



DAILY COMPANY NOTE — BT Group See page 2 for full details

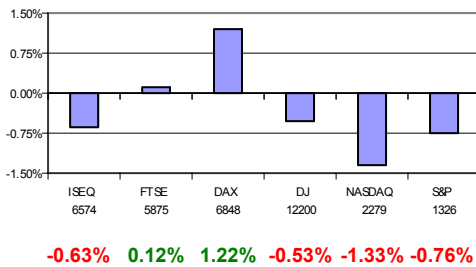
Daily Market Comment

Yesterday's Summary : The ISEQ closed down 42 points or 0.6% to finish at 6574 yesterday after a choppy trading session. CRH declined 77.5 cent to finish at €24.02 as concerns over US infrastructure spending continued to impact on the share price. Bank of Ireland was the lone decliner off the financials, down 21 cent or 2.1% to €9.59 on heavy selling. AIB closed up 1.4% at €14.70, Anglo up 20 cent to €9.85, and Irish Life gained 30 cent to close at €10.70. US markets finished weak, with poor results from retailer Macy's and technology giant Cisco setting the tone.

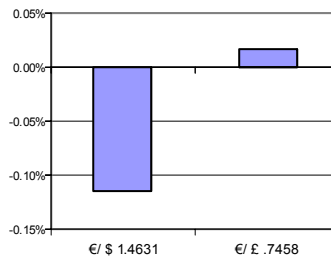
Overnight News : Japanese stocks rebounded in overnight trading after touching a two-week low. The Nikkei stock index rose 0.82% to close at 13,207.15 points. The index dropped 4.7% on Wednesday, and nudged below 13,000 in intraday trade today for the first time in two weeks. In Sydney, Australia's main index fell 0.23% to 5,596.7 points, while New Zealand's NZX 50 index lost 1.5%, the Indian Sensex dropped over 2% in Mumbai. Markets across much of Asia, including Hong Kong and South Korea, were closed for the Lunar New Year Holiday.

Breaking News: British Land announced this morning that their quarterly net asset value dropped 16.7% to 1,401 pence per share. The company also said that the worst was now behind them. Deutsche Bank has said that fourth quarter profit fell 48% on lower revenue from trading bonds and higher compensation costs. Irish Life CEO, Denis Casey, has said that Irish Banks are oversold at current levels. Easyjet has maintained profit forecasts for the coming year, higher fuel prices being offset by increased sales. Fyffes have announced pre-tax profit of €13.2mln for 2007 down from €19.1 from 2006.

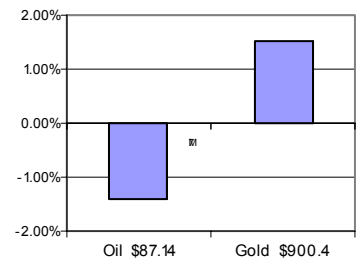
Equity Index's change on day



Currency daily % change



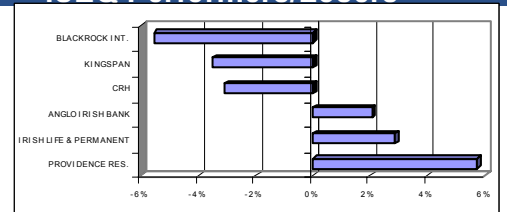
Oil/Gold daily % change



Paper Headlines

- "Ormonde shares plummet 30%" –**AIB**-(Irish Examiner)
- "BMW's cost cutting plan fails to impress" –**BMW** -(Financial Times)
- "S&P unveils ratings overhaul" -(Financial Times)
- "Rio Tinto rejects BHP's \$147bn offer" –**Rio Tinto**- (Irish Times)
- "Ryanair complaint set to be rejected" –**Ryanair** - (Irish Times)

ISEQ Performers/Losers



Market Themes and Movers

Oil steady after decline yesterday: Oil steadied this morning around the \$87 mark, as markets paused for breath after crude got pushed down to three and a half month lows yesterday on data showing much larger than expected increases in US energy inventories. The Energy Information Administration announced yesterday that crude stocks rose by 7mln barrels last week, gasoline climbed up by 3.6mln barrels while distillate inventory grew by 0.1mln barrels. Crude and gasoline increases were well ahead of forecasts. The unexpected spike in inventories implies oil consumption is declining as economic growth slows.

Platinum hits new high: Platinum hit a new record high in early London trade as ongoing concerns over South African supplies sparked investor demand. South Africa which supplies 75% of the global platinum market has been hit with ongoing electricity disruptions to the mining industry. The price of an ounce of platinum hit \$1,851.50 in morning trading, up 21% for the year so far. Gold has moved higher as well, benefiting from investors demands for a safe haven amidst the current economic turmoil. Spot gold is trading at \$908.43 per ounce up 8.9% since the start of the year.

