

## CONTENTS

### Market View

**Legal & General:** Full year results

**Imperial Tobacco:** Trading update

**Tesco:** Peer trading update

**Siemens:** Comments from CEO

**Company note :** Tullow

### Market Movers

## IRISH PAPERS TODAY

Unions set to take part in new talks on national agreement  
*(The Irish Times)*

State raises additional €1bn in ling-term bond auction  
*(The Irish Times)*

Black-list havens used to deal AIB shares

*(Irish Independent)*

## INTERNATIONAL PAPERS TODAY

King bids to rein in Budget spending  
*(Financial Times)*

IMF revamps programs to ease the flow of credit  
*(The Wall Street Journal)*

## DOLMEN DOZEN

Company	1-day %	YTD %
Aryzta	-1.9%	-27.9%
BP	-0.8%	-9.6%
CRH	-2.8%	-1.3%
E.ON	-0.2%	-25.9%
HPQ	-1.8%	-15.6%
IL&P	3.2%	-16.2%
INM *	-6.0%	-60.0%
J&J	-1.0%	-11.9%
JPMorgan	-8.5%	-16.3%
Microsoft	-2.2%	-7.8%
Paddy Power	-0.5%	-5.4%
Vodafone	-0.2%	-12.7%

\* We are currently Neutral on IN&M

## Market View

**Analyst : Stephen Taylor**

European equity markets are mixed this morning following a late sell off in the US last night where indices closed down c. 1.5%. Last night's Japanese export figures highlight the global nature of the current downturn with the February reading showing a 49% decrease, its sharpest drop since 1980. Japanese shipments to its largest market in the US fell by a record 58.4%, with exports to Europe declining by 54.7%. The main drop can be attributed to lower demand for automobiles and electronics. While we have seen some global economic indicators pick up recently, last night's export figures reinforce our view that it is still too early to call for an economic recovery and continue to recommend a defensive stance in markets with an increasing focus on short positions given the recent rally we have had in markets. Today's trading will again be driven by economic data. In Europe, German business confidence figures in the form of the IFO will be closely watched with a slight decrease expected, while in the US Durable Goods data and new home sales figures for February are also expected to show month on month declines.

**Legal & General : Current Price (£0.42)**

**Analyst : Oliver Gilvarry**

Another UK insurer reported today with, Legal and General (LGEN) announcing full year results. LGEN has experienced significant falls over the last number of months over concerns on its capital base due to its large exposure to corporate bonds. The company reported an IGD surplus of £1.9bn at the end of 2008 and once adjusted for the dividend payment; it ended the year at £1.8bn. On dividend, it has cut its full year dividend by 32% due to the "need to promote balance sheet resilience". The proposed full year dividend is 4.06p compared to 5.97p in 2007 and the cut was bigger than expected by the market and will be taken positively. Under IFRS, an operating loss before tax of £189m was reported mainly due to increased credit default provisioning. LGEN has a large exposure to corporate bonds and the company has increased its credit default reserves to £1.2bn. Under EEV basis, operating profit was £870m and this was negatively affected by changes in its in-force assumptions and variances. The losses under IFRS resulted in NAV per share declining to 61.2p from 86.5p in 2007, but the NAV per share was higher than expected by the market.

Management stated sales held up well in 2008, despite the economic slowdown and the company is moving away from reliance on mortgage related individual protection. In 2009 they expect difficult economic and market conditions to continue and they will take a "prudent approach" to new business. LGEN will balance its need for cashflow growth with balance sheet consolidation and therefore the growth in sales experienced in the last number of year will not be repeated in the foreseeable future.

Today's results for LGEN are in line with expectations and it is a positive they are focusing on cashflow and reducing the dividend to protect capital. We still remain cautious on the sector and on LGEN due to its significant exposure to corporate bonds and heavy reliance on a weak UK economy for new business.

**Imperial Tobacco : Current Price (£16.12)**

**Analyst : Oliver Gilvarry**

Imperial Tobacco released a trading statement this morning, providing guidance on current trading. The Altadis integration remains on track with operational efficiencies of €180m to be delivered by the end of the financial year. Trading in the Rest of the World region has been better than expected offsetting European Union trading with Poland and Holland performing weaker than expected. Excise taxes on tobacco products will be increased in the US on the 1<sup>st</sup> of April. Imperial Tobacco believes their strong presence in the discount cigarette sector plus its product mix including cigars will result in the excise tax increase having a neutral effect on the company.

The company also outlined it will repay its banking facilities due in July 2009 from its recent bond issuance and this issuance with cash generation will be used to repay debt maturities in July 2010. Highlighting how corporates are moving away from bank financing to corporate bond issuance.

**Tesco : Buy Current Price (£3.34)**

**Target Price (£4.00)**

**Analyst : Stephen Taylor**

Tesco peer Sainsbury reported a strong set of fourth quarter sales for the 11-week period ended March 21<sup>st</sup>. Revenue at stores increased by 6.2% beating analyst expectations of 5.5% growth. The rise in sales surpassed the group's third quarter growth rate of 4.5%. Sainsbury has been increasing market share by introducing less-expensive private label brands picking up business in particular from Marks & Spencer and John Lewis. Sainsbury has used a 'switch & save' advertising campaign to increase sales of its own label brands by more than 60%. The company commented that it expects the economic environment to remain challenging however they expect revenue growth to remain.

