

## Market Watch

### Marginal negative performance likely

Despite the expectation of a slightly bullish performance this past week because of the government's intervention in the economy (the \$2bn injected into the economy and N171bn FAAC allocation), the All Share Index declined almost throughout the week, recording a depreciation of 3.75% to close at 21,804.69 from last week's close of 22,653.17. Also in the past week, the cost of funds rose because lending rates climbed to about 23% (from 19% last week); this shows that liquidity is tightening despite the government's intervention. The drive by most banks for funds and deposits for the fast-approaching December common year-end is the reason for the looming liquidity squeeze. This threatening liquidity squeeze, coupled with the expected reactions of more investors to the net loss position of Skye bank and profitability declines at ETI (results released last week), should cause the market to dip further early next week. Despite being cautious, institutional investors who generally have easy access to liquidity, may seize the opportunities presented by a further dip in stock prices and take some positions. Overall, the ASI may close with a marginal negative performance next week.

### Secondary market

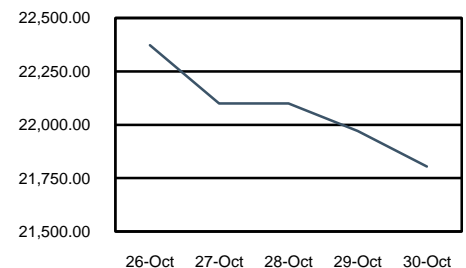
The NSE ASI closed on a bearish note last week: it declined by 3.75%, to close at 21,804.69 points (from 22,653.17 the preceding week). The market capitalisation of the 196 first-tier equities also closed lower at N5.14 trillion, from N5.18 trillion in the previous week. A turnover of 1.95 billion shares worth N11.37 billion in 30,580 deals was recorded last week, in contrast to a total of 2.1 billion shares valued at N15.78 billion and exchanged in 29,101 deals in the preceding week.

As illustrated in Chart 3, the banking sector maintained its lead last week (measured by volume of shares traded), with a turnover of 0.902 billion shares worth N6.802 billion, and exchanged by investors in 16,936 deals. The sector's volume and value represent 46.27% and 59.78%, respectively, of the NSE's transactions for the week.

### Share price performance

About 16 stocks recorded price gains this week, compared to 41 last week. At the same time, the number of losers rose to 71 from 55 last week.

#### Market performance (ASI)



Source: NSE

|                 |          |                 |
|-----------------|----------|-----------------|
| All Share Index | ▼ 3.75%  | 21,804.69       |
| Market cap      | ▼ 0.77%  | N5.14 trillion  |
| Value traded    | ▼ 27.90% | N 11.37 billion |
| Volume traded   | ▼ 7.14%  | 1.95 billion    |

#### Top gainers

|               |        |         |
|---------------|--------|---------|
| Flourmills    | 23.38% | N35.82  |
| Julius Berger | 4.96%  | N28.32  |
| Guinness      | 3.14%  | N136.00 |

Sources: NSE, Stanbic IBTC Research

#### Top losers

|                    |        |        |
|--------------------|--------|--------|
| Conoil             | -9.73% | N36.91 |
| UPDC               | -9.45% | N19.91 |
| Nigerian Breweries | -7.62% | N54.50 |

Sources: NSE, Stanbic IBTC Research

| Stocks to watch | Proj. P/E (x) | Proj. P/BV (x) | Proj. DY (%) |
|-----------------|---------------|----------------|--------------|
| Guaranty        | 14.08         | 1.90           | 4.26         |
| Diamond         | 8.14          | 0.91           | 6.76         |
| ETI             | 11.02         | 0.77           | 6.35         |
| CCNN            | 7.91          | 3.55           | 8.85         |
| Dangsugar       | 7.85          | 4.43           | 8.28         |

