

# ***Performance and Growth***



The International Building Materials Group

***Harry Sheridan,  
Finance Director***

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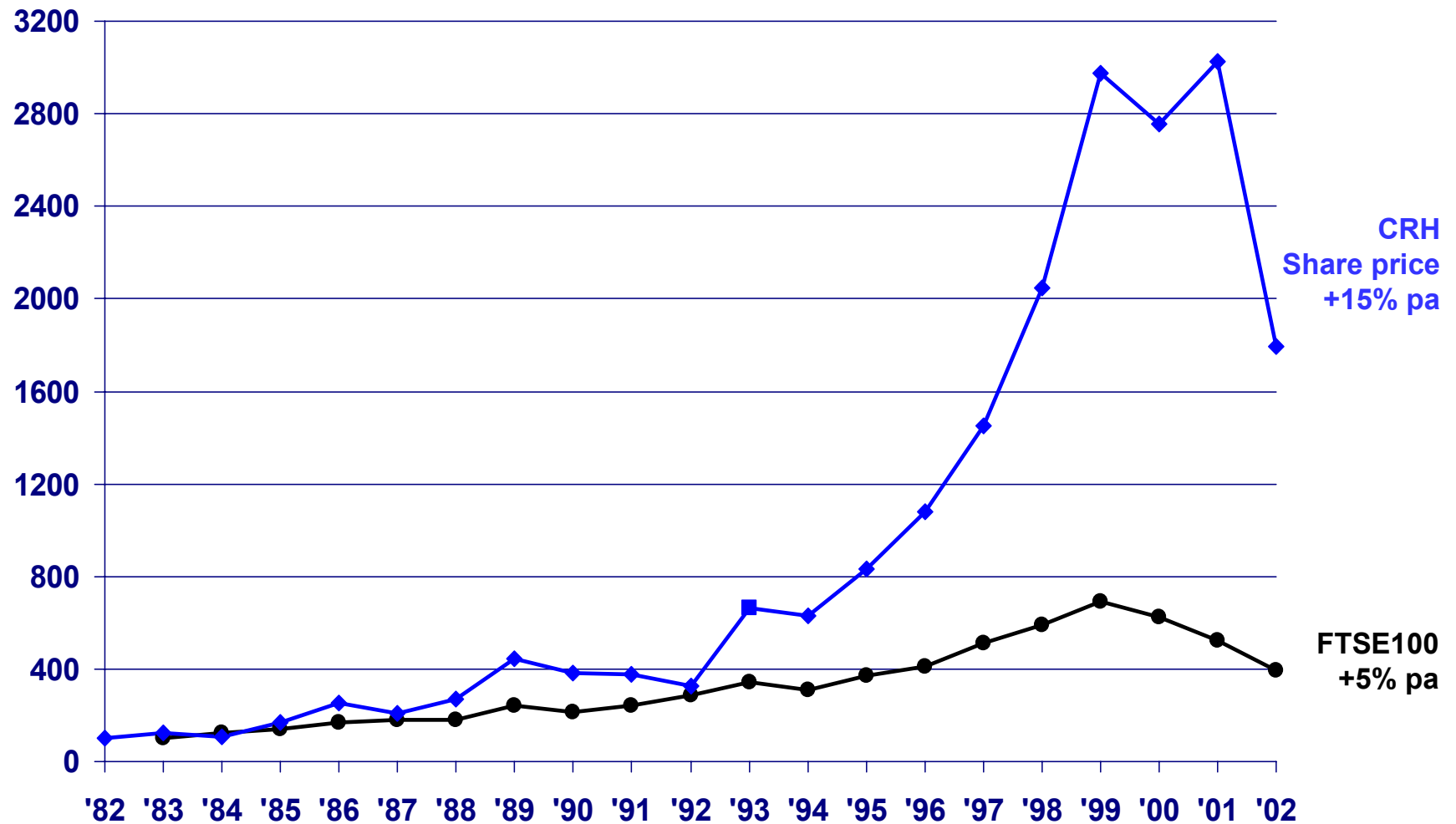
# CRH plc - OVERVIEW

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- 1970: Irish Cement & Roadstone: Sales €26m, Ireland 95%
- Embarked on a consistent development strategy
- Now 22 countries; 3 continents; +1,600 locations, 50,000 people
- Sales €10.8 bn, Americas 60%±, Europe 40%±
- Listed Dublin, London, NASDAQ; Eurotop 300 stock
- Market capitalisation circa €7bn; Top 5 in sector worldwide
- 18.5% CAGR in Total Shareholder Return since 1970



