# PERFORMANCE & GROWTH

CRH

# Annual Report 2014

The International Building Materials Group

## Contents

CRH provides building materials across the spectrum of the construction industry – from building foundations to frame and roofing, to fitting out the interior space and improving the exterior environment, on-site works and infrastructural projects, our materials and products are used extensively.

The value created from our strategic approach translates into superior growth which has enabled our shareholders to enjoy a euro compound annual Total Shareholder Return (TSR) of 15.7% since our formation in 1970.

We are committed to improving the built environment and we understand the wider impact our businesses can make in supporting human activity through the delivery of superior building materials and products for use in buildings, roads, public spaces, infrastructure and other construction areas.

Our geographic footprint is wide. We operate in 34 countries and are the largest building materials company in North America, a regional leader in Europe, and have strategic positions in Asia.

For over four decades, CRH has developed and implemented a proven model of business improvement. By building better businesses across our international operations, we have grown to be a leader in the global building materials industry.

A Fortune 500 ranked company, CRH is a constituent member of the FTSE 100 index and the ISEQ 20. Our shares are listed on the London and Dublin stock exchanges, and on the New York stock exchange in the form of American Depositary Shares.

**34**
countries

**3,300**
locations

**76,000**
people

**15 billion**
tonnes of aggregates reserves

**300 million**
tonnes of manufactured product

**115,000**
Distribution SKUs

Silver Towers, New York City

# Chairman's Introduction

Dear Shareholder,

In the Chief Executive's introduction to last year's Annual Report, Albert Manifold set out the areas of focus for management in 2014. He highlighted dynamic portfolio management together with maintaining CRH's traditional tight cost control, capital discipline and focus on returns as being key to driving growth and to rebuilding margins in the coming years.

A significant amount of progress has been made in the past 12 months, which is reflected in the results and performance for 2014. In particular, we are pleased with progress in the multi-year divestment programme and the related reshaping of the Group's portfolio.

The Group's financial strength was further enhanced during the year by two bond issuances, co-ordinated by Maeve Carton, our Finance Director, and her team, in the amounts of €600 million and CHF330 million. The record low coupons achieved by the Group for these bonds reflect our track record in debt markets and the value that results from our investment grade credit ratings.

In respect of 2014, the Board is recommending a final dividend of 44c per share. If approved at the 2015 Annual General Meeting, this will maintain the full-year dividend at 62.5c per share.

During the last year, my non-executive colleagues and I have spent a considerable amount of time working with the executive Directors and the wider management team on reviewing and refining the Group's strategy in the context of the evolution of key markets and products over time and in setting the priorities for the Group. On 1 February 2015 we announced that CRH had entered into a binding commitment to acquire certain assets from Lafarge S.A. ("Lafarge") and Holcim Limited ("Holcim") for a total enterprise value of €6.5 billion, subject to (i) CRH shareholder approval at an Extraordinary General Meeting to be held on 19 March 2015; (ii) the successful completion of the proposed merger

of Lafarge and Holcim; and (iii) the completion of certain local reorganisations by Lafarge and Holcim in advance of the acquisition. The Board believes that this acquisition, which arises from regulatory requirements for industry deconsolidation in connection with the merger of Lafarge and Holcim, represents a compelling strategic opportunity for the Group, and that our financial, capital and operational discipline has positioned the Group to take advantage of this unique opportunity at this time. The placing of approximately 74 million shares in CRH plc, which completed on 5 February 2015, raised €1.6 billion as part of the financing of this acquisition.

In 2015, in addition to the integration plan for the Lafarge / Holcim assets, on the approval of shareholders, the Board will continue to focus on talent management, cyber security, and working towards the achievement of sustainability, safety and environmental priorities. In relation to safety, 2015 will see the introduction of a new Chairman's award for safety excellence in the Group.

During 2014, the Board redoubled its ongoing focus on the area of compliance and ethics to ensure that CRH's processes are robust and in line with best practice across the Group. In the current training cycle, over 32,000 employees have participated in Code of Business Conduct training and a further 11,000 have undertaken advanced instruction on the prevention of breaches of competition law, anti-bribery and corruption laws. We remain vigilant in our business practices in this area and are responsive to all regulatory agencies.

Notwithstanding this work, as we announced in May 2014 the Swiss Competition Commission has an open investigation in respect of practices in the sanitary building products sector in Switzerland and its Secretariat has recommended that the industry, of which certain CRH group companies are members, be fined. Engagement with the Swiss Competition Commission is ongoing and CRH is responding vigorously to the allegations made by the Secretariat. In doing so, we maintain our initial assessment that the case is ill-founded and that the proposed fine in respect of the Group is unjustified.

Two new non-executive Directors joined the Board in recent months. Pat Kennedy was appointed in January 2015 while Lucinda Riches has been appointed with effect from 1 March 2015. Their biographies, along with those of the rest of the Board are set out on pages 51 to 53. Further details on the on-going process of Board renewal are set out in the *Nomination & Corporate Governance Committee* Report on pages 66 and 67.

All Directors will retire at the Annual General Meeting on Thursday, 7 May 2015, with those eligible offering themselves for re-election. I strongly recommend that shareholders vote in favour of each of the individuals putting themselves forward for re-election.

As part of the Board's planned renewal process, John Kennedy and Dan O'Connor will step down from the Board at the conclusion of the 2015 Annual General Meeting on 7 May 2015. On behalf of the Board, I would like to thank John and Dan for their commitment and great service to CRH over many years.

Finally, I would like to take the opportunity to thank Albert and his team for their significant achievements over the past year.

Nicky Hartery, *Chairman*

February 2015

# Strategy Review

## Chief Executive's Introduction

When I joined CRH in 1998, I quickly learned that a philosophy of business improvement is ingrained in the history of the Group. At CRH, we seek to build better businesses each and every day. As the construction industry emerges from a tumultuous few years, our approach has never been more relevant and there is nowhere I would rather be at this moment in time than in this Group, in this industry, at this point in the business cycle.

2014 was a year of good progress for CRH. We were able to use the underlying strength of our business to capitalise on the recovering markets and deliver a return to profit and margin growth.

This progress was made possible by the hard decisions and hard work undertaken by the Board, management and staff of CRH over the course of the previous seven years since the onset of the global financial crisis. As a result of this, the Group ended 2014 in a position of real strength across our key metrics – strategic, operational and financial.

It is particularly pleasing to report that improvements in performance were achieved last year across all of our Divisions, leading to a double-digit percentage increase in EBITDA.

The year began well in Europe, aided by favourable early-season weather conditions compared with the prolonged winter of the previous year. Conversely, first-half trading in the Americas was impacted by very severe weather conditions for a second consecutive year. However, strengthening economic recovery in the United States drove construction activity as the year progressed and enabled our Americas businesses to perform strongly in the second half, when we began to see an easing of trends in Europe.

Like-for-like sales were ahead by 5% in the first half of the year and rose by 3% in the second, resulting in a full-year increase of 4%. The US Dollar/euro average exchange rate of 1.3290 (2013: 1.3281) was relatively unchanged from prior year. Overall sales of €18.9 billion were achieved, an increase of 5%. EBITDA for the year was €1.641 billion, up 11%.

Throughout recent times, the Group has maintained its commitment to ongoing cost control, strong cash generation efficiency and disciplined financial management. Further progress was achieved in these areas in 2014 including an additional €118 million of targeted cost savings delivered by year-end.

The reorganisation of our European businesses was largely completed during the year and we now have an integrated heavyside materials and products organisation that is providing synergies across our operating plant network in European markets.

Development spend in 2014 was €0.19 billion on 21 transactions, a lower spend than in previous years. During 2014 we completed a detailed review of our portfolio and commenced a multi-year divestment programme, of businesses which no longer meet our returns and growth criteria, or for which we believe CRH is no longer the best long-term owner. We remain focussed on optimising our portfolio to meet our financial objectives and prioritising the allocation and reallocation of capital as we reset for growth and restore margins and returns to peak levels.

Portfolio Management is now embedded in our business model as a core competency and a key enabler of value creation within the Group. The discipline of this process encourages optimal capital efficiency and provides new opportunities for investment and acquisition, the drivers of value creation in our business.

On 1 February 2015, the Group announced that it had entered into a binding commitment to acquire certain assets from Lafarge and Holcim for an enterprise value of €6.5 billion. As noted by the Chairman in his review on pages 2 and 3 the transaction is subject to CRH obtaining shareholder approval and certain other conditions. Assuming these conditions are satisfied, we expect the acquisition to complete in mid-2015.

The acquisition involves a portfolio of quality assets with broad geographical and product spread. The businesses represented by these assets have market leading positions and cover a range of segments in the building materials sector in both developed and emerging markets. On completion, the acquisition will strengthen our presence in important markets across North America, Western, Central and Eastern Europe in addition to providing new platforms for growth in the Philippines and Brazil.

Acquiring these businesses represents a compelling opportunity for the Group to employ our proven strategy in a transformative way. Our approach to value creation is straightforward – we deploy capital efficiently, to support vertically integrated businesses, which we then improve with our unrelenting commitment to operational excellence. Through this systematic process, we create significant and sustainable shareholder value. We have followed this model successfully for decades and, we believe that this acquisition will deliver enhanced opportunities to roll out our vertical integration and bolt-on acquisition models.

Throughout the period of recession and downturn in construction activity that followed the global financial crisis, the Group maintained strict financial discipline. This discipline has served us well and has positioned us strongly to avail of the opportunity to acquire these businesses at an attractive valuation and at the right point of the business cycle. Upon completion, CRH will become the third largest building materials company in the world.

### Outlook for 2015

In the United States, the pace of GDP growth is expected to pick up in 2015 and we believe that the fundamentals are in place for continued positive momentum in the economy. Demand in the residential construction market continues to expand, albeit at a more moderate rate, while recovery in the non-residential market is starting to gather pace. While the infrastructure market remains broadly stable, there is upside potential due to the growing economy and increased state spending.

In Europe, the general market environment continues to normalise across our main markets. The outlook for 2015 is somewhat mixed, particularly in the first half for which the 2014 comparatives reflect the benefit of very benign weather conditions. In our generally stable markets in Western Europe we expect to see some improvement in overall demand in 2015, particularly in residential activity. While the outlook in Ukraine remains very uncertain, we anticipate that demand will increase in Eastern Europe, driven primarily by an expected pick up in the roads programme in Poland towards the second half of the year.

With the improvements expected in market conditions across our main geographies, together with easing commodity prices, the benefits of cost efficiencies and a favourable foreign exchange translation effect, we expect 2015 to be a further year of progress.

Albert Manifold, *Chief Executive*

February 2015

Sales
**€18.9 billion**

EBITDA
**€1.641 billion**

Operating Profit
**€917 million**

Profit before Tax
**€761 million**

Earnings per share
**78.9 cent**

Dividend per share
**62.5 cent**


Shawfield Dalmarnock Smartbridge, Glasgow, UK

*Through 2012-2014, due to its expertise in concrete mixing and pouring technology, Bosta Beton was selected to supply circa 34,000 m$^3$ of readymixed concrete, of which 14,000 m$^3$ was in the form of architectural concrete products, to the Bialystock City Stadium in Poland.*

# CRH Strategic Report

## What We Do

CRH is a global leader in the manufacture and supply of a diverse range of superior building materials and products for the modern built environment.

Our impact is far-reaching. Each day, millions of people around the world come into contact with our materials and products. From the roads we drive on, to the pavements we walk down, the buildings we work in, the schools our children attend, the restaurants and theatres we are entertained in, and to fitting out the homes we live in, CRH supplies the materials and products that build our world.

Our route to global leadership has seen us expand our presence across the three major segments of the construction industry; residential, non-residential and infrastructure – and in ever widening geographies. Today, we operate in 34 countries. We are the largest building materials company in North America, a regional leader in Europe, and we have a number of strategic footholds in Asia.

## Strategic Goals

CRH's strategy is to deploy our proven value creation business model, which enables us to expand our balanced portfolio of diversified products and geographies, for the building industry in a sustainable way.

The Group's strategic goals are to achieve our vision to become the global leader in the industry, to conduct our business in a responsible manner, and to maximise returns for shareholders over the long term.

To achieve these outcomes, we utilise a strong balance sheet, and cash generation capability to build leadership positions in regional markets, leveraging the scale of the Group to fund expansion by acquisition, and allocating resources appropriately to deliver growth. At the same time, we maintain financial discipline and a focus on returns, as we work to make all our businesses better through operational, commercial and financial performance.

A guiding philosophy of CRH is to pursue these objectives as one company. For 45 years, we have grown in scale through the accumulation of hundreds of businesses. We integrate these businesses into the wider Group and through this process we deliver enhanced returns. With a presence across a broad range of construction products and materials, we provide a national service with the personal touch of a local supplier.

## CRH Footprint

The Group has good balance across its operations in North America and Western Europe. Our heavyside building materials operations give us exposure to new-build and also to infrastructure repair, maintenance and improvement (RMI) construction. Elsewhere, our lightside and distribution businesses are mainly exposed to residential and non-residential markets, where we also have positions of scale, global brands and potential for growth.

Our strategic priority in these mature markets is to develop our businesses further through a dynamic allocation and reallocation of capital, investment in greenfield projects and in acquisitions which meet our criteria of achieving vertical integration, and which add to reserves and expand our regional and product positions.

Elsewhere, in developing regions, such as Asia, our entry platforms tend to be in cement. Industrialisation, urbanisation and population growth are key drivers in these markets and CRH targets businesses that have the potential to develop further downstream into integrated building materials businesses as construction markets become more sophisticated.

## Portfolio Review

In 2014, in light of a vastly changed environment following the global financial crisis and recession of the previous seven years, CRH undertook a comprehensive review of its entire portfolio of businesses to determine which of those businesses offered the most attractive returns and potential for growth in the emerging new cycle. Following this review, a multi-year divestment programme has been initiated for up to €1.5 billion - €2 billion of assets. Portfolio Management is now an intrinsic part of the Group's strategy and value creation model, which is outlined in the next section.

**CRH's vision is to be the leading building materials business in the world**

*Struyk Verwo Infra (SVI) contributed to the iconic Rotterdam Central Station and municipal area in the Netherlands by providing the polished paving flower bed blocks that surround the station and guide traffic. SVI was contracted to provide 1,050 m$^2$ of product covering a green area of approximately 3,000 m$^2$.*

**At the core of the CRH mission is a commitment to create value and deliver best-in-class returns for all stakeholders, consistently and sustainably**

## The CRH Business Model

CRH's business model has played an instrumental role in the consistent delivery by the Group of industry leading return on invested capital through the cycle. In the period 1970 – 2014, CRH has, in euro terms, delivered a formidable compound annual Total Shareholder Return (TSR) of 15.7%.

At the heart of this enduring performance is our long standing and relentless commitment to our value creation model, which is delivered by an international team of dedicated people.

The five elements of the model are:

- A Balanced Portfolio
- A Unique Acquisition Model
- A Focus on Building Better Businesses
- Dynamic Portfolio Management
- Financial Strength

## Balanced Portfolio

Building a balanced portfolio is a core constituent of our philosophy and a key determinant of value creation for CRH. The Group is a broad-based building materials business that is diversified with many products, geographies and sector end-uses. We are a multi-product company and the breadth and depth of our product range differentiates our positioning relative to peers in the industry.

Maintaining a balanced portfolio enables the Group to take advantage of differing demand cycles across our businesses. Diversification also opens up a greater number of opportunities for acquisitions, while having vertically integrated businesses creates potential for synergies and operational leverage.

## Acquisition Model

Each year, the Group's balanced portfolio grows, primarily by way of acquisition. For over four decades, CRH has successfully employed its unique acquisition model with a focus on adding small to mid-sized companies that complement and add value to our existing portfolio. On occasion, larger and/or step-change acquisitions are made when the value proposition and strategic rationale are compelling.

Many of our core end markets in mature economies remain fragmented or relatively unconsolidated and will continue to offer growth opportunities via our proven acquisition model in the decades ahead.

Our acquisition model for creating new value and growth platforms also offers considerable long-term potential in developing economies, in particular those in Asia, where the Group is currently building select leading regional positions.

*Royal Roofing Materials BV renovated 7,000 m$^2$ of roofing at the monumental industrial building named Innovation Dock in Rotterdam, the Netherlands. The hall is situated on the terrain of a former shipyard which was recently rebuilt into a campus for education and innovation.*

## Building Better Businesses

Building Better Businesses is a core CRH competency. With over 3,300 operating locations in 34 countries worldwide, the potential for value creation is significant.

Through the extraction of inherent value in newly acquired businesses, and a focus on delivering organic performance improvement in existing businesses, our commitment to Building Better Businesses is a key component of the CRH value creation model.

Every day we strive to make improvements. Attention to detail by our 76,000 strong team, together with the multiplier effect of businesses involving millions of tonnes of aggregates, asphalt and cement, and millions of units of construction accessories and distribution stock keeping units, has a material and cumulative impact over time.

By leveraging the scale of the Group, benefits accrue in the areas of procurement, merchandising, selling prices, category management, distribution and IT. Through the sharing of knowledge, ongoing people development, optimisation of our networks, operational leverage and utilisation of the Group's financial strength, we can deliver greater value from these businesses.

CRH's operations benefit from an active philosophy of continuous improvement. The Group provides guidance, support, functional expertise and control in the areas of performance measurement, financial reporting, cash management, strategic planning, business development, talent management, governance and compliance, risk management, sustainability, health & safety and environment.

## Portfolio Management

Through the past number of very difficult years for the global construction industry, CRH has worked hard to position itself to maximise the opportunities presented by the coming growth cycle.

An objective of the ongoing Portfolio Management process is to create a narrower and deeper suite of businesses that are positioned either by virtue of size, product mix, location or

operational expertise to benefit most from improvements in demand activity and pricing in their respective markets.

The impact of Portfolio Management on value creation is twofold: capital will be continuously released from low growth areas and reallocated to core businesses for growth, while balance sheet capacity will be enhanced to boost acquisition capabilities.

## Financial Strength

Maintaining a position of financial strength is a cornerstone of the CRH business model and the Group adopts a rigorous commitment to financial discipline, strong cash generation and retaining balance sheet capacity.

Financial strength enables the Group to create value in two key ways: to provide the resources to fund value enhancing investments and long-term growth; and to reduce the cost of capital which ultimately translates into higher margins and profitability.

The combination of two key financial measures – robust cash generation and solid interest cover – support the ratings CRH enjoys from the rating agencies S&P (BBB+) and Moody's (Baa2). These strong investment grade ratings enable the Group to gain access to multiple sources of funding.

In recent times, our financial discipline has enabled the Group to secure lower and more diversified long-term interest rates on our debt, which will reduce the Group's average interest rate from above 5% in 2012 to circa 3% from 2018 onwards.

Financial strength is a fundamental tenet of the business and has given CRH the capacity to increase or maintain the dividend payment to shareholders in each of the last 31 years.

*The Shelly Company's Smith Concrete supplied and delivered 14,715 m$^3$ of concrete and over 45,000 tonnes of aggregates to the Zanesville, Ohio, Genesis Healthcare 2014 expansion project. Smith Concrete's 4-H-themed readymix truck promotes the largest youth development organisation in the United States.*

# Measuring Performance

CRH believes that measurement fosters positive behaviour and performance. In keeping with our focus on Building Better Businesses, we continue to refine and develop appropriate financial and non-financial measures to communicate leading practice benchmarks across our organisation.

## Financial KPIs

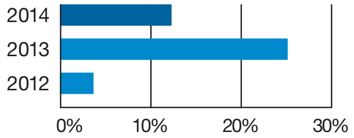
## Why Important

## 2014 Performance

**Total Shareholder Return**

*A measure of shareholder returns delivery through the cycle*

TSR is a full measure of monetary value created and delivered to owners.

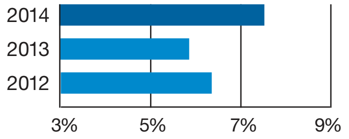


**Total Shareholder Return (%)**

**Return on Net Assets (RONA)**

*A measure of returns through excellence in operational performance*

RONA is a key internal pre-tax measure of operating performance.

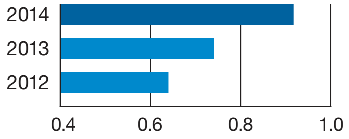


**Return on Net Assets (%)**

**Operating Cash Flow (OCF)**

*A measure of cash flows generated to fund organic and acquisitive growth*

OCF is the primary funding source for dividend payments and investment spend.

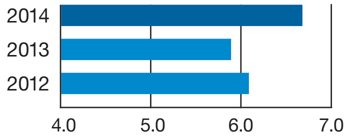


**Operating Cash Flow (€ Bn)**

**EBITDA Interest Cover**

*A measure of financial liquidity and capital resources*

EBITDA interest cover is evidence of ability to service interest payments and debt maturities. It underpins the investment grade credit ratings and the Group's ability to access finance.



**EBITDA Interest Cover (x)**

## Non-financial KPIs

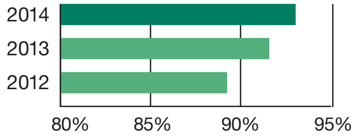
## Why Important

## 2014 Performance

**% Zero-Accident Locations**

*A measure of safety in the workplace*

Safety is a priority for CRH and we constantly strive to improve our performance. A strong safety culture is a key element of our business strategy.



**% Zero-Accident Locations**

**Greenhouse Gas Emissions**

*A measure of addressing the challenges of climate change*

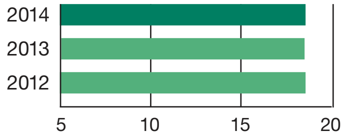
Energy efficiency and carbon reduction are twin imperatives of CRH's environmental management strategy.

**$CO_2$ Emissions (kg/€ Revenue)**

**Gender Diversity**

*A measure of an inclusive workplace*

Recruitment, selection and promotion decisions are merit-based and in line with the principles of equal opportunity and non-discrimination.



**Diversity (%Female)**

Key Performance Indicators (KPIs) are used to measure the Group's performance against its strategy. These are quantifiable measurements, which the Group has worked to for many years and which demonstrate how CRH strategy is being successfully implemented.

| | 2015 Focus | Links to other disclosures |
|---|---|---|
| CRH delivered TSR of 12.3% in 2014 and in euro terms has delivered a compound annual TSR of 15.7% since the formation of the Group in 1970. | Delivering superior return on invested capital and maintaining strong cash flows to support the continued development of the Group and dividend payment. | Directors' Remuneration Report pages 72 to 95 |
| RONA improvement to 7.4% in 2014 is a reflection of improved profit margins in all six business Divisions. | Improved RONA through effective margin management, continued enhancement of operating efficiencies and tight working capital management. | Business Performance Review pages 22 to 49<br>Directors' Remuneration Report pages 72 to 95 |
| Prudent working capital and tight capital expenditure increased OCF to over €902 million in 2014. | To continue to generate strong operating cash flows in 2015. | Summarised cash flow page 24 |
| Cover at 6.7x was higher in 2014 due to strong organic EBITDA delivery.<br>CRH's credit ratings: BBB+/Baa2 from S&P/Moody's rating agencies. | Maintain financial discipline to ensure that EBITDA cover remains strong and should usually be no lower than 6x. | Finance Director's Introduction pages 22 to 24<br>Note 23 Interest-bearing Loans and Borrowings page 138 |

| | 2015 Focus | Links to other disclosures |
|---|---|---|
| Encouragingly we achieved 93% zero-accident locations in 2014 (2013: 92%). | Further enhancement of a strong safety culture with the ultimate aim of achieving zero-accident status at every location. | CRH Sustainability Report published mid-year 2015 |
| While absolute $CO_2$ emissions increased with increased activity, our cement plant measure remained stable at 0.62 tonne net $CO_2$ per tonne of cementitious product. | Ongoing programmes focus on reducing $CO_2$ emissions. Working towards 25% net reduction in specific net $CO_2$ cement plant emissions by 2020.<br>Lower carbon products and Group-wide energy and resource efficiency programmes. | CRH Sustainability Report published mid-year 2015<br>Note1: $CO_2$ emissions subject to final verification under the EU Emissions Trading Scheme (EU ETS).<br>Note 2: Group $CO_2$ emissions data includes both Scope 1 and Scope 2 emissions, as defined by the WRI Greenhouse Gas Protocol. |

**$CO_2$ Emissions (million tonnes)**

| | Scope 1 | Scope 2 |
|---|---|---|
| 2014 | 10.3 | 1.4 |
| 2013 | 9.8 | 1.3 |

| | | |
|---|---|---|
| In 2014, 18% of all employees were female. Within that 11% of operational staff and 41% of clerical and administrative staff were female.<br>At Board level, 17% of our Directors were female and 5% of our senior managers were female. | The building materials industry traditionally attracts a higher than average proportion of male employees.<br>Continue to encourage all CRH employees to develop their careers. | Corporate Governance Report pages 54 to 71<br>Senior Management Listing pages 160 and 161<br>CRH Sustainability Report published mid-year 2015 |

# Sustainability and Governance

CRH's strategy and business model is built around the principles of sustainable, responsible and ethical performance.

The Group's organisational culture is rooted in a daily commitment to core values of honesty, integrity and respect in all business dealings.

CRH believes that combining these principles and values with best international practice, promotes good governance and provides a platform for the business to deliver superior returns over a sustained period of time, while also being sensitive and responsive to stakeholders and the environment in which the Group operates.

CRH has therefore placed sustainability and corporate social responsibility at the heart of its business model, strategy and activities worldwide.

## Health & Safety

CRH employs approximately 76,000 people globally and keeping people safe is a strategic priority at all levels of the organisation.

Throughout the organisation, from senior executives to operational management and all employees, safety in the workplace remains a primary focus. The Group's network of safety officers oversee the implementation of safety policy and best practices across all operations.

Over the last five years, CRH has invested €135 million in a range of initiatives worldwide targeted at promoting and maintaining a strong culture of safety. The effectiveness of these efforts is demonstrated by the continued reduction in accidents. A significant 93% of active locations were accident free in 2014, which is an improvement on the prior year, and the accident frequency rate has reduced by an average of 15% per annum over the last decade. However, despite the continued focus on safety, CRH deeply regrets the loss of two contractors' lives at Group operations during 2014. CRH continues to implement its Group-wide Fatality Elimination Plan and the elimination of fatalities is a fundamental objective of the Group.

*The Gliniany Quarry, owned by Grupa Ożarów SA in Poland, excavated its 100 millionth tonne of limestone for clinker production in December 2014. This photo, taken after severe rain in the area, displays the coexistence of the operating quarry and the surrounding nature.*

## Environment & Climate Change

With a global base, CRH recognises the part it can play in improving the sustainability of the built environment. CRH is committed to the highest standards of environmental management and to addressing proactively the challenges and opportunities of climate change.

The Group implements programmes across its worldwide operations to promote energy and resource efficiency, achieve targeted air emission reductions, enhance biodiversity, restore worked-out quarries and, in addition, realise environmentally driven product and process innovation and new business opportunities.

In 2012, three years ahead of the target date, CRH achieved its commitment to reduce specific net carbon dioxide ($CO_2$) emissions from cement plants by 15% on 1990 levels. CRH is now on track to achieving its 2020 commitment to a 25% reduction in specific net $CO_2$ cement plant emissions on 1990 levels.

Further progress was made in 2014. CRH continued to increase sales of lower carbon products such as warm-mix asphalt, which now accounts for approximately 40% of CRH's US asphalt sales. In Europe CRH provides low carbon cement for sustainable construction and approximately one third of CRH's cement plant fuel requirements are met by alternative fuels, generating cost benefits in addition to carbon savings.

As well as being recyclable themselves, many CRH products incorporate significant quantities of recycled and other alternative materials. In 2014, the Group used 19 million tonnes of externally sourced alternative materials to replace raw materials, including recycled asphalt pavement and shingles which together provide a fifth of asphalt requirements in US operations.

## People & Community

CRH believes that continued sustainable business success is built on maintaining excellent relationships with all stakeholders.

The Group is committed to fostering respect in the workplace and to developing an inclusive workforce based on merit and ability. Good people are at the heart of all successful organisations. It is a guiding Group philosophy to develop and nurture all employees, to provide training and skills learning, offering strong career paths and upskilling opportunities.

The Group endorses human and labour rights and supports the principles set out in the articles of the United Nations' Universal Declaration of Human Rights and the International Labour Organisation's Core Labour Principles. CRH operates a comprehensive Code of Business Conduct and has additionally implemented an Ethical Procurement Code and Supplier Code of Conduct.

The building materials industry traditionally attracts more male than female employees. In 2014, 18% of CRH's employees were female. At Board level, CRH has two female directors including the Finance Director, increasing to three from 1 March 2015. Following the Annual General Meeting 25% of the CRH Board will be female.

CRH also recognises a wider responsibility beyond core business activities in the communities in which Group companies operate. It is Group policy to actively support and engage with our neighbours. In 2014, Group companies hosted over 600 stakeholder engagement events.

CRH assists local neighbourhood and community initiatives, in addition to supporting programmes in education, environmental protection and job creation. For example, during 2014, CRH's US subsidiary, Oldcastle, continued in its national partnership with Habitat for Humanity and also continues to support the Wildlife Habitat Council.

*Oldcastle hosted its first Earth Day event on the Oldcastle Nature Trail at the Marcus Autism Center, in Atlanta, Georgia. Oldcastle employees participated in creating a butterfly garden, removing invasive plants, and planting native trees and bushes to enhance the trail.*

## Delivering Best-in-Class Governance

CRH is committed to adopting and maintaining best-in-class governance, which is a hallmark of successful organisations and businesses. At CRH, our values based approach to building and running a global business places an emphasis on respect for the law and an unrelenting commitment to compliance with the highest standards of business ethics.

CRH adopts an open and transparent environment in the workplace and we have developed an internal principle of conduct for all employees that there is 'never a good reason to do the wrong thing'. Within this environment, we also foster a 'speak up' culture to empower and encourage participation among employees.

CRH's Compliance & Ethics teams implement a Code of Business Conduct programme and work to ensure its success. The Code of Business Conduct sets out policies and guidelines, training, and monitoring and review mechanisms.

In the current training cycle a further 32,000 employees participated in Code of Business Conduct training. A further 11,000 also undertook advanced instruction on changing regulatory environments, anti-bribery rules, competition law and other relevant areas such as corruption and fraud.

Further information is provided in the Corporate Governance section of this report on pages 54 to 71.

## Managing Risk

Managing risk is an area of vital importance to CRH and the Group has adopted a formal Enterprise Risk Management (ERM) framework as a basis for assessing and mitigating risks associated with our range of businesses and corporate decisions.

The Group adopts the best international practice of incorporating the 'three lines of defence' structure into our corporate risk management: (i) local management, (ii) divisional and corporate oversight, and (iii) the internal audit function.

The principal risks and uncertainties faced by the Group are outlined on pages 96 to 98 of the Directors' Report and are reported to the Audit Committee on a bi-annual basis.

## Performance Reporting

CRH has formal structures in place to identify, evaluate and manage potential risks and opportunities in sustainability areas. Group performance in this regard, together with the effectiveness of actions, is reviewed regularly by the Board of Directors. CRH is committed to reporting on the breadth of its sustainability performance in a comprehensive and transparent manner and to publishing performance indicators and ambitions in key identified sustainability areas. The Group's annual Sustainability Report is published mid-year following external independent verification and is available at www.crh.com.

*Oldcastle Precast provided Storm Capture® as a solution for the underground stormwater detention system at the new administration building site at Quantico National Cemetery, in Virginia – a military cemetery for veterans of the United States Armed Forces.*

EBITDA
**€1,641 million**

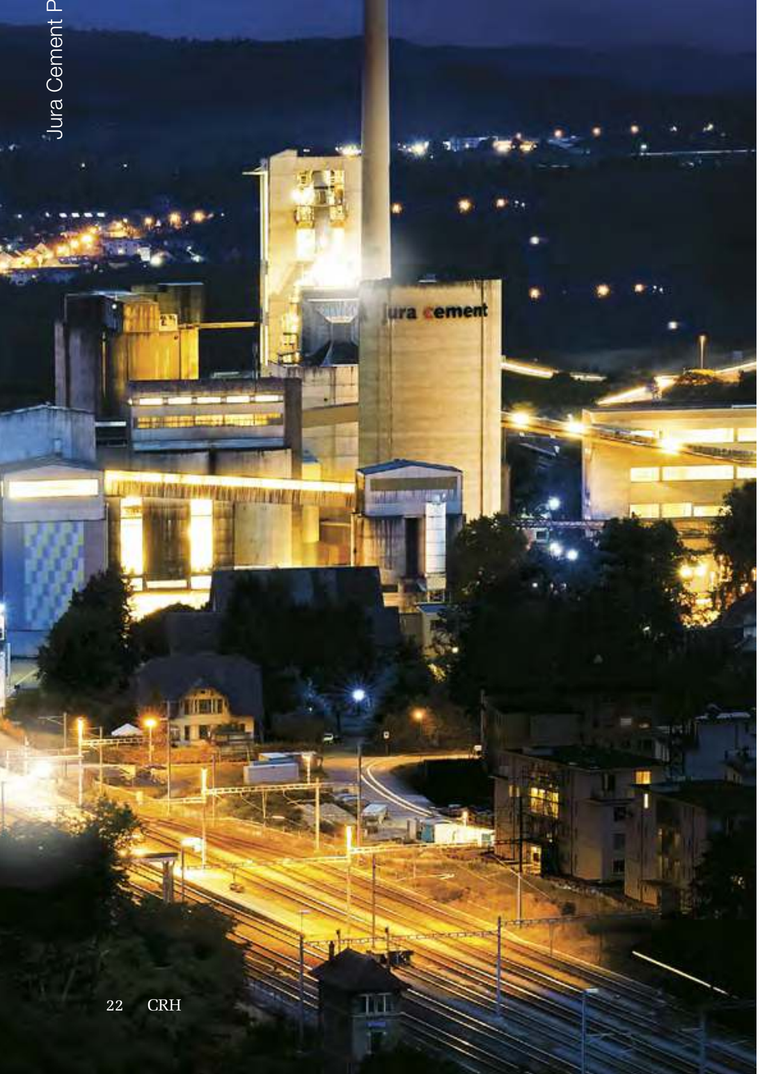
Capital Expenditure
**€435 million**

Operating Cash Flow
**€902 million**

Net Debt
**€2.5 billion**

Net Debt/EBITDA
**1.5 times**

EBITDA/Net Interest
**6.7 times**


Jura Cement Plant, Wildegg, Switzerland

# Business Performance Review

## Finance Director's Introduction

2014 was a year of growth for CRH, with improved performance in the first half driven by favourable weather in Europe, and the second half benefiting from improved momentum in the United States. The Group continued to focus on cash generation finishing the year in a strong and flexible financial position. Net debt at year-end 2014 reduced by €0.5 billion compared to 2013. This was achieved with strong cash inflows from operations, and proceeds of €0.35 billion from disposals, partly offset by spend of €0.62 billion on acquisitions, investments and capital expenditure, and dividend payments of €0.46 billion.

### Key Components of 2014 Performance

Overall sales for 2014 were 5% ahead of 2013, while organic sales from underlying operations were up 4%, reflecting strong favourable weather-impacted demand in Europe in the first half and increasing activity in the United States.

In Europe, after the encouraging start to the year which saw like-for-like sales increase by 6% helped by favourable early-season weather, trading in the second half was impacted by moderating trends across all three segments. Overall like-for-like sales for the year increased by 2%. EBITDA margin increased due to increased capacity utilisation, efficiency measures and cost saving actions.

Against an improving market backdrop as the year progressed, like-for-like sales in the Americas were up 8% in the second half, compared with a first-half increase of 4%. In our Materials business, like-for-like sales improved throughout the year and finished 7% ahead. Our Products and Distribution businesses which were impacted by unfavourable weather patterns in the early part of the year, benefited from improving demand in the second half particularly from new residential construction, and like-for-like sales were 5% ahead of 2013. With higher sales and good cost control, EBITDA margins improved in all three Americas segments.

During 2014, the US Dollar remained relatively stable at approximately 1.33 against the euro, however the weakening of currencies like the Ukrainian Hryvnia and Argentine Peso, partly offset by the strengthening of Sterling, were the principal factors behind the exchange effects shown in the

table below. The average and year-end 2014 exchange rates of the major currencies impacting on the Group are set out on page 114.

We continued to advance the significant cost-reduction initiatives which have been progressively implemented since 2007 and which by year-end had generated cumulative annualised savings of over €2.5 billion. Total restructuring costs associated with these initiatives (which generated savings of €118 million in 2014) amounted to €51 million in 2014 (2013: €71 million) and were once again heavily focussed on our European Divisions.

### Cash Management and Financial Performance

Throughout 2014 the Group continued to keep a focus on cash management, targeting in particular working capital and capital expenditure. Year-end working capital of €2 billion represented just 10.6% of sales, an improvement compared with year-end 2013 (11.2%). This performance delivered net inflows for the year of €69 million (2013: €118 million). CRH believes that its current working capital is sufficient for the Group's present requirements. Strong control of spending on property, plant and equipment resulted in lower cash outflows of €435 million (2013: €497 million), with spend in 2014 representing 69% of depreciation (2013: 74%). As a result, operating cash flow increased to €902 million (2013: €736 million).

Other major movements in net debt during the year comprised acquisition spend of €188 million on 21 transactions which was more than offset by divestment and disposal proceeds of €345 million.

Dividend payments of €460 million (before scrip) and proceeds of €129 million from share issues (including scrip and net of own shares purchased) were very similar to last year.

At year-end the stronger US Dollar (1.2141 versus the euro compared with 1.3791 at year-end 2013) was the main factor in the negative translation and mark-to-market impact of €181 million on net debt. Net debt of €2.5 billion at 31 December 2014 was €481 million lower than year-end 2013.

The Group is in a strong financial position. It is well funded and interest cover (EBITDA/net interest) of 6.7x is

## Key Components of 2014 Performance

| € million | Revenue | EBITDA | Operating profit | Profit on disposal | Finance costs (net) | Equity accounted investments* | Pre-tax profit/(loss) |
|---|---|---|---|---|---|---|---|
| **2013** | 18,031 | 1,475 | 100 | 26 | (297) | (44) | (215) |
| **Exchange effects** | (62) | (11) | (4) | - | (1) | 5 | - |
| **2013 at 2014 exchange rates** | **17,969** | **1,464** | **96** | **26** | **(298)** | **(39)** | **(215)** |
| ***Incremental impact in 2014 of:*** | | | | | | | |
| **- 2014 and 2013 acquisitions** | 237 | 16 | 4 | - | - | (2) | 2 |
| **- 2014 and 2013 divestments** | (25) | - | 1 | 43 | - | (1) | 43 |
| **- Restructuring costs** | - | 20 | 20 | - | - | - | 20 |
| **- Pension/$CO_2$ gains** | - | (23) | (23) | - | - | - | (23) |
| **- Impairment charges** | - | - | 601 | - | - | 105 | 706 |
| **Ongoing operations** | 731 | 164 | 218 | 8 | 10 | (8) | 228 |
| **2014** | **18,912** | **1,641** | **917** | **77** | **(288)** | **55** | **761** |

* *CRH's share of after-tax profits of joint ventures and associated undertakings*

significantly higher than the minimum requirements in the Group covenant agreements – further details are set out in note 23 to the financial statements.

We successfully completed two bond issues during 2014: in July €600 million of 7-year euro bonds were issued with a coupon of 1.75% and in September we completed our first Swiss Franc issuance for a further CHF330 million of 8-year bonds with a coupon of 1.375%. These were the lowest ever coupons obtained by the Group and reflect CRH's commitment to managing debt and maintaining an investment grade credit rating.

The Group remains in a very strong financial position with total liquidity at end 2014 of €5.9 billion comprising €3.3 billion of cash and cash equivalents on hand and €2.6 billion of committed undrawn facilities which do not mature until 2019. These cash balances were enough to meet all maturing debt obligations for the next five years and the weighted average maturity of the remaining term debt was eight years.

CRH's euro share price increased by 9% in 2014 to €19.90 at year-end; combined with the maintained dividend of 62.5c, shareholder euro returns were 12% in 2014 and contributed towards net debt as a percentage of market capitalisation decreasing to 17% (2013: 22%).

## Post Balance Sheet Events

On 1 February 2015, CRH announced that it had made a binding commitment to acquire certain businesses and assets of Lafarge S.A. ("Lafarge") and Holcim Limited ("Holcim") for a total enterprise value of €6.5 billion. The proposed acquisition is subject to: (i) CRH shareholder approval at an Extraordinary General Meeting to be held on 19 March 2015; (ii) the successful completion of the proposed merger of Lafarge and Holcim and (iii) the completion of certain local reorganisations by Lafarge and Holcim in advance of the acquisition. The Board believes that this acquisition, which arises from the decision by Lafarge and Holcim to divest certain of their businesses and assets in order to obtain regulatory clearances necessary to complete their merger, represents a compelling strategic opportunity for CRH. The acquisition will be funded through a combination of €2 billion from existing cash resources, the proceeds of €1.6 billion from the placing, which completed on 5 February 2015, of 74,039,915 ordinary shares in CRH plc (which rank pari passu in all respects with the existing ordinary shares including the right to receive all future dividends declared or paid after the date of the placing) and by new debt facilities in the amount of €2.9 billion. See note 33 on page 153 for further details.

## Business Performance Reviews

The section that follows outlines the scale of CRH's business in 2014, and provides a more detailed review of performance in each of CRH's six reporting segments.

### Summarised Cash Flow

| Inflows | 2014 €m | 2013 €m |
|---|---|---|
| Profit/(loss) before tax | **761** | (215) |
| Depreciation, amortisation and impairment | **724** | 1,375 |
| Working capital inflow (i) | **69** | 118 |
| | **1,554** | 1,278 |
| **Outflows** | | |
| Tax payments | **(127)** | (110) |
| Capital expenditure | **(435)** | (497) |
| Other (ii) | **(90)** | 65 |
| | **(652)** | (542) |
| **Operating cash flow** | **902** | 736 |
| Pension payments | **(66)** | (96) |
| Acquisitions and investments (iii) | **(188)** | (720) |
| Proceeds from disposals (iv) | **345** | 283 |
| Share issues (v) | **129** | 101 |
| Dividends (before scrip dividends) | **(460)** | (455) |
| Translation and mark-to-market adjustment | **(181)** | 87 |
| **Decrease/(increase) in net debt** | **481** | (64) |

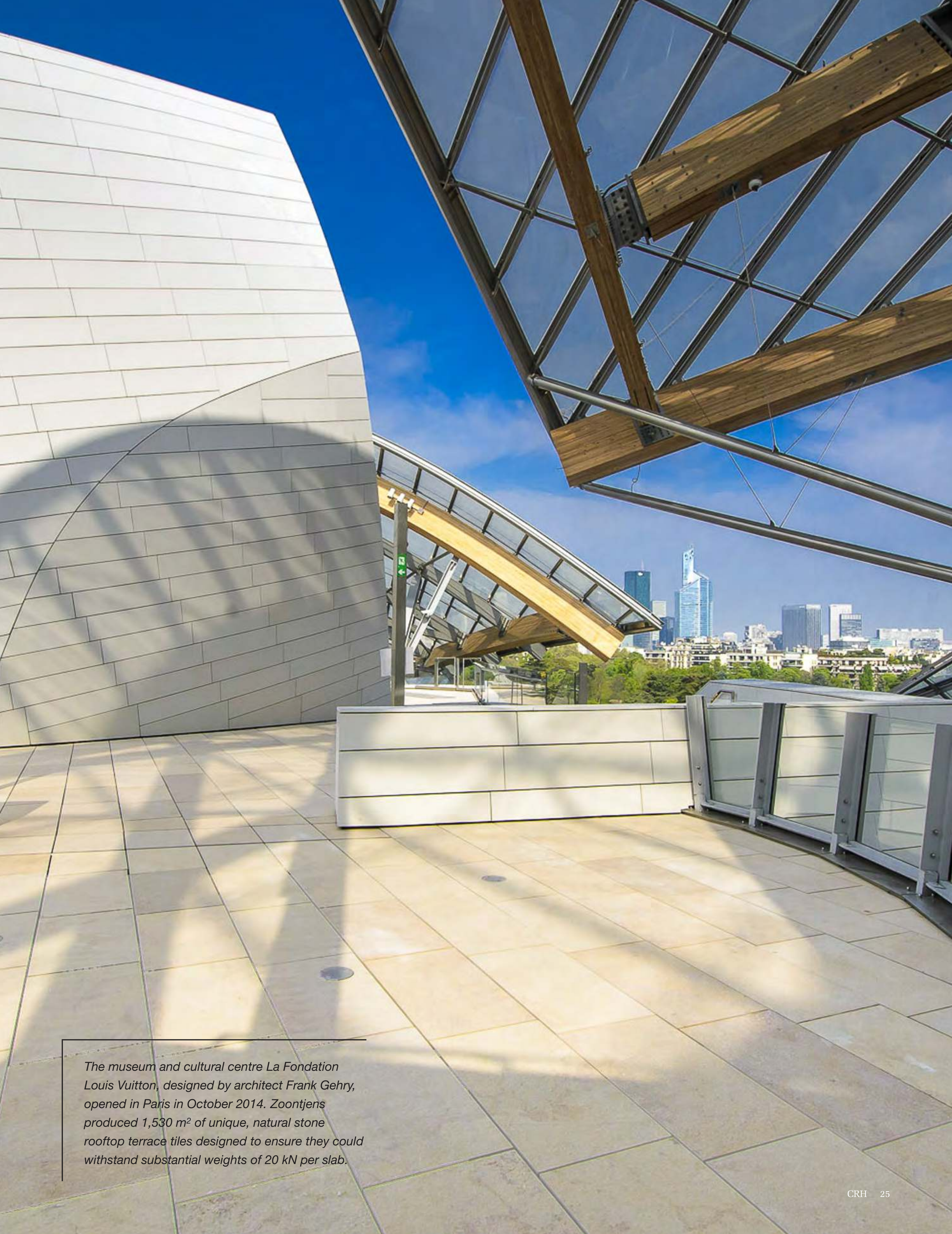
*(i) Working capital inflow includes the difference between net finance costs (included in profit before tax) and interest paid and received.*

*(ii) Other outflows comprise, primarily non-cash items included in profit before tax, comprising primarily profits on disposals/divestments of €77 million (2013: €26 million), share-based payments expense of €16 million (2013: €15 million) and share of profit of equity accounted investments of €55 million (2013: €44 million loss), together with dividends received from equity accounted investments of €30 million (2013: €33 million).*

*(iii) Acquisitions and investments spend comprises consideration for acquisition of subsidiaries (including debt acquired and asset exchanges), deferred and contingent consideration paid, other investments, advances and acquisition of non-controlling interests.*

*(iv) Proceeds from disposals includes asset exchanges (see note 4 to Financial Statements).*

*(v) Proceeds from share issues include scrip dividends of €107 million (2013: €88 million) and in 2013 were net of own shares purchased of €6 million.*



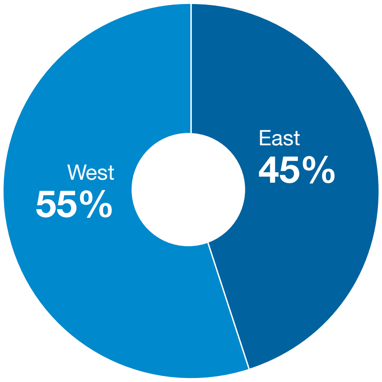
*The museum and cultural centre La Fondation Louis Vuitton, designed by architect Frank Gehry, opened in Paris in October 2014. Zoontjens produced 1,530 m$^2$ of unique, natural stone rooftop terrace tiles designed to ensure they could withstand substantial weights of 20 kN per slab.*

# Operational Snapshot (sector exposure and end-use based on 2014 EBITDA)

## Europe Heavyside

| | € million | % of Group |
|---|---|---|
| **Sales** | 3,929 | 21% |
| **EBITDA** | 380 | 23% |
| **Net Assets*** | 2,396 | 20% |

### Geography



### Sector Exposure

| | |
|---|---|
| Residential | 40% |
| Non-residential | 35% |
| Infrastructure | 25% |

### End-use

| | |
|---|---|
| New | 75% |
| RMI | 25% |

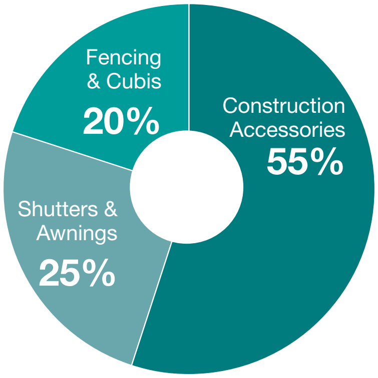
### Annualised Production Volumes

Cement – 10.3m tonnes (19.8m tonnes**)
Aggregates – 41.9m tonnes (42.5m tonnes**)
Asphalt – 2.1m tonnes
Readymixed Concrete – 7.1m $m^3$ (7.5m $m^3$**)
Lime – 1.1m tonnes
Concrete Products – 6.5m tonnes
Architectural Concrete – 7.4m tonnes
Clay – 2.0m tonnes

## Europe Lightside

| | € million | % of Group |
|---|---|---|
| **Sales** | 913 | 5% |
| **EBITDA** | 94 | 6% |
| **Net Assets*** | 546 | 4% |

### Products



### Sector Exposure

| | |
|---|---|
| Residential | 35% |
| Non-residential | 50% |
| Infrastructure | 15% |

### End-use

| | |
|---|---|
| New | 70% |
| RMI | 30% |

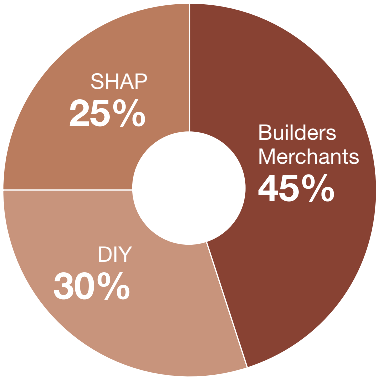
### Annualised Production Volumes

Fencing & Security – 3.5 lineal metres

## Europe Distribution

| | € million | % of Group |
|---|---|---|
| **Sales** | 3,999 | 21% |
| **EBITDA** | 190 | 12% |
| **Net Assets*** | 1,577 | 13% |

### Activities



### Sector Exposure

| | |
|---|---|
| Residential | 80% |
| Non-residential | 20% |
| Infrastructure | 0% |

### End-use

| | |
|---|---|
| New | 35% |
| RMI | 65% |

### Outlets

Builders Merchants – 343 (517**)
DIY – 184 (228**)
SHAP – 132

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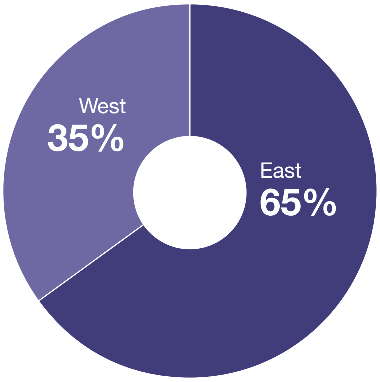
* Net assets at 31 December 2014 comprise segment assets less segment liabilities as disclosed in note 1 to the Consolidated Financial Statements.

** Including equity accounted investments.

## Americas Materials

| | € million | % of Group |
|---|---|---|
| **Sales** | **5,070** | 27% |
| **EBITDA** | **609** | 37% |
| **Net Assets*** | **5,276** | 43% |

### Geography



### Sector Exposure

| | |
|---|---|
| Residential | 15% |
| Non-residential | 25% |
| Infrastructure | 60% |

### End-use

| | |
|---|---|
| New | 35% |
| RMI | 65% |

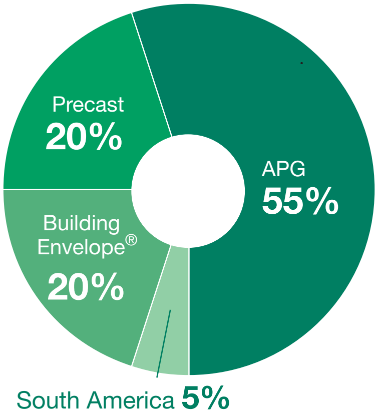
### Annualised Production Volumes

Aggregates – 135.8m tonnes (137.3m tonnes**)
Asphalt – 39.4m tonnes (40.5m tonnes**)
Readymixed Concrete – 6.2m $m^3$ (6.3m $m^3$**)

## Americas Products

| | € million | % of Group |
|---|---|---|
| **Sales** | **3,225** | 17% |
| **EBITDA** | **263** | 16% |
| **Net Assets*** | **1,863** | 15% |

### Products



### Sector Exposure

| | |
|---|---|
| Residential | 45% |
| Non-residential | 45% |
| Infrastructure | 10% |

### End-use

| | |
|---|---|
| New | 70% |
| RMI | 30% |

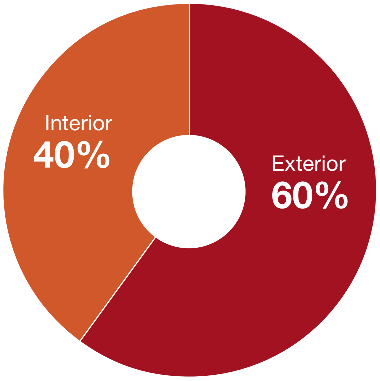
### Annualised Production Volumes

Concrete masonry, patio products and pavers – 9.9m tonnes
Pre-packaged concrete mixes – 2.8m tonnes
Clay bricks, pavers and tiles – 0.9m tonnes
Pre-packaged lawn & garden products – 4.3m tonnes
Precast concrete products – 1.2m tonnes
Pipe and pre-stressed concrete – 0.4m tonnes
Building envelope products – 9.4m square metres
Fencing products – 12.1m lineal metres

## Americas Distribution

| | € million | % of Group |
|---|---|---|
| **Sales** | **1,776** | 9% |
| **EBITDA** | **105** | 6% |
| **Net Assets*** | **668** | 5% |

### Activities



### Sector Exposure

| | |
|---|---|
| Residential | 50% |
| Non-residential | 50% |
| Infrastructure | 0% |

### End-use

| | |
|---|---|
| New | 45% |
| RMI | 55% |

### Outlets

Exterior products – 146
Interior products – 52

# CRH in Europe

CRH is a regional leader in the manufacture and supply of building materials to construction markets in Europe and strives to maintain No 1 and No 2 market positions in different product segments across a range of European countries.

The European operations are comprised of three divisions: Heavyside, Lightside and Distribution. The Heavyside operations produce cement, asphalt, aggregates, readymixed concrete, precast concrete and concrete landscaping. Our Lightside operations manufacture construction accessories, shutters & awnings, fencing and composite access chambers. In Distribution we are a leading player in builders merchanting, DIY and sanitary, heating and plumbing.

Operating across Western and Eastern Europe, close to 36,000 people are employed at over 1,500 locations.

*Top: CRH operates six cement distribution terminals across the UK. Pictured here, a bulk tanker loaded with cement from CRH in Ireland leaves the Premier Cement Terminal at Liverpool, England for delivery to customers.*

*Centre: Heras, a Europe Lightside fencing business, recently developed the innovative iGate range. This is a lightweight and environmentally friendly aluminium gate design, with a large choice of colours and frame fillings for the architect including LED illumination. Pictured is a Heras iGate at a hotel in Dordrecht, the Netherlands.*

*Right: Regusci Reco is located in the Italian speaking part of Switzerland, a major tourist area. Their distribution product range comprises all the materials needed to build tourist accommodation including building materials, bathrooms, kitchens, tools and doors.*

# Europe Heavyside

## Business Description

In 2014, the Group reorganised its European business by integrating its former Materials Division with the concrete and clay businesses of the former Products Division into one Heavyside organisation. The purpose of this reorganisation is to enable CRH to maximise the benefits and synergies of our operating plant network in both Western and Eastern European markets.

Europe Heavyside's strategy is to build leading regional positions in businesses that are vertically integrated and which have the potential to grow further in the large European construction markets. We deliver our strategy through a focus on a balanced exposure to demand, product penetration and on maximising the benefits of scale and best practice. Our business is differentiated and achieves competitive advantage through a commitment to constant product, process and end-use improvement.

Europe Heavyside is organised into two regional divisions: Western Europe, which comprises our cement, aggregates, asphalt, concrete and clay operations primarily in Switzerland, Germany, UK, Benelux, France, Denmark, Ireland and Spain, and Eastern Europe which includes our cement, aggregates, asphalt and concrete businesses in Poland, Ukraine and Finland. The business model of vertical integration is founded in resource-backed cement and aggregates assets, which support the manufacture and supply of cement, aggregates, readymixed and precast concrete, concrete landscaping and asphalt products. Consequently, a key focus for the Heavyside Division is the ongoing process of extending and adding to reserves. We operate a network of well-invested facilities and place great emphasis on excellence initiatives across the business. CRH's approach to Building Better Businesses ensures a focus on achieving greater production efficiencies and realising operational, logistical and procurement synergies across our network. A commitment to a sustainable future results in greater use of alternative fuels and the manufacture of low carbon cements.

Our development focus is centred on bolt-on acquisitions for synergies, reserves and further vertical integration, in addition to opportunities in contiguous regions to extend and strengthen regional positions; this includes developing markets in Eastern Europe that offer long-term growth potential, with entry via cement and aggregates assets and the potential to roll out operational excellence programmes and a vertical integration approach over time. In the context of the detailed review of the portfolio undertaken by the Group during 2014, CRH announced in December 2014 that it had reached agreement to dispose of its clay and concrete businesses in the UK. The transaction is expected to close in the first quarter of 2015.

Europe Heavyside employs approximately 19,100 people at close to 800 locations in 21 countries.

### Market leadership positions

**Cement**

| | |
|---|---|
| Top 10 | Europe |
| No.1 | Finland, Ireland, Ukraine, Basque Region Spain |
| No.2 | Switzerland |
| No.3 | Poland |

**Aggregates**

| | |
|---|---|
| No.1 | Finland, Ireland |

**Readymixed concrete**

| | |
|---|---|
| No.1 | Finland, Ireland |
| No.2 | Switzerland |
| No.2 | Poland |

**Agricultural & chemical lime**

| | |
|---|---|
| No.1 | Ireland |
| No.2 | Poland |

**Concrete products**

| | |
|---|---|
| No.1 | Structural concrete & flooring: Benelux |
| No.1 | Structural concrete: Denmark |
| No.2 | Utility precast: France |
| No.1 | Precast structural elements: Hungary, Switzerland |
| No.1 | Concrete fencing and lintels: UK |

**Architectural concrete**

| | |
|---|---|
| No.1 | Blocks & rooftiles: Ireland |
| No.1 | Landscaping products: Finland, Poland, Benelux, France and Slovakia |
| No.1 | Paving/landscape walling: Germany |
| No.1 | Architectural masonry: UK |
| No.2 | Paving products: Denmark |

## Operations Review

| Results | | | | | Analysis of change | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| € million | % Change | 2014 | 2013 | Total Change | Organic | Acquisitions | Divestments | Restructuring/ Impairment | Pension/ $CO_2$ gains | Exchange |
| **Sales revenue** | **4%** | **3,929** | 3,786 | **143** | 105 | 51 | -4 | - | - | -9 |
| **EBITDA*** | **17%** | **380** | 326 | **54** | 47 | 2 | 1 | 22 | -11 | -7 |
| **Operating profit*** | **138%** | **151** | -395 | **546** | 73 | -2 | 1 | 489 | -11 | -4 |
| **EBITDA/sales** | | **9.7%** | 8.6% | | | | | | | |
| **Operating profit/sales** | | **3.8%** | -10.4% | | | | | | | |

** EBITDA and operating profit exclude profit on disposals*
*No pension restructuring gains were recorded (2013: €12 million)*
*Gains from $CO_2$ trading amounted to €9 million (2013: €8 million)*

*Restructuring costs amounted to €15 million (2013: €37 million)*
*Impairment charges of €35 million were incurred (2013: €502 million)*

The commentary below excludes the impact of impairment charges on operating profit.

Excellent weather conditions, especially in the first quarter, provided a platform for a like-for-like sales increase of 7% in the first six months. With sales marginally behind 2013 in the second half, overall like-for-like sales for the year increased by 3%. The EBITDA margin improved significantly due to increased capacity utilisation, efficiency measures, cost savings and relatively stable input costs.

### Western Europe (55% of EBITDA)

Sales increased by 4% in 2014 with double-digit growth in Ireland and the UK partly offset by declines in the Benelux and France. EBITDA increased significantly, mainly driven by excellent results in the UK.

With the residential construction market remaining strong in Switzerland, our cement volumes were 8% ahead of 2013, although we continued to experience price pressure. Prices in the downstream businesses were stable while volumes declined slightly. Overall operating profit declined. In the UK the residential market remained very strong both for our clay and concrete businesses, and sales and operating profit increased during the year. There was a mixed outcome in the Benelux. While overall demand in the Netherlands was weak, resulting in lower volumes for readymixed concrete and landscaping products, cement volumes remained in line with the prior year and in Belgium were better than in 2013. Both markets experienced significant price pressure and operating profit was lower than prior year. In Ireland an increase in residential activity in Dublin resulted in higher volumes, however prices remained competitive due to overcapacity in the market. Overall operating profit was in line with 2013.

Construction output in France continued to decline and precast concrete volumes fell sharply resulting in lower operating profit. In Germany, volumes were higher in our concrete landscaping activity and prices remained under pressure; underlying operating profit was in line with 2013. Residential activity in Denmark improved, and although pricing remained difficult due to the overcapacity in the market; operating profit increased. In Spain, the decline in national cement volumes moderated, while volumes for our cement business in the Basque region were slightly ahead of 2013; overall operating profit was ahead of the 2013 outcome.

### Eastern Europe (45% of EBITDA)

Our operations benefited from favourable weather at the start of the year, with like-for-like sales up 9% in the first half. However, sales fell by 6% in the second half, resulting in a marginal increase in like-for-like sales for the year overall. The slight improvement was achieved against a backdrop of political turmoil in Ukraine offset by improved demand in Poland. A relatively stable input cost environment, together with ongoing efficiency measures, resulted in an overall stable EBITDA margin.

Construction output in Poland increased by 5% in 2014, reflecting an early start to the season due to very mild weather in the first quarter, stronger economic growth and a pick-up in the previously sluggish residential sector.

National cement volumes for the year increased by 6%. Our readymixed concrete and landscaping volumes also increased. While prices for many of our products remained under pressure, operating profit in Poland increased due to strong volumes and the benefit of previously implemented cost-reduction programmes. Despite the uncertain political backdrop in Ukraine and a 13% reduction in national construction output, our like-for-like cement volumes were only down 1% on 2013 reflecting the concentration of our plants in western Ukraine and the ongoing commitment and dedication of our Ukrainian-based team. Due to better pricing, continued focus on cost efficiencies and the full-year benefit of the acquisition of Mykolaiv, operating profit in local currency was ahead of 2013. Construction output in Finland remained relatively weak in 2014 mainly as a result of a continuing decline in housing starts and a 2% drop in our cement volumes. Volumes and prices in readymixed concrete and aggregates were also under pressure and operating profit was below 2013. Sales and operating profit were ahead in 2014 in our concrete products operations in Romania, Hungary and Slovakia as a result of improved activity.

### Outlook

**Western Europe:** In the Netherlands we expect to see further improvements in the residential sector, which should have a positive impact in 2015, while the non-residential and infrastructure sectors are expected to improve marginally. In Switzerland construction activity is expected to decline slightly but remain on a relatively high level with some improvement from larger infrastructure (tunnel) projects, which are expected to commence in 2015. The outlook for construction output in Belgium is flat. Ireland should continue to grow with overall construction activity mainly driven by the residential segment. France is expected to decline further especially in the infrastructure sector. The outlook for Germany and Denmark is positive, but showing only modest growth. Spain remains challenging and we expect that 2014 was the bottom of the cycle, with moderate improvements anticipated in 2015.

**Eastern Europe:** The growth in activity in Poland during 2014 is expected to continue to be led by a pick-up in road programme activity in the second half of 2015. The outlook for Ukraine is uncertain; we expect construction activity to decline, and the local currency is expected to remain very weak. The outlook remains challenging for Finland, although with the benefits of cost efficiencies we expect to improve margins. Further growth is expected in Romania, Hungary and Slovakia.

### Reserves

| Physical location | Proven & probable | Period to depletion |
|---|---|---|
| | million tonnes | years |
| **Cement** | | |
| Ireland | 217 | 133 |
| Poland | 185 | 49 |
| Switzerland | 26 | 17 |
| Ukraine | 164 | 62 |
| Spain | 86 | 602 |
| **Aggregates** | | |
| Finland | 190 | 15 |
| Ireland | 897 | 85 |
| Poland | 182 | 20 |
| Spain | 98 | 43 |
| Other | 173 | 22 |
| **Lime** | | |
| Ireland/Poland | 46 | 46 |

*Alulux is part of the Shutters & Awnings business in Europe Lightside. It is a leading German producer of roller shutters and external venetian blinds, which are used to improve energy efficiency, comfort and security in residential building construction and renovation.*

# Europe Lightside

## Business Description

Europe Lightside produces and supplies high-value, award-winning products, expert solutions and other technologies for often challenging construction projects. The Division is organised into four business areas: Construction Accessories, Shutters & Awnings, Fencing and Cubis (composite access chambers). We buy, build and grow business units with market leading positions and strong growth prospects, selling through a range of flagship brands at a regional and European level.

The Lightside Division grows both organically and by acquisition to create leading positions within our chosen markets. We maximise synergies across the business in the areas of performance improvement, procurement, talent management and product development.

We have a relentless focus on innovation. Lightside customers are specialist end-users, including architects and engineers. Using our pan-European presence and scale, we work closely with them to develop design solutions that are approved and certified for individual target markets.

We draw upon an outstanding record of enabling mature and high-growth businesses alike to expand their offerings, and develop their markets. Lightside has achieved consistently attractive returns. The resilience of these returns reflects active, balanced management of our product range and our geographic and business cycle exposures.

Our development strategy is to deepen our positions in existing markets and technologies in developed European markets, to broaden our product range in selected growth categories, and to expand our presence in developing regions outside Europe as construction markets in those areas become more sophisticated.

This strategy complements CRH's aim to provide innovative solutions that meet the longer-term opportunities presented by economic development, changing demographics and sustainability.

Employees total approximately 5,000 people at circa 100 operating locations in 17 countries.

