DOLMEN STOCKBROKERS

Traders Update

MONDAY 10TH SEPTEMBER 2007

Brief Market Comment

As we started the week, expectations from investors were that the ECB and Bank of England would keep rates on hold and that soothing comments about future monetary policy would lay the foundation for a recovery from recent uncertainty. On this particular front they were not disappointed with the ECB indicating in its own veiled way that it would not rush to raise rates in October, while the Bank of England issued a statement with its rate decision, something it is not obliged to do. The issues for markets last week however went beyond these rate decisions. The weakest US housing data in 16 years and the first decline in US jobs since 2003 undermined sentiment with the latter figure in particular coming as a bolt from the blue. The data itself while recessionary, will at least get the Fed off the hook as it now has an excuse to cut rates without being seen to bail out excessive risk takers who are under water. The bigger question for the equity markets is how far the Fed is behind the curve and by how much will they need to cut interest rates by to save the economy and only time will tell on that score. But that's only half the battle. The liquidity issues in financial markets remain as evidenced by continuing premiums in short-term money market rates and that is a bigger short-term issue for markets. Volatility is set to remain and we re-iterate our sector calls of last week and add technology to that list.

TRADING IDEAS, EARNINGS & PREVIEWS

BP

Current:	£5.63
Target Price	£6.50
Div Yield	3.7%
PE	11.02
Next event	23/10/07

BUY

Driven by the resumption of production growth, **BP** should generate earnings growth of c.6% in 2008. This contrasts with peers such as ExxonMobil, Royal Dutch Shell and Total, which are all expected to report year on year earnings declines in 2008. Despite this superior earnings growth and the spread of its geographic risk, BP is still trading at 10.3x consensus 2008 eps of 54.2p, which is in line with the current sector average of c.10x 2008 eps. Our view is that BP deserves to at least trade at a 10% premium to the sector average, which based on the current sector average multiple and consensus 2008 eps of 54.2p would generate a fair value of £6 per share. When combined with a current year dividend yield of c.3.8% paid quarterly, this provides an attractive total return from current levels, for limited downside risk. BP has a large number of new start-ups coming on stream over the next 12 months, which should result in overall production growth of c.2% being achieved for 2007, on the 3.92 boepd achieved for 2006.

Ryanair

Current:	€5.12
Target Price	€6.00
Div Yield	0.0%
PE	17.26
Next event	06/11/07

BUY

Rugby World Cup 2007 has now started and continues into October. Given that France accounts for c.15% of **Ryanair's** annual passenger numbers and that the airline flies into 21 French destinations, the event should be a significant boost to yields in the seasonally most important quarter of its financial year. Another important revenue catalyst this month will be the introduction of charges for airport check-in on 20th September, which is expected to increase ancillary revenue by €0.50 per passenger. This has the potential to boost full year consensus earnings by c.3%, or €15m. Last week, Ryanair announced that Belfast will become its 23rd European base, with the airline starting a four times daily service to London's Stansted Airport, and a second daily service to Liverpool, when Air Berlin ends its Belfast service at the end of October. The airline also announced strong 21% passenger growth to 4.8m passengers for August and a high load factor of 91%. Our current 12 month price target of €6 is based on 20x current year eps of 30c. The airline deserves to trade at such a multiple as it is targeting a further doubling of profitability within 5 years.

CRH

Current	€29.80
Target:	€40.00
PE 07	11.44
DIV	1.96%
Next event	06/03/08

BUY

Last month, **CRH** announced its results for the 6 months ended 30/06/07. Profit before tax and eps of €670m and 92.8c respectively were year on year increases of 27% and 26%, with the interim dividend per share being increased by a stronger than expected 48% to 20c. The group's strong earnings growth was driven by particularly buoyant European operating profit growth of 50% to €495m, with growth in US non-residential construction and infrastructure offsetting the impact of lower US residential activity. Only c.8% of CRH's total group operating profit is exposed to US new housing. These stronger than expected results, when combined with the group's upbeat outlook, provided the basis for us to upgrade our 2007 eps forecast from €2.54 to €2.58, representing year on year growth of 15%. Our current 12 month share price target of €40 is based on 14.3x 2008 eps of €2.80. In the event of CRH being involved in further sector consolidation, such as Tarmac, it has a track record of doing so in a disciplined manner that ensures the continuation of strong eps growth for shareholders.

