

# **Europe Materials**

## *Divisional Profile*

### *Declan Doyle*



# Europe Materials

Ireland

Spain

Poland & Ukraine

Finland & Baltics

Switzerland

Portugal (49%)

Tunisia (48%)

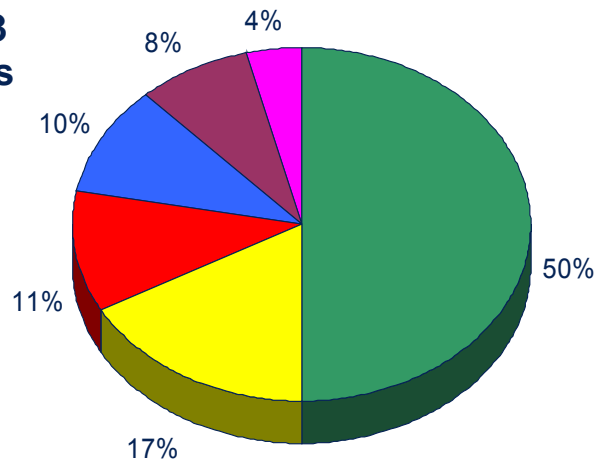
Israel (25%)



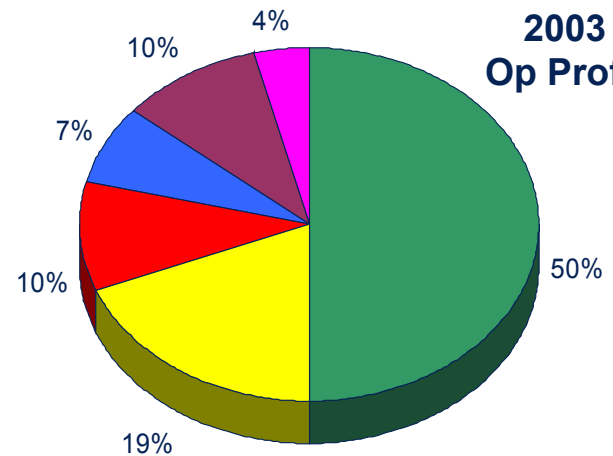
## Financials €m

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Sales	1,984	1,927	1,861
Operating Profit	273	267	271
Avg Net Assets	1,548	1,619	1,556
Operating Margin	13.8%	13.9%	14.6%

