Holcim Finance (Luxembourg) S.A.

Annual report including the report of the Réviseur d'Entreprises Agréé

December 31, 2018

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General information

Directors	Jaques Laurent Gehlen Mireille Kossmann Christoph	
Registered office	Rue Louvigny 21 L-1946 Luxembourg Luxembourg	
Shareholders	LafargeHolcim Ltd Zürcherstrasse 156 CH-8645 Jona Switzerland	99.99%
	Holderfin B.V. De Lairessestraat 131-135 1075 HJ Amsterdam The Netherlands	0.01%
Auditors	Deloitte Audit S.à r.l. Rue de Neudorf 560 L-2220 Luxembourg Luxembourg	
Trade Register	B92528	

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Deloitte Audit
Société à responsabilité limitée

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L-2220 Luxembourg
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L-1011 Luxembourg

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To the Shareholders of,
Holcim Finance (Luxembourg) S.A.
21, rue de Louvigny
L-1946 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Holcim Finance (Luxembourg) S.A. (the « Company »), which comprise the statement of financial position as at December 31, 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of July 23, 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "*Commission de Surveillance du Secteur Financier*" (CSSF). Our responsibilities under those Regulation, Law and standards are further described in the "Responsibilities of "*Réviseur d'Entreprises Agréé*" for the Audit of the Financial Statements" section of our report. We are also independent of the Company in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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 the audit of the financial statements as whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Société à responsabilité limitée au capital de 35.000 €
RCS Luxembourg B 67.895
Autorisation d'établissement : 10022179

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Counterparties' ability to repay the outstanding loans

a) Why the matter was considered to be one of the most significant in the audit

Refer to the accounting polices (Note 2, page 17) and Notes 9 to the financial statements. The financial assets denominated in EUR are carried at amortised cost less impairment in accordance with the accounting policy disclosed in the notes to the financial statements.

The availability of sufficient funding and the testing of whether the Company will be able to continue meeting its obligations as these fall due are significant aspects of the audit. These are largely dependent on the timely repayment of the loans - held as financial assets - to the Company. Estimates are made by management on matters such as the expected future cash flows on the collection of the financial assets in determining the counterparties' ability to repay the outstanding loans. These estimates are based on assumptions, including expectations regarding future developments in the economy and the market.

Accordingly, the counterparties' ability to repay the outstanding loans is considered to be a key audit matter.

b) How the matter was addressed in the audit

We obtained an understanding of the Company's process and procedures around assessing the timely recoverability of the financial assets and the associated timing of the maturity of the obligations. We evaluated the judgements and decisions made by management in making the accounting estimates included in the financial statements, even if they are individually reasonable, indicate a possible bias on the part management that may represent a risk of material misstatement due to fraud.

We have further performed procedures to independently test the timely recoverability of the financial assets and the related due settlement of the contractual maturing of the obligations by inspecting the latest audited and unaudited financial information of the counterparties, cash flow projections and relevant supporting documentation that was used in preparing these cash flow projections.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the management report but does not include the financial statements and our report of "*Réviseur d'Entreprises Agréé*" thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 this fact.
We have nothing to report in this regard.

Responsibilities of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS as adopted by the European Union, 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the « *Réviseur d'Entreprises Agréé* » for the Audit of the Financial Statements

The objectives of our audit are to obtain a reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of "*Réviseur d'Entreprises Agréé*" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N°537/2014, the Law of July 23, 2016 and with ISAs as adopted for Luxembourg by the CSSF 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.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of July 23, 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and asses the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of "*Réviseur d'Entreprises Agréé*" to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of "*Réviseur d'Entreprises Agréé*". However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

We have been appointed as « *Réviseur d'Entreprises Agréé* » by the General Meeting of Partners on February 27, 2018 and the duration of our uninterrupted engagement, including previous renewals and reappointments is 1 year.

The management report, which is the responsibility of the Board of Directors, is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

The accompanying Corporate Governance Statement as included in the Management Report is the responsibility of the Board of Directors. The information required by Article 68ter paragraph (1) letters c) and d) of the law of December 19, 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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We confirm that the audit opinion is consistent with the additional report to the audit committee or equivalent.

We confirm that the prohibited non-audit services referred to in the EU Regulation N° 537/2014, on the audit profession were not provided and that we remain independent of the Company in conducting the audit.

