UBS Investment Research

MediaTek Inc.

12-month rating	Buy
	Unchanged
12m price target	NT$330.00/US$9.88
	Prior:NT$420.00/US$12.57
Price	NT$191.50/US$5.73

RIC: 2454.TW BBG: 2454 TT

24 November 2008

Lack near-term catalysts; Cut PT

■ Cut PT to NT$330 under decelerating momentum

We cut our price target for Mediatek (MTK) from NT$420 to NT$330 under weaker momentum in Q408. We now project MTK to show 21% QoQ decline in Q408, lower than the company's guidance of down 9-16%. We expect improvement into Q109 will also be limited under slow season effect. Thus, we don't expect the share price to perform strongly in the near-term.

■ Negative momentum appears priced in; Maintain Buy

However, as the share price has dropped by 35% in this month, we think market already factored-in the poor momentum in Q408. The stock is trading at historical low of 8.6x 09E PER now and we see limited downside from here. We think the current price is a good entry point for long-term investors.

■ Three catalysts to drive long-term re-rating opportunity

We expect MTK to outperform market again into H209 as new catalysts materialize: 1.) Ramp up its 3G (WCDMA) chip successfully; 2.) Design-in from tier 1 brands like Motorola and Samsung; and 3.) Stronger demand for BD (Blu-ray disk) products. MTK is our top pick in fabless universe on our 12-month view.

■ Valuation: PT NT$330 based on 15x 09E PER

We cut our price target from NT$420 to NT$330 under more conservative EPS target. Also, we previously used 17x PER to set our price target as we expected MTK to show 15%+ YoY growth. However, given weaker business outlook now (<10% YoY), we revised down our price target to 15x PER. EPS revision: from NT$21.37/24.66/28.66 to NT$20.66/22.22/25.36.

Highlights (NT$m)	12/06	12/07	12/08E	12/09E	12/10E
Revenues	52,941.6	80,390.0	91,864.5	96,196.6	110,883.3
EBIT (UBS)	10,942.8	20,706.7	23,130.3	24,254.3	27,837.4
Net Income (UBS)	9,699.2	22,313.7	21,765.1	23,673.0	27,021.2
EPS (UBS, NT$)	9.72	21.89	20.66	22.22	25.36
Net DPS (UBS, NT$)	11.00	15.00	18.57	14.59	16.10

Profitability & Valuation	5-yr hist av.	12/07	12/08E	12/09E	12/10E
EBIT margin %	26.8	25.8	25.2	25.2	25.1
ROIC (EBIT) %	226.5	110.1	83.2	90.3	102.4
EV/EBITDA (core) x	15.4	18.9	5.7	4.5	4.1
PE (UBS) x	19.5	20.7	9.3	8.6	7.6
Net dividend yield %	4.4	3.3	9.7	7.6	8.4

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 NT$191.50 on 24 Nov 2008 19:34 HKT

Trading data (local/US$)	
52-wk range	NT$438.41-189.00/US$13.88-5.65
Market cap.	NT$206bn/US$6.15bn
Shares o/s	1,073m (ORD)
Free float	70%
Avg. daily volume ('000)	9,546
Avg. daily value (NT$m)	2,921.8

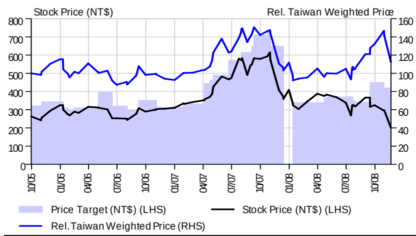
Balance sheet data 12/08E	
Shareholders' equity	NT$80.1bn
P/BV (UBS)	2.5x
Net Cash (debt)	NT$50.8bn

Forecast returns	
Forecast price appreciation	+72.3%
Forecast dividend yield	9.7%
Forecast stock return	+82.0%
Market return assumption	8.3%
Forecast excess return	+73.7%

EPS (UBS, NT$)

	12/08E			12/07
	From	To	Cons.	Actual
Q1E	3.83	3.83	-	5.55
Q2E	4.86	4.86	-	4.87
Q3E	6.82	6.82	-	7.51
Q4E	5.87	5.16	-	3.96
12/08E	21.37	20.66	*21.37*	
12/09E	24.66	22.22	*24.66*	

Performance (NT$)



Source: UBS

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Weaker momentum for handset business

Demand for MTK's handset chips dropped quickly since Nov.08. However, the situation is even worse than our expectation and we now expect MTK to show 21% QoQ revenue decline from 13% decline last time. Shipment volume for its handset chips might drop to ~65mn pcs in Q4 from ~90mn pcs in Q308.

