

CONTENTS

Market View: US Durable Goods data tempers recent optimism

Integrated Oil: ConocoPhillips and Royal Dutch Shell results beat estimates

EU Telecoms: Telefonica and France Telecom report

EU Financials: Banco Santander's profits meet expectations

Irish Financials: AIB polish arm attracts more interest

United Drug: IMS

Company Note: McDonalds

Market Movers

IRISH PAPERS TODAY

Regulator signed off on €169m loan from Anglo to Quinn (*The Irish Times*)

One 51 chief Lynch was paid €1.4m despite loss (*The Irish Times*)

Arnotts may be sold for €1 as banks tighten grip (*Irish Independent*)

INTERNATIONAL PAPERS TODAY

Cameron rebukes Pakistan on terror (*Financial Times*)

Bank syndicate nears deal to inject cash in Connaught (*Financial Times*)

Mobile battle ends in win for Telefonica (*Wall Street Journal*)

Market View

Analyst: Stephen Taylor

European equity markets have opened higher this morning despite lower closes in the US and Asia overnight. U.S. stocks fell on Wednesday after weak durable goods data and a downbeat assessment of the US economy from the Federal Reserve Beige Book kept the benchmark S&P 500 below its 200-day moving average. The Beige Book, a summary of national economic conditions, indicated activity was not as robust in a few districts and was losing momentum. Nonetheless, a raft of strong earnings reports from European corporates has lifted investor sentiment this morning. Siemens, BASF, Sanofi-aventis and Man have all posted better than expected results. Siemens, often considered a barometer for the world's manufacturing industry, with 402,000 employees in 190 countries, and products that span hospital equipment, transportation, factory automation gear and power turbines, posted a 12% rise in third quarter profit and increased sales for the first time in seven quarters. Its third-quarter order intake was up 22%, bringing its order backlog to a record level of €89bn, driven by new orders for Siemens' renewable division. While Man Group, the international truck maker and engineering firm, reported a strong jump in second quarter net profit driven by a sharp recovery in demand for new vehicles. In terms events for the day ahead, Kelloggs will report Q2 earnings in the US, while the US weekly jobless claims will be in focus on the economic front.

Integrated Oil

Analyst Brian Gallagher

ConocoPhillips and Royal Dutch Shell earnings have both beaten analysts expectations in the last 24 hours. Yesterday evening, ConocoPhillips reported EPS of \$1.67 versus an expected \$1.57. Similarly, Royal Dutch Shell beat consensus estimates, reporting EPS of \$0.72 versus \$0.50. Much of Royal Dutch Shell's beat was driven by cost savings however, both companies downstream operations experienced a greater than anticipated recovery. A negative readthrough for BP in the results is that both companies continue to pursue divestment programs which could hinder BP's efforts to sell \$23bn worth of assets over the next 18 months. On the whole the results are a positive for a sector which has faced considerable scrutiny in the wake of the Macondo disaster. Exxon Mobil and Chevron complete a busy week of earnings for the integrations reporting their respective results today and tomorrow.

EU Telecoms

Analyst Stephen Taylor

Telefonica reported a solid set of second quarter results this morning. Net income came in at €2.12bn compared to expectations of €1.94bn. Revenue was 15.12bn also beating consensus of €14.53bn. Yesterday the company agreed to purchase Portugal Telecom's stake in Brazilian mobile operator Vivo after increasing its bid for a third time to €7.5bn.

France Telecom also reported a solid set of results this morning that were broadly in line with expectations. EBITDA declined slightly to €3.98bn from €4.08bn last year. Revenue fell by 1.7% to €11.2bn. France Telecom also said that it would maintain its dividend of €1.40 per share over the next three years. This implies a dividend yield of c. 9.2%. On a cash flow per share basis the dividend would be covered 3.3x.