### Market leadership positions

**Construction Accessories**

| | |
|---|---|
| No.1 | Europe |
| No.1 | Malaysia |
| No.2 | Singapore |

**Shutters & Awnings**

| | |
|---|---|
| No.1 | Netherlands |
| No.3 | Germany |

**Fencing**

| | |
|---|---|
| No.1 | Europe |

## Operations Review

| Results | | | | | Analysis of change | | | | |
|---|---|---|---|---|---|---|---|---|---|
| € million | % Change | 2014 | 2013 | Total Change | Organic | Acquisitions | Restructuring/ Impairment | Pensions | Exchange |
| **Sales revenue** | **7%** | **913** | 856 | **57** | 53 | - | - | - | 4 |
| **EBITDA*** | **32%** | **94** | 71 | **23** | 22 | - | 1 | -1 | 1 |
| **Operating profit*** | **154%** | **71** | 28 | **43** | 31 | - | 14 | -1 | -1 |
| **EBITDA/sales** | | **10.3%** | 8.3% | | | | | | |
| **Operating profit/sales** | | **7.8%** | 3.3% | | | | | | |

** EBITDA and operating profit exclude profit on disposals*
*No pension restructuring gains were recorded (2013: €1 million)*

*Restructuring costs amounted to €5 million (2013: €6 million)*
*No impairment charges were recorded (2013: €13 million)*

The commentary below excludes the impact of impairment charges on operating profit.

2014 saw good progress for Europe Lightside, with our portfolio of businesses benefiting from mild weather early in the year. Like-for-like sales were 6% ahead of 2013, helped by good export levels to markets outside of Europe. Market demand in the Netherlands and France remained weak, while activity in Germany, Belgium and Switzerland was more resilient. The UK experienced robust growth, particularly in residential construction. With the benefit of new product innovation, market share gains and cost reduction initiatives, the Division achieved substantial growth in both EBITDA and operating profit margins.

### Construction Accessories (55% of EBITDA)

This division supplies a broad range of connecting, fixing and anchor systems to the construction industry. Like-for-like sales grew by almost 6% in 2014, with a significant increase in operating profit. *Engineered Accessories* benefited from new product innovation and previous restructuring initiatives. Our businesses in Germany and the UK delivered strong growth in operating profits, while Switzerland also performed well. The more commodity-focussed *Building Site Accessories* businesses had a mixed year, with better performances in the UK, Belgium and Spain offset by rationalisation costs and more difficult trading conditions in Germany and France.

### Shutters & Awnings (25% of EBITDA)

Our operations in this division serve the attractive RMI and residential end-use markets, supplying sun protection, energy-saving, and outdoor living technologies. The Netherlands business benefited from the introduction of innovative new products with strong margins. The UK business also delivered improved sales and margins. In Germany, strong demand for our awnings products was offset by a weaker performance in the shutters business due to lower exports to France and restructuring measures. Overall, like-for-like sales and operating profits increased.

### Fencing & Cubis (20% of EBITDA)

Our *Permanent Fencing* business again experienced difficult markets, especially in the Netherlands, although a number of initiatives contributed to improved sales and operating profits. Despite challenging market conditions, results for *Mobile Fencing* were only slightly lower year-on-year, as a result of various operational excellence measures. *Cubis*, our composite access chamber business, had another good year in which sales and operating profits increased due to strong UK demand and the introduction of a range of new products.

### Outlook

While we are positive about the UK and Switzerland in 2015, we expect France to remain challenging, and are cautious about the outlook for Germany and the Netherlands. Given Europe Lightside's robust business mix, we anticipate further organic growth in 2015, achieved through new products, maximising export opportunities and a continued RMI focus. This growth, combined with commercial and operational excellence programmes, is expected to deliver further improvement in our operating profit in the year ahead.

# Europe Distribution

## Business Description

Europe Distribution's strategy is to grow its network presence in the largely unconsolidated core European markets while also investing in other attractive segments of building materials distribution. Operational excellence is delivered through optimising the supply chain and providing superior customer service.

We have leading General Builders Merchant positions in the Netherlands, Switzerland, northern Germany, Austria and France which service the growing repair, maintenance and improvement construction sector. Our businesses cater to the needs of small and medium-sized builders, selling a range of bricks, cement, roofing and other building products.

Our specialist Sanitary, Heating and Plumbing (SHAP) business services the needs of plumbers, heating specialists and installers in Belgium, Germany and Switzerland. In addition, Europe Distribution operates under four DIY brands: GAMMA (Netherlands and Belgium), Karwei (Netherlands), Hagebau (Germany) and Maxmat (Portugal) selling to DIY enthusiasts and home improvers.

Significant opportunities remain to expand our existing network and to gain exposure to rising RMI demand and new growth platforms.

Europe Distribution employs over 11,600 people at more than 600 locations.

### Market leadership positions

**Builders Merchants**

| | |
|---|---|
| No.1 | Austria |
| No.1 | Netherlands |
| No.1 | Switzerland |
| No.1 | Northern Germany |
| No.1 | France: Burgundy, Franche-Comté, and Rhône-Alps |
| No.2 | Ile-de-France and Normandy |

**DIY**

| | |
|---|---|
| No.1 | Netherlands* |
| No.3 | Belgium* |
| No.5 | Germany** |
| No.2 | Portugal (50%) |

* Member of Gamma franchise

** Member of Hagebau franchise

**SHAP**

| | |
|---|---|
| No.2 | Switzerland |
| No.2 | Belgium |
| No.3 | Northern Germany |

## Operations Review

| Results | | | | | Analysis of change | | | | |
|---|---|---|---|---|---|---|---|---|---|
| € million | % Change | 2014 | 2013 | Total Change | Organic | Acquisitions | Restructuring/ Impairment | Pensions | Exchange |
| **Sales revenue** | **2%** | **3,999** | 3,936 | **63** | 7 | 41 | - | - | 15 |
| **EBITDA*** | **2%** | **190** | 186 | **4** | 15 | - | - | -11 | - |
| **Operating profit*** | **6%** | **112** | 106 | **6** | 14 | -1 | 4 | -11 | - |
| **EBITDA/sales** | | **4.8%** | 4.7% | | | | | | |
| **Operating profit/sales** | | **2.8%** | 2.7% | | | | | | |

** EBITDA and operating profit exclude profit on disposals*
*No pension restructuring gains were recorded (2013: €11 million)*

*Restructuring costs amounted to €4 million (2013: €4 million)*
*No impairment charges were recorded (2013: €4 million)*

With the benefit of mild weather in the early months of 2014, first-half like-for-like sales increased by 4%. Although the Netherlands saw some recovery in consumer confidence as the year progressed, financing conditions remained tight; our other key markets, particularly Switzerland, France and Germany, experienced more subdued demand and intense competition. While sales in the third quarter declined by 4% on a like-for-like basis, by December activity had flattened to a level similar to last year, resulting in a full-year like-for-like sales outturn that was broadly similar to 2013. With the benefit of procurement and other commercial excellence initiatives, and in spite of the absence in 2014 of the once-off pension gain of €11 million reported in 2013, overall operating profit and margin was ahead of last year.

Six builders merchants acquisitions were completed in 2014 at a total cost of €27 million. In the Benelux, we acquired seven branches mainly to expand our footprint in our growing builders merchants platform in Belgium. We also acquired two branches in northern France, strengthening our network in Normandy.

### Professional Builders Merchants (45% of EBITDA)

Overall operating profit for our wholly-owned professional builders merchants business, which operates 343 branches in six countries, was ahead of 2013. Mild first-quarter weather together with the incremental contribution from acquisitions offset weaker demand as the year progressed, resulting in full-year sales in line with the previous year. Operating profit advanced mainly due to procurement initiatives in the Benelux and France and ERP optimisation in Austria. Sales in the Benelux ended slightly ahead of 2013 due mainly to our recent Belgian acquisitions with operating profit well ahead as a result of procurement and cost savings initiatives. In Switzerland, sales finished slightly behind 2013, with the main driver for lower sales being a softening of local residential markets in particular; operating profit was impacted by lower volumes and pricing pressure partly coming from the strong Swiss Franc. Our builders merchants activities in Germany made a strong start to the year in mild weather; this moderated as the year progressed leaving full-year sales and operating profit slightly ahead of prior year. Sales in France were slightly ahead of 2013 due to acquisition contributions, while operating profit improved following a continued focus on pricing, purchasing and cost control. Sales levels in Austria were slightly behind 2013, although operating profit was ahead due to measures taken to leverage the recently implemented ERP system.

### Sanitary, Heating and Plumbing (“SHAP”) (25% of EBITDA)

Sales in our SHAP business, which operates 132 branches, were ahead of 2013 due to an organic improvement in our Belgian businesses which continue to perform strongly. Sales in our German business moderated in the second half, finishing broadly in line with prior year. Due to the challenging market conditions in Switzerland, results were lower compared with 2013. Underlying operating profit for our SHAP activities in 2014 was broadly in line with 2013 as organic improvement in Belgium was offset by weaker Swiss results.

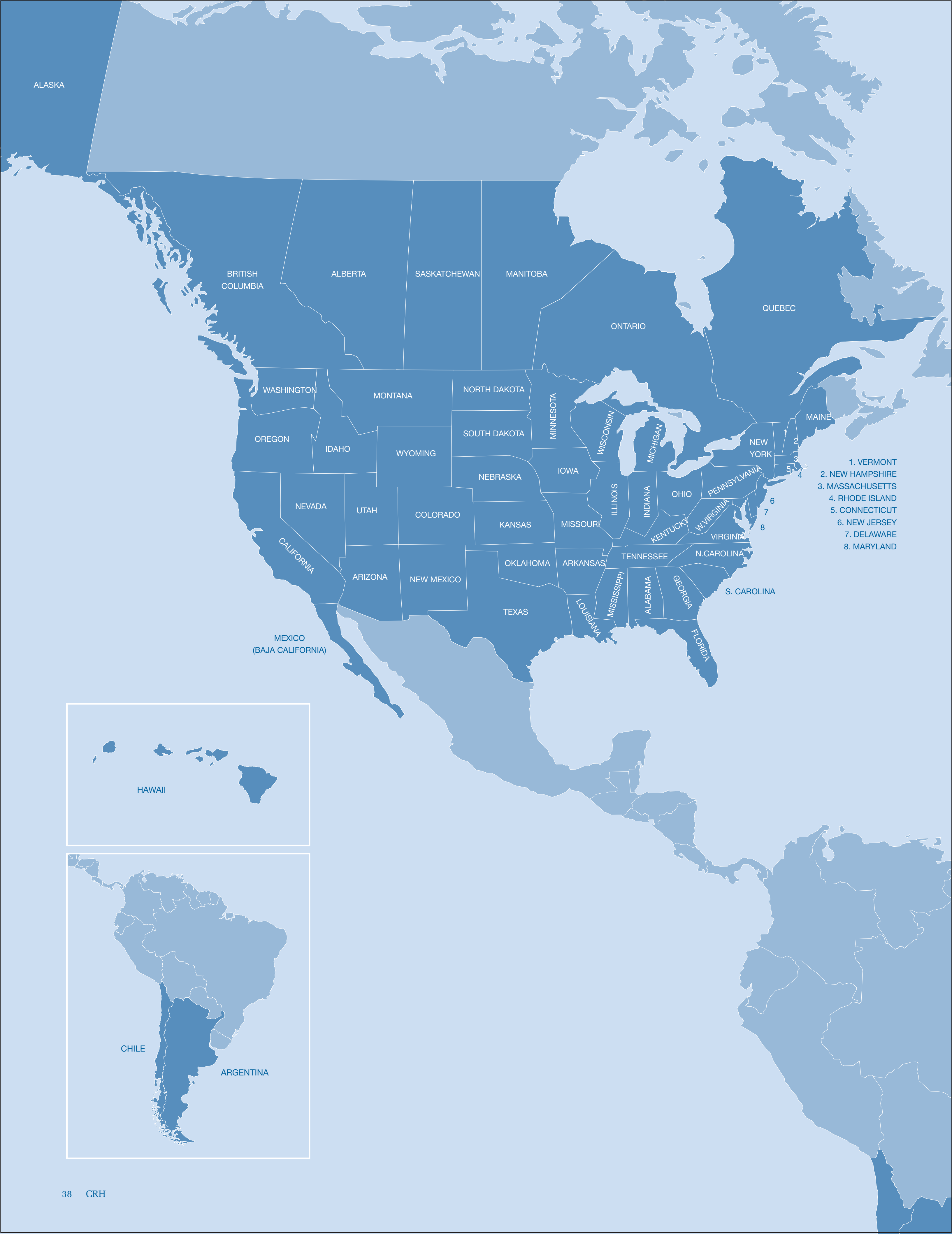
### DIY (30% of EBITDA)

Our wholly-owned DIY business operates 184 stores in the Netherlands, Germany and Belgium. Similar to our other businesses, DIY made a strong start to 2014 with garden sales in particular benefiting from mild weather conditions. Despite improving consumer confidence and mild weather, competition remained intense in the Dutch market with high levels of price discounting featuring prominently during the year. Overall sales ended broadly in line with 2013 in both the Netherlands and Belgium. Sales in our DIY business in Germany were higher than the previous year in part due to recent greenfield investments. Overall operating profit for the DIY business was ahead of the prior year with weaker pricing in the Netherlands more than offset by cost savings initiatives, lower restructuring costs and a good performance in our German DIY business.

**Outlook**

While the Dutch economy continues to show progress, as seen in improving consumer confidence indicators, underlying financing conditions remain somewhat constrained and therefore we expect measured progress in 2015. The German market outlook remains broadly positive despite some moderation in economic growth. Markets in Austria are expected to be flat in 2015. In Switzerland, consistent with recent Euroconstruct indicators, residential markets in particular are expected to be subdued, so we remain cautious for 2015. Construction activity in France is also expected to be constrained in the near term. Overall 2015 is likely to be another challenging year, but we expect improved operating profit due mainly to further initiatives in commercial and operational excellence programmes and our continued focus on cost-reduction measures.

*A customer service employee at the newly opened 4,000 m$^2$ GAMMA hardware store in Alkmaar, the Netherlands, uses his DIY knowledge to assist a customer.*


ALASKA
BRITISH COLUMBIA
ALBERTA
SASKATCHEWAN
MANITOBA
ONTARIO
QUEBEC
WASHINGTON
MONTANA
NORTH DAKOTA
MINNESOTA
WISCONSIN
MICHIGAN
NEW YORK
MAINE
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OREGON
IDAHO
WYOMING
SOUTH DAKOTA
IOWA
NEBRASKA
ILLINOIS
INDIANA
OHIO
PENNSYLVANIA
6
7
8
1. VERMONT
2. NEW HAMPSHIRE
3. MASSACHUSETTS
4. RHODE ISLAND
5. CONNECTICUT
6. NEW JERSEY
7. DELAWARE
8. MARYLAND
NEVADA
UTAH
COLORADO
KANSAS
MISSOURI
KENTUCKY
W.VIRGINIA
VIRGINIA
CALIFORNIA
ARIZONA
NEW MEXICO
OKLAHOMA
ARKANSAS
TENNESSEE
N.CAROLINA
S. CAROLINA
TEXAS
LOUISIANA
MISSISSIPPI
ALABAMA
GEORGIA
FLORIDA
MEXICO
(BAJA CALIFORNIA)
HAWAII
CHILE
ARGENTINA

# CRH in the Americas

CRH is the largest building materials company in North America. We operate across all 50 US states and in six Canadian provinces. In addition, we have operations in Baja California, Argentina and Chile.

Our Americas operations comprise Materials, Products and Distribution Divisions. In Materials, we are the largest producer of asphalt and third largest producer of aggregates and readymixed concrete in the United States. Our Products operations, with their national footprint and broad product range, are the leading supplier of concrete products and architectural glazing systems in North America. In Distribution, we are a leading supplier of product to the specialist Exterior roofing/siding contractor and also the Interior ceilings/walls demand segments.

Close to 40,000 people are employed by CRH in the Americas at close to 1,800 locations.

*Top: Employees safely excavate bulk sand at the Thompson-Arthur's Candor Sand Plant in North Carolina. In 2014, the plant produced over 430,000 tonnes of product and employees celebrated 26 years of operating without a recordable, preventable, or lost time incident.*

*Centre: Oldcastle BuildingEnvelope® manufactured and supplied high-performance low-iron laminated architectural glass and engineered entrance and storefront aluminum glazing systems for the award winning 143,000 ft$^2$ university building at the Rutgers University Business School in Piscataway, New Jersey.*

*Right: The Montebello branch is the largest branch in the AMS network. Servicing Los Angeles and the southwestern suburbs, it is the established market leader for the fabrication of doors, frames and hardware for commercial buildings in southern California.*

# Americas Materials

## Business Description

Americas Materials' strategy is to build strong regional leadership positions underpinned by well-located, long-term reserves. We are the largest producer of asphalt and the third largest producer of both aggregates and readymixed concrete in the United States. We operate nationally in 44 states with over 13 billion tonnes of permitted aggregates reserves of which circa 80% are owned. The business is vertically integrated from primary resource quarries into aggregates, asphalt and readymixed concrete products. With 60% exposure to infrastructure, the business is further integrated into asphalt paving services through which it is the leading supplier of product to highway repair and maintenance demand in the United States.

Our national network of operations and deep local market knowledge drive local performance and national synergies in procurement, cost management and operational excellence. In a largely unconsolidated sector where the top ten industry participants account for just 30% of aggregates production, 25% of asphalt production and 25% of readymixed concrete production, CRH's strategy is to position the business to participate as the industry consolidates further.

Americas Materials employs approximately 18,400 people at close to 1,200 operating locations.

### Market leadership positions

**Aggregates**

| | |
|---|---|
| No.3 | National Producer |

**Asphalt**

| | |
|---|---|
| No.1 | National Producer |

**Readymixed concrete**

| | |
|---|---|
| No.3 | National Producer |

### Reserves

| Physical location | Proven & probable<br>million tonnes | Period to depletion<br>years |
|---|---|---|
| **Aggregates** | | |
| East | 9,181 | 125 |
| West | 4,042 | 76 |
| **Equity Accounted Entities** | | |
| Aggregates | 135 | 117 |
| Cement | 9 | 31 |

*The Shelly Company paved State Route 31 south of Kenton, Ohio, with asphalt using a "Flow Boy" trailer that holds 23 tonnes of product, which is 3 tonnes more than a typical truck load, improving efficiency. The "Flow Boy" trailers allow the asphalt to flow into the paver eliminating the need to raise the trailer bed and thereby reducing risk.*

## Operations Review

| Results | | | | | Analysis of change | | | | |
|---|---|---|---|---|---|---|---|---|---|
| € million | % Change | 2014 | 2013 | Total Change | Organic | Acquisitions | Divestments | Restructuring/ Impairment | Exchange |
| **Sales revenue** | **7%** | **5,070** | 4,721 | **349** | 317 | 37 | -2 | - | -3 |
| **EBITDA*** | **9%** | **609** | 557 | **52** | 42 | 7 | - | 3 | - |
| **Operating profit*** | **57%** | **355** | 226 | **129** | 61 | 5 | - | 63 | - |
| **EBITDA/sales** | | **12.0%** | 11.8% | | | | | | |
| **Operating profit/sales** | | **7.0%** | 4.8% | | | | | | |

** EBITDA and operating profit exclude profit on disposals*

*Restructuring costs amounted to €9 million (2013: €12 million)*
*No impairment charges were recorded (2013: €60 million)*

The commentary below excludes the impact of impairment charges on operating profit.

After the early months of 2014 which were impacted by harsh winter weather, trading conditions improved as the year progressed, led by improved residential and non-residential segments and stable infrastructure. Americas Materials delivered another year of growth, with like-for-like sales revenues growing 7% and overall EBITDA increasing 9% compared to 2013. Positive trends in pricing continued for the third year in a row for aggregates and readymixed concrete, with asphalt pricing also improving in 2014.

Americas Materials completed eight acquisition transactions in 2014 at a total cost of €91 million, adding over 230 million tonnes of aggregates reserves, 2 operating quarries, 6 asphalt plants and 2 aggregates terminals, with annual production of 4.3 million tonnes of aggregates and 0.2 million tonnes of asphalt. In addition divestments during the year generated proceeds of €12 million.

**Energy and related costs:** The price of bitumen, a key component of asphalt mix, increased by 3% in 2014 following a 4% decrease in 2013. Prices for diesel and gasoline, important inputs to aggregates, readymixed concrete and paving operations, decreased by 2% and 3% respectively. The price of energy used at our asphalt plants, consisting of fuel oil, recycled oil, electricity and natural gas, remained flat. Recycled asphalt and shingles accounted for approximately 22% of total asphalt requirements in 2014, lessening demand on virgin bitumen.

**Aggregates:** Like-for-like volumes increased 6% from 2013 while total volumes including acquisitions increased 10%. Average prices increased by 2% on a like-for-like basis and 1% overall compared with 2013. These price and volume increases, together with efficient cost control, resulted in improved margin for our aggregates business.

**Asphalt:** Volumes increased 5% on a like-for-like basis and 6% overall compared to 2013. Volume increases together with pricing increases of 1% contributed to an overall asphalt margin expansion.

**Readymixed Concrete:** Like-for-like volumes increased 6% while total volumes including acquisitions were up 7% compared with 2013. Average prices increased 4% on both a like-for-like and an overall basis, contributing to margin expansion for this business.

**Paving and Construction Services:** With flat federal funding and pockets of increased state infrastructure spending, like-for-like sales increased 2% and overall sales including acquisitions increased 3%. Bidding continued to be under pressure in a competitive environment. However, efficient cost controls enabled overall margin to improve by 0.5% in 2014.

## Regional Performance

### East (65% of EBITDA)

The East region comprises operations in 23 states, the most important of which are Ohio, New York, Florida, Michigan, New Jersey, Pennsylvania and West Virginia. After a harsh winter, the Northeast division was able to take advantage of favourable weather and improving economic conditions during the remainder of the year with operating profit growing strongly compared with 2013. Operating profit was more stable in the Mid-Atlantic and Central divisions where very wet conditions hampered activity in the peak production months. The strong residential and non-residential markets in Florida contributed to higher volumes, better prices and margin growth in the Southeast division. Overall operating profit for the East region was higher than in 2013, with overall volumes 7%, 6% and 5% ahead of prior year for aggregates, asphalt and readymixed concrete respectively.

### West (35% of EBITDA)

The West region has operations in 21 states, the most important of which are Utah, Texas, Washington, Iowa, Kansas and Colorado. All three divisions, Central West, Northwest, and Mountain West reported higher operating profit. Early season earnings improvements throughout the West continued into the autumn and early winter, with modest price gains building on strong operating and overhead cost management across the product lines. Recovery in construction margins provided very positive year-on-year improvements from this line of business. Overall West volumes increased 15%, 4% and 9% ahead of 2013 for aggregates, asphalt and readymixed concrete respectively.

### Outlook

We expect that US GDP growth in 2015 will be similar to 2014 and that housing will continue to recover. We also expect non-residential construction to show modest gains. Federal funding for infrastructure is expected to be flat in 2015. A more robust federal highway bill is being explored by Congress and has the support of the President, but if passed the impact would most likely be evident in 2016 and beyond. State fiscal conditions are improving with certain states passing infrastructure funding measures.

We expect 2015 volumes for aggregates and asphalt to show single-digit growth and readymixed concrete volumes to be up slightly more due to improving residential markets. Targeted price increases in all product lines, combined with cost controls and stable/improving energy markets are expected to lead to another year of margin expansion in 2015.

# Americas Products

## Business Description

Americas Products' strategy is to build a portfolio of businesses which have leading market positions across a balanced range of products and end-use segments. Our activities are organised into three product groups under the Oldcastle brand: Architectural Products (concrete masonry and hardscapes, clay brick, packaged lawn and garden products, packaged cement mixes, fencing); Precast (utility, drainage and structural precast, construction accessories); and BuildingEnvelope® (architectural glass and aluminium glazing systems). The Group's commitment to Building Better Businesses ensures a coordinated approach at national and regional levels to achieve economies of scale and to facilitate the sharing of best practices which drive operational and commercial improvement. Innovation is a hallmark of the business, and through Oldcastle's North American research and development centres, a pipeline of value-added products and design solutions is maintained.

In the context of the detailed review of the portfolio undertaken by the Group during 2014, CRH announced in December 2014 that it had reached agreement to dispose of its Glen-Gery clay business in the United States. The transaction is expected to close in the first quarter of 2015.

A national business operating in 39 US states, six Canadian provinces, Mexico and South America. CRH has the breadth of product range and national footprint that combines providing a national service to customers with the personal touch of a local supplier. Focussing on strategic accounts and influencers in the construction supply chain, the Oldcastle Building Solutions group provides an additional avenue for growth as it is uniquely positioned in the industry to create value for stakeholders across all phases of construction.

The number of employees in this division totals approximately 17,700 at nearly 400 locations.

### Market leadership positions

**Concrete masonry, patio products and pavers**

| | |
|---|---|
| No.1 | Paving & patio: North America |
| No.1 | Masonry: North America |

**Packaged cement mixes**

| | |
|---|---|
| No. 2 | United States |

**Tiles**

| | |
|---|---|
| No.1 | Rooftiles: Argentina |
| No. 2 | Floor and wall tiles: Argentina |

**Packaged lawn & garden products**

| | |
|---|---|
| No. 2 | United States |

**Precast concrete products**

| | |
|---|---|
| No.1 | Precast concrete utility products: North America |

**Building envelope solutions**

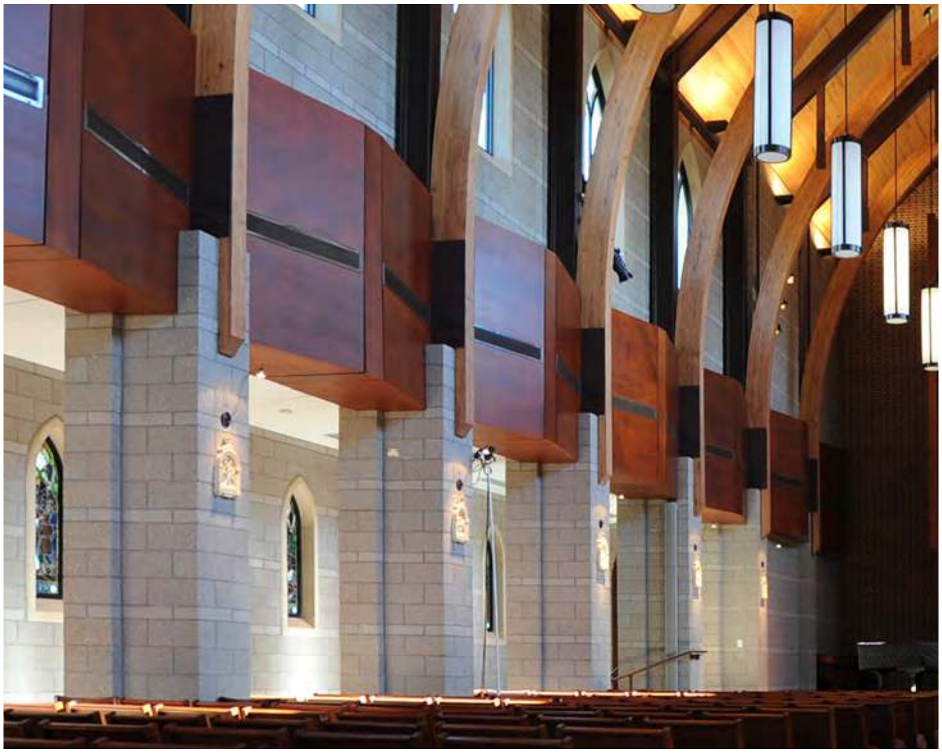
| | |
|---|---|
| No.1 | North America |

**Concrete accessories**

| | |
|---|---|
| No. 2 | United States |

**Fencing products**

| | |
|---|---|
| No. 2 | Fencing supplier: United States |



*Oldcastle Architectural supplied four different Trenwyth® masonry products to complete the interior and exterior renovation of the Lenoir-Rhyne University Chapel in Hickory, North Carolina, a gathering place at the center of the 123-year-old campus for its student and faculty population.*

## Operations Review

| **Results** | | | | | **Analysis of change** | | | | |
|---|---|---|---|---|---|---|---|---|---|
| € million | % Change | 2014 | 2013 | Total Change | Organic | Acquisitions | Divestments | Restructuring/ Impairment | Exchange |
| **Sales revenue** | **5%** | **3,225** | 3,068 | **157** | 169 | 75 | -19 | - | -68 |
| **EBITDA*** | **7%** | **263** | 246 | **17** | 24 | 6 | -1 | -7 | -5 |
| **Operating profit*** | **113%** | **145** | 68 | **77** | 24 | 2 | - | 50 | 1 |
| **EBITDA/sales** | | **8.2%** | 8.0% | | | | | | |
| **Operating profit/sales** | | **4.5%** | 2.2% | | | | | | |

** EBITDA and operating profit exclude profit on disposals*

*Restructuring costs amounted to €18 million (2013: €11 million)*
*Impairment charges of €14 million were incurred (2013: €71 million)*

The commentary below excludes the impact of impairment charges on operating profit.

Our Products business in the Americas is located primarily in the United States but also in Canada, Mexico and South America. Construction activity in the eastern and northern parts of North America was hampered by unseasonably wintry weather into May. Good weather in the second half of the year and an ongoing pick-up in US macroeconomic fundamentals, particularly stronger labour markets and consumer confidence, led to improved trading results in the remainder of the year. Overall like-for-like sales increased by 6%. With improving market conditions, input cost pressures accelerated but were more than offset by the effects of improved operational efficiencies and targeted price increases. Combined with the benefits of organic growth, cost reduction initiatives and contributions from acquisitions, Americas Products achieved a 7% increase in EBITDA and improved margins.

Five bolt-on acquisitions were completed in 2014 at a total spend of €60 million. The acquisition by our Architectural Products Group ("APG") of Hope Agri Products, a supplier of packaged mulches and soils, extended our footprint into the growing Texas market; while five divestments in 2014 generated net proceeds of €50 million.

### Architectural Products (55% of EBITDA)

APG is a leading supplier of masonry and hardscape products, packaged lawn and garden products, clay brick and fencing solutions. In addition to contractor-based new construction, the DIY and professional RMI segments are significant end-users. The business benefited from improving private residential and non-residential construction and increasing RMI spend. In general, activity was more robust in the West and South, while trading in the Midwest, Northeast, and Eastern Canada started slowly during the first four months due to unseasonably bad weather. The strengthening housing market, together with product innovation and commercial initiatives, drove gains across nearly all business segments resulting in a 7% increase in like-for-like sales compared with 2013. While our markets remain competitive, the combination of cost reduction measures and selected price improvements broadly offset the impact of higher input costs. Overall, APG recorded strong improvements in operating profit and margin for the year.

### Precast (20% of EBITDA)

The Precast group manufactures a broad range of value-added concrete and polymer-based products primarily for utility infrastructure applications. In addition, the business is a leading manufacturer of accessories to the concrete construction industry. While public infrastructure spend remained subdued, the business saw an otherwise improved market environment in 2014 and registered solid sales gains as growth initiatives continued to deliver. Operating profit increases were achieved in most precast markets although selected areas were slow to recover from the weather-impacted start to the year. Our utility enclosures and construction accessories businesses also continued to grow and improve. Overall, like-for-like sales rose by 5%, operating profit was marginally ahead and backlogs continued to improve.

### BuildingEnvelope® (20% of EBITDA)

The BuildingEnvelope® group is North America's leading supplier of architectural glass and aluminium glazing systems that close the building envelope. New non-residential building activity, a key market segment for this business, experienced improved market conditions and healthy increases in demand in 2014. Sales growth was also driven by ongoing initiatives to gain market share and differentiate the business through innovative product and technology offerings. Organic sales rose 2%, slightly less than the overall market, as our Engineered Glazing Systems ("EGS") division concentrated on completing existing major project work. The Architectural Glass and Storefront division continued to benefit from an improved pricing environment, resilient non-residential RMI activity and a generally more favourable product mix. With a tight focus on cost control, product quality and improved processes, the business delivered operating profit and margin improvements.

### South America (5% of EBITDA)

Our South American operations were negatively impacted by challenging economic conditions and operating profit was lower than in 2013. Slow economic growth and high inflation led to lower volumes and higher operating costs in the Argentine clay products businesses. Our Chilean business also recorded reduced profits due to soft demand in a very competitive market.

### Outlook

Based on the improving macroeconomic backdrop, which will benefit both residential and non-residential construction demand, we expect further organic sales growth in 2015. Combined with the impact of 2014 acquisitions and divestments, and the benefits of internal growth and cost initiatives, we expect to record improved operating profit and margin in 2015.

*Oldcastle Architectural is a leading designer and manufacturer of high-quality, branded concrete outdoor living products. The local Western Canadian business, Expocrete, manufactured this Belgard® segmental retaining wall and paver system for a private residence in Vancouver, British Columbia.*

# Americas Distribution

## Business Description

### Market leadership positions

**Exterior Products**

| | |
|---|---|
| No.3 | United States |

**Interior Products**

| | |
|---|---|
| No.3 | United States |

Americas Distribution strategy is focussed on being the leading supplier to contractors of Exterior Products such as roofing and siding. We also apply this successful distribution model to Interior Products such as ceilings and walls.

Demand in the Exterior Products business is largely influenced by residential and commercial replacement activity with the key products having an average lifespan of 25 to 30 years.

Demand for Interior Products is driven by the new residential, multi-family and commercial construction markets.

Through CRH's commitment to continuous business improvement, we employ state-of-the-art IT systems, disciplined and focussed cash and asset management, and well-established procurement and commercial systems which support supply chain optimisation and enable us to provide superior customer service.

Americas Distribution operates in 31 states, and growth opportunities include investment in new and existing markets, in complementary private label and energy-saving product offerings, and in other attractive building materials distribution segments that service professional dealer networks.

The division employs approximately 3,800 people at close to 200 locations.

## Operations Review

Americas Distribution, trading as Allied Building Products ("Allied"), experienced improved performance across its activities in 2014, leading to strong overall reported results. Both business divisions benefited from sales growth providing increased operating profit compared to 2013. Performance in our Exterior Products business was led by strong demand in our Midwest (Chicago) and Mountain (Colorado) markets aided by early storm activity. The Northeast and West Coast markets experienced modest setbacks due to the completion of Hurricane Sandy rebuilding efforts in New York/New Jersey and exceptionally dry and drought-like weather patterns experienced in California.

The Interior Products business continued to show growth as both volumes and pricing improved throughout the year. The strongest gains were experienced in our Atlantic markets, in part due to the full-year effect of our prior year acquisitions, and also the Southwest and West markets which were driven by multi-family construction.

In 2014, Allied management maintained its focus on improving employee safety, controlling variable costs, streamlining administrative procedures and eliminating redundant processes. The simplification of our business processes, along with the ongoing evolution of our organisational structure and go-to-market strategies, is aimed at improving

| Results | | | | | Analysis of change | | | |
|---|---|---|---|---|---|---|---|---|
| € million | % Change | 2014 | 2013 | Total Change | Organic | Acquisitions | Restructuring | Exchange |
| **Sales revenue** | **7%** | **1,776** | 1,664 | **112** | 80 | 33 | - | -1 |
| **EBITDA*** | **18%** | **105** | 89 | **16** | 14 | 1 | 1 | - |
| **Operating profit*** | **24%** | **83** | 67 | **16** | 15 | - | 1 | - |
| **EBITDA/sales** | | **5.9%** | 5.3% | | | | | |
| **Operating profit/sales** | | **4.7%** | 4.0% | | | | | |

** EBITDA and operating profit exclude profit on disposals*

*No restructuring costs were recorded (2013: €1 million)*

business integration and enhancing operating leverage, allowing for greater economies of scale as our business, and the overall market, grows.

While no acquisitions were completed within the Americas Distribution group in 2014, we have continued to build on our organic greenfield and service centre strategy by opening six bolt-on locations within some of our key existing markets. Our service centre model enables us to improve customer service, consolidate fixed costs and more efficiently leverage branch assets. Progress continued to be made in 2014 to increase brand awareness of Tri-Built, our proprietary private label brand, as both sales and product offerings grew. The addition of our new service centre locations combined with the continued growth of our Tri-Built private label brand and our commitment to developing our people continued to differentiate Allied in the marketplace.

*This photograph, featuring Tri-Built Building Wrap, appeared in a 2014 New York Times article covering the restoration of homes on the Jersey Shore following Superstorm Sandy. Tri-Built Materials is part of the Allied Building Products private label offering.*

### Exterior Products (60% of EBITDA)

The Exterior Products business is largely comprised of both commercial and residential roofing, siding and related products, and is the third largest distributor in the United States. Exterior Products demand is greatly influenced by residential and commercial replacement activity (75% of sales volume is RMI-related). Commercial roofing experienced modest industry-wide growth while residential roofing shipments saw a slight decline leading to an overall flat market from 2013. As a result, product mix shifted more towards lower-margin commercial products. Additionally, with no volume growth, markets across the industry remained very competitive leading to pricing pressure in all regions. In spite of flat market conditions and the pressures mentioned above, the Exterior Products division reported modest sales growth and operating profit just slightly behind prior year.

### Interior Products (40% of EBITDA)

The Interior Products business, which is the third largest specialty distributor in the United States, sells gypsum wallboard, acoustical ceiling systems and related products to specialised contractors. The primary market is new construction including residential, multi-family and commercial, with limited exposure to the repair and remodel market. Performance in this business was strong in all markets with increased volumes and prices of core products contributing to higher sales and improved operating margins. In addition, a more favourable mix toward higher-margin core products combined with efficiency initiatives implemented in recent years, helped to drive improved sales and operating profit for 2014.

### Outlook

The overall outlook for 2015 is encouraging as commercial and residential construction is expected to grow. While headwinds are expected to continue in our Exterior Products business, as pricing pressures remain and only modest growth is expected, our Interior Products business continues to experience favourable markets, with another year of sales and profit growth expected. Overall, the expected benefits of the six service centre additions in 2014 combined with our continued focus on efficiency and cost control should provide a year of further improvement in operating performance in 2015.

# CRH in Asia

CRH has a number of strategic footholds in Asia, following the establishment of entry platforms in China and India over the last seven years. Our strategy is to build select leading regional positions to enable us to benefit from industrialisation, urbanisation and population growth in these developing economies over the coming decades.

The Group has a 26% stake in associate Yatai Building Materials, which is a market leader in building materials in Northeast China. In India, we have a 50% joint venture with My Home Industries Limited which is a leading player in the southern state of Andra Pradesh. In October 2013, we opened a regional headquarters in Singapore. The Group's equity accounted operations in China and India employ circa 12,000 people.

# **China and India** | Equity Accounted Investments

## China

Market conditions in China remained challenging during 2014 as government policies to rebalance the economy towards a more sustainable growth model impacted on industrial and real estate activity. This resulted in a slowdown which created an unfavourable short-term environment for the construction sector. Profitability at our 26% associate, Yatai Building Materials, which is a market leader in Northeast China with a capacity of 32 million tonnes of cement, was affected by lower volumes and selling prices; partially offset by improved operational efficiencies and reduced costs.

## India

CRH has a cement capacity of 8 million tonnes across three locations in southern India, where it operates through a 50% joint venture; My Home Industries Limited ("MHIL"). The regional market has a cement consumption of 75 million tonnes and MHIL is the market leader in the southern states of Andhra Pradesh and Telangana.

In 2014, MHIL posted a 25% increase in volumes following the acquisition of Sree Jayajothi Cements Limited in late 2013 and has also made significant gains in adjoining states. Prices were under pressure in the first half due to poor demand, but improved later in the year. Volume growth and acquisition synergies resulted in higher trading profit in 2014.

## Outlook

In China trading conditions looking forward are expected to recover as the country's underlying urbanisation trends drive investment in infrastructure and property. Business performance will be further helped by stricter government measures to reduce overcapacity combined with internal commercial and operational excellence initiatives.

Demand for cement in India is expected to show strong growth of over 8% with the government providing a boost to public infrastructure spending and various housing projects in both urban and rural areas.

### Market leadership positions

**Cement**

| | |
|---|---|
| No.1 | Andhra Pradesh and Telangana, India (50%) |
| No.1 | North East China (26%) |

### Reserves

| Physical location | Proven & probable million tonnes | Period to depletion years |
|---|---|---|
| India (50%) | 102 | 23 |

*Pictured outside the My Home Industries (MHIL) office, in Hyderabad, India, is the Hyderabad Metro Rail, a rapid transit system currently under construction. To date, MHIL has supplied over 19,000 tonnes of cement to the project which is expected to be completed by July 2017.*

*Polbruk provided 2,000 m$^2$ of durable, washed concrete pavers for the pathways surrounding the Musical Theatre development in Gdynia, Poland. This product is suitable for high levels of pedestrian traffic, while the rough textured finish contrasts with the building style to create a modern city look.*

# Board of Directors

## Nicky Hartery

*Chairman*

**Appointed to the Board:** June 2004

**Nationality:** Irish

**Age:** 63

**Committee membership:** Acquisitions Committee; Finance Committee; Nomination & Corporate Governance Committee; Remuneration Committee

**Skills and experience:** Nicky was Vice President of Manufacturing and Business Operations for Dell Inc.'s Europe, Middle East and Africa (EMEA) operations from 2000 to 2008. Prior to joining Dell, he was Executive Vice President at Eastman Kodak and previously held the position of President and Chief Executive Officer at Verbatim Corporation, based in the United States. *Qualifications: C.Eng, FIEI, MBA.*

**External appointments:** Chief Executive of Prodigium, a consulting company which provides business advisory services; non-executive director of Musgrave Group plc, a privately-owned international food retailer, Eircom Limited, a telecommunications services provider in Ireland, and of Finning International, Inc., the world's largest Caterpillar equipment dealer.

## Albert Manifold

*Chief Executive*

**Appointed to the Board:** January 2009

**Nationality:** Irish

**Age:** 52

**Committee membership:** Acquisitions Committee

**Skills and experience:** Albert was appointed a CRH Board Director in January 2009. He joined CRH in 1998. Prior to joining CRH, he was Chief Operating Officer with a private equity group. While at CRH, he has held a variety of senior positions, including Finance Director of the Europe Materials Division, Group Development Director and Managing Director of Europe Materials. He became Chief Operating Officer in January 2009 and was appointed Group Chief Executive with effect from 1 January 2014. *Qualifications: FCPA, MBA, MBS.*

## Maeve Carton

*Finance Director*

**Appointed to the Board:** May 2010

**Nationality:** Irish

**Age:** 56

**Committee membership:** Acquisitions Committee; Finance Committee

**Skills and experience:** Since joining CRH in 1988, Maeve has held a number of roles in the Group Finance area and was appointed Group Controller in 2001, Head of Group Finance in January 2009 and to the position of Finance Director in May 2010. She has broad-ranging experience of CRH's reporting, control, budgetary and capital expenditure processes and has been extensively involved in CRH's evaluation of acquisitions. Prior to joining CRH, she worked for a number of years as a chartered accountant in an international accountancy practice. *Qualifications: MA, FCA.*

**External appointments:** Board member of the National Treasury Management Agency (NTMA), a state body that provides asset and liability management services to the Irish Government.

## Mark S. Towe

*Chief Executive Officer Oldcastle, Inc.*

**Appointed to the Board:** July 2008

**Nationality:** United States

**Age:** 65

**Committee membership:** Not applicable

**Skills and experience:** Mark joined CRH in 1997 and was appointed a CRH Board Director with effect from July 2008. In 2000, he was appointed President of Oldcastle Materials, Inc. and became the Chief Executive Officer of this Division in 2006. He was appointed to his current position of Chief Executive Officer of Oldcastle, Inc. (the holding company for CRH's operations in the Americas) in July 2008. With over 40 years' of experience in the building materials industry, he has overall responsibility for the Group's aggregates, asphalt and readymixed concrete operations in the United States and its products and distribution businesses in the Americas.

## Ernst J. Bärtschi

*Non-executive Director*

**Appointed to the Board:** October 2011

**Nationality:** Swiss

**Age:** 62

**Committee membership:** Audit Committee *(Financial expert)*; Finance Committee

**Skills and experience:** Ernst was Chief Executive of Sika AG, a manufacturer of speciality chemicals for construction and general industry, until 31 December 2011. Prior to joining Sika, he worked for the Schindler Group and was Chief Finance Officer between 1997 and 2001. Over the course of his career he has gained extensive experience in India, China and the Far East generally. *Qualifications: LIC.OEC.HSG.*

**External appointments:** Chairman of the Board of Directors of Conzetta AG, a broadly diversified Swiss company, member of the board of Bucher Industries AG, a mechanical and vehicle engineering company based in Switzerland; member of the advisory board of China Renaissance Capital Investment Inc., a private equity investment company in Hong Kong, China.

## William P. Egan

*Non-executive Director*

**Appointed to the Board:** January 2007

**Nationality:** United States

**Age:** 69

**Committee membership:** Nomination & Corporate Governance Committee; Remuneration Committee

**Skills and experience:** Bill is founder and General Partner of Alta Communications and Marion Equity Partners LLC, Massachusetts-based venture capital firms. He is past Chairman of Cephalon Inc., and past President and Chairman of the National Venture Capital Association. He was until May 2014, director of the Irish venture capital company Delta Partners Limited. *Qualifications: BA, MBA.*

**External appointments:** He serves on the boards of several communications, cable and information technology companies.

## Utz-Hellmuth Felcht

*Non-executive Director*

**Appointed to the Board:** July 2007

**Nationality:** German

**Age:** 67

**Committee membership:** Acquisitions Committee; Finance Committee

**Skills and experience:** Utz-Hellmuth was, until May 2011, Chairman of the Supervisory Board of Süd-Chemie Aktiengesellschaft. He was also Chief Executive of Degussa AG, Germany's third largest chemical company, until May 2006, and a partner in the private equity group One Equity Partners Europe GmbH until July 2014.

**External appointments:** Chairman of the Supervisory board of German rail company Deutsche Bahn AG and director of Jungbunzlauer Holding AG.

## John W. Kennedy

*Non-executive Director*

**Appointed to the Board:** June 2009

**Nationality:** Irish

**Age:** 64

**Committee membership:** Acquisitions Committee; Finance Committee

**Skills and experience:** John is past Chairman of Wellstream Holdings plc. In a 40 year career, he has served as Executive Vice President of Halliburton Company, President of Dresser Enterprises and Chief Operations Officer of Brown and Root Services. He is a past director of the UK Atomic Energy Authority and Integra Group. *Qualifications: M.Sc, BE, C.Eng, FIEE.*

**External appointments:** Non-executive Chairman of Lamprell plc; director of Maxwell Drummond International Limited and BiFold Group Limited.

## Patrick J. Kennedy

*Non-executive Director*

**Appointed to the Board:** January 2015

**Nationality:** Irish

**Age:** 61

**Committee membership:** Acquisitions Committee; Audit Committee

**Skills and experience:** Pat was Chairman of the Executive Board of Directors of SHV Holdings (SHV), a large family-owned Dutch multinational company with a diverse range of operational and investment activities, including the production and distribution of energy, the provision of industrial services, heavy lifting and transport solutions, cash and carry wholesale and the provision of private equity. He retired from SHV mid-2014. During a 32 year career with SHV, he held various leadership roles across SHV's diverse portfolio of businesses, while living in various parts of the world, and was a member of the Executive Board of SHV from 2001, before becoming Executive Chairman in 2006. *Qualifications: MBS, BComm.*

## Donald A. McGovern, Jr.

*Non-executive Director**

**Appointed to the Board:** July 2013

**Nationality:** United States

**Age:** 63

**Committee membership:** Nomination & Corporate Governance Committee; Remuneration Committee

**Skills and experience:** Don retired from PricewaterhouseCoopers (PwC) in June 2013, following a 39 year career with the firm. During that time he was Vice Chairman, Global Assurance at PwC, a position he had held since July 2008 and directed the US firm's services for a number of large public company clients. He also held various leadership roles in PwC and was, from July 2001 to June 2008, a member of, and past lead director for, the Board of Partners and Principals of the US firm as well as a member of PwC's Global Board. *Qualifications: CPA, MBA.*

**External appointments:** Director of Neuraltus Pharmaceuticals, Inc.

* Don McGovern is Senior Independent Director

## Heather Ann McSharry

*Non-executive Director*

**Appointed to the Board:** February 2012

**Nationality:** Irish

**Age:** 53

**Committee membership:** Audit Committee; Finance Committee

**Skills and experience:** Heather Ann is a former Managing Director Ireland of Reckitt Benckiser and Boots Healthcare and was previously a non-executive director of Bank of Ireland plc and IDA Ireland. *Qualifications: BComm, MBS.*

**External appointments:** Non-executive director of Greencore Group plc and Jazz Pharmaceuticals plc; Chairman of the Bank of Ireland Pension Fund Trustees Board; director of Ergonomics Solutions International and the Institute of Directors.

## Dan O'Connor

*Non-executive Director*

**Appointed to the Board:** June 2006

**Nationality:** Irish

**Age:** 55

**Committee membership:** Nomination & Corporate Governance Committee; Remuneration Committee

**Skills and experience:** Dan is a former President and Chief Executive Officer of GE Consumer Finance - Europe and a former Senior Vice-President of GE. He was Executive Chairman of Allied Irish Banks, p.l.c. until October 2010. *Qualifications: BComm, FCA.*

**External appointments:** Director of Glanbia plc, an Irish food company and International Personal Finance plc, a consumer lending business.

## Henk Rottinghuis

*Non-executive Director*

**Appointed to the Board:** February 2014

**Nationality:** Dutch

**Age:** 58

**Committee membership:** Acquisitions Committee; Audit Committee

**Skills and experience:** Henk has a background in distribution, wholesale and logistics. He was until 2010, Chief Executive Officer at Pon Holdings B.V., a large, privately held international company which is focussed on the supply and distribution of passenger cars and trucks, and equipment for the construction and marine sectors. He was also a member of the Supervisory Board of the Royal Bank of Scotland N.V. and the retail group Detailresult Groep. *Qualifications: Masters degree in Dutch Law.*

**External appointments:** Chairman of the Supervisory Board of Stork Technical Services and member of the Supervisory Board of the retail group Blokker Holding B.V.

## Lucinda Riches

*Non-executive Director*

**Appointed to the Board:** March 2015

**Nationality:** British

**Age:** 53

**Committee membership:** Nomination & Corporate Governance Committee; Remuneration Committee

**Skills and experience:** Lucinda spent the majority of her career in investment banking, including 21 years in UBS Investment Bank and its predecessor firms where she worked until 2007. She held senior management positions in the UK and the US, including Global Head and Chairman of UBS Capital Markets Group and Vice Chairman of the Investment Banking Division. *Qualifications: Masters in Philosophy, Politics and Economics and a Masters in Political Science.*

**External appointments:** Non-executive director of UK Financial Investments Limited, which manages the UK government's investments in financial institutions. She is also a non-executive director of Diverse Income Trust plc, Graphite Enterprise Trust plc, the British Standards Institution and a non-executive member of the Partnership Board of King & Wood Mallesons LLP. She is also a trustee of Sue Ryder.

# Governance

## Contents

*CRH plc has a secondary listing on the Irish Stock Exchange. For this reason, CRH plc is not subject to the same ongoing listing requirements as would apply to an Irish company with a primary listing on the Irish Stock Exchange. For further information, shareholders should consult their own financial adviser. Further details on the Group's listing arrangements, including its premium listing on the London Stock Exchange, are set out on page 56.*

# Corporate Governance Report

## Chairman's Introduction

**Nicky Hartery**
*Chairman*

The following report outlines our approach to corporate governance and how we implement the 2012 UK Corporate Governance Code (the 2012 Code).

The reports from the Chairmen of *Audit, Nomination & Corporate Governance* and *Remuneration Committees* on pages 61, 66 and 73 respectively highlight the key areas of focus for, and the background to the principal decisions taken by, those Committees.

In relation to 2014, we complied in full with the provisions of the 2012 Code. We also have procedures in place for compliance with our obligations under the applicable rules and regulations issued by the United States Securities and Exchange Commission.

### *Board Renewal and Re-election*

We have recently appointed two new non-executive Directors to the Board. Pat Kennedy, former Chief Executive of SHV Holdings, a large family owned Dutch multi-national company with a range of operational and investment activities, was appointed in January 2015. Lucinda Riches, who spent the majority of her career in investment banking, including 21 years in UBS Investment Bank and its predecessor firms where she worked in senior management positions in the UK and the US, will join the Board with effect from 1 March 2015. Their biographies, along with those of the other Board members are set out on pages 51 to 53. The Group's approach to Board renewal and succession planning is set out on page 57 and in the *Nomination & Corporate Governance Committee* section.

Last year, I reported that the Board had set itself the goal of increasing the number of female Directors to circa 25% of the Board by the end of 2015. In this regard, I am pleased to report that, following the 2015 Annual General Meeting, to be held in early May, one quarter of the Board will be female.

In relation to each of the Directors putting themselves forward for re-election at the 2015 Annual General Meeting, I have conducted a formal evaluation of the performance of each Director, which included training needs where appropriate. I can confirm that each of the Directors continues to perform effectively and to demonstrate strong commitment to the role.

As referred to in my introduction to the Annual Report on page 3, John Kennedy and Dan O'Connor, after many years' service to CRH, will retire from the Board following the conclusion of the 2015 Annual General Meeting.

### *Board Effectiveness and Training*

During the course of 2015, an external consultant will be engaged to facilitate the external evaluation of the effectiveness of the Board. The external evaluation will supplement our existing internal evaluation processes, details of which are set out on page 58. The last externally facilitated evaluation was carried out in 2012. Also this year, together with Don McGovern who took over as Senior Independent Director in January 2015, I will be reviewing the training arrangements we have in place for Directors with a view to partnering with an external firm to provide a range of programmes which Directors can avail of on an ongoing basis.

### *Talent Management / Succession Planning*

Throughout its history, CRH's approach to recruiting, developing and retaining talented executives has resulted in a long standing tradition of making internal appointments for critical senior roles and is an important component in the achievement of the Group's strategic priorities. Nevertheless, the Board recognises that CRH's evolving organisation structure and the expansion of the Group's geographic footprint over time will bring additional challenges. In this regard, we will be working with the Chief Executive and the Group Human Resources and Talent Development Director to take a fresh look at our processes in 2015 and the coming years to ensure we have a pipeline of executives at all levels to match our needs.

### *Shareholder Engagement and Reporting*

This year the Senior Independent Director and I will again hold meetings with large shareholders prior to the Annual General Meeting to discuss any areas of concern in relation to the agenda for that meeting or other topical governance-related matters. We appreciate the level of interest and engagement in this process, which provides us with an insight into the views of shareholders on CRH's governance structures and in relation to recent or upcoming developments in this area. I am always available to meet with shareholders outside of this process should the need arise.

As was the case last year, in accordance with the 2012 Code, the Directors' Report contains confirmation that the Directors believe that the 2014 Annual Report, taken as a whole, is "Fair, Balanced and Understandable". The Board has put in place a robust process to ensure this concept is taken into account throughout the drafting and review stages. This process is outlined on page 60.

### *Conclusion*

As a Board, we are committed to a process of continued improvement in our collective effectiveness. In this regard, I look forward to the feedback from our upcoming external evaluation process.

**Nicky Hartery**
Chairman

February 2015

## Stock Exchange Listings and Corporate Governance Codes

CRH, which is incorporated in Ireland and subject to Irish company law, has a premium listing on the London Stock Exchange, a secondary listing on the Irish Stock Exchange and its American Depositary Shares are listed on the New York Stock Exchange.

This Report describes CRH's governance principles and practice and the Group's risk management and internal control systems. The Report also sets out how CRH applies the main and supporting principles of the 2012 UK Corporate Governance Code (the 2012 Code).

A copy of the 2012 Code can be obtained from the Financial Reporting Council's website, www.frc.org.uk.

## Board of Directors

### What are the responsibilities of the Board?

**The Board is responsible for the leadership, oversight, control, development and long-term success of the Group. It is also responsible for instilling the appropriate culture, values and behaviour throughout the organisation.**

There is a formal schedule of matters reserved to the Board for consideration and decision. This includes the matters set out in table 1.

| **Matters Reserved to the Board** Table 1 |
|---|
| Appointment of Directors |
| Strategic plans for the Group |
| Annual budget |
| Major acquisitions and disposals |
| Significant capital expenditure |
| Approval of the Annual Report |
| Approval of the Interim Results |
| Issuance of guarantees |

The Group's strategy, which is regularly reviewed by the Board, and its business model are summarised in the Strategic Report on pages 7 to 15.

The Board has delegated some of its responsibilities to Committees of the Board. The work of each Committee is set out on pages 61 to 69 of this Report. While responsibility for monitoring the effectiveness of the Group's risk management and internal control systems has been delegated to the *Audit Committee**, the Board retains ultimate responsibility for determining the Group's "risk tolerance" and annually considers a report in relation to the monitoring, controlling and reporting of identified risks and uncertainties. In addition, the Board receives regular reports from the Chairman of the *Audit Committee* in relation to the work of that Committee in the area of risk management.

Individual Directors may seek independent professional advice, at the expense of the Company, in the furtherance of their duties as a Director.

The Group has a Directors' and Officers' Liability insurance policy in place.

### How do the roles of the Chairman and Chief Executive differ?

**It has been CRH's practice since the formation of the Group in the 1970s that the roles of Chairman and Chief Executive are not combined.**

The Board has delegated responsibility for the management of the Group, through the Chief Executive, to executive management. There is a clear division of responsibilities between the roles of the Chairman and the Chief Executive, which is set out in writing and has been approved by the Board. A summary of the respective roles is set out in table 2.

### What is the membership structure of the Board?

**It is CRH's practice that a majority of the Board comprises non-executive Directors.**

At present, there are three executive and ten** non-executive Directors. Biographical details are set out on pages 51 to 53. Non-executive Directors are expected to challenge management proposals constructively and to examine and review management performance in meeting agreed objectives and targets. In addition, they are expected to draw on their experience and knowledge in respect of any challenges facing the Group and in relation to the development of proposals on strategy.

We consider the current size and composition of the Board to be within a range which is appropriate. We also believe that the current size of the Board is sufficiently large to enable its Committees to operate without undue reliance on individual non-executive Directors, while being dynamic and responsive to the needs of the Group. The spread of nationalities of the Directors reflects the geographical reach of the Group and we consider that the Board as a whole has the appropriate blend of skills, knowledge and experience, from a wide range of industries, regions and backgrounds, necessary to lead the Group.

None of the executive Directors is a non-executive director of another listed company.

The current membership structure of the Board is set out in table 3.

| **Chairman** *is responsible for* Table 2 |
|---|
| The efficient and effective working of the Board |
| Ensuring that Board agendas cover the key strategic issues confronting the Group, that the Board reviews and approves management's plans for the Group and that the Directors receive accurate, timely, clear and relevant information |
| Making certain that the Board applies sufficient challenge to management proposals and examines and reviews management performance in meeting agreed objectives and targets |
| Overseeing the search for new Board members |
| **Chief Executive** *is responsible for* |
| Full day-to-day operational and profit performance of the Group and accountability to the Board for all authority delegated to executive management |
| Executing strategy agreed with the Board and reporting regularly on the progress and performance of the Group |
| Co-ordinating and overseeing the profitable growth of the Group's diverse portfolio of international businesses |
| Maximising the contribution of senior management to business planning, operational control and profit performance |

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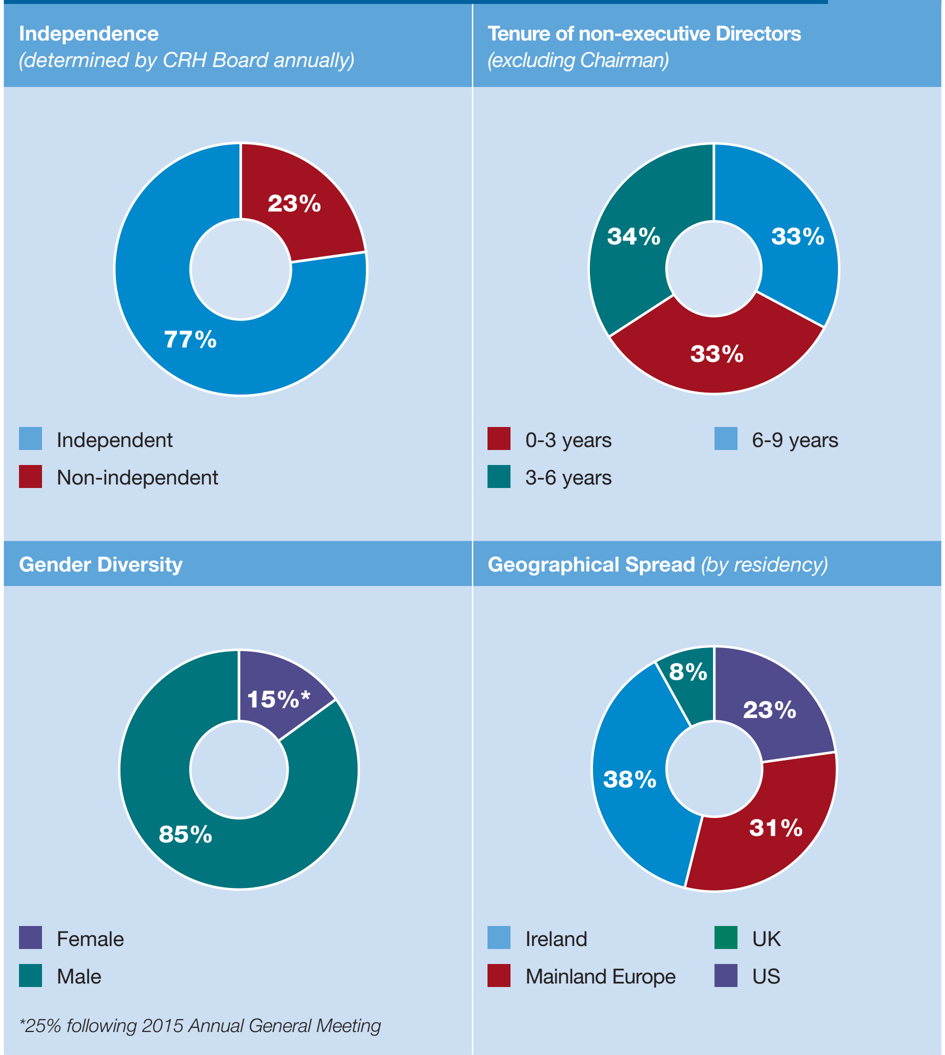
* *In accordance with Regulation 91(6)(b) of the European Communities (Statutory Audits) (Directive 2006/43) Regulations 2010.*

** *Will increase to 11 with effect from 1 March 2015 and reduce to 9 following the conclusion of the 2015 Annual General Meeting.*

**Membership of the CRH Board** Table 3



**Independence** *(determined by CRH Board annually)*

**Tenure of non-executive Directors** *(excluding Chairman)*

**Gender Diversity**

**25% following 2015 Annual General Meeting*

**Geographical Spread** *(by residency)*

### How does the Board plan for succession and what is its policy on diversity?

**The Board plans for its own succession with the assistance of the *Nomination & Corporate Governance Committee*.**

For non-executive appointments, independent consultants are normally engaged to search for suitable candidates. The process to identify, evaluate and appoint a non-executive Director with the suitable experience, skills and time commitment takes into account both the needs of CRH and the tenure and skills of existing Board members. As a result, Board renewal and the appointment of non-executive Directors is a continuous process. The process put in place in respect of appointments made since the 2013 Annual Report was published is set out in the Chairman's introduction to the *Nomination & Corporate Governance Committee's* Report on page 66.

External consultants are engaged for executive Director recruitment if, and when, required. In the case of the Chief Executive role, the Board appoints a succession committee of long standing non-executive Directors, when required. The incumbent Chief Executive generally acts as advisor to that committee.

We are committed to ensuring that the Board is sufficiently diverse and appropriately balanced. In its work in the area of Board renewal, the *Nomination & Corporate Governance Committee* looks at the following four criteria when considering non-executive Director candidates:

- international business experience, particularly in the regions in which the Group operates or into which it intends to expand;
- skills, knowledge and expertise in areas relevant to the operation of the Board;
- diversity, including nationality and gender; and
- the need for an appropriately sized Board.

During the ongoing process of Board renewal, each, or a combination, of these factors can take priority.

In 2014, the Board set itself the goal of increasing the number of female Board members to circa 25% by the end of 2015. Following the 2015 Annual General Meeting, this objective will have been achieved.

### What criteria are used to determine the independence of non-executive Directors?

**The Board considers the principles relating to independence contained in the 2012 Code, together with the guidance provided by a number of shareholder voting agencies, and takes into account a Director's character, objectivity and integrity.**

The independence of non-executive Board members is considered annually. The Board is assisted in this by the annual review carried out by the Senior Independent Director which addresses the independence of the individual members of the Board, and by the work of the *Nomination & Corporate Governance Committee*, which annually reviews each Board member's directorships, and considers any relevant business relationships between Board members. We have concluded that all of the non-executive Directors bring independent judgement to bear on issues of strategy, performance, resources, key appointments and standards, and have determined that each of the non-executive Directors is independent.

### When was the Chairman appointed and does he have non-CRH commitments?

**While the Chairman holds other directorships (see details on page 51), the Board considers that these do not interfere with the discharge of his duties to CRH.**

Nicky Hartery was appointed Chairman of the Group in 2012. On his appointment as Chairman, he met the independence criteria set out in the 2012 Code. During 2014, Nicky joined the Board of a Canadian listed company. The Board has satisfied itself that this would not impact on his role as CRH Chairman.

In February 2015, the Board considered the outcome of the annual review, carried out by the Senior Independent Director, of the performance of the Chairman, whose initial term of office is due to expire at the conclusion of the Annual General Meeting in May 2015. The Board, chaired by the Senior Independent Director for this purpose, resolved that Mr. Hartery's term in office be extended for a further three years.

### Who is the Senior Independent Director?

**The Senior Independent Director is available to shareholders who have concerns that cannot be addressed through the Chairman, Chief Executive or Finance Director.**

Don McGovern was appointed as Senior Independent Director in January 2015.

### Who is the Company Secretary?

**All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are complied with.**

Neil Colgan was appointed Company Secretary in June 2009. The appointment and removal of the Company Secretary is a matter for the Board.

### For what period are non-executive Directors appointed?

**Non-executive Directors are typically expected to serve two three-year terms, although they may be invited by the Board to serve for further periods.**

The standard terms of the letter of appointment for non-executive Directors, which states that they are generally expected to serve two terms of three years, are available for inspection at the Company's registered office and at the Annual General Meeting. A non-executive Director's term of office is subject to his/her annual re-election by shareholders and the letter of appointment does not provide for any compensation for loss of office.

