



2018 Capital Markets Day Financial Strength

Géraldine Picaud, Group CFO
Eliana Nieto, CFO Holcim Ecuador



Financial Strength

Disciplined value creation



| Returns | Balance sheet | Realize value | Investment |
|---|---|---|---|
| Pay shareholders an attractive dividend | Committed to maintaining a strong balance sheet | Fund growth through divestment of selected assets | Disciplined, targeted and value creative investments including bolt on acquisitions |
| CHF 2 dividend proposed | Maintain investment grade rating | More than CHF 2 bn asset sales | Less than CHF 2 bn Capex p.a. |

Disciplined Value Creation

Investment policy

- **Capex**

- ✓ Increased selection of projects based on business plans
 - ✓ Short payback
 - ✓ New investments with ROIC > 10%
 - ✓ Supporting growth
- ✓ Reduction of capex cost per ton

- **Bolt-on**

- ✓ Fast kick start of bolt-on acquisition strategy
- ✓ 4 companies in highly attractive markets
- ✓ Fast integration and synergies delivery
- ✓ Significant value creation, EPS accretive from Year 1

Disciplined and Value Creative Investment

Expansion of Bulacan plant in the Philippines



- New clinker line with alternative fuel and waste heat recovery system in Bulacan (Philippines)
- Capacity expansion of 2.4 Mt (3-year construction time)
- Improved industrial design, costs and fast roll out
- CAPEX cost of CHF < 100 / ton
- Project payback: 5 years

Disciplined Value Creation

Example of Bolt-on – Metro Mix

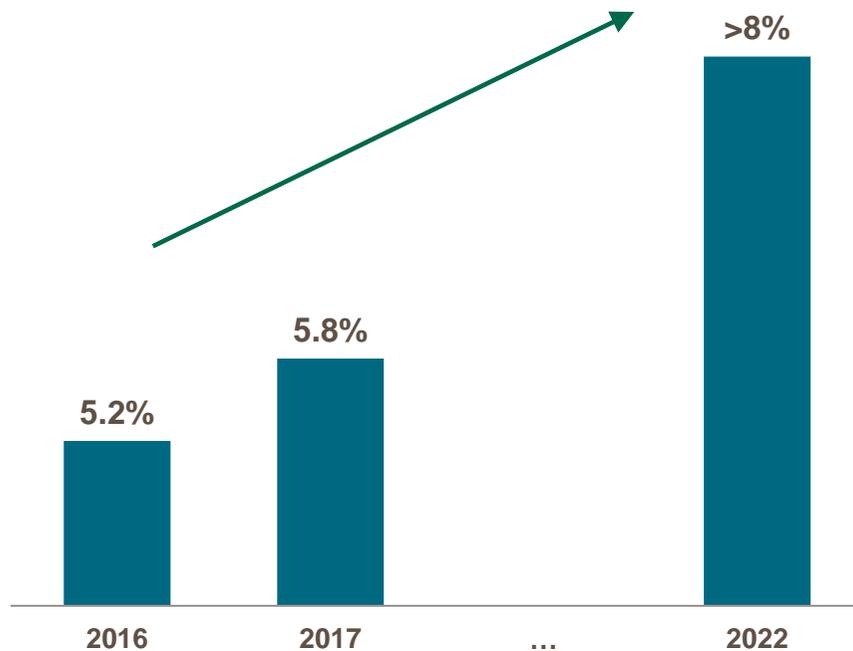


- Founded in 1999, Metro Mix, LLC operates 2 RMX plants, one in the city of Denver and the other in Castle Rock, south of Denver
- Sales ≈ USD 30million
- Synergies opportunities allowing above 100% of the stand-alone EBITDA, mainly driven by:
 - Switch of Cement and Aggregates sourcing from our LH plants
 - RMX logistics and customer service optimization throughout existing network
 - SG&A savings
- Double-digit ROIC from 2019 onwards

Disciplined Value Creation

Reaching the ROIC target

ROIC



Levers to improve ROIC:

