

HEIDELBERGCEMENT

Aggregates Day 2012:

Dallas, June 28

North America – Poised for Recovery

Daniel M. Harrington

President & Chief Executive Officer – Lehigh Hanson, Inc.



Slide 1 - 28 June 2012

Aggregates Day HeidelbergCement 2012 – Daniel M. Harrington

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HeidelbergCement in North America

HeidelbergCement
acquires Lehigh
Cement Company in
1977

Acquisitions of Atlas
Cement Company,
CBR, Scancem &
Glens Falls Cement
Company

Canadian operations
acquired in 1993 & Hanson,
plc in 2007

- **HeidelbergCement operates in North America as Lehigh Hanson, Inc. with more than 600 active operations in the U.S. and Canada**
- **Core activities include the production and distribution of cement, aggregates and ready-mixed concrete**
- **Lehigh Hanson companies also produce a range of other building materials and provide construction services in some markets**

Lehigh Hanson senior/regional management

Strong & experienced leadership team



Dan Harrington
President & CEO
Lehigh Hanson

Service: 18 Years



Helmut Fischer
SVP & CFO
Lehigh Hanson

Service: 11 Years



Dennis Dolan
President
North

Service: 35 Years



Clifford Hahne
President
South

Service: 29 Years



Kari Saragusa
President
West

Service: 18 Years



Jim Derkatch
President
Canada

Service: 42 Years



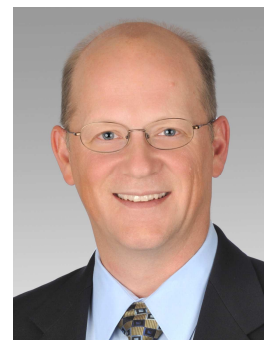
Robert Breyer
President
White Cement

Service: 19 Years



Tom Capelli
President
Building Products

Service: 28 Years



Scott Dickson
Vice President
CCM

Service: 19 Years



Stuart Tomlinson
President
HTC

Service: 4 Years

Product lines

Diverse product lines in key markets across North America

% of 2011
Revenue

26.4

Cement

- 12 gray cement plants; 2 grinding plants
- 2 white cement plants (joint-venture)
- 52 cement distribution terminals
- 1 ground granulated blast furnace slag plant



27.9

Aggregates & Asphalt

- 224 crushed rock, sand & gravel facilities
- 45 hot-mix asphalt and construction operations
- 10 recycling operations
- 11 misc. materials operations



25.0

Ready Mixed Concrete

- 175 ready mixed concrete plants



20.7

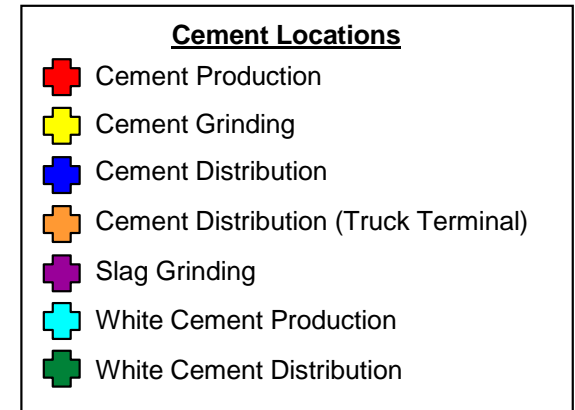
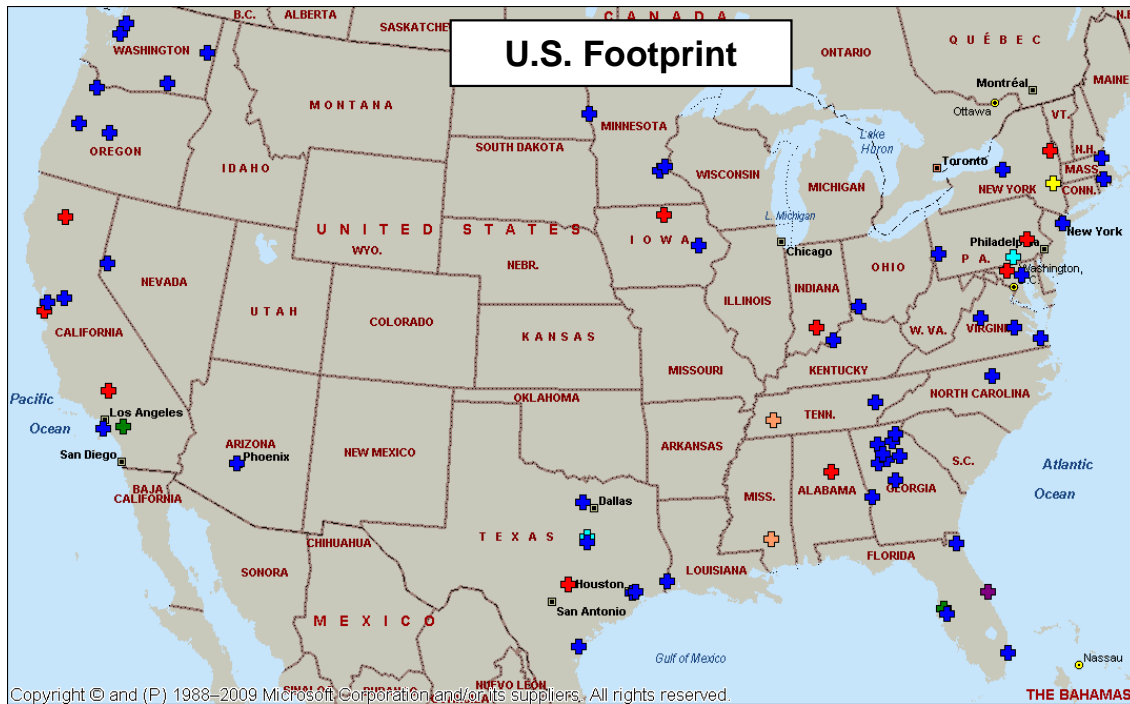
Building Products

- 78 concrete products operations (gravity pipe, pressure pipe, precast concrete)
- 15 brick plants
- 4 roof tile and 9 paver operations