### How are the induction, training and development needs of Directors catered for?

**The Chairman agrees a tailored and comprehensive induction programme with each new Director.**

New Directors are provided with extensive briefing materials on the Group and its operations, the procedures relating to the Board and its Committees and their duties and responsibilities as Directors under legislation and regulations that apply to the Company.

A typical induction programme, which generally takes place over the first year of a Director's appointment, would cover the topics set out in table 4.

Sessions are held periodically with the Chairman at which progress is reviewed and feedback is sought.

For newly-appointed members of the *Audit Committee*, additional training arrangements include the topics set out in table 5.

Members of the *Audit Committee* receive periodic updates on accounting developments.

Directors can also avail of opportunities to hear the views of, and meet with, the Group's shareholders. Directors regularly receive copies of research and analysis conducted on CRH and the building materials sector. The Board receives regular updates from the external auditors in relation to regulatory and accounting developments. Updates in relation to other relevant matters, for example, changes in company law, are provided from time to time.

### What processes are in place for appraising the performance of Directors and for evaluating the effectiveness of the Board and its Committees?

**An annual review of individual Directors' performance is conducted by the Chairman and each Director is provided with feedback gathered from other members of the Board.**

The performance of individual Directors is assessed against a number of measures, including the ability of the Director to contribute to the development of strategy, to understand the major risks affecting the Group, to contribute to the cohesion of the Board, to commit the time required to fulfil the role and to listen to and respect the views of other Directors and the management team. As part of that review process the Chairman discusses with each individual their training and development needs and, where appropriate, agrees suitable arrangements to be put in place to address those needs.

The Senior Independent Director conducts an annual review of Board Effectiveness and the balance of skills, experience, independence and knowledge of the Company on the Board, the operation and performance of the Chairman, the Board and its Committees and the effectiveness of Board communications. This is achieved through discussion in one-to-one sessions with each Director, aided by the completion by each Director of a questionnaire in advance. The meetings, which cover specific topics and allow for free-ranging discussion, provide a forum for an open and frank discourse. The Senior Independent Director circulates a written report to the Board, which summarises the outcome of the review and sets out any recommendations from Board members in relation to areas where improvements can be made. Consideration of the Senior Independent Director's report is a formal agenda item at a scheduled Board meeting.

### When was the last external Board evaluation completed and what was the outcome?

**The 2012 evaluation was facilitated by ICSA Board Evaluation, which has an extensive record in facilitating evaluations in large listed companies both in Ireland and the UK.**

An externally facilitated Board evaluation was carried out by an independent third party, ICSA Board Evaluation in 2012, the outcome of which was very positive. The recommendations were reported in the 2012 Corporate Governance Report, a copy of which is available on the CRH website. The next external evaluation will be conducted during 2015.

### What are the requirements regarding the retirement and re-election of Directors?

**All Directors retire at each Annual General Meeting and, unless they are stepping down from the Board, submit themselves to shareholders for re-election.**

### Induction Programme

Table 4

**Board Members**

| Topic | Sessions with |
|---|---|
| **Group strategy and finance:**<br>– Group strategy, the current challenges facing the Group and the trading backdrop<br>– Financial reporting, trading results, acquisition models, funding sources/debt maturity, group treasury and credit rating metrics | Chief Executive, Finance Director, senior finance and treasury management |
| **Divisional strategy and structure:**<br>– Divisional strategy and organisational structure<br>– Development priorities<br>– IT strategy | Chief Executive, Heads of Divisions and senior operational management |
| **Senior management team:**<br>– Succession planning<br>– Leadership development programmes<br>– Remuneration trends | Chief Executive and Group Human Resources and Talent Development Director |
| **Directors' legal duties and responsibilities:**<br>– Legal duties and responsibilities<br>– Management of inside information<br>– Dealings in CRH securities<br>– Listing rule requirements | Finance Director, Company Secretary and the Group's legal advisers |
| **Compliance & ethics, health & safety, risk management, investor relations and remuneration:**<br>– Compliance & ethics policies and the structures in place to ensure ongoing compliance<br>– Health & safety programme, including the fatality elimination programme, and the Group's Corporate Social Responsibility policies<br>– Investor Relations programme and the views of the Group's major investors<br>– Enterprise Risk Management, insurance arrangements and captive insurance programme | Finance Director, executives responsible for the relevant area, the Group's stockbrokers and the *Remuneration Committee's* remuneration advisors |

### Audit Committee

Table 5

| Topic | Sessions with |
|---|---|
| **External Audit**<br>– Audit planning<br>– Auditors' responsibilities | Finance Director, senior finance management, Head of Internal Audit and external auditors |
| **Internal Audit**<br>– Strategy and workplan<br>– IT audit | |

Re-appointment of Directors retiring at Annual General Meetings is not automatic. Directors who are seeking re-election are subject to a satisfactory performance appraisal. All Directors are subject to the Memorandum and Articles of Association of the Company (a summary of provisions in the Memorandum and Articles of Association relating to the Directors is set out on page 71).

### How often does the Board meet?

**Details of the number of Board and Committee meetings during 2014, and of Directors' attendance at those meetings, is set out in table 11 on page 68.**

There were eight full meetings of the Board during 2014.

Each year, additional meetings, to consider specific matters, are held if and when required. Prior to their appointment, potential non-executive Directors are made aware of the calendar of meetings and are asked to confirm that they are able to allocate sufficient time to meet the expectations of their role. The agreement of the Chairman is required before a Director accepts additional commitments that might impact adversely on the time he or she is able to devote to CRH.

The Board typically makes two visits each year to Board operations; one in Europe and one in North America. Each visit lasts between three and five days and incorporates a scheduled Board meeting. In 2014, these visits were to Amsterdam in the Netherlands and Los Angeles in the United States.

### How are Board agendas determined?

**The Chairman sets the agenda for each meeting in consultation with the Chief Executive and Company Secretary.**

In setting the agendas, the Chairman ensures that sufficient time is allocated to strategy setting and review, performance monitoring, portfolio management, including acquisitions and divestments, succession planning and talent management. Board agendas typically cover items set out in table 6 on page 60.

The non-executive Directors regularly meet before or after each Board meeting without executives being present.

The papers for meetings are generally circulated electronically in the week prior to the meeting.

**Typical Board Agenda Items** Table 6

*Recurring items on each agenda:*

- Minutes
- Board matters (including Board Committee updates)
- Trading results
- Acquisitions/Disposals/Capital Expenditure Projects

*Periodic agenda items during the year:*

- Group strategy and Divisional strategy updates
- Group budget
- Full-year/interim financial results and reports
- Investor interaction and feedback
- Performance review of acquisitions against the original Board proposal following three years of Group ownership
- Funding proposals
- Human resources and succession planning
- Risk management and internal controls
- Compliance & Ethics
- Health & Safety review, with a particular focus on the Group's fatality elimination programme
- Environmental review

### How does the Board ensure its reports are "Fair, Balanced and Understandable"?

**The Board collectively determines whether or not it is appropriate to include in the Annual Report a statement that the Board considers the document, taken as a whole, to be "Fair, Balanced and Understandable".**

The Group's Financial Reporting and Disclosure Group ("FRADG") reviews draft disclosures such as the annual and interim reports, and meets with the Finance Director to discuss proposed disclosures, in the context of whether draft reports fulfil the criteria of being fair, balanced and understandable. The conclusions of the FRADG are reported to the Board. To ensure the Group's disclosures are in line with evolving best practice in this area, the FRADG, which is made up of executives with responsibilities across a range of functions, regularly receives feedback from external experts who review published documents and provide guidance regarding developments. In the case of the Annual Report, to facilitate each Director's individual review, the draft document is circulated to Board members circa two weeks prior to the finalisation of the report.

### Are the Directors subject to securities dealing policies or codes?

**Directors are required to obtain clearance from the Chairman and Chief Executive before dealing in CRH securities.**

Details of the CRH shares held by Directors are set out on page 85. CRH has a policy on dealings in securities that applies to all Directors and senior management. Directors and senior management are prohibited from dealing in CRH securities during designated prohibited periods and at any time at which the individual is in possession of inside information (as defined in the Market Abuse (Directive 2003/6/EC) Regulations 2005). The policy adopts the terms of the Model Code, as set out in the Listing Rules published by the UK Listing Authority subject to amendments in relation to Irish company law and taxation references.

### What are the Committees of the Board?

**The Board has established five permanent Committees to assist in the execution of its responsibilities.**

The current permanent Committees of the Board are the *Acquisitions Committee*, the *Audit Committee*, the *Finance Committee*, the *Nomination & Corporate Governance Committee* and the *Remuneration Committee*. In addition, ad-hoc Committees are formed from time to time to deal with specific matters. Each of the permanent Committees has terms of reference, under which authority is delegated to them by the Board. The Chairman of each Committee reports to the Board on its deliberations and minutes of all Committee meetings are circulated to all Directors.

The current membership of each Committee and each member's length of service is set out in the relevant sections in the remainder of this report. Attendance at meetings held in 2014 is set out in table 11 on page 68.

Chairmen of the Committees attend the Annual General Meeting and are available to answer questions from shareholders.

# Audit Committee

The *Audit Committee* currently consists of four non-executive Directors considered by the Board to be independent. The biographical details of each member are set out on pages 51 to 53. Together the members of the Committee bring a broad range of experience and expertise from a wide range of industries which is vital in supporting effective governance.

The primary responsibilities of the Committee are to:

- monitor the financial reporting process, the integrity of the financial statements, including the Annual and Interim Reports, preliminary results announcements, interim management statements and any other formal announcement relating to the financial performance of the Company, and to review significant financial reporting issues and judgements exercised in the preparation thereof;
- monitor the audit of the financial statements;
- keep under review the effectiveness of the Company's internal financial controls and the internal control and risk management systems and review and approve statements to be included in the Annual Report regarding internal control and risk management;
- review the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters and review the Company's procedures and systems for detecting fraud and preventing bribery;
- keep under review the adequacy of the Group's compliance and ethics function;
- monitor and review the effectiveness of the internal audit function;
- review the effectiveness of the audit process and the independence and objectivity of the external auditors;
- develop and monitor the policy on non-audit services to be provided by the external auditors;
- approve the remuneration and terms of engagement of the external auditors;
- make recommendations to the Board in relation to the appointment or removal of the external auditor;
- report to the Board on how it has discharged its responsibilities.

The responsibilities of the *Audit Committee* are set out in full in its Terms of Reference, which are available on the CRH website, www.crh.com.

## Chairman's overview

**Ernst Bärtschi**
*Chairman of Audit Committee*
*Audit Committee Financial Expert*

On behalf of the *Audit Committee*, I am pleased to introduce the *Audit Committee* Report for the year ended 31 December 2014. The non-executive Directors who were members of the Committee during 2014, together with their record of attendance at Committee meetings, are identified in table 11 on page 68. A summary of recent and upcoming changes to the membership of the *Audit Committee* is set out in the Chairman's overview section of the *Nomination & Corporate Governance Committee* Report on page 67.

### *Financial Reporting and External Audit*

In July 2014, the Committee met with Ernst & Young to agree the 2014 external audit plan. Table 7 on page 63 outlines the key areas identified as being potentially significant and how they were addressed by the Committee.

### *Impairment Testing / Accounting for Divestments*

The Committee reviewed management's goodwill impairment testing methodology and process, through discussion with both management and Ernst & Young, and found the methodology to be robust and the results of the testing process appropriate. The Committee also reviewed the re-assessment of the carrying value of the business units identified for divestment in 2013 (in respect of which an impairment charge of €683 million was recorded in the 2013 Consolidated Financial Statements). No goodwill impairments or reversal of previous impairments were recorded during the year (see note 14 on pages 128 to 130 for more details). However, a number of the business units identified for divestment met the 'held for sale' criteria contained within IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* at 31 December 2014 and have been re-classified as such in the Consolidated Financial Statements (see note 4 on page 120 for more details).

### *Enterprise Risk Management*

During 2014 the Committee received and considered an update from management on progress in respect of the ongoing development of the Group's enterprise risk management framework, which included detailed reports identifying the key risks at Divisional and Group level and the related mitigation steps. The Committee also considered an annual report on the assessment of risk management and internal control systems. This had regard to all material controls, including financial, operational and compliance controls that could affect the Group's business. Further details in relation to the Group's risk management and internal control systems are set out on page 69.

### *External Auditors*

Ernst & Young have been the Group's auditors since 1988. In last year's report, I informed shareholders that the Committee had deferred making a decision on the timeframe for putting the external audit out to tender until the finalisation of EU legislation on the reform of the audit sector. This EU legislation, which includes a requirement for mandatory auditor rotation and will necessitate, in the case of CRH, an audit tender by the end of 2020, was enacted in June 2014. However, taking into account the differing requirements of the EU legislation and the 2012 Code (the current provision in the 2012 Code which would require a tender process in 2015 remains in place), and the organisational change in Europe (see page 30), the Committee has determined that it is not in the best interests of the Group to carry-out a tender at this time. The Committee will continue to review this position on an ongoing basis. In the interim, the Committee has again recommended to Board that the continuance in office of Ernst & Young should be subject to a non-binding advisory vote at the 2015 Annual General Meeting.

Further details in relation to the external auditors, including information on how auditor objectivity and independence are maintained and how the effectiveness of the external audit is assessed, are included on pages 64 and 65.

### *Audit Committee Effectiveness and Priorities for 2015*

During 2014 the Committee, together with the Finance Director and Company Secretary, carried out a review of the operation of the Committee. This involved an assessment of the Committee's primary role and responsibilities, training arrangements for Committee members, the time allocated for consideration of key issues, the format and content of the information provided to the Committee and the priorities for 2015 and onwards. A number of helpful recommendations resulted from the process which I believe will further improve the efficiency and effectiveness of the Committee.

The key areas of focus for the Committee in 2015 will be on internal control, external audit planning, IT governance, cyber security and risk management.

**Ernst Bärtschi**
Audit Committee Chairman

February 2015

### *Audit Committee Members*

The biographies of the members of the *Audit Committee* are set out on pages 51 to 53.

The tenure of each Committee member is as follows:

| | |
|---|---|
| E.J. Bärtschi | 3 years |
| H.A. McSharry | 3 years |
| H. Th. Rottinghuis | 0.75 years |

Mr. P.J. Kennedy joined the Committee with effect from 25 February 2015.

Mr. E.J. Bärtschi has been designated by the Board as the Committee's Financial Expert.

The Committee reviewed its Terms of Reference in December 2014 and determined that no changes were required. The Terms of Reference, which were last updated in December 2013, are available on the CRH website.

### *Committee meetings*

The Committee met ten times during 2014, with meetings held to coincide with key dates in the financial reporting and audit cycle. The Finance Director and the Head of Internal Audit generally attend Committee meetings. The external auditors, Ernst & Young, attend the majority of meetings and have direct access to the Chairman of the Committee. The Group Chairman, Chief Executive and other senior finance personnel attend meetings (or for particular agenda items) at the invitation of the Committee. During 2014, the Committee met with the Head of Internal Audit, and separately with the external auditors, in the absence of management. A typical calendar of meetings, which includes a general outline of the main agenda items, is set out in table 8 on page 64.

In February each year, the Chairman of the Committee formally reports to the Board on how the Committee has discharged its responsibilities in respect of the prior financial year.

### *Internal Audit*

The Head of Internal Audit attends the majority of the meetings of the *Audit Committee*. The Committee agrees the Internal Audit strategy, its charter and the annual workplan, which is developed on a risk-based approach.

## Areas identified for focus during the 2014 Audit Planning Process

Table 7

| Area of Focus | Audit Committee Action |
|---|---|
| **Impairment of goodwill** | For the purposes of its annual impairment testing process, the Group assesses the recoverable amount of each of CRH's cash-generating units (CGUs – see details in note 14 to the Consolidated Financial Statements) based on a value-in-use computation. The annual goodwill impairment testing was conducted by management and papers outlining the methodology and assumptions used in, and the results of, that assessment were presented to the *Audit Committee*. Following its deliberations, the *Audit Committee* was satisfied that the methodology used by management (which was consistent with prior years) and the results of the assessment, together with the disclosures in note 14, were appropriate.<br>A separate assessment was carried out in 2014 in respect of the business units identified in 2013 for divestment as part of the Group-wide portfolio review initiated in November of that year. A total impairment charge of €683 million (of which €315 million related to goodwill) was recorded in the 2013 Consolidated Financial Statements. The valuation of each business unit (based on the estimated fair value less costs of disposal) at year-end 2013 was reassessed in 2014 on a standalone CGU basis. The revised valuations were then compared with the carrying value of each business. The *Audit Committee* reviewed and considered the methodology used by management in the reassessment process and was satisfied that it was appropriate. |
| **Impairment of property, plant and equipment and financial assets** | In addition to the goodwill impairment testing process discussed above, the Group also annually assesses the need for impairment of other non-current assets (property, plant and equipment and financial assets) as and when indicators of impairment exist. The *Audit Committee* considered the methodology used by management in that process and was satisfied that it was appropriate. |
| **Divestments – appropriate application of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*** | In 2013, the Group announced that it had identified a number of business units for divestment globally. None of these businesses met the 'held for sale' criteria at 31 December 2013. However, the status of the businesses identified for divestment evolved during 2014 and those businesses which met the 'held for sale' criteria at 31 December 2014 have been reclassified as such in the Consolidated Financial Statements (see note 4 to the Consolidated Financial Statements for more details). Following detailed discussions with management and Ernst & Young, the *Audit Committee* was satisfied that the treatment in 2014 was appropriate. |
| **Contract revenue recognition** | IAS 11 *Construction Contracts* requires revenue and expenses to be recognised on uncompleted contracts, with the underlying principle that, once the outcome of a long-term construction contract can be reliably estimated, revenue and expenses associated with that contract should be recognised by reference to the stage of completion of the contract activity at the balance sheet date. If it is anticipated that the contract will be loss-making, the expected loss must be recognised immediately. Following discussions with management and Ernst & Young, the *Audit Committee* was satisfied that contract revenue recognition was not a material issue for the Group in 2014 as the majority of contracts were completed within the financial year. |

**Typical Audit Committee Calendar** — Table 8

| Meeting | Activity | Attendees by invitation *(in addition to the Finance Director and the Head of Internal Audit)* |
|---|---|---|
| February | – Consideration of the financial statements (including the report from the external auditors on Integrated Audit Results and Communications)<br>– Approval of external audit fee<br>– Annual review of external auditor independence<br>– Annual assessment of risk management and internal control systems<br>– Approval of Internal Audit workplan<br>– Review of reports on the operation of the CRH Code of Business Conduct, the Competition/Anti-trust Compliance Code and the arrangements in place to enable employees to raise concerns, in confidence, in relation to possible wrongdoing in financial reporting or other matters<br>– Enterprise Risk Management Review | *Chief Executive and executives responsible for the relevant areas* |
| March | – Review of Annual Report on Form 20-F | *Senior finance personnel* |
| May | – Review of interim management statement* | *Group Chairman and Chief Executive* |
| June | – Meeting with Finance Director, Europe<br>– Cyber Security Update | *Senior Europe finance personnel* |
| July | – Preliminary consideration of interim results<br>– Approval of the external audit plan<br>– Updates on accounting & auditing developments<br>– Update on Internal Audit work/activities<br>– Annual review of Committee effectiveness<br>– Enterprise Risk Management Review | *Chief Executive and executives responsible for the relevant areas* |
| August | – Review of interim results announcement | *Group Chairman and Chief Executive* |
| September | – Meeting with the Chief Financial Officer for the Americas<br>– Preliminary review of goodwill impairment and sensitivity analysis<br>– Cyber Security Update | *Senior Americas finance personnel* |
| October | – Enterprise Risk Management Review<br>– Preliminary review of interim management statement<br>– Pensions Update | *Executives responsible for the relevant areas* |
| November | – Review of interim management statement* | *Group Chairman and Chief Executive* |
| December | – Review of outcome of goodwill impairment and sensitivity analysis<br>– Update on Internal Audit work/activities<br>– Enterprise Risk Management Review<br>– Approval of non-audit fees provided by external auditors<br>– Review of the Committee's performance and Terms of Reference | *Senior finance personnel* |

* *A Committee of the Group Chairman, Audit Committee Chairman, Chief Executive and Finance Director are authorised from time to time to review and approve the release of interim management statements.*

The Head of Internal Audit reports to the *Audit Committee* on the findings of internal audit reviews and related follow-ups and the outcome of control testing in connection with Section 404 of the Sarbanes-Oxley Act 2002.

In recent years, there has been a significant increase in the resources allocated to IT Audit. The Committee meets regularly with the senior IT Audit Manager to discuss IT Audit strategy, the key areas of focus and agrees the annual IT Audit workplan.

Assessments of the Internal Audit function have been carried out periodically by management and validated by an independent third party assessor. An external assessment, which principally involved a series of interviews with key stakeholders throughout the organisation, including the members of the *Audit Committee*, was commenced in December 2014. The results of that assessment will be presented to the *Audit Committee* for consideration in the first half of 2015.

### Risk management and internal controls

The Board has delegated responsibility for monitoring the effectiveness of the Group's risk management and internal control systems to the *Audit Committee*. Further details in relation to the Committee's work in this area are set out in the section on Risk Management and Internal Controls on page 69.

### External Auditors

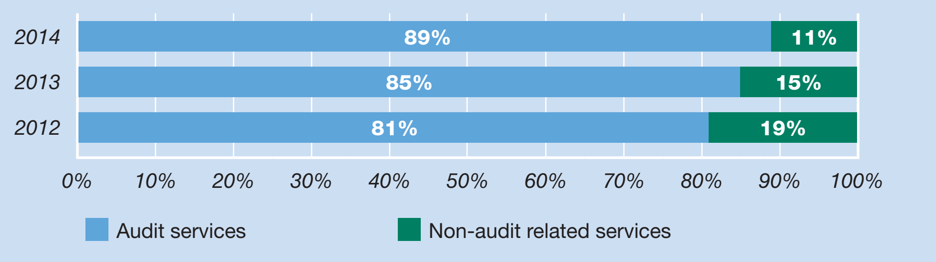
There are no contractual obligations which act to restrict the Committee's choice of external auditor. The Committee periodically considers the risk of withdrawal by Ernst & Young from the market and the potential impact on the Group, were that eventuality to materialise.

The *Audit Committee* has put in place safeguards to ensure that the independence of the audit is not compromised. Such safeguards include:

- seeking confirmation from the external auditors that they are, in their professional judgement, independent from the Group;
- obtaining from the external auditors an account of all relationships between the auditors and the Group;
- monitoring the Group's policy

**Percentage of Audit and Non-audit Fees**
*(see note 3 to the Consolidated Financial Statements)*

**Table 9**



prohibiting the employment of former staff of the external auditors, who were part of the CRH audit team, in senior management positions with the Group until two years have elapsed since the completion of the audit;

- monitoring the number of former employees of the external auditors currently employed in senior positions in the Group and assessing whether those appointments impair, or appear to impair, the external auditors' judgement or independence;
- considering whether, taken as a whole, the various relationships between the Group and the external auditors impair, or appear to impair, the auditors' judgement or independence;
- reviewing the economic importance of the Group to the external auditors and assessing whether that importance impairs, or appears to impair, the external auditors' judgement or independence.

The Group external audit engagement partner is replaced every five years and other senior audit staff are rotated every seven years.

The Group has a policy governing the conduct of non-audit work by the auditors. The policy, which was updated in 2012, is available on the CRH website. Under the policy, the external auditors are prohibited from performing services where they:

- may be required to audit their own work;
- participate in activities that would normally be undertaken by management;
- are remunerated through a 'success fee' structure; and
- act in an advocacy role for the Group.

Other than the above, the Group does not impose an automatic ban on the external auditors undertaking non-audit work. The external auditors are permitted to provide non-audit services that are not, or are not perceived to be, in conflict with auditor independence or prohibited by Rule 2-01 of SEC Regulation S-X, provided they have the skill and competence to carry out the work and are considered by the Committee to be the most appropriate party to undertake such work in the best interests of the Group.

The engagement of the external auditors to provide any non-audit services must be pre-approved by the *Audit Committee* or entered into pursuant to pre-approval policies and procedures established by the Committee. The pre-approval policy specifies the services that are prohibited and the services which have general pre-approval. The Committee has delegated to the Finance Director responsibility for confirming whether a service, which has general pre-approval, can be provided by Ernst & Young. In addition, Internal Audit reviews the pre-approval process to ensure that it is robust in addressing the requirements of the Public Company Accounting Oversight Board and does not impinge on Ernst & Young's independence. The Finance Director reports regularly to the Committee on services which have been approved.

In 2014, the external auditors provided a number of audit-related services, including Sarbanes-Oxley Section 404 attestation, and non-audit services, including due diligence services associated with proposed acquisitions and disposals. Ernst & Young were also engaged during 2014 in a number of jurisdictions in which the Group operates to provide help with local tax compliance, advice on taxation laws and other related matters; assignments which typically involve relatively small fees. The *Audit Committee* is satisfied that the external auditors' knowledge of the Group was an important factor in choosing them to provide these services. The Committee is also satisfied that the fees paid to Ernst & Young for non-audit work, which amounted to 11% of the total fee in 2014, did not compromise their independence or integrity. Details of the amounts paid to the external auditors during the year for audit and other services are set out in note 3 to the Consolidated Financial Statements on page 119.

The *Audit Committee*'s primary means of assessing the effectiveness of the external audit process is by monitoring performance against the agreed audit plan. In addition, each year the Committee considers (i) the experience and knowledge of the Ernst & Young audit team; (ii) the results of post-audit interviews with management and the *Audit Committee* Chairman; (iii) the transparency reports issued under EU regulations by Ernst & Young Ireland; and (iv) where applicable, relevant reports by regulatory bodies on the performance of Ernst & Young. These annual procedures are supplemented by periodic formal reviews of the performance of Ernst & Young, the most recent of which took place in late 2014. The 2014 review captured the views of relevant stakeholders across the Group and members of the Committee. The preliminary results indicated a high level of satisfaction with Ernst & Young and the services provided by them to CRH. The *Audit Committee* will consider a full report on the findings and recommendations arising from the review in the first half of 2015.

# Nomination & Corporate Governance Committee

*The Nomination & Corporate Governance Committee* consists of four non-executive Directors.

The primary responsibilities of the Committee are:

- regularly reviewing the size, structure and composition (including skills, knowledge, experience and diversity) of the Board and making recommendations to the Board regarding any changes;
- giving consideration to succession planning for Directors and senior executives;
- identifying and recommending candidates to fill Board vacancies;
- in respect of the appointment of a chairman, preparing a job specification including the time commitment expected;
- keeping under review the leadership needs of the organisation;
- approving the terms of reference for external board evaluations;
- keeping under review corporate governance developments with the aim of ensuring that CRH's governance policies and practices continue to be in line with best practice;
- ensuring that the principles and provisions set out in the 2012 Code (and any other governance code that applies to the Company) are observed;
- reviewing the disclosures and statements made in the Corporate Governance Report to shareholders.

The responsibilities of the *Nomination & Corporate Governance Committee* are set out in full in its Terms of Reference, which are available on the CRH website, www.crh.com.

## Chairman's overview

**Nicky Hartery**

*Chairman of Nomination & Corporate Governance Committee*

### *Board Renewal*

The *Nomination & Corporate Governance Committee* regularly reviews the Board's skill mix, experience and tenure in order that the renewal process is orderly and planned. A skills matrix has been developed to aid this process and is used by the Committee. During 2014, and to date in 2015, the Committee identified and recommended to the Board that the following individuals be appointed as non-executive Directors:

- Pat Kennedy, appointed with effect from 1 January 2015; and
- Lucinda Riches, appointed with effect from 1 March 2015.

The search criteria for these appointments included candidates with a Chief Executive or senior management background who had general industry, emerging markets and, in the context of recent and impending Board retirements, finance, investment banking or private equity experience.

Biographies for Pat Kennedy and Lucinda Riches are included on pages 52 and 53. The Committee worked with Korn/Ferry in relation to the appointment of Lucinda. Korn/Ferry has no other connection with the Company. We did not use the services of a recruitment agency in relation to the appointment of Pat; he had been identified as a candidate for a non-executive Director a number of years ago. At that time he was Executive Chairman of SHV Holdings, a large family owned multi-national based in the Netherlands. We remained in contact with him and when he retired from his executive role at SHV he met with all of the current members of the *Nomination & Corporate Governance Committee* and a number of other Board members. He brings to CRH wide experience in a range of industries, emerging markets and the provision of private equity. Lucinda has significant experience in equity and capital markets both in London and New York. While she worked for the majority of her career up to 2007 in UBS, the Company's broker, the Committee is satisfied that no issues of independence arise.

Ernst Bärtschi was appointed to the Board in 2011 and Heather Ann McSharry was appointed in 2012. They completed their first three year terms as non-executive Directors in November 2014 and February 2015 respectively. Following a performance review, on the recommendation of the Committee, the Board has asked Ernst and Heather Ann to each continue on the Board for a further three year term.

Following the appointment of Lucinda Riches, female Directors will represent 25% of the Board after the conclusion of the 2015 Annual General Meeting. The *Nomination & Corporate Governance Committee* will continue to retain gender diversity as a key factor to consider in all Board appointments for the foreseeable future.

### *Board Committees / Senior Independent Director*

On the recommendation of the *Nomination & Corporate Governance Committee*, the Board has appointed Don McGovern as Chairman of the *Remuneration Committee*, with effect from March 2015. Don succeeds Dan O'Connor, who will remain on the Committee until his retirement at the conclusion of the 2015 Annual General Meeting. Don also succeeds Dan as Senior Independent Director. A summary of recent and upcoming changes to the Board's Committees are set out in table 10.

### *Voting at General Meetings*

The Committee reviewed the voting outcome at the 2014 Annual General Meeting and concluded that there was no issue or pattern in voting which was unexplained or warranted discussion with individual shareholders.

**Nicky Hartery**
Nomination & Corporate Governance Committee Chairman

February 2015

**Summary of Board Committee Changes** Table 10

| | Acquisitions | Audit | Finance | Nomination | Remuneration |
|---|---|---|---|---|---|
| Ernst Bärtschi | - | M *(Ch)* | △ | - | - |
| John Kennedy | △ | - | △ | ○ | ○ |
| Pat Kennedy | △ | △ | - | - | - |
| Albert Manifold | M | - | ○ | - | - |
| Don McGovern | - | ○ | - | △ | △ *(Ch)* |
| Heather Ann McSharry | - | M | △ | - | - |
| Dan O'Connor | - | ○ | - | M | M *(prev. Ch)* |
| Henk Rottinghuis | △ | M | - | - | - |
| Lucinda Riches* | - | - | - | △ | △ |

△ = *Appointed to committee;* ○ = *ceased to be a committee member;* (Ch) = *committee Chairman;*
- = *not applicable or no change;* M = *continuing member*
* *Committee appointment will take effect from 1 March 2015*

### *Nomination & Corporate Governance Committee Members*

The biographies of the members of the *Nomination & Corporate Governance Committee* are set out on pages 51 to 53.

The tenure of each Committee member is as follows:

| | |
|---|---|
| W. P. Egan | 7.5 years |
| N. Hartery | 10.5 years |
| D. McGovern | 0.25 years |
| D. O'Connor | 2.5 years |

Ms. L. Riches will join the *Nomination & Corporate Governance Committee* with effect from her appointment to the Board on 1 March 2015.

The factors taken into account by the *Nomination & Corporate Governance Committee* in considering the composition of the Board are set out in the policy for Board renewal which is detailed on page 57.

The Committee reviewed its Terms of Reference in December 2014 and determined that no changes were required. The Terms of Reference, which were last updated in December 2013, are available on the CRH website.

## Remuneration Committee

The Directors' Remuneration Report on pages 72 to 95 contains an overview of the responsibilities and activities of the *Remuneration Committee* during 2014.

Under its Terms of Reference, the *Remuneration Committee* must be made up of at least three members, all of whom must be independent non-executive Directors. Members of the Committee can serve for up to a maximum of three terms of three years. The Group Chairman may be a member of the Committee provided he was independent on appointment as Chairman and the Board continues to consider him to be independent. Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chairman, if not a member of the Committee, the Chief Executive, the Group Human Resources and Talent Development Director and external advisers may be invited to attend for all or part of any meeting as and when appropriate. The Chief Executive is fully consulted about remuneration proposals.

### *Remuneration Committee Members*

The biographies of the members of the *Remuneration Committee* are set out on pages 51 to 53.

The tenure of each Committee member is as follows:

| | |
|---|---|
| W. P. Egan | 7.5 years |
| N. Hartery | 10.5 years |
| D. McGovern | 0.25 years |
| D. O'Connor | 2.5 years |

Ms. L. Riches will join the *Remuneration Committee* with effect from her appointment to the Board on 1 March 2015.

The Committee reviewed its Terms of Reference in December 2014 and determined that no changes were required. The Terms of Reference, which were last updated in December 2013, are available on the CRH website.

## Acquisitions Committee

### *Acquisitions Committee Members*

The biographies of the members of the *Acquisitions Committee* are set out on pages 51 to 53.

The tenure of each Committee member is as follows:

| | |
|---|---|
| N. Hartery | 2.5 years |
| M. Carton | 4.5 years |
| U-H. Felcht | 3.0 years |
| J.W. Kennedy | 0.5 years |
| A. Manifold | 6.0 years |

Mr. P. Kennedy and Mr. H. Rottinghuis were appointed to the Committee on 25 February 2015.

The attendance at *Acquisitions Committee* meetings is set out in table 11.

### *Role and Responsibilities*

The *Acquisitions Committee* has been delegated authority by the Board to approve acquisitions and disposals and large capital expenditure projects up to agreed limits.

**Attendance at Board and Board Committee meetings during the year ended 31 December 2014** **Table 11**

| | Board | | Acquisitions | | Audit | | Finance | | Nomination | | Remuneration | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | No. of Meetings | | No. of Meetings | | No. of Meetings | | No. of Meetings | | No. of Meetings | | No. of Meetings | |
| | Total | Attended | Total | Attended | Total | Attended | Total | Attended | Total | Attended | Total | Attended |
| E.J. Bärtschi | 8 | 8 | | | 10 | 10 | | | | | | |
| M. Carton | 8 | 8 | 8 | 8 | | | 7 | 7 | | | | |
| W.P. Egan | 8 | 7 | | | | | | | 7 | 7 | 8 | 8 |
| U-H. Felcht | 8 | 7 | 8 | 8 | | | 7 | 7 | | | | |
| N. Hartery | 8 | 8 | 8 | 8 | | | 7 | 7 | 7 | 7 | 8 | 8 |
| J.M. de Jong* | 2 | 2 | 1 | 1 | | | 2 | 2 | | | | |
| J.W. Kennedy | 8 | 8 | 2 | 2 | | | | | 5 | 5 | 7 | 7 |
| D.A. McGovern, Jr. | 8 | 8 | | | 10 | 10 | | | | | | |
| H.A. McSharry | 8 | 8 | | | 10 | 10 | | | | | | |
| A. Manifold | 8 | 8 | 8 | 8 | | | 7 | 7 | | | | |
| D.N. O'Connor | 8 | 8 | | | 5 | 5 | | | 7 | 7 | 8 | 8 |
| H. Th. Rottinghuis** | 8 | 8 | | | 5 | 4 | | | | | | |
| M.S. Towe | 8 | 8 | | | | | | | | | | |

* *Retired May 2014*
** *Appointed to Board February 2014*

*Note: See summary of Board Committee changes in table 10 on page 67.*

## Finance Committee

### *Finance Committee Members*

The biographies of the members of the *Finance Committee* are set out on pages 51 to 53.

The tenure of each Committee member is as follows:

| | |
|---|---|
| N. Hartery | 2.5 years |
| M. Carton | 4.5 years |
| U-H. Felcht | 7.5 years |
| J.W. Kennedy | 0.5 years |

Mr. E. J. Bärtschi and Ms. H. A. McSharry were appointed to the Committee on 25 February 2015.

The attendance at *Finance Committee* meetings is set out in table 11.

### *Role and Responsibilities*

The *Finance Committee* is responsible for:

- advising the Board on the financial requirements of the Group and on appropriate funding arrangements;
- considering and making recommendations to the Board in relation to the issue and buy-back of shares and debt instruments and on the Group's financing arrangements;
- considering and making recommendations to the Board in relation to dividend levels on the Ordinary Shares;
- keeping the Board advised of the financial implications of Board decisions in relation to acquisitions;
- assisting management, at their request, in considering any financial or taxation aspect of the Group's affairs; and
- reviewing the Group's insurance arrangements.

## Risk Management and Internal Control

The Board has delegated responsibility for the monitoring of the effectiveness of the Group's risk management and internal control systems to the *Audit Committee**. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and, in the case of internal control systems, can provide only reasonable and not absolute assurance against material misstatement or loss.

The Consolidated Financial Statements are prepared subject to oversight and control of the Finance Director, ensuring correct data is captured from Group locations and all required information for disclosure in the Consolidated Financial Statements is provided. An appropriate control framework has been put in place around the recording of appropriate eliminating journals and other adjustments. The Consolidated Financial Statements are reviewed by the CRH Financial Reporting and Disclosure Group prior to being reviewed by the *Audit Committee* and approved by the Board of Directors.

The Directors confirm that the Group's ongoing process for identifying, evaluating and managing its principal risks and uncertainties (as outlined in the Directors' Report on pages 96 to 98) is in accordance with the updated Turnbull guidance *(Internal Control: Revised Guidance for Directors on the Combined Code)* published in October 2005. The process has been in place throughout the accounting period and up to the date of approval of the Annual Report and financial statements.

Group management has responsibility for major strategic development and financing decisions. Responsibility for operational issues is devolved, subject to limits of authority, to product group and operating company management. Management at all levels is responsible for internal control over the business functions that have been delegated. This embedding of the system of internal control throughout the Group's operations ensures that the organisation is capable of responding quickly to evolving business risks, and that significant internal control issues, should they arise, are reported promptly to appropriate levels of management.

During the year, the Board and *Audit Committee* received, on a regular basis, reports from management on the key risks to the business and the steps being taken to manage such risks. They also considered whether the significant risks faced by the Group were being identified, evaluated and appropriately managed, having regard to the balance of risk, cost and opportunity. In addition, the *Audit Committee* met with internal auditors on a regular basis and satisfied itself as to the adequacy of the Group's internal control system; met with the Chairman of the *Remuneration Committee* to ensure that the Group's remuneration policies and structures were appropriate and in line with the Group's risk tolerance; and reviewed the principal risks and uncertainties outlined in the Directors' Report. The *Audit Committee* also met with, and received reports from, the external auditors. The Chairman of the *Audit Committee* reported regularly to the Board on all significant issues considered by the Committee and the minutes of its meetings were circulated to all Directors.

The Directors confirm that, in addition to the monitoring carried out by the *Audit Committee* under its Terms of Reference, they have reviewed the effectiveness of the Group's risk management and internal control systems up to and including the date of approval of the financial statements. This had regard to all material controls, including financial, operational and compliance controls that could affect the Group's business.

## Compliance & Ethics

The Group Compliance & Ethics (C&E) programme continues to develop in scope and reach. The structure of the C&E organisation was realigned in 2014 to serve the new CRH Europe organisation. A CRH Europe Head of C&E was appointed from the existing Compliance pool. Business Unit Compliance Coordinators (BUCCs) were also appointed for Heavyside East, Heavyside West, Lightside and Distribution and a European Compliance Officer was appointed to assist the European Head of C&E.

CRH's Code of Business Conduct (COBC) and related policies were updated and approved by the Board and the C&E team's primary focus since then has been to ensure all relevant employees receive appropriate training. In the current training cycle over 32,000 employees have participated in COBC training and a further 11,000 have also undertaken advanced instruction on competition law and anti-bribery, corruption and fraud.

In addition, our development teams and procurement teams have received appropriate instruction on both our C&E Mergers, Acquisitions and Joint Venture Due Diligence Programme and our Ethical Procurement Code. Our Supplier Code of Conduct was developed to communicate our minimum Corporate Social Responsibility requirements to existing and new suppliers to the Group and to outline how we ensure compliance with these requirements. Similar procedures have been developed for any engagements with business partners. Further guidelines developed during the year include a Competition Law Toolbox – which gathers into one place various CRH guidelines, policies and notes to help the businesses comply with Competition Law requirements.

The following existing policies are under review;

- The Competition/Antitrust Compliance Code
- The Donations Policy
- The Anti-Fraud Policy

The COBC has scored an "A" rating by New York Stock Exchange Governance Services and incorporates some welcome new features, including learning aids, an ethical-decision making guide and a clear focus on the core values of the Group: Integrity, Honesty and Respect for the law. It was translated and distributed during 2014 and related training is being migrated to an on-line module. A robust communication plan is in place to

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* *In accordance with Regulation 91(6)(b) of the European Communities (Statutory Audits) (Directive 2006/43) Regulations 2010.*

**Substantial Holdings** **Table 12**

**As at 31 December 2014, the Company had received notification of the following interests in its Ordinary share capital:**

| **Name** | **31 December 2014** | | *31 December 2013* | | *31 December 2012* | |
|---|---|---|---|---|---|---|
| | ***Holding/Voting Rights*** | ***% at year end*** | *Holding/Voting Rights* | *% at year end* | *Holding/Voting Rights* | *% at year end* |
| BlackRock, Inc.* | **40,681,647** | **5.49%** | *43,857,751* | *5.98%* | *28,961,677* | *3.98%* |
| The Capital Group Companies, Inc. | **-** | **-** | *-* | *-* | *35,763,581* | *4.92%* |
| Harbor International Fund | **21,999,275** | **2.96%** | *21,999,275* | *3.00%* | *21,999,275* | *3.02%* |
| Legal & General Group Plc | **-** | **-** | *-* | *-* | *22,496,003* | *3.09%* |
| Norges Bank (The Central Bank of Norway) | **-** | **-** | *-* | *-* | *21,543,277* | *2.96%* |
| Templeton Global Advisors Limited | **21,503,171** | **2.90%** | *21,503,171* | *2.93%* | *21,503,171* | *2.96%* |
| UBS AG | **26,380,604** | **3.56%** | *26,380,604* | *3.59%* | *26,380,604* | *3.63%* |

* *BlackRock, Inc. has advised that its interests in CRH shares arise by reason of discretionary investment management arrangements entered into by it or its subsidiaries.*

complement the training programme. A multi-lingual "hotline" facility – "Speak Up" is also available to employees as a secure channel to report ethical issues that concern them or suspected violations of our Codes. All hotline reports received are fully reviewed and investigated by appropriately qualified personnel.

The C&E programme has been integrated into our standard Internal Audit procedures and forms part of an annual management certification process. Its effectiveness is also regularly reviewed by the C&E function with appropriate oversight from senior management and the *Audit Committee*. The collective goal is to ensure the message is clearly understood that at CRH "there is never a good business reason to do the wrong thing".

### Sustainability and Corporate Social Responsibility

Sustainability and Corporate Social Responsibility (CSR) concepts are embedded in all CRH operations and activities. Excellence in the areas of *health & safety, environment & climate change, governance and people & community* is a daily priority of line management. The Group's policies and implementation systems are summarised on pages 17 to 21 and are described in detail in the annual Sustainability Report, which is typically published mid-year in respect of the previous calendar year, and is available on the Group's website. During 2014, CRH was again recognised by several leading socially responsible investment (SRI) agencies as being among the leaders in its sector in these important areas.

### Substantial Holdings

The Company is not owned or controlled directly or indirectly by any government or by any corporation or by any other natural or legal person severally or jointly. The major shareholders do not have any special voting rights. Details of the substantial holdings as at 31 December 2014 are provided in table 12. Between 31 December 2014 and 25 February 2015, the Company has been advised that Harbor International Fund decreased its holding to 21,853,816 (2.9502%) and BlackRock, Inc. has increased its holding to 67,412,664 (8.27%).

### Communications with Shareholders

Communications with shareholders are given high priority and the Group devotes considerable time and resources each year to shareholder engagement. We recognise the importance of effective dialogue as an integral element of good corporate governance. The Investor Relations team, together with the Chief Executive, Finance Director and other senior executives, meet regularly with institutional shareholders (each year covering over 50% of shareholder base). Detailed reports on the issues covered in those meetings and the views of shareholders are circulated to the Board after each group of meetings. Table 13 provides a brief outline of the nature of the activities undertaken by our Investor Relations team.

During 2014, the Chairman, Senior Independent Director and Company Secretary participated in a number of conference calls with some of the Group's major shareholders in advance of the 2014 Annual General Meeting. The meetings were organised to provide those shareholders with an opportunity to discuss the resolutions

**Investor Relations Activities** **Table 13**

**Formal Announcements,** including the release of the annual and interim results and the issuance of interim management statements. These announcements are typically accompanied by presentations and webcasts or conference calls.

**Investor Roadshows,** typically held following the release of formal announcements, provide an opportunity for the management team to meet existing and/or potential investors in a concentrated set of meetings.

**Industry Conferences:** Attendance at key sector and investor conferences affords members of the senior management team the opportunity to engage with key investors and analysts.

**Investor Briefings:** In addition to regular contact with investors and analysts during the year, the Company periodically holds capital market days, which include presentations on various aspects of CRH's operations and strategy and provide an opportunity for investors and analysts to meet with CRH's wider management team.

**Media Briefings:** Each year, the Company provides media briefings on numerous issues.

on the 2014 Annual General Meeting agenda and corporate governance matters generally.

In addition to the above, major acquisitions are notified to the Stock Exchanges in accordance with the requirements of the Listing Rules and development updates, giving details of other acquisitions completed and major capital expenditure projects, are issued periodically (typically in January and July each year).

In addition, we respond throughout the year to correspondence from shareholders on a wide range of issues.

The Chief Executive made a presentation to shareholders at the 2014 Annual General Meeting on CRH's businesses.

## General Meetings

The Company's Annual General Meeting (AGM), which is held in Ireland, affords individual shareholders the opportunity to question the Chairman and the Board. All Directors attended the 2014 AGM. The Notice of the AGM, which specifies the time, date, place and the business to be transacted, is sent to shareholders at least 20 working days before the meeting. At the meeting, resolutions are voted on by way of a poll using an electronic voting system. The votes of shareholders present at the meeting are added to the proxy votes received in advance and the total number of votes for, against and withheld for each resolution are announced. This information is made available on the Company's website following the meeting.

All other general meetings are called Extraordinary General Meetings (EGMs). An EGM called for the passing of a special resolution requires at least 21 clear days' notice.

A quorum for a general meeting of the Company is constituted by five or more shareholders present in person and entitled to vote. The passing of resolutions at a meeting of the Company, other than special resolutions, requires a simple majority. To be passed, a special resolution requires a majority of at least 75% of the votes cast.

Shareholders have the right to attend, speak, ask questions and vote at general meetings. In accordance with Irish company law, the Company specifies record dates for general meetings, by which date shareholders must be registered in the Register of Members of the Company to be entitled to attend. Record dates are specified in the notes to the notice of a general meeting. Shareholders may exercise their right to vote by appointing, by electronic means or in writing, a proxy/proxies to vote some or all of their shares. The requirements for the receipt of valid proxy forms are set out in the notes to the notice convening the meeting and in the notes on the proxy form. A shareholder, or a group of shareholders, holding at least 5% of the issued share capital of the Company, has the right to requisition a general meeting. A shareholder, or a group of shareholders, holding at least 3% of the issued share capital of the Company, has the right to put an item on the agenda of an AGM or to table a draft resolution for inclusion in the agenda of a general meeting, subject to any contrary provision in Irish company law.

## Memorandum and Articles of Association

The Company's Memorandum of Association sets out the objects and powers of the Company. The Articles of Association detail the rights attaching to each share class; the method by which the Company's shares can be purchased or re-issued and the provisions which apply to the holding of and voting at general meetings. Details of transactions in the Company's own shares are included on pages 99 and 100 of the Directors' Report.

The Articles of Association also set out the rules relating to Directors, including their appointment, retirement, re-election, duties and powers. The Articles provide that no person other than a Director retiring at the meeting shall, unless recommended by the Directors, be eligible for election to the office of Director at any General Meeting unless not less than seven nor more than 21 days before the day appointed for the meeting there shall have been left at the registered office notice in writing, signed by a member duly qualified to attend and vote at the meeting for which such notice is given, of his intention to propose such person for election and also notice in writing signed by that person of his willingness to be elected. The Articles also require that the qualification of a Director shall be the holding alone and not jointly with any other person of 1,000 Ordinary Shares in the capital of the Company. A Director may act before acquiring his/her qualification but must acquire the shares within two months of his/her appointment or election.

## Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategy Review section and in the Directors' Report on pages 8 to 15 and pages 96 to 98. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Business Performance Review on pages 22 to 49. In addition, notes 20 to 24 to the Consolidated Financial Statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit, currency and liquidity risks.

The Company has considerable financial resources and a large number of customers and suppliers across different geographic areas and industries. In addition, the local nature of building materials means that the Group's products are not usually shipped cross-border.

Having assessed the relevant business risks, the Directors believe that the Company is well placed to manage these risks successfully, and they have a reasonable expectation that the Company, and the Group as a whole, have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Consolidated Financial Statements.

**The following are available on the CRH website, www.crh.com:** **Table 14**

***Corporate Governance section:***

- Terms of Reference of *Acquisitions Committee* (amended December 2010)
- Terms of Reference of *Audit Committee* (amended December 2013)
- Terms of Reference of *Finance Committee* (amended February 2004)
- Terms of Reference of *Nomination & Corporate Governance Committee* (amended December 2013)
- Terms of Reference of *Remuneration Committee* (amended December 2013)
- The Memorandum and Articles of Association of the Company
- Pre-approval policy for non-audit services provided by the auditors
- Compliance & Ethics statement, Code of Business Conduct and Hotline contact numbers
- The 2014 Remuneration Policy

***Investors section:***

- Annual and Interim Reports, the Annual Report on Form 20-F, the Sustainability Report, Interim Management Statements and copies of presentations to analysts and investors
- News releases
- Webcast recordings of key investor briefings
- General Meeting dates, notices, shareholder circulars, presentations and poll results
- Answers to Frequently Asked Questions, including questions regarding dividends and shareholder rights in respect of general meetings

# Directors' Remuneration Report

## Contents

Page

* *Tables 19, 34, 35, 36, 37, 38, 39, 40, 42, 43 and 50 have been audited*

** *The full policy, which was approved by shareholders at the 2014 AGM and which will remain in force until May 2017, unless previously amended by shareholders is available on the CRH website, www.crh.com*

The *Remuneration Committee* consists of four non-executive Directors considered by the Board to be independent. They bring a range of experience of large organisations and public companies, including experience in the area of senior executive remuneration, to enable the Committee to fulfil its role. Their biographical details are set out on pages 51 to 53.

The main focus of the Committee is to:

- determine and agree with the Board the Group's policy on executive remuneration;
- seek shareholder approval for the policy at least every three years;
- ensure that CRH's remuneration structures are fair and responsible; and
- consider and approve remuneration packages for the executive Directors and the Chairman.

In addition, the Committee:

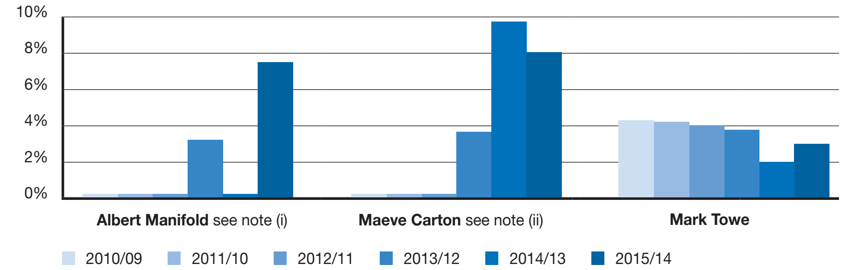
- recommends and monitors the level and structure of remuneration for senior management; and
- oversees the preparation of this Directors' Remuneration Report.

In considering remuneration levels for executive Directors particularly, the Committee takes into account remuneration trends across the CRH Group, which has a diverse range of operations in 34 countries, in geographic regions which are often at different stages in the economic cycle.

Additional details in relation to the Committee, its role and responsibilities and how it operates are included in the *Remuneration Committee* section of the Corporate Governance report on page 68.

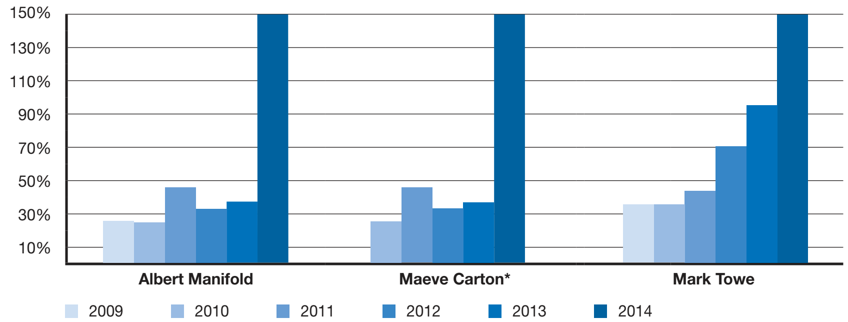
The Chief Executive attends meetings except when his own remuneration is being discussed.

**Salary Level Increases 2009 - 2015** **Table 15**



*(i) Salary increased from €825,000 to €1,200,000 when appointed as Chief Executive with effect from 1 January 2014.*
*(ii) Appointed to the Board in May 2010; 2014 and 2015 salary increased following review of market levels, breadth of responsibilities and performance in 2013.*
*See page 62 of the 2013 Annual Report for further information.*

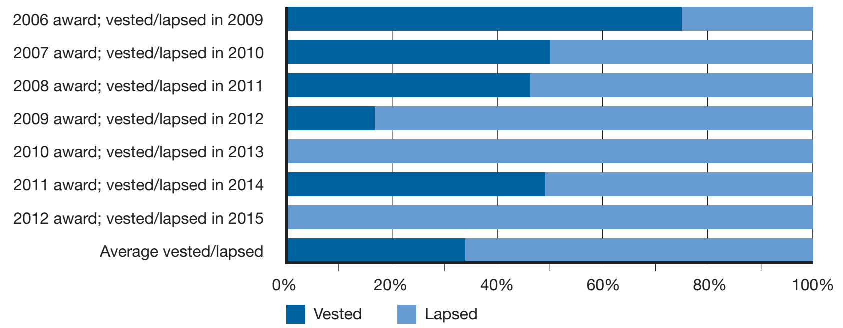
**Annual Bonus Levels as a Percentage of Salary 2009 - 2014** **Table 16**



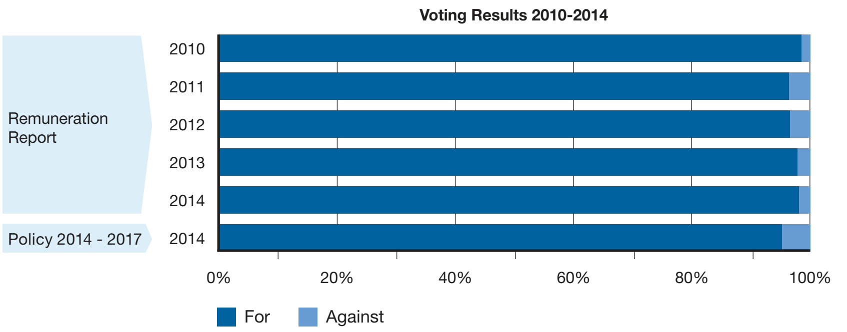
**Bonus Payouts in period 2009 to 2014 ranged from:** 25% - 150%

** Appointed in May 2010*

**Historic Vesting of 2006 Performance Share Plan Awards** **Table 17**



**AGM Votes on Report on Directors' Remuneration** **Table 18**



## Introduction

**Dan O'Connor**
*Chairman of Remuneration Committee*

### Recent Remuneration Snapshot:

- *Updated Remuneration Policy approved at 2014 AGM*
- *New performance share plan adopted at 2014 AGM*
- *Incentive payout levels linked to stretching performance criteria*
- *Strong support from shareholders for policy and implementation*

On behalf of the *Remuneration Committee*, I am pleased to introduce the Directors' Remuneration Report for the year ended 31 December 2014. The Remuneration Report (excluding the Remuneration Policy summary on pages 90 to 95), will be included on the agenda of the 2015 Annual General Meeting for shareholder consideration.

The purpose of CRH's Remuneration Policy, which was approved by shareholders at the 2014 Annual General Meeting, is to provide an appropriate framework to support the creation of value for shareholders over the longer term, the attraction and retention of key executives and succession planning, without paying more than is necessary. The full Remuneration Policy is available on the CRH website, www.crh.com.

### 2014 Performance

2014 was a year of growth and progress in terms of our aim of restoring margins and returns to peak levels in the coming years.

In addition, there was significant achievement regarding the Group's multi-year divestment programme of €1.5 billion to €2.0 billion, with proceeds from completed disposals of €0.35 billion since the programme was announced in August 2014.

Overall, CRH's strong balance sheet and cash generation capability leave the Company well positioned to take advantage of value-creating acquisition opportunities.

In the context of the Group's performance in 2014, and performance against individual and strategic goals, the *Remuneration Committee* has determined that the annual bonus levels for 2014 should be set at the maximum level of 150% for each of the executive Directors.

In accordance with CRH's Remuneration Policy, approved by shareholders at the 2014 Annual General Meeting, 25% of the 2014 bonus will be deferred into shares for a period of three years.

The basis for each bonus award is set out in detail on page 76. In line with evolving best practice, we have increased the level of disclosure in relation to payout levels to provide shareholders with a greater level of insight into the approach for determining bonus payments. We have also disclosed the targets for the bonus payments in respect of 2013 as these are no longer considered to be commercially sensitive. Similarly, the *Remuneration Committee* intends that the targets for the 2014 bonus plan will be disclosed in the 2015 Directors' Remuneration Report.

The 2014 Remuneration Policy also made provision for the *Remuneration Committee* to introduce clawback provisions, in addition to the malus** provisions already in place for the annual bonus plan and the long-term performance share plan. The Committee has decided, in accordance with the provisions of the 2014 UK Corporate Governance Code, to introduce clawback provisions for the cash element of the annual bonus plan for 2015 and onwards.

The long-term awards made under the 2006 Performance Share Plan and the 2010 Share Option Scheme made in 2012 (each with a three year performance period 2012 - 2014) did not meet the relevant performance criteria required to vest and, consequently, those awards lapse in full. Further details are set out on pages 78 and 79.

### Executive Director Salaries

As reported in the 2013 Directors' Remuneration Report, following consideration of the scope of the Finance Director's responsibilities and her performance since being appointed in 2010, the Committee decided that Maeve Carton's salary should be increased, subject to continued individual and business performance, to €675,000 in two steps. Her salary

| | | | |
|---|---|---|---|
| *Sales* | *+ 5%* | *Return on Net Assets* | *+150bps* |
| *EBITDA* | *+11%* | *Operating Cash Flow* | *+23%* |
| *EPS* | *+33%** | *Net Debt* | *-16%* |

---

* *Based on adjusted 2013 EPS (excluding impairments and the related tax impact).*

** *Malus is a mechanism whereby the Remuneration Committee may decide not to release deferred share or performance share plan awards if an unusual event such as a material financial misstatement occurred, significant losses were incurred or the Company suffered significant reputational damage.*

increased to €625,000 (+9.7%) in 2014. The *Remuneration Committee* has determined that it is appropriate to make the second increase (to €675,000) in respect of 2015 (+8%).

The Committee has also reviewed the salary levels for Albert Manifold and Mark Towe and determined that increases of 7.5% to €1,290,000 and 3% to US$1,420,000 respectively are appropriate. The increase for Albert Manifold reflects the speed with which he has developed in the Chief Executive role, demonstrated by the progress in the delivery of strategy and the improvement in returns and margins referred to above. The *Remuneration Committee* also noted that the salary of Albert Manifold remains below the level of €1,450,000 awarded to the Chief Executive of CRH in 2008. The increase for Mark Towe is in line with increases across the general employee population in the United States.

### 2015 Awards under the 2014 Performance Share Plan

Awards under the 2014 Performance Share Plan in 2015 will be made at the same level as in 2014 and will continue to be based on TSR and adjusted cash flow. The adjusted cash flow targets have not yet been set by the *Remuneration Committee* and will be set when the outcome of the proposed acquisition of assets from Lafarge S.A. and Holcim Limited is known. As in previous years, the targets will be demanding and aligned to value creation for shareholders, with significant stretch ensuring that only exceptional performance will result in maximum payout.

### Remuneration Policy

As referred to in the Chairman's introduction to the Annual Report on page 2, CRH has entered into a binding commitment to acquire certain assets from Lafarge S.A. and Holcim Limited for a total enterprise value of €6.5 billion. In the context of this proposed acquisition, the Committee will review the remuneration policy during the course of 2015 to ensure it remains appropriate for the needs of the business.

### Conclusion

Shareholders play a crucial role in the design of appropriate, balanced and fair remuneration structures and, as I will retire from the Board of CRH following the 2015 Annual General Meeting, I would like to thank all those who have engaged with CRH during my tenure as *Remuneration Committee* Chairman, for their constructive approach to dialogue with the Company. I have no doubt that my successor, Don McGovern, will benefit from your continued strong support for CRH.

**Dan O'Connor**
Remuneration Committee Chairman

February 2015

## Annual Statement on Remuneration

The following section sets out details of:

- the remuneration paid to Directors in respect of 2014;
- how CRH's remuneration policy will operate for 2015; and
- other areas of disclosure.

The Directors' Remuneration Report, excluding the Remuneration Policy summary on pages 90 to 95, will be put to shareholders for the purposes of an advisory vote at the Annual General Meeting to be held on 7 May 2015.

The Company is not seeking shareholder approval for a revised Remuneration Policy this year and, therefore, we have not included the full policy in this report. We have, however, included the executive Director and non-executive Director policy tables, as well as details of the Chief Executive's service contract as information for shareholders.

## Executive Directors

### *Remuneration received by executive Directors in respect of 2014*

Details of individual remuneration for executive Directors for the year ended 31 December 2014, including explanatory notes, are given in table 19. Details of Directors' remuneration charged against profit in the year are given in table 50 on page 89 in the *Other Disclosures* section.

**Individual remuneration for the year ended 31 December 2014 (Audited)** Table 19

| | | | | | Annual Bonus Plan | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Basic Salary and Fees | | Benefits | | Cash Element | | Deferred Shares | | Long-Term Incentives | | Retirement Benefits Expense | | Total | Total |
| | (a) | | (b) | | (c) | | (c) | | (d) | | (e) | | | |
| | € 000 | | € 000 | | € 000 | | € 000 | | € 000 | | € 000 | | € 000 | € 000 |
| | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 |
| **Executive Directors** | | | | | | | | | | | | | | |
| Maeve Carton | **625** | 570 | **16** | 13 | **703** | 203 | **234** | - | **-** | 439 | **260** | 187 | **1,838** | 1,412 |
| Albert Manifold | **1,200** | 825 | **39** | 31 | **1,350** | 294 | **450** | - | **-** | 648 | **559** | 290 | **3,598** | 2,088 |
| Mark Towe | **1,036** | 1,016 | **59** | 59 | **1,166** | 915 | **389** | 54 | **-** | 718 | **207** | 203 | **2,857** | 2,965 |
| | **2,861** | 2,411 | **114** | 103 | **3,219** | 1,412 | **1,073** | 54 | **-** | 1,805 | **1,026** | 680 | **8,293** | 6,465 |

(a) ***Basic Salary and Fees:*** *The background to the increase in Maeve Carton's salary in 2014 is set out on pages 73 and 74. When he assumed the role of Chief Executive in January 2014, Albert Manifold's salary was set at broadly the same level as the outgoing Chief Executive. Mark Towe's salary increased in US$ terms by 2% in line with general trends in CRH operations in the United States.*

(b) ***Benefits:*** *For executive Directors these relate principally to the use of company cars, medical insurance and life assurance and, where relevant, the value of the discount on the grant of options under the Group's 2010 Savings-related Share Option Scheme (see table 39 on page 83) for more details) and the reimbursement of legal fees in relation to the putting in place of service contracts (see page 93 for more details).*

(c) ***Annual Bonus Plan:*** *Under the executive Directors' Annual Bonus Plan for 2014, a bonus is payable for meeting clearly defined and stretch targets and strategic goals. The structure of the 2014 plan, together with details of the performance against targets and payouts in respect of 2014, is set out on pages 76 to 78.*

(d) ***Long-Term Incentives:*** *In February 2015, the Remuneration Committee determined that the award made in 2012 under the 2006 Performance Share Plan would lapse as, over the three-year period 2012-2014, CRH's TSR performance was below the median of both the peer group and the Eurofirst 300 Index. The share options granted in 2012 under the 2010 Share Option Scheme will also lapse in full as the option failed to meet the necessary EPS performance targets. As a result, no long-term incentive award with a performance period ending in 2014 has vested or will vest. Amounts in the Long-Term Incentive column for 2013 reflect the value of vested long-term incentive awards with a three-year performance period ending in 2013. These amounts have been updated to reflect the market value of the shares on the date of vesting, which for Irish based executives was €21.28 and for the US based executive was €21.505. In the 2013 Directors' Remuneration Report the value of the award was estimated based on the three month average share price to 31 December 2013 (see page 66 of the 2013 Directors' Remuneration Report for more details). The structure of the 2006 Performance Share Plan is set out in tables 31 and 32 on page 80. The performance criteria for the 2010 Share Option Scheme are set out in table 33 on page 80.*

(e) ***Retirement Benefits Expense:*** *The Irish Finance Act 2006 effectively established a cap on pension provision by introducing a penalty tax charge on pension assets in excess of the higher of €5 million or the value of individual prospective pension entitlements as at 7 December 2005. This cap was further reduced by the Irish Finance Act 2011 to €2.3 million and, by the Finance (No. 2) Act 2013, to €2 million. As a result of these legislative changes, the Remuneration Committee decided that executive Directors who are members of Irish pension schemes should have the option of continuing to accrue pension benefits as previously, or of choosing an alternative arrangement - by accepting pension benefits limited by the cap - with a similar overall cost to the Group. Maeve Carton and Albert Manifold chose to opt for the alternative arrangement which involved capping their pensions in line with the provisions of the Finance Acts and receiving a supplementary taxable non-pensionable cash allowance, in lieu of prospective pension benefits foregone. These allowances are similar in value to the reduction in the Company's liability represented by the pension benefit foregone. They are calculated based on actuarial advice as the equivalent of the reduction in the Company's liability to each individual and spread over the term to retirement as annual compensation allowances. For 2014 the compensation allowances amount to €259,950 (2013: €187,141) for Maeve Carton and €559,150 (2013: €290,190) for Albert Manifold.*

**2015 Salaries - Executive Directors** Table 20

| Director | 2014 | 2015 | % Change |
|---|---|---|---|
| **Albert Manifold**<br>(Chief Executive) | €1,200,000 | €1,290.000 | +7.5% |
| **Maeve Carton**<br>(Finance Director) | €625,000 | €675,000 | +8% |
| **Mark Towe**<br>(Chief Executive, Oldcastle, Inc.) | US$1,377,000 | US$1,420,000 | +3% |

## Basic Salary and Benefits

Details of executive Directors' salaries for 2015 compared with 2014 are set out in table 20.

