BUILDING FOR GROWTH

2017 ANNUAL REPORT

LAFARGEHOLCIM

LafargeHolcim

LAFARGEHOLCIM IS THE LEADING GLOBAL CONSTRUCTION MATERIALS AND SOLUTIONS COMPANY.

FROM SMALL LOCAL PROJECTS TO THE BIGGEST, MOST TECHNICALLY CHALLENGING INFRASTRUCTURE ENDEAVORS, WE SUPPORT BUILDERS AROUND THE WORLD.

TOWARD INTEGRATED REPORTING

This is our first step on our journey to deliver an integrated annual report. By applying the principles of integrated reporting, we aim to present a more holistic view of how we create value in both financial and non-financial terms. Over the coming years we hope this report will be an increasingly effective tool for all stakeholders to understand how LafargeHolcim contributes to our world.

FIND OUT MORE ABOUT WHAT WE DO ONLINE
www.lafargeholcim.com

SUSTAINABILITY REPORT

The Sustainability Report complements this report. It presents more detail on our sustainability achievements as well as progress against our sustainability strategy, The 2030 Plan. It will be published in April 2018.

KEY GROUP FIGURES

FINANCIAL HIGHLIGHTS

6.1
RECURRING EBITDA GROWTH
%
2016: 8.7

5,990
RECURRING EBITDA
CHF M
2016: 5,950

1,685
FREE CASH FLOW
CHF M
2016: 1,660

5.8
RETURN ON INVESTED CAPITAL
%
2016: 5.2

SALES

4.7
NET SALES GROWTH
%
2016: –1.7

209.5
SALES OF CEMENT
MILLION TONNES
2016: 233.2

278.7
SALES OF AGGREGATES
MILLION TONNES
2016: 282.7

50.6
SALES OF READY-MIX CONCRETE
MILLION M^3
2016: 55.0

Notes:
Recurring EBITDA replaces the former Operating EBITDA Adjusted. Recurring EBITDA excludes restructuring, litigation, implementation and other non-recurring costs. Free cash flow is defined as cash flow from operating activities less net maintenance and expansion Capex. Recurring EBITDA growth and Net Sales growth are both presented on a like-for-like basis. Return On Invested Capital is defined as Net Operating Profit After Tax (NOPAT) divided by the average Invested Capital. The average is calculated by adding the Invested Capital at the beginning of the period to that at the end of the period and dividing the sum by 2 (based on a rolling 12 month calculation).

The non-GAAP measures used in this report are defined on page 251.

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GROUP AT A GLANCE

As the leading global construction materials and solutions company, LafargeHolcim can help address challenges such as urbanization and climate change. We offer a strong asset base in around 80 countries, the most innovative cement, concrete, and aggregates solutions to meet our customers' needs, and a commitment to health, safety, and sustainability.

OUR GLOBAL PRESENCE

81,000
EMPLOYEES WORLDWIDE

2,300
OPERATING SITES

Top 3
POSITION IN 80% OF OUR MARKETS

OUR BUSINESSES

CEMENT

From classic masonry cements to high-performance products tailored for specialized settings, we offer an extensive line of cements and hydraulic binders. Customers range from individuals buying bag cement to businesses undertaking major construction projects.

209.5 **SALES** MILLION TONNES
2016: 233.2

AGGREGATES

Our aggregates serve as raw materials for concrete, masonry and asphalt as well as base materials for buildings, roads and landfills. Our recycled aggregates use crushed concrete and asphalt from deconstruction.

278.7 **SALES** MILLION TONNES
2016: 282.7

READY-MIX

Concrete is the world's second most consumed substance by volume after water. In this highly competitive and decentralized market, we stand apart through the quality and consistency of our products, the breadth of our portfolio and our innovative solutions.

50.6 | **SALES** MILLION M³ 2016: 55.0

SOLUTIONS & PRODUCTS

Supported by technical expertise and generations of experience, we create innovative solutions that meet our customers' specific needs and requirements.

2.1 | **NET SALES** 2017: CHF bn

READ MORE

CHIEF EXECUTIVE'S STATEMENT *P6 — 9*

STRATEGY *P24 — 25*

CHAIRMAN'S STATEMENT

Dear shareholders,

2017 was a year of progress for LafargeHolcim.

In performance terms we delivered continued growth in net sales and margins leading to an increase in Recurring EBITDA and cash flow. This solid operational result once again highlights the underlying strength of our asset base combined with our ability to deliver in all types of market conditions.

But, like you, we have high expectations and believe that LafargeHolcim has the potential to achieve even more. I'm excited, therefore, that Jan Jenisch joined us as Chief Executive Officer in September last year. The speed with which he has identified the opportunities to grow our company is impressive. The Board and I have full faith in Jan's approach to leading LafargeHolcim, which you can read in his own words on page 6. Guided by our Strategy 2022 we are confident we can deliver long-term year-on-year success.

LafargeHolcim is the global leader in building materials and solutions. We employ the most talented people in the industry and apply the right technology and solutions to help our customers achieve their goals, thereby helping to meet global challenges such as urbanization and climate change. The future of LafargeHolcim looks bright.

A time for reflection

Any review of 2017 must also address the events that took place in our operations in Syria in 2014 and that have been reported by various news outlets during the year. The Board and I condemn the mistakes that were made in no uncertain terms. They are unacceptable and we have taken decisive steps to prevent this happening again. Such events impact our reputation.

They also affect our people. That's why our focus has been squarely on our employees. Speaking on behalf of the Board, we are determined to ensure that our employees continue to take pride in the work we do and the way we do it.

To underline the importance of these aims we took a number of actions in 2017. Among the most notable was the establishment of a Health, Safety and Sustainability Committee of the Board (see page 63) and an Ethics, Integrity and Risk Committee at operational level (see page 46). In keeping with our commitment to good corporate citizenship, the Board has also endorsed a strategy for dealing with our carbon emissions.

These actions reinforce the underlying truth: LafargeHolcim is a first-class company that holds itself to the highest standards wherever it operates. We work every day to create a safe, healthy and ethical workplace for the people who truly create value for all our stakeholders, including you, our shareholders.

Today's LafargeHolcim is a global company. We draw from a long history of operations around the world, using our diversity as a strength and driver of differentiation from our peers. At the same time we are a local company, close to our customers and vital contributors to the communities in which we live and work.

We hope you will see evidence of this strength and differentiation as you look through this report. In keeping with our commitment to integrated reporting, our aim with this 2017 edition is to demonstrate to all our stakeholders how LafargeHolcim creates value in both financial and non-financial terms. In the coming editions we hope to do this more and more as we seek to find the right way to improve our disclosures and track our progress.

I hope I have managed to convey some of my excitement for the years ahead. Please read Jan's letter to learn about the course that will guide us.

I would like to take this opportunity to express my gratitude to my fellow Board members for their commitment and wise counsel and to the members of the Executive Committee under whose leadership we made real progress in 2017.

I also extend my sincere thanks and admiration to our employees around the world who make a difference every day and who will take us to the next level of performance in the coming years.

Most of all, I thank you for your continued confidence in this great company.

Beat Hess
Chairman

We are confident we can deliver long-term year-on-year success. LafargeHolcim is the global leader in building materials and solutions. We employ the most talented people in the industry and apply the right technology and solutions to help our customers achieve their goals, thereby helping to meet global challenges such as urbanization and climate change. The future of LafargeHolcim looks bright.

CORPORATE GOVERNANCE
Our approach to assuring the long-term value of the Group

Find out more
P54

THE 2030 PLAN
For complete results of our progress against The 2030 Plan, see our 2017 Sustainability Report, to be published in April 2018.

CHIEF EXECUTIVE'S STATEMENT

Dear shareholders,

In 2017 we made good progress across all key metrics. The growth in sales and the over-proportional increase in EBITDA represent a good performance and gives us a very good basis to build on. The fact that four of our five regions reported growing EBITDA is further testimony to the global strength of LafargeHolcim.

Recurring EBITDA reached CHF 5,990 million for the full year. This figure includes the reclassification of the Group's profit share in the Chinese joint venture Huaxin — CHF 126 million for 2017 — pursuant to our IFRS 11 assessment, following the ongoing streamlining of our Chinese operations. Like-for-like Recurring EBITDA, which is not impacted by the reclassification of Huaxin profits, grew by 6.1 percent over the full year, in line with guidance from last October.

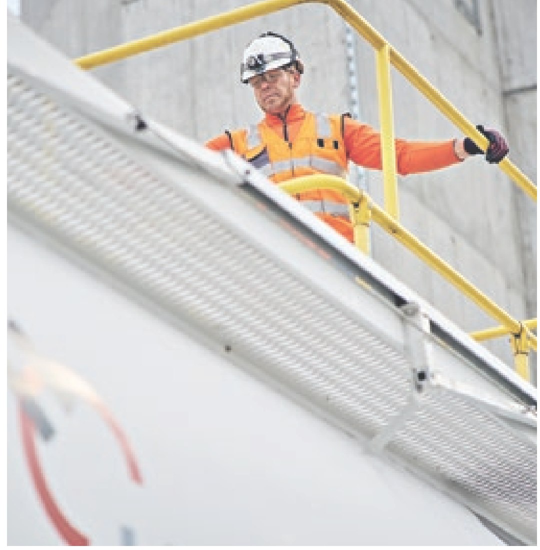
Since joining the company in September 2017 I have visited many of our operations around the world to see at first-hand the scale and strengths of the business. I have been very impressed by the experience and enthusiasm of our people, whose commitment and hard work are the foundation for our success. LafargeHolcim is a first-class company with the best assets in a growing building materials market and there are clear opportunities to enhance the business and target growth and outperformance.

My review of the business underlined the opportunities and made our priorities as a company clear. While we delivered strong annual results in 2017, they do not reflect the full potential of this business. As the market leader, we will hold ourselves to a higher standard than anyone else in our industry.

The building materials sector is highly attractive with growth driven by the rapid rise in the global population, the continuing shift towards urban living and the increasing need for infrastructure development. Demand for better living standards and more efficient infrastructure, digitalization of the construction value chain and the requirement to develop sustainable construction solutions are also fueling innovation and spending.

Our traditional business segments of Cement, Aggregates and Ready-mix Concrete are at the center of these global megatrends. Our international scale and excellent positioning in local markets will enable us to take full advantage of them.

LafargeHolcim is a first-class company with the best assets in a growing building materials market and there are clear opportunities to enhance the business and target growth and outperformance.



Strategy 2022

LafargeHolcim has launched its new Strategy 2022 – 'Building for Growth', that aims to drive profitable growth and simplify the business to deliver resilient returns and attractive value to stakeholders. The new strategy will shift gears towards growth of the top and bottom line over the next five years. Over this period, the Group commits to the following targets[1]:

- Annual Net Sales growth of 3 to 5 percent
- Annual Recurring EBITDA growth of at least 5 percent
- Improvement in Free Cash Flow to over 40 percent of Recurring EBITDA
- Improvement in ROIC to more than 8 percent

The strategy is based on the four value drivers of Growth, Simplification & Performance, Financial Strength and Vision & People.

Growth

The Group will focus on capitalizing on this underlying growth, seeking to deliver above-market performance. LafargeHolcim will utilize its strong asset base to invest in markets where greater opportunities exist while being more selective in other markets. The Group will execute more aggressive strategies for Aggregates and Ready-mix Concrete alongside its existing strong Cement business. The Group will build a fourth business segment, Solutions & Products, to take advantage of products and applications that are closer to the customer. This segment, which currently includes precast, concrete products, asphalt, mortars and contracting and services, already generates annual Net Sales of CHF 2.1 billion. The agile, country-based growth strategies will target value-enhancing bolt-on acquisitions to leverage scale and margins.

Simplification & Performance

The value driver Simplification & Performance, will create a cost disciplined operating model and a corporate-light structure. There will be a greater focus on countries, with local markets empowered and fully profit and loss accountable. The 35 biggest markets will report directly to Group management and local profit & loss leaders will be assigned for all four business segments. The two Corporate business functions have been merged and the Group management is reduced to nine members. Simplification will allow LafargeHolcim to

[1] All figures at constant exchange rates

improve its cost efficiency considerably. This is expected to create an Sales, General & Administration (SG&A) cost saving of CHF 400 million per annum with the related program expected to be completed by Q1 2019. As part of this program, the Corporate offices in Singapore and Miami will be closed by mid-year. A strong performance culture will be created with simplified KPIs and new incentives that are fully aligned to the Group's goals. Profit and loss responsibility and accountability is implemented for countries and all four business segments. In Aggregates and Ready-mix Concrete we intend to close the performance gap to best in class.

Financial Strength
Financial Strength will ensure disciplined value creation through maintaining an investment grade credit rating. Growth will be funded through divestment of selected assets during the course of 2019 worth at least CHF 2 billion. Capex investment will be kept below CHF 2 billion per annum and excess free cash flow will be used to pay an attractive dividend.

Vision & People
Vision & People further develops our values of trust and integrity, our commitment to Health & Safety and our desire to be at the forefront of sustainable construction solutions and innovation. We want to foster an entrepreneurial leadership style and we are focused on the long-term success of LafargeHolcim.

My team and I are now working to implement this strategy across the Group. We will provide regular updates as we focus on achieving our targets and on producing an even stronger result in 2018. On behalf of all of LafargeHolcim's employees I thank you for your continued trust and support.

Jan Jenisch
Chief Executive Officer

OUR STRATEGY
Learn more about our plan to realize our full potential
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BY THE NUMBERS
A summary of 2017 performance
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OUR LEADERSHIP

Meet the LafargeHolcim Executive Committee. Collectively, they are responsible for the day-to-day management of our Group.

Oliver Osswald **Géraldine Picaud** **Marcel Cobuz** **Caroline Luscombe** **René Thibault**

ABOUT OUR DIRECTORS
Learn about our Board of Directors in Corporate Governance

Find out more
P72 — 77

Saâd Sebbar **Jan Jenisch** **Martin Kriegner** **Urs Bleisch**

AROUND OUR BUSINESS

Our materials and solutions help customers meet their objectives. This also helps to solve global challenges.

The building materials sector is highly attractive with growth driven by the rapid rise in the global population, the continuing shift towards urban living and the increasing need for infrastructure development.

As the population grows, so does the need for building. New homes, new workplaces, new infrastructure — all required on an unprecedented scale. Faced with the challenge of rapid urbanization, diminishing resources and climate change, it's not enough to simply meet demand.

Building must be safer and more affordable. The structures we leave behind must be more durable and more sustainable. Materials and techniques must be more friendly to the environment than they have been in the past. Solutions should be developed that will allow builders to gain time and maximize space. Transport links should connect communities and businesses more effectively. Affordable homes that are built today should be passed proudly to the next generation.

As the world's leading provider of building materials and solutions, LafargeHolcim is well-placed to make a difference. We can leverage our global strength and generations of know-how to offer the best and most innovative materials and solutions to our customers.

Together with our customers we are helping to create stronger, more efficient, more versatile, more affordable and more sustainable solutions. Through the LafargeHolcim Foundation for Sustainable Construction we raise awareness of the role that architecture, engineering, urban planning, and the building industry have in achieving a more sustainable future — especially through the LafargeHolcim Awards (see inset).

Today we are becoming a lean, agile organization. We strive to be first to meet our customers' needs, while at the same time we look at our business from many points of view — i.e., an 'integrated approach' — to benefit all our stakeholders.

In the following pages we highlight a few examples of how we've added value in 2017.

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HOW WE PERFORMED

IN OUR REGIONS
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AS A GROUP
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MATERIALS AND TECHNIQUES THAT ARE MORE FRIENDLY TO THE ENVIRONMENT

SOLUTIONS THAT ALLOW BUILDERS TO GAIN TIME AND MAXIMIZE SPACE

TRANSPORT LINKS THAT CONNECT COMMUNITIES AND BUSINESSES MORE EFFECTIVELY

AFFORDABLE HOUSING THAT CAN BE PASSED PROUDLY FROM ONE GENERATION TO THE NEXT

The LafargeHolcim Foundation conducts the most significant global competition for sustainable design — the LafargeHolcim Awards. The 5th Awards in 2017 attracted more than 5,000 projects and visions in sustainable construction to be implemented across 131 countries. Half of all entries were submitted by participants younger than 30 years of age.

The LafargeHolcim Awards Silver winner of 2017 in Asia Pacific by SHAU is shown above. The Fibonacci-inspired park pavilion in Bandung, Indonesia is as minimalistic as it is well conceived — providing not only a public library, but also storage, public toilets and a prayer room.

WORKING FOR TARGET INFRASTRUCTURE MARKETS

Mexico City's new international airport will be the most sustainable in the world — and we are proud to support it. Our teams designed special concretes able to withstand aggressive sulfate and chloride conditions for 75 years, with a minimal environmental footprint. This project adds to the list of major airports we helped build, a list which already includes Jeddah International and Kuala Lumpur International.

We also have expertise in mining. In Canada's Timmins mining camp, we are on-site at one of the world's deepest underground mines where we've developed and continue to supply specialty backfill products to help increase mine output. LafargeHolcim has deployed such mine-specific solutions in more than 40 mines across North America, Africa, Europe and Asia Pacific.

In Algeria LafargeHolcim worked with contractors and local authorities to develop a range of solutions for road foundations and pavement. As a result we helped lower the cost and construction time of road projects and at the same time made them far more durable (enabling a typical lifespan of 15 – 20 years, as compared to 2 – 5 years for conventional road projects). These specific road solutions are now available in more than 20 countries.

Every infrastructure sector has its own specific challenges when it comes to construction and operations. LafargeHolcim's expert infrastructure teams work from the design stage to deliver sector-specific solutions so that infrastructure projects are more efficient and sustainable, anywhere in the world.

TAILORED SOLUTIONS

*Want to comment? Tweet @LafargeHolcim using **#INFRASTRUCTURE***

CUSTOMER FOCUS

Want to comment? Tweet @LafargeHolcim using ***#RETAIL***

CLOSE TO OUR MARKETS

In 2005 we established a retail construction franchise network, called Disensa, in Ecuador. The network laid the foundation for a worldwide expansion that now accounts for 1,000 Disensa stores across Latin America (including Mexico) and more than 600 similar stores in the Middle East and Africa, where they're called Binastore.

Our vision for retail is to offer self-builders and smaller contractors a one-stop shop. Within our stores these customers enjoy easy access to LafargeHolcim's own building solutions as well as a wide range of other construction materials and services.

The stores support customers with microcredit and technical help as well as complete kits for different phases of home building. They also offer solutions to facilitate construction including financing plans, access to architects and standard building designs.

To strengthen the foundation we give our franchisees the tools to succeed, for example with training on products, store management, marketing and finance.

With individual customers accounting for around 60 percent of Group net sales, having direct access to the retail market is a strategic priority. In 2018 we aim to continue broadening our reach, focusing particularly on India and Southeast Asia. This global initiative demonstrates how we are bringing our commitment to commercial excellence to life for our retail customers while developing a strong network of trained franchisees.

CLOSING THE CIRCLE

In December 2016, Bouygues Construction began renovating two heritage buildings in the heart of Paris. Rather than producing new concrete for the reconstruction project, they partnered with LafargeHolcim's business in France to turn the sites' rubble — the waste left behind after construction and demolition — into ready-to-use concrete. Using our aggneo® solutions, our teams in France were able to make use of all inert material, turning 12.5 percent into new concrete products and 87.5 percent into new road gravels.

Transporting, sorting and recycling 4,000 tonnes of demolition materials meant that we preserved that same amount of natural resources from quarry extraction. More than 500 tonnes of this waste was then recycled to make new concrete, contributing to a reduction in CO_2 emissions of up to 8 percent for 1 tonne of recycled aggregates.

The two renovated buildings now comply with France's green building standards ("Haute Qualité Environnementale" or HQE) as well as Europe's targets for the recycling of construction and demolition waste. This circular economy project is also an illustration of how the solutions driven by our sustainability strategy (The 2030 Plan) can be used to overcome the real-life building challenges faced by our customers and partners.

RECYCLED MATERIALS

Want to comment? Tweet @LafargeHolcim using ***#CIRCULARECONOMY***

UNLOCKING VALUE

Want to comment? Tweet @LafargeHolcim using ***#WASTEMANAGEMENT***

GEOCYCLE IN INDIA

In India about 80 percent of municipal waste is uncontrolled, dumped and openly burned. The problem is felt acutely in Goa, where the economy thrives on tourism. Local authorities are tackling the problem head-on, showcasing new methods to create a clean and green Goa.

In 2017 Geocycle India met with public and private sector players working on landfill remediation. To demonstrate how they could help, Geocycle co-processed approximately 5,000 tonnes of refuse-derived fuel, winning the trust of authorities.

The pilot provided a sustainable model for cleaning up landfills without any future liability for the state government. The Goa site is now being visited by city officials from all over India as a showcase of successful partnership between Geocycle and municipalities. Municipalities of Bangalore, Chennai, Mumbai and others are now looking at similar projects.

SOLVING A MOUNTING CHALLENGE

Fifty million people move to cities each year to find better opportunities for themselves and their children. One consequence is a lot more waste. Between 2012 and 2025, the amount of municipal solid waste generated each year will increase from 1.3 billion tonnes to 2.2 billion tonnes, according to World Bank estimates.

Our Geocycle business offers a unique and sustainable solution to this growing challenge. Today Geocycle treats around 10 million tonnes of waste annually, serving more than 10,000 customers in over 50 countries. Our aim is to reach 22 million tonnes by 2025.

Using state-of-the art technology, tailored processes and in-depth expertise, Geocycle converts industrial, municipal and agricultural waste into a suitable material from which mineral and/or combustible components can be recovered in our cement kilns.

The extremely high temperatures required for cement production offer a unique and safe solution to dispose of waste for which no other solution exists. Geocycle thus opens a channel for a ‘circular economy’: it takes waste that cannot be reused or recycled, treats it and then converts it into a resource.

Geocycle contributes to lower CO_2 emissions from cement production by reducing use of natural resources such as fossil fuels and virgin raw materials. Simultaneously it conserves land which would otherwise be used for landfill and reduces air and water pollution as compared to either landfill or incineration. This also significantly reduces the burden on municipalities that need solutions to this ever-growing problem.

MARKETPLACE

The world needs to build — now more than ever before. At LafargeHolcim we offer materials and solutions that meet the needs of customers around the world. This is our marketplace.

LONG-TERM TRENDS AFFECTING OUR BUSINESS

URBANIZATION

The number of people living in cities increases by 50 million every year, and the figure is growing. In the next fifteen years the number of cities whose population exceeds 15 million will rise from 13 to 20, with all seven new 'megacities' appearing in emerging markets. By 2050 an estimated six billion people — or two-thirds of the world's population — will live in cities. This growth will require durable, affordable workplaces and homes. Resilient and sustainable buildings must be constructed in congested urban areas, and the non-recyclable construction waste must be disposed of sustainably.

GLOBALIZATION AND THE CONTINUED RISE OF EMERGING MARKETS

National boundaries and geographical distance are less important than in the past. Ideas, goods and services now travel more freely, helping to diffuse the locations of innovation and economic growth. This will be a key driver of the increasing share of wealth creation that will occur in emerging Asia, Africa and Latin America.

CHANGING STAKEHOLDER EXPECTATIONS

The proliferation of mobile devices and social media enables political and social activity just as much as economic activity. Interest groups can advance their agendas quickly and draw membership from a wider geographic area. Ordinary citizens can thus wield greater influence over commercial and non-commercial institutions than in the past.

CLIMATE CHANGE AND SUSTAINABLE RESOURCE MANAGEMENT

The earth's climate is changing. The 2015 UNFCCC COP21 conference in Paris marked a turning point in the global consensus, achieving broad agreement that society must reduce its carbon emissions to help limit warming to a tolerable level (the '2 degree scenario'). This deliberate reduction will have significant consequences for building and infrastructure designers, developers and owners, the construction industry and the construction materials industry. Most notably, sustainability criteria are becoming an increasingly critical decision factor when choosing building materials.

50m

Increase in the number of people living in cities every year

THE SHORT-MEDIUM TERM ENVIRONMENT

OVERCAPACITY

From a global perspective, cement plants are being utilized below capacity. However, the market-level picture varies. While some markets indeed face structural over-supply issues, others remain under-supplied.

DIGITALIZATION

Whether it's homebuilders buying materials online or developers conceptualizing projects over a virtual workspace, digital technologies are reshaping the practice of building.

ENVIRONMENTAL REGULATION AND QUASI-REGULATION

Regulators aren't the only ones enforcing environmental standards. Investors, NGOs, employees and communities expect companies to be transparent about their activities and mindful of the potential impact.

OUR RESPONSE

The markets for building materials are fundamentally local — so location and diversification are key.

LafargeHolcim operates in a roughly even balance between mature and emerging markets. Urban markets are a strength. We are among the top three in 80 percent of our markets, and no single market contributes more than 15 percent of our revenue.

Global strength allows us to disseminate best practices and innovative products. Through our research and development we develop new products and solutions that deliver more for our customers and meet their specific needs, for example in Building Information Modelling. Often our research leads to products with enhanced sustainability characteristics, providing benefits to society overall.

We are focused on creating value for all stakeholders over the long term. This is one of the main reasons we developed The 2030 Plan, which reflects our view of sustainability as both responsibility and business opportunity. (Our full performance against this plan is reported in the 2017 Sustainability Report, to be published April 2018.) And as demonstrated by our active engagement in the Carbon Pricing Leadership Coalition and the Carbon Disclosure Project, we support carbon pricing mechanisms as essential to developing competitive low-carbon solutions as well as transparency in disclosing carbon-related performance.

The strategy that follows has been developed in full view of the trends in our marketplace and our unique strengths as a company. It will guide us for the next five years.

STRATEGY 2022: BUILDING FOR GROWTH

STRATEGY WILL DELIVER ATTRACTIVE RETURNS

LafargeHolcim's new Strategy 2022, "Building for Growth", aims to drive profitable growth and simplify the business to deliver resilient returns and attractive value to stakeholders.

The new strategy will shift gears towards growth of the top and bottom line over the next five years. Over this period, the Group commits to the following targets[1]:

NET SALES GROWTH

3-5 %
ANNUALLY

RECURRING EBITDA GROWTH

OF AT LEAST
5 %
ANNUALLY

FREE CASH FLOW TO RECURRING EBITDA

>40 %

RETURN ON INVESTED CAPITAL

>8 %

CHIEF EXECUTIVE'S STATEMENT

Find out more
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BY THE NUMBERS

Find out more
P26 — 27

The strategy is based on the four value drivers of **Growth, Simplification & Performance, Financial Strength** and **Vision & People**.

The building materials market is a CHF 2,500 billion fragmented global market which is forecast to grow 2 to 3 percent per annum, faster than GDP. Through the value driver **Growth**, the Group will aim to capitalize on this underlying growth, seeking to deliver above-market performance. LafargeHolcim will utilize its strong asset base to invest in markets where greater opportunities exist while being more selective in other markets. The Group will execute more aggressive strategies for Aggregates and Ready-mix Concrete alongside its existing strong Cement business. The Group will build a fourth business segment, Solutions & Products, to take advantage of products and applications that are closer to the customer. This segment, which currently includes precast, concrete products, asphalt, mortars and contracting and services, already generates annual Net Sales of CHF 2.1 billion. The agile, country-based growth strategies will target value-enhancing bolt-on acquisitions to leverage scale and margins.

[1] All figures at constant exchange rates

Our strategy will enable us to realize the full potential of LafargeHolcim.

GROWTH

SIMPLIFICATION & PERFORMANCE

FINANCIAL STRENGTH

VISION & PEOPLE

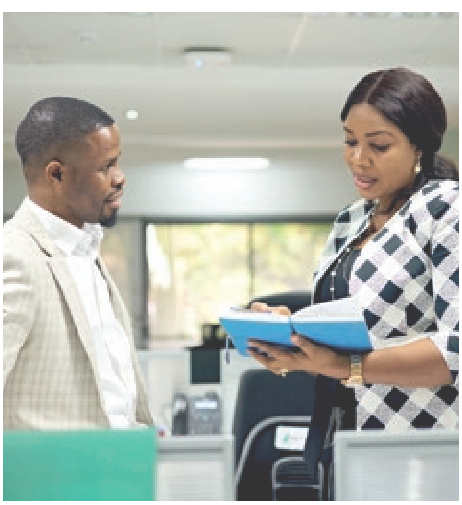
The value driver **Simplification & Performance** will create a cost disciplined operating model and a corporate-light structure. There will be a greater focus on countries, with local markets empowered and fully profit and loss accountable. The 35 biggest markets will report directly to Group management and local profit and loss leaders will be assigned for all four business segments. The two Corporate business functions Performance & Cost and Growth & Innovation have been merged and the Group management is reduced to nine members. The simplification will allow LafargeHolcim to improve its cost efficiency considerably. This is expected to create a Sales, General & Administration (SG&A) cost saving of CHF 400 million per annum with the related program expected to be completed by Q1 2019.

A strong performance culture will be created with simplified KPIs and new incentives that are fully aligned to the Group's goals. Profit and loss responsibility and accountability is implemented for countries and all four business segments. In Aggregates and Ready-mix Concrete, the Group intends to close the performance gap to the best-in-class performers.

Financial Strength will ensure disciplined value creation through maintaining an investment grade credit rating. Growth will be funded through divestment of selected assets during the course of 2019 worth at least CHF 2 billion. Capex investment will be kept below CHF 2 billion per annum and excess free cash flow will be used to pay an attractive dividend.

The value driver **Vision & People** further develops the values of trust and integrity, the commitment to Health & Safety and the desire to be at the forefront of sustainable construction solutions and innovation. We want to foster an entrepreneurial leadership style and a focus on the long-term success of LafargeHolcim.

BY THE NUMBERS



FINANCIAL

RECURRING EBITDA [1]
MILLION CHF

17	5,990
16	5,950

A key measure of earnings and operating profitability.

2017 in brief
Solid performance led by good growth in India and operational excellence in the US.

FREE CASH FLOW [2]
MILLION CHF

17	1,685
16	1,660

A measure of how much cash our business generates.

2017 in brief
A benefit of prudent capital allocation focusing on key markets.

RETURN ON INVESTED CAPITAL [3]
%

17	5.8
16	5.2

A measure of how well we deploy capital to generate returns.

2017 in brief
A strong foundation for future performance.

1 Excluding restructuring, litigation, implementation and other non-recurring costs.
2 Cash flow from operating activities less net maintenance and expansion Capex.
3 Return On Invested Capital is defined as Net Operating Profit After Tax (NOPAT) divided by the average Invested Capital. The average is calculated by adding the Invested Capital at the beginning of the period to that at the end of the period and dividing the sum by 2 (based on a rolling 12 month calculation).

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OPERATIONAL

SALES OF CEMENT
MILLION TONNES

17	209.5
16	233.2

A critical input to housing, non-housing and infrastructure construction.

2017 in brief
Turnaround in second half of 2017 drives performance.

SALES OF AGGREGATES
MILLION TONNES

17	278.7
16	282.7

A key material for roads, landfills and buildings.

2017 in brief
Stable performance despite difficult weather.

SALES OF READY-MIX CONCRETE
MILLION M³

17	50.6
16	55.0

Used by construction and public works contractors worldwide.

2017 in brief
Challenging conditions in key markets.

NON-FINANCIAL

CO_2 EMISSIONS
% INTENSITY REDUCTION

17	24
16	24

Reduction of net CO_2 emissions per tonne of cement[1] compared to 1990 (the industry baseline).

2017 in brief
Stable performance of net CO_2 emissions per tonne of cement

HEALTH & SAFETY
FATALITIES

17	31
16	47

We want to achieve a zero fatality target by 2030.

2017 in brief
The number of employees who lost their lives increased from three to ten. Thirty-four third-party individuals died, compared to 39 in 2016.

GENDER DIVERSITY
% MINIMUM OF EACH GENDER

17	18
16	15

We track gender diversity at management level.

2017 in brief
The figure at left combines top and senior management levels.

[1] This refers to cementitious materials as per WBCSD-CSI Cement CO_2 and Energy Protocol

BUSINESS REVIEW: ASIA PACIFIC

In 2017 volumes were stronger in India, though challenges remain in Southeast Asia.

Our presence*

117
CEMENT & GRINDING PLANTS

68
AGGREGATES PLANTS

354
READY-MIX CONCRETE PLANTS

*including joint ventures

Market overview

Our Asia Pacific region is our largest in terms of cement volumes as well as employees. While the region is diverse, cement markets in Asia Pacific can largely be characterized as fragmented, with potential for consolidation. The region's demographic profile features young and growing populations, with rapid urbanization and often low per capita cement consumption. That picture is evolving, however, as more governments focus on infrastructure investment to support long-term economic growth leading to increasing industrialization of the construction sector. As this trend takes hold the share of bulk sales will grow as compared to retail, which is currently predominant in the region overall.

2017 in review

Volumes in India strongly increased in the full year supported by a more favorable environment post-demonetization pulling up the demand and the addition of new capacity. In China, the Group posted solid operational performance. Prices and volumes benefited, particularly at year end, from the impact of government initiatives on environmental protection. Good top line development in Australia was driven by regional demand particularly in New South Wales.

WHERE WE OPERATE
- ● Cement plant
- ▲ Grinding plant

These solid regional performances were offset by challenging market conditions in a cost inflationary environment in Southeast Asia. Strong competition and soft demand in Malaysia affected price levels compared to the prior year. In the Philippines, delays in infrastructure projects and an influx of imports affected revenues. In Indonesia, continuous volume growth was muted by pressure on price resulting from new capacity in the market.

1,418

RECURRING EBITDA
CHF MILLION

2016: 1,594

CONSOLIDATED CEMENT GRINDING CAPACITY MILLION TONNES PER YEAR

117.4
ASIA PACIFIC

67.8
INDIA

14.8
INDONESIA

10.9
CHINA

10.9
MALAYSIA

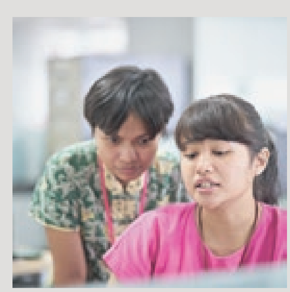
9.1
PHILIPPINES

3.9
BANGLADESH

Circular economy

In 2017 the Chinese government enforced a number of plant shutdowns in the steel and cement industry as a means of mitigating their environmental impact. However, the ruling did not affect the facilities of Huaxin Cement (a joint venture company), due to its far-sighted commitment to alternative fuels.

For years Huaxin has adhered to a harmonious integration of business activities and environmental protection. Based on the pressing need to safely dispose of solid waste in China, Huaxin has developed innovative technologies for co-processing domestic waste, floating waste, municipal sludge and hazardous waste in cement kilns. It has received 94 patents and 1 software copyright for its innovations in co-processing solid waste in Huaxin kilns.



BUSINESS REVIEW: EUROPE

Market recovery in the region and continued focus on costs support further margin expansion.

Our presence

56
CEMENT & GRINDING PLANTS

267
AGGREGATES PLANTS

569
READY-MIX CONCRETE PLANTS

Market overview

Our Europe region can be roughly divided into Eastern and Western Europe, with Eastern Europe performing strongly in recent quarters due to positive growth and infrastructure investment. Our largest Western European markets have grown more slowly, though macroeconomic indicators have been improving recently. There has been notable growth in the countries bordering the Mediterranean, albeit from a low base. Across Western Europe there are extensive long-term infrastructure plans already in place (e.g., in France and the UK) which we expect to see developing in the coming years. We see positive implications in rising employment levels and demand for housing.

2017 in review

In 2017 the region ended the year up 2 percent in Net Sales on a like-for-like basis compared to the prior year. Recurring EBITDA was up 3.7 percent.

Strong performances in Eastern Europe continued in 2017. Western Europe was faced with a number of unrelated operational challenges, with France and Belgium impacted in the beginning of the year and Germany at the end. These temporary disruptions have all since been resolved and do not undermine the fundamentally positive market developments we see accelerating in Western Europe. In Switzerland a number of important infrastructure projects came to an end in 2016, leading to a drop in contributions.

1,385
RECURRING EBITDA
CHF MILLION
2016: 1,334

WHERE WE OPERATE
- ● Cement plant
- ▲ Grinding plant

CONSOLIDATED CEMENT GRINDING CAPACITY
[MILLION TONNES PER YEAR]

73.4 EUROPE	**9.7** FRANCE	**9.6** RUSSIA
7.6 SPAIN	**7.3** GERMANY	**7.0** POLAND
5.7 ROMANIA	**4.8** GREECE	**3.3** SWITZERLAND
2.4 ITALY	**2.1** AUSTRIA	**2.1** BELGIUM
1.9 AZERBAIJAN	**1.9** UNITED KINGDOM	**1.8** HUNGARY
1.5 BULGARIA	**1.4** SERBIA	**1.3** MOLDOVA
1.2 CZECH REPUBLIC	**0.9** CROATIA	

Innovative solutions

At our Retznei plant in Austria we are participating in a pilot project that may help solve carbon emissions. The project aims to demonstrate how carbon emissions from cement production can be safely captured and stored, with a special focus on efficient methods to retrofit the necessary equipment onto existing plants.

Carbon capture and storage (CCS) is one of many tools that can help reduce greenhouse gas emissions of cement manufacturing. Energy efficiency measures and renewable fuels can also play a big part (see page 20). CCS is an attractive counterpart, as it can help address emissions due to the calcination of limestone, which accounts for a large portion of emissions.

BUSINESS REVIEW: LATIN AMERICA

Another year of strong performance in Latin America — and a milestone for retail.

Our presence

30
CEMENT & GRINDING PLANTS

11
AGGREGATES PLANTS

98
READY-MIX CONCRETE PLANTS

Market overview

The Latin America region contains a number of attractive markets with strong underlying demographics and expanding middle classes driving demand for building materials. A large share of that demand is attributable to small and self-builders, making it a natural home for retail.

2017 in review

In Latin America we finished the year up 11 percent in Net Sales on a like-for-like basis compared to 2016 and 22.9 percent higher in terms of Recurring EBITDA.

Mexico and Argentina were the two standout performers in 2017. Major infrastructure projects drove demand in Mexico (see page 15), while there was a general pickup in Argentina, notably in housing, due to broad economic and political improvements. We also celebrated the opening of the 1,000th Disensa store this year, highlighting the successful roll-out of our retail strategy in its home region. Teams in Brazil continue to focus on managing costs while the economic slowdown continues.

WHERE WE OPERATE
● Cement plant
▲ Grinding plant

1,055

RECURRING EBITDA
CHF MILLION
2016: 885

CONSOLIDATED CEMENT GRINDING CAPACITY MILLION TONNES PER YEAR

39.3 LATIN AMERICA	**12.2** MEXICO
10.8 BRAZIL	**5.5** ECUADOR
4.7 ARGENTINA	**2.1** COLOMBIA
1.7 EL SALVADOR	**1.1** COSTA RICA
0.7 WEST INDIES	**0.4** NICARAGUA

Empowered to succeed

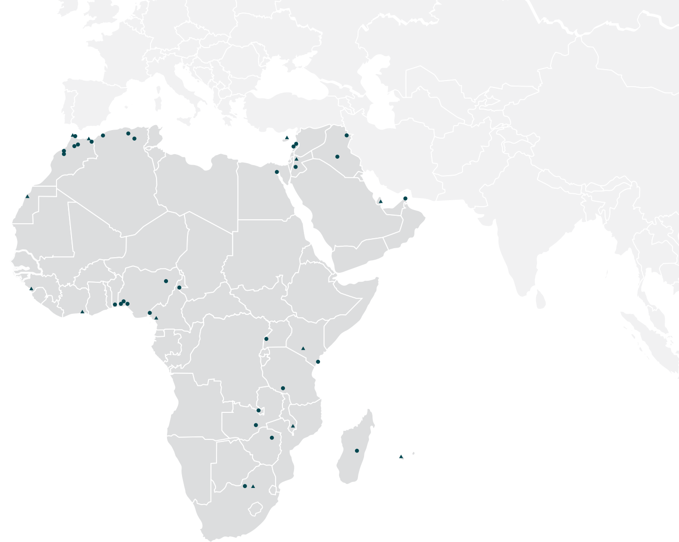
The Brazilian economy has been in recession since 2014, with predictable impact on our business.

But rather than making cost reduction a task for management alone, we invited the entire organization to contribute. It's the employees, after all, who know the plants and work processes best.

More than 350 initiatives have been launched and implemented at the plants and offices in Brazil thanks to our employees' suggestions through the "Crie Na Crise" ('create in the crisis') program.

The program has delivered a sizeable portion of savings over 2017. We have focused on sharing, replicating, rewarding and recognizing the hundreds of initiatives generated by our employees in the program. It's a consequence of empowering people to take control of their environment and their futures.

BUSINESS REVIEW: MIDDLE EAST AFRICA



A challenging year in the region.

Our presence*

44
CEMENT & GRINDING PLANTS

30
AGGREGATES PLANTS

212
READY-MIX CONCRETE PLANTS

*including joint ventures

Market overview

The Middle East Africa region has the strongest demographic profile for growth among all regions, with rapidly growing middle classes and a strong, long-term trend toward urbanization driving a sustained rise in per capita consumption of cement. However, the region also suffers from greater volatility and typically has developing political and economic institutions. Success in this region especially depends on long-term commitment.

2017 in review

In the Middle East Africa region we finished the year up 5.4 percent in Net Sales on a like-for-like basis compared to 2016, and 3.5 percent higher in terms of Recurring EBITDA. However, matching the prior-year performance became steadily more difficult over the 12 months with like-for-like Net Sales and Recurring EBITDA declining in the fourth quarter.

Overall this was a challenging year for some markets in the region. Profitability in Algeria diminished in the second half of the year, on the back of weaker cement demand and a shift from a sold-out to an over-supplied environment. Competition in Egypt intensified in a macroeconomic environment still affected by currency devaluation and high inflation. Nigeria also suffered through a hard economic period for the first three quarters. In both Nigeria and Egypt our teams have responded with a range of commercial and cost initiatives, including increasing the use of alternative fuels and optimizing logistics. Several countries in the region are also looking to export as a means of compensating for slowing local demand.

1,085
RECURRING EBITDA
CHF MILLION
2016: 1,247

WHERE WE OPERATE
- ● Cement plant
- ▲ Grinding plant

CONSOLIDATED CEMENT GRINDING CAPACITY
MILLION TONNES PER YEAR

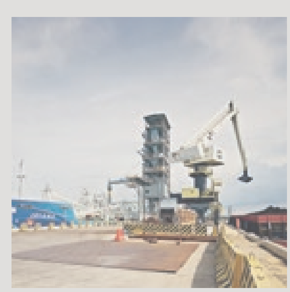
55.3 MIDDLE EAST AFRICA	**12.6** ALGERIA	**10.5** NIGERIA
8.9 EGYPT	**5.7** IRAQ	**3.9** JORDAN
3.2 SOUTH AFRICA	**2.5** LEBANON	**2.3** KENYA
1.4 ZAMBIA	**1.2** UGANDA	**1.1** TANZANIA
0.6 QATAR	**0.5** REUNION	**0.4** ZIMBABWE
0.3 MALAWI	**0.2** MADAGASCAR	

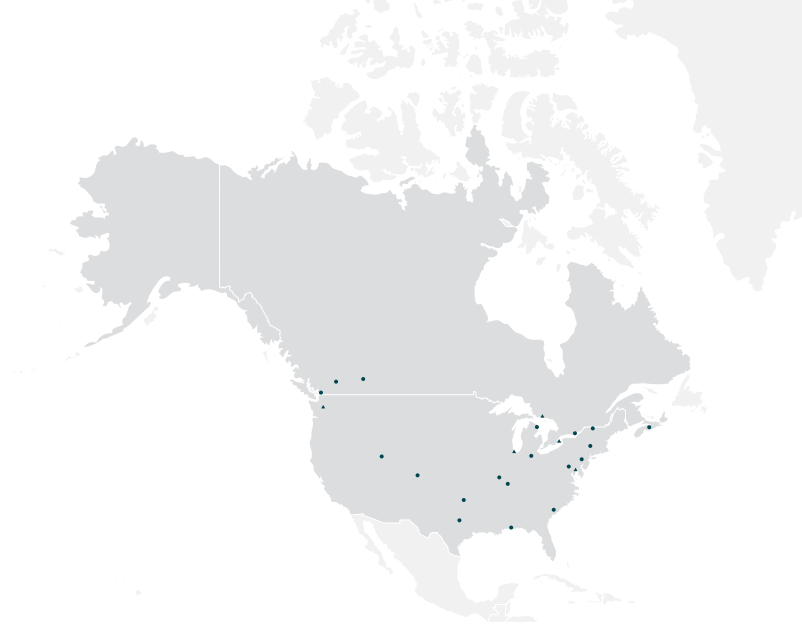
From a global view

As the world's leading building materials group, we have a worldwide view of the seaborne cementitious trade market as well as a wide network of customers. LafargeHolcim Trading is there to help take advantage of this scale, capturing additional opportunities to generate additional profits outside of local markets.

This global strength helped support the Middle East Africa region in 2017. Following the steep decline in the Egyptian market, 1 million tonnes of cement and clinker were exported through Trading in 2017. We were able to conclude the first cement exports out of Algeria.

Every year LafargeHolcim trades approximately 35 million tonnes of cementitious materials, gypsum, slag, and other dry bulk goods around the world.





BUSINESS REVIEW: NORTH AMERICA

Continued strong performance in our largest region in terms of earnings.

Our presence

24
CEMENT & GRINDING PLANTS

253
AGGREGATES PLANTS

246
READY-MIX CONCRETE PLANTS

Market overview

The North America region is stable, efficient and highly industrialized.

Demand for infrastructure investment is expected to rise in the coming years in both the US and Canada after a disappointing 2017, creating positive prospects for the building materials industry.

Of all cement companies operating in the US, we have the broadest coverage as well as some of the newest and most efficient plants. In Canada we enjoy a strong market position, especially in the western half of the country.

Strong economic indicators suggest that demand in the US will be supported by rising employment and housing construction, while the Canadian economy is poised to benefit from rising commodity prices.

2017 in review

In North America we finished the year down 0.4 percent in Net Sales on a like-for-like basis compared to 2016, and 10.5 percent like-for-like increase in terms of Recurring EBITDA.

The North America region posted another year of strong growth in profitability thanks to the Ste Genevieve (MO) ramp-up after enhancements and improvements at our plant in Ravena (NY). The contribution from Canada was also strong as the oil sector continued its recovery.

WHERE WE OPERATE
- ● Cement plant
- ▲ Grinding plant

1,483
RECURRING EBITDA
CHF MILLION
2016: 1,335

CONSOLIDATED CEMENT GRINDING CAPACITY MILLION TONNES PER YEAR

33.0
NORTH AMERICA

24.7
UNITED STATES

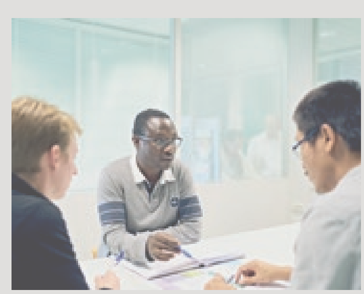
8.3
CANADA

Digital learning

In North America we already operate some of the most advanced and efficient plants in our industry. We aim to train our teams with the same cutting-edge approach.

By using digital e-learning platforms we have found a more efficient and effective way to promote employee understanding of critical topics such as health and safety. We use those same platforms to deliver targeted training for specific groups, such as commercial teams who need to understand and sell new products.

Compared to conventional methods, the digital approach offers more consistent content and quality. Training can be delivered nearly wherever and whenever it suits the trainee. The platforms also deliver feedback on trainee competence that can be aggregated to give us a picture of the overall state of skills and knowledge across our organization.



INNOVATION

We seek to understand our customers' challenges with one goal in mind: creating new ways to operate and better serve their needs.

Like many countries, Malaysia struggles to meet a growing need for affordable housing. In 2017 the government tested four different approaches to tackling the problem, judging each for efficiency, quality and cost.

Lafarge Malaysia innovated to win with an approach called FASTBUILD™. Developed in partnership with MFE Aluminum Formwork, FASTBUILD™ capitalizes on Agilia® — our highly fluid, self-placing and self-leveling concrete. Agilia® flows through the FASTBUILD™ formwork, leaving no space unfilled and producing flawless finishing.

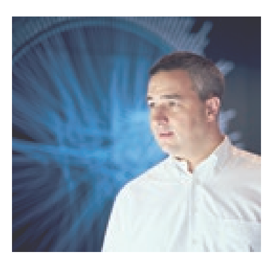
The approach delivers ultra-rapid construction of affordable, quality homes. It's also cost-effective, as the formwork can be used up to 100 times without sacrificing quality.

Following its impressive debut, the FASTBUILD™ solution was quickly selected for another 3,500 homes across Malaysia, and it is currently being deployed in Nigeria and Iraq.

Focused on customer needs

At LafargeHolcim, innovation is for our customers. We constantly seek to understand their challenges with one goal in mind: creating new ways to operate and better serve their needs.

For construction companies, for example, we know that building faster and more efficiently means increased productivity and additional business. So we have developed specialty concretes, such as our rapid-strength Chronolia® and Speedcrete, as well as self-placing and self-leveling concretes (Agilia®, Easycrete, or Cemflow) that lead to quicker construction. We develop ultra-high performance concretes such as Ductal®, which support beautiful, efficient and high-strength building systems and construction elements.



Demand for better living standards and more efficient infrastructure, digitalization of the construction value chain and the requirement to develop sustainable construction solutions are fueling innovation and spending.

CHIEF EXECUTIVE'S STATEMENT
P6 — 9

After innovating at the product stage we then invest to make sure we're actually reaching the market by creating networks of professionally-trained partners who can apply the technology.

We're also bringing targeted innovations to the infrastructure sector. Roads, mines, ports, dams, data centers, stadiums, wind farms, and electric power plants are often complex projects. All these sectors have specific ecosystems with international players acting globally and expecting specific construction solutions from us. Our offer includes an international key account management team, which supports major infrastructure players from the project design phase forward, bringing dedicated sectoral expertise and world-class construction material solutions to these critical projects (see page 14).

We're taking advantage of opportunities arising from the ongoing digitization of the construction value chain, such as Building Information Modelling (BIM). By employing 3D models at all stages of construction, BIM promotes collaboration and can significantly increase the effectiveness and efficiency of construction. We aim to ensure that all our countries are BIM-ready.

In many of our markets, the emergence of climate change challenges has started to change the game for our clients. Developers and project owners have to comply with sustainable construction requirements such as energy efficiency, water management or recycling. We have a range of solutions to help our clients achieve high environmental standards, including our mineral insulating foam Airium or energy efficient insulating concrete Thermedia. We extend the lifecycle of building materials, as with our recycled aggregates (like aggneo®, see page 18).

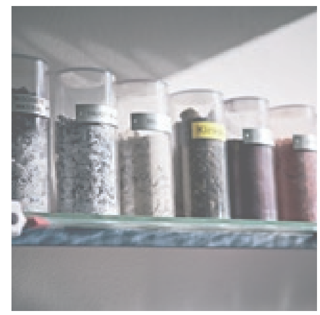
We innovate for customers working at every level. Masons and individual homebuilders, for example, need materials and solutions close to where they live and work. Therefore, we have developed local retail networks in emerging markets, such as Disensa in Latin America and Binastore in Middle East Africa (see page 17). In regions where people lack access to decent housing we've implemented a range of solutions, from microfinance schemes to earth-cement building solutions such as our low-carbon Durabric.

Yesterday's innovations are showing up in our bottom line today. In waste management, for example, we have decades of experience to developing innovative and tailored approaches for a variety of customers. Today the heritage continues under the Geocycle brand, which maintains a network of more than 50 operations that together comprise one of the world's leading providers of waste management services (see page 21).

The innovation pipeline

The cornerstone of our global R&D activities is the LafargeHolcim Research Center in Lyon, France. It is the first and largest research center in the global construction industry.

Of course our business is highly local so we operate a network of local laboratories. In 2017 we opened our eighth Construction Development Lab (CDL) in Morocco. The Casablanca CDL will house 50 engineers, architects and technicians specialized in Moroccan and African construction markets. Like its counterparts in Algeria, Argentina, China, France, India, Malaysia and Mexico, the Casablanca facility will develop partnerships with startups, universities and other institutions. It will test new ideas and organize training to promote innovative solutions in the target markets.



This approach has led to many successes. Our India CDL helped the inhabitants of Dharavi, a slum in the heart of Mumbai, to build solid and watertight houses. The Algerian CDL developed a specific product for soil stabilization in road construction. In China, the CDL team developed Thermedia® Screed 0.3, which is four times more insulating than traditional floor screeds. And on a global level, our portfolio includes more than 1,500 patents.

At LafargeHolcim, innovation is for our customers. We constantly seek to understand their challenges with one goal in mind: creating new ways to operate and better serve their needs.

OUR PEOPLE

Our people strategy focuses on developing a stronger performance culture and investing in developing current and future leaders.

Leadership development

In 2017 LafargeHolcim invested in developing new programs and approaches to leadership development building on previous best practices. We have a broad range of programs for developing all levels of leadership including newly appointed managers and supervisors. We offer a wide range of training programs to our employees to build skills in many areas including business, financial, Health & Safety, operations and compliance topics.

Performance and talent management

We have a well-established global performance management system where employees agree objectives at the beginning of the year and line managers are encouraged to regularly review performance and set development objectives with individuals and teams. Strengthening our feedback is an important part of improving our performance culture — a priority for 2018.

In 2017 we launched a new global Talent Review & Succession Planning process to enable better succession planning and career and development decisions and identify where we need to improve our talent pipeline to ensure we have the right people for our current and future business.

Employee engagement

In 2017, we again ran a global employee survey and followed up with focus groups in countries to address areas for improvement as well as sharing best practices across the Group.

