## Additional information for US investors

CRH shares are traded in the US on the National Association of Securities Dealers Automated Quotation System ("NASDAQ") in the form of American Depositary Shares ("ADSs") and held in the form of American Depositary Receipts ("ADRs"). The ticker symbol is CRHCY. The administration of the ADRs is handled by Citibank, N.A. of New York. Each ADS represents one Ordinary Share of the Company.

CRH will be filing an Annual Report on Form 20-F in respect of the year ended 31st December 2002 with the Securities and Exchange Commission (SEC). This report is available to shareholders when filed and copies will be supplied on application to the Secretary.

The consolidated financial statements on pages 50 to 81 are prepared in accordance with accounting principles generally accepted in the Republic of Ireland ("Irish GAAP"). Irish GAAP, which are consistent with accounting principles generally accepted in the United Kingdom, differ in certain significant respects from accounting principles generally accepted in the United States ("US GAAP"). The adjustments necessary to state net income and shareholders' equity under US GAAP are shown in the table on page 86.

**(i) Accounting for derivative instruments and hedging activities**

Statement of Financial Accounting Standard ("SFAS") No. 133 "Accounting for Derivative Instruments and Hedging Activities" requires that, for US GAAP purposes only, all derivatives be recognised on the balance sheet at fair value. Derivatives which are not hedges must be adjusted to fair value through income. If a derivative is a hedge, depending on the nature of the hedge, changes in the fair value of the derivative are either offset against the change in fair value of the hedged item through income, or recognised in the statement of other comprehensive income until the hedged item is recognised in income. The ineffective portion of a derivative's change in fair value is immediately recognised in income.

**(ii) Stock-based employee compensation expense**

Under the terms of the Group's employee share option schemes, as described in note 24 to the financial statements, options can only be exercised after the expiration of three years or five years from the dates of grant and after specific EPS growth targets have been achieved. The number of shares that may be acquired by employees is therefore not fully determinable until after the date of the grant, and accordingly the share option schemes are variable plans within the meaning of the US Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"). Under Irish GAAP, such employee options do not currently result in charges against income.

US GAAP, as set forth in SFAS 123 "Accounting for Stock-Based Compensation", encourage, but do not require, companies to adopt a fair value approach to valuing share options that would require compensation cost to be recognised based on the fair value of share options granted. The Group has elected, as permitted by SFAS 123, to follow the intrinsic value based method of accounting for share options as set out in APB 25. Compensation expense is booked to income each period from the date of grant, or the date on which achievement of the EPS growth targets is deemed probable, if later, to the "date of measurement" based on the difference between the price an employee must pay to acquire the shares underlying the option and the quoted market price of the shares at the end of each period. The "date of measurement" is the first date on which the relevant EPS growth targets have been achieved.

**(iii) Goodwill and other intangible assets**

With effect for accounting periods ended on or after 23rd December 1998, Irish GAAP require goodwill to be capitalised and amortised periodically against income. Prior to the 1998 financial year, goodwill was written-off as incurred against shareholders' equity. As permitted by Irish GAAP, all goodwill thus written-off against shareholders' equity under the Group's former accounting policy remains eliminated against that equity and has not been reinstated in the Group balance sheet. This is not permitted under US GAAP, and accordingly an adjustment is required under US GAAP to capitalise all goodwill eliminated against shareholders' equity. Under US GAAP in effect until 1st January 2002 (see paragraph below referring to SFAS 141 and SFAS 142 issued by the FASB in June 2001), this capitalised goodwill was also required to be amortised to income over its estimated useful life; for the purposes of this reconciliation, a useful life of 40 years had been adopted.

In June 2001, the FASB issued SFAS 141 "Business Combinations" and SFAS 142 "Goodwill and Other Intangible Assets", both of which were effective for fiscal years beginning after 15th December 2001. Under the new rules, goodwill is no longer amortised under US GAAP, but is subject to annual impairment tests in accordance with the Statements. The Group applied the new rules on accounting for goodwill and other intangible assets beginning 1st January 2002 and performed the first of the required impairment tests of goodwill and indefinite-lived intangible assets as of that date.

Following implementation of SFAS 141 and SFAS 142, the Irish GAAP goodwill amortisation expense of €69.6 million for the year ended 31st December 2002 is eliminated under US GAAP and replaced by a net expense of €28.2 million, comprising acquisition-related payments of €19.7 million included in goodwill under Irish GAAP and expensed under US GAAP and a net charge of €8.5 million for intangible asset amortisation and fixed asset depreciation.

**(iv) Loss on transfer of Vebofoam**

A €5.1 million loss was recognised in 2001 under Irish GAAP on transfer of the Group's wholly-owned subsidiary Vebofoam to Gefinex Jackon, a joint venture in which CRH acquired a 49% stake as part of the deal in May 2001 to acquire Gefinex in Germany. This loss was arrived at after taking into account goodwill of €5.8 million previously written-off against Group equity reserves. Under US GAAP, this loss was further adjusted by the cumulative amount amortised to income in respect of Vebofoam goodwill.

