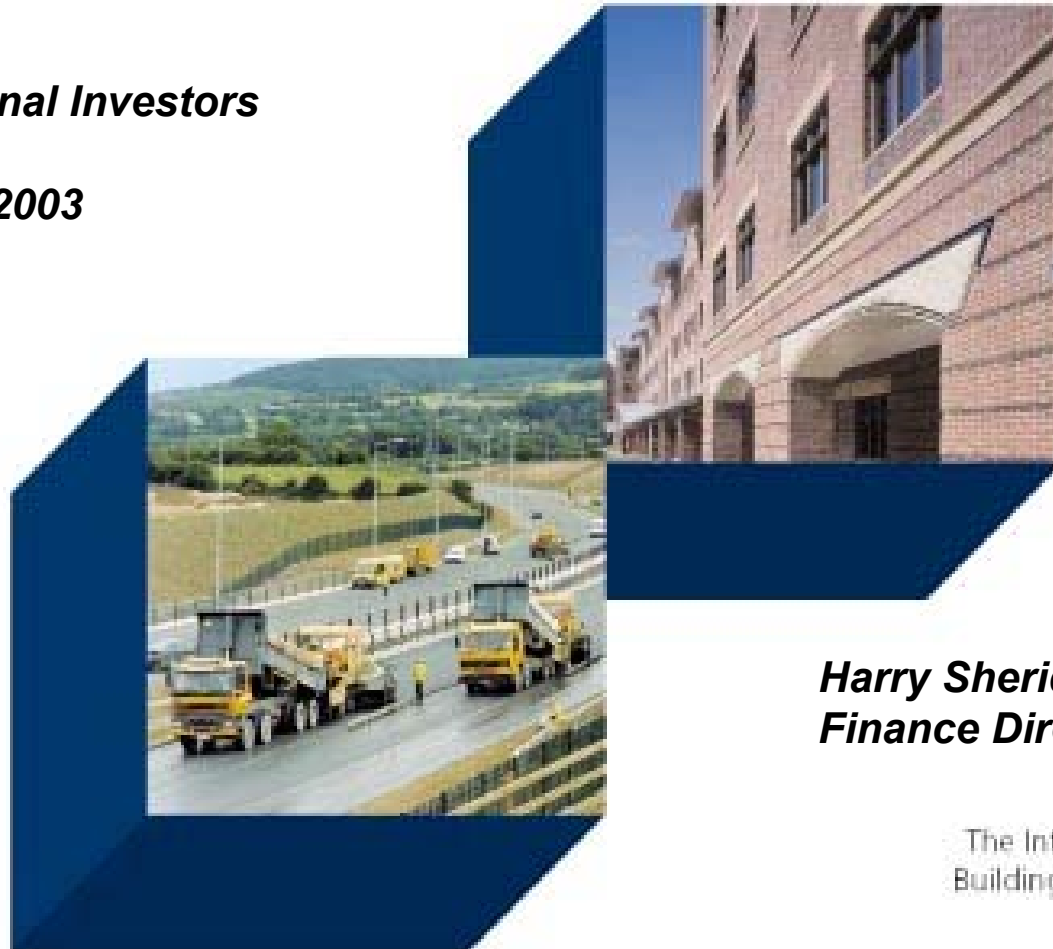


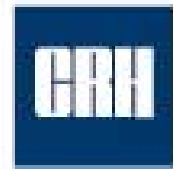
# ***Performance and Growth***

***Davy Institutional Investors  
Conference  
January 10th, 2003***



***Harry Sheridan,  
Finance Director***

The International  
Building Materials  
Group

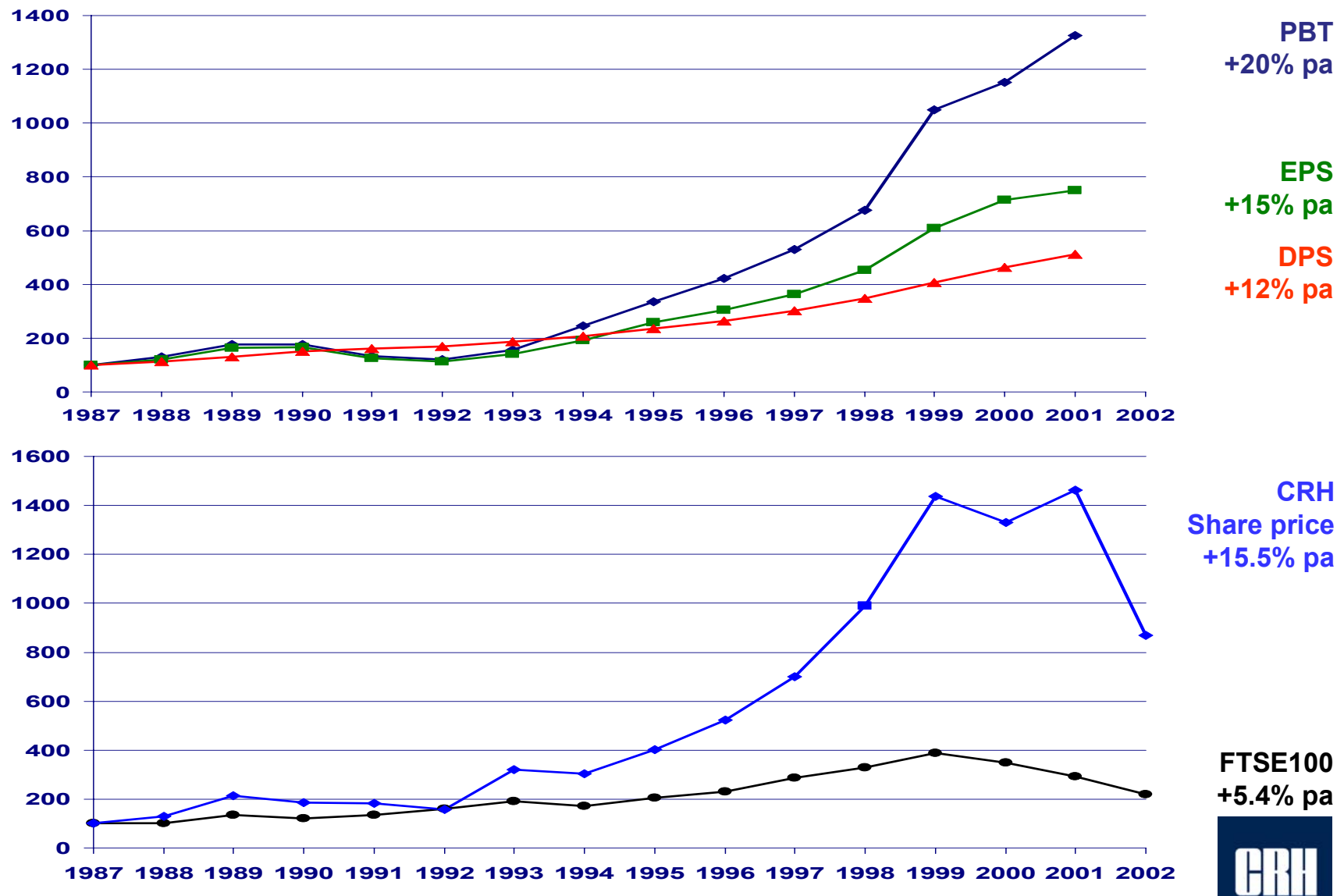


# CRH plc - OVERVIEW

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- 1970: Irish Cement & Roadstone: Sales €26m, Ireland 95%
- Embarked on a consistent development strategy
- Now 22 countries; 3 continents; 1,500 locations; 50,000 people
- Sales €10.4 bn, Americas 60%±, Europe 40%±
- Listed Dublin, London, NASDAQ; Eurotop 300 stock
- Market capitalisation circa €6.4bn; Top 5 in sector worldwide
- 18.5% CAGR in Total Shareholder Return since 1970

# CRH PERFORMANCE 1987 - 2001



1987 = 100

# CRH's UNIQUE RECORD

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- Many factors, including;
  - a clear, consistent development strategy
  - a focus on
    - performance and growth
    - cash flow and rigorous approach to investment
  - the development and maintenance of a balanced portfolio
  - investment in people of the highest calibre
  - all organised and motivated in an optimal way
- Has delivered these superior returns



# THREE CORE BUSINESSES



## Primary Materials

Cement plant, Switzerland



Asphalt paving, Wyoming, USA



Cement, aggregates, asphalt and  
surfacing, readymixed concrete

CRH



# THREE CORE BUSINESSES



## Building Products

Paving, Québec, Canada



Security fencing, Netherlands



Precast concrete products; concrete blocks, pavers and rooftiles; clay bricks, pavers and tiles; insulation products; fencing & security; glass fabrication, rooflights & ventilation



