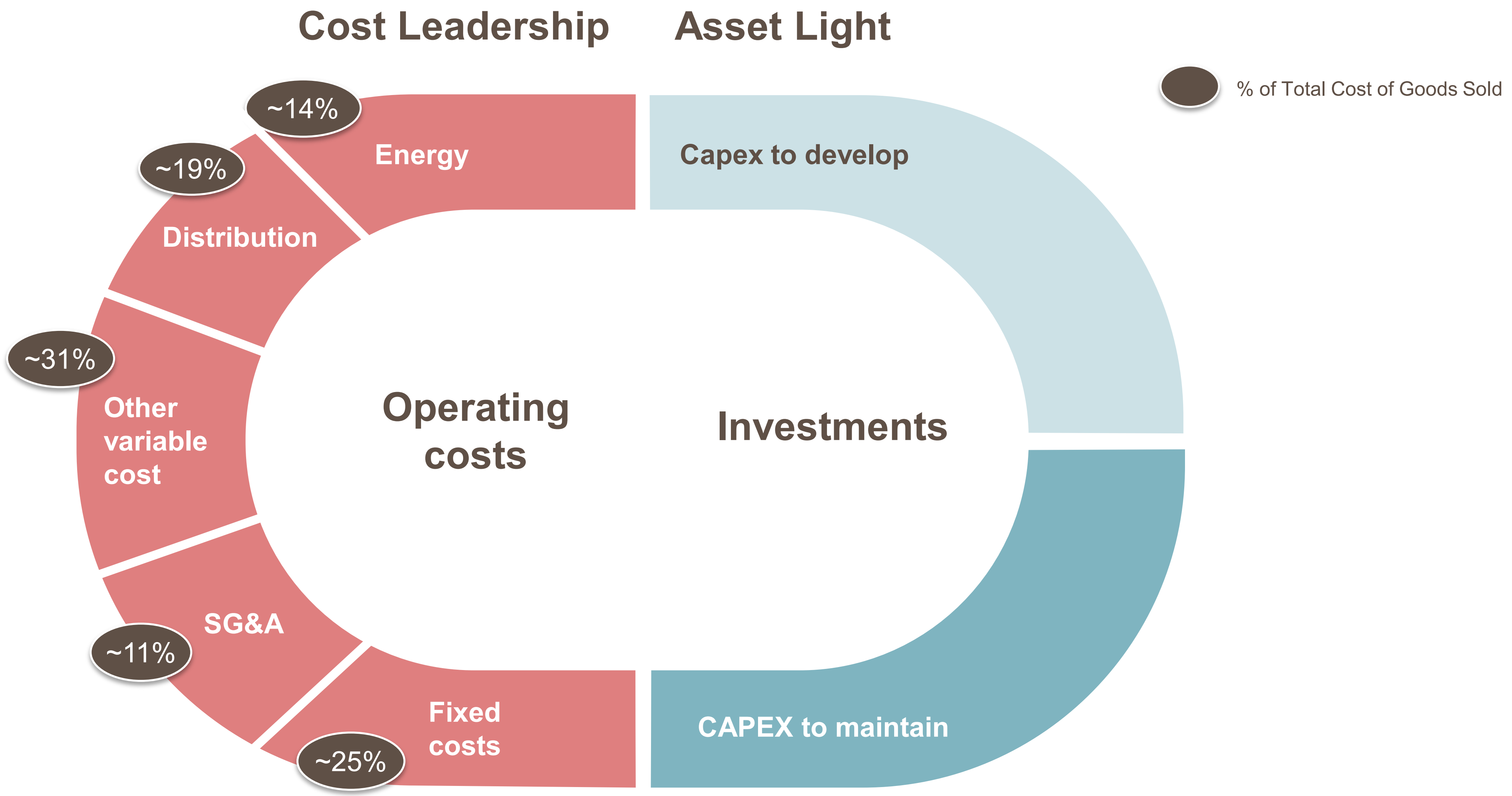
Capital Markets Day

Operational Excellence

Urs Bleisch, Performance & Cost

LafargeHolcim

Our objective: Sustainable competitive cost base while driving investment costs down



