

Merrill Lynch Building Conference, London

"Sector M&A Activity: Adding Shareholder Value or Over-Hyped Hot Air?"

Monday 31st October, 2005



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"Adding growth in different products"

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Overview

CRH - Overview

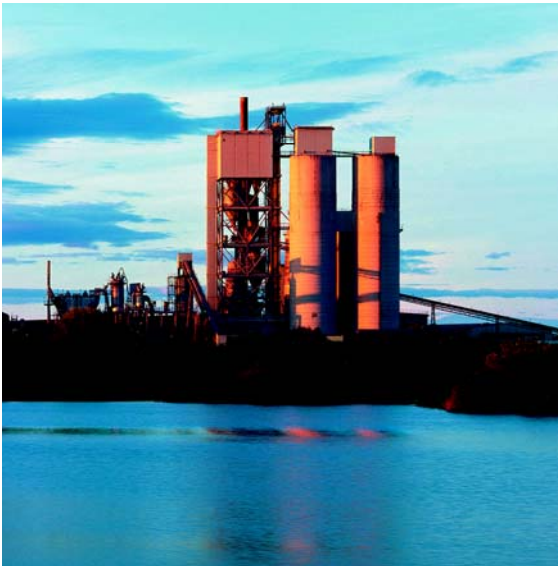
- 1970: Irish Cement & Roadstone: Sales €26m, Ireland 95%
- Embarked on a clear, consistent development strategy
- Now 25 countries; 3 continents; 2,100+ locations; 60,000+ people
- 2004 Sales €12.8bn, EBITA €1.25bn, EBT €1.1bn
- Listed Dublin (CRH.I), London (CRH.L), NASDAQ (CRHCY); Eurotop 300 stock
- Market capitalisation circa €11bn: Top 5 in sector worldwide
- 19% CAGR in Total Shareholder Return since 1970



Three Core Businesses



Primary Materials



Cement, aggregates, asphalt and surfacing, readymixed concrete



Building Products

Precast concrete products; concrete blocks, pavers, roof tiles; clay bricks, pavers, tiles; insulation products; fencing & security; glass fabrication, rooflights & ventilation, construction accessories



