INTERSUISSE MORNING NOTES

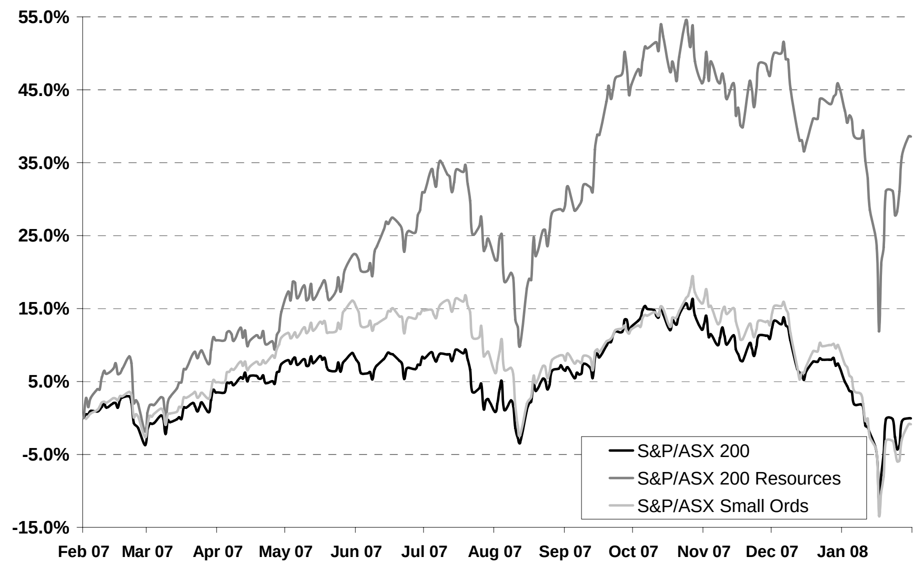
Company Reports in Today's Issue

Tuesday, 5 February 2008

ASX Code	Company	Recommendation
BKN	*Bradken*	*Buy*
MTU	*M2 Telecommunications Group*	*Buy*

Market Overview

- ✓ US stocks moved lower with investors trimming positions,
- ✓ News that jobs unexpectedly fell in January fuelled concerns about the economy, keeping the market focused on whether the central bank will continue delivering more rate cuts.
- ✓ Investors will tune in later this week to a deluge of speeches by Fed officials to gain more insight into the thinking of central bankers.
- ✓ Factory orders posted a fourth consecutive increase during December, while a barometer of capital spending by businesses surged, a sign of optimism amid the US economic slowdown,
- ✓ The federal budget deficit will soar to near-record levels in fiscal 2008 and 2009,
- ✓ Australia's seasonally adjusted balance on trade in goods and services narrowed to a deficit of $1.9bn in December from a deficit of $2.2bn in November,
- ✓ The weighted average price of established houses in Australian capital cities rose 3.2% in the fourth quarter of 2007 from the third quarter,



Market Indices

Index	Close	Change	%
All Ord	5,921.7	39.42	0.67
S&P/ASX200	5,867.4	24.50	0.42
S&P 500	1,380.8	-14.59	-1.05
NASDAQ	2,386.5	-26.91	-1.12
FTSE 100	6,026.2	-3.00	-0.05
Nikkei 225	13,859.7	362.54	2.69
MSCI World	1,487.6	21.21	1.45

Commodities

Units/$US	Latest	Change	%
Gold	910.00	-15.00	-1.62
Aluminium	2,676.0	33.0	1.25
Copper	7,345.0	174.5	2.43
Nickel	27,705.0	155.0	0.56
Lead	2,845.0	103.5	3.78
Zinc	2,506.0	114.0	4.77
Oil	90.07	1.04	1.17

Currency and Fixed Interest

Name	Latest	Change	%
$US/$A	0.909	0.005	0.53
¥/$A	96.955	0.550	0.57
€/$A	0.613	0.002	0.29
$NZ/$A	1.146	0.007	0.64
10 Year Bond	6.20%	-0.004	-0.06
90 Day Bill	7.43%	0.050	0.68

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Bradken Limited BKN Monday 04 February 2008

Improvement expected in second half

Recommendation: Buy – 1H08 result and guidance underpins the stock value

Investment Rationale

BKN has large market shares in mining and rail consumables and equipment manufacture and much of the revenue base is recurring. Increased mining and rail activity provides a positive backdrop for a number of years to come. BKN is low margin, capital intensive and somewhat cyclical although well exposed to the industrialization drives of China, India and other BRIC countries. Earnings are linked to mining extraction tonnage. Prospects for growth in rail wagons and existing lines of business will be supplemented longer term by growth in supply of parts to burgeoning power and cement needs of China and India in particular. Importantly for a foundry-centric engineering group, a focus on modern equipment, cost and financial control drives the bottom line. Quality, including design, reliability and service are differentiators from cheap imports.