**(v) Property revaluations**

Under Irish GAAP, properties may be restated on the basis of appraised values in financial statements prepared in all other respects in accordance with the historical cost convention. Such restatements are not permitted under US GAAP and accordingly adjustments to net income and shareholders' equity are required to eliminate the effect of such restatements.

**(vi) Capital grants deferred**

Under Irish GAAP, capital grants received in respect of the purchase of tangible fixed assets are treated as a deferred credit, a portion of which is released to the income statement annually over the useful economic life of the asset to which it relates. Under US GAAP, this deferred credit would be netted against the gross cost of the relevant tangible fixed asset and the depreciation expense would be reduced accordingly. However, the differing presentation of capital grants under Irish and US GAAP does not give rise to any difference with respect to net income and shareholders' equity.

**(vii) Impairment of fixed assets**

Under Irish GAAP, impairment is assessed by comparing the carrying value of an asset with its recoverable amount (being the higher of net realisable value and value in use). Net realisable value is defined as the amount at which an asset could be disposed of net of any direct selling costs. Value in use is defined as the present value of the future cash flows obtainable through continued use of an asset including those anticipated to be realised on its eventual disposal. Under US GAAP, an asset held for use is deemed to be impaired if the sum of the expected future cash flows (undiscounted and before interest charges) is less than the carrying value. If the latter criterion is satisfied, the quantum of impairment is determined by comparing the carrying value of the asset against its fair value. A long-lived asset classified as held for sale is measured at the lower of its carrying amount or fair value less cost to sell. These financial statements do not reflect any asset impairments under either Irish or US GAAP in the years ended 31st December 2002 and 31st December 2001.

**(viii) Pensions**

Under Irish GAAP (as set out in SSAP 24 – see note 31 to the financial statements), pension costs in respect of the Group's defined benefit plans are assessed in accordance with the advice of independent actuaries, using assumptions and methods which, taken as a whole, produce the actuaries' best estimates of the cost of providing the pension benefits promised. US GAAP specifically require the use of the projected unit credit method for costing purposes, and the assumptions used must be based on current market rates. Furthermore, under US GAAP an additional minimum pension liability relating to the excess of any unfunded accumulated benefit obligation over unrecognised prior service cost must be included within other comprehensive income.

**(ix) Debt issue expenses**

Prior to 2002, costs relating to the issue of debt securities were written-off in the income statement in the period in which costs were incurred as permitted by Irish GAAP. With effect from 1st January 2002, the Group amortises such expenses to income over the life of the debt, which is consistent with US GAAP.

**(x) Dividends**

Under Irish GAAP, dividends declared after the end of an accounting period in respect of that accounting period are deducted in arriving at the retained earnings at the end of that period. Under US GAAP, dividends are charged in the period in which the dividends are declared.

**(xi) Deferred taxation**

The adjustments to net income under US GAAP referred to above give rise to movements in deferred taxation which are shown separately in the reconciliation on page 86. While Irish GAAP, and the Group's accounting policy for deferred taxation, allow for deferred taxation to be provided on material temporary differences to the extent that the taxation is expected to become payable/recoverable, in practice the Group expects all temporary differences to become payable/recoverable and has therefore fully provided in its Irish GAAP financial statements for deferred taxation on all such differences as required by SFAS 109.

**(xii) Other investments**

Under Irish GAAP, investments listed on a recognised stock exchange are shown at cost. Where the securities are considered to be available for sale, US GAAP require that these investments be measured at fair value in the financial statements with the adjustment recognised in other comprehensive income.

**(xiii) Rights Issue**

In accordance with US GAAP, an amount of approximately €874 million, equal to the fair market value of the bonus element of the Rights shares issued in 2001, is charged to accumulated income and credited to additional paid-in capital. This difference in presentation between Irish and US GAAP has no net impact on total shareholders' equity.

**(xiv) Consolidated statements of cash flows**

The consolidated statements of cash flows prepared under Irish GAAP (see page 54) presents substantially the same information as that required under US GAAP by SFAS 95 "Statement of Cash Flows". Irish and US GAAP differ, however, with regard to the classification of items within the statement and as regards the definition of cash.

Under US GAAP, cash and cash equivalents include short-term investments with a maturity of three months or less at the date of acquisition. Under Irish GAAP, movements in short-term investments are classified as management of liquid resources, which includes bank overdrafts.

