensa or Binastore franchisees – know they are buying from a market leader.

We maintain this position by developing products such as water-resistant materials for houses in rainy or humid regions, for example, or creating tools to literally take concrete pumping to new heights. We develop innovative concrete mixes for optimal flowability and workability, or others that gain strength quickly after pouring. Such innovations create a differentiated customer experience that sets us apart.

Mike Curtis, president of G&C Concrete (US), worked on Boston's One Dalton, which is now New England's tallest residential building at 226 meters. The project required delivery of 70,000 cubic meters of concrete in congested downtown Boston. To make things even more challenging, the demanding timeline called for the completion of two floors each week.

"One of our greatest challenges was finding the ideal high-performance concrete solutions that would help us improve productivity and accelerate placement schedules," he said. "We needed high-strength, self-consolidating concrete mixes that would flow easily through and consolidate around congested reinforcement in the core

walls and the uniquely tapered perimeter columns, as well as an advanced high-early strength concrete for the floor slabs that would allow us to remove the formwork in a short amount of time."

G&C Concrete relied on high-strength Agileflow® self-consolidating concrete mixes, which are custom-designed to achieve optimal flowability and workability, as well as the various strength requirements of the project without the need for vibration.

To achieve the accelerated construction goals of each floor's 11,500-square-foot slab, they also used RAPIDFORCE®. RAPIDFORCE is a proprietary blended cement mix containing silica fume and fly ash, and achieves a rapid specified strength gain of 3,500 psi in only 24 hours.

The customized mixes were ideal solutions for the project's demanding requirements. "Both products delivered huge benefits in terms of labor requirements and time savings," Curtis said.



↳ **Untervaz, Switzerland**
Local innovation labs are key to delivering high-performance materials.



↳ **Malaga, Colombia**
Two employees inspect a newly completed bridge



Basel, Switzerland
Products like EvopactZERO will be key to a more sustainable built environment.

ADVANCING CLIMATE-NEUTRAL BUILDING IN SWITZERLAND

We're promoting sustainable building with EvopactZERO, a resource-saving and climate-neutral concrete.

Holcim Schweiz has taken recycled demolition waste and used it to create EvopactZERO, a climate-neutral concrete that makes an important contribution to sustainable construction.

EvopactZERO uses both the fine and coarse elements of demolition waste, closing the material cycle completely. The fine materials go into the cement, while the coarse materials serve as aggregates for the concrete mix. This product is one of our pioneers in showing how innovation and sustainability drive growth.

Our aim is to reduce net CO₂ emissions per ton of cement sold in Switzerland to 400 kilograms by 2030, and to produce climate-neutral and fully recyclable building materials exclusively by 2050. EvopactZERO is just another step along that path.

Besides reducing carbon emissions, using recycled building materials conserves landfill space and shortens transport routes.

A DIGITAL APPROACH TO BUILDING

In addition to innovative materials, we are increasingly developing tools to enhance the customer experience and engender customer loyalty. ConcreteDirect, for example, is a digital platform that optimizes ordering and delivery of ready-mix concrete.

Customers use the ConcreteDirect app to place, amend and confirm orders in just a few taps. They can view upcoming orders and receive important notifications at their fingertips as well as track the progress of their ongoing deliveries so they always know where their concrete is and when it will arrive.

A COLLABORATIVE APPROACH

Many challenges in our industry can be solved with digital business models, which is why we launched the Maqer platform in 2018.

Through Maqer we connect with digital startups who are pioneering solutions that apply to our value chain.

Maqer has entered into pilot projects with more than 50 innovative technology providers and startups since its launch, in areas like digital backhauling platforms to reduce empty loads, leveraging internal and external data for demand forecasting, predictive maintenance to avoid unplanned shutdowns or financial solutions for our retailers and end-customers in underbanked markets.

Maqer also helps us to drive our “Plants of Tomorrow” initiative, one of the largest roll-outs of Industry 4.0 technologies in the building materials industry.

The initiative covers automation and robotics, AI and predictive maintenance and a host of other technologies. In one pilot, for example, we are testing a tool that assesses the final strength of cement while it is being manufactured, which could shorten customer waiting times by 28 days.

Our open innovation takes a collaborative approach in other ways, too. Through the LH Accelerator program we work with companies that

bring cutting-edge technologies to the construction industry and pair them with the extensive experience of LafargeHolcim, China Communications Construction Company (CCCC) and Sika.

This approach already has proven potential. At our cement plant in Richmond, Canada, we are working on implementing the world’s first full-cycle carbon capture solution (see page 47). CarbonCure – a participant of the LH Accelerator in 2018 – is the partner on that project helping us to sequester the gas indefinitely.

CENTERED ON INNOVATION

Innovation in building materials has been in our DNA for over 132 years.

Today, this is captured by our innovation centers in Lyon, France, and Holderbank, Switzerland, which have pioneered innovative materials for over 30 years. Our network of labs accounts for more than 300 researchers worldwide. Through this research network we deliver locally-tailored solutions backed by global expertise.



↳ **Bogotá, Colombia**
Finding innovative digital solutions has benefits along the entire value chain, from operations to retail.

PEOPLE

Our employees drive excellence in all our operations. They represent LafargeHolcim to our customers, our communities and other key stakeholders.

Our employees are required to demonstrate the highest integrity, in alignment with our code of conduct, and to perform at a consistently high level. Sustaining this robust performance culture is the key goal of our people strategy.

THE KEYS OF A PERFORMANCE CULTURE

Performance requires clear accountability, which we promote for instance by naming 'owners' of profit & loss ('P&L') accounts. In 2019 we nominated more than 300 P&L leaders, the majority of whom came from within the company. This outcome reflects another key value of our people approach: promoting from within.

COMMITTED TO DEVELOPING TALENT

To maintain a robust talent pipeline and ensure that our employees have the capabilities to succeed, we make development a top priority.

One of the key elements in this respect is the LafargeHolcim Business School.

Each year, around 200 top senior leaders and more than 150 emerging leaders gather in different cohorts to attend the LafargeHolcim Business School, thus ensuring momentum and alignment across the company.

Launched in 2018, the LafargeHolcim Business School prepares senior leaders for sustained success in implementing Strategy 2022 – "Building for Growth". The school cultivates effective leadership styles, enhances the dynamic among the senior leader community and provides overarching support to an aligned high-performance culture.

In 2019, we focused on supporting market-facing colleagues by launching the Global Sales Academy with additional learning modules. The Global Sales Academy supports the development of a high-performance sales organization worldwide. The

program is designed for professionals in both mature and emerging markets, supporting global business as well as specific country needs.

LIVING OUR VALUES OF DIVERSITY AND FAIRNESS

It is equally important that Diversity & Inclusion is embedded in our work environment as a focus topic. In 2019, we focused especially on diversity among our engineers and salespeople and on identifying and sharing good practices. In 2020, Diversity & Inclusion will be added as a specific topic to our learning strategy.

All our country operations undertake thorough assessments of our employment practices (including those concerning contractors and suppliers) and develop detailed local action plans when needed. As in previous years, we worked closely with our European Works Council and global unions as well as with diverse local unions and social stakeholders to ensure that the voices of our people are heard and their concerns are properly addressed.

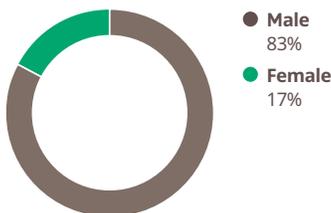
COMPOSITION OF SENIOR MANAGEMENT

1,105

Male
2018: 1,216

224

Female
2018: 252



TOTAL NUMBER OF EMPLOYEES:

72,452

EMPLOYEES BY REGION:

Asia Pacific:
17,505

Latin America
8,871

North America
12,614

Europe
20,880

Middle East Africa
11,277

Other
1,306

INCENTIVIZING BROAD VALUE CREATION

Our compensation policy is designed to attract, motivate and retain talent. We use benchmarking to determine compensation for employees at all levels. Our top 200 leaders participate in a long-term incentive (LTI) compensation scheme that aligns their interests with the long-term success of the company and with shareholders' interests. In 2019 we made an important step by tying the LTI directly to non-financial performance. For more details on our compensation approach, see the Compensation Report beginning on page 116.

↳
Ewekoro, Nigeria
Oluwafunmi Taiwo,
quarry manager.



HEALTH & SAFETY

In 2019 LafargeHolcim continued to improve its Health & Safety performance in all regions, with strong improvement in the long-term injury frequency rate.

We have reduced our road fatalities by 58% vs 2016 and a reduction of 11% since 2018.

We also see a clear improvement in the Lost Time Incident Frequency Rate (LTIFR) of 15.2 percent, with a decreased injury rate of 26% since Ambition "0" was launched in 2017.

In 2019, 4 employees and 15 contractors lost their lives, compared to 19 in 2018. Additionally, 18 third parties died in relation to our operations. We had 7 fatal on-site incidents with three contractors that lost their lives in one incident.

We have maintained our overall improvement of 55% vs. 2016; however, between 2018 and 2019 our progress plateaued.

Our on-site fatalities are now limited to three countries in which we have a focused intervention to drive proactive prevention. Throughout the year, we have rigorously analyzed the remaining risks and are simultaneously addressing the specific actions that will bring us to zero.

These deaths are unacceptable and run counter to our Zero-Harm culture – our vision of running our operations with zero harm to people – which is a core value of our organization. We reinforced the implementation of our strategy with the full deployment and expansion of "One Team, One Program" and launched several others.

We recruited six colleagues to assist our countries in targeting the main risks and identifying the highest priority interventions.

Additional program developments include a new human factors investigation system to ensure we learn from all incidents and drive improvement in all sites.

We undertook a cultural assessment with over 20,000 employees and contractors to establish the baseline of our mindset change journey. Our new global H&S training team developed 13 e-learning coverings our main standards and will work on developing programs to further standardize the way we work.

Our mission to drive cultural change culminates in our annual Global H&S Days. Over this period we mobilize our stakeholders and build the attitudes and behaviors that will help us achieve zero harm. In 2019 we focused on our Minimum Safe Behaviors so that everyone learns and understands the rules that prevent injury.

GLOBAL PROGRAMS TO SAVE LIVES

The road safety program completed its third year in 2019, increasing the number of kilometers driven with trained drivers from 10% in 2018 to 40% in 2019. Kilometers driven with in-vehicle monitoring systems (iVMS) rose from 47% in 2018 to 57% in 2019. To accelerate iVMS implementation, the Middle East Africa region was connected to our Transport Analytics Center in India, with full deployment expected in 2020.

Our new Process Safety Management (PSM) program covered hot material management, grinding and handling of traditional solid fuels, management

of alternative fuels, electrical safety, slope stability in quarries and structural integrity.

In our Design Safety and Construction Quality Program (DSCQP), we invested CHF 76.9 million in safety, including in our Design Safety and Construction Quality Program to eliminate H&S risks linked to the structural integrity of our facilities.

CONSOLIDATING OUR APPROACH ON CONSTRUCTION SAFETY

In 2019 we marked our third year with no fatalities on large capex projects due to consistent H&S support on project preparation and closely reviewing execution. Our approach for construction and demolition projects has been strengthened by launching a new standard and creating visual materials and tools that give clear guidance on H&S requirements. We deployed a broad communication plan with more than 500 employees joining the training webinars globally.

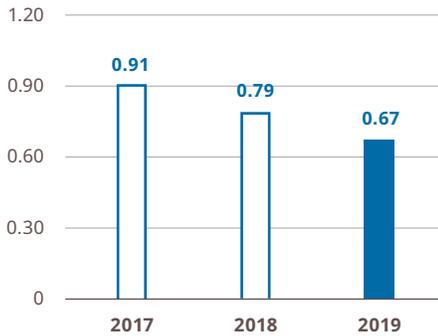
THE NEXT GENERATION OF SAFETY PRACTICES

Robotics and drones are now integrated into our day-to-day activities. A global challenge on "New Technologies in Health & Safety" revealed 265 good practices from 38 countries. We will continue exploring opportunities and testing them in pilot projects.

AUDITING OUR H&S PERFORMANCE

The H&S audit program measures our ability to implement H&S Standards and ensures effective H&S management

LOST TIME INJURY FREQUENCY RATE (LTIFR)¹



	2017	2018	2019 ¹
Employees	0.94	0.9	0.76
Contractors on-site	0.89	0.69	0.58

¹ Assurance on 2019 figures for LTIFR and fatalities can be found in the Sustainability Performance Report on our website at www.lafargeholcim.com/sustainability.

Employees and Contractors on-site

across our company. Over 200 audits were conducted since the program started, providing an independent governance process that aligns with Group Internal Audit.

In 2019, 72 audits were conducted across 37 countries. This year’s focus was on the training and coaching of auditors. We now have a pool of 65 qualified lead auditors. Over 400 employees – more than half of them from operations – have participated as auditors in 2019, further contributing to knowledge-sharing across facilities, product lines and borders.

REPLICATING WITH PRIDE

After the tragic incidents in India from earlier in 2019, it was critical to implement a program that would change behaviors. India proudly copied Mexico’s ‘More Boots- Less Pants’ program and enhanced its effectiveness through a digital tool.

Boots on Ground (BOG), as the localized initiative is called, has been implemented in all plants in less than three months with the objective of putting more leaders in the field to improve operational discipline and empowerment, drive safe frontline behaviors and improve compliance with H&S rules.

Since the program started in July (ACL) and September (ACC), 246,752 hours of plant tours were made by the plant management, with an average of 2,903 hours per day in December. The digital tool helps ensure that all parts of the plant are visited, observations are recorded and actions are closed according to a fixed timeline.



Jamul, India
The Boots on Ground initiative improves operational discipline and drives safe behaviours.

RISK AND CONTROL

As a global leader in our industry, LafargeHolcim adheres to the highest of standards when it comes to how we manage and operate our business day to day, everywhere around the world.

RISKS

LafargeHolcim operates in a constantly evolving environment which exposes the company to different external, operational and financial risks.

We make continuous efforts to prevent and mitigate those risks.

A comprehensive risk management process and Internal Control framework is deployed throughout the company (see page 68 for further information), with appropriate governance and tools.

Through this process we identify, assess, mitigate and monitor the company's overall risk exposure to all types of risks, whether under our control or not.

RISK MANAGEMENT PROCESS

The risk management process is structured around several coordinated approaches conducted within the company (both bottom-up and top-down risk assessments) and addresses all strategic pillars, financial and non-financial targets.

These risk assessments are used as a basis for the Group risk map, which is updated every year and submitted to the approval of the Executive Committee and the Audit Committee. The risk management includes several stages:

- Risk identification and assessment
- Risk mitigation
- Verification & Remediation
- Monitoring & Reporting

Additionally, LafargeHolcim has a robust fraud prevention program in place to prevent, deter, and detect fraud. It includes the LafargeHolcim Integrity line, which enables employees anywhere in the world to anonymously exercise their whistleblowing rights and report any breach of the rules laid down in our Code of Business Conduct.

Further information is provided in Legal & Compliance risk (page 64) and Internal Control (page 68).

The risks on pages 64 to 67 are considered material to our strategy and our value creation. This list is not exhaustive and represents the main risks and uncertainties faced by LafargeHolcim at the time of 2019 integrated report preparation. Other risks may emerge in the future and/or the ones stated here may become less relevant. More details on the potential impact and on our response to mitigate these risks are on pages 100 to 114.

ROLES & RESPONSIBILITIES

LafargeHolcim has a clear organizational structure to ensure the implementation of the risk management and internal control system, following the governance, policies and framework defined by the Group. This organization is built on the 'three lines of defense' model.

Under the first line of defense, operational management has ownership, responsibility and accountability for identifying, assessing, managing and mitigating risks. They are equally responsible and accountable for the deployment of the mandatory controls standards defined by the Group.

The second line of defense consists of Group corporate functions such as Legal,

Compliance, Internal Control, Risk Management, Security and Resilience, IT, Sustainability and Health & Safety. These functions monitor and facilitate the implementation of effective risk management processes and internal controls by operational management to ensure the first line of defense is operating as intended. The second line of defense also assists in the development of policies, processes and controls to mitigate risks and issues.

The third line of defense is Group Internal Audit (GIA). As an independent function, GIA provides assurance to the Board of Directors and Executive Committee on the effectiveness of the first and second lines of defense and on governance, risk management and internal controls.

Through the Audit Committee and the Health, Safety and Sustainability Committee (HSSC), the Board of Directors oversees LafargeHolcim risk management, Internal Control and climate change related risks.

More details of the Audit Committee and HSSC are disclosed in the Corporate Governance section on page 82.

ETHICS, INTEGRITY & RISK COMMITTEE

The Ethics, Integrity & Risk Committee is composed of two sub-groups: (i) Ethics & Integrity and (ii) Risk. The Committee is responsible for overseeing the risk assessment process, activities performed by assurance functions, oversight on the effective investigation and remediation of Code of Business Conduct violations and the rigorous implementation of third-party due diligence and sanctions & export control programs.

ENVIRONMENT AND CLIMATE CHANGE

Our sustainability ambition focuses on Climate & Energy, Circular Economy, Environment and Communities. The ambition articulates our efforts to improve the sustainability performance of our operations and puts the focus on developing innovative and sustainable solutions for better building and infrastructure.

Task force on Climate-related Financial Disclosures (TCFD)

As a business leader, we must ensure transparency and action around climate-related risks and opportunities. LafargeHolcim therefore supports the voluntary recommendations of the Financial Stability Board (FSB) Task force on Climate-related Financial Disclosures (TCFD).

The identification, assessment and effective management of climate-related risks and opportunities are fully embedded in our risk management process. In the table below we map where the recommended TCFD disclosures can be found in our report.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES ALIGNMENT

GOVERNANCE	STRATEGY	RISK MANAGEMENT	METRICS AND TARGETS
Disclose the organization's governance around climate related risks and opportunities.	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	Disclose how the organization identifies, assesses, and manages climate-related risks.	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.
Board oversight ⊕ Page 83, 101	Risks and opportunities ⊕ Page: 44-47, 103-4	CO₂ risk identification ⊕ Page: 100, 103-4	Reporting CO₂ metrics ⊕ Page: 44-47, SPR*
Management's role ⊕ Page 83, 101	Link to financial planning ⊕ Page: 103-4	CO₂ risk management ⊕ Page: 101, 103-4	Details Scope 1, 2 and 3 ⊕ Page: 44-47, SPR*
	Scenario planning ⊕ Page: 103-4	Integration into overall risk ⊕ Page: 85	CO₂ targets ⊕ Page: 44-47

* SPR refers to the 2019 Sustainability Performance Report, available on www.lafargeholcim.com/sustainability

KEY EXTERNAL RISKS

RISK	POTENTIAL IMPACT	OUR RESPONSE
Market changes 	Drop in market demand may impact sales volumes, prices and/or industry structure.	LafargeHolcim maintains a globally diversified portfolio with leading positions in all regions and a good balance between geographies which helps limit our exposure to any particular market.
Political risk 	Operating in many countries around the globe expose us, directly or indirectly, to the effects of economic, political and social instability.	Mitigation measures are taken to adapt the Group's activities and to protect our people and assets. Dedicated directives enforced across the Group as well as country-specific action plans have been implemented to enhance crisis management process, security of people and assets and business resilience.

KEY OPERATIONAL RISKS

RISK	POTENTIAL IMPACT	OUR RESPONSE
Greenhouse gas emissions & Climate change 	LafargeHolcim is exposed to a variety of regulatory frameworks to reduce emissions. In addition, a perception of the sector as a high emitter could impact our reputation, thus reducing our attractiveness to investors, employees and potential employees. Based on TCFD framework and risk categorization, LafargeHolcim assesses all climate-related risks. See page 67 the most relevant risks associated with our business.	LafargeHolcim has already reduced its net carbon scope 1 emissions per ton of cementitious material by 27% compared to 1990 and remains the best performer among international peers. LafargeHolcim cement is one of the most carbon-efficient in the world. With our target of 520 Kg of CO ₂ /ton cementitious by 2030, we are among the most ambitious companies in our sector. This target is aligned with the 2° scenario (Paris Agreement, United Nations) and has been validated by the Science Based Targets Initiative (SBTi).
Legal & Compliance risks 	Violation of laws and regulations covering business conduct (bribery, corruption, fraud, unfair competition, breach of trade sanctions or export controls, unauthorized use of personal data) could lead to investigation costs, financial penalties, debarment, profit disgorgement and reputational damage.	The Group maintains a comprehensive risk-based compliance program which aligns with the legal requirements expressed through national legislation such as the US FCPA, UK Bribery Act and French Sapin II laws. The compliance program has dedicated resources at local, regional and Group level with central steering. It covers several risk areas: Business Integrity and Compliance, Pricing Integrity and Anti-Trust Compliance, Sanctions & Trade Restrictions, Data Protection and Privacy. Group Legal manages all competition investigations and enforcement cases, tracks all Group-relevant commercial litigation cases and provides support to operating companies in dispute resolution.
Energy prices (including alternative fuels) 	Increase in energy prices could adversely impact our financial performance, since the increase may not be passed on (fully or partially) in the sales price of our products.	Optimizing fuel mix and energy efficiency, as well as the use of alternative fuels, is a key area of focus at all our plants. At Group level, we use derivative instruments to hedge part of our exposure and avoid volatility.
Raw materials (including mineral components) 	Failure to secure long-term reserves or licences and permits as well as to obtain raw materials (including mineral components) from third parties at the expected cost and / or quality may adversely impact variable costs and financial performance and impair our long-term growth outlook.	We apply a range of tactics including monitoring of permitting process, strategic sourcing, changing input mixtures and maintaining minimum long-term reserve levels. International seaborne sourcing is used as an import alternative to offset local risks. In addition, our research is devoted to finding ways to mitigate this risk while lowering our environmental footprint, e.g. by using waste-derived materials.

KEY OPERATIONAL RISKS

RISK	POTENTIAL IMPACT	OUR RESPONSE
Sustainability 	<p>Failure to meet our environmental, social and governance (ESG) standards may expose us to regulatory sanctions and conflicts in the communities where we operate resulting in penalties. It could also reduce our ability to access new resources and impact our social licence to operate. Additionally, the failure to effectively manage and embed effective sustainability practices may impact investor confidence in LafargeHolcim.</p>	<p>Sustainability risks are fully embedded in our risk assessment process and response to the most material risks include close monitoring of targets at the country level and a clearly articulated set of mandatory policies and standards.</p>
Sustainable products, innovation and technology 	<p>Innovation is a key factor for long-term success of the company and crucial to maintain our competitive position and fulfill future customer needs, particularly low carbon performance and circular economy.</p>	<p>LafargeHolcim has an important range of products and brands considered as sustainable low carbon products and solutions. The Group is continuously developing new products with higher CO₂ savings potential.</p>
Health and Safety risk 	<p>Injury, illness or fatality could lead to reputational damage and the possibility of business interruption.</p>	<p>We conduct our business in a manner that creates a healthy and safe environment for all stakeholders – our employees, contractors, communities and customers – built on a sound health and safety culture with a robust Health and Safety Management System, dedicated resources in each Country we operate and regular audits.</p> <p>In early 2020, due to the Coronavirus (Covid 19) outbreak, the priority in the Group's Chinese operations including the joint venture company Huaxin Cement Co. Ltd. has been given to implement all necessary measures to protect the safety of all employees and their families. The outbreak, which has delayed the development of infrastructure projects, notably in the province of Hubei which represents one-third of the Group's total capacities in China, may have implications on operating results. It is however too early to quantify the risk..</p>
Information technology and cyber threats risk 	<p>An information or cybersecurity event could lead to unavailability of critical IT systems and the loss or manipulation of data, financial loss, reputational damage, safety or environmental impact.</p>	<p>We established policies and procedures for IT security and governance as well as internal control standards that are followed Group-wide for all applicable systems.</p>

STRATEGY DRIVERS

 **GROWTH**

 **FINANCIAL STRENGTH**

 **CLIMATE & ENERGY**

 **ENVIRONMENT**

 **SIMPLIFICATION & PERFORMANCE**

 **VISION & PEOPLE**

 **CIRCULAR ECONOMY**

 **COMMUNITY**

KEY OPERATIONAL RISKS

RISK	POTENTIAL IMPACT	OUR RESPONSE
Joint ventures and associates 	Participation in joint ventures or associates without controlling interest could impair the Group's ability to manage joint ventures and associates effectively, implement organization efficiencies and its controls framework, including its full compliance program.	In subsidiaries where we have joint control we seek to govern our relationships with formal agreements to implement LafargeHolcim controls and programs. A Group subsidiary has an investment in a joint venture which owns a cement plant in Cuba. The Trump Administration allowed the waiver of Title III of the Helms-Burton Act (formally known as Cuban Liberty and Democratic Solidarity Act of 1996) to lapse as of 2 May 2019. Previously, Title III had been waived by every Administration since President Clinton waived it shortly after the Act became effective. Title III allows certain persons to file lawsuits in U.S. courts relating to certain property allegedly confiscated by the Cuban government since 1959. To date, no Title III lawsuits have been filed against the Company.
Talent management 	Without the right people, LafargeHolcim will be unable to deliver its growth ambition.	We have a global talent review and succession planning process to evaluate current and future talent. We invest significantly in developing both functional and management skills across all LafargeHolcim countries and corporate functions.

KEY FINANCIAL RISKS

RISK	POTENTIAL IMPACT	OUR RESPONSE
Credit rating risk 	As in the course of our business we use external sources to finance a portion of our capital requirements, our access to global sources of financing is important. The cost and availability of financing are generally dependent on our short-term and long-term credit ratings.	Our Executive Committee establishes our overall funding policies aiming to safeguard our ability to meet our obligations by maintaining a strong balance sheet.
Liquidity risk 	Lack of liquidity could impact our ability to meet our operational and/or financial obligations.	Individual companies are responsible for their own cash balances and the raising of internal and external funding to cover the liquidity needs, subject to guidance by the Group. The Group monitors its liquidity risk by using a recurring liquidity planning tool and maintains cash, readily realizable marketable securities and unused committed credit lines to meet its liquidity requirements.
Interest rate risk 	Movements in interest rates could affect the Group's financial results and market values of its financial instruments.	The exposure is mainly addressed through the management of the fixed/floating ratio of financial liabilities.
Foreign exchange risk 	Translation of foreign operations into the Group reporting currency leads to currency translation effects.	The Group may hedge certain net investments in foreign entities with derivatives or other instruments.
Credit risk 	Failure of counterparties to comply with their commitments could adversely impact the Group's financial performance.	The Group periodically assesses the financial reliability of customers. Credit risks, or the risk of counterparty default, are constantly monitored.
Insurance 	The Group could be impacted by losses where recovery from insurance is either not available or non-reflective of the incurred loss.	We place insurance with international insurers of high repute, together with our internal captive insurance companies. We continuously monitor our risk environment to determine whether additional insurances will need to be obtained.
Group's pension commitments 	Cash contributions may be required to fund unrecoverable deficits. External factors might cause these contributions to increase materially from year-to-year. Similarly, the Group's financial results may be impacted.	Where possible, defined benefit pension schemes have been closed and frozen. Significant actions continue to take place to further reduce and eliminate those schemes and related risks.

KEY FINANCIAL RISKS

RISK	POTENTIAL IMPACT	OUR RESPONSE
Multi-employer pension plans (MEPP) 	<p>The Group participates in a number of union-sponsored multiemployer pension plans in the US. These plans are subject to substantial deficits due to market conditions and business actions, plan trustee decisions, plan failure, as well as actions and decisions of other contributing employers. The Group has essentially no control over how these plans are managed. Therefore, cash contributions could be required in the future to satisfy any outstanding obligations under these plans which might have a material impact on the Group's reported financial results.</p>	<p>The Group has undertaken a review of all these plans with the goal being to fully understand the plans' financial circumstances, as well as all the options available to mitigate risks and reduce the Group's actual and potential financial obligations.</p>
Goodwill and asset impairment 	<p>A write-down of goodwill or assets could have a substantial impact on the Group's net income and equity.</p>	<p>Indicators of goodwill or asset impairment are monitored closely through our reporting process to ensure that potential impairment issues are addressed on a timely basis. Detailed impairment testing for each cash-generating unit within the Group is performed prior to year-end or at an earlier stage when a triggering event materializes.</p>
Tax 	<p>Due to the uncertainty associated with tax matters (e.g. potential changes in applicable regulations in certain countries and increased scrutiny by governments and tax authorities in response to perceived aggressive tax strategies of multinational corporations), it is possible that, at some future date, liabilities resulting from audits or litigations could vary significantly from the Group's liabilities.</p>	<p>Risks are reviewed and assessed on a regular basis in light of ongoing developments with respect to tax audits and tax cases, as well as ongoing changes in legislation and tax laws. Intercompany charges within the Group follow Organisation for Economic Cooperation and Development (OECD) and local arm's-length standards. The LafargeHolcim Group Tax Policy and Transfer Pricing Directive provide the binding rules for all countries where we operate.</p>

Based on TCFD framework and risk categorization, LafargeHolcim assesses all climate-related risks. The most relevant risks associated with our business are summarized in the table below:

CLIMATE-RELATED RISKS

TRANSITION RISK	
Policy and legal	• Increased pricing of GHG emissions
Technology	• Unsuccessful investment in new technologies
Market	• Changing customer behavior
Reputation	• Stigmatization of sector
PHYSICAL RISK	
Chronic	• Increased severity of extreme weather events such as cyclones and floods
Acute	• Changes in precipitation patterns and extreme variability in weather patterns

INTERNAL CONTROL

As part of Strategy 2022 – “Building for Growth”, LafargeHolcim’s Internal Control framework defines mandatory ‘Minimum Control Standards’ to clarify and reinforce the responsibility of businesses in the countries.

Every country and business in our organization must follow these standards with clear guidance and consequence management should these standards not be met completely. These standards encompass controls on Governance and Compliance, Accounting and Consolidation, Tax, Treasury, Fixed Assets, Inventory, Revenue, Expenditure, Human Resources, IT and Sustainability. They are managed and checked by our Internal Control team with control owners in all our businesses across the globe. Our local CEOs and CFOs certify through signed letters to the Group that the Minimum Control Standards are in place and operating effectively.

LafargeHolcim Internal Control system aims at giving the Board of Directors and management reasonable assurance concerning the reliability of financial reporting, compliance with laws and internal regulations, and the effectiveness and efficiency of major company processes. Each LafargeHolcim employee has an important role in running the Internal Control System to ensure the implementation and the effectiveness of internal controls.

GROUP INTERNAL CONTROL ENVIRONMENT

LafargeHolcim aims to have an effective Internal Control system at each level of responsibility and promotes a culture of robust internal control, supported by the commitment of the Board of Directors and management. The Minimum Control Standards are used as a baseline for the mandatory compliance within the Group and the main reference for LafargeHolcim Corporate Governance Framework. The following key documents are part of the Minimum Control Standards and supports the internal control environment:

- The Group Delegated Authorities defines approving authorities within the Group.
- The Code of Business Conduct covers guidance and provides examples to help when confronted with challenging situations.

INTERNAL CONTROL MONITORING THROUGHOUT THE GROUP

The Group is committed to maintaining high standards of internal control. It tests and documents adherence to mandatory “minimum internal control” standards. This work is implemented at country and at Group levels and encompasses:

- a description of key processes affecting the reliability of the Group’s financial reporting, and that of the parent company;

- a detailed description of mandatory controls defined in the Group’s Minimum Control Standards;
- tests of controls to check the operational effectiveness
- an annual internal certification process to review the main action plans and to confirm management responsibility for the quality of both internal control and financial reporting
- a formal reporting, analysis and control process for the information included in the Group’s Integrated Report.

The implementation of action plans identified through the activities described above, as well as through internal and external audits are followed up by relevant Senior Management. The outcome of such procedures is presented to the Audit Committee.

MINIMUM CONTROL STANDARDS THAT EVERY COUNTRY AND BUSINESS IN OUR ORGANIZATION MUST FOLLOW



Delivering returns to shareholders



CONTENTS

72 Capital market information



↳
Milan, Italy
Lo Storto was the first tower completed as part of the iconic CityLife project.

CAPITAL MARKET INFORMATION

2019 has been a very successful year for LafargeHolcim. The share price rose by 33%, outperforming the Swiss Market Index.

The LafargeHolcim share closed at CHF 53.7 at the end of the year, representing an improvement of 32.6 percent over 2018. This was well above the performance recorded by the Swiss Market Index, which was up 26.0 percent over the same period. LafargeHolcim's share price increased by 36.6 percent on the Paris stock exchange, while in comparison, the CAC 40 increased by 26.4 percent.

The average trading volume amounted to approximately 2.4 million shares per day on the SIX Swiss Exchange while trading volumes significantly reduced on the Euronext Paris.

CHF 53.7

Closing price at
31 December 2019
+33%³

CHF 33.1 billion

Market capitalization at
31 December 2019
2018: CHF 24.6 billion

CHF 2.00

Dividend 2019¹

PERFORMANCE OF LAFARGEHOLCIM SHARES VERSUS THE SWISS MARKET INDEX (SMI) IN 2019^{2, 3}



● LafargeHolcim SW in CHF
● Swiss Market Index (SMI) in CHF

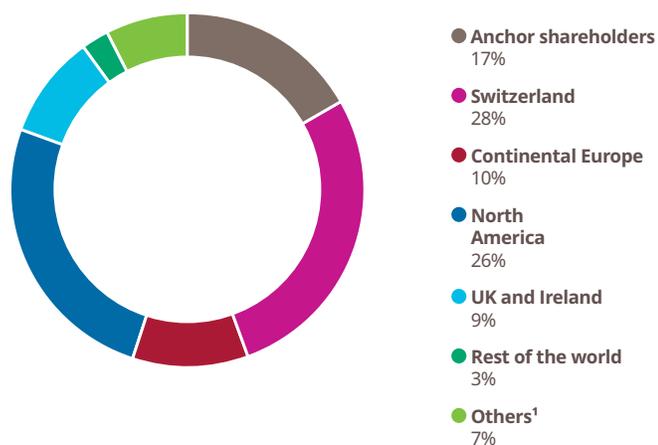
¹ For the 2019 financial year, the Board of Directors is proposing a cash dividend of CHF 2.00 per registered share, subject to approval by the shareholders at the Annual General Meeting on 12 May 2020. The dividend will be fully paid out of the foreign capital contribution reserves and is not subject to Swiss withholding tax. The dividend will be paid as from 20 May 2020 (ex-dividend date on 15 May 2020).

² SMI rebased to LafargeHolcim SW share price at 1 January 2019.

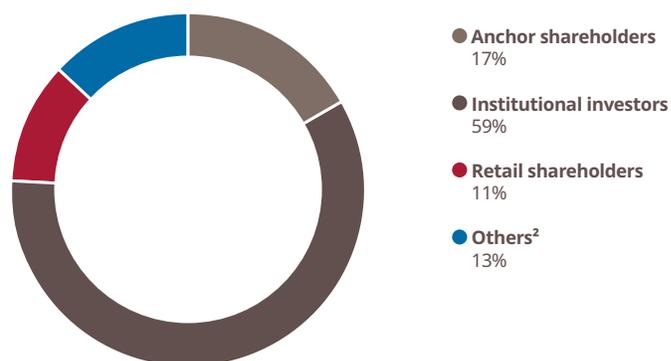
³ Prices adjusted to reflect: spin-offs, stock splits/consolidations, stock dividend/bonus, rights offerings/entitlement.

A diversified shareholder base – (31 December 2019, in % of shares outstanding)

SHAREHOLDER BASE BY GEOGRAPHY



SHAREHOLDER BASE BY INVESTOR CATEGORY



¹ Includes employee shares, treasury shares and trading accounts

² Includes employee shares, pension fund and treasury shares

WEIGHTING OF THE LAFARGEHOLCIM REGISTERED SHARE IN SELECTED INDICES

Index	Weighting in %
SMI, Swiss Market Index	2.72
SPI, Swiss Performance Index	1.80
SLI, Swiss Leader Index	3.79
STOXX Europe 600 Construction	9.14
STOXX Europe Large 200	0.36
STOXX Europe 600	0.28
STOXX Global 1800	0.06
FTSE4Good Europe Index	0.10
SXI Swiss Sustainability 25 PR	3.26

Sources: SIX, STOXX, FTSE as of year-end 2019

Additional data

	ISIN	Security code number	Telekurs code	Bloomberg code	Thomson Reuters code
SIX, Zurich	CH0012214059	1221405	LHN	LHN:SW	LHN.S
Euronext, Paris	CH0012214059	1221405	LHN	LHN:FP	LHN.PA

CAPITAL MARKET INFORMATION
CONTINUED

LISTINGS

LafargeHolcim is listed on the SIX Swiss Exchange and on Euronext Paris. The Group is a member of the main large indexes on the SIX Swiss Exchange (SMI, SLI and SPI). The LafargeHolcim share is also included in the socially responsible investment index, SXI Switzerland Sustainability 25.

FREE FLOAT

Free float as defined by the SIX Swiss Exchange and the Euronext stands at 83 percent.

Dividend policy

Dividends are distributed annually. For the 2019 financial year, the Board is proposing a payout from the capital contribution reserves in the amount of CHF 2.00 per registered share, subject to approval by shareholders' at the annual general meeting. The payout is scheduled for 20 May 2020, to be paid out of foreign capital contribution reserves not subject to Swiss withholding tax.

SIGNIFICANT SHAREHOLDERS

Information on significant shareholders can be found on page 265 of this report.

DISCLOSURE OF SHAREHOLDINGS

Under the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (Financial Market Infrastructure Act, FMIA), whosoever, directly, indirectly, or acting in concert with third parties, acquires or disposes of shares in a company incorporated in Switzerland whose equity securities are listed, in whole or in part, in Switzerland and thereby attains, falls below, or exceeds the threshold of 3, 5, 10, 15, 20, 25, 33⅓, 50, or 66⅔ percent of the voting rights, whether or not such rights may be exercised, shall notify the company and the stock exchanges on which the equity securities in question are listed.

KEY DATA LAFARGEHOLCIM REGISTERED SHARES

Par value CHF 2.00	2019	2018	2017	2016	2015
Number of shares issued	615,929,059	606,909,080	606,909,080	606,909,080	606,909,080
Number of dividend-bearing shares	613,693,581	596,625,426	598,067,626	606,909,080	606,909,080
Number of treasury shares	2,235,478	10,736,847	9,698,149	1,152,327	1,338,494
Stock market prices in CHF	2019	2018	2017	2016	2015
High	54	60	60	57	73
Low	40	39	51	34	48
Average	49	50	56	47	63
Market capitalization (billion CHF)	33.1	24.6	33.3	32.6	30.5
Trading volumes (million shares)	602.8	625.3	574.6	615.0	449.1
Earnings per share (EPS) in CHF	3.69	2.52	(2.78)	2.96	(3.11)
EPS before impairment and divestments in CHF	3.40	2.63	2.35	2.10	-
Cash earnings per share in CHF ¹	7.97	5.01	5.04	5.44	5.22
Consolidated shareholders' equity per share in CHF ²	51.33	50.41	51.87	50.88	51.79
Dividend per share in CHF	2.00³	2.00	2.00	2.00	1.50

¹ Cash EPS calculated based on cash flow from operating activities divided by the weighted-average number of shares outstanding.

² Based on shareholders' equity — attributable to shareholders of LafargeHolcim Ltd — and the number of dividend-bearing shares (less treasury shares) as per 31 December.

³ Proposed by the Board of Directors to be paid out of foreign capital contribution reserves not subject to Swiss withholding tax.

REGISTRATION IN THE SHARE REGISTER AND RESTRICTIONS ON VOTING RIGHTS

On request, purchasers of registered shares are entered in the share register as voting shareholders provided that they expressly declare that they acquired the shares in their own name and for their own account. The Board of Directors will enter individuals whose requests for registration do not include an express declaration that they hold the shares for their own account (nominees) in the share register as shareholders with voting rights, provided that such nominees have concluded an agreement with the

company concerning their status and are subject to recognized banking or financial market supervision. The Board of Directors has issued the applicable Registration Regulations which can be found on the LafargeHolcim website.

Each LafargeHolcim share carries one voting right.

Information on LafargeHolcim registered shares

Further information on LafargeHolcim registered shares can be found at: lafargeholcim.com/investor-relations →

CURRENT RATING (27 FEBRUARY 2020)

Rating Agency	Long-term rating	Short-term rating
Standard & Poor's Ratings Services	BBB, outlook stable	A-2
Moody's Investors Service	Baa2, outlook stable	P-2

Financial reporting calendar

Trading update for the first quarter 2020

30 April 2020

Annual General Meeting of Shareholders

12 May 2020

Capital Markets Day

27 May 2020



Governance, Risk and Compensation

↳
Bucharest,
Romania
Employees at a
metro project.



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- 78** Corporate governance
- 100** Risk and control
- 116** Compensation report

CORPORATE GOVERNANCE

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

PRELIMINARY REMARKS

The ultimate goal of effective corporate governance is long-term value creation and strengthening of the Group's reputation. This includes continuous improvement to decision-making processes and management systems through legal, organizational, and ethical directives and terms of reference, as well as measures to enhance transparency. Compliance with internal and external law and regulations, early recognition of business risks, social responsibility for stakeholder groups, and open communication on all relevant issues are among the principles of LafargeHolcim. The Code of Business Conduct, binding for the entire Group, is part of our internal regulations.

LafargeHolcim aims to achieve a balanced relationship between management and control by keeping the functions of Chairman of the Board of Directors and CEO separate.

The information published in this chapter conforms to the Directive on Information relating to Corporate Governance of the SIX Swiss Exchange (SIX) and the disclosure rules of the Swiss Code of Obligations. In the interest of clarity, reference is made to other parts of the Annual Report or, for example, to the Group's website: www.lafargeholcim.com.

Except where otherwise indicated, this Annual Report reflects the legal situation as of 31 December 2019.

GROUP STRUCTURE AND SHAREHOLDERS

The holding company LafargeHolcim Ltd was established under the laws of Switzerland for an indefinite period. Its registered office is in Rapperswil-Jona (Canton of St. Gallen, Switzerland). It has direct and indirect interests in all companies listed on pages 176–180 of this Annual Report.

The Group is organized by geographical regions. The management structure as per 31 December 2019, and changes which occurred in 2019, are described in this chapter.

To the knowledge of LafargeHolcim, it has no mutual cross-holdings with any other company. There are neither shareholders' agreements nor other agreements regarding voting or the holding of LafargeHolcim shares.

More detailed information on the business review, Group structure and shareholders can be found on the following pages of the Annual Report:

Topic

- ⊕ Business review of the Group regions p. 148
- ⊕ Segment information p. 181
- ⊕ Principal companies p. 176
- ⊕ Information about LafargeHolcim Ltd & listed Group companies p. 180

CAPITAL STRUCTURE

LafargeHolcim has one uniform type of registered share in order to comply with international capital market requirements in terms of an open, transparent, and modern capital structure and to enhance attractiveness, particularly for institutional investors.

Share capital

As a consequence of the creation of authorized capital in connection with the scrip dividend approved at the Shareholders General Meeting 2019 which resulted in 19,303,633 newly issued shares, and the cancellation of 10,283,654 shares repurchased under the share buyback program which was completed in March 2018, as of 31 December 2019, the nominal, fully paid-in share capital of LafargeHolcim amounted to CHF 1,231,858,118. The share capital is divided into 615,929,059 registered shares of CHF 2.00 nominal value each.

Conditional share capital

The share capital may be increased by a nominal amount of CHF 2,844,700 through the issuance of a maximum of 1,422,350 fully paid-in registered shares, each with a par value of CHF 2.00 (as per 31 December 2019). The conditional capital may be used for exercising conversion rights and/or warrants relating to bonds or similar debt instruments of the company or one of its Group companies. The subscription rights of the shareholders will be excluded. The current owners of conversion rights and/or warrants will be entitled to subscribe for the new shares. The acquisition of shares

through the exercise of conversion rights and/or warrants and each subsequent transfer of the shares will be subject to the restrictions set out in the Articles of Incorporation. As per 31 December 2019, no bonds or similar debt instruments of the company or one of its Group companies were outstanding that would give rise to conversion rights or warrants related to the conditional capital; therefore, in the year under review, no conversion rights or warrants have been exercised. Further information on conversion rights and/or warrants and applicable conditions may be found in the Articles of Incorporation of LafargeHolcim at: www.lafargeholcim.com/articles-association

Authorized share capital/Certificates of participation

As per 31 December 2019, Article 3ter of the Articles of Incorporation authorizes the Board of Directors, at any time until 15 May 2021, to increase the share capital by a maximum of CHF 41,392,734 through the issuance of a maximum of 20,696,367 registered shares, to be fully paid-in, with a par value of CHF 2.00 each, which are reserved exclusively for issuance to shareholders in connection with a scrip dividend. Further information can be found under: www.lafargeholcim.com/investor-relations

More detailed information on the capital structure can be found as follows:

Topic

- ⊕ Articles of incorporation of LafargeHolcim Ltd
www.lafargeholcim.com/articles-association
- ⊕ Code of business conduct
www.lafargeholcim.com/corporate-governance
- ⊕ Changes in equity of LafargeHolcim
166–167
(information for the year 2017 is included in the Annual Report 2018, 162–163)
- ⊕ Detailed information on conditional capital
www.lafargeholcim.com/articles-association
Articles of incorporation: Art. 3bis
- ⊕ Detailed information on authorized capital
www.lafargeholcim.com/articles-association
Articles of incorporation: Art. 3ter
- ⊕ Key data per share
72–75, 237, 245
- ⊕ Rights pertaining to the shares
www.lafargeholcim.com/articles-association
Articles of incorporation: Art. 6, 9 10
- ⊕ Regulations on transferability of shares and nominee registration
www.lafargeholcim.com/articles-association
Articles of incorporation: Art. 4, 5
- ⊕ Warrants/options
237–240



From left to right: Colin Hall, Member; Patrick Kron, Member; Jürg Oleas, Member; Claudia Sender Ramirez, Member; Hanne Birgitte Breinbjerg Sørensen, Member; Dieter Spälti, Member; Beat Hess, Chairman; Paul Desmarais Jr., Member; Oscar Fanjul, Vice-Chairman; Adrian Loader, Member; Naina Lal Kidwai, Member

BOARD OF DIRECTORS AND COMMITTEES

The Board of Directors currently consists of 11 members, all of whom are independent, were not previously members of the LafargeHolcim management, and have no important business connections with LafargeHolcim.

Independence is defined in line with Swiss best corporate governance standards. A member of the Board of Directors shall be considered independent, if the member is not and has not been employed as a member of the Executive Committee at the company or any of its principal subsidiaries or as employee or affiliate of the auditors of LafargeHolcim for the past three years and does not maintain,

in the sole determination of the Board of Directors, a material direct or indirect business relationship with the company or any of its subsidiaries. Members of the Board of Directors with immediate family members who would not qualify as independent shall not be considered independent, subject to a three-year cooling-off period.

Please see pages 92–95 for the biographical information of the members of the Board of Directors as per 31 December 2019.

Mr. Gérard Lamarche and Mr. Nassef Sawiris retired from the Board of Directors at the Shareholders General Meeting of 15 May 2019.

In 2019, the shareholders elected Mr. Colin Hall, Ms. Naina Lal Kidwai and Ms.

Claudia Sender Ramirez as new members of the Board of Directors. The shareholders re-elected eight members of the Board of Directors. Dr. Beat Hess was re-elected as Chairman of the Board of Directors. Furthermore, the shareholders re-elected four members of the Nomination, Compensation & Governance Committee.

New members of the Board of Directors are required to participate in an induction program where they are introduced in detail to the company's areas of business and where they become familiar with the organizational structure, strategic plans and other important matters relating to the governance of the company.

The Board of Directors meets as often as business requires, but at least four times

a year. In 2019, five regular meetings and four additional meetings were held. One meeting focused on strategy topics. In October 2019 the Board of Directors together with the Executive Committee visited operating sites in the USA and Canada. The CEO regularly attends the meetings of the Board of Directors. As a rule, the members of the Executive Committee attended those parts of the regular meetings of the Board of Directors which dealt with operational issues of areas of their responsibility. In addition selected members of the senior management have been invited by the respective Chairmen to attend the meetings of the Board of Directors or its Committees. The average duration of the regular meetings of the Board of Directors was five hours and thirty minutes.

Elections and terms of office

All members of the Board of Directors, the Chairman of the Board of Directors, and all members of the Nomination, Compensation & Governance Committee are elected annually and individually as a matter of law by the shareholders at the Shareholders General Meeting. They may be proposed for re-election by the Board of Directors upon motion by the Nomination, Compensation & Governance Committee. The Nomination, Compensation & Governance Committee bases its motion on a review of the overall performance of each candidate.

Honorary Chairman

In recognition of his many years of service to LafargeHolcim, the Board of Directors has decided to name Mr. Thomas Schmidheiny Honorary Chairman of the Group.

Board composition and succession planning

Succession planning is of high relevance to the Board of Directors. The Nomination, Compensation & Governance Committee regularly considers the composition of the Board as a whole and in light of staffing for the

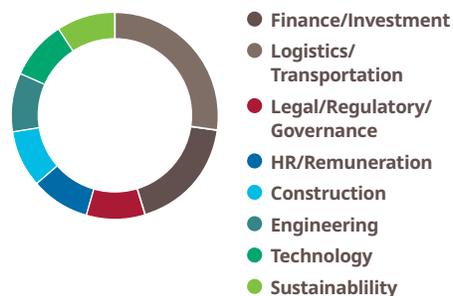
Committees. With regard to the composition of the Board of Directors, the Nomination, Compensation & Governance Committee considers diversity (including but not limited to: origin, domicile, gender, age and professional background) as well as such other factors necessary to address needs of the Board to fulfill its responsibilities. The Nomination, Compensation & Governance Committee also considers other activities and commitments of an individual in order to ensure that a proposed member of the Board of Directors will have sufficient time to dedicate to his role as member of the Board of Directors of LafargeHolcim.

Board and Committee performance and effectiveness evaluation

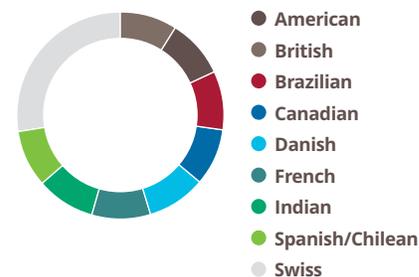
According to Paragraph 4 of the company's Organizational Rules, the Board of Directors annually conducts self-assessments to evaluate the

performance and operational effectiveness of the Board of Directors and its Committees. This includes confidential feedback on the basis of anonymous questionnaires and individual interviews with each member of the Board of Directors conducted by the Chairman of the Nomination, Compensation & Governance Committee. This assessment covers topics including size/composition of the Board of Directors, qualifications, meeting cycle, allocation of tasks between the Board of Directors and its Committees, processes, governance, meetings, pre-reading materials, effectiveness, leadership and culture. In addition each Committee reviews the adequacy of its composition, organization and processes as well as the scope of its responsibilities and evaluates its performance. The main issues identified are then presented and discussed to ensure continued effectiveness of the Board of Directors and its Committees.

EXPERTISE

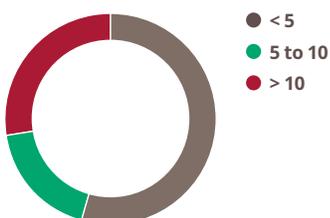


NATIONALITY



TENURE

(INCL. AT LAFARGE S.A. AND HOLCIM LTD)



GENDER



CORPORATE GOVERNANCE
CONTINUED

As of 31 December 2019 our members of the Board of Directors serve on the following expert Committees:

AUDIT COMMITTEE

NOMINATION, COMPENSATION & GOVERNANCE COMMITTEE

HEALTH, SAFETY & SUSTAINABILITY COMMITTEE

Patrick Kron (Chairman)	Oscar Fanjul (Chairman)	Adrian Loader (Chairman)
Colin Hall	Paul Desmarais, Jr.	Naina Lal Kidwai
Jürg Oleas	Adrian Loader	Patrick Kron
Dieter Spälti	Hanne B. Sørensen	Hanne B. Sørensen
		Dieter Spälti

The Audit Committee assists and advises the Board of Directors in conducting its supervisory duties with respect to the internal control systems. It examines the reporting for the attention of the Board of Directors and evaluates the Group's external and internal audit procedures, reviews the risk management systems of the Group, and assesses financing issues.

All members are independent in order to ensure the necessary degree of objectivity required for an Audit Committee.

In 2019, five regular meetings of the Audit Committee were held. The average duration of the regular meetings was three hours and thirty minutes.

In 2019, the Audit Committee reviewed in particular the financial reporting of the Group, the releases of the quarterly results and the findings of the external auditors. The Audit Committee took note of the status of the Internal Control System (ICS), discussed the findings of Group Internal Audit, dealt with compliance and internal directives, and evaluated financing issues. The Audit Committee also evaluated the performance of the external auditors and their fees.

The charter of the Audit Committee is available at: www.lafargeholcim.com/articles-association

The Nomination, Compensation & Governance Committee supports the Board of Directors in planning and preparing succession at the Board of Directors and senior management level. It monitors developments with regard to corporate governance and compensation for the Board of Directors and Executive Committee, and briefs the Board of Directors accordingly. The Nomination, Compensation & Governance Committee advises the Board of Directors on the compensation policy for the Board of Directors and for the Executive Committee and on the motion by the Board of Directors to the Shareholders General Meeting for the total compensation of the Board of Directors and of the Executive Committee.

In 2019, the Nomination, Compensation & Governance Committee held four regular meetings and one additional meeting. The average duration of the regular meetings was two hours and thirty minutes.

More details on the activities of the Nomination, Compensation & Governance Committee, in particular with regard to the process of determination of compensation, can be found in the Compensation Report, starting on page 116.

The charter of the Nomination, Compensation & Governance Committee is available at: www.lafargeholcim.com/articles-association

The Health, Safety and Sustainability Committee supports and advises the Board of Directors on the development and promotion of a healthy and safe environment for employees and contractors as well as on sustainable development and social responsibility.

For information on the role of the Health, Safety and Sustainability Committee with regard to governing the risks and opportunities around climate change, please see the chart on the opposite page.

In 2019 the Health, Safety and Sustainability Committee held four regular meetings. The average duration of the meetings was two hours.

The charter of the Health, Safety & Sustainability Committee is available at: www.lafargeholcim.com/articles-association

BOARD AND COMMITTEE ATTENDANCE AT SCHEDULED ORDINARY MEETINGS

Name	Position	Board	Audit Committee	Nomination, Compensation & Governance Committee	Health, Safety & Sustainability Committee
Beat Hess ¹	Chairman	5/5	-	-	-
Oscar Fanjul ²	Vice-Chairman	4/5	-	4/4	-
Paul Desmarais, Jr.	Member	1/5	-	1/4	-
Colin Hall ³	Member	3/3	1/2	-	-
Naina Lal Kidwai ⁴	Member	3/3	-	-	1/2
Gérard Lamarche ⁵	Member	2/2	2/3	-	-
Patrick Kron	Member	5/5	5/5	-	4/4
Adrian Loader	Member	5/5	-	4/4	4/4
Jürg Oleas	Member	5/5	5/5	-	-
Nassef Sawiris ⁶	Member	2/2	-	0/1	-
Claudia Sender Ramirez ⁷	Member	3/3	-	-	-
Hanne B. Sørensen	Member	4/5	-	4/4	3/4
Dieter Spälti	Member	5/5	5/5	-	4/4

¹ Although the Chairman is not formally a member of the Committees he attends as a guest

² Although the Vice-Chairman is not formally a member of the Audit Committee and the Health, Safety & Sustainability Committee he attends as a guest

³ Member of the Board and of the AC as of Shareholders General Meeting 2019

⁴ Member of the Board and of the HSSC as of Shareholders General Meeting 2019

⁵ Member of the Board and of the AC until Shareholders General Meeting 2019

⁶ Member of the Board and of the NCGC until Shareholders General Meeting 2019

⁷ Member of the Board as of Shareholders General Meeting 2019

LAFARGEHOLCIM GOVERNANCE APPROACH FOR CLIMATE-RELATED RISKS AND OPPORTUNITIES

Board of Directors

The Board of Directors bears ultimate responsibility for strategy and overall governance of the company.

Health, Safety & Sustainability Committee (HSSC)

The HSSC advises the Board on all matters related to sustainable development, including those related to climate and energy. The HSSC reviews and approves the company's climate-related plans and targets.

Executive Committee (including Chief Sustainability Officer)

The Executive Committee is ultimately responsible for execution of the climate and energy strategy, and climate-related issues are managed on an operational level by the Chief Sustainability Officer (CSO), an Executive Committee-level position that was created in 2019. The CSO is supported by a sustainability core team.

Research and development

Sustainability core team

Fully half of Research and Development projects are aimed at finding low-carbon solutions. Around 40 percent of our patents have a positive impact on our carbon footprint along the value chain.

CORPORATE GOVERNANCE FRAMEWORK

Organizational Rules/ areas of responsibility

The division of responsibilities between the Board of Directors, the CEO, and the Executive Committee is set out in detail in the company's Organizational Rules.

The Organizational Rules entered into force on 24 May 2002, and are reviewed at least every two years and amended as required. They were last reviewed and amended in May 2019 and may be found at: www.lafargeholcim.com/articles-association.

The Organizational Rules are issued by the Board of Directors in accordance with the terms of Art. 716b of the Swiss Code of Obligations and Art. 18 of the company's Articles of Incorporation. They stipulate the organizational structure of the Board of Directors and the Executive Committee and govern the tasks and powers conferred on the company's executive bodies. They regulate the convocation, execution, and number of meetings to be held by the Board of Directors and the Executive Committee. In the event that the Chairman of the Board of Directors is not independent, the Organizational Rules provide for the election of an Independent Lead Director.

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

As part of its non-transferable statutory responsibilities, the Board of Directors defines the corporate strategy, approves the consolidated Group mid-term plan, including the budget, and the Annual Report for submission to the Shareholders General Meeting.

The CEO is responsible for operational management, preparing a large part of the business of the Board of Directors – including corporate strategy proposals – and executing the latter's resolutions. The CEO issues directives and recommendations with Group-wide significance in the CEO's own authority and is also responsible for electing and dismissing Function Heads and CEOs of Group companies, as well as for the nomination of the members of the Board of Directors of Group companies and supervisory bodies of the Group companies.