Diversity and inclusion

LafargeHolcim values diversity and promotes a workplace that is inclusive and fair and which fosters respect for all employees. In 2017, we:

- Set 2020 targets and action plans at country and regional levels covering gender balance and inclusion
- Developed an Inclusion Index to measure the extent to which our employees feel they are valued by the company and are committed
- Created a global and multi-functional task force to contribute to our Diversity & Inclusion programs
- Started to roll-out Inclusiveness programs to raise awareness of unconscious bias starting at the top of the company

COMPOSITION OF MANAGEMENT

	MALE	FEMALE	PERCENTAGE OF WOMEN
Top management level	127	11	8%
Senior management level	1,175	271	19%
Total	1,302	282	18%

GROUP EMPLOYEES BY REGION

	2017	2016
Asia Pacific	24,153	31,274
Europe	21,317	21,829
Latin America	9,305	10,536
Middle East Africa	12,901	13,191
North America	12,697	12,257
Service and trading companies	1,588	1,816
Total Group	81,960	90,903

GROUP EMPLOYEES BY SEGMENT

	2017	2016
Cement[1]	47,531	56,133
Aggregates	10,777	11,816
Other construction materials and services	22,182	21,257
Diverse	1,470	1,697
Total Group	81,960	90,903

[1] Including all other cementitious materials.

HEALTH & SAFETY

Health & Safety

Health & Safety (H&S) is a core value of the LafargeHolcim Group, which has established targets of a zero harm culture and zero fatalities by 2030. In 2017, the H&S strategy (Ambition "0") was revised in collaboration with over 60 country CEOs and more than 200 executives throughout the Group. Ambition "0" focuses on six areas: onsite Fatality Elimination, Zero Harm Culture, Systems & Processes, Road Safety, Control of Health Risks and Contractor Partnerships.

With the new strategy in place standardized global programs are being developed to drive a consistent approach and zero harm culture in every country where we operate.

H&S is promoted through engagement and communication campaigns. Our Global H&S Days, introduced in 2016, were continued in 2017, using the theme "Stop Unsafe Work". We also introduced a new Key Lessons format, sharing all incidents in a simple and effective way to reach all members of the workforce.

HEALTH & SAFETY

		2017	2016
Fatalities		**31**	47
Fatalities by personnel category	Employees	**10**	3
	Contractors	**21**	44
Fatalities by location	Onsite	**17**	18
	Offsite	**14**	29
Lost time injury (LTI) [1]	Employees	**173**	231
	Contractors onsite	**169**	233
Lost time injury frequency rate (LTIFR) [2]	Employees	**0.93**	1.08
	Contractors	**0.89**	0.99
	Employee and contractors onsite	**0.91**	1.03

[1] Lost Time Injury: Work-related injury, after which the affected person cannot work for at least one full shift or full working day any time after the shift or day on which the incident causing the work-related injury occurred, regardless of whether such person is scheduled to work.

[2] Lost time injury frequency rate: number of lost time injuries per million hours worked

Despite these efforts, and most regrettably, 31 employees and contractors lost their lives in 2017 compared to 47 in 2016. While the number of contractors who died dropped significantly, the number of employees who lost their lives increased from 3 to 10 due to the nature of the onsite incidents that occurred in 2017. Thirty-four third-party individuals died, compared to 39 in 2016.

These deaths are unacceptable. The Board and management are committed to ensuring that the strategy and underpinning programs are fully embedded in the organization.

Road safety program

Based on the fact that less than 5 percent of driving incidents are due to vehicle condition, the 2017 road safety efforts focused on monitoring and improving driver skills and behavior. The training program has been fully revisited so that going forward, training has to happen in-cab and must include a robust pass/fail assessment. Recognized experts in driver training have been identified at Group level to ensure high-quality training is implemented in all countries with qualified trainers. We have started to use in-vehicle monitoring systems (iVMS) to evaluate both driver behavior (speed and hours of work) and skills (harsh braking and harsh acceleration). Training and/or consequence management is applied accordingly. In India we've launched a Central Transport Control Tower pilot project as part of our effort to improve road safety.

Monitoring our worksites

Through the continued application of our Design Safety and Construction Quality Program (DSCQP), we mitigate risks linked to design safety and construction quality of structures (steel, concrete, etc.) and quarries (and slopes), in order to prevent catastrophic failures and incidents. In 2017 we invested CHF 79 million based on DSCQP recommendations. Such vigilance helped support a target outcome on our own capital expenditure projects — i.e., zero fatalities — in 2017.

Supporting the health of our workforce

The implementation of the renewed health program began in January 2017. A global reporting module for occupational illness cases was included in our H&S incident reporting system.

Every global Unit management team (560) completed a baseline assessment to rate the level of maturity of 17 key health program elements. Based on these findings, each country selected actions to address the highest-priority health risk as part of their 2017 H&S Improvement Plan. The country data was analyzed to identify the ten lowest-maturity countries, which then received additional support from Group occupational medicine and hygiene specialists.

In 2017 the two highest global health priorities were medical emergency response planning and workplace occupational hygiene programs. A three-year occupational hygiene improvement plan was agreed on a global basis. Regional training workshops are scheduled during 2018.

Auditing our H&S performance

2017 marked the first full year of the Group H&S audit program. The program measures the capacity and capability to implement the Group H&S Standards and ensures effective H&S Management Systems (HSMS) at Unit level across the Group. The audit program provides an independent governance process that aligns with Group Internal Audit.

Sixty-eight audits were conducted in 2017 across 34 countries. Over 500 employees participated as auditors further contributing to knowledge-sharing across facilities, product lines, and borders.

Ninety audits are scheduled for 2018.

RISK MANAGEMENT

Understanding risks is key to strategic decision-making. Through the annual Group risk report processes, we aim to assess and prioritize risks according to their significance and likelihood. Our goal is to analyze our risks more deeply regarding their causes, and to define risk mitigating actions when necessary.

Our analyses consider market and operational risks, financial and legal risks, compliance and reputational risks as well as external risk factors in our business environment.

We attempt to consider a risk horizon that includes long-term strategic risks, short- to medium-term risks as well as single events. We collect risks from the individual countries through a bottom-up risk assessment, while our Board and Executive Committee members contribute a top-down view. To those two assessments we add a topical risk assessment, generated through interviews with our function heads.

One of the outputs of this process is a forward-looking Group risk report. This consolidated Group risk report is presented to the Executive Committee and the conclusions are reported to the Board of Directors and the Finance & Audit Committee.

We view the risks on the opposite page as material and fundamental to our strategy for value creation over 2018–2020. This list is not exhaustive. Further information is provided in the Corporate Governance section (pages 54–83), Management Discussion & Analysis (pages 108–118) and Note 3 of the Consolidated Financial Statements (“Risk management,” pages 145–154).

Ethics, Integrity & Risk Committee

In the course of 2016 a number of publications reported allegations that company personnel of a Lafarge plant in Syria had engaged in dealings with armed groups and sanctioned parties during 2013 until the plant closed in September 2014.

The Board of Directors commissioned law firms with substantial experience in complex cross-border investigations. The process of the investigation adhered to well-accepted standard including as to the rigor and independence. Its integrity was closely protected from external influences. In March 2017 the Board of Directors shared its initial findings from its independent internal investigation into those allegations. The findings confirmed that violations of Lafarge’s established standards of business conduct had taken place.

In response the Board mandated remedial measures including the adoption of a more rigorous risk assessment process focusing on high-risk third parties; introduction of a restricted party screening program and a new sanctions and export control program.

The Ethics, Integrity & Risk Committee is responsible for overseeing the rigorous implementation which will strengthen and enhance Group-wide compliance. The committee is co-chaired by the Executive Committee member responsible for Human Resources and the Chief Legal and Compliance Officer. It reports to the Finance and Audit Committee of the Board of Directors.

KEY RISKS*

RISK	POTENTIAL IMPACT	OUR RESPONSE
Market demand The risk that economic development in a given country will significantly change and have an influence on demand for construction and building materials	Demand for construction materials is fundamentally driven by economic growth (or contraction) in a given territory. These changes in underlying demand may then lead to changes in pricing and/or industry structure.	LafargeHolcim maintains a globally diversified portfolio, with a good balance between mature and developing markets. We have a top-three position in 80 percent of our markets, with none exceeding 15 percent of total revenues. We also trade in clinker, cement and other products to take advantage of shifting demand between countries.
Legal and compliance risk The risk that the company is found to have violated laws covering business conduct such as those that combat bribery, corruption, terrorism and unfair competition	Investigation costs, financial penalties, debarment, profit disgorgement and reputational damage. The impact is compounded by the fact that local violations can have an effect on the entire group.	LafargeHolcim maintains a comprehensive risk-based compliance program with dedicated resources at local, regional and Group level. Comprehensive training is provided and our Code of Business Conduct sets out our practices to be adhered to across the Group. A dedicated alert hotline is available. The program is embedded in the three lines of defense model and maintains state-of-the-art policies, processes and compliance solutions. Periodic and ad hoc reporting to the Ethics, Integrity & Risk Committee and ultimately to the Finance & Audit Committee ensure effective program oversight.
Energy prices (including alternative fuels) The risk that prices for fuels, electricity or planned savings from alternative fuels will change significantly	Changes in energy prices are a supply chain risk that could significantly alter our production costs.	Optimizing fuel mix and energy efficiency, as well as the use of alternative fuels, is a key area of focus at all our plants. At Group level, we use derivative instruments to hedge part of our exposure to these risks.
Raw materials (including mineral components) The risk that raw materials cannot be supplied at economical cost or suitable quality	Much of our business depends on the reliable supply of mineral resources, e.g. sand and limestone.	In countries where the supply of raw materials is at risk, we apply a range of tactics including strategic sourcing, changing input mixtures and maintaining minimum long-term reserve levels. At Group level our research and development is devoted to finding ways to mitigate this risk while at the same time lowering our environmental footprint, e.g. by using waste-derived materials.
Sustainability risk The risk that the Group is not effectively managing its commitments to sustainability and corporate social responsibility	The cement industry is associated with significant negative externalities, notably high CO_2 emissions, thus reducing our attractiveness to some stakeholders.	The 2030 Plan, which includes commitments to reducing net CO_2/tonne of cement by 40 percent compared to 1990, is one reason we are considered a sustainability leader in our sector. Increasingly our business is aimed toward sustainable products and solutions. We actively promote industry and regulatory measures that can mitigate environmental harm, including advocating a carbon price, as well as those that promote sustainable construction and infrastructure development.

* The risks listed in the table are not exhaustive, and additional risks and uncertainties not presently known to LafargeHolcim or that it currently deems immaterial may also have or develop a material adverse effect on its business, operations, financial condition or performance, or other interests. Similarly, the mitigating actions mentioned are not exhaustive, may be ineffective and may be adjusted from time to time, and their inclusion in this section does not create any legal obligation for the company. The sequence in which these risks and mitigating actions are presented in no way reflects any order of importance, chance or materiality.

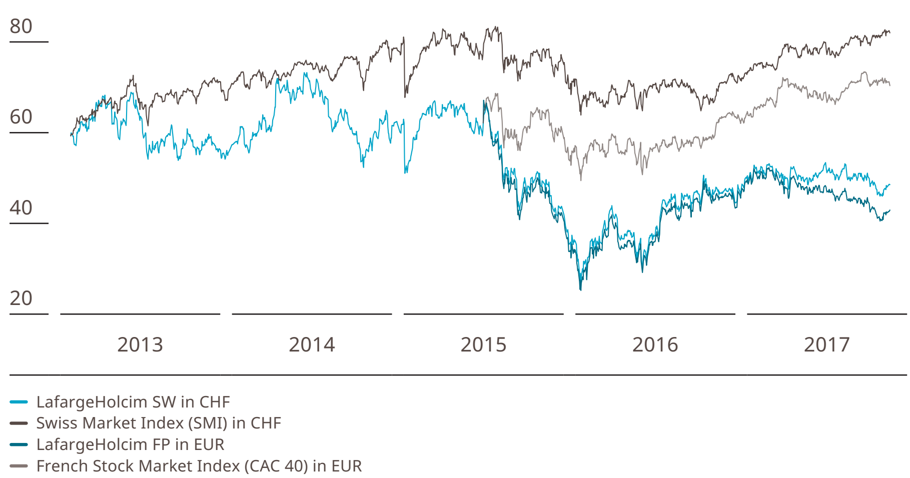
RISK	POTENTIAL IMPACT	OUR RESPONSE
Political risk The risk that political instability, changes of government or political pressure lead to national and/or international conflict.	Political instability, changes of government or increased political pressure can impact our business. That impact may be direct, as with infrastructure spending, or indirect, as with economic uncertainty.	As with market demand, the best defense is diversification. LafargeHolcim has leading positions in nearly every market where we are active. LafargeHolcim is politically neutral.
Talent risk The risk that the company does not have a sufficiently robust talent pipeline given its growth ambition.	Without the right people, LafargeHolcim will be unable to deliver on its growth ambition.	We have a global talent review and succession planning process to evaluate current and future talent. We invest significantly in developing both functional and management skills (see 'Our People', page 42).
Cyber risk The risk that an information/ cybersecurity event affects the privacy, confidentiality, availability or integrity of data.	An information or cybersecurity event could lead to financial loss, reputational damage, safety or environmental impact.	In 2017 we established a Group cybersecurity roadmap to protect critical assets from cyberattacks and improve our cyber resilience.
Joint Ventures and Associates The Group does not have a controlling interest in certain of its business entities (i.e. joint ventures and associates) in which it has invested. The absence of a controlling interest increases the governance complexity. This may restrict the Group's ability to generate adequate returns and to implement the LafargeHolcim control framework and compliance program.	These limitations could impair the Group's ability to manage joint ventures and associates effectively and/or realize the strategic goals for these businesses. In addition this might, impede the ability of LafargeHolcim to implement organization efficiencies and its controls framework, including its full compliance program. It can also impede the ability to transfer cash and assets between subsidiaries in order to allocate assets in the most effective way.	In subsidiaries where we have joint control we seek to govern our relationships with formal agreements to effect LafargeHolcim controls and programs. In these joint venture arrangements, LafargeHolcim has traditionally appointed LafargeHolcim personnel to facilitate integration, best practice transfer and drive performance.
Goodwill and asset impairment Significant under-performance in any of the Group's major cash-generating units or the divestment of businesses in the future may give rise to a material write-down of goodwill or assets.	A write-down of goodwill or assets could have a substantial impact on the Group's net income and equity.	Indicators of goodwill or asset impairment are monitored closely through our reporting process to ensure that potential impairment issues are addressed on a timely basis. Detailed impairment testing for each cash-generating unit within the Group is performed prior to year-end or at an earlier stage when a triggering event materializes. The Finance and Audit Committee regularly reviews the goodwill impairment process.

RISK	POTENTIAL IMPACT	OUR RESPONSE
Financial risks The risk on the unpredictability of financial markets could cause potential adverse effects on the financial performance of the Group. The main financial risks of the Group include liquidity, interest rate, foreign exchange and credit risk.	Risk of downgrade of the Group's credit rating may affect the availability and costs of future funding.	LafargeHolcim's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance. The Group has established policies for financial risk management which set out the principles to manage liquidity, interest rate, foreign exchange and credit risks. Please see note 3 to the consolidated financial statements for further detail.
Insurance Our sector is subject to a wide range of risks, not all of which can be adequately insured. The Group obtains coverage as far as possible, commensurate with the relevant risks.	The Group could be impacted by losses where recovery from insurance is either not available or non-reflective of the incurred loss.	We place insurance with international insurers of high repute, together with our internal captive insurance companies. We continuously monitor our risk environment to determine whether additional insurances will need to be obtained.
Defined benefit pension schemes The Group operates a number of defined benefit pension schemes and schemes with related obligations (for example jubilee/long-term service benefits) in several of its countries. The assets and liabilities of defined benefit pension schemes may exhibit significant volatility.	Cash contributions may be required to fund unrecoverable deficits.	Where possible, defined benefit pension schemes have been closed. Active management is in place to mitigate the volatility and match investment returns with benefit obligations.

CAPITAL MARKET INFORMATION

2017 was a fairly strong year for equity markets which benefited from a resurgence of global economic growth, a rally in emerging markets, increased inflation, the weakening of the US dollar and the continued expansionary monetary policy of the US Federal Reserve. In Switzerland, the franc weakened, markedly against the euro, which also supported dividend stocks. In Europe, Brexit talks as well as political events in Germany and Spain failed to dampen investor confidence. LafargeHolcim's share price closed at CHF 55.0, an increase of 2.4 percent from 2016 year-end closing price on the Swiss market. The share price contracted by 5.8 percent on the Paris stock exchange, mostly impacted by the devaluation of the Swiss Franc against the euro. In comparison, the SMI increased by 14.1 percent while the CAC 40 progressed by 9.3 percent.

PERFORMANCE OF LAFARGEHOLCIM SHARES VERSUS SWISS MARKET INDEX (SMI) AND THE CAC 40 OVER 5 YEARS [1]



[1] SMI rebased to LafargeHolcim SW share price at January 2, 2013; CAC40 and LafargeHolcim FP rebased to LafargeHolcim SW share price at July 9, 2015.

The average trading volume in 2017 amounted to approximately 2.0 million shares per day on the SIX Swiss Exchange and 0.3 million shares per day on the Euronext Paris.

Listings

LafargeHolcim is listed on the SIX Swiss Exchange and on Euronext Paris. The Group is a member of the main large indices on both the SIX Swiss Exchange and Euronext Paris (SMI and CAC 40). Each share carries one voting right. At year-end 2017, the company's market capitalization stood at CHF 33.3 billion.

WEIGHTING OF THE LAFARGEHOLCIM REGISTERED SHARE IN SELECTED SHARE INDICES

Index	Weighting in %
SMI, Swiss Market Index	2.71
CAC 40, Euronext Paris	1.85
SPI, Swiss Performance Index	1.95
SLI, Swiss Leader Index	4.47
STOXX Europe 600 Construction	9.04
STOXX Europe Large 200	0.35
STOXX Europe 600	0.27
STOXX Global 1800	0.07
DJSI World Enlarged Index	0.15
FTSE4Good Europe Index	0.34

Sources: Bloomberg, FTSE Index Company, as of year-end 2017

Distribution of LafargeHolcim shares and breakdown of shareholders

The majority of shares held outside Switzerland and France are owned by shareholders in the United Kingdom and the United States.

ADDITIONAL DATA

ISIN	**CH0012214059**
Security code number	**1221405**
Telekurs code	**LHN**
Bloomberg code	**LHN:SW**
Thomson Reuters code	**LHN.SW**

Free float
Free float as defined by the SIX Swiss Exchange and the Euronext stands at 79 percent.

Dividend policy
Dividends are distributed annually. LafargeHolcim is committed to an attractive dividend policy. For the 2017 financial year, the Board is proposing a payout from the capital contribution reserves in the amount of CHF 2.00 per registered share. The payout is scheduled for May 16, 2018.

Significant shareholders
Information on significant shareholders can be found on page 242 of this report.

Disclosure of shareholdings
Under the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (Financial Market Infrastructure Act, FMIA), whosoever, directly, indirectly, or in concert with third parties, acquires or disposes of shares, for his own account, in a company incorporated in Switzerland whose equity securities are listed, in whole or in part, in Switzerland and thereby attains, falls below, or exceeds the threshold of 3, 5, 10, 15, 20, 25, 33⅓, 50, or 66⅔ percent of the voting rights, whether or not such rights may be exercised, shall notify the company and the stock exchanges on which the equity securities in question are listed. Significant shareholders are disclosed on page 242.

KEY DATA LAFARGEHOLCIM REGISTERED SHARES

Par value CHF 2.00	**2017**	2016	2015	2014[1]	2013
Number of shares issued	**606,909,080**	606,909,080	606,909,080	327,086,376	327,086,376
Number of dividend-bearing shares	**598,067,626**	606,909,080	606,909,080	327,086,376	327,086,376
Number of shares conditional capital[2]	**1,422,350**	1,422,350	1,422,350	1,422,350	1,422,350
Number of treasury shares	**9,698,149**	1,152,327	1,338,494	1,219,339	1,522,510

Stock market prices in CHF	**2017**	2016	2015	2014	2013
High	**60**	57	73	83	79
Low	**51**	34	48	62	63
Average	**56**	47	63	73	69
Market capitalization (billion CHF)	**33.3**	32.6	30.5	23.3	21.8
Trading volumes (million shares)	**574.6**	615.0	449.1	266.8	215
Earnings per share (EPS) in CHF	**(2.78)**	2.96	(3.11)	3.63[3]	3.91
EPS before impairment and divestments in CHF	**2.35**	2.10	–	–	–
Cash earnings per share in CHF[4]	**5.04**	5.44	5.22	7.01	8.56
Consolidated shareholders' equity per share in CHF[5]	**51.87**	50.88	51.79	53.49	49.77
Dividend per share in CHF	**2.00**[6]	2.00	1.50	1.30	1.30

1 Restated due to changes in accounting policies.
2 Shares reserved for convertible bonds.
3 EPS for 2014 was restated due to the distribution of a scrip dividend.
4 Cash EPS calculated based on cash flow from operating activities divided by the weighted-average number of shares outstanding.
5 Based on shareholders' equity — attributable to shareholders of LafargeHolcim Ltd — and the number of dividend-bearing shares (less treasury shares) as per December 31.
6 Proposed by the Board of Directors for a payout from capital contribution reserves.

CURRENT RATING (MARCH 2, 2018)

Rating Agency	Long-term rating	Short-term rating
Standard & Poor's Ratings Services	BBB, outlook negative	A-2
Moody's Investors Service	Baa2, outlook negative	P-2

Registration in the share register and restrictions on voting rights

On request, purchasers of registered shares are entered in the share register as voting shareholders provided that they expressly declare that they acquired the shares in their own name and for their own account. The Board of Directors will enter individuals whose requests for registration do not include an express declaration that they hold the shares for their own account (nominees) in the share register as shareholders with voting rights, provided that such nominees have concluded an agreement with the company concerning their status and are subject to recognized banking or financial market supervision. The Board of Directors has issued the applicable Registration Regulations which can be found on the LafargeHolcim website.

Information on LafargeHolcim registered shares

Further information on LafargeHolcim registered shares can be found at: *www.lafargeholcim.com/investor-relations*

FINANCIAL REPORTING CALENDAR

	Date
Results for the first quarter 2018	**May 8, 2018**
Annual General Meeting of shareholders	**May 8, 2018**
Ex date	**May 11, 2018**
Payout	**May 16, 2018**

CORPORATE GOVERNANCE

LafargeHolcim applies high standards to corporate governance. The goal is to assure the long-term value and success of the company in the interests of various stakeholder groups: customers, shareholders, employees, creditors, suppliers, and the communities where LafargeHolcim operates.

TOPIC

Acting responsibly

The ultimate goal of effective corporate governance is long-term value creation and strengthening of the Group's reputation. This includes continuous improvement to decision-making processes and management systems through legal, organization, and ethical directives and terms of reference, as well as measures to enhance transparency. Compliance with internal and external directives, early recognition of business risks, social responsibility for stakeholder groups, and open communication on all relevant issues are among the principles of LafargeHolcim. The Code of Business Conduct, binding for the entire Group, is part of our internal regulation.

LafargeHolcim aims to achieve a balanced relationship between management and control by keeping the functions of Chairman of the Board of Directors and CEO separate. All directors are independent according to the definition of the Swiss Code of Best Practice for Corporate Governance. The principle of "one share, one vote" applies.

The information published in this chapter conforms to the Corporate Governance Directive of the SIX Swiss Exchange (SIX) and the disclosure rules of the Swiss Code of Obligations. In the interest of clarity, reference is made to other parts of the Annual Report or, for example, to the Group's website (www.lafargeholcim.com). Pages 60 to 63 of this report describe the duties of the Finance & Audit Committee, the Nomination, Compensation & Governance Committee, the Strategy Committee (former: Strategy & Sustainable Development Committee), the newly established Health, Safety & Sustainability Committee as well as the Organizational Rules.

Except where otherwise indicated, this Annual Report reflects the legal situation as of December 31, 2017.

Group structure and shareholders

The holding company LafargeHolcim Ltd operates under the laws of Switzerland for an indefinite period. Its registered office is in Rapperswil-Jona (Canton of St. Gallen, Switzerland). It has direct and indirect interests in all companies listed on pages 217 to 221 of this Annual Report.

The Group is organized by geographical regions. The management structure as per December 31, 2017, and changes which occurred in 2017, are described in this chapter.

LafargeHolcim has no mutual cross-holdings with any other company. There are neither shareholders' agreements nor other agreements regarding voting or the holding of LafargeHolcim shares.

More detailed information on the business review, Group structure, and shareholders can be found on the following pages of the Annual Report:

TOPIC

Articles of Incorporation of LafargeHolcim Ltd
www.lafargeholcim.com/articles-association

Code of Business Conduct
www.lafargeholcim.com/corporate-governance

Changes in equity of LafargeHolcim Ltd Information for the year 2015 is included in the Annual Report 2016
176–177, 126–127

Detailed information on conditional capital
www.lafargeholcim.com/articles-association

Articles of Incorporation
Art. 3bis

Key data per share
50–53, 208, 243

Rights pertaining to the shares
www.lafargeholcim.com/articles-association

Articles of Incorporation
Art. 6, 9, 10

Regulations on transferability of shares and nominee registration
www.lafargeholcim.com/articles-association

Articles of Incorporation
Art. 4, 5

Warrants/Options
203–207

Capital structure

LafargeHolcim has one uniform type of registered share in order to comply with international capital market requirements in terms of an open, transparent, and modern capital structure and to enhance attractiveness, particularly for institutional investors.

Share capital

The share capital is divided into 606,909,080 registered shares of CHF 2.00 nominal value each. As of December 31, 2017, the nominal, fully paid-in share capital of LafargeHolcim Ltd amounted to CHF 1,213,818,160.

Conditional share capital

The share capital may be raised by a nominal amount of CHF 2,844,700 through the issuance of a maximum of 1,422,350 fully paid-in registered shares, each with a par value of CHF 2.00 (as per December 31, 2017). The conditional capital may be used for exercising convertible and/or option rights relating to bonds or similar debt instruments of the company or one of its Group companies. The subscription rights of the shareholders will be excluded. The current owners of conversion rights and/or warrants will be entitled to subscribe for the new shares. The acquisition of shares through the exercise of conversion rights and/or warrants and each subsequent transfer of the shares will be subject to the restrictions set out in the Articles of Incorporation. As per December 31, 2017, no bonds or similar debt instruments of the company or one of its Group companies were outstanding that would give rise to conversion rights related to the conditional capital; therefore, in the year under review, no conversion rights have been exercised. Further information on conversion rights and/or warrants and applicable conditions may be found in the Articles of Incorporation of LafargeHolcim Ltd at: *www.lafargeholcim.com/articles-association*

Authorized share capital/Certificates of participation

As per December 31, 2017, neither authorized share capital nor certificates of participation were outstanding.

FURTHER INFORMATION CAN BE FOUND UNDER
www.lafargeholcim.com/investor-relations

Board of Directors

The Board of Directors consists of 12 members, all of whom are independent according to the definition of the Swiss Code of Best Practice for Corporate Governance.

Please see pages 74 to 77 for the biographical information of the Board members as per December 31, 2017.

Mr. Bruno Lafont, Mr. Alexander Gut, and Mr. Philippe Dauman retired from the Board of Directors at the Annual General Meeting of May 3, 2017.

In 2017, the shareholders elected Mr. Patrick Kron as new member and re-elected 11 members of the Board of Directors. Dr. Beat Hess was re-elected as Chairman of the Board of Directors. Furthermore, the shareholders re-elected the five members of the Nomination, Compensation & Governance Committee.

The shareholders also elected the auditors and re-elected the independent proxy.

New members of the Board of Directors are introduced in detail to the company's areas of business. The Board of Directors meets as often as business requires, but at least four times a year. In 2017, six regular meetings and eight additional meetings were held. Two meetings focused on strategy topics. As a rule, the members of the Executive Committee attended those parts of the regular meetings of the Board of Directors which dealt with operational issues of areas of their responsibility. The average duration of the regular meetings was five hours.

BOARD AND COMMITTEE ATTENDANCE AT SCHEDULED ORDINARY MEETINGS

NAME	POSITION	BOARD MEETINGS ATTENDED	FINANCE & AUDIT COMMITTEE	NOMINATION, COMPENSATION & GOVERNANCE COMMITTEE	STRATEGY COMMITTEE	HEALTH, SAFETY & SUSTAINABILITY COMMITTEE
Beat Hess	Chairman	6/6	–	–	–	–
Oscar Fanjul	Vice-Chairman	6/6	–	2/3	5/5	–
Bertrand Collomb	Member	6/6	5/5	–	–	–
Paul Desmarais, Jr.	Member	4/6	–	2/3	–	–
Patrick Kron [1]	Member	4/4	–	–	2/2	3/3
Gérard Lamarche	Member	5/6	5/5	–	4/5	–
Adrian Loader	Member	6/6	–	3/3	–	3/3
Jürg Oleas	Member	6/6	3/3 [2]	–	–	–
Nassef Sawiris	Member	6/6	–	3/3	–	–
Thomas Schmidheiny	Member	6/6	–	–	–	3/3
Hanne B. Sørensen	Member	6/6	–	3/3	–	3/3
Dieter Spälti	Member	6/6	4/5	–	5/5	–

[1] Elected to the Board at the AGM 2017
[2] Member of the FAC as of May 3, 2017

OTHER MAJOR SWISS AND FOREIGN MANDATES OF THE BOARD OF DIRECTORS OUTSIDE THE LAFARGEHOLCIM GROUP AS AT DECEMBER 31, 2017

BOARD OF DIRECTORS	MANDATE	POSITION
Beat Hess	Nestlé S.A. Vevey (Switzerland)*	Member of the Board, Member of the Chairman's and Corporate Governance Committee, Chairman of the Compensation Committee
	Sonova Holding AG, Stäfa (Switzerland)*	Vice Chairman of the Board, Member of the Nomination and Compensation Committee
Oscar Fanjul	Marsh & McLennan Companies, New York NY (USA)*	Member of the Board
	Omega Capital, Madrid (Spain)	Vice Chairman
	Ferrovial S.A., Madrid (Spain)*	Member of the Board
Bertrand Collomb	Académie des sciences morales et politiques, Paris (France); Global Advisory Board; The University of Tokyo, Tokyo (Japan)	Member
Paul Desmarais, Jr.	Power Corporation of Canada, Montréal (Canada)*	Member of the Board
	Great-West Lifeco Inc., Winnipeg (Canada)*	Member of the Board
	IGM Financial Inc., Winnipeg (Canada)*	Member of the Board
	Pargesa Holding SA, Geneva (Switzerland)	Member of the Board
	Groupe Bruxelles Lambert, Brussels (Belgium)*	Member of the Board
	SGS SA, Geneva (Switzerland)*	Member of the Board
Patrick Kron	Truffle Capital, Paris (France)	Chairman
	Sanofi S.A., Gentilly (France)*	Member of the Board
	Bouygues, Paris (France)*	Member of the Board
	Halcor Metal Works S.A., Athens (Greece)*	Member of the Board
Gérard Lamarche	Groupe Bruxelles Lambert, Brussels (Belgium)*	Co-CEO
	Total SA, Paris (France)*	Member of the Board, Chairman of the Remuneration Committee and Member of the Audit Committee
	SGS, Geneva (Switzerland)*	Member of the Board and of the Audit Committee
	Umicore, Brussels (Belgium)*	Member of the Board
Adrian Loader	Alderon Iron Ore Corp. Montreal (Canada)*	Member of the Board
	Sherrit International Corporation, Toronto (Canada)*	Member of the Board
Jürg Oleas	GEA Group Aktiengesellschaft, Düsseldorf (Germany)*	Chief Executive Officer
	LL Plant Engineering AG, Ratingen (Germany)	Chairman of the Board
	RUAG Holding AG, Bern (Switzerland)	Member of the Board and Chairman of the Strategy Committee

BOARD OF DIRECTORS	MANDATE	POSITION
Nassef Sawiris	OCI N.V., Amsterdam (The Netherlands)*	Executive Director and Chief Executive Officer
	Adidas AG, Herzogenaurach (Germany)*	Member of the Board
	OCI Partners LP, Delaware (USA)	Member of the Board
Thomas Schmidheiny	Schweizerische Cement-Industrie-Aktiengesellschaft, Rapperswil-Jona (Switzerland)	Chairman of the Board
	Spectrum Value Management Ltd., Rapperswil-Jona (Switzerland)	Chairman of the Board
	Abraaj Holdings, Dubai (United Arab Emirates)	Member of the Board
Hanne B. Sørensen	Ferrovial S.A., Madrid (Spain)*	Member of the Board
	Koninklijke Vopak N.V., Rotterdam (The Netherlands)*	Member of the Board
	Delhivery Pvt. Ltd., Gurgaon (India)	Member of the Board
Dieter Spälti	Schweizerische Cement-Industrie-Aktiengesellschaft, Rapperswil-Jona (Switzerland)	Member of the Board
	Spectrum Value Management Ltd., Rapperswil-Jona (Switzerland)	Member of the Board

* Listed company

ELECTIONS AND TERMS OF OFFICE

The following expert committees exist:

COMPOSITION OF THE FINANCE AND AUDIT COMMITTEE

NAME	POSITION
Gérard Lamarche	Chairman
Betrand Collomb	Member
Jürg Oleas	Member
Dieter Spälti	Member

FINANCE & AUDIT COMMITTEE

The Finance & Audit Committee assists and advises the Board of Directors in conducting its supervisory duties with respect to the internal control systems. It examines the reporting for the attention of the Board of Directors and evaluates the Group's external and internal audit procedures, reviews the risk management systems of the Group, and assesses financing issues.

All members are independent according to the definition of the Swiss Code of Best Practice for Corporate Governance, in order to ensure the necessary degree of objectivity required for a Finance & Audit Committee.

In 2017, five regular meetings and four additional meetings of the Finance & Audit Committee were held. The auditors, the Head of Group Internal Audit and the Chief Legal & Compliance Officer were present at all meetings for certain agenda topics. Furthermore, the Chairman of the Board, the CEO and the CFO attended the meetings of the Finance & Audit Committee as guests. The average duration of the regular meetings was four hours.

In 2017, the committee reviewed in particular the financial reporting of the Group, the releases of the quarterly results and the findings of the external auditors. The committee took note of the status of the ICS (Internal Control System), discussed the findings of the Group Internal Audit, dealt with compliance and internal directives, and evaluated financing issues. The committee also evaluated the performance of the external auditors and their fees. The Finance & Audit Committee performed significant work in preparing and following up the committee's meetings, including oversight of the internal investigation on Syria operations and the review of the current compliance program (policies, protocols, and related financial controls) to ensure that misconduct identified can be better detected and/or prevented altogether.

The charter of the Finance & Audit Committee is available at: *www.lafargeholcim.com/articles-association*

COMPOSITION OF THE NOMINATION, COMPENSATION & GOVERNANCE COMMITTEE

NAME	POSITION
Nassef Sawiris	Chairman
Paul Desmarais, Jr.	Member
Oscar Fanjul	Member
Adrian Loader	Member
Hanne B. Sørensen	Member

NOMINATION, COMPENSATION & GOVERNANCE COMMITTEE

The Nomination, Compensation & Governance Committee supports the Board of Directors in planning and preparing succession at the Board of Directors and senior management level. It monitors developments with regard to corporate governance and compensation for the Board of Directors and Executive Committee, and briefs the Board of Directors accordingly. The committee advises the Board of Directors on the compensation policy for the Board of Directors and for the Executive Committee and on the motion by the Board of Directors to the Annual General Meeting of shareholders for the total compensation of the Board of Directors and of the Executive Committee.

In 2017, the Nomination, Compensation & Governance Committee held three regular meetings and seven additional meetings. The meetings were also attended by the Chairman of the Board and the CEO as a guest, insofar as they were not themselves affected by the items on the agenda. The average duration of the regular meetings was two hours.

The charter of the Nomination, Compensation & Governance Committee is available at: *www.lafargeholcim.com/articles-association*

More details on the activities of the Nomination, Compensation & Governance Committee, in particular with regard to the process of determination of compensation, can be found in the Compensation Report, starting on page 84.

COMPOSITION OF THE STRATEGY COMMITTEE

NAME	POSITION
Dieter Spälti	Chairman
Oscar Fanjul	Member
Patrick Kron	Member
Gérard Lamarche	Member

STRATEGY COMMITTEE

The Strategy Committee supports the Board of Directors in all matters relating to the strategic priorities of the company. The committee deals with any matters within the Board of Director's authority, which are urgent and may arise between scheduled ordinary Board of Directors meetings, including the authorization to take preliminary action on behalf of the Board, followed by adequate information of the Board of Directors.

In 2017, the Strategy Committee held five regular meetings and two additional meetings. The Chairman of the Board, the CEO and the CFO attended the meetings of the Strategy Committee as guests. The average duration of the regular meetings was three hours.

The charter of the Strategy Committee is available at: *www.lafargeholcim.com/articles-association*

COMPOSITION OF THE HEALTH, SAFETY AND SUSTAINABILITY COMMITTEE

NAME	POSITION
Adrian Loader	Chairman
Patrick Kron	Member
Thomas Schmidheiny	Member
Hanne B. Sørensen	Member

HEALTH, SAFETY AND SUSTAINABILITY COMMITTEE

The newly established Health, Safety and Sustainability Committee supports and advises the Board of Directors on the development and promotion of a healthy and safe environment for employees and contractors as well as on sustainable development and social responsibility. Since its establishment in May 2017 the Health, Safety and Sustainability Committee held three regular meetings. The Head of Health and Safety and the Head of Sustainable Development were present at all meetings. The Chairman of the Board and the CEO attended the meetings of the Health, Safety and Sustainability Committee as guests. The average duration of the meetings was two hours.

The charter of the Health, Safety & Sustainability Committee is available at: *www.lafargeholcim.com/articles-association*

Areas of responsibility

The division of responsibilities between the Board of Directors, the CEO, and the Executive Committee is set out in detail in the company's Organizational Rules. The Organizational Rules may be found at: *www.lafargeholcim.com/articles-association*

Organizational Rules

The Organizational Rules entered into force on May 24, 2002, and according to the Organizational Rules they shall be reviewed at least every two years and amended as required. They were last reviewed and amended in September 2017.

The Organizational Rules are issued by the Board of Directors of LafargeHolcim Ltd in accordance with the terms of Art. 716b of the Swiss Code of Obligations and Art. 18 of the company's Articles of Incorporation. They stipulate the organizational structure of the Board of Directors and the Executive Committee and govern the tasks and powers conferred on the company's executive bodies. They regulate the convocation, execution, and number of meetings to be held by the Board of Directors and the Executive Committee as well as the tasks and competences of the company's bodies. The Organizational Rules set out the tasks and responsibilities of the Chairman of the Board of Directors and the CEO. In the event that the Chairman of the Board of Directors is not independent, the Organizational Rules provide for the election of an Independent Lead Director.

The Board of Directors also has the power to establish expert committees and, if required, ad-hoc committees for special tasks. The Board of Directors can delegate special tasks or tasks related to specific functions to a Vice-Chairman on a temporary or permanent basis.

As part of its non-transferable statutory responsibilities, the Board of Directors defines the corporate strategy, approves the consolidated Group mid-term plan, including the budget, and the Annual Report for submission to the Annual General Meeting.

The CEO is responsible for operational management, preparing a large part of the business of the Board of Directors — including corporate strategy proposals — and executing the latter's resolutions. The CEO issues directives and recommendations with Group-wide significance in his own authority and is also responsible for electing and dismissing Area Managers, Function Heads and CEOs of Group companies, as well as for the nomination of the members of the Board of Directors and supervisory bodies of the Group companies.

Within the framework of mid-term plan approval, the Board of Directors defines limits for investments and financing. Within these limits, the Executive Committee decides on financing transactions and on one-off investments and divestments for amounts up to CHF 400 million. Amounts exceeding this are subject to approval by the Board of Directors. The Board of Directors is regularly informed about important transactions under the authority of the Executive Committee.

The members of the Executive Committee may delegate their tasks in relation to their geographical areas of responsibility to Area Managers.

The Board of Directors determines the CEO's objectives upon motion by the Chairman of the Board and the Executive Committee members' Group objectives upon motion by the Nomination, Compensation & Governance Committee, both after advice and assessment with the CEO.

The CEO assesses the performance of the members of the Executive Committee and, after advice and assessment by the Nomination, Compensation & Governance Committee, determines their respective individual objectives.

The Executive Committee oversees risk management following appraisal by the Finance & Audit Committee. The Board of Directors is informed annually about the risk situation.

In case of a direct conflict of interest, the Organizational Rules require each member of the corporate body concerned to stand aside voluntarily prior to any discussion of the matter in question. Members of the corporate bodies are required to treat all information and documentation which they may obtain or view in the context of their activities in these bodies as confidential and not to make such information available to third parties.

All individuals vested with the powers to represent the company have only joint signatory power at two.

Information and control instruments of the Board of Directors

The Board of Directors determines the manner in which it is to be informed about the course of business. Any member of the Board of Directors may demand information on all issues relating to the Group and the company. All members of the Board of Directors may request information from the CEO after informing the Chairman of the Board of Directors. At meetings of the Board of Directors, any attending member of the Executive Committee has a duty to provide information. All members of the Board of Directors have a right to inspect books and files to the extent necessary for the performance of their tasks.

Financial reporting

The Board of Directors is informed on a monthly basis about the current course of business, adopts the quarterly reports, and releases them for publication. The Board of Directors discusses the Annual Report, takes note of the Auditors' Reports, and submits the Annual Report to the Annual General Meeting for approval.

With regard to Group strategy development, a strategy plan, a mid-term plan covering three years and including the budget are submitted to the Board of Directors.

Risk Management

LafargeHolcim benefits from many years of experience with risk management. The risk assessment process was concluded in 2017 across the Countries.

Responsibilities concerning risks are clearly defined at Country and corporate level. The underlying principle is that risk management is a line management responsibility. Line managers are supported by Group Risk Management (GRM) that forms part of the second line of defense. Internal Audit represents the third line of defense.

GRM analyzes the Group's overall risk exposure and supports the strategic decision-making process. The full risk spectrum from market, operations, finance and legal, to external risk factors of the business environment is reviewed, including compliance and reputational risks. The risk assessment is not limited to the risks, but also identifies potential opportunities.

The Group's risk map is established by strategic, operational and topical risk assessments which are combined into a Group risk report. GRM involves the Board of Directors, the Executive Committee, corporate Function Heads and the Countries in the risk assessment.

The risk assessment process consists of several steps. First, risks are assessed and prioritized according to significance and likelihood. Top risks are analyzed more deeply regarding their causes, and risk mitigating actions are defined. The consolidated Group risk report is presented to the Executive Committee and the conclusions reported to the Finance & Audit Committee and to the Board of Directors.

Internal Control

LafargeHolcim aims to have an effective Internal Control System and a culture of robust internal control, supported by the commitment of the Board of Directors and Senior Management. Group Internal Control (GIC) aims at providing the Board of Directors and Senior Management reasonable assurance concerning the reliability of the financial reporting and statements, the compliance with laws and regulations, the protection of assets and fraud prevention, and the effectiveness and efficiency of processes.

Internal control is monitored at all levels so that risks are identified and action plans are followed up on a continuous basis. GIC gives an assessment to the Executive Committee and the Finance & Audit Committee on the existence, the design and the operating effectiveness of the Internal Control System in the Countries/Entities. In order to fulfill this responsibility, GIC calls the Group Internal Control Committee for an annual update on the work performed on internal control.

GIC designs and coordinates the annual certification process to review the main action plans in progress and to confirm management responsibility at each relevant level of the Group organization on the quality of both internal control and financial reporting. This process also supports the identification of business risks.

The outcome is presented to the Executive Committee and the Finance & Audit Committee.

Internal Audit

Internal Audit assures the existence and pertinence of process controls and the integrity of information. Internal Audit reports to the CEO with an additional reporting line to the Chairman of the Finance & Audit Committee and periodically informs the Finance & Audit Committee. The members of the Board of Directors have access to Internal Audit at all times. Each year, the Finance & Audit Committee defines the audit focal areas to be addressed by Internal Audit, and the Head of Internal Audit periodically updates the Finance & Audit Committee on the activities of Internal Audit.

Executive Committee

Members of the Executive Committee (including the CEO) are appointed by the Board of Directors and are responsible for the management of the Group. They may be assisted by Area Managers in their area of responsibility. Area Managers are appointed upon motion by the respective Executive Committee member by the CEO after advice and assessment by the Executive Committee.

The tasks of the Executive Committee are divided into different areas of responsibility in terms of country and function, each of these areas being ultimately supervised and managed by a member of the Executive Committee.

Further to the situation effective January 1, 2017 reported in the Annual Report 2016 on pages 110 – 111, the following changes within the Executive Committee during the year under review have occurred:

Effective September 1, 2017, Jan Jenisch has been appointed Chief Executive Officer of the Group succeeding Eric Olsen, who has resigned effective July 15, 2017. Beat Hess, Chairman of the Board, has overseen the transition period as interim Chief Executive Officer.

Ron Wirahadiraksa, Chief Financial Officer of the Group, has decided to pursue new opportunities outside the Group and has been succeeded by Géraldine Picaud as of January 3, 2018.

Effective January 1, 2018 Pascal Casanova, Region Head North America and Mexico, and Gérard Kuperfarb, responsible for Growth and Innovation, have decided to pursue a career outside the Group.

Roland Köhler, Region Head Europe, Australia/New Zealand, and Trading, has decided to retire at the beginning of 2018.

Effective January 1, 2018, Marcel Cobuz, previously Country CEO Morocco, has been appointed member of the Executive Committee as Head Region Europe.

Also effective January 1, 2018, René Thibault, previously CEO of Western Canada, has been appointed member of the Executive Committee as Head Region North America.

During the year under review, the Executive Committee of LafargeHolcim was comprised of the following ten members:

COMPOSITION OF THE EXECUTIVE COMMITTEE

EXECUTIVE COMMITTEE	POSITION	RESPONSIBILITY
Jan Jenisch (as of September 1, 2017)	CEO	
Ron Wirahadiraksa (Géraldine Picaud as of January 3, 2018)	CFO	
Urs Bleisch	Member	Cost & Performance
Pascal Casanova	Member	Regional Head North America and Mexico
Roland Köhler	Member	Region Head Europe, Australia/New Zealand, and Trading
Martin Kriegner	Member	Region Head India and South East Asia
Gérard Kuperfarb	Member	Growth and Innovation
Caroline Luscombe	Member	Human Resources
Oliver Osswald	Member	Regional Head Central and South America
Saâd Sebbar	Member	Region Head Middle East Africa

Please refer to pages 80–83 for biographical information on the members of the Executive Committee. None of the members of the Executive Committee has important functions outside the LafargeHolcim Group or any other significant commitments of interest, with the exception of Jan Jenisch who is a non-executive Director of the stock-listed Schweiter Technologies AG and of the privately held Glas Troesch.

Management agreements

LafargeHolcim has no management agreements in place with companies or private individuals outside the Group.

Compensation, shareholdings and loans

Details of Board and management compensation, shareholdings, and loans are contained in the Compensation Report (starting at page 84) and in the Holding company results (page 240, note 14).

Shareholders' participation

Voting rights and representation restrictions

All holders of registered shares who are registered as shareholders with voting rights in the share register on the closing date for the share registry (approximately one week prior to the Annual General Meeting; the closing date is communicated with the invitation to the Annual General Meeting) are entitled to participate in, and vote at, Annual General Meetings. Shares held by trusts and shares for which no declaration has been made that the holder requesting registration is holding the shares in his own name and for his own account are entered in the share register as having no voting rights. Shareholders not participating in person in the Annual General Meeting may be represented by another shareholder or by the independent voting proxy. In line with the requirements of the Ordinance against Excessive Compensation in public corporations, an electronic voting option is provided for. Voting rights are not subject to any restrictions. Each share carries one vote.

Statutory quorums

The Annual General Meeting of shareholders constitutes a quorum, regardless of the number of shares represented or shareholders present; resolutions are passed by an absolute majority of the votes allocated to the shares represented, unless Art. 704 para. 1 of the Swiss Code of Obligations or the Merger Act provides otherwise. In such cases, resolutions may only be passed with the respective qualified majority of the votes represented.

According to Art. 10 para. 2 of the Articles of Incorporation and in addition to Art. 704 para. 1 of the Swiss Code of Obligations, the approval of at least two-thirds of the votes represented and the absolute majority of the par value of shares represented shall be required for resolutions of the Annual General Meeting of shareholders with respect to the removal of restrictions set forth in Art. 5 of the Articles of Incorporation (entries in the share register), the removal of the mandatory bid rule (Art. 22 para. 3 of the Stock Exchange Act), and the removal or amendment of para. 2 of Art. 10 of the Articles of Incorporation.

The chair of the meeting may also have votes and elections conducted electronically. Electronic votes and elections are deemed equivalent to secret votes and elections.

Convocation of the Annual General Meeting and agenda rules

The ordinary Annual General Meeting of shareholders takes place each year, at the latest six months following the conclusion of the financial year. It is convened by the Board of Directors, whereby invitations are published at least twenty days prior to the meeting and in which details are given of the agenda and items submitted. Shareholders representing shares with a par value of at least one million Swiss Francs may request the addition of a particular item for discussion and resolution. A corresponding application must be submitted in writing to the Board of Directors at least forty days prior to the Annual General Meeting. Such application should indicate the items to be submitted. The invitations as well as the minutes of the Annual General Meetings shall be published on:
www.lafargeholcim.com

Entries in the share register

The company maintains a share register for registered shares in which the names and addresses of owners and beneficiaries are entered. According to the applicable rules and regulations, only those included in the share register are deemed shareholders or beneficial owners of the registered shares of the company. Upon request, purchasers of registered shares shall be included in the share register as shareholders with voting rights if they expressly declare that they have acquired the shares in their own name and for their own account. Exceptions to this rule apply for nominees who have signed a nominee agreement with the company regarding this position and are subject to a recognized banking or financial markets supervisory authority.

The share register is closed approximately one week prior to the date of the Annual General Meeting (the exact date is communicated in the invitation to the Annual General Meeting). Shareholders' participation and rights of protection are furthermore governed by the Swiss Code of Obligations.

This information comprises excerpts from or references to the content of the Articles of Incorporation of LafargeHolcim Ltd. The full version of the Articles of Incorporation in force as at the date of publication of this Annual Report can be accessed at: *www.lafargeholcim.com/articles-association*

Changes of control and defense measures

The Articles of Incorporation contain no waiver of the duty to make a public offer under the terms of Art. 32 and 52 of the Stock Exchange Act ("opting out"). The result is that a shareholder who directly, indirectly, or in concert with third parties acquires shares in the company and, together with the shares he already possesses, thereby exceeds the 33⅓ percent threshold of voting rights in the company must make an offer for all listed shares of the company.

There are no clauses relating to changes of control.

Auditors

As part of their auditing activity, the auditors inform the Finance & Audit Committee and the Executive Committee regularly about their findings and make suggestions for improvement. Taking into account the reporting and assessments by the Group companies, the Finance & Audit Committee evaluates the performance of the auditors and their remuneration in line with market conditions. The Finance & Audit Committee approves the audit focus area, provides recommendations to the auditors and makes suggestions for improvement. In 2017, the auditors participated in all five regular meetings of the Finance & Audit Committee to discuss individual agenda items.

Deloitte AG, Zurich, was appointed at the Annual General Meeting 2017 as the auditors of LafargeHolcim Ltd. David Quinlin has been responsible for managing the audit mandate, supported by Frédéric Gourd. The rotation of the lead auditor will be carried out in accordance with Art. 730a of the Swiss Code of Obligations. The auditors are elected for a one-year term by the Annual General Meeting.

The fees shown below were charged for professional services rendered to the Group (excluding JVs) by the auditors (Ernst & Young Ltd until AGM 2017 and Deloitte AG as of AGM 2017) in 2017 and 2016:

Million CHF	**2017**	2016
Audit services [1]	**14.5**	17.0
Audit-related services [2]	**0.2**	1.9
Tax services	**0.1**	2.2
Other services [3]	**0.0**	0.8
Total	**14.8**	21.8

[1] This amount includes the fees for the individual audits of Group companies carried out by Deloitte as well as their fees for auditing the Group financial statements.
[2] Audit-related services comprise, among other things, amounts for comfort letters, accounting advice, information systems reviews and reviews on internal controls.
[3] Other services include, among other things, amounts for due diligences and translation services.

Information policy

LafargeHolcim Ltd reports to shareholders, the capital market, employees, and the public at large in a transparent and timely manner concerning its corporate performance, including achievement of its sustainability targets. Open dialog is nurtured with the most important stakeholders, based on mutual respect and trust. This promotes knowledge of the company and understanding of objectives, strategy, and business activities of the company.

As a listed company, LafargeHolcim Ltd is under an obligation to disclose facts that may materially affect the share price (ad-hoc disclosure, Art. 53 and 54 of the SIX listing rules and Art 223-2 of the AMF General Regulations). LafargeHolcim Ltd is subject to the SIX and AMF rules on the disclosure of management transactions made by the members of the Board of Directors and senior management. These can be accessed on the SIX and AMF websites: *https://www.six-exchange-regulation.com/en/home/issuer/obligations/management-transactions.html* and *http://www.amf-france.org/en_US/Acteurs-et-produits/Societes-cotees-et-operations-financieres/Information-financiere-et-comptable/Obligations-d-information.html?#title_paragraph_1*
The most important information tools are the annual and half-year reports, the website (www.lafargeholcim.com), media releases, press conferences, meetings for financial analysts and investors, and the Annual General Meeting.

Current information relating to sustainable development is available at: *www.lafargeholcim.com*

A full sustainability report is published every year.

The financial reporting calendar is shown on pages 53 and 250 of this Annual Report.

