Dolmen Daily

DOLMEN STOCKBROKERS

Thursday 6th May 2009

CONTENTS

IRISH PAPERS TODAY

Investors want say on pay of Irish firms' top executives
(The Irish Times)

First-half profits at CRH set to fall
(The Irish Times)

Risk to taxpayer highlighted as Anglo takes hit
(Irish Independent)

INTERNATIONAL PAPERS TODAY

Billions required to bolster US banks

(Financial Times)

Stress tests are dividing strong, weak
(*The Wall Street Journal)*

DOLMEN DOZEN

Company	1-day %	YTD %
Aryzta	-2.3%	2.7%
BP	1.5%	-3.9%
CRH	-6.9%	12.8%
DCC	-2.0%	33.4%
E.ON	-2.0%	-12.5%
HPQ	-1.3%	0.1%
IL&P	8.5%	52.4%
INM	1.9%	-37.0%
J&J	-0.3%	-9.4%
JPMorgan	6.9%	18.0%
Microsoft	0.0%	1.8%
Vodafone	0.0%	-8.7%

Market View — Analyst : Stephen Taylor

Equity markets across Europe are rising again this morning following strong gains in the US and Asia overnight. Financials and commodity stocks continue to be the main driver of the current rally. US Treasury Secretary Timothy Geithner's comments yesterday that the stress-tests on US financials will be reassuring are easing concerns in the market. The majority of the information surrounding the results appears to have already been leaked to the market which should limit any negative surprises when the results are officially released later today. Reports to-date suggest that Bank of America, Wells Fargo and Citigroup together require $54bn of additional capital, while Goldman Sachs, JPMorgan and Bank of New York Mellon Group have enough capital to survive a deepening recession. Comments from the Chinese government that its economy is performing better than expected is also driving the rally and in particular mining stocks. The comments tie in with those of Caterpillar's CEO that demand for its excavation machinery in China is back to record levels. As for today's trading the key focus will be on central bank meetings of the ECB and Bank of England. We expect that the ECB will lower interest rates by a further 0.25% to 1.00% and outline methods of quantitative easing that it may implement over the coming months. We expect the Bank of England to leave interest rates on hold at 0.50% and reaffirm its commitment to its current £75bn quantitative easing program of which over half has already been completed. In the US, focus will be on Jobless claims data.

Barclays : Management Statement   Current Price (296p)   Analyst : Oliver Gilvarry

Barclays released an Interim Management Statement (IMS) this morning outlining its trading performance for the first three months of this year. First quarter net profit was £824m and pre-tax profit was £1.3bn, which was slightly lower than rumoured levels. Following the sale of iShares, equity tier 1 capital increased to 7.2% on a pro-forma basis as at the end of December. Total tier 1 at year end was 10.3%, but the statement indicated this would be 20bps lower at the end of March. During the first quarter management saw good income growth across most units. In particular, Investment Banking and Investment Management income increased by 79% driven in large part by Barclay Capital. The acquisition and integration of the Lehman business resulted in profit before tax increasing by 361% to £907m. Income in UK Retail Banking fell slightly as the impact from more expensive deposits off-set the increased margins on retail products. Barclaycard and Global Retail and Commercial Banking reported higher income as did Commercial Banking.

While income increased in these units so did impairment levels. Management guided impairments for 2009 in a range between 130-150bps and now see impairments at the higher end of that range for the year. Management expect loan losses to increase across all business lines and expect the rate of loss to be higher on their international loan books than their UK book. As unemployment has increased in the UK, Barclaycard is experiencing a sharp rise in impairments. Impairments in Barclay's Spanish business has increased significantly and this is across both the retail and commercial sectors. A similar situation has occurred in Global Retail and Commercial Banking, especially in emerging markets. Credit market exposures were reduced in the first quarter due to sales and paydowns by £5.2bn, but total exposures are still £37.7bn.

Management have reiterated their intention to begin paying cash dividends quarterly from Q4 of this year. The payout ratio of these dividends will be significantly below the historical level of 50%.

The results today provide a cautious tone and the guidance for impairments towards the higher end of guidance is a negative. The performance of Spain, Barclaycard and South Africa will weaken further this year. Management will be hoping the performance of its investment banking arms will make up for this underperformance and keep the group profitable. With the integration of Lehman on course and already adding substantially to income, this outcome should come to pass. This is not guaranteed due to current market conditions and we believe Barclays will raise further capital from shareholders once the Mandatory Convertible Notes issued to Middle Eastern investors convert in June.

