

## Directors' report

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The Directors submit their report and financial statements for the year ended 31st December 2002.

### Accounts and dividends

Group turnover at €10,794 million was 3.3% higher than in 2001. Group profit on ordinary activities before taxation amounted to €856 million, an increase of €53 million (6.6%) on the previous year. Group profit after taxation increased by 7.3%. Basic earnings per share amounted to 119.22c compared with 115.32c in the previous year, an increase of 3.4%.

An interim dividend of 7.43c (2001: 6.75c) per share was paid in November 2002. It is proposed to pay a final dividend of 17.97c per share on 12th May 2003 to shareholders registered at close of business on 14th March 2003. The total dividend of 25.40c compares with a dividend of 23.00c in 2001, an increase of 10.4%. Shareholders will have the option of receiving new shares in lieu of cash dividends.

The retained profit for the year amounted to €490 million.

The financial statements for the year ended 31st December 2002 are set out in detail on pages 50 to 81.

### Books and records

The Directors are responsible for ensuring that proper books and accounting records, as outlined in Section 202 of the Companies Act, 1990, are kept by the Company. To achieve this, the Directors have appointed appropriate accounting personnel, including a professionally qualified Finance Director, in order to ensure that those requirements are met.

The books and accounting records of the Company are maintained at the principal executive offices located at Belgard Castle, Clondalkin, Dublin 22.

### Business review

The Group spent €1 billion on business expansion in 2002 with a total of 45 acquisitions completed during the year. The most significant of these deals were completed in May: the EHL Group, market leader in Germany in concrete paving and landscape walling products, and the operations of US Aggregates, Inc., in the western and southern United States.

### Outlook 2003

The outlook for 2003 is against a background of great uncertainty. There are continuing terrorist outrages, instability in Iraq and the Middle East, oil prices remain high and world economic performance is sluggish at best. Markets are likely to remain difficult for the immediate future.

However CRH is well positioned in the vast majority of its markets, and while there are risks, there are also opportunities. We have worked in recent years to restructure individual businesses, where appropriate, to enable them to compete effectively. With a strong focus on cost control, optimising cash flow by rigorous management of working capital and capital expenditure, and a uniquely strong balance sheet, we are well positioned to further develop the Group through a continuing programme of acquisitions where we see value and good strategic fit. We remain committed to our twin goals - performance and growth.

#### **Disapplication of pre-emption rights**

A special resolution will be proposed at the Annual General Meeting to renew the Directors' authority to disapply statutory pre-emption rights in relation to allotments of shares for cash. In respect of allotments other than for rights issues to ordinary shareholders and employees' share schemes, the authority is limited to Ordinary/Income Shares having a nominal value of €8,912,000, representing 5% approximately of the issued Ordinary/Income share capital at 3rd March 2003. This authority will expire at the conclusion of the Annual General Meeting in 2004.

#### **Purchase of own shares**

Special resolutions will be proposed at the Annual General Meeting to authorise the Company, or any of its subsidiaries, to purchase up to 10% of the Company's Ordinary/Income Shares and to subsequently re-issue shares purchased and not cancelled.

#### **Board of Directors**

Mr. B.E. Griffin retired from the Board on 31st January 2003.

Ms. B.T. Alexander and Mr. D. Dey retire from the Board by rotation at the Annual General Meeting on 7th May 2003 and do not seek re-election. Mr. D. Godson and Mr. H.P. Sheridan retire from the Board by rotation and, being eligible, offer themselves for re-election.

#### **Corporate governance**

Statements by the Directors in relation to the Company's appliance of corporate governance principles, compliance with the Combined Code, the Group's system of internal controls and the adoption of the going concern basis in the preparation of the financial statements are set out on pages 38 and 39.

The report on Directors' remuneration is set out on pages 42 to 47.

#### **Substantial holdings**

As at 3rd March 2003 the Company had received notification of the following interests in its Ordinary share capital:

<b>Name</b>	<b>Holding</b>	<b>%</b>
Bank of Ireland Nominees Limited	42,325,124	8.07
Putnam Investment Management, LLC and The Putnam Advisory Company, LLC	24,841,628	4.73
The Capital Group Companies, Inc. and its affiliates	26,648,656	5.08

Each of the above states that these shares are not beneficially owned by them.

#### **Safety, Health and Welfare at Work Act, 1989**

CRH pursues an active policy of providing safe systems of work and safety training for its employees worldwide and safety performance is regularly reported on to the Board. The above Act imposes certain obligations on employers and appropriate measures have been taken to ensure that health and safety standards are complied with at all relevant locations and that all relevant Group companies meet the requirements of the Act.

#### **Subsidiary and joint venture undertakings**

The Group has over 700 subsidiary and joint venture undertakings. The principal ones as at 31st December 2002 are listed on pages 92 to 94.

#### **Auditors**

The Auditors, Ernst & Young, Chartered Accountants, are willing to continue in office and a resolution authorising the Directors to fix their remuneration will be submitted to the Annual General Meeting.

#### **Annual General Meeting**

Your attention is drawn to the letter to shareholders and the Notice of Meeting enclosed with this report which set out details of the matters to be considered at the Annual General Meeting.

On behalf of the Board,

P.J. Molloy, W.I. O'Mahony, Directors  
3rd March 2003