# THREE CORE BUSINESSES



## Distribution

Builders Merchenting, USA



DIY, Netherlands



DIY stores, builders merchenting,  
specialist distribution

CRH



# CLEAR DEVELOPMENT STRATEGY

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- Stick to core businesses in building materials
- Invest “at home”
  - reinvest in existing businesses; assets and people
  - be low cost market leader; leverage best practices
- Develop “overseas”
  - build regional market leadership positions
  - provide exposure to further development opportunities
  - create horizons for further growth
- Development devolved to regional and product groups
  - Balance local strengths with central support
  - 14 decentralised development teams



# CLEAR DEVELOPMENT STRATEGY

---

- Rigorous approach to:
  - evaluation
  - project approval
  - subsequent performance review
- Accelerated pace since mid-90's
  - 280+ acquisitions 1996 to date, totalling €6.5 bn
  - traditional focus small to mid-size companies
  - some bigger deals; where we see value
- Objective is to maintain & develop a balanced portfolio
  - regions
  - products
  - sectors

# SIGNIFICANT DEVELOPMENT CAPACITY

---

- Continued development capacity supported by:
  - Ongoing strong cash flow
  - Rolling 12 month EBITDA interest cover June 2002 - 10.1 times
  - Supportive shareholder and lender base
- March 2001: 1 for 4 Rights Issue
  - Raised €1.1 bn from international shareholder base
- March 2002: 10-year US\$ Global Bond Issue
  - 4 times oversubscribed
  - upsized to US\$ 1 bn

## 2002 ACQUISITION SPEND

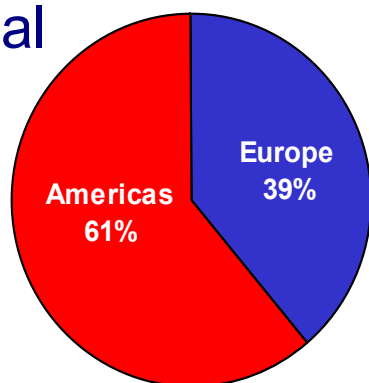
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	€m
Acquisitions individually announced:	
US Aggregates	81
EHL	155
 H1 Development update (acquisition spend)	 385
H2 Development update (acquisition spend)	348
 <b>Total spend</b>	 <b>969</b>

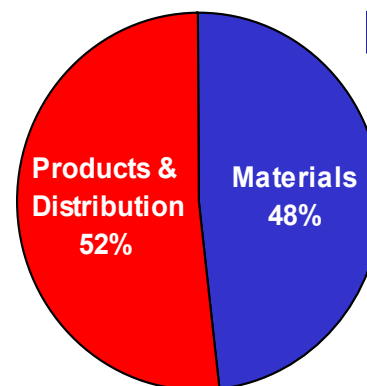
# REGIONAL, PRODUCT & SECTORAL BALANCE

- Helps smooth the impact of industry and economic cycles
- ....and enhances growth potential

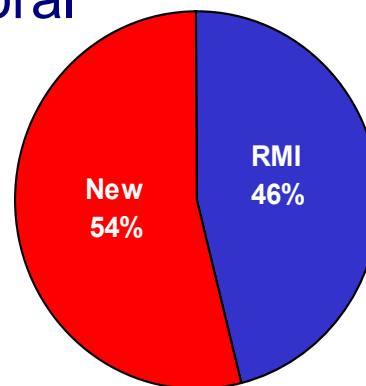
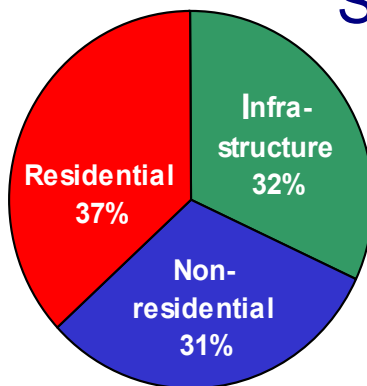
Regional