Lloyds: Hold   Current Price (104p)   Price Target (100p)   Analyst : Oliver Gilvarry

This morning Lloyds Banking Group (LBG) released an IMS. Management stated the group delivered a good revenue performance in the first quarter. Net interest margins have declined due to the higher cost of customer deposits and this is off-setting higher margin charged to customers on loans. Management are continuing to guide a loss before tax in 2009 due to the higher impairment levels the group is facing. Impairments have continued to rise in Q1 in the group with secured and unsecured retail lending portfolios struggling. Management stated they expect continuing declines in commercial property prices and falling levels of corporate cashflows over the year. This will result in further corporate defaults most notably in commercial real estate portfolio in Ireland and the UK. Corporate impairments in 2009 are expected to be more than 50% higher than in 2008. The statement highlights the vast majority of corporate assets that will give rise to the forecasted impairments are included in the UK government Asset Protection Scheme (APS). Eric Daniels, CEO, has guided the "group will be able to comfortably manage through the expected near-term economic downturn and focus on enhancing the group's prospects for long-term growth." The capital position of the group has increased dramatically since the APS was announced, with a pro-forma core tier 1 of 14.5%. We will release a detail note tomorrow on LBG, and we believe the group's loan book has been de-risked due to the APS deal and is now closer to a Lloyds TSB loan book than a HBOS book. Issues still remain for the group, in particular its reliance on wholesale funding. Its loan to deposit ratio at 1.72x is higher than its peers and the group has a large level of re-financing risk in 2011. Due to this reliance on wholesale funding and the fact the group will be loss making in 2009, we believe it should not trade at a premium to its Tangible Net Asset Value (TNAV) of 100p and we currently have a HOLD rating on the stock.

Tullow : Buy **Current Price** (933p) **Price target** (1050p) **Analyst :** David Dunk

Tullow released results from the Nsoga-1 well yesterday. The results were positive, with a reservoir of 43 metres, of which the top 3 meters is oil bearing. It is expected that the crest of the trap should contain a greater accumulation of oil. In a separate section, above the main targeted zone, lies a reservoir containing 12 metres of thin bedded oil bearing sands. Nsogo lies in block 2 of the Ugandan licenses, with Tullow having a 100% stake. Although the Nsoga prospect represents a small portion of our NAV calculation, the successful discovery, suggests a cascade between Leopard and Nsogo, similar to that of Buffalo and Giraffe. The result is a significant de-risking of prospects, neighbouring to Nsogo. Tullow remains our preffereed pick in the sector. The Ngassa results, expected in June, are the next expected catalyst for the company.

Diageo : Buy **Current Price** (873p) **Price target** (1150p) **Analyst :** David Dunk

Diageo has released an interim management statement for the 9 months ending March 2009. Management are maintaining fiscal guidance for the full year. Organic operating profit growth is expected in the 4-6% range. Sales for the 9 months ended March was flat against the same period in the previous year. In the most recent quarter, sales declined 7%. Diageo has seen a significant decline in operating conditions in the Russian market. Overall, the trading globally has weakened in the second half of the year. We continue to like Diageo in the premium drinks sector, due to its broad portfolio of premium brand names.

BHP Billiton : Neutral **Current Price** (1560p) **Price target** (1200p) **Analyst :** David Dunk

Indian miner, Vedanta, released full year results this morning. Full year sales were $6.59bn, compared to $8.2bn the previous year. EPS for the year came in at $0.758, down form $2.87 the previous year. The company proposes to pay a final dividend of $0.25 per share. Full year EBITDA of $1.61bn was down from $3.01bn in the previous year, but ahead of market expectations. The company remains focused on cost cutting, and is confident of making a profit in the current year.

Unilever : Solid first quarter **Current Price** (1417p) **Analyst :** Edward Keeling

Unilever released better than expected first quarter results this morning. Although net profit fell 43% to €803 million, underlying sales grew 4.8% as developing and emerging markets held up well with double digit growth. The group has noted an improvement in its performance in the US with sales up 3.8%, while sales in Western Europe were down 2.8% as challenging markets persist. There was growth experienced across all categories. Home care was the best performer with underlying sales growth of 10.7%, benefitting from new products in South East Asia and America. Cash flow from operating activities was €155m lower than 2008, mainly due to one-off payments to pension schemes. Cash flow for the first quarter is generally low due to the seasonal outflow in working capital. The group's net pension deficit has increased from €3.4bn to €3.6bn reflecting lower asset values. This is compared with a market cap of £16.7bn.

Dolmen Daily

Market Movers

DOLMEN STOCKBROKERS

International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,682	-0.8%	16.7%
FTSE	4,396	1.4%	0.4%
Dow Jones	8,512	1.2%	-3.0%
S&P	920	1.7%	1.8%
Nikkei	9,386	4.5%	5.9%
Stoxx 50	2,437	1.2%	0.6%

Sector Performances

Sector	Index	1-Day	YTD
Construction	229	-0.2%	13.8%
Technology	173	1.0%	14.8%
Oil & Gas	288	1.1%	9.7%
Financials	180	2.3%	22.2%
Retail	210	2.0%	16.2%
Food & Drink	225	1.7%	-0.6%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	56.3	4.6%	7.1%
Copper	218.7	5.0%	52.2%
Gold	911.2	1.6%	3.5%
Silver	13.7	2.2%	22.3%
Wheat	558.8	0.9%	-11.0%
Cattle	81.9	-0.3%	-5.0%

Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/$	1.333	0.0%	-5.3%
€/£	0.881	-0.3%	-8.6%
£/$	1.514	0.3%	3.1%
$/JPY	98.32	-0.5%	8.2%
€/JPY	131.08	-0.5%	3.4%
€/SFR	1.508	-0.1%	1.1%

5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	148.8	-6.3%	-18.5%
High Yield	919.7	-2.6%	-13.1%
Financials	139.4	-3.6%	9.7%
BoI	358.7	-1.7%	50.8%
AIB	352.1	-2.9%	75.3%
RBS	170.6	-6.8%	29.4%

Money Market Rates

Rate	EUR	UK	US
Overnight	0.5%	0.4%	0.2%
3-Month	1.3%	1.4%	1.0%
1-Year	1.5%	1.5%	1.1%
2-Year	1.8%	2.1%	1.4%
5-Year	2.7%	3.2%	2.6%
10-Year	3.4%	3.9%	3.3%

Date	Company	Region	Event
07/05/2009	Anheuser-Busch InBev I	BE	Q1
07/05/2009	Finnair Oyj	FI	TRAFFIC
07/05/2009	Axa SA	FR	Q1 SALES
07/05/2009	Societe Generale	FR	Q1
07/05/2009	Deutsche Telekom AG	DE	Q1
07/05/2009	HeidelbergCement AG	DE	Q1
07/05/2009	Telecom Italia SpA	IT	Q1
07/05/2009	Swiss Reinsurance Com	CH	Q1
07/05/2009	Zurich Financial Service	CH	Q1
07/05/2009	Barclays	GB	Q1
07/05/2009	Diageo PLC	GB	TRADE
07/05/2009	Vedanta Resources PLC	GB	FINAL
07/05/2009	Old Mutual PLC	GB	Q1 TRADE
07/05/2009	Randgold Resources Lt	GB	Q1
07/05/2009	Thomson Reuters PLC	GB	Q1
07/05/2009	Unilever PLC	GB	Q1
07/05/2009	CBS Corporation	US	Q1
07/05/2009	Dynegy Inc.	US	Q1
07/05/2009	Rowan Co., Inc.	US	Q1
07/05/2009	The NASDAQ OMX Gro	US	Q1
07/05/2009	D.R. Horton	US	Q2
07/05/2009	Prudential Financial, In	US	Q1
08/05/2009	Smurfit Kappa Group Pl	IE	Q1

Date	Event	Region	Estimate
07/05/2009	Factory Orders MoM (sa)	GE	-0.80%
07/05/2009	BOE ANNOUNCES RATES	UK	0.50%
07/05/2009	ECB Announces Interest Rat	EC	1.00%
07/05/2009	Initial Jobless Claims	US	--
07/05/2009	Consumer Credit	US	-$3.3B
08/05/2009	Trade Balance	GE	8.0B
08/05/2009	Imports SA (MoM)	GE	-0.90%
08/05/2009	Exports SA (MoM)	GE	-1.30%
08/05/2009	PPI Input NSA (MoM)	UK	0.80%
08/05/2009	PPI Output n.s.a. (MoM)	UK	0.20%
08/05/2009	Industrial Production MoM (s	GE	-1.30%
08/05/2009	Change in Nonfarm Payrolls	US	-620K
08/05/2009	Wholesale Inventories	US	-1.00%
12/05/2009	RICS House Price Balance	UK	--
12/05/2009	Consumer Price Index (MoM	GE	--
12/05/2009	DCLG UK House Prices (Yo	UK	--
12/05/2009	Total Trade Balance (GBP/M	UK	--
12/05/2009	Industrial Production (MoM)	UK	--
12/05/2009	Manufacturing Production (M	UK	--
12/05/2009	Trade Balance	US	--
12/05/2009	Monthly Budget Statement	US	--
12/05/2009	ABC Consumer Confidence	US	--
13/05/2009	Jobless Claims Change	UK	--

Regulatory Information

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.

This report has been prepared by Dolmen Stockbrokers ('Dolmen') for information purposes in order 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 issuer(s) in advance of publication.

Past performance is not a reliable guide to future performance. The value of your investment may go down as well as up. 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. The income you get from your investment may go down as well as up. Figures quoted are estimates only, they are not a reliable guide to the future performance of this investment. Investors should be aware that forwarding looking statements and forecasts may not be realised.

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 the companies they publish research, views and recommendations on. Accordingly analysts involved in the production of this report may have positions in any securities herein. Dolmen ensures that all staff dealing is undertaken in strict compliance with Dolmen's internal staff dealing procedures. 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 and 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 Stockbrokers, 75 St. Stephen's Green, Dublin 2, Ireland.

DOLMEN SECURITIES LTD

75 St. Stephen's Green, Dublin 2, Ireland.	Tel : +353 1 633 3800/1890 400 300	E-mail: info@dsl.ie
45 South Mall, Cork, Ireland	Tel : +353 21 422 2122	E-mail: cork@dsl.ie
Theatre Court, Mallow St, Limerick, Ireland.	Tel : +353 61 436 500	E-mail: Limerick@dsl.ie