

Media Release



Zug, July 30, 2020

LafargeHolcim

Resilient H1 performance, full recovery in June

- Early priorities on health measures for employees, partners and communities
- Resilient performance with net sales decrease 10.8% LfL, Recurring EBIT decrease 22.0% LfL
- Rapid execution of action plan “HEALTH, COST & CASH” delivering visible results
- Over-proportional cost decline vs volumes development in May and June
- Excellent free cash flow¹ generation of CHF 749m (+198%), strong balance sheet and liquidity
- Further strengthening leadership in green construction
- Fast demand recovery with an encouraging outlook for second half of 2020

PERFORMANCE OVERVIEW

Group (in million CHF)	H1 2020	H1 2019	±%	±% LfL
Net sales	10,693	13,059	-18.1	-10.8
Recurring EBIT	1,194	1,667	-28.4	-22.0
Recurring EBIT margin	11.2	12.8		
Net income ²	347	1,009	-65.7	
Net income before impairment and divestments ²	501	769	-34.8	
EPS	0.55	1.68		
EPS before impairment and divestments	0.80	1.28	-37.1	
Free cash flow ¹	749	252	+198	
Net financial debt	10,652	12,650	-15.8	

Jan Jenisch, CEO: “I’m very proud of our teams’ rapid and agile response to the crisis since the beginning of January. We were quick to respond and take all necessary measures to protect the health of our people while supporting our communities, from donating materials to build emergency field hospitals all the way to supplying essential goods, touching the lives of over four million people around the world.

“Our half-year results demonstrate the great resilience of our business. I’m encouraged by our team’s agility to weather the storm with the rapid execution of our “HEALTH, COST & CASH” action plan, effectively driving cost savings ahead of expectations, improving net working capital and delivering record free cash flow¹.

“The peak of the crisis is behind us. We expect a solid second half of the year based on June’s full recovery, the trend of our order book and upcoming government stimulus packages.

“As an essential sector to keep society running, we look forward to playing our part in driving the recovery. We are accelerating our sustainability efforts to ensure our green solutions are fully part of the recovery. I am confident LafargeHolcim will emerge stronger from this crisis.”

¹ After leases

² Group share

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RESILIENT PERFORMANCE AND RECORD FREE CASH FLOW¹

Net sales of CHF 10,693 million decreased by 18.1% compared to the prior year, of which 10.8% was on a like-for-like basis, reflecting the severe impact of the implementation of strict lockdowns of construction sites in several major operating countries. The strong appreciation of the CHF against all currencies accounted for 6.2% of the absolute decrease. Following the easing of the lockdowns, net sales in all five regions resumed prior-year levels by the end of June.

Recurring EBIT reached CHF 1,194 million, a decrease of 22.0% like-for-like for the half year. Swift implementation of the “HEALTH, COST & CASH” action plan helped to offset the earnings impact of the crisis.

Tax and financial expenses have continued to reduce, allowing **net income^{2,3}** to reach CHF 501 million.

Earnings per share³ were CHF 0.80 for the first half of 2020 compared to CHF 1.28 in the prior-year period.

Free cash flow¹ reached a record CHF 749 million in the six-month period, up 198% compared to CHF 252 million in the first half of 2019.

Net debt amounted to CHF 10.7 billion as at 30 June 2020, down by 15.8% compared to CHF 12.7 billion as at 30 June 2019.

BUILDING A HEALTHIER WORLD TOGETHER

Since the beginning of the crisis, LafargeHolcim teams around the world have undertaken extraordinary measures to fight COVID-19 across their communities, touching the lives of more than four million people. Advancing access to health infrastructure for all, LafargeHolcim donated five million kilograms of material to build emergency field hospitals from Wuhan to Boston. Furthermore, the Group donated over two million relief and emergency kits, including personal protective equipment, food and water.

