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Market Movers

IRISH PAPERS TODAY

Economists warn against going ahead with Nama project
(The Irish Times)

CRH profits fall by 80% in first half of year
(The Irish Times)

Kerry Group boosts profits by cost cutting
(Irish Independent)

INTERNATIONAL PAPERS TODAY

US debt outlook worsening
(Financial Times)

RBS poised to scale back pension benefits for 62,000 workers
(Financial Times)

Bernanke tapped for second term
(The Wall Street Journal)

DOLMEN DOZEN

Company	1-day %	YTD %
Aryzta	2.5%	11.7%
BP	0.9%	0.4%
CRH	1.6%	12.0%
DCC	-1.2%	60.8%
E.ON	-0.9%	3.4%
HPQ	-0.2%	23.1%
IL&P	8.2%	157.8%
INM	1.0%	-36.4%
J&J	-0.2%	2.2%
JPMorgan	1.3%	38.2%
Microsoft	0.0%	26.7%
Vodafone	2.4%	-3.1%

Market View

Analyst : Stephen Taylor

Equity markets are mixed this morning following yesterday's gains after better than expected economic data out of the US provided further evidence that the economy is stabilising. US consumer confidence showed a rebound in August rising to 54.1 and was its first gain since May. The conference board indicated that consumers had become less concerned about the outlook for unemployment. In addition the S&P/Case-Shiller home price index declined by 15.4% year on year its smallest drop since April 2008. The index had been forecasted to drop by 16.4%. On a month to month basis prices actually showed the largest increase in about four years. As for today the main focus will be on economic data. German business confidence figures for the month of June are expected to show a fifth straight monthly increase during August. Last week's strong ZEW figure should be taken as a positive read across for today's figure. In the US the main focus will be on Durable Goods data that is expected to show a month on month increase of 3% for July, while new home sales data for July will also be closely watched and is expected to show a month on month increase of 1.6% adding to the 11% increase in June.

IL&P : Buy Current Price (€4.10) Price target (Under Review) Analyst : Oliver Gilvarry

This morning Irish Life & Permanent (ILP) released interim results. The group reported a loss before tax of €220m driven by losses in the banking business. The Life and Pension business reported an operating profit of €84m, a decline of 52% compared to the first half of 2008. The fall in profitability was due to lower sales and margins in the life business. Retail and corporate sales are down 43% and new business margins (ex. ILIM) on an APE basis has fallen to 10.5% from 15.1% at the end of December. The results for the Life side of the group are mixed with persistency and STIFs worse than expected, but new business margins are in line with expectations. The banking business was loss making due to impairment provisions. Management have increased guidance again on impairments with a range of 170-180bps from 160bps. The loan book hasn't changed significantly with a slight increase from €39.9bn at year end to €40.1bn. Arrears in the UK part of the loan book have begun to fall from 3.27% of the portfolio in Q1 to 2.86% in Q2. This is also below the market average in the UK for Buy-to-Let properties. Impairment provisions of €189m in the half year resulted in the banking business reporting an operating loss of €132m. Net interest margin (NIM) was weaker than we expected at 0.87% compared to our expected 0.90%. The recent increase in SVR by IPM by 50bps will help NIM over the course of the year and it should increase towards the year end. Funding is still an issue for the group with the loan to deposit ratio increasing to 3.1x from 2.83x at the end of last year. ECB funding for the group is still high at €27bn of 30% of the loan book. Management have stated they expect the extension of the Government guarantee scheme to be finalised in October. The heavily reliance on wholesale funding and the increased cost of raising deposits in Ireland are all impacting on NIM. In the results today, the group have stated they will not be taking part in NAMA, but it will be a catalyst for consolidation in the sector and ILP will be involved in this process. The restructuring of the group's companies is still under way and the proposal to split different parts of the group under one holding company is expected to be put to EGM in Q4. On current trends the group believes loan arrears will peak this year, but this could be too optimistic. Our price target on ILP is under review and we will be publishing a note tomorrow morning outlining our views on the stock.

