Holcim US Finance S.à r.l. & Cie S.C.S.

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

December 31, 2018

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General information

Manager	Holcim US Finance S.à r.l. Rue Louvigny 21 1946 Luxembourg Luxembourg	
Registered office	Rue Louvigny 21 1946 Luxembourg Luxembourg	
Partners	Holcim US Finance S.à r.l. Rue Louvigny 21 1946 Luxembourg Luxembourg	99%
	Holdertrade Ltd & Cie S.N.C. Rue Louvigny 21 1946 Luxembourg Luxembourg	1%
Auditors	Deloitte Audit S.à r.l. Rue de Neudorf 560 2220 Luxembourg Luxembourg	
Trade Register	B112666	

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To the Partners of,

Holcim US Finance S.à r.l. & Cie S.C.S.

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 US Finance S.à r.l. & Cie S.C.S. 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 July 23, 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 the "*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 the 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.

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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 a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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 18) and Notes 11 and 12 to the financial statements. The financial assets denominated in USD 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 of 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.

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Other information

The Board of Managers is responsible for the other information. The other information comprises the information stated in the management report and the Corporate Governance Statement but does not include the financial statements and our report of the "*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 Managers for the Financial Statements

The Board of Managers is responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Managers 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 Managers 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 Managers 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 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 the "*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 skepticism throughout the audit. We also:

- Identify and assess 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 Managers.
- Conclude on the appropriateness of Board of Managers' 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 the "*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 the "*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.

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Report on Other Legal and Regulatory Requirements

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

The management report is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement is included in the management report. 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.

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, when applicable, information required by Article 68ter paragraph (1) points a), b), e), f) and g) of the law of 19 December 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 US FINANCE S.à r.l. & Cie S.C.S.

(the „Company“)

Société en Commandite Simple

Registered Office: 21, rue Louvigny, L-1946 Luxembourg

Trade Register Luxembourg B number 112.666

MANAGEMENT REPORT

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 USD to other LafargeHolcim group companies.

During the year under review, certain loans were repaid and new loans were provided to Holdertrade Ltd & Cie S.N.C.. The maturities of certain loans to Holdertrade Ltd & Cie S.N.C. have been been extended. The US private placement (Tranche C) issued in August 2006 of USD 200 million matured in August 2018 and has been repaid. There was no new issuance of third party debt.

Summary of the financial activities:

Financial Income/Expenses

The effect of the described loans repayment was set off by the effect of the new loans provided to Holdertrade Ltd & Cie S.N.C. and an increase of the floating interest rates.Overall, the financial income increased by USD 15,3 million compared to 2017.

The effect of the repayment of the Private Placement in 2018 was set off by an increase of the floating interest rate and an increase of the guarantee paid to LafargeHolcim Ltd. As a result, the financial expenses increased by USD 15,2 million compared to 2017. The increase in guarantee fee was 14,5 million compare to 2017.

Derivatives and Risk:

Derivative Instruments

The company holds derivative instrument entered into during previous periods to either hedge its foreign exchange exposure related to the issuances of debt instruments denominated in another currency (usually EUR) than its functional currency (USD) and/or to hedge the fair value of debt instruments issued at fixed rate.

As at the balance sheet date, the company holds the following derivative instruments:

SWAPs with Australia and New Zealand Banking Group Ltd, Banco Santander S.A., Banco Bilbao Vizcaya Argentaria S.A., ING Belgium S.A., Mitsubishi UFJ Securities International plc and HypoVereinsbank AG.

On September 07, 2012 the Company, issued Bonds in the amount of EUR 500.000.000, bearing a fixed rate of interest of 2,625 %, payable on an annual basis and maturing on September 07, 2020.

By issuing fixed rate liabilities in EUR, The Company is exposed to forex risks due to its USD functional currency and fair value risk due to a fix rate coupon.

In order to mitigate the said risks, the Company has entered into six cross-currency swaps with the banks listed above. The hedge is designated as a fair value hedge as defined in IFRS 9.

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 maintaining sufficient reserves of cash and unused credit lines to meet liquidity requirements at all times.

