



Innovative Financing for AFR Projects

Pavel Cech, Feb 2013

Brief Introduction of Lafarge

Group Profile

- **World leader** in building materials
- Major player in the **cement, aggregates** and **concrete** industries
- We contribute to the construction of cities throughout the world with **innovative** solutions, providing cities with more housing, and make them more compact, more durable, more beautiful and better connected
- Operating in **<60 countries**
- **<60,000** employees
- **€<15 billion** of annual sales
- **<1,500** production sites
- Listed on the Paris Stock Exchange

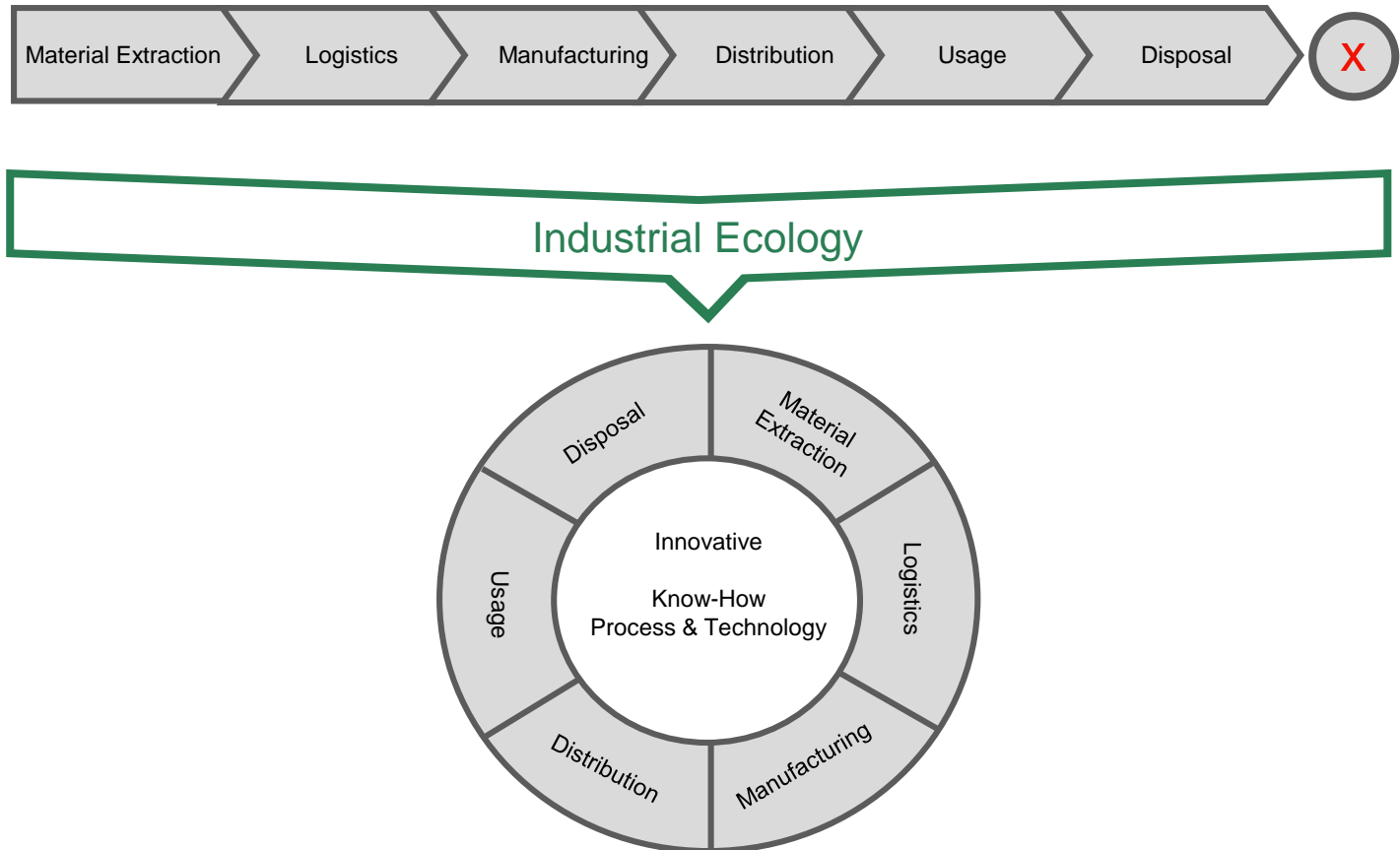


**Merging
with
Holcim**

Our Approach to AFR through Industrial Ecology

Bending the line...

In the traditional manufacturing concept the life of material is a line which by applying Industrial Ecology we can turn into a cycle.



