



Thursday 13th November 2008

DAILY COMPANY NOTE — CRH & Irish Life & Permanent See page 2 & 3 for full details

Daily Market Comment

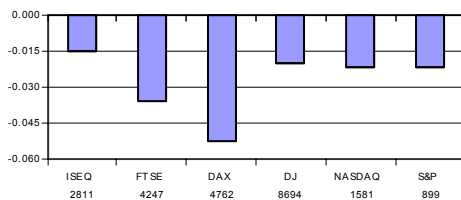
Yesterday's Summary : The ISEQ followed its European counterparts lower yesterday, closing down 2.8% at 2,731. The sell off on the ISEQ was not helped by a weakening in the British pound, which is likely to affect revenues of many of the bigger Irish companies with UK operations. Irish Life & Permanent fared poorly on the back of its interim management statement. Its shares fell 7.7% to €1.91. However, it was Bank of Ireland who was the worst performers among the Irish financials, as it continued its descent, dropping another 12.8% to close at €1.32. Elsewhere, CRH added to its recent gains, climbing 1.9% to close at €17.51.

Overnight News : Wall Street traded significantly lower yesterday as US Treasury Secretary Hank Paulson announced that the US government on Tuesday has abandoned its plan to buy toxic assets. The decision to drop asset purchases marks a stunning reversal by Paulson, who made the plan the centerpiece of his pitch for the \$700bn troubled asset relief programme (Tarp), which passed only after a fierce battle in Congress. The resulting sell off was led by large cap technology stocks, which drove the NASDAQ to a five year low. Dow Jones: -4.7% at 8,283, S&P 500: -5.2% at 852, NASDAQ: -5.2% at 1,499.

Breaking News : Siemens reported fourth quarter results this morning in which it announced operating profits of €1.49bn, which was below analyst expectations of €1.85bn. The company forecast that new orders and sales growth is expected to slow in 2009.

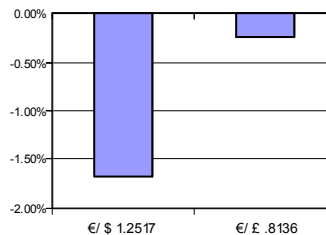
Paddy Power has cut its EPS estimate to 106.7 cent from 120 cent in its interim management statement, however the company said it expects to meet market estimates. **Ladbrokes** announced that profits increased by 10% in its interim management statement, as it remains in line for full year earnings estimates. The company also announced that net debt amounted to £998 million as at 31st October. **SABMiller** reported first half net profits of \$1.42bn, beating analyst expectations of \$1.03bn.

Equity Indices change on day

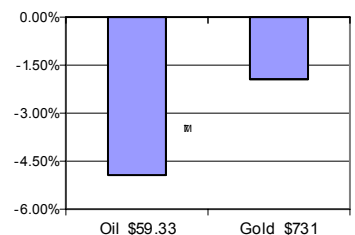


-1.50% -3.57% -5.25% -1.99% -2.22% -2.20%

Currency daily % change



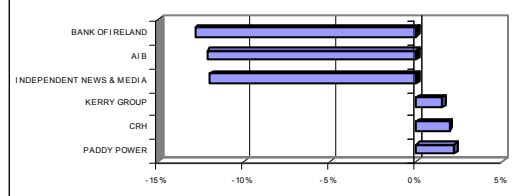
Oil/Gold daily % change



News

- "Smurfit takes off the gloves in battle for EU market"-(Iris Independent)
- "Tullow Oil strikes right note with second half performance"-(Irish Independent)
- "IL&P set to be down 30% with no final dividend"-(The Irish Times)
- "US reverses plan to buy toxic assets"-(The Irish Times)
- "King backs fiscal boost as sterling sinks lower"-(Financial Times)

ISEQ Performers/Losers 12/11/08



Market Themes & Movers

Germany enters recession : The German economy contracted by more than expected in the third quarter, confirming that Europe's largest economy has entered recession for the first time in five years. Gross domestic product declined by 0.5% from the second quarter, which was worse than a fall of 0.2% economists had forecasted. Germany's economy has not shrunk by this much over two consecutive quarters since 1996, as a negative contribution from foreign trade as exports weaken, more than offset an increase in private and public consumption. Germany's performance is key for the overall eurozone economy and figures on the euro area due on Friday are expected to confirm that the euro region has too entered recession in the third quarter. Last week, the International Monetary Fund predicted economic contractions in the US, Japan, and euro area next year, with Germany's economy expected to shrink by 0.8%. Markets are now expecting the European central Bank to lower interest rates by at least half a percentage point at its next meeting on December 4th. This would be the sharpest rate reduction in the bank's 10 year history after its two half points cut in the past month to 3.25%.