Credit Risk

The Company is exposed to the credit risk of the borrower on its intercompany financing and monitors this risk continuously.

Interest rate risk

The Company manages its interest rate risks actively. The Company's sensitivity analysis has been determined based on the interest rate exposure as at December 31, 2018. A 1% point change is used when the interest rate risk is reported internally and represents management's assessment of a reasonably possible change in interest rates.

At December 31, a +/- 1% point shift in interest rates, with all other variables held constant, would result in approximately USD 5,6 million of additional/lower interest expenses before tax.

Foreign currency risk

The Company manages its foreign currency risk continuously. As December 31, 2018 the Company was not exposed to material currency risk as most transactions as well as most receivables and payables were denominated in its functional currency (USD) or were effectively hedged.

Uncertainties:

The main uncertainties of 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 enhance its performance through continuous improvement; it reports its financial result on a monthly basis and evaluates the performance mainly based on the maximization of the income, minimization of financial expenses and the assessment of liquidity, interest rate and foreign exchange risks.

Subsequent event:

No material subsequent events occurred after December 31, 2018.

Result Allocation:

The financial year ended as at December 31, 2018 has been closed with a profit of USD 15.224,82. Total assets of the Company amounted to USD 1.927.127.977,08.

The Partners note that as at December 31, 2018 the Company’s own equity consists of the following items:

Share Capital	USD	20.000,00
Capital Surplus	USD	2.990.000,00
Retained earnings prior year	USD	586.762,27
Result of the year	USD	15.224,82

We suggest the following allocation of the result:

- To be carried forward: USD 15.224,82

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. If deemed appropriate by the Company, a part of the financial liabilities could be refinanced by the issuance of new debt instruments or bank facilities.

The Company will have to repay, in December 2019, the USD 750 million bond issued in 2009. The company has sufficient available committed credit lines to ensure this repayment.

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 Partners:

The company is managed by its Associé Gérant Holcim US Finance S.à r.l. supported by a General Manager. The Associé Gérant reports to the Board of Partners.

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 Partners.

Independent auditors

As part of their auditing activity, the independent auditors inform the Managers about their findings.

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 approval of the annual account of 2018.

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 Partner

The Partner determines in which manner it is to be informed about the course of business. The Partner may demand information on all issues relating to the Company. At the Partner's meetings, all participants have a duty to contribute actively to 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

Holcim US Finance S.à r.l. (Manager of the Company)

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Statement of income

(all amounts in USD thousands)		Year ended December 31	
	Notes	2018	2017
Revenues			
Financial income	6	135,478	120,101
		135,478	**120,101**
Expenses			
Financial expenses	6	-135,429	-120,238
Administration expenses		-33	-9
Foreign exchange gains net	7	2	200
		-135,460	**-120,047**
Net income before taxes		**18**	**54**
Income taxes	15	-3	-5
Net income		**15**	**49**

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

Statement of comprehensive earnings

(all amounts in USD thousands)	Year ended December 31	
	2018	2017
Net income	15	49
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	**15**	**49**

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

Statement of financial position

(all amounts in USD thousands)		As at December 31	
		2018	2017
Cash and cash equivalents	8	423	14,989
Short-term financial assets	9	227,700	456,038
Prepaid expenses and other current assets	10	3,833	17,619
Total current assets		**231,956**	**488,646**
Long-term financial assets	11	1,695,172	1,662,229
Total long-term assets		**1,695,172**	**1,662,229**
Total assets		**1,927,128**	**2,150,875**
Current financial liabilities	12	748,198	199,959
Other current liabilities		6,182	32,776
Total short-term liabilities		**754,380**	**232,735**
Long-term financial liabilities	13	1,169,136	1,914,543
Total long-term liabilities		**1,169,136**	**1,914,543**
Total liabilities		**1,923,516**	**2,147,278**
Share capital		20	20
Capital surplus		2,990	2,990
Reserves		602	587
Total shareholder's equity		**3,612**	**3,597**
Total liabilities and shareholder's equity		**1,927,128**	**2,150,875**

