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CRH

Building Materials

Still to play its ‘Trump Card’

- A well-rehearsed acquisition strategy that produces strong returns
- Including acquisitions in forecasts for the first time
- Moving recommendation from ‘Add’ to ‘Buy’

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Ireland

CRH

Building Materials

Still to play its 'Trump Card'

Current Price: €21.78

Price Target: €26.00

BUY

- **A well-rehearsed acquisition strategy...** - Given that CRH has spent over €9bn on c.380 acquisitions over the last ten years it has a well-rehearsed acquisition strategy from the initial stage of identifying the deal to the integration of the newly acquired business. A key feature of the acquisitions has been their size with an average transaction value of only €23m. Excluding the deals in excess of €100m, the mean deal size falls to just €13m. in other words, over 50% of acquisition spend in the last 10 years can be described as bolt-on, with no one transaction being greater than 10% of the company's capital base.

- **...that has delivered -** An examination of the sources of growth for the last five years shows that acquisitions have contributed 14 percentage points to CRH's profit growth versus six percentage points for its peers and, therefore, have been a key driver of the company's superior growth. However, critically CRH has not sacrificed returns, with the company maintaining the positive ROCE differential (200-300bps) to its larger peers.

- **An element of acquisition activity in forecasts for first time -** In addition to upgrading forecasts to reflect the upbeat H1 trading statement, currency changes (moved US dollar assumption from \$1.31 to \$1.26) and H1 development spend, we have included an element of acquisition spend in our forecasts going forward. These changes have resulted in a total upgrade to EPS forecasts of 7-10%.

- **Has the fire-power to undertake a lot more acquisitions** - Given its balance sheet strength, we believe that CRH can increase acquisition spend significantly without resorting to shareholders. While recognising investor concern over the current slower pace of acquisition spend, we believe this is not part of a structural trend, given the fragmented nature of global construction markets, but reflects prices that are too high for CRH to make adequate returns. Even under the worst case scenario of a lower rate of value-add acquisitions, we believe CRH would not allow cash balances to accumulate and funds would be returned to shareholders, either through a more progressive dividend or share buy-back programme.

- **Price target raised from €23 to €26; 'Add' to 'Buy' -** Based on our revised forecasts and applying multiples that are slightly above its five year average (justified in our view given improving returns and forecast double-digit EPS growth), we have set a revised price target of €26 and moved our recommendation from an 'Add' to a 'Buy'.

Mkt Cap €11,631m

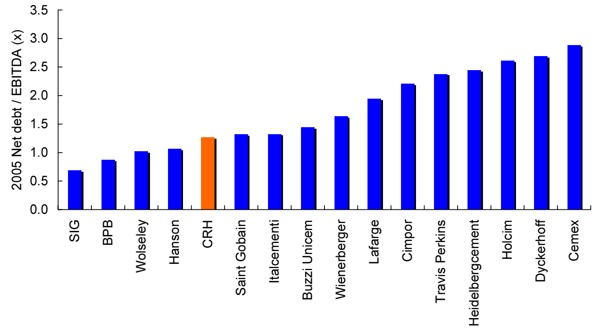
Financial Summary (€m)

Year Ending	**Dec-04**	**Dec-05f**	**Dec-06f**	**Dec-07f**
Sales	12,754.5	14,016.5	15,197.3	16,227.2
Operating Profit	**1,224.3**	**1,382.1**	**1,519.4**	**1,629.3**
Goodwill	-4.1	-8.1	-8.1	-8.1
Other Income	10.8	11.6	6.2	5.5
Associates / JV	19.4	20.6	21.2	21.8
Exceptionals	0.0	0.0	0.0	0.0
EBIT	**1,250.4**	**1,406.0**	**1,538.6**	**1,648.4**
Net Interest	-146.4	-162.2	-156.4	-137.9
PBT	**1,104.0**	**1,243.9**	**1,382.3**	**1,510.5**
Tax	-232.2	-262.0	-295.8	-327.1
Attributable Profit	**866.1**	**974.4**	**1,078.2**	**1,174.7**
EBITDAe	1,770.4	1,977.3	2,168.7	2,332.3
Net Debt	2,758.1	2,502.7	2,004.7	1,423.4
Per share Analysis (c)				
Adjusted EPS	164.1	183.6	201.6	217.7
Operating Cashflow	291.8	346.3	392.4	417.4
DPS	33.0	38.0	43.7	50.2
Profitability (%)				
Operating Margin	9.6	9.9	10.0	10.0
ROAE	17.9	17.8	16.6	15.7
Momentum (%)				
Sales	15.1	9.9	8.4	6.8
EBITDA	16.8	11.7	9.7	7.5
Adjusted EPS	21.7	11.9	9.8	8.0
Financing				
Debt/Equity (%)	55.8	41.5	28.8	17.9
Interest Cover (x)	8.6	8.7	9.9	12.0
Valuation (x)				
P/E	13.3	11.9	10.8	10.0
Dividend Yield (%)	1.5	1.7	2.0	2.3
EV/EBITDA	8.1	7.1	6.3	5.6
P/NAV	2.3	1.9	1.7	1.5

Price Performance

52 Week		**Tickers**	
High	2216	Reuters	CRH.I
Low	1784	Bloomberg	CRH ID
Absolute Price Change (%)		**ISEQ Rel. Price Change(%)**	
QTD	-0.8	QTD	-1.3
YTD	10.6	YTD	4.2

Balance sheet strength - CRH still to play its 'Trump card'



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13 July 2005

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KEY THEMES

CRH has still to play its 'Trump Card'

- Based on 2005 consensus forecasts, an examination of balance sheets across the building materials sector shows that CRH is expected to have a net debt to EBITDA ratio of c.1.0x versus a sector average of c.1.7x. Furthermore, this ratio is approaching historical lows for CRH. Given that backdrop, this report looks in detail at the acquisition strategy of CRH, particularly given concerns over the current lower rate of spend, which we believe reflects prices that are too high for CRH to generate an adequate return.

- Even under the scenario of structurally lower levels of acquisition spend going forward (unlikely in our view given fragmented global construction markets), we believe CRH will not allow cash to accumulate and funds will potentially be returned to shareholders. Either way, given the relative balance sheet strength of CRH, especially vis-a-vis its larger peers, we believe the company has still to play its 'Trump Card'.

Acquisitions a key element of CRH's growth

- Over the last five years, CRH has spent on average c.14% of the previous year's asset base on acquisitions in any one year, which compares to 6% for its peers (similar percentages are found over a ten year period).

- Given the above, it is no surprise to see that acquisitions have, on average, allowed CRH to grow sales by 14 percentage points versus six for its larger peers. However, most critically, it has not sacrificed returns, with the company maintaining its ROCE differential (+200-300bps) against the larger building materials companies.

A well-rehearsed acquisition strategy that delivers

- As CRH has spent over €9bn on c.380 acquisitions over the last ten years it has a well-rehearsed strategy, from the time of identifying the deals, to the integration of the business within the enlarged group.

- A critical feature of the acquisition spend is that there has been a bias towards the smaller bolt-on deals. For example, over 50% of total spend over the last ten years has been on deals less than €100m with an average transaction value of €13m. Furthermore, no single deal has represented more than 10% of the company's capital base.

- With the emphasis on the smaller bolt-on and given that the multiples on such transactions tend to be lower (for example, the EV/EBITA multiple paid for the recent H1 development spend was 6.5x versus an average of 8.5x for the bigger deals), CRH has delivered returns that have at least matched WACC. Indeed, in seven of the last ten years, we estimate that acquisitions have generated double-digit returns in the first 12 months that they have been part of the group.

Putting H1 spend into perspective

- While the €168m spent on 24 deals in the first half of 2005 is disappointing relative to previous years, we believe it reflects prices that are too high to achieve adequate returns. Furthermore, an examination of dealflow among all European construction companies shows that the number of bolt-on transactions have slowed and have tended to be smaller. The latter is very much a feature of CRH's first half spend with an average transaction value of only €7m, almost half the average over the last ten years.

- It is of note at a time that acquisition spend has slowed, CRH is starting to see more value in capex development projects, with such expenditure measured as a percentage of depreciation, going from a low of 80% in 2002 to an estimated level of 110% in 2005.

Time for forecasts to reflect reality

- Given that CRH has one of the highest exposures to the US (c.50% of group profits), the company is currently benefiting from the continued strength in the US construction sector. This is offsetting more subdued market conditions in Europe. As a result, the company indicated in its recent trading statement that the PBT increase for the first half will be in the high teens.

- Adverse currency movements have been a key feature of CRH's results over the last three years. To illustrate this we estimate that if currencies remained constant over the last few years PBT in 2004 would have been c.15% higher. Following a change in our US$/€ assumption from $1.31 to $1.26, our model is implicitly assuming that currency effects will be broadly neutral in the current year.

- In addition to factoring in the positive H1 update, a change in our US$/€ assumption and H1 development spend, we are including an element of acquisition activity for the first time in our forecasts. Given the slower rate of H1 spend, we are factoring in annual spend of €500m (monthly rate of €40m versus ten year average monthly rate of €60). These changes bring the cumulative changes to our EPS forecasts to 7-10%.

- CRH has plenty of firepower to undertake significant acquisitions in what continues to be fragmented global construction markets. We estimate that annual spend of €1-2bn over the next four years would add 4 to 12% to forecasts, while gearing levels would remain low (c.55% under the €2bn scenario).

- Even under a worse case scenario of structurally lower dealflow going forward (a view we would not share), we believe CRH will not allow cash balances to accumulate and therefore would look to return funds to shareholders, either through dividends (cover of 4.5x versus sector average of 3.5x) or share buy-backs.

Price target raised to €26 - 'Add' to 'Buy'

- The global building materials sector has had a strong run in the ytd, particularly the European stocks (+19%), reflecting corporate activity in the sector. A particular feature of this performance is that stocks with a US bias have performed the strongest (+20-30%), the one exception being CRH (+10%).

- CRH's current prospective multiples for 2006 (PE of 10.8x and EV/EBITDA of 6.3x) do not look demanding versus historical trading ranges or peers (3-4% discount to Holcim / Lafarge), especially when considering the company's US bias and relative balance sheet strength.

- Overall, based on the analysis in this report and our revised forecasts, we are increasing our 12-month price target from €23 to €26 and, as a result, are moving our recommendation from 'Add' to 'Buy'. The multiples used in deriving this target are slightly above their five year average but still significantly below the high end of the trading range. Furthermore, it is underpinned by a DCF valuation of €26.40, which is based on conservative assumptions. These include a WACC of 8%, effective tax rate increasing from 21% to 28% by 2010 and no growth after 2010 factored in.

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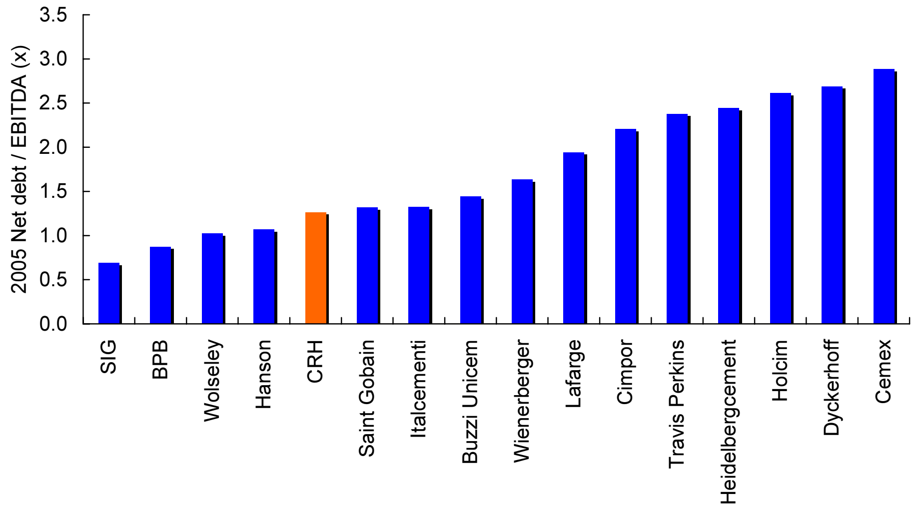
CRH has still to play its 'Trump Card'

An examination of balance sheet strength across the building materials sector clearly shows the comparative advantage CRH has over many of its peers in terms of fire power to undertake acquisitions in a sector that continues to consolidate. Indeed this relative strength has been enhanced in recent months following a number of large deals in the sector. Based on 2005 consensus forecasts, CRH's net debt to EBITDA ratio is c.1.0x, whereas the average for the sector is c.1.7x. Furthermore, on an historical basis CRH's net debt to EBITDA is now approaching historical lows. Given this backdrop, this report examines in detail CRH's acquisition strategy and the extent to which acquisitions have contributed to the company's growth profile over the last number of years. As well as assessing the implications for earnings of future acquisition activity, we also revisit our forecasts in terms of the recent trading update, IFRS and currency sensitivity.

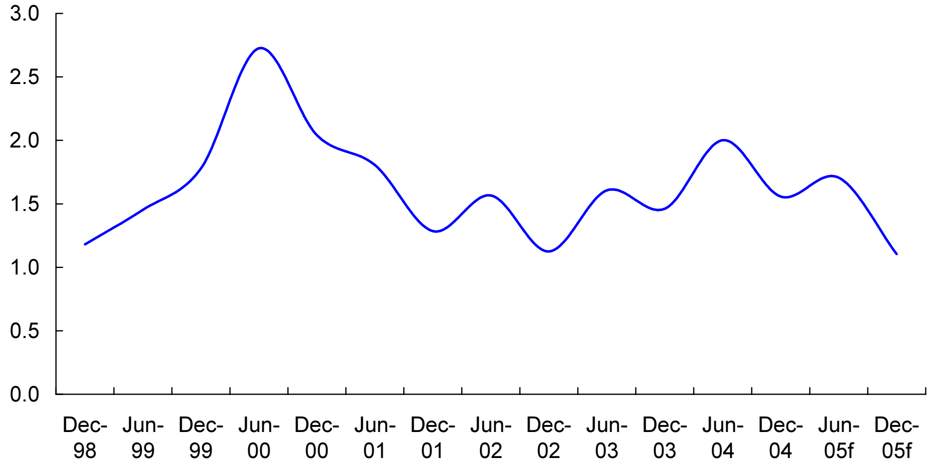
Within the building materials sector a key differentiating factor for CRH...

Balance sheet strength - CRH still to play its 'Trump card'



...is its balance sheet strength with a net debt to EBITDA ratio of c.1x versus an average of 1.7x for the sector

CRH - Rolling 12-month net debt to EBITDA is approaching historical lows



Furthermore, while recognising market concerns over the low pace of current deal-flow, we believe it is a short-term issue of high price expectations on the part of potential vendors, as construction markets globally remain fragmented and, therefore, provide plenty of opportunities for acquisitive companies. However, even under the unlikely scenario where this is more than a short-term issue, such is the cashflow generation of

CRH and management's focus on shareholder value, we believe the company would look favourably to increasing the level of cash that is given to shareholders if there is no alternative use for the funds. Either way, we believe in terms of future earnings upgrades, CRH has still to play its 'Trump Card'.

Therefore, CRH has still to play its 'Trump Card', which underpins future earnings upgrades

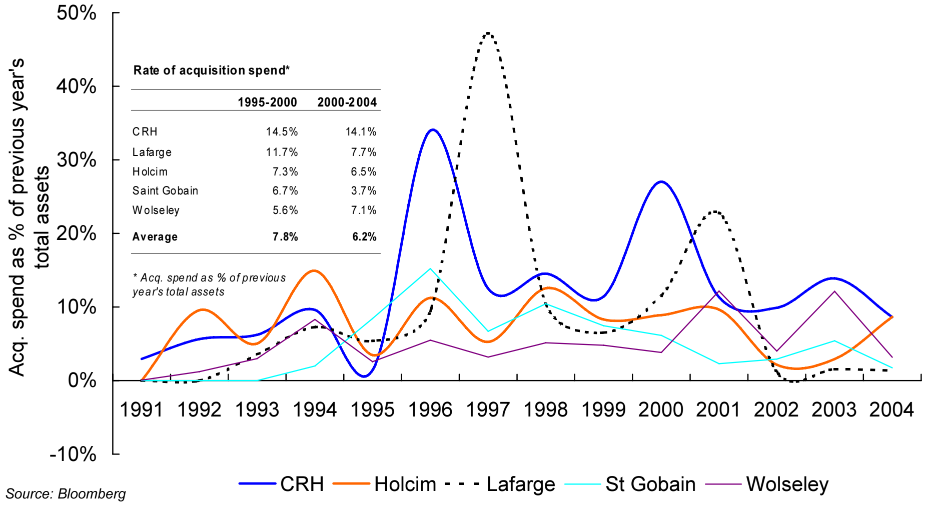
ACQUISITIONS - A KEY ELEMENT OF CRH'S STRATEGY

CRH has spent relatively more on acquisitions...

Over the last ten years CRH has spent over €9bn on c.380 acquisitions, which on an annualised basis represents c.14% of the previous year's total asset base. As the chart below shows, this has been consistently above that of its larger peers in the building materials sector which on average have spent c.8% of the prior year's asset base on acquisitions (for the purposes of consistency we have used 'Bloomberg' definitions, where acquisition spend was derived using the following two categories from the cashflow statement, 'purchase of long-term investments' and 'other investing activities').

Over the last ten years CRH has spent over €9bn on c.380 acquisitions...

