



June 15, 2007

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EQUITIES	Close	Change	% +/-	P/E '07	YTD
ISEQ	9505	↑ 148	1.58%	14.1	1.03%
FTSE 100	6650	↑ 90	1.38%	13.2	6.90%
DAX 30	7849	↑ 168	2.19%	14.2	18.98%
DOW	13554	↑ 71	0.53%	15.2	8.75%
NASDAQ	2599	↑ 17	0.66%	26.1	7.62%
S&P	1523	↑ 7	0.48%	15.9	7.38%

CURRENCIES & RATES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.3314	0.6757	163.8700
Dollar	1.3314	1.0000	1.9702	123.0600
Sterling	0.6757	1.9702	1.0000	242.4200
Interest Rates (%)	3.7500	5.2500	5.5000	0.4800
Oil (Nymex)	67.6500			

This Week's Research

AIB Anglo Irish Bank
British Airways
Sterling Energy

Today's Research

Today's Recommendation

Aviva (£7.73) Upcoming trading statement catalyst **Stuart Draper**
Target : £9 (17/01/07 ; previously £8.50, issued 02/06/06)

- **Trading statement :** This day 4 weeks, Friday 13th July, Aviva will release a trading statement for the 6 months ending 30/06/07. The statement is likely to confirm that the group is on target to generate 15% overall sales growth for 2007, driven by particularly strong international sales growth. In April, Aviva announced total life and pension sales of £7.75 bn for the 3 months ended 31/03/07, a year on year increase of 16%.
- **International growth :** This Q1 sales growth was driven by 25% growth from the international business, which now accounts for more than 50% of group sales following last August's \$2.9 bn cash acquisition of US life insurer, AmerUs Group. The Q1 2007 group new business contribution of £271m was c.4% ahead of the consensus forecast and was a year on year increase of 17%.
- **Margin expansion :** Aviva's Q1 2007 UK life and pension sales grew by 3% year on year, with the margin on this business expanding from 2.8% to 3% helped by the group's efficiency review. Aviva is still forecasting UK sales growth of 5-10% in 2007, aiming to grow at least in line with the UK market, with current margins either being maintained or improved upon. Such an outlook for relatively strong 2007 sales growth, as well as the group's improving non-UK life margins would still not appear to be fairly discounted by the current share price.
- **Acquisition growth :** The US market is the world's largest savings market, with strong growth potential as a result of its ageing population. Aviva has an excellent acquisition track record, and with a further c.1000 life companies in the US, there is the potential for further bolt-on deals within this market. The AmerUs deal should boost 2007 eps by c.2%.
- **Dividend growth :** Despite this US expansion, Aviva remains committed to growing its dividend, in March announcing a 10% increase in its 2006 dividend per share to 30p. Further 10% growth in 2007 to 33p would provide a 2007 dividend yield of 4.3% on the current share price.
- **Attractive upside :** Given that Aviva's 2007 return on embedded value of 14% is forecast to be c.10% stronger than the UK sector average, its price to embedded value (EV) should trade at a similar premium. Our current 12 month price target of £9 (16% upside) would rate the shares at 1.6x 2006 EV per share of £5.73, a premium of c.10% to the current sector average : **BUY**.

Breaking News

One51 and Doyle group offer €22 per share for ICG

One51 and the Doyle group have tabled a €22 per share bid for ICG. The Cash Consideration values the entire issued and to be issued share capital of ICG at approximately €560.9m. The Cash Consideration represents a premium of approx 18.9% to €18.50, being the price per ICG Unit offered under the proposal from Aella and a 7.3% premium to €20.50, being the Closing Price of an ICG Unit on June 13 2007, being the last Business Day prior to this announcement

Greencore wins case regarding sugar payment

The Government has been ordered to redistribute more than €145m in restructuring aid after the High Court found it had miscalculated the amount due to each party. Greencore brought the case to court it because it claimed it deserved more than the €98m it had been allocated. The other €47.1m was allocated to sugar beet farmers and contractors. Greencore made its claim on the basis that the €98 million failed to take into account Greencore's losses resulting from the major reform of the EU sugar market. At yesterday's hearing Mr Justice Frank Clarke said "The government reached its conclusion (on how to distribute the money) on a legally incorrect basis. It therefore follows that the government decision must be quashed." The judge ruled that the losses to be calculated were those resulting from the closure of Greencore's plant at Mallow only and not the general losses consequent on the restructuring of the sugar industry.

Peer of AIB's Polish subsidiary reports impressive loan growth

The retail arms of BRE Bank, a Polish unit of Commerzbank, sold PLN2.2bn in mortgage loans in the first five months of the year, up some 56.5% year on year. Its Internet banking arm mBank sold 4,100 loans worth PLN1bn, up by 44.5% year on year, while brick-and-mortar Multibak sold 5,200 loans worth PLN1.2 bn, up by 68% year on year. Although mortgage lending accounts for only c.15% of AIB's Polish subsidiary WBK these figures show that the growth in Poland is showing no sign of slowing.

Business Press

- Ryanair adds 13 Stockholm routes (IE)
- C&W faces investor backlash (FT)
- Lloyds TSB paves way for Abbey Life sell-off (FT)
- Tullow Oil shares up (II)

Investment Press

- **Goldman Sachs:** Goldman Sachs's net revenues and earnings both fell 20 per cent or more sequentially, and were broadly flat year on year. Is it time to run for the hills?

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