



PAT MOLLOY

Chairman's statement

A strong performance in very challenging market conditions

The year 2002 posed particular challenges for CRH's operations. Trading conditions in the majority of our markets were more difficult than in recent years, particularly in Mainland Europe and the US. The weaker US Dollar also had a significant adverse impact. Despite the testing conditions, the Group produced growth in profit before tax and earnings per share, which represents an excellent out-turn in the circumstances.

These results demonstrate the benefits of our balanced spread of operations across geographic regions and construction sectors. They also reflect management's emphasis on performance improvement, cost efficiency, overhead reduction and cash flow generation.

Details of the challenges faced by the Group during 2002, and of the performances of the separate Divisions are given in the Chief Executive's review and the operations and financial reviews which follow.

Profitability and earnings

Profit before tax increased by 6.6% to €856 million. Earnings per share were 119.22c compared with 115.32c in 2001. Cash earnings per share were 219.82c compared with 213.73c in the preceding year.

A final dividend of 17.97c per share is being recommended by the Board, which will give an increase in total dividend of 10.4% over 2001. This is the 19th consecutive year of dividend increase.

Development activity

Total acquisition spend for 2002 was approximately €1 billion. One-third of this expenditure was in Europe with the remainder being in the Americas. Some of the more significant acquisitions were:

- The EHL Group, the market leader in Germany in concrete paving and landscape

walling products, acquired in May, for a total consideration of €155 million.

- The operations of US Aggregates, Inc. in the western and southeastern US, which we also acquired in May for a combined net consideration of US\$74 million (€81 million).

The other transactions were well spread in terms of product groupings and geographic location, and they consolidate further the strength of CRH's position in its key markets.

Financing expansion

As a result of the Group's strong internal cash flow and the substantial equity injection achieved in 2001, the Group has the financial strength to take full advantage of attractive acquisition opportunities which enhance its operational scale and strategic positioning.

In March 2002, the Group announced the completion of a successful 10-year US\$1 billion Global Bond Offering. The strength of investor demand enabled the offering to be priced at a spread tighter than the original price guidance. Over 110 institutional investors from North America and Europe participated, and the transaction further extended our debt maturity profile.

Litigation

In September we announced that senior Group management and the Board had learned that two companies in CRH's Distribution Group in the United States had been named, together with a large number of other un-related parties, in asbestos cases involving 251 claimants. These cases alleged personal injury as a result of exposure to asbestos in products manufactured by others and allegedly distributed by the two companies in the Distribution Group prior to their ownership by CRH. Since September eight new claims have been received and eight have been disposed of with the number of claimants at the time of writing amounting to 251.

As stated in September, CRH does not believe that the outcome of any pending actions will have a material adverse impact on the financial position, results of operations or cash flows of the Group.

Corporate governance

The CRH Board and management are committed to achieving the highest standards of corporate governance and ethical business conduct. A detailed statement of CRH compliance with the Principles of Good Governance is given on pages 38 and 39.

In the 1999 and 2001 Annual Reports reference was made to an investigation into Ansbacher (Cayman) Limited. The report of this investigation was published in July 2002. The report had relevance for CRH insofar as the late J.D. Traynor, non-executive Chairman of CRH from 1987 to 1994, was found to have facilitated the carrying on by Ansbacher (Cayman) Limited of a banking business in Ireland from 1971 to 1994 without holding a licence to do so. The report also found that for the period 1989 to 1994 Mr. Traynor used his office in CRH's registered office in Dublin, which is separately located from CRH's Group headquarters, to facilitate these activities. This was not authorised by CRH, and was carried out without the knowledge of CRH. The report of the Inspectors into Ansbacher (Cayman) Limited concluded that CRH did not knowingly assist Mr. Traynor in carrying out these activities - a conclusion which is consistent with the findings from CRH's own internal investigations. Since the emergence of this issue, CRH has formalised a code of conduct for the use of the office of the Chairman.

Two reports on corporate governance issues have been published recently: "Review of the Role and Effectiveness of Non-executive Directors", by Derek Higgs, who was commissioned by the UK Government to

“In testing market conditions in most of our key markets in 2002, our results demonstrate the benefits of our balanced spread of operations and also reflect management’s continuous emphasis on performance improvement.”

lead a review of the role of non-executive directors, and “Audit Committees - Combined Code Guidance”, a report and proposed guidance by a group appointed by the Financial Reporting Council in the UK and chaired by Sir Robert Smith. Consultation on the recommendations set out in these reports is currently taking place. In addition, the US Securities and Exchange Commission continues to issue rules to implement the Sarbanes-Oxley Act of 2002. Your Board is currently reviewing its structures and procedures in light of the proposed requirements and, when the final rules are published, will take any steps necessary to achieve compliance in the shortest possible time.

Board and senior management

Brian Griffin, Managing Director of CRH Europe Materials, retired from his executive role and from the Board on 31st January 2003. Brian made an enormous contribution to the development of the Group and he was an extremely effective member of the Board. He will continue to have an advisory role and the Group is delighted that it will continue to have the benefit of his experience and judgement.

Brian was succeeded in his executive role by Declan Doyle, who became Managing Director, Europe Materials on 1st February 2003.

Barbara Alexander and David Dey have indicated that they wish to retire from the Board at the completion of the Annual General Meeting on 7th May 2003. Both Barbara and David made significant contributions to the Board and I wish to thank them for their valued advice and commitment to the interests of shareholders.

Management and staff

The quality of the Group’s results in the very demanding conditions which obtained in 2002 is a tribute to the commitment and

capability of CRH’s management and staff. They rose to the challenges given to them by Liam O’Mahony and the Divisional Chief Executives and together they demonstrated once again that CRH can outperform its competitors and deliver results which exceed the momentum of its markets.

The Board appreciates very much the achievements of our staff in 2002.

Outlook 2003

Management’s view of the outlook for 2003 is set out more comprehensively in the Chief Executive’s review and the operations reviews.

Overall, it is expected that trading conditions will remain difficult in our principal markets in 2003. Nonetheless, we expect that the Group’s continuing focus on performance improvement and our ability to make and finance acquisitions will deliver another year of progress.



The paving stones “TerrAntik®” from the EHL product range resemble natural stones with an antique patina, retaining rustic character.



“Performance and growth continued to be the hallmarks of CRH during an extremely challenging 2002. Thank you to our 50,000 employees worldwide who played their part in bringing about the achievements of the past year.”

The new state-of-the-art asphalt plant at Roadstone Dublin's Allen Quarry, commissioned during 2002, is supplying major surfacing projects on the N7 motorway in County Kildare.

