

# HEIDELBERGCEMENT

**Analyst Day 2010:**

**Aggregates: Building on the global market leader**

Heidelberg, May 19, 2010

**Dr. Dominik von Achten**

Member of the Managing Board



# Introduction: Dr. Dominik von Achten



## Responsibilities

- North America
- Purchasing
- Worldwide coordination of the Competence Center Materials

## Personal Data

- Date of birth: Dec. 26<sup>th</sup>, 1965
- Marital status: Married, four children

## Education

- Dr. Dominik von Achten studied law and economics at the Universities of Freiburg and Munich.
- Second State Exam at the Munich Higher Regional Court
- Doctorate in Economic Policy

## Career

- From 1996 to September 2007, Dr. Dominik von Achten worked for The Boston Consulting Group. During this time, he held various management roles, including two abroad—in New York and Helsinki. His clients mainly came from process- and construction materials industries. In his capacity as Responsible Partner & Managing Director at The Boston Consulting Group, he headed the successful implementation of the "win" project at HeidelbergCement.
- Appointed as member of the Managing Board in October 2007
- Before he took his current responsibilities he managed the Hanson integration and the UK business.

# HeidelbergCement: Global market leader in Aggregates

## I. Leveraging the superior market position

- World market leader - geographically diversified
- Strong footprints in attractive urban areas

## II. Mastering the key success factors

- Outstanding reserve positions – continuous development
- Strict cost and asset management
- Advancing logistic solutions to ensure competitive cost to market

## III. Further develop profitability

- Leveraging a global aggregates business
- Accelerating toward growth

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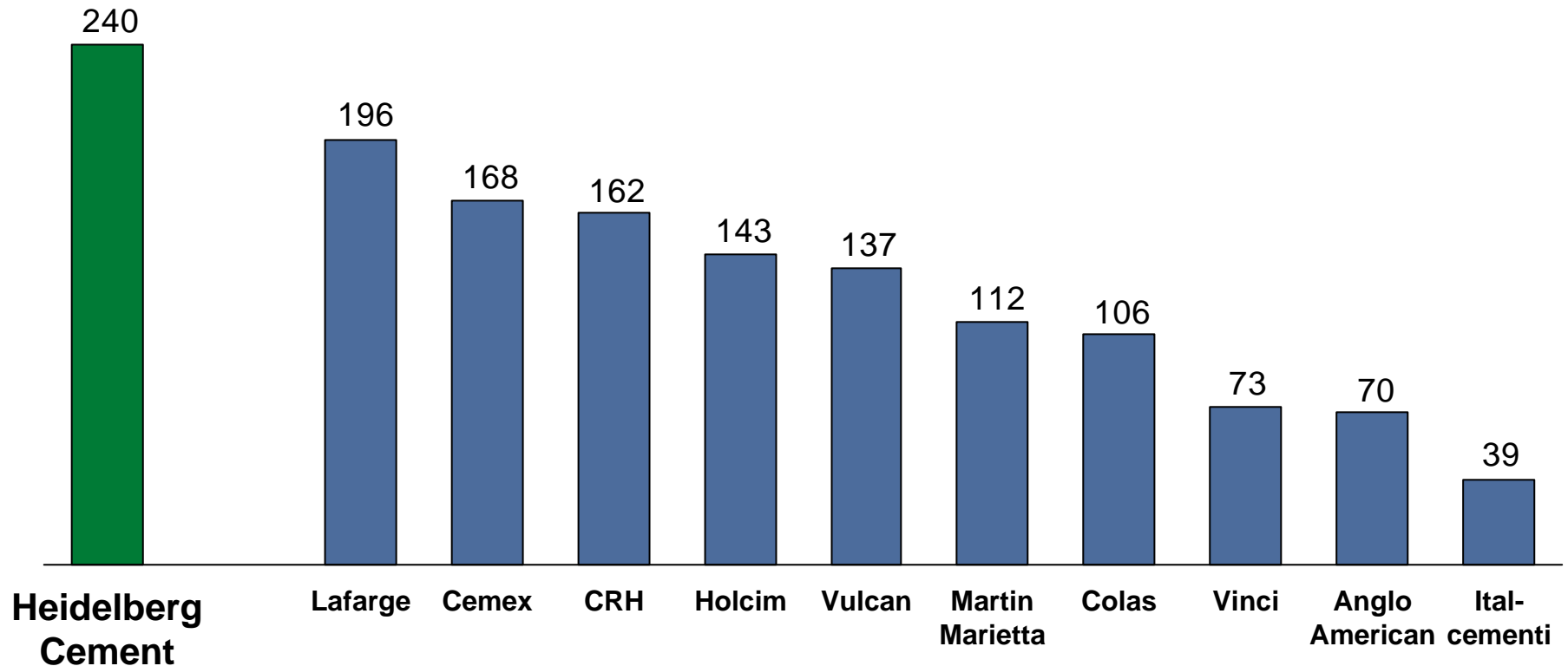
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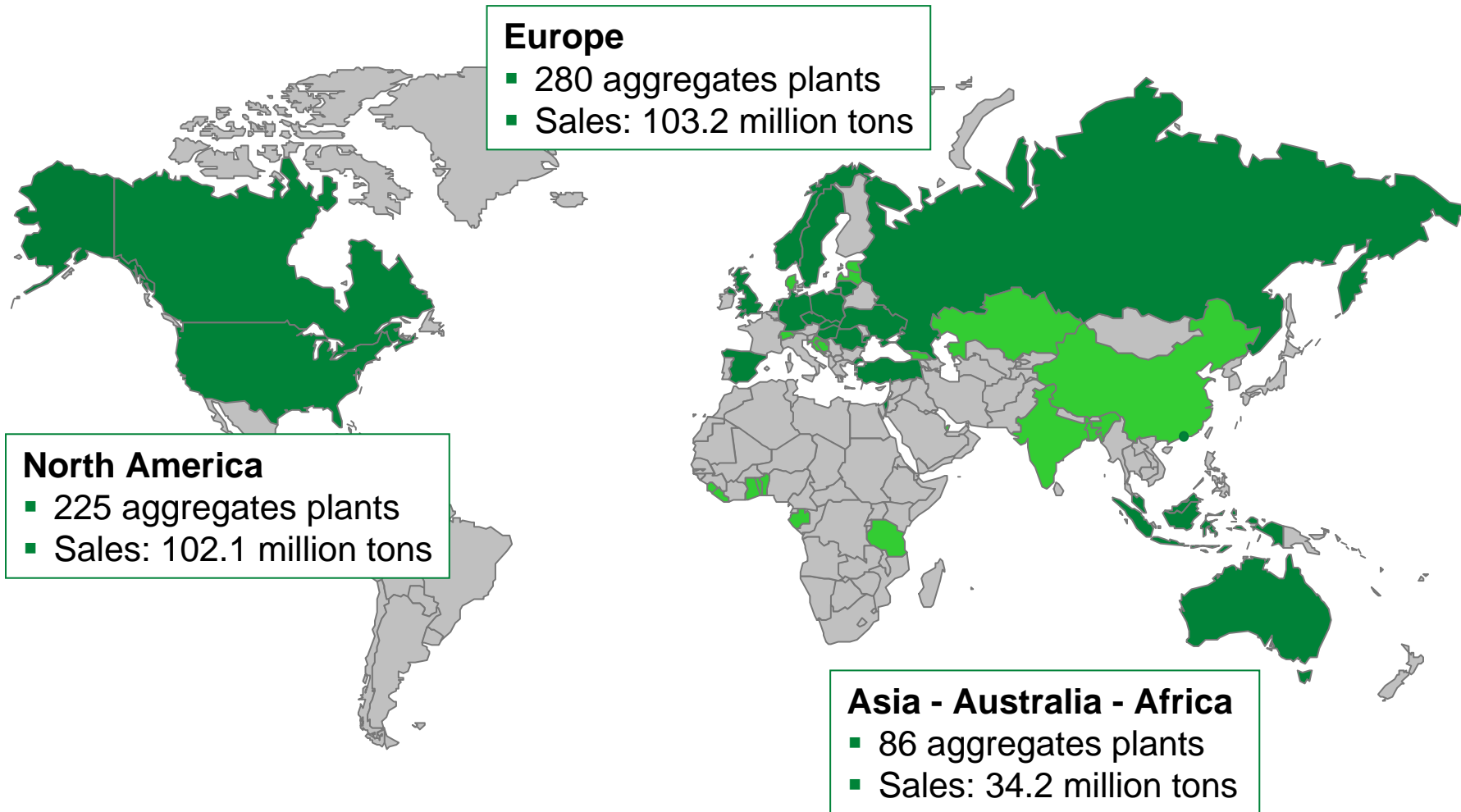
# HeidelbergCement is world market leader in Aggregates

