Media Release

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LafargeHolcim

LafargeHolcim accelerates growth momentum; Revenue increased 6.2% in Q2

- **Strong revenue growth of 6.2% in Q2 and 4.8% in first half on a like-for-like basis**
- **Recurring EBITDA up 1.5% for Q2, -1.4% for first half on a like-for-like basis**
- **Full year 2018 targets confirmed**
- **On track to deliver Strategy 2022 – "Building for Growth"**

PERFORMANCE OVERVIEW[1]

CHFm	2018	2017	±%	±% LfL
Operational performance				
Net Sales H1	13,272	12,918	2.7	4.8
Net Sales Q2	7,442	7,085	5.0	6.2
Recurring EBITDA H1	2,484	2,582	-3.8	-1.4
Recurring EBITDA Q2	1,784	1,774	0.6	1.5
Half year performance				
Operating profit	1,078	1,413	-23.7	
Net Income Group Share bef. Impairment & Divestments	371	651	-43.0	
Free Cash Flow	-473	-661	28.4	
Net financial debt	16,127	15,745	2.4	

Jan Jenisch, Chief Executive Officer of LafargeHolcim said: "I am very satisfied with the sales growth we achieved in the first half of the year, especially as we gained momentum in the second quarter. Increasing energy prices and cost inflation have been challenging. Operational issues in some markets have been addressed and we expect to deliver increasing margins as we capture the upward trend in demand through the second half of 2018.

[1] Net Sales include only sales to external customers. Net Sales H1 2017 have been restated by CHF 438m due to the reporting of Gross Sales from trading activities, following the application of the IFRS 15, effective 1 January 2018. This had no impact on Recurring EBITDA. Recurring EBITDA H1 2017 was restated by CHF 46m due to the reclassification of the Group share of net income of Huaxin to joint ventures.

Media Relations: media@lafargeholcim.com
Zurich: +41 (0) 58 858 87 10
Paris: +33 (0) 1 44 34 11 70

Investor Relations: investor.relations@lafargeholcim.com
Zurich: +41 (0) 58 858 87 87

“We remain focused on delivering Strategy 2022 – ‘Building for Growth.’ Recent bolt-on acquisitions in the US and France demonstrate our focus on capturing the growth opportunities in our most attractive markets. The beneficial effects of simplification and cost reduction are also becoming more visible. We continue to focus on delivering our 2018 targets.”

Revenue grew 6.2% in the second quarter, with total Net Sales of CHF 7,442 million. For the first six months Net Sales grew 4.8% on a like-for-like basis. Over the first six-month Recurring EBITDA was down -1.4% on a like-for-like basis but earnings increased in the second quarter, with Recurring EBITDA up by 1.5%, largely offsetting a soft first quarter. These strong overall trends are reflected in earnings and revenue growth for the six months in all regions apart from Middle East Africa, where conditions remained difficult. Given these trends, as well as the solid execution of simplification and performance measures, the full-year targets for 2018 have been confirmed.

The Net Income attributable to shareholders for the first half of 2018 before Impairment and Divestments decreased from CHF 651 million in 2017 to CHF 371 million in the current year. As is the case with the operating profit, both figures are predominantly impacted by restructuring costs in connection with the simplification plan that is being implemented and that will lead to yearly CHF 400 million cost savings from Q2 2019 onwards.

STRATEGY 2022

The execution of Strategy 2022 – “Building for Growth” is well on track across all regions and segments. Bolt-on acquisitions in France, the UK and the US in 2018 illustrate one important lever for growth going forward.

There has been good progress on all initiatives to deliver a cost-disciplined operating model and corporate-light structure: the regional and top management organizations have been successfully streamlined, Miami and Singapore regional offices have been closed, the Zurich and Paris corporate office reorganization is progressing and countries have initiated extensive fixed-cost restructuring. As previously announced, all actions are expected to be completed by Q1 2019, delivering cost savings of CHF 400 million per year, measured at 2017 currency exchange rates.

The commitment to maintaining an investment-grade rating is confirmed as well as building financial strength and shareholder value.

OUTLOOK 2018

The Group confirms its targets for 2018 for Net Sales growth of 3 to 5 percent and an over-proportional increase in Recurring EBITDA of at least 5 percent on a like-for-like basis.

