

UBS Investment Research

GUD Holdings Limited

GUD trims portfolio – Sells Victa for \$23m

■ Announces sale of Victa for A\$23m

GUD have announced the sale of their Victa lawn care business for \$23m to USA based Briggs & Stratton, with proceeds to be used to pay down debt. While no multiple was disclosed we estimate it to be around 6x FY08e EBIT. With Victa set to have one of its strongest years in recent times we believe the multiple paid is quite reasonable, particularly given the inherent seasonality in the business. The acquisition is expected to be completed on 30 June 2008, pending ACCC approval.

■ FY08E unchanged, FY09E & FY10E EPS down 2.7% & 2.9% respectively

For FY08 we estimate Victa will represent c12% of group sales and a smaller portion of EBIT (c7%). While Victa will represent a notable proportion of earnings for FY08, this was expected to decline over time as earnings normalised (FY08 will be a strong year) and water products returned to more normal levels. With the above in mind and the reduced debt levels our FY09 and FY10 EPS estimates have fallen by just 2.7% and 2.9% respectively. For FY08e we lie marginally ahead of guidance with FY08e EBIT growth of 15.7% (implies 2H growth of 1.2%).

■ Maintain Neutral rating

While GUD has a favourable medium term earnings outlook and solid yield, at c12x FY09e earnings we believe the stock is fairly priced at current levels.

■ SOTP Valuation unchanged at \$9.50

Our SOTP valuation remains unchanged, reflecting a c7% decline in FY09 consumer products EBIT, reduced debt and an expansion in global peer multiples. The SOTP valuation lies within our DCF range of \$9.11 - \$9.90.

Highlights (A\$m)	06/06	06/07	06/08E	06/09E	06/10E
Revenues	467.7	524.0	546.3	497.0	510.4
EBIT (UBS)	63.6	60.2	69.6	68.1	69.7
Net Income (UBS)	40.2	35.9	43.0	44.7	46.4
EPS (UBS, A\$)	0.67	0.60	0.72	0.75	0.77
Net DPS (UBS, A\$)	0.60	0.61	0.65	0.64	0.67

Profitability & Valuation	5-yr hist av.	06/07	06/08E	06/09E	06/10E
EBIT margin %	13.4	11.5	12.7	13.7	13.7
ROIC (EBIT) %	32.6	28.1	30.7	33.9	38.5
EV/EBITDA (core) x	6.2	7.7	7.5	7.4	7.3
PE (UBS) x	12.3	13.5	12.4	11.9	11.5
Net dividend yield %	6.8	7.5	7.3	7.2	7.5

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 A\$8.89 on 04 Jun 2008 16:12 EST

Ben Gilbert

Analyst
ben.gilbert@ubs.com
+61-2-9324 2782

Global Equity Research

Australia

Auto Parts

12-month rating **Neutral**
Unchanged

12m price target **A\$9.50/US\$9.12**
Unchanged

Price **A\$8.89/US\$8.54**

RIC: GUD.AX BBG: GUD AU

4 June 2008

Trading data (local/US\$)

52-wk range	A\$11.70-8.44/US\$10.30-7.30
Market cap.	A\$0.53bn/US\$0.51bn
Shares o/s	59.9m (ORD)
Free float	100%
Avg. daily volume ('000)	246
Avg. daily value (A\$m)	2.3

Balance sheet data 06/08E

Shareholders' equity	A\$0.13bn
P/BV (UBS)	3.9x
Net Cash (debt)	(A\$0.09bn)

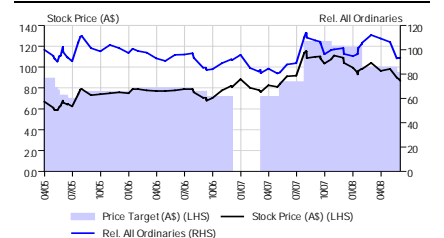
Forecast returns

Forecast price appreciation	+6.9%
Forecast dividend yield	10.3%
Forecast stock return	+17.2%
Market return assumption	11.8%
Forecast excess return	+5.4%

EPS (UBS, A\$)

	06/08E		Cons.	06/07
	From	To		Actual
H1	0.39	0.39	-	0.29
H2E	0.33	0.33	-	0.31
06/08E	0.72	0.72	0.73	
06/09E	0.78	0.75	0.76	

Performance (A\$)



Source: UBS

www.ubs.com/investmentresearch

This report has been prepared by UBS Securities Australia 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.

