

**Société Générale  
Building Materials  
Conference  
Paris  
14th October 2004**



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Finance Director**

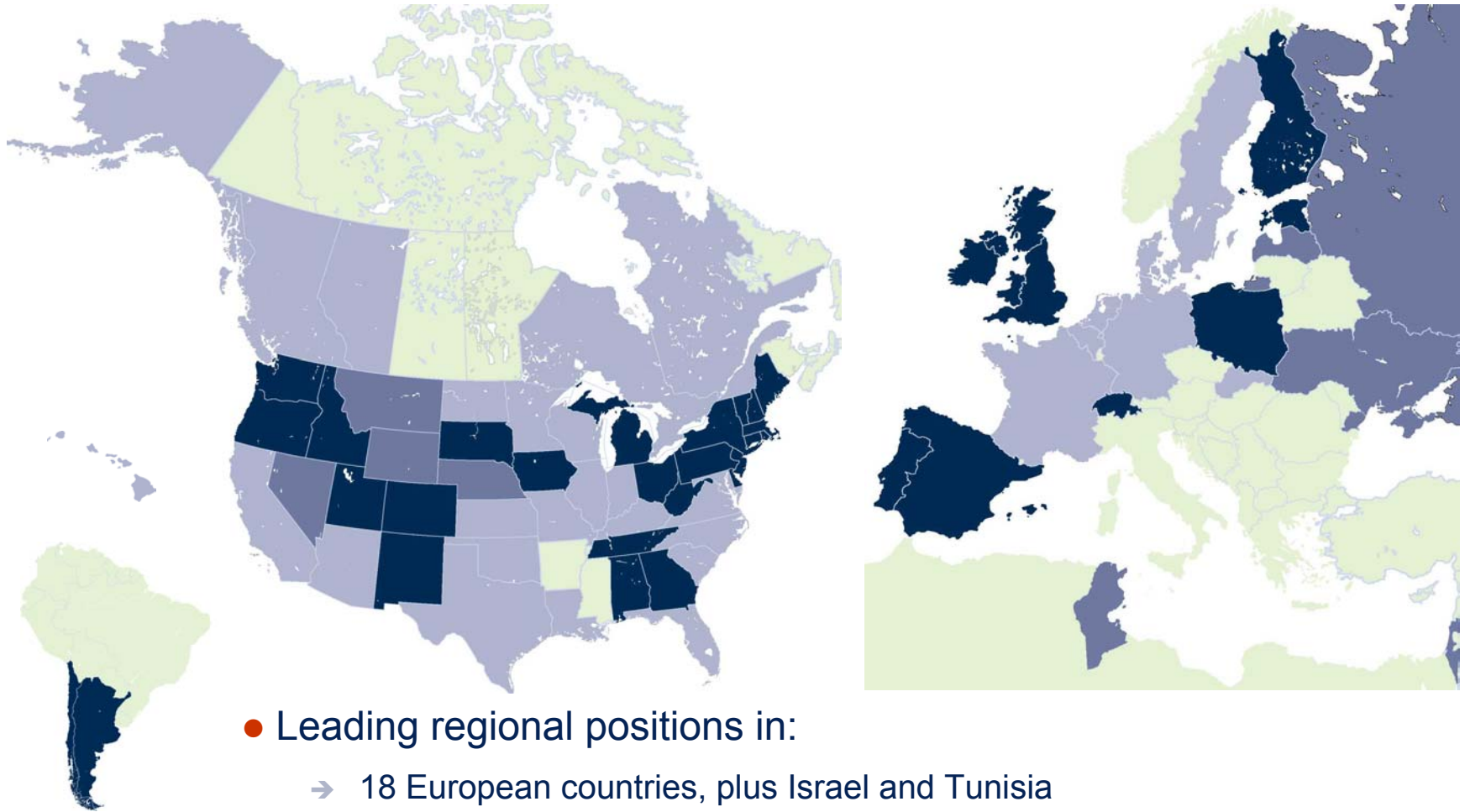
# OVERVIEW

# CRH - Overview

- 1970: Irish Cement & Roadstone: Sales €26m, Ireland 95%
- Embarked on a clear, consistent development strategy
- Now 24 countries; 3 continents; 1,950+ locations; 54,000+ people
- 2003 Sales €11bn across three core businesses
- Listed Dublin, London, NASDAQ; Eurotop 300 stock
- Market capitalisation circa €10bn: Top 5 in sector worldwide
- 19% CAGR in Total Shareholder Return since 1970