- Strong market trends in Europe
- Continued solid growth in North America
- Good growth prospects in most countries in Latin America
- India and China to remain supportive; Southeast Asia to stabilize
- Challenging outlook in a number of countries in Middle East Africa

REGIONAL PERFORMANCE[1]

	Net Sales				Recurring EBITDA			
CHFm	**H1 2018**	**H1 2017**	**±%**	**±% LfL**	**H1 2018**	**H1 2017**	**±%**	**±% LfL**
Asia Pacific	3,807	3,676	3.6	9.4	773	692	11.7	17.1
Europe	3,664	3,326	10.2	3.4	599	550	8.9	1.2
Latin America	1,428	1,459	-2.1	12.9	488	497	-1.7	5.2
Middle East Africa	1,535	1,738	-11.7	-7.4	365	592	-38.3	-33.5
North America	2,475	2,403	3.0	2.3	470	473	-0.4	2.0
Corporate & Trading	363	316	15.1	18.4	-212	-222	4.3	3.2
Group	13,272	12,918	2.7	4.8	2,484	2,582	-3.8	-1.4

Asia Pacific

Strong net sales and earnings growth have been achieved despite mixed market conditions. China was a key driver in the first half, with a continued rise in profits supported by pricing momentum and sustained benefit from the vertically-integrated waste recycling business. India delivered growth in net sales and profits driven by solid volumes, supported by sustained market demand and higher sales of premium products. Conditions in Southeast Asia remained challenging, although encouraging trends were observed in the Philippines and Indonesia. Revenue grew particularly in the second quarter.

Europe

Top line and profit grew throughout the first half of 2018. Strong market trends in most European countries led to improving volumes in all segments compared to the first half of 2017 on a like-for-like basis, with strong momentum in the second quarter. Net Sales growth accelerated in Germany and France, although production constraints temporarily affected earnings growth. Volumes in the UK were broadly stable, but profits were lower on the back of higher costs. Eastern and Central Europe also showed strong performance.

Latin America

Strong growth in top line and earnings have been achieved, supported by solid performance in Mexico. Performance in Argentina was also good despite higher costs to fulfill demand and currency volatility. Performance in Brazil was impacted by the national transport strike in May.

Middle East Africa

Conditions in several countries of Middle East Africa remained challenging, notably Algeria and Iraq. Egypt's performance was solid in the face of an increasingly volatile environment. Top line trends in Nigeria continued to improve, driven by higher market demand and commercial initiatives. Results in South Africa were impacted by current operational issues.

North America

Earnings improved with volumes in the US accelerating throughout the first half of 2018 supported by positive market conditions as well as successful commercial initiatives. The contribution from Canada was solid despite persistent difficult conditions in the Prairies. Earnings for the region overall were constrained by higher logistics costs and maintenance activities to cope with demand growth.

OTHER FINANCIAL ITEMS[1]

CHFm	H1 2018	H1 2018 before impairment & divestments	H1 2017 before impairment & divestments	Variation
Net Sales	**13,272**	**13,272**	**12,918**	**354**
Recurring EBITDA	**2,484**	**2,484**	**2,582**	**-97**
Impairment, Depreciation & Amortization	-1,106	-1,104	-1,125	21
Restructuring and others[2]	-300	-300	-38	-262
Operating profit	**1,078**	**1,080**	**1,418**	**-338**
Profit/loss on disposals and other non-op. items	-52	-4	41	-45
Share of profit of associates	9	9	20	-11
Financial income/expenses	-449	-455	-398	-57
Income taxes	-191	-186	-306	120
ETR	*32.7%*	*29.5%*	*28.3%*	
Net income	**394**	**444**	**774**	**-331**
Net income – Group share	318	371	651	-281
EPS (CHF)	**0.53**	**0.62**	**1.07**	**-0.45**

Restructuring, litigation, implementation and other non-recurring costs stood at CHF 300 million compared to CHF 38 million in H1 2017. This increase is mainly due to the restructuring costs incurred in connection to the streamlining of corporate and countries' fixed costs structures. The first half of 2017 included a significant positive impact coming from reversal of provisions.

[2] Others include litigation, implementation and other non-recurring costs

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Net financial expenses excluding impairment and divestments stood at CHF 455 million in H1 2018 compared to CHF 398 million in H1 2017. The increase is mainly driven by financial expenses related to legal cases.