SAP

Current	€40.15
Target	€48.00
PE 07	24.0
Div Yield	1.17%
Next event	19/09/07

BUY

Since the beginning of June, shares in **SAP** have outperformed the DAX by c. 16% following its strong second quarter results in July and a number of recent deal announcements. Over the last month, SAP has announced new partnerships with Dell and Informatica indicating there does not appear to be any slowdown in spending by corporates. SAP is currently trading 20x its forecasted 2008 earnings, which is a 25% discount to its historical average of 25x. Given that the group continues to gain market share, increase its exposure to emerging markets (now c. 13%), and has no debt on its balance sheet we feel that SAP deserves to trade in line with its historical price to earnings (p/e) ratio of 25x. As a result we generate a 12 month price target of €48 based on 25x full year 2008 consensus EPS of €1.92. SAP is due to announce details of its new mid-market product offering on September 19th which could provide a boost for the share price.

Smurfit Kappa

Current	€15.15
Target	€18.50
PE 07	12.0
Div Yield	1.2%

BUY

Smurfit Kappa recently report H1 results for the 6 months ended 30/06/07 with EBITDA growth of 18% year on year to €260m slightly ahead of consensus forecasts. Higher input costs were offset by pushing through two price increases already this year (approx €40/tonne) with another one expected to follow shortly. This will result in some short term margin squeeze but the full benefit will be seen in the 2008 numbers. With no expected increase in industry capacity until 2010 and with demand for packaging remaining strong in Asia and Central Europe we see no problems with Smurfit being able to push through these increases. Smurfit Kappa is currently trading at 10 x 07 earnings falling to 7.3 x 08 earnings. Therefore we are initiating coverage with a 12 month price target of €18.50 which is based on 12x 07 earnings of €1.54 (20% upside to current levels). This price target would imply an EV/EVITDA multiple of 6.7 to our 2007 numbers. This is a 6% discount to the sector of 7.1 times EV/EBITDA despite Smurfit Kappa's better growth prospects.

Irish Banks

Despite Anglo Irish Bank last week upgrading its current year earnings guidance, and AIB and Irish Life & Permanent doing likewise in recent weeks, the Irish financials continue to remain out of favour with international investors. The negative sentiment has generally focused on two main areas, the slower Irish housing market and the impact of the global credit crunch on margins and earnings. Relative to other international banks, the dependence of the Irish financials on capital market businesses and on wholesale funding is minor, and in the context of their overall group earnings, the direct impact of a slower Irish housing market is also quite minor. We are not of the view that the slowdown in the Irish housing market will be so severe that it will cause a major slowdown in overall Irish economic activity, as has been the case in the US recently. However, similar to Anglo Irish Bank's share price action last week, stock specific catalysts may be required in the short term to generate share price upside. In this regard, Bank of Ireland's (BOI) H1 trading statement on 25th September would appear to have the potential to generate significant share price upside from its current sub €13 level. Despite remaining on course to generate double digit earnings growth this year, BOI is currently trading at 8.1x current year eps of €1.60, and is paying a current year dividend yield of 5.3%.