# The CRH World

Materials Products & Distribution Both





# Three Core Businesses



## Primary Materials



**Cement, aggregates, asphalt and surfacing, readymixed concrete**



## Building Products

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

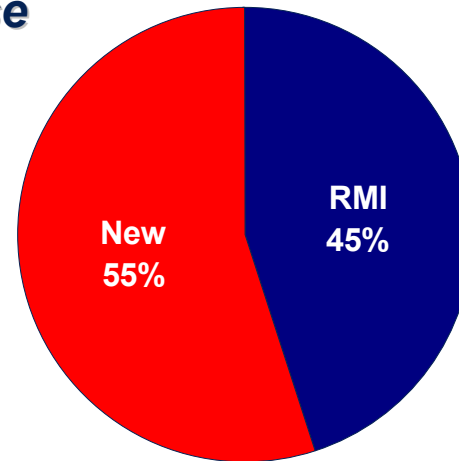
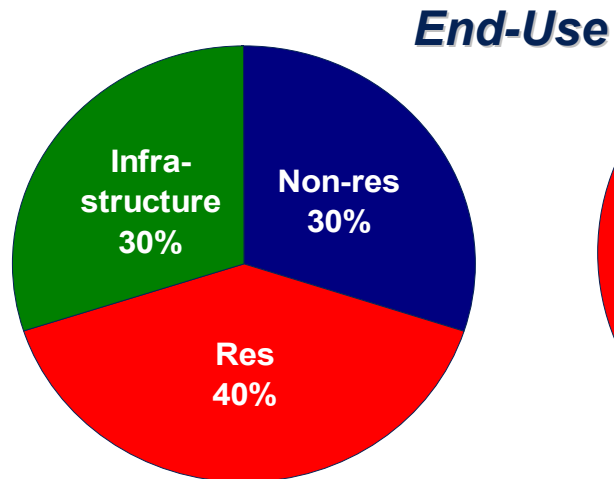
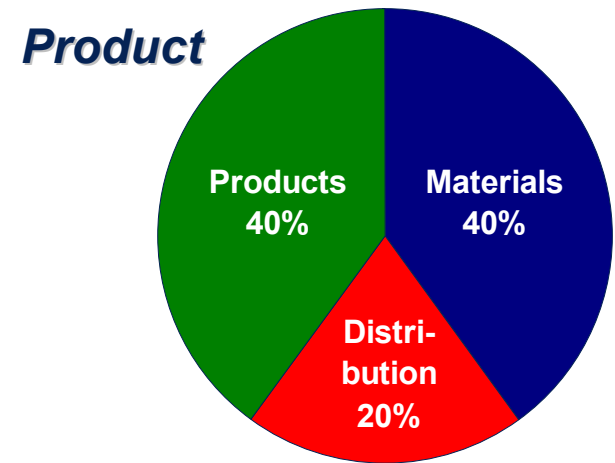
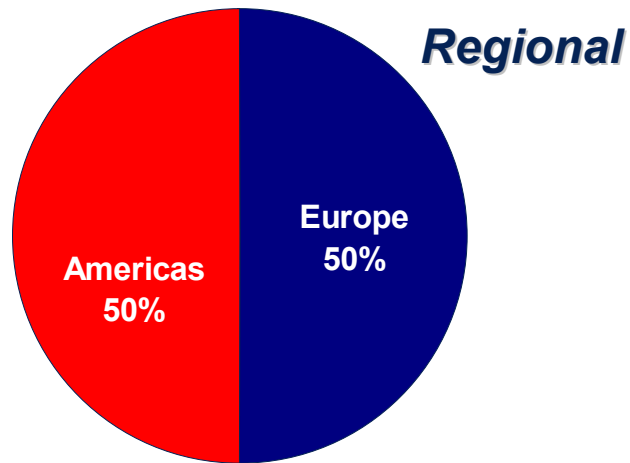