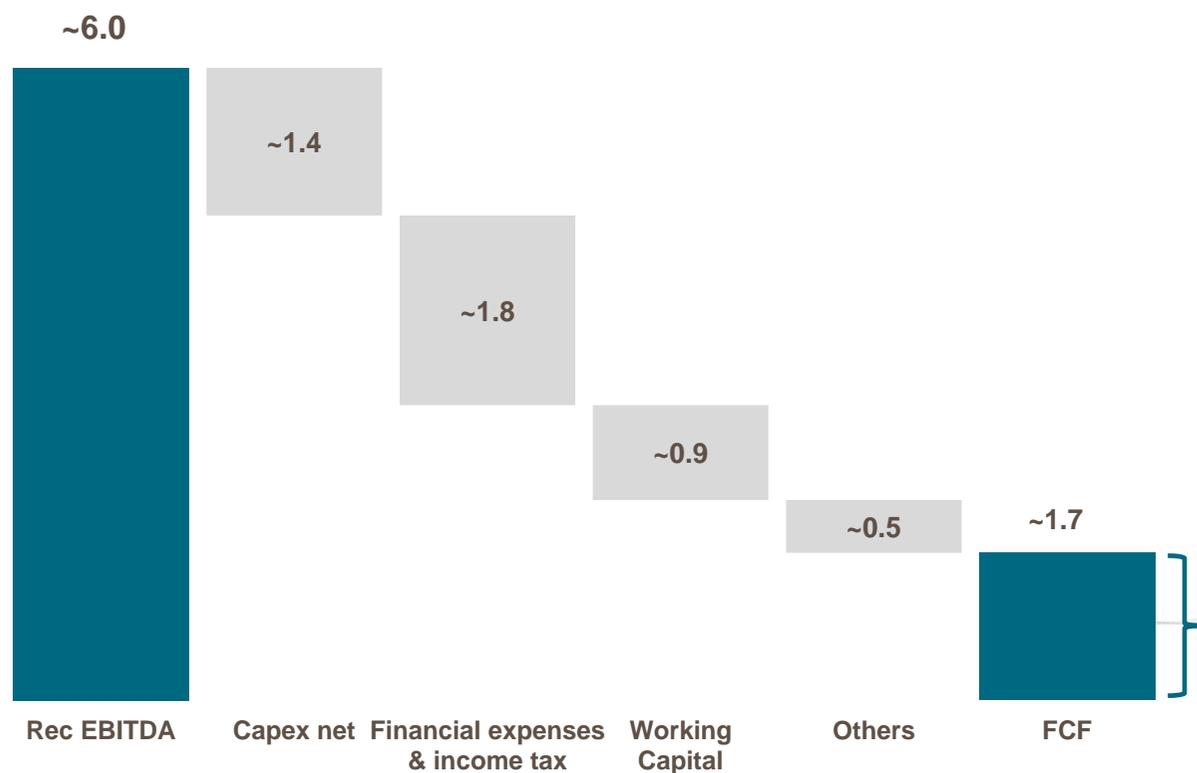
- ✓ Profitable growth
- ✓ Improvement of operational performance
- ✓ Cost savings and manufacturing performance
- ✓ Projects with short payback and ROIC >10%
- ✓ CAPEX at optimized cost
- ✓ Bolt-ons with significant synergies
- ✓ Develop business with low capital intensity

Cash Conversion

Reaching the target of 40%

From Recurring EBITDA to FCF

CHF, bn



2017

Target 2022
Cash Conversion
40%

Levers to improve FCF:

- ✓ Active management of Working Capital
- ✓ CAPEX closely monitored
- ✓ Reduce interest through deleveraging and refinancing
- ✓ Reduce restructuring expenses after completion of cost saving programs