Sources: NSE, Stanbic IBTC Research

#### Muyiwa Oni\*

+234(1)8990671

Muyiwa.Oni@stanbic.com

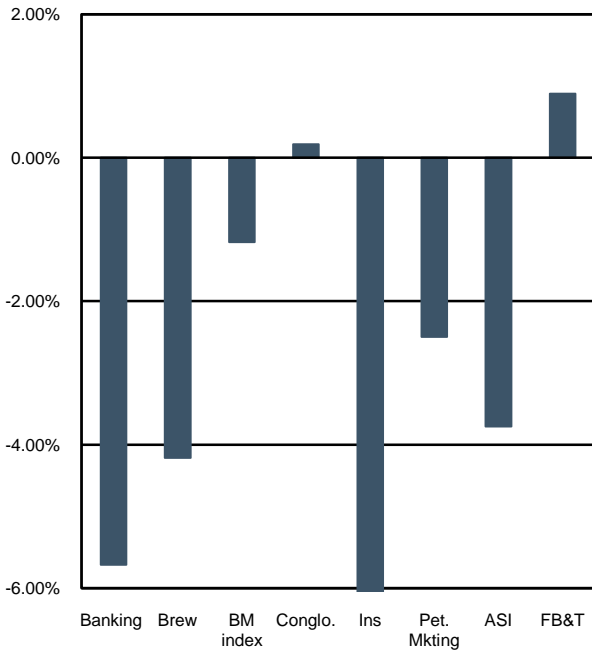
#### Tosin Oluwakiyesi\*

+234(1)8990672

lkechukwu.lheanacho@stanbic.com

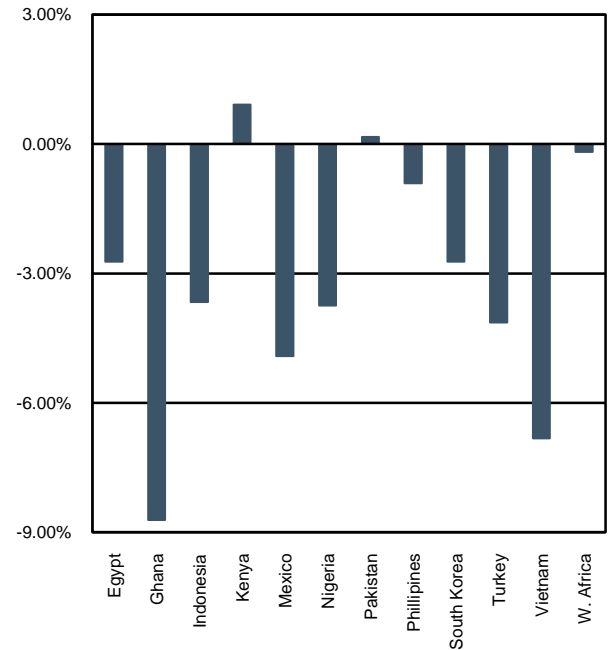
# Picture gallery

Chart 1: Sector performance vs. ASI 26 Oct – 30 Oct 2009



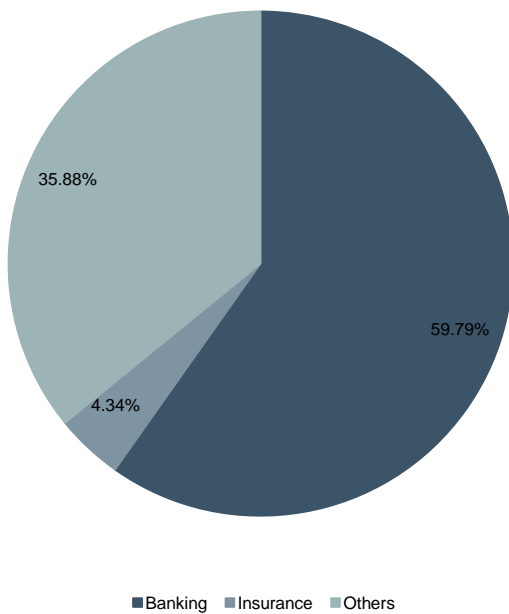
Sources: NSE, Stanbic IBTC Research

Chart 2: Performance of selected emerging market indices 26 Oct – 30 Oct 2009



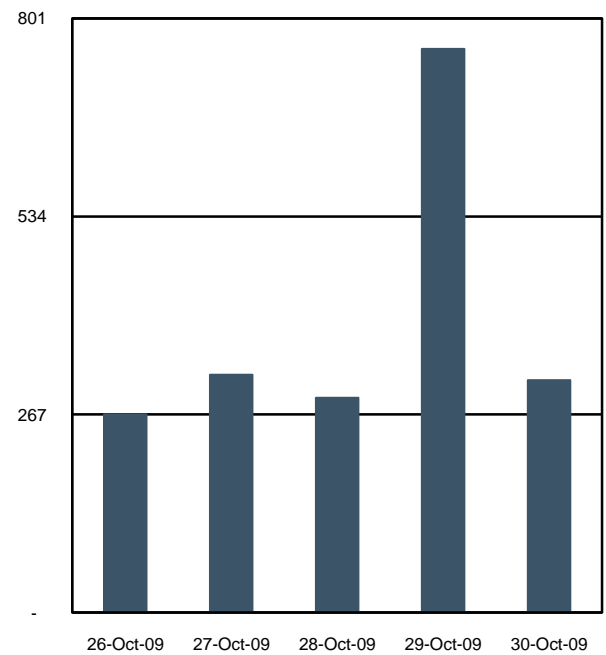
Sources: NSE, Stanbic IBTC Research

Chart 3: Vol. by sector, 26 Oct – 30 Oct '09



Sources: NSE, Stanbic IBTC Research

Chart 4: Vol. traded (M), 26 Oct – 30 Oct '09



Sources: NSE, Stanbic IBTC Research

## Latest research publications

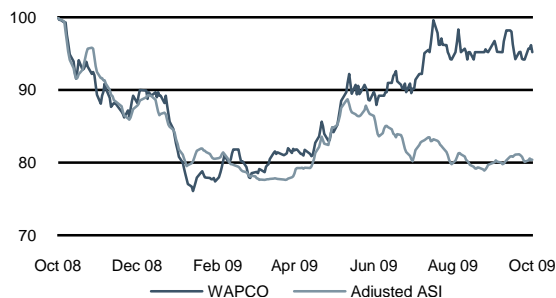
### Lafarge Cement WAPCO (Nig.) plc

Bloomberg ticker  
Recommendation  
Target price

WAPCO NL  
HOLD  
37.80

WAPCO's Q3:09 results show slight growth of 9.88% in gross earnings to N35.099 billion from N31.943 billion in Q3:08. Also, the company recorded a decline of 21.26% in pre-tax profit to N6.247 billion in Q3:09 in comparison with N7.924 billion in Q3:08. Rising oil prices have boosted the increase in the price of low-pour oil fuel (LPFO). The recent practice in Nigeria whereby gas is benchmarked against LPFO has effectively jacked up the price of gas. WAPCO uses gas to run its production plants, which explains the current decline in the company's profitability because operating expenses must have increased significantly.

#### Price performance, N



Sources: NSE, Stanbic IBTC Research

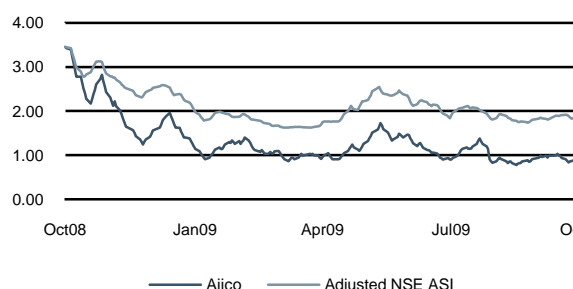
### AiICO Insurance plc

Bloomberg ticker  
Recommendation  
Target price

AIICO NL  
BUY  
N2.01

The H1:09 results from Aiico Insurance plc (Aiico) show a 37.69% increase in the gross premium to N5.286 billion from N3.839 billion in H1:08. The growth can be attributed to the company's wide distribution channels through which its life and non-life products reach both potential and existing policy holders. As a leader in the life insurance market, Aiico is well positioned to increase its market share of life premiums. Profit after tax (PAT) grew by 86.78% – we believe this was bolstered by investment income. This is because the company's investment portfolio is skewed towards money market instruments (77% as at the end of FY 08) which continue to offer double-digit interest rates, according to current market trends.

