



**Citigroup  
Building Materials  
Conference  
November 2008**



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# CRH Overview



# CRH Overview

## The International Building Materials Group

- 1970 merger of Irish Cement and Roadstone; Sales €26M, 95% Ireland
- Now in 34 countries; 3,500+ locations; 92,000+ people
- Annualised Sales over €20Bn focused on three core businesses
- Evenly balanced across geographies, products and sector end-use
- Market Cap c€9.4Bn, Listed: Dublin (CRH.I), London (CRH.L) & NYSE (CRH)
- 2007: 15 yrs consecutive PBT and EPS growth; 24 yrs dividend increase



# CRH – Focused and Diversified

## Servicing the breadth of Building Materials demand

### Materials (55% EBITDA)

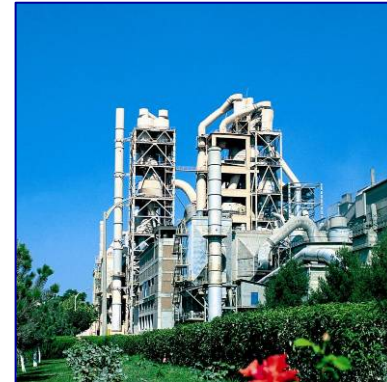
The Fundamentals

#### Europe

- Top 10 Cement
- Leader Aggregates, R/mix

#### US

- No.3 Aggregates
- No.1 Asphalt, Top 5 R/mix



***Vertically integrated primary materials businesses  
with strategically located long-term reserves***

# CRH – Focused and Diversified Servicing the breadth of Building Materials demand

## Concrete Prods (20% EBITDA) Constructing the Frame

### Europe

- No.1 Arch/Structural Concrete
- No.1 Construction Accessories

### Americas

- No.1 Arch/Precast Concrete
- No.2 Construction Accessories



***Building systems and engineered concrete solutions  
for use in Res, Non-Res and Infrastructure applications***



# CRH – Focused and Diversified

## Servicing the breadth of Building Materials demand

### Other Products (12% EBITDA)

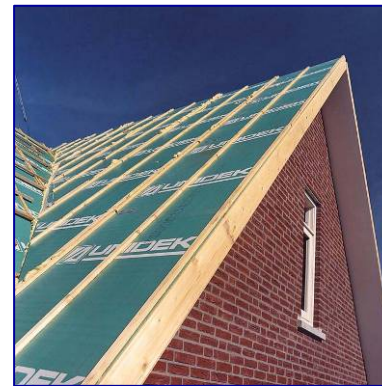
#### Completing the Envelope

##### Europe

- No.1 Facing Brick [UK/NL]
- No.1 EPS Insulation [EI/NL/PL/Nordics]
- No.1 Fencing & Security

##### Americas

- No.1 Architectural Glass
- No.1 Clay Brick [NE/MidW US]



***Complementary value-added building products to complete the building envelope and optimise climate control / energy efficiency***