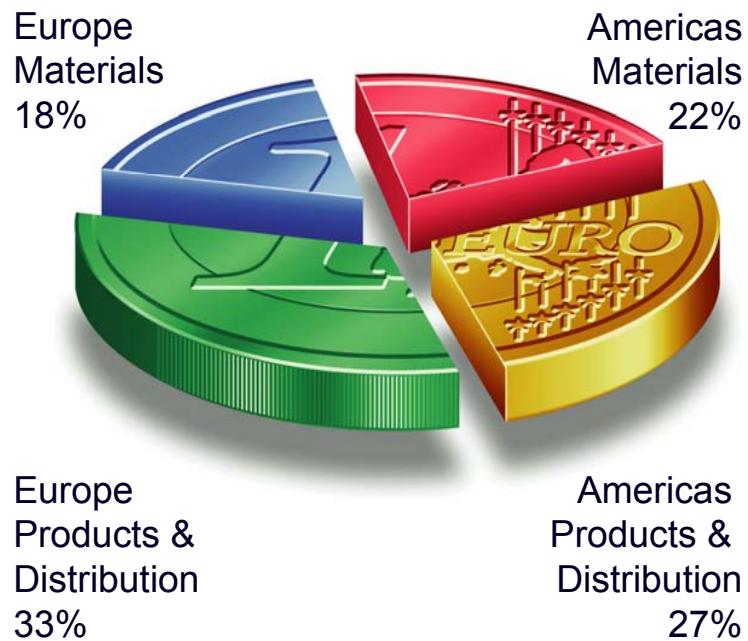
Distribution



DIY stores, builders merchandising, specialist distribution

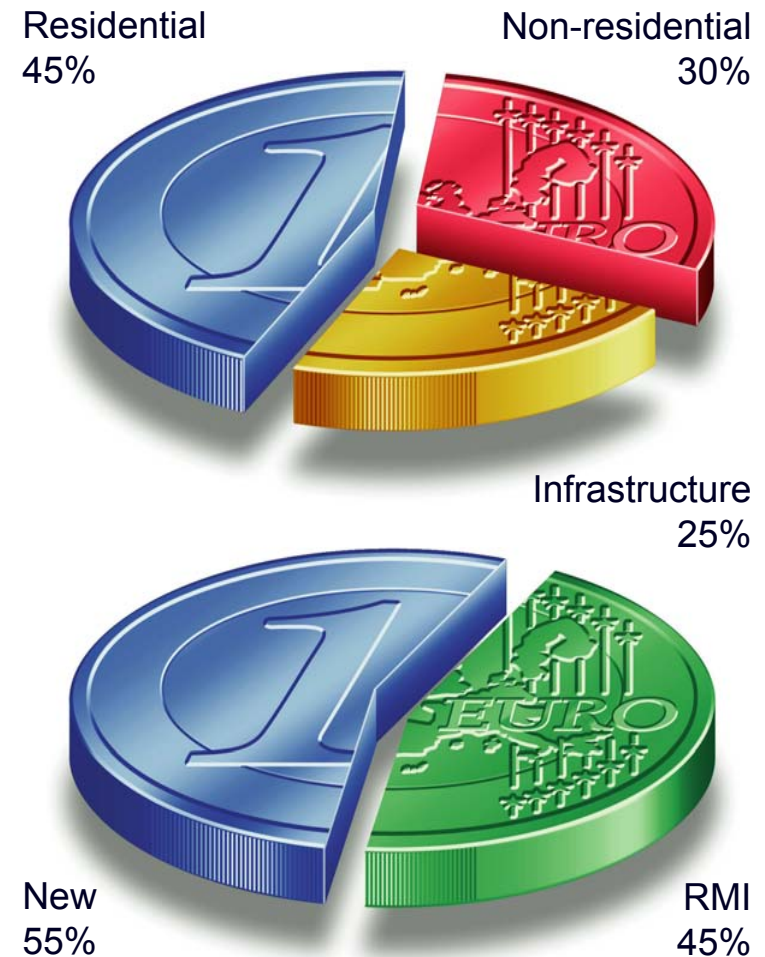
CRH Balance

Geographic and Product*

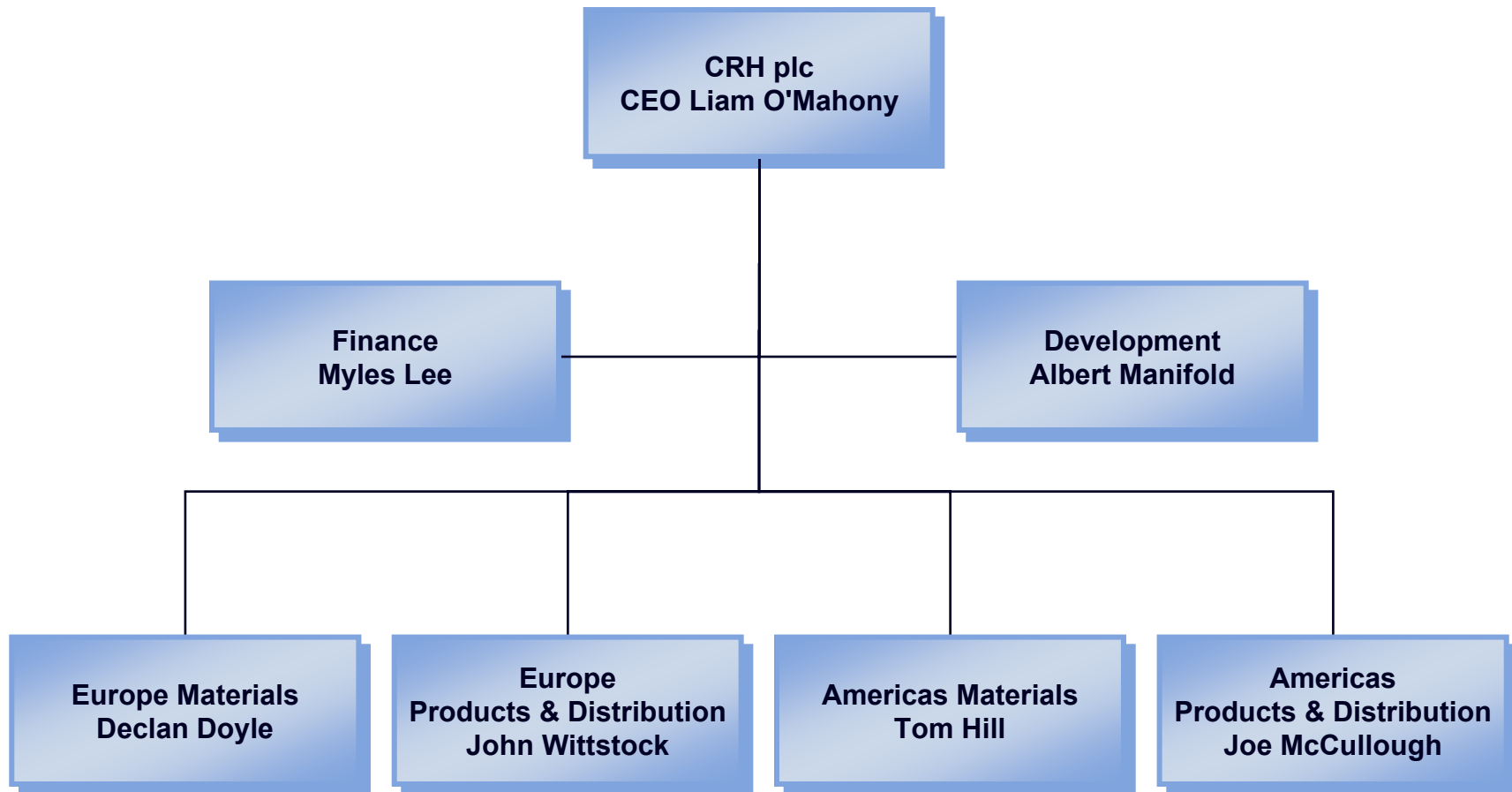


** based on 2004 sales*

Product End-use*



Federal Group Organised For Growth



Clear Strategy

- Stick to core businesses in building materials - but broad
- Invest at “home”; be the low cost market leader
- Develop “overseas”; create platforms for future growth
- Generally mid-sized deals with some larger transactions
- Negotiate deals that meet sellers needs ... and our needs
- Rigorous approach to evaluation, approval and review
- Objective is to maintain and develop a balanced portfolio
- All underpinned by strong governance, prudent financing, transparent reporting
- Twin imperatives ... **performance and growth**

Acquisition Approach

Identifying deals

- Ongoing contact with extensive 25 year+ target database
- Each deal done opens doors to further opportunities
- CRH scale ensures access to all larger industry transactions

Courtship/negotiation

- Patient approach recognising evolving owner circumstances
- Deals tailored to meet varying owner (and our) needs
- Upfront clarity with regard to post-acquisition priorities

Integration

- Approach tailor-made for each deal
- Implement CRH MIS, reporting, budgeting, cash and capex controls
- Transition to CRH Best Practice
- **And then pursue growth plans**

