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Contact Details:

Email : research@dsl.ie

Tel : +353 1 633 3800
info@dsl.ie Fax : +353 1 677

| EQUITIES | Close | Change | % +/- | P/E '07 | YTD |
|----------|-------|--------|--------|---------|--------|
| ISEQ | 8956 | ↓ -8 | -0.09% | 11.0 | 21.62% |
| FTSE 100 | 6193 | ↑ 36 | 0.59% | 12.4 | 10.21% |
| DAX 30 | 6521 | ↑ 45 | 0.69% | 15.0 | 20.57% |
| DOW | 12318 | ↑ 2 | 0.02% | 19.5 | 14.23% |
| NASDAQ | 2432 | ↑ 1 | 0.03% | 15.6 | 10.30% |
| S&P | 1413 | ↑ 2 | 0.12% | 21.0 | 13.51% |

| CURRENCIES & RATES | Euro | Dollar | Stg | Yen |
|--------------------|---------|--------|--------|----------|
| Euro | 1.0000 | 1.3239 | 0.6721 | 155.3300 |
| Dollar | 1.3239 | 1.0000 | 1.9694 | 117.3300 |
| Sterling | 0.6721 | 1.9694 | 1.0000 | 231.0700 |
| Interest Rates (%) | 3.2500 | 5.2500 | 4.7500 | 0.4800 |
| Oil (Nymex) | 61.3700 | | | |

| This Week's Research | Today's Research |
|------------------------------------|------------------|
| Lloyds TSB HSBC BHP Billiton | GSK |

Breaking News
GSK (£13.45) **Investor meeting today** **Stuart Draper**
Target : £15 **(14/12/06; previously £16.50, issued 31/03/06)**

Breaking News

Ryanair axes six routes for six new routes
 Ryanair has announced that it is axing six European routes and replacing them with six new services. The Dublin-based carrier said it plans to cease services between Brussels-Salzburg, Liverpool-Kerry, Pisa-Friedrichshafen, Frankfurt-Billund, Frankfurt-Shannon and Newcastle-Oslo. Ryanair said it is terminating the services in order to accommodate six new routes that would launch on various dates in the first half of 2007. In related news EU transport Ministers said they would back one more attempt to negotiate an open skies agreement with the US after talks failed last week. The talks appeared to fail due to the American's unwillingness to loosen their restrictions on foreign ownership of US based Airlines.

- Advair meeting : Later today, GlaxoSmithKline (GSK) will hold an investor roundtable event in New York, focusing on the prospects for its key asthma drug, Advair. Given the 11% fall in the share price over the past 7 weeks, and the importance of Advair to GSK, today's meeting could help re-ignite some investor interest in the company's shares.
- Earnings growth : GSK reported profit before tax and eps of £2.022 bn and 24.7p respectively for the 3 months ended 30/09/06, year on year increases of 16% and 15%, helped by a stronger than expected operating margin of 35.9%. Following this results' announcement, GSK upgraded its full year 2006 earnings growth guidance from 12% to "mid-teens", with a current consensus 2006 eps forecast of 95p.
- Pipeline sentiment : The major reason for the recent share price weakness has been poor sentiment towards GSK's pipeline. The US filing for Cervarix (cervical cancer) was delayed to April 2007 from the previously guided year end timeframe, it was announced that Redona (DPP-IV inhibitor, diabetes) may be discontinued following pre-clinical toxicity concerns, and '773 (sepsis) is definitely being discontinued.
- Minor impact : However, both of these products have only a minor impact on earnings forecasts (likely to be offset by the c.0.5% eps accretion from the additional £1 bn per annum share buyback), and the sales prospects from Cervarix still remain in tact for 2007 as the company is guiding that approval will still be achieved before the back to school season next autumn, when the new vaccination campaign starts.
- Near-term catalysts : Other potential positive catalysts for the share price over the next 4 months include the announcement of Q4 results on 08/02/07, US approval for Tykerb (breast cancer) in March 2007 and a US filing for Cervarix (cervical cancer vaccine) in April 2007.
- Buyback support : The EU pharma sector average is now trading at 15.8x 2007 earnings, and our view is that no more than a 5% discount is warranted for GSK, given its slightly lower than average 2007 earnings growth. As a result, our new 12 month price target of £15 (12% upside) is based on 15x 2007 eps of £1. GSK also recently increased its share buyback programme from £1 bn to £2 bn per annum over the next 3 years, and combined with a dividend yield of c.3.6%, this provides some protection from further major share price downside. : **BUY.**

ICG trading statement ahead of expectations
 Irish Continental Group announced today that trading in the period since its interim statement in September has been ahead of expectations, and as a result sees its underlying full year pretax profit ahead of expectations. The group said that at the time of its interim statement, car volumes year to date were down 12% and expectation for the full year was a decline of 7%. Based on the experience in October and November the company expects a smaller full year decline of 5%. The company also said it is to extend its port terminal facility in Dublin Port. The terminal will see its capacity increase by almost 50%. Additional container handling machinery, including a new ship to shore gantry crane will also be introduced.

US energy inventories fall on cold weather
 Oil prices rose, reversing their earlier trend, after US inventory data showed a greater-than-expected fall in energy inventories amid a decline in refining capacity and solid demand. Gains were limited, however, by bets that OPEC might concentrate on implementing its existing output cut at its meeting tomorrow rather than introducing a new production cut. In London crude contracts for January were up 21c at \$61.73 a barrel, while in NY contracts for January delivery rose 68 cents at \$61.71 a barrel.

Business Press

- Ulster raises €3.9bn on mortgage-backed note (II)
- United and Continental in talks over merger to form world's largest airline (IE)
- Bank of America acts to quell talk of Barclays deal (WSJ)

Investment Press

- Airline consolidation: Passengers may have been horrified by the traces of polonium 210 found on commercial aircraft, but many fund managers have viewed airlines as radioactive for years. Plagued by overcapacity and cyclicity they have been the best example of an industry destined to make sub-economic returns.



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