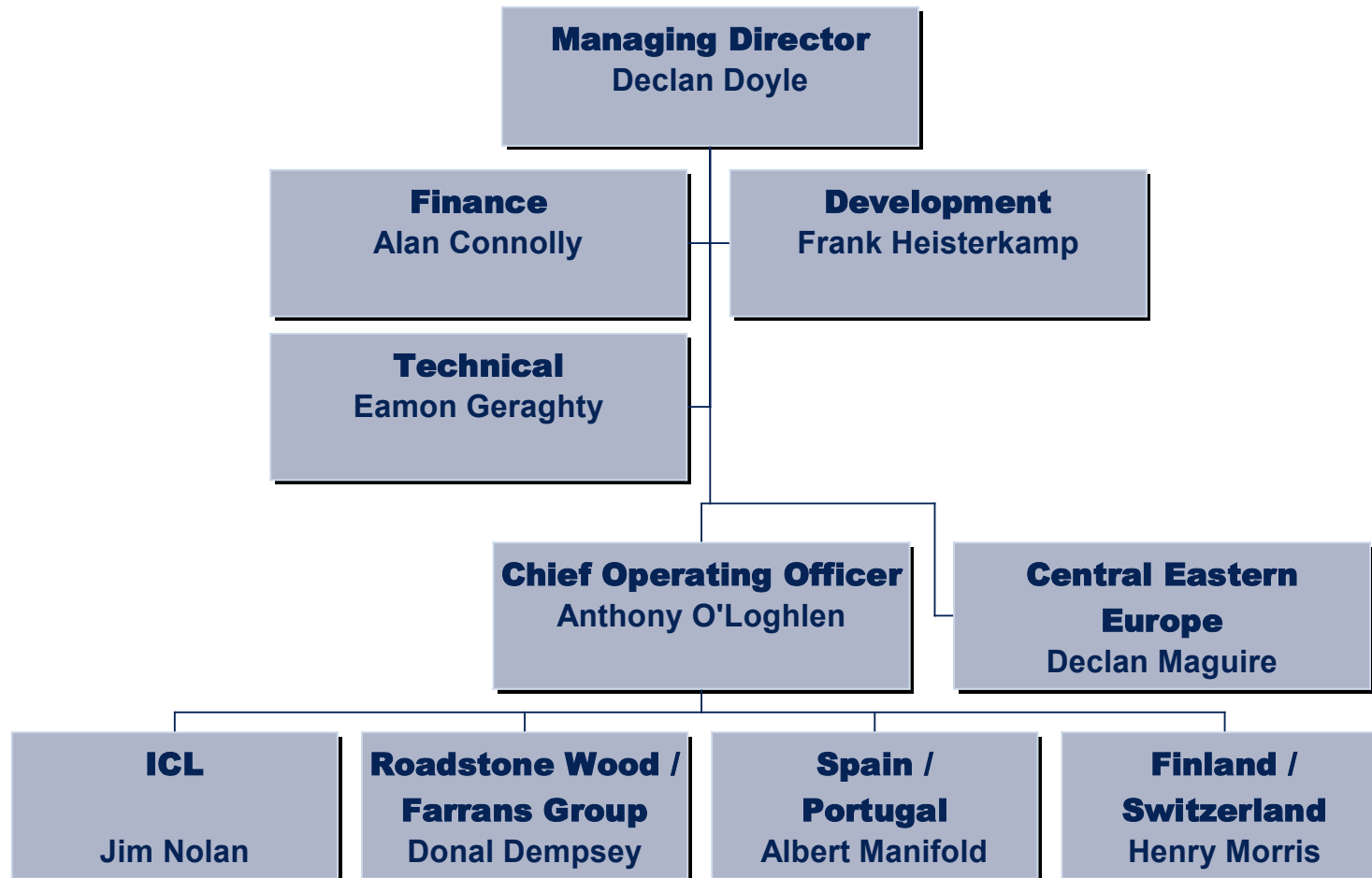
**2003  
Sales**



**2003  
Op Profit**



# Europe Materials - Organisation

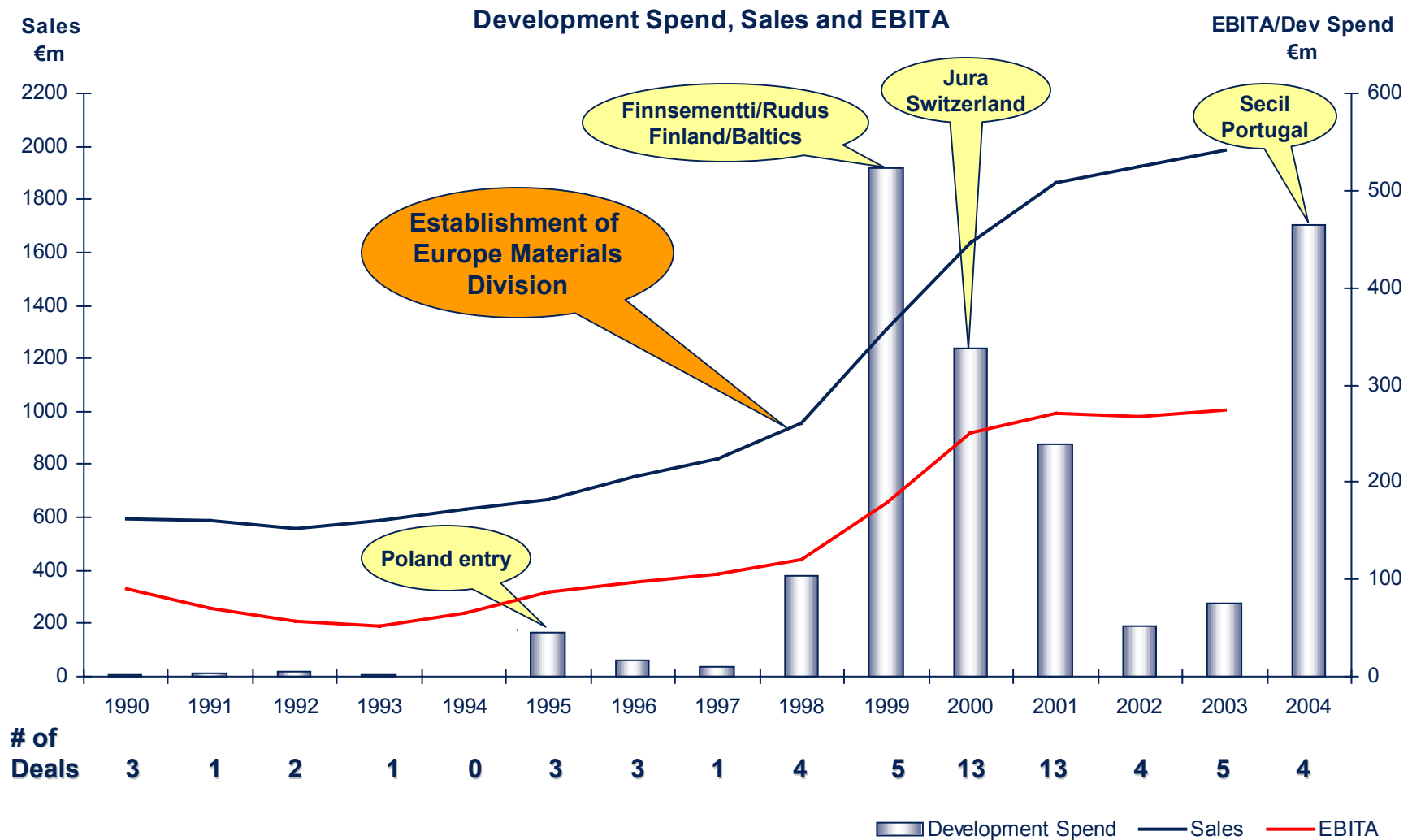


# Market Positions & 2003 Product Volumes

Market Positions	Ireland (incl NI)	Spain (Catalonia)	Poland	Ukraine	Finland	Switzerland	Israel	Portugal	Total Vols*
Cement	# 1		# 3	# 2	# 1	# 2	# 1	# 2	11.0mt
Aggregates	# 1	# 1	# 2		# 1	# 2			65.7mt
Readymix	# 1	# 1			# 1	# 2			8.7mcmts
Lime	# 1		# 2						1.5mt
Concrete Products	# 1	# 1	# 4						4.6mt
Blacktop	# 1				# 5				3.2mt