Within the framework of mid-term plan approval, the Board of Directors defines limits for investments and financing. Within these limits, the Executive Committee decides on financing transactions and on one-off investments and divestments for amounts up to CHF 400 million. Amounts exceeding this are subject to approval by the Board of Directors. The Board of Directors is regularly informed about important transactions under the authority of the Executive Committee.

The Board of Directors determines the CEO's objectives upon motion by the Chairman of the Board and the Executive Committee members' Group objectives upon motion by the Nomination, Compensation & Governance Committee, both after advice and assessment with the CEO.

The CEO assesses the performance of the members of the Executive Committee and, after advice and assessment by the Nomination, Compensation & Governance Committee, determines their respective individual objectives.

The Executive Committee oversees risk management following appraisal by the Audit Committee. The Board of Directors is informed annually about the risk situation.

In case of a direct conflict of interest, the Organizational Rules require each member of the corporate body concerned to stand aside voluntarily prior to any discussion of the matter in question. Members of the corporate bodies are required to treat all information and documentation which they may obtain or view in the context of their activities in these bodies as confidential and not to make such information available to third parties.

All individuals vested with the powers to represent the company have joint signatory power at two.

Information and control instruments of the Board of Directors

The Board of Directors determines the manner in which it is to be informed about the course of business. Any member of the Board of Directors may demand information on all issues relating to the Group and the company. All members of the Board of Directors may request information from the CEO after informing the Chairman of the Board of Directors. At meetings of the Board of Directors, any attending member of the Executive Committee has a duty to provide information. All members of the Board of Directors have a right to inspect books and files to the extent necessary for the performance of their tasks.

Financial reporting

The Board of Directors is informed on a monthly basis about the current course of business, adopts the quarterly reports, and releases them for publication. The Board of Directors discusses the Annual Report, takes note of the Auditors' Reports, and submits the Annual Report to the Shareholders General Meeting for approval.

With regard to Group strategy development, a strategy plan, a mid-term plan covering three years and including the budget are submitted to the Board of Directors.

Risk management

LafargeHolcim benefits from many years of experience with a risk management process which is structured around several coordinated approaches and subject to continuous improvement. A detailed update and analysis of the Group Risk map was carried out in 2019 and submitted to and analyzed by the Audit Committee and Executive Committee.

Responsibilities concerning risks are clearly defined at country, region and corporate level. The underlying principle is that risk management is a line management responsibility. Line managers are supported by the Group Risk Management function.

Risks are identified and assessed according to significance and likelihood. The full risk spectrum from market, operations, finance, legal, environmental and sustainability, to external risk factors of the business environment is reviewed, including compliance and reputational risks. Key risks are analyzed more deeply regarding their causes, and risk mitigating actions are defined. Risk transfer through insurance solutions and the Internal Control system forms an integral part of the risk management process. Risks are monitored and their status reported to the Audit Committee and the Executive Committee regularly. Independent assessments of the effectiveness of mitigating actions and controls are performed by Group Internal Audit. Please see page 100 for more details about the Group's risk management.

Internal control

LafargeHolcim aims to have an effective Internal Control system and culture supported by the commitment of the Board of Directors and the Executive Committee. Group Internal Control (GIC) primarily aims to provide the Board of Directors and the Executive Committee reasonable assurance on the reliability of the financial reporting and statements, compliance with laws and regulations and the protection of assets. GIC reports to the Head of Group Internal Audit.

GIC has designed a continuous reporting system to receive country and function assessments of the controls and status of any action plans. Discussions regularly occur with local management to ensure controls are properly assessed and issues are swiftly addressed.

GIC designs and coordinates the annual assurance process to review the main action plans in progress and to confirm management responsibility at each relevant level of the Group organization on the quality of both internal control and financial reporting. The outcome is presented to the Executive Committee and the Audit Committee.

Group Internal Audit

The core mission of Group Internal Audit (GIA) is to provide to the Board of Directors and the Executive Committee with an independent, risk-based, and objective assurance on the effectiveness and efficiency of the governance, risk management and internal control system of LafargeHolcim Group. GIA reports to the CFO with an additional reporting line to the Chairman of the Audit Committee. The members of the Board of Directors have access to GIA at all times. Each year, the Internal Audit plan, which defines the audit focal areas to be addressed by GIA, is reviewed and approved by the Audit Committee. Main observations and findings observed during the audit assignments are reported periodically to the Audit Committee and the Executive Committee.

The Group Internal Audit activity is governed by adherence to the mandatory guidance issued by the Institute of Internal Auditors ("IIA") including the Definition of Internal Auditing, the Code of Ethics, and the International Professional Practices Framework (IPPF). GIA activities are certified by IFACI (French Institute of Audit and Internal Control), which is affiliated to IIA.

EXECUTIVE COMMITTEE

Members of the Executive Committee (including the CEO) are appointed by the Board of Directors and are responsible for the management of the Group.

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

Further to the situation effective 1 January 2019 reported in the Annual Report 2018 on page 99, the following changes within the Executive Committee during the year under review have occurred:

Effective 1 October 2019, Magali Anderson has been appointed as Chief Sustainability Officer and member of the Executive Committee. With this, LafargeHolcim has accelerated its efforts to be the industry leader on decarbonization, circular economy, health and safety and corporate social responsibility.

During the year under review, the Executive Committee of LafargeHolcim was comprised of the ten members reported in the table below.

Please refer to pages 98–99 for biographical information on the members of the Executive Committee. None of the members of the Executive

Committees have important functions outside the LafargeHolcim Group or any other significant commitments of interest, with the exception of Jan Jenisch who is a non-executive Director of the privately held Glas Troesch Holding AG and Géraldine Picaud who is a non-executive Director of the stock-listed Infineon Technologies AG.

COMPOSITION OF THE EXECUTIVE COMMITTEE

Name	Position	Responsibility
Jan Jenisch	CEO	
Géraldine Picaud	CFO	
Magali Anderson	Member	Chief Sustainability Officer
Keith Carr	Member	Group General Counsel
Marcel Cobuz	Member	Region Head Europe
Feliciano González Muñoz	Member	Group Head of Human Resources
Miljan Gutović	Member	Region Head Middle East Africa
Martin Kriegner	Member	Region Head Asia
Oliver Osswald	Member	Region Head Latin America
René Thibault	Member	Region Head North America

SHAREHOLDER'S PARTICIPATION Voting rights and representation restrictions

All holders of registered shares who are registered as shareholders with voting rights in the share register on the closing date for the share registry are entitled to participate in, and vote at, Shareholders General Meetings. Shares held by trusts and shares for which no declaration has been made that the holder requesting registration is holding the shares in his own name and for his own account are entered in the share register as having no voting rights. Shareholders not participating in person in the General Meeting may be represented by another shareholder or by the independent voting proxy. In line with the requirements of the Ordinance against Excessive Compensation in public corporations, an electronic voting option is provided for. Voting rights are not subject to any restrictions. Each share carries one vote.

Statutory quorums

The Shareholders General Meeting constitutes a quorum, regardless of the number of shares represented or shareholders present; resolutions are passed by an absolute majority of the votes allocated to the shares represented, unless Art. 704 para. 1 of the Swiss Code of Obligations or the Merger Act provides otherwise. In such cases, resolutions may only be passed with the respective qualified majority of the votes represented. According to Art.

10 para. 2 of the Articles of Incorporation and in addition to Art. 704 para. 1 of the Swiss Code of Obligations, the approval of at least two-thirds of the votes represented and the absolute majority of the par value of shares represented shall be required for resolutions of the Shareholders General Meeting with respect to the removal of restrictions set forth in Art. 5 of the Articles of Incorporation (entries in the share register), the removal of the mandatory bid rule (Art. 125 para 4 of the Financial Market Infrastructure Act), and the removal or amendment of para. 2 of Art. 10 of the Articles of Incorporation.

Convocation of the Shareholders General Meeting and agenda rules

The Shareholders General Meeting takes place each year, at the latest six months following the conclusion of the financial year. It is convened by the Board of Directors, whereby invitations are published at least twenty days prior to the meeting and in which details are given of the agenda and items submitted. Shareholders representing shares with a par value of at least one million Swiss Francs may request the addition of a particular item for discussion and resolution. A corresponding application must be submitted in writing to the Board of Directors at least forty days prior to the Shareholders General Meeting. Such application should indicate the items to be submitted. The invitations as well as the minutes of the Shareholders General Meetings are published on:

www.lafargeholcim.com/corporate-governance

Entries in the share register

The company maintains a share register for registered shares in which the names and addresses of owners and beneficiaries are entered. According to the applicable rules and regulations, only those included in the share register are deemed shareholders or beneficial owners of the registered shares of the company. Upon request, purchasers of registered shares shall be included in the share register as shareholders with voting rights if they expressly declare that they have acquired the shares in their own name and for their own account. Exceptions to this rule apply for nominees who have signed a nominee agreement with the company regarding this position and are subject to a recognized financial markets supervisory authority.

The share register is closed approximately one week prior to the date of the Shareholders General Meeting (the exact date is communicated in the invitation to the Shareholders General Meeting). Shareholders' participation and rights of protection are furthermore governed by the Swiss Code of Obligations.

AUDITORS

As part of their auditing activity, the auditors inform the Audit Committee and the Executive Committee regularly about their findings and make suggestions for improvement. Taking into account the reporting and assessments by the Group companies, the Audit Committee evaluates the performance of the auditors and their remuneration in line with market conditions. The Audit Committee approves the audit focus area, provides recommendations to the auditors and makes suggestions for improvement. In 2019, the auditors participated in all five regular meetings of the Audit Committee to discuss individual agenda items.

Deloitte AG, Zurich, was re-elected at the Shareholders General Meeting 2019 as the auditors of LafargeHolcim. David Quinlin has been responsible for managing the audit mandate. The rotation of the lead auditor will be carried out in accordance with Art. 730a of the Swiss Code of Obligations. The auditors are elected for a one-year term by the Shareholders General Meeting.

The fees shown below were charged for professional services rendered to the Group by the auditors in 2019 and 2018:

Million CHF	2019	2018
Audit services related to Deloitte fees ¹	11.8	16.1
Audit services for joint ventures related to Deloitte fees	0.9	0.8
Total audit services fees related to Deloitte	12.6	16.9
Audit services related to other audit firms fees	2.1	0.8
Total audit services fees	14.7	17.7
Audit-related services fees related to Deloitte ²	0.2	0.3
Tax services fees related to Deloitte	0.1	0.1
Other services fees related to Deloitte ³	0.1	0.5
Total other fees related to Deloitte	0.4	0.9

¹ This amount includes the fees for the individual audits of Group companies carried out by Deloitte as well as their fees for auditing the Group financial statements.

² Audit-related services comprise, among other things, amounts for comfort letters, accounting advice, information systems reviews and reviews on internal controls.

³ Other services include, among other things, amounts for due diligences and translation services.

OTHER GOVERNANCE INFORMATION

Management agreements

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

Mandates outside LafargeHolcim

Please refer to Art. 27 of the company's Articles of Incorporation for information about the number of permitted mandates outside of LafargeHolcim for the members of the Board of Directors and of the Executive Committee: www.lafargeholcim.com/articles-association.

Compensation, shareholdings and loans

Details of Board and management compensation, shareholdings, and loans are contained in the Compensation Report (starting at page 116) and in the Holding company results (note 14, page 265).

Changes of control and defense measures

The Articles of Incorporation contain no waiver of the duty to make a public offer under the terms of Art. 135 and 163 of the Financial Market Infrastructure Act ("opting out"). The result is that a shareholder who directly, indirectly, or acting in concert with third parties acquires shares in the company and, together with the shares he already possesses, thereby exceeds the 33 $\frac{1}{3}$ percent threshold of voting rights in the company must make an offer for all listed shares of the company.

There are no clauses relating to changes of control.

Information policy

LafargeHolcim reports to shareholders, the capital market, employees, and the public at large in a transparent and timely manner concerning its corporate performance, including achievement of its sustainability targets. Open dialog is nurtured with the most important stakeholders, based on mutual respect and trust. This promotes knowledge of

the company and understanding of objectives, strategy, and business activities of the company.

As a listed company, LafargeHolcim is under an obligation to disclose facts that may materially affect the share price (ad-hoc disclosure, Art. 53 and 54 of the SIX Listing Rules as well as Art. 17 and 223-2 of the AMF General Regulations). LafargeHolcim is subject to the SIX and AMF rules on the disclosure of management transactions made by the members of the Board of Directors and senior management. These can be accessed on the SIX and AMF websites:

<https://www.six-exchange-regulation.com/en/home/issuer/obligations/management-transactions.html> and

http://www.amf-france.org/en_US/Acteurs-et-produits/Societes-cotees-et-operations-financieres/Information-financiere-et-comptable/Obligations-d-information.html?#title_paragraph_1

The most important information tools are the annual and half-year reports, the website www.lafargeholcim.com, media releases, press conferences, meetings for financial analysts and investors, and the Shareholders General Meeting.

Current information relating to sustainable development is available at: www.lafargeholcim.com/sustainability

In keeping with our commitment to integrated reporting, we have published the main indicators of our non-financial performance in this report. We have stopped publishing the Sustainability Report as a separate publication. However we will continue to disclose the full (i.e. unchanged) range of non-financial performance indicators in the Sustainability Performance Report document on www.lafargeholcim.com/sustainability.

The financial reporting calendar is shown on pages 75 and 270 of this Annual Report.

Should there be any specific queries regarding LafargeHolcim, please contact:

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OUR BOARD OF DIRECTORS



Beat Hess

- Chairman of the Board of Directors

[+](#) Biography on page 92



Oscar Fanjul

- Vice-Chairman of the Board of Directors
- Chairman of the Nomination, Compensation & Governance Committee

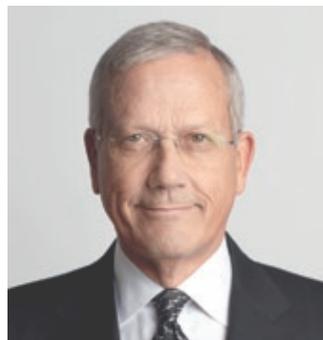
[+](#) Biography on page 92



Patrick Kron

- Member of the Board of Directors
- Chairman of the Audit Committee
- Member of the Health, Safety & Sustainability Committee

[+](#) Biography on page 93



Adrian Loader

- Member of the Board of Directors
- Chairman of the Health, Safety & Sustainability Committee
- Member of the Nomination, Compensation & Governance Committee

[+](#) Biography on page 93



Jürg Oleas

- Member of the Board of Directors
- Member of the Audit Committee

[+](#) Biography on page 94



Paul Desmarais, Jr.

- Member of the Board of Directors
- Member of the Nomination, Compensation & Governance Committee

[⊕ Biography on page 92](#)



Colin Hall

- Member of the Board of Directors
- Member of the Audit Committee

[⊕ Biography on page 92](#)



Naina Lal Kidwai

- Member of the Board of Directors
- Member of the Health, Safety & Sustainability Committee

[⊕ Biography on page 93](#)



Claudia Sender Ramirez

- Member of the Board of Directors

[⊕ Biography on page 94](#)



Hanne Birgitte Breinbjerg Sørensen

- Member of the Board of Directors
- Member of the Health, Safety & Sustainability Committee
- Member of the Nomination, Compensation & Governance Committee

[⊕ Biography on page 94](#)



Dieter Spälti

- Member of the Board of Directors
- Member of the Audit Committee
- Member of the Health, Safety & Sustainability Committee

[⊕ Biography on page 95](#)

Beat Hess
Chairman of the Board

PROFESSIONAL BACKGROUND

Swiss national born in 1949, Beat Hess was elected to the Board of Directors of LafargeHolcim (then "Holcim Ltd") in 2010. He holds a doctorate in law and is admitted to the bar in Switzerland. From 1977 to 2003, he was initially Legal Counsel and subsequently General Counsel for the ABB Group. From 2004 until the end of 2010, he was Legal Director and a Member of the Executive Committee of the Royal Dutch Shell Group, London and The Hague.

OTHER ACTIVITIES AND FUNCTIONS

- Member of the Board, Member of the Chairman's and Corporate Governance Committee, and Chairman of the Compensation Committee of Nestlé S.A., Vevey, Switzerland
- Vice-Chairman of the Board of Directors and Member of the Nomination and Compensation Committee of Sonova Holding AG, Stäfa, Switzerland
- Member of the Curatorium of The Hague Academy of International Law

Oscar Fanjul
Vice-Chairman

PROFESSIONAL BACKGROUND

Dual Spanish and Chilean national born in 1949, Oscar Fanjul was elected to the Board of Directors of LafargeHolcim in 2015. Oscar Fanjul holds a PhD in Economics. He began his career working for the industrial holding INI, Madrid, Spain. He was Chairman founder and CEO of Repsol, S.A., Madrid, Spain. He has been Chairman of Hidroeléctrica del Cantábrico, S.A., Oviedo, Spain and of Deoleo S.A., Madrid, Spain. He has also been a board member of the London Stock Exchange, Unilever, London/Rotterdam, UK/Netherlands, Areva, France, and BBVA, Spain.

OTHER ACTIVITIES AND FUNCTIONS

- Vice Chairman of Omega Capital, Madrid, Spain
- Member of the Board of Directors of Marsh & McLennan Companies, New York NY, USA
- Member of the Board of Directors of Ferrovial S.A., Madrid, Spain

Paul Desmarais, Jr.
Member

PROFESSIONAL BACKGROUND

Canadian national born in 1954, Paul Desmarais, Jr. was elected to the Board of Directors of LafargeHolcim in 2015. He holds a Bachelor of Commerce from McGill University, Montréal, Canada, and an MBA from the European Institute of Business Administration (INSEAD), Paris, France. Paul Desmarais, Jr. is Chairman and Co-Chief Executive Officer of Power Corporation of Canada and Executive Co-Chairman of Power Financial Corporation, both located in Montréal, Canada. He joined Power Corporation in 1981 and assumed the position of Vice-President the following year. In 1984, he led the creation of Power Financial to consolidate Power Corporation's major financial holdings, as well as Pargesa Holding SA, Geneva, Switzerland, under a single corporate entity. Paul Desmarais, Jr. served as Vice-President of Power Financial from 1984 to 1986, as President and Chief Operating Officer from 1986 to 1989, as Executive Vice-Chairman from 1989 to 1990, as Executive Chairman from 1990 to 2005, as Chairman of the Executive Committee from 2006 to 2008 and as Executive Co-Chairman from 2008 until today. He also served as Vice-Chairman of Power Corporation from 1991 to 1996. He was named Chairman and Co-CEO of Power Corporation in 1996.

From 1982 to 1990, he was a member of the Management Committee of Pargesa Holding SA and in 1991, Executive Vice Chairman and then Executive Chairman of the Management Committee. In 2003, he was appointed Co-Chief Executive Officer and in 2013 named Chairman of the Board of Directors.

OTHER ACTIVITIES AND FUNCTIONS

- Member of the Board of Directors of Power Corporation of Canada, Montréal, Canada
- Member of the Board of Directors of Power Financial Corporation, Montréal, Canada
- Chairman of the Board of Directors of Groupe Bruxelles Lambert, Brussels, Belgium
- Member of the Board of Directors of Great-West Lifeco Inc., Winnipeg, Canada (including those of its major subsidiaries)
- Member of the Board of Directors of IGM Financial Inc., Winnipeg, Canada (including those of its major subsidiaries)
- Chairman of the Board of Directors of Pargesa Holding SA, Geneva, Switzerland
- Member of the Board of Directors of SGS SA, Geneva, Switzerland

Colin Hall
Member

PROFESSIONAL BACKGROUND

American national born in 1970, is a Member of the Board of Directors and a Member of the Audit Committee of LafargeHolcim. He was elected to the Board of Directors of LafargeHolcim in 2019. He holds a Bachelor of Arts from Amherst College, Massachusetts, USA and an MBA from the Stanford University Graduate School of Business, California, USA.

He joined Groupe Bruxelles Lambert ("GBL") in 2012 and was appointed CEO of GBL's wholly-owned subsidiary Sienna Capital the following year. In 2016, he was additionally appointed the Head of Investments of GBL. He began his career working for the Merchant Banking Division of Morgan Stanley in 1995. Between 1997 and 2008, Colin Hall held various positions with the private equity firm Rhône Group in New York and London. From 2009 to 2011, Colin Hall was a partner in a hedge fund sponsored by Tiger Management.

OTHER ACTIVITIES AND FUNCTIONS

- Member of the Board of Directors and Member of the Presiding Committee of GEA Group AG (Düsseldorf, Germany)
- Member of the Board of Directors and a Member of the Audit Committee and of the Strategy Committee of Imerys SA (Paris, France)

Naina Lal Kidwai Member

PROFESSIONAL BACKGROUND

Indian national born in 1957, Naina Lal Kidwai is a Member of the Board of Directors and a Member of the Health, Safety & Sustainability Committee of LafargeHolcim. She was elected to the Board of Directors of LafargeHolcim in 2019. Naina Lal Kidwai holds an MBA from the Harvard Business School, Boston, USA. She has made regular appearances on listings by Fortune and others of international women in business and is the recipient of awards and honors in India including the Padma Shri for her contribution to Trade and Industry, from the Government of India.

Naina Lal Kidwai started her career in 1982 and until 1994 was at ANZ Grindleys Bank Plc. From 1994 to 2002, she was Vice Chairman and Head of Investment Banking at Morgan Stanley India before moving to HSBC, where she was Chairperson of the HSBC Group of Companies in India and on the Board of HSBC Asia Pacific, until her retirement in December 2015. She was President of the Federation of Indian Chambers of Commerce & Industry (FICCI). She also served for 12 years until 2018 as Non-Executive Director of Nestlé S.A., Vevey, Switzerland. Her interests in water and the environment are reflected in her engagements with The Shakti Sustainable Energy Foundation, Global Commission on Economy & Climate, and Chair of the FICCI Sustainability, Energy and Water Council as well as Chair of the India Sanitation Coalition. She has authored three books including the bestsellers "30 Women in Power: Their Voices, Their Stories" and "Survive Or Sink: An Action Agenda for Sanitation, Water, Pollution, and Green Finance."

OTHER ACTIVITIES AND FUNCTIONS

- Non-Executive Member of the Board of Directors of Max Financial Services, New Delhi, India
- Non-Executive Member of the Board of Directors of CIPLA, Mumbai, India
- Non-Executive Member of the Board of Directors of Larsen & Toubro, Mumbai, India
- Non-Executive Member of the Board of Directors of Nayara Energy Ltd, Mumbai, India (including of its subsidiary Vadinar Oil Terminal Ltd)
- Chairperson of the India Advisory Board Advent International Private Equity, Mumbai, India

Patrick Kron Member

PROFESSIONAL BACKGROUND

French national born in 1953, Patrick Kron was elected to the Board of Directors of LafargeHolcim in 2017. Patrick Kron is a graduate of the Ecole Polytechnique and the Paris Ecole des Mines, France. He began his career at the French Industry Ministry in 1979 before joining the Pechiney group in 1984, where he held senior operational responsibilities in one of the group's largest factories in Greece before becoming manager of Pechiney's Greek subsidiary in 1988. Between 1988 and 1993, Patrick Kron held various operational and financial positions, first managing a group of activities in aluminium processing, before being appointed Chairman and CEO of Pechiney Électrométallurgie. In 1993, he became member of the executive committee of the Pechiney group and was Chairman and CEO of Carbone Lorraine from 1993 to 1997. From 1995 to 1997, he ran Pechiney's Food and Health Care Packaging Sector and held the position of COO of the American National Can Company in Chicago (United States). From 1998 to 2002, Patrick Kron was Chairman of the Executive Board of Imerys. A director of Alstom since July 2001, he was appointed CEO of Alstom in January 2003, and then Chairman and CEO in March 2003, a position he held until January 2016.

OTHER ACTIVITIES AND FUNCTIONS

- Founder of PKC&I (Patrick Kron – Conseils & Investissements)
- Chairman of the Board of Directors of Imerys, Paris, France
- Chairman of the Board of Directors of Truffle Capital, Paris, France
- Member of the Board of Directors of Sanofi S.A., Paris, France
- Permanent Representative of PKC&I on the Supervisory Board of Directors of Segula Technologies S.A., Nanterre, France

Adrian Loader Member

PROFESSIONAL BACKGROUND

British national born in 1948, Adrian Loader was elected to the Board of Directors of LafargeHolcim (then "Holcim Ltd") in 2006. Adrian Loader holds an Honours Degree in History from Cambridge University and is a fellow of the Chartered Institute of Personnel and Development. He was Chairman of the Nomination & Compensation Committee of Holcim Ltd from 2014 to 2015. He began his professional career at Bower in 1969 and joined Shell the following year. Until 1998, he held various management positions in Latin America, Asia, and Europe and at the corporate level. In 1998, he was appointed President of Shell Europe Oil Products and in 2004 became Director for strategic planning, sustainable development, and external affairs for the Shell Group. In 2005 he became Director of the Strategy and Business Development Directorate of Royal Dutch Shell, Den Haag, Netherlands; he became President and CEO of Shell Canada in 2007 and retired from Shell at the end of the year. In January 2008, he joined the Board of Directors of Candax Energy Inc., Toronto, Canada and was Chairman until June 2010. He then served as Chairman of Compton Petroleum, Calgary, Canada until August 2012, and as Chairman of the Board of Directors of Oracle Coalfields PLC, London, United Kingdom until April 2016.

OTHER ACTIVITIES AND FUNCTIONS

- Member of the Board of Directors of Sherritt International Corporation, Toronto, Canada
- Member of the Board of Directors of Alderon Iron Ore, Montreal, Canada
- Chairman of Resero Gas, London, United Kingdom

Jürg Oleas
Member

PROFESSIONAL BACKGROUND

Swiss national born in 1957, Jürg Oleas was elected to the Board of Directors of LafargeHolcim (then "Holcim Ltd") in 2014, retired from the Holcim Ltd Board in the context of the LafargeHolcim merger closing effective 10 July 2015 and was re-elected at the AGM 2016. He holds an MSc for mechanical engineering from the Swiss Federal Institute of Technology (ETH) in Zurich, Switzerland. He is CEO of GEA Group Aktiengesellschaft, a Düsseldorf-based mechanical engineering company listed on Germany's MDAX stock index. Jürg Oleas has been a member of the GEA Group Executive Board since joining the company in May 2001. Initially responsible for the Group's chemical activities, he was appointed CEO of GEA Group on 1 January 2005. Before joining the GEA Group, he spent nearly 20 years with ABB and the Alstom Group, where he held several management positions.

OTHER ACTIVITIES AND FUNCTIONS

- Member of the Board of Directors and Chairman of the Strategy Committee of RUAG Holding AG, Bern, Switzerland

Claudia Sender Ramirez
Member

PROFESSIONAL BACKGROUND

Brazilian national born in 1974, Claudia Sender Ramirez was elected to the Board of Directors of LafargeHolcim in 2019. She holds a BS in Chemical Engineering from the Polytechnic School, University of Sao Paulo, Brazil and an MBA from the Harvard Business School, Boston, USA.

Claudia Sender Ramirez was Senior Vice President for Clients at LATAM Airlines Group until May 2019. Before that, she was CEO for LATAM Airlines Brazil since 2013. She joined TAM Airlines in 2011 as Commercial and Marketing Vice President and in 2012, once the association between LAN and TAM happened, she became responsible for the Brazil Domestic Business Unit. Claudia Sender Ramirez has also worked for several years in the Consumer Goods industry, focusing on Marketing and Strategic Planning. Prior to joining LATAM, she was Marketing Vice President at Whirlpool Latin America, where she worked for seven years. She has also worked as a consultant at Bain&Company, in projects ranging from telecommunications to airlines.

OTHER ACTIVITIES AND FUNCTIONS

- Member of the Board of Directors of Telefonica S.A., Madrid, Spain
- Member of the Board of Directors of Gerda S.A., São Paulo, Brazil
- Member of the Board of Directors of Estacio Participações S.A., Rio De Janeiro, Brazil

Hanne Birgitte Breinbjerg Sørensen
Member

PROFESSIONAL BACKGROUND

Danish national born in 1965, Hanne Birgitte Breinbjerg Sørensen was elected to the Board of Directors of LafargeHolcim Ltd (then "Holcim Ltd") in 2013. Hanne Birgitte Breinbjerg Sørensen holds an MSc in Economics and Management from the University of Aarhus. She was a Member of the Nomination & Compensation Committee of Holcim Ltd from 2014 to 2015 and has been re-elected in 2016. Until the end of 2013, she was the Chief Executive Officer of Maersk Tankers, Copenhagen and has been Chief Executive Officer of Damco, The Hague, Netherlands, another company of the A.P. Møller-Maersk Group, Copenhagen, Denmark, from 2014 until 31 December 2016.

OTHER ACTIVITIES AND FUNCTIONS

- Member of the Board of Directors and Member of the Nomination and Remuneration Committee of Ferrovial S.A., Madrid, Spain
- Member of the Board of Directors and Member of the Nomination and Remuneration Committee and Chair of the CSR Committee of Delhivery Pvt. Ltd., Gurgaon, India
- Member of the Board of Directors, Member of the Audit Committee, Member of the Nomination and Remuneration Committee, and Chairperson of the Safety, Health and Sustainability Committee and of the Risk Committee of Tata Motors Ltd, Mumbai, India
- Member of the Board of Directors of Jaguar Land Rover Automotive PLC, Coventry, UK (including those of its subsidiaries Jaguar Landrover Holdings Ltd. and Jaguar Landrover Ltd.)
- Member of the Board of Directors, Member of the Nomination and Remuneration Committee, and Chairperson of the Audit Committee of Sulzer Ltd, Winterthur, Switzerland
- Member of the Board of Directors, Member of the Remuneration and Nomination Committee and the Audit Committee of Tata Consultancy Services Ltd, Mumbai, India

Dieter Spälti

Member

PROFESSIONAL BACKGROUND

Swiss national born in 1961, Dieter Spälti was elected to the Board of Directors of LafargeHolcim (then "Holcim Ltd") in 2003. He studied law at the University of Zurich, Switzerland, where he obtained a doctorate in 1989. He was a Member of the Audit Committee from 2010 to 2015 and of the Governance & Strategy Committee of Holcim Ltd from 2013 to 2015. He was Chairman of the Strategy Committee of LafargeHolcim from 2015 to 2018. Dieter Spälti began his professional career as a Credit Officer with Bank of New York in New York NY, USA, before taking up an appointment as Chief Financial Officer of Tyrolit (Swarovski Group), based in Innsbruck, Austria, and Zurich, Switzerland in 1991. From 1993 until 2001, he was with McKinsey & Company, ultimately as a partner, and was involved in numerous projects with industrial, financial, and technology firms in Europe, the USA, and Southeast Asia.

In October 2002, he joined Rapperswil-Jona, Switzerland-based Spectrum Value Management Ltd as a partner; the firm administers the industrial and private investments of the family of Thomas Schmidheiny. Since 2006, he has been Chief Executive Officer of Spectrum Value Management Ltd, Rapperswil-Jona, Switzerland.

OTHER ACTIVITIES AND FUNCTIONS

- Member of the Board of Directors of Spectrum Value Management Ltd, Rapperswil-Jona, Switzerland
- Member of the Board of Directors of Schweizerische Cement-Industrie-Aktiengesellschaft, Rapperswil-Jona, Switzerland
- Member of the Board of Directors and Member of the Audit Committee of Alcon, Fort Worth, Texas, USA

EXECUTIVE COMMITTEE



Jan Jenisch
CEO

[+](#) Biography on page 98



Géraldine Picaud
CFO

[+](#) Biography on page 98



Magali Anderson
Chief Sustainability Officer

[+](#) Biography on page 98



Keith Carr
Legal and Compliance

[+](#) Biography on page 98



Feliciano González Muñoz
Member

[+](#) Biography on page 98



Marcel Cobuz
Europe

[+](#) Biography on page 98



Miljan Gutovic
Middle East Africa

[+](#) Biography on page 99



Martin Kriegner
Asia Pacific

[+](#) Biography on page 99



Oliver Osswald
Latin America

[+](#) Biography on page 99



René Thibault
North America

[+](#) Biography on page 99

Jan Jenisch
CEO

Jan Jenisch, German national, 1966, was appointed Chief Executive Officer of LafargeHolcim in September 2017. From 2012 Jan served as Chief Executive Officer of Sika AG, the Swiss manufacturer of products and systems for the building materials and automotive sector. Jan joined Sika in 1996 and went on to work in various management functions and countries. He was appointed to the Management Board in 2004 as Head of the Industry Division and he served as President Asia Pacific from 2007 to 2012. He is also a non-executive Director of the privately held Glas Trosch Holding AG. Jan did his studies in Switzerland and the US and is a graduate of the University of Fribourg, Switzerland, and holds an MBA (lic.rer.pol.).

Géraldine Picaud
Member

Géraldine Picaud, French national, 1970, was appointed as Chief Financial Officer of LafargeHolcim since January 2018. Géraldine joined the Group from Essilor International, a CAC 40-listed ophthalmic optics company, where she was Group CFO. Prior to that she was CFO of Volcafe Holdings, the Switzerland-based coffee business of ED&F Man. Géraldine initially joined ED&F Man in London in 2007 as Head of Corporate Finance in charge of M&A. This followed thirteen years at international specialty chemicals group Safic Alcan, first as Head of Business Analysis and then as CFO. She started her career with audit firm Arthur Andersen. She is also a non-executive Director of the stock-listed Infineon Technologies AG. Géraldine graduated from the Superior School of Commerce of Reims and holds an MBA.

Magali Anderson
Member

Magali Anderson, French national, 1967, was appointed as a member of the Group Executive Committee of LafargeHolcim in October 2019. She joined LafargeHolcim as Group Head of Health & Safety in October 2016. Magali started her career as a field engineer on offshore oil rigs in Nigeria. She spent 27 years in the Oil and Gas industry, mainly with Schlumberger, holding operational line management positions like CEO Angola and Region Head Europe. During her career she also held several functional roles, including Vice President Marketing & Sales, Vice President Shared Services Organization for the Europe and Africa region and Global Head of Maintenance. Magali graduated as a Mechanical Engineer from INSA Lyon, France.

Keith Carr
Member

Keith Carr, British national, 1966, was appointed as Group Head of Legal and Compliance and a member of the Group Executive Committee of LafargeHolcim as of January 2019. Keith joined LafargeHolcim in 2017 as Group General Counsel. In addition to the Legal and Compliance function, he became responsible for the Security department during 2018. Prior to LafargeHolcim Keith was General Counsel of GE's Power Division. Before that he held various roles in Alstom SA, ABB and Rolls Royce, including Group General Counsel and member of the Executive Committee of Alstom and General Counsel of its Power Division. Keith gained his LLB degree from Northumbria University and is a qualified solicitor in England and Wales as well as a Chartered Company Secretary.

Marcel Cobuz
Member

Marcel Cobuz, Romanian and French national, 1971, was appointed as Head of Europe and member of the Group Executive Committee of LafargeHolcim in January 2018. Since 2019 he has also been responsible for the Group Innovation team. Marcel joined LafargeHolcim in 2000 and has held various senior leadership roles in six different countries in Europe, the Middle East, Africa and Asia. From 2012 to 2015 he held Group roles leading organizational change projects in marketing across Lafarge and subsequently led the Global Pre-Merger Integration Project between Lafarge and Holcim. He studied Law and Global Economics and is a graduate of the University of Bucharest.

Feliciano González Muñoz
Member

Feliciano González Muñoz, Spanish national, 1963, was appointed as Group Head of Human Resources in May 2018, and as member of the Group Executive Committee of LafargeHolcim as of January 2019. He has developed his career for more than thirteen years in senior Human Resources roles in LafargeHolcim. Before his current role he was Human Resources Director for Europe, Group Head of Labor Relations, and also interim CEO of Spain from 2013 to 2015. Before joining LafargeHolcim Feliciano developed his career at Fujitsu Ltd, building materials company BPB Plc and the pharmaceutical company Almirall. Feliciano holds a PhD in Labor Law from Universidad Complutense de Madrid and an Executive MBA from IE, Madrid.

Miljan Gutovic
Member

Miljan Gutovic, Australian national, 1979, was appointed as Head of Middle East Africa and member of the Group Executive Committee of LafargeHolcim in July 2018. Initially joining LafargeHolcim as Head of Marketing & Innovation, Miljan was responsible for product development and commercial solutions. Since 2005 he worked for specialty chemical company Sika as Head of Middle East and TM Waterproofing EMEA as General Manager Australia and as a Business Unit Manager. Miljan holds a Bachelor's degree in Civil Engineering and a PhD in Engineering from the University of Technology in Sydney.

Martin Kriegner
Member

Martin Kriegner, Austrian national, 1961, was appointed as Head of Asia Pacific and member of the Group Executive Committee of LafargeHolcim in August 2016. Since 2019 he has also been responsible for the Group Cement Excellence team. Martin joined the Group in 1990 and has held various senior leadership roles within Europe and Asia. He moved to India as CEO of the Lafarge operations in 2002 and later served as Regional President Cement for Asia, based in Kuala Lumpur. In 2012, he was appointed CEO of Lafarge India for Cement, RMX and Aggregates. In July 2015 he became Area Manager Central Europe for LafargeHolcim operations, and in 2016 he was appointed Head of India. Martin is a graduate of Vienna University and holds a Doctorate in Law. He also obtained an MBA at the University of Economics in Vienna.

Oliver Osswald
Member

Oliver Osswald, Swiss national, 1971, was appointed as Head of Latin America and member of the Group Executive Committee of LafargeHolcim in August 2016. Since 2019 he has also been responsible for LafargeHolcim Trading. Oliver joined Holcim Apasco in Mexico in 1995. He has been responsible for various cement plants in Switzerland and Germany between 1999 and 2005. From 2005 to 2010, he held management and marketing positions in Holcim Switzerland. He was appointed Commercial Director for Holcim Apasco, Mexico, in 2012, before being appointed Country Head for Argentina in 2014. Oliver is a graduate of the Technische Hochschule in Ulm and holds an Executive Education Degree from Harvard Business School.

René Thibault
Member

René Thibault, Canadian national, 1966, was appointed as Head of North America and member of the Group Executive Committee of LafargeHolcim in January 2018. René joined the company in 1989 and has held various senior leadership roles in Europe, the Middle East, Africa and Canada. From 2009 he was in charge of the Aggregates and Concrete businesses in Western Canada and in 2012 he was appointed CEO Western Canada. René is a graduate of Queen's University in Civil Engineering and has completed the Advanced Management Program at Harvard Business School.

RISK AND CONTROL

As a global leader in our industry, LafargeHolcim adheres to the highest of standards when it comes to how we manage and operate our business day to day, everywhere around the world.

RISKS

LafargeHolcim operates in a constantly evolving environment which exposes the company to different external, operational and financial risks, whether under our control or not. In order to ensure the sustainability of our business development and to meet our targets, we make continuous efforts to prevent and control the risks which we are exposed to. A comprehensive risk management and Internal Control framework is deployed throughout the company, with appropriate governance and tools. Through this process we identify, assess, mitigate and monitor the company's overall risk exposure.

To this end, we incorporate risk thinking into all strategic decision-making, reducing the likelihood and impact of potential adverse events and ensuring compliance with laws & regulations through the deployment of our Internal Control system in every country where we operate. Further information is provided in the Internal Control section on page 113.

RISK MANAGEMENT PROCESS

The risk management process is structured around several coordinated approaches conducted within the company. It includes bottom-up and top-down risk assessments and addresses all strategic pillars, financial and non-financial targets. These assessments are used as a basis for the Group risk map, which is updated every year and submitted to the approval of the Executive Committee and the Audit Committee. The risk management process includes several stages:

▪ Risk identification and assessment

Management at the country and at the Group level assesses and evaluates the potential impact and likelihood of the key risks which could have a material adverse effect on the current or future operations of the business, typically within a three-year period, in alignment with Strategy 2022 - 'Building for Growth'. For the sustainability and climate-related risks, the horizon has been extended to a ten-year period in order to consider all impacts pertaining to the various possible scenarios that might occur (acceleration of trends or significant changes in stakeholders expectations as well as regulatory discontinuity) and impair the achievement of our sustainability ambitions which are set for 2030 in accordance with the Paris agreement targets. Our comprehensive risk assessment process includes the assessment of external risks among which the physical impact of climate change, which is monitored at the Group level.

▪ Risk mitigation

Management defines actions and/or controls to mitigate the key risks. Risk transfer through insurance solutions and the Internal Control system form an integral part of our risk management approach. Additionally, LafargeHolcim has a robust fraud prevention program in place to prevent, deter, and detect fraud. It includes the LafargeHolcim Integrity line, which enables employees anywhere in the world to anonymously exercise their whistleblowing rights and report any breach of the rules laid down in our Code of Business Conduct.

Further information is provided in Legal & Compliance risk (page 105) and Internal Control (page 113).

▪ Verification & Remediation

Group Internal Audit performs independent assessments of the effectiveness of mitigating actions and controls. It also assesses the effectiveness of Internal Control and the risk assessment process. The annual audit plan drawn up by Group Internal Audit and approved by the Audit Committee takes into account the various analyses described above. Implementation of this plan and the summary of work presented to the Group Executive Committee and Audit Committee lead to more in-depth analyses in certain areas and contribute to the continuous risk identification process.

▪ Monitoring & Reporting

Regular progress on the actions/controls are followed up by risk leads at the country level and reported to Group through the LafargeHolcim Risk Management tool. Progress on mitigating actions, controls and overall risk exposure is reported to the Audit Committee and other executive committees. Additional reports of the effectiveness of the mandatory control standards are submitted to the Group on a regular basis. Further information is provided in the Internal Control section on page 113.

ROLES & RESPONSIBILITIES

LafargeHolcim has a clear organizational structure to ensure the implementation of the risk management and internal control system, following the governance, policies and framework defined by the Group. This organization is built on the 'three lines of defense' model.

Under the first line of defense, operational management has ownership, responsibility and accountability for identifying, assessing, managing and mitigating risks. They are equally responsible and accountable for the deployment of the mandatory controls standards defined by the Group.

The second line of defense consists of Group corporate functions such as Legal, Compliance, Internal Control, Risk Management, Security and Resilience, IT, Sustainability and Health & Safety. These functions monitor and facilitate the implementation of effective risk management processes and internal controls by operational management to ensure the first line of defense is operating as intended. The second line of defense also assists in the development of policies, processes and controls to mitigate risks and issues.

The third line of defense is Group Internal Audit (GIA). As an independent function, GIA provides assurance to the Board of Directors and Executive Committee on the effectiveness of the first and second lines of defense and on governance, risk management and internal controls.

Through the Audit Committee and the Health, Safety and Sustainability Committee (HSSC), the Board of Directors oversees LafargeHolcim risk management, Internal Control and climate change related risks. The Audit Committee mandate includes the oversight of compliance and risk management processes and the review of management and internal audit reports on the effectiveness of internal control systems and on the performance of the annual risk assessment process. The HSSC mandate is to support and advise the Board of Directors on promoting a healthy and safe environment for employees and contractors, as well as on sustainable development and social responsibility.

The HSSC approves LafargeHolcim's climate strategy framework, reviews performance against key indicators and authorizes major climate-related capital expenditures, acquisitions and /or divestitures.

More details of the Audit Committee and HSSC are disclosed in the Corporate Governance section on page 82.

ETHICS, INTEGRITY & RISK COMMITTEE

The Ethics, Integrity & Risk Committee is composed of two sub-groups: (i) Ethics & Integrity and (ii) Risk. The Committee is responsible for overseeing the risk assessment process and the activities performed by assurance functions such as Legal and Compliance, Internal Control, Risk Management, Internal Audit, Group Investigations, Health & Safety, IT and Security and Resilience. Its mandate includes oversight regarding the effective investigation and remediation of Code of Business Conduct violations and the rigorous implementation of third-party due diligence and sanctions & export control programs that were launched in 2017.

The Ethics, Integrity & Risk Committee includes the Group CFO, the Group General Counsel and Chief Sustainability Officer who report to the Group CEO and are members of the Executive Committee. The Ethics, Integrity & Risk Committee reports to the Audit Committee of the Board of Directors. It meets quarterly.

ENVIRONMENT AND CLIMATE CHANGE

Our sustainability ambition focuses on Climate & Energy, Circular Economy, Environment and Communities. The ambition articulates our efforts to improve the sustainability performance of our operations and puts the focus on developing innovative and sustainable solutions for better building and infrastructure. It goes beyond our own business activities and covers the entire construction value chain and the life cycle of buildings. As a result of past efforts, we are one of the most carbon-efficient cement companies among international groups. We will further decrease our emissions per ton of cement by increasing the use of by-products and waste-derived resources and through investments in energy efficiency and innovation. Additionally,

our solutions and products help our customers avoid CO₂ emissions during the construction and use phase of buildings and infrastructure.

Task force on Climate-related Financial Disclosures (TCFD)

As a business leader, we must ensure transparency and action around climate-related risks and opportunities. LafargeHolcim therefore supports the voluntary recommendations of the Financial Stability Board (FSB) Task force on Climate-related Financial Disclosures (TCFD).

The identification, assessment and effective management of climate-related risks and opportunities are fully embedded in our risk management process (as described on page 100), which is subject to continuous improvement. In the table on page 104 we map where the recommended TCFD disclosures can be found in our report. Additional metrics & targets as well as the complete risk assessment are detailed in our submissions to the Carbon Disclosure Project. Documents are available on www.cdp.net/en/responses.

As part of this commitment in 2019 LafargeHolcim participated in the TCFD Preparer Forum for the Construction sector and contributed to the promotion of TCFD recommendations for better communication on climate change-related risks and opportunities.

RISK AND CONTROL
CONTINUED

The risks on pages 102 to 112 are considered material to our strategy and our value creation. This list is not exhaustive and represents the principal risks and uncertainties faced by LafargeHolcim at the time of 2019 integrated report preparation. Other risks may emerge in the future and/or the ones stated here may become less

relevant. Further information is provided in the Corporate Governance section (pages 78 to 89), Management Discussion & Analysis (pages 142 to 157) and note 14.6 of the consolidated Financial Statements (“Group risk management,” page 220).

KEY EXTERNAL RISKS

RISK	POTENTIAL IMPACT	OUR RESPONSE
<p>Market changes</p> <p>The risk that the economic environment in a given country can significantly change and have an influence on demand for construction and building materials.</p> <p>Strategic pillars impacted:</p> 	<p>Demand for construction materials is fundamentally driven by economic growth (or contraction) in a given territory. These changes in underlying demand may impact sales volumes, prices and/or industry structure.</p>	<p>LafargeHolcim maintains a globally diversified portfolio with leading positions in all regions and a good balance between geographies which helps limit our exposure to any particular market. We have a top-three position in 80 percent of our markets, with none exceeding 10 percent of total revenues. We also trade in clinker, cement and other products to take advantage of shifting demand between countries.</p>
<p>Political risks</p> <p>LafargeHolcim operates in many countries around the globe and is exposed, directly or indirectly, to the effects of economic, political and social instability such as trade protectionism, turmoil, terrorism, civil war and unrest, particularly in developing markets.</p> <p>Strategic pillars impacted:</p> 	<p>Economic, social and/or political instability (e.g. changes of government or increased political pressure) can impact our people, assets and business. That impact may be direct (e.g. security matters) or indirect (e.g. economic uncertainty).</p>	<p>When necessary, mitigation measures are taken to adapt the Group’s activities and to protect our people and assets. Dedicated directives enforced across the Group as well as country-specific action plans have been implemented to enhance crisis management, security of people and assets and business resilience.</p> <p>In the mid-to-long term, as with market demand, the best defense against political risk is diversification. LafargeHolcim’s broad geographic portfolio helps to limit our exposure to any particular market. The impact of United Kingdom’s withdrawal from the European Union (“BREXIT”) has been assessed and preventive measures have been taken. Relevant currency exposures and counterparty risks were reduced before the BREXIT vote.</p>

STRATEGIC OBJECTIVES

-  Growth
-  Financial strength
-  Simplification and performance
-  Vision and people
-  Climate and energy
-  Circular economy
-  Environment
-  Community

KEY OPERATIONAL RISKS

RISK	POTENTIAL IMPACT	OUR RESPONSE
<p>Greenhouse gas emissions & Climate change</p> <p>The cement industry is associated with high CO₂ intensity and LafargeHolcim is exposed to a variety of regulatory frameworks to reduce emissions, some of which may be under revision. These frameworks can affect the business activities of LafargeHolcim. In addition, a perception of the sector as a high emitter could impact our reputation, thus reducing our attractiveness to investors, employees and potential employees.</p> <p>Strategic pillars impacted:</p> 	<p>Based on TCFD recommendations, LafargeHolcim assesses in a systematic way all potential impacts of climate-related risks:</p> <p>TRANSITION RISKS:</p> <p>POLICY AND REGULATORY:</p> <p>Following the agreement on climate change at Paris COP21, signatory countries are required to communicate reduction commitments and pass implementation regulation. The likely effect of this increasing number of frameworks will be to: i) increase the cost of fossil fuels by carbon price mechanisms, ii) impose more restrictive cap & trade systems and iii) increase the cost to firms of emitting CO₂. In Europe, Phase IV of the European Trading System (ETS) will come into force in 2021, reducing CO₂ allowances. In the absence of efficient border adjustment mechanisms, imports of clinker and cement from outside the EU might bring more competition.</p> <p>TECHNOLOGY:</p> <p>We are currently engaged in several initiatives which require large investments, especially carbon capture and storage technologies. The risk of the cost of technology being significantly higher than existing carbon pricing mechanisms and the lack of integrated deployment of carbon capture in the supply chain ecosystems (transportation, sequestration, etc.), could prevent LafargeHolcim from its successful implementation.</p> <p>MARKET:</p> <p>As the carbon debate intensifies, cement and concrete could be challenged by our customers as the building material of first choice because of perceived high embodied CO₂. In the long term, should regulatory frameworks fail to incentivize consumption of low-carbon products, customers may be unwilling to pay for additional costs and the cement sector's low-carbon roadmap might be compromised.</p>	<p>LafargeHolcim has already reduced its net carbon scope one emissions per ton of cementitious material by 27% compared to 1990 and remains the best performer among international peers. LafargeHolcim cement is one of the most carbon-efficient in the world. With our target of 520 Kg of CO₂/ton cementitious by 2030, we are among the most ambitious companies in our sector. This target is aligned with the 2° scenario (Paris Agreement, United Nations) and has been validated by the Science Based Targets Initiative (SBTi). More specifically, we have developed two comprehensive sets of actions, short and long terms, to address greenhouse gas emissions and climate challenges along the construction value chain.</p> <p>Short-term actions: focused on existing levers to reduce CO₂ emissions (i) improved clinker production technology; (ii) higher usage of alternative fuels and alternative raw materials; (iii) optimization of the cement portfolio with lower CO₂ footprint; (iv) optimization of the concrete product portfolio; (v) increase share of solutions and products with favorable CO₂ impact.</p> <p>In addition and as a response to policy and regulatory risks and opportunities in Europe, a specific short-term response plan to the Phase IV of the new European Trading System was developed and addresses main focus areas:</p> <ul style="list-style-type: none"> CO₂ & energy performance, (e.g. increase biomass usage & reduce clinker factor); Integrate CO₂ in management (e.g. include cost in production to incentivize change management and include CO₂ impact in all M&A and CAPEX decisions); Scenario planning (e.g. evaluate profitability of exports, manage +/- 15% thresholds as well as 50%, 25%, 10% limits of historical activity levels). <p>As result, over the next years, LafargeHolcim will invest CHF 160m and work on more than 80 projects across 19 European countries with a focus on low-carbon fuels, recycled materials and carbon-efficient solutions, reducing annual CO₂ emissions in Europe by a further 15% representing 3 millions tons by 2022</p> <p>With regards to physical risk, LafargeHolcim has introduced a new, risk-based Security and Resilience Management System (SRMS) to plan for, respond and recover from all kinds of unwanted events through integrated emergency response, crisis management and business continuity activities. The process is continuously improved by structured self-assessment and implementation of lessons learnt, and assured through a formal audit and performance evaluation programme.</p> <p>Long-term actions: Innovation and research and development into (i) Breakthrough technologies such as carbon capture utilization and storage (CCUS); (ii) decarbonized fuel and energy; (iii) the development of low-carbon products and solutions (iv) ultimate construction methods to reach low-carbon construction.</p> <p>In addition, initiatives such as our Plants of Tomorrow initiative is the industry's largest roll out of 4.0 technologies; and our open innovation, where we are collaborating with numerous startups.</p> <p>Advocacy positions: We engage proactively and transparently with external stakeholders on the basis of positions that are aligned and consistent with the goals of the Paris Agreement. At the global level this is best illustrated through our cooperation with the World Bank's Carbon Pricing Leadership Coalition (CPLC) or the Global Alliance for Buildings and Construction (GABC). Our climate-related advocacy focuses on two main topics:</p> <p>1. Carbon pricing mechanisms: A stable and reliable carbon price is fundamental to accelerate the low-carbon transition. This requires associated policy frameworks that:</p> <ul style="list-style-type: none"> Respond dynamically to unforeseen macroeconomic evolutions; Provide an unconditional level playing field across regions and industries; Target entire value chains by tackling both supply and demand sides; Enable carbon cost pass-through, thereby creating financial incentives for carbon-efficient solutions <p>Ultimately, carbon pricing mechanisms must lead to an integration of carbon costs across the entire value chain, thereby creating competitive advantages for carbon-efficient products and solutions.</p>

KEY OPERATIONAL RISKS CONTINUED

RISK	POTENTIAL IMPACT	OUR RESPONSE
<p>Greenhouse gas emissions & Climate change continued</p> <p>Strategic pillars impacted:</p> 	<p>REPUTATION: The risk of being perceived as a large carbon emitter could reduce our attractiveness to stakeholders such as customers, investors, and potential employees.</p> <p>PHYSICAL RISKS: Impact of climate change (such as flooding, changes in precipitation patterns or extreme variability in weather patterns) on our operations might lead to higher logistics and transportation costs and reduced production capacities (e.g., delayed planning approval, supply chain interruptions).</p>	<p>2. Construction and building standards: progressive standards are key to ensure customer acceptance and creating a market demand for low-carbon solutions. In order to drive changes across the construction sector and ensure an adequate focus on the carbon and energy performance of buildings and infrastructure, standards must be based on the principles of material-neutrality and lifecycle performance. It must not be about one material versus another. The focus must be on the overall carbon and energy performance of our buildings and infrastructure.</p>

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES ALIGNMENT

GOVERNANCE	STRATEGY	RISK MANAGEMENT	METRICS AND TARGETS
<p>Disclose the organization's governance around climate related risks and opportunities.</p>	<p>Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.</p>	<p>Disclose how the organization identifies, assesses, and manages climate-related risks.</p>	<p>Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.</p>
<p>Board oversight ⊕ Page: 83, 101</p>	<p>Risk and opportunities ⊕ Page: 44-47, 103-4</p>	<p>CO₂ risk identification ⊕ Page: 100, 103-4</p>	<p>Reporting CO₂ metrics ⊕ Page: 44-47, SPR*</p>
<p>Management's role ⊕ Page: 83, 101</p>	<p>Link to financial planning ⊕ Page: 103-4</p> <p>Scenario planning ⊕ Page: 103-4</p>	<p>CO₂ risk management ⊕ Page: 101, 103-4</p> <p>Integration into overall risk ⊕ Page: 85</p>	<p>Details Scope 1, 2 and 3 ⊕ Page: 44-47, SPR*</p> <p>CO₂ targets ⊕ Page: 44-47</p>

* SPR refers to the 2019 Sustainability Performance Report, available on www.lafargeholcim.com/sustainability

KEY OPERATIONAL RISKS CONTINUED

RISK	POTENTIAL IMPACT	OUR RESPONSE
<p>Legal and Compliance risks</p> <p>The risk that the company is found to have violated laws and regulations covering business conduct such as those that combat bribery, corruption, fraud, unfair competition, breach of trade sanctions or export controls, and unauthorized use of personal data. In the ordinary course of its business, the Group is involved in lawsuits, claims of various natures, investigations and proceedings, including product liability, commercial, environmental, health and safety matters, etc.</p> <p>Strategic pillars impacted:</p> 	<p>Investigation costs, financial penalties, debarment, profit disgorgement and reputational damage. The impact is compounded by the fact that local violations can have an effect on the entire Group. In connection with disposals made in the past years, the Group provided customary warranties. LafargeHolcim and its subsidiaries may receive claims arising from these warranties.</p>	<p>The Group maintains a comprehensive risk-based compliance program which aligns with the legal requirements expressed through national legislation such as the US FCPA, UK Bribery Act and French Sapin II laws. The compliance program has dedicated resources at local, regional and Group level with central steering.</p> <p>The compliance program is structured over five elements that are aligned to an adequate procedures defense and approach to reduce compliance risk. The five elements of the compliance program include:</p> <ul style="list-style-type: none"> ▪ Risk Assessment is the starting point for identifying compliance risk in the business. It applies both at a program level (asking, for example, how and where the risk of bribery arises in the business) and in the development and application of specific controls, communication, training and monitoring. ▪ Controls, which are the policies, directives, instructions, workflows and internal control elements that are designed and implemented to mitigate specific risks. The Third Party Due Diligence Directive and related processes is an example of a control to mitigate a specific compliance risk. ▪ Communication and training, which speaks to the need to instruct employees on what is acceptable conduct and how it is delivered, set the tone at the top and, where necessary, train employees in risk identification and mitigation. The training also aims to raise awareness and reinforce commercial contract management practices by helping people to better understand the risks, how to enforce strict due diligence and the definition of thresholds which require the support and review of the Legal teams. ▪ Monitoring and reporting, including proactive monitoring of program-related metrics such as training delivery, closing out internal control and audit deficiencies and risk reduction activities such as the third party due diligence program. In addition to proactive monitoring, the compliance program includes a whistleblower line and internal auditing. ▪ Organization, which establishes appropriate resources with roles and responsibilities to implement the compliance program, and the governance arrangements under which these resources perform. <p>Several specific risk areas are within the scope of the 2019 compliance program.</p> <ul style="list-style-type: none"> ▪ Business Integrity and Compliance: anti-corruption activities centered on training, management of third party risk through targeted due diligence, and management of conflicts of interest. ▪ Pricing Integrity and Anti-Trust Compliance: as in previous years, the program focused heavily on training and the conduct of Fair Competition Reviews (in-depth assessments of risk based on interviews, document and email reviews). In addition, specific actions (trainings, instructions) have been implemented to address four risks drivers: participation in trade associations, pricing decisions, market intelligence and contacts with competitors. Fair competition controls, along with those of other risk areas (bribery, sanctions, data privacy) were updated and included in the revised minimum control standards for Group companies. ▪ Sanctions & Trade Restrictions: our sanctions and trade restrictions program was further strengthened in 2019. The requirements are set through the Sanctions Compliance Directive, which is implemented through dedicated training, communications and screening for potentially restricted transactions. We regularly conduct in-country risk assessments on sanctions risks and potential touchpoints with sanctioned persons in all exposed operations. In addition we have implemented state-of-the-art procedures for the screening and continuous monitoring of all suppliers and customers against worldwide sanctioned party and enforcement lists in those exposed operations. ▪ Data Protection and Privacy: data privacy, and compliance with the European Union General Data Protection Regulation (GDPR) is also supported with specific training, controls, monitoring and reporting systems. The controls include website, employee, customer and supplier notifications and consents, data subject requests and data breach reporting mechanisms among others. <p>Group Legal manages all competition investigations, information requests and enforcement cases through a central team. Group Legal also tracks all Group-relevant commercial litigation cases and provides support to the relevant operating companies in defense and dispute resolution. In addition, root cause analysis of disputes and enforcement cases is taken into account in our continuous improvement cycle.</p>

