DOLMEN STOCKBROKERS

Traders Update

TUESDAY 28TH AUGUST 2007

Brief Market Comment

Equity markets 'enjoyed' a somewhat less volatile time last week as investors gradually returned to the market following the violent price action of previous weeks. While the broader markets recorded gains of 2.5% on average, there was still a palpable air of nervousness over the on-going sub-prime issue coupled with a lingering sense of expectation that the Fed will go one step further than the pervious week and cut the more crucial Fed Funds Rate. While still unclear whether this will happen at the next Fed meeting on the 18th September or indeed whether the ECB will fulfill its earlier guidance to increase European rates, markets are gaining some degree of comfort from the fact that the drip,drip,drip of sub-prime scare stories has to some extent dissipated. While markets are clearly not out of the woods yet in relation to the current bout of uncertainty, fragile nerves have been soothed somewhat by better than expected US Durable Goods and New Home Sales numbers last Friday. There is a raft of data due for release this week ranging from housing and inflation figures for July, but the two key events for markets this week will be the release of the minutes of the last Fed meeting but more crucially Fed Chairman Bernanke's address this Friday on 'Housing, housing finance and monetary policy'.

This weeks major results

IL&P

Current:	€17.80
Target	€20.00
P/E 07	9.07
Div Yield 07	4.1%
Next event	29/08/07

BUY

Tomorrow, 29th August, **Irish Life and Permanent** (IL&P) announces results for the 6 months ended 30/06/07. We are forecasting operating eps of 98c, a yoy increase of 20%. The strong earnings growth will be driven by very strong pension and investment product sales, in excess of 35% for H1 2007, more than offsetting a lower level of Irish mortgage loan growth. Life and pensions contributes c.52% of group profits, whereas banking contributes c.38% of group profits. While there has been a lower level of new loan growth of €3.4 bn in H1 2007, versus an exceptionally strong €4.2 bn in H1 2006, FY loan growth of mid to high teens % is still expected for 2007, which when combined with stabilising margins should ensure that the bank generates "high teens" H1 2007 earnings growth. The abolishment of stamp duty for first-time buyers in June, in removing a major uncertainty from the Irish housing market, when combined with the expected stabilisation of European interest rates this autumn, should help prevent any major H2 2007 yoy fall in Irish mortgage lending. Our current 12 month share price target of €20 takes account of the downward move in peer valuations in recent months, and when combined with a current year dividend yield of c.4.1%, provides sufficient upside to justify our BUY recommendation.

FBD

Current:	€27.50
Target	€35.00
P/E 07	11.12
Div Yield 07	2.91%
Next event	29/08/07

BUY

Tomorrow, 29th August, **FBD** will announce its results for the 6 months ended 30/06/07. We are forecasting operating eps of €1.69, 2% lower year on year, as an 18% decline in underwriting profit to €33.5m more than offsets the share buyback programme impact. 20% growth in other income is expected as a result of the strong H1 2007 performance of European equity markets. The decline in underwriting profit is expected as a result of lower premium rates, with CPI data for May 2007 to June 2007 showing car and home insurance premiums 14% and 5% lower year on year. However, with this data also showing car premiums up 1% and home premiums flat over the two-month period, premiums would now appear to be starting to stabilise. Valuing FBD's general insurance business at 10x 2007 earnings, in line with its UK small cap peers, generates a valuation of €1 bn, which increases to €1.195 bn, when account is taken of the group's property net asset value of €150m and the €45m value of its financial services business, also based on 10x 2007 earnings. Dividing by the 34.2m shares currently in issue provides the basis for our current 12-month share price target of €35.

Glanbia

Current:	€3.87
Target	€4.05
P/E 07	14.83
Div Yield 07	1.57%
Next event	29/08/07

NEUTRAL

Tomorrow, 29th August, **Glanbia** will announce its results for the 6 months ended 30/06/07. We are forecasting eps of 11c, a yoy increase of 22%, as buoyant global dairy commodity markets drive c.0.5% margin expansion. Given the recent strength in US cheese prices, which are c.40% higher yoy, there is an above average probability of the company further upgrading its 2007 earnings guidance. However, the group is also exposed to higher milk prices through its UK mozzarella business and the recent fire at the group's Edenderry pig processing plant will constrain 2008 earnings growth at its Irish consumer food division. As a result, group earnings growth is likely to slow to c.10% in 2008, which implies than a sector average rating of c.13x 2008 eps is fair value. This provides the basis for our current 12-month share price target of €4.05, based on 13x 2008 eps of 31c. However, with insufficient further upside to this level and a dividend yield of only c.2%, we downgrade our Glanbia recommendation from BUY to NEUTRAL ahead of tomorrow's H1 2007 results' announcement.