Product



Sectoral



*\* by 2001 sales*

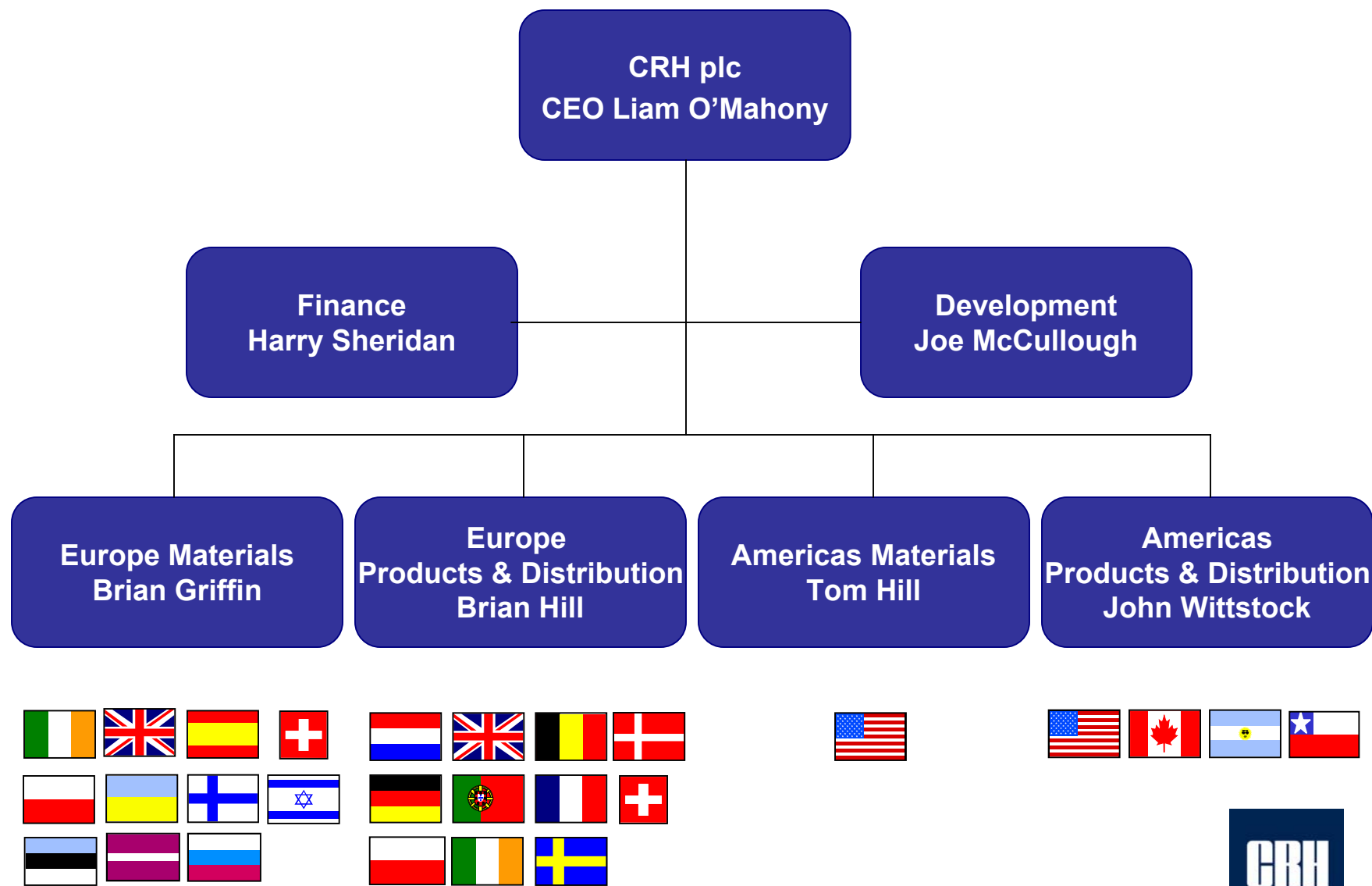


# CORPORATE GOVERNANCE

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- Non-executive Chairman + Senior Independent Director
- Majority of Board (9 out of 15) are non-executive
- Audit & Remuneration committees solely non-executive
- Share options:
  - ➔ issued at market value on date of grant to full time employees
  - ➔ can only be exercised if CRH meets very demanding earnings targets:  
EPS growth must:
    - exceed inflation by 5% compounded over at least 3 years for *Basic Tier options*
    - exceed inflation by 10% compounded over at least 5 years and place CRH in the top quartile of an international peer group for *Second Tier options*
- Transparent reporting / shareholder communications a priority

