DOLMEN STOCKBROKERS

Traders Update

MONDAY 26TH NOVEMBER 2007

Market Comment

After another exceptionally volatile first half of the week which saw international investors fall even more out of love with the Irish market (if that was possible), the latter portion of the week saw a recovery of sorts for all equity markets. While not a clear indication that the worst of the recent turbulence is over, it is at least a sign that investors are at last starting to see some value in the worst affected sectors, particularly in the Irish market. Certainly problems remain within the money markets and funding costs remain stubbornly high, but reassurances from the ECB late on Friday that it will continue to provide liquidity at least until the year-end, will ease some short-concerns about the overall health of the financial system. Also helping investor confidence is the re-emergence of M&A activity, with the £3bn bid approach for water company Kelda, a £1.1bn approach for waste management company BIFFA and closer to home, talk of a bid for alternative energy provider Airtricity. While none of these approaches are mega-deals, they do indicate that M&A activity is still alive, albeit on a smaller scale than before. The price recovery at the end of the week was encouraging and should help markets recover more lost ground this week, particularly in Ireland.

TRADING IDEAS, EARNINGS & PREVIEWS

Anglo

Current Price : €9.38
P/E 07 : 7.24x
Div 07 : 2.12%
Next Event :28/11/07

BUY

This Wednesday, 28th November, **Anglo Irish Bank** will announce its results for the year ended 30/09/07. We are forecasting earnings per share of €1.30, representing year on year growth of 38%, driven the usual combination of strong loan growth, stable margins and robust credit quality. We also expect some detailed disclosure to be released on the key areas of panic for international investors such as funding pressure, credit quality and future loan growth. We recently noted that in addition to Anglo's credit quality remaining robust in 2008, with a bad debts charge of c.0.18% of average loans, its lower than average wholesale funding exposure of 36% and lack of mortgage exposure should result in its underlying lending net interest margin remaining stable at c.2.03% for 2008. As a result, we are forecasting that Anglo will continue to deliver stronger than sector average loan and earnings growth in 2008 of 22% and 17% respectively, which deserves a significantly higher rating than the 5.9x 2008 eps of €1.52 at which the shares currently trade.

Ryanair

Current : €4.82
P/E 07 : 15.6x
Div 07 : 0.0%
Target : €6.50

BUY

Last week, **Ryanair's** chief operating officer, Michael Cawley, visited us as part of the company's post Q2 results' road show. The update emphasized the strong further growth potential of the European aviation market, with overall passenger growth of 4% per annum expected between now and 2012. Even though the airline is only 10% hedged with regard to its Q3 2009 fuel requirement, it is 90% hedged to March 2008 at the equivalent of $65 per barrel, expecting to get an opportunity early in 2008 to extend this hedging. With net cash of €175.2m currently, Ryanair is largely immune to the current credit market crisis, with perhaps the potential to extend its recent share buyback programme. In conjunction with the recent Q2 results' announcement, the airline upgraded its current year net profit guidance to 17.5% growth, from 10% in July and 5% previously, largely as a result of lower than expected winter yield erosion. Our current 12 month share price target of €6.50 (35% upside) is based on 20x forward earnings per share of 32.5c.

United Drug

Current : €3.50
P/E 07 : 14.6x
Div 07 : 2.2%
Target : €3.80

BUY

Last Wednesday, the CEO of **United Drug**, Liam Fitzgerald, visited us following his company's announcement of results earlier that day showing full year earnings per share growth of 14% to 23.02c.This was 2% ahead of consensus forecasts, with the company also slightly upgrading its forward earnings guidance, now expecting further double digit growth. With current gearing of only c.20%, it was confirmed that up to €250m is available for further acquisitions, providing the potential for further earnings upgrades over the next 12 months. Even though the implementation of reduced reimbursement to pharmacies, expected to commence in January 2008, is likely to put further pressure on the margins of the wholesale division, continued increased efficiencies and economies of scale should provide an offset, with current earnings forecasts already largely taking account of this effect. Our current 12 month share price target of €3.80 is based on 15x 2008 eps of 25.3c, and when combined with a current year dividend yield of c.2.3%, provides sufficient further upside to justify reiterating our BUY recommendation at current levels.

