LAFARGEHOLCIM ANNUAL REPORT 2016

LafargeHolcim

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

From pages 1 to 170, 2015 figures correspond to pro forma financial information as defined on page 291.

KEY FIGURES GROUP

26,904
Net sales
million CHF

21.6%
Adjusted operating EBITDA margin
Excluding merger, restructuring and other one-offs

638
Synergies
million CHF

5,242
Operating EBITDA
million CHF

2.67
Recurring Earnings per Share
CHF

1,918
Recurring Net Income
million CHF

5,825
Adjusted operating EBITDA
million CHF

1,660
Operating Free Cash Flow
million CHF

DEAR SHAREHOLDER,

2016 was the year we hit our stride and delivered accelerating earnings momentum, demonstrating the potential of LafargeHolcim to create value. Our focus on synergies, costs and pricing drove higher margins and, as a result, significant improvements in EBITDA, cash flow and earnings per share.

We have achieved a great deal since the creation of LafargeHolcim in July 2015 and have built a company equipped with the resources and capabilities to be successful over the medium to long term. The diverse talents and experience of our 90,000 employees around the world enable us to anticipate and meet our customers' requirements, whether that is affordable housing, building a family home or construction of a large and complex infrastructure project. This is supported by LafargeHolcim's industry-leading capability in research and development which allows us to provide innovative solutions to existing and evolving construction needs.

Our global best-in-class portfolio has a good balance between mature and developing countries and we enjoy leadership positions in 80 percent of our markets. This positions us well to benefit from overall growth in the sector and, notably, from the positive trajectory of several markets we have identified as important drivers of growth in 2017 and beyond. We also have to contend with increasing volatility, which can present opportunities as well as challenges. Thanks to the strength of our diversified portfolio and the hard work of our employees – who, for example, responded decisively to the economic crisis in Brazil and interruption of gas supplies in Nigeria – we were able to mitigate the effect on our earnings in 2016.

We have built our strategy around four pillars: cost leadership, an asset light approach, commercial transformation and sustainability. Cost leadership means systematically and rigorously managing our costs, implementing best practice across the Group and taking advantage of our scale. By adopting an asset light approach we optimize and leverage our current asset base, spending less on capital and unlocking growth opportunities with lower capital outlay. Cost leadership and an asset light approach together enable the business to grow returns through disciplined management and allocation of capital.

Commercial transformation and sustainability are focused on differentiating us from our competitors. We want to develop our commercial expertise to anticipate the needs of our customers, getting involved earlier in projects to co-develop solutions while promoting sustainability through our solutions and the way we run our business. Our strategy of adding value for our customers through differentiation will be an increasing contributor to earnings growth into the future.

Our commitment to sustainable development also speaks to the kind of company we are and want to be. We see sustainability as both a responsibility and an opportunity. We are proud to lead the industry in reducing CO^2 per tonne of cement and, more widely, we continue to advocate mechanisms such as carbon pricing that can act as a lever to cut the causes of global warming. Equally, our leading research and development capability enables us to address the growing demand for sustainable construction solutions. One example is the 2016 launch of Airium, our fully recyclable, mineral foam insulation product that meets a growing need for more efficient buildings. Another is Geocycle, our worldwide waste management business, which utilizes alternative fuels to fire our kilns thereby reducing CO^2 and energy costs while providing a sustainable solution to waste that would otherwise be disposed of in landfill sites. These innovative approaches, and more, will help us achieve our 2030 ambition of generating one third of our turnover from solutions with enhanced sustainability performance.

The Group's unique capabilities, combined with our ability to execute – exemplified by our over-delivery of synergies in 2016 – put us in a strong position to create value for all our stakeholders including you, our shareholders. In line with our commitment to return cash to shareholders, we are proposing a recurring dividend of CHF 2.00 per share, an increase of CHF 0.50 on the previous year. This demonstrates our confidence in the momentum of our business and financial performance and our strict capital allocation discipline. Commensurate with maintaining a solid investment grade rating, we expect to grow our dividend from that level while achieving a 50 percent payout ratio through the cycle. In November 2016, we also announced a share buyback program of up to CHF 1 billion to be conducted in 2017 and 2018.

Since the creation of LafargeHolcim, we have worked hard to build a distinctive culture based around a set of guiding values. This provides a framework for how we expect our employees to behave.

Our overarching value is health and safety. It is embedded in everything we do. We are committed to ensure that the health and safety of our employees, contractors and members of the public are not put at risk by our operations. It's a cause of deep regret, therefore, that we recorded an increase in the number of fatalities and injuries in 2016, chiefly as a result of road traffic incidents. We have a concerted plan in place to improve this record and move us towards our ambition of zero harm.

We would like to take this opportunity to thank you, our shareholders, for your continued support during 2016. We would also like to express our gratitude to our Board members for their continuing dedication and wise counsel and the members of the Executive Committee who have played a critical leadership role in driving the transformation of the Group. Finally, it is important that we recognize the commitment of our employees who continued to deliver for our customers across the world each and every day. The achievements we are able to report are made possible by their hard work, dedication and expertise.

In 2016, LafargeHolcim demonstrated that it is on track and delivering. As we look forward, we are confident that all our stakeholders will benefit from the unique platform we have built to drive growth and value creation.

Beat Hess
Chairman of the Board of Directors

Eric Olsen
Chief Executive Officer

Beat Hess

Eric Olsen

Roland Köhler

Saâd Sebbar

Martin Kriegner

Pascal Casanova

Oliver Osswald

Caroline Luscombe

Urs Bleisch

Ron Wirahadiraksa

Eric Olsen

Gérard Kuperfarb

BOARD OF DIRECTORS

Beat Hess
Chairman

Members

Bruno Lafont (Co-Chairman)
Bertrand Collomb
Philippe Dauman
Paul Desmarais, Jr.
Oscar Fanjul
Alexander Gut
Gérard Lamarche
Adrian Loader
Jürg Oleas
Nassef Sawiris
Thomas Schmidheiny
Hanne Birgitte Breinbjerg Sørensen
Dieter Spälti

IN BRIEF

AT A GLANCE

52 % developing markets*
48 % mature markets*

Balanced global footprint

* of net sales

2,300

operating sites

90,000

employees

Lowest CO_2 emissions per tonne of cement among international groups

2,000

granted patents or patent applications

14 million

tonnes of waste used as alternative fuel and raw material*

* in 2015

CEMENT

Profile

Around the world, our customers can choose from a wide range of specialized LafargeHolcim cements, enabling them to turn their construction plans – large or small – into reality. Cement is manufactured through a large-scale, capital- and energy-intensive process. At the core of the production process is a rotary kiln, in which limestone and clay are heated to approximately 1,450 degrees Celsius. The semi-finished product, clinker, is created by sintering, or heating it until it coalesces into solid material. In the cement mill, gypsum is added to the clinker and the mixture is ground to a fine powder – traditional Portland cement. Other high-grade materials such as granulated blast furnace slag, fly ash, pozzolan, and limestone can be added in order to modify the properties of the cement for special uses.

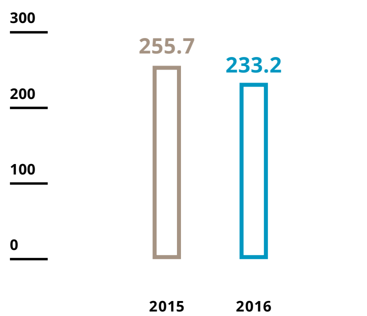
LafargeHolcim produces an extensive line of cements and hydraulic binders. These range from Portland cements and classic masonry cements to specialized products for different types of environments, including those exposed to seawater, sulfates and other harsh natural conditions, where cements with high slag or pozzolan content provide greater durability. The Group also develops solutions intended for specific applications, such as white cement, oil-well cements, and road surfacing binders. These products go hand in hand with certain complementary services, such as technical support, order and delivery logistics, documentation, demonstrations and training related to the characteristics and proper use of cement.

Cement customers include construction and public works organizations, manufacturers (producers of ready-mix concrete and prefabricated products), and, via retailers, the general public. At a basic level, the market can be segmented into bag and bulk cement. Bag markets consist of highly fragmented customer groups. Emerging markets tend to be the largest consumers of bagged cement. Bulk markets are more industrialized, as they are mainly focused on larger business-to-business customers such as construction companies or building products manufacturers. Most mature markets in Europe and North America are predominantly bulk markets.

Cement is a product that is costly to transport over land. Consequently, the radius within which a typical cement plant is competitive extends no more than 300 kilometers for the most common types of cement. However, cement can be shipped more economically by sea and inland waterways over great distances. Most LafargeHolcim plants are located close to customers in highly populated areas, benefiting from the ongoing global urbanization trend.

Sales of cement

in million t



Consolidated key figures for cement in 2016

	2016
Production capacity cement in million t	353.3
Cement and grinding plants	226
Sales of cement in million t	233.2
Net sales[1] in million CHF	17,952
Operating EBITDA[1] in million CHF	4,320
Personnel[1]	56,133

[1] Includes all other cementitious materials

Consolidated sales of cement 2016 per region[1]

in million t	2016
Asia Pacific	113.7
Europe	41.6
Latin America	24.1
Middle East Africa	40.3
North America	19.5

[1] Inter-regional sales –6.0 million t

CONSOLIDATED CEMENT CAPACITY

in million tonnes per year

353.3
LafargeHolcim

11.7 Algeria
10.8 Nigeria
8.9 Egypt
6.0 Iraq
3.9 Jordan
3.4 South Africa
2.5 Lebanon
2.3 Kenya
1.6 Zambia
1.2 Uganda
1.1 Tanzania
0.6 Qatar
0.5 Reunion
0.4 Zimbabwe
0.3 Malawi
0.2 Madagascar

55.3
Middle East Africa

67.7 India
37.8 China
15.1 Indonesia
10.5 Malaysia
9.3 Philippines
6.1 Vietnam
3.9 Bangladesh

150.5
Asia Pacific

10.5 Russia	3.7 Italy	1.5 Bulgaria	**76.4** Europe
9.7 France	3.3 Switzerland	1.4 Serbia	
7.8 Spain	2.1 Austria	1.3 Moldova	
7.7 Poland	2.1 Belgium	1.2 Czech Republic	
7.4 Germany	1.9 Azerbaijan	0.9 Croatia	
6.0 Romania	1.7 Hungary		
4.6 Greece	1.6 United Kingdom		

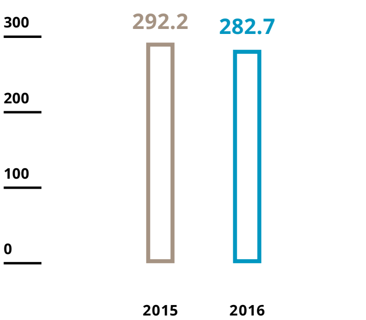
12.2 Mexico	2.3 Chile	0.7 West Indies	**41.9** Latin America
11.1 Brazil	2.1 Colombia	0.4 Nicaragua	
5.5 Ecuador	1.7 El Salvador		
4.8 Argentina	1.1 Costa Rica		

22.6 United States	**29.2** North America
6.6 Canada	

AGGREGATES

Sales of aggregates

in million t



Consolidated key figures for aggregates in 2016

	2016
Aggregates plants	648
Sales of aggregates in million t	282.7
Net sales in million CHF	3,933
Operating EBITDA in million CHF	628
Personnel	11,816

Consolidated sales of aggregates 2016 per region

in million t	2016
Asia Pacific	32.2
Europe	124.2
Latin America	6.0
Middle East Africa	12.2
North America	108.2

Profile

Aggregates include crushed stone, gravel, and sand. They can also be recycled from concrete material. They are typically produced by blasting hard rock from quarries and then extracting and crushing it. Aggregate production also involves the extraction of sand and gravel from both land and marine locations, which generally requires less crushing. In both cases, the aggregates are then screened to obtain various sizes to meet different needs. Aggregates differ in terms of their physical characteristics such as hardness, geological nature (limestone, granite, etc), granularity (ranging from sand to riprap used in seawalls), shape, color, and granular distribution. These characteristics determine the applications for which the various types of aggregates are suited.

Thanks to the work of the LafargeHolcim Research Center, the Group has been able to tailor its offer to products with greater added value. LafargeHolcim also markets high-quality recycled aggregates made from crushed concrete and asphalt resulting from deconstruction.

Aggregates are used as raw materials for concrete, masonry and asphalt and as base materials for roads, landfills, and buildings. As such, they are a key component of construction projects worldwide. There is a very broad range of customers for aggregates. Major ones include concrete and asphalt producers, manufacturers of prefabricated products, and construction and public works contractors of all sizes. Because of the high weight of aggregates and cost of transporting them, aggregates markets are nearly always local.

READY-MIX CONCRETE AND OTHERS

Profile

Concrete is the world's second most consumed good by volume after water. One cubic meter consists of approximately 300 kilograms of cement, 150 liters of water and two tonnes of aggregates. Ready-mix concrete is one of the largest markets for the cement and aggregates industries.

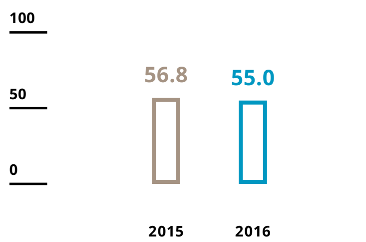
Buyers of ready-mix concrete are typically construction and public works contractors, ranging from major multinational corporations to small-scale customers. LafargeHolcim works to set itself apart based on the quality and consistency of its products, the breadth of its portfolio and, especially, the innovative solutions developed by its Research Center. These include ultra-high-performance fiber-reinforced concrete, self-filling and self-leveling concrete, architectural concrete, insulating concrete, and pervious concrete.

The ready-mix concrete industry is less capital intensive than the cement industry. It is also highly decentralized, since concrete is a heavy product that must be delivered quickly, requiring that production facilities be near the place of use. Only very large integrated corporations such as LafargeHolcim that produce both cement and aggregates have succeeded in establishing an international presence in this market. The competition consists mainly of independent, local operators.

Asphalt is a bituminous construction material used primarily for road paving. It consists of high quality aggregates mixed with a bitumen binder. Generally speaking, asphalt is sold directly by the asphalt producer to the customer with only very limited use of intermediate distributors or agents, since prompt and reliable delivery is essential.

Sales of ready-mix concrete

in million m^3

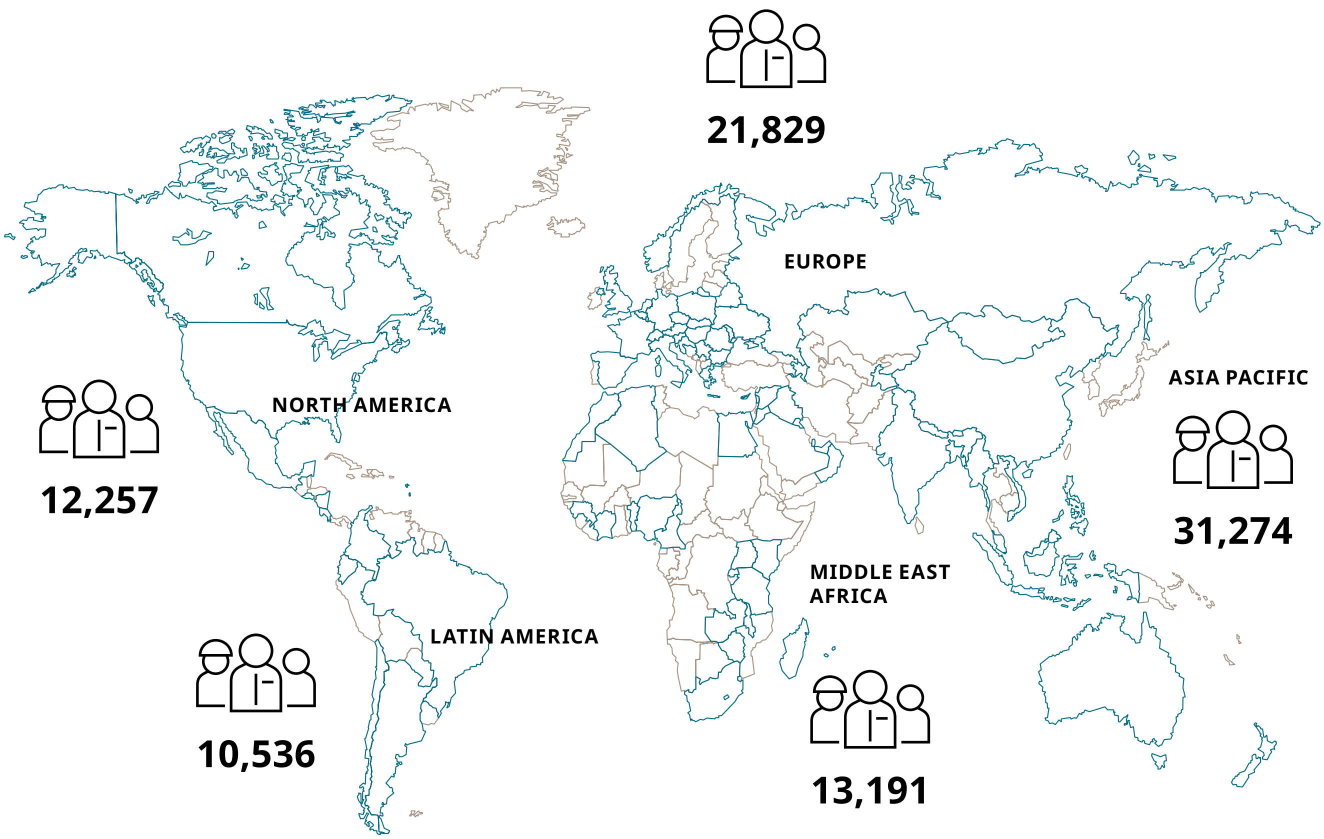


Consolidated key figures for ready-mix concrete in 2016

	2016
Ready-mix concrete plants	1,410
Sales of ready-mix concrete in million m^3	55.0
Net sales in million CHF	5,424
Operating EBITDA in million CHF	98
Personnel [1]	21,257

[1] Includes all other construction materials and services

GLOBAL PRESENCE OF LAFARGEHOLCIM



NET SALES IN CHF MILLION

8,226 Asia Pacific
7,023 Europe
2,773 Latin America
3,900 Middle East Africa
5,584 North America

ADJUSTED OPERATING EBITDA IN CHF MILLION

1,530 Asia Pacific
1,329 Europe
885 Latin America
1,196 Middle East Africa
1,329 North America

LEGEND

Presence of LafargeHolcim
Employees per region

OUR STRATEGY

LAFARGEHOLCIM HAS ESTABLISHED A SET OF STRATEGIC PRIORITIES TO GENERATE GROWTH, MAXIMIZE RETURNS AND CREATE SUSTAINABLE VALUE FOR ALL OUR STAKEHOLDERS. IN 2016, WE MADE SIGNIFICANT PROGRESS IN EACH OF THESE PRIORITY AREAS.

STRATEGY
Page 18

A STRATEGY TO DRIVE SHAREHOLDER RETURNS
Page 20

COMMERCIAL TRANSFORMATION

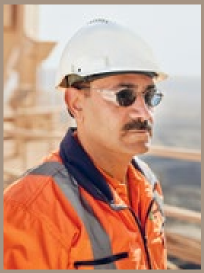
STRATEGIC PILLAR
We want to be the partner of choice for our customers, anticipating their needs and inventing with them the solutions to build the future. This will further drive differentiation, growth and value.

CASE STUDY #3
There's No Place Like Home

Helping small builders achieve their dreams
Page 34

CASE STUDY #4
A Rock Solid Relationship

Partnering every step of the way
Page 40



COST LEADERSHIP

STRATEGIC PILLAR
We will continue to systematically and rigorously manage our costs, leveraging scale and best practice.

CASE STUDY #1
Fueling Ingenuity

Reducing costs through fuel flexibility
Page 22

ASSET LIGHT

STRATEGIC PILLAR
We will optimize our current asset base, better leveraging our industrial footprint, reducing our capital expen-ditures and exploring new growth opportunities with lower capital intensity.

CASE STUDY #2
A Win-Win Alliance

Making assets work
Page 28

SUSTAINABILITY

STRATEGIC PILLAR
We want to run our business in a sustainable way to limit our impact on the environment and improve the lives of our stakeholders. We also want to differentiate LafargeHolcim by leading the way in addressing the growing demand for sustainable solutions.

CASE STUDY #5
Brick By Brick

The recipe for affordable housing and nature preservation in Malawi
Page 46

STRATEGY

Worldwide spending on construction is estimated to have reached US$10,000 billion in 2015 and is expected to increase further, driven by a continued rise in population, economic growth and urbanization. The number of people living in urban environments is predicted to rise by 2.5 billion over the next 15 years. More than 80 percent of global consumption will occur in cities by 2030.

Building these cities – which will need to be denser and more sustainable – and the infrastructure needed to connect them and make them function, represents an outstanding opportunity for LafargeHolcim which is uniquely placed to address the challenges of urbanization.

In addition to these trends, the construction industry is entering a period of transformation characterized by a more dynamic environment with increased demand for sustainable solutions, expanding influence of digital technologies, and a broader range of construction solutions, notably in affordable housing.

UNMATCHED STRENGTHS

LafargeHolcim is particularly well positioned to take advantage of the opportunities that arise, with a combination of strengths that are unmatched in our industry. We have:

- **a global footprint, with leadership positions in the vast majority of our markets. We are the number one player in a third of our markets and feature in the top three in 80 percent of the countries in which we operate**
- **a balanced and well diversified portfolio that offers significant room for growth in developing markets (52 percent of 2016 net sales) and recovery potential in mature markets (48 percent of 2016 net sales)**
- **a portfolio positioned in highly populated areas, geographically well placed to take advantage of the global trend towards urbanization**
- **industry-leading product innovation capability, enabling us to anticipate and meet the changing needs of our customers. We have around 2,000 granted patents or patent applications for cutting-edge construction technologies**
- **a global pool of highly talented, experienced and motivated people from diverse backgrounds**

FOUR STRATEGIC PILLARS TO DRIVE RETURNS AND GROWTH

LafargeHolcim has developed a strategy that aims to further strengthen the company's leadership position in the construction industry and establish the Group as the partner of choice for our customers – involved early in the design phase of projects – to address the dual challenges of urbanisation and sustainability.

Building on our world-class innovation and global production capabilities, LafargeHolcim provides a comprehensive set of innovative and sustainable solutions across a wide range of projects: from the single-storey family home to the most complex large-scale infrastructure project.

Our strategy is built on four pillars: Cost Leadership, Asset Light, Commercial Transformation and Sustainability.

→ **Cost Leadership** *(Page 22)* and an **Asset Light** *(Page 28)* approach are two essential factors that enable the business to grow returns through disciplined cost management and allocation of capital.

→ **Commercial Transformation** *(Page 34 and 40)* and **Sustainability** *(Page 46)* will differentiate LafargeHolcim from competitors. We seek to anticipate the needs of our customers and address their challenges while promoting sustainability, both through our solutions and the way we run our business. With the objective to increase the value we bring to our stakeholders and open new and less capital-intensive growth avenues, we will drive growth and returns through differentiation.

UNDERPINNING OUR STRATEGY:

→ **Health & Safety – the wellbeing and safety of our employees, those who work with us, and the communities we interact with every day**

→ **People – we are committed to engage, motivate and develop our people, providing diverse and international career paths. We believe people are central to the success of the company and the value it creates for its stakeholders**

→ **Digital – developing and adopting the digital solutions that support innovation, interconnectedness and bringing better solutions to more customers in more places is a key component of success in the future**

A STRATEGY TO DRIVE SHAREHOLDER RETURNS

At LafargeHolcim, our commitment is to create and return value to shareholders. Execution of our strategy will enable us to achieve that objective. We have established mid-term targets with a focus on maximizing free cash flow, generating profitable growth, driving strict capital allocation discipline and creating sustainable value for our shareholders.

2018 OBJECTIVES[1]

- **We will generate a run rate operating free cash flow of between CHF 2.8 and 3.3 billion, or CHF 5.00 per share, in 2018.**
- **We will keep run rate capital expenditure below CHF 2 billion in 2018.**
- **We will generate CHF 7 billion in Adjusted Operating EBITDA in 2018.**
- **We will increase our return on invested capital by 2018 by 300 basis points from the 2015 level, thanks to operational improvements.**
- **We are committed to maintaining a solid investment grade rating and, commensurate with this goal, return cash to shareholders through an attractive dividend policy and a share buyback program of up to CHF 1 billion in 2017 and 2018 as well as the potential for special dividends.**

[1] Targets assume current scope adjusted for the entire CHF 5.0bn disposal program and FX @ November 1, 2016.

The Group is on track and is building on the momentum of earnings and cash flow growth in 2016. We reaffirm our commitment to a solid investment grade rating. Our potential to grow – benefiting from our best-in-class portfolio, operational leverage, ability to differentiate our offer, and optimization of our cost base – underpins our 2018 targets. The result for shareholders is that, within our strict capital allocation discipline, we will deliver significant cash returns.

KHALED GHAREIB, INDUSTRIAL DIRECTOR
OF LAFARGE CEMENT EGYPT

COST LEADERSHIP

WE WILL CONTINUE TO SYSTEMATICALLY AND RIGOROUSLY MANAGE OUR COSTS, LEVERAGING SCALE AND BEST PRACTICE.

- Significant cost saving potential has been uncovered through the process of realizing synergies.
- Cost excellence is in the DNA of our organization and is essential to success in our industry.
- Driven by our performance organization, we will use all the available levers to control and reduce our costs.

OBJECTIVES

- We will deliver the total run rate synergies of more than CHF 1 billion by the end of 2017, ahead of schedule.
- We will leverage expertise, best practice and scale benefits throughout the countries in which we operate.
- We will target all cost levers, including fuel mix optimization and energy efficiency to address rising energy prices.

Our synergy targets for 2016 have been exceeded and are fully visible in our bottom line. This has been achieved thanks to the systematic approach we took to identify integration-related savings across our business and to the full mobilization of our teams to achieve those targets.

Maintaining a tight rein on costs is a key element of our strategy. The work done on synergies and standard cost improvements allowed us to explore new avenues for cost reductions. We addressed new opportunities in SG&A and industrial fixed costs while trimming variable costs in addition to our focus on procurement and logistics. Initiatives totalling CHF 200 million have been identified in addition to on-going cost plans and will contribute positively to our 2018 EBITDA target.

Beyond this, we continue to rigorously screen all cost categories to drive optimization and cost reduction.

TIGHT COST MANAGEMENT

As we combine the skills and know-how of the best professionals in the business, we are able to reduce our costs and operate efficiently anywhere in the world. Flexibility, agility, internal and external benchmarking and expertise close to our operations are key success factors to drive cost leadership.

On fuel and energy costs, for example, in countries where petcoke wasn’t being used, we were able make the conversion from coal to petcoke quickly and efficiently during 2016. This was achieved by mobilising global sourcing experts to work closely with local teams.

In 2017, where we anticipate energy prices will be up by some 10 percent, addressing fuel mix optimization and energy efficiency as well as the use of alternative fuels, will be a key area of focus when mitigating energy costs.

CASE STUDY #1

FUELING INGENUITY

Reducing costs through fuel flexibility

During the last couple years, the Sokhna plant in Egypt developed and implemented an innovation change to drastically lower its energy costs. The experience prepared the team to weather future shifts in fuel costs, inevitable as they are. "We have increased our resilience and our immunity to cost shifts," says Khaled Ghareib, Industrial Director of Lafarge Cement Egypt.

Khaled Ghareib and his colleagues at the Sokhna plant.

CHF 60 million

savings in fuel costs

A FIRST-OF-ITS-KIND CONVERSION

Fuel is an essential cost driver in the energy-intensive cement industry, representing about 14 percent of total costs. To stay competitive, managing costs is critical.

Since the Arab Spring in 2011, natural gas has been in short supply and, as such, much more expensive. Because of this, the plant began looking at alternate fuel sources. The prices of lower quality solid fuel were attractive. But how best to utilize them? In 2014, the team in Egypt launched a project to switch a significant percentage of the fuel mix to petcoke, a byproduct of the oil refining process.

Applying “asset light” thinking, they decided to take one of the eight cement mills and convert it to a mill for processing petcoke. By modifying this existing asset, they would be able to save about CHF 30 million compared to building a new mill. But this was challenging – there was no blueprint for such a conversion as it was the first of its kind in the industry.

“The Group empowered us, trusted us, to develop a solution through collaboration,” says Ghareib. “When people believe in a dream, they’ll make it happen. Working with the regional Cement Industrial Performance project management and engineering teams, we found a way to do it.” By May 2014 the mill was converted.

GETTING THE OPTIMAL PERFORMANCE

In 2016, the team faced its second challenge: improving productivity of the converted mill. Again relying on their expansive expertise and the power of collaboration, the team succeeded in fully optimizing the plant, doubling productivity from under 40 tonnes per hour to above 80 tonnes per hour. This allowed them to significantly increase the percentage of petcoke used in the mix, taking advantage of this new fuel.

The Sokhna plant plans to increase the share of alternative fuels to 20 percent in 2017.

KHALED GHAREIB

“The Group empowered us, trusted us, to develop a solution through collaboration. When people believe in a dream, they’ll make it happen. Working with the regional Cement Industrial Performance project management and engineering teams, we found a way to do it.”

Petcoke, a byproduct of the oil refining process, is used as fuel in cement production.

AN INITIATIVE TO DECREASE ENERGY COSTS

The Egypt project was part of the global Fuel Mix Optimization Initiative, FMOI, started in early 2016. The initiative embodies the Group's priorities of fostering innovation, making "asset light" decisions and promoting sustainability. The objective is to optimize the fuel mix used by not only reducing costs, but also improving product quality and lowering emissions. Fuel mix optimization will vary, of course, by location and external circumstances.

FMOI is a collaborative initiative, involving know-how from Sustainable Development, Geocycle, CIP (Cement Industrial Performance) and Procurement. By using interdisciplinary expert know-how, a global library of knowledge about optimized fuel mixes is being built to be used by plants as needed.

"The day we had commissioned the inaugural run of the fully optimized mill, I was there with the plant management team. We were in the control room for the launch, but things didn't go as expected," says Ghareib. At night, it was suggested that the team sleep in shifts, as the plant staff worked around the clock to get it started. "But no one did," Ghareib remembers. "When we got the mill started for the first time 36 hours later, we were all there, thrilled to see the dream become reality."

STAYING FLEXIBLE AND AGILE

The impact on plant costs was significant. "In two years we've gone from zero to 80 percent petcoke. Our agility allowed us to shift from one fuel to another, capitalizing on the lower costs," notes Ghareib. As a result, the fuel bill for the plant was reduced by CHF 60 million in 2016 compared with 2015.

The experience of shifting fuel sources in the past couple of years has prepared the team for similar exercises in the future. "The market is characterized by movement," says Ghareib. "It's a question of being ready when the opportunity comes."

As for the next move? Ghareib says, "The name of the game next year is to shift to 20 percent alternative fuel, using processed waste. The team is ready."

The Sokhna plant, LafargeHolcim's biggest cement plant.

YELENA SANTIAGO, LAFARGEHOLCIM
OMAR AND DARIO MARTINEZ, INCA CONCRETOS

ASSET LIGHT

WE WILL OPTIMIZE OUR CURRENT ASSET BASE, BETTER LEVERAGING OUR INDUSTRIAL FOOTPRINT, REDUCING OUR CAPITAL EXPENDITURES AND EXPLORING NEW GROWTH OPPORTUNITIES WITH LOWER CAPITAL INTENSITY.

→ Optimizing our current asset base is resulting in lower capital expenditure needs while supporting growth of our business.

→ Future growth will also be focused on low-capital intensive business models that enable us to access more of the value chain.

→ Our expansion is driven by operational excellence and capital-light asset models.

OBJECTIVES

→ Since 2015, we have limited capital expenditures. For 2016 to 2017, our goal is a cumulative capital expenditure of below CHF 3.5 billion.

→ Thereafter, we target a capital expenditure run rate of less than CHF 2 billion per year.

LafargeHolcim is operating in a traditionally capital-intensive industry. Thanks to our global footprint with the already-installed capacity and our know-how in preventive maintenance and capacity optimization, we are successfully pursuing a lean capital spending strategy, significantly reducing our capital investment without hindering our ability to grow our business.

By optimizing our current assets, we are using the capacity we already have or are developing. We are on track to meet our targets of a cumulative capital expenditure of below CHF 3.5 billion for 2016 – 2017 and of a run rate of less than CHF 2 billion per year from 2018 onwards.

A FOCUS ON OPTIMIZATION

We actively optimize our current asset base and promote an asset light mindset across our business. We outsource our fleet management whenever possible and develop alternative logistics offers to reduce capital expenditure. Systematic debottlenecking and operational improvements at our plants are also delivering significant benefits.

The leveraging of our global trading platform enables us to serve some markets without the need to invest in local clinker capacity.

Our asset light approach is also focused on optimizing future growth, developing innovative and less capital-intensive business models. For example, we are implementing franchise models in the ready-mix and retail segments, enabling us to reach customers in a differentiated way while keeping capital expenditure low.

A WIN-WIN ALLIANCE
Making assets work

"Through this alliance, we – all the Allied Partners – can become the best concrete producers of this country," says Omar Martinez, Head of Operations for Inca Concretos in Coahuila, Mexico. LafargeHolcim is right there with them and shares their ambition. Yelena Santiago, Strategic Marketing Leader – Industrial Segment for LafargeHolcim in Mexico, says of the relationship: "We support their growth. We really want them to be successful."

YELENA SANTIAGO, STRATEGIC MARKETING LEADER,
INDUSTRIAL SEGMENT FOR LAFARGEHOLCIM IN MEXICO

“The size of LafargeHolcim together with the Allied Partner Network means the sum is much stronger than any of its parts.”

by 2018

Inca Concretos plans to grow to 10 plants

CREATING RISK-FREE MARKET ACCESS

LafargeHolcim’s divestment of 50 ready-mix concrete plants in Mexico in recent years has led to a fruitful relationship with the new owners. This has been the strategy since 2012 and it is exceeding initial expectations. Not only has the new Allied Partner Network increased brand awareness in markets that otherwise would not be accessed, allowing LafargeHolcim to have a stronger market position without significant capital outlay, it’s created an opportunity to benchmark and improve ready-mix operations. Santiago says of the relationship: “We’re giving them the location, the manual and the technical services. But they are helping us evolve our business model to serve our customers better.”

Allied Partners – 24 in total at the end of 2016 – operate 60 active plants. Together with LafargeHolcim’s 40 existing plants, they form a network of 100 ready-mix sites in Mexico.

BENEFITING FROM SHARING

Inca Concretos has been a customer of LafargeHolcim since its inception in 2004. Martinez explains how they became part of the Allied Partner Network: “In 2012, we created a growth plan with the goal of having ten plants by 2018 – at the time we were just opening the third. In 2013, LafargeHolcim came to talk to us about their plants for sale and the Allied Partner Network. It was the perfect timing for us. We had been working on a structure to support growth, so this was an interesting opportunity to get closer to LafargeHolcim. We were very excited about the potential.”

Inca Concretos bought four LafargeHolcim ready-mix plants. It now has a total of seven and is on track to meet its 2018 goal of ten, operating mainly in the northern part of the country. Membership in the Allied Partner Network has helped strengthen the relationship between Inca Concretos and LafargeHolcim. “Our commercial relationship has improved. There is more of a commitment to stick together and improve communication. There’s just a lot more trust,” says Martinez.

Omar Martinez and Yelena Santiago at Inca Concretos headquarters and ready-mix plant in Saltillo.

Samples for testing the mechanical strength of concrete.

Inca Concretos operates seven ready-mix plants in Mexico.

Dario Martinez founded Inca Concretos in 2014.

DARIO MARTINEZ, CEO OF INCA CONCRETOS

“We think we can grow into other markets. LafargeHolcim has the necessary scale and we expect to get technical support to help us become a better supplier.”

60 plants
are operated by Allied Partners in Mexico

Being an Allied Partner means that LafargeHolcim provides technical support, IT systems, training, a purchasing club and access to market data, among other benefits. Santiago notes: “The size of LafargeHolcim together with the Allied Partner Network means the sum is much stronger than any of its parts.” Being able to share technical advice and IT systems across sites means cost savings for all the partners. The purchasing club allows LafargeHolcim to negotiate discounts on everything from insurance to equipment, benefiting all involved. And the access to market data on construction permits, financial and economic indicators, and sharing of sales leads makes LafargeHolcim a valuable business partner, acting as far more than just a supplier.

In 2016, LafargeHolcim implemented a third-party certification process offering the Allied Partners *Certification for Quality Ready-Mix Production*. The certification process provides training and improves quality control. In exchange, LafargeHolcim offers brand support, access to specialized products and endorsement. Inca Concretos certified its first plant in 2016 and plans to certify the rest in 2017. Martinez says: “The certification process has shown us a different way to work. It has helped not only with quality, but also with how we structure our company. I think certification has increased commitment to quality and service throughout the company. And I think it will help us sell more.”

IN IT FOR THE LONG HAUL

The LafargeHolcim ready-mix footprint in Mexico supplies about 10 percent of the national demand – the Allied Partners supply another 10 percent. Inca Concretos plans to grow to ten plants by 2018 and sets its sights beyond that: “We also think we can grow into other markets. LafargeHolcim has the necessary scale and we expect to get technical support to help us become a better supplier,” says Dario Martinez, CEO of Inca Concretos.

The relationship with Allied Partners goes beyond the transactional. Creating an ongoing two-way dialog helps the Allied Partners be more successful while also giving LafargeHolcim valuable information about local markets. Looking to the future, Dario Martinez says: “First, I expect our relationship to grow, as it has for the past three years. And I think loyalty will grow. I think the loyalty is there because of the alliance.”

HUB STORE CUSTOMER
NIDA SANTA ROMANA

COMMERCIAL TRANSFORMATION

WE WANT TO BE THE PARTNER OF CHOICE FOR OUR CUSTOMERS, ANTICIPATING THEIR NEEDS AND JOINTLY INVENTING THE SOLUTIONS TO BUILD THE FUTURE. THIS WILL FURTHER DRIVE DIFFERENTIATION, GROWTH AND VALUE.

- Getting closer to our customers allows us to meet their needs with increased speed, precision and creativity.
- Our goal is to be leaders, recognized as the partner of choice in construction, whether for an individual home, a commercial building or the largest infrastructure project.
- We will use our scale and expertise to continue to innovate, co-creating solutions with our customers and nurturing long-term relationships.

OBJECTIVES

- We will deliver our growth targets thanks to our focus on providing innovative and sustainable solutions to our customers and capturing the full value of our differentiated products and services in our pricing.

Commercial excellence begins with differentiated products and services. With our industry-leading expertise and R&D resources, we expect to maintain our position as the leading innovator in our industry. We have an extensive innovation pipeline, and are working on a number of significant and distinctive developments focusing on sustainable construction.

To successfully differentiate and create a competitive advantage, we are strengthening collaboration with our partners. This is particularly relevant in infrastructure where we are building partnerships using our sectoral expertise, access to innovative solutions and world-class execution.

With retail representing more than 60 percent of our volumes, a critical additional differentiating factor is our ability to promote innovative retail models, leveraging digital solutions, the strength of our brands and the quality of our products and services.

REALIZING THE BENEFITS OF DIFFERENTIATION

The benefits of our focus on commercial transformation, which differentiates our products and services in a competitive market, are increasingly evident across our business.

In retail, we are building on our existing knowledge to define new models, evidenced by our retail transformation across 30 – 50 countries by 2020. We are also pioneering digital marketplaces – our e-commerce platform for the Disensa brand *(www.disensa.com)* was launched in October 2016 in Ecuador. Further countries will go live using a common technology platform.

In the small to mid-sized building segment, we are increasing our presence in affordable housing, addressing the acute need in Asia Pacific, Middle East & Africa and Latin America. Globally, it is estimated that four billion people live without adequate housing.

In infrastructure, we have worked with external experts to co-develop an integrated business approach to road construction that can be delivered in a wide range of countries. In the past 12 months we have increased our pipeline of work in this segment by 25 percent, leveraging significant incremental earnings potential that is hard for our competitors to access.

In our growing specialties segment, the establishment of an international key account management capability is enabling us to work with the largest global contractors whose requirements and models are quite different to local or regional players. One example is our partnership with Chinese company CCCC which is already delivering results, not least because of our ability to provide Mandarin-speaking account managers on the ground.

THERE'S NO PLACE LIKE HOME

Helping small builders achieve their dreams

"I am confident that my home will stand the test of time because I used quality materials to build it," says Nida Santa Romana, customer of one of LafargeHolcim's Helps U Build, or HUB, franchise stores in the Philippines. The LafargeHolcim retail model goes beyond simply selling cement by offering individual homeowners and home improvers advice, a wide range of quality products at reasonable prices, logistics and partnership with a trusted brand.

Nida Santa Romana receives advice on construction materials from HUB associate Michael Beltran.

Nida Santa Romana built her home with cement and other materials from her local HUB store.

LAFARGEHOLCIM'S RETAIL STRATEGY

The HUB franchise model in the Philippines is an example of LafargeHolcim's ambition of getting closer to the end user by developing its presence in the retail market. The Group is currently exploring different retail concepts to find the best solution for each market, and is also looking at breakthrough digital solutions to better serve end users. The objective is to implement successful retail models in 30 – 50 countries by 2020.

Ed Pineda, who runs the Tarlac City HUB store, acquired two HUB franchises in 2016 and is planning to open two more.

THE PULL OF A BETTER PRODUCT

Santa Romana is in the finishing stages of building her home where she now lives with her family. When she first started construction, she was using cement and supplies from a LafargeHolcim competitor. During that time she met an account executive of one of the HUB stores, who introduced her to the benefits of using LafargeHolcim products. “My husband and I are in the electrical business,” says Santa Romana, “so we know the value of choosing products that will last.” Santa Romana decided to make a trial purchase of cement and steel bars from her local HUB store in Tarlac.

Her contractor tried out LafargeHolcim's Wallright masonry cement and was pleased at how easy it was to apply and how it didn't crack upon drying. He was also impressed with the quality of the steel bars sold at the HUB. The quality is what first brought her over to the HUB store – the additional advice she received helped her finish her home, using building materials from the store.

A WIN-WIN FRANCHISE MODEL

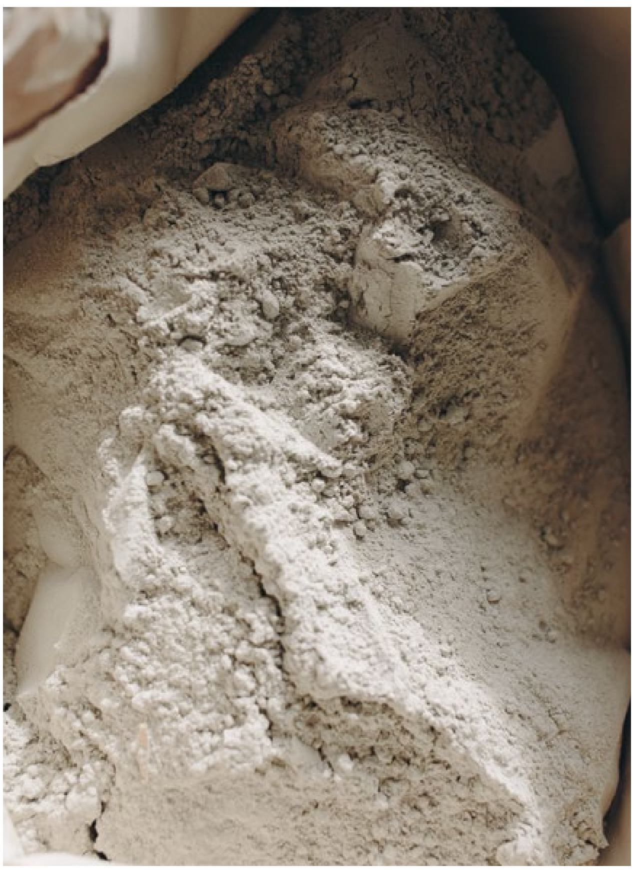
LafargeHolcim officially started franchising retail outlets in the Philippines in 2015 and now has 22 stores spread across key cities of Luzon, the largest and most populous island. Ed Pineda acquired two HUB franchises in 2016 – Tarlac in April and Cabanatuan in October. Pineda, a former contractor, knows the construction industry well and has a large network of contacts working on government projects in the Tarlac and Cabanatuan areas. In the future, he is looking to further expand by opening franchise stores in Dagupan and Aurora, where he also has wide networks.

Since most HUB stores are strategically located in areas where LafargeHolcim is not the leading cement player, franchisees like Pineda help build market share by educating small contractors and homeowners about the advantages of LafargeHolcim products. This is exactly what happened when Pineda's account executives first met Santa Romana. Because Pineda's stores are part of a network of branches serviced by the HUB's supply chain group, Pineda is able to offer reasonable prices and service a wider area than most competitor stores. He is able to share these efficiencies with his contractor customers who have widespread project sites. For individual homeowners like Santa Romana, he offers the convenience of small-scale deliveries. “In our business, there is a lot of competition. We offer a high standard of quality and our associates are experts on construction materials – we deliver what the customer wants, within the day,” Pineda says.

NIDA SANTA ROMANA, HUB STORE CUSTOMER

“All of the products I bought were of good quality. If I ever build another house, there’s no doubt I’d use LafargeHolcim products and my local HUB store.”

Holcim Skim Coat is used to correct surface imperfections and unevenness of concrete walls.



ON TIME AND WITHIN BUDGET

What did Santa Romana like best about buying her building materials at Pineda’s HUB? “Their personnel were very helpful. And doing business with them was so convenient and easy.” Because she was working on a budget, her building material requirements came in small quantities over the course of a year, allowing her to manage her funds. The small, mixed-merchandise deliveries were no problem for her HUB store, which has the logistical support to service small-scale deliveries.

Pineda’s account executives were able to help Santa Romana in planning delivery schedules. This gave her peace of mind in being able to place the orders and not worry about the rest. And the store’s proximity made it easy for her to make those last-minute purchases needed by her contractor.