# FEDERAL GROUP ORGANISED FOR GROWTH

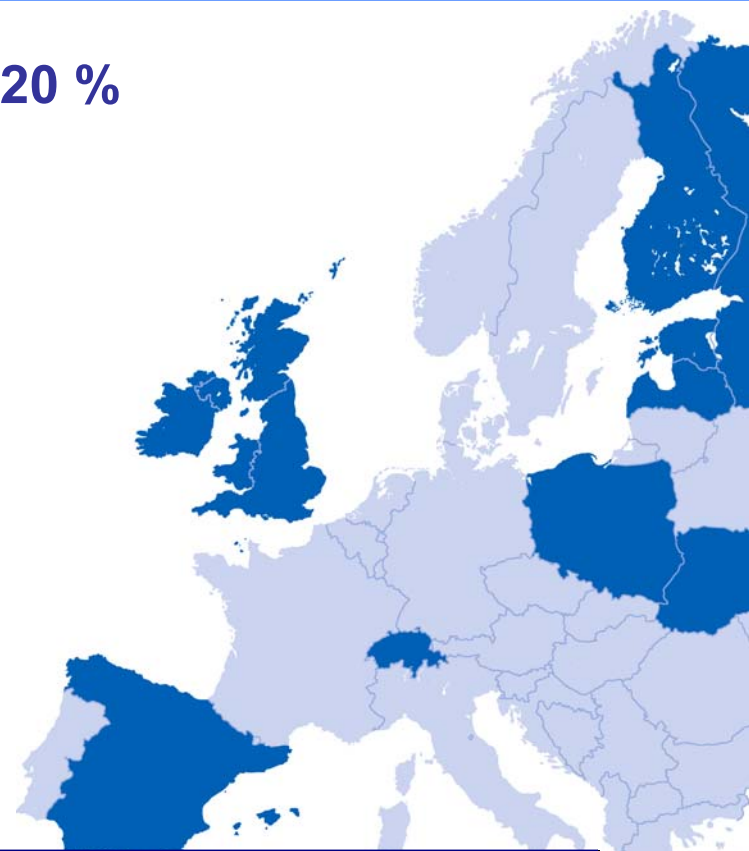


# EUROPE MATERIALS



# EUROPE MATERIALS

- Sales 2001: € 1,861m; 5yr CAGR +20 %
- Operating profit 2001 : € 271m
- 340+ locations; 11 countries
- 9,800 employees
- New build / RMI      80/20
  - Residential      33%
  - Non-Res      36%
  - Infrastructure      31%



	Irl	UK	Spain	Swiss	Pol	Fin	Est	Lat	Rus	Ukr	Isr
Cement	✓			✓	✓	✓				✓	✓
Aggregates	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓
Asphalt	✓	✓		✓	✓	✓					
Readymix Concrete	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Concrete Products	✓		✓		✓		✓				



**CRH**



# EUROPE MATERIALS

	2001 Sales	Operating Profit Margin
Ireland	€975m	c 15%
Spain	€170m	c 11%
Poland and Ukraine	€230m	c 13%
Finland and Switzerland	€450m	c 15%
Israel*	€36m	c 18%
<b>Total</b>	<b>€1,861m</b>	<b>c 15%</b>

\*CRH share, 5 month 2001

# **EUROPE PRODUCTS & DISTRIBUTION**

# EUROPE P&D

- Sales 2001: € 2,175M; 5yr CAGR +13 %
- Operating profit 2001 : € 117m
- 370+ locations; 12 countries
- 12,500 employees
- New build / RMI 60/40
  - Residential 55%
  - Non-Res 20%
  - Infrastructure 10%
  - DIY 15%



	Irl	UK	Por	Sp	Fr	B	NL	Ger	Swiss	Den	Sw	Pol	Fin
Concrete		✓		✓	✓	✓	✓	✓					
Clay		✓					✓	✓				✓	
Building Products	✓	✓				✓	✓	✓		✓	✓	✓	✓
Distribution			✓		✓	✓	✓		✓			✓	

**CRH**

# EUROPE P&D

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	2001 Sales	Operating Profit Margin
Concrete	€410m	c 6%
Clay	€365m	c 7%
Building Products	€406m	c 6%
Distribution	€994m	c 4%
<b>Total</b>	<b>€2,175m</b>	<b>c 5%</b>