Substantial cost reduction through synergies, ahead of plan

CHF m

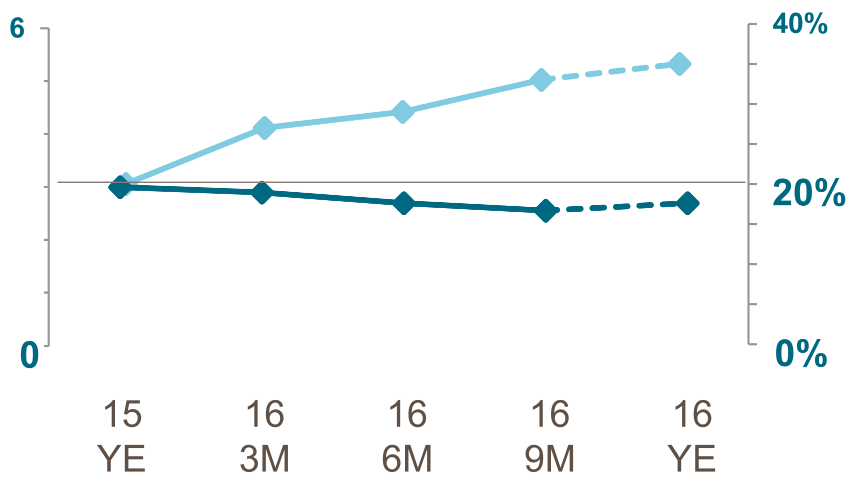
	EBITDA synergies, run rate YE 2017	Completion as of Q3 2016	Selected actions
Operational Performance	200	>100%	• Logistics network optimization of Northeast Cement operation in the US • Ball Mill, Fan & Clinker Optimization initiatives, e.g. in Kenya, US, China
Procurement	340	38%	• Renegotiated energy contracts and hedging of energy, e.g., in India • Consolidation of coal suppliers, e.g., in China
SG&A	260	60%	• Optimization driven from overlapping countries in particular US, Brazil and China
Growth and Innovation	200	45%	
EBITDA Synergies Scope adjusted	1,000	59% = CHF 587m	
Scope Impact	100		
Total EBITDA Synergies	1,100		

Energy: Lower Energy costs driven by lower consumption and fuel mix optimizations, supported by favorable fuel market prices

Fuel Mix Optimization

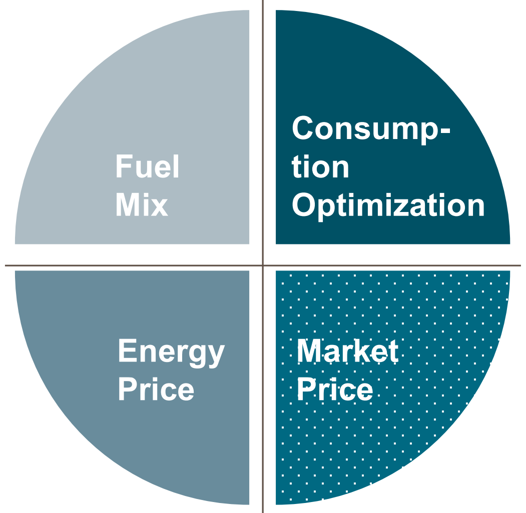
- Cross-Function Fuel Mix Optimization Initiative (FMOI), started early 2016

Act. Thermal Energy Cost vs. Fuel Mix



Fuel Mix of Low / Low Low Quality Fuels [%]

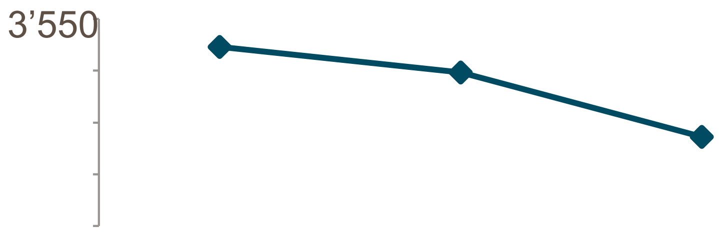
Specific Actual Thermal Energy Cost [CHF/GJ]



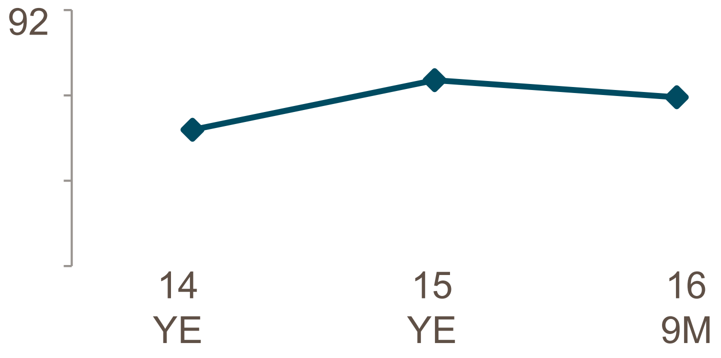
Consumption Optimization

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

Fuel consumption [MJ/t cli]