#### Price performance, N



Sources: NSE, Stanbic IBTC Research

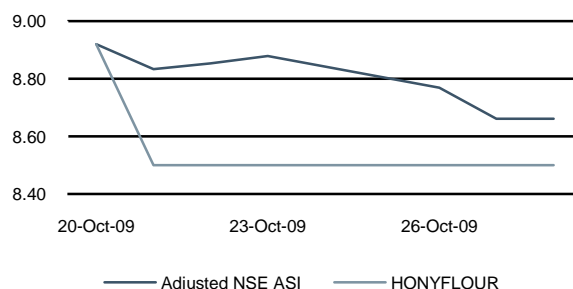
### Honeywell Flour Mills plc

NSE Ticker  
Recommendation  
Target price

HONYFLOUR  
SELL  
N3.40

The results show turnover growth of 52.23% to N28.58bn (from N18.77bn) in FY 08, very close to our forecast of N28.22bn for the year. Despite the growth in turnover, profit after tax (PAT) at Honeywell declined sharply by 73.41% to N217.115 million in FY 09, (from N816.452 million in FY 08). The decline in earnings can be attributed to three factors: a rise in interest in bank overdrafts and similar charges, a foreign exchange loss due and payment of N280.755m deferred taxation. From several valuation methods, we arrive at a fair value estimate of N3.41 per share for the year ending March 2010. This represents downside potential of 59.88% from the current level. Thus, we assign a **SELL** recommendation to the stock. The huge number of issued shares is the cause of diluted per-share earnings.

#### Price performance, N



Sources: NSE, Stanbic IBTC Research

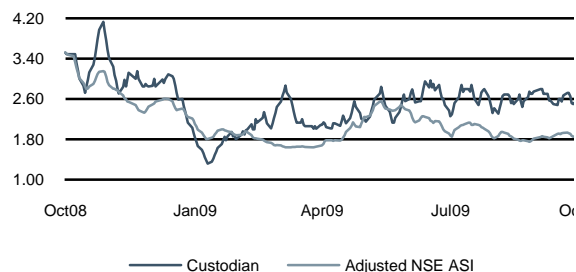
## Custodian and Allied Insurance plc

Bloomberg ticker  
Recommendation  
Target price

CUSTODYI NL  
BUY  
N4.36

Custodian's underwriting profit has been largely supported by its marine business which accounts for about 38% of total underwriting profits. Notably, there is a low probability of huge marine risks crystallising, but the claims could be very high in the event of significant accidents or losses. A major drop in Nigeria's overseas trade levels would be a risk to the marine business, but we believe the likelihood of this occurring is slim. Custodian's valuation is quite attractive and this is supported by its high profitability growth potential and the fact that the stock price has fallen by about 12% year-to-date as a result of the general market downturn. Our earnings growth forecasts for FY 09 and FY 10 stand at 19.35% and 20.54%, respectively. We observe that Custodian is cheap relative to the market and the insurance sector as a whole.

### Price performance, N



Sources: NSE, Stanbic IBTC Research

## Benue Cement Company plc

Bloomberg ticker  
Recommendation  
Target price

BCC NL  
HOLD  
N46.04

Despite operating at just 50% of the current capacity of its new plant (increased to 2.8mt from 0.50mt in 2007), BCC continued its tremendous increase in turnover. The Q3:09 results which show a 177.28% increase in turnover to N27.226bn from N9.819bn in Q3:08 are an indication of superior performance by the company. In the past quarter, BCC increased its cash position by 1093% to N3.676bn. We believe this might be because of higher sales volumes during the quarter and was able to collect its trade debts faster. This conclusion is supported by the trade debtors balance, which fell by 25% to just N0.018bn from N0.024bn at the end of 2008. As such, we project a dividend payout of about 40%. This should translate into a DPS of N1.65. BCC has already paid an interim dividend of N1.00 per share.