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

Statement of changes in equity

(all amounts in USD thousands)	Share capital	Capital surplus	Retained earnings	Total reserve	**Total partners' equity**
Equity as at January 1, 2017	**20**	**2,990**	**538**	**538**	**3,548**
Net income	0	0	49	49	49
Other comprehensive earnings	0	0	0	0	0
Total comprehensive earnings	0	0	49	49	49
Dividends	0	0	0	0	0
Share capital paid-in	0	0	0	0	0
Equity as at December 31, 2017	**20**	**2,990**	**587**	**587**	**3,597**
Equity as at January 1, 2018	**20**	**2,990**	**587**	**587**	**3,597**
Net income	0	0	15	15	15
Other comprehensive earnings	0	0	0	0	0
Total comprehensive earnings	0	0	15	15	15
Dividends	0	0	0	0	0
Share capital paid-in	0	0	0	0	0
Equity as at December 31, 2018	**20**	**2,990**	**602**	**602**	**3,612**

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

Statement of cash flows

(all amounts in USD thousands)	Year ended December 31	
	2018	2017
Interest and financial income received	135,487	119,010
Interest and financial expenses paid	-159,320	-96,809
Income taxes paid	-3	-5
Other expense	-33	-9
Cash flow from operating activities (A)	**-23,869**	**22,187**
Increase short-term financial assets	-82,824	0
Decrease short-term financial assets	158,724	319,174
Increase long-term financial assets	-78,107	-326,038
Decrease long-term financial assets	211,493	0
Cash flow from investing activities (B)	**209,286**	**-6,864**
Proceeds from current financial liabilities	0	-526
Repayment of current financial liabilities	-200,000	0
Proceeds from long-term financial liabilities	0	0
Repayment of long-term financial liabilities	0	0
Cash flow from financing activities (C)	**-200,000**	**-526**
(De)Increase in cash and cash equivalents (A + B + C)	**-14,583**	**14,797**
Cash and cash equivalents as at January 1 (net)	14,989	192
(De)Increase in cash and cash equivalents	-14,583	14,797
Net foreign exchange difference	17	0
Cash and cash equivalents as at December 31 (net)	**423**	**14,989**

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

Notes to the financial statements

1 Company information

Holcim US Finance S. à r.l. & Cie S.C.S. (the "Company") is a “Société en Commandite Simple” incorporated in Luxembourg. The date of incorporation was on November 28, 2005. The principal activity of the Company is intercompany financing in USD.

The shares of the Company are held by Holcim US Finance S. à r.l. with 99% and Holdertrade Ltd & Cie S.N.C. with 1% and its ultimate parent company is LafargeHolcim Ltd.

The Company's share capital comprises of 200 (200 in the previous year) authorized, issued and fully paid ordinary, non-preference shares with a nominal value of USD 100.00 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, except for the measurement at fair value of derivative financial instruments and for financial assets and financial liabilities at fair value through profit and loss (FVTPL). The carrying values of recognized assets and liabilities that are hedged are adjusted to record changes in the fair values attributable to the risks that are being hedged.

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 USD.

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 USD. 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 the partners, return capital to the partners, 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.

Accounting for derivative financial instruments and hedging activities

The Company mainly uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain exposures relating to debt.

The fair values of various derivative instruments are disclosed in note 14.

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 Company 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 commitment (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 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 recognised in the cash flow hedge 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 recognised immediately in the statement of income, within other income (expenses).

The Company 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.

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, except for the USD 750 million current financial liabilities, which are stated at fair value.

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) [3]	
(all amounts in USD 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	1,927,128	2,150,875	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
	1,927,128	**2,150,875**	**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 [2]	1,881,976	2,137,276	4,975	7,421
Derivative liabilities held for hedging [1] [2]	41,540	10,002	-4,975	-7,421
	1,923,516	**2,147,278**	**0**	**0**

1) Derivatives used for hedging qualify as Level 2 in the fair value hierarchy.
2) The net Gains and losses do not include the forex component part of the instrument.
3) The net gains/losses of 2017 relative to the financial liabilities and the derivative have been corrected. The amounts which were indicated in the 2017 Financial statements were the accumulated impact from trade date of the instruments to reporting date instead of the change in value over the year.