Week's Events

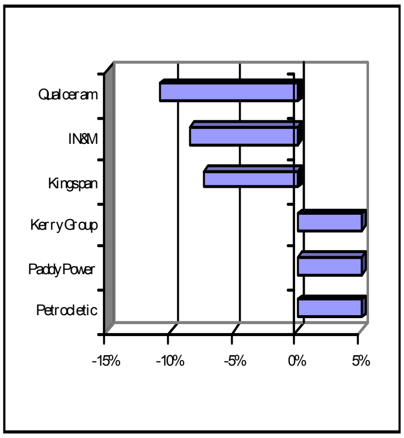
EARNINGS: Mon (888, H1) (ICG, H1) (Associated British Foods, Trading Statement) (Bovis Homes, H1) TUES (CPL Resources, H1) (Redrow, H1) (Next, H1) WED (Home Retail, TS) (Fyffes, Ex div) (Glanbia, Ex div) (Kingspan, Ex div) (Paddy Power, Ex Div)

ECONOMIC DATA: Monday (US Market Holiday), Tuesday (Euro-Zone PPI, Retail Sales, GDP, US ISM Manufacturing), Wednesday (US ADP Employment, Pending Home Sales), Thursday (BoE & ECB Interest Rate Decisions, ISM Non-Manufacturing), Friday (US Nonfarm Payrolls)

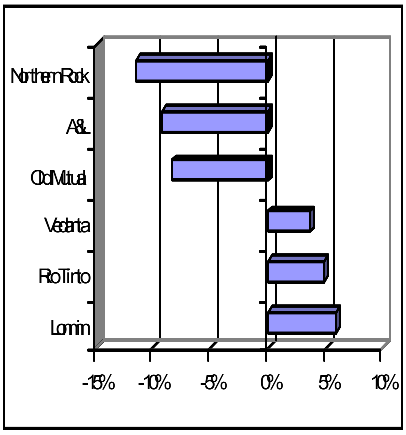
DOLMEN STOCKBROKERS Traders Update

Last Weeks Best/ Worst Performers
03/09/07-7/09/07

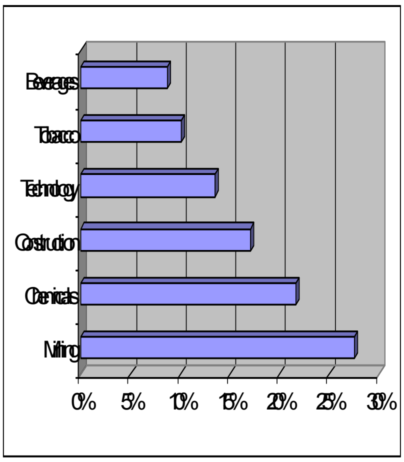
ISEQ



FTSE



Sector changes YTD



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WEEKLY UPDATE

COMPANY	CLOSE	WTD	DD RETURN*	RELEVANT NEWS
AIB	17.73	-5.24%	-19.29%	Irish house prices showed their first annual decline since July
Aviva	6.83	-3.74%	-14.23%	Aviva is to build a new headquarters in Iowa after acquiring a 71 acre site in West Des Moines
BP	5.60	0.36%	4.21%	BP secured antitrust approval to build a biofuels plant in England
B Land	12.25	-5.26%	-26.72%	Peer Land Securities said it is considering reor ganisng its corporate structure
CRH	30.20	-4.52%	-1.04%	Recently posted strong H1 results with PBT and EPS both 2% head of forecasts
GNC	4.85	5.43%	6.11%	Origin recently bought Greencore's 50% stake in Odlum for €35m
GSK	13.15	1.54%	1.37%	GSK and its partner Adolor said US regulators agreed to review their Entereg drug
IL&P	17.45	-4.38%	3.13%	Recently raised full-year earnings guidance for pret-ax operating profit to grow by over 20% from high teens previously
LAD	4.18	-4.13%	7.73%	Rating Agency Fitch affirmed Ladbrokes ratings at BBB-
RBS	5.33	-7.30%	-12.21%	ABN to hold EGM on September 20th to discuss Barclays and the RBS led group bid for the company
Ryanair	5.12	-4.12%	-3.47%	Reported a 21% rise in passenger numbers to 4.84m for August versus the same period last year
VOD	1.59	-0.44%	18.05%	Vodafone has unveiled a new handset range for Christmas 2007