### Price performance, N



Sources: NSE, Stanbic IBTC Research

## Research publications

| Date       | Company                            | Title   | Recommendation |
|------------|------------------------------------|---|----------------|
| 30/10/2009 | Benue Cement Company plc           | Superior performance                              | Hold           |
| 30/10/2009 | Honeywell Flour Mills              | Business expansion is paying-off                  | Buy            |
| 28/10/2009 | Custodian and Allied Insurance plc | Boosting Investors confidence in insurance stocks | Buy            |
| 26/10/2009 | Lafarge Cement WAPCO (Nig.) plc    | Q3 results cast a shadow on projections           | Hold           |
| 26/10/2009 | AllCO Insurance plc                | Significant growth in business                    | Buy            |
| 22/10/2009 | Zenith Bank plc                    | Looking better by the quarter                     | Buy            |
| 20/10/2009 | UBA plc                            | An end to loss provisions                         | Buy            |
| 19/10/2009 | Crusader Nigeria                   | Urgent need to manage expenses                    | Sell           |
| 19/10/2009 | GT Bank plc                        | Excellent investment opportunities                | Buy            |
| 14/10/2009 | Flour Mills of Nigeria plc         | Back on track                                     | Buy            |
| 13/10/2009 | Royal Exchange plc                 | H1:09 results indicate improved efficiency        | Buy            |
| 05/10/2009 | The Nigerian Banking industry      | The verdict                                       | -              |
| 05/10/2009 | Continental Reinsurance plc        | Declining profits y/y                             | Sell           |
| 30/09/2009 | Guinness Nigeria plc               | Optimistic outlook                                | Hold           |
| 28/09/2009 | Flour Mills of Nigeria plc         | Profit decline not surprising                     | Buy            |
| 25/09/2009 | Nigerian Bottling Co. plc          | Closing down the concentrate plant                | Buy            |
| 15/09/2009 | GTBank plc                         | Provisioning depresses earnings                   | Buy            |

Source: Stanbic IBTC Research

## Dividends payable

| Company | Declared | LDT | Pay | Dividend amount | YTD |
|---------|----------|-----|-----|-----------------|-----|
| N/A     | N/A      | N/A | N/A | N/A             | N/A |