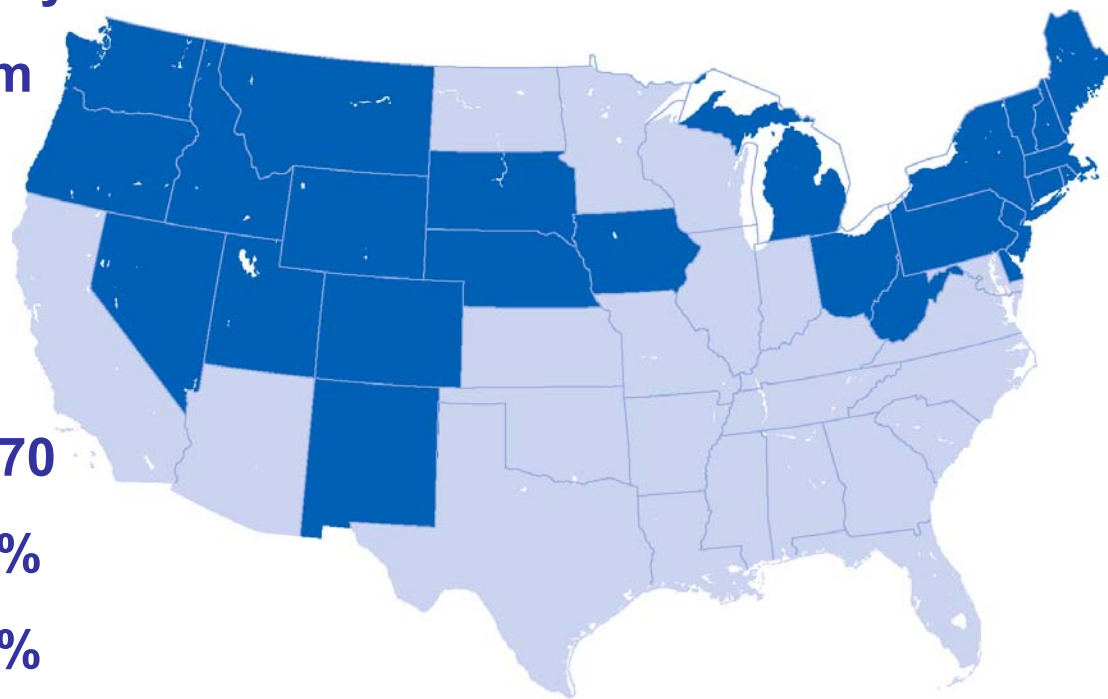


# **AMERICAS MATERIALS**



# AMERICAS MATERIALS

- Sales 2001: \$ 2,840m; 5yr CAGR +31 %
- Op profit 2001 : \$ 310m
- 530+ locations
- 25 US states
- 15,000 employees
- New build / RMI 30/70
  - Residential 15%
  - Non-Res 20%
  - Infrastructure 65%



	New England	New York / New Jersey	Central	West
Aggregates	✓	✓	✓	✓
Asphalt	✓	✓	✓	✓
Readymix Concrete	✓	✓	✓	✓

**CRH**

# AMERICAS MATERIALS

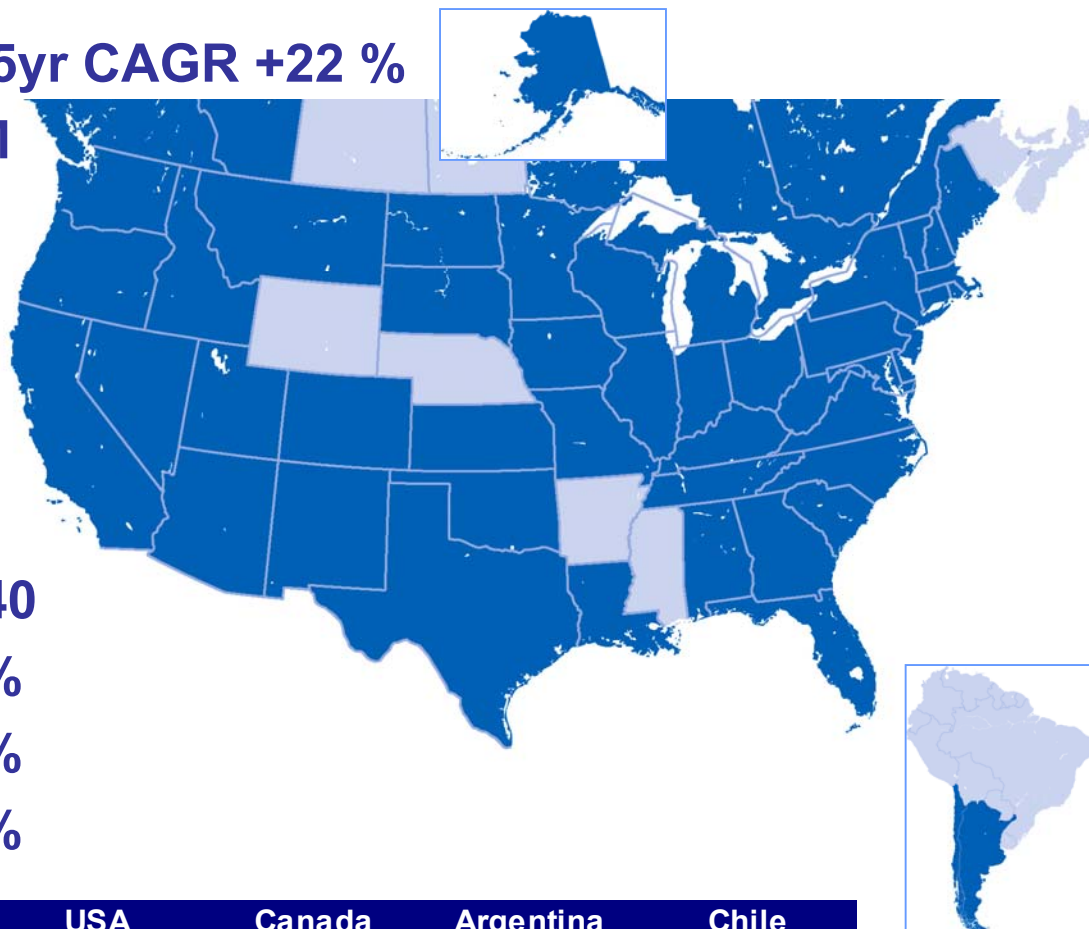
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	2001 Sales	Operating Profit Margin
New England	\$500m	c 11%
New York / New Jersey	\$600m	c 13%
Central	\$880m	c 12%
West	\$860m	c 8%
<b>Total</b>	<b>\$2,840m</b>	<b>c 11%</b>