5 Contractual maturity analysis

	Contractual undiscounted cash flows						
(all amounts in USD thousands)	Within 1 year	Within 2 years	Within 3 years	Within 4 years	Within 5 years	Thereafter	**Total**
2018							
Non-derivative financial liabilities	837,865	614,865	27,850	27,850	520,125	71,000	**2,099,555**
Derivative financial liabilities held for hedging	-14,421	-60,727					**-75,148**
Total	**823,444**	**554,138**	**27,850**	**27,850**	**520,125**	**71,000**	**2,024,407**
2017							
Non-derivative financial liabilities	304,141	841,721	572,371	27,850	27,850	598,850	**2,372,783**
Derivative financial liabilities held for hedging	-8,704	-8,704	-110,554	0	0	0	**-127,962**
Total	**295,437**	**833,017**	**461,817**	**27,850**	**27,850**	**598,850**	**2,244,821**

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 USD thousands)	2018	2017
Financial income - third party	28	0
Financial income - parent	135,450	120,101
Total financial income	**135,478**	**120,101**
Of which:		
Interest income	131,656	117,394
Other financial income	3,822	2,707

(all amounts in USD thousands)	2018	2017
Financial expenses - other related companies	-26,223	-11,720
Financial expenses - third parties	-109,206	-108,518
Total financial expenses	**-135,429**	**-120,238**
Of which:		
Interest expense	-106,494	-105,994
Other financial expense	-28,935	-14,244
Fair value hedge adjustments - hedged items 1)	4,975	7,421
Fair value hedge adjustments - hedging instrument 1)	-4,975	-7,421

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

1) The fair value hedge adjustments of the hedged items and of the hedging instrument of 2017 have been corrected. The amounts which were indicated in the 2017 Financial statements were the accumulated impact from trade date of the instruments to reporting date instead of the change in value over the year

The rate of the guarantee paid to LafargeHolcim Ltd has been raised from 0,2% to 1,3% of the outstanding debt balance as from the first of January 2018 explaining the increase of the financial expenses - other related companies from USD 11,720 thousand in 2017 to 26,223 thousand in 2018.

The Company may ask a permanent or temporary relief from certain guarantee fee payment. In 2018, LafargeHolcim Ltd has consented to USD 958 thousand temporary 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 assumptions held constant, would result in approximately USD 5,6 million of annual additional/lower financial expenses before tax on a post hedge basis. This is mainly attributable to the Company's long term liabilities bearing fix interest rates compared to the share of long term assets bearing floating interest rates

7 Foreign exchange gains/(losses) net

(all amounts in USD thousands)	2018	2017
The foreign exchange gains/(losses) net arose from :		
Other current liabilities	2	200
Total	**2**	**200**

Foreign currency sensitivity

The Company's sensitivity analysis has been determined based on the Company's net transaction exposure that arises on monetary financial assets and liabilities at December 31 that are denominated in a foreign currency other than the functional currency in which they are measured.

A 5 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 currency rates.

As at December 31, the Company has no material foreign currency exposures.

8 Cash and cash equivalents

(all amounts in USD thousands)	2018	2017
Cash at banks and in hand	423	14,989
Total	**423**	**14,989**
Of which pledged / restricted		

9 Short-term financial assets

(all amounts in USD thousands)	2018	2017
Short-term financial receivables - parent	227,700	456,038
Total	**227,700**	**456,038**
Of which pledged / restricted		

The fair values of short-term financial assets amount to USD 228 million (previous year: USD 456 million) and are classified as level 2 in the fair value hierarchy.

