



March 21, 2006

Contact Details:

Email : research@dsl.ie
info@dsl.ie

Tel : +353 1 633 3800
Fax : +353 1 677 4708

EQUITIES	Close	Change	% +/-	P/E '06	YTD
ISEQ	8018 ↑	41	0.52%	11.0	8.88%
FTSE 100	5992 ↓	-8	-0.13%	13.5	6.64%
DAX 30	5903 ↑	20	0.35%	15.0	9.14%
DOW	11275 ↓	-5	-0.05%	19.5	4.56%
NASDAQ	2314 ↑	8	0.33%	15.6	4.93%
S&P	1305 ↓	-2	-0.17%	21.0	4.83%

CURRENCIES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.2140	0.6925	141.4700
Dollar	1.2140	1.0000	1.7524	116.5400
Sterling	0.6925	1.7524	1.0000	204.2400
Yen	141.4700	116.5400	204.2400	1.0000
Oil (Nymex)	60.4200			

This Week's Research
British Land

Today's Research
Aviva

Today's Recommendation

Breaking News

Wolseley results reflect strong US performance

Building and plumbing supplier Wolseley posted first-half pretax profit towards the bottom of expectations and said that its U.S. performance was expected to remain favourable. Pretax profit rose 17.1 percent to £359.8m, compared to £297.5m the year before, as group sales rose 22.3 percent to £6.7bn. Forecasts for pretax profit for the six months to end-January had ranged between 355m and 379m. Trading profit rose by 39 percent in North America but was marginally lower in Europe, reflecting the more difficult market environment in the UK and restructuring in France.

Overnight comments from Bernanke

Federal Reserve Chairman Ben Bernanke offered conflicting signals on interest rates but said the US economy should keep growing at a brisk pace even if the housing market slows. The new Fed chief said late on Monday it was difficult to say why long-term rates were at such low levels and he outlined competing scenarios on what that meant for short-term rates. But Bernanke also told a gathering in New York that U.S. growth was likely to stay strong due to solid consumption. One factor Bernanke raised, but downplayed, was that large foreign holdings of U.S. Treasury debt were pushing yields down. Bernanke said this was not the only, or even the dominant, explanation for recent market behaviour.

Kingfisher hit by disappointing performance at B&Q

Kingfisher has reported an expected 33 percent slump in full year pretax profit, amid challenging trading conditions at its B&Q DIY chain in the UK. The group also warned that the UK home improvement market has continued to weaken into 2006. Sales of high-priced projects such as kitchens, bathrooms and bedrooms have been the worst hit. Kingfisher said 2005 was the weakest DIY market in Britain for more than 10 years. B&Q's retail profit sank 52 percent to £208.5m, impacted by lower sales, stock clearance, aggressive price discounting and higher costs.

Aviva (£8.48) Pru offer could put Aviva in play Stuart Draper

- **Aviva offer :** The end result of Aviva's failed takeover over for Prudential of £7.08 per share could be that Aviva itself ends up in play. This is because the offer confirms Aviva's ambitions of building a global and US presence, admits that its would like to improve its growth prospects, and Aviva's European exposure may also be of interest to AIG or AXA.
- **Prudential rejection :** The current Pru offer would appear to have a low probability of success given that Prudential's board has rejected the offer as "unwelcome", Aviva has ruled out making a hostile bid, and with total synergies limited to c.6% of the combined market cap, any offer over £7.65 would likely be value-destructive for Aviva. As a result, given Aviva's strong M&A track record, it is most likely to walk away now.
- **In play :** However, several examples from the bank sector within the past 10 years show that when a UK financial demonstrates that is open to doing a transformational deal, it ultimately ends receiving a takeover approach itself.
- **History repeats :** The end result of Abbey National's bid approach to Bank of Scotland, which was similarly initially publicly rebuffed, was that Lloyds TSB then made a takeover bid for Abbey National, which was only prevented from happening by concerns of the UK Trade & Industry Secretary over market share in current accounts.
- **Further activity :** Similarly, both Bank of Scotland and NatWest were subsequently taken over themselves soon after making risky major takeover bids. NatWest was taken over by Royal Bank of Scotland, soon after it made a risky takeover bid for Legal & General, and Bank of Scotland was taken over by Halifax, soon after it made a risky takeover bid for NatWest. Therefore, one potential eventual outcome of Aviva's approach to Prudential last week could be a takeover approach to Aviva by one of the large global insurance groups such as AIG or AXA.
- **Stand-alone value :** However, even on a stand-alone basis, Aviva's share price would appear to have further upside potential. Given that Aviva's 2006 return on embedded value of 16.8% is 21% stronger than the UK sector average of 13.9%, our view is that its price to embedded value (EV) should trade at a similar premium to the UK sector. Therefore, our new upgraded 12 month price target for Aviva of £9.50 (12% further upside), is based on 1.8x 2006 EV per share of £5.30. Aviva's share price has risen by 21% since our BUY note of 23/12/05 : **BUY**.

