



LafargeHolcim

LafargeHolcim Capital Markets Day

Building a new leader for a new world

Eric Olsen | Group CEO | December 1st, 2015

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Any reference in this presentation to "EBITDA adjusted" is equivalent to operating EBITDA excluding all merger and restructuring costs. Figures and estimates based on net sales by Country are before Corporate and Eliminations, unless otherwise specified. Pro Forma LTM figures are post IFRS, i.e., India 100% consolidated, China includes only LSOC.

Our leadership team



Jean-Jacques Gauthier
Integration, Organization
& Human Resources



Urs Bleisch
Performance & Cost



Gérard Kuperfarb
Growth & Innovation



Alain Bourguignon
North America



Pascal Casanova
Latin America



Eric Olsen
CEO



Roland Köhler
Europe



Saâd Sebbar
Middle East & Africa



Ron Wirahadiraksa
CFO



Ian Thackwray
Asia Pacific

CMD: agenda of the day

Agenda	Speakers	Presentation mode
09:00-10:30 Building a new leader for a new world	Eric Olsen	<ul style="list-style-type: none"> Plenary presentation
<ul style="list-style-type: none"> Strategic plan Financials 		
10:30-10:45 Coffee Break		
10:45-12:15 Regional perspectives: Break-outs		
<ul style="list-style-type: none"> Asia Pacific Europe North America Middle East & Africa Latin America India 	Ian Thackwray Roland Köhler Alain Bourguignon Saâd Sebbar Pascal Casanova Bernard Terver	<ul style="list-style-type: none"> Break-outs (all Regions presented, audience to choose 4 out of 6 Regions; ~20 min per presentation)
12:15-13:00 Q&A	Eric Olsen	<ul style="list-style-type: none"> Q&A in plenary room
13:00-14:00 Lunch break		
14:00-14:20 Integration and synergies	Jean-Jacques Gauthier	<ul style="list-style-type: none"> Plenary presentation
14:20-15:20 Synergy cases: break-outs		
<ul style="list-style-type: none"> Procurement Cement Operations Trading Country example: United States Country example: Malaysia 	Uwe Wehnes Andreas Halbleib Xavier Blondot John Stull Bi Yong Chungunco	<ul style="list-style-type: none"> Break-outs (all topics presented, audience to choose 3 out of 5; 15 min per presentation)
15:20-15:35 Coffee Break		
15:35-15:55 Lean Capital spending	Urs Bleisch	<ul style="list-style-type: none"> Plenary presentation
15:55-16:15 Commercial synergies and transformation	Gérard Kuperfarb	<ul style="list-style-type: none"> Plenary presentation
16:15-17:00 Q&A and closing remarks	Eric Olsen	<ul style="list-style-type: none"> Plenary presentation
17:00 Cocktail reception		



Building a new leader for a new world

Medium term Group targets¹

Free Cash Flow

- At least CHF 10.0bn cumulative 2016-2018
- CHF 3.5-4.0bn run rate by 2018
- At least CHF 6 per share run rate by 2018

Capex

- Max CHF 3.5bn cumulative 2016-2017

ROIC

- At least 300bps improvement from 2015 level by 2018 from operational improvement

Operating EBITDA

- At least CHF 8.0bn in 2018

Credit Rating

- Maintain solid investment grade rating

Cash Returns to Shareholders

- DPS CHF1.50 for 2015
- Progressively grow DPS and 50% pay-out over cycle
- Return excess cash to shareholders commensurate with a solid investment grade credit rating

¹ Targets assume constant scope (except for India) and FX. FCF after maintenance and expansion capex. Capex target excluding capitalized merger implementation costs. Operating EBITDA before restructuring costs.

Contents

LafargeHolcim – a best-in-class portfolio

Our value-enhancing strategy – five main pillars

Delivering superior cash to our shareholders

Cornerstones for success – shaping a winning company

LafargeHolcim – A best-in-class portfolio



Segment view

Substantial value creation through differentiation



Global

Highly diversified portfolio, with strong leadership positions (top 3) in over 80% of our markets



Mix, momentum

Good balance between mature and developing markets



Mature markets

Leading positions in markets poised for strong growth/recovery



Developing markets

Substantial mid-/long-term potential

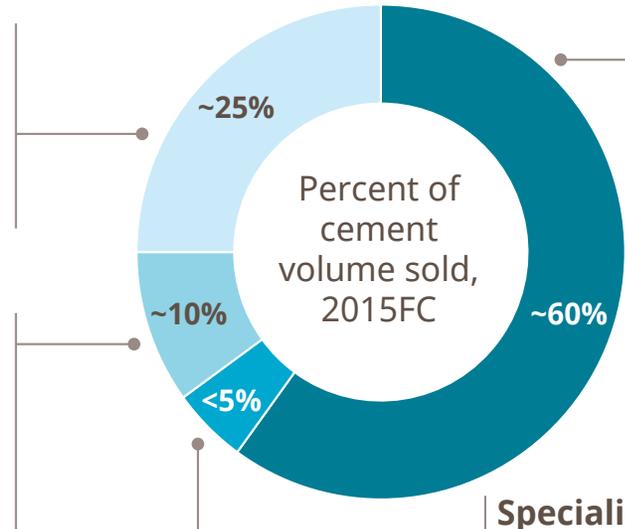
Upside through differentiation in all market segments

Building & small/mid size projects

- Opportunities to optimize commercial approach
- Capture the value of consistent quality and product availability

Infrastructure

- Strong infrastructure demand, especially in emerging markets
- Unique expertise and scale to be the partner of choice