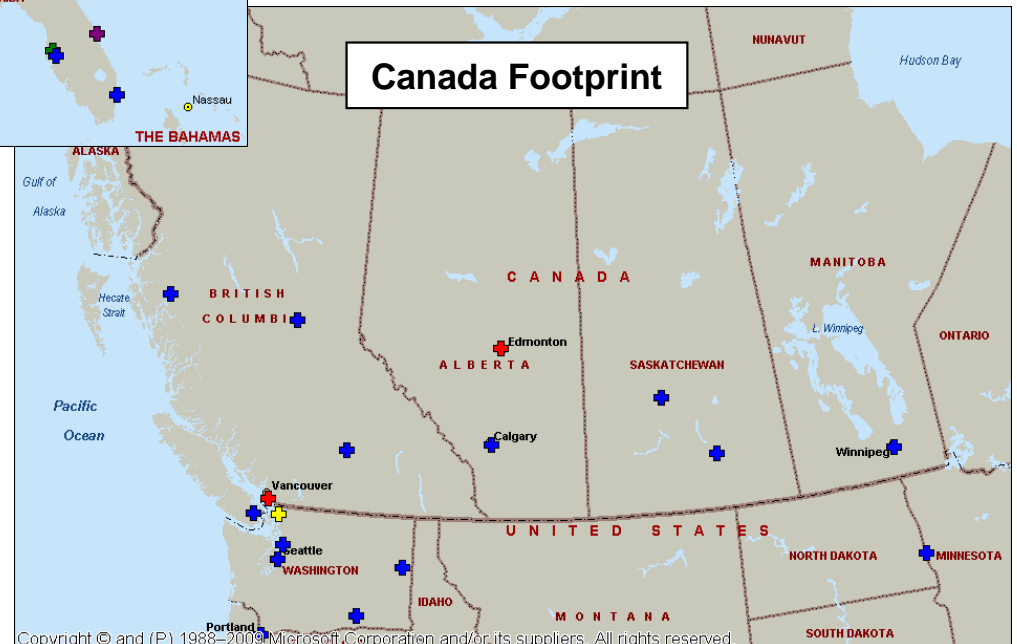


Cement locations

Balanced footprint with strong market presence



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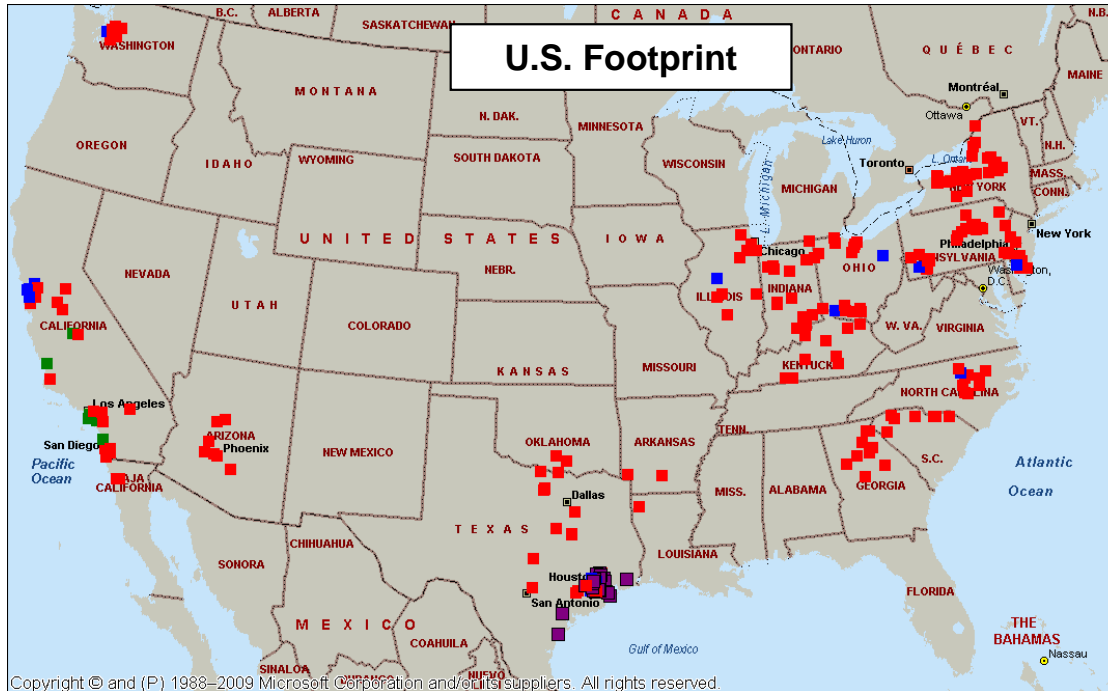


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**Strong customer base
with strategically
located manufacturing
sites & distribution
points**

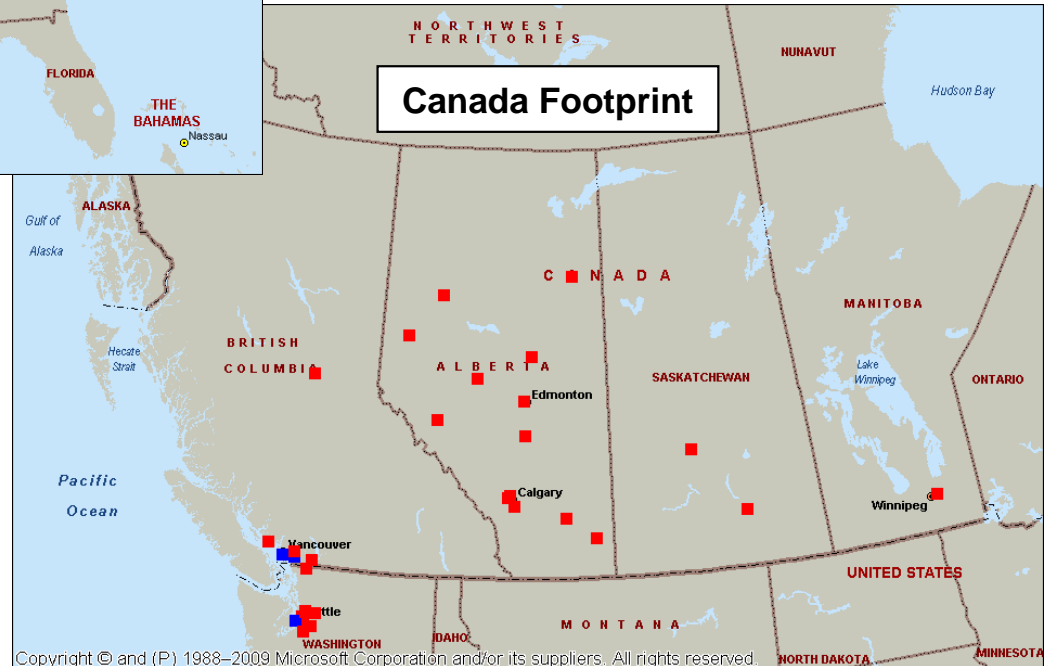
Aggregates locations

Market leader with strong reserves



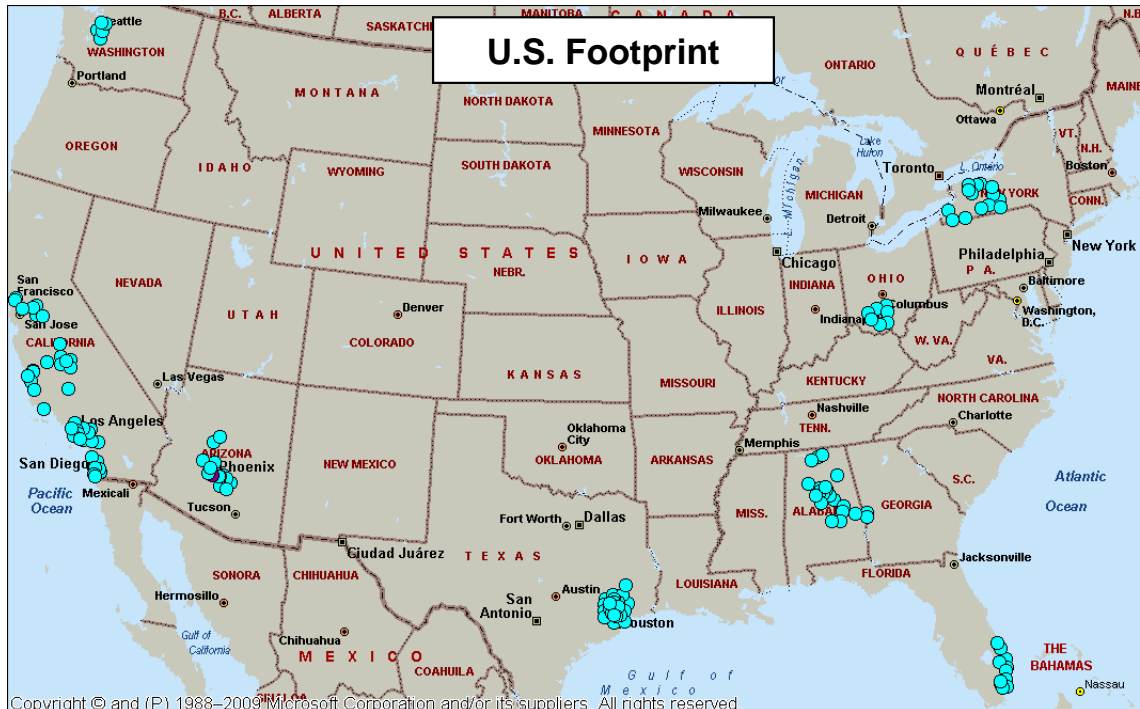
Superior reserves positions with plants located in attractive urban areas

- Locations by Product Line**
- Aggregates Production
 - Aggregates Distribution
 - Recycled Aggregates Production
 - Stabilized Materials Production