CRH has consistently spent more on acquisitions



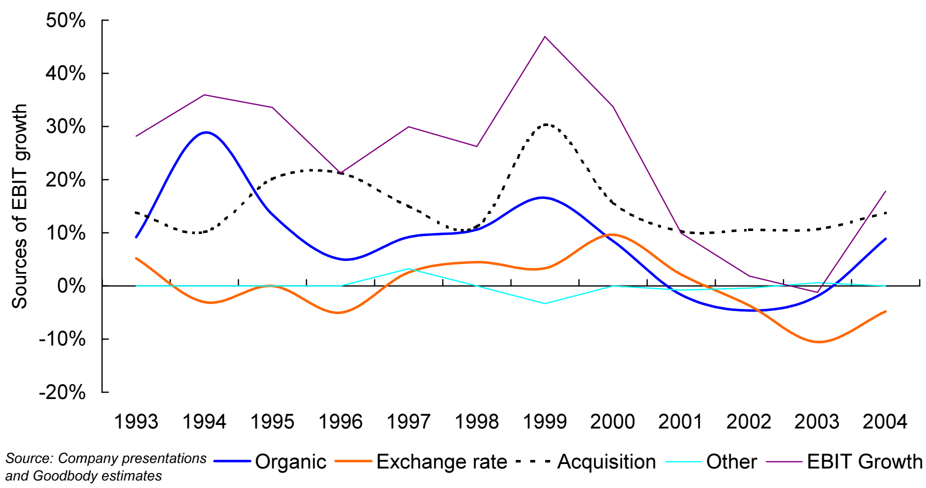
Source: Bloomberg

...which on an annualised basis represents c.14% of the previous year's total asset base

...thereby making deal-flow a significant driver of growth

Given such a high rate of spend it is no surprise to see that acquisitions have represented a significant proportion of CRH's growth over the last ten years. A breakdown of the sources of growth on a yearly basis shows that acquisitions have, on average, contributed sixteen percentage points to EBIT growth, which itself has grown by, on average, 22% over the last ten years. That is, acquisitions have contributed over 70% to group EBIT growth over the period. It is of note that, over the last five years, acquisitions have taken on an increasing role in maintaining group profits, given the slowdown in organic growth and adverse currency movements (see chart below).

Acquisitions - A key driver of CRH's growth



Source: Company presentations and Goodbody estimates

This compares to an average acquisition spend of c.8% of prior year's asset base for its peers

An examination of the sources of growth over the last five years across a number of the larger building materials companies clearly shows the relative importance of acquisitions to CRH's growth performance. The main points from this analysis are as follows:

Acquisitions over the last five years have contributed...

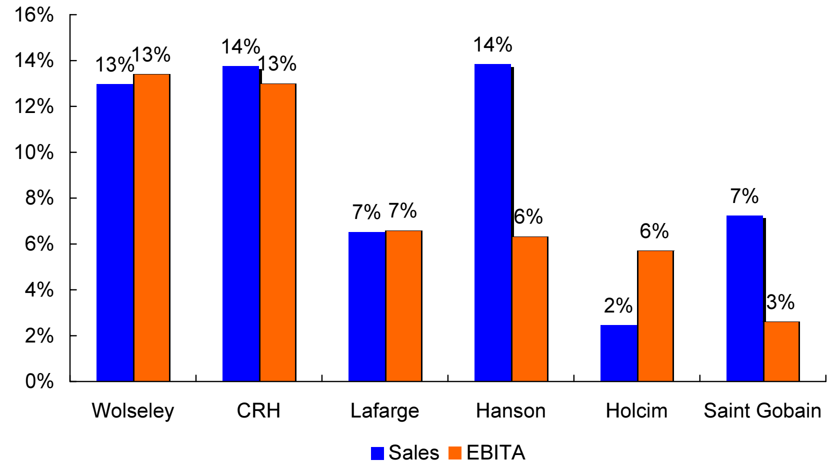
- On average, acquisition contributions have allowed CRH's sales on an annualised basis to grow by 14 percentage points,which compares to six percentage points for its peers (examined in the charts below). A similar differential is observed at an operating profit level.

...14 percentage points to CRH's profit growth...

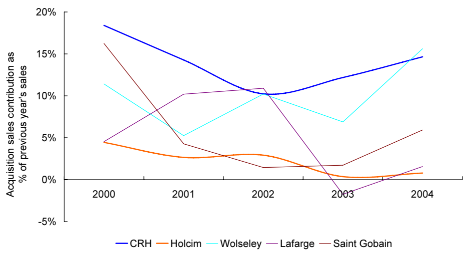
- While the organic performance of CRH over the last five years mirrors that of other building materials companies, it has generally been lower (especially 2001-04), which further highlights the pivotal role that CRH's acquisitions have played in the company's strong relative growth performance over the period.

...versus six percentage points for its peers

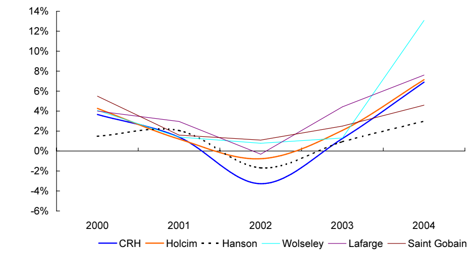
Acquisitions have been key to CRH's relative growth performance (2000-04)



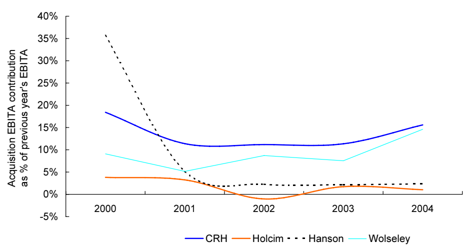
Acquisitions a key driver of growth for CRH (Sales)



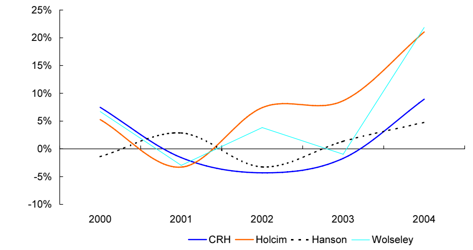
Organic sales growth over the past five years



Acquisitions a key driver of growth for CRH (EBITA)



Organic profit growth over the last five years

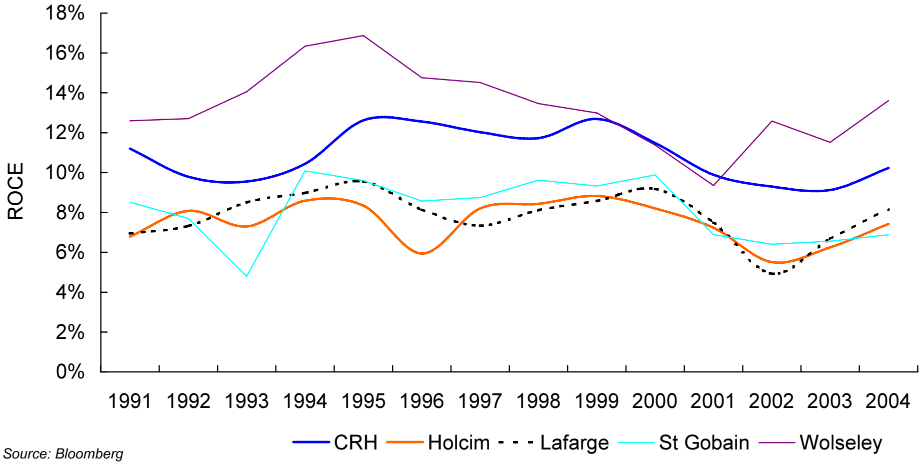


Acquisition bias has not compromised superior returns

Given the greater reliance on acquisitions, there might be an expectation that CRH has compromised returns. An examination of returns on capital employed (as per the definition used by Bloomberg for the purposes of comparison across companies) shows that CRH has maintained its superior return performance versus the leading building materials companies, sucah as Lafarge, Saint Gobain and Holcim. While the differential has narrowed slightly, we believe this is not the start of a long-term trend given, CRH's relentless focus on return generation and the tendency for some of its peers to pay full prices for acquisitions.

In pursuing its acquisition strategy...

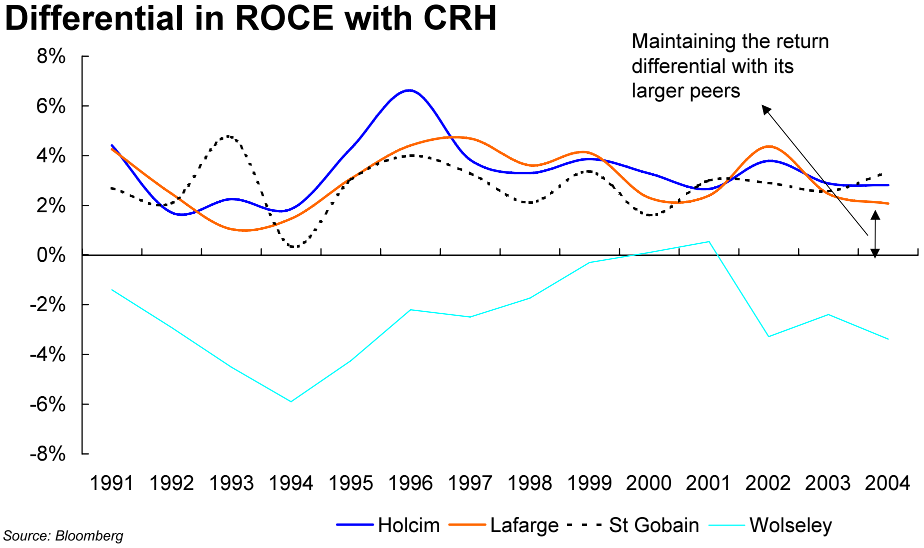
CRH's return generation remains strong relative to peers



Source: Bloomberg

...CRH has not sacrificed its superior returns relative to its peers

Differential in ROCE with CRH



Source: Bloomberg

A detailed profile of CRH's acquisitions

Given the relative importance of acquisitions to CRH compared to its peers, we analyse in detail the characteristics of such deal-flow over the last ten years.

CRH has a well-rehearsed acquisition strategy from...

A well-rehearsed acquisition approach

CRH has a well-rehearsed approach to acquisitions which can be broken down into four parts, each discussed below.

Identifying the deals - CRH has 14 development teams (approximately 7 in the US, 6 in Europe and one in its head office in Ireland) seeking out opportunities and maintaining ongoing contact with a 25+ year target database. This means that at any one time the number of deals under consideration is well in excess of those completed, thereby ensuring a steady flow. In terms of identifying deals, each acquisition opens up further opportunities. The recent acquisition of Secil is a good example of this as it will give CRH greater access to the countries in the Mediterranean Basin. CRH's scale also ensures access to the larger deals that take place in the sector (i.e. CRH is probably the first port of call for many a corporate finance house with a large transaction to execute).

Courtship / Negotiation - CRH tends to take a very patient approach to acquiring a business with the process often involving a long period of courtship. This allows CRH to get to know the management and their evolving needs and to get a better understanding of the suitability and strategic fit of the target. Deals will be tailored to meet the needs of both parties and there will be upfront clarity regarding the post-acquisition priorities.

...the initial stage of identifying the deals...

Evaluation - In evaluating potential targets, CRH undertakes a rigorous qualitative review of the operations and due diligence. To ensure adequate returns are earned, acquisitions have to meet strict cashflow criteria based on prudent margin, cashflow and terminal value assumptions. Within the first year, CRH typically looks for a RONA of c.12% from a new business, with an expectation of moving this towards 15% within a 2-3 year time-frame, that is acquisitions have to meet WACC from day one. This evaluation process is ongoing with a 3 year look back to assess how the acquisition has performed since it became part of the enlarged group.

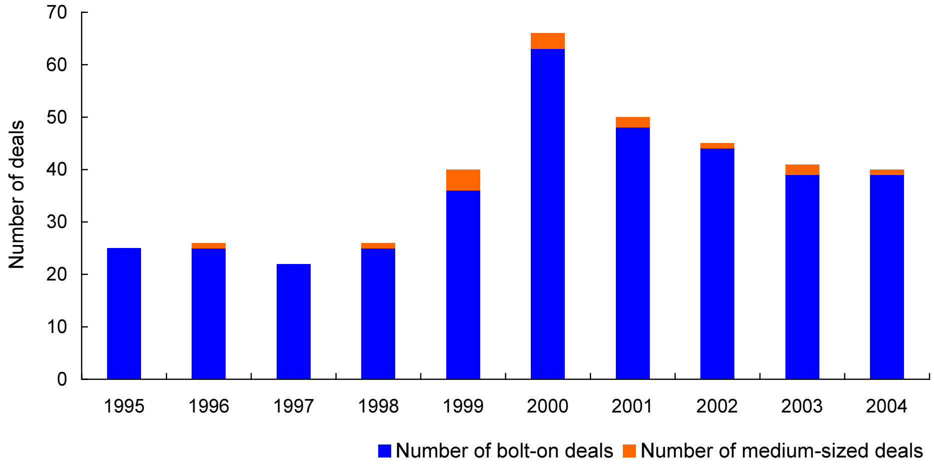
Integration - To ensure that an acquisition achieves the targeted returns, a lot of time is devoted to the integration process. Almost immediately, CRH integrates the new business in terms of management information systems, reporting, budgeting and capex controls. In addition to extracting buying benefits and cost synergies, benchmarking and best practice programmes are put in place. This process is helped by the product-led approach that CRH has across geographic markets, which has facilitated the sharing of best practice.

...to integration, thereby ensuring returns are maximised

Many bolt-ons with the occasional medium sized deal

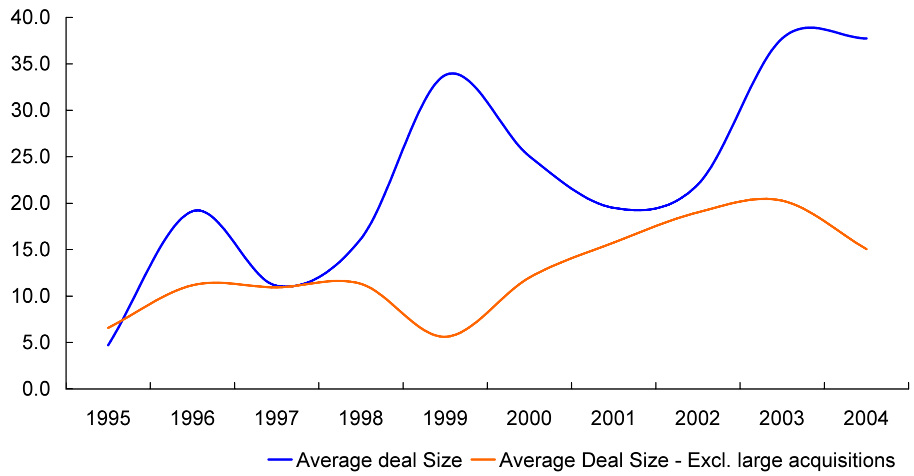
Despite spending over €9bn on deals over the last ten years, CRH has never spent more than 10% of its capital base on any one deal. Instead the emphasis is very much on a large number of bolt-on type transactions with the occasional medium sized deal (see charts on next page). For example, we estimate that the average size of the c.380 deals completed over the period is only €23m. Excluding those deals in excess of €100m, which have averaged two a year, the average deal size is only €13m. We believe there are two main advantages in focusing on the smaller deals. Firstly, they tend to attract less interest from other parties, therefore you avoid bidding wars. Secondly, you are more likely to get exactly the assets you want in the right location. In contrast, larger deals are likely to have assets that are surplus to requirements and, therefore, tend to involve more restructuring, which has its associated risks in terms of execution.

A large number of bolt-on deals with the occasional medium-sized acquisition



CRH has never spent more than 10% of its capital base on any one acquisition...

Average deal size (€m)



...instead the emphasis has been on a large number of bolt-ons with the occasional medium sized deal

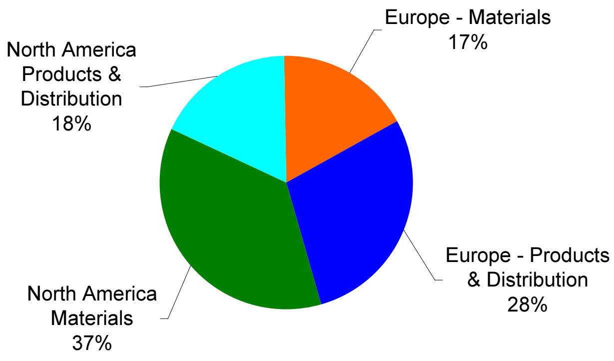
Bias has shifted towards acquisitions in Europe

Over the last ten years the acquisition spend has been split almost evenly between Europe and the US (45% and 55% respectively), which is no surprise given that it is a stated aim of CRH to have a broadly balanced portfolio across both geographic and product markets.

However, there has been a noticeable shift in the bias from the US towards Europe over the ten year period (see chart on next page). For example, in the last two years the European region has represented approximately two thirds of total spend compared to 30-35% in the prior three-year period. Such a shift, in our view, is likely to reflect the relative attractions in undertaking deals in either the US or Europe, in terms of generating adequate returns. Furthermore, the last two big deals announced by CRH have been in Europe, namely Cementbouw in the Netherlands in Jul-03 (€670m) and a 49% stake in Secil in Portugal in Mar-04 (c.€440m, 49% of the estimated total EV of €900m). Note these dates are when the deals were first announced and final completion was Oct-03 for Cementbouw and Jun-04 for Secil.