Retail

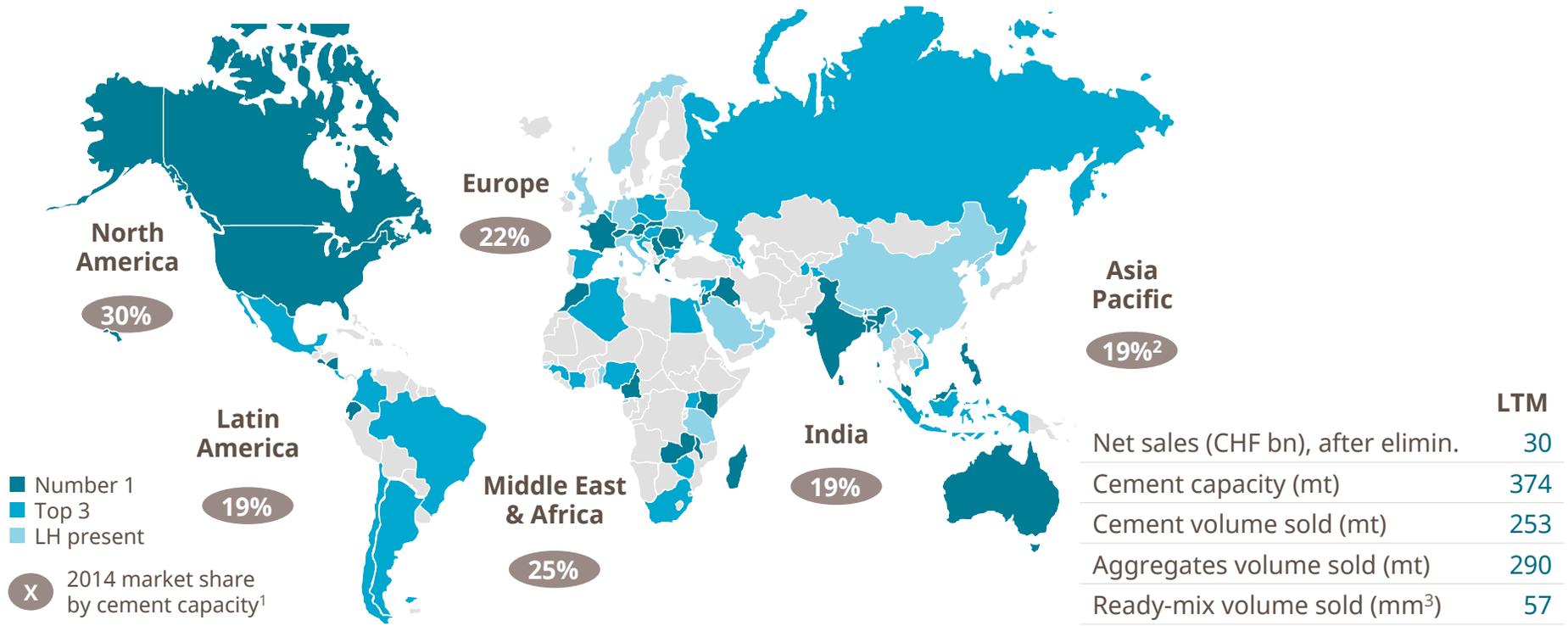
- Differentiation advantage over competitors
- Characteristics of consumer goods
- Successful cases in several markets – to be leveraged at scale
- Higher underlying growth driven by emerging markets

Speciality solutions

- Distinctive products & solutions to offer
- Opportunity to approach specialty segments in a new way

Note: Share by channel estimated
Source: LafargeHolcim

A global footprint, highly diversified, with strong position in all regions



- Number 1
- Top 3
- LH present

X 2014 market share by cement capacity¹

1 Only including countries where LH has capacity; 2 Ex-China; represents 3% market share including China
 Source: Research analysts reports; LafargeHolcim

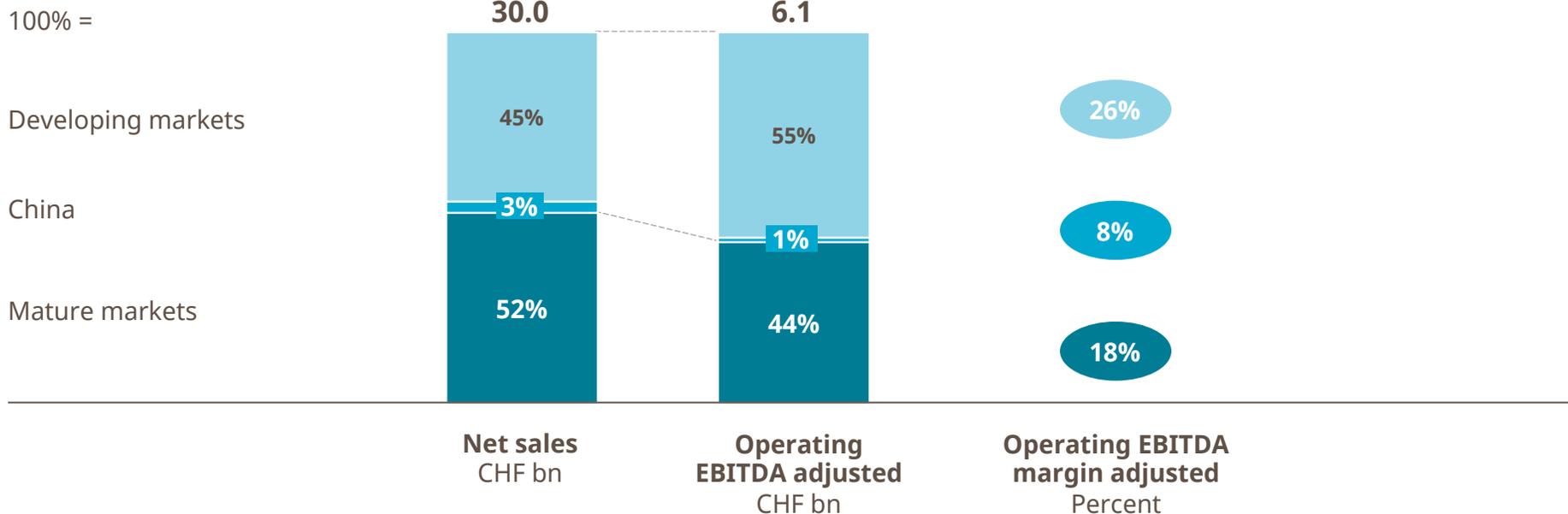
Leadership positions in over 80% of our markets



Note: leadership positions based on cement capacity 2014; Mature markets defined based on the three criteria of GDP (PPP) per capita > USD ~20k, cumulated cement consumption and ratio of bulk vs. bag
 Source: Research analysts reports; LafargeHolcim

Good balance between developing and mature markets

LTM



Note: Mature markets defined based on the three criteria of GDP (PPP) per capita > USD ~20k, cumulated cement consumption and ratio of bulk vs. bag
Source: Research analysts reports; LafargeHolcim

Mature markets – poised for strong growth/recovery

Mature markets (LTM)