Dolmen Securities
75 St. Stephen's Green, Dublin 2, Ireland.
45 South Mall, Cork, Ireland
Theatre Court, Mallow St, Limerick, Ireland.

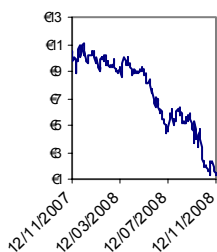
Website : www.dolmenstockbrokers.ie
Tel : +353 1 633 3800/1890 400 300
Tel : +353 21 422 2122
Tel : +353 61 436 500

E-mail: info@dsl.ie
E-mail: cork@dsl.ie
E-mail: Limerick@dsl.ie

Irish Life & Permanent

ISEQ
Insurance
Company Profile

The Group's principal activity is providing financial services in Ireland. The Group operates through its Insurance and Investment, Banking, General Insurance and Other segments. Insurance and Investment includes long term savings products including pensions to both individuals and group schemes.

Statistics
Price Performance

Revenue by Region


Insurance & Investment Business 61%

Banking 39%

Fundamental View

- Yesterday IPM released an interim management statement providing guidance to the year end. The key issues facing all Irish banks has been capital and impairments on the loan portfolios. On the level of impairments the full year guidance is slightly higher than at the interims from 8bps to 11bps and this is due mainly to the Asset Finance portfolio. On Irish mortgages, impairments on the portfolio are in low single digit and this would tie into AIB's guidance on impairments on the Irish residential portfolio of 4bps for 2008.
- Conditions on the UK Buy-to-Let portfolio have weakened further with the percentage of mortgage cases in arrears at 1.15% compared to 0.77% at the interims. This still compares favorably with the sector average of 1.40%. Aggressive interest rate cuts in the UK will help limit impairments on this portfolio, but the significant slowdown in the UK economy will result in problems in this portfolio.
- Of the 11bps of impairments the majority relate to the consumer finance book which includes an asset finance portfolio. The Irish second-hand car market has seen falls of 20-25% in prices over the last year due to oversupply and the recession. This in turn has resulted in lower recovery rates and increase impairment provisions on the portfolio. The majority of the impairment impact will be in 2009 according to management. The life and pensions business volumes have slowed since 2007, but the business according to management is proving resilient and life sales are expected to fall by 20-25%, but the full year sales will be higher than 2006.
- Funding for the group is now focusing on customer deposits and the aim of management is to lower the dependence on the wholesale funding market. To achieve this aim the bank is now marketing rate sensitive customers to increase customer deposits, a deposit gathering operation in the Isle of Man has been opened and the UK is being targeted for retail and commercial deposits.

Valuation

- As expected the final dividend has been suspended and it seems that no cash dividends will be paid for the next 2-years. An up-date on the capital release from the life company was given and the first €100m will be available to the bank part of the group at the end of 2008. With another €100m each year thereafter allowing the group to comfortably have impairments of between 60-80bps in total over the next 3-years. This leaves IPM as the best capitalised Irish bank and year end Tier 1 capital ratios are guided above 10%.
- Profitability for the group looking forward will be lower as the level of loan growth slows with a fall of 45% in gross loan growth compared to 2007. On a positive Net Interest Margin (NIM) has remained constant with guidance been raised for the year end for a range between 101-103bps. The largest part of the group is the life business and the recent poor performance in investment markets has lowered the Embedded Value (EV) of the life book. The EV has fallen by €200m since June 2008, but is still worth €6 per share.
- From our note dated the 7th of October, we have valued IPM based on a sum of the parts (SOTP) methodology. The current share price of €1.90 indicates a 68% discount for the life business and a zero value for the bank and the minority holding in Allianz Ireland.
- Our SOTP valuation provides a price target of €7.05 on conservative assumptions and we believe any significant gain on the share price could be achieved from M&A activity and IPM management have stated in the past they are not tied to the idea of remaining independent and would look at any offers.

