LafargeHolcim Capital Markets Day
Building a new leader for a new world

Eric Olsen  |  Group CEO  |  December 1st, 2015
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Any reference in this presentation to “EBITDA adjusted” is equivalent to operating EBITDA excluding all merger and restructuring costs. Figures and estimates based on net sales by Country are before Corporate and Eliminations, unless otherwise specified. Pro Forma LTM figures are post IFRS, i.e., India 100% consolidated, China includes only LSOC.
Our leadership team

Jean-Jacques Gauthier
Integration, Organization & Human Resources

Eric Olsen
CEO

Ron Wirahadiraksa
CFO

Urs Bleich
Performance & Cost

Alain Bourguignon
North America

Roland Köhler
Europe

Ian Thackwray
Asia Pacific

Gérard Kuperfarb
Growth & Innovation

Pascal Casanova
Latin America

Saâd Sebbar
Middle East & Africa
## Agenda of the Day

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<th>Time</th>
<th>Event</th>
<th>Speakers</th>
<th>Presentation mode</th>
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<tr>
<td>09:00-10:30</td>
<td>Building a new leader for a new world</td>
<td>Eric Olsen</td>
<td>Plenary presentation</td>
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<tr>
<td></td>
<td>• Strategic plan</td>
<td></td>
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<tr>
<td></td>
<td>• Financials</td>
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<tr>
<td>10:30-10:45</td>
<td>Coffee Break</td>
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<tr>
<td>10:45-12:15</td>
<td>Regional perspectives: Break-outs</td>
<td>Ian Thackray, Roland Köhler, Alain Bourguignon, Saâd Sebbar, Pascal Casanova, Bernard Terver</td>
<td>Break-outs (all Regions presented; audience to choose 4 out of 6 Regions; ~20 min per presentation)</td>
</tr>
<tr>
<td></td>
<td>• Asia Pacific</td>
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<td>• Europe</td>
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<td>• North America</td>
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<td>• Middle East &amp; Africa</td>
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<td>• Latin America</td>
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<td></td>
<td>• India</td>
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<tr>
<td>12:15-13:00</td>
<td>Q&amp;A</td>
<td>Eric Olsen</td>
<td>Q&amp;A in plenary room</td>
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<td>13:00-14:00</td>
<td>Lunch break</td>
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<tr>
<td>14:00-14:20</td>
<td>Integration and synergies</td>
<td>Jean-Jacques Gauthier</td>
<td>Plenary presentation</td>
</tr>
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<td>14:20-15:20</td>
<td>Synergy cases: break-outs</td>
<td>Uwe Wehnes, Andreas Halbleib, Xavier Blondot, John Stull, Bi Yong Chungunco</td>
<td>Break-outs (all topics presented; audience to choose 3 out of 5; 15 min per presentation)</td>
</tr>
<tr>
<td></td>
<td>• Procurement</td>
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<td>• Cement Operations</td>
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<td></td>
<td>• Trading</td>
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<tr>
<td></td>
<td>• Country example: United States</td>
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<td></td>
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<tr>
<td></td>
<td>• Country example: Malaysia</td>
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<td></td>
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<tr>
<td>15:20-15:35</td>
<td>Coffee Break</td>
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<td>15:35-15:55</td>
<td>Lean Capital spending</td>
<td>Urs Bleisch</td>
<td>Plenary presentation</td>
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<tr>
<td>15:55-16:15</td>
<td>Commercial synergies and transformation</td>
<td>Gérard Kuperfarb</td>
<td>Plenary presentation</td>
</tr>
<tr>
<td>16:15-17:00</td>
<td>Q&amp;A and closing remarks</td>
<td>Eric Olsen</td>
<td>Plenary presentation</td>
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<tr>
<td>17:00</td>
<td>Cocktail reception</td>
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</table>
Building a new leader for a new world
## Medium term Group targets¹

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

### Capex
- Max CHF 3.5bn cumulative 2016-2017

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

### Operating EBITDA
- At least CHF 8.0bn in 2018

### Credit Rating
- Maintain solid investment grade rating

### Cash Returns to Shareholders
- DPS CHF1.50 for 2015
- Progressively grow DPS and 50% payout over cycle
- Return excess cash to shareholders commensurate with a solid investment grade credit rating

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

LafargeHolcim – a best-in-class portfolio

Our value-enhancing strategy – five main pillars

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Cornerstones for success – shaping a winning company
LafargeHolcim – A best-in-class portfolio

Segment view
Substantial value creation through differentiation

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

Mix, momentum
Good balance between mature and developing markets

Mature markets
Leading positions in markets poised for strong growth/recovery

Developing markets
Substantial mid-/long-term potential
Upside through differentiation in all market segments