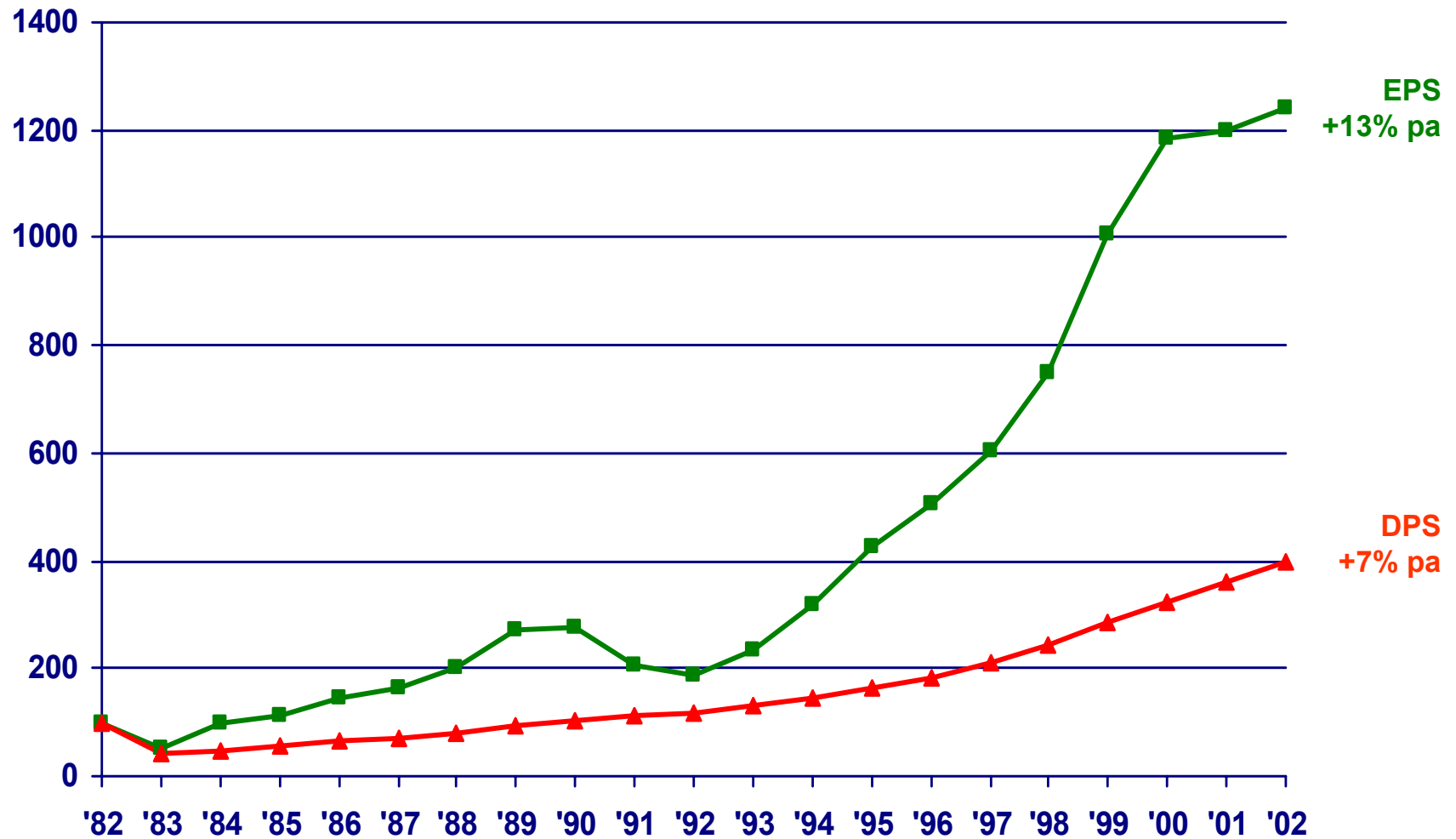
# CRH PERFORMANCE 1982 - 2002



1982 = 100, FTSE 100 first floated on 31/12/83



# CRH PERFORMANCE 1982 - 2002



1982 = 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 roof tiles; clay bricks, pavers and tiles; insulation products; fencing & security; glass fabrication, rooflights & ventilation





