DOLMEN DAILY

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EQUITIES	Close		Change	% +/-	P/E '05	YTD
ISEQ	6780	↓	-28	-0.42%	11.0	9.40%
FTSE 100	5375	↑	16	0.29%	13.5	11.66%
DAX 30	4990	↓	-16	-0.32%	15.0	17.25%
DOW	10683	↑	4	0.04%	19.5	-0.93%
NASDAQ	2183	↑	7	0.34%	15.6	4.49%
S&P	1241	↓	-1	-0.07%	21.0	2.36%

CURRENCIES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.2291	0.6751	135.8600
Dollar	1.2291	1.0000	1.8200	110.5400
Sterling	0.6751	1.8200	1.0000	201.2100
Yen	135.8600	110.5400	201.2100	1.0000
Oil (Nymex)	63.3000			

This Week's Research
Grafton Group

Today's Research
DCC

Breaking News

Grafton H1 results ahead of expectations

Grafton has reported pre-tax profits of €87.4m for the first half of this year, up 28% on the same period last year and ahead of forecasts of €83m. Sales were boosted by the acquisition of Heiton (which has performed ahead of expectations), showed a year on year increase of 42% to €1.29 billion, compared with forecasts of €1.25 billion. Earnings per share increased by 20% to 29.8 cents, in line with forecasts of 30 cents. Sales in the Republic of Ireland doubled to €500m, while profits also doubled to €42.4m. The group said the outlook for its Irish businesses was positive, because of low interest rates and inflation, a strong labour market and near record house building. Grafton's UK sales rose by 15% to €793.3m, while operating profits grew by 8% to €54m. The company said demand proved resilient despite weaker consumer spending, but it warned of continued 'subdued demand' in the coming months.

Friends Provident H1 profit up 46%

For the first six months of 2005 profits at Friends Provident rose 46% to £233 million, up from 160 million in the corresponding period last year and ahead of consensus forecasts of £220 million. The company noted an 18% increase in market share and expects that trend to continue through 2005. Contribution to profits from UK new life and pensions business also continued to grow. In addition, profits from the Group's asset management and international operations have doubled following the acquisitions of F&C and Lombard.

BOI targets growth in corporate banking

Bank of Ireland aims to recruit more niche corporate banking specialists and double its Irish property and domestic corporate business over the next five years to boost the unit's contribution to the group, it said yesterday. Corporate Banking contributes 15 percent of Bank of Ireland's total profits, which totalled €1.3 billion in the year to the end of March. Overall, the company said the deal pipeline for corporate banking was strong, although the group was seeing intense competition in investment-grade lending.

DCC (€16.70) IT division causes profit-warning Stuart Draper

- Profit-warning : DCC has warned that the H1 profits of its IT Distribution division will be significantly below current market expectations and as a result current year eps will be below previous market expectations. As a result, even if double digit group earnings growth does resume in H2, the previous consensus current year eps of €1.51 will be cut by c.5% to €1.44.
- Price deflation : The trading performance of the IT Distribution division, which last year contributed 21% of group operating profit, further deteriorated in July and August, with severe product price deflation impacting both DCC's UK and Continental European IT distribution businesses.
- Weak H1 : In our full year results' note of 16/05/05, we pointed out that "the weakest growth rate was delivered by the IT division, and the current difficult markets which this division faces in the UK and Continental Europe could slow the group earnings growth rate over the next 12 months." It now appears that the H1 operating profit of the IT Distribution business will be 45% lower year on year, and as a result, the overall group H1 adjusted eps will be 10% lower year on year.
- Legal risk : Our view is also that with the Fyffes' legal case still not settled, there is a significant risk of further legal costs being incurred before the end of 2005.
- Limited upside : Therefore, with the group growth rate likely to slow to c.5% over the next 12 months and the business also at risk from the Fyffes court case, we re-iterate our current NEUTRAL recommendation for DCC. With zero visibility currently concerning a recovery at the group's IT Distribution division, we would need to see the share price below €16 before considering upgrading our recommendation to BUY : **NEUTRAL**.

Business Press

- Elan to issue $1.15bn in new loan notes (IT)
- African Gold in talks over possible reverse takeover (IT)
- ISE proposes to end paper share certificates (IT)
- BoI backs Arsenal stadium (II)
- Ryanair set to unveil new routes (IE)

Investment Press— Lex

- European Banks: As its fulcrum, banks tell us an awful lot about how chipper the financial system feels. And Europe's wholesale banks are feeling pretty optimistic.