



THURSDAY 17th JANUARY 2008

DAILY COMPANY NOTE — Short Trading Ideas See page 2 for full details

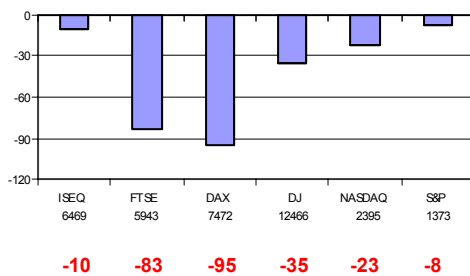
Daily Market Comment

Tuesday's Summary : Volatility was the word of the day yesterday as the equity markets changed direction repeatedly. The ISEQ closed almost flat for the day at 6469, down 10 points. C&C was sold heavily, following news that earnings would be at the lower end of expectations, down 17.5% at one point to recover to close down 1% on the day. Anglo was worst hit of the financials, finishing down 3%, while Bank of Ireland and Irish Life rallied to close about flat. Ryanair saw a reverse in its recent slide, with its stock rising 1.88% to \$3.75 on large volumes.

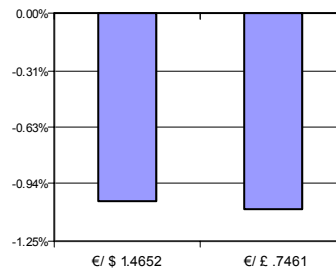
Overnight News : Most stock markets across Asia reversed early losses to trade higher today as investors sought out bargains following sharp declines in previous sessions. The Nikkei gained 2.1% to 13,783.45 after seesawing between negative and positive territory in early afternoon. Tokyo shares advanced as the yen eased against the US dollar ahead of Fed chairman Ben Bernanke's testimony to Congress. The Hang Seng ended 2.7% higher at 25,114.98 on bargain-hunting.

Breaking News : Barratt Developments, the UK homebuilder have said that they have seen completions fall amid tougher market conditions. Ryanair have announced the launch of two new routes from Romania to Italy. Flights begin in April and the company expects to carry 80,00 passengers in the first year. IBM have said that they have signed a \$45 million deal to overhaul AIB's banking systems over the next 3 years. Glanbia have announced that negotiations for an MBO of their meat business have commenced, and reiterate their strategy of focusing on key growth areas: Cheese, food ingredients, nutrition and selected consumer foods.

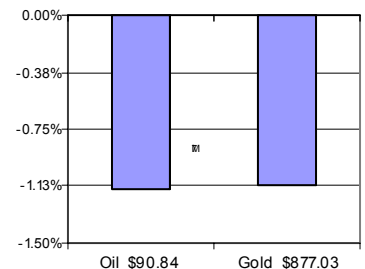
Equity Index's change on day



Currency daily % change



Oil/Gold daily % change



Paper Headlines

- "Bush holds out hope OPEC will raise output" - (Wall Street Journal)
- "Building sector pessimism soars" - (Irish Examiner)
- "C&C revenues fall by 15%" - **C&C** - (Irish Examiner)
- "Dragon oil production up by 56%" - **Dragon oil** - (Irish Times)
- "Glanbia meat bosses in buyout talks" - **Glanbia** - (Irish Times)

Market Themes and Movers

No oil shortage? : Output from the world's existing oil fields is declining at a rate of about 4.5% annually. However new projects currently being undertaken may make up for the decline. Oil-field depletion rates are a key barometer of the health of the world's oil market, and thus are hotly debated among factions feuding over the relative stability of future supply. The huge number of projects under way in Brazil, Saudi Arabia, West Africa, the Caspian Sea and the Gulf of Mexico may more than make up for natural declines from fields now in production. Still, the price of oil is likely to remain at current elevated levels for the near future.

Dollar recovers ground: The US dollar hovered near its lowest level in more than two years against the yen in today on speculation slower growth in the world's biggest economy will prompt the Federal Reserve to cut its key rates by up to 75 basis points this month. The Fed's Beige Book survey released yesterday showed that the US economy grew modestly in late November to December though at a slower pace than the previous survey. The dollar has appreciated against the Euro amid concerns over European growth. The dollar is now trading at the 1.46 level, down from 1.49 in recent days.

Dolmen Squawk Box

This day three years ago, the ISEQ index of leading Irish shares was up 72.54 points to 6,499.97, an all time high.