Santa Romana sleeps easy now knowing, “all of the products I bought were of good quality.” Though starting a new project is the last thing on her mind now, she did say, “If I ever build another house, there’s no doubt I’d use LafargeHolcim products and my local HUB store.”

Nida Santa Romana's house is in the finishing stages of construction.

22 HUB stores

are today spread across the Philippines

JONATHAN PEASE, OWNER OF ROCK SOLID STABILIZATION AND RECLAMATION, INC.

A ROCK SOLID RELATIONSHIP

Partnering every step of the way

"We've been working with Rock Solid Stabilization and Reclamation for over a decade. They're one of our best customers," says Tom Kiernan, Geotechnical Product Specialist for the Midwest Region for LafargeHolcim in the US. The partnership with Rock Solid embodies how LafargeHolcim differentiates itself from competitors, creating relationships that go way beyond selling construction materials.

Altering soils and enhancing their properties results in greater elasticity and resistance to wear.

Jonathan Pease of Rock Solid and Tom Kiernan of LafargeHolcim at the job site in Channahon, Illinois.

GETTING TO KNOW THE ROAD

Road infrastructures are significant investments with economic, environmental and social challenges. Like his other colleagues who are all experts in their fields, Kiernan's expertise is soil stabilization and full depth reclamation – savvy about the process and not just the sale. Being an expert in the field means that Kiernan speaks the same language as his customers and is able to adapt the products to real needs.

Early on in any road project comes the need to optimize the soil on site. For decades, LafargeHolcim has offered products to help stabilize soil. Along the way, it has been the collaborative relationships with customers that have driven the development of new innovations. It was this type of innovation that laid the foundation for the relationship with Rock Solid.

Rock Solid Stabilization and Reclamation, Inc. got into the soil stabilization business a little over a decade ago. Owner Jonathan Pease remembers how it all started: "In 2005, I was working with my dad at our excavation company. He'd gotten a call about a live demo for fly ash stabilization put on by Chip Coulter from LafargeHolcim." Class C fly ash – a coal combustion byproduct – is an alternative to Portland cement and can be used to dry wet soils on site, stabilizing unsuitable soil for roads and other structures. Using fly ash is a less expensive alternative to cement and uses a material that would otherwise go to landfill.

A week later, Pease was going out to bid a job building a new parking lot. "I called Chip and asked him if he thought the fly ash would work to stabilize the wet clay soil on site rather than taking the engineer's recommendation to undercut unsuitable soil and import aggregate and clay to build up the site. He said it would, and that was the first job we got with no import or export of any materials, utilizing only onsite soils. It made me a believer in the process. I still drive by that parking lot today and it looks great." In 2007, Pease went into the soil stabilization business full time, launching Rock Solid.

Kiernan has been working with Rock Solid since the early days. He knows that the best material for soil stabilization is local material with the right binder: this keeps costs down. So, rather than bringing in new soil or even bringing in up to 10 percent Portland cement, he's always on the lookout for an alternative that uses less material and less transport, generates less CO_2 and ultimately, costs less.

In 2014, Kiernan developed a special blend, consisting of Class C fly ash and Type 1 cement. The creation of this product illustrates LafargeHolcim's commitment to innovation: it solved a local problem of cement shortage and tanker availability, while offering a solution for clients that could save them money through the beneficial reuse of fly ash. The product was affectionately named in recognition of the two plants where the ingredients came from: the Joliet plant in Illinois and the Alpena plant in New York.

Pease says: "Kiernan introduced us to the fly ash market and taught us how to use it correctly – LafargeHolcim was our mentor. They've always helped us out – if a different material was better for the job, they recommend it. They're always ultimately interested in our good job performance."

Tom Kiernan, LafargeHolcim's geotechnical product specialist, enjoys helping Rock Solid find optimal materials and solutions for their projects.

WORKING TOGETHER, ON AND OFF THE ROAD

The relationship with Rock Solid goes beyond soil stabilization with other road techniques. Both companies are active in ARRA (Asphalt Recycling & Reclaiming Association) – Kiernan was director of the ARRA Board from 2008 to 2015 until Pease took his spot. Over the past decade, Rock Solid and LafargeHolcim have teamed up to promote in-place recycling disciplines through ARRA regional seminars and local brown-bag lunches. Their joint promotional efforts have resulted in many successful projects.

Rock Solid recently completed a soil stabilization project in Channahon, Illinois, using more than 200 loads of Class C fly ash and Type 1 cement from LafargeHolcim to treat the wet subgrade soil under the building pad and the truck staging areas. Pease says: “It’s an ongoing relationship. We have projects all over the country. We’ve probably worked in 25 states now. LafargeHolcim covers a big area, too, so we’re looking to work with them on a national level.”

TAILORED SOLUTIONS

With infrastructure, there’s no such thing as “one size fits all.” LafargeHolcim takes a segment approach with the end user in mind, creating a partnership early on by encouraging dialogue with our customers. What sets us apart is our in-depth knowledge of each business sector. Our people speak the same language as our customers, which makes them able to adapt our products to real needs. Our material and sourcing expertise is center stage, with a focus on optimizing the cost, schedule and durability of construction. In addition, we have the support of the research center in Lyon, France to solve our customers’ most challenging problems.

Tom Kiernan and Jonathan Pease have been partnering on projects for over a decade.

BENJAMIN KATOLA,
MANAGING DIRECTOR OF BUILT ENVIRONS

SUSTAINABILITY

WE WANT TO RUN OUR BUSINESS IN A SUSTAINABLE WAY TO LIMIT OUR IMPACT ON THE ENVIRONMENT, OPERATE SAFELY AND IMPROVE THE LIVES OF OUR STAKEHOLDERS. WE ALSO WANT TO DIFFERENTIATE LAFARGEHOLCIM BY LEADING THE WAY IN ADDRESSING THE GROWING DEMAND FOR SUSTAINABLE SOLUTIONS.

- Our commitment to sustainability is a differentiating factor. We see it as a growing opportunity as well as a responsibility.
- Our development of new products and services is driven by our commitment to sustainability.

OBJECTIVES

- We aim to reach a zero fatality target in Health & Safety.
- We aim to generate one-third of our turnover from solutions with enhanced sustainability performance by 2030.
- We are committed to leading the way on CO_2 reduction through the way we do business.

We regard sustainability as both a responsibility and an opportunity. Concrete is the second most used material in the world after water. Where there is a need to build there is a need for concrete.

It is estimated that one-third of total worldwide greenhouse gas emissions is generated by buildings over the course of their life cycle. We already have many innovative solutions to address CO_2 emissions in buildings and we need more. Building our business around sustainability will increasingly differentiate us in our sector, as future carbon pricing and cost of waste management become real issues for our customers.

AN OPPORTUNITY TO LEAD THE WAY

We're already making great strides in developing innovative building products that promote sustainability. Responding to a request from the Malawi government, we developed **DURABRIC**, a building block technology that uses locally sourced earth combined with cement and prevents deforestation by avoiding the need for traditional wood-fired brick kilns. In 2016 we launched **Airium**, a high performance mineral foam insulation, that is fully recyclable and fire resistant, with a lower CO_2 impact compared to other solutions.

Working in partnership with Solidia Technologies, we have developed a new binder that is produced at lower temperatures and through a chemical reaction that generates less CO_2. **Solidia Cement™** hardens through the addition and absorption of CO_2 in a patented curing process that reduces the overall carbon footprint by up to 70 percent. Solidia Concrete reaches full strength in less than a day, offering considerable energy savings and cost reductions compared to precast concrete manufacturers.

Our worldwide waste management brand, **Geocycle**, is allowing us to step up our use of alternative fuels by utilizing processed municipal and industrial waste to fire our clinker kilns. This solution reduces CO_2 emissions and cuts energy costs, while providing a sustainable solution to waste that would typically otherwise be disposed of in environmentally damaging landfill sites.

More broadly, in 2016 we launched our sustainability strategy which we call the 2030 Plan. The 2030 Plan is the most far-reaching sustainability roadmap in our sector. It sets targets for our operations and drives positive impacts beyond our fence line, while highlighting the difference we can make for customers with our innovative products and services. We have set ourselves a transformational overall target: we want to generate one-third of our turnover from solutions with enhanced sustainability performance by 2030.

BRICK BY BRICK
The recipe for affordable housing and environmental preservation in Malawi

“The way to go now is SSBs,” says Malawian contractor Benjamin Katola, Managing Director for Built Environs, speaking of soil stabilized bricks (SSB). Katola builds houses, schools, banks and hospitals in Central and Southern Malawi. In the past, common fired bricks were the norm for building. But that’s all changing with the optimiza-tion of SSBs, the technical term for bricks like DURABRIC, which offer a cost-effective, quality alternative with environmental benefits.

THE SEARCH FOR A BETTER BRICK

Like many other countries in Africa, Malawi is grappling with the effects of climate change caused, in part, by widespread deforestation. Deforestation is driven by demand for wood, some of which is used to fire the kilns to make common fired bricks. It wasn't until recently that the soil stabilized brick became a superior alternative for construction in Malawi.

Back in 2013, LafargeHolcim reacted to a nationwide call for a solution that would not only stem the tide of deforestation by not requiring the use of wood-fired kilns, but would also be affordable and locally made. The result is DURABRIC, a brick made with the perfect mixture of soil, sand, cement and water. It is compressed in a mould and left to cure naturally, without firing. As a result, it can save 14 trees for each house built, compared to fired bricks. DURABRICs are three times stronger than traditional bricks, result in one-tenth the CO_2 emissions compared to common bricks, are 20 percent cheaper per square meter of wall, and are more resistant to heavy rainfall.

Katola is optimistic about the impact of DURABRIC: "Once we can start building with SSBs like DURABRIC throughout the country, we can preserve our natural resources, stop soil erosion and improve air quality." And he thinks the time is right: "People are starting to see the benefits in the long run."

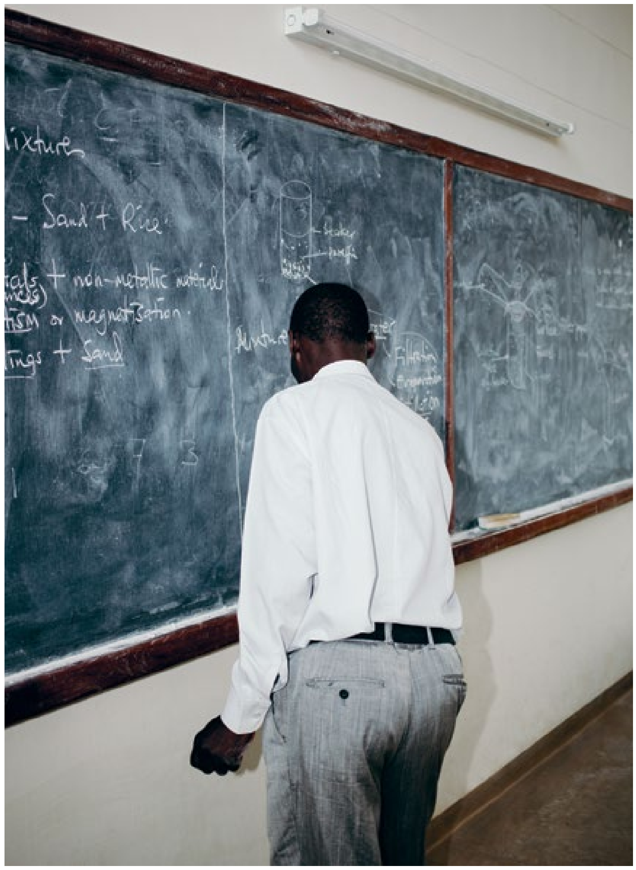
A POWERFUL COLLABORATION

In order to scale up sustainable building and economic growth in the region, LafargeHolcim teamed up with CDC (the UK government development finance institution) in 2016 to create 14Trees, a joint venture company, named after one key benefit of DURABRIC. The partnership aims to accelerate the production and commercialization of DURABRIC in Sub-Saharan Africa. LafargeHolcim and CDC have jointly invested CHF 10 million into 14Trees operations and are eager to support the company's future growth collaboratively. At the end of 2016, 14Trees opened a new brick factory in Lilongwe to provide Central Malawi with DURABRIC for a variety of building needs.

14 trees
can be saved for each house built with DURABRIC

BENJAMIN KATOLA,
MANAGING DIRECTOR OF BUILT ENVIRONS

> "Once we can start building with SSBs like DURABRIC throughout the country, we can preserve our natural resources, stop soil erosion and improve air quality. People are starting to see the benefits in the long run."



The Teacher Training College in Lilongwe was built in 2016 with DURABRIC.

The college hosts a secondary school and a tertiary college.

Benjamin Katola, a customer of 14Trees, uses DURABRIC for building houses, schools, hospitals etc.

The new DURABRIC factory was commissioned in September 2016. The plant employs 30 people.

BENJAMIN KATOLA,
MANAGING DIRECTOR OF BUILT ENVIRONS

"There won't be a need to use anything but SSBs like DURABRIC."

CHF 10 million

LafargeHolcim and CDC have invested into 14Trees and are eager to support the company's future growth.

A SUSTAINABLY BUILT FUTURE

LafargeHolcim is confident about the commercial prospects of ventures such as 14Trees, which accelerate its four affordable housing offers: microfinance, distribution solutions for slums, mass housing, and earth-cement building solutions. These offers are implemented in 25 countries and aim to positively impact up to 25 million people by 2030. DURABRIC is a cornerstone of LafargeHolcim's earth-cement building solutions, particularly in Africa where 14Trees will enable DURABRIC to be commercialized in other countries, particularly in Sub-Saharan Africa. DURABRIC also hits many points of the 2030 Plan, LafargeHolcim's sustainability strategy: its reduced CO_2 impact supports a key climate target, and the way DURABRIC offers affordable housing while advancing business opportunities furthers the goal of positively impacting people and communities.

A nationwide advertising campaign for DURABRIC, "One Brick Saves More," was launched in Malawi in December 2016.

Daudi Lelijveld, Director and Head of the Impact Accelerator at CDC sees three objectives to the partnership: First, the aim is to eliminate the use of trees for fired bricks in order to halt rapid deforestation. "There's a huge environmental impact made by eliminating the use of wood-fired bricks," notes Lelijveld, "and with that an improvement in the social environment." Second, the goal is to bring a building material to the village level that is strong, durable and has an attractive finish without plastering, thereby making SSBs the aspirational brick of choice. Third, the project aims to create microeconomies and microentrepreneurs at the local level in the building industry and beyond.

What's great about DURABRIC is that it can be made manually on any site, just like traditional clay bricks. Katola has been making SSBs for years. But having to make the bricks on site is not always an attractive option. "With the old methods of production you need a really big team on site to excavate the soil and use the manual moulds," says Katola. He's looking forward to being able to purchase DURABRIC from the Lilongwe factory for building projects in Central Malawi. "By working with the company 14Trees, the bricks are already made."

More than 3 million DURABRICs have already been produced in Malawi since 2013, and have been used in around 500 buildings. The opening of the Lilongwe factory should rapidly increase their use in Central Malawi. Katola says that there are many health centers and schools to be built in the region this year. "There won't be a need to use anything but SSBs. If they're close to Lilongwe, they'll probably get them from the factory rather than struggle to make them on site."

KEY ENABLERS

INNOVATION AND GROWTH

Innovation is key to creating superior value for our customers and driving profitable growth across our company. Our focus on innovation is a reflection of our commitment to put end users and customers at the heart of everything we do. This goes beyond new products and services. By understanding what our customers do, listening to them and responding quickly with solutions, we aim to make LafargeHolcim their partner of choice.

Our close relationships with customers and our grasp of their challenges drive the development of new products and services. With our expertise and know-how, we aim to offer our customers solutions that enhance their projects and build trust in our partnership. Beyond these solutions, our market growth activities are focused on creating new channels to serve our customers more effectively.

Differentiation across the construction value chain

Our aim to become a preferred partner is evident across our business, from infrastructure to industrial sectors. With our market-oriented approach, we are in a unique position to work closely with end users and customers, involving them in the development of solutions.

Infrastructure

LafargeHolcim impacts the lives of billions of people daily through its contribution to roads and highways, railways and tunnels, bridges, airports and ports, and through the energy and mining sector.

Through our team of international key account managers, we are in the position to maintain strong relationships with contractors and designers globally. We are ready to get involved early, building partnerships with our customers right from the design stage of a project. This allows us to work upstream with key project stakeholders and infrastructure decision makers. This approach is complemented by a comprehensive global network of infrastructure professionals with expertise far beyond cement into mining, roads, transport and energy. Our strong sectoral expertise and world-class excellence in project execution means that we are able to provide our customers with superior products and expert service at an attractive price.

Our approach to innovation and growth delivered value across our sectors in 2016:

- **Mining**: Driven by a Global Mining Hub unique in our industry, we were able to demonstrate our global expertise by providing backfilling solutions and becoming the partner of choice in several mining projects, especially in North America and Africa.
- **Roads:** Our road experts co-developed advanced integrated offers on targeted projects worldwide. We also launched the development of innovative product solutions and optimization tools to bring additional value to our customers.
- **Transport**: Our business and technical skills in ports, tunnels, rail, metro and data centers continued to deliver results, and we signed some major new projects.
- **Energy**: We participated in important thermal power and petroleum facilities projects with major international contractors. We also launched R&D initiatives in renewable energies.

Distribution and retail

Generating some 60 percent of our net sales, the distribution and retail sector plays an essential role in the success of LafargeHolcim. This sector also provides an opportunity to help us better serve and understand the needs of the different players at every point in the distribution chain.

Our distribution routes are tailored to the needs of our local customers and we are constantly expanding our physical presence by growing our sales network. One example is our depot and container shop program, which aims to serve remote areas in countries such as Zambia and Uganda. Together with our networks of franchisees and affiliated partners, we also operate multi-product retail formats in Latin America (e.g., Disensa in Ecuador), Middle East Africa (e.g., Batistore in Algeria) and Asia (e.g., Helps U Build in the Philippines), providing attractive end-to-end solutions for individual home builders, homeowners, masons and contractors. See our **Case Study #3** about Helps U Build in the Philippines on page 34.

Our innovative packaging solutions illustrate our focus on the satisfaction of end users. With Mixopack, for instance, we have developed a unique packaging solution so that our cement bags disintegrate in the mixer to improve convenience and reduce waste. Through our strong cement and solutions brands (e.g., Fuerte in Mexico, Momtaz in Egypt and ACC Gold in India), we pursue commercial differentiation in each local market.

We also aim to take advantage of the proliferation of digital technologies in the retail sector. A key highlight this year has been the launch of our first business-to-consumer e-commerce platform, Disensa.com, a digital marketplace in Ecuador. Through the platform, homeowners and contractors can order building materials and other products online by selecting from a broad range of more than 3,000 items, helping customers realize their building or renovation dream conveniently.

Building and affordable housing

Representing two-thirds of global construction expenditure, the building market offers a sizeable opportunity to provide value-added solutions to customers. From detached houses to office towers, schools to industrial buildings, we continue to unlock new value beyond the traditional market. Recent examples include:

- **Airium**, a mineral insulating foam that improves energy efficiency for buildings while being fire resistant and easily recyclable. With the launch of three pilots in Austria, France and Morocco in 2016, the commercialization of this technology is underway.
- **DURABRIC**, a low-cost, earth-based brick that does not require firing, thereby reducing deforestation. Through the launch of 14Trees, a joint venture with CDC, we will accelerate DURABRIC-based solutions in Sub-Saharan Africa and work jointly on the development of additional solutions for affordable housing. (See our **Case Study #5** on DURABRIC in Malawi on page 46.)
- **Solidia™**, a new binder technology that hardens through the absorption of CO_2, allowing for a reduction of the overall carbon footprint of up to 70 percent while offering significant time gains in the curing process. The first significant commercial deals with US-based precast manufacturers as well as other major projects in Canada and Europe are on schedule for the commercial launch.

Four billion people around the world do not have access to decent housing, and over 800 million live in slums. To help populations with low revenue access housing at affordable cost, LafargeHolcim has developed a range of affordable housing solutions to populations and governments. These solution include micro-finance, earth-cement building solutions, slum renovation and collective social housing. For the Group, affordable housing is a business activity with high social impact: the offers are implemented in 25 countries and aim to positively impact up to 25 million people by 2030.

With our engagement in Building Information Modeling (BIM), we are taking advantage of opportunities arising from the ongoing digitization of the construction value chain. BIM is a digital technology combining 3D models with information at all construction stages. This promotes collaboration and has the potential to significantly increase the effectiveness and efficiency of construction. We are developing the required know-how to ensure our countries are BIM-ready.

Oil and gas

LafargeHolcim is the global leader in providing construction solutions for onshore and offshore exploration. We offer reliable solutions that meet local and international standards while performing under extreme climate conditions, from the cold tundra to hot jungles. **OneCem LD12.0**, our patented cement for use in low density applications, allows our customers to easily adjust the slurry density on the drilling site by changing the water to cement ratio. This product provides high performance, can be used under any pressure and provides excellent flexibility to our customers. Our offerings are complemented by a wide array of upstream and downstream services helping our customers to build better wells.

Ready-mix concrete and industrial

In the ready-mix business, two recent initiatives aim to optimize know-how and strengthen customer relationships. First, to build and optimize our product portfolio, we are working on cross-selling of our ready-mix concrete solutions. Cross-selling includes local and global brands, as well as related services. Second, we are optimizing mix design globally to promote common management of raw materials and consistent quality.

In parallel, for industrial customers, we are developing new offers through licenses and franchise models to share our internal expertise regarding safety, marketing and innovation (see **Case Study #2** on page 29).

Ductal

Ductal is an ultra high performance concrete (UHPC), supported by 27 patents, that combines exceptional strength, durability, and aesthetic qualities. Ductal benefits from a dedicated team of trained architects and engineers located in multiple geographies with a wide range of expertise to help guide designers and customers to identify solutions for their demanding projects. In North America, for example, Ductal has been used in the retrofitting of more than 200 bridges since 2014. Besides infrastructure, Ductal is also successfully applied in the form of architectural solutions in many iconic buildings. This year, with the support of three manufacturing partners located in France, Italy and the US, an industrialized cladding panel solution was successfully launched for European and North American markets.

200
researchers representing over

20
nationalities working in R&D

2,000
granted patents or patent applications

R&D: an essential cornerstone of innovation

Customer driven Research and Development is fundamental to our innovation strategy. The hub of our R&D activities is the LafargeHolcim Research Center in Lyon, France, the first and largest R&D center in the construction industry. With 200 engineers and technicians representing more than 20 nationalities, and a range of disciplines, its excellence is achieved through strong technical expertise from materials science to building structure, semi-industrial scale testing capabilities and advanced open innovation approaches.

The R&D center in Lyon is complemented by a global network of Construction Development Labs (CDL) and advanced technical centers, in order to better understand and serve local markets. Composed of multi-disciplinary teams, CDLs aim to develop new business opportunities through a focus on product application and construction systems, with a deep understanding of local customers and construction methods and conventions.

To further accelerate our time-to-market for new technologies, we are pursuing open-innovation strategies to solve complex problems. The vast majority of our R&D projects are conducted with external innovation partners, academic institutions, suppliers, end users or customers. In 2016, we identified 14 start-ups with high potential and collaborations were launched with three. We are also actively involved with innovation acceleration programs and take part in leading European projects aimed at finding solutions to construction challenges such as recycling and low CO_2 binders. These collaborations expand the innovation capabilities of our research center while helping us meet the needs of our end users and sustaining long-term growth of our company.

LafargeHolcim's patent estate is steadily growing as a result of R&D efforts, remaining the largest and most diversified in the cement and concrete industry. Patents range from cement manufacturing processes and construction solutions, to CO_2 footprint solutions and efficient waste management. In 2016 a total of 22 new patent applications were filed and approximately 140 were granted. LafargeHolcim now owns approximately 270 active patent families, representing about 2,000 granted national patents or patent applications.

Delivering value through commercial performance

Innovation is present not only in our products and services, but also in the way we execute growth opportunities. Anticipating customer needs early (sometimes before they are even aware of them) and being able to address them effectively requires a strong commercial backbone. At LafargeHolcim, we are developing this strength by institutionalizing sound commercial processes and building world-class commercial capabilities across our marketing and sales units.

Launching growth plans

A key pillar of our commercial strategy is the development of local growth plans where each country establishes how customer needs will be served through differentiated products, services and solutions. In 2016, every country across the Group developed a local plan for growth. By increasing understanding of our customers' needs and the markets in which they operate, these plans will ensure we make our customers more successful and we capture our fair share of the value provided.

Creating capability

Having the best people of our industry is also essential to deliver the value of our innovative solutions. To achieve this, in 2016 we established Sales Academies in the regions aimed at making our salespeople more skilled in identifying relevant customer needs, offering solutions and ultimately bringing more value to the customer and the Group. Within the Sales Academies we take a holistic approach based on an individual assessment, subsequent training modules to close any gaps identified, and ongoing development through on-the-job application. The Sales Academies will train all LafargeHolcim sales people, more than 7,000 in total. The pilot was launched in the US in 2016 with 500 participants.

In 2016 we also launched the first global Commercial Academy targeting the most senior leaders in our company. Country CEOs, commercial directors, marketing directors and sales directors attend the academy together as a country team. The aim is to further develop local commercial capabilities, methods and approaches to support local growth strategies and become more customer centric.

Together with complementary training, as well as toolkits for our marketing and sales units, these efforts help us achieve our ambition of creating commercial excellence hubs in the countries, ultimately supporting our commercial transformation.

SUSTAINABLE DEVELOPMENT

LafargeHolcim has demonstrated its commitment to sustainable development over many years. Building on this heritage, in 2016 we identified sustainability as one of four strategic pillars. Sustainability actively supports our business strategy and is a key driver of differentiation, revenue generation and value creation.

The Group's overarching value: Health & Safety

Health & Safety is the overarching company value for LafargeHolcim – it's embedded in everything we do. In 2016 we continued our Health & Safety transformational path, which is designed to reduce incidents and move us toward the ambition of zero harm. Our performance last year demonstrates that we still have a long way to go. Since the majority of incidents occur on the road, road safety has been included as one of the five elements of our Health & Safety Roadmap. In addition, at the end of 2016 a new health management plan was developed for implementation during 2017. The plan aims to protect, support and grow the health and wellbeing of our employees and contractors.

Health & Safety

		2016	2015
Fatalities		86	50
Fatalities by personnel category	**Employees**	3	5
	Contractors	44	28
	Third parties	39	17
Fatalities by location	**Onsite**	18	15
	Off-site at public site	64	32
	Off-site at somewhere else site	4	3
Lost time injury (LTI)	**Employees**	231	239
	Contractors on site	233	261
Lost time injury frequency rate (LTIFR)	**Employees**	1.08	1.01
	Contractors	0.99	1.03
	Employees and contractors on site	1.03	1.02

Learning from incidents

We regretfully report that fatalities and injuries increased in 2016. A total of 86 fatalities were recorded for the year, including employees, contractors, and third parties. Each fatality is reviewed, with the CEO or a member of the Executive Committee present, to ensure that any learning is identified and communicated to every applicable site to minimize the risk that the same incident could occur elsewhere.

To ensure all operations around the world implement key learnings from fatal incidents we have developed a process we call Mandatory Safety Release (MSR). It is used to accelerate the implementation of key learnings following investigation, where there may be a risk of reoccurrence. The first such MSR was issued in December 2015 and required all cement sites to review and align their processes for managing hot material losses of containment from kilns. We are on track to have global implementation of this MSR by the end of the first quarter of 2017, preventing reoccurrence of any fatal incident of this sort in the future.

Taking responsibility for Health & Safety

During 2016, a standardized Health & Safety performance management process was developed and implemented across all countries. The Executive Committee in every country developed an improvement plan using this process to reduce the key health and safety risks in their businesses, and to drive further improvement of Health & Safety performance across all operations. Our ability to effectively execute these strategic initiatives has laid the foundation for improved results.

Our Health & Safety transformational path was aligned under the five priority areas of focus:

- Leadership and accountability
- Health & Safety management systems
- People capability
- Effective execution
- Road safety

All activities under the five areas of focus have been supported by engagement and communication at different levels. Our Global Health & Safety Days during May and June 2016 were built around the theme, “I care, I share, I act.” As part of the initiative, employees were asked to individually commit to an action that tangibly helps improve health and safety.

The identification of road safety as an area of focus acknowledges the importance of addressing the largest cause of fatalities in our company. We are striving to achieve drastic performance improvement, for the safety of communities in which our vehicles operate and to protect drivers of vehicles connected with our business. The Road Transport Safety Roadmap has been developed, including setting global minimum requirements for 2017, and is focused on improving driver skills and behavior, the main cause of over 90 percent of fatalities. A Road Transport Safety Standard and Maturity Roadmap will also be developed in 2017.

Embedding operational discipline

The Health & Safety Management System (HSMS) remains at the heart of our drive for Health & Safety performance transformation. This structured approach for managing the prevention of injuries and occupational illnesses began during the first quarter of 2016. A new Health & Safety audit system was piloted from May to December 2016. With the new system, every unit will be audited in a three- to five-year cycle in order to assess implementation of the HSMS.

The ultimate goal of HSMS is performance improvement. As a result, we want to focus on modifying conduct and promoting safe behaviors, not on imposing sanctions. In support of that, we will be implementing the Reward & Recognition Program for recognizing exemplary health and safety performance and the Consequence Management Program for managing breaches of policies and rules.

Comprehensive health program launched

We attach as much importance to health as we do to safety, with a focus on controlling workplace health risks, ensuring fitness to perform work tasks safely, and promoting the health and wellbeing of our employees and contractors.

Based on interviews with management and feedback from Health & Safety, Human Resources, worker representatives and health practitioners, a corporate health management plan was developed and approved by the Executive Committee in September 2016. Implementation starts in January 2017 in all countries. A baseline assessment of the maturity of country health programs will be conducted to identify current strengths, priorities for improvement and the need for specialist support.

The ambition of our health program is to protect, support and grow the physical, mental and social wellbeing of our people to help build a sustainable business. We aim not only to protect our workforce from health hazards at work, but also to accommodate illness and disability, support healthcare where needed, as well as encourage participation in wellbeing programs and community health engagement activities.

Our sustainable development strategy – the 2030 plan

LafargeHolcim launched its sustainable development strategy in early 2016. Called "the 2030 Plan", our strategy was developed in collaboration with a wide range of internal and external stakeholders and is designed to help us develop and deploy solutions to a range of business, social and environmental challenges. The 2030 Plan is structured around one overarching objective – our contribution to a more sustainable construction sector, supported by four main fields of action: climate, circular economy, water and nature, and people and communities. Importantly, it addresses the positive impacts our operations can have beyond the boundaries of our plants. The 2030 Plan is summarized in the diagram opposite.

The plan defines the required steps to achieve our objectives. In the course of 2016 we developed a series of interim 2020 targets. Performance against those targets is tracked through the annual monitoring process and will be reported in the 2016 Sustainability Report.

The overarching aim of the 2030 Plan is to ensure that by 2030, one-third of net sales is generated from our portfolio of solutions with enhanced sustainability performance. A culture of innovation is fundamental to achieving this ambition.

Innovative solutions to reduce CO_2

The Paris Agreement, which followed the COP21 meeting in November 2015, has further highlighted the important leadership role that LafargeHolcim needs to play in improving CO_2 efficiency. As a result of past efforts, LafargeHolcim is one of the most carbon efficient global cement companies. Our 2030 target to emit 40 percent less CO_2 per tonne of cement than we did in 1990 means we are committed to maintaining a similar rate of reduction in the future. As we approach the limits of many known improvement levers, we are working diligently to identify new ways to reduce CO_2 emissions.

One example is **Solidia Cement™**, produced in partnership with US start-up company, Solidia Technologies. Solidia Cement is a new binder made from similar materials to traditional cement. Because it is produced at lower temperatures and uses a different chemical composition that requires less limestone, it generates less CO_2 during production. Used to make precast concrete, Solidia Cement hardens not through the use of water (as in traditional cements), but through the addition and absorption of CO_2. This reduces the overall carbon footprint in the production phase by up to 70 percent.

Another new solution is **Airium**. Buildings are responsible for 30 to 40 percent of global CO_2 emissions and we believe innovation can play a critical role in decreasing that footprint. We aim to reduce CO_2 emissions from buildings by 10 million tonnes of CO_2 annually through the use of our products and solutions. Airium, which saw its first commercial launch in 2016, is a mineral insulating foam that improves energy efficiency for buildings, from floor to ceiling. Apart from facilitating energy efficiency, Airium is entirely mineral based, thereby healthier and offers maximum fire resistance, is extremely durable, simple to use and is 100 percent recyclable.

The 2030 Plan – Building for tomorrow
We will generate one-third of turnover from solutions with enhanced sustainability performance

	Climate	Circular Economy	Water and Nature	People and Communities
IN-HOUSE	We will reduce net specific CO_2 emissions by 40 % per tonne of cement (vs 1990)	We will use 80 million tonnes per year of waste-derived resources	We will reduce specific freshwater withdrawal in cement operations by 30 % We will implement The WASH Pledge on all sites	We want zero fatalities We will reduce LTIFR to < 0.20 We will reduce TIFR by 50 % We will reduce our disease rate to < 0.1 We will have 30 % minimum gender diversity at all management levels
BEYOND OUR FENCE	We will help our customers avoid 10 million tonnes of CO_2 being released from buildings each year through our innovative solutions	We will provide end-of-life solutions for our products and will supply four times more recycled aggregates from CDW/RAP	We will make a positive impact on water in water–scarce areas We will show a positive change for biodiversity	We will develop initiatives to benefit 75 million people We will engage in collective action to combat bribery and corruption in high-risk countries
INNOVATIVE SOLUTIONS	– Low-carbon cement and concrete – Insulating concrete – Thermal-mass solutions	– Recycled aggregates – Urban mining solutions – Waste management services	– Rainwater harvesting – Pervious concrete – Stormwater protection – Vertical green solutions	– Affordable housing materials and solutions – Affordable sanitation solutions

Note: all targets are for 2030. Baseline year is 2015 unless stated otherwise. CDW: Construction and Demolition Waste, RAP: Reclaimed Asphalt Pavement, WASH: Water, Sanitation and Hygiene Implementation at the Workplace. LTIFR: Lost Time Injury Frequency Rate, TIFR: Total Injury Frequency Rate

The power of a circular economy

As a leader in sustainability, we have a long track record of applying alternative ways to produce heat and provide raw materials required for cement and concrete manufacture. Turning waste into fuel and raw materials offers a solution to a growing problem for municipalities and industry while replacing the use of fossil fuels and lowering CO_2 emissions. By 2030, we aim to re-use 80 million tonnes of waste-derived resources per year in our operations.

To facilitate the use of waste, the Group's **Geocycle** operations will further deploy our waste treatment services globally. State-of-the-art technology, tailored processes and in-depth expertise enable us to provide sustainable, safe and reliable answers to society's waste challenges. Geocycle will further commission installations for the co-processing of waste-derived fuels and raw materials in cement production, and foster initiatives in partnership with local communities and farmers to sustainably use biomass residues from agriculture and forestry.

Also contributing to a circular economy is **Aggneo**, our range of new generation, high-quality recycled aggregates that gives a second life to demolition waste. By using recycled concrete, we divert material away from landfills and help conserve natural aggregates reserves. This solution is suitable for metropolitan areas where the necessary regulatory framework is in place.

Safeguarding water and nature

Water is a natural resource used at all LafargeHolcim operational sites, with around one-third of our cement production in water scarce areas. Thus, apart from our commitment to sustainability we have a strong business motivation to manage water resources effectively. Our plan is to reduce freshwater withdrawal in the cement segment by 30 percent by 2030. We will do this by harvesting rainwater, reusing water wherever possible and using freshwater resources as efficiently as possible within all our operations. As water is an increasingly important issue for society at large, our concern for water goes beyond our operational boundaries, and we are committed to showing a positive impact on water resources in water scarce areas. To demonstrate this, we use a methodology reviewed by the Swiss Agency for Development and Cooperation to determine a water positive index using water credit/debit approach.

One of our water-related sustainability solutions is **Hydromedia**, a concrete that delivers sustainable solutions that combine the properties of concrete and advanced drainage technology. Highly permeable, it rapidly absorbs storm water off streets, parking surfaces, driveways, and walkways, thus reducing the risk of flooding.

In addition to sustainable water stewardship, our strategy commits LafargeHolcim to demonstrate a global positive change for biodiversity by 2030. In 2016 the Biodiversity Indicators Reporting System (BIRS), developed in collaboration with recognized conservation partners, was piloted at several plants in India and will now be extended to further Group operations.

Creating better lives – enhancing people and communities

LafargeHolcim has long recognized the value of engaging with the communities in which we operate, believing there are opportunities and an obligation to develop affordable solutions and new business models for people living there. With the 2030 Plan, LafargeHolcim aims to enhance local economies and wealth for people with lower incomes. By 2030, LafargeHolcim aims to benefit 75 million people with its affordable housing projects, and its social investment and inclusive business models.

Our affordable housing solutions are designed to help address the enormous and growing challenge of providing decent and sustainable housing at an affordable cost, while contributing to the bottom line. In 2016 affordable housing projects were in place or being assessed in 25 LafargeHolcim operating countries, benefiting an estimated 445,000 people and contributing CHF 20 million to EBITDA. As part of the affordable housing program we continue to develop 2030 Solutions such as DURABRIC – a low-carbon non-fired earth and cement brick. The product reduces construction costs, is more resistant than traditional clay bricks, and has greatly reduced the CO_2 emissions and deforestation caused by using fired bricks. For more information on DURABRIC, please see the **Case Study #5** on page 46.

Other sustainability impacts

While the LafargeHolcim 2030 Plan focuses on the topics shown in the diagram on page 65, the company also manages, as part of its daily business, a number of other sustainability related issues. These include the reduction of other emissions (notably dust, NO_x and SO_2), waste, fuel and energy consumption, stakeholder engagement and employee relations. Key performance indicators relating to these and other sustainability topics will be reported in our 2016 sustainability report.

Alignment with the UN Development Goals

In response to the increasing calls for leadership in dealing with poverty, inequality and climate change, world leaders gathered on September 25, 2015 at the United Nations in New York to adopt the 2030 Agenda for Sustainable Development. The 2030 Agenda comprises 17 new Sustainable Development Goals (SDGs), or Global Goals, which will guide policy and funding for the next 15 years, beginning with a historic pledge to end poverty.

As can be seen from the diagram below, LafargeHolcim's 2030 Plan aligns with a large majority of the 17 Sustainable Development Goals adopted – particularly those that are most material to our operations.

Sustainable Developing Goals – Building for tomorrow

INNOVATION BY LAFARGEHOLCIM

- Industry, Innovation and Infrastructure
- Sustainable Cities and Communities

Climate

- Industry, Innovation and Infrastructure
- Climate Action
- Affordable and Clean Energy
- Partnerships for the Goals

Circular Economy

- Responsible Consumption and Production
- Climate Action
- Affordable and Clean Energy
- Partnerships for the Goals

Water and Nature

- Life on Land
- Partnerships for the Goals
- Clean Water and Sanitation

People and Communities

- No Poverty
- Decent Work and Economic Growth
- Good Health and Well-Being
- Peace, Justice and Strong Institutions
- Quality Education
- Partnerships for the Goals
- Gender Equality
- Clean Water and Sanitation

The Droneport prototype presented at the Venice biennale

LafargeHolcim Foundation: world's largest network advancing sustainable construction

A key initiative in our efforts to promote sustainable construction design and practice is the LafargeHolcim Foundation for Sustainable Construction. Through the Foundation, we interact intensively with opinion leaders throughout the construction industry to promote greater sustainability of the built environment around the world.

Since its creation in 2003, the Foundation has been continually expanding and enriching its network of leading experts and technical universities to encourage and develop sustainable construction at national, regional, and global levels. It acts as a link between our Group and stakeholders along the value chain of the construction industry including: architects, engineers, urban planners, contractors, NGOs, authorities, and students of the respective disciplines. The Foundation has established itself as a globally significant information hub for sustainable construction through its main activities: organizing academic symposiums for expert discussions; disseminating new approaches and best practices; and conducting the LafargeHolcim Awards – the world's most significant competition for sustainable design.

The Foundation carries out its activities in three-year cycles. The 5^{th} cycle of the LafargeHolcim Awards opened for submissions in 2016. This international competition recognizes ecologically, socially, and economically outstanding projects in the field of sustainable construction. Unlike conventional design competitions, the LafargeHolcim Awards are for projects located anywhere in the world in planning, but not yet under construction. The realization of many of the previous winners has been made possible thanks to the prize money, recognition, and publicity earned through the LafargeHolcim Awards.

The triennial LafargeHolcim Forum is organized jointly with affiliated universities from around the world and enables the Foundation to advance the academic discourse of sustainable construction. The symposium strengthens LafargeHolcim's ties with innovative minds and expands the Foundation's network. In April 2016, 300 architects, engineers, building professionals, and experts from all generations and geographic regions gathered in Detroit for the 5th International LafargeHolcim Forum. The theme of the conference was "Infrastructure Space," examining how infrastructure must be designed so that it can contribute to a sustainable living environment. The findings of the Forum are of vital importance for sustainable development now, and in the future.

The 15^{th} International Architecture Biennale in Venice 2016 provided a good example of how the Foundation collaborates with an array of players to develop leading-edge solutions. Together with the Norman Foster Foundation, the LafargeHolcim Foundation presented a prototype of the Droneport, a self-supporting vault that would act as a terminal for remote-controlled drones. This cleverly designed building is part of a project to improve the supply of basic goods to remote areas in Africa by leap-frogging inadequate road infrastructure to deliver urgent and emergency supplies. DURABRIC, a building block made of cement-stabilized compressed earth was optimized to meet the specifications of the Droneport. This collaborative project underscored the innovative capacity of LafargeHolcim, promoted DURABRIC as a sustainable building material, and made a step toward improving quality of life.

PEOPLE

People are our greatest asset. It is their knowledge, commitment and dedication that enables us to deliver the Group strategy and create value for all our stakeholders. With the difficult integration period of our merger largely over, we are now focused on creating an environment where everyone concentrates on the customer and where agility, collaboration and empowerment are at the heart of our new culture.

A culture of change

Our culture plays an important role in achieving our company vision. In a rapidly changing industry, we need to ensure that our employees are equipped to manage significant change. We are investing in developing our employees and leaders and in 2016 we launched our new leadership framework which forms the basis of our future talent assessment and individual development.

Employee engagement

We conducted two Group-wide employee surveys in 2016: one in the first quarter and the second in the last quarter. Overall, the results were positive with more than 80 percent of employees saying that they are proud to work for LafargeHolcim. More than 90 percent said they “are willing to put in extra effort to make the company successful”. This is a testament to the dedication and commitment of our people.

Almost 90 percent acknowledge LafargeHolcim’s commitment to Health & Safety, thereby confirming that our employees recognize this is an overriding value. But the surveys also revealed areas for improvement; hence our focus on agility, collaboration and empowerment which we believe will make us more responsive to customers and our markets and better leverage the capability and experience we have across the Group.

Collaboration and Trust

Empowerment, Accountability and Transparency

Simplicity and Agility

Group employees by region

	2016	2015
Asia Pacific	31,274	36,199
Europe	21,829	23,843
Latin America	10,536	11,707
Middle East Africa	13,191	16,123
North America	12,257	11,265
Service and trading companies	1,816	1,819
TOTAL GROUP	90,903	100,956

Group employees by segments

	2016	2015
Cement[1]	56,133	64,506
Aggregates	11,816	11,282
Other construction materials and services	21,257	23,472
Diverse	1,697	1,696
TOTAL GROUP	90,903	100,956

[1] Including all other cementitious materials.

Diversity and inclusion

At LafargeHolcim, an inclusive and diverse workplace, reflecting our globally diverse business, is important to delivering sustainably strong performance. Our Group sustainability strategy – the 2030 Plan – recognizes the importance of gender balance and has set a target to achieve 30 percent minimum of each gender at all management levels by 2030.

During 2016, an internal women's task force – sponsored by the Group Executive Committee – reached out to male and female employees to assess our existing company culture and provide recommendations on how to improve gender diversity. We have subsequently developed a regional approach to setting targets and action plans. In 2016, this approach was implemented in Central and South America. It will be extended to the rest of the regions during 2017.

We also continue to raise internal awareness by sponsoring and participating in women's conferences around the world. In 2016, a total of 30 senior leaders from LafargeHolcim, both men and women, participated in the Women's Forum events in Dubai, Mexico and France.

Talent Management

Now the merger phase is over, our focus is on developing our people and capabilities and offering good career and development opportunities. For instance, in 2016, we launched a global Commercial Academy for senior leaders and Sales Academies in every region (Read more about these in our section on Innovation and Growth on page 54). In 2017, we will be launching new leadership development programs.