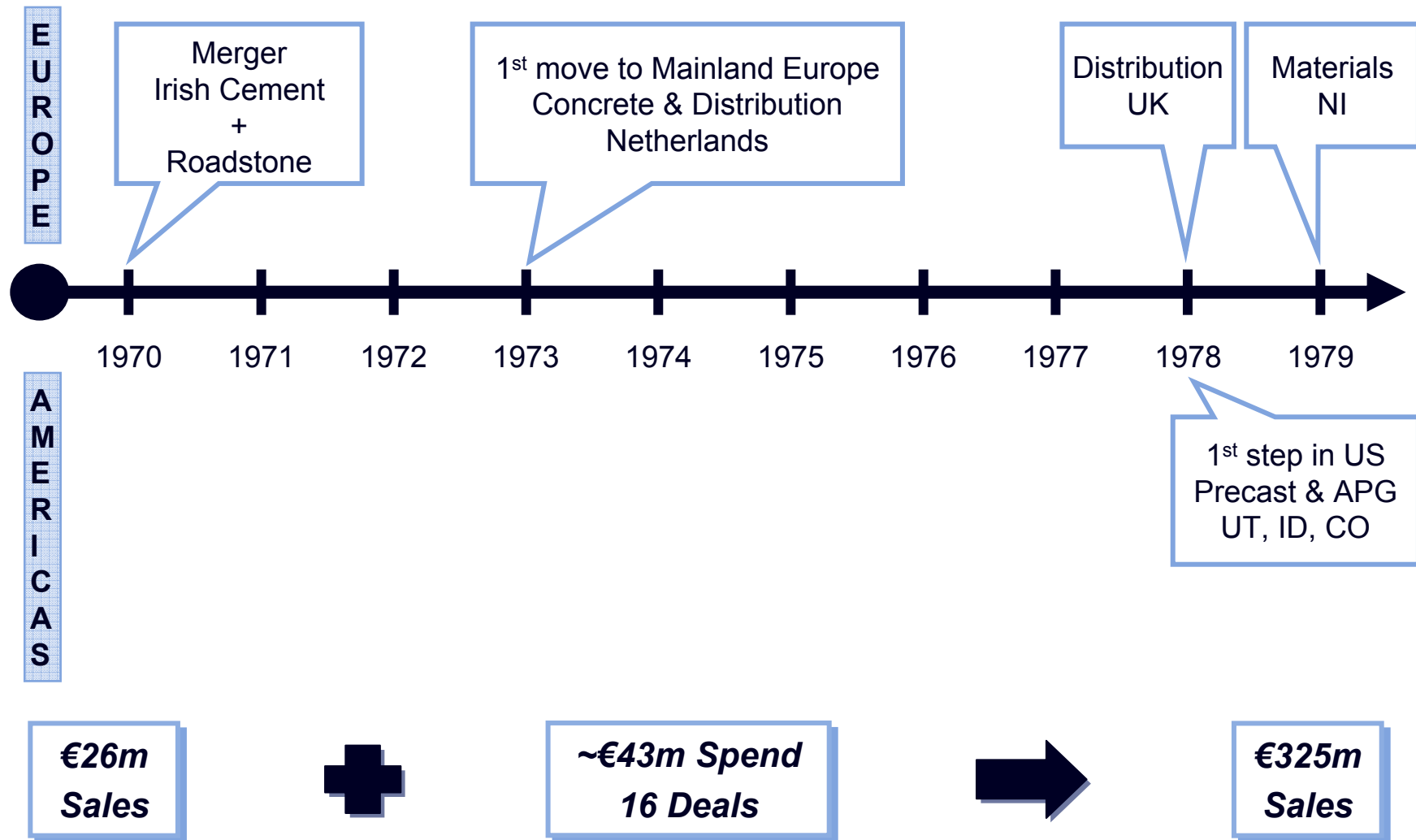
Evaluation

- Rigorous qualitative operational review process and due diligence
- Evaluation based on prudent margin, cash flow, term value assumptions
- Strict Board approval process, with subsequent 3 year look back

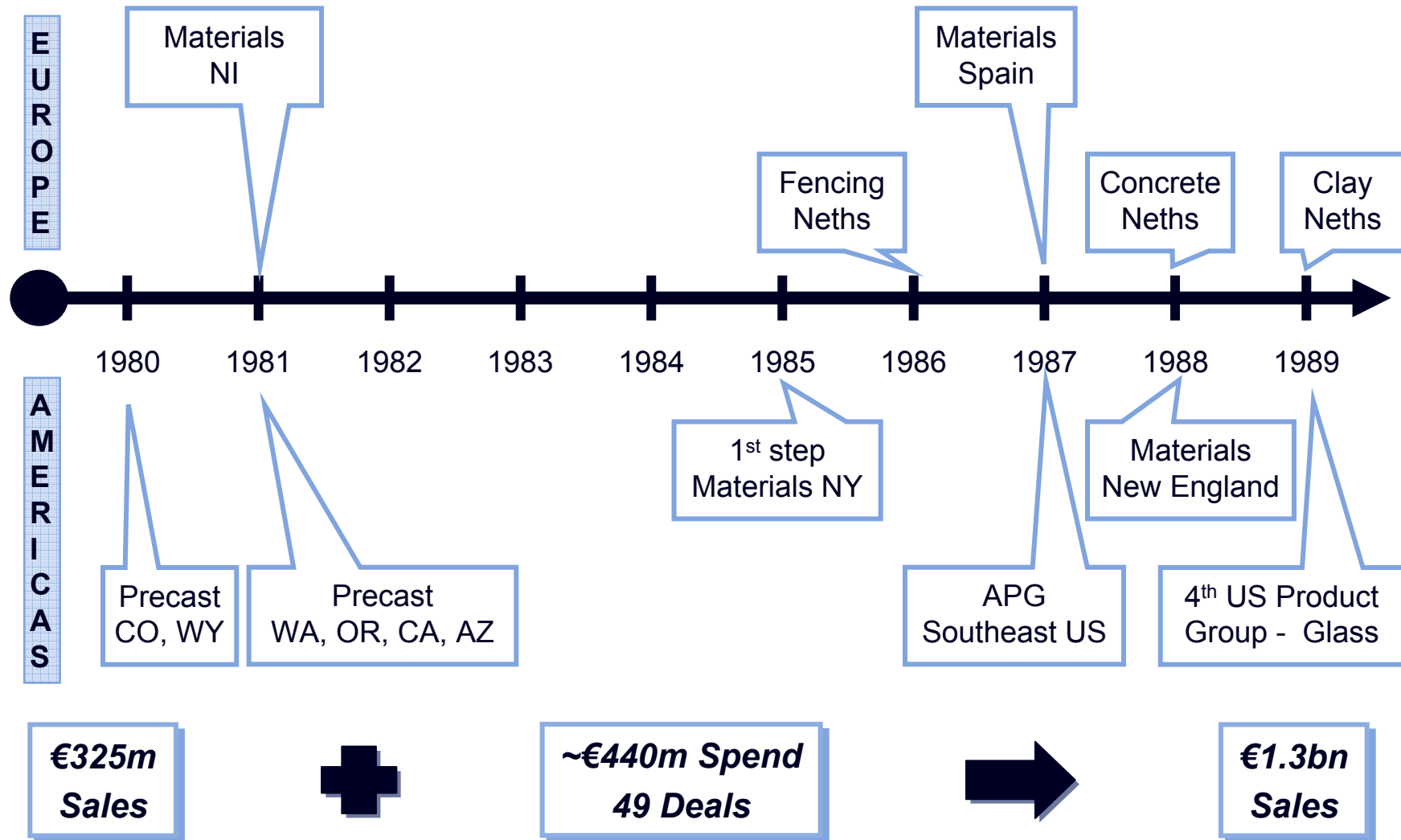
Devolved process - but rigorous and controlled