2009 annual aggregates sales in million tons



# Aggregates footprint is geographically diversified

~ 600 active aggregates plants worldwide sold ~240 million tons in 2009



Source: HeidelbergCement

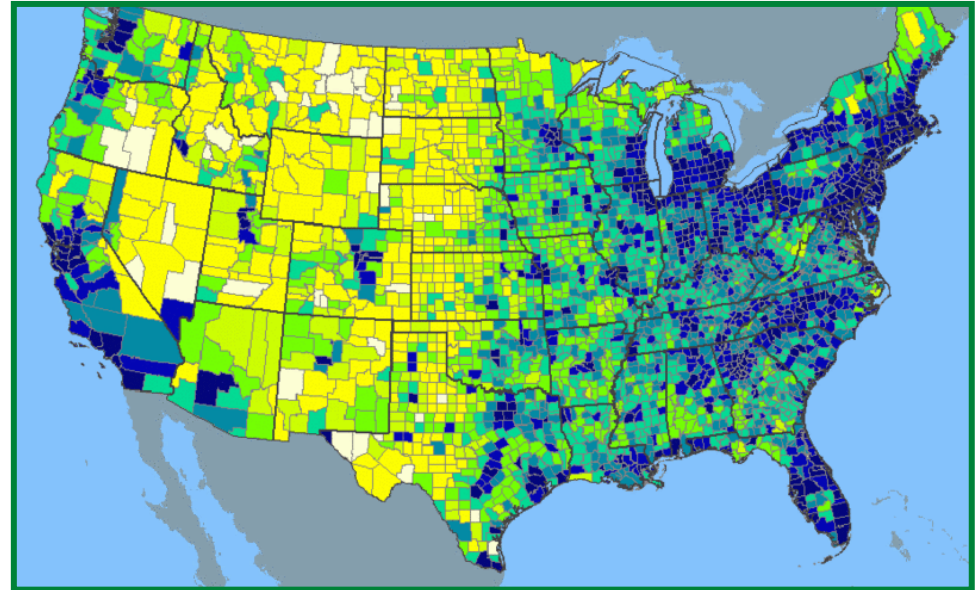
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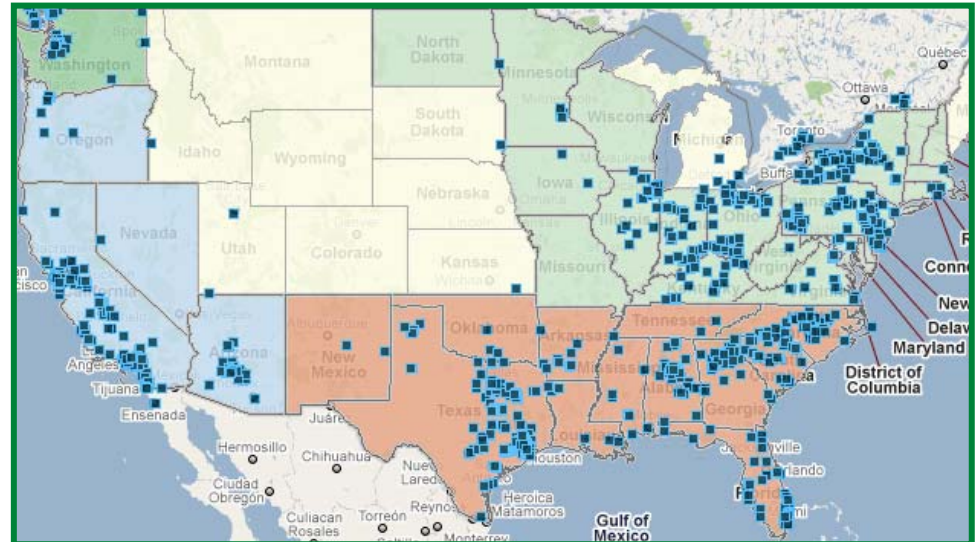
# Assets are close to the key markets

