

# **Holcim US Finance S.à r.l. & Cie S.C.S.**

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

**For the year ended December 31, 2020**

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**General information**

<b>Manager</b>	Holcim US Finance S.à r.l. Rue Louvigny 21 1946 Luxembourg Luxembourg	
<b>Registered office</b>	Rue Louvigny 21 1946 Luxembourg Luxembourg	
<b>Partners</b>	Holcim US Finance S.à r.l. Rue Louvigny 21 1946 Luxembourg Luxembourg	99%
	Holdertrade Ltd & Cie S.N.C. Rue Louvigny 21 1946 Luxembourg Luxembourg	1%
<b>Auditors</b>	Mazars Luxembourg S.A. Rue Guillaume Kroll 5 1882 Luxembourg Luxembourg	
<b>Trade Register</b>	B112666	

To the Board of Managers of  
**Holcim US Finance S.à r.l. & Cie S.C.S.**

R.C.S Luxembourg B 112.666

21, rue de Louvigny  
L-1946 Luxembourg

## **REPORT OF THE REVISEUR D'ENTREPRISES AGREE**

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the financial statements of **Holcim US Finance S.à r.l. & Cie S.C.S.** (the "Company"), which comprise the statement of financial position as at December 31, 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

#### **Basis for Opinion**

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession ("Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "*Commission de Surveillance du Secteur Financier*" ("CSSF"). Our responsibilities under the EU regulation N° 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the « Responsibilities of "*réviseur d'entreprises agréé*" for the Audit of the Financial Statements » section of our report.

We are also independent of the Company in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

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

Reason why the point has been identified as key audit matter	Response
<b>Evaluation of recoverability of receivables owed by related parties</b>	<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"> <li>- obtaining an understanding of the internal recoverability procedure put in place at the group level</li> <li>- evaluating the judgements and decisions made by the management for assessing the recoverability of the receivables</li> <li>- reconciling the data used for the assessment with the audited and unaudited financial information of the counterparties</li> <li>- obtaining an understanding and list of the unused credit lines available to the counterparties.</li> </ul>

## **Other information**

The Board of Managers is responsible for the other information. The other information comprises the information stated in the management report and the Corporate Governance Statement but does not include the financial statements and our report of the “*réviseur d’entreprises agréé*” thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

## **Responsibilities of the Board of Managers for the Financial Statements**

The Board of Managers is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Managers 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 Managers 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 Managers either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

## **Responsibilities of the “*réviseur d’entreprises agréé*” for the Audit of the Financial Statements**

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the “*réviseur d’entreprises agréé*” that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Managers;
- Conclude on the appropriateness of Board of Managers' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "*réviseur d'entreprises agréé*" to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "*réviseur d'entreprises agréé*". However, future events or conditions may cause the Company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

## Report on Other Legal and Regulatory Requirements

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

The management report is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement is included in the management report. The information required by Article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the audit committee or equivalent.

We confirm that the prohibited non-audit services referred to in the EU Regulation No 537/2014 were not provided and that we remained independent of the Company in conducting the audit.

Luxembourg, 18 February 2021

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



Olivier BIREN  
Réviseur d’entreprises agréé

**HOLCIM US FINANCE S.à r.l. & Cie S.C.S.**  
**(the „Company“)**  
**Société en Commandite Simple**  
**Registered Office: 21, rue Louvigny, L-1946 Luxembourg**  
**Trade Register Luxembourg B number 112.666**

**MANAGEMENT REPORT**

We have the honor of reporting on the activity of the Company for the year ended December 31, 2020.

We hereby submit to you the financial statements for the same year.

**Summary of activities:**

The principal activity of the Company is to raise funds on the capital market and to provide intercompany financing in USD to other LafargeHolcim group companies.

During the year under review, the 500 M. EUR bond issued in 2012 and swapped into USD and floating interest rate at inception matured in September 2020 and has been repaid.

The 500 M. USD bond issued in 2013 and maturing in 2023 has been bought back in December 2020.

There was no new issuance of third party debt.

**Summary of the financial activities:**

***Financial Income/Expenses***

The financial income decreased by USD 68 million compared to 2019 due to the repayment of two loans during the year

The financial expenses decreased by USD 68 million compared to 2019 due to the repayment of the 500 M. EUR bond and the buyback of the 500 M. USD bond.