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



Short Trading Ideas

During this current turbulent equity market caused by the credit crunch which has led to a slowdown in global growth and increased the possibility of a recession in the US, we believe that it is prudent for an investor to look at potential short trading ideas. The companies that we have selected, BMW, EADS and Adecco have significant exposure to a weakening US economy and could be significantly effected by a sharp slowdown in economic growth. We would also advise that an investor taking any short positions place a guaranteed stop on the position taken to limit the possible downside risk, for example in the event of a stock being taken over.

BMW

Price: €40.01

P/E 08: 9.4x

Target Price : €35.00

Stop-loss : €42.75

Overview:

BMW manufactures and sells luxury cars and motorcycles worldwide. The group produces everything from convertibles to luxury sedans to touring motorcycles.

Fundamental view : Since the beginning of the year shares in **BMW** have fallen by c. 6%, broadly in line with the decline in the general equity market. The group reported a disappointing set of third quarter numbers back in November with pretax profit of €765m falling well short of analyst expectations of €890m, while its pretax margin also came in well below consensus at 5.5% versus 6.9% expected. One of the main reasons for the miss was due to the weak US dollar where BMW generates c. 25% of its revenue. BMW's earnings have also been put under pressure by high oil prices and rising steel and copper prices which saw its raw materials cost figure increase by 22%. While commodity prices have declined slightly over the last month, we still feel that they have the potential to have a significant impact on the profitability of BMW into the future.

Fundamental view : On 18/03/08, BMW is due to report its fiscal full year results for 2007. We expect the group to report flat year on year EPS of €4.38, with revenue expected to rise by 5% to €54.1bn. With flat EPS growth estimated for 2007 and 2008, we feel that at 9x forward earnings shares in BMW look expensive given the cyclicality of its business. Given that it is also in the luxury end of the car market, any downturn in economic activity could have a significant effect on earnings and feel there may be further share price declines to come.

Chart view: Recent price action has been negative. Stock is sitting on the €40 long term support area and a sustained breach of this would precipitate further weakness. To break out of the recent downtrend a close above €42.75 is needed.

EADS

Price: €19.00

P/E 08: 12x

Target Price : €16.75

Stop-loss : €20

Overview:

EADS manufactures airplanes and military equipment. The group produces commercial aircraft including Airbus, military fighter aircraft, military and commercial helicopters.

Fundamental view : Shares in **EADS** have lagged over the last number of years due to manufacturing issues at its Airbus aircraft division. At the group's most recent third quarter results in November it reported a net loss that widened to €776m from €189m, a year earlier. Revenue increased by 9% to €9.3bn. EADS took a €1.1bn charge due to delays to its A400M military-transport plane and is just the latest in a long list of problems for the group. EADS has fallen two years behind schedule with its A380 superjumbo model at a cost to the company of \$6.8bn. In addition, delays to the group's new A350, which has had to be redesigned five times in order to win airline approval, pushing deliveries to 2013, is five years behind Boeing's 787 Dreamliner. Another problem that EADS is currently facing is that c. 20% of its revenue base that is denominated in US dollars is unhedged and with the dollar looking set for further declines this creates an increased problem for the group.

Next Catalyst: EADS is due to report its annual results on March 11th. We expect the group to report a loss per share of €0.13 on flat revenue of \$39.2bn. EADS currently trades at a c. 10% discount to the aerospace and defence sector, a discount that we feel is justified given its production problems and US dollar exposure. Within this current economic downturn and the fact that we expect the US dollar to continue to weaken, we believe that that the group's share price has further downside potential.

Chart view: Stock has recently broken out of its longer term trading range of €20 to €25 and unless it can recapture the €20 area the outlook will remain negative. Caution required.

Adecco

Price: CHF53.85

P/E 08: 8.9x

Target Price : CHF47

Stop-loss : CHF58.50

Overview:

The Group's principal activity is the supply of temporary and permanent staff through employment agencies. Adecco operates mainly in Europe and North America.

Fundamental view : While shares in **Adecco** are trading 10% lower for the year, we feel the company has further to fall. The company has minimal exposure to emerging markets, which limits its growth potential and reduces the risk of the business surprising to the upside. The company is particularly vulnerable to economic downturns as greater than 90% of revenues come from its temporary staffing business which is usually the first hit in a recession. Also, November figures for the French temping market, which accounts for a third of Adecco's revenues, has shown a decline in hours worked for, the first time since July 2005. The company has a large currency exposure because it reports earnings in Swiss Francs, with over 60% of revenues denominated in Euro, which has declined 2.3% since the start of the year, and over 15% of revenues in Canadian and U.S. dollars, both of which have declined 4% over the same period.