Source: Company data

## Summary valuation metrics of selected companies\*

| Sector/ company                        | Latest price<br>(N) | Share performance<br>YTD (%) | Mkt cap<br>(N' Bn) | P/E<br>(x) | DY<br>(%) | P/BV<br>(x) | FWD P/E<br>(x) | FWD P/BV<br>(x) | FWD DY<br>(%) |
|--|---------------------|------------------------------|--------------------|------------|-----------|-------------|----------------|-----------------|---------------|
| <b>Banking</b>                         |                     |                              |                    |            |           |             |                |                 |               |
| Access Bank plc                        | 6.38                | -12.60                       | 104.87             | 5.04       | 10.97     | 0.57        | 13.11          | 0.56            | 4.96          |
| Diamond Bank plc                       | 7.59                | 7.05                         | 109.87             | 21.25      | 4.71      | 0.96        | 8.14           | 0.91            | 6.76          |
| Ecobank Nigeria plc                    | 18.59               | -33.51                       | 134.18             | 63.90      | 1.57      | 3.85        | 16.77          | 3.46            | 2.98          |
| Ecobank Transnational Incorporated     | 14.50               | -64.29                       | 126.63             | 9.55       | 10.47     | 0.78        | 11.02          | 0.77            | 6.35          |
| First City Monument Bank plc           | 6.13                | -0.33                        | 100.41             | 6.65       | 15.05     | 0.75        | 18.85          | 0.73            | 1.86          |
| Fidelity Bank plc                      | 2.25                | -52.03                       | 65.17              | 4.88       | 20.49     | 0.47        | 13.55          | 0.47            | 3.69          |
| First Bank of Nigeria plc              | 14.84               | -10.56                       | 430.45             | 34.25      | 2.92      | 1.28        | 23.10          | 1.08            | 3.94          |
| Guaranty Trust Bank plc                | 15.54               | 19.54                        | 292.77             | 10.34      | 9.67      | 1.61        | 14.08          | 1.90            | 4.26          |
| Bank PHB plc                           | 2.18                | -78.18                       | 43.94              | 2.24       | 20.64     | 0.26        | 10.81          | 0.26            | 6.94          |
| Skye Bank plc                          | 5.00                | -38.80                       | 57.92              | 3.62       | 12.00     | 0.61        | 10.83          | 0.59            | 4.62          |
| United Bank for Africa plc             | 11.90               | -11.19                       | 256.52             | 6.28       | 8.40      | 1.33        | 39.46          | 1.30            | 1.01          |
| Zenith Bank plc                        | 14.40               | -31.36                       | 361.69             | 7.01       | 11.81     | 1.05        | 26.29          | 1.54            | 2.43          |
| <b>Breweries</b>                       |                     |                              |                    |            |           |             |                |                 |               |
| Guinness Nigeria plc                   | 136.00              | 38.76                        | 200.59             | 14.81      | 5.51      | 6.36        | 12.13          | 5.57            | 5.99          |
| Nigerian Breweries plc                 | 54.50               | 36.25                        | 412.16             | 16.04      | 6.24      | 12.79       | 12.15          | 11.57           | 7.41          |
| <b>Building materials</b>              |                     |                              |                    |            |           |             |                |                 |               |
| Ashaka Cement plc                      | 13.10               | -25.14                       | 22.35              | 10.80      | 2.29      | 1.75        | 8.64           | 1.52            | 2.89          |
| Benue Cement Company plc               | 42.00               | 122.22                       | 164.45             | 39.68      | 0.00      | 11.96       | 10.29          | 7.07            | 3.94          |
| Cement Company of Northern Nigeria plc | 13.00               | 132.56                       | 16.34              | 10.68      | 3.46      | 4.11        | 7.91           | 3.55            | 8.85          |
| Lafarge Cement WAPCO plc               | 31.00               | 24.00                        | 93.05              | 8.27       | 1.94      | 2.30        | 11.18          | 1.99            | 2.24          |
| <b>Conglomerates</b>                   |                     |                              |                    |            |           |             |                |                 |               |
| PZ Cussons Nigeria plc                 | 22.05               | 86.86                        | 70.04              | 13.14      | 3.08      | 1.97        | 11.01          | 1.77            | 3.27          |
| UAC of Nigeria plc                     | 41.00               | 12.85                        | 52.50              | 12.52      | 4.88      | 1.28        | 10.31          | 1.21            | 5.37          |
| Unilever Nigeria plc                   | 15.07               | 38.38                        | 57.01              | 21.96      | 4.51      | 8.53        | 15.97          | 7.55            | 4.74          |
| <b>Food &amp; beverages</b>            |                     |                              |                    |            |           |             |                |                 |               |