Should there be any specific queries regarding LafargeHolcim, please contact:

Corporate Communications

Phone: +41 58 858 87 10
Fax: +41 58 858 87 19
E-Mail: communications@lafargeholcim.com

Investor Relations

Phone: +41 58 858 87 87
Fax: +41 58 858 80 09
E-Mail: investor.relations@lafargeholcim.com

BOARD OF DIRECTORS

BEAT HESS
Chairman

Date appointed: *2010*
Nationality: *Swiss*
Born: *1949*

Biography
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OSCAR FANJUL
Vice-Chairman

Date appointed: *2015*
Nationality: *Spanish and Chilean*
Born: *1949*

Biography
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BERTRAND COLLOMB
Member

Date appointed: *2015*
Nationality: *French*
Born: *1942*

Biography
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PAUL DESMARAIS, JR.
Member

Date appointed: *2015*
Nationality: *Canadian*
Born: *1954*

Biography
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PATRICK KRON
Member

Date appointed: *2017*
Nationality: *French*
Born: *1953*

Biography
P75

GÉRARD LAMARCHE
Member

Date appointed: *2015*
Nationality: *Belgian*
Born: *1961*

Biography
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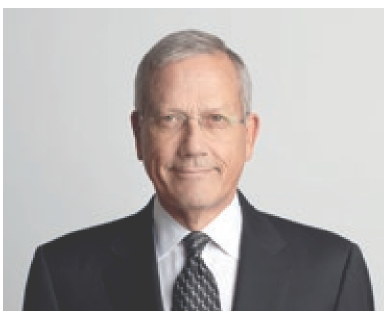

ADRIAN LOADER
Member

Date appointed: *2006*
Nationality: *British*
Born: *1948*

Biography
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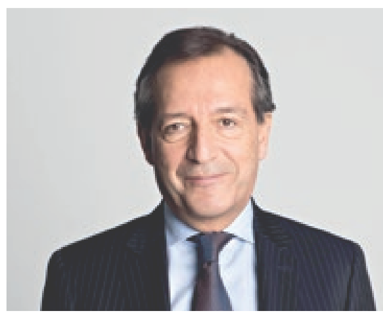

JÜRG OLEAS
Member

Date appointed: *2014 / 2016*
Nationality: *Swiss*
Born: *1957*

Biography
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NASSEF SAWIRIS
Member

Date appointed: *2015*
Nationality: *Egyptian*
Born: *1961*

Biography
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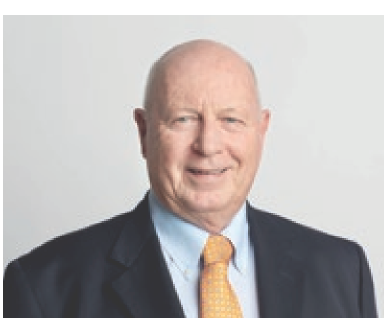

THOMAS SCHMIDHEINY
Member

Date appointed: *1978*
Nationality: *Swiss*
Born: *1945*

Biography
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HANNE BIRGITTE BREINBJERG SØRENSEN
Member

Date appointed: *2013*
Nationality: *Danish*
Born: *1965*

Biography
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DIETER SPÄLTI
Member

Date appointed: *2003*
Nationality: *Swiss*
Born: *1961*

Biography
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BEAT HESS

Chairman

Beat Hess is Chairman of the Board of Directors of LafargeHolcim Ltd. He was elected to the Board of Directors of LafargeHolcim Ltd (then “Holcim Ltd”) in 2010. He holds a doctorate in law and is admitted to the bar in Switzerland. From 1977 to 2003, he was initially Legal Counsel and subsequently General Counsel for the ABB Group. From 2004 until the end of 2010, he was Legal Director and a Member of the Executive Committee of the Royal Dutch Shell Group, London and The Hague. His other mandates include that he is a Member of the Board of Directors, a Member of the Chairman’s and Corporate Governance Committee, and Chairman of the Compensation Committee of Nestlé S.A., Vevey, Switzerland, as well as Vice-Chairman and Member of the Nomination and Compensation Committee of the Board of Directors of Sonova Holding AG, Stäfa, Switzerland.

OSCAR FANJUL

Vice-Chairman

Oscar Fanjul is Vice-Chairman of the Board of Directors and a Member of the Strategy and of the Nomination, Compensation and Governance Committees of LafargeHolcim Ltd. He was elected to the Board of Directors of LafargeHolcim Ltd in 2015. Oscar Fanjul holds a PhD in Economics. He was Vice-Chairman of the Board of Directors of Lafarge S.A. He began his career working for the industrial holding INI, Madrid, Spain. He was Chairman founder and CEO of Repsol. He has also been Chairman of Hidroeléctrica del Cantábrico, Oviedo, Spain and of Deoleo S.A., Madrid, Spain. Oscar Fanjul is Vice-Chairman of Omega Capital, Madrid, Spain and his other mandates include that he is a Member of the Boards of Marsh & McLennan Companies, New York NY, USA and Ferrovial S.A., Madrid, Spain. He has also been a Board Member of the London Stock Exchange, Unilever, London/Rotterdam, UK/Netherlands, Areva, France, and BBVA, Spain.

BERTRAND COLLOMB

Member

Bertrand Collomb is a Member of the Board of Directors and a Member of the Finance & Audit Committee of LafargeHolcim Ltd. He was elected to the Board of Directors of LafargeHolcim Ltd in 2015. A graduate of the École Polytechnique and the École des Mines in Paris, France, he also holds a French law degree and a PhD in Management from the University of Texas, USA. Bertrand Collomb is Honorary Chairman of Lafarge S.A., served as Chairman and Chief Executive Officer of Lafarge S.A. from 1989 to 2003, as Chairman from 2003 to 2007, and as Director until 2012. He joined Lafarge in 1975 and held various positions, including Chief Executive Officer of Lafarge in North America from 1985 to 1988. He founded the Center for Management Research at the École Polytechnique in Paris, France. He is also a founding member of the World Business Council for Sustainable Development (WBCSD), of which he was Chairman from 2004 to 2005. He was a Member of the Board of Directors of Total S.A., Courbevoie, France, of DuPont, Wilmington, Delaware, USA and of ATCO Group, Calgary, Canada until May 2015. His other mandates include that he is Member of the “Institut de France” and was Chairman of the “Académie des sciences morales et politiques” in 2013.

PAUL DESMARAIS, JR.

Member

Paul Desmarais, Jr. is a Member of the Board of Directors and a Member of the Nomination, Compensation & Governance Committee of LafargeHolcim Ltd. He was elected to the Board of Directors of LafargeHolcim Ltd in 2015. He holds a Bachelor of Commerce from McGill University, Montréal, Canada, and an MBA from the European Institute of Business Administration (INSEAD), Paris, France. He was a Member of the Board of Directors of Lafarge S.A. from 2008 to 2015 and was also a Member of its Strategy, Investment and Sustainable Development Committee until 2015. Paul Desmarais, Jr. is Chairman and Co-Chief Executive Officer of Power Corporation of Canada and Executive Co-Chairman of Power Financial Corporation, both located in Montréal, Canada. He joined Power Corporation in 1981 and assumed the position of Vice-President the following year. In 1984, he led the creation of Power Financial to consolidate Power Corporation's major financial holdings, as well as Pargesa Holding SA, Geneva, Switzerland, under a single corporate entity. Paul Desmarais, Jr. served as Vice-President of Power Financial from 1984 to 1986, as President and Chief Operating Officer from 1986 to 1989, as Executive Vice-Chairman from 1989 to 1990, as Executive Chairman from 1990 to 2005, as Chairman of the Executive Committee from 2006 to 2008 and as Executive Co-Chairman from 2008 until today. He also served as Vice-Chairman of Power Corporation from 1991 to 1996. He was named Chairman and Co-CEO of Power Corporation in 1996. From 1982 to 1990, he was a member of the Management Committee of Pargesa Holding SA and in 1991, Executive Vice Chairman and then Executive Chairman of the Management Committee. In 2003, he was appointed Co-Chief Executive Officer and in 2013 named Chairman of the Board. His other mandates include sitting on the Board of Directors of several Power group companies, including Power Corporation of Canada, Power Financial Corporation, Great-West Lifeco Inc., Winnipeg, Canada, and its major subsidiaries, IGM Financial Inc., Winnipeg, Canada, and its major subsidiaries, and several companies within the Pargesa Group, including Pargesa Holding SA, Geneva, Switzerland, Groupe Bruxelles Lambert, Brussels, Belgium, and SGS SA, Geneva, Switzerland.

PATRICK KRON

Member

Patrick Kron is a Member of the Board of Directors and a Member of the Strategy and of the Health, Safety & Sustainability Committees of LafargeHolcim Ltd. He was elected to the Board of Directors of LafargeHolcim Ltd in 2017. Patrick Kron is a graduate of the École Polytechnique and the Paris École des Mines, France. He began his career at the French Industry Ministry in 1979 before joining the Pechiney group in 1984, where he held senior operational responsibilities in one of the group's largest factories in Greece before becoming manager of Pechiney's Greek subsidiary in 1988. Between 1988 and 1993, Patrick Kron held various operational and financial positions, first managing a group of activities in aluminum processing, before being appointed Chairman and CEO of Pechiney Électrométallurgie. In 1993, he became member of the executive committee of the Pechiney group and was Chairman and CEO of Carbone Lorraine from 1993 to 1997. From 1995 to 1997, he ran Pechiney's Food and Health Care Packaging Sector and held the position of COO of the American National Can Company in Chicago (United States). From 1998 to 2002, Patrick Kron was Chairman of the executive board of Imerys. A director of Alstom since July 2001, he was appointed CEO of Alstom in January 2003, and then Chairman and CEO in March 2003, a position he held until January 2016, when he created PKC&I (Patrick Kron - Conseils & Investissements). In November 2016, he was appointed Chairman of Truffle Capital, Paris, France. His other mandates include that he is a Member of the Board of Directors of Sanofi S.A., Paris, France, of Halcor Metal Works S.A., Athens, Greece, and of Bouygues, Paris, France.

GÉRARD LAMARCHE

Member

Gérard Lamarche is a Member of the Board of Directors, the Chairman of the Finance & Audit Committee and Member of the Strategy Committee of LafargeHolcim Ltd. He was elected to the Board of Directors of LafargeHolcim Ltd in 2015. He is a graduate in Economics Sciences from the University of Louvain-la-Neuve, Belgium, and the INSEAD Business School, Fontainebleau, France (Advanced Management Program for Suez Group Executives). He also trained at Wharton International Forum in 1998-1999 (Global Leadership Series). He was a Member of the Board of Directors of Lafarge S.A. between 2012 and 2016 and also a Member of the Audit Committee and a Member of the Strategy, Investment and Sustainable Development Committee. Gérard Lamarche is Co-CEO of Groupe Bruxelles Lambert, Brussels, Belgium. He began his career with Deloitte Haskins & Sells, Brussels, Belgium, in 1983 and was appointed as an M&A consultant in the Netherlands in 1987. In 1988, he joined Société Générale de Belgique, Brussels, Belgium as Investment Manager. He was promoted to Controller in 1989 before becoming Advisor to the Strategy and Planning Department from

1992 to 1995. He joined Compagnie Financière de Suez as Special Advisor to the Chairman and Secretary to the Suez Executive Committee, Paris, France, and was later appointed Senior Vice President in charge of Planning, Control and Accounting. In 2000, he joined NALCO (the US subsidiary of the Suez Group based in Naperville Il, USA) as General Managing Director. He was appointed CFO of the Suez Group in 2003. Gérard Lamarche is Director of Total SA, Paris, France, of SGS, Geneva, Switzerland, and of Umicore, Brussels, Belgium.

ADRIAN LOADER

Member

Adrian Loader is a Member of the Board of Directors, Chairman of the Health, Safety & Sustainability Committee and a Member of the Nomination, Compensation & Governance Committee of LafargeHolcim Ltd. He was elected to the Board of Directors of LafargeHolcim Ltd (then "Holcim Ltd") in 2006. Adrian Loader holds an Honours Degree in History from Cambridge University and is a fellow of the Chartered Institute of Personnel and Development. He was Chairman of the Nomination & Compensation Committee of Holcim Ltd from 2014 to 2015. He began his professional career at Bowater in 1969 and joined Shell the following year. Until 1998, he held various management positions in Africa, Latin America, Asia, and Europe and at the corporate level. In 1998, he was appointed President of Shell Europe Oil Products and in 2004 became Director for strategy, planning, sustainable development, and external affairs for the Shell Group. In 2005 he became Director of the Strategy and Business Development Directorate of Royal Dutch Shell, Den Haag, Netherlands, he became President and CEO of Shell Canada in 2007 and retired from Shell at the end of the year. In January 2008, he joined the Board of Directors of Candax Energy Inc., Toronto, Canada and was Chairman until June 2010. He then served as Chairman of Compton Petroleum, Calgary, Canada until August 2012, and as Chairman of the Board of Directors of Oracle Coalfields PLC, London, United Kingdom until April 2016. His other mandates include serving as a Member of the Board of Directors of Sherritt International Corporation, Toronto, Canada, and as a Member of the Board of Alderon Iron Ore, Montreal, Canada.

JÜRG OLEAS

Member

Jürg Oleas is a Member of the Board of Directors and a Member of the Finance & Audit Committee of LafargeHolcim Ltd. He was elected to the Board of Directors of LafargeHolcim Ltd (then "Holcim Ltd") in 2014, retired from the Holcim Ltd Board in the context of the LafargeHolcim Ltd merger closing effective 10 July 2015 and was re-elected at the AGM 2016. He holds an MSc from the mechanical engineering from the Swiss Federal Institute of Technology (ETH) in Zurich, Switzerland. He is CEO of GEA Group Aktiengesellschaft, a Düsseldorf-based mechanical engineering company listed on Germany's MDAX stock index. Jürg Oleas has been a member of the GEA Group Executive Board since joining the company in May 2001. Initially responsible for the Group's chemical activities, he was appointed CEO of GEA Group on November 1, 2004. Before joining the GEA Group, he spent nearly 20 years with ABB and the Alstom Group, where he held several management positions. He is Chairman of the Board of LL Plant Engineering AG, Ratingen, Germany, and a Member of the Board and Chairman of the Strategy Committee of RUAG Holding AG, Bern, Switzerland.

NASSEF SAWIRIS

Member

Nassef Sawiris is a Member of the Board of Directors and Chairman of the Nomination, Compensation & Governance Committee of LafargeHolcim Ltd. He was elected to the Board of Directors of LafargeHolcim Ltd in 2015. He holds a Bachelor of Economics from the University of Chicago. Nassef Sawiris was a Member of the Board of Directors of Lafarge S.A. from 2008 to 2015 and was a Member of equivalent Committees. Nassef Sawiris is the Chief Executive Officer of OCI N.V. a role previously held at Orascom Construction Industries (OCI S.A.E.) where he was additionally appointed Chairman in 2009. Orascom Construction Industries SA, which he joined in 1982, was the predecessor company to OCI N.V. He also serves on the Board of OCI Partners LP. His other appointments include that he is a Member of the Cleveland Clinic's International Leadership Board Executive Committee since 2011, a Member of the University of Chicago's Board of Trustees since 2013, a Member of the International Advisory Board of JP Morgan since 2017, and a Member of the Board of Adidas AG since 2016.

THOMAS SCHMIDHEINY

Member

Thomas Schmidheiny is a Member of the Board of Directors and a Member of the Health, Safety & Sustainability Committee of LafargeHolcim Ltd. He was elected to the Board of Directors of LafargeHolcim Ltd (then "Holderbank Financière Glaris Ltd", later "Holcim Ltd") in 1978. He studied mechanical engineering at the ETH Zurich and complemented his studies with an MBA from the IMD Lausanne in 1972. In 1999, he was awarded an honorary doctorate for his services in the field of sustainable development from Tufts University, Massachusetts. He began his career in 1970 as Technical Director with Cementos Apasco and in 1976 was appointed to the Executive Committee of Holcim Ltd, where he held the office of Chairman from 1978 until 2001. He was Chairman of the Board of Directors of Holcim Ltd from 1984 until 2003 and a Member of the Nomination & Compensation Committee of Holcim Ltd until 2015. His other mandates include that he is the Chairman of the Board of Directors of Spectrum Value Management Ltd and of Schweizerische Cement-Industrie-Aktiengesellschaft, both in Rapperswil-Jona, Switzerland and a Member of the Board of Abraaj Holdings, Dubai, United Arab Emirates. He also serves as a Member of the Board of Trustees of the Fletcher School of Law and Diplomacy, Cambridge, Massachusetts, USA.

HANNE BIRGITTE BREINBJERG SØRENSEN

Member

Hanne Birgitte Breinbjerg Sørensen is a Member of the Board of Directors and a Member of the Health, Safety & Sustainability and of the Nomination, Compensation & Governance Committees of LafargeHolcim Ltd. She was elected to the Board of Directors of LafargeHolcim Ltd (then "Holcim Ltd") in 2013. Hanne Birgitte Breinbjerg Sørensen holds an MSc in Economics and Management from the University of Aarhus. She was a Member of the Nomination & Compensation Committee of Holcim Ltd from 2014 to 2015 and has been re-elected in 2016. Until the end of 2013 she was the Chief Executive Officer of Maersk Tankers, Copenhagen and has been Chief Executive Officer of Damco, The Hague, Netherlands, another company of the A.P. Møller-Maersk Group, Copenhagen, Denmark, from 2014 until December 31, 2016. Her other mandates include that she is a Member of the Board of Ferrovial S.A., Madrid, Spain, of Delhivery Pvt. Ltd., Gurgaon, India, and of Tata Motors Ltd, Mumbai, India. She was a Member of the Board of Koninklijke Vopak N.V., Rotterdam, The Netherlands, until February 16, 2018.

DIETER SPÄLTI

Member

Dieter Spälti is a Member of the Board of Directors, the Chairman of the Strategy Committee and Member of the Finance & Audit Committee of LafargeHolcim Ltd. He was elected to the Board of Directors of LafargeHolcim Ltd (then "Holcim Ltd") in 2003. He studied law at the University of Zurich, Switzerland, where he obtained a doctorate in 1989. He was a Member of the Audit Committee from 2010 to 2015 and of the Governance & Strategy Committee of Holcim Ltd from 2013 to 2015. Dieter Spälti began his professional career as a Credit Officer with Bank of New York in New York NY, USA, before taking up an appointment as Chief Financial Officer of Tyrolit (Swarovski Group), based in Innsbruck, Austria and Zurich, Switzerland in 1991. From 1993 until 2001, he was with McKinsey & Company, ultimately as a partner, and was involved in numerous projects with industrial, financial, and technology firms in Europe, the USA, and Southeast Asia. In October 2002, he joined Rapperswil-Jona, Switzerland-based Spectrum Value Management Ltd as a partner; the firm administers the industrial and private investments of the family of Thomas Schmidheiny. Since 2006, he has been Chief Executive Officer and Member of the Board of Directors of Spectrum Value Management Ltd. His other mandates include a membership in the Board of Directors of Schweizerische Cement-Industrie-Aktiengesellschaft, Rapperswil-Jona, Switzerland.

EXECUTIVE COMMITTEE[1]

JAN JENISCH
CEO

Date appointed: *2017*
Nationality: *German*
Born: *1966*

Biography
P80

URS BLEISCH
Member

Date appointed: *2014*
Nationality: *Swiss*
Born: *1960*

Biography
P81

MARCEL COBUZ
Member

Date appointed: *2018*
Nationality: *Romanian*
Born: *1971*

Biography
P83

MARTIN KRIEGNER
Member

Date appointed: *2016*
Nationality: *Austrian*
Born: *1961*

Biography
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[1] As of March 2, 2018

CAROLINE LUSCOMBE
Member

Date appointed: *2016*
Nationality: *British*
Born: *1960*

Biography
P81

OLIVER OSSWALD
Member

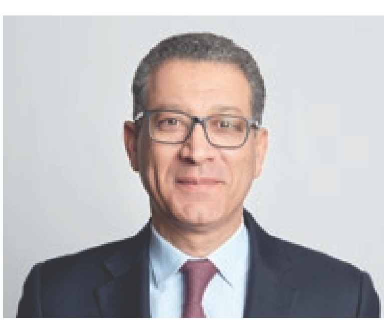
Date appointed: *2016*
Nationality: *Swiss*
Born: *1971*

Biography
P81

GÉRALDINE PICAUD
Member

Date appointed: *2018*
Nationality: *French*
Born: *1970*

Biography
P83



SAÂD SEBBAR
Member

Date appointed: *2015*
Nationality: *Moroccan and French*
Born: *1965*

Biography
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RENÉ THIBAULT
Member

Date appointed: *2018*
Nationality: *Canadian*
Born: *1966*

Biography
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JAN JENISCH

CEO

Jan jenisch has been CEO of LafargeHolcim since September 1, 2017. He has studied in Switzerland and the US and is a graduate of the University Fribourg, Switzerland with an MBA (lic. rer. pol.). From 2012 Jan Jenisch served as Chief Executive Officer of Sika AG which develops and manufactures systems and products for the building materials and automotive sector. Under his leadership, Sika expanded into new markets and set new standards of performance in sales and profitability. Jan Jenisch joined Sika in 1996 and went on to work in various management functions and countries. He was appointed to the Management Board in 2004 as Head of the Industry Division and he served as President Asia Pacific from 2007 to 2012. He is a non-executive Director of the stock-listed Schweiter Technologies AG and of the privately held Glas Troesch.

RON WIRAHADIRAKSA

CFO

Ron Wirahadiraksa has been CFO of LafargeHolcim Ltd since December 1, 2015. He graduated with a Doctoral in Business Economics from the Free University of Amsterdam, the Netherlands. He also graduated as a Certified Registered Controller from the Free University of Amsterdam. Ron Wirahadiraksa joined the Philips group in 1987. He became Chief Financial Officer at LG. Philips LCD in South Korea in 1999, during which time he shared operating leadership with the Korean CEO. He also led the 2004 initial public offering of LG. Philips LCD on the Korean and New York Stock Exchanges and supported the significant growth and market leadership of the company. He became Chief Financial Officer at Philips Healthcare in 2008 and in 2011 he took over as CFO for the Philips Group.

MARTIN KRIEGNER

Member

Martin Kriegner has been a Member of the Executive Committee of LafargeHolcim Ltd since August 2016 and is Region Head for Asia. He is a graduate from the Vienna University with a Doctorate in Law and he obtained an MBA at the University of Economics in Vienna. Martin Kriegner joined the Group in 1990 and became the CEO of Lafarge Perlmooser AG, Austria in 1998. He moved to India as CEO of the Lafarge operations in 2002 and later served as Regional President Cement for Asia, based in Kuala Lumpur. In 2012, he was appointed CEO of Lafarge India for the Cement, RMX and Aggregates. In July 2015 he became Area Manager Central Europe for LafargeHolcim operations and was appointed Head of India in 2016. Effective January 2018, Martin Kriegner is Region Head Asia, including Australia and New Zealand.

GÉRARD KUPERFARB

Member

Gérard Kuperfarb has been a Member of the Executive Committee of LafargeHolcim Ltd since July 10, 2015 and is responsible for Growth and Innovation. He graduated from the École des mines de Nancy (France). He also holds a Master's degree in Materials Science from the École des mines de Paris and an MBA from the École des Hautes Etudes Commerciales (HEC). Gérard Kuperfarb began his career in 1983 as an Engineer at the Centre de Mise en Forme des Matériaux (CEMEF) of the École des mines de Paris, before joining the Composite Materials Division at Ciba group in 1986, where he held sales and marketing positions. In 1989, he joined a strategy consulting firm in Brussels and Paris. He joined Lafarge in 1992 as Marketing Director for the Refractories business and then became Vice-President for

Strategy at Lafarge Specialty Materials. In 1996, he became Vice-President of Ready-Mix Concrete Strategy in Paris. In 1998, he was appointed Vice-President/General Manager for the Aggregates & Concrete Business in southwest Ontario (Canada) before heading the Performance group at Lafarge Construction Materials in North America in 2001. He joined the Aggregates & Concrete Division in Paris as Senior Vice-President of Performance in 2002. From 2005 to August 2007, he was President of the Aggregates & Concrete Business for eastern Canada. On September 1, 2007, he became Executive Vice-President, Co-President of the Aggregates & Concrete Business, and a member of the Executive Committee of the Lafarge Group and since January 1, 2012 executive Vice-President Innovation of Lafarge.

URS BLEISCH

Member

Urs Bleisch has been a Member of the Executive Committee of LafargeHolcim Ltd (then "Holcim Ltd") since September 30, 2014 and is responsible for Growth & Performance. He holds a Master's in Business and Economics from the University of Basel. Urs Bleisch joined Holcim in 1994 as Head IT of Holcim Switzerland. From 2000 onward, he assumed Group-wide responsibility for Information Technology and was instrumental in the development and implementation of the global IT strategy of the Holcim Group. Since 2011, he has managed the Information and Knowledge Management function at Holcim Group Support Ltd. In 2012 he was appointed CEO of Holcim Group Services Ltd and of Holcim Technology Ltd. Since July 2015, Urs Bleisch has led the global functions of Cement Industrial Performance, Project Management & Engineering, Logistics, Procurement, Waste Management / Geocycle, Aggregates and Performance Navigation. In January 2018 he took on additional responsibility for the commercial area, development of innovative products and services as well as the capabilities to bring these solutions to customers around the world.

PASCAL CASANOVA

Member

Pascal Casanova has been a Member of the Executive Committee of LafargeHolcim Ltd since July 10, 2015 and is responsible for North America and Mexico. He is a graduate of the École Polythechnique and holds a PhD in Materials and Structures from the École Nationale des Ponts et Chassées. Pascal Casanova was hired in 1999 as Technical Director for Lafarge and was subsequently appointed Head of R&D and Industrial Performance of the Roofing activity based in the UK. In 2005, he directed the international activity of Roofing Components headquartered in Oberursel, Germany, ensuring the development of production and international sales, particularly in Malaysia, USA, South Africa, Brazil, and Western/Eastern Europe. In 2008, he was appointed Head of R&D of the Lafarge Group. In 2012 he was appointed Chief Executive Officer of Lafarge France.

ROLAND KÖHLER

Member

Roland Köhler has been a Member of the Executive Committee of LafargeHolcim Ltd (then "Holcim Ltd") since March 15, 2010 and is responsible for Europe, Australia/New Zealand and Trading. He is a graduate in business administration from the University of Zurich. Roland Köhler joined the building materials group Hunziker, Switzerland, in 1988 as Head of Finance and Administration and transferred to Holcim Group Support Ltd as a Management Consultant in 1994. From 1995 to 1998, he was Head of Corporate Controlling and, from 1999 to end 2001, Head of Business Risk Management. Since 2002, he has headed Corporate Strategy & Risk Management. Effective January 1, 2005, Roland Köhler was promoted to Corporate Functional Manager responsible for Corporate Strategy & Risk Management. On March 15, 2010, he was appointed Member of the Executive Committee and CEO of Holcim Group Support Ltd. Since September 1, 2012 Roland Köhler has been responsible for the Group region Europe.

CAROLINE LUSCOMBE

Member

Caroline Luscombe has been a Member of the Executive Committee of LafargeHolcim Ltd since July 2016 and is responsible for human resources. She holds a Bachelor's degree in German from the University College, London. Caroline Luscombe joined LafargeHolcim from Syngenta where she was Head of Human Resources since January 2010 and a member of the Executive Committee. Prior to joining Syngenta, Caroline held senior HR roles in the financial and healthcare businesses of the GE Group, and in the specialty chemical company, Laporte plc.

OLIVER OSSWALD

Member

Oliver Osswald has been a Member of the Executive Committee of LafargeHolcim Ltd since August 2016 and is responsible for Central and South America. He is a graduate from the Technische Hochschule in Ulm and holds an Executive Education Degree from the Harvard Business School. Oliver Osswald joined Holcim Apasco in Mexico in 1995. He has been responsible for a number of plants in Switzerland and in Germany between 1999 and 2005. From 2005 to 2010, he held management and marketing positions in Holcim Switzerland. He was appointed Commercial Director for Holcim Apasco in Mexico in 2012 before being appointed Country Head for Argentina in 2014.

SAÂD SEBBAR

Member

Saâd Sebbar has been a Member of the Executive Committee of LafargeHolcim Ltd since July 10, 2015 and is responsible for Middle East Africa. He is an aeronautics engineer and graduated from the ESSEC Business School in Paris. Before joining Lafarge, Saâd Sebbar worked as an Investment Advisor and then as a Management and Organization Consultant. He joined Lafarge in 1997 as a Plant Manager and subsequently held several other positions in operations. In 2002, he was appointed Managing Director of Lafarge-Titan Egypt. From 2004 to 2008, he held the position of Managing Director of Herakles General Company in Greece, and then became East Asia Regional President with responsibility for South Korea, Japan, Vietnam, and the Philippines. In 2012, he was appointed Country Chief Executive Officer for Lafarge Morocco.

THE FOLLOWING EXECUTIVE COMMITTEE MEMBERS JOINED AFTER THE END OF 2017

MARCEL COBUZ

Region Europe

Romanian and French national born in 1971, Marcel Cobuz became a member of the Executive Committee in January 2018 and is responsible for the Europe region. He studied Law and Global Economics at University of Bucharest and has completed Executive Education programs at IMD and INSEAD.

Marcel Cobuz joined the company in 2000. At LafargeHolcim, he has held various operational roles in six different countries during which time he established a successful P&L track record. He has been country CEO of Indonesia, Iraq and Morocco.

In his various country roles, Marcel has delivered results notably by investing in new offers in building and infrastructure, constructing and operating new plants and managing joint ventures and partnerships in listed companies. In Group roles between 2012 and 2015, he was instrumental in leading organisational change in marketing across Lafarge before heading up the Global Pre-Merger Integration Project between Lafarge and Holcim.

GÉRALDINE PICAUD

Chief Financial Officer

French national born in 1970, Géraldine Picaud became Chief Financial Officer for LafargeHolcim in January 2018. She holds a Master Degree in Business Administration from Reims Business School.

Géraldine Picaud joined the Group from CAC 40-listed ophthalmic optics company Essilor International, where she was Group CFO. Prior to that she was CFO of Volcafe Holdings, the Switzerland-based coffee business of ED&F Man. Géraldine initially joined ED&F Man in London in 2007 as Head of Corporate Finance in charge of M&A. This followed 13 years as CFO at international specialty chemicals group, Safic Alcan as Head of Business Analysis and then as CFO.

Géraldine Picaud started her career with audit firm Arthur Andersen.

RENÉ THIBAULT

Region North America

Canadian national born in 1966, René Thibault became a member of the Executive Committee in January 2018 and is responsible for the North America region. He is a graduate of Queen's University in civil engineering and has completed the Advanced Management Program at Harvard Business School.

René Thibault joined the company in 1989 and has built a strong commercial track record, with a particular expertise in downstream offerings to customers. After progressing through leadership roles in Canada, in 2007 René served as Vice President, Strategy for Europe, Middle East and Africa based in France.

Returning to Canada in 2009, he led the Western Canada, aggregates and concrete businesses. In 2012, adding the cement business to his control, he was appointed CEO Western Canada.

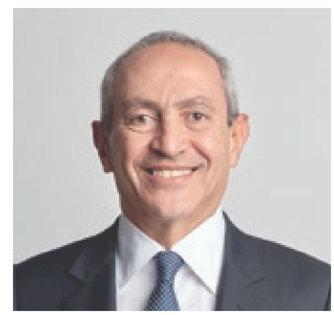
COMPENSATION REPORT

Director and executive compensation is designed to reinforce the LafargeHolcim strategy by helping the company attract, motivate and retain talent, while aligning their interests with those of shareholders.

TOPIC

The executive compensation structure provides balance by rewarding short-term and long-term performance, by combining absolute and relative as well as financial and non-financial metrics in measuring performance, and by delivering compensation through a mix of cash and equity. Executives are expected to build their LafargeHolcim share ownership over time, to provide further alignment with shareholders.

The compensation report provides detailed information on the compensation programs at LafargeHolcim, on the governance framework around compensation and on the compensation awarded to the members of the Board of Directors and the Executive Committee in 2017. It is written in accordance with the Ordinance against Excessive Compensation in Listed Stock Corporations, the standard relating to information on Corporate Governance of the SIX Swiss Exchange and the principles of the Swiss Code of Best Practice for Corporate Governance of economiesuisse.



Nassef Sawiris

Dear shareholders,

I am pleased to share with you LafargeHolcim's Compensation Report for the financial year 2017, which has been prepared in accordance with applicable laws, rules and regulations.

As the leading global construction materials and solutions company, LafargeHolcim aims to be an employer of choice for our employees. This is supported by our compensation framework which is designed to attract, motivate and retain the qualified talent needed to succeed globally while providing excellent returns to our shareholders.

2017 has been a year with solid like-for-like results and positive contributions from most regions. Jan Jenisch was appointed as the new CEO as of 1 September 2017. He succeeds Eric Olsen who left in July 2017, with Beat Hess carrying out the duties of interim CEO and Chairman during the transition period.

In 2017, the Nomination, Compensation and Governance Committee ("NCGC") conducted a thorough review of the compensation programs to ensure their alignment to the new business strategy and decided to implement the following changes in the incentive programs in 2018:

- To further focus Executive Committee members on the delivery of financial performance objectives, the proportion of the annual incentive that relates to financial performance will be increased to 85 percent of the total incentive opportunity. A new relative performance measure which compares the annual financial performance of LafargeHolcim to a sector peer group will be introduced with a weighting of 30 percent of the total incentive opportunity. The remaining 55 percent will continue to be absolute financial objectives.
- 15 percent of the annual incentive will be linked to a Health & Safety score. This score will reflect improvements in the lost-time injury frequency rate
- The 2018 grant under the long-term incentive program will consist of performance share awards conditional upon earnings per share (EPS) before impairment and divestments and return on invested capital (ROIC) of the Group
- In addition to this, due to the exceptional changes to the Executive team, and to support the launch of the new growth strategy, a performance share option grant will be made to the Executive Committee members in 2018.

You will find further details about these changes as well as information on the NCGC activities and on our remuneration systems in this Compensation Report. The report will be submitted to a consultative shareholder vote at the Annual General Meeting 2018.

Looking ahead, we will continue to regularly assess our remuneration plans to ensure that they are fulfilling their purpose. We trust that you will find this report informative.

Yours sincerely,

Nassef Sawiris
Chairman of the Nomination, Compensation and Governance Committee

COMPENSATION PRINCIPLES

2017 COMPENSATION OVERVIEW

BOARD OF DIRECTORS

ELEMENT	PURPOSE	STRUCTURE	DRIVERS	PERFORMANCE MEASURES
Annual retainer	Pay for the function on the Board of Directors	– Annual retainer in cash and 5-year blocked shares	– Role – Responsibilities – Time commitment – Experience required	None
Committee fees	Pay for additional contribution and time commitment	– Differentiation between membership and chairmanship – Paid in cash	– Role – Responsibilities – Time commitment – Experience required	None
Expense allowance	Cover Board members' expenses incurred	– Paid in cash	- Buisness expenses incured	None

EXECUTIVE COMMITTEE

ELEMENT	PURPOSE	STRUCTURE	DRIVERS	PERFORMANCE MEASURES
Base salary	Attract and retain	Fixed amount paid monthly in cash	– Role – Responsibilities – Experience – Market value	
Pensions	Attract and retain	Pension and insurances	– Market practice – Role	
Benefits	Attract and retain, protect against risks	– Perquisites – Car or allowance – Relocation benefits	– Market practice – Role	
Annual Incentive	Reward for short-term performance	Variable amount paid half in cash and half in shares deferred for 3 years	– Annual financial and non-financial performance	– Recurring EBITDA – Free Cash Flow – Individual performance
Long-Term Incentive (LTI)	Reward long-term performance Align with shareholders Retain	Performance shares delivered after 3 year vesting period	– Long-term financial business performance over 3 years	– Earnings per share (EPS) before impairment and divestments – Return on invested capital (ROIC) – Relative Total Shareholder Return (TSR)

COMPENSATION SYSTEM

Board of Directors

To guarantee their independence in exercising their supervisory duties, the members of the Board of Directors receive fixed compensation only. Part of the compensation is paid in shares in order to strengthen alignment with shareholders' interests.

The Board compensation consists of an annual retainer as Chairman, Vice-Chairman or member of the Board of Directors and additional fees for assignments to committees of the Board either as chair or member. The annual retainer is paid partially in cash and partially in shares, which are blocked from sale and pledging for a period of five years. The committee fees are paid in cash. Additionally, a lump sum expense allowance is paid in cash. The Chairman of the Board of Directors is also entitled to a secretarial allowance. The members of the Board of Directors receive no additional reimbursements of business expenses beyond travel costs from abroad. The members of the Board do not participate in LafargeHolcim's employee benefit plans.

In exceptional circumstances, additional fees are payable to a Board member or Chairman when an exceptional workload beyond the regular function on the Board has been required.

Cash compensation is paid quarterly for the Board members and monthly for the Chairman. The shares are transferred in March of the term (year) of office.

COMPENSATION MODEL OF THE BOARD OF DIRECTORS

ANNUAL RETAINER (GROSS P.A.)	CASH COMPENSATION IN CHF	SHARE-BASED COMPENSATION[2] IN CHF	EXPENSE ALLOWANCE IN CHF	SECRETARIAL ALLOWANCE IN CHF
Chairman of the Board of Directors [1]	725,000	725,000	10,000	60,000
Vice-Chairman of the Board of Directors	200,000	200,000	10,000	
Members of the Board of Directors	100,000	100,000	10,000	

COMMITTEE FEES (GROSS P.A.)	CASH COMPENSATION IN CHF
Committee chair	125,000
Committee member	40,000

[1] The Chairman of the Board of Directors is not eligible for committee fees.
[2] Converted into shares based on the average share price between 1 January 2018 and 15 February 2018.

Executive Committee

Executive Committee compensation is designed to reinforce the LafargeHolcim strategy, by helping the company attract, motivate and retain talent, while aligning their interests with those of shareholders.

The executive compensation structure balances short-term and long-term performance, combines absolute and relative performance, and financial and non-financial metrics in measuring performance, and delivers compensation through a mix of cash and company shares. Executives are expected to build their LafargeHolcim share ownership over time, to provide further alignment with shareholders.

The compensation for members of the Executive Committee includes the following elements:

– Fixed base salary
– Pensions and benefits
– Variable compensation: annual and long-term incentives

Base salaries

Base salaries of Executive Committee members are reviewed annually, with the objective to provide total compensation packages which are broadly competitive against companies of the Swiss Market Index (SMI).

Salaries for Executive Committee members are set taking into account market practice for the relevant role, and internal consistency. In 2017, a number of new executives joined the Executive Committee, and the same principles were applied in setting their salary levels.

Pension

Members of the Executive Committee participate in the benefits plans available in the country of their employment contract. Benefits consist mainly of retirement, insurance and healthcare plans that are designed to provide a reasonable level of protection for the employees and their dependents in respect to the risk of retirement, disability, death and health. The members of the Executive Committee with a Swiss employment contract participate in LafargeHolcim's defined benefit pension scheme applicable to Swiss-based senior management, which is set up to achieve, at age 62 and assuming 10 years of service in senior management and 20 years of service with the Group, an amount of 40 percent of the average of the last 3 years' base salaries, inclusive of all other pension incomes participants may benefit from. Early or deferred retirement pensions are adjusted based on actuarial calculations. LafargeHolcim's pension funds exceed the legal requirements of the Swiss Federal Law on occupational Retirement, Survivors and Disability Pension Plans (BVG). Members of the Executive Committee under foreign employment contracts are insured commensurately with market conditions and with their position. Each plan varies in line with the local competitive and legal environment and is, as a minimum, in accordance with the legal requirements of the respective country.

Benefits and perquisites

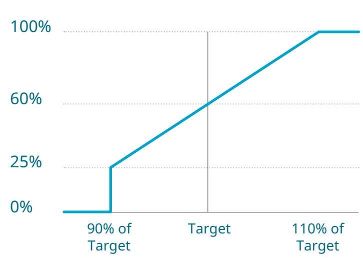
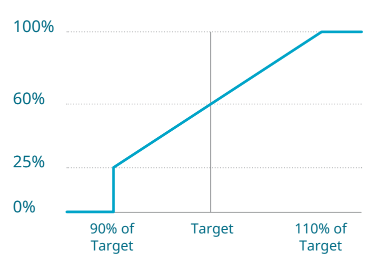
Members of the Executive Committee may receive certain executive perquisites such as a company car or transport allowances and other benefits in kind, in line with competitive market practice in their country of contract. Executives who are relocating may also be provided with housing, schooling and travel benefits, in line with the LafargeHolcim International Mobility policy. The monetary value of these other elements of compensation is evaluated at fair value and is included in the disclosure in the compensation tables.

Annual incentives

The annual incentive, which is paid half in cash and half in shares deferred for three years, rewards financial achievements at Group level (and at regional level for Executive Committee members as appropriate), as well as individual performance over a time horizon of one year.

The annual incentive design applicable to the Executive Committee is summarized below:

ROLE	CEO	OTHER EXECUTIVE COMMITTEE MEMBERS
Maximum opportunity	250% of salary	125% of salary

METRICS	RECURRING EBITDA	FREE CASH FLOW	INDIVIDUAL PERFORMANCE
Purpose	Measures Group or Regional operational profitability	Measures the company's ability to generate cash	Captures each Executive Committee member's individual performance
Definition	Operating profit before depreciation, amortization and impairment of operating assets and before restructuring, litigation, implementation and other non recurring costs, at budget FX rate, adjusted for changes in scope	Cash Flow from operating activities, adjusted for net maintenance and expansion Capex	Assessment of how each executive has met a number of strategic, operational or project-based objectives (including health & safety) and demonstrated behaviors in line with company values
Weighting	30%	40%	30%
Payout formula			NCGC and Chairman assessment

Long-term incentives

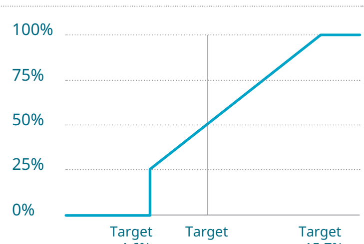
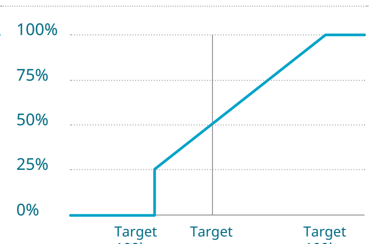
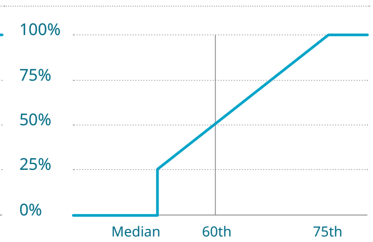
The performance share plan (PSP) is designed to retain talent and to provide forward-looking incentives for sustained Group performance. Under the current plan rules, conditional share awards and/or share options may be awarded, and vest after a three-year period.

It is the NCGC's intention to normally grant conditional share awards annually, whilst share options may be granted in exceptional circumstances. No option grant was awarded in 2017.

The long-term incentive design applicable to the Executive Committee is summarized below:

2017 PERFORMANCE SHARE AWARD

ROLE	CEO	OTHER EXECUTIVE COMMITTEE MEMBERS
Maximum opportunity	250% of salary	140% of salary

METRICS	EARNINGS PER SHARE BEFORE IMPAIRMENT AND DIVESTMENTS	ROIC	RELATIVE TSR
Purpose	Measures LafargeHolcim's profitability to investors	Measures the company's ability to use invested capital efficiently	Measures LafargeHolcim's ability to provide investors with better returns compared to alternative investments
Weighting	30%	40%	30%
Performance period	2019	2019	July 25, 2017 to July 24, 2020
Definition	Underlying, fully-diluted earnings per share adjusted for after tax gains and losses on disposals of Group companies and impairments of goodwill and assets	Return on Invested Capital at year end 2019, adjusted for changes in scope between 2017 and 2019	Percentile-ranking of LafargeHolcim's 3-month average TSR vs 17 sector peers: ACS, Bouygues, Buzzi Unicem, Cemex, CRH, HeidelbergCement, James Hardie Industries, Kingspan, Martin Marietta Materials, Mitsubishi Materials, NCC, Saint-Gobain, Sika, Skanska, Vicat, Vinci and Vulcan Materials
Performance vesting			
	Absolute targets are not disclosed as they could give an unfair competitive advantage to our competitors, but are in line with the guidance given to investors and will be disclosed at vesting		

The unvested performance share awards forfeit upon termination of employment, except in the case of retirement, ill-health, disability, termination due to a change of control, or at the discretion of the Nomination, Compensation and Governance Committee. In such circumstances, unvested performance share awards are subject to a pro-rata vesting (for the number of full months between grant date and termination date) at regular vesting date. In the event of death, vesting is immediate and performance conditions are considered met. For the avoidance of doubt, performance shares always lapse when termination is due to resignation or gross misconduct.

Executive Share Ownership guidelines

To reflect the importance the NCGC places on aligning their interests with shareholders, executives are required to hold LafargeHolcim shares, with a value of 300 percent of salary for the CEO and 150 percent of salary for other Executive Committee members. Executives are expected to retain at least 50 percent of vested shares (after statutory deductions) until the required holding is met.

Employment contracts for the Executive Committee

The contracts of employment of the Executive Committee are concluded for an indefinite period of time and may be terminated with one year’s notice. Contracts of employment do not include severance compensation or change of control clauses except the vesting provisions of long-term incentive (LTI) awards as described above.

In the case of one former Lafarge Executive Committee member, a contractual commitment is payable in the event of termination by the company before December 31st 2017.

Retention awards

No payments were made in 2017 under a retention scheme (2016: CHF 2.0 million, merger related). No further retention payments are due to any member of the Executive Committee.

COMPENSATION FOR FINANCIAL YEAR 2017

The tables in this section were audited according to Article 17 of the Ordinance against Excessive Compensation in Listed Stock Corporations.

BOARD OF DIRECTORS

			SHARE-BASED COMPENSATION						
NAME	POSITIONS AS PER 31 DECEMBER	CASH COMPEN-SATION CHF	NUMBER	VALUE CHF	OTHER CHF	SUBTOTAL CHF	SOCIAL SECURITY CHF	2017 TOTAL CHF	2016 TOTAL CHF
Beat Hess, Chairman		1,075,000[1]	12,690	725,000	70,000	1,870,000	82,275	1,952,275	1,145,492
Oscar Fanjul[2]	❷ ❸	238,334	2,917	166,667	10,000	415,001	0	415,001	290,000
Bertrand Collomb	❶	140,000	1,750	100,000	10,000	250,000	10,144	260,144	258,122
Philippe Dauman[3]		41,667	729	41,667	4,167	87,501	5,835	93,336	216,933
Paul Desmarais, Jr.	❷	140,000	1,750	100,000	10,000	250,000	0	250,000	285,417
Alexander Gut[3]	❶	58,334	729	41,667	4,167	104,168	7,929	112,097	300,377
Patrick Kron[4]	❸ ❹	105,000	1,021	58,333	5,833	169,166	6,425	175,591	0
Bruno Lafont[3]		41,667	729	41'667	4,167	87,501	0	87,501	216,540
Gérard Lamarche	■1 ❸	265,000	1,750	100,000	10,000	375,000	0	375,000	339,583
Adrian Loader	❷ ■4	212,917	1,750	100,000	10,000	322,917	0	322,917	250,000
Jürg Oleas	❶	123,333	1,750	100,000	10,000	233,333	0	233,333	124,166
Nassef Sawiris	■2	241,667	1,750	100,000	10,000	351,667	0	351,667	322,917
Thomas Schmidheiny	❹	123,333	1,750	100,000	10,000	233,333	9,290	242,623	218,094
Hanne B. Sørensen	❷ ❹	163,333	1,750	100,000	10,000	273,333	0	273,333	250,000
Dieter Spälti	❶ ■3	265,000	1,750	100,000	10,000	375,000	19,999	394,999	394,999
Total		3,234,585	34,565	1,975,001	188,334	5,397,920	141,897	5,539,817	4,612,640

■ Chairman of Committee ❶ FAC: Finance & Audit Committee ❷ NCGC: Nomination, Compensation and Governance Committee ❸ SC: Strategy Committee ❹ HSSC: Health, Safety & Sustainability Committee since May 3, 2017

[1] Includes additional fee of CHF 350,000 for the additional time commitment to organize the CEO's succession.
[2] Vice-Chairman since May 3, 2017
[3] Board-Member until May 3, 2017
[4] Board-Member since May 3, 2017

Compensation for financial year 2017

In 2017, fifteen non-executive members of the Board of Directors received in total a remuneration of CHF 5.5 million including mandatory Social Security payments (2016: CHF 5.4 million when including CHF 0.8 million paid to one former Board Member having left during 2016) of which CHF 3.2 million (2016: CHF 3.1 million) was paid in cash, CHF 0.1 million (2016: CHF 0.1 million) in the form of social security contributions, and CHF 2.0 million (2016: CHF 1.9 million) in shares. Other compensation paid totaled CHF 0.2 million (2016: CHF 0.2 million). These amounts include an additional fee of CHF 350,000 paid to the Chairman for the additional time commitment involved in organizing the CEO succession.

At the Annual General Meeting 2016, shareholders approved a maximum aggregate amount of compensation of CHF 5,400,000 for the Board of Directors for the term until the Annual General Meeting 2017. The remuneration paid to the Board for this term was CHF 4,868,336 (excluding mandatory Social Security payments) and is therefore within the approved limits.

At the AGM 2017, shareholders approved an unchanged maximum aggregate amount of compensation of CHF 5,400,000 for the Board of Directors for the term until the Annual General Meeting 2018. The remuneration paid to the Board of Directors for this term is anticipated to be approx. CHF 5.4 million. The final amount will be disclosed in the 2018 compensation report.

EXECUTIVE COMMITTEE

EXECUTIVE	BASE SALARY CHF	OTHER FIXED PAY CHF[1]	ANNUAL BONUS CHF	PERFORMANCE SHARES[4] NUMBER OF SHARES	PERFORMANCE SHARES[4] FAIR VALUE AT GRANT CHF	OTHER SHARE AWARDS[5] NUMBER OF SHARES	OTHER SHARE AWARDS[5] FAIR VALUE AT GRANT CHF	PENSION CONTRI-BUTIONS CHF	TOTAL 2017 CHF	TOTAL 2016[6] CHF
Eric Olsen 01.01.2017 to 15.07.2017	1,500,000	323,871	1,800,000[2]	0	0	0	0	501,692	4,125,563	7,207,062
Jan Jenisch 01.09.2017 to 31.12.2017	533,332	8,667	1,120,000[3]	70,422	1,971,112	89,784	4,861,804	278,062	8,772,977	0
Other Exco 01.01.2017 to 31.12.2017	7,312,047	1,590,048	1,646,258	173,171	4,847,056	0	0	3,971,649	19,367,058	29,732,002
Total	9,345,379	1,922,586	4,566,258	243,593	6,818,168	89,784	4,861,804	4,751,403	32,265,598	36,939,064

1 Includes the value of benefits in kind: car allowance and benefits for internationally mobile members (expatriates) such as housing, schooling and tax consulting
2 Amount paid on-target as per policy and according to contractual agreement in line with Swiss regulations
3 Bonus agreed at hire, paid on-target for the period September to December 2017 for the financial portion (70% of bonus opportunity) and based on effective performance for the individual portion (30% of bonus opportunity). Also includes amount paid in respect of forfeited 2017 bonus from previous employer.
4 Performance shares granted under the long-term incentive plan, subject to a three-year performance-based vesting period
5 Other share awards are restricted share awards granted to Jan Jenisch at hire, compensating for share awards forfeited from his previous employer, on a strict like-for-like basis. Vesting of these restricted shares is in December 2017, December 2018 and December 2019, reflecting the vesting dates of forfeited awards
6 2016 figures also reflect the fair value at grant of the performance share awards under the LTI. (Performance shares were previously disclosed at face value, which corresponds to the maximum payout opportunity. Stock options were disclosed at fair value.)

Compensation for financial year 2017

Total compensation for Executive Committee members in 2017 is as follows: The total annual compensation for the members of the Executive Committee amounted to CHF 32.3 million (2016: CHF 36.9 million). This amount comprises base salaries and variable compensation of CHF 15.8 million (2016: CHF 21.3 million), share-based compensation of CHF 11.7 million (2016: CHF 10.3 million), employer contributions to pension plans of CHF 4.8 million (2016: CHF 5.3 million).

Explanatory comments to the compensation table:
The compensation changes in 2017 compared to 2016 are mainly caused by the following factors:

- The former CEO (Eric Olsen) left the company July 15th 2017, and contractually due payments for 2017 are included in the total Executive Committee compensation in the table above. The contractual terms are as follows: 12-month notice period, 12-month non-competition period and partial forfeiture of LTI awards as per LTI plan rules.
- The new CEO (Jan Jenisch) started on September 1st 2017 and received a combined base salary plus variable compensation of CHF 1.7 million, share-based compensation of CHF 6.8 million, employer contributions to pension benefits of CHF 0.3 million. As a result, the new CEO's total compensation amounted to CHF 8.8 million. He received a replacement award of 89,784 shares for long-term incentive awards forfeited at his previous employer due to joining LafargeHolcim. This replacement award will vest in three tranches each in December 2017, 2018 and 2019 and is included in the compensation table above (value at grant). It was also agreed that, with regard to 2017, he would receive CHF 240,000 in compensation for his forfeited bonus from his previous employer, and a LafargeHolcim annual incentive payment for 2017 reflecting on-target achievement for the financial portion (70% of the bonus opportunity) and based on effective performance for the individual portion (30% of the bonus opportunity).
- The need for interim coverage as Group CEO by Beat Hess, Chairman, included in the section "other EXCO", was compensated with 0.2 million fixed pay. No incentives were paid for the interim period.
- The performance achievement under the annual bonus was lower in 2017 than in 2016. Further details are provided below.
- As a result of the 2017 compensation review, it was decided not to increase Executive Committee and CEO base salaries, but to increase their long-term incentive opportunity. CEO normal award was increased from 225 percent to 250 percent of salary and Executive Committee normal award was increased from 125 percent to 140 percent of salary.