**Building & small/mid size projects**
- Opportunities to optimize commercial approach
- Capture the value of consistent quality and product availability

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

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

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

Note: Share by channel estimated
Source: LafargeHolcim
A global footprint, highly diversified, with strong position in all regions

1 Only including countries where LH has capacity; 2 Ex-China; represents 3% market share including China

Source: Research analysts reports; LafargeHolcim
Leadership positions in over 80% of our markets

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

Source: Research analysts reports; LafargeHolcim
Good balance between developing and mature markets

LTM

100% =

Developing markets

China

Mature markets

Net sales CHF bn Operating EBITDA adjusted CHF bn Operating EBITDA margin adjusted Percent

45% 55% 26% 3% 1% 8% 52% 44% 18%

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

Mature markets (LTM)
- 52% of total revenue
- 44% of total EBITDA adjusted

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

Developing markets (LTM)
• 48% of total revenue
• 56% of total EBITDA adjusted

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

Note: includes China
Large exposure to markets with superior growth outlook

### Cement volumes

<table>
<thead>
<tr>
<th></th>
<th>Market cement consumption 2015, mt</th>
<th>Growth forecasts for global markets 2015-18, CAGR</th>
<th>LH cement capacity Q3 2015, mt</th>
<th>LH volume sold LTM, mt</th>
</tr>
</thead>
<tbody>
<tr>
<td>100% =</td>
<td>~4,100</td>
<td></td>
<td>374</td>
<td>253</td>
</tr>
<tr>
<td>Developing markets</td>
<td>27%</td>
<td>5.4%</td>
<td>57%</td>
<td>59%</td>
</tr>
<tr>
<td>China</td>
<td>58%</td>
<td>-0.5%</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Mature markets</td>
<td>15%</td>
<td>2.7%</td>
<td>33%</td>
<td>31%</td>
</tr>
</tbody>
</table>

Source: Research analysts reports; LafargeHolcim
Significant construction headroom in developing countries

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

<table>
<thead>
<tr>
<th>Developing countries</th>
<th>Mature countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>E.g., India, Philippines, Indonesia, Bangladesh, Nigeria, Egypt, Morocco, Ecuador</td>
<td>E.g., Germany, France, UK, Switzerland, Australia, USA, Canada</td>
</tr>
</tbody>
</table>

Note: Analysis excludes China (Cumulative cement consumption per capita 21 tons/capita, LH cement capacity 38mt)
Source: Research analysts reports; LafargeHolcim
Dense presence in highly populated areas, taking advantage of the major on-going urbanization trend

World population density map

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

LafargeHolcim – A best-in-class portfolio

Our value-enhancing strategy – five main pillars

Delivering superior cash to our shareholders

Cornerstones for success – shaping a winning company
Our strategic plan – five value creation pillars

- Synergy delivery and cost leadership
- Commercial excellence
- Lean capital spending
- Active portfolio management

Strict capital allocation discipline
Maximize free cash flow
Create sustainable value for our shareholders
Synergy potential confirmed; accelerated delivery

<table>
<thead>
<tr>
<th>CHF m</th>
<th>EBITDA synergies</th>
<th>Ramp-up of EBITDA synergies</th>
<th>Financing / cash-flow synergies</th>
<th>Working capital savings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Procurement</td>
<td>Operational performance</td>
<td>CAPEX</td>
<td></td>
</tr>
<tr>
<td></td>
<td>380</td>
<td>220</td>
<td>220</td>
<td>220</td>
</tr>
<tr>
<td></td>
<td></td>
<td>SG&amp;A</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>280</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Growth &amp; Innovation</td>
<td>Financing</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>220</td>
<td>220</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total run-rate pre-tax cash flow synergies</td>
<td>~ 1,500</td>
<td>~ 1,500</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Run-rate end 2017</td>
<td>880</td>
<td>1,100</td>
<td>450</td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>CHF m</th>
<th>EBITDA synergies, run rate end 2017</th>
<th>Levers identified and taken over by countries</th>
</tr>
</thead>
</table>
| **Operational performance** | 220                                 | • 6 cement productivity best-practices deployed  
• Network optimization in overlapping countries                                                                |
| **Procurement** | 380                                 | • ~2% reduction of external spending by:  
✓ Renegotiating top 2,000 contracts  
✓ Switching to best supplier  
✓ Implementing a Category management approach                                                                |
| **SG&A**    | 280                                 | • Combination and right-sizing of headquarters and in overlapping countries  
• Leverage Regional shared services                                                                              |
| **Growth and Innovation** | 220                                 | • Best-practice roll-out in 9 specific markets / segments  
• Optimization of customer and geography mix  
• Cross-selling actions and product offering optimization                                                         |
| Total synergies at EBITDA level | **1,100** [€ 1,000m] |                                                                                                                                              |
Going beyond synergies for cost leadership

