

## UBS Investment Research

### HT Media Ltd.

#### Weak 2Q on seasonality, new initiatives

##### ■ 2Q results in line – hit by late festive season, slowdown in realty, auto

HT revenues grew 12% yoy and 3% qoq, with Hindi sales growing faster at 25%. English sales – especially in Delhi, Chandigarh were affected by a slowdown in realty, auto segments (30-35% of revenues) and a delayed festive season. We expect 2H growth to pick up to 24% yoy against 13% yoy in 1H.

##### ■ Margins affected by Mint investments

Reported EBITDA margin declined to 17.3% from 19.1% due to high ad and marketing expenses on new initiatives, especially Mint. Adjusted EBITDA grew 18% yoy and margins improved from 20% to 21%. Mint will be launched in Bangalore this week and in Kolkata later this year. According to management, the ad-edit ratio for Mint is 20-25%.

##### ■ New initiatives in internet and Hindi augur well for future growth

We are enthused by HT's new initiatives in Internet jobs and matrimonial classifieds, which build on its existing strong client base. The company is looking to acquire a social networking site to augment its web presence. The Hindi business, too, should grow strongly, with expansion in Uttar Pradesh over the next 1-2 years.

##### ■ Maintain estimates, DCF-based PT of Rs253

We maintain our EPS estimates of Rs6.7 for FY08 and Rs8.9 for FY09. Our DCF-based PT of Rs253 assumes a WACC of 12.5% and terminal growth rate of 4%.

Highlights (Rsm)	03/06	03/07	03/08E	03/09E	03/10E
Revenues	8,210	10,393	12,346	14,427	16,748
EBIT (UBS)	799	1,507	2,212	2,914	3,443
Net Income (UBS)	602	1,153	1,576	2,086	2,511
EPS (UBS, Rs)	12.84	4.92	6.73	8.90	10.72
Net DPS (UBS, Rs)	1.20	0.56	0.77	1.02	1.22

Profitability & Valuation	5-yr hist av.	03/07	03/08E	03/09E	03/10E
EBIT margin %	-	14.5	17.9	20.2	20.6
ROIC (EBIT) %	-	30.1	45.2	53.8	57.6
EV/EBITDA (core) x	-	13.9	17.6	13.3	11.0
PE (UBS) x	-	26.3	32.0	24.1	20.1
Net dividend yield %	-	0.4	0.4	0.5	0.6

Source: Company accounts, Thomson Financial, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Valuations: based on an average share price that year, (E): based on a share price of Rs215.00 on 26 Oct 2007 23:39 HKT

#### Atul Rastogi

Analyst  
Atul.Rastogi@ubs.com  
+91-22-2286 2028

#### Pratap Parimi

Associate Analyst  
pratap.parimi@ubs.com  
+91-22-2286 2035

## Global Equity Research

India

Publishing

12-month rating **Buy**  
**Unchanged**

12m price target **Rs253.00/US\$6.42**  
**Unchanged**

Price **Rs215.00/US\$5.45**

RIC: HTML.BO BBG: HTML IN

29 October 2007

#### Trading data (local/US\$)

52-wk range	Rs241.25-132.87/US\$5.92-2.95
Market cap.	Rs50.4bn/US\$1.28bn
Shares o/s	234m (ORD)
Free float	22%
Avg. daily volume ('000)	40
Avg. daily value (Rsm)	8.7

#### Balance sheet data 03/08E

Shareholders' equity	Rs9.21bn
P/BV (UBS)	5.5x
Net Cash (debt)	Rs0.38bn

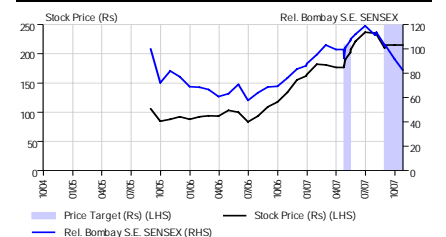
#### Forecast returns

Forecast price appreciation	+15.8%
Forecast dividend yield	0.0%
Forecast stock return	+15.8%
Market return assumption	11.9%
Forecast excess return	+3.9%

#### EPS (UBS, Rs)

	03/08E		03/07
	UBS	Cons.	Actual
Q1	-	-	-
Q2E	-	-	-
Q3E	-	-	-
Q4E	-	-	-
03/08E	6.73	6.73	-
03/09E	8.90	8.90	-

#### Performance (Rs)



www.ubs.com/investmentresearch

This report has been prepared by UBS Securities India Private Ltd  
ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 5.