**Derivatives and Risk:**

***Derivative Instruments***

As at the balance sheet date, the company doesn't have any derivative instruments:

On September 07, 2012 the Company, issued Bonds in the amount of EUR 500.000.000, bearing a fixed rate of interest of 2,625 %, payable on an annual basis and maturing on September 07, 2020.

By issuing fixed rate liabilities in EUR, The Company was exposed to forex risks due to its USD functional currency and fair value risk due to a fix rate coupon.

In order to mitigate the said risks, the Company had entered into six cross-currency swaps. These six SWAPs with Australia and New Zealand Banking Group Ltd, Banco Santander S.A., Banco Bilbao Vizcaya Argentaria

S.A., ING Belgium S.A., Mitsubishi UFJ Securities International plc and HypoVereinsbank AG. matured in September 2020.

***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 maintaining sufficient reserves of cash and unused credit lines to meet liquidity requirements at all times.

***Credit Risk***

The Company is exposed to the credit risk of the borrower on its intercompany financing and monitors this risk 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 December 31, 2020 the Company was not exposed to material currency risk as most transactions as well as most receivables and payables were denominated in its functional currency (USD).

**Uncertainties:**

The main uncertainties of 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 enhance its performance through continuous improvement; it reports its financial result on a monthly basis and evaluates the performance mainly based on the maximization of the 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, 2020.

**Result Allocation:**

The financial year ended as at December 31, 2020 has been closed with a profit of USD 3.578,63. Total assets of the Company amounted to USD 55.552.074,07.

The Partners note that as at December 31, 2020 the Company's own equity consists of the following items:

- Share Capital	USD	20.000,00
- Capital Surplus	USD	2.990.000,00
- Retained earnings prior year	USD	608.764,46
- Result of the year	USD	3.578,63

We suggest the following allocation of the result:

- To be carried forward:	USD	3.578,63
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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. If deemed appropriate by the Company, a part of the financial liabilities could be refinanced by the issuance of new debt instruments or bank facilities.

**Research and Development:**

As the principal activity of the Company is to raise funds and to provide intercompany financing, it has no R&D activity.

**Own Shares:**

The Company does not hold any treasury shares.

**Branch of the Company:**

The Company doesn't have any branch as at December 31, 2020.

**Responsibility statement:**

To the best of our knowledge, the financial statements prepared in accordance with the applicable set of accounting standards give a true and fair view of the assets, liabilities, financial position and profit or loss.

The management report includes a fair review of the development and performance of the business together with a description of the principal risks and uncertainties.

**Corporate governance statement:**

The Company has high standards of corporate governance, ensuring responsible and transparent company leadership and management that are geared to ensure full compliance and set the basis for a sustainable long term performance.

The Company considers the 10 principles recommended by the Luxembourg Stock Exchange as guidance for its own corporate governance.

Corporate governance puts the focus not only on business risks and the company's reputation, but also on corporate social responsibility towards all our stakeholders. As a responsible business, we recognize the

significance of effective corporate governance. We show respect for society and the environment, communicate in an open and transparent manner, and act in accordance with legal, corporate and ethical guidelines. To underline this, a Code of Conduct binding for the entire Group has been added to the mission statement.

### **Organization and management**

Board of Partners:

The company is managed by its Associé Gérant Holcim US Finance S.à r.l. supported by a General Manager. The Associé Gérant reports to the Board of Partners.

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 Partners.

### **Independent auditors**

As part of their auditing activity, the independent auditors inform the Managers about their findings. The Company uses the audit committee as established at Group level. At Group level, the Audit Committee assesses the external auditors and monitors the results of the audit.

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

### **Code of conduct**

Since 2004, the Code of Conduct, binding for the entire Group, has been part of the mission statement.