Aer Lingus

Current:	€2.42
Target	€3.25
P/E 07	17.00
Div Yield 07	0.00%
Next event	30/08/07

BUY

This Thursday, 30th August, **Aer Lingus** will announce its results for the 6 months ended 30/06/07. We are forecasting net profit of €7m, a major yoy decline on the €16.3m of H1 2006, largely as a result of €30m higher fuel costs from the unwinding of very attractively priced fuel hedges which were in place in H1 2006. The introduction of checked baggage charges on short haul is expected to have made at least a €20m contribution to net profit. Such ancillary revenue growth, combined with the current favourable yield conditions at Dublin, as well as the potential for €20m of staff cost savings in 2008, imply that the airline should generate at least mid teen operating profit growth in 2007 and 2008. Much attention will also be paid to the airline's upcoming EGM for the transfer of some of its Heathrow slots from Shannon to Belfast, to determine the likely level of future government interference in operational decision-making. Our current 12 month price target of €3.25 is based on a 2007 EV / EBITDAR ratio of 5.5x, with downside limited by the airline's net cash of €846m and the €690m value of its 23 pairs of Heathrow slots, which translates into a combined net asset value of €2.90 per share.

CRH

Current:	€30.76
Target	€40.00
P/E 07	12.11
Div Yield 07	1.99%
Next event	28/08/07

BUY

This morning, **CRH** announced its results for the 6 months ended 30/06/07. PBT and eps of €670m and 92.8c respectively were c.2% ahead of consensus forecasts of €660m and 90.8c, and were yoy increases of 27% and 26%. The strong 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. As a result, according to the group's outlook statement, "notwithstanding the translation impact of a weaker US dollar, it expects higher full year profits for the Americas in euro terms." These stronger than expected results, when combined with the group's upbeat outlook, provide the basis for an upgrade now of c.2% to the current consensus 2007 eps forecast from €2.54 to €2.58, representing year on year growth of 15%. In the event of CRH being involved in this 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.

On Friday, **C&C** will release a trading statement for the 6 months ending 31/08/07. Given the group's second profit-warning in less than 3 weeks, earlier this month, the trading statement is unlikely to contain much new information and should confirm operating profit for the period will be c.35% lower yoy. The H2 outlook for the group's cider division is also unlikely to be clarified until the H1 results' announcement on 10/10/07: **NEUTRAL**.

This Week's Calendar Events

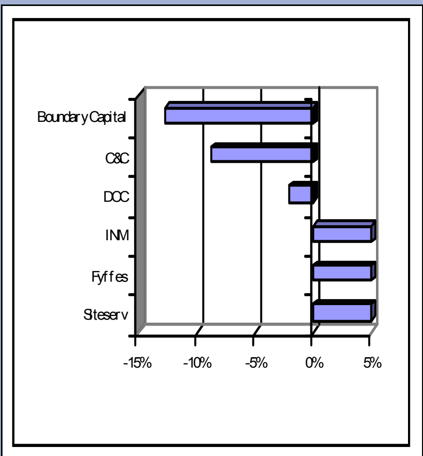
EARNINGS: TUES (CRH, H1), WED (Glanbia, H1), (Heineken, H1), (IL&P, H1), (FBD,H1), (PartyGaming, H1) THUR (Diageo, H1), (Aer Lingus, H1), (DSG, H1), (Carrefour, H1), (Freddie Mac, Q2) FRI (C&C, Trading Statement)

ECONOMIC DATA: TUES (German IFO, Euro-Zone M3, US Consumer Confidence, FOMC Minutes), THUR (UK M4 Money Supply, US GDP, Personal Consumption), FRI (Euro-Zone Confidence Indicators, CPI, US Personal Income & Spending, Core PCE, Chicago PMI, Michigan Confidence, Bernanke speaks on housing & monetary policy)