Microsoft

Current : $34.11
P/E 08 : 16.7x
Div Yield : 1.4%
Target : $40.00

BUY

Last Monday, Hewlett-Packard (HP) reported a strong set of fourth quarter results and outlook for 2008. HP's results were driven by a 30% increase in revenue at its personal systems division (PCs & notebooks) which should provide a natural read across for **Microsoft**. Microsoft also recently released results for its first quarter of 2008 that came in well ahead of expectations and also raised its full-year 2008 guidance. The group reported EPS that rose by 29% to $0.45, while revenue showed a 27% increase to $13.8bn. Microsoft raised its EPS guidance for the year ending 30/06/08 to $1.78-$1.81 from $1.69-$1.73, while it now sees the top end of its revenue forecast at $59.7bn, nearly $1bn more than its previous estimate. What was most reassuring about Microsoft's results was that strong growth was seen across all of its divisions. The group's two largest units, Microsoft Business and Client both posted sales growth in excess of 20% driven by robust demand for Windows Vista and Server. Microsoft's Entertainment division also swung to an operating profit during the quarter due to strong Xbox and 'Halo3' sales.

Coca-Cola

Current : $62.30
P/E 07 : 23x
Div 07 : 2.2%
Target : $68.00

BUY

Coca-Cola is the world's largest brand and is benefitting from the weak US dollar as close to 80% of group profits are generated outside of the US with an increased focus on emerging markets. The group recently posted a strong set of third quarter results with EPS rising by 15% to $0.71 beating analyst expectations of $0.68. Worldwide drink shipments showed a 6% rise during the quarter, exceeding the group's long-term target of 3%-4%. Coca-Cola's North American division also posted a 1% rise in volume, its first increase in five quarters. The robust performance in North America was driven by sales of Dasani bottled water and sports drink Powerade, overcoming a decline in soda drinks. Coca-Cola is expanding its product base to include healthier products a point that was emphasised with its recent purchase of vitamin drinks group Glaceau for $4.1bn. What should also underpin the group's growth prospects is that it is one of the main sponsors for the 2008 Beijing Olympics which will further help the rollout of its products in Asia next year.

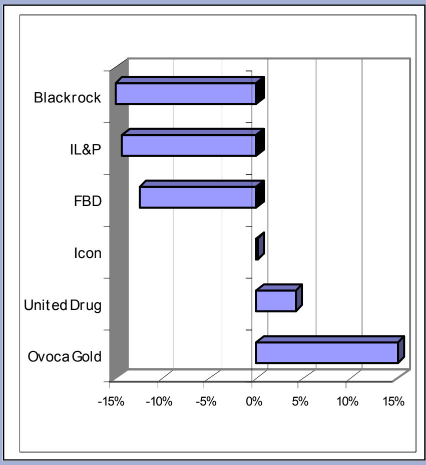
Week's Events

EARNINGS: Tues (Barclays, TS) (Severn Trent, H1) (Greencore, FY) Wed (DSG, H1) (Johnson Matthey, H1) (Kelda, H1) (Anglo Irish Bank, FY) Thurs (Dell, Q3) (Heinz, Q2) (Bradford & Bingley, TS) (Kingfisher, TS) (Mitchells & Butler, FY) (United Utilities, H1)

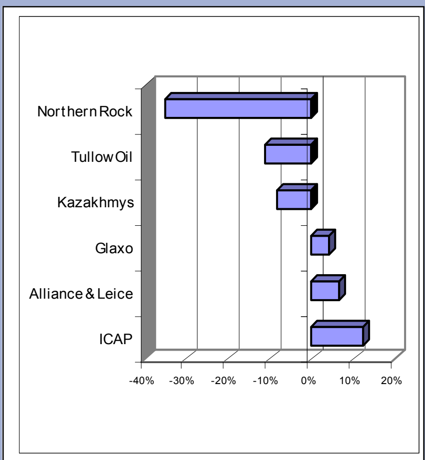
ECONOMIC DATA: Tuesday (German IFO, US Consumer Confidence, Richmond Fed), Wednesday (Euro-Zone M3, US Durable Goods, Existing Home Sales, Fed Beige Book), Thursday (German Unemployment, US GDP, Personal Consumption, US Jobless Claims, New Home Sales), Friday (Euro-Zone GDP, CPI, Confidence Indicators, US Personal Income & Spending, Core PCE Inflation, Chicago PMI, Construction Spending)

