

# DOLMEN STOCKBROKERS **WEEKLY OUTLOOK**

20.03.2007



**Dolmen Stockbrokers**

Section

# 1 Market View

20/03/2007

In what turned out to be another volatile week for markets, investors added two new words to their financial vocabulary- 'sub-prime'. Fears over the impact of sub-prime mortgage defaults in the US and what ramifications this might have for the broader mortgage market and ultimately the financial stability of the US banking system re-ignited the issue of risk within markets. The initial sell-off in markets on 5th March was put down to the Chinese market sell-off and to a certain extent that was correct, however what last week's weakness highlighted was that there are bigger issues which are concentrating investors minds presently. Key among them is the outlook for the US economy as industrial production slows, inflation stays at higher than desired levels and as figures showed last week the US consumer is showing signs of a slow-down.

The culmination of these factors is that investors continue to evaluate risk. Consequently, all risk assets remain vulnerable to further bouts of volatility. As indicated in this commentary last week, a pullback in prices was anticipated following the swift rebound from the initial market sell-off. We continue to advise investors to expect further volatility, but would re-iterate last week's call to use periods of weakness to accumulate the larger, liquid stocks, with a particular emphasis on the more defensive sectors like tobacco, pharmaceuticals, utilities and food-retail.

## Current Trading Ideas

Trading ideas	
<p>DCC Last rec @ €24.57 Current: €24.05 Target: €27.00 Stop-loss: €22.00</p>	<p><b>DCC</b> recently announced that it had reached agreement with Joe Moran, who owns 51% of Manor Park, to seek offers for 100% of the business. Given the group's strong cash generation, its net debt is forecast to be c.€77m as at 31/03/07. Following the recent sale of the group's Sandyford site for €40m and assuming that DCC raises a further €300m after taxes and disposal expenses, from the sale of its 49% stake in Manor Park, a sizeable surplus capital position will be generated, creating the potential for a major share buyback programme or special dividend for shareholders. This translates into a potential surplus capital position which can be conservatively estimated at €3 for each of the group's 80.37m shares in issue. Deducting this surplus capital from the current DCC share price of €24.25, leaves the shares rated at 13.7x consensus eps of €1.55 for the year ending 31/03/07, reducing to 12.1x consensus eps of €1.75 for the year ending 31/03/08. Given that DCC has delivered compound earnings growth of 17% per annum over the past 10 years from its ability to successfully integrate bolt-on acquisitions, such a forward multiple does not fairly value the strength of the group's earnings growth. The current consensus forecast is that 13% eps growth to €1.75 will be generated for the year ending 31/03/08. However, from both further acquisitions and a major share buyback programme, there is the scope for this current consensus forward eps forecast to be upgraded by 6% to €1.85. As a result, our current 12 month price target for DCC's enterprise value of €24 is based on 13x forward eps of €1.85. When account is taken of the group's surplus capital of €3 per share, explained above, an overall 12 month group share price target of €27 (11% upside) is generated. In addition to the potential sale of Manor Park, currently expected by mid April, another potential upcoming positive catalyst for the DCC share price could be the group's full year results' announcement on 15th May. The previously flagged timing-related profit decline at Manor Park is expected to mask strong earnings growth from the group's Energy, Sercom and Environmental divisions, leaving the full year eps "close" to the €1.57 achieved in the prior year: <b>BUY</b>.</p>
<p>IAWS Last rec @ €18.05 Current: €16.95 Target: €20.00 Stop-loss: €16.00</p>	<p><b>IAWS</b> recently announced its results for the 6 months ended 31/01/07. An earnings per share of 37.15c was in line with the consensus forecast of 37c, and was a year on year increase of 12%. The growth was primarily driven by 17.3% revenue growth to €838m, offset by a higher interest charge. The results were also helped by the first 3 months contribution from Otis Spunkmeyer, the US frozen cookie dough manufacturer acquired last October, particularly as Otis is a relatively high margin business. The results also benefited from an improved performance from the group's agribusiness as a result of stronger sales of animal feed and fertiliser in line with increased demand. The operating profit of Origin Enterprises, the group's Irish agribusiness, property and Shamrock food distribution businesses, showed 10% growth to €11.9m. Given the improvement in profitability at Origin, combined with the group's increased net debt of €689m, IAWS is now examining a number of strategic options for the future development of this business, including IPO. Any action in this regard, in helping to realise the hidden surplus land bank value within this business, should act as a positive catalyst for the IAWS share price. Given that c.50% of forward group earnings are now generated in the US, and that the group's US peers all trade at multiples in excess of 20x forward earnings, IAWS' food business deserves a multiple of at least 18x consensus forward eps of €1.06, generating value of €19.08 per share. Combining this value with the group's surplus land bank value of at least €1 per share, gives our current 12-month price target of €20 (17% upside). The current consensus forecasts are that IAWS will generate 13% eps growth this year to 92c, accelerating to 15% eps growth to €1.06 for the year ending 31/07/08: <b>BUY</b>.</p>