DD Unrealised gain YTD	-3.21%	ISEQ YTD	-12.85%
DD Realised gain YTD	-0.22%	FTSE YTD	+1.35%
DD Total YTD	-1.25%	Average performance	-5.75%
Relative performance YTD	-3.43%		

* DD Return (Includes dividends & FX changes since stocks inclusion)

What it says in the 'Sundays'

"Drumm's brain drain" **Anglo- Sunday Business Post**
"Paddy Power's big British Gamble" **Paddy Power - Sunday Business Post**
"Kerry's hunt for new chief executive " **Kerry - Sunday Business Post**
"First among just a few equals " **UTV- Sunday Times**
"Siteserv mines Sierra seam" **Siteserv- Sunday Times**
"McCarthy must learn to do the splits at Kerry" **Kerry - Sunday Independent**
"€46m Deal to buy utilities company" **Siteserv - Sunday Independent**
"Fyffes wasteful split" **Fyffes - Sunday Independent**

Recent Corporate Visits

COMPANY	CHANGE ON YEAR	MEETING DATE	RELEVANT NEWS
FBD Holdings	-27.59%	07/09/2007	FBD's CEO Philip Fitzsimons told us that he expects the group to increase its share of the Dublin motor insurance market.
AIB	-19.29%	04/09/2007	Group CEO Eugene Sheehy said he ex pects GB to double profit over the next 5 years and he expects Poland to outdo this.
Aer Lingus	-11.68%	31/08/2007	Aer Lingus' Finance Director Greg O'Sullivan told us that ancillary revenues will be the key growth driver for the com pany

Last Weeks Moves

Equities

	Level	Change WTD	Change YTD	Dividend Yield	P/E
ISEQ	8188	-2.53%	-12.97%	2.29%	12.62
FTSE 100	6191	-1.78%	-0.48%	3.87%	12.44
DAX	7437	-2.64%	12.73%	2.63%	13.15
DJ INDUS. AVG	13161	-0.49%	5.70%	2.20%	15.94
S&P 500	1458	0.07%	2.85%	1.91%	16.89
NASDAQ	2569	0.19%	6.41%	0.73%	36.51
DJ STOXX 50	3755	-2.15%	-0.34%	3.63%	12.20
NIKKEI 225	16122	-2.70%	-6.41%	1.20%	34.09

Sector

	WEEKLY MOVE %	YTD MOVE %
Mining	0.79	27.56
Chemicals	-3.91	21.67
Construction & Materials	-5.16	17.07
Technology Hardware & Equipment	-2.87	13.51
Tobacco	-2.81	10.12
Beverages	-1.76	8.67
Media	-2.02	4.3
Personal Goods	-3.54	4.1
Oil & Gas Producers	-0.59	3.84
Telecommunications	-2.44	2.35
Automobiles & Parts	-8.64	-0.58
Leisure Goods	-1.94	-0.7
General Industrials	-0.57	-1.14
Pharmaceuticals & Biotechnology	-0.69	-2.36
Food Producers	-1.77	-2.64
Gas, Water & Multiutilities	-4.28	-3.27
Software & Computer Services	2.50	-5.02
Insurance	-1.03	-8.97
General Retailers	-2.72	-9.79
Banks	-5.06	-13.19

Commodities

	CURRENT	YTD CHANGE
Crude Oil	$76.09	14.78%
Gold Spot	$702.95	10.44%

Exchange Rates

	CURRENT	YTD CHANGE	YEAR END(E)
EUR-USD	1.377	4.19%	1.35
EUR-GBP	0.679	0.78%	0.665
EUR-JPY	156.27	-0.58%	145.00

GDP Growth

	YEAR END 06	YEAR END07(E)
Ireland	6.00%	5.00%
Euro Zone	2.70%	2.50%
UK	3.00%	3.00%
US	2.60%	2.10%

