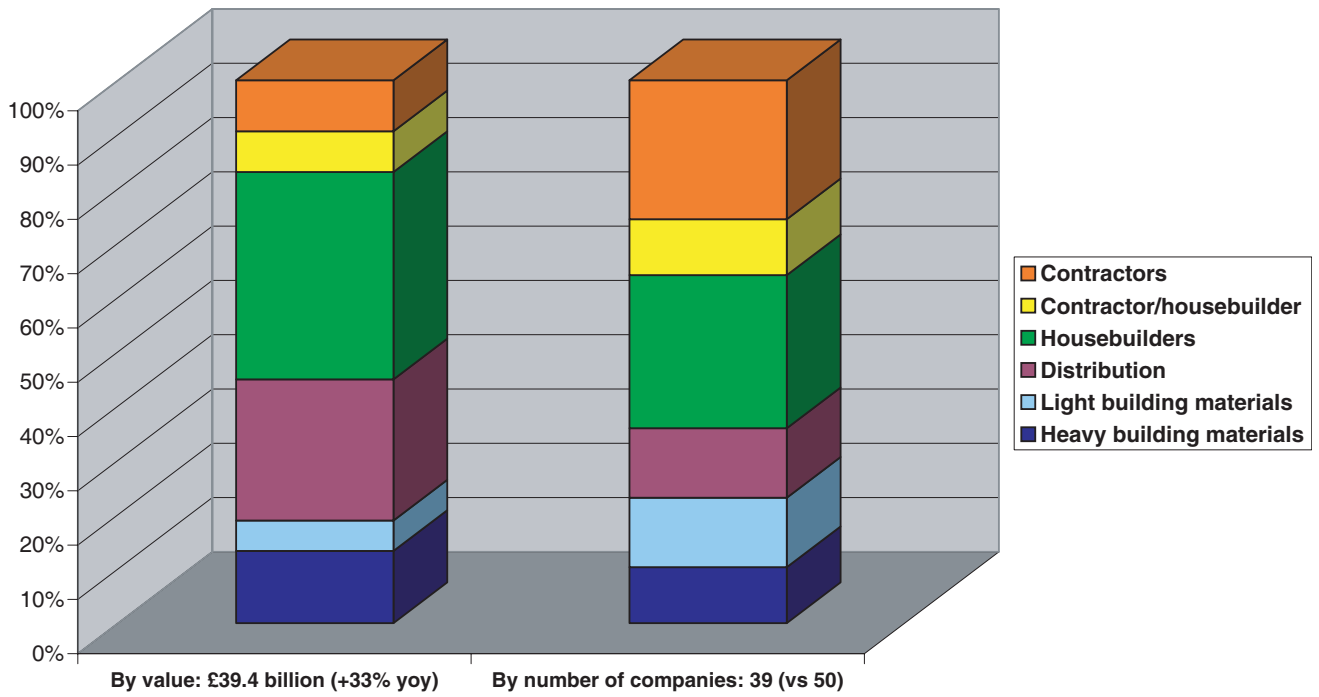
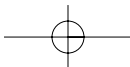


Structure of UK Construction & Building Materials Sector in 2006





The total market capitalisation of UK Construction & Building Materials Sector is £39.4 billion (and comprises 39 companies) i.e. its financial worth is a little more than Barclays plc and a little less than AstraZeneca plc – both single companies.

The Sector increased in value by 33% in calendar 2005, on a like for like basis; however, it lost 11 constituents due to takeovers, public-to-private transactions and sector reclassification. Only five stocks fell Birse, Costain, Gibbs & Dandy, Travis Perkins and Ultraframe – with the latter being the worst (-60%), as it was in 2004. Meantime, the Sector's best was Persimmon up 82% and it is now a FTSE 100 constituent where it joined Hanson (+43%) and Wolseley (+26%).

The FTSE 100 and FTSE All Share Index rose 18-19% in 2005 while the FTSE 250 was up 27%; Property or Real Estate gained 22% and Support Services +18%.

The largest takeover was of BPB (£3.9 billion to Saint Gobain). Aggregate Industries, Country & Metropolitan and Westbury went the same way – and the average premium was 34% (in 2004 it was 33%); we have also assumed that Mowlem will be bought by Carillion. Similarly, Countryside Properties and Fairbriar went private while Dunham-Bush Europe delisted and Chieftain, Havelock Europa plus Alfred McAlpine all moved sectors. This activity accounted for £7.5 billion in lost value for the Sector (which compares with a loss of £4.2 billion in 2004). There is also a further £2.5 billion of possible bids in the offing (the largest of which is for Pilkington).

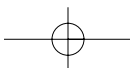
11 companies (28% of constituents) have a market capitalisation in excess of £1 billion each and together they account for 80% of the Sector's value; this compares with 10 companies and 73% in 2004. Nine companies are valued at less than £100 million each and account for just 1.2% of Sector value.

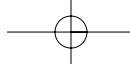
By activity, Housebuilders are the most numerous with 11 (28% of constituents) and 38% of the value – which underlines their re-rating. Contractors are next with 10 companies (26%) but only 9% of the value. Distribution and Heavy Building Materials have four (10%) and five constituents (13%) respectively although Distribution takes 26% of the value against the latter's 10%.

From 1 January 2006, the Sector lost its Housebuilders (£15.1 billion) – to Household Goods – and Distributors (£10.3 billion) – to Support Services; and changed its names to Construction & Materials. We, however, will continue to calculate the true value of this vital UK industry.

Notes:

- (i) *Sector was the FTSE Actuaries Share Index for Construction & Building Materials, priced at 31 December 2005.*
- (ii) *With 39 constituents, it is the World's most populous with a range in values from distributor, Wolseley (£5.7 billion) to Titon (£11.4 million) which makes window fittings.*
- (iii) *Excluded are six non-UK registered companies which have a London Stock Exchange listing and a total value of £27.7 billion (+22% yoy). The first four are Irish plus one each from France and Japan: CRH (£9.1bn); Grafton (£1.5bn); Kingspan (£1.3bn); and McInerney (£264m); plus Compagnie de Saint Gobain (£12.0bn); and Kajima Corp. (£3.6bn).*





the independent strategic advisor to the building materials, construction and support services sectors

*Chinese**
A Happy^New Year
from
Tony Williams and Directors

**starts 29 January 2006*

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