Our Key Guiding Principles

- Do it in a **safe** fashion
- Strict adherence to respective **Group policy**
- **Legal compliance** in all geographies
- Each waste market is specific, different solutions do apply to different locations – **tailor made solutions**
- **Local partnerships** with local waste management specialists
- **Transparency** with environmental authorities
- Proper solutions do cost money - **polluter pay's** for disposal of his waste
- **Fair and professional** dealing with waste generators
- **Pioneering spirit**

Innovative Financing For IE Projects

Innovative Financing

Why do we need “innovative financing”?

Financing of Sustainable Projects

Warning before we move on:

At the time of consumers racing to get more stuff than they can possibly use, governments printing money to keep the thing running, banks lending money that do not really exist, investors spending money they have never had, there is a big question whether our investment into a “sustainable project” really makes the world more sustainable itself... We are made to worship “growth”.

The most sustainable innovative (smart) financing is the one that never takes place.

Financing That Never Takes Place

Put your internal resources to work (PH case)

- Smart use of existing infrastructure
- Creation of a functional network benefitting from diversity and leveraging capacities/capabilities/positions

Put external resources to work (KA case)

- There is a massive infrastructure out there that can work for you if you tap it in (logistics, pretreatment, collection)
- Partnerships, partnerships, partnerships

Resurrection of belly-up outfits (CH case)

- Many outfits broke their leg in the recent years. Some projects can be acquired from desperate custodians

Reasons

Lack of internal funds (WA principle)

- You want to invest but you have no money and banker does not lend me

Project does not meet specific parameters (RCM case)

- Your company sets strict limits for capex projects and your project does not make it to the priority list

Strategic “lock-in” (EE case)

- Your customer has a problem and money, you have the solution or you have a great idea but you depend on a third party to get it off the ground

Risk sharing (MVC case)

- You're not so sure about this project and there is someone eager to join it

Symbiotic alignment (PK case)

- You want one part and someone else is up for the other part

Bigger picture setting (WB case)

- You're not so sure about this project and there is someone eager to join it

Solutions

WA principle

- Fix your basics first

Joint Venture

- Some investors are more tolerant to longer payback time, often with a buyback option for you
- Risk distribution by sharing a project with parties motivated to make it work (R&D, reference, new entrant...)

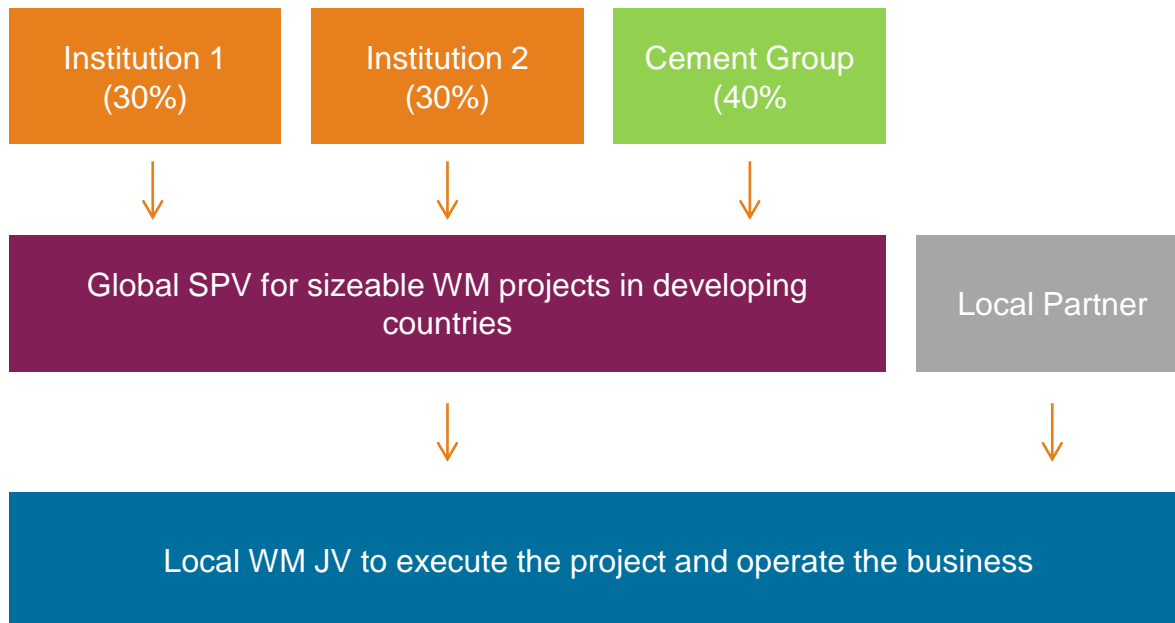
Variabilization

- Customer/waste generator financed waste management infrastructure in a total-logistics-system

Shared infrastructure

- Complementary resource sharing (RDF/compost...) among parties with different market reach using the same infrastructure
- The resource is too big for one...
- A “higher” reason to apply the solution (ODS destruction...)

Real Life Example (true Innovative Financing)



Closing Notes

The engine of progress

The show stopper

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Thank YOU!