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EQUITIES	Close	Change	% +/-	P/E '05	YTD
ISEQ	6272	↓ -396	-5.94%	11.0	1.19%
FTSE 100	4969	↓ -38	-0.76%	13.5	3.21%
DAX 30	4350	↑ 2	0.04%	15.0	2.22%
DOW	10766	↓ -75	-0.70%	19.5	-0.16%
NASDAQ	2052	↓ -14	-0.66%	15.6	-1.78%
S&P	1204	↓ -8	-0.64%	21.0	-0.69%

CURRENCIES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.3191	0.6872	137.9500
Dollar	1.3191	1.0000	1.9188	104.5900
Sterling	0.6872	1.9188	1.0000	200.6900
Yen	137.9500	104.5900	200.6900	1.0000

This Week's Research CRH

Today's Research Elan

Breaking News

CRH FY PBT in line with expectations

CRH said while there is continuing volatility in energy and currency markets which could impact adversely on economies as the year progresses, the current 2005 outlook for the company is positive. The comments came this morning after reporting full-year results, which showed a rise in pretax profit to 1.017 billion euros from 864 million, in line with market expectations, on sales of 12.8 billion euros, up 16 percent from 11.08 billion euros a year earlier. The group also announced that it is to raise its total dividend by 17 percent to 33 cents a share.

Kerry FY profits up 10 percent

This morning Kerry Group posted a 10 percent jump in full year profits and said sales for the 12 months to end-December exceeded 4 billion euros for the first time. The company said trading to date in 2005 was good and it expected to perform in line with market expectations for the year. Furthermore, with the continuing consolidation of the chilled foods processing sector in the U.K. and Ireland, the Group confirmed it would also explore complementary business expansion opportunities in its consumer foods categories. Kerry said pretax profits for the year was 230 million euros, up 10.7 percent on the corresponding period from last year. It added that earnings per share for the year climbed to 123.7 cents - a rise of 10.3 percent year on year.

Boots warn on profits

Boots has, this morning, warned on full-year profits as a slowdown in consumer spending hit trading at its main chemists chain and cost cutting fell short of expectations. Boots, which said in January that operating profit at the Boots The Chemist (BTC) division was expected to be around 490 million to 500 million pounds, said it was now likely to fall short of that mark as its market had deteriorated. "The company now expects full-year operating profits for Boots The Chemists to be in the range 465 million pounds to 475 million, reflecting the poorer outlook and slightly higher operating costs," it said in a trading update.

Today's Recommendations

Elan (\$8) Tysabri suspension Stuart Draper

- **Tysabri suspension** : Our cautiousness in recent times with regard to Elan's valuation was primarily driven by the extent of the company's dependency on the successful development of one drug, Tysabri. As a result, there was always going to be major downside risk in the event of any disappointing efficacy or safety results in relation to this drug.
- **PML setback** : As a result, our view was that there was similar share price upside elsewhere, for taking much less risk. However, yesterday's spectacular share price crash has reduced the valuation risk for long term investors, assuming that Tysabri's proven efficacy results in the drug returning to the market in some form before year end.
- **Combination only** : To date, 3,000 patients have been treated with Tysabri in clinical trials of MS, Crohn's disease and rheumatoid arthritis (RA), with no reports of PML (progressive multifocal leukoencephalopathy) detected in MS patients receiving Tysabri monotherapy (using Tysabri alone), or in patients with Crohn's disease or RA. It is only when Tysabri was used in combination with Avonex, that the 2 PML cases arose.
- **Monotherapy potential** : Therefore, even though, the marketing, supply and dosing of Tysabri in all clinical trials has now been suspended, it is certainly premature to now write-off the drug's value, as it would still appear to have potential as a monotherapy for MS, as a treatment for Crohn's disease and as a treatment for rheumatoid arthritis at least.
- **Steroid potential** : As both of the patients in question were also engaged in extensive steroid therapy, there is also the potential that it was the steroid therapy rather than Tysabri which caused the PML.
- **Other products** : Elan's other products, including manufacturing revenues, are expected to generate total revenues of c. \$480m for 2006. As at 31/12/04, the company had cash and marketable securities totalling \$1.6 bn and total debt of \$2.26 bn. When this net debt of \$660m is added to the current market cap of c.\$3.1 bn, a base case EV/Sales multiple of 7.8x is not expensive by comparison with other biotech peers.
- **Under review** : However, even though existing revenues, the Alzheimer's vaccine and the potential for corporate activity now that the SEC investigation has been resolved all provide support for the share price at current levels, our current NEUTRAL recommendation remains under review until more information becomes available.

Business Press

- MS drug pulled from market (FT)
- ECB may delay rate rise amid signs of a slowdown (WSJE)
- Fewer US companies give earnings guidance (WSJE)
- Consumer to become driver of economy, says B of I (IT)
- Shares in Conroy drop by €1.3m (IT)

Investment Press— Lex

- **HSBC**: HSBC is in an investment phase and points to excellent returns on previous acquisitions and organic expansion. This time, however, much of the money is being pumped into expanding in horribly competitive investment banking.



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