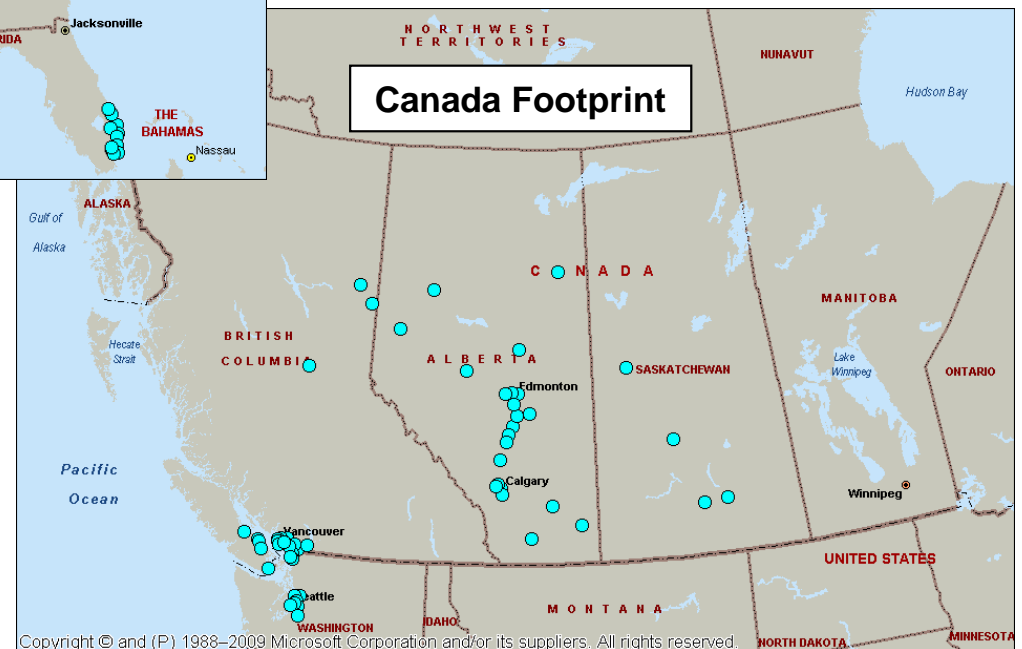
Ready Mixed Concrete (RMC) locations

National presence with local brands



**Efficiency & capability
of a national company**

**Strength & reliability
of local brands**



Asphalt locations

Well-positioned in strong markets

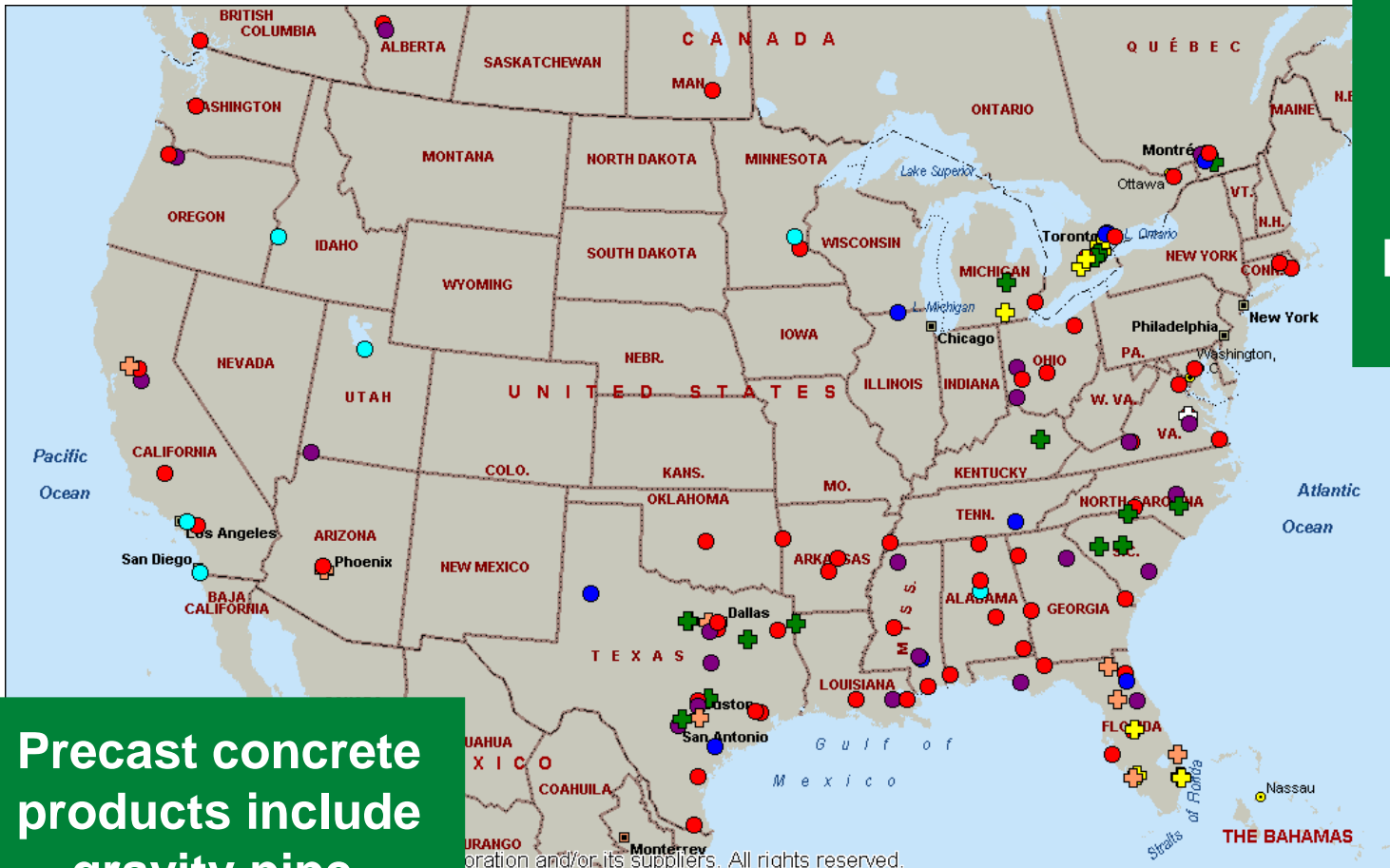


**Well-positioned with
construction services
available in select
markets**

Building Products locations

National coverage with regional strongholds

Hanson Pressure Pipe is the leading manufacturer of concrete & steel pipe systems in the U.S. & Canada



Precast concrete products include gravity pipe, bridges, building panels & railroad crossings

Locations by Product Line

- Concrete Pipe
- Precast Concrete
- Pressure Pipe
- Structural Precast
- Roof Tile
- Concrete Pavers
- Concrete Block
- Brick

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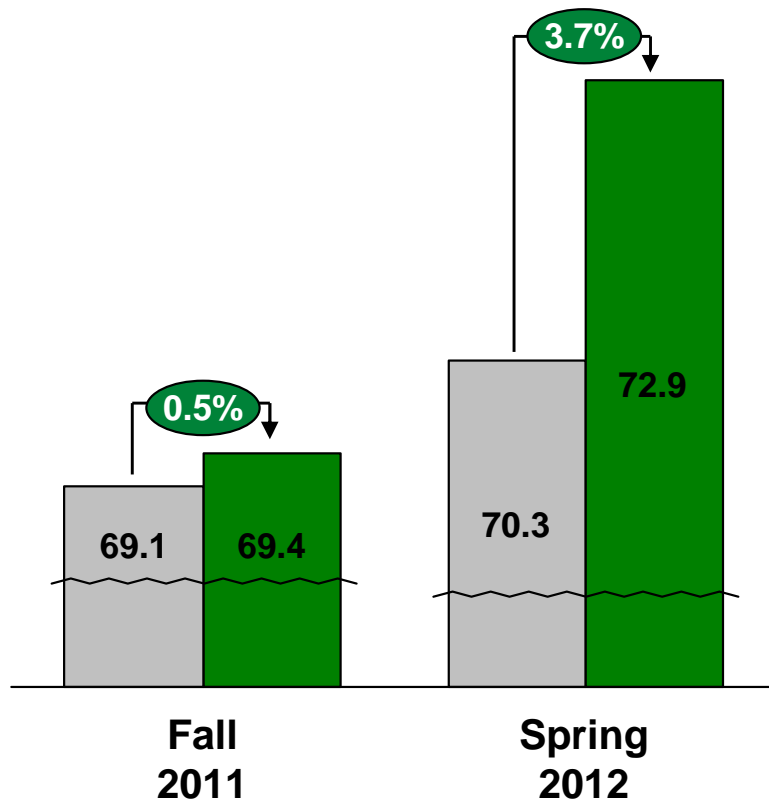
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PCA forecast – United States

PCA U.S. Cement Consumption Forecast (Mt)

Fall 2011 vs. Spring 2012

2011 2012



- Signs indicate the economy has entered a stage of self-sustaining growth; recovery in the construction industry is nearing
- Portland Cement Association (PCA) expects significant growth in 2012 cement consumption; up 3.7% from 2011 levels
- PCA also expects a gain in real construction spending will materialize this year – after seven years of consecutive declines
- Job creation a critical factor for sustained economic recovery

PCA forecast confirms positive cement outlook

Aggregates industry forecast – United States

- **Aggregates will track with economy**
- **No full-year transportation program**
- **State budgets stressed with flat federal support**
- **Lack of employment growth will constrain significant new construction activity**
- **Energy states, including the new gas drilling states, are expected to do well**