Composition of Top Managers

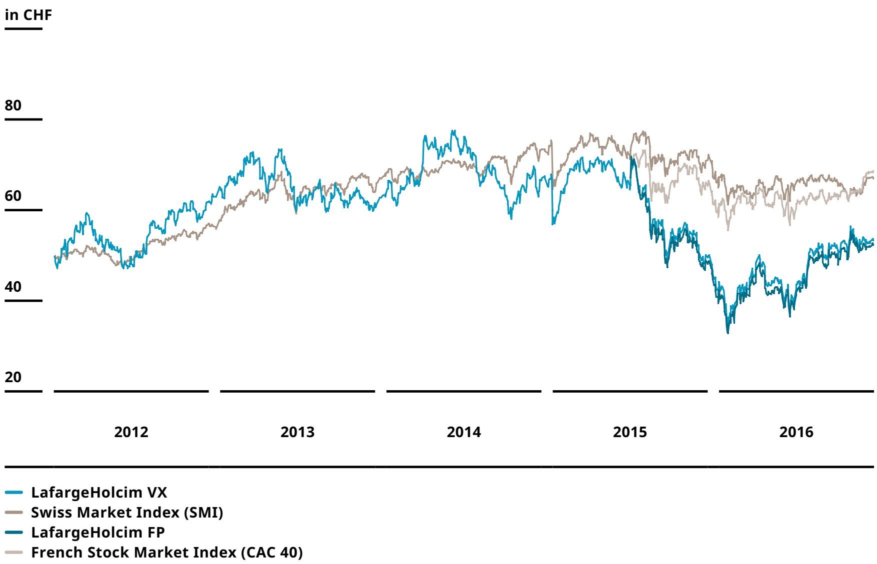
	Male	Female	Total	Percentage of women
Top management level	155	18	173	10%
Senior management level	1,254	236	1,490	16%
TOTAL	1,409	254	1,663	15%

CAPITAL MARKET INFORMATION

CAPITAL MARKET INFORMATION

After a period of integration following the merger, 2016 was a year of consolidation and achievement. With the momentum of earnings and cash flow growth accelerating, the Group demonstrated its ability to deliver on its strategy and ambitions. In 2016, earnings grew in all Group regions. Margin improvement was supported by synergies delivery ahead of plan and rigorous focus on cost management, while pricing trends were favorable in a number of markets. Cash flow improvement and active portfolio optimization helped reduce the debt. This solid progress in financial performance illustrates that LafargeHolcim is well positioned to deliver superior value to its stakeholders.

Performance of LafargeHolcim shares versus Swiss Market Index (SMI) and the CAC40 (rebased)



After a difficult start into the year, equity markets, especially US indices, reached some highs in 2016 in the hope of new stimulus packages by the US administration and encouraging macro-economic statistics. In Europe, the Brexit vote and political uncertainty undermined investors' confidence for a while.

LafargeHolcim share price at CHF 53.70 grew by 6.7 percent from the 2015 year-end closing price of CHF 50.30. In comparison, the SMI decreased by 6.8 percent while the CAC 40 progressed by 4.9 percent and the Stoxx 600 Construction improved by 9.2 percent. After under-performing in the beginning of the year, LafargeHolcim closed the gap thanks to improved operational performance driven by strict execution of its strategy on pricing, synergies delivery and cost management. The Group also delivered on its divestment program and improved its Fee Cash Flow generation. In addition, the Group announced increased shareholder returns through proposed higher dividends and a CHF 1 billion share buy-back program to be conducted in 2017 and 2018.

The average trading volume in 2016 amounted to approximately 2.0 million shares per day on the SIX Swiss Exchange and 0.4 million shares on the Euronext.

Additional data

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

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 CAC40), providing outstanding liquidity for shareholders. Each share carries one voting right. At year-end 2016, the company's market capitalization stood at CHF 32.6 billion.

Weighting of the LafargeHolcim registered share in selected share indices

Index	Weighting in %
SMI, Swiss Market Index	2.58
CAC 40, Euronext Paris	2.14
SPI, Swiss Performance Index	2.11
SLI, Swiss Leader Index	4.43
SXOP, Dow Jones STOXX 600 Construction	10.63
STOXX Europe Large 200	0.79
STOXX Europe 600	0.31
STOXX Global 1800	0.07
DJSI World Enlarged Index	0.174
FTSE4Good Europe Index	0.4

Sources: Bloomberg, FTSE Index Company, as of year-end 2016

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.

Free float

Free float as defined by the SIX Swiss Exchange stands at 75 percent.

Dividend policy

Dividends are distributed annually. LafargeHolcim is committed to a progressively growing dividend per share and a payout ratio of 50 percent of Group net income attributable to shareholders of LafargeHolcim over the cycle. For the 2016 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 10, 2017.

Key data LafargeHolcim registered shares

Par value CHF 2.00	2016	2015	2014[1]	2013	2012[1]
Number of shares issued	606,909,080	606,909,080	327,086,376	327,086,376	327,086,376
Number of dividend-bearing shares	606,909,080	606,909,080	327,086,376	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	1,152,327	1,338,494	1,219,339	1,522,510	1,736,538

Stock market prices in CHF	2016	2015	2014	2013	2012
High	57	73	83	79	68
Low	34	48	62	63	49
Average	47	63	73	69	58
Market capitalization (billion CHF)	32.6	30.5	23.3	21.8	21.9
Trading volumes (million shares)	615.0	449.1	266.8	215	231.4
Earnings per dividend bearing share in CHF[3]	2.96	(3.11)	3.63	3.91	1.89
Cash earnings per share in CHF[4]	5.44	5.29	7.63	8.56	8.16
Consolidated shareholders' equity per share in CHF[5]	50.88	51.79	53.49	49.77	50.52
Payout/dividend per share in CHF	2.00[6]	1.50	1.30	1.30	1.15

[1] Restated due to changes in accounting policies.
[2] Shares reserved for convertible bonds.
[3] EPS calculation based on net income attributable to shareholders of LafargeHolcim Ltd weighted by the average number of shares outstanding. EPS for 2014 was restated due to the distribution of a scrip dividend.
[4] Cash EPS calculated based on cash flow from operating activities weighted by the 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.

Major shareholders

Information on major shareholders can be found on page 284 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.

Current rating (March 2017)

Rating Agency	Long-term rating	Short-term rating
Standard & Poor's Ratings Services	**BBB, outlook stable**	**A-2**
Moody's Investors Service	**Baa2, on review for downgrade**	**P-2**

Financial reporting calendar

	Date
Results for the first quarter 2017	**May 3, 2017**
Annual General Meeting of shareholders	**May 3, 2017**
Ex date	**May 8, 2017**
Payout	**May 10, 2017**

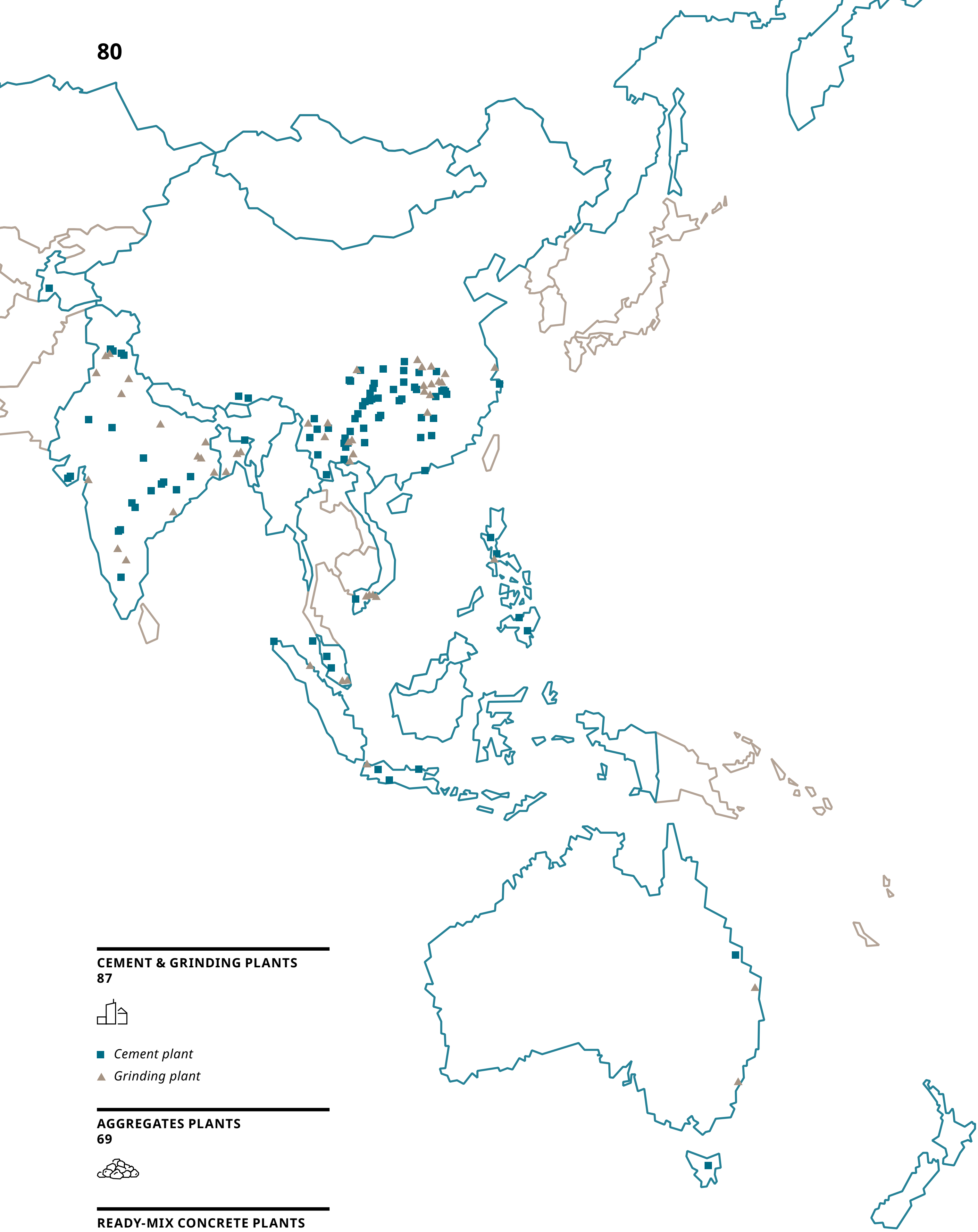
Registration in the share register and restrictions on voting rights

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*

BUSINESS REVIEW



CEMENT & GRINDING PLANTS
87

Cement plant

Grinding plant

AGGREGATES PLANTS
69

READY-MIX CONCRETE PLANTS
317

ASIA PACIFIC DELIVERS DESPITE INCREASED COMPETITION

The contribution from Asia Pacific increased despite a mixed economic picture across the region. Overall, the construction market was relatively flat and more intense competition and overcapacity in some markets affected prices. LafargeHolcim's cement volumes were marginally down on the prior year. Thanks to positive contributions from countries such as the Philippines, Vietnam and India and the benefits of synergies, tight cost management and lower energy costs, Adjusted Operating EBITDA on a like-for-like basis for Asia Pacific was ahead of 2015.

Economic and construction industry development

In 2016, growth in Asia Pacific continued to outpace the global economy despite volatility across the region. The rate of construction industry growth in **China**, was positive in 2016 after a sharp decline in 2015 and benefited from increased government spending – such as the one-belt-one-road infrastructure initiative – as well as a temporary increase in the housing sector activity.

In **India**, the construction sector continued to expand and cement consumption increased. The Indian government's demonetization policy, and the resulting impact on consumer spending power, negatively affected many sectors of the economy in the last two months of the year.

In Southeast Asia, **the Philippines** economy saw significant and robust growth, especially during the first half of the year. Private and infrastructure construction continued to drive the sector's growth and cement consumption increased as a consequence. **Indonesia's** economic growth was supported by private consumption. Cement consumption increased, but below expectations following a slowdown in public sector infrastructure projects. **Malaysia's** GDP grew moderately over the year due to weakened demand for exports of oil and manufactured goods. The construction market and cement consumption declined.

Vietnam recorded robust economic growth. The construction market grew as residential, commercial and infrastructure construction activity increased. Economic growth was strong in **Bangladesh** and the construction market expanded. Large infrastructure projects and construction of industrial buildings, notably to serve the clothing industry, drove the market.

In **Australia**, GDP growth rates remained soft as the economy felt the effects of lower global demand for commodities and continued the rebalance towards non-mining sectors.

LafargeHolcim performance by country

In **China**, cement volumes increased supported by a new regional sales strategy. Aggregate volumes increased markedly with the initiation of a new plant in Wuxue and strong demand in Dujiangyan. Measures to take advantage of lower energy costs in particular contributed to a marked increase in Adjusted Operating EBITDA.

Cement volumes in **India** were affected by the government's demonetization program launched in the fourth quarter. The removal of certain banknotes from circulation had a particular impact on the retail business which relies to a significant degree on cash transactions. However, savings in fuel and other variable costs and the implementation of new marketing strategies offset the adverse effects in price and volume to drive an increase in Adjusted Operating EBITDA on the previous year.

Strong construction demand across the country continued to drive volumes up in all segments in **the Philippines** despite a softening in the fourth quarter. Higher volumes and prices supported by operating efficiencies drove improved Adjusted Operating EBITDA compared to the previous year.

Vietnam reported an increase in cement volumes driven by strong market growth, power plant projects in the south of the country and an increase in residential housing construction. Ready-mix concrete volumes dropped significantly as a result of day-time delivery restrictions in Ho Chi Minh City. Supported by cost savings, Adjusted Operating EBITDA grew compared to 2015. In **Bangladesh**, the cement volumes were up driven by government-funded buildings and infrastructure. Despite downward price pressures, Adjusted Operating EBITDA increased compared to the prior year.

In **Indonesia**, the entry of new manufacturers added to existing overcapacity in the market and exerted downward pressure on cement volumes and prices. Ready-mix concrete volumes remained stable, underpinned by high-rise projects, especially in the greater Jakarta area. Volume and price deterioration had a negative effect on the financial performance compared to the previous year. **Malaysia** registered a drop in cement volumes and prices as the market declined, competitors added new capacity and exports reduced. Volumes of ready-mix concrete increased as a result of new large infrastructure projects. Adjusted Operating EBITDA declined in both Indonesia and Malaysia for the year despite the positive effects of measures to improve competitiveness and performance in these challenging markets.

Australia saw flat aggregates volumes while ready-mix volumes grew. Adjusted Operating EBITDA declined, reflecting the completion of large infrastructure projects in the north west of the country and the end of the construction phase of the Gorgon gas project in Western Australia earlier in the year as well as the transition to the new Lynwood aggregates quarry which will serve the Sydney market. Measures to reduce the cost base were introduced during 2016.

Asia Pacific

		2016	2015	±%	±% like-for-like
Sales of cement	million t	113.7	123.1	–7.7	–1.0
Sales of aggregates	million t	32.2	34.8	–7.5	5.2
Sales of ready-mix concrete	million m^3	15.4	15.9	–3.4	0.6
Net sales	million CHF	8,226	9,048	–9.1	–2.0
Operating EBITDA	million CHF	1,444	1,486	–2.8	4.4
Operating EBITDA adjusted [1]	million CHF	1,530	1,565	–2.2	5.2
Operating EBITDA margin	%	17.6	16.4		
Operating EBITDA margin adjusted [1]	%	18.6	17.3		

[1] Excluding merger, restructuring and other one-offs.

Summary of Group region performance

In the period under review, consolidated cement volumes in Asia Pacific decreased by 1.0 percent on a like-for-like basis to 113.7 million tonnes driven largely by volume decreases in Indonesia and Malaysia.

Aggregates shipments increased by 5.2 percent on a like-for-like basis to 32.2 million tonnes, while ready-mix concrete volumes increased by 0.6 percent on a like-for-like basis at 15.4 million cubic meters.

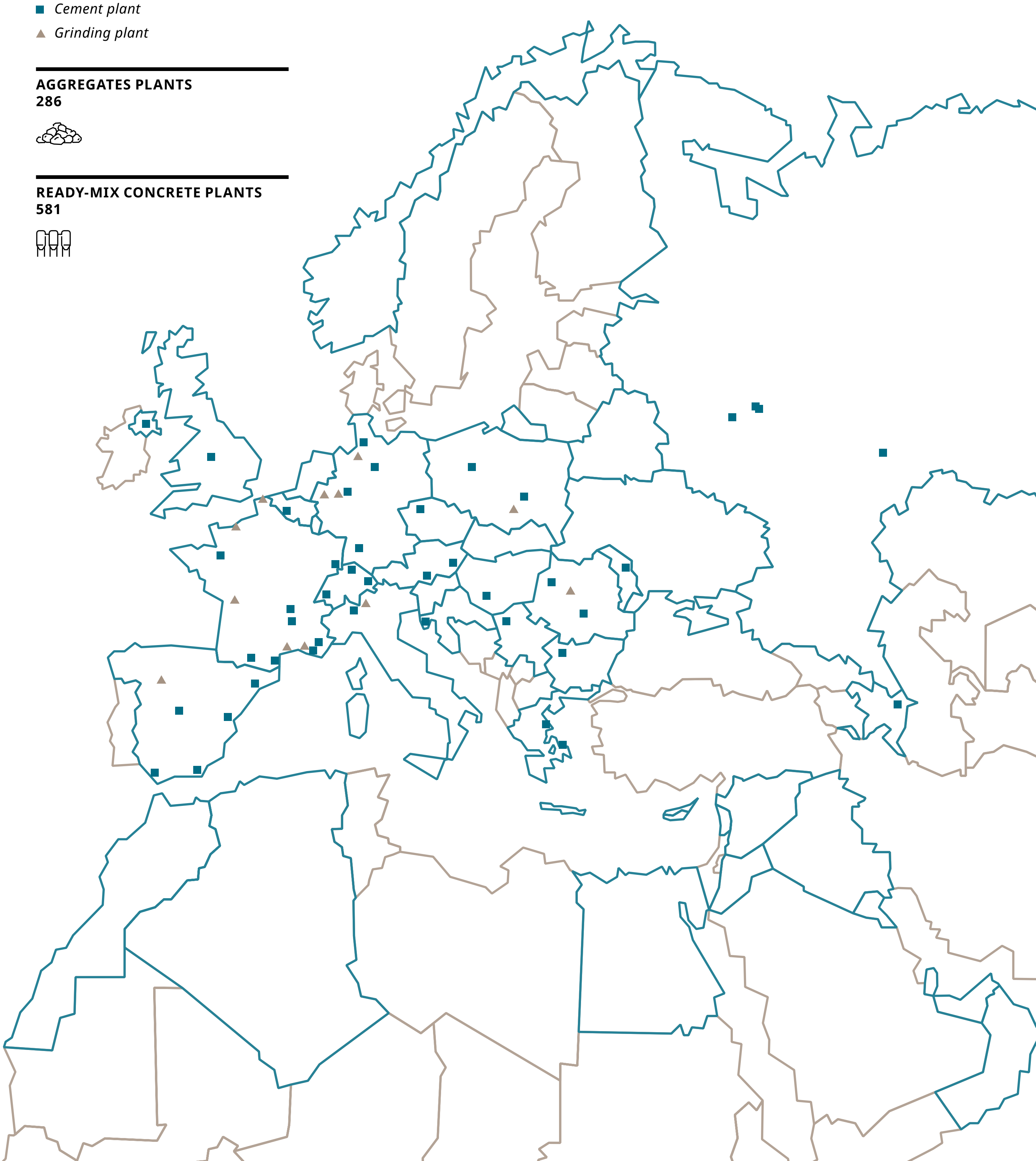
Net sales decreased by 2.0 percent to CHF 8,226 million, and adjusted operating EBITDA increased by 5.2 percent on a like-for-like basis to CHF 1,530 million.

CEMENT & GRINDING PLANTS
55

■ *Cement plant*
▲ *Grinding plant*

AGGREGATES PLANTS
286

READY-MIX CONCRETE PLANTS
581



RESILIENT PERFORMANCE IN EUROPE

LafargeHolcim turned in a resilient performance in Europe in a year characterized by slow economic growth, delayed infrastructure projects and widespread political uncertainty. Adjusted operating EBITDA improved versus the prior year – chiefly as a result of disciplined cost management – despite a slight decrease in volumes across the region. Notable positive contributions came from the United Kingdom, Germany, France and Belgium, while Spain and Azerbaijan, impacted by political instability, saw the biggest downturns.

Economic and construction industry development

The Eurozone's tentative economic recovery continued in 2016.

The **United Kingdom** economy recovered its poise after the Brexit vote in June and continued to expand above the EU average, underpinned by a buoyant service sector, the effects of a weakening pound and government support for housing and infrastructure spending.

France remained in a cycle of modest growth during 2016. The construction sector grew slightly but public construction spending remained subdued. The **Belgian** economy grew modestly supported by lower unemployment, higher disposable income and low interest rates. The recovery in the residential and non-residential construction market was not mirrored in the infrastructure sector.

Germany showed moderate economic growth, fuelled mainly by consumption underpinned by solid fundamentals. The construction sector advanced on the back of residential demand. Non-residential construction suffered from a downturn in investment. After a difficult 2015, the **Swiss** economy saw increased rates of growth in 2016. Construction activity picked up slightly helped by the non-residential sector.

The recovery of the **Italian** economy continued as domestic demand picked up. The construction industry witnessed moderate growth due to new infrastructure projects. Despite political uncertainty, the **Spanish** economy continued to achieve strong growth in 2016. Supported by household consumption, the residential construction sector grew steadily. Investments in infrastructure, however, decreased substantially as government cut spending to reduce the deficit. **Greece** reported weak but positive growth for 2016. The construction market, still at a historically low level, remained stable.

The economy in **Romania** grew on the back of increased domestic consumption though the construction sector and cement consumption slowed. **Bulgaria**'s economy expanded in 2016, but cuts in EU funding for road construction negatively affected the construction market.

The **Polish** economy continued to grow in 2016. The construction market slowed down considerably due to lower EU development funds and change of government. The economies of **Austria**, the **Czech Republic**, **Hungary** and **Slovenia** grew moderately. The construction sector expanded in Austria, but decreased considerably in the other countries, especially in Hungary and in Slovenia.

Oil prices and sanctions continued to weigh heavily on the **Russian** economy which remained in recession and the construction market remained sluggish. In **Azerbaijan** the economy continued to contract sharply. The construction market saw a marked decline due to lack of public financing and liquidity problems in the private sector. The **Ukrainian** economy showed modest signs of recovery over last year. In spite of political and economic instability, the economy in **Moldova** grew moderately.

LafargeHolcim performance by country

Steady demand in **the United Kingdom** market drove an upturn in the Group's cement and ready-mix volumes while delays in road projects affected aggregates volumes negatively and the weakened pound resulted in cost increases. Despite the headwinds, Adjusted Operating EBITDA improved significantly due to full year impact of increased cement production, strong margin management, pricing and customer differentiation initiatives as well as particular focus on cost management.

In **France**, volumes in the three segments remained relatively stable but revenues were impacted by pressure on prices. The financial performance improved slightly as a result of the tight focus on energy costs in particular and additional EBITDA from recycled aggregates. **Belgium** delivered higher volumes of cement and aggregates. Ready-mix concrete volumes were down following the rightsizing the production footprint. Adjusted Operating EBITDA benefited from substantial improvements in the manufacturing process, strong performance in aggregates and cost discipline.

In the Group's operations in northern **Germany**, volumes of cement and ready-mix concrete remained stable while aggregates volumes increased slightly. In southern Germany cement and aggregates volumes increased while ready-mix concrete volumes declined. Adjusted Operating EBITDA for Germany improved significantly in part due to cost reduction actions.

In **Switzerland**, positive market dynamics and the Group's strong positions in large construction projects led to increased cement sales volumes. Adjusted Operating EBITDA improved year-on-year thanks to strict cost management and positive momentum of cement volumes, which more than compensated for price pressure in the market.

Cement and ready-mix concrete volumes declined in **Italy** as large construction projects were completed and new ones delayed. Adjusted Operating EBITDA was down on 2015. **Spain** saw a decrease in cement, ready-mix concrete and aggregates volumes though major restructuring and decisive action on costs resulted in an improved Adjusted Operating EBITDA. **Greece** reported an increase in cement and aggregate volumes. Though operating in difficult circumstances, efforts to refocus the customer portfolio, pricing and cost savings resulted in higher Adjusted Operating EBITDA compared to the previous year.

Europe

		2016	2015	±%	±% like-for-like
Sales of cement	million t	41.6	42.1	–1.4	–1.4
Sales of aggregates	million t	124.2	123.0	1.0	1.0
Sales of ready-mix concrete	million m^3	18.4	18.7	–1.6	–1.6
Net sales	million CHF	7,023	7,356	–4.5	–2.1
Operating EBITDA	million CHF	1,217	1,089	11.8	15.2
Operating EBITDA adjusted [1]	million CHF	1,329	1,264	5.1	8.2
Operating EBITDA margin	%	17.3	14.8		
Operating EBITDA margin adjusted [1]	%	18.9	17.2		

[1] Excluding merger, restructuring and other one-offs.

Softer cement demand, a lack of infrastructure projects and the reduction in exports drove volumes down in **Romania**. This was partly offset by savings in energy costs with a slightly improved financial performance compared to 2015. **Bulgaria** suffered from weakened demand and increased pressure on prices. Volumes in all three segments declined, and the Adjusted Operating EBITDA was down on 2015.

Poland increased cement volumes in a highly competitive market while a slowdown in infrastructure projects negatively impacted aggregates volumes. Significant cost reductions offset the effect of lower prices and Adjusted Operating EBITDA was above previous year's level. **Austria** and **the Czech Republic**, reported slightly higher sales. Volumes in **Hungary** were stable and declined in **Slovenia**. Thanks in large part to cost reduction measures, Adjusted Operating EBITDA improved in Czech Republic and Hungary.

Russia saw reduced cement volumes as the overall market declined, impacted by low oil prices and sanctions. Aggregates sales were higher as the government restricted some imports, and new infrastructure projects were started. Price increases, a more focused commercial approach, and substantial cost reduction measures limited the downward pressure on Adjusted Operating EBITDA. Substantially weaker demand led to a drop in volumes in **Azerbaijan**. Financial performance was down on the previous year.

Summary of Group region performance

Despite higher volumes in many countries, consolidated cement volumes in Europe were down 1.4 percent to 41.6 million tonnes, primarily driven by declines in Russia and Romania.

Aggregates shipments totaled 124.2 million tonnes in the year under review, representing an increase of 1.0 percent.

Ready-mix concrete deliveries were down by 1.6 percent to 18.4 million cubic meters, mainly due to negative performance in Spain, France and Italy.

Net sales declined by 2.1 percent to CHF 7,023 million but due largely to cost reductions Adjusted Operating EBITDA increased by 8.2 percent to CHF 1,329 million.

CEMENT & GRINDING PLANTS
33

■ *Cement plant*

▲ *Grinding plant*

AGGREGATES PLANTS
12

READY-MIX CONCRETE PLANTS
120

PRICING AND COST MEASURES HELP OFFSET TOUGH CONDITIONS IN LATIN AMERICA MARKETS

LafargeHolcim's performance in Latin America benefited from successful pricing strategies and cost saving measures implemented in 2016. This helped offset the decline in volumes due mainly to the ongoing economic crisis in Brazil and more moderate economic slowdown in other markets. Cement, aggregate and ready-mix concrete volumes and net sales decreased. Margins improved, driving Adjusted Operating EBITDA up for the region compared to the previous year. The Group continued to focus on pricing, cost discipline, customer excellence and on building on its established retail approach.

Economic and construction industry development

Overall, the economic slowdown across Latin America continued in 2016.

Mexico's economy grew moderately, affected by cuts in public spending and declining oil revenues. The construction sector slowed mainly as a consequence of lower than expected government spending, foreign direct investment flows and infrastructure investment. By contrast, the housing and commercial sectors remained dynamic, helping to underpin an increase in cement volumes.

In **Argentina** the devaluation of the peso increased inflation and slowed down domestic consumption. Decrease of public spending and negative influence of neighboring Brazil contributed to the economic decline which was mirrored in the construction sector. **Chile's** economy grew moderately. Mining projects, which are an important driver of the construction activity, nearly ceased in 2016. The consumption of cement remained stable, supported by private investment in the energy sector.

The economies of **Costa Rica** and **El Salvador** grew but the demand for construction materials declined. **Nicaragua** saw the highest economic growth in the region, and a 10 percent expansion in the construction sector due to public investment in infrastructure.

Ecuador's economy declined primarily as a result of reduced public investment and lower consumer spending on the back of falling oil prices. Economic uncertainty also contributed to the continued decrease of construction activity. **Colombia's** positive economic growth was not reflected in the construction sector that saw a decline in cement consumption.

Severe GDP contraction, high unemployment and political instability characterized **Brazil** in 2016. The construction market declined considerably with private and public spending nearly coming to a halt as a result of a shrinking economy and the effects of the on-going corruption probe into the construction sector.

LafargeHolcim performance by country

In **Mexico**, a focus on more profitable segments and cost reduction resulted in strong financial performance. Cement volumes declined, partly due to a decrease in public infrastructure spending. Ready-mix concrete volumes increased as the residential and commercial construction market remained buoyant.

Cement and ready-mix volumes in **Argentina** decreased mainly due to a slowdown in the residential construction sector, and a decrease in public investment in infrastructure and housing. Pricing and cost optimization initiatives resulted in a significant increase in Adjusted Operating EBITDA. In **Chile**, volumes of cement and ready-mix decreased, due to a fall in the residential construction market in the second half of the year. Improved prices and lower production costs compensated for reduced volumes, resulting in a higher Adjusted Operating EBITDA versus the previous year.

In **El Salvador** cement and concrete volumes declined, affected by political instability and security problems. Thanks to disciplined cost management, Adjusted Operating EBITDA improved. **Costa Rica** experienced a decrease in cement volumes and in Adjusted Operating EBITDA due to lack of public infrastructure projects and increased cement imports. **Nicaragua** saw increased cement volumes and improved its financial performance, underpinned by solid growth in the residential and commercial construction sector and in infrastructure.

In **Ecuador**, the liquidity crisis and the consequent challenging economic environment continued to delay construction projects. Volumes of cement decreased markedly, though aggregates and concrete volumes remained stable. Despite the sluggish market, important projects such as Quito metro and Guayaquil hospital, led to an improvement in sales volumes. Following the April earthquake, the Disensa retail network has developed and made available practical and affordable housing solutions to people whose homes were damaged. An aggressive contingency plan increased margins and limited the decrease of Adjusted Operating EBITDA compared to previous year.

In **Colombia**, softer demand and a national transport strike lasting several weeks, negatively impacted cement and ready-mix volumes. Major projects, such as Bogota El Dorado International Airport helped to partly offset the lost volume. Despite price increases during the first half of the year, and a cost savings plan, Adjusted Operating EBITDA was down on 2015.

In **Brazil,** the very challenging operating environment hit volumes of cement, aggregates and ready-mix. Coupled with an increased pressure on prices, this contributed to a significant fall in Adjusted Operating EBITDA. Reductions in fixed costs, and divestments or mothballing of non-performing assets, partially offset the decrease.

Latin America

		2016	2015	±%	±% like-for-like
Sales of cement	million t	24.1	27.9	–13.5	–13.5
Sales of aggregates	million t	6.0	7.9	–24.4	–23.2
Sales of ready-mix concrete	million m^3	6.5	7.3	–10.6	–10.1
Net sales	million CHF	2,773	3,241	–14.4	–4.1
Operating EBITDA	million CHF	835	876	–4.7	5.4
Operating EBITDA adjusted [1]	million CHF	885	907	–2.4	7.8
Operating EBITDA margin	%	30.1	27.0		
Operating EBITDA margin adjusted [1]	%	31.9	28.0		

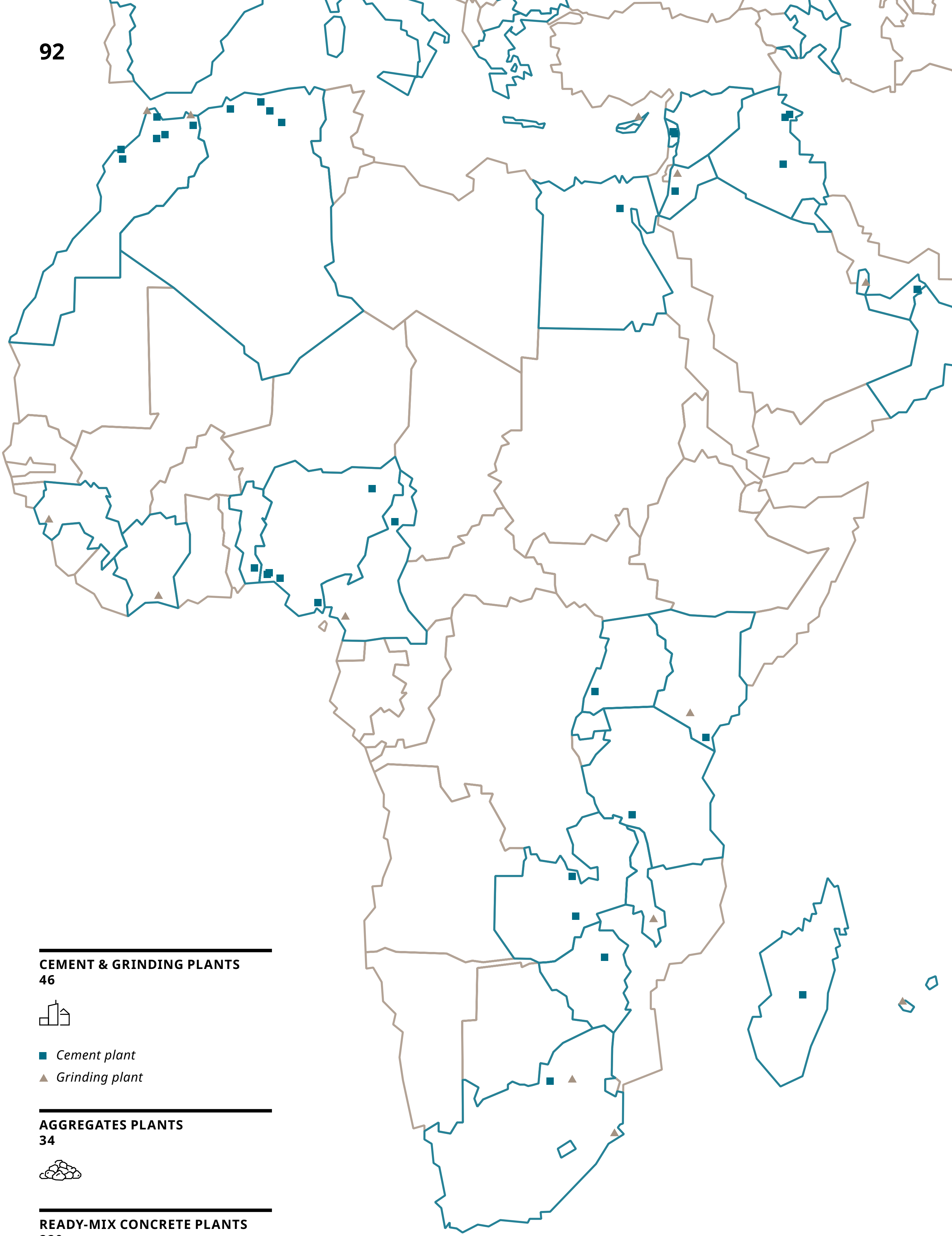
[1] Excluding merger, restructuring and other one-offs.

Summary of Group region performance

Consolidated cement volumes in Latin America decreased 13.5 percent and amounted to 24.1 million tonnes, as the effect of some challenging markets contributed to an overall contraction in the regional economy.

Aggregates shipments were down 23.2 percent to 6.0 million tonnes, due to general economic slowdowns as well as divestments in Costa Rica, and closing of aggregates plants in Mexico. Volumes in ready-mix concrete decreased 10.1 percent in the full year to 6.5 million cubic meters.

Net sales reduced by 4.1 percent in comparison to previous year. Efforts on pricing and cost discipline drove an increase in margins and an improvement in Adjusted Operating EBITDA of 7.8 percent.



CEMENT & GRINDING PLANTS
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- Cement plant
- Grinding plant

AGGREGATES PLANTS
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READY-MIX CONCRETE PLANTS
220

SOLID GROWTH ACROSS MIDDLE EAST AFRICA OFFSETS CHALLENGES IN NIGERIA

The Middle East Africa region overcame devaluation, energy and production challenges in Nigeria, and the effect of continued low oil and commodities prices on many African economies to deliver solid growth in Adjusted Operating EBITDA in 2016. Strong contributions from Algeria, Egypt and Lebanon – supported by positive pricing and volume increases – offset declines in markets such as South Africa.

Economic and construction industry development

In 2016, the Middle East Africa region continued to witness economic growth, despite the negative effects of the low oil price. Kenya showed resilient growth while Nigeria entered into recession, underlining the diversity of economic conditions across the region.

The **Moroccan** economy was relatively stable and the cement market declined slightly. In **Algeria**, the construction sector was resilient with social housing and infrastructure projects driving demand. Economic growth, however, remained modest due to a fall in oil and gas revenues. In **Egypt**, the cement consumption increased slightly, underpinned by investments in residential housing, large-scale projects and infrastructure. Economic growth was slower than in 2015, inflation remained high and the Egyptian pound, allowed to float in November, devalued significantly.

In **Lebanon**, the economy grew modestly, impacted by weakened public finances. Major infrastructure projects were delayed; an increase in cement consumption was underpinned by a mild winter season and the residential housing sector. **Iraq** continued its recovery from a low base, affected by the impact of military conflict and low oil revenues. The construction sector contracted as government spending on infrastructure was reduced and projects postponed in many parts of the country. Cement imports fell, which improved market prices. Despite general unrest in the region, the security situation in Iraq improved.

Nigeria saw its economy contract for the first time in several years, with activity affected by the low oil price, the country's main source of revenue. The devaluation of the naira currency in June depressed consumption rates and inflation reached its highest level for several years. The overall industrial production was also constrained by political instability in the south. The political situation in **Ivory Coast** was stable and the economy grew. Cement consumption increased, underpinned by residential housing projects.

Kenya showed the resilience of its economy as it continued to grow at one of the fastest rates in the region. The construction market expanded, driven by large infrastructure projects such as the Standard Gauge Railway. The **Ugandan** economy declined slightly in 2016. Cement consumption nevertheless increased as the government continued to invest in oil pipelines, railways, hydropower dams and roads. Economic growth in **South Africa** was modest, affected by drought, high unemployment and political uncertainty. Cement consumption decreased due to postponed infrastructure projects as government and private companies reviewed spending plans in response to a weakened economy.

LafargeHolcim performance by country

In **Morocco,** volumes in the cement, aggregates and ready-mix segments declined slightly. The business performed strongly in terms of Adjusted Operating EBITDA, up on 2015 due to a positive combination of pricing, cost control and realization of synergies. In July 2016, Holcim Morocco operations were merged with the former Lafarge operations in the country to create LafargeHolcim Morocco. **Algeria** reported an increase in cement volumes and aggregates over the year while ready-mix volumes declined slightly. Better pricing conditions at the beginning of the year, in conjunction with higher cement volumes, resulted in a significant improvement of Adjusted Operating EBITDA compared to 2015.

In **Egypt**, overall cement volumes declined as sales slowed during the last quarter though an effective marketing campaign helped deliver volume and price increases for the Momtaz retail cement brand. Aggregate and ready-mix concrete volumes increased thanks to projects in the power plant and airport segments. Adjusted Operating EBITDA improved significantly due to cost savings from changes in the fuel mix, better pricing and increased volumes in aggregates and ready-mix concrete for large-scale projects.

Lebanon saw an increase in cement volumes following implementation of a new commercial strategy and improvements in production performance, while ready-mix concrete volumes declined as competition intensified. Strong price performance and tight cost control led to a significant increase in Adjusted Operating EBITDA. In **Jordan**, a lack of major construction projects due to political instability caused cement and ready-mix concrete volumes to decline. Adjusted Operating EBITDA was down on 2015. Despite a sluggish market, cement volumes increased in **Iraq**, as imports were limited by the introduction of higher custom duties. Activity in the ready-mix concrete market was seriously curtailed in the north of the country with the loss only partially offset by large projects in the south. Adjusted Operating EBITDA was higher versus the prior year thanks mainly to cost discipline.

Affected by the interruption of gas supplies following militant group attacks on pipelines and acute logistic challenges, **Nigeria** suffered a sharp decline in cement volumes and in Adjusted Operating EBITDA over the year. Measures to increase fuel flexibility combined with price increases drove a strong recovery of EBITDA in the fourth quarter. **Ivory Coast** saw an increase in cement volumes. Adjusted Operating EBITDA was down on 2015.

In **Uganda**, cement volumes rose, underpinned by residential housing and infrastructure projects such as the Kibali gold mine. Adjusted Operating EBITDA increased compared to the previous year. **Kenya** reported steady profits as Adjusted Operating EBITDA increased year-on-year despite a slight decline in cement volumes due to intense competition and slower export markets. Cement volumes declined in **South Africa** and Adjusted Operating EBITDA was significantly down on 2015.

Middle East Africa

		2016	2015	±%	±% like-for-like
Sales of cement	million t	40.3	43.4	–6.9	–1.5
Sales of aggregates	million t	12.2	11.2	8.7	11.2
Sales of ready-mix concrete	million m^3	6.0	5.6	7.7	10.0
Net sales	million CHF	3,900	4,536	–14.0	–1.5
Operating EBITDA	million CHF	1,127	1,276	–11.7	1.7
Operating EBITDA adjusted [1]	million CHF	1,196	1,362	–12.2	1.3
Operating EBITDA margin	%	28.9	28.1		
Operating EBITDA margin adjusted [1]	%	30.7	30.0		

[1] Excluding merger, restructuring and other one-offs.

Summary of Group region performance

Consolidated cement deliveries in Middle East Africa decreased over the previous year by 1.5 percent to 40.3 million tonnes, with increases in Algeria, Iraq and South Africa helping to offset particularly marked volume declines in Nigeria and Zambia.

Aggregates deliveries were up 11.2 percent to 12.2 million tonnes. Ready-mix concrete volumes increased by 10.0 percent to 6.0 million cubic meters.

Net sales decreased 1.5 percent to CHF 3,900 million and Adjusted Operating EBITDA on a like-for-like basis increased by 1.3 percent to CHF 1,196 million as improved results in Algeria, Egypt and Lebanon fully mitigated weaker profits in Nigeria, Zambia and Jordan.


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Grinding plant
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READY-MIX CONCRETE PLANTS
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STRONG PERFORMANCE IN NORTH AMERICA DRIVEN BY THE US

LafargeHolcim posted solid results in the North America region, supported by a strong performance in the US and despite challenging conditions in the Canadian market. Volumes of cement, aggregates and ready-mix concrete decreased, mainly due to the economic downturn in Western Canada and tough comparisons with exceptionally mild weather in the fourth quarter of 2015 in the US and Canada. Adjusted Operating EBITDA and margin for the region improved markedly thanks largely to pricing, synergies and cost reduction measures.

Economic and construction industry development

In 2016, the **US** economy continued to expand at a moderate, steady rate across most parts of the country, except for the oil and gas producing states such as Texas, Oklahoma and the Dakotas which witnessed a relative slowdown. Rising employment and low interest rates underpinned a period of growth in the residential construction market. The US housing starts stood at approximately 1.1 million, still below the long-term average level of 1.5 million. The demand for cement in the US increased by 2.7 percent.

The **Canadian** economy, driven by the eastern provinces and British Columbia, grew at a moderate rate. The Federal and Provincial governments, which had made infrastructure spending a priority, continued to invest in projects as a means of maintaining economic growth. A housing boom in Vancouver and Toronto also contributed to growth. Overall, economic activity was lower in Western Canada, which, with the exception of the British Columbia province, continued to suffer from an oil price-driven downturn. The regional differences in economic development were reflected in cement consumption which increased in the east of the country while, with the exception of British Columbia, declined in the western provinces compared to the previous year.

LafargeHolcim performance by country

In the **US**, cement volumes in 2016 were down slightly, impacted by lower construction growth in LafargeHolcim-specific markets versus the national average, as well as unfavorable weather conditions for construction in the third and fourth quarters. Aggregates and ready-mix concrete demand remained stable over 2016. Despite slightly lower volumes, the US reported strong financial performance. An uplift in Adjusted Operating EBITDA was driven by a continued improvement in pricing and disciplined cost control. The US succeeded in accelerating the capture of synergies through supply chain, plant network optimization, manufacturing and procurement with renegotiation of post-merger purchasing contracts. Organic cost savings measures were also implemented.

North America

		2016	2015	±%	±% like-for-like
Sales of cement	million t	19.5	21.8	–10.9	–2.3
Sales of aggregates	million t	108.2	115.3	–6.2	–6.2
Sales of ready-mix concrete	million m³	8.7	9.3	–7.1	–6.9
Net sales	million CHF	5,584	5,678	–1.7	–2.7
Operating EBITDA	million CHF	1,294	1,121	15.4	13.8
Operating EBITDA adjusted [1]	million CHF	1,329	1,183	12.3	10.8
Operating EBITDA margin	%	23.2	19.7		
Operating EBITDA margin adjusted [1]	%	23.8	20.8		

[1] Excluding merger, restructuring and other one-offs.

In **Canada**, LafargeHolcim saw a drop in cement sales volumes, largely due to the effect of lower energy prices in the oil-dependent provinces in the west of the country and lower exports to the US. In Eastern Canada, industrial action, affected exports of cement to the US, impacting volumes. The volumes of aggregates and ready-mix concrete also declined due to the economic downturn as well as lower levels of construction activity in Western Canada. In Eastern Canada, Montreal's New Champlain bridge two-year project had a positive effect on volume and profitability. The completion of other major infrastructure projects during 2016, however, led to an overall decline in aggregates volumes. In ready-mix concrete, the positive developments in the residential sector were not enough to compensate for the lack of large infrastructure projects, thus resulting in lower overall sales volumes. Adjusted Operating EBITDA in Canada was lower than in the previous year, despite measures on pricing and costs, due to the geographical sales mix.

Summary of Group region performance

Consolidated cement volumes in North America decreased by 2.3 percent like-for-like to 19.5 million tonnes in the year under review. The volume decrease was most pronounced in Western Canada where it was affected by lower investment activity due to oil price-driven economic downturn. Aggregates deliveries were down 6.2 percent in the period to 108.2 million tonnes, as the end of important infrastructure projects in Eastern Canada and the low activity in Western Canada brought down the region's volumes. Ready-mix concrete shipments were down 6.9 percent to 8.7 million cubic meters due to lower demand in Western Canada.

Despite the drop in volumes, the decrease in net sales was limited to 2.7 percent, resulting in net sales of CHF 5,584 million. Supported by pricing, synergies and cost reduction measures, Adjusted Operating EBITDA increased by 10.8 percent to CHF 1,329 million.

CORPORATE GOVERNANCE

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, share-holders, employees, creditors, suppliers, and the communities where LafargeHolcim operates.