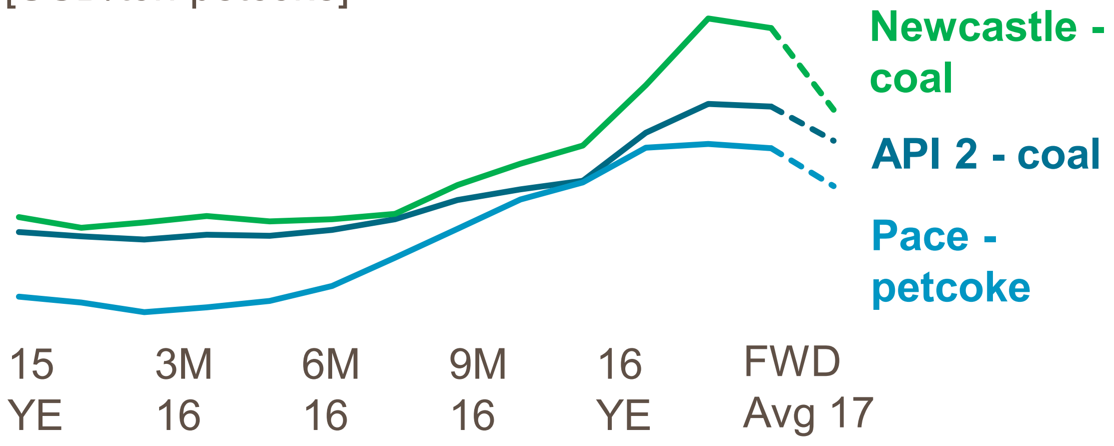
Power consumption [kWh/t cem]



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

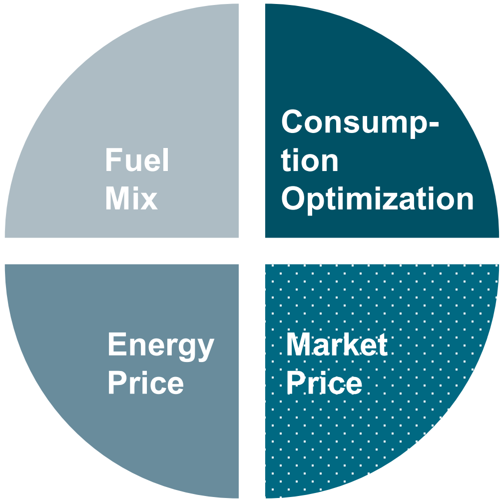
Coal Prices [USD/ton coal] / Petcoke Prices [USD/ton petcoke]



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

Fuel Strategy

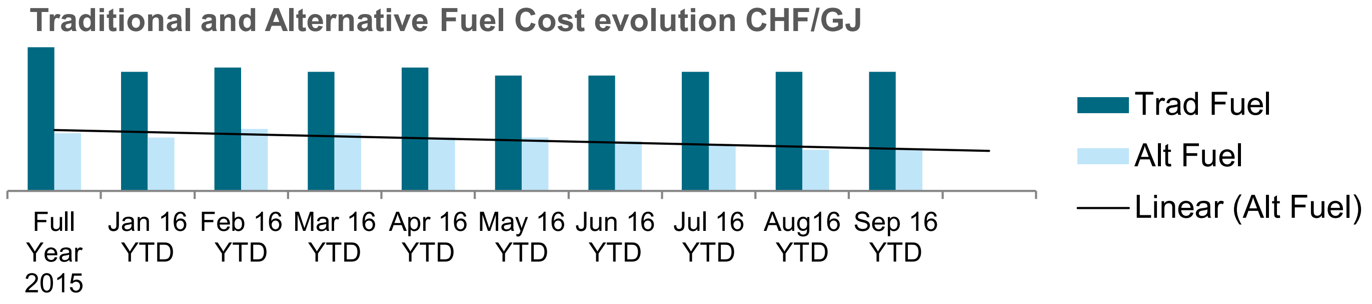
- Enhance production flexibility
- Capture market opportunities through agility and flexibility
- Further leverage on Fuel mix potential
- Further optimization of consumption
- Price management to pass on higher energy costs



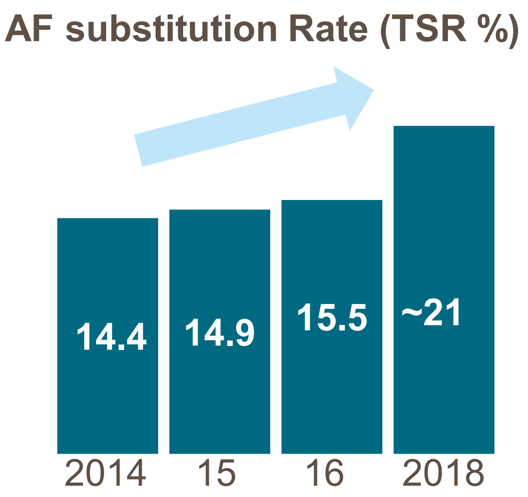
AFR: From focus on cost reduction to waste management as a business