CRH Development 1970 - 2005

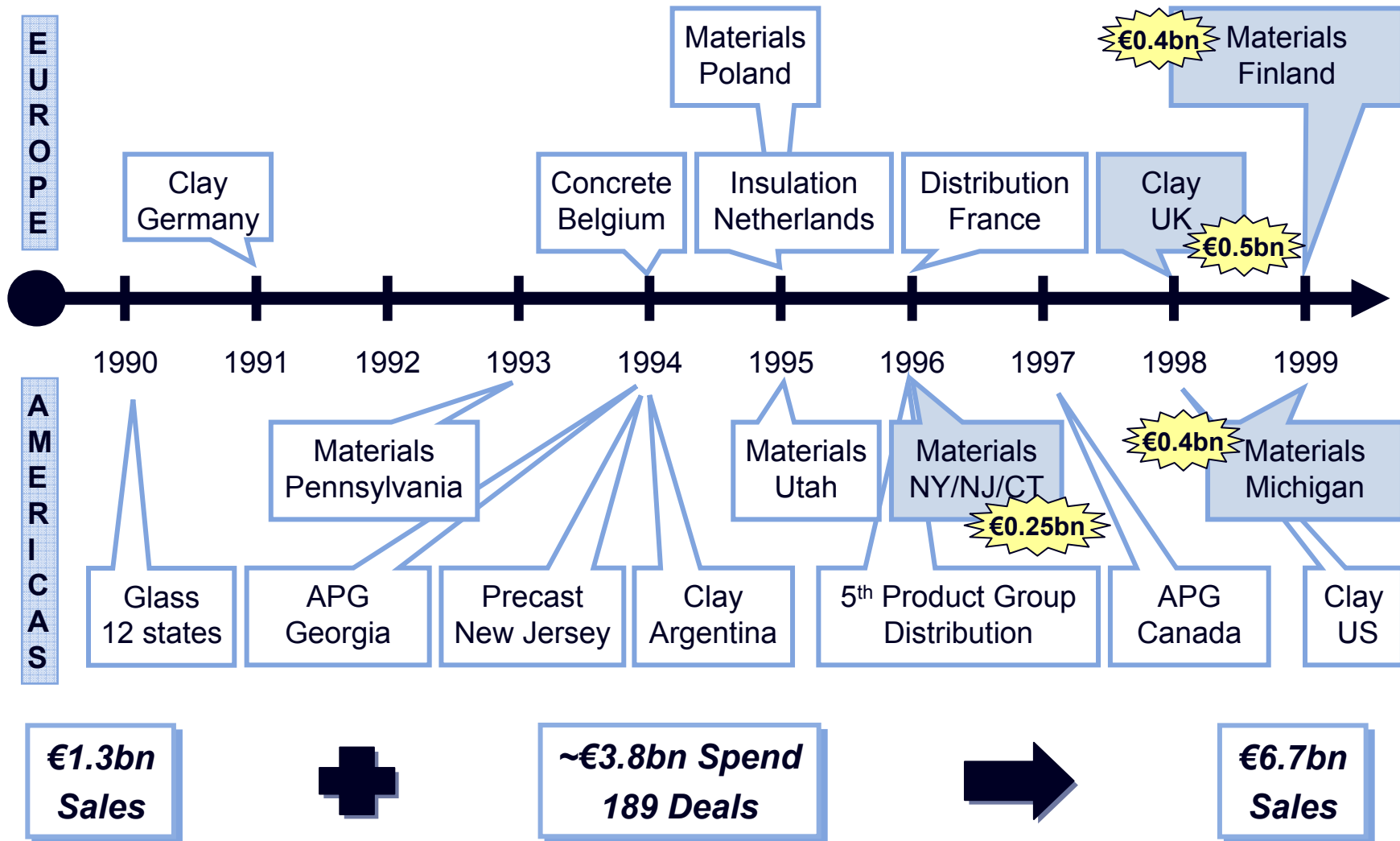
The 1970s – Foundations of the Group



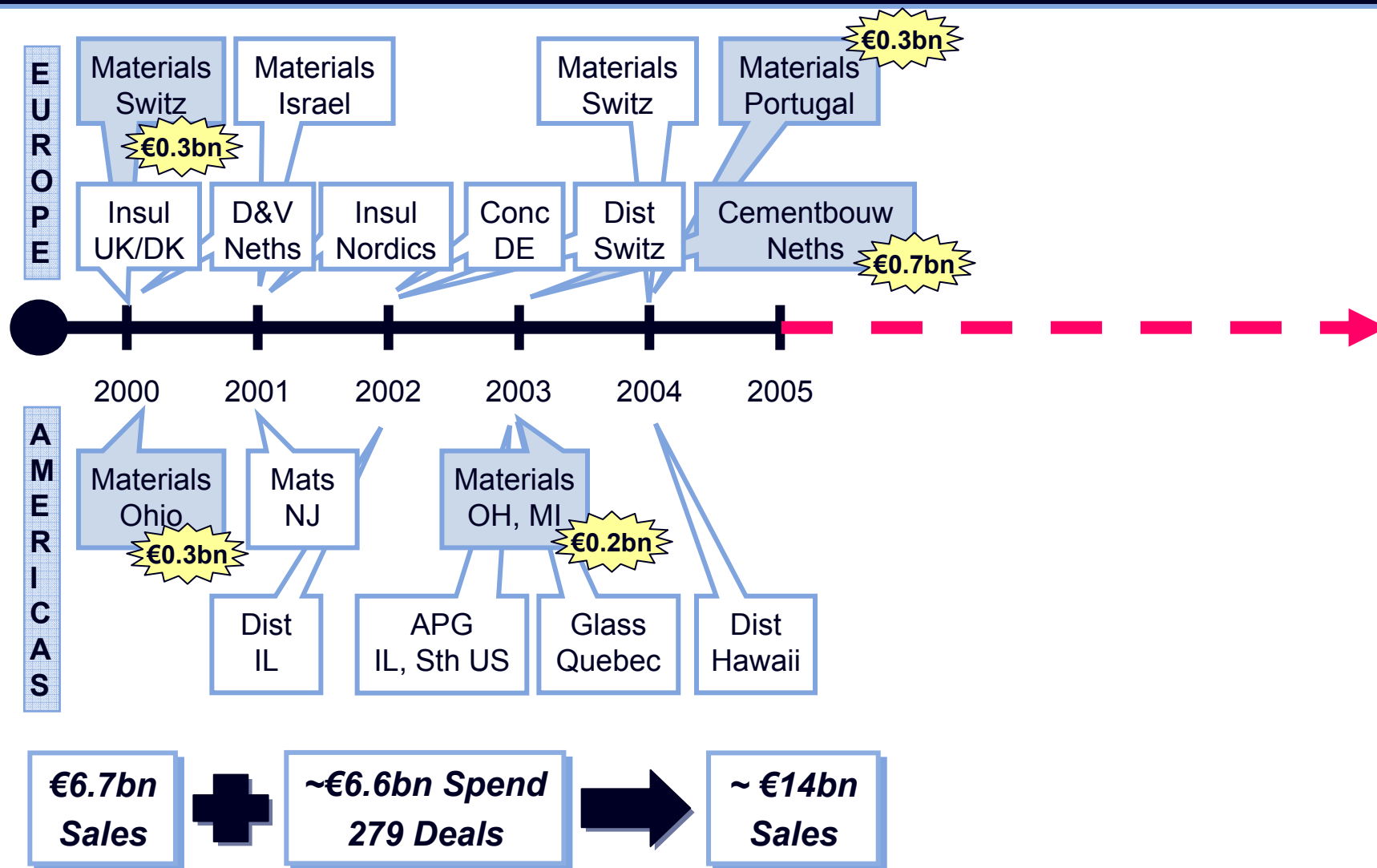
The 1980s – Pursuing a clear Strategy



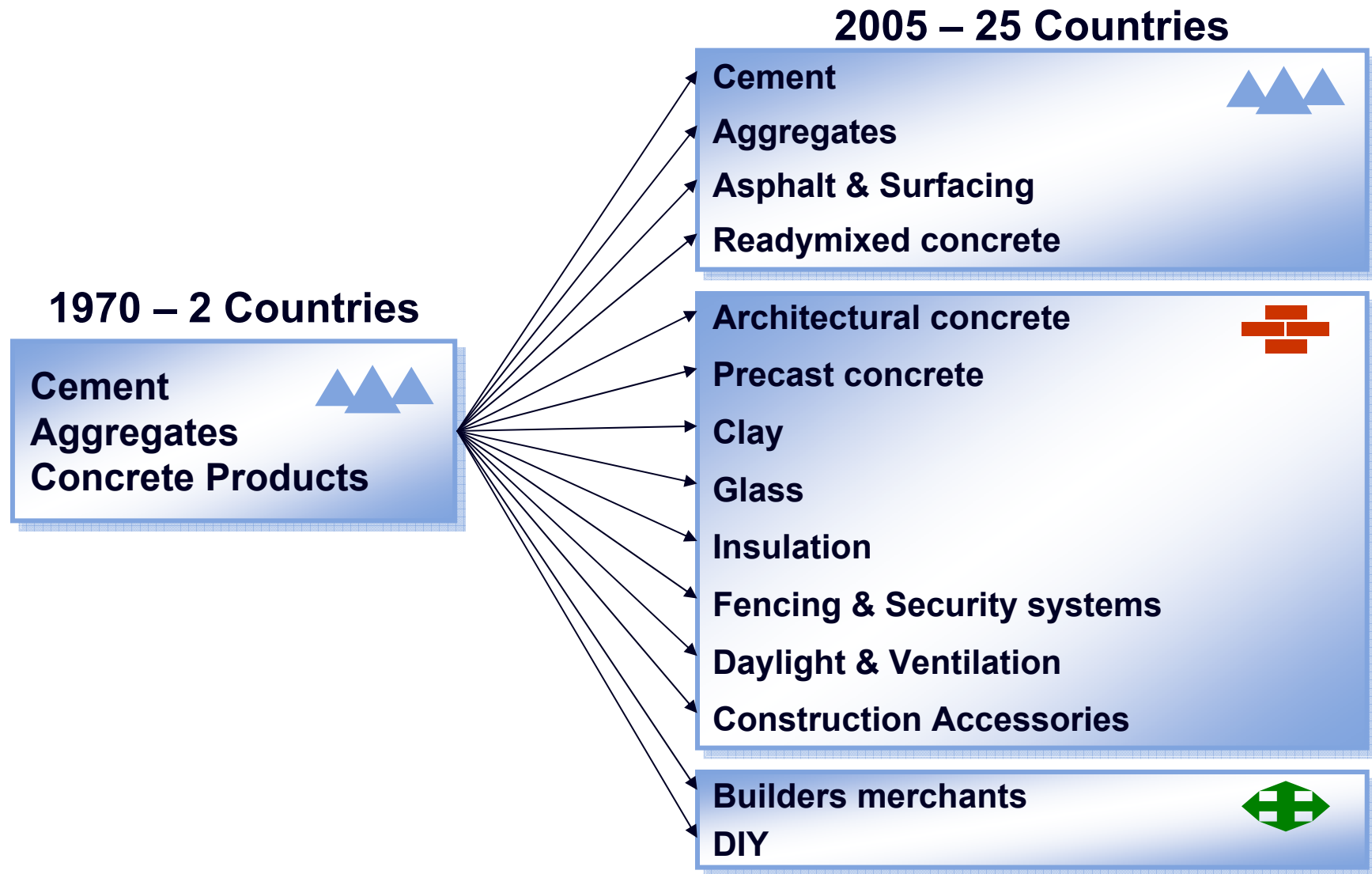
The 1990s – Expansion on all Fronts



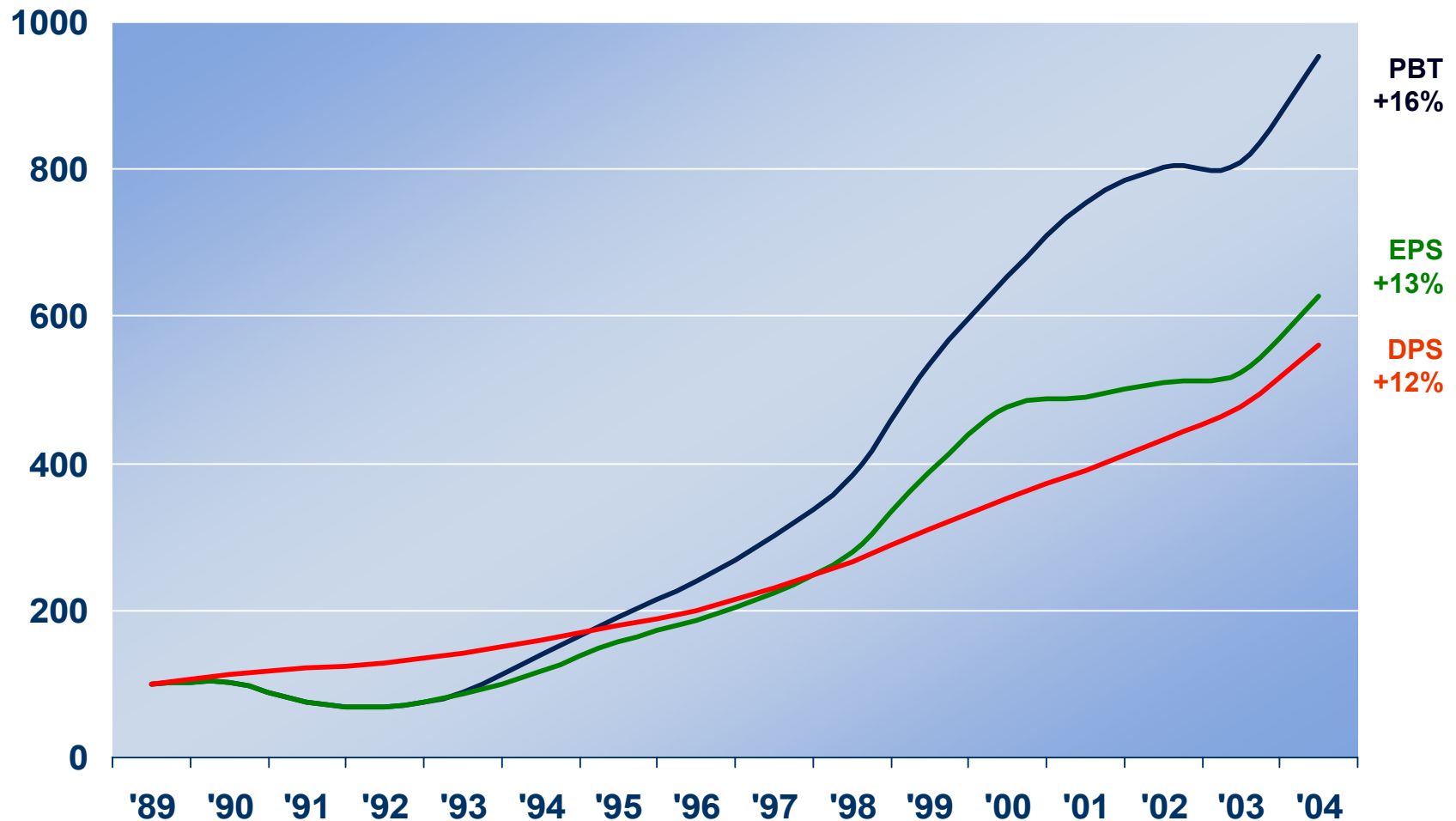
The 2000s – Continuing Growth



Expanding CRH Product Platforms



Delivering Superior Performance



Growth Index: 1989 = 100

.... Creating Significant Shareholder Value



Development Strategy Going Forward

Acquisitions Market Today

- **Current trends and challenges**

- Larger Industry transactions
- Private Equity interest in the sector