The compensation awarded to the Executive Committee members for 2017 (including the compensation for the interim CEO and the supplement for the interim COO) is within the total maximal amount of compensation for the Executive Committee for the financial year 2017 of CHF 40,500,000 approved at the Annual General Meeting 2016.

Annual incentive
2017 annual incentives for members of the Executive Committee (excluding Jan Jenisch and Eric Olsen) were on average, 24 percent of maximum, with an average payout on financial objectives of 4 percent of maximum and of 69 percent for the achievement of personal objectives.

Long-term incentive plan vesting in 2017
The first LafargeHolcim long-term incentive plan vesting will take place in December 2018 and will be disclosed in the 2018 Compensation Report.

Loans granted to members of governing bodies
As at December 31, 2017, there were no loans outstanding to members of the Executive Committee. There were no loans to members of the Board of Directors or to parties closely related to members of governing bodies.

Other transactions
As part of the employee share purchase plan, LafargeHolcim manages employees' shares. It sells and purchases LafargeHolcim Ltd shares to and from employees and in the open market. No shares were purchased from members of the Executive Committee in 2016 and 2017.

Compensation for former members of governing bodies
During 2017, payments in the total amount of CHF 7.8 million were made to four former members of the Executive Committee.

SHARE OWNERSHIP INFORMATION

Ownership of shares: Board of Directors

On December 31, 2017, non-executive members of the Board of Directors held a total of 94,528,975 registered shares in LafargeHolcim Ltd. This number comprises privately acquired shares and those allotted under participation and compensation schemes. As of the end of 2017 one non-executive member of the Board of Directors held privately acquired LafargeHolcim share purchase (call) options.

Until the announcement of market-relevant information or projects, the Board of Directors, the Executive Committee and any employees involved are prohibited from effecting transactions with equity securities or other financial instruments of LafargeHolcim Ltd, exchange-listed Group companies or potential target companies (trade restriction period).

SHARES AND OPTIONS HELD BY THE BOARD OF DIRECTORS

NAME	POSITION	SHARES HELD AS OF DECEMBER 31, 2017	OPTIONS HELD AS OF DECEMBER 31, 2017	SHARES HELD AS OF DECEMBER 31, 2016	OPTIONS HELD AS OF DECEMBER 31, 2016
Beat Hess	Chairman	17,419		8,792	
Oscar Fanjul	Vice-Chairman	7,758		5,901	
Bertrand Collomb	Member	116,065		121,673	
Paul Desmarais Jr	Member	38,943		37,086	
Patrick Kron	Member (from May 3, 2017)	0		0	
Gérard Lamarche	Member	4,066		2,209	
Adrian Loader	Member	16,739		14,882	
Jürg Oleas	Member	3,397		2,314	
Nassef Sawiris	Member	25,180,203	10,000,000 [1]	28,938,346	
Thomas Schmidheiny	Member	69,072,527		69,070,670	
Hanne B. Sørensen	Member	6,776		4,920	
Dieter Spälti	Member	65,082		62,751	
Philippe Dauman	Member (until May 3, 2017)	n/a		1,129	
Alexander Gut	Member (until May 3, 2017)	n/a		8,161	
Bruno Lafont	Co-chairman (until May 3, 2017)	n/a		44,939	443,068 [2]
Total		**94,528,975**	**10,000,000**	**98,323,773**	**443,068**

[1] 5,000,000 Call-Options/Exercise Price = CHF 59,096/expiry date July 3, 2018, and 5,000,000 Call-Options/Exercise Price = CHF 59,096/expiry date July 4, 2018, both European Style.

[2] From former equity based compensation (Lafarge S.A.).

Ownership of shares and options: Executive Committee

As of December 31, 2017, members of the Executive Committee held a total of 209,225 registered shares in LafargeHolcim Ltd. This figure includes both privately acquired shares and those allocated under the Group's compensation schemes.

Furthermore, at the end of 2017, the Executive Committee held a total of 919,834 stock options and 605,372 performance shares; these arose as a result of the participation and compensation schemes of various years.

Options are issued solely on registered shares in LafargeHolcim Ltd. One option entitles the holder to buy to one registered share in LafargeHolcim Ltd.

NUMBER OF SHARES AND OPTIONS HELD BY EXECUTIVE COMMITTEE MEMBERS AS OF DECEMBER 31, 2017

NAME	POSITION	TOTAL NUMBER OF SHARES	TOTAL NUMBER OF OPTIONS	TOTAL NUMBER OF PERFORMANCE SHARES
Jan Jenisch	CEO	120,000	80,000[1]	126,868
Ron Wirahadiraksa	Member	5,649	113,217	77,655
Urs Bleisch	Member	13,116	122,115	49,416
Pascal Casanova	Member	8,057	86,574	56,351
Roland Köhler	Member	39,288	195,927	67,655
Martin Kriegner	Member	4,094	52,353	38,026
Gérard Kuperfarb	Member	11,240	140,614	76,760
Caroline Luscombe	Member	1,474	36,410	40,009
Oliver Osswald	Member	1,784	27,308	27,231
Saâd Sebbar	Member	4,523	65,316	45,401
Total		**209,225**	**919,834**	**605,372**

[1] 80,000 call options (HOLN C56 JUN18), strike price: CHF 56, expiry date 15 June 2018, privately acquired

NUMBER OF SHARES AND OPTIONS HELD BY EXECUTIVE COMMITTEE MEMBERS AS OF DECEMBER 31, 2016

NAME	POSITION	TOTAL NUMBER OF SHARES	TOTAL NUMBER OF OPTIONS	TOTAL NUMBER OF PERFORMANCE SHARES
Eric Olsen	CEO	23,499	262,054	117,924
Ron Wirahadiraksa	Member	2,101	113,217	50,543
Urs Bleisch	Member	10,399	122,115	32,163
Pascal Casanova	Member	4,857	70,857	31,632
Roland Köhler	Member	34,581	198,208	40,543
Martin Kriegner	Member	3,100	45,410	20,354
Gérard Kuperfarb	Member	8,222	77,193	34,460
Caroline Luscombe	Member	–	36,410	22,756
Oliver Osswald	Member	887	27,308	14,291
Saâd Sebbar	Member	5,072	65,316	29,159
Total		**92,718**	**1,018,088**	**393,825**

During 2017, Jan Jenisch purchased 77’086 LafargeHolcim shares, for a total value as at 31st December of CHF 4.2 million, or 263 percent of his base salary, thereby (together with granted registered shares) meeting the CEO Share Ownership Guideline of 300 percent of salary.

Liquidity mechanism for remaining rights under the Lafarge long term incentive plans

Following the success of the public exchange offer on Lafarge S.A. and the completion of the subsequent squeeze-out of Lafarge shares, LafargeHolcim has proposed a liquidity mechanism for (i) Lafarge shares that may be issued following the exercise on or after October 23, 2015 of stock options that have been allocated pursuant to the Lafarge stock option plans; or (ii) Lafarge shares that may be definitively allotted on or after October 23, 2015 in accordance with the Lafarge performance shares plans.

Five members of the LafargeHolcim Executive Committee, including the former Chief Executive Officer, have accepted this mechanism which will translate into an exchange or a purchase (according to their country of residence) of their Lafarge shares for LafargeHolcim shares. The exchange or purchase will take place at the end of the holding period (i.e. up to March 2019) for performance shares or following the exercise of stock options (all non-exercised options will lapse at the end of 2020 at the latest), applying the relevant exchange ratio to maintain the initial parity of the public exchange offer (at the end of December 2017, the exchange ratio is 0.945 LafargeHolcim share for 1 Lafarge share).

The following table presents the rights of the Executive Committee members that are still under vesting period or holding period under the Lafarge performance shares plans and the non-exercised Lafarge stock options as of December 31, 2017.

Beneficiaries	Lafarge (Performance shares)	Lafarge (Stock options)
Eric Olsen	11,578	63,421
Pascal Casanova	5,617	15,717
Martin Kriegner	4,038	6,943
Gérard Kuperfarb	11,578	63,421
Saâd Sebbar	3,423	7,569

All these rights were granted before the merger.

The share options outstanding held by the Executive Committee (including former members) at year-end 2017 have the following expiry dates and exercise prices:

Option grant date	Issuing Company	Expiry date		Exercise price[1]	Number[1] 2017	Number[1] 2016
2008	Holcim	2020	CHF	62.95	**33,550**	33,550
2009	Holcim	2017	CHF	35.47	**0**	38,760
2010	Holcim	2018	CHF	67.66	**95,557**	95,557
2010	Holcim	2022	CHF	70.30	**33,550**	33,550
2011	Holcim	2019	CHF	63.40	**113,957**	113,957
2012	Holcim	2020	CHF	54.85	**165,538**	165,538
2013	Holcim	2021	CHF	67.40	**122,770**	122,770
2014	Holcim	2022	CHF	64.40	**99,532**	99,532
2014	Holcim	2026	CHF	64.40	**33,550**	33,550
2015 (2007[2])	Lafarge	2017	CHF	129.46	**0**	18,836
2015 (2008[2])	Lafarge	2018	CHF	112.41	**60,745**	60,745
2015 (2009[2])	Lafarge	2019	CHF	35.93	**25,166**	28,106
2015 (2010[2])	Lafarge	2020	CHF	59.96	**22,125**	22,125
2015 (2011[2])	Lafarge	2020	CHF	52.01	**24,675**	24,645
2015 (2012[2])	Lafarge	2020	CHF	42.07	**24,360**	21,420
2015	Holcim	2023	CHF	66.85	**144,970**	144,970
2015	Holcim	2023	CHF	63.55	**47,333**	47,333
2015	LafargeHolcim	2025	CHF	50.19	**417,360**	437,348
2016	LafargeHolcim	2026	CHF	53.83	**503,120**	503,120
Total					**1,967,858**	2,045,412

[1] Adjusted to reflect former share splits and/or capital increases and/or scrip dividend.
[2] These options were granted through the Lafarge Stock-Options plans. The figures presented in this table are based on the application of the actual exchange ratio of 0.945. The year specified between brackets is the original option grant date and the exercise price is converted from EUR to CHF at the closing rate of 1.17.

COMPENSATION GOVERNANCE

Rules relating to Compensation in the LafargeHolcim Articles of Incorporation

The Articles of Incorporation contain provisions regarding the approval of compensation of the Board of Directors and the Executive Management (Art. 23), the supplementary amount for new members of the Executive Committee (Art. 24), the general compensation principles (Art. 25) as well as provisions regarding the agreements with members of the Board of Directors and the Executive Committee (Art. 26). Moreover, the Articles of Incorporation contain provisions regarding the roles of the Board of Directors and the Nomination, Compensation & Governance Committee (Art. 17 and Art. 5). The Articles of Incorporation are approved by the shareholders and available at *www.lafargeholcim.com/articles-association*

Board of Directors

The Board of Directors has according to Article 17 of the Articles of Incorporation the responsibility for preparing the compensation report.

Nomination, Compensation & Governance Committee

In accordance with Article 21 of the Articles of Incorporation, the NCGC supports the Board of Directors in establishing and reviewing LafargeHolcim's nomination, compensation and governance strategy and guidelines as well as in preparing the motions to the Annual General Meeting regarding the nomination and compensation of the members of the Board of Directors and of the Executive Committee.

The NCGC proposes to the Board of Directors the compensation of the Board of Directors. It decides upon the applicable performance criteria, targets and compensation levels for the Executive Committee and informs the Board of Directors accordingly.

The NCGC is composed of five members of the Board of Directors that are elected individually by the Annual General Meeting for a period of one year. Since the Annual General Meeting 2017, Mr. Nassef Sawiris (Chair), Mrs. Hanne Birgitte Breinbjerg Sørensen, Mr. Oscar Fanjul, Mr. Paul Desmarais, Jr and Mr. Adrian Loader are re-elected members of the NCGC.

The NCGC holds ordinary meetings at least three times a year: at the beginning of the year, in the middle of the year, and in December. In 2017, the NCGC held three meetings and the attendance rate was 94 percent.

The NCGC Chair may invite members of the Executive Committee, other officers of the Group or third parties to attend the meetings. They will however not be present if their own performance or compensation is discussed or determined. After each NCGC meeting, the Board of Directors is informed of the topics discussed, decisions taken and recommendations made.

In 2017, the NCGC retained Mercer Ltd as its independent compensation advisor. The NCGC is satisfied with their performance and the independence of their advice since its appointment. It will reassess regularly the quality of the consulting service and the opportunity of rotating advisors.

Annual General Meeting – Shareholder involvement

According to Art. 23 of the Articles of Incorporation, the Annual General Meeting approves annually the compensation of the Board of Directors for the period from the Annual General Meeting to the next Annual General Meeting as well as the compensation of the Executive Committee for the following financial year. Art. 24 of the Articles of Incorporation provides for a supplementary amount for Executive Committee members who become members of, or who are promoted to the Executive Committee during a compensation period for which the Annual General Meeting has already approved the compensation of the Executive Committee if the compensation already approved is not sufficient to cover this compensation. The supplementary amount per compensation period shall not exceed 40 percent of the aggregate amount of compensation last approved by the Annual General Meeting in total. In addition to this prospective compensation approval process, the Compensation Report is submitted to the Annual General Meeting for an advisory vote on a yearly basis.

The table below summarizes the roles of the NCGC, the Board of Directors, and the Annual General Meeting:

	NOMINATION, COMPENSATION & GOVERNANCE COMMITTEE	BOARD OF DIRECTORS	ANNUAL GENERAL MEETING (AGM)
Compensation Report	Proposes	Approves	Advisory vote
Maximum compensation amount for the Board of Directors from AGM to AGM	Proposes	Reviews and proposes to AGM	Binding vote
Maximum compensation for the Executive Management for the next financial year	Proposes	Reviews and proposes to AGM	Binding vote
Individual compensation of members of the Board of Directors	Proposes	Approves (within the budget approved by the AGM)	
Individual compensation of members of the Executive Management	Approves (within the budget approved by the AGM)		

Method for determining compensation: Periodic benchmarking

The compensation of the Board of Directors is regularly reviewed against prevalent market practice of other multinational industrial companies of the SMI. This provides for a peer group which is well-balanced in terms of market capitalization, revenue size and headcount. The compensation model of the Board of Directors has not had any significant change since the creation of LafargeHolcim in 2015.

Regarding the compensation of the Executive Committee, a benchmarking analysis is conducted regularly with the support of independent data sources (Willis Towers Watson, Aon Hewitt). The same peer group of companies has been chosen as for the review of compensation of the Board of Directors. Mercer gathers the relevant benchmarking data and summarizes them in a report that serves as basis for the NCGC to analyze the compensation of the CEO and the Executive Committee and to set their target compensation levels. The policy of LafargeHolcim is to target market median compensation for on-target performance, with significant upside for above target performance.

Such compensation benchmarking analysis was undertaken in 2017 and served as basis for the NCGC to analyze the compensation of the CEO and the Executive Committee and to set their target compensation levels for the business year 2018.

OUTLOOK 2018

Composition of the Executive Committee

As announced on 15 December 2017, the Board of Directors of LafargeHolcim has decided to establish a more market-focused and agile management organization. As a result, the Executive Committee will be reduced to nine members. Géraldine Picaud started as the new Chief Finance Officer on 3 January 2018, replacing Ron Wirahadiraksa. Their respective hiring and exit terms are in full compliance with Swiss regulations, and will be included in the 2018 Compensation Report.

The positions of Head of Performance & Cost and Head of Growth & Innovation have been combined into one role, held by Urs Bleisch. Marcel Cobuz has been nominated Head of Europe, replacing Roland Köhler, and René Thibault has been nominated Head of North America, replacing Pascal Casanova.

2018 Compensation System

In light of the new Strategy 2022, the NCGC has decided to make several changes to the compensation system of the Executive Committee for 2018. Those changes will be described in detail in the 2018 Compensation Report and are summarized below:

Annual base salary:

Except for promotions to — or within — the Executive Committee, annual base salaries are not expected to change substantially in the future.

Annual incentive:

– To further focus Executive Committee members on the delivery of pre-determined targets, the proportion the annual incentive that relates to financial performance objectives will increase to 85 percent of the total incentive opportunity. An annual relative performance measure which compares the annual financial performance of LafargeHolcim to a sector peer group (see details page 91) will be introduced. The relative performance measure will have a weighting of 30 percent of the total incentive opportunity and will combine relative Group revenue growth and relative Group recurring EBITDA growth. LafargeHolcim's relative performance will be independently calibrated by a specialist financial information company. The other 55 percent will continue to be absolute financial objectives that are set either at Group level (for corporate roles) or at Regional level (for regional roles).

– 15 percent of the annual bonus opportunity will be linked to a Health & Safety score, at Group or Regional level depending on the Executive Committee member's role. This score will reflect improvements in the lost-time injury frequency rate (LTIFR). The Compensation Committee will also consider the overall Health & Safety-related outcomes during the year when determining the achievement level of the Health & Safety objective.

The exhibit below illustrates the 2018 structure of the annual bonus:

		CORPORATE EXECUTIVE COMMITTEE ROLES	REGIONAL EXECUTIVE COMMITTEE ROLES
Financial performance (85%)	Relative Group performance	30%	30%
	Recurring EBITDA	30% (Group level)	30% (regional level)
	Free Cash Flow	25% (Group level)	25% (regional level)
Non-financial performance (15%)	Health & Safety objectives (15%)	15% (Group level)	15% (regional level)

Long-term incentive:
In order to support the new business strategy, the grant that will be awarded in 2018 under the long-term incentive will consist of both performance shares and stock options.

- **Performance share awards** will be subject to a three-year vesting period based on Group earnings per share (EPS) before impairment and divestments and Group return on invested capital (ROIC). These performance metrics have been chosen as they reflect the strategic priorities of the Group to increase profitability through strong operating leverage (EPS before impairment and divestments) and to improve how the company generates cash relative to the capital it has invested in its business (ROIC). For both metrics, the NCGC determines a Threshold performance level (below which there is no vesting), a Target level (vesting of 50 percent) and a 'Stretch' performance level (vesting in full). Between these levels, vesting is calculated on a straight-line basis, as for previous performance share awards.
- **Stock options** will be subject to a five year vesting period based on LafargeHolcim's 3-month average Total Shareholder Return (TSR) and will have a maturity of ten years. Threshold vesting (25 percent of maximum) will be achieved for a TSR of 35 percent, Target vesting (50 percent of maximum) will be achieved for a TSR of 40 percent and full vesting will be achieved for a Stretch TSR of 50 percent at the end of the five-year period. The vesting level between Threshold, Target and Stretch TSR will be calculated on a straight-line basis. Should the 50 percent TSR target be achieved before the end of the five-year period, the options will vest at that moment but no earlier than three years from the grant date.

The decision to replace the former relative TSR performance share awards by stock options was driven by the intention to further strengthen the link between the compensation of the Executive Committee and the shareholders' interests in the context of the new, growth-orientated business strategy.

The changes to the incentive programs for 2018 ensure a balanced measurement of performance between financial and non-financial achievements, relative and absolute performance, as well as short-term and long-term results. The incentive programs reward the long-term performance and the sustainable success of LafargeHolcim and are strongly aligned to the interests of the shareholders.

TO THE GENERAL MEETING OF LAFARGEHOLCIM LTD, RAPPERSWIL-JONA

Zurich, March 1, 2018

REPORT OF THE STATUTORY AUDITOR ON THE COMPENSATION REPORT

We have audited the compensation report of LafargeHolcim Ltd for the year ended December 31, 2017. The audit was limited to the information according to articles 14 – 16 of the Ordinance against Excessive Compensation in Listed Stock Corporations (Ordinance) contained on pages 93 to 96 of the compensation report.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying compensation report. We conducted our audit in accordance with Swiss Auditing Standards. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the compensation report.

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

Opinion

In our opinion, the compensation report for the year ended December 31, 2017 of LafargeHolcim Ltd complies with Swiss law and articles 14 – 16 of the Ordinance.

Deloitte AG

David Quinlin
Licensed Audit Expert
Auditor in charge

Frédéric Gourd

MANAGEMENT DISCUSSION & ANALYSIS 2017

This management discussion and analysis should be read in conjunction with the shareholders' letter and the individual reports for the Group regions.

GROUP

		2017	2016 [1]	±%	±% like-for-like
Sales of cement	million t	**209.5**	233.2	(10.2)	3.3
Sales of aggregates	million t	**278.7**	282.7	(1.4)	0.3
Sales of ready-mix concrete	million m^3	**50.6**	55.0	(7.9)	(2.8)
Net sales	million CHF	**26,129**	26,904	(2.9)	4.7
Recurring EBITDA [2]	million CHF	**5,990**	5,950	0.7	6.1
Operating (loss) profit	million CHF	**(478)**	2,963		
Net (loss) income	million CHF	**(1,716)**	2,090		
Earnings per share before impairment and divestments	CHF	**2.35**	2.10	11.9	
Cash flow from operating activities	million CHF	**3,040**	3,295	(7.8)	
Capex	million CHF	**(1,355)**	(1,635)	17.2	
Free Cash Flow	million CHF	**1,685**	1,660	1.5	
Net financial debt	million CHF	**14,346**	14,724	(2.6)	

[1] Restated due to change in presentation.
[2] Excluding restructuring, litigation, implementation and other non-recurring costs, but including contribution from joint ventures, previously named "Operating EBITDA adjusted".

Volume, income statement and cash flow statement

In 2017, LafargeHolcim continued to show improvements in the key measures relating to Net sales and recurring EBITDA driven by cost discipline and commercial initiatives. The strong performance was most visible in the Americas, while most remaining regions continued to show growth as net sales and recurring EBITDA were higher than prior year on a like-for-like basis. Continuing the trend seen over 2016 and highlighting the balanced nature of the portfolio, positive contributions were made by both mature and developing markets. Notably, Latin America performed well with growth stemming from retail and infrastructure projects as well as cost management and pricing growth. Recurring EBITDA, in particular, India, Mexico, Argentina and Nigeria were markets which showed significant growth in top-line which also translated into strong profit growth. Challenges in some markets, although isolated, impacted the growth of regions in 2017. The performance in Malaysia was impacted by weak market demand which drove prices down whilst in Switzerland; the decline in performance was the result of infrastructure projects finishing without follow-up projects to bridge the gap.

2017 cement volumes sold were like-for-like above prior year by 3.3 percent or 6.7 million tonnes, aggregates volumes were up by 0.3 percent or 0.7 million tonnes and ready-mix concrete shipments declined by 2.8 percent or 1.4 million cubic meters versus prior year. The Group achieved net sales of CHF 26,129 million, improving by 4.7 percent or CHF 1,194 million on a like-for-like basis. Unfavorable currency translation effects impacted the Group's net sales by 1.1 percent or CHF 285 million, led by Egypt and Nigeria. On a like-for-like basis, adjusted for restructuring, litigation, implementation and other non-recurring costs, the Group generated a recurring EBITDA of CHF 5,990 million including the reclassification of the Group's share of Huaxin profits, (CHF 126 million) which did not impact the higher 6.1 percent like-for-like growth above the prior year. The Group's recurring EBITDA margin increased by 0.8 percentage points to 22.9 percent. Restructuring costs were the main driver for the one-offs during 2017 with further implementation of business service centers in the regions also accounting for some additional non-recurring expenditure.

Following the weaker than anticipated outlook for the macro-economic environment, especially in terms of expected growth rates and pricing developments of countries such as Algeria, Malaysia and Spain, management performed an impairment test on the goodwill during the fourth quarter 2017 as well as a detailed review of the fair value of its assets. Subsequent to the completion of the impairment test performed, management recognized a total impairment loss of CHF 3.8 billion. Further information on the impairments recognized has been detailed in the notes 10, 25 and 26. This impairment loss resulted in an operating loss of CHF 478 million. The items below operating profit were broadly in line with prior year. The lower gains on divestments were due to the fewer entities divested in comparison to prior year. Taxes for the current year were also lower due to lower taxable income, resulting in a net loss of CHF 1,716 million.

Earnings per share (EPS) before impairment and divestments increased by 12 percent to CHF 2.35. The increase in return attributable to LafargeHolcim Ltd. shareholders is driven by marginally higher recurring EBITDA, a reduction in other non-operating costs and lower tax expenses. These all contributed to the increase in EPS before impairment and divestments, whilst the share buyback performed during the year also assisted with the improvement.

The group's Free Cash Flow improved by 1.5 percent to CHF 1,685 million. The improvement was driven by the strong performance in the Americas. Working capital variation deteriorated as a result of a low 2016 ending position and in some countries, changes in customer payment terms during 2017 saw delays in receipts. Capex was well controlled across the Group and lower than prior year in all regions, except Europe.

Financing activity

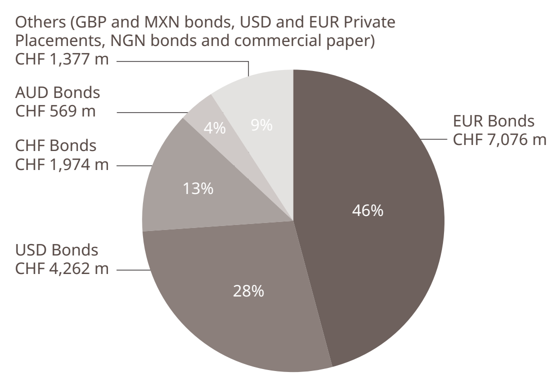
LafargeHolcim's investments were funded from the cash flow from operating activities. New debt capital issuances were mainly conducted for refinancing and general corporate purposes. In the year under review, capital market issuances of CHF 1.5 billion were undertaken, enabling the Group to lock in historically low interest rates. The main capital market transactions were the following:

GBP 300 million	**LafargeHolcim Sterling Finance (Netherlands) B.V. with a coupon of 3.00%, term 2017–2032**
AUD 300 million	**Holcim Finance (Australia) Pty Ltd with a coupon of 3.50%, term 2017–2022**
EUR 750 million	**Holcim Finance (Luxembourg) S.A. with a coupon of 1.75%, term 2017–2029**

Net financial debt

The Group's year-end net financial debt stood at CHF 14,346 million, an improvement of CHF 378 million over prior year, driven by divestments and improved cash flows.

Capital market financing of the Group as per December 31, 2017 (CHF 15,258 million)

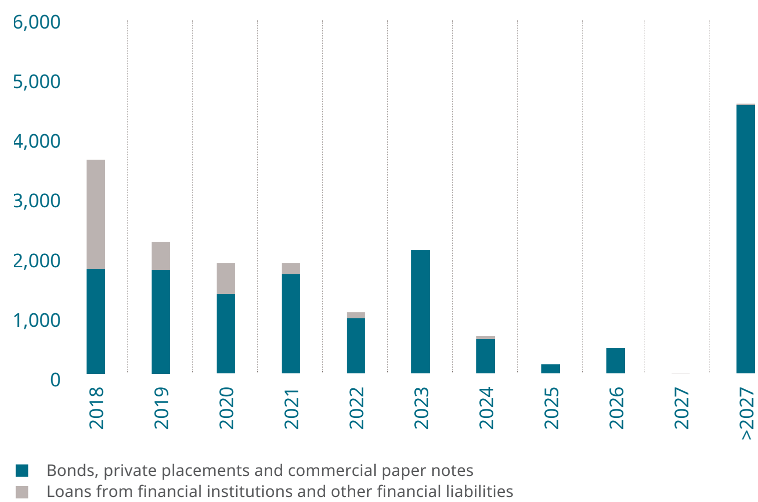


Financing profile

LafargeHolcim has a strong financial profile. 82 percent of financial liabilities are financed through various capital markets and 18 percent through banks and other lenders. There are no major positions with individual lenders. The average maturity of financial liabilities increased from 5.9 years at December 31, 2016, to 6.3 years at December 31, 2017, due to several capital market transactions during 2017. The Group's maturity profile is well balanced with a large share of mid-to long-term financing.

Maintaining a favorable credit rating is one of the Group's objectives and LafargeHolcim therefore gives priority to achieving its financial targets and retaining its solid investment-grade rating (current rating information is displayed on page 53). The average nominal interest rate on LafargeHolcim's financial liabilities as at December 31, 2017, was 4.5 percent, and the proportion of financial liabilities at fixed rates was at 69 percent. Detailed information on financial liabilities can be found in the respective Note 28.

Maturity profile
Million CHF



Liquidity
To secure liquidity, the Group held cash and cash equivalents of CHF 4,217 million at December 31, 2017. This cash is mainly invested in term deposits held with a large number of banks on a broadly diversified basis. The counterparty risk is constantly monitored on the basis of clearly defined principles as part of the risk management process. As of December 31, 2017, LafargeHolcim had unused committed credit lines of CHF 6,794 million (see also note 28).

Current financial liabilities as at December 31, 2017, of CHF 3,843 million are comfortably covered by existing cash, cash equivalents and unused committed credit lines. LafargeHolcim has USD, EUR and NGN commercial paper programs. The aim of these programs is to fund short-term liquidity needs at attractive terms. As per December 31, 2017, commercial paper of NGN 26 billion (CHF 82 million) were outstanding.

Foreign exchange sensitivity
The Group has a global footprint, generating the majority of its results in currencies other than the Swiss Franc. Only about 2 percent of net sales are generated in Swiss Francs.

Foreign currency volatility has little effect on the Group's operating profitability. As the Group produces a very high proportion of its products locally, most sales and costs are incurred in the respective local currencies. The effects of foreign exchange movements are therefore largely restricted to the translation of local financial statements for the consolidated statement of income. As a large part of the foreign capital is financed with matching transactions in local currency, the effects of the foreign currency translation on local balance sheets for the consolidated statement of financial position have not, in general, resulted in significant distortions in the consolidated statement of financial position.

The following sensitivity analysis presents the effect of the main currencies on selected key figures of the consolidated financial statements. The sensitivity analysis only factors in effects that result from the conversion of local financial statements into Swiss Francs (translation effect). Currency effects from transactions conducted locally in foreign currencies are not included in the analysis.

The following table shows the effects of a hypothetical 5 percent depreciation of the respective foreign currencies against the Swiss Franc.

Sensitivity analysis

Million CHF	2017	EUR	GBP	USD	CAD	Latin American basket (MXN, BRL, ARS, COP)	INR	Asian basket (AUD, CNY, IDR, PHP)	Middle East African basket (NGN, DZD, EGP)
	Actual figures	**Assuming a 5% strengthening of the Swiss franc the impact would be as follows:**							
Net sales	**26,129**	(178)	(86)	(220)	(98)	(99)	(177)	(152)	(86)
Recurring EBITDA	**5,990**	(31)	(17)	(77)	(22)	(31)	(32)	(29)	(35)
Cash flow from operating activities	**3,040**	(14)	(12)	(40)	(14)	(11)	(27)	(14)	(14)
Net financial debt	**14,346**	(346)	(13)	(244)	50	(29)	38	(68)	(11)

Reconciliation of non-GAAP measures

Reconciling measures of profit and loss to the consolidated statement of income of LafargeHolcim

Million CHF	2017	2016
Operating (loss) profit	**(478)**	2,963
Depreciation and amortization	**(2,300)**	(2,343)
Impairment of operating assets	**(3,707)**	(62)
Restructuring, litigation, implementation and other non-recurring costs	**(461)**	(582)
Recurring EBITDA	**5,990**	5,950

Million CHF	2017	2016
Net (loss) income	**(1,716)**	2,090
Impairments	**(3,501)**	(62)
Profit on disposals of Group companies	**226**	583
Net income before impairment and divestments	**1,560**	1,570
of which net income before impairment and divestments – shareholders of LafargeHolcim Ltd	**1,417**	1,273

Adjustments disclosed net of taxation.

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

Million CHF	2017	2016
Cash flow from operating activities	**3,040**	3,295
Purchase of property, plant and equipment	**(1,522)**	(1,773)
Disposal of property, plant and equipment	**167**	137
Free cash flow	**1,685**	1,660

ASIA PACIFIC

		2017	2016 [1]	±%	±% like-for-like
Sales of cement	million t	**91.7**	113.7	(19.3)	5.5
Sales of aggregates	million t	**31.8**	32.2	(1.4)	9.7
Sales of ready-mix concrete	million m^3	**12.8**	15.4	(16.7)	0.7
Net sales	million CHF	**7,441**	8,226	(9.5)	6.7
Recurring EBITDA [2]	million CHF	**1,418**	1,594	(11.1)	(6.9)

[1] Restated due to change in presentation.
[2] Excluding restructuring, litigation, implementation and other non-recurring costs, but including contribution from joint ventures, previously named "Operating EBITDA adjusted".

The markets in Asia Pacific showed heterogeneous performance. South East Asia countries were impacted by change in demand supply while India, China and Australia posted solid growth.

Overall, Cement volumes sold increased by 5.5 percent on a like-for-like basis to 91.7 million tonnes. This was mainly driven by higher demand and additional capacities in India. In Indonesia, infrastructure and retail supported the demand.

Aggregates volumes sold stood at 31.8 million tonnes for 2017, an improvement of 9.7 percent on a like-for-like basis. Infrastructure growth in Australia was particularly strong with significant projects on the east coast. Ready-mix concrete volumes sold stood at 12.8 million cubic meters which translated to a growth of 0.7 percent on a like-for-like basis. The growth for the region was driven by Australia and India, both of which benefited from residential building and capitalization of local footprint. The challenges in the Singapore market weighed heavily on the regional ready-mix volume performance resulting in only marginal growth.

Net sales for the year stood at CHF 7,441 million, a like-for-like growth of 6.7 percent, which translated to a recurring EBITDA of CHF 1,418 million. Top line was improved driven by volumes growth in India and Indonesia and despite price pressure in South East Asian countries. In Philippines, influx of importers changed the market dynamics. In Malaysia, soft demand and new capacities also lead to change in market behavior. The cost inflation particularly visible in energy (solid fuels mainly) and raw materials impacted the financial performance. It was partly offset by strong fixed costs actions, first results of change in regional structure with higher leverage of shared service center and focus on operational improvements.

The share of profit of Huaxin joint venture was recognized within recurring EBITDA during 2017, contributed CHF 126 million to the region and did not impact the like-for-like growth. Due to the continuing concerns on market perspectives in Malaysia, an impairment loss of CHF 448 million was recognized.

EUROPE

		2017	2016 [1]	±%	±% like-for-like
Sales of cement	million t	**42.8**	41.6	2.9	3.0
Sales of aggregates	million t	**125.2**	124.2	0.8	1.2
Sales of ready-mix concrete	million m^3	**18.2**	18.4	(0.9)	(0.5)
Net sales	million CHF	**7,167**	7,023	2.1	2.0
Recurring EBITDA [2]	million CHF	**1,385**	1,334	3.8	3.7

[1] Restated due to change in presentation.
[2] Excluding restructuring, litigation, implementation and other non-recurring costs, but including contribution from joint ventures, previously named "Operating EBITDA adjusted".

The markets in Europe overall showed solid economic growth, although uncertainties relating to Brexit negatively impacted the market in the United Kingdom. Countries within continental Europe showed clear signs of recovery. Western Europe saw growth in construction specifically in France with recovery driven mainly by the residential sector. In the eastern countries, construction activity was strong, particularly in Poland and Romania which benefitted from increased residential demand. Cement volumes sold reached 42.8 million tonnes improving by 3.0 percent on a like-for-like basis. This resulted from improved demand for residential projects with growth in infrastructure across the region. There was partial offset coming from Greece, Switzerland and the United Kingdom. Aggregates volumes sold stood at 125.2 million tonnes for 2017 and grew slightly by 1.2 percent on a like-for-like basis with strong levels in the majority of the countries in continental Europe. Ready-mix concrete volumes sold were 18.2 million cubic meters which translated to a deterioration of 0.5 percent on a like-for-like basis, notably coming from lower sales in Switzerland due to the end of large infrastructure projects.

Net sales for the year ended at CHF 7,167 million, growing by 2.0 percent on a like-for-like basis. This translated into a recurring EBITDA of CHF 1,385 million, registering a growth of 3.7 percent on a like-for-like basis. The increase in results was supported by good cost discipline across the region to improve recurring EBITDA. France, United Kingdom and Central Europe were overall stable throughout the year, while we suffered a deterioration in Switzerland due to the conclusion of infrastructure projects and a softer demand. Russia has strongly benefited of our good positioning in the Moscow market, while a weaker environment in the Volga region has led to an impairment loss of CHF 152 million. In a similar way, the continuing concerns on market perspectives in Spain have resulted in an impairment loss of CHF 221 million.

LATIN AMERICA

		2017	2016 [1]	±%	±% like-for-like
Sales of cement	million t	**24.9**	24.1	3.4	5.6
Sales of aggregates	million t	**4.2**	6.0	(29.4)	(18.8)
Sales of ready-mix concrete	million m^3	**5.8**	6.5	(11.4)	(2.6)
Net sales	million CHF	**2,944**	2,773	6.1	11.0
Recurring EBITDA [2]	million CHF	**1,055**	885	19.3	22.9

[1] Restated due to change in presentation.
[2] Excluding restructuring, litigation, implementation and other non-recurring costs, but including contribution from joint ventures, previously named "Operating EBITDA adjusted".

The market in Latin America had a strong year. This was driven particularly by the significant performance improvement of Mexico and Argentina due to increased private and public spending. Other areas of Latin America were stable during the year. Cement volumes sold was 24.9 million tonnes improving by 5.6 percent on a like-for-like basis, due to large infrastructure projects in Mexico, in particular the New Mexico City International Airport. In Argentina, strong cement demand and recovery of the construction activity fueled by improvement in the overall political and economic environment, contributed to the region. Market remained challenging in Brazil where cement demand continued contracting in year 2017 after the slump in post-Olympic games projects. The negative impacts from the market have been off-set by positive results achieved in the implementation of Brazil Turn-Around Plan which provided for material improvement versus prior year both in recurring EBITDA and Cash Flow. Aggregates volumes sold stood at 4.2 million tonnes for 2017, a weakening of 18.8 percent on a like-for-like basis. Key reason for this movement in volumes sold is Brazil due to market contraction although offset by increased market share. Ready-mix concrete volumes sold ended the year at 5.8 million cubic meters, a deterioration of 2.6 percent on a like-for-like basis, mainly due to the soft demand in Chile in the first half of the year.

Net sales for the year stood at CHF 2,944 million, which translated to a recurring EBITDA of CHF 1,055 million, an improvement of 22.9 percent on a like-for-like basis. This is due to a strong top line growth, both volume and price driven particularly in Argentina and Mexico, value proposition offerings while building on the well-established retail business, continuous focus on cost optimization and discipline. In Brazil, the still contracting market demand impacted prices which have been offset by a strong focus on cost leadership.

MIDDLE EAST AFRICA

		2017	2016 [1]	±%	±% like-for-like
Sales of cement	million t	**35.7**	40.3	(11.4)	(4.2)
Sales of aggregates	million t	**10.4**	12.2	(15.0)	(13.0)
Sales of ready-mix concrete	million m^3	**4.7**	6.0	(21.4)	(19.5)
Net sales	million CHF	**3,374**	3,900	(13.5)	5.4
Recurring EBITDA [2]	million CHF	**1,085**	1,247	(13.0)	3.5

[1] Restated due to change in presentation.
[2] Excluding restructuring, litigation, implementation and other non-recurring costs, but including contribution from joint ventures, previously named "Operating EBITDA adjusted".

The market in Middle East Africa continued to be affected by macroeconomic structural adjustments which started to impact Egypt and Nigeria in 2016 and impacting Algeria in 2017. Changes in the competitive profile and shifts of supply and demand balance in some countries of the African continent impacted results. Still, Middle East Africa remains an attractive market with significant growth potential which saw signs of turnaround late in 2017. Cement volumes sold was 35.7 million tonnes declining by 4.2 percent on a like-for-like basis. This was mainly due to Algeria switching to an oversupplied market during the second half of 2017 due to new capacities coming on stream in the market and liquidity issues affecting public spending. Lower growth rates in Egypt and Nigeria were driven by macroeconomic imbalances as the currency liberalization in 2016 continued to affect the economy. Aggregates volumes sold stood at 10.4 million tonnes for 2017, a weakening of 13.0 percent on a like-for-like basis. Delays in infrastructure projects and a significant geographical shift in demand on the African continent drove the decline of volumes in the region. Although not cancelled, significant projects were delayed in Egypt, while South Africa struggled with the demand. Ready-mix concrete volumes sold 4.7 million cubic meters which translated into a deterioration of 19.5 percent on a like-for-like basis driven mainly by the northern countries of Africa as the macroeconomic conditions impacted all segments. The Middle East remained stable throughout 2017.

Net sales for the year stood at CHF 3,374 million growing by 5.4 percent on a like-for-like basis translating to a recurring EBITDA of CHF 1,085 million, following the cement volume evolution in our major markets and price recovery in Egypt and Nigeria. Although, operational results were stable, an impairment loss of CHF 1,008 million was recognized in Algeria due to changes in the market perspective and decline of profitability evidenced by the end of the year.

NORTH AMERICA

		2017	2016 [1]	±%	±% like-for-like
Sales of cement	million t	**19.2**	19.5	(1.7)	(1.7)
Sales of aggregates	million t	**107.1**	108.2	(1.0)	(1.0)
Sales of ready-mix concrete	million m^3	**9.1**	8.7	4.9	(1.5)
Net sales	million CHF	**5,664**	5,584	1.4	(0.4)
Recurring EBITDA [2]	million CHF	**1,483**	1,335	11.1	10.5

[1] Restated due to change in presentation.
[2] Excluding restructuring, litigation, implementation and other non-recurring costs, but including contribution from joint ventures, previously named "Operating EBITDA adjusted".

The US economy recorded increasing GDP growth over the quarters, reaching the highest growth in 3 years. Canada experienced some recovery in the west of the country as oil prices recovered from its lows of prior year. Eastern Canada continued to grow, supported by increased exports to US, benefiting from favorable exchange rates and the strengthening US market.

Cement volumes sold reached 19.2 million tonnes, declining by 1.7 percent on like-for-like basis. Volume growth did not materialize as initially anticipated although trends improved in the last quarter of the year. This decline was mainly caused by lower deliveries in the US market, which were below prior year by 3.9 percent. Above average precipitation until October, including hurricanes Irma and Harvey, hindered business activity and cement shipments. Canada reported a volume increase by 4.7 percent on a like-for-like basis, mainly benefiting from the economic recovery in the west. Aggregates volumes sold stood at 107.1 million tonnes for 2017, lower compared to prior year on like-for-like basis by 1.0 percent. This reduction was mainly driven by the impacts of the challenging weather conditions on the US construction activity. Canada's volumes improved, partially offsetting the US shortfall. Ready-mix concrete volumes sold were 9.1 million cubic meters, which translated to a reduction of 1.5 percent on like-for-like basis, reflecting lower sales in US, which were partially compensated by more volumes in Canada.

Net sales for the year stood at CHF 5,664 million and recurring EBITDA of CHF 1,483 million, an improvement of 10.5 percent over prior year on like-for-like basis. This improvement reflects mainly higher sales prices and cost focus throughout the region. An impairment loss on the US Aggregates business was recognized during the year amounting to CHF 371 million which resulted from a review of geographical markets.

RESPONSIBILITY STATEMENT

We certify that, to the best of our knowledge and having made reasonable inquiries to that end, the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets and liabilities, and of the financial position and results of the Company and of its consolidated subsidiaries, and that this annual report provides a true and fair view of the evolution of the business, results and financial condition of the Company and of its consolidated subsidiaries, and a description of the main risks and uncertainties the Company and its consolidated subsidiaries are subject to.

Zürich, March 1, 2018

Jan Jenisch
Chief Executive Officer

Géraldine Picaud
Chief Financial Officer

FINANCIAL INFORMATION

CONTENTS

KEY FIGURES LAFARGEHOLCIM GROUP

		2017	2016 Restated [1]	±%
Annual cement production capacity	million t	**318.4**	353.3	–9.9%
Sales of cement	million t	**209.5**	233.2	–10.2%
Sales of aggregates	million t	**278.7**	282.7	–1.4%
Sales of ready-mix concrete	million m^3	**50.6**	55.0	–7.9%
Net sales	million CHF	**26,129**	26,904	–2.9%
Recurring EBITDA [2]	million CHF	**5,990**	5,950	+0.7%
Recurring EBITDA margin [3]	million CHF	**22.9**	22.1	
Net income (loss)	million CHF	**(1,716)**	2,090	–182.1%
Net income (loss) – shareholders of LafargeHolcim Ltd	million CHF	**(1,675)**	1,791	–193.5%
Net income before impairment and divestments – shareholders of LafargeHolcim Ltd	million CHF	**1,417**	1,273	+11.3%
Cash flow from operating activities	million CHF	**3,040**	3,295	–7.8%
Net financial debt	million CHF	**14,346**	14,724	–2.6%
Total shareholders' equity	million CHF	**30,975**	34,747	–10.9%
Personnel		**81,960**	90,903	–9.8%
Earnings per share	CHF	**(2.78)**	2.96	–193.9%
Earnings per share before impairment and divestments	CHF	**2.35**	2.10	+11.9%
Payout	million CHF	**1,196** [4]	1,212	–1.3%
Payout per share	CHF	**2**	2	+0.0%

[1] Restated due to change in presentation, see note 2.
[2] Excluding restructuring, litigation, implementation and other non-recurring costs, but including contribution from joint ventures, previously named "Operating EBITDA adjusted", refer to the definitions of non-GAAP measures, table in page 251.
[3] Previously named "Operating EBITDA adjusted margin", refer to the definitions of non-GAAP measures, table in page 251.
[4] Proposed by the Board of Directors for a maximum payout of CHF 1,196 million from capital contribution reserves. There is no payout on treasury shares held by LafargeHolcim.

The non-GAAP measures used in this report are defined on page 251.

CONSOLIDATED STATEMENT OF INCOME OF LAFARGEHOLCIM

Million CHF	Notes	2017	2016 Restated [1]
Net sales	8	**26,129**	26,904
Production cost of goods sold	9	**(18,348)**	(15,632)
Gross profit		**7,781**	11,272
Distribution and selling expenses		**(6,608)**	(6,394)
Administration expenses		**(1,938)**	(2,041)
Share of profit of joint ventures	24	**286**	125
Operating (loss) profit		**(478)**	2,963
Profit on disposals and other non-operating income [2]	11	**447**	824
Loss on disposals and other non-operating expenses [3]	12	**(242)**	(68)
Share of profit of associates	24	**51**	81
Financial income	13	**153**	187
Financial expenses	14	**(1,111)**	(1,104)
Net (loss) income before taxes		**(1,180)**	2,882
Income taxes	31	**(536)**	(835)
Net (loss) income from continuing operations		**(1,716)**	2,047
Net income from discontinued operations		**0**	43
Net (loss) income		**(1,716)**	2,090
Net (loss) income attributable to:			
Shareholders of LafargeHolcim Ltd		**(1,675)**	1,791
Non-controlling interest		**(41)**	299
Net income from discontinued operations attributable to:			
Shareholders of LafargeHolcim Ltd		**0**	43
Non-controlling interest		**0**	0
Earnings per share in CHF			
Earnings per share	16	**(2.78)**	2.96
Fully diluted earnings per share	16	**(2.78)**	2.96
Earnings per share from continuing operations in CHF			
Earnings per share	16	**(2.78)**	2.89
Fully diluted earnings per share	16	**(2.78)**	2.89
Earnings per share from discontinued operations in CHF			
Earnings per share	16	**0.00**	0.07
Fully diluted earnings per share	16	**0.00**	0.07

[1] Restated due to change in presentation, see note 2.
[2] Previously named “Other income”.
[3] Previously named “Other expenses”.

CONSOLIDATED STATEMENT OF COMPREHENSIVE EARNINGS OF LAFARGEHOLCIM

Million CHF	Notes	2017	2016
Net (loss) income		**(1,716)**	2,090
Other comprehensive earnings			
Items that will be reclassified to the statement of income in future periods			
Currency translation effects			
– Exchange differences on translation	5	**(302)**	(1,097)
– Realized through statement of income		**95**	3
– Tax effect		**0**	1
Available-for-sale financial assets			
– Change in fair value		**(2)**	1
– Realized through statement of income		**10**	0
– Tax effect		**1**	0
Cash flow hedges			
– Change in fair value		**(8)**	34
– Realized through statement of income		**5**	6
– Tax effect		**0**	(8)
Net investment hedges in subsidiaries			
– Change in fair value		**30**	(3)
– Realized through statement of income		**0**	0
– Tax effect		**0**	(3)
Subtotal		**(172)**	(1,065)
Items that will not be reclassified to the statement of income in future periods			
Defined benefit plans			
– Remeasurements	33	**216**	(142)
– Tax effect		**(70)**	32
Subtotal		**146**	(111)
Total other comprehensive earnings		**(26)**	(1,176)
Total comprehensive earnings		**(1,742)**	914
Total comprehensive earnings attributable to:			
Shareholders of LafargeHolcim Ltd		**(1,704)**	464
Non-controlling interest		**(39)**	450

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF LAFARGEHOLCIM

Million CHF	Notes	31.12.2017	31.12.2016 [1]
Cash and cash equivalents	17	**4,217**	4,923
Short-term derivative assets	30	**44**	68
Current financial receivables	19	**262**	207
Trade accounts receivable	18	**3,340**	2,826
Inventories	20	**2,870**	2,645
Prepaid expenses and other current assets	21	**1,335**	1,720
Assets classified as held for sale	22	**550**	2,046
Total current assets		**12,618**	14,435
Long-term financial investments and other long-term assets	23	**1,114**	1,287
Investments in associates and joint ventures	24	**3,120**	3,241
Property, plant and equipment	25	**30,152**	32,052
Goodwill	26	**14,569**	16,247
Intangible assets	26	**1,026**	1,017
Deferred tax assets	31	**758**	1,060
Pension assets	33	**308**	271
Long-term derivative assets	30	**14**	6
Total non-current assets		**51,061**	55,182
Total assets		**63,679**	69,617
Trade accounts payable	27	**3,715**	3,307
Current financial liabilities	28	**3,843**	4,976
Current income tax liabilities		**765**	641
Other current liabilities		**2,444**	2,299
Short-term provisions	32	**592**	575
Liabilities directly associated with assets classified as held for sale	22	**160**	711
Total current liabilities		**11,519**	12,509
Long-term financial liabilities	28	**14,779**	14,744
Defined benefit obligations	33	**1,861**	2,079
Long-term income tax liabilites	31	**398**	146
Deferred tax liabilities	31	**2,345**	3,387
Long-term provisions	32	**1,801**	2,005
Total non-current liabilities		**21,185**	22,361
Total liabilities		**32,703**	34,870
Share capital	35	**1,214**	1,214
Capital surplus		**24,340**	25,536
Treasury shares	35	**(554)**	(72)
Reserves		**2,787**	4,144
Total equity attributable to shareholders of LafargeHolcim Ltd		**27,787**	30,822
Non-controlling interest	36	**3,188**	3,925
Total shareholder's equity		**30,975**	34,747
Total liabilities and shareholder's equity		**63,679**	69,617

[1] Some line items have been reclassified or disaggregated, such as Accounts receivables, Long-term financial assets and Other long-term assets and the comparative figures have been adjusted accordingly.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF LAFARGEHOLCIM

Million CHF	Share capital	Capital surplus	Treasury shares
Equity as at January 1, 2017	**1,214**	**25,536**	**(72)**
Net loss			
Other comprehensive earnings			
Total comprehensive earnings			
Payout		**(1,212)**	
Change in treasury shares			**(482)**[1]
Share-based remuneration		**16**	
Capital paid-in by non-controlling interests			
(Disposal) Acquisition of participation in Group companies			
Change in participation in existing Group companies			
Equity as at December 31, 2017	**1,214**	**24,340**	**(554)**
Equity as at January 1, 2016	1,214	26,430	(86)
Net income			
Other comprehensive earnings			
Total comprehensive earnings			
Payout		(909)	
Change in treasury shares			14
Share-based remuneration		15	
Capital repaid to non-controlling interest			
Disposal of participation in Group companies			
Change in participation in existing Group companies			
Equity as at December 31, 2016	1,214	25,536	(72)

[1] The amount of CHF –482 million includes the impact of the share buyback program of CHF –500 million, see note 35.