FBD : Gross premiums down 8.9% Current Price (€7.20) Analyst : Stephen Taylor

FBD released interims results this morning and the results were weaker than expected. Gross written premiums for the first half of the year were down a larger than expected 8.9% to €180.7m. The combined ratio (COR) for the first six months of the year was 105.2% compared to 92.6% in the same period in 2008, resulting in an underwriting loss of €8.3m. The non-underwriting business continues to be affected by the recession. The businesses delivered break-even results in a difficult market, but write-downs of land and buildings was €11.1m. An interim dividend of 10c has been approved by the board and the balance sheet of the group remains strong. Exposure to equity and corporate bonds has been reduced further with the purchase of €115m in Government gilts in the period. Net assets per share in the period have fallen to €6.40 per share from €7.08 at the end of the year.

C&C : Neutral Current Price (€2.20) Price target (€1.74) Analyst : David Dunk

Heineken has announced results this morning that were better than expected, with net income of €489m, ahead of expectations of €425m. This was achieved on sales of €7.18bn, which were ahead of estimates of €7.03bn. Heineken retains a cautious outlook with regard to the development of the global beer market. The group expects the rate of decline in volumes to ease towards the end of the current year. Performance in the UK was strong driven by market share gains, sound pricing and cost reductions. Heineken increased its market share of the UK cider market over the period, driven by its strong distribution network.



Paddy Power: Buy Current Price (€19.75) Price target (€21.50) Analyst : Edward Keeling

Paddy Power has announced its interim results this morning and its half year performance was above expectations. A lower gross win margin across the board was more than offset by increased market share, which in Irish retail has increased to 29% from 26%. Despite gross win margin falling below the company's expectations, total turnover growth of 12% on a constant currency basis and a 4% reduction in operating costs meant operating profit for the first half of the year came in at €33.5m. This is down from €45.1m last year but ahead of consensus estimates of c.29m. Adjusted EPS for the half year was 63.4c, which is compared with market forecasts of 56c. Paddy Power also increased its interim dividend by 5% to 19.5c and the groups balance sheet remains robust with net cash of €87m. In terms of outlook, the group remains on track to meet the current market consensus for 2009 EPS of 111c. We remain positive on the group and would consider its full year guidance as conservative.

Tullow Oil : Under Review Current Price (1060p) Analyst : David Dunk

This morning, Tullow oil released its half year results for the 6 months ended 30th June 2009. Results were ahead of expectations, with a net income of £21.4m, compared to £13.8m expected. Production over the period was 59,265 barrels of oil equivalent per day, in line with expectations, with the full year production rate expected to fall to 58,000. Tullow believes it may have located a significant oil find in the Ngassa prospect. Testing is not yet complete, but drilling did locate 25m of gross oil sands over two reservoir intervals. While testing is not yet complete, the announcement today does significantly de-risk of the prospect. Tullow recently farmed-in for 10% of two exploration blocks off-shore Sierra Leone, which it believes contains similar potential to its Ghanaian acreage. A testing well on the Venus prospect is ongoing, with results due towards the end of September, and could a major catalyst for the company. In Ghana, numerous appraisal wells are planned on Jubilee, Mahogany Deep, and Tweneboa over the next 6 months. Additionally, Tullow had identified further deep water prospects that it considers promising. Following this mornings results we will be updating our rating's and price target on Tullow Oil.

CRH

BUY

Current Price : €18.80

Price Target : €20.30 (previously €19.00)



DOLMEN STOCKBROKERS

Analyst: **Stephen Taylor**

- Interim results** : Yesterday CRH released interim results for the six month period ending 30/06/2009. The group reported operating profit that declined by 66% to €241m with revenue declining by 15% to €8.29bn. EBITDA declined by 41% to €453m and in line with guidance in its July trading statement while EPS declined by 84% to 12.2c, reflecting the increase in shares outstanding as a result of its rights issue in March. The group's interim dividend remained flat at 18.5c. CRH said it will decide on its full-year dividend in March taking account of economic and trading conditions at the time. The company reiterated that it will generate further annualised savings of €555m between 2009 and 2010 bringing the total annualised cost savings over the period 2007-2010 to €1.45bn. In relation to its outlook for the remainder of the year the company reiterated that profitability in the second half of the year is expected to improve in the more profitable second half of the year. CRH did air on the side of caution that while economic data had improved recently it will take time for this to feed through to its business and that trading conditions on the ground remain extremely difficult.