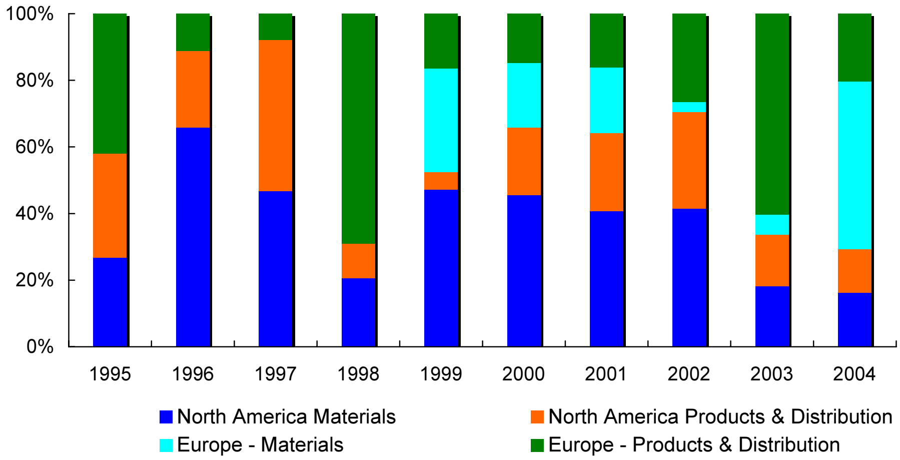
The average transaction value over the last ten years has been €23m, excluding large deals this falls to €13m

Slight bias to the US in acquisition spend (1995-2004)



Over the last ten years acquisition spend has had a slight bias towards the US

Regional breakdown of acquisition spend

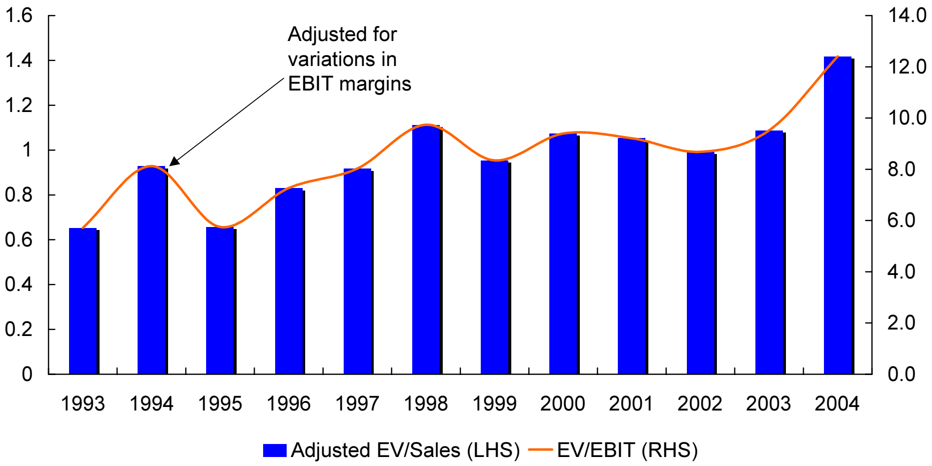


The average multiple paid for the larger deals has been 8.8x EBIT

Prices paid for acquisitions and return generation in year one

In terms of multiples paid for the medium sized deals, the average EV/EBIT multiple paid over the last ten years has been 8.8x, with some sign of a slight upward trend over the period examined.

Some evidence of a pick-up in multiples paid on medium-sized deals



However, it should be borne in mind that these are based on historical profit figures. They do not include synergies and the cost of capital has declined over the last ten years. Furthermore, multiples paid are a function of a number of characteristics that can be specific to any one deal. For example, they can reflect market position (i.e. is the company the dominant player), level of reserves of a raw material (e.g. stone, gravel etc) and access to new markets. In the case of the most recent Secil deal in 2004, the EBIT multiple of c.12x is based on depressed profits of €69m in 2003, down from €117m in 2002, reflecting the impact of a downturn in the Portuguese construction market. Given recent statements from CRH and the latest Euroconstruct growth forecasts for the Portuguese construction market (+1.3% and +3.0% for 2005 and 2006 versus declines of -9.0% and -2.7% in 2003 and 2004) we are confident that this business is at an inflection point and therefore the multiple is likely to turn out to be lower. Furthermore, through investments in other businesses outside of Portugal, the Secil deal also provides CRH development opportunities in new geographic markets (e.g. Angola, Lebanon, Tunisia and other Mediterranean Basin countries), giving a greater strategic angle to the deal.

While multiples for the larger deals have trended up slightly...

Announced Acquisitions

Date	Acquisition	Price (€m)	EV/Sales	Adjusted EV/Sales*	EV/EBIT
Jan-95	Dy-Core Systems	20	0.86	0.69	6.04
Jul-95	Staker Paving and Construction	19	0.52	0.62	5.46
Dec-95	Wescan Glass/Downey Glass	21	0.55	N/A	N/A
Mar-96	Jack B Parson	70	0.80	0.66	5.80
May-96	Kelders / van Der Schoot	15	0.50	0.69	6.00
May-96	Ritangel/Brooks/Foster/Southeastern	24	0.57	0.76	6.64
Jul-96	Allied building products	96	0.28	0.96	8.40
Sep-96	Tilcon	253	0.84	1.08	9.49
Sep-97	CPM Development	80	0.72	0.76	6.67
Sep-97	4 Distribution businesses	33	0.33	0.82	7.19
Oct-97	Akron / Trenwyth	23	0.82	0.83	7.28
Oct-97	New York Trap Rock	35	0.83	1.25	10.96
May-98	MA Segale	33	0.72	0.93	8.18
Dec-98	Ibstock	550	1.03	1.29	11.29
May-99	Finnsementti / Lohja Rudus	420	1.71	0.94	8.23
Jul-99	Millington / Dell	143	0.98	0.93	8.11
Jul-99	Thompson Cully	425	1.45	0.99	8.68
Feb-00	Shelly	347	1.08	0.87	7.58
Mar-00	Yule Catto	77	1.22	1.01	8.85
Jun-00	Northern Ohio / Dolomite	179	1.31	0.85	7.48
Nov-00	Jura	324	1.00	1.56	13.68
Apr-01	Mount Hope	161	1.38	1.27	11.11
Aug-01	Hallet Materials / Des Moines	83	1.31	0.68	5.94
Aug-01	Nesher Cement	163	1.87	1.21	10.58
May-02	EHL	155	0.66	1.22	10.64
May-02	US Aggregates	81	0.97	0.77	6.71
May-03	SE Johnson	154	1.03	1.12	9.84
Jul-03	Cementbouw	671	0.85	1.05	9.19
Mar-04	Secil (49% stake)	419	2.05	1.42	12.41
	Average Europe		1.17	1.11	9.69
	Average US		0.87	0.90	7.86
	Average Total		0.97	0.97	8.52

...it has to be borne in mind that the multiples are based on historical figures and therefore ignore synergies...

...and the date covers a period when the cost of capital has declined

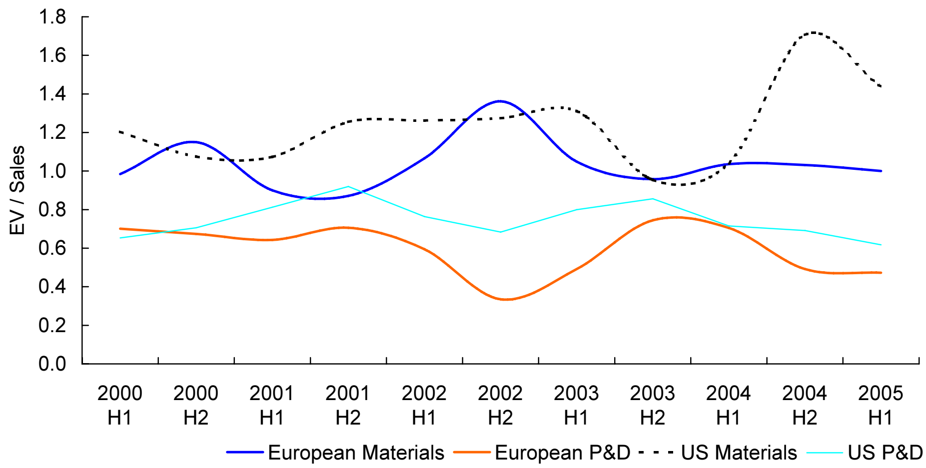
In terms of assessing the multiples paid for the bolt-on deals that are announced collectively twice a year, we have to rely on the EV/Sales metric given that profit figures of such deals are not disclosed in the announcements. While recognising the limitations of such a measure (namely it ignores differences in profitability) some conclusions can be drawn from an analysis of the data, these are as follows:

- The average EV/sales multiple paid for bolt-on acquisitions over the last five years has been circa 0.8x sales which compares to circa 1.2x for the larger deals. While not conclusive given the limitation of this metric, it does indicate that multiples for the smaller deals tend to be lower. Indeed, in relation to recently announced H1 development spend, the company announced that the EV/EBITDA and EV/EBIT multiples paid were 5.5x and 6.5x respectively, which are again lower than those paid for the larger deals. This differential highlights the role that bolt-on deals play in creating value for shareholders, especially given that such deals over the last five years have represented c.60% of total acquisition spend.

Multiples paid for the smaller bolt-ons have tended to be lower than those paid on the larger deals

- Multiples paid for the bolt-on deals have remained very stable over the period examined, with the one exception being US materials, where there is some evidence of an upward trend. Given the relative differences in margins, it is no surprise to see multiples paid for materials is higher than those for businesses in products and distribution.

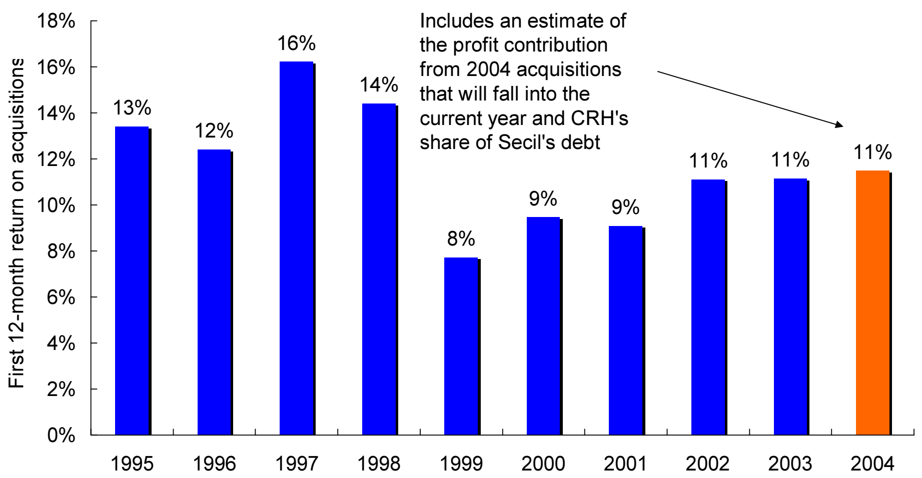
Multiples paid for bolt-on deals



Returns on acquisitions are back into double digits

The real asset test of the success of CRH's acquisition strategy is the level of returns that it has been able to generate from such deals. An examination of the first full 12-month contribution (derived from the breakdown of growth in company presentations) shows that with the exception of the period 1999 to 2001, CRH has generated double-digit returns on acquisitions.

Improving returns on acquisitions



Furthermore, acquisitions have generally created value for shareholders in the first 12 months that they have been part of the group. This is in contrast to a lot of other deals that have been done in the building materials sector, where achieving cost of capital has been dependent on synergies / cost savings in year 2/3 or in some cases even longer.

The three year period of single-digit returns reflects a period when underlying growth started to slow and multiples paid for the larger deals started to tick-up slightly (see chart on pp. 12). Furthermore, it also coincides with two particular acquisitions, which in our opinion have underperformed. These are Ibstock (1998/99), which has had to contend with a difficult UK brick market, and Thompson-Cully (1999), a US materials business, which has been adversely affected by difficult market conditions in Michigan and increased competition from concrete paving.

The lower price paid for the smaller deal is a key driver of CRH's superior returns

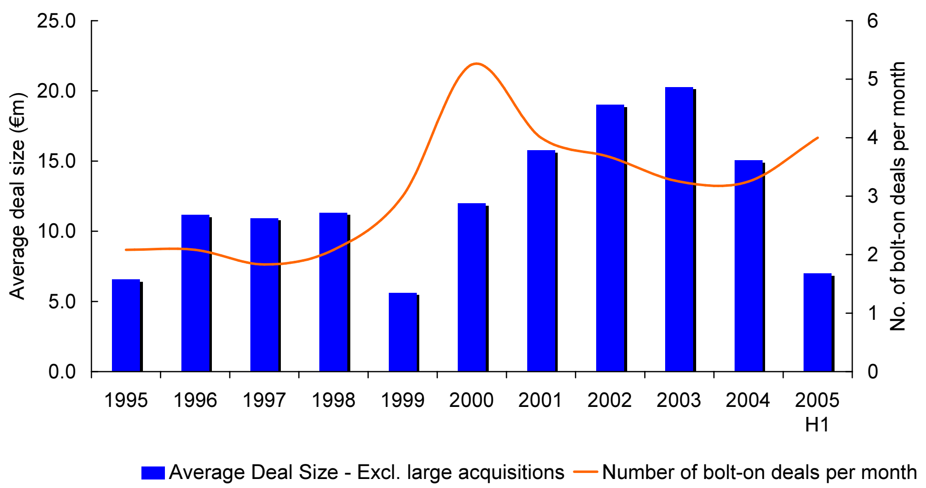
Putting H1'05 acquisition spend into perspective

While acquisition spend of €168m on 24 deals in the first half represents the lowest rate of spend since H1'98 and, therefore, may be deemed to be a disappointment, we believe it reflects a number of characteristics of recent merger activity in the building materials sector, each of which are discussed in detail below.

Value of bolt-on deals has been lower - An analysis of the development spend in the first half clearly shows that the number of deals completed by CRH on a per month basis of 4 is very much in line with the historical average. However, the difference is that the trend towards smaller deals has continued. Indeed, the average transaction value of €7m in H1'05 is amongst the lowest for the period covered and compares to a mean transaction value for bolt-ons of €13m over the last ten years.

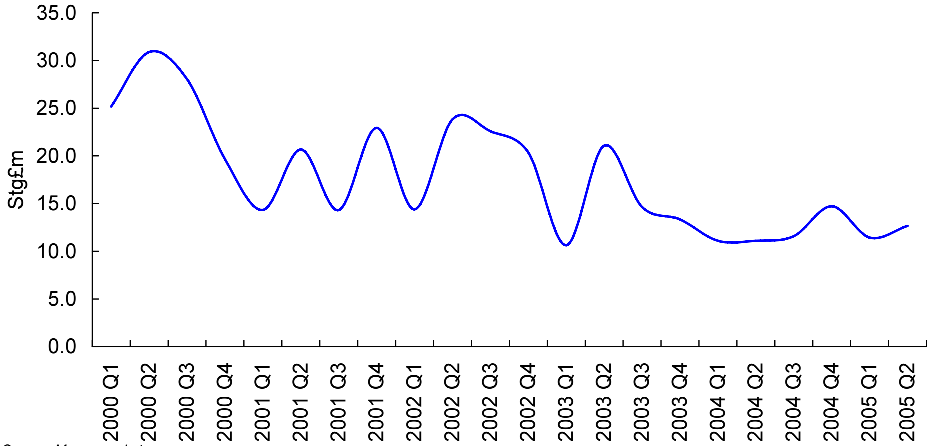
A distinctive feature of the H1'05 acquisition spend has been the lower average transaction value of just €7m

Bolt-on acquisition activity by CRH



A breakdown of all acquisition activity in the European construction market shows a similar trend. This is illustrated in the first chart on the next page where we have analysed the Mergermarkets' database by size of deal in the construction sector. This shows that the average size of all transactions that are less than Stg£100m (i.e. what would be a typical bolt-on for CRH) have been trending down in recent years, that is the bolt-on deals have being getting smaller.

Average size of bolt-on has been trending down in the European construction sector



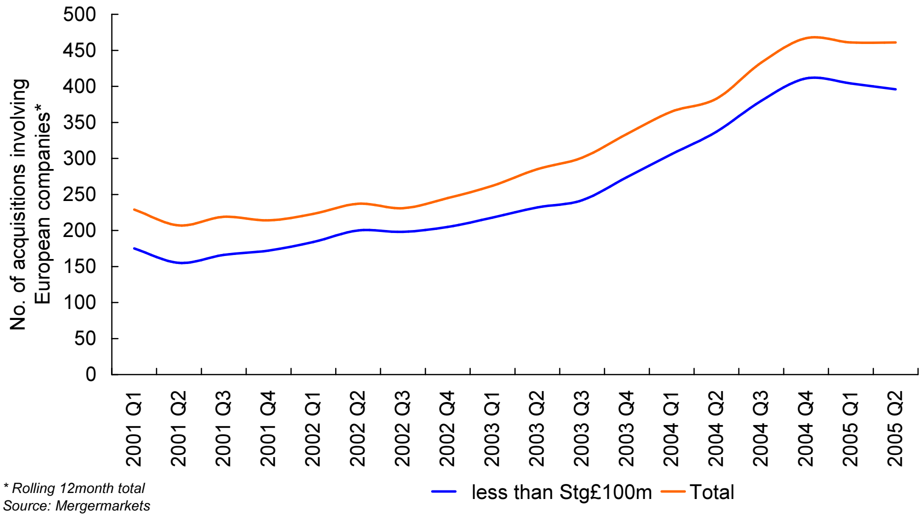
Source: Mergermarkets

Average size of bolt-on deals in European construction sector has being trending down over the last few years...

Furthermore, while the recent high profile deals in the sector (Cemex/RMC, Holcim/Aggregate Industries and Spohn/Heidelbergcement) give the impression that M&A activity in the European construction sector is in overdrive, the actual number of deals completed has slowed in the first half of the year (see chart below), especially for those deals that are less than Stg£100m. It is against this backdrop that CRH's H1'05 development spend should be viewed.