The background to the increases in respect of 2015 are set out in the *Remuneration Committee* Chairman's introduction on pages 73 and 74.

Salary level increases for executive Directors since 2009 are shown in table 15 on page 72.

Details in relation to employment-related benefits are set out in note (b) in table 19.

## Annual Bonus Plan

A summary of the structure of CRH's Annual Bonus Plan is set out in table 21.

### *2014 Annual Bonus Outcomes*

CRH's Annual Bonus Plan for 2014 was based on a combination of financial targets and personal/strategic goals. The specific weightings for each executive Director are shown in table 22. In terms of the relative weighting of the components of the plan, the Committee has increased the focus on returns on net assets, with a corresponding reduction in the percentage of the plan based on earnings per share to ensure that there is sufficient focus on delivering sustainable growth. Indicative performance for each measure is given in tables 23 and 24. Specific targets for the 2014 Annual Bonus Plan have not been disclosed in this report as they are considered by the Board to be commercially sensitive. However, it is intended that Group-related targets for 2014 will be disclosed in the 2015 Directors' Remuneration Report.

Overall, strong performance against the 2014 Annual Bonus Plan metrics resulted in bonus payments of 150% of salary for Albert Manifold, Maeve Carton and Mark Towe. In accordance with the Group's remuneration policy, 25% of the bonus amount will be deferred into shares for a period of three years. Deferred Shares are not subject to any additional performance conditions during the deferral period.

Similar to 2014, CRH's Annual Bonus Plan for 2013 was based on a combination of financial targets and personal/strategic goals. Due to commercial sensitivity, specific targets were not disclosed in the 2013 Directors' Remuneration Report. The *Remuneration Committee* considers that Group-related targets for 2013 have ceased to be commercially sensitive and, accordingly, these are set out in table 25. Indicative performance against Oldcastle targets for 2013 is shown in table 26; the actual targets have not been disclosed as it is considered that the information remains commercially sensitive. Please see table 11 in the 2013 Directors' Remuneration Report for performance in 2013 against personal/strategic measures.

The 2015 Annual Bonus Plan will be operated broadly in line with the 2014 Annual Bonus Plan. However, in line with the requirements of the 2014 UK Corporate Governance Code, the *Remuneration Committee* has decided that, in addition to the malus provisions already in place, clawback provisions for the cash element of the Annual Bonus Plan will apply for 2015 onwards (see page 80 for more details).

**Structure of CRH's Annual Bonus Plan** Table 21

| | |
|---|---|
| **Operation:** | – 80% of awards based on financial measures, such as profits, cash flow and returns<br>– 20% of awards based on personal and strategic goals |
| **Performance:** | – 50% of maximum bonus awarded for delivering target performance<br>– Maximum award size of 150% of salary for all executive Directors |
| **Deferral:** | – 25% of all bonus awards deferred into shares for three years |
| **Malus/Clawback:** | – Malus provisions for deferred share awards to provide the ability to scale back awards prior to vesting in the event of material misstatement, serious reputational damage or the Company suffering serious losses<br>– In line with the requirements of the 2014 UK Corporate Governance Code, clawback provisions will apply to the cash element of the Annual Bonus Plan for 2015 awards onwards, for the same events as apply in respect of malus, for a period of three years |

## Share Scheme Awards

A summary of share scheme awards made to executive Directors in 2014 is set out in table 28. Details of outstanding performance share awards and share options held by executive Directors are shown in tables 37, 38 and 39.

In addition to the awards set out in table 28, Maeve Carton was granted an option under the Group's 2010 Savings-related Share Option Scheme. Further details in relation to that award are set out in table 39.

## Long-Term Incentives

### *2014 Performance Share Plan*

A summary of the structure of CRH's 2014 Performance Share Plan is set out in table 27.

In 2014, shareholders approved the introduction of the 2014 Performance Share Plan (the "2014 PSP"). Following approval by shareholders, awards were made to the executive Directors, details of which are summarised in table 38. It is anticipated that awards in 2015 under the 2014 PSP will be on broadly the same basis as those made in 2014.

## 2014 Annual Bonus - Measures and Weightings

Table 22

| | Albert Manifold<br>% of salary | | Maeve Carton<br>% of salary | | Mark Towe<br>% of salary | |
|---|---|---|---|---|---|---|
| **Measure** | **Target** | **Maximum** | **Target** | **Maximum** | **Target** | **Maximum** |
| CRH EPS | 18.75% | 37.5% | 18.75% | 37.5% | 15.0% | 30.0% |
| CRH Cash Flow | | | | | | |
| (i) Operating Cash Flow | 11.25% | 22.5% | 11.25% | 22.5% | - | - |
| (ii) Divestments | 11.25% | 22.5% | 11.25% | 22.5% | - | - |
| CRH Return on Net Assets | 18.75% | 37.5% | 18.75% | 37.5% | 7.5% | 15.0% |
| Oldcastle* Group PBIT** | - | - | - | - | 15.0% | 30.0% |
| Oldcastle Cash Flow | | | | | | |
| (i) Operating Cash Flow | - | - | - | - | 15.0% | 30.0% |
| (ii) Divestments | - | - | - | - | 7.5% | 15.0% |
| Personal/Strategic | 15.00% | 30.0% | 15.00% | 30.0% | 15.0% | 30.0% |
| **Total** | **75.0%** | **150.0%** | **75.0%** | **150.0%** | **75.0%** | **150.0%** |

* *Oldcastle is the holding company for the Group's operations in the Americas*
** *PBIT is defined as earnings before interest and taxes*

## 2014 Annual Bonus - Achievement against targets*

Table 23

| | Performance achieved relative to targets | | | | |
|---|---|---|---|---|---|
| **Measure** | **Threshold**** | **Target** | **Maximum** | **Performance achieved***** | **Payout % of max** |
| CRH EPS | | | ○ | 78.9c | 100% |
| CRH Cash Flow | | | | | |
| (i) Operating Cash Flow**** | | | ○ | €1,477m | 100% |
| (ii) Divestments | | | ○ | €345m | 100% |
| CRH RONA | | | ○ | 7.4% | 100% |
| Oldcastle Group PBIT | | | ○ | N/D | 100% |
| Oldcastle Cash Flow | | | | | |
| (i) Operating Cash Flow | | | ○ | N/D | 100% |
| (ii) Divestments | | | ○ | N/D | 100% |

* *Specific targets have not been disclosed as these are deemed commercially sensitive at this time. Target will be disclosed retrospectively when no longer sensitive.*
** *0% of each element is earned at threshold.*
*** *Oldcastle cash flow targets have not been disclosed as it would result in the disclosure of information which is not generally available and is commercially sensitive.*
**** *For this purpose, operating cash flow has been defined as reported internally.*

## 2014 Annual Bonus - Achievement against Personal/Strategic targets

Table 24

| **Director** | **Strong delivery in relation to:** | **Payout % of Maximum** |
|---|---|---|
| Albert Manifold | Effective leadership of the Group's portfolio review; continued progress in relation to organisational change in particular in Europe; supporting and mentoring the senior executive team; effective and clear managemnt of investor communications and building up the Group's general communication capability. | **100%** |
| Maeve Carton | Continued build up of finance organisation and expansion of finance roles to support performance management; achievements in relation to succession to ensure a strong pipeline of finance executives; completion of two bond issues in 2014 (including a debut Swiss bond issuance) at the lowest coupons achieved by the Group; continued build up of Group IT security and project management roles. | **100%** |
| Mark Towe | Continued input in to the Group's talent management process and supporting newly appointed Group Human Resources and Talent Development Director; working closely with the Chief Executive to refine succession planning in the Americas; leading the portfolio review process in the Americas. | **100%** |

**2013 Annual Bonus - Achievement against Group targets (Albert Manifold, Maeve Carton and Mark Towe)** Table 25

| | Performance needed for payout at | | | | |
|---|---|---|---|---|---|
| Measure | Threshold | Target | Maximum | Performance Achieved | Payout % of max |
| CRH EPS | 74c | 80c | 84c | 59.5c* | 0.0% |
| Operating Cash Flow** | €1,075m | €1,240m | €1,340m | €1,204m | 52.0% |
| CRH RONA | 6.0% | 6.5% | 7.0% | 5.9% | 0.0% |

* *Adjusted EPS, excluding the impact of non cash impairment recorded in 2013.*
** *For this purpose, operating cash flow has been defined as reported internally.*

**2013 Annual Bonus - Achievement against Oldcastle targets (Mark Towe)** Table 26

| | Performance achieved relative to targets | | | |
|---|---|---|---|---|
| Measure | Threshold** | Target | Maximum | Payout % of max |
| Oldcastle Group PBIT* | | | ○ | 93.3% |
| Oldcastle Cash Flow | | | ○ | 92.6% |
| Oldcastle RONA | | | ○ | 93.3% |

* *PBIT is defined as earnings before interest and taxes.*
** *0% of each element is earned at threshold.*

75% of each award made in 2014 is subject to a Total Shareholder Return (TSR) performance measure, with performance being measured against sector peers (see table 31 on page 80). The vesting schedule is shown in table 29. The Committee believes that, for a cyclical business such as CRH, TSR is the most appropriate performance measure at present and is a key measure of the value generated for shareholders.

The TSR performance measure will be subject to a financial underpin. This means that when determining vesting under the 2014 PSP, the Committee will review whether the TSR performance has been impacted by unusual events and whether it is, therefore, an appropriate reflection of underlying performance. In addition, the Committee will consider EPS performance in the period to ensure that TSR performance was consistent with the objectives of the performance criteria and had not been distorted by extraneous factors.

The remaining 25% of each award is subject to a cumulative cash flow metric. This Group financial measure supports dividend delivery, development activity and, in the context of the Group's €1.5 - €2.0 billion multi-year divestment programme, provides an emphasis on asset/business disposals. The cash flow target is based on a cumulative adjusted cash flow figure over three financial years. The definition of cash flow is adjusted to exclude:

- dividends to shareholders;
- acquisition/investment expenditure;
- share issues (scrip dividend, share options, other);
- financing cash flows (new loans/ repayments);
- back funding pension payments; and
- foreign exchange translation.

The *Remuneration Committee* considers that it is appropriate to make these adjustments in order to remove items that do not reflect the quality of management's operational performance, or are largely outside of management control. This is to ensure that management remains incentivised to make decisions which are in the best long-term interests of the business and shareholders.

The cumulative adjusted cash flow target for the award made in 2014 under the 2014 PSP are set out in table 30 on page 80.

The adjusted cash flow target for awards in 2015 under the 2014 PSP have not yet been set by the *Remuneration Committee*. The target will be set once the outcome of the proposed acquisition of assets from Lafarge S.A. and Holcim Limited is known. The targets will be demanding with significant stretch ensuring that only exceptional performance will result in a maximum payout.

Vested awards will be required to be held for a further two years post-vesting.

### *2006 Performance Share Plan*

The 2006 Performance Share Plan (the "2006 PSP"), which was approved by shareholders in May 2006, is tied to TSR over a three year performance period. It has been replaced by the 2014 PSP (see page 76), which was approved by shareholders at the 2014 Annual General Meeting. Consequently, the last award under the 2006 PSP was made in 2013. Half of each award is assessed against TSR for a group of global building materials companies (see table 31 on page 80) and the other half against TSR for the constituents of the Eurofirst 300 Index.

The performance criteria for the 2006 PSP are set out in table 32 on page 80. Participants are not entitled to any dividends (or other distributions made) and have no right to vote in respect of the shares subject to the award, until the shares vest.

| **Structure of the 2014 Performance Share Plan** | Table 27 |
|---|---|
| **Operation:** | – Conditional share award which vests, subject to performance, over a three year period<br>– Awards subject to a two year holding period post vesting |
| **Performance:** | – 75% of awards based on relative TSR performance compared to key peers (see table 31 on page 80)<br>– 25% of awards based on cumulative cash flow performance (see table 30 on page 80)<br>– Maximum award size of 250% of salary for Chief Executive and 200% of salary for other executive Directors |
| **Malus/Clawback:** | – Malus provisions provide the *Remuneration Committee* with the ability to scale back awards up to five years from grant in the event of material misstatement, serious reputational damage or the Company suffering serious losses |

The rules of the 2006 PSP provide that no award, or portion of an award, which has satisfied the TSR performance criteria should be released unless the *Remuneration Committee* has confirmed the validity of the TSR performance and reviewed EPS performance to assess its consistency with the objectives of the assessment.

In respect of the award made in 2012 (with a performance period 2012-2014), in February 2015, the *Remuneration Committee* determined that the award would lapse as, over the three-year period 2012 -2014, CRH's TSR performance was below the median of both the peer group and the Eurofirst Index. The Company's TSR performance was reviewed by the *Remuneration Committee*'s remuneration consultants.

During 2014, the *Remuneration Committee* determined that 49% of the award made under the 2006 PSP in 2011 (with a performance period 2011-2013) had vested. Details of the value of that award are set out in table 19 on page 75. Further details are provided in the 2013 Directors' Remuneration Report.

Details of outstanding awards to Directors under the 2006 PSP are provided in table 37 on page 82. Outstanding awards are subject to the performance conditions outlined above.

### *2010 Share Option Scheme*

At the 2010 Annual General Meeting, shareholders approved the introduction of the Earnings Per Share (EPS) based share option scheme (the "2010 Scheme"). Following the approval by shareholders for the introduction of the 2014 PSP, no further awards will be made under the 2010 Scheme. Consequently, the last award under the 2010 Scheme was made in 2013.

Options were granted at the market price of the Company's shares at the time of grant. The vesting period for options is three years, with vesting only occurring once an initial EPS performance target has been reached. Awards under the 2010 Scheme were limited to 150% of salary.

The performance criteria for the 2010 Scheme were agreed with the Irish Association of Investment Managers (the "IAIM") and are set out in table 33 on page 80. The performance targets were designed to provide for proportionately more vesting for higher levels of EPS growth.

Vesting levels are subject to any reduction which the *Remuneration Committee* deems appropriate in the context of the overall results of the Group.

The grant of options under the 2010 Scheme made in 2010 and 2011 did not meet the EPS performance criteria set out above and, accordingly, the options lapsed on the third anniversary of the date of grant. Similarly, the grant of options made in 2012, having failed to meet the appropriate EPS criteria, will lapse in full in April 2015.

**Summary of Scheme Interests Granted in 2014** Table 28

| Director | Scheme | Basis of award (% of salary) | Number of shares | Face value* | Exercise price | Percentage vesting at threshold performance (% of maximum) | Performance period end date | Expected date of release |
|---|---|---|---|---|---|---|---|---|
| Albert Manifold | 2014 PSP (conditional shares) | 250% | 142,900 | €2,928,021 | n/a | 25% | 31-Dec-16 | Feb-2019 |
| Maeve Carton | 2014 PSP (conditional shares) | 200% | 59,500 | €1,219,155 | n/a | 25% | 31-Dec-16 | Feb-2019 |
| Mark Towe | 2013 Annual Bonus** (deferred shares) | 5% | 2,561 | €54,000 | n/a | n/a | n/a | Mar-2017 |
| | 2014 PSP (conditional shares) | 200% | 97,100 | €1,989,579 | n/a | 25% | 31-Dec-16 | Feb-2019 |

* *Face value has been calculated using the share price at the date of grant for 2014 PSP awards (€20.49).*

** *See table 9 on page 67 of the 2013 Annual Report for the structure of the 2013 Annual Bonus Plan.*

Details of outstanding awards to Directors under the 2010 Scheme are provided in tables 39 and 40 on page 83.

The *Remuneration Committee* has discretionary powers regarding the implementation of the rules of the 2010 Scheme. These powers have not been exercised since the adoption of the 2010 Scheme.

### *2000 Share Option Scheme*

At the Annual General Meeting held in 2000, shareholders approved the introduction of a share option scheme (the "2000 Scheme"). This scheme was superseded by the 2010 Scheme referred to on page 79. No awards have been made under the 2000 Scheme since 2009. Details of outstanding awards and the performance criteria for the 2000 Scheme are set out in tables 39 and 40 on page 83.

### *Other employee share plans*

Maeve Carton and Albert Manifold also participate in the 2010 Savings-related Option Scheme (Republic of Ireland) (the "2010 SAYE") and in the Group's Irish Revenue approved Share Participation Scheme (the "Participation Scheme").

The 2010 SAYE is an Irish Revenue approved plan open to all Irish employees. Participants may save up to €500 a month from their net salaries for a fixed term of three or five years and at the end of the savings period they have the option to buy CRH shares at a discount of up to 15% of the market price on the date of invitation of each savings contract. Details of the outstanding awards of Maeve Carton and Albert Manifold under the 2010 SAYE are set out in tables 39 and 40 on page 83.

The Participation Scheme is open to all employees in Ireland, and grants can be made to participants up to a maximum of €12,700 annually in CRH shares.

## Malus and Clawback

From 2015 all incentive awards to executive Directors are subject to recovery provisions. Annual bonus awards will be subject to recovery provisions for three years from the date of payment (cash awards) or grant (deferred awards). Performance Share

### 2014 Performance Share Plan (2014 PSP) Metrics

Table 29

| 3-year TSR* performance compared to peer group *(75% of award)* | Vesting Level |
|---|---|
| Equal to or greater than 75th percentile | 100% |
| Between 50th and 75th percentile | Straight line between 25% and 100% |
| Equal to 50th percentile | 25% |
| Below 50th percentile | 0% |

* *The methodology for calculating TSR assumes all dividends are reinvested on the ex-dividend date at the closing share price on that day; the open and close price is based on the three month average closing price on the last day before the start of the performance period and the final day of the performance period respectively.*

Table 30

| Cumulative Cash Flow 2014 - 2016 *(25% of award)* | Vesting Level |
|---|---|
| Equal to or greater than €3.5bn | 100% |
| Between €2.9bn - €3.5bn | Straight line between 25% - 100% |
| Equal to €2.9bn | 25% |
| Below €2.9bn | 0% |

### Peer Group for TSR Performance Metric for awards under the 2014 PSP and 2006 PSP

Table 31

| | | | |
|---|---|---|---|
| Boral | Italcementi | Titan Cement | *Additional company included in the 2006 PSP Peer Group:* |
| Buzzi Unicem | Kingspan Group | Travis Perkins | Home Depot |
| Cemex | Lafarge | Vulcan Materials | |
| Grafton Group | Martin Marietta Materials | Weinerberger | |
| Heidelberg Cement | Saint Gobain | Wolseley | |
| Holcim | | | |

### 2006 Performance Share Plan (2006 PSP) Metrics

Table 32

| 3-year TSR* performance compared to peer group/Eurofirst 300 Index | Vesting Level |
|---|---|
| Equal to or greater than 75th percentile | 100% |
| Between 50th and 75th percentile | Straight line between 30% and 100% |
| Equal to 50th percentile | 30% |
| Below 50th percentile | 0% |

* *The methodology for calculating TSR assumes all dividends are reinvested on the ex-dividend date at the closing share price on that day; the open and close price is based on the closing price on the last day before the start of the performance period and the final day of the performance period respectively.*

### Share Option Scheme Metrics

Table 33

| Compound EPS* Growth Performance over three years | | |
|---|---|---|
| **Awarded in 2010 & 2011** | **Awarded in 2012 & 2013** | **Vesting Level** |
| Equal to or greater than 27.5% p.a. | Equal to or greater than 20% p.a. | 100% |
| Between 17.5% and 27.5% p.a. | Between 13% and 20% p.a. | Straight line between 40% and 100% |
| Between 12.5% and 17.5% p.a. | Between 10% and 13% p.a. | Straight line between 20% and 40% |
| Equal to 12.5% p.a. | Equal to 10% p.a. | 20% |
| Less than 12.5% p.a. | Less than 10% p.a. | 0% |

* *The EPS figure used for the purposes of the 2010 Scheme is the basic consolidated earnings per share of the Company for the accounting period concerned as shown in the Annual Report issued by the Company for that accounting period.*

Plan awards will be subject to malus for the three years prior to performance assessment and the two further years of the holding period.

Malus or clawback provisions may be triggered in the event of:

- material misstatement;
- serious reputational damage; or
- the Company suffering serious losses.

## Retirement Benefit Expense

Maeve Carton and Albert Manifold are participants in a contributory defined benefit plan which is based on an accrual rate of 1/60th of salary* for each year of pensionable service and is designed to provide two-thirds of career average salary at retirement for full service. If either Maeve Carton or Albert Manifold leave service prior to Normal Retirement Age (60) they will become entitled to a deferred pension, payable from Normal Retirement Age, based on the pension they have accrued to their date of leaving.

The Finance Act 2006 effectively established a cap on pension provisions by introducing a penalty tax charge on pension assets in excess of the higher of €5 million (in the Finance Act 2011, this threshold was reduced to €2.3 million and reduced further to €2 million by the Finance Act (No. 2) Act 2013) or the value of individual accrued pension entitlements as at 7 December 2005. As a result of these legislative changes, the *Remuneration Committee* decided that executive Directors should have the option of continuing to accrue pension benefits as previously, or of choosing an alternative arrangement - by accepting pension benefits limited by the cap - with a similar overall cost to the Group. Maeve Carton and Albert Manifold have opted for an arrangement whereby their pensions are capped in line with the provisions of the Finance Acts and receive a supplementary taxable non-pensionable cash supplement in lieu of pension benefits forgone. There was, therefore, no additional accrual in 2014.

The cash pension supplements for 2014 are detailed in table 19 on page 75. These supplements are similar in value to the reduction in the Company's liability represented by the pension benefits foregone. They are calculated based on actuarial advice as the equivalent of the reduction in the Company's liability to each individual and spread over the term to retirement as annual compensation allowances.

**Pension Entitlements - Defined Benefit (Audited)** Table 34

| | Increase in accrued personal pension during 2014 (i) € 000 | Transfer value of increase in dependents' pension (i) € 000 | Total accrued personal pension at year-end (ii) € 000 |
|---|---|---|---|
| **Executive Directors** | | | |
| Albert Manifold | - | **208** | **273** |
| Maeve Carton | - | **29** | **266** |

*(i) As noted on page 75, the pensions of Albert Manifold and Maeve Carton have been capped in line with the provisions of the Irish Finance Acts. However, dependants' pensions continue to accrue resulting in Greenbury transfer values which have been calculated on the basis of actuarial advice. These amounts do not represent sums paid out or due, but are the amounts that the pension scheme would transfer to another pension scheme in relation to benefits accrued in 2014 in the event of these Directors leaving service.*

*(ii) The accrued pensions shown are those which would be payable annually from normal retirement date.*

**Pension Entitlements - Defined Contribution (Audited)** Table 35

The accumulated liablilities related to the unfunded Supplemental Executive Retirement Plans for Mark Towe are as follows:

| | As at 31 December 2013 € 000 | 2014 contribution € 000 | 2014 Notional interest (iii) € 000 | Translation adjustment € 000 | As at 31 December 2014 € 000 |
|---|---|---|---|---|---|
| **Executive Director** | | | | | |
| Mark Towe | **1,923** | **194** | **97** | **288** | **2,502** |

*(iii) Notional interest, which is calculated based on the average bid yields of United States Treasury fixed-coupon securities with remaining terms to maturity of approximately 20 years, plus 1.5%, is credited to the above plans.*

The contributory defined benefit plan in which Albert Manifold and Maeve Carton participate is closed to new entrants.

Mark Towe participates in a defined contribution retirement plan in respect of basic salary; and in addition he participates in an unfunded defined contribution Supplemental Executive Retirement Plan (SERP) also in respect of basic salary, to which contributions are made at an agreed rate (20%), offset by contributions made to the other retirement plan.

Details regarding pension entitlements for the executive Directors are set out in tables 34 and 35.

There is no change to the pension arrangements for 2015.

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* *Salary is defined as basic annual salary and excludes any fluctuating emoluments.*

## Directors' Interests in Shares and Share Scheme Awards

### Deferred Share Awards under the Annual Bonus Plan (i) (Audited)

Table 36

| | 31 December 2013 | Awards in 2014 (ii) | Alloted under the scrip dividend scheme in 2014 | Released in 2014 | 31 December 2014 | Release Date |
|---|---|---|---|---|---|---|
| Mark Towe | - | 2,561 | 65 | - | 2,626 | Feb 2017 |

(i) *Under the Annual Bonus Plan in operation in respect of the financial year ended 31 December 2013, up to one-third of the earned bonus was receivable in CRH shares, deferred for a period of three years, with forfeiture in the event of departure from the Group in certain circumstances during that period.*

(ii) *The shares awarded during 2014 related to the deferred portion of 2013 bonus and were included in total remuneration reported for 2013. These shares were purchased by the Trustees of the CRH plc Employee Benefit Trust on 26 February 2014 at €20.375 per Ordinary Share.*

### Directors' awards under the 2006 Performance Share Plan (i) (Audited)

Table 37

| | 31 December 2013 | Granted in 2014 | Released in 2014 (ii) | Lapsed in 2014 (ii) | 31 December 2014 | Performance Period | Release Date | Market Price in euro on award |
|---|---|---|---|---|---|---|---|---|
| Maeve Carton | 42,000 | - | 20,626 | 21,374 | - | 01/01/11 - 31/12/13 | | |
| | 50,000 | - | - | - | 50,000 | 01/01/12 - 31/12/14 | | 15.19 |
| | 50,000 | - | - | - | 50,000 | 01/01/13 - 31/12/15 | February 2016 | 16.19 |
| | **142,000** | **-** | **20,626** | **21,374** | **100,000** | | | |
| Albert Manifold | 62,000 | - | 30,448 | 31,552 | - | 01/01/11 - 31/12/13 | | |
| | 70,000 | - | - | - | 70,000 | 01/01/12 - 31/12/14 | | 15.19 |
| | 72,000 | - | - | - | 72,000 | 01/01/13 - 31/12/15 | February 2016 | 16.19 |
| | **204,000** | **-** | **30,448** | **31,552** | **142,000** | | | |
| Mark Towe | 68,000 | - | 33,394 | 34,606 | - | 01/01/11 - 31/12/13 | | |
| | 90,000 | - | - | - | 90,000 | 01/01/12 - 31/12/14 | | 15.19 |
| | 90,000 | - | - | - | 90,000 | 01/01/13 - 31/12/15 | February 2016 | 16.19 |
| | **248,000** | - | **33,394** | **34,606** | **180,000** | | | |

(i) ***2006 Performance Share Plan:*** *This is a long-term share incentive plan under which share awards are granted in the form of a provisional allocation of shares for which no exercise price is payable. The shares scheduled for release in February 2016 will be allocated to the extent that the relative TSR performance conditions are achieved. The structure of the 2006 Performance Share Plan is set out on page 78.*

(ii) *In 2014, the Remuneration Committee determined that 49.11% of the 2011 award vested and that portion of the award was released to participants. The balance of the 2011 award lapsed. The market value per share for tax purposes on the date of release was €21.28 for Directors resident in Ireland and €21.505 for Directors resident outside Ireland.*

### Directors' Awards under the 2014 Performance Share Plan (i) (Audited)

Table 38

| | 31 December 2013 | Granted in 2014 | Dividend Equivalents 2014 (ii) | Released in 2014 | Lapsed in 2014 | 31 December 2014 | Performance Period | Release Date | Market Price in euro on award |
|---|---|---|---|---|---|---|---|---|---|
| Maeve Carton | - | 59,500 | 618 | - | - | 60,118 | 01/01/14 - 31/12/16 | February 2019 | 20.49 |
| Albert Manifold | - | 142,900 | 1,484 | - | - | 144,384 | 01/01/14 - 31/12/16 | February 2019 | 20.49 |
| Mark Towe | - | 97,100 | 1,008 | - | - | 98,108 | 01/01/14 - 31/12/16 | February 2019 | 20.49 |

(i) ***2014 Performance Share Plan:*** *This is a long-term share incentive plan under which share awards are granted in the form of a provisional allocation of shares for which no exercise price is payable. The shares scheduled for release in February 2019 will be allocated to the extent that the relevant performance conditions are achieved. The structure of the 2014 Performance Share Plan is set out in table 27 on page 79.*

(ii) *The Remuneration Committee has determined that dividend equivalents should accrue on awards under the 2014 Performance Share Plan. Subject to the satisfaction of the applicable performance criteria, such dividend equivalents will be released to participants in the form of additional shares at vesting.*

## Directors' Share Options (Audited)

Table 39

Details of movements on outstanding options and those exercised during the year are set out in the table below

| | | | | | | | | Options exercised during 2014 | |
|---|---|---|---|---|---|---|---|---|---|
| | 31 December 2013 | Granted in 2014 | Lapsed in 2014 | Exercised in 2014 | 31 December 2014 | | Weighted average option price at 31 December 2014 € | Weighted average exercise price € | Weighted average market price at date of exercise € |
| Maeve Carton | 55,831 | - | - | - | 55,831 | (a) | 25.75 | - | - |
| | 13,308 | - | 13,308 | - | - | (b) | - | - | - |
| | 139,500 | - | 42,500 | - | 97,000 | (c) | 15.67 | - | - |
| | - | 1,726 | - | - | 1,726 | (d) | 17.67 | - | - |
| Albert Manifold | 166,445 | - | - | - | 166,445 | (a) | 21.97 | - | - |
| | 16,635 | - | 16,635 | - | - | (b) | - | - | - |
| | 200,000 | - | 62,500 | - | 137,500 | (c) | 15.68 | - | - |
| | 2,236 | - | - | - | 2,236 | (d) | 13.64 | - | - |
| Mark Towe | 155,425 | - | - | 22,344 | 133,081 | (a) | 24.38 | 15.09 | 21.53 |
| | 49,905 | - | 49,905 | - | - | (b) | - | - | - |
| | 245,000 | - | 70,000 | - | 175,000 | (c) | 15.68 | - | - |
| | **1,044,285** | **1,726** | **254,848** | **22,344** | **768,819** | | | | |

## Option by price (Audited)

Table 40

| € | 31 December 2013 | Granted in 2014 | Lapsed in 2014 | Exercised in 2014 | 31 December 2014 | | Earliest exercise date | Expiry date |
|---|---|---|---|---|---|---|---|---|
| 15.0674 | 29,943 | - | 29,943 | - | - | (b) | | |
| 15.0854 | 22,344 | - | - | 22,344 | - | (a) | | |
| 15.0854 | 49,905 | - | 49,905 | - | - | (b) | | |
| 18.7463 | 16,635 | - | - | - | 16,635 | (a) | February 2015 | April 2015 |
| 18.8545 | 27,725 | - | - | - | 27,725 | (a) | February 2015 | April 2015 |
| 26.1493 | 72,085 | - | - | - | 72,085 | (a) | | April 2016 |
| 29.4855 | 53,232 | - | - | - | 53,232 | (a) | | April 2017 |
| 29.8643 | 36,043 | - | - | - | 36,043 | (a) | | April 2017 |
| 21.5235 | 99,637 | - | - | - | 99,637 | (a) | | April 2018 |
| 16.58 | 50,000 | - | - | - | 50,000 | (a) | | April 2019 |
| 16.38 | 175,000 | - | 175,000 | - | - | (c) | | |
| 15.19 | 210,000 | - | - | - | 210,000 | (c) | | April 2022 |
| 16.19 | 199,500 | - | - | - | 199,500 | (c) | | April 2023 |
| 13.64 | 2,236 | - | - | - | 2,236 | (d) | August 2017 | January 2018 |
| 17.67 | - | 1,726 | - | - | 1,726 | (d) | August 2019 | January 2020 |
| | **1,044,285** | **1,726** | **254,848** | **22,344** | **768,819** | | | |

The market price of the Company's shares at 31 December 2014 was €19.90 and the range during 2014 was €15.86 to €21.82.

(a) *Granted under the 2000 share option scheme, these options are only exercisable when EPS growth exceeds the growth of the Irish Consumer Price Index by 5% compounded over a period of at least three years subsequent to the granting of the options.*

(b) *Granted under the 2000 share option scheme, these options are only exercisable if, over a period of at least five years subsequent to the granting of the options, the growth in EPS exceeds the growth of the Irish Consumer Price Index by 10% compounded and places the Company in the top 25% of EPS performance of a peer group of international building materials and other manufacturing companies. If below the 75th percentile, these options are not exercisable.*

(c) *Granted under the 2010 share option scheme. Vesting will only occur once an initial performance target has been reached and, thereafter, will be dependent on performance. The performance criteria are set out in table 33 on page 80.*

(d) *Granted under the 2010 savings-related share option scheme.*

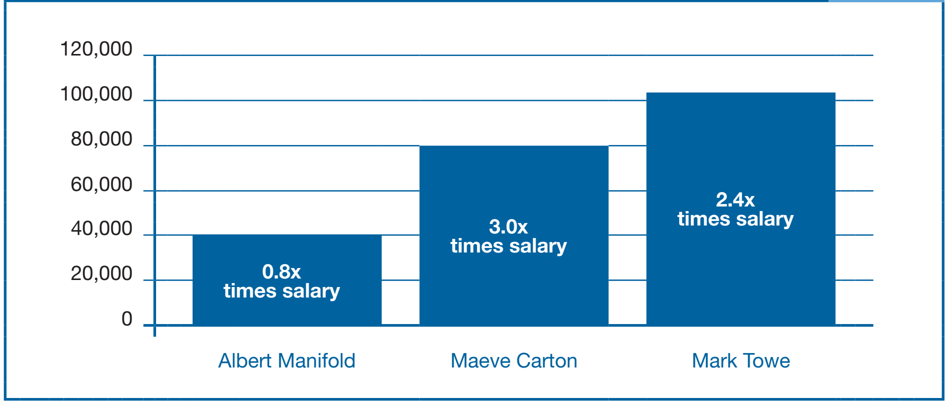
## Shareholding guidelines for executive Directors

The *Remuneration Committee* adopted a policy in 2013 whereby executive Directors are required to build up (and maintain), within five years of appointment a minimum holding in CRH shares which is equivalent to one times basic salary. For existing executive Directors this level must be achieved by 31 December 2015, unless the executive Director has a significant change in role which results in a step change in salary in which case the one times salary level must be achieved within five years of the change. The current shareholding levels as a multiple of basic salary are shown in table 41.

Following his appointment as Chief Executive on 1 January 2014, the *Remuneration Committee* determined that Albert Manifold will be required to meet the shareholding guideline by 31 December 2017.

As part of the remuneration review carried out in 2013, the *Remuneration Committee* considered whether the shareholding level should be increased, particularly in relation to the Chief Executive role. The *Remuneration Committee* concluded that, as the guidelines were only recently introduced, it was not appropriate to increase the requirement at this time. However, the Committee will look to increase shareholding guidelines in the future as the Chief Executive builds on his existing holding.

**Executive Director Shareholdings*** **Table 41**



* *The shareholdings are calculated based on the closing share price on 24 February 2015 (€24.92) and do not include Deferred Shares to be awarded under the 2014 Annual Bonus Plan (which will be released in 2018). If the Deferred Shares were included in the above table (on a post-tax basis) the executive Directors' shareholdings would be approximately 0.9, 3.2 and 2.6 times salary respectively.*

*Shareholdings of Directors and Company Secretary as at 31 December 2014*

### Directors' Interests in Share Capital at 31 December 2014 (Audited)

Table 42

The interests of the Directors and Secretary in the shares of the Company, which are beneficial unless otherwise indicated, are shown below. The Directors and Secretary have no beneficial interests in any of the Group's subsidiary, joint venture or associated undertakings.

| **Ordinary Shares** | **31 December 2014** | 31 December 2013 |
|---|---|---|
| **Directors** | | |
| E.J. Bärtschi | **25,200** | 7,200 |
| M. Carton | **82,036** | 60,100 |
| W.P. Egan | **16,112** | 16,112 |
| - Non-beneficial | **12,000** | 12,000 |
| U-H. Felcht | **1,285** | 1,285 |
| N. Hartery | **12,265** | 1,430 |
| J.W. Kennedy | **1,083** | 1,049 |
| D.A. McGovern, Jr. | **5,131** | 4,000 |
| H.A. McSharry | **3,886** | 3,789 |
| A. Manifold | **39,998** | 38,981 |
| D.N. O'Connor | **17,344** | 16,915 |
| H. Th. Rottinghuis | **15,124** | -** |
| M. Towe | **100,276*** | 77,117 |
| **Secretary** | | |
| N. Colgan | **15,549** | 10,836 |
| | **347,289** | 250,814 |

There were no transactions in the above Directors' and Secretary's interests between 31 December 2014 and 25 February 2015.

Of the above holdings, the following are held in the form of American Depository Receipts:

| | **31 December 2014** | 31 December 2013 |
|---|---|---|
| W.P. Egan | **15,000** | 15,000 |
| - Non-beneficial | **12,000** | 12,000 |
| D.A. McGovern, Jr. | **5,131** | 4,000 |

Patrick J. Kennedy became a Director on 1 January 2015. He did not have a holding of CRH shares on appointment and there were no transactions between 1 January and 25 February 2015.

On 18 February 2015, Lucinda Riches was appointed a Director with effect from 1 March 2015. She does not have a holding of CRH shares.

* *Excludes awards of Deferred Shares, details of which are disclosed in table 36 on page 82.*

** *Holding at date of appointment.*

## Non-executive Directors

Remuneration paid to non-executive Directors in 2014 is set out in table 43.

The remuneration of non-executive Directors is determined by the Board of Directors as a whole. In determining the remuneration, the Board receives recommendations from a committee of the Chairman and the executive Directors. The *Remuneration Committee* determines the remuneration of the Chairman.

Fees for the non-executive Directors were reviewed during 2014. It was concluded that CRH's fees are competitively positioned at present and should remain unchanged in 2015.

Fees for 2015 are set out in table 44.

**Individual Remuneration for the year ended 31 December 2014 (Audited)** Table 43

| | Basic Salary and Fees (a) € 000 | | Benefits (b) € 000 | | Other Remuneration (c) € 000 | | Total € 000 | |
|---|---|---|---|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 |
| **Non-executive Directors** | | | | | | | | |
| E.J. Bärtschi | **68** | 68 | **-** | - | **71** | 48 | **139** | 116 |
| W.P. Egan | **68** | 68 | **-** | - | **52** | 52 | **120** | 120 |
| U-H. Felcht | **68** | 68 | **-** | - | **37** | 37 | **105** | 105 |
| N. Hartery | **68** | 68 | **10** | 23 | **382** | 382 | **460** | 473 |
| J.M. de Jong (d) | **24** | 68 | **5** | - | **13** | 60 | **42** | 128 |
| J.W. Kennedy | **68** | 68 | **-** | - | **37** | 37 | **105** | 105 |
| D.A. McGovern Jr. (e) | **68** | 34 | **-** | - | **52** | 26 | **120** | 60 |
| H.A. McSharry | **68** | 68 | **-** | - | **22** | 22 | **90** | 90 |
| D.N. O'Connor | **68** | 68 | **-** | - | **56** | 56 | **124** | 124 |
| H.Th. Rottinghuis (f) | **59** | - | **-** | - | **27** | - | **86** | - |
| | **627** | 578 | **15** | 23 | **749** | 720 | **1,391** | 1,321 |

(a) *Fee levels for non-executive Directors were unchanged in 2014.*

(b) *Benefits: In the case of Nicky Hartery the amount reflects the reimbursement of travel expenses from his residence to his Chairman's office in Dublin, which have been grossed up for Irish tax purposes. In the case of Jan Maarten de Jong, it also includes the value of a gift given to him on his retirement.*

(c) *Other Remuneration: Includes remuneration for Chairman, Board Committee work and allowances for non-executive Directors based outside of Ireland.*

(d) *Jan Maarten de Jong retired as a Director on 7 May 2014.*

(e) *Don McGovern became a Director on 1 July 2013.*

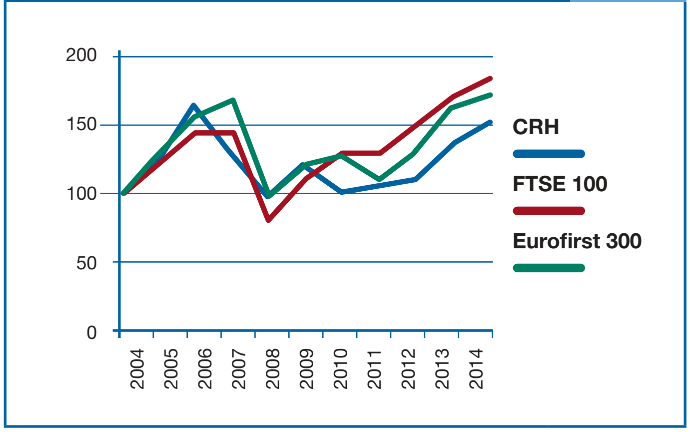
(f) *Henk Rottinghuis became a Director on 18 February 2014.*

**Non-executive Director Fee Structure** Table 44

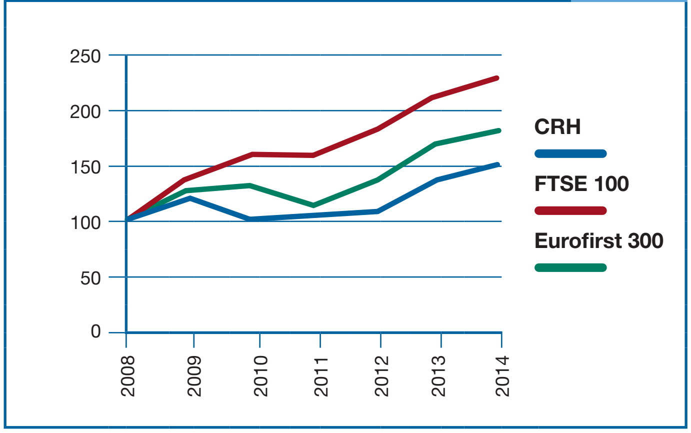
| Role | Amount |
|---|---|
| Group Chairman *(including non-executive Director salary and fees for committee work)* | €450,000 |
| Non-executive Director *(basic salary and fees for committee work)* | €90,000 |
| *Additional fees:* | |
| Senior Independent Director/*Remuneration Committee* Chairman* | €34,000 |
| Audit Committee Chairman | €34,000 |
| Fee for Europe-based non-executive Directors | €15,000 |
| Fee for US-based non-executive Directors | €30,000 |

* *If the roles of Senior Independent Director and Remuneration Committee Chair are not combined, fees of €25,000 and €15,000 apply respectively.*

**TSR performance since 2004**⁽ⁱ⁾ Table 45



**TSR performance since 2008**⁽ⁱ⁾ Table 46



*⁽ⁱ⁾ For the purposes of comparability, the FTSE 100 Index has been converted to euro using the closing exchange rate at each year-end.*

## Other Disclosures

### *Fees paid to former Directors*

No payments have been made to individual former directors in excess of the de minimis threshold of €20,000 per annum agreed by the *Remuneration Committee*.

### *Executives' external appointments*

The executive Directors may accept external appointments with the prior approval of the Board provided that such appointments do not prejudice the individual's ability to fulfil their duties at the Group. Whether any related fees are retained by the individual or remitted to the Group is considered on a case-by-case basis.

Maeve Carton was appointed as a non-executive member of the National Treasury Management Agency, an Irish state body that provides asset and liability management services to the Irish government in December 2014.

### *Total Shareholder Return*

The value at 31 December 2014 of €100 invested in 2004 and 2008 respectively, compared with the value of €100 invested in the Eurofirst 300 Index and the FTSE 100 Index (which CRH joined in December 2011) is shown in the graphs above.

TSR performance has been compared against the FTSE 100 and the Eurofirst 300 as these are broad general market indices on which CRH is a constituent. The Committee, therefore, considers that they offer a reasonable comparison for performance.

Compound TSR growth since the formation of the Group in 1970 (assuming the reinvestment of dividends) is 15.7%.

### *Remuneration paid to Chief Executive 2009 - 2014*

Table 47 shows the total remuneration paid to the Chief Executive in the period 2009 to 2014 inclusive and shows bonuses and vested long-term incentive awards as a percentage of the maximum bonus and award that could have been received in each year. Albert Manifold succeeded Myles Lee as Chief Executive effective from 1 January 2014.

The percentage increase in the Chief Executive's salary in the period 2009 to 2014 is set out in table 15 on page 72.

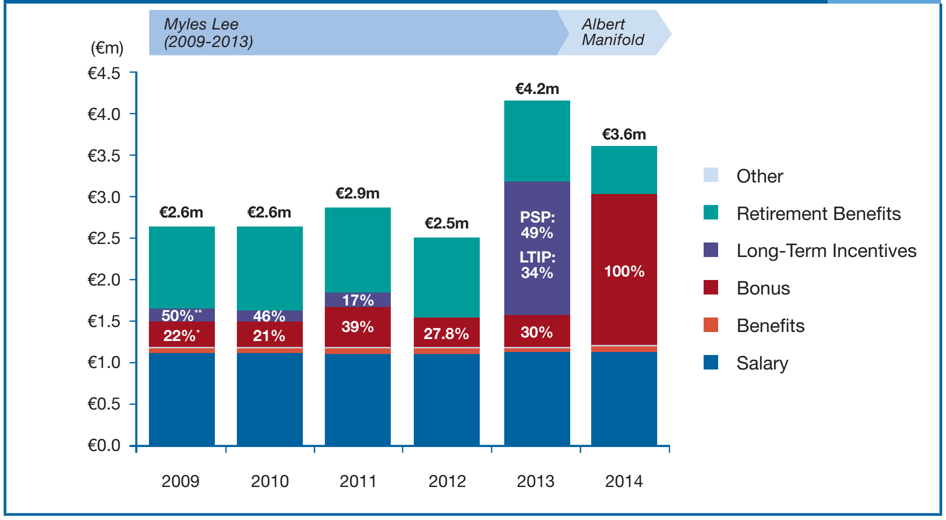
The percentage change in the Chief Executive's salary, benefits and bonus between 2013 and 2014 was as follows:

| | |
|---|---|
| Salary | +1.7% |
| Benefits | +69.6% |
| Bonus | +327.6% |

The combined percentage change was +87.1%.

There was a 1.5% increase in the total average employment costs in respect of employees in the Group as a whole between 2013 and 2014.

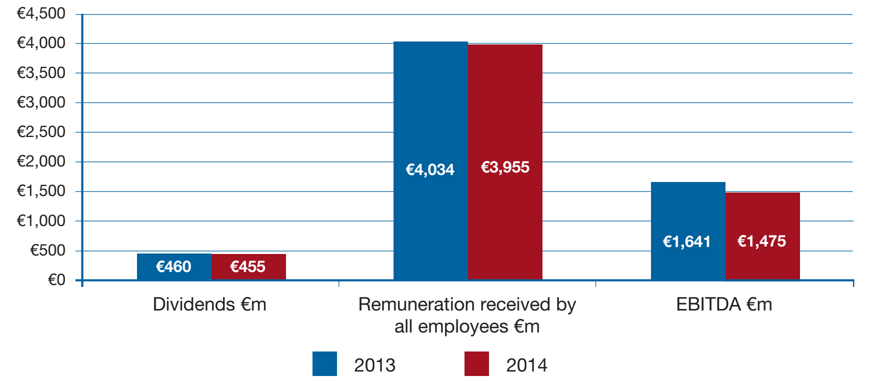
**Chief Executive 2009 - 2014 inclusive** Table 47



* Value of bonus award each year as a percentage of the maximum opportunity.

** Value of vested incentive awards as a percentage of the maximum opportunity; in respect of 2013 the long-term incentive award value is made up of vestings under the 2006 Performance Share Plan (49.1% of maximum) and the 2009 CEO LTIP (33.7% of maximum). There was no long-term incentive vesting in relation to awards with a performance period ending in 2012 or 2014.

**Relative Importance of Spend on Pay** **Table 48**



*Note: the increase in employment costs for all employees reflects an increase in employee numbers due to acquisitions and increased activity in the United States.*

**2014 AGM – Remuneration Related Votes** **Table 49**

| | % in Favour | % Against | No. of votes withheld | Total No. of votes cast (incl. votes withheld) | % of issued share capital |
|---|---|---|---|---|---|
| **Directors' Remuneration Report ("Say on Pay")** | 98.1% | 1.9% | 13,587,697 | 511,227,387 | 69.6% |
| **Remuneration Policy Report** | 95.2% | 4.8% | 3,648,186 | 511,208,343 | 69.6% |

## Relative importance of spend on pay

Table 48 sets out the amount paid by the Group in remuneration to employees compared to dividend distributions made to shareholders in 2013 and 2014. The average number of employees is set out in note 5 to the Consolidated Financial Statements on page 121. We have also shown the change in EBITDA performance year on year to provide an indication of the change in profit performance.

## The *Remuneration Committee* and Advisors

The non-executive Directors who were members of the *Remuneration Committee* during 2014, together with their record of attendance at Committee meetings, are identified on page 68. Don McGovern joined the Committee with effect from 1 January 2015.

### *Risk policies and systems*

During 2014, the Chairman of the *Remuneration Committee* reviewed with the *Audit Committee* the Group's remuneration structures from a risk perspective.

### *Remuneration consultants*

Deloitte LLP was appointed as the Committee's remuneration consultants in 2013 following a tender process. The Committee has satisfied itself that the advice provided by Deloitte is robust and independent and that the Deloitte LLP engagement partner and team that provide remuneration advice to the Committee do not have connections with CRH plc that may impair their independence. Deloitte are signatories to the Voluntary Code of Conduct in relation to executive remuneration consulting in the UK.

During 2014, Deloitte provided the following remuneration services:

- research and advice regarding remuneration trends, best practice and remuneration levels for executive and non-executive directors in companies of similar size and complexity;
- guidance and advice in relation to remuneration developments;
- analysis of TSR workings under the 2006 Performance Share Plan;
- advice in relation to remuneration matters generally; and
- attendance at Committee meetings, when required.

Deloitte also provide other consultancy services to the Company in relation to support for Internal Audit, when required and in respect of talent management and human resources, taxation and sustainability.

In respect of work carried out by Deloitte on behalf of the *Remuneration Committee* in 2014, fees in the amount of €49,000 were incurred.

## 2014 Annual General Meeting votes on remuneration matters

The voting outcome in respect of the remuneration related votes at the 2014 Annual General Meeting is set out in table 49.

## Shareholder Engagement

The Chairman and the *Remuneration Committee* Chairman met with a number of the Group's major shareholders in advance of the 2014 Annual General Meeting. No issues of concern in relation to remuneration arose. As the voting was overwhelmingly in favour of the "Say on Pay" resolution, following the meeting the *Remuneration Committee* determined that there were no concerns with the Group's remuneration structures that required investigation.

Following the 2014 Annual General Meeting we also met with a major shareholder to discuss the metrics used for CRH's long-term incentive structures and we received correspondence from another shareholder regarding their perspectives in relation to the disclosure of annual targets (which we believe our disclosures on pages 77 and 78 address).

*Details of remuneration charged against profit in 2014*

**Directors' Remuneration* (Audited)** Table 50

| | **2014<br>€ 000** | 2013<br>€ 000 |
|---|---|---|
| **Executive Directors** | | |
| Basic salary | **2,861** | 3,591 |
| Performance-related incentive plan | | |
| - cash element | **3,219** | 1,833 |
| - deferred shares element | **1,073** | 54 |
| Retirement benefits expense | **1,026** | 1,660 |
| Benefits | **114** | 126 |
| | **8,293** | 7,264 |
| Provision for Chief Executive long-term incentive plan** | **-** | (1,062) |
| Total executive Directors' remuneration | **8,293** | 6,202 |
| Average number of executive Directors | **3.00** | 4.00 |
| **Non-executive Directors** | | |
| Fees | **627** | 578 |
| Other remuneration | **749** | 720 |
| Benefits | **15** | 23 |
| Total non-executive Directors' remuneration | **1,391** | 1,321 |
| Average number of non-executive Directors | **9.30** | 8.50 |
| Payments to former Directors*** | **23** | 23 |
| **Total Directors' remuneration** | **9,707** | 7,546 |

* *See analysis of 2014 remuneration by individual in tables 19 and 43 on pages 75 and 86.*

** *As set out on page 69 of the 2013 Directors 'Remuneration Report, former Chief Executive Myles Lee had a special long-term incentive plan tied to the achievement of exceptional growth and key strategic goals for the five-year period 2009 to 2013 with a total maximum earnings potential of 40% of aggregate basic salary, amounting to a potential €2,312,000. The actual earnings under this plan amounted to €778,127, payment of which was made in 2014. Annual provisions of 40% of basic salary were made in respect of this plan for the years 2009 through 2012 amounting in total to €1,840,000. The difference between the total provided for and the sum paid, which amounts to €1,061,873, is reflected as a reduction in the amount of total Directors' remuneration for 2014.*

*** *Consulting and other fees paid to a number of former directors.*

## Remuneration Policy Summary

The following summarises the key elements of CRH's Remuneration Policy (the "Policy"), which was approved by shareholders at the 2014 Annual General Meeting. A copy of the Policy is available on the Group's website, www.crh.com.

As an Irish incorporated company, CRH is not required to comply with section 439A of the UK Companies Act 2006 which requires UK companies to submit their remuneration policy to a binding shareholder vote. However, maintaining high levels of corporate governance is important to CRH and, therefore, the Company intends to operate within the Policy unless it is not practical to do so in exceptional circumstances. However, as an Irish incorporated company, CRH cannot rely on the statutory provisions applicable to UK companies under the 2013 UK Regulations which, in certain circumstances, can resolve any inconsistency between a remuneration policy and any contractual or other right of a Director. In the event there were to be such an inconsistency the Company may be obliged to honour any such right, notwithstanding it may be inconsistent with the Policy.

The *Remuneration Committee*'s aim is to make sure that CRH's pay structures are fair, responsible and competitive, in order that CRH can attract and retain staff of the calibre necessary for it to compete in all of its markets.

The Group's remuneration structures are designed to drive performance and link rewards to responsibility and the individual contribution of executives. It is policy to grant participation in the Group's performance-related plans to key management to encourage identification with shareholders' interests and to create a community of interest among different regions and nationalities.

The policy on Directors' remuneration, which is derived from the overall Group policy, is designed to:

- help attract and retain Directors of the highest calibre who can bring their experience and independent views to the policy, strategic decisions and governance of CRH;
- properly reward and motivate executive Directors to perform in the long-term interest of the shareholders;
- provide an appropriate blend of fixed and variable remuneration and short and long-term incentives for executive Directors;
- complement CRH's strategy of fostering entrepreneurship in its regional companies by rewarding the creation of shareholder value through organic and acquisitive growth;
- reflect the spread of the Group's operations so that remuneration packages in each geographical area are appropriate and competitive for that area; and
- reflect the risk policies of the Group.

In setting remuneration levels, the *Remuneration Committee* takes into consideration the remuneration practices of other international companies of similar size and scope and trends in executive remuneration generally, in each of the regions in which the Company operates. The *Remuneration Committee* also takes into account the EU Commission's recommendations on remuneration in listed companies.

## Executive Director service contracts and policy on payment for loss of office

When determining leaving arrangements for an executive Director, the Committee takes into account any contractual agreements (including any incentive arrangements) and the performance and conduct of the individual.

### *Service contracts*

The Chief Executive has entered into a service contract with the Company. Table 52 sets out the key remuneration terms of this contract.

The Finance Director (Maeve Carton) and Chief Executive, Oldcastle, Inc. (Mark Towe) do not currently have service contracts. They do not have a notice period in excess of 12 months or an entitlement to any benefits on termination of employment. The Committee will determine the amount, if any, paid on termination taking into account the circumstances around departure and the prevailing employment law.

The Committee's policy in this area is that service contracts will be put in place for newly appointed executive Directors and in cases where there is a significant step change in Directors' responsibilities. It is currently anticipated that these terms will be similar to those agreed with the Chief Executive.

Under Irish company law, CRH is not required to make service contracts available for inspection as the notice period is less than 12 months. Service contracts will only be available with the executive Director's consent due to data protection reasons.

On behalf of the Board

**Dan O'Connor**
Remuneration Committee Chairman

## Remuneration Policy for non-executive Directors

| Approach to Setting Fees | Basis of Fees | Other Items | Table 51 |
|---|---|---|---|
| • The remuneration of non-executive Directors is determined by a Board committee of the Chairman and the executive Directors.<br>• The *Remuneration Committee* determines the remuneration of the Chairman within the framework or broad policy agreed with the Board.<br>• Remuneration is set at a level which will attract individuals with the necessary experience and ability to make a substantial contribution to the Company's affairs and reflect the time and travel demands of Board duties.<br>• Fees are set taking into account typical practice at other companies of a similar size and complexity to CRH.<br>• Fees are reviewed at appropriate intervals. | • Fees are paid in cash.<br>• Non-executive Director fees policy is to pay:<br>- A basic fee for membership of the Board;<br>- An additional fee for chairing a Committee;<br>- An additional fee for the role of Senior Independent Director (SID) (if the SID is not the Chairman of the *Remuneration Committee*);<br>- An additional fee to reflect committee work (combined fee for all committee roles); and<br>- An additional fee based on the location of the Director to reflect time spent travelling to Board meetings.<br>• Other fees may also be paid to reflect other board roles or responsibilities.<br>• In accordance with the Articles of Association, shareholders set the maximum aggregate amount of the fees payable to non-executive Directors. The current limit of €750,000 was set by shareholders at the Annual General Meeting held in 2005. | • The non-executive Directors do not participate in any of the Company's performance-related incentive plans or share schemes.<br>• Non-executive Directors do not receive pensions.<br>• The Group Chairman is reimbursed for expenses incurred in travelling from his residence to his CRH office. The Company settles any tax incurred on this on his behalf.<br>• Non-executive Directors do not currently receive any benefits. However, benefits may be provided in the future if, in the view of the Board (for non-executive Directors or for the Chairman), this was considered appropriate. The Company may settle any tax due on benefits. | |

| Chief Executive Service Contract | Table 52 |
|---|---|
| **Notice period** | • 12 months' notice by the Company or the executive. |
| **Expiry date** | • Indefinite duration.<br>• Terms of contract will automatically terminate on the executive's 62nd birthday. |
| **Termination payments** | • On lawful termination of employment, the Committee may, at its absolute discretion, make a termination payment in lieu of 12 months' notice based on base salary, benefits and pension contribution due during that period.<br>• Where the Company terminates the contract lawfully without notice then no payment in lieu of notice shall be due.<br>• If, in the event of a change of control, there is a diminution in the role and responsibilities of the Chief Executive he may terminate the contract; on such termination a payment equal to one year's remuneration (being salary, pension, other benefits and vested incentive awards) will be made to the executive. |
| **Disability** | • In the event that the Chief Executive falls ill or is injured in such a way as which would constitute ill-health or disablement so that the Chief Executive could not work for a period of more than six months, in lieu of the early ill-health retirement provisions in the pension scheme which would otherwise operate in such cases, he shall be entitled to receive a disability salary of €1,000,000 per annum. Such payment would cease when the Chief Executive reaches age 60, returns to work or if the service agreement is terminated. |
| **Other information** | • The Company retains the ability to suspend the executive from employment on full salary and to require the executive to observe a period of "garden leave" of up to 12 months on full salary, contractual benefits and pension contribution. |

| **Policy table** | Further details regarding the operation of the Policy can be found on pages 75 to 89 of the Annual Statement on Remuneration. | |
|---|---|---|
| | **Fixed** | |
| **Element** | **Base salary** | **Pension** |
| **Purpose and link to strategy** | • Competitive salaries help to attract and retain staff with the experience and knowledge required to enable the Group to compete in its markets. | • Pension arrangements provide competitive and appropriate retirement plans.<br>• Given the long-term nature of the business, pension is an important part of the remuneration package to support creation of value and succession planning. |
| **Operation** | • Base salaries are set by the Committee taking into account:<br>– the size and scope of the executive Director's role and responsibilities;<br>– the individual's skills, experience and performance;<br>– salary levels at FTSE listed companies of a similar size and complexity to CRH and other international construction and building materials companies; and<br>– pay and conditions elsewhere in the Group.<br>• Base salary is normally reviewed annually with changes generally effective on 1 January, although the Committee may make an out-of-cycle increase if it considers it to be appropriate. | • Irish-based executive Directors participate in a contributory defined benefit scheme.<br>• The US-based executive Director participates in a defined contribution scheme and in an unfunded Supplemental Executive Retirement Plan (SERP).<br>• The defined benefit scheme which the Directors participate in is closed to new entrants.<br>• For new appointments to the Board, the Committee may determine that alternative pension provisions will operate (for example a defined contribution scheme or cash contribution). When determining pension arrangements for new appointments, the Committee will give regard to existing entitlements, the cost of the arrangements, market practice and the pension arrangements received elsewhere in the Group. |
| **Maximum opportunity** | • Base salaries are set at a level which the Committee considers to be appropriate taking into consideration the factors outlined in the "operation" section.<br>• While there is no maximum base salary, normally increases will be in line with the typical level of increase awarded to other employees in the Group but may be higher in certain circumstances. These circumstances may include:<br>– Where a new executive Director has been appointed at a lower salary, higher increases may be awarded over an initial period as the executive Director gains in experience and the salary is moved to what the Committee considers is an appropriate positioning;<br>– Where there has been a significant increase in the scope or responsibility of an executive Director's role or where an individual has been internally promoted, higher salary increases may be awarded; and<br>– Where a larger increase is considered necessary to reflect significant changes in market practice. | • The defined benefit pension is provided through an Irish Revenue approved retirement benefit scheme up until the pension cap established in the Finance Act 2006 (see details on page 81). Accrued benefits for service to 31 December 2011 are based on pensionable salary and years of service as at that date (annual accrual of 1/60th), with this tranche being revalued annually at the Consumer Price Index subject to a 5% ceiling. For service subsequent to that date, a career-average revalued earnings system was introduced with each year of service being subject to annual revaluation on the same basis as outlined above. Irish based executive Directors receive a supplementary taxable non-pensionable cash allowance in lieu of pension benefits foregone as a result of the pension cap. These allowances are similar in value to the reduction in the Company's liability represented by the pension benefit foregone. Whilst there is no absolute maximum to the quantum of these payments they are calculated based on actuarial advice as the equivalent of the reduction in the Company's liability to each individual and spread over the term to retirement as annual compensation allowances.<br>• The US-based executive Director participates in a defined contribution retirement plan in respect of basic salary; and in addition he participates in an unfunded defined contribution SERP also in respect of basic salary, to which contributions are made at an agreed rate (20%), offset by contributions made to the other retirement plan. |
| **Performance measures** | n/a | n/a |

Table 53

**Benefits**

- To provide a market-competitive level of benefits for executive Directors.

- The Committee's policy is to set benefit provision at an appropriate market competitive level taking into account market practice, the level of benefits provided for other employees in the Group, the individual's home jurisdiction and the jurisdiction in which the individual is based.
- Employment-related benefits include the use of company cars (or a car allowance), medical insurance for the Director and his/her family/life assurance.
- In the event that the Chief Executive falls ill or is injured in such a way as which would constitute ill-health or disablement so that the Chief Executive could not work for a period of more than six months, in lieu of the early ill-health retirement provisions in the pension scheme which would otherwise operate in such cases, he shall be entitled to receive a disability salary of €1,000,000 per annum. Such payment would cease when the Chief Executive reaches age 60, returns to work or if the service agreement is terminated.
- The Chief Executive, Oldcastle Inc. also receives benefits in relation to club membership and short term disability insurance.
- Benefits may also be provided in respect of legal fees incurred in respect of agreeing service contracts, or similar agreements (for which the Company may settle any tax incurred by the executive Director) and a gift on retirement.
- The Committee may remove benefits that executive Directors receive or introduce other benefits if it is considered appropriate to do so. The Company may also pay the tax due on benefits if it considers that it is appropriate to do so.
- **All-employee share schemes** – executive Directors are eligible to participate in the Company's all-employee share schemes on the same terms as other employees.
- **Relocation policy** – where executive Directors are required to relocate to take up their role, the Committee may determine that they should receive appropriate relocation and ongoing expatriate benefits. The level of such benefits would be determined based on individual circumstances taking into account typical market practice.

- The level of benefit provided will depend on the cost of providing individual items and the individual's circumstances, and therefore the Committee has not set a maximum level of benefits.

n/a

**Policy table** continued

| Element | Performance-related pay<br>Annual Bonus Plan |
|---|---|
| **Purpose and link to strategy** | • The Annual Performance-related Incentive Plan is designed to reward the creation of shareholder value through operational excellence and organic and acquisitive growth. The Plan incentivises executive Directors to deliver Group and individual goals that support long-term value creation.<br>• A Deferred Annual Performance-related Incentive Plan element links the value of executive Directors' reward with the long-term performance of the CRH share price and aligns the interests of executive Directors with shareholders' interests.<br>• The 'malus' provision enables the Company to mitigate risk. |
| **Operation** | • The Annual Performance-related Incentive Plan rewards executive Directors for meeting Company performance goals over a financial year of the Company. Targets are set annually by the Committee.<br>• The annual bonus is paid in a mix of cash and shares (structured as a deferred share award).<br>• For 2014:<br>– 75% of the bonus will be paid in cash; and<br>– 25% will be paid in shares.<br>• In future years, the Committee may determine that a different balance between cash and shares is appropriate and adjust the relevant payments accordingly.<br>• When assessing performance and determining bonus payouts the Committee also considers the underlying financial performance of the business to ensure it is consistent with the overall award level.<br>• The deferred element of the bonus will be structured as a conditional share award or nil cost option and will normally vest after three years from grant (or a different period determined by the Committee). Deferred share awards may be settled in cash.<br>• Dividend equivalents may be paid on deferred share awards in respect of dividends paid during the vesting period. These payments may be made in cash or shares and may assume the reinvestment of dividends on a cumulative basis.<br>• For deferred awards granted from 2014, malus provisions apply. Cash bonus payments may be subject to clawback of the net amount paid for a period of three years from payment. |
| **Maximum opportunity** | • Maximum annual opportunity of 150% of base salary. |
| **Performance measures** | • The Annual Performance-related Incentive Plan is based on achieving clearly defined and stretching annual targets and strategic goals set by the Committee each year based on key business priorities.<br>• The performance metrics used are a mix of financial targets including return goals and personal/strategic objectives generally including safety. Currently 80% of the bonus is based on financial performance measures. The Committee may vary the weightings of measures but no less than 50% shall be based on financial performance measures.<br>• A portion of the bonus metrics for any Director may be linked to his/her specific area of responsibility.<br>• Up to 50% of the maximum bonus will be paid for achieving target levels of performance. |

Table 53

## 2014 Performance Share Plan (PSP)

- The role of the PSP is to align the interest of key management across different regions and nationalities with those of shareholders through an interest in CRH shares and by incentivising the achievement of long-term performance goals.