## Distribution



**DIY stores, builders merchanting, specialist distribution**

# Strategic Balance



Based on current annualised sales

# Strategic Balance

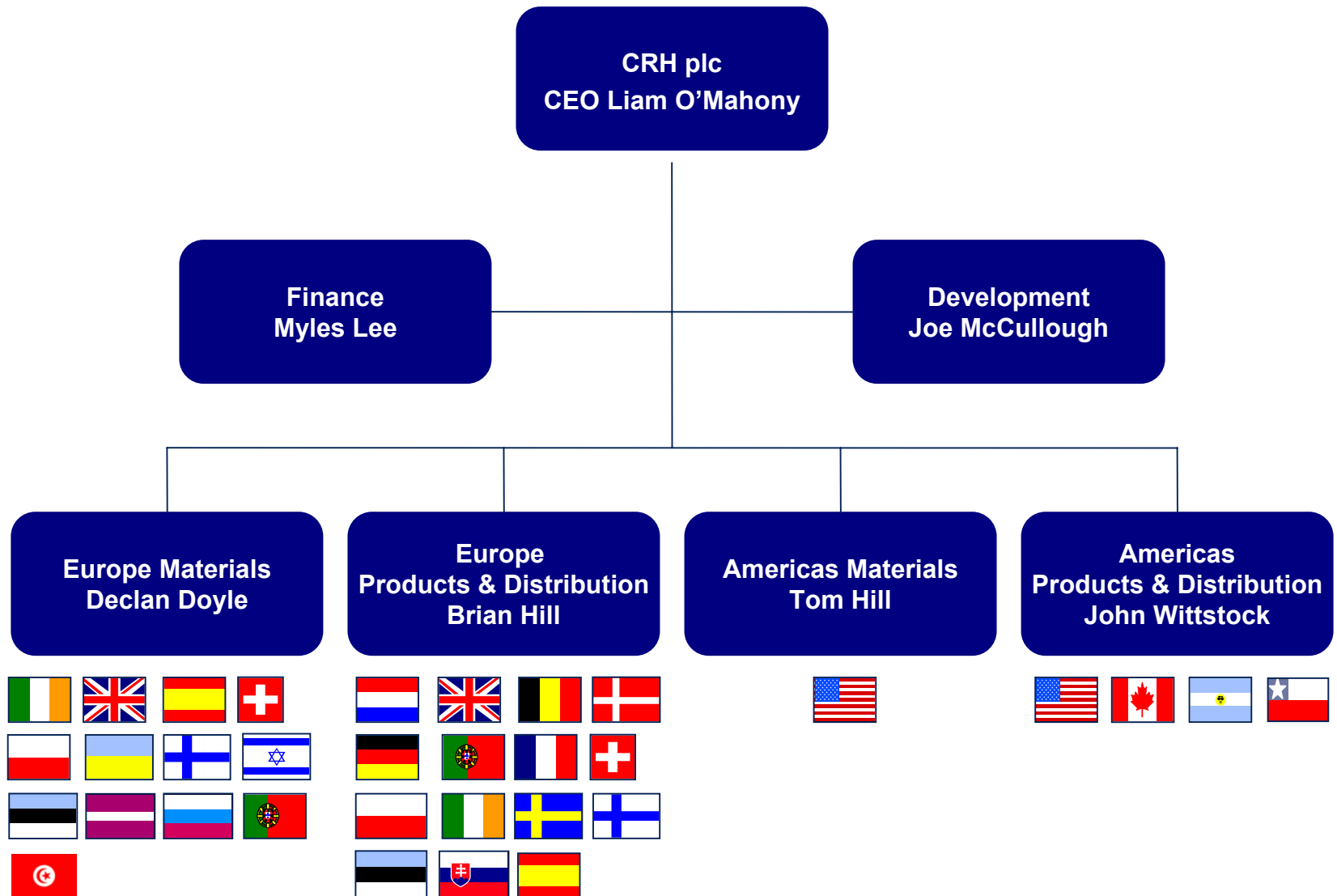
- Some key benefits of CRH strategic balance:
  - Regions at different phases of economic cycle
  - Broad end-use counters market fluctuations
  - Consumer demand changes with increased wealth
  - Many linkages between products and sectors
  - Gives window on total market activity
  - Enhances development and growth opportunities

# CRH People

- An experienced management team
  - Managed through previous economic cycles
- Managers from 3 very different streams
  - Grass-roots managers, now with room to grow
  - Highly qualified professionals, business builders with vision
  - Owner-entrepreneurs, who question the status quo
- Healthy mix and depth of skills and backgrounds
- Individual authority/responsibility but strong team emphasis
- A vibrant, open, supportive and committed organisation
- Leadership development is a priority of all managers



