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EQUITIES	Close	Change	% +/-	P/E '05	YTD
ISEQ	6241 ↑	14	0.23%	11.0	0.69%
FTSE 100	4986 ↓	-9	-0.17%	13.5	3.58%
DAX 30	4445 ↑	8	0.18%	15.0	4.43%
DOW	10543 ↑	5	0.05%	19.5	-2.23%
NASDAQ	2076 ↑	4	0.22%	15.6	-0.64%
S&P	1199 ↑	1	0.10%	21.0	-1.09%

CURRENCIES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.2525	0.6870	135.1800
Dollar	1.2525	1.0000	1.8231	107.9200
Sterling	0.6870	1.8231	1.0000	196.7600
Yen	135.1800	107.9200	196.7600	1.0000

This Week's Research

Today's Research CRH

Breaking News

Viridian return of capital update

Viridian Group said on Friday that shareholders will receive one B share for every existing ordinary share held and nine new Ordinary shares for every 10 existing ordinary shares held under its proposed return of capital. The company announced on May 17 that it proposed to return of £100m by means of a B share scheme with associated share consolidation. Based on the closing middle market price of 733 pence per existing ordinary share on May 26, 2005, the total amount of the return of capital is equivalent to approximately 10% of the market capitalisation of Viridian. The effect of the share consolidation will be to reduce the number of ordinary shares in issue by 10%. Payment of the final dividend for the year ended Mar. 31, 2005 will not be affected by the return of capital, the company said.

HVB says in merger talks with UniCredito

Germany's second-biggest bank HVB Group is in talks with Italy's UniCredito about a possible merger, the German bank said today. It said in a statement that no agreement had yet been reached and that the outcome of the discussion was subject to "considerable uncertainty". Unicredito issued a statement which said the same. Speculation about a pending merger that would create the biggest bank by far in the fast-growing Eastern European market drove HVB shares to a year high on Friday. A deal would create Europe's ninth-largest bank by market value but such a merger is likely to come under scrutiny from regulatory bodies.

Euro down after French 'No' vote

France's rejection of the European Union constitution hit the euro early on Monday, and doubts over EU integration and economic reforms may drive the currency down further in the days ahead. With markets closed for holidays in Britain and in the United States, the full impact of the French voters' snub may not be felt until Tuesday. More than 55 percent of voters taking part in the referendum rejected the charter meant to make the EU simpler to run, according to partial results released by the Interior Ministry. Opinion polls had pointed to a rejection by French voters, but the size of the "no" vote was unexpected.

Business Press

- Energis urges break-up of Eircom (IT)
- NTL ready to re-enter house phone market (II)
- Iran gold hunt by Teeling (II)
- Sky will not fall if French vote No (IE)
- Bergin to head BOI Business Banking (IE)

Today's Recommendations

CRH (€20.70) Largest deal this year Stuart Draper

- Acquisition announced : CRH has announced its largest deal so far in 2005, with the acquisition of Stradal, a manufacturer of concrete products for exterior gardening, landscaping and road fittings. Stradal reported sales of €180m in 2004, operates 24 plants and has 1,000 staff.
- €100m deal : While no consideration was disclosed, CRH acquired EHL, a German based manufacturer of concrete paving and landscape walling products, on an EV/sales multiple of 0.66x in 2002. Applying the same multiple to Stradal would imply a purchase price of c.€100m. Given that CRH's recent AGM statement disclosed that it had spent a total of €100m so far this year on 15 different acquisitions, implies that Stradal is by far CRH's largest acquisition so far in 2005.
- Earnings enhancing : Assuming a total purchase consideration of €100m and CRH's concrete product margins in Europe of 8%, would boost the company's consensus 2006 eps by c.1c (0.5%) to €1.86.
- US strengthening : US home building remains at buoyant levels and non-residential construction is continuing to grow. The 6 year US federal funding programme for transportation is expected to be agreed shortly and the bidding season for US highways has been slightly better than expected.
- Cement prices : Crucially, in line with the recent Q1 results of peer company, Cemex, CRH is having a better rate of higher energy and transport cost recovery than was the case a year ago. As a result, some element of margin progress is forecast for CRH in 2005.
- Europe offset : As a result, the slightly more negative economic background now for mainland European countries such as Germany, France and the Netherlands should be more than offset by the strengthening US volumes and the robust outlook for margins.
- Infrastructure proposal : As part of its 2006 budget proposals, the Bush administration is proposing a total spend on transport infrastructure of \$284 bn between 2006 and 2009, a significant \$28 bn increase on its previous proposal, with \$228.6 bn being allocated to highways under the plan.
- Further upside : We continue to view CRH as a core portfolio play for 2005, with a 12 month price target of €24 (16% further upside), based on 13x consensus 2006 eps of €1.86. From current levels, even a modest multiple of 12x forward earnings generates significant upside potential for investors : **BUY**.

Investment Press— Lex

- European paper: The European paper industry has underperformed in 20 of the past 31 years. Might 2005 be one of the exceptions?



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