KEY OPERATIONAL RISKS CONTINUED

RISK	POTENTIAL IMPACT	OUR RESPONSE
<p>Energy prices (including alternative fuels)</p> <p>The risk that the increase in prices for fuels, electricity or the inability to accomplish planned savings from alternative fuels will impact our production costs.</p> <p>Strategic pillars impacted:</p> 	<p>Increase in energy prices could adversely impact our financial performance, since the increase may not be passed on (fully or partially) in the sales price of our products.</p>	<p>Optimizing fuel mix and energy efficiency, as well as the use of alternative fuels, is a key area of focus at all our plants. At Group level, we use derivative instruments to hedge part of our exposure and avoid volatility. Derivative instruments are generally limited to swaps and standard options.</p> <p>We also develop long-term power purchase agreements/on-site power generation projects to reduce volatility and increase consumption of renewable energy at competitive prices.</p>
<p>Raw materials (including mineral components)</p> <p>The risk that raw materials cannot be supplied at economical cost or suitable quality.</p> <p>Strategic pillars impacted:</p> 	<p>Much of our business depends on the reliable supply of mineral resources, e.g. sand and limestone, as well as mineral additives such as slag and fly ash. Failure to secure long-term reserves or licences and permits as well as to obtain raw materials (including mineral components) from third parties at the expected cost and / or quality may adversely impact variable costs and financial performance and impair our long-term growth outlook.</p>	<p>In locations where the supply of raw materials is at risk (due to own reserve depletion, permitting issues, poor quality, lack of suppliers and scarcity of certain raw materials resulting in increased costs), we apply a range of tactics including monitoring of permitting process, strategic sourcing, changing input mixtures and maintaining minimum long-term reserve levels. When required, we manage international seaborne sourcing, which is an import alternative to offset local risks. In addition, our research is devoted to finding ways to mitigate this risk while lowering our environmental footprint, e.g. by using waste-derived materials.</p>

KEY OPERATIONAL RISKS CONTINUED

RISK	POTENTIAL IMPACT	OUR RESPONSE
<p>Sustainability</p> <p>The risk that we are not effectively managing our commitments to sustainability and corporate social responsibility. The nature of our activities and geographic footprint poses inherent economic, environmental and social risks, which are also subject to an evolving regulatory framework and changing societal expectations.</p> <p>Strategic pillars impacted:</p> 	<p>Failure to meet our environmental, social and governance (ESG) standards and targets may expose us to regulatory sanctions and conflicts in the communities where we operate. This could result in penalties and increased remediation and compliance costs. It could also reduce our ability to access new resources and impact our social licence to operate. Additionally, the failure to effectively manage and embed effective sustainability practices may impact investor confidence in LafargeHolcim.</p>	<p>Responsibility for managing these risks is vested with site and country management, regional management, the Executive Committee and the Board of Directors. Sustainability risks are fully embedded in the risk assessment process conducted with all business units and stakeholders at the Group level and are reflected in the Group risk map. The range of sustainability risks includes:</p> <ul style="list-style-type: none"> ▪ Local community engagement, impact and value creation ▪ Human Rights management (including responsible sourcing) ▪ Employee diversity and inclusion ▪ Waste-derived resources and circular economy ▪ Air emissions ▪ Water management ▪ Biodiversity management and quarry rehabilitation ▪ Internal waste management <p>The risk assessment uses external references such as the Freedom House Index and UN Development Index for Human Rights risks and the WRI Aqueduct and WBCSD tool for water risks.</p> <p>The most material sustainability risks are subject to a close monitoring at the country level, supported at Group level by the sustainability team. A robust framework for mitigating those risks is as follows:</p> <ul style="list-style-type: none"> ▪ Articulated ambitions and Group targets set at the Group level, while performance against these ambitions and targets is monitored and reported on regularly. We provide details of our ambitions and targets in the Integrated Report and further information is published on our website. ▪ Robust framework of mandatory policies and directives which clearly lay down expected practices, standards and responsibilities. They are additionally supported by the Code of Business Conduct and Supplier Code of Conduct, both of which contain provisions for Human Rights (including child labor) and environment. <p>Country CEOs are ultimately responsible and accountable for implementation and compliance of the country with policies and directives. Group Internal Audit provides assurance to the Board of Directors and Executive Committee on the countries' compliance with the LafargeHolcim policy landscape. Our sustainability practices, performance and data as published in the Integrated Report and available on our website are subjected to external assurance. The assurance statement can be found in the Sustainability Performance Report published on our website.</p>

KEY OPERATIONAL RISKS CONTINUED

RISK	POTENTIAL IMPACT	OUR RESPONSE
<p>Sustainable products, innovation and technology</p> <p>The risk that innovation does not secure the competitive advantage of the company by delivering new products, solutions and technologies on a continuous basis.</p> <p>Strategic pillars impacted:</p> 	<p>Innovation is a key factor for long-term success of the company and crucial to maintain our competitive position and fulfill future customer needs, particularly when it comes to low carbon performance and circular economy.</p>	<p>Our approach is to meet customer needs along the whole construction value chain by developing and delivering products, solutions and technologies and by partnering with customers, suppliers and start-ups. LafargeHolcim has an important range of products and brands, which can be considered as sustainable low carbon products and solutions. The Group is continuously developing and introducing new products with higher CO₂ savings, realizing opportunities of circular economy and related sustainability performance of products and solutions.</p> <p>The company embraces new developments in the digital environment and anticipates trends in the construction industry. A stronger focus on open innovation offers opportunities as well as risks that collaboration with third parties does not provide the expected outcomes. This risk is mitigated through appropriate legal frameworks and comprehensive project management. Non-protected and protected Intellectual Property (IP) is secured by knowledge management, patents and trademarks. Regular market and IP intelligence is done to avoid infringement of third-party IP rights.</p>
<p>Health and Safety risk</p> <p>The risk that the company does not adequately protect employees, contractors and third parties from injury, illness or fatality, during both on-site and off-site company related activities.</p> <p>Strategic pillars impacted:</p> 	<p>Injury, illness or fatality, reputational damage and the possibility of business interruption, which could impact our finance and business performance. The impact is compounded by the fact that local incidents can have an effect on the entire Group.</p>	<p>We conduct our business in a manner that creates a healthy and safe environment for all stakeholders – our employees, contractors, communities and customers – built on a sound health and safety culture. We believe in visible leadership and personal accountability at all levels and throughout our organization. We maintain a global Health and Safety Management System designed to continuously improve our performance and actively minimize risks in our business.</p> <p>H&S experts are employed in each country we operate to support the implementation of the LafargeHolcim H&S standards (see page 60 for more details). The Group H&S team conducts regular audits to ensure the full deployment of our H&S policy and internal standards in all LafargeHolcim countries. Through the Health, Safety & Sustainability Committee, the Board of Directors supports the development of a health and safety culture and oversees the resources and processes to be employed to minimize or eliminate risks related to health and safety (please see page 82 for more details).</p> <p>In early 2020, due to the Coronavirus (Covid 19) outbreak, the priority in the Group's Chinese operations including the joint venture company Huaxin Cement Co. Ltd. has been given to implement all necessary measures to protect the safety of all employees and their families. The outbreak, which has delayed the development of infrastructure projects, notably in the province of Hubei which represents one-third of the Group's total capacities in China, may have implications on operating results. It is however too early to quantify the risk.</p>
<p>Information technology and cyber threats risk</p> <p>The risk that arises from the unavailability of critical IT systems and the loss or manipulation of data resulting from computer malware, cyber attacks, network outages, natural disasters or human mistakes.</p> <p>Strategic pillars impacted:</p> 	<p>An information or cybersecurity event could lead to financial loss, reputational damage, safety or environmental impact.</p>	<p>To prevent major risks related to critical IT infrastructure or applications either operated by the Group or its service providers, LafargeHolcim has established policies and procedures for IT security and governance as well as internal control standards that are followed Group-wide for all applicable systems. These include redundant data centers per region, redundant layout of critical IT systems, backup recovery procedures, computer malware and access protection as well as 24/7 operations in a Security Operations Center (SOC) to detect unusual traffic in our networks.</p> <p>Our personnel is constantly trained to detect and mitigate cyber risks and counter attacks like Phishing or Ransomware. Due to the fact that the risk landscape is constantly evolving, the Group's IT risk register is regularly assessed and updated. Additionally, the measures to prevent new risks and impacts from occurring are permanently improved and updated as well as regularly audited and controlled by the Internal Audit and Internal Control departments.</p>

KEY OPERATIONAL RISKS CONTINUED

RISK	POTENTIAL IMPACT	OUR RESPONSE
<p>Joint ventures and associates</p> <p>The Group does not always have a controlling interest in joint ventures and associates in which it has invested. This may restrict the Group's ability to generate adequate returns and to implement the operating standards and compliance program.</p> <p>Strategic pillars impacted:</p> 	<p>These limitations could impair the Group's ability to manage joint ventures and associates effectively and/or realize the strategic goals for these businesses. In addition this might hamper the ability of LafargeHolcim to implement organization efficiencies and its controls framework, including its full compliance program. It can also impede the ability to transfer cash and assets between subsidiaries in order to allocate assets in the most effective way.</p>	<p>In subsidiaries where we have joint control we seek to govern our relationships with formal agreements to implement LafargeHolcim controls and programs. In these joint venture arrangements, the Group has traditionally appointed LafargeHolcim personnel to facilitate integration, best practice transfer and drive performance. In addition, the Group Legal & Compliance function performed a comprehensive risk assessment covering all joint ventures and associates in which LafargeHolcim does not have a controlling interest in order to identify any potential deviations from the Group's compliance program. Mitigation actions were identified and implementation is ongoing.</p> <p>A Group subsidiary has an investment in a joint venture which owns a cement plant in Cuba. The Trump Administration allowed the waiver of Title III of the Helms-Burton Act (formally known as Cuban Liberty and Democratic Solidarity Act of 1996) to lapse as of 2 May 2019. Previously, Title III had been waived by every Administration since President Clinton waived it shortly after the Act became effective. Title III allows certain persons to file lawsuits in U.S. courts relating to certain property allegedly confiscated by the Cuban government since 1959. To date, no Title III lawsuits have been filed against the Company.</p>
<p>Talent management</p> <p>The risk that the company does not have a sufficiently robust talent pipeline.</p> <p>Strategic pillars impacted:</p> 	<p>Without the right people, LafargeHolcim will be unable to deliver its growth ambition.</p>	<p>We have a global talent review and succession planning process to evaluate current and future talent. We invest significantly in developing both functional and management skills. Core human resources processes, like strategic people planning, performance evaluations, reward strategies and talent management are implemented in all LafargeHolcim countries and corporate functions. Group HR oversees the quality of deployment of these processes to ensure we have the right people in the right places (see page 58).</p>

KEY FINANCIAL RISKS

RISK	POTENTIAL IMPACT	OUR RESPONSE
<p>Risk involving credit ratings</p> <p>As in the course of our business we use external sources to finance a portion of our capital requirements, our access to global sources of financing is important. The cost and availability of financing are generally dependent on our short-term and long-term credit ratings.</p> <p>Strategic pillars impacted:</p> 	<p>Factors that are significant in the determination of our credit ratings or that otherwise could affect our ability to raise short-term and long-term financing include: our level and volatility of earnings, our relative positions in the markets in which we operate, our global and product diversification, our risk management policies and our financial ratios, such as net debt to Recurring EBITDA and cash flow from operations to net debt. We expect credit rating agencies to focus, in particular, on our ability to generate sufficient operating cash flows to cover the repayment of our debt. Deterioration in any of the previously stated factors or a combination of these factors may lead rating agencies to downgrade our credit ratings, thereby increasing our cost of financing. Conversely, an improvement in these factors may prompt rating agencies to upgrade our credit ratings.</p>	<p>Our Executive Committee establishes our overall funding policies. The aim of these policies is to safeguard our ability to meet our obligations by maintaining a strong balance sheet. This policy takes into consideration our expectations concerning the required level of leverage, the average maturity of debt, interest rate exposure and the level of committed credit lines. These targets are monitored on a regular basis. As a result, a significant portion of our debt has long-term maturity. We constantly maintain unused credit lines to cover at least the next 12 months of debt maturities.</p>
<p>Liquidity risk</p> <p>The risk that the company will not generate sufficient cash and/or will not have access to external funding to meet its obligations.</p> <p>Strategic pillars impacted:</p> 	<p>Lack of liquidity could impact our ability to meet our operational and/or financial obligations.</p>	<p>Individual companies are responsible for their own cash balances and the raising of internal and external funding to cover the liquidity needs, subject to guidance by the Group. The Group monitors its liquidity risk by using a recurring liquidity planning tool and maintains cash, readily realizable marketable securities and unused committed credit lines to meet its liquidity requirements. In addition, the strong creditworthiness of the Group allows it to access international financial markets. Please refer to Note 14.5 of the Consolidated Financial Statements (page 219) for details on the contractual maturity analysis and LafargeHolcim maturity profile.</p>
<p>Interest rate risk</p> <p>The risk that an investment's value will change due to a change in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve or in any other interest rate relationship.</p> <p>Strategic pillars impacted:</p> 	<p>Movements in interest rates could affect the Group's financial results and market values of its financial instruments. The Group is primarily exposed to fluctuations in interest rates on its financial liabilities. The Group is also exposed to the evolution of interest rates and credit markets for its future refinancing, which may result in a lower or higher cost of financing.</p>	<p>The exposure is mainly addressed through the management of the fixed/floating ratio of financial liabilities. To manage this mix, the Group may enter into interest rate swap agreements in which it exchanges periodic payments based on notional amounts and agreed-upon fixed and floating interest rates. The Group constantly monitors credit markets and the aim of its financing strategy is to achieve a well-balanced maturity profile to reduce both the risk of refinancing and large fluctuations of its financing cost. Please refer to Note 14.6 of the Consolidated Financial Statements ("Financial risks associated with operating activities", page 220) for additional details.</p>

KEY FINANCIAL RISKS CONTINUED

RISK	POTENTIAL IMPACT	OUR RESPONSE
<p>Foreign exchange risk</p> <p>The Group's global footprint exposes it to foreign exchange risks.</p> <p>Strategic pillars impacted:</p> 	<p>Movements in exchange rates could have an influence on the Group's business, results of operations and financial condition. Such translation into the Group's reporting currency leads to currency translation effects, which the Group does not actively hedge in the financial markets. In addition, the statement of financial position is only partially hedged by debt in foreign currencies and therefore a significant decrease in the aggregate value of such local currencies against the reporting currency may have a material effect on the Group's shareholders' equity. Currency fluctuations can also result in the recognition of foreign exchange losses on transactions, which are reflected in the Group's consolidated statement of income.</p>	<p>With regard to transaction-based foreign currency exposures, the Group's policy is to hedge material foreign currency exposures through derivative instruments. The Group seeks to reduce the overall exposure by hedging such positions in the market with derivative instruments. These derivative instruments are generally limited to forward contracts or swaps and the Group does not enter into foreign currency exchange contracts other than for hedging purposes. Each subsidiary is responsible for managing the foreign exchange positions arising as a result of commercial and financial transactions performed in currencies other than its domestic currency with the support of the treasury department.</p>
<p>Credit risk</p> <p>The risk that our customers default on payment, resulting in collection costs and write-offs.</p> <p>Strategic pillars impacted:</p> 	<p>The failure of counterparties to comply with their commitments could adversely impact the Group's financial performance.</p>	<p>The Group periodically assesses the financial reliability of customers. Credit risks, or the risk of counterparty default, are constantly monitored. Counterparties to financial instruments consist of a large number of established financial institutions. The Group does not expect any counterparty to be unable to fulfill its obligations under its respective financing agreements. At year-end, LafargeHolcim had no significant concentration of credit risk with any single counterparty or group of counterparties. The maximum credit risk exposure is represented by the carrying amount of each financial asset, including derivative financial instruments, in the consolidated statement of financial position. Please refer to Note 14.6 of the Consolidated Financial Statements ("Financial risks associated with operating activities", page 220 for additional details).</p>
<p>Insurance</p> <p>Our sector is subject to a wide range of risks, not all of which can be adequately insured. The Group obtains insurance cover for a broad range of risks to protect its assets and itself against third party liabilities, commensurate with the risk exposure.</p> <p>Strategic pillars impacted:</p> 	<p>The Group could be impacted by losses where recovery from insurance is either not available or non-reflective of the incurred loss.</p>	<p>We place insurance with international insurers of high repute, together with our internal captive insurance companies. We continuously monitor our risk environment to determine whether additional insurances will need to be obtained.</p>
<p>Group's pension commitments</p> <p>The Group operates a number of defined benefit pension schemes and schemes with similar or contingent obligations in several of its countries. The assets and liabilities of those schemes may exhibit significant volatility.</p> <p>Strategic pillars impacted:</p>  	<p>Cash contributions may be required to fund unrecoverable deficits. External factors might cause these contributions to increase materially from year-to-year. Similarly, the Group's financial results may be impacted.</p>	<p>Where possible, defined benefit pension schemes have been closed and frozen. Significant actions continue to take place to further reduce and eliminate those schemes and related risks. Specifically, actions focusing on deploying scheme-appropriate asset allocation in order to mitigate volatility and optimize investment returns, those intended to reduce and simplify plans' liabilities and exposure, and finally those intended to provide cash funding flexibility, were or are being implemented.</p>

KEY FINANCIAL RISKS CONTINUED

RISK	POTENTIAL IMPACT	OUR RESPONSE
<p>Multi-employer pension plans (MEPP)</p> <p>The Group participates in a number of union-sponsored multiemployer pension plans in the US. These plans are subject to substantial deficits due to market conditions and business actions, plan trustee decisions, plan failure, as well as actions and decisions of other contributing employers. The Group has essentially no control over how these plans are managed.</p> <p>Strategic pillars impacted:</p> 	<p>There exists material risk that substantial cash contributions could be required in the future to satisfy any outstanding obligations under these plans. Moreover, satisfying the Group's obligations might have a material impact on the Group's reported financial results. The financial condition of these plans is not currently reported in the Group's financial reports.</p>	<p>The Group has undertaken a review of all these plans with the goal being to fully understand the plans' financial circumstances, as well as all the options available to mitigate risks and reduce the Group's actual and potential financial obligations. As the Group's participation in these plans is subject to negotiations with bargaining unions, the Group's ability to take action is limited.</p>
<p>Goodwill and asset impairment</p> <p>Significant underperformance in any of the Group's major cash-generating units or the divestment of businesses in the future may give rise to a material write-down of goodwill or assets.</p> <p>Strategic pillars impacted:</p> 	<p>A write-down of goodwill or assets could have a substantial impact on the Group's net income and equity.</p>	<p>Indicators of goodwill or asset impairment are monitored closely through our reporting process to ensure that potential impairment issues are addressed on a timely basis. Detailed impairment testing for each cash-generating unit within the Group is performed prior to year-end or at an earlier stage when a triggering event materializes. The Audit Committee regularly reviews the goodwill and asset impairment process.</p>
<p>Tax</p> <p>The Group is exposed to tax risks due to potential changes in applicable regulations in certain countries and increased scrutiny by governments and tax authorities in response to perceived aggressive tax strategies of multinational corporations such as LafargeHolcim.</p> <p>Strategic pillars impacted:</p> 	<p>Due to the uncertainty associated with tax matters, it is possible that, at some future date, liabilities resulting from audits or litigations could vary significantly from the Group's liabilities.</p>	<p>Risks are reviewed and assessed on a regular basis in light of ongoing developments with respect to tax audits and tax cases, as well as ongoing changes in legislation and tax laws. Intercompany charges within the Group follow Organisation for Economic Cooperation and Development (OECD) and local arm's-length standards. The LafargeHolcim Group Tax Policy and Transfer Pricing Directive provide the binding rules for all countries where we operate. Group Tax continuously works with Internal Control on aligning, improving and implementing processes and controls within Group Tax and countries. It is also continuously developing the right in-house skills.</p>

INTERNAL CONTROL

As part of Strategy 2022 – “Building for Growth”, LafargeHolcim’s Internal Control framework defines mandatory ‘Minimum Control Standards’ to clarify and reinforce the responsibility of businesses in the countries. Every country and business in our organization must follow these standards; there is clear guidance and consequence management if they are not met completely.

These standards encompass controls on Governance and Compliance, Accounting and Consolidation, Tax, Treasury, Fixed Assets, Inventory, Revenue, Expenditure, Human Resources, IT and Sustainability. They are managed and checked by our Internal Control team with control owners in all our businesses across the globe. Our local CEOs and CFOs certify through signed letters to the Group that the Minimum Control Standards are in place and operating effectively. Our internal control process is in accordance with the Swiss Code of Obligations and Swiss Code of Best Practices for Corporate Governance.

LafargeHolcim Internal Control system aims at giving the Board of Directors and management reasonable assurance concerning the reliability of financial reporting, compliance with laws and internal regulations, and the effectiveness and efficiency of major company processes. Each LafargeHolcim employee has an important role in running the Internal Control System to ensure the implementation and the effectiveness of internal controls.

Group Internal Control Environment

LafargeHolcim aims to have an effective Internal Control system at each level of responsibility and promotes a culture of robust internal control, supported by the commitment of the Board of Directors and management. The Minimum Control Standards are used as a baseline for the mandatory compliance within the Group and the main reference for LafargeHolcim Corporate Governance Framework.

The following key documents are part of the Minimum Control Standards and supports the internal control environment:

- The Group Delegated Authorities defines approving authorities within the Group.
- The Code of Business Conduct covers guidance and provides examples to help when confronted with challenging situations,

Risk identification and analysis

The approach implemented by the Group relating to identification and analysis of risks is described on page 100.

Mandatory Minimum Control Standards

Our mandatory minimum control standards cover the following core business processes, going beyond accounting and finance:

Governance & Compliance: Compliance with laws, regulations and Code of Business Conduct, BOD secretarial, Health & Safety, risk assessment and mitigation, segregation of duties, delegation of authorities, review of litigation, disputes, and personal data protection.

Accounting & consolidation: Compliance with accounting principles including best practices from the reconciliation of accounts to consolidation of financial statements and submission of Group reporting requirements and statutory financial statements.

Tax: Tax risk assessment and reporting, tax filings & payments, deferred and income tax calculations, transfer pricing and non-income (indirect) taxes.

Treasury: Bank relations, secure handling of payments, financial instruments, borrowings & commitments and forex, interest rate, commodities risks monitoring and hedging.

Fixed Assets: Management of titles, licenses and permits, rehabilitation and restoration provisions, classification and depreciation of property plant & equipment and physical verification.

Inventory: Physical stock take (spare parts and materials) and inventory provision and write-offs.

Revenue: Master data, price management, customer credit limits, accounts receivable.

Expenditure: Master data, supplier qualification, 3-way match and direct vendor invoices, supplier payments and accruals for expenditures.

HR: Employee management (onboarding, transfers, offboarding), payroll, compliance with local labor laws and employee pension & benefit plans.

IT: Information security management and IT service management

Sustainability: Environmental impact and Social impact.

Internal Control monitoring throughout the Group

The Group is committed to maintaining high standards of internal control. It tests and documents adherence to mandatory “minimum internal control” standards. This work is implemented at country and at Group level and encompasses:

- A description of key processes affecting the reliability of the Group’s financial reporting, and that of the parent company;
- A detailed description of mandatory controls defined in the Group’s Minimum Control Standards;
- Tests of controls to check the operational effectiveness. Group Internal Control provides each entity with clear guidance and testing methodology.
- An annual internal certification process to review the main action plans in progress and to confirm management responsibility at country and Group level for the quality of both internal control and financial reporting.
- a formal reporting, analysis and control process for the information included in the Group’s Integrated Report.

RISK AND CONTROL
CONTINUED

The implementation of action plans identified through the activities described above, as well as through internal and external audits are followed up by relevant Senior Management. The outcome of such procedures is presented to the Audit Committee. Internal control is monitored at all levels of the Group. The roles of key stakeholders are described below:

Board of Directors and Board Committees

The Board of Directors through the Audit Committee reviews management’s and the internal auditor’s reports on the effectiveness of the systems for internal control. The Audit Committee shall form its own opinion on the internal control system, risk management and on the state of compliance within the Company.

Executive Committee

The Executive Committee steers the effective implementation of the Group’s internal control system, through:

- The monitoring and follow-up of internal control procedures performed throughout the Group, and in particular the follow-up of identified action plans. Periodic presentations on internal control are submitted to the Executive Committee.
- The review of the country mandatory Minimum Control Standards and certification twice a year.

Group functions

Group function leaders, including in particular managers of the Group Finance function, have been designated at Group level as “business process owners”, with the responsibility of:

- documenting their processes at Group level including product line specifics and verifying that the “Internal Control Standards” for such processes are effectively implemented;
- defining and updating the standards of internal control applicable to countries.

Countries

Internal control is under the direct responsibility of the Executive Committee of each country. Internal Control Managers are appointed in each

Minimum Control Standards that every country and business in our organization must follow



country to support the identification of risks, the implementation of the Minimum Control Standards and to ensure procedures related to internal control over financial reporting are implemented. Their activities are coordinated by the Group Internal Control department. Countries report their internal control assessments to the Group twice a year through the internal control system and sign certification letters. Any exception to the mandatory minimum control standards need to be documented, mitigated and approved by the Group.

Group Internal Control department

The Group Internal Control department is in charge of overseeing internal control and monitoring all procedures related to internal control over financial reporting.

This department manages the definition of Minimum Control Standards mentioned above and coordinates the network of Internal Control Managers within countries. It supports countries and the Group functions in the implementation of such standards as well as the documentation and tests of mandatory minimum controls. Group Internal Control designs and coordinates the annual certification process to confirm management responsibility at

each relevant level of the Group organization on the quality of both internal control and financial reporting. The outcome of this certification process is presented to the Group Chief Financial Officer and Chief Executive Officer for validation prior to presenting it to the Executive Committee and Audit Committee.

Group Internal Audit

The Group Internal Audit department is responsible for performing an independent assessment of the quality of internal control at all levels of the organization following the annual audit plan approved by the Audit Committee. Main observations and findings observed during the audit assignments are reported periodically to the Audit Committee and the Executive Committee. For more information, please refer to Corporate Governance on page 82.

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COMPENSATION REPORT

Executive compensation is designed to reinforce the LafargeHolcim strategy by helping the company attract, motivate and retain talent while aligning their interests with those of shareholders.

The executive compensation structure balances rewards for short-term and long-term performance by combining absolute and relative as well as financial and non-financial performance objectives, and by delivering compensation through a mix of cash and equity. To provide further alignment with shareholders, executives are expected to build a minimum level of LafargeHolcim share ownership over time.

The Compensation Report provides detailed information on compensation programs at LafargeHolcim, on the compensation awarded to the members of the Board of Directors and the Executive Committee in 2019 and on the governance framework around compensation. It is written in accordance with the Ordinance against Excessive Compensation in Listed Stock Corporations (OaEC), the directive on information relating to Corporate Governance of the SIX Swiss Exchange and the principles of the Swiss Code of Best Practice for Corporate Governance of economiesuisse.

DEAR SHAREHOLDERS,

I am pleased to share with you the LafargeHolcim Compensation Report for the financial year 2019, which was prepared in accordance with applicable laws, rules and regulations. As the leading global construction materials and solutions company, we aim to be an employer of choice. This is supported by a compensation framework that is designed to attract, motivate and retain the qualified talent needed to succeed globally and provide excellent returns to our shareholders.

2019 was a very successful year for us and we achieved record results. We will explain in this report how our performance in 2019 impacted the payments awarded to the members of the Executive Committee under the incentive plans. There were also several personnel changes within the Executive Committee. Effective January 2019, Urs Bleisch, Head of Corporate Growth & Performance, stepped down from the Executive Committee. His function has been organized into three Centers of Excellence reporting directly to the Region Heads and was thus not replaced in the Executive Committee. Feliciano González Muñoz, Head of Human Resources, Keith Carr, Head Legal and Compliance, and Magali Anderson, Chief Sustainability Officer were appointed members of the Executive Committee.

During 2019, the Nomination, Compensation and Governance Committee (NCGC) intensively discussed matters raised at last year's Annual General Meeting. While our shareholders welcomed most of the announced changes to the compensation framework applicable to the Executive Committee for 2019 onwards, they also expressed concerns about ongoing amendments to the compensation plans and potential lack of continuity. The NCGC engaged with shareholders and thoroughly reviewed their feedback. On this basis, the NCGC reconfirmed the overall compensation framework and the incentive plan design as communicated last year. However, considering the importance and the increasing focus on sustainability matters, the NCGC decided to strengthen the performance measurement in the incentive plans and to enhance sustainability objectives as follows:

- The annual incentive is based on financial performance (85%) and on Health & Safety (15%). Effective as of 2020, the definition of the Health & Safety objective will go beyond the Lost-Time Injury Frequency Rate (LTIFR) used so far and will include a scorecard. In addition, the financial objective EBITDA will be replaced by EBIT, in alignment with the change in financial reporting (IFRS 16).
- The long-term incentive consists of a combination of performance shares subject to a three-year vesting based on earnings per share (EPS) before impairment and divestments and on return on invested capital (ROIC), and performance options subject to a five-year vesting based on relative total shareholder return (TSR). Effective in 2020, the NCGC decided to introduce a sustainability objective for the performance shares. This decision was made in order to recognize the importance of mitigating our impact on the environment and to encompass a broader stakeholder group in the measurement of the performance and the compensation of the Executive Committee.
- Regarding the compensation levels, the NCGC decided that the target compensation of the members of the Executive Committee should remain unchanged compared to previous year. For the CEO, the annual incentive target was decreased from 150% to 125% of annual base salary (-11.5%). In order to keep the total target compensation unchanged, the annual base salary and the LTI grant were increased by 6.3%. Further details and the rationale for this decision are provided in this report.

In parallel to those amendments, the NCGC decided to improve the pay-for-performance disclosure and to publish the Group performance targets for the annual incentive (ex-post) and the LTI (ex-ante).

With regards to the compensation of the Board of Directors, the NCGC conducted a benchmarking analysis in 2019. As a result, the compensation structure and levels of the Board of Directors were confirmed and will remain unchanged for the upcoming term.



Oscar Fanjul
Chairman of the NCGC

Finally, the NCGC performed its regular activities throughout the year such as succession planning for the Board of Directors and Executive Committee, performance objective setting at the beginning of the year and performance assessment at year end, determination of compensation for members of the Board of Directors and the Executive Committee, as well as preparation of this Compensation Report and of the say-on-pay vote at the Annual General Meeting. You will find further details about the NCGC's activities during the reporting year and the compensation decisions in this report. You will have the opportunity to express your opinion about this Compensation Report in a consultative shareholder vote at the Annual General Meeting 2020.

Looking ahead, we will continue to assess and review our compensation framework to ensure that it supports our commitment to creating both financial and non-financial value over the long term and that it is well-aligned with our shareholders' interests. We will also maintain an open dialog with our shareholders and their representatives.

Thank you for sharing your perspectives on executive compensation with us. We trust that you will find this report informative.

A handwritten signature in black ink, appearing to read 'Oscar Fanjul', written over a light-colored background.

Oscar Fanjul
Chairman of the Nomination, Compensation and Governance Committee (NCGC)

Compensation at a glance

SUMMARY OF COMPENSATION OF THE BOARD OF DIRECTORS IN 2019

To ensure independence in their supervisory function, members of the Board of Directors receive a fixed compensation only, delivered in the form of cash and shares blocked for five years. The compensation system for the Board of Directors does not contain any performance-related components.

Annual retainer (gross)	Cash (CHF)	Shares (CHF)	Expense allowance (CHF)	Committee fees (gross)	Chair (CHF)	Member (CHF)
Board chair ¹	825,000	825,000	70,000 ²	AC	160,000	40,000
Board vice-chair ¹	200,000	200,000	10,000	NCGC	0 ³	40,000
Board member	100,000	100,000	10,000	HSSC	125,000	40,000

¹ Not eligible for committee fees

² Includes a secretarial allowance of CHF 60,000 p.a.

³ The committee chair fee of CHF 125,000 is not paid out considering that this function is currently held by the Board vice-chair who is not eligible for committee fees.

SUMMARY OF COMPENSATION OF THE EXECUTIVE COMMITTEE IN 2019

The executive compensation framework is designed to reinforce the LafargeHolcim strategy by helping the company attract, motivate and retain talent while aligning their interests with those of the shareholders. The compensation structure is well-balanced: it rewards short-term and long-term performance, it combines

absolute and relative as well as financial and non-financial performance objectives and it delivers compensation through a mix of cash and equity.

The compensation of the Executive Committee consists of fixed and variable elements. Fixed compensation includes base salary and benefits based on prevalent market practice. Variable compensation comprises short-term and long-term elements as described below. It is based on ambitious and stretched

performance objectives and it rewards Group and regional results.

Clawback and malus provisions apply to the short-term (STI) and the long-term (LTI) incentive plans.

Executive Committee members are subject to a share ownership guideline: the CEO must hold at least 500% of his annual base salary in shares, other Executive Committee members 200%.

Compensation element	Purpose	CEO	Executive Committee
Base salary	Reward for the role		
Pension and benefits	Protect against risks, attract and retain		
Annual incentive	Reward annual performance <ul style="list-style-type: none"> Group relative performance (30%) Recurring EBITDA pre-IFRS 16 (30%) Free Cash Flow pre-IFRS 16 (25%) Health & Safety (15%) 	Target: 125% of salary Maximum payout: 200% of target (250% of salary)	Target: 75% of salary Maximum payout: 200% of target (150% of salary)
Long-term incentive	Reward long-term performance (3-5 years) and align with shareholders' interests: <ul style="list-style-type: none"> Performance shares: EPS before impairment and divestments and ROIC Performance Options: relative TSR 	Performance shares: Grant value: 125% of salary Maximum vesting: 200% of target Performance Options: Grant value: 52.4% of salary Maximum vesting: 100% of target	Performance shares: Grant value: 70% of salary Maximum vesting: 200% of target Performance Options: Grant value: 26.3% of salary Maximum vesting: 100% of target

COMPENSATION OF THE BOARD OF DIRECTORS IN 2019

The compensation awarded to the Board of Directors in financial year 2019 is within the limits approved by the shareholders at the Annual General Meeting. Since the compensation period is not yet completed, a definitive assessment will be provided in the 2020 Annual Report.

Compensation period	Approved amount (CHF)	Effective amount (CHF)
AGM 2018 – AGM 2019	4,800,000	4,514,555
AGM 2019 – AGM 2020	5,100,000	To be determined ¹

¹ The compensation period is not yet completed; a definitive assessment will be provided in the Compensation Report 2020

COMPENSATION OF THE EXECUTIVE COMMITTEE FOR 2019

The compensation awarded to the Executive Committee in financial year 2019 is within the limits approved by the shareholders at the Annual General Meeting 2018.

Compensation period	Approved amount (CHF)	Effective amount (CHF)
Financial year 2019	39,500,000	30,087,952

SUMMARY OF PERFORMANCE IN 2019

For 2019 the company's net sales increased by 3.1% on a like-for-like basis, and Recurring EBITDA pre-IFRS 16 increased by 6.5%, also on a like-for-like basis.

- Annual incentive 2019: payout of 154% of target on average for the Executive Committee
- Long-term incentive: the vesting level for the performance shares granted in 2016 was 24%, while the vesting level of the performance options granted in 2016 was 0%.

CHANGES FROM 2020 ONWARDS: INTRODUCTION OF SUSTAINABILITY OBJECTIVES IN THE INCENTIVE PLANS

To strengthen the alignment between compensation and the strategic priorities of the company, new sustainability objectives will be introduced in the incentive plans:

- Annual incentive: the definition of the Health & Safety objective will go beyond the Lost-Time Injury Frequency Rate (LTIFR) used so far and will include a scorecard. In addition, the financial objective EBITDA will be replaced by EBIT, in alignment with the change in financial reporting (IFRS 16).
- Long-term incentive: in recognition of the importance of the company's impact on the environment, the NCGC decided to introduce a sustainability objective for the performance shares in addition to the existing EPS and ROIC performance conditions.

COMPENSATION GOVERNANCE

- Authority for decisions related to compensation are governed by the Articles of Incorporation and the Organizational Regulations of LafargeHolcim Ltd as described in the Corporate Governance section.
- The prospective maximum aggregate amounts of compensation of the Board of Directors and of the Executive Committee are subject to binding shareholders' votes at the Annual General Meeting.
- The Compensation Report is subject to a consultative vote by the shareholders at the Annual General Meeting.

The Board of Directors is supported by the NCGC for all matters related to compensation and governance. The NCGC members are elected annually by the shareholders at the Annual General Meeting.

Compensation system: Board of Directors

To guarantee their independence in exercising their supervisory duties, the members of the Board of Directors receive fixed compensation only and do not participate in LafargeHolcim's employee benefits plan. Part of the compensation is paid in blocked shares in order to strengthen the alignment with shareholders' interests.

Board compensation consists of an annual retainer for the Board chair, Board vice-chair and Board members plus additional fees for assignments to the committees of the Board of Directors either as chair or member. The Board chair and vice-chair are not eligible for committee fees. The annual retainer is paid half in cash and half in shares subject to a five-year restriction period (prohibition of sale or pledging). Committee fees are paid in cash.

Additionally, a lump sum expense allowance is paid in cash and the Board chair receives a secretarial allowance. The members of the Board of Directors receive no additional reimbursements of business expenses beyond travel costs from abroad.

Cash compensation is paid quarterly for the Board members and monthly for the Board chair. The shares are transferred in March for the current term (year) of office.

In exceptional circumstances, additional fees are payable to Board members when an exceptional workload beyond the regular function of the Board of Directors is required. No such fees were paid in the reporting year.

2020 onwards

A benchmarking analysis of the compensation of the Board of Directors was conducted in 2019 based on the Board compensation of other industrial SMI companies including ABB, Givaudan, Lonza, Nestle, Novartis, Richemont, Roche, SGS, Sika and Swatch Group (refer to section "Compensation Governance" for further details on the benchmarking peer group).

The analysis showed that the compensation structure is aligned with prevalent market practice. In terms of compensation levels, the annual retainer and the committee fees for the chair functions are above market median, while they are below market for the Board and committee members without chair function.

Considering the complexity of the work of the Board of Directors and its committees, as well as the substantial additional requirements on the Board and committee chairs, the NCGC decided not to make any change to the compensation system.

Compensation model of the Board of Directors

Annual retainer (gross)	Cash compensation in CHF	Share-based compensation ² in CHF	Expense allowance in CHF	Secretarial allowance in CHF
Board chair ¹	825,000	825,000	10,000	60,000
Board vice-chair ¹	200,000	200,000	10,000	
Board member	100,000	100,000	10,000	
Committee fees (gross)				
	Cash compensation in CHF			
Audit Committee chair	160,000			
Other Committee chairs ¹ (NCGC, HSSC)	125,000			
Committee member ¹	40,000			

¹ The Board chair and vice-chair are not eligible for committee fees.

² Converted into shares based on the average share price between 1 January 2020 and 15 February 2020.

Compensation system: Executive Committee

Compensation principles

Executive compensation is designed to reinforce the LafargeHolcim strategy by helping the company attract, motivate

and retain talent, while aligning their interests with those of shareholders. The compensation programs are built around the following principles:

Principle	Description
Pay-for-performance	Rewards for short-term performance and long-term success, by a balanced combination of absolute and relative performance objectives, as well as of financial and non-financial performance objectives.
Alignment with shareholders	Part of compensation is delivered in equity of the company, thus strengthening the alignment with shareholders' interests. Further, executives are expected to build a minimum level of LafargeHolcim share ownership over time.
Market competitiveness	Compensation is competitive with other companies against which LafargeHolcim competes for talent.
Internal equity	Compensation decisions are taken with consideration to internal equity and consistency.
Transparency	Compensation programs are straightforward and transparent.

Compensation model of the Executive Committee

The compensation for members of the Executive Committee includes the following elements:

- Annual base salary
- Pensions and benefits
- Variable compensation: annual and long-term incentives

Base salaries

Annual base salaries are established on the basis of the following factors:

- Scope, size, and responsibilities of the role; skills required to perform the role;
- External market value of the role;
- Skills, experience and performance of the individual in the role.

To ensure market competitiveness, base salaries of the Executive Committee are

reviewed annually taking into consideration the company's affordability, benchmark information, internal consistency and individual performance. The objective is to provide salaries broadly in line with the competitive market practice of selected comparable SMI companies (refer to section "Compensation Governance" for further details on the benchmarking peer group).

Compensation model of the Executive Committee

Element	Purpose	Structure	Drivers	Performance objectives
Base salary	Attract and retain	Fixed amount paid monthly in cash	<ul style="list-style-type: none"> - Role & responsibilities - Market value - Experience 	
Pensions and insurances	Protect against risks	Pension contributions and benefits, insurances	<ul style="list-style-type: none"> - Market practice - Role 	
Benefits	Attract and retain	<ul style="list-style-type: none"> - Perquisites - Car or allowance - Relocation benefits 	<ul style="list-style-type: none"> - Market practice - Role 	
Annual Incentive	Reward for short-term performance	Variable amount paid half in cash and half in shares blocked for 3 years	Annual financial and non-financial performance	<ul style="list-style-type: none"> - Relative sales growth - Relative EBITDA pre-IFRS 16 growth - Recurring EBITDA pre-IFRS 16 - Free Cash Flow pre-IFRS 16 - Health & Safety
Long-Term Incentive (LTI)	<ul style="list-style-type: none"> - Reward for long-term performance - Align with shareholders - Retain 	<ul style="list-style-type: none"> - Performance shares subject to a three-year vesting - Performance options subject to a five-year vesting 	Long-term financial performance	<ul style="list-style-type: none"> - EPS before impairment and divestments - ROIC - Relative TSR

Pension

Executive Committee members participate in the benefits plans available in the country of their employment. Benefits consist mainly of retirement, insurance and healthcare plans that are designed to provide a reasonable level of protection for the employees and their dependents with regards to health, retirement, death and disability. The members of the Executive Committee with a Swiss employment contract participate in LafargeHolcim's defined benefit pension scheme applicable to Swiss-based senior management, which is set up to achieve, for executives retiring from LafargeHolcim at age 62 and assuming 10 years of service in senior management and 20 years of service with the Group, an amount of 40% of the average of the last 3 years' base salaries, inclusive of all other pension incomes participants may benefit from. Early or deferred retirement pensions are adjusted based on actuarial calculations. The members of the Executive Committee under foreign employment contracts are insured commensurately with market conditions and with their position. Each plan varies in line with the local competitive and legal environment and is, as a minimum, in accordance with the legal requirements of the respective country.

Benefits and perquisites

Members of the Executive Committee may receive certain executive perquisites such as a company car or allowances and other benefits in kind, in line with competitive market practice in their country of employment. Executives who are relocating may also be provided with expatriate benefits such as housing, schooling, travel benefits and tax advice, in line with the LafargeHolcim International Mobility policy. These other compensation elements are evaluated at fair value and included in the compensation tables.

Annual incentive

The annual incentive rewards the financial results as well as the achievement of a Health & Safety objective at Group and regional level (depending on the function) over a time horizon of one year.

The annual incentive target (i.e. incentive amount at 100% target achievement) is expressed as a percentage of base salary and amounts to 125% for the CEO and 75% for the other members of the Executive Committee. The payout is capped at 200% of target, i.e. 250% of base salary for the CEO and 150% of the base salary for the other Executive Committee members.

The financial performance is measured both in absolute terms (against own-set targets) and in relative terms compared to a peer group of companies that are exposed to similar market cycles.

- The absolute financial performance includes Recurring EBITDA pre-IFRS 16 as a measure of Group and regional operational profitability, as well as Free Cash Flow pre-IFRS 16 as a measure of the company's ability to generate cash. For those objectives, the NCGC determines a target level of expected performance (corresponding to a 100% payout), as well as a threshold level of performance below which there is no payout, and a maximum level of performance above which the payout is capped.
- The relative financial performance includes Group revenue growth and Group Recurring EBITDA pre-IFRS 16

growth compared to peer companies. The intention is to reward the relative performance of the company to neutralize factors outside of management control. The objective is to reach at least median performance within the peer group, which corresponds to a 100% payout factor. The peer group includes companies that were chosen for their comparable products, technologies, customers, suppliers or investors and are thus exposed to similar market cycles. The companies of the peer group are listed below (unchanged from the previous year).

The measurement of the relative Group performance is provided by Obermatt, an independent Swiss financial research firm focused on indexing company performance.

The achievement of the Health & Safety objective is measured as a score reflecting improvements in the Lost-Time Injury Frequency Rate (LTIFR). The NCGC also considers the overall related outcomes during the year, including fatalities and their causes, when determining the achievement level of this objective and may exercise downwards discretion.

The annual incentive is paid half in cash and half in shares subject to a three-year blocking period.

The annual incentive design applicable to the Executive Committee is summarized on page 123.

The annual incentive is subject to clawback and malus provisions. In case

Cement producers	Building materials	Construction
Boral	Carlisle	Acciona
Buzzi Unicem	James Hardie	ACS
Cemex	RPM	Bouygues
CRH	Saint-Gobain	Vinci
Heidelberg Cement	Sika	
Vicat		

of financial restatement due to non-compliance to the accounting standards and/or fraud, or in case of violation of law and/or internal rules, the Board of Directors may deem all or part of the annual incentive to forfeit (malus) or may seek reimbursement of all or part of any paid annual incentive (clawback). Those provisions may be enforced within three years of any year subject to a financial restatement or during which the fraudulent behavior happened.

In case of termination of employment, any potential payment of the annual incentive is paid pro-rata and based on the effective performance (determined after year end) capped at the target amount (pro-rata).

2020 onwards: stronger focus on sustainability matters

The definition of the Health & Safety objective will consist of a scorecard including both leading and lagging performance objectives and is based on three elements that are equally weighted:

- Health & Safety Improvement Plan (HSIP). The HSIP is determined at country level and includes strategic objectives such as key risk control and process safety management, health & well-being, industrial hygiene, road safety and fatality elimination control. For the regions and the Group, an average of the HSIP scores of the countries, respectively the regions, is used to determine the achievement level.
- Critical Risk Elimination (CRE). CRE objectives include action closure based on the findings of Health & Safety audit and of the safety management process for each country. For the regions and the Group, an average of the CRE scores of the countries, respectively the regions, is used to determine the achievement level.
- Lost-Time Injury Frequency Rate (LTIFR). This is the Health & Safety objective currently used in the annual incentive. Targets are defined at country, regional and Group level.

Further details on the Health & Safety scorecard will be provided in the 2020 Compensation Report.

In addition, the Recurring EBITDA objective will be replaced by Recurring EBIT, in alignment with the change in financial reporting in 2020 in the context of IFRS 16.

Design of the annual incentive 2019

Role	CEO	Other Executive Committee members
Target opportunity	125% of salary	75% of salary
Maximum opportunity	250% of salary	150% of salary

Performance objectives	Relative Group performance	Recurring EBITDA pre-IFRS 16 (Group or region)*	Free Cash Flow pre-IFRS 16 (Group or region)*	Health & Safety (Group or region)*
Purpose	Measures Group's performance compared to peer companies exposed to similar market cycles	Measures Group or regional operational profitability	Measures the company's ability to generate cash	Measures the accident rate to ensure a safe workplace
Definition	Relative Group revenue growth (50%) and relative Group Recurring EBITDA pre-IFRS 16 growth (50%) expressed as percentile ranking in the peer group of companies	Operating profit pre-IFRS 16 before depreciation, amortization and impairment of operating assets and before restructuring, litigation, implementation and other non-recurring costs, at budget FX rate, adjusted for changes in scope	Cash flow from operating activities pre-IFRS 16, adjusted for net maintenance and expansion capital expenditures	Lost-Time Injury Frequency Rate (LTIFR) and overall Health & Safety outcomes as per assessment by the NCGC
Weighting	30%	30%	25%	15%
Payout formula (threshold, target and cap for the Group)				

* Group level for corporate Executive Committee roles, regional level for regional Executive Committee roles

LONG-TERM INCENTIVES

Our compensation philosophy is to align a significant portion of compensation of the Executive Committee with long-term company performance and to strengthen alignment with shareholders' interests. To support the Strategy 2022 – "Building for Growth" the grant awarded under the long-term incentive consists of both performance shares and performance options.

PERFORMANCE SHARES

Performance shares are subject to a three-year vesting period based on Group earnings per share (EPS) before impairment and divestments and Group return on invested capital (ROIC). These performance objectives have been chosen as they reflect the strategic priorities of the Group to increase profitability through strong operating leverage (EPS) and to improve how the company generates profits relative to the capital it has invested in its business (ROIC). For both objectives, the NCGC determines a threshold performance level (below which there is no vesting), a target level (vesting of 100%) and a stretch performance level (vesting of 200%). Between these levels, vesting is calculated on a straight-line basis, as for previous performance share awards.

PERFORMANCE OPTIONS

In 2019, performance options are subject to a five-year vesting period based on LafargeHolcim's relative total shareholder return (TSR) compared to a group of peer companies, and have a maturity of ten years. Threshold vesting (25% of maximum) will be achieved if the median of the peer group is reached, target vesting (50% of maximum) will be achieved if the 60th percentile is reached and full vesting will be achieved if the 75th percentile is reached on average during the five-year vesting period. There will be no vesting for performance below the median of the peer group.

The vesting level between threshold, target and full vesting is calculated on a straight-line basis. The companies of the peer group are the same as for the annual incentive and are listed on page 122. The decision to replace the absolute TSR objective by a relative TSR objective was driven by the intention to further strengthen the link between the compensation of the Executive Committee and the shareholders' interests in the context of the new, growth-oriented business strategy.

The LTI awards are subject to clawback and malus provisions for a period of three years after vesting in case of financial restatement, error or inaccurate or misleading information to assess the fulfillment of performance conditions or a termination for cause.

The unvested LTI awards forfeit upon termination of employment, except in case of retirement, ill-health, disability, by reason of the employment being with a company/business which ceases to be a group member, termination by the employer within 18 months from a relevant M&A transaction or any other cases at the discretion of the NCGC. In such circumstances, unvested LTI awards are subject to a pro-rata vesting (for the number of full months between grant date and termination date), though without acceleration, i.e. vesting of the prorated number of awards will continue to occur at the regular vesting date, subject to performance measurement, over the entire performance period. In the event of death and change of control (unless the unvested LTI awards are replaced by an equivalent award following the change of control) unvested LTI awards vest immediately on a pro-rata basis considering performance conditions are met. For the avoidance of doubt, LTI awards always lapse when termination is due to voluntary resignation or gross misconduct.

The long-term incentive design applicable to the Executive Committee is summarized on the next page.

2020 onwards: introduction of sustainability objectives in the LTI plan

In recognition of the importance of mitigating the company's impact on the environment, the NCGC decided to introduce a sustainability objective for the performance shares. The sustainability objective will account for one-third of the performance share award and will encompass three pillars of the sustainability strategy:

- Climate and energy: reduction of CO₂ emissions with a 50% weight
- Circular economy: increased re-use of waste derived resources with a 25% weight
- Environment: reduction of freshwater withdrawal with a 25% weight

The specific targets will be determined based on the mid-term objectives communicated in the context of the sustainability strategy and reporting.

Further details will be provided in the 2020 Compensation Report.

Design of the long-term incentive

Role	CEO	Other Executive Committee members	
Grant size in 2019	177.4% of salary (125% in performance shares, 52.4% in performance options)	96.3% of salary (70% in performance shares, 26.3% in performance options)	
Performance objectives	EPS before impairment and divestments (Performance Shares)	ROIC (Performance Shares)	Relative TSR (Performance Options)
Purpose	Measures the company's profitability to investors	Measures the company's ability to generate returns from invested capital	Measures the company's ability to provide investors with strong returns
Definition	EPS adjusted for after tax gains and losses on disposals of Group companies and impairments of goodwill and long-term assets	ROIC at year end 2021, adjusted for changes in scope between 2019 and 2021	LafargeHolcim's TSR over the five-year performance period, starting on January 1st, 2019, and ending on December 31st, 2023 expressed as a percentile ranking in a peer group of companies
Weighting	60% of Performance Share grant	40% of Performance Share grant	100% of Performance Option grant
Performance period	2021	2021	2019-2023
Performance vesting			
Maximum vesting level	200%	200%	100%

EXECUTIVE SHARE OWNERSHIP GUIDELINES

To reflect the importance the NCGC places on aligning their interests with shareholders, Executive Committee members are required to own at least a minimum multiple of their annual base salary in LafargeHolcim shares as set out below:

- CEO: 500% of annual base salary
- Executive Committee members: 200% of annual base salary

Members of the Executive Committee are expected to meet the minimum shareholding requirements within four years of their appointment to the Executive Committee (or within four years of the implementation of the new guideline, i.e. until end of December 2022 for existing Executive Committee members). In case of non-compliance to the minimum requirements at the required date, Executive Committee members are prohibited to sell any shares held. Further, their annual incentive (net of statutory deductions) will be paid entirely in shares. The compliance to the share ownership guidelines is monitored on an annual basis.

EMPLOYMENT CONTRACTS FOR THE EXECUTIVE COMMITTEE

The contracts of employment of the Executive Committee members are concluded for an indefinite period of time and may be terminated with one year's notice. Contracts of employment do not include severance compensation or change of control clauses except the vesting provisions of the LTI awards as described above. They may include non-competition provisions that are limited in time to a maximum of one year and which may allow compensation up to a maximum of one year.

Compensation for the financial year 2019

The tables on page 127 and 128 were audited according to Article 17 of the Ordinance against Excessive Compensation in Listed Stock Corporations.



C: Committee chair
M: Member

AC: Audit Committee
NCGC: Nomination, Compensation and Governance Committee
HSSC: Health, Safety & Sustainability Committee

Board of Directors

Name	Positions as per 31 December			Cash compensation CHF	Share-Based compensation			Social Security ⁵ CHF	2019 Total CHF	2018 Total CHF	
	AC	NCGC	HSSC		Number	Value CHF	Other ⁴ CHF				Subtotal CHF
Beat Hess, Chairman				825,000	16,110	825,000	70,000	1,720,000	1,720,000	1,636,666	
Oscar Fanjul		C		200,000	3,905	200,000	10,000	410,000	410,000	443,333	
Bertrand Collomb ³				0	0	0	0	0	0	104,168	
Paul Desmarais, Jr.		M		140,000	1,953	100,000	10,000	250,000	250,000	250,000	
Colin Hall ¹	M			81,667	1,139	58,333	5,833	145,833	145,833	0	
Patrick Kron	C		M	300,000	1,953	100,000	10,000	410,000	410,000	364,336	
Naina Lal Kidwai ¹			M	81,667	1,139	58,333	5,833	145,833	145,833	0	
Gérard Lamarche ²				58,333	814	41,667	4,167	104,167	104,167	302,083	
Adrian Loader		M	C	265,000	1,953	100,000	10,000	375,000	375,000	375,000	
Jürg Oleas	M			140,000	1,953	100,000	10,000	250,000	4,336	254,336	262,118
Nassef Sawiris ²				58,333	814	41,667	4,167	104,167	104,167	285,416	
Thomas Schmidheiny ³				0	0	0	0	0	0	104,168	
Claudia Sender Ramirez ¹				58,333	1,139	58,333	5,833	122,499	122,499	0	
Hanne B. Sørensen		M	M	180,000	1,953	100,000	10,000	290,000	290,000	290,000	
Dieter Spälti	M		M	180,000	1,953	100,000	10,000	290,000	4,336	294,336	329,752
Total				2,568,333	36,778	1,883,333	165,833	4,617,499	8,672	4,626,171	4,747,040

¹ Board member since May 15, 2019

² Board member until May 15, 2019

³ Board member until May 8, 2018

⁴ Expense allowances and secretarial allowance for the Board chair.

⁵ Includes mandatory employer contributions of CHF 8,672 for two members under the Swiss governmental social security system (AHV). This amount is out of total employer contributions of CHF 95,479 paid for all Board members, and provides a right to the maximum future insured government pension benefit.

COMPENSATION REPORT CONTINUED

EXPLANATIONS

In 2019, thirteen non-executive members of the Board of Directors received in total compensation of CHF 4.6 million including mandatory social security payments (2018: CHF 4.7 million) of which CHF 2.6 million (2018: CHF 2.7 million) was paid in cash, CHF 0.01 million (2018: CHF 0.02 million) in the form of social security contributions, and CHF 1.9 million (2018: CHF 1.9 million) in shares. Other compensation paid totaled CHF 0.2 million (2018: CHF 0.2 million).

The compensation of the Board of Directors decreased by 3% compared to previous year, which is due to changes in the composition of the Board of Directors. The compensation structure and level was unchanged from previous year.

At the Annual General Meeting 2018, shareholders approved a maximum aggregate amount of compensation of CHF 4,800,000 for the Board of Directors for the term until the Annual General Meeting 2019. The compensation paid to the Board of Directors for this term was CHF 4,514,555 and is therefore within the approved limits.

At the Annual General Meeting 2019, shareholders approved a maximum aggregate amount of compensation of CHF 5,100,000 for the Board of Directors for the term until the Annual General Meeting 2020. The compensation paid to the Board of Directors for this term is anticipated to be approximately CHF 4.7 million. The final amount will be disclosed in the 2020 Annual Report.