Slight dip in deal-flow in European construction sector

...and the number of such deals has also slowed over the last two quarters

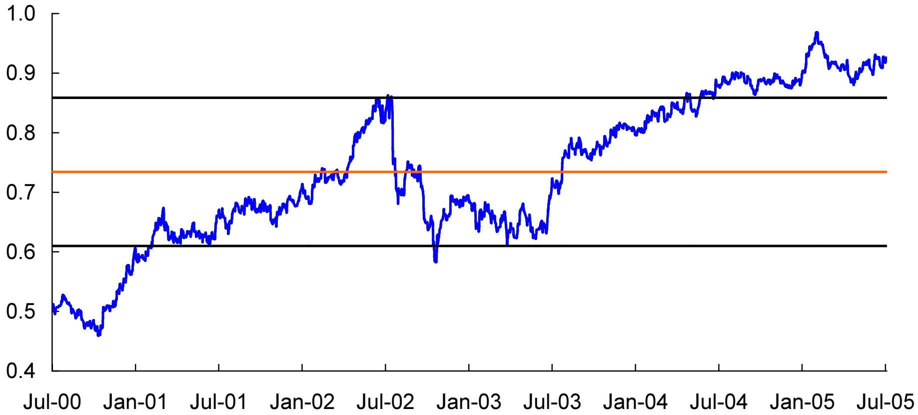


** Rolling 12month total*
Source: Mergermarkets

High profile deals in the building materials sector have raised the bar for prices in the sector

High profile deals raising vendor price expectations - The multiples being currently paid in the recent round of takeover activity in the building materials sector have been generally higher than in previous periods, with EV/EBITDA take-out multiples in excess of 7x versus an average of 6.4x paid by CRH for the medium sized deals it has completed over the last five years. While to a lesser extent, this upward trend in multiples is also being observed in the share prices of publicly quoted building materials companies (see chart on next page). It is logical to assume that such trends are translating into generally higher price expectations on the part of vendors, which is likely to be acting as a barrier to CRH, given its focus on finding deals that offer long-term value for shareholders rather than short-term earnings accretion.

European Building Materials relative to FTSEurofirst 300 12m Forward PE



Source: JCF

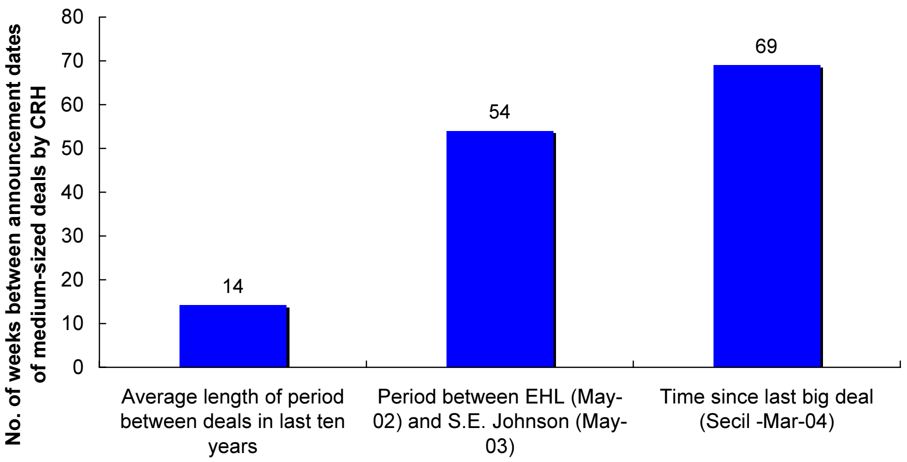
European Building Materials includes: Saint Gobain, Lafarge, Holcim, Hanson, Heidelberger, Wienerberger and Dyckerhoff

It has been 69 weeks since CRH completed the last medium sized deal

Indeed we believe the increase in price expectations is one of the reasons why there has not been a medium sized deal from CRH for some time. It has been well over a year (69 weeks to be exact) since CRH announced the Portuguese Secil deal in Mar-04. Before this, the longest period between two medium sized deals was the 52 weeks from the announcement of EHL in May-02 to S.E. Johnson in May-03. This compares to an average period of 14 weeks between announcement dates for medium sized acquisitions from CRH. However, again we highlight the fact that while it is easy to use a big deal to enhance earnings in the short-term, it does not guarantee the creation of shareholder value if the initial price paid is too high.

CRH has become a victim of its own success in executing acquisitions in the past...

Longest period between medium sized deals



A victim of its own success

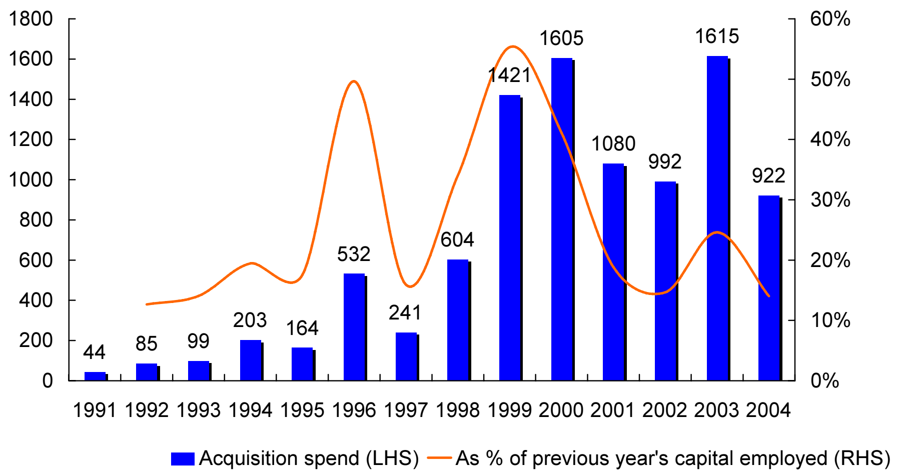
...in that the absolute size of spend is now used as a measure of performance

We believe that CRH has become a victim of its own success, given the role that acquisitions have played in the company's track record of superior growth and return generation relative to its larger peers. As a result the absolute size of acquisition spend by CRH it is now being used as a metric by many an investor to measure performance. This is made all the more difficult by the fact that CRH now has to spend proportionally more on acquisitions if they are to have the same effect on earnings given the increased size of the group. For example, in 1995 CRH spent c.€160m on acquisitions, which was equivalent to c.17% of the previous year's capital base. CRH has now to spend over

€1.3bn per annum to add a similar amount to its current capital base, if such deals are to have a similar impact on earnings, everything else being equal (see chart below).

We estimate €1.3bn of acquisitions needs to be spent if deals are to have a similar impact on earnings as they did ten years ago

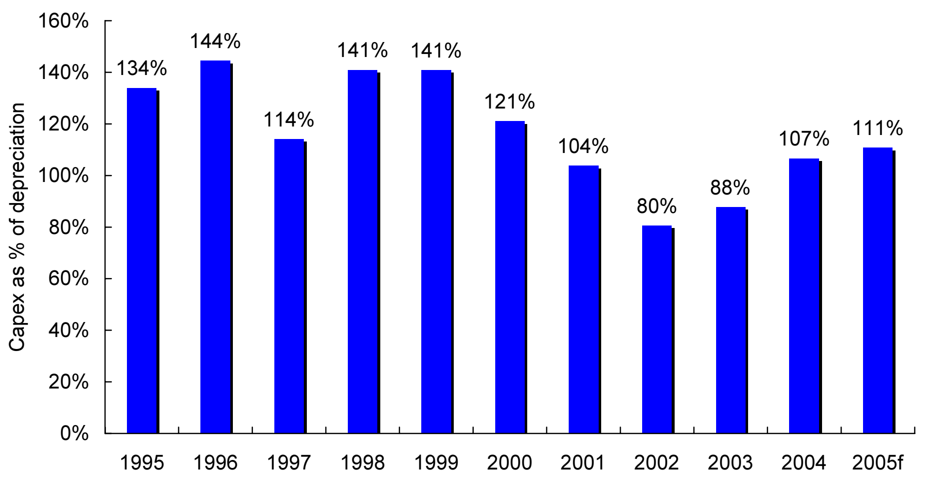
Raising the bar for acquisition spend



While the immediate focus has been on the disappointing level of acquisition spend, it is of note that CRH is seeing value in increasing capex on development projects. For example over the last four years capex as a percentage of depreciation has gone from a low of 80% to an estimated level of +110% in the current year.

CRH is seeing value in capex development projects

Capex starting to pick-up



TIME FOR FORECASTS TO REFLECT REALITY

Impact from IFRS is minimal

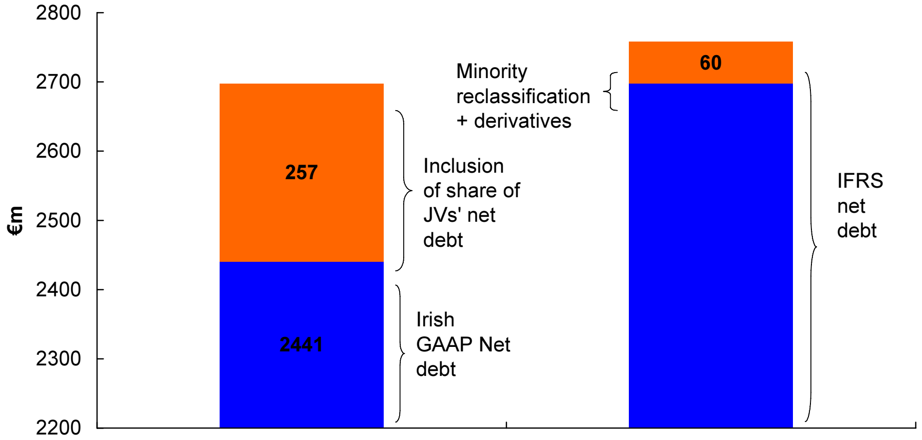
The table below shows that at an adjusted EPS level (i.e. pre-goodwill) the changes under IFRS had almost no impact on 2004 figures (+0.3%). In terms of total equity, the impact of -6% reflects the inclusion of the pension deficit and deferred tax liabilities under IFRS, while net debt is increased by 13% largely due to the inclusion of CRH's share of the JV's net debt (see table and charts below).

The transition to IFRS had almost no impact on FY04 adjusted EPS, +0.3%

IFRS has no major implications for 2004 adjusted earnings

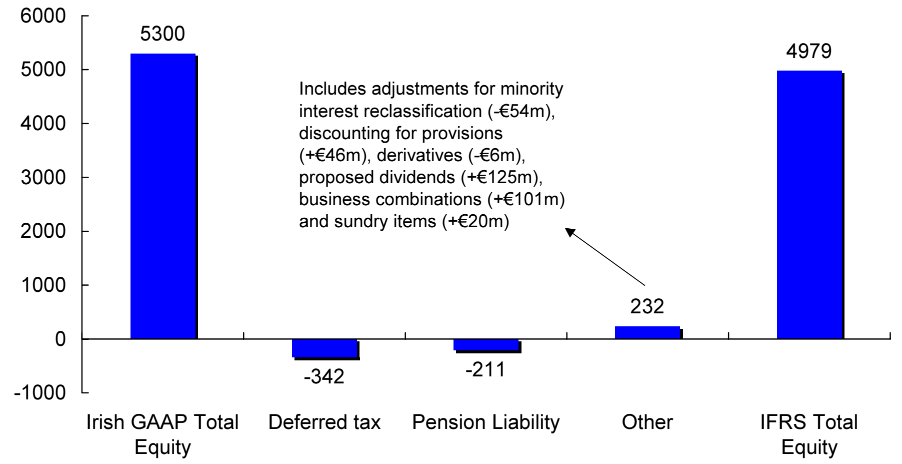
	Irish GAAP	Share options	Business Combinations	Intangible assets	Pensions	JV / Associates	Other	IFRS	% Change
EBITA (€m)	1247.0	-9.7	7.6	-4.1	-0.1	-26.7	6.2	1220.2	**-2.1%**
EBIT (€m)	1156.9	-9.7	100.7	-4.1	-0.1	-18.9	6.2	1231.0	**6.4%**
PBT (€m)	1017.0	-9.7	100.7	-4.1	8.4	2.7	-11.0	1104.0	**8.6%**
PBT - Pre-Goodwill (€m)	1118.4	-9.7	7.6	-4.1	8.4	-5.6	-11.0	1104.0	**-1.3%**
Attributable Profit (€m)	762.0	-0.7	98.8	-4.1	6.4	5.7	-2.0	866.1	**13.7%**
Attributable Profit - Pre-Goodwill (€m)	863.4	-0.7	5.7	-4.1	6.4	-2.6	-2.0	866.1	**0.3%**
Basic EPS (cent)	143.9	-0.1	18.7	-0.8	1.2	1.1	-0.4	163.6	**13.7%**
Adjusted EPS (cent)	**163.1**	**-0.1**	**1.1**	**-0.8**	**1.2**	**-0.5**	**-0.4**	**163.6**	**0.3%**

2004 year-end net debt increases by 13% largely due to the inclusion of JVs' net debt



2004 net debt levels increased by 13% due to the inclusion of JV debt under IFRS

Changes to Total Equity under IFRS (€m)



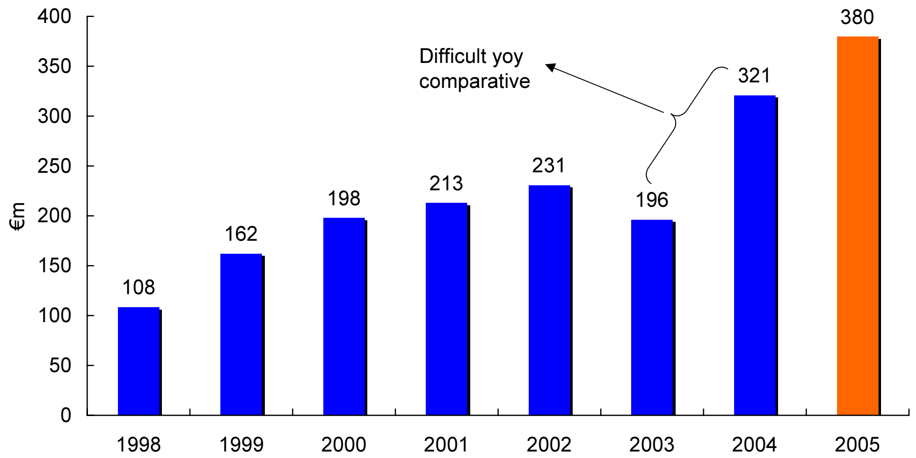
Total equity decreased by 6% due to the impact of including the pension deficit and deferred tax

Strong start to the year

CRH's recent trading statement indicated that despite a difficult yoy comparative (H1'04 PBT up c.60%) it expects PBT to show a percentage increase in the high teens. We are forecasting first half PBT (before amortisation charges) of €380m, which compares to the €321m reported last year (all IFRS adjusted), see appendix 2 for detailed breakdown of interim forecasts.

Despite a difficult yoy comparative...

H1 PBT (Before amortisation charges)

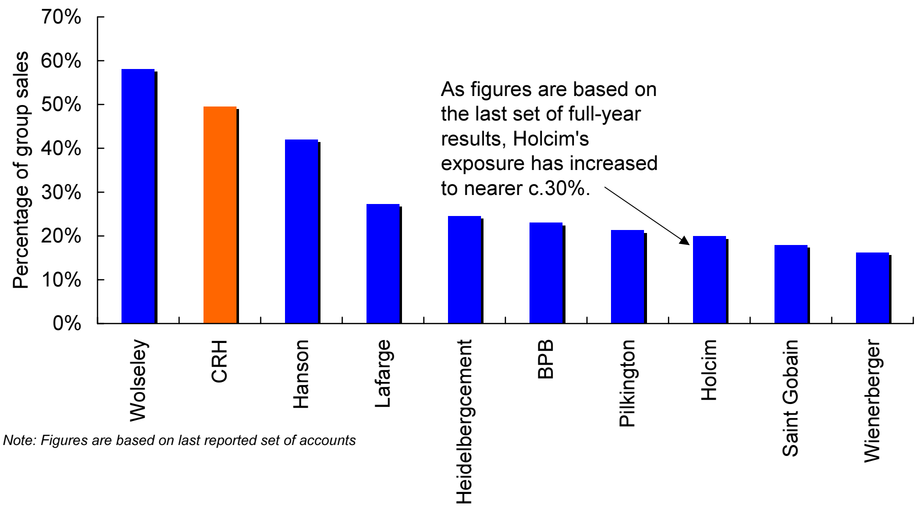


The US an area of strength for CRH (50% of profits)

An area of strength for CRH in the first half of the year has been the US construction sector. This represents c.49% of group sales, which is one of the highest exposures amongst the large building materials companies (see chart below).

...CRH has guided H1'05 PBT to show a percentage increase in the high teens

CRH has one of highest exposures to the US

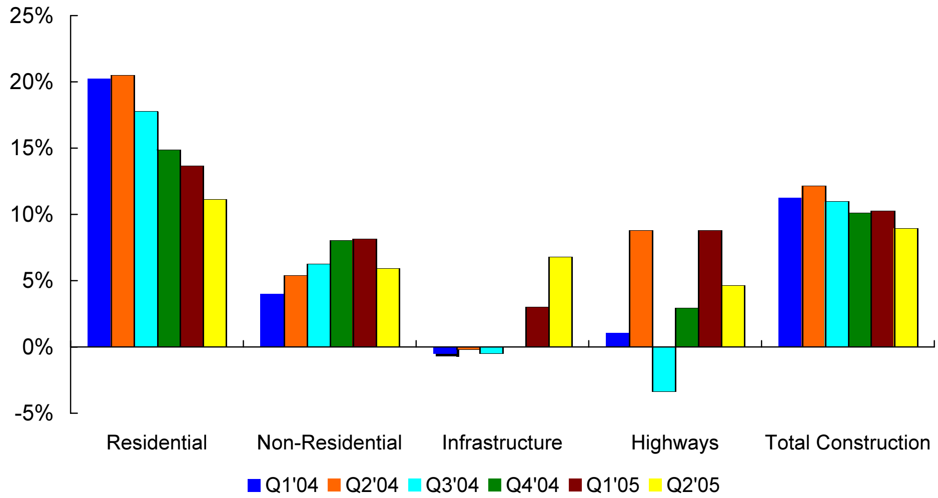


Note: Figures are based on last reported set of accounts

The official construction figures clearly show this strength, with spend in the first five months of the year up c.10%. This is despite a difficult yoy comparative with spend up c.12% in the same five month period last year. The buoyancy reflects the continued strength of the residential sector, steady progress by non-residential construction and a good start to the year for highways, despite the well documented delay in passing the next multi-year highways programme.