Last Weeks Best/ Worst Performers
16/11/07-23/11/07

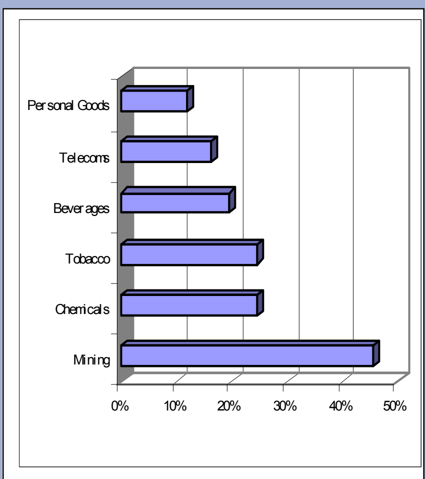
ISEQ



FTSE



Sector changes YTD



Dolmen Dozen
WEEKLY UPDATE

Company	WTD	DD Return*	Relevant news
AIB	-5.4%	-33.9%	M&T bank announced Q3 results with eps of $1.92 c.1% below market consensus forecast of $1.94
Aviva	1.4%	-11.9%	Aviva is aiming to cut costs by £350m by the end of 09 in a move that could lead to further job cuts
BP	-1.5%	10.4%	Announced results recently with underlying replacement cost net profit 2% ahead of consensus
CRH	-4.7%	-23.6%	A number of European peers announced results recently, all beat expectations.
Greencore	-5.9%	-4.5%	Issued an upbeat trading statement and said that full-year earnings will beat analyst expectations
GSK	4.2%	-3.2%	Recently announced Q3 results with EPS of 23.7p, c.1% below consensus forecasts
IL&P	-14.2%	-29.9%	Continued weakness due to its large exposure to the Irish housing market
Ladbrokes	-8.8%	-21.1%	Posted a 4 month trading statement last week with operating profit up 84%, UK retail was disappointing
RBS	-1.4%	-30.3%	Follow Barclays positive comments regarding profit for the 10 month even after writedowns
Ryanair	-4.6%	-8.9%	UK peer EasyJet released full year figures That beat expectations last week
SAP	-1.5%	-17.1%	Close to reaching its €1bn netweaver sales target for 2007
Vodafone	-2.1%	39.7%	Recent results beat expectations, company raised full year guidance

DD Unrealised gain YTD	-10.11%	ISEQ YTD	-27.69%
DD Realised gain YTD	-2.78%	FTSE YTD	3.51%
DD Total YTD	-12.90%	Average performance	-12.09%

Relative Performance -0.81%

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

What it says in the 'Sundays'

Company	Paper	Headline
HP	S. Times	"Hurd Instinct benefits IT giant"
Invensys	S. Times	"Invensys dragged down by US"
IAWS	S. Business Post	"IAWS may stock products in US Tesco stores"
United Drug	S. Business Post	"United Drug suffers as HSE tightens funds"
Ireland Inc	S. Business Post	"Irish equities not such a bargain"
Ireland Inc	S. Independent	"The hedge funds who "short" Ireland "
C&C	S. Tribune	"Sales on Ice"

Recent Corporate Visits

Company	Change on year	Meeting date	Relevant news
United Drug	-13.1%	21/11/07	Group CEO Liam Fitzgerald told us to expect strong double digit revenue growth next year
Ryanair	-7.0%	20/11/07	Group COO Michael Cawley emphasized the strong further growth potential of the European aviation market.
Bank of Ireland	-41.6%	15/11/07	Company CFO John O'Donovan reassured on credit quality and loan growth for 2008

Last Weeks Moves

Equities

Equities	Level	Change WTD	Change YTD	Div Yield	P/E
ISEQ	6624	-5.0%	-29.6%	2.9%	9.95
FTSE	6262	-0.5%	+0.7%	3.8%	12.09
DAX	7609	+0.0%	+15.3%	2.6%	12.91
DOW JONES	12951	-1.3%	+3.8%	2.3%	57.10
S&P 500	1439	-0.9%	+1.4%	2.0%	17.91
NASDAQ	2595	-1.0%	+7.3%	0.7%	36.92
EUROSTOXX 50	3631	-0.8%	-1.8%	3.7%	11.74
NIKKEI 225	14889	-3.3%	-13.6%	1.4%	28.18

Sector

Sector	Weekly move%	YTD move %
Mining	-4.0	+40.0
Tobacco	+2.2	+27.1
Chemicals	+2.1	+26.9
Beverages	-1.8	+17.0
Telecoms	-0.3	+15.3
Personal Goods	+0.6	+12.6
Utilities	+2.9	+9.0
Oil & Gas	+0.6	+8.1
Technology	-3.9	+7.3
Autos	-0.5	+3.3
Food Producers	+1.6	+2.6
Leisure Goods	+1.2	-0.5
Construction	-3.4	-1.0
Media	-1.3	-3.6
Pharmaceuticals	+3.1	-7.9
General Industrials	-1.7	-9.2
Insurance	-1.2	-12.2
Software	-1.2	-18.4
General Retailers	-2.3	-19.4
Banks	-2.5	-21.7

