



# Capital Markets Day

## Developing Regions



## Agenda

CRH Development Strategy

CEE and Russia

Asia

Key Takeaways



## CRH Development Strategy

### **Investing in Developing Regions**

- Target premium resource backed assets in high growth markets
- Achieve a leading regional market position
- Identify a strong local partner, where appropriate, with local knowledge, network and relationships
- Improve core assets through progressive capex and operational excellence
- Pursue vertical integration and develop downstream activities over time
- Federal structure to capitalise on local market opportunities

***... Progressive, measured approach... tailored to each market ...***



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## CEE and Russia

### Market Characteristics

- Favourable long term economic outlook
  - GDP growth of 4.5% CAGR (2000-10)
  - Population 0.3Bn... middle class growth potential
  - Emerging economies... WTO / EU Accession / Energy
- Strong construction demand fundamentals
  - c.4% Global construction... historical growth c.3% p.a.
  - Ageing infrastructure and residential needs
  - Large potential cement market... ~140mtpa in +10 yrs
- Broad portfolio of development opportunities



Population: 0.3Bn

GDP: c.US\$3Tn

GDP / Capita: c.US\$10,900

*... Strong presence with regional development offices ...*



## CEE: Poland and Ukraine

### Poland... first acquisition in 1995

- Per capita consumption c.490kg...growth potential
- Progressive investment over 17 years... +€600m spend
- c.€125m EBITDA in 2011 (c.30% of Europe Materials)
- Largest & most vertically integrated Building Materials company

	<u>Prod'n</u> <u>Vol.</u>	<u>Market</u> <u>position</u>
Cement (cap.)	3.5mt	No. 3
Aggregates	10.1m	No. 4
RMC	2.6mm <sup>3</sup>	No. 1
Paviments	2.6mt	No.1
Lime	0.9mm <sup>3</sup>	No. 2
Asphalt	2.6mt	No. 3/4

### Ukraine... first acquisition in 1998

- Largest single cement investment in Ukraine to date... c.€300m
- Lowest cost producer in Ukraine
- Added large bolt-on... Odessa (500kt capacity)
- Cement consumption 10mt (c.220 kg/capita)... 2016F: 13mt (290kg/capita)... well positioned to capitalise on growth potential

	<u>Prod'n</u> <u>Vol.</u>	<u>Market</u> <u>position</u>
Cement (cap.)	3.0 mt	No. 4
Aggregates	0.6 mt	
Concrete Prods	0.1mm <sup>3</sup>	

### Next Steps

- Continue to build on strong market leading positions in Poland... develop downstream business
- Progress vertical integration in Ukraine... extend cement footprint in Ukraine... Kiev, Odessa

***... Established positions ... continue to build on existing presence ...***



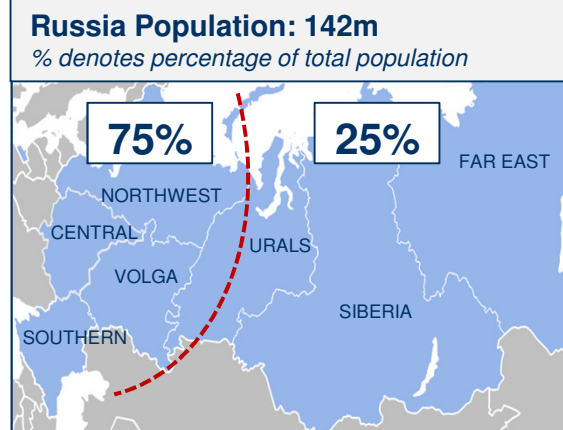
## CEE: Russia

### Market Characteristics

- Positive long-term growth fundamentals...
  - World's 6<sup>th</sup> largest economy – resource backed
  - Middle-class consumption...WTO accession
- Strong construction dynamic across all sectors
  - Ageing infrastructure, poor housing quality
- Low government and private debt levels

### CRH Approach

- Dedicated Country Director / management team
- Moscow base...development & support resources
- Initial heavyside focus... other platforms possible



Population:	142 million
GDP (PPP):	c.US\$2.4 trillion c.4% cagr '12-'16
Cement:	c.63 Mt c.5% cagr '12-'16
Cement / Capita:	c.450 Kg c.5% cagr '12-'16