Executive Committee

Executive	Base salary CHF	Other fixed pay ¹ CHF	Annual incentive CHF	Performance shares ²	Performance options ³	Social/pension contributions ⁴ CHF	Total 2019 CHF	Total 2018 CHF
				Fair value at grant CHF	Fair value at grant CHF			
Jan Jenisch								
01.01.2019 until 31.12.2019	1,700,000	26,000	3,574,250	2,089,712	890,001	353,995	8,633,958	7,411,543
other members								
01.01.2019 until 31.12.2019	5,832,060	1,060,988	6,668,670	3,900,446	1,490,189	2,501,641	21,453,994	23,001,651
Total	7,532,060	1,086,988	10,242,920	5,990,158	2,380,190	2,855,636	30,087,952	30,413,194

¹ Includes the value of benefits in kind: car allowance and benefits for internationally mobile members (expatriates) such as housing, schooling and tax consulting.

² Performance shares granted under the long-term incentive plan, subject to a three-year performance-based vesting period.

³ Performance options granted under the long-term incentive plan, subject to a five-year performance-based vesting period.

⁴ Includes contributions to social security and occupational pension plans. Contributions to occupational pension plans are the contributions effectively paid in the reporting year. Contributions to social security plans for members employed in Switzerland include the payment to the Swiss old age, survivors and disability insurance ("OASI"/"AHV/IV/EO") to the extent that they result in a pension entitlement. Contributions to social security plans for members employed outside of Switzerland include the contributions effectively paid in the reporting year.

Explanations

The total annual compensation for the members of the Executive Committee in 2019 amounts to CHF 30.1 million (2018: CHF 30.4 million). This amount comprises base salaries, other fixed pay and annual incentive of CHF 18.9 million (2018: CHF 16.6 million), share-based compensation of CHF 8.4 million (2018: CHF 10.6 million), employer contributions to social security and pension plans of CHF 2.9 million (2018: CHF 3.2 million).

The compensation changes in 2019 compared to 2018 are mainly caused by the following factors:

- Changes in the composition of the Executive Committee, including the resignation of one member and appointment of three new members, bringing the overall number of executive committee members to ten compared with eight members in the previous year.
- As a result of the 2019 compensation review, it was decided to increase the maximum payout potential under the annual incentive from 167% to 200%. For the CEO, this would have led to a maximum payout potential equivalent to 300% of annual base salary. The NCGC felt that this was not appropriate and decided to decrease the annual incentive target of the CEO from 150% to 125% of the annual base salary, thus keeping the maximum annual incentive at 250% of annual base salary. However, this reduction of the annual incentive target would have led to a lower target compensation level overall. The NCGC decided that it was not appropriate to decrease the total target compensation of the CEO considering the challenging targets in the incentive plans overall and his strong performance. In order to keep the target compensation and the proportion between annual base salary and LTI unchanged, the salary and the LTI grant size have been increased by 6.3% (respectively 6% for the performance options). The annual incentive target was decreased by 11.5%. The total target compensation was unchanged and is in line with the market compensation in the peer group. For the other members of the Executive Committee, the annual base salary, the annual incentive target and the size of the long-term incentive grant (performance shares and option) remained unchanged.
- The performance achievement under the annual incentive was higher in 2019 than in 2018. Further details are provided on the next page.
- The other payments decreased substantially considering that no replacement award was paid out in the reporting year.

Overview of CEO compensation at target in 2019 (versus 2018)

CHF	CEO 2019	In % of annual salary	CEO 2018	In % of annual salary	% change
Annual base salary	1,700,000		1,600,000		+ 6.3%
Annual Incentive target	2,125,000	125%	2,400,000	150%	- 11.5%
LTI performance shares (grant value)	2,125,000	125%	2,000,000	125%	+ 6.3%
LTI performance options (grant value)	890,000	52.4%	840,000	52.5%	+ 6.0%
Total	6,840,000		6,840,000		0%

COMPENSATION REPORT
CONTINUED

The compensation awarded to the Executive Committee members for 2019 is within the total maximal amount of compensation for the Executive Committee for the financial year 2019 of CHF 39,500,000 approved at the Annual General Meeting 2018.

PERFORMANCE IN 2019

The company made good progress on all four value drivers of Strategy 2022 – “Building for Growth”. Those results impacted the annual incentive as follows:

Consequently, the annual incentive for the CEO was 168% of target (210% of salary) and 152% on average for other members of the Executive Committee (114% of salary on average).

Payout of the annual incentive in 2019

Performance objectives	Results		Payout Percentage		
			Threshold	Target	Stretch
Relative Group performance (30%)¹	With a Net Sales growth of 1.8% (adjusted basis), LafargeHolcim achieved the 67th percentile in the peer group (168% payout). With a Recurring EBITDA pre-IFRS 16 growth of 1.2% (adjusted basis), LafargeHolcim achieved the 65th percentile in the peer group (160% payout).	Net Sales growth			
		Recurring EBITDA pre-IFRS 16 growth			
Recurring EBITDA pre-IFRS 16 (30%) (Group or regional)	The 2019 Group Recurring EBITDA pre-IFRS 16 growth like-for-like was 6.5% compared to a target of 5%, which corresponds to a payout factor of 150%. The regional EBITDA pre-IFRS 16 performance was mixed with two regions below the threshold (0% payout), one region slightly below target and two regions exceeding the target (200% payout).	Group Recurring EBITDA pre-IFRS 16			
		Regional Recurring EBITDA pre-IFRS 16			
Free Cash Flow pre-IFRS 16 (25%) (Group or regional)	The Group Free Cash Flow pre-IFRS 16 was CHF 3 billion compared to a target of CHF 2 billion, which corresponds to a payout factor of 200%. The Free Cash Flow pre-IFRS 16 performance of all regions exceeded the target (174% payout on average).	Group FCF pre-IFRS 16			
		Regional FCF pre-IFRS 16			
Health & Safety (15%) (Group or regional)	At Group level, the Lost-Time Injury Frequency Rate (LTIFR) of 0.65 per million hours worked exceeded both the target of 0.85 and the maximum of 0.80 (200% payout). While North America was below the threshold (0% payout), the other regions reached the maximum (200% payout). However, the NCGC decided to cap the LTIFR payout at target level for two regions due to the number and circumstances of fatalities (100% payout), which led to a reduced payout of 160% for the Group.	Group LTIFR			
		Regional LTIFR			
Total		Overall payout of 168% for the CEO and of 152% on average for the other Executive Committee members			

¹ The relative Group performance assessment is based on a best estimate at time of publication (i.e. includes an estimate for companies that did not yet published their annual results). The final achievement level will be calculated by Obermatt before the payout date in March 2020 based on the annual report publications of the peer companies.

The LafargeHolcim LTI plan granted in 2016 and vested in 2019 included performance shares subject to a vesting conditional upon EPS before impairment and divestments pre-IFRS 16, ROIC pre-IFRS 16 and relative TSR as well as stock options subject to a vesting conditional upon cumulative Free Cash Flow pre-IFRS 16. The vesting of those grants applies to five current Executive Committee members and is as follows:

Vesting of the long-term incentive in 2019

Grant	Performance objectives	Definition	Result and payout	Payout calculation
2016 Performance shares	EPS pre-IFRS 16 (30%)	Earnings per share adjusted for after tax impairment and gains and losses on divestments in 2018	EPS pre-IFRS 16 below the threshold of CHF 3.86 lead to a 0% payout	30% * 0%
	ROIC pre-IFRS 16 (40%)	Return on invested capital measured as net operating profit after tax divided by the average invested capital in 2018	ROIC pre-IFRS 16 below the threshold of 7.5% lead to a 0% payout	40% * 0%
	Relative TSR (30%)	Percentile-ranking of LafargeHolcim's TSR vs TSR of a peer group of 17 similar sector companies from around the world: ACS, Bouygues, Buzzi Unicem, Cemex, CRH, HeidelbergCement, James Hardie Industries, Kingspan, Martin Marietta Materials, Mitsubishi Materials, NCC, Saint-Gobain, Sika, Skanska, Vicat, Vinci and Vulcan Materials	Relative TSR at 55th percentile lead to a 79.9% payout	30% * 79.9%
	Total			= overall vesting of 24%
2016 Performance options	Cumulative Free Cash Flow pre-IFRS 16 (100%)	Sum of cash generated and available for debt repayment, dividend and share buy-backs over the years 2017 to 2019, excluding the impact of proceeds from the divestment program	Target missed, payout of 0%	100% * 0% = 0%
	Total			= overall vesting of 0%

LOANS GRANTED TO MEMBERS OF GOVERNING BODIES

As at 31 December 2019, there was one loan in the amount of CHF 0.1 million (2018: CHF 0.1 million) outstanding from René Thibault, member of the Executive Committee. There were no loans to other members of the Executive Committee, members of the Board of Directors or to parties closely related to members of governing bodies outstanding at 31 December 2019.

COMPENSATION FOR FORMER MEMBERS OF GOVERNING BODIES

During 2019, payments in the total amount of CHF 4.0 million were made to six former members of the Executive Committee. This compares to a total amount of CHF 10.6 million for eight former members in 2018.

Share ownership information

BOARD OF DIRECTORS

On 31 December 2019, members of the Board of Directors held a total of 239,097 registered shares in LafargeHolcim Ltd. This number comprises privately acquired shares and those allotted under participation and compensation schemes. Until the announcement of market-relevant information or projects to the public, the

Board of Directors, the Executive Committee and any employees possessing such market-relevant information are prohibited from effecting transactions with equity securities or other financial instruments of LafargeHolcim Ltd, exchange-listed Group companies or potential target companies (trade restriction period).

Shares and options held by the Board of Directors

Name	Position	Shares held as of 31 December 2019	Options held as of 31 December 2019	Shares held as of 31 December 2018	Options held as of 31 December 2018
Beat Hess	Chairman	57,205		40,109	
Oscar Fanjul	Vice-Chairman	15,707		10,675	
Paul Desmarais Jr	Member	44,469		40,693	
Colin Hall	Member (since 15 May 2019)	0		n/a	n/a
Patrick Kron	Member	3,345		1,021	
Naina Lal Kidwai	Member (since 15 May 2019)	0		n/a	n/a
Gérard Lamarche	Member (until 15 May 2019)	n/a	n/a	5,816	
Adrian Loader	Member	21,587		18,489	
Jürg Oleas	Member	7,654		5,147	
Nassef Sawiris	Member (until 15 May 2019)	n/a	n/a	9,455,606	16,993,600 ¹
Claudia Sender Ramirez	Member (since 15 May 2019)	0		n/a	n/a
Hanne B. Sørensen	Member	11,184		8,537	
Dieter Spälti	Member	77,946		72,306	
Total		239,097	0	9,658,399	16,993,600

¹ Further information can be found under: www.six-exchange-regulation.com

OWNERSHIP OF SHARES AND OPTIONS: EXECUTIVE COMMITTEE

As of 31 December 2019, members of the Executive Committee held a total of 365,542 registered shares in LafargeHolcim Ltd. This figure includes both privately acquired shares and those allocated under the Group's compensation schemes.

Furthermore, at the end of 2019, the Executive Committee held a total of 756,549 performance options and 292,586 performance shares (at target); these arose as a result of the participation and compensation schemes of various years. Options are issued solely on registered shares in LafargeHolcim Ltd. One option entitles the holder to buy one registered share in LafargeHolcim Ltd.

Number of shares and options held by Executive Committee members as of 31 December 2019

Name	Position	Total number of shares owned	Total number of performance options held (at target)	Total number of performance options held (at full vesting)	Total number of performance shares held (at target)	Total number of performance shares held (at full vesting)
Jan Jenisch	CEO	260,000	268,452	536,903	113,719	227,437
Magali Anderson	Member	281	0	0	5,900	11,800
Keith Carr	Member	5,000	41,900	83,800	13,715	27,430
Marcel Cobuz	Member	15,091	75,438	135,576	22,251	44,501
Feliciano González Muñoz	Member	2,660	41,900	83,800	13,815	27,630
Miljan Gutovic	Member	8,389	42,545	85,089	13,855	27,710
Martin Kriegner	Member	16,271	78,031	158,761	28,318	56,636
Géraldine Picaud	Member	39,604	72,166	144,331	34,472	68,943
Oliver Osswald	Member	5,852	69,783	139,566	25,091	50,182
René Thibault	Member	12,394	66,334	117,368	21,450	38,300
Total		365,542	756,549	1,485,194	292,586	580,569

Number of shares and options held by Executive Committee members as of 31 December 2018

Name	Position	Total number of shares owned	Total number of performance options held (at target)	Total number of performance options held (at full vesting)	Total number of performance shares held (at target)	Total number of performance shares held (at full vesting)
Jan Jenisch	CEO	170,722	50,314	100,628	82,818	165,636
Urs Bleisch	Member	14,775	69,239	138,477	25,559	51,117
Marcel Cobuz	Member	8,425	20,792	41,584	13,784	27,567
Miljan Gutovic	Member	0	0	0	4,403	8,805
Martin Kriegner	Member	8,034	34,482	68,963	26,384	52,768
Géraldine Picaud	Member	15,663	14,151	28,301	32,381	64,761
Oliver Osswald	Member	3,868	24,660	49,320	23,471	46,941
René Thibault	Member	7,656	18,869	37,738	12,245	24,490
Total		229,143	232,507	465,011	221,043	442,085

COMPENSATION REPORT
CONTINUED

The share options outstanding held by the Executive Committee (including former members) at year end 2019 have the following expiry dates and exercise prices:

Option grant date	Issuing Company	Expiry date	Exercise price ¹	Number ¹	
				2019	2018
2008	Holcim Ltd	2020	CHF 62.95	33,550	33,550
2010	Holcim Ltd	2022	CHF 70.30	33,550	33,550
2011	Holcim Ltd	2019	CHF 63.40	0	113,957
2012	Holcim Ltd	2020	CHF 54.85	165,538	165,538
2013	Holcim Ltd	2021	CHF 67.40	122,770	122,770
2014	Holcim Ltd	2022	CHF 64.40	99,532	99,532
2014	Holcim Ltd	2026	CHF 64.40	0	33,550
2015 (2009 ²)	Lafarge S.A.	2019	CHF 33.38	0	22,016
2015 (2010 ²)	Lafarge S.A.	2020	CHF 55.71	22,125	22,125
2015 (2011 ²)	Lafarge S.A.	2020	CHF 48.32	24,675	24,675
2015 (2012 ²)	Lafarge S.A.	2020	CHF 39.09	24,360	24,360
2015	Holcim Ltd	2023	CHF 66.85	144,970	144,970
2015	Holcim Ltd	2023	CHF 63.55	47,333	47,333
2015	LafargeHolcim Ltd	2025	CHF 50.19	24,946	417,360
2016	LafargeHolcim Ltd	2026	CHF 53.83	503,120	503,120
2018	LafargeHolcim Ltd	2028	CHF 55.65	246,404	246,404
2019	LafargeHolcim Ltd	2029	CHF 49.92	1,166,760	0
Total				2,659,633	2,054,810

¹ Adjusted to reflect former share splits and/or capital increases and/or scrip dividend.

² These options were granted through the Lafarge stock options plans. The figures presented in this table are based on the application of the actual exchange ratio of 0.884. The year specified between brackets is the original option grant date and the exercise price is converted from EUR to CHF at the closing rate of 1.09.

**EQUITY OVERHANG
AND DILUTION AS OF
DECEMBER 31, 2019**

In total as of 31 December 2019, the equity overhang, defined as the total number of unvested share units and options divided by the total number of outstanding shares (613,693,581 dividend-bearing shares) amounts to 0.49%.

The company's gross burn rate defined as the total number of equities (shares, share units and options) granted in 2019 divided by the total number of outstanding shares (613,693,581 dividend-bearing shares) amounts to 0.26%.

Compensation governance

RULES RELATING TO COMPENSATION IN THE LAFARGEHOLCIM ARTICLES OF INCORPORATION

The Articles of Incorporation contain provisions regarding the approval of compensation of the Board of Directors and the Executive Management (Art. 23), the supplementary amount for new members of the Executive Committee (Art. 24), the general compensation principles (Art. 25) as well as provisions regarding the agreements with members of the Board of Directors and the Executive Committee (Art. 26). Moreover, the Articles of Incorporation contain provisions regarding the roles of the Board of Directors and the NCGC (Art. 16 to 21). The Articles of Incorporation are approved by the shareholders and are available at www.lafargeholcim.com/articles-association.

ANNUAL GENERAL MEETING – SHAREHOLDER INVOLVEMENT

According to Art. 23 of the Articles of Incorporation, the Annual General Meeting approves annually the maximum aggregate compensation of the Board of Directors for the period from the Annual General Meeting to the next Annual General Meeting as well as the maximum aggregate compensation of the Executive Committee for the following financial year. In addition, the Compensation Report is submitted to the Annual General Meeting for an advisory vote on a yearly basis.

Art. 24 of the Articles of Incorporation provides for a supplementary amount for Executive Committee members who become members of, or who are promoted to the Executive Committee during a compensation period for which the Annual General Meeting has already approved the compensation of the Executive Committee if the

compensation already approved is not sufficient to cover this compensation.

The supplementary amount per compensation period shall not exceed 40 percent of the aggregate amount of compensation last approved by the Annual General Meeting in total and does not require further shareholders' approval.

NOMINATION, COMPENSATION & GOVERNANCE COMMITTEE

In accordance with Article 21 of the Articles of Incorporation, the NCGC supports the Board of Directors in establishing and reviewing LafargeHolcim's nomination, compensation and governance strategy and guidelines as well as in preparing the motions to the Annual General Meeting regarding the nomination and compensation of the members of the Board of Directors and of the Executive Committee. In particular, the NCGC performs the following duties:

- **Nomination:** Review of the nomination and size of the Board of Directors to ensure appropriate expertise, diversity and independence of the Board of Directors; succession planning for the Board of Directors and its committees; preparation of the motions to the Annual General Meeting for (re-) election of candidates for positions on the Board of Directors and in the NCGC; succession planning for positions on the Executive Committee;
- **Compensation:** Planning and preparation of the compensation of the Board of Directors and the Executive Committee; preparation of the motions to the Annual General Meeting regarding compensation of the Board of Directors and of the Executive Committee; determination of compensation strategy and design of

compensation programs including incentive plans; planning and preparation of the targets and performance assessment of the CEO and other members of the Executive Committee;

- **Governance:** Dealing with all corporate governance related matters; reviewing proposals to be made to the Board of Directors for the amendment of the Articles of Incorporation, the organizational rules, the committees charter; the code of conduct, the overall policy landscape and the policies and directives approved by the Board of Directors; review of the criteria for the determination of the independence of directors; approval of external mandates for the CEO and other Executive Committee members; review of the annual assessment of the functioning and effectiveness of the Board of Directors; review of the corporate governance section of the Annual Report.

The following table summarizes the decision authorities between the NCGC, the Board of Directors and the Annual General Meeting on compensation matters.

Decision authorities

	NCGC	Board of Directors	Annual General Meeting
Compensation strategy and design	Proposes	Approves	
Compensation Report	Proposes	Approves	Advisory vote
Maximum aggregate compensation amount of the Board of Directors	Proposes	Reviews	Approves (binding vote)
Individual compensation of members of the Board of Directors	Proposes	Approves (within the budget approved by the AGM)	
Maximum aggregate compensation amount of the Executive Committee	Proposes	Reviews	Approves (binding vote)
Individual compensation of members of the Executive Committee	Approves (within the budget approved by the AGM)	Is informed	
Performance objectives setting for the purpose of the incentive plans	Approves	Is informed	

The NCGC is composed of four members of the Board of Directors that are elected individually by the Annual General Meeting for a period of one year. Since the Annual General Meeting 2019, Mr. Oscar Fanjul (Chair), Mrs. Hanne Birgitte Breinbjerg Sørensen, Mr. Paul Desmarais, Jr and Mr. Adrian Loader were re-elected members of the NCGC.

The NCGC holds ordinary meetings at least three times a year. In 2019, the NCGC held four ordinary meetings according to the annual schedule below and one telephone conference on the appointment of the Chief Sustainability Officer.

Annual NCGC meeting schedule

	February	July	October	December
Nomination	<ul style="list-style-type: none"> Proposal of elections to the Board of Directors Proposal of the Board of Directors constitution for coming terms (committees) 	<ul style="list-style-type: none"> Selection criteria and succession planning Board of Directors Selection criteria and succession planning Executive Committee 	<ul style="list-style-type: none"> Update succession planning Board of Directors and Executive Committee 	<ul style="list-style-type: none"> Update succession planning Board of Directors and Executive Committee
Compensation	<ul style="list-style-type: none"> Board compensation current term Proposal AGM motions (amounts to be submitted to vote) Performance assessment and incentive payouts previous year for Executive Committee LTI vesting previous year LTI grant approval current year 	<ul style="list-style-type: none"> Review of compensation system Review of disclosure approach (feedback from shareholders) 	<ul style="list-style-type: none"> Benchmarking of Board of Directors (every 2 – 3 years) and Executive Committee compensation (annual) Incentive plan design for coming year Forecast expected incentive payouts current year 	<ul style="list-style-type: none"> Proposal Board compensation coming term Target compensation coming year Executive Committee Performance targets coming year Executive Committee (annual incentive, LTI) Forecast expected incentive payouts current year
Governance	<ul style="list-style-type: none"> Board assessment NCGC self-assessment Governance Report Compensation Report (final) Proposal AGM motions (other than compensation) Governance update 	<ul style="list-style-type: none"> AGM retrospective: shareholders feedback Review of Board composition Review of independence of Board members Review of NCGC members' independence Governance update 	<ul style="list-style-type: none"> Review of corporate governance in general 	<ul style="list-style-type: none"> Review of governance documents: Articles of Incorporation, Organizational rules, committees charters, Code of Conduct Review of external mandates Executive Committee Compensation Report (draft) NCGC schedule for coming year Governance update

In 2019, three NCGC members attended all meetings while one member apologized for three meetings, which represents an attendance rate of 81 percent. Further information on meeting attendance is provided in the Corporate Governance Report on page 83.

The NCGC Chair may invite members of the Executive Committee, other officers of the Group or third parties to attend the meetings. They will however not be present when their own performance or compensation is discussed or determined. After each NCGC meeting, the Board of Directors is informed of the topics discussed, decisions taken and recommendations made.

EXTERNAL ADVISORS

The NCGC may decide to consult an external advisor from time to time for specific compensation matters. In 2019, Agnès Blust Consulting was appointed as independent compensation advisor. Obermatt was appointed to measure relative performance of LafargeHolcim for the purpose of the annual incentive. These companies do not have other mandates with LafargeHolcim. In addition, support and expertise are provided by internal experts such as the Head of Human Resources and the Head of Compensation & Benefits.

METHOD FOR DETERMINING COMPENSATION: BENCHMARKING

The compensation of the Board of Directors is regularly reviewed against prevalent market practice. In 2019, a benchmarking analysis was conducted on the basis of other multinational industrial companies of the SMI: ABB, Givaudan, Lonza, Nestle, Novartis, Richemont, Roche, SGS, Sika and Swatch Group. This peer group of SMI companies was selected on the basis of their sector (exclusion of financial services), market capitalization, revenue and headcount, so that LafargeHolcim is positioned around the middle of the peer group.

The compensation of the Executive Committee is also regularly benchmarked against market practice. In 2019, a benchmarking analysis of the compensation levels was conducted again with the support of Willis Towers Watson. For this purpose, Executive Committee members who are on a Swiss employment contract were benchmarked against the same peer group as the Board of Directors, described above. For Executive Committee members who are on a foreign employment contract, an industrial cut was made to the general industry data included in the database of Willis Towers Watson of the respective country of employment.

The benchmarking analyses serve as basis for the NCGC to regularly analyze the compensation of the CEO and the Executive Committee and to set their target compensation levels. The policy of LafargeHolcim is to target market median compensation for on-target performance, with significant upside for above target performance.

For the compensation strategy and the design of compensation programs for the Executive Committee, the Swiss peer group described above is considered, as well as a secondary international peer group (same peer group as the one used for the relative performance measurement under the annual incentive).

TO THE GENERAL MEETING OF LAFARGEHOLCIM LTD

Zurich, 26 February 2020

REPORT OF THE STATUTORY AUDITOR ON THE COMPENSATION REPORT

We have audited the compensation report of LafargeHolcim Ltd for the year ended December 31, 2019. The audit was limited to the information according to articles 14-16 of the Ordinance against Excessive Compensation in Listed Stock Corporations (Ordinance) contained in tables labeled "audited" on pages 127 and 128 of the compensation report.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying compensation report. We conducted our audit in accordance with Swiss Auditing Standards. These standards require that we comply with ethical requirements and plan and perform the audit to

obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14-16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14-16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the compensation report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the compensation report for the year ended December 31, 2019 of LafargeHolcim Ltd complies with Swiss law and articles 14-16 of the Ordinance.

Deloitte AG



David Quinlin
Licensed Audit Expert
Auditor in charge



Alexandre Dübi
Licensed Audit Expert



Management discussion & analysis



↳
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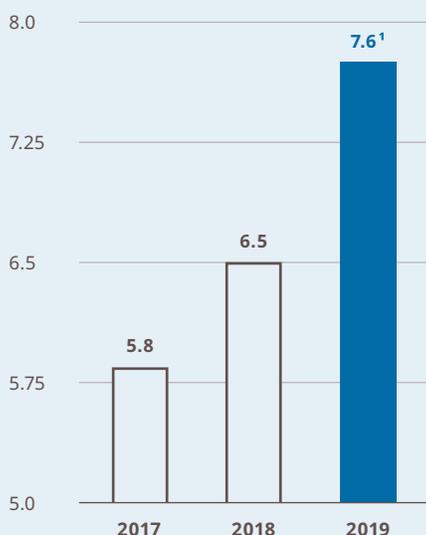
MANAGEMENT DISCUSSION & ANALYSIS 2019

This management discussion and analysis should be read in conjunction with the shareholders' letter and the individual reports for the Group regions.

GROUP

		2019	2018	±%	±% like-for-like
Sales of cement	million t	207.9	221.9	-6.3%	0.5%
Sales of aggregates	million t	269.9	273.8	-1.4%	-0.3%
Sales of ready-mix concrete	million m ³	47.7	50.9	-6.3%	-2.0%
Net sales	million CHF	26,722	27,466	-2.7%	3.1%
Recurring SG&A	million CHF	(2,011)	(2,441)	-17.6%	9.5%
Recurring EBITDA pre-IFRS 16	million CHF	6,153	6,016	2.3%	6.5%
Operating profit (EBIT)	million CHF	3,833	3,312	15.7%	
Net income Group share	million CHF	2,246	1,502	49.5%	
Net income before impairment and divestments Group share	million CHF	2,072	1,569	32.1%	
Earnings per share before impairment and divestments pre-IFRS 16	CHF	3.40	2.63	29.3%	
Cash flow from operating activities	million CHF	4,825	2,988	61.5%	
Capex	million CHF	1,397	1,285	8.7%	
Free Cash Flow pre-IFRS 16	million CHF	3,047	1,703	78.9%	
Return on Invested Capital (ROIC) pre-IFRS 16	%	7.6%	6.5%	1.1%	
Net financial debt pre-IFRS 16	million CHF	8,811	13,518	-34.8%	

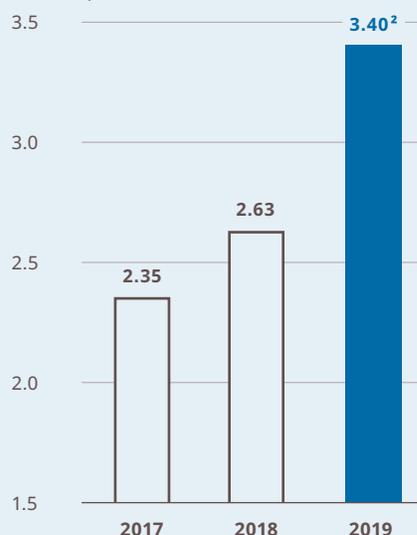
RETURN ON INVESTED CAPITAL (%)



¹ Return on invested capital for 2019 post-IFRS 16 is 7.4%.

EARNINGS PER SHARE (CHF)

Before impairment and divestments



² Earnings per share before impairment and divestments for 2019 post-IFRS 16 is CHF 3.37.

561 kg

Net CO₂ emitted per ton
of cementitious material (scope 1)
(-1.4 % at 2019 constant scope)

+4.3%

Increase in waste reused in
operations
(2019: 48 million tons)

-5.7%

Reduction in freshwater
withdrawn per ton
of cementitious material
(2019: 299 l)

+5.4%

Increase in people benefited from
our community investments
(2019: 5.9 m)

-15.2%

Reduction in long-term injury
frequency rate (LTIFR)
(2019: 0.67)

RECORD NET INCOME AND FREE CASH FLOW

Net sales of CHF 26,722 million grew 3.1 percent on a like-for-like basis compared to the prior year, driven by good growth in Europe and North America and good price dynamics across all business segments and higher prices in most markets.

Recurring EBITDA pre-IFRS 16 reached CHF 6,153 million, up 6.5 percent like-for-like for the full year driven by good pricing improvement in efficiencies and our CHF 400 million SG&A cost savings program. The Recurring EBITDA margin pre-IFRS 16 increased from 21.9 percent in 2018 to 23.0 percent in 2019.

Record Net Income pre-IFRS 16, before impairment and divestments, group share of CHF 2,072 million increased by 32.1 percent compared to 2018 (CHF 1,569 million), driven by less restructuring costs, lower financial expenses as well as a decrease in the tax rate.

Earnings per Share pre-IFRS 16, before impairment and divestments were up by 29.1 percent to reach CHF 3.40 for 2019 versus CHF 2.63 for 2018.

Record Free Cash Flow pre-IFRS 16 generation of CHF 3,047 million (+79%) and strong improvement of cash conversion pre-IFRS 16 reaching 49.5 percent, well above the targets of 40 percent, as defined in the Strategy 2022-“Building for Growth”. This achievement reflects reduced cash paid for tax, financial and restructuring costs as well as improved working capital.

Net debt pre-IFRS 16 was substantially reduced by CHF 4.7 billion (-35%) to CHF 8.8 billion at year-end 2019, reflecting the strong Free Cash Flow and the positive impact following the sale of Indonesia and Malaysia. This resulted in a significant deleveraging with a ratio of Net Debt to Recurring EBITDA of 1.4x. (2.2x in 2018).

Return on Invested Capital (ROIC) pre-IFRS 16 was at a strong 7.6 percent in 2019, close to the 2022 target of above 8 percent and compared to 6.5 percent in the previous year. ROIC is now above cost of capital thanks to higher profitability, lower tax rate and disciplined Capex.

STRENGTHENING SUSTAINABILITY

In 2019, LafargeHolcim made significant progress in reducing its carbon footprint. Compared to 2018 the company reduced its carbon emissions by 1.4 percent at constant 2019 scope to 561 kg in 2019, nearly meeting its 2022 target of 560 kg.

Given this strong progress the company has revised its 2022 target to 550kg as it moves to reduce its carbon footprint to 520 kg by 2030. In 2019, the Science-Based Targets initiative (SBTi) had validated the targets to reduce its global carbon footprint as adequate and consistent with the effort to keep temperatures below the ‘2°C’ threshold agreed at the COP21 world climate conference in Paris. Compared to 1990 the company had already reduced its directly attributable (‘scope 1’) CO₂ emissions per ton of cementitious material by 27 percent, by far the leader among international cement groups.

In October 2019, Chief Sustainability Officer Magali Anderson was appointed as a member of the Group Executive Committee, underlining LafargeHolcim’s industry leadership in regard to social and ecological responsibility.

In January 2020, LafargeHolcim introduced its first fully carbon-neutral concrete in Switzerland and Germany, demonstrating the company’s move toward building a global family of carbon-neutral products.

To keep up this momentum, the company has also revised its incentive scheme so that one-third of the Executive Committee’s performance share rewards is based on progress in carbon emissions, waste recycling and freshwater withdrawal. The health and safety component of the annual incentive scheme will also include a scorecard including both leading and lagging performance metrics. Both changes to the incentives scheme begin in 2020.

Financing activity

LafargeHolcim's investments were funded from the cash flow from operating activities. New debt capital issuances were mainly conducted for refinancing and general corporate purposes. In the year under review, capital market issuances of CHF 1.1 billion equivalent were undertaken, enabling the Group to lock in historically low interest rates. The main capital market transactions were the following:

EUR 500 million issued in April 2019	EUR 500 million subordinated fixed rate resettable perpetual notes with a coupon of 3.0%.
EUR 500 million issued in November 2019	EUR 500 million bond with a coupon of 0.5%, term 2019–2026 as part of an intermediated exchange offer against EUR 462 million of existing bonds.

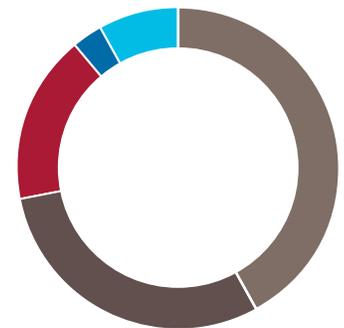
For more information, please refer to note 14.4 from the notes to the consolidated financial statements.

During the course of 2019, the Group also repurchased a nominal of EUR 329 million and USD 76 million of Lafarge S.A. outstanding bonds.

Financing profile

LafargeHolcim has a strong financing profile. 82 percent of financial liabilities are financed through various capital markets and 18 percent through banks and other lenders. There are no major positions with individual lenders. The average maturity of financial liabilities increased from 6.5 years at 31 December 2018 to 6.8 years (excluding leases) at 31 December 2019, mainly due to several capital market and liability management transactions in 2019. The Group's maturity profile is well-balanced with a large share of mid- to long-term financing.

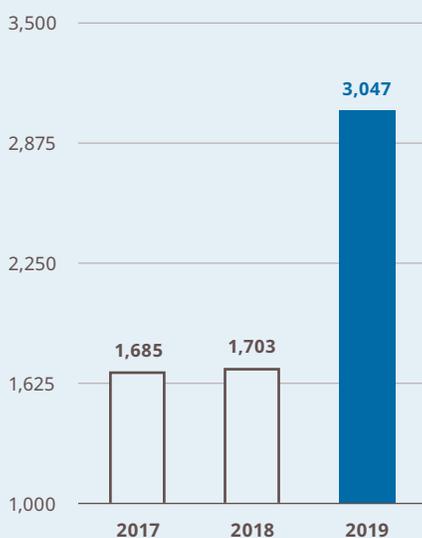
CAPITAL MARKET FINANCING OF THE GROUP AS PER 31 DECEMBER 2019
(CHF 11,695 million)



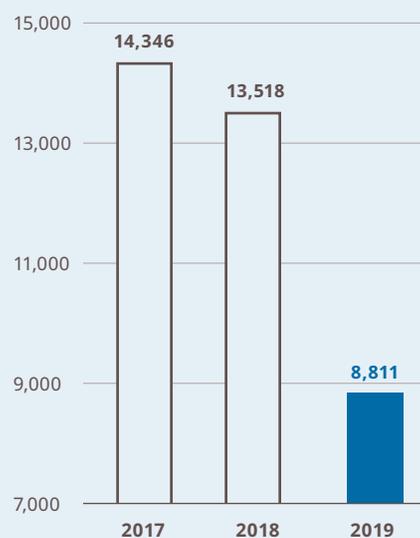
- EUR Bonds
CHF 4,919 m ~ 42%
- USD Bonds
CHF 3,510 m ~ 30%
- CHF Bonds
CHF 1,965 m ~ 17%
- AUD Bonds
CHF 373 m ~ 3%
- Others*
CHF 928 m ~ 8%

* (GBP, MXN and NGN bonds, USD private placements)

FREE CASH FLOW (CHFM)



NET FINANCIAL DEBT (CHFM)



Maintaining a favorable credit rating is one of the Group's objectives and LafargeHolcim therefore gives priority to achieving its financial targets and retaining its solid investment-grade rating (current rating information is displayed on page 75). The average nominal interest rate on LafargeHolcim's financial liabilities as at 31 December 2019 was 3.3 percent, and the proportion of financial liabilities at fixed interest rates was at 75 percent. Detailed information on financial liabilities can be found in note 14.

Liquidity

To secure liquidity, the Group held cash and cash equivalents of CHF 4,148 million at 31 December 2019. This cash is mainly invested in term deposits held with a large number of banks on a broadly diversified basis and in short-term money-market funds. The counterparty risk is constantly monitored on the basis of clearly defined principles as part of the risk management process. As of 31

December 2019, LafargeHolcim had unused committed credit lines of CHF 5,776 million (see note 14).

Current financial liabilities as at 31 December 2019, of CHF 2,089 million are comfortably covered by existing cash, cash equivalents and unused committed credit lines. LafargeHolcim has USD, EUR and NGN commercial paper programs. The aim of these programs is to fund short-term liquidity needs at attractive terms. As of 31 December 2019, no commercial papers were outstanding.

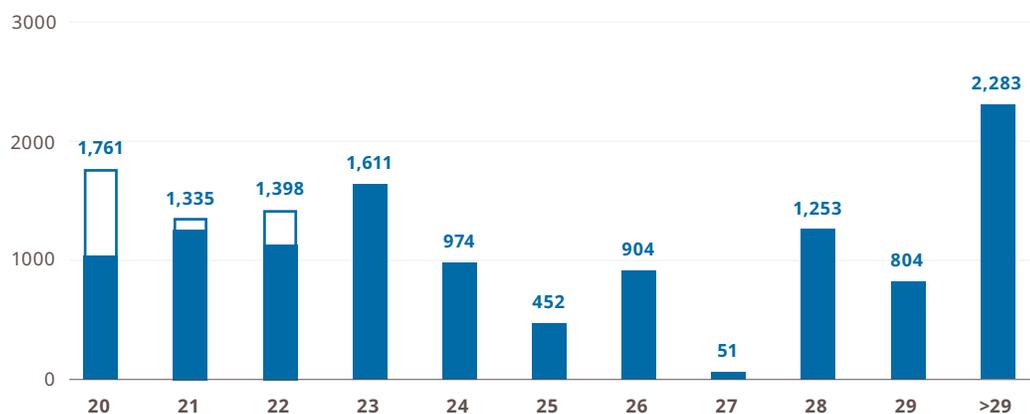
Foreign exchange sensitivity

The Group has a global footprint, generating the majority of its results in currencies other than the Swiss Franc. Only about 2 percent of net sales are generated in Swiss Francs.

Foreign currency volatility has little effect on the Group's operating profitability. As the Group produces a very high proportion of its products locally, most sales and costs are incurred in the respective local currencies. The

MATURITY PROFILE

Million CHF



- Bonds, private placements and commercial paper notes
- Loans from financial institutions and other financial liabilities

effects of foreign exchange movements are therefore largely restricted to the translation of local financial statements for the consolidated statement of income. As a large part of the foreign capital is financed with matching transactions in local currency, the effects of foreign currency translation on local balance sheets for the consolidated statement of financial position have not, in general, resulted in significant distortions in the consolidated statement of financial position.

The following sensitivity analysis presents the effect of the main currencies on selected key figures of the consolidated financial statements. The sensitivity analysis only factors in effects that result from the conversion of local financial statements into Swiss Francs (translation effect). Currency effects from transactions conducted locally in foreign currencies are not included in the analysis.

The following table shows the effects of a hypothetical 5 percent depreciation of the respective foreign currencies against the Swiss Franc.

SENSITIVITY ANALYSIS

Million CHF	2019	EUR	GBP	USD	CAD	Latin American basket (MXN, BRL, ARS, COP)	INR	Asian basket (AUD, CNY, PHP)	Middle East African basket (NGN, DZD, EGP)
		Assuming a 5% strengthening of the Swiss Franc the impact would be as follows:							
Net sales	26,722	(193)	(88)	(285)	(106)	(90)	(190)	(111)	(70)
Recurring EBITDA pre-IFRS 16	6,153	(52)	(16)	(81)	(21)	(24)	(35)	(27)	(20)
Cash flow from operating activities	4,825	(31)	(6)	(56)	(16)	(13)	(33)	(19)	(16)
Net Financial Debt	10,110	(240)	(24)	(165)	(15)	(3)	52	(22)	(6)

ASIA PACIFIC

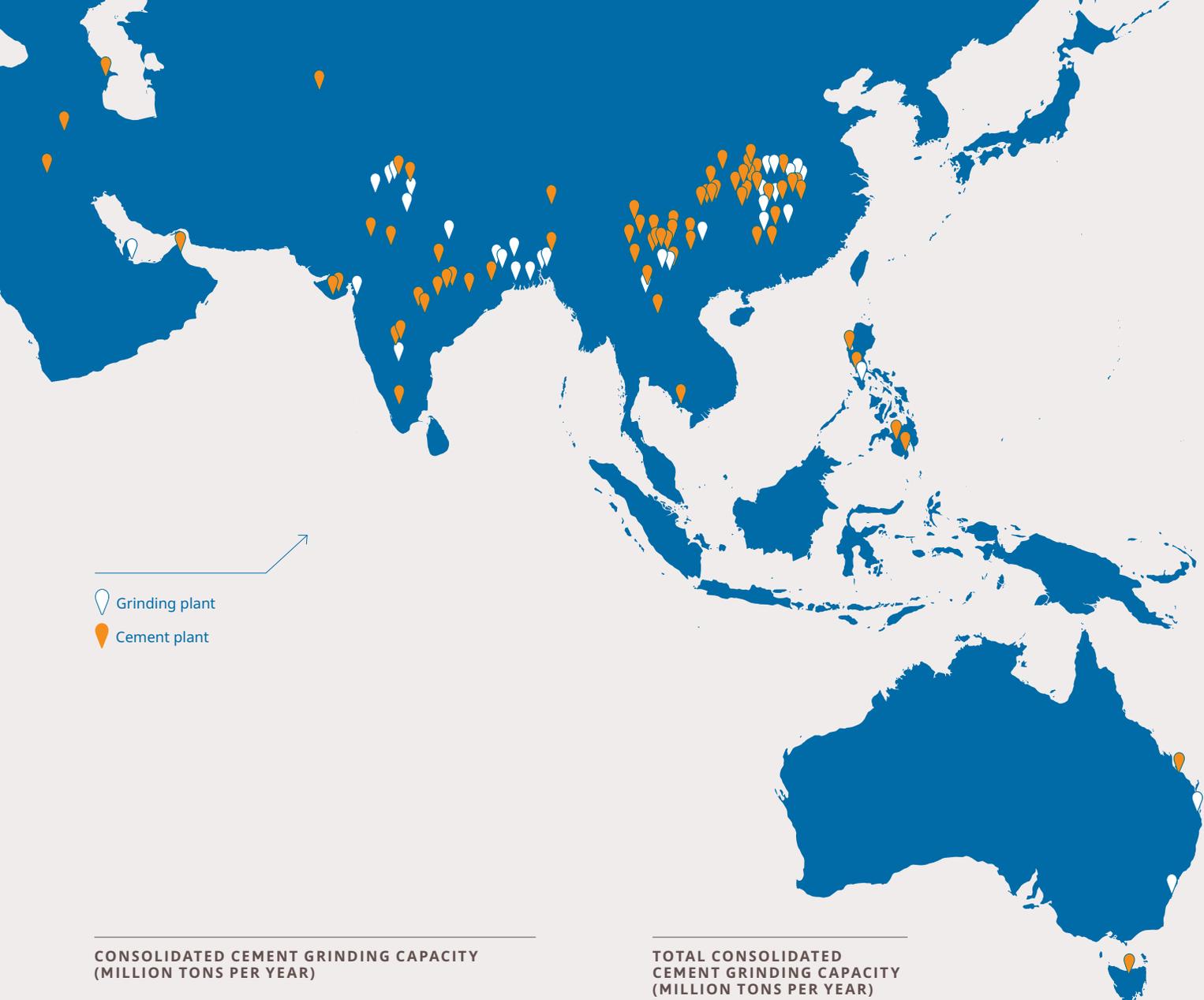
		2019
Sales of cement	million t	73.5
Sales of aggregates	million t	27.3
Sales of ready-mix concrete	million m ³	9.6
Net sales to external customers	million CHF	6,491
Like-for-like growth	%	2.5%
Recurring EBITDA pre-IFRS 16	million CHF	1,694
Like-for-like growth	%	14.2%

The Asia Pacific region continued to generate strong Recurring EBITDA pre-IFRS 16 growth. China strongly contributed again, still benefiting from price momentum and from the effects of more stringent emissions and permitting regulations, supporting our plants with a vertically integrated waste processing business. The Indian market grew, but experienced a moderation of its economic growth with delayed infrastructure projects, limiting deliveries to a moderate increase compared with the prior year. Competition in the Philippines led to a decline in volumes while Australia's volumes faced headwinds from the economic slowdown.

Net sales for the Asia Pacific region grew overall by 2.5 percent on a like-for-like basis, mainly driven by India and China. Cement saw growth across the region on a like-for-like basis, as did Aggregates, which also benefited from a major contribution from China. The performance of Ready-Mix Concrete was

impacted by Australia's challenging market situation.

Recurring EBITDA pre-IFRS 16 for the Asia Pacific region showed strong growth of 14.2 percent on a like-for-like basis. Strict cost management and restructuring efforts drove this profitability increase. India largely contributed to the margin improvement of the region despite soft cement demand growth with improved pricing and cost saving initiatives supporting the performance. The share of the Huaxin joint-venture profits in China was recognized in the region's result and the total contribution to Recurring EBITDA pre-IFRS 16 by China (including wholly owned operations) was CHF 551 million. The divestments of Indonesia, Malaysia and Singapore were successfully closed during 2019. The agreement to sell the Philippines has been signed and the closing remains subject to customary and regulatory approval.



 Grinding plant
 Cement plant

**CONSOLIDATED CEMENT GRINDING CAPACITY
(MILLION TONS PER YEAR)**

Countries	2019
China (joint venture)*	97.6
India	64.4
Philippines	9.4
China	7.7
Australia (joint venture)	5.5
Bangladesh	3.9

* of which 37.2 mt in the Hubei province

**TOTAL CONSOLIDATED
CEMENT GRINDING CAPACITY
(MILLION TONS PER YEAR)**

85.4
(188.5 including joint ventures)

EUROPE

		2019
Sales of cement	million t	46.3
Sales of aggregates	million t	118.7
Sales of ready-mix concrete	million m ³	19.3
Net sales to external customers	million CHF	7,670
Like-for-like growth	%	4.9%
Recurring EBITDA pre-IFRS 16	million CHF	1,596
Like-for-like growth	%	10.2%

2019 was a very strong year for the Europe region. Good markets were observed in Eastern and Central Europe with ongoing public infrastructure spending across Europe in addition to the large projects in France (Grand Paris) and Russia (Great Moscow). Recovery of the Mediterranean region, with strong demand in the residential sector and a resilient market in the UK contributed to the solid revenue growth.

Net sales grew by 4.9 percent on a like-for-like basis for the second consecutive year. Successful price increases were implemented in all segments and in the key markets of France, Germany, Poland and Russia, further amplified by continuous improvements to products and client portfolios. Cement volumes sold grew by 2.3 percent on a like-for-like basis supported by market drivers in the infrastructure, construction and residential segments.

Aggregates volumes sold stood at 118.7 million tons, slightly below 2018 due to the end of large projects in France and Poland. Landfill activity in France and Switzerland contributed to the revenue growth of the segment. The Ready-Mix Concrete segment showed another year of growth, thanks to strict cost control and effective price management, mainly in France, Poland and Switzerland. The positive development of net sales, the good industrial performance, cost discipline and lower administrative costs with the achievement of the SG&A savings program together with lower costs of fuel due to an increase of the thermal substitution rate pushed the Europe region to double digit growth of Recurring EBITDA pre-IFRS 16 at 10.2 percent on a like-for-like basis. Three bolt-on acquisitions were concluded in 2019 and will contribute to growth in the future.



 Grinding plant
 Cement plant

**CONSOLIDATED CEMENT GRINDING CAPACITY
(MILLION TONS PER YEAR)**

Countries	2019
France	9.7
Russia	9.6
Spain	7.6
Germany	7.1
Poland	7.0
Romania	5.7
Greece	4.8
Switzerland	3.3
Italy	2.4
Austria	2.1
Belgium	2.1
Azerbaijan	1.9
United Kingdom	1.9
Hungary	1.8
Moldova	1.7
Serbia	1.5
Bulgaria	1.3
Czech Republic	1.2
Croatia	0.9

**TOTAL CONSOLIDATED
CEMENT GRINDING CAPACITY
(MILLION TONS PER YEAR)**

73.6

LATIN AMERICA

		2019
Sales of cement	million t	24.7
Sales of aggregates	million t	4.1
Sales of ready-mix concrete	million m ³	4.9
Net sales to external customers	million CHF	2,620
Like-for-like growth	%	3.6%
Recurring EBITDA pre-IFRS 16	million CHF	887
Like-for-like growth	%	-1.7%

After a mixed first half of 2019 with improving demand in Brazil and Colombia and large infrastructure project demand in El Salvador, balanced by the postponement of public projects in Mexico after the presidential change in 2018, the Latin America region continued to see soft but stabilizing cement demand. The pressure on margins intensified in a context of high cost inflation and increased competition, leading to annual Recurring EBITDA pre-IFRS 16 below the prior year on a like-for-like basis.

Volumes in the Ready-Mix Concrete segment declined 10.7 percent compared to the prior year on a like-for-like basis, mainly due to a halt of major infrastructure projects in Mexico. The Disensa network of construction materials stores continues to expand in the region and established its 2,000th location as part of the commercial strategy to combine LafargeHolcim resources with the entrepreneurial spirit of the store owners. The product portfolio has expanded in selected countries to support the Group's growth strategy.

Total cement volumes sold declined by 1.5 percent on a like-for-like basis. Soft demand was seen in Argentina and Ecuador as part of the transition after the presidential elections. Mexico remained challenging but is stabilizing and the cancellation of some Mexican lighthouse projects were partly compensated by good volumes in Colombia, Brazil and El Salvador. Over-proportional net sales growth of 3.6 percent like-for-like reflects price increases to compensate high cost inflation.

Recurring EBITDA pre-IFRS 16 in 2019 is 1.7 percent below the prior year, impacted by lower volumes, higher energy costs and distribution expenses partly offset by price increases, strong operational performance and cost savings initiatives including a substantial improvement in the usage of alternative fuels.

Argentina has been considered to be hyperinflationary since 1 July 2018. Accordingly, LafargeHolcim has applied the accounting standard IAS 29 Financial Reporting in Hyperinflationary Economies with effect from 1 January 2018.



-  Grinding plant
-  Cement plant

**CONSOLIDATED CEMENT GRINDING CAPACITY
(MILLION TONS PER YEAR)**

Countries	2019
Mexico	12.2
Brazil	10.1
Ecuador	5.5
Argentina	4.7
Colombia	2.1
El Salvador	1.8
Costa Rica	1.1
French West Indies	0.7
Nicaragua	0.4

**TOTAL CONSOLIDATED
CEMENT GRINDING CAPACITY
(MILLION TONS PER YEAR)**

38.6

MIDDLE EAST AFRICA

		2019
Sales of cement	million t	35.6
Sales of aggregates	million t	6.3
Sales of ready-mix concrete	million m ³	3.8
Net sales to external customers	million CHF	2,903
Like-for-like growth	%	-0.8%
Recurring EBITDA pre-IFRS 16	million CHF	656
Like-for-like growth	%	-5.1%

In the Middle East Africa region, our core markets continued to be challenging due to increased cement capacities, changes in the competitive profile and economic slowdown in the region.

Cement volumes were maintained just below the prior year's level, while net sales decreased by 0.8 percent on a like-for-like basis. This decrease in net sales was mainly caused by price pressure and lower volumes in oversupplied markets, particularly Algeria, Egypt and Nigeria and by the slowdown in Lebanon, Zambia and Kenya. Robust cement demand was

recorded in Iraq, Qatar and several of the countries in the East African region. These overall headwinds were partially softened by strong cost control in distribution, production and overhead costs and continued focus on pricing strategies, but resulted in a decrease in Recurring EBITDA pre-IFRS 16 of 5.1 percent on a like-for-like basis.



-  Grinding plant
-  Cement plant

**CONSOLIDATED CEMENT GRINDING CAPACITY
(MILLION TONS PER YEAR)**

Countries	2019
Algeria	11.7
Morocco (joint venture)	11.8
Nigeria	10.6
Egypt	8.9
Iraq	5.7
Jordan	3.9
South Africa	3.2
Kenya	3.2
Lebanon	2.5
Ivory Coast (joint venture)	2.2
Uganda	2.0
Zambia	1.5
Tanzania	1.1
Cameroon (joint venture)	1.1
Benin (joint venture)	0.7
Qatar	0.6
Reunion	0.5
Zimbabwe	0.4
Guinea (joint venture)	0.3
Malawi	0.3
Madagascar	0.2

**TOTAL CONSOLIDATED
CEMENT GRINDING CAPACITY
(MILLION TONS PER YEAR)**

56.3
(72.4 including joint ventures)

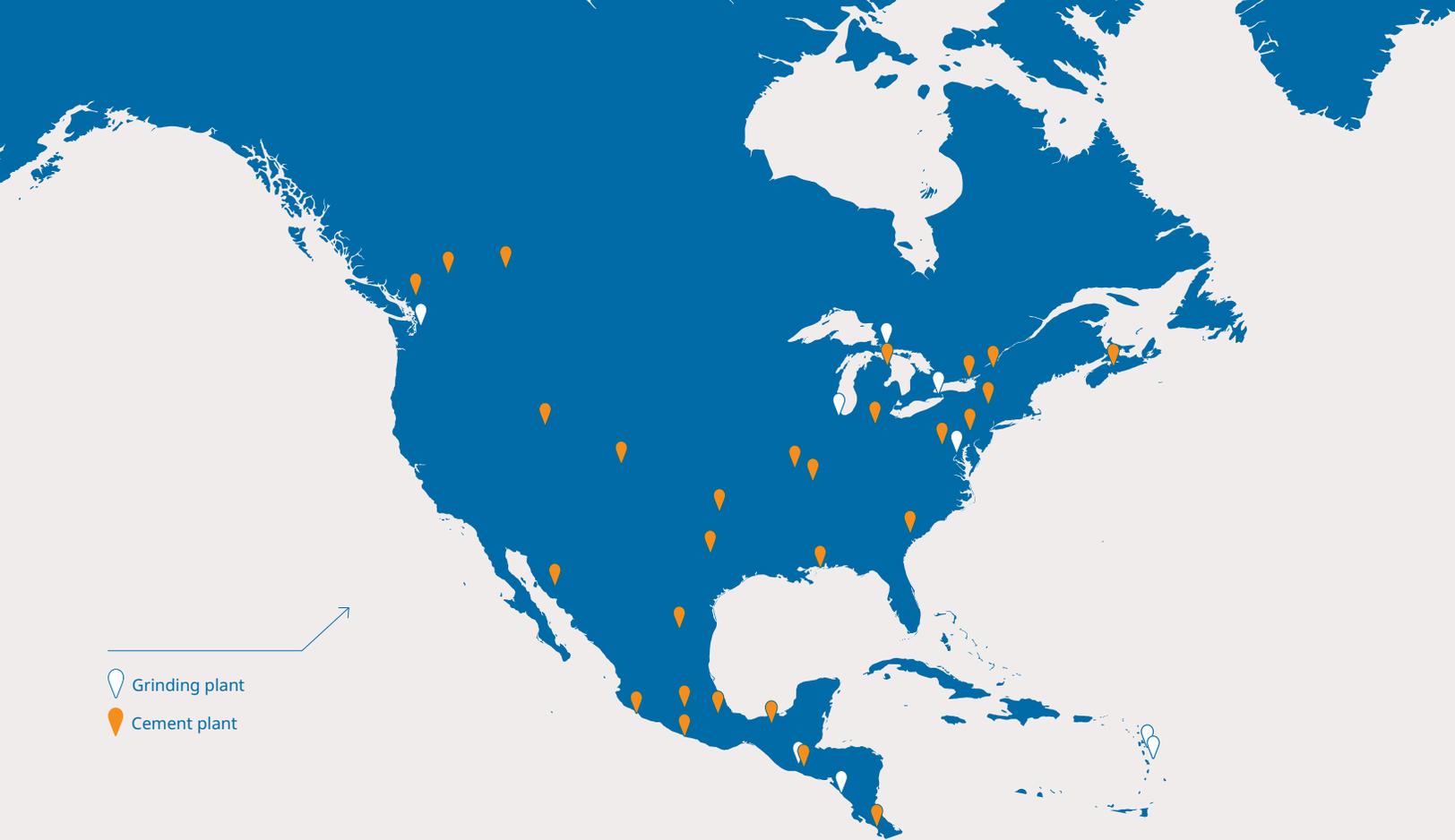
NORTH AMERICA

		2019
Sales of cement	million t	20.8
Sales of aggregates	million t	113.5
Sales of ready-mix concrete	million m ³	10.2
Net sales to external customers	million CHF	6,311
Like-for-like growth	%	4.9%
Recurring EBITDA pre-IFRS 16	million CHF	1,621
Like-for-like growth	%	4.4%

The macroeconomic environment remained favorable in the US and Eastern Canada with a strong order backlog and several large projects already captured. In contrast, Western Canada experienced some challenges arising from the economic downturn triggered by the oil and gas dependent provinces of the Prairies. The positive trend in the US was partially offset by the prolonged flooding of the Mississippi river system in the second quarter, which hindered product shipments and increased operating costs temporarily. The continuing growth strategy coupled with strong price management and rigorous cost control resulted in strong results compared to the prior year. The growth strategy was further supported by additional bolt-on acquisitions completed in 2019, as well as several multi-year construction contract awards, which bolstered our Solutions & Products segment.

Volumes of cement and aggregates sold increased over the prior year by 5.3 percent and 3.0 percent respectively, on a like-for-like basis, with the US driving the growth. Ready-Mix Concrete sales volume grew 1.6 percent on a like-for-like basis with Eastern Canada driving the increase. Net sales to external customers improved to CHF 6,311 million, a like-for-like increase of 4.9 percent over the prior year, driven by sales volume growth and price gains.

Recurring EBITDA pre-IFRS 16 for North America showed growth of 4.4 percent on a like-for-like basis: revenue growth and overachievement in the SG&A cost reduction plan, offset by some pressure on distribution costs and the impact of the Mississippi flooding.