## U.S. population density per county\*



## HeidelbergCement Footprint in the USA

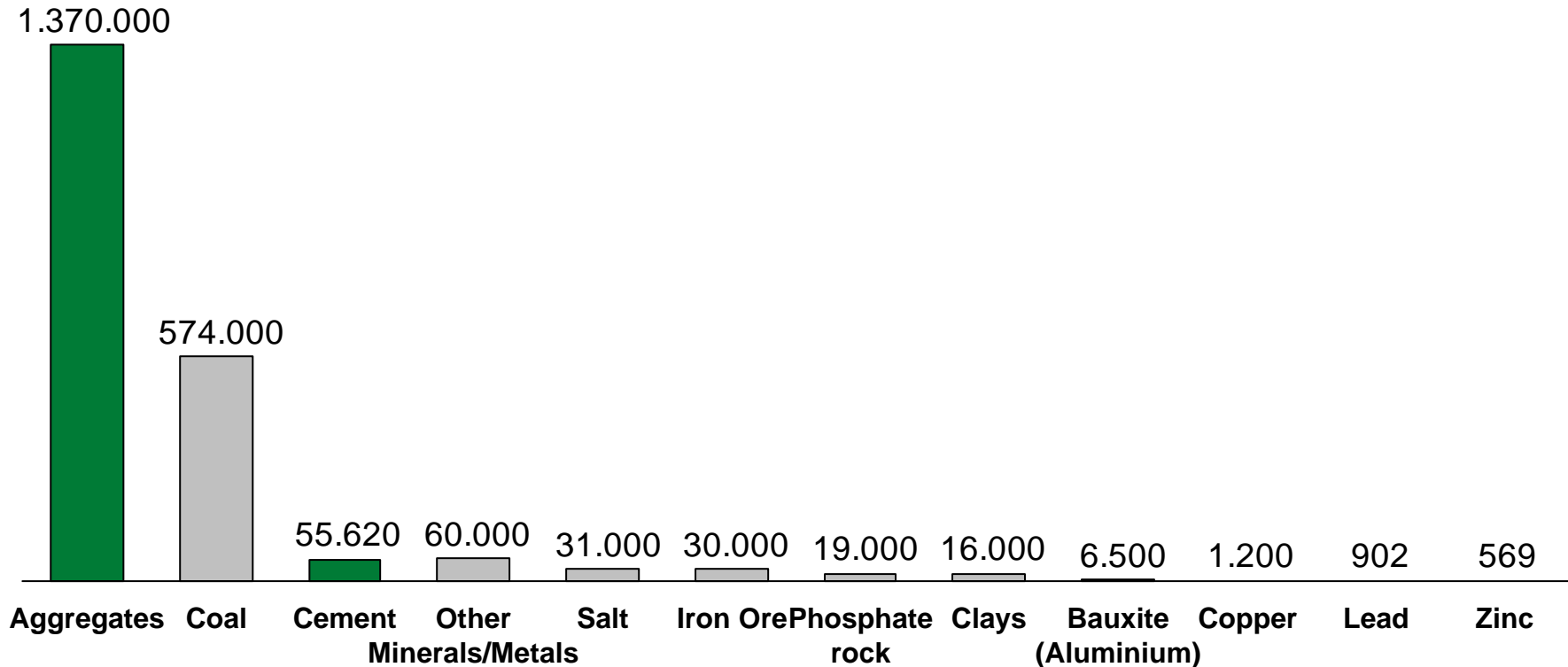
- Assets located in urban areas
- Most attractive urban areas covered



\*Source: 2000 U.S. census: Population density within each county, in persons per sq. mile: *Light to dark (yellow to blue)*: 1-4 (y), 5-9 (lt. green), 10-24 (teal), 25-49 (dk. teal), 50-99 (blue-green), 100-249 (blue), 250-66,995 (black).

# Aggregates are the most important mineral raw material

## Use of minerals during the lifetime of an American



Source: Mineral Information Institute 2009

# Aggregates build the world's housing and infrastructure



## Ready-Mixed Concrete




## Concrete Products



## Asphalt



 Aggregates content (general estimates, may vary for individual applications)

Source: HeidelbergCement

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# Examples Aggregates usage

## Examples:

### **Six lane highways:**

40,000 tonnes of aggregates / per kilometer!

### **School or hospital:**

14,000 tonnes of aggregates for the concrete walls, floors, walkways, mortar sand and parking areas.

### **Tall office tower:**

100,000 tonnes of aggregate

### **Single-family house:**

~160 tonnes of gravel (foundation, concrete walls, floors, stairs, sidewalks, patio and driveway)

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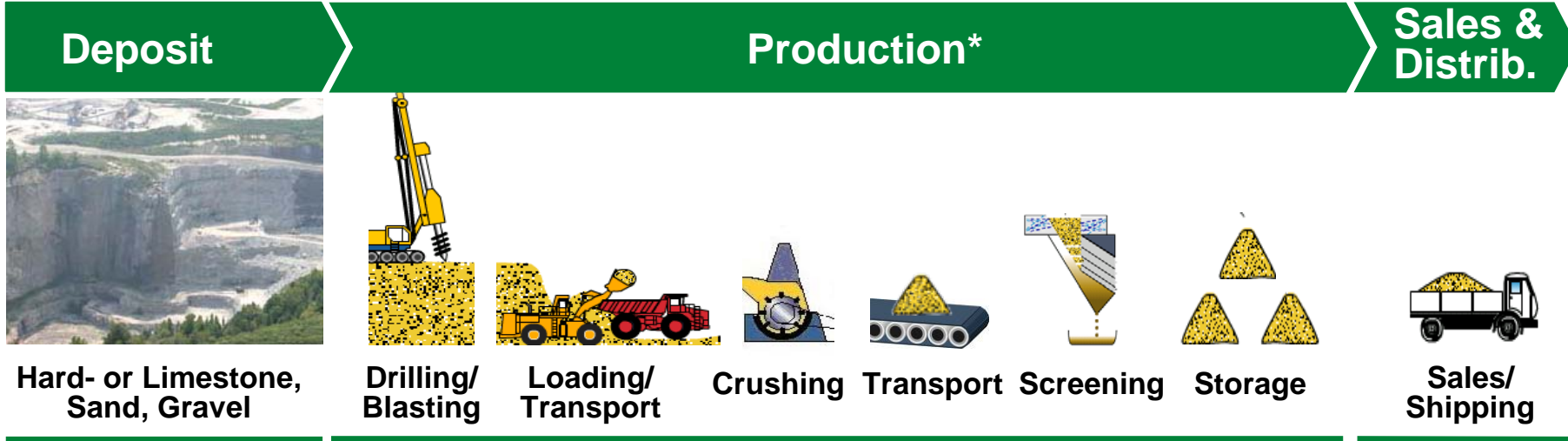
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# Mastering the key success factors – per plant & worldwide