*\*Total volumes exclude Portugal*

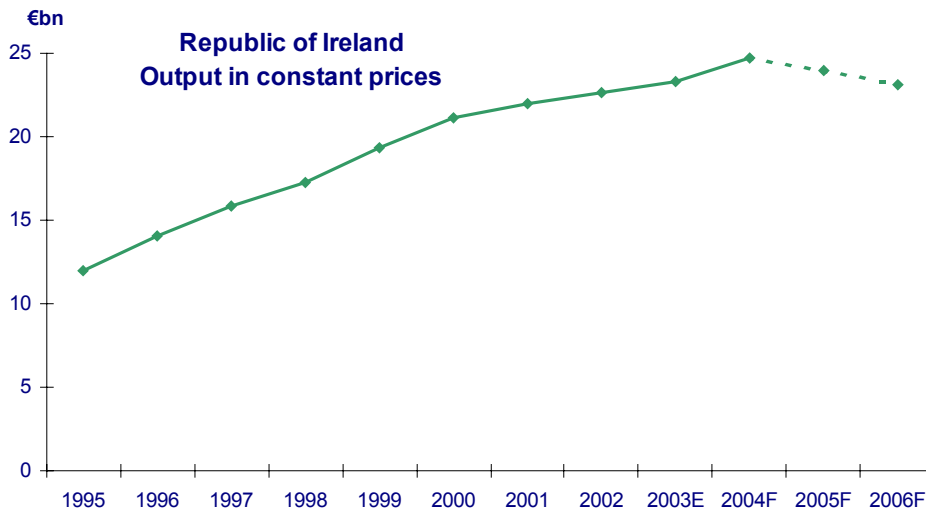
# Europe Materials - Development



# Regional Review

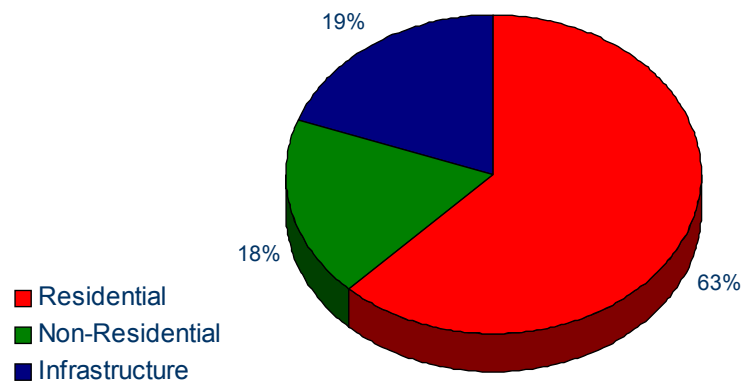
- ***Ireland***
- ***Spain***
- ***Poland/Ukraine***
- ***Finland/Baltics***
- ***Switzerland***
- ***Portugal***

# Ireland - Regional Review



- 2003 Sales €993m
- Operating Margin c 14%

Total Construction Market €23.3bn (18% GDP)