# CRH – Focused and Diversified

## Servicing the breadth of Building Materials demand

### Distribution (13% EBITDA)

#### Fit-out and Renewal

##### Europe

- Top 3 BM Distributor Mainland Europe
- No.1 NL, No.2 BE - DIY

##### Americas

- Top 3 Roofing / Siding
- Top 3 Interior Products

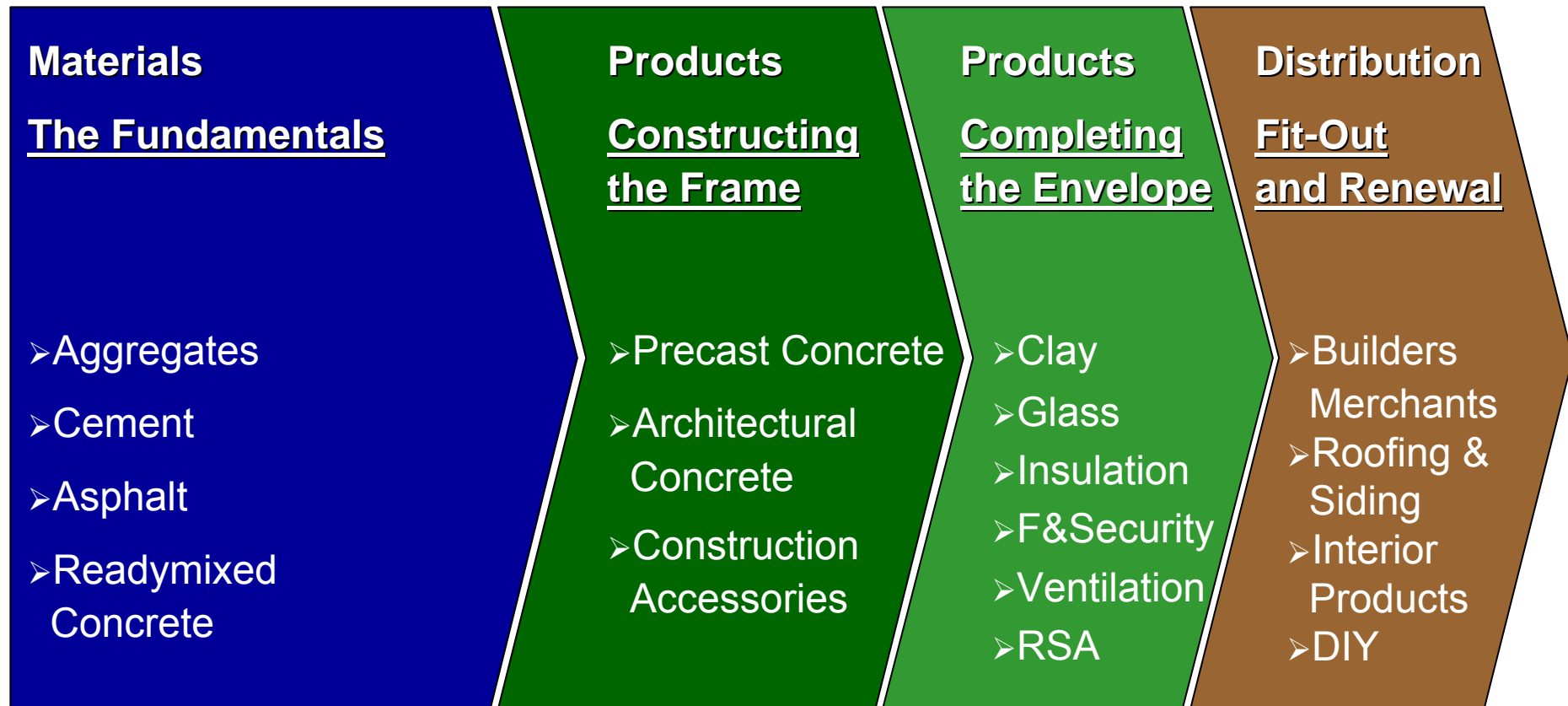


***Distribution channels to service the fit-out and renewal of buildings primarily in major metropolitan areas***



# CRH – Focused and Diversified

## Providing Building Materials for Our World



***Embracing the benefits of Integrated & Complementary Businesses  
... delivering mid to high teen % RoCE across the portfolio***

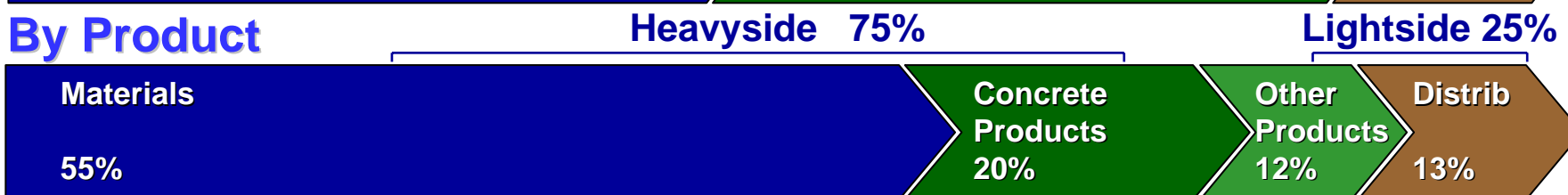
# CRH ...

