LafargeHolcim Finance US LLC

Financial Statements

December 31, 2019

General information

Managers	Laurent Jaques Ian Johnston Markus Unternährer	
Registered office	1209 Orange Street Wilmington, DE 19801 USA	
Members	Holcim Participation (US) Inc.	100%
Auditors	Deloitte & Touche, LLP 200 Renaissance Center Suite 3900 Detroit, MI 48243 USA	

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INDEPENDENT AUDITORS' REPORT

Managers
LafargeHolcim Finance US LLC

We have audited the accompanying financial statements of LafargeHolcim Finance US LLC (the "Company"), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of profit or loss, comprehensive income or loss, changes in equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance International Financial Reporting Standards as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LafargeHolcim Finance US LLC as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Deloitte + Touche LLP

February 19, 2020

Statements of profit or loss

(all amounts in USD thousands) — Year ended December 31

	Notes	2019	2018
Incomes			
Financial income	7	82,786	60,618
		82,786	**60,618**
Expenses			
Financial expenses	7	-82,469	-61,039
		-82,469	**-61,039**
Net profit / (loss) before taxes		**317**	**-421**
Income taxes		21	0
Net profit / (loss) for the year		**338**	**-421**

Statements of comprehensive income or loss

(all amounts in USD thousands)	Year ended December 31	
	2019	2018
Net profit / (loss)	**338**	**-421**
Other comprehensive income		
Items that will be reclassified to the statement of profit and loss in future periods		
Total other comprehensive income / (loss), net of tax	**0**	**0**
Total comprehensive income / (loss)	**338**	**-421**

Statements of financial position

(all amounts in USD thousands)		As at December 31	
		2019	2018
Cash and cash equivalents	8	300	2
Current financial assets	9	20,754	18,567
Prepaid expenses and other current assets		1,279	1,403
Total current assets		**22,333**	**19,972**
Non-current financial assets	10	1,568,116	1,318,116
Deferred tax assets		55	0
Total non-current assets		**1,568,171**	**1,318,116**
Total assets		**1,590,504**	**1,338,088**
Current financial liabilities	11	19,655	18,189
Current income tax liabilities		0	61
Other current liabilities		95	220
Total current liabilities		**19,750**	**18,470**
Non-current financial liabilities	12	1,570,724	1,319,926
Total non-current liabilities		**1,570,724**	**1,319,926**
Total liabilities		**1,590,474**	**1,338,396**
Share capital		0	0
Reserves		30	-308
Total shareholder's equity		**30**	**-308**
Total liabilities and shareholder's equity		**1,590,504**	**1,338,088**

Statements of changes in equity

(all amounts in USD thousands)	Share capital	Share premium	Retained earnings	Total reserve	**Total shareholder's equity**
Equity as at January 1, 2018	**0**	**0**	**113**	**113**	**113**
Net loss	0	0	-421	-421	-421
Other comprehensive income	0	0	0	0	0
Total comprehensive loss	0	0	-421	-421	-421
Equity as at December 31, 2018	**0**	**0**	**-308**	**-308**	**-308**
Equity as at January 1, 2019	**0**	**0**	**-308**	**-308**	**-308**
Net profit	0	0	338	338	338
Other comprehensive income	0	0	0	0	0
Total comprehensive income	0	0	338	338	338
Equity as at December 31, 2019	**0**	**0**	**30**	**30**	**30**

Statements of cash flows

(all amounts in USD thousands)	Year ended December 31	
	2019	2018
Interest and financial income received	82,423	58,001
Interest and financial expenses paid	-80,054	-57,547
Cash flow from operating activities (A)	**2,369**	**454**
Increase current financial assets	-1,825	0
Increase non-current financial assets	-250,000	-338,000
Cash flow from investing activities (B)	**-251,825**	**-338,000**
Payment of debt financing costs	-26	-1,423
Repayment of current financial liabilities	-220	-220
Proceeds from non-current financial liabilities	250,000	338,000
Cash flow from financing activities (C)	**249,754**	**336,357**
Increase (Decrease) in cash and cash equivalents (A + B + C)	**298**	**-1,189**
Cash and cash equivalents as at January 1	**2**	**1,191**
Increase (Decrease) in cash and cash equivalents	298	-1,189
Cash and cash equivalents as at December 31	**300**	**2**

Notes to the financial statements

1. Company information

LafargeHolcim Finance US LLC (the "Company") is a limited liability company formed in the United States of America (“USA”). The date of formation was on August 31, 2016. The principal activity of the Company is providing financing to related parties in US dollars (“USD”).

The shares of the Company are held by Holcim Participations (US) Inc., and its ultimate parent company is LafargeHolcim Ltd.

No dividends were recognized as distributions to the equity holder during the reporting period.

These financial statements are the Company’s separate financial statements in accordance with International Accounting Standards (IAS) 27 Consolidated and Separate Financial Statements.

2. Summary of significant accounting policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and under the historical cost convention, modified as required. In this respect, the Company’s assessment is that no material uncertainties exist about its ability to continue as a going concern.

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

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 United States dollar (USD).

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.

Current financial assets

Current financial assets are recognized and carried at the value of the financial agreements.

