



May 20, 2007

Contact Details:

Email : research@dsl.ie

Tel : +353 1 633 3800
info@dsl.ie Fax : +353 1 677 4708

| EQUITIES | Close | Change | % +/- | P/E '07 | YTD |
|----------|---------|--------|-------|---------|--------|
| ISEQ | 9668 ↑ | 90 | 0.94% | 14.1 | 2.76% |
| FTSE 100 | 6641 ↑ | 62 | 0.94% | 13.2 | 6.75% |
| DAX 30 | 7608 ↑ | 108 | 1.44% | 14.2 | 15.32% |
| DOW | 13557 ↑ | 80 | 0.59% | 15.2 | 8.77% |
| NASDAQ | 2558 ↑ | 19 | 0.75% | 26.1 | 5.93% |
| S&P | 1523 ↑ | 10 | 0.66% | 15.9 | 7.36% |

| CURRENCIES & RATES | Euro | Dollar | Stg | Yen |
|--------------------|---------|--------|--------|----------|
| Euro | 1.0000 | 1.3441 | 0.6828 | 163.3700 |
| Dollar | 1.3441 | 1.0000 | 1.9685 | 121.5400 |
| Sterling | 0.6828 | 1.9685 | 1.0000 | 239.2200 |
| Interest Rates (%) | 3.7500 | 5.2500 | 5.5000 | 0.4800 |
| Oil (Nymex) | 64.9400 | | | |

This Week's Research

**Today's Research
ICADE**

Today's Recommendation

Breaking News

Elan and Wyeth seek approval for phase 3 trials

Elan and Wyeth of the United States announced today they are planning advanced trials of a drug to combat Alzheimer's, the incurable brain disease that afflicts more than 20m people worldwide. The pharmaceutical companies are seeking regulatory approval to begin advanced "phase 3" trials of bapineuzumab, which they hope will eventually be used to stop the memory loss and dementia symptomatic of Alzheimer's. Both companies said they plan to begin advanced studies in the second half of 2007 several months ahead of their previous target but do not expect to announce results from their current mid-stage, "phase 2" trials until 2008.

Further trouble with INWS bid for Australia's APN

Two key shareholders in Australia's APN News & Media said today they will vote against a Aus\$2.8bn private equity bid led by Independent News & Media. If rejected, the INM-led consortium, which includes The Carlyle Group and media specialist Providence Equity Partners, will join a growing list of private equity bidders thwarted by unimpressed Australian shareholders. In a statement to the Australian Stock Exchange, Sydney-based Perpetual Investments, which has nearly 15% of APN shares, said it would reject INM's A \$6.20 a share offer, without giving a reason. Perpetual fund manager John Sevier said earlier this year that a previous A\$6.10 a share offer was inadequate. Australian Foundation Investment Company fund manager Ross Barker said he will also vote his 1.7% stake against the offer, labelling the bid as too low.

UniCredito seals €22bn takeover of Capitalia

UniCredito's planned takeover of Capitalia may come as a disappointment to some of ABN Amro Holdings suitors who might have used the Dutch bank's 7.7% stake in Capitalia to gain a foothold in the Italian banking market. ABN Amro has not yet confirmed plans for its Capitalia shares but it is thought a sale is likely and could reap ABN some €200-300m. But he also sees the Italian banking market as 'interesting' for other European banks because of its fragmented nature and potential for growth.

ICADE (€60.37) BUY sub €59 Stuart Draper

- Strong performance : Icade was floated on the Paris Bourse on 12/04/06 at a share price of €27.90. The company is the real estate division of French state-owned bank, La Caisse des Depots et Consignations. The very strong share price performance over the past 12 months has been primarily driven by the revaluation upside of the group's residential assets.
- NAV growth : The group's NAV per share grew by 25% from €30.35 as at 31/12/05 to €37.97 as at 31/12/06. Further 20% per annum NAV per share growth is forecast over the next 3 years implying NAV per share of €45.56 as at 31/12/07. Our initial 12 month price target of €65 is based on this 2007 year end liquidation NAV of **€45.56**, combined with the residential under-valuation upside of **€5.77** per share and the additional capacity upside of **€13.23** per share explained below.
- Residential under-valuation : The group's residential division represents c.40% of the overall NAV per share as at 31/12/06 of €37.97. This was valued in 2006 at €720 psm using a DCF valuation method. However, such a valuation method undervalues property assets as it values vacant properties at zero and as it undervalues properties when cash flows are weak as a result of maintenance work being carried out.
- Market values : This under-valuation is shown by the market prices achieved by ICADE from the properties sold in 2006. The 227 residential units sold separately achieved €1,771 psm and the 553 sold in a block purchase achieved €671 psm, generating an average weighted valuation achieved of €991 psm, 38% higher than the DCF valuation of €720 psm. This creates potential further upside of **€5.77** per share.
- Additional capacity : The other major upside potential within the residential portfolio is from an increased floor area ratio. Icade owns a residential portfolio with a surface area of 2.6m square metres (sqm) built on more than 600 hectares of land, for a current floor area ratio (FAR) of 0.43. According to the company, average FAR of 0.7 could be achieved, creating additional capacity of 1.6m sqm. With an estimated average market price for such residential property estimated to be €3,274 psm and an average construction cost of €2,500 psm, this creates potential further upside of **€13.23** for each of the 93.62m shares in issue, which together with the €5.77 per share explained above and the €45.56 2007 year end NAV provides the bases for our 12-month price target of €65 : **BUY**.

Business Press

- High oil prices remain a concern (IE)
- Emerging markets set record IPO pace (FT)
- Siemens pins its hopes on outsiders to rebuild morale (FT)

Investment Press

Failed private equity bids: As well as developing a heady disregard for risk, markets are now ignoring actual disappointment, too.

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DOLMEN SECURITIES → Website : www.dolmenstockbrokers.ie
 75 St. Stephen's Green, Dublin 2, Ireland.
 45 South Mall, Cork, Ireland.
 Theatre Court, Mallow Street, Limerick, Ireland

• Tel : +353 1 633 3800 • Fax : +353 1 677 7044
 • Tel : +353 21 422 2122 • Fax : +353 21 422 2123
 • Tel : +353 61 436 500 • Fax : +353 61 436 599

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



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