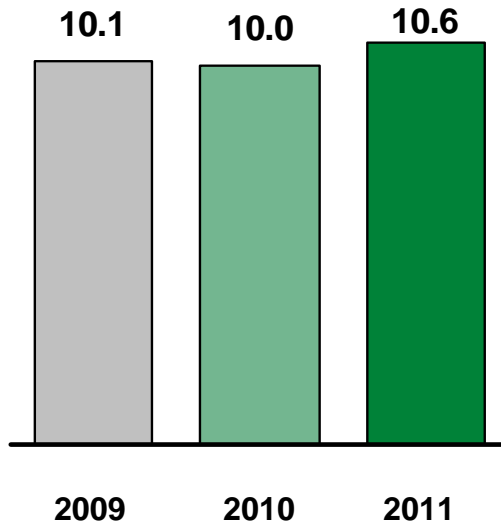
	<u>2010</u>	<u>2011</u>	<u>2012</u>
Aggregates (Bt)	1.99	1.97	1.88
%Ch. Yr./Yr.	+2.5%	-1.0%	-4.6%

Source: David Chereb Group (DCG) March 2012 Forecast

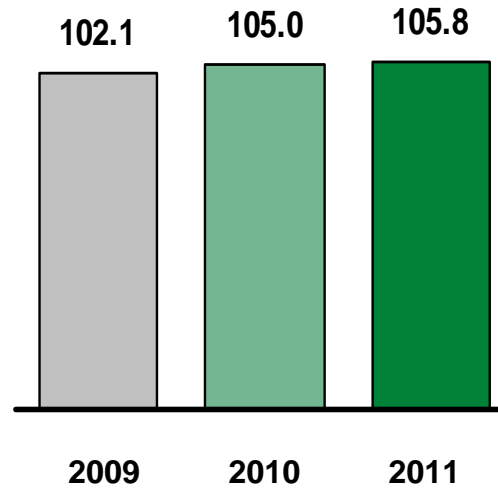
Latest aggregates industry forecast suggests flat to negative performance vs. 2011

North America volumes – full year

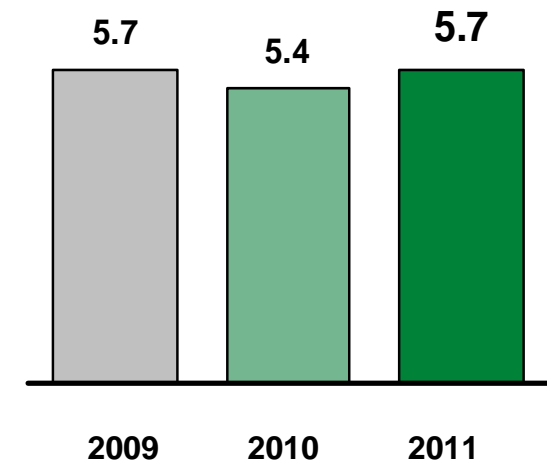
Cement (Mt)



Aggregates (Mt)



Ready Mixed Concrete (Mm³)



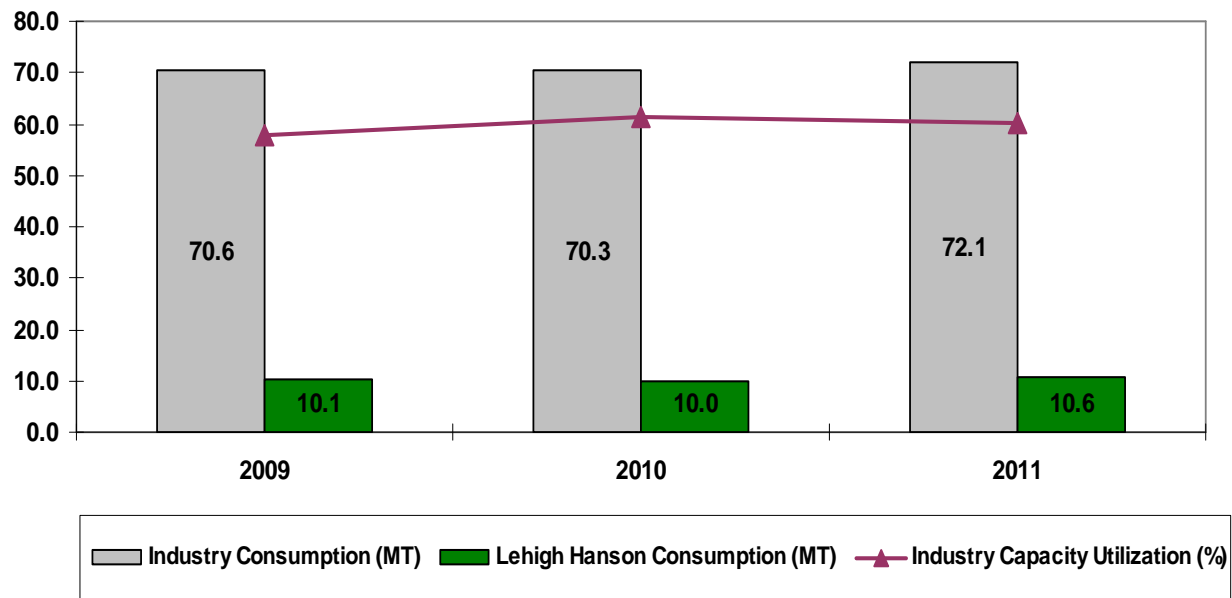
2012 NAM Outlook

Cement volumes +4% to +7% (PCA +3.7%)
Aggregates volumes +1% to +4% (DCG -4.6%)

Exceeding industry forecasts in all major product lines!

Cement consumption & capacity utilization trends

- PCA expects utilization rates will not top the 80% trigger point on a national basis until 2015, and approaches 90% by 2017
- Lehigh Hanson outperforms industry average due to strength of micro-markets, integrated marketing, product quality and technical support



Figures include gray cement, white cement & cementitious materials

Lehigh Hanson exceeding industry capacity utilization trends

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Energy developments

Strict energy management

- **Strict purchasing guidelines to maximize savings**

Close collaboration between corporate & regional purchasing groups

- **Operational efficiency programs target energy/fuel savings**

- **Fuel switching (full and partial mix) from coal to natural gas where possible**

- **Alternative fuel strategy by plant**

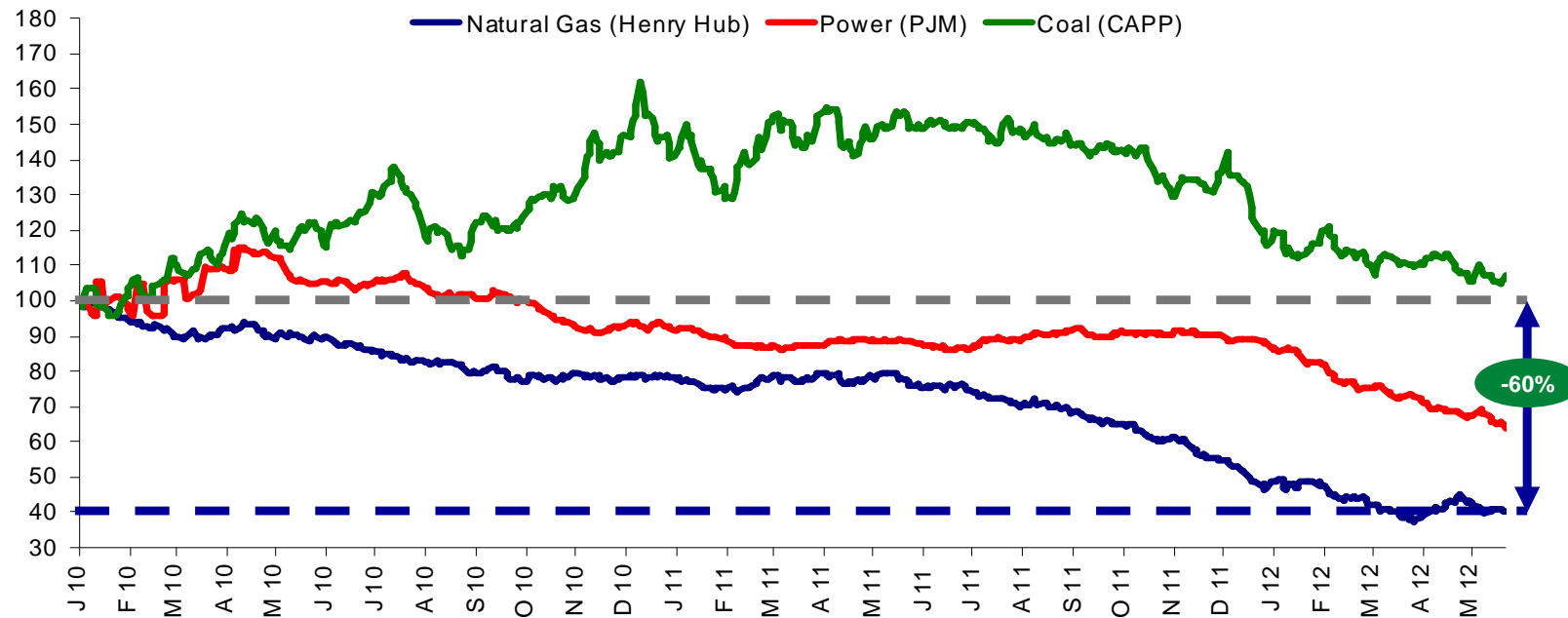
- **Participation in electrical energy curtailment programs where possible**