# THREE CORE BUSINESSES

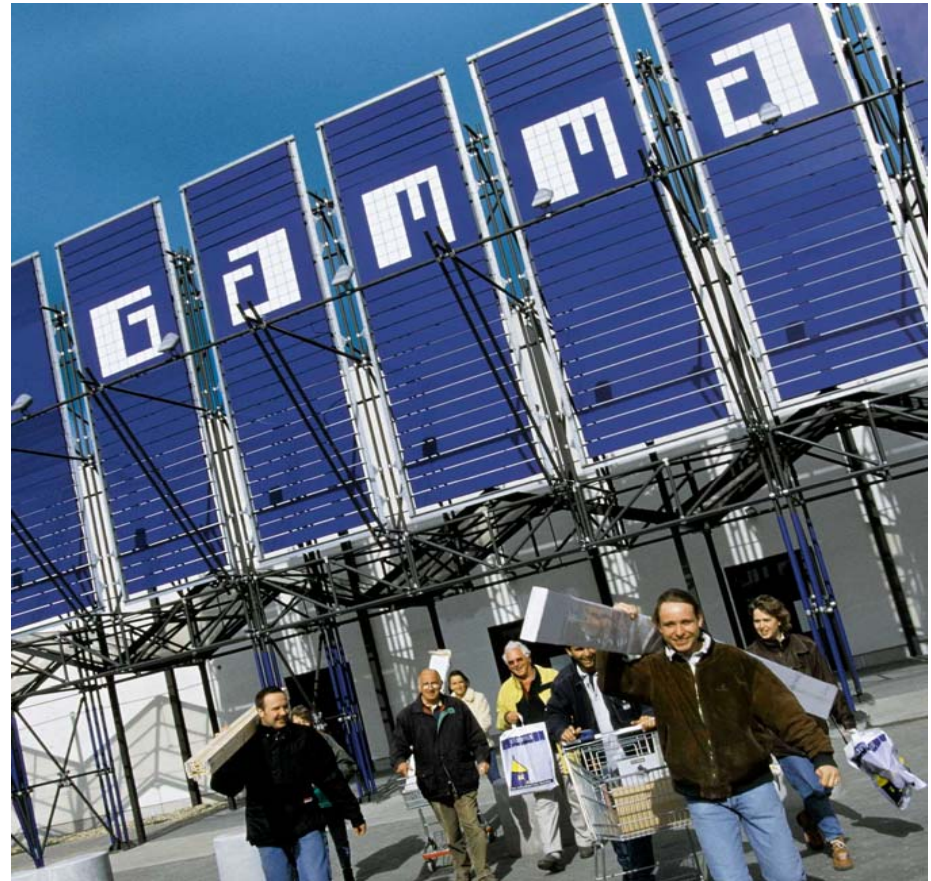


## Distribution

Builders Merchenting, USA



DIY, Netherlands



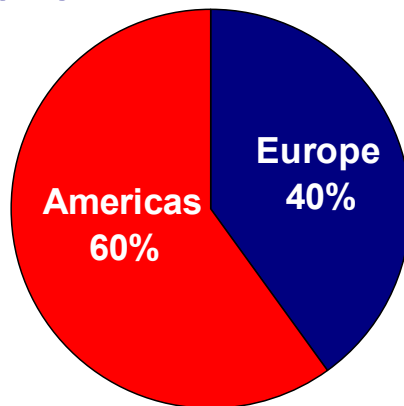
DIY stores, builders merchenting,  
specialist distribution

CRH

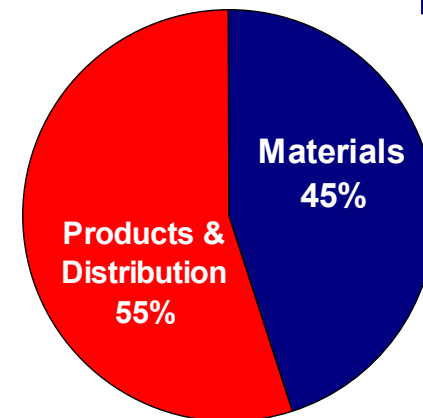
# REGIONAL, PRODUCT & SECTORAL BALANCE

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

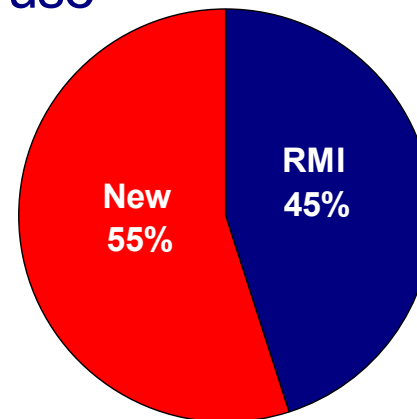
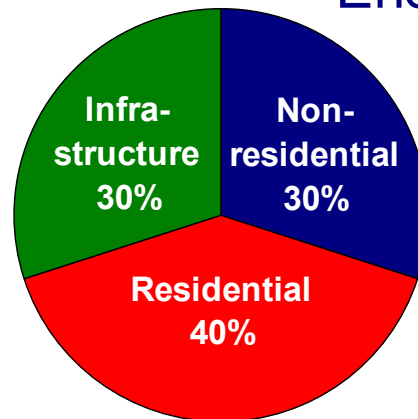
Regional



Product



End-use



*by 2002 sales*

# 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

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- Rigorous approach to:
  - evaluation
  - project approval
  - subsequent performance review
- Accelerated pace since mid-90's
  - 290+ acquisitions 1996 to date, totaling €6.6 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