Other matter

The Corporate Governance Statement includes information required by Article 68ter paragraph (1) of the law of December 19, 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

For Deloitte Audit, Cabinet de Révision Agréé

Georges Kioes, Réviseur d'Entreprises Agréé
Partner

February 26, 2019

HOLCIM FINANCE (Luxembourg) S.A.
(the “Company“)
Société Anonyme

Registered Office: 21, rue Louvigny, L-1946 Luxembourg
Trade Register Luxembourg B number 92.528

MANAGEMENT REPORT OF THE BOARD OF DIRECTORS

We have the honor of reporting on the activity of the Company for the year ended December 31, 2018.

We hereby submit to you the financial statements for the same year.

Summary of activities:

The principal activity of the Company is to raise funds on the capital market and to provide intercompany financing in Euro to other LafargeHolcim group companies.

During the year under review Holcim Beteiligungs GmbH (Deutschland), has repaid two loans for a total amount of 233,3 million, this cash was used to repay two floating Schuldscheindarlehen.

Summary of the financial activities:

Financial Income/Expenses

The repayment of the two floating Schuldscheindarlehen in May 2018 together with the repayments from Holcim Beteiligungs GmbH (Deutschland) mainly explains the decrease of interest income and interest expense by EUR 2,2 million compared to the prior year.

Derivatives and Risk:

Derivative Instruments

The company holds no derivative instrument as at the balance sheet date.

Liquidity Risk

The third party financial debt of the Company is guaranteed by LafargeHolcim Ltd towards the debtholders.
The Company monitors its liquidity risk by using a recurring liquidity management process and by maintaining sufficient reserves of cash and unused credit lines to meet liquidity requirements at all times.

Credit Risk

The loans granted by the Company are financed in a back-to-back manner.
The Company monitors the credit risk of the borrowers continuously.

Interest rate risk

The Company manages its interest rate risks actively. During the year under review, the loans granted by the Company are financed in a back-to-back manner avoiding any interest exposure on its financing activity.

Foreign currency risk

The Company manages its foreign currency risk continuously. As of December 31, 2018, the Company was not exposed to currency risks as all transactions, assets and liabilities were denominated in its functional currency (EUR).

Uncertainties:

The main uncertainties for the Company are the future development of the liquidity of the financial markets, the evolution of reference interest rates and exchange rates in the view of refinancing its maturing debt or the potential issuance of new securities in the capital markets.

Key Performance Indicators:

The Company is committed to enhancing its performance through continuous improvement; it reports its financial result on a monthly basis and evaluates the performance mainly based on the maximization of net income, minimization of financial expenses and the assessment of liquidity, interest rate and foreign exchange risks.

Subsequent event:

The two loans provided to Holderfin B.V. for EUR 501 million maturing in 2024 and EUR 62,2 million maturing in 2029 have been repaid on January 31, 2019
This cash was used to provide two new loans for EUR 501 million maturing in 2024 and EUR 62,2 million maturing in 2029 to LafargeHolcim Continental Finance Ltd.

Result Allocation:

The financial year, ended at December 31, 2018 has been closed with a profit of EUR 58.362,95. Total assets of the Company amounted to EUR 4.189.112.583,55.
The Board of Directors notes that as at December 31, 2018 the Company's own equity consists of the following items:

· Share capital:	EUR	1.900.000,00
· Capital Surplus:	EUR	2.510.000,00
· Results brought forward:	EUR	2.106.638,05
· Result of the year	EUR	58.362,95
· Legal reserve:	EUR	190.000,00

We suggest the following allocation of the result:

· To be carried forward:	EUR	58.362,95

Outlook:

The Company does not expect any major changes in its activity in the foreseeable future and expects to continue its financing operations in a comparable manner.

Research and Development:

As the principal activity of the Company is to raise funds and to provide intercompany financing, it has no R&D activity.

Own Shares:

The Company does not hold any treasury shares.

Branch of the Company:

The Company doesn't have any branch as at December 31, 2018.

Responsibility statement:

To the best of our knowledge, the financial statements prepared in accordance with the applicable set of accounting standards give a true and fair view of the assets, liabilities, financial position and profit or loss.
The management report includes a fair review of the development and performance of the business together with a description of the principal risks and uncertainties.

Corporate governance statement:

The Company has high standards of corporate governance, ensuring responsible and transparent company leadership and management that are geared to ensure full compliance and set the basis for a sustainable long term performance.

