Holcim Finance (Luxembourg) S.A.

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

For the year ended December 31, 2020

Table of Content

	Pages
General information	1
Report of the Réviseurs d'Entreprises Agréé	2 - 6
Management report	7 - 10
Annual accounts	
- Statement of profit or loss	11
- Statement of Comprehensive income	11
- Statement of financial position	12
- Statement of change in equity	13
- Statement of cash flows	14
- Notes to the financial statements	15 - 27

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. Roemer Visscherstraat 41 NL-1054 EW Amsterdam The Netherlands	0.01%
Auditors	Mazars Luxembourg S.A. Rue Guillaume Kroll 5 1882 Luxembourg Luxembourg	
Trade Register	B92528	

mazars

Mazars Luxembourg
5, rue Guillaume J. Kroll
L-1882 Luxembourg
Luxembourg

Tel: +352 27 114 1
Fax: +352 27 114 20
www.mazars.lu

To the Board of Directors of
Holcim Finance (Luxembourg) S.A.

R.C.S Luxembourg B 92.528

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, 2020, 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 give a true and fair view of the financial position of the Company as at December 31, 2020, and of 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 23 July 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 the EU regulation N° 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF 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 the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for 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 a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Reason why the point has been identified as key audit matter	Response
Evaluation of recoverability of receivables owed by related parties	
As at 31 December 2020, the long-term financial assets consisting of receivables owed by related parties amounted to EUR 5 554 721 523 which represents 89 % of the Company's total assets. As detailed in the Note 2 of the financial statements, the financial assets are carried at amortized cost less impairment in accordance with the accounting policies disclosed in the notes to the financial statements.	We have performed the following procedures over the evaluation of the recoverability of receivables owed by related parties: - obtaining an understanding of the internal recoverability procedure put in place at the group level - evaluating the judgements and decisions made by the management for assessing the recoverability of the receivables - reconciling the data used for the assessment with the audited and unaudited financial information of the counterparties - obtaining an understanding and list of the unused credit lines available to the counterparties.

mazars

Other information

The Board of Directors 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 Directors for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs 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 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 23 July 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 23 July 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 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 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 communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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.

mazars

Report on Other Legal and Regulatory Requirements

We have been appointed as "*réviseur d'entreprises agréé*" by the General Meeting of the Shareholders on 25 February 2020 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 2 years.

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 19 December 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 No 537/2014 were not provided and that we remained independent of the Company in conducting the audit.

Luxembourg, 18 February 2021

For MAZARS LUXEMBOURG, Cabinet de révision agréé
5, RUE GUILLAUME J. KROLL
L – 1882 LUXEMBOURG

Olivier BIREN
Réviseur d'entreprises agréé

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, 2020.
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 the Company issued a EUR 850 million sustainable bond which will mature in 2031 with a coupon to pay each year of 0,5%, the proceeds of this transaction has been used to provide a loan to LafargeHolcim Continental Finance Ltd.

The Company also issued a EUR 500 million bond which will mature in 2025 with a coupon to pay each year of 2,375%, the proceeds of this transaction has been used to provide a loan to LafargeHolcim Continental Finance Ltd.

Summary of the financial activities:

Financial Income/Expenses

The new loans provided to LafargeHolcim Continental Finance Ltd with the proceeds of the new issuances mainly explains the EUR 28,7 M. EUR increase of the group interest income.
The financial income third party has been reduce by 11,8 M. EUR. The Bond exchange made in November 2019 results in an exceptional third party financial income of 11,8 M. EUR in 2019.

The financial expenses increased by EUR 28,4 M. EUR, this is mainly explained by an increase of the financial expenses with the Parent Company for 12,3 M. EUR and a increase of the financial expenses third party for EUR 16,1 M, resulting from the issuances made in 2020.

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, 2020, 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:

On January the 19th, 2021, the Company issued a Bond guaranteed by LafargeHolcim Ltd with a face value of EUR 650 million, a coupon of 0.625% and a maturity in 2033

On January the 19th, 2021, the Company issued a Bond guaranteed by LafargeHolcim Ltd with a face value of EUR 500 million, a coupon of 0.125% and a maturity in 2027

Result Allocation:

The financial year, ended at December 31, 2020 has been closed with a profit of EUR 3.399.606,90. Total assets of the Company amounted to EUR 6.260.283.464,64.
The Board of Directors notes that as at December 31, 2020 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	17.446.736,22
• Result of the year:	EUR	3.399.606,90
• Legal reserve:	EUR	190.000,00

We suggest the following allocation of the result:

• To be carried forward:	EUR	3.399.606,90

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, 2020.