Inventory level is still low in the channel and we haven't seen any significant price cut yet. However, under greater credit concerns in the China handset market, MTK might not be able to sell its chips aggressively to the white-brand makers. In addition, poor demand from other developing countries also impacted MTK's momentum.

Earnings revision

We cut our 08/09/10E EPS by 3%, 10%, and 12% respectively to NT$20.7/NT$22.2/NT$25.4. Weaker momentum for its handset business is the major reason for the revision. Our numbers indicate MTK might only show 9% net profit growth into 2009.

Table 1: Mediatek – Earnings revision

	2008E			2009E			2010E		
	Previous	New	Change	Previous	New	Change	Previous	New	Change
Sales	93,874	91,864	-2.1%	103,538	96,197	-7.1%	121,119	110,883	-8.5%
Gross profit	50,599	49,495	-2.2%	56,086	52,115	-7.1%	63,650	58,264	-8.5%
Operating profit	23,784	23,130	-2.7%	26,431	24,254	-8.2%	30,993	27,837	-10.2%
Net Income	22,516	21,765	-3.3%	26,267	23,673	-9.9%	30,531	27,021	-11.5%
EPS	21.37	20.66	-3.3%	24.66	22.22	-9.9%	28.66	25.36	-11.5%
Gross margin	53.9%	53.9%		54.2%	54.2%		52.6%	52.5%	
Operating margin	25.3%	25.2%		25.5%	25.2%		25.6%	25.1%	
Net margin	24.0%	23.7%		25.4%	24.6%		25.2%	24.4%	

Source: UBS estimates

What's next?

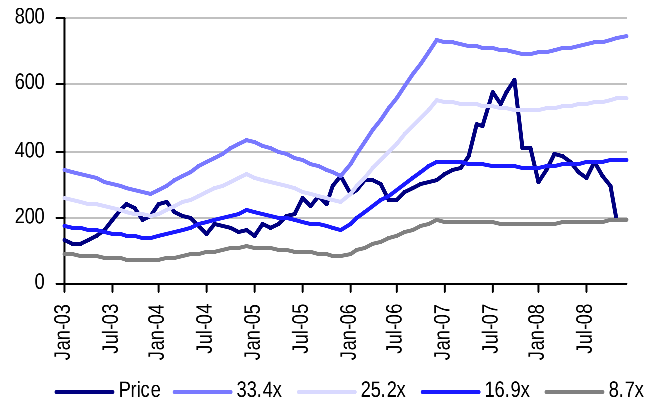
We believe MTK's share price might not perform strongly in the near-term. However, we still take positive view on its long-term development. We think the following catalysts to be next drivers in H209.

- Ramping up 3G (WCDMA) chips to reduce market concern on its technology capability.
- Getting design-wins from tier 1 handset brands like Samsung or Motorola. We think the possibility is high after TI and Freescale decided to exit the market.
- Stronger demand for BD products (PC optical drives or consumer players). We believe the street price for consumer BD player might drop to ~US$100 level in end of 2009 (for some promotion programs), and the price will be cheap enough to drive the market.