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. With one exception, 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 106 to 109 of this report describe the duties of the Finance & Audit Committee, the Nomination, Compensation & Governance Committee, and the Strategy & Sustainable Development Committee as well as the Organizational Rules.

Except where otherwise indicated, this Annual Report reflects the legal situation as of December 31, 2016.

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 261 to 263 of this Annual Report.

The Group is organized by geographical regions. The management structure as per December 31, 2016, and changes which occurred in 2016, 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

Chapter	Page
Business review in the individual Group regions	**79 – 98**
Segment information	**206 – 207**
Principal companies	**261 – 263**
Information about LafargeHolcim Ltd & listed Group companies	**264**

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, 2016, 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, 2016). 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, 2016, 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, 2016, neither authorized share capital nor certificates of participation were outstanding.

Further information can be found under:
www.lafargeholcim.com/investor-relations

Topic		
Article		**Page**
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 2014 is included in the Annual Report 2015, P. 172 – 173**	**176 – 177**
Detailed information on conditional capital	**www.lafargeholcim.com/articles-association Articles of Incorporation, Art. 3bis**	**–**
Key data per share		**73 – 78, 253, 285**
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**	**112**
Warrants/Options		**248 – 252**

Board of Directors

The Board of Directors consists of 14 members, 13 of whom are independent according to the definition of the Swiss Code of Best Practice for Corporate Governance.

Please see pages 116 to 122 for the biographical information of the Board members as per December 31, 2016. The title "Chairman of the Board" as used herein refers to the Statutory Chairman of the Board.

Prof. Dr. Wolfgang Reitzle retired from the Board of Directors at the Annual General Meeting of May 12, 2016. The Board of Directors expressed sincere gratitude for his service.

In 2016, the Board re-elected Mr. Jürg Oleas, who was elected to the Board of Directors of LafargeHolcim Ltd (then "Holcim Ltd") in 2014, and retired from the Holcim Ltd Board in the context of the LafargeHolcim Ltd merger closing effective July 10, 2015.

In 2016, the shareholders re-elected thirteen members of the Board of Directors, and elected Dr. Beat Hess as Chairman of the Board of Directors. Furthermore, the shareholders elected the five members of the Nomination, Compensation & Governance Committee.

The shareholders also elected the auditors and 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 2016, seven regular meetings were held. One additional meeting focused on strategy topics. The Board of Directors held one regular meeting with all members present, three meetings with one member excused, one meeting with two members excused, one meeting with three members excused and one meeting with four members excused. 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.

Composition of the Board of Directors

Board of Directors	Position
Beat Hess	**Chairman (Statutory Chairman)**
Bruno Lafont	**Co-Chairman**
Bertrand Collomb	**Member**
Philippe Dauman	**Member**
Paul Desmarais, Jr.	**Member**
Oscar Fanjul	**Member**
Alexander Gut	**Member**
Gérard Lamarche	**Member**
Adrian Loader	**Member**
Jürg Oleas	**Member**
Nassef Sawiris	**Member**
Thomas Schmidheiny	**Member**
Hanne Birgitte Breinbjerg Sørensen	**Member**
Dieter Spälti	**Member**

Other major Swiss and foreign mandates of the Board of Directors outside the LafargeHolcim Group as at December 31, 2016

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
Bruno Lafont	World Business Council of Sustainable Development	Member of the Executive Committee & Co-Chair of the Energy Efficiency in Buildings project
	European Round Table of Industrialists	Chair of the Energy and Climate Change working group
	MEDEF (French Business Confederation)	Chair of Sustainable Development Commission
	AFEP (French Large Companies Association)	Member of the Board
	EDF*	Member of the Board
	ArcelorMittal*	Member of the Board
Bertrand Collomb	Académie des sciences morales et politiques, Paris (France); Global Advisory Board; The University of Tokyo, Tokyo (Japan)	Member
Philippe Dauman	Lenox Hill Hospital, New York NY (USA)	Member of the Executive Committee
	Dean's Council at Columbia Law School, New York NY (USA)	Member
	Kipp Foundation, San Francisco CA (USA)	Member of the Board
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
	Total SA, Paris (France)*	Member of the Board
	SGS SA, Geneva (Switzerland)*	Member of the Board
Oscar Fanjul	Marsh & McLennan Companies, New York NY (USA)*	Member of the Board
	Ferrovial S.A., Madrid (Spain)*	Member of the Board

Board of Directors	Mandate	Position
Alexander Gut	Adecco Group AG, Opfikon (Switzerland)*	Member of the Board and Chairman of the Audit Committee
	Credit Suisse (Switzerland) AG, Zurich (Switzerland)	Member of the Board and Chairman of the Audit Committee
	Credit Suisse Group AG* and Credit Suisse AG, Zurich (Switzerland)	Member of the Board and of the Audit Committee
	SIHAG Swiss Industrial Holding Ltd, Uetikon am See (Switzerland)	Member of the Board
	Gut Corporate Finance AG, Zurich (Switzerland)	Managing Partner
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 SA, Geneva (Switzerland)*	Member of the Board and of the Audit Committee
Adrian Loader	Alderon Iron Ore, Montreal (Canada)*	Member of the Board
	Sherrit International Corporation, Toronto (Canada)*	Member of the Board
Jürg Oleas	GEA Group Aktiengesellschaft, Düsseldorf (Germany)*	Chief Executive Director
	RUAG Holding AG, Bern (Switzerland)	Member of the Board
Nassef Sawiris	OCI N.V., Amsterdam (Netherlands)*	Executive Director and Chief Executive Officer
	Orascom Construction Limited, Dubai (United Arab Emirates)*	Chairman of the Board
	BESIX Group, Brussels (Belgium)	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	Damco International B.V., The Hague (Netherlands)	Chief Executive Officer
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

Note: For further information on other major Swiss and foreign mandates outside the LafargeHolcim Group please refer to the CVs on pages 116 to 122.

Elections and terms of office

In line with the Federal Council Ordinance against Excessive Compensation (OaEC), since the 2014 Annual General Meeting, the terms of office of all members of the Board of Directors is set at one year, expiring after completion of the following Annual General Meeting. In addition, the Chairman of the Board of Directors, all members of the Board of Directors, and all members of the Nomination, Compensation & Governance Committee are elected for a one-year term at the Annual General Meeting. The Chairman of the Board of Directors, the members of the Board of Directors and the members of the Nomination, Compensation & Governance Committee may be proposed for re-election by the Board of Directors upon motion by the Nomination, Compensation & Governance Committee. The Nomination, Compensation & Governance Committee bases its motion on a review of the overall performance of each candidate.

The following expert committees exist:

Composition of the Finance & Audit Committee

Finance & Audit Committee	Position
Gérard Lamarche	**Chairman**
Betrand Collomb	**Member**
Alexander Gut	**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 2016, six regular meetings and two additional meetings of the Finance & Audit Committee were held. Four of the regular meetings were held with all members of the committee present and two meetings with one member excused. 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 2016, 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 Chairman of the Finance & Audit Committee performed significant work in preparing and following up the committee's meetings given the wide range of its duties (without being exhaustive assessing financial issues, tax planning, disposal impacts, hedging and compliance).

The Finance & Audit Committee's Charter is available at:
www.lafargeholcim.com/articles-association

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 2016, the Nomination, Compensation & Governance Committee held three regular meetings and three additional meetings. Two of the regular meetings were held with all members of the committee present and one meeting with one member excused. 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 may be found at: *www.lafargeholcim.com*. 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 128.

Composition of the Nomination, Compensation & Governance Committee

Nomination, Compensation & Governance Committee	Position
Nassef Sawiris	**Chairman**
Paul Desmarais, Jr.	**Member**
Oscar Fanjul	**Member**
Adrian Loader	**Member**
Hanne Sørensen	**Member**

Strategy & Sustainable Development Committee

The Strategy & Sustainable Development Committee supports the Board of Directors in all matters related to strategy and sustainable development. It monitors developments with regard to these matters and briefs the Board of Directors accordingly. 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 2016, the Strategy & Sustainable Development Committee held ten regular meetings and two additional meetings. Seven of the regular meetings were held with all members of the committee present, two of the meetings with one member excused and one meeting with two members excused. Furthermore, the Chairman of the Board, the CEO and the CFO attended the meetings of the Strategy & Sustainable Development Committee as guests. The average duration of the regular meetings was three hours.

The charter of the Strategy & Sustainable Development Committee may be found at: *www.lafargeholcim.com/articles-association*

Composition of the Strategy & Sustainable Development Committee

Strategy & Sustainable Development Committee	Position
Dieter Spälti	**Chairman**
Gérard Lamarche	**Member**
Oscar Fanjul	**Member**
Nassef Sawiris	**Member**

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 view of the merger in 2015.

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 information of 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.

1. 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.

2. Risk Management

LafargeHolcim benefits from many years of experience with risk management. The risk assessment process was concluded in 2016 across the consolidated 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 a hazard analysis, but also identifies potential opportunities.

The Group's risk profile is established by strategic, operational and topical risk assessments which are combined into a 360° risk analysis. 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 treatment actions are defined when necessary. The consolidated Group risk profile is established and presented to the Executive Committee and the conclusions reported to the Board of Directors and the Finance & Audit Committee.

3. 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 continued 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 is yearly calling the Group Internal Control Committee to update 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.

4. 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. The members of the Executive Committee 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 as Senior Management 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, 2016 reported in the Annual Report 2015 on pages 106 – 107, the following changes within the Executive Committee during the year under review have occurred:

Effective July 1, 2016, Caroline Luscombe joined LafargeHolcim as member of the Executive Committee and took over responsibility for Organization and Human Resources.

Effective August 5, 2016, Alain Bourguignon, responsible for North America, and Ian Thackwray, responsible for Asia Pacific, have decided to pursue other challenges outside the Group. LafargeHolcim thanked Alain Bourguignon and Ian Thackwray for their contribution to the Group.

Effective August 5, 2016, Martin Kriegner, formerly responsible for India, has been appointed as member of the Executive Committee with additional responsibility for South East Asia, and Oliver Osswald, formerly CEO of Argentina, has been appointed as member of the Executive Committee with responsibility for Central and South America. Also effective August 5, 2016, Pascal Casanova, formerly responsible for the Latin America Region has taken responsibility for North America and Mexico, and Roland Köhler, responsible for the Europe Region, in addition assumed responsibility for Australia, New Zealand and Trading.

Effective July 1, 2016, Jean-Jacques Gauthier, responsible for Integration, Organization & Human Resources, has stepped down from the Executive Committee and assumed the position as Algeria's Country CEO.

Effective December 31, 2016 the Executive Committee was composed of the following ten members. None of the members of the Executive Committee has important functions outside the LafargeHolcim Group or any other significant commitments of interest.

Composition of the Executive Committee

Executive Committee	Position	Responsibility
Eric Olsen	**CEO**	
Ron Wirahadiraksa	**CFO**	
Urs Bleisch	**Member**	**Performance and Cost**
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**	**Organization and Human Resources**
Oliver Osswald	**Member**	**Regional Head Central and South America**
Saâd Sebbar	**Member**	**Region Head Middle East Africa**

Please refer to pages 123 – 126 for biographical information on the members of the Executive Committee.

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 128) and in the Holding company results (page 282, 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 OaEC, 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 2016, the auditors participated in all six regular meetings of the Finance & Audit Committee to discuss individual agenda items.

Ernst & Young Ltd, Zurich, was appointed in 2002 as auditors to LafargeHolcim Ltd (then Holcim Ltd). Since 2016, Daniel Wuest has been responsible for managing the audit mandate, supported by Elisa Alfieri. 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 by Ernst & Young in 2016 and 2015:

Million CHF	2016	2015
Audit services [1]	17.0	20.9
Audit-related services [2]	1.9	5.5
Tax services	2.2	0.3
Other services [3]	0.8	0.5
TOTAL	21.8	27.2

[1] This amount includes the fees for the individual audits of Group companies carried out by Ernst & Young as well as their fees for auditing the Group financial statements.
[2] Audit-related services comprise, among other things, amounts for due diligences, comfort letters, accounting advice, information systems reviews and reviews on internal controls.
[3] Other services include, among other things, amounts for accounting, actuarial and legal advisory 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 quarterly reports, the website *(www.lafargeholcim.com)*, media releases, press conferences, meetings for financial analysts and investors, and the Annual General Meeting.

The commitment to sustainability is described on pages 60 to 69 of this Annual Report. Current information relating to sustainable development is available at: *www.lafargeholcim.com*. In 2017, LafargeHolcim Ltd will publish its second sustainability report after the merger. A full sustainability report is published every year.

The financial reporting calendar is shown on pages 78 and 290 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)

Beat Hess

Swiss national born in 1949, Beat Hess is Chairman (Statutory 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.

Bruno Lafont
(Co-Chairman)

Bruno Lafont

French national born in 1956, Bruno Lafont is Co-Chairman of the Board of Directors of LafargeHolcim Ltd. He was elected to the Board of Directors of LafargeHolcim Ltd in 2015. He is a graduate of the Hautes Études Commerciales Business School (HEC Paris) and École Nationale d'Administration (ENA Paris). He was elected to the Board of Lafarge S.A. in 2005, became Chief Executive Officer in 2006, and served as Chairman of the Board of Directors and Chief Executive Officer of Lafarge S.A. from 2007 to 2015 and is therefore considered non-independent according to the definition of the Swiss Code of Best Practice for Corporate Governance. Bruno Lafont is Honorary Chairman of Lafarge S.A. He joined Lafarge in 1983 and subsequently held various positions in finance and international operations. In 1995, he was appointed Group Executive Vice President, Finance; in 1998, President of the Gypsum Division; and in 2003, Chief Operating Officer. Bruno Lafont is a director of EDF, France, and ArcelorMittal, Luxemburg. He is a Member of the Executive Committee of the World Business Council for Sustainable Development (WBCSD), where he co-chairs the Energy Efficiency in Buildings project. He also chairs the Energy and Climate Change working group of the European Round Table of Industrialists (ERT) and the Sustainable Development Commission of MEDEF (French Business Confederation) and is a Board Member of AFEP (French Large Companies Association). He is special adviser to the mayor of Chongqing, China.

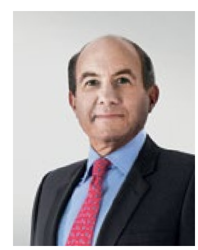
Bertrand Collomb

French national born in 1942, 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.

Bertrand Collomb (Member)

Philippe Dauman

American national born in 1954, Philippe Dauman is a Member of the Board of Directors of LafargeHolcim Ltd. He was elected to the Board of Directors of LafargeHolcim Ltd in 2015. Philippe Dauman received his college degree from Yale University and his law degree from Columbia University School of Law. Philippe Dauman was a Member of the Board of Directors of Lafarge S.A. from 2007 to 2015 and was also Chairman of the Strategy, Investment and Sustainable Development Committee and a Member of the Corporate Governance and Nominations Committee of Lafarge S.A. until 2015. He is Member of the Board of Directors, President, and Chief Executive Officer of Viacom, New York, USA. He began his career working for the New York law firm Shearman & Sterling, where he became partner. He was General Counsel and Secretary of the Board of Directors of Viacom from 1993 to 1998, Executive Vice President from 1995 to 2000, and Deputy Chairman of the Board of Directors from 1996 to 2000. He was a Member of the Board of Lafarge North America from 1997 to 2006. In 2000, he became Joint Chairman of the Board of Directors and Chief Executive Officer of DND Capital Partners LLC, New York NY, USA. His other mandates include that Philippe Dauman is a Member of the Executive Committee of Lenox Hill Hospital, New York NY, USA, Member of the Dean's Council at Columbia Law School, New York NY, USA, and Member of the Board of Directors of the Kipp Foundation, San Francisco CA, USA.



Philippe Dauman (Member)

Paul Desmarais, Jr.
(Member)

Paul Desmarais, Jr.

Canadian national born in 1954, Paul Desmarais, Jr. is a Member of the Board of Directors and a Member of the Nomination, Compensation and Governance Committee of LafargeHolcim Ltd. He was elected to the Board of Directors of LafargeHolcim 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, Total SA, Paris, France, and SGS SA, Geneva, Switzerland.

Oscar Fanjul
(Member)

Oscar Fanjul

Dual Spanish and Chilean national born in 1949, Oscar Fanjul is a Member of the Board of Directors and a Member of the Strategy & Sustainable Development 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 was a member of the Board of Directors of Lafarge S.A. between 2005 and 2016. He began his career working for the industrial holding INI, Madrid, Spain. He was Chairman founder and CEO of Repsol, S.A., Madrid, Spain. He has also been Chairman of Hidroeléctrica del Cantábrico, S.A., 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, and Areva, France, and BBVA, Spain.

Alexander Gut

Dual British and Swiss national born in 1963, Alexander Gut 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 2011. He holds a doctorate in Business Administration (Dr. oec. publ.) from the University of Zurich and is a Swiss Certified Accountant. He was Chairman of the Audit Committee of Holcim Ltd from 2013 to 2015. From 1991 to 2001, he was with KPMG in Zurich and London, and from 2001 to 2003, he was with Ernst & Young in Zurich, where he was promoted to partner in 2002. From 2003 to 2007, he was a partner with KPMG in Zurich, where he was promoted to the Executive Committee of KPMG Switzerland in 2005. Alexander Gut is the founder and managing partner of Gut Corporate Finance AG, an independent corporate finance advisory firm in Zurich. He is a Member of the Board of Directors and Chairman of the Nomination and Compensation Committee and a Member of the Audit Committee of Adecco Group AG, Opfikon, Switzerland, a Member of the Board of Directors and a Member of the Audit Committee of Credit Suisse Group AG and Credit Suisse AG, Zurich, Switzerland, Member of the Board of Directors and Chairman of the Audit Committee of Credit Suisse (Switzerland) AG, Zurich, Switzerland, as well as a Member of the Board of Directors of SIHAG Swiss Industrial Holding Ltd.

Alexander Gut (Member)

Gérard Lamarche

Belgian national born in 1961, Gérard Lamarche is a Member of the Board of Directors, the Chairman of the Finance & Audit Committee and Member of the Strategy & Sustainable Development 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, and of SGS, Geneva, Switzerland.

Gérard Lamarche (Member)

Adrian Loader
(Member)

Adrian Loader

British national born in 1948, Adrian Loader 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 (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. He also served as Chairman of the Board of Directors of Oracle Coalfields PLC, London, United Kingdom from 2011 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

Swiss national born in 1957, Jürg Oleas is a Member of the Board of Directors 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 a member of the Board of RUAG Holding AG, Bern, Switzerland.

Nassef Sawiris

Egyptian national born in 1961, Nassef Sawiris is Member of the Board of Directors, the Chairman of the Nomination, Compensation & Governance Committee and Member of the Strategy & Sustainable Development 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 the Corporate Governance and Nominations Committee, Member of the Remunerations Committee and Member of the Strategy, Investment and Sustainable Development Committee of Lafarge S.A. until 2015. Nassef Sawiris is the Chief Executive Officer of OCI N.V. He joined the Orascom Group in 1982, became the Chief Executive Officer of OCI N.V.'s predecessor, Orascom Construction Industries (OCI S.A.E.), in 1998 and was also appointed Chairman of OCI S.A.E. in 2009. He was appointed Chairman of Orascom Construction Limited in 2015. Nassef Sawiris is a Member of the Cleveland Clinic's International Leadership Board Executive Committee since 2011, and in 2013 he became a Member of the University of Chicago's Board of Trustees. Nassef Sawiris has also previously served on the Boards of the Egyptian Stock Exchange and NASDAQ Dubai. His other mandates include that he is a Member of the Board of BESIX Group, Brussels, Belgium, and of OCI Partners LP, Delaware, USA.

Nassef Sawiris (Member)

Thomas Schmidheiny

Swiss national born in 1945, Thomas Schmidheiny is a Member of the Board of Directors 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.

Thomas Schmidheiny (Member)

*Hanne Birgitte Breinbjerg Sørensen
(Member)*

Hanne Birgitte Breinbjerg Sørensen

Danish national born in 1965, Hanne Birgitte Breinbjerg Sørensen is a Member of the Board of Directors and a Member of the Nomination, Compensation & Governance Committee 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 Business Economy 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.

*Dieter Spälti
(Member)*

Dieter Spälti

Swiss national born in 1961, Dieter Spälti is a Member of the Board of Directors, the Chairman of the Strategy & Sustainable Development 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

Eric Olsen

French and American national born in 1964, Eric Olsen has been the CEO of LafargeHolcim Ltd since July 10, 2015. He is a graduate in finance and accounting of the University of Colorado and holds a Masters of Business Administration degree awarded by the École des Hautes Études Commerciales (HEC). Eric Olsen joined Lafarge North America Inc. in 1999 as Senior Vice-President Strategy and Development. In 2001, he was appointed President of the Cement Division for the Northeast Region of North America and Senior Vice-President Purchasing for Lafarge North America Inc. He was appointed Chief Finance Officer of Lafarge North America Inc. in 2004. He was appointed Executive Vice President for Organization and Human Resources and became a member of the Executive Committee in 2007. As of September 1, 2013, he was appointed Executive Vice-President Operations. He is a member of the Supervisory Board of Cimpress N.V. (The Netherlands).

Eric Olsen
(Chief Executive Officer)

Ron Wirahadiraksa

Dutch national born in 1960, 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.

Ron Wirahadiraksa
(Chief Financial Officer)

Urs Bleisch

Swiss national born in 1960, Urs Bleisch has been a Member of the Executive Committee of LafargeHolcim Ltd (then "Holcim Ltd") since September 30, 2014 and is responsible for Performance & Cost. 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. As of September 1, 2012 he was appointed CEO of Holcim Group Services Ltd and of Holcim Technology Ltd. He is leading the global functions Cement Industrial Performance, Project Management & Engineering, Logistics, Procurement, Waste Management / Geocycle, Aggregates and Performance Navigation.

Urs Bleisch
(Performance & Cost)

Pascal Casanova (Region Head North America and Mexico)

Pascal Casanova

French national born in 1968, 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 (Region Head Europe, Australia/New Zealand, and Trading)

Roland Köhler

Swiss national born in 1953, 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.

Martin Kriegner (Region Head India and South East Asia)

Martin Kriegner

Austrian national born in 1961, Martin Kriegner has been a Member of the Executive Committee of LafargeHolcim Ltd since August 2016 and is responsible for India and South East 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 Lafarge in 1990 and became the CEO of Lafarge Perlmooser AG, Austria in 1998. He moved to India as CEO of the Lafarge Cement 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 effective March 1, 2016.

Gérard Kuperfarb

Gérard Kuperfarb
(Growth & Innovation)

French national born in 1961, 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.

Caroline Luscombe

Caroline Luscombe
(Organization and Human Resources)

British national born in 1960, Caroline Luscombe has been a Member of the Executive Committee of LafargeHolcim Ltd since July 2016 and is responsible for Organization and 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 (Region Head Central and South America)

Oliver Osswald

Swiss national born in 1971, 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 MBA 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 (Region Head Middle East Africa)

Saâd Sebbar

Moroccan and French national born in 1965, 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.

COMPENSATION REPORT

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. The executive remuneration structure provides balance by rewarding short-term and long-term performance, by combining absolute, financial and non-financial metrics with relative total shareholder return in measuring performance, and by delivering 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.

Nassef Sawiris

Dear Shareholders,
The year 2016 has been the first full financial year of LafargeHolcim and my first year as the Chairman of the Nomination, Compensation and Governance Committee (NCGC, hereafter referred to as "the Committee"). After the in-depth review following the completion of the merger in July 2015, the Committee has focused on implementing the policy presented in our last Compensation Report. Our policy is based on the following principles:

– The LafargeHolcim employees are at the heart of the success of the company and the value it creates for its shareholders
– LafargeHolcim wants to be an attractive employer in the employment markets it operates in and regularly benchmarks compensation to ensure competitiveness
– Incentive plans provide the opportunity to achieve a higher level of overall remuneration, when delivering strong short- and long-term performance which is directly linked to the Group's strategy and aligned with shareholders' interests
– The Group rewards employees consistently across the business in a fair and transparent way; differentiating only by performance, value creation and market demands

In 2016, our policy proved its ability to support Company strategy and developments at Executive Committee level:

– We recruited and appointed new members to the Executive Committee on competitive remuneration arrangements in line with the envelope voted by our shareholders at our 2015 AGM
– Our integration and synergies efforts were strongly supported by our incentives, in particular by the share option award, primarily focused on the delivery of planned synergies
– The Committee felt that short- and long-term incentives were well aligned with the Company's needs and the 2016 long-term incentive awards were broadly consistent in size and in design with those granted in 2015

In 2017, we aim at further aligning our compensation policy, both with company strategy and Swiss and international best practices. In particular, the Committee intends to:

– Gradually bring the dates of long-term incentives forward in the year, to enable longer performance periods
– Solely grant performance shares. Our plan rules allow for grants of fair market value stock options in exceptional circumstances; there will be no option grant in 2017
– Primarily seek total compensation competitiveness from performance-related pay

In the following pages you will find more information about compensation at LafargeHolcim in 2016. We will seek your support on compensation matters at our AGM on May 3, 2017.

Respectfully,

Nassef Sawiris
Chairman of the Nomination,
Compensation and
Governance Committee

Executive Committee Compensation

The table opposite summarizes compensation principles and systems in force since July 10, 2015. Due to the merger and the changes in the Company's senior management, a number of changes in the variable pay design took place on the merger completion date (July 10, 2015) designed to further increase the performance-orientation and long-term focus. Our compensation policy in 2016 broadly followed the structure in place from this date.

Base salaries

The Committee reviews base salaries of Executive Committee members annually, aiming at total compensation packages being broadly competitive against the Swiss Market Index.

Salaries for all Executive Committee members were decided taking into account previous salaries of the individuals appointed, market practice for the relevant role, as well as consistency across the Executive Committee. Since the merger completion date, a number of new executives joined the Executive Committee, and we have adopted the same principles in setting their salary levels.

Remuneration policy applied in 2016

Fixed pay

Element and link to strategy	Operation	Quantum	Link with performance
Basic salary			
Reflects key responsibilities, experience and market value	– Paid monthly in cash – Reviewed annually based on a market competitiveness review, market movements and individual performance	– Set at a competitive level comparable to Swiss companies of similar size	– Salary increase budgets reflect, inter alia, company performance – Salary increases will be closely linked to individual performance
Pension			
Provide competitive and appropriate retirement plans.	– Defined benefit scheme applicable to Swiss-based Senior Management – Overall pension promise is inclusive of all other local and supplementary schemes participants may benefit from – Non-Swiss based Executive Committee members benefit from local pension schemes	– Targeted to achieve, at age 62, assuming 10 years of service in Senior Management and 20 years of service with the Group, an amount of 40% of the average of last 3 years' base salaries – Early or deferred retirement pensions adjusted based on actuarial calculations	– N/A
Other benefits			
Provide competitive perquisites and appropriate expatriation-related benefits	– Car/transport allowance – Housing, schooling and travel (for executives who had to relocate)	– Amounts consistent with the LafargeHolcim policies applicable to all members of staff	– N/A

Variable pay

Element and link to strategy	Operation	Quantum	Link with performance
Annual bonus			
Rewards the achievement of the company's annual targets and the executive's own goals	– Paid annually after the approval of annual accounts	– Maximum opportunity is 200% of salary for the CEO and 125% of salary for other Executive Committee members	– Based on a combination of financial results at Group level (and at Regional level as appropriate) and individual performance
Long-Term Incentive Plan	***Performance shares***		
Rewards long-term financial performance and shareholder value creation	– Granted each year – Rewards Company performance over a three-year period – Delivered in LafargeHolcim shares – Strict leaver rules	– Annual award of 225% of salary for the CEO and 125% of salary for other Executive Committee members	– 30% of the LTIP vest based on adjusted EPS – 40% vest based on ROIC – 30% vest based on TSR, relative to a 17-company peer group
	Share options		
	– Granted on an exceptional basis, to strengthen the link between pay and specific strategic objectives – Option exercise price set at fair market value (average three days before grant)	– Face value of 500% of salary for CEO and 280% of salary for other Executive Committee members	– In 2016, 100% of options vest on free cash flow achievement

Annual incentives

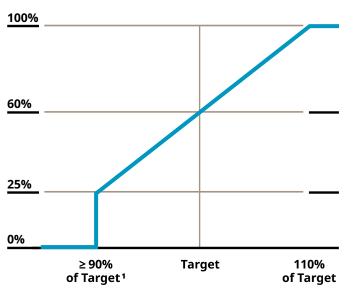
The annual incentives, which are paid half in cash and half in shares deferred for three years, reward financial achievements at Group level (and at regional level for Executive Committee members as appropriate), as well as individual achievements and behaviors.

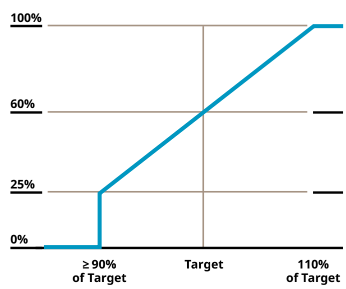
The annual incentive design applicable to the Executive Committee is summarized below:

Role	CEO	Other Executive Committee members
Maximum opportunity	**200% of salary**	**125% of salary**

Metrics	Operating EBITDA (adjusted)	Operating 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	**Earnings before Interest, Tax, Depreciation and Amortization, at budget FX rate, adjusted for changes of perimeter and exceptional items**	**Free Cash Flow, adjusted for proceeds of divestments and cost of acquisitions**	**Assessment of how each executive has met a number of strategic, operational or project-based objectives (including health & safety)**
Weighting	**30%**	**40%**	**30%**

Payout formula





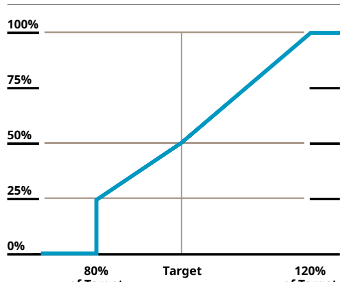
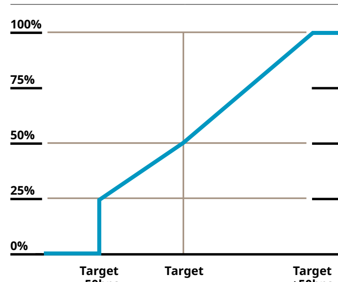
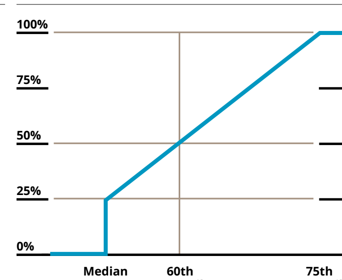
NCGC and Chairman assessment

Long-term incentives

The performance share plan (PSP) was designed to retain talent and to provide forward-looking incentives for sustained corporate performance. Under the scheme rules either conditional share awards or share options may be awarded, and vest after a three-year period. It is the Committee's intention to normally grant conditional share awards annually, whilst share options will be granted in exceptional circumstances only. In 2015, share options were granted to support the demanding merger-related synergy and cash flow objectives. In December 2016, given the changes that took place within the Executive Committee within the year, and the need to incentivize the delivery of challenging 3-year cash flow generation targets, it was decided to award a second exceptional share option grant. There will be no option grant awarded in 2017.

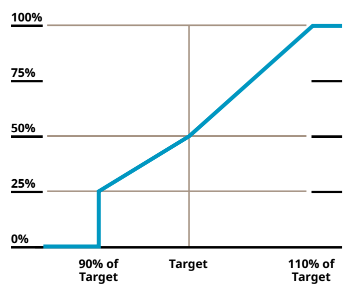
2016 Performance share award

Role	CEO	Other Executive Committee members
Maximum opportunity	225% of salary	125% of salary

Metrics	Recurring Earnings per share	ROIC	Relative TSR
Purpose	Measures LafargeHolcim's profitability to investors	Measures the company's ability to use invested capital increasingly efficiently	Measures LafargeHolcim's ability to provide investors with better returns compared to alternative investments
Weighting	30%	40%	30%
Performance period	2018	2018	December 14, 2016 to December 13, 2018
Definition	Underlying, fully-diluted earnings per share adjusted for after tax impairment, gains and losses on divestments and one-off items	Return on Invested Capital at year end 2018, adjusted for changes in perimeter between 2016 and 2018, excluding one-off items	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		

Share options granted on December 14, 2016

Role	CEO	Other Executive Committee members
Grant size (face value)	500 % of salary	280 % of salary

Metric	Cumulative Free Cash Flow
Purpose	Measures the company's ability to generate cash sustainably over three years
Weighting	100 %
Performance period	2017, 2018, 2019
Definition	Sum of cash generated and available for debt repayment, dividend and minority or share buy-backs over the years 2017 to 2019 excluding the impact of proceeds from the divestment program.
Performance-vesting	

Executive Share Ownership guidelines

To reflect the importance the Committee 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.

Following the merger, various members of the Lafarge S.A. Senior Management have been employed under similar contractual arrangements as the existing Holcim Ltd Members of Senior Management. However, in the event that LafargeHolcim Ltd terminates the employment of a former Lafarge Senior Management member within two years, the commitments from the former Lafarge French employment contract will be paid to such Senior Management member.

Retention awards

As mentioned in previous remuneration reports, the former Holcim Nomination & Compensation Committee has put in place in 2014 appropriate measures to retain certain members of the Executive Committee and Senior Management. In total, CHF 2.0 million was paid in respect of these arrangements in 2016 (2015: CHF 8.2 million). No further payments are due under this merger-related scheme.

Compensation 2016

Name	Position	Base Salary (in CHF)[2]	Annual incentive (in CHF)	Performance shares[3]	
				Number	Face value (in CHF)
Eric Olsen[1]	**CEO**	**1,691,581**	**1,081,958**	**62,697**	**3,310,402**
Other Executive committee members		**12,986,657**	**4,190,741**	**168,906**	**8,918,236**
TOTAL EXECUTIVE COMMITTEE		**14,678,238**	**5,272,699**	**231,603**	**12,228,638**

[1] Highest paid Individual.
[2] Base salary including housing, schooling and relocation services.
[3] Value per share CHF 52.80 (spot price at date of grant, 2015: CHF 49.12). Performance conditions not considered in this face value.
[4] Stock option value of CHF 9.0253 determined using a Black-Scholes valuation model at December 14, 2016 (2015: CHF 10.1042), without considering performance conditions.
[5] The contributions to pension plans also include the employer's contributions to Swiss social security (AHV/IV).
[6] Includes a payment for tax equalization related to prior years.
[7] This figure compares to the adjusted final 2016 Executive Committee maximum compensation of CHF 89.1 million (original maximum of CHF 40.5 million, plus three 40% extensions, due to three new members of the Executive Committee having joined in the year, in accordance with Article 24 of the Articles of Incorporation).

Compensation for financial year 2016

The table above reflects the compensation paid to Eric Olsen, CEO, and the LafargeHolcim Executive Committee in 2016.

Total compensation for the CEO and the other nine Executive Committee members in 2016 is not directly comparable to that of 2015, given the merger that took place on July 10, 2015.

Base salaries

Base salaries were set at the time of the merger completion, in July 2015, and were not reviewed since. A planned increase to Eric Olsen's salary, from CHF 1.35 million to CHF 1.5 million, was implemented on April 1, 2016. New members of the Executive Committee were appointed on salaries similar to, or lower than that of their predecessors.

The total annual compensation for the members of the Executive Committee (including CEO) amounted to CHF 43.4 million (2015: CHF 41.6 million). This amount comprises base salaries and variable compensation of CHF 20.0 million (2015: CHF 24.7 million), share-based compensation of CHF 16.7 million (2015: CHF 18.6 million), employer contributions to pension plans of CHF 5.3 million (2015: CHF 5.6 million) and "other" compensation of CHF 1.4 million (2015: CHF 0.7 million).

The CEO (Eric Olsen) received a combined base salary plus variable compensation of CHF 2.8 million (2015: CHF 1.7 million over six months), share-based compensation of CHF 4.6 million (2015: CHF 4.0 million), employer contributions to pension benefits of CHF 0.5 million (2015: CHF 0.1 million over six months) and "other compensation" of CHF 1,1 million (2015: CHF 0,0 million). As a result, the CEO total compensation amounted to CHF 9.0 million (2015: CHF 5.8 million over six months).

	Share Options[4]					
	Number	Fair value (in CHF)	Pension contributions[5]	Other	Total 2016	Total 2015
	139,327	1,257,468	525,620	1,089,279[6]	8,956,308	5,781,555
	363,793	3,283,341	4,762,181	303,323	34,444,479	35,835,001
	503,120	4,540,809	5,287,801	1,392,602	43,400,787[7]	41,616,556

Annual bonus

Annual bonuses were calculated based on objectives set and approved by the Board in early 2016. A detailed calculation of the CEO's annual bonus follows:

CEO Annual bonus calculation 2016

				Payout		
Metric	Weighting	Eligible salary in CHF	Achievement vs target	% of maximum bonus opportunity	% of salary	CHF
Operating EBITDA (adjusted)	30%	438,750	95.23%	11.5%	23.0%	336,083
Operating Free Cash Flow	40%	585,000	89.65%	0%	0%	0
Personal performance	30%	438,750	85.00%	25.5%	51.0%	745,875
TOTAL	100%	1,462,500[1]	–	37.0%	74.0%	1,081,958

[1] made of three months at CHF 1.35 million and nine months at CHF 1.5 million

Average bonus payout for other Executive Committee members was 44.1 percent, for a total of CHF 4.2 million paid.

Long-term incentives

In December 2016, the CEO and Executive Committee members received conditional share awards (performance shares), in line with the principles described above. 62,697 performance shares were granted to the CEO (fair value: CHF 3.3 million), and 168,906 performance shares in total were granted to other Executive Committee members (fair value: CHF 8.9 million).

In addition, due to important changes within the Executive Committee, and the need to help deliver demanding long-term cash flow generation objectives, the Committee decided to award an exceptional share option grant, subject to a cumulative Free Cash Flow condition, to the Executive Committee and selected executives within the company. The CEO received 139,327 share options (fair value: CHF 1.3 million) and other Executive Committee members received 363,793 share options in total (fair value: CHF 3.3 million). There will be no option grant in 2017.

There were no Long-Term Incentives vesting in 2016. Long term incentive targets will be disclosed retrospectively after vesting.

Compensation of former members of governing bodies

In the year under review, compensation in the amount of CHF 4.0 million (2015: CHF 0.2 million) was paid to four (2015: six) former members of the Senior Management.

Non-Executive Director Compensation

Director compensation policy

Non-executive directors' fees have been set at a level that allows for the attraction and retention of the appropriate caliber of individuals with global experience. The members of the Board of Directors receive a fixed fee, paid in cash and LafargeHolcim shares, subject to a five-year sale and pledge restriction period. The Chairman of the Board of Directors and Chairmen and members of the Committees receive additional compensation. Non-executive directors do not receive any performance-based compensation.

Position	Cash compensation (in CHF)	Share-based compensation (in CHF)	Expense allowance (in CHF)	Secretarial allowance (in CHF)
Annual base compensation				
Chairman of the Board of Directors	**725,000**	**725,000**	**10,000**	**60,000**
Co-Chairman of the Board of Directors	**100,000**	**100,000**	**10,000**	**0**
Member of the Board of Directors	**100,000**	**100,000**	**10,000**	**0**
Committee membership and chairmanship fees				
Finance and Audit Committee Chairman	**125,000**	**0**	**0**	**0**
Finance and Audit Committee member	**40,000**	**0**	**0**	**0**
Nomination, Compensation and Governance Committee Chairman	**125,000**	**0**	**0**	**0**
Nomination, Compensation and Governance Committee member	**40,000**	**0**	**0**	**0**
Strategy and Sustainable Development Committee Chairman	**125,000**	**0**	**0**	**0**
Strategy and Sustainable Development Committee member	**40,000**	**0**	**0**	**0**

Compensation for financial year 2016

Name	Date of Board nomination (if in 2016)	Positions: Board	FAC	NCGC	SSDC	Date of stepping down from the Board
Beat Hess		C / VC[1]	■[2]		■[3]	
Wolfgang Reitzle		C[4]		■[5]		May 12
Bruno Lafont		CC				
Bertrand Collomb		■	■			
Philippe Dauman		■				
Paul Desmarais, Jr.		■		C / ■[6]		
Oscar Fanjul		■		■	■	
Alexander Gut		■	C / ■[7]			
Gérard Lamarche		■	C / ■[8]		■	
Adrian Loader		■		■		
Jürg Oleas	May 12	■				
Nassef Sawiris		■		C[9]	■	
Thomas Schmidheiny		■				
Hanne Sørensen		■		■[10]		
Dieter Spälti		■	■		C	
TOTAL						

FAC: Finance & Audit Committee, NCGC: Nomination, Compensation and Governance Committee, SSDC: Strategy & Sustainable Development Committee,
C: Chairman, CC: Co-Chairman, VC: Vice-Chairman, ■: Member

[1] Was vice-chairman until May 12 and chairman thereafter.
[2] Was a Finance and Audit Committee member until May 12.
[3] Was a Strategy & Sustainable Development Committee member until May 12.
[4] Was chairman until May 12.
[5] Was a Nomination and Compensation Committee member until May 12.

Compensation for financial year 2016

In 2016, fifteen non-executive members of the Board of Directors received in total a remuneration of CHF 5.4 million (2015: CHF 5.5 million) of which CHF 3.1 million (2015: CHF 3.8 million) was paid in cash, CHF 0.1 million (2015: CHF 0.1 million) was granted in the form of post-employment benefits, and CHF 1.9 million (2015: CHF 1.4 million) was paid in shares. Other compensation paid totaled CHF 0.2 million (2015: CHF 0.2 million).

Loans granted to members of governing bodies

As at December 31, 2016, there were no loans outstanding to members of Senior Management. There were no loans to members of the Board of Directors or to parties closely related to members of governing bodies.

	Cash (in CHF)	Shares Number	Shares Value[11]	Pension contributions	Other (in CHF)	Total 2016	Total 2015
	602,083	8,627	464,584	33,825	45,000	1,145,492	712,082
	520,833	3,869	208,333	0	29,167	758,333	2,183,611
	106,540	1,857	100,000	0	10,000	216,540	99,444
	140,000	1,857	100,000	8,122	10,000	258,122	121,305
	100,000	1,857	100,000	6,933	10,000	216,933	99,444
	175,417	1,857	100,000	0	10,000	285,417	141,945
	180,000	1,857	100,000	0	10,000	290,000	130,139
	175,417	1,857	100,000	14,960	10,000	300,377	390,000
	229,583	1,857	100,000	0	10,000	339,583	132,500
	140,000	1,857	100,000	0	10,000	250,000	324,028
	58,333	1,083	58,333	0	7,500	124,166	116,944
	212,917	1,857	100,000	0	10,000	322,917	113,611
	100,000	1,857	100,000	8,094	10,000	218,094	238,176
	140,000	1,857	100,000	0	10,000	250,000	245,833
	265,000	1,857	100,000	19,999	10,000	394,999	305,454
	3,146,123	35,863	1,931,250	91,933	201,667	5,370,973	5,354,516

[6] Was chairman of the Nomination and Compensation Committee until May 12 and member of the Nomination and Compensation Committee thereafter.
[7] Was chairman of the Audit Committee until May 12 and member of the Audit Committee thereafter.
[8] Was member of the Audit Committee until May 12 and chairman of the Audit Committee thereafter.
[9] Chairman of the Nomination and Compensation Committee since May 12.
[10] Member of the Nomination and Compensation Committee since May 12.
[11] The shares were valued at the average market price in the period from January 1, 2017 to February 15, 2017 and are subject to a five-year sale and pledge restriction period.

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 Senior Management in 2015 and 2016.

Share ownership information

Shares owned by non-executive directors

On December 31, 2016, non-executive members of the Board of Directors held a total of 98,323,773 registered shares in LafargeHolcim Ltd. This number comprises privately acquired shares and those allotted under participation and compensation schemes. As of the end of 2016 one non-executive member of the Board of Directors held options from compensation and participation schemes.

Until the announcement of market-relevant information or projects, the Board of Directors, Senior Management 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).

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

Number of shares and options held by the Board of Directors as of December 31, 2015[1]

Name	Position	Total number of shares 2015	Total number of call options 2015
Wolfgang Reitzle	Chairman	6,455	
Beat Hess	Deputy Chairman	6,400	
Bruno Lafont	Co-Chairman	43,810	448,206
Bertrand Collomb	Member	116,094	
Philippe Dauman	Member	0	
Paul Desmarais Jr.	Member, Nomination, Compensation & Governance Committee Chairman	35,957	
Oscar Fanjul	Member	4,772	
Alexander Gut	Member, Finance and Audit Committee Chairman	5,769	
Gérard Lamarche	Member	1,080	
Adrian Loader	Member	12,490	
Nassef Sawiris	Member	28,935,639	
Thomas Schmidheiny	Member	69,068,278	
Hanne Sørensen	Member	2,527	
Dieter Spälti	Member, Strategy and Sustainable Development Committee Chairman	50,859	
TOTAL BOARD OF DIRECTORS		98,290,130	448,206

[1] From allocation, shares are subject to a five-year sale and pledge restriction period.

Shares and options owned by Executive Committee
As of December 31, 2016, members of the Executive Committee held a total of 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 2016, the Executive Committee held a total of 1,018,088 stock options and 393,825 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 subscribe to one registered share in LafargeHolcim Ltd.

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

Number of shares and options held by the senior management as of December 31, 2015

Name	Position	Total number of shares 2015	Total number of call options 2015
Eric Olsen	CEO	8,272	68,050
Ron Wirahadiraksa	Member of the Executive Committee, CFO	0	0
Urs Bleisch	Member of the Executive Committee	7,443	50,069
Alain Bourguignon	Member of the Executive Committee	10,518	14,216
Pascal Casanova	Member of the Executive Committee	1,643	18,031
Jean-Jacques Gauthier	Member of the Executive Committee	4,413	63,637
Roland Köhler	Member of the Executive Committee	28,882	106,991
Gérard Kuperfarb	Member of the Executive Committee	5,115	66,083
Saâd Sebbar	Member of the Executive Committee	6,356	15,669
Ian Thackwray	Member of the Executive Committee	19,122	102,207
TOTAL SENIOR MANAGEMENT		91,764	504,953

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 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 2016, 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, 2016.