This code of conduct is available under this link:

<http://www.lafargeholcim.com/corporate-governance>

### **Information and control instruments of the Partner**

The Partner determines in which manner it is to be informed about the course of business. The Partner may demand information on all issues relating to the Company. At the Partner's meetings, all participants have a duty to contribute actively to 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 US Finance S.à r.l. (Manager of the Company)**

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## Statement of profit or loss

(all amounts in USD thousands)	Note	For the Year ended December 31	
		2020	2019
<b>Incomes</b>			
Financial income	7	54.915	122.943
Foreign exchange gains net	8	30	-
		<b>54.945</b>	<b>122.943</b>
<b>Expenses</b>			
Financial expenses	7	(54.898)	(122.837)
Administration expenses		(46)	(18)
Foreign exchange losses net	8	-	(81)
		<b>(54.944)</b>	<b>(122.936)</b>
<b>Net profit before taxes</b>		<b>1</b>	<b>7</b>
Income taxes	16	2	-
<b>Net profit for the year</b>		<b>3</b>	<b>7</b>

## Statement of comprehensive income

(all amounts in USD thousands)	For the Year ended December 31	
	2020	2019
<b>Net profit</b>	<b>3</b>	<b>7</b>
<b>Other comprehensive income/(loss), net of tax</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income</b>	<b>3</b>	<b>7</b>

## Statement of financial position

(all amounts in USD thousands)		As at December 31	
	Note	2020	2019
Cash and cash equivalents	9	3.903	7.679
Current financial assets	10	-	627.500
Prepaid expenses and other current assets	11	1.619	340
<b>Total current assets</b>		<b>5.522</b>	<b>635.519</b>
Non-current financial assets	12	50.000	550.000
<b>Total non-current assets</b>		<b>50.000</b>	<b>550.000</b>
<b>Total assets</b>		<b>55.522</b>	<b>1.185.519</b>
Current financial liabilities	13	-	622.660
Other current liabilities		1.900	11.716
<b>Total current liabilities</b>		<b>1.900</b>	<b>634.376</b>
Non-current financial liabilities	14	50.000	547.524
<b>Total non-current liabilities</b>		<b>50.000</b>	<b>547.524</b>
<b>Total liabilities</b>		<b>51.900</b>	<b>1.181.900</b>
Share capital		20	20
Share premium		2.990	2.990
Retained earnings		612	609
<b>Total shareholder's equity</b>		<b>3.622</b>	<b>3.619</b>
<b>Total liabilities and shareholder's equity</b>		<b>55.522</b>	<b>1.185.519</b>

## Statement of changes in equity

(all amounts in USD thousands)	For the Year ended December 31			
	Share capital	Share premium	Retained earnings	Total partners' equity
<b>Equity as at January 1, 2019</b>	<b>20</b>	<b>2.990</b>	<b>602</b>	<b>3.612</b>
Net profit	-	-	7	7
Other comprehensive income/(loss)	-	-	-	-
Total comprehensive income/(loss)	-	-	7	7
Share premium increase/(decrease)	-	-	-	-
Share capital paid-in	-	-	-	-
Dividends	-	-	-	-
<b>Equity as at December 31, 2019</b>	<b>20</b>	<b>2.990</b>	<b>609</b>	<b>3.619</b>
<b>Equity as at January 1, 2020</b>	<b>20</b>	<b>2.990</b>	<b>609</b>	<b>3.619</b>
Net profit	-	-	3	3
Other comprehensive income/(loss)	-	-	-	-
Total comprehensive income/(loss)	-	-	3	3
Share premium increase/(decrease)	-	-	-	-
Share capital paid-in	-	-	-	-
Dividends	-	-	-	-
<b>Equity as at December 31, 2020</b>	<b>20</b>	<b>2.990</b>	<b>612</b>	<b>3.622</b>

## Statement of cash flows

(all amounts in USD thousands)	Year ended December 31	
	2020	2019
<b>Net income</b>	<b>3</b>	<b>7</b>
<b>Cash generated from operations</b>	<b>3</b>	<b>7</b>
Interest and financial income received	53.635	126.452
Interest and financial expenses paid	(57.369)	(114.434)
Income taxes paid	2	-
Other income/(expense)	(45)	(18)
<b>Cash flow from operating activities (A)</b>	<b>(3.777)</b>	<b>12.000</b>
Decrease current financial assets	627.500	116.920
Repayment of non-current financial assets	500.000	628.452
<b>Cash flow from investing activities (B)</b>	<b>1.127.500</b>	<b>745.372</b>
Repayment of non-current financial liabilities	(1.127.482)	(750.000)
<b>Cash flow used in financing activities (C) (Note 9)</b>	<b>(1.127.482)</b>	<b>(750.000)</b>
<b>(Decrease)Increase in cash and cash equivalents (A + B + C)</b>	<b>(3.759)</b>	<b>7.372</b>
<b>Cash and cash equivalents as at January 1 (net) (Note 9)</b>	<b>7.679</b>	<b>423</b>
(Decrease)Increase in cash and cash equivalents	(3.759)	7.372
Net foreign exchange difference	(17)	(116)
<b>Cash and cash equivalents as at December 31 (net) (Note 9)</b>	<b>3.903</b>	<b>7.679</b>

