

CRH Investor Day 2010



EMERGING MARKETS

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Emerging Markets – Introduction

- Our Emerging Markets presence
- Our approach to investing in Emerging Markets
- How we have built our Emerging Markets positions
 - CEE
 - Asia
- Our expectations for Emerging Markets
 - Short term
 - Long term

Emerging Markets – Our Presence

- Focussed on 3 core regions
 - CEE
 - India
 - China
- Other regional Emerging Market exposure
 - South & East Mediterranean
 - South America
 - Africa



**c15%
of
EBITDA
&
Net Assets**

*Portfolio approach to Emerging Markets
Principally heavy-side entry in quality assets*

Emerging Markets – Our Approach

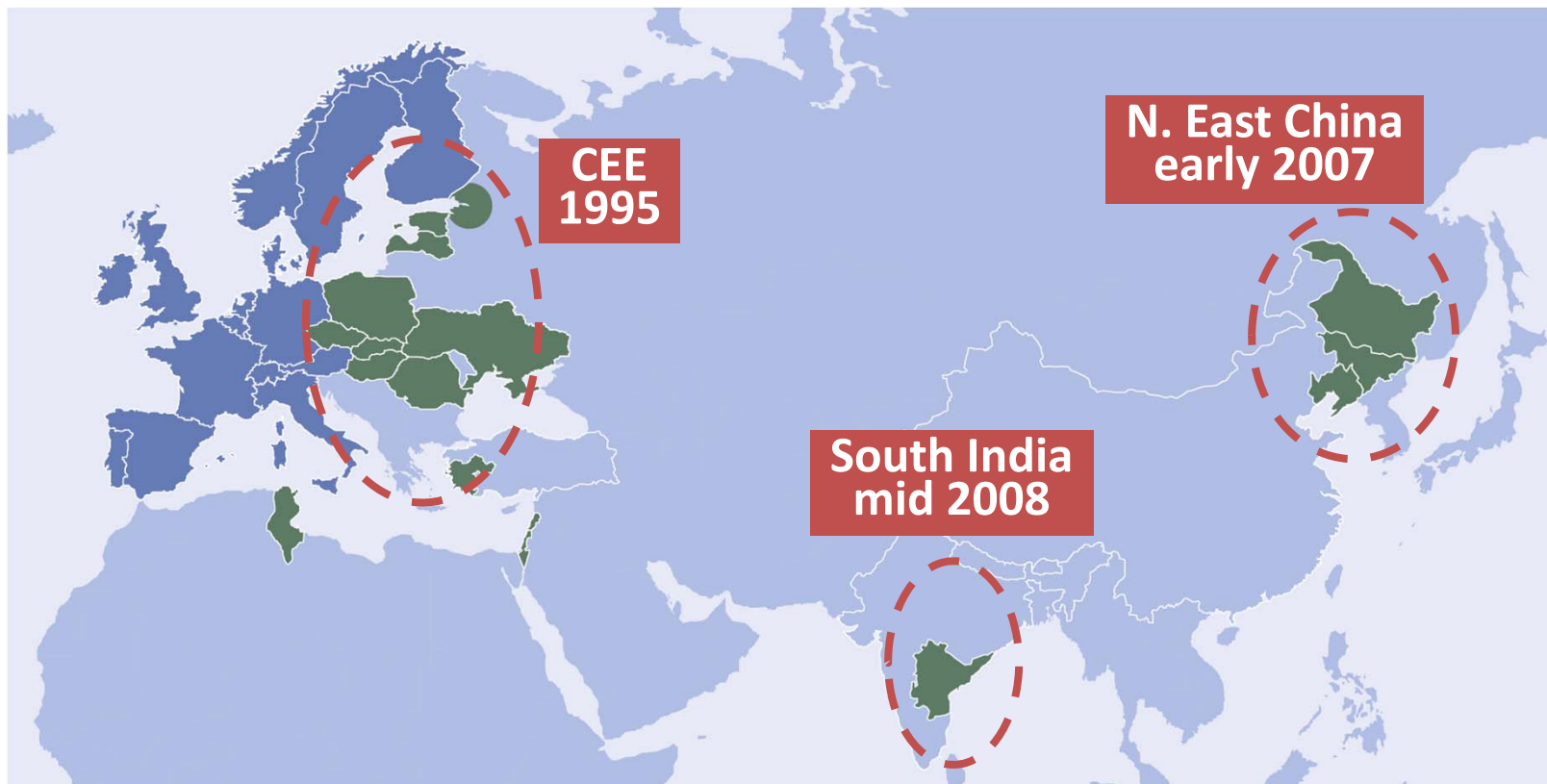
- Resources backed – Buy & Build
 - Building businesses around core assets
 - Improving core asset through Capex and Operational Excellence
 - Roll out Vertical Integration model in pace with market developments
- Successful track record of progressive investment to meet the needs of high growth economies