A key driver of the first half performance is the US construction sector...

US construction sector growth (yoy % change)



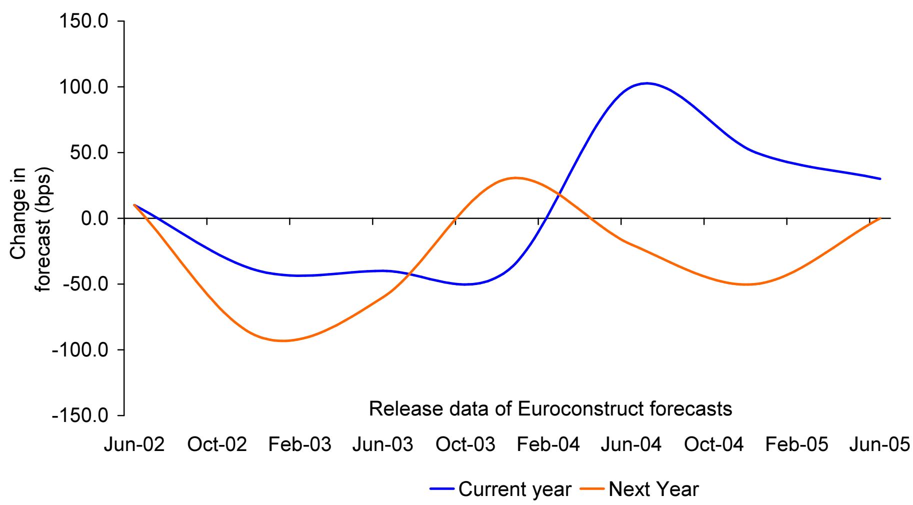
...which according to official figures is up c.10% in the first five months

Subdued but stable European construction markets (50% of profits)

While recognising CRH's comments regarding subdued market conditions in Europe, especially for Products & Distribution, the surprise 30bps upward revision to European growth forecasts for 2005 to 2.0% by Euroconstruct does point towards some degree of stability (see Appendix 3 for recent Euroconstruct forecasts). Indeed as the chart below shows, 'current year' forecasts for European construction have been revised up in each of the last three releases, which is in contrast to the negative revisions through 2002 / 03. In terms of CRH, there are a number of points to make in relation to the Euroconstruct forecasts and these are as follows:

While CRH noted subdued market conditions in Mainland Europe, the recent 30bps upward revision to Euroconstruct forecasts does point towards some degree of stability

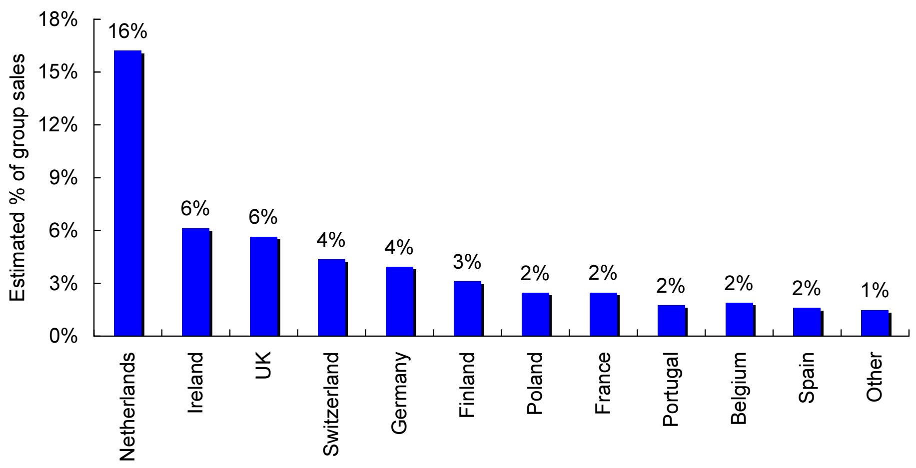
Change in European construction forecasts



- ***On average CRH will face relatively stronger European construction markets*** - Given CRH's relative underweight position to German construction (less than 8% of European sales versus the c.16% that the German construction market represents of total output from the 19 European construction markets covered by Euroconstruct), which is forecast to decline by 2.2% and 1.4% in 2005 and 2006, CRH's European operations are well placed to outperform. Indeed by weighting each of the Euroconstruct forecasts by CRH's exposures (see chart on next page), we estimate its markets should grow by 3.2% in 2005 and 2.1% in 2006. These compare to forecasts for European construction of 2.2% and 1.5%, respectively.

Given CRH's exposure, we estimate its construction markets will grow, on average by 3.2% in 2005 and 2.1% in 2006...

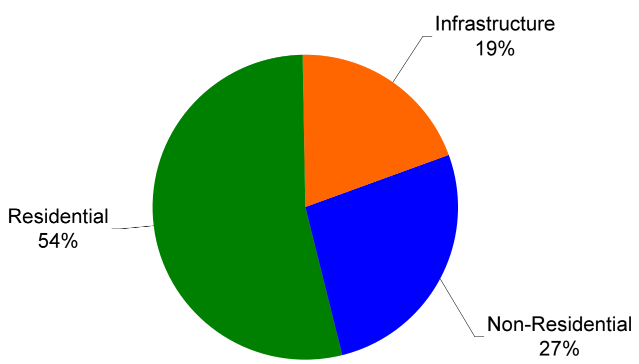
Exposure to European construction markets



...which compares to forecasts for European construction of 2.2% and 1.5% respectively

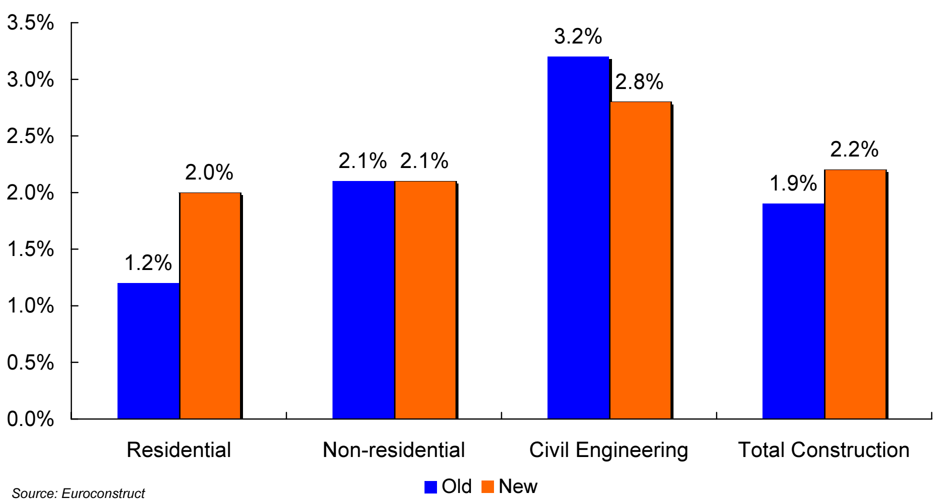
- ***Residential market key driver of revision*** - A key driver of the 30bps revision in European construction forecasts for 2005 was the residential sector, which was revised up by 80bps to 2.0%, whereas non-residential was unchanged at 2.1% and civil engineering (infrastructure) was revised down by 40bps to 2.8% (lower growth rate likely to reflect growing budget deficits in Europe). Given these changes, it is of note that CRH's biggest exposure in Europe is to the residential market, c.54% of sales versus 27% in non-residential and 19% in infrastructure.

Sectoral exposure of European operations



A key driver of the 30bps revision to European forecasts was an 80bps increase in the residential construction forecasts

European construction forecasts 2005



Source: Euroconstruct

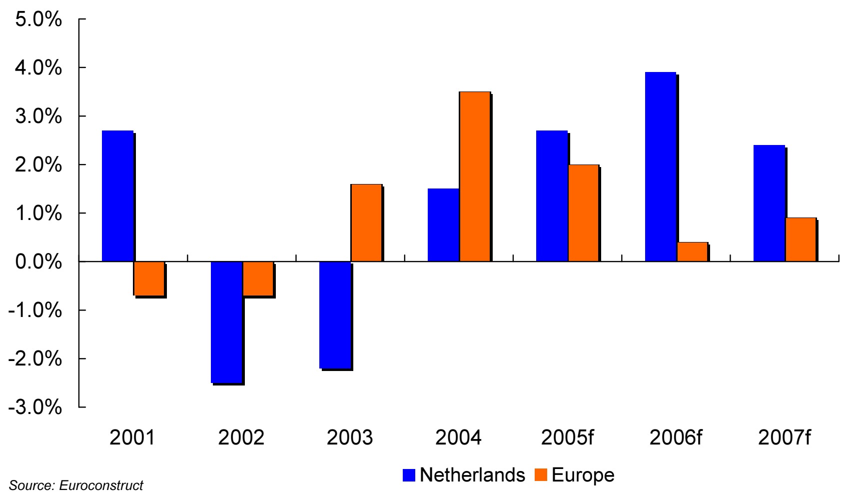
The residential market represents c.54% of CRH's operations in Europe

- ***Netherlands housing showing some signs of improvement*** - While the growth rate for the residential market in the Netherlands (a key sector for CRH's biggest European market, which itself represents almost a third of European sales and c.16% of group sales) was revised down by 30bps to 2.7%, it does represent a significant improvement on the 1.5% in 2004 and negative growth of -2.5% and -2.2% in 2002 and 2003, respectively. Furthermore, this growth in the Netherlands residential market is expected to pick-up again in 2006 to 3.9%, which would be one of the highest in Europe. Comfort on the latter is provided by the pick-up in housing permits (see chart below) and evidence from CRH's Dutch concrete operations that it is starting to see better demand from the sector.

A key market for CRH's business in the Netherlands is the residential market...

Overall, while growth in Europe is unlikely to be spectacular, there are signs of stability returning with CRH well positioned geographically.

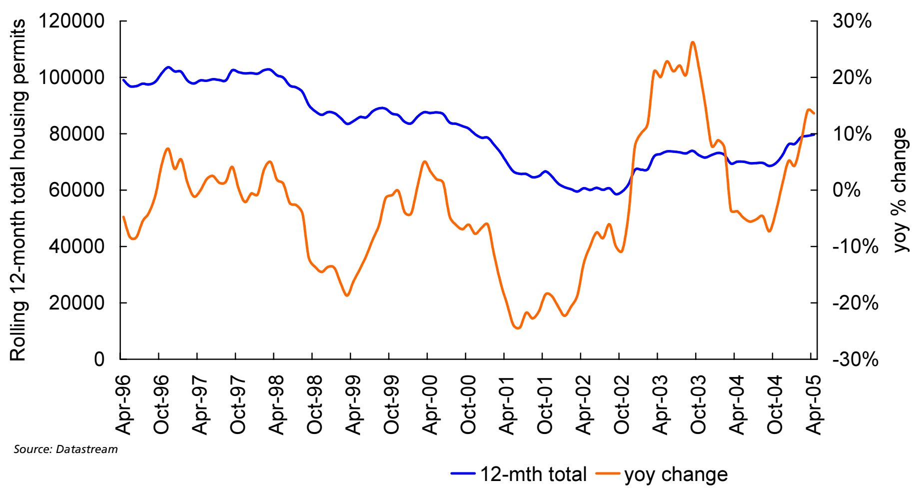
Growth in residential markets



Source: Euroconstruct

...which is starting to show signs of improvement following a pick-up in housing permits

Housing permits in the Netherlands



Source: Datastream

Acquisition activity in ytd adds c.1.5 cent to forecasts

First half acquisition spend will add 1.5 cent to our forecasts for FY05

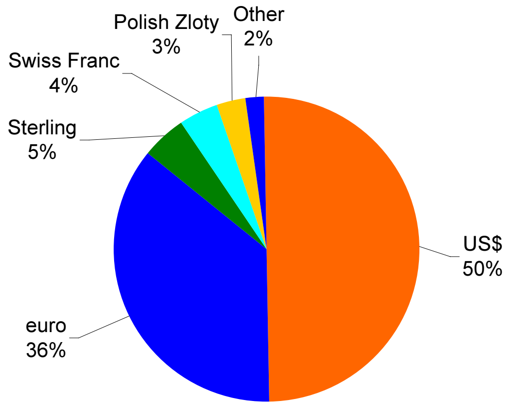
While bolt-on acquisition activity in the ytd was low compared to previous years, it will still add circa 1.5 cent to earnings in FY05 and over 2 cent in a full year. This is based on a total consideration of €168m paid for the 24 bolt-ons and an EV/EBITA multiple of 6.5x (as guided in the conference call post the trading statement).

No negative currency affects for first time since 2001

Over the last three years, CRH's group results have been adversely affected by currency movements, principally as a result of the weakening US dollar. An examination of the sources of growth show that over €150m has been wiped off PBT from translation effects, or putting it differently, profits in 2004 would have been c.15% higher if currencies had remained constant for the last three years.

PBT for 2004 would have been 15% higher if currencies had remained constant for last three years

CRH's currency exposures



Given the recent strength of the US dollar, CRH's main currency exposure (see chart below), we are moving our dollar / euro assumption from $1.31 to $1.26, where every $0.01 move impacts PBT and EPS by €4-5m and 0.6 cent respectively. The impact of moving our currency assumptions for 2005 is to add 3 cent to our forecasts and it implies that translationary effects will be practically neutral in 2005.

Moving our dollar assumption from $1.31 to $1.26 adds c.3 cent to our forecasts

H1 trading update + currency + H1 acquisitions = 6% upgrades...

On the back of the trading update, currency changes and H1 acquisition spend, we have increased forecasts by 5-6%. Note the differential in the upgrade at the PBT level reflects the IFRS treatment of associates, which are reported on an after tax basis but go in the P&L above group PBT. This has the effect of decreasing PBT, which is offset by a lower group effective tax charge (c.21% versus c.22% under Irish GAAP). Approximately 55% of the upgrade is due to robust trading conditions (especially in the US) with the remainder being currency and H1 development spend (see appendix 1 for detailed breakdown of forecasts).

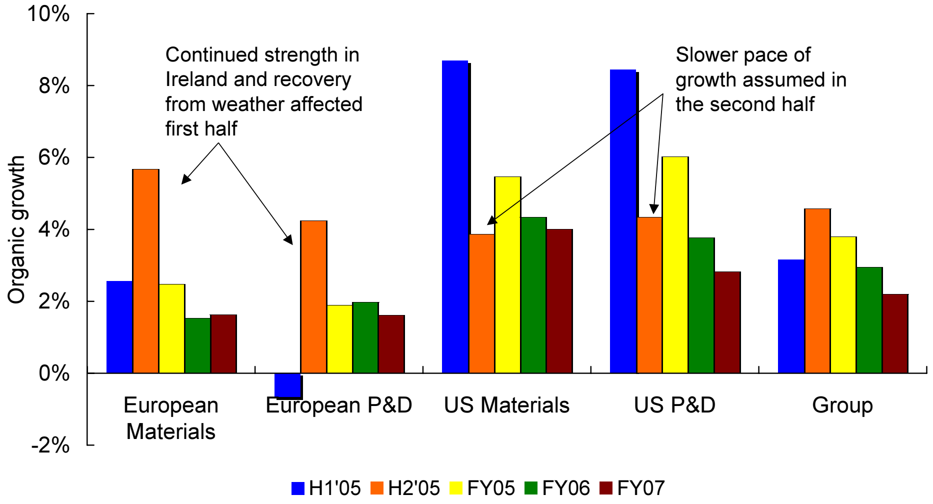
Revisions to forecasts

	FY05	FY06	FY07
PBT (Before amortisation charges) - €m			
New	1246	1351	1448
Old	1204	1314	1401
% revision	3%	3%	3%
Adjusted EPS - cent			
New	183.2	197.1	209.6
Old	172.2	187.1	198.5
% revision	6%	5%	6%
Growth based on revised figures	12%	8%	6%

Forecasts have been increased by 6% reflecting the strong H1 trading statement, currency assumption changes and H1 development spend

The clear risks to these forecasts is further sustained spikes in oil prices (but we note company's comments that it has been able to achieve strong price increases in the first half, resulting in a recovery of higher input costs) and a limited recovery from the weather-affected first half in Europe. Potential offsets to these risks are the following: (i) The US construction sector does not slow down to the extent we have factored into our forecasts (see chart below); and (ii) The dollar continues to strengthen against the euro resulting in a lower average exchange rate for the year than the $1.26 we have in our model.

Implied organic growth assumptions in model



Given the regularity that CRH completes bolt-on deals...

