



DAILY COMPANY NOTE — Elan Corp See page 2 for full details

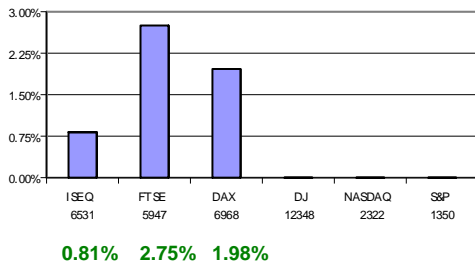
Daily Market Comment

Yesterday's Summary : The ISEQ finished up 0.81% to 6530.67 on a day that will be most noted for its very light trading volumes, as US financial markets were closed for George Washington day. Irish financials had a positive trading session on the back of some strong optimism in British markets about upcoming UK bank results. Speculation of higher dividend payments from Barclays and Lloyds TSB helped improve investor sentiment surrounding the current banking environment. A.I.B closed 2.2% higher at €13.39, ahead of its full year results tomorrow, and Bank of Ireland gained 2% to finish at €9.50. Greencore suffered from the low trading volumes ending the day 7% lower at €4.05.

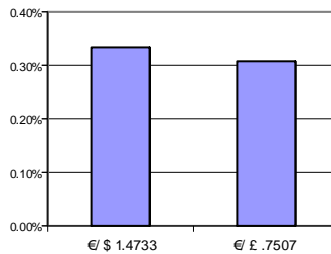
Overnight News : Hong Kong's Hang Seng Index closed at 23,759.25, down by 389.18 points or 1.61%, ending four consecutive days of gains, as big concerns exist over the possibility of mainland authorities' further tightening monetary policy. Wholesale prices announced yesterday showed a 6.1% increase in January. Japanese share prices closed up 0.90 percent on Tuesday, lifted by a strong performance on European markets and by a weaker yen. The Tokyo Stock Exchange's benchmark Nikkei-225 index gained 122.51 points to 13,757.91.

Breaking News: Barclays released their full-year 2007 results this morning and there was 3.4% fall in net profit. Their previously posted write-downs of GBP1.3bn was raised to GBP1.64bn and there was a 9.7% increase in its dividend to 34p from 31p paid on 2006 earnings. APN News & Media, in which Independent News & Media has a 39.2% shareholding, have announced a 2007 Net Pre-Tax Profit of A\$169.4m, an 8% increase on last year. Capital research and Invesco have increased their stake to over 10% and 4% respectively. Reports have suggested that Joseph Lewis has built a 7% stake in the UK Bookmaker Ladbrokes. Credit Suisse share price has shed 10% of their value in early morning trading after reporting write-downs of up to \$2.85bn.

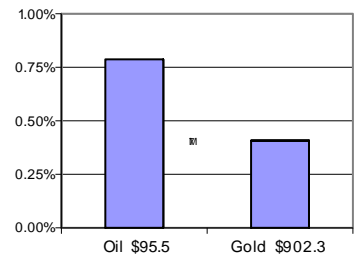
Equity Index's change on day



Currency daily % change



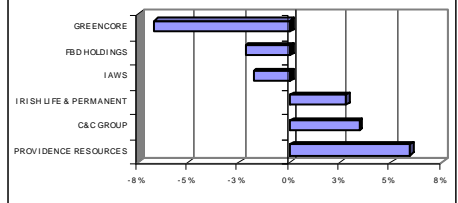
Oil/Gold daily % change



Paper Headlines

- "Icelandic investors seek bank advice on Greencore takeover"-**Greencore**-(I.I)
- "A.I.B's bad-loan losses to hit €365m within two years"-**A.I.B**-(I.I)
- "Elan could receive drug royalty payments"-**Elan**-(Irish Examiner)
- "Personal debt levels not as bad as we think"-**(Irish Examiner)**
- "Troubled Ambac keen to split"-**Ambac**-(Financial Times)

ISEQ Performers/Losers 18/02/08



Market Themes and Movers

Bond Insurer Split?: Reports suggest that if the New York regulator's plan to break up bond insurers is implemented, credit ratings on more than \$580 billion of asset backed securities may be cut. The regulator's proposed separation would split the municipal insurance units from the unprofitable business of guaranteeing debt linked to subprime mortgages. Analysts have indicated that such a move could force banks that own the mortgage debt to write-down the value of the securities by as much as \$35bn. The New York regulator's plan came after Warren buffet offered to take over \$800bn of municipal debt guaranteed by MBIA, AMBAC and FGIC last week.