**CONSOLIDATED CEMENT GRINDING CAPACITY
(MILLION TONS PER YEAR)**

Countries	2019
United States	23.6
Canada	8.4

**TOTAL CONSOLIDATED
CEMENT GRINDING CAPACITY
(MILLION TONS PER YEAR)**

32.0

RESPONSIBILITY STATEMENT

We certify that, to the best of our knowledge and having made reasonable inquiries to that end, the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets and liabilities, and of the financial position and results of the Company and of its consolidated subsidiaries, and that this annual report provides a true and fair view of the evolution of the business, results and financial condition of the Company and of its consolidated subsidiaries, and a description of the main risks and uncertainties the Company and its consolidated subsidiaries are subject to.

Zug, 27 February 2020



Jan Jenisch
Chief Executive Officer



Géraldine Picaud
Chief Financial Officer



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CONSOLIDATED STATEMENT OF INCOME OF LAFARGEHOLCIM

Million CHF	Notes	2019	2018
Net sales	3.3	26,722	27,466
Production cost of goods sold	4.3	(15,441)	(15,918)
Gross profit		11,281	11,548
Distribution and selling expenses		(6,657)	(6,956)
Administration expenses		(1,340)	(1,782)
Share of profit of joint ventures	6.4	548	502
Operating profit		3,833	3,312
Profit on disposals and other non-operating income	5.2	302	93
Loss on disposals and other non-operating expenses	5.3	(117)	(166)
Share of profit of associates	6.8	12	22
Financial income	7.2	158	140
Financial expenses	7.3	(870)	(1,025)
Net income before taxes		3,319	2,375
Income taxes	8.2	(806)	(656)
Net income		2,513	1,719
Net income attributable to:			
Shareholders of LafargeHolcim Ltd		2,246	1,502
Non-controlling interest		267	217
Earnings per share in CHF			
Earnings per share	9	3.69	2.52
Fully diluted earnings per share	9	3.68	2.52

The non-GAAP measures used in this report are defined on page 271.

CONSOLIDATED STATEMENT OF COMPREHENSIVE EARNINGS OF LAFARGEHOLCIM

Million CHF	Notes	2019	2018
Net income		2,513	1,719
Items that will be reclassified to the statement of income in future periods			
Currency translation effects			
- Exchange differences on translation		(524)	(1,602)
- Realized through statement of income		65	4
- Tax effect		(4)	(16)
Cash flow hedges			
- Change in fair value		(32)	(3)
- Realized through statement of income		(25)	28
- Tax effect		9	(5)
Net investment hedges in subsidiaries			
- Change in fair value		(3)	(14)
- Realized through statement of income		6	0
- Tax effect		0	3
Subtotal		(507)	(1,602)
Items that will not be reclassified to the statement of income in future periods			
Defined benefit plans			
- Remeasurements	16.2	(311)	75
- Tax effect		61	(50)
Strategic equity investments at fair value through other comprehensive earnings			
- Transfer of gain/loss on disposal of strategic equity investments at fair value through other comprehensive earnings to retained earnings		0	4
- Change in fair value		0	3
- Tax effect		3	0
Subtotal		(246)	27
Total other comprehensive earnings		(753)	(1,575)
Total comprehensive earnings		1,759	144
Total comprehensive earnings attributable to:			
Shareholders of LafargeHolcim Ltd		1,522	120
Non-controlling interest		237	25

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF LAFARGEHOLCIM

Million CHF	Notes	31.12.2019	31.12.2018
Cash and cash equivalents	14.3	4,148	2,515
Short-term derivative assets	14.5	28	66
Current financial receivables	12.3	124	180
Trade accounts receivable	10.2	2,871	3,229
Inventories	10.3	2,494	3,081
Prepaid expenses and other current assets	10.4	1,175	1,276
Assets classified as held for sale	13.2	1,370	1,311
Total current assets		12,210	11,658
Long-term financial investments and other long-term assets	12.2	1,092	1,111
Investments in associates and joint ventures	6.4, 6.8	3,337	3,133
Property, plant and equipment	11.2	27,189	27,890
Goodwill	11.3	13,039	14,045
Intangible assets	11.3	644	810
Deferred tax assets	8.4	649	651
Pension assets	16.2	145	371
Long-term derivative assets	14.5	5	26
Total non-current assets		46,100	48,037
Total assets		58,310	59,695

Million CHF	Notes	31.12.2019	31.12.2018
Trade accounts payable	10.5	3,535	3,770
Current financial liabilities	14.4	2,089	3,063
Current income tax liabilities		585	634
Other current liabilities		2,286	2,191
Short-term provisions	17.2	376	443
Liabilities directly associated with assets classified as held for sale	13.2	272	627
Total current liabilities		9,144	10,727
Long-term financial liabilities	14.4	12,202	13,061
Defined benefit obligations	16.2	1,413	1,603
Long-term income tax liabilities	8.6	385	449
Deferred tax liabilities	8.4	2,090	2,259
Long-term provisions	17.2	1,578	1,542
Total non-current liabilities		17,667	18,914
Total liabilities		26,811	29,642
Share capital	18.2	1,232	1,214
Capital surplus		22,811	23,157
Treasury shares	18.2	(121)	(612)
Reserves		4,644	3,166
Total equity attributable to shareholders of LafargeHolcim Ltd		28,566	26,925
Non-controlling interest	2.5	2,933	3,128
Total shareholders' equity		31,499	30,053
Total liabilities and shareholders' equity		58,310	59,695

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF LAFARGEHOLCIM

Million CHF	Share capital	Capital surplus	Treasury shares
Equity as at 31 December 2018	1,214	23,157	(612)
Impact of change in accounting policies ¹			
Restated equity as at 1 January 2019	1,214	23,157	(612)
Net income			
Other comprehensive earnings			
Total comprehensive earnings			
Payout		(322)	
Scrip dividend ²	39	(39)	
Transaction costs relating to scrip dividend		(1)	
Share buyback and cancellation of shares	(21)		581
Subordinated fixed rate resettable notes ³			
Remuneration on subordinated fixed rate resettable notes			
Hyperinflation ⁴			
Change in treasury shares			(91)
Share-based remuneration		16	
(Disposal) Acquisition of participation in Group companies			
Change in participation in existing Group companies			
Equity as at 31 December 2019	1,232	22,811	(121)
Equity as at 1 January 2018	1,214	24,340	(554)
Net income			
Other comprehensive earnings			
Total comprehensive earnings			
Payout		(1,192)	
Subordinated fixed rate resettable notes			
Hyperinflation			
Change in treasury shares			(76)
Share-based remuneration		10	
Capital repaid to non-controlling interest			
Change in participation in existing Group companies			18
Equity as at 31 December 31 2018	1,214	23,157	(612)

¹ See more information in note 15.

² See more information in note 9.

³ See more information in note 18.1.

⁴ See more information in note 2.2.

⁵ Equity as at 31 December 2019 includes CHF -103 million of currency translation adjustment relating to assets and directly associated liabilities classified as held for sale (2018: CHF -84 million).

Currency translation adjustments	Other reserves	Retained earnings	Total equity attributable to shareholders of LafargeHolcim Ltd	Non-controlling interest	Total shareholders' equity
(14,019)	41	17,144	26,925	3,128	30,053
		(36)	(36)	(2)	(38)
(14,019)	41	17,108	26,889	3,126	30,015
		2,246	2,246	267	2,513
(444)	(45)	(235)	(724)	(29)	(753)
(444)	(45)	2,011	1,522	237	1,759
			(322)	(118)	(440)
			(1)		(1)
		(561)			
		550	550		550
		(20)	(20)		(20)
		70	70	15	85
		(8)	(99)		(99)
			16		16
				(405)	(405)
(64)		26	(38)	77	40
(14,527)	(4)	19,176	28,566	2,933	31,499 ⁵
(12,606)	15	15,378	27,787	3,188	30,975
		1,502	1,502	217	1,719
(1,411)	26	4	(1,382)	(193)	(1,575)
(1,411)	26	1,506	120	25	145
			(1,192)	(151)	(1,343)
		200	200		200
		151	151	32	183
			(77)		(77)
			10		10
				(3)	(3)
(2)		(91)	(75)	38	(37)
(14,019)	41	17,144	26,925	3,128	30,053 ⁵

CONSOLIDATED STATEMENT OF CASH FLOWS OF LAFARGEHOLCIM

Million CHF	Notes	2019	2018 ¹
Net income		2,513	1,719
Income taxes	8.2	806	656
(Profit)/loss on disposals and other non operating items	1.2, 1.3	(234)	8
Share of profit of associates and joint ventures	6.3, 6.7	(560)	(524)
Financial expenses net	7.2, 7.3	712	886
Depreciation, amortization and impairment of operating assets	4.5	2,559	2,229
Employee benefits and other operating items	1.2, 1.3	(231)	(154)
Change in inventories	1.2, 1.3	357	(444)
Change in trade accounts receivables	1.2, 1.3	144	7
Change in trade accounts payable	1.2, 1.3	48	267
Change in other receivables and liabilities	1.2, 1.3	(259)	(366)
Cash generated from operations		5,854	4,283
Dividends received		234	293
Interest received		171	131
Interest paid		(723)	(932)
Income taxes paid	8.3	(711)	(787)
Cash flow from operating activities (A)		4,825	2,988
Purchase of property, plant and equipment		(1,534)	(1,411)
Disposal of property, plant and equipment		137	126
Acquisition of participation in Group companies		(142)	(176)
Disposal of participation in Group companies		1,335	172
Purchase of financial assets, intangible and other assets		(131)	(209)
Disposal of financial assets, intangible and other assets		116	112
Cash flow from investing activities (B)	20	(219)	(1,386)
Payout on ordinary shares	9	(322)	(1,192)
Dividends paid to non-controlling interest		(114)	(156)
Capital (repaid to) paid-in by non-controlling interest		76	(8)
Movements of treasury shares		(108)	(73)
Proceeds from subordinated fixed rate resettable notes		550	200
Coupon paid on subordinated fixed rate resettable notes		(6)	0
Net movement in current financial liabilities		(198)	(223)
Proceeds from long-term financial liabilities		515	1,657
Repayment of long-term financial liabilities		(2,531)	(3,140)
Repayment of long-term lease liabilities		(409)	(27)
Increase in participation in existing Group companies		(82)	(202)
Cash flow from financing activities (C)		(2,630)	(3,163)
Increase/(Decrease) in cash and cash equivalents (A + B + C)		1,975	(1,561)
Cash and cash equivalents as at the beginning of the period (net)		2,264	3,954
Increase/(Decrease) in cash and cash equivalents		1,975	(1,561)
Currency translation effects		(224)	(129)
Cash and cash equivalents as at the end of the period (net)	14.3	4,014	2,264

¹ 2018 numbers have been restated following the information in note 1.3.

PRINCIPAL EXCHANGE RATES

The following table summarizes the principal exchange rates that have been used for translation purposes.

		Statement of income Average exchange rates in CHF		Statement of financial position Closing exchange rates in CHF	
		2019	2018	31.12.2019	31.12.2018
1 Argentinian Peso ¹	ARS	0.02	0.03	0.02	0.03
1 Australian Dollar	AUD	0.69	0.73	0.68	0.70
1 Brazilian Real	BRL	0.25	0.27	0.24	0.25
1 Canadian Dollar	CAD	0.75	0.75	0.74	0.72
1 Chinese Renminbi	CNY	0.14	0.15	0.14	0.14
100 Algerian Dinar	DZD	0.83	0.84	0.81	0.84
1 Egyptian Pound	EGP	0.06	0.05	0.06	0.05
1 Euro	EUR	1.11	1.16	1.09	1.13
1 British Pound	GBP	1.27	1.31	1.27	1.25
100 Indian Rupee	INR	1.41	1.43	1.36	1.41
100 Mexican Peso	MXN	5.16	5.09	5.12	5.01
100 Nigerian Naira	NGN	0.27	0.28	0.27	0.27
100 Philippine Peso	PHP	1.92	1.86	1.91	1.88
1 US Dollar	USD	0.99	0.98	0.97	0.98

¹ See more information in note 2.2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As used herein, the terms “LafargeHolcim” or “Group” refer to LafargeHolcim Ltd together with the companies included in the scope of consolidation.

1. ACCOUNTING POLICIES

1.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

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

Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and related disclosures at the date of the financial statements. These estimates are based on management's best knowledge of current events and actions that the Group may undertake in the future. However, actual results could differ from those estimates. Management also uses judgment in applying the Group's accounting policies.

Critical estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The following details the judgments, apart from those involving estimations, that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

- The classification of a subsidiary or a disposal group as held for sale especially as to whether the sale is expected to be completed within one year from the date of classification as held for sale, and whether the proceeds expected to be received will exceed the carrying amount (note 13).
- Certain lease contracts entered into by the Group include extension options which require an assessment of whether such options will be exercised. If it is reasonably certain that an extension option will be exercised, the period covered by the extension option is included in the lease liability. As part of its judgment, the Group considers all relevant facts and circumstances that create an economic incentive for it to exercise an extension option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option. Note 15 includes additional information about future payments covered by an extension option not included in the lease term.

The following details the assumptions the Group makes about the future, and other major sources of estimation uncertainty at year end, that could have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

- Assumptions underlying the estimation of value in use in respect of cash-generating units for impairment testing purposes require the use of estimates such as long-term discount rates and growth rates (note 11.3).
- Liabilities and costs for defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuations involve making assumptions about discount rates, expected future salary increases and mortality rates which are subject to significant uncertainty due to the long-term nature of such plans (note 16.2).
- The measurement of site restoration and other environmental provisions requires long-term assumptions regarding the completion of raw material extraction and the phasing of the restoration work to be carried out (note 17.2).
- The recognition and measurement of provisions such as litigation provisions requires an estimate of the expenditure and timing of the settlement. The litigations and claims to which the Group is exposed are assessed by management with the assistance of the legal department and in certain cases with the support of external specialized lawyers (note 17.2). Disclosures related to such provisions, as well as contingent liabilities, also require significant judgment (note 17.3).
- The recognition of deferred tax assets from tax losses carryforward requires an assessment of whether it is probable that sufficient future taxable profit will be available against which the unused tax losses can be utilized (note 8).
- The Group is subject to income taxes in numerous jurisdictions and the calculation of the Group's tax charge involves a degree of estimation and judgement in respect of certain items. There are many transactions and calculations where the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for potential tax audit issues and uncertain tax positions based on management's estimate of whether additional taxes will be due and on the requirements of IFRIC 23 Uncertainty over Income Tax Treatments.

1.2 Adoption of new and revised International Financial Reporting Standards and interpretations

In 2019, LafargeHolcim adopted the following new standard, interpretation and amended standards relevant to the Group:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendment to IAS 19	Plan Amendment, Curtailment or Settlement
Improvements to IFRS	Clarifications of existing IFRSs (issued in December 2017)

IFRS 16 – Leases

IFRS 16 *Leases* which replaces IAS 17 *Leases* and related interpretations was adopted for the period starting 1 January 2019. The new standard no longer requires a distinction between finance and operating leases for lessees but requires lessees to recognize a lease liability for future lease payments and a corresponding right-of-use asset. In the consolidated statement of income, the expenses comprise a depreciation charge reflecting the consumption of economic benefits and an interest expense reflecting the unwinding of the lease liability which is accounted for as a finance cost. In the cash flow statement, the portion of the lease payments reflecting the repayment of the lease liability is presented within financing activities whereas the interest portion is presented in the cash flow from operating activities in accordance with the Group's accounting policy.

The Group applied the new standard in accordance with the modified retrospective approach without restatement of 2018 in accordance with the transitional provisions of IFRS 16 leases that previously were accounted for as operating leases under IAS 17 were recognized at the present value of the remaining lease payments as of 1 January 2019 and discounted with the incremental borrowing rate as of that date. Consequently, in 2019, for better comparability, certain indicators are calculated <pre> and <post> IFRS 16.

The right-of-use assets were in general measured at the amount of the lease liability, adjusted for any prepayments or accruals as well as provision for onerous contracts relating to the lease recognized in the statement of financial position immediately before the date of initial application. For certain leases, the right-of-use asset was measured at its carrying amount as if the standard had been applied since the commencement date, discounted with the incremental borrowing rate at the date of initial application. LafargeHolcim does not capitalize as right-of-use asset and record as lease liability the payments for short-

term leases, that is, leases with a lease term assessed to be 12 months or less from the commencement date, and for leases of low value assets, that is, assets which fall below the capitalization threshold for property, plant and equipment as the impact is immaterial. These payments are included in operating profit on a cost incurred basis and reported in the cash flow from operating activities. For all contracts existing as of the date of initial application, the Group applied the practical expedient to grandfather the assessment made under IAS 17 and related interpretations in terms whether the contracts meet the definition of a lease.

Following the first year of implementation of IFRS 16, several lines of the cash flow statement are impacted notably, the cash flow from operations. The depreciation of the right-of use asset is a non cash item reflected in the line "Depreciation, amortization and impairment of operating assets", while the unwinding of the lease liability is reflected as a cash expense in the line "interest paid". As the Group applied the modified retrospective approach under IFRS 16, the comparative period has not been restated. In addition to this change, Management has decided to review the presentation of the other lines in the cash flow from operations as explained in note 1.3. Information regarding the financial impacts of the initial application of IFRS 16 is found in note 15.

IFRIC 23 – Uncertainty over Income Tax Treatments

The IFRIC issued IFRIC 23 *Uncertainty over Income Tax Treatments* in June 2017 which clarifies that an entity is required to reflect the effect of uncertainty in accounting for income taxes. The application of IFRIC 23 did not materially impact the Group financial statements.

Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures

The IASB issued amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures* in October 2017, which clarifies that an entity first applies IFRS 9 *Financial instruments* to other financial instruments before taking into account its share of profit or loss of an associate or joint venture under IAS 28. Consequently, in applying IFRS 9, an entity does not take account of any adjustment to the carrying amount of long-term interests that arise from applying IAS 28. The adoption of the amendments to IAS 28 did not materially impact the Group financial statements.

Amendment to IAS 19 – Plan Amendment, Curtailment or Settlement

The IASB issued an amendment to IAS 19 *Employee Benefits Plan Amendment, Curtailment or Settlement* in February 2018, which requires an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period following a plan amendment, curtailment or settlement when the entity remeasures its net defined benefit liability (asset). Previously, an entity was not required to use updated actuarial assumptions when it remeasured its net defined benefit liability (asset). The adoption of the amendment to IAS 19 did not materially impact the Group financial statements.

Improvements to IFRS

The adoption of the improvements to IFRSs did not materially impact the group financial statements.

In 2020, LafargeHolcim will adopt the following amended standards relevant to the Group:

Amendments to IFRS 3	Business Combinations
Amendments to IAS 1 and IAS 8	Presentation of Financial Statements and Accounting Policies, Changes in Accounting Estimates and Errors
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

Amendment to IFRS 3 – Business Combinations

The IASB issued amendments to IFRS 3 *Business Combinations* in October 2018 by providing additional guidance as to when an acquisition would result in a business combination. The new guidance provides a framework to evaluate when an input and a substantive process are present that together significantly contribute to the ability to create outputs. The amendment will not significantly impact the financial statements of LafargeHolcim.

Amendment to IAS 1 and IAS 8 – Presentation of Financial Statements and Accounting Policies, Changes in Accounting Estimates and Errors

The IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* in October 2018. The amendments do not only clarify the definition of material but also have changed the threshold without altering the underlying concept of materiality.

The amendments will not significantly impact the financial statements of LafargeHolcim.

Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform

In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7 providing relief to enable entities to continue to use hedge accounting for LIBOR related hedges that might otherwise need to be discontinued due to uncertainties arising from the LIBOR reform. The Group has assessed that the amendments will not materially impact the financial statements but LafargeHolcim will monitor closely any changes in the future.

In 2022, LafargeHolcim will adopt the following amended standard relevant to the Group:

Amendments to IAS 1	Classification of Liabilities as Current or Non-current
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In January 2020, the IASB issued amendments to IAS 1 *Classification of Liabilities as Current or Non-current*, which clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period. Furthermore, the amendment also clarifies that the classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and makes clear that settlement refers to the transfer to the counterparty of cash, own equity instruments, goods or services. The Group is in the process of evaluating the impact this amendment might have on its consolidated financial statements.

1.3 Application of the directive Alternative Performance Measures (non-GAAP measures)

Effective 1 January 2019, the SIX issued the directive Alternative Performance Measures. The purpose of this Directive is to promote the clear and transparent use of alternative performance measures and it requires notably that non-GAAP measures are reconciled to the IFRS financial statements unless they are directly apparent from the financial statements prepared according to recognized accounting standards. In order to comply with this Directive and to provide more transparency, several lines of the Cash Flow from operations have been amended, added or removed on the face of the cash flow statement.

The following lines have been amended:

- (Profit)/loss on disposals and other non-operating items: this line item has been amended to bring more transparency and reflects the non-cash portion of the non-operating items recorded in the Consolidated Statement of income.

The following lines have been added:

- Change in inventories: this line item corresponds to the cash impact in the line item "Inventories" as reflected in the consolidated statement of financial position
- Change in trade accounts receivable: this line item corresponds to the cash impact in the line item "Trade accounts receivable" as reflected in the consolidated statement of financial position

- Change in trade accounts payable: this line item corresponds to the cash impact in the line item "Trade accounts payable" as reflected in the consolidated statement of financial position
- Change in other receivables & liabilities: this line item includes the net change of other receivables and liabilities that are not already disclosed separately in the consolidated statement of cash flows or that are not of a tax or of a financial nature
- Employee benefits & other operating items: this line item reflects the non-cash impact on the operating profit of the employee benefits schemes net of any cash payments, the non-cash impact of the specific business risks provisions net of any cash payments, the non-cash share based compensation expenses and any other non-cash operating expenses.

The following lines have been removed:

- Other non-cash items
- Loss on disposals and non operating expenses
- Change in net working capital
- Other expenses and income

2. FULLY CONSOLIDATED COMPANIES AND NON-CONTROLLING INTERESTS

2.1 Scope of consolidation

The consolidated financial statements comprise those of LafargeHolcim Ltd and of its subsidiaries. The list of principal consolidated companies is presented in note 2.4.

2.2 Accounting principles

Principles of consolidation

The Group consolidates a subsidiary if it has an interest of more than one half of the voting rights or otherwise is able to exercise control over the operations, for example through substantive potential voting rights such as a call option that if exercised, would result in the Group having an interest of more than one half of the voting rights in a subsidiary. Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured at the fair value of the consideration given at the date of exchange. For each business combination, the Group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed in the statement of income. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at fair value at the date of acquisition.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as of the acquisition date.

If the business combination is achieved in stages, the carrying amount of the Group's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date with any resulting gain or loss recognized in the statement of income.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are recognized in the statement of income.

Contingent liabilities assumed in a business combination are recognized at fair value and subsequently measured at the higher of the amount that would be recognized as a provision and the amount initially recognized.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

All intercompany transactions and balances between Group companies are fully eliminated.

Changes in the ownership interest of a subsidiary that does not result in loss of control are accounted for as an equity transaction. Consequently, if LafargeHolcim acquires or partially disposes of a non-controlling interest in a subsidiary, without changing control, any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognized directly in retained earnings. However, if the Group loses control of a subsidiary, it derecognizes all the assets (plus goodwill) and liabilities of the subsidiary including the carrying amount of any non-controlling interests. Additionally, it reclassifies the currency translation adjustments relating to that subsidiary recognised in equity and records the resulting difference as a gain or loss on disposal in the statement of income.

It is common practice for the Group to write put options and acquire call options in connection with the remaining shares held by the non-controlling shareholders, mainly as part of a business combination. If the Group has acquired a present ownership interest as part of a business combination, the present value of the redemption amount of the put option is recognized as a financial liability with any excess over the carrying amount of the non-controlling interest recognized as goodwill. In such a case, the non-controlling interest is deemed to have been acquired at the acquisition date and therefore any excess arising should follow the accounting treatment as in a business combination. All subsequent fair value changes of the financial liability are recognized in the statement of income and no earnings are attributed to the non-controlling interest. However, where the Group has not acquired a present ownership interest as part of a business combination, the non-controlling interest continues to receive an allocation of

profit or loss and is reclassified as a financial liability at each reporting date as if the acquisition took place at that date. Any excess over the reclassified carrying amount of the non-controlling interest and all subsequent fair value changes of the financial liability are recognized directly in retained earnings.

Foreign currency translation

The assets and liabilities of each of the Group's companies are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). Statements of income of foreign entities are translated into the Group's reporting currency at average exchange rates for the year and statements of financial position are translated at the exchange rates prevailing on 31 December.

Goodwill arising from the acquisition of a foreign operation is expressed in the functional currency of the foreign operation and is translated at the closing rate of the reporting period (for more information see note 11.3).

Foreign currency transactions translated into the functional currency are accounted for at the exchange rate prevailing at the date of the transactions; gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income, except when deferred outside the statement of income as qualifying cash flow hedges or net investment hedges.

Exchange differences arising on monetary items that form part of a company's net investment in a foreign operation are recognized in other comprehensive earnings (currency translation adjustment) and are fully reclassified to the statement of income should the Group lose control of a subsidiary, lose joint control over an interest in a joint arrangement or lose significant influence in an associate. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the statement of income as part of the net gain or loss on sale, except for a partial disposal of a subsidiary without loss of control, where a proportionate share of the cumulative currency translation adjustments are re-attributed to non-controlling interest and not recognized in the statement of income.

Hyperinflation

In the second quarter of 2018, the inflation indices of Argentina reflected a three-year cumulative inflation rate exceeding 100 percent. The Group applied IAS 29 *Financial Reporting in Hyperinflationary Economies* for Argentina since 31 December 2018. In accordance with IAS 29, the financial statements of Argentina are expressed in terms of the measuring unit current as of 31 December 2018 and 2019. Monetary assets and liabilities are not restated as they are already expressed in the measuring unit current at the end of the reporting period, whereas all non-monetary items such as inventory, property, plant and equipment and equity recorded at historical rates are restated in terms of the measuring unit current at the end of 31 December 2018 and 2019. The gain of CHF 25 million (2018: CHF 26 million) on the net liability monetary position was recorded as part of production cost of goods sold in the consolidated statement of income. The restatement of equity by CHF 85 million (2018: CHF 183 million) was reflected as an increase in retained earnings, of which CHF 15 million (2018: CHF 32 million) was attributable to the non-controlling interest. The restated financial statements of Argentina are translated into CHF at the exchange rate applicable as of 31 December 2018 and 2019. Since the amounts are translated into the currency of a non-hyperinflationary economy (i.e. CHF), comparative amounts have not been adjusted for subsequent changes in the price level or subsequent changes in exchange rates.

In Zimbabwe, inflation has increased significantly since the return to a national currency in February 2019 and cumulative inflation has exceeded 100 percent. Qualitative indicators also support the conclusion that Zimbabwe is now a hyperinflationary economy for accounting purposes, for periods ending after 1 July 2019. No hyperinflation accounting was applied for the consolidated financial statements as of 31 December 2019, as the impact is immaterial.

2.3 Change in the scope of consolidation

As part of its strategy, LafargeHolcim has completed several acquisitions and disposals during the past two years. Aggregated information of the acquisitions and disposals conducted is disclosed in note 20.

Acquisitions in the current reporting period

In 2019, LafargeHolcim closed acquisitions of several businesses:

- Alfons Greten Betonwerk in Northern Germany (January 2019)
- Transit Mix Concrete Co., a leading supplier of building materials in Colorado and subsidiary of Continental Materials Corporation (February 2019)
- Colorado River Concrete in Fort Worth, Texas (March 2019)
- Donmix in Australia, comprising of five ready-mix concrete plants on the Bass Coast, in the State of Victoria (March 2019)
- Bedrock Redi-Mix comprising two ready-mix concrete plants on Vancouver Island, British Columbia (September 2019)
- Maxi Readymix Concrete comprising one ready-mix concrete plant in the Leicester area in the United Kingdom (September 2019)
- Somaco comprising five precast plants and one bricks plant in Romania (October 2019)

Acquisitions in the previous comparative period

In 2018, LafargeHolcim acquired several businesses:

- The Kendall Group, a leading aggregates and ready-mix concrete manufacturer operating in South England (February 2018)
- Tarrant Concrete, a leading provider of ready-mix concrete in the Dallas/Fort Worth area in Texas (July 2018)
- Sablière de Vritz in the area of Loire Atlantique in France (July 2018)
- Metro Mix, LLC, a leading provider of ready-mix concrete in the Denver metropolitan area in Colorado (August 2018)

Divestments in the current reporting period

In 2019, LafargeHolcim finalized its divestments in South East Asia region:

- 80.6 percent shareholding in Holcim Indonesia for a total consideration of CHF 911 million which resulted in a net gain of CHF 179 million
- 51 percent shareholding in Lafarge Malaysia Berhad for a total consideration of CHF 387 million which resulted in a net gain of CHF 47 million
- 91 percent shareholding in Holcim Singapore for a consideration of CHF 48 million, which resulted in a net gain on disposal of CHF 20 million

Divestments in the previous comparative periods

In 2018, LafargeHolcim pursued its streamlining strategy in China initiated in 2016 with:

- The disposal of an operation of Lafarge China Cement Limited to the Group's joint venture Huaxin Cement Co. Ltd for a total consideration of CHF 38 million in the second quarter
- The remaining proceeds of CHF 117 million received in May for the disposal of 73.5 percent of the listed shares in Sichuan Shuangma Cement Co. Ltd
- The repurchase of the two cement companies from Shuangma under a put and call option for an amount of CHF 214 million presented in the cash flow from financing activities

2.4 Principal consolidated companies of the Group

Principal operating Group companies

Region	Company	Country	Municipality	Cement	Aggregates	Ready-Mix Concrete	Effective participation (percentage of interest)	Listed company
Asia Pacific	Holcim (Australia) Pty Ltd	Australia	Chatswood		◆	●	100.0%	
	LafargeHolcim Bangladesh Limited	Bangladesh	Dhaka	■			29.4%	X
	Jiangyou LafargeHolcim Cement company	China	Jiangyou City	■			100.0%	
	Lafarge Dujiangyan Cement Co., Ltd.	China	Dujiangyan City	■	◆		75.0%	
	ACC Limited	India	Mumbai	■		●	36.1%	X
	Ambuja Cements Ltd.	India	Mumbai	■			63.1%	X
	Holcim (New Zealand) Ltd	New Zealand	Christchurch	■	◆		100.0%	
	Holcim Philippines Inc.	Philippines	Taguig City	■		●	85.7%	X
Latin America	Holcim (Argentina) S.A.	Argentina	Cordoba	■	◆	●	80.0%	X
	LafargeHolcim (Brasil) S.A.	Brazil	Rio de Janeiro	■	◆	●	100.0%	
	Holcim (Colombia) S.A.	Colombia	Santafé de Bogota	■		●	100.0%	
	Holcim (Costa Rica) S.A.	Costa Rica	San José	■	◆	●	65.2%	X
	Holcim (Ecuador) S.A.	Ecuador	Guayaquil	■	◆	●	92.2%	X
	Holcim El Salvador S.A. de C.V.	El Salvador	Antiguo Cuscatlán	■	◆	●	95.4%	
	Société des Ciments Antillais	French West Indies	Baie-Mahault	■			69.7%	
	Holcim México Operaciones S.A. de C.V.	Mexico	Mexico City	■	◆	●	100.0%	
	Holcim (Nicaragua) S.A.	Nicaragua	Managua	■	◆	●	52.2%	

Region	Company	Country	Municipality	Cement	Aggregates	Ready-Mix Concrete	Effective participation (percentage of interest)	Listed company
Europe	Lafarge Zementwerke GmbH	Austria	Vienna	■			70.0%	
	Holcim (Azerbaijan) O.J.S.C.	Azerbaijan	Baku	■			90.2%	
	Holcim (Belgique) S.A.	Belgium	Nivelles	■	◆	●	100.0%	
	Holcim (Bulgaria) AD	Bulgaria	Beli Izvor	■	◆	●	100.0%	
	Holcim (Hrvatska) d.o.o.	Croatia	Koromacno	■	◆	●	99.9%	
	Lafarge Cement a.s.	Czech Republic	Cizkovice	■			68.0%	
	LafargeHolcim Bétons S.A.S.	France	Clamart			●	100.0%	
	LafargeHolcim Ciments S.A.	France	Clamart	■			100.0%	
	LafargeHolcim Distribution S.A.S.	France	Clamart	■			100.0%	
	LafargeHolcim Granulats S.A.S.	France	Clamart		◆		100.0%	
	Holcim (Deutschland) GmbH	Germany	Hamburg	■	◆	●	100.0%	
	Holcim (Süddeutschland) GmbH	Germany	Dotternhausen	■	◆	●	100.0%	
	Heraclès General Cement Company S.A.	Greece	Athens	■			100.0%	
	Lafarge Cement Hungary Ltd	Hungary	Szentlőrinc	■			70.0%	
	Holcim Gruppo (Italia) S.p.A.	Italy	Merone	■	◆	●	100.0%	
	Lafarge Ciment (Moldova) S.A.	Moldova	Rezina	■			95.3%	
	Lafarge Cement S.A.	Poland	Małogoszcz	■		●	100.0%	
	Lafarge Kruszywa i Beton	Poland	Warsaw		◆		100.0%	
	Holcim (Romania) S.A.	Romania	Bucharest	■	◆	●	99.7%	
	LLC Holcim (Rus) Construction Materials	Russia	Moscow	■			100.0%	
	Lafarge Beocinska Fabrika Cementa	Serbia	Beocin	■		●	100.0%	
	Lafarge Cement d.o.o	Slovenia	Trbovlje	■			70.0%	
	LafargeHolcim España S.A.U.	Spain	Madrid	■	◆	●	100.0%	
	Holcim (Schweiz) AG	Switzerland	Zurich	■	◆	●	100.0%	
	LH Trading Ltd	Switzerland	Zurich				100.0%	
	Aggregate Industries UK Ltd.	United Kingdom	Markfield		◆	●	100.0%	
	Lafarge Ireland Limited	United Kingdom	Cookstown	■			100.0%	
	Lafarge Cauldon Limited	United Kingdom	Markfield	■			100.0%	

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Region	Company	Country	Municipality	Cement	Aggregates	Ready-Mix Concrete	Effective participation (percentage of interest)	Listed company
North America	Lafarge Canada Inc.	Canada	Toronto	■	◆	●	100.0%	
	Holcim (US) Inc.	USA	Chicago	■			100.0%	
	Aggregate Industries Management Inc.	USA	Chicago		◆	●	100.0%	
Middle East Africa	Lafarge Ciment de M'sila "LCM"	Algeria	Algiers	■			100.0%	
	Lafarge Béton Algérie "LBA"	Algeria	Algiers		◆	●	100.0%	
	Lafarge Ciment d'Oggaz "LCO"	Algeria	Algiers	■			100.0%	
	Cilas Spa	Algeria	Algiers	■			49.0%	
	Lafarge Cement Egypt S.A.E.	Egypt	Cairo	■			97.4%	
	Lafarge Ready Mix S.A.E.	Egypt	Cairo			●	100.0%	
	Bazian Cement Company Limited	Iraq	Sulaimaniyah	■			70.0%	
	Karbala Cement Manufacturing Ltd	Iraq	Baghdad	■			51.0%	
	Jordan Cement Factories Company P.S.C.	Jordan	Amman	■		●	50.3%	X
	Bamburi Cement Limited	Kenya	Nairobi	■			58.6%	X
	Holcim (Liban) S.A.L.	Lebanon	Beirut	■		●	52.1%	X
	Lafarge Cement Malawi Ltd	Malawi	Blantyre	■			100.0%	
	Lafarge (Mauritius) Cement Ltd	Mauritius	Port-Louis	■		●	58.4%	
	Ashakacem Plc.	Nigeria	Gombe	■			83.8%	
	Lafarge Africa Plc.	Nigeria	Ikoyi	■	◆	●	83.8%	X
	Holcim Réunion S.A.	Reunion	Le Port	■	◆	●	83.3%	
	Lafarge Industries South Africa (Pty) Ltd	South Africa	Edenvale	■		●	100.0%	
	Lafarge Mining South Africa (Pty) Ltd	South Africa	Johannesburg		◆		100.0%	
	Mbeya Cement Company Limited	Tanzania	Songwe	■			61.5%	
	Hima Cement Ltd.	Uganda	Kampala	■			71.0%	
Lafarge Cement Zambia Plc	Zambia	Lusaka	■	◆		75.0%	X	
Lafarge Cement Zimbabwe Limited	Zimbabwe	Harare	■	◆		76.5%	X	

Principal finance and holding companies

Company	Country	Municipality	Effective participation (percentage of interest)
Holcim Finance (Australia) Pty Ltd	Australia	Sydney	100.0%
Holcim (Australia) Holdings Pty Ltd	Australia	Sydney	100.0%
Holcibel S.A.	Belgium	Brussels	100.0%
Holcim Capital Corporation Ltd.	Bermuda	Hamilton	100.0%
Holcim Overseas Finance Ltd.	Bermuda	Hamilton	100.0%
Holcim Investments (France) S.A.S.	France	Paris	100.0%
Lafarge S.A.	France	Paris	100.0%
Financière Lafarge S.A.S.	France	Paris	100.0%
Société financière immobilière et mobilière "SOFIMO" S.A.S.	France	Paris	100.0%
Lafarge Centre de recherche (LCR)	France	Saint Quentin Fallavier	100.0%
Holcim Auslandbeteiligungs GmbH (Deutschland)	Germany	Hamburg	100.0%
Holcim Beteiligungs GmbH (Deutschland)	Germany	Hamburg	100.0%
Holcim Finance (Luxembourg) S.A.	Luxembourg	Luxembourg	100.0%
Holcim US Finance S. à r.l. & Cie S.C.S.	Luxembourg	Luxembourg	100.0%
Holderind Investments Ltd.	Mauritius	Port-Louis	100.0%
Holcim Capital México, S.A. de C.V.	Mexico	Mexico City	100.0%
LafargeHolcim Sterling Finance B.V.	Netherlands	Amsterdam	100.0%
Holchin B.V.	Netherlands	Amsterdam	100.0%
Holderfin B.V.	Netherlands	Amsterdam	100.0%
Caricement B.V.	Netherlands	Amsterdam	100.0%
Cemasco B.V.	Netherlands	Amsterdam	100.0%
Holcim Investments (Spain), S.L.	Spain	Madrid	100.0%
LafargeHolcim Ltd ¹	Switzerland	Rapperswil-Jona	100.0%
LafargeHolcim Continental Finance Ltd	Switzerland	Rapperswil-Jona	100.0%
LafargeHolcim Helvetia Finance Ltd	Switzerland	Rapperswil-Jona	100.0%
LafargeHolcim International Finance Ltd	Switzerland	Rapperswil-Jona	100.0%
Holcim Group Services Ltd	Switzerland	Holderbank	100.0%
Holcim Technology Ltd	Switzerland	Rapperswil-Jona	100.0%
Aggregate Industries Holdings Limited	United Kingdom	Markfield	100.0%
Holcim Participations (UK) Limited	United Kingdom	Markfield	100.0%
Lafarge International Holdings Limited	United Kingdom	Dorking	100.0%
Lafarge Building Materials Limited	United Kingdom	Dorking	100.0%
Lafarge Minerals Limited	United Kingdom	Dorking	100.0%
LafargeHolcim Finance US LLC	USA	Wilmington	100.0%
Holcim Participations (US) Inc.	USA	Chicago	100.0%

¹ LafargeHolcim Ltd, Zürcherstrasse 156, CH-8645 Rapperswil-Jona

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Listed Group companies

Region	Company	Country	Municipality	Place of listing	Market capitalization at 31 December 2019 in local currency		Security code number
Asia Pacific	LafargeHolcim Bangladesh Limited	Bangladesh	Dhaka	Chittagong, Dhaka	BDT	39,022 million	BD0643LSCL09
	ACC Limited	India	Mumbai	Mumbai	INR	271,475 million	INE012A01025
	Ambuja Cements Ltd.	India	Mumbai	Mumbai	INR	389,683 million	INE079A01024
	Holcim Philippines Inc.	Philippines	Taguig City	Manila	PHP	87,749 million	PHY3232G1014
Latin America	Holcim (Argentina) S.A.	Argentina	Cordoba	Buenos Aires	ARS	33,481 million	ARP6806N1051
	Holcim (Costa Rica) S.A.	Costa Rica	San José	San José	CRC	120,083 million	CRINC00A0010
	Holcim (Ecuador) S.A.	Ecuador	Guayaquil	Quito, Guayaquil	USD	1,147 million	ECP516721068
Middle East Africa	Jordan Cement Factories Company P.S.C.	Jordan	Amman	Amman	JOD	24 million	JO4104211019
	Bamburi Cement Limited	Kenya	Nairobi	Nairobi	KES	29,037 million	KE0000000059
	Holcim (Liban) S.A.L.	Lebanon	Beirut	Beirut	USD	190 million	LB0000012833
	Lafarge Africa Plc.	Nigeria	Ikoyi	Lagos	NGN	246,499 million	NGWAPCO00002
	Lafarge Zambia Plc	Zambia	Lusaka	Lusaka	ZMW	390 million	ZM0000000011
	Lafarge Cement Zimbabwe Limited	Zimbabwe	Harare	Harare	USD	144 million	ZW0009012056

2.5 Non-controlling interests

LafargeHolcim has two Group companies with material non-controlling interests. Information regarding these subsidiaries is as follows:

Material non-controlling interest

Company	Country	Non-controlling interest ¹		Net income ²		Total equity ²		Dividends paid to non-controlling interest	
		2019	2018	2019	2018	2019	2018	2019	2018
Million CHF									
ACC Limited	India	63.9%	63.9%	109	135	864	668	27	30
Ambuja Cements Ltd.	India	36.9%	36.9%	80	71	862	948	10	16

¹ The non-controlling interest of these companies represents the percentage interest (direct and indirect).

² Attributable to non-controlling interest

Set out below is the summarized financial information relating to ACC Limited and Ambuja Cements Ltd. before intercompany eliminations.

Statement of financial position

Million CHF	ACC Limited		Ambuja Cements Ltd.	
	2019	2018	2019	2018
Current assets	982	906	930	810
Long-term assets	1,584	1,634	2,153	2,120
Total assets	2,566	2,540	3,083	2,930
Current liabilities	542	584	598	514
Long-term liabilities	279	266	148	179
Total liabilities	821	849	746	693
Net assets	1,745	1,690	2,337	2,237

Statement of income

Million CHF	2019	2018	2019	2018
Net sales	2,190	2,096	1,627	1,608
Net income	171	212	235	212

Statement of cash flows

Million CHF	2019	2018	2019	2018
Cash flow from operating activities	298	169	379	112
Increase (decrease) in cash and cash equivalents	214	54	192	(23)

3. SEGMENT REPORTING

3.1 Accounting principles

For purposes of presentation to the Chief Operating Decision Maker (i.e. the Group CEO), five regions corresponding to the aggregation of countries or regional clusters are reported:

- Asia Pacific
- Europe
- Latin America
- Middle East Africa
- North America

Each region is reviewed separately by the Chief Operating Decision Maker (i.e. the Group CEO). The countries have been aggregated into five operating segments as they have similar long-term average gross margins and are similar in respect of products, production processes, distribution methods and types of customers.

Each of the above operating segments derives its revenues largely from the sale of cement, aggregates and ready-mix concrete.

The four product lines are as follows:

- Cement, which comprises clinker, cement and other cementitious materials
- Aggregates
- Ready-Mix Concrete
- Solutions & Products, which comprises precast, concrete products, asphalts, mortars and contracting and services

Group financing (including financing costs and financing income) and income taxes are managed on a Group basis and are not allocated to any operating segments.

Transfer prices between segments are set on an arm's-length basis in a manner similar to transactions with third parties. Segment revenues and segment results include transfers between segments. Those transfers are eliminated on consolidation.

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3.2 Operating segments

Information by operating segment

	Asia Pacific		Europe	
	2019	2018	2019	2018
Capacity and volumes sold (unaudited)				
Annual cement production capacity (Million t)	85.4	111.4	73.6	73.6
Sales of cement (Million t)	73.5	89.7	46.3	45.3
Sales of aggregates (Million t)	27.3	31.4	118.7	120.4
Sales of ready-mix concrete (Million m ³)	9.6	12.5	19.3	19.3
Statement of income (Million CHF)				
Net sales to external customers	6,491	7,446	7,670	7,554
Net sales to other segments	5	45	117	147
Total Net sales	6,497	7,491	7,787	7,701
Recurring EBITDA pre-IFRS 16	1,694	1,609	1,596	1,499
Recurring EBITDA pre-IFRS 16 margin in %	26.1	21.5	20.5	19.5
Recurring EBITDA	1,740.	n.a.	1,720	n.a.
Operating profit (loss)	1,354	1,200	971	787
Operating profit (loss) margin in %	20.8	16.0	12.5	10.2
Statement of financial position (Million CHF)				
Invested capital	6,854	8,775	11,311	11,103
Investments in associates and joint ventures	1,607	1,371	219	240
Total assets	10,722	13,812	16,777	15,935
Total liabilities	4,109	5,623	7,741	7,371
Statement of cash flows (Million CHF)				
Capex ¹	371	323	437	396
Income taxes paid	207	226	101	80
Personnel (unaudited)				
Number of personnel	17,505	21,979	20,880	20,222
Reconciliation of measures of profit and loss to the consolidated statement of income				
Recurring EBITDA pre-IFRS 16	1,694	1,609	1,596	1,499
Restructuring, litigation, implementation and other non-recurring costs	(13)	(54)	(32)	(84)
Depreciation, amortization and impairment of operating assets	(372)	(354)	(718)	(627)
Of which impairment charge relating to property, plant and equipment and assets classified as held for sale	3	123	13	(8)
Of which impairment charge relating to goodwill				
Of which impairment charge relating to intangible assets		2		(24)
Of which impairment charge relating to investments in joint ventures				
Operating profit (loss)	1,354	1,200	971	787
Profit on disposals and other non-operating income				
Loss on disposals and other non-operating expenses				
Share of profit of associates				
Financial income				
Financial expenses				
Net income before taxes				

¹ The capex consists of the purchase and disposal of property, plant and equipment.

Latin America		Middle East Africa		North America		Corporate/Eliminations		Total Group	
2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
38.6	39.1	56.3	56.8	32.0	32.0			285.9	312.9
24.7	25.1	35.6	35.9	20.8	19.8	6.9	6.1	207.9	221.9
4.1	3.6	6.3	8.7	113.5	109.6			269.9	273.8
4.9	5.5	3.8	4.2	10.2	9.4			47.7	50.9
2,620	2,731	2,903	3,080	6,311	5,875	727	779	26,722	27,466
9	11	37	43		1	(168)	(248)		
2,629	2,743	2,939	3,123	6,311	5,877	559	532	26,722	27,466
887	959	656	734	1,621	1,523	(301)	(307)	6,153	6,016
33.7	35.0	22.3	23.5	25.7	25.9			23.0	21.9
919.	n.a.	728	n.a.	1,763.	n.a.	(288)	n.a.	6,581	n.a.
700	721	244	313	1,001	882	(437)	(591)	3,833	3,312
26.6	26.3	8.3	10.0	15.9	15.0			14.3	12.1
2,814	2,957	6,559	6,897	11,032	10,898	726	965	39,296	41,595
33	36	1,360	1,364	54	57	64	64	3,337	3,133
4,508	4,563	7,370	7,763	15,198	15,195	3,735	2,427	58,310	59,695
1,841	2,047	2,929	3,571	6,532	6,853	3,659	4,177	26,811	29,642
145	120	141	175	301	268		4	1,396	1,285
164	295	60	96	123	37	56	54	711	788
8,871	8,956	11,277	11,856	12,614	12,892	1,306	1,150	72,452	77,055
887	959	656	734	1,621	1,523	(301)	(307)	6,153	6,016
(16)	(33)	(61)	(76)	(22)	(73)	(45)	(155)	(190)	(476)
(203)	(205)	(422)	(345)	(740)	(568)	(104)	(129)	(2,559)	(2,229)
1	(19)	(73)	(31)	(13)			(1)	(68)	64
			(27)						(27)
		(2)	(3)				(6)	(2)	(32)
		(9)						(9)	
700	721	244	313	1,001	882	(437)	(591)	3,833	3,312
								302	93
								(117)	(166)
								12	22
								158	140
								(870)	(1,025)
								3,319	2,375

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Information by product line

Million CHF	Cement ¹		Aggregates		
	2019	2018	2019	2018	2019
Statement of income and statement of cash flows					
Net sales to external customers	16,261	16,802	2,997	2,880	5,254
Net sales to other segments	1,238	1,250	1,129	1,212	35
Total net sales	17,498	18,052	4,125	4,091	5,289
- Of which Asia Pacific	5,009	5,731	548	631	1,012
- Of which Europe	3,889	3,791	1,948	1,925	2,070
- Of which Latin America	2,290	2,349	25	26	432
- Of which Middle East Africa	2,621	2,752	71	94	294
- Of which North America	3,093	2,883	1,532	1,416	1,482
- Of which Corporate/Eliminations	597	546			
Recurring EBITDA³	4,972	4,688	978	893	372
- Of which Asia Pacific	1,389	1,272	187	191	117
- Of which Europe	1,092	971	403	354	124
- Of which Latin America	878	909	5	1	27
- Of which Middle East Africa	670	693	17	11	18
- Of which North America	1,183	1,044	392	377	110
- Of which Corporate	(240)	(201)	(25)	(42)	(23)
Recurring EBITDA margin in %	28.4	26.0	23.7	21.8	7.0
Capital expenditure	1,056	937	217	235	82
Personnel (unaudited)					
Number of personnel	41,205	45,194	9,150	9,639	11,752

¹ Cement, clinker and other cementitious materials

² Precast, concrete products, asphalts, mortars and contracting and services

³ Including CHF 213 million for Cement, CHF 76 million for Aggregates, CHF 96 million for Ready-Mix Concrete and CHF 42 million for Solution & Products of IFRS 16 lease impact in 2019.

Ready-Mix Concrete		Solutions & Products ²		Corporate/Eliminations		Total Group	
2018	2019	2018	2019	2018	2019	2018	2019
5,439	2,210	2,345				26,722	27,466
42	38	51	(2,439)	(2,555)			
5,481	2,248	2,396	(2,439)	(2,555)		26,722	27,466
1,233	223	297	(295)	(401)		6,497	7,491
2,060	1,003	1,087	(1,124)	(1,161)		7,787	7,701
508	54	50	(172)	(190)		2,629	2,743
319	81	90	(128)	(133)		2,939	3,123
1,361	887	876	(683)	(659)		6,311	5,877
		(3)	(38)	(11)		559	532
232	259	203				6,581	6,016
108	48	38				1,740	1,609
71	101	103				1,720	1,499
45	10	4				919	959
10	22	20				728	734
40	78	62				1,763	1,523
(41)		(23)				(288)	(307)
4.2	11.5	8.5				24.6	21.9
73	36	38	5	2		1,396	1,285
12,800	9,015	8,327	1,331	1,094		72,452	77,055

3.3 Information by country

Million CHF	Net sales to external customers		Property, plant and equipment and intangible assets	
	2019	2018	2019	2018
Switzerland	929	979	717	698
USA	4,312	3,879	5,170	5,146
India	3,793	3,697	2,627	2,645
Canada	2,118	2,105	2,545	2,349
France	1,929	1,915	2,448	2,413
United Kingdom	1,764	1,790	1,412	1,247
Australia	1,173	1,251	1,054	1,035
Mexico	917	984	555	517
Germany	844	677	683	647
Others	8,943	10,189	10,622	12,002
Total	26,722	27,466	27,833	28,699

Net sales to external customers are based primarily on the location of assets (origin of sales).

There is no single external customer where net sales amount to 10 percent or more of the Group net sales.

4. OPERATING PROFIT

4.1 Accounting principles

Operating profit excludes items that are not directly related to the Group's normal operating activities. These primarily relate to gains or losses on the disposal of material property, plant and equipment, gains or losses on the sale of Group companies, associates and joint ventures, revaluation gains or losses on previously held equity interests, disputes with minority shareholders, other major lawsuits, share of profit or loss of associates and financial income and expenses.

4.2 Revenue recognition

Revenue from the sale of the Group's core products cement, aggregates and ready-mix concrete is recognized when delivery has taken place and control of the goods has been transferred to the customer. The customer obtains control of the goods when the significant risks and rewards of products sold are transferred according to the specific delivery terms that have been formally agreed with the customer, generally upon delivery when the bill of lading is signed by the customer as evidence that they have obtained physical possession and accepted the products delivered to them.

The core products are often sold with volume discounts.

Revenue from these sales is recognized based on the price specified on the invoice, net of estimated discounts.

Accumulated experience is used to estimate and provide for the discounts, using the most likely amount. A liability is recognized for expected volume discounts in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made with credit terms largely ranging between 30 days and 60 days depending on the specific terms agreed to with the Group company concerned, which is consistent with market practice. Generally, cement, aggregates and ready-mix concrete are not returned as a customer will only accept these products once they have passed a stringent quality check at delivery point.

Contract liabilities, which is a Group company's obligation to transfer goods or services to a customer for which the entity has already received consideration, relate mainly to advance payments from customers which are disclosed in note 10.5 and to volume incentive programs. As of 31 December 2019, contract liabilities amounted to CHF 509 million (2018: CHF 555 million).

A trade receivable is recognized when the products are delivered to a customer as this is the point in time that the consideration becomes unconditional because only a passage of time is required before the payment is due.

Contract assets, which is a Group company's right to consideration that is conditional on something other than the passage of time, relate mainly to construction and paving activities and remain immaterial on Group level at this stage.

The Group is also involved in providing services in conjunction with the sale of its core products and is developing retail activities in certain markets. However, both these activities remain immaterial on Group level at this stage.

Interest is recognized on a time proportion basis that reflects the effective yield on the asset.

Dividends are recognized when the shareholder's right to receive payment is established.

4.3 Production cost of goods sold

Million CHF	2019	2018
Material expenses	(5,569)	(5,726)
Fuel expenses	(1,510)	(1,745)
Electricity expenses	(1,218)	(1,349)
Personnel expenses	(2,128)	(2,191)
Maintenance expenses	(1,538)	(1,575)
Depreciation, amortization and impairment	(2,050)	(1,876)
Other production expenses	(1,317)	(1,557)
Changes in inventory	(112)	100
Total	(15,441)	(15,918)

Following the implementation of IFRS 16 *Leases*, effective 1 January 2019, the Group has elected the modified retrospective approach which does not require restatement of 2018 numbers.

4.4 Research and development

Research and development projects are carried out with a view to generate added value for customers through end user oriented products and services. Additionally, process innovation aims at environmental protection and production system improvements. Research and development costs of CHF 83

million (2018: CHF 98 million) were charged directly to the consolidated statement of income.

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4.5 Summary of depreciation, amortization and impairment

Million CHF	2019	2018
Production facilities	(2,050)	(1,875)
Distribution and sales facilities	(356)	(215)
Administration facilities	(153)	(139)
Total depreciation, amortization and impairment of operating assets (a)	(2,559)	(2,229)
Of which impairment reversal/(charge) relating to property, plant and equipment and assets classified as held for sale (note 11.2)	(68)	64
Of which impairment charge relating to goodwill (note 11.3)	0	(27)
Of which impairment charge relating to intangible assets (note 11.3)	(2)	(32)
Of which impairment charge relating to investments in joint ventures (note 6.4)	(9)	0
Impairment of long-term financial assets (note 7.3)	(13)	(6)
Impairment of investments in associates (note 6.8)	(1)	(1)
Ordinary depreciation of non-operating assets	(12)	(10)
Unusual write-offs	(6)	(1)
Total depreciation, amortization and impairment of non-operating assets (b)	(32)	(17)
Total depreciation, amortization and impairment (a + b)	(2,591)	(2,246)
Of which depreciation of property, plant and equipment (note 11.2)	(1,916)	(2,033)
Of which depreciation of right-of-use assets	(404)	0

5. PROFIT AND LOSS ON DISPOSALS AND OTHER NON-OPERATING ITEMS

5.1 Accounting principles

Profit and loss on disposals and other non-operating items comprise gains or losses on the sale of Group companies and material property, plant and equipment and other non-operating items that are not directly related to the Group's normal operating activities such as revaluation gains or losses on previously held equity interests, disputes with non-controlling interests and other major lawsuits.

5.2 Profit on disposals and other non-operating income

Million CHF	2019	2018
Dividends earned	4	6
Net gain on disposals before taxes	293	69
Other	5	18
Total	302	93

In 2019, the position "Net gain on disposal before taxes", mainly includes gain on disposal of :

- Holcim Indonesia of CHF 179 million;
- Lafarge Malaysia Berhad of CHF 47 million;
- Holcim Singapore Ltd of CHF 20 million; and
- several gains on disposal of property, plant and equipment of CHF 26 million.

In 2018, the position "Net gain on disposals before taxes" mainly includes several gains on disposal of property, plant and equipment of CHF 62 million.

Further information is disclosed in note 2.3.

5.3 Loss on disposals and other non-operating expenses

Million CHF	2019	2018
Depreciation, amortization and impairment of non-operating assets	(20)	(9)
Net loss on disposals before taxes	(5)	(84)
Other	(92)	(73)
Total	(117)	(166)

In 2019 and in 2018, the position "Other" includes expenses incurred in connection with assets, which are non-operating, abandoned or not part of the operating business cycle.

6. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

6.1 Accounting principles

The Group, in the course of its business, may enter into arrangements where it will exercise joint control over entities resulting in classifying these operations as joint ventures or joint operations depending on the right and obligation arising from the contractual arrangement. Alternatively, it may enter into arrangements where it holds 20 to 50 percent of the voting rights and exercises significant influence resulting in these companies being classified as associate companies.

Such investments are accounted for using the equity method of accounting.

The Group's share of profit of joint ventures is classified within operating profit as these operations form an integral part of the Group's financial performance, reflecting its core business activities. The Group's share of profit of associates is classified below operating profit.

Goodwill arising from an acquisition is included in the carrying amount of the investments in joint ventures and associated companies.

Equity accounting is discontinued when the carrying amount of the investment together with any long-term interest in a joint venture or in an associate reaches zero, unless the Group has either incurred or guaranteed additional obligations in respect of the joint venture or associate.

6.2 Main changes during the current period

During 2019, there were no individually material changes in the scope of investments in associates and joint ventures.