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- Awards (in the form of conditional share awards or nil cost options) normally vest based on performance over a period of not less than three years. Awards may also be settled in cash.
- Awards are normally subject to an additional holding period ending on the fifth anniversary of the grant date (or another date determined by the Committee).
- Dividend equivalents may be paid on PSP awards that vest in respect of dividends paid during the vesting period until the end of the holding period. These payments may be made in cash or shares and may assume reinvestment on a cumulative basis.
- For 2014 awards onwards, malus provisions (as set out in the rules of the PSP) will apply to awards.

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- The normal maximum award is 250% of salary per annum. In exceptional circumstances, the Committee may grant awards of up to 350% of base salary.
- For 2014 the intended award levels are:
  - Chief Executive – 250% of base salary
  - Other executive Directors – 200% of base salary

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- Awards to be granted in 2014 will vest based on a relative TSR return compared to key peers and cumulative cash flow performance.
- For threshold levels of performance 25% of the award vests with straight-line vesting to maximum.
- When determining vesting under the PSP the Committee reviews whether the TSR performance has been impacted by unusual events and whether it, therefore, reflects the underlying performance of the business. In addition, the Committee will consider financial performance (including EPS) in the period to ensure that TSR performance is consistent with the objectives of the performance criteria and was not distorted by extraneous factors.
- The Committee may amend the performance conditions if an event occurs that causes it to consider that an amended performance condition would be more appropriate and would not be materially less difficult to satisfy.

# Directors' Report

The Directors submit their report and the audited Consolidated Financial Statements for the year ended 31 December 2014.

## Principal Activity, Results for the Year and Review of Business

CRH is a diversified international building materials group which manufactures and distributes a diverse range of products servicing the breadth of construction needs, from the fundamentals of heavy materials and elements to construct the frame, through value-added exterior products that complete the building envelope, to distribution channels which service construction fit-out and renewal. The Group has over 1,000 subsidiary, joint venture and associate undertakings; the principal ones as at 31 December 2014 are listed on pages 162 to 166.

The Group's strategy, business model and development activity are summarised in the **Strategy Review** section on pages 7 to 15 and are deemed to be incorporated in this part of the Directors' Report.

As set out in the Consolidated Income Statement on page 104, the Group reported a profit before tax for the year of €761 million. Comprehensive reviews of the financial and operating performance of the Group during 2014 are set out in the **Business Performance Review** on pages 22 to 49; key financial performance indicators are also set out in this section. The treasury policy and objectives of the Group are set out in detail in note 21 to the Consolidated Financial Statements.

## Dividend

An interim dividend of 18.5c (2013: 18.5c) per share was paid in October 2014. The Board is recommending a final dividend of 44c per share. This gives a total dividend of 62.5c for the year, maintained at last year's level (2013: 62.5c). The earnings per share for the year were 78.9c representing a cover of 1.26 times the proposed dividend for 2014.

It is proposed to pay the final dividend on 12 May 2015 to shareholders registered at the close of business on 6 March 2015. Subject to the approval of resolutions 2 and 12 at the 2015 Annual General Meeting, shareholders are being offered a scrip dividend alternative.

## 2015 Outlook

In the United States, the pace of GDP growth is expected to pick-up in 2015 and we believe that the fundamentals are in place for continued positive momentum in the economy. Demand in the residential construction market continues to expand, albeit at a more moderate rate, while recovery in the non-residential market is starting to gather pace. While the infrastructure market remains broadly stable, there is upside potential due to the growing economy and increased state spending.

In Europe, the general market environment continues to normalise across our main markets. The outlook for 2015 is somewhat mixed, particularly in the first half for which the 2014 comparatives reflect the benefit of very benign weather conditions. In our generally stable markets in Western Europe we expect to see some improvement in overall demand in 2015, particularly in residential activity. While the outlook in Ukraine remains very uncertain, we anticipate that demand will increase in Eastern Europe, driven primarily by an expected pick-up in the roads programme in Poland towards the second half of the year.

With the improvements expected in market conditions across our main geographies, together with easing commodity prices, the benefits of cost efficiencies and a favourable foreign exchange translation effect, we expect 2015 to be a further year of progress.

## Sustainability

As set out in the Strategy Review section on pages 7 to 15, the Group is fully committed to operating ethically and responsibly in all aspects of its business relating to employees, customers, neighbours and other stakeholders. Details of CRH's policies and performance relating to the Environment and Climate Change, Health & Safety and Social & Community matters are set out in the separately published and independently verified annual Sustainability Reports which are available on the Group's website at www. crh.com. The 2014 report will be available by mid-2015.

## Principal Risks and Uncertainties

Under Irish Company law (Regulation 5(4)(c)(ii) of the Transparency (Directive 2004/109/EC) Regulations 2007), the Group is required to give a description of the principal risks and uncertainties which it faces. These risks and uncertainties reflect the international scope of the Group's operations and the Group's decentralised structure.

## Strategic Risks and Uncertainties

*Industry cyclicality:* The level of construction activity in local and national markets is inherently cyclical being influenced by a wide variety of factors including global and national economic circumstances, ongoing austerity programmes in the developed world, governments' ability to fund infrastructure projects, consumer sentiment and weather conditions. Financial performance may also be negatively impacted by unfavourable swings in fuel and other commodity/raw material prices. Failure of the Group to respond on a timely basis and/or adequately to unfavourable events beyond its control will adversely affect financial performance.

*Political and economic uncertainty:* As an international business, the Group operates in many countries with differing, and in some cases potentially fast-changing economic, social and political conditions. These conditions could include political unrest, strikes, war and other forms of instability including natural disasters, epidemics, widespread transmission of diseases and terrorist attacks. With particular reference to developing markets, changes in these conditions, or in the governmental or regulatory requirements in any of the countries in which the Group operates, may adversely affect the Group's business, results of operations, financial condition or prospects thus leading to possible impairment of financial performance and/or restrictions on future growth opportunities.

*Commodity products and substitution:* The Group faces strong volume and price competition across its product lines. In addition, existing products may be replaced by substitute products which the Group does not produce or distribute. Against this backdrop, if the Group fails to generate competitive advantage through differentiation and innovation across the value chain (for example, through superior product quality, engendering customer loyalty or excellence in logistics), market share, and thus financial performance, may decline.

*Acquisition activity:* Growth through acquisition is a key element of the Group's strategy. The Group may not be able to continue to grow as contemplated in its business plan if it is unable to identify attractive targets (including potential new platforms for growth), execute full and proper due diligence, raise funds on acceptable terms, complete such acquisition transactions, integrate the operations of the acquired businesses and realise anticipated levels of profitability and cash flows. The Group may be liable for the past acts, omissions or liabilities of companies or businesses acquired, which may either be unforeseen or greater than anticipated at the time of the relevant acquisition. On 1 February 2015, CRH

## Regulatory Information

**This table contains information which is required to be provided for regulatory purposes.**

**2009 Corporate Governance Regulations:**

For the purpose of Statutory Instrument 450/2009 European Communities (Directive 2006/46/EC) Regulations 2009, as amended by Statutory Instrument 83/2010 European Communities (Directive 2006/46/EC) (Amendment) Regulations 2010, the Corporate Governance report on pages 54 to 71 is deemed to be incorporated in this part of the Directors' Report. Details of the Company's Employee Share Schemes and capital structure can be found in notes 7 and 28 to the Financial Statements on pages 121 to 123 and 147 and 148 respectively.

**2006 Takeover Regulations:**

For the purpose of Regulation 21 of Statutory Instrument 255/2006 European Communities (Takeover Bids (Directive 2004/25/EC)) Regulations 2006, the rules relating to the appointment and replacement of Directors are summarised in the section on Board of Directors in this Report on page 98 and in the following sections of the Corporate Governance Report: Membership of the Board on page 56, Directors' retirement and re-election on page 58 and Memorandum and Articles of Association on page 71. The Chief Executive has entered into a service contract, the principal terms of which are summarised on page 91 of the Directors' Remuneration Report and are deemed to be incorporated in this part of the Directors' Report. The Company's Memorandum and Articles of Association, which are available on the CRH website, are also deemed to be incorporated in this part of the Directors' Report. The Group has certain banking facilities and bond issues outstanding which may require repayment in the event that a change in control occurs with respect to the Company. In addition, the Company's share option schemes and Performance Share Plan contain change of control provisions which can allow for the acceleration of the exercisability of share options and the vesting of share awards in the event that a change of control occurs with respect to the Company.

**2007 Transparency Regulations:**

For the purpose of Statutory Instrument 277/2007 Transparency (Directive 2004/109/EC) Regulations 2007, the Sustainability Report as published on the CRH website is deemed to be incorporated in this part of the Directors' Report, together with the following sections of this annual report: the Chairman's Introduction on pages 2 and 3, the Strategy Review section on pages 7 to 15, the Business Performance Review on pages 22 to 49, the details of earnings per Ordinary Share in note 12 to the Consolidated Financial Statements, details of derivative financial instruments in note 24, the details of the re-issue of Treasury Shares in note 28 and details of employees in note 5.

announced that it had made a binding irrevocable offer to acquire certain assets being disposed of by Lafarge S.A. and Holcim Limited in advance of their intended merger for an enterprise value of €6.5 billion. As noted by the Chairman in his review on pages 2 and 3 the transaction is subject to CRH obtaining shareholder approval and certain other conditions. There can be no guarantee that these conditions precedent will be met, these approvals granted or that the proposed acquisition will be completed as proposed or at all.

*Joint ventures and associates:* The Group does not have a controlling interest in certain of the businesses (i.e. joint ventures and associates) in which it has invested and may invest. The absence of a controlling interest gives rise to increased governance complexity and a need for proactive relationship management, which may restrict the Group's ability to generate adequate returns and to develop and grow these businesses.

*Human resources:* Existing processes to recruit, develop and retain talented individuals and promote their mobility may be inadequate thus giving rise to employee/management attrition and difficulties in succession planning and potentially impeding the continued realisation of the core strategy of performance and growth. In addition, the Group is exposed to various risks associated with collective representation of employees in certain jurisdictions. These risks could include strikes and increased wage demands with possible reputational consequences.

*Corporate communications:* As a publicly listed company, the Group undertakes regular communication with its stakeholders. Given that these communications may contain forward looking statements, which by their nature involve uncertainty, actual results and developments may differ from those communicated due to a variety of external and internal factors giving rise to reputational risk.

*Cyber and information technology:* As a result of the proliferation of information technology in the world today, the Group is dependent on the employment of advanced information systems and is exposed to risks of failure in the operation of these systems. Furthermore, the Group is exposed to security threats to its digital infrastructure through cyber crime which might lead to interference with production processes, manipulation of financial data, the theft of private data or misrepresentation of information via digital media. In addition to potential irretrievability or corruption of critical data, the Group could suffer reputational losses and incur significant financial costs in remediation. Such attacks are by their nature technologically sophisticated and may be difficult to detect and defend in a timely fashion.

*Sustainability:* The Group is subject to stringent and evolving laws, regulations, standards and best practices in the area of sustainability (comprising corporate governance, environmental management and climate change (specifically capping of emissions), health and safety management and social performance) which may give rise to increased ongoing remediation and/or other compliance costs and may adversely affect the Group's business, results of operations, financial condition and/or prospects.

*Laws and regulations:* The Group is subject to many local and international laws and regulations, including those relating to competition law, corruption and fraud, across many jurisdictions of operation and is exposed to changes in those laws and regulations and to the outcome of any investigations conducted by governmental, international and other regulatory authorities, which may result in the imposition of fines and/or sanctions for non-compliance, and may potentially inflict reputational damage.

### Financial and Reporting Risks and Uncertainties

*Financial instruments (interest rate and leverage, foreign currency, counterparty, credit ratings and liquidity):* The Group uses financial instruments throughout its businesses giving rise to interest rate and leverage, foreign currency, counterparty, credit rating and liquidity risks. A significant portion of the cash generated by the Group from operational activity is currently dedicated to the payment of principal and interest on indebtedness. In addition, the Group has entered into certain financing agreements containing restrictive covenants requiring it to maintain a certain minimum interest coverage ratio and a certain minimum net worth. A downgrade of the Group's credit ratings may give rise to increases in funding costs in respect of future debt and may impair the Group's ability to raise funds on acceptable terms. In addition, against the backdrop of heightened uncertainties in the eurozone, insolvency of the financial institutions with which the Group conducts business (or a downgrade in their credit ratings) may lead to losses in derivative assets and cash and cash equivalents balances or render it more difficult either to utilise existing debt capacity or otherwise obtain financing for operations.

*Defined benefit pension schemes and related obligations:* The Group operates a number of defined benefit pension schemes and related obligations (for example, termination indemnities and jubilee/long-term service benefits, which are accounted for as defined benefit) in certain of its operating jurisdictions.

The assets and liabilities of defined benefit pension schemes may exhibit significant period-on-period volatility attributable primarily to asset values, changes in bond yields/discount rates and anticipated longevity. In addition to the contributions required for the ongoing service of participating employees, significant cash contributions may be required to remediate deficits applicable to past service. In addition, fluctuations in the accounting surplus/deficit may adversely impact credit metrics thus harming the Group's ability to raise funds.

*Adequacy of insurance arrangements and related counterparty exposures:* The building materials sector is subject to a wide range of operating risks and hazards, not all of which can be covered, adequately or at all, by insurance; these risks and hazards would include climatic conditions such as floods and hurricanes/cyclones, seismic activity, technical failures, interruptions to power supplies, industrial accidents and disputes, environmental hazards, fire and crime. In its worldwide insurance programme, the Group provides coverage for its operations at a level believed to be commensurate with the associated risks. In the event of failure of one or more of its insurance counterparties, the Group could be impacted by losses where recovery from such counterparties is not possible.

*Foreign currency translation:* The Group's activities are conducted primarily in the local currency of the country of operation resulting in low levels of foreign currency transactional risk. The principal foreign exchange risks to which the Consolidated Financial Statements are exposed pertain to adverse movements in reported results when translated into euro (which is the Group's reporting currency) together with declines in the euro value of net investments which are denominated in a wide basket of currencies other than the euro.

*Goodwill impairment:* Significant under-performance in any of the Group's major cash-generating units or the divestment of businesses in the future may give rise to a material write-down of goodwill, which would have a substantial impact on the Group's income and equity.

*Inspections by Public Company Accounting Oversight Board ("PCAOB"):* Our auditors, like other independent registered public accounting firms operating in Ireland and a number of other European countries, are not currently permitted to be subject to inspection by the PCAOB, and as such, investors are deprived of the benefits of PCAOB inspections.

The principal financial and reporting risks and uncertainties are subject to further disclosure in the notes to the Consolidated Financial Statements and the accompanying accounting policies.

As demonstrated by CRH's proven record of superior performance, the Group's management team has substantial and long experience in dealing with the impact of these risks. The mechanisms through which the principal risks and uncertainties are managed are addressed in the Risk Management and Internal Control section of the Corporate Governance Report.

## Greenhouse Gas Emissions

Disclosures relating to the Group's greenhouse gas emissions are contained in the Measuring Performance section on page 14.

## Proposed Acquisition of Certain Assets Being Disposed of by Lafarge S.A. and Holcim Limited

The Directors' have convened an Extraordinary General Meeting ("EGM") to be held on 19 March 2015 for the purposes of approving the acquisition of certain assets being disposed of by Lafarge S.A. and Holcim Limited in advance of their intended merger. A circular to shareholders in relation to this proposal including the notice of the EGM was published by the Company on 20 February 2015. Shareholders should refer to this circular for further details.

## Directors' Remuneration Report

Resolution 3 to be proposed at the 2015 Annual General Meeting deals with the 2014 Directors' Remuneration Report (excluding the summary of the Remuneration Policy), as set out on pages 72 to 89, which the Board has again decided to present to shareholders for the purposes of a non-binding advisory vote. This is in line with international best practice.

## Board of Directors

Mr. H. Th. Rottinghuis was appointed to the Board on 18 February 2014.

Mr. J.M. de Jong retired from the Board on 7 May 2014.

Mr. P.J. Kennedy was appointed to the Board with effect from 1 January 2015.

Ms. L. Riches has been appointed to the Board with effect from 1 March 2015.

Mr. J.W. Kennedy and Mr. D.N. O'Connor will retire from the Board at the conclusion of the Annual General Meeting to be held on 7 May 2015.

Under the Company's Articles of Association, co-opted Directors are required to submit themselves to shareholders for election at the Annual General Meeting following their appointment and all the Directors are required to submit themselves for re-election at intervals of not more than three years. However, in accordance with the provisions contained in the UK Corporate Governance Code, the Board has decided that all Directors eligible for re-election should retire at each Annual General Meeting and offer themselves for re-election.

## Auditors

Section 160(2) of the Companies Act, 1963 provides that the auditor of an Irish company shall be automatically re-appointed at a company's annual general meeting unless the auditor has given notice in writing of his unwillingness to be re-appointed or a resolution has been passed at that meeting appointing someone else or providing expressly that the incumbent auditor shall not be re-appointed. The Auditors, Ernst & Young, Chartered Accountants, are willing to continue in office. Notwithstanding the provisions of Irish company law, the Board has decided to provide shareholders with an opportunity to

## Location of information required pursuant to Listing Rule 9.8.4C

| **Listing Rule** | **Information to be included*: Publication of unaudited financial information**** |
|---|---|
| LR 9.8.4 (2) | **Disclosure**<br>The circular to shareholders published on 20 February 2015 contained the following statement:-<br>"On 11 November 2014, CRH issued an Interim Management Statement, which contained the following statement (extracted without material adjustment) on CRH's current trading:<br>"Assuming normal weather patterns for the remainder of the year and a US dollar/euro exchange rate of 1.33[1] (2013: 1.3281), we expect EBITDA for the fourth quarter to be broadly similar to the strong performance in the final quarter of 2013. Against this backdrop, we reiterate our expectation for second-half EBITDA to be somewhat ahead of last year (H2 2013: €1.08 billion), resulting in expected full year EBITDA growth of c.10% in 2014 (2013: €1.475 billion)."<br>[1] *Average exchange rate based on year-to-date US$/euro rate of 1.3455 and a projected rate of 1.2493 to year-end.*<br>"Since that date, the CRH Group's trading performance continues to be in line with the Board's expectations and we expect EBITDA for the full year ended 31 December 2014 to be not less than €1.625 billion with full year revenues of €18.9 billion. We expect year-end net debt to be approximately €2.5 billion (2013: €3.0 billion), with a net debt/EBITDA ratio of approximately 1.5 times…"<br>The actual EBITDA outturn for the full year ended 31 December 2014 was €1.641 billion. See page 116 to the Consolidated Financial Statements for more details. |
| **Listing Rule** | **Information to be included*: Waivers of dividends** |
| LR 9.8.4 (12) and (13) | **Disclosure**<br>The Trustees of the Employee Benefit Trust, have elected to waive dividends in respect of certain holdings of CRH shares. See pages 121 to 123 to the Consolidated Financial Statements. |

* *No information is required to be disclosed in respect of Listing Rules 9.8.4 (1), (3), (4), (5), (6), (7), (8), (9), (10), (11) and (14).*

** *Required by Listing Rule 9.2.18.*

have a say on the continuance in office of Ernst & Young and a non-binding resolution has been included on the agenda for the 2015 Annual General Meeting for this purpose.

As required under Irish law, the Annual General Meeting agenda also includes a resolution authorising the Directors to fix the remuneration of the Auditors.

### Increase in Authorised Share Capital

On 5 February 2015, CRH allotted 74,039,915 new Ordinary Shares and 74,039,915 new Income Shares, representing approximately 9.99% of CRH's issued Ordinary/Income share capital in connection with a share placing announced on 2 February 2015. As the placing reduced the number of unissued Ordinary/Income Shares, a resolution to increase the aggregate of the authorised Ordinary/Income share capital from €340,000,000 to €425,000,000 will be proposed at the Annual General Meeting. The increase in the authorised Ordinary/Income share capital is necessary to ensure there is sufficient share capital available to the Company to operate the approved Employee Share Schemes, the Scrip Dividend Scheme and to maintain the authorised but unissued share capital at a prudent level.

The proposed increase in the authorised Ordinary/Income share capital is 25% and unissued Ordinary/Income Shares will represent 34.5% of the authorised Ordinary/Income share capital.

### Authority to Allot Shares

The Directors require the authority of the shareholders to allot any unissued share capital of the Company. Accordingly, an ordinary resolution will be proposed at the 2015 Annual General Meeting to grant authority for that purpose. The total number of shares which the Directors may issue under this authority will be limited to a number which is equivalent to 33% of the issued share capital of the Company as at 25 February 2015.

No issue of shares will be made which could effectively alter control of the Company without prior approval of the Company in General Meeting. The Directors have no present intention of making any issue of shares. This authority will expire on the earlier of the date of the Annual General Meeting in 2016 or 6 August 2016.

### Disapplication of Pre-emption Rights

A special resolution will be proposed at the 2015 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 total number of shares which the Directors may issue under this authority will be limited to a number which is equivalent to 5% of the issued share capital of the Company as at 25 February 2015. This authority will expire on the earlier of the date of the Annual General Meeting in 2016 or 6 August 2016.

The Directors intend to follow the Pre-Emption Group's Statement of Principles in that allotments of shares for cash and the re-issue of Treasury Shares on a non pre-emptive basis, other than for rights issues to ordinary shareholders and employees' share schemes, will not exceed 7.5% of the issued Ordinary/Income share capital within a rolling three year period without prior consultation with its shareholders.

### Transactions in Own Shares

During 2014, 2,175,649 (2013: 1,423,602) Treasury Shares were re-issued under the Group's Share Schemes. As at 25 February 2015, 3,735,479 shares were held as Treasury Shares, equivalent to 0.45% of the Ordinary Shares in issue (excluding Treasury Shares).

A special resolution will be proposed at the 2015 Annual General Meeting to renew the authority of the Company, or any of its subsidiaries, to purchase up to 10% of the

Company's Ordinary/Income Shares in issue at the date of the Annual General Meeting. If approved, the minimum price which may be paid for shares purchased by the Company shall not be less than the nominal value of the shares and the maximum price will be 105% of the higher of the last independent trade in the Company's shares (or current independent bid, if higher) and the average market price of such shares over the preceding five days. A special resolution will also be proposed for the purpose of renewing the authority to set the maximum and minimum prices at which Treasury Shares (effectively shares purchased and not cancelled) may be re-issued off-market by the Company. If granted, both of these authorities will expire on the earlier of the date of the Annual General Meeting in 2016 or 6 August 2016.

As at 25 February 2015, options to subscribe for a total of 16,335,763 Ordinary/Income Shares are outstanding, representing 2.0% of the issued Ordinary/lncome share capital (excluding Treasury Shares). If the authority to purchase Ordinary/Income Shares was used in full, the options would represent 2.22% of the remaining shares in issue.

The Directors do not have any current intention of exercising the power to purchase the Company's own shares and will only do so if they consider it to be in the best interests of the Company and its shareholders.

## Authority to Offer Scrip Dividends

An ordinary resolution will be proposed at the 2015 Annual General Meeting to renew the Directors' authority to make scrip dividend offers. This authority will apply to dividends declared or to be paid commencing on 7 May 2015. Unless renewed at the Annual General Meeting in 2016, this authority shall expire at the close of business on 6 August 2016.

## Notice Period for Extraordinary General Meetings

Resolution 11 to be proposed at the Annual General Meeting is a special resolution, which seeks shareholders' approval to permit the Company to convene an extraordinary general meeting on 14 clear days' notice where the purpose of the meeting is to consider an ordinary resolution. If approved, it is the intention of the Directors only to utilise this authority where they consider it to be in the best interests of the Company and its shareholders. In addition, the Directors are cognisant of the UK Corporate Governance Code requirement for general meetings to be convened at 14 business days' notice.

## Amendments to Memorandum and Articles of Association and Annual General Meeting

A circular to shareholders, which will contain the Notice of Meeting and proposed changes to the Company's Memorandum and Articles of Association to be considered at the 2015 Annual General Meeting, will be posted to shareholders on 30 March 2015.

## Statement of Directors' Responsibilities

The Directors as at the date of this report, whose names are listed on pages 51 to 53, are responsible for preparing the Annual Report and Financial Statements in accordance with applicable laws and regulations.

Irish Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the assets, liabilities, financial position of the Parent Company and of the Group and of the profit or loss of the Group taken as a whole for that period (Consolidated Financial Statements).

In preparing the Consolidated Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- comply with applicable International Financial Reporting Standards as adopted by the European Union, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are required by the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Central Bank of Ireland to include a management report containing a fair review of the development and performance of the business and the position of the Parent Company and of the Group taken as a whole and a description of the principal risks and uncertainties facing the Group.

The Directors confirm that to the best of their knowledge they have complied with the above requirements in preparing the 2014 Annual Report and Consolidated Financial Statements. The considerations set out above for the Group are also required to be addressed by the Directors in preparing the financial statements of the Parent Company (which are set out on pages 154 to 157, in respect of which the applicable accounting standards are those which are generally accepted in the Republic of Ireland.

The Directors have elected to prepare the Parent Company's Financial Statements in accordance with Generally Accepted Accounting Practice in Ireland (Irish GAAP) comprising the financial reporting standards issued by the Accounting Standards Board and published by the Institute of Chartered Accountants in Ireland, together with the Companies Acts, 1963 to 2013.

The Directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Parent Company and which enable them to ensure that the Consolidated Financial Statements are prepared in accordance with applicable International Financial Reporting Standards as adopted by the European Union and comply with the provisions of the Companies Acts, 1963 to 2013 and Article 4 of the IAS Regulation.

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.

The Directors are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the Directors as at the date of this report, whose names are listed on pages 51 to 53, confirms that they consider that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

On behalf of the Board,
N. Hartery, A. Manifold
Directors

25 February 2015

# Independent Auditor's Report

to the members of CRH plc

## What we have audited

We have audited the financial statements of CRH plc for the year ended 31 December 2014 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Accounting Policies, the related notes 1 to 34 (Group) and the related notes 1 to 13 (Company). The financial reporting framework that has been applied in the preparation of the Group Financial Statements is Irish law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Company Financial Statements is Irish law and accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland).

This Report is made solely to the Company's members, as a body, in accordance with Section 193 of the Companies Act, 1990. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this Report, or for the opinions we have formed.

## Opinion on financial statements

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2014 and of its profit for the year then ended;
- the Company Balance Sheet gives a true and fair view in accordance with Generally Accepted Accounting Practice in Ireland of the state of the Company's affairs as at 31 December 2014; and
- the financial statements have been properly prepared in accordance with the requirements of the Companies Acts 1963 to 2013 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

## Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 100 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group and the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our Report.

## Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and performing our audit and in evaluating the effect of misstatements on our audit and on the financial statements.

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole. We determined materiality for the Group to be €36 million, which is approximately 5% of pre-tax profit. In 2013, we determined materiality for the Group to be €25 million which was approximately 5% of adjusted pre-tax profit. We used adjusted pre-tax profit in 2013 which excluded the impairment of goodwill and the non-recurring impairment of property, plant and equipment and financial assets arising from a portfolio review as they do not reflect the underlying trading performance of the Group thereby avoiding inappropriate variations in our materiality as a result of significant non-recurring items. Our materiality calculation provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Group should be 50% of planning materiality, namely €18 million (2013: €12.5 million). Our objective in adopting this approach was to ensure that total uncorrected and undetected audit differences in all accounts did not exceed our planning materiality level.

We agreed with the *Audit Committee* that we would report to them all audit differences in excess of €1.8 million (2013: €1.25 million), as well as differences below that threshold that in our view warranted reporting on qualitative grounds.

We evaluated any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

## An overview of the scope of our audit

The overall scope of our audit has been assessed in line with the principles as described above in 'scope of the audit of the financial statements'. In determining those components in the Group at which we perform audit procedures, we utilised size and risk criteria in accordance with International Standards on Auditing (UK and Ireland). Following this assessment we selected 80 (2013: 77) components which represent the principal business units within the Group's six business segments. 26 (2013: 33) of these components were subject to a full audit, whilst another 54 (2013: 44) were subject to a partial audit where the extent of the audit work was based on our assessment of the risks of material misstatement and the materiality of the Group's business operations at those locations and focuses on specific accounts. For the remaining components, we performed other procedures to identify if there were any remaining significant risks of material misstatement in the Group financial statements in respect of those components.

Audit work at each component is undertaken based on a percentage of our total performance materiality. The performance materiality set for each component is based on the relative size of the component and our view of the risk of misstatement at that component. In the current year the range of performance materiality allocated to components was €3.6 million to €11 million (2013: €2.5 million and €8.5 million).

We issued detailed instructions to each component auditor in scope for the Group audit, with specific audit requirements and requests across key areas. The Group audit team continued to perform a programme of site visits at key locations across the Group which included a review of key working papers supporting conclusions on significant risk areas. In addition to site visits, the Group audit team participated in divisional planning and closing meetings and the component auditors' discussion of the risks of fraud and error.

### Our assessment of risks of material misstatement

In 2013 we identified a risk arising from the 'accounting and disclosure implications of the portfolio review', whereby management had identified a number of business units for disposal. For 2014, we have removed this risk and added a new risk concerning the accounting and disclosure requirements arising from the application of the held for sale requirements contained within IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations,* as the businesses identified for disposal in the portfolio review advance towards disposal.

We consider that the following areas present the greatest risk of material misstatement in the financial statements and consequently have had the greatest impact on our audit strategy, the allocation of resources and the efforts of the engagement team, including the more senior members of the team.

Based on our walkthrough and control testing performed, we believe the controls over the areas identified below are designed and operate effectively.

The Audit Committee's report on those matters which they considered to be significant issues in relation to the financial statements is set out on page 61.

## Principal risk area and rationale

| | |
|---|---|
| **Assessment of the carrying value of goodwill**<br>The impairment review of goodwill, with a carrying value of €4.0bn, is considered to be a risk area due to the size of the balance as well as the fact that it involves significant judgement by management. Judgemental aspects include assumptions of future profitability, revenue growth, margins and forecast cash flows, and the selection of appropriate discount rates. | **Audit response**<br>Our specialist valuations team performed an independent assessment against external market data of key inputs used by management in calculating appropriate discount rates, principally risk free rates, country risk premium and inflation rates.<br>We reviewed and challenged the determination of the Group's 20 Cash Generating Units ('CGUs') and flexed our audit approach depending on our risk assessment and the level of headroom in each CGU. For all CGUs selected for detailed testing, we critically assessed all key assumptions in the models by challenging management's detailed calculations and benchmarking growth forecasts to external economic forecasts and construction activity measures.<br>We challenged management's sensitivity analyses and performed our own sensitivity calculations to assess the level of headroom in place based on reasonably expected movements in such assumptions.<br>We considered the adequacy of management's disclosures in respect of impairment testing and whether the sensitivity disclosures appropriately communicate the underlying sensitivities. |
| **Assessment of the carrying value of property, plant and equipment and financial assets**<br>The impairment review of property, plant and equipment and financial assets, with a carrying value of €7.7bn and €1.4bn respectively, is considered to be a risk area due to the size of the balances as well as their judgemental nature, similar to that noted in the assessment of the carrying value of goodwill above. | **Audit response**<br>In respect of the discount rate, we performed similar procedures to those noted above for goodwill.<br>The Group operates a variety of business models and as a result the identification of CGUs for testing is based on these business models and management's assessment of impairment indicators.<br>Similar audit procedures to those noted under goodwill above are performed in respect of the key assumptions underpinning the impairment models. |
| **Accounting and disclosure requirements arising from the application of the held for sale requirements contained within IFRS 5**<br>In 2013 management made a decision to divest of a number of business units across its operations. None of these businesses met the 'held for sale' criteria at 31 December 2013. The status of the businesses identified for disposal has evolved during the year with some having been disposed, others meeting the held for sale criteria and the remainder continuing to be assessed for impairment. | **Audit response**<br>Throughout the year and in the subsequent period up to the date of approval of the financial statements, we have regular contact with management who inform us on the status of the various entities subject to disposal. We also review Board minutes where proposals in respect of businesses moving to disposal are presented.<br>We challenged management's assessment by applying professional scepticism to the judgements made by management in concluding whether all relevant criteria had been met in order to classify businesses as held for sale in accordance with IFRS 5. We also tested whether depreciation of non-current assets and the accounting for the share of results of equity method investees ceased at the date of IFRS 5 classification and that foreign exchange recycling was calculated where relevant. We considered the adequacy of the disclosures in the financial statements in respect of held for sale assets (note 4). |

## Principal risk area and rationale | continued

| Revenue recognition for construction contracts | Audit response |
|---|---|
| There are significant accounting judgements which include determining the stage of completion, the timing of revenue recognition and the calculation under the percentage-of-completion method, in applying the Group's revenue recognition policies to long-term contracts entered into by the Group. The majority of the Group's construction contracts have a maturity within one year and most are completed prior to the year-end, reflecting seasonality.<br>Total revenue for construction contracts was €3.4bn which represents 17.7% of the Group's revenue in 2014.<br>There is significant seasonality to when services are rendered under these construction contracts, with the majority of the work performed in the summer months. | We performed substantial audit procedures which included a review of a sample of contracts, a review for change orders, a retrospective review of estimated profit and costs to complete and enquired of key personnel regarding adjustments for job costing and potential job losses. We performed testing procedures over routine sales transactions. |
| **Accounting for acquisitions and disposals** | **Audit response** |
| During 2014, the Group completed 21 acquisitions at a cost of €0.2bn and realised total disposal proceeds of €0.2bn across 16 disposals.<br>On 1 February 2015, the Group entered into a binding commitment to acquire certain assets from Lafarge and Holcim for an enterprise value of €6.5bn.<br>Acquisitions and disposals continue to be a significant focus area for the Group and an area where we allocate significant resources in directing the efforts of the engagement team. | Our specialist valuations team challenge purchase price allocation adjustments, deferred consideration and the identification and valuation of acquired intangible assets as all elements involve significant judgement by management.<br>In considering the accounting for disposals we consider various areas including identification of consideration, net assets, disposal costs and foreign exchange reserve recycling.<br>We also considered the adequacy of the related disclosures (note 4 and note 30). |

### Matters on which we are required to report by the Companies Acts 1963 to 2013

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion proper books of account have been kept by the Company.
- The Company Balance Sheet is in agreement with the books of account.
- In our opinion the information given in the Directors' Report is consistent with the financial statements and the description in the Corporate Governance Report of the main features of the internal control and risk management systems in relation to the process for preparing the Group Financial Statements is consistent with the Group Financial Statements.
- The net assets of the Company, as stated in the Company Balance Sheet are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2014 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the Company.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' Statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the *Audit Committee* which we consider should have been disclosed.

Under the Companies Acts 1963 to 2013 we are required to report to you if, in our opinion, the disclosures of Directors' remuneration and transactions specified by law are not made.

Under the Listing Rules we are required to review:

- the Directors' Statement, set out on page 100, in relation to going concern;
- the part of the Corporate Governance Report relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Breffni Maguire
for and on behalf of Ernst & Young
Dublin

25 February 2015

# Consolidated Income Statement

for the financial year ended 31 December 2014

| Notes | | 2014<br>€m | 2013<br>€m |
|---|---|---|---|
| 1 | **Revenue** | **18,912** | 18,031 |
| 2 | Cost of sales | **(13,427)** | (13,153) |
| | Gross profit | **5,485** | 4,878 |
| 2 | Operating costs | **(4,568)** | (4,778) |
| 1,3,5,6 | **Group operating profit** | **917** | 100 |
| 1,4 | Profit on disposals | **77** | 26 |
| | **Profit before finance costs** | **994** | 126 |
| 8 | Finance costs | **(254)** | (262) |
| 8 | Finance income | **8** | 13 |
| 8 | Other financial expense | **(42)** | (48) |
| 9 | Share of equity accounted investments' profit/(loss) | **55** | (44) |
| 1 | **Profit/(loss) before tax** | **761** | (215) |
| 10 | Income tax expense | **(177)** | (80) |
| | **Group profit/(loss) for the financial year** | **584** | (295) |
| | | | |
| | Profit/(loss) attributable to: | | |
| | Equity holders of the Company | **582** | (296) |
| | Non-controlling interests | **2** | 1 |
| | **Group profit/(loss) for the financial year** | **584** | (295) |
| | | | |
| 12 | **Basic earnings/(loss) per Ordinary Share** | **78.9c** | (40.6c) |
| | | | |
| 12 | **Diluted earnings/(loss) per Ordinary Share** | **78.8c** | (40.6c) |

All of the results relate to continuing operations.

# Consolidated Statement of Comprehensive Income

for the financial year ended 31 December 2014

| Notes | | 2014<br>€m | 2013<br>€m |
|---|---|---|---|
| | **Group profit/(loss) for the financial year** | **584** | (295) |
| | | | |
| | **Other comprehensive income** | | |
| | *Items that may be reclassified to profit or loss in subsequent years:* | | |
| | Currency translation effects | **599** | (373) |
| 24 | Losses relating to cash flow hedges | **(6)** | (2) |
| | | **593** | (375) |
| | *Items that will not be reclassified to profit or loss in subsequent years:* | | |
| 27 | Remeasurement of retirement benefit obligations | **(414)** | 162 |
| 10 | Tax on items recognised directly within other comprehensive income | **69** | (43) |
| | | **(345)** | 119 |
| | | | |
| | Total other comprehensive income for the financial year | **248** | (256) |
| | | | |
| | **Total comprehensive income for the financial year** | **832** | (551) |
| | | | |
| | Attributable to: | | |
| | Equity holders of the Company | **830** | (552) |
| | Non-controlling interests | **2** | 1 |
| | **Total comprehensive income for the financial year** | **832** | (551) |

N. Hartery, A. Manifold, Directors

# Consolidated Balance Sheet

as at 31 December 2014

| Notes | | 2014<br>€m | 2013<br>€m |
|---|---|---|---|
| | **ASSETS** | | |
| | **Non-current assets** | | |
| 13 | Property, plant and equipment | **7,422** | 7,539 |
| 14 | Intangible assets | **4,173** | 3,911 |
| 15 | Investments accounted for using the equity method | **1,329** | 1,340 |
| 15 | Other financial assets | **23** | 23 |
| 17 | Other receivables | **85** | 93 |
| 24 | Derivative financial instruments | **87** | 63 |
| 26 | Deferred income tax assets | **171** | 107 |
| | **Total non-current assets** | **13,290** | 13,076 |
| | **Current assets** | | |
| 16 | Inventories | **2,260** | 2,254 |
| 17 | Trade and other receivables | **2,644** | 2,516 |
| | Current income tax recoverable | **15** | 26 |
| 24 | Derivative financial instruments | **15** | 17 |
| 22 | Cash and cash equivalents | **3,262** | 2,540 |
| 4 | Assets held for sale | **531** | - |
| | **Total current assets** | **8,727** | 7,353 |
| | **Total assets** | **22,017** | 20,429 |
| | **EQUITY** | | |
| | **Capital and reserves attributable to the Company's equity holders** | | |
| 28 | Equity share capital | **253** | 251 |
| 28 | Preference share capital | **1** | 1 |
| 28 | Share premium account | **4,324** | 4,219 |
| 28 | Treasury Shares and own shares | **(76)** | (118) |
| | Other reserves | **213** | 197 |
| | Foreign currency translation reserve | **57** | (542) |
| | Retained income | **5,405** | 5,654 |
| | | **10,177** | 9,662 |
| | Non-controlling interests | **21** | 24 |
| | **Total equity** | **10,198** | 9,686 |
| | **LIABILITIES** | | |
| | **Non-current liabilities** | | |
| 23 | Interest-bearing loans and borrowings | **5,419** | 4,579 |
| 24 | Derivative financial instruments | **3** | 34 |
| 26 | Deferred income tax liabilities | **1,305** | 1,166 |
| 18 | Other payables | **257** | 289 |
| 27 | Retirement benefit obligations | **711** | 410 |
| 25 | Provisions for liabilities | **257** | 231 |
| | **Total non-current liabilities** | **7,952** | 6,709 |
| | **Current liabilities** | | |
| 18 | Trade and other payables | **2,894** | 2,754 |
| | Current income tax liabilities | **154** | 151 |
| 23 | Interest-bearing loans and borrowings | **447** | 961 |
| 24 | Derivative financial instruments | **20** | 19 |
| 25 | Provisions for liabilities | **139** | 149 |
| 4 | Liabilities associated with assets classified as held for sale | **213** | - |
| | **Total current liabilities** | **3,867** | 4,034 |
| | **Total liabilities** | **11,819** | 10,743 |
| | **Total equity and liabilities** | **22,017** | 20,429 |

N. Hartery, A. Manifold, Directors

# Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2014

| Notes | | Attributable to the equity holders of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Issued share capital €m | Share premium account €m | Treasury Shares/ own shares €m | Other reserves €m | Foreign currency translation reserve €m | Retained income €m | Non-controlling interests €m | Total equity €m |
| | At 1 January 2014 | **252** | **4,219** | **(118)** | **197** | **(542)** | **5,654** | **24** | **9,686** |
| | Group profit for the financial year | **-** | **-** | **-** | **-** | **-** | **582** | **2** | **584** |
| | Other comprehensive income | **-** | **-** | **-** | **-** | **599** | **(351)** | **-** | **248** |
| | Total comprehensive income | **-** | **-** | **-** | **-** | **599** | **231** | **2** | **832** |
| 28 | Issue of share capital (net of expenses) | **2** | **105** | **-** | **-** | **-** | **-** | **-** | **107** |
| 7 | Share-based payment expense | | | | | | | | |
| | - share option schemes | **-** | **-** | **-** | **1** | **-** | **-** | **-** | **1** |
| | - Performance Share Plans/Restricted Share Plan | **-** | **-** | **-** | **15** | **-** | **-** | **-** | **15** |
| 28 | Treasury/own shares reissued | **-** | **-** | **42** | **-** | **-** | **(42)** | **-** | **-** |
| | Share option exercises | **-** | **-** | **-** | **-** | **-** | **22** | **-** | **22** |
| 11 | Dividends (including shares issued in lieu of dividends) | **-** | **-** | **-** | **-** | **-** | **(460)** | **(4)** | **(464)** |
| | Acquisition of non-controlling interests | **-** | **-** | **-** | **-** | **-** | **-** | **(1)** | **(1)** |
| | At 31 December 2014 | **254** | **4,324** | **(76)** | **213** | **57** | **5,405** | **21** | **10,198** |
| | for the financial year ended 31 December 2013 | | | | | | | | |
| | At 1 January 2013 | 250 | 4,133 | (146) | 182 | (169) | 6,303 | 36 | 10,589 |
| | Group loss for the financial year | - | - | - | - | - | (296) | 1 | (295) |
| | Other comprehensive income | - | - | - | - | (373) | 117 | - | (256) |
| | Total comprehensive income | - | - | - | - | (373) | (179) | 1 | (551) |
| 28 | Issue of share capital (net of expenses) | 2 | 86 | - | - | - | - | - | 88 |
| 7 | Share-based payment expense | | | | | | | | |
| | - share option schemes | - | - | - | 1 | - | - | - | 1 |
| | - Performance Share Plans/Restricted Share Plan | - | - | - | 14 | - | - | - | 14 |
| 28 | Treasury/own shares reissued | - | - | 34 | - | - | (34) | - | - |
| 28 | Shares acquired by Employee Benefit Trust (own shares) | - | - | (6) | - | - | - | - | (6) |
| | Share option exercises | - | - | - | - | - | 19 | - | 19 |
| 11 | Dividends (including shares issued in lieu of dividends) | - | - | - | - | - | (455) | (1) | (456) |
| 30 | Non-controlling interests arising on acquisition of subsidiaries | - | - | - | - | - | - | 1 | 1 |
| | Acquisition of non-controlling interests | - | - | - | - | - | - | (13) | (13) |
| | At 31 December 2013 | 252 | 4,219 | (118) | 197 | (542) | 5,654 | 24 | 9,686 |

N. Hartery, A. Manifold, Directors

# Consolidated Statement of Cash Flows

for the financial year ended 31 December 2014

| Notes | | 2014<br>€m | 2013<br>€m |
|---|---|---|---|
| | **Cash flows from operating activities** | | |
| | Profit/(loss) before tax | **761** | (215) |
| 8 | Finance costs (net) | **288** | 297 |
| 9 | Share of equity accounted investments' result | **(55)** | 44 |
| 4 | Profit on disposals | **(77)** | (26) |
| | Group operating profit | **917** | 100 |
| 2 | Depreciation charge | **631** | 671 |
| 2 | Amortisation of intangible assets | **44** | 54 |
| 2 | Impairment charge | **49** | 650 |
| 7 | Share-based payment expense | **16** | 15 |
| | Other (primarily pension payments) | **(66)** | (96) |
| 19 | Net movement on working capital and provisions | **35** | 77 |
| | Cash generated from operations | **1,626** | 1,471 |
| | Interest paid (including finance leases) | **(262)** | (269) |
| | Corporation tax paid | **(127)** | (110) |
| | **Net cash inflow from operating activities** | **1,237** | 1,092 |
| | **Cash flows from investing activities** | | |
| 4 | Proceeds from disposals | **345** | 122 |
| | Interest received | **8** | 13 |
| | Dividends received from equity accounted investments | **30** | 33 |
| 13 | Purchase of property, plant and equipment | **(435)** | (497) |
| 30 | Acquisition of subsidiaries (net of cash acquired) | **(151)** | (336) |
| 15 | Other investments and advances | **(3)** | (78) |
| 19 | Deferred and contingent acquisition consideration paid | **(26)** | (105) |
| | **Net cash outflow from investing activities** | **(232)** | (848) |
| | **Cash flows from financing activities** | | |
| | Proceeds from exercise of share options | **22** | 19 |
| | Acquisition of non-controlling interests | **(1)** | (13) |
| | Increase in interest-bearing loans, borrowings and finance leases | **901** | 1,491 |
| | Net cash flow arising from derivative financial instruments | **(11)** | 64 |
| 28 | Treasury/own shares purchased | **-** | (6) |
| | Repayment of interest-bearing loans, borrowings and finance leases | **(934)** | (586) |
| 11 | Dividends paid to equity holders of the Company | **(353)** | (367) |
| 11 | Dividends paid to non-controlling interests | **(4)** | (1) |
| | **Net cash (outflow)/inflow from financing activities** | **(380)** | 601 |
| | **Increase in cash and cash equivalents** | **625** | 845 |
| | **Reconciliation of opening to closing cash and cash equivalents** | | |
| | Cash and cash equivalents at 1 January | **2,540** | 1,747 |
| | Translation adjustment | **130** | (52) |
| | Increase in cash and cash equivalents | **625** | 845 |
| 22 | **Cash and cash equivalents at 31 December** | **3,295** | 2,540 |
| | **Reconciliation of opening to closing net debt** | | |
| | **Net debt at 1 January** | **(2,973)** | (2,909) |
| 30 | Debt in acquired companies | **(7)** | (44) |
| 4 | Debt in disposed companies | **-** | 17 |
| | Increase in interest-bearing loans, borrowings and finance leases | **(901)** | (1,491) |
| | Net cash flow arising from derivative financial instruments | **11** | (64) |
| | Repayment of interest-bearing loans, borrowings and finance leases | **934** | 586 |
| | Increase in cash and cash equivalents | **625** | 845 |
| | Mark-to-market adjustment | **(3)** | 10 |
| | Translation adjustment | **(178)** | 77 |
| 20 | **Net debt at 31 December** | **(2,492)** | (2,973) |

N. Hartery, A. Manifold, Directors

# Accounting Policies

(including key accounting estimates and assumptions)

## Basis of Preparation

The Consolidated Financial Statements of CRH plc have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, which comprise standards and interpretations approved by the International Accounting Standards Board (IASB). IFRS as adopted by the European Union differ in certain respects from IFRS as issued by the IASB. However, the Consolidated Financial Statements for the financial years presented would be no different had IFRS as issued by the IASB been applied. The Consolidated Financial Statements are also prepared in compliance with the Companies Acts 1963 to 2013 and Article 4 of the EU IAS Regulation.

CRH plc, the Parent Company, is a publicly traded limited company incorporated and domiciled in the Republic of Ireland.

The Consolidated Financial Statements, which are presented in euro millions, have been prepared under the historical cost convention as modified by the measurement at fair value of share-based payments, retirement benefit obligations and certain financial assets and liabilities including derivative financial instruments.

The accounting policies set out below have been applied consistently by all the Group's subsidiaries, joint ventures and associates to all periods presented in these Consolidated Financial Statements.

Certain prior year disclosures have been amended to conform to current year presentation. An amount of €161 million has been reclassified from cost of sales to operating expenses in 2013 to align with current year presentation.

In accordance with Section 148(8) of the Companies Act, 1963 and Section 71 (A) of the Companies (Amendment) Act, 1986, the Company is availing of the exemption from presenting its individual profit and loss account to the Annual General Meeting and from filing it with the Registrar of Companies.

## Adoption of IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations

(i) *The following standards and amendments have been adopted during the financial year*

- *Offsetting Financial Assets and Financial Liabilities (Amendments to* IAS 32 *Financial Instruments: Presentation)*
- *Recoverable Amount Disclosures for Non-Financial Assets (Amendments to* IAS 36 *Impairment of Assets)*
- *Novation of Derivatives and Continuation of Hedge Accounting (Amendments to* IAS 39 *Financial Instruments: Recognition and Measurement)*
- IFRIC 21 *Levies*

The application of the above standards and interpretations did not result in material changes to the results or financial position of the Group.

(ii) IFRS and IFRIC *interpretations being adopted in subsequent years*

IFRS 15 *Revenue from Contracts with Customers* will replace IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. The new standard is applicable from 1 January 2017 and is subject to EU endorsement. IFRS 15 provides a new five step model to be applied to revenue arising from contracts with customers. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue and may impact the timing and amount of revenue recognised from contracts with customers. The Group is currently assessing the impact of IFRS 15.

IFRS 9 *Financial Instruments* reflects the final phase of the IASB's work on the replacement of IAS 39 *Financial Instruments: Recognition and Measurement* and applies to the classification and measurement of financial assets and liabilities as defined in IAS 39, impairment, and the application of hedge accounting. IFRS 9 is effective from 1 January 2018 and is awaiting EU endorsement. The Group is currently assessing the impact of IFRS 9.

There are no other IFRS or IFRIC interpretations that are effective subsequent to the CRH 2014 financial year-end that would have a material impact on the results or financial position of the Group.

## Key Accounting Policies which involve Estimates, Assumptions and Judgements

The preparation of the Consolidated Financial Statements in accordance with IFRS requires management to make certain estimates, assumptions and judgements that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Management believes that the estimates, assumptions and judgements upon which it relies are reasonable based on the information available to it at the time that those estimates, assumptions and judgements are made. In some cases, the accounting treatment of a particular transaction is specifically dictated by IFRS and does not require management's judgement in its application.

Management consider that their use of estimates, assumptions and judgements in the application of the Group's accounting policies are inter-related and therefore discuss them together below. The critical accounting policies which involve significant estimates, assumptions or judgements, the actual outcome of which could have a material impact on the Group's results and financial position outlined below, are as follows:

### Impairment of long-lived assets and goodwill – Notes 13 and 14

#### *Impairment of property, plant and equipment and goodwill*

The carrying values of items of property, plant and equipment are reviewed for indicators of impairment at each reporting date and are subject to impairment testing when events or changes in circumstances indicate that the carrying values may not be recoverable. Goodwill is subject to impairment testing on an annual basis and at any time during the year if an indicator of impairment is considered to exist. A decision to dispose of a business unit represents one such indicator and in these circumstances the recoverable amount is assessed on a fair value less costs of disposal basis. In the year in which a business combination is effected and where some or all of the goodwill allocated to a particular cash-generating unit arose in respect of that combination, the cash-generating unit is tested for impairment prior to the end of the relevant annual period.

Property, plant and equipment assets are reviewed for potential impairment by applying a series of external and internal indicators specific to the assets under consideration; these indicators encompass macroeconomic issues including the inherent cyclicality of the building materials sector, actual obsolescence or physical damage, a deterioration in forecast performance in the internal reporting cycle and restructuring and rationalisation programmes.

Where the carrying value exceeds the estimated recoverable amount (being the greater of fair value less costs of disposal and value-in-use), an impairment loss is recognised by writing down the assets to their recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. The estimates of future cash flows exclude cash inflows or outflows attributable to financing activities and income tax. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined by reference to the cash-generating unit to which the asset belongs. Impairment losses arising in respect of goodwill are not reversed once recognised.

Goodwill relating to associates and joint ventures is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Where indicators of impairment of an investment arise in accordance with the requirements of IAS 39 *Financial Instruments: Recognition and Measurement*, the carrying amount is tested for impairment by comparing its recoverable amount with its carrying amount.

The impairment testing process requires management to make significant judgements and estimates regarding the future cash flows expected to be generated by the use of and, if applicable, the eventual disposal of, long-lived assets and goodwill as well as other factors to determine the fair value of the assets. Management periodically evaluates and updates the estimates based on the conditions which influence these variables. A detailed discussion of the impairment methodology applied and key assumptions used by the Group in the context of long-lived assets and goodwill is provided in note 14 to the Consolidated Financial Statements.

The assumptions and conditions for determining impairments of long-lived assets and goodwill reflect management's best assumptions and estimates, but these items involve inherent uncertainties described above, many of which are not under management's control. As a result, the accounting for such items could result in different estimates or amounts if management used different assumptions or if different conditions occur in future accounting periods.

### Retirement benefit obligations – Note 27

Costs arising in respect of the Group's defined contribution pension schemes are charged to the Consolidated Income Statement in the period in which they are incurred. The Group has no legal or constructive obligation to pay further contributions in the event that the fund does not hold sufficient assets to meet its benefit commitments.

The liabilities and costs associated with the Group's defined benefit pension schemes (both funded and unfunded) are assessed on the basis of the projected unit credit method by professionally qualified actuaries and are arrived at using actuarial assumptions based on market expectations at the balance sheet date. The discount rates employed in determining the present value of the schemes' liabilities are determined by reference to market yields at the balance sheet date on high-quality corporate bonds of a currency and term consistent with the currency and term of the associated post-employment benefit obligations.

The net surplus or deficit arising on the Group's defined benefit pension schemes, together with the liabilities associated with the unfunded schemes, are shown either within non-current assets or non-current liabilities in the Consolidated Balance Sheet. The deferred tax impact of pension scheme surpluses and deficits is disclosed separately within deferred tax assets or liabilities as appropriate. Remeasurements, comprising of actuarial gains and losses and the return on plan assets (excluding net interest), are recognised immediately in the Consolidated Balance Sheet with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

The defined benefit pension asset or liability in the Consolidated Balance Sheet comprises the total for each plan of the present value of the defined benefit obligation less the fair value of plan assets out of which the obligations are to be settled directly. Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Fair value is based on market price information and, in the case of published securities, it is the published bid price. The value of any defined benefit asset is limited to the present value of any economic benefits available in the form of refunds from the plan and reductions in the future contributions to the plan.

The Group's obligation in respect of post-employment healthcare and life assurance benefits represents the amount of future benefit that employees have earned in return for service in the current and prior periods. The obligation is computed on the basis of the projected unit credit method and is discounted to present value using a discount rate equating to the market yield at the balance sheet date on high-quality corporate bonds of a currency and term consistent with the currency and estimated term of the post-employment obligations.

#### *Assumptions*

The assumptions underlying the actuarial valuations from which the amounts recognised in the Consolidated Financial Statements are determined (including discount rates, rates of increase in future compensation levels, mortality rates and healthcare cost trend rates) are updated annually based on current economic conditions and for any relevant changes to the terms and conditions of the pension and post-retirement plans. These assumptions can be affected by (i) for the discount rate, changes in the rates of return on high-quality corporate bonds; (ii) for future compensation levels, future labour market conditions and (iii) for healthcare cost trend rates, the rate of medical cost inflation in the relevant regions. The weighted average actuarial assumptions used and sensitivity analysis in relation to the significant assumptions employed in the determination of pension and other post-retirement liabilities are contained in note 27 to the Consolidated Financial Statements.

While management believes that the assumptions used are appropriate, differences in actual experience or changes in assumptions may affect the obligations and expenses recognised in future accounting periods. The assets and liabilities of defined benefit pension schemes may exhibit significant period-on-period volatility attributable primarily to changes in bond yields and longevity. In addition to future service contributions, significant cash contributions may be required to remediate past service deficits.

### Provisions for liabilities – Note 25

A provision is recognised when the Group has a present obligation (either legal or constructive) as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group anticipates that a provision will be reimbursed, the reimbursement is recognised as a separate asset only when it is virtually certain that the reimbursement will arise. The expense relating to any provision is presented in the Consolidated Income Statement net of any reimbursement. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in the provision due to passage of time is recognised as an interest expense. Provisions arising on business combination activity are recognised only to the extent that they would have qualified for recognition in the financial statements of the acquiree prior to acquisition. Provisions are not recognised for future operating losses.

#### *Rationalisation and redundancy provisions*

Provisions for rationalisation and redundancy are established when a detailed restructuring plan has been drawn up, resolved upon by the responsible decision-making level of management and communicated to the employees who are affected by the plan. These provisions are recognised at the present value of future disbursements and cover only expenses that arise directly from restructuring measures and are necessary for restructuring; these provisions exclude costs related to future business operations. Restructuring measures may include the sale or termination of business units, site closures and relocation of business activities, changes in management structure or a fundamental reorganisation of departments or business units.

#### *Environmental and remediation provisions*

The measurement of environmental and remediation provisions is based on an evaluation of currently available facts with respect to each individual site and considers factors such as existing technology, currently enacted laws and regulations and prior experience in remediation of sites. Inherent uncertainties exist in such evaluations primarily due to unknown conditions, changing governmental regulations and legal standards regarding liability, the protracted length of the clean-up periods and evolving technologies. The environmental and remediation liabilities provided for in the Consolidated Financial Statements reflect the information available to management at the time of determination of the liability and are adjusted periodically as remediation efforts progress or as additional technical or legal information becomes available. Due to the inherent uncertainties described above, many of which are not under management's control, the accounting for such items could result in different amounts if management used different assumptions or if different conditions occur in future accounting periods.

*Legal contingencies*

The status of each significant claim and legal proceeding in which the Group is involved is reviewed by management on a periodic basis and the Group's potential financial exposure is assessed. If the potential loss from any claim or legal proceeding is considered probable, and the amount can be estimated, a liability is recognised for the estimated loss. Because of the uncertainties inherent in such matters, the related provisions are based on the best information available at the time; the issues taken into account by management and factored into the assessment of legal contingencies include, as applicable, the status of settlement negotiations, interpretations of contractual obligations, prior experience with similar contingencies/ claims, the availability of insurance to protect against the downside exposure and advice obtained from legal counsel and other third parties. As additional information becomes available on pending claims, the potential liability is reassessed and revisions are made to the amounts accrued where appropriate. Such revisions in the estimates of the potential liabilities could have a material impact on the results of operations and financial position of the Group.

### Taxation – current and deferred – Notes 10 and 26

Current tax represents the expected tax payable (or recoverable) on the taxable profit for the year using tax rates enacted for the period. Any interest or penalties arising are included within current tax. Where items are accounted for outside of profit or loss, the related income tax is recognised either in other comprehensive income or directly in equity as appropriate.

Deferred tax is recognised using the liability method on temporary differences arising at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; in addition, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. For the most part, no provision has been made for temporary differences applicable to investments in subsidiaries and joint ventures as the Group is in a position to control the timing of reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. However, a temporary difference has been recognised to the extent that specific assets have been identified for sale or where there is a specific intention to unwind the temporary difference in the foreseeable future. Due to the absence of control in the context of associates (significant influence only), deferred tax liabilities are recognised where appropriate in respect of CRH's investments in these entities on the basis that the exercise of significant influence would not necessarily prevent earnings being remitted by other shareholders in the undertaking.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets and liabilities are not subject to discounting. Deferred tax assets are recognised in respect of all deductible temporary differences, carry-forward of unused tax credits and unused tax losses to the extent that it is probable that taxable profits will be available against which the temporary differences can be utilised. The carrying amounts of deferred tax assets are subject to review at each balance sheet date and are reduced to the extent that future taxable profits are considered to be inadequate to allow all or part of any deferred tax asset to be utilised.

The Group's income tax charge is based on reported profit and expected statutory tax rates, which reflect various allowances and reliefs and tax planning opportunities available to the Group in the multiple tax jurisdictions in which it operates. The determination of the Group's provision for income tax requires certain judgements and estimates in relation to matters where the ultimate tax outcome may not be certain. The recognition or non-recognition of deferred tax assets as appropriate also requires judgement as it involves an assessment of the future recoverability of those assets. In addition, the Group is subject to tax audits which can involve complex issues that could require extended periods for resolution. Although management believes that the estimates included in the Consolidated Financial Statements and its tax return positions are reasonable, no assurance can be given that the final outcome of these matters will not be different than that which is reflected in the Group's historical income tax provisions and accruals. Any such differences could have a material impact on the income tax provision and profit for the period in which such a determination is made.

### Property, plant and equipment – Note 13

The Group's accounting policy for property, plant and equipment is considered critical because the carrying value of €7,422 million at 31 December 2014 represents a significant portion (34%) of total assets at that date. Property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairments except for certain items that had been revalued to fair value prior to the date of transition to IFRS (1 January 2004).

Repair and maintenance expenditure is included in an asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenditure is charged to the Consolidated Income Statement during the financial period in which it is incurred.

Borrowing costs incurred in the construction of major assets which take a substantial period of time to complete are capitalised in the financial period in which they are incurred.

In the application of the Group's accounting policy, judgement is exercised by management in the determination of residual values and useful lives. Depreciation and depletion is calculated to write off the book value of each item of property, plant and equipment over its useful economic life on a straight-line basis at the following rates:

*Land and buildings:* The book value of mineral-bearing land, less an estimate of its residual value, is depleted over the period of the mineral extraction in the proportion which production for the year bears to the latest estimates of proven and probable mineral reserves. Land other than mineral-bearing land is not depreciated. In general, buildings are depreciated at 2.5% per annum ("p.a.").

*Plant and machinery:* These are depreciated at rates ranging from 3.3% p.a. to 20% p.a. depending on the type of asset. Plant and machinery includes transport which is, on average, depreciated at 20% p.a.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the depreciation period or method as appropriate on a prospective basis. For the Group's accounting policy on impairment of property, plant and equipment please see impairment of long-lived assets and goodwill.

## Other Significant Accounting Policies

### Basis of consolidation

The Consolidated Financial Statements include the financial statements of the Parent Company and all subsidiaries, joint ventures and associates, drawn up to 31 December each year. The financial year-ends of the Group's subsidiaries, joint ventures and associates are co-terminous.

*Subsidiaries*

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. A change in the ownership interest of a subsidiary without a change in control is accounted for as an equity transaction.

Non-controlling interests represent the portion of the equity of a subsidiary not attributable either directly or indirectly to the Parent Company and are presented separately in the Consolidated Income Statement and within equity in the Consolidated Balance Sheet, distinguished from Parent Company shareholders' equity. Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions. On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

*Investments in associates and joint ventures – Notes 9 and 15*

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of the arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group's investments in its associates and joint ventures are accounted for using the equity method from the date significant influence/joint control is deemed to arise until the date on which significant influence/joint control ceases to exist or when the interest becomes classified as an asset held for sale.

The Consolidated Income Statement reflects the Group's share of profit after tax of the related associates and joint ventures. Investments in associates and joint ventures are carried in the Consolidated Balance Sheet at cost, adjusted in respect of post-acquisition changes in the Group's share of net assets, less any impairment in value. Loans advanced to equity accounted investments that have the characteristics of equity financing are also included in the investment held on the Consolidated Balance Sheet. If necessary, impairment losses on the carrying amount of an investment are reported within the Group's share of equity accounted investments' results in the Consolidated Income Statement. If the Group's share of losses exceeds the carrying amount of an associate or joint venture, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate or joint venture.

*Transactions eliminated on consolidation*

Intra-group balances and transactions, income and expenses, and any unrealised gains or losses arising from such transactions, are eliminated in preparing the Consolidated Financial Statements. Unrealised gains arising from transactions with joint ventures and associates are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same manner as unrealised gains, but only to the extent that there is no evidence of impairment in the Group's interest in the entity.

## Revenue recognition

Revenue represents the value of goods and services supplied and is net of trade discounts and value added tax/sales tax. Other than in the case of construction contracts, revenue is recognised to the extent that revenue and related costs incurred or to be incurred are subject to reliable measurement, that it is probable that economic benefits will flow to the Group and that the significant risks and rewards of ownership have passed to the buyer, usually on delivery of the goods.

*Construction contracts*

The Group engages primarily in the performance of fixed price contracts, as opposed to cost plus contracts. Contract costs are recognised as incurred.

When the outcome of a contract can be estimated reliably the Group recognises revenue in accordance with the percentage-of-completion method. The completion percentage is generally measured based on the proportion of contract costs incurred at the balance sheet date relative to the total estimated costs of the contract. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred where it is probable that these costs will be recoverable.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately as an expense. Revenue and/or costs in respect of variations or contracts claims and incentive payments, to the extent that they arise, are recognised when it is probable that the amount, which can be measured reliably, will be recovered from/paid to the customer.

If circumstances arise that may change the original estimates of revenues, costs or extent of progress towards completion, estimates are revised. These revisions may result in increases or decreases in revenue or costs and are reflected in income in the period in which the circumstances that give rise to the revision became known by management.

## Segment reporting – Note 1

Operating segments are reported in a manner consistent with the internal organisational and management structure and the internal reporting information provided to the Chief Operating Decision-Maker who is responsible for allocating resources and assessing performance of the operating segments.

## Assets and liabilities held for sale – Note 4

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification as held for sale.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. The Group ceases to use the equity method of accounting from the date on which an interest in a joint venture or associate becomes held for sale. Non-current assets classified as held for sale and liabilities directly associated with those assets are presented separately as current items in the Consolidated Balance Sheet.