Event

- The stock has rallied following the result and rightly so. The market's reaction following the December guidance downgrade was overly brutal.
- 1H08 NPAT rose just 1.6% to $23.2m, slightly ahead of December guidance. Sales increased 21.9% to $358.8m.
- Sales rose in all areas. EBIT margins rose in all areas except Power & Cement, as had been foreshadowed in the December warning.
- The balance sheet is in decent shape. Despite net debt/equity at 150%, interest is five times covered by earnings.
- Mining division EBIT rose 8.8% to $43.6m on 5.5% higher sales. Production volumes of iron ore, coal and other commodities were largely flat due to the resource sector's infrastructure bottlenecks and project delays. Mineral Processing EBIT increased just 1.2% to $14.9m on flat sales as lower copper and gold production volumes reduced demand for repeat consumable products.
- Rail EBIT rose 25.9% to $27.2m on a 17.6% increase in sales through strong demand for freight wagons.
- Power & Cement EBIT was $3.9m. EBIT margin fell from 20% to 15% because of a large under-priced contract. Profitability is expected to improve in H2 as the troubled contract is completed.
- Industrial EBIT rose 54.0% to $16.0m on a 52% rise in sales boosted by Boogan and Cast Metal Services acquisitions.
- The interim franked dividend was increased 3% from 14.5¢ to 15.0¢.

Impact

- Management guidance remains for full year EBITDA growth around 20% and EPS growth around 15%.
- Despite the good performance in the circumstances and the positive guidance, we remain cautious in our estimates. We cut our August expectations sharply back to 15% EPS growth in FY08 and in FY09, from a previous 21% in FY09. We have reduced our dividend expectations by a further 1¢ in each year, held to 15% growth this year and increased growth to 17% for FY09, adding $1m to NPAT and 1¢ to EPS. This leaves us again cautiously at the bottom of consensus but we still consider the fundamentals, P/E and yield attractive enough for a Buy on these terms.
- The stock is thus in our view modestly priced offering a good buying opportunity.

Recommendation Impact

Continue to Buy. BKN remains one of our preferred stocks.

Snapshot

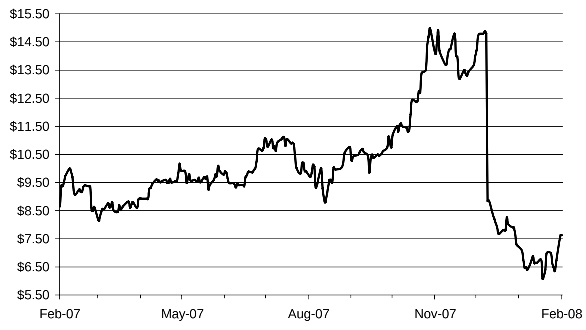
Last Price	$7.63
Market Cap.	$809 million
52 Week High	$15.29
52 Week Low	$5.91
Sector	Capital Goods

Investment Fundamentals

Year-end Jun	FY06A	FY07A	FY08E	FY09E
NPAT ($m)	33.9	49.1	55.8	64.4
EPS (c)	32.3	45.8	52.7	61.6
EPS Growth (%)	51.9	41.8	15.0	17.0
PE Ratio (x)	23.6	16.7	13.7	11.9
DPS (c)	21.0	31.5	34.0	39.0
Franking (%)	100	100	100	100
Dividend Yield (%)	3.1	4.7	4.7	5.4

Source: *Intersuisse estimates*

Price Chart



Business Description

Bradken (BKN) is a supplier of differentiated consumable products to the resources and freight rail industries. BKN's product range includes consumable parts, capital equipment and associated maintenance and refurbishment services. The company operates five divisions, Mining, Mineral Processing, Rail, Industrial and Power & Cement, supported by a network of 19 manufacturing facilities across Australia, New Zealand and the United Kingdom, with a growing manufacturing base in China and a useful joint venture with private equity in Americast, making the largest rail and mining castings in North America.