Excluding impairment and divestments, the **Group's effective tax rate** improved to 29.5% compared to an effective tax rate of 30.5% before impairment and divestments in FY2017.

EPS excluding impairment and divestments amounts to CHF 0.62 for the first half of 2018 compared to 1.07 for the same period of last year. On a reported basis, EPS was CHF 0.53.

Net capital expenditure for the first half was CHF 526 million, flat versus prior year. **Free cash flow** stood at CHF -473 million which was an improvement over H1 2017 of CHF 187 million, driven by improvement in Net Working Capital.

Net Financial Debt as of 30 June 2018 amounted to CHF 16,127 million**.**

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REGIONAL VOLUMES[1]

	H1 2018	H1 2017	±%	±% LfL	Q2 2018	Q2 2017	±%	±% LfL
Asia Pacific								
Sales of cement	45.5	46.6	-2.4	5.1	22.9	23.4	-2.1	6.2
Sales of aggregates	15.9	15.6	1.4	1.4	8.2	8.5	-3.4	-3.4
Sales of ready-mix concrete	6.1	6.1	0.2	0.8	3.1	3.1	-1.8	-1.8
Europe								
Sales of cement	21.3	20.2	5.5	5.5	13.1	11.9	9.6	9.6
Sales of aggregates	59.0	60.0	-1.6	3.7	33.6	33.4	0.6	7.4
Sales of ready-mix concrete	9.3	8.9	4.3	3.7	5.2	4.9	7.4	6.3
Latin America								
Sales of cement	12.6	11.9	6.5	12.1	6.6	6.0	8.5	13.8
Sales of aggregates	1.7	2.3	-25.3	-5.5	0.9	1.2	-27.4	-6.9
Sales of ready-mix concrete	2.8	3.0	-6.6	15.9	1.5	1.5	-1.3	22.7
Middle East Africa								
Sales of cement	17.7	18.1	-2.5	-2.5	8.7	9.1	-4.1	-4.1
Sales of aggregates	4.1	5.3	-21.7	-21.7	2.2	2.8	-19.9	-19.9
Sales of ready-mix concrete	2.0	2.5	-20.0	-20.0	1.0	1.2	-17.0	-17.0
North America								
Sales of cement	8.8	8.5	3.4	3.4	5.5	5.2	6.4	6.4
Sales of aggregates	44.5	44.8	-0.6	-0.6	30.5	30.4	0.5	0.5
Sales of ready-mix concrete	4.4	3.9	12.5	1.8	2.6	2.3	16.3	6.3
Group								
Sales of cement	108.2	107.6	0.6	4.4	58.2	57.1	2.0	5.9
Sales of aggregates	125.3	128.0	-2.1	0.7	75.5	76.3	-1.1	2.1
Sales of ready-mix concrete	24.6	24.4	0.7	1.4	13.4	13.0	3.4	3.6

Volumes of cement and aggregates are expressed in millions of tonnes. Volumes of ready-mix concrete are expressed in millions of cubic meters.

RECONCILIATION TO GROUP ACCOUNTS

Reconciling measures of Recurring EBITDA to the consolidated statement of income of LafargeHolcim

Million CHF	H1 2018	H1 2017
Operating profit	**1,078**	**1,413**
Depreciation, amortization and impairment of operating assets	1,106	1,130
Restructuring, litigation, implementation and other non-recurring costs	300	38
Recurring EBITDA	**2,484**	**2,582**

Reconciling measures of net income before impairment and divestments to the consolidated statement of income of LafargeHolcim

Million CHF	H1 2018	H1 2017
Net income	**394**	**1,154**
Impairments	(1)	(4)
Profit/(loss) on divestments	(49)	384
Net income before impairment and divestments	**444**	**774**
Net income before impairment and divestments Group share	371	651

Adjustments disclosed net of taxation

Reconciling measures of Free Cash Flow to the consolidated statement of cash flows of LafargeHolcim

Million CHF	H1 2018	H1 2017
Cash flow from operating activities	**53**	**(138)**
Purchase of property, plant and equipment	(586)	(578)
Disposal of property, plant and equipment	61	55
Free Cash Flow	**(473)**	**(661)**

NON-GAAP DEFINITIONS

Some non-GAAP measures are used in this release to help describe the performance of LafargeHolcim. A full set of these non-GAAP definitions can be found on our *website.*