<p>C&amp;C Last rec @ € 9.80 Current: €10.65 Target: €13.00 Stop-loss: €9.00</p>	<p>Given the 16% rise in the <b>C&amp;C</b> share price over the past 2 days, we would expect some profit-taking early this week. A significant increase in excise duty on cider in tomorrow's UK Budget is another potential source of share price weakness. However, we would use this weakness in the aftermath of the UK Budget as a long term buying opportunity. The company's senior management recently visited us as part of their pre-close period series of investor meetings. The meeting provided strong reassurance with regard to Magners' medium term sales growth prospects from increased share of the UK LAD market. This growth could be further enhanced by successful expansion into two European markets this summer. As stated in conjunction with the recent release of the group's year-end trading statement, the company will also clarify its plans with regard to the return of capital to shareholders at its full year results' announcement on 9th May. Given the capacity expansion currently underway and the continuing strong year on year growth in cider consumption, particularly in the UK, we are currently expecting 80% eps growth to 54c for the year ended 28/02/07, and further 20% eps growth to 65c for the year ending 28/02/08. As a result, our current 12 month price target of €13 is based on 20x forward eps of 65c: <b>BUY</b>.</p>
<p>Aviva Last rec @ £7.81 Current: £7.49 Target: £9.00 Stop-loss: £7.20</p>	<p><b>Aviva</b> recently reported full year gross operating profit of £3.245 bn for the year ended 31/12/06, a year on year increase of 12%. However, not helped by a very weak equity market backdrop, the market chose to focus on the fact that the result was £55m (c.2%) lower than the consensus forecast of £3.3 bn. The main driver of the growth was the 16% growth in life and pension premiums to £26.852 bn, and the group's upbeat outlook for relatively strong 2007 UK sales growth and improving non-UK life margins would not appear to be fairly discounted now by the group's current share price. Aviva is guiding further strong 15% sales growth for 2007, driven by particularly strong international sales growth. This international sales growth will be boosted by the group's August 2006 acquisition of US life insurer, AmerUs Group, for \$2.9 bn in cash, with the initial contribution of AmerUS to the group's 2006 sales results showing 21% year on year growth, helped by the introduction of new products. Despite this US expansion, Aviva remains committed to growing its dividend, recently 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 c.4.4% on the current share price. 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 (20% upside) would rate the shares at 1.6x 2006 EV per share of £5.73, a 7% premium to the sector average: <b>BUY</b>.</p>
<p>CRH Last rec @ €32.16 Current: €29.98 Target: €37.00 Stop-loss: €28.50</p>	<p><b>CRH</b> management recently visited us as part of the company's post full year results series of investor meetings. The meeting provided strong reassurance that the size of the group's exposure to new housing in the US is no more than c.8% of overall group profits. The group's recently announced results for the year ended 31/12/06 showed profit before tax and earnings per share of €1.602 bn and 222.4c respectively, in line with consensus forecasts of €1.583 bn and 223c, and year on year increases of 25% and 20%. The results showed acceleration in earnings growth at the group's European Material, Products and Distribution businesses, helped by some operating margin expansion. In the US, the group's 3 divisions all generated strong profit growth, with the passing on of higher input costs helping to achieve operating margin improvement at the US Materials and Products divisions. CRH also completed €2.1 bn of acquisitions during the 12 months ended 31/12/06, including its largest ever deal, the \$1.3 bn APAC acquisition. As these acquisitions start to feed through into group earnings in 2007 and as increased synergies start to be generated in 2008, further earnings growth of c.10% per annum should be generated. Our current forecasts are for 2007 and 2008 earnings per share of €2.40 and €2.64 respectively, with the potential for further acquisitions in 2007 providing the potential for further upgrades to these forecasts by year-end. Given the current valuations of CRH's peer group and its prospects for continued double digit earnings growth in 2007 and 2008, our current 12 month price target of €37 (22% upside) is based on 14x 2008 eps of €2.64: <b>BUY</b>.</p>
<p>BP Last rec @ £5.32 Current: £5.16 Target: £6.00 Stop-loss: £4.90</p>	<p>The share price performance of <b>BP</b>, in line with much of the energy sector, has been very disappointing during Q1 2007, falling by c.10%. However, with the shares now trading at only 9.3x 2007 eps of 55p, and paying a current year dividend yield of 4.1%, paid quarterly, further downside from current levels must now be limited. Given that BP has a large number of new production start-ups coming on stream over the next 12 months, which should result in overall production growth of c.5% being achieved in 2007, a potential catalyst for improving sentiment may be the group's Q1 trading update due to be released this day fortnight, 3rd April. BP's ongoing share buyback programme should also continue to support the share price at current levels, with a further 3m shares being purchased for cancellation yesterday at prices between 510p and 515.5p. BP will also pay investors a quarterly dividend of c.5.25p in early May: <b>BUY</b>.</p>

