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EQUITIES	Close	Change	% +/-	P/E '04	YTD
ISEQ	6210 ↑	0	0.00%	11.0	n/a
FTSE 100	4814 ↑	0	0.00%	13.5	n/a
DAX 30	4292 ↑	32	0.75%	15.0	n/a
DOW	10729 ↓	-54	-0.50%	19.5	n/a
NASDAQ	2152 ↓	-23	-1.07%	15.6	n/a
S&P	1202 ↓	-10	-0.81%	21.0	n/a

CURRENCIES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.3455	0.7068	138.1000
Dollar	1.3455	1.0000	1.9026	102.6100
Sterling	0.7068	1.9026	1.0000	195.3100
Yen	138.1000	102.6100	195.3100	1.0000

This Week's Research

Today's Research IL&P

Breaking News

WMC Resources rejects Xstrata's A\$7.4bn takeover bid

Xstrata, the London-listed mining house, is under pressure to raise its A\$7.4bn (US\$5.8bn) hostile offer for WMC after an independent valuation on Tuesday said the Melbourne based group was worth up to 30% more. Rejecting Xstrata's offer as "materially inadequate", WMC, in its target statement, said it had been valued at between A\$7.17 and A\$8.24 a share. This compares with the A\$6.35 a share offered by Xstrata and to WMC's closing share price of A\$7.32, up 10 cents, on Tuesday. "Xstrata's offer is aimed at one thing - creating value for Xstrata shareholders. Xstrata is seeking to repeat the experience of the 2003 acquisition of MIM Holdings. WMC shareholders deserve more," said Andrew Michelmore, WMC chief executive, referring to the Switzerland-based group's A\$4.9bn takeover of the Queensland coal mining company at what now looks like a bargain price. The likelihood of a sustained strong commodity cycle will create enormous upside, he added. The group's shares, which were trading in the A\$4.50 to A\$5.50 range in the months before Xstrata's initial approach in October, have consistently traded above A\$7 in recent weeks, suggesting the market expects a higher offer for one of the world's largest nickel, copper and uranium producers

US Yesterday

As investors sold off stocks locking in 2004 gains, they overlooked a sharp drop in crude futures, triggered by mild weather in the Northeast and reports of increased crude production. The drop could be good news for consumer spending, which accounts for two-thirds of the US economy. A barrel of light crude was quoted at \$42.13, down \$1.32, on the NYMEX. Sales at Wal-Mart stores open at least a year rose 3% for December, prompted by strong after-Christmas sales. The company's previous forecasts were in the middle of a 1% to 3% range. Wal-Mart gained 53 cents to \$53.35. Analysts at Goldman Sachs increased their earnings targets for both Google Inc. and Yahoo! Inc., saying advertising revenues would increase through the early part of the year. Yahoo! rose 50 cents to \$38.18, while Google surged \$9.92 to \$202.72, a record high close. The big drop in oil prices hurt related stocks. ChevronTexaco Corp. slid \$1.61 to \$50.90, ConocoPhillips lost \$2.72 to \$84.11 and Exxon Mobil Corp. fell \$1.17 to \$50.09.

Business Press

- Drug could double Elan share price (IT)
- Tullow shines in very strong year for the oil industry (II)
- House prices outdo expert's forecasts to rise 11.5% in 2004 (IE)
- Jaguar negotiates with Ford on cash injection after charge (FT)
- Chip Sector may slow spending growth in 2005 (WSJE)

Today's Recommendations

IL&P (€13.65)

Sale of Irish Estates

Stuart Draper

- Business disposal : Irish Life and Permanent (IL&P) has announced the sale of its Irish Estates subsidiary to a group of private and institutional investors. Irish Estates is the market leader in the property management industry in Ireland, employing 114 people, who are all being retained.
- Non core : Even though the sale price was not disclosed, the disposal is in line with IL&P's strategic focus on the personal retail financial services market in Ireland.
- Trading statement : The company's recent year end trading statement confirmed that there has been no further margin attrition from the previous guidance given for a full year net interest margin of 1.4%. Other important confirmations were that life costs will not exceed 2003 levels, and that bank costs will be below 2003 levels. This means that the very strong over 20% year on year growth in the company's loan book can continue to generate strong earnings growth in 2005.
- IFRS accounting : Even though the move to IFRS accounting from 01/01/05 will increase the reported level of profits from IL&P's banking activities, and will reduce the reported level of profits from its life assurance activities, over time the two accounting methods will give the same answer. The change will also have no impact on IL&P's capital position, or on its underlying cash flows, which will continue to support strong dividend and business growth.
- EV accounting : Also, even though IFRS reporting will start for IL&P with the publication of its H1 2005 results next September, in line with other quoted life companies, the company will continue to produce embedded value accounts in conjunction with the IFRS numbers, as such accounts provide greater clarity with regard to measuring business performance.
- Loan growth : 2005 is likely to be a buoyant environment for IL&P as the country's largest mortgage lender, as the main driver of its strong underlying banking earnings growth in H1 2004 was over 20% growth in the loan book to €19 bn. If true housing demand is closer to 70,000 per annum than 50,000 per annum, then the outlook for such growth remains buoyant.
- Further upside : Life and pension sales in Ireland are also likely to continue to show steady growth in 2005. Therefore, our current stand-alone 12 month price target for IL&P of €15 (10% further upside) is based on 12x 2005 earnings per share of €1.25. Investors will also be paid a dividend yield of c.4% for waiting for this upside to be realised : **BUY**.

Investment Press— Lex

Is \$35 oil the new \$25. The actions of OPEC suggest they would like it to be. OPEC agreed in December to reduce production, while a cut in quotas appears likely in the first quarter. OPEC needs the price of its crude basket substantially in the mid thirties to offset a weak dollar which look sset to depreciate further and to meet the cost of investment and social welfare programmes



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