# **AMERICAS PRODUCTS & DISTRIBUTION**

# AMERICAS P&D

- Sales 2001: \$ 2,900M; 5yr CAGR +22 %
- Op profit 2001 : \$ 256M
- 370+ locations
  - 45 US states
  - 4 provinces
  - S America
- 15,000 employees
- New build / RMI      60/40
  - Residential      45%
  - Non-Res      40%
  - Infrastructure      15%



	USA	Canada	Argentina	Chile
Precast concrete products	✓	✓		
Concrete blocks, pavers, roof tiles	✓	✓	✓	
Clay bricks	✓			
Glass	✓	✓	✓	✓
Distribution	✓			



# AMERICA P&D

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	2001 Sales	Operating Profit Margin
APG	\$950m	c 11%
Precast	\$650m	c 9%
Glass	\$450m	c 15%
Distribution	\$800m	c 3%
South America	\$50m	c 5%
<b>Total</b>	<b>\$2,900m</b>	<b>c 9%</b>

# DISTRIBUTION USA

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Asbestos litigation (*announcement Sept 29, 2002*)

- Companies in distribution group named in asbestos litigation
- 244 pending cases, 251 claimants
- 95% one law firm
- 52% pipe fitters
- Pace decreasing
- Claims are a nuisance issue to be managed
- No material financial impact



# STRATEGIC ISSUES

## Europe Materials

- Strong stable economies
- Good cash flow
- Well positioned for EU enlargement, eastern Mediterranean options
- Successful track record

## Europe P&D

- New house (and office) building weak in all our core markets

New House starts ('000)				
	2000	2001	2002	Peak (yr)
Benelux	121	112	107	152 (95)
France	310	303	290	317 (99)
Germany*	369	286	265	518 (95)
UK	177	180	172	189 (97)

\* completions (starts not available)

Source: Euroconstruct June 2002

- Problem - land availability, hoarding land, planning delays, skill shortages
- Cut costs and “right size” our new housing related businesses
- Acquisition effort focused on RMI and Infrastructure sectors