Under Irish GAAP, cash flows are presented separately for nine categories, comprising: operating activities; dividends received from joint ventures; returns on investments and servicing of finance; taxation; capital expenditure; acquisition and disposal of subsidiary undertakings and joint ventures; equity dividends paid; management of liquid resources; and financing. US GAAP, however, require only three categories of cash flow activity to be reported: operating, investing and financing. Cash flows from taxation and returns on investments and servicing of finance shown under Irish GAAP would, with the exception of preference dividends paid, be included as operating activities under US GAAP. The payment of dividends would be included as a financing activity under US GAAP.

**(xv) Currency translation adjustment**

The Group's financial statements are presented in euro. Results and cash flows of subsidiary and joint venture undertakings based in non-euro countries are translated into euro at average exchange rates for each year, and the related balance sheets are translated at the rates of exchange ruling at the balance sheet date. Adjustments arising on translation of the results of non-euro subsidiary and joint venture undertakings at average rates, and on restatement of the opening net assets at closing rates, are dealt with in the Statement of total recognised gains and losses under Irish GAAP and in the Statement of comprehensive income under US GAAP. The currency translation adjustment included in comprehensive income on page 87 also includes the translation impact of the adjustments to net income under US GAAP for the year.

## Reconciliation to US GAAP

| Effect on net income | 2002 €m | 2001 €m |
|---|---|---|
| **Net income (profit attributable to ordinary shareholders) as reported in the Group profit and loss account** | **623.3** | 582.0 |
| **US GAAP adjustments** | | |
| Cumulative adjustment on adoption of SFAS 133 (i) | **–** | (16.9) |
| Profit/(loss) on derivative instruments (i) | **11.5** | (8.2) |
| Stock-based employee compensation (ii) | **19.4** | (19.6) |
| Amortisation of intangible assets (iii) | **41.4** | (8.3) |
| Adjustment to profit on disposal - primarily Vebofoam (iv) | **–** | 0.8 |
| Adjustments due to elimination of revaluation surplus (v) | | |
| - depreciation | **0.4** | 0.4 |
| - profit on disposal | **–** | 0.8 |
| Pensions (viii) | **15.5** | 22.1 |
| Amortisation of debt issue expenses (ix) | **(0.4)** | 0.1 |
| Deferred taxation (xi) | **(5.7)** | (2.5) |
| **Net income attributable to ordinary shareholders under US GAAP** | **705.4** | 550.7 |
| *Arising from* | | |
| Net income from continuing operations | **705.4** | 567.6 |
| Cumulative adjustment on adoption of SFAS 133 (i) | **–** | (16.9) |
| **Net income attributable to ordinary shareholders under US GAAP** | **705.4** | 550.7 |
| **Net income per share** | | |
| Basic net income arising from continuing operations per Ordinary Share/ ADS under US GAAP | **134.93c** | 112.46c |
| Cumulative adjustment on adoption of SFAS 133 (i) | **–** | (3.35c) |
| Basic net income per Ordinary Share/ADS under US GAAP | **134.93c** | 109.11c |
| **Cumulative effect on shareholders' equity** | | |
| **Shareholders' equity as reported in the Group balance sheet** | **4,747.9** | 4,735.4 |
| **US GAAP adjustments** | | |
| Hedging instruments - fair value adjustments (i) | **(2.0)** | (11.7) |
| Goodwill (iii) | **352.6** | 348.9 |
| Elimination of revaluation surplus (v) | **(28.9)** | (29.7) |
| Pensions (viii) | **129.4** | 144.3 |
| Debt issue expenses prepaid (ix) | **2.3** | 3.2 |
| Proposed dividends (x) | **94.2** | 84.7 |
| Deferred taxation - due to temporary differences (xi) | **(31.5)** | (37.0) |
| Other investments (xii) | **8.3** | 7.0 |
| **Shareholders' equity under US GAAP** | **5,272.3** | 5,245.1 |

## Statement of comprehensive income

| Comprehensive income under US GAAP is as follows | 2002 €m | 2001 €m |
|---|---|---|
| **Net income attributable to ordinary shareholders under US GAAP** | **705.4** | 550.7 |
| Other comprehensive income: | | |
| - currency translation adjustment (xv) | **(548.6)** | 88.7 |
| - cumulative adjustment on adoption of SFAS 133 (i) | **–** | 24.8 |
| - derivative instruments - fair value adjustments (i) | **(1.8)** | (11.4) |
| - additional minimum pension liability (viii) | **(22.0)** | – |
| - unrealised gain on investment (xii) | **0.8** | 0.8 |
| | **(571.6)** | 102.9 |
| **Comprehensive income** | **133.8** | 653.6 |

**Accumulated other comprehensive income as at 31st December**

| | 2002 €m | 2001 €m |
|---|---|---|
| Accumulated foreign currency translation | **(155.1)** | 393.5 |
| Cumulative fair value adjustment on derivatives | **11.6** | 13.4 |
| Additional minimum pension liability | **(22.0)** | – |
| Valuation of available for sale securities | **5.2** | 4.4 |
| | **(160.3)** | 411.3 |