- **Secure forward positions at low prices (coal, coke, diesel, etc.) as market dictates and policies permit**

- **Continuous market monitoring and KPIs**

Energy developments

Shale gas revolution – cost implications



- Decreases in natural gas prices (60% vs. early 2010)
- As a result, power prices also decreasing in most regions
- Coal prices increased during 2011, but “fuel switching” is pressuring market and driving domestic and international prices down

Energy developments

Shale gas revolution – market implications

- Increased shale gas production positively impacting our core businesses in key micro-markets across the country
- Leveraging integrated marketing approach to maximize opportunities

<u>Aggregates</u>	<u>Cement</u>	<u>RMC</u>
Central Pennsylvania	Evansville (PA)	Rochester (NY)
Eastern Ohio	Union Bridge (MD)	Eastern Ohio
San Antonio (TX)	Glens Falls (NY)	Central California
Houston (TX)	Cementon (NY)	
Los Angeles Basin (CA)	Mitchell (IN)	
	Tehachapi (CA)	
	Buda (TX)	

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Three goals – key priorities

① Create Best-In-Class Financial Structure

- ✓ Streamline SG&A cost structure (Project WIN)
- ✓ Build on strong track record of cost controls, cash management and efficiency programs
- ✓ Optimize logistics cost and distribution terminal network

② Win In the Market

- ✓ Regained cement market share in the West and North regions; regained aggregate market share in Texas, California and the Southeastern U.S.
- ✓ Integrated marketing in micro-markets (e.g., San Francisco, Houston)
- ✓ Sustainability emphasis; “green” opportunities
- ✓ Network and margin optimization; grow reserves

③ Optimize Organizational Performance

- ✓ Align HQ/support functions with business needs
- ✓ Back office optimization; streamline transactions & improve processes
- ✓ Focus on internal/external customer service and satisfaction

Three goals defined in 2010 to tackle the challenges

Goals

**Create best in class
financial structure**

Enabler

Win in the market

Enabler

**Optimize organizational
performance**

Financial indicators

**Op. margin
SG&A as % of sales**

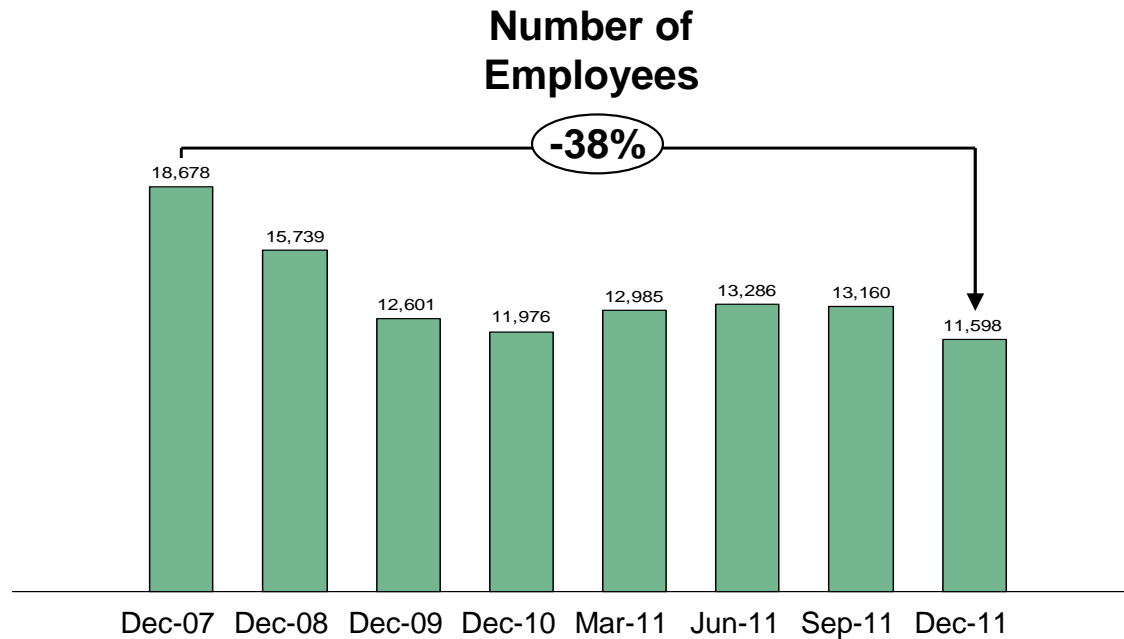
**Market share
Gross margin
Price strategy**

**Internal/external surveys
Benchmark vs. industry
Metrics & KPIs
Continuous improvement**

Create best-in-class financial structure

Streamline SG&A – cost savings exceeded targets

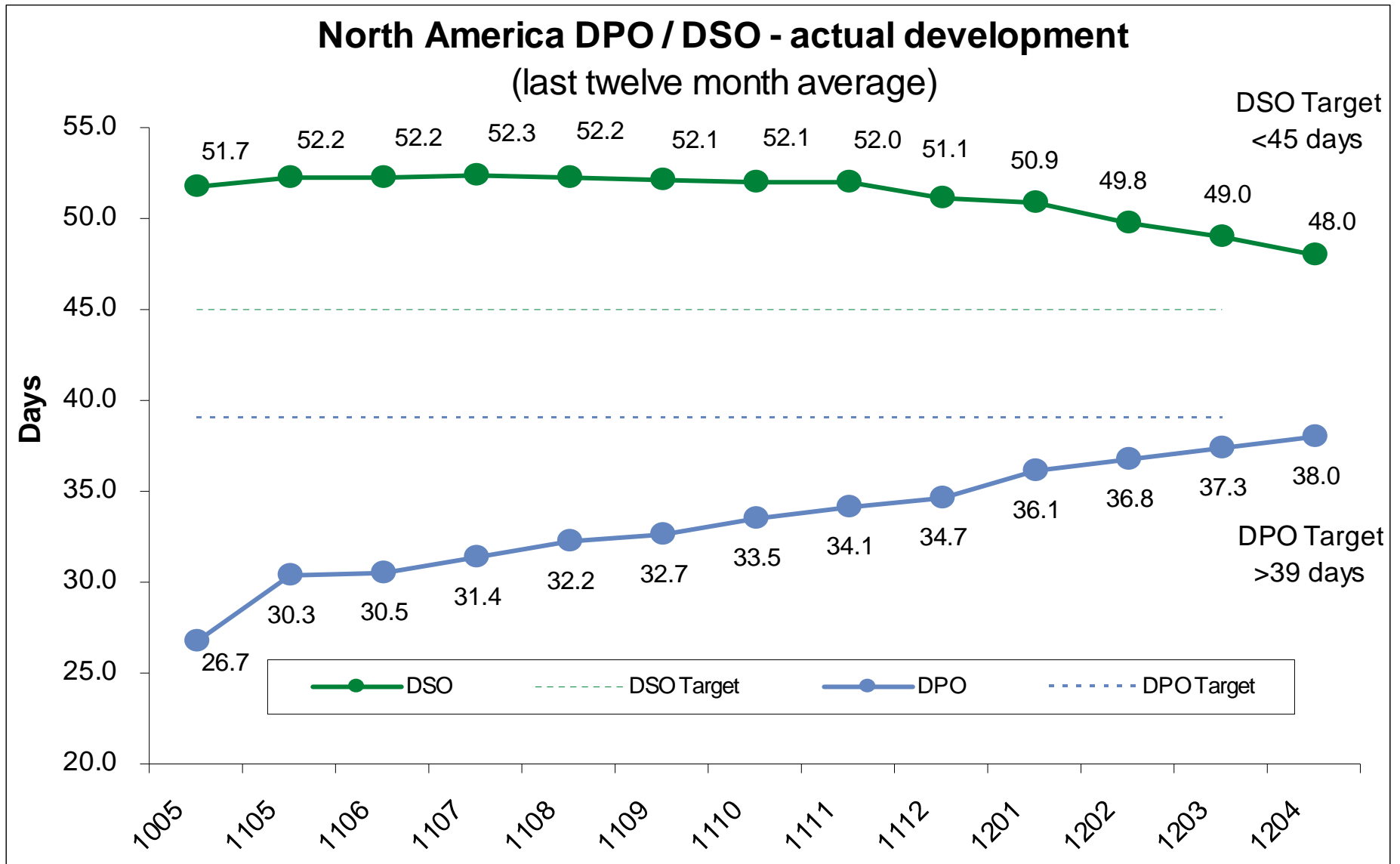
- \$41.9m cost savings realized in 2010 (126% of target)
- \$50.2m cost savings realized in 2011 (111% of target)
- \$11.4m in additional savings in 2011 from Building Products reorganization



