



## Resilient demand and strong profit increase in Q3

- Resilient demand, net sales decrease limited to 2.6% LFL
- Recurring EBIT margin up 250 bps, Recurring EBIT up 10% LFL
- Action plan “HEALTH, COST & CASH” delivering well ahead of targets
- Partnership with SBTi to support development of 1.5°C cement roadmap
- 2020 Free Cash Flow guidance increased to above CHF 2.75 bn based on strong Q3 performance

Group Q3	2020	2019	±%	±%LfL
Net sales (CHFm)	6,455	7,142	-9.6	-2.6
Recurring EBIT (CHFm)	1,445	1,418	1.9	10.0

Group 9M	2020	2019	±%	±%LfL
Net sales (CHFm)	17,148	20,200	-15.1	-7.9
Recurring EBIT (CHFm)	2,639	3,085	-14.5	-7.2

Jan Jenisch, CEO: “As we navigate the pandemic, our number one priority is to keep our people and communities safe. I would like to sincerely thank all our people who are going above and beyond to make this happen around the world. In particular, I would like to applaud our many front-line workers who have never stopped providing products and services to our customers during these challenging times.

“Our third quarter results demonstrate the resilience of our business and the strength of our decentralized, empowered operating model. I am very proud of our team’s agility in executing our action plan ‘HEALTH, COST & CASH’ ahead of targets. Our third quarter performance demonstrates a strong resilience in demand for our products and an over-proportional increase in margins.

“I expect a solid closing of 2020 resulting in a Free Cash Flow of above CHF 2.75 billion and a strong balance sheet that will allow us to pursue growth opportunities. We accelerated our ambition to lead the way in green construction with our net zero pledge and partnership with the Science-Based Targets initiative. I am very proud of the global launch of our green concrete, ECOPact, earlier this year, as well as our EcoLabel, to transparently share the environmental benefits of our products.”

This quarter’s results confirmed the resilience of LafargeHolcim’s strategy, the agility of its decentralized business model, the rigorous execution of its action plan “HEALTH, COST & CASH” and the company’s strong financial position. In addition, the Group saw an increase in revenues from its branded products, which are sold across its broad distribution and retail network. For example, the company recorded a volume increase of 5% in its cement bag sales.

## **STRONG MARGIN EXPANSION ACROSS ALL REGIONS**

Recurring EBIT margin expanded across all regions in Q3 as volumes continued to recover across most geographies. This improvement was achieved largely due to the strong margin increase in cement and disciplined cost management under the “HEALTH, COST & CASH” action plan, leading to an improvement in the Group’s Recurring EBIT margin of 250 basis points. Recurring EBIT growth of 10.0% in Q3 was achieved despite a decline in net sales of 2.6%, both on a like-for-like basis. Despite a negative currency translation impact, which remained high in the three-month period, total Recurring EBIT increased by 1.9% in the third quarter.

## **“HEALTH, COST & CASH” ACTION PLAN DELIVERING WELL AHEAD OF TARGETS**

In March 2020, LafargeHolcim launched the action plan “HEALTH, COST & CASH” to safeguard the health and safety of its people, partners and communities, while mitigating the financial impact of the COVID-19 pandemic.

As of the end of the third quarter, the company has over-achieved its cost savings targets. Fixed costs in the first nine months were reduced by CHF 396 million on a like-for-like basis compared to 2019, surpassing the initial target of CHF 300 million for the full year. In addition, the reduction in energy prices has led to savings of CHF 124 million on a like-for-like basis in the first nine months compared to 2019. Reduction of CAPEX and Net Working Capital are also above target.

## **Q3 REGIONAL PERFORMANCE**

Markets in the Europe region recovered with the Recurring EBIT margin up strongly in the third quarter. Net sales were back on last year’s level, with stronger cement demand in Western and Central Europe than in the third quarter of 2019 and softer volumes in Eastern Europe. The Recurring EBIT margin improvement of 230 basis points was driven by execution of the cost action plan and effective price management.

The North America region delivered improved Recurring EBIT margin. Volumes in all business segments were impacted by COVID-19 and an unfavorable comparison base due to deferred sales. The strong Recurring EBIT margin was supported by an over-proportional cost decline compared to volumes as well as effective price management. The region was impacted by the slowdown in the oil & gas industry in Western Canada.

