DOLMEN STOCKBROKERS

Dolmen Daily

Thursday 27th November 2008

Dolmen Dozen Update — See page 2 & 3 for full details

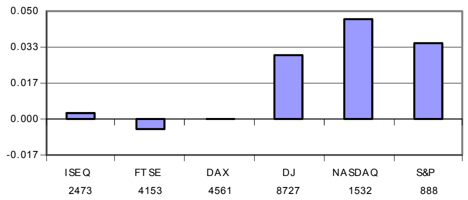
Daily Market Comment

Yesterday's Summary : The ISEQ posted another relatively flat day yesterday closing marginally up 7 points at 2,473. With little Irish news flow, the index drifted higher buoyed by developments on US indices. Irish Life and Permanent and Bank of Ireland were the strongest performing financials, closing up 10.5% and 6.2% to close at €1.36 and €1.38. Elsewhere, C&C Group fell back 7.7% closing at €1.26 after the UK Revenue reported that cider sales were flat for the third quarter.

Overnight News : Despite worse than expected US durable goods orders for the month of October, US indices traded consistently higher throughout yesterday's session. The technology sector performed strongly as investors bought into cheap stocks, while energy stocks also outperformed as they traded in line with the recent bounce in the price of crude oil. Dow Jones: +2.9% at 8,727, S&P 500: +3.5% at 888, NASDAQ: +4.6% at 1,532.

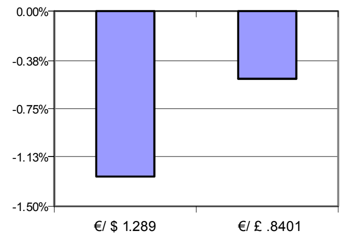
Breaking News : **Woolworths** has fallen into administration, putting 30,000 jobs at risk on a bleak day for UK retailers. The troubled variety store chain failed to get sufficient backing from its banks to overcome a cash crisis. **Harvey Norman** has reported a fall of 32% in first quarter earnings due to slowing sales, in the light of weakening consumer confidence. **Kingfisher** announced a decline of 4% in third quarter total retail profits to £176 million, as UK sales fell 9.2%. The company foresees that UK revenues will be weaker than revenues from mainland Europe. **Petroceltic** has confirmed this morning that it has signed a letter of intent which secures a new Algerian drilling rig.

Equity Indices change on day

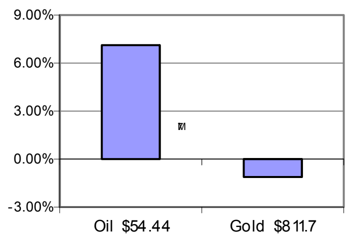


0.30% -0.44% 0.00% 2.91% 4.60% 3.53%

Currency daily % change



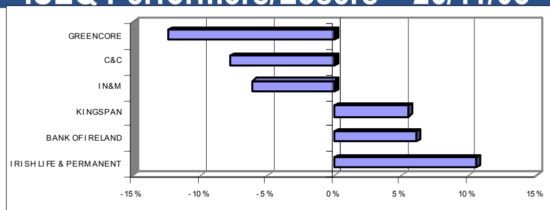
Oil/Gold daily % change



News

"Board rift over need for private investment"-**Bank of Ireland**-(I.I)
"ECB signals readiness to reduce interest rates"-(Irish Independent)
"New plan to recapitalize Irish Banks offered to Lenihan"-(The Irish Times)
"Bank of Ireland raises €2bn through state-insured bonds"-(The Irish Times)
"Banks pull plug on Woolworths"-(Financial Times)

ISEQ Performers/Losers 26/11/08



Market Themes & Movers

Irish Association of Investment Managers (IAIM): The IAIM has announced it has put forward a plan to the Irish government over the possibility of co-investing with it in the recapitalization of the banking system. The plan is thought to involve large pension funds and could also include private investors. The IAIM said it believes the process of recapitalizing Irish banks "offers an investment opportunity and returns which are attractive to them and their clients". Irish Life Investment Managers has confirmed it was involved in the initiative, while Bank of Ireland and AIB's investment subsidiaries have not as yet commented. A spokesman for the IAIM did not disclose how many firms were involved in the proposal, but did say it was more than three.