## Notes to the financial statements

### 1. Company information

Holcim US Finance S. à r.l. & Cie S.C.S. (the "Company") is a "Société en Commandite Simple" incorporated in Luxembourg. The date of incorporation was on November 28, 2005. The principal activity of the Company is intercompany financing in USD.

The shares of the Company are held by Holcim US Finance S. à r.l. with 99% and Holdertrade Ltd & Cie S.N.C. with 1% and its ultimate parent company is LafargeHolcim Ltd.

The Company's share capital comprises 200 (200 in the previous year) authorized, issued and fully paid ordinary, non-preference shares with a nominal value of USD 100.00 each.

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

### 2. Summary of significant accounting policies

#### Basis of accounting

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

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

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

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

#### Going concern

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

#### Impact of COVID-19

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

### **Presentation currency**

The assets and liabilities of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Company's presentation and functional currency is USD, as the principal activity of the Company is intercompany financing in USD.

### **Foreign currency translation**

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

### **Cash and cash equivalents**

Cash and cash equivalents are financial assets. Cash equivalents are readily convertible into a known amount of cash with original maturity of three months or less.

### **Current financial assets**

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

### **Investments**

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

### **Non-current financial assets**

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

### **Impairment of financial assets**

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

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

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

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

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

#### **Non-current financing liabilities**

Non-current financing liabilities from related companies are measured at amortized cost using the effective interest method.

Bank loans acquired and non-convertible bonds issued are recognized initially at the proceeds received, net of transaction costs incurred. Subsequently, bank loans and non-convertible bonds are stated at amortized cost using the effective interest method with any difference between the proceeds (net of transaction costs) and the redemption value being recognized in the statement of profit and loss over the term of the borrowings.

Financial liabilities that are due within 12 months after the end of the reporting period are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability until more than 12 months after the reporting period.

#### **Provisions**

A provision is recognized when a legal or constructive obligation arising from past events exists, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of this amount.

### **Recognition of interest income**

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

### **Contingent liabilities**

Contingent liabilities arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. They are accordingly only disclosed in the notes to the financial statements.

### **Adoption of revised and new International Financial Reporting Standards and Interpretations**

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

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

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

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

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

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

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

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

### **3. Critical accounting judgements and key sources of estimation uncertainty**

#### **Use of estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of incomes, expenses, assets, liabilities and related disclosures at the date of the financial statements. These estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. However, actual results could differ from those estimates.

#### **Critical accounting estimates and assumptions**

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There are no accounting estimates or judgements which are considered to be critical.

### **4. Risk management**

#### **Financial risk management**

The Company's activities expose it to a variety of financial risks, including the effect of changes in debt structure and equity market liquidity, interest rate, foreign exchange and credit risk. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company. The Company may use derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain exposures. The Company does not enter into derivative or other financial transactions which are unrelated to its operating business. Financial risk management within the Company is governed by policies approved by LafargeHolcim Group key management personnel. It provides principles for overall risk management, as well as policies covering specific areas such as interest rate risk, foreign exchange risk, credit risk, use of derivative financial instruments and investing of excess cash.

#### **Liquidity risk**

The Company needs liquidity to meet its obligations. As an individual company, it is responsible for its own cash balances and the raising of internal and external credit lines to cover the liquidity needs, subject to guidance by the Group and, in certain cases, approval at Group level. The Group monitors its liquidity risk by using a recurring liquidity planning tool and maintains cash, readily realizable marketable securities and unused committed credit lines to meet its liquidity requirements. In addition, the strong creditworthiness of the Group allows it to access international financial markets for financing purposes.