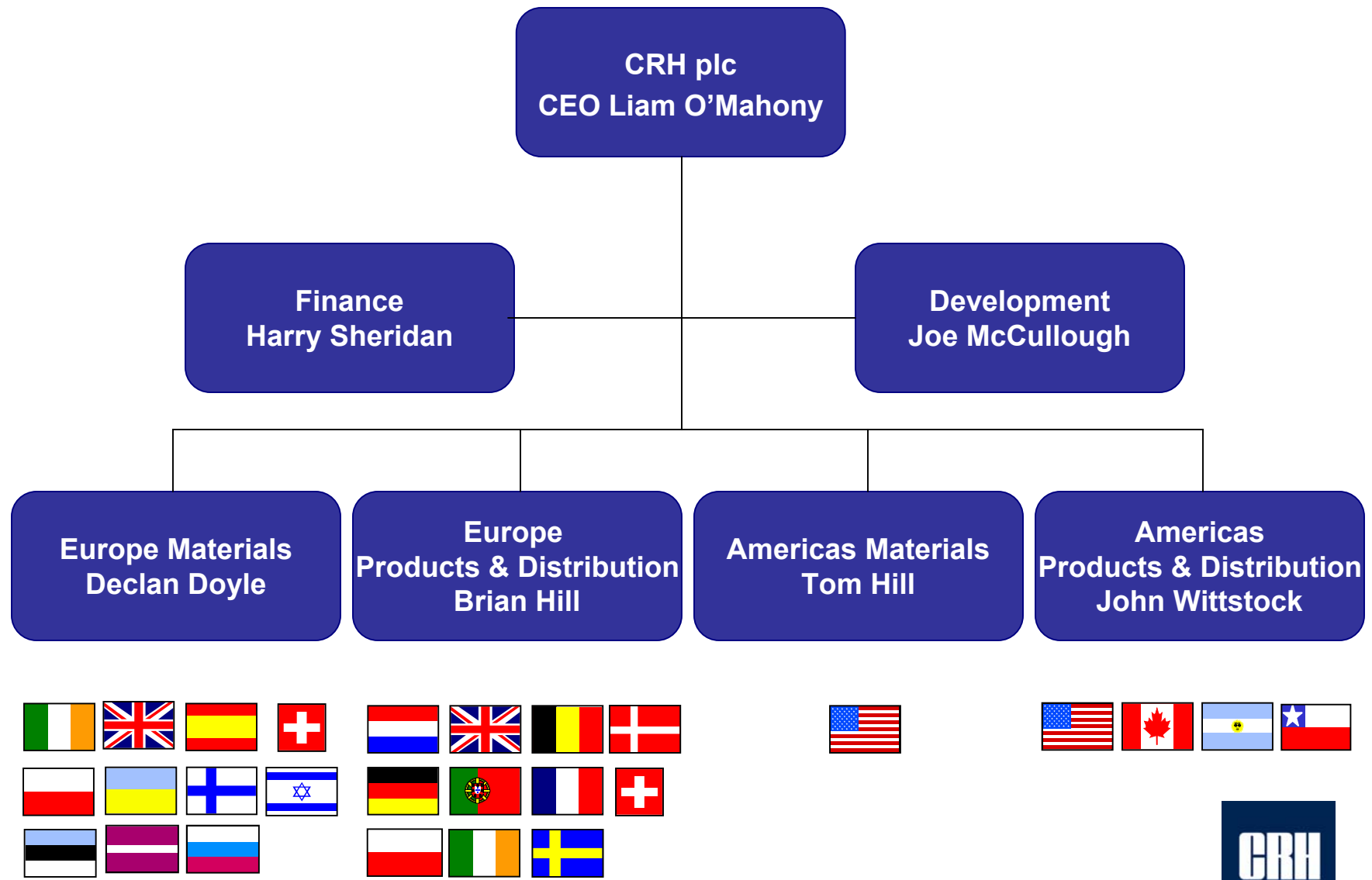
# SIGNIFICANT DEVELOPMENT CAPACITY

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- Continued development capacity supported by:
  - Ongoing strong cash flow
  - Rolling 12 month EBITDA interest cover 11.3 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

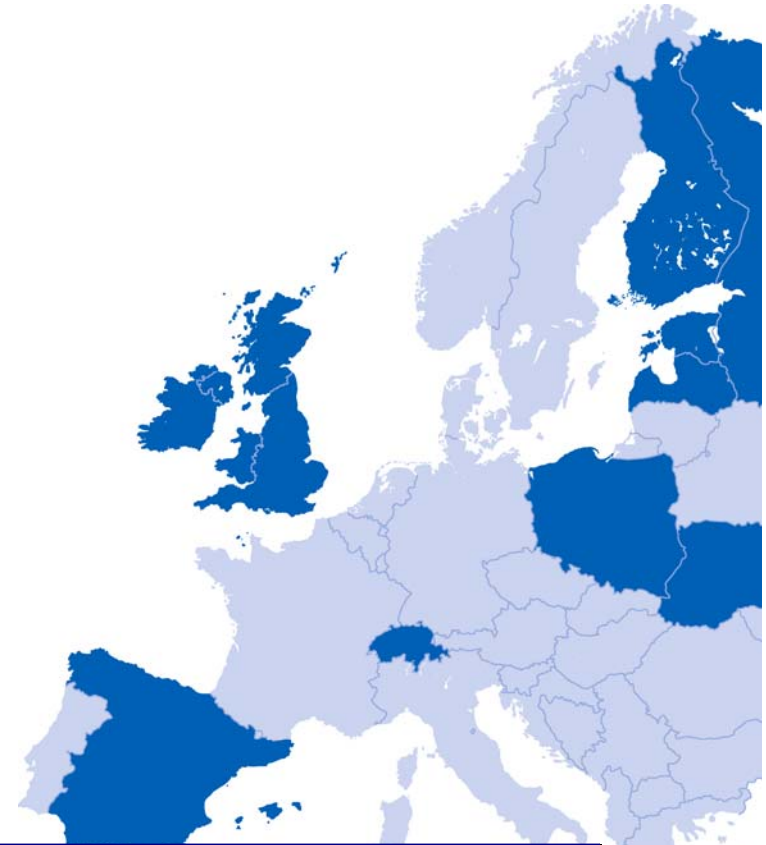


# FEDERAL GROUP ORGANISED FOR GROWTH



# EUROPE MATERIALS

- Sales 2002: €1,927m
- Operating profit 2002: €267m
- 350 locations; 11 countries
- 9,500 employees
- New build / RMI 80/20
  - Residential 35%
  - Non-Res 30%
  - Infrastructure 35%