Beneficiaries	Lafarge (Performance shares)	Lafarge (Stock options)
Eric Olsen	**11,578**	**68,050**
Pascal Casanova	**5,617**	**15,717**
Martin Kriegner	**4,038**	**13,886**
Gérard Kuperfarb	**11,578**	**66,083**
Saâd Sebbar	**3,423**	**12,198**

All these rights were granted before the merger.

The share options outstanding held by the Executive Committee (including former members) at year-end 2016 have the following expiry dates and exercise prices:

Option grant date	Expiry date		Exercise price[1]	Number[1] 2016	Number[1] 2015
2004	2016[2]	CHF	63.50	0	15,550
2008	2016	CHF	99.32	0	71,083
2008	2020	CHF	62.95	33,550	33,550
2009	2017	CHF	35.47	38,760	70,502
2010	2018	CHF	67.66	95,557	95,557
2010	2022	CHF	70.30	33,550	33,550
2010	2022	CHF	76.10	0	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
2013	2025	CHF	64.65	0	11,183
2014	2022	CHF	64.40	99,532	99,532
2014	2026	CHF	64.40	33,550	33,550
2015 (2006[3])	2016	CHF	90.67	0	28,926
2015 (2007[3])	2017	CHF	118.97	18,836	29,276
2015 (2008[3])	2018	CHF	103.30	60,745	76,942
2015 (2009[3])	2019	CHF	33.02	28,106	25,166
2015 (2010[3])	2020	CHF	55.10	22,125	22,125
2015 (2011[3])	2020	CHF	47.80	24,645	24,675
2015 (2012[3])	2020	CHF	38.67	21,420	24,360
2015	2023	CHF	66.85	144,970	144,970
2015	2023	CHF	63.55	47,333	47,333
2015	2025	CHF	50.19	437,348	457,336
2016	2026	CHF	53.83	503,120	–
TOTAL				2,045,469	1,780,981

[1] Adjusted to reflect former share splits and/or capital increases and/or scrip dividend.
[2] Due to trade restrictions in 2008, the expiry date of the annual options granted for the years 2003 to 2004 has been extended by one year.
[3] 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.

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 Management (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 Management (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 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

The Nomination, Compensation & Governance Committee supports the Board of Directors according to Article 21 of the Articles of Incorporation 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 Management.

For predefined positions of the Board of Directors and of the Executive Management, the Committee proposes the applicable performance criteria, targets and compensation levels for the Board of Directors while the Committee itself determines, in accordance with the compensation guidelines established by the Board of Directors, the above metrics for other predefined positions.

The Committee holds ordinary meetings at least three to five times a year: at the beginning of the year, in the middle of the year and in autumn. The Committee Chairman may invite members of the Executive Committee, other officers of the Group or third parties to attend the meetings. After each Committee meeting, the Board of Directors is informed of the topics discussed, decisions taken and recommendations made.

In 2016, the Committee retained Kepler (a brand of Mercer Ltd) as its independent compensation advisor. The Committee 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 (AGM)

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 Management for the following financial year. Art. 24 of the Articles of Incorporation provides for a supplementary amount for Executive Management members who become members of, or who are promoted to the Executive Management during a compensation period for which the Annual General Meeting has already approved the compensation of the Executive Management if the compensation already approved is not sufficient to cover this compensation. The supplementary amount per compensation period for each such member shall not exceed 40 percent of the aggregate amount of compensation last approved by the Annual General Meeting. 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 roles of the Committee, the Board of Directors, and the AGM

The table below summarizes the roles of the Committee, 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 (subject to approval by AGM)**	
Individual compensation of members of the Executive Management	**Approves (subject to approval by AGM)**		

TO THE GENERAL MEETING OF LAFARGEHOLCIM LTD, RAPPERSWIL-JONA

Zurich, March 1, 2017

Report of the statutory auditor on the compensation report

We have audited the compensation report of LafargeHolcim Ltd for the year ended December 31, 2016. The audit was limited to the information according to articles 14 – 16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained on pages 136 to 141 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, 2016 of LafargeHolcim Ltd complies with Swiss law and articles 14 – 16 of the Ordinance.

Ernst & Young Ltd

Daniel Wüst Licensed Audit Expert Auditor in charge	Elisa Alfieri Licensed Audit Expert

MANAGEMENT DISCUSSION & ANALYSIS

MANAGEMENT DISCUSSION & ANALYSIS 2016

2016 was a year of accelerating earnings momentum for the world's leading building materials company. Strong returns were achieved across all regions with positive contributions for the year with divestments assisting in decreasing the asset base. This performance highlights the strength of the diversified portfolio. Despite some challenging markets, and a decline in cement sales volume in 2016, focus on pricing, synergies and disciplined cost management had a positive effect on earnings. For the full year, cash flow and earnings per share grew significantly and operating EBITDA adjusted was up 8.7 percent on a like-for-like basis achieving the target for the year.

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

Overview

In 2016, LafargeHolcim achieved significant improvements on the key measures operating EBITDA adjusted, cash flow and earnings per share driven by outperformance on synergies and excellent progress on cost and pricing. The strong execution was visible across the Group's portfolio with all regions delivering increased operating EBITDA adjusted on a like-for-like basis for the full year on prior year. 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, Europe experienced performance growth in several construction markets, as well as benefiting from cost management and restructuring. A significant positive contribution from the US again reinforced the importance of this market to LafargeHolcim. Among other countries to finish the year in positive territory were Egypt, Argentina, Algeria and Mexico. India grew in 2016 despite the impact of the government's move to withdraw high denomination bank notes from circulation. In Nigeria, measures to improve fuel flexibility following interruption to gas supplies earlier in the year, combined with improving prices, helped the country return to growth in Q4. LafargeHolcim was also faced with some challenging markets in 2016. Brazil's economic crisis further depressed the construction sector and decisive measures have been taken to reduce costs. In Asia Pacific, Indonesia and Malaysia continued to feel the effects of market overcapacity and tough competition. Actions to improve competitiveness and performance are having an effect in difficult environments. Cement volumes were down globally by 2.5 percent like-for-like over the full year. On the other hand, steady improvement in pricing over the year means that overall price levels are now higher than before the marked decline seen over the course of 2015.

The Group managed to mitigate the impact of contracting economies in some of its key markets, thanks to merger-related synergies delivered in 2016. Synergies generated by the merger on the operating EBITDA level, amounted to CHF 638 million in 2016, exceeding the target of CHF 550 million, a target that will gradually increase to CHF 1 billion by the end of 2017.

On a pro forma basis, 2016 cement volumes sold were like-for-like below prior year by 2.5 percent or 6.1 million tonnes, aggregates volumes were down 1.7 percent or 4.9 million tonnes and ready-mix concrete shipments declined by 1.8 percent or 1.0 million cubic meters versus prior year.

The Group achieved net sales of CHF 26,904 million, declining by 1.7 percent or CHF 484 million on a like-for-like basis. Unfavorable currency translation effects impacted the Group's net sales by 3.2 percent or CHF 901 million, led by Middle East Africa (CHF 350 million, mainly in Egypt and Nigeria), Latin America (CHF 328 million, mainly in Argentina and Mexico), Europe (CHF 167 million, mainly in Azerbaijan and the UK) and Asia Pacific (CHF 108 million, mainly in China and India).

The Group incurred one-off costs of CHF 582 million in the year, which included CHF 242 million implementation cost related to synergies and CHF 341 million restructuring costs and other one-offs not related to the merger. On a like-for-like basis, adjusted for merger, restructuring and other one-offs, the Group generated an operating EBITDA of CHF 5,825 million, 8.7 percent above the prior year, while the Group's operating EBITDA margin increased by 2.1 percentage points to 21.6 percent.

The Group's year-end net financial debt stood at CHF 14,724 million, an improvement of CHF 2,541 million over prior year, driven by improved cash flow from operating activities and divestments.

Operating results fourth quarter

Sales volumes and principal key figures

		Oct–Dec 2016	Oct–Dec 2015	±%	±% like-for-like
Sales of cement	million t	55.9	66.5	(15.9)	(5.8)
Sales of aggregates	million t	71.2	75.8	(6.1)	(4.3)
Sales of ready-mix concrete	million m³	13.1	14.3	(8.4)	(3.3)
Net sales	million CHF	6,526	7,441	(12.3)	(1.4)
Operating EBITDA	million CHF	1,296	988	31.1	51.5
Operating EBITDA adjusted	million CHF	1,611	1,395	15.5	30.5
Operating EBITDA margin	%	19.9	13.3		
Operating EBITDA margin adjusted	%	24.7	18.8		
Cash flow from operating activities	million CHF	1,779	1,560	14.0	32.0
Operating Free Cash Flow	million CHF	1,342	647	107.5	

Demand for cement, aggregates, ready-mix concrete and other construction materials and services is seasonal, as climatic conditions affect the level of activity in the construction sector. The Group typically experiences a reduction in sales during the first and fourth quarters, reflecting the effect of the winter season in its principal markets in Europe and North America, and tends to see an increase in sales in the second and third quarters, reflecting the effect of the summer season. This effect can be particularly pronounced in harsh winters.

On a like-for-like basis, cement deliveries decreased by 5.8 percent or 3.5 million tonnes to 55.9 million tonnes compared to the fourth quarter of 2015. With the exception of China, most countries in Asia Pacific saw a decrease in volumes during the fourth quarter, led by India, Indonesia and Malaysia. As a result, the region reported a 4.7 percent decrease compared to the prior year. The region Middle East Africa also reported a decline in cement sales volumes of 9.3 percent driven by Egypt, Nigeria and South Africa, despite improvement in Algeria, driven by new capacity in Biskra and strength in domestic demand. Volumes in North America declined by 10.9 percent, mostly in the US. Volumes in Latin America were also down 12.3 percent due to lower contributions mainly from Brazil and Mexico. On the other hand, volumes in Europe grew by 0.4 percent benefiting from very slight upsides in some markets such as Russia.

Sales of aggregates reached 71.2 million tonnes in the fourth quarter of 2016, representing a like-for-like decrease of 4.3 percent or 3.2 million tonnes compared to the prior year. All regions, except Middle East Africa and Asia Pacific recorded volume declines in the quarter. Asia Pacific delivered 2.2 percent more aggregates, mainly driven by China and Indonesia, which was partly offset by Australia. Volume declines in both the Canada and US weighed on the results in North America, which witnessed a decline of 10.2 percent. Middle East Africa posted an increase of 23.6 percent for the quarter, on the back of improved deliveries in Algeria and Egypt. In Europe, volumes decreased slightly by 0.1 percent due to a lack of momentum in some Central European markets, which was partly offset by improvements in the UK. In Latin America, the recession and the low demand mainly in Brazil impacted volumes negatively, leading to a decline of 46.2 percent.

Deliveries of ready-mix concrete reached 13.1 million cubic meters, a decline of 3.3 percent on a like-for-like basis compared to fourth quarter of 2015. While ready-mix concrete volumes were down in Latin America by 13.9 percent, in North America by 10.4 percent and in Europe by 1.6 percent, volumes grew in Middle East Africa by 4.0 percent and in Asia Pacific by 1.6 percent.

Million CHF	Oct–Dec 2016	Oct–Dec 2015	±%	±% like-for-like
Net sales by region				
Asia Pacific	1,990	2,363	(15.8)	(3.6)
Europe	1,668	1,783	(6.5)	(0.4)
Latin America	691	784	(11.9)	(2.2)
Middle East Africa	888	1,077	(17.5)	6.1
North America	1,380	1,501	(8.1)	(8.8)
Corporate/Eliminations	(91)	(67)	35.8	
TOTAL	6,526	7,441	(12.3)	(1.4)
Adjusted operating EBITDA by region				
Asia Pacific	411	400	2.7	13.4
Europe	337	304	10.8	17.7
Latin America	230	217	5.9	20.0
Middle East Africa	370	271	36.5	87.8
North America	359	326	10.2	9.3
Corporate/Eliminations	(95)	(123)	(22.5)	
TOTAL	1,611	1,395	15.5	30.5
Cash flow				
Cash flow from operating activities	1,779	1,560	14.0	32.0
Net capital expenditures on property, plant and equipment to maintain productive capacity and to secure competitiveness	(281)	(505)	44.3	42.4
Investments in property, plant and equipment for expansion	(155)	(408)	61.9	56.9

Fourth quarter consolidated net sales decreased like-for-like by 1.4 percent compared to the same prior year period. The unfavorable currency development of CHF 290 million in the quarter was due in large part to the depreciation of the British Pound (GBP) following the UK's decision on Brexit. Fluctuations of the Egyptian Pound (EGP) and the Nigerian Naira (NGN), following the free floating of currencies by the central banks also continued to weigh on results. In the cement business, the overall decrease in sales volume was partly offset by price increases in Latin America, Middle East Africa and North America. Additionally, lower reported net sales driven by weaker volumes in the aggregates and ready-mix concrete businesses further affected the Group's top line growth.

The operating EBITDA adjusted improved by 30.5 percent or CHF 397 million on a like-for-like basis in the quarter, thanks to positive contribution from all regions. The operating results were impacted by unfavorable currency development of CHF 95 million. Backed mainly by the price normalization and better cost management in Algeria, Egypt and Nigeria, Middle East Africa improved its performance by 87.8 percent or CHF 195 million. The operating EBITDA adjusted in Europe increased by CHF 54 million or 17.7 percent on a like-for-like basis, driven by continuous cost management and tight margin management. Better pricing in the UK and lower costs in Spain were partly offset by lower volumes in Greece. In Asia Pacific, operating EBITDA adjusted increased by CHF 48 million or 13.4 percent on a like-for-like basis. The largest increase was recorded in China, where both prices and volumes improved. In the wake of demonetization in India, volumes were impacted, although posted positive like-for-like gains. In Latin America, operating EBITDA adjusted improved by CHF 43 million or 20.0 percent on a like-for-like basis. Positive price effects in Mexico more than offset price deterioration in Colombia and Costa Rica. Additionally, Argentina faced cost inflation, which put additional burden on the operating EBITDA of the region.

As a result, the quarterly operating EBITDA adjusted margin of the group, increased by 6.1 percentage points to 24.7 percent based on constant exchange rates.

In the quarter, CHF 315 million one-off costs were incurred, of which CHF 65 million was in Europe, CHF 51 million in Middle East Africa, CHF 49 million in Asia Pacific, CHF 21 million in North America and CHF 19 million in Latin America.

Cash flow from operating activities of CHF 1,779 million in the quarter increased by CHF 456 million or 32.0 percent on a like-for-like basis in the quarter. The improvement was primarily driven by increased like-for-like contribution in Australia, China, Mexico and Nigeria.

Operating results for the year 2016

Sales volumes and principal key figures

		Jan–Dec 2016	Jan–Dec 2015	±%	±% like-for-like
Sales of cement	million t	233.2	255.7	(8.8)	(2.5)
Sales of aggregates	million t	282.7	292.2	(3.2)	(1.7)
Sales of ready-mix concrete	million m^3	55.0	56.8	(3.3)	(1.8)
Net sales	million CHF	26,904	29,483	(8.7)	(1.7)
Operating EBITDA	million CHF	5,242	4,645	12.9	22.0
Operating EBITDA adjusted	million CHF	5,825	5,751	1.3	8.7
Operating EBITDA margin	%	19.5	15.8		
Operating EBITDA margin adjusted	%	21.6	19.5		
Cash flow from operating activities	million CHF	3,295	2,550	29.2	46.2
Operating Free Cash Flow	million CHF	1,660	(51)		
Net financial debt	million CHF	14,724	17,266	(14.7)	

Sales volumes

Consolidated cement sales volumes decreased by 2.5 percent or 6.1 million tonnes to 233.2 million tonnes on a like-for-like basis due to lower sales volumes in all regions. While volumes in most regions decreased slightly, Latin America faced more significant declines. In the region, volumes declines were mainly driven by economic recession and political unrest in Brazil, which took a toll on the cement demand. Volume decline in Asia Pacific was driven by India, Indonesia and Malaysia, partly offset by good performance in the Philippines. Due to currency devaluation in Egypt and challenging market conditions in Nigeria and Zambia, Middle East Africa delivered lower volumes than previous year, which was partially offset by Algeria. Volumes in Europe were down driven by deterioration in Russia, but partly offset by a good level of infrastructure projects in some countries and good housing and non-housing construction activity in others. In North America, volumes fell short of prior year in both the Canada and the US.

Asia Pacific saw cement volumes decrease on a like-for-like basis by 1.0 percent or 1.1 million tonnes to 113.7 million tonnes. This development was primarily driven by Indonesia, reflecting continuous market deterioration since the end of first quarter with lower demand in Central and East Java. Inter-island competition in Sumatra as well as limited government spending on infrastructure projects drove the decline in volumes. Philippines recorded significantly higher cement volumes underpinned by competitive pressure on prices from cement imports. Performance in China improved by 7.2 percent compared to previous year due to continuous effect of new sales strategy, market recovery and higher demand since fourth quarter. On the other hand, cement volumes in Malaysia declined mainly driven by softer domestic and export demand and aggressive price movement from main competitors. In India, volumes were below prior year driven by weak demand that was intensified due to demonetization of the currency in November. Performance also suffered from lower prices in the first quarter of 2016.

Cement sales in Europe slightly declined, like-for-like, by 1.4 percent or 0.6 million tonnes in the wake of reduced demand. Amid more challenging global conditions, its underlying dynamics remained slow. Investments experienced less confidence than in the past, as subdued demand and economic policy uncertainties persisted. Construction activity remained low in a number of key countries, impacting cement sales volumes with a decrease of 1.4 percent or 0.6 million tonnes to 41.6 million tonnes compared to prior year. In 2016, the Brexit vote led to increased uncertainties. However, the British economy did recover, supported by a strong service sector and government spending on housing and infrastructure. Russia recorded a significant decrease of 13.8 percent or 0.7 million tonnes in cement volumes. In France and Romania sales volumes decreased by 2.1 percent and 7.7 percent respectively. Volumes slowed due to some completion of important infrastructure projects in Switzerland or not yet started infrastructure projects as in Poland. The economies in Germany and Switzerland were significantly improved by a good housing and non-housing construction activity. Positive developments were witnessed in Greece, led by a good overall domestic market and increased cement exports.

In Latin America, cement volumes declined like-for-like by 13.5 percent or 3.8 million tonnes to 24.1 million tonnes. Most of the volume decline was recorded in Brazil, Ecuador and Mexico. In Brazil, cement demand contracted drastically, impacted by a severe economic downturn and by the ongoing political unrest, which undermined consumer confidence. Ecuador's development slowed down considerably as public investment in infrastructure decreased due to liquidity problems. However, the market trend continues to be positive mainly on the coast, where the volumes sold compared with previous year grew in both B2B and B2C segments. Mexico recorded lower sales volumes compared to prior year as a result of the price focused strategy. Due to a combination of lower construction demand, significant competition price reduction at the beginning of November and a nationwide transport strike in July, Colombia sold 15.0 percent less cement than in the prior year. Volume declines in Argentina were driven mainly by delayed public investment and heavy rainfalls.

Cement sales in Middle East Africa were down like-for-like by 1.5 percent or 0.6 million tonnes compared to prior year. In Egypt, Jordan, Nigeria and Zambia economic growth was held back by volatile macroeconomic conditions. In Egypt, the reduction in sales volume was more than offset by price increase. Nigeria's negative sales development was mainly driven by interruption of gas supplies and a steadily worsening economy with a struggling oil industry and increasing inflation. Volume losses in those countries were partially offset by growing cement demand in Algeria. In Algeria, cement demand grew over the previous year due to excellent mobilization of the organization and higher demand in the market.

In North America, cement sales volumes decreased like-for-like by 2.3 percent or 0.5 million tonnes to 19.5 million tonnes. The volume shortfall in the US was mostly driven by exceptionally favorable winter conditions in the prior year, while the reduction in Canada West was due to economic down-turn related to oil prices.

Aggregates sales volumes decreased by 1.7 percent or 4.9 million tonnes on a like-for-like basis to 282.7 million tonnes. This development largely stemmed from Latin America which recorded a sales volumes drop of 23.2 percent or 1.8 million tonnes, driven by deteriorating market conditions in Brazil and lower public investment in infrastructure projects. Aggregates demand in Europe increased slightly by 1.0 percent with differentiated trends across Europe. While negatively impacted in France due to fewer ongoing infrastructure projects, improvements on the activity level came from Belgium, Greece and Germany. In North America, volumes declined by 6.2 percent or 7.1 million tonnes. The remaining regions reported positive development of aggregates sold. Middle East Africa recorded sales volume growth of 11.2 percent or 1.2 million tonnes mostly attributable to solid growth in Egypt due to infrastructure projects. In Asia Pacific, the sales volume increase of 5.2 percent or 1.6 million tonnes was mainly driven by strong demand in China.

On a like-for-like basis, sales of ready-mix concrete declined by 1.8 percent or 1.0 million cubic meters. With the exception of Middle East Africa and Asia Pacific, which reported growth, all the other Group's regions recorded lower volumes compared to previous year. In Latin America, the ready-mix concrete business was hit the hardest by the depressed economic environment in Brazil. In North America, volumes dropped due to economic down-turn reflecting lower demand in Canada. Ready-mix concrete deliveries grew by 10.0 percent or 0.5 million cubic meters in Middle East Africa, due to large projects in Egypt. Asia Pacific experienced a slight volume increase of 0.6 percent, as the solid growth recorded in India and Malaysia was significantly offset by shortfall in Singapore. Europe was slightly below prior year in volumes despite strong construction activity.

Net sales

Net sales by region

Million CHF	Jan–Dec 2016	Jan–Dec 2015	±%	±% like-for-like
Asia Pacific	8,226	9,048	(9.1)	(2.0)
Europe	7,023	7,356	(4.5)	(2.1)
Latin America	2,773	3,241	(14.4)	(4.1)
Middle East Africa	3,900	4,536	(14.0)	(1.5)
North America	5,584	5,678	(1.7)	(2.7)
Corporate/Eliminations	(602)	(376)	(60.0)	
TOTAL	26,904	29,483	(8.7)	(1.7)

Net sales reached CHF 26,904 million in 2016 which represented a decrease of 8.7 percent compared to prior year net sales of CHF 29,483 million. The strengthening of the Swiss Franc was clearly felt with negative foreign currency impact of CHF 901 million or 3.2 percent. On a like-for-like basis, net sales decreased by 1.7 percent. Net sales declined across all regions compared to the previous year.

Net sales in Asia Pacific amounted to CHF 8,226 million, a year-on-year decline of 2.0 percent on a like-for-like basis. This was largely due to India, Indonesia, and Malaysia. Volumes and prices in India were negatively impacted by demonetization which affected market confidence. Indonesia suffered from continuing market deterioration since the end of the first quarter of 2016 with lower demand in Central and East Java as well as lower cement volumes sold. Prices were driven down by increased domestic competition and lower volumes were recorded in all segments. The main reason for the decrease is the limited government spending on infrastructure projects within the Java market. In Malaysia, net sales declined mainly due to softer demand on the domestic market as well as on exports and pricing pressure. These negative developments in the region were partially compensated by Australia and China. China benefited from continuing effect of new sales strategy, mainly in Yunnan, and market recovery in Q4. Net sales in Australia were positively impacted by Humes performance, completion of major projects and the transition to Lynwood aggregates quarry.

In Europe, net sales reached CHF 7,023 million, a decline of 2.1 percent on a like-for-like basis. The largest decline was recorded in Azerbaijan, Italy, Russia and the UK. Poor market conditions in Italy impacted volumes and prices causing a decline in net sales. In the UK, net sales continued to track behind previous year by 3.2 percent on like-for-like basis. Germany and Greece were among the countries that recorded growth in Europe.

Latin America saw a decline in net sales of CHF 133 million or 4.1 percent on a like-for-like basis. The main drivers for the decline were Brazil, Colombia and Ecuador. Brazil's deteriorating performance characterized by lower prices and lower volumes sold was driven by the economic crisis. Limited public investments in infrastructure in Ecuador caused a shortfall of 7.8 percent or CHF 36 million in net sales. Lower construction demand and a significant price reduction by the main competitor were the drivers for Colombia's net sales decrease of 10.2 percent on a like-for-like basis. Market slowdown was also influenced by nationwide strike in June and July. These falls were partially compensated by Argentina where net sales increased by 21.9 percent or CHF 96 million on a like-for-like basis.

Middle East Africa net sales declined by CHF 66 million or 1.5 percent on a like-for-like basis. Egypt and Nigeria recognized lower net sales in 2016. Egypt's performance was impacted mainly by demand slowdown in November and December driven by local currency devaluation and increased imported material costs. Nigeria recorded a decline largely due to events such as gas shortages and logistics challenges. A recessionary economy with a struggling oil industry and increasing inflation put pressure on construction demand. Net sales within the country declined by 20.5 percent or CHF 191 million, on a like-for-like basis. Negative development was also recorded in Zambia where, due to market difficulties, net sales declined by 31.4 percent. Algeria and Iraq partially offset this decline with a significant improvement of sales. In Algeria the growth was influenced by higher demand in the market with positive impact on volumes, prices and commissioning of the new Biskra plant. Iraq grew by 18 percent in cement volume sold due to improved political stability and import restrictions in central and southern region.

North America achieved net sales of CHF 5,584 million, a decline of CHF 156 million or 2.7 percent on a like-for-like basis. While net sales for Canada reduced, US increased. Canada East's unfavorable development was caused by a negative impact of the three-month long strike at St. Constant plant compounded by lower exports to the US. Sales volumes in all major segments were down on the previous year. Prices suffered from mix impacts on product, project and region. Ready-mix was particularly impacted by comparably lower sales to high margin projects. Canada West sales decreased due to the economic down-turn, where sales volumes of all major segments declined compared to prior year, reflecting lower demand in the prairies, partially offset by solid demand in British Columbia. Sales prices were also affected, however at a lower magnitude with some positive mix effects particularly on cement, offsetting some of the general price reductions. In the US, net sales increased despite weaker market demand after first quarter and benefited mainly from higher pricing while volumes were slightly below previous year.

The relative contribution of North America and Europe in the Group net sales increased to 20.2 percent (2015: 18.6 percent) and 25.4 percent (2015: 24.1 percent) respectively whereas the weight of Middle East Africa and Latin America decreased to 14.1 percent (2015: 14.9 percent) and 10.0 percent (2015: 10.6 percent) respectively. The relative contribution of Asia Pacific remained the same as in 2015.

Adjusted operating EBITDA

Operating EBITDA adjusted by region

Million CHF	Jan–Dec 2016	Jan–Dec 2015	±%	±% like-for-like
Asia Pacific	1,530	1,565	(2.2)	5.2
Europe	1,329	1,264	5.1	8.2
Latin America	885	907	(2.4)	7.8
Middle East Africa	1,196	1,362	(12.2)	1.3
North America	1,329	1,183	12.3	10.8
Corporate/Eliminations	(445)	(531)	16.2	
TOTAL	5,825	5,751	1.3	8.7

Adjusted for merger, restructuring and other one-off costs, operating EBITDA in 2016 was CHF 5,825 million. On a like-for-like basis, operating EBITDA increased by CHF 484 million or 8.7 percent. North America reported significantly higher operating EBITDA, exceeding 10.0 percent growth, compared to last year. In Asia Pacific, Europe, and Latin America, operating EBITDA increased by more than 5.0 percent. Middle East Africa recorded slightly higher operating EBITDA. The foreign exchange effect also weighed heavily, reducing adjusted operating EBITDA by CHF 229 million or 4.1 percent. In 2016, the Group sold less CO_2 certificates. The impact on operating EBITDA was minus CHF 14 million. The unadjusted operating EBITDA in 2016 increased by 22.0 percent on a like-for-like basis and amounted to CHF 5,242 million. Merger and restructuring costs amounted to CHF 582 million and it has decreased by CHF 523 million or 47.3 percent compared to 2015, impacting the operating EBITDA. In the following discussion, all comments about operating EBITDA refer to operating EBITDA adjusted for one-off costs.

In Asia Pacific, operating EBITDA increased by CHF 76 million or 5.2 percent on a like-for-like basis. The largest improvements were recorded in China, India, Philippines and Vietnam. In China, operations benefited from lower fuel costs, favorable fixed cost development, and favorable volume and price driven by improved market conditions. In India, higher operating EBITDA was driven mainly by lower fuel, raw material and fixed costs, partially offset by lower cement prices in the first quarter and demonetization since November. The Philippines operating EBITDA growth was backed by volume improvement in the retail segment, where raw material and maintenance costs supported the overall performance. In Vietnam, both good sales performance and cost savings, translated to an increase in operating EBITDA. Partially offsetting these results was Australia where a lower operating EBITDA was driven by unfavorable regional mix, completion of major projects as well as the transition to new quarry operations to serve the Sydney market. Indonesia was impacted by market deterioration mainly in Central and East Java and unfavorable price development, slightly compensated by lower fuel costs and strong improvement in distribution and fixed costs.

In Europe, operating EBITDA increased by CHF 103 million or 8.2 percent on a like-for-like basis driven mainly by France, Germany, Switzerland and UK. In France, variable cost improvement driven by lower power and fuel price, were the main drivers for the operating EBITDA increase which was partially offset by higher fixed costs in cement and aggregates. In Germany, the growth was driven by an increase of housing, commercial and public construction orders, where prices were underperforming, but fixed costs were improved. Top line development in Switzerland was recorded, mainly driven by aggregates prices in the western region and cement volumes. The UK benefited from good cost management and experienced significant depreciation of the British pound, attributable to the vote result on Brexit. The business performance increased mainly due to ready-mix and cement segments which delivered strong performance over the last quarter, partially offset by aggregates and asphalt volumes reduced. Poland experienced favorable clinker and cement volumes, and significant cost reductions partially offset by adverse price impact. Positive operating EBITDA development was further achieved in Belgium, Serbia, Spain and Hungary. Romania suffered from lower volumes partially mitigated by higher prices and lower costs. Russia achieved lower operating EBITDA with lower sales volumes due to low market demand mitigated by pricing initiatives and cost reduction.

In Latin America, the operating EBITDA increased by CHF 70 million or 7.8 percent on a like-for-like basis. Significant depreciation of selected local currencies resulted in increased foreign currency impact of CHF 92 million or 10.1 percent. While most countries achieved lower operating EBITDA, Argentina, El Salvador, Chile, Mexico and Nicaragua remained above their prior year's levels. Argentina benefited from higher prices partially offset by lower volumes and higher production costs. El Salvador improved its operating EBITDA thanks to favourable impact of lower fuel costs and costs reduction initiatives. In Chile, the positive operating EBITDA development was mainly due to improved variable costs and pricing. In Mexico, positive price and fixed cost impacts were partially offset by higher maintenance and production costs in the ready-mix segment. Nicaragua benefited from fixed cost improvement. All other countries in the region, in particular Brazil, Colombia and Ecuador, recorded lower results. In Brazil, lower volumes and softening of prices led to a decrease in operating EBITDA. Despite higher prices, Colombia recorded lower operating EBITDA driven by weaker volumes and increased fuel and energy costs. In Ecuador, lower public investment in infrastructure projects and liquidity constraints, which caused volumes to decline although prices and fuel costs were favorable.

In Middle East Africa, the operating EBITDA slightly improved by CHF 17 million or 1.3 percent on a like-for-like basis. The depreciation of selected local currencies resulted in an unfavorable foreign currency impact of CHF 94 million or 7.4 percent. Algeria, Egypt, Iraq, Lebanon, Uganda and Zimbabwe had growth in their operating EBITDA. In Algeria, higher volumes and prices drove the increase in operating EBITDA, where the market is still undersupplied due to import restrictions. In Egypt, the growth is predominantly driven by higher clinker and cement profitability with consistent premium price strategy. This was partially offset by higher energy costs. In Lebanon, favorable volume and price development was supported with lower power and fuel costs. Positive price and production cost development supported an increase in operating EBITDA in Kenya. Operating EBITDA declined in Jordan, Nigeria, South Africa, and Zambia. In Jordan, lower volumes and prices were partially offset by favorable fuel and power prices. In Nigeria, unfavorable top line development, largely as a result of gas supply interruptions together with higher fuel and energy costs contributed to the lower operating EBITDA. South Africa benefited from higher volumes and prices which were mainly offset by unfavorable production costs. Unfavorable price and volume development were partially offset by reduced fixed cost in Zambia.

The North America region improved its operating EBITDA by CHF 128 million or 10.8 percent on a like-for-like basis. Higher prices in addition to favorable fuel and energy costs led to strong performance in the US which was partially offset by higher fixed and ,pension costs due non-repeating benefits in the prior year. The decline in operating EBITDA in Canada was largely due to Canada West which saw lower demand from oil dependent states, partially compensated by lower production costs. Canada East recorded flat operating EBITDA driven by higher prices despite higher fixed costs.

The operating EBITDA increase was contributed to mostly by North America where it increased to 22.8 percent (2015: 20.6 percent). The weighting of operating EBITDA in Europe increased to 22.8 percent (2015: 22.0 percent). The weighting of Asia Pacific decreased slightly to 26.3 percent (2015: 27.2 percent). Middle East Africa represented

20.5 percent of Group operating EBITDA (2015: 23.7 percent). The relative contribution of Latin America decreased to 15.2 percent (2015: 15.8 percent).

Operating EBITDA margin adjusted

Adjusted for one-off costs and on a like-for-like basis, the Group's operating EBITDA margin increased by 2.1 percentage points to 21.6 percent in 2016. Currency impact on the Group's margin was negligible. Growth in operating EBITDA margin was mainly attributable to Mexico, the UK and the US, whilst the conditions were challenging in Australia, Brazil, Malaysia and Nigeria. The group has recorded lower gains from CO_2 sales of CHF 14 million.

On a like-for-like basis, the operating EBITDA margin in Asia Pacific grew by 1.3 percentage points to 18.6 percent as fuel costs, lower industrial fixed costs and favorable administration outweighed price and volume decreases. Most countries in the region either increased or maintained their margins. China, Vietnam and India were the main contributors to margin increase while Australia, Malaysia and Vietnam deteriorated.

In Europe, the operating EBITDA margin increased by 1.8 percentage points on a like-for-like basis. The main contributors to the margin increase were Belgium, Germany, Romania, Serbia and the UK. Notably, Belgium, Romania and the UK increased their margins chiefly through higher selling prices and a concerted focus on cost reductions. Sales of CO_2 certificates were lower by CHF 13 million versus prior year. Negative margin developments in Austria were driven mainly by lower prices mainly.

Operating EBITDA margin in Latin America increased by 3.5 percentage points, on a like-for-like basis. Most countries in Latin America increased their margin compared to last year, notably Mexico, Argentina Chile and Ecuador. Mexico benefited from price improvement. In Ecuador, favorable margin development was driven by cost saving initiatives and lower fuel costs. Margin declines were seen in Brazil and Colombia. In Brazil, lower prices were only partially offset by cost improvement. In Colombia, higher transportation and energy costs were the main reasons for the decline.

Middle East Africa's operating EBITDA margin increased by 0.9 percentage points. Overall, there was a mixed picture across the region, where Algeria, Egypt, Kenya and Lebanon all increased their operating EBITDA margin. Egypt benefited from higher prices driven by ready-mix projects, volume and price increases in Algeria and favorable top line accompanied by lower energy and fuel costs in Lebanon. Jordan, Nigeria, South Africa, and Zambia experienced margin decline affected by prices for commodities, oil and gas.

Improvement of the operating EBITDA margin on a like-for-like basis was achieved in North America amounting to a gain of 2.9 percentage points. Favorable top line performance mainly stemmed from increased cement prices and lower fuel and energy costs in the US. There was a slight margin increase in Canada.

In the cement segment, the operating EBITDA margin increased on a like-for-like basis by 0.8 percentage points to 26.4 percent. All the group regions in this segment managed to improve operating EBITDA margin, except for Middle East Africa. Operating EBITDA margin in the aggregates segment increased on a like-for-like basis by 1.2 percentage points to 17.4 percent. In this segment, Europe, Middle East Africa and North America achieved a margin improvement though margin deteriorated in the other Group regions.

Cash flow and investments

Cash flow and investments

Million CHF	Jan–Dec 2016	Jan–Dec 2015	±%	±% like-for-like
Cash flow from operating activities	3,295	2,550	29.2	46.2
Operating Free Cash Flow	1,660	(51)		
Net capital expenditures on property, plant and equipment to maintain productive capacity and to secure competitiveness	(997)	(1,148)	13.2	9.7
Investments in property, plant and equipment for expansion	(638)	(1,453)	56.1	52.3

Cash flow from operating activities

Cash flow from operating activities increased on a like-for-like basis by CHF 1,083 million or 46.2 percent to CHF 3,295 million. The increase was mainly driven by Capex, financial expenses and Income taxes. The impact from cash effective merger, restructuring and other one-offs on the cash flow from operating activities was CHF 638 million (2015: CHF 784 million). Operating free cash flow increased significantly to CHF 1,660 million.

Investment activities

The net capital expenditure to maintain productive capacity and to secure competitiveness amounted to CHF 997 million, while investments in expansion and diversification projects reached CHF 638 million. Investments in property, plant and equipment for expansion mainly reflected key projects, the objective of which was to increase cement capacity in developing countries.

Key investment projects

Indonesia – Terminal at Lampung in South Sumatra

The Group built a cement terminal and packing plant near Lampung, South Sumatra. This terminal is in operation since the first quarter of 2016. The Group already has a strong position in the regional market of Southern Sumatra which is growing faster than the Indonesian average. This strengthening of the footprint will allow for an improvement in customer service and a reduction in logistics costs.

Brazil – Capacity expansion at Barroso

Installation of a second kiln line at the Barroso plant was commissioned in Q2 2016. The additional cement capacity of 2.3 million tonnes will bring the total installed cement capacity of LafargeHolcim Brazil to 11.1 million tonnes. With this investment, Brazil will be able to improve its cost structure while the asset footprint is being constantly reassessed following the merger to adjust to the demand for building materials in the south-east of the nation.

India – Expansion of market position

The new production lines at Jamul in India went on stream mid-2016. Clinker production with an annual capacity of 2.8 million tonnes started in July 2016. Jamul and Sindri grinding units started production in September and October 2016. Their capacity is 2.5 million tonnes.

New Zealand – Terminals at Timaru and Auckland

Two 30,000 tonnes bulk cement import terminals were installed in the strategic ports of Timaru and Auckland to support an import strategy for Holcim New Zealand. The Timaru terminal was commissioned in February 2016 and the Auckland terminal in June 2016. This significant investment in Holcim New Zealand's supply chain and supply partnerships will ensure our customers continue to have uninterrupted access to high quality cement and support for their business operations.

Russia – Modernization at Volsk plant

Russia's modernization strategy continues with the upgrade of its existing wet process at the Volsk plant in the Volga region. The project is progressing on schedule and the new clinker line (semi wet) is planned to commission in the second half of 2017.

Algeria – Djemourah – Biskra project

The Group finished the construction, which commenced in November 2013, of a new integrated cement plant in the region of Biskra. The plant capacity is 2.7 million tonnes. Cement production started in April 2016 and clinker production at the end of July 2016.

Canada – Capacity expansion at Exshaw

The expansion project at the Exshaw plant, near Calgary, introduced a new five-stage kiln with an annual capacity of 1.3 million tonnes and existing kiln lines were upgraded to comply with necessary environmental requirements. First clinker production was in May 2016 and cement production commenced in September 2016.

US – New line at Ravena

The brownfield project for a clinker and cement production line in Ravena in the north-east of the US will supply 1.9 million tonnes of cement capacity. The project includes a pre-heater/pre-calcined kiln, clinker cooler, secondary crusher, vertical raw mill, wet scrubber, coal mill and selective non-catalytic reduction systems. This will replace the two existing long wet kilns. Clinker production is scheduled to commence in Q1 2017.

US – Environmental Compliance and opportunistic upgrade in Hagerstown and Ada

The investment is to comply with National Emission Standards for Hazardous Air Pollutants (NESHAP) at the Hagerstown plant in Maryland and Ada plant in Oklahoma by upgrading the kiln systems. The new upgraded kilns will also increase the capacities. Hagerstown started clinker and cement production in June 2016 and Ada is scheduled for Q1 2017.

Nigeria – Second line for capacity expansion at Unicem

A second cement production line with a capacity of 2.5 million tonnes per year was built at the Unicem Mfamosing plant in order to meet the strong market growth in the south and southeast of the country. This second line went operational at the end of 2016.

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 4.8 billion were undertaken by LafargeHolcim, enabling the Group to lock in historically low interest rates. The main capital market transactions were as follows:

CHF 1.1 billion EUR and USD Schuldschein loans issued in May 2016	
EUR 413 million	**Holcim Finance (Luxembourg) S.A. with a coupon of 1.04%, term 2016–2021**
EUR 209 million	**Holcim Finance (Luxembourg) S.A. with a coupon of 6M Euribor +1.00%, term 2016-2021**
USD 40 million	**LafargeHolcim International Finance Ltd with a coupon of 2.80%, term 2016–2021**
USD 121 million	**LafargeHolcim International Finance Ltd with a coupon of 3M Libor +1.60%, term 2016–2021**
EUR 152 million	**Holcim Finance (Luxembourg) S.A. with a coupon of 1.46%, term 2016–2023**
EUR 25 million	**Holcim Finance (Luxembourg) S.A. with a coupon of 6M Euribor +1.20%, term 2016–2023**
USD 15 million	**LafargeHolcim International Finance Ltd with a coupon of 3.20%, term 2016–2023**
USD 25 million	**LafargeHolcim International Finance Ltd with a coupon of 3M Libor +1.80%, term 2016–2023**
EUR 32.5 million	**Holcim Finance (Luxembourg) S.A. with a coupon of 2.00%, term 2016–2026**

CHF 2.5 billion equivalent of EUR bonds issued in May 2016	
EUR 1.15 billion	**Holcim Finance (Luxembourg) S.A. with a coupon of 1.38%, term 2016–2023**
EUR 1.15 billion	**Holcim Finance (Luxembourg) S.A. with a coupon of 2.25%, term 2016–2028**

The proceeds of these new bonds were partly used to repurchase a total nominal of CHF 1.2 billion equivalent of EUR and GBP bonds in the second quarter 2016.

CHF 1 billion equivalent of USD bonds issued in September 2016	
USD 400 million	**LafargeHolcim Finance US LLC with a coupon of 3.50%, term 2016–2026**
USD 600 million	**LafargeHolcim Finance US LLC with a coupon of 4.75%, term 2016–2046**

The group also repurchased a nominal of CHF 328 million outstanding EUR bond in the fourth quarter 2016.

Net Financial debt

The Group's financial structure remained solid and net financial debt amounts to CHF 14,724 million in the year under review.

Capital market financing of the Group as per December 31, 2016 (CHF 15,773 million)

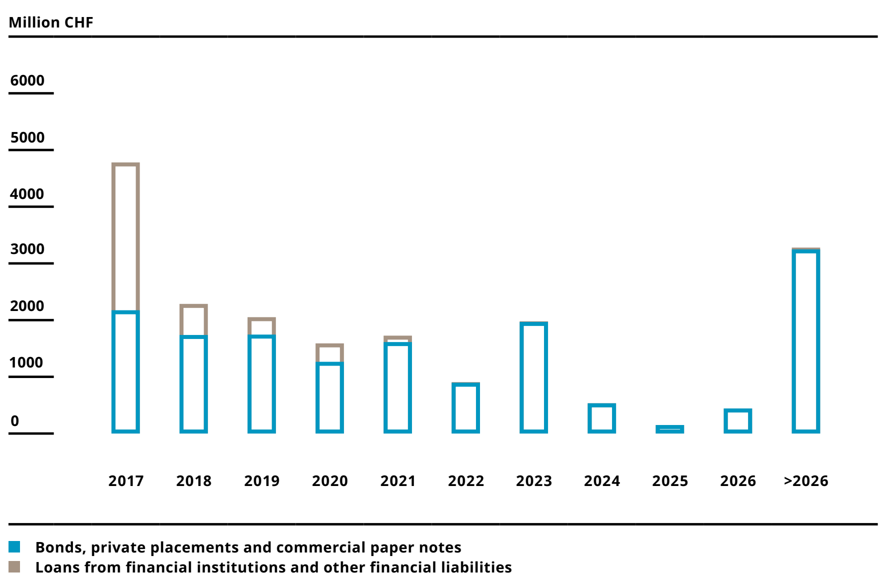
Category	Category (details)	Million CHF	in %
EUR Bonds		6,305	40%
USD Bonds		4,396	28%
CHF Bonds		2,386	15%
EUR PPs	EUR Private Placements	696	4%
GBP Bonds		555	4%
AUD Bonds		515	3%
MXN Bonds		266	2%
USD PPs	USD Private Placements	255	2%
EUR CPs	EUR Commercial Paper	195	1%
NGN Bonds		194	1%
CRC Bond		9	0%
TOTAL		15,773	100%

Financing profile

LafargeHolcim has a strong financial profile. 79 percent of financial liabilities are financed through various capital markets and 21 percent through banks and other lenders. There are no major positions with individual lenders. The average maturity of financial liabilities could be substantially increased from 4.2 years on December 31, 2015 to 5.9 years due to several capital market transactions during 2016. 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 78). The average nominal interest rate on LafargeHolcim's financial liabilities as at December 31, 2016, was 4.8 percent, whereas the proportion of financial liabilities at fixed rates was at 61 percent. Detailed information on financial liabilities can be found in the respective Note 26.

Maturity profile as of December 31, 2016[1]



[1] After risk-related adjustment of CHF 195 million from current financial liabilities to long term financial liabilities.

Liquidity

To secure liquidity, the Group held cash and cash equivalents of CHF 4,923 million at December 31, 2016. This cash is 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, 2016, LafargeHolcim had unused committed credit lines of CHF 6,256 million (see also note 26).