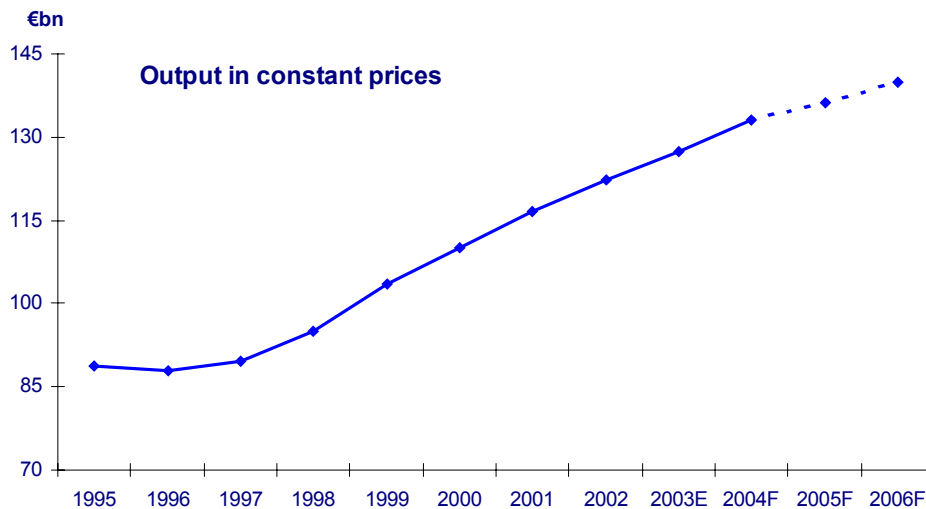


## Strategy

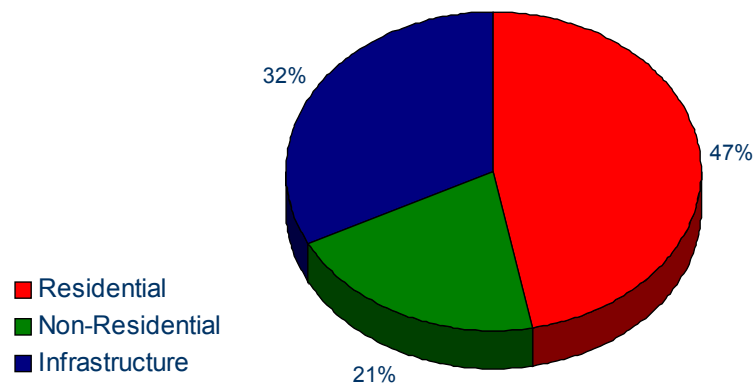
- Invest in reserves and plant
- Focus on customer service
- On-going cost reduction
- Bolt-on acquisitions

Source: Euroconstruct June 2004

# Spain - Regional Review



Total Construction Market €127.5bn (17% GDP)



Source: Euroconstruct June 2004

- 2003 Sales €206m
- Operating Margin c 9%

## Strategy

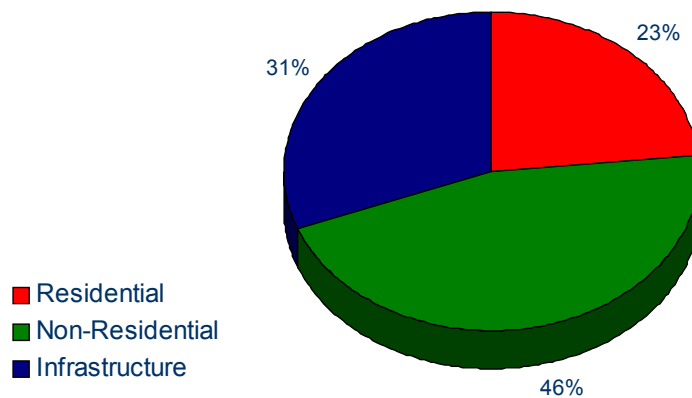
- Optimise price/volumes
- Invest in reserves and plant
- Develop new regional & product markets



# Poland/Ukraine - Regional Review



Total Construction Market €18.4bn (10% GDP)