The Company considers the 10 principles recommended by the Luxembourg Stock Exchange as guidance for its own corporate governance.

Corporate governance puts the focus not only on business risks and the company's reputation, but also on corporate social responsibility towards all our stakeholders. As a responsible business, we recognize the significance of effective corporate governance. We show respect for society and the environment, communicate in an open and transparent manner, and act in accordance with legal, corporate and ethical guidelines. To underline this, a Code of Conduct binding for the entire Group has been added to the mission statement.

Organization and management

Board of Directors:

The Company is placing a strong emphasis on corporate governance. The Board of Directors consists of two independent Directors out of three members with complementary high qualifications.

Management:

The daily business of the Company is under the responsibility of the Management. The Management consists of a member with high qualifications, which is appointed by and report to the Board of Directors.

Independent auditors

As part of their auditing activity, the independent auditors inform the Board of Directors about their findings. The Company uses the audit committee as established at Group level. At Group level, the Audit Committee assesses the external auditors and monitors the results of the audit.

Deloitte Audit S.à r.l. was approved as independent auditor for a one-year term until the Annual General Meeting of 2019.

Code of conduct

Since 2004, the Code of Conduct, binding for the entire Group, has been part of the mission statement.

This code of conduct is available under this link:

http://www.lafargeholcim.com/corporate-governance

Information and control instruments of the Board of Directors

The Board of Directors determines in which manner 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 Company. At meetings of the Board of Directors, all Board members have a duty to participate actively in the discussion and to provide information, as do any members of the Management in attendance.

Internal control

The Company has implemented a control system and procedures.

Complementary information concerning the corporate governance of the Group can be found under this link: http://www.lafargeholcim.com/corporate-governance .

Mr. Jaques Mrs. Gehlen Mr. Kossmann (represented)

Statement of income

(all amounts in EUR thousands)		Year ended December 31	
	Notes	2018	2017
Revenues			
Financial income	6	89,746	91,969
		89,746	**91,969**
Expenses			
Financial expenses	6	-88,697	-90,925
Administration expenses		-335	-118
		-89,032	**-91,043**
Net income before taxes		714	926
Income taxes	11	-656	-522
Net income		**58**	**404**

The notes to the financial statements form an integral part of the financial statements

Statement of comprehensive earnings

(all amounts in EUR thousands)	Year ended December 31	
	2018	2017
Net income	**58**	**404**
Other comprehensive earnings		
Items that will be reclassified to the statement of income in future periods		
Cash flow hedges		
- Change in fair value	0	0
- Realized through statement of income	0	0
- Tax effect	0	0
Deferral of cost of hedging		
- Change in fair value	0	0
- Realized through statement of income	0	0
- Tax effect	0	0
Net investment hedges in subsidiaries		
- Change in fair value	0	0
- Realized through statement of income	0	0
- Tax effect	0	0
Total other comprehensive earnings, net of tax	**0**	**0**
Total comprehensive earnings	**58**	**404**

The notes to the financial statements form an integral part of the financial statements

Statement of financial position

(all amounts in EUR thousands)		As at December 31	
		2018	2017
Cash and cash equivalents	7	500	478
Prepaid expenses and other current assets	8	55,618	55,767
Total current assets		**56,118**	**56,245**
Long-term financial assets	9	4,132,995	4,366,293
Total long-term assets		**4,132,995**	**4,366,293**
Total assets		**4,189,113**	**4,422,538**
Current income tax liabilities		776	327
Other current liabilities		48,372	50,888
Total short-term liabilities		**49,148**	**51,215**
Long-term financial liabilities	10	4,133,200	4,364,616
Total long-term liabilities		**4,133,200**	**4,364,616**
Total liabilities		**4,182,348**	**4,415,831**
Share capital		1,900	1,900
Capital surplus		2,510	2,510
Reserves		2,355	2,297
Total shareholder's equity		6,765	6,707
Total liabilities and shareholder's equity		**4,189,113**	**4,422,538**

The notes to the financial statements form an integral part of the financial statements