Mindset of continuous productivity gain and operational leverage

Operational excellence
to be deployed at scale (Logistics, Energy, Clinker, AFR, Overall Equipment Effectiveness)

Cost leadership

Full delivery of cost synergies
CHF ~880m

SG&A toward ~7% of sales

Continuous optimization of fixed cost base
**SG&A target of 7% of net sales**

Percentage of net sales

<table>
<thead>
<tr>
<th>Year-To-Date 2015</th>
<th>Post Synergies</th>
<th>After 3 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>~9%</td>
<td>~8%</td>
<td>~7%</td>
</tr>
</tbody>
</table>

**Levers to contribute to our SG&A ambition**

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

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

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

<table>
<thead>
<tr>
<th>Sector</th>
<th>Example Products/Projects</th>
<th>Share of Total Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>i.e., bag market, Masons, Individual</td>
<td>~60%</td>
</tr>
<tr>
<td></td>
<td>Home Builders</td>
<td></td>
</tr>
<tr>
<td>Building &amp;</td>
<td>e.g., bulk market, Masons, Individual</td>
<td>~20%</td>
</tr>
<tr>
<td>small/mid size</td>
<td>Home Builders</td>
<td></td>
</tr>
<tr>
<td>projects</td>
<td>Building Contractors</td>
<td></td>
</tr>
<tr>
<td>Infrastructure</td>
<td>e.g., power plants, Large contractors,</td>
<td>~15%</td>
</tr>
<tr>
<td></td>
<td>Engineering firms</td>
<td></td>
</tr>
<tr>
<td>Specialty</td>
<td>e.g., oil &amp; gas</td>
<td>&lt;5%</td>
</tr>
<tr>
<td>solutions</td>
<td>International key accounts</td>
<td></td>
</tr>
</tbody>
</table>

3. Developing tomorrow’s solutions

4. Driving sales and pricing performance
Significantly lower capex

CHF bn

Historical

Development: 2.8 - 2.9
Maintenance: 2.8 - 2.9
Average 2010-14

Plan looking forward

New development: 2.0
Completion of on-going projects: 1.5
Maintenance: < 2.0 (run-rate)

Note: Excluding integration related IT implementation costs
Growing with less capital going forward

- Operational leverage of current capacities, increasing the utilization of our asset base
  - 68% Utilization

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

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

- Pursuing new capital-light asset models, leveraging our global trading platform
### Active portfolio management

#### Applying a systematic set of criteria

<table>
<thead>
<tr>
<th>Macroeconomic attractiveness</th>
<th>Macroeconomic risks</th>
<th>Industry-specific market attractiveness</th>
<th>LafargeHolcim position</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Size and growth of the economy</td>
<td>• GDP, FX and forecast volatility</td>
<td>• Supply and demand development</td>
<td>• Cost competitiveness</td>
</tr>
<tr>
<td>• Structure of population and economic activity</td>
<td>• Country and regulatory risk indicators</td>
<td>• Structural and competitive conditions</td>
<td>• Quality of assets and local capabilities</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial value</th>
<th>Full-potential assessment</th>
<th>Risk mitigating capabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Free cash flow generation</td>
<td>• Internal value (NPV) and value to third-parties</td>
<td>• Commercial capabilities</td>
</tr>
<tr>
<td>• Absolute EBITDA and margins</td>
<td>• Valuation of potential performance with expansion and restructuring</td>
<td>• Vertical market integration</td>
</tr>
<tr>
<td>• Returns vs. risk-adjusted cost of capital</td>
<td></td>
<td></td>
</tr>
</tbody>
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- Commercial excellence
- Lean capital spending
- Active portfolio management

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

1. Maintain a solid investment grade rating through the cycle
   Maintain credit ratios commensurate with BBB / Baa2 credit ratings

2. Strict management of capex and dynamic portfolio management

3. Progressive dividend policy
   Grow DPS p.a.; 50% pay-out over cycle

Return excess cash to shareholders
Excess cash returned to shareholders through special dividends or share buybacks

Cumulative FCF Target
> CHF 10bn

2016-18E
Run rate free cash flow\(^1\) improvement to 2018

CHF bn

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>Operating EBITDA(^2) Improvement (Post Tax)</th>
<th>Capex Reduction(^3)</th>
<th>Financing, Tax and others</th>
<th>Run Rate FCF 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>FCF(^1)</td>
<td>&gt; 1.5</td>
<td>&gt; 0.6</td>
<td>&gt; 0.4</td>
<td></td>
<td>c. 3.5-4.0</td>
</tr>
<tr>
<td>&gt; CHF 6 per share</td>
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</tbody>
</table>