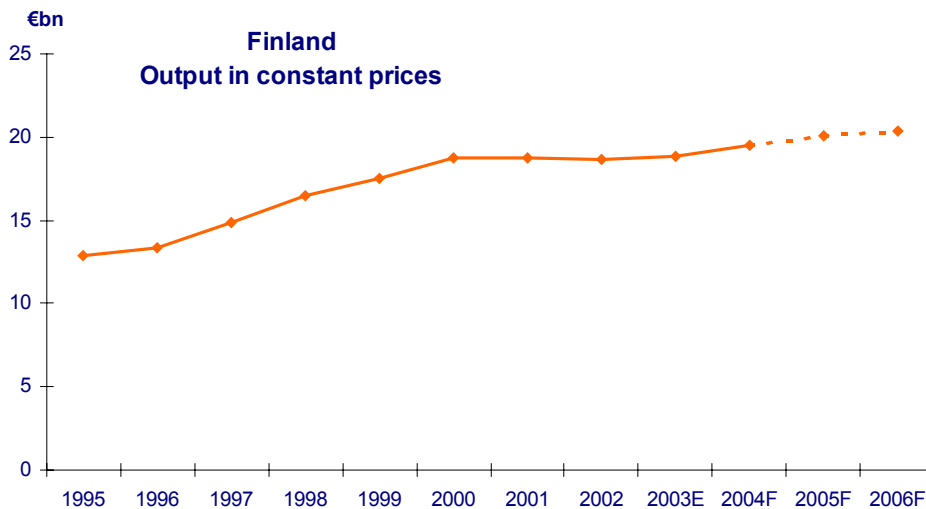
Source: Euroconstruct June 2004

- **2003 Sales** €226m
- **Operating Margin** c 12%

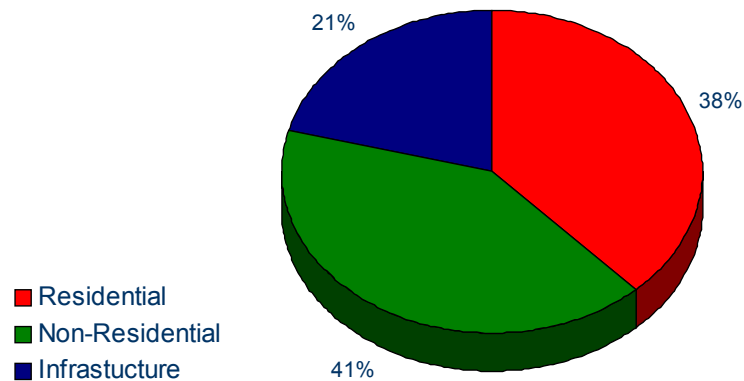
## Strategy

- Strengthen regional market positions
- Extend product coverage
- Improve product margins
- Continue to develop management resources

# Finland/Baltics - Regional Review



Total Construction Market €18.8bn (13% GDP)



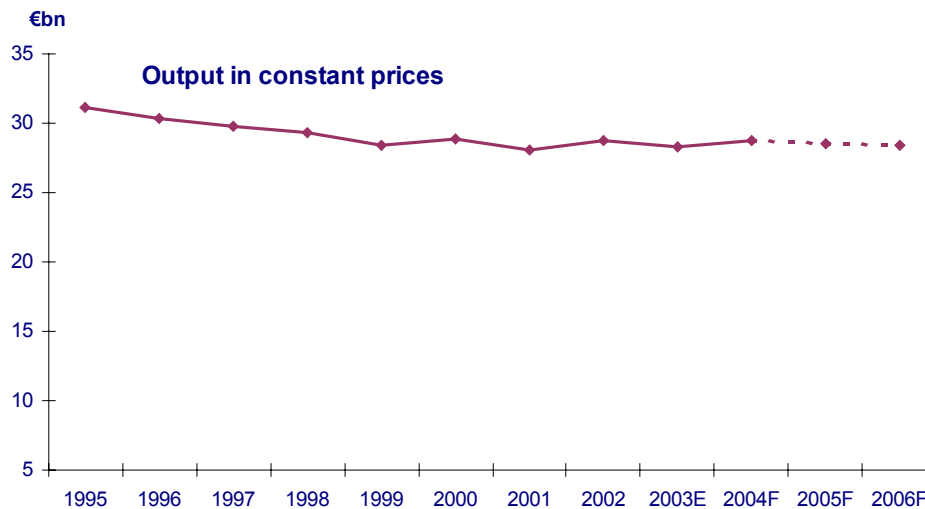
Source: Euroconstruct June 2004

- **2003 Sales**                      **€324m**
- **Op. Margin**                      **c 15%**

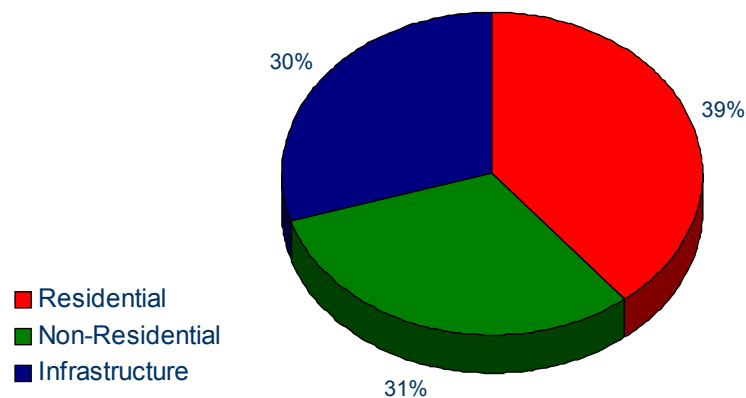
## Strategy

- Improve margins
- Bolt-on acquisitions to diversify the product and sectoral balance
- Strengthen positions in St. Petersburg and the Baltic States