Current financial liabilities (after risk-related adjustment of CHF 195 million) as at December 31, 2016, of CHF 4,781 million are comfortably covered by existing cash, cash equivalents and unused committed credit lines. LafargeHolcim has a USD commercial paper program as well as EUR commercial paper programs. The aim of these programs is to fund short-term liquidity needs at attractive terms. Commercial papers in the amount of EUR 182 million were outstanding as per December 31, 2016.

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. In the last financial year, these were negatively impacted by the lifting of the Swiss Franc Euro peg in early 2015 and the continued appreciation of the Swiss Franc against main currencies. As a large part of the foreign capital is financed with matching currencies 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. Given the local nature of business activities, this type of transaction is seldom individually hedged.

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

Sensitivity analysis

Million CHF	2016	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	26,904	(171)	(93)	(215)	(94)	(86)	(162)	(178)	(97)
Adjusted operating EBITDA	5,825	(17)	(17)	(71)	(21)	(22)	(28)	(34)	(35)
Cash flow from operating activities	3,295	26	(14)	(48)	(13)	(11)	(25)	(17)	(27)
Net financial debt	14,724	398	(16)	(151)	38	(34)	26	(97)	0

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

Million CHF	Oct–Dec 2016	Oct–Dec 2015	2016	2015
OPERATING PROFIT [1]	563	(2,115)	2,837	(739)
Depreciation, amortization and impairment of operating assets [1]	733	3,127	2,405	4,421
OPERATING EBITDA [1]	1,296	1,011	5,242	3,682
Pro Forma Adjustments (Lafarge H1 2015, Scope effect & Divestments)	0	(23)	0	963
OPERATING EBITDA	1,296	988	5,242	4,645
Merger, restructuring and other one offs	315	407	582	1,106
OPERATING EBITDA ADJUSTED	1,611	1,395	5,825	5,751

[1] As per consolidated financial statements.

Million CHF	Oct–Dec 2016	Oct–Dec 2015	2016	2015
NET INCOME [1]	535	(2,863)	2,090	(1,361)
Pro Forma Adjustments (Lafarge H1 2015, Scope effect & Divestments)	0	(46)	0	(597)
NET INCOME	535	(2,909)	2,090	(1,958)
Merger related one off costs	51	134	189	550
Other one off costs above CHF 50 million	64	181	64	242
Gains on disposals and impairments	(86)	2,515	(515)	2,135
Bonds early repayment premiums	0	0	90	0
RECURRING NET INCOME	564	(78)	1,918	970
of which Recurring Net income Group share	480	(15)	1,615	798

[1] As per consolidated financial statements.

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

Million CHF	Oct–Dec 2016	Oct–Dec 2015	2016	2015
CASH FLOW FROM OPERATING ACTIVITIES [1]	1,779	1,534	3,295	2,465
Purchase of property, plant and equipment [1]	(494)	(881)	(1,773)	(2,106)
Disposal of property, plant and equipment [1]	57	43	137	118
OPERATING FREE CASH FLOW [1]	1,342	696	1,660	477
Pro Forma Adjustments (Lafarge H1 2015, Scope effect & Divestments)	0	(49)	0	(528)
OPERATING FREE CASH FLOW	1,342	647	1,660	(51)

[1] As per consolidated financial statements.

FINANCIAL INFORMATION

Key figures LafargeHolcim Group

		2016	2015	±%
Annual cement production capacity	million t	353.3	374.0	–5.5
Sales of cement	million t	233.2	193.1	+20.8
Sales of aggregates	million t	282.7	231.5	+22.2
Sales of ready-mix concrete	million m^3	55.0	47.6	+15.5
Net sales	million CHF	26,904	23,584	+14.1
Operating EBITDA	million CHF	5,242	3,682	+42.4
Operating EBITDA margin	%	19.5	15.6	
Operating profit (loss)	million CHF	2,837	(739)	+484.1
Net income (loss)	million CHF	2,090	(1,361)	+253.5
Net income (loss) – shareholders of LafargeHolcim Ltd	million CHF	1,791	(1,469)	+222.0
Cash flow from operating activities	million CHF	3,295	2,465	+33.7
Net financial debt	million CHF	14,724	17,266	–14.7
Total shareholders' equity	million CHF	34,747	35,722	–2.7
Personnel		90,903	100,956	–10.0
Earnings per share	CHF	2.96	(3.11)	+195.2
Fully diluted earnings per share	CHF	2.96	(3.11)	+195.2
Payout	million CHF	1,214[1]	909	+33.5
Payout per share	CHF	2.00	1.50	+33.3

[1] Proposed by the Board of Directors for a maximum payout of CHF 1,214 million from capital contribution reserves.

Consolidated statement of income of LafargeHolcim Group

Million CHF	Notes	2016	2015
NET SALES	8	26,904	23,584
Production cost of goods sold		(15,632)	(16,490)
GROSS PROFIT		11,272	7,093
Distribution and selling expenses		(6,394)	(5,883)
Administration expenses		(2,041)	(1,949)
OPERATING PROFIT (LOSS)		2,837	(739)
Other income	10	824	1,219
Other expenses	11	(68)	(415)
Share of profit of associates and joint ventures	22	205	157
Financial income	12	187	154
Financial expenses	13	(1,104)	(1,060)
NET INCOME (LOSS) BEFORE TAXES		2,882	(684)
Income taxes	29	(835)	(781)
NET INCOME (LOSS) FROM CONTINUING OPERATIONS		2,047	(1,465)
Net income from discontinued operations		43	103
NET INCOME (LOSS)		2,090	(1,361)
Net income (loss) attributable to:			
Shareholders of LafargeHolcim Ltd		1,791	(1,469)
Non-controlling interest		299	108
Net income from discontinued operations attributable to:			
Shareholders of LafargeHolcim Ltd		43	100
Non-controlling interest		0	3
Earnings per share in CHF			
Earnings per share	15	2.96	(3.11)
Fully diluted earnings per share	15	2.96	(3.11)
Earnings per share from continuing operations in CHF			
Earnings per share	15	2.89	(3.32)
Fully diluted earnings per share	15	2.89	(3.32)
Earnings per share from discontinued operations in CHF			
Earnings per share	15	0.07	0.21
Fully diluted earnings per share	15	0.07	0.21

Consolidated statement of comprehensive earnings of LafargeHolcim Group

Million CHF	Notes	2016	2015
NET INCOME (LOSS)		2,090	(1,361)
OTHER COMPREHENSIVE EARNINGS			
Items that will be reclassified to the statement of income in future periods			
Currency translation effects			
– Exchange differences on translation	5	(1,097)	(1,935)
– Realized through statement of income		3	(58)
– Tax effect		1	35
Available-for-sale financial assets			
– Change in fair value		1	0
– Realized through statement of income		0	0
– Tax effect		0	0
Cash flow hedges			
– Change in fair value		34	(17)
– Realized through statement of income		6	8
– Tax effect		(8)	5
Net investment hedges in subsidiaries			
– Change in fair value		(3)	(43)
– Realized through statement of income	11	0	44
– Tax effect		(3)	0
SUBTOTAL		(1,065)	(1,962)
Items that will not be reclassified to the statement of income in future periods			
Defined benefit plans			
– Remeasurements	31	(142)	131
– Tax effect		32	(20)
SUBTOTAL		(111)	112
TOTAL OTHER COMPREHENSIVE EARNINGS		(1,176)	(1,850)
TOTAL COMPREHENSIVE EARNINGS		914	(3,211)
Total comprehensive earnings attributable to:			
Shareholders of LafargeHolcim Ltd		464	(3,180)
Non-controlling interest		450	(31)

Consolidated statement of financial position of LafargeHolcim Group

Million CHF	Notes	31.12.2016	31.12.2015
Cash and cash equivalents	16	4,923	4,393
Accounts receivable	17	4,074	4,222
Inventories	18	2,645	3,060
Prepaid expenses and other current assets	19	747	884
Assets classified as held for sale	20	2,046	772
TOTAL CURRENT ASSETS		14,435	13,331
Long-term financial assets	21	811	770
Investments in associates and joint ventures	22	3,241	3,172
Property, plant and equipment	23	32,052	36,747
Goodwill	24	16,247	16,490
Intangible assets	24	1,017	1,416
Deferred tax assets	29	1,060	764
Other long-term assets		753	608
TOTAL LONG-TERM ASSETS		55,182	59,967
TOTAL ASSETS		69,617	73,298
Trade accounts payable	25	3,048	3,693
Current financial liabilities	26	4,976	6,866
Current income tax liabilities		641	598
Other current liabilities		2,558	3,074
Short-term provisions	30	575	602
Liabilities directly associated with assets classified as held for sale	20	711	0
TOTAL CURRENT LIABILITIES		12,509	14,832
Long-term financial liabilities	26	14,744	14,925
Defined benefit obligations	31	2,079	1,939
Deferred tax liabilities	29	3,387	3,840
Long-term provisions	30	2,151	2,041
TOTAL LONG-TERM LIABILITIES		22,361	22,744
TOTAL LIABILITIES		34,870	37,577
Share capital	33	1,214	1,214
Capital surplus		25,536	26,430
Treasury shares	33	(72)	(86)
Reserves		4,144	3,807
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF LAFARGEHOLCIM LTD		30,822	31,365
Non-controlling interest	34	3,925	4,357
TOTAL SHAREHOLDERS' EQUITY		34,747	35,722
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		69,617	73,298

Consolidated statement of changes in equity of LafargeHolcim Group

Million CHF	Share capital	Capital surplus	Treasury shares
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)
EQUITY AS AT JANUARY 1, 2015	654	7,776	(82)
Net (loss) income			
Other comprehensive earnings			
TOTAL COMPREHENSIVE EARNINGS			
Payout		(424)	
Acquisition of Lafarge			
– Increase in share capital	501	17,410	
– Transaction costs relating to the issuance of new shares		(56)	
– Scrip dividend	58	1,608	
– Fair value of Lafarge share-based payments			
– Acquisition of non-controlling interest			
– Squeeze-out	1	33	
Change in treasury shares			(4)
Share-based remuneration		82	
Capital paid-in by non-controlling interest			
Disposal of participation in Group companies			
Change in participation in existing Group companies			
EQUITY AS AT DECEMBER 31, 2015	1,214	26,430	(86)

[1] Equity as at December 31, 2016 include CHF –85 million of cumulative expenses recognized in other comprehensive earnings relating to assets and directly associated liabilities classified as held for sale.

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
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[1]
18,438	(13)	(5)	(9,338)	9,082	17,430	2,682	20,112
(1,469)				(1,469)	(1,469)	108	(1,361)
113		(5)	(1,820)	(1,712)	(1,712)	(138)	(1,850)
(1,355)		(5)	(1,820)	(3,181)	(3,180)	(31)	(3,211)
					(424)	(274)	(697)
					17,910		17,910
					(56)		(56)
(1,666)				(1,666)			
						69	69
						2,338	2,338
(438)				(438)	(404)	(295)	(699)
(3)				(3)	(7)		(7)
					82	(69)	14
						31	31
						(109)	(109)
12				13	13	15	27
14,988	(13)	(10)	(11,158)	3,807	31,365	4,357	35,722

Consolidated statement of cash flows of LafargeHolcim Group

Million CHF	Notes	2016	2015
NET INCOME (LOSS)		2,090	(1,361)
Income taxes	29	835	781
Other income	10	(824)	(1,219)
Other expenses	11	68	415
Share of profit of associates and joint ventures	22	(205)	(157)
Financial expenses net	12, 13	917	906
Depreciation, amortization and impairment of operating assets	9	2,405	4,421
Other non-cash items		470	669
Change in net working capital	36	(694)	(232)
CASH GENERATED FROM OPERATIONS		5,063	4,223
Dividends received		160	156
Interest received		169	165
Interest paid		(1,187)	(1,053)
Income taxes paid	29	(860)	(940)
Other expenses		(49)	(86)
CASH FLOW FROM OPERATING ACTIVITIES (A)		3,295	2,465
Purchase of property, plant and equipment		(1,773)	(2,106)
Disposal of property, plant and equipment		137	118
Acquisition of participation in Group companies		(4)	208
Disposal of participation in Group companies		2,245	6,515
Purchase of financial assets, intangible and other assets		(402)	(487)
Disposal of financial assets, intangible and other assets		503	985
CASH FLOW FROM INVESTING ACTIVITIES (B)	36	706	5,234
Payout on ordinary shares	15	(909)	(424)
Dividends paid to non-controlling interest		(249)	(296)
Capital (repaid to) paid-in by non-controlling interest		(20)	32
Movements of treasury shares		5	(7)
Transaction costs relating to the issuance of new shares		0	(56)
Net movement in current financial liabilities		(946)	516
Proceeds from long-term financial liabilities		6,216	3,484
Repayment of long-term financial liabilities		(6,600)	(8,553)
Increase in participation in existing Group companies	34	(375)	(697)
CASH FLOW FROM FINANCING ACTIVITIES (C)		(2,879)	(6,000)
INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C)		1,122	1,699
CASH AND CASH EQUIVALENTS AS AT THE BEGINNING OF THE PERIOD (NET)	16	3,771	1,941
Increase in cash and cash equivalents		1,122	1,699
Currency translation effects		(99)	131
CASH AND CASH EQUIVALENTS AS AT THE END OF THE PERIOD (NET)	16	4,795	3,771

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As used herein, the terms "LafargeHolcim" or the "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 affected by the following events and transactions during the reporting period:

- The disposals, as part of the divestment program, of entities in South Korea, Sri Lanka, India, Saudi Arabia and Turkey and the restructuring of operations in Morocco, Francophone Sub-Saharan Africa and in China contributing to the reduction of the net financial debt of CHF 2.5 billion (see note 4); and
- The optimization of the Group financial structure contributing to the repayment of long-term financial liabilities of CHF 6.6 billion and the issuance of new long-term financial liabilities of CHF 6.2 billion (see note 26).

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 2016, LafargeHolcim adopted the following amended standards relevant to the Group:

Amendments to IAS 1	**Disclosure Initiative**
Amendments to IFRS 11	**Accounting for Acquisitions of Interests in Joint Operations**
Amendments to IAS 16 and IAS 38	**Clarification of Acceptable Methods of Depreciation and Amortization**
Improvements to IFRS	**Clarifications of existing IFRSs (issued in September 2014)**

The amendments to IAS 1 *Presentation of Financial Statements* largely clarify a number of presentation issues and highlight that preparers are permitted to tailor the format and presentation of the financial statements to their circumstances. The adoption of these amendments did not materially impact the presentation of the Group's financial statements.

The amendments to IFRS 11 *Joint Arrangements* require business combination accounting according to IFRS 3 *Business Combinations* to be applied to an acquisition of an interest in a joint operation that constitutes a business. The adoption of these amendments did not materially impact the Group's financial statements.

The amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* clarify that revenue-based amortization is generally inappropriate. The adoption of these amendments did not impact the Group's financial statements.

The improvements to IFRS relate largely to clarification issues. Therefore, the adoption of these amendments did not materially impact the Group's financial statements.

In 2017, LafargeHolcim will adopt 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 will 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 will not materially impact the Group's financial statements.

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

In 2018, LafargeHolcim will adopt the following new standards and interpretations 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.

In July 2014, the IASB issued IFRS 9 *Financial Instruments* which replaces IAS 39 *Financial Instruments: Recognition and Measurement* and that will change the classification and measurement requirements of financial assets and financial liabilities and the general hedge accounting rules. Except for the disclosure requirements, the new standard will not materially impact the Group financial statements.

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 is split between the equity instruments issued to the employee and the cash payment made to the tax authorities on the employee's behalf. 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 Group is in the process of evaluating the impact IFRIC 22 may have on its consolidated financial statements.

In 2019, LafargeHolcim will adopt the following new standard relevant to the Group:

IFRS 16	**Leases**

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.

Change in presentation that will affect the Group after December 31, 2016

As from January 1, 2017, management decided to reclassify the Group's share of profit of joint ventures within operating profit as such a presentation will provide 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 would increase 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 estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are summarized below:

- the Group tests annually whether goodwill has suffered any impairment and in case of an impairment indication whether a non-financial asset may be impaired in accordance with its accounting policy. The recoverable amounts of cash-generating units have been determined based on value in use calculations. These calculations require the use of estimates such as discount rates and growth rates;
- liabilities and costs for defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty;
- the recognition of deferred tax assets requires assessment of whether it is probable that sufficient future taxable profit will be available against which the deferred tax assets can be utilized;

- the measurement of site restoration provisions requires long-term assumptions regarding the phasing of the restoration work to be carried out and the appropriate discount rate to be used;
- other long-term provisions require 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 assistance of the legal department and in certain cases with the support of external specialized lawyers. Disclosures related to such provisions, as well as contingent liabilities, also require judgment;
- the determination of depreciation and amortization charges depends on the useful lives for which judgment and estimates are required;
- the fair value of financial instruments is estimated either on the basis of market quotations, on valuation techniques relying on observable market data or by estimating the present value of future cash flows. The use of different valuations, methodologies and assumptions may have a material effect on the estimated fair value amounts; and
- the classification of a subsidiary or a disposal group as held for sale requires the judgment of management 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 its carrying amount.

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 40.

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 do 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, at the date 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 is re-attributed to non-controlling interest and not recognized in the statement of income.

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, five regions corresponding to the aggregation of countries or regional clusters are reported:

Asia Pacific
Latin America
Europe
North America
Middle East Africa

While each operating segment is reviewed separately by the Chief Operating Decision Maker, 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 an arm's-length basis in a manner similar to transactions with third parties. Segment revenue and segment result 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, net of bank overdrafts.

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 the 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 assets

Long-term financial assets consist of (a) financial investments – third parties, (b) long-term receivables – associates and joint ventures, (c) long-term receivables – third parties, and (d) derivative assets. 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. Derivative assets are regarded as held for hedging unless they do not meet the strict hedging criteria under IAS 39 *Financial Instruments*. Accounting policies on derivative instruments are detailed further below.

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, except for derivative instruments. 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 loss. Cost includes transfers from equity of any gains or losses on qualifying cash flow hedges. Depreciation is charged so as 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 is 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 "Other 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 "Other 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 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.

Intangible assets

Expenditure on acquired trademarks, mining rights, software, patented and unpatented technology and other intangible assets is 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.

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".

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 commodities 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. 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 equity 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.

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.

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 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 with the closure of the facilities.

Other provisions

A provision is recognized when there exists a legal or constructive obligation arising from past events, 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 included 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 the “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 issue 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 only 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 company 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 profile is established by strategic, operational and topical risk assessments which are combined to a 360 degree risk analysis. Besides the Countries, the Board of Directors, the Executive Committee and selected 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.

Brexit vote

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. LafargeHolcim is actively following-up on the future potential BREXIT consequences.

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 make efficient use of 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
2016								
Trade accounts payable	3,048						3,048	3,048
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	
Finance leases	16	11	9	5	4	44	90	67
Derivative financial instruments net [1]	(34)	0	3	109	0	0	79	35
Financial guarantees	0	48	59			11	118	
TOTAL	8,703	2,807	2,502	1,859	1,989	9,612	27,472	
2015								
Trade accounts payable	3,693						3,693	3,693
Loans from financial institutions	2,833	897	396	359	235	152	4,872	4,886
Bonds, private placements and commercial paper notes	3,974	2,336	1,881	1,865	2,169	3,748	15,973	16,705
Interest payments	934	688	522	418	262	1,649	4,473	
Finance leases	19	30	10	9	5	48	122	91
Derivative financial instruments net [1]	(67)	2	2	2	82	0	21	(23)
Financial guarantees	76		29				105	
TOTAL	11,462	3,953	2,840	2,653	2,754	5,597	29,259	

[1] The contractual cash flows include both cash in- and outflows. Additional information is disclosed in note 28.

The maturity profile is based on contractual undiscounted amounts including both interest and principal cash flows and 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.

Market risk

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

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 thereby 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, 2016, a 1 percentage point shift in interest rates, with all other assumptions held constant, would result in approximately CHF 49 million (2015: CHF 74 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 50 percent to 39 percent.

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

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. Hedges of net investments in foreign entities are accounted for similarly to cash flow hedges. 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, transaction 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 only 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 major financial institutions. The Group does not expect any counterparty to be unable to fulfill their obligations under their 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.

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 operating EBITDA adjusted.

The net financial debt to operating EBITDA adjusted 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	2016	2015
Net financial debt	14,724	17,266
Operating EBITDA adjusted	5,825	5,751
NET FINANCIAL DEBT/OPERATING EBITDA ADJUSTED	2.5	3.0

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, 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	
Other receivables	Loans and receivables at amortized cost	559			559	
Derivative assets	Held for hedging at fair value			60	60	
Derivative assets	Held for trading at fair value			8	8	
Long-term financial assets						
Long-term 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						
Trade accounts payable	Financial liabilities at amortized cost	3,048			3,048	
Current 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						
Long-term financial liabilities	Financial liabilities at amortized cost	14,666			14,666	15,386[1]
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] 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.

Fair values as of December 31, 2015

Million CHF	IAS 39 Category	Carrying amount (by measurement basis) Amortized cost	Fair value level 1	Fair value level 2	Total	Comparison Fair value
Current financial assets						
Cash and cash equivalents	Financial assets	4,393			4,393	
Trade accounts receivable	Loans and receivables at amortized cost	3,408			3,408	
Other receivables	Loans and receivables at amortized cost	209			209	
Other current assets	Available-for-sale financial assets		1		1	
Derivative assets	Held for hedging at fair value			10	10	
Derivative assets	Held for trading at fair value			71	71	
Long-term financial assets						
Long-term receivables	Loans and receivables at amortized cost	512			512	503[1]
Financial investments third parties	Financial investments at cost	90			90	
Financial investments third parties	Available-for-sale financial assets		3	114	117	
Derivative assets	Held for hedging at fair value			42	42	
Derivative assets	Held for trading at fair value			9	9	
Current financial liabilities						
Trade accounts payable	Financial liabilities at amortized cost	3,693			3,693	
Current financial liabilities	Financial liabilities at amortized cost	6,823			6,823	
Derivative liabilities	Held for hedging at fair value			17	17	
Derivative liabilities	Held for trading at fair value			26	26	
Long-term financial liabilities						
Long-term financial liabilities	Financial liabilities at amortized cost	14,859			14,859	15,539[2]
Derivative liabilities	Held for hedging at fair value			66	66	

[1] The comparison fair value for long-term receivables consists of CHF 46 million level 1 and CHF 457 million level 2 fair value measurements.
[2] The comparison fair value for long-term financial liabilities consists of CHF 13,032 million level 1 and CHF 2,507 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 2016 and 2015, there were no financial assets and liabilities allocated to level 3.

There have been no transfers between the different hierarchy levels in 2016 and 2015.

4. Changes in the scope of consolidation

4.1 Divestments during the current reporting period

South Korea
The Group signed an agreement with a consortium of private equity funds Glenwood and Baring Asia for the divestment of Lafarge Halla Cement Corporation in South Korea. This transaction was closed on April 29, 2016 for a total consideration of CHF 522 million and resulted in no gain or loss before taxes.

Morocco and Sub-Saharan African countries
On March 17, 2016, the Group signed an agreement with SNI, its historical partner in Morocco, to enlarge its joint venture by merging Lafarge Ciments and Holcim (Maroc) S.A. The transaction was effected on July 4, 2016 as a result of the shareholders of Lafarge Ciments and Holcim (Maroc) S.A. agreeing to merge the two companies on that date 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 taxes 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 agreed to reinforce its partnership with SNI by creating a joint venture for Francophone Sub-Saharan Africa, to be named LafargeHolcim Maroc Afrique. Four African companies were sold to the 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 July 25, 2016, the Group signed an agreement with Siam City Cement Public Company Limited for the divestment of its entire interest in Holcim (Lanka) Ltd. The transaction was closed on August 10, 2016 for a total consideration of CHF 365 million and resulted in a net gain before taxes of CHF 225 million.

Saudi Arabia

The Group signed an agreement for the divestment of its 25 percent interest in the associated company Al Safwa Cement Company in Saudi Arabia to El-Khayyat Group. The transaction was closed on August 17, 2016 for a total consideration of CHF 123 million and 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. held by LafargeHolcim Group 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. The liability for this put option amounts to CHF 389 million as of December 31, 2016 and is 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 is presented as accounts receivable with 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 is 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 the Group's associate Huaxin Cement Co. Ltd for an expected total consideration of CHF 202 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 will be closed in the first quarter 2017.

4.2 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. As the effect on depreciation, amortization and other income is immaterial, the 2015 comparative information has not been restated. 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 CURRENT 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 LONG-TERM 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 LONG-TERM 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

4.3 Divestments and business combinations during the previous comparative reporting period

Divestments

On January 5, 2015, LafargeHolcim disposed of Holcim (Česko) a.s. in Czech Republic, Gador cement plant and Yeles grinding station in Spain for CHF 243 million to Cemex. This resulted in a gain on disposal before taxes of CHF 61 million.

On March 30, 2015, LafargeHolcim sold its entire remaining shareholding of 27.5 percent in Siam City Cement Public Company Limited in Thailand via a private placement in capital markets for a total consideration of CHF 661 million. This resulted in a gain on disposal before taxes of CHF 371 million.

On July 1, 2015, LafargeHolcim disposed of its entire lime business in New Zealand. This resulted in a gain on disposal before taxes of CHF 68 million.

LafargeHolcim also divested a number of entities and businesses as part of a rebalancing of the global portfolio of the combined group resulting from the merger and to address regulatory concerns. On July 31, 2015, LafargeHolcim disposed of assets and operations to CRH mainly in Europe, North America and Brazil, followed by assets disposed of in the Philippines on September 15, 2015. This resulted in a gain on disposal before taxes of CHF 63 million.

In December 2015, the ownership interest of several subsidiaries in the Philippines was diluted following a share capital subscription from a third party shareholder, which resulted in the loss of control of these subsidiaries. The investment in these companies was reclassified as investment in associate and recognized at its fair value. Overall, this transaction generated a gain before taxes of CHF 97 million.

Acquisition

On January 5, 2015, LafargeHolcim acquired control of a group of companies from Cemex which operate in Western Germany and the Netherlands for a total cash consideration of CHF 210 million.

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	
		2016	2015 (12 months)	2015 (from July 10 to December 31)[1]	31.12.2016	31.12.2015
1 Euro	EUR	1.09	1.07	1.08	1.07	1.08
1 US Dollar	USD	0.98	0.96	0.98	1.02	0.99
1 British Pound	GBP	1.33	1.47	1.50	1.26	1.47
1 Australian Dollar	AUD	0.73	0.72	0.71	0.74	0.72
100 Brazilian Real	BRL	28.44	29.31	26.60	31.39	24.99
1 Canadian Dollar	CAD	0.74	0.75	0.74	0.76	0.71
1 Chinese Renminbi	CNY	0.15	0.15	0.15	0.15	0.15
100 Algerian Dinar	DZD	0.90	0.96	0.93	0.92	0.92
1 Egyptian Pound	EGP	0.10	0.12	0.12	0.06	0.13
1,000 Indonesian Rupiah	IDR	0.07	0.07	0.07	0.08	0.07
100 Indian Rupee	INR	1.47	1.50	1.49	1.50	1.50
100 Mexican Peso	MXN	5.28	6.07	5.89	4.93	5.69
100 Nigerian Naira	NGN	0.40	0.49	0.49	0.32	0.50
100 Philippine Peso	PHP	2.07	2.11	2.10	2.06	2.10

[1] As a result of the merger with Lafarge, some transactions started to be consolidated from July 10, 2015. The average exchange rates for the period from July 10, 2015 to December 31, 2015 were used for these transactions.

The devaluation of the Nigerian Naira in June 2016, the Egyptian Pound in November 2016, and weakening of the British Pound led to significant currency impacts. These amounted to CHF 807 million, CHF 511 million and CHF 817 million respectively, and are reflected accordingly in the consolidated statement of other comprehensive earnings. These impacts were partially offset by the strengthening of the US Dollar and the Canadian Dollar.

6. Information by reportable segment

	Asia Pacific		Europe	
	2016	2015	2016	2015
Capacity and sales (unaudited)				
Annual cement production capacity (Million t)	150.5	161.7	76.4	77.8
Sales of cement (Million t)	113.7	96.8	41.6	33.6
Sales of aggregates (Million t)	32.2	29.4	124.2	103.6
Sales of ready-mix concrete (Million m³)	15.4	13.2	18.4	16.5
Statement of income (Million CHF)				
Net sales to external customers	8,100	7,589	6,575	5,982
Net sales to other segments	125	42	448	271
TOTAL NET SALES	8,226	7,631	7,023	6,252
OPERATING EBITDA	1,444	1,277	1,217	922
Operating EBITDA margin in %	17.6	16.7	17.3	14.7
OPERATING PROFIT (LOSS)	851	296	632	(396)
Operating profit (loss) margin in %	10.4	3.9	9.0	(6.3)
Statement of financial position (Million CHF)				
Invested capital	12,230	14,535	14,480	15,401
Total assets	16,901	19,685	17,547	18,165
Total liabilities	6,587	7,260	8,676	9,474
Statement of cash flows (Million CHF)				
Cash flow from operating activities	1,054	932	966	453
Capital expenditure	364	558	270	369
Income taxes paid	277	247	131	338
Personnel (unaudited)				
Number of personnel	31,274	36,199	21,829	23,843
Reconciliation of measures of profit and loss to the consolidated statement of income				
OPERATING EBITDA	1,444	1,277	1,217	922
Depreciation, amortization and impairment of operating assets	(593)	(982)	(585)	(1,318)
of which impairment charge relating to property, plant and equipment	(4)	(477)	(5)	(490)
of which impairment charge relating to goodwill	(40)	(1)		(311)
of which impairment charge relating to intangible assets				(27)
OPERATING PROFIT (LOSS)	851	296	632	(396)
Other income				
Other expenses				
Share of profit of associates and joint ventures				
Financial income				
Financial expense				
NET INCOME (LOSS) BEFORE TAXES				

[1] The amounts of CHF –904 million and CHF –971 million included the merger related provision for restructuring of CHF 250 million in 2015.
[2] The amount of CHF 5,666 million (2015: CHF 6,354 million) consists of borrowings by Corporate from third parties amounting to CHF 19,176 million (2015: CHF 20,345 million) and elimination of cash transferred to regions of CHF 13,510 million (2015: CHF 13,991 million).

Latin America		Middle East Africa		North America		Corporate/Eliminations		Total Group	
2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
41.9	39.5	55.3	62.6	29.2	32.3			353.3	374.0
24.1	26.0	40.3	24.9	19.5	16.7	(6.0)	(5.0)	233.2	193.1
6.0	6.5	12.2	6.4	108.2	85.6			282.7	231.5
6.5	6.8	6.0	2.9	8.7	8.1			55.0	47.6
2,773	2,983	3,871	2,325	5,584	4,704			26,904	23,584
	69	29	103			(602)	(485)		
2,773	3,053	3,900	2,428	5,584	4,704	(602)	(485)	26,904	23,584
835	866	1,127	581	1,294	940	(674)	(904) [1]	5,242	3,682
30.1	28.4	28.9	23.9	23.2	20.0			19.5	15.6
619	(203)	764	123	759	412	(788)	(971) [1]	2,837	(739)
22.3	(6.6)	19.6	5.1	13.6	8.8			10.5	(3.1)
3,707	3,869	8,214	10,326	12,462	12,071	(160)	(469)	50,933	55,733
5,159	5,096	10,554	12,512	16,894	15,364	2,562	2,475	69,617	73,298
3,076	3,497	3,570	4,632	7,295	6,359	5,666 [2]	6,354	34,870	37,577
358	306	837	517	718	699	(638)	(441)	3,295	2,465
99	269	375	327	518	453	10	13	1,635	1,988
196	200	146	96	110	58			860	940
10,536	11,707	13,191	16,123	12,257	11,265	1,816	1,819	90,903	100,956
835	866	1,127	581	1,294	940	(674)	(904) [1]	5,242	3,682
(216)	(1,069)	(363)	(457)	(534)	(528)	(114)	(67)	(2,405)	(4,421)
	(439)	(7)	(1)	(9)	(149)			(25)	(1,556)
	(421)		(228)					(40)	(962)
	(13)	(1)						(1)	(40)
619	(203)	764	123	759	412	(788)	(971) [1]	2,837	(739)
								824	1,219
								(68)	(415)
								205	157
								187	154
								(1,104)	(1,060)
								2,882	(684)

7. Information by product line

Million CHF	Cement[1]		Aggregates	
	2016	2015	2016	2015
Statement of income and statement of cash flows				
Net sales to external customers	16,747	14,460	2,756	2,226
Net sales to other segments	1,206	1,098	1,177	1,039
TOTAL NET SALES	17,952	15,558	3,933	3,265
– of which Asia Pacific	6,488	6,039	527	490
– of which Europe	3,161	2,609	1,822	1,600
– of which Latin America	2,376	2,618	44	49
– of which Middle East Africa	3,426	2,190	118	67
– of which North America	2,747	2,225	1,422	1,060
– of which Corporate/Eliminations	(246)	(123)		
OPERATING EBITDA	4,320	3,132	628	449
– of which Asia Pacific	1,312	1,104	92	127
– of which Europe	749	566	315	239
– of which Latin America	808	841	(5)	(1)
– of which Middle East Africa	1,063	571	21	8
– of which North America	873	642	311	192
– of which Corporate	(486)	(593)	(104)	(116)
Operating EBITDA margin in %	24.1	20.1	16.0	13.8
Capital expenditure	1,414	1,695	146	200
Personnel (unaudited)				
Number of personnel	56,133	64,506	11,816	11,282

[1] Cement, clinker and other cementitious materials.

Other construction materials and services		Corporate/Eliminations		Total Group	
2016	2015	2016	2015	2016	2015
7,402	6,898			26,904	23,584
473	736	(2,855)	(2,873)		
7,875	7,634	(2,855)	(2,873)	26,904	23,584
1,611	1,437	(400)	(334)	8,226	7,631
3,047	2,944	(1,008)	(901)	7,023	6,252
554	595	(201)	(209)	2,773	3,053
550	261	(194)	(89)	3,900	2,428
2,033	2,016	(618)	(597)	5,584	4,704
79	381	(435)	(743)	(602)	(485)
294	100			5,242	3,682
40	47			1,444	1,277
153	117			1,217	922
32	26			835	866
43	2			1,127	581
110	105			1,294	940
(84)	(196)			(674)	(904)
3.7	1.3			19.5	15.6
81	79	(5)	15	1,635	1,988
21,257	23,472	1,697	1,696	90,903	100,956

8. Information by country

Million CHF	Net sales to external customers 2016	2015	Non-current assets 2016	2015
Switzerland	620	750	1,064	1,135
USA	3,732	3,024	8,846	8,668
India	3,234	3,307	4,566	5,201
Canada	1,874	1,681	4,574	4,150
United Kingdom	1,856	2,041	2,055	2,504
France	1,620	1,101	3,944	4,179
Australia	1,133	1,089	1,421	1,416
Algeria	793	336	3,424	3,268
Nigeria	609	357	2,183	3,107
Other countries	11,433	9,899	17,240	21,024
TOTAL GROUP	26,904	23,584	49,316	54,653

Net sales to external customers are based primarily on the location of assets (origin of sales). Non-current assets for this purpose consist of property, plant and equipment, goodwill and intangible assets. There is no single external customer where net sales amount to 10 percent or more of the Group net sales.

9. Summary of depreciation, amortization and impairment

Million CHF	2016	2015
Production facilities	(2,267)	(3,933)
Distribution and sales facilities	(32)	(354)
Administration facilities	(106)	(134)
TOTAL DEPRECIATION, AMORTIZATION AND IMPAIRMENT OF OPERATING ASSETS (A)	(2,405)	(4,421)
of which impairment charge relating to property, plant and equipment	(25)	(1,556)
of which impairment charge relating to goodwill	(40)	(962)
of which impairment charge relating to other intangible assets	(1)	(40)
Impairment of long-term financial assets	0	(64)
Impairment of investments in associates and joint ventures	(5)	(75)
Ordinary depreciation of non-operating assets	(8)	(13)
Unusual write-offs	(4)	(1)
TOTAL DEPRECIATION, AMORTIZATION AND IMPAIRMENT OF NON-OPERATING ASSETS (B)	(17)	(153)
TOTAL DEPRECIATION, AMORTIZATION AND IMPAIRMENT (A + B)	(2,422)	(4,574)
Of which depreciation of property, plant and equipment (note 23)	(2,161)	(1,752)

10. Other income

Million CHF	2016	2015
Dividends earned	6	3
Net gain on disposal before taxes	756	706
Revaluation gain on previously held equity interest	0	511
Other	63	0
TOTAL	824	1,219

In 2016, the position “Net gain on disposal before taxes” mainly includes:

- 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.

In 2015, the position “Net gain on disposal before taxes” mainly included:

- a gain on the disposal of LafargeHolcim’s entire remaining stake in Siam City Cement Public Company Limited of CHF 371 million;
- a gain relating to the change in ownership interest of several subsidiaries in the Philippines of CHF 97 million;
- a gain on the disposal of LafargeHolcim entire lime business in New Zealand of CHF 68 million;
- a gain on the disposal of operations and assets to CRH in Europe, North America and Brazil of CHF 63 million;
- a gain on the disposal of Holcim (Česko) a.s. in Czech Republic and LafargeHolcim’s Gador cement plant and Yeles grinding station in Spain to Cemex of CHF 61 million; and
- gains on disposal of property, plant and equipment of CHF 42 million.

In 2015, the position “Revaluation gain on previously held equity interest” comprised:

- the revaluation gain on the previously held equity interest of Lafarge Cement Egypt S.A.E. and of Unicem of CHF 357 million and CHF 181 million respectively; and
- in connection with these acquisitions in stages, the reclassification of a foreign exchange loss for Lafarge Cement Egypt S.A.E. of CHF 33 million and a foreign exchange gain for Unicem of CHF 6 million.

11. Other expenses

Million CHF	2016	2015
Depreciation, amortization and impairment of non-operating assets	(17)	(89)
Other	(51)	(326)
TOTAL	(68)	(415)

In 2015, the position "Other" mainly included:

- several provisions amounting to a total of CHF 202 million; and
- a reclassification of foreign exchange losses amounting to CHF 81 million relating to changes in LafargeHolcim holding structure in Thailand. This reclassification was partially offset with the gain of CHF 44 million, which could be recognized due to the reclassification of the fair value of a net investment hedge.

12. Financial income

Million CHF	2016	2015
Interest earned on cash and cash equivalents	132	126
Other financial income	55	28
TOTAL	187	154

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

13. Financial expenses

Million CHF	2016	2015
Interest expenses	(896)	(751)
Fair value changes on financial instruments	2	(2)
Unwinding of discount on provisions	(32)	(21)
Net interest expense on retirement benefit plans	(56)	(47)
Impairment of long-term financial assets	0	(64)
Other financial expenses	(87)	(112)
Foreign exchange loss net	(68)	(147)
Financial expenses capitalized	34	84
TOTAL	(1,104)	(1,060)

The positions "Interest expenses" and "Other financial expenses" relate primarily to financial liabilities measured at amortized cost.

The position "Interest expenses" includes amortization on bonds and private placements of CHF 393 million (2015: CHF 159 million). It also includes bonds early repayment premiums of CHF 90 million.

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

14. 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 141 million (2015: CHF 105 million) were charged directly to the consolidated statement of income.

15. Earnings per share

	2016	2015
EARNINGS PER SHARE IN CHF	2.96	(3.11)
From continuing operations	2.89	(3.32)
From discontinued operations	0.07	0.21
Net income (loss) – shareholders of LafargeHolcim Ltd – as per statement of income (in million CHF)	1,791	(1,469)
From continuing operations	1,749	(1,569)
From discontinued operations	43	100
Weighted average number of shares outstanding	605,680,320	472,584,899
FULLY DILUTED EARNINGS PER SHARE IN CHF	2.96	(3.11)
From continuing operations	2.89	(3.32)
From discontinued operations	0.07	0.21
Net income (loss) used to determine diluted earnings per share (in million CHF)	1,791	(1,469)
From continuing operations	1,749	(1,569)
From discontinued operations	43	100
Weighted average number of shares outstanding	605,680,320	472,584,899
Adjustment for assumed exercise of share options and performance shares	358,140	0
Weighted average number of shares for diluted earnings per share	606,038,460	472,584,899

In conformity with the decision taken at the annual general meeting on May 12, 2016, a payout related to 2015 of CHF 1.50 per registered share was paid out of capital contribution reserves. This resulted in a total payment of CHF 909 million.

A cash payment out of the capital contribution reserves in respect of the financial year 2016 of CHF 2.00 per registered share, amounting to a maximum payment of CHF 1,214 million, is to be proposed at the annual general meeting of shareholders on May 3, 2017. These consolidated financial statements do not reflect this cash payment, since it will only be effective in 2017.

205,614 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 2015.

16. Cash and cash equivalents

Million CHF	2016	2015
Cash at banks and on hand	3,175	3,195
Short-term deposits	1,747	1,198
TOTAL	4,923	4,393
Bank overdrafts	(263)	(622)
Cash and cash equivalents classified as held for sale	135	0
CASH AND CASH EQUIVALENTS FOR THE PURPOSE OF THE CONSOLIDATED STATEMENT OF CASH FLOWS	4,795	3,771

Cash and cash equivalents comprise cash at banks and on hand, deposits held on call with banks and other short-term highly liquid investments.

Bank overdrafts are included in current financial liabilities.

17. Accounts receivable

Million CHF	2016	2015
Trade accounts receivable – associates and joint ventures	109	93
Trade accounts receivable – third parties	2,717	3,315
Other receivables – associates and joint ventures	171	73
Other receivables – third parties	726	741
Receivable on escrow account in connection with the transaction in China (note 4)	352	0
TOTAL	4,074	4,222
Of which pledged/restricted	42	16

Overdue accounts receivable

Million CHF	2016
Not overdue	3,044
Overdue 1 to 89 days	767
Overdue 90 to 180 days	124
Overdue more than 180 days	329
Allowances for doubtful accounts	(190)
TOTAL	4,074

Trade accounts receivable in connection with multi-year securitization agreements amounted to CHF 257 million as of December 31, 2016 (2015: CHF 368 million). The financing generated by these securitization programs, classified as current financial liabilities, amounts to CHF 185 million as of December 31, 2016 (2015: CHF 288 million). The securitization agreements are guaranteed by subordinated deposits and units amounting to CHF 72 million as of December 31, 2016 (2015: CHF 80 million).

Due to the local nature of the business, specific terms and conditions for accounts receivable trade exist for local Group companies and as such Group guidelines are not required.

Allowance for doubtful accounts

Million CHF	2016	2015
JANUARY 1	(206)	(182)
Disposal of Group companies	11	17
Allowance recognized	(54)	(79)
Amounts used	42	15
Unused amounts reversed	14	6
Currency translation effects	3	17
DECEMBER 31	(190)	(206)

18. Inventories

Million CHF	2016	2015
Raw materials and additives	429	674
Semi-finished and finished products	1,332	1,291
Fuels	235	218
Parts and supplies	649	877
TOTAL	2,645	3,060

In 2016, the Group recognized inventory write-downs to net realizable value of CHF 4 million (2015: CHF 23 million) relating mainly to raw materials and semi-finished products.

19. Prepaid expenses and other current assets

Million CHF	2016	2015
Prepaid expenses and accruals	255	409
Derivative assets	68	81
Other current assets	423	393
TOTAL	747	884

20. Assets and related liabilities classified as held for sale

The net assets classified as held for sale as of December 31, 2016 amount to CHF 1,335 million and mainly relate to the following transactions.

China
The disposal of non-listed cement assets in China to the Group's associate Huaxin Cement Co. Ltd will be closed in the first quarter 2017 for a total consideration of CHF 202 million. Accordingly, the assets and associated liabilities were classified as held for sale in the fourth quarter 2016, and are 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. Further information is disclosed in the note 4.

Vietnam
On August 4, 2016, the Group announced it has 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 operates one integrated plant and four grinding plants with an annual cement grinding capacity of 6.3 million tons. The company is also a leading ready-mix concrete producer operating seven plants in Southern Vietnam.

Closing of the transaction in Vietnam is subject to customary regulatory approval. The shareholders of SCCC approved the acquisition in the fourth quarter 2016. Accordingly, LafargeHolcim Vietnam was classified as held for sale on December 31, 2016, and is disclosed in the reportable segment Asia Pacific.

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). The transaction will be executed by way of a public tender offer by Inversiones Caburga Limitada to all shareholders of Cemento Polpaico. Cemento Polpaico operates one integrated plant and two grinding plants with an annual cement capacity of 2.3 million tons. The company is also a leading ready-mix concrete producer operating 25 plants and produces aggregates in Chile.

The launch of the public tender offer is subject to the approval of the Chilean competition authorities which is expected during the first half of 2017. Accordingly, Cemento Polpaico was classified as held for sale on December 31, 2016 and is disclosed in the reportable segment Latin America.

The assets classified as held for sale as of December 31, 2015 amounted to CHF 772 million and related to the Sonadih cement plant and the Jojobera grinding station in India which had been agreed with the Competition Commission of India (CCI) in order to receive conditional clearance for the LafargeHolcim merger. The assets held for sale consisted of property, plant and equipment and were disposed of as a result of the sale of Lafarge India on October 4, 2016.

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	2016	2015
Cash and cash equivalents	135	0
Inventories	123	0
Other current assets	240	0
Property, plant and equipment	1,294	772
Goodwill and intangible assets	227	0
Other long term assets	27	0
ASSETS CLASSIFIED AS HELD FOR SALE	2,046	772
Current liabilities	567	0
Long-term liabilities	144	0
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE	711	0
NET ASSETS CLASSIFIED AS HELD FOR SALE	1,335	772

21. Long-term financial assets

Million CHF	2016	2015
Financial investments – third parties	168	207
Long-term receivables – associates and joint ventures	295	219
Long-term receivables – third parties	237	292
Long-term receivables in connection with the transaction in China (note 4)	105	0
Derivative assets	6	51
TOTAL	811	770
Of which pledged/restricted	12	54

Long-term receivables and derivative assets are primarily denominated in USD, CNY and AUD. The repayment dates vary between one and 23 years (2015: one and 24 years).