## International and Balanced

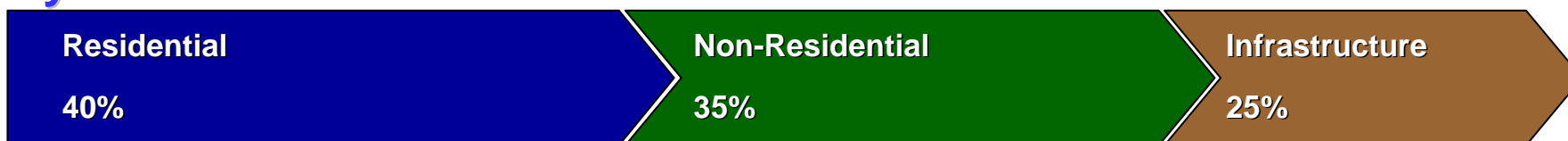
### By Geography



### By Product



### By Sector



### By End-use



***Broad exposure to industry demand drivers ...  
... yields stability of performance***

# CRH ...

## RONA, rather than Margin, the key Measure

2007	EBITDA / Sales %	EBIT / Sales %	Asset Turn	RONA* %
<b>Materials</b> <i>High margin High Capital Intensity</i>	17%	13%	1.3x	17%
<b>Products</b> <i>Medium margin Medium Capital Intensity</i>	13%	9%	1.7x	15%
<b>Distribution</b> <i>Low margin Low Capital Intensity</i>	7%	6%	2.7x	16%
<b>Group</b>	14%	10%	1.6x	16%

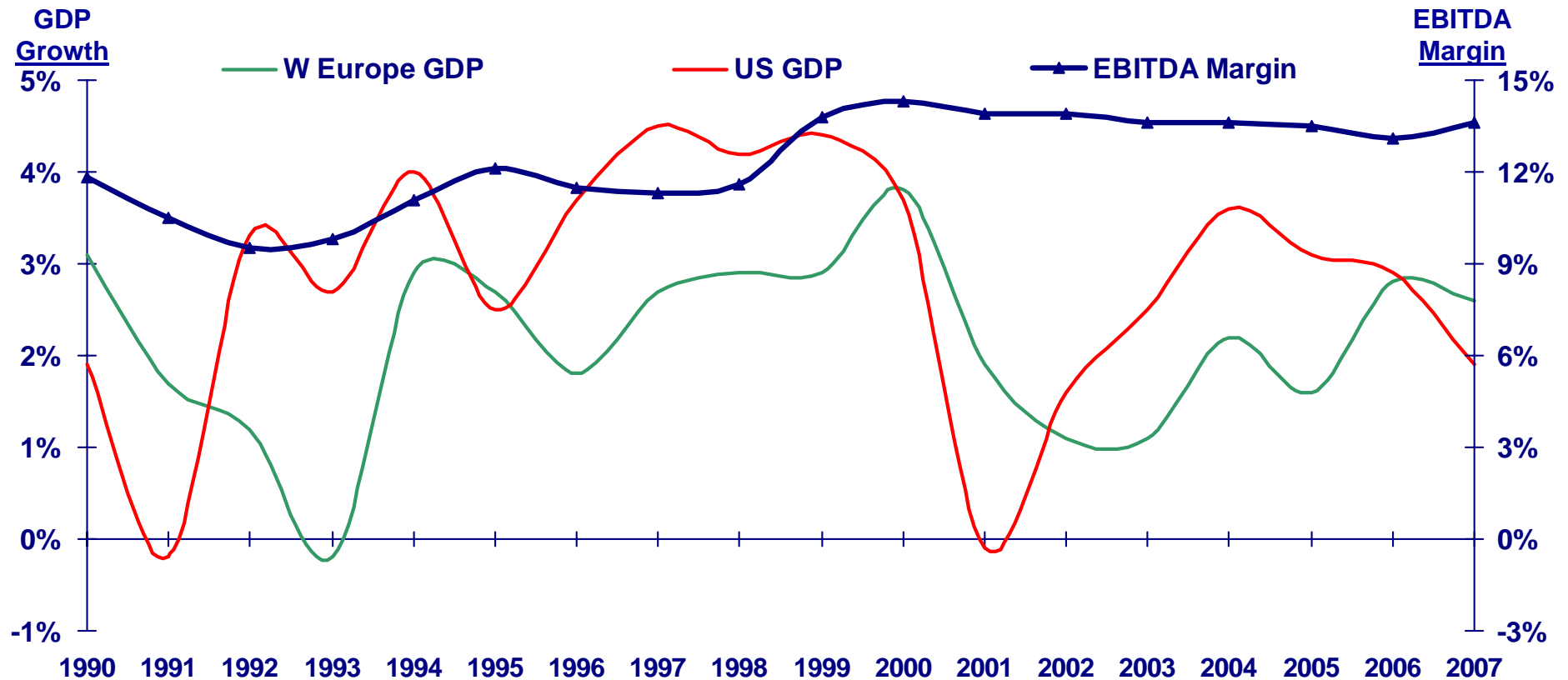
\*RONA = EBIT / Average Net Assets including goodwill