| Dangote Sugar Refinery plc             | 15.02               | -4.94                        | 180.24             | 8.24       | 7.99      | 5.52        | 7.85           | 4.43            | 8.28          |
| Nigerian Bottling Company plc          | 21.19               | -42.62                       | 27.73              | 1766.37    | 0.00      | 1.27        | 9.24           | 1.17            | 4.33          |
| Nestle Nigeria plc                     | 214.00              | 11.78                        | 141.36             | 16.97      | 5.86      | 15.65       | 15.95          | 14.92           | 5.96          |
| 7-UP Bottling Company plc              | 29.00               | -24.89                       | 14.86              | 9.24       | 5.17      | 1.86        | 8.84           | 1.72            | 6.79          |
| <b>Petroleum marketing</b>             |                     |                              |                    |            |           |             |                |                 |               |
| African Petroleum plc                  | 34.00               | -88.43                       | 35.19              | 6.90       | 15.29     | 5.05        | 5.16           | 4.23            | 15.49         |
| Chevron Oil Nigeria plc                | 66.47               | -58.43                       | 16.88              | 0.00       | 0.00      | 8.82        | 13.75          | 8.04            | 6.18          |
| Conoil plc                             | 36.91               | -52.92                       | 25.61              | 9.88       | 7.45      | 2.14        | 6.90           | 1.98            | 10.88         |
| Mobil Oil Nigeria plc                  | 99.25               | -70.03                       | 29.82              | 17.36      | 5.04      | 13.26       | 22.31          | 11.26           | 3.14          |
| Oando plc                              | 93.99               | 20.48                        | 85.07              | 10.20      | 6.38      | 1.90        | 9.83           | 1.80            | 7.52          |
| Total Nigeria plc                      | 160.00              | -21.45                       | 54.32              | 12.35      | 5.71      | 7.44        | 11.28          | 6.57            | 7.10          |
| <b>Agriculture</b>                     |                     |                              |                    |            |           |             |                |                 |               |
| Okomu Oil Palm plc                     | 23.94               | -26.99                       | 11.44              | 9.48       | 1.04      | 2.67        | 7.91           | 2.22            | 5.06          |
| Presco plc                             | 5.42                | -46.39                       | 5.42               | 8.04       | 5.54      | 2.12        | 9.03           | 1.88            | 4.98          |
| <b>Chemical &amp; paints</b>           |                     |                              |                    |            |           |             |                |                 |               |
| Chemical and Allied Products plc       | 29.23               | -31.01                       | 6.14               | 8.35       | 12.83     | 6.13        | 10.23          | 7.34            | 7.33          |
| Nigeria-German Chemicals plc           | 15.04               | -22.55                       | 2.31               | 16.83      | 2.99      | 2.05        | 15.98          | 1.92            | 2.82          |
| D.N. Meyer plc                         | 5.96                | -48.22                       | 1.74               | 27.23      | 1.68      | 10.63       | 24.82          | 7.44            | 0.00          |
| <b>Construction</b>                    |                     |                              |                    |            |           |             |                |                 |               |
| Julius Berger Nigeria plc              | 28.32               | -49.06                       | 33.98              | 13.55      | 6.18      | 5.12        | 10.42          | 4.66            | 7.68          |
| Costain (W.A.) plc                     | 3.47                | -69.75                       | 3.19               | 9.04       | -         | -           | 7.98           | -3.60           |               |
| <b>Insurance</b>                       |                     |                              |                    |            |           |             |                |                 |               |
| Unic Insurance plc                     | 0.74                | -38.33                       | 1.91               | 5.81       | 6.76      | 0.40        | 5.23           | 0.37            | 3.82          |
| Prestige Assurance Company plc         | 4.38                | -29.92                       | 9.42               | 14.76      | 4.57      | 2.16        | 11.77          | 2.01            | 5.10          |
| Mutual Benefit Assurance plc           | 0.64                | -56.46                       | 5.12               | -          | 0.00      | 0.48        | 3.66           | 0.65            | 12.58         |
| Custodian and Allied Insurance plc     | 2.70                | -11.48                       | 12.94              | 8.30       | 6.30      | 1.35        | 5.90           | 1.22            | 7.62          |
| Intercontinental Wapic Insurance plc   | 1.07                | -73.05                       | 5.42               | 10.16      | 11.68     | 0.61        | 5.64           | 0.58            | 11.16         |
| International Energy Insurance plc     | 0.61                | -71.63                       | 3.36               | 7.10       | 8.196721  | 0.29        | 5.64           | 0.28            | 5.32          |
| Standard Alliance Insurance plc        | 0.91                | -39.33                       | 7.64               | 8.84       | 5.49      | 0.33        | 7.10           | 0.32            | 6.62          |