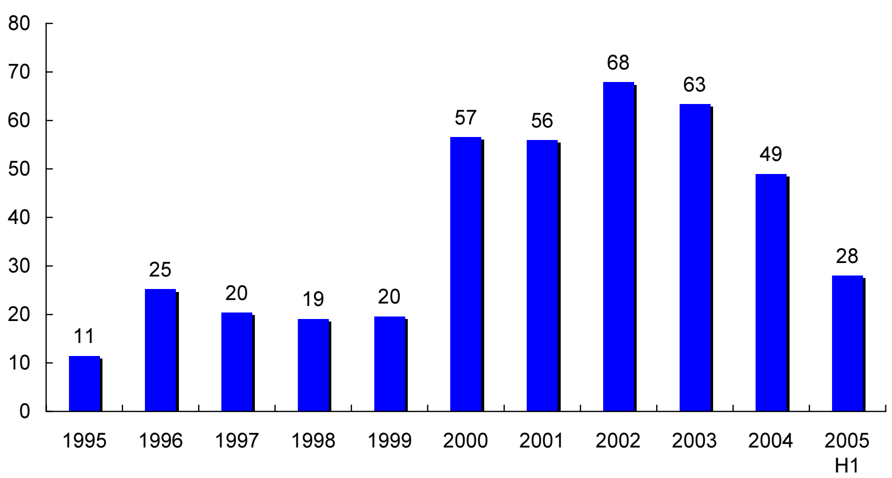
...but there is more

As previous sections have shown, CRH has a proven track record on executing acquisitions. Furthermore, the company has not relied on doing one or two mega deals but has focused on smaller deals. For example, over the last five years the smaller deals have represented c.60% of total spend. Such are the support structures that are in place (i.e. 14 development teams who have ongoing contact with a sizeable 25-year target database), we believe bolt-on activity will continue to be day-to-day business for CRH and, therefore, can be classified as being quasi-capex and should be factored into our forecasts. In including such activity in our forecasts, we have made the following assumptions:

...and the support structures it has in place to maintain this flow...

- In recognition of the current lower rate of spend we are assuming annual acquisition expenditure of €500m. This would represent monthly spend of circa €40m versus an average of €60m for the last ten years (see chart below).

Rate of acquisition spend per month (€m)



...we are including an element of acquisition activity in our forecasts for the first time

While this is ahead of the €28m rate of monthly spend in the first half, we are confident it is an achievable target, especially given the recent announcement from

Saint Gobain that it has sold Stradal to CRH. This company is a manufacturer of concrete products for exterior fittings used in gardening and landscaping, road construction and utilities and the rail and funeral industries. Stradal had reported sales of €180m in 2004 (mostly France) and operates from 24 plants. Based on past multiples paid for similar businesses by CRH the total consideration is likely to be c.€100m and would add circa 1 cent to earnings in a full year.

The inclusion of €500m of acquisition spend per annum...

- An average EV/EBIT of 8-8.5x is paid, which is at the high end of multiples paid for such acquisitions. For example, the average EV/EBIT multiple for the bolt-ons in H1 was 6.5x. No synergy benefits are modelled in, so returns stay at c.12%.

- Average cost of funds in FY05 of 5%, increasing in subsequent years; and an effective tax rate of 35%.

- Additional capex equivalent to 1.15x the depreciation acquired with the acquisition and the working capital requirement stays in the range of 10-12% of sales over the forecast period.

The table below shows the impact of our assumption of including some level of acquisition activity in our forecasts for the first time. For the current year the impact is less than 1% but for subsequent years it adds a further 2-4%. This brings our cumulative earnings upgrades to 7% for FY05 (circa 184 cent) and 8% and 10% for 2006 (202 cent) and 2007 (218 cent), respectively. Such is the cashflow generation of CRH (free cashflow of €900m), gearing levels remain very low under the scenario of €500m acquisition spend per annum.

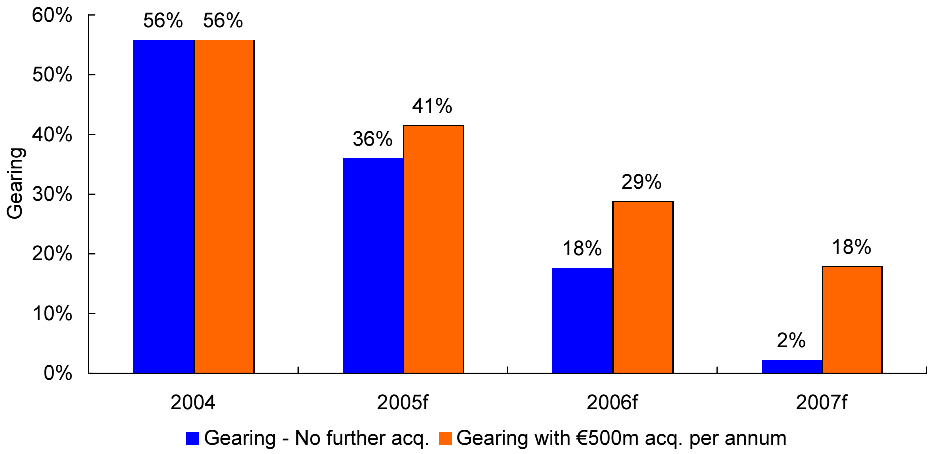
...increases our FY06 and FY07 forecasts...

Revisions to forecasts : Take 2

	FY05	FY06	FY07
Impact of trading statement + currency + H1 acq. Spend			
PBT (Before amortisation charges) - €m			
New	1246	1351	1448
Old	1204	1314	1401
% revision	3%	3%	3%
Adjusted EPS - cent			
New	183.2	197.1	209.6
Old	172.2	187.1	198.5
% revision	6%	5%	6%
Impact of Including €500m of acquisitions			
PBT (Before amortisation charges) - €m			
New	1252	1390	1519
Old	1246	1351	1448
% revision	0%	3%	5%
Cumulative revision	4%	6%	8%
Adjusted EPS - cent			
New	183.6	201.6	217.7
Old	183.2	197.1	209.6
% revision	0%	2%	4%
Cumulative revision	7%	8%	10%
Growth based on revised figures	12%	10%	8%

...by a further 2% and 4%, respectively, while still leaving the company with significant financial fire power

Still has significant financial fire power under scenario of €500m spend per annum



CRH has the balance sheet strength to undertake €1-2bn of acquisition spend per annum...

While closer to reality, we view this acquisition assumption of €500m per annum as being very conservative but prudent given the slower rate of spend in H1'05, with the company having plenty of fire-power to do additional deals and, therefore, add further to earnings. This is illustrated in the table below, where we show the impact of €1-2bn of acquisition spend per annum from 2006 onwards. Such a level of expenditure has the potential to add 4-12% to earnings over the next 4-5 years with gearing levels remaining comfortable (less than 55% even under the €2bn scenario).

...which has the potential to add 4-12% to earnings over a four year period

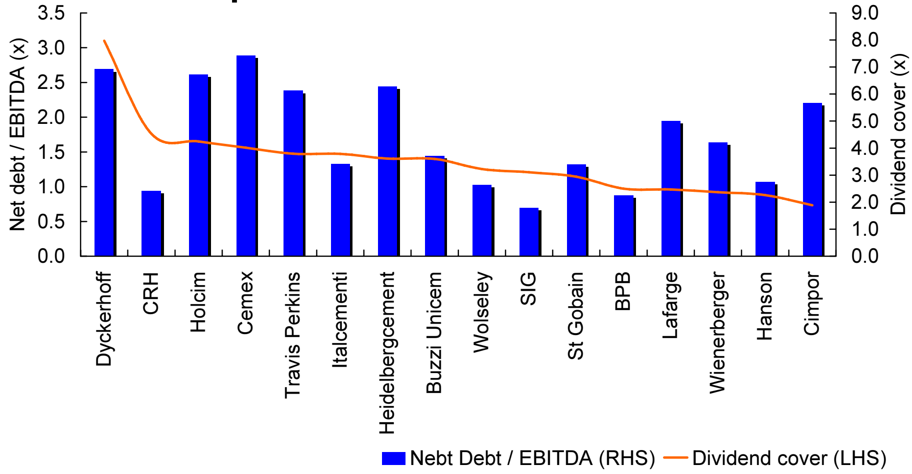
The financial power to undertake €2bn of acquisitions per annum

	2004	2005f	2006f	2007f	2008f
Current Forecasts (i.e. €500m of acq. already included)					
Adjusted EPS (cent)	164.1	183.6	201.6	217.7	231.3
Growth	21.7%	11.9%	9.8%	8.0%	6.2%
ROAE	17.9%	17.7%	16.4%	15.5%	14.5%
Gearing	55.8%	41.5%	28.8%	17.9%	8.6%
EBITA-Interest cover (x)	8.6	8.7	9.9	12.0	14.8
Scenario 1: €1000m of acq. spend					
Adjusted EPS (cent)	164.1	183.6	203.7	223.5	240.6
Growth	21.7%	11.9%	10.9%	9.7%	7.7%
ROAE	17.9%	17.7%	16.5%	15.7%	14.8%
Gearing	55.8%	41.5%	35.3%	29.5%	24.0%
EBITA-Interest cover (x)	8.6	8.7	9.3	9.7	10.0
Scenario 2: €2000m of acq. spend					
Adjusted EPS (cent)	164.1	183.6	207.7	235.0	259.3
Growth	21.7%	11.9%	13.1%	13.1%	10.3%
ROAE	17.9%	17.7%	16.7%	16.2%	15.4%
Gearing	55.8%	41.5%	48%	53%	54%
EBITA-Interest cover (x)	8.6	8.7	8.4	7.3	6.6

However, under the unlikely scenario that half a million of spend is all the company can find over the next few years (a view we would not share), the balance sheet quickly deleverages (net cash by 2009/10), thereby giving the company scope to give funds back to shareholders either via higher dividend pay-outs or share buy-backs. In relation to the former, the chart below shows that CRH has one of the highest levels of dividend cover in the building materials sector (4.5x versus sector average of 3.5x for its peers) and at the same time has one of the strongest balance sheets. This gives it the flexibility to increase the dividend beyond the c.15% we have already factored into our model. Indeed it was only as recently as the 2004 interim forecasts that the company indicated its intention to increase dividends by mid to high teens annually over the next few years, which in our view shows management's willingness to decrease dividend cover.

An even more progressive dividend policy is a realistic option given cover of 4.5x versus sector average of 3.5x

An even more progressive dividend policy is a realistic option



A buy back programme cannot be ruled out...

A share buyback programme is also another option that could not be ruled out under the scenario of structurally lower acquisition spend going forward. Therefore for illustrative purposes we look at the sensitivity of earnings to a share buyback programme based on the assumption that 5% of the outstanding shares are purchased per annum from 2006 onwards (note the company has the authority to buy back up to 10% of the share capital). The main conclusions of the analysis are as follows:

- From an earnings accretion perspective, the table below shows that the purchase of 5% of the share capital adds 2-3% to earnings per annum, with the cumulative effect being 12% by 2009.

- Furthermore, in terms of gearing, the balance sheet does not come under any pressure under the scenario of €500m of acquisitions per annum and a 5% share buyback programme.

Sensitivity of earnings to a 5% buyback programme

	FY05	FY06	FY07	FY08	FY09
Adjusted EPS - cent					
Post a 5% share buy back programme	183.6	207.0	229.6	250.8	270.5
Current forecasts	183.6	201.6	217.7	231.3	242.4
% potential uplift	0.0%	2.6%	5.5%	8.4%	11.6%
Growth base on revised figures	12%	13%	11%	9%	8%
Gearing					
Post a 5% share buy back programme	41%	42%	41%	38%	36%
Current forecasts	41%	29%	18%	9%	1%

...under a scenario of structurally lower acquisition spend going forward

Overall, the above analysis shows the many options CRH has available to it given the current strong balance sheet position. Furthermore, it is our view that over the medium-term CRH will not allow cash balances to accumulate and in the absence of an adequate amount of value-add acquisitions, cash will be returned to shareholders.

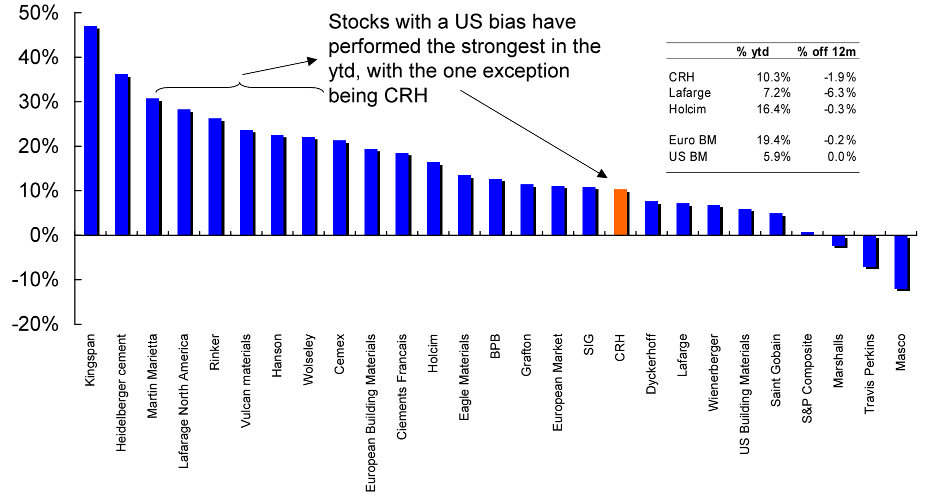
VALUATION - PRICE TARGET RAISED FROM €23 TO €26

Building materials sector has performed strongly in the ytd...

Strong performance from building materials sector in ytd....

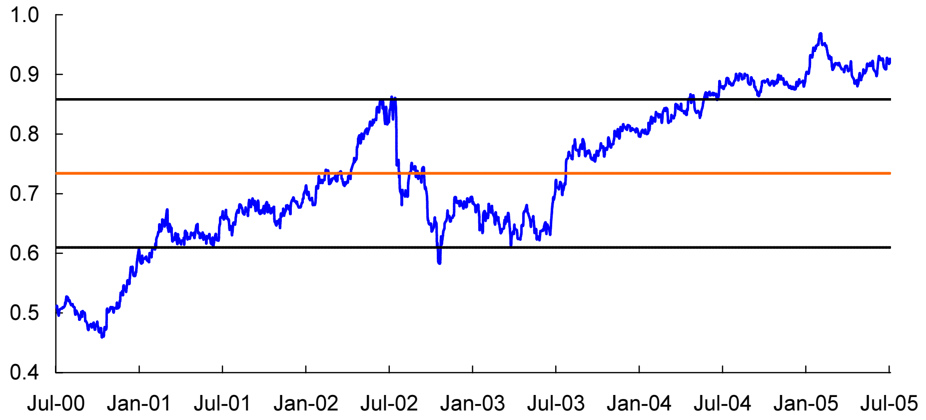
As the chart below shows, the global building materials sector has had a strong run in 2005, with share prices on both sides of the Atlantic outperforming broadly flat markets. The European building materials sector has been the strongest (+19%), on the back of corporate activity in the sector, which leaves the relative multiple for the sector at a five year high.

Share price performance YTD



...particularly in Europe where there has been corporate activity

European Building Materials relative to FTSEurofirst 300 12m Forward PE



Source: JCF
European Building Materials includes: Saint Gobain, Lafarge, Holcim, Hanson, Heidelberger, Wienerberger and Dyckerhoff

...but CRH's share price has lagged those stocks with US bias

Stocks with a bias towards the US construction sector have performed the strongest

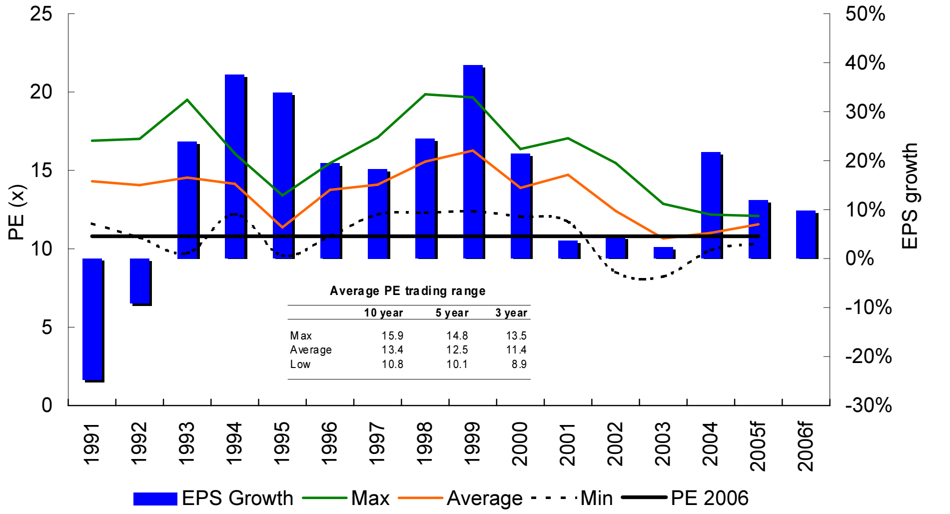
Within the European building materials sector, the strongest performers in the ytd have been those with a US bias, in particular Hanson and Wolseley, which are both up over 20% (note the performance of the former has been helped by an element of bid speculation). US-based building materials stocks, which have the highest exposure to the US construction sector, have seen even greater advances in their share prices in the ytd (Martin Marietta, +31%; Lafarge North America, +28%; Rinker, +26%; and Vulcan Materials, +24%). The one exception to this has been CRH, which is only up 10% in the ytd. This is despite c.50% of profits coming from the US, which is of similar magnitude to the 57% and 53% for Wolseley and Hanson. Furthermore, a key driver behind our 6% upgrade to forecasts has been the strength of the US construction sector.

CRH's rating looks undemanding versus historical multiples...

Despite CRH being on target for a second consecutive year of double-digit earnings growth, which follows a period of broadly flat earnings, the share price continues to trade close to the bottom of its historical trading range. For example, in terms of PE, the shares are currently trading on 10.8x our revised forecasts for 2006, which compares to a five year average of 10.1x for the lower end of the historical trading range for this multiple. A similar pattern emerges from an examination of EV/EBITDA, free-cashflow yield and EV/Capital Employed multiples, see charts below.

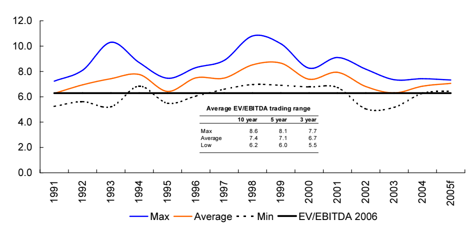
Despite the company being on target for a second consecutive year of double-digit growth...