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



# EUROPE MATERIALS

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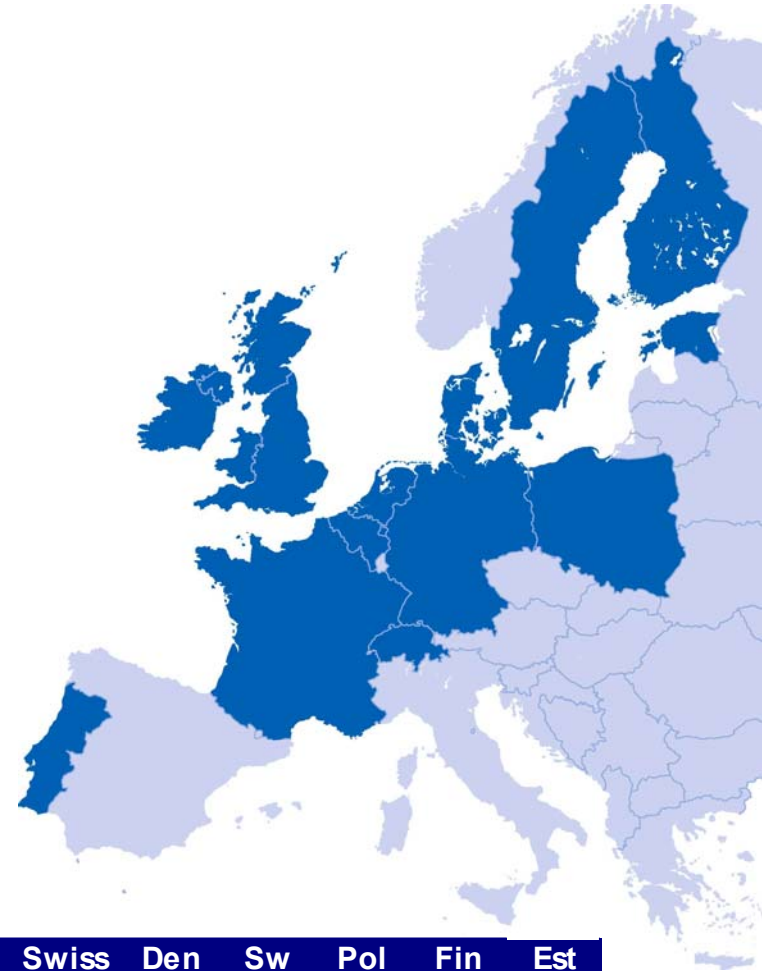
	2002 Sales	Operating Profit Margin
Ireland	€975m	c 14%
Spain	€189m	c 10%
Poland and Ukraine	€228m	c 10%
Finland and Switzerland	€458m	c 16%
Israel	€77m	c 18%
<b>Total</b>	<b>€1,927m</b>	<b>c 14%</b>





# EUROPE P&D

- Sales 2002: €2,506m
- Operating profit 2002: €153m
- 400+ locations; 13 countries
- 13,000 employees
- New build / RMI 60/40
  - Residential 60%
  - Non-Res 30%
  - Infrastructure 10%



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



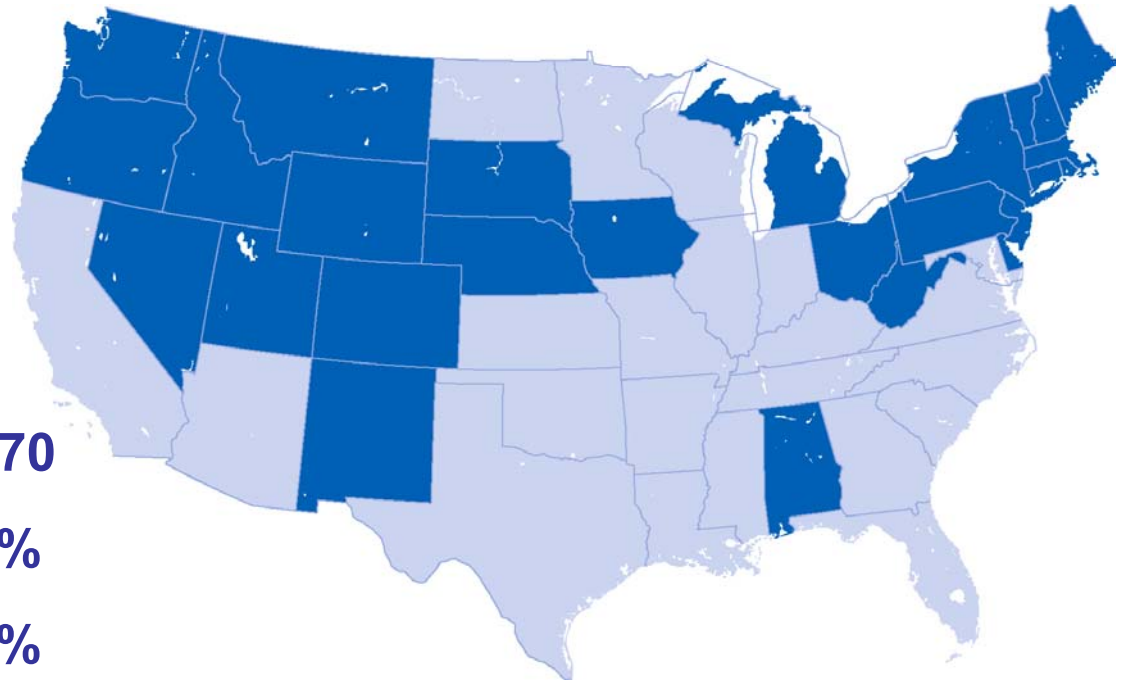
# EUROPE P&D

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	2002 Sales	Operating Profit Margin
Concrete	€570m	c 8%
Clay	€362m	c 7%
Insulation	€202m	c 8%
Building Products	€283m	c 7%
Distribution	€1,089m	c 4%
<b>Total</b>	<b>€2,506m</b>	<b>c 6%</b>

# AMERICAS MATERIALS

- Sales 2002: \$2,905m
- Op profit 2002: \$317m
- 540+ locations
- 26 US states
- 12,500 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	✓	✓	✓	✓