US durable goods orders : The US commerce department issued its latest durable goods report yesterday and it showed orders were down 6.2% in October, more than twice as much as economists had forecasted. Excluding demand for transportation equipment, which tends to be volatile, orders dropped 4.4%, also more than anticipated and the biggest fall since January 2002. In addition, the report indicated that US consumers cut spending by 1% in October, the largest drop since the last recession in 2001. This decline in personal spending followed a 0.3% drop in September and represented the fifth consecutive decrease. President elect Barack Obama has called for a two year economic stimulus package in response to the economic weakness, warning that there will be millions of further job losses without some form of additional government fiscal support. Meanwhile according to the Nationwide Building society, UK house prices fell for a 13th month in November, as the average cost of a home declined by 0.4% month on month.

DOLMEN SECURITIES LTD

Dolmen Securities | Website : www.dolmenstockbrokers.ie
75 St. Stephen's Green, Dublin 2, Ireland. Tel : +353 1 633 3800/1890 400 300 E-mail: info@dsl.ie
45 South Mall, Cork, Ireland Tel : +353 21 422 2122 E-mail: cork@dsl.ie
Theatre Court, Mallow St, Limerick, Ireland. Tel : +353 61 436 500 E-mail: Limerick@dsl.ie

Dolmen Dozen Update

Through our Dolmen Dozen Fund we aim to provide clients with the opportunity to share in the financial achievements of elite global companies, many of whom are household names. The Fund represents a selection ot twelve publicly quoted equities, which, in our opinion, have potential for capital growth and income. The Dolmen Dozen is based on research and analysis by our Research and Wealth Management teams. Based on this research and analysis we have recently made changes to the Fund which reflect our view on markets, sectors and currencies. The changes that have been made are the removal of AIB and Aviva which have been replaced by Johnson & Johnson and JP Morgan. Following these changes the constituents of the Fund are as follows:

Dolmen Dozen Constituents

Aryzta

Aryzta is the new company formed from the merger of IAWS and Swiss company Heistand. The new group now has greater geographic diversification with operations in Europe, US and the Far East. Aryzta is focused on speciality bakery goods and the merger of the two companies will allow for synergies from production and sharing of expertise. In September management continued to state their aim of doubling EPS over the next 5-years through acquisitions and organic growth. With the stock trading at 9x FY09 estimated earnings and a PEG ratio below 1, the stock offers attractive upside.

BP

Within the oil & gas sector, BP is our preferred stock. We see BP as offering the best value among the integrated majors, trading at just over 7x 2009 forecasted earnings and yielding 6%. BP's development projects are more attractive than its peers, and the resolution of control issues at TNK-BP, paves the way for further expansion of the subsidiaries' Russian assets. We remain bullish on the long term prospects for energy prices, due to global demand and supply trends.

CRH

CRH generates over 30% of its revenue from infrastructure and will be one of the main beneficiaries from stimulus packages announced throughout the world as governments increase spending on infrastructure projects to help boost the global economy. While there is no doubt that the group faces headwinds over the next 12-months it is also benefitting from the stronger dollar (c. 50% revenue US) and the fall in commodity prices. CRH also benefits from having one of the lowest geared balance sheets in the sector and recently announced that it had successfully renewed its €1.5bn debt facility that was due in 2009. We continue to recommend CRH as a long-term recovery play.

E.On

Over the last year we have continued to recommend clients focus on high quality defensive utility stocks such as E.On. The group recently posted a strong set of earnings for its third quarter and confirmed its earnings forecasts for 2008. E.On has been increasing purchases throughout Europe particularly in Spain where it recently bought assets from Endesa. Power consumption in Spain is expected to outpace the European average which should further solidify earnings growth going forward. E.On trades at 9x forward earnings and provides an attractive dividend yield of 5.2%.