## Share-based payments – Note 7

The Group operates a number of equity-settled share-based payment plans. Its policy in relation to the granting of share options and awards under these plans, together with the nature of the underlying market and non-market performance and other vesting conditions, are addressed in the Directors' Remuneration Report on page 75. The Group has no exposure in respect of cash-settled share-based payment transactions and share-based payment transactions with cash alternatives.

*Share options*

Fair value is determined on the basis that the services to be rendered by employees as consideration for the granting of share options will be received over the vesting period, which is assessed as at the grant date.

The share options granted by the Company are at market value at date of grant and are not subject to market-based vesting conditions within the meaning of IFRS 2 *Share-based Payment*.

The cost is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The Consolidated Income Statement expense/credit for a period represents the movement in cumulative expense recognised at the beginning and end of that period. The cumulative charge to the Consolidated Income Statement is reversed only where the performance condition is not met or where an employee in receipt of share options leaves service prior to completion of the expected vesting period and those options forfeit in consequence.

No expense is recognised for awards that do not ultimately vest, except for share-based payments where vesting is conditional upon a non-vesting condition which is treated as vesting irrespective of whether or not it is satisfied, provided that all other performance and/or service conditions are satisfied.

Where an award is cancelled, it is treated as if it is vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Company or the employee are not met. All cancellations of awards are treated equally.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The dilutive effect of outstanding options is reflected as additional share dilution in the determination of diluted earnings per share.

To the extent that the Group receives a tax deduction relating to the services paid in shares, deferred tax in respect of share options is provided on the basis of the difference between the market price of the underlying equity as at the date of the financial statements and the exercise price of the option; where the amount of any tax deduction (or estimated future tax deduction) exceeds the amount of the related cumulative remuneration expense, the current or deferred tax associated with the excess is recognised directly in equity.

#### *Awards under the Performance Share Plans*

All awards granted under the 2006 Performance Share Plan and 75% of the awards granted under the 2014 Performance Share Plan are subject to a total shareholder return-based (and hence market-based) vesting condition. Accordingly, the fair value assigned to the related equity instruments at the grant date is adjusted so as to reflect the anticipated likelihood as at the grant date of achieving the market-based vesting condition. Awards are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The remaining 25% of awards granted under the 2014 Performance Share Plan are subject to a cumulative cash flow target (non-market based) vesting condition. The fair value of the awards is calculated as the market price of the shares at the date of grant. No expense is recognised for awards that do not ultimately vest. At the balance sheet date the estimate of the level of vesting is reviewed and any adjustment necessary is recognised in the Consolidated Income Statement.

#### *Awards under the Restricted Share Plan*

The fair value of shares granted under the Restricted Share Plan is calculated as the market price of the shares at the date of grant reduced by the present value of dividends expected to be paid over the vesting period.

Information on the models used by the Group to estimate the fair value of awards granted is included in note 7.

### Business combinations – Note 30

The Group applies the acquisition method in accounting for business combinations. The cost of an acquisition is measured as the aggregate of the consideration transferred (excluding amounts relating to the settlement of pre-existing relationships), the amount of any non-controlling interest in the acquiree and, in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously-held equity interest in the acquiree. Transaction costs that the Group incurs in connection with a business combination are expensed as incurred.

To the extent that settlement of all or any part of consideration for a business combination is deferred, the fair value of the deferred component is determined through discounting the amounts payable to their present value at the date of exchange. The discount component is unwound as an interest charge in the Consolidated Income Statement over the life of the obligation. Any contingent consideration is recognised at fair value at the acquisition date and included in the cost of the acquisition. The fair value of contingent consideration at acquisition date is arrived at through discounting the expected payment (based on scenario modelling) to present value. In general, in order for contingent consideration to become payable, pre-defined profit and/or profit/net asset ratios must be exceeded. Subsequent changes to the fair value of the contingent consideration will be recognised in profit or loss unless the contingent consideration is classified as equity, in which case it is not remeasured and settlement is accounted for within equity.

The assets and liabilities arising on business combination activity are measured at their acquisition-date fair values. Contingent liabilities assumed in business combination activity are recognised as of the acquisition date, where such contingent liabilities are present obligations arising from past events and their fair value can be measured reliably. In the case of a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously-held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss. When the initial accounting for a business combination is determined provisionally, any adjustments to the provisional values allocated to the consideration, identifiable assets or liabilities (and contingent liabilities, if relevant) are made within the measurement period, a period of no more than one year from the acquisition date.

### Goodwill – Note 14

Goodwill arising on a business combination is initially measured at cost, being the excess of the cost of an acquisition over the net identifiable assets and liabilities assumed at the date of acquisition and relates to the future economic benefits arising from assets which are not capable of being individually identified and separately recognised. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. If the cost of the acquisition is lower than the fair value of the net assets of the subsidiary acquired, the identification and measurement of the related assets and liabilities and contingent liabilities are revisited and the cost is reassessed with any remaining balance recognised immediately in the Consolidated Income Statement.

The carrying amount of goodwill in respect of associates and joint ventures is included in investments accounted for using the equity method (i.e. within financial assets) in the Consolidated Balance Sheet.

Where a subsidiary is disposed of or terminated through closure, the carrying value of any goodwill of that subsidiary is included in the determination of the net profit or loss on disposal/termination.

### Intangible assets (other than goodwill) arising on business combinations – Note 14

An intangible asset is capitalised separately from goodwill as part of a business combination at cost (fair value at date of acquisition).

Subsequent to initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The carrying values of definite-lived intangible assets (the Group does not currently have any indefinite-lived intangible assets other than goodwill) are reviewed for indicators of impairment at each reporting date and are subject to impairment testing when events or changes in circumstances indicate that the carrying values may not be recoverable.

Intangible assets are amortised on a straight-line basis. In general, definite-lived intangible assets are amortised over periods ranging from one to ten years, depending on the nature of the intangible asset.

Amortisation periods, useful lives, expected patterns of consumption and residual values are reviewed at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method as appropriate on a prospective basis.

**Leases – Notes 3 and 29**

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease rentals are charged to the Consolidated Income Statement on a straight-line basis over the lease term.

**Other financial assets – Note 15**

All investments are initially recognised at the fair value of consideration given plus any directly attributable transaction costs. Where equity investments are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date. Unquoted equity investments are recorded at historical cost given that it is impracticable to determine fair value in accordance with IAS 39 and are included within financial assets in the Consolidated Balance Sheet.

**Inventories and construction contracts – Note 16**

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in, first-out principle (and weighted average, where appropriate) and includes all expenditure incurred in acquiring the inventories and bringing them to their present location and condition. Raw materials are valued on the basis of purchase cost on a first-in, first-out basis. In the case of finished goods and work-in-progress, cost includes direct materials, direct labour and attributable overheads based on normal operating capacity and excludes borrowing costs.

Net realisable value is the estimated proceeds of sale less all further costs to completion, and less all costs to be incurred in marketing, selling and distribution. Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, taking into consideration fluctuations of price or cost directly relating to events occurring after the end of the period, the likelihood of short-term changes in buyer preferences, product obsolescence or perishability (all of which are generally low given the nature of the Group's products) and the purpose for which the inventory is held. Materials and other supplies held for use in the production of inventories are not written down below cost if the finished goods, in which they will be incorporated, are expected to be sold at or above cost.

Amounts recoverable on construction contracts, which are included in receivables, are stated at the net invoiced value of the work done less amounts received as progress payments on account. Cumulative costs incurred, net of amounts transferred to cost of sales, after deducting foreseeable losses, provisions for contingencies and payments on account not matched with revenue, are included as construction contract balances in inventories. Cost includes all expenditure directly related to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

**Trade and other receivables – Note 17**

Trade receivables are carried at original invoice amount less an allowance for potentially uncollectible debts. Provision is made when there is objective evidence that the Group will not be in a position to collect the associated debts. Bad debts are written-off to the Consolidated Income Statement on identification.

**Cash and cash equivalents – Note 22**

Cash and cash equivalents comprise cash balances held for the purpose of meeting short-term cash commitments and investments which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. Bank overdrafts are included within current interest-bearing loans and borrowings in the Consolidated Balance Sheet. Where the overdrafts are repayable on demand and form an integral part of cash management, they are netted against cash and cash equivalents for the purposes of the Consolidated Statement of Cash Flows.

**Interest-bearing loans and borrowings – Note 23**

All loans and borrowings are initially recorded at the fair value of the consideration received net of directly attributable transaction costs. Subsequent to initial recognition, current and non-current interest-bearing loans and borrowings are, in general, measured at amortised cost employing the effective interest methodology. Fixed rate term loans, which have been hedged to floating rates (using interest rate swaps), are measured at amortised cost adjusted for changes in value attributable to the hedged risks arising from changes in underlying market interest rates. The computation of amortised cost includes any issue costs and any discount or premium materialising on settlement.

Gains and losses are recognised in the Consolidated Income Statement through amortisation on the basis of the period of the loans and borrowings.

Borrowing costs arising on financial instruments are recognised as an expense in the period in which they are incurred (unless capitalised as part of the cost of property, plant and equipment).

**Derivative financial instruments and hedging practices – Note 24**

In order to manage interest rate, foreign currency and commodity risks and to realise the desired currency profile of borrowings, the Group employs derivative financial instruments (principally interest rate swaps, currency swaps and forward foreign exchange contracts). Derivative financial instruments are recognised initially at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The carrying value of derivatives is fair value based on discounted future cash flows and adjusted for counterparty risk. Future floating rate cash flows are estimated based on future interest rates (from observable yield curves at the end of the reporting period). Fixed and floating rate cash flows are discounted at future interest rates and translated at period-end foreign exchange rates.

At the inception of a derivative transaction, the Group documents the relationship between the hedged item and the hedging instrument together with its risk management objective and the strategy underlying the proposed transaction. The Group also documents its assessment, both at the inception of the hedging relationship and subsequently on an ongoing basis, of the effectiveness of the hedging instrument in offsetting movements in the fair values or cash flows of the hedged items. Where derivatives do not fulfil the criteria for hedge accounting, changes in fair values are reported in the Consolidated Income Statement.

*Fair value and cash flow hedges*

The Group uses fair value hedges and cash flow hedges in its treasury activities. For the purposes of hedge accounting, hedges are classified either as fair value hedges (which entail hedging the exposure to movements in the fair value of a recognised asset or liability or an unrecognised firm commitment that could affect profit or loss) or cash flow hedges (which hedge exposure to fluctuations in future cash flows derived from a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction that could affect profit or loss).

Where the conditions for hedge accounting are satisfied and the hedging instrument concerned is classified as a fair value hedge, any gain or loss stemming from the remeasurement of the hedging instrument to fair value is reported in the Consolidated Income Statement. In addition, any gain or loss on the hedged item which is attributable to the hedged risk is adjusted against the carrying amount of the hedged item and reflected in the Consolidated Income Statement. Where the adjustment is to the carrying amount of a hedged interest-bearing financial instrument, the adjustment is amortised to the Consolidated Income Statement with the objective of achieving full amortisation by maturity.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective part of any gain or loss on the derivative financial instrument is recognised as other comprehensive income, net of the income tax effect, with the ineffective portion being reported in the Consolidated Income Statement. The associated gains or losses that had previously been recognised as other comprehensive income are transferred to the Consolidated Income Statement contemporaneously with the materialisation of the hedged transaction. Any gain or loss arising in respect of changes in the time value of the derivative financial instrument is excluded from the measurement of hedge effectiveness and is recognised immediately in the Consolidated Income Statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised as other comprehensive income remains there until the forecast transaction occurs. If a hedged transaction is no longer anticipated to occur, the net cumulative gain or loss previously recognised as other comprehensive income is transferred to the Consolidated Income Statement in the period.

### *Net investment hedges*

Where foreign currency borrowings provide a hedge against a net investment in a foreign operation, and the hedge is deemed to be effective, foreign exchange differences are taken directly to a foreign currency translation reserve. The ineffective portion of any gain or loss on the hedging instrument is recognised immediately in the Consolidated Income Statement. Cumulative gains and losses remain in equity until disposal of the net investment in the foreign operation at which point the related differences are transferred to the Consolidated Income Statement as part of the overall gain or loss on sale.

## Fair value hierarchy – Note 24

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: valuation techniques for which the lowest level of inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: valuation techniques for which the lowest level of inputs that have a significant effect on the recorded fair value are not based on observable market data.

## Share capital and dividends – Notes 11 and 28

### *Treasury Shares and own shares*

Ordinary Shares acquired by the Parent Company or purchased by the Employee Benefit Trust on behalf of the Parent Company under the terms of the Performance Share Plans and the Restricted Share Plan are deducted from equity and presented on the face of the Consolidated Balance Sheet. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Parent Company's Ordinary Shares.

### *Dividends*

Dividends on Ordinary Shares are recognised as a liability in the Consolidated Financial Statements in the period in which they are declared by the Parent Company.

## Emission rights

Emission rights are accounted for such that a liability is recognised only in circumstances where emission rights have been exceeded from the perspective of the Group as a whole and the differential between actual and permitted emissions will have to be remedied through the purchase of the required additional rights at fair value. Assets and liabilities arising in respect of under and over-utilisation of emission credits respectively are accordingly netted against one another in the preparation of the Consolidated Financial Statements. To the extent that excess emission rights are disposed of during a financial period, the profit or loss materialising thereon is recognised immediately within cost of sales in the Consolidated Income Statement.

## Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Consolidated Financial Statements are presented in euro, which is the presentation currency of the Group and the functional currency of the Parent Company.

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All currency translation differences are taken to the Consolidated Income Statement with the exception of all monetary items that provide an effective hedge for a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are recognised in the Consolidated Income Statement.

Results and cash flows of subsidiaries, joint ventures and associates with non-euro functional currencies have been translated into euro at average exchange rates for the year, and the related balance sheets have been translated at the rates of exchange ruling at the balance sheet date. Adjustments arising on translation of the results and net assets of non-euro subsidiaries, joint ventures and associates are recognised in a separate translation reserve within equity, net of differences on related currency borrowings. All other translation differences are taken to the Consolidated Income Statement. Goodwill and fair value adjustments arising on acquisition of a foreign operation are regarded as assets and liabilities of the foreign operation and are translated accordingly.

The principal exchange rates used for the translation of results, cash flows and balance sheets into euro were as follows:

| | **Average** | | **Year-end** | |
|---|---|---|---|---|
| **euro 1 =** | **2014** | 2013 | **2014** | 2013 |
| US Dollar | **1.3290** | 1.3281 | **1.2141** | 1.3791 |
| Pound Sterling | **0.8062** | 0.8493 | **0.7789** | 0.8337 |
| Polish Zloty | **4.1839** | 4.1975 | **4.2732** | 4.1543 |
| Ukrainian Hryvnia | **15.8908** | 10.8339 | **19.1814** | 11.3583 |
| Swiss Franc | **1.2147** | 1.2311 | **1.2024** | 1.2276 |
| Canadian Dollar | **1.4664** | 1.3684 | **1.4063** | 1.4671 |
| Argentine Peso | **10.7785** | 7.2892 | **10.2645** | 8.9910 |
| Turkish Lira | **2.9068** | 2.5335 | **2.8320** | 2.9605 |
| Indian Rupee | **81.0576** | 77.9300 | **76.7190** | 85.3660 |
| Chinese Renminbi | **8.1883** | 8.1646 | **7.5358** | 8.3491 |

# Notes on Consolidated Financial Statements

## 1. Segment Information

CRH is a diversified international building materials group which manufactures and distributes a range of building materials products from the fundamentals of heavy materials and elements to construct the frame, through value-added products that complete the building envelope, to distribution channels which service construction fit-out and renewal. In conjunction with the ongoing portfolio review, the Group reorganised its European business in 2014. Following this, the Group is now organised into six segments: Europe Heavyside, Europe Lightside, Europe Distribution, Americas Materials, Americas Products and Americas Distribution. Comparative segment information has been restated. No operating segments have been aggregated to form these segments.

*Europe Heavyside* businesses are predominantly engaged in the manufacturing and supply of cement, aggregates, readymixed and precast concrete, concrete landscaping and asphalt products.

*Europe Lightside* businesses are predominately engaged in the production and supply of construction accessories, shutters & awnings, fencing and composite access chambers.

*Europe Distribution* businesses are predominantly engaged in supplying Do-It-Yourself (DIY), General Merchants and Sanitary, Heating and Plumbing (SHAP) businesses catering to the general public and small and medium-sized builders, selling a range of bricks, cement, sanitary, heating, plumbing and other building products.

*Americas Materials* businesses are predominantly engaged in the production and sale of aggregates, asphalt and readymixed concrete products and provide asphalt paving services.

*Americas Products* businesses are predominantly engaged in the production and sale of concrete masonry and hardscapes, clay brick, packaged lawn and garden products, packaged cement mixes, fencing, utility, drainage and structural precast products, glass and aluminium glazing systems and construction accessories.

*Americas Distribution* businesses are predominantly engaged in supplying Exterior Products such as roofing and siding and Interior Products such as gypsum wallboard, metal studs and acoustical ceiling systems.

The principal factors employed in the identification of the six segments reflected in this note include the Group's organisational structure in 2014, the nature of the reporting lines to the Chief Operating Decision-Maker (as defined in IFRS 8 *Operating Segments*), the structure of internal reporting documentation such as management accounts and budgets, and the degree of homogeneity of products, services and geographical areas within each of the segments from which revenue is derived.

The Chief Operating Decision-Maker monitors the operating results of segments separately in order to allocate resources between segments and to assess performance. Segment performance is predominantly evaluated based on operating profit. As performance is also evaluated using operating profit before depreciation and amortisation (EBITDA (as defined)*), supplemental information based on EBITDA (as defined)* is also provided below. Given that net finance costs and income tax are managed on a centralised basis, these items are not allocated between operating segments for the purposes of the information presented to the Chief Operating Decision-Maker and are accordingly omitted from the detailed segmental analysis below. There are no asymmetrical allocations to reporting segments which would require disclosure.

* *EBITDA is defined as earnings before interest, taxes, depreciation, amortisation, asset impairment charges, profit on disposals and the Group's share of equity accounted investments' result after tax.*

## 1. Segment Information | continued

### A. Operating segments disclosures - Consolidated Income Statement data

| | Continuing operations - year ended 31 December | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Revenue | | Group operating profit before depreciation and amortisation (EBITDA (as defined)*) | | Depreciation, amortisation and impairment (i) | | Group operating profit (EBIT) | |
| | 2014 €m | 2013 €m | 2014 €m | 2013 €m | 2014 €m | 2013 €m | 2014 €m | 2013 €m |
| Europe Heavyside | 3,929 | 3,786 | 380 | 326 | 229 | 721 | 151 | (395) |
| Europe Lightside | 913 | 856 | 94 | 71 | 23 | 43 | 71 | 28 |
| Europe Distribution | 3,999 | 3,936 | 190 | 186 | 78 | 80 | 112 | 106 |
| Europe | 8,841 | 8,578 | 664 | 583 | 330 | 844 | 334 | (261) |
| Americas Materials | 5,070 | 4,721 | 609 | 557 | 254 | 331 | 355 | 226 |
| Americas Products | 3,225 | 3,068 | 263 | 246 | 118 | 178 | 145 | 68 |
| Americas Distribution | 1,776 | 1,664 | 105 | 89 | 22 | 22 | 83 | 67 |
| Americas | 10,071 | 9,453 | 977 | 892 | 394 | 531 | 583 | 361 |
| Total Group | 18,912 | 18,031 | 1,641 | 1,475 | 724 | 1,375 | 917 | 100 |
| Profit on disposals (ii) | | | | | | | 77 | 26 |
| Finance costs less income | | | | | | | (246) | (249) |
| Other financial expense | | | | | | | (42) | (48) |
| Share of equity accounted investments' profit/(loss) (iii) | | | | | | | 55 | (44) |
| Profit/(loss) before tax | | | | | | | 761 | (215) |

(i) See notes 13 and 14 for details of the impairment charge.

| | (ii) Profit/(loss) on disposals (note 4) | | (iii) Share of equity accounted investments' profit/(loss) (note 9) | |
|---|---|---|---|---|
| Europe Heavyside | 38 | 6 | 35 | (60) |
| Europe Lightside | 1 | 6 | - | - |
| Europe Distribution | 6 | (2) | 13 | 9 |
| Europe | 45 | 10 | 48 | (51) |
| Americas Materials | 11 | 19 | 7 | 7 |
| Americas Products | 20 | (3) | - | - |
| Americas Distribution | 1 | - | - | - |
| Americas | 32 | 16 | 7 | 7 |
| Total Group | 77 | 26 | 55 | (44) |

* *EBITDA is defined as earnings before interest, taxes, depreciation, amortisation, asset impairment charges, profit on disposals and the Group's share of equity accounted investments' result after tax.*

### B. Operating segments disclosures - Consolidated Balance Sheet data

| | Continuing operations - as at 31 December | | | |
|---|---|---|---|---|
| | Total assets | | Total liabilities | |
| | 2014 €m | 2013 €m | 2014 €m | 2013 €m |
| Europe Heavyside | 3,864 | 4,605 | 1,468 | 1,428 |
| Europe Lightside | 761 | 768 | 215 | 180 |
| Europe Distribution | 2,221 | 2,217 | 644 | 542 |
| Europe | 6,846 | 7,590 | 2,327 | 2,150 |
| Americas Materials | 6,245 | 5,510 | 969 | 772 |
| Americas Products | 2,542 | 2,360 | 679 | 656 |
| Americas Distribution | 951 | 853 | 283 | 255 |
| Americas | 9,738 | 8,723 | 1,931 | 1,683 |
| Total Group | 16,584 | 16,313 | 4,258 | 3,833 |
| Reconciliation to total assets as reported in the Consolidated Balance Sheet: | | | | |
| Investments accounted for using the equity method | 1,329 | 1,340 | | |
| Other financial assets | 23 | 23 | | |
| Derivative financial instruments (current and non-current) | 102 | 80 | | |
| Income tax assets (current and deferred) | 186 | 133 | | |
| Cash and cash equivalents | 3,262 | 2,540 | | |
| Assets held for sale | 531 | - | | |
| Total assets as reported in the Consolidated Balance Sheet | 22,017 | 20,429 | | |
| Reconciliation to total liabilities as reported in the Consolidated Balance Sheet: | | | | |
| Interest-bearing loans and borrowings (current and non-current) | | | 5,866 | 5,540 |
| Derivative financial instruments (current and non-current) | | | 23 | 53 |
| Income tax liabilities (current and deferred) | | | 1,459 | 1,317 |
| Liabilities associated with assets classified as held for sale | | | 213 | - |
| Total liabilities as reported in the Consolidated Balance Sheet | | | 11,819 | 10,743 |

### C. Operating segments disclosures - other items

**Additions to non-current assets**

| | Continuing operations - year ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | Property, plant and equipment (note 13) | | Financial assets (note 15) | | Total Group | |
| | 2014 €m | 2013 €m | 2014 €m | 2013 €m | 2014 €m | 2013 €m |
| Europe Heavyside | 113 | 132 | - | 70 | 113 | 202 |
| Europe Lightside | 14 | 13 | - | - | 14 | 13 |
| Europe Distribution | 36 | 49 | - | 1 | 36 | 50 |
| Europe | 163 | 194 | - | 71 | 163 | 265 |
| Americas Materials | 173 | 199 | 3 | 7 | 176 | 206 |
| Americas Products | 81 | 83 | - | - | 81 | 83 |
| Americas Distribution | 18 | 21 | - | - | 18 | 21 |
| Americas | 272 | 303 | 3 | 7 | 275 | 310 |
| Total Group | 435 | 497 | 3 | 78 | 438 | 575 |

**D. Entity-wide disclosures**

*Section 1: Information about products and services*
The Group's revenue from external customers in respect of its principal products and services is analysed in the disclosures above. Segment revenue includes €3,351 million (2013: €3,268 million) in respect of revenue applicable to construction contracts. The bulk of our construction activities are performed by our Americas Materials reportable segment, are for the most part short-term in nature and are generally completed within the same financial reporting period.

Revenue derived through the supply of services and intersegment revenue is not material to the Group. The transfer pricing policy implemented by the Group between operating segments and across its constituent entities is described in greater detail in note 31. In addition, due to the nature of building materials, which exhibit a low value-to-weight ratio, the Group's revenue streams include a low level of cross-border transactions.

*Section 2: Information about geographical areas and customers*
CRH has a presence in 34 countries worldwide. The revenues from external customers and non-current assets (as defined in IFRS 8) attributable to the country of domicile and all foreign countries of operation are as follows; individual foreign countries which exceed 10% of total external Group revenue have been highlighted separately on the basis of materiality.

| | **Year ended 31 December** | | **As at 31 December** | |
|---|---|---|---|---|
| | **Revenue by destination** | | **Non-current assets** | |
| | **2014** | 2013 | **2014** | 2013 |
| | **€m** | €m | **€m** | €m |
| Country of domicile - Republic of Ireland | **306** | 278 | **477** | 475 |
| United States of America | **9,650** | 8,991 | **6,948** | 6,241 |
| Benelux (mainly the Netherlands) | **2,350** | 2,324 | **1,231** | 1,280 |
| Other | **6,606** | 6,438 | **4,268** | 4,794 |
| Total Group | **18,912** | 18,031 | **12,924** | 12,790 |

There are no material dependencies or concentrations on individual customers which would warrant disclosure under IFRS 8. The individual entities within the Group have a large number of customers spread across various activities, end-uses and geographies.

## 2. Cost Analysis

| | **2014** | 2013 |
|---|---|---|
| | **€m** | €m |
| **Cost of sales analysis** | | |
| Raw materials and goods for resale | **7,527** | 7,240 |
| Employment costs (note 5) | **1,985** | 1,974 |
| Energy conversion costs | **655** | 644 |
| Repairs and maintenance | **452** | 421 |
| Depreciation, amortisation and impairment (i) | **532** | 792 |
| Change in inventory (note 19) | **34** | 37 |
| Other production expenses (primarily sub-contractor costs and equipment rental) | **2,242** | 2,045 |
| Total | **13,427** | 13,153 |
| **Operating costs analysis** | | |
| Selling and distribution costs | **3,143** | 3,054 |
| Administrative expenses | **1,425** | 1,724 |
| Total | **4,568** | 4,778 |

(i) Depreciation, amortisation and impairment analysis

| | **Cost of sales** | | **Operating costs** | | **Total** | |
|---|---|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 |
| | **€m** | €m | **€m** | €m | **€m** | €m |
| Depreciation and depletion (note 13) | **485** | 521 | **146** | 150 | **631** | 671 |
| Impairment of property, plant and equipment (note 13) | **47** | 271 | **2** | 4 | **49** | 275 |
| Impairment of intangible assets (note 14) | **-** | - | **-** | 375 | **-** | 375 |
| Amortisation of intangible assets (note 14) | **-** | - | **44** | 54 | **44** | 54 |
| Total | **532** | 792 | **192** | 583 | **724** | 1,375 |

### Segmental analysis of 2013 impairment charges

| | Annual impairment process €m | Portfolio review €m | Included in operating profit €m | Portfolio review included in share of equity accounted entities €m | Total €m |
|---|---|---|---|---|---|
| Europe Heavyside | 58 | 444 | 502 | 101 | 603 |
| Europe Lightside | - | 13 | 13 | - | 13 |
| Europe Distribution | 4 | - | 4 | 4 | 8 |
| Europe | 62 | 457 | 519 | 105 | 624 |
| Americas Materials | - | 60 | 60 | - | 60 |
| Americas Products | 10 | 61 | 71 | - | 71 |
| Americas Distribution | - | - | - | - | - |
| Americas | 10 | 121 | 131 | - | 131 |
| Total Group | 72 | 578 | 650 | 105 | 755 |

Narrative disclosures regarding the 2013 impairments are included in section (b) of note 14.

## 3. Operating Profit Disclosures

| | 2014 €m | 2013 €m |
|---|---|---|
| **Operating lease rentals** | | |
| - hire of plant and machinery | **149** | 108 |
| - land and buildings | **216** | 220 |
| - other operating leases | **48** | 47 |
| Total | **413** | 375 |

**Auditor's remuneration**

In accordance with statutory requirements in Ireland, fees for professional services provided by the Group's independent auditor in respect of each of the following categories were:

| | Audit of the Group accounts (i) | | Other assurance services (ii) | | Tax advisory services | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2014 €m | 2013 €m | 2014 €m | 2013 €m | 2014 €m | 2013 €m | 2014 €m | 2013 €m |
| EY Ireland (statutory auditor) | **2** | 2 | **-** | - | **-** | - | **2** | 2 |
| EY (network firms) | **12** | 12 | **1** | 2 | **1** | 1 | **14** | 15 |
| Total | **14** | 14 | **1** | 2 | **1** | 1 | **16** | 17 |

(i) Audit of the Group accounts includes Sarbanes-Oxley attestation and parent and subsidiary statutory audit fees, but excludes €2 million (2013: €1 million) paid to auditors other than EY.

(ii) Other assurance services includes attestation and due diligence services that are closely related to the performance of the audit.

## 4. Business and Non-current Asset Disposals

### (a) Profit on disposal

| | Business disposals | | Disposal of other non-current assets | | Total | |
|---|---|---|---|---|---|---|
| | **2014** (i) **€m** | 2013 €m | **2014 €m** | 2013 €m | **2014 €m** | 2013 €m |
| Assets/(liabilities) disposed of at net carrying amount: | | | | | | |
| - non-current assets (notes 13,14,15) | **117** | 43 | **83** | 66 | **200** | 109 |
| - working capital and provisions (note 19) | **11** | 6 | **-** | - | **11** | 6 |
| - asset held for sale (ii) (note 15) | **-** | 139 | **-** | - | **-** | 139 |
| - interest-bearing loans and borrowings | **-** | (17) | **-** | - | **-** | (17) |
| Net assets disposed | **128** | 171 | **83** | 66 | **211** | 237 |
| Reclassification of currency translation effects on disposal | **57** | 3 | **-** | - | **57** | 3 |
| Total | **185** | 174 | **83** | 66 | **268** | 240 |
| Proceeds from disposals (net of disposal costs) | **224** | 26 | **121** | 96 | **345** | 122 |
| Asset exchange (ii) (note 30) | **-** | 144 | **-** | - | **-** | 144 |
| Profit/(loss) on disposals | **39** | (4) | **38** | 30 | **77** | 26 |

(i) This relates principally to the disposal of our 50% equity stake in our Turkish joint venture, Denizli Çimento (which was part of the Europe Heavyside segment).

(ii) On 25 February 2013, the Group transferred its 26% stake in Corporacion Uniland to Cementos Portland Valderrivas in exchange for a 99% stake in Cementos Lemona, an integrated cement, readymixed concrete and aggregates business.

### (b) Assets held for sale

In November 2013, a Group-wide portfolio review was initiated which identified a number of business units which did not meet our future returns objectives and which were in line for divestment. This review was completed during 2014; a multi-year divestment programme commenced during the year, with proceeds of €0.35 billion realised on business and non-current asset disposals in 2014.

On 15 December 2014, the Group announced that it had reached agreement to dispose of its clay and concrete businesses in the United Kingdom (Europe Heavyside) and its clay business in the United States (Americas Products) for an Enterprise Value (EV) of Stg £414 million (€522 million). As part of the transaction, the purchaser will assume certain debt and pension liabilities and accordingly, the net cash consideration payable to CRH is expected to be approximately Stg £295 million. The transaction is expected to close in the first quarter of 2015. The assets associated with this transaction, together with a number of smaller business units, met the "held for sale" criteria set out in IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* as at 31 December 2014 and the relevant assets and liabilities have accordingly been reclassified as assets or liabilities held for sale as appropriate as set out in the table below.

The businesses either divested in 2014 or held for sale at year-end 2014 are not considered to be either separate major lines of business or geographical areas of operation and therefore do not constitute discontinued operations as defined in IFRS 5.

| | **31 December 2014 €m** |
|---|---|
| **Assets** | |
| Property, plant and equipment (note 13) | **262** |
| Intangible assets (note 14) | **17** |
| Financial assets (note 15) | **34** |
| Deferred income tax assets (note 26) | **4** |
| Inventories (note 19) | **102** |
| Trade and other receivables (note 19) | **79** |
| Cash and cash equivalents (note 22) | **33** |
| Assets held for sale | **531** |
| **Liabilities** | |
| Trade and other payables (note 19) | **98** |
| Current income tax liabilities | **4** |
| Provisions for liabilities (note 19) | **7** |
| Deferred income tax liabilities (note 26) | **23** |
| Retirement benefit obligations (note 27) | **81** |
| Liabilities associated with assets classified as held for sale | **213** |
| Net assets held for sale | **318** |

Total losses recognised in other comprehensive income and accumulated in equity relating to assets held for sale amounted to €164 million at 31 December 2014.

## 5. Employment

The average number of employees is as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2014** | 2013 |
| Europe Heavyside | **19,096** | 19,996 |
| Europe Lightside | **5,003** | 4,849 |
| Europe Distribution | **11,607** | 11,263 |
| Europe | **35,706** | 36,108 |
| Americas Materials | **18,457** | 18,216 |
| Americas Products | **17,707** | 17,276 |
| Americas Distribution | **3,836** | 3,709 |
| Americas | **40,000** | 39,201 |
| Total Group | **75,706** | 75,309 |

Employment costs charged in the Consolidated Income Statement are analysed as follows:

| | **2014**<br>**€m** | 2013<br>€m |
|---|---|---|
| Wages and salaries | **2,987** | 2,915 |
| Social welfare costs | **368** | 360 |
| Other employment-related costs | **448** | 464 |
| Share-based payment expense (note 7) | **16** | 15 |
| Total retirement benefits expense (note 27) | **215** | 201 |
| Total | **4,034** | 3,955 |
| Total charge analysed between: | | |
| Cost of sales | **1,985** | 1,974 |
| Operating costs | **2,035** | 1,959 |
| Finance costs (net) - applicable to retirement benefit obligations (note 8) | **14** | 22 |
| Total | **4,034** | 3,955 |

## 6. Directors' Emoluments and Interests

Directors' emoluments (which are included in administrative expenses in note 2) and interests are presented in the Directors' Remuneration Report on pages 72 to 95 of this Annual Report.

## 7. Share-based Payment Expense

| | **2014**<br>**€m** | 2013<br>€m |
|---|---|---|
| Share option expense (i) | **1** | 1 |
| Performance Share Plans and Restricted Share Plan expense (ii) | **15** | 14 |
| Total | **16** | 15 |

(i) Relates to options granted under the 2000 share option scheme, the 2010 share option scheme and the savings-related share option schemes.

(ii) Relates to awards granted under the 2006 and 2014 Performance Share Plans and the 2013 Restricted Share Plan.

The share-based payment expense is reflected in operating costs in the Consolidated Income Statement.

In May 2014, shareholders approved the adoption of a new Performance Share Plan (the "2014 Performance Share Plan"), which replaced the 2006 Performance Share Plan (approved by shareholders in May 2006), the 2010 Share Option Scheme (approved by shareholders in May 2010) and the 2013 Restricted Share Plan (together, the "Existing Plans"). Following the introduction of the 2014 Performance Share Plan, no further awards will be made under the Existing Plans. Consequently, the last awards under the Existing Plans were made in 2013. The general terms and conditions applicable to the various plans are set out in the Directors' Remuneration Report on pages 72 to 95.

The Group also operates savings-related share option schemes. Due to the immateriality of the savings-related schemes' expense and the level of savings-related share options outstanding, detailed financial disclosures have not been provided in relation to these schemes.

## 7. Share-based Payment Expense | continued

**Share option schemes**

*Details of options granted under the share option schemes (excluding savings-related share option schemes)*

| | Weighted average exercise price | Number of options 2014 | Weighted average exercise price | Number of options 2013 |
|---|---|---|---|---|
| Outstanding at beginning of year | €18.75 | 21,798,887 | €18.84 | 23,295,955 |
| Granted | - | - | €16.19 | 3,853,400 |
| Exercised (a) | €16.58 | (919,205) | €13.21 | (1,245,029) |
| Lapsed | €16.77 | (5,398,491) | €18.53 | (4,105,439) |
| Outstanding at end of year (b) | €19.58 | 15,481,191 | €18.75 | 21,798,887 |
| Exercisable at end of year | €18.79 | 1,248,698 | €17.94 | 2,114,772 |

(a) The weighted average share price at the date of exercise of these options was €20.47 (2013: €17.28).

(b) The level of vesting of options outstanding at the end of the year will be determined by reference to certain performance targets (outlined on page 80 of this Annual Report). If the performance criteria have been met, these options, or portion thereof as appropriate, may be exercised after the expiration of three years from their date of grant. All options granted have a life of ten years.

| | 2014 | 2013 |
|---|---|---|
| Weighted average remaining contractual life for the share options outstanding at 31 December (years) | 4.89 | 5.54 |
| Euro-denominated options outstanding at the end of the year (number) | 15,389,922 | 21,683,559 |
| Range of exercise prices (€) | 15.19-29.86 | 15.07-29.86 |
| Sterling-denominated options outstanding at the end of the year (number) | 91,269 | 115,328 |
| Range of exercise prices (Stg£) | 12.80-20.23 | 10.04-20.23 |

The CRH share price at 31 December 2014 was €19.90 (2013: €18.30). The following analysis shows the number of outstanding share options with exercise prices lower/higher than the year-end share price:

| | | |
|---|---|---|
| Number of options with exercise prices lower than year-end price: | | |
| Exercisable | 1,248,698 | 506,581 |
| Not exercisable | 8,789,200 | 13,788,399 |
| | 10,037,898 | 14,294,980 |
| Number of options with exercise prices higher than year-end price: | | |
| Exercisable | - | 1,608,191 |
| Not exercisable | 5,443,293 | 5,895,716 |
| | 5,443,293 | 7,503,907 |
| Total options outstanding | 15,481,191 | 21,798,887 |

The Group measures the fair value of options granted using the trinomial model (a lattice option-pricing model in accordance with IFRS 2 *Share-based Payment*). Due to the immateriality of the share option expense in both the current and the prior year, detailed fair value disclosures have not been included.

**2014 Performance Share Plan**

The general terms and conditions of the 2014 Performance Share Plan were set out in a circular issued to shareholders prior to the Annual General Meeting held in 2014, a copy of which is available on www.crh.com. The structure of the 2014 Performance Share Plan is set out in the Directors' Remuneration Report on page 72. An expense of €5 million was recognised in 2014.

*Details of awards granted under the 2014 Performance Share Plan*

| | Share price at date of award | Period to earliest release date | Number of Shares | |
|---|---|---|---|---|
| | | | Initial award | Net outstanding |
| Granted in 2014 | €20.49 | 3 years | 2,283,960 | 2,270,340 |

75% of vesting is subject to Total Shareholder Return (TSR) performance against sector peers, while the remaining 25% of vesting is subject to a cumulative cash flow target. A small number of awards are subject only to a three year service period (i.e. no performance conditions).

The fair value assigned to the portion of awards which are subject to TSR performance was €10.88. The fair value of these awards was calculated using a TSR pricing model taking account of peer group TSR, volatilities and correlations together with the following assumptions:

| | **2014** |
|---|---|
| Risk-free interest rate (%) | **0.13** |
| Expected volatility (%) | **21.9** |

The expected volatility was determined using a historical sample of 37 month-end CRH share prices.

The fair value of (i) the portion of awards subject to cash flow performance and (ii) the awards with no performance conditions (which are subject to a three year service period) was €20.49. The fair value was calculated using the closing CRH share price at the date the award was granted. Awards vest only if all performance and service conditions are met. No expense is recognised for awards that do not ultimately vest. At the balance sheet date the estimate of the level of vesting is reviewed and any necessary adjustment to the share-based payment expense is recognised in the Consolidated Income Statement.

### 2006 Performance Share Plan

The expense of €8 million (2013: €13 million) reported in the Consolidated Income Statement has been arrived at through applying a Monte Carlo simulation technique to model the combination of market-based and non-market-based performance conditions in the Plan.

*Details of awards granted under the 2006 Performance Share Plan*

| | Share price at date of award | Period to earliest release date | Number of Shares | | Fair value |
|---|---|---|---|---|---|
| | | | Initial award | Net outstanding | |
| Granted in 2011 | €16.52 | 3 years | 1,684,250 | - | €9.72 |
| Granted in 2012 | €15.63 | 3 years | 2,079,000 | 1,849,000 | €7.77 |
| Granted in 2013 | €16.69 | 3 years | 1,195,500 | 1,040,500 | €8.54 |

In February 2014, 742,604 of the shares awarded under the Performance Share Plan in 2011 vested and accordingly were released to the participants of the scheme. The remaining awards granted in 2011 lapsed.

The fair value of the shares awarded was determined using a Monte Carlo simulation technique taking account of peer group TSR, volatilities and correlations, together with the following assumptions:

| | 2013 |
|---|---|
| Risk-free interest rate (%) | 0.10 |
| Expected volatility (%) | 31.3 |

### 2013 Restricted Share Plan

Due to the immateriality of the Restricted Share Plan expense and the level of awards outstanding in this plan at 31 December 2014 and 31 December 2013, detailed financial disclosures have not been provided in relation to this share-based payment arrangement.

## 8. Finance Costs and Finance Income

| | 2014<br>€m | 2013<br>€m |
|---|---|---|
| **Finance costs** | | |
| Interest payable on borrowings | 308 | 323 |
| Net income on interest rate and currency swaps | (42) | (55) |
| Mark-to-market of derivatives and related fixed rate debt: | | |
| - interest rate swaps (i) | (15) | 68 |
| - currency swaps and forward contracts | - | 1 |
| - fixed rate debt (i) | 8 | (79) |
| Net (gain)/loss on interest rate swaps not designated as hedges | (5) | 4 |
| Net finance cost on gross debt including related derivatives | 254 | 262 |
| **Finance income** | | |
| Interest receivable on loans to joint ventures and associates | (3) | (3) |
| Interest receivable on cash and cash equivalents and other | (5) | (10) |
| Finance income | (8) | (13) |
| **Finance costs less income** | 246 | 249 |
| **Other financial expense** | | |
| Unwinding of discount element of provisions for liabilities (note 25) | 16 | 15 |
| Unwinding of discount applicable to deferred and contingent acquisition consideration (note 18) | 12 | 11 |
| Pension-related finance cost (net) (note 27) | 14 | 22 |
| Total | 42 | 48 |

(i) The Group uses interest rate swaps to convert fixed rate debt to floating rate. Fixed rate debt, which has been converted to floating rate through the use of interest rate swaps, is stated in the Consolidated Balance Sheet at adjusted value to reflect movements in underlying fixed rates. The movement on this adjustment, together with the offsetting movement in the fair value of the related interest rate swaps, is included in finance costs in each reporting period.

## 9. Share of Equity Accounted Investments' Profit/(Loss)

The Group's share of joint ventures' and associates' result after tax is equity accounted and is presented as a single-line item in the Consolidated Income Statement; it is analysed as follows between the principal Consolidated Income Statement captions:

| | Joint Ventures | | Associates | | Total | |
|---|---|---|---|---|---|---|
| | 2014<br>€m | 2013<br>€m | 2014<br>€m | 2013<br>€m | 2014<br>€m | 2013<br>€m |
| Group share of: | | | | | | |
| **Revenue** | 488 | 469 | 953 | 961 | 1,441 | 1,430 |
| **EBITDA (as defined)*** | 62 | 60 | 106 | 109 | 168 | 169 |
| Depreciation and amortisation | (27) | (27) | (45) | (39) | (72) | (66) |
| Impairment (i) | - | (54) | - | (51) | - | (105) |
| **Operating profit/(loss)** | 35 | (21) | 61 | 19 | 96 | (2) |
| Finance costs (net) | (6) | (2) | (21) | (22) | (27) | (24) |
| Profit/(loss) before tax | 29 | (23) | 40 | (3) | 69 | (26) |
| Income tax expense | (3) | (5) | (11) | (13) | (14) | (18) |
| **Profit/(loss) after tax** | 26 | (28) | 29 | (16) | 55 | (44) |

An analysis of the result after tax by operating segment is presented in note 1. The aggregated balance sheet data (analysed between current and non-current assets and liabilities) in respect of the Group's investment in joint ventures and associates is presented in note 15.

(i) See section (b) of note 14 for details of the 2013 impairment charge.

** EBITDA is defined as earnings before interest, taxes, depreciation, amortisation, asset impairment charges and profit on disposals.*

## 10. Income Tax Expense

**Recognised within the Consolidated Income Statement**

| | 2014<br>€m | 2013<br>€m |
|---|---|---|
| *(a) Current tax* | | |
| Republic of Ireland | - | (1) |
| Overseas | 141 | 77 |
| Total current tax expense | 141 | 76 |
| *(b) Deferred tax* | | |
| Origination and reversal of temporary differences: | | |
| Retirement benefit obligations | 7 | 16 |
| Share-based payment expense | - | (1) |
| Derivative financial instruments | 6 | 4 |
| Other items | 23 | (15) |
| Total deferred tax expense | 36 | 4 |
| Income tax expense reported in the Consolidated Income Statement | 177 | 80 |

**Recognised within equity**

| | | |
|---|---|---|
| *(a) Within the Consolidated Statement of Comprehensive Income:* | | |
| Deferred tax - retirement benefit obligations | 69 | (43) |
| Income tax recognised directly within equity | 69 | (43) |

**Reconciliation of applicable tax rate to effective tax rate**

| | | |
|---|---|---|
| Profit/(loss) before tax (€m) | 761 | (215) |
| *Tax charge expressed as a percentage of profit/(loss) before tax (effective tax rate):* | | |
| - current tax expense only | 18.5% | (35.3%) |
| - total income tax expense (current and deferred) | 23.2% | (37.2%) |

*The following table reconciles the applicable Republic of Ireland statutory tax rate to the effective tax rate (current and deferred) of the Group:*

| | % of profit/(loss) before tax | |
|---|---|---|
| Irish corporation tax rate | 12.5 | 12.5 |
| Higher tax rates on overseas earnings | 9.6 | 17.8 |
| Other items (primarily comprising items not chargeable to tax/expenses not deductible for tax): | | |
| - arising from 2013 impairment | - | (70.2) |
| - other items | 1.1 | 2.7 |
| Total effective tax rate | 23.2 | (37.2) |

**Other disclosures**

*Changes in tax rates*
The total tax charge in future periods will be affected by any changes to the tax rates in force in the countries in which the Group operates.

*Excess of capital allowances over depreciation*
The current tax charge will also be impacted by changes in the excess of tax depreciation (capital allowances) over accounting depreciation. Based on current capital investment plans, the Group expects to continue to be in a position to claim capital allowances in excess of depreciation in future years.

*Investments in subsidiaries*
Given that participation exemptions and tax credits would be available in the context of the Group's investments in subsidiaries in the majority of the jurisdictions in which the Group operates, the aggregate amount of temporary differences in respect of which deferred tax liabilities have not been recognised would be immaterial.

*Proposed dividends*
There are no income tax consequences for the Company in respect of dividends proposed prior to issuance of the Consolidated Financial Statements and for which a liability has not been recognised.

## 11. Dividends

The dividends paid and proposed in respect of each class of share capital are as follows:

| | 2014<br>€m | 2013<br>€m |
|---|---|---|
| **Dividends to shareholders** | | |
| *Preference* | | |
| 5% Cumulative Preference Shares €3,175 (2013: €3,175) | - | - |
| 7% 'A' Cumulative Preference Shares €77,521 (2013: €77,521) | - | - |
| *Equity* | | |
| Final - paid 44.00c per Ordinary Share (2013: 44.00c) | 323 | 320 |
| Interim - paid 18.50c per Ordinary Share (2013: 18.50c) | 137 | 135 |
| Total | 460 | 455 |
| **Dividends proposed (memorandum disclosure)** | | |
| *Equity* | | |
| Final 2014 - proposed 44.00c per Ordinary Share (2013: 44.00c) | 359 | 323 |
| **Reconciliation to Consolidated Statement of Cash Flows** | | |
| Dividends to shareholders | 460 | 455 |
| Less: issue of scrip shares in lieu of cash dividends (note 28) | (107) | (88) |
| Dividends paid to equity holders of the Company | 353 | 367 |
| Dividends paid by subsidiaries to non-controlling interests | 4 | 1 |
| Total dividends paid | 357 | 368 |

## 12. Earnings per Ordinary Share

The computation of basic and diluted earnings per Ordinary Share is set out below:

| | 2014<br>€m | 2013<br>€m |
|---|---|---|
| **Numerator computations** | | |
| Group profit/(loss) for the financial year | 584 | (295) |
| Profit attributable to non-controlling interests | (2) | (1) |
| Profit/(loss) attributable to equity holders of the Company | 582 | (296) |
| Preference dividends | - | - |
| *Profit/(loss) attributable to ordinary equity holders of the Company - numerator for basic/diluted earnings per Ordinary Share* | 582 | (296) |
| Depreciation charge | 631 | 671 |
| Amortisation of intangible assets | 44 | 54 |
| Impairment of property, plant and equipment and intangible assets | 49 | 650 |
| Impairment of financial assets | - | 105 |
| *Numerator for "cash" earnings per Ordinary Share (i)* | 1,306 | 1,184 |
| **Denominator computations** | | |
| *Denominator for basic earnings per Ordinary Share* | | |
| Weighted average number of Ordinary Shares (millions) outstanding for the year (ii) | 737.6 | 729.2 |
| Effect of dilutive potential Ordinary Shares (employee share options) (millions) (ii) and (iii) | 0.7 | - |
| *Denominator for diluted earnings per Ordinary Share* | 738.3 | 729.2 |
| **Basic earnings/(loss) per Ordinary Share** | 78.9c | (40.6c) |
| **Diluted earnings/(loss) per Ordinary Share** | 78.8c | (40.6c) |
| **"Cash" earnings per Ordinary Share** (i) | 177.1c | 162.4c |

(i) This measure is presented here for information as management believes it is a useful indicator of the Group’s ability to generate cash from operations. “Cash” earnings per Ordinary Share on a diluted earnings basis amounted to 176.9c. This is not a recognised measure under generally accepted accounting principles.

(ii) The weighted average number of Ordinary Shares included in the computation of basic and diluted earnings per Ordinary Share has been adjusted to exclude shares held by the Employee Benefit Trust and Ordinary Shares repurchased and held by the Company (CRH plc) as Treasury Shares given that these shares do not rank for dividend. The number of Ordinary Shares so held at the balance sheet date is detailed in note 28.

(iii) Contingently issuable Ordinary Shares (totalling 19,062,236 at 31 December 2014 and 24,282,615 at 31 December 2013) are excluded from the computation of diluted earnings per Ordinary Share where the conditions governing exercisability have not been satisfied as at the end of the reporting period or they are antidilutive for the periods presented.

Subsequent to year end the Group completed a share placing. Further details are set out in note 33.

## 13. Property, Plant and Equipment

| | Land and buildings (i) €m | Plant and machinery €m | Assets in course of construction €m | Total €m |
|---|---|---|---|---|
| **At 31 December 2014** | | | | |
| Cost/deemed cost | **6,068** | **8,940** | **220** | **15,228** |
| Accumulated depreciation (and impairment charges) | **(1,892)** | **(5,914)** | **-** | **(7,806)** |
| Net carrying amount | **4,176** | **3,026** | **220** | **7,422** |
| At 1 January 2014, net carrying amount | **4,096** | **3,214** | **229** | **7,539** |
| Translation adjustment | **329** | **64** | **1** | **394** |
| Reclassifications | **66** | **34** | **(100)** | **-** |
| Additions at cost | **45** | **264** | **126** | **435** |
| Arising on acquisition (note 30) | **20** | **71** | **-** | **91** |
| Disposals at net carrying amount | **(68)** | **(27)** | **-** | **(95)** |
| Reclassified as held for sale | **(173)** | **(88)** | **(1)** | **(262)** |
| Depreciation charge for year | **(132)** | **(499)** | **-** | **(631)** |
| Impairment charge for year (ii) | **(7)** | **(7)** | **(35)** | **(49)** |
| At 31 December 2014, net carrying amount | **4,176** | **3,026** | **220** | **7,422** |

The equivalent disclosure for the prior year is as follows:

| | | | | |
|---|---|---|---|---|
| At 31 December 2013 | | | | |
| Cost/deemed cost | 5,912 | 8,847 | 229 | 14,988 |
| Accumulated depreciation (and impairment charges) | (1,816) | (5,633) | - | (7,449) |
| Net carrying amount | 4,096 | 3,214 | 229 | 7,539 |
| At 1 January 2013, net carrying amount | 4,313 | 3,371 | 287 | 7,971 |
| Translation adjustment | (129) | (114) | (8) | (251) |
| Reclassifications | 7 | 144 | (151) | - |
| Additions at cost | 46 | 350 | 101 | 497 |
| Arising on acquisition (note 30) | 132 | 210 | - | 342 |
| Disposals at net carrying amount | (30) | (44) | - | (74) |
| Depreciation charge for year | (132) | (539) | - | (671) |
| Impairment charge for year (iii) | (111) | (164) | - | (275) |
| At 31 December 2013, net carrying amount | 4,096 | 3,214 | 229 | 7,539 |
| At 1 January 2013 | | | | |
| Cost/deemed cost | 5,838 | 8,694 | 287 | 14,819 |
| Accumulated depreciation (and impairment charges) | (1,525) | (5,323) | - | (6,848) |
| Net carrying amount | 4,313 | 3,371 | 287 | 7,971 |

(i) The carrying value of mineral-bearing land included in the land and buildings category above amounted to €1,997 million at the balance sheet date (2013: €1,824 million).

(ii) The impairment charge of €49 million in 2014, of which €47 million has been charged against cost of sales (see note 2), relates to the write down of property, plant and equipment in Europe Heavyside (€35 million) and Americas Products (€14 million).

(iii) The property, plant and equipment impairment charge of €275 million in 2013, of which €271 million was charged against cost of sales (see note 2), arose primarily from a Group-wide portfolio review initiated in November 2013; further details of this, and of the related impairment of intangible assets in 2013, are set out in section (b) of note 14.

### Future purchase commitments for property, plant and equipment

| | 2014 €m | 2013 €m |
|---|---|---|
| Contracted for but not provided in the financial statements | **211** | 155 |
| Authorised by the Directors but not contracted for | **70** | 91 |

## 14. Intangible Assets

| | | Other intangible assets | | | |
|---|---|---|---|---|---|
| | Goodwill | Marketing-related | Customer-related (i) | Contract-based | Total |
| | €m | €m | €m | €m | €m |
| **At 31 December 2014** | | | | | |
| Cost/deemed cost | **4,362** | **52** | **448** | **37** | **4,899** |
| Accumulated amortisation (and impairment charges) | **(344)** | **(40)** | **(322)** | **(20)** | **(726)** |
| Net carrying amount | **4,018** | **12** | **126** | **17** | **4,173** |
| At 1 January 2014, net carrying amount | **3,734** | **12** | **151** | **14** | **3,911** |
| Translation adjustment | **279** | **3** | **6** | **1** | **289** |
| Arising on acquisition (note 30) | **31** | **2** | **10** | **4** | **47** |
| Disposals | **(10)** | **(1)** | **(2)** | **-** | **(13)** |
| Reclassified as held for sale | **(16)** | **-** | **(1)** | **-** | **(17)** |
| Amortisation charge for year | **-** | **(4)** | **(38)** | **(2)** | **(44)** |
| At 31 December 2014, net carrying amount | **4,018** | **12** | **126** | **17** | **4,173** |

The equivalent disclosure for the prior year is as follows:

| | | | | | |
|---|---|---|---|---|---|
| At 31 December 2013 | | | | | |
| Cost/deemed cost | 4,158 | 48 | 420 | 31 | 4,657 |
| Accumulated amortisation (and impairment charges) | (424) | (36) | (269) | (17) | (746) |
| Net carrying amount | 3,734 | 12 | 151 | 14 | 3,911 |
| At 1 January 2013, net carrying amount | 4,067 | 17 | 177 | 6 | 4,267 |
| Translation adjustment | (117) | (1) | (2) | (1) | (121) |
| Arising on acquisition (note 30) | 169 | 1 | 20 | 18 | 208 |
| Disposals | (12) | - | - | (2) | (14) |
| Amortisation charge for year | - | (5) | (42) | (7) | (54) |
| Impairment charge for year | (373) | - | (2) | - | (375) |
| At 31 December 2013, net carrying amount | 3,734 | 12 | 151 | 14 | 3,911 |
| At 1 January 2013 | | | | | |
| Cost/deemed cost | 4,122 | 51 | 413 | 17 | 4,603 |
| Accumulated amortisation (and impairment charges) | (55) | (34) | (236) | (11) | (336) |
| Net carrying amount | 4,067 | 17 | 177 | 6 | 4,267 |

(i) The customer-related intangible assets relate predominantly to non-contractual customer relationships.

**(a) Annual goodwill testing**

The net book value of goodwill capitalised under previous GAAP (Irish GAAP) as at the transition date to IFRS (1 January 2004) has been treated as deemed cost. Goodwill arising on acquisition since that date is capitalised at cost.

*Cash-generating units*
Goodwill acquired through business combination activity has been allocated to cash-generating units (CGUs) that are expected to benefit from synergies in that combination. The cash-generating units represent the lowest level within the Group at which the associated goodwill is monitored for internal management purposes, and are not larger than the operating segments determined in accordance with IFRS 8 *Operating Segments*. A total of 20 (2013: 19) cash-generating units have been identified and these are analysed between the six business segments in the Group below. The increase in the number of CGUs in 2014 relates to organisational changes in our Europe segments. As a result, a number of entities have been added to the Benelux CGU in Europe Heavyside, two new CGUs have been added (Germany - Europe Heavyside and Europe Lightside) and the Europe Products CGU has been removed. All businesses within the various cash-generating units exhibit similar and/or consistent profit margin and asset intensity characteristics. Assets, liabilities, deferred tax and goodwill have been assigned to the CGUs on a reasonable and consistent basis.

Significant under-performance in any of CRH's major cash-generating units may give rise to a material write-down of goodwill which would have a substantial impact on the Group's income and equity.

| | Cash-generating units | | Goodwill (€m) | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Europe Heavyside* | **8** | 7 | **650** | 697 |
| Europe Lightside* | **1** | 1 | **346** | 313 |
| Europe Distribution | **1** | 1 | **649** | 641 |
| Europe | **10** | 9 | **1,645** | 1,651 |
| Americas Materials | **7** | 7 | **1,313** | 1,151 |
| Americas Products | **2** | 2 | **703** | 618 |
| Americas Distribution | **1** | 1 | **357** | 314 |
| Americas | **10** | 10 | **2,373** | 2,083 |
| Total Group | **20** | 19 | **4,018** | 3,734 |

* *Included in the goodwill numbers of Europe Heavyside and Europe Lightside at 31 December 2014 are amounts of €54 million and €9 million respectively (2013: €53 million and €9 million respectively) relating to businesses identified for divestment as part of the portfolio review, which have been tested separately (see section (b) below).*

## 14. Intangible Assets | continued

*Impairment testing methodology and results*

Goodwill is subject to impairment testing on an annual basis. The recoverable amount of each of the 20 CGUs is determined based on a value-in-use computation, using Level 3 inputs in accordance with the fair value hierarchy. The cash flow forecasts are primarily based on a five-year strategic plan document formally approved by senior management and the Board of Directors and specifically exclude the impact of future development activity. These cash flows are projected forward for an additional five years to determine the basis for an annuity-based terminal value, calculated on the same basis as the Group's acquisition modelling methodology. As in prior years, the terminal value is based on a 20-year annuity. The projected cash flows assume zero growth in real cash flows beyond the initial evaluation period. The value-in-use represents the present value of the future cash flows, including the terminal value, discounted at a rate appropriate to each CGU. The real pre-tax discount rates used range from 7.5% to 12.2% (2013: 7.8% to 11.7%); these rates are in line with the Group's estimated weighted average cost of capital, arrived at using the Capital Asset Pricing Model.

The 2014 annual goodwill impairment testing process has resulted in no intangible asset impairments. The 2013 annual impairment testing process resulted in an impairment of €58 million being recorded in respect of our Benelux CGU in Europe Heavyside due to a difficult trading environment in 2013 and a slower recovery than previously anticipated. The assumptions underlying the 2013 value-in-use model projections resulted in a present value (using a real pre-tax discount rate of 9.4%) of €241 million and a related goodwill impairment being recorded of €58 million.

*Key sources of estimation uncertainty*

The cash flows have been arrived at taking account of the Group's strong financial position, its established history of earnings and cash flow generation and the nature of the building materials industry, where product obsolescence is very low. However, expected future cash flows are inherently uncertain and are therefore liable to material change over time. The key assumptions employed in arriving at the estimates of future cash flows factored into impairment testing are subjective and include projected EBITDA (as defined)* margins, net cash flows, discount rates used and the duration of the discounted cash flow model.

*Significant goodwill amounts*

The goodwill allocated to the Europe Distribution and the Oldcastle Building Products (Americas Products segment) CGUs accounts for between 10% and 20% of the total carrying amount of €4,018 million. The goodwill allocated to each of the remaining CGUs is less than 10% of the total carrying value in all other cases. The additional disclosures required for the two CGUs with significant goodwill are as follows:

| | **Europe Distribution** | | **Oldcastle Building Products** | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| Goodwill allocated to the cash-generating unit at balance sheet date | **€649m** | €641m | **€699m** | €615m |
| Discount rate applied to the cash flow projections (real pre-tax) | **9.4%** | 9.4% | **11.9%** | 11.7% |
| Average EBITDA (as defined)* margin over the initial 5-year period | **5.9%** | 6.4% | **11.0%** | 10.6% |
| Value-in-use (present value of future cash flows) | **€2,015m** | €2,201m | **€2,588m** | €2,380m |
| Excess of value-in-use over carrying amount | **€336m** | €431m | **€509m** | €579m |

The key assumptions and methodology used in respect of these two CGUs are consistent with those described above. The values applied to each of the key estimates and assumptions are specific to the individual CGUs and were derived from a combination of internal and external factors based on historical experience and took into account the cash flows specifically associated with these businesses. The cash flows and 20-year annuity-based terminal value were projected in line with the methodology disclosed above.

Europe Distribution and Oldcastle Building Products are not included in the CGUs referred to in the "Sensitivity analysis" section below. Given the magnitude of the excess of value-in-use over carrying amount, and our belief that the key assumptions are reasonable, management believe that it is not reasonably possible that there would be a change in the key assumptions such that the carrying amount would exceed the value-in-use. Consequently no further disclosures relating to sensitivity of the value-in-use computations for the Europe Distribution or Oldcastle Building Products CGUs are considered to be warranted.

*Sensitivity analysis*

Sensitivity analysis has been performed and results in additional disclosures in respect of 2 of the 20 CGUs. The key assumptions, methodology used and values applied to each of the key assumptions for the two cash-generating units are in line with those outlined above. The two CGUs had goodwill of €178 million at the date of testing. The table below identifies the amounts by which each of the following assumptions may either decline or increase to arrive at a zero excess of the present value of future cash flows over the book value of net assets in the two CGUs selected for sensitivity analysis disclosures:

| | **2 CGUs** |
|---|---|
| Reduction in EBITDA (as defined)* margin | 1.3 to 2.0 percentage points |
| Reduction in profit before tax | 8.6% to 15.9% |
| Reduction in net cash flow | 7.9% to 13.6% |
| Increase in pre-tax discount rate | 0.7 to 1.4 percentage points |

The average EBITDA (as defined)* margin for the aggregate of these two CGUs over the initial 5-year period was 9.2%. The value-in-use (being the present value of the future net cash flows) was €619 million and the carrying amount was €542 million, resulting in an excess of value-in-use over carrying amount of €77 million.

While the Ukraine CGU is not considered to require additional sensitivity-related disclosures based on analysis performed, the country's ongoing political situation remains uncertain. CRH's activities in Ukraine are mainly located in the west of the country and are therefore not directly affected by the continuing conflict; however, the economic outlook for the country as a whole remains unclear. The net asset value of the Ukrainian CGU amounts to €267 million at year-end 2014.

* *EBITDA is defined as earnings before interest, taxes, depreciation, amortisation, asset impairment charges, profit on disposals and the Group's share of equity accounted investments' result after tax.*

**(b) Portfolio review update**

In November 2013, a Group-wide portfolio review was initiated to identify and focus on those businesses within our portfolio which offer the most attractive future returns, and to prioritise capital allocation to ensure profitable growth across our network of businesses. This review was completed during the year and a multi-year divestment programme has commenced with proceeds of €0.35 billion realised on business and non-current asset disposals in 2014 (see note 4).

The decision to divest of these business units resulted in the need to assess them for impairment, either individually or combined where they form a new group for disposal purposes. Excluding business units divested during 2014, the remainder were assessed for impairment or reversal of previous impairments and also assessed from the perspective of the held for sale criteria set out in IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* (see note 4).

A valuation was prepared based on the estimated fair value less costs of disposal (FVLCD) for each business unit. The valuations were then compared to the carrying value of each business and where that valuation fell below the carrying value an impairment charge was taken.

No goodwill impairments or reversal of previous impairments were recorded during the year.

In 2013, the total impairments (including financial asset impairments) arising from the portfolio review amounted to €683 million, of which €261 million related to property, plant and equipment (see note 13) and €317 million related to intangible assets. The largest impairments in 2013 arose in two business units within Europe Heavyside. Both businesses serve the residential new-build sector in mature markets. Financial asset impairments of €105 million were recorded in 2013 relating to two Europe Heavyside equity accounted investments. The additional disclosures required are as follows:

| | **Business 1** | **Business 2** | **Financial Assets** |
|---|---|---|---|
| | **2013** | **2013** | **2013** |
| Amount of impairment loss recognised in 2013 | €99m | €75m | €105m |
| Description of valuation technique | Income-based | Income-based | Income-based |
| Level of fair value hierarchy | Level 3 | Level 3 | Level 3 |
| Recoverable amount (FVLCD) | €182m | €34m | €172m |
| Discount rate applicable to cash flow projections (real pre-tax) | 8.9% | 9.2% | 9.2% - 9.8% |
| Average EBITDA (as defined)* margin over initial 5-year period | 13.5% | 13.7% | 20.1% - 22.5% |

* *EBITDA is defined as earnings before interest, taxes, depreciation, amortisation, asset impairment charges, profit on disposals and the Group's share of equity accounted investments' result after tax.*

## 15. Financial Assets

| | Investments accounted for using the equity method (i.e. joint ventures and associates) | | | | |
|---|---|---|---|---|---|
| | Share of net assets €m | Loans €m | Total €m | Asset held for sale €m | Other (i) €m |
| At 1 January 2014 | **1,211** | **129** | **1,340** | **-** | **23** |
| Translation adjustment | **73** | **14** | **87** | **-** | **-** |
| Investments and advances | **-** | **3** | **3** | **-** | **-** |
| Disposals and repayments | **(82)** | **(10)** | **(92)** | **-** | **-** |
| Reclassified as held for sale | **(34)** | **-** | **(34)** | **-** | **-** |
| Retained profit | **25** | **-** | **25** | **-** | **-** |
| At 31 December 2014 | **1,193** | **136** | **1,329** | **-** | **23** |

The equivalent disclosure for the prior year is as follows:

| | | | | | |
|---|---|---|---|---|---|
| At 1 January 2013 | 1,291 | 131 | 1,422 | 143 | 34 |
| Translation adjustment | (72) | (5) | (77) | (1) | (1) |
| Investments and advances | 64 | 10 | 74 | - | 4 |
| Disposals and repayments | - | (7) | (7) | (139) | (14) |
| Arising on acquisition (note 30) | 2 | - | 2 | - | - |
| Retained loss | (74) | - | (74) | (3) | - |
| At 31 December 2013 | 1,211 | 129 | 1,340 | - | 23 |

(i) Other financial assets primarily comprise trade investments carried at historical cost.