**Sustainable Reserves**

**Efficient asset management and production with focus on energy and labor**

**Logistics**

1

2

3

4

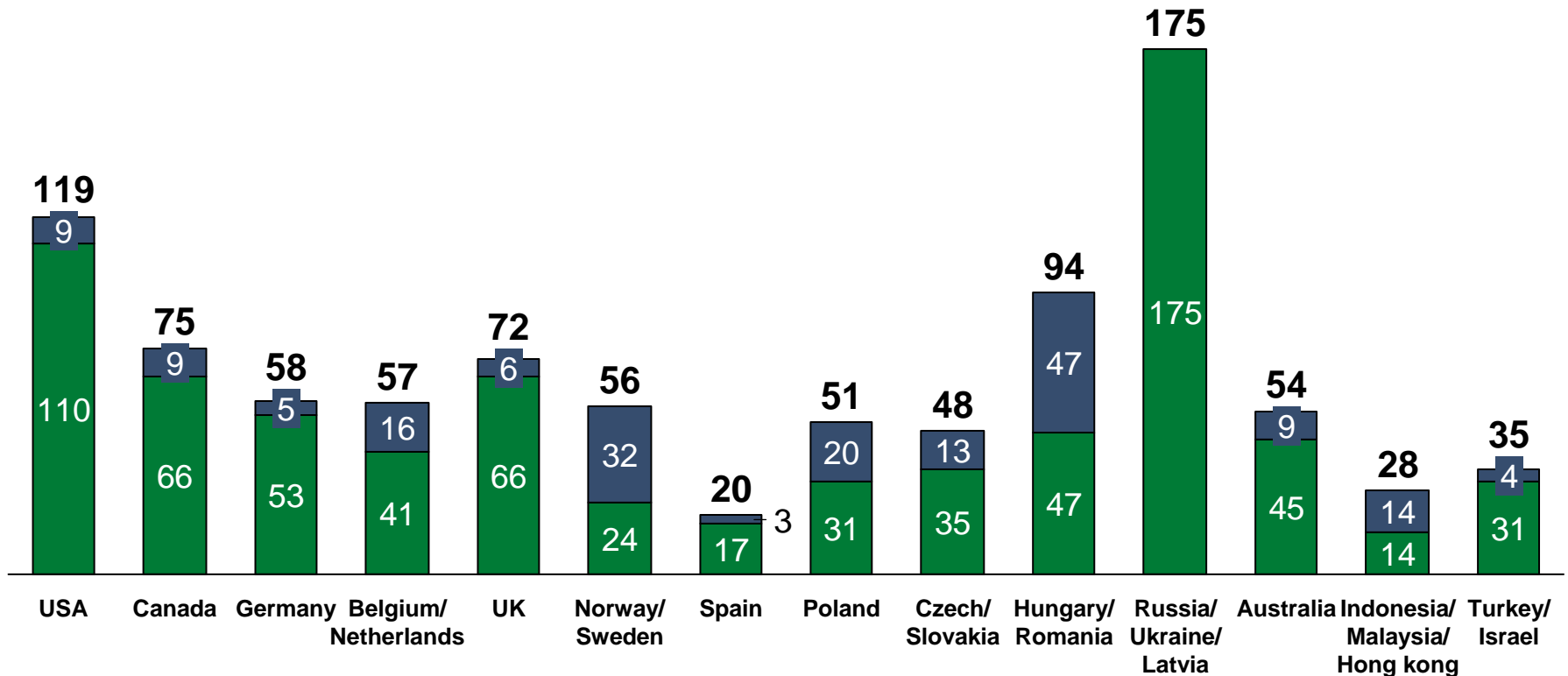
**Leveraging the size across 600 aggregates plants**

- Know how transfer
- Best practice sharing
- Economies of scale

# HeidelbergCement with superior reserves positions

## Lifetime of Aggregates Reserves and Resources in years

(Status: December 2009, lifetime based on 3-year production average 2007-2009)



Resources  
 Reserves

Source: HeidelbergCement  
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# Highly effective asset management across the life cycle

## Example: Yellow Machines

~ 4000 units worldwide

Trucks



Loaders



Excavators



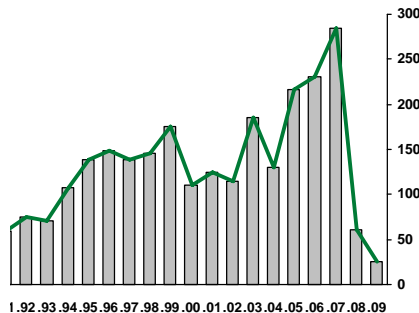
Dozers



### Systematic Transparency

Example:

#### Age Profiling



### Decision driven insights

Example:

#### TCO database, including fuel tests and M+R benchmarking



→ long term replacement and capex planning

→ ideal replacement timing  
→ ideal model selection

### Leveraging the global set-up

Example:

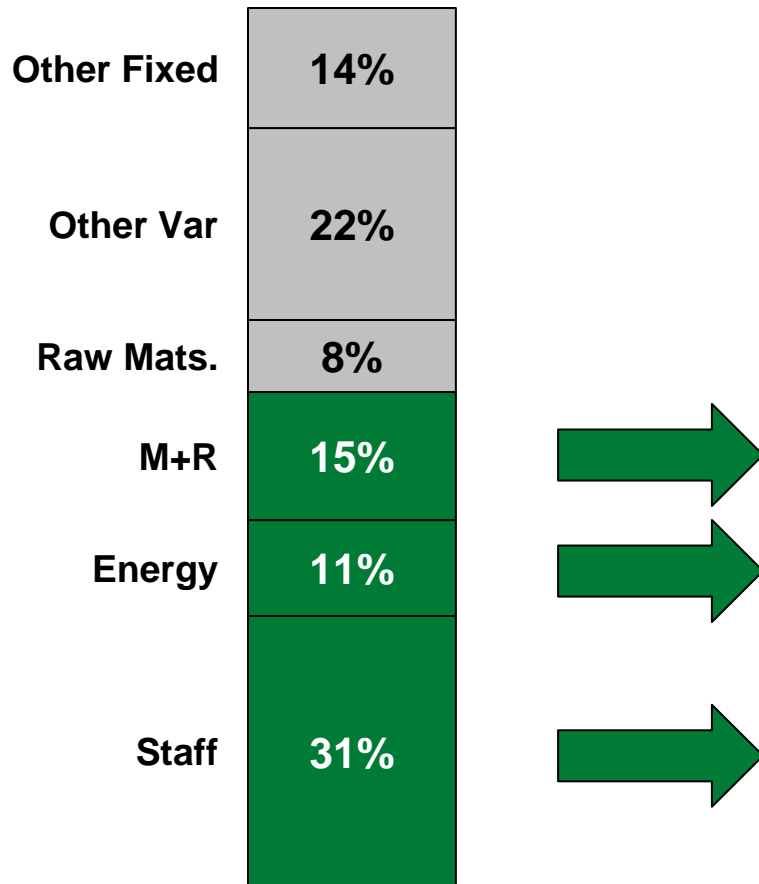
#### Low cost country sourcing

Realized savings for trucks & loaders:  
**30-60%**

→ highly effective capex through worldwide and world class sourcing

# Efficient production: Three main levers to success

## Cost Structure Aggregates\*



## Performance Indicators

Special focus  
and tight management  
of the key cost drivers

- capacity utilization
- energy efficiency
- labor productivity
- plant downtimes
- maintenance and repair

Main cost components, not considering inventory changes and goods for resale.  
Breakdown varies from plant to plant. Source: HeidelbergCement

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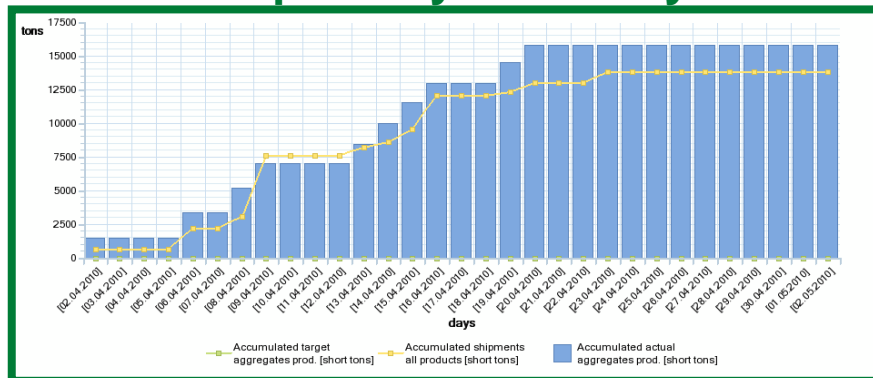
# Efficient production: Daily transparency & strict benchmarking

## Example: Global Production and KPI Report

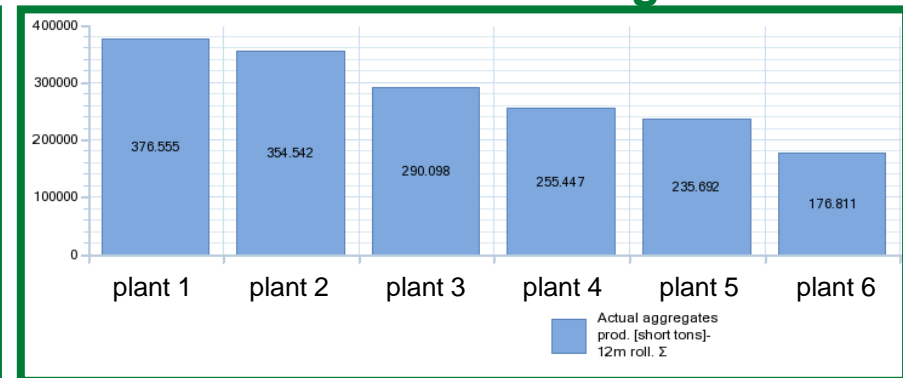
### Production and efficiency performance indicators measured (→ KPIs)

- All plants worldwide are covered and report data  
→ Tight management of all units
- KPI data available on a daily basis!  
→ Immediate learnings and actions
- Identical measurement and understanding in all plants worldwide  
→ Benchmarking and know-how transfer
- Availability worldwide online (SAP BI)  
→ Top management awareness and involvement