***Differing sales margins & capital intensities ...  
... delivering comparable RONA's***



# CRH ...

## Balanced Portfolio contributes to Margin Stability



***Operational excellence plus balanced business ...  
... yields stability of margins through the cycle***

# **Current Climate Intensified Focus on Business Fundamentals**



# CRH Approach ...

## Intensified Focus on the Business Fundamentals

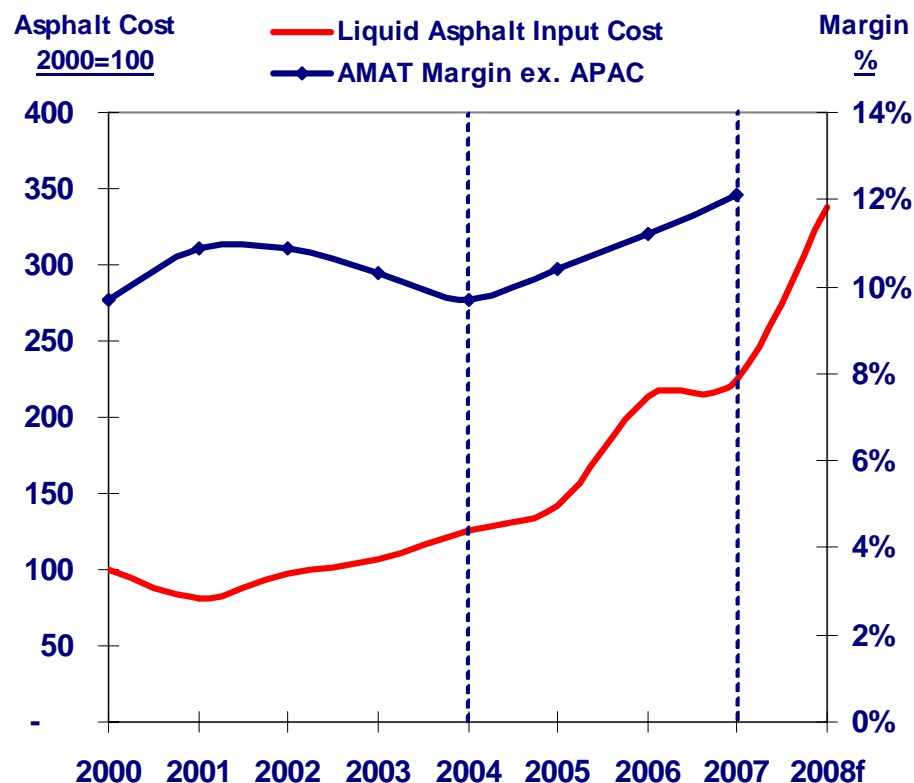
- Commercial Focus – price management to recoup input costs
- Cost Reduction – significant measures implemented; more planned
- Working Capital – close attention to seasonal working capital flows
- Capex – c€1 Bn (2008); c€0.75Bn (2009) below Depreciation
- Acquisitions – only “compelling” deals; better value H2’09/2010??
- Disposals – an ongoing feature; continue to seek opportunities
- Share Buyback – programme terminated

***Primary Objective is to further strengthen  
Balance Sheet flexibility for likely opportunities late '09 / early '10***

# Focus on Fundamentals

## Price Management to recoup Input Costs

### *An Americas Materials example*



#### 2000-2004

- 2001 low, Liq. Asphalt cost rose 55%
- Inevitable lag in pricing reaction
- Contributed to -1.2%pt EBIT margin

#### 2004-2007

- Liq. Asphalt up a further 78%
- Strong pricing focus; +2.4%pt margin

#### 2008e

- Liq. Asphalt up a further c50%
- Continued pricing focus; adverse vols
- EBIT margin likely to be somewhat lower

***Managing margins in a higher input cost environment  
to realise the value of our products & services***

# Focus on Fundamentals ...

## Significant cost reduction measures implemented

- Targeted cost reduction programmes an ongoing feature of CRH
- Tailored to ongoing business performance / market developments
- Significant specific measures implemented since early 2007
  - Labour savings appropriate to balance capacity / market demand
  - Energy cost management through investment / alternative fuel usage
  - Purchasing initiatives leveraging Group strength
  - Lower utilisation of bought-in services as volumes decline
- Resulting in total annualised gross savings of €550m (net c €500m)