Non-current financial assets

Non-current financial assets consist of non-current receivables with related companies. Non-current financial assets are measured at amortized cost using the effective interest method.

Impairment of financial assets

The Company has no recorded impairments 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 recognized resulting in earlier recognition of impairments. A loss allowance for expected credit losses is determined for all financial assets, other than those at Fair Value Through Profit and Loss (FVTPL), at the end of each reporting period. The expected credit loss recognized represents a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Non-current financing liabilities

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.

Taxes

Although the Company is a limited liability company where federal income taxes are normally the responsibility of the member and are not recorded on the Company's financial statements, it is the Company's policy to record federal income taxes on its financial statements.

Provisions

The Company has no 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

The Company has disclosed no 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.

Revenue recognition

Financial income is recognized in respect to all financial assets which includes interest income calculated by applying the effective interest rate. The computation of the effective interest rate includes disbursements or receipts relating to the origination or acquisition of a financial asset.

3. Critical accounting judgments 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 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. 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 and credit risk.

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 LafargeHolcim Ltd. (the "Group") and, in certain cases, approval at Group level. 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 interest rate risk. The Group's objective is to reduce fluctuations in earnings and cash flows associated with changes in 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. The company has no interest rate swap agreements.

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, return capital, 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.

Fair value estimation

The company has no financial instruments valued at fair value that flow through profit or loss.

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.

5. Additional disclosures to the financial instruments

	Carrying amount	Net gains / (losses)
(all amounts in USD thousands)	2019	2019
Initial recognition	0	0
Loans and receivables	1,588,870	0
Gains/losses recognized directly in other comprehensive income	0	0
Amount removed from equity and recognized in the profit and loss	0	0
Total financial assets at amortized cost	**1,588,870**	**0**
Financial liabilities at fair value through profit or loss	0	0
Initial recognition	0	0
Financial liabilities measured at amortized cost	1,590,380	0
Total financial liability at amortized cost	**1,590,380**	**0**

(all amounts in USD thousands)	Carrying amount 2018	Net gains / (losses) 2018
Initial recognition	0	0
Loans and receivables	1,336,683	0
Gains/losses recognized directly in other comprehensive income	0	0
Amount removed from equity and recognized in the profit and loss	0	0
Total financial assets at amortized cost	**1,336,683**	**0**
Financial liabilities at amortized cost	0	0
Initial recognition	0	0
Financial liabilities measured at amortized cost	1,338,115	0
Total financial liability at amortized cost	**1,338,115**	**0**

6. Contractual maturity analysis

	Contractual undiscounted cash flows						
(all amounts in USD thousands)	Within 1 year	Within 2 years	Within 3 years	Within 4 years	Within 5 years	Thereafter	**Total**
2019							
Non-derivative financial liabilities	65,888	65,888	315,888	59,012	59,012	2,041,288	**2,606,976**
Total	**65,888**	**65,888**	**315,888**	**59,012**	**59,012**	**2,041,288**	**2,606,976**
2018							
Non-derivative financial liabilities	59,012	59,012	59,012	59,012	59,012	2,100,301	**2,395,361**
Total	**59,012**	**59,012**	**59,012**	**59,012**	**59,012**	**2,100,301**	**2,395,361**

The contractual cash flows are based on the earliest date on which the Company can be required to pay. The above does not include the annual guarantee fees for the following: USD 4,800 thousands on the 3.5% 2026 bond, USD 9,600 thousands on the 4.75% 2046 bond, USD 520 thousands on the 4.92% 2027 Private Placement, USD 1,800 thousands on the 4.79% 2025 Private Placement, USD 1,060 thousands on the 5.03% 2030 Private Placement, USD 2,500 thousands on the term loan.

7. Financial income and financial expenses

(all amounts in USD thousands)	2019	2018
Financial income - parent	82,786	60,618
Total financial income	**82,786**	**60,618**
Of which:		
Interest income	82,711	60,618
Other financial income	75	0

(all amounts in USD thousands)	2019	2018
Financial expenses - parent	-18,954	-14,832
Financial expenses - third parties	-63,515	-46,207
Total financial expenses	**-82,469**	**-61,039**
Of which:		
Interest expense	-63,515	-46,207
Other financial expense	-18,954	-14,832

Financial expenses – parent, relates to the bond, private placement and term loan guarantees provided by parent and its associated expense. Financial expenses - third parties, relates primarily to the interest expense associated with the bonds that were issued in 2016, private placements in 2018 and term loan issued in 2019.

8. Cash and cash equivalents

(all amounts in USD thousands)	2019	2018
Cash at banks and in hand	300	2
Total	**300**	**2**
Of which pledged / restricted	0	0

9. Short-term financial assets

(all amounts in USD thousands)	2019	2018
Current financial receivables - parent	20,754	18,567
Total	**20,754**	**18,567**
Of which pledged / restricted	0	0

The carrying amounts of short-term financial assets approximate their fair value. During October 2018 the Company entered into an agreement with the parent to provide advances to the parent up to USD 500,000 thousands. During 2018 USD 321,000 thousands was funded to the parent and was repaid in November 2018. During 2019 USD 88,225 thousands was funded to the parent and USD 86,400 thousands repaid in November 2019. The balance outstanding as of December 31, 2019 is USD 1,825 thousands and as of December 31, 2018 the balance was zero.