## Dolmen Dozen Weekly Update

Company	Change on week	Relevant news
AIB	-6.79%	Following the recent announcement of very strong full year results.
Aviva	-4.10%	After the group guided 15% sales growth for 2007 in conjunction with its recent full year results' announcement.
BHP Billiton	3.88%	As the share price recovered strongly over the past week.
BP	-1.71%	As the group continued to buyback and cancel large amounts of its own shares.
British Land	-2.48%	Following some recent very positive brokerage comment.
CRH	-6.78%	After the group recently announced full year 2006 eps growth of 20% to €2.23.
Greencore	0.24%	Ahead of H1 results due to be announced on 31st May.
GSK	-2.35%	Following the recent release of stronger than expected 2007 earnings growth guidance.
INWS	-6.91%	Ahead of full year eps growth of 11% to 17.3c expected to be announced tomorrow.
RBS	-7.57%	After the group recently increased its full year dividend by a greater than expected 25%.
Ryanair	-7.54%	Ahead of strong March traffic figures expected to be announced on 2nd April.
Vodafone	1.43%	Ahead of the group's investor day which takes place on 30th March.

## Other Trading Ideas

Date of Rec	Company	Price (at time of Rec)	Last Close	Source	Analyst	Target Price
20-Dec	Greencore	4.45	4.26	Daily	SD	4.80
22-Jan	Prudential	7.18	7.08	Weekly	SD	8.20
22-Jan	Sterling Energy	0.17	0.16	Daily	SD	0.28
05-Feb	Ryanair	11.22	5.52	Daily	SD	13.00
06-Feb	BP	5.32	5.15	Daily	SD	6.00
07-Feb	BHP Billiton	9.86	10.70	Daily	SD	11.50
08-Feb	GSK	13.98	14.11	Daily	SD	15.00
12-Feb	Vodafone	1.49	1.42	Daily	SD	1.60
19-Feb	United Drug	3.97	3.90	Weekly	SD	4.40
26-Feb	Grafton	12.79	11.40	Weekly	SD	14.00
27-Feb	Kerry	20.46	21.12	Daily	SD	23.00
28-Feb	Irish Life & Permanent	21.50	19.92	Daily	SD	23.00
05-Mar	RBS	20.76	19.67	Weekly	SD	22.50
07-Mar	FBD	40.00	36.18	Daily	SD	48.00
08-Mar	Anglo Irish Bank	15.41	16.22	Daily	SD	18.00
12-Mar	Morrison	3.21	3.15	Weekly	SD	3.30
12-Mar	British Land	15.34	14.96	Weekly	SD	17.50
12-Mar	AIB	23.40	21.81	Weekly	SD	25.00
13-Mar	Aer Lingus	2.90	2.93	Daily	SD	3.25

### Economic Calendar

Date	Region	Event	Period	Consensus	Prior
20/03/2007	JN	BoJ Monthly Report			
20/03/2007	UK	CPI (MoM)	FEB	0.30%	-0.80%
20/03/2007	UK	CPI (YoY)	FEB	2.70%	2.70%
20/03/2007	UK	Core CPI YOY	FEB	1.70%	1.60%
20/03/2007	US	Housing Starts	FEB	1450K	1408K
20/03/2007	US	Building Permits	FEB	1550K	1568K
21/03/2007	UK	U.K. Chancellor of the Exchequer Makes Budget Statement			
23/03/2007	UK	Retail Sales (MoM)	FEB	0.60%	-1.80%
23/03/2007	UK	Retail Sales (YoY)	FEB	3.80%	3.30%
24/03/2007	US	Leading Indicators	FEB	-0.40%	0.10%
24/03/2007	US	Existing Home Sales	FEB	6.30M	6.46M
24/03/2007	US	Existing Home Sales MoM	FEB	-2.50%	3.00%

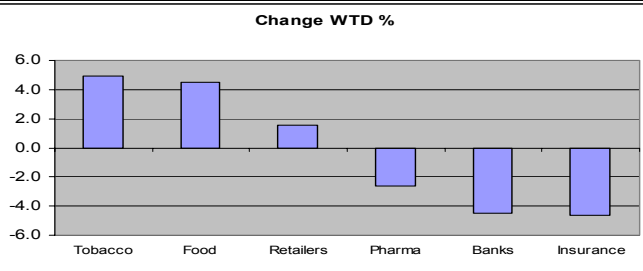
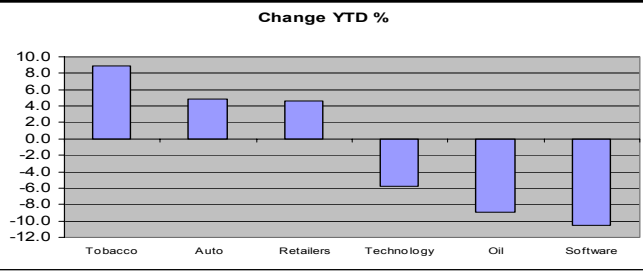
### Corporate Calendar

Date	Region	Company	Event
19/03/2007	GB	Wolseley	Interim results
19/03/2007	GB	Burren Energy	FY Results
19/03/2007	GB	UTV	FY Results
20/03/2007	GB	Friends Provident	FY Results
20/03/2007	IRE	Newcourt	FY Results
21/03/2007	IRE	INWS	FY Results
21/03/2007	GB	Tullow Oil	FY Results
21/03/2007	GB	Imperial Tobacco	Trading Update
22/03/2007	GB	Standard Life	FY Results
22/03/2007	GB	Next	FY Results
23/03/2007	IRE	Fyffes	FY Results