#### **Market risk**

LafargeHolcim Group is exposed to market risk, primarily relating to foreign exchange and interest rate risk. To manage the volatility relating to these exposures, the Group may enter into a variety of derivative financial instruments. The Group's objective is to reduce fluctuations in earnings and cash flows associated with changes in foreign exchange and interest rate risk.

#### **Interest rate risk**

Interest rate risk arises from movements in interest rates which could affect the Company's financial results and market values of its financial instruments. The Company is primarily exposed to fluctuations in interest rates on its financial liabilities at floating rates which may cause variations in the Company's financial results. The exposure is mainly addressed through the management of the fixed/floating ratio of financial liabilities. To manage this mix, the Company may enter into interest rate swap agreements, in which it exchanges periodic payments based on notional amounts and agreed-upon fixed and floating interest rates. The Company is also exposed to the evolution of interest rates and credit markets for its future refinancing, which may result in a lower or higher cost of financing. The Company constantly monitors credit markets and the aim of its financing strategy is to achieve a well-balanced maturity profile to reduce both the risk of refinancing and of large fluctuations of its financing cost.

### **Foreign exchange risk**

The Group's global footprint exposes it to foreign exchange risks. The principal activity of the Company is intercompany financing in USD. It usually borrows funds from third parties or related parties in the same currency. Any remaining foreign currency exposure may be hedged by entering into derivative contracts.

### **Capital Structure**

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

### **Accounting for derivative financial instruments and hedging activities**

The Company mainly uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain exposures relating to debt.

The fair values of various derivative instruments are disclosed in note 15. Movements in the cash flow hedging reserve are shown in the statement of changes in equity of the Company.

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss is dependent on the nature of the item being hedged. On the date a derivative contract is entered into, the Company designates certain derivatives as either (a) a hedge of the fair value of a recognized asset or liability (a fair value hedge) or (b) a hedge of a particular risk associated with a recognized asset or liability, such as future interest payments on floating rate debt (cash flow hedge) or (c) a hedge of a foreign currency risk of a commitment (cash flow hedge).

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that are highly effective are recorded in the statement of profit and loss, along with any changes in fair value of the hedged asset or liability that is attributable to the hedged risk.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity, limited to the cumulative change in fair value of the hedged item on a present value basis from the inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other income (expense).

The Company documents at the inception of hedging transactions the economic relationship between hedging instruments and hedged items, including whether the hedging instrument is expected to offset changes in cash flows of hedged items, and its risk management objective and strategy.

The Company may also hold derivatives for economic hedging but does not apply hedge accounting. When hedge accounting is not applied, derivatives are accounted for at fair value with change through income statements.

**Fair value estimation**

The fair value of publicly traded financial instruments is generally based on quoted (unadjusted) market prices at the end of the reporting period.

For non-publicly traded financial instruments, the fair value is determined by using a variety of methods, such as the discounted cash flow method and option pricing models. The valuation methods seek to maximize the use of observable market data existing at the end of the reporting period.

The fair value of current financial assets and liabilities at amortized cost are assumed to approximate their carrying amounts due to the current nature of these financial instruments.

The levels of fair value hierarchy used are defined as follows:

Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities. The types of assets carried at level 1 fair value are equity and debt securities listed in active markets.

Level 2 fair value measurements are those derived from valuation techniques using inputs for the asset or liability that are observable market data, either directly or indirectly. Such valuation techniques include the discounted cash flow method and option pricing models. For example, the fair value of interest rates and currency swaps is determined by discounting estimated future cash flows, and the fair value of forward foreign exchange contracts is determined using the forward exchange market at the end of the reporting period.

Level 3 fair value measurements are those derived from valuation techniques using inputs for the asset or liability that are not based on observable market data. In 2020 and 2019, there were no financial assets and liabilities allocated to level 3.