- 52% of total revenue
- 44% of total EBITDA adjusted

- Clear leadership position in North America (~30% capacity share) with solid value generation and upside
- Well positioned in other recovery markets
- Significant commercial differentiation potential

Developing markets – strong positions with long-term growth potential

Developing markets (LTM)

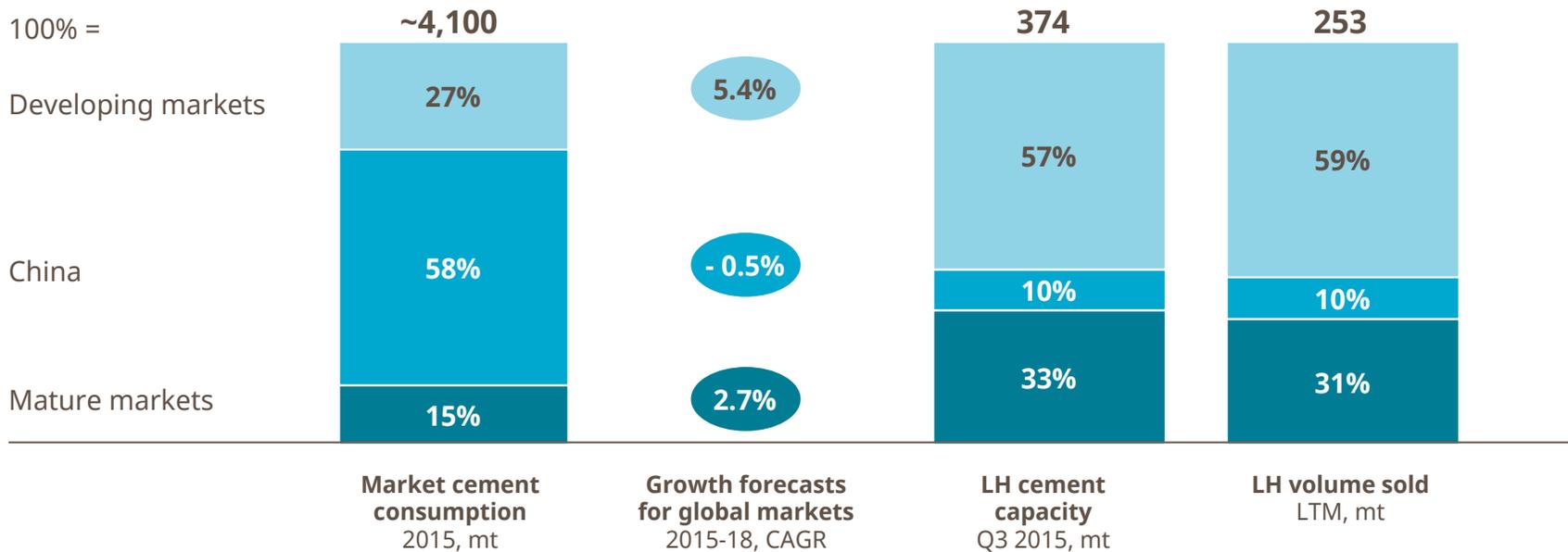
- 48% of total revenue
- 56% of total EBITDA adjusted

- Solid short-term growth of our developing markets portfolio
- Many high performing markets in Asia, Africa and Latin America
- 70-80% of business in retail with substantial differentiation potential

Note: includes China

Large exposure to markets with superior growth outlook

Cement volumes



Significant construction headroom in developing countries

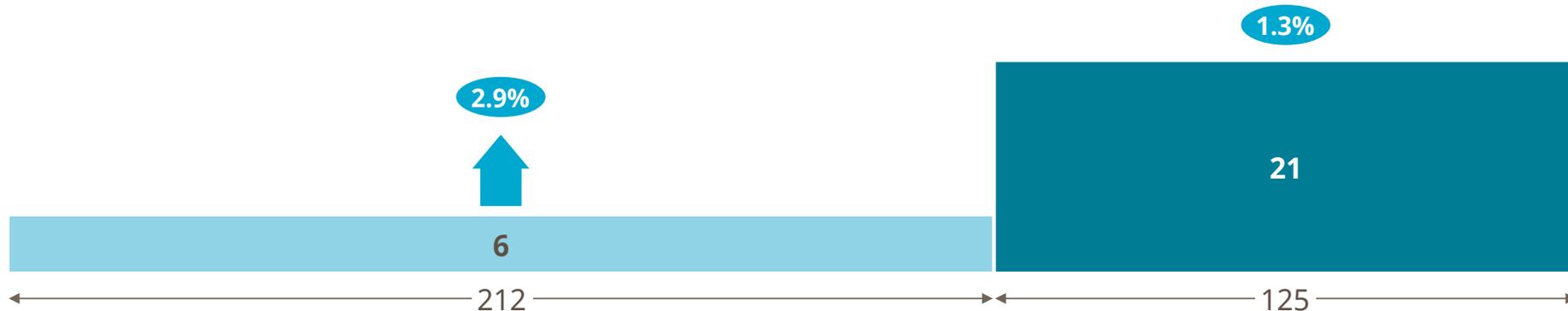
Weighted avg. cumulated cement consumption 1964-2014 (ton/capita)

Developing countries

E.g., India, Philippines, Indonesia, Bangladesh, Nigeria, Egypt, Morocco, Ecuador