Valuation & Rating

Our SOTP valuation remains unchanged following today's announcement reflecting:

- Expansion of overseas peer multiples
- EBIT decline in FY09E following the sale of Victa (UBSe c\$4.7m impact)
- Lower net debt, given sale proceeds will be used to pay down debt.

Table 1: GUD SOTP Valuation

	FY09e EBIT \$m	EBIT Multiple x	Value (\$m)	Comment
Consumer Products	32.0	7.1	228	Domestic consumer products comps (ALS, GWA, HWI)
Automotive	18.3	8.5	156	Repco take over multiple
Water Products	18.7	11.2	208	Average of Weir, Pentair and Franklin Elec
Security Products	2.3	8.0	19	Mkt multiple
Unallocated	-3.0	1	-3	
Firm Value	68.3	8.9	608.3	
Investments			0	
Less Debt (\$m)			-40.4	
Equity Valuation			567.8	
Total Diluted Ord Shares (m)			59.9	
SOP: Value per Share			9.48	



Source: UBS estimates, IBES

Earnings Revisions

For FY08 we forecast 15.7% EBIT growth, implying 2H08 EBIT growth of just 1.2%, within which we assume; i) ~6% Growth in consumer products (Victa); ii) Ongoing market share gains in automotive products and; iii) A softer result in water products.

Our FY09E EPS has declined 2.7% reflecting the 6-7% reduction in group EBIT and lower interest costs following the sale of Victa lawn care.

Table 2: Earnings Revisions

GUD Holdings Limited (A\$m)	Actual 2007	New 2008E	Prev. 2008E	(%) Change	New 2009E	Prev. 2009E	(%) Change	New 2010E	Prev. 2010E	(%) Change
Revenues	524.0	546.3	546.3	0.0	497.0	565.3	(12.1)	510.4	580.5	(13.7)
EBITDA	73.0	83.1	83.1	0.0	80.7	86.3	(6.5)	81.7	88.2	(8.0)
EBITA	60.2	69.6	69.6	0.0	68.1	72.8	(6.5)	69.7	74.5	(6.9)
EBIT	60.2	69.6	69.6	0.0	68.1	72.8	(6.5)	69.7	74.5	(6.9)
Net interest expense	(9.0)	(8.6)	(8.3)	(3.0)	(4.7)	(6.8)	31.5	(3.9)	(6.1)	54.3
PBT	47.7	52.6	52.8	(0.5)	63.4	66.0	(3.9)	65.7	68.4	(4.1)
Tax Expense	(14.1)	(15.5)	(15.6)	0.5	(18.7)	(19.4)	3.9	(19.4)	(20.2)	4.1
Tax Rate (%)	(29.5) 	(29.5) 	(29.5)	-	(29.5)	(29.5)	0.0	(29.5)	(29.5)	0.0
Minority Int. & Equity Ass.	0.0	0.0	0.0	-	0.0	0.0	-	0.0	0.0	-
Net Profit (normalised)	35.9	43.0	43.2	(0.4)	44.7	46.5	(3.9)	46.4	48.3	(4.1)
Reported NPAT	33.6	37.1	37.3	(0.5)	44.7	46.5	(3.9)	46.4	48.3	(4.1)
EPS (pre-abnormals)	56.2	62.2	62.2	0.1	75.5	77.7	(2.7)	78.3	80.6	(2.9)
EPS (normalised)	60.0	72.3	72.1	0.2	75.5	77.7	(2.7)	78.3	80.6	(2.9)
DPS	61.0	65.0	65.0	0.0	64.0	66.0	(3.0)	67.0	69.0	(3.0)
Net Debt	(94.7)	(86.7)	(80.0)	(7.6)	(41.1)	(70.7)	41.8	(32.9)	(61.9)	88.3

Source: UBS estimates

GUD Holdings (GUD.AX)

MARKET INFORMATION

Rating:	Neutral
Price (as of 04-Jun-08): (A\$)	8.93
Price Target (12 months): (A\$)	9.50
Shares outstanding: (m)	59.9
Market Capital (A\$ m):	535.1
Avg. daily turnover (A\$ m):	2.3
Year end:	June
Website:	www.gud.com.au
Major Shareholders:	Perpetual, Invesco