The Latin America region delivered an outstanding performance with strong cement demand recovery in Mexico and Brazil and excellent cost savings initiatives across the region in the third quarter. The significant Recurring EBIT growth was over-proportional to net sales and price management was efficient overall.

The Recurring EBIT growth of the Asia Pacific region in the third quarter was driven by resilient volumes and strong operational efficiency in India. Volumes in China were above last year’s level, partially offset by softer markets in the Philippines and Australia. Recurring EBIT margin expansion was supported by effective cost and price management.

The successful turnaround drove a strong performance in the quarter for the Middle East Africa region. The result was supported by resilient demand, strong volume growth in Nigeria, strict cost discipline and successful turnaround initiatives. These factors helped drive an expansion in the Recurring EBIT margin for the region of 350 basis points in the third quarter.

## **ACCELERATING SUSTAINABILITY**

In September, LafargeHolcim joined the Science-Based Targets initiative (SBTi) “Business Ambition for 1.5°C,” becoming the first global building materials company to sign the Net Zero pledge with 2030 targets validated by SBTi<sup>1</sup>. In addition, LafargeHolcim is partnering with SBTi to develop its 1.5°C cement roadmap beyond 2030, a first in its industry. This commitment builds on LafargeHolcim’s leadership in green construction with solutions such as ECOPact, its green concrete, and Susteno, its leading circular cement.

By 2030, LafargeHolcim will:

- Accelerate the use of green building solutions, with the launch of EcoLabel and the global rollout of green concrete ECOPact
- Double the recycling of materials across its businesses to reach 100m tons
- Scale up the use of calcined clay and develop novel cements with new binders
- Reach 475 kg net CO<sub>2</sub> per ton of cementitious material (net CO<sub>2</sub>/t.cem)
- Operate its first net zero carbon cement production facility

In addition to these commitments, the company launched a EUR 3 billion commercial paper program, linking the cost of funds to its ESG performance, and marked its first sustainable deposit, leveraging its finance activities to advance the UN Sustainable Development Group’s goals. This follows LafargeHolcim’s number-one ESG ranking in the construction sector by Sustainalytics in 2020.

## **OUTLOOK**

As a result of the ongoing uncertainties in relation to the COVID-19 pandemic and the lack of visibility, it remains very difficult to provide an outlook.

However LafargeHolcim is confident about the future, based on the resilience of its strategy, the agility of its decentralized business model, the rigorous execution of its action plan “HEALTH, COST & CASH” and its strong financial position.

The company confirms its outlook:

- Resilient demand expected for the fourth quarter of 2020
- Execution of action plan “HEALTH, COST & CASH” to continue ahead of targets
- 2020 Free Cash Flow guidance increased to above CHF 2.75 bn based on strong Q3 performance
- Strong balance sheet, debt leverage below 1.8x

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<sup>1</sup> In line with keeping warming to well-below 2°C; the target boundary includes biogenic emissions and removals from bioenergy feedstocks

## KEY FIGURES

Group Q3	2020	2019	±%	±%LfL
Net sales (CHFm)	6,455	7,142	-9.6	-2.6
Recurring EBIT (CHFm)	1,445	1,418	1.9	10.0

Group results by segment Q3	2020	2019	±%	±%LfL
Sales of cement (mt)	52.0	52.5	-1.0	-1.5
Net sales Cement (CHFm)	4,106	4,512	-9.0	0.3
CEM Recurring EBIT (CHFm)	1,118	1,044	7.1	16.8
CEM Recurring EBIT margin (%)	27.2	23.1		
Sales of aggregates (mt)	76.7	80.7	-4.9	-5.8
Net sales Aggregates (CHFm)	1,081	1,198	-9.8	-6.2
AGG Recurring EBIT (CHFm)	221	248	-10.9	-6.9
AGG Recurring EBIT margin (%)	20.4	20.7		
Sales of ready-mix concrete (m m <sup>3</sup> )	11.8	12.6	-5.9	-6.1
Net sales Ready-Mix Concrete (CHFm)	1,288	1,407	-8.5	-3.5
RMX Recurring EBIT (CHFm)	47	50	-5.4	0.4
RMX Recurring EBIT margin (%)	3.7	3.5		
Net sales Solutions & Products (CHFm)	599	706	-15.1	-13.6
SOP Recurring EBIT (CHFm)	65	76	-14.9	-14.5
SOP Recurring EBIT margin (%)	10.8	10.8		