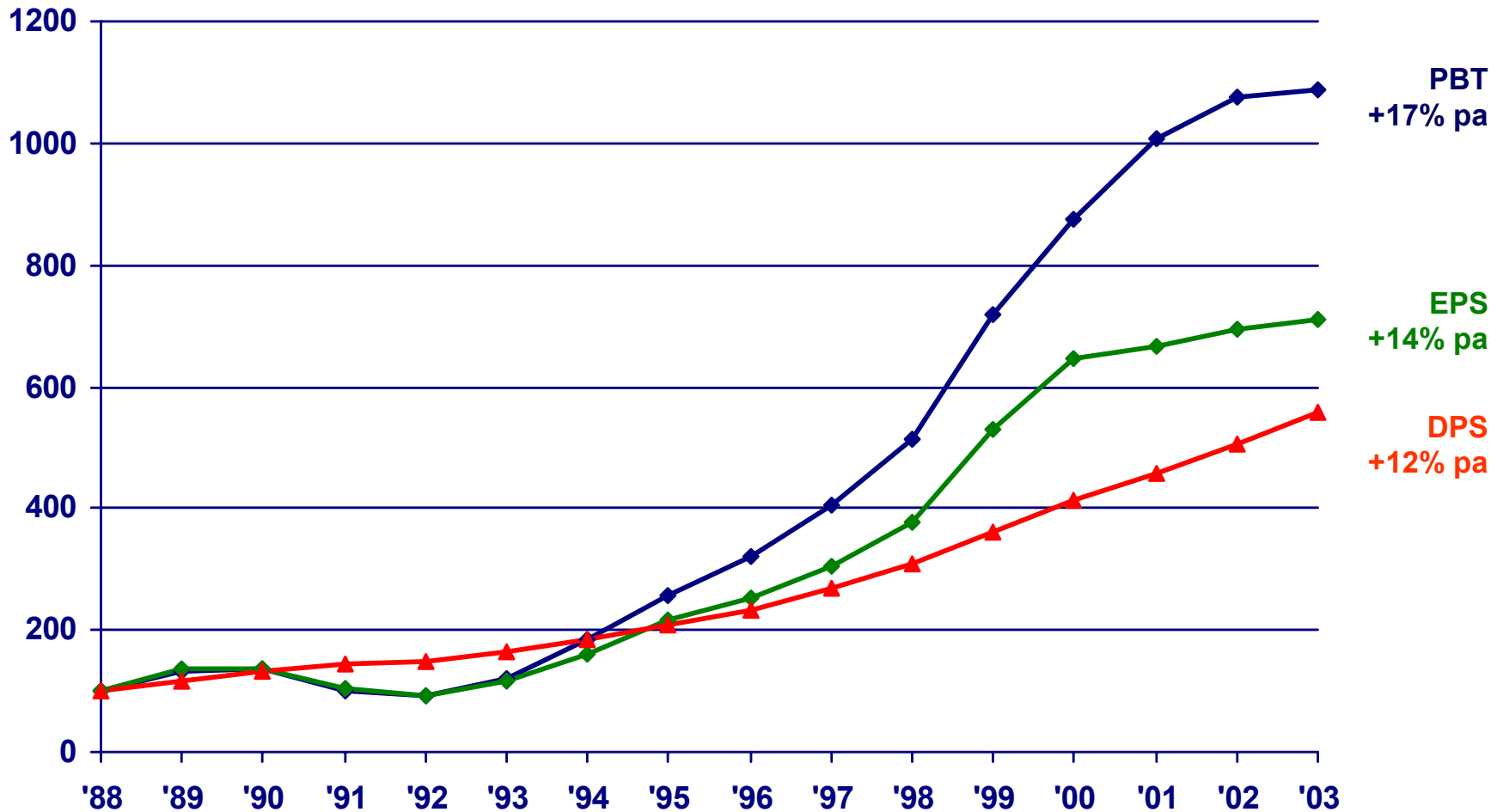
# Federal Group Organised For Growth



# Organisation is Key

- Each business type is different
  - Capital intensity
  - Achievable margins
  - Approach to markets/suppliers
  - Strategic positioning
- Crucial to identify and manage relevant issues
- Decentralised structure facilitates this
- Specialised experienced local management
- With control and support from tight centre
- Best practice sharing within and across regions
- Management intensive - but adds real value