### KPI transparency on a daily basis



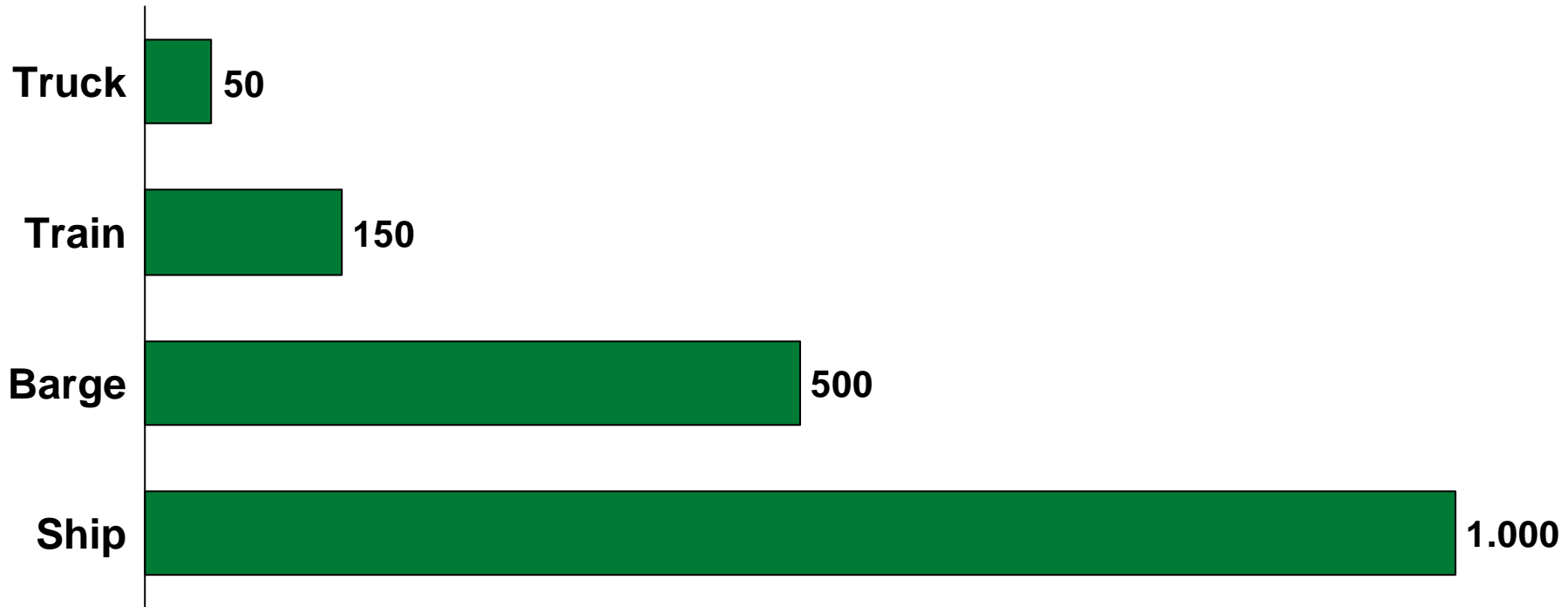
### Benchmarking



Source: HeidelbergCement

## Distribution: We use all four key transportation methods

### Economic transportation distances for aggregates (in miles)



### Success factors are

- Reserves and plants located close to attractive urban markets
- Logistics: Strategically effective network - continuous enhancement process

Source: HC, JP Morgan

## Distribution: HC 's solutions reach across countries

### Off-shore: Example North Sea

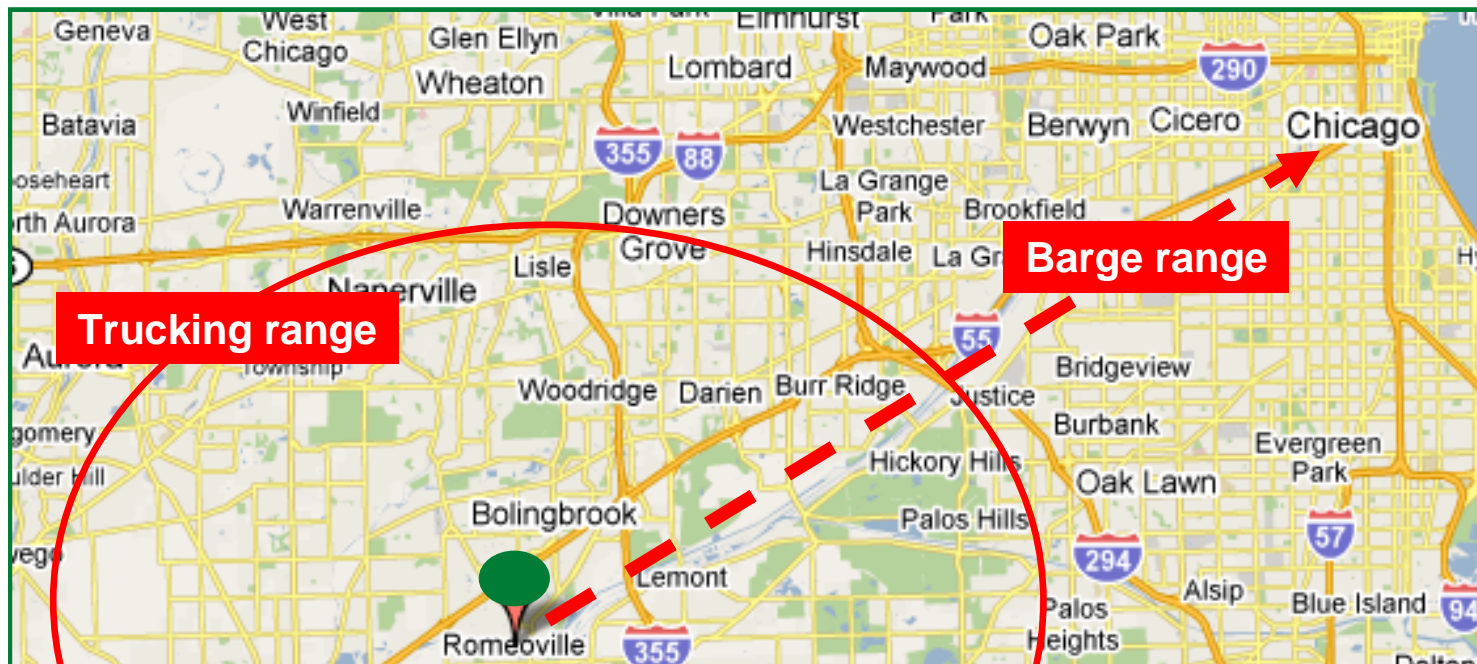
- Production in very efficient quarries in Scandinavia optimized for export
- Flexible logistics by off-shore ships
- Distribution (~ 40 terminals) network across the North Sea region
- Competitive advantage in coastal regions



## Distribution: Focus on best cost to market

### Barge: Example Romeoville Chicago (IL)

- Strategically located to serve the Chicago area
- Although competitor quarries are closer, Romeoville with competitive advantage due to barge transportation (56% of shipments) to customer docks



