



Thursday 8th May 2008

DAILY COMPANY NOTE — BP See page 2 for full details

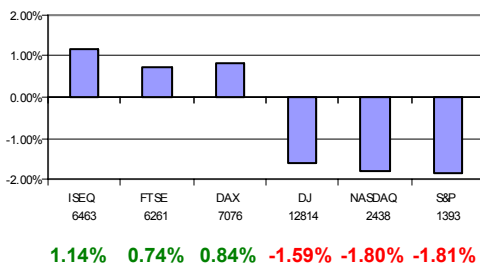
Daily Market Comment

Yesterday's Summary : Despite rising oil prices and weak euro zone retail data, the ISEQ finished in positive territory yesterday, climbing 1.14% to close at 6462.92. With Anglo Irish Bank releasing a very positive interim earnings report, Irish financials pushed the Irish exchange higher, with Anglo itself gaining 5.1% to close at €9.67. AIB advanced 1% to €14, while Bank of Ireland climbed 1.9% to €9.17. It was tougher day for CRH, which fell as much as 1.6% in early trading amid profit concerns relating to continuing dollar weakness. It did however end 0.25% higher at €24.07. Grafton shed 0.9% to €5.41 ahead of its AGM today.

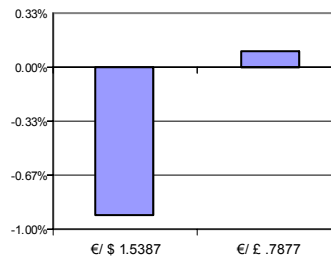
Overnight News : In Japan, the Nikkei 225 Stock Average finished down 1.1% at 13,943.26, after sharp losses on Wall Street overnight due to inflation fears triggered by record oil prices, weighed on local sentiment. In China, The benchmark Shanghai Composite Index closed up 2.17 percent at 3,656.84, on expectations that restructuring of the industry will begin soon.

Breaking News : Germany's HeidelbergCement, a peer of CRH, has said this morning it expects to boost sales and profit this year as it predicts the weakening North America market will be offset by eastern Europe and Asia. The world's third largest cement maker also said that the integration of British group Hanson helped first-quarter sales surge to over €3bn from €1.8bn a year earlier. Grafton have released their interim management statement and it said that group turnover in the four months to 30 April declined by 8% to €944m reflecting the adverse effects of the declining sterling and a weakening UK and Irish housing market. AerLingus have said that total passenger numbers grew by 4.2% in April compared with the same month last year. AIB's Polish subsidiary Bank Zachodni has posted a Q1 net profit of 243.1m zioty, a decline of 7% from last year, but ahead of expectations.

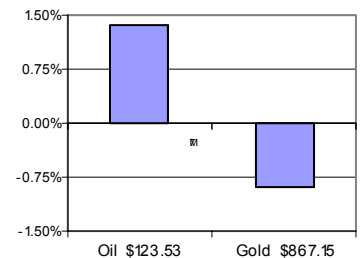
Equity Indices change on day



Currency daily % change



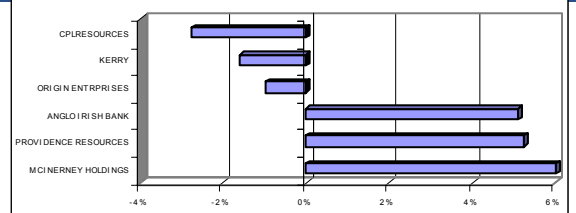
Oil/Gold daily % change



News

- "Anglo announces increases in share price, pretax profits"-**Anglo Irish**-(I.T)
- "CRH warns on falling profits in major markets"-**CRH**-(I.T)
- "Rate cuts are back on Euro agenda"-(Irish Independent)
- "**Providence Resources** buys oil wells worth €45m-(Irish Examiner)
- "Carlsberg results flat over takeover complications"-**Carlsberg**-(I.E)

ISEQ Performers/Losers 07/05/08



Market Themes and Movers

Bank of England Interest Rate Decision : The UK's nine-member Monetary Policy Committee, led by Mervyn King, will announce its latest benchmark interest rate decision at noon today and expectations are for borrowing costs to remain unchanged. Calls for a UK interest rate cut have intensified as UK house prices had their first annual decline in 12 years last month and growth in service industries slowed to a five year low. However, with inflation at 2.5% in March and forecasted to reach the government's upper limit of 3%, the Monetary Policy Committee is likely to keep to their strategy of only cutting rates every two months, which means leaving rates on hold at 5% today.