Vodafone remains our preferred telecom operator due to its emerging market exposure. Vodafone also issued a positive trading update signalling a return to organic service revenue growth with data growth

EU Financials

Analyst Oliver Gilvarry

Santander released Q2 results this morning with net profit roughly in line with expectations at €4.45bn. Loan losses for the quarter were €2.48bn, in line with expectations. Loan losses in the UK operation were higher than the same period last year, but non performing loans in the quarter did improve. On the Spanish loan book, non-performing loans have increased to 3.71% from 2.72% in the first half of 2009 coverage declining from 71% to 64%. For group, coverage has actually increased from 72% to 73%. Highlighting the large level of reserves the group has set aside for loan losses. Net interest income rose 14.6% yoy to €14.5bn helped by moderate loan growth and tight management of spreads, excluding currency and perimeter impacts the increase was 3.7%. The tight management of margins can be seen by spreads on loans for the group increasing by 40bps to 3.40% yoy. On outlook, management continue to guide 2010 earnings will be similar to those of 2009. The higher margins and lower level of non-performing loans in the UK is a positive for other UK banks such as Lloyds Banking Group.

Irish Financials

Analyst Oliver Gilvarry

Overnight it has been reported Italy's Intesa Sanpaolo said it was looking at the books of AIB's Bank Zachodni WBK. The head of the Polish bank stated yesterday that four meetings have been held with possible buyers of the AIB stake. Attention will be focused on AIB's results next week, to see what up-date management can give on the timing of this disposal.



United Drug: Neutral

Previous Close €16.50

Analyst Stephen Taylor

United Drug has issued a trading statement this morning covering the period from April 1st to present. Overall the group indicated that trading has been satisfactory, with a strong performance parts of the business. Group profits are in line with last year and United Drug indicated that cash flows continue to remain strong. Based on current trading the company indicates that it is on track to deliver profits for the full year in line with 2009. United Drug also reiterated that it is continuing to explore opportunities to expand its business, both organically and through a number of acquisition options. The company will issue results for the year to September 30th 2010 on November 17th.

McDonalds

Neutral

Current Price : \$70.40

Price Target : \$73.00 (previously \$63.00)



DOLMEN STOCKBROKERS

Analyst: **Stephen Taylor**

29th July 2010

- Neutral rating** : Today we are downgrading our recommendation on McDonalds to neutral from buy on valuation grounds. Our price target is increased to \$73.00 from \$63.00 based on the company trading at 15x forecasted 2011 earnings of \$4.87. Shares in McDonalds have performed exceptionally well and are up 13% year to date having reached an all time high of \$71.84 on May 3rd. We continue to like McDonalds as a solid defensive play, however the valuation is beginning to look stretched trading at 14.4x 2011 EPS and an EV/EBITDA of 9.5x. We would however become more positive on the stock on a pull back towards the \$66 mark. Shares in McDonalds do offer an attractive dividend yield of c. 3.1% on what is a well covered and growing dividend.

- Results released** : On July 23rd McDonalds reported a strong set of second quarter results. Net profit increased to \$1.23bn from \$1.09bn last year. EPS increased to \$1.13 compared with \$0.98 previously and marginally ahead of expectations of \$1.12. Revenue increased by 5% to \$5.95bn also slightly ahead of market estimates of \$5.91bn. While McDonalds performs well in terms of economic contraction, the group's Chief Operating Office Don Thompson indicated that the company was seeing a difficult operating environment and that the recovery was 'fragile'. The group did however release July same-store sales figures for each of its regions that were broadly in line to slightly better than the second quarter. For July the US showed growth of 3.7%, Europe showed growth of 5.2% while its Asia-Pacific, Middle East and Africa division produced growth of 4.6%.

- McDonald's Europe** : France, Russia and the UK helped to drive a solid 9% increase in operating income over the second quarter at the division. McDonalds continued its marketing drive and increased signature menu options to boost profitability.

- McDonald's US** : The group's US division saw a 7% rise in operating income driven in part by an improved beverage line up including new Frappes as well as its classic core menu's and the dollar menu. McDonalds also indicated that the recent introduction of smoothies in the US has 'blown away' all of its high-end projections. Growing customer foot fall has been a key focus of McDonald's strategy in the US and the introduction of smoothies is expected to help drive this.