Strict headcount management – staff at benchmark levels

Best-in-class cash management

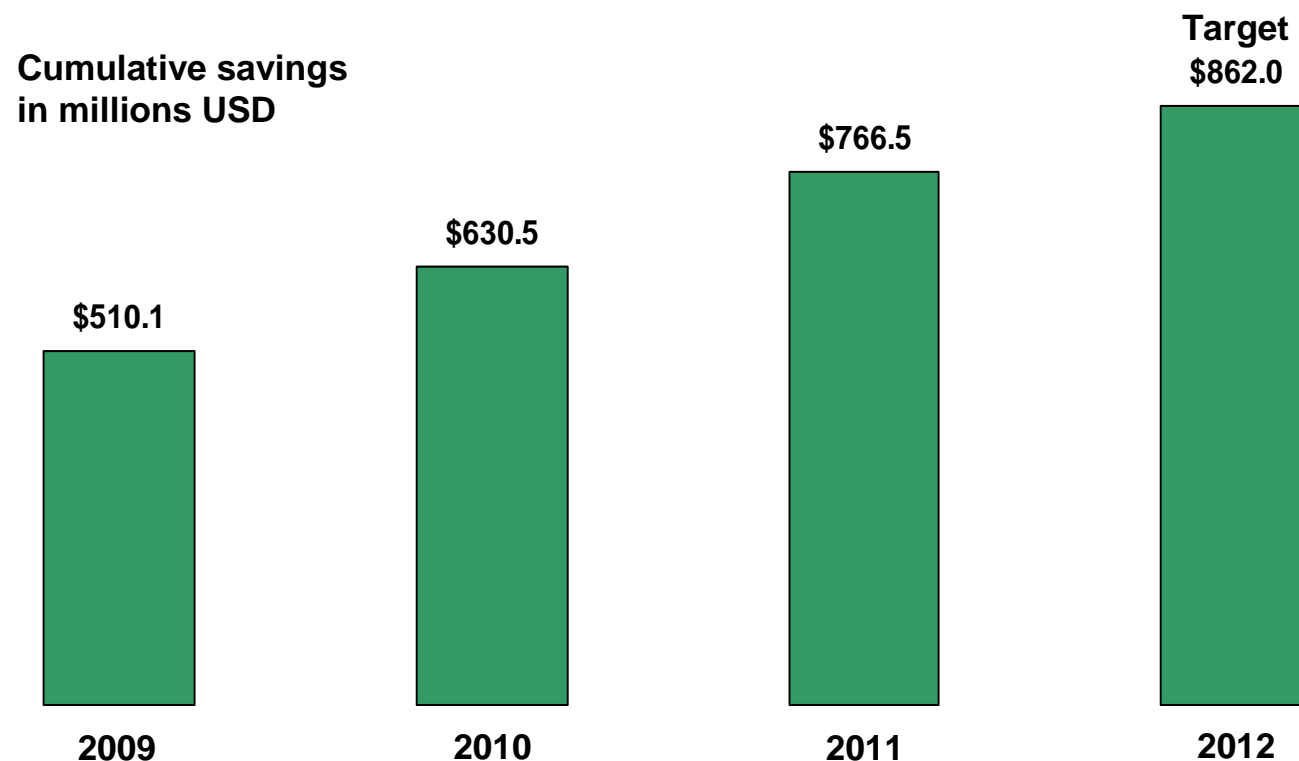
Days payable outstanding/days sales outstanding



Create best-in-class financial structure

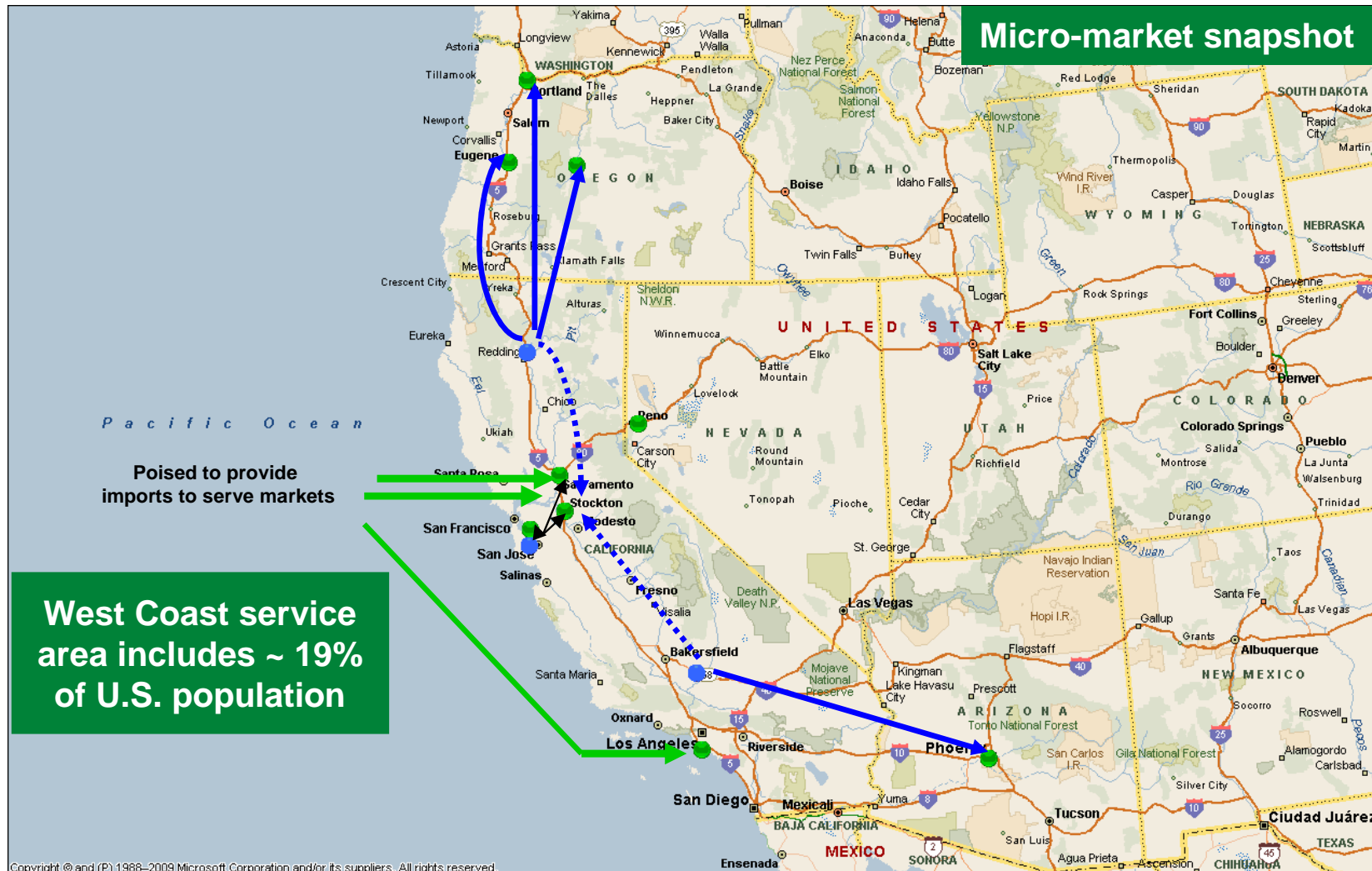
North America savings programs on track

- Build on strong track record of cost controls, cash management and efficiency programs
- Successful implementation of global savings programs (Hanson Integration, Fitness, WIN, FOX 2013, etc.) in North America