UBS does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Table 1: 2Q results

Rs m	2QFY07	1QFY08	2QFY08	% yoy	%qoq
Net Sales	2,499	2,733	2,810	12%	3%
Raw Material Consumed	1,076	1,087	1,127	5%	4%
Stock Adjustment	0	(1)	3		
Employee Expenses	348	402	423	22%	5%
Selling & Administrative Expenses	106	145	198	86%	37%
Other Expenses	492	545	574	17%	5%
<b>TOTAL EXPENDITURE</b>	<b>2,023</b>	<b>2,178</b>	<b>2,325</b>	<b>15%</b>	<b>7%</b>
<b>EBITDA</b>	<b>477</b>	<b>556</b>	<b>485</b>	<b>2%</b>	<b>-13%</b>
EBITDA %	19.1	20.3	17.3	-9%	-15%
Other Income	76	103	85	11%	-18%
Interest	38	42	44	16%	5%
Depreciation	96	106	110	14%	3%
<b>PBT</b>	<b>419</b>	<b>511</b>	<b>416</b>	<b>-1%</b>	<b>-19%</b>
Tax	142	161	89	-37%	-45%
Fringe Benefit Tax	8	8	8	4%	0%
<b>Adjusted Profit after tax</b>	<b>269</b>	<b>342</b>	<b>319</b>	<b>19%</b>	<b>-6%</b>