# AMERICAS MATERIALS

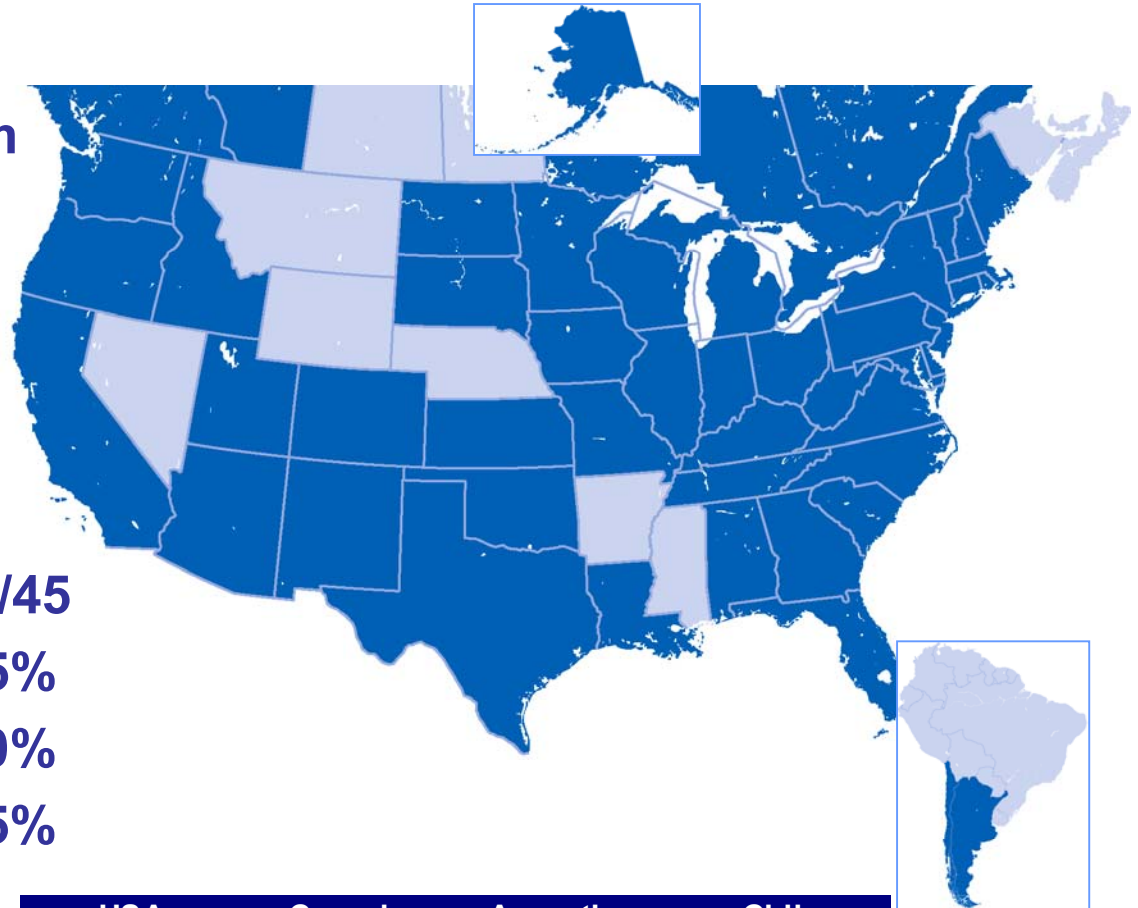
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	2002 Sales	Operating Profit Margin
New England	\$460m	c 12%
New York / New Jersey	\$585m	c 13%
Central	\$880m	c 12%
West	\$980m	c 8%
<b>Total</b>	<b>\$2,905m</b>	<b>c 11%</b>



# AMERICAS P&D

- Sales 2002: \$3,110m
- Op profit 2002: \$277m
- 380+ locations
  - 43 US states
  - 4 provinces
  - S America
- 15,000 employees
- New build / RMI 55/45
  - Residential 45%
  - Non-Res 40%
  - Infrastructure 15%



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

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# AMERICA P&D

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	2002 Sales	Operating Profit Margin
APG	\$1,110m	c 11%
Precast	\$600m	c 8%
Glass	\$430m	c 15%
Distribution	\$940m	c 4%
South America	\$30m	c 13%
<b>Total</b>	<b>\$3,110m</b>	<b>c 9%</b>

# US DISTRIBUTION ASBESTOS CLAIMS

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- 251 claimants announced 30th September 2002
- Only 8 new claimants notified in last five months to end Feb '03
- 8 claims disposed of since September for \$5,800 gross
- 251 claimants outstanding at end February 2003
- All claims involve multiple co-defendants
- Continuing to settle only on a minimal and pragmatic basis
- Experience since September strengthens our view that claims outcome will not have a material impact

# PENSION COSTS

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- Total SSAP 24 pension cost charged to P&L €108m (2001: €96m)
- FRS 17 charge would be lower at €85m (2001: €81m)
- Defined benefit scheme members c.23% of total employees
- 2002 FRS 17 net pension liability €130m (2001: €119m asset)
- €130m just 2% of year-end market capitalisation
- Underlying 2003 increase in SSAP 24 charge estimated c.1% of PBT



# 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 targetsEPS 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

# 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*	113	114	105	152 (95)
France	311	303	305	317 (99)
Germany*	369	286	238	518 (95)
UK	177	180	185	189 (97)

\* completions (starts not available)