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

## 5. Additional disclosures to the financial instruments

31 December 2020 (all amount in USD thousands)	Carrying amount			Fair value			
	Fair value – hedging instruments	Debt instruments at amortized cost	Financial assets at amortized cost	Level		Total	
				1	2		
			Total			Total	
Financial assets	-	-	50,000	50,000		70,394	70,394
Financial liabilities	-	50,000	-	50,000	54,643	-	54,643

31 December 2019 (all amount in USD thousands)	Carrying amount			Fair value			
	Fair value – hedging instruments	Debt instruments at amortized cost	Financial assets at amortized cost	Level		Total	
				1	2		
			Total			Total	
Financial assets	-	-	1,177,500	1,177,500		1,270,648	1,270,648
Financial liabilities	-	1,111,241	-	1,111,241	1,157,458	-	1,157,458
Derivative liabilities held for hedging	58,943	-	-	58,943	-	58,943	58,943

**6. Contractual maturity analysis**

(all amounts in USD thousands)	Contractual undiscounted cash flows						Total
	Within 1 year	Within 2 years	Within 3 years	Within 4 years	Within 5 years	Thereafter	
<b>2020</b>							
Non-derivative financial liabilities	2.100	2.100	2.100	2.100	2.100	66.800	<b>77.300</b>
Derivative financial liabilities held for hedging	-	-	-	-	-	-	-
<b>Total</b>	<b>2.100</b>	<b>2.100</b>	<b>2.100</b>	<b>2.100</b>	<b>2.100</b>	<b>66.800</b>	<b>77.300</b>
<b>2019</b>							
Non-derivative financial liabilities	602.720	27.850	27.850	527.850	2.100	68.900	<b>1.257.270</b>
Derivative financial liabilities held for hedging	(68.269)	-	-	-	-	-	<b>(68.269)</b>
<b>Total</b>	<b>534.451</b>	<b>27.850</b>	<b>27.850</b>	<b>527.850</b>	<b>2.100</b>	<b>68.900</b>	<b>1.189.001</b>

The contractual cash flows are based on the earliest date on which the Company can be required to pay.

Contractual interest cash flows relating to a variable interest rate are calculated based on the rates prevailing as of December 31.

**7. Financial income and financial expenses**

(all amounts in USD thousands)	2020	2019
Financial income - parent	54.915	122.877
Financial income - Third parties	30	66
<b>Total financial income</b>	<b>54.945</b>	<b>122.943</b>
<b>Of which:</b>		
Interest income	54.915	121.577
Other financial income	30	1.366

(all amounts in USD thousands)	2020	2019
Financial expenses - other related companies	(11.267)	(20.209)
Financial expenses - third parties	(46.360)	(102.628)
<b>Total financial expenses</b>	<b>(57.627)</b>	<b>(122.837)</b>
Interest expense	(40.857)	(99.813)
Guarantee fee expense	(11.266)	(20.209)
Other financial expense	(5.504)	(2.815)
Fair value hedge adjustments - hedged instruments	-	(5.609)
Fair value hedge adjustments - hedged items	-	5.609

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.

On December 31, a 1 percentage point shift in interest rates, with all other assumptions held constant, would result in an immaterial amount of annual additional/lower financial expenses before tax on a post hedge basis. This is mainly attributable to the Company's short term Liabilities bearing floating.

**8. Foreign exchange gains/(losses) net**

(all amounts in USD thousands)	2020	2019
<b>The foreign exchange gains/(losses) net arose from :</b>		
Other current liabilities	30	(81)
<b>Total</b>	<b>30</b>	<b>(81)</b>

**Foreign currency sensitivity**

The Company's sensitivity analysis has been determined based on the Company's net transaction exposure that arises on monetary financial assets and liabilities at December 31 that are denominated in a foreign currency other than the functional currency in which they are measured.

A 5 percent change is used when the net foreign currency transaction risk is reported internally to key management personnel and represents management's assessment of a reasonably possible change in foreign currency rates.

As at December 31, the Company has no material foreign currency exposures.