6.3 Main changes during the comparative period

In June 2018, the Group's long-term investment in Cuba was reclassified from an investment in an associate to an investment in a joint venture following a change in the Board composition and the appointment of the CEO nominated by the Group. All key decisions (capital expenditures, budget) are taken jointly with the partner. There is no link to the Group's US operations or managerial staff.

In addition, an investment in an associate in Europe was reclassified to "Financial investments – third parties" in 2018 following the change in the relationship and involvement with the main shareholder.

Million CHF	2019	2018
Investments in associates	258	264
Investments in joint ventures	3,079	2,869
Total	3,337	3,133

6.4 Movements in investments in joint ventures

Million CHF	2019	2018
1 January	2,869	2,693
Share of profit of joint ventures	548	502
Dividends earned	(226)	(264)
Net (disposals) acquisitions	(12)	4
Reclassifications	(3)	28
Impairments	(9)	0
Currency translation effects	(87)	(95)
31 December	3,079	2,869

In 2019, the position “Reclassifications” mainly relates to the swap of the Group’s stake in an associate in Europe for the non-controlled interest in a joint venture in Europe. This led to the Group gaining control over the joint venture and to its subsequent full consolidation .

The position “Net (disposals) acquisitions” mainly relates to the sale of the Group’s interest in a joint venture in Canada. The

position “Impairments” mainly relates to the impairment of the Group’s interest in certain joint ventures in Middle East Africa.

In 2018, the position “Reclassifications” mainly relates to the reclassification of the Group’s investment in Cuba from an investment in an associate to an investment in a joint venture.

6.5 List of principal joint ventures

Principal joint ventures

Region	Company	Country of incorporation or residence	Effective participation (percentage of interest)
Asia Pacific	Cement Australia Holdings Pty Ltd	Australia	50.0%
	Huaxin Cement Co. Ltd.	China	41.8%
Middle East Africa	Lafarge Maroc S.A.S.	Morocco	50.0%
	Readymix Qatar L.L.C	Qatar	49.0%
	Lafarge Emirates Cement LLC	United Arab Emirates	50.0%

Listed joint ventures companies

Region	Company	Country	Municipality	Place of listing	Market capitalization at 31 December 2019 in local currency		Security code number
Asia Pacific	Huaxin Cement Co. Ltd. – cement A shares	China	Wuhan	Shanghai	CNY	35,994 million	CNE000000DC6
	Huaxin Cement Co. Ltd. – cement B shares	China	Wuhan	Shanghai	USD	1,526 million	CNE000000HL8
Middle East Africa	LafargeHolcim Maroc S.A.	Morocco	Casablanca	Casablanca	MAD	43,348 million	MA0000012320

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6.6 Huaxin Cement Co. Ltd (China)

As of 30 September 2019, the Group holds 41.8 percent (2018: 41.8 percent) of the voting rights in the joint venture company Huaxin Cement Co. Ltd.

The fair value of the investment in Huaxin Cement Co. Ltd. based on a quoted market price on 30 September 2019 amounted to CHF 2,014 million (2018: CHF 1,342 million).

Set out below is the summarized financial information for the material joint venture company Huaxin Cement Co. Ltd., which is accounted for using the equity method.

Since Huaxin Cement Co. Ltd. is a publicly listed company in China and has not yet published its financial statements for the year 2019, the disclosed amounts for the investments in the joint venture Huaxin Cement Co. Ltd. are as of 30 September 2019.

The summarized financial information presented below are the amounts included in the IFRS financial statements of Huaxin Cement Co. Ltd. as at 30 September 2019 and as at 31 December 2018. As of 30 September 2019, dividends of CHF 107 million (31 December 2018: CHF 31 million) were received from Huaxin Cement Co. Ltd.

Huaxin Cement Co. Ltd. – Statement of financial position

Million CHF	30.09.2019	31.12.2018
Cash and cash equivalents	814	763
Other current assets	758	757
Non-current assets	3,369	3,469
Total assets	4,941	4,988
Current financial liabilities	296	503
Other current liabilities	1,021	969
Long-term financial liabilities	442	529
Other non-current liabilities	154	120
Total liabilities	1,912	2,121
Net assets	3,029	2,867
Shareholders' equity (excluding non-controlling interest)	2,759	2,619

Huaxin Cement Co. Ltd. – Statement of comprehensive earnings

Million CHF	Jan-Sep 2019	Jan-Dec 2018
Net sales	3,259	4,047
Recurring EBITDA	1,192	1,340
Depreciation and amortization	(199)	(216)
Operating profit	993	1,124
Profit on disposals and other non-operating income	0	33
Financial income	7	5
Financial expenses	(36)	(74)
Income taxes	(186)	(213)
Net income	779	875
Net income (excluding non-controlling interest)	702	799
Other comprehensive earnings	3	3
Total comprehensive earnings (excluding non-controlling interest)	705	802

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

Million CHF	30.09.2019	31.12.2018
Group share of 41.8% (2018: 41.8%) of shareholders' equity (excluding non-controlling interest)	1,154	1,095
Goodwill	220	142
Total	1,374	1,238

6.7 Lafarge Maroc S.A.S. (Morocco)

As of 31 December 2019, the Group holds 50 percent (2018: 50 percent) of the voting rights in the joint venture company Lafarge Maroc S.A.S. Set out below is the summarized financial information for the material joint venture Lafarge Maroc S.A.S., which is accounted for using the equity method.

Since Lafarge Maroc S.A.S. is the parent company of LafargeHolcim Maroc S.A., a publicly listed company in Morocco which has not yet published its financial statements for the year

2019, the disclosed amounts for the investment in the joint venture Lafarge Maroc are as of 30 June 2019.

The summarized financial information presented below are the amounts included in the IFRS financial statements of Lafarge Maroc S.A.S. as at 30 June 2019 and as at 31 December 2018. As of 30 June 2019, dividends of CHF 18 million (31 December 2018: CHF 54 million) were received from Lafarge Maroc S.A.

Lafarge Maroc S.A.S. – Statement of financial position

Million CHF	30.06.2019	31.12.2018
Cash and cash equivalents	15	20
Other current assets	361	348
Non-current assets	2,455	2,421
Total assets	2,831	2,789
Current financial liabilities	254	247
Other current liabilities	235	255
Long-term financial liabilities	706	639
Other non-current liabilities	288	287
Total liabilities	1,483	1,428
Net assets	1,348	1,361
Shareholders' equity (excluding non-controlling interest)	931	916

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Lafarge Maroc S.A.S. – Statement of comprehensive earnings

Million CHF	Jan-Jun 2019	Jan-Dec 2018
Net sales	549	1,110
Recurring EBITDA	234	422
Depreciation and amortization	(51)	(101)
Operating profit	183	321
Loss on disposals and other non-operating expenses	(6)	(12)
Financial expenses	(21)	(48)
Income taxes	(58)	(103)
Net income	98	158
Net income (excluding non-controlling interest)	63	103
Other comprehensive earnings	1	(5)
Total comprehensive earnings (excluding non-controlling interest)	63	98

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

Million CHF	30.06.2019	31.12.2018
Group share of 50% (2018: 50%) of shareholders' equity (excluding non-controlling interest)	465	458
Goodwill	810	820
Total	1,275	1,278

The following table summarizes, in aggregate, the financial information of all individually immaterial joint ventures that are accounted for using the equity method:

Aggregated financial information of LafargeHolcim's share in joint ventures

Million CHF	31.12.2019	31.12.2018
Carrying amount of investments in joint ventures	321	352
Net income	107	114
Other comprehensive earnings	0	1
Total comprehensive earnings	107	115

The unrecognized share of losses relating to the above joint ventures amounted to CHF 13 million in 2019 (2018: CHF 13 million).

6.8 Movements in investments in associates

Million CHF	2019	2018
1 January	264	426
Share of profit of associates	12	22
Dividends earned	(9)	(10)
Net acquisitions (disposals)	1	(8)
Reclassifications	(3)	(154)
Impairments	(1)	(1)
Currency translation effects	(6)	(10)
31 December	258	264

As of 31 December 2019, the Group has no interests in associates that are considered as individually material. The following table summarizes, in aggregate, the financial

information of all individually immaterial associates that are accounted for using the equity method:

Aggregated financial information of LafargeHolcim's share in associates

Million CHF	31.12.2019	31.12.2018
Carrying amount of investments in associates	258	264
Net income	12	22
Other comprehensive earnings	(1)	0
Total comprehensive earnings	11	22

There are no unrecognized share of losses relating to the above associates.

7. FINANCING ITEMS

7.1 Accounting principles

Financial income and expenses exclude items that are directly related to the Group's normal operating activities. They primarily relate to interest earned on cash and cash equivalents, interest expenses on borrowings, unwinding of discount on long-term provisions, net interest expense on retirement benefit plans, foreign exchange gains and losses and since 1 January 2019, interest expenses on lease liabilities.

7.2 Financial income

Million CHF	2019	2018
Interest earned on cash and cash equivalents	100	85
Other financial income	58	54
Total	158	140

The position "Other financial income" relates primarily to interest income from loans and receivables.

7.3 Financial expenses

Million CHF	2019	2018
Interest expenses	(541)	(725)
Interest expenses on lease liabilities	(80)	(7)
Fair value changes on financial instruments	0	(2)
Unwinding of discount on long-term provisions	(51)	(38)
Net interest expense on retirement benefit plans	(49)	(56)
Impairment of long-term financial assets	(13)	(6)
Other financial expenses	(147)	(136)
Foreign exchange loss net	(1)	(61)
Financial expenses capitalized	11	5
Total	(870)	(1,025)

The position "Interest expenses" relates primarily to financial liabilities measured at amortized cost and includes amortization on bonds and private placements of CHF 52 million (2018: CHF 70 million). The remaining balance related to the purchase price allocation on bonds and private placements amounts to CHF 82 million as at end of December 2019 (2018: CHF 136 million). The decrease of interest expenses in 2019 is due to the continued reduction of financial liabilities, in particular due to bond repayments, as well as a decrease in the average interest rate (see note 14.4).

The position "Interest expenses on lease liabilities" includes interest expenses related to ongoing lease contracts (see note 15).

The position "Impairment of long-term financial assets" includes write-offs of third parties financial investments and long-term financial receivables (see note 12.2).

As part of ongoing legal and tax cases (see notes 17.3 and 8 respectively), interest may be accrued or incurred and is reflected in the position "Other financial expenses".

Commissions or fees paid to a financial institution for normal specific financing arrangements are also reflected in "Other financial expenses".

The Group, as part of its activities, invests in large scale projects for which interest expense is incurred. In accordance with IAS 23, such interest expense incurred during the project is capitalized.

8. INCOME TAXES

8.1 Accounting principles

Income taxes

The Group is subject to income taxes in numerous jurisdictions and the calculation of the Group's tax charge involves a degree of estimation and judgement in respect of certain items. There are many transactions and calculations where the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for potential tax audit issues and uncertain tax positions based on management's estimate of whether additional taxes will be due and on the requirements of IFRIC 23 *Uncertainty over Income Tax Treatments*.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, these differences impact the current and deferred tax provisions in the period in which such determination is made.

Deferred taxes

Deferred tax is provided, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Tax rates enacted or substantively enacted by the end of the reporting period are used to determine the deferred tax expense.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which deductible temporary differences or unused tax losses can be utilized. Deferred tax liabilities are recognized for taxable temporary differences arising from investments in

subsidiaries, associates and interests in joint arrangements except where the Group is able to control the distribution of earnings from these respective entities and where the earnings are considered permanently reinvested.

Deferred tax is charged or credited in the statement of income, except when it relates to items credited or charged outside the statement of income, in which case the deferred tax is treated accordingly.

Long-term income tax liabilities

In the event the Group expects to settle income taxes after twelve months from the balance sheet date, they are accordingly classified as long-term income tax liabilities and recognized at their discounted amount.

8.2 Tax expenses

Million CHF	2019	2018
Current taxes	(808)	(702)
Deferred taxes and non-current taxes	2	46
Total	(806)	(656)

In 2019, CHF 7 million (2018: CHF 9 million) in connection with the divestment of Group companies are included in the current taxes in the consolidated statement of income.

8.3 Reconciliation of tax rate

	2019		2018	
Net income before taxes	3,319		2,375	
Group's expected tax charge /rate	(876)	+26%	(586)	+25%
Effect of non-deductible items	(151)		(151)	
Effect of non-taxable items ¹	247		140	
Effect of unrecognized tax losses and deferred tax asset write-offs	(9)		(57)	
Effect of non tax deductible goodwill impairments	0		(4)	
Other effects	(17)		2	
Group's effective tax charge /rate	(806)	+24%	(656)	+28%

¹ The line Effect of non-taxable items includes non-taxable gains on divestments.

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The expected tax expense at the applicable tax rate is the result from applying the domestic statutory tax rates to net income (loss) before taxes and non-recoverable withholding tax on remitted income of each entity in the country it operates. For the Group, the applicable tax rate varies from one year to the other depending on the relative weight of net income (loss) of each individual entity in the Group's profit as well as the changes in statutory and withholding tax rates.

Excluding impairment and divestments, the Group's effective tax rate amounts to 26 percent (2018: 28 percent) and includes the impact of the reduction in tax rates in India impacting

Ambuja Cement. ACC has not adopted the new tax regime for 2019.

In 2019, total income taxes paid amounts to CHF 722 million (2018: CHF 807 million), of which CHF 6 million (2018: CHF 9 million) related to the divestment of Group companies and included in the position "Disposal of participation in Group companies" in the consolidated statement of cash flows and CHF 5 million (2018: CHF 11 million) included in the position "Dividends paid to non-controlling interest".

8.4 Deferred taxes

Deferred tax in the consolidated statement of financial position as follows:

Million CHF	2019	2018
Deferred tax assets	(649)	(651)
Deferred tax liabilities	2,090	2,259
Deferred tax liabilities net	1,442	1,607

The Group's recognition of deferred tax assets amounting to CHF 649 million reflects that the Group believes that sufficient taxable income will be generated to recover these assets in future periods, although uncertainties regarding the future realisation of recorded tax benefits on temporary differences and tax loss carryforwards from operations in various jurisdictions could result in material adjustments to the deferred tax assets recognised in future periods.

Change in deferred tax assets and liabilities

Million CHF	Property, plant and equipment	Intangible and other long-term assets	Provisions	Other	Tax losses carryforward	Total
2019						
Deferred tax liabilities net as at 1 January 2019	3,216	20	(436)	(160)	(1,034)	1,607
Charged (credited)						
- to the statement of income	(128)	(57)	83	(86)	186	(2)
- to other comprehensive income	0	1	(61)	(8)	0	(69)
Change in structure	(95)	(1)	23	(39)	39	(73)
Hyperinflation ¹	4	0	0	18	0	22
Impact of change in accounting policies	(8)	0	0	0	0	(8)
Currency translation effects	(58)	(4)	(2)	20	8	(35)
Deferred tax liabilities net as at 31 December 2019	2,931	(41)	(393)	(255)	(801)	1,442
2018						
Deferred tax liabilities net as at 1 January 2018	3,497	48	(616)	(264)	(1,078)	1,587
Charged (credited)						
- to the statement of income	(122)	(20)	99	83	(44)	(4)
- to other comprehensive income	0	(3)	50	5	0	52
Change in structure	(58)	0	11	3	27	(17)
Hyperinflation ¹	50	0	0	4	0	54
Currency translation effects	(150)	(5)	20	9	61	(66)
Deferred tax liabilities net as at 31 December 2018	3,216	20	(436)	(160)	(1,034)	1,607

¹ See more information in note 2.2.

8.5 Tax losses carryforward

Million CHF	Tax losses carry-forward	Tax effect	Tax losses carry-forward	Tax effect
	2019	2019	2018	2018
Total tax losses carryforward	9,766	2,423	11,006	2,768
Of which reflected in deferred taxes	(3,213)	(801)	(4,051)	(1,034)
Total tax losses carryforward not recognized	6,553	1,622	6,955	1,735
Expiring as follows:				
Within 1 year	54	11	101	28
Between 2 and 5 years	486	94	339	68
Thereafter	6,013	1,518	6,514	1,639

In 2019, CHF 1,622 million (2018: CHF 1,735 million) of deferred tax assets on tax losses were not recognized as the Group considers it will not generate sufficient taxable income within the carryforward period to realize these deferred tax benefits in all jurisdictions where the Group operates.

8.6 Long-term income tax liabilities

The long-term income tax liabilities of CHF 385 million (2018: CHF 449 million) no longer include the provision in relation to PT Lafarge Cement Indonesia (see note 17.3 for further information) and include the repatriation tax arising from the US tax reform amounting to CHF 66 million (2018: CHF 111 million).

9. EARNINGS PER SHARE

	2019	2018
Earnings per share in CHF	3.69	2.52
Net income – shareholders of LafargeHolcim Ltd – as per statement of income (in million CHF)	2,246	1,502
Coupon relating to the subordinated fixed rate resettable notes ¹	(16)	0
Adjusted net income – shareholders of LafargeHolcim Ltd	2,231	1,502
Weighted average number of shares outstanding	605,208,200	596,185,128
Fully diluted earnings per share in CHF	3.68	2.52
Adjusted net income - shareholders of LafargeHolcim Ltd	2,231	1,502
Weighted average number of shares outstanding	605,208,200	596,185,128
Adjustment for assumed exercise of share options and performance shares	1,330,440	211,919
Weighted average number of shares for diluted earnings per share	606,538,640	596,397,047

¹ LafargeHolcim issued two perpetual subordinated notes: EUR 500 million at an initial fixed coupon of 3 percent in April 2019 and CHF 200 million at an initial fixed coupon of 3.5 percent in November 2018.

The number of shares was impacted in conformity with two decisions taken at the Annual General Meeting on 15 May 2019:

- a dividend of CHF 2.00 per registered share for the financial year 2018 was paid out of capital surplus on 25 June 2019. LafargeHolcim offered to its shareholders the option of receiving the distribution in the form of new LafargeHolcim shares, cash or a combination thereof. 72.98 percent of the distribution was paid in the form of new LafargeHolcim Ltd shares. This resulted in a total payment of CHF 322 million. 19,303,633 new shares were issued out of authorized capital for the scrip dividend.
- the annual general meeting also approved the cancellation of shares repurchased under the share buyback program announced in June 2017 and completed in March 2018. 10,283,654 shares have been cancelled in the third quarter 2019.

In 2019, the Board of Directors proposes to the Annual General Meeting of shareholders a distribution from the foreign capital contribution reserve and payout of CHF 2.00 (2018: CHF 2.00) per registered share up to an amount of CHF 1,228 million.

10. WORKING CAPITAL

10.1 Accounting principles

Trade accounts receivable

Trade accounts receivable are initially recognized at their invoiced amounts less any deductions such as trade discounts.

For trade accounts receivable, the Group applies the simplified approach with expected lifetime losses recognized from initial recognition of the receivables in the statement of income. The provision for doubtful debts is established using an expected credit loss model (ECL). The provision is based on a forward-looking ECL, which includes possible default events on the trade

accounts receivable over the entire holding period of the receivable. This provision represents the difference between the trade accounts receivable's carrying amount in the consolidated statement of financial position and the estimated collectible amount.

The carrying amount of trade accounts receivable is reduced through use of an allowance account. Impaired trade accounts receivables are derecognized when they are assessed as uncollectable.

The impairment methodology applied for long-term loans and receivables considers whether there has been a significant increase in credit risk (see note 14.6).

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined by using the weighted average cost method. The cost of finished goods and work in progress comprises raw materials and additives, direct labor, other direct costs and related production overheads. Cost of inventories includes transfers from equity of gains or losses on qualifying cash flow hedges relating to inventory purchases.

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10.2 Trade accounts receivable

Million CHF	2019	2018
Trade accounts receivable – associates and joint ventures	84	138
Trade accounts receivable – third parties	2,787	3,091
Total	2,871	3,229

Overdue accounts receivable

Million CHF	2019	2018
Not overdue	1,773	2,158
Overdue 1 to 89 days	848	895
Overdue 90 to 180 days	132	105
Overdue more than 180 days	323	282
Allowances for doubtful accounts	(205)	(211)
Total	2,871	3,229

Due to the local nature of the business, specific terms and conditions for trade accounts receivable exist for local Group companies.

In some cases, trade accounts receivable are factored to third parties but the total amount is not considered material for the Group.

Allowance for doubtful accounts

Million CHF	2019	2018
1 January	(211)	(192)
Disposals of Group companies	1	1
Allowance recognized	(50)	(59)
Amounts used	17	2
Unused amounts reversed	33	31
Currency translation effects	5	6
31 December	(205)	(211)

Loss allowances for expected credit loss for financial assets measured at amortized cost are presented as a deduction from the gross carrying amount of the assets in the statement of

financial position. The allowance in the table above relates to accounts receivable for which a lifetime expected credit loss is recognized. See note 14.6 for further details.

10.3 Inventories

Million CHF	2019	2018
Raw materials and additives	340	450
Semi-finished and finished products	1,358	1,548
Fuels	224	401
Parts and supplies	572	681
Total	2,494	3,081

In 2019, the Group recognized inventory write-downs to net realizable value of CHF 3 million (2018: CHF 8 million) relating mainly to semi-finished and finished products.

10.4 Prepaid expenses and other current assets

Million CHF	2019	2018
Prepaid expenses and accruals	177	194
Other current assets	276	376
Other receivables - associates and joint ventures	11	20
Other receivables - third parties	711	687
Total	1,175	1,276

10.5 Trade accounts payable

Million CHF	2019	2018
Trade accounts payable – associates and joint ventures	108	115
Trade accounts payable – third parties	3,166	3,338
Advance payments from customers - third parties	261	316
Total	3,535	3,770

11. PROPERTY, PLANT AND EQUIPMENT, GOODWILL AND INTANGIBLE ASSETS

11.1 Accounting principles

Property, plant and equipment

Property, plant and equipment is valued at acquisition or construction cost less depreciation and impairment losses. Cost includes transfers from equity of any gains or losses on qualifying cash flow hedges. Depreciation is charged to amortize the cost of property, plant and equipment over their estimated useful lives, using the straight-line method, on the following bases:

Land and mineral reserves	No depreciation except on land with raw material reserves
Buildings and installations	20 to 40 years
Machinery and equipment	3 to 30 years

Costs are only included in the asset's carrying amount when it is probable that economic benefits associated with the item will flow to the Group in future periods and the cost of the item can be measured reliably. Costs include the initial estimate of the costs for dismantling and removing the item and for restoring the site on which it is located. All other repairs and maintenance expenses are charged to the statement of income during the period in which they are incurred.

Mineral reserves are valued at cost and are depreciated based on the unit-of-production method over their estimated commercial lives.

Costs incurred to gain access to mineral reserves (typically stripping costs) are capitalized and depreciated over the life of the quarry, which is based on the estimated tons of raw material to be extracted from the reserves.

Interest costs on borrowings to finance construction projects, which necessarily take a substantial period of time to get ready for their intended use, are capitalized during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed in the period in which they are incurred.

Government grants received are deducted from property, plant and equipment and reduce the depreciation charge accordingly.

Goodwill and impairment testing

Goodwill arises in a business combination and is the excess of the consideration transferred to acquire a business over the underlying fair value of the net identified assets acquired. Such goodwill is tested annually for impairment or whenever there are impairment indicators, and is carried at cost less accumulated impairment losses. Goodwill on acquisitions of associates and joint ventures is included in the carrying amount of the respective investments.

As a result of evolving market dynamics in the building materials industry, starting 1 January 2019, the Group CEO (i.e. chief operating decision maker) regularly reviews operating results and assesses its performance based on operating segment level. As a consequence, LafargeHolcim changed the level of goodwill impairment testing from country or regional cluster level to operating segment level. Such a change is considered as a change in accounting estimate and therefore will not impact prior years. At the date of changing the level of monitoring goodwill for impairment testing purposes, LafargeHolcim performed an assessment and concluded that there was no material impairment before changing the assessment at an operating segment level. At the 2019 year end, a similar assessment was performed to confirm that no material impairment of goodwill would have arisen in 2019 if testing had continued to be performed on the previous basis.

Following a business combination, goodwill is allocated to a cash-generating unit or to a group of cash-generating units that are expected to benefit, among others, from the synergies of the business combination. The Group's cash-generating units continue to be defined on the basis of the geographical market normally country- or region-related. For the purpose of impairment testing, the Group's cash-generating units are aggregated into an operating segment, which is the level reviewed by the Group CEO (i.e. chief operating decision maker). The discount rate is determined on country or regional cluster level, and therefore disclosed as a range on the operating segment level. The aggregated carrying amount of goodwill that is being monitored at the operating segment level is detailed in note 11.3.

For the goodwill impairment test, the recoverable amount of a cash-generating unit is determined at the higher of its value in use or its fair value less costs of disposal. Management has used the value in use approach to calculate the recoverable amount of the cash-generating unit. The aggregated recoverable amount of the operating segment is then compared to its aggregated carrying amount. An impairment loss is recognized if the aggregated carrying amount of the operating segment exceeds its aggregated recoverable amount. The value in use is determined based on future discounted cash flows using the weighted average cost of capital (WACC).

The WACC used for the impairment test is a post-tax discount rate and is applied to post-tax cash flows. There is no material difference in the outcome of the impairment test using the discount rate applied when compared to using a pre-tax discount rate for pre-tax cash flows.

The cash flow projections are based on a three-year financial planning period using business plans approved by management. Cash flows beyond the three-year planning period are extrapolated based on increasing sustainable cash flows. The business plans include among others, management's latest view on market size and pricing. In any event, the growth rate used to extrapolate cash flow projections beyond the three-year planning period does not exceed the long-term average growth rate for the relevant market in which the cash-generating unit operates. The long-term average growth rate is based on the long-term inflation rate for the relevant market concerned as published by the International Monetary Fund (IMF). Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying amount of aggregated cash-generating units to materially exceed its recoverable amount. For further details, see note 11.3.

On disposal of a subsidiary or joint operation, the portion of the goodwill from the related operating segment is allocated to the subsidiary disposed of and is included in the determination of profit or loss on disposal.

Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets

Expenditure on acquired trademarks, mining rights, software, patented and unpatented technology and other intangible assets are capitalized and amortized using the straight-line method over their estimated useful lives, but not exceeding 20 years, except for mining rights which are depleted on a volume basis.

Impairment of non-financial assets

At each reporting date, the Group assesses whether there is any indication that a non-financial asset may be impaired. If any such indication exists, the recoverable amount of the non-financial asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual non-financial asset, the Group estimates the recoverable amount of the smallest cash generating unit to which the non-financial asset belongs. The recoverable amount is the higher of an asset's or cash generating unit's fair value less costs of disposal and its value in use. If the recoverable amount of a non-financial asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the non-financial asset or cash generating unit is reduced to its recoverable amount. Impairment losses are recognized immediately in the statement of income.

Where an impairment loss subsequently reverses, the carrying amount of the non-financial asset or cash generating unit is increased to the revised estimate of its recoverable amount. However, this increased amount cannot exceed the carrying amount that would have been determined if no impairment loss had been recognized for that non-financial asset or cash generating unit in prior periods. A reversal of an impairment loss is recognized immediately in the statement of income.

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11.2 Property, plant and equipment

Million CHF	Land and mineral reserves	Buildings and installations	Machinery and equipment	Construction in progress	Total
2019					
At cost of acquisition	7,477	10,568	30,661	1,395	50,101
Accumulated depreciation/impairment	(2,106)	(4,741)	(15,274)	(90)	(22,211)
Net book value as at 1 January	5,372	5,827	15,387	1,305	27,890
Impact of change in accounting policies ¹	460	270	682	0	1,412
Restated net book value as at 1 January	5,832	6,098	16,069	1,305	29,302
Acquisitions	36	29	47	3	115
Divestments	(53)	(55)	(659)	(28)	(794)
Additions	108	47	287	1,487	1,930
Disposals	(32)	(8)	0	(15)	(56)
Modifications and reassessments of leases	(4)	(13)	(25)	0	(42)
Reclassifications	186	199	779	(1,138)	27
Reclassification to held for sale	(65)	(94)	(163)	(177)	(499)
Depreciation	(251)	(388)	(1,681)	0	(2,321)
Hyperinflation ²	28	16	42	21	108
Impairment loss reversed/(charged) to statement of income	(15)	6	(72)	13	(68)
Currency translation effects	(101)	(102)	(263)	(47)	(513)
Net book value as at 31 December	5,670	5,734	14,361	1,424	27,189
At cost of acquisition	7,906	10,443	29,747	1,510	49,607
Accumulated depreciation/impairment	(2,237)	(4,709)	(15,386)	(86)	(22,418)
Net book value as at 31 December	5,670	5,734	14,361	1,424	27,189
2018					
At cost of acquisition	7,654	11,064	32,003	1,490	52,211
Accumulated depreciation/impairment	(2,164)	(4,748)	(14,996)	(152)	(22,060)
Net book value as at 1 January	5,489	6,317	17,007	1,339	30,152
Acquisitions	10	8	34	0	52
Divestments	(28)	(31)	(40)	(1)	(100)
Additions	62	26	164	1,315	1,567
Disposals	(31)	(9)	(25)	(3)	(68)
Reclassifications	245	227	771	(1,244)	0
Reclassification to held for sale	(32)	(151)	(442)	(37)	(663)
Depreciation	(186)	(347)	(1,501)	0	(2,033)
Hyperinflation ²	75	45	94	0	214
Impairment loss reversed/(charged) to statement of income	(3)	21	47	0	65
Currency translation effects	(230)	(279)	(721)	(65)	(1,297)
Net book value as at 31 December	5,372	5,827	15,387	1,305	27,890
At cost of acquisition	7,477	10,568	30,661	1,395	50,101
Accumulated depreciation/impairment	(2,106)	(4,741)	(15,274)	(90)	(22,211)
Net book value as at 31 December	5,372	5,827	15,387	1,305	27,890

¹ See more information in note 15.

² See more information in note 2.2.

The position "Property, plant and equipment" includes owned property, plant and equipment and right-of-use assets for lease contracts, as described below:

- Land: Land is leased for production sites and distribution facilities;
- Buildings and installations: Buildings and installations include buildings and installations for production purposes as well as office rent;

- Machinery, equipment and vehicles: Machinery and equipment are used in the manufacturing and distribution processes. Heavy mobile equipment, trucks and vehicles are leased for production and transportation purposes.

Through its negotiations with external lenders, some property, plant and equipment are pledged or restricted. The amount pledged or restricted is CHF 8 million (2018: CHF 13 million).

Right-of-use assets

Million CHF	Land	Buildings and installations	Machinery, equipment and vehicles	Total right-of-use assets
Net book value				
Right-of-use assets as of 1 January 2019¹	463	283	838	1,584
Divestments	(19)	0	(3)	(23)
Lease additions	44	37	268	349
Depreciation expense	(60)	(60)	(285)	(404)
Impairment expense	0	(6)	(2)	(8)
Classification as held for sale	0	(6)	(14)	(19)
Modifications and reassessments	(4)	(13)	(25)	(42)
Currency translation effects	(4)	0	(14)	(18)
Right-of-use assets as of 31 December 2019	420	235	763	1,419

¹ Including capitalized assets of former IAS 17 finance leases amounting to CHF 172 million as of 1 January 2019, see more information in note 15.2.

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11.3 Goodwill and intangible assets

Million CHF	Goodwill	Intangible assets
2019		
At cost of acquisition	16,783	2,283
Accumulated amortization/impairment	(2,738)	(1,473)
Net book value as at 1 January	14,045	810
Change in structure	(368)	(9)
Reclassification to assets classified as held for sale	(444)	(8)
Reclassification	0	(15)
Additions	0	48
Disposals	0	(5)
Amortization	0	(159)
Impairment loss (charged to statement of income)	0	(2)
Hyperinflation ¹	14	0
Currency translation effects	(207)	(18)
Net book value as at 31 December	13,039	644
At cost of acquisition	15,405	2,171
Accumulated amortization/impairment	(2,366)	(1,527)
Net book value as at 31 December	13,039	644
2018		
At cost of acquisition	17,603	2,612
Accumulated amortization/impairment	(3,034)	(1,586)
Net book value as at 1 January	14,569	1,026
Change in structure	125	15
Reclassification to assets classified as held for sale	(55)	4
Reclassification	0	(16)
Additions	0	104
Disposals	0	(34)
Amortization	0	(210)
Impairment loss (charged to statement of income)	(27)	(32)
Hyperinflation ¹	22	0
Currency translation effects	(588)	(47)
Net book value as at 31 December	14,045	810
At cost of acquisition	16,783	2,283
Accumulated amortization/impairment	(2,738)	(1,473)
Net book value as at 31 December	14,045	810

¹ See more information in note 2.2.

Intangible assets

Intangible assets mainly consist of mining rights, trademarks, brands, and software. Intangible assets have finite useful lives, over which the assets are amortized.

The corresponding amortization expense is recognized largely in administration expenses and production cost of goods sold.

Emission rights

The initial allocation of emission rights granted is recognized at nominal amount (nil value). Where a Group company has emissions in excess of the emission rights granted, it will recognize a provision for the shortfall based on the market price at that date. The emission rights are held for compliance purposes only and therefore the Group does not intend to speculate with these in the open market.

Impairment testing of goodwill

Key assumptions used for value-in-use calculations in respect of goodwill 2019

Operating segments (Million CHF)	Carrying amount of goodwill	Currency	Post-tax discount rate ¹	Long-term growth rate
North America	4,746	USD/CAD	6.6%	2.2%
Europe	4,083	Various	5.6%–12.7%	1.0%–5.0%
Asia Pacific (excluding China)	1,500	Various	6.7%–12.3%	2.5%–5.5%
Middle East Africa	1,524	Various	7.8%–18.3%	2.0%–11.0%
Latin America	1,162	Various	8.2%–34.7%	1.0%–30.0%
Others	24	Various	5.6%–8.4%	1.0%–3.0%
Total	13,039			

¹ The discount rate is determined on country or regional cluster level, and therefore disclosed as a range on the operating segment level.

To allow comparability with the current year, the countries previously reported have been aggregated into operating segment level as above.

Key assumptions used for value-in-use calculations in respect of goodwill 2018

Operating segments (Million CHF)	Carrying amount of goodwill	Currency	Post-tax discount rate ¹	Long-term growth rate
North America	4,724	USD/CAD	6.6%	2.1%
Europe	4,125	Various	6.0%–10.6%	1.1%–4.0%
Asia Pacific (excluding China)	2,436	Various	6.9%–12.4%	2.5%–5.5%
Middle East Africa	1,568	Various	8.2%–20.4%	2.0%–14.0%
Latin America	1,167	Various	8.3%–15.2%	1.8%–8.1%
Others	25	Various	5.7%–8.5%	1.0%–3.0%
Total	14,045			

¹ The discount rate is determined on country or regional cluster level, and therefore disclosed as a range on the operating segment level.

In 2019, no goodwill impairment charge was recognized.

In 2018, management recognized a goodwill impairment charge of CHF 27 million relating to the operating segment Middle East Africa.

12. LONG-TERM FINANCIAL INVESTMENTS AND OTHER LONG-TERM ASSETS

12.1 Accounting principles

Long-term financial investments and other long-term assets consist of (a) financial investments – third parties, (b) long-term receivables – associates and joint ventures, (c) long-term receivables – third parties and (d) other long-term assets:

- a) “Financial investments – third parties” are strategic equity investments which are classified at fair value through other comprehensive earnings.
- b) “Long-term receivables – associates and joint ventures” are classified as receivables at amortized cost as the Group intends to hold the assets to maturity to collect contractual cash flows.
- c) “Long-term receivables – third parties” are classified as receivables at amortized cost as the Group intends to hold the assets to maturity to collect contractual cash flows.
- d) “Other long-term assets” are classified as receivables at amortized cost and comprise notably of various deposits in connection with on-going legal and tax cases.

Financial assets at amortized cost are measured using the effective interest method.

All purchases and sales of long-term financial assets are recognized on trade date, which is the date that the Group commits to purchase or sell the asset. The purchase cost includes transaction costs, except for derivative instruments. Strategic equity investments are investments where the Group owns less than 20 percent of the shares and where the Group does not exercise control, joint control or significant influence and which it intends to hold for long-term strategic purposes. Gains and losses arising from changes in the fair value of strategic equity investments at fair value through other comprehensive earnings are included in other reserves until the asset is disposed of, at which time the cumulative gain or loss previously recognized in other reserves is transferred to retained earnings.

Financial assets measurement

At initial recognition, in the case of a financial asset not at fair value through profit or loss, the Group measures a financial asset at its fair value plus transaction costs that are directly

attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

a) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

- Loans and receivables at amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- Financial assets at fair value through profit and loss: Assets that do not meet the criteria for amortized cost and are held for trading are measured at fair value through profit or loss. Gains and losses on debt investments that are subsequently measured at fair value through profit or loss and are not part of a hedging relationship are recognized in profit or loss and presented net in the profit or loss statement in the period in which they arise. Interest income from these financial assets is included in financial income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

b) Equity instruments at fair value

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on strategic equity investments at fair value through other reserves, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognized in profit or loss when the Group's right to receive payments is established.

12.2 Long-term financial investments and other long-term assets

Million CHF	2019	2018
Financial investments – third parties	187	196
Long-term receivables – associates and joint ventures	125	138
Long-term receivables – third parties	166	177
Deferred charges	87	88
Other long-term assets	527	513
Total	1,092	1,111
Of which pledged/restricted	0	12

Long-term receivables are primarily denominated in BRL, USD and AUD. The repayment dates vary between one and 20 years (2018: one and 21 years).

Other long-term assets include notably various deposits in connection with ongoing legal cases (see note 17.3).

12.3 Current financial receivables

Million CHF	2019	2018
Marketable securities	4	3
Current financial receivables – associates and joint ventures	30	36
Current financial receivables – third parties	90	141
Total	124	180
Of which pledged/restricted	39	107

13. ASSETS AND RELATED LIABILITIES CLASSIFIED AS HELD FOR SALE

13.1 Accounting principles

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortized while they are classified as held for sale.

13.2 Assets and related liabilities classified as held for sale

The net assets classified as held for sale as of 31 December 31 2019 amount to CHF 1,098 million (2018: CHF 684 million) and mainly includes the assets and liabilities of Holcim Philippines and its subsidiaries.

Philippines

In the second quarter 2019, the Group signed an agreement with San Miguel Corporation for the disposal of its entire interest of 85.7 percent in Holcim Philippines Inc. for an enterprise value of USD 2.15 billion, on a 100 percent basis and consequently classified the assets and the related liabilities as held for sale. Closing of the transaction is expected in the first quarter 2020 and is subject to customary and regulatory approvals. Holcim Philippines and its subsidiaries consist of four integrated cement plants and one grinding plant and are presented in the operating segment Asia Pacific.

The assets and related liabilities classified as held for sale as of 31 December 2018, included mainly the assets and liabilities of Holcim Indonesia and its subsidiaries which were disposed of in the first quarter 2019, as disclosed in note 2.

The assets classified as held for sale also included property, plant and equipment related to a cement plant in China, as disclosed in note 13.2 of the 2018 Annual Report.

Million CHF	2019	2018
Cash and cash equivalents	62	25
Inventories	63	67
Other current assets	125	88
Property, plant and equipment	564	1,028
Goodwill and intangible assets	478	88
Other long term assets	78	15
Assets classified as held for sale	1,370	1,311
Current liabilities	189	345
Long-term liabilities	83	282
Liabilities directly associated with assets classified as held for sale	272	627
Net assets classified as held for sale	1,098	684

14. NET FINANCIAL DEBT

14.1 Accounting principles

Cash and cash equivalents

Cash and cash equivalents are financial assets. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with maturities of three months or less from the date of acquisition and are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents is presented net of bank overdrafts.

Derivative instruments and hedging

The Group mainly uses derivative financial instruments in order to reduce its exposure to changes in interest rates, foreign currency exchange rates and commodity prices. The Group enters into foreign exchange contracts and interest rate swaps to hedge certain exposures relating to debt, foreign exchange contracts to hedge firm commitments for the acquisition of certain property, plant and equipment and into swaps and options in order to manage its exposure to commodity risks.

Derivatives are regarded as hedging instruments under hedge accounting relationships unless they are not designated as hedges in which case they will be classified as held for trading. Financial derivatives expected to be settled within twelve months after the end of the reporting period are classified as current liabilities or current assets. For cash flow hedges, gains and losses are recorded in the cash flow hedging reserve, a separate component of equity, and recycled to profit or loss or as a basis adjustment to inventory or property, plant and equipment as the hedged transaction occurs.

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss is dependent on the nature of the item being hedged. On the date a derivative contract is entered into, the Group designates certain derivatives as either (a) a hedge of the fair value of a recognized asset or liability (fair value hedge) or (b) a hedge of a particular risk associated with a recognized asset or liability, such as future interest payments on floating rate debt (cash flow hedge) or (c) a hedge of a foreign currency risk of a firm commitment or highly probable forecast (cash flow hedge) or (d) a hedge of a net investment in a foreign entity (accounted for similarly to a cash flow hedge).

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that are highly effective are recorded in the statement of income, along with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in the cash flow hedging reserve within equity, limited to the cumulative change in fair value of the hedged item on a present value basis from the inception of the hedge. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Where the firm commitment results in the recognition of an asset, for example, property, plant and equipment, or a liability, the gains or losses previously deferred in the cash flow hedging reserve are transferred from equity and included in the initial measurement of the non-financial asset or liability. Otherwise, amounts deferred in equity are transferred to the statement of income and classified as income or expense in the same periods during which the cash flows, such as hedged firm commitments or interest payments, affect the statement of income.

The Group documents at the inception of hedging transactions the economic relationship between hedging instruments and hedged items, including whether the hedging instrument is expected to offset changes in cash flows of hedged items, and its risk management objective and strategy.

Long-term financial liabilities

Bank loans acquired and bonds issued are recognized initially at fair value (i.e. the proceeds received), net of transaction costs incurred. Subsequently, bank loans and bonds are stated at amortized cost, using the effective interest method, with any difference between proceeds (net of transaction costs) and the redemption value being recognized in the statement of income over the term of the borrowings.

Financial liabilities that are due within twelve months after the end of the reporting period are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability until more than twelve months after the reporting period. The repayment of the current portion of such liabilities is shown in the statement of cash flows in the line "Repayment of long-term financial liabilities".

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14.2 Net Financial Debt

Details of the net financial debt

Million CHF	31.12.2018	Cash flows	Non cash flows	31.12.2019
Current financial liabilities ¹	3,063	(242)	(732)	2,089
Long-term financial liabilities	13,061	(2,425)	1,566	12,202
Gross financial debt	16,124	(2,667)	835	14,291
Derivative assets	(91)	0	58	(33)
Cash and cash equivalents	(2,515)	(1,930)	297	(4,148)
Net financial debt	13,518	(4,597)	1,189	10,110

¹ Including bank overdraft cash movement for CHF 45 million.

Million CHF	2019	2018
Net Financial Debt as at the beginning of the period	13,518	14,346
Impact of changes in accounting policies ¹	1,451	0
Restated Net Financial Debt as at 1 January 2019	14,969	n.a
Cash flow from operating activities	(4,825)	(2,988)
Cash flow from investing activities	219	1,386
Payout on ordinary shares	322	1,192
Dividends paid to non-controlling interest	114	156
Coupon paid on subordinated fixed rate resettable notes	6	0
Capital (paid-in by) repaid to non-controlling interest	(76)	8
Movements of treasury shares	108	73
Increase in participation in existing Group companies	82	202
Proceeds from subordinated fixed rate resettable notes	(550)	(200)
Total cash effective movements as per statement of cash flows	(4,598)	(171)
Change in scope	(492)	(304)
Change in fair values	(7)	(90)
Currency translation effects	(165)	(345)
Increase in long-term lease liabilities	350	0
Others	52	81
Total non cash effective movements	(261)	(657)
Net Financial Debt as at the end of the period	10,110	13,518

¹ See more information in note 15.

14.3 Cash and cash equivalents

Million CHF	2019	2018
Cash at banks and on hand	2,315	1,527
Short-term deposits ¹	1,833	988
Total	4,148	2,515
Bank overdrafts	(195)	(275)
Cash and cash equivalents classified as held for sale	62	25
Cash and cash equivalents for the purpose of the consolidated statement of cash flows	4,014	2,264

¹ Of which CHF 663 million (2018: CHF 139 million) are investments in monetary mutual funds.

14.4 Financial liabilities

Million CHF	2019	2018
Current financial liabilities – associates and joint ventures	31	31
Current financial liabilities – third parties	511	1,056
Current portion of long-term financial liabilities	1,443	1,889
Derivative liabilities (note 14.5)	104	87
Total current financial liabilities	2,089	3,063
Long-term financial liabilities – third parties	12,183	13,012
Derivative liabilities (note 14.5)	19	49
Total long-term financial liabilities	12,202	13,061
Total	14,291	16,124
Of which secured	83	84

Details of total financial liabilities

Million CHF	2019	2018
Loans from financial institutions	1,009	1,775
Bonds and private placements	11,695	13,951
Commercial paper notes	0	96
Total loans and bonds	12,704	15,822
Obligations under leases (note 15)	1,465	166
Derivative liabilities (note 14.5)	123	136
Total	14,291	16,124

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“Loans from financial institutions” include amounts due to banks and other financial institutions. Repayment dates vary between one and ten years (2018: one and eleven years). As per the loans agreements, the Group is required to comply with certain provisions or covenants. As of 31 December 2019, the Group complied with its debt covenants in all material respects.

Unused committed credit lines totalled CHF 5,776 million at year-end 2019 (2018: CHF 6,239 million).

Financial liabilities by currency

Currency	2019			2018		
	Million CHF	In %	Interest rate ¹	Million CHF	In %	Interest rate ¹
EUR	5,414	37.9	1.7	6,194	38.4	2.4
USD	4,645	32.5	4.8	5,105	31.7	5.3
CHF	2,030	14.2	2.0	1,995	12.4	2.0
GBP	522	3.7	2.2	392	2.4	2.9
AUD	517	3.6	3.7	774	4.8	4.1
CAD	204	1.4	3.9	53	0.3	3.9
INR	199	1.4	6.7	137	0.8	6.7
NGN	178	1.2	14.0	402	2.5	14.7
Others	583	4.1	6.4	1,072	6.6	6.0
Total	14,291	100.0	3.3	16,124	100.0	4.2

¹ Weighted average nominal interest rate on financial liabilities at 31 December

Interest rate structure of total financial liabilities

Million CHF	2019	2018
Financial liabilities at fixed rates	10,677	11,703
Financial liabilities at floating rates	3,614	4,421
Total	14,291	16,124

Financial liabilities that are hedged to a fixed or floating rate are disclosed on a post hedge basis.

Information on the maturity of financial instruments is disclosed in note 14.6.

Bonds and private placements as at 31 December

Nominal value		Nominal interest rate	Effective interest rate	Term	Description ¹	Net book value in CHF ²	Net book value in CHF ²
Million						2019	2018
LafargeHolcim Ltd							
CHF	450	3.00%	2.97%	2012–2022	Bonds	450	450
CHF	250	2.00%	2.03%	2013–2022	Bonds	250	250
CHF	250	0.38%	0.41%	2015–2021	Bonds	250	250
CHF	150	1.00%	1.03%	2015–2025	Bonds	150	150
CHF	440	1.00%	0.98%	2018–2024	Bonds	440	440
Holcim Overseas Finance Ltd.							
CHF	425	3.38%	3.42%	2011–2021	Bonds guaranteed by LafargeHolcim Ltd	425	425
Lafarge S.A.							
EUR	357	5.50%		2009–2019	Bonds	0	418
EUR	217	4.75%	4.19%	2005–2020	Bonds (partially repaid 2016 and 2019)	237	434
USD	524	7.13%	5.90%	2006–2036	Bonds (partially repaid 2019)	589	691
EUR	198	5.88%		2012–2019	Bonds	0	228
Holcim Capital Corporation Ltd.							
USD	50	7.65%	7.65%	2001–2031	Private placement guaranteed by LafargeHolcim Ltd	48	49
USD	250	6.88%	7.28%	2009–2039	Bonds guaranteed by LafargeHolcim Ltd	235	239
USD	250	6.50%	6.85%	2013–2043	Bonds guaranteed by LafargeHolcim Ltd	236	239
Holcim Capital México, S.A. de C.V.							
MXN	1,700	7.00%		2012–2019	Bonds guaranteed by LafargeHolcim Ltd	0	85
MXN	1,700	8.12%	7.02%	2015–2020	Bonds guaranteed by LafargeHolcim Ltd, with floating interest rates	87	85
Holcim Finance (Luxembourg) S.A.							
EUR	320	3.00%	3.11%	2014–2024	Bonds guaranteed by LafargeHolcim Ltd (partially exchanged 2019)	346	561
EUR	33	2.00%	2.03%	2016–2026	Schuldschein loan guaranteed by LafargeHolcim Ltd	35	37
EUR	152	1.46%	1.51%	2016–2023	Schuldschein loan guaranteed by LafargeHolcim Ltd	165	171
EUR	869	1.38%	1.43%	2016–2023	Bonds guaranteed by LafargeHolcim Ltd (partially exchanged 2019)	941	1,293
EUR	413	1.04%	1.10%	2016–2021	Schuldschein loan guaranteed by LafargeHolcim Ltd	448	465
EUR	1,150	2.25%	1.89%	2016–2028	Bonds guaranteed by LafargeHolcim Ltd, swapped into floating interest rates in 2019	1,237	1,298
EUR	750	1.75%	1.90%	2017–2029	Bonds guaranteed by LafargeHolcim Ltd	804	833
EUR	500	0.50%	2.25%	2019–2026	Bonds guaranteed by LafargeHolcim Ltd (bond exchange)	483	
Holcim Finance (Australia) Pty Ltd							
AUD	200	5.25%		2012–2019	Bonds guaranteed by LafargeHolcim Ltd	0	139
AUD	250	3.75%	3.90%	2015–2020	Bonds guaranteed by LafargeHolcim Ltd	170	174
AUD	300	3.50%	3.73%	2017–2022	Bonds guaranteed by LafargeHolcim Ltd	203	207
Subtotal						8,230	9,612

¹ With fixed rates unless indicated.

² Includes adjustments for fair value hedge accounting, where applicable.

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Nominal value		Nominal interest rate	Effective interest rate	Term	Description ¹	Net book value in CHF ²	Net book value in CHF ²
Million						2019	2018
Subtotal						8,230	9,612
Holcim US Finance S. à r.l. & Cie S.C.S.							
USD	750	6.00%		2009–2019	Bonds guaranteed by LafargeHolcim Ltd	0	737
EUR	500	2.63%	3.66%	2012–2020	Bonds guaranteed by LafargeHolcim Ltd, swapped into USD and floating interest rates at inception	546	572
USD	500	5.15%	5.30%	2013–2023	Bonds guaranteed by LafargeHolcim Ltd	482	489
USD	50	4.20%	4.20%	2013–2033	Bonds guaranteed by LafargeHolcim Ltd	48	49
LafargeHolcim International Finance Ltd							
USD	40	2.80%	2.88%	2016–2021	Schuldschein loan guaranteed by LafargeHolcim Ltd	39	39
USD	15	3.20%	3.27%	2016–2023	Schuldschein loan guaranteed by LafargeHolcim Ltd	15	15
USD	110	2.88%	3.19%	2018–2022	Schuldschein loan guaranteed by LafargeHolcim Ltd, with floating interest rates	106	108
USD	38	4.38%	4.48%	2018–2024	Schuldschein loan guaranteed by LafargeHolcim Ltd	36	37
USD	28	3.13%	3.40%	2018–2024	Schuldschein loan guaranteed by LafargeHolcim Ltd, with floating interest rates	27	28
USD	60	4.59%	4.68%	2018–2025	Schuldschein loan guaranteed by LafargeHolcim Ltd	58	59
USD	60	3.33%	3.58%	2018–2025	Schuldschein loan guaranteed by LafargeHolcim Ltd, with floating interest rates	58	59
LafargeHolcim Finance US LLC							
USD	400	3.50%	3.59%	2016–2026	Bonds guaranteed by LafargeHolcim Ltd	386	392
USD	600	4.75%	5.00%	2016–2046	Bonds guaranteed by LafargeHolcim Ltd	567	575
USD	180	4.79%	4.84%	2018–2025	Private placement guaranteed by LafargeHolcim Ltd	174	177
USD	52	4.92%	4.98%	2018–2027	Private placement guaranteed by LafargeHolcim Ltd	50	51
USD	106	5.03%	5.09%	2018–2030	Private placement guaranteed by LafargeHolcim Ltd	103	104
LafargeHolcim Continental Finance Ltd							
EUR	30	0.88%	0.95%	2018–2022	Schuldschein loan guaranteed by LafargeHolcim Ltd	33	34
EUR	60	0.30%	0.39%	2018–2022	Schuldschein loan guaranteed by LafargeHolcim Ltd, with floating interest rates	65	67
EUR	109	1.32%	1.37%	2018–2024	Schuldschein loan guaranteed by LafargeHolcim Ltd	117	122
EUR	5	1.68%	1.72%	2018–2025	Schuldschein loan guaranteed by LafargeHolcim Ltd	5	6
EUR	2	2.22%	2.24%	2018–2028	Schuldschein loan guaranteed by LafargeHolcim Ltd	2	2
LafargeHolcim Sterling Finance (Netherlands) B.V.							
GBP	300	3.00%	3.16%	2017–2032	Bonds guaranteed by LafargeHolcim Ltd	376	370
Holcim (US) Inc.							
USD	33	1.69%	1.70%	1999–2032	Industrial revenue bonds – Mobile Dock & Wharf, with floating interest rates	32	33
USD	25	1.74%	1.75%	2003–2033	Industrial revenue bonds – Holly Hill, with floating interest rates	24	25
USD	27	1.68%	1.69%	2009–2034	Industrial revenue bonds – Midlothian, with floating interest rates	26	26
Lafarge Africa PLC							
NGN	26,386	14.25%		2016–2019	Bonds	0	72
NGN	33,614	14.75%	16.39%	2016–2021	Bonds	90	92
Total						11,695	13,951

¹ With fixed rates unless indicated.

² Includes adjustments for fair value hedge accounting, where applicable.

14.5 Derivative financial instruments

Derivative liabilities are included in financial liabilities (note 14.4) and derivative assets are separately disclosed in the consolidated statement of financial position.

The Group has assessed the effects of existing netting arrangements in place for financial instruments and these were considered to be immaterial.

Derivative assets and liabilities

	Fair value assets	Fair value liabilities	Nominal amount	Fair value assets	Fair value liabilities	Nominal amount
Million CHF	2019	2019	2019	2018	2018	2018
Fair value hedges						
Interest rate	0	14	1,249	0	0	0
Cross-currency	0	57	608	0	41	618
Total fair value hedges	0	71	1,857	0	41	618
Cash flow hedges						
Currency	0	2	168	3	4	1,061
Commodity	15	22	285	69	31	422
Total cash flow hedges	16	24	454	71	35	1,483
Net investment hedges						
Currency	1	5	453	7	0	149
Total net investment hedges	1	5	453	7	0	149
Held for trading						
Currency	15	23	2,814	10	59	3,773
Cross-currency	1	0	19	3	1	105
Total held for trading	16	23	2,833	13	60	3,878
Total	33	123	5,597	91	136	6,128

14.6 Financial risks associated with operating activities

Group Risk Management

Group Risk Management supports the Board of Directors, the Executive Committee and the management teams of the countries in analyzing the overall risk exposure. Group Risk Management aims to systematically identify, monitor and manage major risks the Group encounters. All types of risks from industry, operations, finance and legal, up to the external business environment are considered including compliance, sustainable development and reputational aspects. Risks are understood as the effect of uncertainty on business objectives which can be an opportunity or a threat. The risk horizon includes long-term strategic risks but also short- to medium-term business risks. Potential risks are identified and evaluated at an early stage and monitored. Mitigating actions are proposed and implemented at the appropriate level so that risk management remains a key responsibility of the line management. Risk transfer through insurance solutions forms an integral part of risk management.

The Group's risk map is established by strategic, operational and topical risk assessments which are combined into a Group risk report. Besides the Countries, the Board of Directors, the Executive Committee and Corporate Function Heads are involved in the risk assessment during the Group's management cycle. The results of the annual Group risk process are presented to the Executive Committee and the conclusions reported to the Board of Directors and the Audit Committee.

Country risk

LafargeHolcim's major presence in developing markets exposes the Group to risks such as political, financial and social uncertainties and turmoil, terrorism, civil war and unrest.

The impact of United Kingdom's withdrawal from the European Union (BREXIT) has been assessed and preventive measures have been taken. Relevant currency exposures and counterparty risks were reduced before the BREXIT vote.

In early 2020, due to the Coronavirus (Covid 19) outbreak, the priority in the Group's Chinese operations including the joint venture company Huaxin Cement Co. Ltd. has been given to implement all necessary measures to protect the safety of all employees and their families. The outbreak, which has delayed the development of infrastructure projects, notably in the province of Hubei which represents one-third of the Group's total capacities in China, may have implications on operating results. It is however too early to quantify the risk.

Financial risk management

The Group's activities expose it to a variety of financial risks, including liquidity, interest rate, foreign exchange, commodity and credit risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts, commodity and interest rate swaps to hedge certain exposures. The Group does not enter into derivative or other financial transactions which are unrelated to its business needs or for speculative purposes.

Financial risk management within the Group is governed by policies approved by key management personnel. It provides principles for overall risk management as well as policies covering specific areas such as interest rate risk, foreign exchange risk, credit risk, use of derivative financial instruments and investing of cash.

Liquidity risk

Group companies need liquidity to meet their obligations. Individual companies are responsible for their own cash balances and the raising of internal and external credit lines to cover the liquidity needs, subject to guidance by the Group.

The Group monitors its liquidity risk by using a recurring liquidity planning tool and maintains cash, readily realizable marketable securities and unused committed credit lines to meet its liquidity requirements. In addition, the strong creditworthiness of the Group allows it to access international financial markets for financing purposes.