Create best-in-class financial structure

Optimizing logistics & cement distribution – West Region

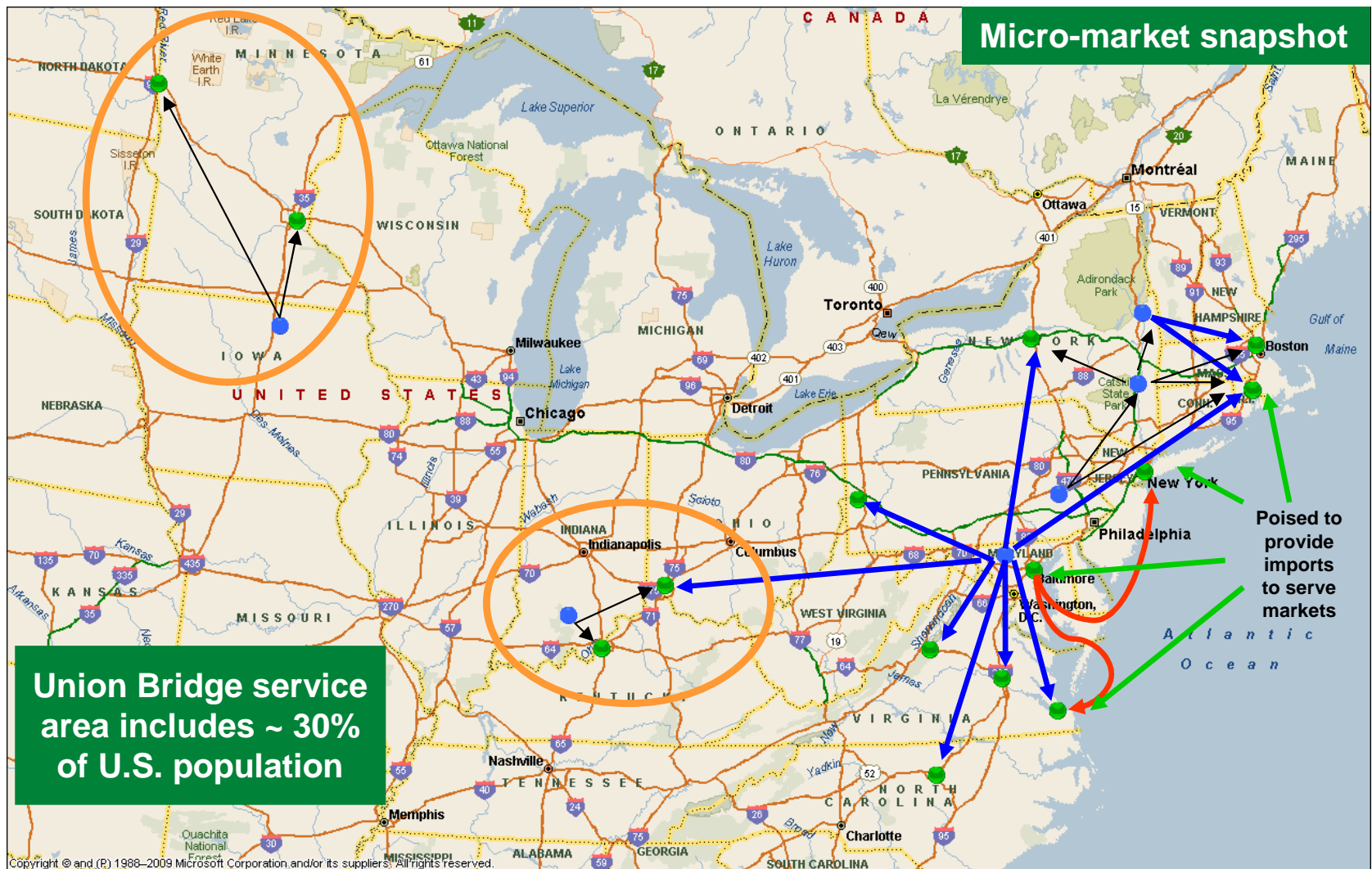


Main mode used with current setting and plan	
→ (Blue arrow)	Rail
→ (Green arrow)	Trucking
→ (Dashed blue arrow)	Rail used occasionally
→ (Dashed green arrow)	Possible Imports

Facility Type	
● (Blue circle)	Production Plant
● (Green circle)	Distribution Terminal

Create best-in-class financial structure

Optimizing logistics & cement distribution – North Region

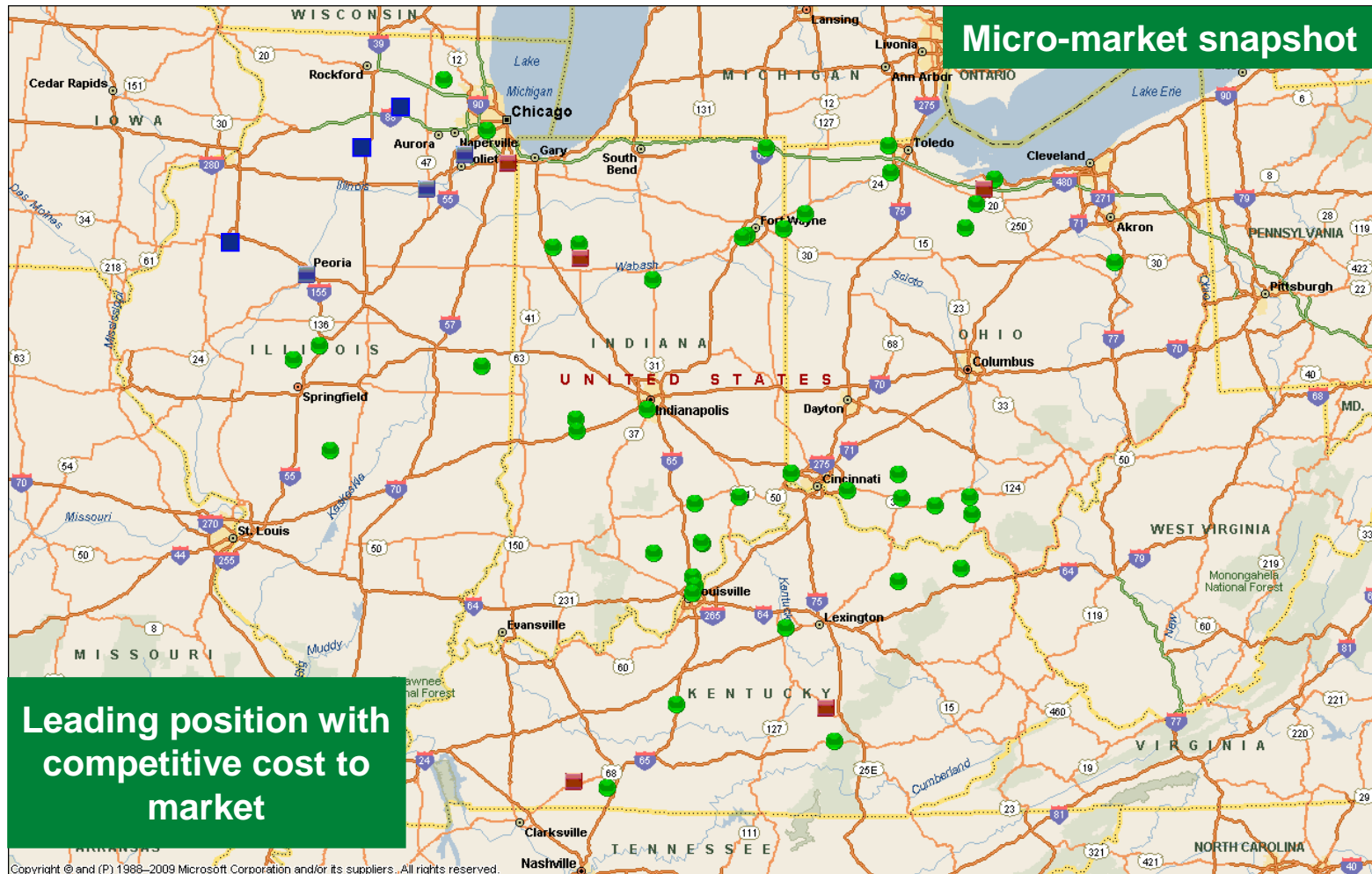


Main mode used with current setting and plan	
→ (Blue Arrow)	Rail
→ (Red Arrow)	Barging
→ (Black Arrow)	Trucking
→ (Green Arrow)	Possible Imports