Source: Company data

# HT Media Ltd.

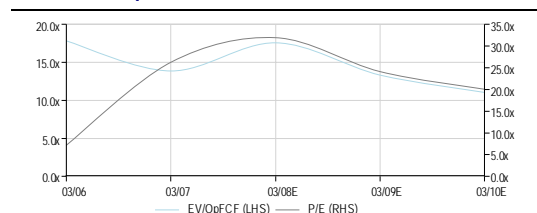
Income statement (Rsm)	03/03	03/04	03/05	03/06	03/07	03/08E	% ch	03/09E	% ch	03/10E	% ch
Revenues	-	4,163	6,279	8,210	10,393	12,346	18.8	14,427	16.9	16,748	16.1
Operating expenses (ex deprn)	-	(4,023)	(5,531)	(7,026)	(8,488)	(9,689)	14.1	(11,004)	13.6	(12,741)	15.8
EBITDA (UBS)	-	140	748	1,184	1,905	2,658	39.5	3,423	28.8	4,007	17.1
Depreciation	-	(152)	(227)	(385)	(397)	(446)	12.3	(509)	14.1	(564)	10.9
Operating income (EBIT, UBS)	-	(12)	521	799	1,507	2,212	46.7	2,914	31.8	3,443	18.1
Other income & associates	-	51	81	83	169	169	0.0	169	0.0	169	0.0
Net interest	-	(57)	(58)	(41)	92	7	-92.0	77	961.2	193	148.7
Abnormal items (pre-tax)	-	0	0	0	0	0	-	0	-	0	-
Profit before tax	-	(18)	545	841	1,768	2,387	35.1	3,160	32.4	3,804	20.4
Tax	-	11	(165)	(239)	(614)	(812)	32.1	(1,074)	32.4	(1,293)	20.4
Profit after tax	-	(7)	380	602	1,153	1,576	36.6	2,086	32.4	2,511	20.4
Abnormal items (post-tax)	-	(16)	(106)	(229)	(3)	0	-	0	-	0	-
Minorities / pref dividends	-	0	0	0	0	0	-	0	-	0	-
Net income (local GAAP)	-	(23)	273	373	1,151	1,576	36.9	2,086	32.4	2,511	20.4
Net Income (UBS)	-	(7)	380	602	1,153	1,576	36.6	2,086	32.4	2,511	20.4
Tax rate (%)	0	0	30	28	35	34	-2.2	34	0.0	34	0.0
Pre-abnormal tax rate (%)	0	0	30	28	35	34	-2.2	34	0.0	34	0.0
Per share (Rs)	03/03	03/04	03/05	03/06	03/07	03/08E	% ch	03/09E	% ch	03/10E	% ch
EPS (local GAAP)	-	(0.62)	6.55	7.96	4.91	6.73	36.9	8.90	32.4	10.72	20.4
EPS (UBS)	-	(0.19)	9.10	12.84	4.92	6.73	36.6	8.90	32.4	10.72	20.4
Net DPS	-	0.00	0.92	1.20	0.56	0.77	36.6	1.02	32.4	1.22	20.4
Cash EPS	-	3.89	14.52	21.07	6.62	8.63	30.4	11.08	28.3	13.13	18.5
BVPS	-	12.19	17.37	29.60	33.46	39.32	17.5	47.06	19.7	56.39	19.8
Balance sheet (Rsm)	03/03	03/04	03/05	03/06	03/07	03/08E	% ch	03/09E	% ch	03/10E	% ch
Net tangible fixed assets	-	2,885	3,823	3,736	3,742	4,058	8.5	4,510	11.1	4,804	6.5
Net intangible fixed assets	-	169	158	400	564	501	-11.1	440	-12.1	382	-13.3
Net working capital (incl. other assets)	-	616	439	1,467	737	883	19.8	1,136	28.7	1,376	21.1
Other liabilities	-	0	(132)	(296)	(346)	(346)	0.0	(346)	0.0	(346)	0.0
Operating invested capital	-	3,670	4,288	5,307	4,696	5,096	8.5	5,741	12.6	6,217	8.3
Investments	-	437	1,009	644	3,730	3,730	0.0	3,730	0.0	3,730	0.0
Total capital employed	-	4,107	5,297	5,951	8,426	8,826	4.7	9,470	7.3	9,946	5.0
Shareholders' equity	-	2,857	4,070	6,933	7,838	9,209	17.5	11,024	19.7	13,208	19.8
Minority interests	-	0	0	0	0	0	-	0	-	0	-
Total equity	-	2,846	4,070	6,933	7,838	9,209	17.5	11,024	19.7	13,208	19.8
Net debt / (cash)	-	1,261	1,227	(982)	588	(383)	-	(1,553)	305.3	(3,262)	110.0
Debt deemed provisions	-	0	0	0	0	0	-	0	-	0	-
Total capital employed	-	4,107	5,297	5,951	8,426	8,826	4.7	9,470	7.3	9,946	5.0
Cash flow (Rsm)	03/03	03/04	03/05	03/06	03/07	03/08E	% ch	03/09E	% ch	03/10E	% ch
Operating income (EBIT, UBS)	-	(12)	521	799	1,507	2,212	46.7	2,914	31.8	3,443	18.1
Depreciation	-	152	227	385	397	446	12.3	509	14.1	564	10.9
Net change in working capital	-	0	115	(1,097)	677	(146)	-	(253)	73.6	(240)	-5.2
Other (operating)	-	0	0	0	0	0	-	0	-	0	-
Operating cash flow	-	140	863	87	2,581	2,512	-2.7	3,170	26.2	3,767	18.8
Net interest received / (paid)	-	(57)	(58)	(41)	92	7	-92.0	77	961.2	193	148.7
Dividends paid	-	0	(44)	(64)	(150)	(205)	36.6	(271)	32.4	(326)	20.4
Tax paid	0	(1)	(22)	(65)	(614)	(812)	32.1	(1,074)	32.4	(1,293)	20.4
Capital expenditure	-	0	(1,135)	(251)	(530)	(700)	32.0	(900)	28.6	(800)	-11.1
Net (acquisitions) / disposals	-	0	0	0	0	0	-	0	-	0	-
Other	-	-	(660)	(256)	(3,047)	169	-	169	0.0	169	0.0
Share issues	-	0	885	2,556	0	0	-	0	-	0	-
Cash flow (inc)/dec in net debt	-	128	(171)	1,966	(1,668)	971	-	1,170	20.5	1,708	46.0
FX / non cash items	-	-	204	243	98	0	-	0	-	0	-
Balance sheet (inc)/dec in net debt	-	-	33	2,209	(1,570)	971	-	1,170	20.5	1,708	46.0
Core EBITDA	-	140	748	1,184	1,905	2,658	39.5	3,423	28.8	4,007	17.1
Maintenance capital expenditure	-	0	0	0	0	0	0.0	0	0.0	0	0.0
Maintenance net working capital	-	0	0	0	0	0	0.0	0	0.0	0	0.0
Operating free cash flow, pre-tax	-	140	748	1,184	1,905	2,658	39.5	3,423	28.8	4,007	17.1