Summarised financial information for the Group’s investment in joint ventures and associates which are accounted for using the equity method is as follows:

| | Joint Ventures | | Associates | | Total | |
|---|---|---|---|---|---|---|
| | 2014 €m | 2013 €m | 2014 €m | 2013 €m | 2014 €m | 2013 €m |
| Non-current assets | **548** | 600 | **955** | 862 | **1,503** | 1,462 |
| Current assets | **121** | 176 | **538** | 557 | **659** | 733 |
| Non-current liabilities | **(161)** | (174) | **(209)** | (230) | **(370)** | (404) |
| Current liabilities | **(73)** | (106) | **(526)** | (474) | **(599)** | (580) |
| Net assets | **435** | 496 | **758** | 715 | **1,193** | 1,211 |

A listing of the principal equity accounted investments is contained on page 166.

The Group holds a 21.13% stake (2013: 21.13%) in Samse S.A., a publicly-listed distributor in France which is accounted for as an associate investment above. The fair value of this investment at the balance sheet date, calculated based on the number of shares held multiplied by the closing share price at 31 December 2014 (Level 1 input in the fair value hierarchy), was €75 million (2013: €58 million).

## 16. Inventories

| | 2014<br>€m | 2013<br>€m |
|---|---|---|
| Raw materials | **612** | 606 |
| Work-in-progress (i) | **80** | 86 |
| Finished goods | **1,568** | 1,562 |
| Total inventories at the lower of cost and net realisable value | **2,260** | 2,254 |

(i) Work-in-progress includes €8 million (2013: €2 million) in respect of the cumulative costs incurred, net of amounts transferred to cost of sales under percentage-of-completion accounting, for construction contracts in progress at the balance sheet date.

An analysis of the Group's cost of sales expense is provided in note 2 to the financial statements.

Write-downs of inventories recognised as an expense within cost of sales amounted to €29 million (2013: €19 million).

## 17. Trade and Other Receivables

| | 2014<br>€m | 2013<br>€m |
|---|---|---|
| **Current** | | |
| Trade receivables | **1,810** | 1,725 |
| Amounts receivable in respect of construction contracts (i) | **476** | 422 |
| Total trade receivables, gross | **2,286** | 2,147 |
| Provision for impairment | **(106)** | (118) |
| Total trade receivables, net | **2,180** | 2,029 |
| Amounts receivable from equity accounted investments | **6** | 4 |
| Prepayments and other receivables | **458** | 483 |
| Total | **2,644** | 2,516 |
| | | |
| **Non-current** | | |
| Other receivables | **85** | 93 |

The carrying amounts of current and non-current trade and other receivables approximate their fair value largely due to the short-term maturities and nature of these instruments.

(i) Includes unbilled revenue and retentions held by customers in respect of construction contracts at the balance sheet date amounting to €119 million and €82 million respectively (2013: €121 million and €63 million respectively).

### Provision for impairment

The movements in the provision for impairment of receivables during the financial year were as follows:

| | | |
|---|---|---|
| At 1 January | **118** | 123 |
| Translation adjustment | **4** | (2) |
| Provided during year | **28** | 36 |
| Written-off during year | **(36)** | (33) |
| Recovered during year | **(6)** | (6) |
| Reclassified as held for sale | **(2)** | - |
| At 31 December | **106** | 118 |

Information in relation to the Group's credit risk management is provided in note 21 to the financial statements.

### Aged analysis

The aged analysis of trade receivables and amounts receivable in respect of construction contracts at the balance sheet date was as follows:

| | | |
|---|---|---|
| Neither past due nor impaired | **1,638** | 1,554 |
| Past due but not impaired: | | |
| - less than 60 days | **373** | 290 |
| - 60 days or greater but less than 120 days | **117** | 126 |
| - 120 days or greater | **45** | 53 |
| Past due and impaired (partial or full provision) | **113** | 124 |
| Total | **2,286** | 2,147 |

Trade receivables and amounts receivable in respect of construction contracts are in general receivable within 90 days of the balance sheet date.

## 18. Trade and Other Payables

| | 2014<br>€m | 2013<br>€m |
|---|---|---|
| **Current** | | |
| Trade payables | **1,506** | 1,495 |
| Construction contract-related payables (i) | **129** | 103 |
| Deferred and contingent acquisition consideration (ii) | **59** | 24 |
| Accruals and other payables | **1,148** | 1,093 |
| Amounts payable to equity accounted investments | **52** | 39 |
| Total | **2,894** | 2,754 |
| **Non-current** | | |
| Other payables | **109** | 105 |
| Deferred and contingent acquisition consideration (ii) | **148** | 184 |
| Total | **257** | 289 |

(i) Construction contract-related payables include billings in excess of revenue, together with advances received from customers in respect of work to be performed under construction contracts and foreseeable losses thereon.

Other than deferred and contingent consideration, the carrying amounts of trade and other payables approximate their fair value largely due to the short-term maturities and nature of these instruments.

(ii) **Deferred and contingent acquisition consideration**
The fair value of total contingent consideration is €122 million (2013: €120 million), (Level 3 input in the fair value hierarchy) and deferred consideration is €85 million (2013: €88 million). On an undiscounted basis, the corresponding basis for which the Group may be liable for contingent consideration ranges from €nil million to a maximum of €145 million. The movement in deferred and contingent consideration during the financial year was as follows:

| | 2014 | 2013 |
|---|---|---|
| At 1 January | **208** | 297 |
| Translation adjustment | **16** | (9) |
| Arising on acquisitions and investments during year (note 30) | **3** | 17 |
| Changes in estimate | **(6)** | (3) |
| Paid during year | **(26)** | (105) |
| Discount unwinding | **12** | 11 |
| At 31 December | **207** | 208 |

## 19. Movement in Working Capital and Provisions for Liabilities

| | Inventories<br>€m | Trade and other receivables<br>€m | Trade and other payables<br>€m | Provisions for liabilities<br>€m | Total<br>€m |
|---|---|---|---|---|---|
| At 1 January 2014 | **2,254** | **2,609** | **(3,043)** | **(380)** | **1,440** |
| Translation adjustment | **128** | **165** | **(173)** | **(27)** | **93** |
| Arising on acquisition (note 30) | **23** | **20** | **(17)** | **(1)** | **25** |
| Disposals | **(9)** | **(4)** | **2** | **-** | **(11)** |
| Deferred and contingent acquisition consideration: | | | | | |
| - arising on acquisitions during year (note 30) | **-** | **-** | **(3)** | **-** | **(3)** |
| - paid during year | **-** | **-** | **26** | **-** | **26** |
| Reclassified as held for sale | **(102)** | **(79)** | **98** | **7** | **(76)** |
| Interest accruals and discount unwinding | **-** | **-** | **(1)** | **(16)** | **(17)** |
| (Decrease)/increase in working capital and provisions for liabilities | **(34)** | **18** | **(40)** | **21** | **(35)** |
| At 31 December 2014 | **2,260** | **2,729** | **(3,151)** | **(396)** | **1,442** |

The equivalent disclosure for the prior year is as follows:

| | | | | | |
|---|---|---|---|---|---|
| At 1 January 2013 | 2,333 | 2,603 | (3,052) | (366) | 1,518 |
| Translation adjustment | (74) | (80) | 91 | 9 | (54) |
| Arising on acquisition (note 30) | 41 | 53 | (80) | (14) | - |
| Disposals | (9) | (4) | 7 | - | (6) |
| Deferred and contingent acquisition consideration: | | | | | |
| - arising on acquisitions during year (note 30) | - | - | (17) | - | (17) |
| - paid during year | - | - | 105 | - | 105 |
| Interest accruals and discount unwinding | - | - | (14) | (15) | (29) |
| (Decrease)/increase in working capital and provisions for liabilities | (37) | 37 | (83) | 6 | (77) |
| At 31 December 2013 | 2,254 | 2,609 | (3,043) | (380) | 1,440 |

## 20. Analysis of Net Debt

**Components of net debt**

Net debt is a non-GAAP measure which we provide to investors as we believe they find it useful. Net debt comprises cash and cash equivalents, derivative financial instrument assets and liabilities and interest-bearing loans and borrowings and enables investors to see the economic effects of these in total (see note 21 for details of the capital and risk management policies employed by the Group). Net debt is commonly used in computations such as net debt as a % of total equity and net debt as a % of market capitalisation.

| | **As at 31 December 2014** | | As at 31 December 2013 | |
|---|---|---|---|---|
| | **Fair value** (i) **€m** | **Book value €m** | Fair value (i) €m | Book value €m |
| Cash and cash equivalents (note 22) | **3,295** | **3,295** | 2,540 | 2,540 |
| Interest-bearing loans and borrowings (note 23) | **(6,302)** | **(5,866)** | (5,799) | (5,540) |
| Derivative financial instruments (net) (note 24) | **79** | **79** | 27 | 27 |
| Group net debt | **(2,928)** | **(2,492)** | (3,232) | (2,973) |

(i) All interest-bearing loans and borrowings are Level 2 fair value measurements.

The following table shows the effective interest rates on period-end fixed, gross and net debt:

| | **As at 31 December 2014** | | | As at 31 December 2013 | | |
|---|---|---|---|---|---|---|
| | **€m** | **Interest rate** | **Weighted average fixed period Years** | €m | Interest rate | Weighted average fixed period Years |
| Interest-bearing loans and borrowings nominal - fixed rate (i) | **(5,657)** | | | (5,362) | | |
| Derivative financial instruments - fixed rate | **1,227** | | | 1,518 | | |
| Net fixed rate debt including derivatives | **(4,430)** | **4.5%** | **5.2** | (3,844) | 5.5% | 5.1 |
| Interest-bearing loans and borrowings nominal - floating rate (ii) | **(63)** | | | (54) | | |
| Adjustment of debt from nominal to book value (i) | **(146)** | | | (124) | | |
| Derivative financial instruments - currency floating rate | **(1,148)** | | | (1,491) | | |
| Gross debt including derivative financial instruments | **(5,787)** | **4.1%** | | (5,513) | 4.6% | |
| Cash and cash equivalents - floating rate | **3,295** | | | 2,540 | | |
| Group net debt | **(2,492)** | | | (2,973) | | |
| Cash at bank and in hand reclassified as held for sale (note 22) | **(33)** | | | - | | |
| Group net debt excluding cash reclassified as held for sale | **(2,525)** | | | (2,973) | | |

(i) Of the Group's nominal fixed rate debt at 31 December 2014, €1,616 million (2013: €1,882 million) was hedged to floating rate at inception using interest rate swaps. The balance of nominal fixed rate debt of €4,041 million (2013: €3,480 million) pertains to financial liabilities measured at amortised cost in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*.

(ii) Floating rate debt comprises bank borrowings and finance leases bearing interest at rates set in advance for periods ranging from overnight to less than one year largely by reference to inter-bank interest rates.

**Currency profile**

The currency profile of the Group's net debt and net worth (capital and reserves attributable to the Company's equity holders) as at 31 December 2014 and 2013 is as follows:

| | **euro €m** | **US Dollar €m** | **Pound Sterling €m** | **Swiss Franc €m** | **Other** (iii) **€m** | **Total €m** |
|---|---|---|---|---|---|---|
| Group net debt* by major currency | **(871)** | **(1,117)** | **(68)** | **(250)** | **(219)** | **(2,525)** |
| Non-debt assets (including cash reclassified as held for sale) and liabilities analysed as follows: | | | | | | |
| Non-current assets | **3,061** | **7,003** | **346** | **778** | **2,015** | **13,203** |
| Current assets | **1,611** | **2,558** | **489** | **326** | **466** | **5,450** |
| Non-current liabilities | **(616)** | **(1,481)** | **(92)** | **(270)** | **(71)** | **(2,530)** |
| Current liabilities | **(1,117)** | **(1,436)** | **(368)** | **(191)** | **(288)** | **(3,400)** |
| Non-controlling interests | **(5)** | **(4)** | **-** | **(12)** | **-** | **(21)** |
| Capital and reserves attributable to the Company's equity holders | **2,063** | **5,523** | **307** | **381** | **1,903** | **10,177** |
| The equivalent disclosure for the prior year is as follows: | | | | | | |
| Group net debt by major currency | (1,304) | (1,476) | (57) | 11 | (147) | (2,973) |
| Non-debt assets and liabilities analysed as follows: | | | | | | |
| Non-current assets | 3,378 | 6,293 | 433 | 796 | 2,113 | 13,013 |
| Current assets | 1,568 | 2,138 | 234 | 330 | 526 | 4,796 |
| Non-current liabilities | (522) | (1,221) | (107) | (169) | (77) | (2,096) |
| Current liabilities | (1,126) | (1,221) | (208) | (198) | (301) | (3,054) |
| Non-controlling interests | (8) | (3) | - | (12) | (1) | (24) |
| Capital and reserves attributable to the Company's equity holders | 1,986 | 4,510 | 295 | 758 | 2,113 | 9,662 |

(iii) The principal currencies included in this category are the Chinese Renminbi, the Polish Zloty, the Indian Rupee, the Ukrainian Hryvnia, the Canadian Dollar, the Israeli Shekel, the Turkish Lira and the Argentine Peso.

* *Excluding €33 million cash reclassified as held for sale which is analysed by major currency in current assets above.*

## 21. Capital and Financial Risk Management

### Capital management

*Overall summary*

The primary objectives of CRH's capital management strategy are to ensure that the Group maintains a strong credit rating to support its business and to create shareholder value by managing the debt and equity balance and the cost of capital. No changes were made in the objectives, policies or processes for managing capital during 2014.

The Board periodically reviews the capital structure of the Group, including the cost of capital and the risks associated with each class of capital. The Group manages and, if necessary, adjusts its capital structure taking account of underlying economic conditions; any material adjustments to the Group's capital structure in terms of the relative proportions of debt and equity are approved by the Board. In order to maintain or adjust the capital structure, the Group may issue new shares, dispose of assets, amend investment plans, alter dividend policy or return capital to shareholders. The Group is committed to optimising the use of its balance sheet within the confines of the overall objective to maintain an investment grade credit rating. Dividend cover for year ended 31 December 2014 amounted to 1.26 times (2013 before impairment charges and the related tax credit: 0.95 times).

The capital structure of the Group, which comprises net debt and capital and reserves attributable to the Company's equity holders, may be summarised as follows:

| | **2014**<br>**€m** | 2013<br>€m |
|---|---|---|
| Capital and reserves attributable to the Company's equity holders | **10,177** | 9,662 |
| Net debt | **2,492** | 2,973 |
| Capital and net debt | **12,669** | 12,635 |

### Financial risk management objectives and policies

The Group uses financial instruments throughout its businesses: interest-bearing loans and borrowings, cash and cash equivalents and finance leases are used to finance the Group's operations; trade receivables and trade payables arise directly from operations; and derivatives, principally interest rate and currency swaps and forward foreign exchange contracts, are used to manage interest rate risks and currency exposures and to achieve the desired profile of borrowings. The Group does not trade in financial instruments nor does it enter into any leveraged derivative transactions.

The Group's corporate treasury function provides services to the business units, co-ordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Group. The Head of Group Financial Operations reports to the General Manager of Finance and the activities of the corporate treasury function are subject to regular internal audit. Systems are in place to monitor and control the Group's liquidity risks. The Group's net debt position forms part of the monthly documentation presented to the Board of Directors.

The main risks attaching to the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. Commodity price risk arising from financial instruments is of minimal relevance given that exposure is confined to a small number of contracts entered into for the purpose of hedging future movements in energy costs. The Board reviews and agrees policies for the prudent management of each of these risks as documented below.

*Interest rate risk*

The Group's exposure to market risk for changes in interest rates stems predominantly from its long-term debt obligations. Interest cost is managed using a mix of fixed and floating rate debt. With the objective of managing this mix in a cost-efficient manner, the Group enters into interest rate swaps, under which the Group contracts to exchange, at predetermined intervals, the difference between fixed and variable interest amounts calculated by reference to a pre-agreed notional principal. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt and the cash flow exposures of issued floating rate debt.

The majority of these swaps are designated under IAS 39 *Financial Instruments: Recognition and Measurement* to hedge underlying debt obligations and qualify for hedge accounting; undesignated financial instruments are termed "not designated as hedges" in the analysis of derivative financial instruments presented in note 24. The following table demonstrates the impact on profit/(loss) before tax and total equity of a range of possible changes in the interest rates applicable to net floating rate borrowings, with all other variables held constant. These impacts are calculated based on the closing balance sheet for the relevant period and assume all floating interest rates and interest curves change by the same amount. For profit/(loss) before tax, the impact shown is the impact on closing balance sheet floating rate net debt for a full year while for total equity the impact shown is the impact on the value of financial instruments.

| | | | |
|---|---|---|---|
| Percentage change in cost of borrowings | | +/- 1% | +/- 0.5% |
| Impact on profit/(loss) before tax | **2014** | **+/- €21m** | **+/- €10m** |
| | 2013 | +/- €10m | +/- €5m |
| Impact on total equity | **2014** | **-/+ €5m** | **-/+ €2m** |
| | 2013 | -/+ €8m | -/+ €4m |

*Foreign currency risk*

Due to the nature of building materials, which in general exhibit a low value-to-weight ratio, CRH's activities are conducted primarily in the local currency of the country of operation resulting in low levels of foreign currency transaction risk; variances arising in this regard are reflected in operating costs or cost of sales in the Consolidated Income Statement in the period in which they arise.

Given the Group's presence in 34 countries worldwide, the principal foreign exchange risk arises from fluctuations in the euro value of the Group's net investment in a wide basket of currencies other than the euro; such changes are reported separately within the Consolidated Statement of Comprehensive Income. A currency profile of the Group's net debt and net worth is presented in note 20. The Group's established policy is to spread its net worth across the currencies of its various operations with the objective of limiting its exposure to individual currencies and thus promoting consistency with the geographical balance of its operations. In order to achieve this objective, the Group manages its borrowings, where practicable and cost effective, to hedge a portion of its foreign currency assets. Hedging is done using currency borrowings in the same currency as the assets being hedged or through the use of other hedging methods such as currency swaps.

The following table demonstrates the sensitivity of profit/(loss) before tax and equity to selected movements in the relevant US$/€ exchange rate (with all other variables held constant); the US Dollar has been selected as the appropriate currency for this analysis given the materiality of the Group's activities in the United States. The impact on profit/(loss) before tax is based on changing the US$/€ exchange rate used in calculating profit/(loss) before tax for the period. The impact on total equity and financial instruments is calculated by changing the US$/€ exchange rate used in measuring the closing balance sheet.

| Percentage change in relevant US$/€ exchange rate | | +/- 5% | +/- 2.5% |
|---|---|---|---|
| Impact on profit/(loss) before tax | **2014** | **-/+ €26m** | **-/+ €13m** |
| | 2013 | -/+ €14m | -/+ €7m |
| Impact on total equity* | **2014** | **-/+ €263m** | **-/+ €135m** |
| | 2013 | -/+ €215m | -/+ €110m |
| * Includes the impact on financial instruments which is as follows: | **2014** | **+/- €53m** | **+/- €27m** |
| | 2013 | +/- €70m | +/- €36m |

Financial instruments include deposits, money market funds, bank loans, medium term notes and other fixed term debt, interest rate swaps, commodity swaps and foreign exchange contracts. They exclude trade receivables and trade payables.

*Credit/counterparty risk*

In addition to cash at bank and in hand, the Group holds significant cash balances which are invested on a short-term basis and are classified as cash equivalents (see note 22). These deposits and other financial instruments (principally certain derivatives and loans and receivables included within financial assets) give rise to credit risk on amounts due from counterparty financial institutions (stemming from their insolvency or a downgrade in their credit ratings). Credit risk is managed by limiting the aggregate amount and duration of exposure to any one counterparty primarily depending on its credit rating and by regular review of these ratings. Acceptable credit ratings are high investment-grade ratings - generally counterparties have ratings of A2/A or higher from Moody's/Standard & Poor's ratings agencies. The maximum exposure arising in the event of default on the part of the counterparty (including insolvency) is the carrying value of the relevant financial instrument.

In its worldwide insurance programme, the Group carries appropriate levels of insurance for typical business risks (including product liability) with various leading insurance companies. However, in the event of the failure of one or more of its insurance counterparties, the Group could be impacted by losses where recovery from such counterparties is not possible.

Credit risk arising in the context of the Group's operations is not significant with the total bad debt provision at the balance sheet date amounting to 4.6% of gross trade receivables (2013: 5.5%). Customer credit risk is managed at appropriate Group locations according to established policies, procedures and controls. Customer credit quality is assessed in line with strict credit rating criteria and credit limits established where appropriate. Outstanding customer balances are regularly monitored and a review for indicators of impairment (evidence of financial difficulty of the customer, payment default, breach of contract etc.) is carried out at each reporting date. Significant balances are reviewed individually while smaller balances are grouped and assessed collectively. Receivables balances are in general unsecured and non-interest-bearing. The trade receivables balances disclosed in note 17 comprise a large number of customers spread across the Group's activities and geographies with balances classified as neither past due nor impaired representing 72% of the total trade receivables balance at the balance sheet date (2013: 72%); amounts receivable from related parties (notes 17 and 31) are immaterial. Factoring and credit guarantee arrangements are employed in certain of the Group's operations where deemed to be of benefit by operational management.

*Liquidity risk*

The principal liquidity risks faced by the Group stem from the maturation of debt obligations and derivative transactions. A downgrade of CRH's credit ratings may give rise to increases in funding costs in respect of future debt and may impair the Group's ability to raise funds on acceptable terms. The Group's corporate treasury function ensures that sufficient resources are available to meet such liabilities as they fall due through a combination of cash and cash equivalents, cash flows and undrawn committed bank facilities. Flexibility in funding sources is achieved through a variety of means including (i) maintaining cash and cash equivalents only with a diversity of highly-rated counterparties; (ii) limiting the maturity of such balances; (iii) borrowing the bulk of the Group's debt requirements under committed bank lines or other term financing; and (iv) having surplus committed lines of credit.

The undrawn committed facilities available to the Group as at the balance sheet date are quantified in note 23; these facilities span a wide number of highly-rated financial institutions thus minimising any potential exposure arising from concentrations in borrowing sources. The repayment schedule (analysed by maturity date) applicable to the Group's outstanding interest-bearing loans and borrowings as at the balance sheet date is also presented in note 23.

## 21. Capital and Financial Risk Management | continued

The tables below show the projected contractual undiscounted total cash outflows (principal and interest) arising from the Group's trade and other payables, gross debt and derivative financial instruments. The tables also include the gross cash inflows projected to arise from derivative financial instruments. These projections are based on the interest and foreign exchange rates applying at the end of the relevant financial year.

| | Within 1 year €m | Between 1 and 2 years €m | Between 2 and 3 years €m | Between 3 and 4 years €m | Between 4 and 5 years €m | After 5 years €m | Total €m |
|---|---|---|---|---|---|---|---|
| **At 31 December 2014** | | | | | | | |
| *Financial liabilities - cash outflows* | | | | | | | |
| Trade and other payables | **2,894** | **178** | **25** | **16** | **11** | **56** | **3,180** |
| Finance leases | **2** | **2** | **2** | **1** | **2** | **4** | **13** |
| Other interest-bearing loans and borrowings | **452** | **1,371** | **1** | **536** | **500** | **2,882** | **5,742** |
| Interest payments on other interest-bearing loans and borrowings | **253** | **207** | **157** | **137** | **90** | **305** | **1,149** |
| Cross-currency swaps - gross cash outflows | **1,729** | **-** | **-** | **-** | **-** | **-** | **1,729** |
| Gross projected cash outflows | **5,330** | **1,758** | **185** | **690** | **603** | **3,247** | **11,813** |
| *Derivative financial instruments - cash inflows* | | | | | | | |
| Interest rate swaps - net cash inflows | **(34)** | **(28)** | **(19)** | **(14)** | **(6)** | **(18)** | **(119)** |
| Cross-currency swaps - gross cash inflows | **(1,738)** | **-** | **-** | **-** | **-** | **-** | **(1,738)** |
| Gross projected cash inflows | **(1,772)** | **(28)** | **(19)** | **(14)** | **(6)** | **(18)** | **(1,857)** |

The equivalent disclosure for the prior year is as follows:

| | Within 1 year €m | Between 1 and 2 years €m | Between 2 and 3 years €m | Between 3 and 4 years €m | Between 4 and 5 years €m | After 5 years €m | Total €m |
|---|---|---|---|---|---|---|---|
| At 31 December 2013 | | | | | | | |
| *Financial liabilities - cash outflows* | | | | | | | |
| Trade and other payables | 2,754 | 140 | 20 | 22 | 22 | 128 | 3,086 |
| Finance leases | 3 | 2 | 1 | 6 | 1 | 2 | 15 |
| Other interest-bearing loans and borrowings | 955 | 353 | 1,203 | - | 472 | 2,445 | 5,428 |
| Interest payments on finance leases | 1 | 1 | - | - | - | - | 2 |
| Interest payments on other interest-bearing loans and borrowings | 263 | 214 | 178 | 134 | 116 | 318 | 1,223 |
| Cross-currency swaps - gross cash outflows | 2,196 | 327 | - | - | - | - | 2,523 |
| Gross projected cash outflows | 6,172 | 1,037 | 1,402 | 162 | 611 | 2,893 | 12,277 |
| *Derivative financial instruments - cash inflows* | | | | | | | |
| Interest rate swaps - net cash inflows | (40) | (30) | (20) | (12) | (13) | (22) | (137) |
| Cross-currency swaps - gross cash inflows | (2,183) | (308) | - | - | - | - | (2,491) |
| Gross projected cash inflows | (2,223) | (338) | (20) | (12) | (13) | (22) | (2,628) |

*Commodity price risk*

The fair value of derivatives used to hedge future energy costs was €19 million unfavourable as at the balance sheet date (2013: €4 million unfavourable).

## 22. Cash and Cash Equivalents

Cash and cash equivalents balances are spread across a wide number of highly-rated financial institutions. The credit risk attaching to these items is documented in note 21.

Cash and cash equivalents are included in the Consolidated Balance Sheet at fair value and are analysed as follows:

| | **2014 €m** | 2013 €m |
|---|---|---|
| Cash at bank and in hand | **689** | 582 |
| Investments (short-term deposits) | **2,573** | 1,958 |
| Total | **3,262** | 2,540 |

Cash at bank earns interest at floating rates based on daily deposit bank rates. Short-term deposits, which include bank and money market deposits, are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Cash and cash equivalents at fair value include the following for the purposes of the Consolidated Statement of Cash Flows:

| | | |
|---|---|---|
| Cash at bank and in hand | **689** | 582 |
| Investments (short-term deposits) | **2,573** | 1,958 |
| Cash at bank and in hand reclassified as held for sale | **33** | - |
| Total | **3,295** | 2,540 |

## 23. Interest-bearing Loans and Borrowings

**Loans and borrowings outstanding**

| | 2014<br>€m | 2013<br>€m |
|---|---|---|
| Bank overdrafts | **70** | 40 |
| Bank loans | **16** | 28 |
| Finance leases | **13** | 15 |
| Bonds and private placements | **5,750** | 5,439 |
| Other | **17** | 18 |
| Interest-bearing loans and borrowings* | **5,866** | 5,540 |

* *Including loans of €1 million (2013: €1 million) secured on specific items of property, plant and equipment; these figures do not include finance leases.*

**Maturity profile of loans and borrowings and undrawn committed facilities**

| | As at 31 December 2014 | | As at 31 December 2013 | |
|---|---|---|---|---|
| | Loans and borrowings<br>€m | Undrawn committed facilities**<br>€m | Loans and borrowings<br>€m | Undrawn committed facilities**<br>€m |
| Within one year | **447** | **22** | 961 | - |
| Between one and two years | **1,395** | **-** | 349 | 40 |
| Between two and three years | **-** | **-** | 1,240 | 1,625 |
| Between three and four years | **562** | **-** | 4 | 85 |
| Between four and five years | **505** | **2,641** | 506 | 200 |
| After five years | **2,957** | **-** | 2,480 | - |
| Total | **5,866** | **2,663** | 5,540 | 1,950 |

** *The Group manages its borrowing ability by entering into committed borrowing agreements. Revolving committed bank facilities are generally available to the Group for periods of up to five years from the date of inception. The figures shown above are the undrawn committed facilities available to be drawn by the Group at 31 December 2014.*

**Guarantees**

The Company has given letters of guarantee to secure obligations of subsidiary undertakings as follows: €5.8 billion in respect of loans, bank advances, derivative obligations and future lease obligations (2013: €5.5 billion), €288 million in respect of letters of credit (2013: €270 million) and €5 million in respect of other obligations (2013: €nil million).

Pursuant to the provisions of Section 17, Companies (Amendment) Act, 1986, the Company has guaranteed the liabilities of its wholly-owned subsidiary undertakings and the Oldcastle Finance Company and Oldcastle North America Funding Company general partnerships in the Republic of Ireland for the financial year ended 31 December 2014 and, as a result, such subsidiary undertakings and the general partnerships have been exempted from the filing provisions of Section 7, Companies (Amendment) Act, 1986 and Regulation 20 of the European Communities (Accounts) Regulations, 1993 respectively.

**Lender covenants**

The Group's major bank facilities and debt issued pursuant to Note Purchase Agreements in private placements require the Group to maintain certain financial covenants. Non-compliance with financial covenants would give the relevant lenders the right to terminate facilities and demand early repayment of any sums drawn thereunder thus altering the maturity profile of the Group's debt and the Group's liquidity. Calculations for financial covenants are completed for twelve-month periods half-yearly on 30 June and 31 December. The Group was in full compliance with its financial covenants throughout each of the periods presented. The Group is not aware of any stated events of default as defined in the Agreements.

The financial covenants are:

(1) *Minimum interest cover* defined as PBITDA/net interest (all as defined in the relevant agreement) cover at no lower than 4.5 times. As at 31 December 2014 the ratio was 7.0 times (2013: 6.3 times);

(2) *Minimum net worth* defined as total equity plus deferred tax liabilities and capital grants less repayable capital grants being in aggregate no lower than €5.0 billion (2013: €5.1 billion) (such minimum being adjusted for foreign exchange translation impacts). As at 31 December 2014 net worth (as defined in the relevant agreement) was €11.5 billion (2013: €10.9 billion).

## 24. Derivative Financial Instruments

The fair values of derivative financial instruments are analysed by year of maturity and by accounting designation as follows:

| | Fair value hedges €m | Cash flow hedges €m | Net investment hedges €m | Not designated as hedges €m | Total €m |
|---|---|---|---|---|---|
| **At 31 December 2014** | | | | | |
| **Derivative assets** | | | | | |
| Within one year - current assets | **-** | **2** | **13** | **-** | **15** |
| Between one and two years | **22** | **-** | **-** | **-** | **22** |
| Between three and four years | **26** | **-** | **-** | **-** | **26** |
| Between four and five years | **-** | **-** | **-** | **9** | **9** |
| After five years | **30** | **-** | **-** | **-** | **30** |
| Non-current assets | **78** | **-** | **-** | **9** | **87** |
| Total derivative assets | **78** | **2** | **13** | **9** | **102** |
| **Derivative liabilities** | | | | | |
| Within one year - current liabilities | **-** | **(7)** | **(4)** | **(9)** | **(20)** |
| Between one and two years | **-** | **(1)** | **-** | **-** | **(1)** |
| Between two and three years | **-** | **(1)** | **-** | **-** | **(1)** |
| Between three and four years | **-** | **(1)** | **-** | **-** | **(1)** |
| Non-current liabilities | **-** | **(3)** | **-** | **-** | **(3)** |
| Total derivative liabilities | **-** | **(10)** | **(4)** | **(9)** | **(23)** |
| Net asset arising on derivative financial instruments | **78** | **(8)** | **9** | **-** | **79** |

The equivalent disclosure for the prior year is as follows:

| | Fair value hedges €m | Cash flow hedges €m | Net investment hedges €m | Not designated as hedges €m | Total €m |
|---|---|---|---|---|---|
| At 31 December 2013 | | | | | |
| Derivative assets | | | | | |
| Within one year - current assets | 9 | - | 8 | - | 17 |
| Between two and three years | 30 | - | - | - | 30 |
| Between four and five years | 28 | - | - | - | 28 |
| After five years | - | - | - | 5 | 5 |
| Non-current assets | 58 | - | - | 5 | 63 |
| Total derivative assets | 67 | - | 8 | 5 | 80 |
| Derivative liabilities | | | | | |
| Within one year - current liabilities | - | (2) | (17) | - | (19) |
| Between one and two years | - | (21) | - | - | (21) |
| Between two and three years | - | (1) | - | - | (1) |
| Between three and four years | - | (1) | - | - | (1) |
| After five years | (11) | - | - | - | (11) |
| Non-current liabilities | (11) | (23) | - | - | (34) |
| Total derivative liabilities | (11) | (25) | (17) | - | (53) |
| Net asset arising on derivative financial instruments | 56 | (25) | (9) | 5 | 27 |

## 24. Derivative Financial Instruments | continued

At 31 December 2014 and 2013, the Group had no master netting or similar arrangements, collateral posting requirements, and enforceable right of set-off agreements with any of its derivative counterparts.

Fair value hedges consist of interest rate swaps and currency swaps. These instruments hedge risks arising from changes in asset/liability fair values due to interest rate and foreign exchange rate movements.

Cash flow hedges consist of forward foreign exchange and commodity contracts and interest rate and currency swaps. These instruments hedge risks arising to future cash flows from movements in foreign exchange rates, commodity prices and interest rates. Cash flow hedges are expected to affect profit and loss over the period to maturity.

Net investment hedges comprise cross-currency swaps and hedge changes in the value of net investments due to currency movements.

The profit/(loss) arising on fair value, cash flow, net investment hedges and related hedged items reflected in the Consolidated Income Statement is shown below:

| | **2014**<br>**€m** | 2013<br>€m |
|---|---|---|
| Fair value of hedge instruments | **15** | (68) |
| Fair value of the hedged items | **(16)** | 71 |

**Components of other comprehensive income - cash flow hedges**

| | | |
|---|---|---|
| Losses arising during the year: | | |
| - commodity forward contracts | **(6)** | (2) |

| **Fair value hierarchy** | **2014**<br>**Level 2**<br>**€m** | 2013<br>Level 2<br>€m |
|---|---|---|
| *Assets measured at fair value* | | |
| Fair value hedges - cross currency and interest rate swaps | **78** | 67 |
| Net investment hedges - cross currency swaps | **13** | 8 |
| Not designated as hedges (held-for-trading) - interest rate swaps | **9** | 5 |
| Cash flow hedges - cross currency, interest rate swaps and commodity forwards | **2** | - |
| Total | **102** | 80 |
| *Liabilities measured at fair value* | | |
| Fair value hedges - cross currency and interest rate swaps | **-** | (11) |
| Cash flow hedges - cross currency, interest rate swaps and commodity forwards | **(10)** | (25) |
| Net investment hedges - cross currency swaps | **(4)** | (17) |
| Not designated as hedges (held-for-trading) - interest rate swaps | **(9)** | - |
| Total | **(23)** | (53) |

At 31 December 2014 and 2013 there were no derivatives valued using Level 1 or Level 3 fair value techniques. Valuation methods for Levels 1, 2 and 3 are described in the "fair value hierarchy" section of the accounting policies on page 114.

## 25. Provisions for Liabilities

| Net present cost | At 1 January €m | Translation adjustment €m | Arising on acquisition (note 30) €m | Provided during year €m | Utilised during year €m | Reclassified as held for sale €m | Reversed unused €m | Discount unwinding €m | At 31 December €m |
|---|---|---|---|---|---|---|---|---|---|
| **31 December 2014** | | | | | | | | | |
| Insurance (i) | **181** | **20** | **-** | **52** | **(50)** | **-** | **(3)** | **8** | **208** |
| Environment and remediation (ii) | **87** | **5** | **-** | **12** | **(4)** | **(4)** | **(4)** | **4** | **96** |
| Rationalisation and redundancy (iii) | **43** | **1** | **-** | **30** | **(48)** | **-** | **(3)** | **1** | **24** |
| Other (iv) | **69** | **1** | **1** | **14** | **(8)** | **(3)** | **(9)** | **3** | **68** |
| Total | **380** | **27** | **1** | **108** | **(110)** | **(7)** | **(19)** | **16** | **396** |
| | | | | | | | | | |
| Analysed as: | | | | | | | | | |
| Non-current liabilities | **231** | | | | | | | | **257** |
| Current liabilities | **149** | | | | | | | | **139** |
| Total | **380** | | | | | | | | **396** |

The equivalent disclosure for the prior year is as follows:

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 31 December 2013 | | | | | | | | | |
| Insurance (i) | 191 | (7) | - | 42 | (50) | - | (4) | 9 | 181 |
| Environment and remediation (ii) | 82 | (1) | 5 | 6 | (4) | - | (4) | 3 | 87 |
| Rationalisation and redundancy (iii) | 26 | - | 5 | 55 | (38) | - | (6) | 1 | 43 |
| Other (iv) | 67 | (1) | 4 | 14 | (11) | - | (6) | 2 | 69 |
| Total | 366 | (9) | 14 | 117 | (103) | - | (20) | 15 | 380 |
| | | | | | | | | | |
| Analysed as: | | | | | | | | | |
| Non-current liabilities | 256 | | | | | | | | 231 |
| Current liabilities | 110 | | | | | | | | 149 |
| Total | 366 | | | | | | | | 380 |

(i) This provision relates to actual and potential obligations arising under the self-insurance components of the Group's insurance arrangements which comprise employers' liability (workers' compensation in the United States), public and products liability (general liability in the United States), automobile liability, property damage, business interruption and various other insurances; a substantial proportion of the total provision pertains to claims which are classified as "incurred but not reported". Due to the extended timeframe associated with many of the insurances, a significant proportion of the total provision is subject to periodic actuarial valuation. The projected cash flows underlying the discounting process are established through the application of actuarial triangulations, which are extrapolated from historical claims experience. The triangulations applied in the discounting process indicate that the Group's insurance provisions have an average life of six years (2013: six years).

(ii) This provision comprises obligations governing site remediation and improvement costs to be incurred in compliance with either local or national environmental regulations together with constructive obligations stemming from established best practice. Whilst a significant element of the total provision will reverse in the medium-term (two to ten years), the majority of the legal and constructive obligations applicable to long-lived assets (principally mineral-bearing land) will unwind over a 30-year timeframe. In discounting the related obligations, expected future cash outflows have been determined with due regard to extraction status and anticipated remaining life.

(iii) These provisions relate to irrevocable commitments under various rationalisation and redundancy programmes, none of which is individually material to the Group. In 2014, €30 million (2013: €55 million) was provided in respect of rationalisation and redundancy activities as a consequence of undertaking various cost reduction initiatives across all operations. These initiatives included removing excess capacity from manufacturing and distribution networks and scaling operations to match market supply and demand; implementation of these initiatives resulted in a reduction in staffing levels in all business segments over recent years. The Group expects that these provisions will be utilised within one to two years of the balance sheet date (2013: one to two years).

(iv) This includes provisions relating to guarantees and warranties of €13 million (2013: €14 million) throughout the Group at 31 December 2014. The Group expects that these provisions will be utilised within two years of the balance sheet date (2013: two years).

**Discount rate sensitivity analysis**

All non-current provisions are discounted at a rate of 5% (2013: 5%), consistent with the average effective interest rate for the Group's borrowings. There is €nil million impact (2013: €nil million) on profit before tax of a 1% change in the discount rate applicable to provisions, with all other variables held constant.

## 26. Deferred Income Tax

The deductible and taxable temporary differences in respect of which deferred tax has been recognised are as follows:

| | 2014 €m | 2013 €m |
|---|---|---|
| **Reported in balance sheet after offset** | | |
| Deferred tax liabilities | **1,305** | 1,166 |
| Deferred tax assets | **(171)** | (107) |
| Net deferred income tax liability | **1,134** | 1,059 |
| **Deferred income tax assets (deductible temporary differences)** | | |
| Deficits on Group retirement benefit obligations (note 27) | **140** | 74 |
| Revaluation of derivative financial instruments to fair value | **14** | 15 |
| Tax loss carryforwards | **97** | 98 |
| Share-based payment expense | **2** | 2 |
| Provisions for liabilities and working capital-related items | **187** | 144 |
| Other deductible temporary differences | **37** | 38 |
| Total | **477** | 371 |

Deferred income tax assets have been recognised in respect of all deductible temporary differences, with the exception of some tax loss carryforwards. The amount of tax losses where recovery is not probable and is therefore not recognised in the Consolidated Balance Sheet is €937 million (2013: €712 million). The vast majority will expire post 2019 (2013: 2018).

| | 2014 €m | 2013 €m |
|---|---|---|
| **Deferred income tax liabilities (taxable temporary differences)** | | |
| Taxable temporary differences principally attributable to accelerated tax depreciation and fair value adjustments arising on acquisition (i) | **1,575** | 1,400 |
| Revaluation of derivative financial instruments to fair value | **18** | 13 |
| Rolled-over capital gains | **18** | 17 |
| Total | **1,611** | 1,430 |

(i) Fair value adjustments arising on acquisition principally relate to property, plant and equipment.

| | 2014 €m | 2013 €m |
|---|---|---|
| **Movement in net deferred income tax liability** | | |
| At 1 January | **1,059** | 1,041 |
| Translation adjustment | **125** | (37) |
| Net expense for the year (note 10) | **36** | 4 |
| Arising on acquisition (note 30) | **2** | 8 |
| Reclassified as held for sale | **(19)** | - |
| Movement in deferred tax asset on Group retirement benefit obligations | **(69)** | 43 |
| At 31 December | **1,134** | 1,059 |

## 27. Retirement Benefit Obligations

The Group operates either defined benefit or defined contribution pension schemes in all of its principal operating areas. The disclosures included below relate to all pension schemes in the Group, including any schemes reclassified as held for sale.

The Group operates defined benefit pension schemes in the Republic of Ireland, Britain and Northern Ireland, the Netherlands, Belgium, Germany, Switzerland and the United States; for the purposes of the disclosures which follow, the schemes in the Republic of Ireland, the Netherlands, Belgium and Germany have been aggregated into a "Eurozone" category on the basis of common currency and financial assumptions. The majority of the defined benefit pension schemes operated by the Group are funded as disclosed in the analysis of the defined benefit obligation presented below with unfunded schemes restricted to one scheme in each of the Netherlands and the United States and three schemes in Germany.

All funded defined benefit schemes are administered by separate funds that are legally separate from the Group under the jurisdiction of Trustees. Each of the Group's schemes operate under broadly similar regulatory frameworks. The Trustees of the various pension funds in existence across the Group are required by law and by their Articles of Association to act in the best interests of the scheme participants and are responsible for the definition of investment strategy and for scheme administration. The level of benefits available to members depends on length of service and either their average salary over their period of employment or their salary in the final years leading up to retirement. The Group's pension schemes in Switzerland are contribution-based schemes with guarantees to provide further contributions in the event that certain targets are not met largely in relation to investment return and the annuity conversion factor on retirement.

Provision has been made in the financial statements for post-retirement healthcare obligations in respect of certain current and former employees principally in the United States and for long-term service commitments in respect of certain employees in the Eurozone and Switzerland. These obligations are unfunded in nature and the required disclosures form part of this note.

**Defined benefit pension schemes - principal risks**

Through its defined benefit pension schemes and post-retirement healthcare plans, the Group is exposed to a number of risks, the most significant of which are detailed below:

*Asset volatility:* Under IFRS, the assets of the Group's defined benefit pension schemes are reported at fair value (using bid prices, where relevant). The majority of the schemes' assets comprise of equities, bonds and property all of which may fluctuate significantly in value from period to period. Given that liabilities are discounted to present value based on bond yields and that bond prices are inversely related to yields, an increase in the liability discount rate (which would reduce liabilities) would reduce bond values though not necessarily by an equal magnitude.

Given the maturity of certain of the Group's funded defined benefit pension schemes, de-risking frameworks have been introduced to mitigate deficit volatility and enable better matching of investment returns with the cash outflows related to benefit obligations. These frameworks entail the usage of asset-liability matching techniques whereby triggers are set for the conversion of equity holdings into bonds of similar average duration to the relevant liabilities.

*Discount rates:* The discount rates employed in determining the present value of the schemes' liabilities are determined by reference to market yields at the balance sheet date on high-quality corporate bonds of a currency and term consistent with the currency and term of the associated post-employment benefit obligations. Changes in discount rates impact the quantum of liabilities as discussed above.

*Inflation risk:* Some of the Group's pension obligations have an inflation linkage; higher inflation will lead to higher liabilities (although in most cases, caps on the level of inflationary increases are in place to protect the scheme against extreme inflation).

*Longevity risk:* In the majority of cases, the Group's defined benefit pension schemes provide benefits for life with spousal and dependent child reversionary provisions; increases in life expectancy will therefore give rise to higher liabilities.

**Financial assumptions - scheme liabilities**

The major long-term assumptions used by the Group's actuaries in the computation of scheme liabilities as at 31 December 2014 and 31 December 2013 are as follows:

| | **Eurozone** | | **Britain and Northern Ireland** | | **Switzerland** | | **United States** | |
|---|---|---|---|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 |
| | **%** | % | **%** | % | **%** | % | **%** | % |
| Rate of increase in: | | | | | | | | |
| - salaries | **3.75** | 4.00 | **4.00** | 4.30 | **2.25** | 2.25 | **3.50** | 3.50 |
| - pensions in payment | **1.75** | 2.00 | **3.00-3.20** | 3.00-3.50 | **-** | 0.25 | **-** | - |
| Inflation | **1.75** | 2.00 | **3.00** | 3.30 | **1.25** | 1.25 | **2.00** | 2.00 |
| Discount rate | **2.00** | 3.70 | **3.50** | 4.60 | **1.15** | 2.35 | **3.80** | 4.70 |
| Medical cost trend rate | **n/a** | n/a | **n/a** | n/a | **n/a** | n/a | **16.70** | 7.40 |

The mortality assumptions employed in determining the present value of scheme liabilities under IAS 19 *Employee Benefits* are in accordance with the underlying funding valuations and represent actuarial best practice in the relevant jurisdictions taking account of mortality experience and industry circumstances. With regard to the most material of the Group's schemes, the future life expectations factored into the relevant valuations, based on retirement at 65 years of age for current and future retirees, are as follows:

| | **Republic of Ireland** | | **Britain and Northern Ireland** | | **Switzerland** | |
|---|---|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 |
| Current retirees | | | | | | |
| - male | **22.8** | 22.7 | **23.2** | 23.2 | **21.3** | 21.3 |
| - female | **24.9** | 24.9 | **25.8** | 25.7 | **23.8** | 23.8 |
| Future retirees | | | | | | |
| - male | **25.8** | 25.7 | **25.6** | 25.5 | **23.5** | 23.5 |
| - female | **26.8** | 26.7 | **28.2** | 28.2 | **25.9** | 25.9 |

The above data allow for future improvements in life expectancy.

## 27. Retirement Benefit Obligations | continued

### Impact on Consolidated Income Statement

The total retirement benefit expense in the Consolidated Income Statement is as follows:

| | **2014**<br>**€m** | 2013<br>€m |
|---|---|---|
| Total defined contribution expense | **152** | 149 |
| Total defined benefit expense | **63** | 52 |
| Total expense in Consolidated Income Statement | **215** | 201 |

At 31 December 2014, €44 million (2013: €34 million) was included in other payables in respect of defined contribution pension liabilities.

*Analysis of defined benefit expense*

| | **Eurozone** | | **Britain and Northern Ireland** | | **Switzerland** | | **United States** | | **Total Group** | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2014**<br>**€m** | 2013<br>€m | **2014**<br>**€m** | 2013<br>€m | **2014**<br>**€m** | 2013<br>€m | **2014**<br>**€m** | 2013<br>€m | **2014**<br>**€m** | 2013<br>€m |
| Charged in arriving at Group profit before finance costs: | | | | | | | | | | |
| Current service cost | **11** | 11 | **14** | 13 | **24** | 27 | **2** | - | **51** | 51 |
| Administration expenses | **1** | 1 | **2** | 1 | **-** | 1 | **-** | - | **3** | 3 |
| Past service costs | **(5)** | (6) | **-** | (3) | **-** | (15) | **-** | - | **(5)** | (24) |
| | **7** | 6 | **16** | 11 | **24** | 13 | **2** | - | **49** | 30 |
| Included in finance income and finance costs respectively: | | | | | | | | | | |
| Interest income on scheme assets | **(29)** | (27) | **(31)** | (26) | **(16)** | (12) | **(9)** | (6) | **(85)** | (71) |
| Interest cost on scheme liabilities | **37** | 39 | **34** | 30 | **17** | 14 | **11** | 10 | **99** | 93 |
| Net interest expense | **8** | 12 | **3** | 4 | **1** | 2 | **2** | 4 | **14** | 22 |
| Net charge to Consolidated Income Statement | **15** | 18 | **19** | 15 | **25** | 15 | **4** | 4 | **63** | 52 |

Past service costs also include curtailment and settlement gains. During 2014, there were no significant curtailment or settlement gains (2013: curtailment gain of €15 million). The prior year curtailment gain arose due to the implementation of changes to the terms of a number of the Group's defined benefit pension schemes in Switzerland.

No reimbursement rights have been recognised as assets in accordance with IAS 19.

### Reconciliation of scheme assets (bid value)

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| At 1 January | **790** | 710 | **662** | 597 | **683** | 661 | **179** | 174 | **2,314** | 2,142 |
| *Movement in year* | | | | | | | | | | |
| Administration expenses | **(1)** | (1) | **(2)** | (1) | **-** | (1) | **-** | - | **(3)** | (3) |
| Interest income on scheme assets | **29** | 27 | **31** | 26 | **16** | 12 | **9** | 6 | **85** | 71 |
| Remeasurement adjustments | | | | | | | | | | |
| - *return on scheme assets excluding interest income* | **87** | 30 | **54** | 44 | **34** | 25 | **4** | 9 | **179** | 108 |
| Employer contributions paid | **72** | 70 | **19** | 28 | **17** | 17 | **7** | 9 | **115** | 124 |
| Contributions paid by plan participants | **3** | 3 | **-** | - | **10** | 10 | **-** | - | **13** | 13 |
| Benefit and settlement payments | **(45)** | (49) | **(25)** | (21) | **(30)** | (31) | **(14)** | (11) | **(114)** | (112) |
| Reclassified as held for sale | **-** | - | **(633)** | - | **-** | - | **-** | - | **(633)** | - |
| Translation adjustment | **-** | - | **49** | (11) | **15** | (10) | **26** | (8) | **90** | (29) |
| At 31 December | **935** | 790 | **155** | 662 | **745** | 683 | **211** | 179 | **2,046** | 2,314 |

## 27. Retirement Benefit Obligations | continued

### Reconciliation of actuarial value of liabilities

| | Eurozone | | Britain and Northern Ireland | | Switzerland | | United States | | Total Group | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| | €m | €m | €m | €m | €m | €m | €m | €m | €m | €m |
| At 1 January | (1,045) | (1,054) | (723) | (705) | (727) | (765) | (229) | (271) | (2,724) | (2,795) |
| *Movement in year* | | | | | | | | | | |
| Current service cost | (11) | (11) | (14) | (13) | (24) | (27) | (2) | - | (51) | (51) |
| Past service costs | 5 | 6 | - | 3 | - | 15 | - | - | 5 | 24 |
| Interest cost on scheme liabilities | (37) | (39) | (34) | (30) | (17) | (14) | (11) | (10) | (99) | (93) |
| Remeasurement adjustments | | | | | | | | | | |
| *- experience variations* | 20 | 23 | 1 | 2 | 7 | 17 | - | - | 28 | 42 |
| *- actuarial (loss)/gain from changes in financial assumptions* | (306) | (16) | (129) | (13) | (142) | 64 | (27) | 30 | (604) | 65 |
| *- actuarial loss from changes in demographic assumptions* | - | - | - | (2) | - | (51) | (17) | - | (17) | (53) |
| Contributions paid by plan participants | (3) | (3) | - | - | (10) | (10) | - | - | (13) | (13) |
| Benefit and settlement payments | 45 | 49 | 25 | 21 | 30 | 31 | 14 | 11 | 114 | 112 |
| Reclassified as held for sale | - | - | 714 | - | - | - | - | - | 714 | - |
| Translation adjustment | - | - | (56) | 14 | (17) | 13 | (37) | 11 | (110) | 38 |
| At 31 December | (1,332) | (1,045) | (216) | (723) | (900) | (727) | (309) | (229) | (2,757) | (2,724) |
| | | | | | | | | | | |
| Recoverable deficit in schemes | (397) | (255) | (61) | (61) | (155) | (44) | (98) | (50) | (711) | (410) |
| Related deferred income tax asset | 59 | 39 | 12 | 6 | 30 | 9 | 39 | 20 | 140 | 74 |
| Net pension liability | (338) | (216) | (49) | (55) | (125) | (35) | (59) | (30) | (571) | (336) |

During the year, there were no settlement payments (2013: €11 million) made in respect of the Group's schemes.

### Split of scheme liabilities - funded and unfunded

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Funded defined benefit pension schemes | (1,274) | (999) | (930) | (723) | (894) | (722) | (297) | (219) | (3,395) | (2,663) |
| Unfunded defined benefit pension schemes | (52) | (40) | - | - | - | - | (8) | (7) | (60) | (47) |
| Total - defined benefit pension schemes | (1,326) | (1,039) | (930) | (723) | (894) | (722) | (305) | (226) | (3,455) | (2,710) |
| Post-retirement healthcare obligations (unfunded) | - | - | - | - | - | - | (4) | (3) | (4) | (3) |
| Long-term service commitments (unfunded) | (6) | (6) | - | - | (6) | (5) | - | - | (12) | (11) |
| Actuarial value of liabilities (present value) | (1,332) | (1,045) | (930) | (723) | (900) | (727) | (309) | (229) | (3,471) | (2,724) |
| Reclassified as held for sale | - | - | 714 | - | - | - | - | - | 714 | - |
| Actuarial value of liabilities (present value) excluding schemes reclassified as held for sale | (1,332) | (1,045) | (216) | (723) | (900) | (727) | (309) | (229) | (2,757) | (2,724) |

### Sensitivity analysis

The impact of a movement (as indicated below) in the principal actuarial assumptions would be as follows:

| | | Eurozone | Britain and Northern Ireland | Switzerland | United States | Total Group |
|---|---|---|---|---|---|---|
| | | 2014 | 2014 | 2014 | 2014 | 2014 |
| | | €m | €m | €m | €m | €m |
| Scheme liabilities at 31 December 2014 | | (1,332) | (930) | (900) | (309) | (3,471) |
| *Revised liabilities* | | | | | | |
| Discount rate | Decrease by 0.25% | (1,398) | (979) | (941) | (320) | (3,638) |
| Inflation rate | Increase by 0.25% | (1,394) | (965) | (900) | (309) | (3,568) |
| Life expectancy | Increase by 1 year | (1,376) | (963) | (921) | (319) | (3,579) |

The above sensitivity analysis is derived through changing the individual assumption while holding all other assumptions constant.

## 27. Retirement Benefit Obligations | continued

**Split of scheme assets**

| | Eurozone | | Britain and Northern Ireland | | Switzerland | | United States | | Total Group | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 |
| | **€m** | €m | **€m** | €m | **€m** | €m | **€m** | €m | **€m** | €m |
| *Investments quoted in active markets* | | | | | | | | | | |
| Equity instruments: | | | | | | | | | | |
| - Developed markets | **281** | 262 | **329** | 340 | **260** | 229 | **69** | 92 | **939** | 923 |
| - Emerging markets | **10** | 12 | **55** | 53 | **-** | - | **-** | - | **65** | 65 |
| Debt instruments: | | | | | | | | | | |
| - Non Government debt instruments | **279** | 29 | **166** | 139 | **226** | 210 | **59** | 26 | **730** | 404 |
| - Government debt instruments | **265** | 390 | **165** | 69 | **65** | 58 | **67** | 51 | **562** | 568 |
| Property | **37** | 29 | **41** | 43 | **31** | 68 | **-** | - | **109** | 140 |
| Cash and cash equivalents | **16** | 47 | **2** | 1 | **-** | 2 | **16** | 4 | **34** | 54 |
| Investment funds | **24** | 12 | **17** | 9 | **-** | - | **-** | 6 | **41** | 27 |
| Assets held by insurance company | **-** | - | **-** | - | **-** | 5 | **-** | - | **-** | 5 |
| *Unquoted investments* | | | | | | | | | | |
| Equity instruments: | | | | | | | | | | |
| - Developed markets | **-** | - | **-** | - | **1** | - | **-** | - | **1** | - |
| - Emerging markets | **-** | - | **6** | - | **-** | - | **-** | - | **6** | - |
| Debt instruments: | | | | | | | | | | |
| - Non Government debt instruments | **-** | - | **-** | - | **2** | - | **-** | - | **2** | - |
| Property | **3** | 2 | **-** | - | **97** | 68 | **-** | - | **100** | 70 |
| Cash and cash equivalents | **17** | 4 | **7** | 2 | **44** | 31 | **-** | - | **68** | 37 |
| Investment funds | **-** | - | **-** | 6 | **-** | - | **-** | - | **-** | 6 |
| Assets held by insurance company | **3** | 3 | **-** | - | **19** | 12 | **-** | - | **22** | 15 |
| Total assets | **935** | 790 | **788** | 662 | **745** | 683 | **211** | 179 | **2,679** | 2,314 |
| Reclassified as held for sale | **-** | - | **(633)** | - | **-** | - | **-** | - | **(633)** | - |
| Total excluding schemes reclassified as held for sale | **935** | 790 | **155** | 662 | **745** | 683 | **211** | 179 | **2,046** | 2,314 |

**Actuarial valuations - funding requirements and future cash flows**

In accordance with statutory requirements in Ireland and Britain (minimum funding requirements), additional annual contributions and lump-sum payments are required to certain of the schemes in place in those jurisdictions. The funding requirements in relation to the Group's defined benefit schemes are assessed in accordance with the advice of independent and qualified actuaries and valuations are prepared in this regard either annually, where local requirements mandate that this be done, or at triennial intervals at a maximum in all other cases. In Ireland and Britain, either the attained age or projected unit credit methods are used in the valuations. In the Netherlands and Switzerland, the actuarial valuations reflect the current unit method, while the valuations are performed in accordance with the projected unit credit methodology in Germany. In the United States, valuations are performed using a variety of actuarial cost methodologies - current unit, projected unit and aggregate cost. The dates of the actuarial valuations range from April 2011 to January 2014.

In general, actuarial valuations are not available for public inspection; however, the results of valuations are advised to the members of the various schemes on request.

The maturity profile of the Group's contracted payments (on a discounted basis) to certain schemes in the Eurozone (Ireland) and Britain and Northern Ireland is as follows:

| | Eurozone | | Britain and Northern Ireland | | Total | |
|---|---|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 |
| | **€m** | €m | **€m** | €m | **€m** | €m |
| Within one year | **18** | 18 | **8** | 7 | **26** | 25 |
| Between one and two years | **17** | 17 | **8** | 7 | **25** | 24 |
| Between two and three years | **17** | 16 | **7** | 7 | **24** | 23 |
| Between three and four years | **17** | 16 | **7** | 6 | **24** | 22 |
| Between four and five years | **-** | 15 | **7** | 6 | **7** | 21 |
| After five years | **-** | - | **48** | 47 | **48** | 47 |
| | **69** | 82 | **85** | 80 | **154** | 162 |

Total contracted payments disclosed above include commitments of €65 million in relation to schemes reclassified as held for sale. Employer contributions payable in the 2015 financial year including minimum funding payments (expressed using year-end exchange rates for 2014) are estimated at €191 million of which €96 million relates to schemes reclassified as held for sale.

**Average duration and scheme composition**

| | Eurozone | | Britain and Northern Ireland | | Switzerland | | United States | |
|---|---|---|---|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 |
| Average duration of defined benefit obligation (years) | **16.0** | 15.9 | **17.5** | 18.1 | **16.0** | 16.0 | **12.0** | 13.3 |
| Allocation of defined benefit obligation by participant: | | | | | | | | |
| Active plan participants | **37%** | 39% | **27%** | 27% | **85%** | 86% | **35%** | 36% |
| Deferred plan participants | **21%** | 20% | **34%** | 34% | **-** | - | **30%** | 30% |
| Retirees | **42%** | 41% | **39%** | 39% | **15%** | 14% | **35%** | 34% |

## 28. Share Capital and Reserves

| **Equity Share Capital** | **2014** | | 2013 | |
|---|---|---|---|---|
| | **Ordinary Shares of €0.32 each** (i) | **Income Shares of €0.02 each** (ii) | Ordinary Shares of €0.32 each (i) | Income Shares of €0.02 each (ii) |
| *Authorised* | | | | |
| At 1 January 2014 and 31 December 2014 (€m) | **320** | **20** | 320 | 20 |
| Number of Shares at 1 January 2014 and 31 December 2014 ('000s) | **1,000,000** | **1,000,000** | 1,000,000 | 1,000,000 |
| *Allotted, called-up and fully paid* | | | | |
| At 1 January (€m) | **237** | **14** | 235 | 14 |
| Issue of scrip shares in lieu of cash dividends (iii) | **2** | **-** | 2 | - |
| At 31 December (€m) | **239** | **14** | 237 | 14 |

The movement in the number of shares (expressed in '000s) during the financial year was as follows:

| | | | | |
|---|---|---|---|---|
| At 1 January | **739,231** | **739,231** | 733,821 | 733,821 |
| Issue of scrip shares in lieu of cash dividends (iii) | **5,294** | **5,294** | 5,410 | 5,410 |
| At 31 December | **744,525** | **744,525** | 739,231 | 739,231 |

(i) The Ordinary Shares represent 93.68% of the total issued share capital.

(ii) The Income Shares, which represent 5.85% of the total issued share capital, were created on 29 August 1988 for the express purpose of giving shareholders the choice of receiving dividends on either their Ordinary Shares or on their Income Shares (by notice of election to the Company). The Income Shares carried a different tax credit to the Ordinary Shares. The creation of the Income Shares was achieved by the allotment of fully paid Income Shares to each shareholder equal to his/her holding of Ordinary Shares but the shareholder is not entitled to an Income Share certificate, as a certificate for Ordinary Shares is deemed to include an equal number of Income Shares and a shareholder may only sell, transfer or transmit Income Shares with an equivalent number of Ordinary Shares. Income Shares carry no voting rights. Due to changes in Irish tax legislation since the creation of the Income Shares, dividends on the Company's shares no longer carry a tax credit. As elections made by shareholders to receive dividends on their holding of Income Shares were no longer relevant, the Articles of Association were amended on 8 May 2002 to cancel such elections.

*Share schemes*
The aggregate number of shares which may be committed for issue in respect of any share option scheme, savings-related share option scheme, share participation scheme, performance share plan or any subsequent option scheme or share plan, may not exceed 10% of the issued ordinary share capital from time to time.

Share option schemes
Details of share options granted under the Company's share option schemes and the terms attaching thereto are provided in note 7 to the financial statements and on page 76 of the Directors' Remuneration Report.

| | **Number of Shares** | |
|---|---|---|
| | **2014** | 2013 |
| Options exercised during the year (satisfied by the reissue of Treasury Shares) | **1,307,406** | 1,310,187 |

Share participation schemes
As at 31 December 2014, 7,509,125 (2013: 7,386,047) Ordinary Shares had been appropriated to participation schemes. In the financial year ended 31 December 2014, the appropriation of 123,078 shares was satisfied by the reissue of Treasury Shares (2013: 113,415). The Ordinary Shares appropriated pursuant to these schemes were issued at market value on the dates of appropriation. The shares issued pursuant to these schemes are excluded from the scope of IFRS 2 *Share-based Payment* and are hence not factored into the expense computation and the associated disclosures in note 7.

Performance Share Plan
During the year, 742,604 Ordinary Shares were acquired by the Employee Benefit Trust by way of the reissue of Treasury Shares by CRH plc to satisfy the release of shares in respect of the 2011 award under the 2006 Performance Share Plan.

Restricted Share Plan
During 2013, the Employee Benefit Trust purchased 391,250 shares on behalf of CRH plc in respect of awards under the 2013 Restricted Share Plan. There were no such purchases in 2014.

The nominal value of own shares, on which dividends have been waived by the Trustees of the 2013 Restricted Share Plan, amounted to €0.1 million at 31 December 2014 (2013: €0.1 million).

(iii) Issue of scrip shares in lieu of cash dividends:

| | **Number of Shares** | | **Price per Share** | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| May 2014 - Final 2013 dividend (2013: Final 2012 dividend) | **4,081,636** | 2,011,165 | **€20.99** | €17.01 |
| October 2014 - Interim 2014 dividend (2013: Interim 2013 dividend) | **1,212,700** | 3,398,992 | **€17.81** | €15.79 |
| Total | **5,294,336** | 5,410,157 | | |

## 28. Share Capital and Reserves | continued

| **Preference Share Capital** | **5% Cumulative Preference Shares of €1.27 each** (iv) | | **7% 'A' Cumulative Preference Shares of €1.27 each** (v) | |
|---|---|---|---|---|
| | **Number of Shares '000s** | **€m** | **Number of Shares '000s** | **€m** |
| *Authorised* | | | | |
| At 1 January 2014 and 31 December 2014 | **150** | **-** | **872** | **1** |
| *Allotted, called-up and fully paid* | | | | |
| At 1 January 2014 and 31 December 2014 | **50** | **-** | **872** | **1** |

There was no movement in the number of cumulative preference shares in either the current or the prior year.