Statement of changes in equity

(all amounts in EUR thousands)	Share capital	Capital surplus	Retained earnings	Total reserve	Total shareholders' equity
Equity as at January 1, 2017	**1,900**	**2,510**	**1,892**	**1,892**	**6,302**
Net income			404	404	404
Other comprehensive earnings			0	0	0
Total comprehensive earnings	0	0	404	404	404
Equity as at December 31, 2017	1,900	2,510	2,297	2,297	6,707
Equity as at January 1, 2018	1,900	2,510	2,297	2,297	6,707
Net income			**58**	**58**	**58**
Other comprehensive earnings			**0**	**0**	**0**
Total comprehensive earnings	0	0	58	58	58
Equity as at December 31, 2018	1,900	2,510	2,355	2,355	6,765

The notes to the financial statements form an integral part of the financial statements

Statement of cash flows

(all amounts in EUR thousands)	Year ended December 31	
	2018	2017
Interest and financial income received	89,896	88,038
Interest and financial expenses paid	-88,629	-88,384
Income taxes paid	-207	4
Other expense	-335	-118
Cash flow from operating activities (A)	**725**	**-460**
Increase long-term financial assets	0	-538,200
Decrease long-term financial assets	233,297	0
Cash flow from investing activities (B)	**233,297**	**-538,200**
Proceeds from long-term financial liabilities	430	738,180
Repayment of long-term financial liabilities	-234,430	-200,000
Cash flow from financing activities (C)	**-234,000**	**538,180**
(De)Increase in cash and cash equivalents (A + B + C)	**22**	**-480**
Cash and cash equivalents as at January 1 (net)	**478**	**958**
(De)Increase in cash and cash equivalents	22	-480
Cash and cash equivalents as at December 31 (net)	**500**	**478**

The notes to the financial statements form an integral part of the financial statements

Notes to the financial statements

1 Company information

Holcim Finance (Luxembourg) S.A. (the "Company") is a limited liability Company incorporated in Luxembourg. The date of incorporation was on March 27, 2003. The principal activity of the Company is intercompany financing in EUR.

The shares of the Company are held by LafargeHolcim Ltd with 99.99% and by Holderfin B.V. with 0.01% and its ultimate parent company is LafargeHolcim Ltd.

The Company's share capital comprises of 190’000 (190’000 in the previous year) authorized, issued and fully paid ordinary, non-preference shares with a nominal value of EUR 10.00 each.

These financial statements are the Company’s separate financial statements in accordance with IAS 27.

2 Summary of significant accounting policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) (as adopted by the European Union).

The financial statements have been prepared on a historical cost basis.

Related companies refer to group companies consolidated in the LafargeHolcim Ltd financial statements. (available on https://www.lafargeholcim.com/)

Adoption of revised and new International Financial Reporting Standards and Interpretations

In 2018, the Company adopted the following new and revised standards and interpretations relevant to the Company:

IFRS 9	*Financial Instruments*

IFRS 9, which replaces IAS 39 Financial instruments: Recognition and measurement, was adopted for the period starting January 1, 2018. Comparative figures have not been restated. The accounting policies were changed to comply with IFRS 9 as issued by the IASB in July 2014. Except for the disclosure requirements, the new standard did not materially impact the Company’s financial statements.

The improvements to IFRSs relate largely to clarification issues only. Therefore, the adoption of these amendments has not materially impacted the Company’s financial statements.

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRS Standards and or Interpretations that have been issued but are not yet effective:

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The managers of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company’s financial statements. The Interpretation is effective for annual periods beginning on or after 1 January 2019.

In 2019 the Company does not expect to adopt any other new or revised standard or interpretations relevant to the Company.

Use of estimates

The preparation of financial statements 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 Company may undertake in the future. However, actual results could differ from those estimates.

Quoted financial liabilities are valued according to their quoted market value per December 31, 2018; non-quoted financial liabilities were valued based on a discounted cash flow model.

Critical accounting estimates and assumptions

Estimates and judgments 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 Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year relate primarily to the disclosures of contingent liabilities at the reporting date.

Presentation currency

The assets and liabilities of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Company's presentation and functional currency is EUR.

Foreign currency translation

Foreign currency transactions translated into the functional currency are accounted for at the exchange rates prevailing at the date of the transactions. Statements of income of foreign entities are translated into the Company's reporting currency at average exchange rates for the year and statements of financial position are translated at the exchange rates prevailing on December 31. 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.

Cash and cash equivalents

Cash and cash equivalents are financial assets. Cash equivalents are readily convertible into a known amount of cash with original maturity of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at banks and in hand, deposits held on call with banks and other short-term, highly liquid investments, net of bank overdrafts.