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.
Mazars Luxembourg S.A. was approved as independent auditor for a one-year term until the Annual General Meeting of 2021.

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

Statement of profit or loss

(all amounts in EUR thousands)		For the Year ended December 31	
	Note	2020	2019
Incomes			
Financial income	7	143.096	126.158
		143.096	**126.158**
Expenses			
Financial expenses	7	(138.364)	(109.887)
Administration expenses		(159)	(89)
		(138.523)	**(109.976)**
Net profit before taxes		**4.573**	**16.182**
Income taxes	14	(1.174)	(900)
Net profit for the year		**3.399**	**15.282**

Statement of comprehensive income

(all amounts in EUR thousands)	For the Year ended December 31	
	2020	2019
Net profit	**3.399**	**15.282**
Other comprehensive income/(loss), net of tax	-	-
Total comprehensive income	**3.399**	**15.282**

Statement of financial position

(all amounts in EUR thousands)		As at December 31	
	Note	2020	2019
Cash and cash equivalents	8	450	1.743
Current financial assets	9	610.230	-
Prepaid expenses and other current assets	10	94.882	72.188
Total current assets		**705.562**	**73.931**
Non-current financial assets	11	5.554.711	4.627.055
Other non-current assets		10	-
Total non-current assets		**5.554.721**	**4.627.055**
Total assets		**6.260.283**	**4.700.986**
Current financial liabilities	12	612.872	11.900
Current income tax liabilities		1.079	501
Other current liabilities		69.167	52.483
Total current liabilities		**683.118**	**64.884**
Non-current financial liabilities	13	5.551.719	4.614.055
Total non-current liabilities		**5.551.719**	**4.614.055**
Total liabilities		**6.234.837**	**4.678.939**
Share capital		1.900	1.900
Legal reserve		190	190
Share premium		2.510	2.510
Retained earnings		20.846	17.447
Total shareholder's equity		**25.446**	**22.047**
Total liabilities and shareholder's equity		**6.260.283**	**4.700.986**

Statement of changes in equity

(all amounts in EUR thousands)	For the Year ended December 31			
	Share capital	Legal reserve	Share premium	Retained earnings
Equity as at January 1, 2019	**1.900**	**190**	**2.510**	**2.165**
Net profit/(loss)	-	-	-	15.282
Other comprehensive income/(loss)	-	-	-	-
Total comprehensive income/(loss)	-	-	-	15.282
Share premium increase/(decrease)	-	-	-	-
Share capital paid-in	-	-	-	-
Dividends	-	-	-	-
Equity as at December 31, 2019	**1.900**	**190**	**2.510**	**17.447**
Equity as at January 1, 2020	**1.900**	**190**	**2.510**	**17.447**
Net profit/(loss)	-	-	-	3.399
Other comprehensive income/(loss)	-	-	-	
Total comprehensive income/(loss)	-	-	-	3.399
Share premium increase/(decrease)	-	-	-	-
Share capital paid-in	-	-	-	-
Dividends	-	-	-	-
Equity as at December 31, 2020	**1.900**	**190**	**2.510**	**20.846**

Statement of cash flows

(all amounts in EUR thousands)	Year ended December 31	
	2020	2019
Net income	**3.399**	**15.282**
Cash generated from operations	**3.399**	**15.282**
Interest and financial income received	120.404	97.778
Interest and financial expenses paid	(110.524)	(102.174)
Income taxes paid	(596)	(1.174)
Other expense	(158)	(89)
Cash flow from operating activities (A)	**9.126**	**(5.659)**
Increase current financial assets	(198.469)	-
Repayment of non-current financial assets	(1.339.429)	-
Cash flow from investing activities (B)	**(1.537.898)**	**-**
Proceeds from current financial liabilities	800.142	282.204
Repayment of current financial liabilities	(612.081)	(270.304)
Proceeds from non-current financial liabilities	1.339.418	1.207
Repayment of non-current financial liabilities	-	(6.205)
Cash flow used in financing activities (C) (note 9)	**1.527.479**	**6.902**
(Decrease)Increase in cash and cash equivalents (A + B + C)	**(1.293)**	**1.243**
Cash and cash equivalents as at January 1 (net) (note 9)	**1.743**	**500**
(Decrease)Increase in cash and cash equivalents	(1.293)	1.243
Cash and cash equivalents as at December 31 (net) (note 9)	**450**	**1.743**

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 accounting

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

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

Related companies refer to group companies consolidated in the LafargeHolcim Ltd financial statements.