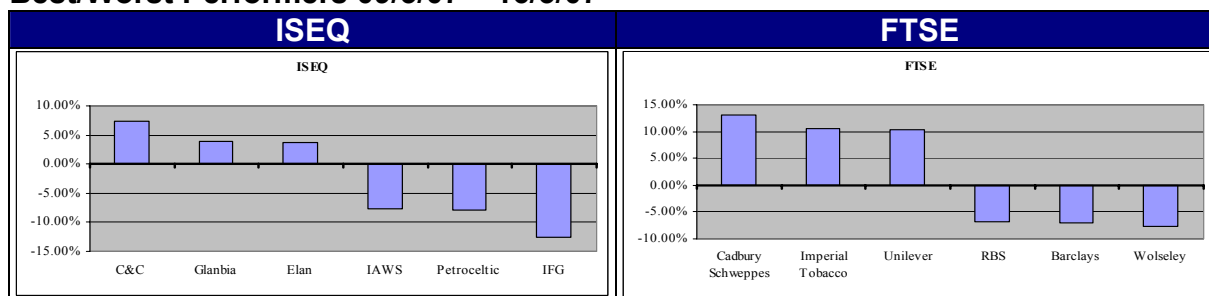
## Last Week's Moves

	Levels	Last week's moves	YTD Move
<b>Equities</b>			
<b>DJ INDUS. AVG</b>	12132.12	-1.29%	-2.77%
<b>S&amp;P 500</b>	1390.19	-1.04%	-2.12%
<b>NASDAQ</b>	2374.85	-0.63%	-1.77%
<b>DJ</b>	3565.4	-3.00%	-3.58%
<b>FTSE 100</b>	6130.6	-1.84%	-1.45%
<b>DAX</b>	6579.87	-2.04%	-0.26%
<b>ISEQ</b>	9228.11	-3.55%	-1.91%

	Div Yield- 2007	EPS Growth 2007	P/E-2006	P/E-2007
ISEQ	2.45%	8.7%	15.61	13.97
UK	3.70%	6.78 %	13.71	12.84
US	2.03%	6.62%	16.62	15.61
Euro	3.46%	6.25%	13.26	12.48

Sector*	Weekly Move %	YTD Move %	*Perf based on capital price moves only
Tobacco	4.90	8.88	
Autos	-1.46	4.84	
General Retailers	1.55	4.66	
Chemicals	-0.30	4.65	
Construction	-1.93	4.07	
Media	-1.30	3.04	
Personal Goods	-2.33	2.15	
Mining	0.80	0.84	
Pharmaceuticals	-2.60	0.20	
Food Producers	4.52	-0.19	
General Industrials	0.29	-0.76	
Leisure Goods	-0.89	-2.00	
Utilities	-1.12	-2.99	
Telecoms	-1.03	-3.42	
Banks	-4.50	-4.69	
Insurance	-4.62	-4.94	
Beverages	-1.99	-5.47	
Technology	-1.66	-5.71	
Oil & Gas	-2.53	-8.95	
Software	-2.51	-10.49	

## Best/Worst Performers 09/3/07 – 16/3/07



The ISEQ closed down 27points on Monday, with shares in IAWS down 40c despite a 13.5% increase in half-year pre-tax profits. On Tuesday Aer Lingus closed down despite the airline's reporting figure that were better than it had signalled at the time of its flotation. On Wednesday the banks were the biggest fallers with AIB been hit particularly bad due to its exposure to the US mortgage market. Shares in Smurfit Kappa made a strong start as it returned to the stock market, up 75c to €17.45 in conditional trading. IT services firm Calyx was up 13% at €1.53 after news of a possible MBO. On Friday the market was buoyed Shares in drinks company C&C, which rose 6.5% to €10.45 as traders pointed to renewed talk SABMiller is eyeing a bid for the maker of the fast-growing Magners and Bulmers cider brands.

UK stocks finished lower on Monday, as U.S. worries over subprime-mortgage lending and a cooling of takeover speculation for food retailers offset a rally from pharmacy chain Alliance Boots on a private-equity bid, and from speculation that Imperial Chemical Industries will be bought. Shares of Cadbury Schweppes surged Tuesday, as music and books retailer HMV Group and brewer SABMiller both pressured the market with profit warnings. Shares posted strong gains on Thursday, clawing back much of the sharp losses seen in the previous session, with Prudential among the biggest risers after its results beat expectations and with Imperial Tobacco and Cadbury Schweppes gaining on deal speculation.

