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EQUITIES	Close	Change	% +/-	P/E '06	YTD
ISEQ	7773	↓ -59	-0.75%	11.0	5.55%
FTSE 100	5813	↓ -45	-0.76%	13.5	3.45%
DAX 30	5673	↓ -66	-1.15%	15.0	4.90%
DOW	11006	↑ 25	0.23%	19.5	2.07%
NASDAQ	2267	↓ -1	-0.04%	15.6	2.82%
S&P	1278	↑ 3	0.20%	21.0	2.69%

CURRENCIES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.1927	0.6867	140.0800
Dollar	1.1927	1.0000	1.7370	117.4400
Sterling	0.6867	1.7370	1.0000	204.0100
Yen	140.0800	117.4400	204.0100	1.0000
Oil (Nymex)	60.0200			

**This Week's Research**  
Kingspan  
CRH  
IL&P

**Today's Research**  
Elan

**Today's Recommendation**

**Elan (\$16) >\$1.5 bn Tysabri sales now needed Stuart Draper**

- Tysabri return : News that the US FDA advisory panel has unanimously recommended the reintroduction of Tysabri as a treatment for relapsing forms of MS is a welcome boost for the company and MS patients who will chose to purchase the drug. The panel voted 7-5 that Tysabri be considered a first-choice treatment for these MS patients. Even though the FDA is not obliged to take the panel vote on board when it meets on 28th March, previous such cases would suggest that it is now highly likely to give conditional approval for the drug's return to market. However, there is no indication so far that it will be approved as a first-choice treatment for other categories of MS patients such as "new to drug therapy" patients and "individual benefit-risk" patients.
- Unmet need : Our view was always that the most likely outcome was that the drug would receive approval to return to the market given the unmet MS clinical need for symptom alleviation rather than symptom relief, and impaired function improvement. However, our continued caution in relation to recommending BUYING Elan shares is based on the very high level of Tysabri sales which are necessary to sustain Elan's share price at current levels.
- > \$1.5 bn sales : The entire MS market is currently worth c.\$4 bn and given that there are some categories of MS patients for which the drug is unlikely to be considered suitable, the addressable market for Elan is unlikely to exceed \$3 bn. Even assuming that Elan achieves 50% of this addressable market, with peak Tysabri sales of \$1.5 bn, then the shares are not a BUY at current levels. Remember there are currently 4 competing drugs on the MS market, Avonex, Betaseron, Rebif and Capoxone, with the share price of Serono, which makes Rebif, only 3% weaker following the latest Elan news.
- Debt repayment : Elan's operating cash burn is still running at c.\$250m per annum, and as a result, there is still a risk that it will have difficulty in repaying the debt of \$1.1 bn due to be repaid in 2008. Therefore, our current NEUTRAL recommendation remains in place until there is better visibility available that Tysabri's sales will significantly exceed \$1.5 bn. Our view is that following some of the share price corrections of recent days, several other companies now offer similar share price upside to Elan, from current levels, for taking much less risk : NEUTRAL.

## Breaking News

### UK house prices bounce back in February

UK house prices picked up in February after a disappointing start to the year, according to the closely-watched monthly survey from Halifax, pushing the prospects of an interest rate cut further into the future. The UK's largest mortgage-lender said prices rose 1.4 per cent compared with January, bringing the annual increase to 5.5 per cent and the average price of a home to £173,498. The Halifax survey showed the biggest monthly rise since last August which more than reversed a decline of 0.4% in January. The annual rate of change was the strongest since May, showing a pick-up in property inflation from 5.1%. The BoE's Monetary Policy Committee is widely expected to leave borrowing costs steady at 4.5% at the conclusion of its two-day meeting today and analysts said the data further cemented those expectations.

### Royal & SunAlliance 2005 profit beats expectations

British Insurer Royal & SunAlliance reported annual profit today that was ahead of expectations. RSA also announced that it was well placed for 2006. Britain's largest listed general insurer reported an operating result of £698m, well above an average forecast of £647m. The company had an operating result of £258m in 2004, when its earnings were dragged down by heavy losses at its discontinued US business. The combined ratio, a profitability benchmark that measures claims and costs as a percentage of premiums was 93.8%.

### Glencar Mining, drilling to restart at Komona target

Glencar mining has announced that the second phase of drilling on its Komona target in the Yanfolila Project in Mali is due to commence on 27th March 2006. The company said around 2,500 metres of reverse circulation drilling will be carried out, and that assay results should be available during April 2006.

## Business Press

- Tysabri return recommended by FDA panel (II)
- Record year for buoyant IL&P (II)
- Ryanair cuts back Liverpool routes from Cork (IT)
- Pretax profits increase 40% to €185m for insurer FBD (IT)

## Investment Press

London stocks lifted as RSA reports strong year

- London equities made strong gains in opening trade on Thursday, boosted by strong full-year numbers from Royal & Sun Alliance.



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