Note: At constant scope (excluding India) and FX
1 Free cash flow after maintenance and expansion capex; 2 Operating EBITDA before restructuring cost; 3 Excluding capitalized merger implementation costs
Substantial financing synergies and tax to be further optimized

• Financing synergies of CHF200m target confirmed
  - Successful execution of Lafarge SA bond buyback programme already allowed for capture of significant synergies and optimization of average cost of debt
  - Cash-flow generation and further portfolio optimization to drive deleveraging going forward and cost of debt reduction
  - Cost of gross debt expected at c. 5% in 2016; net cash remuneration at c. 2.5%

• Targeting 28% effective tax rate
  - Ongoing implementation of tax initiatives with a focus on cash tax
  - Further improvement potential being explored
Working capital optimization part of ‘asset-light’ business model

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

Inventory\(^1\)  

Receivables\(^2\)

\(^1\) Days of inventory compared to quarterly revenues.  
\(^2\) Days of receivables compared to quarterly revenues.
Rigorous review of investment projects to create financial value

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

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

**Strategic considerations**
- Relevance to the Group
- Networking effect and potential synergies
- Impact to realize full potential on the market position
Medium term Group targets¹

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

**Capex**
- Max CHF 3.5bn cumulative 2016-2017

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

**Operating EBITDA**
- At least CHF 8.0bn in 2018

**Credit Rating**
- Maintain solid investment grade rating

**Cash Returns to Shareholders**
- DPS CHF1.50 for 2015
- Progressively grow DPS and 50% payout over cycle
- Return excess cash to shareholders commensurate with a solid investment grade credit rating

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

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

**Above country**
- World class expertise in global functions
- Selected resources close to countries (regional support)
- Capital allocation controlled strictly
- Lean central structure and shared services
Leadership team fully engaged, driving a new culture and mindset

Jean-Jacques Gauthier
Integration, Organization & Human Resources

Eric Olsen
CEO

Ron Wirahadiraksa
CFO

Alain Bourguignon
North America

Roland Köhler
Europe

Ian Thackwray
Asia Pacific

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Saâd Sebbar
Middle East & Africa

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Our values at the core of the new company

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

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

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

**Integrity**
Create an environment where compliance is a central focus and commitment

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

**People, Openness and Inclusion**
Truly care for and respect every individual

Health and Safety is our overarching value and embedded in everything we do.
Management incentive system aligned with our objectives

Weight of performance measures in incentive plans, Percent

**ANNUAL BONUS PLAN**

<table>
<thead>
<tr>
<th>CEO</th>
<th>Strategy/Personal objectives</th>
<th>EBITDA</th>
<th>Free cash flow</th>
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<th>Exco</th>
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<tr>
<th>Senior executives</th>
<th>Strategy/Personal objectives</th>
<th>EBITDA²</th>
<th>Free cash flow</th>
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<td>40</td>
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**Long-term incentive plans (3 years)**

<table>
<thead>
<tr>
<th>Normal award</th>
<th>Relative TSR</th>
<th>EPS</th>
<th>ROIC</th>
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<tr>
<th>Integration award (end 2016/18)</th>
<th>Cumulative free cash flow</th>
<th>Synergy target</th>
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<td>70</td>
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1 Split into 50% Group EBITDA and 50% Regional EBITDA for Region leaders
2 Free cash flow for corporate executives and net working capital for countries
Conclusion
An inflexion point for LafargeHolcim

Traditional industry approach ...

- EBITDA margin focus
  - Inefficient use of capital
  - Defensive investments

- Geographic expansion
  - Resources spread too broadly
  - Lack of focus in portfolio

- Capacity share
  - Inflated asset base
  - Overcapacities

- Re-active decisions
  - Driven by market sentiment
  - Somewhat opportunistic

... our approach for the future

- Value creation
  - Free cash flow focus
  - ROIC hurdles
  - Capex discipline

- Focused portfolio
  - Most attractive markets
  - Sustainable leadership

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

- Pro-active decisions
  - Strategic, global portfolio priorities
  - Fact based, consistent and well-timed actions
Drive free cash flow generation and shareholder value

Free Cash Flow Generation: the central measure of success
- Synergies
- Commercial
- Lower Capex
- Ongoing cost improvements

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

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

Material upside potential, notably through further portfolio optimization, commercial differentiation and market growth recovery
Building a new leader for a new world