Analyst: Peter Russell

INTERSUISSE MORNING NOTES

M2 Telecommunications Group MTU 4 February 2008

Unitel acquisition sets up M2 to be 'best of breed' junior wholesale telco & SME supplier

Recommendation: Buy

Investment Rationale

MTU is on its way to a sixth record year in revenues, profits and dividends since listing, pretty unique for a small telco. M2's focus on profitability is home grown but it has added to its success by careful acquisitions. M2 is now in a position to offer the full range of telco services to small and medium businesses, nationwide buying groups, associations and mid-tier corporates, ald also for small / mid-sized telecommunications service providers, with online mobile phone retailing and Green Mobiles – mobile phone services powered by the Optus 3G network.
M2 has net cash and is committed to build both its strength and dividends. Buy.

FY07 results

We last reviewed MTU on 11 September 2007, as a 'Buy' at 78.5¢ as its acquisition of Orion Telecommunications Limited (OTL) neared completion. A very strategic deal, Orion was a full service telco service provider based in Hobart, trading as Southern Cross Telco with over 25,000 customers and $30m revenues. Its Tasmanian-based team and complementary IP systems added considerable back-of-house strength to provide a scaled base of operations to support the next growth phase for M2's small enterprise targeted business unit

Now MTU has announced another key strategic acquisition, putting in place its fixed line and local loop access strategy to enable the offering of a full suite of telco products for its wholesale telecommunications unit.

MTU is to acquire Unitel Australia Pty Ltd ("Unitel"), the wholesale network services business of Commander Communications Limited (CDR). Unitel (formerly "RSL Com Partners") is a leading supplier of wholesale telecommunications services to small and medium sized telecommunications service providers Australia-wide.

M2 will pay $10m (pre adjustments) up front and up to $2.5m, based on performance, over 36 months, subject to agreed performance milestones. The acquisition will be funded by cash reserves and bank debt.

As an established provider of fixed line (including local access), mobile and data services, Unitel has been delivering wholesale network services since 1999, with a track record of strong recurring revenues and positive earnings.

The Unitel acquisition is forecast to be substantially earnings accretive for MTU. MTU's EPS is expected to rise by nearly 50%, or 2.9¢ annualised, on approx. $37m additional annual revenue, taking group revenues over $140m.

Impact

The acquisition of the Unitel network services business is a highly strategic step for MTU's fast growing network wholesaling business ("M2 Wholesale"), providing a sizable expansion to its wholesale customer base and access to certain unique intellectual property used by Unitel in the supply of Local Access Resale ("LAR") services and other core telecommunications network services. This gives MTU a substantial advantage in passing full Telstra support - on faults, installations and moves of lines – downstream to its wholesale customers and their clients.

MTU will combine this full service Telstra fixed line access with its unique Optus 3G mobile, wireless broadband and ADSL2+ data services to offer a complete suite of products to wholesale customers. The cross-sell opportunities between Unitel's and MTU's customers are substantial; the bulking-up of MTU's revenues offers better buying opportunities across the group. With no current debt, the deal can be readily cash and debt-funded; Unitel's customers have negligible overlap with MTU's; and its 60% NSW focus and eight Sydney-based staff are expected to mesh well with MTU currently opening a Sydney office. With MTU's experience, integration looks natural.

Pending the half-year results we made only partial additions to earlier estimates.

Recommendation Impact

MTU's track record and new platform for growth recommend it strongly as a Buy. We expect the 1H08 results in the last week of February to provide evidence of the integration of recent acquisitions and prospects for profitable growth.