22. Investments in associates and joint ventures

Million CHF	2016	2015
Investments in associates	1,309	1,433
Investments in joint ventures	1,932	1,739
TOTAL	3,241	3,172

22.1 Investment in associates

Movement in investments in associates

Million CHF	2016	2015
JANUARY 1	1,433	1,387
Share of profit of associates	81	49
Dividends earned	(16)	(72)
Merger with Lafarge (note 4)		
Associates of Lafarge		258
Revaluation of previously held interests		538
Consolidation of Unicem and Lafarge Cement Egypt S.A.E.		(680)
PPA refinement (note 4)	(5)	
Net (disposals) acquisitions	(125)	77
Reclassifications	(23)	
Impairments	(5)	(67)
Currency translation effects	(32)	(57)
DECEMBER 31	1,309	1,433

Investments in associates

Million CHF	30.9.2016	31.12.2015
Huaxin Cement	814	840
Other associates	456	593
TOTAL	1,270	1,433

The disclosed amounts for the investments in associates are as of September 30, 2016 and include only the first nine months. This is due to the fact that Huaxin Cement (China), a material associate of the Group, is a publicly listed company in China and has not yet published its financial statements for the year 2016.

The position "Net (disposals) acquisitions" mainly relates to the divestment of the Group's 25 percent interest in its associated company Al Safwa Cement Company in Saudi Arabia. In 2015, it mainly related to the change in ownership interest of several subsidiaries in the Philippines. Further information is disclosed in the note 4.

Huaxin Cement (China)

As of December 31, 2016, the Group holds 41.8 % (2015: 41.8 %) of the voting rights in the associate company Huaxin Cement.

The fair value of the investment in Huaxin Cement based on a quoted market price on December 31, 2016 amounted to CHF 624 million (2015: 678 million). Based on a value in use calculation, the present value of the future cash flows expected to be derived from the investment in Huaxin Cement exceeds its carrying amount.

Set out below is the summarized financial information for the material associate company Huaxin Cement, 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 as at September 30, 2016 and as at December 31, 2015. As of September 30, 2016, dividends of CHF 5 million (December 31, 2015: CHF 16 million) were received from Huaxin Cement.

Huaxin Cement – Statement of financial position

Million CHF	30.9.2016	31.12.2015
Current assets	864	787
Long-term assets	3,096	3,275
TOTAL ASSETS	3,960	4,062
Current liabilities	1,006	1,116
Long-term liabilities	1,146	1,086
TOTAL LIABILITIES	2,152	2,201
NET ASSETS	1,808	1,861
SHAREHOLDERS' EQUITY (EXCLUDING NON-CONTROLLING INTEREST)	1,599	1,643

Huaxin Cement – Statement of comprehensive earnings

Million CHF	Jan–Sep 2016	Jan–Dec 2015
NET SALES	1,358	2,037
NET INCOME	46	52
Other comprehensive earnings	0	(4)
TOTAL COMPREHENSIVE EARNINGS	46	48

A reconciliation of the summarized financial information to the carrying amount of the investment in Huaxin Cement is as follows:

Huaxin Cement

Million CHF	30.9.2016	31.12.2015
Group share of 41.8% (2015: 41.8%) of shareholders' equity (excluding non-controlling interest)	669	688
Goodwill	144	151
TOTAL	814	840

The Group has additional interests in associates, none of which is 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	30.9.2016	31.12.2015
CARRYING AMOUNT OF INVESTMENTS IN OTHER ASSOCIATES	456	593
Net income	28	28
Other comprehensive earnings	0	0
TOTAL COMPREHENSIVE EARNINGS	28	28

There are no unrecognized shares of losses, either for the current reporting period or cumulatively, relating to the above associates.

22.2 Investments in joint ventures

Movement in investments in joint ventures

Million CHF	2016	2015
JANUARY 1	1,739	588
Share of profit of joint ventures	125	108
Dividends earned	(161)	(74)
Merger with Lafarge (note 4)	0	1,386
Net additions (disposals)	223	(269)
Reclassifications	23	0
Impairments	0	(8)
Currency translation effects	(18)	7
DECEMBER 31	1,932	1,739

Investments in joint ventures

Million CHF	30.6.2016	31.12.2015
Lafarge Maroc	1,120	1,131
Other joint ventures	570	608
TOTAL	1,689	1,739

The Group's main investment in joint ventures corresponds to the 50 percent interest in Lafarge Maroc, the parent company of LafargeHolcim Maroc and LafargeHolcim Maroc Afrique.

The position "Net additions (disposals)" mainly relates to the increase in value of LafargeHolcim Maroc following the merger between Lafarge Ciments and Holcim (Maroc) S.A. on July 4, 2016. In 2015, it mainly related to the disposal of the investment in Siam City Cement Public Company Limited. Further information is disclosed in the note 4. In 2015, the position "Merger with Lafarge" mainly related to LafargeHolcim Maroc (previously named Lafarge Ciments).

Since LafargeHolcim Maroc is a publicly listed company in Morocco and has not yet published its financial statements for the year 2016, the disclosed amounts for the investment in the joint venture Lafarge Maroc are as of June 30, 2016.

Lafarge Maroc

As of December 31, 2016, the Group holds 50 percent (2015: 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, 2016 and as at December 31, 2015. As of June 30, 2016, dividends of CHF 49 million (December 31, 2015: CHF 9 million) were received from Lafarge Maroc.

Lafarge Maroc – Statement of financial position

Million CHF	30.6.2016	31.12.2015
Current assets	336	254
Long-term assets	787	830
TOTAL ASSETS	1,123	1,085
Current liabilities	348	233
Long-term liabilities	192	193
TOTAL LIABILITIES	540	426
NET ASSETS	583	658
SHAREHOLDERS' EQUITY (EXCLUDING NON-CONTROLLING INTEREST)	411	466

Lafarge Maroc – Statement of comprehensive earnings

Million CHF	Jan–June 2016	July–Dec 2015
NET SALES	292	228
OPERATING EBITDA	147	125
Depreciation and amortization	(29)	(18)
OPERATING PROFIT	117	107
Other income	8	(4)
Financial expenses	(1)	(2)
Income taxes	(43)	(33)
NET INCOME	81	68
NET INCOME (EXCLUDING NON-CONTROLLING INTEREST)	60	47
Other comprehensive earnings	0	1
TOTAL COMPREHENSIVE EARNINGS (EXCLUDING NON-CONTROLLING INTEREST)	60	48

A reconciliation of the summarized financial information to the carrying amount of the investment in Lafarge Maroc is as follows:

Lafarge Maroc

Million CHF	30.6.2016	31.12.2015
Group share of 50% (2015: 50%) of shareholders' equity (excluding non-controlling interest)	206	233
Goodwill	913	898
TOTAL	1,120	1,131

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	30.6.2016	31.12.2015
CARRYING AMOUNT OF INVESTMENTS IN JOINT VENTURES	570	608
Net income	14	85
Other comprehensive earnings	0	0
TOTAL COMPREHENSIVE EARNINGS	14	85

There are no unrecognized shares of losses, either for the current reporting period or cumulatively, relating to the above joint ventures.

23. Property, plant and equipment

Million CHF	Land and mineral reserves	Buildings and installations	Machinery and equipment	Construction in progress	Total
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)
Reclassification 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
2015					
At cost of acquisition	6,002	9,200	20,638	2,740	38,580
Accumulated depreciation/impairment	(1,450)	(4,126)	(11,838)	(79)	(17,493)
NET BOOK VALUE AS AT JANUARY 1	4,551	5,075	8,800	2,661	21,086
Merger with Lafarge (note 4)	2,791	2,382	13,629	1,376	20,177
Other acquisitions	64	29	202	14	309
Divestments	(348)	(443)	(837)	(115)	(1,742)
Additions	48	150	185	1,814	2,196
Disposals	(30)	(22)	(52)	8	(95)
Reclassifications	68	503	1,178	(1,749)	0
Depreciation	(143)	(316)	(1,292)	0	(1,752)
Impairment loss (charged to statement of income)	(367)	(79)	(986)	(124)	(1,556)
Currency translation effects	(241)	(451)	(669)	(517)	(1,877)
NET BOOK VALUE AS AT DECEMBER 31	6,394	6,828	20,158	3,367	36,747
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 DECEMBER 31	6,394	6,828	20,158	3,367	36,747

The net book value of leased property, plant and equipment amounts to CHF 60 million (2015: CHF 112 million) and mainly relates to buildings, machinery and equipment.

CHF 638 million of the total net book value of property, plant and equipment are pledged or restricted (2015: CHF 559 million).

Net gains on sale of property, plant and equipment amounted to CHF 46 million (2015: CHF 42 million).

In 2015, after the merger and as part of Group strategy, 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 1,556 million, of which CHF 464 million was impaired as insufficient goodwill was available to absorb the full impairment charge (see note 24).

The remaining impairment charge of CHF 1,092 million mainly consisted of:

– a third kiln line (construction in progress) relating to the Joppa cement plant in the United States which was fully written-off by CHF 105 million. The reportable segment for United States is North America;
– CHF 280 million relating to cement plants, various ready-mix, asphalt and concrete product plants including aggregate quarries which were largely mothballed in Europe; and
– CHF 460 million relating to the closure and mothballing of cement plants in China.

Apart from the third kiln line mentioned above, no asset impairment was deemed to be individually material.

The aggregate impairment charge of CHF 1,556 million resulted primarily from:

– overlaps arising in certain countries resulting in overcapacity as a consequence of the merger which therefore impacted the recoverable amounts of the assets (including assets that were under construction or previously mothballed); and
– the weaker than anticipated outlook for the macro-economic environment, especially in terms of expected growth rates and cement demand for countries such as China and Brazil (see note 24).

The carrying amount of investment property held by the Group is not material.

24. Goodwill and intangible assets

Million CHF	Goodwill	Intangible assets
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 to 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
2015		
At cost of acquisition	7,377	1,597
Accumulated amortization/impairment	(247)	(996)
NET BOOK VALUE AS AT JANUARY 1	7,130	601
Merger with Lafarge (note 4)	11,611	1,030
Other change in structure	(834)	(61)
Reclassification	0	(30)
Additions	0	88
Disposals	0	(19)
Amortization	0	(132)
Impairment loss (charged to statement of income)	(962)	(40)
Currency translation effects	(456)	(20)
NET BOOK VALUE AS AT DECEMBER 31	16,490	1,416
At cost of acquisition	17,698	2,584
Accumulated amortization/impairment	(1,209)	(1,168)
NET BOOK VALUE AS AT DECEMBER 31	16,490	1,416

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.

As explained in note 4, the finalization of the purchase price allocation led to an increase in the goodwill of CHF 522 million.

During the fourth quarter 2015, 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 40 million. No asset impairment was deemed to be individually material.

Impairment tests for 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 value in use, is compared to its carrying amount. An impairment loss is only recognized if the carrying amount of the cash-generating unit exceeds its recoverable amount. Future cash flows are discounted using the weighted average cost of capital (WACC).

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 2016

Cash-generating unit (Million CHF)	Carrying amount of goodwill	Currency	Pre-tax discount rate	Long-term growth rate
North America	4,808	USD/CAD	8.6%	2.1%
Algeria	1,812	DZD	10.9%	4.0%
India	1,678	INR	13.4%	4.9%
France	1,398	EUR	8.6%	2.1%
United Kingdom	884	GBP	7.6%	2.0%
Central Europe West	656	CHF/EUR	7.0%	1.3%
Nigeria	648	NGN	17.3%	8.0%
Poland	478	PLN	9.2%	2.5%
Philippines	470	PHP	11.4%	3.5%
Mexico	398	MXN	11.0%	3.0%
Others [1]	3,017	Various	6.6%–15.7%	0.4%–7.0%
TOTAL	16,247			

Key assumptions used for value-in-use calculations in respect of goodwill 2015

Cash-generating unit (Million CHF)	Carrying amount of goodwill	Currency	Pre-tax discount rate	Long-term growth rate
North America	4,495	USD/CAD	7.6%	2.1%
Algeria	1,709	DZD	9.3%	4.0%
India	1,669	INR	10.4%	4.0%
France	1,215	EUR	8.0%	1.9%
United Kingdom	1,058	GBP	7.0%	1.9%
Nigeria	998	NGN	12.8%	7.0%
Central Europe West	624	CHF/EUR	6.5%	1.3%
Philippines	475	PHP	10.0%	4.0%
Poland	456	PLN	8.1%	3.0%
Mexico	450	MXN	8.8%	4.0%
Others [1]	3,341	Various	6.4%–12.8%	1.2%–7.5%
TOTAL	16,490			

[1] Individually not significant.

In 2016, management recognized a goodwill impairment charge of CHF 40 million relating to cash-generating units “Others” within the reportable segment Asia Pacific.

In 2015, subsequent to the completion of the impairment test performed on the provisional goodwill, management recognized a goodwill impairment charge of CHF 962 million relating to certain cash-generating units (country- or region-related).

The cash-generating units included in “Others” comprised the following impairment charges:

- a goodwill impairment charge relating to Brazil of CHF 421 million and since insufficient goodwill was available to absorb this amount, an additional impairment charge of CHF 358 million was recognized for property, plant and equipment. A pre-tax discount rate of 7.7 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 goodwill impairment charge relating to Iraq of CHF 228 million. A pre-tax discount rate of 11.6 percent was used to calculate the recoverable amount, which was measured based on value in use. The reportable segment for Iraq is Middle East Africa;
- a goodwill impairment charge relating to Russia of CHF 185 million and since insufficient goodwill was available to absorb this amount, an additional impairment charge of CHF 106 million was recognized for property, plant and equipment. A pre-tax discount rate of 9.0 percent was used to calculate the recoverable amount, which was measured based on value in use. The reportable segment for Russia is Europe; and
- a goodwill impairment charge relating to Spain of CHF 112 million. A pre-tax discount rate of 6.4 percent was used to calculate the recoverable amount, which was measured based on value in use. The reportable segment for Spain is Europe.

The total recoverable amount of countries that were impaired for goodwill amounted to CHF 2.5 billion.

No retrospective adjustment to the provisional goodwill impairment charge of CHF 962 million was necessary as a result of the finalization of the purchase price allocation in 2016.

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 reasonably possible change in the pre-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 pre-tax discount rate and long-term growth rate would have the following impacts:

Sensitivity to changes in assumptions 2016

Cash-generating unit	Used pre-tax discount rate	Used long-term growth rate	Excess of recoverable amount over carrying amount (Million CHF)	Break-even pre-tax discount rate using the used long-term growth rate	Break-even long-term growth rate using the used pre-tax discount rate
Australia/New Zealand	8.3%	2.2%	33	8.4%	2.1%
Malaysia	10.1%	3.0%	97	10.5%	2.5%
Poland	9.2%	2.5%	62	9.5%	2.1%
Spain	7.8%	3.2%	27	8.1%	2.8%

Sensitivity to changes in assumptions 2015

Cash-generating unit	Used pre-tax discount rate	Used long-term growth rate	Excess of recoverable amount over carrying amount (Million CHF)	Break-even pre-tax discount rate using the used long-term growth rate	Break-even long-term growth rate using the used pre-tax discount rate
Belgium	7.5%	1.8%	7	7.7%	1.6%
Australia/New Zealand	7.9%	2.6%	73	8.2%	1.9%
India	10.4%	4.0%	114	10.6%	3.6%
Argentina	11.2%	6.0%	1	11.2%	6.0%

25. Trade accounts payable

Million CHF	2016	2015
Trade accounts payable – associates and joint ventures	85	49
Trade accounts payable – third parties	2,963	3,644
TOTAL	3,048	3,693

26. Financial liabilities

Million CHF	2016	2015
Current financial liabilities – associates and joint ventures	52	15
Current financial liabilities – third parties	2,014	3,264
Current portion of long-term financial liabilities	2,881	3,544
Derivative liabilities	30	43
TOTAL CURRENT FINANCIAL LIABILITIES	4,976	6,866
Long-term financial liabilities – third parties	14,666	14,859
Derivative liabilities	79	66
TOTAL LONG-TERM FINANCIAL LIABILITIES	14,744	14,925
TOTAL	19,720	21,791
Of which secured	87	84

Details of total financial liabilities

Million CHF	2016	2015
Loans from financial institutions	3,770	4,886
Bonds and private placements	15,578	15,447
Commercial paper notes	195	1,258
TOTAL LOANS AND BONDS	19,544	21,591
Obligations under finance leases (note 27)	67	91
Derivative liabilities (note 28)	109	109
TOTAL	19,720	21,791

“Loans from financial institutions” include amounts due to banks and other financial institutions. Repayment dates vary between one and 12 years (2015: one and 13 years). CHF 2,570 million (2015: CHF 2,821 million) is due within one year.

The Group complied with its debt covenants.

Unused committed credit lines totaled CHF 6,256 million at year-end 2016 (2015: CHF 6,733 million).

Financial liabilities by currency

			2016			2015
Currency	Million CHF	In %	Interest rate [1]	Million CHF	In %	Interest rate [1]
EUR	7,581	38.4	3.2	8,006	36.7	4.4
USD	5,286	26.8	5.0	4,973	22.8	5.3
CHF	2,425	12.3	2.1	2,923	13.4	2.2
CNY	901	4.6	7.3	1,276	5.9	5.6
AUD	693	3.5	4.2	679	3.1	4.3
GBP	601	3.0	8.0	715	3.3	7.7
BRL	425	2.2	7.2	506	2.3	10.6
Others	1,808	9.2	8.5	2,713	12.5	9.0
TOTAL	19,720	100.0	4.8	21,791	100.0	5.1

[1] Weighted average nominal interest rate on financial liabilities at December 31.

Interest rate structure of total financial liabilities

Million CHF	2016	2015
Financial liabilities at fixed rates	12,060	10,918
Financial liabilities at floating rates	7,660	10,873
TOTAL	19,720	21,791

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]
In million						2016	2015
LafargeHolcim Ltd							
CHF	400	3.13%	–0.53%	2007–2017	Bonds swapped into floating interest rates at inception	413	427
CHF	450	4.00%	4.19%	2009–2018	Bonds with fixed interest rate	449	448
CHF	475	2.38%		2010–2016	Bonds with fixed interest rate	0	474
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%	6.59%	2009–2017	Private placement with fixed interest rate	277	298
EUR	150	6.85%	6.13%	2009–2017	Private placement with fixed interest rate	169	181
EUR	50	5.25%	5.03%	2012–2017	Private placement with fixed interest rate	54	56
EUR	175	5.00%	4.68%	2012–2018	Private placement with fixed interest rate	194	202
EUR	357	5.50%	4.74%	2009–2019	Bonds with fixed interest rate (partially repaid 2016)	429	701
EUR	247	5.00%	5.19%	2010–2018	Bonds with fixed interest rate (partially repaid 2016)	278	388
EUR	371	4.75%	4.19%	2005–2020	Bonds with fixed interest rate (partially repaid 2016)	439	613
GBP	56	6.63%	6.13%	2002–2017	Bonds with fixed interest rate (partially repaid 2016)	74	115
USD	600	7.13%	5.90%	2006–2036	Bonds with fixed interest rate	728	717
GBP	80	8.75%	7.45%	2009–2017	Bonds with fixed interest rate (partially repaid 2016)	104	155
EUR	289	5.38%	5.04%	2007–2017	Bonds with fixed interest rate (partially repaid 2016)	316	346
EUR	430	4.33%	4.98%	2010–2018	Bonds, partly swapped into floating interest rates (partially repaid 2016)	503	656
EUR	198	4.95%	4.00%	2012–2019	Bonds, partly swapped into floating interest rates (partially repaid 2016)	237	324
EUR	332	4.25%		2005–2016	Bonds with fixed interest rate	0	362
EUR	477	7.63%		2009–2016	Bonds with fixed interest rate	0	553
EUR	24	5.38%		2012–2017	Bonds with fixed interest rate (early repaid in 2016)	0	28
EUR	750	4.75%		2013–2020	Bonds with fixed interest rate (early repaid in 2016)	0	930
USD	800	6.50%		2006–2016	Bonds with fixed interest rate	0	813
Aggregate Industries Holdings Limited							
GBP	163	7.25%		2001–2016	Bonds, partly swapped into floating interest rates	0	251
Holcim GB Finance Ltd.							
GBP	300	8.75%	8.81%	2009–2017	Bonds guaranteed by LafargeHolcim Ltd	377	440
Holcim Capital Corporation Ltd.							
USD	50	7.65%	7.65%	2001–2031	Private placement guaranteed by LafargeHolcim Ltd	51	49
USD	250	6.88%	7.28%	2009–2039	Bonds guaranteed by LafargeHolcim Ltd	247	240
USD	250	6.50%	6.85%	2013–2043	Bonds guaranteed by LafargeHolcim Ltd	248	240
Holcim Capital México, S.A. de C.V.							
MXN	800	4.20%		2012–2016	Bonds guaranteed by LafargeHolcim Ltd, with floating interest rates	0	45
MXN	1,700	7.00%	7.23%	2012–2019	Bonds guaranteed by LafargeHolcim Ltd	84	97
MXN	2,000	5.99%	5.02%	2014–2018	Bonds guaranteed by LafargeHolcim Ltd, with floating interest rates	99	114
MXN	1,700	6.51%	5.95%	2015–2020	Bonds guaranteed by LafargeHolcim Ltd, with floating interest rates	84	97
SUBTOTAL						7,377	11,886

[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]
In million						2016	2015
SUBTOTAL						7,377	11,886
Holcim Finance (Luxembourg) S.A.							
EUR	200	6.35%	6.40%	2009–2017	Bonds guaranteed by LafargeHolcim Ltd	215	216
EUR	500	3.00%	3.11%	2014–2024	Bonds guaranteed by LafargeHolcim Ltd	533	536
EUR	33	2.00%	2.03%	2016–2026	Schuldschein loan guaranteed by LafargeHolcim Ltd	35	0
EUR	152	1.46%	1.51%	2016–2023	Schuldschein loan guaranteed by LafargeHolcim Ltd	163	0
EUR	1,150	1.38%	1.43%	2016–2023	Bonds guaranteed by LafargeHolcim Ltd	1,231	0
EUR	209	0.79%	0.94%	2016–2021	Schuldschein loan guaranteed by LafargeHolcim Ltd, with floating interest rates	224	0
EUR	25	0.99%	1.13%	2016–2023	Schuldschein loan guaranteed by LafargeHolcim Ltd, with floating interest rates	27	0
EUR	413	1.04%	1.10%	2016–2021	Schuldschein loan guaranteed by LafargeHolcim Ltd	442	0
EUR	1,150	2.25%	2.23%	2016–2028	Bonds guaranteed by LafargeHolcim Ltd	1,238	0
Holcim Finance (Australia) Pty Ltd							
AUD	250	6.00%	6.24%	2012–2017	Bonds guaranteed by LafargeHolcim Ltd	184	181
AUD	200	5.25%	5.52%	2012–2019	Bonds guaranteed by LafargeHolcim Ltd	147	144
AUD	250	3.75%	3.90%	2015–2020	Bonds guaranteed by LafargeHolcim Ltd	184	180
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	204	198
USD	125	6.10%		2006–2016	Private placement guaranteed by LafargeHolcim Ltd	0	124
USD	750	6.00%	6.25%	2009–2019	Bonds guaranteed by LafargeHolcim Ltd	761	736
EUR	500	2.63%	3.06%	2012–2020	Bonds guaranteed by LafargeHolcim Ltd, swapped into USD and floating interest rates at inception	558	556
USD	500	5.15%	5.30%	2013–2023	Bonds guaranteed by LafargeHolcim Ltd	507	490
USD	50	4.20%	4.20%	2013–2033	Bonds guaranteed by LafargeHolcim Ltd	51	49
LafargeHolcim International Finance Ltd							
USD	40	2.80%	2.88%	2016–2021	Schuldschein loan guaranteed by LafargeHolcim Ltd	41	0
USD	121	2.49%	2.59%	2016–2021	Schuldschein loan guaranteed by LafargeHolcim Ltd, with floating interest rates	123	0
USD	15	3.20%	3.27%	2016–2023	Schuldschein loan guaranteed by LafargeHolcim Ltd	15	0
USD	25	2.69%	2.78%	2016–2023	Schuldschein loan guaranteed by LafargeHolcim Ltd, with floating interest rates	25	0
LafargeHolcim Finance US LLC							
USD	400	3.50%	3.59%	2016–2026	Bonds guaranteed by LafargeHolcim Ltd	407	0
USD	600	4.75%	5.00%	2016–2046	Bonds guaranteed by LafargeHolcim Ltd	595	0
Holcim (Costa Rica) S.A.							
CRC	8,000	8.70%		2014–2016	Bonds with fixed interest rate	0	15
CRC	5,000	6.95%	7.13%	2016–2018	Bonds with fixed interest rate	9	0
Holcim (US) Inc.							
USD	33	0.04%	0.06%	1999–2032	Industrial revenue bonds – Mobile Dock & Wharf	34	33
USD	25	0.07%	0.08%	2003–2033	Industrial revenue bonds – Holly Hill	26	25
USD	27	0.01%	0.01%	2009–2034	Industrial revenue bonds – Midlothian	27	26
Lafarge Africa PLC							
NGN	26,386	14.25%	16.08%	2016–2019	Bonds with fixed interest rate	86	0
NGN	33,614	14.75%	16.39%	2016–2021	Bonds with fixed interest rate	109	0
Lafarge India Private Limited							
INR	3,500	9.15%		2013–2016	Bonds with fixed interest rate	0	52
TOTAL						15,578	15,447

[1] Includes adjustments for fair value hedge accounting, where applicable.

27. Leases

Future minimum lease payments

Million CHF	Operating leases 2016	Finance leases 2016	Operating leases 2015	Finance leases 2015
Within 1 year	252	16	336	19
Between 1 and 5 years	567	29	616	55
Thereafter	446	44	393	48
TOTAL	1,264	90	1,346	122
Interest		(23)		(31)
TOTAL FINANCE LEASES		67		91

The total expense for operating leases recognized in the consolidated statement of income in 2016 was CHF 257 million (2015: CHF 227 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 26). There are no individually significant finance lease agreements.

28. Derivative financial instruments

Derivative assets with maturities exceeding one year are included in long-term financial assets (note 21) and derivative assets with maturities less than one year are included in prepaid expenses and other current assets (note 19).

Derivative liabilities are included in financial liabilities (note 26).

Derivative assets and liabilities

Million CHF	Fair value assets 2016	Fair value liabilities 2016	Nominal amount 2016	Fair value assets 2015	Fair value liabilities 2015	Nominal amount 2015
Fair value hedges						
Interest rate	18	0	1,007	44	0	1,581
Currency	15	0	26	0	0	16
Cross-currency	4	78	653	0	59	621
TOTAL FAIR VALUE HEDGES	36	78	1,685	44	59	2,218
Cash flow hedges						
Currency	7	2	74	7	2	133
Commodity	22	4	123	1	22	116
TOTAL CASH FLOW HEDGES	29	6	197	8	24	249
Net investment hedges						
Currency	0	5	467	0	0	0
TOTAL NET INVESTMENT HEDGES	0	5	467	0	0	0
Held for trading						
Currency	7	20	1,702	71	26	3,084
Cross-currency	0	0	0	9	0	26
Commodity	1	0	1	0	0	0
TOTAL HELD FOR TRADING	8	20	1,703	80	26	3,110
TOTAL	74	109	4,053	132	109	5,577

29. Taxes

Million CHF	2016	2015
Current taxes	(943)	(924)
Deferred taxes	109	143
TOTAL	(835)	(781)

Reconciliation of tax rate

	2016		2015	
Net income (loss) before taxes	2,882		(684)	
GROUP'S WEIGHTED AVERAGE TAX (CHARGE) INCOME / RATE	(870)	+30%	168	+25%
Effect of non-deductible items	(143)	+5%	(391)	–57%
Effect of non-taxable items	166	–6%	234	+34%
Effect of non-recoverable withholding tax	(153)	+5%	(206)	–30%
Effect from unrecognized tax losses and deferred tax asset write-offs	17	–1%	(651)	–95%
Other effects	148	–5%	65	+10%
GROUP'S EFFECTIVE INCOME TAX (CHARGE) / RATE	(835)	+29%	(781)	–114%

The Group's weighted average tax rate is calculated based on profits (losses) before taxes of Group companies. In 2015, the difference between expected and effective tax rate related mainly to impairments of assets without recognition of deferred taxes, non tax-deductible goodwill impairments and changes in unrecognized tax losses carryforward.

In 2016, total income taxes paid amounted to CHF 1,000 million, of which 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.

Change in deferred tax asset and liabilities

Million CHF	Property, plant and equipment	Intangible and other long-term assets	Provisions	Other	Tax losses carryforward	Total
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		3	(32)	7		(22)
PPA refinement (note 4)	(111)		(68)	295	(202)	(86)
Divestments	(307)		11	(188)	35	(449)
Reclassification to liabilities directly associated with assets classified as held for sale	(14)		1	3		(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
2015						
DEFERRED TAX LIABILITIES NET AS AT JANUARY 1, 2015	2,165	163	(354)	(190)	(914)	869
Charged (credited)						
– to the statement of income	(250)	(184)	41	104	146	(143)
– to other comprehensive income		44	(22)	(42)		(20)
Merger with Lafarge (note 4)	3,356	98	(564)	53	(311)	2,632
Other change in structure	(164)		28	(197)	117	(216)
Currency translation effects	(161)	3	5	42	64	(46)
DEFERRED TAX LIABILITIES NET AS AT DECEMBER 31, 2015	4,946	124	(866)	(229)	(898)	3,077

Reflected in the statement of financial position as follows:

Million CHF	2016	2015
Deferred tax assets	(1,060)	(764)
Deferred tax liabilities	3,387	3,840
DEFERRED TAX LIABILITIES NET	2,327	3,077

Temporary differences for which no deferred tax is recognized

Million CHF	2016	2015
On unremitted earnings of subsidiary companies (taxable temporary difference)	933	653

Tax losses carryforward

Million CHF	Losses carry-forward 2016	Tax effect 2016	Losses carry-forward 2015	Tax effect 2015
TOTAL TAX LOSSES CARRYFORWARD	10,843	2,910	10,673	3,109
Of which reflected in deferred taxes	(3,760)	(1,064)	(3,092)	(898)
TOTAL TAX LOSSES CARRYFORWARD NOT RECOGNIZED	7,083	1,846	7,581	2,211
Expiring as follows:				
1 year	97	18	73	17
2 years	76	18	83	19
3 years	96	20	69	16
4 years	35	9	51	12
5 years	36	8	83	19
Thereafter	6,742	1,773	7,221	2,128

30. Provisions

Million CHF	Site restoration and other environmental provisions	Specific business risks	Restructuring provisions	Other provisions	Total 2016	Total 2015
JANUARY 1	996	594	455	598	2,643	1,309
Merger with Lafarge (note 4)	0	0	0	0	0	1,098
PPA refinement (note 4)	22	249	0	0	271	0
Divestments	(25)	(4)	0	(25)	(55)	(87)
Reclassification to liabilities directly associated with assets held for sale	(13)	(2)	(4)	(1)	(19)	0
Provisions recognized	46	122	159	250	576	960
Provisions used during the year	(61)	(58)	(181)	(202)	(502)	(313)
Provisions reversed during the year	(64)	(23)	(23)	(105)	(214)	(216)
Unwinding of discount and discount rate changes	4	1	0	7	12	11
Reclassifications	0	0	(38)	0	(38)	0
Currency translation effects	6	51	(2)	(2)	52	(118)
DECEMBER 31	912	929	365	520	2,726	2,643
Of which short-term provisions	71	120	192	192	575	602
Of which long-term provisions	841	809	173	328	2,151	2,041

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 929 million as of December 31, 2016 (2015: CHF 594 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, product liability as well as tax claims and are set up to cover legal and administrative proceedings. Provisions for litigations amounted to CHF 903 million (2015: CHF 576 million), which included provisions for risks related to income taxes and other taxes of CHF 171 million (2015: CHF 137 million). The provisions for other contractual risks in connection with purchase price allocations amounted to CHF 26 million (2015: CHF 18 million).

Provisions for contingent liabilities arising from business combinations amounted to CHF 488 million (2015: CHF 217 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 365 million (2015: CHF 455 million) on December 31.

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. The composition of these items is extremely manifold and comprised, as of December 31, among other things: provisions for health insurance and pension schemes, which do not qualify as benefit obligations, of CHF 21 million (2015: CHF 34 million) and provisions related to sales and other taxes of CHF 17 million (2015: CHF 57 million). The expected timing of the future cash outflows is uncertain.

31. 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 5,100 million (2015: CHF 4,421 million). As of December 31, 2016, the Group employed 90,903 people (2015: 100,956 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, tax and treasury specialists.

The Group's main defined benefit pension plans are located in the United Kingdom, North America and Switzerland. They respectively represent 51 percent (2015: 52 percent), 23 percent (2015: 22 percent) and 17 percent (2015: 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.

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 2016 (2015: CHF 45 million based on the valuation conducted in 2012).
- A new funding valuation is currently being conducted as at April 5, 2015 for the Aggregate Industries pension plan. A last funding valuation for the Ronez Pension Plan has been conducted as at December 31, 2015.

In relation to risk management and asset allocation, the Boards 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 delegate's 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 include 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 liquidity risks and to changes in interest rates and inflation.

In 2016, the de-risking strategy applied by the Aggregate Industries Pension plan has been continued; the scheme purchased an insurance contract for the liability towards current retirees in June 2016.

No material plan amendment or curtailment has occurred during the year, beside the plan freeze of the Ronez 2000 plan in 2016.

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 were closed to new entrants and some plans were frozen to future accruals. Pensions payable to employees depend on average final salary and length of service within the Group.

In 2015, a pension plan freeze occurred for the largest US plans. From July 1, 2015 or January 1, 2016 vested rights are frozen and active members are no longer acquiring further rights in these defined benefit plans.

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 2016, the de-risking strategy applied by the Lafarge Western Canada pension plan has been continued; the scheme purchased insurance contracts for the liability towards current retirees in July and August 2016.

No material plan amendment, curtailment or settlement has occurred during the year.

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 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).

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.

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	2016	2015
Net liability arising from defined benefit pension plans	1,499	1,424
Net liability arising from other post-employment benefit plans	308	304
NET LIABILITY	1,807	1,729
Reflected in the statement of financial position as follows:		
Other long-term assets	(271)	(211)
Defined benefit obligations	2,079	1,939
NET LIABILITY	1,807	1,729

Retirement benefit plans

	Defined benefit pension plans		Other post-employment benefit plans	
Million CHF	2016	2015	2016	2015
Present value of funded obligations	8,940	8,835	0	0
Fair value of plan assets	(8,162)	(8,122)	0	0
PLAN DEFICIT OF FUNDED OBLIGATIONS	778	713	0	0
Present value of unfunded obligations	720	710	308	304
Effect of asset ceiling	1	1	0	0
NET LIABILITY FROM FUNDED AND UNFUNDED PLANS	1,499	1,424	308	304
Of which:				
United Kingdom	(30)	(84)	0	0
North America (United States and Canada)	598	587	244	243
Switzerland	252	241	0	0
Rest of world	679	679	64	61
Costs recognized in the statement of income are as follows:				
Current service costs	125	121	3	3
Past service costs (including curtailments)[1]	(16)	(74)	0	(16)
Gains on settlements[2]	(19)	(15)	0	0
Net interest expense	44	40	12	8
Special termination benefits	12	17	0	0
Others	0	0	0	0
TOTAL	146	90	16	(5)
Of which:				
United Kingdom	9	19	0	0
North America (United States and Canada)	52	47	12	(7)
Switzerland	29	27	0	0
Rest of world	56	(3)	4	2
Amounts recognized in other comprehensive earnings:				
Actuarial gains (losses) arising from changes in demographic assumptions	11	43	5	0
Actuarial gains (losses) arising from changes in financial assumptions	(1,078)	149	(8)	(2)
Actuarial gains (losses) arising from experience adjustments	90	28	3	2
Return on plan assets excluding interest income	834	(92)	0	0
Change in effect of asset ceiling excluding interest (income) expense	0	1	0	0
TOTAL RECORDED IN OTHER COMPREHENSIVE EARNINGS	(142)	129	(1)	1
Of which:				
United Kingdom	(58)	191	0	0
North America (United States and Canada)	7	(24)	5	4
Switzerland	(21)	(53)	0	0
Rest of world	(70)	15	(6)	(4)

[1] Past service costs (including curtailments) in 2015 include among others, CHF –55 million curtailment in France recorded in connection with the merger and a curtailment in the United States of CHF –22 million related to a plan freeze and the elimination of post 65 retiree medical insurance.
[2] Gains on settlements in 2016 include a settlement gain of CHF 17 million resulting from a restructuring in Switzerland.

Retirement benefit plans

Million CHF	Defined benefit pension plans 2016	Defined benefit pension plans 2015	Other post-employment benefit plans 2016	Other post-employment benefit plans 2015
Present value of funded and unfunded obligations				
OPENING BALANCE AS PER JANUARY 1	9,546	3,705	304	81
Merger with Lafarge	0	6,597	0	253
Divestments	(51)	(249)	(5)	(7)
Reclassifications	38	0	0	0
Current service costs	125	121	3	3
Interest expense	300	218	12	8
Contribution by the employees	21	20	0	0
Actuarial (gains) losses	977	(220)	1	(1)
Benefits paid	(538)	(398)	(20)	(15)
Past service costs (including curtailments)	(16)	(74)	0	(16)
Settlements	(75)	(88)	0	0
Special termination benefits	12	17	0	0
Currency translation effects	(680)	(103)	13	(2)
CLOSING BALANCE AS PER DECEMBER 31	9,660	9,546	308	304
Of which:				
United Kingdom	4,956	4,953	0	0
North America (United States and Canada)	2,196	2,097	244	243
Switzerland	1,628	1,617	0	0
Rest of world	879	878	64	61
Fair value of plan assets				
OPENING BALANCE AS PER JANUARY 1	8,122	2,932	0	0
Merger with Lafarge	0	5,676	0	0
Divestments	(9)	(246)	0	0
Interest income	256	177	0	0
Return on plan assets excluding interest income	834	(92)	0	0
Contribution by the employer	229	205	20	14
Contribution by the employees	21	20	0	0
Benefits paid	(537)	(383)	(20)	(14)
Settlements	(55)	(72)	0	0
Currency translation effects	(698)	(94)	0	0
CLOSING BALANCE AS PER DECEMBER 31	8,162	8,122	0	0
Of which:				
United Kingdom	4,987	5,038	0	0
North America (United States and Canada)	1,598	1,509	0	0
Switzerland	1,376	1,376	0	0
Rest of world	201	199	0	0

Retirement benefit plans

Million CHF	Defined benefit pension plans 2016	2015[1]
Plan assets based on quoted market prices:		
Cash and cash equivalents	275	125
Equity instruments[2]	1,837	1,750
Debt instruments[3]	1,463	1,669
Liability-driven investments[4]	1,505	1,311
Alternative investments[5]	1,162	1,035
Land and buildings occupied or used by third parties	374	375
Investment funds	91	202
Derivatives	(15)	32
Structured debt	0	21
Plan assets based on non-quoted prices:		
Equity instruments	38	231
Structured debt	194	410
Investment funds	274	188
Land and buildings occupied or used	112	203
Debt instruments[3]	32	12
Insurance policies	688	474
Others	130	84
TOTAL PLAN ASSETS AT FAIR VALUE	8,162	8,122

[1] Insurance policies are now presented in a separate line item, the 2015 numbers were adjusted accordingly.
[2] Equity instruments include CHF 3 million (2015: CHF 2 million) quoted equity instruments of LafargeHolcim Ltd or subsidiaries.
[3] Debt instruments include CHF 5 million (2015: CHF 5 million) quoted and CHF 4 million (2015: CHF 4 million) non-quoted debt instruments of LafargeHolcim Ltd or subsidiaries.
[4] 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.
[5] 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	
	2016	2015	2016	2015	2016	2015	2016	2015
Discount rate in %	2.8%	3.4%	2.8%	3.8%	4.0%	4.2%	0.7%	0.9%
Expected salary increases in %	2.3%	2.5%	3.3%	3.0%	2.9%	2.9%	0.8%	1.2%
Life expectancy in years after the age of 65	22.7	21.8	23.0	22.1	22.4	21.4	23.3	21.9

Weighted average duration of defined benefit pension plans

Duration of the defined benefit obligation	Total Group		United Kingdom		North America		Switzerland	
	2016	2015	2016	2015	2016	2015	2016	2015
Weighted average duration in years	15.6	14.9	17.6	16.4	14.3	13.8	14.2	13.5

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)

Sensitivity analysis as per December 31, 2015 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)	(1,241)	1,478	(705)	844	(253)	291	(199)	245
Expected salary increases (±1% change in assumption)	137	(120)	23	(20)	13	(13)	19	(19)
Life expectancy in years after the age of 65 (±1 year change in assumption)	328	(336)	210	(209)	47	(46)	52	(60)

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 111 million, of which CHF 44 million related to North America, CHF 32 million related to Switzerland and CHF 17 million related to United Kingdom.

32. Share compensation plans

The total personnel expense arising from the LafargeHolcim share compensation plans amounted to CHF 16.6 million in 2016 (2015: CHF 17.5 million) as presented in the following table:

Million CHF	Personnel expenses 2016	Personnel expenses 2015
Employee share purchase plan	0.9	0.9
LafargeHolcim Performance Share Plan	5.8	0.0
LafargeHolcim Senior Management Plan	1.1	0.0
Share plan for management of Group companies	0.0	7.9
Senior management share plan	0.0	3.2
Share option plan	0.2	1.5
Liquidity mechanism for remaining Lafarge rights	8.6	4.0
TOTAL	16.6	17.5

All shares granted under these plans are either purchased from the market or derived from treasury shares.

32.1 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:

	2016		2015	
	Shares	Options	Shares	Options
JANUARY 1	610,167	747,136	0	0
Granted	780,003	832,320	610,167	747,136
Forfeited	(25,467)	(19,988)	0	0
DECEMBER 31	1,364,703	1,559,468	610,167	747,136

The fair value of the plan was calculated by an independent consultant as follows:

- 780,003 performance shares were granted in 2016 under the Performance Share Plan (2015: 610,167). These shares are subject to a three-year vesting period. 546,002 shares (2015: 427,117) are subject to internal performance conditions and the fair value per share is CHF 52.80 (2015: CHF 49.12). 234,001 shares (2015: 183,050) 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 21.40 (2015: CHF 14.35) using a Monte Carlo simulation;
- 832,320 share options were granted in 2016 under the Performance Share Plan (2015: 747,136). These share options are subject to a three-year vesting period and internal performance conditions. The fair value per share option has been determined using the Black-Scholes model and amounts to CHF 9.03 (2015: CHF 10.10).

Underlying assumptions for the fair value of the share options are presented below:

	2016	2015
Grant date	December 14	December 14
Share price at grant date	CHF 52.80	CHF 49.12
Exercise price	CHF 53.83	CHF 50.19
Assumed / expected dividend yield [1]	3.3%	1.75%
Expected volatility of stock [2]	28.5%	27.41%
Risk-free interest rate	0.04%	–0.44%
Expected life of the options	8 years	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 plan for management of Group companies and senior management share plan

Under these legacy Holcim plans, part of the variable, performance-related compensation for management was paid in LafargeHolcim Ltd shares, which could not be sold by the employee during the next three or five years following the grant date. The last shares under these plans were granted in 2015.

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.

The Fair Value of the options granted in 2015 under this plan has been determined using the Black-Scholes model based on the following assumptions:

	Share option plans	
Grant date	**July 8**	**February 19**
Share price at grant date	**CHF 68.65**	**CHF 72.05**
Exercise price	**CHF 63.55** [1]	**CHF 66.85** [1]
Assumed / expected dividend yield	**1.89%**	**1.80%**
Expected volatility of stock [2]	**23.27%**	**27.99%**
Risk-free interest rate	**–0.50%**	**–0.35%**
Expected life of the options	**6 years**	**6 years**

[1] Adjusted to reflect the scrip dividend.
[2] The expected volatility is based on the historic volatility of the shares on a monthly basis for 72 and 96 months as of grant date.

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 2013 and 2014 are still under vesting period (vesting period was 3 or 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 2016, the liquidity mechanism has been applied as follows:

- 90,503 Lafarge S.A. shares have been purchased;
- 67,592 Lafarge S.A. shares have been exchanged for 58,724 LafargeHolcim shares; and
- No Lafarge S.A. options have been exercised in 2016. One Lafarge S.A. stock options plan ended in June 2016 and 653,466 unexercised Lafarge S.A. options have been lapsed.

32.2 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] 2016	Number[1] 2015
JANUARY 1	CHF	73.72	4,098,017	1,159,468
Granted and vested (individual component of variable compensation)	CHF	–	0	192,303
Granted and under vesting period[2]	CHF	53.83	832,320	747,136
Increase due to liquidity mechanism[3]	CHF	–	0	3,076,385
Forfeited	CHF	66.09	67,427	101,217
Exercised	CHF	35.47	31,742	109,272
Lapsed	CHF	90.95	704,158	866,786
DECEMBER 31	CHF	66.90	4,127,010	4,098,017
Of which exercisable at the end of the year			2,175,057	2,790,893

[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.
[3] These options were granted under the Lafarge stock option plans. The figures presented in this table are based on the closing exchange rate and the actual exchange ratio of 0.945.