Source: Stanbic IBTC Research

Note: \*As at 30 October 2009

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**Hold** – A good company with excellent long term prospects which is currently suffering as a result of short-term difficulties but which once cleared up will result in significant return on investment for the investor.

Definitions relate to **long term** – between 1 year and 2 years

### Frequency of Next Update

This is a weekly report.

We plan to formally update the companies we cover when next there is substantial financial news about them.

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### Disclosures\*

| Company                                | Disclosure |
|--|------------|
| Diamond Bank plc                       | E, G       |
| Ecobank Transnational Inc plc          | E          |
| GT Bank plc                            | E          |
| Dangote Sugar Refinery plc             | E          |
| Cement Company of Northern Nigeria plc | E          |
| Skye bank                              | E, G       |
| Aiico Insurance plc                    | E          |
| Honeywell Flour Mills plc              | None       |
| Custodian and Allied Insurance plc     | E          |
| Benue Cement Company plc               | E          |
| Lafarge Cement Wapco Nigeria plc       | E, G       |

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- G. Standard CIB has received compensation for investment banking services from the company within the last 12 months
- H. Standard CIB expects to receive, or intends to seek, compensation for investment banking services from the company during the next 3 months
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- J. Analyst holds long or short personal positions in a class of common equity securities of this company
- K. Standard CIB is a market maker or liquidity provider in the financial instruments of the relevant issuer

\* Disclosures are correct as of 15 October 2009.

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Previous ratings of the companies we cover are available on request. All previous reports are also available in full from Stanbic IBTC Research.

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Stanbic IBTC Equity Investment Research

| Rating   | Buy | Hold | Sell |
|--|-----|------|------|
| All Recommendations (%)                                  | 60  | 27   | 13   |
| Recommendations with Investment Banking Relationship (%) | 62  | 8    | 30   |

For the period 1 July 2009 to 30 September 2009, Stanbic IBTC Research produced investment ratings on equity securities on 85 occasions, of these 13 had a material investment banking relationship with Standard CIB in the last 12 months.

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