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Impact of COVID-19

Due to the COVID-19 crisis, the local market conditions were disrupted and impacted by various factors beyond the Company's control, including a prolonged spread of the pandemic, government measures affecting the Group's operations and customers' behaviours. These factors led to a high degree of uncertainty on the estimates and assumptions concerning the future that were considered in multiple scenarios which are believed to be reasonable, supportable and realistic under the circumstances. The estimates and assumptions, notably those relating to assets and goodwill impairments, inventory valuation, expected credit loss of trade receivables, recovery of deferred tax assets, income tax computation, employee defined benefit plans and hedged positions have been based on the available information at the end of December 2020.

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, as the principal activity of the Company is intercompany financing in 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. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income, except when deferred outside the statement of profit and loss as qualifying cash flow hedges or net investment hedges. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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.

Current financial assets

Current financial receivables are recognized at their fair value and are subsequently measured depending on their classification based on the business model and contractual cash flows test.

Investments

Investments in subsidiaries and associates are stated at cost as the company intends to hold the asset to maturity to collect contractual cash flows. Investments in which the Company does not have a controlling interest or significant influence are classified as fair value through other comprehensive income. All purchases and sales of investments are recognized on the trade date, which is the date that the Company commits to purchase or sell the asset. The purchase cost includes transaction costs, except for derivative instruments.

Non-current financial assets

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

Impairment of financial assets

IFRS 9 requires the Company to measure and record the expected credit loss ("ECL"), which means that anticipated as opposed to incurred credit losses are recognised resulting in earlier recognition of impairments. A loss allowance for expected credit losses is determined for all financial assets, other than those at FVTPL, at the end of each reporting period. The expected credit loss recognised represents a probability-weighted estimate of credit losses over the expected life of the financial instrument. The company considers the probability of default upon initial recognition of long-term loans and receivables whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period by considering available reasonable and supportable historical and forward looking information.

The company uses three categories for long-term loans and receivables which reflect their credit risk and how the loan loss provision is determined for each of those categories:

Category	**Definition**
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows.
Non-performing	Interest and/or principal repayments are past due and credit risk level shows an increase.
Write-off	Based on observable data the payments will not be collected.

Each exposure is allocated to a credit risk category at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring which may result in an exposure being moved to a different credit risk category.

Over the term of the loans, the Company accounts for its credit risk by providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the company considers historical loss rates for each category of customers, and adjusts for forward looking macroeconomic data. No significant changes to estimation techniques or assumptions were made during the reporting period.

Non-current financing liabilities

Non-current 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 the proceeds (net of transaction costs) and the redemption value being recognized in the statement of profit and loss over the term of the borrowings.

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.

Recognition of interest income

Interest is recognized on a time proportion basis that reflects the effective yield on the asset.

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.

Adoption of revised and new International Financial Reporting Standards and Interpretations

In 2020, the Company adopted the following amended standards relevant to the Company:

Amendments to IAS 1 and IAS 8 - Presentation of Financial Statements and Accounting Policies, Changes in Accounting Estimates and Errors

The adoption of the amendments to IAS 1 and IAS 8 have not materially impacted financial statements of the Company.

Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform

The adoption of the amendments to IFRS 9, IAS 39 and IFRS 7 have not materially impacted Company's financial statements and the Company will monitor closely any changes in the future.

Amendment to IFRS 16 - COVID-19-Related Rent Concessions

In May 2020, the IASB issued an amendment to IFRS 16 Leases with immediate effect titled "COVID-19-Related Rent Concessions" which provides a practical expedient that permits lessees not to assess whether rent concessions that occur as a direct consequence of the COVID-19 pandemic and meet specified conditions are lease modifications and, instead, to account for those rent concessions in profit or loss as if they were not lease modifications. The Company decided not to apply the practical expedient, the amendment will not impact the Company's financial statements.

A number of other new standards are also effective from 1 January 2020 but they do not have a material effect on the Company's financial statements.

3. Critical accounting judgements and key sources of estimation uncertainty

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of incomes, 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.