Retained earnings	Available-for-sale reserve	Cash flow hedging reserve	Currency translation adjustments	Total reserves	Total equity attributable to shareholders of LafargeHolcim Ltd	Non-controlling interest	Total shareholders' equity
16,546	**(13)**	**23**	**(12,412)**	**4,144**	**30,822**	**3,925**	**34,747**
(1,675)				**(1,675)**	**(1,675)**	**(41)**	**(1,716)**
149	**10**	**(4)**	**(184)**	**(29)**	**(29)**	**2**	**(26)**
(1,526)	**10**	**(4)**	**(184)**	**(1,704)**	**(1,704)**	**(39)**	**(1,742)**
					(1,212)	**(247)**	**(1,459)**
(7)				**(7)**	**(489)**		**(489)**
					16		**16**
						55	**55**
						(118)	**(118)**
365			**(11)**	**354**	**354**	**(388)**	**(34)**
15,378	**(4)**	**19**	**(12,606)**	**2,787**	**27,787**	**3,188**	**30,975**
14,988	(13)	(10)	(11,158)	3,807	**31,365**	4,357	35,722
1,791				1,791	**1,791**	299	2,090
(106)	1	32	(1,254)	(1,327)	**(1,327)**	151	(1,176)
1,685	1	32	(1,254)	464	**464**	450	914
					(909)	(248)	(1,157)
(10)				(10)	**5**		5
					15		15
						(2)	(2)
						(165)	(165)
(117)				(117)	**(117)**	(467)	(584)
16,546	(13)	23	(12,412)	4,144	**30,822**	3,925	34,747

CONSOLIDATED STATEMENT OF CASH FLOWS OF LAFARGEHOLCIM

Million CHF	Notes	2017	2016
Net (loss) income		**(1,716)**	2,090
Income taxes	31	**536**	835
Profit on disposals and other non-operating income [1]	11	**(447)**	(824)
Loss on disposals and other non-operating expenses [2]	12	**242**	68
Share of profit of associates and joint ventures	24	**(337)**	(205)
Financial expenses net	13,14	**958**	917
Depreciation, amortization and impairment of operating assets	10	**6,007**	2,405
Other non-cash items		**237**	470
Change in net working capital	38	**(925)**	(694)
Cash generated from operations		**4,555**	5,063
Dividends received		**303**	160
Interest received		**146**	169
Interest paid		**(917)**	(1,187)
Income taxes paid	31	**(871)**	(860)
Other expenses		**(176)**	(49)
Cash flow from operating activities (A)		**3,040**	3,295
Purchase of property, plant and equipment		**(1,522)**	(1,773)
Disposal of property, plant and equipment		**167**	137
Acquisition of participation in Group companies		**55**	(4)
Disposal of participation in Group companies		**858**	2,245
Purchase of financial assets, intangible and other assets		**(347)**	(402)
Disposal of financial assets, intangible and other assets		**113**	503
Cash flow from investing activities (B)	38	**(675)**	706
Payout on ordinary shares	16	**(1,212)**	(909)
Dividends paid to non-controlling interest		**(237)**	(249)
Capital paid-in by (repaid to) non-controlling interest		**63**	(20)
Movements of treasury shares		**(489)**	5
Net movement in current financial liabilities	3	**(163)**	(946)
Proceeds from long-term financial liabilities	3	**2,047**	6,216
Repayment of long-term financial liabilities	3	**(3,079)**	(6,600)
Increase in participation in existing Group companies		**(13)**	(375)
Cash flow from financing activities (C)		**(3,083)**	(2,879)
(Decrease) Increase in cash and cash equivalents (A + B + C)		**(718)**	1,122
Cash and cash equivalents as at the beginning of the period (net)	17	**4,795**	3,771
(Decrease) Increase in cash and cash equivalents		**(718)**	1,122
Currency translation effects		**(122)**	(99)
Cash and cash equivalents as at the end of the period (net)	17	**3,954**	4,795

[1] Previously named “Other income”.
[2] Previously named “Other expenses”.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As used herein, the terms "LafargeHolcim" or "Group" refer to LafargeHolcim Ltd together with the companies included in the scope of consolidation.

1. SIGNIFICANT EVENTS OF THE PERIOD

The financial position and performance of the Group were particularly impacted by the following events and transactions during the reporting period:

- The disposals of entities in Vietnam and Chile and the restructuring of operations in China (see note 4);
- The extensive portfolio review and asset impairment indicators assessment in several countries resulting in a total impairment charge of CHF 3.8 billion related mainly to property, plant and equipment and goodwill (see notes 10, 25 and 26);
- The initiation of a share buyback program of up to CHF 1 billion over the period 2017 and 2018 (see note 35).

2. ACCOUNTING POLICIES

Basis of preparation

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

Due to rounding, numbers presented throughout this report may not add up precisely to the totals provided. All ratios and variances are calculated using the underlying amount rather than the presented rounded amount.

Adoption of revised and new International Financial Reporting Standards and interpretations

In 2017, LafargeHolcim adopted the following amended standards relevant to the Group:

Amendments to IAS 12	**Income Taxes**
Amendment to IAS 7	**Disclosure Initiative**
Improvements to IFRSs	**Clarifications of existing IFRSs (issued in December 2016)**

The amendments to IAS 12 *Income Taxes* clarify the requirements for recognizing deferred tax assets on unrealized losses. The amendments also clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. The adoption of these amendments did not materially impact the Group's financial statements.

The amendment to IAS 7 *Statement of Cash Flows* introduces the disclosure of the reconciliation of liabilities arising from financing activities. The adoption of this amendment is disclosure related only, and therefore did not materially impact the Group's financial statements.

The adoption of the improvements to IFRSs did not materially impact the Group's financial statements.

In 2018, LafargeHolcim will adopt the following new standards, interpretation and amended standards relevant to the Group:

IFRS 15	**Revenue from Contracts with Customers**
IFRS 9	**Financial Instruments**
Amendments to IFRS 2	**Classification and measurement of share-based payment transactions**
IFRIC 22	**Foreign Currency Transactions and Advance Consideration (Clarifications to IAS 21)**

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers*, which replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations. Except for the disclosure requirements, the new standard will not materially impact the Group financial statements, as over 90 percent of Group net sales relate to the delivery at a point in time of cement, aggregates and ready-mix concrete.

In July 2014, the IASB issued IFRS 9 *Financial Instruments,* which replaces IAS 39 *Financial Instruments: Recognition and Measurement,* which will change the classification and measurement requirements of financial assets, financial liabilities and the general hedge accounting rules. Except for the disclosure requirements, the new standard will not materially impact the Group financial statements, considering that sales are made with credit terms largely ranging between 30 days and 60 days and the Group generally applies hedge accounting using standard derivative contracts.

The amendments to IFRS 2 *Share-based Payment* provide additional guidance on the accounting for cash-settled share-based payments and add a narrow scope exception that requires equity-settled accounting where settlement of share-based payment awards are split between the equity instruments issued to the employee and the cash payment made to the tax authorities on the employee's behalf. Since LafargeHolcim does not have any cash-settled share based payment transactions and settles equity-settled payment transactions on a gross basis, the adoption of these amendments will not impact the Group financial statements.

In December 2016, the IASB issued IFRIC 22 *Foreign Currency Transactions and Advance Consideration* which provides guidance on how to account for an advance consideration when it is paid or received in a foreign currency. The adoption of this interpretation will not materially impact the Group's financial statements.

In 2019, LafargeHolcim will adopt the following new standards, interpretation and amended standards relevant to the Group:

IFRS 16	**Leases**
IFRIC 23	**Uncertainty over Income Tax Treatments**
Amendments to IAS 28	**Long-term Interests in Associates and Joint Ventures**
Improvements to IFRS	**Clarifications of existing IFRSs (issued in December 2017)**

In January 2016, the IASB issued IFRS 16 *Leases*, which replaces IAS 17 *Leases* and related interpretations. The new standard will require lessees to recognize a lease liability reflecting future lease payments and a right-of-use asset for virtually all lease contracts. The Group is in the process of evaluating the impact this new standard may have on its consolidated financial statements.

In June 2017, the IASB issued IFRIC 23 *Uncertainty over Income Tax Treatments* which clarifies that an entity will be required to reflect the effect of uncertainty in determining its taxable profit (and potentially the related tax base) by applying either the "most likely amount" method or the "expected value" method whichever amount better predicts the resolution of the uncertainty. Such guidance would be applied in situations where an entity concluded that it was not probable that the taxation authority would accept a particular tax treatment, such as, the deductibility of a certain expense. The Group is in the process of evaluating the impact IFRIC 23 may have on its consolidated financial statements.

In October 2017, the IASB issued amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures,* which clarifies that an entity first applies IFRS 9 *Financial Instruments* to other financial instruments, such as long-term interests to which the equity method is not applied, before the entity takes account of its share of profit or loss of an associate or joint venture by applying the equity method under IAS 28. Consequently, in applying IFRS 9, an entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28. The Group is in the process of evaluating the impact the amendments to IAS 28 may have on its consolidated financial statements.

The adoption of the improvements to IFRSs will not materially impact the Group financial statements.

Change in presentation

As from January 1, 2017, management decided to reclassify the Group's share of profit of joint ventures within operating profit due to the fact that such a presentation provides more relevant information regarding the Group's financial performance, considering that the underlying operational activities of joint ventures are jointly controlled and reflect the core business activities of LafargeHolcim. Based on 2016 figures, this change in presentation increased operating profit by CHF 125 million.

Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of revenues, 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 Group may undertake in the future. However, actual results could differ from those estimates. Management also uses judgment in applying the Group's accounting policies.

Critical 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.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The following details the judgments, apart from those involving estimations, that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

– The classification of a subsidiary or a disposal group as held for sale especially as to whether the sale is expected to be completed within one year from the date of classification as held for sale, and whether the proceeds expected to be received will exceed the carrying amount (note 22).

The following details the assumptions the Group makes about the future, and other major sources of estimation uncertainty at year end, that could have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

- The determination of the useful lives of fixed assets which impacts the depreciation charge recognized in profit or loss (note 10);
- Assumptions underlying the estimation of value in use in respect of cash-generating units for impairment testing purposes require the use of estimates such as long-term discount rates and growth rates (note 26);
- Liabilities and costs for defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuations involve making assumptions about discount rates, expected future salary increases and mortality rates which are subject to significant uncertainty due to the long-term nature of such plans (note 33);
- The measurement of site restoration and other environmental provisions require long-term assumptions regarding the completion of raw material extraction and the phasing of the restoration work to be carried out and the appropriate discount rate to use (note 32);
- The recognition and measurement of provisions requires an estimate of the expenditure and timing of the settlement. The litigations and claims to which the Group is exposed are assessed by management with the assistance of the legal department and in certain cases with the support of external specialized lawyers (note 32). Disclosures related to such provisions, as well as contingent liabilities, also require significant judgment (note 37);
- The recognition of deferred tax assets requires assessment of whether it is probable that sufficient future taxable profit will be available against which the unused tax losses can be utilized (note 31).

Scope of consolidation

The consolidated financial statements comprise those of LafargeHolcim Ltd and of its subsidiaries. The list of principal companies is presented in the note 42.

Principles of consolidation

The Group consolidates a subsidiary if it has an interest of more than one half of the voting rights or otherwise is able to exercise control over the operations. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured at the fair value of the consideration given at the date of exchange. For each business combination, the Group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition costs incurred are expensed in the statement of income. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at fair value at the date of acquisition.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as of the acquisition date.

If the business combination is achieved in stages, the carrying amount of the Group’s previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date with any resulting gain or loss recognized in the statement of income.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are recognized in the statement of income.

Contingent liabilities assumed in a business combination are recognized at fair value and subsequently measured at the higher of the amount that would be recognized as a provision and the amount initially recognized.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

All intercompany transactions and balances between Group companies are eliminated in full.

Changes in the ownership interest of a subsidiary that does not result in loss of control are accounted for as an equity transaction. Consequently, if LafargeHolcim acquires or partially disposes of a non-controlling interest in a subsidiary, without losing control, any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognized directly in retained earnings.

It is common practice for the Group to write put options and acquire call options in connection with the remaining shares held by the non-controlling shareholders, mainly as part of a business combination. If the Group has acquired a present ownership interest as part of a business combination, the present value of the redemption amount of the put option is recognized as a financial liability with any excess over the carrying amount of the non-controlling interest recognized as goodwill. In such a case, the non-controlling interest is deemed to have been acquired at the acquisition date and therefore any excess arising should follow the accounting treatment as in a business combination. All subsequent fair value changes of the financial liability are recognized in the statement of income and no earnings are attributed to the non-controlling interest. However, where the Group has not acquired a present ownership interest as part of a business combination, the non-controlling interest continues to receive an allocation of profit or loss and is reclassified as a financial liability at each reporting date as if the acquisition took place at that date. Any excess over the reclassified carrying amount of the non-controlling interest and all subsequent fair value changes of the financial liability are recognized directly in retained earnings.

Interests in joint arrangements are interests over which the Group exercises joint control and are classified as either joint operations or joint ventures depending on the contractual rights and obligations arising from the agreement rather than the legal structure of the joint arrangement. If the interest is classified as a joint operation, the Group recognizes its share of the assets, liabilities, revenues and expenses in the joint operation in accordance with the relevant IFRSs.

Associates are companies in which the Group generally holds between 20 and 50 percent of the voting rights and over which the Group has significant influence but does not exercise control.

Associates and joint ventures are accounted for using the equity method of accounting.

Goodwill arising from an acquisition is included in the carrying amount of the investment in associated companies and joint ventures. Equity accounting is discontinued when the carrying amount of the investment together with any long-term interest in an associated company or joint venture reaches zero, unless the Group has also either incurred or guaranteed additional obligations in respect of the associated company or joint venture.

Foreign currency translation

The assets and liabilities of each of the Group's companies are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). Statements of income of foreign entities are translated into the Group's reporting currency at average exchange rates for the year and statements of financial position are translated at the exchange rates prevailing on December 31.

Goodwill arising from the acquisition of a foreign operation is expressed in the functional currency of the foreign operation and is translated at the closing rate of the reporting period.

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 income as qualifying cash flow hedges or net investment hedges.

Exchange differences arising on monetary items that form part of a company's net investment in a foreign operation are recognized in other comprehensive earnings (currency translation adjustment) and are fully reclassified to the statement of income should the Group lose control of a subsidiary, lose joint control over an interest in a joint arrangement or lose significant influence in an associate. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the statement of income as part of the net gain or loss on sale, except for a partial disposal of a subsidiary without loss of control, where a proportionate share of the cumulative currency translation adjustments are re-attributed to non-controlling interest and not recognized in the statement of income.

Operating profit

Operating profit excludes items that are not directly related to the Group's normal operating activities. These primarily relate to gains or losses on the disposal of property, plant and equipment, gains or losses on the sale of Group companies, associates and joint ventures, revaluation gains or losses on previously held equity interests, disputes with minority shareholders, other major lawsuits, share of profit or loss of associates and financial income and expenses.

Segment information

The Group is organized by countries. Countries or regional clusters are the Group's operating segments. For purposes of presentation to the Chief Operating Decision Maker (i.e. the Group CEO), five regions corresponding to the aggregation of countries or regional clusters are reported:

- **Asia Pacific**
- **Europe**
- **Latin America**
- **Middle East Africa**
- **North America**

While each operating segment is reviewed separately by the Chief Operating Decision Maker (i.e. the Group CEO), the countries have been aggregated into five reportable segments as they have similar long-term average gross margins and are similar in respect of products, production processes, distribution methods and types of customers.

Each of the above reportable segments derives its revenues from the sale of cement, aggregates and other construction materials and services.

The Group has three product lines:

- **Cement, which comprises clinker, cement and other cementitious materials**
- **Aggregates**
- **Other construction materials and services, which comprises ready-mix concrete, concrete products, asphalt, construction and paving, trading and other products and services**

Group financing (including financing costs and financing income) and income taxes are managed on a Group basis and are not allocated to any reportable segments.

Transfer prices between segments are set on at arm's-length basis in a manner similar to transactions with third parties. Segment revenues and segment results include transfers between segments. Those transfers are eliminated on consolidation.

Cash and cash equivalents

Cash and cash equivalents are financial assets. Cash equivalents are readily convertible into a known amount of cash with original maturities 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, such as monetary mutual funds, net of bank overdrafts.

Accounts receivable

Accounts receivable consist of (a) current financial receivables, (b) prepaid expenses and other current assets, and (c) trade accounts receivable. Trade accounts receivable are carried at the original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts of the financial asset at year end.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined by using the weighted average cost method. The cost of finished goods and work in progress comprises raw materials and additives, direct labor, other direct costs and related production overheads. Cost of inventories includes transfers from equity of gains or losses on qualifying cash flow hedges relating to inventory purchases.

Long-term financial investments and other long-term assets

Long-term financial assets consist of (a) financial investments – third parties, (b) long-term receivables – associates and joint ventures and (c) long-term receivables – third parties. Financial investments in third parties are classified as available-for-sale and long-term receivables from associates, joint ventures and third parties are classified as loans and receivables.

All purchases and sales of long-term financial assets are recognized on trade date, which is the date that the Group commits to purchase or sell the asset. The purchase cost includes transaction costs. Loans and receivables are measured at amortized cost using the effective interest method. Available-for-sale investments are carried at fair value. Gains and losses arising from changes in the fair value of available-for-sale investments are included in other comprehensive earnings until the financial asset is either impaired or disposed of, at which time the cumulative gain or loss previously recognized in other comprehensive earnings is reclassified from equity to the statement of income.

Property, plant and equipment

Property, plant and equipment is valued at acquisition or construction cost less depreciation and impairment losses. Cost includes transfers from equity of any gains or losses on qualifying cash flow hedges. Depreciation is charged to write off the cost of property, plant and equipment over their estimated useful lives, using the straight-line method, on the following bases:

Land and mineral reserves	**No depreciation except on land with raw material reserves**
Buildings and installations	**20 to 40 years**
Machinery and equipment	**3 to 30 years**

Costs are only included in the asset’s carrying amount when it is probable that economic benefits associated with the item will flow to the Group in future periods and the cost of the item can be measured reliably. Costs include the initial estimate of the costs for dismantling and removing the item and for restoring the site on which it is located. All other repairs and maintenance expenses are charged to the statement of income during the period in which they are incurred.

Mineral reserves are valued at cost and are depreciated based on the unit-of-production method over their estimated commercial lives.

Costs incurred to gain access to mineral reserves (typically stripping costs) are capitalized and depreciated over the life of the quarry, which is based on the estimated tonnes of raw material to be extracted from the reserves.

Interest costs on borrowings to finance construction projects, which necessarily take a substantial period of time to get ready for their intended use, are capitalized during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed in the period in which they are incurred.

Government grants received are deducted from property, plant and equipment and reduce the depreciation charge accordingly.

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Property, plant and equipment acquired through a finance lease are capitalized at the date of the commencement of the lease term at the present value of the minimum future lease payments or, if lower, at an amount equal to the fair value of the leased asset as determined at the inception of the lease. The corresponding lease obligations, excluding finance charges, are included in either current or long-term financial liabilities.

For sale-and-lease-back transactions, the book value of the related property, plant or equipment remains unchanged. Proceeds from a sale are included as a financing liability and the financing costs are allocated over the term of the lease in such a manner that the costs are reported over the relevant periods.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts, and are recognized in the statement of income in "Profit (Loss) on disposals and other non-operating income (expenses)".

Non-current assets (or disposal groups) classified as held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortized while they are classified as held for sale.

Gains and losses on disposals of non-current assets (or disposal groups) are determined by comparing proceeds with carrying amounts, and are recognized in the statement of income in "Profit (Loss) on disposals and other non-operating income (expenses)".

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale, and represents a separate major line of business or geographical area of operations, and is part of a single coordinated plan to dispose a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

Goodwill

Goodwill represents the excess of the aggregate of the consideration transferred and the amount recognized for the non-controlling interest over the fair value of the net identifiable assets acquired and liabilities assumed. Such goodwill is tested annually for impairment or whenever there are impairment indicators, and is carried at cost less accumulated impairment losses. Goodwill on acquisitions of associates and joint ventures is included in the carrying amount of the respective investments. If the consideration transferred is less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognized directly in the statement of income.

On disposal of a subsidiary or joint operation, the related goodwill is included in the determination of profit or loss on disposal.

For the purpose of impairment testing, goodwill arising from acquisitions of subsidiaries is allocated to cash generating units expected to benefit from the synergies of the business combination. Impairment losses relating to goodwill cannot be reversed in future periods.

For further information, refer to the note 26.

Intangible assets

Expenditure on acquired trademarks, mining rights, software, patented and unpatented technology and other intangible assets are capitalized and amortized using the straight-line method over their estimated useful lives, but not exceeding 20 years, except for mining rights which are depleted on a volume basis.

Impairment of non-financial assets

At each reporting date, the Group assesses whether there is any indication that a non-financial asset may be impaired. If any such indication exists, the recoverable amount of the non-financial asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual non-financial asset, the Group estimates the recoverable amount of the smallest cash generating unit to which the non-financial asset belongs. The recoverable amount is the higher of an asset's or cash generating unit's fair value less costs of disposal and its value in use. If the recoverable amount of a non-financial asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the non-financial asset or cash generating unit is reduced to its recoverable amount. Impairment losses are recognized immediately in the statement of income.

Where an impairment loss subsequently reverses, the carrying amount of the non-financial asset or cash generating unit is increased to the revised estimate of its recoverable amount. However, this increased amount cannot exceed the carrying amount that would have been determined if no impairment loss had been recognized for that non-financial asset or cash generating unit in prior periods. A reversal of an impairment loss is recognized immediately in the statement of income.

Impairment of financial assets

At each reporting date, the Group assesses whether there is any indication that a financial asset may be impaired. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the future estimated cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognized in the statement of income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Any reversal of an impairment loss is recognized in the statement of income.

An impairment loss in respect of an available-for-sale financial asset is recognized in the statement of income and is calculated by reference to its fair value. Individually significant financial assets are tested for impairment on an individual basis. Reversals of impairment losses on equity instruments classified as available-for-sale are recognized in other comprehensive earnings, while reversals of impairment losses on debt instruments are recognized in the statement of income if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the statement of income. Impairment losses of financial assets carried at cost cannot be reversed.

Objective evidence that an available-for-sale financial asset is impaired includes observable data about the following loss events:

– the occurrence of significant financial difficulties of the issuer or obligor;

– adverse changes in national or local economic conditions have occurred;

– adverse changes that have taken place in the technological, economic or legal environment; and

– the existence of a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

In relation to accounts receivable, a provision for doubtful debts is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of accounts receivable is reduced through use of an allowance account. Impaired accounts receivable are derecognized when they are assessed as uncollectable.

Derivative instruments

The Group mainly uses derivative financial instruments in order to reduce its exposure to changes in interest rates, foreign currency exchange rates and commodity prices. The Group enters into foreign exchange contracts and interest rate swaps to hedge certain exposures relating to debt, foreign exchange contracts to hedge firm commitments for the acquisition of certain property, plant and equipment and into swaps and options in order to manage its exposure to commodity risks.

Derivatives are regarded as held for hedging unless they do not meet the strict hedging criteria stipulated under IAS 39 *Financial Instruments: Recognition and Measurement*, in which case they will be classified as held for trading. Financial derivatives expected to be settled within 12 months after the end of the reporting period are classified as current liabilities or current assets. Movements in the cash flow hedging reserve are shown in the consolidated statement of changes in equity.

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured 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 Group designates certain derivatives as either (a) a hedge of the fair value of a recognized asset or liability (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 firm commitment (cash flow hedge) or (d) a hedge of a net investment in a foreign entity (accounted for similarly to a 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 income, along with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges and that are highly effective are recognized outside the statement of income and accumulated in the cash flow hedging reserve. Where the firm commitment results in the recognition of an asset, for example, property, plant and equipment, or a liability, the gains or losses previously deferred in the cash flow hedging reserve are transferred from equity and included in the initial measurement of the non-financial asset or liability. Otherwise, amounts deferred in equity are transferred to the statement of income and classified as income or expense in the same periods during which the cash flows, such as hedged firm commitments or interest payments, affect the statement of income.

Long-term financial liabilities

Bank loans acquired and bonds issued are recognized initially at the proceeds received, net of transaction costs incurred. Subsequently, bank loans and bonds are stated at amortized cost, using the effective interest method, with any difference between proceeds (net of transaction costs) and the redemption value being recognized in the statement of income 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 Group has an unconditional right to defer settlement of the liability until more than 12 months after the reporting period. The repayment of the current portion of such liabilities is shown in the statement of cash flows in the line “Repayment of long-term financial liabilities”.

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the provision and liability for income taxes. There are many transactions and calculations where the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for tax issues based on estimates of whether additional taxes will be due, based on its best interpretation of the relevant tax laws and rules. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred taxes

Deferred tax is provided, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Tax rates enacted or substantively enacted by the end of the reporting period are used to determine the deferred tax expense.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which deductible temporary differences or unused tax losses can be utilized. Deferred tax liabilities are recognized for taxable temporary differences arising from investments in subsidiaries, associates and interests in joint arrangements except where the Group is able to control the distribution of earnings from these respective entities and where dividend payments are not expected to occur in the foreseeable future.

Deferred tax is charged or credited in the statement of income, except when it relates to items credited or charged outside the statement of income, in which case the deferred tax is treated accordingly.

Long-term income tax liabilities

In the event the Group expects to settle income taxes payable beyond the next 12 months, they are classified as long-term income taxes payable and are recognized at the discounted amount.

Site restoration and other environmental provisions

The Group provides for the costs of restoring a site where a legal or constructive obligation exists. The estimated future costs for known restoration requirements are determined on a site-by-site basis and are calculated based on the present value of estimated future costs. The cost of raising a provision before exploitation of the raw materials has commenced is included in property, plant and equipment and depreciated over the life of the site. The effect of any adjustments to the provision due to further environmental damage as a result of exploitation activities is recorded through operating costs over the life of the site, in order to reflect the best estimate of the expenditure required to settle the obligation at the end of the reporting period. Changes in the measurement of a provision that result from changes in the estimated timing or amount of cash outflows, or a change in the discount rate, are added to or deducted from the cost of the related asset to the extent that they relate to the asset's installation, construction or acquisition. All provisions are discounted to their present value.

Restructuring provisions

A provision for restructuring costs is recognized when the restructuring plans have been approved by the management, a detailed formal plan exists and when the Group has raised a valid expectation in those affected that it will carry out the restructuring plan either by announcing its main features to those affected by it or starts to implement that plan and recognize the associated restructuring costs. The provision for restructuring only includes direct expenditures arising from the restructuring, notably severance payments, early retirement costs, costs for notice periods not worked and other costs directly linked largely with the closure of the facilities.

Other 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.

Emission rights

The initial allocation of emission rights granted is recognized at nominal amount (nil value). Where a Group company has emissions in excess of the emission rights granted, it will recognize a provision for the shortfall based on the market price at that date. The emission rights are held for compliance purposes only and therefore the Group does not intend to speculate with these in the open market.

Employee benefits – Defined benefit plans
Some Group companies provide defined benefit pension plans for employees. Professionally qualified independent actuaries value the defined benefit obligations on a regular basis. The obligation and costs of pension benefits are determined using the projected unit credit method. The projected unit credit method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Past service costs, which comprise plan amendments and curtailments, as well as gains or losses on the settlement of pension benefits are recognized immediately in the statement of income when they occur.

Remeasurements, which comprise actuarial gains and losses on the pension obligation, the return on plan assets and changes in the effect of the asset ceiling excluding amounts in net interest, are recognized directly in other comprehensive earnings and are not reclassified to the statement of income in a subsequent period. The pension obligation is measured at the present value of estimated future cash flows using a discount rate that is determined by reference to the interest rate on high quality corporate bonds where the currency and terms of the corporate bonds are consistent with the currency and estimated terms of the defined benefit obligation.

A net pension asset is recorded only to the extent that it does not exceed the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost for defined benefit plans charged to the statement of income consists of service cost (current service cost, past service cost and curtailments as well as gains or losses on settlements) and the net interest expense. The service costs are recorded in “Cost of goods sold”, “Distribution and selling expenses” or “Administrative expenses” based on the beneficiaries of the plan and the net interest expense is recorded in “Financial expenses”.

Employee benefits – Defined contribution plans

In addition to the defined benefit plans described above, some Group companies sponsor defined contribution plans based on local practices and regulations. The Group's contributions to defined contribution plans are charged to the statement of income in the period to which the contributions relate.

Employee benefits – Other long-term employment benefits

Other long-term employment benefits include long-service leave or sabbatical leave, medical aid, jubilee or other long-service benefits, long-term disability benefits and, if they are not expected to be settled wholly within twelve months after the year end, profit sharing, variable and deferred compensation.

The measurement of these obligations differs from defined benefit plans in that all remeasurements are recognized immediately in the statement of income and not in other comprehensive earnings.

Employee benefits – Equity compensation plans

The Group operates various equity-settled share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options or shares is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted. The amounts are charged to the statement of income over the relevant vesting periods and adjusted to reflect actual and expected levels of vesting.

Equity

Incremental costs directly attributable to the issuance of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

Treasury shares (own equity instruments held by the Group) are accounted for as a reduction of equity at acquisition cost and are not subsequently remeasured. When shares are sold out of treasury shares, the resulting profit or loss is recognized in equity, net of tax.

Revenue recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the entity and the amount of the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received net of sales taxes and discounts. Revenue from the sale of goods is recognized when delivery has taken place and the transfer of risks and rewards of ownership has been completed. The significant risks and rewards of products sold are transferred according to the specific delivery terms that have been formally agreed with the customer, generally upon delivery when the bill of lading is signed by the customer as evidence that they have accepted the product delivered to them.

Interest is recognized on a time proportion basis that reflects the effective yield on the asset. Dividends are recognized when the shareholder's right to receive payment is established.

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 LafargeHolcim. They are accordingly disclosed in the notes to the financial statements.

3. RISK MANAGEMENT

Group Risk Management

Group Risk Management supports the Board of Directors, the Executive Committee and the management teams of the countries in analyzing the overall risk exposure. Group Risk Management aims to systematically identify, monitor and manage major risks the Group encounters. All types of risks from industry, operations, finance and legal, up to the external business environment are considered including compliance, sustainable development and reputational aspects. Risks are understood as the effect of uncertainty on business objectives which can be an opportunity or a threat. The risk horizon includes long-term strategic risks but also short- to medium-term business risks. Potential risks are identified and evaluated at an early stage and monitored. Mitigating actions are proposed and implemented at the appropriate level so that risk management remains a key responsibility of the line management. Risk transfer through insurance solutions forms an integral part of risk management.

The Group's risk map is established by strategic, operational and topical risk assessments which are combined into a Group risk report. Besides the Countries, the Board of Directors, the Executive Committee and Corporate Function Heads are involved in the risk assessment during the Group's management cycle. The results of the annual Group risk process are presented to the Executive Committee and the conclusions reported to the Board of Directors and the Finance & Audit Committee.

Country risk

LafargeHolcim's major presence in developing markets exposes the Group to risks such as political, financial and social uncertainties and turmoil, terrorism, civil war and unrest.

The impact of United Kingdom's withdrawal from the European Union ("Brexit") has been assessed and preventive measures have been taken. Relevant currency exposures and counterparty risks were reduced before the BREXIT vote.

Financial Risk Management

The Group's activities expose it to a variety of financial risks, including liquidity, interest rate, foreign exchange, commodity and credit risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts, commodity and interest rate swaps to hedge certain exposures. The Group does not enter into derivative or other financial transactions which are unrelated to its business needs.

Financial risk management within the Group is governed by policies approved by 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 cash.

Liquidity risk

Group companies need liquidity to meet their obligations. Individual companies are responsible for their own cash balances and the raising of internal and external credit lines to cover the liquidity needs, subject to guidance by the Group.

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.

Contractual maturity analysis

	Contractual undiscounted cash flows							
Million CHF	Within 1 year	Within 2 years	Within 3 years	Within 4 years	Within 5 years	Thereafter	Total	Carrying amount
2017								
Payables [1]	**3,743**						**3,743**	**3,743**
Loans from financial institutions	**1,887**	**478**	**497**	**189**	**98**	**37**	**3,186**	**3,177**
Bonds, private placements and commercial paper notes	**1,822**	**1,703**	**1,222**	**1,666**	**929**	**7,662**	**15,003**	**15,258**
Interest payments	**676**	**502**	**379**	**316**	**270**	**2,519**	**4,662**	**340**
Finance leases	**14**	**12**	**7**	**6**	**4**	**41**	**84**	**64**
Derivative financial instruments net [2]	**(56)**	**15**	**108**	**0**	**0**	**0**	**67**	**64**
Financial guarantees	**0**	**0**	**0**	**0**	**0**	**11**	**11**	
Total	**8,086**	**2,710**	**2,213**	**2,177**	**1,301**	**10,270**	**26,757**	
2016								
Payables [1]	3,345						3,345	3,345
Loans from financial institutions	2,617	514	316	220	110	18	3,794	3,770
Bonds, private placements and commercial paper notes	2,325	1,677	1,680	1,204	1,608	6,969	15,463	15,773
Interest payments	730	557	435	320	267	2,571	4,880	333
Finance leases	16	11	9	5	4	44	90	67
Derivative financial instruments net [2]	(34)	0	3	109	0	0	79	35
Financial guarantees	0	48	59	0	0	11	118	
Total	8,999	2,807	2,502	1,859	1,989	9,612	27,770	

[1] Payables include trade account payables and payables related to the purchase of property, plant and equipment included in other current liabilities.
[2] The contractual cash flows include both cash in- and outflows. Additional information is disclosed in note 30.

The maturity profile is based on contractual undiscounted amounts including both interest and principal cash flows and is based on the earliest date on which LafargeHolcim 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.

Interest rate risk

Interest rate risk arises from movements in interest rates which could affect the Group's financial result and market values of its financial instruments. The Group is primarily exposed to fluctuations in interest rates on its financial liabilities at floating rates which may cause variations in the Group's financial result. The exposure is mainly addressed through the management of the fixed/floating ratio of financial liabilities. To manage this mix, the Group 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 Group 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 Group 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 large fluctuations of its financing cost.

Interest rate sensitivity

The Group's sensitivity analysis has been determined based on the interest rate exposure relating to the Group's financial liabilities at a variable rate on a post hedge basis as at December 31.

A 1 percentage point change is used when the interest rate risk is reported internally to key management personnel and represents management's assessment of a reasonably possible change in interest rates.

At December 31, 2017, a 1 percentage point shift in interest rates, with all other assumptions held constant, would result in approximately CHF 34 million (2016: CHF 49 million) of annual additional/lower financial expenses before tax on a post hedge basis.

The Group's sensitivity to interest rates is lower than last year mainly due to the decrease of current financial liabilities as well as the decrease of the ratio of financial liabilities at variable rates to total financial liabilities from 39 percent to 31 percent.

Foreign exchange risk

The Group's global footprint exposes it to foreign exchange risks.

The translation of foreign operations into the Group reporting currency leads to currency translation effects. The Group may hedge certain net investments in foreign entities with foreign currency borrowings or other instruments. To the extent that the net investment hedge is effective, all foreign exchange gains or losses are recognized in equity and included in currency translation adjustments.

Due to the local nature of the construction materials business, foreign exchange risk is limited. However, for many Group companies, income will be primarily in local currency, whereas debt servicing and a significant amount of capital expenditures may be in foreign currencies. As a consequence thereof, the Group may enter into derivative contracts which are designated as either cash flow hedges or fair value hedges, as appropriate and also include the hedging of forecasted transactions.

Foreign exchange sensitivity

The Group's sensitivity analysis has been determined based on the Group'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. The Group's net foreign currency transaction risk mainly arises from CHF, USD and EUR against the respective currencies the Group operates in.

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 exchange rates.

A 5 percent change in CHF, USD and EUR against the respective currencies the Group operates in would have an immaterial impact on foreign exchange (loss) gains net on a post hedge basis in both the current and prior year.

Impacts on equity due to derivative instruments are considered as not material based on the shareholders' equity of the Group.

Commodity risk

The Group is subject to commodity risk with respect to price changes mainly in the electricity, natural gas, petcoke, coal, oil refined products and sea freight markets. The Group uses derivative instruments to hedge part of its exposure to these risks. Derivative instruments are generally limited to swaps and standard options.

Credit risk

Credit risks arise, among others, from the possibility that customers may not be able to settle their obligations as agreed. To manage this risk, the Group periodically assesses the financial reliability of customers.

Credit risks, or the risk of counterparties defaulting, are constantly monitored. Counterparties to financial instruments consist of a large number of established financial institutions. The Group does not expect any counterparty to be unable to fulfill its obligations under its respective financing agreements. At year end, LafargeHolcim has no significant concentration of credit risk with any single counterparty or group of counterparties.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the consolidated statement of financial position.

Tax risk

The Group's tax filings for various periods will be subject to audit by tax authorities in most jurisdictions in which the Group operates. In particular, such jurisdictions may have extended focus on issues related to the taxation of multinational corporations.

These audits may result in assessments of additional taxes, as well as interest and/or penalties, and could affect the Group' s financial results. Due to the uncertainty associated with tax matters, it is possible that at some future date, liabilities resulting from audits or litigations could vary significantly from the Group's provisions.

Changes in tax laws, regulations, court rulings, related interpretations, and tax accounting standards in countries in which the Group operates may adversely affect its financial results.

Legal risk

In the ordinary course of its business, the Group is involved in lawsuits, claims of various natures, investigations and proceedings, including product liability, commercial, environmental, health and safety matters, etc. The Group operates in countries where political, economic, social and legal developments could have an impact on the Group's operations.

In connection with disposals made in the past years, the Group provided customary warranties notably related to accounting, tax, employees, product quality, litigation, competition, and environmental matters. LafargeHolcim and its subsidiaries received or may receive in the future notice of claims arising from said warranties.

Capital structure

The Group's objectives when managing capital are to secure the Group's financial needs as a going concern as well as to cater for its growth targets, in order to provide returns to shareholders and benefits for other stakeholders and to maintain a solid investment grade rating.

The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions, business activities, investment and expansion programs and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, increase debt or sell assets to reduce debt.

The Group monitors capital, among others, on the basis of the ratio of net financial debt to recurring EBITDA.

Million CHF	31.12.2016	Cash flows	Non cash flows	31.12.2017
Current financial liabilities [1]	4,976	(115)	(1,019)	**3,843**
Long-term financial liabilities	14,744	(1,032)	1,067	**14,779**
Gross financial debt	19,720	(1,147)	48	**18,621**
Derivative assets	(74)	0	16	**(58)**
Cash and cash equivalents	(4,923)	670	35	**(4,217)**
Net financial debt	14,724	(477)	99	**14,346**

[1] Including bank overdraft cash movement for CHF 48 million.

Million CHF	2017	2016
Net financial debt as at beginning of the period	**14,724**	17,266
Cash flow from operating activities	**(3,040)**	(3,295)
Cash flow from investing activities	**675**	(706)
Payout on ordinary shares	**1,212**	909
Dividends paid to non-controlling interests	**237**	249
Capital (paid-in by) repaid to non-controlling interest	**(63)**	20
Movements of treasury shares	**489**	(5)
Increase in participation in existing Group companies	**13**	375
Total cash effective movements as per statement of cash flows	**(477)**	(2,453)
Cash proceeds reflected in the financing flows [1]	**(181)**	(200)
Total cash effective movements as per Net financial debt	**(658)**	(2,653)
Change in scope	**106**	(221)
Change in fair values	**(83)**	(170)
Currency translation effects	**378**	84
Others [2]	**(119)**	417
Total non – cash effective movements	**281**	111
Net financial debt as at closing of the period	**14,346**	14,724

[1] From the disposal of 73.5 percent listed shares in Sichuan Shuangma Cement Co. Ltd, these amounts are presented in the cash flow from financing activities in the line Net movement in current financial liabilities.
[2] Out of which, in 2016, the liability for the put option related to China transactions amounted to CHF 389 million which was presented in the statement of financial position as current financial liability.

The net financial debt to recurring EBITDA ratio is used as an indicator of financial risk and shows how many years it would take the Group to pay back its debt.

Million CHF	2017	2016 Restated [1]
Net financial debt	**14,346**	14,724
Recurring EBITDA [2]	**5,990**	5,950
Net financial debt/recurring EBITDA	**2.4**	2.5

[1] Restated due to change in presentation, see note 2.
[2] Excluding restructuring, litigation, implementation and other non-recurring costs, but including contribution from joint ventures, previously named "Operating EBITDA adjusted".

Fair value estimation

The fair value of publicly traded financial instruments is generally based on quoted 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 short-term nature of these financial instruments.

Fair values as of December 31, 2017

		Carrying amount (by measurement basis)				
Million CHF	IAS 39 Category	Amortized cost	Fair value level 1	Fair value level 2	Total	Comparison Fair value
Current financial assets						
Cash and cash equivalents	Financial assets	**4,217**			**4,217**	
Trade accounts receivable	Loans and receivables at amortized cost	**3,340**			**3,340**	
Financial receivables	Loans and receivables at amortized cost	**262**			**262**	
Derivative assets	Held for hedging at fair value			**42**	**42**	
Derivative assets	Held for trading at fair value			**2**	**2**	
Long-term financial assets						
Financial receivables	Loans and receivables at amortized cost	**432**			**432**	**432** [1]
Financial investments third parties	Financial investments at cost	**85**			**85**	
Derivative assets	Held for hedging at fair value			**14**	**14**	
Current financial liabilities						
Payables [2]	Financial liabilities at amortized cost	**3,743**			**3,743**	
Financial liabilities	Financial liabilities at amortized cost	**3,734**			**3,734**	
Derivative liabilities	Held for hedging at fair value			**22**	**22**	
Derivative liabilities	Held for trading at fair value			**86**	**86**	
Long-term financial liabilities						
Financial liabilities	Financial liabilities at amortized cost	**14,766**			**14,766**	**15,655** [3]
Derivative liabilities	Held for hedging at fair value			**13**	**13**	

[1] The comparison fair value for long-term receivables consists of CHF 12 million level 1 and CHF 420 million level 2 fair value measurements.
[2] Payables include trade account payables and payables related to the purchase of property, plant and equipment included in other current liabilities.
[3] The comparison fair value for long-term financial liabilities consists of CHF 12,760 million level 1 and CHF 2,895 million level 2 fair value measurements.

Fair values as of December 31, 2016

		Carrying amount (by measurement basis)				
Million CHF	IAS 39 Category	Amortized cost	Fair value level 1	Fair value level 2	Total	Comparison Fair value
Current financial assets						
Cash and cash equivalents	Financial assets	4,923			4,923	
Trade accounts receivable	Loans and receivables at amortized cost	2,826			2,826	
Financial receivables	Loans and receivables at amortized cost	207			207	
Derivative assets	Held for hedging at fair value			60	60	
Derivative assets	Held for trading at fair value			8	8	
Long-term financial assets						
Financial receivables	Loans and receivables at amortized cost	638			638	636 [1]
Financial investments third parties	Financial investments at cost	92			92	
Financial investments third parties	Available-for-sale financial assets		5	70	75	
Derivative assets	Held for hedging at fair value			6	6	
Derivative assets	Held for trading at fair value			1	1	
Current financial liabilities						
Payables [2]	Financial liabilities at amortized cost	3,345			3,345	
Financial liabilities	Financial liabilities at amortized cost	4,946			4,946	
Derivative liabilities	Held for hedging at fair value			9	9	
Derivative liabilities	Held for trading at fair value			21	21	
Long-term financial liabilities						
Financial liabilities	Financial liabilities at amortized cost	14,666			14,666	15,386 [3]
Derivative liabilities	Held for hedging at fair value			79	79	

[1] The comparison fair value for long-term receivables consists of CHF 6 million level 1 and CHF 630 million level 2 fair value measurements.
[2] Payables include trade account payables and payables related to the purchase of property, plant and equipment included in other current liabilities.
[3] The comparison fair value for long-term financial liabilities consists of CHF 13,049 million level 1 and CHF 2,337 million level 2 fair value measurements.

The table above shows the carrying amounts and fair values of financial assets and liabilities.

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) 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 rate 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; and
- 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 2017 and 2016, there were no financial assets and liabilities allocated to level 3.

There have been no transfers between the different hierarchy levels in 2017 and 2016.

4. CHANGES IN THE SCOPE OF CONSOLIDATION

4.1 Divestments during the current reporting period

China

The streamlining of the Group's operations in China, which started in 2016, continued in 2017. The impact in the 2016 financial statements is explained in 4.2 below. The transactions entered included:

- the disposal of the non-listed cement assets in China to the Group's joint venture Huaxin; and
- the disposal of 73.5 percent of the listed shares in Sichuan Shuangma together with a put and call option agreement to repurchase the underlying Shuangma cement companies.

The disposal of the non-listed cement assets was finalised in the first quarter 2017, operations and assets were disposed from Lafarge China Cement Ltd to the Group's joint venture Huaxin for a total consideration of CHF 257 million. The assets and the related liabilities were classified as held for sale on December 31, 2016.

From the disposal of 73.5 percent of the listed shares in Sichuan Shuangma Cement Co. Ltd. in 2016, CHF 352 million was received on an escrow account in December 2016 and was released in 2017. Since the Group did not dispose of the underlying cement assets, the cash received up to the amount of the initial put option liability is presented as financing cash flow, resulting in 2017 in CHF 181 million presented in the cash flow from financing activities in the line Net movement in current financial liabilities and the remainder in the cash flow from investing activities in the line Disposal of participation in Group companies. An additional amount of CHF 114 million is only due in 2018 and is presented in the current financial receivables.

The put and call option agreement entered into in 2016 resulted in LafargeHolcim retaining control over four Shuangma cement companies. The put and call option agreement expired in December 2017 and two cement companies were deconsolidated with a loss of CHF 40 million recognized. As LafargeHolcim signed a Share Purchase Agreement for the remaining two cement companies, the Group continued to maintain control with a corresponding net liability of CHF 215 million presented in the statement of financial position as current financial liability. The assets and associated liabilities for these two cement companies are classified as held for sale and a write-down of CHF 58 million was recorded.

Vietnam

On February 28, 2017, the Group disposed of its 65 percent shareholding in LafargeHolcim Vietnam for a total consideration of CHF 546 million before taxes which resulted in a net gain before taxes of CHF 339 million. The assets and the related liabilities were classified as held for sale on December 31, 2016.

Chile

On August 14, 2017, the Group disposed of its 54 percent shareholding in Cemento Polpaico S.A. (Chile) for a total consideration of CHF 114 million before taxes which resulted in a net loss before taxes of CHF 40 million. The assets and the related liabilities were classified as held for sale on December 31, 2016.

4.2 Divestments during the previous comparative reporting period

South Korea

On April 29, 2016, the Group disposed of Lafarge Halla Cement Corporation in South Korea for a total consideration of CHF 522 million which resulted in no gain or loss before taxes.

Morocco and Sub-Saharan African countries

On July 4, 2016, the shareholders of Lafarge Ciments and Holcim (Maroc) S.A. agreed to merge the two companies by an exchange of shares, the new merged company being renamed as LafargeHolcim Maroc. As a result, the Group deconsolidated Holcim (Maroc) S.A. and recorded a net gain before tax of CHF 236 million for a total consideration of CHF 498 million, of which CHF 233 million were received in cash.

In conjunction with the transaction above, the Group further reinforced its partnership with SNI by creating a joint venture for Francophone Sub-Saharan Africa, named LafargeHolcim Maroc Afrique. Four African companies were sold to this joint venture during the second semester 2016:

– On July 4, 2016, the Group company LafargeHolcim Côte d'Ivoire, previously named Société de Ciments et Matériaux (SOCIMAT), was sold for a total consideration of CHF 73 million resulting in a net gain before taxes of CHF 9 million;

– On October 10, 2016, the Group company Cimenteries du Cameroun was sold for a total consideration of CHF 54 million resulting in a net gain before taxes of CHF 15 million;

– On October 10, 2016, the joint venture Groupement SCB Lafarge in Benin was sold for a total consideration of CHF 60 million resulting in a net gain before taxes of CHF 26 million; and

– On December 20, 2016, the Group company LafargeHolcim Guinée, previously named Ciment de Guinée S.A., was sold for a total consideration of CHF 5 million resulting in a net loss before taxes of CHF 2 million.

Sri Lanka

On August 10, 2016, the Group disposed of its entire interest in Holcim (Lanka) Ltd for a total consideration of CHF 365 million which resulted in a net gain before taxes of CHF 225 million.

Saudi Arabia

On August 17, 2016, the Group disposed of its 25 percent interest in the associated company Al Safwa Cement Company in Saudi Arabia for a total consideration of CHF 123 million which resulted in a net loss before taxes of CHF 9 million.

India
On October 4, 2016, the Group disposed of Lafarge India Pvt. Limited for a total consideration of CHF 1,168 million resulting in a net gain before taxes of CHF 35 million.

Turkey
On November 29, 2016, the Group disposed of its 50 percent interest in the joint venture Dalsan Alci Sanayi Ve Ticaret AS for a total consideration of CHF 36 million resulting in no gain or loss before taxes.

China
The Group streamlined its operations in China, which resulted in a net gain before taxes of CHF 192 million. The transactions were entered into at the same time and in contemplation of each other and consisted of the following:

– the disposal of 73.5 percent of the listed shares in Sichuan Shuangma Cement Co. Ltd. for a total consideration of CHF 658 million resulting in a gain before taxes of CHF 370 million. At the same time, the parties entered into a put and call option agreement resulting in LafargeHolcim retaining control over Shuangma's cement assets. As of December 31, 2016, the liability for this put option amounted to CHF 389 million and was presented in the statement of financial position as current financial liability. Of the total consideration, CHF 200 million was received in cash in the fourth quarter 2016, CHF 352 million was received on an escrow account and presented as prepaid expenses and other current assets and the remaining amount of CHF 105 million due in 2018 recorded as a long-term financial receivable. Since the Group did not dispose of the underlying cement assets, the cash received up to the amount of the put option liability was presented as financing cash flow. Accordingly, CHF 200 million was reflected in the line Net movement in current financial liabilities of the cash flow statement; and

– the disposal of non-listed cement assets in China to Huaxin Cement Co. Ltd. for a consideration of CHF 257 million. These assets and associated liabilities were classified as held for sale in the fourth quarter 2016 which resulted in a loss of CHF 178 million. The transaction was closed in the first quarter 2017.

4.3 Finalization of the merger between Holcim and Lafarge

The merger between Holcim and Lafarge announced publicly on April 7, 2014 became effective on July 10, 2015 after completion of the public exchange offer filed by Holcim Ltd for all the outstanding shares of Lafarge S.A.

As at July 9, 2016, the purchase price allocation (PPA) was completed and therefore the fair values assigned to the identifiable assets acquired and liabilities assumed became final. The main changes in the purchase price allocation in 2016 related to property, plant and equipment, intangible assets and contingent liabilities and resulted in an increase in the goodwill of CHF 522 million. The final fair values of the net assets acquired are as follows:

Million CHF	Fair Values disclosed in Q4 2015	PPA refinements in 2016	Final Fair Values
Cash and cash equivalents	1,704		**1,704**
Accounts receivable	2,544	(8)	**2,536**
Inventories	1,706	(33)	**1,673**
Prepaid expenses and other current assets	571		**571**
Assets classified as held for sale	4,874		**4,874**
Total currrent assets	11,399	(41)	**11,358**
Long-term financial assets	657	(21)	**636**
Investments in associates and joint ventures	1,644	(5)	**1,639**
Property, plant and equipment	20,177	(216)	**19,961**
Intangible assets	1,030	(123)	**907**
Deferred tax assets	99	2	**101**
Other long-term assets	56		**56**
Total non-current assets	23,663	(363)	**23,300**
Trade accounts payable	2,074	(10)	**2,064**
Current financial liabilities	2,272		**2,272**
Current income tax liabilities	81		**81**
Other current liabilities	1,646	9	**1,655**
Short-term provisions	106		**106**
Liabilities directly associated with assets classified as held for sale	367		**367**
Total current liabilities	6,546	(1)	**6,545**
Long-term financial liabilities	13,320		**13,320**
Defined benefit obligations	1,194		**1,194**
Deferred tax liabilities	2,732	(85)	**2,647**
Long-term provisions	992	271	**1,263**
Total non-current liabilities	18,237	186	**18,423**
Fair value of net assets acquired	10,279	(589)	**9,690**
Non-controlling interest	2,407	(67)	**2,340**
Fair value of net assets acquired attributable to shareholders of Lafargeholcim Ltd	7,872	(522)	**7,350**
Consideration for the business combination	19,483		**19,483**
Fair value of net assets acquired attributable to shareholders of LafargeHolcim Ltd	7,872	(522)	**7,350**
Goodwill	11,611	522	**12,133**

5. PRINCIPAL EXCHANGE RATES

The following table summarizes the principal exchange rates that have been used for translation purposes.

		Statement of income Average exchange rates in CHF		Statement of financial position Closing exchange rates in CHF	
		2017	2016	**31.12.2017**	31.12.2016
1 Euro	EUR	**1.11**	1.09	**1.17**	1.07
1 US Dollar	USD	**0.98**	0.98	**0.98**	1.02
1 British Pound	GBP	**1.27**	1.33	**1.32**	1.26
1 Australian Dollar	AUD	**0.75**	0.73	**0.76**	0.74
1 Brazilian Real	BRL	**0.31**	0.28	**0.29**	0.31
1 Canadian Dollar	CAD	**0.76**	0.74	**0.78**	0.76
1 Chinese Renminbi	CNY	**0.15**	0.15	**0.15**	0.15
100 Algerian Dinar	DZD	**0.89**	0.90	**0.85**	0.92
1 Egyptian Pound	EGP	**0.06**	0.10	**0.05**	0.06
1,000 Indonesian Rupiah	IDR	**0.07**	0.07	**0.07**	0.08
100 Indian Rupee	INR	**1.51**	1.47	**1.53**	1.50
100 Mexican Peso	MXN	**5.22**	5.28	**4.96**	4.93
100 Nigerian Naira	NGN	**0.32**	0.40	**0.32**	0.32
100 Philippine Peso	PHP	**1.95**	2.07	**1.96**	2.06

6. INFORMATION BY REPORTABLE SEGMENT

	Asia Pacific		Europe	
	2017	2016 [1]	**2017**	2016 [1]
Capacity and sales (unaudited)				
Annual cement production capacity (Million t)	**117.4**	150.5	**73.4**	76.4
Sales of cement (Million t)	**91.7**	113.7	**42.8**	41.6
Sales of aggregates (Million t)	**31.8**	32.2	**125.2**	124.2
Sales of ready-mix concrete (Million m³)	**12.8**	15.4	**18.2**	18.4
Statement of income (Million CHF)				
Net sales to external customers	**7,357**	8,100	**6,838**	6,575
Net sales to other segments	**84**	125	**330**	448
Total net sales	**7,441**	8,226	**7,167**	7,023
Recurring EBITDA [2]	**1,418**	1,594	**1,385**	1,334
Recurring EBITDA margin in %	**19.1**	19.4	**19.3**	19.0
Operating profit (loss)	**7**	916	**260**	637
Operating profit (loss) margin in %	**0.1**	11.1	**3.6**	9.1
Statement of financial position (Million CHF)				
Invested capital [3]	**9,297**	10,520	**11,738**	11,263
Investments in associates and joint ventures	**1,185**	1,148	**350**	340
Total assets	**14,438**	16,901	**17,608**	17,547
Total liabilities	**6,031**	6,587	**7,921**	8,676
Statement of cash flows (Million CHF)				
Cash flow from operating activities	**704**	1,054	**819**	966
Capex [4]	**328**	364	**313**	270
Personnel (unaudited)				
Number of personnel	**24,153**	31,274	**21,317**	21,829
Reconciliation of measures of profit and loss to the consolidated statement of income				
Recurring EBITDA [2]	**1,418**	1,594	**1,385**	1,334
Restructuring, litigation, implementation and other non-recurring costs	**(70)**	(86)	**(111)**	(112)
Depreciation, amortization and impairment of operating assets	**(1,341)**	(593)	**(1,013)**	(585)
of which impairment charge relating to property, plant and equipment and assets classified as held for sale	**(320)**	(4)	**(368)**	(5)
of which impairment charge relating to goodwill	**(545)**	(40)	**(40)**	
of which impairment charge relating to intangible assets	**(4)**		**(5)**	
of which impairment charge relating to investments in joint ventures			**(4)**	
Operating profit (loss)	**7**	916	**260**	637
Profit on disposals and other non-operating income [5]				
Loss on disposals and other non-operating expenses [6]				
Share of profit of associates				
Financial income				
Financial expense				
Net (loss) incomme before taxes				

[1] Restated due to change in presentation, see note 2.
[2] Previously named “Operating EBITDA Adjusted”. Comparative figures have been adjusted accordingly.
[3] The definition of invested capital as presented in the Annual Report last year has been changed to provide more relevant information regarding the Group’s financial performance (see new definition on page 251). The new definition includes net deferred tax liabilities that are mainly linked to the property, plants and equipment and excludes the financial investments third party and financial receivables which are not part of the core operations. Comparative figures have been adjusted accordingly.