10 Prepaid expenses and other current assets

(all amounts in USD thousands)	2018	2017
Accrued interest receivable	3,833	17,619
Total	**3,833**	**17,619**

11 Long-term financial assets

(all amounts in USD thousands)	2018	2017
Long-term financial receivables - parent	1,695,172	1,662,229
Total	**1,695,172**	**1,662,229**
Of which pledged / restricted		

Interest rate structure of long-term financial receivables

(all amounts in USD thousands)	2018	2017
Financial receivables at fixed rates	450,000	450,000
Financial receivables at variable rates	1,245,172	1,212,229
Total	**1,695,172**	**1,662,229**

The fair values of long-term financial assets amount to USD 1,874 million (previous year: USD 1,889 million) and are classified as level 2 in the fair value hierarchy.

12 Current financial liabilities

(all amounts in USD thousands)	2018	2017
Current portion of long-term financial liabilities - third parties	748,198	199,959
Total	**748,198**	**199,959**
Of which secured by the ultimate parent company	748,198	199,959

The fair values of the current portion of long-term financial liabilities amount to USD 767,2 million and are classified as level 1 in the fair value hierarchy.

The Company will have to repay, in December 2019, the USD 750 million bond issued in 2009. The company has sufficient available committed credit lines to ensure this repayment.

13 Long-term financial liabilities

(all amounts in USD thousands)	2018	2017
Long-term financial liabilities - third parties	1,127,596	1,904,541
Long-term derivative liabilities (note 13)	41,540	10,002
Total	**1,169,136**	**1,914,543**
Of which secured by the ultimate parent company	1,127,596	1,914,543

Interest rate structure of long-term financial liabilities

(all amounts in USD thousands)	2018	2017
Financial liabilities at fixed rates	588,474	1,302,879
Financial liabilities at variable rates	580,662	611,664
Total	**1,169,136**	**1,914,543**

The fair values of long-term financial liabilities amount to USD 1,194 million (previous year: USD 2,041 million) and are classified as level 1 in the fair value hierarchy.

(all amounts in USD thousands)					Net book value1) 2018	Net book value1) 2017
Currency / nominal value	Nominal interest rate	Effective interest rate	Term	Description		
USD/200'000	6.21%		2006 - 2018	Private Placement guaranteed by LafargeHolcim Ltd	0	199,959
USD/750'000	6.00%	6.25%	2009 - 2019	Bond Guaranteed by LafargeHolcim Ltd	748,198	746,504
EUR/500'000	2.63%	4.62%	2012 - 2020	Bond guaranteed by LafargeHolcim Ltd, swapped into USD and floating interest rates at inception	580,662	611,664
USD/500'000	5.15%	5.30%	2013 - 2023	Bond Guaranteed by LafargeHolcim Ltd	496,934	496,373
USD/50'000	4.20%	4.20%	2013 - 2033	Bond Guaranteed by LafargeHolcim Ltd	50,000	50,000
Total					**1,875,794**	**2,104,500**
Of which current portion					748,198	199,959

14 Derivative Liabilities

Included in 'Long-term financial liabilities' (note 13) are the following derivative liabilities:

(all amounts in USD thousands)	2018	2017
Long-term derivative liabilities		
Fair value hedges	41,540	10,002
Total	**41,540**	**10,002**

All derivative liabilities are either interest rate or cross-currency swaps: The long-term derivatives, designated as fair value hedges, are used to hedge the exposure to changes in fair value of some of the long-term financial liabilities - third parties (note 13).

15 Income Taxes

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

16 Employees

No staff is employed by the company. No emoluments, no advances and no loans are granted to the management and supervisory bodies.

17 Audit fees

The fees received by the approved statutory auditor in 2018 for the audit of the annual accounts are USD 22 thousand (2017: USD 9 thousand).

18 Credit line to related party

The company is granting credit lines of total USD 881 million to Holdertrade Ltd & Cie S.N.C., Luxembourg, which is also a member of the LafargeHolcim Group. The amount used at the end of the fiscal year is USD 490 million.

19 Events after the reporting period

There were no significant events after the reporting period.

20 Authorization of the financial statements for issue

The financial statements were authorized for issuance by the Board of Directors of Holcim US Finance S.à r.l. & Cie S.C.S. on February 26, 2019 and cannot be amended after issuance.