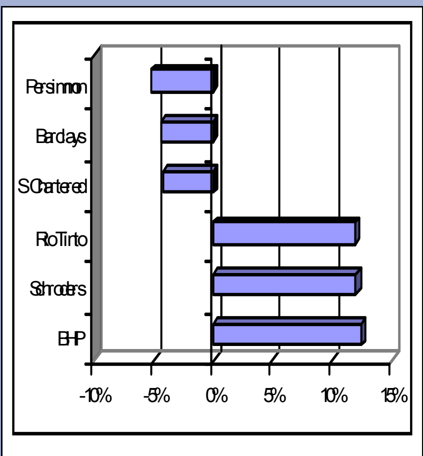
Last Weeks Best/ Worst Performers

17/08/07-24/08/07

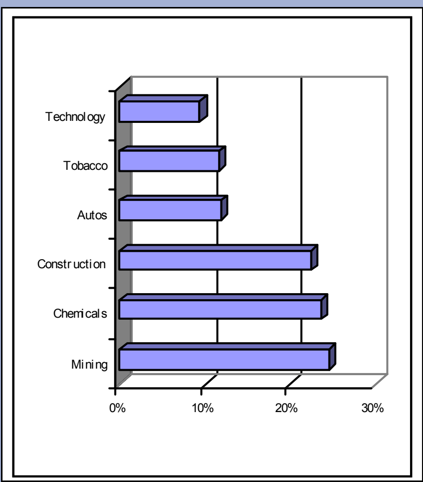
ISEQ



FTSE



Sector changes YTD



Dolmen Dozen

WEEKLY UPDATE

COMPANY	CLOSE	WTD	DD RETURN*	RELEVANT NEWS
AIB	19.48	4.45%	-11.54%	Recently reported 1H pre-tax profit that rose by 9% to €1.3bn and raised full year guidance
Aviva	7.20	2.13%	-9.52%	The group's Morley Fund Management unit denies property sales for exiting investors
BP	5.53	2.22%	2.63%	Press reports suggest BP may shelve its $4bn American Expansion
B. Land	12.77	2.90%	-23.54%	Lehman raised its rating on British Land to over weight from equal weight
CRH	30.32	1.07%	1.28%	Posted strong H1 results with PBT and EPS both 2% ahead of forecasts
GNC	9.59	4.24%	5.05%	Origin recently bought Greencore's 50% stake in Odlum for €35m
GSK	12.94	1.81%	0.51%	GSK's continues its share buyback program
IL&P	18.06	2.32%	-0.15%	Ahead of the group's interim results due on August 29th
LAD	4.18	12.06%	6.53%	ABN Amro upgraded the stock to buy from hold
RBS	5.81	0.87%	-5.01%	Dutch press reports suggest that the RBS consor tium may lower its bid for ABN Amro
Ryanair	5.08	3.04%	-4.23%	The airline raised its stake in Aer Lingus to 29.4%
VOD	1.57	1.95%	15.91%	Speculation that Vodafone may by a 51% stake of Nigerian mobile-phone operator, Emerging Market Telecom

DD Unrealised gain YTD	-1.89%	ISEQ YTD	-10.64%
DD Realised gain YTD	-0.22%	FTSE YTD	1.50%
DD Total YTD	-2.11%	Average performance	-4.57%
Relative performance YTD	2.46%		

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

What it says in the 'Sundays'

"Pension funds on road to recovery" **- Sunday Business Post**
"Ghana oil find " world class discovery" for Tullow" **Tullow Oil - Sunday Business Post**
"Manor Park sale close to collapse" **DCC- Sunday Times**
"DCC digs a hole" **DCC- Sunday Times**
"Get your teeth into food giant " **Nestle - Sunday Times**
"Grab the bargain at Grafton" **Grafton - Sunday Independent**

Recent Corporate Visits

COMPANY	CHANGE ON YEAR	MEETING DATE	RELEVANT NEWS
Anglo Irish	-9.70%	09/08/07	David Drumm stated the current sub-prime panic would appear to be generating an attractive com petitive environment for Anglo in the US.
Metro Baltic	-11.49%	13/07/2007	James Kenny re-iterated that the company has now has fully invested 95% of the funds raised. He also stated that going forward the company will concentrate on St. Petersburg.
Bank of Ireland	-23.14%	22/06/07	CFO J O'Donovan re-iterated that the only 10% of the groups PBT comes from Irish mortgages and he expects loan book growth of 15% for next year

Last Weeks Moves

Equities

	Level	Change WTD	Change YTD	Dividend Yield	P/E
ISEQ	8337	1.93%	-10.64%	2.19%	13.34
FTSE 100	6194	1.86%	1.50%	3.89%	12.40
DAX	7466	0.46%	13.07%	2.62%	13.10
DJ INDUS. AVG	13322	1.53%	6.89%	2.17%	16.12
S&P 500	1467	1.47%	3.42%	1.86%	16.97
NASDAQ	2561	2.10%	6.04%	0.72%	36.53
DJ STOXX 50	3707	1.24%	0.21%	3.62%	12.21
NIKKEI 225	16287	2.43%	-5.45%	1.19%	34.36