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Note: For some companies, the data represents an extract of the full company accounts.

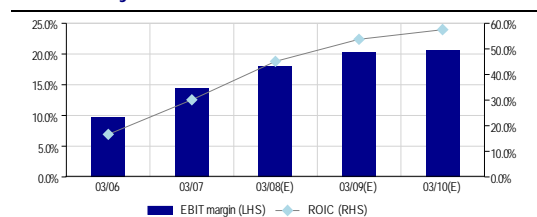
### Company profile

HT Media is the largest listed print media company in India. The KK Birla group is its majority shareholder. HT Media publishes two major titles-Hindustan Times in Delhi, Mumbai and other cities in North India, and Hindustan-a Hindi language newspaper in many North Indian cities. It has launched a business newspaper. HT Media has licences for radio stations in four cities.

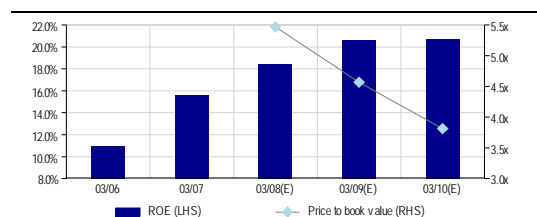
### Value (EV/OpFCF & P/E)



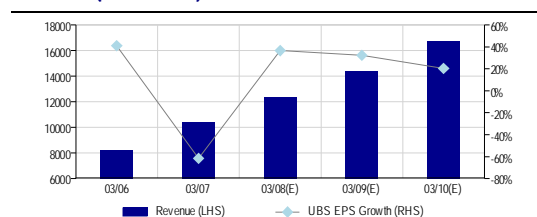
### Profitability



### ROE v Price to book value



### Growth (UBS EPS)



Valuation (x)	5Yr Avg	03/06	03/07	03/08E	03/09E	03/10E
P/E (local GAAP)	-	11.6	26.3	32.0	24.1	20.1
P/E (UBS)	-	7.2	26.3	32.0	24.1	20.1
P/CEPS	-	4.4	19.6	24.9	19.4	16.4
Net dividend yield (%)	-	1.3	0.4	0.4	0.5	0.6
P/BV	-	3.1	3.9	5.5	4.6	3.8
EV/revenue (core)	-	2.6	2.5	3.8	3.2	2.6
EV/EBITDA (core)	-	17.8	13.9	17.6	13.3	11.0
EV/EBIT (core)	-	26.4	17.5	21.1	15.7	12.8
EV/OpFCF (core)	-	17.8	13.9	17.6	13.3	11.0
EV/op. invested capital	-	4.4	5.3	9.5	8.4	7.4

Enterprise value (Rsm)	03/06	03/07	03/08E	03/09E	03/10E
Average market cap	21,628	30,316	50,359	50,359	50,359
+ minority interests	0	0	0	0	0
+ average net debt (cash)	123	(197)	102	(968)	(2,408)
+ pension obligations and other	0	0	0	0	0
- non-core asset value	(644)	(3,730)	(3,730)	(3,730)	(3,730)
Core enterprise value	21,107	26,390	46,732	45,661	44,222