- Europe** : The group's European materials and products division had a difficult first half with operating profit falling by 54% and 37% respectively while distribution saw a decline of 18%. Switzerland showed the strongest performance and was ahead of the first half of 2008 due to a number of major tunnel projects, while Benelux region was also resilient with a operating profit broadly in line with 2008.

- US** : In the US CRH's products division recorded a 52% fall in EBITDA while materials declined by 15% and distribution by 73%. On the positive front in the US while current spending of the US infrastructure stimulus bill has been lower than expected the group does expect to be a major beneficiary of this in 2010.

- Acquisition Strategy** : As previously indicated at its recent trading statement, CRH spending €0.3bn on acquisitions and investments during the period including the previously announced €224m purchase of a 26% associate stake in Yatai Cement in addition to a further six transactions across the group's Materials and Distribution segments. Looking forward, CRH indicated that it has c. €1.5bn to spend on further acquisitions and would be prepared to let EBITDA / net interest cover fall below its comfort level of 6x if it was confident that it had seen the bottom of the economic cycle. CRH sees acquisition opportunities over the next 18 months and while it has walked away from a number of purchases it is also looking at a number of potential deals at present. CRH also indicated that with many of its overleveraged peers now finished with refinancing, they may look to dispose some assets. Such peers could potentially include Lafarge and Cemex.

- Balance Sheet - Cashflow** : CRH benefits from having one of the strongest balance sheets in the sector. One of the main positives from CRH's results yesterday was the continued improvement in the group's balance sheet. Net debt declined to €5.12bn from €6.56bn last year comprised of gross debt of €6.15bn and cash and liquid investments of €1.03bn. EBITDA / net interest cover remained comfortable at 6.3x and well above covenant levels of 4.5x. Cash outflow for the group came in at €200m for the first half of the year compared to €577m last year.

- Recommendation** : Following CRH's results we are increasing our price target to €20.30 from €19.00 previously based on the company trading at an EV/EBITDA ratio of 8.5x compared to the average of its European and US peers of 9x. We would however wait for a pull back sub €18.00 level before initiating new long positions give the recent strong run the stock has had.

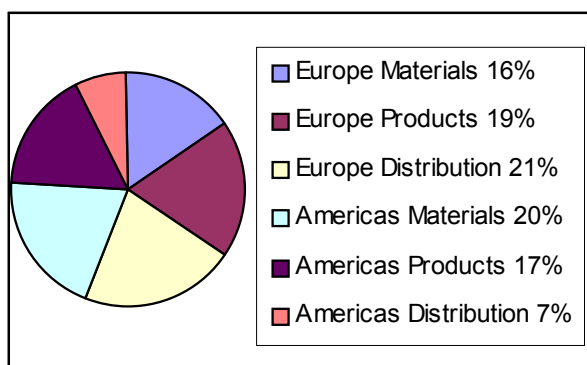
Company Data

Descriptive Stats		Shareholders	
Price (€)	18.80	Capital Research	3.31%
52 Week High	20.61	Growth Fund	3.04%
52 Week Low	11.5	Irish Life	3.00%
Bloomberg	CRH ID	BIAM	2.95%
Reuters	CRH LN	Fidelity	2.32%

	FY09	FY10	FY11
Revenue (€m)	18,325	18,356	19,355
EBITDA (€m)	2,037	2,127	2,366
EPS (c)	1.07	1.19	1.46
DPS (c)	0.61	0.62	0.63
Div Yield	3.24%	3.30%	3.35%

Company	P/E 10	EV/EBITDA 10	Gearing
CRH	15.8	8.02	33%
Lafarge	13.9	7.74	85%
Holdim	16.7	7.7	62%
Vulcan Materials	21.2	11.6	46%
Martin Marietta	23.1	9.7	26%

1H 2009 Sales Breakdown



Debt Profile (in billions)

Gross Debt by Maturity	
O/D	0.1
Within 1-year	0.9
2 years	0.4
3 years	1.2
4 years	0.1
5 years	1.3
5 years +	2.2
Total	6.2

Kerry Group

BUY

Current Price : €18.30

Price Target : €22.50 (previously €19.90)