In 2016, options exercised resulted in 31,742 shares (2015: 109,272) being issued at a weighted average share price of CHF 51.40 (2015: CHF 70.98)

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]
				2016	2015
2004	2016[2]	CHF	63.50	0	15,550
2008	2016	CHF	99.32	0	71,083
2008	2020	CHF	62.95	33,550	33,550
2009	2017	CHF	35.47	38,760	70,502
2010	2018	CHF	67.66	95,557	95,557
2010	2022	CHF	70.30	33,550	33,550
2010	2022	CHF	76.10	0	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
2013	2025	CHF	64.65	0	11,183
2014	2022	CHF	64.40	99,532	99,532
2014	2026	CHF	64.40	33,550	33,550
2015 (2006[3])	2016	CHF	90.67	0	617,525
2015 (2007[3])	2017	CHF	118.97	418,113	418,551
2015 (2008[3])	2018	CHF	103.30	551,892	551,892
2015 (2009[3])	2019	CHF	33.02	103,545	103,545
2015 (2010[3])	2020	CHF	55.10	197,212	199,480
2015 (2011[3])	2020	CHF	47.80	149,617	149,617
2015 (2012[3])	2020	CHF	38.67	218,096	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	727,148	747,136
2016	2026	CHF	53.83	832,320	0
TOTAL				4,127,010	4,098,017

[1] Adjusted to reflect former share splits and/or capital increases and/or scrip dividend.
[2] Due to trade restrictions in 2008, the expiry date of the annual options granted for the year 2004 has been extended by one year.
[3] These options were granted through the Lafarge stock option plans. The figures presented in this table are based on the application of the actual exchange ratio of 0.945.

33. Information on share capital

Number of registered shares December 31	2016	2015
TOTAL OUTSTANDING SHARES	605,756,753	605,570,586
Treasury shares		
Reserved for call options	929,067	1,092,175
Unreserved	223,260	246,319
TOTAL TREASURY SHARES	1,152,327	1,338,494
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 (2015: CHF 1,214 million) and the treasury shares amount to CHF 72 million (2015: CHF 86 million).

34. 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		2016	2015	2016	2015	2016	2015	2016	2015
ACC Limited	India	63.9%	49.7%	57	48	561	742	23	42
Ambuja Cements Ltd.	India	36.9%	49.7%	48	53	915	906	29	55

[1] The non-controlling interest of these companies represents the ownership interests, which is equal to the voting rights in these companies.
[2] Attributable to non-controlling interest.

Besides the reorganization of its holding structure in India, the Group also increased its shareholding in ACC Limited and Ambuja Cements Ltd for a total amount of CHF 325 million.

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	2016	2015	2016	2015
Current assets	605	544	609	997
Long-term assets	1,721	1,689	2,228	1,484
TOTAL ASSETS	2,326	2,233	2,837	2,481
Current liabilities	508	490	491	442
Long-term liabilities	273	250	209	218
TOTAL LIABILITIES	781	740	700	659
NET ASSETS	1,545	1,493	2,137	1,822

Statement of income

Million CHF	2016	2015	2016	2015
NET SALES	1,593	1,723	1,336	1,398
NET INCOME	90	97	135	106

Statement of cash flows

Million CHF	2016	2015	2016	2015
CASH FLOW FROM OPERATING ACTIVITIES	201	213	252	262
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	63	(25)	(393)	91

35. Contingencies, guarantees and commitments

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.

At December 31, 2016, the Group's contingencies amounted to CHF 1,155 million (2015: CHF 545 million). The increase is mainly related to the CCI case in India explained below. Except for what has been provided for as disclosed in note 30, 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 348 million (INR 23,106 million) for ACC and ACL. The total amount of penalties (including interests) for ACC and ACL is CHF 361 million (INR 23,992 million) as of December 31, 2016. 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 with a financial institution by both LafargeHolcim Group companies with a lien in favor of the Compat.

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 159 million (BRL 508 million) as at the date of the order. As of December 31, 2016, the total amount including interests and monetary adjustment was CHF 208 million (BRL 662 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.

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 24 million (BRL 76 million) was paid by Lafarge Brasil S.A. to the two shareholders. In March 2013, the two shareholders obtained a ruling from the Court of first instance ordering Lafarge Brasil S.A. to pay to Maringa and Ponte Alta the amount of approximately CHF 115 million (BRL 366 million) as at the date of the order. As of December 31, 2016 the total amount including interest amounted to CHF 158 million (BRL 503 million). Following the unsuccessful appeal by Lafarge Brasil S.A. filed in June 2013, the Rio de Janeiro Tribunal denied admittance of a further appeal by the company before the Superior Court of Justice and to the Supreme Court in July 2015. Lafarge Brasil S.A. (that merged into Holcim (Brazil) S.A. in December 2016) has appealed this decision directly to both the Superior Court of Justice and to the Supreme Court, and the Superior Court of Justice has accepted the appeal in March 2016.

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 91 million (BRL 289 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 38 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 76 million (IDR 1 trillion) due to additional penalties charged for the appeal.

In the course of 2016, publications reported allegations that in connection with its operations in Syria the Lafarge Group had engaged in dealings with certain armed groups and sanctioned parties during 2013 until the plant was closed in September 2014. In response to the reported allegations, the company commenced an internal independent investigation under the supervision of the Finance and Audit Committee of the Board. It appears from that investigation that the local company provided funds to third parties to work out arrangements with armed groups, including sanctioned parties, in order to maintain operations and ensure safe passage of employees and supplies to and from the plant. In response to the findings the Board has taken a number of decisions including the creation of a new Ethics, Integrity and Risks committee supervised by a member of the Executive Committee and additional measures to strengthen the compliance program. The Board instructed executive management to vigorously implement these actions. In connection with these reported allegations, criminal complaints are reported to have been filed in France. Such proceedings are usually conducted under secrecy and neither Lafarge SA nor any of its subsidiaries have been made a party to these proceedings.

Previously disclosed legal matters with no developments since last reporting period

In late 2005, several class actions and individual lawsuits were filed in the United States District Court for the Eastern District of Louisiana. In their complaints, plaintiffs allege that Lafarge North America Inc. (“LNA”), and/or several other defendants including the federal government, are liable for death, bodily and personal injury and property and environmental damage to people and property in and around New Orleans, Louisiana. Some of the referenced complaints claim that these damages resulted from a barge under contract to LNA that allegedly breached the Inner Harbor Navigational Canal levee in New Orleans during or after Hurricane Katrina. A case involving the first few plaintiffs was tried before a judge, who ruled in favor of LNA in January 2011. In October 2011, LNA obtained summary judgment against all remaining plaintiffs with claims in Federal Court. A new case was filed against LNA in September 2011 by the Parish of Saint Bernard in Louisiana State Court. The case was moved to Federal Court which granted LNA’s motion for summary judgment against the Parish of Saint Bernard in January 2013. In a decision in December 2013, a three judge panel of the Court of Appeals reversed and remanded the case back to the Trial Court for a Jury Trial, which is scheduled to take place in May 2017. LNA continues to vigorously defend in this ongoing proceeding.

Guarantees

At December 31, 2016, the Group’s guarantees issued in the ordinary course of business amounted to CHF 809 million (2015: CHF 814 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, 2016, the Group’s commitments amounted to CHF 1,707 million (2015: CHF 2,230 million).

36. Additional cash flow information

Cash flow from operating activities – analysis of change in operating working capital items

Million CHF	2016	2015
Increase in inventories	(19)	(23)
Decrease in accounts receivable	1	193
(Increase)/Decrease in other receivables excluding financial and income tax receivables	(22)	9
Increase/(Decrease) in trade payables	99	(170)
Decrease in liabilities excluding financial and income tax liabilities	(752)	(241)
CHANGE IN NET WORKING CAPITAL	(694)	(232)

Cash flow information related to investing activities

Million CHF	2016	2015
Purchase of property, plant and equipment net		
Replacements	(1,134)	(1,099)
Proceeds from sale of property, plant and equipment	137	118
CAPITAL EXPENDITURES ON PROPERTY, PLANT AND EQUIPMENT TO MAINTAIN PRODUCTIVE CAPACITY AND TO SECURE COMPETITIVENESS	(997)	(981)
Expansion investments	(638)	(1,007)
TOTAL PURCHASE OF PROPERTY, PLANT AND EQUIPMENT NET (A)	(1,635)	(1,988)
ACQUISITION OF PARTICIPATION IN GROUP COMPANIES (NET OF CASH AND CASH EQUIVALENTS ACQUIRED)	(4)	208
DISPOSAL OF PARTICIPATION IN GROUP COMPANIES (NET OF CASH AND CASH EQUIVALENTS DISPOSED OF)	2,245	6,515
Purchase of financial assets, intangible and other assets		
Increase in financial investments including associates and joint ventures	(7)	(3)
Increase in other financial assets, intangible and other assets	(395)	(484)
TOTAL PURCHASE OF FINANCIAL ASSETS, INTANGIBLE AND OTHER ASSETS	(402)	(487)
Disposal of financial assets, intangible and other assets		
Decrease in financial investments including associates and joint ventures	283	675
Decrease in other financial assets, intangible and other assets	220	310
TOTAL DISPOSAL OF FINANCIAL ASSETS, INTANGIBLE AND OTHER ASSETS	503	985
TOTAL DISPOSAL (PURCHASE) OF FINANCIAL ASSETS, INTANGIBLE AND OTHER ASSETS BUSINESSES NET (B)	2,342	7,222
TOTAL CASH FLOW FROM INVESTING ACTIVITIES (A + B)	706	5,234

Cash flow from acquisitions and disposals of Group companies

	Acquisitions				Disposals			
	2016	2015			2016	2015		
Million CHF	Total	Merger with Lafarge	Other acquisitions[1]	Total	Total	Merger related divestments	Other disposals[2]	Total
Cash and cash equivalents		(1,704)	(24)	(1,728)	153	97	20	117
Assets classified as held for sale		(4,874)		(4,874)	746	4,134		4,134
Other current assets		(4,821)	(48)	(4,869)	497	754	17	771
Property, plant and equipment		(20,177)	(309)	(20,486)	1,654	1,651	256	1,907
Other assets		(3,486)	(1)	(3,487)	108	199	48	247
Bank overdrafts		415		415	(160)			
Other current liabilities		6,131	51	6,182	(453)	(668)	(54)	(722)
Long-term provisions		992	48	1,040	(102)	(132)	(12)	(144)
Other long-term liabilities		17,246	46	17,292	(383)	(588)	(106)	(694)
NET ASSETS		(10,279)	(236)	(10,515)	2,061	5,447	169	5,616
Non-controlling interest		2,407	16	2,423	(165)	(103)	(6)	(109)
NET ASSETS (ACQUIRED) DISPOSED		(7,872)	(220)	(8,092)	1,896	5,344	163	5,507
Goodwill (acquired) disposed		(11,611)		(11,611)	266	815	46	861
Fair value of previously held equity interest		680		680				
Net gain on disposals					511	63	226	289
TOTAL (PURCHASE) DISPOSAL CONSIDERATION		(18,803)	(220)	(19,023)	2,673	6,222	435	6,657
Purchase consideration in the form of shares		17,910		17,910	(265)		(82)	(82)
Acquired (disposed) cash and cash equivalents		1,289	24	1,313	6	(97)	(20)	(117)
Income taxes paid					(140)			
Deferred consideration	(4)	7		7	(28)		57	57
NET CASH FLOW	(4)	403	(195)	208	2,245	6,125	390	6,515

[1] Mainly include the acquisition of companies from Cemex in Germany and the Netherlands, see note 4.
[2] Include among others the disposals of operations in Spain and Czech Republic to Cemex classified as held for sale at the end of 2014, 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.

37. Transactions and relations with members of the Board of Directors and senior management

Key management compensation

Board of Directors

In 2016, fifteen non-executive members of the Board of Directors received a total remuneration of CHF 5.4 million (2015: CHF 5.5 million) in the form of cash of CHF 3.1 million (2015: CHF 3.8 million), post-employment benefits of CHF 0.1 million (2015: CHF 0.1 million), share-based payments of CHF 2.0 million (2015: CHF 1.4 million) and other compensation of CHF 0.2 million (2015: CHF 0.2 million).

Senior management

The total annual compensation for the ten members of senior management (including CEO) amounted to CHF 30.5 million (2015: CHF 35.0 million). This amount comprises of base salary and variable compensation of CHF 20.0 million (2015: CHF 24.7 million), share-based compensations of CHF 3.8 million (2015: CHF 4.0 million), employer contributions to pension plans of CHF 5.3 million (2015: CHF 5.6 million) and other compensation of CHF 1.4 million (2015: CHF 0.7 million). The base salary and the variable cash compensation are disclosed, including foreign withholding taxes. Further included in the contribution to pension plans are the employer's contributions to social security (AHV/IV).

Compensation for former members of governing bodies

In the year under review, compensation in the amount of CHF 4.0 million (2015: CHF 0.2 million) was paid to four (2015: six) former members of senior management.

Loans

As at December 31, 2016 and December 31, 2015, there were no loans outstanding to members of the Board of Directors and members of senior management.

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 on the open market. In 2016, the company did not purchase any LafargeHolcim Ltd share from members of senior management (2015: CHF 0.0 million).

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. 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.

At this stage, the construction agreements entered into with the OCI Group are considered to be at arm's length business transactions, intervening within the framework of consortia, OCI being one of the members. There is no conflict of interest between Mr Nassef Sawiris and LafargeHolcim on this subject. Under these agreements, the outstanding balances with the OCI Group are not significant as at December 31, 2016.

No compensation was paid or loans granted to parties closely related to members of the governing bodies.

38. Events after the reporting period

In the first two months 2017, operations and assets were transferred from Lafarge China Cement Ltd to the associate company Huaxin Cement Co. Ltd. Further information on the transactions in China is disclosed in the notes 4 and 20.

On February 20, 2017, LafargeHolcim Ltd redeemed a CHF 400 million bond with a coupon of 3.13 percent which was issued on February 20, 2007.

On February 28, 2017 the Group disposed of its 65 percent shareholding in LafargeHolcim Vietnam for a total consideration of CHF 546 million before tax. The assets and the related liabilities were classified as held for sale on December 31, 2016, as described in note 20.

39. 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, 2017 and are subject to shareholder approval at the annual general meeting of shareholders scheduled for May 3, 2017.

40. Principal companies of the Group

Principal operating Group companies

Region	Company	Place	Cement	Aggregate	Other construction materials and services	Participation (percentage of interest)	Listed company
Asia Pacific	Holcim (Australia) Holdings Pty Ltd	Australia		◆	●	100.0%	
	Holcim Cement (Bangladesh) Ltd.	Bangladesh	■			100.0%	
	Lafarge Surma Cement Ltd.	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%	
	Holcim (Vietnam) Ltd	Vietnam	■		●	65.0%	
Latin America	Holcim (Argentina) S.A.	Argentina	■	◆	●	79.6%	X
	Holcim (Brasil) S.A.	Brazil	■	◆	●	99.9%	
	Cemento Polpaico S.A.	Chile	■	◆	●	54.3%	X
	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	Participation (percentage of interest)	Listed company
Europe	Lafarge Zementwerke GmbH	Austria	■			70.0%	
	Holcim (Azerbaijan) O.J.S.C.	Azerbaijan	■			80.2%	
	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%	
	Holcim Magyarország Kft.	Hungary	■		●	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%	
	Holcim (Rus) OAO	Russia	■			100.0%	
	OAO Lafarge Cement	Russia	■			75.0%	
	Lafarge Beocinska Fabrika Cementa	Serbia	■			100.0%	
	Lafarge Slovenia	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%	
	Holcim Group Services Ltd	Switzerland			●	100.0%	
	Holcim Technology Ltd	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	Aggre-gate	Other con-struction materials and services	Participa-tion (percent-age 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%	
	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%	
	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	■		●	54.3%	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	■			61.8%	X
	Lafarge Africa Plc.	Nigeria	■	◆	●	72.8%	X
	United Cement Company of Nigeria Ltd	Nigeria	■			72.8%	
	Lafarge Industries South Africa (Pty) Ltd	South Africa	■		●	72.8%	
	Lafarge Mining South Africa (Pty) Ltd	South Africa		◆		72.8%	
	Lafarge Cement Syria	Syria	■			98.7%	
	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, 2016 in local currency			Security code number
Asia Pacific	**Lafarge Surma Cement Ltd.**	**Bangladesh**	**Chittagong/Dhaka**	**BDT**	**95,349**	**million**	**BD0643LSCL09**
	ACC Limited	**India**	**Mumbai**	**INR**	**249,954**	**million**	**INE012A01025**
	Ambuja Cements Ltd.	**India**	**Mumbai**	**INR**	**409,939**	**million**	**INE079A01024**
	PT Holcim Indonesia Tbk.	**Indonesia**	**Jakarta**	**IDR**	**6,896,610**	**million**	**ID1000072309**
	Lafarge Malaysia Berhad	**Malaysia**	**Kuala Lumpur**	**MYR**	**6,109**	**million**	**MYL3794OO004**
	Holcim Philippines Inc.	**Philippines**	**Manila**	**PHP**	**106,460**	**million**	**PHY3232G1014**
Latin America	**Holcim (Argentina) S.A.**	**Argentina**	**Buenos Aires**	**ARS**	**12,216**	**million**	**ARP6806N1051**
	Cemento Polpaico S.A.	**Chile**	**Santiago**	**CLP**	**130,487**	**million**	**CLP2216J1070**
	Holcim (Costa Rica) S.A.	**Costa Rica**	**San José**	**CRC**	**145,815**	**million**	**CRINC00A0010**
	Holcim (Ecuador) S.A.	**Ecuador**	**Quito, Guayaquil**	**USD**	**1,229**	**million**	**ECP516721068**
Middle East Africa	**Jordan Cement Factories Company P.S.C.**	**Jordan**	**Amman**	**JOD**	**94**	**million**	**JO4104211019**
	Bamburi Cement Limited	**Kenya**	**Nairobi**	**KES**	**58,073**	**million**	**KE0000000059**
	Holcim (Liban) S.A.L.	**Lebanon**	**Beirut**	**USD**	**229**	**million**	**LB0000012833**
	Ashakacem Plc.	**Nigeria**	**Lagos**	**NGN**	**26,918**	**million**	**NGASHAKACEM8**
	Lafarge Africa Plc.	**Nigeria**	**Lagos**	**NGN**	**223,787**	**million**	**NGWAPCO00002**
	Lafarge Cement Zambia Plc	**Zambia**	**Lusaka**	**ZMW**	**1,036**	**million**	**ZM0000000011**
	Lafarge Cement Zimbabwe Limited	**Zimbabwe**	**Harare**	**USD**	**31**	**million**	**ZW0009012056**

Principal joint ventures and associated companies

Region	Company	Country of incorporation or residence	Participation (percentage of interest)
Asia Pacific	**Cement Australia Holdings Pty Ltd**	**Australia**	**50.0%**
	Huaxin Cement Co. Ltd.	**China**	**41.8%**
Middle East Africa	**Karbala Cement Manufacturing Ltd**	**Iraq**	**51.0%**
	Lafarge Maroc	**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	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%
Sabelfi SNC	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%
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%
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, 2017

Statutory auditor's 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) as at December 31, 2016, which comprise the consolidated statement of income, consolidated statement of comprehensive earnings, consolidated statement of financial position, consolidated statement of changes in equity, 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 173 to 265) give a true and fair view of the consolidated financial position of the Group as at December 31, 2016, 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.

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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.

Finalization of the Purchase Price Allocation from the LafargeHolcim merger

Risk	**Holcim merged with the Lafarge Group on July 10, 2015. Following the acquisition of the Lafarge Group, LafargeHolcim management prepared a Purchase Price Allocation (PPA) calculation. The PPA was preliminarily prepared as of December 31, 2015 and finalized by July 9, 2016 as disclosed in note 4.** **PPA accounting and the related allocation of goodwill required a significant number of management estimates. The key judgments relate to the allocation of the purchase price to the assets, liabilities and contingent liabilities acquired as well as to the initial goodwill allocation.**
Our audit response	**We assessed, with involvement of our valuation specialists, the valuation methodology adopted in determining fair values, the underlying assumptions and the mathematical accuracy of the valuation models.** **We analyzed the purchase price allocation and we assessed the allocation of goodwill to both existing groups of CGUs and those created through the merger.** **We involved our internal tax experts to assess the recognition and valuation of deferred tax assets and liabilities.**

Goodwill and long-lived assets impairment

Risk	**The entity's disclosures about long-lived assets are included in note 23, those relating to goodwill and intangible assets are included in note 24.** **LafargeHolcim management steadily monitors impairment indicators for goodwill and long-lived assets.** **The carrying values of goodwill and long-lived assets are dependent on the generation of future cash flows. The determination of the recoverable amount is based on these cash flows and other assumptions such as the discount rate and growth rate.** **The annual impairment testing process is complex, contains items based on judgments and includes assumptions that are affected by expected future market conditions. There is a risk in impairment testing that future cash flows may not meet expectation or that the outcomes may differ from the estimated values.**
Our audit response	**We evaluated management's assessment of impairment indicators for the long-lived assets and the allocated goodwill.** **We reviewed the valuations prepared by management and supporting third party evidence for the carrying value of goodwill.** **We evaluated the assumptions used in respect of forecast growth rates and involved our EY valuation specialists to review the discount rates used which included comparison to economic and industry forecasts.** **We performed audit procedures on the mathematical accuracy of the valuation models and on the consistency of the definition of the cash generating units as well as of the goodwill reporting units.** **We reviewed the sensitivity analyses for the main assumptions and we analyzed the disclosures of the assumptions.**

Litigations, fines or penalties

Risk	**Several Group companies are involved in legal proceedings, including anti-trust, regulatory and other governmental proceedings as well as investigations by authorities as disclosed in notes 30 and 35. Since the ultimate disposition of asserted claims, proceedings and investigations cannot be predicted with certainty, an adverse outcome could have a material effect on the financial position, earnings and cash flows.** **Assessing the impact and likely outcome of a litigation matter requires significant judgment. The judgments involved in determining the likely outcome of such matters may result in a risk that those legal provisions may be incorrect or are not made on a timely basis.**
Our audit response	**We evaluated the Group process for the identification and evaluation of claims, proceedings and investigations at different levels in the organization, as well as for the recording and continuous re-assessment of the related (contingent) liabilities and provisions.** **We assessed judgments and accounting treatments made by management arising from current legal proceedings including anti-trust cases and other regulatory risks.** **We analyzed the disclosures relating to the provision for specific business risks and for contingent liabilities.** **We inquired with the Group chief legal and compliance officer and Group Management as well as local management and financial staff in respect of ongoing investigations, claims or proceedings; assessed relevant correspondence; reviewed the minutes of the meetings of the Finance and Audit Committee, Board of Directors and Executive Committee; obtained external legal confirmation letters from a selection of external legal counsels and received a legal representation letter from Group Companies.**

Tax matters

Risk	**The Group operates in multiple jurisdictions and is therefore exposed to numerous tax laws around the world. The recognition of a related risk provision, and the likelihood that a liability will crystallize, are both considered to be significant judgmental areas. Another source of risk arises from tax authorities challenging certain tax treatments, with a possible focus on taxation of multinational businesses.** **Moreover, the recognition of deferred tax assets from temporary differences and loss carry forwards requires management assessment of whether it is probable that sufficient future taxable profit will be available against which the deferred tax assets can be utilized.** **There is a risk that judgments involved in determining provisions for tax liabilities or the future recoverability of deferred tax assets may be incorrect.**
Our audit response	**We evaluated the Group process for the identification and evaluation of uncertain tax positions and other tax risks as well as for the assessment of the recoverability of deferred tax assets. We also considered the Group process for the recording and continuous re-assessment of the related (contingent) liabilities and provisions as well as deferred taxes.** **We reviewed tax exposures estimated by management and the risk analysis associated with these exposures along with claims or assessments made by tax authorities to date.** **We analyzed the tax risk provision with the involvement of our internal tax experts to evaluate whether it reflects the tax risks in the business. We reviewed documentation of tax audits and evaluated whether exposures raised by the tax authorities have been considered.** **We tested the calculation of deferred tax assets and liabilities and considered the management estimates relating to the recoverability of deferred tax assets.** **We analyzed the off-setting and presentation of deferred tax positions.**

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 stand-alone financial statements, the compensation report 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 consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group'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 Group 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://www.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 para. 1 item 3 CO and the 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.

Ernst & Young Ltd

Daniel Wüst Licensed Audit Expert Auditor in charge	Elisa Alfieri Licensed Audit Expert

HOLDING
COMPANY RESULTS

Statement of income LafargeHolcim Ltd

Million CHF	Notes	2016	2015
Dividend income – Group companies	3	5,910	5,202
Financial income – Group companies		214	90
Other operational income	4	11	1,218
TOTAL INCOME		6,135	6,511
Financial expenses – Group companies		(32)	(6)
Financial expenses – Third parties		(50)	(61)
Other operational expenses	5	(729)	(406)
Impairment of financial investments – Group companies	6	(5,203)	(3,776)
Direct taxes		0	(28)
TOTAL EXPENSES		(6,014)	(4,277)
NET INCOME		120	2,234

Statement of financial position LafargeHolcim Ltd

Million CHF	Notes	31.12.2016	31.12.2015
Cash and cash equivalents		334	79
Trade receivables – Group companies		2	52
Short-term financial receivables – Group companies		91	34
Other current receivables – Group companies		45	23
Accrued income and prepaid expenses – Third parties		2	1
CURRENT ASSETS		474	189
Loans – Group companies	7	4,246	4,585
Financial investments – Group companies	8	36,428	36,864
Other financial assets		4	1
LONG-TERM ASSETS		40,678	41,450
TOTAL ASSETS		41,152	41,639
Interest bearing short-term financial liabilities – Group companies		173	210
Interest bearing short-term financial liabilities – Third parties	9	400	475
Other current liabilities – Group companies		565	41
Other current liabilities – Third parties		60	75
CURRENT LIABILITIES		1,198	801
Interest bearing long-term financial liabilities – Group companies	10	1,888	1,583
Interest bearing long-term financial liabilities – Third parties	11	1,550	1,950
LONG-TERM LIABILITIES		3,438	3,533
TOTAL LIABILITIES		4,636	4,334
Share capital	16	1,214	1,214
Statutory capital reserves		21,624	22,532
Statutory retained earnings			
– Statutory retained earnings		2,531	2,517
– Reserves for treasury shares held by subsidiaries		0	13
Voluntary retained earnings			
– Retained earnings prior year		11,102	8,869
– Annual profit		120	2,234
Treasury Shares	12	(75)	(73)
SHAREHOLDERS' EQUITY		36,516	37,305
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		41,152	41,639

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: no 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	
		2016	2015	31.12.2016	31.12.2015
1 Euro	EUR	1.09	1.07	1.07	1.08
1 US Dollar	USD	0.98	0.96	1.02	0.99
1 British Pound	GBP	1.33	1.47	1.26	1.47
1 Australian Dollar	AUD	0.73	0.72	0.74	0.72
1 Canadian Dollar	CAD	0.74	0.75	0.76	0.71
100 Mexican Peso	MXN	5.28	6.07	4.93	5.69
1 Brazilian Real	BRL	0.28	0.29	0.31	0.25
1 New Zealand Dollar	NZD	0.69	0.67	0.71	0.68

3. Dividend income – Group companies

Million CHF	2016	2015
LafargeHolcim Continental Finance Ltd	5,708	0
Holcim Beteiligungs GmbH	0	159
Holcim Capital Corporation Ltd.	0	1,808
Holcim European Finance Ltd.	0	404
Holcim Participations (US) Inc.	0	99
Holcim GB Finance Ltd.	20	38
Holpac Limited	0	144
Holderfin B.V.	0	2,318
Cesi S.A.	168	232
Holcim Group Services Ltd	14	0
TOTAL	5,910	5,202

4. Other operational income

Million CHF	2016	2015
Gain on sale of trademark license usage right	0	832
Gain on sale of Holcim (Canada) Inc.	0	159
Branding and trademark fees	1	220
Foreign exchange gains	10	8
TOTAL	11	1,218

5. Other operational expenses

Million CHF	2016	2015
Board of Director fees	(6)	(9)
Stewardship, branding and project expenses	(612)	(276)
Administrative expenses	(20)	(41)
Loss on expired options	0	(3)
Foreign exchange losses	(91)	(78)
TOTAL	(729)	(406)

6. Impairment of financial investments – Group companies

Million CHF	2016	2015
Holmin Limited	0	(86)
Holcim Capital Corporation Ltd.	0	(1,627)
LafargeHolcim Continental Finance Ltd	(5,203)	0
Holcim European Finance Ltd.	0	(398)
Holcim Finance (Canada) Inc.	0	(13)
Holcim GB Finance Ltd.	0	(39)
Holcim Overseas Finance Ltd.	0	(1,565)
Holchil Limited	0	(48)
TOTAL	(5,203)	(3,776)

7. Loans – Group companies

Million CHF	31.12.2016	31.12.2015
Fernhoff Ltd.	63	60
Holcim Participations (US) Inc.	322	401
Holcim (Schweiz) AG	885	970
LafargeHolcim International Finance Ltd	2,932	3,138
LafargeHolcim Albion Finance Ltd	13	15
Holdertrade Ltd	31	0
TOTAL	4,246	4,585

8. Financial Investments – Group companies

The principal direct and indirect subsidiaries and other holdings of LafargeHolcim Ltd are shown in note 40 to the Group's consolidated financial statements.

9. Interest bearing short-term financial liabilities – Third parties

Million CHF	31.12.2016	31.12.2015
–0.53% floating, UBS Bond swapped into floating interest rates at inception, 2007–2017	400	0
2.38% fixed, CS Bond, 2010–2016	0	475
TOTAL	400	475

10. Interest bearing long-term financial liabilities – Group companies

Million CHF	31.12.2016	31.12.2015
LafargeHolcim International Finance Ltd	1,454	1,348
LafargeHolcim Helvetia Finance Ltd	434	218
Provision for unrealized foreign exchange gains	0	17
TOTAL	1,888	1,583

11. Interest bearing long-term financial liabilities – Third Parties

Million CHF	31.12.2016	31.12.2015
–0.53% floating, UBS Bond swapped into floating interest rates at inception, 2007–2017	0	400
4.00% fixed, CS Bond, 2009–2018	450	450
3.00% fixed, CS Bond, 2012–2022	450	450
2.00% fixed, UBS Bond, 2013–2022	250	250
1.00% fixed, CS Bond, 2015–2025	150	150
0.38% fixed CS Bond, 2015–2021	250	250
TOTAL	1,550	1,950

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
01.01.2016	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
01.01.2015	Opening	1,135,918	76	67.1	83,421	6	67.1
2015	Purchases	239,043	11	47.9	543,149	36	67.1
2015	Sales	(255,622)	(15)	56.8	(407,415)	(29)	71.9
31.12.2015	Closing	1,119,339	73	65.3	219,155	13	58.1

13. Contingent liabilities

Million CHF	31.12.2016	31.12.2015
Holcim Capital Corporation Ltd. – Guarantees in respect of holders of		
7.65 % USD 50 million private placement due in 2031	81	81
6.88 % USD 250 million bonds due in 2039	281	272
6.50 % USD 250 million bonds due in 2043	281	272
Holcim Capital México, S.A. de C.V. – Guarantees in respect of holders of		
4.20 % MXN 800 million bonds due in 2016	0	50
5.99 % MXN 2,000 million bonds due in 2018	109	125
7.00 % MXN 1,700 million bonds due in 2019	92	107
6.51 % MXN 1,700 million bonds due in 2020	92	107
Holcim Finance (Australia) Pty Ltd – Guarantees in respect of holders of		
6.00 % AUD 250 million bonds due in 2017	203	199
5.25 % AUD 200 million bonds due in 2019	162	159
3.75 % AUD 250 million bonds due in 2020	203	199
Holcim Finance (Belgium) S.A.		
Commercial Paper Program, guarantee based on utilization, EUR 3,500 million maximum	215	1,260
Holcim Finance (Luxembourg) S.A. – Guarantees in respect of holders of		
6.35 % EUR 200 million bonds due in 2017	236	238
0.79 % EUR 209 million Schuldschein loans due in 2021	247	0
1.04 % EUR 413 million Schuldschein loans due in 2021	488	0
0.99 % EUR 25 million Schuldschein loans due in 2023	30	0
1.38 % EUR 1,150 million bonds due in 2023	1,359	0
1.46 % EUR 152 million Schuldschein loans due in 2023	180	0
3.00 % EUR 500 million bonds due in 2024	591	594
2.00 % EUR 33 million Schuldschein loans due in 2026	39	0
2.25 % EUR 1,150 million bonds due in 2028	1,359	0

Million CHF	31.12.2016	31.12.2015
Holcim GB Finance Ltd. – Guarantees in respect of holders of		
8.75% GBP 300 million bonds due in 2017	**414**	**485**
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.		
Commercial Paper Program, guarantee based on utilization, USD 1,000 million maximum	**0**	**124**
Guarantees in respect of holders of		
6.10% USD 125 million private placement due in 2016	**0**	**124**
6.21% USD 200 million private placement due in 2018	**204**	**198**
6.00% USD 750 million bonds due in 2019	**843**	**816**
2.63% EUR 500 million bonds due in 2020	**591**	**594**
4.20% USD 50 million bonds due in 2033	**56**	**54**
5.15% USD 500 million bonds due in 2023	**562**	**544**
LafargeHolcim International Finance Ltd – Guarantees in respect of holders of		
2.49% USD 121 million Schuldschein loans due in 2021	**136**	**0**
2.80% USD 40 million Schuldschein loans due in 2021	**45**	**0**
2.69% USD 25 million Schuldschein loans due in 2023	**28**	**0**
3.20% USD 15 million Schuldschein loans due in 2023	**17**	**0**
LafargeHolcim Finance US LLC – Guarantees in respect of holders of		
3.50% USD 400 million bonds due in 2026	**450**	**0**
4.75% USD 600 million bonds due in 2046	**674**	**0**
Guarantees for committed credit lines, utilization CHF 0 million (2015: CHF 96 million)	**5,619**	**3,219**
Other guarantees	**14**	**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

As of December 31, 2016, the members of the Board of Directors and senior management of LafargeHolcim Ltd held directly and indirectly in the aggregate 98,810,316 registered shares (2015: 98,381,894 registered shares) and no rights to acquire further registered shares and 1,461,174 call options on registered shares (2015: 953,159 call options on registered shares).

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

Number of shares and options held by the Board of Directors as of December 31, 2015[1]

Name	Position	Total number of shares 2015	Total number of call options 2015
Wolfgang Reitzle	Chairman	6,455	
Beat Hess	Deputy Chairman	6,400	
Bruno Lafont	Co-Chairman	43,810	448,206
Bertrand Collomb	Member	116,094	
Philippe Dauman	Member	0	
Paul Desmarais Jr.	Member, Nomination, Compensation & Governance Committee Chairman	35,957	
Oscar Fanjul	Member	4,772	
Alexander Gut	Member, Finance and Audit Committee Chairman	5,769	
Gérard Lamarche	Member	1,080	
Adrian Loader	Member	12,490	
Nassef Sawiris	Member	28,935,639	
Thomas Schmidheiny	Member	69,068,278	
Hanne Sørensen	Member	2,527	
Dieter Spälti	Member, Strategy and Sustainable Development Committee Chairman	50,859	
TOTAL BOARD OF DIRECTORS		98,290,130	448,206

[1] From allocation, shares are subject to a five-year sale and pledge restriction period.

In 2016, 35,863 shares with a value of CHF 1.9 Million were granted to the Board of Directors (2015: 34,466 shares with a value of CHF 1.4 Million).

Shares and options owned by Senior Management

As of December 31, 2016, members of Senior Management held a total of 486,543 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 2016, Senior Management held a total of 1,018,088 share options; 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, 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

Number of shares and options held by the senior management as of December 31, 2015

Name	Position	Total number of shares 2015	Total number of call options 2015	Total number of performance shares 2015
Eric Olsen	CEO	8,272	68,050	
Ron Wirahadiraksa	Member of the Executive Committee, CFO	0	0	
Urs Bleisch	Member of the Executive Committee	7,443	50,069	
Alain Bourguignon	Member of the Executive Committee	10,518	14,216	
Pascal Casanova	Member of the Executive Committee	1,643	18,031	
Jean-Jacques Gauthier	Member of the Executive Committee	4,413	63,637	
Roland Köhler	Member of the Executive Committee	28,882	106,991	
Gérard Kuperfarb	Member of the Executive Committee	5,115	66,083	
Saâd Sebbar	Member of the Executive Committee	6,356	15,669	
Ian Thackwray	Member of the Executive Committee	19,122	102,207	
TOTAL SENIOR MANAGEMENT		91,764	504,953	

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 69,070,670 shares or 11.40 percent as per December 31, 2016 (2015: 69,068,278 shares or 11.40 percent)[1];
- Groupe Bruxelles Lambert holds 57,238,551 shares or 9.40 percent as per December 31, 2016 (2015: 57,238,551 shares or 9.40 percent);
- NNS Jersey Trust holds 28,935,639 shares or 4.80 percent as per December 31, 2016 (2015: 28,935,639 shares or 4.80 percent)[2];
- Dodge & Cox declared holdings of 17,779,690 shares (falling below the threshold of 3 percent) as per November 25, 2016 (2015: 19,835,811 shares or 3.30 percent);
- BlackRock Inc. declared holdings of 18,343,270 shares or 3.02 percent as per January 6, 2017 (January 26, 2016: 9,582,830 or below 3 percent);
- Harris Associates L.P. declared holdings of 30,285,539 shares or 4.99 percent on August 15, 2016 (March 31, 2016: 39,345,335 or 6.48 percent). Harris Associates Investment Trust declared holding of 17,498,554 shares (falling below threshold of 3 percent) as per August 16, 2016 (February 13, 2016: 18,412,635 shares or 3.03 percent).

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[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

	2016		2015	
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		11,102		8,869
Net income of the year		120		2,234
RETAINED EARNINGS AVAILABLE FOR ANNUAL GENERAL MEETING OF SHAREHOLDERS		11,222		11,102
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		11,222		11,102

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 1,214 million[1].

	2016	2015
	Cash payout CHF	**Cash payout CHF**
Payout per share, gross	2.00	1.50
Less withholding tax	0	0
Payout per share, net	2.00	1.50

[1] There is no payout on treasury shares held by LafargeHolcim. On January 1, 2017 treasury holdings amounted to 1,152,327 registered shares.

TO THE GENERAL MEETING OF LAFARGEHOLCIM LTD, RAPPERSWIL-JONA

Zurich, March 1, 2017

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of LafargeHolcim Ltd, which comprise the statement of income, balance sheet and notes (pages 274 to 285), for the year ended December 31, 2016.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended December 31, 2016 comply with Swiss law and the company's articles of incorporation.

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. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.

Financial investments – Group companies

Risk	**LafargeHolcim Ltd holds several financial investments in group companies. The principal direct and indirect subsidiaries and other holdings of LafargeHolcim Ltd are disclosed on pages 261 to 265. There is a risk that the carrying amount of the financial investments may no longer be supported through their value in use calculated on the basis of budgeted future cash flows. Management undertakes impairment tests when there are indications of impairment. If management concludes on a low underlying risk after their initial assessment, a simplified procedure is applied.**
Our audit response	**We assessed, with involvement of our valuation specialists, the valuation methodology, the underlying assumptions and the mathematical accuracy of the valuation models.**

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para. 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.

Ernst & Young Ltd

Daniel Wüst Licensed Audit Expert Auditor in charge	Elisa Alfieri Licensed Audit Expert

5-YEAR-REVIEW LAFARGEHOLCIM GROUP

5-Year-Review LafargeHolcim Group

		2016	2015	2014[1]	2013[2]	2012[1]
Statement of income						
Net sales	million CHF	26,904	23,584	18,825	19,719	21,160
Gross profit	million CHF	11,272	7,093	8,365	8,632	8,631
Operating EBITDA	million CHF	5,242	3,682	3,647	3,896	3,889
Operating EBITDA margin	%	19.5	15.6	19.4	19.8	18.4
Operating profit (loss)	million CHF	2,837	(739)	2,244	2,357	1,749
Operating profit (loss) margin	%	10.5	(3.1)	11.9	12.0	8.3
Depreciation, amortization and impairment of operating assets	million CHF	2,405	4,421	1,402	1,538	2,140
Income taxes	million CHF	835	781	581	533	550
Tax rate	%	29	(114)	26	25	35
Net income (loss)	million CHF	2,090	(1,361)	1,619	1,596	1,002
Net income (loss) margin	%	7.8	(5.8)	8.6	8.1	4.7
Net income (loss) – shareholders of LafargeHolcim Ltd	million CHF	1,791	(1,469)	1,287	1,272	610
Statement of cash flows						
Cash flow from operating activities	million CHF	3,295	2,465	2,484	2,787	2,643
Investments in property, plant and equipment for maintenance net	million CHF	(997)	(981)	(732)	(719)	(790)
Investments in property, plant and equipment for expansion	million CHF	(638)	(1,007)	(1,005)	(1,282)	(803)
Disposal of financial assets, intangible and other assets and businesses net	million CHF	2,342	7,222	35	336	396
Statement of financial position						
Current assets	million CHF	14,435	13,331	7,231	7,590	8,275
Long-term assets	million CHF	55,182	59,967	32,259	30,355	32,922
Total assets	million CHF	69,617	73,298	39,490	37,944	41,198
Current liabilities	million CHF	12,509	14,832	6,847	7,461	8,299
Long-term liabilities	million CHF	22,361	22,744	12,531	11,807	13,665
Total shareholders' equity	million CHF	34,747	35,722	20,112	18,677	19,234
Shareholders' equity as % of total assets		49.9	48.7	50.9	49.2	46.7
Non-controlling interest	million CHF	3,925	4,357	2,682	2,471	2,797
Net financial debt	million CHF	14,724	17,266	9,520	9,461	10,325
Capacity, sales and personnel						
Annual production capacity cement	million t	353.3	374.0	208.8	206.2	209.3
Sales of cement	million t	233.2	193.1	138.2	138.9	142.3
Sales of aggregates	million t	282.7	231.5	153.1	154.5	158.2
Sales of ready-mix concrete	million m^3	55.0	47.6	37.0	39.5	45.3
Personnel		90,903	100,956	67,137	70,857	76,359

[1] Restated due to changes 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 2017	**May 3, 2017**
Annual General Meeting of shareholders	**May 3, 2017**
Ex date	**May 8, 2017**
Payout	**May 10, 2017**

Definition of Non-GAAP Measures used in this release

Pro Forma Information	The Pro Forma Financial Information for the period ended December 31, 2015 reflects the merger of Holcim and Lafarge as if the Merger had occurred on January 1, 2015. The Pro Forma Financial Information is derived from: – the audited financial information of LafargeHolcim for the period ended December 31, 2015; and – Lafarge interim financial information for the six month period ended June 30, 2015 translated into Swiss Francs. The Pro Forma Financial Information also reflects the following effects: – the financial impact corresponding to the 10 days between July 1 and July 10, 2015 (Merger date); – the impacts of the fair value adjustments for the six month period ended June 30, 2015. They mainly relate to long-term financial debt and depreciation and amortization of property, plant and equipment; – the change of scope resulting from the Merger (mainly the full consolidation of operations in China and Nigeria); and – the divestments carried out as part of a rebalancing of the Group global portfolio and completed in the second semester of 2015 mainly to CRH for operations in Europe, North America, Brazil and the Philippines. The Pro Forma Financial Information does not take into consideration any purchase price accounting impact on operating EBITDA which mainly relates to inventory valuation.
Like-for-like	Like-for-like information is information factoring out changes in the scope of consolidation occurring in 2016 (such as divestments occurring in 2016) and currency translation effects (2016 figures are converted with 2015 exchange rates in order to calculate the currency effects). The changes in scope in connection with the merger with Lafarge were already taken into account in the Pro Forma Financial Information.
Operating EBITDA	The Operating EBITDA is an indicator to measure the performance of the Group. It is defined as: – Operating profit before depreciation, amortization and impairment of operating assets.
Merger, restructuring and other one-offs	The Merger, restructuring and other one-offs are an indicator to identify the impacts of the merger and other non recurring effects. It is defined as: – Costs directly related to the merger such as legal, banking fees and advisory costs related to the merger, employee costs related to redundancy plans directly related to the merger; and – Restructuring costs and other non recurring costs such as employee costs related to other redundancy plans.
Operating EBITDA adjusted	The Operating EBITDA adjusted is an indicator to measure the performance of the Group excluding the impacts of non recurring items such as merger costs and other. It is defined as: – Operating EBITDA excluding merger, restructuring and other one-offs.
Operating EBITDA margin adjusted	The Operating EBITDA margin adjusted is an indicator to measure the profitability of the Group excluding the impacts of non recurring items such as merger costs and other. It is defined as: – Operating EBITDA margin excluding merger, restructuring and other one-offs.
Recurring Net Income	The Recurring Net Income is an indicator to measure the net income excluding any non recurring transactions. It is defined as: +/– Net income (loss) – merger-related one-off costs; – other one-off costs above CHF 50 million on an individual basis; – costs of early bond repayments; and – gains/losses on disposals and impairments.
Recurring Earnings Per Share (EPS)	The Recurring Earnings Per Share (EPS) is an indicator that measures the theoretical profitability per share of stock outstanding based on a Recurring Net Income. It is defined as: – Recurring Net Income 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.
Operating Free Cash Flow	The Operating 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.
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: + Accounts receivable; + Inventories; + Prepaid and other current assets (excluding current income tax receivable); + Long-term financial assets; + Investments in associates and joint ventures; + Property, plant and equipment; + Goodwill; + Intangible assets; + Other long-term assets; – Trade accounts payable; – Other current liabilities; – Short-term provisions; – Defined benefit obligations; 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 net income before taxes, adjusted for the net financial expenses but including the interest earned on cash and cash equivalents and marketable securities); and – Standard Taxes (being the taxes applying the country tax rate to the Net Operating Profit (as defined above) after deduction of interest expenses).
Return On Invested Capital ("ROIC")	The ROIC (Return On Invested Capital) measures the Group's ability to use invested capital increasingly efficiently. 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).

This set of definitions can be found on our website: *www.lafargeholcim.com/non-gaap-measures*

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Concept and design:
hw.design gmbh

Cover photograph: Bosco Verticale in Milan, Italy, a striking example of modern and sustainable architecture. Built with LafargeHolcim concrete and advanced technical support, Bosco Verticale was designed by architect Stefano Boeri and has won numerous international prizes.

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