- driving higher multiples

- **The CRH Development Model**

- Divisional development teams targeting multiple parallel growth platforms
- Many regional and product-based opportunities
- Continuing focus on creating shareholder value

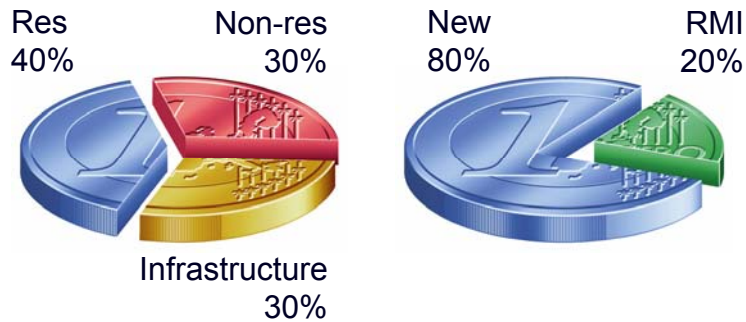
- **CRH Going Forward**

- Still lots of opportunities in our existing markets and products
- plus potential for new product platforms
- plus opportunities in emerging markets

Europe Materials



Product End-use



<u>Financials €m</u>	<u>2004</u>	<u>2003</u>
Sales	2,354	1,984
Operating Profit	339	273
Avg Net Assets	1,785	1,548
Operating Margin	14.4%	13.8%

