



October 26, 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 '07	YTD
ISEQ	8540	↑ 4	0.04%	11.0	15.97%
FTSE 100	6215	↑ 32	0.52%	12.4	10.60%
DAX 30	6265	↑ 17	0.28%	15.0	15.84%
DOW	12135	↑ 7	0.06%	19.5	12.54%
NASDAQ	2357	↑ 12	0.50%	15.6	6.86%
S&P	1382	↑ 5	0.35%	21.0	11.02%

CURRENCIES & RATES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.2652	0.6719	150.2100
Dollar	1.2652	1.0000	1.8830	118.7100
Sterling	0.6719	1.8830	1.0000	223.5400
Interest Rates (%)	3.2500	5.2500	4.7500	0.4800
Oil (Nymex)	61.4000			

This Week's Research
BG Group
BP
Elan

Today's Research
INWS

Today's Recommendation

INWS (€2.55) Makes approach to APN Stuart Draper
Target : €2.75 (06/10/06 ; previously €2.60, issued 12/06/06)

- **APN approach** : Independent News & Media (INWS) has announced that, in conjunction with Providence Equity Partners and other private equity providers, that it has approached the Board of APN regarding a possible leveraged buy-out of APN. The approach is subject to the implementation of the new media laws in Australia, and follows last week's purchase by News Corp of a 7.5% stake in Australia's number 2 newspaper group, Fairfax, and Seven Network's purchase of a 14.9% stake in West Australian Newspapers Holdings.
- **New structure** : Reports suggest an offer of A\$6.02 per share for APN, valuing the company at A\$3.8 bn. This would value APN at 18.2x current year earnings, versus the 20.7x paid by both News Corp and Seven Network. INWS, which currently owns 41% of APN, intends to reinvest sufficient proceeds from the offer to retain a 40% interest in APN. However, this change means that APN will now be accounted for as an associate company of INWS rather than a subsidiary, implying that APN's debt of €470m will disappear off the INWS balance sheet.
- **New capital** : As a result of the new private company being a leveraged vehicle, it will only be necessary for INWS to reinvest a fraction of the proceeds to retain its 40% interest. Even though the debt equity split of the private company has not been disclosed, it has been estimated that the deal will release c.€400m of cash for INWS, in addition to APN's debt of c.€470m disappearing off the INWS balance sheet.
- **High yield** : The deal will also enable INWS to takeover the management of APN, which may create the potential for further synergies. In addition to accelerating INWS' expansion through further bolt-on deals, the new surplus cash means that further growth in the group's dividend can be relied upon, including perhaps the payment of a special dividend. INWS is already paying the attractive current year yield of c.4.7%.
- **Further upside** : INWS' stronger than sector average earnings growth also warrants a premium valuation, even though at 13.1x consensus 2007 eps of 19.4c, the shares continue to trade in line with the current European newspaper sector average of 13x. Our new 12 month price target of €2.75 (8% further upside) is based on 14.3x 2007 eps of 19.4c, which rates the shares at a deserved 10% premium to the current sector average : **BUY**.

Breaking News

Aviva 9 months sales up 18%

Aviva, the U.K.'s largest listed insurer, increased its total long-term savings new business sales by 22% in Q3 on growth in life and pensions and investment sales. The company announced that it achieved total sales of £22.7bn, up from £18.6bn in the same period of 2005. The overall increase reflects growth in life and pension sales of 18% to £19bn from £16.2bn. Investment sales rose 54% to £3.6bn from £2.3bn. Aviva's total long-term savings sales grew by 39% to £10.5bn from £7.5bn and have already exceeded the figure for 2005. Growth reflected strong sales through both the intermediary channel and Aviva's joint venture with Royal Bank of Scotland. Aviva International's total long-term savings new business sales rose 11% to £11bn on expansion in key markets.

Royal Dutch Shell Q3 results

Royal Dutch Shell today posted a 4% fall in Q3 replacement cost net profit to \$6.9bn but underlying profit jumped sharply to beat even the highest forecasts. The replacement cost net profit fall was due to the Q3 of 2005's earnings being boosted by divestment gains of \$1.7bn. Stripping out one-off items such as asset sales and accounting adjustments, underlying profit rose to \$7.0bn in Q3 from \$5.8bn in the same period last year. The earnings surprise was partly due to stronger-than expected Q3 production, which was 3.25m barrels of oil equivalent per day (boepd). This was the same level as last year and well ahead of an average forecast of 3.146m boepd. Refining profits also came in much stronger than expected, rising around 25%, excluding inventory gains, despite lower margins.

Thirdforce announces new 3 year deal

Yesterday ThirdForce announced it has won a three-year contract, worth £700,000, to provide e-learning based training materials to Care U.K., a supplier of care and support services. The contract was won by ThirdForce's recently acquired subsidiary, Creative Learning Media (CLM). Under its new contract, CLM will deliver training to Care U.K. in areas including the protection of vulnerable adults, patient care, infection control, food hygiene and health and safety.

Business Press

- Fed resists raising interest rates (IE)
- Diageo may bid for Aussie drinks firm (IE)
- Vodafone revamps with Musiwave deal (FT)

Investment Press

- **Boeing**: It is far too early to count out Airbus altogether. That, at least, is one interpretation of Boeing's unexpectedly subdued profit forecasts for next year

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.



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. Stuart Draper and Owen Turner are responsible for the production of this report. Stuart Draper is Head of Research and Owen Turner is an equity analyst.

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.