

LafargeHolcim Sustainability Linked Bond Investor Presentation

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LafargeHolcim

INTRODUCTION

LAFARGEHOLCIM REPRESENTATIVES



Géraldine Picaud
Chief Financial Officer



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Chief Sustainability Officer

AGENDA

- 01.** Q3 Trading Update
- 02.** LafargeHolcim's Sustainability Ambition
- 03.** Sustainability-Linked Finance Framework and Bond Offering



01

Q3 Trading Update

Géraldine Picaud, Chief Financial Officer

Q3 2020 KEY DEVELOPMENTS

RECURRING EBIT MARGIN SIGNIFICANTLY UP



Resilient demand, Net Sales decrease of **2.6% LFL**

Action plan “**HEALTH, COST & CASH**” delivering well ahead of targets

Costs decline over-proportional compared to volumes in Q3, recurring EBIT margin up **250bps**

Recurring EBIT up by **10.0% LFL**

2020 Free Cash Flow guidance increased to above CHF 2.75 bn based on strong Q3 performance

Partnership with SBTi¹ to support development of 1.5°C cement roadmap **with approved 2030 targets**

¹ Science-Based Targets initiative

“HEALTH, COST & CASH” ACTION PLAN

EXECUTION OF ACTION PLAN DELIVERING WELL AHEAD OF TARGETS



HEALTH

Safeguard the **Health and Safety** of our staff, partners and communities

Early establishment of **Business Resilience teams**
Projects to **support communities** in all our markets

on track



COST

Reduction in fixed costs by CHF

300 million¹

In 2020

9M 2020

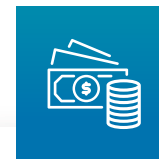
-396 m

Review of all **3rd party products and services**
Realization of **reduction in energy prices¹**

9M 2020

-124 m

Costs decline over-proportional compared to volumes in Q3



CASH

Reduction of CAPEX by at least CHF

400 million

Compared to 2019

above target

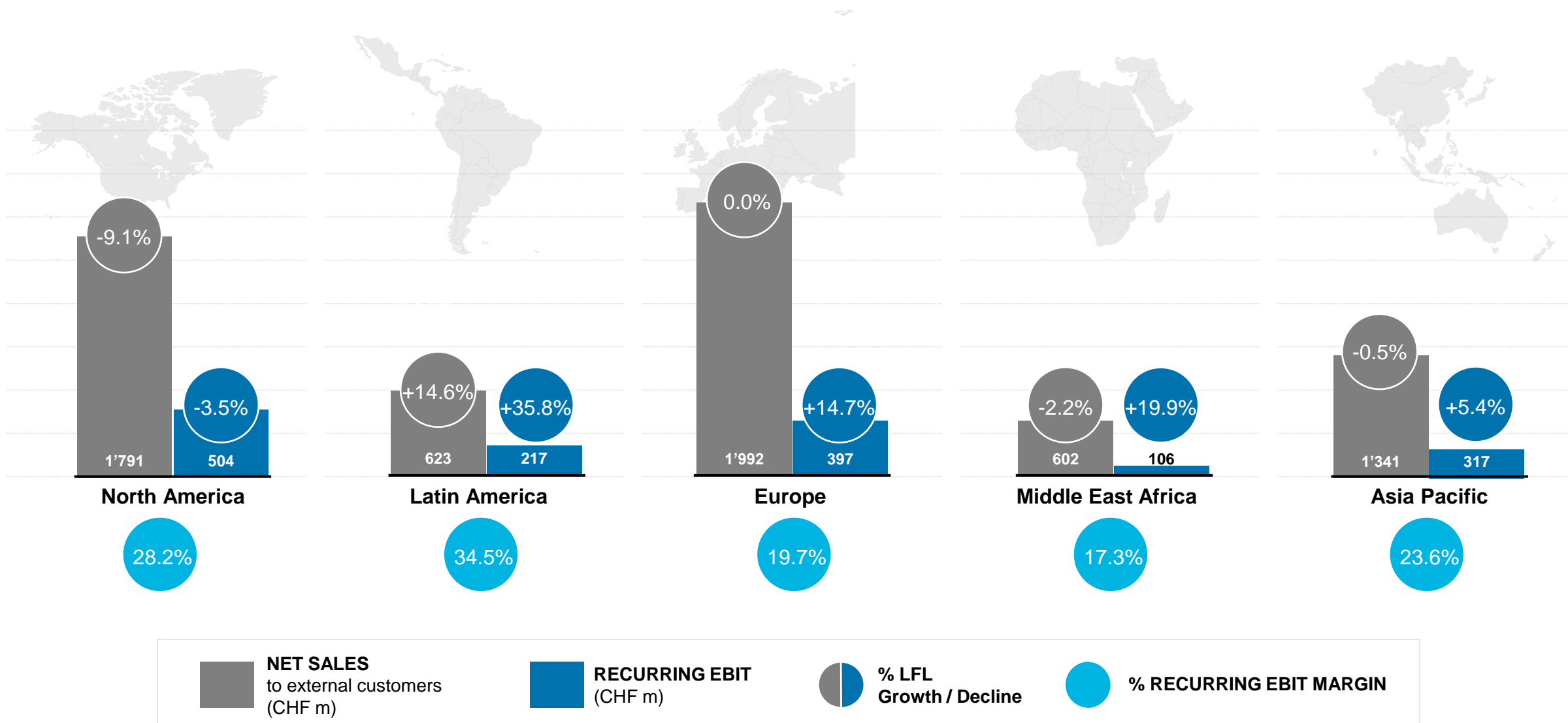
Reduction of **Net Working Capital** at least in line with level of activity

