Weekly Traders Update

DOLMEN STOCKBROKERS

2 August 2005

BskyB (535p)- Buy ahead of results.

Satellite television broadcaster BskyB reports its Full Year results on Wednesday 3rd August. Earnings are forecast to come in at 27.4p from 16.6p in 2004. The shares have fallen 11% since February as the market fretted over the company's ability to grow its subscriber numbers. The company however reported in its third quarter report to end of March that it had added 95,000 subscribers, ahead of market expectations. The company has a Free Cash Flow Yield of 6.2% for 2005 and 7.2% for 2006 compared to a sector average of 5.9% and 6.8% respectively. This will be used to maintain its share buy-back programme.

The issue that has grabbed most attention regarding Sky lately is the issue of Premiership Rights. The fear is that the EU will deem its current position as anti-competitive, however the feeling is that it will be very difficult for the EU to totally dismantle the current arrangement, and that there will not be the political will in the UK to support such a move.

The shares trade on 19.5x June '05 EPS and 17x June '06 EPS which is a 13% discount to the European broadcasting and publishing sector average.

SMITH & NEPHEW 542p

Results are due 04 August, we remain Buyers as outlined: Smith & Nephew develop and market advanced medical devices, concentrating on orthopaedics, endoscopy and wound management with further businesses in casting and bandaging, rehabilitation and ear, nose and throat devices. A recent trading update saw the company state that group sales by 12-13% in 2005 and operating margins by about 50 basis points to 20.6%. The company, like other companies in its sector is benefitting from the growing demand for replacement joints from ageing populations in the world's wealthiest countries. The stock trades on 22x Dec '05 & 19x Dec '06 earnings which is a discount of 15% to its global competitors. The stock represents an opportunity to play the Pharma sector without taking any stock specific risk regarding patent issues or generic manufacturing risks. Revenue split by region; US 52%, Europe 33%, Asia/Africa 15%. We would expect Smith & Nephew to trade towards 600p over the next 3-6 months. **Interim results 04 August. BUY.**

Grafton €9.36

Our buy case remains focused an enhanced cash pile for future acquisition following their recent debt financing ($325m), synergies from the Heitons acquisition and the longer term benefits from the maturity of the SSIA funds in 2006. We have a 12 month target of €10 and looks a far better investment opportunity than Kingspan at current levels.

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BHP Biliton 805p

Following a very positive trading/production update on Thursday from diversified miner BHP Billiton, we re-iterate our buy recommendation. The company announced record production in Petroleum, Copper, Iron Ore,Coking Coal, Energy Coal and Nickel, with strong production in Aluminium and Diamonds. This report was in line with the recently released production report issued by Rio Tinto and confirms the on-going demand from China and India. The stock which trades on 14x current year EPS of 56.3p and 10.8x 2006 EPS of 74.0p. While the company trades on a higher rating than peer companies like Xstrata and Antofagasta, it has a more diversified operational base. The company will report its Full year results to end of June on 24th August 2005.

LEGAL & GENERAL 114.5p

On Thursday Legal & General announced results for the 6 months ended 30/06/05. Operating profit and operating eps on an embedded value basis of £465m and 4.98p respectively were largely in line with consensus forecasts of £462m and 5p. The sales figure on an annual premium equivalent (APE) basis of £652m was ahead of the consensus forecast of £599m, and was a year on year increase of 28%. The strong results were driven by the continued recovery of the UK savings and pension market, as well as by further market share gains by Legal & General.

Given that Legal & General's return on embedded value of 12% is in line with the UK sector average, our current 12 month price target of £1.25 (9% further upside) is based on the current sector average of 1.4x embedded value per share of 89p. The shares also pay an attractive dividend yield of 4.5% for waiting for this upside to be achieved : **BUY**.

HILTON GROUP 293p

UK hotel and betting company Hilton have been in focus lately as the terrorist attacks on London raised investor concerns about the tourist industry and possible implications for the hotels sector. While obviously of concern to Hilton Group, the over emphasis on the hotel side of the business is somewhat misplaced as this business accounts for just 15% of group turnover. Operating profits in the hotel division for 2004 were £197m, however slightly less than half (48%) of this is generated in the UK. At the time of the company's trading update in May the larger contributor to group profits, Ladbrokes, was trading in line with the company's expectations with stronger turnover being slightly offset by lower margins. The contribution from betting terminals grew strongly with 7,522 Fixed Odds Betting Terminals and Amusement with Prizes now deployed in the UK. The company is continuing with its £300m to £400m hotel asset disposal programme, while as of May, Net Debt stood at £748m down from £1,035m a year previously. *Revenue spilt by region: UK 87%, Europe 11%, Rest of the world 2%. Profits by division: Betting 73%, Hotels 27%. Betting Profits by division: UK Retail 79%, Ireland & Belgium 5%, Telephone 6.5%, eGaming 8%.* The shares trade on 13.9x Dec '05 EPS and 12.3x Dec '06 EPS and yield 3.5%. While short term uncertainties may impact the shares, longer term the shares are excellent value. **Q2 Results 25th August. BUY.**

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Companies reporting this week:

Monday 1

ABN AMRO (Q2)
HSBC (H1)

Tuesday 2

Alliance & Leicester (H1)
Amvescap (H1)
BOC Group (Q3)
Continental (H1)
Heidelberger (Q1)
Metro (Q2)
Ryanair Holdings (Q1)

Wednesday 3

Allied Irish Bank (H1)
Altana (Q2)
BASF (H1)
BNP Paribas (Q2)
BMW (Q2)
BSkyB (YEAR)
Commerzbank (Q2)
Credit Suisse (Q2)
Hanson (H1)
HBOS (H1)
Henkel (Q2)
Iberia (Q2)
Karstadt Quelle (Q2)
Rio Tinto (H1)
Vedanta Resources (AGM)

Thursday 4

Ahold (Q2 TRADE)
Anglo American (H1)
GKN Holdings (H1)
Imperial Chemical (H1)
International Power (H1)
Linde AG (H1)
Millennium & Copthorne (H1)
Muenchener Gesellschaft (Q2)
Royal Bank of Scotland (H1)
Societe Generale (Q2)
Total (H1)
Unilever (Q2)

Friday 5

Barclays (H1)
British Airways (Q1/July Traf)
EasyJet (trdg/JULY TRAF/conf)

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