## REGIONAL PERFORMANCE

Asia Pacific Q3	2020	2019	±%	±%LfL
Sales of cement (mt)	16.2	15.8	2.5	2.6
Sales of aggregates (mt)	7.4	7.1	3.9	-2.6
Sales of ready-mix concrete (m m <sup>3</sup> )	1.8	2.2	-16.2	-16.2
Net sales to external customers (CHFm)	1,341	1,461	-8.3	-0.5
Recurring EBIT (CHFm)	317	324	-2.4	5.4

Europe Q3	2020	2019	±%	±%LfL
Sales of cement (mt)	12.7	12.9	-0.9	-0.9
Sales of aggregates (mt)	31.5	31.9	-1.5	-1.5
Sales of ready-mix concrete (m m <sup>3</sup> )	5.0	4.9	2.2	1.7
Net sales to external customers (CHFm)	1,992	2,040	-2.4	0.0
Recurring EBIT (CHFm)	397	359	10.6	14.7

Latin America Q3	2020	2019	±%	±%LfL
Sales of cement (mt)	7.0	6.6	6.0	6.0
Sales of aggregates (mt)	1.3	1.1	20.3	20.3
Sales of ready-mix concrete (m m <sup>3</sup> )	1.1	1.3	-10.9	-10.9
Net sales to external customers (CHFm)	623	642	-3.0	14.6
Recurring EBIT (CHFm)	217	184	18.0	35.8

Middle East Africa Q3	2020	2019	±%	±%LfL
Sales of cement (mt)	8.9	9.2	-3.1	-3.1
Sales of aggregates (mt)	1.0	1.6	-33.3	-33.3
Sales of ready-mix concrete (m m <sup>3</sup> )	0.8	0.9	-14.2	-14.2
Net sales to external customers (CHFm)	602	713	-15.5	-2.2
Recurring EBIT (CHFm)	106	100	6.1	19.9

North America Q3	2020	2019	±%	±%LfL
Sales of cement (mt)	6.0	6.8	-11.3	-11.3
Sales of aggregates (mt)	35.6	39.0	-8.9	-9.5
Sales of ready-mix concrete (m m <sup>3</sup> )	3.0	3.3	-6.9	-6.9
Net sales to external customers (CHFm)	1,791	2,109	-15.1	-9.1
Recurring EBIT (CHFm)	504	553	-8.8	-3.5

## RECONCILIATION TO GROUP ACCOUNTS

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

Million CHF	9M 2020 (unaudited)	9M 2019 (unaudited)
<b>Recurring EBITDA</b>	<b>4,326</b>	<b>4,863</b>
Depreciation of right-of-use assets	(269)	(302)
<b>Recurring EBITDA after leases</b>	<b>4,057</b>	<b>4,561</b>
Depreciation and amortization of property, plant and equipment, intangible and long-term assets	(1,419)	(1,476)
<b>Recurring EBIT</b>	<b>2,639</b>	<b>3,085</b>
Restructuring, litigation and other non-recurring costs	(64)	(101)
Impairment of operating assets	(173)	(46)
<b>Operating profit</b>	<b>2,401</b>	<b>2,938</b>

## ADDITIONAL INFORMATION

### **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](#).

### **Analyst presentation**

The analyst presentation of the third quarter trading update is available on our website at [www.lafargeholcim.com](http://www.lafargeholcim.com).

**Media conference:** 09:00 CEST

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UK: +44 207 107 0613

US: +1 631 570 5613

**Analyst conference:** 10:00 CEST

## ABOUT LAFARGEHOLCIM

As the world's global leader in building solutions, LafargeHolcim is reinventing how the world builds to make it greener and smarter for all. On its way to becoming a net zero company, LafargeHolcim offers global solutions such as ECOPact, enabling carbon-neutral construction. With its circular business model, the company is a global leader in recycling waste as a source of energy and raw materials through products like Susteno, its leading circular cement. Innovation and digitalization are at the core of the company's strategy, with more than half of its R&D projects dedicated to greener solutions. LafargeHolcim's 70,000 employees are committed to improving quality of life across more than 70 markets through its four business segments: Cement, Ready-Mix Concrete, Aggregates and Solutions & Products.

More information is available on [www.lafargeholcim.com](http://www.lafargeholcim.com)

**Important disclaimer – forward-looking statements:**

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