# Switzerland - Regional Review



Total Construction Market €32.3bn (11% GDP)



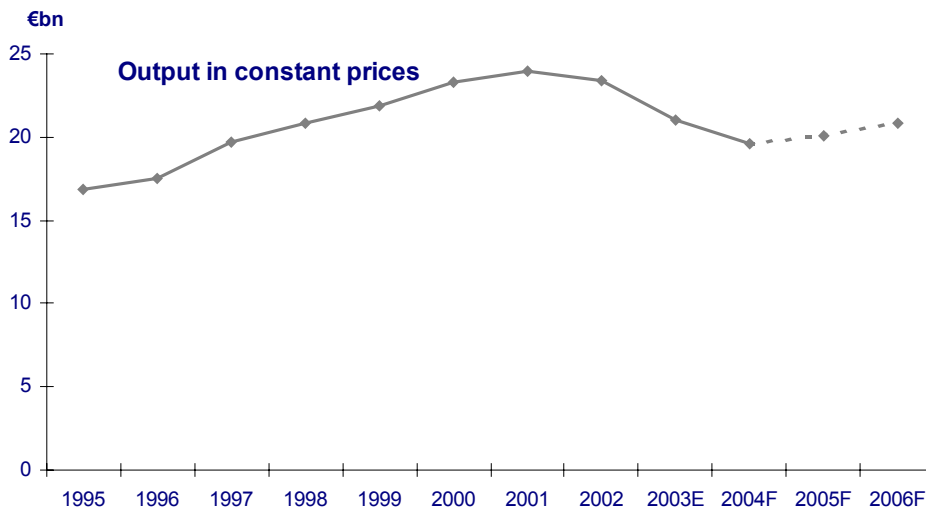
Source: Euroconstruct June 2004

- 2003 Sales €164m
- Operating Margin c 17%

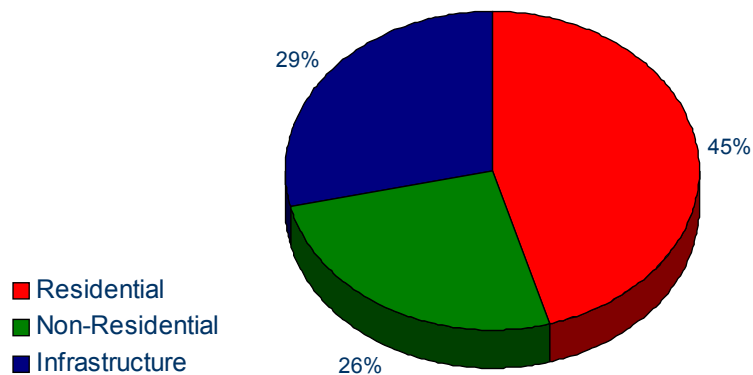
## Strategy

- Bolt-on acquisitions
- Maximise alternative fuel usage
- Explore perimeter areas

# Portugal - Regional Review



Total Construction Market €24.0bn (17% GDP)



Source: Euroconstruct June 2004

- 2003 Sales (49%) €205m
- Operating Margin c 17%
- Acquired June 2004

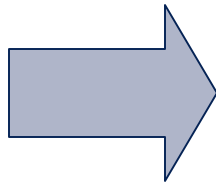
## Strategy

- Invest in related businesses
- Look at further opportunities in the Mediterranean
- Benefits from Best Practice