# CRH Performance 1988 - 2003



1988 = 100

# DEVELOPMENT

# Clear Development Strategy

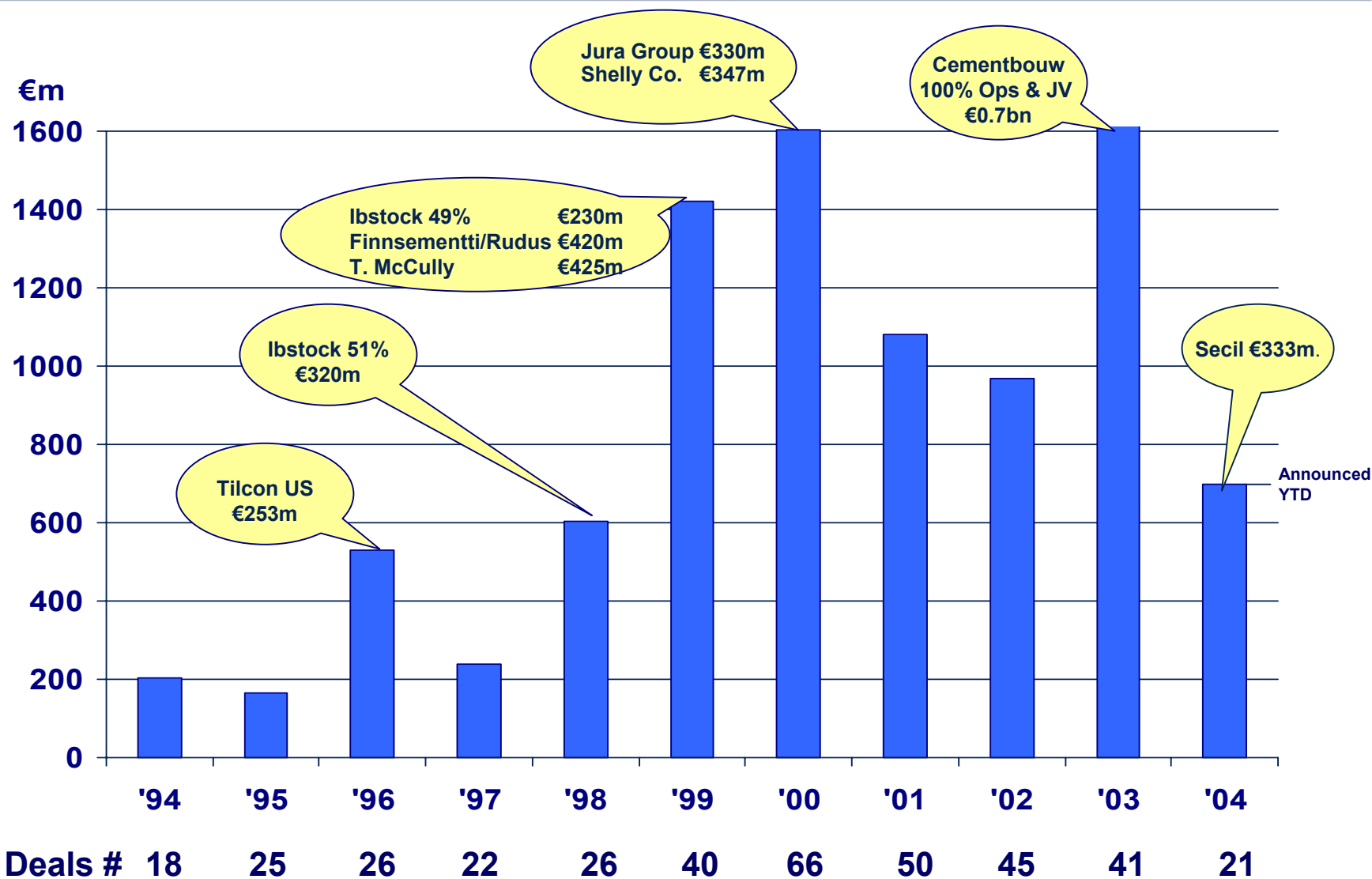
- Stick to core businesses in building materials
- Invest at “home”; be the low cost market leader
- Develop “overseas”; create platforms for future growth
- Pay fair prices that meet sellers needs
- 14 devolved regional development teams
- Rigorous approach to evaluation, approval and review
- Generally mid-sized deals with some larger transactions
- Objective is to maintain and develop a balanced portfolio
- Focus on **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 needs
  - Upfront clarity with regard to post-acquisition priorities
- Evaluation
  - Rigorous qualitative operational review process and due diligence
  - Financial evaluation based on prudent margin, cash flow, terminal value assumptions
  - Strict Board approval process, with subsequent 3 year look back
- Integration
  - Implement CRH MIS, reporting, budgeting, cash and capex controls
  - Transition to CRH operational *Best Practice*
  - .... And then pursue growth plans
- Devolved process - but rigorous and controlled



# CRH Acquisition Spend 1994 - 2004



# Development Spend 1999 - H1 2004

€bn	<u>Europe</u>	<u>Americas</u>	<u>Total</u>	
Materials	1.6	2.5	4.1	<b>55%</b>
Products	1.2	1.1	2.3	<b>31%</b>
Distribution	0.8	0.2	1.0	<b>14%</b>
<b>Total</b>	<b>3.7</b>	<b>3.7</b>	<b>7.4</b>	<b>100%</b>
	<b>50%</b>	<b>50%</b>	<b>100%</b>	



# **CRH DEVELOPMENT IN MAINLAND EUROPE 1990 - 2004**

# CRH Mainland Europe 1990

- Sales €0.5 billion, Operating profit €40 million; 2 countries

- Materials

- Spain - Aggregates & Concrete Products

- Products & Distribution

- Netherlands - Distribution, Concrete, Clay, Insulation, Fencing & Security



# CRH Mainland Europe 1990

- Backdrop

- Existing CRH positions confined to Netherlands and Spain
- Relatively consolidated heavy-end markets in France and Germany
- Wide language and cultural differences