Commodities

	Current	Change YTD
Crude Oil	$97.7	+46.1%
Gold spot	$823.7	+29.3%

Exchange Rates

	Current	YTD Change	Year End (est)
EUR-USD	1.483	+11.0%	1.50
EUR-GBP	0.720	+6.5%	0.705
EUR-JPY	160.4	+2.0%	165.0

GDP Growth

	Current	Year End (est)
Ireland	6.00%	5.00%
Euro Zone	2.70%	2.50%
UK	3.00%	3.00%

Central Bank Interest Rates

	Current	3 month	Year End (est)
Euro Zone	4.00%	4.62%	4.00%
UK	5.75%	6.45%	5.75%
US	4.50%	4.98%	4.50%

Credit Market Summary

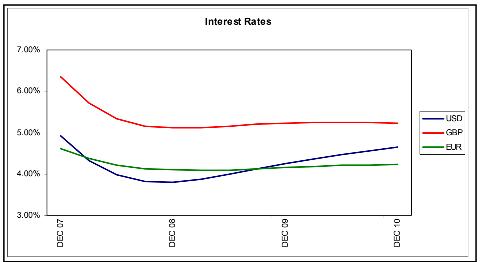
High yield spreads widened 3% over the week, having widened as much as 8.4% before Thanksgiving to over 400bps, ending the week at 380bps. However the more interesting story is the fact that spreads in financial names and investment grade names are back in sync, both trading at 60.5bps, indicating investor concerns are very much rooted in financials but are now also running into the usually safe haven of investment grade companies. The volatility is unlikely to end soon, with year end results foR investment banks and the upcoming FOMC meeting likely to hold investors attention

Credit Sector Movements

Airlines: Biggest mover this week was BAA, which had its ratings cut 6 notches from BBB+ to BB- on a revised financing plan, due to inhospitable credit markets, from new owners Ferrovial – on top of which unions have issued strike ballots for airport workers on a pension dispute – spreads are 69% wider at 226bps. Elsewhere BA is 20% wider at 172bps on the expectation of a bid for Iberia, expected next week. Lufthansa was also wider, + 12% while Rolls Royce was also wider, +31% to 34bps despite winning a $2.4b engine order from LAN Airlines.

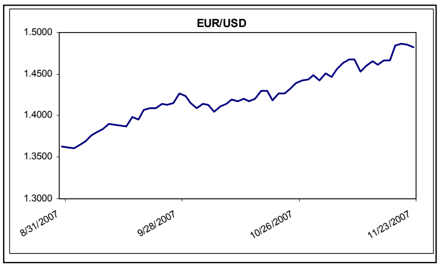
Retail: Food retailers continue to widen, all are now 100% wider compared to pre-crisis levels, with the exception of Tesco which is 500% wider, having traded at 7bps in early July compared to 36bps today. Non-food retailers are also feeling worried – Dixons widened this week after its Comet's parent reported a slow down in sales growth.

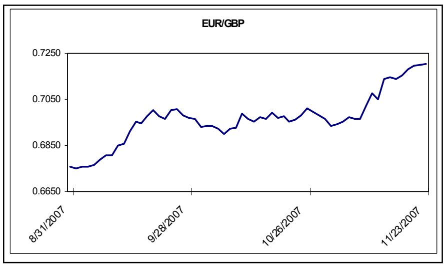
Interest Rate Outlook



Strong demand continued for government bonds last week as the equity market sold off. The yield on the 10-year US treasury fell by 17 basis points over the week to trade at 4.00% as investors continue to seek safe-haven securities. Interest rate futures are now pricing in a further 25 basis point rate cut from the Federal Reserve in December.

Currency Comment





The US dollar continued to fall to record lows against the euro declining by 1.2% to finish the week at $1.4838 as speculation mounted that the Fed will be forced into further interest rate cuts. This week sees a raft of economic data coming out of the US on Wednesday with Housing and Durable Goods data due, while on Friday the Federal Reserve's preferred measure of inflation, Core PCE, is set for release.

The euro remained relatively flat with the pound last weak, however still trades above the £0.70 psychological level at £0.719. The main focus will be in the Euro-Zone this week with German IFO and M3 Money supply data due. Any strength in the numbers could see the Euro gain further ground against the pound.

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