Mature countries

E.g., Germany, France, UK, Switzerland, Australia, USA, Canada



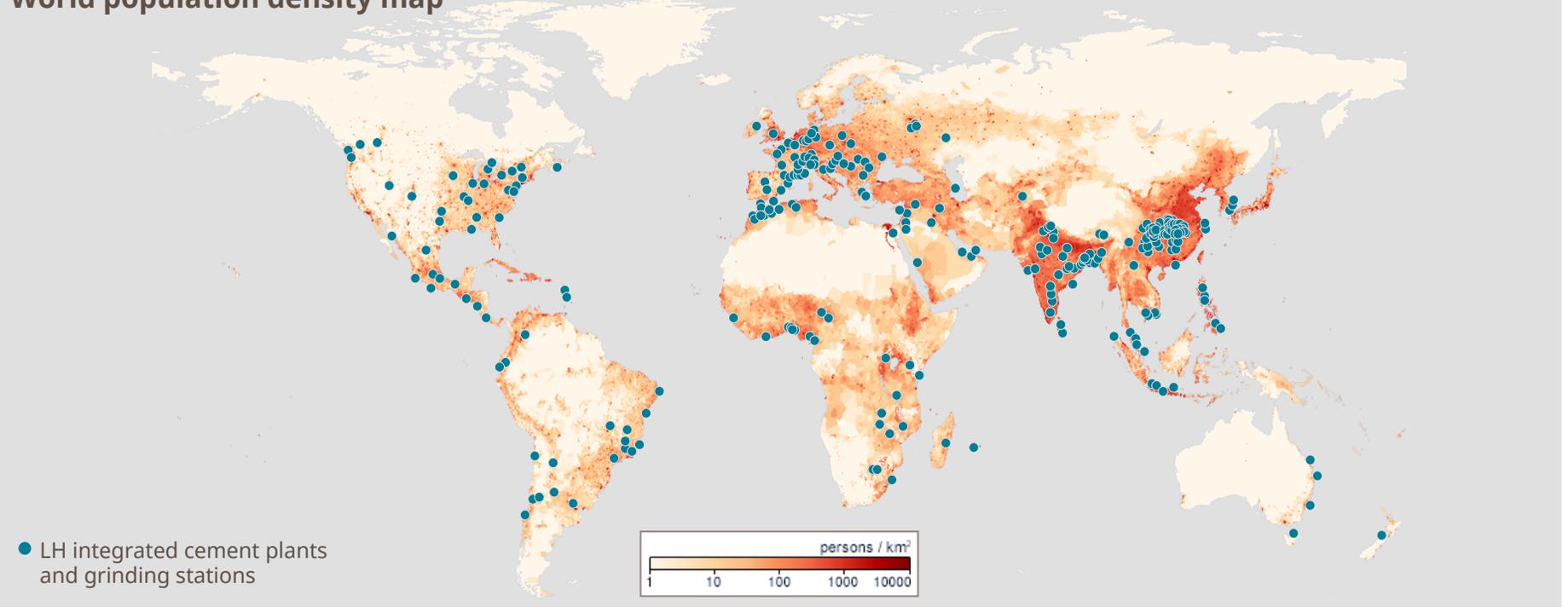
XX% Cement consumption per capita (CAGR 2014-2030)

LH cement capacity ex-China (Q3 2015, mt)

Note: Analysis excludes China (Cumulative cement consumption per capita 21 tons/capita, LH cement capacity 38mt)
Source: Research analysts reports; LafargeHolcim

Dense presence in highly populated areas, taking advantage of the major on-going urbanization trend

World population density map



Note: Map includes plants from joint ventures
Source: NASA Earth Observations

Contents

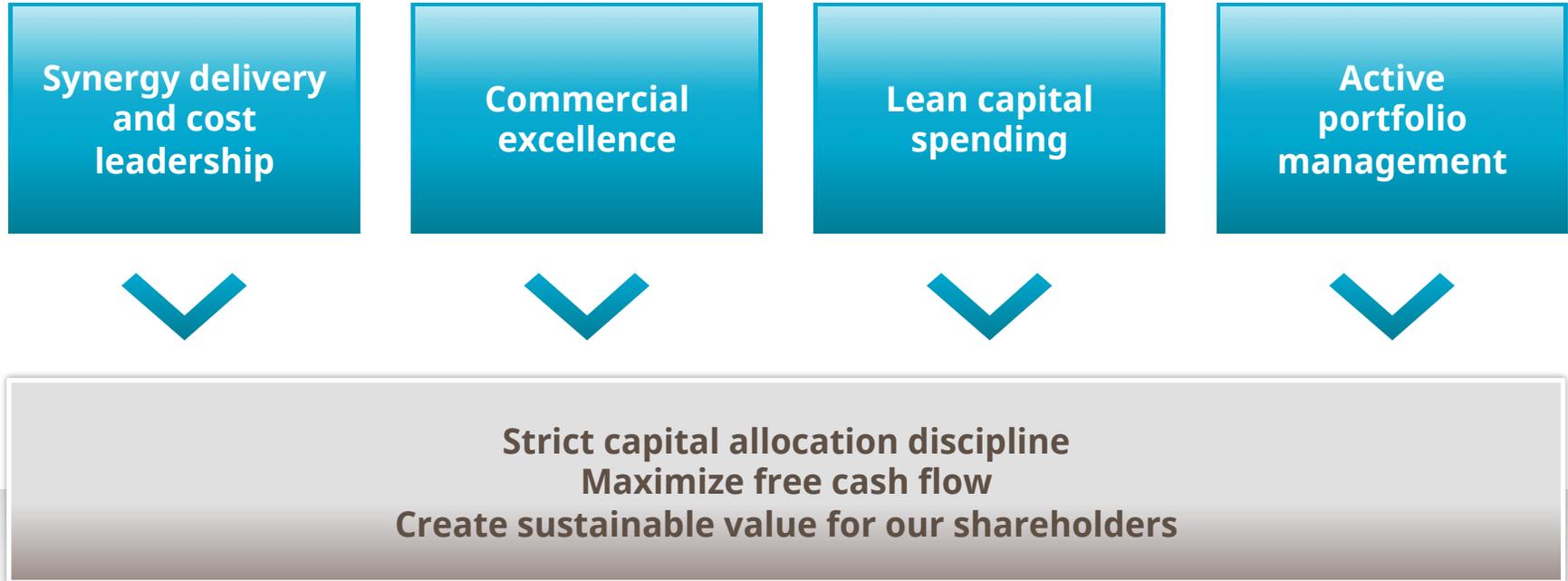
LafargeHolcim – A best-in-class portfolio

Our value-enhancing strategy – five main pillars

Delivering superior cash to our shareholders

Cornerstones for success – shaping a winning company

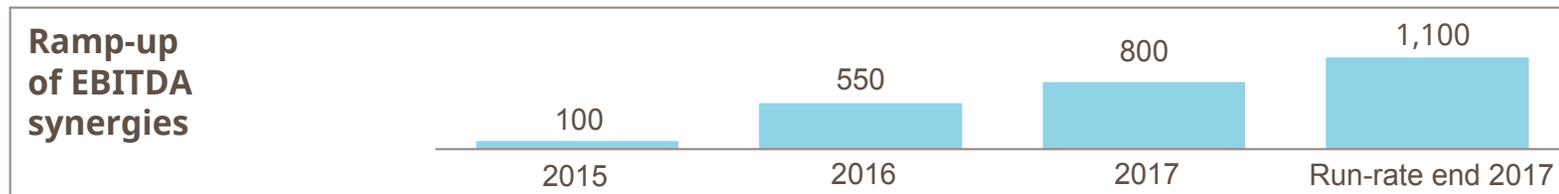
Our strategic plan – five value creation pillars