Growth (%)	5Yr Avg	03/06	03/07	03/08E	03/09E	03/10E
Revenue	-	30.7	26.6	18.8	16.9	16.1
EBITDA (UBS)	-	58.3	60.9	39.5	28.8	17.1
EBIT (UBS)	-	53.2	88.7	46.7	31.8	18.1
EPS (UBS)	-	41.2	-61.7	36.6	32.4	20.4
Cash EPS	-	45.1	-68.6	30.4	28.3	18.5
Net DPS	-	29.9	-53.2	36.6	32.4	20.4
BVPS	-	70.4	13.1	17.5	19.7	19.8

Margins (%)	5Yr Avg	03/06	03/07	03/08E	03/09E	03/10E
EBITDA / revenue	-	14.4	18.3	21.5	23.7	23.9
EBIT / revenue	-	9.7	14.5	17.9	20.2	20.6
Net profit (UBS) / revenue	-	7.3	11.1	12.8	14.5	15.0

Return on capital (%)	5Yr Avg	03/06	03/07	03/08E	03/09E	03/10E
EBIT ROIC (UBS)	-	16.6	30.1	45.2	53.8	57.6
ROIC post tax	-	11.9	19.7	29.8	35.5	38.0
Net ROE	-	10.9	15.6	18.5	20.6	20.7

Coverage ratios (x)	5Yr Avg	03/06	03/07	03/08E	03/09E	03/10E
EBIT / net interest	-	21.6	-	-	-	-
Dividend cover (UBS EPS)	-	10.7	8.8	8.8	8.8	8.8
Div. payout ratio (% , UBS EPS)	-	9.3	11.4	11.4	11.4	11.4
Net debt / EBITDA	-	NM	0.3	NM	NM	NM

Efficiency ratios (x)	5Yr Avg	03/06	03/07	03/08E	03/09E	03/10E
Revenue / op. invested capital	-	1.7	2.1	2.5	2.7	2.8
Revenue / fixed assets	-	2.0	2.5	2.8	3.0	3.3
Revenue / net working capital	-	8.6	9.4	15.2	14.3	13.3

Investment ratios (x)	5Yr Avg	03/06	03/07	03/08E	03/09E	03/10E
OpFCF / EBIT	-	1.5	1.3	1.2	1.2	1.2
Capex / revenue (%)	-	3.1	5.1	5.7	6.2	4.8
Capex / depreciation	-	0.7	1.3	1.6	1.8	1.4

Capital structure (%)	5Yr Avg	03/06	03/07	03/08E	03/09E	03/10E
Net debt / total equity	-	(14.2)	7.5	(4.2)	(14.1)	(24.7)
Net debt / (net debt + equity)	-	(16.5)	7.0	(4.3)	(16.4)	(32.8)
Net debt (core) / EV	-	0.6	(0.7)	0.2	(2.1)	(5.4)

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items.

Valuations: based on an average share price that year, (E): based on a share price of Rs215.00 on 26 Oct 2007 23:39 HKT Market cap(E) may include forecast share issues/buybacks.

**Atul Rastogi**

Analyst

Atul.Rastogi@ubs.com

+91-22-2286 2028

**Pratap Parimi**

Associate Analyst

pratap.parimi@ubs.com

+91-22-2286 2035

## ■ **HT Media Ltd.**

HT Media is the largest listed print media company in India. The KK Birla group is its majority shareholder. HT Media publishes two major titles- Hindustan Times in Delhi, Mumbai and other cities in North India, and Hindustan-a Hindi language newspaper in many North Indian cities. It has launched a business newspaper. HT Media has licences for radio stations in four cities.

## ■ **Statement of Risk**

The company faces risk in earnings slowdown in case overall economy was to slow down as ad revenues are dependent on economic growth. It also faces high execution risks in its various expansion plans.

## ■ **Analyst Certification**

Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (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.

## Required Disclosures

This report has been prepared by UBS Securities India Private Ltd, an affiliate of UBS AG. UBS AG, its subsidiaries, branches and affiliates are referred to herein as UBS.

For information on the ways in which UBS manages conflicts and maintains independence of its research product; historical performance information; and certain additional disclosures concerning UBS research recommendations, please visit [www.ubs.com/disclosures](http://www.ubs.com/disclosures).