*Focus on balancing short term returns...
and building a long term business of scale and quality*

Emerging Markets – Our Approach




- Unique strategy
 - Buying good resource-backed assets....
 -and building core assets by acquisition/capex
 - Developing significant downstream investments....
 -offering multiple growth opportunities
- Facilitated by our Federal structure
 - Benefits of strong central co-ordination
 - ✦ Operational Excellence on cement and downstream
 -yet Federal structure to capitalise on local market opportunities

Emerging Markets – Our Core Regions



A broad portfolio of development opportunities...
An approach tailored to each individual market

Emerging Markets – Overview of our Core Regions

| | CEE | China | India |
|--------------------------------|---|---|---|
| |  |  |  |
| % Global construction demand | ~4% | ~50% | ~10% |
| Growth forecast | +5% | +8% | +8% |
| Potential cement market +20yrs | ~120mtpa | ~1.5Bn | ~1Bn |
| Long term prospects | ✓ | ✓ | ✓ |
| Short term returns | ✓ | ? | ? |
| Vertical Integration | ✓ | ? | ? |
| When? | Now | 5-10yrs | 10-15yrs |

Emerging Markets – Our CEE Portfolio

- **1995:** Initial investment in Poland – Cement plant 2.3mt
- **1997:** Acquired 2nd operating facility
- **1998:** Completed construction of largest cement kiln in Europe
- **1998-2010:** Developed downstream businesses ... Now 65% Sales

*“Last in” – But today #1 in Building Materials in Poland
A fully vertically integrated heavy-side business*

Emerging Markets – Our CEE Portfolio

- **Poland**

- #1 in Building Materials
- Broadest market coverage
- Most vertically Integrated
- Most profitable

- **Ukraine**

- Core resource backed asset
- Rebuilt facility; on-stream 2011
- Roll out Vertical Integration model

- **Russia**

- Tentative first steps

| Product Line | CEE | | | |
|------------------|--------|---------|--------|---------|
| | Poland | Ukraine | Russia | Baltics |
| Cement | ✓ | ✓ | | |
| Aggregates | ✓ | ✓ | | |
| RMC | ✓ | ✓ | ✓ | ✓ |
| Pavers | ✓ | | | |
| Asphalt | ✓ | | | |
| Aerated Concrete | ✓ | | | |
| Lime | ✓ | | | |
| Sand Lime Bricks | ✓ | | | |
| Clay | ✓ | | | |

Emerging Markets – Investing in Asia

- Very different challenges to other emerging markets
 - High growth rates
 - Rapidly expanding industries – new capacity
 - Poor pricing – lack of discipline
 - Unsophisticated construction
 - Culture, language, remoteness
- However...
 - 50% of the world's population
 - Rapidly modernising economies
 - Very significant volume growth opportunities and, in time, profits



Key is pace and speed of investment
Balance need for short term returns and long term positions

Emerging Markets – Our strategy for Asia

- Tailored approach – CEE strategy would not suffice
 - Broad model successful
 - But needed to adjust
- Development teams on the ground
 - Visited all major SE Asian economies over 10 years
- Decided to focus on India and China
 - Required differing strategies
 - Required a local partner initially



Emerging Markets – Asia Market characteristics

Indian Market

- Fragmented cement industry
- Low per capita usage (180kg)
- Early initial growth phase
- 800mt+ new capacity next 20 years
- Opportunities to build with industry
- Have time to build a major presence

*Higher % of a smaller business ...
Plenty of time to grow/expand*

Chinese Market

- Later in growth phase
- High per capita usage (1,250kg)
- New capacity slowing (halt 2014-16)
- Market beginning to consolidate
- No opportunity to build with market