Valuation

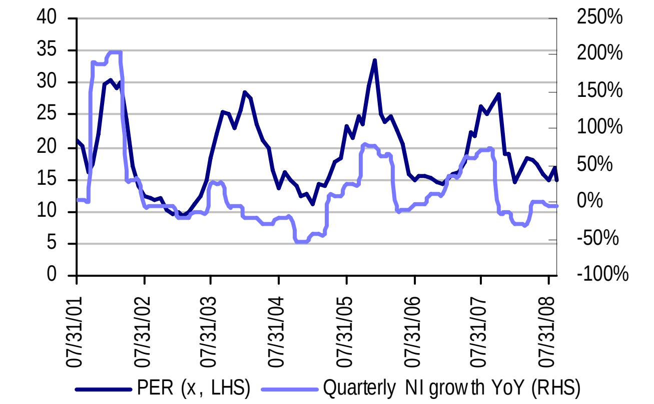
We cut our price target from NT$420 to NT$330 under more conservative EPS target. Also, we previously used 17x PER to set our price target as we expected MTK to show 15%+ YoY growth. However, given weaker business outlook now (<10% YoY), we revised down our price target to 15x PER. EPS forecast revision: from NT$21.37/24.66/28.66 to NT$20.66/22.22/25.36.

Chart 1: MediaTek – PE band chart



Source: UBS estimates

Chart 2: MediaTek – PE vs. net profit growth rate



Source: Company data, UBS estimates

MediaTek Inc.

Income statement (NT$m)	12/05	12/06	12/07	12/08E	% ch	12/09E	% ch	12/10E	% ch
Revenues	46,491.2	52,941.6	80,390.0	91,864.5	*14.3*	96,196.6	*4.7*	110,883.3	*15.3*
Operating expenses (ex depn)	(33,838.3)	(40,526.2)	(57,852.8)	(66,464.8)	*14.9*	(70,142.3)	*5.5*	(81,245.9)	*15.8*
EBITDA (UBS)	12,652.9	12,415.4	22,537.2	25,399.7	*12.7*	30,345.1	*19.5*	29,637.4	*-2.3*
Depreciation	(946.5)	(1,472.6)	(1,830.4)	(2,269.3)	*24.0*	(1,800.0)	*-20.7*	(1,800.0)	*0.0*
Operating income (EBIT, UBS)	11,706.4	10,942.8	20,706.7	23,130.3	*11.7*	24,254.3	*4.9*	27,837.4	*14.8*
Other income & associates	732.7	(87.1)	1,513.0	(596.0)	-	(120.0)	*-79.9*	(120.0)	*0.0*
Net interest	411.5	637.7	1,554.0	1,291.0	*-16.9*	1,200.0	*-7.0*	1,200.0	*0.0*
Abnormal items (pre-tax)	0.0	0.0	0.0	0.0	-	0.0	-	0.0	-
Profit before tax	12,850.7	11,493.4	23,773.7	23,825.3	*0.2*	25,334.3	*6.3*	28,917.4	*14.1*
Tax	(125.2)	(1,794.2)	(1,460.0)	(2,060.2)	*41.1*	(1,661.3)	*-19.4*	(1,896.2)	*14.1*
Profit after tax	12,725.5	9,699.2	22,313.7	21,765.1	*-2.5*	23,673.0	*8.8*	27,021.2	*14.1*
Abnormal items (post-tax)	0.0	0.0	0.0	0.0	-	0.0	-	0.0	-
Minorities / pref dividends	0.0	0.0	0.0	0.0	-	0.0	-	0.0	-
Net income (local GAAP)	12,725.5	9,699.2	22,313.7	21,765.1	*-2.5*	23,673.0	*8.8*	27,021.2	*14.1*
Net Income (UBS)	12,725.5	9,699.2	22,313.7	21,765.1	*-2.5*	23,673.0	*8.8*	27,021.2	*14.1*
Tax rate (%)	*1.0*	*15.6*	*6.1*	*8.6*	*40.8*	*6.6*	*-24.2*	*6.6*	*0.0*
Pre-abnormal tax rate (%)	*1.0*	*15.6*	*6.6*	*8.7*	*33.0*	*5.8*	*-34.3*	*6.6*	*14.0*

Per share (NT$)	12/05	12/06	12/07	12/08E	% ch	12/09E	% ch	12/10E	% ch
EPS (local GAAP)	13.01	9.72	21.89	20.66	*-5.6*	22.22	*7.6*	25.36	*14.1*
EPS (UBS)	13.01	9.72	21.89	20.66	*-5.6*	22.22	*7.6*	25.36	*14.1*
Net DPS	10.00	11.00	15.00	18.57	*23.8*	14.59	*-21.4*	16.10	*10.4*
Cash EPS	13.98	11.19	23.68	22.81	*-3.7*	23.91	*4.8*	27.05	*13.1*
BVPS	52.51	65.47	64.88	75.40	*16.2*	84.70	*12.3*	102.45	*21.0*

