

CRH plc Interim Results 2004



The International Building Materials Group

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	2004	2003	%
	€m	€m	change
Sales	5,670	4,661	+22%
Operating profit before goodwill	385	245	+57%
Profit before tax	275	161	+71%
	€ cent	€ cent	
EPS before goodwill	47.3	28.9	+64%
EPS after goodwill	38.1	22.2	+72%
Cash EPS	93.1	70.0	+33%
Dividend	9.6	8.2	+17%

→ 21st consecutive year of dividend increase

- Significant H1 profit increase after modest adverse translation impact (-€4m)
- Ireland: Continuing high residential demand; similar profits
- UK: 8% operating profit increase with organic advance and stronger Sterling
- Mainland Europe operating profit up 111%
 - Materials: Substantial advance with particularly good organic improvement
 - P&D: Significant increase aided by 2003/2004 acquisition contributions
- Americas operating profit up 69%
 - Materials: Traditional seasonal H1 loss lower than 2003
 - P&D: Strong organic advance, with sustained res and improving non-res
- Acquisitions: Development spend of €0.7bn; Secil deal the highlight
- Good deal flow, solid financial base and a 17% dividend increase

					Analysis of change			
					Acquisitions			
€m		H1			FX	2003	2004	Organic
		2004	2003					
Sales	+9%	386	353	+33	-	-	-	+33
Op profit*	-%	68	68	-	-	-	-	-
Op margin		17.7%	19.4%					

*excluding goodwill amortisation €0.1m (2003: €0.1m) and profit on disposal €0.5m (2003: €2.2m)

- Further strong growth in residential activity
- Commercial and industrial flat; infrastructure improved
- Volume increases in cement, concrete, blocks and blacktop
- Margins declined due to under-recovery of cost increases; profits maintained
- 2004 Outlook:
 - ➔ Continued housing momentum; estimated 76,000 completions versus 68,800 in 2003
 - ➔ Improving GDP outlook (+4.7%) should stimulate non-residential construction
 - ➔ Expect a busy H2 with Euroconstruct +6.0% full year forecast

					Analysis of change			
					Acquisitions			
€m		H1						
		2004	2003		FX	2003	2004	Organic
Sales	+7%	366	341	+25	+5	-	+1	+19
Op profit*	+8%	32	30	+2	+1	-	-	+1
Op margin		8.6%	8.6%					

*excluding goodwill amortisation €2.6m (2003: €2.6m) and loss on disposal €0.2m (2003: profit €3.0m)

- Sterling +2% against Euro giving positive €1m EBITA translation impact
- Slightly lower Istock brick volumes but prices up; modest profit improvement
- Good demand for concrete products but insulation lower
- Northern Ireland: increased activity and improved profits
- 2004 Outlook:
 - Euroconstruct: total construction +3.2%; new residential +5.4%
 - No imminent pick up in brick demand but prices improving
 - Materials operations in Northern Ireland doing well
 - Expect higher full year Sterling and Euro operating profits

					Analysis of change			
					Acquisitions			
		H1			FX			Organic
€m		2004	2003			2003	2004	
Sales	+28%	567	444	+123	-14	+13	+75	+49
Op profit*	+91%	63	33	+30	-	+1	+7	+22
Op margin		11.1%	7.3%					

*excluding goodwill amortisation €10.1m (2003: €10.1m) and profit on disposal €0.8m (2003: €0.7m)

- Much better weather backdrop compared with H1 2003
- Poland: particularly strong start with 17% increase in H1 cement volumes
- Finland/Baltics: H1 cement volumes +c.10% and benefits from Abetoni acquisition
- Switzerland: good infrastructure demand plus good initial Hastag contribution
- Spain: price improvements and cost efficiencies offset volume declines
- Portugal: results include CRH's 49% share of June profits from Secil, on target
- Overall: substantial improvement including a significant organic advance

- Euroconstruct 2004 construction forecasts:

Poland +3.5%

Finland +3.8%

Switzerland +1.6%

Spain +4.3%

Portugal -4.9%

- Tougher H2 comparatives in Poland/Finland due to 2003 weather patterns
- Continued strong Swiss performance helped by infrastructure and Hastag
- Price/efficiency improvements should compensate for slower Spanish market
- H2 will benefit from 49% joint venture share in Secil's operations
- Expect good full year 2004 outcome