Leadership Positions

Aggregates	No. 1 Finland, Ireland
Asphalt	No. 1 Ireland
Cement	No. 1 Finland, Ireland No. 2 Portugal, Switzerland No. 3 Poland
Readymix	No. 1 Finland, Ireland No. 2 Portugal, Switzerland

Europe Materials - Strategy

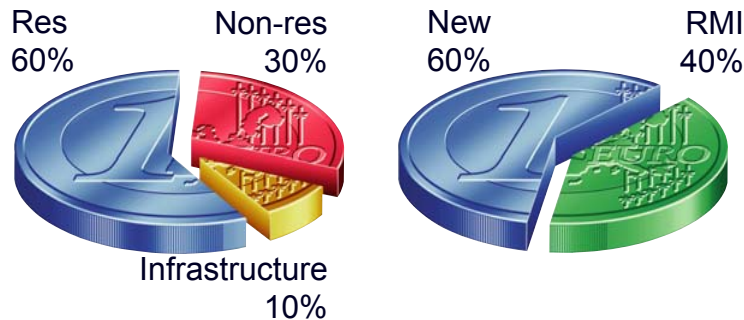


- Maintain and build existing operations in mature European markets
 - Selective expansion in related products
 - Geographic infill
- Selectively acquire Materials businesses in other mature European countries as opportunities arise
- Build on existing positions in central and eastern Europe
- Seek expansion opportunities in the Mediterranean basin