# Focus on Fundamentals ...

## Annualised Savings Achieved to Aug 2008

€m	<u>Europe</u>	<u>Americas</u>	<u>Total</u>
Labour Savings	95	125	220
Energy Related	45	20	65
Purchasing Initiatives etc.	45	40	85
Bought-in Services	105	75	180
<b>Total gross savings</b>	<b>290</b>	<b>260</b>	<b>550</b>

- Cost to Implement c €50m

	<u>2007</u>	<u>2008</u>	<u>2009</u>
○ Analysis of net incremental savings:	€50m	€350m	€100m

- Further actions planned over coming months

# Focus on Fundamentals ...

## Close Attention to Seasonal Working Capital Flows

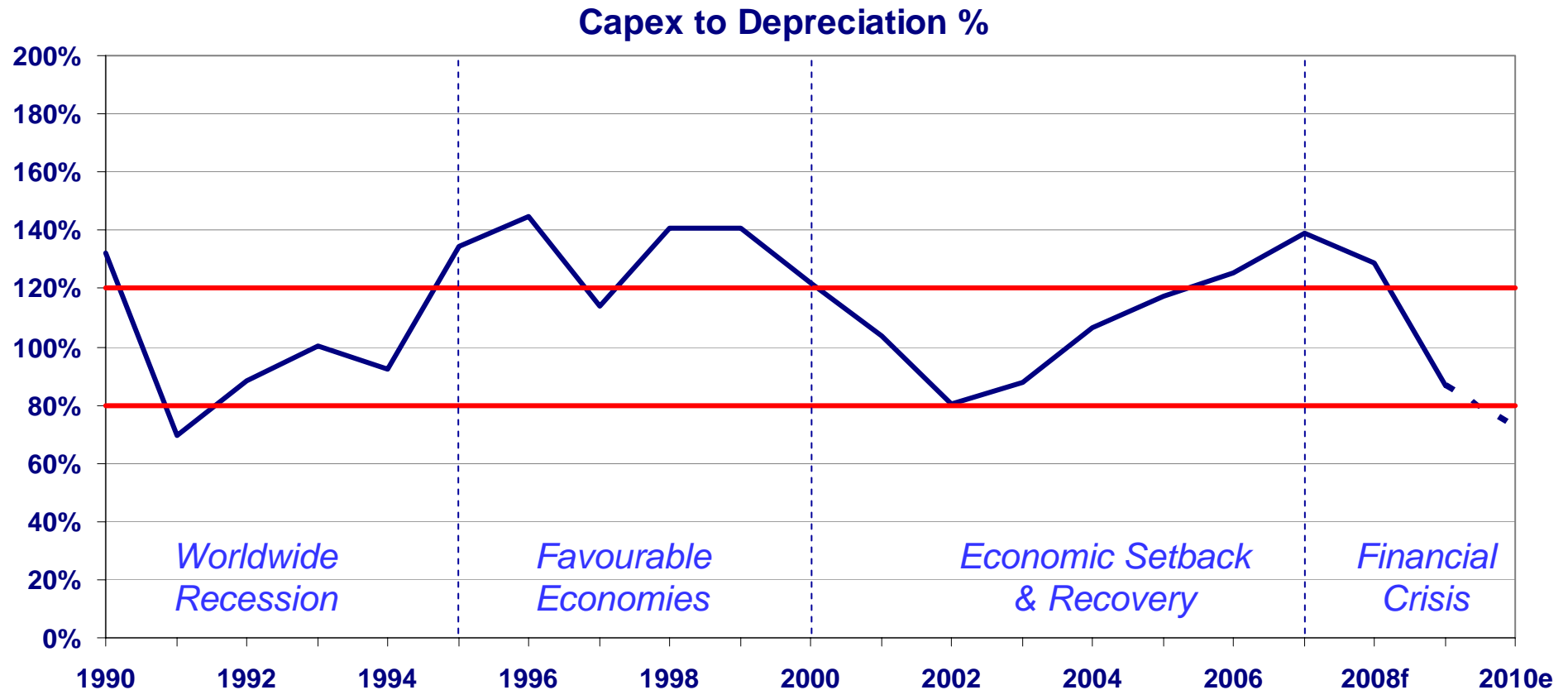
	<u>FY</u> <u>Net Change</u>	<u>H2</u> <u>Cash Inflow</u>	<u>H1</u> <u>Cash Outflow</u>
<b>2008e</b>	≈ (56) to (106)	≈ +500 to +550	(606)
<b>2007</b>	+227	+556	(329)
<b>2006</b>	(76)	+398	(474)
<b>2005</b>	(119)	+231	(350)
<b>2004</b>	(78)	+230	(308)