					Analysis of change				
					Acquisitions		Reorg.		
€m		H1 2004	2003		FX	2003	2004	costs	Organic
Sales	+56%	1,742	1,116	+626	-9	+599	+4	-	+32
Op profit*	+124%	121	54	+67	-	+57	-	-	+10
Op margin		6.9%	4.9%						

*excluding goodwill amortisation €16.1m (2003: €4.6m) and profit on disposal €0.9m (2003: €0.4m); and including €2m reorganisation costs (2003: €2m)

- Distribution: ➤ €25m incremental EBITA from Cementbouw and other 2003 acquisitions
EBITA +€31m ➤ Good underlying improvements in Benelux and Swiss operations
- Concrete*: ➤ €24m incremental EBITA from Cementbouw and other 2003 acquisitions
EBITA +€26m ➤ Underlying advance in Benelux and France; slight decline in Germany
- Clay: ➤ Overall modest progress in continuing tough markets
EBITA +€2m ➤ Holland and Poland ahead; Germany flat
- Insulation: ➤ Benefits from October 2003 Unidek acquisition (€2m)
EBITA +€3m ➤ Advances in Poland/Nordic region; Germany/Holland lower
- Products: ➤ €5m incremental EBITA from 2003 building accessories/fencing acquisitions
EBITA +€5m ➤ Steady performance in both Fencing and Daylight & Ventilation

* Including Sand Lime and Cementbouw JV

- Euroconstruct 2004 construction forecasts:

Netherlands -0.3%

Belgium +3.6%

Germany +1.0%

France +1.1%

Switzerland +1.6%

Denmark +3.2%

- Market backdrop for P&D more subdued than for Materials operations
- Slow pick up in Dutch, Belgian and Danish residential activity
- Emphasis on recovering higher input costs in Concrete and Insulation
- Integration of 2003 acquisitions largely complete, delivering synergies
- Strong full year profit advance expected

					Analysis of change			
					Acquisitions			
€m		H1 2004	2003		FX	2003	2004	Organic
Sales	+4%	955	921	+34	-92	+38	+15	+73
Op loss*	+21%	(31)	(39)	+8	+4	-6	+2	+8
Op margin		-3.2%	-4.3%					

*excluding goodwill amortisation €9.5m (2003: €8.9m) and profit on disposal €3.4m (2003: €1.3m)

- Traditional seasonal first half loss lower than in H1 2003
- Organic improvement constrained by higher energy costs
- New England: May/June pick up after a slow start
- NY/NJ: better performance, good demand with more normal H1 2004 weather
- Central: mixed trading and first-time inclusion of S.E. Johnson winter losses
- West: strong start with across the board improvements
- Heritage volumes: aggregates +6%; asphalt -2%; readymixed concrete +15%

- 2004 Federal Highway budget US\$33.6bn (+7%)
- State finances recovery somewhat uneven
- Generally good demand backdrop and backlogs across our operations
- Strong activity in Western regions through July/August
- However, Northeast and Midwest hampered by extremely wet weather
- Sustained record high energy prices feeding through to input costs.....
-will impact negatively in the second half

					Analysis of change			
					Acquisitions			
€m		2004	H1 2003		FX	2003	2004	Organic
Sales	+11%	1,654	1,486	+168	-142	+94	+57	+159
Op profit*	+33%	132	99	+33	-11	+9	+8	+27
Op margin		8.0%	6.7%					

*excluding goodwill amortisation €10.3m (2003: €9.0m) and profit on disposal €1.0m (2003: loss €1.2m)

- Precast: ➤ Good benefits from cost reduction measures of recent years
EBITA +€12m ➤ With profit improvements across all regional divisions and in utility
- APG: ➤ Strong demand from retail and hardscape segments; Glen-Gery ahead
EBITA +€22m ➤ Most regions enjoyed strong activity; Midwest the main exception
- Glass: ➤ Modest improvement in non-residential demand
EBITA +€1m ➤ Continued out-performance in a very competitive environment
- Distribution: ➤ Benefits from strong RMI markets particularly in Northeast
EBITA +€7m ➤ Sustained progress with further margin advance
- Sth America: ➤ Good growth in clay products in Argentina
EBITA +€2m