- Strategy

- Expand Dutch products and distribution (P&D) activities
- Seek further P&D opportunities in neighbouring countries
- Explore Materials opportunities particularly in smaller/developing markets

# CRH Mainland Europe 1995

- Sales €0.9 billion, Operating profit €65 million; 6 countries

- Materials

- 1995 - 40% stake in leading Polish cement producer

- Products & Distribution

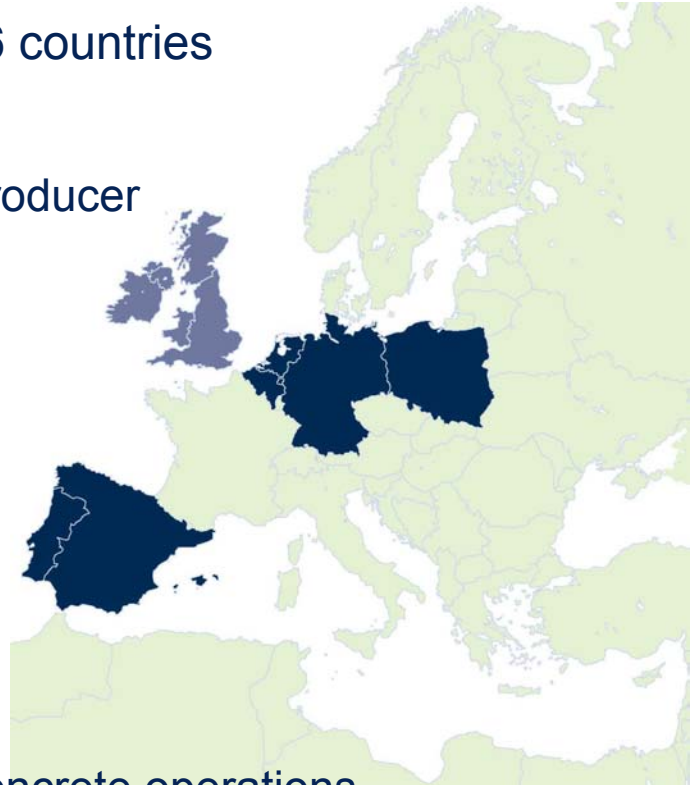
- 1991 - 50% JV in German clay products

- 1992 - Expansion of Dutch distribution and concrete operations

- 1994 - Move into concrete products in Belgium

- 1994 - Major expansion of Dutch concrete product activities

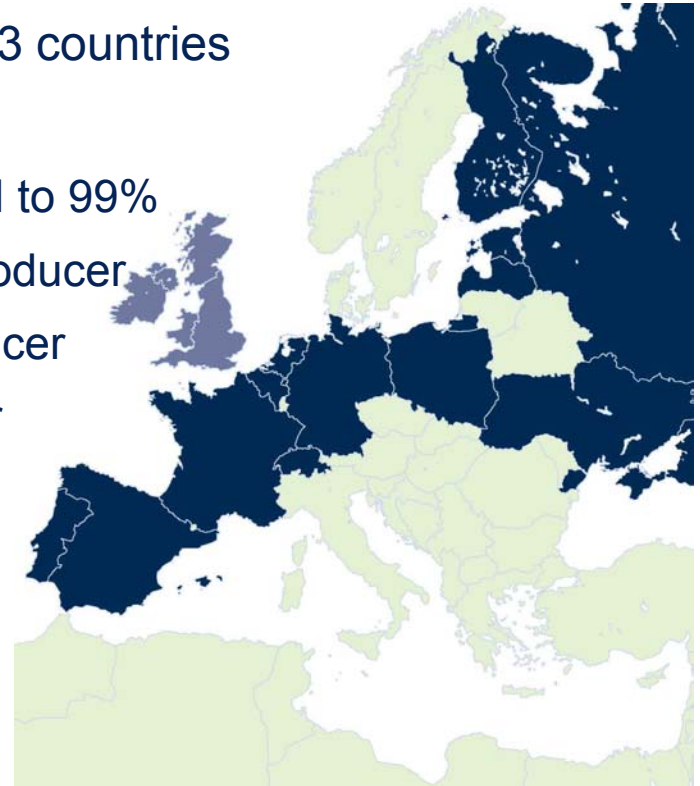
- 1995 - First insulation step in Belgium plus 50% DIY JV in Portugal