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

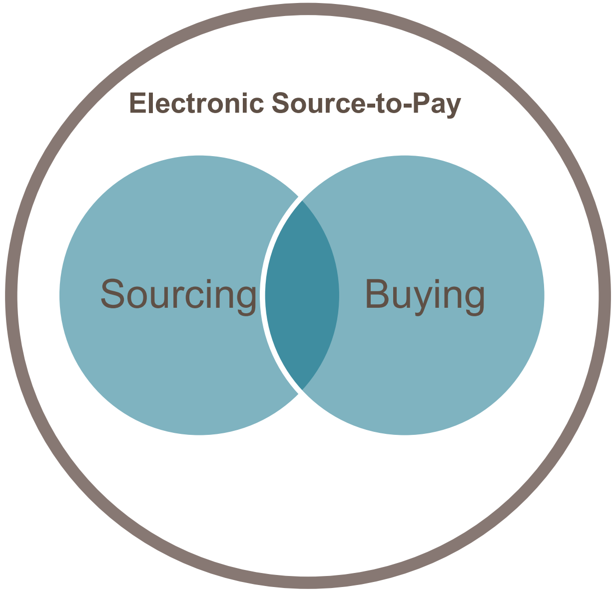
Procurement: Good progress on category management and digitalization

100% Third Party Spend Management

Output

Value Generation

Electronic Automation
Increased Efficiency
Fewer Suppliers
Transparency
Compliance
Simplicity



Standardization

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

Input

- *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

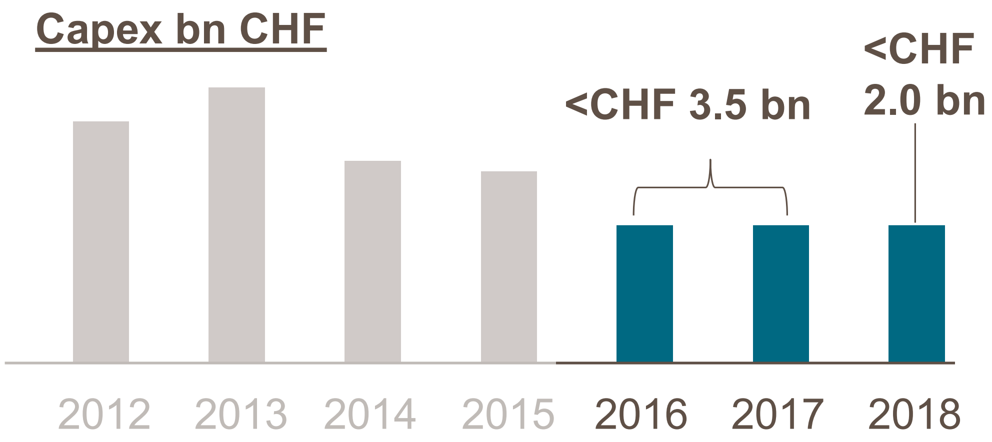
SG&A Key cost reduction initiatives

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

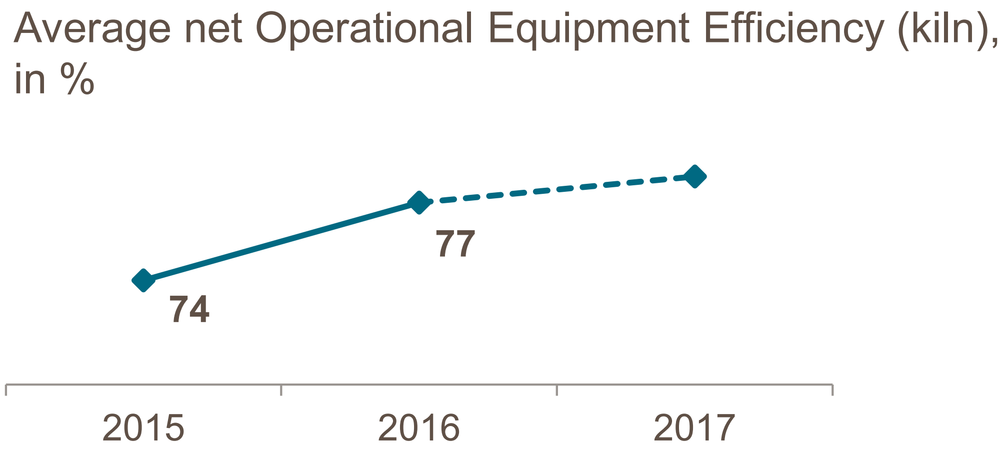
Lower capex level sustainable given realized increase in equipment efficiency and smart expansion capex