DOLMEN STOCKBROKERS

Analyst: **Oliver gilvarry**

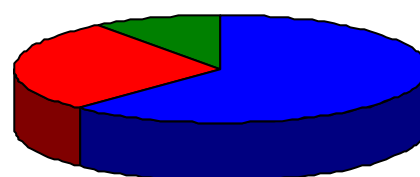
Company Data

Descriptive Stats		Shareholders	
52 Week High	€21.92	Kerry Co-operative	23.79%
52 Week Low	€13.00	The Growth Fund of America	5.13%
Reuters	KYGa.l	Prudential Group of Companies	3.49%
Bloomberg	KYG ID		

	FY08	FY09e	FY10e
Revenue €m	4,791	4,771	4,985
Pre Tax profit	177	275	303
EPS €	1.01	1.64	1.76
DPS	0.23	0.25	0.27
P/E	17.87	11.01	10.26
Div Yield	1.25%	1.38%	1.50%

Peer Analysis	P/E 09	P/E 10	Div Yield
Northern Foods	8.4	10.5	7.14%
Premier Foods	7.8	7.33	5.20%

Full Year Segmental Revenue Breakdown



■ Europe	62%
■ Americas	28%
■ Asia Pacific	10%

- Kerry Group released interim results yesterday that surprised to the positive. Sales revenue was better than expected at €2.269bn, but it still fell by 3.2% on a Life-for-Like (LfL) basis. A large part of the moves in revenue were due to the price/mix. This took 2.6% off revenues yoy due to lower raw material prices passed onto customers in Food Ingredients and increased promotions in consumer foods to stimulate sales. EPS for the period was better than expected at 67.2c and the interim dividend was increased by 11.6% to 7.7c.
- Trading profit increased to €180m despite the fall in revenues with operating margins increasing in all divisions. Margins in Ingredients & Flavours increased by 60bps to 8.7% in the half with Consumer Foods also increasing to 6.7%. Operating margin in the group as a whole increased by a greater than expected 60bps to 8.0%. The increases in margins was achieved by "on-going focus on business efficiency and lean manufacturing".
- In the individual divisions, Ingredient and Flavours saw revenues fall slightly but this was due to unfavourable price/mix. The "Go-to-Market" strategy has helped generate sustainable business since its introduction. The Americas region reported revenues down by 1.9% LfL, but excluding pricing volumes increased by 1%. In North America the focus was on "store brand" applications at the expense of premium offerings. A star performer in the division was the Asia-Pacific Region with revenue increasing 10% in volume terms. The group also reported it is continuing to achieve strong growth in infant nutrition products in China.
- Consumer Foods has faced a difficult economic environment in its UK and Irish markets. Revenue fell 7.7% on a LfL basis. Kerry stated consumer trends changed with consumers moving towards more value products. In Ireland the convenience channel has lost 20% of its market share which has adversely impacted sales of Kerry products such as sandwiches and water. On branded products, management have seen some recovery in that sector in the UK, but in Ireland they believe it will be the end of the year before the re-structuring that is currently underway in the retail sector is complete.
- The other issue facing this division is EUR/GBP exchange rate. Kerry has re-structured its operations to minimise FX exposure, but a significant amount of UK sales are produced in Ireland. Management have guided the ability to reduce this further is limited following recent actions. The depreciation in GBP since last year is a negative for the group. We believe EUR/GBP will be at 0.82 by year end and move towards 0.80 by 2010 offsetting some of this pressure.
- The balance sheet of the group remains strong with net debt: EBITDA at 2.6x and EBITDA:Net Interest at 7x. Management believe the strength of the balance sheet and the stabilisation in economies allow the group to be more aggressive in acquisitions. On the conference call Stan McCarthy, CEO of Kerry Group, did state he would like to focus on Asia and would like to look at new geographies such as India, but the deals would have to complement their existing businesses.
- In the results today management have re-iterated their EPS guidance of 160-165c, but at the higher end. We leave our EPS forecast for EPS in 2009 unchanged at 164.5c. Based on the results and the potential for acquisitions next year, we are increasing our price target based on EV/EBITDA multiples of its peers group. They current trade at 8.8x and we continue to believe Kerry justifies a premium to them of 10% due to its product mix geographical diversity and the successful implementation of its "Go-to-Market" strategy, giving a 12-month price target of €22.50.