*Lower % of a large business ...
Develop & build within a business*

Emerging Markets – India: Initial Investment

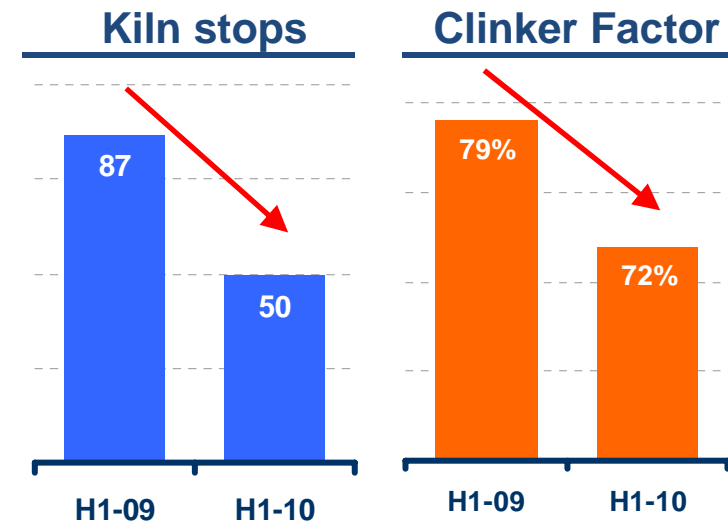
- Focus on Southern India
- Andhra Pradesh had right characteristics
 - Population, demographics, FDI, fragmented
- Good prospects for short term returns
... and long term growth
- Found a suitable business partner
 - MyHome 50:50 JV



*3mt cement ... good resource backed asset
... 10/15% market share*

Emerging Markets – India: Rolling out CRH model

- Excellent resource-backed core asset
 - CRH Op.Excellence program roll out
 - Now lowest cost producer in CRH
- Develop the asset through capex
 - Expanding capacity by >30%
 - Significant investment in infrastructure to broaden market footprint
- Roll out of vertical integration model
 - First steps into RMC



Emerging Markets – China: Our Approach

- Different market - different approach
- Extensive research for regional opportunities
- Understanding industry structure
- Logistics & competition key
 - Cement trade exposed to water transport (eastern sea board, 3 great rivers)
 - Had to adapt our strategy accordingly
- Chose region with strong growth potential, development opportunities
 - Away from the waterways



Seeking defensible & scalable opportunities

Emerging Markets – China: First steps

- China – A significant management challenge
 - Enormous cultural differences
 - Intensely competitive
- 1st investment was part of our market research
 - Acquired 100% of cement business in NE China
 - Small business (cost c€20m) – reduced risk
- Used this business to learn:
 - How markets worked
 - Competitive environment
 - How Government/business relations worked
 - How to manage employees/change



*Extremely valuable 3 year process.....
.....Prepared for next step*

Emerging Markets – China: The Next Step

- To be a Top 10 player – needed to invest
 - in a substantial business
 - Market consolidating quickly
 - Capacity additions slowing
- Northeast China – key region (100m pop.)
 - Yatai Cement
 - #7 in China....#1 in North East
- Acquired 26% stake in Yatai Cement ... Option to grow to 49%
- Bought Core Assets 14mt....
....and built new capacity 7mtnow 21mt
Roll out of vertical integration model
- Name changed to Yatai Building Materials



Emerging Markets – Our Core Portfolio

- CEE:

- Poland #1 Building Materials, most vertically integrated, most profitable
- Ukraine New modern cement facility 2011 – rolling out vertical integration
- Russia Tentative initial investments

Contributing c10% of Group EBITDA

- Asia:

- India 1st investment South India - rolling out vertical integration model
- China 26% Yatai Building Materials – key consolidator – rolling out Vertical integration model.....Yatai €100m EBITDA

Developed markets are key to the present for CRH
Emerging markets will be key to our future

Emerging Markets – Going Forward

- Invested in core Emerging Markets – CEE, China, India
 - Continue to look at others – SE Asia, Sth America
- Key now is to invest at the appropriate pace and scale
 - Not too much, too soonnor too little, too late
- Committed to broadening and deepening our Emerging Markets investment
 - Develop further in CEE
 - Step up in China to 49%
 - New platforms in India

*Emerging markets will become
a more significant part of our portfolio in the coming years*