Section

**3**

**Commodity, Currency & Credit Markets**

	Current			YTD Change		
	EURO	GBP	USD	EUR	GBP	USD
<b>Base Rate</b>	3.75%	5.25%	5.25%	0.25%	0.25%	0.00%
<b>3 Month</b>	3.90%	5.53%	5.05%	0.01%	0.15%	0.02%
<b>12 Month</b>	4.11%	5.70%	4.86%	0.00%	0.03%	0.19%
<b>5 Year</b>	3.88%	5.10%	4.48%	-0.04%	-0.03%	-0.23%
<b>10 Year</b>	3.90%	4.78%	4.55%	-0.04%	0.04%	-0.16%
<b>CRUDE OIL FUTR Mar 07</b>	57.9			-8.43%		
<b>NAT GAS FUTR Mar 07</b>	6.964			5.44%		
<b>GOLD SPOT \$/OZ</b>	653.20			2.51%		
<b>SILVER SPOT \$/OZ</b>	13.15			1.94%		
<b>LME ALUMINUM 3MO (\$)</b>	2790			-0.46%		
<b>LME COPPER 3MO (\$)</b>	6540			3.32%		

**Exchange Rates**

	Current	YTD change	Year End Forecasts
<b>EUR-USD X-RATE</b>	1.331	0.84%	1.350
<b>EUR-GBP X-RATE</b>	0.6854	1.69%	0.665
<b>EUR-JPY X-RATE</b>	155.497	-1.09%	145.0

**Forecast 2007**

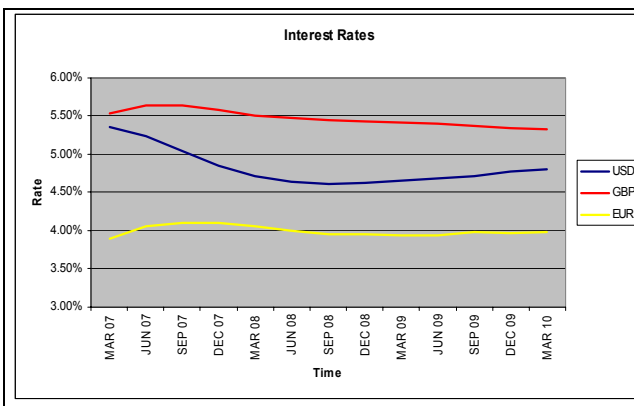
GDP	Current	2007(e)
Ireland	7.70%	6.00%
Euro Zone	2.70%	2.50%
UK	2.90%	3.00%
US	3.00%	2.00%

Central Bank Interest Rates	Current	2007(e)
Ireland	3.50%	3.75%
Euro Zone	3.50%	3.75%
UK	5.00%	5.25%
US	5.25%	4.75%

Inflation	Current	2007(e)
Ireland	4.40%	5.50%
Euro Zone	1.90%	2.10%
UK	2.70%	2.90%
US	2.00%	1.20%