Snapshot

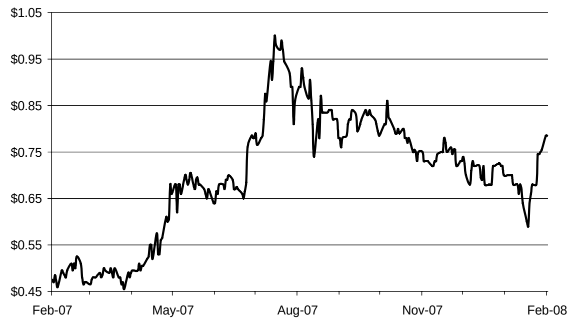
Last Price	$0.785
Market Cap.	$62 million
52 Week High	$1.00
52 Week Low	$0.435
Sector	Telecommunication Services

Investment Fundamentals

Year-end Jun	FY06A	FY07A	FY08E	FY09E
NPAT ($m)	2.2	2.4	5.6	7.9
EPS (c)	3.7	4.0	7.1	10.0
EPS Growth (%)	16.2	8.1	77.5	40.8
PE Ratio (x)	21.2	19.6	11.1	7.9
DPS (c)	2.6	3.0	4.9	7.0
Franking (%)	100	100	100	100
Dividend Yield (%)	3.3	3.8	6.2	8.9

Source: Intersuisse estimates

Price Chart



Business Description

MTU is a profitable provider of a full suite of network independent fixed line, mobile and data telecommunications services Australia wide and in NZ. It has a unique bundled offering targeted mainly at the Small and Medium Enterprise (SME) market and distributed through a network of dealerships and agencies. MTU also operates a wholesale services division, established on its appointment in May 2006 as the exclusively endorsed aggregator / enabler (wholesaler) of Optus mobile services to other telco service providers and ISP's. Strategic acquisitions have now rounded out complete suites of services for both wholesale telco customers and SMEs.

Analyst: Peter Russell

INTERNATIONAL OVERNIGHT NEWS

US Markets

US stocks moved lower with investors trimming positions following a rally that saw the market rise in four of the previous five sessions, while the stocks of troubled financial firms also suffered from several broker downgrades.

After rallying 4.4% last week, the Dow Jones Industrial Average was down 108.03 points (0.85%) to 12,635.16.

Blue-chip American Express Co. fell 3.5% after an analyst downgraded the stock. Other bank stocks were also under pressure as brokers downgraded Wells Fargo & Co. and Wachovia Corp.

Among the few gainers on the Dow were defensive issues such as drug makers Merck & Co., Pfizer Inc. and Johnson & Johnson.

The S&P 500 Index was down 14.6 points (1.05%) to 1,380.82, and the Nasdaq Composite Index was down 30.51 points (1.26%) to 2,382.85.

Stocks rallied in the last 10 days of January as the Federal Reserve cut interest rates by 125 basis points, down to 3%, to help prevent the US economy from sliding into recession.

News that jobs unexpectedly fell in January fuelled concerns about the economy, keeping the market focused on whether the central bank will continue delivering more rate cuts.

Investors will tune in later this week to a deluge of speeches by Fed officials to gain more insight into the thinking of central bankers.

Microsoft's bid for Yahoo remained in the news, after Yahoo made public an email suggesting that the software giant's bid was "one of many options." Google Inc. also traded shots with Microsoft over the weekend, with its chief legal officer saying in a blog post that the deal could undermine open competition on the Internet.

It was also reported that Google Chief Executive Eric Schmidt has offered his company's help in any effort to fight off the unsolicited offer.

Yahoo shares rallied another 3.5%, while Microsoft gained 0.3%.

Health-benefits group Humana Inc. said fourth-quarter net profit rose 57% to $243.2m, or $1.43 a share, topping market expectations due to a lower tax rate and gains on the sale of a venture-capital investment. The firm also raised its 2008 earnings outlook.

Archer Daniels Midland Co.'s fiscal second-quarter income rose 7% to $473m, or 73 cents a share, as a result of heightened product demand and geographic crop imbalances.

Among other companies due to report, Yum Brands Inc. is expected to post earnings of 42 cents a share for the fourth quarter.

US Economic News

While the mortgage industry has made an effort to help troubled homeowners facing steep interest rate hikes modify their home loans, US Federal Reserve Governor Randall Kroszner urged market participants to do more.

Factory orders posted a fourth consecutive increase during December, while a barometer of capital spending by businesses surged, a sign of optimism amid the US economic slowdown. Orders for manufactured goods increased 2.3%, following a revised 1.7% climb in November, the Commerce Department said. Originally, factory orders were seen 1.5% higher in November.

The federal budget deficit will soar to near-record levels in fiscal 2008 and 2009, the Bush administration said in its $3.1tr budget request, a surge in red ink attributable to cooling corporate tax receipts and the cost of a short-term economic stimulus package.