Latin America		Middle East Africa		North America		Corporate/Eliminations		Total Group	
2017	2016 [1]	2017	2016 [1]	2017	2016 [1]	2017	2016 [1]	2017	2016 [1]
39.3	41.9	55.3	55.3	33.0	29.2			318.4	353.3
24.9	24.1	35.7	40.3	19.2	19.5	(4.8)	(6.0)	209.5	233.2
4.2	6.0	10.4	12.2	107.1	108.2			278.7	282.7
5.8	6.5	4.7	6.0	9.1	8.7			50.6	55.0
2,941	2,773	3,329	3,871	5,664	5,584			26,129	26,904
3		45	29			(462)	(602)		
2,944	2,773	3,374	3,900	5,664	5,584	(462)	(602)	26,129	26,904
1,055	885	1,085	1,247	1,483	1,335	(436)	(445)	5,990	5,950
35.9	31.9	32.2	32.0	26.2	23.9			22.9	22.1
568	619	(1,215)	815	552	764	(649)	(788)	(478)	2,963
19.3	22.3	(36.0)	20.9	9.7	13.7			(1.8)	11.0
2,598	3,158	7,265	9,187	11,054	11,505	1,605	1,009	43,556	46,641
4	3	1,421	1,618	56	53	105	78	3,120	3,241
4,527	5,159	8,720	10,554	15,311	16,894	3,075	2,562	63,679	69,617
2,879	3,076	3,889	3,570	5,878	7,295	6,105	5,666	32,703	34,870
483	358	420	837	851	718	(238)	(638)	3,040	3,295
80	99	254	375	370	518	10	10	1,355	1,635
9,305	10,536	12,901	13,191	12,697	12,257	1,588	1,816	81,960	90,903
1,055	885	1,085	1,247	1,483	1,335	(436)	(445)	5,990	5,950
(58)	(50)	(162)	(69)	38	(36)	(98)	(229)	(461)	(582)
(429)	(216)	(2,138)	(363)	(969)	(534)	(116)	(114)	(6,007)	(2,405)
(213)		(474)	(7)	(371)	(9)			(1,745)	(25)
		(1,237)						(1,821)	(40)
(11)		(14)	(1)			(1)		(35)	(1)
		(103)						(107)	
568	619	(1,215)	815	552	764	(649)	(788)	(478)	2,963
								447	824
								(242)	(68)
								51	81
								153	187
								(1,111)	(1,104)
								(1,180)	2,882

[4] The capex consists of the purchase and disposal of property, plant and equipment.
[5] Previously named “Other income”.
[6] Previously named “Other expenses”.

7. INFORMATION BY PRODUCT LINE

	Cement [1]		Aggregates	
Million CHF	**2017**	2016 [2]	**2017**	2016 [2]
Statement of income and statement of cash flows				
Net sales to external customers	**16,012**	16,747	**2,759**	2,756
Net sales to other segments	**1,168**	1,206	**1,157**	1,177
Total net sales	**17,181**	17,952	**3,916**	3,933
– of which Asia Pacific	**5,656**	6,488	**574**	527
– of which Europe	**3,370**	3,161	**1,819**	1,822
– of which Latin America	**2,572**	2,376	**36**	44
– of which Middle East Africa	**2,973**	3,426	**112**	118
– of which North America	**2,796**	2,747	**1,374**	1,422
– of which Corporate/Eliminations	**(186)**	(246)	**1**	
Recurring EBITDA [3]	**4,768**	4,858	**759**	684
– of which Asia Pacific	**1,143**	1,442	**156**	97
– of which Europe	**886**	835	**317**	327
– of which Latin America	**1,031**	849	**(2)**	(3)
– of which Middle East Africa	**1,051**	1,175	**12**	22
– of which North America	**1,012**	888	**344**	313
– of which Corporate	**(355)**	(330)	**(67)**	(72)
Recurring EBITDA margin in %	**27.8**	27.1	**19.4**	17.4
Capex	**1,134**	1,414	**167**	146
Personnel (unaudited)				
Number of personnel	**47,531**	56,133	**10,777**	11,816

[1] Cement, clinker and other cementitious materials.
[2] Restated due to change in presentation, see note 2.
[3] Previously named "Operating EBITDA Adjusted".

Other construction materials and services		Corporate/Eliminations		Total Group	
2017	2016 [2]	2017	2016 [2]	2017	2016 [2]
7,357	7,402			26,129	26,904
348	473	(2,673)	(2,855)		
7,705	7,875	(2,673)	(2,855)	26,129	26,904
1,624	1,611	(413)	(400)	7,441	8,226
2,971	3,047	(992)	(1,008)	7,167	7,023
528	554	(192)	(201)	2,944	2,773
429	550	(140)	(194)	3,374	3,900
2,088	2,033	(594)	(618)	5,664	5,584
66	79	(343)	(435)	(462)	(602)
462	408			5,990	5,950
119	56			1,418	1,594
182	173			1,385	1,334
27	39			1,055	885
22	50			1,085	1,247
127	134			1,483	1,335
(15)	(44)			(436)	(445)
6.0	5.2			22.9	22.1
86	81	(32)	(5)	1,355	1,635
22,182	21,257	1,470	1,697	81,960	90,903

8. INFORMATION BY COUNTRY

	Net sales to external customers		Non-current assets	
Million CHF	**2017**	2016	**2017**	2016
Switzerland	**673**	620	**1,096**	1,064
USA	**3,769**	3,732	**7,987**	8,846
India	**3,535**	3,234	**4,598**	4,566
Canada	**1,950**	1,874	**4,638**	4,574
United Kingdom	**1,713**	1,856	**2,139**	2,055
France	**1,771**	1,620	**4,226**	3,944
Australia	**1,242**	1,133	**1,429**	1,421
Algeria	**766**	793	**2,156**	3,424
Nigeria	**660**	609	**2,077**	2,183
Other countries	**10,049**	11,433	**15,400**	17,240
Total	**26,129**	26,904	**45,747**	49,316

Net sales to external customers are based primarily on the location of assets (origin of sales). Non-current assets consist of property, plant and equipment, goodwill and intangible assets. There is no single external customer where net sales amount to 15 percent or more of the Group net sales.

9. PRODUCTION COST OF GOODS SOLD

Million CHF	**2017**	2016
Material expenses	**(4,208)**	(4,397)
Fuel expenses	**(1,616)**	(1,550)
Electricity expenses	**(1,311)**	(1,470)
Personnel expenses	**(2,288)**	(2,382)
Maintenance expenses	**(1,581)**	(1,722)
Depreciation, amortization and impairment	**(5,632)**	(2,267)
Other production expenses	**(1,662)**	(1,797)
Changes in inventory	**(49)**	(47)
Total	**(18,348)**	(15,632)

10. SUMMARY OF DEPRECIATION, AMORTIZATION AND IMPAIRMENT

Million CHF	2017	2016
Production facilities	**(5,632)**	(2,267)
Distribution and sales facilities	**(250)**	(32)
Administration facilities	**(126)**	(106)
Total depreciation, amortization and impairment of operating assets (a)	**(6,007)**	(2,405)
of which impairment charge relating to property, plant and equipment and assets classified as held for sale (note 25)	**(1,745)**	(25)
of which impairment charge relating to goodwill (note 26)	**(1,821)**	(40)
of which impairment charge relating to intangible assets (note 26)	**(35)**	(1)
of which impairment charge relating to investments in joint ventures (note 24)	**(107)**	0
Impairment of long-term financial assets (note 14)	**(119)**	0
Impairment of investments in associates (note 24)	**(4)**	(5)
Ordinary depreciation of non-operating assets	**(5)**	(8)
Unusual write-offs	**(1)**	(4)
Total depreciation, amortization and impairment of non-operating assets (b)	**(128)**	(17)
Total depreciation, amortization and impairment (a + b)	**(6,135)**	(2,422)
Of which depreciation of property, plant and equipment (note 25)	**(2,112)**	(2,161)

11. PROFIT ON DISPOSALS AND OTHER NON-OPERATING INCOME

Million CHF	2017	2016
Dividends earned	**6**	6
Net gain on disposal before taxes	**441**	756
Other	**0**	63
Total	**447**	824

In 2017, the position "Net gain on disposal before taxes" mainly includes a gain on the disposal of LafargeHolcim Vietnam of CHF 339 million and gains on property, plant and equipment of CHF 82 million.

In 2016, the position "Net gain on disposal before taxes" mainly included:

– a gain on the disposal of Holcim (Maroc) S.A. of CHF 236 million;

– a gain on the disposal of Holcim (Lanka) Ltd of CHF 225 million;

– a gain from the transactions entered in China of CHF 192 million; and

– gains on disposal of property, plant and equipment of CHF 46 million.

Further information is disclosed in the note 4.

12. LOSS ON DISPOSALS AND OTHER NON-OPERATING EXPENSES

Million CHF	2017	2016
Depreciation, amortization and impairment of non-operating assets	**(10)**	(17)
Net loss on disposal before taxes	**(108)**	0
Other	**(124)**	(51)
Total	**(242)**	(68)

In 2017, the position “Net loss on disposal before taxes” relates mainly to the loss of CHF 40 million on the disposal of Cemento Polpaico S.A. (Chile) and CHF 40 million from the transactions entered in China (see note 4).

In 2017, the position “Other” includes expenses in relation to ongoing legal cases (see note 37 for further information on legal cases) and expenses incurred in connection with assets, that are not operating anymore, abandoned or not part of the operating business cycle.

13. FINANCIAL INCOME

Million CHF	2017	2016
Interest earned on cash and cash equivalents	**92**	132
Other financial income	**60**	55
Total	**153**	187

The position “Other financial income” relates primarily to interest income from loans and receivables.

14. FINANCIAL EXPENSES

Million CHF	2017	2016
Interest expenses	**(760)**	(896)
Fair value changes on financial instruments	**0**	2
Unwinding of discount on provisions	**(27)**	(32)
Net interest expense on retirement benefit plans	**(52)**	(56)
Impairment of long-term financial assets	**(119)**	4
Other financial expenses	**(200)**	(91)
Foreign exchange gain/ (loss) net	**26**	(68)
Financial expenses capitalized	**21**	34
Total	**(1,111)**	(1,104)

The position “Interest expenses” relates primarily to financial liabilities measured at amortized cost and includes amortization on bonds and private placements of CHF 99 million (2016: CHF 393 million). The decrease of this position in 2017 is the result of lower financial liabilities and a decrease in average interest rates (see note 28). In 2016, it also included bonds early repayment premiums of CHF 90 million (2017: CHF 0 million).

The position "Impairment of long-term financial assets" includes write-offs of third parties financial investments and long-term financial receivables (see note 23).

The position "other financial expenses" includes accruals for interest related to ongoing legal cases (see note 37 for further information on legal cases), impacts of reevaluation of put options liabilities and bank charge fees.

The position "Financial expenses capitalized" comprises interest expenditures on large-scale projects during the reporting period.

15. RESEARCH AND DEVELOPMENT

Research and development projects are carried out with a view to generate added value for customers through end user oriented products and services. Additionally, process innovation aims at environmental protection and production system improvements. Research and development costs of CHF 96 million (2016: CHF 141 million) were charged directly to the consolidated statement of income.

16. EARNINGS PER SHARE

	2017	2016
Earnings per share in CHF	**(2.78)**	2.96
From continuing operations	**(2.78)**	2.89
From discontinued operations	**0.00**	0.07
Net (loss) income – shareholders of LafargeHolcim Ltd – as per statement of income (in million CHF)	**(1,675)**	1,791
From continuing operations	**(1,675)**	1,749
From discontinued operations	**0**	43
Weighted average number of shares outstanding	**603,235,216**	605,680,320
Fully diluted earnings per share in CHF	**(2.78)**	2.96
From continuing operations	**(2.78)**	2.89
From discontinued operations	**0.00**	0.07
Net (loss) income used to determine diluted earnings per share (in million CHF)	**(1,675)**	1,791
From continuing operations	**(1,675)**	1,749
From discontinued operations	**0**	43
Weighted average number of shares outstanding	**603,235,216**	605,680,320
Adjustment for assumed exercise of share options and performance shares	**0**	358,140
Weighted average number of shares for diluted earnings per share	**603,235,216**	606,038,460

In conformity with the decision taken at the annual general meeting on May 3, 2017, a payout related to 2016 of CHF 2.00 per registered share was paid out of capital contribution reserves. This resulted in a total payment of CHF 1,212 million.

A cash payment out of the capital contribution reserves in respect of the financial year 2017 of CHF 2.00 per registered share, amounting to a maximum payment of CHF 1,196 million, is to be proposed at the annual general meeting of shareholders on May 8, 2018. These consolidated financial statements do not reflect this cash payment, since it will only be effective in 2018.

296,752 stock options, which would have an anti-dilutive impact on the calculation of the diluted earnings per share, are excluded from the calculation for the year 2017.

17. CASH AND CASH EQUIVALENTS

Million CHF	2017	2016
Cash at banks and on hand	**2,449**	3,175
Short-term deposits	**1,768**	1,747
Total	**4,217**	4,923
Bank overdrafts	**(275)**	(263)
Cash and cash equivalents classified as held for sale	**11**	135
Cash and cash equivalents for the purpose of the consolidated statement of cash flows	**3,954**	4,795

Cash and cash equivalents comprise cash at banks and on hand, deposits held on call with banks, monetary mutual funds and other short-term highly liquid investments that are readily convertible to a known amount of cash with a maturity of three months or less from the date of acquisition.

Investments in monetary mutual funds amounting CHF 377 million (2016: CHF 275 million) are considered cash equivalents since they are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Bank overdrafts are included in current financial liabilities.

18. TRADE ACCOUNTS RECEIVABLE

Million CHF	2017	2016
Trade accounts receivable – associates and joint ventures	**119**	109
Trade accounts receivable – third parties	**3,221**	2,717
Total	**3,340**	2,826

Overdue accounts receivable

Million CHF	2017	2016
Not overdue	**1,877**	1,961
Overdue 1 to 89 days	**1,249**	670
Overdue 90 to 180 days	**189**	118
Overdue more than 180 days	**217**	260
Allowances for doubtful accounts	**(192)**	(183)
Total	**3,340**	2,826

Due to the local nature of the business, specific terms and conditions for trade accounts receivable exist for local Group companies.

Allowance for doubtful accounts

Million CHF	2017	2016
January 1	**(183)**	(189)
Disposal of Group companies	**0**	11
Allowance recognized	**(81)**	(52)
Amounts used	**6**	4
Unused amounts reversed	**68**	44
Currency translation effects	**(2)**	(1)
December 31	**(192)**	(183)

19. CURRENT FINANCIAL RECEIVABLES

Million CHF	2017	2016
Marketable securities	**1**	0
Current financial receivables – associates and joint ventures	**25**	105
Current financial receivables – third parties	**236**	102
Total	**262**	207
of which pledged/ restricted	**45**	42

The current financial receivables third parties increased mainly in connection with the transaction entered in China for which an amount of CHF 114 million is due in 2018 (see note 4).

20. INVENTORIES

Million CHF	2017	2016
Raw materials and additives	**420**	429
Semi-finished and finished products	**1,444**	1,332
Fuels	**312**	235
Parts and supplies	**693**	649
Total	**2,870**	2,645

In 2017, the Group recognized inventory write-downs to net realizable value of CHF 9 million (2016: CHF 4 million) relating mainly to semi-finished and finished products.

21. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Million CHF	2017	2016
Prepaid expenses and accruals	**211**	255
Other current assets	**406**	216
Other receivables – associates and joint ventures	**20**	171
Other receivables – third parties	**697**	726
Receivable on escrow account in connection with the transaction in China (note 4)	**0**	352
Total	**1,335**	1,720

As indicated in note 4, the receivable of CHF 352 million in connection with the disposal of 73,5 percent listed shares in Sichuan Shuangma Cement Co in 2016 was released in 2017.

22. ASSETS AND RELATED LIABILITIES CLASSIFIED AS HELD FOR SALE

The net assets classified as held for sale as of December 31, 2017 amount to CHF 390 million and mainly relate to two cement companies in China, as explained below.

China
As disclosed in note 4, LafargeHolcim signed a Share Purchase Agreement for two Shuangma cement companies in 2017, which resulted in the Group continuing to exercise control over them.

As the Group believes it is highly probable that the two cement companies will be sold by the end of 2018, they remained classified as held for sale at December 31, 2017. This resulted in the assets being written down by CHF 58 million to its fair value less costs to sell. The two cement companies are disclosed in the reportable segment Asia Pacific. The assets include two cement plants with a combined annual cement capacity of 7.7m tons.

The disposal of non-listed cement assets in China to the Group's joint venture Huaxin Cement Co. Ltd. was closed in the first quarter 2017 for a consideration of CHF 257 million. The assets and associated liabilities were classified as held for sale in the fourth quarter 2016, and were disclosed in the reportable segment Asia Pacific. Upon classification as held for sale, the assets were written down by CHF 178 million to its fair value less costs to sell in 2016.

Further information is disclosed in note 4.

Vietnam
On August 4, 2016, the Group announced it had signed an agreement with Siam City Cement Public Company Limited ("SCCC") for the divestment of its entire 65 percent shareholding in LafargeHolcim Vietnam for an enterprise value of CHF 867 million (on a 100 percent basis). LafargeHolcim Vietnam operated one integrated plant and four grinding plants with an annual cement grinding capacity of 6.3 million tons and was a leading ready-mix concrete producer. The shareholders of SCCC approved the acquisition in the fourth quarter 2016 and consequently LafargeHolcim Vietnam was classified as held for sale on December 31, 2016 and was disclosed in the reportable segment Asia Pacific.

On February 28, 2017, the Group disposed of its 65 percent shareholding in LafargeHolcim Vietnam.

Further information is disclosed in note 4.

Chile

On October 7, 2016, the Group signed an agreement with Inversiones Caburga Limitada, a company of the Hurtado Vicuña Group, for the divestment of its 54.3 percent interest in Cemento Polpaico in Chile for an enterprise value of approximately CHF 220 million (on a 100 percent basis). Cemento Polpaico operated one integrated plant and two grinding plants with an annual cement capacity of 2.3 million tons and was a leading ready-mix and aggregates producer in Chile. Cemento Polpaico was classified as held for sale on December 2016 and was disclosed in the reportable segment Latin America.

On August 14, 2017, the Group disposed of its 54.3 percent shareholding in Cemento Polpaico S.A. (Chile). Further information is disclosed in note 4.

The assets and related liabilities classified as held for sale are disclosed by major classes of assets and liabilities in the table below.

Million CHF	2017	2016
Cash and cash equivalents	11	135
Inventories	14	123
Other current assets	78	240
Property, plant and equipment	382	1,294
Goodwill and intangible assets	39	227
Other long term assets	26	27
Assets classified as held for sale	550	2,046
Current liabilities	149	567
Long-term liabilities	11	144
Liabilities directly associated with assets classified as held for sale	160	711
Net assets classified as held for sale	390	1,335

23. LONG-TERM FINANCIAL INVESTMENTS AND OTHER LONG-TERM ASSETS

Million CHF	2017	2016
Financial investments – third parties	85	168
Long-term receivables – associates and joint ventures	192	295
Long-term receivables – third parties	240	237
Long-term receivables in connection with the transaction in China (note 4)	0	105
Deferred charges	101	50
Other long-term assets	496	432
Total	1,114	1,287
Of which pledged/restricted	13	12

Long-term receivables are primarily denominated in USD, AUD and BRL. The repayment dates vary between one and 22 years (2016: one and 23 years).

As indicated in note 4, a receivable of CHF 114 million (2016: CHF 105 million) in connection with the transaction in China entered in 2016 is due in 2018 and has been accordingly reclassified to current financial receivables (see note 19).

As indicated in note 14, impairment of financial investments – third parties and write-offs of long-term financial receivables were recorded in 2017.

Other long-term assets include notably various deposits in connection with ongoing legal cases (see note 37).

24. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Million CHF	2017	2016
Investments in associates	426	1,309
Investments in joint ventures	2,693	1,932
Total	3,120	3,241

In 2017, as a result of the streamlining of the Chinese operations (see note 4), the Group has joint control in Huaxin Cement Co. Ltd. which was reclassified from an investment in an associate to an investment in a joint venture. In 2016, the share of profit of Huaxin Cement Co. Ltd. amounted to CHF 42 million and was reflected in the line share of profit of associates in the consolidated statement of income.

24.1 Investment in associates

Movement in investments in associates

Million CHF	2017	2016
January 1	1,309	1,433
Share of profit of associates	51	81
Dividends earned	(16)	(16)
PPA refinement (note 4)	0	(5)
Net acquisitions (disposals)	1	(125)
Reclassifications	(924)	(23)
Impairments	(4)	(5)
Currency translation effects	9	(32)
December 31	426	1,309

Investments in associates

Million CHF	31.12.2017	31.12.2016
Huaxin Cement Co. Ltd.	0	848
Other associates	426	462
Total	426	1,309

As of December 31, 2017, the Group has no interests in associates that are considered as individually material. The following table summarizes, in aggregate, the financial information of all individually immaterial associates that are accounted for using the equity method:

Aggregated financial information of LafargeHolcim's share in other associates

Million CHF	31.12.2017	31.12.2016
Carrying amount of investments in other associates	426	462
Net income	51	39
Total comprehensive earnings	51	39

There are no unrecognized share of losses relating to the above associates.

24.2 Investments in joint ventures

Movement in investments in joint ventures

Million CHF	**2017**	2016
January 1	**1,932**	1,739
Share of profit of joint ventures	**286**	125
Dividends earned	**(263)**	(161)
Net additions	**17**	223
Reclassifications	**847**	23
Impairments	**(107)**	0
Currency translation effects	**(19)**	(18)
December 31	**2,693**	1,932

In 2017, the position impairment mainly relates to the impairment of the Group's interest in certain joint ventures in Middle East and Africa.

In 2016, the position "Net additions (disposals)" mainly related to the increase in value of LafargeHolcim Maroc following the merger between Lafarge Ciments and Holcim (Maroc) S.A. on July 4. Further information is disclosed in the note 4.

The Group has two material investments in joint ventures:

– the 50 percent interest in Lafarge Maroc in Morocco, the parent company of LafargeHolcim Maroc and LafargeHolcim Maroc Afrique, and

– the 41.8 percent interest in Huaxin Cement Co. Ltd. in China

Since LafargeHolcim Maroc is a publicly listed company in Morocco and has not yet published its financial statements for the year 2017, the disclosed amounts for the investment in the joint venture Lafarge Maroc are as of June 30, 2017.

Likewise, since Huaxin Cement Co. Ltd. is a publicly listed company in China and has not yet published its financial statements for the year 2017, the disclosed amounts for the investments in the joint venture Huaxin Cement Co. Ltd. are as of September 30, 2017.

Lafarge Maroc

As of December 31, 2017, the Group holds 50 percent (2016: 50 percent) of the voting rights in the joint venture company Lafarge Maroc.

Set out below is the summarized financial information for the material joint venture Lafarge Maroc, which is accounted for using the equity method. The summarized financial information presented below are the amounts included in the IFRS financial statements of Lafarge Maroc as at June 30, 2017 and as at December 31, 2016. As of June 30, 2017, dividends of CHF 25 million (December 31, 2016: CHF 49 million) were received from Lafarge Maroc.

Lafarge Maroc - Statement of financial position

Million CHF	**30.6.2017**	31.12.2016
Current assets	**374**	358
Long-term assets	**2,249**	2,311
Total assets	**2,623**	2,669
Current liabilities	**465**	400
Long-term liabilities	**673**	688
Total liabilities	**1,138**	1,089
Net assets	**1,485**	1,581
Shareholders' equity (excluding non-controlling interest)	**1,026**	1,091

The net financial debt of Lafarge Maroc amounted to CHF 628 million as of June 30, 2017, and to CHF 495 million as of December 31, 2016.

Lafarge Maroc – Statement of comprehensive earnings

Million CHF	**Jan-June 2017**	Jan-Dec 2016
Net sales	**505**	751
Recurring EBITDA[1]	**213**	357
Depreciation and amortization	**(46)**	(73)
Operating profit	**168**	284
Loss on disposals and other non-operating expenses [2]	**(13)**	(28)
Financial expenses	**(12)**	(6)
Income taxes	**(46)**	(83)
Net income	**97**	166
Net income (excluding non-controlling interest)	**65**	114
Other comprehensive earnings	**2**	(1)
Total comprehensive earnings (excluding non-controlling interest)	**67**	113

[1] Previously named "Operating EBITDA adjusted".
[2] Previously named "Other expenses".

A reconciliation of the summarized financial information to the carrying amount of the investment in Lafarge Maroc is as follows:

Lafarge Maroc

Million CHF	**30.6.2017**	31.12.2016
Group share of 50% (2016: 50%) of shareholders' equity (excluding non-controlling interest)	**513**	545
Goodwill	**786**	802
Total	**1,299**	1,347

Huaxin Cement Co. Ltd.

As of December 31, 2017, the Group holds 41.8 percent (2016: 41.8 percent) of the voting rights in the joint venture company Huaxin Cement Co. Ltd.

The fair value of the investment in Huaxin Cement Co. Ltd. based on a quoted market price on December 31, 2017 amounted to CHF 1,123 million (2016: CHF 624 million).

Set out below is the summarized financial information for the material joint venture company Huaxin Cement Co. Ltd., which is accounted for using the equity method. The summarized financial information presented below are the amounts included in the IFRS financial statements of Huaxin Cement Co. Ltd. as at September 30, 2017 and as at December 31, 2016. As of September 30, 2017, dividends of CHF 4 million (December 31, 2016: CHF 5 million) were received from Huaxin Cement Co. Ltd.

Huaxin Cement Co. Ltd. – Statement of financial position

Million CHF	**30.9.2017**	31.12.2016
Current assets	**1,150**	1,107
Long-term assets	**3,343**	3,149
Total assets	**4,493**	4,256
Current liabilities	**1,268**	1,159
Long-term liabilities	**1,231**	1,210
Total liabilities	**2,499**	2,370
Net assets	**1,994**	1,887
Shareholders' equity (excluding non-controlling interest)	**1,804**	1,675

The net financial debt of Huaxin Cement Co. Ltd. amounted to CHF 1,113 million as of September 30, 2017 and to CHF 1,061 million as of December 31, 2016.

Huaxin Cement Co. Ltd. – Statement of comprehensive earnings

Million CHF	**Jan-Sep 2017**	Jan-Dec 2016
Net sales	**2,069**	1,998
Recurring EBITDA[1]	**469**	439
Depreciation and amortization	**(177)**	(192)
Operating profit	**292**	247
Profit (Loss) on disposals and other non-operating income/expenses [2]	**7**	(4)
Financial income	**5**	3
Financial expenses	**(81)**	(90)
Income taxes	**(38)**	(27)
Net income	**185**	129
Net income (excluding non-controlling interest)	**169**	100
Other comprehensive earnings	**(3)**	2
Total comprehensive earnings (excluding non-controlling interest)	**166**	102

[1] Previously named "Operating EBITDA adjusted".
[2] Previously named "Other income (expenses)".

A reconciliation of the summarized financial information to the carrying amount of the investment in Huaxin Cement Co. Ltd. is as follows:

Huaxin Cement Co. Ltd.

Million CHF	30.9.2017	31.12.2016
Group share of 41.8% (2016: 41.8%) of shareholders' equity (excluding non-controlling interest)	755	701
Goodwill	145	146
Total	901	848

The following table summarizes, in aggregate, the financial information of all individually immaterial joint ventures that are accounted for using the equity method:

Aggregated financial information of LafargeHolcim's share in joint ventures

Million CHF	31.12.2017	31.12.2016
Carrying amount of investments in joint ventures	377	498
Net income	95	69
Total comprehensive earnings	95	69

There are no unrecognized share of losses relating to the above joint ventures.

25.
PROPERTY, PLANT AND EQUIPMENT

Million CHF	Land and mineral reserves	Buildings and installations	Machinery and equipment	Construction in progress	Total
2017					
At cost of acquisition	**7,576**	**10,726**	**30,741**	**1,794**	**50,837**
Accumulated depreciation/impairment	**(1,621)**	**(4,130)**	**(13,001)**	**(33)**	**(18,784)**
Net book value as at January 1	**5,956**	**6,596**	**17,740**	**1,761**	**32,052**
Acquisition	**63**	**12**	**152**	**126**	**352**
Divestments	**(12)**	**(14)**	**(2)**	**0**	**(28)**
Additions	**10**	**2**	**13**	**1,492**	**1,517**
Disposals	**(41)**	**(16)**	**(32)**	**(1)**	**(90)**
Reclassifications	**100**	**375**	**1,424**	**(1,900)**	**0**
Depreciation	**(191)**	**(362)**	**(1,559)**	**0**	**(2,112)**
Impairment loss (charged to statement of income)	**(491)**	**(290)**	**(794)**	**(115)**	**(1,690)**
Currency translation effects	**95**	**14**	**65**	**(24)**	**151**
Net Book Value as at December 31	**5,489**	**6,317**	**17,007**	**1,339**	**30,152**
At cost of acquisition	**7,654**	**11,064**	**32,003**	**1,490**	**52,211**
Accumulated depreciation/impairment	**(2,164)**	**(4,748)**	**(14,996)**	**(152)**	**(22,060)**
Net Book Value as at December 31	**5,489**	**6,317**	**17,007**	**1,339**	**30,152**
2016					
At cost of acquisition	7,989	10,567	31,526	3,517	53,598
Accumulated depreciation/impairment	(1,594)	(3,739)	(11,368)	(150)	(16,850)
Net book value as at January 1	6,394	6,828	20,158	3,367	36,747
PPA refinement (note 4)	(314)	(73)	236	(64)	(216)
Divestments	(180)	(367)	(1,057)	(51)	(1,654)
Reclassifications to assets classified as held for sale	(30)	(661)	(704)	(41)	(1,437)
Additions	11	5	51	1,669	1,736
Disposals	(33)	(22)	(52)	(1)	(108)
Reclassifications	281	1,254	1,511	(3,045)	0
Depreciation	(191)	(381)	(1,589)	0	(2,161)
Impairment loss (charged to statement of income)	(8)	(1)	(14)	(2)	(25)
Currency translation effects	26	14	(799)	(71)	(830)
Net Book Value as at December 31	5,956	6,596	17,740	1,761	32,052
At cost of acquisition	7,576	10,726	30,741	1,794	50,837
Accumulated depreciation/impairment	(1,621)	(4,130)	(13,001)	(33)	(18,784)
Net Book Value as at December 31	5,956	6,596	17,740	1,761	32,052

The net book value of leased property, plant and equipment amounts to CHF 61 million (2016: CHF 60 million) and mainly relates to buildings, machinery and equipment.

CHF 209 million of the total net book value of property, plant and equipment are pledged or restricted (2016: CHF 638 million).

Net gains on sale of property, plant and equipment amounted to CHF 82 million (2016: CHF 46 million) reported in the line “Profit on disposals and other non-operating income” in the consolidated statement of income (see note 11).

In 2017, LafargeHolcim carried out an extensive portfolio review and assessed asset impairment indicators which resulted in an aggregate impairment charge relating to property, plant and equipment of CHF 1,690 million, of which CHF 904 million was impaired as insufficient goodwill was available to absorb the full impairment charge (see note 26).

The remaining impairment charge of CHF 786 million mainly consisted of CHF 371 million relating to specific aggregates sites in North America.

Apart from the assets mentioned above, no asset impairment was deemed to be individually material in the other reportable segments but pertained mostly to assets in Europe and Middle East and Africa.

The total impairment charge of CHF 1,745 million resulted primarily from the weaker than anticipated outlook for the macro-economic environment, especially in terms of expected growth rates, cement demand and export opportunities for countries such as Malaysia, Spain and Egypt (see note 26).

26. GOODWILL AND INTANGIBLE ASSETS

Million CHF	Goodwill	Intangible assets
2017		
At cost of acquisition	**17,514**	**2,325**
Accumulated amortization/impairment	**(1,267)**	**(1,309)**
Net book value as at January 1	**16,247**	**1,017**
Divestments	**(3)**	**(2)**
Reclassification	**0**	**62**
Additions	**27**	**135**
Disposals	**0**	**(4)**
Amortization	**0**	**(190)**
Impairment loss (charged to statement of income)	**(1,821)**	**(35)**
Currency translation effects	**119**	**44**
Net book value as at December 31	**14,569**	**1,026**
At cost of acquisition	**17,603**	**2,612**
Accumulated amortization/impairment	**(3,034)**	**(1,586)**
Net book value as at December 31	**14,569**	**1,026**

2016		
At cost of acquisition	17,698	2,584
Accumulated amortization/impairment	(1,209)	(1,168)
Net book value as at January 1	16,490	1,416
PPA refinement (note 4)	522	(123)
Divestments	(266)	(28)
Reclassification from assets classified as held for sale	(85)	(138)
Additions	0	96
Disposals	0	(8)
Amortization	0	(188)
Impairment loss (charged to statement of income)	(40)	(1)
Currency translation effects	(374)	(9)
Net book value as at December 31	16,247	1,017
At cost of acquisition	17,514	2,325
Accumulated amortization/impairment	(1,267)	(1,309)
Net book value as at December 31	16,247	1,017

Intangible assets

Intangible assets have finite useful lives, over which the assets are amortized. The corresponding amortization expense is recognized mainly in administration expenses.

Intangible assets mainly consist of mining rights, trademarks and brands.

During the fourth quarter 2017, the Group carried out an extensive portfolio review and identified a number of brands being in local decline therefore resulting in an aggregate impairment charge of CHF 35 million. No asset impairment was deemed to be individually material.

Goodwill

As explained in note 4, in 2016, the finalization of the purchase price allocation led to an increase in the goodwill of CHF 522 million.

Impairment test of goodwill

For the purpose of impairment testing, goodwill is allocated to a cash-generating unit or to a group of cash-generating units that are expected to benefit, among others, from the synergies of the business combination. The Group's cash-generating units are defined on the basis of the geographical market, normally country- or region-related. The carrying amount of goodwill allocated to the countries or regions stated below, is significant in comparison with the total carrying amount of goodwill, while the carrying amount of goodwill allocated to the other cash-generating units is individually not significant.

For the impairment test, the recoverable amount of a cash-generating unit, which has been determined based on its value in use or its fair value less costs to sell, is compared to its carrying amount. An impairment loss is recognized if the carrying amount of the cash-generating unit exceeds its recoverable amount. The value in use is determined based on future discounted cash flows using the weighted average cost of capital (WACC).

The WACC used for the impairment test is a post-tax discount rate and is applied to post-tax cash flows. There is no material difference in the outcome of the impairment test using the discount rate applied when compared to using a pre-tax discount rate for pre-tax cash flows.

The cash flow projections are based on a three-year financial planning period using business plans approved by management. Cash flows beyond the three-year budget period are extrapolated based on increasing sustainable cash flows. In any event, the growth rate used to extrapolate cash flow projections beyond the three-year budget period does not exceed the long-term average growth rate for the relevant market in which the cash-generating unit operates.

In respect of the goodwill allocated to "Others", the same impairment model and parameters are used, as is the case with individually significant goodwill positions, except that different key assumptions are used depending on the risks associated with the respective cash-generating units.

Key assumptions used for value-in-use calculations in respect of goodwill 2017

Cash-generating unit (Million CHF)	Carrying amount of goodwill	Currency	Post-tax discount rate	Long-term growth rate
North America	**4,750**	**USD/CAD**	**+6.9%**	**+2.2%**
India	**1,705**	**INR**	**+10.7%**	**+5.0%**
France	**1,521**	**EUR**	**+6.5%**	**+1.8%**
United Kingdom	**929**	**GBP**	**+6.6%**	**+2.0%**
Algeria	**709**	**DZD**	**+11.7%**	**+4.0%**
Central Europe West	**682**	**CHF/EUR**	**+6.1%**	**+1.4%**
Nigeria	**639**	**NGN**	**+22.7%**	**+14.5%**
Poland	**550**	**PLN**	**+8.2%**	**+2.5%**
Philippines	**484**	**PHP**	**+8.7%**	**+3.0%**
Mexico	**400**	**MXN**	**+8.7%**	**+3.0%**
Others [1]	**2,199**	**Various**	**5.6%–17.7%**	**1.0%–9.1%**
Total	**14,569**			

Key assumptions used for value-in-use calculations in respect of goodwill 2016

Cash-generating unit (Million CHF)	Carrying amount of goodwill	Currency	Post-tax discount rate[2]	Long-term growth rate
North America	4,808	USD/CAD	+6.8%	+2.1%
Algeria	1,812	DZD	+9.7%	+4.0%
India	1,678	INR	+10.7%	+4.9%
France	1,398	EUR	+6.7%	+2.1%
United Kingdom	884	GBP	+6.6%	+2.0%
Central Europe West	656	CHF/EUR	+5.9%	+1.3%
Nigeria	648	NGN	+14.9%	+8.0%
Poland	478	PLN	+8.2%	+2.5%
Philippines	470	PHP	+9.2%	+3.5%
Mexico	398	MXN	+8.7%	+3.0%
Others [1]	3 017	Various	4.6%–13.9%	0.4%–7.0%
Total	16,247			

[1] Individually not significant.
[2] Figures adjusted from pre-tax to post-tax.

In 2017, management recognized a total impairment charge of CHF 3,566 million relating to certain cash-generating units (country- or region-related), of which CHF 1,821 million has been allocated to goodwill. The total impairment charge resulted primarily from:

– higher WACC to consider risks and uncertainties that may materialize in the coming years and attributable to change in markets, national economic circumstances, political complex situations and governments' ability to fund infrastructure projects for countries such as Algeria, Brazil, Indonesia, Zambia and Iraq.

– the weaker than anticipated outlook for the macro-economic environment, especially in terms of expected growth rates, cement demand and export opportunities for countries such as Malaysia, Spain and Egypt.

A goodwill impairment charge relating to Algeria of CHF 1,008 million was recognized. A post-tax discount rate of 11.7 percent was used to calculate the recoverable amount, which was measured based on value in use. The reportable segment for Algeria is Middle East and Africa;

The cash-generating units included in “Others” comprised the following impairment charges:

– a total impairment charge relating to Malaysia of CHF 448 million, of which CHF 277 million has been allocated to goodwill. Since there was insufficient goodwill available to absorb the full impairment amount, an additional impairment charge of CHF 171 million was recognized for property, plant and equipment. A post-tax discount rate of 9.7 percent was used to calculate the recoverable amount, which was measured based on value in use. The reportable segment for Malaysia is Asia Pacific;

– a total impairment charge relating to Brazil of CHF 226 million. Since there was no goodwill available to absorb the full impairment amount, the impairment charge was fully allocated to property, plant and equipment. A post-tax discount rate of 12.3 percent was used to calculate the recoverable amount, which was measured based on value in use. The reportable segment for Brazil is Latin America;

– a total impairment charge relating to Spain of CHF 221million, of which CHF 40 million has been allocated to goodwill. Since there was insufficient goodwill available to absorb the full impairment amount, an additional impairment charge of CHF 181 million was recognized for property, plant and equipment. A post-tax discount rate of 7.5 percent was used to calculate the recoverable amount, which was measured based on value in use. The reportable segment for Spain is Europe;

– a total impairment charge relating to Iraq of CHF 216 million, of which CHF 38 million has been allocated to goodwill. Since there was insufficient goodwill available to absorb the full impairment amount, an additional impairment charge of CHF 178 million was recognized for property, plant and equipment. A post-tax discount rate of 15.7 percent was used to calculate the recoverable amount, which was measured based on value in use. The reportable segment for Iraq is Middle East and Africa;

– a goodwill impairment charge relating to Indonesia of CHF 205 million. A post-tax discount rate of 10.7 percent was used to calculate the recoverable amount, which was measured based on value in use. The reportable segment for Indonesia is Asia Pacific;

– a total impairment charge relating to Egypt of CHF 197 million, of which CHF 49 million has been allocated to goodwill. Since there was insufficient goodwill available to absorb the full impairment amount, an additional impairment charge of CHF 148 million was recognized for property, plant and equipment. A post-tax discount rate of 14.8 percent was used to calculate the recoverable amount, which was measured based on value in use. The reportable segment for Egypt is Middle East and Africa;

– a goodwill impairment charge relating to Zambia of CHF 141 million. A post-tax discount rate of 14.8 percent was used to calculate the recoverable amount, which was measured based on value in use. The reportable segment for Zambia is Middle East and Africa;

– management recognized also an aggregated goodwill impairment charge of CHF 63 million related to cash-generating units within the reported segments Others.

The total recoverable amount of countries that were impaired amounted to CHF 5.8 billion.

In 2016, management recognized a goodwill impairment charge of CHF 40 million relating to cash-generating units “Others” within the reportable segment Asia Pacific.

Sensitivity to changes in assumptions

With regard to the assessment of value in use of a cash-generating unit or a group of cash-generating units, management believes that except for the countries listed below, a possible change in the post-tax discount rate of 0.5 percentage point, and a 0.25 percentage point change in long-term growth rate, would not cause the carrying amount of a cash-generating unit or a group of cash-generating units to materially exceed its recoverable amount. For the countries listed below, a change in the post-tax discount rate and long-term growth rate would have the following impacts:

Sensitivity to changes in assumptions 2017

Cash-generating unit	Used post-tax discount rate	Used long-term growth rate	Excess of recoverable amount over carrying amount (Million CHF)	Break-even post-tax discount rate using the used long-term growth rate	Break-even long-term growth rate using the used post-tax discount rate
Indonesia	**+10.7%**	**+4.0%**	**0**	**+10.7%**	**+4.0%**
Algeria	**+11.7%**	**+4.0%**	**0**	**+11.7%**	**+4.0%**

Sensitivity to changes in assumptions 2016

Cash-generating unit	Used post-tax discount rate[1]	Used long-term growth rate	Excess of recoverable amount over carrying amount (Million CHF)	Break-even post-tax discount rate using the used long-term growth rate[1]	Break-even long-term growth rate using the used post-tax discount rate[1]
Australia/New Zealand	+6.9%	+2.2%	33	+7.0%	+2.1%
Malaysia	+8.7%	+3.0%	97	+9.1%	+2.5%
Poland	+8.2%	+2.5%	62	+8.5%	+2.1%
Spain	+7.2%	+3.2%	27	+7.6%	+2.8%

[1] Figures adjusted from pre-tax to post-tax.

27. TRADE ACCOUNTS PAYABLE

Million CHF	2017	2016
Trade accounts payable – associates and joint ventures	126	85
Trade accounts payable – third parties	3,307	2,963
Advance payments from customers – third parties [1]	282	259
Total	3,715	3,307

[1] Advance payments from customers – third parties are now shown separately, comparative figures have been adjusted accordingly.

28. FINANCIAL LIABILITIES

Million CHF	2017	2016
Current financial liabilities – associates and joint ventures	24	52
Current financial liabilities – third parties	1,306	2,014
Current portion of long-term financial liabilities	2,403	2,881
Derivative liabilities (note 30)	109	30
Total current financial liabilities	3,843	4,976
Long-term financial liabilities – associates and joint ventures	39	0
Long-term financial liabilities – third parties	14,727	14,666
Derivative liabilities (note 30)	13	79
Total long-term financial liabilities	14,779	14,744
Total	18,621	19,720
Of which secured	83	87

Details of total financial liabilities

Million CHF	2017	2016
Loans from financial institutions	3,177	3,770
Bonds and private placements	15,177	15,578
Commercial paper notes	82	195
Total loans and bonds	18,435	19,544
Obligations under finance leases (note 29)	64	67
Derivative liabilities (note 30)	122	109
Total	18,621	19,720

"Loans from financial institutions" include amounts due to banks and other financial institutions. Repayment dates vary between one and 11 years (2016: one and 12 years). CHF 1,876 million (2016: CHF 2,570 million) is due within one year.

As per the loans agreements, the Group is required to comply with certain provisions or covenants. The Group complied with its debt covenants in all material respect.

Unused committed credit lines totaled CHF 6,794 million at year-end 2017 (2016: CHF 6,256 million).

Financial liabilities by currency

	2017			2016		
Currency	Million CHF	In %	Interest rate [1]	Million CHF	In %	Interest rate[1]
EUR	**7,528**	**40.4**	**2.8**	7,581	38.4	3.2
USD	**5,229**	**28.1**	**5.1**	5,286	26.8	5.0
CHF	**2,009**	**10.8**	**2.7**	2,425	12.3	2.1
AUD	**738**	**4.0**	**3.8**	693	3.5	4.2
GBP	**396**	**2.1**	**3.0**	601	3.0	8.0
NGN	**393**	**2.1**	**15.8**	314	1.6	14.4
IDR	**391**	**2.1**	**7.7**	365	1.9	9.0
BRL	**355**	**1.9**	**10.3**	425	2.2	7.2
Others	**1,582**	**8.5**	**5.8**	2,030	10.3	7.4
Total	**18,621**	**100.0**	**4.5**	19,720	100.0	4.8

[1] Weighted average nominal interest rate on financial liabilities at December 31.

Interest rate structure of total financial liabilities

Million CHF	2017	2016
Financial liabilities at fixed rates	**12,910**	12,060
Financial liabilities at floating rates	**5,711**	7,660
Total	**18,621**	19,720

Financial liabilities that are hedged to a fixed or floating rate are disclosed on a post hedge basis.

Information on the maturity of financial instruments is disclosed in the note 3.

Bonds and private placements as at December 31

Nominal value		Nominal interest rate	Effective interest rate	Term	Description	Net book value in CHF[1]	Net book value in CHF[1]
Million CHF						**2017**	2016
LafargeHolcim Ltd							
CHF	400	3.13%		2007–2017	Bonds swapped into floating interest rates at inception	**0**	413
CHF	450	4.00%	4.19%	2009–2018	Bonds with fixed interest rate	**449**	449
CHF	450	3.00%	2.97%	2012–2022	Bonds with fixed interest rate	**451**	451
CHF	250	2.00%	2.03%	2013–2022	Bonds with fixed interest rate	**250**	250
CHF	250	0.38%	0.41%	2015–2021	Bonds with fixed interest rate	**250**	250
CHF	150	1.00%	1.03%	2015–2025	Bonds with fixed interest rate	**150**	150
Holcim Overseas Finance Ltd.							
CHF	425	3.38%	3.42%	2011–2021	Bonds guaranteed by LafargeHolcim Ltd	**424**	424
Lafarge S.A.							
EUR	250	7.25%		2009–2017	Private placement with fixed interest rate	**0**	277
EUR	150	6.85%		2009–2017	Private placement with fixed interest rate	**0**	169
EUR	50	5.25%		2012–2017	Private placement with fixed interest rate	**0**	54
EUR	175	5.00%	4.68%	2012–2018	Private placement with fixed interest rate	**205**	194
EUR	357	5.50%	4.74%	2009–2019	Bonds with fixed interest rate (partially repaid 2016)	**450**	429
EUR	247	5.00%	5.19%	2010–2018	Bonds with fixed interest rate (partially repaid 2016)	**292**	278
EUR	371	4.75%	4.19%	2005–2020	Bonds with fixed interest rate (partially repaid 2016)	**464**	439
GBP	56	6.63%		2002–2017	Bonds with fixed interest rate	**0**	74
USD	600	7.13%	5.90%	2006–2036	Bonds with fixed interest rate	**691**	728
GBP	80	8.75%		2009–2017	Bonds with fixed interest rate	**0**	104
EUR	289	5.38%		2007–2017	Bonds with fixed interest rate	**0**	316
EUR	430	5.38%	4.98%	2010–2018	Bonds, partly swapped into floating interest rates (partially repaid 2016)	**522**	503
EUR	198	5.88%	4.29%	2012–2019	Bonds, partly swapped into floating interest rates (partially repaid 2016)	**247**	237
Holcim GB Finance Ltd.							
GBP	300	8.75%		2009–2017	Bonds guaranteed by LafargeHolcim Ltd	**0**	377
Holcim Capital Corporation Ltd.							
USD	50	7.65%	7.65%	2001–2031	Private placement guaranteed by LafargeHolcim Ltd	**49**	51
USD	250	6.88%	7.28%	2009–2039	Bonds guaranteed by LafargeHolcim Ltd	**237**	247
USD	250	6.50%	6.85%	2013–2043	Bonds guaranteed by LafargeHolcim Ltd	**237**	248
Holcim Capital México, S.A. de C.V.							
MXN	1,700	7.00%	7.23%	2012–2019	Bonds guaranteed by LafargeHolcim Ltd	**84**	84
MXN	2,000	7.78%	5.53%	2014–2018	Bonds guaranteed by LafargeHolcim Ltd, with floating interest rates	**99**	99
MXN	1,700	8.01%	6.78%	2015–2020	Bonds guaranteed by LafargeHolcim Ltd, with floating interest rates	**84**	84
Subtotal						**5,636**	7,377

[1] Includes adjustments for fair value hedge accounting, where applicable.

Nominal value		Nominal interest rate	Effective interest rate	Term	Description	Net book value in CHF [1]	Net book value in CHF [1]
Million CHF						**2017**	2016
Subtotal						**5,636**	7,377
Holcim Finance (Luxembourg) S.A.							
EUR	200	6.35%		2009–2017	Bonds guaranteed by LafargeHolcim Ltd	**0**	215
EUR	500	3.00%	3.11%	2014–2024	Bonds guaranteed by LafargeHolcim Ltd	**581**	533
EUR	33	2.00%	2.03%	2016–2026	Schuldschein loan guaranteed by LafargeHolcim Ltd	**38**	35
EUR	152	1.46%	1.51%	2016–2023	Schuldschein loan guaranteed by LafargeHolcim Ltd	**177**	163
EUR	1,150	1.38%	1.43%	2016–2023	Bonds guaranteed by LafargeHolcim Ltd	**1,340**	1,231
EUR	209	0.72%	0.85%	2016–2021	Schuldschein loan guaranteed by LafargeHolcim Ltd, with floating interest rates	**244**	224
EUR	25	0.99%	1.04%	2016–2023	Schuldschein loan guaranteed by LafargeHolcim Ltd, with floating interest rates	**29**	27
EUR	413	1.04%	1.10%	2016–2021	Schuldschein loan guaranteed by LafargeHolcim Ltd	**482**	442
EUR	1,150	2.25%	2.23%	2016–2028	Bonds guaranteed by LafargeHolcim Ltd	**1,347**	1,238
EUR	750	1.75%	1.90%	2017-2029	Bonds guaranteed by LafargeHolcim Ltd	**863**	0
Holcim Finance (Australia) Pty Ltd							
AUD	250	6.00%		2012–2017	Bonds guaranteed by LafargeHolcim Ltd	**0**	184
AUD	200	5.25%	5.52%	2012–2019	Bonds guaranteed by LafargeHolcim Ltd	**152**	147
AUD	250	3.75%	3.90%	2015–2020	Bonds guaranteed by LafargeHolcim Ltd	**190**	184
AUD	300	3.50%	3.73%	2017-2022	Bonds guaranteed by LafargeHolcim Ltd	**227**	0
Holcim US Finance S. à r.l. & Cie S.C.S.							
USD	200	6.21%	6.24%	2006–2018	Private placement guaranteed by LafargeHolcim Ltd	**195**	204
USD	750	6.00%	6.25%	2009–2019	Bonds guaranteed by LafargeHolcim Ltd	**729**	761
EUR	500	2.63%	3.59%	2012–2020	Bonds guaranteed by LafargeHolcim Ltd, swapped into USD and floating interest rates at inception	**597**	558
USD	500	5.15%	5.30%	2013–2023	Bonds guaranteed by LafargeHolcim Ltd	**485**	507
USD	50	4.20%	4.20%	2013–2033	Bonds guaranteed by LafargeHolcim Ltd	**49**	51
LafargeHolcim International Finance Ltd							
USD	40	2.80%	2.88%	2016–2021	Schuldschein loan guaranteed by LafargeHolcim Ltd	**39**	41
USD	121	3.01%	3.03%	2016–2021	Schuldschein loan guaranteed by LafargeHolcim Ltd, with floating interest rates	**118**	123
USD	15	3.20%	3.27%	2016–2023	Schuldschein loan guaranteed by LafargeHolcim Ltd	**15**	15
USD	25	3.21%	3.23%	2016–2023	Schuldschein loan guaranteed by LafargeHolcim Ltd, with floating interest rates	**24**	25
LafargeHolcim Finance US LLC							
USD	400	3.50%	3.59%	2016–2026	Bonds guaranteed by LafargeHolcim Ltd	**389**	407
USD	600	4.75%	5.00%	2016–2046	Bonds guaranteed by LafargeHolcim Ltd	**569**	595
LafargeHolcim Sterling Finance (Netherlands) B.V.							
GBP	300	3.00%	3.16%	2017–2032	Bonds guaranteed by LafargeHolcim Ltd	**388**	0
Holcim (Costa Rica) S.A.							
CRC	5,000	6.95%		2016–2018	Bonds with fixed interest rate (early repaid in 2017)	**0**	9
Holcim (US) Inc.							
USD	33	0.94%	0.94%	1999–2032	Industrial revenue bonds – Mobile Dock & Wharf	**33**	34
USD	25	0.98%	0.98%	2003–2033	Industrial revenue bonds – Holly Hill	**24**	26
USD	27	0.91%	0.91%	2009–2034	Industrial revenue bonds – Midlothian	**26**	27
Lafarge Africa PLC							
NGN	26,386	14.25%	16.08%	2016–2019	Bonds with fixed interest rate	**84**	86
NGN	33,614	14.75%	16.39%	2016–2021	Bonds with fixed interest rate	**107**	109
Total						**15,177**	15,578

[1] Includes adjustments for fair value hedge accounting, where applicable.