Synergy potential confirmed; accelerated delivery

CHF m

EBITDA synergies	Procurement	Operational performance	SG&A	Growth & Innovation
	380	220	280	220
		880		



Financing / cash-flow synergies	CAPEX	Financing
	220	220

Working capital savings	450
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Total run-rate pre-tax cash flow synergies

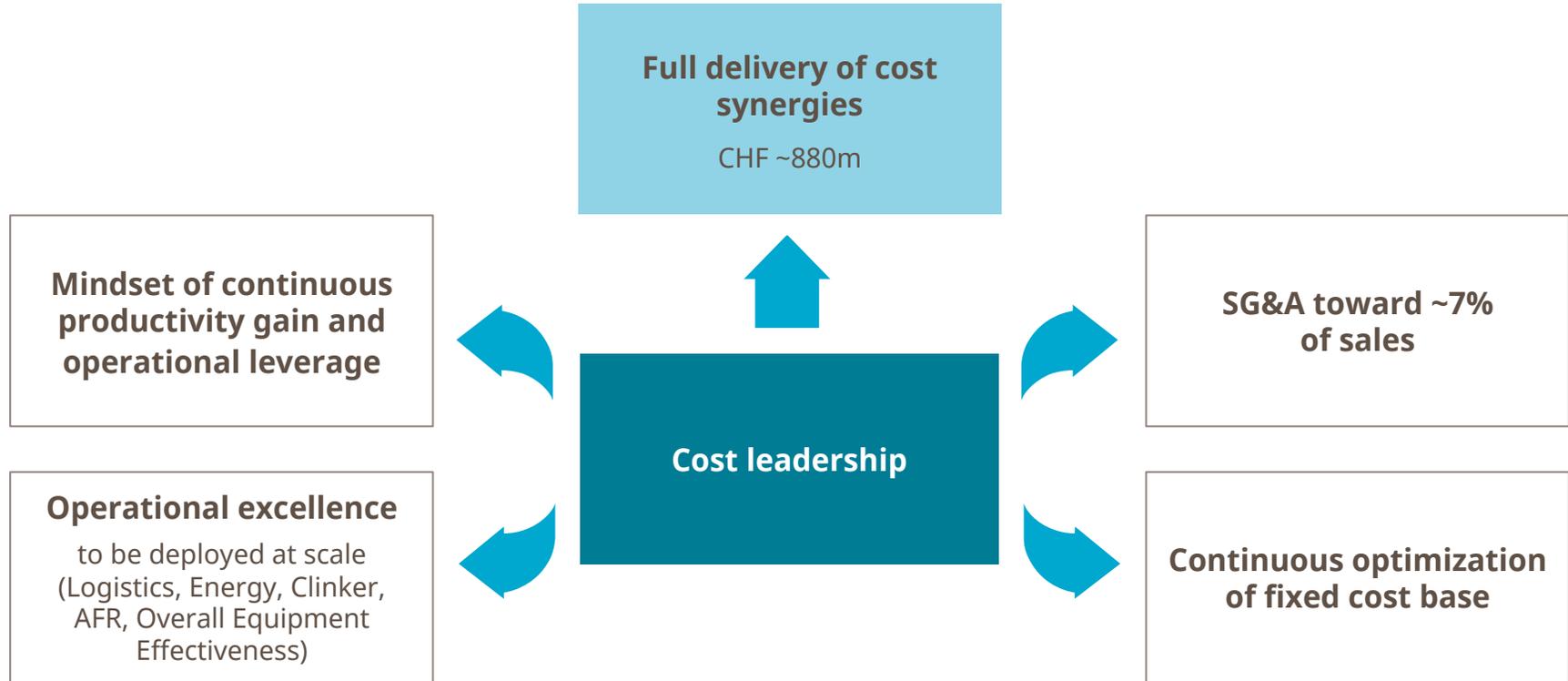
~ 1,500

Source: Announcement April 2014 (Euro figures from announcements translated into CHF at FX EUR/CHF = 1.1)

Overall synergy target confirmed

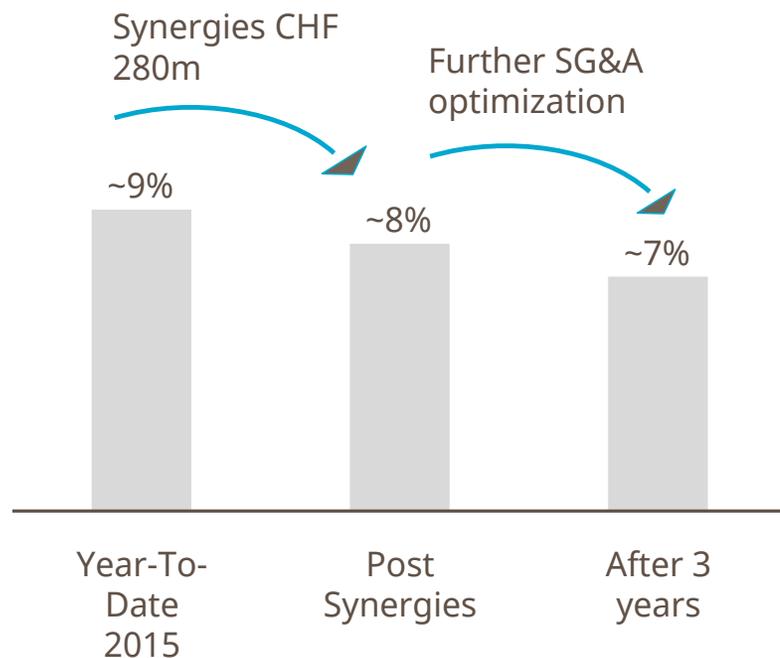
CHF m	EBITDA synergies, run rate end 2017	Levers identified and taken over by countries
Operational performance	220	<ul style="list-style-type: none"> • 6 cement productivity best-practices deployed • Network optimization in overlapping countries
Procurement	380	<ul style="list-style-type: none"> • ~2% reduction of external spending by: <ul style="list-style-type: none"> ✓ Renegotiating top 2,000 contracts ✓ Switching to best supplier ✓ Implementing a Category management approach
SG&A	280	<ul style="list-style-type: none"> • Combination and right-sizing of headquarters and in overlapping countries • Leverage Regional shared services
Growth and Innovation	220	<ul style="list-style-type: none"> • Best-practice roll-out in 9 specific markets / segments • Optimization of customer and geography mix • Cross-selling actions and product offering optimization
Total synergies at EBITDA level	1,100 [€ 1,000m]	