In the first half of 2020 LafargeHolcim achieved a number-one Environmental, Social and Governance (ESG) ranking in the construction materials sector out of more than one-hundred peer companies, according to ESG research and ratings agency Sustainalytics. Playing its part in a green recovery, LafargeHolcim is advancing its leadership in sustainable and circular construction, notably with the worldwide rollout of ECOPact, its green concrete. Further accelerating the transition to renewable energy, LafargeHolcim leveraged 3D printing in an innovative partnership with GE Renewable Energy and COBOD to build more powerful wind turbines.

OUTLOOK 2020

Based on the speed of June’s rebound, the company expects a solid second half of the year and anticipates for full year 2020⁴:

- Fast demand recovery with an encouraging outlook for the second half of 2020
- Execution of action plan “HEALTH, COST & CASH” to continue ahead of targets
- Free cash flow¹ generation above CHF 2 billion
- Debt leverage below 2x
- Solid second half of the year expected

³ Before impairment and divestments

⁴ Subject to pandemic-related uncertainties

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KEY GROUP FIGURES

Group Q2	2020	2019	±%	±% LfL
Net sales (CHFm)	5,400	7,099	-23.9	-17.0
Recurring EBIT (CHFm)	932	1,362	-31.6	-26.1
Recurring EBIT margin (%)	17.3	19.2		

Group H1	2020	2019	±%	±% LfL
Net sales (CHFm)	10,693	13,059	-18.1	-10.8
Recurring EBIT (CHFm)	1,194	1,667	-28.4	-22.0
Recurring EBIT margin (%)	11.2	12.8		
Operating profit (EBIT)	1,005	1,581	-36.4	
Net income ²	347	1,009	-65.7	
Net Income before impairment and divestments ²	501	769	-34.8	
EPS before impairment and divestments	0.80	1.28	-37.1	
Cash flow from operating activities	1,330	1,067	24.7	
Free cash flow ¹	749	252	198	
Net financial debt	10,652	12,650	-15.8	

Group results by segment	H1 2020	H1 2019	±%	±% LfL
Sales of cement (mt)	87.2	103.8	-16.0	-13.1
Net sales of cement (CHFm)	7,029	8,783	-20.0	-11.6
Recurring EBIT of cement (CHFm)	1,131	1,441	-21.5	-14.0
Recurring EBIT margin of cement (%)	16.1	16.4		
Sales of Aggregates (mt)	113.8	121.7	-6.5	-6.0
Net sales of Aggregates (CHFm)	1,699	1,907	-10.9	-5.5
Recurring EBIT of Aggregates (CHFm)	101	174	-42.0	-40.1
Recurring EBIT margin of Aggregates (%)	5.9	9.1		
Sales of Ready-Mix Concrete (m m ³)	19.2	23.6	-18.6	-15.8
Net sales of Ready-Mix Concrete (CHFm)	2,103	2,595	-19.0	-12.3
Recurring EBIT of Ready-Mix Concrete (CHFm)	-47	13	-475.6	-617.4
Recurring EBIT margin of Ready-Mix Concrete (%)	-2.2	0.5		
Net sales of Solutions & Products (CHFm)	819	996	-17.8	-13.9
Recurring EBIT of Solutions & Products (CHFm)	6	39	-84.0	-94.9
Recurring EBIT margin of Solutions & Products (%)	0.8	3.9		

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REGIONAL PERFORMANCE H1

Asia Pacific

The Asia Pacific region experienced the most severe COVID-19 related disruption yet delivered a resilient Recurring EBIT margin, led by India and supported by effective cost and price management as well as lower input costs. China delivered a full recovery over the second quarter with volumes closing at higher levels than in the prior-year period and activity was also resilient in Australia.

Asia Pacific	H1 2020	H1 2019	±%	±% LfL
Sales of cement (mt)	28.0	38.9	-28.0	-21.0
Sales of aggregates (mt)	13.1	13.3	-1.4	2.2
Sales of ready-mix concrete (m m ³)	3.6	5.2	-31.0	-16.4
Net sales to external customers (CHFm)	2,413	3,417	-29.4	-18.0
Recurring EBIT (CHFm)	437	682	-35.9	-29.6
Recurring EBIT margin (%)	18.1	19.9		

Europe

Results for the Europe region were impacted by COVID-19 with full recovery in June. Markets in Germany, Central and Eastern Europe were resilient. Strict lockdown measures in the UK and France impacted the performance of the region. Volumes suggest a V-shaped recovery in June for the majority of markets, except in the UK.

Europe	H1 2020	H1 2019	±%	±% LfL
Sales of cement (mt)	20.9	22.5	-7.0	-7.0
Sales of aggregates (mt)	51.9	57.2	-9.3	-9.2
Sales of ready-mix concrete (m m ³)	8.3	9.6	-14.2	-14.6
Net sales to external customers (CHFm)	3,274	3,796	-13.8	-9.4
Recurring EBIT (CHFm)	288	408	-29.4	-26.2
Recurring EBIT margin (%)	8.7	10.6		

Latin America

The Latin America region showed an expanding Recurring EBIT margin amid COVID-19, with an especially strong contribution from Mexico. Performances in Ecuador, Colombia and El Salvador were significantly impacted by the pandemic. Most markets experienced a strong recovery in June.

Latin America	H1 2020	H1 2019	±%	±% LfL
Sales of cement (mt)	10.4	12.1	-14.3	-14.3
Sales of aggregates (mt)	2.2	2.0	7.8	7.8
Sales of ready-mix concrete (m m ³)	1.6	2.5	-34.7	-34.7
Net sales to external customers (CHFm)	980	1,331	-26.4	-12.1
Recurring EBIT (CHFm)	275	358	-23.0	-12.0
Recurring EBIT margin (%)	27.9	26.7		

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Middle East Africa

The Middle East Africa region showed resilient margins and recovery from the impact of COVID-19 by June. Volumes declined in Algeria, Egypt, Iraq and South Africa due to government restrictions and curfews. Ramadan in May slowed down the recovery in the respective countries. Nigeria delivered a resilient performance.

Middle East Africa	H1 2020	H1 2019	±%	±% LfL
Sales of cement (mt)	15.6	17.6	-11.6	-11.6
Sales of aggregates (mt)	1.4	3.4	-60.1	-60.1
Sales of ready-mix concrete (m m ³)	1.2	1.9	-35.7	-35.7
Net sales to external customers (CHFm)	1,177	1,476	-20.3	-14.8
Recurring EBIT (CHFm)	137	193	-29.3	-27.0
Recurring EBIT margin (%)	11.5	13.0		

North America

The North America region delivered a remarkable performance with a Recurring EBIT up 20 percent for the first half of 2020 over the prior-year period on a like-for-like basis. This leading performance amid COVID-19 was largely due to fast and effective cost management in the US, partly offset by the impact of lockdowns in Eastern Canada and the economic challenges facing Western Canada due to a slowdown in the oil & gas industry.

North America	H1 2020	H1 2019	±%	±% LfL
Sales of cement (mt)	8.9	9.0	-1.4	-1.4
Sales of aggregates (mt)	45.2	45.7	-1.1	-0.6
Sales of ready-mix concrete (m m ³)	4.5	4.4	2.7	1.5
Net sales to external customers (CHFm)	2,566	2,645	-3.0	0.8
Recurring EBIT (CHFm)	260	225	15.6	19.7
Recurring EBIT margin (%)	10.1	8.5		

RECONCILIATION TO GROUP ACCOUNTS

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

Million CHF	H1 2020 (Unaudited)	H1 2019 (Unaudited)
Net sales	10,693	13,059
Recurring operating costs	(8,717)	(10,658)
Share of profit of joint ventures	176	272
Recurring EBITDA after leases	2,152	2,673
Depreciation and amortization of property, plant and equipment, intangible and long-term assets	(958)	(1,007)
Recurring EBIT	1,194	1,667
Restructuring, litigation and other non-recurring costs	(39)	(71)
Impairment of operating assets	(151)	(14)
Operating profit	1,005	1,581

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Million CHF	H1 2020 (Unaudited)	H1 2019 (Unaudited)
Recurring EBITDA after leases	2,152	2,673
Depreciation of right-of-use assets	185	205
Recurring EBITDA	2,337	2,878

Million CHF	H1 2020 (Unaudited)	H1 2019 (Unaudited)
Recurring fixed costs	(2,922)	(3,436)
Recurring variable costs	(5,795)	(7,222)
Recurring operating costs	(8,717)	(10,658)

Million CHF	H1 2020 (Unaudited)	H1 2019 (Unaudited)
Net income	447	1,128
Impairment	(143)	(23)
Profit/(loss) on divestments	(11)	265
Net income before impairment and divestments	601	886
Net income before impairment and divestments Group share	501	769

Reconciliation of the Free Cash Flow after leases to the consolidated cash flows of the LafargeHolcim Group

Million CHF	H1 2020 (Unaudited)	H1 2019 (Unaudited)
Cash flow from operating activities	1,330	1,067
Purchase of property, plant and equipment	(442)	(647)
Disposal of property, plant and equipment	30	41
Repayment of long-term lease liabilities	(169)	(209)
Free cash flow after leases	749	252

Reconciliation of Net financial debt to the consolidated statement of financial position of the LafargeHolcim Group

Million CHF	H1 2020 (Unaudited)	H1 2019 (Unaudited)
Current financial liabilities	2,736	2,862
Long-term financial liabilities	11,697	12,886
Cash and cash equivalents	3,736	3,045
Short-term derivative assets	14	29
Long-term derivative assets	31	25
Net financial debt	10,652	12,650

NON-GAAP DEFINITIONS

Some non-GAAP measures are used in this release to help describe the performance of LafargeHolcim. A full set of these non-GAAP definitions can be found on our [website](#).

Measures	Definition
Like-for-like	Like-for-like information is information factoring out changes in the scope of consolidation (such as divestments and acquisitions occurring in 2020 and 2019) and currency translation effects (2020 figures are converted with 2019 exchange rates in order to calculate the currency effects).
Recurring fixed costs	Recurring fixed costs refer to all recurring costs not directly related to volumes such as Maintenance, Personal costs in Production, Administration, Marketing and Sales Expenses, Third party services and depreciation of right-of-use assets.
Recurring variable costs	Recurring variable costs include recurring operating costs directly related to volumes such as raw materials and finished goods purchases, inventory variation, energy, quarry outsourcing and distribution costs. The addition of variable and fixed recurring costs equals the total recurring operating costs.
Recurring operating costs	The Recurring operating costs is an indicator representing all recurring costs. It is defined as: +/- Recurring EBITDA after leases; – net sales; and – share of profit of joint ventures
Recurring EBITDA	The Recurring EBITDA (earnings before interest, tax, depreciation and amortization) is an indicator to measure the performance of the group excluding the impacts of non-recurring items. It is defined as: +/- Operating profit (EBIT) - depreciation, amortization and impairment of operating assets - restructuring, litigation and other non-recurring costs
Recurring EBITDA Margin	The Recurring EBITDA margin is an indicator to measure the profitability of the Group excluding the impacts of non-recurring items. It is defined as the Recurring EBITDA divided by net sales.
Recurring EBITDA after leases	The Recurring EBITDA after leases (earnings before interest, tax, depreciation and amortization) is an indicator to measure the performance of the Group including the impacts of lease depreciation and excluding the impacts of non-recurring items. The Recurring EBITDA after leases is defined as the Recurring EBITDA less the depreciation of right-of-use assets.
Recurring EBIT	The Recurring EBIT is defined as Operating profit/loss (EBIT) adjusted for restructuring, litigation and other non-recurring costs and for impairment of operating assets.
Restructuring, litigation and other non-recurring costs	Restructuring, litigation and other non-recurring costs comprise significant items that, because of their exceptional nature, cannot be viewed as inherent to the Group's ongoing performance, such as strategic restructuring, major items relating to antitrust fines and other business related litigation cases.
Profit/loss on disposals and other non-operating items	Profit/loss on disposals and other non-operating items comprise capital gains or losses on the sale of Group companies and of material property, plant and equipment and other non-operating items that are not directly related to the Group's normal operating activities such as revaluation gains or losses on previously held equity interests, disputes with non-controlling interest and other major lawsuits.