Balance sheet (NT$m)	12/05	12/06	12/07	12/08E	% ch	12/09E	% ch	12/10E	% ch
Net tangible fixed assets	3,841.7	4,815.0	5,221.8	4,580.0	*-12.3*	4,500.0	*-1.7*	4,400.0	*-2.2*
Net intangible fixed assets	3,853.5	3,203.6	6,634.2	11,000.0	*65.8*	8,000.0	*-27.3*	8,000.0	*0.0*
Net working capital (incl. other assets)	(686.8)	1,761.7	16,055.0	12,240.8	*-23.8*	13,597.6	*11.1*	16,050.9	*18.0*
Other liabilities	(57.5)	(61.0)	(1.0)	(100.0)	*9900.0*	(100.0)	*0.0*	(100.0)	*0.0*
Operating invested capital	6,950.9	9,719.4	27,910.0	27,720.8	*-0.7*	25,997.6	*-6.2*	28,350.9	*9.1*
Investments	15,674.6	22,259.5	8,735.5	10,108.5	*15.7*	10,108.5	*0.0*	10,108.5	*0.0*
Total capital employed	22,625.5	31,978.9	36,645.5	37,829.3	*3.2*	36,106.1	*-4.6*	38,459.4	*6.5*
Shareholders' equity	54,031.3	68,634.0	69,389.0	80,085.6	*15.4*	90,893.9	*13.5*	109,944.5	*21.0*
Minority interests	0.0	0.0	17,768.5	8,555.8	*-51.8*	9,966.5	*16.5*	11,488.4	*15.3*
Total equity	54,031.3	68,634.0	87,157.5	88,641.4	*1.7*	100,860.4	*13.8*	121,432.9	*20.4*
Net debt / (cash)	(31,405.9)	(36,655.2)	(50,512.0)	(50,812.1)	*0.6*	(64,754.3)	*27.4*	(82,973.5)	*28.1*
Debt deemed provisions	0.0	0.0	0.0	0.0	-	0.0	-	0.0	-
Total capital employed	22,625.5	31,978.9	36,645.5	37,829.3	*3.2*	36,106.1	*-4.6*	38,459.4	*6.5*

Cash flow (NT$m)	12/05	12/06	12/07	12/08E	% ch	12/09E	% ch	12/10E	% ch
Operating income (EBIT, UBS)	11,706.4	10,942.8	20,706.7	23,130.3	*11.7*	24,254.3	*4.9*	27,837.4	*14.8*
Depreciation	946.5	1,472.6	1,830.4	2,269.3	*24.0*	1,800.0	*-20.7*	1,800.0	*0.0*
Net change in working capital	1,805.2	(757.1)	(3,972.4)	499.2	-	(2,856.8)	-	(2,453.3)	*-14.1*
Other (operating)	2,036.1	47.6	(4,505.0)	2,056.7	-	800.0	*-61.1*	800.0	*0.0*
Operating cash flow	16,494.2	11,705.9	14,059.7	27,955.6	*98.8*	23,997.5	*-14.2*	27,984.1	*16.6*
Net interest received / (paid)	411.5	637.7	1,554.0	1,291.0	*-16.9*	1,200.0	*-7.0*	1,200.0	*0.0*
Dividends paid	(8,598.2)	(10,527.4)	(14,587.8)	(19,786.4)	*35.6*	(15,545.1)	*-21.4*	(17,155.7)	*10.4*
Tax paid	(125.2)	(1,794.2)	(1,460.0)	(2,060.2)	*41.1*	(1,661.3)	*-19.4*	(1,896.2)	*14.1*
Capital expenditure	(1,419.1)	(1,986.9)	(841.8)	(97.2)	*-88.5*	(20.0)	*-79.4*	0.0	-
Net (acquisitions) / disposals	0.0	0.0	0.0	0.0	-	0.0	-	0.0	-
Other	(2,002.9)	(3,550.0)	9,172.6	(11,359.6)	-	0.0	-	0.0	-
Share issues	0.0	0.0	0.0	0.0	-	0.0	-	0.0	-
Cash flow (inc)/dec in net debt	5,493.1	(5,602.0)	9,409.8	(4,652.8)	-	7,851.2	-	10,012.1	*27.5*
FX / non cash items	3,153.2	10,851.3	4,447.0	4,952.9	*11.4*	6,091.0	*23.0*	8,207.1	*34.7*
Balance sheet (inc)/dec in net debt	8,646.4	5,249.3	13,856.8	300.1	*-97.8*	13,942.2	*4546.0*	18,219.2	*30.7*
Core EBITDA	12,652.9	12,415.4	22,537.2	25,399.7	*12.7*	30,345.1	*19.5*	29,637.4	*-2.3*
Maintenance capital expenditure	(1,419.1)	(1,986.9)	(841.8)	(97.2)	*-88.5*	(20.0)	*-79.4*	0.0	-
Maintenance net working capital	1,805.2	(757.1)	(3,972.4)	499.2	-	(2,856.8)	-	(2,453.3)	*-14.1*
Operating free cash flow, pre-tax (OpFCF)	13,039.0	9,671.5	17,723.0	25,801.7	*45.6*	27,468.3	*6.5*	27,184.1	*-1.0*