Major Shareholders	%	Peer Group Multiples			
		Company name	P/E 08	P/E 09	EPS Growth 08-09
AXA Inv. Mangers	4.65%	IL&P	1.3	1.7	-26.67%
Capital Research Global	4.13%	Aviva	4.4	4.2	3.80%
Capital World Investors	3.18%	Friends Provident	5.7	5.5	4.03%
Bank of Ireland Asset Mgt.	2.97%				
Allianz Global Ginvestors	1.71%				

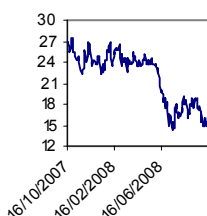
Shares Outstanding 267.77 m

Share Data	Financial Data	2007	2008	2009e
Current Price (€)	PBT (€m)	590	540	558
Mkt Cap (€m)	EPS (€)	1.47	1.50	1.10
Reuters	P/E(x)	1.29	1.26	1.72
Bloomberg	DPS (€)	0.75	0.00	0.00
Sector	Dividend Yield	9.52%	0.00%	0.00%
CEO				
CFO				
Website				



ISEQ
Construction
Company Profile

CRH manufactures cement, concrete products, aggregates, asphalt, clay, bricks, chemical lime, security fencing products, roofing, insulation and other building materials. CRH operates in 19 countries, including Ireland, the US, Spain, Germany and the Netherlands.

Statistics
Price Performance

Fundamental view

- On Tuesday, CRH announced that it expects full-year pre tax profit to decline by a 'low-to-mid-teen' percent, which is lower than the group's previous guidance back in August for a 10% decline in pre tax profit. The downgrade to guidance will be lighter on an earnings per share (EPS) basis due its share buyback program and a lower than expected tax charge. The downgrade in guidance is primarily related to its European operations where activity has weakened significantly over the last number of months.
- CRH's European product division saw the most marked deterioration in guidance with the company now expecting a 25% drop in operating profit, down from its previous guidance for a mid-teen percentage fall with its UK part of the business being particularly weak. CRH expects operating profit at its European materials division to increase by a high-single-digit percent, down from previous guidance of a mid-teen percentage increase. The group pointed out that while construction growth in Poland and Ukraine in the first half of the year had more than compensated for the declines in Spain and Ireland, over the last number of months growth had slowed due to a combination of economic and political factors.
- In the US conditions remain difficult and while the group forecasted a further deterioration in operating profit guidance it was not as bad as had been expected. CRH now expects a mid-teen percent decline in operating profit versus previous guidance of a low-teen percent decline. The group's largest divisions materials and products remain under pressure, while its distribution division has seen a significant increase activity boosted by effective pricing and overhead management.
- CRH continues to focus on improving its balance sheet strength which is one of the strongest in the sector. CRH announced that it is close to agreeing €1.5bn of bank facilities due to mature in 2009. We view this as a major positive in the current environment and note that a number of its peers have had their debt ratings downgraded due to funding concerns. CRH has stated that it will concentrate on operational delivery with development on the acquisition front being limited. CRH's acquisition spend is expected to total c. €1bn for 2008 and drop to €750m for 2009. To preserve cash, CRH has also terminated the remainder of its share buyback program with c. 3.3% of share capital or 18.2m shares repurchased. CRH had authorization to buyback up to 5% of its outstanding shares.

Valuation

- CRH is currently trading close to the bottom end of its historical price to earnings ratio of 6x – 18x. We believe that a multiple of 10x 2009 EPS is more appropriate given the group's strength of balance sheet and its ability to perform operationally during the current environment. This is the basis for our new reduced vqprice target of €19.50. With 12% upside to our target in addition to the c. 4% dividend yield that the stock offers we reiterate our buy rating on CRH.

Next catalyst

- CRH is due to issue its full-year trading update on Tuesday 6th January

Revenue by Region


- Ireland 8%
- Benelux 13%
- Rest of Europe 32%
- Americas 47%

Major Shareholders	%	Peer Group Multiples			
Capital Guardian	5.09%	Company name	P/E 08	P/E 09	EPS Growth 08-09
BIAM	5.08%	CRH	7.5	8.9	-15.95%
UBS	4.96%	Lafarge	4.8	5.3	-9.43%
	4.07%	Holcim	6.5	7.2	-9.72%
		Vulcan Materials	27.9	26.3	6.08%
		Martin Marietta	18.5	18.4	0.54%
Shares Outstanding	532m				