above target

¹ Like-for-like

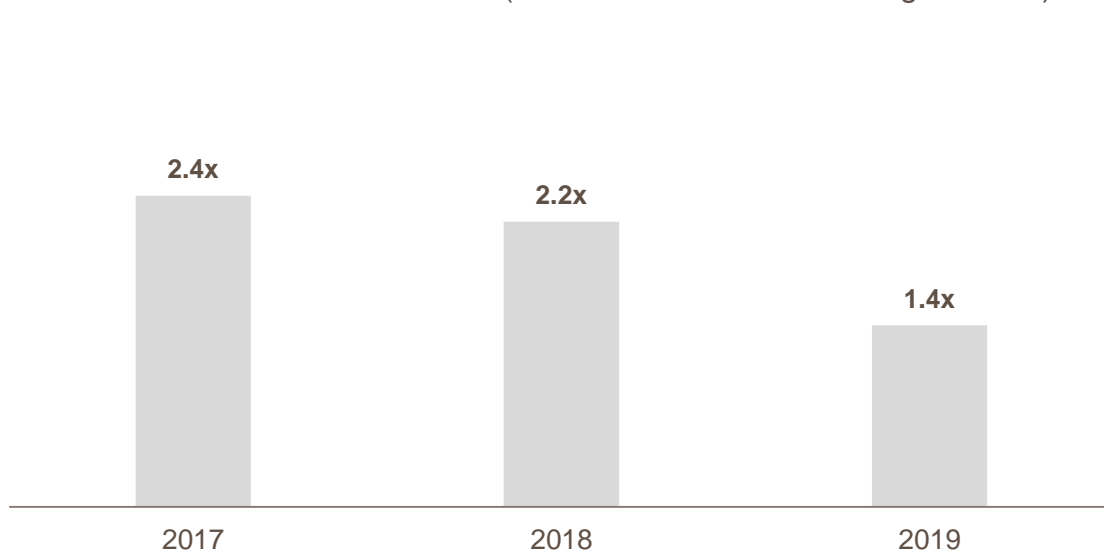
Q3 2020 REGIONAL PERFORMANCE

RECURRING EBIT MARGIN EXPANSION ACROSS ALL REGIONS



FINANCIAL STRENGTH CONSISTENT DEBT DELEVERAGING & BALANCED MATURITY PROFILE

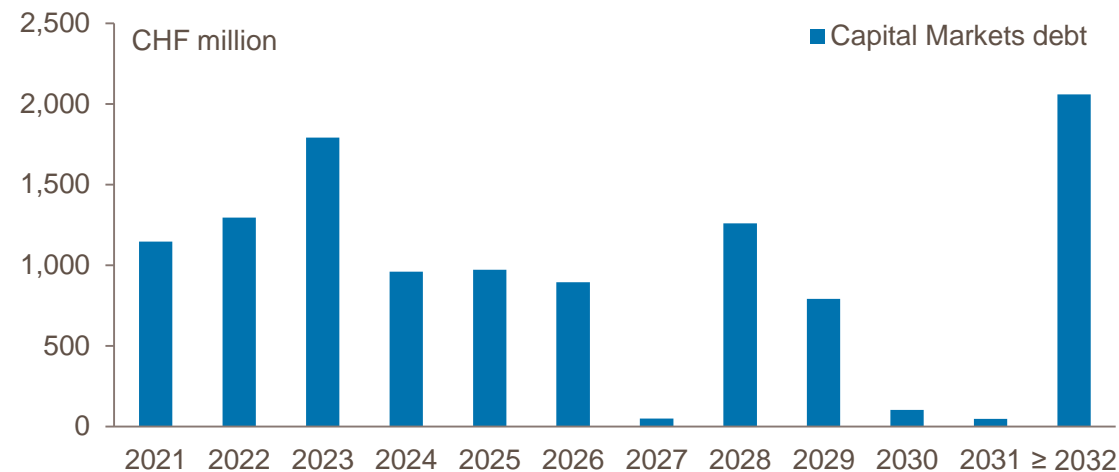
NET LEVERAGE RATIO¹ (Net Financial debt/Recurring EBITDA)



→ Prudent financial policies and improvement in Free Cash Flow are leading to a **consistent decrease in net leverage**

CAPITAL MARKETS MATURITY PROFILE²

(CHF m, per 30.09.2020)



→ **Well balanced maturity profile**, without significant maturity peaks
→ Average maturity of >6 years

¹ 2017, 2018 and 2019 are pre-IFRS 16 adjustment. Recurring EBITDA is defined as EBIT – depreciation, amortization and impairments of operating assets – restructuring, litigation and other non-recurring costs

² Excluding hybrid bonds. Capital Markets debt includes Commercial Papers, Bonds, Private Placements and Schuldscheindarlehen

FINANCIAL STRENGTH CREDIT RATINGS CONFIRMED, STRONG BALANCE SHEET & LIQUIDITY



STRONG LIQUIDITY

- More than CHF **8billion** of cash and unused **committed** credit lines
- All credit lines **without financial covenants** and material adverse change clauses



STRONG BALANCE SHEET

- Debt maturities 2020-2021 well covered with available liquidity