Next Catalyst: The next catalyst for this stock is when Manpower, a US based competitor of Adecco in the temporary staffing sector releases its 2007 Q4 earnings next week. Manpower trades in line with Adecco at c.9x 2008 forecasted earnings, and has a similar geographical profile. On 04/03/08, Adecco is due to report its fourth quarter earnings for 2007 and we expect the group to report a weaker set of results with revenue growth falling short of the company's target of 7-9% per year. A negative outlook by the management in this report has the potential to cause a significant decline in the company's share price.

Chart view: Chart outlook is negative with series of bearish breakdowns. Longer term support has been broken and more downside is expected. A close above the 59.00 area is needed to break the recent downtrend.





Disclosures

This report has been prepared by Dolmen Stockbrokers ('Dolmen') for information purposes only to assist investors to make their own investment decisions and is not intended to and does not constitute personal recommendations nor provide the sole basis for any evaluation of the securities discussed. Specifically the information contained in this report should not be taken as an offer or solicitation of investment advice or, encourage the purchase or sale of any particular security, option, future or other derivative investment. Not all recommendations are necessarily suitable for all investors and Dolmen recommend that specific advice should always be sought prior to investment, based on the particular circumstances of the investor.

Although the information in this report has been obtained from sources, which Dolmen believes to be reliable and all reasonable efforts are made to present accurate information Dolmen give no warranty or guarantee as to, and do not accept responsibility for, the correctness, completeness, timeliness or accuracy of the information provided or its transmission. Nor shall Dolmen, or any of its employees, directors or agents, be liable to for any losses, damages, costs, claims, demands or expenses of any kind whatsoever, whether direct or indirect, suffered or incurred in consequence of any use of, or reliance upon, the information. Any person acting on the information contained in this report does so entirely at his or her own risk.

All estimates, views and opinions included in this report constitute Dolmen's judgment as of the date of the report but may be subject to change without notice. Changes to assumptions may have a material impact on any recommendations made herein.

Unless specifically indicated to the contrary this report has not been disclosed to the covered issuers(s) in advance of publication.

Past performance is not necessarily a guide to future returns. The value of investments and the income from them can fall as well as rise. Investments denominated in foreign currencies are subject to fluctuations in exchange rates, which may have an adverse affect on the value of the investments, sale proceeds, and on dividend or interest income. Investors may not necessarily recoup the full value of their original investment. Investors should be aware that forwarding looking statements and forecasts may not be realised.

This report may not be reproduced (in whole or in part) altered, transmitted or made available to any other person without the prior written permission of Dolmen.

Dolmen Securities is a Member Firm of the London Stock Exchange, and is authorised by the Financial Regulator under the Investment Intermediaries Act 1995. Dolmen Stockbrokers is a Member Firm of The Irish Stock Exchange, The London Stock Exchange, and is authorised by the Financial Regulator under the Stock Exchange Act 1995.

Conflicts of Interest & Share Ownership Policy

Dolmen, its employees, directors or related companies, may have a shareholding in the securities (or related investments/ derivatives) of certain companies covered in this report, or may provide/ solicit investment banking or other services to/ from them.

It is noted that research analysts' compensation is impacted upon by overall firm profitability and accordingly may be affected to some extent by revenues arising other Dolmen business units including Corporate Finance, Fund Management and Stockbroking. Revenues in these business units may derive in part from the recommendations or views in this report. Notwithstanding, Dolmen is satisfied that the objectivity of views and recommendations contained in this report has not been compromised.

Dolmen permits research analysts to own shares and/ or derivative positions in issuers they publish research, views and recommendations on and accordingly analysts involved in the production of this report may own stocks in a company covered in it. Any own account staff trading is undertaken in strict compliance with Dolmen's own account internal rules and therefore Dolmen is satisfied that the impartiality of research, views and recommendations remains assured.

Analyst Certification

Each research analyst responsible for the content of this report, in whole or in part, certifies that: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report. Stuart Draper, David Dunk and Stephen Taylor are responsible for the production of this report. Stuart Draper is Head of Research and David Dunk & Stephen Taylor are equity analysts.

For US Persons Only

This report is only provided in the US to major institutional investors as defined by s. 15 a-6 of the Securities Exchange Act, 1934 as amended. A US recipient of this report shall not distribute or provide this report or any part thereof to any other person.



DOLMEN SECURITIES LTD