*... Long-term opportunity... patient approach ...*



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## CRH approach in Asia

### CRH development model successful... tailoring approach to different market characteristics

#### India

- Fragmented cement industry
- Low per capita usage (c.185kg)
- Early initial growth phase
- 800mt+ new capacity next 20 yrs
- Opportunity to build with industry
- Time to build a major presence

#### China

- Later in growth phase
- High per capita usage (c.1,500kg)
- New capacity slowing...  
overcapacity today in cement
- Major players already determined
- No opportunity to build with the  
market

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

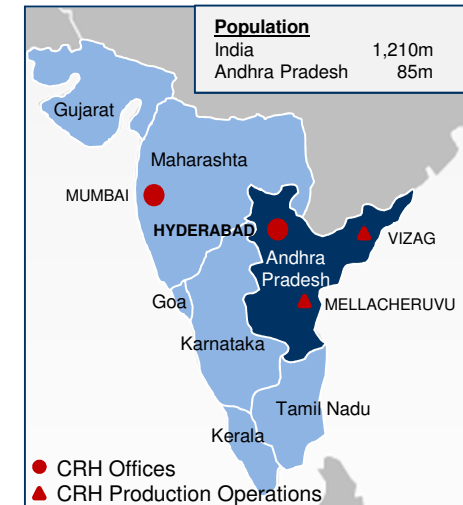
***... Lower % of a larger business ...  
Develop and build from within ...***



## India

### CRH Approach

- Focused on Southern India... Andhra Pradesh
  - Second largest economy in India... high population growth
  - Significant activity in construction, housing & infrastructure
  - Large market (48mt) with good growth prospects
- The Right JV Partner... My Home Industries (MHIL)
  - Resource backed regional leader
  - Capacity increased by c.50% to 4.8mt
  - The lowest cost producer with access to S.India markets
  - 'Hub and Spoke' strategy... rail investment... Vizag
- Next Steps
  - Continue to build with My Home... hub and spoke
  - In time... step out to new regions... expand product portfolio



**... World class asset base in a long-term growth market ...**



## China

### CRH Approach

- Our preferred location... Northeast region
  - Fragmented market...strong growth... govt. support
  - Limited limestone reserves... low threat from imports
  - Small initial investment
- Subsequent 26% stake in Yatai Cement
  - Renamed to Yatai Building Materials (YBM)
  - 14Mt capacity increased to 27Mt through consolidation and greenfield investments
  - The fastest growing cement company in region
- Next Steps
  - Option to increase YBM stake to 49%... 2013-16
  - Increase vertical integration & consolidate our leading position in all key markets



***... Largest player in NE China... strong platform for growth ...***



## Southeast Asia

### Market Characteristics

- Varying attractiveness... but strong growth potential provides opportunities
  - **Indonesia**... high growth, resource backed
  - **Malaysia / Thailand**... mature... broader portfolio
  - **Vietnam / Philippines**... large pop... low GDP/capita
  - **Myanmar**... first mover advantage



### Next Steps

- Establishing HQ for CRH Asia in Singapore in 2013
- Build on existing network and relationships
- Identify entry points... engage specific opportunities

	Pop	Cement Demand	Cement / Capita
Indonesia	240m	48mt	200kg
Vietnam	90m	50mt	560kg
Thailand	65m	26mt	400kg
Philippines	100m	15mt	160kg
Malaysia	30m	17mt	610kg
Myanmar	60m	5mt	80kg

*... Strategically important growth region ...*



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## Key takeaways

### Existing Positions

- Continue to develop and expand leading positions in Poland
- Progress vertical integration in Ukraine and broaden cement footprint
- Build on strong strategic positions in China and India
  - Short term: Consolidate regional leadership positions
  - Medium term: Regional expansion, vertical integration, rollout CRH portfolio

### Next Steps

- Significant potential for CRH growth... tailor approach for each market
  - Progressive, measured development
  - Emerging markets: Initial heavy-side focus... in time vertical integration
  - S. America, Australasia: Potential across the product portfolio... investigating
  - Sub-Saharan Africa: Long term focus area... initial studies underway

***... Balancing short-term returns  
with long-term strategic priorities and market opportunities...***