### UBS Investment Research: Global Equity Rating Allocations

UBS 12-Month Rating	Rating Category	Coverage <sup>1</sup>	IB Services <sup>2</sup>
Buy	Buy	55%	40%
Neutral	Hold/Neutral	36%	35%
Sell	Sell	9%	22%
UBS Short-Term Rating	Rating Category	Coverage <sup>3</sup>	IB Services <sup>4</sup>
Buy	Buy	0%	29%
Sell	Sell	0%	0%

1:Percentage of companies under coverage globally within the 12-month rating category.

2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

3:Percentage of companies under coverage globally within the Short-Term rating category.

4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS. Rating allocations are as of 30 September 2007.

### UBS Investment Research: Global Equity Rating Definitions

UBS 12-Month Rating	Definition
Buy	FSR is > 6% above the MRA.
Neutral	FSR is between -6% and 6% of the MRA.
Sell	FSR is > 6% below the MRA.
UBS Short-Term Rating	Definition
Buy	Buy: Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.
Sell	Sell: Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.

**KEY DEFINITIONS**

**Forecast Stock Return (FSR)** is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months.

**Market Return Assumption (MRA)** is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium).

**Under Review (UR)** Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation.

**Short-Term Ratings** reflect the expected near-term (up to three months) performance of the stock and do not reflect any change in the fundamental view or investment case.

**EXCEPTIONS AND SPECIAL CASES**

**US Closed-End Fund ratings and definitions are:** Buy: Higher stability of principal and higher stability of dividends; Neutral: Potential loss of principal, stability of dividend; Reduce: High potential for loss of principal and dividend risk.

**UK and European Investment Fund ratings and definitions are:** Buy: Positive on factors such as structure, management, performance record, discount; Neutral: Neutral on factors such as structure, management, performance record, discount; Reduce: Negative on factors such as structure, management, performance record, discount.

**Core Banding Exceptions (CBE):** Exceptions to the standard +/-6% bands may be granted by the Investment Review Committee (IRC). Factors considered by the IRC include the stock's volatility and the credit spread of the respective company's debt. As a result, stocks deemed to be very high or low risk may be subject to higher or lower bands as they relate to the rating. When such exceptions apply, they will be identified in the Companies Mentioned or Company Disclosure table in the relevant research piece.

**Company Disclosures**

Company Name	Reuters	12-mo rating	Short-term rating	Price	Price date
HT Media Ltd. <sup>4</sup>	HTML.BO	Buy	N/A	Rs215.00	26 Oct 2007

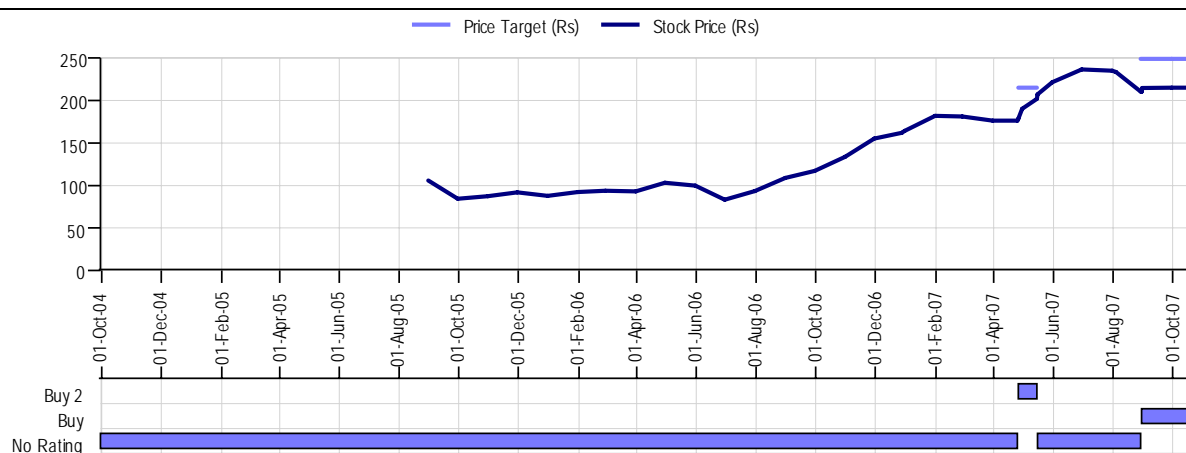
Source: UBS. All prices as of local market close.

Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

- 4. Within the past 12 months, UBS AG, its affiliates or subsidiaries has received compensation for investment banking services from this company/entity.

Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

**HT Media Ltd. (Rs)**



Source: UBS; as of 26 Oct 2007

Note: On August 4, 2007 UBS revised its rating system. (See 'UBS Investment Research: Global Equity Rating Definitions' table for details). From September 9, 2006 through August 3, 2007 the UBS ratings and their definitions were: Buy 1 = FSR is > 6% above the MRA, higher degree of predictability; Buy 2 = FSR is > 6% above the MRA, lower degree of predictability; Neutral 1 = FSR is between -6% and 6% of the MRA, higher degree of predictability; Neutral 2 = FSR is between -6% and 6% of the MRA, lower degree of predictability; Reduce 1 = FSR is > 6% below the MRA, higher degree of predictability; Reduce 2 = FSR is > 6% below the MRA, lower degree of predictability. The predictability level indicates an analyst's conviction in the FSR. A predictability level of '1' means that the analyst's estimate of FSR is in the middle of a narrower, or smaller, range of possibilities. A predictability level of '2' means that the analyst's estimate of FSR is in the middle of a broader, or larger, range of possibilities. From October 13, 2003 through September 8, 2006 the percentage band criteria used in the rating system was 10%.



## Global Disclaimer

This report has been prepared by UBS Securities India Private Ltd, an affiliate of UBS AG. UBS AG, its subsidiaries, branches and affiliates are referred to herein as UBS. In certain countries, UBS AG is referred to as UBS SA.

This report is for distribution only under such circumstances as may be permitted by applicable law. It has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient and does not constitute a representation that any investment strategy is suitable or appropriate to a recipient's individual circumstances or otherwise constitute a personal recommendation. It is published solely for informational purposes, it does not constitute an advertisement and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments in any jurisdiction. No representation or warranty, either express or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein, except with respect to information concerning UBS AG, its subsidiaries and affiliates, nor is it intended to be a complete statement or summary of the securities, markets or developments referred to in the report. UBS does not undertake that investors will obtain profits, nor will it share with investors any investment profits nor accept any liability for any investment losses. Investments involve risks and investors should exercise prudence in making their investment decisions. The report should not be regarded by recipients as a substitute for the exercise of their own judgement. Any opinions expressed in this report are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or groups of UBS as a result of using different assumptions and criteria. Research will initiate, update and cease coverage solely at the discretion of UBS Investment Bank Research Management. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. The analyst(s) responsible for the preparation of this report may interact with trading desk personnel, sales personnel and other constituencies for the purpose of gathering, synthesizing and interpreting market information. UBS is under no obligation to update or keep current the information contained herein. UBS relies on information barriers to control the flow of information contained in one or more areas within UBS, into other areas, units, groups or affiliates of UBS. The compensation of the analyst who prepared this report is determined exclusively by research management and senior management (not including investment banking). Analyst compensation is not based on investment banking revenues, however, compensation may relate to the revenues of UBS Investment Bank as a whole, of which investment banking, sales and trading are a part.

The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. Options, derivative products and futures are not suitable for all investors, and trading in these instruments is considered risky. Mortgage and asset-backed securities may involve a high degree of risk and may be highly volatile in response to fluctuations in interest rates and other market conditions. Past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report. For investment advice, trade execution or other enquiries, clients should contact their local sales representative. Neither UBS nor any of its affiliates, nor any of UBS' or any of its affiliates, directors, employees or agents accepts any liability for any loss or damage arising out of the use of all or any part of this report. Additional information will be made available upon request.

