



July 24, 2007

Contact Details:

Email : [research@dsl.ie](mailto:research@dsl.ie)

Tel : +353 1 633 3800  
[info@dsl.ie](mailto:info@dsl.ie) Fax : +353 1 677 4708

EQUITIES	Close	Change	% +/-	P/E '07	YTD
ISEQ	9015	↓ -13	-0.14%	14.1	-4.18%
FTSE 100	6624	↑ 39	0.60%	13.2	6.49%
DAX 30	7944	↑ 69	0.88%	14.2	20.42%
DOW	13943	↑ 92	0.67%	15.2	11.87%
NASDAQ	2691	↑ 3	0.11%	26.1	11.40%
S&P	1542	↑ 7	0.49%	15.9	8.69%

CURRENCIES & RATES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.3815	0.6695	166.6100
Dollar	1.3815	1.0000	2.0629	120.6000
Sterling	0.6695	2.0629	1.0000	248.7900
Interest Rates (%)	4.0000	5.2500	5.7500	0.5000
Oil (Nymex)	74.8900			

This Week's Research  
 Royal Bank of Scotland

Today's Research  
 BP

Today's Recommendation

**BP (£6.02)**      **Q2 results announced**      **Stuart Draper**  
**Target : £6.50**      **(24/07/07 ; previously £6, issued 06/02/07)**

- **Q2 results :** This morning, BP announced its results for the 3 months ended 30/06/07. Underlying replacement cost net profit, which excludes changes in the value of inventories, of \$5.346 bn was 7.5% ahead of the consensus forecast of \$4.975 bn, and was a year on year decrease of 12.5%. Disruptions at the group's US refineries resulted its crude processing business operating at only 83% capacity. These disruptions were caused by a program of maintenance designed to increase safety, which should also help increase the group's US refining margins.
- **Gazprom deal :** The main development in recent months has been a strategic alliance with Gazprom, under which TNK-BP will sell its 63% interest in the Kovykta field in Russia for between \$700m and \$900m, but will have a call option to re-enter the project with a 25% blocking stake. The deal should end the negative newsflow on Kovykta, which was one of the factors depressing the BP share price earlier this year. It also indicates a positive attitude from the Russian authorities towards BP's future participation in Russia as a major investor.
- **Growth resuming :** Our current view is that what is not yet fully discounted by the BP share price is the potential for modest production growth to resume in 2007. BP has a large number of new start-ups coming on stream over the next 12 months, which should result in overall production growth of c.2% being achieved for 2007, on the 3.92 boepd achieved for 2006.
- **New start-ups :** The major new projects which should start to come on stream for BP over the next 12 months are ACG and Shah Deniz in Azerbaijan, as well as Dalia, Rosa, and Greater Plutonia in Angola. These new start-ups in both countries should increase production by c.400,000 barrels per day.
- **Further upside :** 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.10x. As a result, our new 12 month price target of £6.50 (8% further upside) is based on 11x 2008 eps of 59p. When combined with a current year dividend yield of c.3.5%, this provides sufficient further upside to justify re-iterating our BP BUY recommendation at current levels : **BUY**.

## Breaking News

### BHP posts record output across operations

Booming demand from China and elsewhere has pushed BHP Billiton production of iron ore, copper, aluminum and other key commodities to record levels in the year to June 30. BHP Billiton's copper production rose 7% to 1.25m tons, iron ore output rose 8% to 98.197m tons, and zinc 9% to 118.7m tons, fuelled by strong growth in the fourth quarter of the year, the company said. Alumina production rose 7% to 4.46m tons and aluminum output gained 2% to 1.34m tons, both annual records. Total petroleum production for the fourth quarter eased 1% from the same quarter a year ago, with full year output was flat at 116m barrels of oil equivalent. In one dark note, a review of project costs showed BHP Billiton's share of the development of the Stybarrow oil project, a joint venture in Australia with Woodside Petroleum Ltd., had overrun spending plans 27% to €275m.

### O'Flynn Construction invests in Blackrock

Cork building group O'Flynn Construction has acquired a 9.2% stake in Blackrock International Land, the property firm spun from the fruit group Fyffes last year. A spokesman for O'Flynn stated that the purchase was an investment and no more. O'Flynn Construction purchased the shares through one of its subsidiaries Rosecastle.

### Ryanair announce 11 new routes

Ryanair has announced 11 new routes from its bases in Barcelona, Bremen, Brussels, Dublin, London, Marseille and Milan. Peter Sherrard, Ryanair's head of communications, stated, that the 11 new routes bring the Ryanair network to 499 routes across 26 countries and mark the reinstatement of low fare flights between France and Morocco following the French Government's refusal in December to proceed with the prompt application of the already agreed EU Morocco open-skies agreement. In related news Ryanair has agreed to a partnership with ticket text, a Dublin-based mobile technology company to provide low-cost ticketing.

## Business Press

- Merck income rises to €14.2bn on vaccine sales (IE)
- Domino's bakes in wet summer (FT)
- Elan has 14,000 taking Tysabri (II)

## Investment Press

- Barclays: Barclays seemed strangely unperturbed as the RBS-led consortium raised its bid for ABN Amro - now we know why

Disclaimer: The information in this document has been obtained from sources, which we believe to be reliable. We cannot guarantee its accuracy or completeness. It does not constitute a solicitation for the purchase or sale of any investment. Any person acting on the information contained in this document does so at their own risk. Recommendations in this document may not be suitable for all investors. Individual circumstances should be considered before a decision to invest is taken. Investors should note the following: Past experience is not necessarily a guide to future performance. The value of investments may fall or rise against investors' interests. Income levels from investments may fluctuate. Changes in exchange rates may have an adverse effect on the value of, or income from, investments denominated in foreign currencies. 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.

DOLMEN SECURITIES → Website : [www.dolmenstockbrokers.ie](http://www.dolmenstockbrokers.ie)

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

• Tel : +353 1 633 3800  
 • Tel : +353 21 422 2122  
 • Tel : +353 61 436 500

• Fax : +353 1 677 7044  
 • Fax : +353 21 422 2123  
 • Fax : +353 61 436 599

• Email : [info@dsl.ie](mailto:info@dsl.ie)  
 • Email : [cork@dsl.ie](mailto:cork@dsl.ie)  
 • Email : [limerick@dsl.ie](mailto:limerick@dsl.ie)



DOLMEN SECURITIES

**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 judgement 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 and Stephen Taylor are responsible for the production of this report. Stuart Draper is Head of Research and Stephen Taylor is an equity analyst.

**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.