

Holcim Finance (Luxembourg) S.A.

**Annual report including the report of the Réviseur d'Entreprises
Agrée**

December 31, 2019

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General informations

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	

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 AGREÉ

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, 2019, 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, 2019, 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 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 the EU regulation N° 537/2014, the Law of July 23, 2016 and ISAs as adopted for Luxembourg by the CSSF 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Reason why the point has been identified as key audit matter	Response
Evaluation of recoverability of receivables owed by related parties	
<p>As at December 31, 2019, the long-term financial assets consisting of receivables owed by related parties amounted to EUR 4 627 054 500 which represents 98 % of the Company's total assets. As detailed in the Note 3 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.</p>	<p>We have performed the following procedures over the evaluation of the recoverability of receivables owed by related parties:</p> <ul style="list-style-type: none"> - 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.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included 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 relating to the preparation and presentation of the financial statements, 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 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 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 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.

Report on Other Legal and Regulatory Requirements

We have been appointed as "Réviseur d'Entreprises Agréé" by the Extraordinary General Meeting of the Shareholders held on February 6, 2020 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.

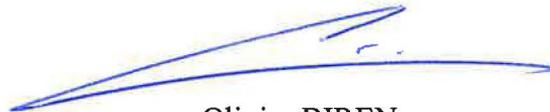
The Corporate Governance Statement is included in the management report. The information required by Article 68ter paragraph (1) letter c) and d) of the law of December 19, 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is 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 No 537/2014 were not provided and that we remain independent of the Company in conducting the audit.

Luxembourg, February 25, 2020

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, 2019. 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 500 million perpetual bond, the proceeds of this transaction has been used to provide a loan to LafargeHolcim Continental Finance Ltd.

The Company has also partially refinanced two bonds (EUR 1'150 million maturing in 2023 and EUR 500 million maturing in 2024) issued by means of an exchange providing a new EUR 500 million bond with higher notional, lower notional interest rate (0,5% versus 1,38% and 3% respectively) and a new extended term (maturity: 2026).

On 31/01/2019, Holderfin B.V. has repaid their two loans for a total of 563,2 M. EUR, the principal was then lent to LafargeHolcim Continental Finance Ltd.

On 28/11/2019, Holcim Investments (France) S.A.S. has repaid its 200 M. EUR loan, this amount was lent to LafargeHolcim Continental Finance Ltd.

Summary of the financial activities:

Financial Income/Expenses

The repayments from Holcim Investments (France) S.A.S. and Holderfin B.V. and the new loans provided at a higher rate to LafargeHolcim Continental Finance Ltd combined with the new loan provided to LafargeHolcim Continental Finance Ltd with the proceeds of the perpetual bond issuance mainly explains the EUR 24,4 M. EUR increase of the group interest income.

The Bond exchange made in November 2019 results in an exceptional third party financial income of 11,8 M. EUR

The financial expenses increased by EUR 21,2 M. EUR, this is mainly explained by an increase of the financial expenses with the Parent Company for 10,4 M. EUR and an increase of the financial expenses third party for EUR 10,8 M, mainly explained by the issuance of the EUR 500M. perpetual Bond.

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, 2019, 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:

No material subsequent events occurred after December 31, 2019.

Result Allocation:

The financial year, ended at December 31, 2019 has been closed with a profit of EUR 15.281.735,22. Total assets of the Company amounted to EUR 4.700.985.643,97.

The Board of Directors notes that as at December 31, 2019 the Company's own equity consists of the following items:

· Share capital:	EUR	1.900.000,00
· Capital Surplus:	EUR	2.510.000,00
· Results brought forward:	EUR	2.165.001,00
· Result of the year:	EUR	15.281.735,22
· Legal reserve:	EUR	190.000,00

We suggest the following allocation of the result:

· To be carried forward:	EUR	15.281.735,22
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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, 2019.

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 2020.

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> .

Holcim Finance (Luxembourg) S.A.

Mr. Jaques

Mrs. Gehlen

Mr. Kossmann

(represented)

Statement of profit or loss

(all amounts in EUR thousands)		Year ended December 31	
		Notes	2019
Incomes			
Financial income	8	126,158	89,746
		126,158	89,746
Expenses			
Financial expenses	8	-109,887	-88,697
Administration expenses		-89	-335
		-109,976	-89,032
Net income before taxes		16,182	714
Income taxes	13	-900	-656
Net income		15,282	58

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

Statement of comprehensive income

(all amounts in EUR thousands)	Year ended December 31	
	2019	2018
Net income	15,282	58
Other comprehensive earnings		
Items that will be reclassified to the statement of profit and loss in future periods		
Cash flow hedges		
- Change in fair value	0	0
- Realized through statement of profit and loss	0	0
- Tax effect	0	0
Deferral of cost of hedging		
- Change in fair value	0	0
- Realized through statement of profit and loss	0	0
- Tax effect	0	0
Net investment hedges in subsidiaries		
- Change in fair value	0	0
- Realized through statement of profit and loss	0	0
- Tax effect	0	0
Total other comprehensive earnings, net of tax	0	0
Total comprehensive earnings	15,282	58