29. LEASES

Future minimum lease payments

	Operating leases	Finance leases	Operating leases	Finance leases
Million CHF	**2017**	**2017**	2016	2016
Within 1 year	**340**	**14**	252	16
Between 1 and 5 years	**753**	**29**	567	29
Thereafter	**521**	**41**	446	44
Total	**1,614**	**84**	1,264	90
Interest		**(20)**		(23)
Total finance leases		**64**		67

The total expense for operating leases recognized in the consolidated statement of income in 2017 was CHF 352 million (2016: CHF 257 million). There are no individually significant operating lease agreements.

The liabilities from finance leases due within one year are included in current financial liabilities and liabilities due thereafter are included in long-term financial liabilities (note 28). There are no individually significant finance lease agreements.

30. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative liabilities are included in financial liabilities (note 28) and derivative assets are separately disclosed in the consolidated statement of financial position.

Derivative assets and liabilities

Million CHF	Fair value assets 2017	Fair value liabilities 2017	Nominal amount 2017	Fair value assets 2016	Fair value liabilities 2016	Nominal amount 2016
Fair value hedges						
Interest rate	**0**	**0**	**0**	18	0	1,007
Currency	**0**	**0**	**0**	15	0	26
Cross-currency	**0**	**10**	**613**	4	78	653
Total fair value hedges	**0**	**10**	**613**	36	78	1,685
Cash flow hedges						
Currency	**18**	**14**	**1,690**	7	2	74
Commodity	**33**	**6**	**229**	22	4	123
Total cash flow hedges	**50**	**19**	**1,919**	29	6	197
Net investment hedges						
Currency	**6**	**6**	**1,333**	0	5	467
Total net investment hedges	**6**	**6**	**1,333**	0	5	467
Held for trading						
Currency	**2**	**86**	**687**	7	20	1,702
Cross-currency	**0**	**0**	**30**	0	0	0
Commodity	**0**	**0**	**0**	1	0	1
Total held for trading	**2**	**87**	**717**	8	20	1,703
Total	**58**	**122**	**4,583**	74	109	4,053

31. TAXES

Million CHF	2017	2016
Current taxes	(1,042)	(943)
Deferred taxes and non-current taxes	507	109
Total	(536)	(835)

In 2017, CHF 131 million (2016: CHF 177 million) related to the divestment of Group companies are included in the current taxes position in the consolidated statement of income.

Reconciliation of tax rate

	2017		2016	
Net (loss) income before taxes	(1,180)		2,882	
Group's expected weighted average tax income (charge)	142		(870)	
Effect of non-deductible items	(134)		(143)	
Effect of non-taxable items	70		166	
Effect of non-recoverable withholding tax	(128)		(153)	
Effect from unrecognized tax losses and deferred tax asset write-offs	(53)		17	
Effect from non tax deductible goodwill impairments	(403)		0	
Other effects	(30)		148	
Group's effective income tax (charge)/rate	(536)	–45%	(835)	+29%

The Group's expected tax expense at weighted average applicable tax rate is the result from applying the domestic statutory tax rates to net (loss) income before taxes of each entity in the country it operates.

In 2017, the difference between expected and effective tax rate related mainly to impairments of assets without recognition of deferred taxes, non tax-deductible goodwill impairments, impacts of the US tax reform measures, reassessment of tax risks and changes in unrecognized tax losses carryforward.

Other effects of CHF (30) million mainly include provisions for tax risks and the impact of the US tax reform as disclosed in the page 192.

Excluding impairment and divestments, the Group's expected weighted average tax rate amounts to 28.3 percent (2016: 29.5 percent) and the Group's effective tax rate amounts to 30.5 percent (2016: 29.6 percent).

In 2017, total income taxes paid amounts to CHF 1,043 million (2016: CHF 1,000 million), of which CHF 163 million (2016: CHF 140 million) related to the divestment of Group companies and are included in position "Disposal of participation in Group companies" in the consolidated statement of cash flows and 9 million included in position "Dividends paid to non-controlling interest".

Deferred tax in the consolidated statement of financial position as follows:

Million CHF	2017	2016
Deferred tax assets	**(758)**	(1,060)
Deferred tax liabilities	**2,345**	3,387
Deferred tax liabilities net	**1,587**	2,327

The Group's deferred tax asset position is primarily the result of uncertainties regarding the future realization of recorded tax benefits on temporary differences and tax loss carryforwards from operations in various jurisdictions.

Change in deferred tax asset and liabilities

Million CHF	Property, plant and equipment	Intangible and other long-term assets	Provisions	Other	Tax losses carry-forward	Total
2017						
2017 Deferred tax liabilities net as at January 1, 2017	**4,035**	**21**	**(732)**	**68**	**(1,064)**	**2,327**
Charged (credited)						
– to the statement of income	**(566)**	**(4)**	**116**	**(155)**	**(157)**	**(766)**
– to other comprehensive income	**0**	**0**	**70**	**0**	**0**	**70**
Divestments	**(72)**	**7**	**10**	**(3)**	**58**	**0**
Reclassifications	**63**	**16**	**(80)**	**(120)**	**121**	**0**
Currency translation effects	**37**	**9**	**(1)**	**(54)**	**(36)**	**(43)**
Deferred tax liabilities net as at December 31, 2017	**3,497**	**48**	**(616)**	**(264)**	**(1,078)**	**1,587**
2016						
2016 Deferred tax liabilities net as at January 1, 2016	4,946	124	(866)	(229)	(898)	3,077
Charged (credited)						
– to the statement of income	(358)	(110)	229	141	(11)	(109)
– to other comprehensive income	0	3	(32)	7	0	(22)
PPA refinement (note 4)	(111)	0	(68)	295	(202)	(86)
Divestments	(307)	0	11	(188)	35	(449)
Reclassification to liabilities directly associated with assets classified as held for sale	(14)	0	1	3	0	(10)
Currency translation effects	(120)	3	(7)	39	11	(74)
Deferred tax liabilities net as at December 31, 2016	4,035	21	(732)	68	(1,064)	2,327

The Group has not recognized deferred tax liabilities in respect of unremitted earnings that are considered indefinitely reinvested in foreign subsidiaries.

Tax losses carryforward

Million CHF	Losses carry-forward 2017	Tax effect 2017	Losses carry-forward 2016	Tax effect 2016
Total tax losses carryforward	**10,836**	**2,725**	10,843	2,910
Of which reflected in deferred taxes	**(4,141)**	**(1,078)**	(3,760)	(1,064)
Total tax losses carryforward not recognized	**6,695**	**1,647**	7,083	1,846
Expiring as follows:				
Within 1 year	**138**	**33**	97	18
Between 2 and 5 years	**550**	**128**	243	55
Thereafter	**6,006**	**1,487**	6,742	1,773

In 2017, CHF 1,647 million (2016: CHF 1,846 million) of deferred tax assets on tax losses were not recognized as the Group considers it will not generate sufficient taxable income within the carryforward period to realize these deferred tax benefits in all juridictions where the Group operates.

In 2017, net deferred tax assets recognized on prior year losses amounted to CHF 227 million.

Long-term income tax liabilities

The long-term income tax liabilities include provisions for risks related to income tax liabilities amounting to CHF 268 million (2016: CHF 146 million) for which the Group does not expect the resolution within 12 months and the effect of the one-time repatriation tax arising from the US tax reform legislation payable over 8 years amounting to CHF 130 million.

32. PROVISIONS

Million CHF	Site restoration and other environmental provisions	Specific business risks	Restructuring provisions	Other provisions	Total 2017	Total 2016 [1]
January 1	912	812	365	492	**2,580**	2,463
PPA refinement (note 4)	0	0	0	0	**0**	271
Change in structure	(9)	1	0	2	**(6)**	(55)
Reclassification to liabilities directly associated with assets held for sale	0	0	0	0	**0**	(19)
Provisions recognized	69	173	118	286	**647**	572
Provisions used during the year	(58)	(98)	(143)	(189)	**(488)**	(484)
Provisions reversed during the year	(35)	(246)	(52)	(60)	**(392)**	(198)
Unwinding of discount and discount rate changes	31	2	0	3	**36**	12
Reclassifications	0	(6)	(26)	32	**0**	(38)
Currency translation effects	6	(5)	18	(1)	**18**	57
December 31	916	633	279	564	**2,393**	2,580
Of which short-term provisions	87	139	171	195	**592**	575
Of which long-term provisions	829	494	109	369	**1,801**	2,005

[1] The year 2016 has been adjusted for the provisions for income tax risks which are now presented separately in the line long-term income tax liabilities.

Site restoration and other environmental provisions

Site restoration and other environmental provisions represent the Group's legal or constructive obligations of restoring a site. The timing of cash outflows of these provisions is dependent on the completion of raw material extraction and the commencement of site restoration.

Specific business risks

The total provision for specific business risks amounted to CHF 633 million as of December 31, 2017 (2016: CHF 812 million). Specific business risks comprise litigation provisions and provisions for contractual risks recorded in connection with purchase price allocations. Provisions for litigations mainly relate to antitrust and commercial disputes, environmental claims and product liabilities and are set up to cover legal and administrative proceedings.

Provisions for contingent liabilities arising from business combinations amounted to CHF 192 million (2016: CHF 426 million). The timing of cash outflows of provisions for litigations is uncertain since it will largely depend upon the outcome of administrative and legal proceedings.

The sensitivity associated with certain provisions led management to limit the extent of the disclosure discussed above as it believes it could seriously prejudice the position of the Group.

Restructuring provisions

Provisions for restructuring costs relate to various restructuring programs and amounted to CHF 279 million (2016: CHF 365 million) on December 31, 2017.

These provisions are expected to result in future cash outflows mainly within the next one to three years.

Other provisions

Other provisions relate mainly to provisions that have been set up to cover other contractual liabilities and amounted to CHF 564 million (2016: CHF 492 million). The composition of these items is manifold and comprised, as of December 31, 2017, among other things: provisions for performance related compensation and various severance payments to employees of CHF 138 million (2016: CHF 130 million), provisions for health insurance and pension schemes, which do not qualify as benefit obligations, of CHF 17 million (2016: CHF 21 million) and provisions related to sales and other taxes of CHF 77 million (2016: CHF 17 million). The expected timing of the future cash outflows is uncertain.

33.
EMPLOYEE BENEFITS

Personnel expenses and number of personnel

The Group's total personnel expenses, including social charges, are recognized in the relevant expenditure line by function in the consolidated statement of income and amounted to CHF 4,932 million (2016: CHF 5,100 million). As of December 31, 2017, the Group employed 81,960 people (2016: 90,903 people).

Defined benefit pension plans

The Group is managing the pension plans through the Group Pension Fund Committee. The Committee is co-chaired by Finance and Organization & Human Resources and includes as well legal and treasury specialists.

The Group's main defined benefit pension plans are located in the United Kingdom, North America and Switzerland. They respectively represent 52 percent (2016: 51 percent), 22 percent (2016: 23 percent) and 16 percent (2016: 17 percent) of the Group's total defined benefit obligation on pensions. These main plans are funded through legally separate trustee administered funds. The cash funding of these plans, which may from time to time involve special payments, is designed to ensure that present and future contributions should be sufficient to meet future liabilities.

Unfunded pension plans are mainly retirement indemnity schemes or end of service benefits where benefits are vested only if the employee is still employed by the Group company at the retirement date. They also include certain benefits in addition to the general and mandatory pension plans where limitations may apply. The unfunded pension plans are located largely in the United States, Canada and France.

United Kingdom (UK)

The companies operate three defined benefit pension plans in the UK: the Lafarge UK pension plan, the Aggregate Industries pension plan and the Ronez 2000 pension plan. Pensions payable to employees depend on average final salary and length of service within the Group. These plans are registered schemes under UK tax law and managed by independent Boards of Trustees. They are closed to new entrants and vested rights of the Lafarge UK pension Plan were frozen in 2011. The vested rights of the Ronez 2000 pension plan were frozen in 2016.

These plans are funded by employer contributions, which are negotiated every three years based on plan valuations carried out by independent actuaries, so that the long-term financing services are ensured.

- The last funding valuation of the Lafarge UK Pension plan was carried out based on the June 30, 2015 fund situation. On September 30, 2016, the Board of Trustees agreed with the company that no further contribution from the Group was needed based on the low level of deficit, calculated in line with local legislation, at the valuation date. The next funding valuation will be conducted in the year 2018. No contributions were paid in 2017 and 2016.
- The last funding valuation for the Aggregate Industries Pension Plan was conducted as at 5 April 2015. A revised schedule of contributions setting out the deficit repayment contributions payable by the Employer was put in place with the aim of removing the funding deficit in the Plan by 5 April 2027. The next funding valuation will be conducted as at 5 April 2018.

- Under the Ronez 2000 Pension Plan, there are currently no contributions being paid by the Employer following the closure of the Plan to future accrual. The Trustee is currently carrying out the actuarial valuation as at December 31, 2015.

In relation to risk management and asset allocation, the Board of Trustees aims to ensure that it can meet its obligations to the beneficiaries of the plan both in the short and long term. Subject to this primary objective, the Board of Trustees targets to maximize the long-term investment return whilst minimizing the risk of non-compliance with any statutory funding requirements. The Board of Trustees is responsible for the plan's long-term investment strategy but usually delegates strategy design and monitoring to an Investment Committee.

For the Lafarge UK pension plan, the Board of Trustees employs a fiduciary manager to implement the strategy and manage the plan's investments. The fiduciary manager is responsible for the selection and deselection of underlying investment managers and funds as well as managing the asset allocation of the plan within agreed guidelines.

The fair value of investment funds is based on a mixture of market values and estimates. Cash and cash equivalents are invested with financial institutions that have at least a "A/BBB" rating.

Strategies have been designed to target an asset value equal to 100 percent of the liability value. This objective has been translated into two main asset categories:

- a portfolio of return-seeking assets, which includes shares, real estate and alternative assets classes;
- a portfolio of instruments that provides a reasonable match to changes in liability values, which includes government bonds, corporate bonds and derivatives.

Share instruments represent investments in equity funds and direct investments which have quoted market prices in an active market. Alternative asset classes are used for both risk management and return generation purposes, and its fair value is based on market values. Real estate comprises investments in listed real estate funds or direct investments. Real estates that are held directly are valued annually by an independent expert.

Bonds generally have a credit rating that is not lower than "A/BBB" and have quoted market prices in an active market. Liability Driven Investment (LDI) portfolio is mainly composed of government bonds and swaps. This strategy mainly involves hedging the fund's exposure to changes in interest rates and inflation.

No material plan amendment or curtailment occurred during the year.

The companies operate also defined contribution plans which include active members from frozen defined benefit plans and employees who are not members of a defined benefit plan.

North America (United States and Canada)
The companies operate defined contribution plans and a number of defined benefit pension plans. The majority of the defined benefit pension plans are closed to new entrants and some plans are frozen to future accruals. Pensions payable to employees depend on average final salary and length of service within the Group.

In 2017, for the largest US plans, annuities contracts were purchased in September for certain retirees and a lump sum window was offered in October to certain terminated vested participants leading to a net settlement gain of CHF 10 million.

The Group companies must contribute a minimum amount to the defined benefit pension plans annually which is determined actuarially and is comprised of service costs as well as payments toward any existing deficits. For plans that are currently closed and frozen, there will generally be no service component in the future.

In the United States, the companies intend to pay the minimum required contributions as prescribed under Internal Revenue Service (IRS) regulations in addition to voluntary amounts in order to achieve and maintain an IRS funded status of at least 80 percent. In Canada, the Group companies intend to pay at least the minimum required contributions under the applicable pension legislation for each plan.

The companies delegate various responsibilities to Pension Committees. These committees define and manage long-term investment strategies for reducing risks as and when appropriate including interest rate risks and longevity risks. The assets in the United States and Canada include a certain proportion which hedge the liability swings against interest rate movements, with those assets primarily invested in fixed income investments, particularly intermediate and longer term instruments.

In 2017, a pension plan freeze was announced for all Canadian salaried employees participating in the defined benefit plan. From January 1, 2020, active members will no longer acquire further rights in this defined benefit plan. Active members will then participate in a defined contribution plan.

Switzerland

The Swiss pension plans of Swiss companies contain a cash balance benefit formula, accounted for as a defined benefit plan. Employer and employee contributions are defined in the pension fund rules in terms of an age related sliding scale of percentages of salary. Under Swiss law, the pension fund guarantees the vested benefit amount as confirmed annually to members. Interest above legal requirements may be added to member balances at the discretion of the Board of Trustees. At retirement date, members have the right to take their retirement benefit as a lump sum, an annuity or part as a lump sum with the balance converted to a fixed annuity at the rates defined in the fund rules. The Board of Trustees, composed of half employer and half employees’ representatives, may increase the annuity at their discretion subject to the plan’s funded status including sufficient free funds as determined according to Swiss statutory valuation rules. The Swiss pension plans fulfill the requirements of the regulatory framework which requires a minimum level of benefits.

The Board of Trustees invests in a diversified range of assets in accordance with the local legal requirements. The investment strategy takes into account the pension fund’s tolerance to risk as well as the funding needs (minimum investment return necessary to stabilize the coverage ratio in the long run).

In 2017, a plan amendment occurred and led to a minor gain. A settlement occurred in 2016 due to a restructuring of the corporate functions in Switzerland and the settlement gain amounted to CHF 17 million.

Other post-employment benefit plans

The Group operates a number of other post-employment benefit plans which are covered by provisions in the statement of financial position of the respective companies. In 2017, a plan amendment occurred in Canada for the post-retirement benefits offered to salaried employees first eligible to retire on or after January 1, 2020. The benefits will be changed from traditional insurance to fixed dollar amounts coverage and, also for these employees, life insurance coverage will be eliminated.

Status of the Group's defined benefit plans

The status of the Group's defined benefit plans using actuarial assumptions determined in accordance with IAS 19 Employee Benefits is summarized below. The tables provide reconciliations of defined benefit obligations, plan assets and the funded status for the defined benefit pension plans to the amounts recognized in the statement of financial position.

Reconciliation of retirement benefit plans to the statement of financial position

Million CHF	2017	2016
Net liability arising from defined benefit pension plans	1,265	1,499
Net liability arising from other post-employment benefit plans	288	308
Net liability	1,553	1,807
Reflected in the statement of financial position as follows:		
Pension assets	(308)	(271)
Defined benefit obligations	1,861	2,079
Net liability	1,553	1,807

Retirement benefit plans

Million CHF	Defined benefit pension plans 2017	Defined benefit pension plans 2016	Other post-employment benefit plans 2017	Other post-employment benefit plans 2016
Present value of funded obligations	**9,142**	8,940	**0**	0
Fair value of plan assets	**(8,596)**	(8,162)	**0**	0
Plan deficit of funded obligations	**546**	778	**0**	0
Present value of unfunded obligations	**714**	720	**288**	308
Effect of asset ceiling	**5**	1	**0**	0
Net liability from funded and unfunded plans	**1,265**	1,499	**288**	308
Of which:				
United Kingdom	**(96)**	(30)	**0**	0
North America (United States and Canada)	**581**	598	**226**	244
Switzerland	**66**	252	**0**	0
Rest of world	**714**	679	**61**	64
Costs recognized in the statement of income are as follows:				
Current service costs	**123**	125	**2**	3
Past service costs (including curtailments)	**(21)**	(16)	**(5)**	0
Gains on settlements [1]	**(11)**	(19)	**0**	0
Net interest expense	**41**	44	**11**	12
Special termination benefits	**10**	12	**0**	0
Total recorded in the statement of income	**142**	146	**9**	16
Of which:				
United Kingdom	**1**	9	**0**	0
North America (United States and Canada)	**42**	52	**6**	12
Switzerland	**40**	29	**0**	0
Rest of world	**59**	56	**3**	4
Amounts recognized in other comprehensive earnings:				
Actuarial gains (losses) arising from changes in demographic assumptions	**71**	11	**1**	5
Actuarial gains (losses) arising from changes in financial assumptions	**(274)**	(1,078)	**(16)**	(8)
Actuarial gains (losses) arising from experience adjustments	**8**	90	**21**	3
Return on plan assets excluding interest income	**410**	834	**0**	0
Change in effect of asset ceiling excluding interest (income) expense	**(4)**	0	**0**	0
Total recorded in other comprehensive earnings	**211**	(142)	**5**	(1)
Of which:				
United Kingdom	**46**	(58)	**0**	0
North America (United States and Canada)	**1**	7	**7**	5
Switzerland	**181**	(21)	**0**	0
Rest of world	**(17)**	(70)	**(2)**	(6)

[1] Gains on settlements in 2017 included a settlement gain of CHF 10 million in the United States relating to annuities purchases and a lump sum window for certain beneficiaries. In 2016, it included a settlement gain of CHF 17 million resulting from a restructuring in Switzerland.

Retirement benefit plans

	Defined benefit pension plans		Other post-employment benefit plans	
Million CHF	**2017**	2016	**2017**	2016
Present value of funded and unfunded obligations				
Opening balance as per January 1	**9,660**	9,546	**308**	304
Divestments	**0**	(51)	**0**	(5)
Reclassifications and other change in structure	**16**	38	**(2)**	0
Current service costs	**123**	125	**2**	3
Interest expense	**258**	300	**11**	12
Contribution by the employees	**20**	21	**0**	0
Actuarial (gains) losses	**196**	977	**(5)**	1
Benefits paid	**(551)**	(538)	**(18)**	(20)
Past service costs (including curtailments)	**(21)**	(16)	**(5)**	0
Settlements	**(111)**	(75)	**0**	0
Special termination benefits	**10**	12	**0**	0
Currency translation effects	**257**	(680)	**(4)**	13
Closing balance as per December 31	**9,857**	9,660	**288**	308
Of which:				
United Kingdom	**5,172**	4,956	**0**	0
North America (United States and Canada)	**2,161**	2,196	**226**	244
Switzerland	**1,600**	1,628	**0**	0
Rest of world	**924**	879	**61**	64
Fair value of plan assets				
Opening balance as per January 1	**8,162**	8,122	**0**	0
Divestments	**0**	(9)	**0**	0
Other change in structure	**6**	0	**0**	0
Interest income	**217**	256	**0**	0
Return on plan assets excluding interest income	**410**	834	**0**	0
Contribution by the employer	**198**	229	**18**	20
Contribution by the employees	**20**	21	**0**	0
Benefits paid	**(551)**	(537)	**(18)**	(20)
Settlements	**(101)**	(55)	**0**	0
Currency translation effects	**234**	(698)	**0**	0
Closing balance as per December 31	**8,596**	8,162	**0**	0
Of which:				
United Kingdom	**5,272**	4,987	**0**	0
North America (United States and Canada)	**1,580**	1,598	**0**	0
Switzerland	**1,534**	1,376	**0**	0
Rest of world	**210**	201	**0**	0

Retirement benefit plans

	Defined benefit pension plans	
Million CHF	**2017**	2016
Plan assets based on quoted market prices:		
Cash and cash equivalents	**199**	275
Equity instruments [1]	**2,019**	1,837
Debt instruments [2]	**1,287**	1,463
Liability-driven investments [3]	**1,934**	1,505
Alternative investments [4]	**995**	1,162
Investment in real estate occupied or used by third parties	**449**	374
Investment funds	**99**	91
Derivatives	**16**	(15)
Plan assets based on non-quoted prices:		
Equity instruments	**48**	38
Structured debt	**195**	194
Investment funds	**280**	274
Land and buildings occupied or used	**53**	112
Debt instruments [2]	**23**	32
Insurance policies	**703**	688
Others	**297**	130
Total plan assets at fair value	**8,596**	8,162

[1] Equity instruments include CHF 3 million (2016: CHF 3 million) quoted equity instruments of LafargeHolcim Ltd or subsidiaries.
[2] Debt instruments include CHF 4 million (2016: CHF 5 million) quoted and CHF 0 million (2016: CHF 4 million) non-quoted debt instruments of LafargeHolcim Ltd or subsidiaries.
[3] Liability-driven investment (LDI) is an investment strategy that is defined considering the risk profiles of the liability of the plan. The LDI investment strategy mainly consists of index-linked government bonds and swaps and involves hedging the plan against liquidity risk and change in interest rates or inflation yields.
[4] Alternative investments include among others hedge-funds, multi-asset values and reinsurance investments.

Principal actuarial assumptions (weighted average) used at the end of the reporting period for defined benefit pension plans

	Total Group		United Kingdom		North America		Switzerland	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
Discount rate in %	**+2.5%**	+2.8%	**+2.6%**	+2.8%	**+3.5%**	+4.0%	**+0.6%**	+0.7%
Expected salary increases in %	**+2.4%**	+2.3%	**+3.2%**	+3.3%	**+2.9%**	+2.9%	**+0.8%**	+0.8%
Life expectancy in years after the age of 65	**22.3**	22.7	**23.8**	23.0	**22.8**	22.4	**22.5**	23.3

Weighted average duration of defined benefit pension plans

	Total Group		United Kingdom		North America		Switzerland	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
Weighted average duration in years	**15.3**	15.6	**17.4**	17.6	**13.3**	14.3	**13.7**	14.2

Sensitivity analysis as per December 31, 2017 on defined benefit pension plans

Impact on the defined benefit obligation	Total Group		United Kingdom		North America		Switzerland	
Million CHF	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
Discount rate (±1% change in assumption)	**(1,359)**	**1,665**	**(813)**	**1,009**	**(266)**	**314**	**(197)**	**243**
Expected salary increases (±1% change in assumption)	**120**	**(105)**	**20**	**(18)**	**17**	**(17)**	**19**	**(19)**
Life expectancy in years after the age of 65 (±1 year change in assumption)	**378**	**(365)**	**258**	**(244)**	**52**	**(50)**	**52**	**(60)**

Sensitivity analysis as per December 31, 2016 on defined benefit pension plans

Impact on the defined benefit obligation	Total Group		United Kingdom		North America		Switzerland	
Million CHF	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
Discount rate (±1% change in assumption)	(1,334)	1,633	(772)	957	(266)	316	(207)	258
Expected salary increases (±1% change in assumption)	124	(108)	24	(21)	14	(13)	20	(19)
Life expectancy in years after the age of 65 (±1 year change in assumption)	362	(358)	245	(236)	50	(49)	54	(61)

The sensitivity analysis above may not be representative of the actual change in the defined benefit pension plans as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Expected contributions by the employer to be paid to the post-employment benefit plans during the annual period beginning after the end of the reporting period are CHF 108 million, of which CHF 36 million related to North America, CHF 33 million related to Switzerland and CHF 18 million related to United Kingdom.

34. SHARE COMPENSATION PLANS

The total personnel expense arising from the LafargeHolcim share compensation plans amounted to CHF 20.5 million in 2017 (2016: CHF 16.6 million) as presented in the following table:

Million CHF	Personnel expenses 2017	Personnel expenses 2016
Employee share purchase plan	**0.5**	0.9
LafargeHolcim Performance Share Plan	**15.5**	5.8
LafargeHolcim Senior Management Plan	**2.9**	1.1
Share option plan	**0.2**	0.2
Liquidity mechanism for remaining Lafarge rights	**1.3**	8.6
Total	**20.5**	16.6

All shares granted under these plans are either purchased from the market or derived from treasury shares.

34.1 Description of plans

Employee share purchase plan

LafargeHolcim offers an employee share-ownership plan for all employees of Swiss subsidiaries and some executives from Group companies. This plan entitles employees to acquire a limited amount of discounted LafargeHolcim Ltd shares generally at 70 percent of the market value based on the prior-month average share price. The shares cannot be sold for a period of two years from the date of purchase.

LafargeHolcim Performance Share Plan

LafargeHolcim set up a performance share plan in 2015. Performance shares and/or options are granted to executives, senior management and other employees for their contribution to the continuing success of the business. These shares and options will be delivered after a three-year vesting period following the grant date and are subject to performance conditions (shares are subject to both internal and external conditions, options are subject to internal conditions).

Information related to awards granted through the LafargeHolcim Performance Share Plan is presented below:

	2017		2016	
	Shares	Options	Shares	Options
January 1	**1,364,703**	**1,559,468**	610,167	747,136
Granted	**926,203**	**0**	780,003	832,320
Forfeited	**(58,716)**	**(169,723)**	(25,467)	(19,988)
December 31	**2,232,190**	**1,389,745**	1,364,703	1,559,468

The fair value of the plan was calculated by an independent consultant as follows:

– 926,203 performance shares were granted in 2017 under the Performance Share Plan (2016: 780,003). These shares are subject to a three-year vesting period. 648,342 shares (2016: 546,002) are subject to internal performance conditions and the fair value per share is CHF 57.45 (2016: CHF 52.80). 277,861 shares (2016: 234,001) are subject to an external performance condition, based on the Total Shareholder Return. This external condition was included in the fair value per share of CHF 26.27 (2016: CHF 21.40) using a Monte Carlo simulation;

– no share options were granted in 2017 under the Performance Share Plan (2016: 832,320). These share options are subject to a three-year vesting period and internal performance conditions. In 2016, the fair value per share option had been determined using the Black-Scholes model and amounted to CHF 9.03.

Underlying assumptions for the fair value of the share options granted in 2016 are presented below (no grants in 2017):

Grant date	December 14, 2016
Share price at grant date	CHF 52.80
Exercise price	CHF 53.83
Assumed/expected dividend yield [1]	3.3%
Expected volatility of stock [2]	28.5%
Risk-free interest rate	0.04%
Expected life of the options	8 years

[1] Based on data market provider estimates.
[2] Based on a 2 year at-the-money implied volatility.

LafargeHolcim Senior Management Plan

Part of the variable, performance-related compensation for Senior Management is paid in LafargeHolcim Ltd shares, which are granted based on the market price of the share in the following year. The shares cannot be sold by the employee for the next three years.

Share option plans

Two types of share options were granted to senior management of the Group: the ones, which were granted as part of the annual variable compensation and those, that were allotted to the Executive Committee upon appointment. In both cases, each option represented the right to acquire one registered share of LafargeHolcim Ltd at the market price of the shares at the date of grant. These plans are closed. The last share options under this plan were granted in 2015.

The contractual term of the first type of option plan is eight years, with immediate vesting but exercise restrictions for a period of three years following the grant date. The contractual term of the second type of option plan is twelve years and the options have a vesting period (service-related only) of nine years from the date of grant, with sale and pledge restrictions. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Liquidity mechanism for remaining rights under the Lafarge long-term incentive plans

The Lafarge long-term incentive plans consisted of stock options (granted up to 2012) and performance share (granted up to 2014) plans, all subject to performance conditions.

All Lafarge stock options are vested, while some performance shares granted in 2014 are still under vesting period (vesting period was 4 years).

Performance conditions include internal conditions and a market condition related to Total Shareholder Return. The market condition is included in the fair value of each granted instrument.

Following the success of its public exchange offer on Lafarge S.A. and the completion of the subsequent squeeze-out of Lafarge S.A. shares on October 23, 2015, LafargeHolcim proposed a liquidity mechanism for:

- Lafarge S.A. shares that may be issued following the exercise on or after the date of the squeeze-out of stock options that have been allocated pursuant to the Lafarge stock option plans; or

- Lafarge S.A. shares that may be definitively allotted on or after the squeeze-out in accordance with the Lafarge performance share plans.

In 2017, the liquidity mechanism has been applied as follows:

- 84,993 Lafarge S.A. shares have been purchased;

- 81,833 Lafarge S.A. shares have been exchanged for 76,425 LafargeHolcim shares; and

- 60,490 Lafarge S.A. options have been exercised in 2017. One Lafarge S.A. stock options plan ended in June 2017 and 442,448 unexercised Lafarge S.A. options have been lapsed.

34.2 Outstanding Share Options

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

		Weighted average exercise price[1]	Number[1] 2017	Number[1] 2016
January 1	CHF	66.90	**4,127,010**	4,098,017
Granted and under vesting period[2]	CHF	0.00	**0**	832,320
Forfeited	CHF	52.24	**169,723**	67,427
Exercised	CHF	39.36	**95,923**	31,742
Lapsed	CHF	129.46	**418,113**	704,158
December 31	CHF	64.29	**3,443,251**	4,127,010
Of which exercisable at the end of the year			**1,794,103**	2,175,057

[1] Adjusted to reflect former share splits and/or capital increases and/or scrip dividend.
[2] These options will not be delivered before the end of the 3-year vesting period and are subject to the level of achievement of performance conditions.

The weighted average share price for the options exercised in 2017 was CHF 54.08 (2016: CHF 51.40)

Share options outstanding at the end of the year have the following expiry dates and give the right to acquire one registered share of LafargeHolcim Ltd at the exercise prices as listed below:

Option grant date	Expiry date		Exercise price[1]	Number [1]	Number[1]
				2017	2016
2008	2020	CHF	62.95	**33,550**	33,550
2009	2017	CHF	35.47	**0**	38,760
2010	2018	CHF	67.66	**95,557**	95,557
2010	2022	CHF	70.30	**33,550**	33,550
2011	2019	CHF	63.40	**113,957**	113,957
2012	2020	CHF	54.85	**165,538**	165,538
2013	2021	CHF	67.40	**122,770**	122,770
2014	2022	CHF	64.40	**99,532**	99,532
2014	2026	CHF	64.40	**33,550**	33,550
2015 (2007 [2])	2017	CHF	129.46	**0**	418,113
2015 (2008 [2])	2018	CHF	112.41	**551,892**	551,892
2015 (2009 [2])	2019	CHF	35.93	**85,677**	103,545
2015 (2010 [2])	2020	CHF	59.96	**197,212**	197,212
2015 (2011 [2])	2020	CHF	52.01	**139,000**	149,617
2015 (2012 [2])	2020	CHF	42.07	**189,418**	218,096
2015	2023	CHF	66.85	**144,970**	144,970
2015	2023	CHF	63.55	**47,333**	47,333
2015	2025	CHF	50.19	**652,939**	727,148
2016	2026	CHF	53.83	**736,806**	832,320
Total				**3,443,251**	4,127,010

[1] Adjusted to reflect former share splits and/or capital increases and/or scrip dividend.
[2] These options were granted through the Lafarge Stock-Options plans. The figures presented in this table are based on the application of the actual exchange ratio of 0.945. The year specified between brackets is the original option grant date and the exercise price is converted from EUR to CHF at the closing rate of 1.17.

35. INFORMATION ON SHARE CAPITAL

Number of registered shares December 31	2017	2016
Total oustanding shares	**597,210,931**	605,756,753
Treasury shares		
Share buyback program	**8,841,454**	0
Reserved for share compensation plans	**856,695**	1,152,327
Total treasury shares	**9,698,149**	1,152,327
Total issued shares	**606,909,080**	606,909,080
Shares out of conditional share capital		
Reserved for convertible bonds	**1,422,350**	1,422,350
Total shares out of conditional share capital	**1,422,350**	1,422,350
Total shares	**608,331,430**	608,331,430

The par value per share is CHF 2.00. The share capital amounts to nominal CHF 1,214 million (2016: CHF 1,214 million) and the treasury shares amount to CHF 554 million (2016: CHF 72 million).

In 2017, the Group initiated a share buyback program of up to a CHF 1 billion over the period 2017 and 2018. The program started on June 1, 2017 and 8,841,454 shares were purchased in 2017 for an average price of CHF 56.56.

At the end of the buyback program, the Board of Directors will put a proposal to the LafargeHolcim Annual General Meeting to approve the cancellation of the repurchased shares and to reduce LafargeHolcim's share capital accordingly.

36. NON-CONTROLLING INTEREST

LafargeHolcim has two Group companies with material non-controlling interests. Information regarding these subsidiaries is as follows:

Material non-controlling interest

Company	Principal place of business	Non-controlling interest[1]		Net income[2]		Total equity[2]		Dividends paid to non-controlling interest	
Million CHF		**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
ACC Limited	India	**63.9%**	63.9%	**87**	57	**622**	561	**35**	23
Ambuja Cements Ltd.	India	**36.9%**	36.9%	**56**	48	**958**	915	**27**	29

[1] The non-controlling interest of these companies represents the percentage interest (direct and indirect).
[2] Attributable to non-controlling interest.

Set out below is the summarized financial information relating to ACC Limited and Ambuja Cements Ltd. before intercompany eliminations.

Statement of financial position

	ACC Limited		Ambuja Cements Ltd.	
Million CHF	**2017**	2016	**2017**	2016
Current assets	**860**	605	**832**	609
Long-term assets	**1,738**	1,721	**2,251**	2,228
Total assets	**2,598**	2,326	**3,082**	2,837
Current liabilities	**660**	508	**617**	491
Long-term liabilities	**289**	273	**206**	209
Total liabilities	**948**	782	**823**	700
Net assets	**1,650**	1,545	**2,259**	2,137

Statement of income

Million CHF	**2017**	2016	**2017**	2016
Net sales	**1,977**	1,593	**1,560**	1,336
Net income	**136**	90	**176**	135

Statement of cash flows

Million CHF	**2017**	2016	**2017**	2016
Cash flow from operating activities	**257**	201	**301**	252
Increase (decrease) in cash and cash equivalents	**115**	63	**138**	(393)

37. CONTINGENCIES, GUARANTEES, COMMITMENTS AND CONTINGENT ASSETS

Contingencies

In the ordinary course of its business, the Group is involved in lawsuits, claims of various natures, investigations and proceedings, including product liability, commercial, environmental, health and safety matters, etc. The Group operates in countries where political, economic, social and legal developments could have an impact on the Group's operations.

In connection with disposals made in the past years, the Group provided customary warranties notably related to accounting, tax, employees, product quality, litigation, competition, and environmental matters. LafargeHolcim and its subsidiaries received or may receive in the future notice of claims arising from said warranties.

The Group is exposed to varying degrees of uncertainty related to tax planning and regulatory reviews and audits. The Group accounts for its income taxes on the basis of its own internal analyses, supported by external advice. The Group continually monitors its global tax position, and whenever uncertainties arise, The Group assesses the potential consequences and either accrues the liability or discloses a contingent liability in its financial statements, depending on the strength of the Group's position and the resulting risk of loss.

As of December 31, 2017, the Group's contingencies amounted to CHF 1,354 million (2016: CHF 1,155 million). The increase is mainly related to tax contingencies in various countries. Except for what has been provided for as disclosed in note 32, the company has concluded that due to the uncertainty with some of the matters mentioned below, the potential losses for some of these cases cannot be reliably estimated. There are no further single matters pending that the Group expects to be material in relation to the Group's business, financial result or results of operations.

The following is a description of the material legal and tax matters currently ongoing.

Legal and tax matters with new developments since last reporting period

The Competition Commission of India ("CCI") issued in June 2012 an order imposing a penalty on Ambuja Cements Ltd. ("ACL") and ACC Limited ("ACC"). The order found those companies together with other cement producers in India to have engaged in price coordination.

Following a successful appeal by the companies before the Competition Appellate Tribunal ("Compat"), which set aside the order on December 11, 2015, a new order was issued on August 31, 2016 confirming its initial order and imposing the same penalties on the cement companies and their trade association amounting to an aggregate of CHF 353 million (INR 23,106 million) for ACC and ACL. The total amount of penalties (including interests) for ACC and ACL is CHF 414 million (INR 27,057 million) as of December 31, 2017. ACC and ACL appealed this new order before the Compat and continue to vigorously defend themselves. As per the interim order passed by the Compat, a deposit of 10 percent of the penalty amounts has been placed in 2016 with a financial institution by both LafargeHolcim Group companies with a lien in favor of the Compat. In May 2017, all matters pending before COMPAT were transferred to the National Company Law Appellate Tribunal (NCLAT). Hearings before the NCLAT have been completed in October 2017 and the case is reserved for judgment. It can be appealed before the Supreme Court.

On December 31, 2010, in an extraordinary general meeting, the merger of Lafarge Brasil S.A. into LACIM was approved by the majority of shareholders of Lafarge Brasil S.A. Two minority shareholders (Maringa and Ponte Alta) holding a combined ownership of 8.93 percent, dissented from the merger decision and subsequently exercised their right to withdraw as provided for by the Brazilian Corporation law. In application of such law, an amount of CHF 22 million (BRL 76 million) was paid by Lafarge Brasil S.A. to the two dissenting shareholders. In March 2013, the two shareholders obtained a ruling from the Court of first instance ordering Lafarge Brasil S.A. to pay Maringa and Ponte Alta the difference between the amount paid for their shares at the time of the exercise of the withdrawal rights by the plaintiffs (based on book value) and the price per share calculated according to a fair market value, this value approximates CHF 108 million (BRL 366 million) as at the date of the order. Following a first unsuccessful appeal by Lafarge Brasil S.A., in September 2017, the Superior Court of Justice denied a further appeal filed by Lafarge Brasil S.A. (now merged into LafargeHolcim (Brasil) S.A.). An extraordinary appeal filed with the Supreme Court is still pending. Following the Superior Court of Justice decision, the plaintiffs are entitled to request the provisional enforcement of the Court of First Instance decision, as amended by the first appeal decision and duly updated. Following these latest developments, management has made an appropriate adjustment to its provision for this matter.

In September 2011, the Parish of Saint Bernard (Louisiana) filed suit against Lafarge North America Inc. (“LNA”), alleging that a barge under contract to LNA breached the Inner Harbor Navigational Canal levee, flooding the Parish and damaging Parish-owned property. On 12 June 2017, LNA and the Parish entered into an agreement to settle the case the terms of which are confidential. Whilst LNA denies all claims against it of liability, wrongdoing or damages (as is it also stated in the settlement agreement), LNA sought to settle the case solely to avoid the uncertainties, expense, and delay inherent in continued litigation. This settlement resolves the last remaining Katrina-related litigation against LNA.

The criminal proceedings in France related to the alleged dealings of Lafarge Cement Syria with terrorist organizations in the years 2013 and 2014 are currently pending with the investigating judges in Paris. Criminal investigations in France are conducted under a rule of secrecy and neither Lafarge SA nor any of its affiliates have been made a party to these proceedings as per 31 December 2017. Although there have been preliminary inquiries by authorities outside of France, including from the Swiss and US authorities, the Group is not aware of any other active government investigation at this time. The Group has completed its internal independent investigation into the alleged underlying facts under the supervision of the Board of Directors. On April 24, 2017, the Group reported on the main findings of the investigation and the remediation measures decided on by the Board of Directors. Based on the information available as of this date, there is no indication that the reported allegations are likely to result in penalties that will have an adverse financial impact that is material to the Group.

There has been litigation in Hungary for a number of years related to the ownership of assets and damage compensation in the context of the privatization of one of the former Holcim cement plants in Hungary. This plant was closed a number of years ago and remains inactive. This litigation is ongoing on first instance court level and there is currently no decision on the merits. Following a procedural hearing on February 6, 2018 in one of the main cases, the evidence taking process, including hearing of experts, is currently expected to complete in the first half of 2018.

Previously disclosed legal matters with no developments since last reporting period

On May 28, 2014, the Administrative Council for Economic Defense ("CADE") ruled that Holcim Brazil along with other cement producers had engaged in price collusion and other anti-competitive behavior. The ruling includes behavioral remedies prohibiting certain greenfield projects, divestment of a ready-mix plant, and M&A activities and fines against the defendants. This order became enforceable on September 21, 2015 and applies to Holcim Brazil, which has been fined CHF 150 million (BRL 508 million) as at the date of the order. As of December 31, 2017, the total amount including interests and monetary adjustment was CHF 211 million (BRL 717 million). In September 2015, Holcim Brazil filed an appeal against the order, offering a cement plant as guarantee to support its appeal. The fine and the behavioral remedies imposed by CADE were suspended by two decisions of the court of first instance on September 29, 2016 and October 21, 2016. Unless successfully appealed by CADE, the suspension will remain in effect until the completion of the substantive proceedings against the CADE ruling.

In July 2016, Lafarge Brasil S.A. received an assessment from the Brazilian Internal Revenue Service, claiming the reversal of a deducted Goodwill for the years 2011 and 2012. The amount in dispute is CHF 93 million (BRL 315 million) and includes any penalty and interest. The company is contesting this assessment.

In November and December 2016, the Indonesian tax authorities issued the final objection letter in respect of the 2010 PT Lafarge Cement Indonesia payment of Corporate Income and Withholding Tax including associated penalties of a total amount of CHF 36 million (IDR 500 billion) related to refinancing transactions. PT Lafarge Cement Indonesia appealed against this decision at the tax court to defend its initial statement. In case of a negative outcome for PT Lafarge Cement Indonesia, the total claim amounts to CHF 72 million (IDR 1 trillion) due to additional penalties charged for the appeal.

Guarantees

At December 31, 2017, the Group's guarantees issued in the ordinary course of business amounted to CHF 873 million (2016: CHF 809 million).

Commitments

In the ordinary course of business, the Group enters into purchase commitments for goods and services, buys and sells investments, associated companies and Group companies or portions thereof. It is common practice for the Group to make offers or receive call or put options in connection with such acquisitions and divestitures.

At December 31, 2017, the Group's commitments amounted to CHF 1,577 million (2016: CHF 1,707 million) and included CHF 1,303 million (2016: CHF 1,448 million) related to the purchase of various products, inventories and services and CHF 274 million (2016: CHF 259 million) related to the purchase of property, plant and equipment.

Contingent assets

A contingent asset is a possible asset that arises from past events, which 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 Group. At December 31, 2017, the total contingent assets for various claims in favor of the Group amounted to CHF 126 million (2016: CHF 2 million) and are valued at the maximum potential recoverable amount.

38. ADDITIONAL CASH FLOW INFORMATION

Cash flow from operating activities - analysis of change in net working capital items

Million CHF	2017	2016 [1]
(Increase) in inventories	**(272)**	(19)
(Increase)/Decrease in trade accounts receivable	**(379)**	1
(Increase) in other receivables excluding financial and income tax receivables	**(88)**	(22)
Increase in trade accounts payables	**360**	99
(Decrease) in liabilities excluding financial and income tax liabilities	**(546)**	(752)
Change in net working capital	**(925)**	(694)

Cash flow information related to investing activities

Million CHF	2017	2016 [1]
Purchase of property, plant and equipment net		
Replacements	**(1,048)**	(1,134)
Proceeds from sale of property, plant and equipment	**167**	137
Capital expenditures on property, plant and equipment to maintain productive capacity and to secure competitiveness	**(881)**	(997)
Expansion investments	**(474)**	(638)
Total purchase of property, plant and equipment net (a)	**(1,355)**	(1,635)
Acquisition of participation in group companies (net of cash and cash equivalents acquired)	**55**	(4)
Disposal of participation in group companies (net of cash and equivalents disposed of)	**858**	2,245
Purchase of financial assets, intangible and other assets		
Increase in financial investments including associates and joint ventures	**(5)**	(7)
Increase in other financial assets, intangible and other assets	**(341)**	(395)
Total purchase of financial assets, intangible and other assets	**(347)**	(402)
Disposal of financial assets, intangible and other assets		
Decrease in financial investments including associates and joint ventures	**22**	283
Decrease in other financial assets, intangible and other assets	**91**	220
Total disposal of financial assets, intangible and other assets	**113**	503
Total disposal of financial assets, intangible and other assets and businesses net (b)	**679**	2,342
Total cash flow from investing activities (a + b)	**(675)**	706

[1] As reported in 2016, not restated due to change in presentation.

Cash flow from acquisitions and disposals of Group companies

	Acquisitions		Disposals	
	2017	2016	**2017** [1]	2016
Million CHF	**Total**	**Total**	**Total**	**Total**
Cash and cash equivalents	**(59)**		**86**	153
Assets classified as held for sale				746
Other current assets	**(73)**		**355**	497
Property, plant and equipment	**(353)**		**868**	1,654
Other assets	**(28)**		**161**	108
Bank overdrafts				(160)
Other current liabilities	**253**		**(457)**	(453)
Long-term provisions	**10**		**(40)**	(102)
Other long-term liabilities	**256**		**(297)**	(383)
Net assets	**7**		**676**	2,061
Non-controlling interest	**(3)**		**(115)**	(165)
Net assets (acquired) disposed	**4**		**561**	1,896
Goodwill (acquired) disposed	**(27)**		**88**	266
Fair value of previously held equity interest	**20**			
Net gain on disposals			**285**	511
Total (purchase) disposal consideration	**(3)**		**934**	2,673
Purchase consideration in the form of shares				(265)
Acquired (disposed) cash and cash equivalents	**59**		**(86)**	6
Tax and disposal costs paid			**(174)**	(140)
Deferred consideration		(4)	**185**	(28)
Net cash flow	**55**	(4)	**858**	2,245

[1] Include among others the disposals of operations in China, Vietnam and Chile classified as held for sale at the end of 2016, see note 4. For the purpose of this table, the assets and related liabilities classified as held for sale are presented in their respective balance sheet positions.

39. TRANSACTIONS AND RELATIONS WITH MEMBERS OF THE BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE

Key management compensation

Board of Directors

In 2017, fifteen non-executive members of the Board of Directors received in total a remuneration of CHF 5.5 million including mandatory Social Security payments (2016: CHF 5.4 million when including CHF 0.8 million paid to one former Board Member having left during 2016) of which CHF 3.2 million (2016: CHF 3.1 million) was paid in cash, CHF 0.1 million (2016: CHF 0.1 million) in the form of social security contributions, and CHF 2.0 million (2016: CHF 1.9 million) in shares. Other compensation paid totaled CHF 0.2 million (2016: CHF 0.2 million). These amounts include an additional fee of CHF 350,000 for the Chairman for the additional time commitment involved in organizing the CEO succession.

Executive Committee

Compensation for the members of the Executive Committee amounted to CHF 32.3 million (2016: CHF 36.9 million). This amount comprises base salaries and variable compensation of CHF 15.8 million (2016: CHF 21.3 million), share-based compensation of CHF 11.7 million (2016: CHF 10.3 million), employer contributions to pension plans of CHF 4.8 million (2016: CHF 5.3 million).

Compensation for former members of governing bodies

During 2017, compensation in the amount of CHF 7.8 million was paid to four former members of the Executive Committee.

Loans granted to members of governing bodies

As at December 31, 2017, there were no loans outstanding to members of the Executive Committee. There were no loans to members of the Board of Directors or to parties closely related to members of governing bodies.

Other transactions

As part of the employee share purchase plan, LafargeHolcim manages employees' shares. It sells and purchases LafargeHolcim Ltd shares to and from employees and in the open market. In 2016 and 2017, the company did not purchase any LafargeHolcim Ltd share from members of the Executive Committee.

As a result of the merger, LafargeHolcim has identified the following transactions with other parties or companies related to the Group:

Lafarge S.A. has received indemnifications guarantees from (in relation to an acquisition in 2008) and entered into a cooperation agreement with Orascom Construction Industries S.A.E (OCI). Mr. Nassef Sawiris is Chief Executive Officer and Director of Orascom Construction Industries N.V., parent company of OCI, former director of Lafarge S.A. and current director of LafargeHolcim. LafargeHolcim has two indemnification claims contingent on the approval of OCI under the indemnification guarantees. The cooperation agreement dated December 9, 2007 aims to allow OCI to participate in tenders in respect of the construction of new plants in countries where OCI has the capability to meet certain of LafargeHolcim's construction needs. There are no outstanding balances under this agreement as at December 31, 2017.

40. EVENTS AFTER THE REPORTING PERIOD

In connection with the streamlining of its operations in China, as explained in detail in note 4, the Group reacquired the shares of the two consolidated cement companies Dujiangyan Cement Co., Ltd and of Jiangyou LafargeHolcim Shuangma Cement Co., Ltd on February 9, 2018 and extinguished the remaining liability.

A settlement agreement related to the minority shareholders case in Brazil as described in note 37 was signed on February 28, 2018 between the parties. This settlement resolves the litigation and is adequately provisioned with no further material impact expected.

The share buyback program is discontinued with CHF 581 million completed.

41. AUTHORIZATION OF THE FINANCIAL STATEMENTS FOR ISSUANCE

The consolidated financial statements were authorized for issuance by the Board of Directors of LafargeHolcim Ltd on March 1, 2018 and are subject to shareholder approval at the annual general meeting of shareholders scheduled for May 8, 2018.