- Recent economic data suggests some slowdown in US growth
- However, 2004 GDP forecast still a robust 4.5%
- Residential continues strong, forecast housing starts 1.9m (+4%)
- Gradual pick up in non-residential activity
- Generally achieving good ongoing recovery of higher input costs
- We expect a good H2 and a satisfactory full year profit advance

- No material change in position
- 251 claimants announced 30th September 2002
- 83 new claimants notified in last 23 months
- 18 claims disposed of since September 2002 for US\$25,500 gross
- 316 claimants outstanding at 27 August 2004
- We believe these claims against us are without merit
- All claims involve multiple co-defendants
- Continuing to settle only on a minimal and pragmatic basis
- Experience since Sept 2002 confirms view that claims will not have a material impact

- **Europe Materials €465m**

- **Portugal:** 49% stake in Secil; cement/aggregates/readymix (CRH sales €205m)
- **Switzerland:** major aggregates/readymixed concrete producer (annual sales €95m)
- **Finland:** producer of concrete pipes, piling and paving (annual sales €28m)

- **Europe P&D €99m**

- **Concrete:** Belgian precast producer with French and Polish operations (sales €61m)
- **Clay Brick:** leading specialist merchant in Belgium (sales €4m)
- **Ventilation:** UK manufacturer of smoke & heat exhaust ventilation systems (sales €6m)
- **Distribution:** increased JV stake in French builders merchant (CRH sales €48m)

- **Americas Materials €58m**

- 7 bolt-on deals yielding annual incremental sales of US\$42m
- **New England:** 2 deals enhancing aggregate reserves in Maine
- **NY/NJ:** acquisition of long-term sand and gravel reserves in Rochester, NY
- **Central:** purchase of 200m ton Ohio quarry and Shelly asset swap
- **West:** aggregate/readymix acquisitions in New Mexico / Utah

- **Americas P&D €78m**

- **APG:** ■ 50% stake (plus put/call option) in FL paving producer (sales US\$31m)
 - bagged lawn/garden products in FL, GA and MS (sales US\$46m)
 - 80% stake in countertop fabricator in GA, SC (sales US\$32m)
- **Distribution:** interior products expansion in Hawaii (sales US\$32m)
- **S. America:** purchase of remaining 20% stake in Chilean glass business

H1 2004 COMPONENTS OF GROWTH

2004 Interim Results, 31st August 2004

€m	Sales	EBITA	Goodwill	Profit on disposals	Interest	EBT
H1 2003 reported	4,661	245	(35)	6	(55)	161
Exchange effects	(252)	(6)	2	-	-	(4)
H1 2003 at 2004 FX rates	4,409	239	(33)	6	(55)	157
Incremental impact						
2003 acquisitions	744	61	(14)	-	(26)	21
2004 acquisitions	152	17	(2)	-	(4)	11
Organic	365	68	-	-	18	86
H1 2004 reported	5,670	385	(49)	6	(67)	275
Change reported	+ 22%	+ 57%				+ 71%
Change at constant H1 2004 rates	+ 29%	+ 61%				+ 75%

KEY FINANCIAL DATA AND RATIOS

2004 Interim Results, 31st August 2004

	H1	
	2004	2003
Sales margins		
*EBITDA	11.1%	9.9%
*EBITA (<i>operating profit</i>)	6.8%	5.3%
EBIT	6.0%	4.6%
<i>*excluding profit on disposals</i>		

Tax rate	25%	26%
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CASH EARNINGS PER SHARE & DIVIDEND

2004 Interim Results, 31st August 2004

	€ cent	% change
EPS before goodwill amortisation	47.3	+64%
Depreciation per share	45.8	+11%
Cash earnings per share	93.1	+33%
Dividend per share	9.6	+17%

	2004	2003
	€m	€m
Inflows		
Profit before tax	275	161
Depreciation	242	216
Goodwill amortisation	49	35
	<hr/> 566	<hr/> 412
Outflows		
Working capital	(296)	(300)
Tax paid	(80)	(41)
Dividends	(111)	(99)
Capital expenditure	(259)	(218)
Other	(22)	(9)
	<hr/> (768)	<hr/> (667)
Operating cash outflow	<hr/> (202)	<hr/> (255)
Acquisitions and investments	(700)	(577)
Disposals	59	35
Share issues (net of expenses)	37	24
Translation	(61)	144
Debt increase	<hr/> (867)	<hr/> (629)