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.

Global Equity Research

Taiwan

Semiconductors

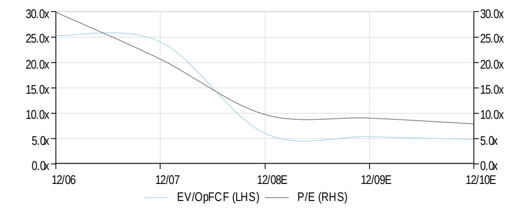
12-month rating	Buy
12m price target	NT$330.00

MediaTek Inc.

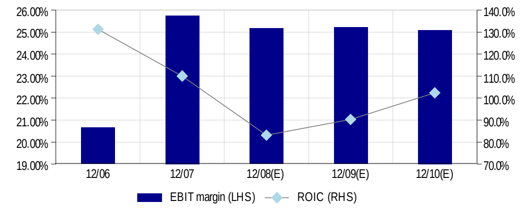
Company profile

MediaTek designs and markets CD-ROM, DVD-ROM, CD-RW and DVD-RW chipsets. In 2004, it had a 50-60% share of the global optical storage chipset market. The company also dominates the consumer DVD player IC market, capturing around 55% of the worldwide market in 2004. It was spun-off from UMC in 1997 and has since become a major fabless IC design house. With sales of NT$40bn in 2004, MediaTek is Taiwan's largest IC design house and the 7th largest in the world. UMC is MediaTek's major foundry supplier.

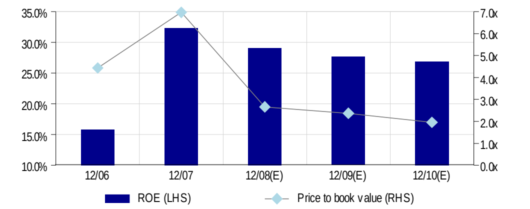
Value (EV/OpFCF & P/E)



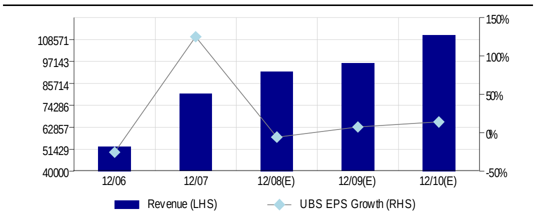
Profitability



ROE v Price to book value



Growth (UBS EPS)