Short-term financial assets

Short-term financial receivables are recognized and carried at original invoice amount less an allowance for any uncollectible amounts.

Any short-term derivatives are regarded as hedging instruments under hedge accounting relationships unless they do not meet the hedge accounting criteria stipulated under IFRS 9 Financial Instruments, in which case they will be classified through profit and loss.

Long-term financial assets

Long-term financial assets consist of (a) long-term receivables - related companies and (b) long-term receivables - third parties. Long-term receivables are measured at amortized cost using the effective interest method.

Any long-term derivatives are regarded as hedging instruments under hedge accounting relationships unless they do not meet the hedge accounting criteria stipulated under IFRS 9 Financial Instruments, in which case they will be classified through profit and loss.

Impairment of financial assets

The Company revised its impairment methodology under IFRS 9, defining 2 types of financial assets subject to IFRS 9's expected credit loss model. For trade receivables, the Company applies the simplified approach providing for expected credit losses using the lifetime expected loss provision for trade receivables. For loans and receivables already in place at 1 January 2018, the credit provision is determined based on the credit risk standing at each reporting date. There was no material impact relating to provisions on loan receivables on conversion to IFRS 9.

Long-term financing liabilities

Long-term financing liabilities from related companies are measured at amortized cost using the effective interest method.

Bank loans acquired and non-convertible bonds issued are recognized initially at the proceeds received, net of transaction costs incurred. Subsequently, bank loans and non-convertible 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.

Any long-term derivatives are regarded as hedging instruments under hedge accounting relationships unless they do not meet the hedge accounting criteria stipulated under IFRS 9 Financial Instruments, in which case they will be classified through profit and loss.

Financial liabilities that are due within 12 months after the end of the reporting period are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability until more than 12 months after the reporting period.

Provisions

A provision is recognized when a legal or constructive obligation arising from past events exists, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of this amount.

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 the Company. They are accordingly only disclosed in the notes to the financial statements.

Financial instruments

Information about accounting for derivative financial instruments and hedging activities is included in the section "Financial risk management".

3 Risk management

Financial risk management

The Company's activities expose it to a variety of financial risks, including the effect of changes in debt structure and equity market liquidity, interest rate, foreign exchange and credit risk. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company. The Company may use derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain exposures. The Company does not enter into derivative or other financial transactions which are unrelated to its operating business. Financial risk management within the Company is governed by policies approved by LafargeHolcim Group 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 excess cash.

Liquidity risk

The Company needs liquidity to meet its obligations. As an individual company, it is responsible for its own cash balances and the raising of internal and external credit lines to cover the liquidity needs, subject to guidance by the Group and, in certain cases, approval at Group level. 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 creditworthiness of the Group allows it to access international financial markets for financing purposes.

Market risk

LafargeHolcim Group is exposed to market risk, primarily relating to foreign exchange and interest rate risk. To manage the volatility relating to these exposures, the Group may enter into a variety of derivative financial instruments. The Group's objective is to reduce fluctuations in earnings and cash flows associated with changes in foreign exchange and interest rate risk.

Interest rate risk

Interest rate risk arises from movements in interest rates which could affect the Company's financial result and market values of its financial instruments. The Company is primarily exposed to fluctuations in interest rates on its financial liabilities at floating rates which may cause variations in the Company's financial results. The exposure is mainly addressed through the management of the fixed/floating ratio of financial liabilities. To manage this mix, the Company 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 Company 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 Company 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 of large fluctuations of its financing cost.

Foreign exchange risk

The Group's global footprint exposes it to foreign exchange risks. The principal activity of the Company is intercompany financing in EUR. It usually borrows funds from third parties or related parties in the same currency. Any remaining foreign currency exposure may be hedged by entering in derivative contracts.

Capital Structure

The Company's objectives when managing capital are to secure the Company's financial needs as a going concern. The Company manages the capital structure by ensuring an adequate cash flow from operating activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders', return capital to the shareholders issue new shares, or sell assets to reduce debt.

Credit risk

Credit risks, or the risk of counterparties defaulting, are constantly monitored on a Group level. In general, the Company only enters into financial transactions with related counterparties, as well as with non-related counterparties with high credit ratings. The Company does not expect any counterparty to be unable to fulfill their obligations under their respective financing agreements.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the statement of financial position.