**9. Notes to the cash flow statement**

(all amounts in USD thousands)	2020	2019
Cash at banks and in hand	3.903	7.679
<b>Total</b>	<b>3.903</b>	<b>7.679</b>
Of which pledged / restricted	-	-

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

**Changes in liabilities arising from financing activities**

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

	1 January 2020	Financing cash flows (i)	Fair value adjustments (notes 13, 15)	Other changes (ii)	31 December 2020
Bond Financing (note 14)	1.111.241	(1.127.482)	-	66.241	50.000
Interest rate swaps fair value hedging or economically hedging financing liabilities (note 15)	58.943	-	(58.943)	-	-
<b>Total liabilities from financing activities</b>	<b>1.170.184</b>	<b>(1.127.482)</b>	<b>(58.943)</b>	<b>66.241</b>	<b>50.000</b>

- (i) The cash flows from bank loans, loans from related parties and other borrowings make up the net amount of proceeds from borrowings and repayments of borrowings in the cash flow statement.
- (ii) Other changes include interest accruals and payments.

**10. Current financial assets**

(all amounts in USD thousands)	2020	2019
Current financial receivables - parent	-	627.500
<b>Total</b>	<b>-</b>	<b>627.500</b>
Of which pledged / restricted	-	-

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

**11. Prepaid expenses and other current assets**

(all amounts in USD thousands)	2020	2019
Accrued interest receivable	1.619	340
<b>Total</b>	<b>1.619</b>	<b>340</b>

**12. Non-current financial assets**

(all amounts in USD thousands)	2020	2019
Non-current financial receivables - parent	50.000	550.000
<b>Total</b>	<b>50.000</b>	<b>550.000</b>
Of which pledged / restricted	-	-

**Interest rate structure of non-current financial receivables**

(all amounts in USD thousands)	2020	2019
Financial receivables at fixed rates	50.000	550.000
Financial receivables at variable rates	-	-
<b>Total</b>	<b>50.000</b>	<b>550.000</b>

The fair values of non-current financial assets amount to USD 70 million (previous year 643 million) and are classified in the level 2 in the fair value hierarchy (note 5).

**13. Current financial liabilities**

(all amounts in USD thousands)	2020	2019
Current portion of financial liabilities - third parties	-	563.717
Current derivative liabilities	-	58.943
<b>Total</b>	<b>-</b>	<b>622.660</b>
Of which secured by the ultimate parent company	-	563.717

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

**14. Non-current financial liabilities**

(all amounts in USD thousands)	2020	2019
Non-current financial liabilities - third parties	50.000	547.524
<b>Total</b>	<b>50.000</b>	<b>547.524</b>
Of which guaranteed by the ultimate parent company	50.000	547.523

**Interest rate structure of non-current financial liabilities**

(all amounts in USD thousands)	2020	2019
Financial liabilities at fixed rates	50.000	547.524
<b>Total</b>	<b>50.000</b>	<b>547.524</b>

The fair values of long-term financial liabilities amount to USD 55 million (previous year 594 million) and are classified as level 1 in the fair value hierarchy (note 5).

(all amounts in USD thousands)					Net book value	Net book value
Currency / nominal value	Nominal interest rate	Effective interest rate	Term	Description	2020	2019
EUR/500'000	2,63%		2012 - 2020	Bond guaranteed by LafargeHolcim Ltd, swapped into USD and floating interest rates at inception	-	563.717
USD/500'000	5,15%		2013 - 2023	Bond Guaranteed by LafargeHolcim Ltd (repaid in 2020)	-	497.524
USD/50'000	4,20%	4,20%	2013 - 2033	Bond Guaranteed by LafargeHolcim Ltd	50.000	50.000
<b>Total</b>					<b>50.000</b>	<b>1.111.241</b>
Of which current portion					-	563.717

**15. Derivative liabilities**

Included in 'Long-term financial liabilities' note 14 are the following derivative liabilities

(all amounts in USD thousands)	Fair value	
	2020	2019
<b>Current derivative liabilities</b>		
Fair value hedges	-	58.943
<b>Total</b>	<b>-</b>	<b>58.943</b>

All derivative liabilities are either interest rate or cross-currency swaps: The current derivatives, designated as fair value hedges, are used to hedge the exposure to changes in fair value of some of the current financial liabilities - third parties (note 14).

**16. Income Taxes**

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

**17. Operating Segments**

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

**18. Events after the reporting period**

There were no significant events after the reporting period

**19. Authorization of the financial statements for issue**

The financial statements were authorized for issuance by the Board of Directors of Holcim US Finance S.à r.l. & Cie S.C.S. on February 18, 2021 and cannot be amended after issuance.