DEBT RATIOS & INTEREST COVER

2004 Interim Results, 31st August 2004

H1 2003	Y/E 2003		H1 2004
2.3	2.3	Debt (€bn)	3.2
4.6	4.8	Shareholders' funds (€bn)	5.1
51%	48%	Debt/shareholders' funds	62%
33%	27%	Debt/market capitalisation	35%

Interest cover*

12.5	13.1	EBITDA/Interest	13.4
8.0	8.4	EBIT/Interest	8.7

* rolling 12-month ratios which capture the cost of seasonal WC

- Strong first half out-turn with:
 - good organic bounce back from weather depressed 2003
 - significant incremental impact from 2003/2004 acquisitions
 - modest adverse translation impact due to seasonally low H1 US Dollar profits
- Second half performance will be affected by:
 - sustained high world energy prices and rising input costs
 - lower incremental acquisition impact than in H1
 - c. €26m adverse H2 PBT translation impact at current rates
- However, markets on balance better with improved activity
- Expect to deliver a healthy full year profit advance
- Full year dividend increase in line with that at Interim

SUPPLEMENTARY INFORMATION

€m	H1 2004	2003	% change
Sales			
Ireland	386	353	+9%
Britain & Northern Ireland	366	341	+7%
Mainland Europe	2,301	1,560	+48%
Americas	2,617	2,407	+9%
Total	5,670	4,661	+22%
Operating profit*			
Ireland	68	68	-%
Britain & Northern Ireland	32	30	+8%
Mainland Europe	183	87	+111%
Americas	102	60	+69%
Total	385	245	+57%

* excluding goodwill amortisation and profit on disposal

€m	H1	
	2004	2003
Goodwill amortisation		
Ireland	0.1	0.1
Britain & Northern Ireland	2.6	2.6
Mainland Europe	26.2	14.7
Americas	19.8	17.9
Total	48.7	35.3
Profit on disposal		
Ireland	0.5	2.2
Britain & Northern Ireland	(0.2)	3.0
Mainland Europe	1.7	1.1
Americas	4.4	0.1
Total	6.4	6.4

ANALYSIS BY DIVISION

2004 Interim Results, 31st August 2004

€m	H1 2004	2003	% change
Sales			
Europe Materials	1,076	913	+18%
Europe Products	1,090	763	+43%
Europe Distribution	895	578	+55%
Americas Materials	955	921	+4%
Americas Products	1,208	1,047	+15%
Americas Distribution	446	439	+2%
Total	5,670	4,661	+22%
Operating profit*			
Europe Materials	136	105	+29%
Europe Products	96	59	+62%
Europe Distribution	52	21	+155%
Americas Materials	(31)	(39)	+21%
Americas Products	114	87	+31%
Americas Distribution	18	12	+50%
Total	385	245	+57%

* excluding goodwill amortisation and profit on disposal

€m	H1	
	2004	2003
Goodwill amortisation		
Europe Materials	10.1	10.1
Europe Products	11.3	6.8
Europe Distribution	7.5	0.5
Americas Materials	9.5	8.9
Americas Products	8.1	6.9
Americas Distribution	2.2	2.1
Total	48.7	35.3
Profit on disposal		
Europe Materials	1.5	4.6
Europe Products	0.4	1.4
Europe Distribution	0.1	0.3
Americas Materials	3.4	1.3
Americas Products	0.9	(1.2)
Americas Distribution	0.1	-
Total	6.4	6.4

FOREIGN CURRENCY RATES

2004 Interim Results, 31st August 2004

	H1 Average		30 th June	
euro 1 =	2004	2003	2004	2003
US Dollar	1.2273	1.1049	1.2155	1.1427
Pound Sterling	0.6735	0.6855	0.6708	0.6932
Polish Zloty	4.7324	4.2720	4.5236	4.4775
Swiss Franc	1.5531	1.4919	1.5242	1.5544
Argentine Peso	3.5641	3.3203	3.5979	3.1967

Construction output 2004

%

Belgium	↑	+3.6
Denmark	↑	+3.2
Finland	↑	+3.8
France	↑	+1.1
Germany	↑	+1.0
Ireland	↑	+6.0
Netherlands	→	-0.3
Poland	↑	+3.5
Portugal	↓	-4.9
Spain	↑	+4.3
Sweden	↑	+1.7
Switzerland	↑	+1.6
United Kingdom	↑	+3.2

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