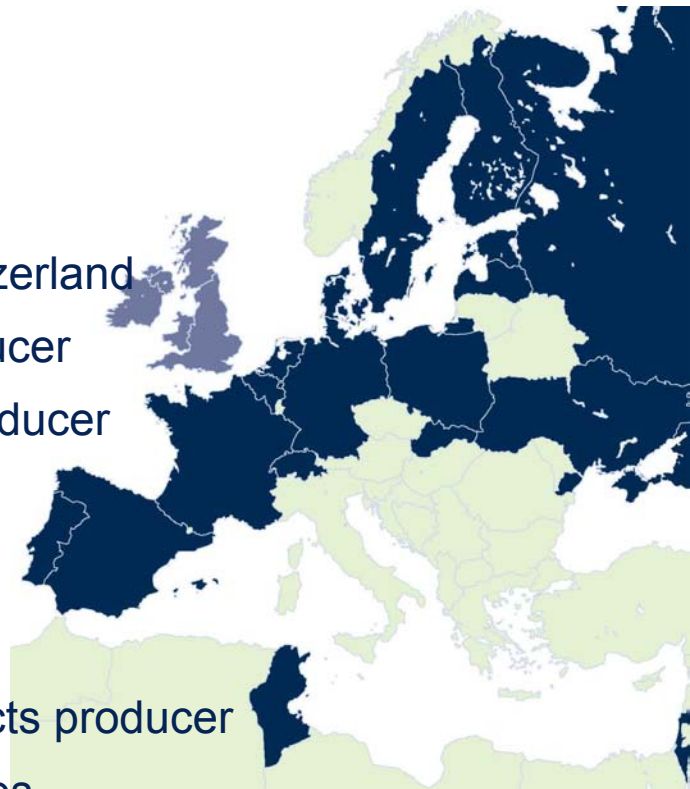


# CRH Mainland Europe 2000

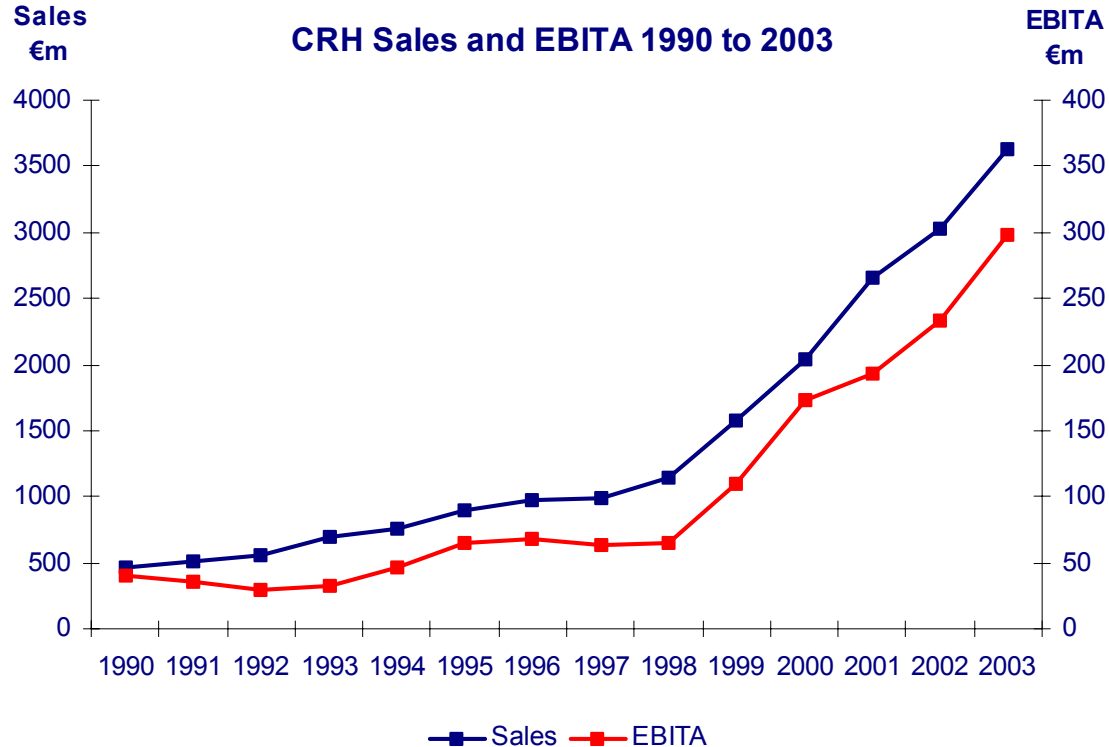
- Sales €2 billion, Operating profit €174 million; 13 countries
- Materials
  - 98/00 - Stake in Polish cement ops increased to 99%
  - 1999 - Acquisition of sole Finnish cement producer
  - 1999 - 76% stake in Ukrainian cement producer
  - 2000 - Acquisition of Swiss cement producer
- Products & Distribution
  - 96/00 - Distribution build up in Ile de France
  - 1998 - Move to 100% of German clay ops
  - 1998 - Entry into French concrete products market
  - 2000 - Significant expansion of European Daylight & Ventilation activities
  - 2000 - Expansion into clay products, insulation and distribution in Poland
  - 2000 - Acquisition of Swiss builders merchandising business