(iv) The holders of the 5% Cumulative Preference Shares are entitled to a fixed cumulative preference dividend at a rate of 5% per annum and priority in a winding-up to repayment of capital, but have no further right to participate in profits or assets and are not entitled to be present or vote at general meetings unless their dividend is in arrears. Dividends on the 5% Cumulative Preference Shares are payable half-yearly on 15 April and 15 October in each year. The 5% Cumulative Preference Shares represent 0.03% of the total issued share capital.

(v) The holders of the 7% 'A' Cumulative Preference Shares are entitled to a fixed cumulative preference dividend at a rate of 7% per annum, and subject to the rights of the holders of the 5% Cumulative Preference Shares, priority in a winding-up to repayment of capital, but have no further right to participate in profits or assets and are not entitled to be present or vote at general meetings unless their dividend is in arrears or unless the business of the meeting includes certain matters, which are specified in the Articles of Association. Dividends on the 7% 'A' Cumulative Preference Shares are payable half-yearly on 5 April and 5 October in each year. The 7% 'A' Cumulative Preference Shares represent 0.44% of the total issued share capital.

| **Treasury Shares/own shares** | **2014 €m** | 2013 €m |
|---|---|---|
| At 1 January | **(118)** | (146) |
| Treasury Shares/own shares reissued | **42** | 34 |
| Shares acquired by Employee Benefit Trust (own shares) | **-** | (6) |
| At 31 December | **(76)** | (118) |

As at the balance sheet date, the total number of Treasury Shares held was 3,775,455 (2013: 5,951,104); the nominal value of these shares was €1 million (2013: €2 million). During the year ended 31 December 2014, 1,430,484 (2013: 1,423,602) shares were reissued to satisfy exercises and appropriations under the Group's share option and share participation schemes and 2,561 (2013: nil) shares were reissued to satisfy deferred share awards. In addition, 742,604 (2013: nil) shares were reissued to the CRH plc Employee Benefit Trust in connection with the release of the award under the 2006 Performance Share Plan. These reissued Treasury Shares were previously purchased at an average price of €19.40 (2013: €24.08). No Treasury Shares were purchased during 2014 or 2013.

**Reconciliation of shares issued to net proceeds**

| | | |
|---|---|---|
| Shares issued at nominal amount: | | |
| - scrip shares issued in lieu of cash dividends | **2** | 2 |
| Premium on shares issued | **105** | 86 |
| Total value of shares issued | **107** | 88 |
| Issue of scrip shares in lieu of cash dividends (note 11) | **(107)** | (88) |
| Net proceeds from issue of shares | **-** | - |

**Share Premium**

| | | |
|---|---|---|
| At 1 January | **4,219** | 4,133 |
| Premium arising on shares issued | **105** | 86 |
| At 31 December | **4,324** | 4,219 |

## 29. Commitments under Operating and Finance Leases

**Operating leases**

Future minimum rentals payable under non-cancellable operating leases at 31 December are as follows:

| | **2014 €m** | 2013 €m |
|---|---|---|
| Within one year | **310** | 301 |
| After one year but not more than five years | **663** | 596 |
| More than five years | **417** | 357 |
| | **1,390** | 1,254 |

Total operating lease commitments disclosed above include commitments of €54 million in relation to businesses classified as held for sale.

**Finance leases**

Future minimum lease payments under finance leases are not material for the Group.

## 30. Business Combinations

The principal acquisitions completed during the year ended 31 December 2014 by reportable segment, together with the completion dates, are detailed below; these transactions entailed the acquisition of an effective 100% stake except where indicated to the contrary:

**Europe Heavyside**: *Denmark:* selected assets of a precast concrete business (11 August); *Ireland:* selected assets of Cemex Ireland (31 August).

**Europe Distribution**: *Belgium:* Heumatop (24 March), Costermans (2 July) and Van Den Broeck (17 July); *France:* assets of two Toute Faire Materiaux branches (1 April); *the Netherlands:* Hoogeveen branch of Kroon Bouwcenter (9 April).

**Americas Materials**: *Iowa:* Shipley Contracting asphalt plant and paving assets (6 June); *Kentucky:* selected assets of MAC Construction & Excavating (5 November); *Maine:* Marriner quarry (10 April) and selected assets of Lane Construction (26 September); *Texas:* selected assets of Capitol Aggregates (6 May); *Virginia:* Kendrick reserves (6 August); *Washington:* asphalt assets of Eucon Corporation in Spokane (15 December); *West Virginia:* assets of Yellowstar Materials (7 January).

**Americas Products**: *California:* assets of Kristar Enterprises (6 January); *North and South Carolina:* concrete pipe assets of MC Precast (19 May); *Iowa:* Thermomass (10 September); *Texas:* assets of Hope Agri Products (20 February, also Arkansas, Louisiana and Oklahoma) and assets of Ashley Concrete (19 May).

| The identifiable net assets acquired, including adjustments to provisional fair values, were as follows: | **2014**<br>**€m** | 2013<br>€m |
|---|---|---|
| **Assets** | | |
| **Non-current assets** | | |
| Property, plant and equipment | **91** | 342 |
| Intangible assets | **16** | 39 |
| Equity accounted investments | **-** | 2 |
| **Total non-current assets** | **107** | 383 |
| **Current assets** | | |
| Inventories | **23** | 41 |
| Trade and other receivables (i) | **20** | 53 |
| Cash and cash equivalents | **1** | 11 |
| **Total current assets** | **44** | 105 |
| **Liabilities** | | |
| Trade and other payables | **(17)** | (80) |
| Provisions for liabilities (stated at net present cost) | **(1)** | (14) |
| Interest-bearing loans and borrowings and finance leases | **(7)** | (44) |
| Deferred income tax liabilities | **(2)** | (8) |
| **Total liabilities** | **(27)** | (146) |
| **Total identifiable net assets at fair value** | **124** | 342 |
| Goodwill arising on acquisition (ii) | **31** | 169 |
| Excess of fair value of identifiable net assets over consideration paid (ii) | **-** | (2) |
| Non-controlling interests* | **-** | (1) |
| **Total consideration** | **155** | 508 |
| *Consideration satisfied by:* | | |
| Cash payments | **152** | 347 |
| Asset exchange (note 4) | **-** | 144 |
| Deferred consideration (stated at net present cost) | **1** | 4 |
| Contingent consideration (iii) | **2** | 13 |
| **Total consideration** | **155** | 508 |

* *Measured at the non-controlling interests' proportionate share of the acquiree's identifiable net assets.*

| **Net cash outflow arising on acquisition** | | |
|---|---|---|
| Cash consideration | **152** | 347 |
| Less: cash and cash equivalents acquired | **(1)** | (11) |
| **Total** | **151** | 336 |

None of the acquisitions completed during the financial year were considered sufficiently material to warrant separate disclosure of the attributable fair values. The initial assignment of fair values to identifiable net assets acquired has been performed on a provisional basis in respect of certain acquisitions; any amendments to these fair values made during the subsequent reporting window (within the measurement period imposed by IFRS 3 *Business Combinations*) will be subject to subsequent disclosure.

(i) The gross contractual value of trade and other receivables as at the respective dates of acquisition amounted to €22 million (2013: €57 million). The fair value of these receivables is €20 million (all of which is expected to be recoverable) (2013: €53 million) and is inclusive of an aggregate allowance for impairment of €2 million (2013: €4 million).

(ii) The principal factor contributing to the recognition of goodwill on acquisitions entered into by the Group is the realisation of cost savings and other synergies with existing entities in the Group which do not qualify for separate recognition as intangible assets. Due to the asset-intensive nature of operations in the Europe Heavyside and Americas Materials business segments, no significant intangible assets are recognised on business combinations in these segments. €18 million of the goodwill recognised in respect of acquisitions completed in 2014 is expected to be deductible for tax purposes (2013: €49 million). No excess of fair value of identifiable net assets over consideration arose during the year (2013: €2 million).

(iii) The fair value of contingent consideration recognised is €2 million (including adjustments to prior year acquisitions of €1 million). On an undiscounted basis, the corresponding future payments on current year acquisitions for which the Group may be liable range from €nil million to a maximum of €1 million.

Acquisition-related costs amounting to €2 million (2013: €2 million) have been included in operating costs in the Consolidated Income Statement (note 2).

No contingent liabilities were recognised on the acquisitions completed during the financial year or the prior financial year.

The carrying amounts of the assets and liabilities acquired determined in accordance with IFRS before completion of the acquisition, together with the adjustments made to those carrying values to arrive at the fair values disclosed above, were as follows:

| | **Book values €m** | **Fair value adjustments €m** | **Accounting policy alignments €m** | **Adjustments to provisional fair values €m** | **Fair value €m** |
|---|---|---|---|---|---|
| Non-current assets | **95** | **11** | **-** | **1** | **107** |
| Current assets | **45** | **(3)** | **-** | **2** | **44** |
| Liabilities | **(22)** | **(2)** | **-** | **(3)** | **(27)** |
| Identifiable net assets acquired | **118** | **6** | **-** | **-** | **124** |
| Goodwill arising on acquisition (see (ii) above) | **38** | **(5)** | **-** | **(2)** | **31** |
| Total consideration | **156** | **1** | **-** | **(2)** | **155** |

The following table analyses the 21 acquisitions (2013: 25 acquisitions) by reportable segment and provides details of the goodwill and consideration figures arising in each of those segments:

| **Reportable segments** | **Number of acquisitions** | | **Goodwill** | | **Consideration** | |
|---|---|---|---|---|---|---|
| | **2014** | 2013 | **2014 €m** | 2013 €m | **2014 €m** | 2013 €m |
| Europe Heavyside | **2** | 6 | **2** | 80 | **7** | 265 |
| Europe Lightside | **-** | - | **-** | - | **-** | - |
| Europe Distribution | **6** | 3 | **9** | 10 | **20** | 15 |
| Europe | **8** | 9 | **11** | 90 | **27** | 280 |
| Americas Materials | **8** | 9 | **5** | 19 | **71** | 76 |
| Americas Products | **5** | 4 | **17** | 48 | **59** | 124 |
| Americas Distribution | **-** | 3 | **-** | 8 | **-** | 22 |
| Americas | **13** | 16 | **22** | 75 | **130** | 222 |
| Total Group | **21** | 25 | **33** | 165 | **157** | 502 |
| Adjustments to provisional fair values of prior year acquisitions | | | **(2)** | 4 | **(2)** | 6 |
| Total | | | **31** | 169 | **155** | 508 |

## 30. Business Combinations | continued

The post-acquisition impact of acquisitions completed during the year on the Group's profit/(loss) for the financial year was as follows:

| | 2014<br>€m | 2013<br>€m |
|---|---|---|
| **Revenue** | **122** | 306 |
| Cost of sales | **(89)** | (232) |
| **Gross profit** | **33** | 74 |
| Operating costs | **(26)** | (63) |
| **Group operating profit** | **7** | 11 |
| Profit on disposals | **-** | - |
| **Profit before finance costs** | **7** | 11 |
| Finance costs (net) | **-** | (3) |
| **Profit before tax** | **7** | 8 |
| Income tax expense | **(2)** | (2) |
| **Group profit for the financial year** | **5** | 6 |

The revenue and profit/(loss) of the Group for the financial year determined in accordance with IFRS as though the acquisitions effected during the year had been at the beginning of the year would have been as follows:

| | **Pro-forma 2014** | | | |
|---|---|---|---|---|
| | **2014 acquisitions €m** | **CRH Group excluding 2014 acquisitions €m** | **Pro-forma consolidated Group €m** | Pro-forma 2013 €m |
| **Revenue** | **182** | **18,790** | **18,972** | 18,159 |
| **Group profit/(loss) for the financial year** | **7** | **579** | **586** | (300) |

There have been no acquisitions completed subsequent to the balance sheet date which would be individually material to the Group, thereby requiring disclosure under either IFRS 3 or IAS 10 *Events after the Balance Sheet Date*. Details of events after the balance sheet date are set out in note 33. Development updates, giving details of acquisitions which do not require separate disclosure on the grounds of materiality, are typically published in January and July each year.

## 31. Related Party Transactions

The principal related party relationships requiring disclosure in the Consolidated Financial Statements of the Group under IAS 24 *Related Party Disclosures* pertain to: the existence of subsidiaries, joint ventures and associates; transactions with these entities entered into by the Group; and the identification and compensation of key management personnel.

**Subsidiaries, joint ventures and associates**
The Consolidated Financial Statements include the financial statements of the Company (CRH plc, the ultimate parent) and its subsidiaries, joint ventures and associates as documented in the accounting policies on pages 108 to 114. The Group's principal subsidiaries, joint ventures and associates are disclosed on pages 162 to 166.

Sales to and purchases from joint ventures are immaterial in 2014 and 2013. Loans extended by the Group to joint ventures and associates (see note 15) are included in financial assets. Sales to and purchases from associates during the financial year ended 31 December 2014 amounted to €33 million (2013: €24 million) and €411 million (2013: €411 million) respectively. Amounts receivable from and payable to equity accounted investments (arising from the aforementioned sales and purchases transactions) as at the balance sheet date are included as separate line items in notes 17 and 18 to the Consolidated Financial Statements.

*Terms and conditions of transactions with subsidiaries, joint ventures and associates*
In general, the transfer pricing policy implemented by the Group across its subsidiaries is market-based. Sales to and purchases from joint ventures and associates are conducted in the ordinary course of business and on terms equivalent to those that prevail in arm's-length transactions. The outstanding balances included in receivables and payables as at the balance sheet date in respect of transactions with joint ventures and associates are unsecured and settlement arises in cash. No guarantees have been either requested or provided in relation to related party receivables and payables. Loans to joint ventures and associates (as disclosed in note 15) are extended on normal commercial terms in the ordinary course of business with interest accruing and, in general, paid to the Group at predetermined intervals.

**Key management personnel**
For the purposes of the disclosure requirements of IAS 24, the term "key management personnel" (i.e. those persons having authority and responsibility for planning, directing and controlling the activities of the Company) comprises the Board of Directors which manages the business and affairs of the Company.

| Key management remuneration amounted to: | **2014 €m** | 2013 €m |
|---|---|---|
| Short-term benefits | **9** | 7 |
| Post-employment benefits | **1** | 2 |
| Share-based payments - calculated in accordance with the principles disclosed in note 7 | **2** | 2 |
| Total | **12** | 11 |

Other than these compensation entitlements, there were no other transactions involving key management personnel.

## 32. Contingent Liabilities

On 30 May 2014 CRH announced that the secretariat of the Competition Commission in Switzerland had invited CRH's Swiss subsidiaries BR Bauhandel AG, Gétaz-Miauton SA and Regusci Reco SA, to comment on a proposal to impose sanctions on the Association of Swiss Wholesalers of the Sanitary Industry and all other major Swiss wholesalers, including CRH's subsidiaries, regarding the pending investigation into the sanitary (bathroom fixtures and fittings) industry in Switzerland. The secretariat alleges competition law infringements and proposes a total fine of approximately CHF 283 million on all parties, of which approximately CHF 119 million (€99 million) is attributable to CRH's Swiss subsidiaries, based on Swiss turnover.

CRH believes that the position of the secretariat is fundamentally ill-founded and views the proposed fine as unjustified. The Group has made submissions to this effect to the Competition Commission. Any decision of the Competition Commission on this matter is not expected before April 2015. Any decision finding an infringement can be appealed to the Federal Administrative Tribunal, and ultimately to the Federal Supreme Court. No provision has been made in respect of this proposed fine in the 2014 Consolidated Financial Statements.

## 33. Events after the Balance Sheet Date

On 1 February 2015, CRH announced that it had made a binding irrevocable offer to acquire certain of the businesses and assets of Lafarge S.A. ('Lafarge') and Holcim Limited ('Holcim' and together with Lafarge the 'Sellers') comprising a global portfolio of assets in the building materials industry (which are complementary to CRH's footprint) for an enterprise value of €6.5 billion (based on exchange rates at 30 January 2015). The consideration will be paid in a combination of euro, Sterling and Canadian Dollars.

The proposed acquisition constitutes a Class 1 transaction under the UKLA Listing Rules and therefore requires the approval of a simple majority of CRH's shareholders. An Extraordinary General Meeting ('EGM') will be held on 19 March 2015 to seek shareholder approval of the acquisition. If the acquisition is not approved by CRH's shareholders at the EGM, a termination fee of approximately €158 million in total will be payable by CRH to the Sellers. A termination fee of approximately €158 million will be payable by the Sellers to CRH in either of the following circumstances: 1) if the Sellers do not accept CRH's offer; or 2) if the proposed merger of Lafarge and Holcim (the 'Merger') does not proceed to successful completion.

The acquisition is also conditional upon: 1) the successful completion of the Merger; and 2) the completion of certain local reorganisations that need to take place before completion of the acquisition. In addition, CRH has committed to the Sellers that it will take all steps and do all things necessary to obtain regulatory approvals required in relation to the acquisition. The long stop date for completion of the acquisition is the earlier of: 1) three months following completion of the Merger; or 2) 31 December 2015, but in any case no earlier than 31 August 2015.

In connection with the proposed acquisition, CRH completed a placing of 74,039,915 new ordinary shares raising gross proceeds of approximately €1.6 billion, and representing approximately 9.99% of CRH's issued ordinary share capital before the placing. Closing of the placing and admission of the placing shares to the official lists and to trading on the main markets of the London Stock Exchange and Irish Stock Exchange took place on 5 February 2015.

On 1 February 2015, CRH agreed a €6.5 billion senior unsecured bridge loan facility which has subsequently been reduced by €1.6 billion to reflect the proceeds of the placing and by a further €2.0 billion to reflect other cash balances which are intended to fund the acquisition. The remaining €2.9 billion of the loan facilities are available to be used to complete the debt-funded portion of the proposed acquisition. Subject to certain carve-outs, the facilities contain provisions requiring mandatory prepayment from disposal proceeds and the proceeds of capital market transactions. Other terms and conditions are otherwise substantially similar to CRH's existing €2.5 billion revolving credit facility dated 11 June 2014.

## 34. Board Approval

The Board of Directors approved and authorised for issue the financial statements on pages 104 to 153 in respect of the year ended 31 December 2014 on 25 February 2015.

# Company Balance Sheet

as at 31 December 2014

| Notes | | 2014<br>€m | 2013<br>€m |
|---|---|---|---|
| | **Fixed assets** | | |
| 2 | Financial assets | **595** | 581 |
| | **Current assets** | | |
| 3 | Debtors | **5,532** | 6,394 |
| | Cash at bank and in hand | **1,411** | 175 |
| | **Total current assets** | **6,943** | 6,569 |
| | **Creditors** (amounts falling due within one year) | | |
| 4 | Trade and other creditors | **1,003** | 1,453 |
| | Bank loans and overdrafts | **2** | 57 |
| | **Total current liabilities** | **1,005** | 1,510 |
| | **Net current assets** | **5,938** | 5,059 |
| | **Net assets** | **6,533** | 5,640 |
| | **Capital and reserves** | | |
| 7 | Called-up share capital | **253** | 251 |
| 7 | Preference share capital | **1** | 1 |
| 8 | Share premium account | **4,328** | 4,223 |
| 8 | Treasury Shares and own shares | **(76)** | (118) |
| 8 | Revaluation reserve | **42** | 42 |
| 8 | Other reserves | **203** | 187 |
| 8 | Profit and loss account | **1,782** | 1,054 |
| | **Shareholders' funds** | **6,533** | 5,640 |

N. Hartery, A. Manifold, Directors

# Notes to the Company Balance Sheet

## 1. Accounting Policies

**Basis of accounting**

The financial statements have been prepared under the historical cost convention in accordance with the Companies Acts, 1963 to 2013 and Generally Accepted Accounting Practice in the Republic of Ireland ("Irish GAAP"). The following paragraphs describe the principal accounting policies under Irish GAAP, which have been applied consistently.

**Operating income and expense**

Operating income and expense arises from the Company's principal activities as a holding company for the Group and are accounted for on an accruals basis.

**Financial assets**

Fixed asset investments, including investments in subsidiaries, are stated at cost (and at valuation at 31 December 1980 for those investments in existence at that date) less any accumulated impairments and are reviewed for impairment if there are indications that the carrying value may not be recoverable.

**Foreign currencies**

The reporting currency of the Company is euro. Transactions in foreign currencies are translated at the rates of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into euro at the rates of exchange ruling at the balance sheet date, with a corresponding charge or credit to the profit and loss account.

**Share issue expenses and share premium account**

Costs of share issues are written-off against the premium arising on issues of share capital.

**Share-based payments**

The Company has applied the requirements of FRS 20 *Share-based Payment*.

The accounting policy applicable to share-based payments is consistent with that applied under IFRS and is accordingly addressed in detail on pages 111 and 112 of the Consolidated Financial Statements.

**Cash flow statement**

The Company has taken advantage of the exemption afforded by FRS 1 *Cash Flow Statements* not to provide a statement of cash flows.

**Treasury Shares and own shares**

*Treasury Shares*

Own equity instruments (i.e. Ordinary Shares) acquired by the Company are deducted from equity and presented on the face of the Company Balance Sheet. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's Ordinary Shares.

*Own shares*

Ordinary Shares purchased by the Employee Benefit Trust on behalf of the Company under the terms of the Performance Share Plan are recorded as a deduction from equity on the face of the Company Balance Sheet.

**Dividends**

Dividends on Ordinary Shares are recognised as a liability in the Company's Financial Statements in the period in which they are declared by the Company.

## 2. Financial Assets

The Company's investment in its subsidiaries is as follows:

| | Shares (i)<br>€m | Other<br>€m | Total<br>€m |
|---|---|---|---|
| At 1 January 2014 at cost/valuation | **400** | **181** | **581** |
| Capital contribution in respect of share-based payments | **-** | **14** | **14** |
| At 31 December 2014 at cost/valuation | **400** | **195** | **595** |

The equivalent disclosure for the prior year is as follows:

| | | | |
|---|---|---|---|
| At 1 January 2013 at cost/valuation | 371 | 167 | 538 |
| Capital contribution in respect of share-based payments | - | 14 | 14 |
| Additions | 29 | - | 29 |
| At 31 December 2013 at cost/valuation | 400 | 181 | 581 |

(i) The Company's investment in shares in its subsidiaries was revalued at 31 December 1980 to reflect the surplus on revaluation of certain property, plant and equipment (land and buildings) of subsidiaries. The original historical cost of the shares equated to approximately €9 million. The analysis of the closing balance between amounts carried at valuation and at cost is as follows:

| | 2014<br>€m | 2013<br>€m |
|---|---|---|
| At valuation 31 December 1980 | **47** | 47 |
| At cost post 31 December 1980 | **353** | 353 |
| Total | **400** | 400 |

Pursuant to Section 16 of the Companies (Amendment) Act, 1986, a full list of subsidiaries, joint ventures and associated undertakings will be annexed to the Company's Annual Return to be filed in the Companies Registration Office in Ireland.

## 3. Debtors

| | 2014<br>€m | 2013<br>€m |
|---|---|---|
| Amounts owed by subsidiary undertakings | **5,532** | 6,394 |

## 4. Trade and Other Creditors

| | 2014<br>€m | 2013<br>€m |
|---|---|---|
| *Amounts falling due within one year* | | |
| Amounts owed to subsidiary undertakings | **1,003** | 1,453 |

## 5. Auditor's Remuneration (Memorandum Disclosure)

In accordance with Section 161D of the Companies Act, 1963, the fees paid in 2014 to the statutory auditor for work engaged by the Parent Company comprised audit fees of €20,000 (2013: €20,000) and other assurance services of €118,000 (2013: €60,000).

## 6. Dividends Proposed (Memorandum Disclosure)

Details in respect of dividends proposed of €359 million (2013: €323 million) are presented in the dividends note (note 11) on page 126 of the notes to the Consolidated Financial Statements.

## 7. Called-up Share Capital

Details in respect of called-up share capital, Treasury Shares and own shares are presented in the share capital and reserves note (note 28) on pages 147 and 148 of the notes to the Consolidated Financial Statements.

## 8. Movement in Shareholders' Funds

| | Issued share capital €m | Share premium account €m | Treasury Shares/ own shares €m | Revaluation reserve €m | Other reserves €m | Profit and loss account €m | Total equity €m |
|---|---|---|---|---|---|---|---|
| At 1 January 2014 | 252 | 4,223 | (118) | 42 | 187 | 1,054 | 5,640 |
| Issue of share capital (net of expenses) | 2 | 105 | - | - | - | - | 107 |
| Profit after tax before dividends | - | - | - | - | - | 1,208 | 1,208 |
| Treasury/own shares reissued | - | - | 42 | - | - | (42) | - |
| Share option exercises | - | - | - | - | - | 22 | 22 |
| Share-based payment expense | - | - | - | - | 16 | - | 16 |
| Dividends (including shares issued in lieu of dividends) | - | - | - | - | - | (460) | (460) |
| At 31 December 2014 | 254 | 4,328 | (76) | 42 | 203 | 1,782 | 6,533 |

The equivalent disclosure for the prior year is as follows:

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| At 1 January 2013 | 250 | 4,137 | (146) | 42 | 172 | 1,521 | 5,976 |
| Issue of share capital (net of expenses) | 2 | 86 | - | - | - | - | 88 |
| Profit after tax before dividends | - | - | - | - | - | 3 | 3 |
| Treasury/own shares reissued | - | - | 34 | - | - | (34) | - |
| Shares acquired by Employee Benefit Trust (own shares) | - | - | (6) | - | - | - | (6) |
| Share option exercises | - | - | - | - | - | 19 | 19 |
| Share-based payment expense | - | - | - | - | 15 | - | 15 |
| Dividends (including shares issued in lieu of dividends) | - | - | - | - | - | (455) | (455) |
| At 31 December 2013 | 252 | 4,223 | (118) | 42 | 187 | 1,054 | 5,640 |

In accordance with Section 148(8) of the Companies Act, 1963 and Section 7(1A) of the Companies (Amendment) Act, 1986, the Company is availing of the exemption from presenting its individual profit and loss account to the Annual General Meeting and from filing it with the Registrar of Companies in the Republic of Ireland. The profit for the financial year dealt with in the Company Financial Statements amounted to €1,208 million (2013: €3 million).

## 9. Share-based Payments

The total expense of €16 million (2013: €15 million) reflected in note 7 to the Consolidated Financial Statements attributable to employee share options and the Performance Share Plans has been included as a capital contribution in financial assets (note 2) in addition to any payments to/from subsidiaries.

## 10. Section 17 Guarantees

Pursuant to the provisions of Section 17, Companies (Amendment) Act, 1986, the Company has guaranteed the liabilities of its wholly-owned subsidiary undertakings and the Oldcastle Finance Company and Oldcastle North America Funding Company general partnerships in the Republic of Ireland for the financial year ended 31 December 2014 and, as a result, such subsidiary undertakings and the general partnerships have been exempted from the filing provisions of Section 7, Companies (Amendment) Act, 1986 and Regulation 20 of the European Communities (Accounts) Regulations, 1993 respectively.

Details in relation to other guarantees provided by the Company are provided in the interest-bearing loans and borrowings note (note 23) on page 138 of the notes to the Consolidated Financial Statements.

## 11. Related Party Transactions

The Company has taken advantage of the exemption in FRS 8 *Related Party Disclosures* not to disclose transactions with wholly-owned subsidiaries.

## 12. Events after the Balance Sheet Date

Details of events after the balance sheet date are provided in note 33 on page 153 of the notes to the Consolidated Financial Statements.

## 13. Board Approval

The Board of Directors approved and authorised for issue the Company Financial Statements on pages 154 to 157 in respect of the year ended 31 December 2014 on 25 February 2015.

# Shareholder Information

## Dividend payments

An interim dividend of 18.5c was paid in respect of Ordinary Shares on 24 October 2014.

A final dividend of 44c, if approved at the 2015 Annual General Meeting, will be paid in respect of Ordinary Shares on 12 May 2015 to shareholders on the Register of Members as at the close of business on 6 March 2015.

Dividend Withholding Tax (DWT) must be deducted from dividends paid by an Irish resident company, unless a shareholder is entitled to an exemption and has submitted a properly completed exemption form to the Company's Registrars, Capita Asset Services (the "Registrars"). DWT applies to dividends paid by way of cash or by way of shares under a scrip dividend scheme and is deducted at the standard rate of Income Tax (currently 20%). Non-resident shareholders and certain Irish companies, trusts, pension schemes, investment undertakings and charities may be entitled to claim exemption from DWT. Copies of the exemption form may be obtained from the Registrars. Shareholders should note that DWT will be deducted from dividends in cases where a properly completed form has not been received by the record date for a dividend. Individuals who are resident in the Republic of Ireland for tax purposes are not entitled to an exemption.

Shareholders who wish to have their dividend paid direct to a bank account, by electronic funds transfer, should complete the required dividend mandate form and submit it to the Registrars. A copy of the required form can be obtained from the shareholder services section of the CRH website, www.crh.com, under "Equity Investors". Alternatively, shareholders can contact the Registrars to obtain a mandate form (see contact details below). Tax vouchers will be sent to the shareholder's registered address under this arrangement.

Dividends are generally paid in euro. However, in order to avoid costs to shareholders, dividends are paid in Sterling and US Dollars to shareholders whose shares are not held in the CREST system (see below) and whose address, according to the Share Register, is in the UK and the United States respectively, unless they require otherwise.

Dividends in respect of 7% 'A' Cumulative Preference Shares are paid half-yearly on 5 April and 5 October.

Dividends in respect of 5% Cumulative Preference Shares are paid half-yearly on 15 April and 15 October. Shareholders have the option of taking their dividend in the form of shares under the Company's Scrip Dividend Scheme.

## CREST

Transfer of the Company's shares takes place through the CREST system. Shareholders have the choice of holding their shares in electronic form or in the form of share certificates.

Where shares are held in CREST, dividends are automatically paid in euro unless a currency election is made. CREST members should use the facility in CREST to make currency elections. Such elections must be made in respect of entire holdings as partial elections are not permissible.

## Stock Exchange listings

CRH has a premium listing on the London Stock Exchange (LSE) and a secondary listing on the Irish Stock Exchange (ISE). The Group's American Depositary Shares (ADSs), each representing one Ordinary Share, are listed on the New York Stock Exchange (NYSE). The ADSs are evidenced by American Depositary Receipts.

## Share price data

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | **ISE** | **LSE** | ISE | LSE |
| Share price at 31 December | **€19.90** | **£15.44** | €18.30 | £15.23 |
| Market capitalisation | **€14.7bn** | **£11.4bn** | €13.4bn | £11.2bn |
| Share price movement during year: | | | | |
| - high | **€21.82** | **£17.88** | €19.30 | £16.17 |
| - low | **€15.86** | **£12.66** | €14.68 | £12.15 |

## Shareholdings as at 31 December 2014

*Ownership of Ordinary Shares*

| Geographic location* | Number of Shares held '000s | % of total |
|---|---|---|
| North America | 309,829 | 41.61 |
| United Kingdom | 185,851 | 24.96 |
| Europe/Other | 125,413 | 16.85 |
| Retail | 87,458 | 11.75 |
| Ireland | 32,198 | 4.32 |
| Treasury | 3,776 | 0.51 |
| | 744,525 | 100 |

* *This represents a best estimate of the number of shares controlled by fund managers resident in the geographic regions indicated. Private shareholders are classified as retail above.*

| Holdings | Number of Shareholders | % of total | Number of Shares held '000s | % of total |
|---|---|---|---|---|
| 1 - 1,000 | 14,973 | 60.13 | 4,989 | 0.67 |
| 1,001 - 10,000 | 8,375 | 33.63 | 24,431 | 3.28 |
| 10,001 - 100,000 | 1,152 | 4.63 | 31,838 | 4.28 |
| 100,001 - 1,000,000 | 310 | 1.24 | 109,383 | 14.69 |
| Over 1,000,000 | 93 | 0.37 | 573,884 | 77.08 |
| | 24,903 | 100 | 744,525 | 100 |

## Financial calendar

| | |
|---|---|
| Announcement of final results for 2014 | 26 February 2015 |
| Ex-dividend date | 5 March 2015 |
| Record date for dividend | 6 March 2015 |
| Extraordinary General Meeting | 19 March 2015 |
| Latest date for receipt of scrip forms | 24 April 2015 |
| Interim Management Statement | 6 May 2015 |
| Annual General Meeting | 7 May 2015 |
| Dividend payment date and first day of dealing in scrip dividend shares | 12 May 2015 |
| Announcement of interim results for 2015 | 27 August 2015 |
| Interim Management Statement | 19 November 2015 |

## Website

The Group's website, www.crh.com, provides the full text of the Annual and Interim Reports, the Annual Report on Form 20-F, which is filed annually with the United States Securities and Exchange Commission, interim management statements and copies of presentations to analysts and investors. News releases are made available, in the "Media" section of the website, immediately after release to the Stock Exchanges.

## Electronic communications

Following the introduction of the 2007 Transparency Regulations, and in order to adopt a more environmentally friendly and cost effective approach, the Company provides the Annual Report to shareholders electronically via the CRH website, www.crh.com, and only sends a printed copy to those shareholders who specifically request a copy. Shareholders who choose to do so can receive other shareholder communications, for example, notices of general meetings and shareholder circulars, electronically. However, shareholders will continue to receive printed proxy forms, dividend documentation and, if the Company deems it appropriate, other documentation by post. Shareholders can alter the method by which they receive communications by contacting the Registrars.

## Electronic proxy voting

Shareholders may lodge a proxy form for the 2015 Annual General Meeting electronically by accessing the Registrars' website as described below.

CREST members wishing to appoint a proxy via CREST should refer to the CREST Manual and the notes to the Notice of the Annual General Meeting.

## Registrars

Enquiries concerning shareholdings should be addressed to the Registrars:

Capita Asset Services
P.O. Box 7117
Dublin 2
Ireland
Telephone: +353 (0) 1 553 0050
Fax: +353 (0) 1 224 0700
Website: www.capitaassetservices.com

Shareholders with access to the internet may check their accounts by accessing the Registrars' website and selecting "Shareholder Portal (Ireland)". This facility allows shareholders to check their shareholdings and dividend payments, register e-mail addresses, appoint proxies electronically and download standard forms required to initiate changes in details held by the Registrars. Shareholders will need to register for a User ID before using some of the services.

## American Depositary Receipts (ADRs)

The ADR programme is administered by the Bank of New York Mellon and enquiries regarding ADRs should be addressed to:

BNY Mellon Shareowner Services
P.O. Box 30170
College Station
TX 77842-3170
U.S.A.

Telephone: Toll Free Number (United States residents): 1-888-269-2377
International: +1 201-680-6825
E-mail: shrrelations@cpushareownerservices.com
Website: www.mybnymdr.com

## Frequently Asked Questions (FAQ)

The Group's website contains answers to questions frequently asked by shareholders, including questions regarding shareholdings, dividends payments, electronic communications and shareholder rights. The FAQ can be accessed in the Investors section of the website under "Equity Investors".

# Management

## Executive Directors/ Company Secretary

Albert Manifold
*Chief Executive*

Maeve Carton
*Finance Director*

Mark Towe
*Chief Executive Officer*
*Oldcastle, Inc.*

Neil Colgan
*Company Secretary*

## Senior Group Staff

### *Compliance, Sustainability & Risk*

Jack Golden
*Organisation Development Director*

Declan Condren
*Group Strategic Financial Risk Manager*

### *Human Resources & Talent Development*

Dan Brennan
*Group HR & Talent Development Director*

Nicola McCracken
*HR Director, Talent Management & Reward*

### *Strategy, Innovation & Development*

Noel O'Mahony
*Group Performance & Strategy Director*

Philip Wheatley
*Group Strategy & Development Director*

### *Corporate Affairs & Investor Relations*

Mark Cahalane
*Group Director, Corporate Affairs*

Frank Heisterkamp
*Head of Investor Relations*

Éimear O'Flynn
*Corporate Communications*

### *Finance, Tax, Treasury*

Alan Connolly
*General Manager - Finance*

Dan Creedon
*Finance & Performance Director*

Rossa McCann
*Head of Group Financial Operations*

Johanna O'Driscoll
*Head of Group Financial Evaluation & Advisory Services*

Grainne McKenna
*Head of Group Reporting & Analysis*

Anthony Fitzgerald
*Group Treasurer*

## Europe

Ken McKnight
*Managing Director*
*Heavyside/Lightside*

Marc St. Nicolaas
*Managing Director*
*Distribution*

Edwin Bouwman
*Chief Financial Officer*

### Heavyside

John Corbett
*HR & Talent Development Director*

Pat McCleery
*Performance Improvement Director*

John McKeon
*Procurement Director*

### *Heavyside West*

Oliver Mahon
*Managing Director*

Owen Rowley
*Chief Operating Officer*

Edwin van den Berg
*Managing Director*
Benelux

Séamus Lynch
*Managing Director*
Ireland & Spain

Claus Bering
*Managing Director*
Denmark

Urs Sandmeier
*Managing Director*
Switzerland & Germany

Francois Demoulin
*Managing Director*
France

Sanna Luthala
*Financial Director*

### *Heavyside East*

Jim Mintern
*Managing Director*

Declan Maguire
*Chief Operating Officer*

Mark Lowry
*Managing Director*
Poland

Jim Mintern
*Managing Director (a.i.)*
Finland

Barry Leonard
*Managing Director*
Ukraine

Jim Mintern
*Managing Director*
Russia & Israel

Mariusz Bogacz
*Financial Director*

### Lightside

David Dillon
*Managing Director*

Kees-Jan van 't Westeinde
*Managing Director*
Shutters & Awnings

Jean-Luc Bernard
*Managing Director*
Construction Accessories

Dennis Gouka
*Managing Director*
Heras

Hans Welting
*Managing Director*
Mobile Fencing

Michael Wightman
*Managing Director*
Cubis

Arijan Bakker
*Financial Director*

### Distribution

Emiel Hopmans
*Managing Director*
DIY Benelux

Gijs Graafmans
*HR & Talent Development Director*

Richard Piekar
*Procurement Director*

### *Distribution North*

Taco van Vroonhoven
*Chief Operating Officer*

Jan Boon
*Managing Director*
Builders Merchants, Netherlands

Taco van Vroonhoven
*Managing Director (a.i.)*
Builders Merchants, Belgium

Christoph Lehrmann
*Managing Director*
Builders Merchants, Germany

Tom Beyers
*Managing Director*
SHAP & Netherlands Roofing

Hans Wouda
*Financial Director*

### *Distribution South*

Khaled Bachir
*Chief Operating Officer*

Ulrich Paulmann
*Managing Director*
Builders Merchants, Austria

Nicolas Weinmann
*Managing Director*
Builders Merchants, Switzerland

Khaled Bachir
*Managing Director*
Builders Merchants, France

Laurent Sauvage
*Financial Director*

## Asia

Ken McKnight
*President*

Peter Buckley
*Country Director*
China

Ee Ming Wong
*Country Manager*
China

Paul Headd
*Country Director*
India

Atul Khosla
*Managing Director*
India

## The Americas

Mark Towe
*Chief Executive Officer*

Michael O'Driscoll
*Chief Financial Officer*

Gary Hickman
*Senior Vice President Tax & Risk Management*

Michael Lynch
*Executive Vice President Development*

Rick Mergens
*Executive Vice President Group Performance*

Bill Miller
*Vice President & General Counsel*

Mark Schack
*Executive Vice President Talent Management*

### Products

Keith Haas
*Chief Executive Officer*

Paul Valentine
*Chief Financial Officer*

Dan Krehnbrink
*Senior Vice President Development & Strategy*

John Kemp
*President*
Building Solutions

#### *Architectural Products*

Tim Ortman
*President*

Mike Schaeffer
*Chief Financial Officer*

Eoin Lehane
*President*
National Group

Peter Kiley
*Executive Vice President*
Strategic Sales

#### *Precast*

Dave Steevens
*President*

Bob Quinn
*Chief Administrative Officer*

Eric Farinha
*Chief Financial Officer*

#### *BuildingEnvelope®*

Ted Hathaway
*Chief Executive Officer*

Brian Reilly
*Chief Administrative Officer*

Jim Avanzini
*Chief Operating Officer*
Architectural Glass & Storefronts

Mary Carol Witry
*Chief Operating Officer*
Engineered Glazing Systems

### Distribution

Robert Feury, Jr.
*Chief Executive Officer*

Frank Furia
*Chief Financial Officer*

John McLaughlin
*President*
Exterior Products

Ron Pilla
*President*
Interior Products

### South America

Juan Carlos Girotti
*Managing Director*
CRH Sudamericana & Canteras Cerro Negro

Bernardo Alamos
*Managing Director*
Vidrios Dell Orto & South American Glass Group

Federico Ferro
*Managing Director*
Cormela

## North America

### Materials

Randy Lake
*Chief Executive Officer*

Charlie Brown
*Chief Financial Officer*

Kirk Randolph
*Senior Vice President Development*

John Keating
*President & Chief Operating Officer, East*

Doug Radabaugh
*Chief Financial Officer, East*

John Parson
*President & Chief Operating Officer, West*

Jeff Schaffer
*Executive Vice President, West*

Chris Madden
*Executive Vice President, Fleet Operations*

#### *Northeast*

Dan Stover
*President*
Northeast Division

Christian Zimmermann
*President*
New England North

John Cooney, Jr.
*President*
New York Region

Sean O'Sullivan
*President*
Tilcon New Jersey

#### *Central*

John Powers
*President*
Central Division

Ty Nofziger
*President*
Shelly

Gregg Campbell
*President*
Michigan Paving & Materials

#### *Mid-Atlantic*

Dan Cooperrider
*President*
Mid-Atlantic Division

Mark Snyder
*President*
Mid-Atlantic Region

Willie Crane
*President*
AMG – North

Kevin Bragg
*President*
AMG – South

#### *Southeast*

Rob Duke
*President*
Southeast Division

David Church
*President*
Mid-South Region

#### *Northwest*

Jim Gauger
*President*
Northwest Division

Craig Mayfield
*President*
East Region

Ricardo Linares
*President*
West Region

#### *Mountain West*

Scott Parson
*President*
Mountain West Division

Randy Anderson
*President*
Staker Parson
North/Rocky Mountain

Michael Kurz
*President*
Staker Parson South

Rich Umbel
*President*
Southwest Region

Bob Rowberry
*President*
Jack B. Parson

#### *Great Plains*

Craig Lamberty
*President*
Great Plains Division

Earl Losier
*President*
KS/MO & OK/AR Regions

Raymond Lane
*President*
TN/MS Regions

Craig Lamberty
*President*
Midwest Region

#### *Southwest*

Nathan Creech
*President*
Southwest Division

# **Principal Subsidiary Undertakings** as at 31 December 2014

## Europe Heavyside

| *Incorporated and operating in* | | *% held* | *Products and services* |
|---|---|---|---|
| **Belgium** | VVM N.V. | *100* | Cement transport and trading, readymixed concrete, clinker grinding |
| | Douterloigne N.V. | *100* | Concrete floor elements, pavers and blocks |
| | Ergon N.V. | *100* | Precast concrete and structural elements |
| | Stradus Aqua N.V. | *100* | Concrete paving, sewerage and water treatment |
| | Oeterbeton N.V. | *100* | Precast concrete |
| | Prefaco N.V. | *100* | Precast concrete structural elements |
| | Remacle S.A. | *100* | Precast concrete products |
| | Schelfhout N.V. | *100* | Precast concrete wall elements |
| | Stradus Infra N.V. | *100* | Concrete paving and landscaping products |
| | Marlux N.V. | *100* | Concrete paving and landscaping products |
| **Britain & Northern Ireland** | Anderton Concrete Products Limited | *100* | Precast and pre-stressed concrete products |
| | Northstone (NI) Limited (including Farrans, Ready Use Concrete, R.J. Maxwell & Son, Scott (Toomebridge) Limited) | *100* | Aggregates, readymixed concrete, mortar, coated macadam, rooftiles, building and civil engineering contracting |
| | Premier Cement Limited | *100* | Marketing and distribution of cement |
| | Forticrete Limited | *100* | Concrete masonry products and rooftiles |
| | Ibstock Brick Limited | *100* | Clay brick manufacturer |
| | Supreme Concrete Limited | *100* | Concrete fencing, lintels and floorbeams |
| **Denmark** | Betongruppen RBR A/S | *100* | Concrete paving manufacturer |
| | CRH Concrete A/S | *100* | Structural concrete products |
| **Finland** | Finnsementti Oy | *100* | Cement |
| | Rudus Oy | *100* | Aggregates, readymixed concrete and concrete products |
| **France** | Béton Moulé Industriel S.A. | *99.98* | Precast concrete products |
| | L'industrielle du Béton S.A.* | *100* | Structural concrete products |
| | Marlux | *100* | Concrete paving manufacturer |
| | Stradal | *100* | Utility and infrastructural concrete products |
| **Germany** | CRH Clay Solutions GmbH* | *100* | Clay brick, pavers and rooftiles |
| | EHL AG | *100* | Concrete paving and landscape walling products |
| **Hungary** | Ferrobeton Beton-és Vasbetonelem gyártó Zrt. | *100* | Precast concrete structural elements |
| **Ireland** | Irish Cement Limited | *100* | Cement |
| | Clogrennane Lime Limited | *100* | Burnt and hydrated lime |
| | Roadstone Wood Limited | *100* | Aggregates, readymixed concrete, mortar, coated macadam, concrete blocks and pipes, asphalt, agricultural and chemical limestone and contract surfacing |
| **Netherlands** | Cementbouw B.V. | *100* | Cement transport and trading, readymixed concrete and aggregates |
| | Calduran Kalkzandsteen B.V. | *100* | Sand-lime bricks and building elements |
| | CRH Kleiwaren Beheer B.V. | *100* | Clay brick manufacturer |
| | CRH Structural Concrete B.V. | *100* | Precast concrete structural elements |
| | Dycore B.V. | *100* | Concrete flooring elements |
| | Struyk Verwo Groep B.V. | *100* | Concrete paving products |
| **Poland** | Bosta Beton Sp. z o.o. | *90.30* | Readymixed concrete |
| | CRH Klinkier Sp. z o.o. | *100* | Clay brick manufacturer |
| | Drogomex Sp. z o.o.* | *99.94* | Asphalt and contract surfacing |
| | Ergon Poland Sp. z o.o. | *100* | Structural concrete products |
| | Grupa Ożarów S.A. | *100* | Cement |
| | Grupa Prefabet S.A.* | *100* | Concrete products |
| | Masfalt Sp. z o.o.* | *100* | Asphalt and contract surfacing |
| | O.K.S.M. S.A. | *100* | Aggregates |
| | Polbruk S.A. | *100* | Readymixed concrete and concrete paving |
| | Trzuskawica S.A. | *99.95* | Production of lime and lime products |
| **Romania** | Ferrobeton Romania SRL | *100* | Structural concrete products |
| | Elpreco S.A. | *100* | Architectural concrete products |
| **Slovakia** | Premac, spol. s.r.o. | *100* | Concrete paving and floor elements |
| **Spain** | Beton Catalan S.A. | *100* | Readymixed concrete |
| | Cementos Lemona S.A. | *98.75* | Cement |

## Europe Heavyside | continued

| Incorporated and operating in | | % held | Products and services |
|---|---|---|---|
| **Switzerland** | JURA-Holding AG | *100* | Cement, aggregates and readymixed concrete |
| | Element AG Schweiz | *100* | Prefabricated structural concrete elements |
| **Ukraine** | LLC Cement* | *51* | Cement and clinker grinding |
| | PJSC Mykolaivcement | *99.27* | Cement |
| | Podilsky Cement PJSC | *99.60* | Cement |

## Europe Lightside

| Incorporated and operating in | | % held | Products and services |
|---|---|---|---|
| **Belgium** | Plakabeton N.V. | *100* | Construction accessories |
| **Britain & Northern Ireland** | Anchor Bay Construction Products* | *100* | Construction accessories |
| | Ancon Limited | *100* | Construction accessories |
| | CRH Fencing & Security Group (UK) Limited | *100* | Security fencing |
| | Cubis | *100* | Supplier of access chambers and ducting products |
| | Security Windows Shutters Limited | *100* | Physical security, industrial and garage doors, roofing systems |
| **France** | Heras Clôture S.A.R.L. | *100* | Temporary fencing |
| | Plaka Group France S.A.S. | *100* | Construction accessories |
| **Germany** | Alulux GmbH* | *100* | Roller shutter and awning systems |
| | ERHARDT Markisenbau GmbH* | *100* | Roller shutter and awning systems |
| | Halfen GmbH | *100* | Construction accessories |
| | Hammerl GmbH | *100* | Construction accessories |
| | Heras-Adronit GmbH | *100* | Security fencing and access control |
| | Reuss-Seifert GmbH | *100* | Construction accessories |
| **Ireland** | Plaka Ireland Limited* | *100* | Construction accessories |
| **Italy** | Halfen S.R.L., Società Unipersonale* | *100* | Construction accessories |
| **Netherlands** | Aluminium Verkoop Zuid B.V. | *100* | Roller shutter and awning systems |
| | Heras B.V. | *100* | Security fencing and perimeter protection |
| | Mavotrans B.V. | *100* | Construction accessories |
| **Norway** | Halfen AS* | *100* | Construction accessories |
| **Spain** | Plakabeton S.L.U. | *100* | Construction accessories |
| **Sweden** | Heras Stängsel AB* | *100* | Security fencing |
| **Switzerland** | F.J. Aschwanden AG* | *100* | Construction accessories |

## Europe Distribution

| Incorporated and operating in | | % held | Products and services |
|---|---|---|---|
| **Austria** | Quester Baustoffhandel GmbH | *100* | Builders merchants |
| **Belgium** | Lambrechts N.V. | *100* | Builders merchants |
| | Sax Sanitair N.V. | *75* | Sanitary ware, heating and plumbing |
| | Schrauwen Sanitair en Verwarming N.V. | *100* | Sanitary ware, heating and plumbing |
| | Van Neerbos België N.V. | *100* | DIY stores |
| **France** | CRH Ile de France Distribution* | *100* | Builders merchants |
| | CRH TP Distribution | *100* | Builders merchants |
| | CRH Normandie Distribution | *100* | Builders merchants |
| **Germany** | BauKing AG | *100* | Builders merchants, DIY stores |
| | Andreas Paulsen GmbH | *100* | Sanitary ware, heating and plumbing |
| **Netherlands** | CRH Bouwmaten B.V. | *100* | Cash & Carry building materials |
| | CRH Bouwmaterialenhandel B.V. | *100* | Builders merchants |
| | NVB Ubbens Bouwstoffen B.V. | *100* | Builders merchants |
| | Royal Roofing Materials B.V. | *100* | Roofing materials merchant |
| | Stoel van Klaveren Bouwstoffen B.V. | *100* | Builders merchants |
| | Van Neerbos Bouwmaterialen B.V. | *100* | Builders merchants |
| | Van Neerbos Bouwmarkten B.V. | *100* | DIY stores |
| | Wij©k's B.V. | *100* | Builders merchants |
| **Switzerland** | BR Bauhandel AG (trading as BauBedarf and Richner) | *100* | Builders merchants, sanitary ware and ceramic tiles |
| | Gétaz Romang Holding SA (trading as Gétaz Romang and Miauton) | *100* | Builders merchants |
| | Regusci Reco S.A. (trading as Regusci and Reco) | *100* | Builders merchants |

| *Incorporated and operating in* | | *% held* | *Products and services* |
|---|---|---|---|

## Americas Materials

| | | | |
|---|---|---|---|
| **United States** | Oldcastle Materials, Inc. | *100* | Holding company |
| | APAC Holdings, Inc. and Subsidiaries | *100* | Aggregates, asphalt, readymixed concrete and related construction activities |
| | Callanan Industries, Inc. | *100* | Aggregates, asphalt, readymixed concrete and related construction activities |
| | CPM Development Corporation | *100* | Aggregates, asphalt, readymixed concrete, prestressed concrete and related construction activities |
| | Dolomite Products Company, Inc. | *100* | Aggregates, asphalt, readymixed concrete and related construction activities |
| | Eugene Sand Construction, Inc. | *100* | Aggregates, asphalt, readymixed concrete and related construction activities |
| | Evans Construction Company | *100* | Aggregates, asphalt, readymixed concrete and related construction activities |
| | Hills Materials Company | *100* | Aggregates, asphalt, readymixed concrete and related construction activities |
| | Michigan Paving and Materials Company | *100* | Aggregates, asphalt and related construction activities |
| | Mountain Enterprises, Inc. | *100* | Aggregates, asphalt and related construction activities |
| | OMG Midwest, Inc. | *100* | Aggregates, asphalt, readymixed concrete and related construction activities |
| | Preferred Materials Inc. | *100* | Aggregates, asphalt, readymixed concrete, aggregates distribution and related construction activities |
| | Oldcastle SW Group, Inc. | *100* | Aggregates, asphalt, readymixed concrete and related construction activities |
| | Pennsy Supply, Inc. | *100* | Aggregates, asphalt, readymixed concrete and related construction activities |
| | Pike Industries, Inc. | *100* | Aggregates, asphalt, readymixed concrete and related construction activities |
| | P.J. Keating Company | *100* | Aggregates, asphalt and related construction activities |
| | Staker & Parson Companies | *100* | Aggregates, asphalt, readymixed concrete and related construction activities |
| | The Shelly Company | *100* | Aggregates, asphalt, readymixed concrete and related construction activities |
| | Tilcon Connecticut, Inc. | *100* | Aggregates, asphalt, readymixed concrete and related construction activities |
| | Tilcon New York, Inc. | *100* | Aggregates, asphalt and related construction activities |
| | Trap Rock Industries, LLC* | *60* | Aggregates, asphalt and related construction activities |
| | West Virginia Paving, Inc. | *100* | Aggregates, asphalt and related construction activities |

| *Incorporated and operating in* | | *% held* | *Products and services* |
|---|---|---|---|

## Americas Products & Distribution

| | | | |
|---|---|---|---|
| **Argentina** | CRH Sudamericana S.A. | *100* | Holding company |
| | Canteras Cerro Negro S.A. | *99.98* | Clay rooftiles, wall tiles and floor tiles |
| | Cormela S.A. | *100* | Clay blocks |
| | Superglass S.A. | *100* | Fabricated and tempered glass products |
| **Canada** | *Building Products* | | |
| | Oldcastle BuildingEnvelope® Canada, Inc. | *100* | Custom fabricated and tempered glass products and curtain wall |
| | Oldcastle Building Products Canada, Inc. (trading as Décor Precast, Expocrete Concrete Products, Groupe Permacon, Oldcastle Enclosure Solutions and Transpavé) | *100* | Masonry, paving and retaining walls, utility boxes and trenches |
| **Chile** | Vidrios Dell Orto, S.A. | *99.90* | Fabricated and tempered glass products |
| | Comercial Duomo Limitada | *99.99* | Wholesaler and retailer of specialised building products |
| **United States** | Americas Products & Distribution, Inc. | *100* | Holding company |
| | CRH America, Inc. | *100* | Holding company |
| | Oldcastle, Inc. | *100* | Holding company |
| | *Building Products* | | |
| | Oldcastle Architectural, Inc. | *100* | Holding company |
| | Oldcastle Building Products, Inc. | *100* | Holding company |
| | Big River Industries, Inc. | *100* | Lightweight aggregates |
| | Bonsal American, Inc. | *100* | Premixed cement and asphalt products |
| | Glen-Gery Corporation | *100* | Clay bricks |
| | Merchants Metals, Inc. | *100* | Fabrication and distribution of fencing products |
| | Meadow Burke, LLC | *100* | Concrete accessories |
| | Oldcastle APG Northeast, Inc. (trading principally as Anchor Concrete Products and Trenwyth Industries) | *100* | Specialty masonry, hardscape and patio products |
| | Oldcastle APG South, Inc. (trading principally as Adams Products, Georgia Masonry Supply, Northfield Block Company and Oldcastle Coastal) | *100* | Specialty masonry, hardscape and patio products |
| | Oldcastle APG West, Inc. (trading principally as Amcor Masonry Products, Central Pre-Mix Concrete Products, Texas Masonry Products, Miller Rhino Materials, Sierra Building Products and Superlite Block) | *100* | Specialty masonry and stone products, hardscape and patio products |
| | Oldcastle BuildingEnvelope®, Inc. | *100* | Custom fabricated architectural glass |
| | Oldcastle Lawn & Garden, Inc. | *100* | Patio products, bagged stone, mulch and stone |
| | Oldcastle Precast, Inc. | *100* | Precast concrete products, concrete pipe, prestressed plank and structural elements |
| | Oldcastle Surfaces, Inc. | *100* | Custom fabrication and installation of countertops |
| | *Distribution* | | |
| | Oldcastle Distribution, Inc. | *100* | Holding company |
| | Allied Building Products Corp. | *100* | Distribution of roofing, siding and related products, wallboard, metal studs, acoustical tile and grid |

# **Principal Equity Accounted Investments** as at 31 December 2014

| *Incorporated and operating in* | | *% held* | *Products and services* |
|---|---|---|---|
| **Europe Heavyside** | | | |
| **China** | Jilin Yatai Group Building Materials Investment Company Limited* | 26 | Cement |
| **India** | My Home Industries Limited | 50 | Cement |
| **Ireland** | Kemek Limited* | 50 | Commercial explosives |
| **Israel** | Mashav Initiating and Development Limited | 25 | Cement |
| **Europe Distribution** | | | |
| **France** | Doras S.A. | 56.95 | Builders merchants |
| | Samse S.A.* | 21.13 | Builders merchants and DIY stores |
| **Netherlands** | Bouwmaterialenhandel de Schelde B.V. | 50 | DIY stores |
| | Intergamma B.V. | 48.57 | DIY franchisor |
| **Portugal** | Modelo Distribuição de Materials de Construção S.A.* | 50 | DIY stores |
| **Americas Materials** | | | |
| **United States** | American Cement Company, LLC* | 50 | Cement |
| | Boxley Aggregates of West Virginia, LLC* | 50 | Aggregates |
| | Southside Materials, LLC* | 50 | Aggregates |
| | Cadillac Asphalt, LLC* | 50 | Asphalt |
| | Piedmont Asphalt, LLC* | 50 | Asphalt |
| | American Asphalt of West Virginia, LLC* | 50 | Asphalt and related construction activities |
| | HMA Concrete, LLC* | 50 | Readymixed concrete |
| | Buckeye Ready Mix, LLC* | 45 | Readymixed concrete |

* *Audited by firms other than Ernst & Young*

Pursuant to Section 16 of the Companies Act, 1986, a full list of subsidiaries, joint ventures and associated undertakings will be annexed to the Company's Annual Return to be filed in the Companies Registration Office in Ireland.

# Group Financial Summary

| (Figures prepared in accordance with IFRS) | | Restated 2005 €m | Restated 2006 €m | Restated 2007 €m | Restated 2008 €m | Restated 2009 €m | Restated 2010 €m | Restated 2011 €m | Restated 2012 €m | 2013 €m | **2014 €m** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Revenue** | | 13,831 | 17,836 | 19,916 | 19,715 | 16,278 | 16,112 | 17,374 | 18,084 | 18,031 | **18,912** |
| **EBITDA (as defined)*** | | 1,845 | 2,326 | 2,704 | 2,478 | 1,654 | 1,487 | 1,543 | 1,563 | 1,475 | **1,641** |
| **Group operating profit** | | 1,311 | 1,724 | 1,973 | 1,704 | 861 | 630 | 811 | 805 | 100 | **917** |
| Profit on disposals | | 19 | 36 | 57 | 68 | 25 | 54 | 53 | 230 | 26 | **77** |
| Profit before finance costs | | 1,330 | 1,760 | 2,030 | 1,772 | 886 | 684 | 864 | 1,035 | 126 | **994** |
| Net finance costs (funding/cash) | | (135) | (221) | (282) | (324) | (263) | (211) | (223) | (256) | (249) | **(246)** |
| Other financial expense | | (10) | (15) | (7) | (6) | (27) | (29) | (28) | (49) | (48) | **(42)** |
| Share of equity accounted investments' profit/(loss) | | 75 | 60 | 138 | 160 | 117 | 69 | 87 | (84) | (44) | **55** |
| **Profit/(loss) before tax** | | 1,260 | 1,584 | 1,879 | 1,602 | 713 | 513 | 700 | 646 | (215) | **761** |
| Income tax expense | | (254) | (360) | (441) | (340) | (115) | (74) | (103) | (106) | (80) | **(177)** |
| **Group profit/(loss) for the financial year** | | 1,006 | 1,224 | 1,438 | 1,262 | 598 | 439 | 597 | 540 | (295) | **584** |
| **Employment of capital** | | | | | | | | | | | |
| **Non-current and current assets** | | | | | | | | | | | |
| Property, plant and equipment | | 6,275 | 6,954 | 7,503 | 7,904 | 7,570 | 7,939 | 8,008 | 7,971 | 7,539 | **7,422** |
| Intangible assets | | 2,005 | 2,713 | 3,424 | 3,772 | 3,754 | 3,960 | 4,148 | 4,267 | 3,911 | **4,173** |
| Equity accounted investments/other financial assets | (a) | 1,126 | 1,169 | 1,448 | 1,969 | 2,204 | 2,265 | 2,107 | 1,456 | 1,363 | **1,352** |
| Net working capital | (b) | 1,864 | 2,314 | 2,326 | 2,468 | 1,838 | 1,799 | 2,004 | 2,078 | 2,016 | **2,010** |
| Other liabilities - current and non-current | (c) | (1,226) | (1,070) | (836) | (1,078) | (1,051) | (1,056) | (1,323) | (1,376) | (1,111) | **(1,418)** |
| Assets and liabilities held for sale | (d) | - | - | - | - | - | - | - | 143 | - | **285** |
| Total | | 10,044 | 12,080 | 13,865 | 15,035 | 14,315 | 14,907 | 14,944 | 14,539 | 13,718 | **13,824** |
| Capital and reserves excluding preference share capital | | 6,194 | 7,062 | 7,953 | 8,086 | 9,636 | 10,327 | 10,508 | 10,552 | 9,661 | **10,176** |
| Preference share capital | | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | **1** |
| Non-controlling interests | | 25 | 31 | 37 | 38 | 41 | 50 | 41 | 36 | 24 | **21** |
| Net deferred income tax liability | | 647 | 742 | 875 | 972 | 1,028 | 1,149 | 1,059 | 1,041 | 1,059 | **1,134** |
| Net debt | (e) | 3,177 | 4,244 | 4,999 | 5,938 | 3,609 | 3,380 | 3,335 | 2,909 | 2,973 | **2,492** |
| Total | | 10,044 | 12,080 | 13,865 | 15,035 | 14,315 | 14,907 | 14,944 | 14,539 | 13,718 | **13,824** |
| Purchase of property, plant and equipment | | 614 | 777 | 956 | 955 | 487 | 418 | 507 | 544 | 497 | **435** |
| Acquisitions and investments | | 1,298 | 2,311 | 2,227 | 1,072 | 458 | 567 | 610 | 548 | 576 | **188** |
| Total | | 1,912 | 3,088 | 3,183 | 2,027 | 945 | 985 | 1,117 | 1,092 | 1,073 | **623** |
| Depreciation of property, plant and equipment | | 525 | 577 | 696 | 717 | 709 | 711 | 673 | 686 | 671 | **631** |
| Amortisation of intangible assets | | 9 | 25 | 35 | 43 | 43 | 44 | 38 | 44 | 54 | **44** |
| Impairment of property, plant and equipment and intangible assets | | - | - | - | 14 | 41 | 102 | 21 | 28 | 650 | **49** |
| Earnings per share after amortisation of intangible assets (cent) | (f) | 168.3 | 202.2 | 236.9 | 210.2 | 88.3 | 61.3 | 82.6 | 74.6 | (40.6) | **78.9** |
| Earnings per share before amortisation of intangible assets (cent) | (f) | 170.0 | 206.5 | 242.7 | 217.4 | 96.3 | 79.9 | 88.6 | 80.6 | (33.2) | **84.9** |
| Dividend per share (cent) | (f) | 35.17 | 46.89 | 61.31 | 62.22 | 62.50 | 62.50 | 62.50 | 62.50 | 62.50 | **62.50** |
| Cash earnings per share (cent) | (f), (g) | 268.9 | 332.0 | 372.3 | 357.4 | 222.9 | 203.2 | 201.4 | 199.8 | 162.4 | **177.1** |
| Dividend cover (times) | (h) | 4.8 | 4.3 | 3.9 | 3.4 | 1.4 | 1.0 | 1.3 | 1.2 | n/a | **1.3** |

**Notes to IFRS financial summary data**

The Group financial summary for 2005 to 2012 has been restated for the impact of IFRS 11 *Joint Arrangements*. The 2012 results also reflect the change in accounting as required by IAS 19 *Employee Benefits*.

(a) Represents the sum of equity accounted investments’ and other financial assets.

(b) Represents the sum of inventories and trade and other receivables (included in current assets) less trade and other payables (included in current liabilities).

(c) Represents the sum of current income tax liabilities, current and non-current provisions for liabilities, non-current other payables and retirement benefit obligations less the sum of current income tax recoverable and non-current other receivables.

(d) Represents the sum of assets and liabilities reclassified as held for sale, excluding cash and cash equivalents reclassified which is included under net debt (see note (e) below).

(e) Represents the sum of current and non-current interest-bearing loans and borrowings and derivative financial instrument liabilities less the sum of liquid investments, cash and cash equivalents (including cash reclassified as held for sale) and current and non-current derivative financial instrument assets.

(f) Per share amounts for restated 2005 to 2008 have been restated for the bonus element of the Rights Issue in March 2009.

(g) Cash earnings per share represents profit attributable to equity holders of the Company less preference dividends paid plus depreciation of property, plant and equipment, amortisation of intangible assets and, where applicable, asset impairments divided by the average number of Ordinary Shares outstanding for the year.

(h) Represents earnings per Ordinary Share divided by dividends per Ordinary Share.

* *EBITDA is defined as earnings before interest, taxes, depreciation, amortisation, asset impairment charges, profit on disposals and the Group’s share of equity accounted investments’ result after tax.*

# Index

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*Front cover: The Rehberger bridge, also known as the "Slinky Springs to Fame" bridge-sculpture, spans the Rhine-Herne canal in Oberhausen, Germany. It consists of 496 spiral rings, each with a five metre diameter, suspended ten metres above the canal for a total length of 406 metres. HALFEN, a CRH Europe Lightside business, designed and engineered a solution consisting of serrated steel channels to connect the guardrail to the top of the concrete slab, and the spiral underneath the slab, as part of the same element. This clever design allowed the project to be constructed efficiently, safely and on time.*