Europe Products & Distribution



Product End-use



<u>Financials €m</u>	<u>2004</u>	<u>2003</u>
Sales	4,149	3,083
Operating Profit	317	213
Avg Net Assets	2,590	2,055
Operating Margin	7.6%	6.9%

Leadership Positions

Concrete products	No. 1 Benelux
Clay pavers	No. 1 Germany
Clay bricks	No. 1 Netherlands, Top 2 UK
Insulation (EPS)	No. 1 Ireland, Netherlands, Poland, Nordic region
Merchanting	No. 1 Netherlands
DIY	Leading Dutch franchise

Europe Products & Distribution - Strategy



- **Concrete:**

- strengthen existing architectural and utility ops
- acquire in neighbouring regions

- **Clay:**

- consolidate in UK, grow in Netherlands/Poland
- expand to neighbouring European countries

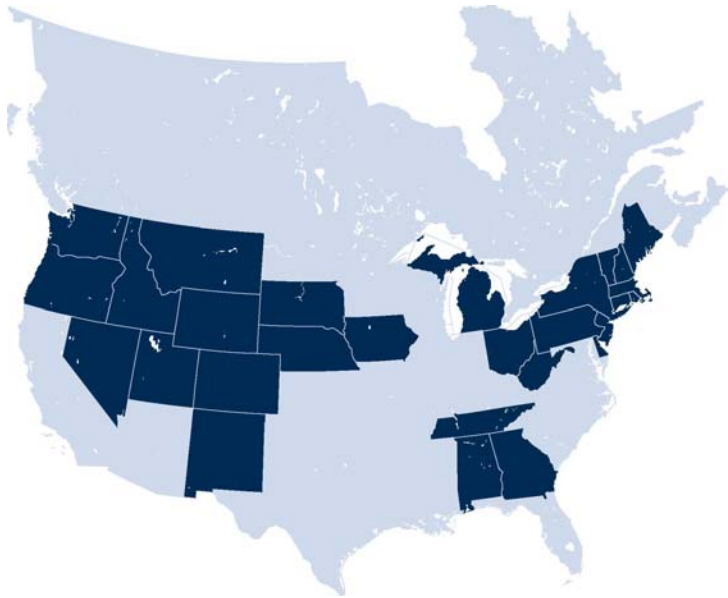
- **Building Products:**

- grow current Security Fencing bases; develop further in perimeter/access control systems
- continue expansion of Daylight & Ventilation; accelerate product/technology exchange
- expand Construction Accessories from Benelux, France and Spain

- **Distribution:**

- grow successful Benelux DIY retail chain
- expand BM to neighbouring countries

Americas Materials



Financials \$m

	<u>2004</u>	<u>2003</u>
Sales	3,535	3,202
Operating Profit	338	329
Avg Net Assets	3,104	3,036
Operating Margin	9.6%	10.3%

Leadership Positions

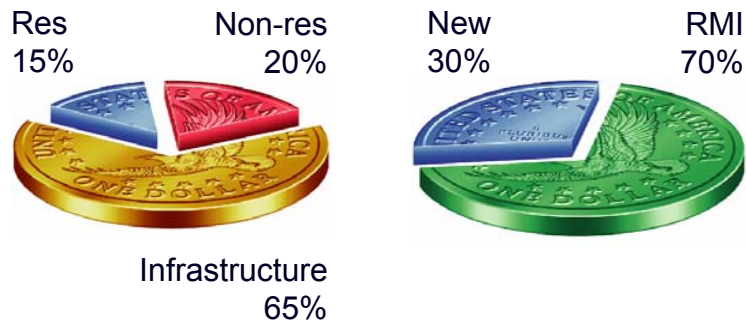
Aggregates No. 4 national producer

Asphalt No. 1 national producer

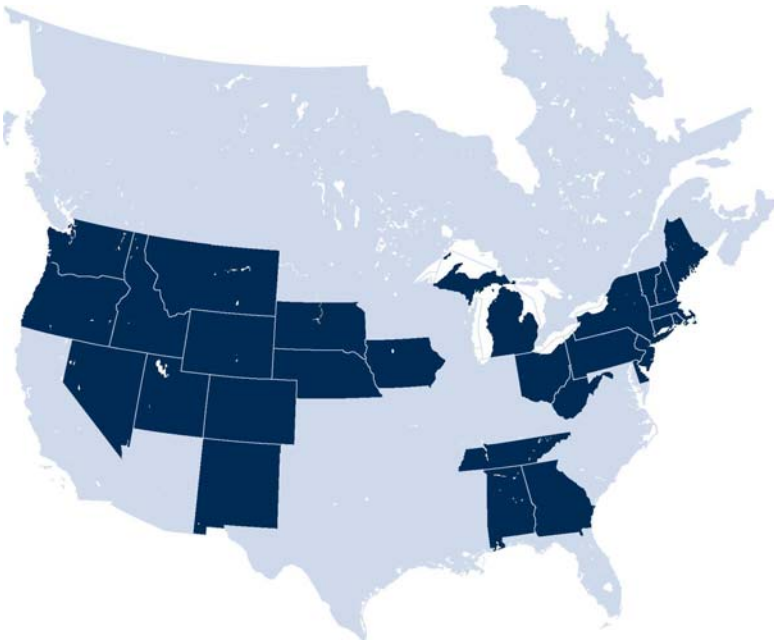
Readymix Top 10 in the US

Leading market positions throughout ops
Strong regional aggregate reserves

Product End-use



Americas Materials - Strategy



- **New England**

- Further vertical integration in NH, ME, VT
- Expand readymixed concrete operations