- McDonald's APMEA** : McDonald's APMEA division posted a 19% increase in quarterly operating income driven by strong growth in Australia and China leading the segment. McDonald's increased store openings, core menu option in addition to part day extensions. With both European and US economies likely to remain in a low growth period for a substantial period of time, APMEA will continue to be a key growth area for the company.

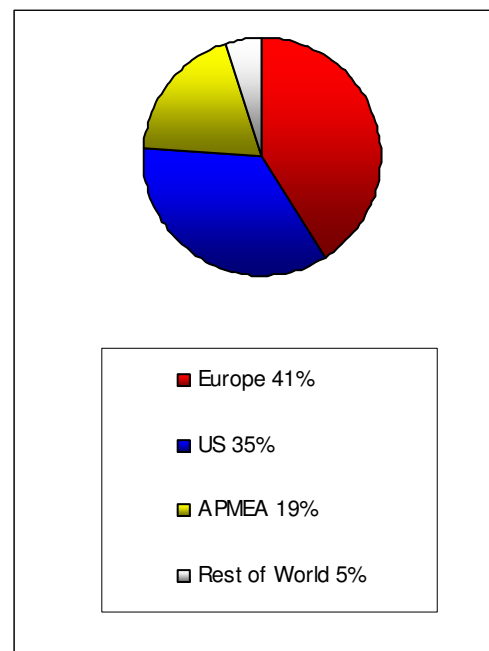
- Balance sheet** : Like many of the large cap multinational companies that we like, McDonald's benefits from an exceptionally strong balance sheet. Net debt at the end of 2009 stood at c. \$8.8bn representing gearing of just c. 12%. McDonald's generates c. \$3.7bn of free cash flow per year that will allow it continue its store upgrading program and expansion in emerging markets.

Descriptive Stats		Shareholders	
Price (\$)	70.40	Capital World	6.40%
52 Week High	71.84	State Street	3.88%
52 Week Low	53.88	Vanguard Group	3.76%
Bloomberg	MCD US	Blackrock Institutional	3.12%
Reuters	MCD.n	Fidelity Management	3.08%

	FY09	FY10	FY11
Revenue (\$m)	22,744	23,713	24,506
EBITDA (\$m)	7,996	8,516	8,839
Operating Profit (\$m)	6,779	7,500	7,881
EPS(\$)	4.17	4.49	4.87
DPS (\$)	2.05	2.27	2.46

Company	P/E 10	EV/EBITDA 10	Div Yield
McDonalds	15.6	9.5	3.13%
YUM! Brands	16.8	9.4	2.00%
Starbucks	20.1	9.2	2.06%
Dardin Restaurants	13.1	7.2	1.35%
Burger King	13.1	7.1	1.41%
Wendy's	20.2	6.9	1.37%
Jack in the Box	10.6	5.3	0.00%
Average	15.6	7.8	1.62%

Revenue Breakdown 2009





International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,944	-0.1%	-1.0%
FTSE	5,366	0.3%	-0.8%
Dow Jones	10,538	1.0%	1.1%
S&P	1,114	1.1%	-0.1%
Nikkei	9,497	-0.1%	-7.5%
Stoxx 50	2,769	1.0%	-6.4%

Sector Performances

Sector	Index	1-Day	YTD
Construction	256	-0.1%	-7.7%
Technology	196	-0.9%	6.1%
Oil & Gas	299	-0.3%	-9.5%
Financials	225	4.7%	2.6%
Retail	262	-0.6%	7.4%
Food & Drink	337	-2.0%	9.5%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	77.50	-1.9%	-6.9%
Copper	320.65	-0.5%	-3.9%
Gold	1,161.60	-1.9%	6.1%
Silver	17.63	-3.2%	4.3%
Wheat	595.00	0.9%	2.7%
Cattle	93.93	0.2%	4.6%