10. Non-current financial assets

(all amounts in USD thousands)	2019	2018
Non-current financial receivables - parent	1,568,116	1,318,116
Total	**1,568,116**	**1,318,116**
Of which pledged / restricted	0	0
Interest rate structure of non-current financial receivables		
(all amounts in USD thousands)	2019	2018
Financial receivables at fixed rates	1,318,116	1,318,116
Financial receivables at variable rates	250,000	0
Total	**1,568,116**	**1,318,116**

Long-term financial assets –parent, includes six notes receivable. Two of the notes were issued on September 22, 2016. One note for USD 397,864 thousands bears interest at 4.70% and is payable at the option or demand of the borrower or in full on September 22, 2026. The second note for USD 582,252 thousands bears interest at 6.75% and is payable at the option or demand of the borrower or in full on September 22, 2046. Three of the notes were issued on November 15, 2018. One note for USD 52,000 thousands bears interest at 5.92% and is payable at the option or demand of the borrower or in full on November 15, 2027. The second note for USD 106,000 thousands bears interest at 6.23% and is payable at the option or demand of the borrower or in full on November 15, 2030. The third note for USD 180,000 thousands bears interest at 5.79% and is payable at the option or demand of the borrower or in full on November 15, 2025. On July 16, 2019 a new note was issued for USD 250,000 thousands which bears interest of LIBOR plus a spread. In 2019, the fair value of the long-term financial assets is USD 2,037,795 thousands and is based on discounted cash flow method. In 2018, the fair value of the long-term financial assets was USD 1,509,242 thousands and it was based on a discounted cash flow method.

11. Current financial liabilities

(all amounts in USD thousands)	2019	2018
Current financial liabilities - parent	5,565	4,392
Current financial liabilities - third parties	14,090	13,797
Total	**19,655**	**18,189**
Of which secured by the ultimate parent company	14,090	13,797

The carrying amounts of current financial liabilities approximate their fair value. In August 2018, the Company entered into a committed Credit Facility with Credit Suisse (the “Credit Suisse Facility”) with a maximum availability of EUR 200,000 thousands. During October 2018 the Company drew down USD 100,000 thousands on the Credit Suisse Facility which was repaid in October 2018. In October 2018 the Company entered into Commercial Paper agreements with Citigroup, Mizuho Securities, MUFG Securities Americas Inc. and J.P. Morgan Securities LLC (collectively “Commercial Paper Agreements”). During 2018 the Company issued Commercial Paper for USD 321,000 thousands which was all repaid during 2018 and there were no amounts outstanding as of December 31, 2018. During 2019 the Company issued Commercial Paper for USD 86,400 thousands which was all repaid during 2019 and there are no amounts outstanding as of December 31, 2019.

12. Non-current financial liabilities

(all amounts in USD thousands)	2019	2018
Non-current financial liabilities - third parties	1,570,724	1,319,926
Total	**1,570,724**	**1,319,926**
Of which guaranteed by the ultimate parent company	1,570,724	1,319,926
Interest rate structure of non-current financial liabilities		
(all amounts in USD thousands)	2019	2018
Financial liabilities at fixed rates	1,320,724	1,319,926
Financial liabilities at variable rates	250,000	0
Total	**1,570,724**	**1,319,926**

The fair values of long-term financial liabilities amount to USD 1,062,106 thousands for bonds based on quoted market prices, USD 388,168 thousands for private placement and USD 254,564 for term loan based on discounted cash flow method. In 2018, the fair value of long-term financial liabilities for bonds was USD 896,394 thousands and it was based on quoted market prices and USD 345,357 thousands for private placement based on discounted cash flow method.

(all amounts in USD thousands)						
Currency / nominal value	Nominal interest rate	Effective interest rate	Term	Description	2019	2018
USD 400,000	3.50%	3.59%	2016-2026	Bonds guaranteed by LafargeHolcim Ltd.	398,562	398,348
USD 600,000	4.75%	5.00%	2016-2046	Bonds guaranteed by LafargeHolcim Ltd.	584,162	583,578
USD 180,000	4.79%	4.84%	2018-2025	Private Placement guaranteed by LafargeHolcim Ltd.	180,000	180,000
USD 52,000	4.92%	4.98%	2018-2027	Private Placement guaranteed by LafargeHolcim Ltd.	52,000	52,000
USD 106,000	5.03%	5.09%	2018-2030	Private Placement guaranteed by LafargeHolcim Ltd.	106,000	106,000
USD 250,000	2.64%	2.67%	2019-2022	Term Loan guaranteed by LafargeHolcim Ltd.	250,000	0
Total					**1,570,724**	**1,319,926**
Of which current portion					0	0

13. Events after the reporting period

There were no significant events after the reporting period.

14. Authorization of the financial statements for issue

The financial statements were authorized for issuance by the Managers of LafargeHolcim Finance US LLC on February 19, 2020 and cannot be amended after issuance.