CREDIT RATINGS

Credit ratings confirmed

MOODY'S

Baa2, outlook stable, confirmed on **Sept 28, 2020**

S&P

BBB, outlook stable, confirmed on **Sept 7, 2020**



EXCELLENT CASH GENERATION

- 2019 Free Cash Flow of **CHF 3,047m¹ (+79% vs 2018)**
- 2019 Cash conversion² at **49.5% (28.3% in 2018)**
- **2020 Free Cash Flow expected above CHF 2.75bn**

¹ Pre-IFRS 16

² Cash conversion defined as Free Cash Flow / Recurring EBITDA (pre-IFRS 16)

RESILIENT DEMAND EXPECTED, FCF GUIDANCE INCREASED



Resilient demand expected for Q4 2020¹

Execution of action plan “HEALTH, COST & CASH”
to continue ahead of targets

2020 Free Cash Flow guidance increased to above CHF 2.75 bn based on strong Q3 performance

Strong balance sheet, debt leverage **below 1.8x²**

¹ Subject to pandemic-related uncertainties

² Post IFRS 16







02

LafargeHolcim's Sustainability Ambition

Magali Anderson, Chief Sustainability Officer

STRENGTHENING OUR LEADERSHIP IN SUSTAINABILITY OUR FOUR SUSTAINABILITY PILLARS

Sustainability pillars	CLIMATE & ENERGY 	CIRCULAR ECONOMY 	ENVIRONMENT 	COMMUNITY 
Lead metric	CO2 Reduced [kg CO2/t cementitious]	WASTE Re-used [Mt]	WATER Saved [l fresh water / tcem]	VALUE Shared [M total beneficiaries]
Performance 2019 ¹ Change ²	561 -1.4%	48 +4.3%	299 -5.7%	5.9 +5.4%