- Traditional H1 cash outflow
  - H1'07 and FY'07 flattered by wind-down of non core APAC ops
  - H1'08 includes Cement Capex pre-payments, and advance purchasing of commodity raw materials in rising markets
- Traditional strong H2 cash inflow
  - Expect cash inflow H2'08 of circa €500-550m



# Focus on Fundamentals ...

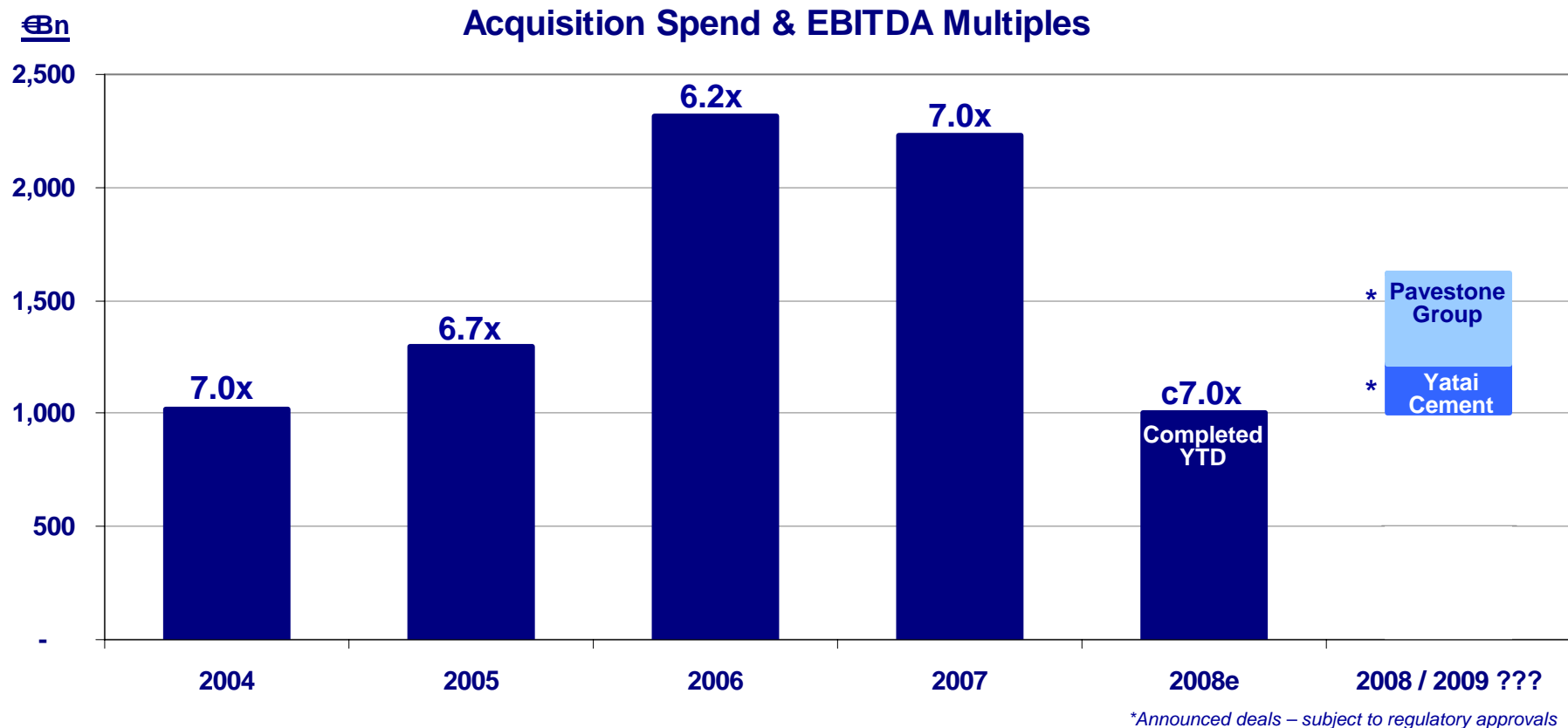
## Capex Management



***Capital expenditure adapted to the cycle ...  
... expect Capex below Depreciation 2009 / 2010***

# Focus on Fundamentals ...

## Absolute Focus on Valuation Discipline



***CRH acquisition multiples ...  
... well below the industry average***

# November IMS Statement



# CRH Interim Management Statement

## November 2008

- August Interims indicated FY 2008 PBT decline similar to -10% for H1
- Since then ... unprecedented events in financial markets
- With increasingly cautious business climate across the world
- Change in sentiment has been most marked in Europe
- US trading has evolved broadly as anticipated
- Now expect a low-to mid-teen % PBT decline
- Lesser reduction in EPS with 3.3% share buyback & lower % tax charge

***CRH's geographic, sectoral and product balance continues to underpin performance and cashflow***



# 2008 Full Year Europe Outlook

## Low single digit % decline on 2007 Op. Profit

Indications	<u>Materials</u>	<u>Products</u>	<u>Distribution</u>	<u>Total</u>
2008 Change	high single digit % increase	c25% decrease	mid-high single digit % decrease	low single digit % decrease
2007 Actual	€586m	€308m	€212m	€1,106m

### ○ Materials

- Slower PL/UA growth in recent months and generally weaker trading patterns

### ○ Products

- Slower trading patterns evident late Q2 have intensified; UK Clay restructuring

### ○ Distribution

- Benelux DIY more robust than in H1 but BM ops have weakened

***Balance: Res c50%, Non-Res c30%, Infrastructure c 20%***



# 2008 Full Year Americas Outlook

## Mid-teen US\$ Op. Profit decline; -c20% in euro

Indications	<u>Materials</u>	<u>Products</u>	<u>Distribution</u>	<u>Total</u>
2008 Change	mid-teen % decrease	c20% decrease	c30% increase	mid-teen% decrease
2007 Actual	\$781m	\$466m	\$96m	\$1,343m

### ○ Materials

- Strong pricing to recover input costs but continuing to affect volumes

### ○ Products

- Economic backdrop feeding through to some Non Res sectors

### ○ Distribution

- Beating expectations with effective management of pricing, sales & overhead