10 Year Bond Yields	Current	2007(e)
Ireland	4.01%	3.65%
Euro Zone	4.01%	3.65%
UK	4.81%	4.50%
US	4.69%	4.35%

## Bund Comment

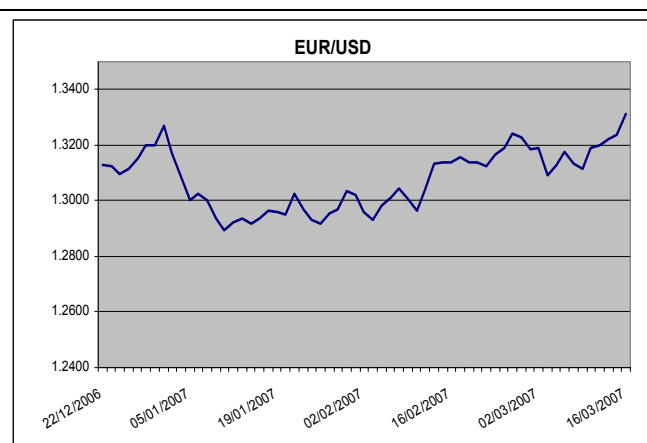


### Comment:

European government bonds fell as traders added to bets the European Central Bank will keep raising interest rates this year and as equity markets in Asia and Europe rallied, crimping demand for debt. The yield on benchmark 10-year bunds rose from the lowest this year, touched last week after the drop in global stock markets stoked demand for the safest assets.

Speculation persists that ECB President Jean-Claude Trichet, who addresses the European Parliament March 21, may reiterate the fastest economic growth in six years increases inflation risks and may require higher rates in the Euro region. We continue to believe however that 4% will be the top of the rate cycle for this year.

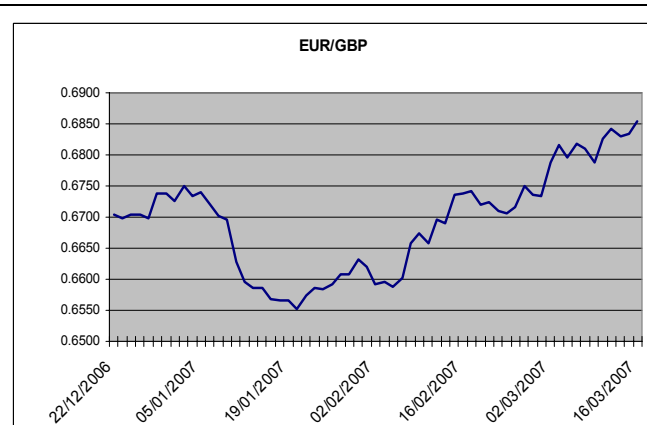
## Currency Comment



### Comment: EUR/USD

The dollar fell to a three-month low last Friday, against the Euro weighed down by concerns the growing crisis in the U.S. sub prime mortgage market could spread and curb economic growth. Last week's U.S. data include retail sales, Empire state manufacturing survey and Philadelphia Fed manufacturing index, indicates a clear U.S. economic slowdown. With last Friday's batch of economic data out of the way, the market will turn its focus to a Federal Reserve policy meeting this week. While U.S. economic data have been mixed lately, the housing sector continues to be a wild card for investors. Gains in the dollar may be limited by speculation U.S. reports will show sales of existing homes dropped and construction of new ones stayed near a nine-year low last month.

We look for the Euro to continue to strengthen against the USD as sentiment towards the USD continues to wane. However gains may be limited as the Euro approaches the previous high from last November of 1.3365. A break of this level however could see significant further upside towards the 1.35 level.



### Comment: EUR/GBP

Last week's data in the U.K. was generally bullish for the sterling but not overly so to convince most investors that Bank of England would have another rate hike anytime soon. The producer price index and labour cost continued to increase slightly above expectations but RICS housing survey showed a small decline. This week investors are expecting the consumer price index and retail sales reading to be bullish on the sterling. And the BOE minutes will provide further clues to the current thinking of the central bankers. Investors will particularly focus on the vote count to get an idea of the overall hawkishness of the MPC members.

We continue to like GBP against EURO as we believe the BoE will be forced to rise rates at least one more time as short-term inflation continues to be an issue.