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.

4. 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 strong 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 results 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 into 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 Group 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 current 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 2020 and 2019, there were no financial assets and liabilities allocated to level 3.

There have been no transfers between the different hierarchy levels in 2020 and 2019.

5. Additional disclosures to the financial instruments

31 December 2020 (all amounts in EUR thousands)	Carrying amount: Debt instruments at amortized cost	Carrying amount: Financial assets at amortized cost	Total	Fair value: Level 1	Fair value: Level 2	Total
Financial assets	-	6,164,941	**6,164,941**		6,997,582	**6,997,582**
Financial liabilities	6,164,590	-	**6,164,590**	6,682,419	-	**6,682,419**

31 December 2019 (all amounts in EUR thousands)	Carrying amount: Debt instruments at amortized cost	Carrying amount: Financial assets at amortized cost	Total	Fair value: Level 1	Fair value: Level 2	Total
Financial assets	-	4,627,055	**4,627,055**		5,156,218	**5,156,218**
Financial liabilities	4,625,955	-	**4,625,955**	5,021,488	-	**5,021,488**

6. 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
2020							
Non-derivative financial liabilities	514.321	97.026	1.117.552	902.501	558.275	3.441.275	**6.630.950**
Derivative financial liabilities held for hedging	-	-	-	-	-	-	**-**
Total	**514.321**	**97.026**	**1.117.552**	**902.501**	**558.275**	**3.441.275**	**6.630.950**
2019							
Non-derivative financial liabilities	81.099	494.099	76.804	1.097.330	882.236	2.591.365	**5.222.933**
Derivative financial liabilities held for hedging	-	-	-	-	-	-	**-**
Total	**81.099**	**494.099**	**76.804**	**1.097.330**	**882.236**	**2.591.365**	**5.222.933**

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.

7. Financial income and financial expenses

(all amounts in EUR thousands)	2020	2019
Financial income - parent	-	1.490
Financial income - other related companies	142.914	112.753
Financial income - third party	182	11.915
Total financial income	**143.096**	**126.158**
Of which:		
Interest income	143.096	126.158
Hedge result	-	-

(all amounts in EUR thousands)	2020	2019
Financial expenses - parent	(31.169)	(18.802)
Financial expenses - other related companies	(52)	(66)
Financial expenses - third parties	(107.143)	(91.019)
Total financial expenses	**(138.364)**	**(109.887)**
Of which:		
Interest expense	(107.227)	(91.085)
Guarantee fee expense	(31.137)	(18.802)

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

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.

8. Notes to the cash flow statement

(all amounts in EUR thousands)	2020	2019
Cash at banks and in hand	450	1.743
Total	**450**	**1.743**
Of which pledged / restricted	-	-

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the reporting position as shown above.

Changes in liabilities arising from financing activities

The table below details changes in the Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Company's cash flow statement as cash flows from financing activities.

	1 January 2020	Financing cash flows (i)	Other changes (ii)	31 December 2020
Perpetual notes	494.891	-	1.130	496.021
Commercial Paper	-	199.961		199.961
Bond Financing (note 13)	4.119.164	1.339.418	1.027	5.459.609
Loans from related parties (note 12)	11.900	(11.900)		-
Total liabilities from financing activities	4.625.955	1.527.479	2.157	6.155.591

(i) The cash flows from bank loans, loans from related parties and other borrowings make up the net amount of proceeds from borrowings and repayments of borrowings in the cash flow statement.

(ii) Other changes include interest accruals and payments.

9. Current financial assets

(all amounts in EUR thousands)	2020	2019
Current financial receivables - other related companies	610.230	-
Total	**610.230**	**-**
Of which pledged / restricted	-	-

The carrying amounts of current financial assets approximate their fair value.

10. Prepaid expenses and other current assets

(all amounts in EUR thousands)	2020	2019
Prepaid expenses	3	1
Accrued interest receivable	94.879	72.187
Total	**94.882**	**72.188**

11. Non-current financial assets

(all amounts in EUR thousands)	2020	2019
Non-current financial receivables - other related companies	5.554.711	4.627.055
Total	**5.554.711**	**4.627.055**
Of which pledged / restricted	-	-

Interest rate structure of non-current financial receivables

(all amounts in EUR thousands)	2020	2019
Financial receivables at fixed rates	5.554.711	4.627.055
Financial receivables at variable rates	-	-
Total	**5.554.711**	**4.627.055**

The fair values of non-current financial assets amount to EUR 6.387.352 thousand (previous year: EUR 5.156.218 thousand) are classified as level 2 in the fair value hierarchy (note 5).

