DOLMEN STOCKBROKERS

Dolmen Daily

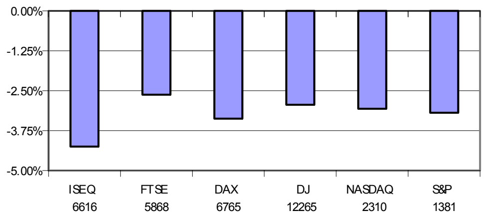
Wednesday 6th FEBRUARY 2008

DAILY COMPANY NOTE — BP Plc See page 2 for full details

Daily Market Comment

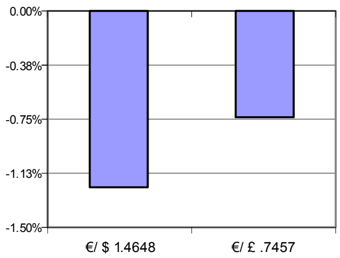
Yesterday's Summary : Global stock markets were hit yesterday as fears of US recession resurface. The ISEQ was drifting moderately lower in early trading. However the early release of the ISM data sent markets into a steep dive with the ISEQ closing down 294 points, or 4.4%, to finish at 6616. DCC and Readymix guided for lower than expected earnings, finishing 7.3% and 12% down respectively. Of the financials, Irish Life was worst hit, down a staggering 9.3% for the day at €10.40, while CRH saw its price drop 7.9%.
Overnight News : Asian markets plunged in overnight trading, taking its lead from a steep drop on Wall Street, after fears were sparked that the U.S. economy was sliding into a recession that would sap demand for Asian exports. In Hong Kong, the Hang Seng index dropped 1,339.24 points, or 5.4%, to close the half-day session at 23,469.46. Japan's Nikkei tumbled 4.7% to 13,099.24. Meanwhile, in Australia, markets dropped 3.2%, while India's Sensex was down 3%.
Breaking News: BHP Billiton has raised its offer for rival Rio Tinto to 3.4 shares of BHP for each Rio share, this is an increase of 0.4 shares. The revised offer is significantly below the amount paid by Chinalcoa for their 9% stake purchased last week, and its difficult to see Rio's management approving the offer. C&C have announced that they repurchased 600,000 ordinary shares yesterday at a price between €4.60 and €4.65. Avivia have posted increases in their 2007 life and pensions sales that are ahead of forecasted, but have warned that their general insurance profits are lower than expected due to summer floods in the UK.

Equity Index's change on day

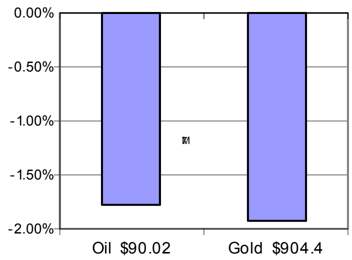


-4.24% -2.63% -3.36% -2.93% -3.08% -3.20%

Currency daily % change



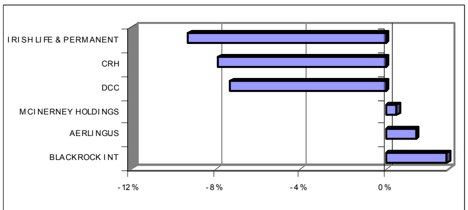
Oil/Gold daily % change



Paper Headlines

"AIB sent debt details to wrong customer" –**AIB**-(Irish Examiner)
"Sterling knocks €3m off DCC" –**DCC**- (Irish Examiner)
"Final stage of Fyffes legal battle to decide on payment" –**Fyffes** -(Irish Indepen)
"BP raises its dividend by 31%" –**BP**-(Financial Times)
"Northern Rock still in a hard place" –**Northern Rock** - (Irish Times)

ISEQ Performers/Losers



Market Themes and Movers

Central Bankers meet Wednesday: The BoE and ECB meet tomorrow to set their main interest rates, with the markets paying close attention to what the policymakers will say after the meetings. The BOE is expected to lower its rate further while the ECB rate will likely stay unchanged at 4%, although this is far from certain. The market is expecting a quarter percent rate cut from the BoE, but recent economic data has being particularly weak, with the result that a half percent cut is a possibility. The ECB are not expected to cut rates at this meeting, although two quarter percent cuts are priced in for later in the year. The market will be listening to Trichet's comments, paying particular attention to any departure from the recent trend of hawkish comments.
ISM disappoints: The surprise news that the ISM non-manufacturing business activity index tumbled to 41.9 in January from 54.4, well below forecasts, triggered a global sell off in equity markets yesterday. The latest ISM figures are the worst since the readings in the aftermath of the 9/11 terrorist attacks, which precipitated a US recession. In recent trading sessions, global equity markets had appeared to find support, leading some commentators to call the bottom of the market, however, the likelihood of a US recession and more Fed rate cuts is once more in focus.