International Equity Markets

Index	Value	1-Day	YTD
ISEQ	3,049	1.4%	29.8%
FTSE	4,896	0.9%	11.1%
Dow Jones	9,509	0.0%	8.7%
S&P	1,026	-0.1%	13.8%
Nikkei	10,497	-0.8%	20.1%
Stoxx 50	2,801	0.8%	14.8%

Sector Performances

Sector	Index	1-Day	YTD
Construction	262	1.0%	2.0%
Technology	177	-0.4%	4.0%
Oil & Gas	306	0.6%	3.0%
Financials	232	0.2%	2.6%
Retail	227	-0.2%	1.8%
Food & Drink	260	-0.1%	4.2%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	72.1	-3.1%	26.9%
Copper	151.2	-1.9%	103.2%
Gold	843.0	0.3%	7.6%
Silver	11.1	0.8%	27.7%
Wheat	613.3	-0.1%	-25.2%
Cattle	85.8	-0.1%	-0.4%

Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/\$	1.430	-0.1%	-2.5%
€/£	0.875	0.4%	8.8%
£/\$	1.635	-0.4%	-10.4%
\$/JPY	94.185	-0.4%	-3.7%
€/JPY	134.642	-0.5%	-6.2%
€/SFR	1.518	0.0%	-1.7%

5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	104.4	1.2%	-42.1%
High Yield	151.2	-1.3%	-38.7%
Financials	843.0	-2.2%	-28.7%
BoI	11.1	1.0%	12.7%
AIB	613.3	-0.6%	30.2%
RBS	85.8	-1.1%	-4.8%

Money Market Rates

Rate	EUR	UK	US
Overnight	0.3%	0.4%	0.2%
3-Month	0.8%	0.7%	0.4%
1-Year	1.3%	1.0%	0.7%
2-Year	1.8%	2.0%	1.4%
5-Year	2.8%	3.4%	2.9%
10-Year	3.5%	4.0%	3.7%

Date Company Region Event

24/08/2009	Kingspan	IE	INTERIM
24/08/2009	Petrofac Ltd	GB	INTERIM
25/08/2009	CRH	IE	INTERIM
25/08/2009	Kerry Group	IE	INTERIM
25/08/2009	Burger King	US	Q4
25/08/2009	Persimmon	GB	INTERIM
26/08/2009	Aminex	IE	EGM
26/08/2009	FBD	IE	INTERIM
26/08/2009	Glanbia	IE	INTERIM
26/08/2009	Irish Life & Permanent	IE	INTERIM
26/08/2009	Paddy Power	IE	INTERIM
26/08/2009	Tullow Oil	GB	INTERIM
26/08/2009	Antofagasta	GB	INTERIM
26/08/2009	WPP Group	GB	INTERIM
26/08/2009	Heineken	NL	Q2
27/08/2009	Aer Lingus	IE	INTERIM
27/08/2009	Dell	US	Q2
27/08/2009	Fortis	BE	H1
27/08/2009	Natixis	FR	INTERIM
27/08/2009	Credit Agricole	FR	Q2
27/08/2009	Titan Cement Company	GR	H1

Date Event Region Estimate

24/08/2009	Industrial New Orders SA (M	EC	--
24/08/2009	Chicago Fed Nat Activity Ind	US	--
25/08/2009	GDP	GE	--
25/08/2009	Capital Investment	GE	--
25/08/2009	BBA Loans for House Purch	UK	--
25/08/2009	S&P/CS Composite-20 YoY	US	--
25/08/2009	Consumer Confidence	US	--
25/08/2009	Richmond Fed Manufact. Ind	US	--
25/08/2009	House Price Index MoM	US	--
25/08/2009	ABC Consumer Confidence	US	--
26/08/2009	IFO - Business Climate	GE	--
26/08/2009	MBA Mortgage Applications	GE	--
26/08/2009	Durable Goods Orders	US	--
26/08/2009	New Home Sales	US	--
27/08/2009	Durables Ex Transportation	US	--
27/08/2009	New Home Sales MoM	US	--
27/08/2009	GfK Consumer Confidence S	GE	--
27/08/2009	Consumer CPI	GE	--
27/08/2009	Euro-Zone M3 s.a. (YoY)	EC	--
27/08/2009	Total Business Investment(C	UK	--
27/08/2009	U.K. CBI Quarterly Distributi	UK	--

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