Contractual maturity analysis

Million CHF	Contractual undiscounted cash flows						Total	Carrying amount
	Within 1 year	Within 2 years	Within 3 years	Within 4 years	Within 5 years	Thereafter		
2019								
Trade accounts payable and others ¹	3,499	0	0	0	0	0	3,499	3,499
Loans from financial institutions	625	79	290	8	7	8	1,017	1,009
Bonds, private placements and commercial paper notes	1,039	1,255	1,107	1,609	965	5,765	11,740	11,695
Interest payments	368	319	289	250	214	1,988	3,428	287
Lease liability payments	383	212	160	147	134	642	1,678	1,465
Derivative financial instruments net ²	95	(5)	(4)	(5)	(5)	(30)	46	90
Financial guarantees	12	0	0	0	0	0	12	0
Total	6,021	1,860	1,843	2,009	1,316	8,373	21,422	
2018								
Trade accounts payable and others ¹	3,717	0	0	0	0	0	3,717	3,717
Loans from financial institutions	1,179	386	147	47	8	15	1,782	1,775
Bonds, private placements and commercial paper notes	1,757	1,241	847	1,543	2,102	6,602	14,093	14,047
Interest payments	547	397	339	318	268	2,320	4,189	279
Finance leases	33	28	26	24	20	72	203	166
Operating lease commitments	393	313	241	181	149	679	1,955	0
Derivative financial instruments net ²	37	49	(5)	0	0	0	80	45
Financial guarantees	0	0	0	0	0	25	25	0
Total	7,662	2,414	1,594	2,113	2,547	9,714	26,045	

¹ Trade accounts payable and others include trade accounts payable and payables related to purchase of property, plant and equipment included in other current liabilities.

² The contractual cash flows include both cash in- and outflows. Additional information is disclosed in note 14.5.

The maturity profile is based on contractual undiscounted amounts including both interest and principal cash flows and is based on the earliest date on which LafargeHolcim could be required to pay.

Contractual interest cash flows relating to a variable interest rate are calculated based on the rates prevailing as of 31 December.

Interest rate risk

Interest rate risk arises from movements in interest rates which could affect the Group's financial result and market values of its financial instruments. The Group is primarily exposed to fluctuations in interest rates on its financial liabilities at floating rates which may cause variations in the Group's financial result. The exposure is mainly addressed through the management of the fixed/floating ratio of financial liabilities. To manage this mix, the Group may enter into interest rate swap agreements, in which it exchanges periodic payments based on notional amounts and agreed-upon fixed and floating interest rates. The Group is also exposed to the evolution of interest rates and credit markets for its future refinancing, which may result in a lower or higher cost of financing. The Group constantly monitors credit markets and the aim of its financing strategy is to achieve a well-balanced maturity profile to reduce both the risk of refinancing and large fluctuations of its financing cost.

The Group's risk management policy for interest rate risk is to maintain interest rate risk at an acceptable level, whilst minimizing interest expense over the long term in accordance with the Group's funding strategy. As a consequence thereof, under the Group's risk management policy, the Group may enter into derivative contracts which are designated as either cash flow hedges or fair value hedges, as appropriate and also include the hedging of forecasted transactions.

Interest rate sensitivity

The Group's sensitivity analysis has been determined based on the interest rate exposure relating to the Group's financial liabilities at a variable rate on a post hedge basis as of 31 December.

A one percentage point change is used when the interest rate risk is reported internally to key management personnel and represents management's assessment of a reasonably possible change in interest rates.

On 31 December 2019, a one percentage point shift in interest rates, with all other assumptions held constant, would result in approximately CHF 24 million (2018: CHF 22 million) of annual additional/lower financial expenses before tax on a post hedge basis.

Foreign exchange risk

The Group's global footprint exposes it to foreign exchange risks.

The translation of foreign operations into the Group reporting currency leads to currency translation effects. The Group may hedge certain net investments in foreign entities with foreign currency borrowings or other instruments. To the extent that the net investment hedge is effective, all foreign exchange gains or losses are recognized in equity and included in currency translation adjustments.

Due to the local nature of the construction materials business, foreign exchange risk is limited. However, for many Group companies, income will be primarily in local currency, whereas debt servicing and a significant amount of capital expenditures may be in foreign currencies. As a consequence thereof, under the Group's risk management policy, the Group may enter into derivative contracts which are designated as either cash flow hedges or fair value hedges, as appropriate and also include the hedging of forecasted transactions.

Foreign exchange sensitivity

The Group's sensitivity analysis has been performed based on the Group's net transaction exposure that arises on monetary financial assets and liabilities at 31 December that are denominated in a foreign currency. The Group's net foreign currency transaction risk mainly arises from CHF, USD and EUR against the respective currencies the Group operates in.

A five percent change is used when the net foreign currency transaction risk is reported internally to key management personnel and represents management's assessment of a reasonably possible change in foreign exchange rates.

A five percent change in CHF, USD and EUR against the respective currencies the Group operates in would have an immaterial impact on foreign exchange (loss) gains net on a post hedge basis in both the current and prior year.

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

Commodity risk

The Group is subject to commodity risk with respect to price changes mainly in the electricity, natural gas, petcoke, coal, oil refined products and sea freight markets. Under the Group's risk management policy, the Group uses derivative instruments to hedge part of its exposure to these risks. Derivative instruments are generally limited to swaps and standard options.

Effects of hedge accounting

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

Ineffectiveness is recognized on hedges where the cumulative change in the designated component value of the hedging instrument exceeds on an absolute basis the change in value of the hedged item attributable to the hedged risk. Ineffectiveness may arise if there is a difference in the principal terms of the hedging instrument and designated hedged risk, from credit valuation of the hedging instrument or timing of the transaction changes from what was originally estimated.

The effects of applying hedge accounting on the Group's financial position and performance are as follows for cash flow, fair value and net investment hedge accounting relationships:

a) Cash flow hedge accounting

The change in fair value of hedging instruments under cash flow hedge accounting in 2019 was CHF -32 million (2018: CHF -3 million). The change in related hedged items was CHF 32 million (2018: CHF 2 million) and no amount (2018: CHF -1 million) was recorded as ineffectiveness directly to the consolidated statement of income in 2019 for cash flow hedges.

The maturities for hedging instruments as of 31 December 2019 are 2020 for foreign exchange forwards and ranged between 2020 and 2022 for commodity swaps (2019 and 2020, 2019 and 2021 in 2018 respectively).

When a hedging instrument expires, is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, the cumulative gain or loss deferred in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as property, plant and equipment or inventory against which the cumulative gains and losses is adjusted. When the forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss. No such case has occurred in 2019 nor in 2018.

b) Fair value hedge accounting

The change in fair value of hedging instruments under fair value hedge accounting in 2019 was CHF -19 million (2018: CHF -5 million). The change in related hedged items was CHF 19 million (2018: CHF 5 million) and no amount was recorded as ineffectiveness directly to the consolidated statement of income in 2019 and 2018 for fair value hedges.

The maturities for hedging instruments as of 31 December 2019 are in 2020 and 2028 (2020 in 2018).

When a hedging instrument expires, is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, the cumulative gain or loss recorded in the carrying value of the hedged item is amortized over the life of the hedged item using the effective interest rate. When the hedged item is sold or terminated, the cumulative gains and losses recorded in the carrying value are recognized in financial income (expense). No such case has occurred in 2019 nor in 2018.

c) Net investment hedge accounting

The change in the fair value of hedging instruments under net investment hedge accounting in 2019 was CHF -3 million (2018: CHF -14 million). The change in related hedged items was CHF 3 million (2018: CHF 14 million) and no amount was recorded as ineffectiveness directly to the consolidated statement of income in 2019 and 2018 for net investment hedges.

The maturities for hedging instruments as of 31 December 2019 are in 2020 for foreign exchange forwards (2019 in 2018).

When a hedging instrument expires, is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, the cumulative gain or loss deferred in equity at that time remains in equity until the forecast transaction occurs (i.e. disposal of a subsidiary). No such case has occurred in 2019 nor in 2018.

Credit risk

Credit risks arise, among others, from the possibility that customers may not be able to settle their obligations as agreed. To manage this risk, the Group periodically assesses the financial reliability of its customers.

Credit risks, or the risk of counterparties defaulting, are constantly monitored. Counterparties to financial instruments consist of a large number of established financial institutions. The Group does not expect any counterparty to be unable to fulfill its obligations under its respective financing agreements. At year end, LafargeHolcim has no significant concentration of credit risk with any single counterparty or group of counterparties.

The Group considers the probability of default upon initial recognition of accounts receivable based on lifetime expected credit losses by considering available reasonable and supportable historical and forward-looking information.

The Group considers the probability of default upon initial recognition of long-term loans and receivables and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period by considering available reasonable and supportable historical and forward-looking information.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the consolidated statement of financial position.

Since 1 January 2018, the following credit risk modelling applies for financial assets:

a) Accounts receivable

For accounts receivable, the Group applies the simplified approach with expected lifetime losses recognized from initial recognition of the receivables in the statement of income.

b) Long-term loans and receivables

The Group uses three categories for long-term loans and receivables which reflect their credit risk and how the loan loss provision is determined for each of those categories.

Summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Definition
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows
Non-performing	Interest and/or principal repayments are past due and credit risk level shows an increase
Write-off	Based on observable data the payments will not be collected

Each exposure is allocated to a credit risk category at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring which may result in an exposure being moved to a different credit risk category.

Over the term of the loans, the Group accounts for its credit risk by providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the company considers historical loss rates for each category of customers, and adjusts for forward looking macroeconomic data. No significant changes to estimation techniques or assumptions were made during the reporting period.

Capital structure

The Group's objectives when managing capital are to secure the Group's financial needs as a going concern as well as to cater for its growth targets, in order to provide returns to shareholders and benefits for other stakeholders and to maintain a solid investment grade rating.

The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions, business activities, investment and expansion programs and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, increase debt or sell assets to reduce debt.

Fair value estimation

The fair value of publicly traded financial instruments is generally based on quoted market prices at the end of the reporting period.

For non-publicly traded financial instruments, the fair value is determined by using a variety of methods, such as the discounted cash flow method and option pricing models. The

valuation methods seek to maximize the use of observable market data existing at the end of the reporting period. The fair value of current financial assets and liabilities at amortized cost is assessed to approximate their carrying amounts due to the short-term nature of these financial instruments.

Fair values as of 31 December 2019

Million CHF	IFRS 9 category	Carrying amount (by measurement basis)				Comparison fair value
		Amortized cost	Fair value level 1	Fair value level 2	Total	
Current financial assets						
Cash and cash equivalents	Financial assets	4,148			4,148	
Trade accounts receivable	Receivables at amortized cost	2,871			2,871	
Financial receivables	Receivables at amortized cost	124			124	
Derivative assets	Held for hedging at fair value			12	12	
Derivative assets	Held for trading at fair value			16	16	
Long-term financial assets						
Long-term receivables	Loans at amortized cost	291			291	291 ¹
Financial investments third parties	Strategic equity investments at fair value through other comprehensive earnings			187	187	
Derivative assets	Held for hedging at fair value			5	5	
Derivative assets	Held for trading at fair value			0	0	
Current financial liabilities						
Trade accounts payable and others ²	Financial liabilities at amortized cost	3,499			3,499	
Current financial liabilities	Financial liabilities at amortized cost	1,985			1,985	
Derivative liabilities	Held for hedging at fair value			81	81	
Derivative liabilities	Held for trading at fair value			23	23	
Long-term financial liabilities						
Long-term financial liabilities	Financial liabilities at amortized cost	12,183			12,183	13,142 ³
Derivative liabilities	Held for hedging at fair value			18	18	

¹ The comparison fair value for long-term receivables consists of level 2 fair value measurements.

² Trade accounts payable and others include payables related to the purchase of property, plant and equipment included in other liabilities.

³ The comparison fair value for long-term financial liabilities consists of CHF 9,734 million level 1 and CHF 3,408 million level 2 fair value measurements.

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Fair values as of 31 December 2018

Million CHF	IFRS 9 category	Carrying amount (by measurement basis)			Comparison fair value
		Amortized cost	Fair value level 1	Fair value level 2	
Current financial assets					
Cash and cash equivalents	Financial assets	2,515			2,515
Trade accounts receivable	Receivables at amortized cost	3,229			3,229
Financial receivables	Receivables at amortized cost	180			180
Derivative assets	Held for hedging at fair value			55	55
Derivative assets	Held for trading at fair value			10	10
Long-term financial assets					
Long-term receivables	Loans at amortized cost	315			315 ¹
Financial investments third parties	Strategic equity investments at fair value through other comprehensive earnings			196	196
Derivative assets	Held for hedging at fair value			23	23
Derivative assets	Held for trading at fair value			3	3
Current financial liabilities					
Trade accounts payable and others ²	Financial liabilities at amortized cost	3,717			3,717
Current financial liabilities	Financial liabilities at amortized cost	2,976			2,976
Derivative liabilities	Held for hedging at fair value			27	27
Derivative liabilities	Held for trading at fair value			60	60
Long-term financial liabilities					
Long-term financial liabilities	Financial liabilities at amortized cost	13,012			13,012
Derivative liabilities	Held for hedging at fair value			49	49

¹ The comparison fair value for long-term receivables consists of level 2 fair value measurements.

² Trade accounts payable and others include payables related to the purchase of property, plant and equipment included in other current liabilities.

³ The comparison fair value for long-term financial liabilities consists of CHF 10,530 million level 1 and CHF 2,573 million level 2 fair value measurements.

The table above shows the carrying amounts and fair values of financial assets and liabilities.

The levels of fair value hierarchy used are defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. The types of assets carried at level 1 fair value are equity and debt securities listed in active markets;
- Level 2 fair value measurements are those derived from valuation techniques using inputs for the asset or liability that are observable market data, either directly or indirectly. Such valuation techniques include the discounted cash flow method and option pricing models. For example, the fair value of interest rate and currency swaps is determined by discounting estimated future cash flows, and the fair value of forward foreign exchange contracts is determined using the forward exchange market at the end of the reporting period; and
- Level 3 fair value measurements are those derived from valuation techniques using inputs for the asset or liability that are not based on observable market data. In 2019 and 2018, there were no financial assets and liabilities allocated to level 3.

There have been no transfers between the different hierarchy levels in 2019 and 2018.

15. LEASES

15.1 Accounting principles

Since 1 January 2019, the Group assesses at inception of a contract whether it contains a lease under IFRS 16 and accordingly recognizes a right-of-use asset and a lease liability if it meets the definition of a lease, with the exception of short-term leases and leases of low value assets.

The lease liability is measured at commencement date at the present value of the future lease payments, discounted with the interest rate implicit in the lease or, if not readily determinable, with the lessee's respective incremental borrowing rate. Future lease payments include in-substance fixed payments, variable lease payments depending on an index or rate and payments under termination and extension options when these are reflected in the lease term. The lease term comprises the non-cancellable lease term together with the period covered by extension options, if assessed as reasonably certain to be exercised, and termination options, if assessed as reasonably certain not to be exercised. Non-lease components in contracts are separated from lease components and accordingly accounted for in operating profit on a cost incurred basis.

The right-of-use asset is recognized at the commencement date at cost, which includes the amount of the lease liability recognized, any lease payments made at or before the commencement date of the lease, initial direct costs incurred and an estimate of costs to be incurred in dismantling and removing the underlying asset or restoring the asset to the condition agreed with the lessor. Unless the Group is reasonably certain to exercise a purchase option, the right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and lease term. Right-of-use assets are subject to the impairment requirements under IAS 36 *Impairments of Assets*.

In the event that the tax base of a right-of-use asset is not the same as its carrying amount for IFRS purposes on initial recognition of a lease contract, the Group recognizes the deferred tax impact arising on the temporary difference between the carrying amount of the right-of-use asset and its tax base. The same treatment as above also applies to the initial recognition of the lease liability.

Note 1.2 explains the accounting policy changes and the initial application of IFRS 16 as of 1 January 2019.

15.2 Transition adjustments recognized as of 1 January 2019 on initial application of IFRS 16

The lease liability as of 1 January 2019 amounted to CHF 1,617 million, of which CHF 358 million was recorded in "Current financial liabilities" and CHF 1,258 million in "Long-term financial liabilities". The table below presents a reconciliation of the undiscounted operating lease commitments presented in the 2018 Annual Report in note 15 to the capitalized amount as of 1 January 2019. The weighted average incremental borrowing rate at the date of initial application of IFRS 16 used for the discounting as of 1 January 2019 is based on the Group's portfolio of leases and equals 5.4 percent.

Reconciliation of undiscounted operating lease commitments as of 31 December 2018 to the recognized lease liability as of 1 January 2019

Million CHF	
Operating lease commitments as of 31 December 2018	1,955
Exemption of commitments for non-lease components	(157)
Exemption of commitments for short-term leases	(13)
Exemption of commitments for leases of low value assets	(10)
Onerous lease contracts	16
Undiscounted future lease payments from operating leases	1,791
Effect of discounting	(341)
Addition of Lease liability as of 1 January 2019	1,451
Former IAS 17 finance lease liability as of 1 January 2019	166
Total lease liability as of 1 January 2019	1,617

Onerous lease contracts were not included in the operating lease commitments as they were accounted for as provisions and accordingly have been reclassified to the right-of-use assets as of 1 January 2019 with an associated lease liability also recognized. The Group relied on its assessment as to whether leases are onerous by applying IAS 37 immediately before the date of initial recognition as an alternative to performing an

impairment review. The table above does not include lease liabilities of CHF 108 million relating to disposal groups since such liabilities are included in "liabilities directly associated with assets classified as held for sale".

The right-of-use assets as of 1 January 2019 amounted to CHF 1,584 million, which is comprised of as follows:

Million CHF	
Discounted former operating lease commitments as of 1 January 2019	1,451
Impact due to the measurement of certain right-of-use assets at commencement date of the lease	(46)
Net amount accrued and prepaid lease expenses	28
Provision for onerous contracts and other reclassifications	(21)
Capitalized Right-of-use assets of former operating leases	1,412
Capitalized assets of former IAS 17 finance leases as of 1 January 2019	172
Right-of-use assets as of 1 January 2019	1,584

The measurement of certain right-of-use assets at the lease commencement date resulted in a negative impact in equity of CHF 38 million and in the recognition of a deferred tax asset of CHF 8 million.

15.3 Lease liability

As of 31 December 2019 the current portion of the long-term lease liability included in the position "current financial liabilities" amounts to CHF 328 million and the long-term lease liabilities included in the position "long-term financial liabilities" amounted to CHF 1,137 million.

Various contracts entered into by the Group include extension options, which provide the Group with greater flexibility in terms of future procurement of assets and services. Extension options are included in the lease liability only if they are assessed by management as being reasonably certain to be exercised. The undiscounted future lease payments relating to periods covered by extension options not included in the lease liability at year end amount to CHF 83 million.

Additional information related to leases not included in the lease liability

Million CHF	2019
Statement of income	
Expenses for short-term lease payments	(98)
Expenses for variable lease payments	(88)
Cash outflow for leases	
Cash outflow for short-term, low value and variable leases ¹	(193)
Payment of interest ²	(76)
Payment of lease liabilities ³	(409)
Total	(677)

¹ Cash flows from short-term, low value and variable leases are included within cash flow from operating activities.

² Included within cash flow from operating activities thereof CHF 7 million coming from leases previously disclosed as finance leases under IAS 17.

³ Included within cash flow from financing activities.

In certain lease agreements of machinery, equipment and vehicles, variable lease payments are included based on operating hours used, kilometers travelled or output. These leases provide greater flexibility in terms of usage, such as for certain types of trucks and vehicles where operating levels depend on production capacity and demand.

The contractual undiscounted future cash outflows for leases included in lease liabilities as at 31 December 2019 is found in note 14.6.

16. EMPLOYEE BENEFITS AND SHARE COMPENSATION PLANS

16.1 Accounting principles

Employee benefits - Defined benefit plans

Some Group companies provide defined benefit pension or other post-employment benefit plans for employees. The Group uses professionally qualified independent actuaries to value the defined benefit obligations on a regular basis. The obligation and costs of pension benefits are determined using the projected unit credit method. The projected unit credit method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Past service costs, which comprise plan amendments and curtailments and gains or losses on the settlement of pension benefits, are recognized immediately in the statement of income when they occur.

Remeasurements, which comprise actuarial gains and losses on the pension and other post-employment obligations, the return on plan assets and changes in the effect of the asset ceiling excluding amounts in net interest, are recognized directly in other comprehensive earnings and are not reclassified to the statement of income in a subsequent period. The pension and other post-employment obligations are measured at the present value of estimated future cash flows using a discount rate that is determined by reference to the interest rate on high quality corporate bonds where the currency and terms of the corporate bonds are consistent with the currency and estimated terms of the defined benefit and other post-employment obligations.

A net pension asset is recorded only to the extent that it does not exceed the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost for defined benefit and other post-employment benefits plans charged to the statement of income consists of service cost (current service cost, past service cost and curtailments as well as gains or losses on settlements) and the net interest expense. The service costs are recorded in "Cost of goods sold", "Distribution and selling expenses" or "Administrative expenses" based on the beneficiaries of the plan and the net interest expense is recorded in "Financial expenses".

Employee benefits – Defined contribution plans

In addition to the defined benefit plans described above, some Group companies sponsor defined contribution plans based on local practices and regulations. The Group's contributions to defined contribution plans are charged to the statement of income in the period to which the contributions relate.

Employee benefits – Other long-term employment benefits

Other long-term employment benefits include long-service leave or sabbatical leave, medical aid, jubilee or other long-service benefits, long-term disability benefits and, if they are not expected to be settled wholly within twelve months after the year end, profit sharing, variable and deferred compensation.

The measurement of these obligations differs from defined benefit plans in that all remeasurements are recognized immediately in the statement of income.

Employee benefits – Equity compensation plans

The Group operates various equity-settled share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options or shares is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted. The amounts are charged to the statement of income over the relevant vesting periods and adjusted to reflect actual and expected levels of vesting.

16.2 Employee benefits

Personnel expenses and number of personnel

The Group's total personnel expenses, including social charges, are recognized in the relevant expenditure line by function in the consolidated statement of income and amounted to CHF 4,451 million (2018: CHF 4,810 million). As of 31 December 2019, the Group employed 72,452 people (2018: 77,055 people).

Defined benefit pension plans

The Group oversees the management of its pension plans through the Pension and Benefits Governance Team. This interdisciplinary team including finance, human resources and legal specialists acts as a center of expertise in all issues relating to pension and other post-employment benefits and makes recommendations to the Group CEO and Group CFO. A documented directive is used as a base for management actions and decisions.

The Group's main defined benefit pension plans are located in the United Kingdom, North America and Switzerland. They respectively represent 53 percent (2018: 52 percent), 22 percent (2018: 22 percent) and 17 percent (2018: 18 percent) of the Group's total defined benefit obligation for pensions. These main plans are funded through legally separate trustee managed funds. The cash funding of these plans, which may from time to time involve special payments, is designed to ensure that past, present and future contributions should be sufficient to meet future liabilities.

The Group operates a number of defined benefit pension schemes and schemes with similar or contingent obligations in several of its countries. The assets and liabilities of those schemes may exhibit significant volatility.

Where possible, defined benefit pension schemes have been closed and frozen. Significant actions continue to take place to reduce and eliminate those schemes and related risks. Specifically, active management is in place to mitigate the volatility and match investment returns with benefit obligations.

Unfunded pension plans are mainly plans outside of tax regimes' qualification limits, retirement indemnity schemes, or end of service benefits where benefits are vested only if the employee is still employed by the Group company at the retirement date. The unfunded pension plans are located largely in the United States and Canada.

United Kingdom (UK)

The companies operate three defined benefit pension plans in the UK: the Lafarge UK pension plan, the Aggregate Industries pension plan and the Ronez 2000 pension plan. Pensions payable to employees depend on average final salary and length of service within the Group. These plans are registered schemes under UK tax law and managed by independent Boards of Trustees. They are closed to new entrants. The vested rights of the Lafarge UK pension plan were frozen in 2011, while those of the Ronez 2000 pension plan were frozen in 2016 and those of the Aggregate Industries Ltd. as of 31 March 2019.

These plans are funded by employer contributions, which are negotiated every three years based on plan valuations carried out by independent actuaries.

For the Lafarge UK pension plan, the 30 June 2018 funding valuation was completed and no contributions were paid in 2019.

For the Aggregate Industries Pension Plan, the April 5, 2018 funding valuation was completed and a revised schedule of contributions intended to address deficit repayment by the sponsoring employer was put in place with the aim of eliminating the funding deficit for the plan by 5 April 2027.

For the Ronez 2000 pension plan, the December 31, 2018 funding valuation was completed in 2019. As at 30 September 2019, the plan was in surplus and it was therefore agreed no deficit repayment contributions are required.

In relation to risk management and asset allocation, the Boards of Trustees aim to ensure that they can meet their obligations to the beneficiaries of the plans, both in the short and long terms. Subject to this primary objective, the Boards of Trustees target to maximize the long-term investment return whilst minimizing the risk of non-compliance with any statutory funding requirements. The Boards of Trustees are responsible for the plans' long-term investment strategies but usually delegate strategy design and monitoring to Investment Committees.

The Lafarge UK Pension Plan entered a longevity swap during 2018. The swap hedges the risk of changes in life expectancy for covered members, which will reduce longevity related volatility in the plan's funding position, resulting in a more stable balance sheet position. The swap covers pensioners and dependent members whose benefits came into payment on or before 31 December 2016 and who were alive on 1 January 2018, representing 60 percent of the plan's IAS 19 liabilities as of 31 December 2018.

The Lafarge UK pension plan and the Aggregate Industries pension plan both contain elements of pension called Guaranteed Minimum Pension ("GMP"). GMPs were accrued by individuals who were contracted out of the State Second Pension prior to 6 April 1997. Historically, there was an inequality in the benefits between male and female members who had GMP. A High Court case concluded on 26 October 2018 confirmed that all UK pension plans must equalise GMPs between men and women. In the light of these events, a net experience adjustment of CHF 47 million was recognized in other comprehensive income in 2018.

North America (United States and Canada)

The companies operate defined contribution plans and a number of defined benefit pension plans. The majority of the defined benefit pension plans are closed to new entrants and frozen to future accruals. For defined benefit pension plans, pensions payable to employees depend on average final salary and length of service within the Group. For defined contributions, benefits depend on accrued contributions with returns at retirement.

The Group participates in a number of union-sponsored multi-employer pension plans in the United States. These plans are subject to substantial deficits due to market conditions and business actions, plan trustee decisions, plan failure as well as actions and decisions of other contributing employers. The Group has essentially no control on how these plans, accounted for as defined contribution plan, are managed. The Group has undertaken a review of all these plans with the goal being to fully understand the plans' financial circumstances, as well as all options available to mitigate risks and reduce the Group's actual and potential financial obligations. As the Group's participation

in these plans is subject to negotiations with bargaining unions, the Group's ability to take action is limited.

The Group companies must contribute a minimum amount to the defined benefit pension plans annually which is determined actuarially and is comprised of service costs as well as payments toward any existing deficits. For plans that are currently closed and frozen, there will generally be no service component in the future.

In the United States, the Group companies generally intend to pay the minimum required contributions as prescribed under Internal Revenue Service (IRS) regulations in addition to voluntary amounts in order to achieve and maintain an IRS funded status of at least 80 percent. In Canada, the Group companies generally intend to pay at least the minimum required contributions under the applicable pension legislation for each plan.

The companies delegate various responsibilities to Pension Committees. These committees define and manage long-term investment strategies for reducing risks, including interest rate risks and longevity risks. The assets in the United States and Canada include a certain proportion which hedge the liability swings against interest rate movements, with those assets primarily invested in fixed income investments, particularly intermediate and longer term instruments.

As announced in 2017, effective 1 January 2020, the Canadian pension plan was frozen and active members will no longer acquire further rights in this defined benefit plan. Active members will then participate in a defined contribution plan.

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Switzerland

The pension plans of Swiss companies contain a cash balance benefit formula, accounted for as a defined benefit plan. Employer and employee contributions are defined in the pension fund rules in terms of an age related sliding scale of percentages of salary. Under Swiss law, the pension fund guarantees the vested benefit amount as confirmed annually to members. Interest above legal requirements may be added to member balances at the discretion of the Board of Trustees. At retirement date, members have the right to take their retirement benefit as a lump sum, an annuity or part as a lump sum with the balance converted to a fixed annuity at the rates defined in the fund rules. The Board of Trustees, composed of half employer and half employees' representatives, may increase the annuity at their discretion subject to the plan's

funded status including sufficient free funds as determined according to Swiss statutory valuation rules. The Swiss pension plans fulfill the requirements of the regulatory framework which requires a minimum level of benefits.

Status of the Group's defined benefit plans

The status of the Group's defined benefit plans using actuarial assumptions determined in accordance with IAS 19 Employee Benefits is summarized below. The tables provide reconciliations of defined benefit obligations, plan assets and the funded status for the defined benefit pension plans to the amounts recognized in the statement of financial position.

Reconciliation of retirement benefit plans to the statement of financial position

Million CHF	2019	2018
Net liability arising from defined benefit pension plans	1,023	993
Net liability arising from other post-employment benefit plans	245	239
Net liability	1,268	1,232
Reflected in the statement of financial position as follows:		
Pension assets	(145)	(371)
Defined benefit obligations	1,413	1,603
Net liability	1,268	1,232

Retirement benefit plans

Million CHF	Defined benefit pension plans		Other post-employment benefit plans	
	2019	2018	2019	2018
Present value of funded obligations	8,762	8,122	0	0
Fair value of plan assets	(8,375)	(7,614)	0	0
Plan deficit of funded obligations	387	507	0	0
Present value of unfunded obligations	630	480	245	239
Effect of asset ceiling	5	5	0	0
Net liability from funded and unfunded plans	1,023	993	245	239
Of which:				
United Kingdom	(4)	(133)	0	0
North America (United States and Canada)	388	530	173	181
Switzerland	140	141	0	0
Others	499	455	72	58
Costs recognized in the statement of income are as follows:				
Current service costs	79	112	2	2
Past service costs (including curtailments)	(67)	(107)	1	(16)
Gains on settlements	(7)	(3)	0	0
Net interest expense	39	46	10	10
Special termination benefits	2	4	0	0
Total recorded in the statement of income	45	52	13	(4)
Of which:				
United Kingdom	(27)	0	0	0
North America (United States and Canada)	45	52	5	(8)
Switzerland	37	34	0	0
Others	(10)	(34)	7	4
Amounts recognized in other comprehensive earnings:				
Actuarial gains (losses) arising from changes in demographic assumptions	67	114	(9)	2
Actuarial (losses) gains arising from changes in financial assumptions	(1,006)	487	(12)	5
Actuarial (losses) gains arising from experience adjustments	(10)	(141)	11	10
Return on plan assets excluding interest income	648	(401)	0	0
Change in effect of asset ceiling excluding interest (income) expense	0	(1)	0	0
Total recorded in other comprehensive earnings	(301)	57	(11)	17
Of which:				
United Kingdom	(191)	25	0	0
North America (United States and Canada)	(22)	4	1	17
Switzerland	8	(78)	0	0
Others	(95)	105	(12)	(1)

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Retirement benefit plans

Million CHF	Defined benefit pension plans		Other post-employment benefit plans	
	2019	2018	2019	2018
Present value of funded and unfunded obligations				
Opening balance as per 1 January	8,602	9,857	239	288
Reclassifications and change in structure	84	(60)	0	(3)
Current service costs	79	112	2	2
Interest expense	244	251	10	10
Contribution by the employees	25	20	0	0
Actuarial (gains) losses	950	(460)	11	(17)
Benefits paid	(545)	(646)	(17)	(19)
Past service costs (including curtailments)	(67)	(107)	1	(16)
Settlements	(30)	(46)	0	0
Special termination benefits	2	4	0	0
Currency translation effects	50	(324)	0	(7)
Closing balance as per 31 December	9,393	8,602	245	239
Of which:				
United Kingdom	4,970	4,497	0	0
North America (United States and Canada)	2,086	1,893	173	181
Switzerland	1,573	1,536	0	0
Others	764	676	72	58
Fair value of plan assets				
Opening balance as per 1 January	7,614	8,596	0	0
Reclassifications and change in structure	57	(31)	0	0
Interest income	205	206	0	0
Return on plan assets excluding interest income	648	(401)	0	0
Contribution by the employer	328	212	17	18
Contribution by the employees	25	20	0	0
Benefits paid	(545)	(646)	(17)	(18)
Settlements	(23)	(43)	0	0
Currency translation effects	65	(299)	0	0
Closing balance as per 31 December	8,375	7,614	0	0
Of which:				
United Kingdom	4,979	4,636	0	0
North America (United States and Canada)	1,697	1,363	0	0
Switzerland	1,434	1,395	0	0
Others	265	221	0	0

Retirement benefit plans

Million CHF	Defined benefit pension plans	
	2019	2018
Equity instruments	22%	21%
Liability-driven investments	19%	21%
Debt instruments	16%	15%
Alternative investments	9%	12%
Insurance policies	9%	9%
Investment in real estate	7%	6%
Investment funds	8%	6%
Cash and cash equivalents	6%	4%
Structured debt	1%	2%
Others	3%	4%
Total plan assets	100%	100%

Plan assets based on non-quoted prices represent 27 percent (2018: 17 percent) of the total plan assets and mainly consist of insurance policies for 9 percent (2018: 9 percent) and investment funds for 8 percent (2018: 6 percent).

The fair value of financial instruments of LafargeHolcim Ltd or subsidiaries held as plan assets amount to CHF 7 million (2018: CHF 78 million).

Liability-driven investment (LDI) is an investment strategy that is defined considering the risk profiles of the liability of the plan. The LDI investment strategy mainly consists of index-linked government bonds and swaps and involves hedging the plan against liquidity risk and change in interest rates or inflation yields.

Alternative investments include among others hedge-funds, multi-asset values and reinsurance investments.

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Principal actuarial assumptions (weighted average) used at the end of the reporting period for defined benefit pension plans

	Total Group		United Kingdom		North America		Switzerland	
	2019	2018	2019	2018	2019	2018	2019	2018
Discount rate in %	2.0%	2.8%	2.0%	3.0%	3.1%	4.0%	0.2%	0.8%
Expected salary increases in %	1.9%	2.2%	n/a	3.2%	2.5%	2.5%	0.9%	0.9%
Life expectancy in years after the age of 65	22.1	21.9	23.1	22.7	23.2	23.2	23.4	23.3

Weighted average duration of defined benefit pension plans

	Total Group		United Kingdom		North America		Switzerland	
	2019	2018	2019	2018	2019	2018	2019	2018
Weighted average duration in years	14.7	15.4	16.3	17.5	13.6	13.3	13.7	13.5

Sensitivity analysis as per 31 December 2019 on defined benefit pension plans

Impact on the defined benefit obligation Million CHF	Total Group		United Kingdom		North America		Switzerland	
	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
Discount rate ($\pm 0.5\%$ change in assumption)	(646)	729	(375)	429	(130)	154	(109)	109
Expected salary increases ($\pm 0.5\%$ change in assumption)	50	(31)	0	0	10	(9)	5	(5)
Life expectancy in years after the age of 65 (± 1 year change in assumption)	405	(405)	282	(281)	63	(65)	52	(52)

Sensitivity analysis as per 31 December 2018 on defined benefit pension plans

Impact on the defined benefit obligation Million CHF	Total Group		United Kingdom		North America		Switzerland	
	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
Discount rate ($\pm 0.5\%$ change in assumption)	(611)	685	(372)	401	(115)	136	(92)	113
Expected salary increases ($\pm 0.5\%$ change in assumption)	47	(46)	8	(8)	9	(8)	9	(8)
Life expectancy in years after the age of 65 (± 1 year change in assumption)	343	(350)	231	(229)	51	(56)	50	(58)

The sensitivity analysis above may not be representative of the actual change in the defined benefit pension plans as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

(2018: CHF 25 million) related to North America, CHF 28 million (2018: CHF 31 million) related to Switzerland and CHF 26 million (2018: CHF 11 million) related to United Kingdom.

Expected contributions by the employer to be paid to the post-employment benefit plans during the annual period beginning after the end of the reporting period are CHF 66 million (2018: CHF 82 million), of which CHF 2 million

16.3 Share compensation plans

The total personnel expense arising from the LafargeHolcim share compensation plans amounted to CHF 28.8 million in 2019 (2018: CHF 12.9 million) as presented in the following table:

Million CHF	Personnel expenses 2019	Personnel expenses 2018
Employee share purchase plan	0.6	0.7
Performance Share Plan	20.7	5.6
Restricted shares	7.4	5.8
Share option plans (Ex-Holcim)	0.1	0.4
Liquidity mechanism for remaining Lafarge rights	0.0	0.3
Total	28.8	12.9

All shares granted under these plans are either purchased from the market or derived from treasury shares.

The increase of the Performance Shares Plan in 2019 relates primarily to the performance shares granted in 2019 and a better outlook on the Group Financial objectives, hence a higher level of achievement of the performance conditions on the other outstanding performance shares plans.

Description of plans

Employee share purchase plan

LafargeHolcim offers an employee share-ownership plan. This plan entitles employees to acquire a limited amount of discounted LafargeHolcim Ltd shares, i.e. 50 shares at 50 percent of the market value and further shares at 70 percent of the market value based on the prior-month average share price.

The shares cannot be sold for a period of two years from the date of purchase.

Performance Share Plan

Performance shares and/or options are granted to executives, senior management and other employees for their contribution to the continuing success of the business. These shares and options will be delivered after a three-to-five-year vesting period following the grant date and are subject to internal and external performance conditions.

Information related to awards granted through the Performance Share Plan is presented below:

	2019		2018	
	Performance shares	Performance options	Performance shares	Performance options
1 January	2,357,109	1,355,202	2,232,190	1,389,745
Granted	622,048	1,166,760	895,190	283,506
Forfeited	(877,359)	(42,843)	(770,271)	(318,049)
Delivered	(77,294)	(456,332)	0	0
31 December	2,024,504	2,022,787	2,357,109	1,355,202

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- 622'048 (2018: 895,190) performance shares at a fair value of CHF 49.09 per share (2018: CHF 55.00) were granted in 2019. Performance shares are subject to a three-year vesting period. Internal performance conditions are attached to the shares and are based on Group Earnings per Share (EPS) before impairment and divestments, pre-IFRS 16 and Group Return on Invested Capital (ROIC) pre-IFRS 16
- 1'166'760 (2018: 283,506) performance options at a fair value of CHF 2.04 (2018: CHF 9.16) were granted in 2019. In 2019, performance options are subject to a five-year vesting period.

External conditions are attached to the options and are based on LafargeHolcim's relative total shareholder return (TSR) compared to a group of peer companies. The valuation of the performance options is based on the Enhanced American Model (calculation of the fair value without considering the performance condition) and a Monte Carlo simulation (estimation of the expected achievement factor).

Underlying assumptions for the fair value of the performance options granted in 2019 and 2018 are presented below:

Grant date	30 July 2019
Share price at grant date	49.09
Exercise price	49.92
Expected dividend yield (continious) ¹	+4.3%
Expected volatility of stock ²	+25.0%
Risk-free interest rate	-0.5%
Expected life of the options	7 years

¹ Continuously compounded dividend yield based on expected future dividend payments according to Thomson Reuters.

² Based on a historical volatility over the most recent period that is commensurate with the expected term of the options.

Grant date	1 March 2018
Share price at grant date	55.00
Exercise price	55.65
Expected dividend yield (continious) ¹	3.3%
Expected volatility of stock ²	22.4%
Risk-free interest rate	-0.2%
Expected life of the options	8 years

¹ Based on data market provider estimates.

² Based on a 2 year at-the-money implied volatility.

Restricted shares

Half of the annual incentive amount for the Executive Committee is paid in blocked LafargeHolcim Ltd shares during the first quarter of the following financial year. The share price used to convert the annual incentive amount into a number of shares is the average of the three closing share prices preceding the award date. The shares are blocked for a period of three years from the award date.

Restricted share awards are also granted for Senior Management at hire, compensating for share awards forfeited from previous employer. The vesting of these restricted shares reflects the vesting dates of forfeited awards.

Board compensation consists of an annual retainer which is paid half in shares subject to a five-year restriction period.

Share option plans (Ex-Holcim)

Two types of share options were granted to senior management of the Group: the ones, which were granted as part of the annual variable compensation and those, that were allotted to the Executive Committee upon appointment. In both cases, each option represented the right to acquire one registered share of LafargeHolcim Ltd at the share market price at grant date. These plans are closed. The last share options under this plan were granted in 2015.

The contractual term of the first type of option plan is eight years, with immediate vesting but exercise restrictions for a period of three years following the grant date. The contractual term of the second type of option plan is twelve years and the options have a vesting period (service-related only) of nine years from the date of grant, with sale and pledge restrictions. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Liquidity mechanism for remaining rights under the Lafarge long-term incentive plans

The Lafarge long-term incentive plans consisted of stock options (granted up to 2015) and performance share (granted up to 2014) plans, all subject to performance conditions.

All Lafarge stock options are vested.

Performance conditions included internal conditions and a market condition related to Total Shareholder Return. The market condition is included in the fair value of each granted instrument.

Following the success of its public exchange offer on Lafarge S.A. and the completion of the subsequent squeeze-out of Lafarge S.A. shares on 23 October 2015, LafargeHolcim proposed a liquidity mechanism for:

Lafarge S.A. shares that may be issued following the exercise on or after the date of the squeeze-out of stock options that have been allocated pursuant to the Lafarge stock option plans; or Lafarge S.A. shares that may be definitively allotted on or after the squeeze-out in accordance with the Lafarge performance share plans.

In 2019, the liquidity mechanism was applied as follows:

- No Lafarge S.A. shares have been purchased (2018: 63,895);
- 179,820 Lafarge S.A. shares have been exchanged for 158,861 LafargeHolcim shares (2018: 283,414 Lafarge S.A. shares for 250,218 LafargeHolcim shares);
- 113,760 Lafarge S.A. options have been exercised in 2019 (2018: 40,802 options). One Lafarge S.A. stock options plan ended in March 2019 and 20,640 Lafarge S.A. options have expired (2018: 584,013 options).

In 2019, the exchange ratio of the liquidity mechanism remains stable compared to last year at 0.884 (1 Lafarge S.A. share for 0.884 LafargeHolcim Ltd share).

Outstanding share options

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Weighted average exercise price ¹	Number ¹	Number ¹
		2019	2018
1 January	CHF 54.60	2,698,556	3,443,251
Granted and under vesting period ²	CHF 49.92	1,166,760	283,506
Change in exchange ratio for Lafarge stock-options plans	CHF 0.00	0	(75,088)
Forfeited	CHF 58.61	(74,150)	(318,049)
Exercised	CHF 35.46	(94,886)	(23,240)
Expired	CHF 53.23	(465,791)	(611,824)
31 December	CHF 53.31	3,230,489	2,698,556
Of which exercisable at the end of the year		1,207,702	1,276,254

¹ Adjusted to reflect former share splits and/or capital increases and/or scrip dividend.

² These options will not be delivered before the end of the 5-year vesting period and are subject to the level of achievement of performance conditions.

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The weighted average share price for the options exercised in 2019 was CHF 35.46 (2018: CHF 39.06). Share options outstanding at the end of the year have the following expiry dates and give the right to acquire one registered share of LafargeHolcim Ltd at the exercise prices as listed below:

Option grant date	Issuing company	Expiry date	Exercise price ¹	Number ¹	
				2019	2018
2008	Holcim Ltd	2020	CHF 62.95	33,550	33,550
2010	Holcim Ltd	2022	CHF 70.30	33,550	33,550
2011	Holcim Ltd	2019	CHF 63.40	0	113,957
2012	Holcim Ltd	2020	CHF 54.85	165,538	165,538
2013	Holcim Ltd	2021	CHF 67.40	122,770	122,770
2014	Holcim Ltd	2022	CHF 64.40	99,532	99,532
2014	Holcim Ltd	2026	CHF 64.40	0	33,550
2015 (2009 ²)	Lafarge S.A.	2019	CHF 33.38	0	69,812
2015 (2010 ²)	Lafarge S.A.	2020	CHF 55.71	184,481	184,481
2015 (2011 ²)	Lafarge S.A.	2020	CHF 48.32	127,269	127,269
2015 (2012 ²)	Lafarge S.A.	2020	CHF 39.09	138,644	167,042
2015	Holcim Ltd	2023	CHF 66.85	144,970	144,970
2015	Holcim Ltd	2023	CHF 63.55	47,333	47,333
2015	LafargeHolcim Ltd	2025	CHF 50.19	110,065	458,575
2016	LafargeHolcim Ltd	2026	CHF 53.83	609,623	650,223
2018	LafargeHolcim Ltd	2028	CHF 55.65	246,404	246,404
2019	LafargeHolcim Ltd	2029	CHF 49.92	1,166,760	0
Total	LafargeHolcim Ltd			3,230,489	2,698,556

¹ Adjusted to reflect former share splits and/or capital increases and/or scrip dividend.

² These options were granted through the Lafarge Stock-Options plans. The figures presented in this table are based on the application of the actual exchange ratio of 0.884. The year specified between brackets is the original option grant date and the exercise price is converted from EUR to CHF at the closing rate of 1.086.

17. PROVISIONS AND CONTINGENCIES

17.1 Accounting principles

Site restoration and other environmental provisions

The Group provides for the costs of restoring a site where a legal or constructive obligation exists. The estimated future costs for known restoration requirements are determined on a site-by-site basis and are calculated based on the present value of estimated future costs. The cost of raising a provision before exploitation of the raw materials has commenced is included in property, plant and equipment and depreciated over the life of the site. The effect of any adjustments to the provision due to further environmental damage as a result of exploitation activities is recorded through operating costs over the life of the site, in order to reflect the best estimate of the expenditure required to settle the obligation at the end of the reporting period. Changes in the measurement of a provision that result from changes in the estimated timing or amount of cash outflows, or a change in the discount rate, are added to or

deducted from the cost of the related asset to the extent that they relate to the asset's installation, construction or acquisition. All provisions are discounted to their present value.

Restructuring provisions

The provision for restructuring only includes direct expenditures arising from the restructuring, notably severance payments, early retirement costs, costs for notice periods not worked and other costs directly linked largely with the closure of the facilities.

Contingent liabilities

Contingent liabilities arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of LafargeHolcim. They are accordingly disclosed in the notes to the financial statements.

17.2 Provisions

Million CHF	Site restoration and other environmental provisions	Specific business risks	Restructuring provisions	Other provisions	Total 2019	Total 2018
1 January	860	470	300	356	1,986	2,393
Change in structure	(1)	0	0	(1)	(2)	5
Reclassification to liabilities directly associated with assets held for sale	(3)	(1)	0	0	(4)	(9)
Provisions recognized	118	115	67	135	436	421
Provisions used during the year	(67)	(56)	(160)	(63)	(345)	(529)
Provisions reversed during the year	(22)	(31)	(40)	(23)	(116)	(214)
Unwinding of discount and discount rate changes	38	2	0	1	41	29
Currency translation effects	(15)	(14)	(4)	(8)	(41)	(111)
31 December	908	485	162	398	1,954	1,985
Of which short-term provisions	64	126	117	69	376	443
Of which long-term provisions	845	359	45	329	1,578	1,542

Specific business risks

The total provision for specific business risks amounted to CHF 485 million as of 31 December 2019 (2018: CHF 470 million). Specific business risks comprise litigation provisions and provisions for contractual risks recorded in connection with purchase price allocations. Provisions for litigations mainly relate to antitrust and commercial disputes, environmental claims and product liabilities and are set up to cover legal and administrative proceedings.

The timing of cash outflows of provisions for litigations is uncertain since it will largely depend upon the outcome of administrative and legal proceedings.

The sensitivity associated with certain provisions led management to limit the extent of the disclosure discussed above as it believes it could seriously prejudice the position of the Group.

Restructuring provisions

The total provision for restructuring amounted to CHF 162 million decreasing from 2018 (CHF 300 million) notably due to cash payments during the year for CHF 160 million. The remaining provisions are expected to result in future cash outflows mainly within the next two years.

Other provisions

Other provisions relate mainly to provisions that have been set up to cover other contractual liabilities and amounted to CHF 398 million (2018: CHF 356 million). The composition of these items is manifold and comprised, as of 31 December 2019, among other things: provisions for health insurance and pension schemes, which do not qualify as benefit obligations and provisions related to sales and other taxes. The expected timing of the future cash outflows is uncertain.

17.3 Contingencies, guarantees, commitments and contingent assets

Contingencies

In the ordinary course of its business, the Group is involved in lawsuits, claims of various natures, investigations and proceedings, including product liability, commercial, environmental, health and safety matters, etc. The Group operates in countries where political, economic, social and legal developments could have an impact on the Group's operations.

In connection with disposals made in the past years, the Group provided customary warranties notably related to accounting, tax, compliance with laws, litigation, labor and environmental matters. LafargeHolcim and its subsidiaries have received or may receive in the future notices of claims arising from such warranties.

The Group is exposed to varying degrees of uncertainty related to tax matters and regulatory reviews and audits. The Group accounts for its income taxes on the basis of its own internal analyses, supported by external advice, if appropriate. The Group continually monitors its global tax position, and whenever uncertainties arise, the Group assesses the potential consequences and either accrues the liability or discloses a contingent liability in its financial statements, depending on the strength of the Group's position and the resulting risk of loss.

As of 31 December 2019, the Group's contingencies amounted to CHF 1,835 million (2018: CHF 1,637 million). The increase is mainly related to tax contingencies. Except for what has been provided for as disclosed in note 17.2, the Group has concluded that due to the uncertainty with some of the matters mentioned below, the potential losses from some of these cases cannot be reliably estimated. There are no further single matters pending that the Group expects to be material in relation to the Group's business, financial result or results of operations.

The following is a description of the material legal and tax matters currently ongoing.

Legal and tax matters with new developments since last reporting period

The criminal proceedings in France related to the alleged dealings of Lafarge Cement Syria with terrorist organizations in the years 2013 and 2014 are currently pending with the investigating judges in Paris. The Group has completed its internal independent investigation into the alleged underlying facts under the supervision of the Board of Directors. On 24 April 2017, the Group reported on the main findings of the investigation and the remediation measures decided on by the Board of Directors. On 28 June 2018, the investigating judges decided to put Lafarge S.A. under judicial investigation and the legal charges put forward against individual wrongdoings have been received. In addition, Lafarge S.A. was requested by the investigating judges to deposit a bail guarantee of EUR 30 million. Bar the qualification of the charges, the placement of Lafarge S.A. under judicial investigation was expected given that several of its former managers have previously been placed under judicial investigation. Lafarge S.A. has appealed against those charges in December 2018 which, in its view, do not fairly represent the responsibilities of Lafarge S.A. The Court of Appeal decided on 7 November 2019 to drop one of the charges, complicity in crimes against humanity. In December 2019, Lafarge SA replaced the bail guarantee with a payment to the court in the same amount.

In July 2016, Lafarge Brasil S.A. received an assessment from the Brazilian Internal Revenue Service, claiming the reversal of a deducted Goodwill for the years 2011 and 2012. The amount in dispute is CHF 83 million (BRL 346 million) as of 31 December 2019 and includes any penalty and interest. After challenging

the assessment, the company received a favorable decision from the Administrative Tax Appeals Council in August 2018. The Brazilian Internal Revenue Service has appealed this decision before the Superior Administrative Chamber, still pending of judgement. In November 2018, LafargeHolcim (Brasil) S.A. received an equal assessment from the Brazilian Internal Revenue Service, again claiming reversal of deducted Goodwill for the years 2013 and 2014. The company challenged it and received a favourable decision at the 1st Administrative Level, and now the case awaits the judgement before Administrative Tax Appeals Council. The amount in dispute for this second matter is CHF 65 million (BRL 271 million). Additionally, in December 2019, LafargeHolcim (Brasil) S.A. received a third equal assessment, referring to the year 2015. The company challenged it at 1st Administrative Level, and the amount in dispute is CHF 5 million (BRL 21 million).

In 2016, the Indonesian tax authorities issued the final objection letter in respect of the 2010 PT Lafarge Cement Indonesia payment of Corporate Income and Withholding Tax and associated penalties of a total amount of CHF 34 million (IDR 500 billion) related to certain refinancing transactions. PT Lafarge Cement Indonesia appealed against this decision at the tax court. In case of a negative outcome, the total claim amounts to CHF 68 million (IDR 1 trillion) due to additional penalties charged for the appeal. In January 2019, the Group sold its shareholding in PT Holcim Indonesia Tbk, including its subsidiary PT Lafarge Cement Indonesia, to Semen Indonesia, but will continue to be liable for such claims due to an indemnification guarantee provided by the Group to PT Holcim Indonesia Tbk.

On 28 May 2014, the Administrative Council for Economic Defense ("CADE") ruled that Holcim Brazil (today LafargeHolcim (Brasil) S.A.) along with other cement producers had engaged in price collusion and other anti-competitive behavior. The ruling includes behavioral remedies prohibiting certain greenfield projects, divestment of a ready-mix plant, and M&A activities and fines against the defendants. This order became enforceable on 21 September 2015 and applies to LafargeHolcim Brazil, which has been fined CHF 122 million (BRL 508 million) as at the date of the order. In September 2015, LafargeHolcim Brazil filed an appeal against the order, offering a cement plant as guarantee to support its appeal. The fine and the behavioral remedies imposed by CADE were suspended by two decisions of the court of first instance on 29 September 2016 and 21 October 2016. This suspension will remain in effect until the completion of the substantive proceedings against the CADE ruling. During 2019, CADE unsuccessfully challenged the guarantee offered, as well as the venue of the proceedings. As of 31 December 2019, the total amount including interests and monetary adjustment is approximately CHF 188 million (BRL 780 million).

Previously disclosed legal matters with no developments since last reporting period

The Competition Commission of India ("CCI") issued in June 2012 and, after a successful appeal, again in August 2016 an order imposing a penalty on Ambuja Cements Ltd. ("ACL"), ACC Limited ("ACC") and on the divested subsidiary Lafarge India for which the Group provided an indemnification guarantee. The order found those companies together with other cement producers in India to have engaged in price coordination and imposed penalties on the cement companies and their trade association. The total amount of penalties (including interests) relating to the three companies is approximately CHF 505 million as of 31 December 2019. The companies appealed the order before the Competition Appellate Tribunal ("COMPAT"). As per the interim order passed by COMPAT in 2016, the companies placed a deposit of 10 percent of the penalty amounts with a financial institution with a lien in favor of COMPAT. In May 2017, all matters pending before COMPAT were transferred to the National Company Law Appellate Tribunal ("NCLAT"). In July 2018, the NCLAT dismissed the appeal of the companies against the CCI order and upheld the fines imposed. The companies filed an appeal with the Supreme Court which was admitted on 5 October 2018 and the interim order passed by COMPAT was directed to be continued. The matter may be listed for hearings in the future when the entire pleadings are complete.

Ambuja Cements Ltd. ("ACL") and ACC Limited ("ACC") were entitled to incentives in the form of excise duty benefit, in respect of Income Tax Assessment Years 2006-07 to 2015-16. In their tax returns, the companies treated the said incentives as capital in nature and hence not liable to income tax. During the financial year 2018, the Commissioner of Income Tax - Appeals (CIT-A) ruled the issue in favour of ACC and ACL for several assessment years. In view of this, the companies have reassessed the risk and have reversed the existing provisions of CHF 122 million. Pending final legal closure of this matter this amount has been disclosed as a contingent liability.

There has been litigation in Hungary for a number of years related to the ownership of assets and damage compensation in the context of the privatization of one of the former Holcim cement plants in Hungary. The plant was closed a number of years ago and remains inactive and the Group believes the plant is illegally occupied by the counterparty in the litigation. The litigation is ongoing in a number of different courts in Hungary but LafargeHolcim will continue to defend its legal position in all courts of competent jurisdiction.

Guarantees

At 31 December 2019, the Group's guarantees issued in the ordinary course of business amounted to CHF 919 million (2018: CHF 888 million).

Commitments

In the ordinary course of business, the Group enters into purchase commitments for goods and services, buy and sell investments, associated companies and Group companies or portions thereof. It is common practice for the Group to make offers or receive call or put options in connection with such acquisitions and divestitures.

At 31 December 2019, the Group's commitments amounted to CHF 2,034 million (2018: CHF 1,946 million) and included CHF 1,614 million (2018: CHF 1,528 million) related to the purchase of various products, inventories and services and CHF 420 million (2018: CHF 418 million) related to the purchase of property, plant and equipment.

Contingent assets

A contingent asset is a possible asset that arises from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. At 31 December 2019, the total contingent assets for various claims in favor of the Group are estimated at CHF 26 million (2018: CHF 25 million).

18. SHAREHOLDERS' INFORMATION

18.1 Equity

Holcim Finance (Luxembourg) S.A. issued EUR 500 million (CHF 550 million) subordinated fixed rate resettable perpetual notes on 5 April 2019 with a coupon of 3.0 percent p.a. and guaranteed by LafargeHolcim Ltd.

LafargeHolcim Helvetia Finance Ltd issued CHF 200 million subordinated fixed rate resettable perpetual notes on 28 November 2018 with a coupon of 3.5percent p.a.

In accordance with the provisions of IAS 32 *Financial Instruments – Presentation*, and given their characteristics, these instruments were accounted for in equity in the Group's consolidated financial statements for a total amount of CHF 750 million of which CHF 550 million (EUR 500 million) in 2019 and CHF 200 million in 2018.

Incremental costs directly attributable to the issuance of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

Treasury shares (own equity instruments held by the Group) are accounted for as a reduction of equity at acquisition cost and are not subsequently remeasured. When shares are sold out of treasury shares, the resulting profit or loss is recognized in equity, net of tax.

18.2 Information on share capital

Number of registered shares 31 December	2019	2018
Total outstanding shares	613,693,581	596,172,233
Treasury shares		
Share buy-back program	0	10,283,654
Reserved for share compensation plans	2,235,478	453,193
Total treasury shares	2,235,478	10,736,847
Total issued shares	615,929,059	606,909,080
Shares out of conditional share capital		
Reserved for convertible bonds	1,422,350	1,422,350
Total shares out of conditional share capital	1,422,350	1,422,350
Total shares	617,351,409	608,331,430

The par value per share is CHF 2.00. The share capital amounts to nominal CHF 1,232 million (2018: CHF 1,214 million) and the carrying amount of the treasury shares amounts to CHF 121 million (2018: CHF 612 million).

On 25 June 2019, 19,303,633 new shares were issued out of authorized capital for the scrip dividend.

In July 2019, the Group has cancelled 10,283,654 of its shares, which were previously repurchased under the share buyback program at an average price per share of CHF 56.55 for a total of CHF 581 million.