Going beyond synergies for cost leadership



SG&A target of 7% of net sales

Percentage of net sales



Levers to contribute to our SG&A ambition

- Headquarters combination and right-sizing
- Streamlining in overlapping countries, with headquarters and sites consolidation
- Non-overlapping countries brought to best-in class levels
- Business and IT shared service centers roll-out
- Lean organization at all levels

Commercial excellence: drive margin and growth

1. Delivering growth / margin synergies (CHF 220m)

2. Enhancing go-to-market models and differentiated offerings

~ share of total sales

Retail



i.e., bag market
Masons, Individual Home Builders

~60%

Building & small/mid size projects



e.g., bulk market
Building Contractors

~20%

Infrastructure



e.g., power plants
Large contractors, Engineering firms

~15%

Specialty solutions



e.g., oil & gas
International key accounts

<5%

3. Developing tomorrow's solutions

4. Driving sales and pricing performance

Significantly lower capex

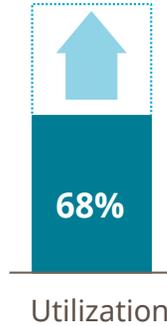
CHF bn



Note: Excluding integration related IT implementation costs

Growing with less capital going forward

→ Operational leverage of current capacities, increasing the utilization of our asset base



→ Bringing on-stream our on-going projects (about 13mt capacity)



→ Debottlenecking, operational improvements (e.g. Ball Mill Initiative) and product mix



→ Pursuing new capital-light asset models, leveraging our global trading platform



Active portfolio management

APPLYING A SYSTEMATIC SET OF CRITERIA



Macroeconomic attractiveness

- Size and growth of the economy
- Structure of population and economic activity



Macroeconomic risks

- GDP, FX and forecast volatility
- Country and regulatory risk indicators



Industry-specific market attractiveness

- Supply and demand development
- Structural and competitive conditions



LafargeHolcim position

- Cost competitiveness
- Quality of assets and local capabilities
- Existing footprint and market shares



Financial value

- Free cash flow generation
- Absolute EBITDA and margins
- Returns vs. risk-adjusted cost of capital



Full-potential assessment

- Internal value (NPV) and value to third-parties
- Valuation of potential performance with expansion and restructuring



Risk mitigating capabilities

- Commercial capabilities
- Vertical market integration

Contents

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Our strategic plan – five value creation pillars

Synergy delivery
and cost
leadership

Commercial
excellence

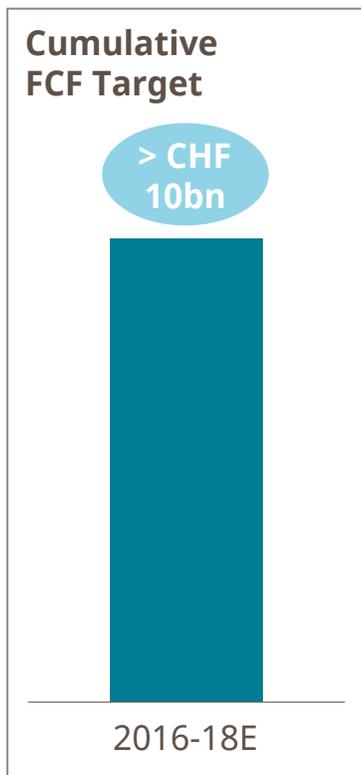
Lean capital
spending

Active
portfolio
management



Strict capital allocation discipline
Maximize free cash flow
Create sustainable value for our shareholders