INVESTMENT SUMMARY

(A\$ m)	2007	2008E	2009E	2010E
Net profit [reported]	33.6	37.1	44.7	46.4
Net profit [adjusted]	35.9	43.0	44.7	46.4
EPS [reported]	0.56	0.62	0.76	0.78
EPS [adjusted, diluted]	0.60	0.72	0.75	0.77
EPS Growth (%)	(10.6)	19.7	3.9	3.7
PER [adjusted]* (x)	13.5	12.4	12.0	11.5
Dividend	0.61	0.65	0.64	0.67
Payout ratio, [EPS adj.] (%)	102	90	85	86
Dividend Yield [Net]* (%)	7.5	7.3	7.2	7.5
Shares [period-avg, basic] (m)	59.9	59.9	59.9	59.9
Book value per share	2.32	2.27	2.39	2.50
Price to Book* (x)	3.5	3.9	3.7	3.6
Equity Free Cash Flow Yield (%)	5.9	8.4	11.5	9.1
Franking (%)	100	100	100	100

PROFIT AND LOSS

(A\$ m)	2007	2008E	2009E	2010E
Revenue	524.0	546.3	497.0	510.4
EBITDA [adjusted]	73.0	83.1	80.7	81.7
Depreciation & Amortisation	(12.9)	(13.4)	(12.6)	(12.0)
EBIT [adjusted]	60.2	69.6	68.1	69.7
Net interest	(9.0)	(8.6)	(4.7)	(3.9)
Income from associates	0.0	0.0	0.0	0.0
Other non-operating items	0.0	0.0	0.0	0.0
Profit before tax [adj]	51.2	61.1	63.4	65.7
Tax on pre-abnormal profit	(15.3)	(18.1)	(18.7)	(19.4)
Minority Interests	0.0	0.0	0.0	0.0
Dividends (preferred)	0.0	0.0	0.0	0.0
Net Profit [adjusted]	35.9	43.0	44.7	46.4
Abnormal Gain/(Loss) after Tax	(2.3)	(5.9)	0.0	0.0
Net Profit [reported]	33.6	37.1	44.7	46.4

BALANCE SHEET

(A\$ m)	2007	2008E	2009E	2010E
Cash & equivalents	17.7	17.7	17.7	17.7
Accounts receivable	67.7	70.4	64.1	65.8
Inventory	95.7	97.9	87.8	90.2
Fixed assets	30.4	30.7	24.3	25.7
Intangibles	106.5	93.7	72.1	66.7
Investments	0.8	0.8	0.8	0.8
Other assets	5.4	5.4	5.4	5.4
Total Assets	324.2	316.7	272.3	272.3
Accounts payable	55.4	56.9	51.2	52.7
Short & long term debt	112.5	104.4	58.8	50.6
Provisions & other	17.2	20.9	20.9	20.9
Preferred securities	0.0	0.0	0.0	0.0
Total liabs & pref shares	185.0	182.2	130.9	124.2
Minorities	0.0	0.0	0.0	0.0
Common equity	139.3	134.5	141.4	148.1
Total liabilities & equity	324.2	316.7	272.3	272.3
Net cash / (debt)	(94.7)	(86.7)	(41.1)	(32.9)

CASH FLOW

(A\$ m)	2007	2008E	2009E	2010E
Operating income [EBIT, UBS]	60.2	69.6	68.1	69.7
Depreciation & Amortisation	12.9	13.4	12.6	12.0
Net change in working capital	(8.3)	(3.4)	10.7	(2.6)
Other (operating)	0.0	0.0	0.0	0.0
Pre-tax op cash flow	64.7	79.7	91.4	79.1
Interest (paid) / received	(8.9)	(8.6)	(4.7)	(3.9)
Tax paid	(15.9)	(15.5)	(18.7)	(19.4)
Other	0.0	0.0	0.0	0.0
Operating cash flow	39.9	55.7	68.1	55.7
Capital expenditure	(8.7)	(8.0)	(6.8)	(6.8)
Free cash flow	31.2	47.7	61.3	49.0
Net (acquisitions) / disposals	(36.6)	(8.3)	15.4	(7.9)
Dividends paid (Common)	(35.9)	(41.3)	(37.9)	(39.7)
Shares issued/(repurchased)	0.0	(6.4)	0.0	0.0

COMPANY DESCRIPTION

GUD Holdings owns and manages a diverse group of businesses selling branded manufactured products in Australia and New Zealand. GUD operates several of Australia's most established and well-recognised consumer and industrial brands, including Sunbeam appliances, Victa lawnmowers, Ryco filters, Davey pumps and the recently acquired Oates Clean cleaning accessories. GUD was formed in 1940 and first listed in 1959.

