



November 29, 2005

Contact Details:

Email : research@dsl.ie
info@dsl.ie

Tel : +353 1 633 3800
Fax : +353 1 677 4708

EQUITIES	Close	Change	% +/-	P/E '05	YTD
ISEQ	6894 ↑	2	0.03%	11.0	11.23%
FTSE 100	5477 ↓	-46	-0.84%	13.5	13.78%
DAX 30	5177 ↓	-18	-0.34%	15.0	21.63%
DOW	10891 ↓	-41	-0.37%	19.5	1.00%
NASDAQ	2239 ↓	-24	-1.04%	15.6	7.20%
S&P	1257 ↓	-11	-0.85%	21.0	3.75%

CURRENCIES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.1829	0.6856	140.8600
Dollar	1.1829	1.0000	1.7255	119.0500
Sterling	0.6856	1.7255	1.0000	205.4000
Yen	140.8600	119.0500	205.4000	1.0000
Oil (Nymex)	57.3600			

This Week's Research Fyffes

Today's Research IL&P

Breaking News

Barclays earnings in line with expectations

Barclays said it expected 2005 earnings to rise in line with market expectations, fuelled by continued strong growth at its investment bank and fund management arms. Barclays said it expected overall impairment charges, excluding its South African Absa business, to be in line with previous guidance. It said the rate of growth in charges at its Barclaycard business in the first nine months of the year were consistent with first-half trends. Barclays said charges and investment at Barclaycard more than offset the credit card unit's income growth. The bank said its core UK retail bank delivered good profit growth from a combination of a modest rise in revenues and strong cost control. Barclays said its investment bank, Barclays Capital, delivered "very strong" profit growth, while operating expenses rose broadly in line with income growth, reflecting continued investment in the business and higher performance-related costs.

DCC wins court case in Taiwan

DCC has announced that it has been successful in the Hsinchu District Court in Taiwan in its enforcement proceedings against Pihsiang Machinery Manufacturing Company Limited arising out of the London High Court judgment of 29 January 2004. In that judgment, Pihsiang were ordered to pay Days Medical Aids Limited, DCC's British based subsidiary, damages of £10.2 million and interim costs of £2.0 million together with interest to accrue at 8% per annum.

C&C announces new distributors

C&C today announced that it had appointed distributors for its international spirits and liqueur brands to replace Allied Domecq when these agreements expire. Within the USA, C&C's largest international spirits and liqueur market, Skyy Spirits has been appointed to distribute C&C's international spirits and liqueur brands. While a distribution deal with Maxxium Worldwide has been agreed for the UK German markets. In other international markets, C&C has appointed strong, independently owned local distributors for its brands.

Business Press

- Swisscom bid for Eircom 'a political illusion' (IT)
- Greenstar, UK firm to back €40m waste deal (IT)
- Fyffes rejects EU tariff proposal (IT)
- Kingspan wins role in UK affordable housing (II)

IL&P (€15.45) JV should win back market share Stuart Draper

- Aviva JV : Aviva (Hibernian) has announced a new joint venture with AIB for the distribution and manufacturing of its life and pension products in Ireland. Aviva will now have an exclusive distribution agreement for the sale of its products to AIB's customer base of 1.6m through the bank's branch network of 280.
- AIB neutral : The JV will be 75% owned by Aviva and 25% owned by AIB, with AIB receiving cash of €205m in addition to its 25%, and Aviva receiving all of the Ark Life policyholder fund management fees. With this cash being fully reinvested within 12 months, the earnings impact of the transaction for AIB is expected to be largely neutral.
- Market share : The combined entity will have an initial market share of 18% (Aviva's 11% plus AIB's 7%), but given that AIB's market share was 15% as recently as 2001, there must be the potential now that the new JV will help AIB win back some of this market share. With Aviva's pension products having first access to AIB's SSIA funds as they mature next year, the joint venture's market share gains should get off to a strong start.
- IL&P risk : AIB is estimated to have a c.25% share of the €17 bn of SSIA maturities over the next 2 years. Given its stronger investment management performance and larger share of the SSIA market, our view is that Bank of Ireland's 24% share of the life market in Ireland will prove more resilient than Irish Life & Permanent's 27% to this increased competition from Aviva.
- Bancassurance distribution : One of the main reasons for our view that Aviva will continue to generate strong sales growth in 2006 is the continued rollout of distribution agreements such as this one with UK and European banks. Aviva already had a distribution joint venture with AIB in Poland.
- Aviva boost : Once the revenue and cost synergies of the transaction are considered, the AIB JV has the potential to boost Aviva's embedded value per share by c.5p to £4.48. Given that Aviva's 2006 return on embedded value of 16.8% is 21% stronger than the UK sector average of 13.9%, our view is that its price to embedded value should trade at a similar premium to the UK sector. Therefore, our current 12 month price target for Aviva of £7.60 (9% further upside) is based on 1.7x embedded value per share of £4.48.
- Switching opportunity : Therefore, we re-iterate our current NEUTRAL recommendation for IL&P and recommend a SWITCH into Aviva (£6.97) as providing more value at current levels in the European insurance sector : **NEUTRAL**.

Investment Press— Lex

- Merck: How are the mighty fallen. It was from Merck labs that some of the first supplies of penicillin were despatched, a milestone in the history of medicine. It is a long way from there to a press release full of references to "product cycle", "inventory" and "lean manufacturing principles".



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