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



[consolidation scope not fully comparable]

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



Diversified, smart expansion capex allocation

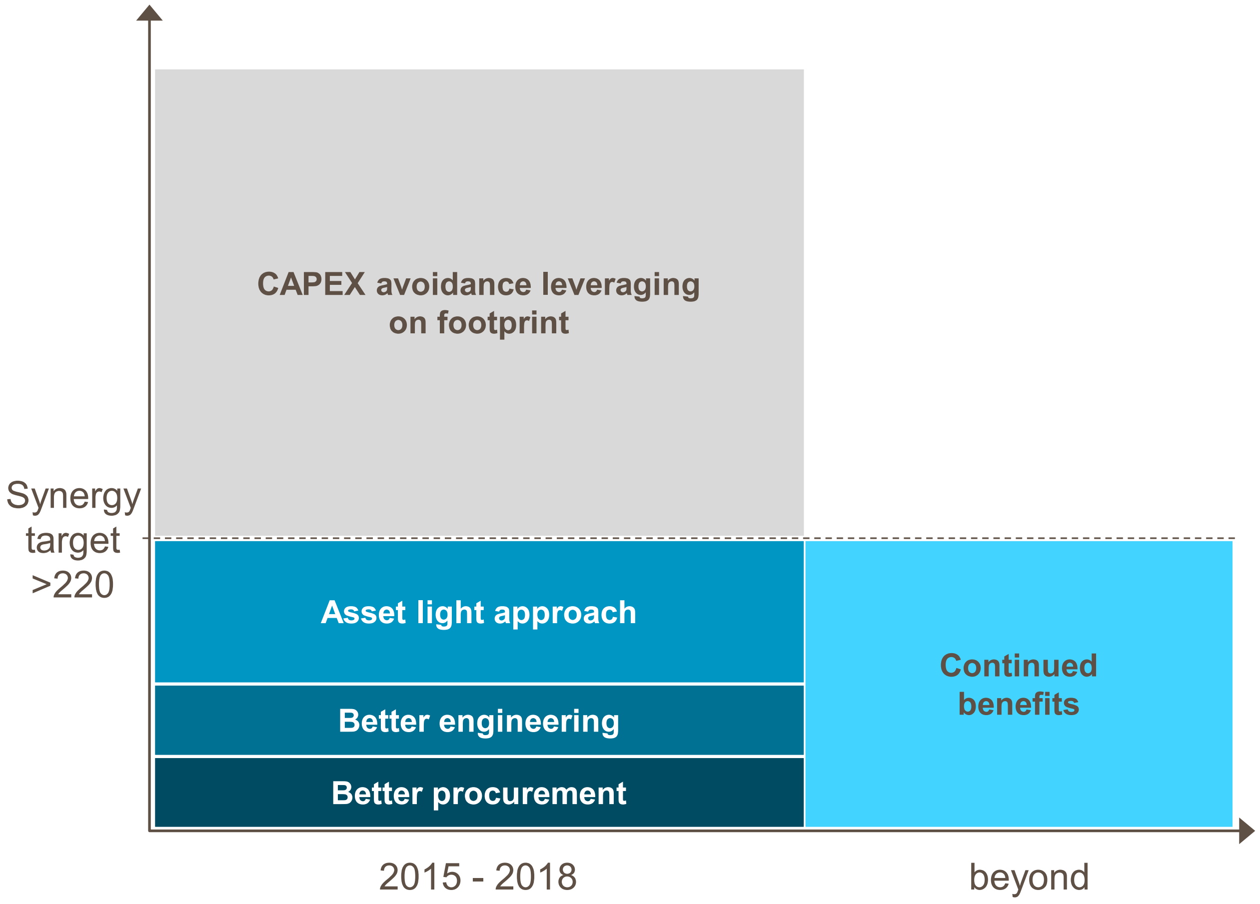
- Global footprint and plant network
- Value challenge approach and asset light concept
- Leveraging best practices
- Lower procurement cost

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

Annual CAPEX synergy benefits in mCHF



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

Philippines Success Story

Initial Position

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

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

Asset Light Optimization

Transforming a capital-intensive business within given constraints

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

Our basis for operational excellence and sustainable continuous performance improvement

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

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

Global Best-practice sharing

- ✓ 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

Continuous action tracking

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**