Fair value estimation

The fair value of publicly traded financial instruments is generally based on quoted (unadjusted) 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 are assumed to approximate their carrying amounts due to the short-term nature of these financial instruments.

The levels of fair value hierarchy used are defined as follows:

Level 1 fair value measurements are those derived from quoted prices 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 rates 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.

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 2018 and 2017, there were no financial assets and liabilities allocated to level 3.

There have been no transfers between the different hierarchy levels in 2018 and 2017.

4 Additional disclosures to the financial instruments

	Carrying amount		Net gains / (losses)	
(all amounts in EUR thousands)	2018	2017	2018	2017
Financial assets at fair value through profit or loss	0	0	0	0
Initial recognition	0	0	0	0
Loans and receivables at fair value through profit and loss	4,189,113	4,422,537	0	0
Gains/losses recognised directly in other comprehensive income	0	0	0	0
Amount removed from equity and recognized in profit and loss	0	0	0	0
Derivative assets held for hedging	0	0	0	0
	4,189,113	**4,422,537**	**0**	**0**
Financial liabilities at fair value through profit or loss	0	0	0	0
Initial recognition	0	0	0	0
Financial liabilities measured at amortized cost	4,182,348	4,415,831	0	0
Derivative liabilities held for hedging	0	0	0	0
	4,182,348	**4,415,831**	**0**	**0**

5 Contractual maturity analysis

	Contractual undiscounted cash flows						
(all amounts in EUR thousands)	Within 1 year	Within 2 years	Within 3 years	Within 4 years	Within 5 years	Thereafter	**Total**
2018							
Non-derivative financial liabilities	76,977	76,977	489,977	72,682	1,374,682	2,657,575	**4,748,870**
Derivative financial liabilities held for hedging	0	0	0	0	0	0	**0**
Total	**76,977**	**76,977**	**489,977**	**72,682**	**1,374,682**	**2,657,575**	**4,748,870**
2017							
Non-derivative financial liabilities	78,769	78,769	78,769	700,017	72,969	4,055,479	**5,064,772**
Derivative financial liabilities held for hedging	0	0	0	0	0	0	**0**
Total	**78,769**	**78,769**	**78,769**	**700,017**	**72,969**	**4,055,479**	**5,064,772**

The contractual cash flows are based on the earliest date on which the Company can be required to pay.
Contractual interest cash flows relating to a variable interest rate are calculated based on the rates prevailing as of December 31.
The values are net of bond discounts and include adjustments for fair value hedge accounting, where appropriate.

6 Financial income and financial expenses

(all amounts in EUR thousands)	2018	2017
Financial income - parent	18,127	28,402
Financial income - subsidiaries	71,619	63,576
Total financial income	**89,746**	**91,978**
Of which:		
Interest income	89,746	91,978
Other financial income	0	0

(all amounts in EUR thousands)	2018	2017
Financial expenses - other related companies	-8,458	-8,228
Financial expenses - third parties	-80,239	-82,697
Fair value hedge adjustments - hedging instrument	0	0
Total financial expenses	**-88,697**	**-90,925**
Of which:		
Interest expense	-80,214	-82,655
Other financial expense	-8,483	-8,270

The position financial expenses - third parties relates primarily to financial liabilities measured at amortized cost.

The rate of the guarantee paid to LafargeHolcim Ltd has been raised from 0,2% to 1,5% of the outstanding debt balance as from the first of January 2018 explaining the increase of the financial expenses - other related companies.

The Company may ask a permanent or temporary relief from certain guarantee fee payment. In 2018, LafargeHolcim Ltd has consented to EUR 55,9 million permanent relief.

Interest rate sensitivity

The Company's sensitivity analysis has been determined based on the interest rate exposure relating to the Company's financial liabilities at variable rate on a post hedge basis as at December 31. A 1 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.

At December 31, a +/- 1 percentage point shift in interest rates, with all other variables held constant, would result in an immaterial amount of lower/additional net financial expenses before tax on a post hedge basis. This is the result of identical interest reset dates and identical outstanding balances of both financial receivables and financial liabilities. As the business model is being applied consistently, the net financial exposure and interest rate sensitivity have remained unchanged.

