Morning Meeting Note

10 October 2007

jm finn Capital Markets

Code	HMS
Share Price	91p
Market Cap	£36m
Shares in Issue	40.0m
Next Results	March '08 (F)

Institutional Contacts

Analyst:

David Buxton 020 3207 3229

dbuxton@finncapitalmarkets.com

Hallin Marine*

The group has announced it has won a further contract to manufacture a sub sea SAT system for a 3rd party. This continues the strong news flow that has benefited the shares of late and confirms strong underlying fundamentals and our positive stance.

- **New contract win**. The group has announced that Singapore-based NOR Offshore Pte Ltd, a new customer, has ordered a 15-man four chamber SAT system for delivery in 3Q08, with a contract value of $3.5m (£1.75m). This is the group's second SAT manufacturing contract for a 3rd party.
- **Full manufacturing capacity until 3rd Quarter 2008**. The groups newly established manufacturing subsidiary (announced in recent Interim results – see note 18th September) has now effectively filled its capacity through until 3Q08, giving the group a full 12 month manufacturing visibility. Given the tight market supply situation in manufacturing SAT systems and high market demand we have confidence that Hallin will be able to fill capacity for the remaining last quarter of 2008 in due course.
- **Valuation**. We are not changing our forecasts at this stage, already factoring in £2.6m from asset sales in 2008. The current forecasts of EPS of 8.4p in 2007e followed by 9.3p in 2008e, place the shares on a rating of 10.8x followed by 9.8x, which appears a significant discount to most of its peer group in the oil services sector. We reiterate our fair value of 125p (being based on 13.5x 2008e earnings) which still gives significant upside to the shares.

Code	CBRY
Share Price close 9/10	600.5p
Market Cap	£12.64bn
Shares in Issue	2,105.0m
Next Results	Prelims 19th February 08

Institutional Contacts

Analyst:

Charles Pick 020 3207 3232

cpick@finncapitalmarkets.com

Cadbury Schweppes — HOLD

Cadbury's has formally abandoned efforts to sell the American Beverages operations which will instead be demerged in 2008. Elsewhere, news flow is positive with regard to both Q3 trading and the goal of attaining mid teens margins for confectionery by 2011.

- American Beverages is to be demerged via a NYSE listing but this process will take until Q2 of 2008. Both American Beverages and the ongoing Cadbury are to have efficient balance sheets as separate concerns hence an un-quantified return of capital to shareholders is likely at the time of separation.
- The goal disclosed on 19th June of upgrading the operating margin of the confectionery operations to the mid teens by 2011 via 15% reductions in global headcounts and factory numbers has rapidly commenced. One third of the headcount cuts (2,500 people) are already underway. The margin (pre central costs) from confectionery operations was 10.9% in 2006.
- Q3 trading at the confectionery operations has been exceptionally good: like-for-like sales growth at constant fx of 10%, compared to 6% in H1. This has given a 9 months gain of 7%. Whilst the UK Q3 run rate was flattered by the hot summer effect and the product recall in Q3 of 2006 (hence the +12% for the Britain, Ireland, Middle East & Africa or BIMA region), revenues in Europe are ahead by 10% and in the Americas by 14% with strong gum share gains key.
- Warnings on higher interest costs (short term debt cost rose by 50 bps in Q3) and fx movements (set to reduce 2007 earnings by 6-7%) are the sole negatives.

This research cannot be classified as objective under JMFinn Capital Markets Ltd research policy. Visit www.jmfinncapitalmarkets.com

The recommendation system used for this research is as follows. We expect the indicated target price relative to the FT All Share Index to be achieved within 12 months of the date of this publication. A 'Hold' indicates expected performance relative to this index of +/-10%, a 'Buy' indicates expected outperformance >10% and a 'Sell' indicates expected underperformance of >10%.

jmfinn
Capital Markets

4 Coleman Street
London EC2R 5TA
Tel 020 7600 1658
Fax 020 7600 1659
Email info@finncapitalmarkets.com
Web jmfinncapitalmarkets.com

JMFinn Capital Markets Limited is registered as a company in England with number 06198898. Authorised and regulated by the Financial Services Authority. member of the London Stock Exchange