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EQUITIES	Close	Change	% +/-	P/E '07	YTD
ISEQ	7395	↑ 5	0.06%	11.0	0.42%
FTSE 100	5877	↑ 26	0.44%	12.4	4.60%
DAX 30	5583	↑ 17	0.31%	15.0	3.23%
DOW	11103	↓ -1	-0.01%	19.5	2.96%
NASDAQ	2070	↓ -3	-0.17%	15.6	-6.12%
S&P	1268	↓ 0	-0.04%	21.0	1.88%

CURRENCIES & RATES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.2734	0.6847	147.7300
Dollar	1.2734	1.0000	1.8591	115.9300
Sterling	0.6847	1.8591	1.0000	215.6300
Interest Rates (%)	3.3200	5.5250	4.9900	0.4800
Oil (Nymex)	73.9400			

## This Week's Research

HBOS  
CNG Travel  
Vodafone

## Today's Research

GSK

## Breaking News

## Breaking News

### Legal & General H1 results

Legal & General has shown continued earnings momentum, reporting a 17% increase in first-half operating profit, driven by a strong new business performance in its core domestic market. Operating profit climbed to £560m from £477m in the first half of 2005. This was slightly lower than consensus expectations of £565m. The company's worldwide new business grew 37% to £896m from £652m. New U.K. life and pensions business was 16% higher at £496m from £426m, driven by growth in savings, individual protection and bulk purchase annuities.

### B&B profits hit by compensation

Bradford & Bingley said its net profit fell 48% in the first half after taking a £89.4m impairment charge for the misselling of endowment and investment products. But the bank also said it has had a successful first half in the U.K. housing and mortgage market and has a robust pipeline of business for the second half. Underlying profit before tax was up 9% to £164.2 m from £150.2m in the first half of last year. The figure was slightly above the consensus estimate of £162.4m. Earnings per share rose 8.8% to 18.6p from 17.1p a year ago, and the bank declared an interim dividend of 6.6p, up 10% from 6p a year ago.

### BT reports 24% rise in Q1 profits

BT has reported a 24% rise in first-quarter net profit due to strong growth in IT services and broadband. BT said net profit for the three months ended June 30 rose to £464m from £374m the previous year. Pretax profit before items rose 20% to £615m. Revenues rose 2.8% to £4.86bn. The results beat consensus expectations, which had forecast revenue of £4.8bn and pretax profit of £510m.

## GSK (£15.00)

## Q2 results

Owen Turner

- Q2 Results: Pretax profit for the three months to June 30, 2006 rose 14% to £1.897bn, slightly below consensus forecasts of £1.9bn, on sales up 11% to £5.81bn which were ahead of forecasts of £5.73bn. EPS of 23.p was marginally below the 23.5p expected. In pipeline news, GSK said that it plans to file breast cancer drug Tykerb, one of GSK's most promising pipeline drugs and seen as a potential blockbuster, with US regulators in the third quarter, and in Europe by the year end.
- Improved guidance: The company raised its full-year outlook, saying that it now expects earnings per share to grow 12%, which was below our expectation of 'mid-teens'. GSK had previously forecast that 2006 earnings per share would grow 10%. However in the subsequent conference call management highlighted that it viewed the guidance as 'fairly conservative'.
- Flu vaccine: The company said that it has just received outstanding efficacy data for its H5N1 pandemic vaccine. The company said initial data from clinical trials for the vaccine, which began in April, showed that it achieved a high immune response with a low dose of H5N1 antigen. GlaxoSmithkline expects to submit regulatory filings for the vaccine in the coming months.
- Product launches: GSK possesses one of the most exciting R&D outlooks in the sector. The next 12 months will see a host of key updates hitting the market, including 8 new products expected to enter Phase III development, 7 regulatory filings and 7 important product launches. These updates will keep sales forecasts ticking upwards over the course of 2006.
- Further upside: Given that the sector is currently trading at 19x 07 EPS we believe that no more than a 10% discount for GSK is appropriate to reflect its slightly slower than average earnings growth and therefore, our 12-month price target price of 1,650p is based on 17x 07 EPS of 97p. The strength of GSK's pipeline remains the key driver of our investment case, and we expect to receive further evidence of its positive impact on earnings over the coming months. **BUY**

## Business Press

- Ryanair announces new routes (IT)
- Petrel project in Iraq still on rack (IT)
- NTR seeks €150m for overseas expansion (IT)
- Shareholders approve Eircom's delisting and sale (IT)

## Investment Press

- Reuters: Reuters' interim results suggest the long suffering company has finally emerged from the emergency room. To celebrate, the board raised its dividend for the first time in five years. Investors, accustomed to expect very little, rewarded the group with its steepest one day share price gain in almost two years.



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