7 Cash and cash equivalents

(all amounts in EUR thousands)	2018	2017
Cash at banks and in hand	500	478
Total	**500**	**478**
Of which pledged / restricted	0	0

8 Prepaid expenses and other current assets

(all amounts in EUR thousands)	2018	2017
Prepaid expenses	1	1
Accrued interest receivable	55,617	55,766
Total	**55,618**	**55,767**

9 Long-term financial assets

(all amounts in EUR thousands)	2018	2017
Long-term financial receivables - parent	563,200	563,200
Long-term financial receivables - other related companies	3,569,795	3,803,093
Total	**4,132,995**	**4,366,293**
Of which pledged / restricted	0	0
Interest rate structure of long-term financial receivables		
(all amounts in EUR thousands)	2018	2017
Financial receivables at fixed rates	4,132,995	4,132,995
Financial receivables at variable rates	0	233,298
Total	**4,132,995**	**4,366,293**

The fair values of long-term financial assets amount to 4’160’621 EUR thousands (previous year: EUR 4’545’771 thousands) and are classified as level 2 in the fair value hierarchy.

10 Long-term financial liabilities

(all amounts in EUR thousands)	2018	2017
Long-term financial liabilities - third parties	4,133,200	4,364,616
Total	**4,133,200**	**4,364,616**
Of which secured by the ultimate parent company	4,133,200	4,364,616
Interest rate structure of long-term financial liabilities		
(all amounts in EUR thousands)	2018	2017
Financial liabilities at fixed rates	4,133,200	4,131,095
Financial liabilities at variable rates	0	233,521
Total	**4,133,200**	**4,364,616**

The fair values of long-term financial liabilities amount to 4’122’870 EUR thousands (previous year: EUR 4’583’483 thousands) and are classified as level 1 in the fair value hierarchy.

(all amounts in EUR thousands)					Net book value1) 2018	Net book value1) 2017
Currency / nominal value	Nominal interest rate	Effective interest rate	Term	Description		
EUR / 500'000	3.00%	3.11%	2014 - 2024	Bond guaranteed by LafargeHolcim Ltd	497,531	497,087
EUR / 413'000	1.04%	1.10%	2016 - 2021	SSD guaranteed by LafargeHolcim Ltd	412,415	412,167
EUR / 209'000	0.72%		2016 - 2021	SSD guaranteed by LafargeHolcim Ltd	0	208,578
EUR / 152'000	1.46%	1.51%	2016 - 2023	SSD guaranteed by LafargeHolcim Ltd	151,716	151,651
EUR / 25'000	0.92%		2016 - 2023	SSD guaranteed by LafargeHolcim Ltd	0	24,943
EUR / 32'500	2.00%	2.03%	2016 - 2026	SSD guaranteed by LafargeHolcim Ltd	32,428	32,418
EUR / 1'150'000	1.38%	1.43%	2016 - 2023	Bond guaranteed by LafargeHolcim Ltd	1,147,337	1,146,734
EUR / 1'150'000	2.25%	2.23%	2016 - 2028	Bond guaranteed by LafargeHolcim Ltd	1,152,283	1,152,526
EUR / 750'000	1.75%	1.90%	2017 - 2029	Bond guaranteed by LafargeHolcim Ltd	739,490	738,512
Total					**4,133,200**	**4,364,616**
Of which current portion					0	0

11 Income Taxes

The Company is subject to all taxes applicable for Luxembourg commercial companies.

12 Transactions with major shareholders and members of the Board of Directors

(all amounts in EUR thousands)	2018	2017
Remuneration of the Board of Directors	7	11

13 Employees

0,3 full time equivalent employees were employed in average during the financial year.

No emolument, no advance and no loan are granted to the management and supervisory bodies.

14 Audit fees

The fees received by the approved statutory auditor in 2018 for the audit of the annual accounts are EUR 22.900 (2017: EUR 12.000)

15 Events after the reporting period

The two loans provided to Holderfin B.V. EUR 501 million maturing in 2024 and EUR 62,2 maturing in 2029 have been repaid on 31/01/2019
This cash was used to provide two new loans EUR 501 million maturing in 2024 and 62,2 million maturing in 2029 to LafargeHolcim Continental Finance Ltd

16 Authorization of the financial statements for issue

The financial statements were authorized for issuance by the Board of Directors of Holcim Finance (Luxembourg) S.A. on February 26, 2019 and cannot be amended after issuance.