The European Central Bank Interest Rate Decision : The European Central Bank will also announce its latest interest rate decision today and with euro region consumer prices rising 3.3% in April from a year earlier, market expectations are for the ECB policy makers to leave European borrowing rates at their six year high of 4%. This is despite recent weak economic data which indicated that European retail sales were 1.6% lower in March from a year earlier, the most since 1995 and European executive and consumer confidence is at its lowest level in more than two years.



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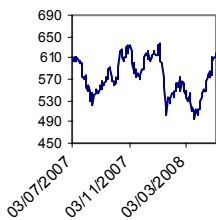
Target
£7.00
Previous (07/04/08)

£5.90
Current
£6.18
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 : The main news recently from BP was the announcement of very strong results for the 3 months ended 31/03/08. Underlying replacement cost net profit, which excludes changes in the value of inventories and exceptional items, of \$6.49 bn, was 26% ahead of the consensus forecast of \$5.164 bn, and was 59% higher year on year. In addition to the impact of higher oil and gas prices, the strong earnings growth was driven by underlying year on year volume growth of 5% and lower than expected costs from operational improvements. With further volume growth likely over the rest of 2008 from Gulf of Mexico, Angola and Azeri production growth, and further cost savings from another 3,400 redundancies, strong earnings growth should continue for the remainder of 2008. BP continued to demonstrate its strong cash generation and honour its commitment to favour dividends over buybacks, by increasing its Q1 2008 dividend per share by 30% year on year to 6.81p.

Next catalyst : As a result, BP remains on course to pay a current year dividend yield of c.4.6%, 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 and cost savings in the Q2 2008 results' announcement on 29th July could be a catalyst for a further re-rating. BP's current restructuring plan is targeting the generation of annual cost savings of c.\$1.5 bn from 2009 by reducing staff numbers by 5,000 and by changing another 9,500 US service station staff into franchisees to achieve a 15% overall reduction in staff numbers. Given the extent of its operations and the spread of its geographic risk, we continue to be of the view 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 £7 (15% further upside) is based on 10x 2008 eps of 70p. When combined with a current year dividend yield of c.4.6%, this provides an attractive further total return from current levels.

Statistics
Price Performance

Chart View: BP

Support Primary: 595
 Support Secondary: 568
 Resistance Primary: 648
 Resistance Secondary: 723

The chart outlook is far from negative but at current levels (BP has rallied 25% from its March low) the stock is beginning to look overbought in the short-term. Furthermore, we are approaching strong resistance in the 640-650 area which may prove difficult to overcome on the first attempt. In short, look for some weakness before initiating new longs.

Revenue by Region


- Rest of World 51%
- United States 22%
- United Kingdom 15%
- Rest of Europe 12%

Major Shareholders	%	Peer Group Multiples.			
		Company name	P/E 08	P/E 09	EPS Growth 08-09
Legal & General Invnt. Mgt.	5.02%	BP	8.8	9.7	-8.57%
M&G Invnt. Mgt.	3.00%	Royal Dutch Shell	9.3	9.5	-0.04%
Barclays Global Investors	3.32%	Total SA	9.3	9.4	1.03%
Kuwait Invnt. Authority	2.10%				
Standard Life Invnt.	1.93%				
Shares Outstanding		18,849.04m			

Share Data	Financial Data	2007	2008e	2009e
Current Price (p)	Revenue (£m)	148,180	168,160	163,408
Mkt Cap (£m)	PBT (£m)	16,210	19,010	18,620
Reuters	EPS (p)	55	70	64
Bloomberg	P/E(x)	11.24	8.83	9.66
Sector	DPS (p)	21	27	29
CFO	Dividend Yield	3.40%	4.60%	4.69%
CEO				
Website				





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