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

Statement of financial position

(all amounts in EUR thousands)		As at December 31	
		2019	2018
Cash and cash equivalents	9	1,743	500
Prepaid expenses and other current assets	10	72,188	55,618
Total current assets		73,931	56,118
Long-term financial assets	11	4,627,055	4,132,995
Total long-term assets		4,627,055	4,132,995
Total assets		4,700,986	4,189,113
Current financial liabilities		11,900	0
Current income tax liabilities		501	776
Other current liabilities		52,483	48,372
Total current liabilities		64,884	49,148
Long-term financial liabilities	12	4,614,055	4,133,200
Total long-term liabilities		4,614,055	4,133,200
Total liabilities		4,678,939	4,182,348
Share capital		1,900	1,900
Share premium		2,510	2,510
Reserves		17,637	2,355
Total shareholder's equity		22,047	6,765
Total liabilities and shareholder's equity		4,700,986	4,189,113

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

Statement of changes in equity

(all amounts in EUR thousands)	Share capital	Share premium	Retained earnings	Total reserve	Total shareholders' equity
Equity as at January 1, 2018	1,900	2,510	2,297	2,297	6,707
Net profit / (loss)			58	58	58
Other comprehensive earnings			0	0	0
Total comprehensive earnings	0	0	58	58	58
Share premium increase	0	0	0	0	0
Share capital paid-in	0	0	0	0	0
Equity as at December 31, 2018	1,900	2,510	2,355	2,355	6,765
Equity as at January 1, 2019	1,900	2,510	2,355	2,355	6,765
Net income			15,282	15,282	15,282
Other comprehensive earnings			0	0	0
Total comprehensive earnings	0	0	15,282	15,282	15,282
Share premium increase	0	0	0	0	0
Share capital paid-in	0	0	0	0	0
Equity as at December 31, 2019	1,900	2,510	17,637	17,637	22,047

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

Statement of cash flows

(all amounts in EUR thousands)	Year ended December 31	
	2019	2018
Interest and financial income received	97,778	89,896
Interest and financial expenses paid	-102,174	-88,629
Income taxes paid	-1,174	-207
Other expenses	-89	-335
Cash flow from operating activities (A)	-5,659	725
Decrease long-term financial assets	0	233,297
Cash flow from investing activities (B)	0	233,297
Proceeds from current financial liabilities	282,204	0
Repayment of current financial liabilities	-270,304	0
Proceeds of long-term financial liabilities	1,207	430
Repayment of long-term financial liabilities	-6,205	-234,430
Cash flow used in financing activities (C)	6,902	-234,000
(De)Increase in cash and cash equivalents (A + B + C)	1,243	22
Cash and cash equivalents as at January 1 (net)	500	478
(De)Increase in cash and cash equivalents	1,243	22
Cash and cash equivalents as at December 31 (net)	1,743	500

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

Notes to the financial statements

1. Company information

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

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

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

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

2. Adoption of revised and new International Financial Reporting Standards and Interpretations

In 2019 the company adopted no new and will until 2020 not adopt new or revised standards or interpretations relevant to the Company. 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.

In the current year, a number of amendments to IFRS Standards and Interpretations issued by the IASB have become effective. Their adoption are not deemed relevant and do not have a material impact on the Company and the disclosures or on the amounts reported in these financial statements:

- Amendments to IFRS 9 Prepayment Features with Negative Compensation
- IFRIC 23 Uncertainty over Income Tax Treatments

3. Summary of significant accounting policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

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

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

Presentation currency

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

Foreign currency translation

Foreign currency transactions translated into the functional currency are accounted for at the exchange rates prevailing at the date of the transactions. 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. 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 at their fair value and are subsequently measured depending on their classification based on the business model and contractual cash flows test.

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.

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.

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 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.

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.

4. 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.

Quoted financial liabilities are valued according to their quoted market value per December 31, 2019; 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.

5. 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 in derivative contracts.

Capital Structure

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

Credit risk

Credit risks, or the risk of counterparties defaulting, are constantly monitored on a Group level. In general, the Company only enters into financial transactions with related counterparties, as well as with non-related counterparties with high credit ratings. The 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 2019 and 2018, there were no financial assets and liabilities allocated to level 3.

There have been no transfers between the different hierarchy levels in 2019 and 2018.

6. Additional disclosures to the financial instruments

(all amounts in EUR thousands)	Carrying amount	Net gains / (losses) ²
	2019	2019
Loans and receivables at fair value through profit and loss ¹	4,700,986	0
	4,700,986	0
Financial liabilities measured at amortized cost	4,678,939	0
	4,678,939	0

¹ Financial assets at fair value through profit or loss consist entirely of (description of) and qualify as Level 1 in the fair value hierarchy.

² Net gains and losses do not include interest or dividend income.

(all amounts in EUR thousands)	Carrying amount	Net gains / (losses) ²
	2018	2018
Loans and receivables at fair value through profit and loss ¹	4,189,113	0
	4,189,113	0
Financial liabilities measured at amortized cost	4,182,348	0
	4,182,348	0

¹ Financial assets at fair value through profit or loss consist entirely of (description of) and qualify as Level 1 in the fair value hierarchy.