Strict capital allocation policy



1

Maintain a solid investment grade rating through the cycle

Maintain credit ratios commensurate with BBB / Baa2 credit ratings



2

Strict management of capex and dynamic portfolio management



3

Progressive dividend policy

Grow DPS p.a.; 50% pay-out over cycle

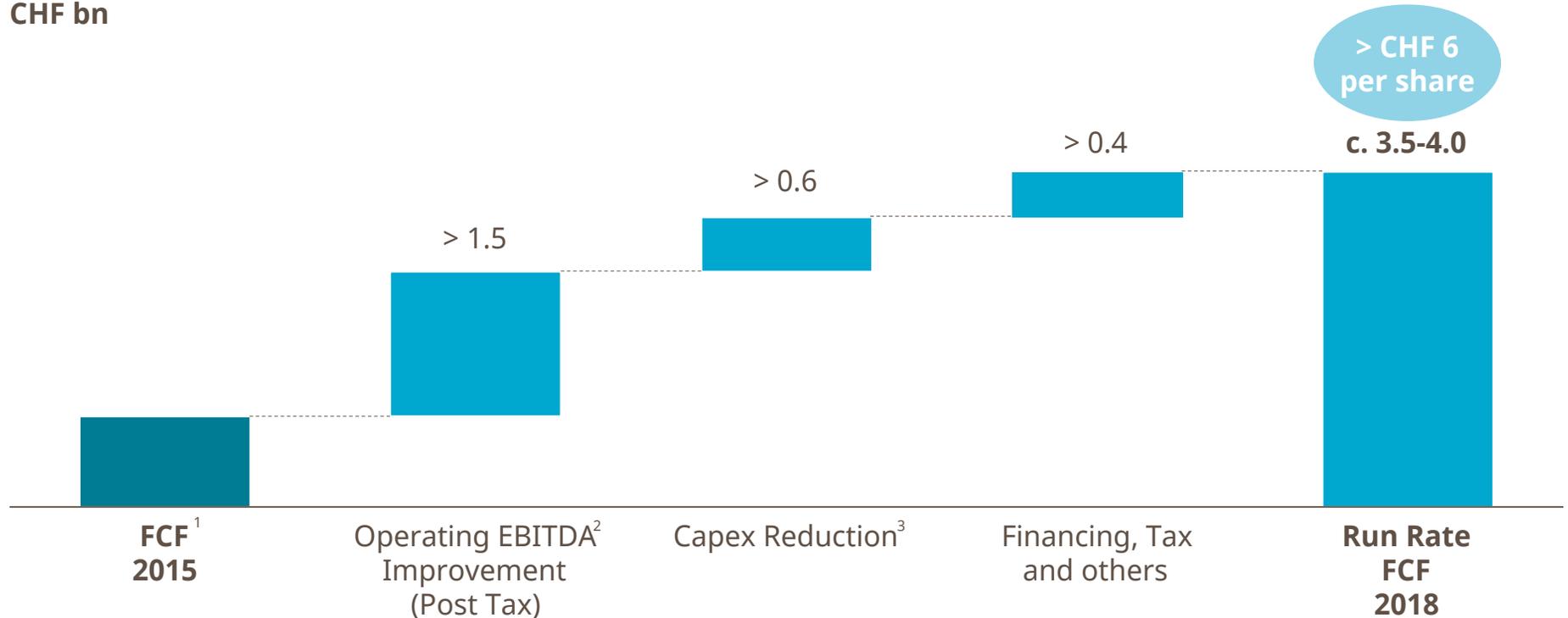


Return excess cash to shareholders

Excess cash returned to shareholders through special dividends or share buybacks

Run rate free cash flow¹ improvement to 2018

CHF bn



Note: At constant scope (excluding India) and FX

1 Free cash flow after maintenance and expansion capex; 2 Operating EBITDA before restructuring cost

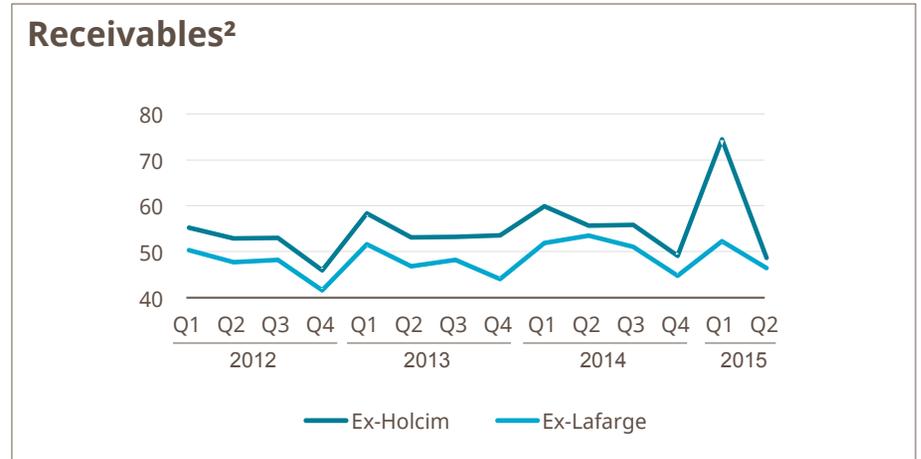
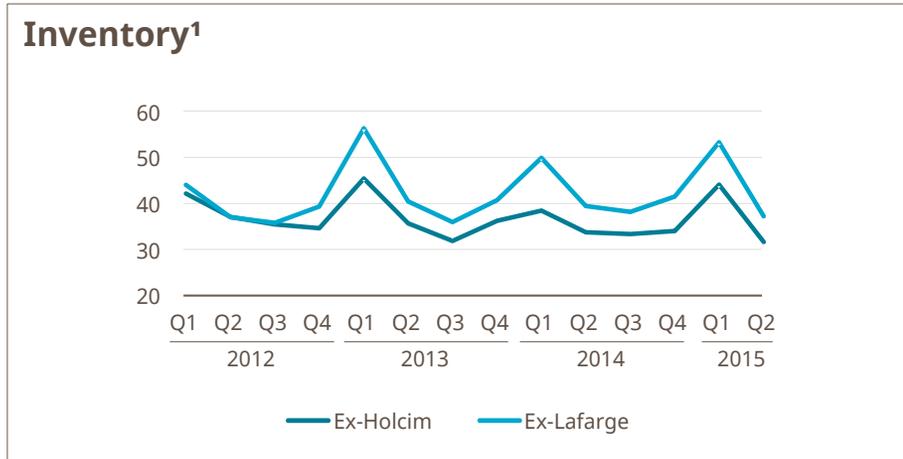
3 Excluding capitalized merger implementation costs

Substantial financing synergies and tax to be further optimized

- Financing synergies of CHF200m target confirmed
 - Successful execution of Lafarge SA bond buyback programme already allowed for capture of significant synergies and optimization of average cost of debt
 - Cash-flow generation and further portfolio optimization to drive deleveraging going forward and cost of debt reduction
 - Cost of gross debt expected at c. 5% in 2016; net cash remuneration at c. 2.5%
- Targeting 28% effective tax rate
 - Ongoing implementation of tax initiatives with a focus on cash tax
 - Further improvement potential being explored

Working capital optimization part of 'asset-light' business model

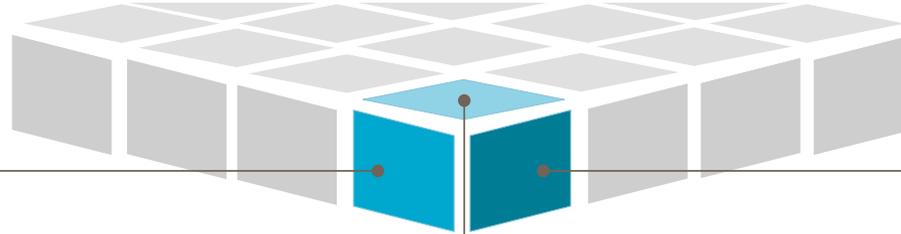
- Net working capital saving target of CHF450m confirmed with 7 countries identified representing 70% of the potential target with implementation of action plan starting in Q1 2016
- New bonus scheme implemented with strict focus on free cash flow generation including at country level
- Best practices sharing to enhance optimisation of Net Working Capital



¹ Days of inventory compared to quarterly revenues.

² Days of receivables compared to quarterly revenues.