KEY RATIOS

	2007	2008E	2009E	2010E
Profitability (%)				
Revenue growth	12.0	4.3	(9.0)	2.7
EBITDA margin	13.9	15.2	16.2	16.0
EBIT margin	11.5	12.7	13.7	13.7
Effective tax rate	29.5	29.5	29.5	29.5
Return on Inv Cap (post-tax)	19.7	21.6	23.9	27.2
Return on Equity	25.6	31.4	32.4	32.0
Capital Structure				
Net Debt / EBITDA (x)	1.0	1.1	0.8	0.8
Net Debt / Common equity (%)	68.0	64.4	29.1	22.2
Net Debt / Core EV* (x)	0.2	0.1	0.1	0.1
Capex / Depreciation (x)	0.7	0.6	0.5	0.6
EBIT / Net Interest (x)	6.7	8.1	14.6	17.7

PROFIT AND LOSS (HALF YEAR)

(A\$ m)	1H 07	2H 07	1H 08	2H 08E
Revenue	266.1	253.5	285.8	260.4
EBITDA [adjusted]	35.2	37.8	44.8	38.2
Depreciation & Amortisation	(6.0)	(6.9)	(6.5)	(6.9)
EBIT [adjusted]	29.2	31.0	38.3	31.3
Net interest	(4.4)	(4.5)	(4.7)	(3.8)
Income from associates	0.0	0.0	0.0	0.0
Other non-operating items	0.0	0.0	0.0	0.0
Profit before tax [adj]	24.8	26.4	33.6	27.5
Tax on pre-abnormal profit	(7.6)	(7.6)	(10.2)	(7.9)
Minority Interests	0.0	0.0	0.0	0.0
Dividends (preferred)	0.0	0.0	0.0	0.0
Net Profit [adjusted]	17.2	18.8	23.5	19.6
Abnormal Gain/(Loss) after Tax	(2.3)	0.0	(5.9)	0.0
Net Profit [reported]	14.9	18.8	17.5	19.6

ENTERPRISE VALUE*

(A\$ m)	2007	2008E	2009E	2010E
Market capital	484.8	535.1	535.1	535.1
Net debt / (cash) [avg]	74.4	90.7	63.9	63.9
Estimated share buy backs	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0
Pension provisions	0.0	0.0	0.0	0.0
Total Enterprise Value	559.2	625.7	598.9	598.9
(Non-core assets)	0.0	0.0	0.0	0.0
Core Enterprise Value	559.2	625.7	598.9	598.9
Core EV Ratios				
EV / Sales	1.1	1.1	1.2	1.2
EV / EBITDA	7.7	7.5	7.4	7.3
EV / EBIT	9.3	9.0	8.8	8.6
EV / OpFCF [post-tax]	9.5	8.6	7.1	8.3
EV / Invested Capital	2.6	2.8	3.0	3.3

DIVISIONAL BREAKDOWN

(A\$ m)	2007	2008E	2009E	2010E
Total Revenue	524.0	546.3	497.0	510.4
Sunbeam Victa	287.5	316.3	258.8	265.3
Ryco Wesfil	68.6	70.6	71.3	72.0
Davey Pumps	148.8	144.3	151.5	157.6
Lock Focus	13.8	14.0	14.2	14.4
Adjustment	5.3	1.1	1.1	1.1
EBIT	60.2	69.6	68.1	69.7
Sunbeam Victa	25.6	36.1	32.7	33.5
Ryco Wesfil	16.8	18.4	18.3	18.3
Davey Pumps	19.1	16.7	18.7	19.4
Lock Focus	2.3	2.3	2.3	2.4
Adjustment	(3.7)	(3.9)	(3.9)	(3.9)

Source: UBS estimates, * Historical valuations are based on an average share price for the period. Current & future valuations are based on a share price of A\$8.93 on 04-Jun-2008

■ GUD Holdings Limited

GUD Holdings owns and manages a diverse group of businesses selling branded manufactured products in Australia and New Zealand. GUD operates several of Australia's most established and well-recognised consumer and industrial brands, including Sunbeam appliances, Victa lawnmowers, Ryco filters, Davey pumps and the recently acquired Oates Clean cleaning accessories. GUD was formed in 1940 and first listed in 1959.