Source: Euroconstruct Dec 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

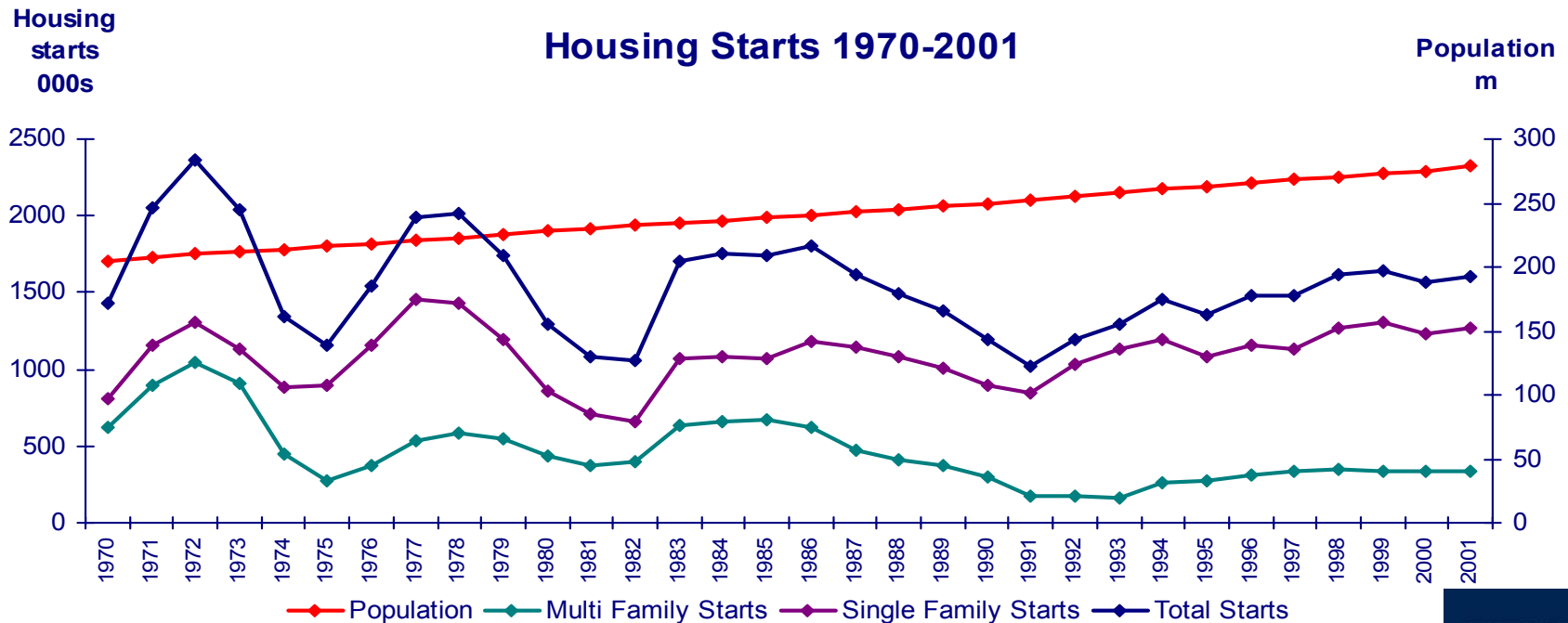
- TEA-21
  - Funding level; 2003 \$31.6bn
  - Reauthorization; TEA-3
  - Long term outlook is positive; Highways are a popular bi-partisan issue
- Bitumen
  - Utilize almost 2.0mt of bitumen
  - Increased cost volatility 2000 - 2002
  - Ability to pass on price increases
  - Winter storage hedge; 0.5M 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 2002	Y/E 2001
Debt (€bn)	1.7	1.9
Shareholders' funds (€bn)	4.8	4.8
Debt/shareholders' funds	36%	40%
Debt/market capitalisation	28%	18%