European Markets

European stocks closed slightly higher as investors picked up shares in industrial companies and auto makers, although airlines were pressured after a bleak outlook from Irish low-cost airline Ryanair Holdings.

Of industrials, shares in German conglomerate Siemens closed up 1.6% after an upgrade to buy from neutral.

Meanwhile, shares in Danish wind power specialist Vestas Wind Systems rose 7.7% in Copenhagen after it upgraded forecasts for revenue and operating margins.

Share prices for industrial firms have suffered in recent weeks as investors punished the sector for its correlation to economic growth trends by slashing earnings estimates.

Most banks were also performing well, although shares in French bank Societe Generale ended down 4.8%.

The bank said that it had no comment to make on a report by French finance minister Christine Lagarde into its recent trading scandal. Lagarde said "Clearly, some mechanisms did not work," according to a report.

Shares in automakers were higher, with Daimler closing up 1.2% and Peugeot trading up 2.7%.

Still, losses for airlines, which usually also benefit from lower oil prices, capped upside, after Ryanair issued a downbeat outlook for 2008.

Ryanair shares fell 2.7% in London, having been down more than 10% at one point, after Europe's largest low-cost airline reported a 27% drop in adjusted third-quarter profit because of lower ticket prices. It also warned that higher fuel prices and weaker consumer spending could cut next year's profit by as much as 50%.

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Commodities

Base metals drifted on the London Metal Exchange as follow-through buying failed to arise, while an earthquake off the coast of Chile didn't hurt copper production at the major mines in the region, several mining companies said.

Crude oil gained to close above $90 a barrel after traders reconsidered a selloff last week and reacted to fresh violence in Nigeria's tumultuous, oil-rich southern region.

Currencies

The US dollar slipped against the euro and edged up against the yen on Monday as investors waited to see how major central banks at policy meetings this week will respond to a potential global economic slowdown. The Reserve Bank of Australia, the Bank of England and the European Central Bank are all due to meet and dealers will be focusing on whether they are concerned about the severity of the U.S. slowdown and whether it will affect their economies. If all those banks warn about slowing conditions down the road, then investors' willingness to take risks could suffer, hurting higher-yielding currencies such as the Australian dollar and helping low-yielding units like the yen.

AUSTRALIAN OVERNIGHT NEWS

Australian Markets

Local shares are likely to open flat as investors wait for local corporate news given poor offshore leads.

Ahead of the local open the March SPI futures were 69 points lower at 5,773.

Companies in the News

Rio Tinto (RIO)

Rio Tinto (RIO) reported that Alcoa (AAI) is partnering with Aluminum Corporation of China (Chinalco) to acquire 12% of the UK common stock of Rio Tinto plc. Alcoa will contribute up to $1.2bn to the total investment. The investment will be made through a Special Purpose Vehicle, called Shining Prospect (SPPL) created for this purpose. SPPL is based in Singapore and wholly owned by Chinalco. Through its investment, Alcoa will acquire an equity stake in SPPL commensurate with its cash contribution to the investment. Chinalco President Xiao Yaqing later said the company has no plans to increase its stake in Rio. "We do not have a plan to increase our stake in the company," Xiao said in Sydney. Asked if Chinalco was interested in participating in a break up of Rio Tinto's assets, Xiao said he thinks the company is very well run as it is. Xiao said he hasn't yet met with the Australian government, but would be pleased to do so and flagged that the Chinese aluminium giant plans to do more in Australia. RIO firmed 80 cents (0.63%) to $128.11 and AAI was unchanged at $46.00.

BHP Billiton (BHP)

BHP Billiton (BHP) announced approval for US$1.094bn (BHP Billiton share US$930M) of capital expenditure to underpin accelerated growth of the WAIO business. This amount represents pre approval expenditure for Rapid Growth Project 5 (RGP5). RGP5 is expected to increase WAIO's installed capacity to more than 200Mtpa during calendar year 2011. The pre-approval funding will be used to commence duplication of the railway track between the Yandi mine and Port Hedland and begin the expansion of the inner harbour at Port Hedland. Construction of the second railway is expected to begin in May 2008, subject to various government approvals. BHP strengthened 77 cents (2%) to $39.32.