Oil Trades Near \$96 : After market speculation that OPEC has plans to reduce oil production and that refinery disruptions are going to limit fuel supplies, crude oil was trading at nearly \$96 a barrel yesterday. Speculation mounted as oil ministers from Algeria and Iran said that they expected future oil production to reflect the reduction in winter heating demands.



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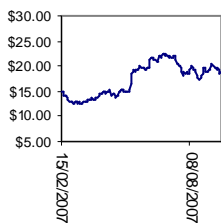
Elan Corp

Current
\$25.00
ISEQ
Pharmaceutical
Company Profile

The Group's principal activity is discovering, developing, manufacturing and marketing advanced therapies in neurodegenerative diseases, autoimmune diseases and severe pain. Elan Drug Technologies focuses on product development, scale-up and manufacturing to address drug optimization challenges of the pharmaceutical industry.

Fundamental view: Elan released their 2007 financial results on Wednesday. The company posted a \$405m loss in 2007, compared to \$267m in 2006, although the loss in 2007 includes \$103.4m in charges relating to generic competition, debt repayment, consolidation in the US. Revenue for 2007 grew 35% over the year, primarily due to the strong performance of their Tysabri drug. Fourth quarter loss per share of \$0.18 was \$0.03 below estimates. The company has a \$3bn tax asset built up due to previous years losses, which would make them more tax efficient than competitors should they become profitable. The company forecasted an increase of 30% in revenue growth for 2008, "towards the \$1 billion mark", which is slightly below consensus estimates. The company believes they are still on track for treating 100,000 Multiple Sclerosis patients by 2010. Tysabri will be rolled out for the treatment of Crohn's disease shortly, with breakeven revenues expected in 18 months. Elan's balance sheet is significantly weaker now than at the end of 2006, net debt has increased by about \$200m. Of particular concern is the depletion in Elan's cash balances, down to about \$720m from \$1.5bn, as Elan needs these funds to cover operating losses and R&D until the company becomes profitable. Elan's cash balance is expected to decline by a further \$300-400m in 2008, with increased R&D costs as well as a scheduled \$75m payment to Elan's Tysabri partner Biogen, taking their toll. This leaves Elan in a precarious position if estimated revenue growth fails to materialise, or if any negative medical reports emerge on Elan's drugs, Tysabri in particular. The current stock price assumes forecasted revenue growth rates are met, that the company turns profitable by 2009, and still leaves the stock trading at a hefty multiple to expected earnings. Also the price doesn't appear to price in the downside risk to Elan's business. Given that there is greater value amongst its peers and the Irish market in general, we are placing a sell recommendation on the stock.

Next Catalyst: There is ongoing speculation of M&A around Elan, a possible takeover is not out of the question, although it would be difficult to justify paying a premium to the current stock price. A sale of Tysabri or one of the pipeline drugs is more likely. Elan is likely to move significantly on any results from clinical trials, regulatory decisions, or adverse patient reactions. The company is expected to release more news throughout 2008 on Elan's proposed Alzheimer treatment AAB-001, as the company seeks regulatory approval.

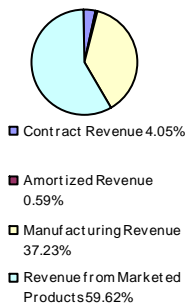
Statistics
Price Performance


Note : The analyst has a position in Elan

Chart view: Elan

Support Primary: \$23.62
 Support Secondary: \$22.00
 Resistance Primary: \$25.48
 Resistance Secondary: \$26.88

Stock has failed to build on its recent gains and the short-term trend has turned negative. Momentum is fading and there is little to suggest an impending move to the upside. Medium-term trend support is at \$22.

Operating Profit


Major Shareholders	%	Peer Group Multiples.			
Susquehanna Int	1.82%	Company name	P/E 08	P/E 09	EPS Growth 08-09
BelleVue Asset Mgt	1.05%	Elan Corp	N/A	N/A	N/A
Capital Rsearch & Mgt	0.85%	Amgen	11.2	10.2	9.28%
Barclays Global Investor	0.52%	Genentec	21.0	18.5	13.28%
Norges Bank Inv. Mgt	0.49%				
Shares Outstanding	1,000m				

Share Data	Financial Data	2007	2008e	2009e
Current Price (\$)	Revenue (\$m)	759.40	4261.20	4584.02
Mkt Cap (\$m)	PBT (\$m)	132.80	150.37	29.35
Reuters	EPS (\$)	-0.82	-0.32	-0.08
Bloomberg	P/E (x)	N/A	N/A	N/A
Sector	DPS	0.00	0.00	0.00
CEO	Dividend Yield %	0.00%	0.00%	0.00%
CFO				
Website				





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