Measures	Definition
Like-for-like	Factors out changes in the scope of consolidation (such as divestments and acquisitions occurring in 2018 and 2017) and currency translation effects (2018 figures are converted with 2017 exchange rates in order to calculate the currency effects).
Restructuring, litigation, implementation and other non-recurring costs	Significant items that, because of their exceptional nature, cannot be viewed as inherent to the Group's ongoing performance, such as strategic restructuring, major items relating to antitrust fines and other business-related litigation cases. In the comparative periods, they also included costs directly related to the merger such as legal, banking fees and advisory costs, employee costs related to redundancy plans and IT implementation costs.
Profit/loss on disposals and non-operating items	Comprises capital gains or losses on the sale of Group companies and of property, plant and equipment and other non-operating items that are not directly related to the Group's normal operating activities such as revaluation gains or losses on previously held equity interests, or disputes with non-controlling interests.
Recurring EBITDA	Previously Operating EBITDA Adjusted, defined as: +/– Operating profit - depreciation, amortization and impairment of operating assets - restructuring, litigation, implementation and other non-recurring costs
Recurring EBITDA Margin	Recurring EBITDA divided by Net Sales
Net income before impairment and divestments	+/- Net income (loss) - capital gains or losses on the sale of Group companies - impairment of goodwill and assets
Earnings Per Share (EPS) before impairment and divestments	Net income before impairment and divestments attributable to the shareholders of LafargeHolcim Ltd divided by the weighted average number of shares outstanding.
The Net Maintenance and Expansion Capex ("Capex" or "Capex Net")	+ Expenditure to increase existing or create additional capacity to produce, distribute or provide services for existing products (expansion) or to diversify into new products or markets (diversification) + Expenditure to sustain the functional capacity of a particular component, assembly, equipment, production line or the whole plant, which may or may not generate a change of the resulting cash flow – Proceeds from sale of property, plant and equipment
Free Cash Flow	Previously "Operating Free Cash Flow", defined as: +/– Cash flow from operating activities – Net Maintenance and expansion Capex

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Net financial debt ("Net debt")	+ Financial liabilities (Long Term & Short Term) including derivative liabilities – Cash and cash equivalents – Derivative assets
Net working capital	+ Trade accounts receivable + Inventories + Prepaid expenses and other current assets – Trade accounts payable – Current income tax liabilities – Long-term income tax liabilities – Other current liabilities
Invested Capital	+ Net working capital + Investments in associates and joint ventures + Property, plant and equipment + Goodwill + Intangible assets + Deferred tax assets + Pension assets – Short-term provisions – Defined benefit obligations – Deferred tax liabilities – Long-term provisions
Net Operating Profit After Tax ("NOPAT")	+/– Net Operating Profit (being the Recurring EBITDA, adjusted for depreciation and amortization of operating assets but excluding impairment of operating assets) – Standard Taxes (being the taxes applying the Group's tax rate to the Net Operating Profit as defined above)
ROIC (Return On Invested Capital)	Net Operating Profit After Tax (NOPAT) divided by the average Invested Capital. The average is calculated by adding the Invested Capital at the beginning of the period to that at the end of the period and dividing the sum by 2 (based on a rolling 12 month calculation)
Cash conversion	Free Cash Flow divided by Recurring EBITDA

Additional Information

The analyst presentation of the first half update is available on our website at www.lafargeholcim.com

The financial statements based on IFRS can be found on the LafargeHolcim Group website.

Media call: 09:00 CEST
Switzerland: +41 58 310 5000
France: +33 1 7091 8706
UK: +44 207 107 0613
US: +1 631 570 5613

Analyst call: 10:00 CEST
Switzerland: +41 58 310 5000
UK: +44 207 107 0613
US: +1 631 570 5613

About LafargeHolcim

LafargeHolcim is the leading global building materials and solutions company. The company offers four businesses: cement, aggregates and ready-mix concrete as well as advanced solutions and products that include precast concrete, asphalt and mortar. With its broad portfolio LafargeHolcim solves the toughest challenges facing masons, builders, architects and engineers, bringing industry-leading innovations and services to customers challenged by urbanization, population growth and the demand for sustainability. Headquartered in Switzerland and with leading positions in all regions, LafargeHolcim employs approximately 80,000 employees in around 80 countries and has a portfolio that is equally balanced between developing and mature markets. More information is available on www.lafargeholcim.com

Important disclaimer - forward-looking statements: