Capital Markets Day
Operational Excellence

Urs Bleisch, Performance & Cost
Our objective: Sustainable competitive cost base while driving investment costs down

Cost Leadership
- Energy: ~14%
- Distribution: ~19%
- Other variable cost: ~31%
- SG&A: ~11%
- Fixed costs: ~25%

Asset Light
- Capex to develop
- CAPEX to maintain

% of Total Cost of Goods Sold

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## Substantial cost reduction through synergies, ahead of plan

<table>
<thead>
<tr>
<th>CHF m</th>
<th>EBITDA synergies, run rate YE 2017</th>
<th>Completion as of Q3 2016</th>
<th>Selected actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operational Performance</td>
<td>200</td>
<td>&gt;100%</td>
<td>• Logistics network optimization of Northeast Cement operation in the US</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Ball Mill, Fan &amp; Clinker Optimization initiatives, e.g. in Kenya, US, China</td>
</tr>
<tr>
<td>Procurement</td>
<td>340</td>
<td>38%</td>
<td>• Renegotiated energy contracts and hedging of energy, e.g., in India</td>
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<td></td>
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<td></td>
<td>• Consolidation of coal suppliers, e.g., in China</td>
</tr>
<tr>
<td>SG&amp;A</td>
<td>260</td>
<td>60%</td>
<td>• Optimization driven from overlapping countries in particular US, Brazil and China</td>
</tr>
<tr>
<td>Growth and Innovation</td>
<td>200</td>
<td>45%</td>
<td></td>
</tr>
<tr>
<td>EBITDA Synergies</td>
<td>1,000</td>
<td></td>
<td>59% = CHF 587m</td>
</tr>
<tr>
<td>Scope adjusted</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scope Impact</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total EBITDA Synergies</td>
<td>1,100</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Energy: Lower Energy costs driven by lower consumption and fuel mix optimizations, supported by favorable fuel market prices

Fuel Mix Optimization
- Cross-Function Fuel Mix Optimization Initiative (FMOI), started early 2016

Consumption Optimization
- Technical optimizations in selected high potential plants
- Key contribution from Synergy Acceleration Task Force

Act. Thermal Energy Cost vs. Fuel Mix

Fuel Mix of Low / Low Low Quality Fuels [%]
Specific Actual Thermal Energy Cost [CHF/GJ]
Energy: Looking ahead, further implementing our fuel strategy to optimize energy costs

Effective Fuel Mix strategy to drive energy costs expected above 2016 level, though below market forecasts

Coal Prices [USD/ton coal] / Petcoke Prices [USD/ton petcoke]

Fuel Strategy

- Enhance production flexibility
- Capture market opportunities through agility and flexibility
- Further leverage on Fuel mix potential
- Further optimization of consumption
- Price management to pass on higher energy costs

Sources:
Platts official publication of indices as of 1st Nov 2016
Pace Index, as published by Jacobs Consultancy
Petcoke 2017 forecast as defined by LafargeHolcim, no forward index
AFR: From focus on cost reduction to waste management as a business

**Leverage more on Alternative Fuels**

- Average Alternative Fuel cost significantly cheaper than the average Traditional Fuel cost
- Some countries with more than 50% Alternative Fuels with up to 90% TSR
- 15.8 Mt of Alternative Fuels and Raw Materials in 2015

**Waste management**

- Manage waste as a business
- Addressing the waste management as end-to-end value chain
- Selective investments with attractive returns
Distribution: Major on-going and new initiatives to drive performance

### Sourcing
- Supplier consolidation
- Transportation capacity development in challenging markets
- Low freight costs through transportation overcapacity management

### Operational Optimization Initiatives

#### Network Optimization
- Design and optimize most profitable product flow from plants to customers
- Reduce total costs to market
- Increase asset utilization to serve better domestic market and export volumes

#### Sales & Operational Planning
- Integrated business process to develop fact based decisions on market demand
- Cross-function activity alignment
- Improve service level while reducing costs and assets

#### Lean Shipping Station
- Standard processes for loading operations
- Remove loading and dispatching bottlenecks to fulfill higher sales demand
- Reduced shipping station costs
Procurement: Good progress on category management and digitalization

100% Third Party Spend Management

Value Generation
- Electronic Automation
- Increased Efficiency
- Fewer Suppliers
- Transparency
- Compliance
- Simplicity

Electronic Source-to-Pay

Sourcing

Buying

Standardization
- Focus on Simplicity
- Clear Specifications
- Discipline
- Pre-Qualified Suppliers
- Mutual Trust
- Compliance

- Increased process flow efficiency and reduced time
- 20,000 suppliers on-boarded
- Example: Argentina eAuction on route logistics resulted in 15% lower costs
- North America, Central-and South America to fully operate on E-platform next year
SG&A: Large number of cost reduction initiatives ongoing, on track to reach our target of 7% SG&A as a % of sales

**SG&A Key cost reduction initiatives**

**HEADCOUNT REDUCTION**
- Benefits realized from restructuring
  - Direct merger related in overlap countries
  - Redesign and strong focus in all countries

**THIRD PARTY EXPENSES**
- From office locations to telephone costs
  - In depth Third Party expense assessment in all locations to renegotiate and optimize
  - In focus: offices, insurances and audit/consulting

**SHARED SERVICES**
- Business and IT Shared Service Centers will drive administration costs down
  - Extended scope of existing centers to leverage on scale
  - Benefits from global services, for example data center management

Supported by standardization, cost transparency and benchmarking
Lower capex level sustainable given realized increase in equipment efficiency and smart expansion capex

Sufficient to ensure asset maintenance and replacement reflected in continuous increase of overall equipment efficiency

CHF 3.5 bn CAPEX envelope for 2016-17, run rate <CHF 2 bn

Capex bn CHF

2012 2013 2014 2015 2016 2017 2018

<CHF 3.5 bn  <CHF 2.0 bn

[consolidation scope not fully comparable]

Average net Operational Equipment Efficiency (klin), in %

2015 2016 2017

74 77

Diversified, smart expansion capex allocation

- Global footprint and plant network
- Value challenge approach and asset light concept
- Leveraging best practices
- Lower procurement cost
Optimal footprint after merger allows to over deliver on capex synergies

Historic average CAPEX spend of CHF 2.8 to 2.9 billion per year successfully reduced to annual run-rate below CHF 2bn by:

- Global footprint enabled to postpone or avoid legacy strategic expansion plans
- Value challenge approach and asset light concept to downscale CAPEX needs of new projects
- Best practices and engineering capabilities reducing CAPEX on ongoing projects
- Lower acquisition, building cost through category management approach and best cost country sourcing
Systematic strive for asset light solutions across our business

Growing under Asset Light

- Positioning in strategic advantageous locations, markets
- Leverage on trading
- Growing downstream, integrating channels
- Building grinding stations, terminals instead of integrated cement plants
- Engage in Long-term partnerships through Franchising, JVs and licensing agreements

Asset Light Optimization

Transforming a capital-intensive business within given constraints

Initial Position

- 27m tons market
- 32% market share
- +10% growth rate
- 2017 cement capacity deficit 34%
- Existing infrastructure fully utilized by 2019

Philippines Success Story

- Import of capacity instead of new plant
- 2.3Mt capacity added
- Capex avoidance of CHF 300m
- Higher sourcing flexibility from Asia Pacific network

- Active Asset Management
- Fleet and heavy mobile equipment management
- Reserves and Land management

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Our basis for operational excellence and sustainable continuous performance improvement

**Continuous action tracking**

- Task Forces deployed to assist countries in efficient action execution and management
- Active progress, status and impact management by action in standardized system
- Monthly reviews to push in time execution of actions

**Global Best-practice sharing**

- Cross function expert task forces to drive implementation of best practices
- Active knowledge exchange across borders
- Central best in class documentation

**Transparent data benchmarking**

- Full cost transparency
- Internal plant productivity and cost benchmarking
- External benchmarking, e.g. for SG&A, Energy and performance sustainability overall

**Forward-looking action pipeline**

- ~10,000 initiatives and actions identified to drive continuous performance
- Early identification of bottlenecks and risks

**Continuous Performance Improvement**

- ~10,000 initiatives and actions identified to drive continuous performance
- Early identification of bottlenecks and risks

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Operational excellence – Concluding remarks

• Operational excellence is key to drive **sustainable growth in margins**

• Synergies are being delivered **ahead of schedule**

• **Significant cost improvements** were achieved in 2016 and are planned for 2017

• **On track to reach our target of 7% SG&A as a % of sales**

• **Energy prices expected to rise in 2017 (around 10%)**; tight cost management, fuel mix optimization, increased AF usage and operational improvements will partly mitigate cost impact

• **Fixed costs being driven down** through operational efficiency and optimized preventive maintenance

• **Our asset light strategy** is progressing and will allow growth under efficient capital allocation through:
  • New initiatives and business models
  • Leverage of our global footprint and of our existing capacities