## Interest cover

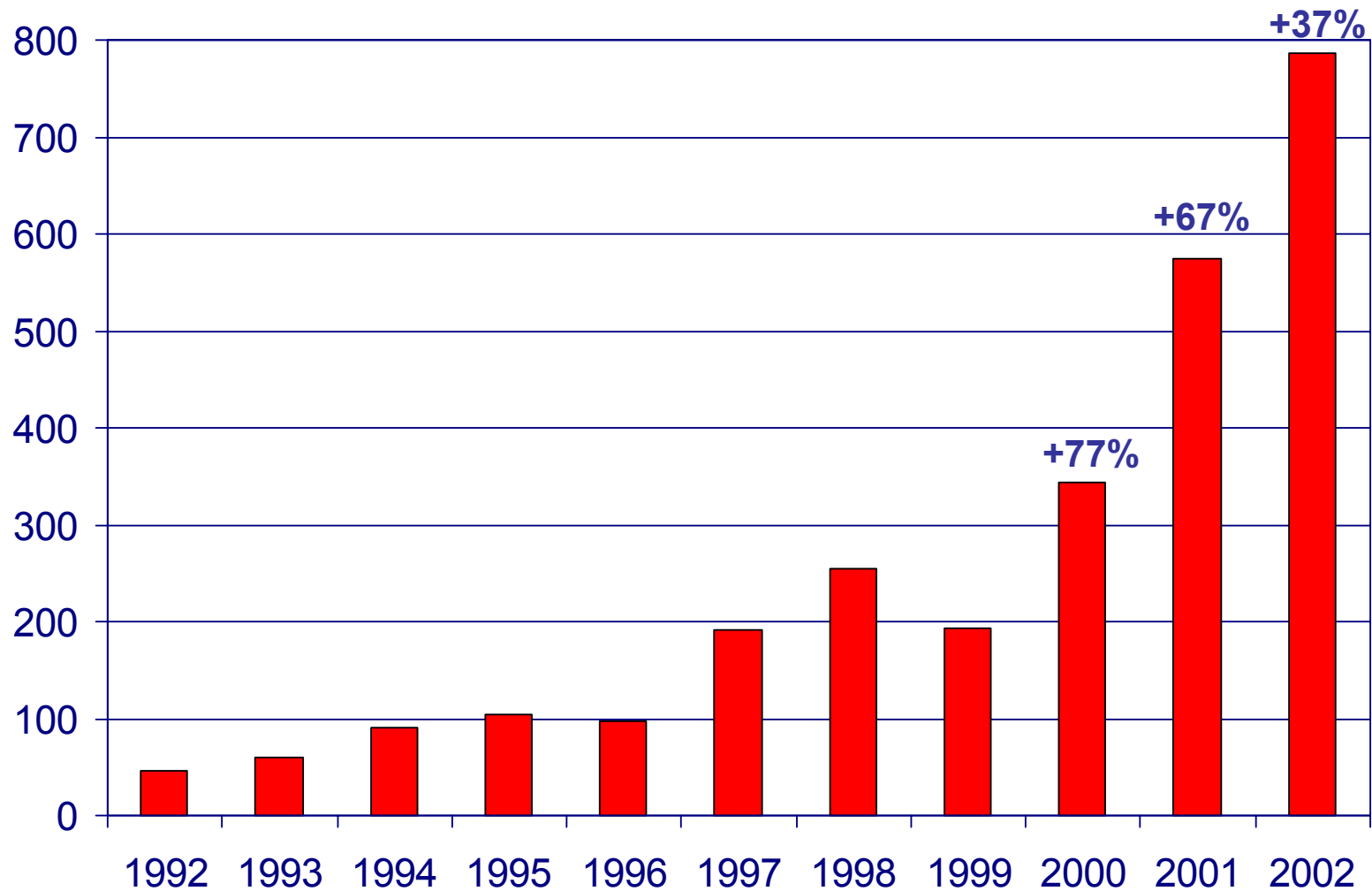
EBITDA/Interest	11.3	8.5
EBIT/Interest	7.3	5.6



# 2002 FUNDS FLOW

	2002	2001
	€ m	€ m
<b>Inflows</b>		
Profit before tax	856	803
Depreciation	456	436
Goodwill amortisation	70	61
Working capital	90	(61)
	<hr/> 1,472	<hr/> 1,239
<b>Outflows</b>		
Tax paid	(162)	(79)
Dividends	(135)	(103)
Capital expenditure	(367)	(452)
Other	(21)	(31)
	<hr/> (685)	<hr/> (665)
<b>Operating cash flow</b>	<hr/> <b>787</b>	<hr/> <b>574</b>
Acquisitions and investments	(992)	(1,080)
Disposals	104	89
Share issues (net of expenses)	37	1,108
Issue of preference capital to minority	-	109
Translation	248	(74)
<b>Debt decrease</b>	<hr/> <b>184</b>	<hr/> <b>726</b>

# OPERATING CASH FLOW



# EUROPE - 2003 OUTLOOK

- Euroconstruct forecasts for major CRH markets:

➔ Belgium 0.0%

⬆ Finland +0.5%

➔ France 0.0%

⬇ Germany -1.1%

⬇ Ireland -7.2%

⬇ Netherlands -1.9%

⬆ Poland +3.4%

⬆ Spain +3.2%

➔ Switzerland +0.1%

⬆ UK +3.8%

- Ireland: strong H1, H2 likely to be slower, Euroconstruct may be pessimistic
- UK: expect positive growth although Euroconstruct may be optimistic
- Benelux & France: lacklustre demand with generally weak residential trends
- Germany: expect continuing weakness especially in new build
- Finland & Switzerland: construction markets mainly steady
- Poland: start of recovery, Spain: remains strong



# AMERICAS - 2003 OUTLOOK

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- Construction forecast c.-2%
- Materials
  - 2003 Federal Highway funding finally agreed at \$31.6 billion
  - High oil prices have curtailed bitumen winter fill programme
  - State funding constraints also a concern
  - Recovery of energy costs is key
- Products & Distribution
  - Precast: some indications that commercial/telco demand is stabilising
  - APG: residential demand to remain strong, 2002 acquisitions will benefit
  - Glass: look for another resilient performance in tougher markets
  - Distribution: continuing delivery on margin improvement
- Targeting higher full year US\$ profits

# OVERALL - 2003 OUTLOOK

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- World political / economic / energy backdrop uncertain
- Markets likely to remain difficult for immediate future
- However, CRH well positioned in majority of markets
- Continuing emphasis on cost control, cash flow optimisation
- Uniquely strong balance sheet and development focus
- CRH is well placed to develop where we see good value / strategic fit

# SUMMARY

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- CRH overview
  - ➔ 1970 sales €26m; now sales €10.8bn, top 5 in sector worldwide
  - ➔ consistently strong performance
  - ➔ unique record
  - ➔ three core businesses
  - ➔ balanced portfolio
  - ➔ clear development strategy
  - ➔ decentralised structure
- Operational review
- Pension costs
- Corporate governance
- Strategic issues
- Financial capacity and strong funds flow
- 2003 outlook





# CONTACT US

CRH plc  
Investor Relations  
Belgard Castle  
Clondalkin  
Dublin 22  
Ireland

Phone: + 353 1 404 1000

Fax: + 353 1 404 1007

E-mail: **ir@crh.com**

or look up our Website - **www.crh.com**



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