# Europe Materials - Strategy

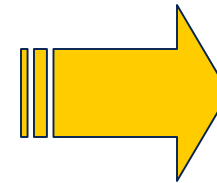
## Established Markets:

Maintain  
&  
Build



- Ireland
- Iberia
- Poland
- Finland
- Switzerland

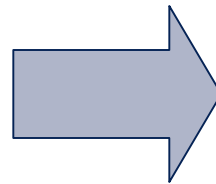
## Extend



- Iberia
- Mature EU

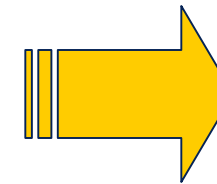
## Developing Markets:

Cautious  
Development



- Baltic States
- Russia
- Ukraine
- Tunisia
- Israel

## Growth Options



- Accession States
- Mediterranean
- Former CIS
- Far East

# Strategy in Action - CRH in Poland



## *Why Poland?*

- Long association as a CRH trading partner
- Transition well advanced - worst was over by 1995:
  - Inflation 250% in 1990, 15% in 1995
  - GDP growth 1995 +3.8%, after output fall of +25% 1990-92
  - Set to join EU & NATO
- Strategic location, at heart of enlarged Europe
- Commitment to democracy and West
- People and culture - a big plus
- Long-term opportunity for significant growth

# Strategy in Action - Poland 1995 - 1996

Exposure to Market: High ● Medium ● Low ●



Products	Market Position	MARKETS					Turnover
		New Res	New Non-Res	Infrastructure / Civil	RMI	Other	
Cement	# 3	●	●	●	●		€ 14 m PLN 65m

# Strategy in Action - Poland 2000

Exposure to Market: High ● Medium ● Low ●



Products	Market Position	MARKETS					Turnover
		New Res	New Non-Res	Infrastructure / Civil	RMI	Other	
Cement	# 3	●	●	●	●		€ 208 m PLN 830m
Aggregates	# 1	●	●	●	●		
Readymix	-	●	●	●	●		
Concrete Products	# 4	●	●	●	●		
Blacktop	-	●	●	●	●		



# Strategy in Action - Poland 2003

Exposure to Market: High ● Medium ● Low ●



Products	Market Position	MARKETS					Turnover
		New Res	New Non-Res	Infrastructure / Civil	RMI	Other	
Cement	# 3	●	●	●	●		€ 200 m PLN 870m
Aggregates	# 2	●	●	●	●		
Readymix	-	●	●	●	●		
Concrete Products	# 4	●	●	●	●		
Blacktop	-	●	●	●	●		
Lime	# 2	●	●	●	●	●	
Aerated Blocks	# 2	●	●	●	●		

# Poland Future Prospects



- Built great business in short time .... Strong early returns
- Sustainable economic growth supported by EU accession and of structural reforms

- EU structural funds to benefit economy & construction sector:

→ 2004 - 2006: €15.5bn in total → €12.1 bn construction related

→ 2007 - 2013: €10 bn p.a. (5% of GDP)

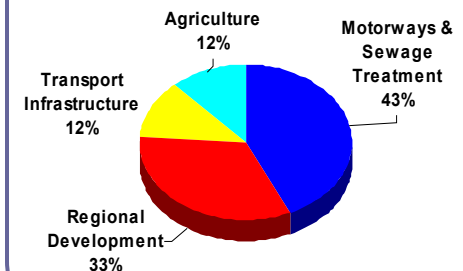


- Residential housing deficit expected to improve as interest rates fall and government housing strategy implemented

- Strong local management team now leading growth for CRH businesses

- Evolving organisation - products/regions

## Funds Breakdown: €12.1bn



# Europe Materials Summary

- Strong positions in stable economies
- Well positioned to benefit from EU enlargement
- Mediterranean options
- Good reserves in strategic locations
- Increased use of alternative fuels
- Good cash flows
- Strong leadership development focus to maintain track record of growth