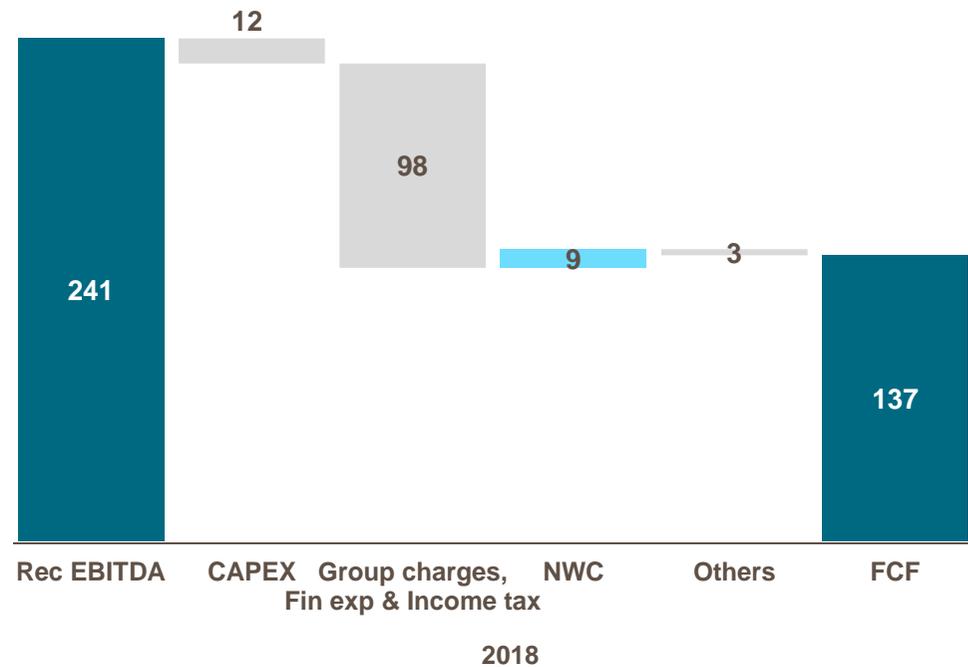
Cash Conversion

Example of Ecuador



From Recurring EBITDA to FCF

CHF, bn



Cash Conversion 57%

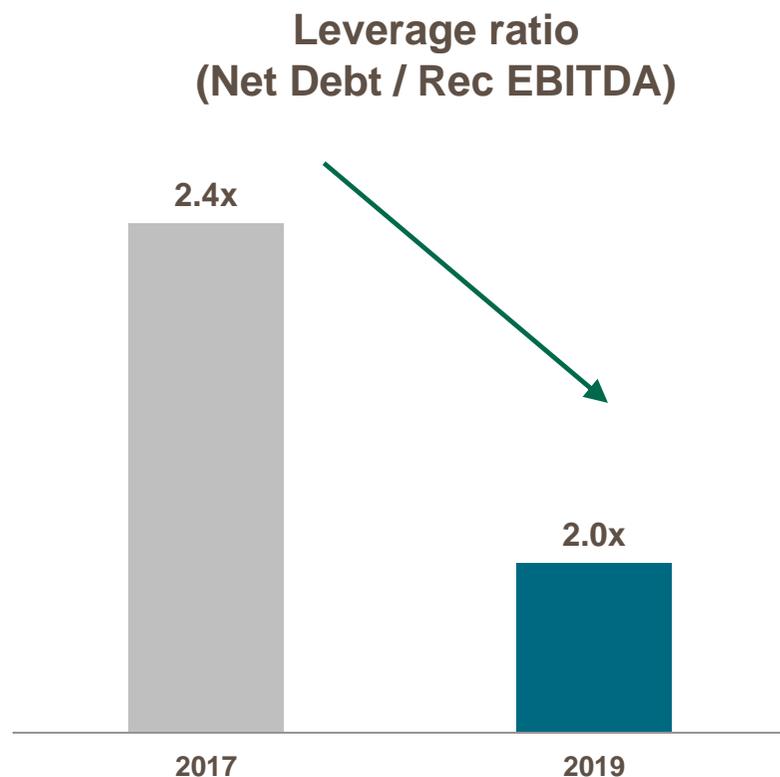
Cash Conversion

Example of Ecuador - Strengthen NWC

| | Recent initiatives | Future opportunities |
|-----------------------|---|--|
| 1 Accounts Receivable | Share risk with the banks, suppliers & end users | Remittances & credit card payments |
| 2 Inventories | Consignment & minimum stocks | Reduction of days of coverage & strict consumption plan |
| 3 Accounts Payable | Confirming & incremental payment terms from 30 to 90 days | Confirming & incremental payment terms from 90 to 120 days |

Strong Balance Sheet

Improve financial leverage, increase divestments



Our Objectives

- ✓ Maintain shareholder remuneration: 2 CHF / share
- ✓ Strong deleverage, achieve 2.0x at the end of 2019*
- ✓ Preserve an investment capacity for strategic acquisitions at the end of the plan
- ✓ Continue portfolio development with investment and divestment options
 - ✓ Indonesia signed for an EV debt-free of USD 1.75 bn
 - ✓ Key principle is to sell above our internal valuation

* Before application of IFRS 16, at constant 2017 FX

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