Facility Type	
● (Blue Dot)	Production Plant
● (Green Dot)	Distribution Terminal

Win in the market

Optimizing network – Indiana/Kentucky aggregates



Facility Type

● Quarry

■ Quarry with rail

■ Quarry with water access

Win in the market

Optimizing network – Southern California aggregates



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Facility Type

- Quarry
- Recycled Aggregates

Win in the market

Integrated marketing in micro-markets

- Leverage integrated footprint in key micro-markets
- Competitive advantage as a single-source supplier (products & technical services)

Houston & DFW

Houston: SH 99/Grand Parkway

- *Aggregates, cement, RMC, pipe & precast*

Ft. Worth: Tarrant Expressway

- *Aggregates, cement, pipe & precast*

Dallas: Interstate 635

- *Aggregates, cement, pipe & precast*

San Francisco

Bay Bridge

- *Aggregates, cement*

New SF 49'ers Stadium

- *Aggregates, cement*

Apple Campus

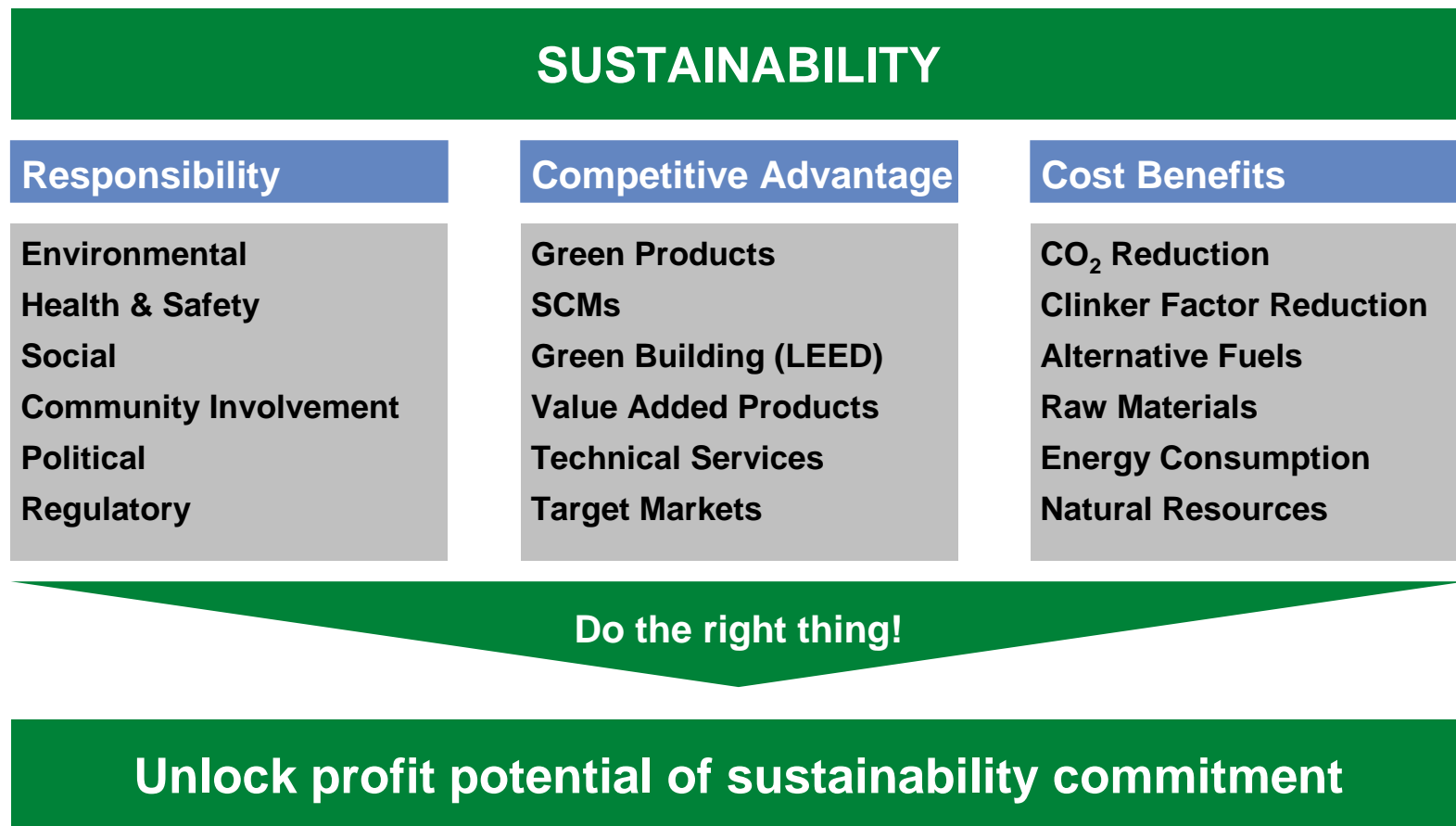
- *Aggregates, cement*

Lehigh Hanson is the only truly integrated construction materials company in North America

Win in the market

Sustainability

- Market advantage – “green” building opportunities & products, leverage upside of supplementary cementitious materials (SCMs)
- Cost benefits and corporate social responsibility (CSR)



Win in the market

Regulatory & legislative affairs – NESHAP

- **Objective: Align government affairs activities with business strategy**

NESHAP Background

- New regulation by EPA in 2010
- Unrealistic emissions standards
- Compliance date Sept. 9, 2013
- Industry cost approx. \$3.4 billion

Industry/EPA Settlement Agreement

- Re-proposed NESHAP June 22
- Extends compliance to Sept 9, 2015
- Modifies some emissions limits
- Final NESHAP issued by Dec. 20, 2012

NESHAP

*National Emissions Standards
for Hazardous Air Pollutants*

Lehigh Hanson Plants

- Poised to meet NESHAP
- Preliminary engineering complete
- Preheater/precalciner kilns
- Successful mercury reductions already

Compliance focus is Sept. 9, 2013

- Re-proposal undergoing public comment
- Extension to 2015 is uncertain
- Confident our plants will meet new limits
- No plant closures anticipated

Win in the market

Regulatory & legislative affairs – transportation

- More than half of Lehigh Hanson products are used in publicly funded projects, including roads, highways and bridges
- Current federal transportation program on 9th extension (thru June 30, 2012)
- Congressional conference committee established to develop legislation acceptable to House and Senate

Government Spending Category	Cement	Aggregates	Concrete	Asphalt	Concrete & Pressure Pipe	Precast & Prestressed Products
Infrastructure Modernization	✓	✓	✓		✓	✓
Highway Construction	✓	✓	✓	✓		
Bridge Construction	✓	✓	✓			✓
Transit & Rail	✓	✓	✓			✓
Clean Water & Flood Control	✓	✓	✓		✓	✓

Lehigh Hanson is well positioned to substantially benefit from a long-term, robustly funded transportation bill

Optimize organizational performance

Align support functions with business needs

- **Strengthened the Lehigh Hanson Executive Committee; installed new leadership in key regions/functions**
- **Reorganized staff and centralized high-volume transactional functions**
- **Enhanced succession management and recruiting of talent**
- **Personnel development; right people in the right position**
- **Continue to drive cultural change and emphasize service to internal and external customers**
- **Improved coordination between regional and central functions; refocused and strengthened core activities**
- **Back office optimization (consolidation and centralization of Shared Service Centers in Texas)**

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Well-positioned for the recovery

Our Vision: To be the best-performing integrated construction materials company in North America

Enablers

Execution

Superior Footprint

Price Strategy

Diverse Products

Competitive Costs

Vertical Integration

Operational Excellence

Logistics Optimization

Disciplined Management

Attractive Reserves

Growth Opportunities

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Summary

- **Experienced leadership team**
- **Superior product mix and quality**
- **Competitive advantage through strong geographical footprint and distribution network**
- **Market leader in our core product lines**
- **Strict energy management while leveraging cost and market opportunities of shale gas revolution**
- **Three key goals/priorities:**
 - Best-in-class financial structure
 - Win in the market
 - Optimize organizational performance
- **Well-positioned for market recovery**

Thank you very much for your attention!

Safe Harbour Statement

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