■ Statement of Risk

We believe the key risks include a downturn in spending on homewares in Australia, adverse currency movements, and variations in the cost of raw materials.

■ 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 Australia 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. Additional information will be made available upon request.

UBS Investment Research: Global Equity Rating Allocations

UBS 12-Month Rating	Rating Category	Coverage ¹	IB Services ²
Buy	Buy	59%	38%
Neutral	Hold/Neutral	34%	35%
Sell	Sell	7%	26%
UBS Short-Term Rating	Rating Category	Coverage ³	IB Services ⁴
Buy	Buy	less than 1%	67%
Sell	Sell	less than 1%	25%

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 31 March 2008.

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

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; Sell: 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 Company Disclosures table in the relevant research piece.

Company Disclosures

Company Name	Reuters	12-mo rating	Short-term rating	Price	Price date
GUD Holdings Limited ¹³	GUD.AX	Neutral	N/A	A\$8.70	03 Jun 2008

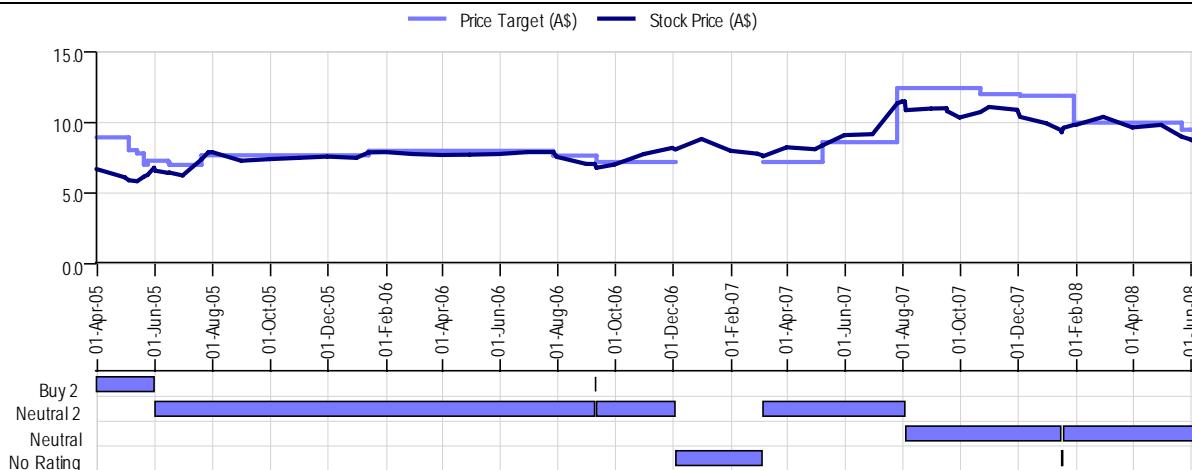
Source: UBS. All prices as of local market close.

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

- 13. UBS AG, its affiliates or subsidiaries beneficially owned 1% or more of a class of this company's common equity securities as of last month's end (or the prior month's end if this report is dated less than 10 days after the most recent month's end).

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

GUD Holdings Limited (A\$)



Source: UBS; as of 03 Jun 2008

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%.

Additional Prices: Alesco Corporation, A\$7.60 (03 Jun 2008); GWA International Limited, A\$2.82 (03 Jun 2008); Housewares International Ltd, A\$1.35 (03 Jun 2008); Pentair Inc, US\$37.20 (03 Jun 2008); Weir, 923p (03 Jun 2008); Source: UBS. All prices as of local market close.

Global Disclaimer

This report has been prepared by UBS Securities Australia 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. Nothing in this report constitutes a representation that any investment strategy or recommendation contained herein is suitable or appropriate to a recipient's individual circumstances or otherwise constitute a personal recommendation. It is published solely for information 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. 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 eligible counterparties or professional clients and is only available to such persons. The information contained herein does not apply to, and should not be relied upon by, retail clients. UBS Limited is authorised and regulated by the Financial Services Authority (FSA). UBS research complies with all the FSA requirements and laws concerning disclosures and these are indicated on the research where applicable. **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 Degerler AS on behalf of and distributed by UBS Limited. **Russia:** Prepared and distributed by UBS Securities C.J.S.C. **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 2008. The key symbol and UBS are among the registered and unregistered trademarks of UBS. All rights reserved.