Business Press

- Babcock, Eircom close to deal on due diligence (IT)
- Eirx in deal on drug manufacture (IT)
- Brown to announce strategy to boost City (FT)
- Tesco eyes Indian retail joint venture (FT)

Investment Press

- **Prudential/Aviva:** While acquisition mania has gripped continental Europe, Aviva's proposal to spend £17bn on Prudential is the first UK-backed acquisition in excess of £10bn since 2002, according to Dealogic.



DOLMEN SECURITIES

Disclaimer: The information in this document has been obtained from sources, which we believe to be reliable. We cannot guarantee its accuracy or completeness. It does not constitute a solicitation for the purchase or sale of any investment. Any person acting on the information contained in this document does so at their own risk. Recommendations in this document may not be suitable for all investors. Individual circumstances should be considered before a decision to invest is taken. Investors should note the following: Past experience is not necessarily a guide to future performance. The value of investments may fall or rise against investors' interests. Income levels from investments may fluctuate. Changes in exchange rates may have an adverse effect on the value of, or income from, investments denominated in foreign currencies. Dolmen Securities is a Member Firm of the London Stock Exchange, and is authorised by the Financial Regulator under the Investment Intermediaries Act 1995. Dolmen Stockbrokers is a Member Firm of The Irish Stock Exchange, The London Stock Exchange, and is authorised by the Financial Regulator under the Stock Exchange Act 1995. Dolmen Stockbrokers is regulated by the Financial Regulator as a Mortgage Intermediary.

DOLMEN SECURITIES → Website : www.dolmenstockbrokers.ie

Dolmen House, 4 Earlsfort Terrace, Dublin 2, Ireland.
45 South Mall, Cork, Ireland.

• Tel : +353 1 633 3800
• Tel : +353 21 422 2122

• Fax : +353 1 677 7044
• Fax : +353 21 422 2123

• Email : info@dsl.ie
• Email : cork@dsl.ie

Disclosures

This report has been prepared by Dolmen Stockbrokers ('Dolmen') for information purposes only 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 judgement 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 issuers(s) in advance of publication.

Past performance is not necessarily a guide to future returns. The value of investments and the income from them can fall as well as rise. 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. Investors may not necessarily recoup the full value of their original investment. Investors should be aware that forwarding looking statements and forecasts may not be realised.

This report 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.

Dolmen Securities is a Member Firm of the London Stock Exchange, and is authorised by the Financial Regulator under the Investment Intermediaries Act 1995. Dolmen Stockbrokers is a Member Firm of The Irish Stock Exchange, The London Stock Exchange, and is authorised by the Financial Regulator under the Stock Exchange Act 1995. Dolmen Stockbrokers is regulated by the Financial Regulator as a Mortgage Intermediary.

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 issuers they publish research, views and recommendations on and accordingly analysts involved in the production of this report may own stocks in a company covered in it. Any own account staff trading is undertaken in strict compliance with Dolmen's own account internal rules and 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.

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.