STRENGTHENING OUR LEADERSHIP IN SUSTAINABILITY

LAFARGEHOLCIM CO2 FOOTPRINT


SCOPE 1


SCOPE 2


SCOPE 3

50%

26%

5%

1%

5%

13%

Raw materials decarbonation
Cement production

Fuels combustion
Cement production

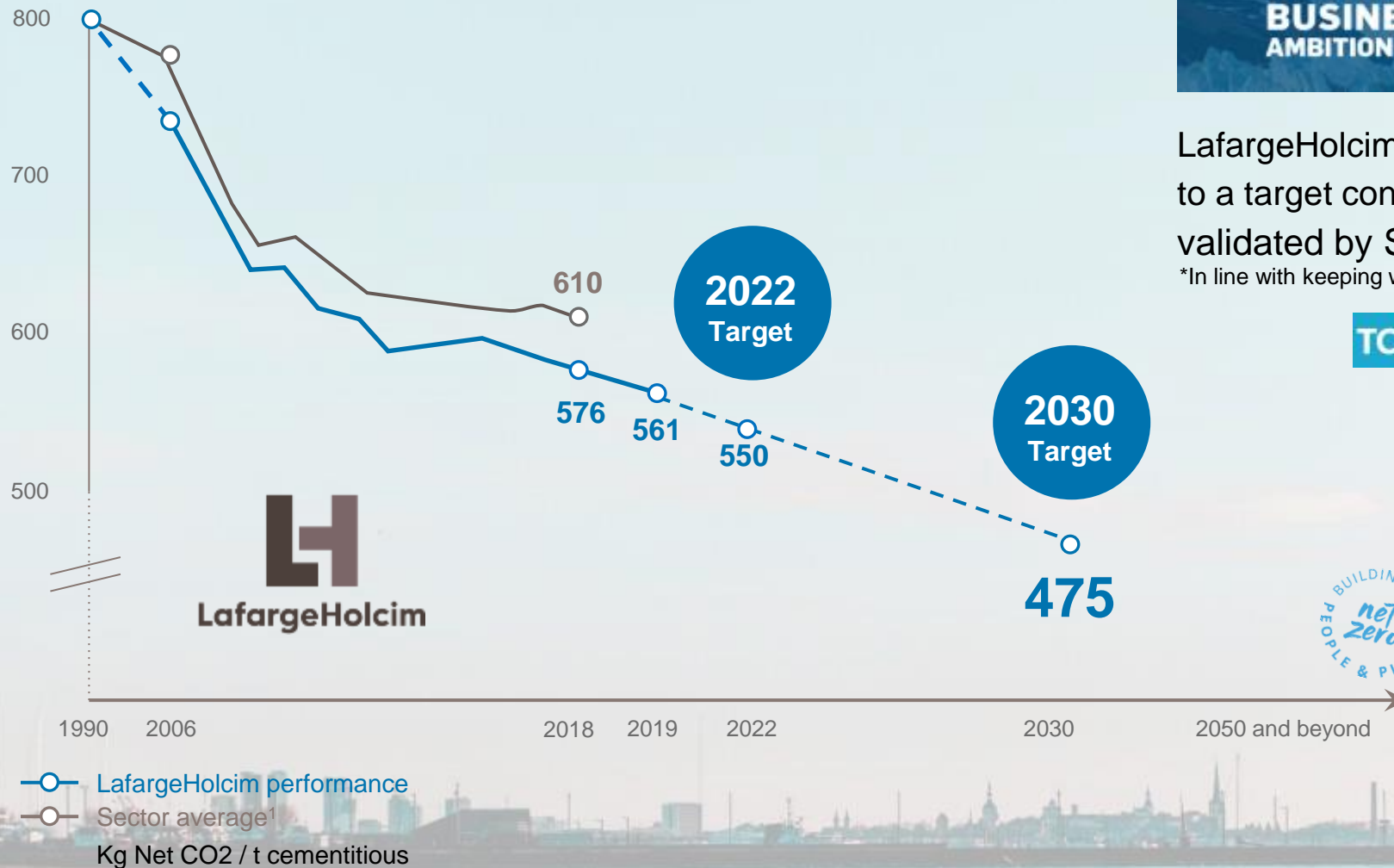
Energy generation

Aggregates and RMX operations

All indirect
emissions

Purchased electricity

STRENGTHENING OUR LEADERSHIP IN SUSTAINABILITY LEADING IN SUSTAINABILITY TARGETS



LafargeHolcim will reduce scope 1 CO₂ emissions to a target consistent with a net-zero pathway validated by SBTi*

*In line with keeping warming to well-below 2°C



¹ source: https://gccassociation.org/gnr/world/GNR-Indicator_71AGWct-world.html
 Note graph is presented for illustration purposes only and is not done to scale.