# STRATEGIC ISSUES

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## Americas Materials

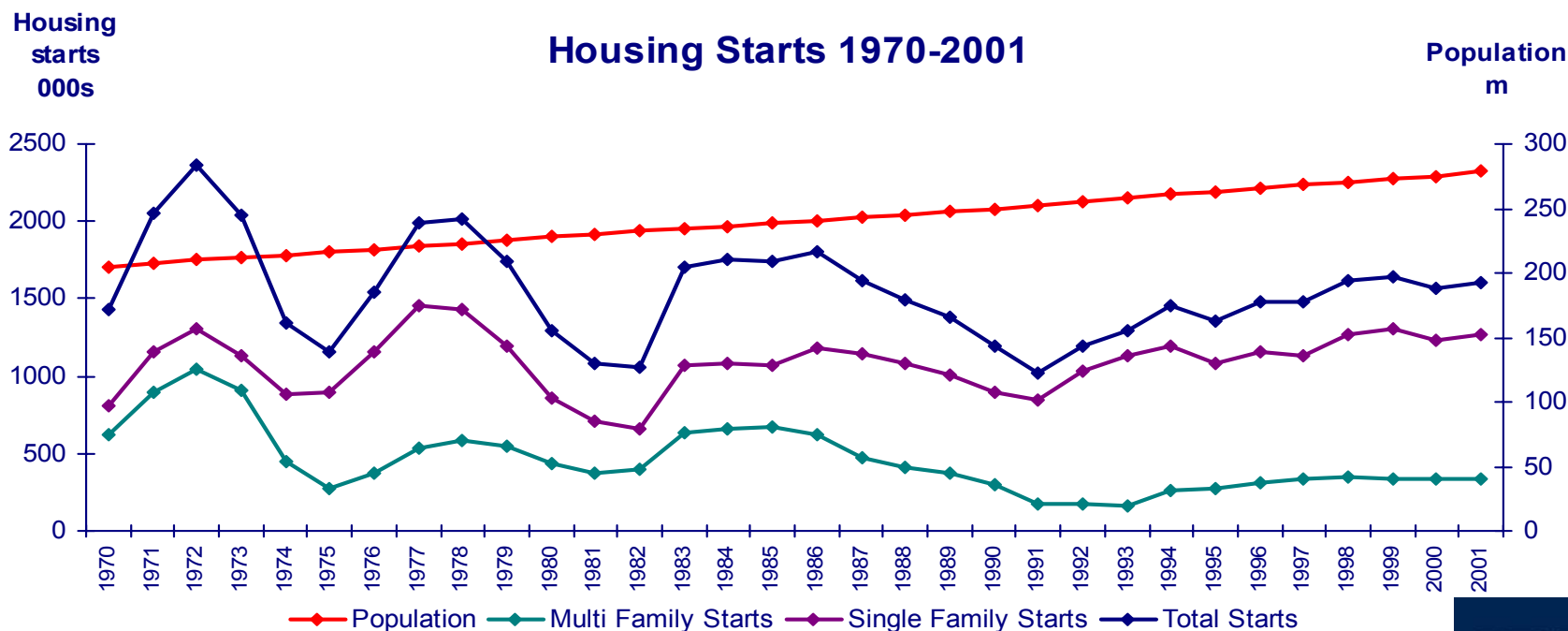
- TEA-21
  - Funding level
  - Reauthorization
  - Long term outlook is positive; Highways are a popular bi-partisan issue
- Bitumen
  - Utilize almost 2.0mt of bitumen
  - Increased cost volatility 2000 - 2002
  - Delay in passing on price increases
  - Winter storage hedge; 0.5M tons, target is 1.0M tons

# STRATEGIC ISSUES

## Americas P&D

### ● Medium Term US Housing outlook:

- ➔ Harvard housing group estimates need for 1.7M new homes in coming decade
- ➔ Driven by demographics including immigration
- ➔ Supported by solid, innovative financing sector i.e. Fannie Mae and Freddie Mac
- ➔ Nature of housing likely to change due to age of new home owner



Source: U.S. Department of Commerce, U.S. Census Bureau

CRH

# STRATEGIC ISSUES - LONGER TERM

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Demographics America v Europe (*The Economist*, Aug 24, 2002)

- US Census 2002 shock - population rising faster than predicted
- 1950's - Western Europe population twice USA; 304m v 152m
- Now - gap 100m; fertility, immigration
- 2040F - USA will overtake Europe on middle series projection
- 2050F - USA 400m rising, Europe 360m falling
- USA 2050 median age 36.2; “youthful, exuberant, multi-coloured”
- Europe 2050 median age 52.7; “ageing, decrepit, inward looking”
- Demographic change slow but remorseless



# FINANCIAL CAPACITY TO EXPAND

	Y/E 2001
Debt (€m)	1,894
Shareholders' funds (€m)	4,775
Debt/shareholders' funds	39.7%
Debt/market capitalisation	18.3%
<b>Interest cover</b>	
EBITDA/Interest	8.5
EBIT/Interest	5.6

# STRONG CASH FLOW

	Y/end	Yr to June
	2001	2002
	€m	€m
PBT	803	813
Depreciation/goodwill	495	518
	<u>1,298</u>	<u>1,331</u>
Capital expenditure	(452)	(416)
Working capital	(61)	87
Dividends	(103)	(125)
Tax	(79)	(118)
Other	(29)	(23)
	<u>574</u>	<u>736</u>
Operating Cash Flow		
Acquisitions	<u>1,080</u>	<u>1,172</u>

# SUMMARY

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- Robust H1 performance in context of:
  - difficult trading conditions in many markets
  - unseasonable May / June weather for US Materials
  - €9m rationalisation costs taken above the line
- 2001 and 2002 have been challenging years
- 2003 World economic outlook - little joy
- Cash flow and development spend continues at strong levels
- Well positioned to benefit from eventual market upturn



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