Rigorous review of investment projects to create financial value



30%

50%

20%

Project Risks

- Time-to-market: buy vs. build
- Operational risks
- Project specific and technical risk assessment
- Counterparty risks
- Due diligence results

Expected returns

- ROIC impact
- Free Cash Flow generation and payback period
- Risk adjusted NPV, IRR
- NPV/Capex ratio
- ST/LT cash flow split (PV/TV)

Strategic considerations

- Relevance to the Group
- Networking effect and potential synergies
- Impact to realize full potential on the market position

Medium term Group targets¹

Free Cash Flow

- At least CHF 10.0bn cumulative 2016-2018
- CHF 3.5-4.0bn run rate by 2018
- At least CHF 6 per share run rate by 2018

Capex

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New operating model with clear accountability

→ Country

- Center of the organization
- Full accountability for results
- Lean organization

→ Above country

- World class expertise in global functions
- Selected resources close to countries (regional support)
- Capital allocation controlled strictly
- Lean central structure and shared services

Leadership team fully engaged, driving a new culture and mindset



Jean-Jacques Gauthier
Integration, Organization
& Human Resources



Urs Bleisch
Performance & Cost



Gérard Kuperfarb
Growth & Innovation



Alain Bourguignon
North America



Pascal Casanova
Latin America



Eric Olsen
CEO



Roland Köhler
Europe



Saâd Sebbar
Middle East & Africa



Ron Wirahadiraksa
CFO



Ian Thackwray
Asia Pacific

Our values at the core of the new company

Health and Safety is our overarching value and embedded in everything we do

Customers

Build an organization and culture that is centered on markets and customers

Results

Passion to achieve goals and deliver with rigorous execution, with zero harm to people

Integrity

Create an environment where compliance is a central focus and commitment

Sustainability

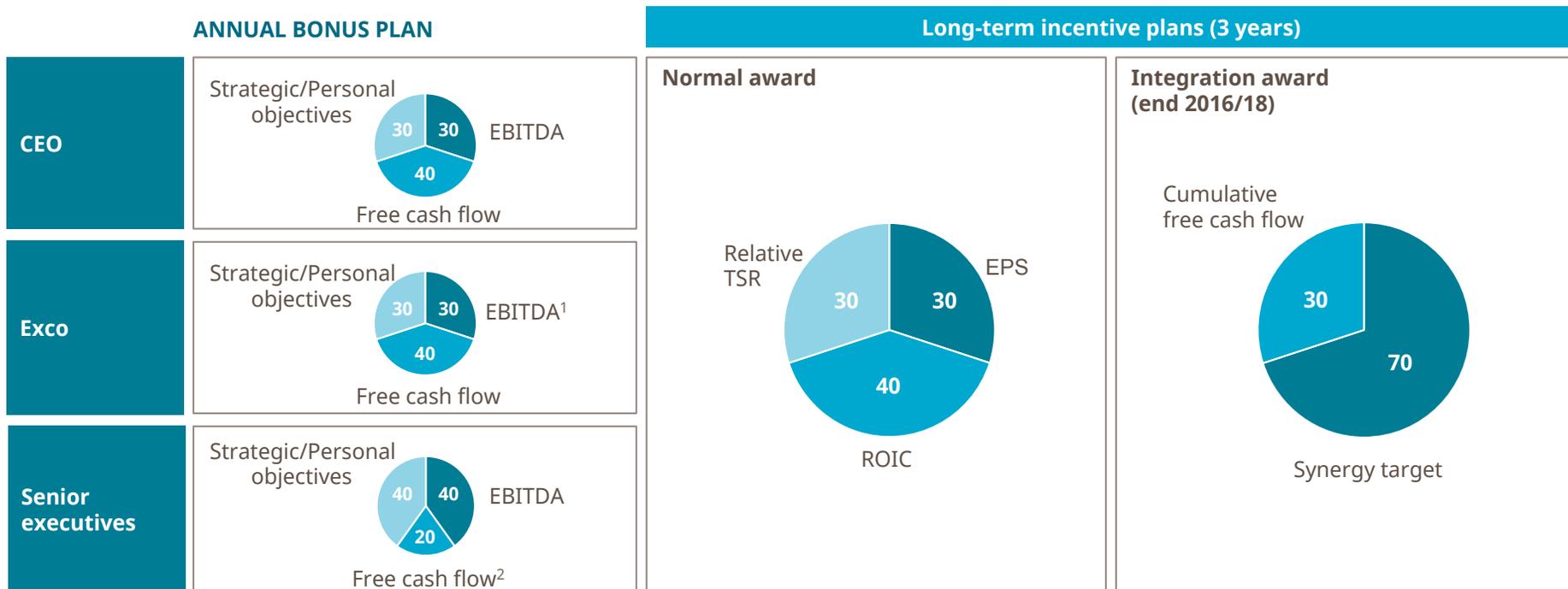
Demonstrate leadership in environment stewardship and role-modeling responsibility to future generations

People, Openness and Inclusion

Truly care for and respect every individual

Management incentive system aligned with our objectives

Weight of performance measures in incentive plans, Percent



1 Split into 50% Group EBITDA and 50% Regional EBITDA for Region leaders

2 Free cash flow for corporate executives and net working capital for countries

Conclusion



An inflexion point for LafargeHolcim

Traditional industry approach ...



EBITDA margin focus

- Inefficient use of capital
- Defensive investments



Geographic expansion

- Resources spread too broadly
- Lack of focus in portfolio



Capacity share

- Inflated asset base
- Overcapacities



Re-active decisions

- Driven by market sentiment
- Somewhat opportunistic

... our approach for the future



Value creation

- Free cash flow focus
- ROIC hurdles
- Capex discipline



Focused portfolio

- Most attractive markets
- Sustainable leadership



Full-potential

- Selectively invest to sustain/ expand position
- Cost competitiveness, sweat assets
- Differentiation potential



Pro-active decisions

- Strategic, global portfolio priorities
- Fact based, consistent and well-timed actions

Drive free cash flow generation and shareholder value

Free Cash Flow Generation: the central measure of success

- Synergies
- Commercial
- Lower Capex
- Ongoing cost improvements

Capital allocation discipline

- Commitment to a solid Investment Grade rating
- Return excess cash to shareholders
 - Dividend to grow progressively from CHF 1.50 per share in 2015
 - Share buyback or dividend commensurate with solid Investment Grade rating

Uniquely positioned to deliver maximum value creation

- Strong positions in mature markets, poised for recovery, and in developing markets with long term potential
- No need to deploy significant capital
- Economies of scale
- Combined talents, competencies, skills and legacies of the two industry leaders

Material upside potential, notably through further portfolio optimization, commercial differentiation and market growth recovery





Building a new leader for a new world