# CRH Mainland Europe 2004

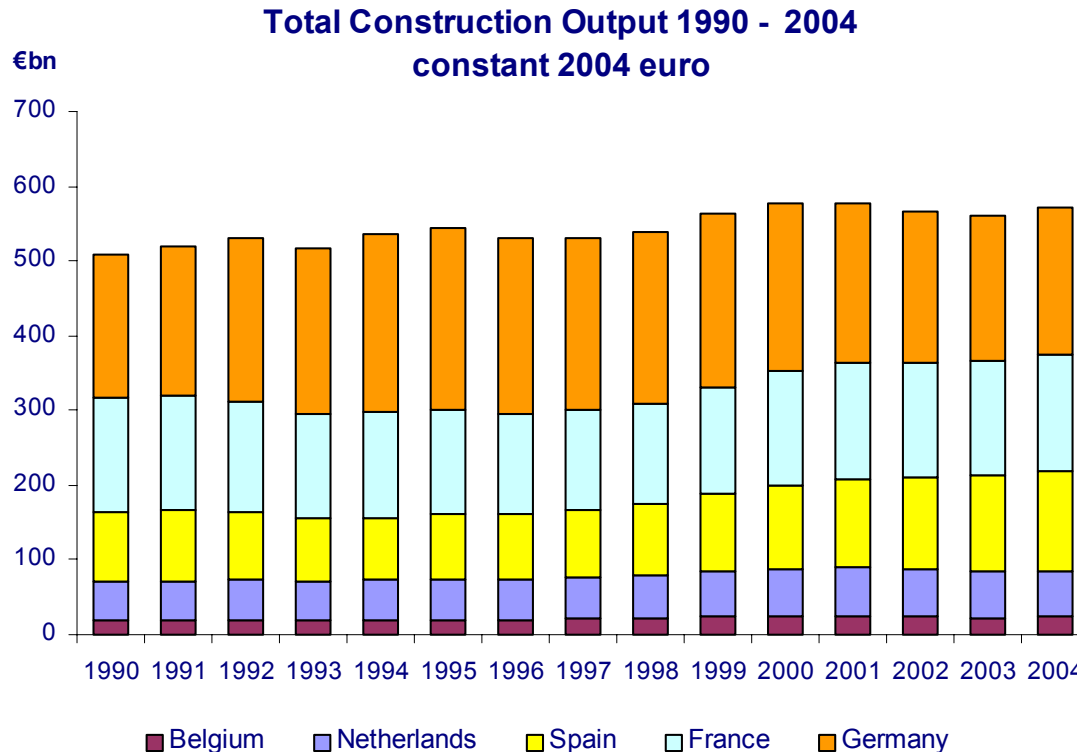
- Annualised Sales circa. €5 billion; 18 countries
  - Materials
    - 2001 - 25% stake in Israeli cement JV
    - 02/03 - Ongoing bolt-ons in Finland and Switzerland
    - 2004 - Acquired major Swiss aggs/rmc producer
    - 2004 - 49% JV in #2 Portuguese cement producer
  - Products & Distribution
    - 2001 - Acquisition of French concrete products producer
    - 01/02 - Move into insulation in Nordic countries
    - 2002 - Expansion of Swiss distribution operations
    - 2002 - Purchase of major concrete products business in Germany (EHL)
    - 2003 - Cementbouw acquisition doubles Dutch products and distribution ops
    - 2004 - Significant expansion of Belgian concrete ops
- 

# CRH Mainland Europe



- 1998 re-organisation of European ops on product group basis contributed to
  - Greater focus on business development
  - Significant increase in growth rate

# Mainland European Construction Output



- CRH growth achieved against a flat construction backdrop in core economies

Source: Euroconstruct

# CONCLUSION

# CRH - Summary

- Clear development strategy continues
  - Tight operations with emphasis on cost control, cash flow, performance
  - Prudent expansion, build on existing regions, products and sectors
  - Participate in industry consolidation; where we see value
  - Develop new platforms in a measured way
- Significant development capacity supported by
  - Ongoing strong cash flow; supportive international shareholder/lender base
  - March 2001 Rights Issue raised €1.1bn
  - September 2003 US\$1 billion Global Bond Issue
  - Rolling 12 month June 2004 EBITDA interest cover 13.4 times
- Broad balance underpins performance and prospects



# 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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