**Siemens : Sell Current Price (€44.14) Target Price (€37.41) Analyst : Stephen Taylor**

Siemens CEO, Peter Loescher, has commented in a German newspaper that the company is no longer 'immune' to the effects of the global economic crisis. Loescher is also reported to have said that the environment has become 'significantly worse' since January. Loescher's comments make it increasingly unlikely that the group will be able to meet its €8.5bn profit target this year. Siemens is due to report second quarter results on April 29<sup>th</sup> where we expect the company to lower earnings guidance.

# Tullow

Date: 25th March 2009

Buy

Current Price : £8.22

Price Target : £10.50



DOLMEN STOCKBROKERS

Analyst: David Dunk

- This morning Tullow released drilling updates from Ghana and Uganda. Karuka-2 in Uganda found limited thin-bedded oil bearing sands between 764-772m in depth. This well was attempting to ascertain upside for Karuka and similar nearby prospects, which now appears limited. The result has minimal impact on our valuation. The results from Ghana, were more positive, with the third payzone yielding 4 meters of highly pressurized oil bearing sands, and an additional lower zone, which could not be tested due to technical issues. Tweneboa-Deep appears to be a separate structure to Tweneboa, with a higher proportion of oil to gas. In our opinion, exploratory drilling in Ghana is likely to be refocused towards the Tweneboa structure, as its true potential is still very much unknown.

- Tullow recently released full year results for 2008. Oil & Gas output was down 9% to 66,660 barrels of oil equivalent per day for 2008. Earnings per share for the year were £0.3049, slightly ahead of our expectations. Tullow had reserves of 825m barrels at the end of 2008, up from 551m.

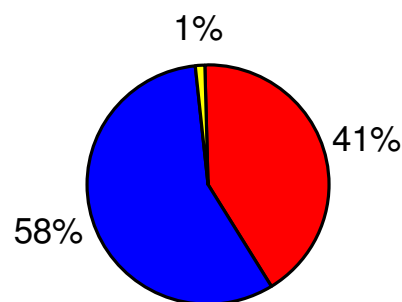
- In the same week, Tullow released initial results from the Tweneboa prospect, which neighbours the Jubilee prospect in Ghana. The drill located 21m of net hydrocarbons in the second of two targeted pay zones. The first targeted pay zone contained water, which has negative implications for Teak, a similar prospect. Tweneboa will require substantial further drilling to determine the size of the discovery given that the prospect extends over 200 sq meters. Tullow estimates potential of up to 1.4bn barrels (P10) within the Tweneboa structure, compared with 1.2bn barrels (P50) in Jubilee. This is offset somewhat by the higher than expected gas condensate for Tweneboa, which is a negative, with only 30-40% of the hydrocarbons in liquid form.

- Tullow has completed its \$2bn financing efforts. The facility is split between 13 major global banks including BNP, Barclays, Soc Gen, Lloyds, and RBS. The loan is broken down into a \$1.785bn senior facility, a \$100 junior facility with a further \$100m from IFC, a member of the World Bank Group. The maximum cost of the senior facility is 3.75% over libor, depending of the level of drawdown of the facility. Tullow will use the funding to replace an existing maturing facility, and to fund the first phase of the Jubilee field development, as well as continuing high impact exploration.

- Increase Price Target:** We have updated our risked NAV from £9.80 to £10.70. This provides the basis for our revised £10.50 price target. This takes into account the de-risking and increase in potential reserves at Tweneboa, but also lower estimates for Teak. The drilling results from Nsoga in Uganda, due in late April is the next major set of drilling results from Tullow. The drilling of Teak is likely to be postponed, in our view, in favour of further Tweneboa appraisal tests. In addition there is the potential that Tullow may be a takeover target in the coming months, although this is not incorporated into our price target. In the absence of further M&A activity, Tullow may pullback from current levels, in the short term, due to a lack of firm specific catalysts.

Descriptive Stats		Shareholders	
Year to date	23%	Blackrock	9.9%
52 Week High	1002	Prudential	9.1%
52 Week Low	406	IFG	4.9%
Bloomberg	TLW LN	Legal & General	3.9%

	FY07	FY08e	FY09e
Revenue (£m)	613	692	568
Operating Profit	254	254	183
EPS	16.0	30.9	10.0
DPS	5.0	6.0	6.2
P/E	50.9	26.3	81.4
Div Yield	0.6%	0.7%	0.8%



■ Europe

■ Africa

■ Asia



### International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,139	-1.1%	-8.1%
FTSE	3,911	-1.0%	-11.3%
Dow Jones	7,660	-1.5%	-12.7%
S&P	806	-2.0%	-10.8%
Nikkei	8,480	-0.1%	-4.3%
Stoxx 50	2,127	0.3%	-12.5%