Currency Exchange Rates

Currency	Index	1-Day	YTD
€/\$	1.300	0.0%	-9.3%
€/£	0.833	-0.7%	-5.9%
£/\$	1.559	0.7%	-3.7%
\$/JPY	87.900	1.2%	5.6%
€/JPY	114.240	1.2%	-14.1%
€/SFR	1.378	1.2%	7.6%

5Yr Credit Spreads

Product	Index	1-Day	YTD
Invest Grade	119.7	-2.4%	50.8%
High Yield	513.3	-2.2%	-1.5%
Financials	143.6	-7.9%	48.5%
BoI	325.2	-19.1%	17.3%
AIB	438.8	-14.1%	38.6%
RBS	201.6	-8.4%	24.5%

Money Market Rates

Rate	EUR	UK	US
Overnight	0.5%	0.5%	0.2%
3-Month	0.9%	0.7%	0.5%
1-Year	1.2%	1.2%	0.5%
2-Year	1.5%	1.5%	0.8%
5-Year	2.2%	2.6%	2.0%
10-Year	0.030	3.5%	3.0%

Date	Company	Region	Event
27/07/2010	AIR France-KLM	FR	Q1
27/07/2010	Fonciere des Regions SA	FR	H1
27/07/2010	Deutsche Bank AG	DE	H1
27/07/2010	SAP AG	DE	Q2
27/07/2010	DAB Bank AG	DE	Q2
27/07/2010	Daimler AG	DE	Q2
27/07/2010	Deutsche Boerse AG	DE	H1
27/07/2010	Mittel SpA	IT	Q2
27/07/2010	UBS AG	CH	Q2
27/07/2010	ARM Holdings PLC	GB	Q2
27/07/2010	BP Plc	GB	Q2
27/07/2010	Vodafone Group Plc	GB	AGM
27/07/2010	DuPont	US	Q2
27/07/2010	Valero Energy Corp.	US	Q2
28/07/2010	Peugeot SA	FR	H1
28/07/2010	ArcelorMittal	LU	H1
28/07/2010	Compass Group PLC	GB	TRADE
28/07/2010	EasyJet PLC	GB	Q3
28/07/2010	British American Tobacco	GB	H1
28/07/2010	Centrica Plc	GB	H1
28/07/2010	Carphone Warehouse	GB	Q1
28/07/2010	Invensys	GB	Q1

Date	Event	Region	Estimate
27/07/2010	S&P/CaseShiller Home Price	US	--
27/07/2010	Richmond Fed Manufact.	US	--
27/07/2010	Consumer Confidence	US	--
27/07/2010	ABC Consumer Confidence	US	--
28/07/2010	MBA Mortgage Applications	US	--
28/07/2010	Durable Goods Orders	US	--
28/07/2010	Durables Ex Transportation	US	--
28/07/2010	Consumer Price Index (MoM)	GE	--
28/07/2010	CPI - EU Harmonised (MoM)	GE	--
29/07/2010	Unemployment Rate (s.a)	GE	--
29/07/2010	Net Consumer Credit	UK	--
29/07/2010	Mortgage Approvals	UK	--
29/07/2010	M4 Money Supply (MoM)	UK	--
29/07/2010	Business Climate Indicator	EC	--
29/07/2010	Euro-Zone Indust. Conf	EC	--
29/07/2010	Euro-Zone Consumer Conf	EC	--
29/07/2010	Euro-Zone Economic Conf	EC	--
29/07/2010	Euro-zone Services Conf	EC	--
29/07/2010	Initial Jobless Claims	US	--
29/07/2010	Continuing Claims	US	--
29/07/2010	Fed's Beige Book	US	--
--	--	--	--

Regulatory Information

Dolmen Securities Limited is regulated by the Financial Regulator. Dolmen Securities Limited is a member firm of the London Stock Exchange. Dolmen Stockbrokers is regulated by the Financial Regulator. Dolmen Stockbrokers Limited is a member firm of the Irish Stock Exchange and the London Stock Exchange.