² Net gains and losses do not include interest or dividend income.

7. Contractual maturity analysis

(all amounts in EUR thousands)	Contractual undiscounted cash flows						Total
	Within 1 year	Within 2 years	Within 3 years	Within 4 years	Within 5 years	Thereafter	
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	0	0	0	0	0	0	0
Total	81,099	494,099	76,804	1,097,330	882,236	2,591,365	5,222,933
2018							
Non-derivative financial liabilities	76,977	76,977	489,977	72,682	1,374,682	2,657,575	4,748,870
Derivative financial liabilities held for hedging	0	0	0	0	0	0	0
Total	76,977	76,977	489,977	72,682	1,374,682	2,657,575	4,748,870

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.

8. Financial income and financial expenses

(all amounts in EUR thousands)	2019	2018
Financial income - parent	1,490	18,127
Financial income - other related companies	112,753	71,619
Financial Income third party	11,915	0
Total financial income	126,158	89,746

Of which:

Interest income	126,158	89,746
Hedge result	0	0

(all amounts in EUR thousands)	2019	2018
Financial expenses - parent	-18,802	-8,458
Financial expenses - other related companies	-66	0
Financial expenses - third parties	-91,019	-80,239
Fair value hedge adjustments - hedging instrument	0	0
Total financial expenses	-109,887	-88,697

Of which:

Interest expense	-91,085	-80,214
Other financial expense	-18,802	-8,483

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.

9. Cash and cash equivalents

(all amounts in EUR thousands)	2019	2018
Cash at banks and in hand	1,743	500
Total	1,743	500
Of which pledged / restricted	0	0

10. Prepaid expenses and other current assets

(all amounts in EUR thousands)	2019	2018
Prepaid expenses	1	1
Accrued interest receivable	72,187	55,617
Total	72,188	55,618

11. Long-term financial assets

(all amounts in EUR thousands)	2019	2018
Long-term financial receivables - parent	0	563,200
Long-term financial receivables - other related companies	4,627,055	3,569,795
Total	4,627,055	4,132,995
Of which pledged / restricted	0	0

Interest rate structure of non-current financial receivables

(all amounts in EUR thousands)	2019	2018
Financial receivables at fixed rates	4,627,055	4,132,995
Financial receivables at variable rates	0	0
Total	4,627,055	4,132,995

The fair values of long-term financial assets amount to 5'156'218 EUR thousands (previous year: EUR 4'160'621 thousands) and are classified as level 2 in the fair value hierarchy.

12. Long-term financial liabilities

(all amounts in EUR thousands)	2019	2018
Long-term financial liabilities - third parties	4,614,055	4,133,200
Total	4,614,055	4,133,200
Of which guaranteed by the ultimate parent company	0	0

Interest rate structure of non-current financial liabilities

(all amounts in EUR thousands)	2019	2018
Financial liabilities at fixed rates	4,614,055	4,133,200
Financial liabilities at variable rates	0	0
Total	4,614,055	4,133,200

The fair values of long-term financial liabilities amount to 5'009'588 EUR thousands (previous year: EUR 4'122'870 EUR thousands) and are classified as level 1 in the fair value hierarchy.

(all amounts in EUR thousands)					Net book value ¹ □ 2019	Net book value ¹ □ 2018
Currency / nominal value	Nominal interest rate	Effective interest rate	Term	Description		
EUR / 500'000	3.00%	3.11%	2014 - 2024	Bond guarantee by LafargeHolcim Ltd	318,380	497,531
EUR / 413'000	1.04%	1.10%	2016 - 2021	SSD guaranteed by LafargeHolcim Ltd	412,662	412,415
EUR / 152'000	1.46%	1.51%	2016 - 2023	SSD guaranteed by LafargeHolcim Ltd	151,781	151,716
EUR / 32'500	2.00%	2.03%	2016 - 2026	SSD guaranteed by LafargeHolcim Ltd	32,438	32,428
EUR / 1'150'000	1.38%	1.43%	2016 - 2023	Bond guarantee by LafargeHolcim Ltd	866,972	1,147,337
EUR / 1'150'000	2.25%	2.23%	2016 - 2028	Bond guarantee by LafargeHolcim Ltd	1,152,052	1,152,283
EUR / 750'000	1.75%	1.93%	2017 - 2029	Bond guarantee by LafargeHolcim Ltd	740,468	739,490
EUR / 500'000	3.00%	3.24%	2019 - 2024	Perpetual subordinated notes (Hybrid Bond) guarantee by LafargeHolcim Ltd	494,891	0
EUR / 500'000	0.50%	2.25%	2019 - 2026	Bond guarantee by LafargeHolcim Ltd	444,411	0
Total					4,614,055	4,133,200
Of which current portion					0	0

13. Income Taxes

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

14. Transactions with major shareholders and members of the Board of Directors

(all amounts in EUR thousands)	2019	2018
Remuneration of the Board of Directors	7	7

15. Operating Segments

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

16. Events after the reporting period

There were no significant events after the reporting period.

17. 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 25, 2020 and cannot be amended after issuance.