PE historical range versus EPS growth

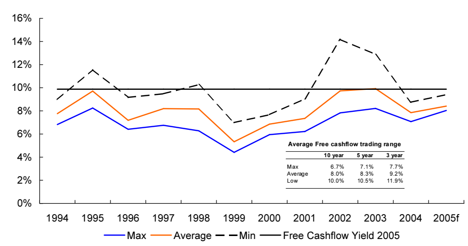


...and the fact that returns continue to improve...

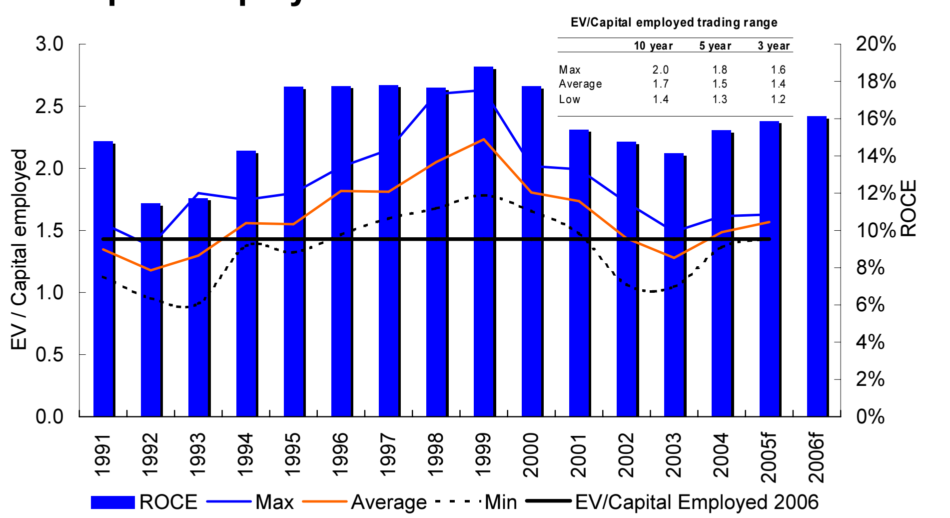
EV/EBITDA trading range - Rating remains close to historical lows



Free Cashflow yield



EV/Capital employed versus ROCE



...CRH's current rating remains close to the bottom of its historical trading range

...and relative to peers, especially companies with a US bias

In addition to CRH's current rating looking undemanding relative to its historical trading range, we believe it looks inexpensive relative to its peers, especially when the following points are considered:

- In terms of prospective PE and EV/EBITDA multiples for 2006 CRH is currently trading at a 4% and 3% discount, respectively, to the average for Holcim and Lafarge. This is despite CRH having a proven track record of generating superior returns (as noted in an earlier section, see chart on pp. 9) and all three companies having similar growth forecasts for the period 2005/06 (11% for CRH versus 9% and 13% for Lafarge and Holcim, respectively). Furthermore, CRH has plenty of scope to add to earnings growth through value-add acquisitions, given its much stronger balance sheet position with its net debt / EBITDA ratio projected to be less than 1.3x at the end of 2005, which compares to 1.9x for Lafarge and 2.6x for Holcim.

Based on revised forecasts CRH trades at a discount to Holcim/Lafarge...

- CRH's rating looks particularly attractive vis-a-vis those European stocks that have a similar bias to the US. For example, on a PE basis it trades at a 15% discount to Wolseley and a 5% discount to Hanson. While recognising an element of take-over speculation in the latter, the discount to Hanson is despite it having an asbestos liability that is a multiple of what CRH is exposed to (at the end of 2004 Hanson had 135,750 claims outstanding versus only c.250 for CRH).

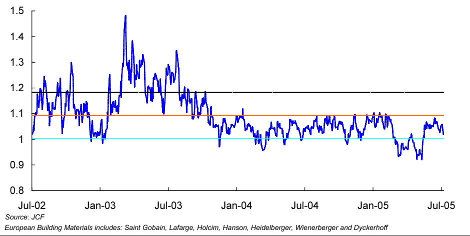
- While recognising the fact that CRH has tended historically to trade at a discount to the US building materials sector, this has widened considerably over the last 12 months. For example, an examination of the relative forward PE multiple of CRH versus Vulcan Materials (based on consensus forecasts from JCF) shows that the discount is now c.40% versus c.30% 12 months ago (see charts on next page).

International Construction Sector - Comparative Ratings

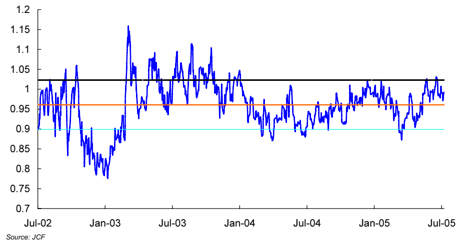
Company	Price lc	Mkt. Cap € m	1 Month Price Perf.	YTD Price Perf.	Forecast EPS Growth 2005-2006	P/E 2005f	P/E 2006f	EV/EBITDA 2005f	EV/EBITDA 2006f	Dividend Yield 2005f	Dividend Cover 2005f
Irish Construction											
CRH	2178	11,631	3%	11%	11%	11.9	10.8	7.1	6.3	1.7%	4.8
Kingspan	1037	1,722	13%	47%	22%	16.8	15.2	11.4	9.9	1.3%	4.8
Grafton Group	884	2,204	0%	11%	17%	13.6	11.9	10.2	8.6	2.1%	4.0
Readymix	200	217	-3%	9%	4%	21.1	20.3	9.0	8.5	3.5%	1.3
UK Building Materials											
BPB	533	3,871	4%	13%	12%	12.5	11.4	6.8	6.2	3.2%	2.5
Hanson	548	5,864	5%	23%	7%	12.4	11.4	7.2	6.6	3.6%	2.3
Travis Perkins	1612	2,868	-7%	-7%	11%	11.8	10.3	8.0	6.8	2.2%	3.8
Wolseley	1188	10,192	3%	22%	9%	13.4	12.5	9.4	8.5	2.3%	3.2
European Building Materials											
Cimpor	5	3064	3%	10%	4%	13.0	11.5	8.7	8.5	4.1%	1.9
Dyckerhoff	35	1190	-6%	5%	37%	22.2	16.9	6.9	6.2	0.6%	8.0
Heidelberger	59	6,465	18%	37%	25%	14.3	12.7	7.3	6.5	1.9%	3.6
Holcim	80	11,797	2%	16%	13%	13.1	11.5	7.4	6.6	1.8%	4.3
Lafarge	76	13,311	1%	7%	9%	12.3	11.0	6.9	6.4	3.3%	2.5
St Gobain	46	15,849	0%	5%	8%	11.4	10.6	5.2	4.9	3.0%	2.9
Wienerberger	38	2,784	1%	7%	11%	13.1	12.0	7.6	6.9	3.2%	2.4
US Building Materials											
Cemex	48	13,660	8%	17%	9%	9.7	9.5	7.6	6.8	2.6%	4.0
Eagle Materials	98	1,455	9%	14%	25%	14.2	12.2	n/a	n/a	n/a	n/a
Lafarge America	66	4,131	8%	28%	7%	13.2	15.0	n/a	n/a	1.3%	5.7
Martin Marietta	70	2,700	10%	30%	18%	21.2	19.0	n/a	n/a	1.1%	4.1
Masco	32	11,578	-1%	-12%	8%	13.2	11.7	7.9	7.1	2.5%	3.1
Rinker	14	8,158	8%	31%	26%	17.7	15.2	9.2	8.1	1.8%	3.2
Vulcan	67	5,680	8%	23%	15%	21.9	20.2	n/a	n/a	1.7%	2.7

...and it widens considerably for those stocks with a US bias

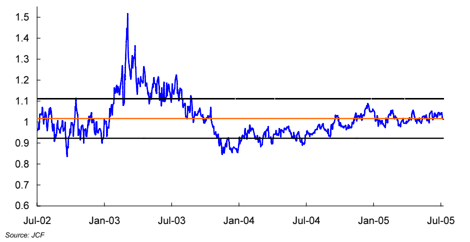
CRH relative to European Building Materials 12m forward PE



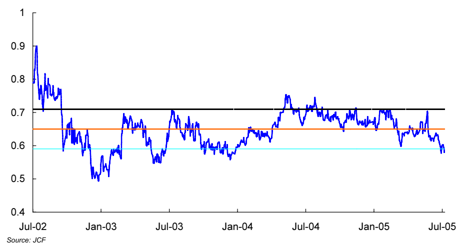
CRH relative to Holcim 12m forward PE



CRH relative to Lafarge 12m forward PE



CRH relative to Vulcan 12m forward PE



Using a two-stage growth market...

Share price assumes acquisition strategy in structural decline

While recognising the short-term concern over acquisitions given the lower pace in the current year (reflects high prices that make it difficult for CRH to meet strict hurdle rates), we believe this is not part of a structural trend, given the fragmented nature of international construction markets. However, this is exactly what the current share price is assuming. This is clearly shown in a two stage growth model of CRH using our forecasts that excludes any acquisition activity other than what has been completed in the ytd, see table below. Based on a conservative WACC of 8.0%, the current share price of €21.78 implicitly assumes growth of only 2% over the next five years and no growth thereafter. This would suggest the market is taking the view that CRH will find it hard to come by acquisitions indefinitely. Even if this worst case scenario was to play through, we have shown such is the current strength of the company's balance sheet and its cashflow generation that surplus funds would more than likely be returned to shareholders, either through increased dividends or a share buy-back.

Share price assumes worst case scenario for acquisitions

		Five year growth - 2006 to 2010					
		0.0%	**1.0%**	**2.0%**	**3.0%**	**4.0%**	**5.0%**
Terminal growth rate	0.0%	19.94	20.92	21.94	23.00	24.09	25.23
	1.0%	22.25	23.35	24.49	25.68	26.90	28.18
	2.0%	25.33	26.59	27.89	29.25	30.65	32.11
	3.0%	29.65	31.12	32.66	34.25	35.90	37.62
	4.0%	36.12	37.93	39.80	41.76	43.78	45.88
	5.0%	46.91	49.26	51.71	54.26	56.90	59.65

...we show the current price is implicitly assuming acquisition spend is in structural decline

Our DCF suggests a share price in excess of €26

To complement the above valuation analysis we look at a fundamental value for CRH from a Discounted Cashflow (DCF) perspective. The main assumptions underlying the model are as follows:

- Our current forecasts for 2005-07 have been extended out to 2010 by continuing to include acquisition spend of €500m per annum. This implicitly assumes EBIT growth will fall to c.5% in 2010.

- Effective tax rate converges towards 28% by 2010 from the current level of c.21%.

- Ongoing working capital requirement equivalent to 11-12% of sales and maintenance capex of 1x depreciation.

Based on the above conservative assumptions and a company WACC of 8%, the DCF analysis shows that even a value in excess of €26 assumes no growth after 2010.

Based on a conservative DCF valuation...

A fundamental value for CRH

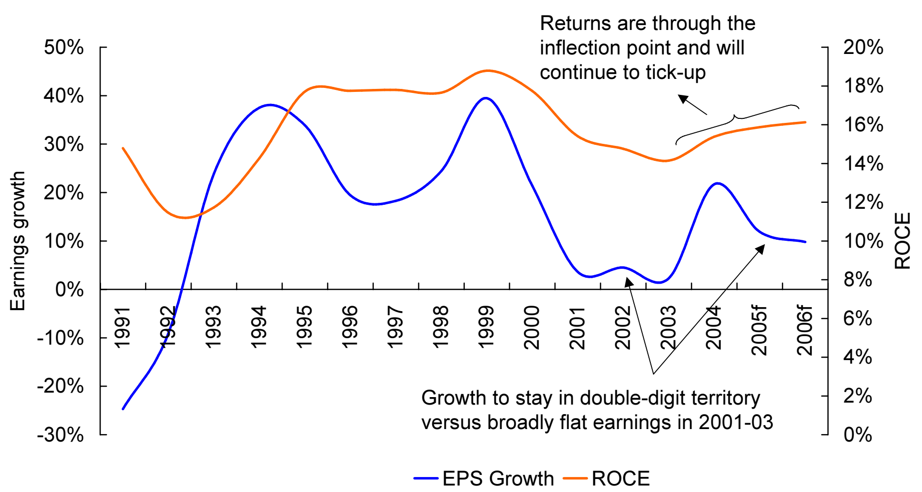
		Terminal Value Growth Rate					
		0.0%	1.0%	1.5%	2.0%	2.5%	3.0%
Discount Rate	6.0%	36.81	43.15	47.39	52.68	59.48	68.55
	6.5%	33.59	38.80	42.18	46.31	51.48	58.13
	7.0%	30.85	35.17	37.93	41.23	45.27	50.32
	7.5%	28.47	32.11	34.39	37.08	40.31	44.25
	8.0%	26.40	29.49	31.40	33.62	36.25	39.41
	8.5%	24.57	27.23	28.84	30.71	32.88	35.45
	9.0%	22.95	25.25	26.63	28.21	30.03	32.16
	9.5%	21.51	23.51	24.70	26.05	27.59	29.37
	10.0%	20.21	21.97	23.00	24.17	25.49	26.99

€26 is an achievable 12 month price target - 'Add' to 'Buy'

Given the current prospects for CRH and the potential for earnings upgrades as the balance sheet is used to undertake value add deals (a key catalyst for the share price but impossible to call), we believe the stock should trade on at least its average multiples for the last five years and not at the lower end of the range, where the rating is currently. Furthermore, it has to be borne in mind that the last five years covered a period when earnings growth was in low single digits and returns were declining. In contrast, the next two years should see 11% per annum growth and returns continuing to tick-up.

...and PE / EV/EBITDA / Free cashflow / EV/Capital Employed multiples that are slightly above their five year averages...

Better fundamentals



Overall, based on the analysis in this report and our revised forecasts, we are increasing our 12-month price target from €23 to €26 and as a result are moving our recommendation from 'Add' to 'Buy'. The table on the next page shows the multiples used in deriving this target, all of which are slightly above their five-year average but still significantly below the high end of the trading range. Furthermore, it is underpinned by a DCF valuation of €26.40, which is based on conservative assumptions. These include a WACC of 8%, effective tax rate increasing from 21% to 28% by 2010 and no growth after 2010 factored in.

...we have revised your price target from €23 to €26...

Valuation metrics

	2006 Forecasts	
	Multiple	**Implied Share price**
PE	13.0	26.2
EV/EBITDA	7.3	25.6
Free Cashflow yield	8.2%	25.9
EV/Capital Employed**	1.6	25.2
DCF		26.4
Average		**25.9**

...and have changed our recommendation from 'Add' to 'Buy'

Appendix 1: Full year forecasts

Financial Overview (€m)

Year Ending	Dec-04	Dec-05f	Dec-06f	Dec-07f
Sales	**12,755**	**14,017**	**15,197**	**16,227**
Operating Profit	**1224.3**	**1382.1**	**1519.4**	**1629.3**
Goodwill	-4.1	-9.5	-17.5	-25.5
Other Income	10.8	11.6	6.2	5.5
Associates / Joint Ventures	19.4	20.6	21.2	21.8
Exceptionals	0.0	0.0	0.0	0.0
EBIT	**1250.4**	**1404.7**	**1529.3**	**1631.1**
Financial charge	-146.4	-162.2	-156.4	-137.9
PBT	**1104.0**	**1242.6**	**1373.0**	**1493.1**
Tax	-232.2	-262.0	-295.8	-327.1
Minorities	-5.7	-7.5	-8.3	-8.7
Preference Dividends	0.0	0.0	0.0	0.0
Attributable Profit	**866.1**	**973.0**	**1068.9**	**1157.4**
EBITDA	**1770.4**	**1977.3**	**2168.7**	**2332.3**
Net Debt	2,758	2,503	2,005	1,423
Shareholders' Funds	4,944	6,033	6,967	7,964
Enterprise Value	4,945	6,035	12,743	12,162
Weighted Av Shares	*529.5*	*534.3*	*538.0*	*542.5*
FD Shares	*530.3*	*535.1*	*538.8*	*543.3*
Per share Analysis (c)				
FRS3 EPS	163.6	182.1	198.7	213.4
FD EPS	163.3	181.8	198.4	213.0
Adjusted EPS	**164.1**	**183.6**	**201.6**	**217.7**
DPS	33.0	38.0	43.7	50.2
Dividend Cover (x)	5.0	4.8	4.6	4.3
Operating Cashflow	291.8	346.3	392.4	417.4
Free Cashflow	135.9	139.5	172.5	186.4
NAV	928.3	1125.6	1290.1	1461.3
Profitability				
Operating Margin	9.6%	9.9%	10.0%	10.0%
EBITDA Margin	13.9%	14.1%	14.3%	14.4%
EBIT Margin	9.8%	10.0%	10.1%	10.1%
Effective Tax Rate	21.0%	21.1%	21.5%	21.9%
ROACE	15.4%	15.9%	16.1%	16.5%
ROAE	17.9%	17.7%	16.4%	15.5%
Momentum				
Sales	18.4%	9.9%	8.4%	6.8%
EBITDA	16.8%	11.7%	9.7%	7.5%
Adjusted EPS	21.7%	11.9%	9.8%	8.0%
DPS	17.4%	15.2%	15.0%	14.9%
Financing				
Debt/Equity (%)	55.8%	41.5%	28.8%	17.9%
Interest Cover (x)	8.6	8.7	9.9	12.0