### Sector Performances

Sector	Index	1-Day	YTD
Construction	179	-0.5%	-11.9%
Technology	146	1.4%	-4.4%
Oil & Gas	262	0.0%	-0.4%
Financials	128	-1.3%	-15.1%
Retail	184	1.7%	1.6%
Food & Drink	206	2.3%	-10.3%

### Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	54.0	0.3%	2.1%
Copper	180.6	-1.9%	25.1%
Gold	925.9	-1.5%	5.0%
Silver	13.4	-3.7%	17.8%
Wheat	535.0	-2.6%	-14.5%
Cattle	83.4	0.0%	-3.2%

### Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/\$	1.347	-1.2%	3.9%
€/£	0.917	-2.0%	3.9%
£/\$	1.468	0.8%	0.0%
\$/JPY	97.86	0.9%	-7.1%
€/JPY	131.81	-0.3%	-3.5%
€/SFR	1.524	-0.6%	-1.8%

### 5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	180.3	-6.3%	4.6%
High Yield	1,125.8	-0.1%	10.9%
Financials	162.3	-0.9%	41.1%
BoI	587.3	-1.6%	153.6%
AIB	567.8	-2.3%	194.6%
RBS	189.2	0.9%	40.2%

### Money Market Rates

Rate	EUR	UK	US
Overnight	0.9%	0.4%	0.3%
3-Month	1.6%	1.7%	1.2%
1-Year	1.7%	1.7%	1.3%
2-Year	1.9%	2.2%	1.5%
5-Year	2.8%	3.1%	2.3%
10-Year	3.5%	3.7%	2.9%

Date	Company	Region	Event
05/03/2009	Anheuser-Busch InBev N	BE	FINAL
05/03/2009	Air Berlin PLC	GE	TRAFFIC
05/03/2009	Arriva PLC	GB	PRELIM
05/03/2009	Aviva Plc	GB	PRELIM
05/03/2009	Michael Page Internation	GB	PRELIM
05/03/2009	Ciena Corporation	US	Q1
06/03/2009	Veolia Environnement S/	FR	Q4
06/03/2009	WPP Group	GB	FINAL
06/03/2009	Marshalls PLC	GB	PRELIM
09/03/2009	Aryzta AG	IE	H1
09/03/2009	Continental AG	DE	Q4
09/03/2009	Bovis Homes Group PLC	GB	PRELIM
09/03/2009	BRIT Insurance Holdings	GB	PRELIM
09/03/2009	Cookson Group Plc	GB	PRELIM
09/03/2009	Finnair Oyj	FI	TRAFFIC
09/03/2009	Land Securities Group Pl	GB	SHOLDERS
09/03/2009	Origin Enterprises	IE	INTERIM
10/03/2009	ESI Group SA	FR	Q4 SALES
10/03/2009	E.ON AG	DE	FINAL
10/03/2009	Audi AG	DE	Q4
10/03/2009	Close Brothers Group PL	GB	INTERIM

Date	Event	Region	Estimate
05/03/2009	Euro-Zone GDP s.a. (QoQ)	EC	--
05/03/2009	BOE ANNOUNCES RATES	UK	0.50%
05/03/2009	ECB Announces Interest Rat	EC	1.50%
05/03/2009	Nonfarm Productivity	US	--
05/03/2009	Initial Jobless Claims	US	--
05/03/2009	Factory Orders	US	--
06/03/2009	Producer Prices (MoM)	GE	--
06/03/2009	PPI Input NSA (MoM)	UK	--
06/03/2009	PPI Output n.s.a. (MoM)	UK	--
06/03/2009	PPI Output n.s.a. (YoY)	UK	--
06/03/2009	Change in Nonfarm Payrolls	US	--
06/03/2009	Unemployment Rate	US	--
06/03/2009	Consumer Credit	US	--
10/03/2009	RICS House Price Balance	UK	--
10/03/2009	Consumer Price Index (MoM)	GE	--
10/03/2009	Trade Balance	GE	--
10/03/2009	Current Account (EURO)	GE	--
10/03/2009	Imports SA (MoM)	GE	--
10/03/2009	Exports SA (MoM)	GE	--
10/03/2009	Industrial Production (MoM)	UK	--
10/03/2009	Wholesale Inventories	US	--

## 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 Limited is regulated by the Financial Regulator. Dolmen Securities Limited is a member firm of the London Stock Exchange.

Dolmen Stockbrokers is regulated by the Financial Regulator. Dolmen Stockbrokers Limited is a member firm of the Irish Stock Exchange and the London Stock Exchange.

## 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. Oliver Gilvarry, David Dunk, Stephen Taylor and Edward Keeling are responsible for the production of this report. Oliver Gilvarry is Head of Research and David Dunk, Stephen Taylor & Edward Keeling 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

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

Tel : +353 1 633 3800/1890 400 300  
Tel : +353 21 422 2122  
Tel : +353 61 436 500

E-mail: [info@dsl.ie](mailto:info@dsl.ie)  
E-mail: [cork@dsl.ie](mailto:cork@dsl.ie)  
E-mail: [Limerick@dsl.ie](mailto:Limerick@dsl.ie)