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Contact Details:

Email : research@dsl.ie

Tel : +353 1 633 3800
info@dsl.ie Fax : +353 1 677

EQUITIES	Close	Change	% +/-	P/E '07	YTD
ISEQ	9538 ↑	130	1.38%	11.0	29.52%
FTSE 100	6311 ↓	90	1.45%	12.4	12.32%
DAX 30	6681 ↓	84	1.28%	15.0	23.54%
DOW	12463 ↓	-38	-0.31%	19.5	15.58%
NASDAQ	2415 ↓	-10	-0.42%	15.6	9.52%
S&P	1418 ↓	-6	-0.45%	21.0	13.92%

CURRENCIES & RATES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.3281	0.6733	157.7300
Dollar	1.3281	1.0000	1.9722	118.7600
Sterling	0.6733	1.9722	1.0000	234.0800
Interest Rates (%)	3.2500	5.2500	4.7500	0.4800
Oil (Nymex)	61.0500			

This Week's Research
CRH

Today's Research
CRH

Breaking News

Breaking News

Total Produce begins trading

Total Produce, the demerged produce marketing and distribution business of Fyffes, has been admitted to trading on the Irish stock exchange's IEX market and London's AIM. The business, which was demerged yesterday, recorded turnover of €1.7bn in the year to December 2005 with an operating profit of €32m. The company commenced operations yesterday with net debt of €10m. The company has an obligation to buy the remaining 40% of Everfresh Holding AB, which Fyffes bought 60% of in 2004, in the first half of 2007.

EU threatens big 3 operators as roaming legislation moves closer

Three of Europe's largest mobile operators Vodafone, T-Mobile and O2 are awaiting the outcome of an investigation by the European Commission into international call charging. The investigation by competition authorities dates back to 2001 and is expected to conclude by early 2007. The companies are accused of overcharging foreign visitors for receiving mobile phone calls between 1997 and September 2003. If found guilty, the three companies could be fined as much as 10% of total revenues, although the final figure is expected to be much lower than this.

Airlines team up for global budget flights

Virgin Atlantic and easyJet are to team up with AirAsia, a low-cost operator based in Malaysia and serving destinations across the region to create the world's first budget global network, it was reported yesterday. The proposed alliance between the three firms was reported in a newspaper in Malaysia but has not been officially confirmed. The paper quoted unidentified sources as saying the joint venture would operate flights from Kuala Lumpur to Manchester. That route, if it materialises, could open up swaths of China, Thailand, Indonesia, Vietnam and Malaysia to lowcost travel from the UK. It said the alliance would give Virgin and easyJet access to Kuala Lumpur's low-cost airport terminal, the gateway to a dream Asian hub for their Europe-to-Australia routes.

Business Press

- New management team plans expansion at Topaz (IT)
- UK shares fizz with the FTSE 100 at six-year high (FT)
- Renewable energy begins to pick up speed as an investment (FT)

CRH (€31.55) Trading statement excellent Stuart Draper
Target : €34 (02/01/07 ; previously €33.50, issued 19/12/06)

- European markets : This morning, CRH released a very strong year end trading statement. Its European businesses, Materials, Products and Distribution, all showed stronger H2 underlying trading, as well as some operating margin expansion.
- Non-residential buoyant : In the US, the group's 3 divisions all generated strong profit growth, with the passing on of higher input costs helping to achieve operating margin improvement at the US Materials and Products divisions. The group's US products division, which has an exposure to new US housing representing c.13% of total group operating profit, should also receive a boost from any recovery in the US housing market in 2007. This could provide an important sentiment boost to further re-rate the share price from current levels.
- Acquisition growth : CRH completed €1.9 bn of acquisitions during the 12 months ended 30/06/06, in addition to its largest ever deal, the \$1.3 bn APAC acquisition. It was announced this morning that a further €400m of acquisitions were completed in H2 2006, which was a slightly higher acquisition spend than expected. As these acquisitions start to feed through into group earnings in 2007 and as increased synergies start to be generated in 2008, further strong growth should be generated.
- Earnings upgrades : CRH is now guiding 2006 profit before tax growth of 23% to €1.58 bn, which is c.4% stronger than the previous consensus forecast of €1.52 bn. This enables us to upgrade our 2007 and 2008 earnings per share forecasts by c.2% to €2.40 and €2.62 respectively.
- Further upside : Deals in the cement sector in 2006, such as Cemex's \$12.8 bn takeover of Rinker Group, took place in the range of 14x to 16x forward earnings. As a result, our view is that 13x forward earnings is a fair multiple for CRH, particularly given the group's prospects for continued double digit earnings growth. As a result, our current 12 month price target of €34 (8% further upside) is now based on 13x 2008 eps of €2.62. When combined with a dividend yield of c.2%, this provides sufficient further upside to justify re-iterating our BUY recommendation at current levels : BUY.

Investment Press

- Hutchison Essar/Vodafone: After its mishap with 3G in Europe, Hutchison Whampoa, which helped build the iconic mobile operator Orange, may be regaining its reputation for alchemy in the telecoms sector.



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DOLMEN SECURITIES → Website : www.dolmenstockbrokers.ie
Dolmen House, 4 Earlsfort Terrace, Dublin 2, Ireland.

• Tel : +353 1 633 3800
• Tel : +353 21 422 2122

• Fax : +353 1 677 7044
• Fax : +353 21 422 2123

• Email : info@dsl.ie
• Email : cork@dsl.ie

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