Dolmen Squawk Box

This day six years ago, the ISEQ tumbled to a four-and-a-half month low as AIB announced details of a $750 million fraud probe.

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DOLMEN STOCKBROKERS

Stuart Draper **BUY**

DAILY COMPANY NOTE

BP Plc

Target	£5.90
Previous (03/12/08)	£6.50
Current	£5.43

FTSE

Oil & Exploration

Company Profile

The Group's principal activities are carried out through its Refining and Marketing, Gas, Power and Renewables, Exploration and Production, and Other Businesses and Corporate divisions. Refining and Marketing focuses on oil supply and trading as well as refining and petrochemicals manufacturing and marketing.

Fundamental view : BP has reported results for the 3 months ended 31/12/07. Underlying replacement cost net profit, which excludes changes in the value of inventories and exceptional items, of $4.002 bn, was lower than the consensus forecast of $4.455 bn, and was 1% lower year on year. However, a substantially higher Q4 2007 tax charge of $2,561m, versus $1,347m for Q4 2006, appears to have been the main difference with consensus. The group's Q4 2007 production of 3.907m barrels of oil equivalent per day was 2% higher year on year, the group's first production growth in 9 quarters. A significant restructuring plan to generate annual cost savings of c.$1.5 bn from 2009 was also announced by reducing staff numbers by 5,000 and by changing another 9,500 US service station staff into franchisees, resulting in a 15% overall reduction in staff numbers. However, the most important positive announcement for the BP share price was a 31% dividend increase and a future committment to favour dividends over buybacks, which demonstrates the group's strong cash generation.

Next catalyst : As a result, BP remains on course to pay a current year diviend yield of c.4.5%, paid quarterly, which pays investors for waiting for a further upward re-rating of the share price in 2008. Our view is that further evidence of the resumption of production growth in the Q1 2008 results' announcement on 29th April could be a catalyst for such a re-rating. Given the extent of its operations and the spread of its geographic risk, it is reasonable that BP should be rated at a 10% premium to the current energy sector average 2008 pe of c.9x. As a result, our current 12 month price target of £5.90 (9% further upside) is based on 10x 2008 eps of 59p. When combined with a current year dividend yield of c.4.5%, this provides an attractive further total return from current levels, with only minor downside risk.

Statistics

Price Performance

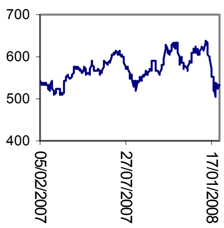


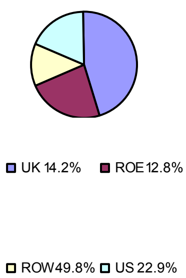
Chart view: BP
Support Primary: 528
Support Secondary: 500
Resistance Primary: 561
Resistance Secondary: 597

Stock has re-entered its longer-term trading range following a bounce off strong support at 500. The outlook only becomes negative if this support at 500 is breached.

Major Shareholders	%
Legal & General Investm	4.10%
M&G Investment Manag	3.34%
Barclays Global Investor	2.17%
Kuwait Inwestment Aut	1.86%
Standard Life Investmen	1.85%
Shares Outstanding	18,891.62

Peer Group Multiples.			
Company name	P/E 08	P/E 09	EPS Growth 08-09
BP Plc	9.1	9.1	9.09%
Royal Dutch Shell	8.5	8.7	-2.40%
Total SA	8.8	8.7	0.90%

Profit By Region



Share Data	
Current Price (p)	5.43
Mkt Cap (£m)	201,575
Reuters	BP.L
Bloomberg	/BP LN
Sector	Oil & Exploration
CEO	Byron Grote
CFO	Tony Hayward
Website	www.bp.com

Financial Data	2007	2008e	2009e
Revenue (£m)	146,253	152,925	143,447
PBT (£m)	16,000	17,682	17,071
EPS (p)	0.55	0.60	0.60
P/E(x)	9.9	9.1	9.1
DPS(p)	0.21	0.23	0.25
Yield	3.87%	4.24%	4.60%

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