## Corporate Credit Markets

Rating-5 Yr Bonds	Sample Names	Dec 2005 Yield	Current Yield	
AAA	Rabobank	3.65%	4.01%	<p>High yield credit markets widened this week from 203bps to 230bps mid-week only to tighten back by the end of the week to 224bps. Investment grade spreads also widened, from 22bps to 25bps, 12%. The credit market is seeing volatility but low trading volumes as investors wait and see where spreads will land. US macro data continues to be the most important determinant of near-term sentiment, as well as Mr. Greenspan's intermittent verbal nudges to these nervous markets.</p> <p>*ITRAXX is an index of the 125 most liquid investment grade corporate names in the European market</p>
AA	Deutsche Bank	3.95%	4.20%	
A	Tesco	3.83%	4.14%	
BBB	MKS	5.30%	5.75%	
BB	Royal Caribbean Cruise lines	5.73%	5.89%	

### Sector Movements in week ended 16/03/2007:

- Automotive:** Tighter in the sector for the most part – this week the European February car sales figures were released showing an overall 2.5% drop in car registrations, however the decline was led by Renault which saw sales fall 12%, but still managed to see spreads tighten 2bps over the week. Peugeot also tightened 1bps despite seeing sales fall 5% in February, while VW tightened 1bps after reporting a 1.4% increase in sales in February. Elsewhere BMW saw spreads remain unchanged despite seeing a 9.9% drop in car sale. The winners in February car sales were Toyota +13%; Fiat +6.5%; and Ford +4.5% fuelled by sales of Volvo cars. GM and Ford had a volatile week, Ford selling the Aston Martin division and GM announcing improvements in operating losses for the FY 2006, however exposure to the sub-prime market in the US, via the GMAC subsidiary caused some concern but investor concerns are mitigated by the fact that GMAC's mortgage operations are well diversified.
- Building materials:** Quiet for the most part in the sector – the only mover was Heidelberg, which widened 2bps. Elsewhere LaFarge, Saint Gobain and Pilkington were unchanged. Saint Gobain was resilient this week despite an EU probe into price fixing allegations at its glass business.
- Chemicals:** Quiet in the sector – both Bayer and BASF were unchanged over the week. Bayer, this week, announced price increases to offset higher raw material and input costs. Linde was 1bp wider this week despite completing the sale of a unit of the company faster than expected and at higher price than projected.
- Airlines:** Mixed in the sector - Lufthansa widened 1bp this week while British Airways widened 5bps on what is likely concerns over the effects of the Open Skies agreement. Each BAE Systems, BAA, and Rolls Royce was unchanged.
- Food/Beverages:** Wider in the sector – Cadbury's widened 8bps this week on reports that the company, under pressure from certain shareholder groups, was dividing the business into soft drinks and confectionary, thereby increasing the likelihood that one or both divisions would be taken private. Diageo widened 1bps this week on ongoing rumours that the company is interested in acquiring Absolut Vodka. Compass was also 3bps wider this week, continuing a steady climb that has seen spreads increase 11bps (27%) since late January.
- Telecoms:** Wider across the board in telecoms – BT was 3bps wider after the CEO reiterated his pledge to use cash to increase dividends; make share buybacks and small acquisitions. Deutsche Telecom was also 3bps wider after the Russian Telecommunications Government Minister commented to a German newspaper that Russia was interested in acquiring a stake in DT. Vodafone was also wider, 2bps over the week, after Vodafone and Essar reached an agreement that will pave the way for Vodafone to acquire a 67% state in India's mobile operator, Hutchison Essar.
- Retail:** Very volatile in the sector – a busy week for retail names with buyout rumours in almost every name. Morrison's +8bps (15%) on speculation that this is the next likely LBO candidate. Sainsbury's widened another 16bps (15%) leaving the spreads 400% wider compared to the end of January; Dixon's +7bps (14%); Kingfisher +19bps (29%) on very high trading volumes and Boots +86bps (400%) in one week. Tesco was unchanged.
- Media:** Wider for the most part – EMI was the biggest mover, +23bps, on reports in The Times that Warner Music was considering increasing their bid from 260p (rejected) to 280p. WPP moved 1bps tighter after the rating outlook was revised from stable to positive by Moody's. WPP reported improved operating performance in 2006 and stronger overall debt metrics. BSkyB and Reuters were unchanged.

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