42. PRINCIPAL COMPANIES OF THE GROUP

Principal operating Group companies

Region	Company	Place	Cement	Aggregate	Other construction materials and services	Effective participation (percentage of interest)	Listed company
Asia Pacific	Holcim (Australia) Holdings Pty Ltd	Australia		◆	●	100.0%	
	Holcim Cement Bangladesh Ltd	Bangladesh	■			100.0%	
	LafargeHolcim Bangladesh Limited	Bangladesh	■			29.4%	X
	Lafarge Shui On Cement Limited	China	■	◆	●	100.0%	
	Lafarge Dujiangyan Cement Co., Ltd.	China	■			75.0%	
	ACC Limited	India	■		●	36.1%	X
	Ambuja Cements Ltd.	India	■			63.1%	X
	PT Holcim Indonesia Tbk.	Indonesia	■	◆	●	80.6%	X
	PT Lafarge Cement Indonesia	Indonesia	■			80.6%	
	Holcim (Malaysia) Sdn Bhd	Malaysia	■	◆	●	51.0%	
	Lafarge Malaysia Berhad	Malaysia	■	◆	●	51.0%	X
	Holcim (New Zealand) Ltd	New Zealand	■	◆		100.0%	
	Holcim Philippines Inc.	Philippines	■		●	75.3%	X
	Holcim (Singapore) Ltd	Singapore			●	90.8%	
	Lafarge Cement Singapore Pte Ltd	Singapore	■			51.0%	
Latin America	Holcim (Argentina) S.A.	Argentina	■	◆	●	79.6%	X
	LafargeHolcim (Brasil) S.A.	Brazil	■	◆	●	99.9%	
	Holcim (Colombia) S.A.	Colombia	■		●	99.8%	
	Holcim (Costa Rica) S.A.	Costa Rica	■	◆	●	65.6%	X
	Holcim (Ecuador) S.A.	Ecuador	■	◆	●	92.2%	X
	Holcim El Salvador S.A. de C.V.	El Salvador	■		●	95.4%	
	Société des Ciments Antillais	French Antilles	■			69.7%	
	Holcim Mexico S.A. de C.V.	Mexico	■	◆	●	100.0%	
	Holcim (Nicaragua) S.A.	Nicaragua	■	◆	●	52.5%	

Region	Company	Place	Cement	Aggregate	Other construction materials and services	Effective participation (percentage of interest)	Listed company
Europe	Lafarge Zementwerke GmbH	Austria	■			70.0%	
	Holcim (Azerbaijan) O.J.S.C.	Azerbaijan	■			90.2%	
	Holcim (Belgique) S.A.	Belgium	■	◆	●	100.0%	
	Holcim (Bulgaria) AD	Bulgaria	■	◆	●	100.0%	
	Holcim (Hrvatska) d.o.o.	Croatia	■	◆	●	99.9%	
	Lafarge Cement a.s.	Czech Republic	■			68.0%	
	Lafarge Bétons France	France			●	100.0%	
	Lafarge Ciments	France	■			100.0%	
	Lafarge Ciments Distribution	France	■			100.0%	
	Lafarge Granulats France	France		◆		100.0%	
	Holcim (Deutschland) GmbH	Germany	■	◆	●	100.0%	
	Holcim (Süddeutschland) GmbH	Germany	■	◆	●	100.0%	
	Heracles General Cement Company S.A.	Greece	■			100.0%	
	Lafarge Cement Hungary Ltd	Hungary	■			70.0%	
	Holcim Gruppo (Italia) S.p.A.	Italy	■	◆	●	100.0%	
	Lafarge Ciment (Moldova) S.A.	Moldova	■			95.3%	
	Lafarge Cement S.A.	Poland	■		●	100.0%	
	Lafarge Kruszywa i Beton	Poland		◆	●	100.0%	
	Holcim (Romania) S.A.	Romania	■	◆	●	99.7%	
	LLC Holcim (Rus) CM	Russia	■			100.0%	
	JSC Lafarge Cement	Russia	■			90.5%	
	Lafarge Beocinska Fabrika Cementa	Serbia	■		●	100.0%	
	Lafarge Cement d.o.o	Slovenia	■			70.0%	
	Holcim (España) S.A.	Spain	■	◆	●	100.0%	
	Holcim Trading S.A.	Spain			●	100.0%	
	Lafarge Aridos y Hormigones, S.A.U.	Spain		◆	●	100.0%	
	Lafarge Cementos, S.A.U.	Spain	■			100.0%	
	Holcim (Schweiz) AG	Switzerland	■	◆	●	100.0%	
	LH Trading Ltd	Switzerland			●	100.0%	
	Klesivskiy Karier Nerudnykh Kopalyn "Technobud"	Ukraine		◆		65.0%	
	Aggregate Industries Ltd.	United Kingdom		◆	●	100.0%	
	Lafarge Cauldon Limited	United Kingdom	■			100.0%	

Region	Company	Place	Cement	Aggregate	Other construction materials and services	Effective participation (percentage of interest)	Listed company
North America	Lafarge Canada Inc.	Canada	■	◆	●	100.0%	
	Holcim (US) Inc.	USA	■			100.0%	
	Aggregate Industries Management Inc.	USA		◆	●	100.0%	
	Lafarge North America Inc.	USA	■	◆	●	100.0%	
Middle East Africa	Lafarge Ciment de M'sila "LCM"	Algeria	■			100.0%	
	Lafarge Béton Algérie "LBA"	Algeria		◆	●	99.5%	
	Lafarge Ciment Oggaz "LCO"	Algeria	■			100.0%	
	Lafarge Logistique Algérie "LLA"	Algeria	■			99.5%	
	Cilas Spa	Algeria	■			49.0%	
	Lafarge Cement Egypt S.A.E.	Egypt	■			97.4%	
	Lafarge Ready Mix S.A.E.	Egypt			●	100.0%	
	Bazian Cement Company Limited	Iraq	■			70.0%	
	Karbala Cement Manufacturing Ltd	Iraq	■			51.0%	
	United Cement Company Limited	Iraq	■			60.0%	
	Jordan Cement Factories Company P.S.C.	Jordan	■		●	50.3%	X
	Bamburi Cement Limited	Kenya	■			58.6%	X
	Holcim (Liban) S.A.L.	Lebanon	■		●	52.1%	X
	Holcim (Outre-Mer) Trading S.A.S.	La Réunion	■	◆	●	100.0%	
	Lafarge Cement Malawi Ltd	Malawi	■			100.0%	
	Lafarge (Mauritius) Cement Ltd	Mauritius	■		●	58.4%	
	Ashakacem Plc.	Nigeria	■			76.3%	
	Lafarge Africa Plc.	Nigeria	■	◆	●	76.3%	X
	Lafarge Industries South Africa (Pty) Ltd	South Africa	■		●	76.3%	
	Lafarge Mining South Africa (Pty) Ltd	South Africa		◆		76.3%	
	Mbeya Cement Company Limited	Tanzania	■			61.5%	
	Hima Cement Ltd.	Uganda	■			71.0%	
	Lafarge Cement Zambia Plc	Zambia	■	◆		75.0%	X
	Lafarge Cement Zimbabwe Limited	Zimbabwe	■	◆		76.5%	X

Listed Group companies

Region	Company	Domicile	Place of listing	Market capitalization at December 31, 2017 in local currency			Security code number
Asia Pacific	LafargeHolcim Bangladesh Limited	Bangladesh	Chittagong/ Dhaka	BDT	81,180	million	BD0643LSCL09
	ACC Limited	India	Mumbai	INR	330,205	million	INE012A01025
	Ambuja Cements Ltd.	India	Mumbai	INR	540,195	million	INE079A01024
	PT Holcim Indonesia Tbk.	Indonesia	Jakarta	IDR	6,398,522	million	ID1000072309
	Lafarge Malaysia Berhad	Malaysia	Kuala Lumpur	MYR	5,268	million	MYL3794OO004
	Holcim Philippines Inc.	Philippines	Manila	PHP	69,554	million	PHY3232G1014
Latin America	Holcim (Argentina) S.A.	Argentina	Buenos Aires	ARS	27,038	million	ARP6806N1051
	Holcim (Costa Rica) S.A.	Costa Rica	San José	CRC	145,815	million	CRINC00A0010
	Holcim (Ecuador) S.A.	Ecuador	Quito, Guayaquil	USD	1,372	million	ECP516721068
Middle East Africa	Jordan Cement Factories Company P.S.C.	Jordan	Amman	JOD	73	million	JO4104211019
	Bamburi Cement Limited	Kenya	Nairobi	KES	65,333	million	KE0000000059
	Holcim (Liban) S.A.L.	Lebanon	Beirut	USD	282	million	LB0000012833
	Lafarge Africa Plc.	Nigeria	Lagos	NGN	250,297	million	NGWAPCO00002
	Lafarge Cement Zambia Plc	Zambia	Lusaka	ZMW	1,250	million	ZM0000000011
	Lafarge Cement Zimbabwe Limited	Zimbabwe	Harare	USD	112	million	ZW0009012056

Principal joint ventures and associated companies

Region	Company	Country of incorporation or residence	Effective participation (percentage of interest)
Asia Pacific	Cement Australia Holdings Pty Ltd	Australia	50.0%
	Huaxin Cement Co. Ltd.	China	41.8%
Middle East Africa	Lafarge Maroc SA	Morocco	50.0%
	Readymix Qatar W.L.L.	Qatar	49.0%
	Lafarge Emirates Cement LLC	United Arab Emirates	50.0%

Principal finance and holding companies

Company	Place	Effective participation (percentage of interest)
Holcim Finance (Australia) Pty Ltd	Australia	100.0%
Vennor Investments Pty Ltd	Australia	100.0%
Holcibel S.A.	Belgium	100.0%
Holcim Finance (Belgium) S.A.	Belgium	100.0%
Holcim Capital Corporation Ltd.	Bermuda	100.0%
Holcim GB Finance Ltd.	Bermuda	100.0%
Holcim Overseas Finance Ltd.	Bermuda	100.0%
Holcim Investments (France) S.A.S.	France	100.0%
Lafarge S.A.	France	100.0%
Financière Lafarge S.A.S.	France	100.0%
Société financière immobilière et mobilière "SOFIMO" S.A.S.	France	100.0%
Holcim Auslandbeteiligungs GmbH (Deutschland)	Germany	100.0%
Holcim Beteiligungs GmbH (Deutschland)	Germany	100.0%
Holcim Finance (Luxembourg) S.A.	Luxembourg	100.0%
Holcim US Finance S. à r.l. & Cie S.C.S.	Luxembourg	100.0%
Holderind Investments Ltd.	Mauritius	100.0%
Holcim Capital México, S.A. de C.V.	Mexico	100.0%
LafargeHolcim Sterling Finance B.V.	Netherlands	100.0%
Holchin B.V.	Netherlands	100.0%
Holderfin B.V.	Netherlands	100.0%
Holcim Investments (Spain), S.L.	Spain	100.0%
LafargeHolcim Ltd [1]	Switzerland	100.0%
LafargeHolcim Albion Finance Ltd	Switzerland	100.0%
LafargeHolcim Continental Finance Ltd	Switzerland	100.0%
LafargeHolcim Helvetia Finance Ltd	Switzerland	100.0%
LafargeHolcim International Finance Ltd	Switzerland	100.0%
Holcim Group Services Ltd	Switzerland	100.0%
Holcim Technology Ltd	Switzerland	100.0%
Aggregate Industries Holdings Limited	United Kingdom	100.0%
Holcim Participations (UK) Limited	United Kingdom	100.0%
Lafarge International Holdings Limited	United Kingdom	100.0%
Lafarge Building Materials Limited	United Kingdom	100.0%
Lafarge Minerals Limited	United Kingdom	100.0%
LafargeHolcim Finance US LLC	USA	100.0%
Holcim Participations (US) Inc.	USA	100.0%

[1] LafargeHolcim Ltd, Zürcherstrasse 156, CH-8645 Rapperswil Jona.

TO THE GENERAL MEETING OF LAFARGEHOLCIM LTD, RAPPERSWIL-JONA

Zurich, March 1, 2018

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of LafargeHolcim Ltd and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017 and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 121 to 221) give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

A summary of our Audit Approach

Audit scope	– We scoped our audit of component operations based on the significance of account balances and significant risks. – We gained sufficient and appropriate coverage of the Group. – Coverage details are provided on page 228.
Group materiality	– CHF 114.6 million – 5% of normalised 2-year average profit before tax
Key audit matters	– Goodwill – Property, plant and equipment – Taxation – Litigation

Key audit matters

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

Goodwill

Key audit matter	The Group's balance sheet includes CHF 14,569 million of goodwill, representing 22.9% of total Group assets. In accordance with IFRS, these balances are allocated to Cash Generating Units (CGUs) which are tested annually for impairment using discounted cash flow models to determine the recoverable values of the CGUs, which is compared to the carry value of the net assets of the CGUs, including goodwill. A deficit in recoverable value compared with the carrying amount would result in an impairment. The annual impairment testing of goodwill for impairment is considered a key audit matter because the assumptions on which the tests are based are highly judgemental and affected by future market conditions, which are inherently uncertain, and because of the materiality of the balances taken as a whole. Refer to Note 26 for key assumptions used in goodwill impairment testing. In assessing the recoverable value of goodwill, management is required to estimate future cash flows. In determining future cash flows management is required to make assumptions relating to future profitability, including revenue growth and operating margins, and the determination of an appropriate discount rate. The outcome of the impairment assessments could vary significant if different judgements are applied. Refer to Note 26 for Impairment test of goodwill. In total, impairments amounting to CHF 1,821 million were recognised against goodwill – refer to Note 26.

How the scope of our audit responded to the key audit matter	We considered the controls implemented by management in testing for impairment and the judgements in determining the CGUs to which goodwill is allocated. We focused our audit effort based on assessing the risk of goodwill being impaired, which was based on the level of headroom of the recoverable value over carrying value of the CGUs. We utilised Deloitte valuation specialists to develop independent discount rates and compared these from external market data and compared this to management estimates for the discount rate and country risk premium. For all CGUs selected for detailed testing, we benchmarked key operating assumptions in the models to historical performance and benchmarked demand growth assumptions to external growth forecasts and supply growth to industry reports and recent historical trends, particularly with respect to export/import volumes and met with Senior Management at the CGU level. We checked the mechanical accuracy of the discounted cash flow models and the extraction of inputs from source documents. We challenged management's sensitivity analyses and performed our own sensitivity calculations, where the headroom was limited, to assess the level of excess of recoverable value against the carrying amount of the CGU. We considered the adequacy of management's disclosures in respect to impairment testing and whether the disclosures appropriately disclose the underlying sensitivities. Our procedures found the discounted cash flow models of the CGUs to be supported by appropriate inputs and assumptions. We concluded that discount rate assumptions were in line with third party evidence and our expert's acceptable ranges. We reviewed management's disclosures on key assumptions and sensitivities and found them to be appropriate.

Property, plant and equipment

Key audit matter	Significant judgement is involved in assessing property, plant & equipment for impairment. Property plant and equipment is tested at a CGU level. The CGUs are tested when a trigger for impairment is identified. Impairment testing is undertaken using discounted cash flow models to determine the recoverable values of the CGUs, which is compared to the carry value of the non-current assets of the CGUs. A deficit in recoverable value compared with the carrying amount would result in an impairment. Due to the size of the impairment amounting to CHF 1,690 million (refer to Note 25) as well as the nature of key assumptions and the fact that the outcome of the impairment assessment could vary significantly were different assumptions applied – (refer to note 26 for the key assumptions) the impairment of property, plant and equipment is a key audit matter. The key judgements are assumptions made by management in developing the discounted cash flows is similar to that noted above for goodwill impairment testing.
How the scope of our audit responded to the key audit matter	We considered the controls implemented by management in testing for impairment and the judgements in determining the CGUs to which property, plant and equipment is tested for impairment. We tested the key assumptions and inputs in the discounted cash flow models similar to that applied above for goodwill impairment testing. Our procedures found the discounted cash flow models of the CGUs supported by appropriate inputs and assumptions. We concluded that discount rate assumptions were in line with third party evidence and our expert's acceptable ranges. We reviewed management's disclosures on key assumptions and sensitivities and found them to be appropriate.

Taxation

Key audit matter	There is significant judgement in accounting for income taxes, particularly given the large number of jurisdictions in which the Group operates and exposures to numerous different tax laws around the world. This gives rise to complexity and uncertainty in respect of the calculation of income taxes, deferred tax positions, as well as the assessment of provisions for uncertain tax positions, including estimates of interest and penalties where appropriate. As at 31 December 2017, the Group has recorded a tax expense of CHF 536 million, CHF 1,587 million Deferred tax liabilities net (refer to Note 31) , CHF 765 million Current income tax liabilities and CHF 398 million Long-term income tax liabilities. Due to their significance to the financial statements as a whole, combined with the judgment and estimation required to determine their values, the evaluation of current and deferred tax balances is considered to be a key audit matter.
How the scope of our audit responded to the key audit matter	We discussed with management the adequate implementation of Group policies and controls regarding current and deferred tax, as well as the reporting of uncertain tax positions. We evaluated the design and implementation of controls in respect of provisions for current tax and the recognition and recoverability of deferred tax assets. We examined the procedures in place for the current and deferred tax calculations for completeness and valuation and audited the related tax computations and estimates in the light of our knowledge of the tax circumstances. Our work was conducted with the support of our tax specialists. We performed an assessment of the material components impacting the Group's tax expense, balances and exposures, including the impact of the United States of America tax reform. We reviewed and challenged the information reported by components with the support of our own local tax specialists, where appropriate. With the support of our tax specialists at group level, we verified the consolidation and analysis of tax balances. We considered management's assessment of the validity and adequacy of provisions for uncertain tax positions, evaluating the basis of assessment and reviewing relevant correspondence and legal advice where available including any information regarding similar cases with the relevant tax authorities. In respect of deferred tax assets and liabilities, we assessed the appropriateness of management's assumptions and estimates, including the likelihood of generating sufficient future taxable income to support deferred tax assets for tax losses carried forward as disclosed in Note 31 of CHF 1,078 million. We validated the appropriateness and completeness of the related disclosures in Note 31 to the consolidated financial statements. Based on the procedures performed above, we obtained sufficient audit evidence to corroborate management's estimates regarding current and deferred tax balances and provisions for uncertain tax positions.

Litigation

Key audit matter	The Group operates in multiple jurisdictions, exposing it to a variety of different laws, regulations and interpretations thereof. In this environment, there is an inherent litigation risk. In the normal course of business, provisions and contingent liabilities may arise from legal proceedings, including anti-trust, regulatory and other governmental proceedings, as well as investigations by authorities and commercial claims. At 31 December 2017, the Group held legal provisions of CHF 633 million. Given the highly complex nature of regulatory and legal cases, management applies significant judgement when considering whether, and how much, to provide for the potential exposure of each matter. These estimates could change substantially over time as new facts emerge and each legal case progresses. Given the complexity and magnitude of potential exposures across the Group, and the judgement necessary to determine required disclosures this is a key audit matter.
How the scope of our audit responded to the key audit matter	We discussed the status of significant known actual and potential litigation with the Head of Legal and Compliance, other management and directors who have knowledge of these matters. We challenged the decisions and rationale for provisions held or for decisions not to record provisions or make disclosures. For the most significant of the matters, we assessed relevant historical and recent judgments passed by the court authorities and considered legal opinion obtained by management from external lawyers to challenge the basis used for the provisions recorded and the disclosures made by the Group. We reviewed internal reports and met with Internal Audit to identify actual and potential noncompliance with laws and regulations, both those specific to the Group's business and those relating to the conduct of business generally. For those matters where management concluded that no provisions should be recorded, we also considered the adequacy and completeness of the Group's disclosures made in relation to contingent liabilities. Based on the procedures performed above, we obtained sufficient audit evidence to corroborate management's estimates for legal provisions and disclosures in Note 37 relating to contingencies.

Other matters

The consolidated financial statements of the Group for the year ended 31 December 2016 were audited by another auditor whose report, dated 1 March 2017, expressed an unqualified opinion on those financial statements.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement we determined materiality for the Group as a whole to be CHF 114.6 million, based on a calculation of 5% of normalised 2-year average profit before tax for 2016 and 2017.

The materiality applied by the component auditors ranged from CHF 3.4 million to CHF 65.3 million depending on the scale of the component's operations, the component's contribution to Group profit before tax and our assessment of risks specific to each location.

We agreed with the Finance & Audit Committee that we would report to the committee all audit differences in excess of CHF 5.7 million, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Finance & Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

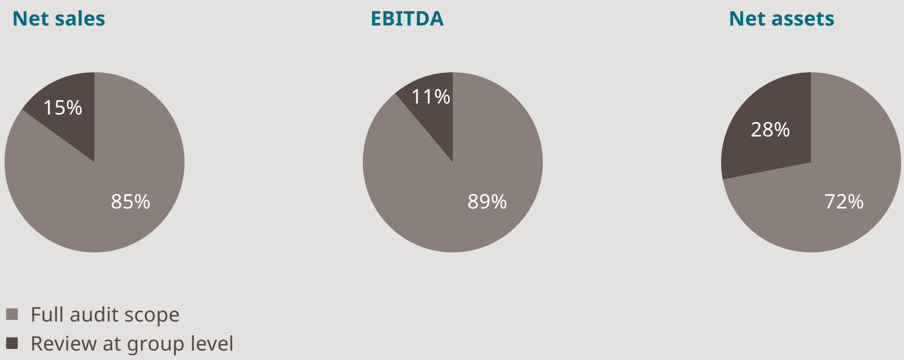
An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including groupwide controls, and assessing the risks of material misstatement at the Group level. Based on our continuing assessment, we focused our Group audit scope primarily on the audit work at 26 components, representing the Group's most material country operations, and utilised 26 component audit teams in 24 countries. All 26 components were subject to full scope audits, where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations at those locations.

These 26 components represent the principal business units and account for 72% of the Group's net assets, 85% of the Group's net sales and 89% of the Group's EBITDA.

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

The Group audit team continued to follow a programme of planned visits that has been designed so that a senior member of the Group audit team visits each of the locations where the Group audit scope was focused. Where we have not visited a significant component we included the component audit team in our team briefing, discussed their risk assessment, and reviewed documentation of the findings from their work.



Other Information in the Annual Report

The Board of Directors is responsible for the other information in the Annual Report. The other information comprises all information included in the Annual Report, but does not include the consolidated financial statements, the standalone financial statements of the Company upon which we issue a separate Statutory Auditor's report, the Compensation Report from pages 84 to 106 and our auditor's reports thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the Annual Report and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards 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 consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Deloitte AG

David Quinlin
Licensed Audit Expert
Auditor in charge

Frédéric Gourd

HOLDING COMPANY RESULTS

Statement of income LafargeHolcim Ltd

Million CHF	Notes	2017	2016
Dividend income – Group companies	3	**5,736**	5,910
Financial income – Group companies		**197**	214
Other operational income	4	**258**	11
Total income		**6,191**	6,135
Financial expenses – Group companies		**(16)**	(32)
Financial expenses – Third parties		**(51)**	(50)
Other operational expenses	5	**(649)**	(729)
Impairment of financial investments – Group companies	6	**(5,030)**	(5,203)
Direct taxes		**(17)**	0
Total expenses		**(5,763)**	(6,014)
Net income		**428**	120

Statement of financial position LafargeHolcim Ltd

Million CHF	Notes	31.12.2017	31.12.2016
Cash and cash equivalents		**175**	334
Trade receivables – Group companies		**0**	2
Short-term financial receivables - Group companies		**234**	91
Other current receivables – Group companies		**32**	45
Other current receivables – Third parties		**1**	0
Accrued income and prepaid expenses – Third parties		**1**	2
Current assets		**443**	474
Long-term financial receivables – Group companies	7	**2,732**	4,246
Financial investments – Group companies	8	**36,875**	36,428
Other financial assets		**3**	4
Long-term assets		**39,610**	40,678
Total assets		**40,053**	41,152
Interest bearing short-term financial liabilities – Group companies		**1,380**	173
Interest bearing short-term financial liabilities – Third parties	9	**450**	400
Other current liabilities – Group companies		**598**	565
Other current liabilities – Third parties		**31**	60
Current liabilities		**2,459**	1,198
Interest bearing long-term financial liabilities – Group companies	10	**1,246**	1,888
Interest bearing long-term financial liabilities – Third parties	11	**1,100**	1,550
Long-term liabilities		**2,346**	3,438
Total liabilities		**4,805**	4,636
Share capital	16	**1,214**	1,214
Statutory capital reserves		**20,412**	21,624
Statutory retained earnings			
– Statutory retained earnings		**2,531**	2,531
– Reserves for treasury shares held by subsidiaries		**0**	0
Voluntary retained earnings			
– Retained earnings prior year		**11,222**	11,102
– Annual profit		**428**	120
Treasury shares	12	**(559)**	(75)
Shareholders' equity		**35,248**	36,516
Total liabilities and shareholders' equity		**40,053**	41,152

NOTES TO THE FINANCIAL STATEMENTS OF LAFARGEHOLCIM LTD

LafargeHolcim Ltd, with registered office in Rapperswil-Jona, is the ultimate holding company of the LafargeHolcim Group which comprises subsidiaries, associated companies and joint ventures around the world. During the reporting period, LafargeHolcim Ltd employed fewer than ten employees (previous year: fewer than ten employees).

1. ACCOUNTING POLICIES

Due to rounding, numbers presented throughout this report may not add up precisely to the totals provided. All ratios and variances are calculated using the underlying amount rather than the presented rounded amount.

Accounting principles applied

Share based payments expense is recorded on an accrual basis over the course of the years. The shares are granted at their fair value.

Treasury shares are recognized at acquisition cost and deducted from equity. Gains and losses on the sale are recognized in the statement of income.

2. PRINCIPAL EXCHANGE RATES

		Statement of income Average exchange rates in CHF		Statement of financial position Closing exchange rates in CHF	
		2017	2016	**31.12.2017**	31.12.2016
1 Euro	EUR	**1.11**	1.09	**1.17**	1.07
1 US Dollar	USD	**0.98**	0.98	**0.98**	1.02
1 British Pound	GBP	**1.27**	1.33	**1.32**	1.26
1 Australian Dollar	AUD	**0.75**	0.73	**0.76**	0.74
1 Canadian Dollar	CAD	**0.76**	0.74	**0.78**	0.76
100 Mexican Peso	MXN	**5.22**	5.28	**4.96**	4.93
1 Brazilian Real	BRL	**0.31**	0.28	**0.29**	0.31
1 New Zealand Dollar	NZD	**0.70**	0.69	**0.69**	0.71
1 Polish Zloty	PLN	**0.26**	0.25	**0.28**	0.24

3. DIVIDEND INCOME – GROUP COMPANIES

Million CHF	2017	2016
LafargeHolcim Continental Finance Ltd	**1,044**	5,708
LafargeHolcim International Finance Ltd	**1,509**	0
Holdertrade Ltd	**65**	0
Holchile S.A.	**13**	0
Holcim Participations (US) Inc.	**893**	0
Aggregate Industries Europe	**0**	20
Holcim Finance (Canada) Inc.	**1**	0
Holderfin B.V.	**147**	0
Lafarge S.A.	**2,064**	0
Cesi S.A.	**0**	168
Holcim Group Services Ltd	**0**	14
Total	**5,736**	5,910

4. OTHER OPERATIONAL INCOME

Million CHF	2017	2016
Branding and trademark fees	**0**	1
Foreign exchange gains	**258**	10
Total	**258**	11

5. OTHER OPERATIONAL EXPENSES

Million CHF	2017	2016
Board of Director fees	**(6)**	(6)
Stewardship, branding and project expenses	**(369)**	(612)
Administrative expenses	**(12)**	(20)
Foreign exchange losses	**(262)**	(91)
Total	**(649)**	(729)

6. IMPAIRMENT OF FINANCIAL INVESTMENTS – GROUP COMPANIES

Million CHF	**2017**	2016
Lafarge S.A.	**(3,218)**	0
LafargeHolcim Continental Finance Ltd	**(952)**	(5,203)
LafargeHolcim International Finance Ltd	**(840)**	0
Cemasco B.V.	**(19)**	0
Holchil Limited	**(1)**	0
Total	**(5,030)**	(5,203)

7. LONG-TERM FINANCIAL RECEIVABLES – GROUP COMPANIES

Million CHF	**31.12.2017**	31.12.2016
Fernhoff Ltd.	**62**	63
Cemasco B.V.	**10**	0
Heracles General Cement Company S.A.	**62**	0
Lafarge Cement Polska S.A.	**255**	0
Holcim (US) Inc.	**117**	0
Holcim Participations (US) Inc.	**132**	322
Holcim (Schweiz) AG	**855**	885
LafargeHolcim International Finance Ltd	**1,143**	2,932
LafargeHolcim Albion Finance Ltd	**0**	13
Holdertrade Ltd	**96**	31
Total	**2,732**	4,246

8. FINANCIAL INVESTMENTS – GROUP COMPANIES

The principal direct and indirect subsidiaries and other holdings of LafargeHolcim Ltd are shown in note 42 to the Group's consolidated financial statements.

9. INTEREST BEARING SHORT-TERM FINANCIAL LIABILITIES – THIRD PARTIES

Million CHF	31.12.2017	31.12.2016
4.00% fixed, Bond, 2009–2018	**450**	0
–0.53% floating, Bond swapped into floating interest rates at inception, 2007–2017	**0**	400
Total	**450**	400

10. INTEREST BEARING LONG-TERM FINANCIAL LIABILITIES – GROUP COMPANIES

Million CHF	31.12.2017	31.12.2016
LafargeHolcim International Finance Ltd	**10**	1,454
LafargeHolcim Helvetia Finance Ltd	**581**	434
LafargeHolcim Continental Finance Ltd	**655**	0
Total	**1,246**	1,888

11. INTEREST BEARING LONG-TERM FINANCIAL LIABILITIES – THIRD PARTIES

Million CHF	31.12.2017	31.12.2016
4.00% fixed, Bond, 2009–2018	**0**	450
3.00% fixed, Bond, 2012–2022	**450**	450
2.00% fixed, Bond, 2013–2022	**250**	250
1.00% fixed, Bond, 2015–2025	**150**	150
0.38% fixed, Bond, 2015–2021	**250**	250
Total	**1,100**	1,550

12. MOVEMENT IN TREASURY SHARES

		Number held by LafargeHolcim Ltd	Million CHF	Price per share in CHF	Number held by subsidiaries	Reserve for treasury shares held by subsidiaries in Million CHF	Price per share in CHF
01.01.2017	Opening	**1,152,327**	**75**	**64.7**	**0**	**0**	**0.0**
2017	Purchases share buyback program	**8,841,454**	**500**	**56.6**	**0**	**0**	**0.0**
2017	Other purchases	**11**	**0**	**55.3**	**0**	**0**	**0.0**
2017	Sales	**(295,643)**	**(16)**	**53.5**	**0**	**0**	**0.0**
31.12.2017	Closing	**9,698,149**	**559**	**57.6**	**0**	**0**	**0.0**
01.01.2016	Opening	1,119,339	73	65.3	**219,155**	**13**	58.1
2016	Purchases	289,544	12	40.3	**150,000**	**7**	46.2
2016	Sales	(256,556)	(10)	40.0	**(369,155)**	**(20)**	53.2
31.12.2016	Closing	1,152,327	75	64.7	**0**	**0**	0.0

In 2017, the Group initiated a share buyback program for a total up to a maximum amount of CHF 1 billion over the period 2017 and 2018. The program started on June 1, 2017 and 8,841,454 shares were purchased in 2017 for an average price of CHF 56.56.

13. CONTINGENT LIABILITIES

Million CHF	31.12.2017	31.12.2016
Holcim Capital Corporation Ltd. – Guarantees in respect of holders of		
7.65% USD 50 million private placement due in 2031	**77**	81
6.88% USD 250 million bonds due in 2039	**269**	281
6.50% USD 250 million bonds due in 2043	**269**	281
Holcim Capital México, S.A. de C.V. – Guarantees in respect of holders of		
7.78% MXN 2,000 million bonds due in 2018	**109**	109
7.00% MXN 1,700 million bonds due in 2019	**93**	92
8.01% MXN 1,700 million bonds due in 2020	**93**	92
Holcim Finance (Australia) Pty Ltd – Guarantees in respect of holders of		
6.00% AUD 250 million bonds due in 2017	**0**	203
5.25% AUD 200 million bonds due in 2019	**168**	162
3.75% AUD 250 million bonds due in 2020	**210**	203
3.50% AUD 300 million bonds due in 2022	**252**	0
Holcim Finance (Belgium) S.A.		
Commercial Paper Program, guarantee based on utilization, EUR 3,500 million maximum	**0**	215
Holcim Finance (Luxembourg) S.A. – Guarantees in respect of holders of		
6.35% EUR 200 million bonds due in 2017	**0**	236
0.72% EUR 209 million Schuldschein loans due in 2021	**269**	247
1.04% EUR 413 million Schuldschein loans due in 2021	**531**	488
0.92% EUR 25 million Schuldschein loans due in 2023	**32**	30
1.38% EUR 1,150 million bonds due in 2023	**1,478**	1,359
1.46% EUR 152 million Schuldschein loans due in 2023	**195**	180
3.00% EUR 500 million bonds due in 2024	**643**	591
2.00% EUR 33 million Schuldschein loans due in 2026	**42**	39
2.25% EUR 1,150 million bonds due in 2028	**1,478**	1,359
1.75% EUR 750 million bonds due in 2029	**964**	0

Million CHF	31.12.2017	31.12.2016
Holcim GB Finance Ltd. – Guarantees in respect of holders of		
8.75% GBP 300 million bonds due in 2017	**0**	414
Holcim Overseas Finance Ltd. – Guarantees in respect of holders of		
3.38% CHF 425 million bonds due in 2021	**468**	468
Holcim US Finance S.à r.l. & Cie S.C.S. – Guarantees in respect of holders of		
6.21% USD 200 million private placement due in 2018	**195**	204
6.00% USD 750 million bonds due in 2019	**806**	843
2.63% EUR 500 million bonds due in 2020	**643**	591
4.20% USD 50 million bonds due in 2033	**54**	56
5.15% USD 500 million bonds due in 2023	**537**	562
LafargeHolcim International Finance Ltd – Guarantees in respect of holders of		
3.01% USD 121 million Schuldschein loans due in 2021	**130**	136
2.80% USD 40 million Schuldschein loans due in 2021	**43**	45
3.21% USD 25 million Schuldschein loans due in 2023	**27**	28
3.20% USD 15 million Schuldschein loans due in 2023	**16**	17
LafargeHolcim Finance US LLC – Guarantees in respect of holders of		
3.50% USD 400 million bonds due in 2026	**430**	450
4.75% USD 600 million bonds due in 2046	**645**	674
LafargeHolcim Sterling Finance (Netherlands) B.V.		
3.00% GBP 300 million bonds due in 2032	**435**	0
Guarantees for committed credit lines, utilization CHF 0 million (2016: CHF 0 million)	**6,229**	5,619
Other guarantees	**0**	14

LafargeHolcim Ltd is part of a value added tax group and therefore jointly liable to the Swiss Federal Tax Administration for the value added tax liabilities of the other members. LafargeHolcim Ltd guarantees Holcim Finance (Luxembourg) S.A. any amount needed to fulfill its obligations from financing agreements.

14. SHARE INTERESTS OF BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Shares and options owned by Board of Directors

As of December 31, 2017, the members of the Board of Directors of LafargeHolcim Ltd held directly and indirectly in the aggregate 94,528,975 registered shares (2016: 98,323,773 registered shares) and no rights to acquire further registered shares and 10,000,000 call options on registered shares (2016: 443,086 call options on registered shares).

Number of shares and options held by the Board of Directors as of December 31, 2017 [1]

Name	Position	Total number of shares 2017	Total number of call options 2017
Beat Hess	Chairman	**17,419**	
Oscar Fanjul	Vice-Chairman	**7,758**	
Bertrand Collomb	Member	**116,065**	
Paul Desmarais, Jr.	Member	**38,943**	
Patrick Kron	Member	**0**	
Gérard Lamarche	Member	**4,066**	
Adrian Loader	Member	**16,739**	
Jürg Oleas	Member	**3,397**	
Nassef Sawiris	Member	**25,180,203**	**10,000,000**
Thomas Schmidheiny	Member	**69,072,527**	
Hanne Sørensen	Member	**6,776**	
Dieter Spälti	Member	**65,082**	
Total Board of Directors		**94,528,975**	**10,000,000**

Number of shares and options held by the Board of Directors as of December 31, 2016 [1]

Name	Position	Total number of shares 2016	Total number of call options 2016
Beat Hess	Chairman	8,792	
Bruno Lafont	Co-Chairman	44,939	443,086
Bertrand Collomb	Member	121,673	
Philippe Dauman	Member	1,129	
Paul Desmarais, Jr.	Member	37,086	
Oscar Fanjul	Member	5,901	
Alexander Gut	Member	8,161	
Gérard Lamarche	Member, Finance and Audit Committee Chairman	2,209	
Adrian Loader	Member	14,882	
Jürg Oleas	Member	2,314	
Nassef Sawiris	Member, Nomination, Compensation & Governance Committee Chairman	28,938,346	
Thomas Schmidheiny	Member	69,070,670	
Hanne Sørensen	Member	4,920	
Dieter Spälti	Member, Strategy and Sustainable Development Committee Chairman	62,751	
Total Board of Directors		98,323,773	443,086

[1] From allocation, shares are subject to a five-year sale and pledge restriction period.

Shares and options owned by Senior Management

As of December 31, 2017, members of Senior Management held a total of 209,225 registered shares (2016: 92,718 registered shares) in LafargeHolcim Ltd. This figure includes both privately acquired shares and those allocated under the Group's participation and compensation schemes.

Furthermore, at the end of 2017, Senior Management held a total of 919,834 share options (2016: 1,018,088 share options) and 605,372 performance shares (2016: 393,825 performance shares); both of these arose as a result of the participation and compensation schemes of various years. Options are issued solely on registered shares in LafargeHolcim Ltd. One option entitles the holder to subscribe to one registered share in LafargeHolcim Ltd.

Number of shares and options held by the senior management as of December 31, 2017

Name	Position	Total number of shares 2017	Total number of call options 2017	Total number of performance shares 2017
Jan Jenisch	CEO	**120,000**	**80,000**	**126,868**
Ron Wirahadiraksa	Member of the Executive Committee, CFO	**5,649**	**113,217**	**77,655**
Urs Bleisch	Member of the Executive Committee	**13,116**	**122,115**	**49,416**
Pascal Casanova	Member of the Executive Committee	**8,057**	**86,574**	**56,351**
Roland Köhler	Member of the Executive Committee	**39,288**	**195,927**	**67,655**
Martin Kriegner	Member of the Executive Committee	**4,094**	**52,353**	**38,026**
Gérard Kuperfarb	Member of the Executive Committee	**11,240**	**140,614**	**76,760**
Caroline Luscombe	Member of the Executive Committee	**1,474**	**36,410**	**40,009**
Oliver Osswald	Member of the Executive Committee	**1,784**	**27,308**	**27,231**
Saâd Sebbar	Member of the Executive Committee	**4,523**	**65,316**	**45,401**
Total Senior Management		**209,225**	**919,834**	**605,372**

Number of shares and options held by the senior management as of December 31, 2016

Name	Position	Total number of shares 2016	Total number of call options 2016	Total number of performance shares 2016
Eric Olsen	CEO	23,499	262,054	117,924
Ron Wirahadiraksa	Member of the Executive Committee, CFO	2,101	113,217	50,543
Urs Bleisch	Member of the Executive Committee	10,399	122,115	32,163
Pascal Casanova	Member of the Executive Committee	4,857	70,857	31,632
Roland Köhler	Member of the Executive Committee	34,581	198,208	40,543
Martin Kriegner	Member of the Executive Committee	3,100	45,410	20,354
Gérard Kuperfarb	Member of the Executive Committee	8,222	77,193	34,460
Caroline Luscombe	Member of the Executive Committee	0	36,410	22,756
Oliver Osswald	Member of the Executive Committee	887	27,308	14,291
Saâd Sebbar	Member of the Executive Committee	5,072	65,316	29,159
Total Senior Management		92,718	1,018,088	393,825

15. SIGNIFICANT SHAREHOLDERS

According to the share register and disclosed through notifications filed with LafargeHolcim Ltd and the SIX Swiss Exchange shareholders, owning 3 percent or more are as follows:

- Thomas Schmidheiny directly and indirectly holds 69,072,527 shares or 11.4 percent as per December 31, 2017 (2016: 69,070,670 shares or 11.4 percent)[1];
- Groupe Bruxelles Lambert holds 57,238,551 shares or 9.4 percent as per December 31, 2017 (2016: 57,238,551 shares or 9.4 percent);
- NNS Jersey Trust holds 25,180,203 shares or 4.1 percent and additionally 10,000,000 options or 1.7 percent, total of 5.8 percent as per December 31, 2017 (2016: 28,938,346 shares or 4.8 percent)[2];
- Harris Associates L.P. declared holdings of 30,446,532 shares or 5.0 percent on October 25, 2017 (August 15, 2016: 30,285,539 shares or 5.0 percent). Harris Associates Investment Trust declared holdings of 18,332,272 shares or 3.0 percent on October 6, 2017;
- BlackRock Inc. declared holdings of 18,725,934 shares or 3.1 percent on May 12, 2017 (January 6, 2017: 18,343,270 shares or 3.0 percent).

[1] Included in share interest of Board of Directors.
[2] Included in share interest of Board of Directors, ultimate beneficial owner Nassef Sawiris.

16. SHARE CAPITAL

	2017		2016	
Shares	**Number**	**Million CHF**	**Number**	**Million CHF**
Registered shares of CHF 2.00 par value	**606,909,080**	**1,214**	606,909,080	1,214
Total	**606,909,080**	**1,214**	606,909,080	1,214
Appropriation of retained earnings				
Retained earnings brought forward		**11,222**		11,102
Net income of the year		**428**		120
Retained earnings available for annual general meeting of shareholders		**11,650**		11,222
The Board of Directors proposes to the annual general meeting of shareholders to carry the balance forward to the new accounts				
Balance to be carried forward		**11,650**		11,222

Payout from capital contribution reserves

The Board of Directors proposes to the annual general meeting of shareholders an appropriation from statutory capital reserves to voluntary retained earnings and payout of CHF 2.00 per registered share up to an amount of CHF 1,196 million[1].

	2017	2016
	Cash payout CHF	Cash payout CHF
Payout per share, gross	**2.00**	2.00
Less withholding tax	**0**	0
Payout per share, net	**2.00**	2.00

[1] There is no payout on treasury shares held by LafargeHolcim. On January 1, 2018 treasury holdings amounted to 9,698,149 registered shares of which 8,841,454 shares have been acquired within the share buyback program.

TO THE GENERAL MEETING OF LAFARGEHOLCIM LTD, RAPPERSWIL-JONA

Zurich, March 1, 2018

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of LafargeHolcim Ltd, which comprise the balance sheet as at as at 31 December 2017 and the income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion the financial statements as at 31 December 2017, presented on pages 231 to 243 comply with Swiss law and the company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Report on Key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

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 our 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.

Financial investments – Group companies

Key audit matter	As described in Note 8 to the financial statements, the Group holds investments in LafargeHolcim Group companies with a carrying value of CHF 36,875 million as of 31 December 2017, representing 92.1% of total assets. In accordance with Article 960 CO, each investment held is usually valued individually and reviewed annually for impairment indicators. Each investment showing impairment indicators must be tested for impairment and an impairment would need to be recorded if the recoverable amount is lower than the carrying amount. The impairment test performed by management is subject to judgement around the valuation method and key valuation assumptions. Accordingly, for the purposes of our audit, we identified the impairment assessment and judgement applied by management on the valuation of these investments as representing a key audit matter.
How the scope of our audit responded to the key audit matter	We discussed with management the adequate implementation of accounting policies and controls regarding the valuation of investments in group companies. We tested the design and implementation of controls around the valuation of investments to determine whether appropriate controls are in place. We challenged the assessment of impairment indicators by the Company. We tested the valuations by critically assessing the methodology applied and the reasonableness of the underlying assumptions and judgements. We assessed the impairment testing models and calculations by: – Checking the mechanical accuracy of the impairment models and the extraction of inputs from source documents; and – Challenging the significant inputs and assumptions used in impairment for investments in LafargeHolcim Group companies. We validated the appropriateness and completeness of the related disclosures in Notes 6 and 8 to the financial statements.

Other matters

The financial statements of the company for the year ended 31 December 2016 were audited by another auditor whose report, dated 1 March 2017, expressed an unqualified opinion on those financial statements.

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives 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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards 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.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse:

http://expertsuisse.ch/en/audit-report-for-public-companies.

This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Deloitte AG

David Quinlin
Licensed Audit Expert
Auditor in charge

Frédéric Gourd

5-YEAR-REVIEW
LAFARGEHOLCIM GROUP

5-YEAR-REVIEW LAFARGEHOLCIM GROUP

		2017	2016 [1]	2015	2014 [1]	2013 [2]
Statement of income						
Net sales	million CHF	**26,129**	26,904	23,584	18,825	19,719
Gross profit	million CHF	**7,781**	11,272	7,093	8,365	8,632
Recurring EBITDA	million CHF	**5,990**	5,950	n/a	n/a	n/a
Recurring EBITDA margin	%	**22.9**	22.1	n/a	n/a	n/a
Operating (loss) profit	million CHF	**(478)**	2,963	(739)	2,244	2,357
Operating (loss) profit margin	%	**(1.8)**	11.0	(3.1)	11.9	12.0
Depreciation, amortization and impairment of operating assets	million CHF	**6,007**	2,405	4,421	1,402	1,538
Income taxes	million CHF	**536**	835	781	581	533
Tax rate	%	**(45)**	29	(114)	26	25
Net (loss) income	million CHF	**(1,716)**	2,090	(1,361)	1,619	1,596
Net (loss) income – shareholders of LafargeHolcim Ltd	million CHF	**(1,675)**	1,791	(1,469)	1,287	1,272
Statement of cash flows						
Cash flow from operating activities	million CHF	**3,040**	3,295	2,465	2,484	2,787
Investments in property, plant and equipment for maintenance net	million CHF	**(881)**	(997)	(981)	(732)	(719)
Investments in property, plant and equipment for expansion	million CHF	**(474)**	(638)	(1,007)	(1,005)	(1,282)
Disposal of financial assets, intangible and other assets and businesses net	million CHF	**680**	2,342	7,222	35	336
Statement of financial position						
Current assets	million CHF	**12,618**	14,435	13,331	7,231	7,590
Non-current assets	million CHF	**51,061**	55,182	59,967	32,259	30,355
Total assets	million CHF	**63,679**	69,617	73,298	39,490	37,944
Current liabilities	million CHF	**11,519**	12,509	14,832	6,847	7,461
Non-current liabilities	million CHF	**21,185**	22,361	22,744	12,531	11,807
Total shareholders' equity	million CHF	**30,975**	34,747	35,722	20,112	18,677
Shareholders' equity as % of total assets	%	**48.6**	49.9	48.7	50.9	49.2
Non-controlling interest	million CHF	**3,188**	3,925	4,357	2,682	2,471
Net financial debt	million CHF	**14,346**	14,724	17,266	9,520	9,461
Capacity, sales and personnel						
Annual production capacity cement	million t	**318.4**	353.3	374.0	208.8	206.2
Sales of cement	million t	**209.5**	233.2	193.1	138.2	138.9
Sales of aggregates	million t	**278.7**	282.7	231.5	153.1	154.5
Sales of ready-mix concrete	million m^3	**50.6**	55.0	47.6	37.0	39.5
Personnel		**81,960**	90,903	100,956	67,137	70,857

[1] Restated due to changes in presentation or in accounting policies.
[2] As reported in the respective years, not restated due to changes in accounting policies.

Cautionary statement regarding forward-looking statements

This document may contain certain forward-looking statements relating to the Group's future business, development and economic performance. Such statements may be subject to a number of risks, uncertainties and other important factors, such as but not limited to (1) competitive pressures; (2) legislative and regulatory developments; (3) global, macroeconomic and political trends; (4) fluctuations in currency exchange rates and general financial market conditions; (5) delay or inability in obtaining approvals from authorities; (6) technical developments; (7) litigation; (8) adverse publicity and news coverage, which could cause actual development and results to differ materially from the statements made in this document. LafargeHolcim assumes no obligation to update or alter forward-looking statements whether as a result of new information, future events or otherwise.

Disclaimer

LafargeHolcim Ltd publishes Annual Reports in English, German, and French. The English version is legally binding.

Financial reporting calendar

	Date
Results for the first quarter 2018	**May 8, 2018**
Annual General Meeting of shareholders	**May 8, 2018**
Ex date	**May 11, 2018**
Payout	**May 16, 2018**

Definition of Non-GAAP Measures used in this report

Like-for-like	Like-for-like information is information factoring out changes in the scope of consolidation (such as divestments and acquisitions occurring in 2017 and 2016) and currency translation effects (2017 figures are converted with 2016 exchange rates in order to calculate the currency effects).
Restructuring, litigation, implementation and other non recurring costs	Restructuring, litigation, implementation and other non recurring costs comprise significant items that, because of their exceptional nature, cannot be viewed as inherent to the Group's ongoing performance, such as strategic restructuring, major items relating to antitrust fines and other business related litigation cases. In 2017 and 2016, they also included costs directly related to the merger such as legal, banking fees and advisory costs, employee costs related to redundancy plans and IT implementation costs.
Profit/Loss on disposals and other non-operating items	Profit/Loss on disposals and non-operating items comprise capital gains or losses on the sale of Group companies and of property, plant and equipment and other non-operating items that are not directly related to the Group's normal operating activities such as revaluation gains or losses on previously held equity interests, disputes with non-controlling interests and other major lawsuits.
Recurring EBITDA (previously named "Operating EBITDA adjusted")	The recurring EBITDA is an indicator to measure the performance of the Group excluding the impacts of non recurring items. It is defined as: +/– Operating profit; – depreciation, amortization and impairment of operating assets; and – restructuring, litigation, implementation and other non recurring costs.
Recurring EBITDA margin (previously named "Operating EBITDA margin adjusted")	The recurring EBITDA margin is an indicator to measure the profitability of the Group excluding the impacts of non recurring items. It is defined as the recurrring EBITDA divided by the net sales.
Net income before impairment and divestments	Net income before impairment and divestments excludes impairment charges and capital gains and losses arising on disposals of investments which, because of their exceptional nature, cannot be viewed as inherent to the Group's ongoing activities. It is defined as: +/– Net income (loss) – gains/ losses on disposals of Group companies; and – impairments of goodwill and assets.
Earnings Per Share (EPS) before impairment and divestments	The Earnings Per Share (EPS) before impairment and divestments is a indicator that measures the theoretical profitability per share of stock outstanding based on a net income before impairment and divestments. It is defined as: – net income before impairment and divestments attributable to the shareholders of LafargeHolcim Ltd divided by the weighted average number of shares outstanding.
Net Maintenance and Expansion Capex ("Capex" or "Capex Net")	The Net Maintenance and Expansion Capex ("Capex" or "Capex Net") is an indicator to measure the cash spent to maintain or expand its asset base. It is defined as: + Expenditure to increase existing or create additional capacity to produce, distribute or provide services for existing products (expansion) or to diversify into new products or markets (diversification); + Expenditure to sustain the functional capacity of a particular component, assembly, equipment, production line or the whole plant, which may or may not generate a change of the resulting cash flow; and – Proceeds from sale of property, plant and equipment.
Free Cash Flow (previously named "Operating Free Cash Flow")	The Free Cash Flow is an indicator to measure the level of cash generated by the Group after spending cash to maintain or expand its asset base. It is defined as: +/– Cash flow from operating activities; and – Net Maintenance and expansion Capex
Net financial debt ("Net debt")	The Net financial debt ("Net debt") is an indicator to measure the financial debt of the Group after deduction of the cash. It is defined as: + Financial liabilities (long-term & short-term) including derivative liabilities; – Cash and cash equivalents; and – Derivative assets.

Net working capital	The net working capital is an indicator that indicates whether the Group has enough short-term assets to cover its short-term liabilities. It is defined as: + Trade accounts receivable; + Inventories; + Prepaid expenses and other current assets; – Trade accounts payable; – Current income tax liabilities; – Long-term income tax liabilities; and – Other current liabilities.
Invested Capital	The Invested Capital is an indicator that measures total funds invested by shareholders, lenders and any other financing sources. It is defined as: + Net working capital; + Investments in associates and joint ventures; + Property, plant and equipment; + Goodwill; + Intangible assets; + Deferred tax assets; + Pension assets; – Short-term provisions; – Defined benefit obligations; – Deferred tax liabilities; and – Long-term provisions.
Net Operating Profit After Tax (“NOPAT”)	The Net Operating Profit After Tax (“NOPAT”) is an indicator that measures the Group’s potential earnings if it had no debt. It is defined as: +/– Net Operating Profit (being the recurring EBITDA, adjusted for depreciation and amortization of operating assets but excluding impairment of operating assets); and – Standard Taxes (being the taxes applying the Group’s tax rate to the Net Operating Profit as defined above).
Return On Invested Capital (“ROIC”)	The ROIC (Return On Invested Capital) measures the Group’s ability to efficiently use invested capital. It is defined as Net Operating Profit After Tax (NOPAT) divided by the average Invested Capital. The average is calculated by adding the Invested Capital at the beginning of the period to that at the end of the period and dividing the sum by 2 (based on a rolling 12 month calculation).
Cash conversion	The cash conversion is an indicator that measures the Group’s ability to convert profits into available cash. It is defined as Free Cash Flow divided by recurring EBITDA.

This set of definitions can be found on our website:
www.lafargeholcim.com/non-gaap-measures

Cover photograph: Two employees at our Királyegyháza cement plant in Hungary, which received the World Prix d'Excellence 2017 from the International Real Estate Federation (FIABCI). The plant was awarded the World Gold Winner prize in the industrial buildings category for its outstanding environmental performance and the high architectural quality of the plant buildings.

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