This report has been prepared by Dolmen Stockbrokers ('Dolmen') for information purposes in order to assist investors to make their own investment decisions and is not intended to and does not constitute personal recommendations nor provide the sole basis for any evaluation of the securities discussed. Specifically the information contained in this report should not be taken as an offer or solicitation of investment advice or, encourage the purchase or sale of any particular security, option, future or other derivative investment. Not all recommendations are necessarily suitable for all investors and Dolmen recommend that specific advice should always be sought prior to investment, based on the particular circumstances of the investor.

Although the information in this report has been obtained from sources, which Dolmen believes to be reliable and all reasonable efforts are made to present accurate information Dolmen give no warranty or guarantee as to, and do not accept responsibility for, the correctness, completeness, timeliness or accuracy of the information provided or its transmission. Nor shall Dolmen, or any of its employees, directors or agents, be liable to for any losses, damages, costs, claims, demands or expenses of any kind whatsoever, whether direct or indirect, suffered or incurred in consequence of any use of, or reliance upon, the information. Any person acting on the information contained in this report does so entirely at his or her own risk.

All estimates, views and opinions included in this report constitute Dolmen's judgment as of the date of the report but may be subject to change without notice. Changes to assumptions may have a material impact on any recommendations made herein.

Unless specifically indicated to the contrary this report has not been disclosed to the covered issuer(s) in advance of publication.

Past performance is not a reliable guide to future performance. The value of your investment may go down as well as up. Investments denominated in foreign currencies are subject to fluctuations in exchange rates, which may have an adverse affect on the value of the investments, sale proceeds, and on dividend or interest income. The income you get from your investment may go down as well as up. Figures quoted are estimates only, they are not a reliable guide to the future performance of this investment. Investors should be aware that forward-looking statements and forecasts may not be realised.

This report is the property of Dolmen and may not be reproduced (in whole or in part) altered, transmitted or made available to any other person without the prior written permission of Dolmen.

Conflicts of Interest & Share Ownership Policy

Dolmen, its employees, directors or related companies, may have a shareholding in the securities (or related investments / derivatives) of certain companies covered in this report, or may provide/ solicit investment banking or other services to/ from them.

It is noted that research analysts' compensation is impacted upon by overall firm profitability and accordingly may be affected to some extent by revenues arising other Dolmen business units including Corporate Finance, Fund Management and Stockbroking. Revenues in these business units may derive in part from the recommendations or views in this report. Notwithstanding, Dolmen is satisfied that the objectivity of views and recommendations contained in this report has not been compromised.

Dolmen permits research analysts to own shares and/ or derivative positions in the companies they publish research, views and recommendations on. Accordingly analysts involved in the production of this report may have positions in any securities herein. Dolmen ensures that all staff dealing is undertaken in strict compliance with Dolmen's internal staff dealing procedures. Therefore Dolmen is satisfied that the impartiality of research, views and recommendations remains assured.

Analyst Certification

Each research analyst responsible for the content of this report, in whole or in part, certifies that: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report. Oliver Gilvarry, Stephen Taylor, Edward Keeling & Brian Gallagher are responsible for the production of this report. Oliver Gilvarry is Head of Research and Stephen Taylor, Edward Keeling & Brian Gallagher are equity analysts.

For US Persons Only

This report is only provided in the US to major institutional investors as defined by s. 15 a-6 of the Securities Exchange Act, 1934 as amended. A US recipient of this report shall not distribute or provide this report or any part thereof to any other person.

Dolmen Stockbrokers, 75 St. Stephen's Green, Dublin 2, Ireland.



DOLMEN SECURITIES LTD

75 St. Stephen's Green, Dublin 2, Ireland.
45 South Mall, Cork, Ireland
Theatre Court, Mallow St, Limerick, Ireland.

Tel : +353 1 633 3800/1890 400 300
Tel : +353 21 422 2122
Tel : +353 61 436 500

E-mail: info@dsl.ie
E-mail: cork@dsl.ie
E-mail: Limerick@dsl.ie