



July 24, 2006

Contact Details:

Email : [research@dsl.ie](mailto:research@dsl.ie)  
[info@dsl.ie](mailto:info@dsl.ie)

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

EQUITIES	Close	Change	% +/-	P/E '07	YTD
ISEQ	7381 ↓	-90	-1.20%	11.0	0.23%
FTSE 100	5720 ↓	-51	-0.89%	12.4	1.80%
DAX 30	5451 ↓	-95	-1.71%	15.0	0.79%
DOW	10868 ↓	-60	-0.55%	19.5	0.79%
NASDAQ	2020 ↓	-19	-0.93%	15.6	-8.39%
S&P	1240 ↓	-9	-0.71%	21.0	-0.38%

CURRENCIES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.2637	0.6823	147.3800
Dollar	1.2637	1.0000	1.8521	116.6200
Sterling	0.6823	1.8521	1.0000	215.9700
Yen	147.3800	116.6200	215.9700	1.0000
Oil (Nymex)	74.4300			

## This Week's Research

## Today's Research HBOS

## Breaking News

### Vodafone KPIs in line

Vodafone added a net 4.5 million new customers in its first quarter, in line with expectations, and reiterated its forecasts for full-year revenue growth and profit margins. The company said on Monday its customer base stood at 186.8 million at June 30. Vodafone had been expected to add a net 4.4 million customers in the first quarter. The company expects full-year organic revenue growth in the 5 to 6.5 percent range, with EBITDA margins seen around 1 percentage point lower than the previous financial year. Organic mobile revenue increased 6.4 percent in the first quarter. Some of the group's largest shareholders are planning to vote against the reappointment of Chief Executive Arun Sarin at Tuesday's AGM.

### Sterling Energy trading update

Sterling Energy said today that its performance in the first six months of 2006 had been "materially better" than in the same period of last year. The company said in a trading update that average daily production rose by in excess of 150 percent in the period to more than 25 million cubic feet of gas equivalent per day. Sterling Energy said it would announce its first half results on September 22.

### Waterford Wedgwood open offer completed

Waterford Wedgwood announces that the 3 for 13 Open Offer of 1,003,946,503 shares at €0.06 per share to raise approximately €60.2 million closed at 11.00 a.m. on 19 July, 2006. It is expected that admission of the new shares to the Official Lists will become effective and that dealings in respect of the shares will commence on today. The number of shares in issue following the completion of the Open Offer is 5,354,436,228.

## Business Press

- Call to end quarterly guidance 'obsession' (FT)
- Kingfisher plans B&Q facelift (FT)
- MTV in play for MySpace generation (FT)

## Breaking News

### HBOS (£9.37) Results tomorrow week Stuart Draper

- H1 results : Tomorrow week, 1st August, HBOS will announce its results for the 6 months ended 30/06/06. Profit before tax and earnings per share of £2.5 bn and 49p respectively are expected, representing year on year increases of 11% and 16%. Such double digit earnings growth will be driven by an increased share of net mortgage lending (c.17%), from the 11% of H2 2005, combined with strong investment product sales.
- Savings growth : Strong investment product sales are continuing across all channels, and general insurance sales are being helped by growth in household insurance sales particularly. HBOS has a greater than average exposure to UK investment product sales as a result of its ability to distribute to high net worth customers through its St James Place subsidiary, and as a result of its strong position in the UK group pensions market. HBOS' insurance and investment profit growth is expected to accelerate from 7% for 2005 to 9% for 2006 to 11% for 2007.
- Low risk : Credit quality at each of HBOS' lending businesses is expected to have remained robust, with broadly stable margins and cost management also helping to generate continued strong earnings growth. HBOS remains comfortable with consensus current year eps of 94.9p, representing year on year growth of 12%, implying that the shares are still only trading at 9.9x 2006 earnings.
- Buyback support : Downside risk for the share price is also limited by the bank's share buyback programme. This has been set at £750m for 2006, as was initially the case for last year's £1 bn share buyback programme, with £447.4m spent so far this year buying back 46.3m shares for cancellation.
- New leadership : One reason why next week's H1 results' announcement results could be a possible positive catalyst for the share price is that it will be the first results' announcement after Andy Hornby has fully taken over as the bank's new CEO, following James Crosby's departure. This could result in Hornby announcing some new growth targets for the bank, which could re-invigorate some institutional investor interest.
- Attractive upside : Our current 12 month price target of £10.50 (12% upside) is based on 10x 2007 eps of £1.05, and investors will also be paid a dividend yield of c.4.2% for waiting for this upside to be achieved. One third of this full year dividend (c.12p per share), is likely to go ex by mid August (10th August last year), providing an interim dividend yield of 1.3% : **BUY**.

## Investment Press

- Earnings guidance: Doing the right thing is never easy, especially when few others join in. This makes the latest signs all the more encouraging, that giving detailed quarterly earnings guidance is losing its appeal.



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](http://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](mailto:info@dsl.ie)  
Email : [cork@dsl.ie](mailto: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.