- **New York / New Jersey**

- Seek further bolt-ons in NJ
- Improve bitumen winter-fill capacity

- **Central**

- Selectively acquire in MI, OH, WV
- Seek add-ons/greenfield ops in PA & DE

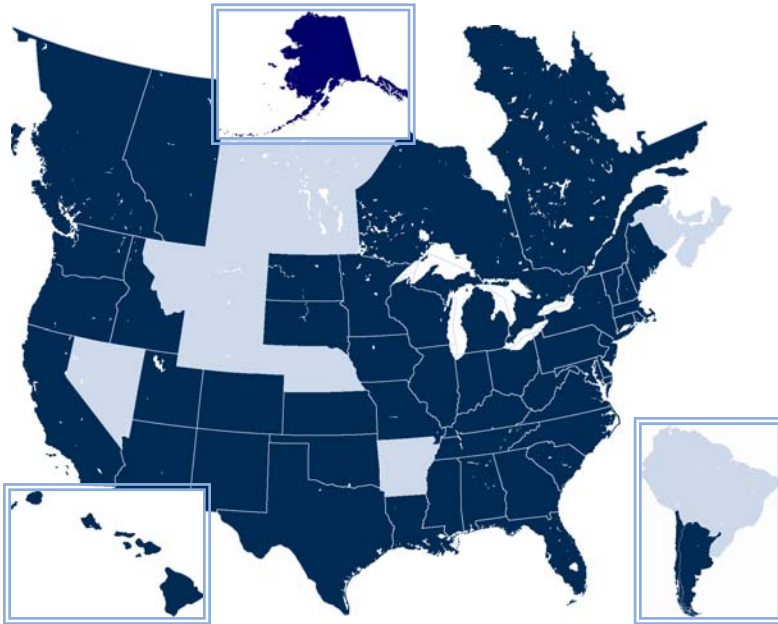
- **West**

- Consolidate positions in mountain regions
- Develop new opportunities in Northwest, Iowa and upper Midwest

- **Other**

- Seek new growth platforms in regions where not currently represented

Americas Products & Distribution



Financials \$m

	<u>2004</u>	<u>2003</u>
Sales	4,323	3,600
Operating Profit	397	303
Avg Net Assets	1,938	1,803
Operating Margin	9.2%	8.4%

Leadership Positions

Concrete products No. 1 US masonry/paving

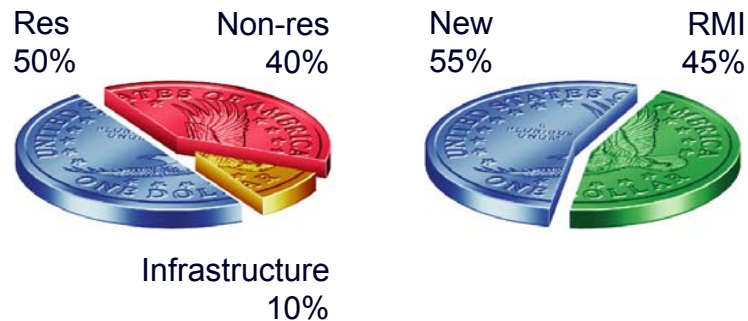
Precast products No. 1 US

Clay bricks No. 1 northeast US

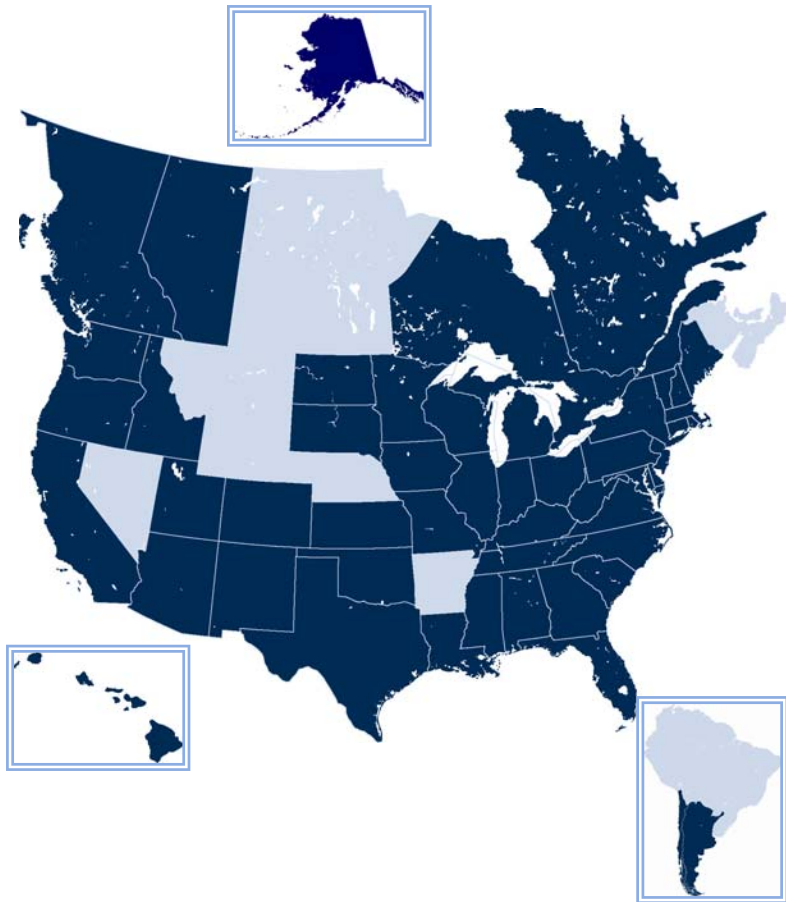
Glass No. 1 US fabricator

Distribution No. 2 US roofing & siding

Product End-use



Americas Products & Distribution - Strategy



- **Precast**

- Geographic infill through acqs/greenfield dev
- Pursue new product/region opportunities

- **APG**

- Exploit retail platform through national programs and customer branding
- Increase penetration of professional hardscape market

- **Glass**

- Leverage plant network to build mkt share
- Develop products/brands across building envelope

- **Distribution**

- Create leading RSI positions in metro areas
- Grow Interior Products segment

- **South America**

- Focused growth of existing operations
- Expand cautiously when environment allows

Overall

- Sustained focus on operational performance is the foundation for growth
- Divisional development teams active across many fronts
- Central Group Development team with complementary focus on
 - Expanding geographic horizons, eg. Asia Pacific
 - Evaluating new product platforms
 - Working to exploit cross Divisional opportunities
- CRH Development Strategy continues to evolve and deliver

Strategic Vision

Our strategic vision is consistent and clear

*“to be a leading international
building materials group
delivering superior
performance and growth”*

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