Central Bank Interest Rates

	CURRENT	YEAR END(E)
Euro Zone	4.00%	4.00%
UK	5.75%	6.00%
US	5.25%	4.75%

Credit Market Summary

Credit markets had an uneventful week in the run up to the unemployment data on Friday when a surprisingly poor number caused spreads to widen slightly (3%) in Europe, while US spreads had a predictably more aggressive reaction, widening 4%. We remain cautious of further negative news impacting spreads, particularly in the upcoming Q3 earnings season, which starts September 18th with the US investment banks

Credit Sector Movements for week ended

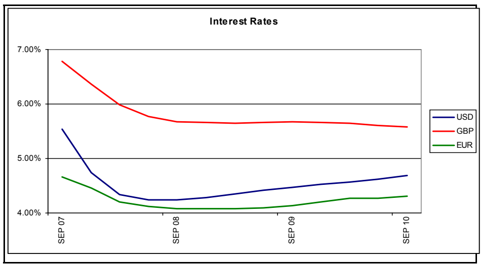
Telecoms: BT, DT and Vodafone all widened this week as rumours persist of sector consolidation. The FT is reporting that Vodafone may purchase networks in Italy and Spain as well as a fixed line business in Sweden. BT was the biggest mover at 13% wider followed by Vodafone, 9% wider and DT 7% wider this week.

Retail: Biggest mover was Sainsbury's, widening 18% as acquisition talk continues around the name (Qatar Investment Authority are proposing they will be a long term investor in the name). Elsewhere names were generally 6% - 8% wider in MKS, Dixons and Kingfisher.

Media: Reports in the WSJ this week criticize the recent premiums paid for acquisition targets during the recent consolidation spree in the media sector. Each Reuters, BSkyB and WPP widened 6% this week.

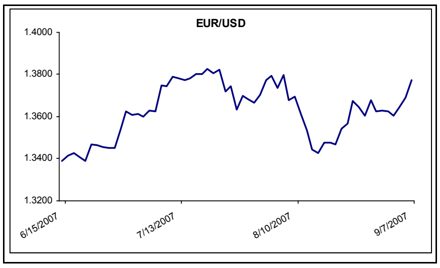
Pharmaceuticals: AstraZeneca's $6.9b debt issue this week was used to repay short term commercial paper debt, however the cost of debt increase by almost 1%. Spreads increased significantly on the repricing of risk in the sector – Astra +50%; Glaxo +33%; Novartis +33%.

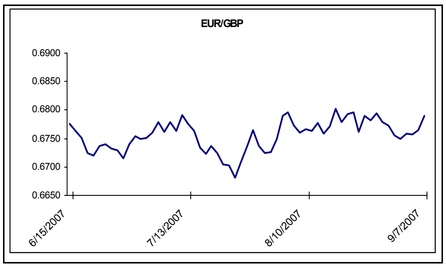
Interest Rate Outlook



The flight to quality continued last week as the yield on the 10-year US Treasury continued its slide shedding a further 15 basis points to 4.38%. Safe-haven purchases continue to be in demand as investors are still concerned about the impending fallout from the US subprime mortgage crisis. The German bund was also lower for a fourth consecutive week losing 13 basis points to 4.12%.

Currency Comment





The $ remained weak against € last week following a disappointing non-farm payrolls number on Friday which showed a monthly decline of 4,000 its first drop in three years. The question for the market now is not if the Fed will cut rates at its September 18th meeting but by how much? All focus this week will be on the US retail sales figure for August, which is due on Friday.

The € continued to trade in a tight range with GBP last week as both central banks opted to leave rates unchanged at 4% and 5.75% respectively. Tuesday will be of significant interest for currency markets as Trichet is due to provide testimony before the EU parliament on the US subprime crisis.

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