Geographical / Product Breakdown

Year Ending	Dec-04	Dec-05f	Dec-06f	Dec-07f
Sales (€m)				
European materials	2,307	2,542	2,607	2,647
European products	2,245	2,434	2,514	2,553
European Distribution	1,904	2,121	2,155	2,191
US Materials	2,823	3,016	3,153	3,279
US Products	2,462	2,663	2,778	2,829
US Distribution	1,014	1,121	1,158	1,181
Acquisitions		119	831	1,546
Total Sales	**12,755**	**14,017**	**15,197**	**16,227**
Sales growth (%)				
European materials		10%	3%	2%
European products		8%	3%	2%
European Distribution		11%	2%	2%
US Materials		7%	5%	4%
US Products		8%	4%	2%
US Distribution		11%	3%	2%
Total Sales		10%	8%	7%
EBITA (€m)				
European materials	320.2	358.3	371.8	379.6
European products	191.0	196.6	206.4	212.9
European Distribution	121.7	129.3	134.8	139.4
US Materials	273.9	313.4	343.0	364.4
US Products	253.5	298.9	314.5	321.7
US Distribution	64.0	75.7	78.8	80.9
Acquisitions		10.0	70.1	130.4
Total EBITA	1224.3	1382.1	1519.4	1629.3
EBITA Margin (%)				
European materials	13.9%	14.1%	14.3%	14.3%
European products	8.5%	8.1%	8.2%	8.3%
European Distribution	6.4%	6.1%	6.3%	6.4%
US Materials	9.7%	10.4%	10.9%	11.1%
US Products	10.3%	11.2%	11.3%	11.4%
US Distribution	6.3%	6.8%	6.8%	6.9%
Acquisitions		8.4%	8.4%	8.4%
Total EBITA	9.6%	9.9%	10.0%	10.0%

Geographical Breakdown

Year Ending	Dec-04	Dec-05f	Dec-06f	Dec-07f
Sales (€m)				
Ireland	801	852	865	860
Britain & NI	740	784	817	832
Mainland Europe	4,905	5,446	5,579	5,685
Mainland Europe - Materials	1,251	1,428	1,475	1,514
Mainland Europe -P&D	3,654	4,018	4,104	4,171
USA	6,310	6,816	7,105	7,305
USA - Materials	2,823	3,016	3,153	3,279
USA -P&D	3,487	3,799	3,951	4,026
Acquisitions		119	831	1,546
Turnover (Incl. JVs)	12,755	14,017	15,197	16,227
Share of JV	474	689	708	729
Group Turnover	**12,280**	**13,328**	**14,489**	**15,498**
Sales Growth (%)				
Ireland		6%	1%	-1%
Britain & NI		6%	4%	2%
Mainland Europe		11%	2%	2%
Mainland Europe - Materials		14%	3%	3%
Mainland Europe -P&D		10%	2%	2%
USA		8%	4%	3%
USA - Materials		7%	5%	4%
USA -P&D		9%	4%	2%
Turnover (Incl. JVs)		**10%**	**8%**	**7%**
Sales Breakdown (%)				
Ireland	6%	6%	6%	5%
Britain & NI	6%	6%	5%	5%
Mainland Europe	38%	39%	37%	35%
Mainland Europe - Materials	10%	10%	10%	9%
Mainland Europe -P&D	29%	29%	27%	26%
USA	49%	49%	47%	45%
USA - Materials	22%	22%	21%	20%
USA -P&D	27%	27%	26%	25%
Turnover (Incl. JVs)	**100%**	**99%**	**95%**	**90%**
EBITA (€m)				
Ireland	128.2	135.2	136.8	135.6
Britain & NI	62.1	65.4	69.4	71.3
Europe	441.5	482.4	505.5	523.9
Mainland Europe - Materials	179.3	209.1	220.1	228.6
Mainland Europe -P&D	262.2	273.2	285.4	295.2
USA	592.5	689.1	737.5	768.1
USA - Materials	273.9	313.4	343.0	364.4
USA -P&D	318.6	375.8	394.5	403.8
Acquisitions		10.0	70.1	130.4
EBITA (Incl JVs)	**1,224**	**1,382**	**1,519**	**1,629**
Share of JV	62.4	82.0	85.5	89.2
Group EBITA	**1161.9**	**1300.1**	**1433.9**	**1540.1**
EBITA Margins				
Ireland	16.0%	15.9%	15.8%	15.8%
Britain & NI	8.4%	8.3%	8.5%	8.6%
Europe	9.0%	8.9%	9.1%	9.2%
Mainland Europe - Materials	14.3%	14.6%	14.9%	15.1%
Mainland Europe -P&D	7.2%	6.8%	7.0%	7.1%
USA	9.4%	10.1%	10.4%	10.5%
USA - Materials	9.7%	10.4%	10.9%	11.1%
USA -P&D	9.1%	9.9%	10.0%	10.0%
Acquisitions		8.4%	8.4%	8.4%
Total EBITA Margin	**10.0%**	**10.4%**	**10.5%**	**10.5%**
EBITA Breakdown				
Ireland	10%	10%	9%	8%
Britain & NI	5%	5%	5%	4%
Europe	36%	35%	33%	32%
Mainland Europe - Materials	15%	15%	14%	14%
Mainland Europe -P&D	21%	20%	19%	18%
USA	48%	50%	49%	47%
USA - Materials	22%	23%	23%	22%
USA -P&D	26%	27%	26%	25%
Acquisitions		1%	5%	8%
Total	**100%**	**100%**	**100%**	**100%**

Balance Sheet (€m)

Year End	**Dec-04**	**Dec-05f**	**Dec-06f**	**Dec-07f**
Tangible Assets	5831	6102	6450	6781
Intangible Assets	1774	1901	1984	2058
Goodwill	1757	1869	1959	2049
Financial Assets	292	702	322	338
Fixed Assets	**7897**	**8705**	**8756**	**9177**
Debtors	1973	2170	2352	2512
Stock	1309	1444	1573	1680
Less Creditors	-1864	-2049	-2221	-2372
Net Working Capital	**1418**	**1565**	**1704**	**1820**
Other LT Liabilities	1577	1698	1453	1574
Net Debt	2758	2503	2005	1423
Preference Shares	1	1	1	1
Minority Interests	34	34	34	34
Shareholders' Funds	4944	6033	6967	7964
	9315	**10270**	**10460**	**10997**

Cashflow Statement (€m)

Year End	**Dec-04**	**Dec-05f**	**Dec-06f**	**Dec-07f**
Operating Profit	1224	1382	1519	1629
Depreciation	516	563	622	676
Change in Working Capital	-95	-95	-30	-40
Other	-100	0	0	0
Operating Cashflow	**1545**	**1850**	**2111**	**2265**
Net Interest Payable	-120	-157	-151	-133
Dividends Received	30	32	33	35
Dividends Paid	-127	-184	-206	-230
Taxation	-188	-212	-244	-273
Net Capex	-420	-584	-615	-652
Other		0	0	0
Free Cashflow	**719**	**745**	**928**	**1011**
Acquisitions	-922	-500	-500	-500
Disposals	0	0	0	0
Issue / Buyback of Shares	37	70	70	70
Currency Translation	33	-60	0	0
Other	-317	0	0	0
(Inc)/Dec in Net Debt	**-450**	**255**	**498**	**581**

Appendix 2: Interim forecasts

Interim Results Preview (€m)

Period end	Jun-04 H1	Dec-04 H2	Jun-05f H1
Sales	**5,608**	**7,147**	**6,100**
Operating Profit	**371.7**	**852.6**	**438.1**
Goodwill / Amortisation	-2	-3	-4
Other Income	6	5	6
Associates / Joint Ventures	7	12	8
Exceptionals			
EBIT	**383.5**	**866.9**	**447.9**
Financial charge	-64.1	-82.3	-72
PBT	**319.4**	**784.6**	**375.9**
Tax	-63.5	-168.7	-78.9
Minorities	-3.5	-2.2	-3.6
Preference Dividends	0.0	0.0	0.0
Attributable Profit	**252.4**	**613.7**	**293.4**
EBITDA	**632.8**	**1,137.6**	**716.6**
Net Debt	3,493	2,758	3,164
Shareholders' Funds	4,713	4,944	5,379
Enterprise Value	14,232	13,497	-
Weighted Av Shares	528.3	0.0	533.3
FD Shares	529.1	0.0	534.1
Per share Analysis (c)			
FRS3 EPS	47.8	115.8	55.0
FD EPS	47.7	115.6	54.9
Adjusted EPS	**48.0**	**116.3**	**55.6**
DPS	9.6	23.4	11.0
Dividend Cover (x)	5.0	5.0	5.0
Operating Cashflow	58.0	233.8	69.5
Free Cashflow	-21.1	157.0	-40.1
NAV	888.9	928.3	1007.2
Profitability			
Operating Margin	6.8%	12.5%	7.7%
EBITDA Margin	11.3%	15.9%	11.7%
EBIT Margin	6.8%	12.1%	7.3%
Effective Tax Rate	19.8%	21.4%	20.8%
ROAE	0.0%	0.0%	5.8%
Momentum			
Sales	23.3%	14.8%	8.8%
EBITDA	35.6%	2.3%	13.2%
Adjusted EPS	66.6%	9.7%	15.9%
DPS	17.1%	17.6%	15.0%

Geographical Breakdown (€m)

Period end	**Jun-04 H1**	**Dec-04 H2**	**Jun-05f H1**
Sales (€m)			
European materials	1022	1285	1176
European products	1090	1155	1165
European Distribution	895	1009	984
US Materials	947	1876	1015
US Products	1208	1254	1287
US Distribution	446	568	473
Total Sales	**5608**	**7147**	**6100**
EBITA (€m)			
European materials	126	194	146
European products	96	95	91
European Distribution	49	73	49
US Materials	-32	305	-9
US Products	115	139	137
US Distribution	18	46	24
Total EBITA	**372**	**853**	**438**
EBITA Margin (%)			
European materials	12.3%	15.1%	12.4%
European products	8.8%	8.2%	7.8%
European Distribution	5.4%	7.3%	4.9%
US Materials	-3.3%	16.3%	-0.9%
US Products	9.5%	11.1%	10.6%
US Distribution	4.1%	8.1%	5.1%
Total EBITA	6.6%	11.9%	7.2%

Geographical Breakdown (€m)

Period end	Jun-04 H1	Dec-04 H2	Jun-05f H1
Sales (€m)			
Ireland	385	416	413
Britain & UK	362	378	378
Mainland Europe	2253	2652	2525
Mainland Europe - Materials	519	732	644
Mainland Europe -P&D	1734	1919	1881
USA	2609	3701	2785
USA - Materials	947	1876	1015
USA -P&D	1662	1825	1770
Turnover (Incl. JVs)	5608	7147	6100
Share of JV	135	339	387
Group Turnover	**5,473**	**6,807**	**5,713**
Sales Growth (%)			
Ireland	9%	10%	7%
Britain & UK	6%	8%	5%
Mainland Europe	44%	28%	12%
Mainland Europe - Materials	17%	30%	24%
Mainland Europe -P&D	55%	27%	8%
USA	8%	2%	7%
USA - Materials	3%	-2%	7%
USA -P&D	12%	7%	7%
Turnover (Incl. JVs)	**20%**	**11%**	**9%**
Sales Breakdown (%)			
Ireland	7%	6%	7%
Britain & UK	6%	5%	6%
Mainland Europe	40%	37%	41%
Mainland Europe - Materials	9%	10%	11%
Mainland Europe -P&D	31%	27%	31%
USA	47%	52%	46%
USA - Materials	17%	26%	17%
USA -P&D	30%	26%	29%
Turnover (Incl. JVs)	**100%**	**100%**	**100%**
EBITA (€m)			
Ireland	67	61	68
Britain & UK	31	32	31
Mainland Europe	172	270	186
Mainland Europe - Materials	55	124	74
Mainland Europe -P&D	117	145	112
USA	102	491	153
USA - Materials	-32	305	-9
USA -P&D	134	185	162
EBITA (Incl JVs)	**372**	**853**	**438**
Share of JV	15	48	35
EBITA (Excl. JVs)	**357**	**805**	**403**
EBITA Margins			
Ireland	17.5%	14.6%	16.5%
Britain & UK	8.4%	8.4%	8.3%
Mainland Europe	7.6%	10.2%	7.4%
Mainland Europe - Materials	10.6%	17.0%	11.5%
Mainland Europe -P&D	6.7%	7.6%	5.9%
USA	3.9%	13.3%	5.5%
USA - Materials	-3.3%	16.3%	-0.9%
USA -P&D	8.0%	10.1%	9.1%
Group Margin	**6.6%**	**11.9%**	**7.2%**
EBITA Breakdown			
Ireland	18%	7%	16%
Britain & NI	8%	4%	7%
Europe	46%	32%	42%
Mainland Europe - Materials	15%	15%	17%
Mainland Europe -P&D	31%	17%	26%
USA	27%	58%	35%
USA - Materials	-8%	36%	-2%
USA -P&D	36%	22%	37%
Total	100%	100%	100%

Appendix 3: Euroconstruct forecasts

Euroconstruct: Old and revised total construction forecasts

	Old forecasts (Dec-04)				New forecasts (Jun-05)					Revision (basis points)		
	2004	2005	2006		2004	2005	2006	2007		2004	2005	2006
Austria	0.5%	1.5%	1.7%	Austria	1.1%	2.0%	2.0%	1.9%	Austria	60	50	30
Belgium	4.5%	9.8%	2.6%	Belgium	4.5%	10.4%	4.0%	1.1%	Belgium	0	60	140
Czech	8.3%	8.5%	7.8%	Czech	9.7%	6.0%	6.5%	5.5%	Czech	140	-250	-130
Denmark	-0.4%	1.3%	1.4%	Denmark	3.9%	2.1%	1.5%	3.6%	Denmark	430	80	10
Finland	3.8%	2.8%	1.2%	Finland	3.8%	4.1%	0.3%	0.5%	Finland	0	130	-90
France	3.3%	1.7%	1.1%	France	3.4%	2.9%	1.2%	0.7%	France	10	120	10
Germany	-1.7%	-0.8%	-0.3%	Germany	-2.6%	-2.2%	-1.4%	1.3%	Germany	-90	-140	-110
Hungary	5.9%	5.7%	9.0%	Hungary	8.8%	2.5%	6.0%	8.0%	Hungary	290	-320	-300
Ireland	8.7%	0.5%	-4.9%	Ireland	7.3%	2.5%	0.3%	-1.8%	Ireland	-140	200	520
Italy	1.3%	0.8%	0.3%	Italy	1.5%	0.9%	0.5%	0.5%	Italy	20	10	20
Netherlands	0.0%	2.3%	2.4%	Netherlands	-1.2%	3.0%	2.9%	2.2%	Netherlands	-120	70	50
Norway	5.6%	1.9%	3.0%	Norway	9.7%	3.7%	0.5%	-0.1%	Norway	410	180	-250
Poland	3.2%	9.3%	10.5%	Poland	4.5%	7.7%	9.5%	7.1%	Poland	130	-160	-100
Portugal	-3.9%	2.4%	3.3%	Portugal	-2.7%	1.3%	3.0%	3.5%	Portugal	120	-110	-30
Slovakia	2.8%	5.5%	5.3%	Slovakia	3.5%	4.0%	4.5%	4.0%	Slovakia	70	-150	-80
Spain	4.9%	3.4%	2.8%	Spain	4.5%	4.4%	3.0%	2.2%	Spain	-40	100	20
Sweden	2.5%	3.6%	4.7%	Sweden	3.5%	4.2%	5.6%	3.2%	Sweden	100	60	90
Switzerland	1.2%	0.7%	0.0%	Switzerland	2.7%	5.0%	0.8%	0.4%	Switzerland	150	430	80
UK	3.5%	2.5%	1.9%	UK	3.3%	2.4%	1.9%	2.8%	UK	-20	-10	0
Western Europe (15)	1.9%	1.7%	1.2%	Western Europe (15)	1.9%	2.0%	1.2%	1.5%	Western Europe (15)	1	34	5
Central Eastern Europe (4)	5.2%	8.1%	9.1%	Central Eastern Europe (4)	6.6%	6.0%	7.7%	6.6%	Central Eastern Europe (4)	143	-214	-142
All Countries (19)	**2.0%**	**1.9%**	**1.5%**	**All Countries (19)**	**2.1%**	**2.2%**	**1.5%**	**1.7%**	**All Countries (19)**	**10**	**30**	**0**

European construction forecasts (19 countries)

	Old forecasts (Dec-04)			New forecasts (Jun-05)				Revisions (basis points)		
	2004	2005	2006	2004	2005	2006	2007	2004	2005	2006
New Residential	4.4%	0.8%	-1.7%	5.3%	2.4%	-1.0%	-0.4%	90	160	70
Residential RMI	2.2%	1.5%	1.9%	1.9%	1.6%	1.8%	2.1%	-30	10	-10
Total Residential	**3.3%**	**1.2%**	**0.1%**	**3.5%**	**2.0%**	**0.4%**	**0.9%**	**20**	**80**	**30**
New Non-residential	0.2%	3.0%	3.3%	1.2%	2.7%	2.5%	2.8%	100	-30	-80
Non-residential RMI	0.2%	0.9%	1.5%	-0.2%	1.2%	1.6%	1.4%	-40	30	10
Total Non-residential	**0.2%**	**2.1%**	**2.5%**	**0.6%**	**2.1%**	**2.1%**	**2.2%**	**40**	**0**	**-40**
Civil Engineering	2.3%	4.2%	3.5%	1.2%	3.3%	3.6%	3.3%	-110	-90	10
Civil Engineering RMI	1.1%	1.2%	1.7%	1.0%	1.7%	1.6%	1.5%	-10	50	-10
Total Civil Engineering	**1.9%**	**3.2%**	**2.9%**	**1.1%**	**2.8%**	**2.9%**	**2.7%**	-80	-40	0
Total Construction	**2.0%**	**1.9%**	**1.5%**	**2.1%**	**2.2%**	**1.5%**	**1.7%**	**10**	**30**	**0**

Source: Euroconstruct