# Distribution: HC 's solutions reach to where our customers are

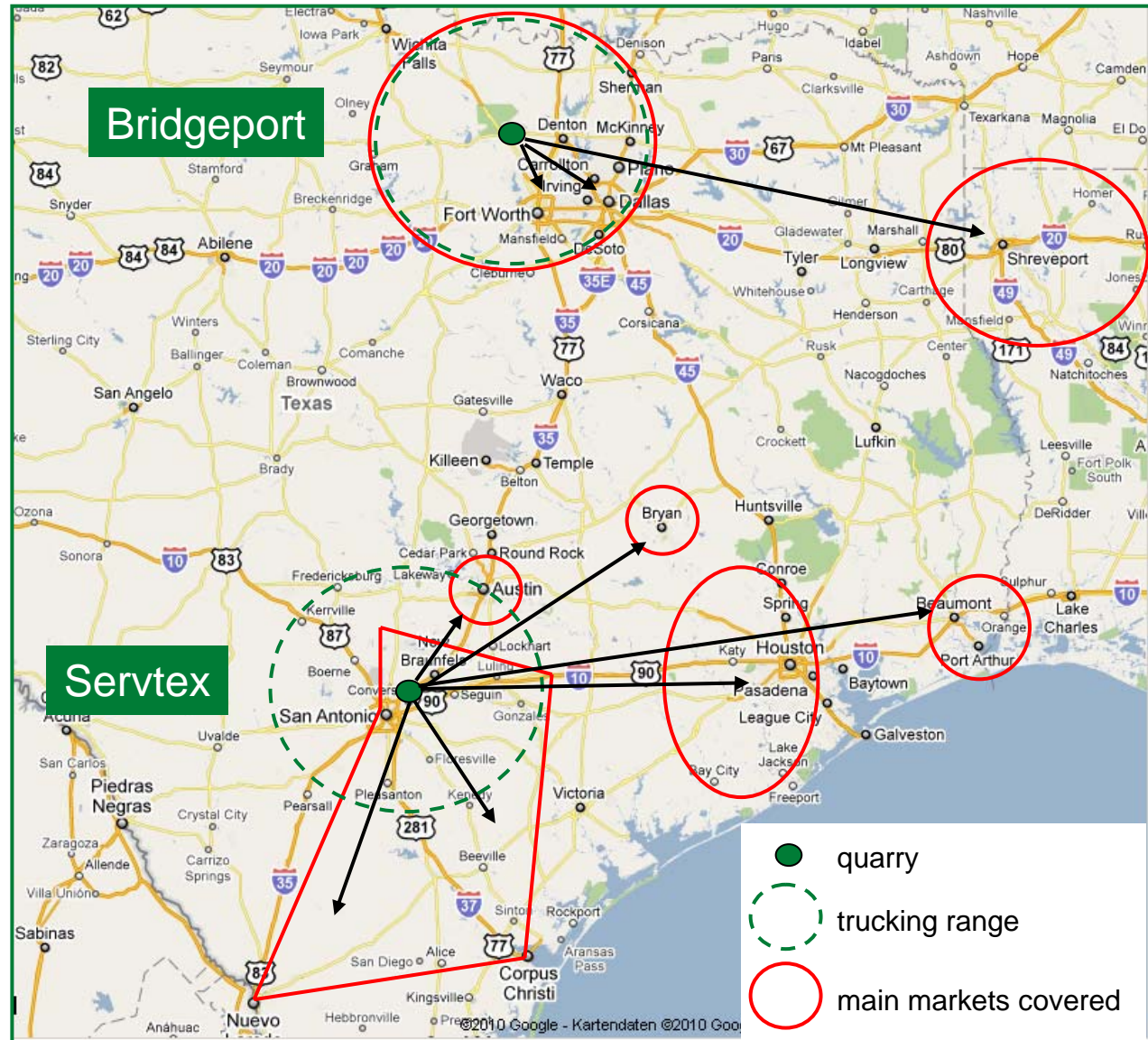
## Rail: Examples Texas

### Bridgeport

- Strategically located to serve the Dallas Fort Worth area
- Rail network allows also shipping beyond trucking range into Louisiana markets (e.g. Shreveport) which scarce reserves

### Servtex

- Strategically located to serve the San Antonio region
- Rail network allows also shipping beyond trucking range in attractive markets, especially Houston.



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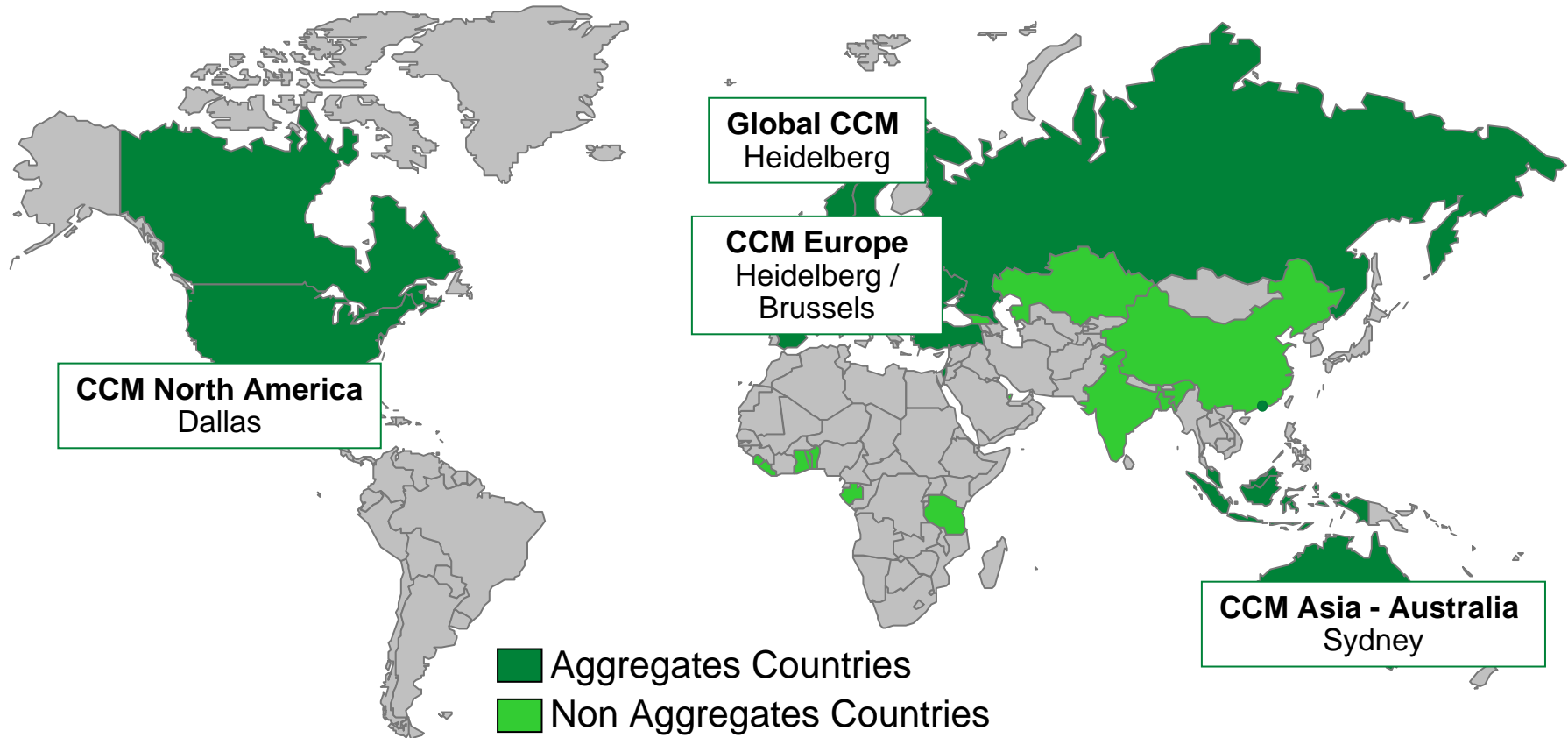
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## Set-up of a small but powerful global organization: CCM