Share Data		Financial Data			
		2007a	2008e	2009e	
Current Price (€)	17.41	Revenue (€m)	20,992	20,500	19,500
Mkt Cap (€m)	9,254	Operating Profit (€m)	1,904	1,620	1,450
Reuters	CRH.L	EPS (€)	2.62	2.32	1.95
Bloomberg	CRH LN	P/E(x)	6.65	7.50	8.93
Sector	Construction	DPS (€)	0.68	0.70	0.70
CEO	Liam O'Mahony	Dividend Yield	3.91%	4.02%	4.02%
CFO	Myles Lee				
Website	www.crh.com				





Disclosures

This report has been prepared by Dolmen Stockbrokers ('Dolmen') for information purposes only to assist investors to make their own investment decisions and is not intended to and does not constitute personal recommendations nor provide the sole basis for any evaluation of the securities discussed. Specifically the information contained in this report should not be taken as an offer or solicitation of investment advice or, encourage the purchase or sale of any particular security, option, future or other derivative investment. Not all recommendations are necessarily suitable for all investors and Dolmen recommend that specific advice should always be sought prior to investment, based on the particular circumstances of the investor.

Although the information in this report has been obtained from sources, which Dolmen believes to be reliable and all reasonable efforts are made to present accurate information Dolmen give no warranty or guarantee as to, and do not accept responsibility for, the correctness, completeness, timeliness or accuracy of the information provided or its transmission. Nor shall Dolmen, or any of its employees, directors or agents, be liable to for any losses, damages, costs, claims, demands or expenses of any kind whatsoever, whether direct or indirect, suffered or incurred in consequence of any use of, or reliance upon, the information. Any person acting on the information contained in this report does so entirely at his or her own risk.

All estimates, views and opinions included in this report constitute Dolmen's judgment as of the date of the report but may be subject to change without notice. Changes to assumptions may have a material impact on any recommendations made herein.

Unless specifically indicated to the contrary this report has not been disclosed to the covered issuers(s) in advance of publication.

Past performance is not necessarily a guide to future returns. The value of investments and the income from them can fall as well as rise. Investments denominated in foreign currencies are subject to fluctuations in exchange rates, which may have an adverse affect on the value of the investments, sale proceeds, and on dividend or interest income. Investors may not necessarily recoup the full value of their original investment. Investors should be aware that forwarding looking statements and forecasts may not be realised.

This report may not be reproduced (in whole or in part) altered, transmitted or made available to any other person without the prior written permission of Dolmen.

Dolmen Securities Limited is regulated by the Financial Regulator. Dolmen Securities Limited is a member firm of the London Stock Exchange. Dolmen Stockbrokers is regulated by the Financial Regulator. Dolmen Stockbrokers Limited is a member firm of the Irish Stock Exchange and the London Stock Exchange.

Conflicts of Interest & Share Ownership Policy

Dolmen, its employees, directors or related companies, may have a shareholding in the securities (or related investments/ derivatives) of certain companies covered in this report, or may provide/ solicit investment banking or other services to/ from them.

It is noted that research analysts' compensation is impacted upon by overall firm profitability and accordingly may be affected to some extent by revenues arising other Dolmen business units including Corporate Finance, Fund Management and Stockbroking. Revenues in these business units may derive in part from the recommendations or views in this report. Notwithstanding, Dolmen is satisfied that the objectivity of views and recommendations contained in this report has not been compromised.

Dolmen permits research analysts to own shares and/ or derivative positions in issuers they publish research, views and recommendations on and accordingly analysts involved in the production of this report may own stocks in a company covered in it. Any own account staff trading is undertaken in strict compliance with Dolmen's own account internal rules and therefore Dolmen is satisfied that the impartiality of research, views and recommendations remains assured.

Analyst Certification

Each research analyst responsible for the content of this report, in whole or in part, certifies that: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report. Oliver Gilvarry, David Dunk, Stephen Taylor and Edward Keeling are responsible for the production of this report. Oliver Gilvarry is Head of Research and David Dunk, Stephen Taylor & Edward Keeling are equity analysts.

For US Persons Only

This report is only provided in the US to major institutional investors as defined by s. 15 a-6 of the Securities Exchange Act, 1934 as amended. A US recipient of this report shall not distribute or provide this report or any part thereof to any other person.



DOLMEN SECURITIES LTD