The following table reconciles the movement of the total issued shares for the period:

Million CHF	2019	2018
Total issued shares as per 1 January	606,909,080	606,909,080
New shares issued	19,303,633	0
Share buy-back program	(10,283,654)	0
Total issued shares as per 31 December	615,929,059	606,909,080

19. RELATED PARTY TRANSACTIONS

Key management compensation

Board of Directors

In 2019, 13 non-executive members of the Board of Directors received in total a remuneration of CHF 4.6 million including mandatory Social Security payments (2018: CHF 4.7 million) of which CHF 2.6 million (2018: CHF 2.7 million) was paid in cash, CHF 0.01 million (2018: CHF 0.02 million) in the form of social security contributions, and CHF 1.9 million (2018: CHF 1.9 million) in shares. Other compensation paid totaled CHF 0.2 million (2018: CHF 0.2 million).

The compensation of the Board of Directors decreased by 3% compared to previous year, which is due to changes in the composition of the Board of Directors. The compensation structure and level was unchanged from the previous year.

Executive Committee

The total annual compensation for the members of the Executive Committee amounted to CHF 30.2 million (2018: CHF 30.4 million). This amount comprises base salaries, other fixed pay and annual bonus of CHF 18.9 million (2018: CHF 16.6 million), share-based compensation of CHF 8.4 million (2018: CHF 10.6 million), employer contributions to social security and pension plans of CHF 2.9 million (2018: CHF 3.2 million).

Compensation for former members of governing bodies

During 2019, payments in the total amount of CHF 4.0 million were made to six former members of the Executive Committee (2018: CHF 10.6 million for eight former members).

Loans granted to members of governing bodies

As at 31 December 2019, there was one loan in the amount of CHF 0.1 million (2018: CHF 0.1 million for one loan) outstanding from a member of the Executive Committee. There were no loans to other members of the Executive Committee, members of the Board of Directors or to parties closely related to members of governing bodies outstanding at 31 December 2019.

Other transactions

As part of the employee share purchase plan, LafargeHolcim manages employees' shares. It sells and purchases LafargeHolcim Ltd shares to and from employees and in the open market. In 2018 and 2019, the company did not purchase any LafargeHolcim Ltd share from members of the Executive Committee.

As at 31 December 2019, LafargeHolcim has one indemnification claim under the indemnification guarantee from Orascom Construction Industries S.A.E (OCI) in relation to an acquisition in 2008. Mr. Nassef Sawiris is Chief Executive Officer and Director of Orascom Construction Industries N.V., parent company of OCI, former director of Lafarge S.A. and of LafargeHolcim Ltd (until 15 May 2019).

In addition, the Group entered into a cooperation agreement dated 9 December 2007 allowing OCI to participate in tenders in respect of the construction of new plants in countries where OCI has the capability to meet certain of LafargeHolcim's construction needs. There are no outstanding balances under this agreement as at 31 December 2019.

20. CASH FLOW

Cash flow information related to investing activities

Million CHF	2019	2018
Purchase of property, plant and equipment net		
Replacements	(1,048)	(1,008)
Proceeds from sale of property, plant and equipment	137	126
Capital expenditures on property, plant and equipment to maintain productive capacity and to secure competitiveness	(911)	(882)
Expansion investments	(486)	(403)
Total purchase of property, plant and equipment net (a)	(1,397)	(1,285)
Acquisition of participation in Group companies (net of cash and cash equivalents acquired)	(142)	(176)
Disposal of participation in Group companies (net of cash and equivalents disposed of)	1,335	172
Purchase of financial assets, intangible and other assets		
Increase in financial investments including associates and joint ventures	(3)	(5)
Increase in other financial assets, intangible and other assets	(128)	(204)
Total purchase of financial assets, intangible and other assets	(131)	(209)
Disposal of financial assets, intangible and other assets		
Decrease in financial investments including associates and joint ventures	10	19
Decrease in other financial assets, intangible and other assets	106	93
Total disposal of financial assets, intangible and other assets	116	112
Total (purchase) disposal of financial assets, intangible and other assets businesses net (b)	1,177	(100)
Total cash flow from investing activities (a + b)	(219)	(1,386)

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Cash flow from acquisitions and disposals of Group companies

	Acquisitions		Disposals	
	2019	2018	2019	2018
Million CHF	Total	Total	Total	Total
Cash and cash equivalents	(12)	(20)	28	12
Assets classified as held for sale	0	0	1,397	0
Other current assets	(41)	(20)	207	23
Property, plant and equipment	(115)	(52)	794	100
Other assets	(7)	(22)	21	34
Bank overdrafts	0	0	(16)	0
Other current liabilities	68	21	(1,031)	(62)
Long-term provisions	6	4	(24)	(1)
Other long-term liabilities	18	24	(402)	(11)
Net assets	(83)	(65)	974	95
Non-controlling interest	3		(322)	
Net assets (acquired) disposed	(79)	(65)	652	95
Goodwill (acquired) disposed	(69)	(129)	424	4
Fair value of previously held equity interest	0	1	0	0
Net gain on disposals	0	0	279	(49)
Total (purchase) disposal consideration	(148)	(193)	1,355	50
Acquired (disposed) cash and cash equivalents	12	20	(35)	(12)
Tax and disposal costs paid		(3)	(9)	(9)
Deferred consideration	(6)	0	24	143
Net cash flow	(142)	(176)	1,335	172

21. EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the reporting period.

22. AUTHORIZATION OF THE FINANCIAL STATEMENTS FOR ISSUANCE

The consolidated financial statements were authorized for issuance by the Board of Directors of LafargeHolcim Ltd on 26 February 2020 and are subject to shareholder approval at the Annual General Meeting of shareholders scheduled for 12 May 2020.

TO THE GENERAL MEETING OF LAFARGEHOLCIM LTD,

Zurich, 26 February 2020

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of LafargeHolcim Ltd and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019 and the consolidated statement of income, consolidated statement of comprehensive earnings, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 162 to 249) give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

A summary of our Audit Approach

Key audit matters

The key audit matters that we identified in the current year are as follows:

- Impairment of property, plant and equipment assets;
- Goodwill; and
- Taxation.

Group materiality

We have set materiality for the current year at CHF 141 million (2018: CHF 123 million), based on 5% of normalised three-year average profit before tax.

Audit scope

Our scope covered 29 components. Of these, 15 were full scope audits and the remaining 14 were subject to specific procedures on certain balances by component audit teams or the group audit team. These covered 75% (2018: 74%) of Group net sales, 80% (2018: 81%) of Group EBITDA and 83% (2018: 81%) of Group net assets.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of property, plant and equipment

Key audit matter

The Group's balance sheet includes property, plant and equipment (PP&E) of CHF 27'189 million (2018: CHF 27'890 million) – refer to note 11.

PP&E impairment is tested at the Cash Generating Unit (CGU) level when an indicator of impairment is identified and is tested using discounted cash flow models to determine the recoverable amount of the CGU, which is compared with the carrying amount of the CGU. A deficit in the recoverable amount when compared with the carrying amount would result in an impairment.

We identified and focused on certain individual CGUs with a total carrying amount of CHF 1'440 million, which we determined would be most at risk of a material impairment as a result of reasonably possible changes in the key assumptions.

In assessing the recoverable amount of a CGU, management is required to estimate future cash flows. The determination of future cash flows requires management to make assumptions relating to future profitability, including revenue growth and operating margins, and the determination of an appropriate discount rate, all of which are subject to management override as the outcome of the impairment assessments could vary significantly if different judgements are applied.

Through our risk assessment procedures, we determined that for the CGUs where we focused our testing the following estimates used in management's determination of the level of impairment to record were key assumptions (particularly the market size and discount rate assumptions), that we identified as a significant audit risk:

- a. Market size – the Group's short-term and long-term estimates of the level of cement demand have a significant impact on PP&E impairment assessments and are inherently uncertain. There is a risk that management's market demand assumptions are not reasonable, leading to a material misstatement.
- b. Cement prices – A key input into PP&E impairment assessments is the forecasting of cement prices over the three year forecast period. Forecast cement prices are closely related to the level of cement demand, available market production capacity and inflation. Supply and demand factors are subject to significant estimation uncertainty. There is a risk that management's cement price assumptions are not reasonable, leading to a material misstatement.

c. Discount rates – Given the long timeframes involved, recoverable amounts of the CGUs are sensitive to the discount rate applied. There is a risk that discount rates do not reflect the risks inherent in the cash flows being discounted, leading to a material misstatement.

How the scope of our audit responded to the key audit matter

We considered the controls implemented by management in testing for impairment and the setting of forecasts used in the impairment valuation tests. In addition, we performed the following substantive procedures for those CGUs selected for testing:

Market size

We benchmarked demand growth assumptions to industry reports on demand and supply growth and recent historical trends.

We used Deloitte economic specialists to assist in the challenge of the economic models used by management to forecast long-term cement market size, including comparing key inputs to the economic models to independently sourced external market data.

Cement Prices

We reviewed management's estimates of cement prices over the three year forecast period by benchmarking prices to industry reports, evaluating recent historical price trends against inflation. We considered the impact of potential additional cement capacity identified from industry reports and public commentary. Additionally, we held discussions with regional and country management to understand their views of market developments.

Discount rates

We used Deloitte valuation specialists to develop independent discount rates and compared these from external market data to management estimates for the discount rate, country risk premium and tax rates.

Other procedures

We challenged management's CGU determination and considered whether there existed any contradictory evidence. We validated that the Group's asset impairment methodology was appropriate and tested the integrity of the impairment models.

We assessed management's historical forecasting accuracy, whether estimates have been determined on a consistent basis across the Group and where relevant, compared management's prior year models for testing impairment with the current year models.

We considered the adequacy of management's disclosures in respect of PP&E impairment testing.

Based on the audit procedures performed, we consider the judgements applied in the determination of CGUs and the assumptions included in the impairment testing models, together with the disclosures set out in the consolidated financial statements, to be appropriate.

Goodwill

Key audit matter

The Group's balance sheet includes goodwill of CHF 13,039 million (2018: CHF 14,045 million).

As disclosed in note 11 from 1 January 2019, the level at which goodwill is monitored and tested for impairment has changed to the operating segment from a country or cluster level.

The level at which the CEO (chief operating decision maker) reviews operating results and monitors performance and the level at which goodwill impairment testing is required to be performed is a matter of fact. The Group amended its organisational structure in response to changes in the dynamics in the building materials industry to focus on the regional performance of its operations. Key metrics used by the CEO in assessing performance are measured at the operating segment level.

The principal risk we have identified is obtaining audit evidence to support the fact that the CEO has changed the level at which he reviews operating results and monitors performance to the operating segments.

In assessing the recoverable amount of goodwill, management is required to estimate future cash flows. The determination of future cash flows requires management to make assumptions relating to future profitability, including revenue growth and operating margins, and the determination of an appropriate discount rate – refer to note 11.3.

Through our risk assessment procedures, we have determined that there are two key estimates in management's determination of the level of impairment to record. These are:

- a) Market size – the Group's short-term and long-term estimates of the level of cement demand have a significant impact on the goodwill impairment assessments and are inherently uncertain. There is a risk that management's market demand assumptions are not reasonable, leading to a material misstatement.
- b) Discount rates – Given the long timeframes involved, recoverable amounts of the operating segments are sensitive to the discount rate applied. There is a risk that discount rates do not reflect the risks inherent in the cash flows being discounted, leading to a material misstatement.

We identified and focused on certain individual CGUs with a total carrying amount of CHF 2'511 million which we determined would be most at risk of a material impairment of goodwill as a result of significant changes in key assumptions, particularly discount rates and market size. This was based on the level of headroom of the aggregated recoverable amount of their operating segment over the operating segments aggregated carrying amount. We identified these as a high audit risk. In addition, we also focused on individual CGUs with a further CHF 11'721 million of combined CGU carrying amount, which were less sensitive based on the level of headroom of the aggregated recoverable amount of their operating segment over the operating segments aggregated carrying amount. We identified these as a lower audit risk.

How the scope of our audit responded to the key audit matter

We considered the controls implemented by management in testing for impairment and the judgements in determining the allocation of goodwill to the operating segments. In addition we performed the following substantive procedures for those CGUs with a higher risk selected for testing:

Market size

We benchmarked demand growth assumptions to industry reports on demand and supply growth and recent historical trends.

We used Deloitte economic specialists to assist in challenging economic models used by management to forecast long-term cement market size, including comparing key inputs to the economic models to independently sourced external market data.

Discount rates

We used Deloitte valuation specialists to develop independent discount rates and compared these from external market data to management estimates for the discount rate, country risk premium and tax rates.

Substantive procedures were performed in respect of discount rates for those CGUs selected with a lower risk.

Other procedures

We challenged management's determination that goodwill is monitored at the operating segment level by reviewing internal financial reporting presented to the Board of Directors, CEO and executive committee, held discussions with the CEO and Regional Executives to understand both the process of evaluating results, monitoring performance and how decisions are made on the allocation of capital.

In addition, we obtained an understanding of how the performance of members of the Group's Executive is monitored and bonuses determined.

We evaluated that LafargeHolcim's goodwill impairment methodology was appropriate and tested the integrity of the impairment models.

We considered the adequacy of management's disclosures in respect of goodwill impairment testing and whether the disclosures appropriately disclose the sensitivities and the impacts of the change in the level at which goodwill impairment testing is undertaken.

Based on the audit procedures performed, we consider the judgements applied in the determination of the level of goodwill impairment testing and the assumptions included in the impairment testing models, together with the disclosures set out in the consolidated financial statements, to be appropriate.

Taxation

Key audit matter

There is significant judgement in accounting for income taxes, particularly given the large number of jurisdictions in which the Group operates and exposures to numerous different tax laws around the world. This gives rise to complexity and uncertainty in respect of the calculation of income taxes, deferred tax positions, as well as the assessment of provisions for uncertain tax positions, including estimates of interest and penalties where appropriate.

In the year ended 31 December 2019, the Group has recorded a tax expense of CHF 806 million (2018: CHF 656 million), and, at that date, CHF 1,442 million Deferred tax liabilities net (2018: CHF 1'607 million) (refer to Note 8), CHF 585 million Current income tax liabilities (2018: CHF 634 million) and CHF 385 million (2018: CHF 449 million) Long-term income tax liabilities.

The high level of judgement and complexity of the estimations combined with the significance of the above amounts to the financial statements as a whole, we assessed management's estimates for taxation to be an area of significant audit risk.

How the scope of our audit responded to the key audit matter

We discussed with management the adequate implementation of Group policies and controls regarding current and deferred tax, as well as the reporting of uncertain tax positions. We evaluated the design and implementation of controls in respect of provisions for current tax and the recognition and recoverability of deferred tax assets. We examined the procedures in place for the current and deferred tax calculations for completeness and valuation and audited the related tax computations and estimates in the light of our knowledge of the tax circumstances. Our work was conducted with the support of our tax specialists.

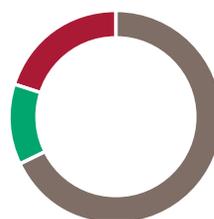
We performed an assessment of the material components impacting the Group's tax expense, balances and exposures. We reviewed and challenged the information reported by components with the support of our own local tax specialists, where appropriate. With the support of our tax specialists at group level, we verified the consolidation and analysis of tax balances.

NET SALES



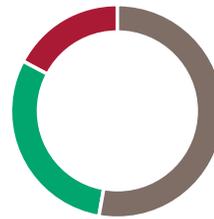
- Full audit scope 69%
- Specified audit procedures 6%
- Review at group level 25%

EBITDA



- Full audit scope 68%
- Specified audit procedures 12%
- Review at group level 20%

NET ASSETS



- Full audit scope 53%
- Specified audit procedures 30%
- Review at group level 17%

We considered management's assessment of the validity and adequacy of provisions for uncertain tax positions, evaluating the basis of assessment and reviewing relevant correspondence and legal advice where available including any information regarding similar cases with the relevant tax authorities. In respect of deferred tax assets and liabilities, we assessed the appropriateness of management's assumptions and estimates, including the likelihood of generating sufficient future taxable income to support deferred tax assets for tax losses carried forward as disclosed in Note 8.4 of CHF 801 million. We validated the appropriateness and completeness of the related disclosures in Note 8 to the consolidated financial statements.

Based on the procedures performed above, we obtained sufficient audit evidence to corroborate management's estimates regarding current and deferred tax balances and provisions for uncertain tax positions.

Based on the audit procedures performed, we consider the judgements applied in the calculation of income taxes, deferred tax positions and assessment of uncertain tax positions, together with the disclosures set out in the consolidated financial statements, to be appropriate.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the Group as a whole to be CHF 141 million, based on a calculation of 5% of normalised three-year average profit before tax for 2017, 2018 and 2019.

The materiality applied by the component auditors ranged from CHF 38.7 million to CHF 46.4 million depending on the scale of the component's operations, the component's contribution to Group profit before tax and our assessment of risks specific to each location.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of CHF 7.0 million, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including group-wide controls, and assessing the risks of material misstatement at the Group level. Based on our continuing assessment, we focused our Group audit scope primarily on the audit work at 29 components, representing the Group's most material country operations, and utilised 25 component audit teams in 20 countries. There were 15 components (2018: 15) subject to full scope audits and 14 components (2018: 11) subject to audit procedures on specified balances and specified procedures, where the extent of audit testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations at those locations.

These 29 components represent the principal business units and account for 83% of the Group's net assets, 75% of the Group's net sales and 83% of the Group's EBITDA.

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified balances.

The Group audit team continued to follow a programme of planned visits that has been designed so that a senior member of the Group audit team visits each of the locations where the Group audit was focused. Where we have not visited a significant component we included the component audit team in our team briefing, discussed their risk assessment, and reviewed documentation of the findings from their work.

Other Information in the Annual Report

The Board of Directors is responsible for the other information in the Annual Report. The other information comprises all information included in the Annual Report, but does not include the consolidated financial statements, the stand-alone financial statements of the Company upon which we issue a separate Statutory Auditor's report, the Compensation Report from pages 116 to 138 and our Auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the Annual Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the Annual Report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Deloitte AG



David Quinlin
Licensed Audit Expert

Auditor in charge



Alexandre Dübi
Licensed Audit Expert

HOLDING COMPANY RESULTS

Statement of income LafargeHolcim Ltd

Million CHF	Notes	2019	2018
Dividend income – Group companies	2	1,334	3,999
Financial income – Group companies		226	269
Other income	3	132	235
Total income		1,692	4,503
Financial expenses – Group companies		(33)	(33)
Financial expenses – Third parties		(36)	(49)
Other expenses	4	(302)	(612)
Impairment of financial investments – Group companies	5	(450)	(2,440)
Direct taxes		(1)	15
Total expenses		(822)	(3,119)
Net income		870	1,384

Statement of financial position LafargeHolcim Ltd

Million CHF	Notes	31.12.2019	31.12.2018
Cash and cash equivalents		150	104
Current financial receivables – Group companies		543	121
Other current receivables – Group companies		66	69
Other current receivables – Third parties		0	17
Current assets		759	311
Non-current financial receivables - Group companies	6	3,493	3,456
Financial investments – Group companies	7	36,454	35,609
Other assets		74	2
Non-current assets		40,021	39,067
Total assets		40,780	39,378
Current financial liabilities – Group companies		1,099	1,145
Other current liabilities – Group companies		292	289
Other current liabilities – Third parties		23	19
Current liabilities		1,414	1,453
Non-current financial liabilities – Group companies	8	1,984	1,004
Non-current financial liabilities – Third parties	9	1,540	1,540
Other non-current liabilities - Third parties		1	1
Non-current liabilities		3,525	2,545
Total liabilities		4,939	3,998
Share capital	14	1,232	1,214
Statutory capital reserves			
Capital reserves from tax capital contributions			
– Domestic		1,514	1,877
– Foreign		17,343	17,343
Statutory retained earnings			
– Statutory retained earnings		2,531	2,531
Voluntary retained earnings			
– Retained earnings prior year		12,473	11,650
– Net income		870	1,384
Treasury Shares	10	(122)	(619)
Shareholders' equity		35,841	35,380
Total liabilities and shareholders' equity		40,780	39,378

NOTES TO THE FINANCIAL STATEMENTS OF LAFARGEHOLCIM LTD

LafargeHolcim Ltd, with registered office in Rapperswil-Jona, is the ultimate holding company of the LafargeHolcim Group which comprises subsidiaries, associated companies and joint ventures around the world. During the reporting period, LafargeHolcim Ltd employed fewer than ten employees (previous year: fewer than ten employees).

1. ACCOUNTING POLICIES

Basis of preparation

The financial statements of LafargeHolcim Ltd comply with the requirements of the Swiss accounting legislation of the Swiss Code of Obligations (SCO). LafargeHolcim Ltd is presenting consolidated financial statements according to IFRS. As a result, these financial statements and notes do not include additional disclosures, cash flow statements or a management report.

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

Financial statements presentation

Due to the amalgamation of LafargeHolcim Albion Finance Ltd as of 1 January 2019 the prior year figures are only comparable to a limited extent with those of the reporting period.

Accounting principles applied

Other income and expenses

Current assets and current liabilities denominated in foreign currencies are converted at year-end exchange rates. Realized exchange gains and losses, and all unrealized exchange losses arising from these as well as those from business transactions are recorded as other income or other expenses.

Financial receivables

Financial receivables are valued at acquisition cost less adjustments for foreign currency losses and any other impairment of value.

Financial investments

Financial investments are initially recognized at cost. Investments in LafargeHolcim Group subsidiaries are assessed annually and in case of an impairment adjusted to their recoverable amount.

Financial liabilities

Financial liabilities are valued at nominal value. Any bond premium is accrued over the duration of the bond so that at maturity the balance sheet amount will equal the amount that is due to be paid.

Other assets

Other assets contain Goodwill and other intangible assets, which are capitalized and amortized over a period between three and five years.

Provisions

Provisions are made to cover general business risks.

Treasury shares

Treasury shares are recognised at acquisition cost and deducted from equity. Gains and losses on the sale are recognised in the statement of income.

**NOTES TO THE FINANCIAL STATEMENTS OF
LAFARGEHOLCIM LTD
CONTINUED**

2. DIVIDEND INCOME – GROUP COMPANIES

Million CHF	2019	2018
Holcim Reinsurance Limited	32	0
Holcim Finance (Belgium) S.A.	1	3
LafargeHolcim International Finance Ltd	0	781
Holdertrade Ltd	40	0
Holcim (Colombia) S.A.	6	0
Holcim Participations (Australia) Pty Ltd	72	0
Holmin Limited	25	0
Holderfin B.V.	543	1,352
Lafarge S.A.	615	1,163
Cesi S.A.	0	232
Rosyco B.V.	0	366
LafargeHolcim Albion Finance Ltd	0	102
Total	1,334	3,999

3. OTHER INCOME

Million CHF	2019	2018
Branding and trademark fees	22	0
CO2 trading income	110	0
Foreign exchange gains	0	235
Total	132	235

4. OTHER EXPENSES

Million CHF	2019	2018
Board of Director fees	(5)	(6)
Stewardship and project expenses	(256)	(311)
Administrative expenses	(13)	(11)
Foreign exchange losses	(28)	(284)
Total	(302)	(612)

5. IMPAIRMENT OF FINANCIAL INVESTMENTS – GROUP COMPANIES

Million CHF	2019	2018
Lafarge S.A.	0	(1,501)
Vennor Investments Pty Ltd	(16)	0
Holmin Limited	(39)	0
LafargeHolcim International Finance Ltd	(395)	(782)
Cemasco B.V.	0	(23)
Fernhoff Ltd	0	(32)
LafargeHolcim Albion Finance Ltd	0	(102)
Total	(450)	(2,440)

6. NON-CURRENT FINANCIAL RECEIVABLES – GROUP COMPANIES

Million CHF	31.12.2019	31.12.2018
Fernhoff Ltd	104	82
Cementia Holding Inc.	9	0
LafargeHolcim Continental Finance Ltd	1,303	1,352
Holcim Participations (UK) Limited	740	0
Lafarge North America Inc.	0	256
Cemasco B.V.	5	7
Heracles General Cement Company S.A.	0	60
Lafarge Cement Polska S.A.	144	187
Holcim (US) Inc.	58	89
Holcim Participations (US) Inc.	0	44
Holcim (Schweiz) AG	626	636
LafargeHolcim International Finance Ltd	408	647
Holdertrade Ltd	96	96
Total	3,493	3,456

7. FINANCIAL INVESTMENTS – GROUP COMPANIES

The principal direct and indirect subsidiaries and other holdings of LafargeHolcim Ltd are shown in note 2.4 to the Group's consolidated financial statements.

8. NON-CURRENT FINANCIAL LIABILITIES – GROUP COMPANIES

Million CHF	31.12.2019	31.12.2018
LafargeHolcim International Finance Ltd	6	7
Atlantic RE	88	0
Holcim Overseas Finance Ltd.	455	0
LafargeHolcim Helvetia Finance Ltd	659	776
Marine Cement Ltd	9	0
LafargeHolcim Espana S.A.U.	221	221
Holcim Capital Corporation Ltd.	546	0
Total	1,984	1,004

9. NON-CURRENT FINANCIAL LIABILITIES – THIRD PARTIES

Million CHF	31.12.2019	31.12.2018
3.00% fixed, Bond, 2012–2022	450	450
2.00% fixed, Bond, 2013–2022	250	250
1.00% fixed, Bond, 2015–2025	150	150
0.38% fixed, Bond, 2015–2021	250	250
1.00% fixed, Bond, 2018–2024	440	440
Total	1,540	1,540

10. MOVEMENT IN TREASURY SHARES

		Number held by LafargeHolcim Ltd	Million CHF	Average price per share in CHF	Number held by subsidiaries	Reserve for treasury shares held by subsidiaries in Million CHF	Average price per share in CHF
01.01.2019	Opening	10,736,847	619	57.6	0	0	0.0
2019	Cancellation of shares – share buyback program	(10,283,654)	(581)	56.5	0	0	0.0
2019	Purchases	2,259,105	108	47.9	0	0	0.0
2019	Sales	(476,820)	(24)	49.6	0	0	0.0
31.12.2019	Closing	2,235,478	122	54.5	0	0	0.0
01.01.2018	Opening	9,698,149	559	57.6	0	0	0.0
2018	Purchases share buyback program	1,442,200	81	56.5	0	0	0.0
2018	Other purchases	440	0	43.6	0	0	0.0
2018	Sales	(403,942)	(21)	53.2	0	0	0.0
31.12.2018	Closing	10,736,847	619	57.6	0	0	0.0

The Annual General Meeting approved on May 15, 2019 the cancellation of 10,283,654 LafargeHolcim shares with a nominal value of CHF 2.00 each which were bought back by

LafargeHolcim under the share buyback program announced in June 2017 and completed in March 2018.

11. CONTINGENT LIABILITIES

Million CHF	31.12.2019	31.12.2018
Holcim Capital Corporation Ltd. – Guarantees in respect of holders of		
7.65% USD 50 million private placement due in 2031	73	77
6.88% USD 250 million bonds due in 2039	266	271
6.50% USD 250 million bonds due in 2043	266	271
Holcim Capital México, S.A. de C.V. – Guarantees in respect of holders of		
7.00% MXN 1,700 million bonds due in 2019	0	94
8.12% MXN 1,700 million bonds due in 2020	96	94
Holcim Finance (Australia) Pty Ltd – Guarantees in respect of holders of		
5.25% AUD 200 million bonds due in 2019	0	153
3.75% AUD 250 million bonds due in 2020	187	191
3.50% AUD 300 million bonds due in 2022	224	230
Holcim Finance (Belgium) S.A.		
Commercial Paper Program, guarantee based on utilization, EUR 3,500 million maximum	0	105
Holcim Finance (Luxembourg) S.A. – Guarantees in respect of holders of		
1.04% EUR 413 million Schuldschein loans due in 2021	493	512
2.25% EUR 1,150 million bonds due in 2028	1,374	1,425
1.46% EUR 152 million Schuldschein loans due in 2023	182	188
3.00% EUR 320 million bonds due in 2024	382	620
2.00% EUR 33 million Schuldschein loans due in 2026	39	41
1.38% EUR 869 million bonds due in 2023	1,038	1,425
1.75% EUR 750 million bonds due in 2029	896	929
0.50% EUR 500 million bonds due in 2026	597	0
3.00% EUR 500 million Perpetual subordinated notes (Hybrid Bond)	597	0
Holcim Overseas Finance Ltd. – Guarantees in respect of holders of		
3.38% CHF 425 million bonds due in 2021	468	468

**NOTES TO THE FINANCIAL STATEMENTS OF
LAFARGEHOLCIM LTD
CONTINUED**

Million CHF	31.12.2019	31.12.2018
Holcim US Finance S.à r.l. & Cie S.C.S. – Guarantees in respect of holders of		
6.00% USD 750 million bonds due in 2019	0	812
2.63% EUR 500 million bonds due in 2020	597	620
4.20% USD 50 million bonds due in 2033	53	54
5.15% USD 500 million bonds due in 2023	533	542
LafargeHolcim Continental Finance Ltd – Guarantees in respect of holders of		
0.88% EUR 30 million Schuldschein loans due in 2022	36	37
0.30% EUR 60 million Schuldschein loans due in 2022	72	74
1.32% EUR 109 million Schuldschein loans due in 2024	130	135
1.68% EUR 5 million Schuldschein loans due in 2025	6	6
2.22% EUR 2 million Schuldschein loans due in 2028	2	2
LafargeHolcim International Finance Ltd – Guarantees in respect of holders of		
2.80% USD 40 million Schuldschein loans due in 2021	43	43
3.20% USD 15 million Schuldschein loans due in 2023	16	16
2.88% USD 110 million Schuldschein loans due in 2022	117	119
4.38% USD 38 million Schuldschein loans due in 2024	41	41
3.13% USD 28 million Schuldschein loans due in 2024	30	30
4.59% USD 60 million Schuldschein loans due in 2025	64	65
3.33% USD 60 million Schuldschein loans due in 2025	64	65
LafargeHolcim Helvetia Finance Ltd – Perpetual Subordinated Notes (Hybrid Bond)		
3.5% CHF 200 million Perpetual subordinated notes (Hybrid Bond)	220	220
LafargeHolcim Finance US LLC – Guarantees in respect of holders of		
3.50% USD 400 million bonds due in 2026	426	433
4.75% USD 600 million bonds due in 2046	640	650
4.79% USD 180 million private placement due in 2025	209	213
4.92% USD 52 million private placement due in 2027	60	61
5.03% USD 106 million private placement due in 2030	123	125
LafargeHolcim Sterling Finance (Netherlands) B.VV - Guarantees in respect of holders of		
3.00% GBP 300 million bonds due in 2032	420	414
Guarantees for committed credit lines, utilization CHF 0 million (2018: CHF 0 million)	5,280	5,838
Other guarantees	74	200
Other commitments	82	0
Total	16,516	17,909

LafargeHolcim Ltd is part of a value added tax group and therefore jointly liable to the Swiss Federal Tax Administration for the value added tax liabilities of the other members. LafargeHolcim Ltd guarantees Holcim Finance (Luxembourg) S.A. any amount needed to fulfill its obligations from financing agreement.

12. SHARE INTERESTS OF BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE

Shares and options owned by Board of Directors

As of 31 December 2019, the members of the Board of Directors of LafargeHolcim Ltd held directly and indirectly in the aggregate 239,097 registered shares (2018: 9,658,399

registered shares) and no rights to acquire further registered shares and no call options on registered shares (2018: 16,993,600 call options on registered shares).

Name	Position	Shares held as of December 31, 2019	Options held as of December 31, 2019	Shares held as of December 31, 2018	Options held as of December 31, 2018
Beat Hess	Chairman	57,205		40,109	
Oscar Fanjul	Vice-Chairman	15,707		10,675	
Paul Desmarais Jr	Member	44,469		40,693	
Colin Hall	Member (since May 15, 2019)	0		n/a	n/a
Patrick Kron	Member	3,345		1,021	
Naina Lal Kidwai	Member (since May 15, 2019)	0		n/a	n/a
G�rard Lamarche	Member (until May 15, 2019)	n/a		5,816	
Adrian Loader	Member	21,587		18,489	
J�rg Oleas	Member	7,654		5,147	
Nassef Sawiris	Member (until May 15, 2019)	n/a	n/a	9,455,606	16,993,600 ¹
Claudia Sender Ramirez	Member (since May 15, 2019)	0	n/a	n/a	
Hanne B. S�rensen	Member	11,184		8,537	
Dieter Sp�lti	Member	77,946		72,306	
Total		239,097	0	9,658,399	16,993,600

¹ Further information can be found under: www.six-exchange-regulation.com.

Ownership of shares: Executive Committee

As of 31 December 2019, members of the Executive Committee held a total of 365,542 registered shares (2018: 229,143 registered shares) in LafargeHolcim Ltd. This figure includes both privately acquired shares and those allocated under the Group's participation and compensation schemes.

Furthermore, at the end of 2019, the Executive Committee holds a total of 756,549 performance options at target (2018: 232,507 performance options) and 292,586 performance shares at target (2018: 221,043 performance shares); both of these arose as a result of the participation and compensation schemes of various years. Options are issued solely on registered shares in LafargeHolcim Ltd. One option entitles the holder to subscribe to one registered share in LafargeHolcim Ltd.

**Number of shares and options held by Executive Committee
Members as of 31 December 2019**

Name	Position	Total number of shares owned	Total number of performance options held (at target)	Total number of performance options held (at full vesting)	Total number of performance shares held (at target)	Total number of performance shares held (at full vesting)
Jan Jenisch	CEO	260,000	268,452	536,903	113,719	227,437
Magali Anderson	Member	281	0	0	5,900	11,800
Keith Carr	Member	5,000	41,900	83,800	13,715	27,430
Marcel Cobuz	Member	15,091	75,438	135,576	22,251	44,501
Feliciano González Muñoz	Member	2,660	41,900	83,800	13,815	27,630
Miljan Gutovic	Member	8,389	42,545	85,089	13,855	27,710
Martin Kriegner	Member	16,271	78,031	158,761	28,318	56,636
Géraldine Picaud	Member	39,604	72,166	144,331	34,472	68,943
Oliver Osswald	Member	5,852	69,783	139,566	25,091	50,182
René Thibault	Member	12,394	66,334	117,368	21,450	38,300
Total		365,542	756,549	1,485,194	292,586	580,569

**Number of shares and options held by Executive Committee
Members as of 31 December 2018**

Name	Position	Total number of shares owned	Total number of performance options held (at target)	Total number of performance options held (at full vesting)	Total number of performance shares held (at target)	Total number of performance shares held (at full vesting)
Jan Jenisch	CEO	170,722	50,314	100,628	82,818	165,636
Urs Bleisch	Member	14,775	69,239	138,477	25,559	51,117
Marcel Cobuz	Member	8,425	20,792	41,584	13,784	27,567
Miljan Gutovic	Member	0	0	0	4,403	8,805
Martin Kriegner	Member	8,034	34,482	68,963	26,384	52,768
Géraldine Picaud	Member	15,663	14,151	28,301	32,381	64,761
Oliver Osswald	Member	3,868	24,660	49,320	23,471	46,941
René Thibault	Member	7,656	18,869	37,738	12,245	24,490
Total		229,143	232,507	465,011	221,043	442,085

13. SIGNIFICANT SHAREHOLDERS

According to the share register and disclosed through notifications filed with LafargeHolcim Ltd and the SIX Swiss Exchange shareholders, owning 3 percent or more are as follows:

- Thomas Schmidheiny directly and indirectly holds 45,804,388 shares or 7.4 percent and additionally 6,178,080 options or 1.0 percent, total of 8.4 percent as per 31 December 2019¹ (2018: 69,074,277 shares or 11.4 percent);
- Groupe Bruxelles Lambert holds 57,238,551 shares or 9.3 percent as per 31 December 2019 (2018: 57,238,551 shares or 9.4 percent);

- Harris Associates L.P. declared holdings of 17,972,238 shares or 2.96 percent (falling below threshold of 3 percent) on 20 June 2019 (10 December 2018: 30,342,087 shares or 4.99 percent). Harris Associates Investment Trust declared holdings of 18,085,045 shares or 2.98 percent (falling below threshold of 3 percent) as per 29 January 2019 (2018: 18,332,272 shares or 3.0 percent);
- Norges Bank (the Central Bank of Norway) declared holdings of 18,330,151 shares or 3.0 percent on 8 November 2018;
- BlackRock Inc. declared holdings of 18,725,934 shares or 3.1 percent on 12 May 2017.

¹ Excluding the shares of the family members

14. SHARE CAPITAL

Shares	2019		2018	
	Number	Million CHF	Number	Million CHF
January 1	606,909,080	1,214	606,909,080	1,214
Share capital increased during the period/Scrip dividend	19,303,633	39	0	0
Number of shares cancelled/capital reduced during the period	(10,283,654)	(21)	0	0
December 31	615,929,059	1,232	606,909,080	1,214

As of 31 December 2019, LafargeHolcim share capital consists of 615,929,059 registered shares with a nominal value of CHF 2.00 each.

In 2019, LafargeHolcim offered to its shareholders the option of receiving the distribution in the form of new LafargeHolcim shares, cash or a combination thereof. 72.98 percent of the distribution was paid in the form of new LafargeHolcim Ltd shares. This resulted in a total payment of CHF 322 million.

19,303,633 new shares were issued out of authorized capital for the scrip dividend and the total share capital increase by CHF 38.6 million.

The total share capital decreased by CHF 20.6 million at 24 July 2019 as a result of the cancellation of 10,283,654 million repurchased treasury shares under the share buyback program that was completed in March 2018.

Appropriation of retained earnings

Million CHF	2019	2018
Retained earnings brought forward	12,473	11,650
Net income of the year	870	1,384
Capital reserves from capital contributions:		
– Domestic	1,514	1,877
– Foreign	17,343	17,343
Amount available for annual general meeting of shareholders	32,200	32,254
The Board of Directors proposes to the annual general meeting of shareholders to distribute from the foreign contribution reserve	(1,228)	(1,193)
Balance to be carried forward	30,972	31,061

Payout from capital contribution reserves

The Board of Directors proposes to the annual general meeting of shareholders a distribution from the foreign capital contribution reserve and payout of CHF 2.00 (2018: CHF 2.00) per registered share up to an amount of CHF 1,228 million ¹.

¹ There is no payout on treasury shares held by LafargeHolcim. On January 1, 2020 treasury shares holdings amounted to 2,235,478 registered shares.

TO THE GENERAL MEETING OF LAFARGEHOLCIM LTD

Zurich, 26 February 2020

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of LafargeHolcim Ltd, which comprise the statement of income and the statement of financial position as at as at 31 December 2019 and notes for the year then ended, including a summary of significant accounting policies.

In our opinion the financial statements as at 31 December 2019, presented on pages 255 to 266 comply with Swiss law and the company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Financial investments – Group companies

Key audit matter

As described in note 5 to the financial statements, LafargeHolcim Ltd holds investments in LafargeHolcim Group companies with a carrying value of CHF 36'454 million as of 31 December 2019, representing 89.4% of the total statutory assets.

In accordance with Article 960 CO, each investment held is usually valued individually and reviewed annually for impairment indicators. Each investment showing impairment indicators must be tested for impairment and an impairment would need to be recorded if the recoverable amount is lower than the carrying amount.

The assessment of the carrying value of each investment is complex and contains a lot of judgement. It is related to the value of the underlying assets held by each investment which themselves depends on the value of other underlying assets. Management has developed valuation models which are

complex in order to take into account the value of assets held by the different layers of the organization. In addition, the value of certain assets is highly judgmental and affected by future market conditions which are inherently uncertain.

Accordingly, for the purposes of our audit, we identified the impairment assessment and judgement applied by management on the valuation of these investments as representing a key audit matter.

How the scope of our audit responded to the key audit matter

We discussed with management the adequate implementation of accounting policies and controls regarding the valuation of investments in group companies.

We tested the design and implementation of controls around the valuation of investments to determine whether appropriate controls are in place.

We challenged the assessment of impairment indicators by the Company.

We tested the valuations by critically assessing the methodology applied and the reasonableness of the underlying assumptions and judgements. We assessed the impairment testing models and calculations by:

- Checking the mechanical accuracy of the impairment models and the extraction of inputs from source documents; and
- Challenging the significant inputs and assumptions used in impairment for investments in LafargeHolcim Group companies.

We validated the appropriateness and completeness of the related disclosures in note 7 to the statutory financial statements.

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse:

<http://expertsuisse.ch/en/audit-report-for-public-companies>.

This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.



David Quinlin
Licensed Audit Expert
Auditor in charge



Alexandre Dübi
Licensed Audit Expert

5-YEAR-REVIEW LAFARGEHOLCIM GROUP

5-YEAR-REVIEW LAFARGEHOLCIM GROUP

		2019	2018	2017 ¹	2016 ¹	2015
Statement of income						
Net sales	million CHF	26,722	27,466	27,021	26,904	23,584
Gross profit	million CHF	11,281	11,548	7,781	11,272	7,093
Recurring EBITDA pre-IFRS 16	million CHF	6,153	6,016	5,990	5,950	n/a
Recurring EBITDA margin pre-IFRS 16	%	23.0	21.9	22.2	22.1	n/a
Operating profit (loss)	million CHF	3,833	3,312	(478)	2,963	(739)
Operating profit (loss) margin	%	14.3	12.1	(1.8)	11.0	(3.1)
Depreciation, amortization and impairment of operating assets	million CHF	2,559	2,229	6,007	2,405	4,421
Income taxes	million CHF	806	656	536	835	781
Tax rate	%	24	28	(45)	29	(114)
Net income (loss)	million CHF	2,513	1,719	(1,716)	2,090	(1,361)
Net income (loss) – shareholders of LafargeHolcim Ltd	million CHF	2,246	1,502	(1,675)	1,791	(1,469)
Statement of cash flows						
Cash flow from operating activities	million CHF	4,825	2,988	3,040	3,295	2,465
Investments in property, plant and equipment for maintenance net	million CHF	(911)	(882)	(881)	(997)	(981)
Investments in property, plant and equipment for expansion	million CHF	(486)	(403)	(474)	(638)	(1,007)
(Purchase) Disposal of financial assets, intangible and other assets and businesses net	million CHF	1,178	(100)	680	2,342	7,222
Statement of financial position						
Current assets	million CHF	12,210	11,658	12,618	14,435	13,331
Non-current assets	million CHF	46,100	48,037	51,061	55,182	59,967
Total assets	million CHF	58,310	59,695	63,679	69,617	73,298
Current liabilities	million CHF	9,144	10,727	11,519	12,509	14,832
Non-current liabilities	million CHF	17,667	18,914	21,185	22,361	22,744
Total shareholders' equity	million CHF	31,499	30,053	30,975	34,747	35,722
Shareholders' equity as % of total assets	%	54.0	50.3	48.6	49.9	48.7
Non-controlling interest	million CHF	2,933	3,128	3,188	3,925	4,357
Net financial debt	million CHF	10,110	13,518	14,346	14,724	17,266
Capacity, sales and personnel						
Annual production capacity cement	million t	285.9	312.9	318.4	353.3	374.0
Sales of cement	million t	207.9	221.9	220.2	233.2	193.1
Sales of aggregates	million t	269.9	273.8	278.7	282.7	231.5
Sales of ready-mix concrete	million m ³	47.7	50.9	50.6	55.0	47.6
Personnel		72,452	77,055	81,960	90,903	100,956

¹ Restated due to changes in presentation or in accounting policies.

Cautionary statement regarding forward-looking statements

This document may contain certain forward-looking statements relating to the Group's future business, development and economic performance. Such statements may be subject to a number of risks, uncertainties and other important factors, such as but not limited to (1) competitive pressures; (2) legislative and regulatory developments; (3) global, macroeconomic and political trends; (4) fluctuations in currency exchange rates and general financial market conditions; (5) delay or inability in obtaining approvals from authorities; (6) technical developments; (7) litigation; (8) adverse publicity and news coverage, which could cause actual development and results to differ materially from the statements made in this document. LafargeHolcim assumes no obligation to update or alter forward-looking statements whether as a result of new information, future events or otherwise.

Disclaimer

The complete annual report for LafargeHolcim Ltd is published in English and is available on www.lafargeholcim.com. A printed extract of the annual report is available in English and German. The English version is legally binding.

Financial reporting calendar

	Date
Results for the first quarter 2020	30 April 2020
Annual General Meeting of shareholders	12 May 2020

DEFINITION OF NON-GAAP MEASURES USED IN THIS REPORT

Like-for-like

Like-for-like information is information factoring out changes in the scope of consolidation (such as divestments and acquisitions occurring in 2019 and 2018) and currency translation effects (2019 figures are converted with 2018 exchange rates in order to calculate the currency effects).

Recurring SG&A costs

Fixed cost related to Administrative, Marketing & Sales, Corporate Manufacturing and Corporate Logistics costs included in Recurring EBITDA.

Following the implementation of IFRS 16 *Leases*, effective 1 January 2019, the Group has elected the modified retrospective approach which does not require restatement of 2018 numbers. Consequently, in 2019, for better comparability this indicator is calculated <pre> and <post> IFRS 16.

Restructuring, litigation, implementation and other non-recurring costs

Restructuring, litigation, implementation and other non-recurring costs comprise significant items that, because of their exceptional nature, cannot be viewed as inherent to the Group's ongoing performance, such as strategic restructuring, major items relating to antitrust fines and other business-related litigation cases.

Profit and Loss on disposals and other non-operating items

Profit and Loss on disposals and non-operating items comprise capital gains or losses on the sale of Group companies and of material property, plant and equipment and other non-operating items that are not directly related to the Group's normal operating activities such as revaluation gains or losses on previously held equity interests, disputes with non-controlling interests and other major lawsuits.

Recurring EBITDA

The Recurring EBITDA (Earnings before interest, tax, depreciation and amortization) is an indicator to measure the performance of the Group excluding the impacts of non-recurring items. It is defined as:

- +/- Operating profit/loss (EBIT);
- depreciation, amortization and impairment of operating assets; and
- restructuring, litigation, implementation and other non-recurring costs.

Following the implementation of IFRS 16 *Leases*, effective 1 January 2019, the Group has elected the modified retrospective approach which does not require restatement of 2018 numbers. Consequently, in 2019, for better comparability this indicator is calculated <pre> and <post> IFRS 16.

Recurring EBITDA margin

The Recurring EBITDA margin is an indicator to measure the profitability of the Group excluding the impacts of non-recurring items. It is defined as the Recurring EBITDA divided by Net Sales.

Following the implementation of IFRS 16 *Leases*, effective 1 January 2019, the Group has elected the modified retrospective approach which does not require restatement of 2018 numbers. Consequently, in 2019, for better comparability this indicator is calculated <pre> and <post> IFRS 16.

Recurring EBITDA after leases

The Recurring EBITDA after leases is defined as Recurring EBITDA less the depreciation of right-of-use assets.

Recurring EBIT

The Recurring EBIT is defined as Operating profit (EBIT) adjusted for restructuring, litigation and other non-recurring costs and for impairment of operating assets.

Following the implementation of IFRS 16 *Leases*, effective 1 January 2019, the Group has elected the modified retrospective approach which does not require restatement of 2018 numbers. Consequently, in 2019, for better comparability this indicator is calculated <pre> and <post> IFRS 16.

Operating profit/loss (EBIT) before impairment

The Operating profit before impairment is an indicator that measures the profit earned from the Group's core business activities excluding impairment charges which, because of their exceptional nature, cannot be viewed as inherent to the Group's ongoing activities. It is defined as:

- +/- Operating profit/loss (EBIT);
- impairment of goodwill and long-term assets.

Following the implementation of IFRS 16 *Leases*, effective 1 January 2019, the Group has elected the modified retrospective approach which does not require restatement of 2018 numbers. Consequently, in 2019, for better comparability this indicator is calculated <pre> and <post> IFRS 16.

Net income before impairment and divestments

Net income before impairment and divestments excludes impairment charges and capital gains and losses arising on disposals of Group companies which, because of their exceptional nature, cannot be viewed as inherent to the Group's ongoing activities. It is defined as:

- +/- Net income (loss);
- gains and losses on disposals of Group companies; and
- impairments of goodwill and long-term assets.

Following the implementation of IFRS 16 *Leases*, effective 1 January 2019, the Group has elected the modified retrospective approach which does not require restatement of 2018 numbers. Consequently, in 2019, for better comparability this indicator is calculated <pre> and <post> IFRS 16.

**DEFINITION OF NON-GAAP
MEASURES USED IN THIS REPORT
CONTINUED**

EPS (Earnings Per Share) before impairment and divestments

The Earnings Per Share (EPS) before impairment and divestments is a indicator that measures the theoretical profitability per share of stock outstanding based on a net income before impairment and divestments. It is defined as net income before impairment and divestments attributable to the shareholders of LafargeHolcim Ltd divided by the weighted average number of shares outstanding.

Following the implementation of IFRS 16 *Leases*, effective 1 January 2019, the Group has elected the modified retrospective approach which does not require restatement of 2018 numbers. Consequently, in 2019, for better comparability this indicator is calculated <pre> and <post> IFRS 16.

Capex or Capex Net (Net Maintenance and Expansion Capex)

The Net Maintenance and Expansion Capex ("Capex" or "Capex Net") is an indicator to measure the cash spent to maintain or expand its asset base. It is defined as:

- + Expenditure to increase existing or create additional capacity to produce, distribute or provide services for existing products (expansion) or to diversify into new products or markets (diversification);
- + expenditure to sustain the functional capacity of a particular component, assembly, equipment, production line or the whole plant, which may or may not generate a change of the resulting cash flow; and
- proceeds from sale of property, plant and equipment.

Employee benefits and other operating items

Employee benefits and other operating items reflect the non-cash impact on the operating profit of the employee benefits schemes net of any cash payments, the non-cash impact of the specific business risks provisions net of any cash payments, the non-cash share based compensation expenses and any other non-cash operating expenses.

Change in other receivables and liabilities

Change in other receivables and liabilities includes the net change of other receivables and liabilities that are not already disclosed separately in the consolidated statement of cash flows or that are not of a tax or of a financial nature.

Free Cash Flow

The Free Cash Flow is an indicator to measure the level of cash generated by the Group after spending cash to maintain or expand its asset base.

Following the implementation of IFRS 16 *Leases*, effective 1 January 2019, the Group has elected the modified retrospective approach which does not require restatement of 2018 numbers. Consequently, in 2019, for better comparability this indicator is calculated <pre> and <post> IFRS 16.

Free Cash Flow pre-IFRS 16 is defined as:

- +/- Cash flow from operating activities adjusted for IFRS 16 impacts; and
- net Maintenance and Expansion Capex

Free Cash Flow post-IFRS 16 is defined as:

- +/- Cash flow from operating activities; and
- net Maintenance and Expansion Capex
- repayment of long-term lease liabilities

Net financial debt ("Net debt")

The Net financial debt ("Net debt") is an indicator to measure the financial debt of the Group after deduction of the cash. It is defined as:

- + Financial liabilities (short-term and long-term) including derivative liabilities;
- cash and cash equivalents; and
- derivative assets (short-term and long-term).

Following the implementation of IFRS 16 *Leases*, effective 1 January 2019, the Group has elected the modified retrospective approach which does not require restatement of 2018 numbers. Consequently, in 2019, for better comparability this indicator is calculated <pre> and <post> IFRS 16.

Invested Capital

The Invested Capital is an indicator that measures total funds invested by shareholders, lenders and any other financing sources. It is defined as:

- + Total shareholders' equity;
- + net financial debt;
- assets classified as held for sale;
- + liabilities classified as held for sale;
- current financial receivables; and
- long-term financial investments and other long-term assets.

Following the implementation of IFRS 16 *Leases*, effective 1 January 2019, the Group has elected the modified retrospective approach which does not require restatement of 2018 numbers. Consequently, in 2019, for better comparability this indicator is calculated <pre> and <post> IFRS 16.

NOPAT (Net Operating Profit/loss After Tax)

The Net Operating Profit After Tax ("NOPAT") is an indicator that measures the Group's potential earnings if it had no debt. It is defined as:

- +/- Net Operating Profit/Loss (being the Recurring EBITDA and share of profits of associates, adjusted for depreciation and amortization of operating assets but excluding impairment of operating assets); and
- standard Taxes (being the taxes applying the Group's tax rate to the Net Operating Profit as defined above).

Following the implementation of IFRS 16 *Leases*, effective 1 January 2019, the Group has elected the modified retrospective approach which does not require restatement of 2018 numbers. Consequently, in 2019, for better comparability this indicator is calculated <pre> and <post> IFRS 16.

ROIC (Return On Invested Capital)

The ROIC (Return On Invested Capital) measures the Group's ability to efficiently use invested capital. It is defined as Net Operating Profit After Tax (NOPAT) divided by the average Invested Capital. The average is calculated by adding the Invested Capital at the beginning of the period to that at the end of the period and dividing the sum by 2 (based on a rolling 12-month calculation).

Following the implementation of IFRS 16 leases, effective 1 January 2019, the Group has elected the modified retrospective approach which does not require restatement of 2018 numbers. Consequently, in 2019, for better comparability this indicator is calculated <pre> and <post> IFRS 16.

Cash conversion

The cash conversion is an indicator that measures the Group's ability to convert profits into available cash.

Following the implementation of IFRS 16 leases, effective 1 January 2019, the Group has elected the modified retrospective approach which does not require restatement of 2018 numbers. Consequently, in 2019, for better comparability this indicator is calculated <pre> and <post> IFRS 16.

Cash conversion pre-IFRS 16 is defined as Free Cash Flow pre-IFRS 16 divided by Recurring EBITDA pre-IFRS 16.

Cash conversion post-IFRS 16 is defined as Free Cash Flow post IFRS 16 divided by Recurring EBITDA after leases.

Net CO₂ emissions (kg per ton of cementitious material)

Net CO₂ emissions are CO₂ emissions from the calcination process of the raw materials and the combustion of traditional kiln and non-kiln fuels. Cementitious materials refer to clinker production volumes, mineral components consumed in cement production and mineral components processed and sold externally.

Waste reused in operations (million tons)

The total volume of waste derived resources includes the following components: alternative fuels, alternative raw materials, industrial mineral components consumed and/or processed and sold externally, industrial gypsum, alternative aggregate produced and/or consumed and returned asphalt recycled.

Freshwater withdrawal (liter per ton of cementitious material)

Total volume of freshwater withdrawn by the cement plant divided by the total production of cementitious material.

Lost time injury frequency rate (LTIFR)

Number of lost-time injury divided by million hours worked.

This set of definitions can be found on our website:
www.lafargeholcim.com/non-gaap-measures

RECONCILIATION OF NON-GAAP MEASURES

Reconciling measures of profit and loss to the consolidated statement of income of LafargeHolcim

Million CHF	2019 post-IFRS 16	IFRS 16 impact	2019 pre-IFRS 16	2018
Net sales	26,722		26,722	27,466
Recurring costs excluding SG&A	(18,678)	364	(19,042)	(19,511)
Recurring SG&A	(2,011)	64	(2,075)	(2,441)
Share of profit of joint ventures	548		548	502
Recurring EBITDA	6,581	428	6,153	6,016
Depreciation and amortization	(2,479)	(383)	(2,096)	(2,235)
Recurring EBIT	4,102	45	4,057	3,781
Impairment of operating assets	(80)		(80)	6
Restructuring, litigation, implementation and other non-recurring costs	(190)		(190)	(476)
Operating profit (EBIT)	3,833	45	3,787	3,312
Profit (loss) on disposal and other non-operating items	186	4	182	(73)
Net financial expenses	(712)	(74)	(638)	(886)
Share of profit of associates	12		12	22
Net Profit before tax	3,319	(25)	3,344	2,375
Income tax	(806)	7	(813)	(656)
Net income	2,513	(18)	2,531	1,719

Million CHF	2019 post-IFRS 16	IFRS 16 impact	2019 pre-IFRS 16	2018
Net income	2,513	(18)	2,531	1,719
Impairment	(66)		(66)	22
Profit/(loss) on divestments	255		255	(74)
Net income before impairment and divestments	2,323	(18)	2,341	1,772
Net income before impairment and divestments Group share			2,072	1,569

Reconciling measures of free cash flow to the consolidated statement of cash flows of LafargeHolcim

Million CHF	2019 post-IFRS 16	IFRS 16 impact	2019 pre-IFRS 16	2018
Cash flow from operating activities	4,825	381	4,444	2,988
Purchase of property, plant and equipment	(1,534)		(1,534)	(1,411)
Disposal of property, plant and equipment	137		137	126
Repayment of Long-term lease liabilities	(409)	(409)	0	
Free Cash Flow	3,019	(28)	3,047	1,703

Reconciling measures of net financial debt to the consolidated statement of financial position of LafargeHolcim

Million CHF	2019 post-IFRS 16	IFRS 16 impact	2019 pre-IFRS 16	2018
Current financial liabilities	2,089	304	1,785	3,063
Long-term financial liabilities	12,202	995	11,207	13,061
Cash and cash equivalents	4,148		4,148	2,515
Short-term derivative assets	28		28	66
Long-term derivative assets	5		5	26
Net financial debt	10,110	1,299	8,811	13,518

RECONCILIATION OF NON-GAAP MEASURES 2020 NEW INDICATORS

Million CHF	2019 post-IFRS16	IFRS16 impact	2019 pre-IFRS16
Recurring EBITDA	6,581	428	6,153
Depreciation of right-of-use assets	(404)	(383)	(21)
Recurring EBITDA after leases	6,177	45	n/a
Depreciation and amortization property, plant & equipment, intangible and long-term assets	(2,075)		(2,075)
Recurring EBIT	4,102	45	4,057

ABOUT LAFARGEHOLCIM

LafargeHolcim is the global leader in building materials and solutions and active in four business segments: Cement, Aggregates, Ready-Mix Concrete and Solutions & Products. It is our ambition to lead the industry in reducing carbon emissions and accelerating the transition towards low-carbon construction. With the strongest R&D organization in the industry and by being at the forefront of innovation in building materials we seek to constantly introduce and promote high-quality and sustainable building materials and solutions to our customers worldwide - whether they are building individual homes or major infrastructure projects. LafargeHolcim employs over 70,000 employees in over 70 countries and has a portfolio that is equally balanced between developing and mature markets.

More information is available on www.lafargeholcim.com

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Ranked in the leadership band for 2019 for best practice in carbon disclosure



Carbon emissions targets validated as science-based in 2019



For TCFD-guided disclosures on our climate-related risks and opportunities, see page 63

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