The objective of the Competence Center Materials (CCM) is the operational support & improvement of Aggregates, RMC and Asphalt units



# Clear goals to focus resources: CCM

1

## Operational performance

- Daily measurement of standardized global KPIs
- Weekly reporting of KPIs
- Benchmarking and identification of strong and weak plants
- Project definition, know-how transfer, best-practice sharing

2

## Standardization

- Define standardized equipment per market region
- Frame contracts (exploit potential of low-cost country sourcing)
- Ensure compliance

3

## Efficient use of capital

- Secure market position
  - New permits
  - Permit extensions
- Prioritize projects
  - Rank by impact on our success
  - Allocate tight Capex effectively
- Realize efficiently
  - Avoid overspend
  - Avoid delays and errors

**Market  
Development**

**Land, Minerals  
and Environment**

**Benchmarking &  
Analysis**

**Maintenance**

**Engineering**

**Construction  
Planning**

**Project  
Management**

**Business line and  
equipment specific  
issues / expertise**

# Accelerating Towards Growth: Ongoing improvement project realize substantial savings

## I. Successfully completed improvement processes

### Example: OpEx Project

- Scope: Worldwide efficiency review
- Approach: Know-how transfer between different countries and formally independent companies (Heidelberg – Hanson)
- Results: > 50 million € savings worldwide

## II. Ongoing Projects progressing well

### Example: Electricity Efficiency Project

- Scope: Worldwide electricity consumption review
- Approach: Optimization of electricity usage patterns
- Results: Target 5-10 m € savings

### Example: Benchmarking in quarterly management meetings

- Scope: Performance of plants
- Approach: Quarterly review of benchmarks and actions by managing board

## III. Recently kicked-off Projects

### Example: Quarry workflow optimization project

- Scope: Alignment of production stages and reduction of organizational inefficiencies
- Approach: Better use of working time for staff and equipment
- Results: substantial potential after pilots, total potential tbd



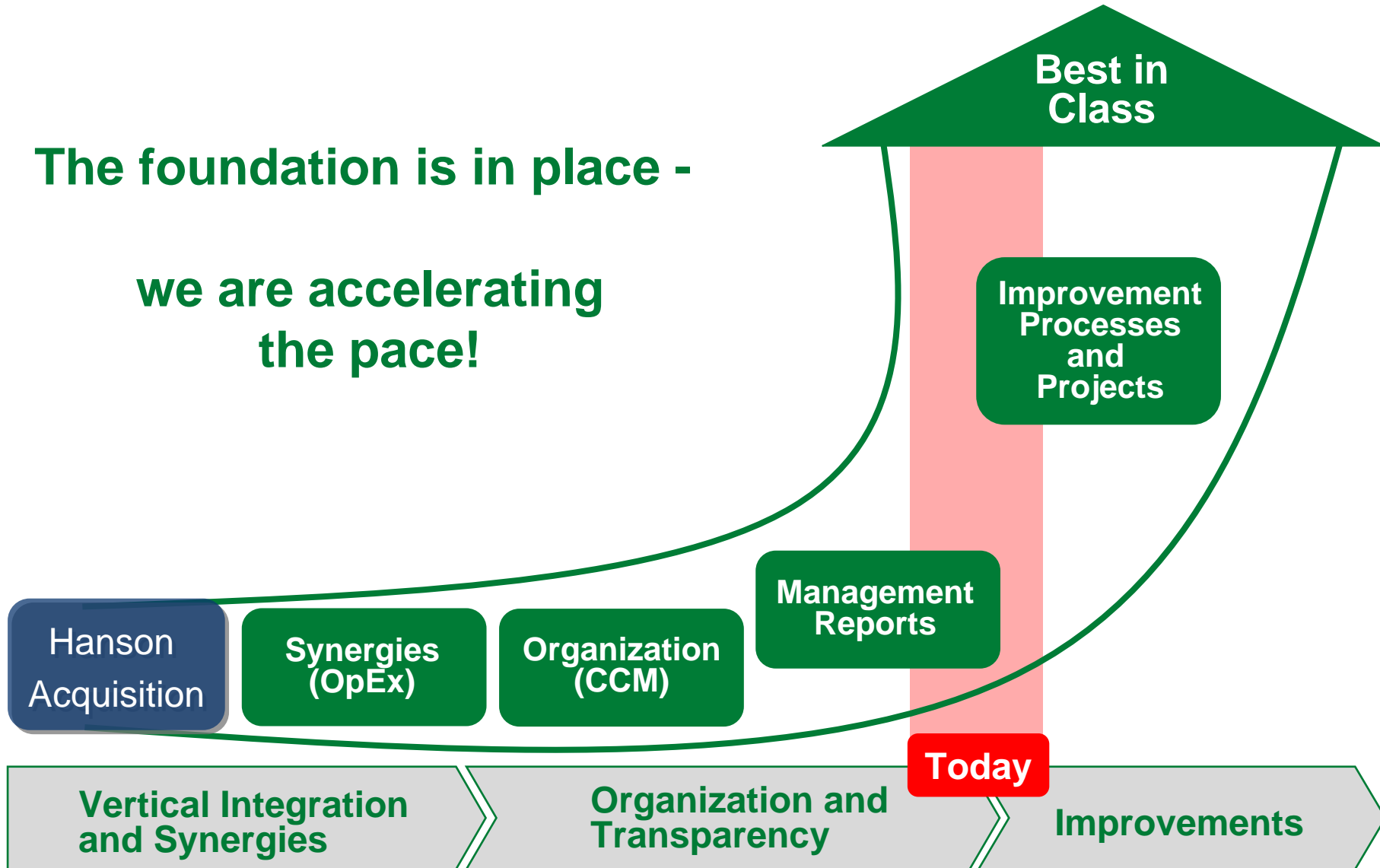
ongoing  
project  
pipeline

**Our objective:**

**From the biggest aggregates player to best in class**

**The foundation is in place -**

**we are accelerating  
the pace!**



# Safe Harbour Statement

Unless otherwise indicated, the financial information provided herein has been prepared under International Financial Reporting Standards (IFRS).

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