Sector

	WEEKLY MOVE %	YTD MOVE %
Mining	+0.58	+24.49
Chemicals	-0.80	+23.55
Construction & Materials	+0.10	+22.47
Automobiles & Parts	+1.50	+11.81
Tobacco	+0.19	+11.65
Technology Hardware & Equipment	-0.51	+9.34
Beverages	-0.36	+6.79
Personal Goods	-0.15	+6.01
Media	-0.50	+4.77
Telecommunications	+0.11	+2.93
Oil & Gas Producers	-0.82	+1.48
Leisure Goods	-0.24	+0.25
General Industrials	-0.48	-0.67
Food Producers	-0.37	-2.02
Pharmaceuticals & Biotechnology	-0.56	-3.34
Gas, Water & Multiutilities	-0.75	-3.35
Insurance	-0.16	-6.84
General Retailers	-0.50	-8.21
Banks	-0.54	-8.76
Software & Computer Services	-0.67	-9.48

Commodities

	CURRENT	YTD CHANGE
Crude Oil	$72.09	8.86%
Gold Spot	$667.93	4.97%

Exchange Rates

	CURRENT	YTD CHANGE	YEAR END(E)
EUR-USD	1.36	3.22%	1.35
EUR-GBP	0.680	0.91%	0.665
EUR-JPY	157.59	0.33%	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%	5.75%
US	5.25%	4.75%

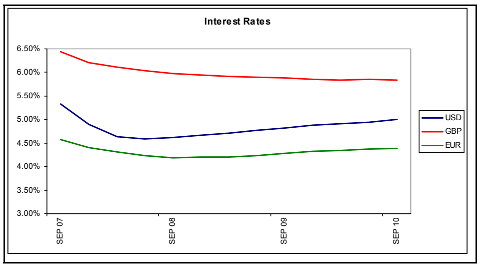
Credit Market Summary

- Credit markets had a roller coaster week with high yield spreads ending the week at 321bps, 57bps tighter over the week- however spreads had widened Friday after falling below 300bps at one point on Thursday. Credit markets are aware that the short-term liquidity injections from Central banks are not a solution for the underlying credit market problems, namely lack of transparency and leverage. While spreads are not looking as expensive compared with the VIX any longer we still expect some spread widening given the preponderance for negative news flows in these markets.

Credit Sector Movements for week ended 24/08/07

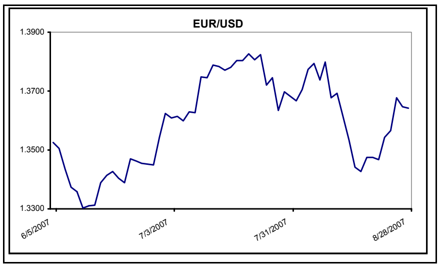
Automotive: GM widened slightly on warnings from Moody's that ResCap the mortgage lending subsidiary of GMAC is 'under significant liquidity pressure' – GMAC is 49% owned by GM. Ford on the other hand tightened significantly 148bps (18%) this week despite concerns that the subprime issue in the US may have an effect on car sales and the company may face problems disposing of the Jaguar brand in the current credit crunch.
Airlines: Tighter in the sector – quiet except for British Airways and Lufthansa which tightened 23bps (20%) and 13bps (21%) respectively. British Airways is tightening to a spread level commensurate with its rating upgrade while consolidation rumours persisted this week in the airlines sector despite the current difficult credit market conditions with Iberia being noted as a suitable acquisition for both BA and LHA.
Retail: Tighter in the sector - all retailers tightened last week in line with general markets moves, however renewed LBO fears, on the back of the Home Depot story, hit the markets and caused spreads to widen in a number of previously rumoured LBO candidates such as Sainsbury's, Morrisons, MKS and Dixons

Interest Rate Outlook

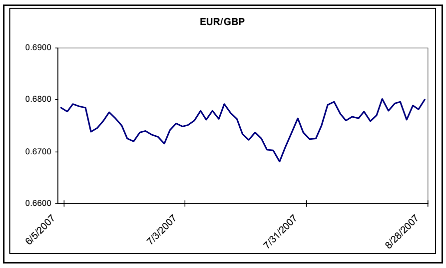


The yield on the US 2-year treasury yield gained ground last week rising by 20 basis points to 4.30% as confidence returned to equity markets. Bond markets will be looking to confidence indicators in the US this week with Consumer Confidence data set for release on Tuesday, while Michigan Confidence data is due for release on Friday. Both readings are for the August period and post the recent turmoil in credit markets.

Currency Comment



The $ lost ground against € last week on expectations that the Federal reserve will be forced to reduce its Fed Funds rate to contain the fallout from the Subprime mortgage market. The main focus of the week will be on Friday when Ben Bernanke is due to give a speech on housing and monetary policy at the Kansas City Federal Reserve Bank.



The € continued to trade in a tight range with GBP last week with both central banks expected to continue increasing rates despite concerns in credit markets. The € may receive some support this week with money supply data and German IFO indicators due for release on Tuesday.

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