12. Current financial liabilities

(all amounts in EUR thousands)	2020	2019
Current financial liabilities - parent	-	11.900
Current financial liabilities - third parties	199.961	-
Current portion of non-current financial liabilities - third parties	412.911	-
Total	**612.872**	**11.900**
Of which secured by the ultimate parent company	612.872	11.900

The carrying amounts of current financial liabilities approximate their fair value.
The caption "current financial liabilities – third parties" consist of a commercial paper with a face value of EUR 200 million issued on 07/04/2020, maturing on 07/01/2021 and bearing an interest of 1,01%.

13. Non-current financial liabilities

(all amounts in EUR thousands)	2020	2019
Non-current financial liabilities - third parties	5.551.719	4.614.055
Total	**5.551.719**	**4.614.055**
Of which guaranteed by the ultimate parent company	5.551.719	4.614.055

Interest rate structure of non-current financial liabilities

(all amounts in EUR thousands)	2020	2019
Financial liabilities at fixed rates	5.551.719	4.614.055
Financial liabilities at variable rates	-	-
Total	**5.551.719**	**4.614.055**

The fair values of non-current financial liabilities amount to EUR 6.069.547 thousand (previous year: EUR 5.009.588 thousand) are classified as level 1 in the fair value hierarchy (note 5).

(all amounts in EUR thousands)					Net book value	Net book value
Currency / nominal value	Nominal interest rate	Effective interest rate	Term	Description	2020	2019
EUR / 500'000	3,00%	3,11%	2014 - 2024	Bond guaranteed by LafargeHolcim Ltd	318.744	318.380
EUR / 413'000	1,04%	1,10%	2016 - 2021	SSD guaranteed by LafargeHolcim Ltd	412.911	412.662
EUR / 152'000	1,46%	1,51%	2016 - 2023	SSD guaranteed by LafargeHolcim Ltd	151.846	151.781
EUR / 32'500	2,00%	2,03%	2016 - 2026	SSD guaranteed by LafargeHolcim Ltd	32.448	32.438
EUR / 1'150'000	1,38%	1,43%	2016 - 2023	Bond guaranteed by LafargeHolcim Ltd	867.441	866.972
EUR / 1'150'000	2,25%	2,23%	2016 - 2028	Bond guaranteed by LafargeHolcim Ltd	1.151.797	1.152.052
EUR / 750'000	1,75%	1,90%	2017 - 2029	Bond guaranteed by LafargeHolcim Ltd	741.451	740.468
EUR / 500'000	3,00%	3,24%	2019 - 2024	Perpetual subordinated notes (Hybrid Bond) guaranteed by LafargeHolcim Ltd	496.021	494.891
EUR / 500'000	0,50%	2,25%	2019 - 2026	Bond guaranteed by LafargeHolcim Ltd	452.068	444.411
EUR / 850'000	0,50%	0,59%	2020 - 2031	Sustainable Bond guaranteed by LafargeHolcim Ltd (*)	842.300	-
EUR / 500'000	2,38%	2,49%	2020 - 2025	Bond guaranteed by LafargeHolcim Ltd	497.603	-
Total					**5.964.630**	**4.614.055**
Of which current portion					412.911	-

(*) <u>Sustainable Bond Guaranteed by LafargeHolcim Ltd</u>

Bond investors will be entitled to a higher coupon (increased by 0,75%) should the mother company not meet its target of 475 kg net CO_2 per ton of cementitious material by 2030.

14. Income Taxes

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

15. Transactions with key management personnel

(all amounts in EUR thousands)	2020	2019
Remuneration of the Board of Directors	7	7

16. Operating Segments

The Company is not an operating entity and has therefore not identified any operating segment.

17. Events after the reporting period

On January the 19th, 2021, the Company issued a Bond guaranteed by LafargeHolcim Ltd with a face value of EUR 650 million, a coupon of 0.625% and a maturity in 2033.
On January the 19th, 2021, the Company issued a Bond guaranteed by LafargeHolcim Ltd with a face value of EUR 500 million, a coupon of 0.125% and a maturity in 2027.

18. 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 18, 2021 and cannot be amended after issuance.