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Measures	Definition
Net income/loss before impairment and divestments	Net income/loss before impairment and divestments excludes impairment charges and capital gains and losses arising on disposals of investments which, because of their exceptional nature, cannot be viewed as inherent to the Group's ongoing activities. It is defined as: +/- Net income/loss - gains and losses on disposals of Group companies - impairments of goodwill and long-term assets
EPS (Earnings Per Share) before impairment and divestments	The EPS (Earnings Per Share) before impairment and divestments is an indicator that measures the theoretical profitability per share of stock outstanding based on a net income/loss before impairment and divestments. It is defined as Net income/loss before impairment and divestments attributable to the shareholders of LafargeHolcim divided by the weighted average number of shares outstanding.
Capex or Capex Net (Net Maintenance and Expansion Capex)	The Capex or Capex Net (Net Maintenance and Expansion Capex) 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 – Proceeds from sale of property, plant and equipment
Free Cash Flow after leases	The Free Cash Flow after leases 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 – Net Maintenance and Expansion Capex – Repayment of long-term lease liabilities
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 (short-term and long-term) including derivative liabilities – Cash and cash equivalents – Derivative assets (short-term and long-term)
Debt Leverage	The Net financial debt to Recurring EBITDA ratio is used as an indicator of financial risk and shows how many years it would take the Group to pay back its debt.
Cash conversion	The cash conversion is an indicator that measures the Group's ability to convert profits into available cash. It is defined as Free Cash Flow after leases divided by Recurring EBITDA after leases.

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ADDITIONAL INFORMATION

The analyst presentation of the results and our 2020 half-year report are available on our website at www.lafargeholcim.com

The financial statements are based on IFRS can be found on the LafargeHolcim Group [website](#).

Media conference: 09:00 CET

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Analyst conference: 10:00 CET

About LafargeHolcim

LafargeHolcim is the global leader in building materials and solutions and active in four business segments: Cement, Aggregates, Ready-Mix Concrete and Solutions & Products. Its ambition is to lead the industry in reducing carbon emissions and shifting towards low-carbon construction. With the strongest R&D organization in the industry, the company seeks to constantly introduce and promote high-quality and sustainable building materials and solutions to its customers worldwide - whether individual homebuilders or developers of major infrastructure projects. LafargeHolcim employs over 70,000 employees in over 70 countries and has a portfolio that is equally balanced between developing and mature markets.

More information is available on www.lafargeholcim.com

Important disclaimer - forward-looking statements:

This document contains forward-looking statements. Such forward-looking statements do not constitute forecasts regarding results or any other performance indicator, but rather trends or targets, as the case may be, including with respect to plans, initiatives, events, products, solutions and services, their development and potential. Although LafargeHolcim believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions as at the time of publishing this document, investors are cautioned that these statements are not guarantees of future performance. Actual results may differ materially from the forward-looking statements as a result of a number of risks and uncertainties, many of which are difficult to predict and generally beyond the control of LafargeHolcim, including but not limited to the risks described in the LafargeHolcim's annual report available on its website (www.lafargeholcim.com) and uncertainties related to the market conditions and the implementation of our plans. Accordingly, we caution you against relying on forward-looking statements. LafargeHolcim does not undertake to provide updates of these forward-looking statements.