MFS (MFS)

MFS announced that it had entered into binding agreements in relation to the sale of a 65% shareholding in the Stella Group to funds advised by CVC Asia Pacific. Stella is a leading hospitality and travel group with significant operations in Australia, New Zealand, South Africa and the UK. The introduction of CVC as a majority shareholder in Stella will significantly enhance its position to pursue expansion plans in Australia and internationally. The Company will receive cash proceeds of just over $409m and will retain a 35% shareholding and economic interest in Stella and will equity account its interest in Stella following completion and will no longer consolidate approx $905m of Stella debt. MFS remained unchanged at 99 cents.

Fortescue Metals Group (FMG)

Fortescue Metals Group (FMG) said it has held talks with a range of potential strategic equity investors. The South China Morning Post has reported that China Investment Corp., China's sovereign-wealth fund, and coal miner China Shenhua Group have been in informal talks to buy a 15.85% stake in Fortescue in a deal worth US$2 billion. "Fortescue has held confidential discussions with a range of potential strategic equity investors, however none could be considered concluded or at a stage requiring continuous disclosure," Fortescue said in a statement. The newspaper report said Harbinger Capital Partners, a US-based investment unit of Harbert Management Corp, would sell its 15.85% stake in Fortescue to the Chinese fund and coal miner, citing unnamed sources. FMG improved 68 cents (10.46%) to $7.18.

Queensland Gas Company (QGC)

Queensland Gas Company (QGC), announced a LNG alliance with global energy company BG Group to build a world scale LNG plant on the Queensland Coast using QGC coal seam gas as feedstock. The two companies have committed to a long term alliance for the development of an LNG project producing 3 to 4Mtpa for the export market. The supply of 190 petajoules a year of coal seam gas to feed the project is to be sourced from QGC's tenements in the Surat Basin, presently supplying the south east Queensland domestic market. QGC gained 61 cents (17.84%) to $4.03.

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Bradken (BKN)

Bradken (BKN) said its net profit for the fiscal first half ended Dec. 31 rose 2% to $23.2m, from $$22.8m a year earlier. The company said the first half result was in line with its forecast given Dec. 13. It said first-half sales rose 22% to $358.8m, from $294.4m a year before. Bradken will pay a 15 cents interim dividend, compared with 14.5 cents a year ago, the company said. The company believes that with long-term mining production expansion in Australia, its growth will continue and its performance improve. Bradken keeps its previous guidance for the year ending June 30 of EBITDA growth of about 20% and earnings per share growth of about 15%. BKN added 90 cents (13.37%) to $7.63.

Bendigo Bank (BEN)

Bendigo Bank (BEN) announced that Elders Rural Bank, a JV between Futuris Corporation (FCL) and Bendigo Bank, has posted a Net Profit after Tax of $19.4m for the six months ended 31 December 2007. This compares to a corresponding interim result of $18.3m last year. BEN climbed 27 cents (2.1%) to $13.12 and FCL strengthened 2 cents (0.88%) to $2.30.

Bravura Solutions (BVA)

Bravura Solutions (BVA) announced it has signed an agreement with The Bank of New York Mellon to extend the existing relationship. The agreement has an upfront value of $15m, with significant potential for future revenue. The new agreement extends the Company's existing five year contract with The Bank of New York until the end of 2113 following its purchase of the Rufus Software business in December 2006. BVA advanced 10 cents (7.14%) to $1.50.

Australian Economic News

Australia's seasonally adjusted balance on trade in goods and services narrowed to a deficit of $1.9bn in December from a deficit of $2.2bn in November, the Australian Bureau of Statistics said. The latest figure is lower than analysts' expectations of a deficit of $2.0bn. Australia recorded a deficit of $1.3bn in the year-earlier period.

The weighted average price of established houses in Australian capital cities rose 3.2% in the fourth quarter of 2007 from the third quarter, the Australian Bureau of Statistics said. The bureau's house price index also showed the weighted average price of established houses in Australia's eight capital cities was up 12.3% from the fourth quarter of 2006. The house price index for Sydney rose 2.4% in the fourth quarter from the third, and rose 8.0% from a year earlier. Adelaide had the largest quarterly increase, at 6.0%.

Companies Holding AGM’s or Trading Ex-Dividend

Australian Foundation Investment Company Ltd, API Fund and Milton Corporation.

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General Advice

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