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EQUITIES	Close	Change	% +/-	P/E '07	YTD
ISEQ	8132 ↑	40	0.50%	11.0	10.44%
FTSE 100	5987 ↑	38	0.63%	12.4	6.55%
DAX 30	5910 ↑	33	0.56%	15.0	9.27%
DOW	11464	0	0.00%	19.5	6.32%
NASDAQ	2193	0	0.00%	15.6	-0.55%
S&P	1311	0	0.00%	21.0	5.30%

CURRENCIES & RATES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.2835	0.6751	148.6800
Dollar	1.2835	1.0000	1.9009	115.8400
Sterling	0.6751	1.9009	1.0000	220.1900
Interest Rates (%)	3.0000	5.2500	4.7500	0.4800
Oil (Nymex)	69.1900			

This Week's Research  
IL&P

Today's Research  
Kerry Group

Today's Recommendation

## Breaking News

### IL&P H1 profits up 23%

Irish Life & Permanent has reported a 23 percent jump in first-half pre-tax operating profits, beating forecasts and said it was confident it would have "a very strong set of results" for the full year. IL&P said operating profit rose to €242m in the six months to end-June, with EPS rising to 81.3c from 62.3c in the same period of last year. This result compares to consensus forecasts of €236m and 76c for operating profit and EPS respectively. IL&P reported that operating profit in its life business grew 23 percent in the first half to €134m, with profit in its banking business up 36 percent at €90m.

### Kingspan comfortably beats forecasts

Benefiting from new environmental regulations and increasing energy awareness, Kingspan has reported a 16.5% increase in sales to €676m for the six months to the end of June compared to the same time last year. Pretax profit rose 34 percent to 83.4 million euros, well ahead of the consensus forecast of €72.5m. EPS of 40.4c also comfortably beat expectations for 35.1c "Our products continue to gain share against traditional alternatives, bolstered by the increasing awareness of the advantages of sustainable energy construction," Chief Executive Gene Murtagh said in a statement.

### Petroceltic drilling update

Further to the company's press release of the 29th August and following further evaluation of the logs and drilling data Petroceltic has now elected to carry out an open hole test of hydrocarbon bearing intervals in the Ordovician zone as well as the Carboniferous and Devonian F2. It is now estimated that testing operations will take approximately 2-3 weeks.

## Business Press

- Horizon to net €6.2m in sale of Clarity Ireland subsidiary (IT)
- O'Leary slates new terminal plan (IT)
- Ormonde upbeat on Spanish results (IT)

**Kerry (€17.30) H1 results announced Stuart Draper**  
**Target : €19 (05/09/06 ; previously €20, issued 28/06/06)**

- Results announced : This morning, Kerry Group announced its results for the 6 months ended 30/06/06. Earnings per share of 54.9c was 2% ahead of the consensus forecast of 53.95c, and was also a year on year increase of 2%. The slightly better than expected earnings growth was driven by 7% revenue growth, which was 2% stronger than expected, being offset by higher input costs, particularly energy costs.
- Pricing power : The company's outlook was more upbeat than at the time of its AGM trading statement last May, expressing confidence that the current consensus 2006 eps forecast of €1.32 would be achieved. Given that energy costs are no lower than they were in May, this may indicate that Kerry is starting to achieve some price increases to offset the higher input costs. Such price increases would be in line with recent comments from peers Danone, Unilever and Nestle, which all predicted improving margin prospects in H2 2006.
- UK improving : In H1 2006, the UK market was a particular source of margin pressure for Kerry as a result of competition among food processors and pricing pressure from the super markets. In this respect, the statement this morning from group CEO, Hugh Friel, that he sees "some signs of improvement in the tough British market", is significant.
- Acquisition upside : Kerry's current share price rating of 13.1x consensus 2006 eps of €1.32 does not fairly reflect the company's ability to significantly boost its earnings growth from acquisitions which can be internally funded out of the group's strong free cash flow generation. Given that the £124m Noon acquisition was its only major deal in 2005, there is a high probability of an increased acquisition spend by year end which would provide the potential for earnings upgrades.
- Peer discount : Kerry's closest peers, Danisco and Givaudan, currently trade at an average of 14.5x 2006 eps. Valuing Kerry at the same multiple, based on a 2006 eps of €1.32, generates our new 12 month price target of €19 (10% upside) : **BUY**.

## Investment Press

- Microsoft/Yahoo: Money can't buy you love. Returning tens of billions of dollars to investors since July 2004 has so far failed breathe life into Microsoft's shares. Will the software group try buying growth instead?



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