STRENGTHENING OUR LEADERSHIP IN SUSTAINABILITY LEADING THE WAY IN GREEN CONSTRUCTION

Other actions taken to reduce our CO2 intensity:

- Clinker substitution
- Waste derived fuels and biomass
- Increased energy efficiency
- Waste heat recovery
- Renewable energy
- Carbon capture
- Green products
- Optimization of transportation

ECO Pact
The Green Concrete

Enabling carbon-neutral construction



SUSTENO

Leading circular cement with ~20% recycled material inside



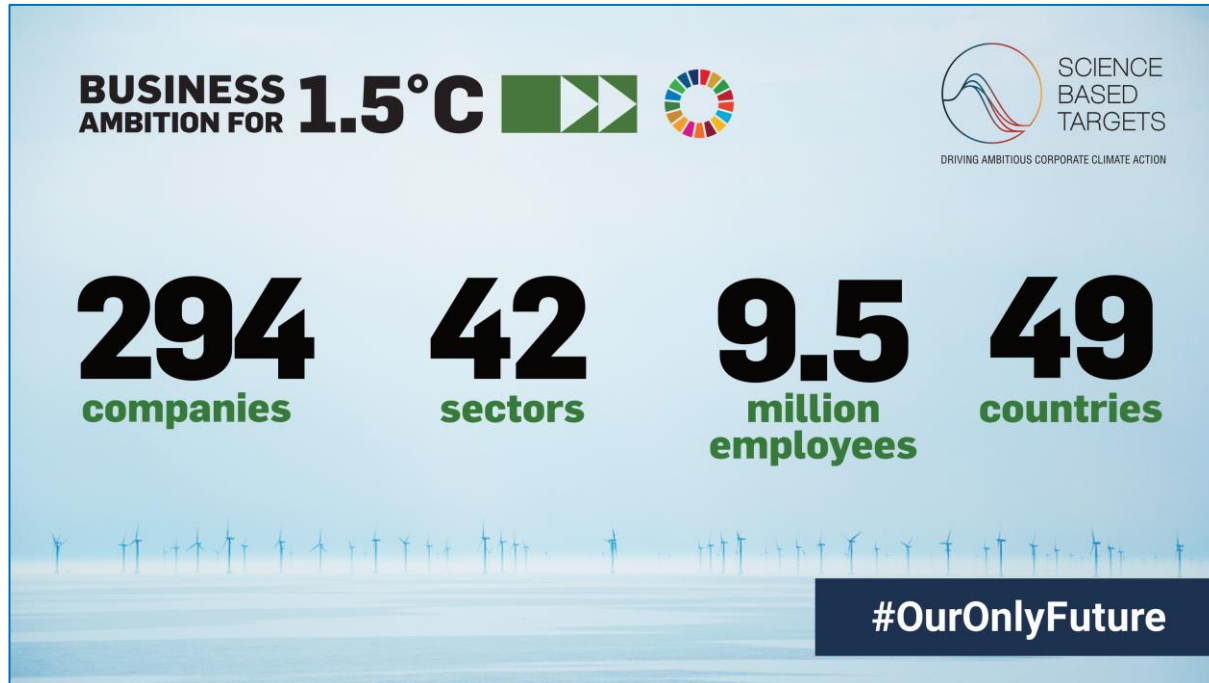
3D printing building more with less



A global leader in waste solutions



STRENGTHENING OUR LEADERSHIP IN SUSTAINABILITY PARTNERSHIPS KEY TO SCALE UP IMPACT



Partnering with SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

- to lead in a rigorous, science-driven way
- 2030 approved targets
- Beyond 2030 developing roadmap in the cement sector

STRENGTHENING OUR LEADERSHIP IN SUSTAINABILITY BY 2030, LAFARGEHOLCIM WILL



Accelerate use of low-carbon & carbon-neutral products,
incl. ECOPact and Susteno