Dolmen Squawk Box

This day three years ago, the ISEQ closed up 16 points to 6619 with strong performances from Bank of Ireland and Ryanair.



Dolmen Securities
75 St. Stephen's Green, Dublin 2, Ireland.
45 South Mall, Cork, Ireland
Theatre Court, Mallow St, Limerick, Ireland.

Website : www.dolmenstockbrokers.ie
Tel : +353 1 633 3800/1890 400 300
Tel : +353 21 422 2122
Tel : +353 61 436 500

E-mail: info@dsl.ie
E-mail: cork@dsl.ie
E-mail: Limerick@dsl.ie

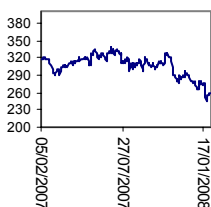
BT Group

Target 300p
Previous (11/10/2007) 340p
Current 246p
FTSE
Telecom
Company Profile

BT Group provides telecommunications services. The group provides local and long-distance telephone call products and services in the UK, international telephone calls to and from the UK, broadband network solutions and web hosting to corporate customers, network ADLS, ISDN, and IP services to communication companies.

Fundamental view : This morning, BT Group released results for its third quarter that were slightly light of expectations. BT posted a 2% rise in adjusted EBITDA to £1.47bn on revenue that rose by 1% to £5.15bn versus expectations of £1.48bn and £5.2bn, respectively. The group also reiterated that it expects to see continued growth in revenue, EBTIDA, EPS and dividends, along with a significant free cash inflow in the fourth quarter. New wave revenue showed a strong increase growing by 7% to £2bn and now accounts for 39% of group revenue, an increase of 1% from the second quarter. There were 511,000 broadband internet connections in the third quarter in the UK, with BT's retail share of those net additions at 177,000 equating to 35% of the market. BT remains the number one provider of broadband in the UK. BT said that at its Global Services division, which is the key driver of growth for the company, was making good progress, moving closer to its medium term EBITDA margin target of 15% increasing by over 1% to 10.9%. BT Group also pointed out that Global Services would continue to see a widening of EBITDA improvements and that the division had a very strong order intake of £1.9bn versus expectations of £1.6bn. The company also said that it was seeing no sign of an economic slowdown, from either business or consumer customers. A factor that has previously weighed on BT Group's share price has been in relation to its pension liabilities. For the third quarter, BT had a pension surplus of £700m compared with a pension deficit of £1.1bn at 31/01/2006. As part of the group's continued de-risking strategy the company has further reduced the size of its pension schemes' exposure to equities from 50% to 40%.

Next catalyst : BT Group currently trades at 9.5x 2009 EPS and an EV/EBITDA of 5x a steep discount to its peer group of 14x and 6.8x respectively. While we do believe the BT Group deserves to trade at a discount to its peer group due to its lack of international exposure we believe that a multiple of 12x would be more appropriate which generates our new 12-month price target of £3.00. Shares in BT Group also pay a current year dividend yield of 6.3% and the company still has £1.5bn of its share buyback program to complete.

Statistics
Price Performance

Chart view: BT Group

Support Primary: 236
 Support Secondary: 200
 Resistance Primary: 255
 Resistance Secondary: 270

Chart outlook is negative with series of bearish breakdowns. However, we traded down to this area on 22/23 January and managed a strong recovery. Stock needs to close above the 270 area to break out of its medium term downtrend and improve the outlook. Caution is warranted on a sustained move below longer term support in the 236 area.

Profit By Region


■ Traditional

■ NewWave

Major Shareholders	%	Peer Group Multiples			
		Company name	P/E 08	P/E 09	EPS Growth 08-09
Barclays Global	4.51%	BT Group	10.3	9.5	8.3%
Legal & General Inv't	4.42%	Vodafone	15.0	13.6	10.8%
Invesco Asset Mgt	4.07%	Deutsche Telekom	20.1	17.3	16.7%
M&G Investment	3.15%	France Telecom	11.4	10.5	8.5%
Morley Fund Mgt	2.11%				
Shares Outstanding		7,967.00			

Share Data	Financial Data	2007	2008e	2009e
Current Price (p)	Revenue (£m)	20,223	20,818	21,197
Mkt Cap (£m)	PBT (£m)	2,495	2,435	2,570
Reuters	EPS (p)	22.70	24.00	26.00
Bloomberg	P/E(x)	10.8	10.3	9.5
Sector	DPS(p)	15.10	15.54	16.42
CEO	Yield	6.14%	6.32%	6.67%
Finance Director				
Website				





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