For financial instruments admitted to trading on an EU regulated market: UBS AG, its affiliates or subsidiaries (excluding UBS Securities LLC and/or UBS Capital Markets LP) acts as a market maker or liquidity provider (in accordance with the interpretation of these terms in the UK) in the financial instruments of the issuer save that where the activity of liquidity provider is carried out in accordance with the definition given to it by the laws and regulations of any other EU jurisdictions, such information is separately disclosed in this research report.

United Kingdom and the rest of Europe: Except as otherwise specified herein, this material is communicated by UBS Limited, a subsidiary of UBS AG, to persons who are market counterparties or intermediate customers (as detailed in the FSA Rules) and is only available to such persons. The information contained herein does not apply to, and should not be relied upon by, private customers. UBS Limited is authorised and regulated by the Financial Services Authority. France: Prepared by UBS Limited and distributed by UBS Limited and UBS Securities France SA. UBS Securities France S.A. is regulated by the Autorité des Marchés Financiers (AMF). Where an analyst of UBS Securities France S.A. has contributed to this report, the report is also deemed to have been prepared by UBS Securities France S.A. Germany: Prepared by UBS Limited and distributed by UBS Limited and UBS Deutschland AG. UBS Deutschland AG is regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin). Spain: Prepared by UBS Limited and distributed by UBS Limited and UBS Securities España SV, SA. UBS Securities España SV, SA is regulated by the Comisión Nacional del Mercado de Valores (CNMV). Turkey: Prepared by UBS Menkul Değerler AS on behalf of and distributed by UBS Limited. Russia: Prepared and distributed by the Moscow Representative Office of UBS Cyprus Moscow Limited. Switzerland: Distributed by UBS AG to persons who are institutional investors only. Italy: Prepared by UBS Limited and distributed by UBS Limited and UBS Italia Sim S.p.A.. UBS Italia Sim S.p.A. is regulated by the Bank of Italy and by the Commissione Nazionale per le Società e la Borsa (CONSOB). Where an analyst of UBS Italia Sim S.p.A. has contributed to this report, the report is also deemed to have been prepared by UBS Italia Sim S.p.A.. South Africa: UBS South Africa (Pty) Limited (Registration No. 1995/011140/07) is a member of the JSE Limited, the South African Futures Exchange and the Bond Exchange of South Africa. UBS South Africa (Pty) Limited is an authorised Financial Services Provider. Details of its postal and physical address and a list of its directors are available on request or may be accessed at <http://www.ubs.co.za>. United States: Distributed to US persons by either UBS Securities LLC or by UBS Financial Services Inc., subsidiaries of UBS AG; or by a group, subsidiary or affiliate of UBS AG that is not registered as a US broker-dealer (a "non-US affiliate"), to major US institutional investors only. UBS Securities LLC or UBS Financial Services Inc. accepts responsibility for the content of a report prepared by another non-US affiliate when distributed to US persons by UBS Securities LLC or UBS Financial Services Inc. All transactions by a US person in the securities mentioned in this report must be effected through UBS Securities LLC or UBS Financial Services Inc., and not through a non-US affiliate. Canada: Distributed by UBS Securities Canada Inc., a subsidiary of UBS AG and a member of the principal Canadian stock exchanges & CIPF. A statement of its financial condition and a list of its directors and senior officers will be provided upon request. Hong Kong: Distributed by UBS Securities Asia Limited. Singapore: Distributed by UBS Securities Pte. Ltd or UBS AG, Singapore Branch. Japan: Distributed by UBS Securities Japan Ltd to institutional investors only. Australia: Distributed by UBS AG (Holder of Australian Financial Services Licence No. 231087) and UBS Securities Australia Ltd (Holder of Australian Financial Services Licence No. 231098) only to 'Wholesale' clients as defined by s761G of the Corporations Act 2001. New Zealand: Distributed by UBS New Zealand Ltd. China: Distributed by UBS Securities Co. Limited.

The disclosures contained in research reports produced by UBS Limited shall be governed by and construed in accordance with English law.

UBS specifically prohibits the redistribution of this material in whole or in part without the written permission of UBS and UBS accepts no liability whatsoever for the actions of third parties in this respect. © UBS 2007. The key symbol and UBS are among the registered and unregistered trademarks of UBS. All rights reserved.