Recycle 100m tons of waste and byproducts for energy
and raw materials



Scale up the use of calcined clay and develop novel cements
with new binders



Double* waste-derived fuels in production



Reach 475 kg net CO2 per ton of cementitious material



03 Sustainability-Linked Finance Framework and Bond Offering

LAFARGEHOLCIM'S SUSTAINABILITY-LINKED FINANCING FRAMEWORK COMMITTED TO SUSTAINABLE FINANCE



COMMERCIAL PAPER PROGRAM

- EUR 3billion commercial paper program for **issuance of ESG notes** established



COMMITTED BILATERAL LINES

- All committed Corporate bilateral facilities amended to **link cost with our ESG Sustainalytics¹ performance**



DEPOSITS

- First **sustainable deposits** concluded to help finance activities supporting the UN Sustainable Development Group's Goals



SUSTAINABILITY LINKED BOND

- LafargeHolcim is taking the next step in its sustainable finance journey **by establishing a Sustainability-Linked Financing Framework**, which allows, among other, the issuance of **Sustainability-Linked Bond**
- The Sustainability-Linked Bond will be fully aligned with our CO2 ambition

¹ The group is #1 in ESG Sustainalytics' ranking for the construction sector

LAFARGEHOLCIM'S SUSTAINABILITY-LINKED FINANCING FRAMEWORK ALIGNED WITH ICMA'S SUSTAINABILITY-LINKED BOND PRINCIPLES

1

SELECTION OF THE KPIS

- **KPI:** CO2 intensity calculated as kg net CO2 emitted /t cementitious material (kg net CO2/t.cem), scope 1
- The selection of KPI is consistent with the comprehensive review of **LafargeHolcim's material issues** conducted in 2019, which involved external and internal stakeholders' views on which topics were most relevant for future value creation

2

CALIBRATION OF THE SUSTAINABILITY PERFORMANCE TARGET (SPT)

- **Sustainability Performance Target (SPT):** Equal to or lower than 475kg net CO2 /t cem, by 31 December 2030
- SBTi validated in September 2020 LafargeHolcim's reduction targets for Scope 1 as consistent with a **well below 2°C scenario**

3

BOND CHARACTERISICS

- If the Sustainability Performance Target has not been reached at the Target Observation Date, as per the annual reporting published following the Target Observation Date, **a coupon-step up will be payable by LafargeHolcim**

4

REPORTING

- LafargeHolcim will **communicate annually** on the relevant KPI and SPT, making up-to-date information and reporting available on its website

5

VERIFICATION

- LafargeHolcim will apply the following **layers of external verification:** (1) **ISS ESG** provided a **Second Party Opinion**; (2) performance against Target will be **externally verified by an independent third party**

LafargeHolcim's Sustainability Framework
is aligned with:



Sustainability
Linked Loan
Principles

Decarbonization targets were externally
validated by:



Second Party Opinion provided by:



ENVISAGED BOND OFFERING KPI, SPT AND COUPON STEP-UP MECHANISM

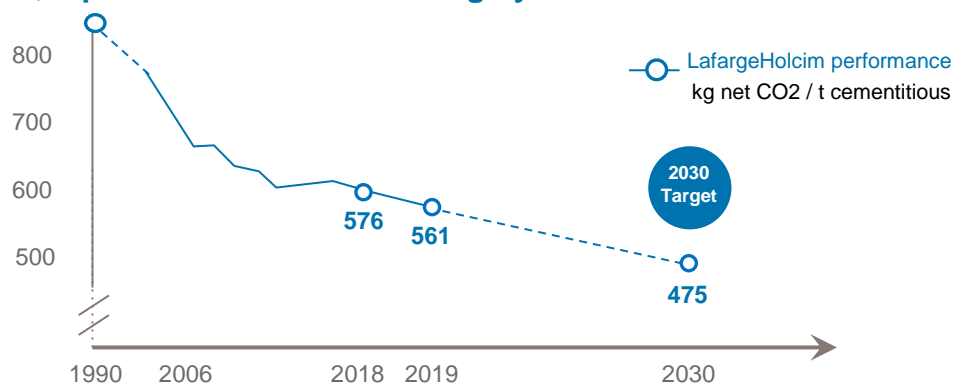
KPI Selection

- **Key Performance Indicator:**
 - CO2 intensity measured as kg net CO2 emitted /t cementitious material (scope 1)
- **EU Environmental Objective Alignment & UN SDG**
 - “Minimizing process emissions through energy efficiency improvements and switch to alternative fuels ... **can contribute to the mitigation objective**”
 - The KPI selection is aligned with **UN SDGs #13 Climate Action**