Hewlett - Packard

Last week Hewlett-Packard (HP) pre-released a stronger than expected set of fourth quarter results and guidance for its 2009 financial year. While we are cautious on the hardware side of technology at the moment, HP is the clear leader in the PC and notebook market and the company is benefitting from its increasing exposure to the software market through its recent $13.9bn acquisition of Electronic Data Systems. Profits at HP are also being driven by its continued expansion abroad in particular to emerging markets. The group recently announced an $8bn share buyback program in September which should further support its share price.

IN&M

Independent News & Media is among the most geographically diversified media companies in the world and its continued expansion into emerging markets should provide some insulation from the current downturn. The group's share price has recently suffered from concerns surrounding its ability to refinance debt, but with net debt/EBITDA currently standing c.3.7x and expected to fall further with the proposed sale of APN it is well be below the typical 4x – 5x covenant for a media company. IN&M's share price is now trading at 4x our 2009 EPS compared with the European sector average of 8x, we believe the stock offers considerable upside from current levels.

IL&P

Irish Life & Permanent (ILP) has suffered over the past year as investor sentiment has moved against Irish financials. ILP remains our preferred pick of Irish financials for a number of reasons. The group has a relatively low risk loan book with 88% of the portfolio residential mortgages and the majority of these Irish residential mortgages. The level of bad debts on this portfolio will be significantly lower than residential development portfolios in other banks. The Life book has an Embedded Value of €6.00 per share and trades at a 77% discount to the current share price implying significant upside from current levels when market conditions begin to return to more normalised levels.

Johnson & Johnson

Johnson & Johnson (J&J) continues to outperform the market as it benefits from its defensive characteristics through its product offering and geographical diversity. The group recently reported its third quarter results that were well ahead of expectations and it was one of the few companies to raise earnings guidance for the year and it expects limited impact from the current downturn in economic activity. With the stock currently trading 12.5x 2009 earnings and providing a dividend yield of c. 3.3% its valuation provides a compelling investment.

J.P. Morgan

JPMorgan has benefited from the opportune purchases of Bear Stearns & WaMu during the current crisis. The group is still exposed to the current slowdown and the large increases in US unemployment will result in higher bad debts. However, JPMorgan has strong capital with Tier 1 at 10.8% compared to 10.4% at Citibank and 9.8% at Bank of America. The group's investment banking division is also performing well. With a strong capital base, cheap acquisitions and a business model that allows it to take market share due to the weakness of its competitors this leaves JPM in a strong position once markets normalise in the next number of years.

Microsoft

We continue to be overweight software technology stocks with Microsoft remaining as our top pick. Microsoft is one of the most diverse technology companies in the world given its product offering and geographical footprint. Microsoft is also due to release its new Windows 7 product to replace Vista at the beginning of 2010 when we believe corporate spending will begin to rebound and will provide a significant opportunity for the company. Microsoft has the strongest corporate balance sheet in the world with c. $19bn of net cash at the end of September. In September the group announced a $40bn share buyback program a clear indication that it believes its shares are undervalued. At 9.5x forward earnings and a PEG ratio of below 1 we also agree and see the its current share price as an excellent long-term buying opportunity.

Paddy Power

Due to its defensive characteristics, we remain overweight the gaming sector with Paddy Power as our preferred stock in the sector. Paddy Power has strong branding, excellent shop profitability, and a leading online gaming business. Paddy Power also has the strongest balance sheet in the sector, with a net cash position of €84m, while its peers are burdened with large levels of debt. This should enable Paddy Power to weather the current downturn, and gives it the ability to grow, both organically and through acquisitions.

Vodafone

We remain overweight the telecoms sector with Vodafone our top pick. While the company did issue cautious comments at its recent interim results it allayed fears of its ability to generate cash flow as it raised its FY09 free cash flow target to £5.2 - £5.7bn from £5.1bn - £5.6bn as it initiates a number of cost savings programs. Vodafone is also benefitting from its expansion into emerging markets with its recent acquisition of Hutchison Essar in India where user numbers continue to soar. Mobile data also remains a key growth area for the company with revenue increasing 49% during the first half of the year. Weakness in sterling is also a positive for Vodafone as it generates the majority of its profits in Europe and the US. Shares in Vodafone currently provide an attractive valuation at 9x forward earnings along with a 6% dividend yield.

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