***Balance: Res c30%, Non-Res c35%, Infrastructure c 35%***

# Development

## Focus on Compelling Value / Strategic Fit / Needs

### Acquisitions

- c€1 billion acquisitions and investments completed year-to-date
- Completion of Yatai/Pavestone remains dependent on regulatory approvals
- Current emphasis firmly concentrated on operational delivery
- Activity limited to deals offering compelling value/exceptional strategic fit

### Capital Expenditure

- Adjusted to reflect the reduced demand environment
- Expect 2008 Capex will be held at 2007's €1 billion despite major projects
- Anticipate that 2009 Capex at c€750m will be below Depreciation

# Finance

## Strengthening Existing Financial Flexibility

- 2008 EBITDA / Net interest cover expected to remain strong at c7.5x
- To-date in 2008, CRH has raised a total of €1.5 billion of funding
  - €0.8 billion long-term funding (Stg£ 250m and US\$ 650m Bonds)
  - €0.7 billion of bank funding, primarily new facilities
- Renewal / extension of €1.5 billion of bank facilities close to completion
- Share Buyback programme terminated with 3.3% shares repurchased
- Traditional strong cash profile, enhanced by intensified cash generation
- Leaves CRH well positioned in terms of debt facilities and maturity profile

# IMS Summary

- Intense emphasis on operational efficiency / commercial delivery
- €500m cost reductions since early 2007 / further measures in progress
- While 2009 outlook is challenging, there are some positives
  - declining energy costs and world wide interest rate reductions
  - potential US infrastructure stimulus package
  - translation benefit of a stronger US \$
- CRH's geographic, sectoral and product balance continues to underpin performance and cashflow
- Attention and actions resolutely focussed on
  - ... ensuring CRH is strongly positioned
  - ... for whatever circumstances may evolve
  - ... and on further strengthening our existing financial flexibility

# Conclusion



# CRH Investment Highlights ...

- Consistent strategy and growth record over 38 years
- Disciplined approach to acquisition through the cycle
- Geographic, sectoral and product balance a key strength
- Strong market positions and well located strategic reserves
- Experienced senior management team developed internally
- Consistent strong cash flow generation and interest cover
- CRH is proactively managing short-term challenges ....
- .... and positioning the Group for the eventual upturn

***Focused on delivery – Short-term and Long-term***

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