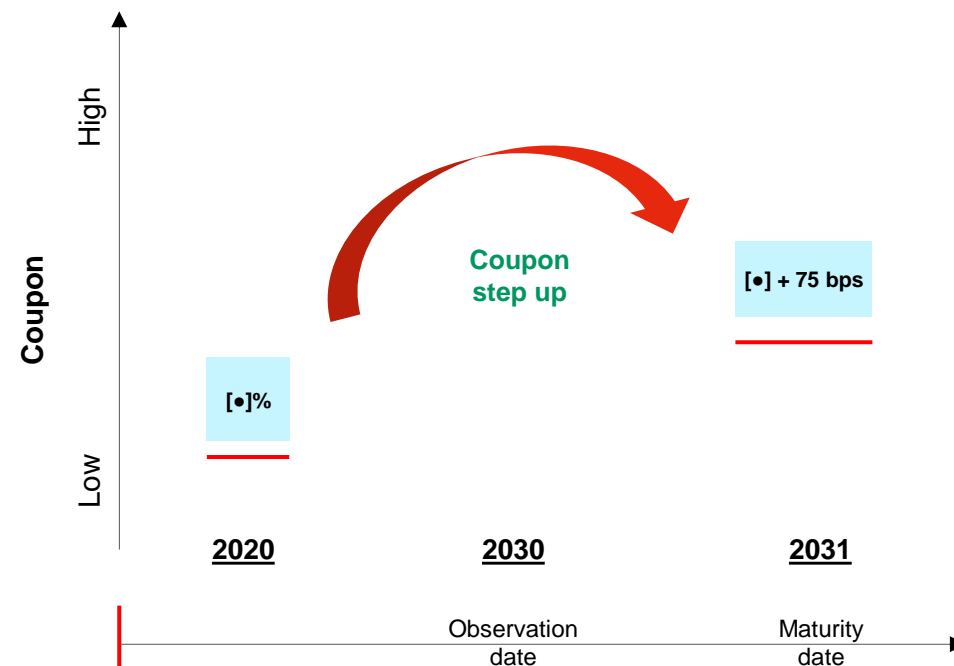
Sustainability Performance Target

- kg net CO2 emitted /t cementitious material (kg net CO2/t.cem), scope 1, **equal to or lower than 475kg by 31 December 2030**



Coupon Step-up mechanism

- If SPT is not met, the coupon will increase via a **one-time step-up of 75bp payable at maturity date** (i.e. step-up applied for the last coupon and payable on last interest payment date)



TRANSACTION OVERVIEW

Issue	Senior Unsecured Notes
Issuer	Holcim Finance (Luxembourg) S.A.
Guarantor	LafargeHolcim Ltd
Issuer & Guarantor rating	Baa2 / BBB (Moody's / S&P both stable)
Expected issue ratings	Baa2 / BBB (Moody's / S&P)
Status	Senior unsecured
Currency / Amount	EUR Benchmark
Tenor	Long 10 years
KPI	CO2 intensity measured as kg net CO2 emitted /t cementitious material (scope 1)
Sustainability Performance Target	kg net CO2 emitted /t cementitious material (kg net CO2/t.cem), scope 1, equal to or lower than 475kg/t cem, by 31 December 2030
Sustainability-Linked coupon step-up	75bp payable on the last interest payment date before maturity, if LafargeHolcim fails to achieve the Sustainability Performance Target
Redemption	Bullet
Documentation	Standalone, Make-whole call, 3-months par call, Clean up call (80%)
Denominations	EUR 100k + EUR 1k
Uses of Proceeds	General Corporate Purposes [including refinancing of existing debt]
Listing	Luxembourg (Regulated Market)
Governing Law	English
Sustainability Structurers	ING & Société Générale
Active Bookrunners	ING (B&D), Société Générale, BNP Paribas, HSBC and Santander

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