Valuation (x)	5Yr Avg	12/06	12/07	12/08E	12/09E	12/10E
P/E (local GAAP)	19.5	29.9	20.7	9.3	8.6	7.6
P/E (UBS)	19.5	29.9	20.7	9.3	8.6	7.6
P/CEPS	18.0	25.9	19.1	8.4	8.0	7.1
Net dividend yield (%)	4.4	3.8	3.3	9.7	7.6	8.4
P/BV	5.0	4.4	7.0	2.5	2.3	1.9
EV/revenue (core)	4.2	4.6	5.3	1.6	1.4	1.1
EV/EBITDA (core)	15.4	19.7	18.9	5.7	4.5	4.1
EV/EBIT (core)	16.4	22.4	20.6	6.3	5.7	4.4
EV/OpFCF (core)	17.2	25.3	24.1	5.6	5.0	4.5
EV/op. invested capital	NM	NM	NM	5.2	5.1	4.5

Enterprise value (NT$m)	12/06	12/07	12/08E	12/09E	12/10E
Average market cap	301,050.8	478,842.7	205,508.6	205,508.6	205,508.6
+ minority interests	0.0	0.0	0.0	0.0	0.0
+ average net debt (cash)	(34,030.5)	(43,583.6)	(50,662.0)	(57,783.2)	(73,863.9)
+ pension obligations and other	61.0	61.0	61.0	61.0	61.0
- non-core asset value	(22,259.5)	(8,735.5)	(10,108.5)	(10,108.5)	(10,108.5)
Core enterprise value	244,821.8	426,584.6	144,799.0	137,677.9	121,597.2

Growth (%)	5Yr Avg	12/06	12/07	12/08E	12/09E	12/10E
Revenue	15.7	13.9	51.8	14.3	4.7	15.3
EBITDA (UBS)	-1.0	-1.9	81.5	12.7	19.5	-2.3
EBIT (UBS)	-3.7	-6.5	89.2	11.7	4.9	14.8
EPS (UBS)	-13.2	-25.3	125.2	-5.6	7.6	14.1
Cash EPS	-10.5	-19.9	111.6	-3.7	4.8	13.1
Net DPS	8.3	10.0	36.4	23.8	-21.4	10.4
BVPS	28.5	24.7	-0.9	16.2	12.3	21.0

Margins (%)	5Yr Avg	12/06	12/07	12/08E	12/09E	12/10E
EBITDA / revenue	28.3	23.5	28.0	27.6	31.5	26.7
EBIT / revenue	26.8	20.7	25.8	25.2	25.2	25.1
Net profit (UBS) / revenue	27.0	18.3	27.8	23.7	24.6	24.4

Return on capital (%)	5Yr Avg	12/06	12/07	12/08E	12/09E	12/10E
EBIT ROIC (UBS)	NM	NM	NM	NM	NM	NM
ROIC post tax	-	NM	NM	NM	NM	NM
Net ROE	32.8	15.8	32.3	29.1	27.7	26.9

Coverage ratios (x)	5Yr Avg	12/06	12/07	12/08E	12/09E	12/10E
EBIT / net interest	-	-	-	-	-	-
Dividend cover (UBS EPS)	1.3	0.9	1.5	1.1	1.5	1.6
Div. payout ratio (%, UBS EPS)	83.9	113.2	68.5	89.9	65.7	63.5
Net debt / EBITDA	NM	NM	NM	NM	NM	NM

Efficiency ratios (x)	5Yr Avg	12/06	12/07	12/08E	12/09E	12/10E
Revenue / op. invested capital	8.9	6.4	4.3	3.3	3.6	4.1
Revenue / fixed assets	11.7	6.7	8.1	6.7	6.9	8.9
Revenue / net working capital	37.2	98.5	9.0	6.5	7.4	7.5

Investment ratios (x)	5Yr Avg	12/06	12/07	12/08E	12/09E	12/10E
OpFCF / EBIT	1.0	0.9	0.9	1.1	1.1	1.0
Capex / revenue (%)	2.5	3.8	1.0	0.1	0.0	0.0
Capex / depreciation	1.5	1.3	0.5	0.0	0.0	0.0

Capital structure (%)	5Yr Avg	12/06	12/07	12/08E	12/09E	12/10E
Net debt / total equity	(55.7)	(53.4)	(72.8)	(63.4)	(71.2)	(75.5)
Net debt / (net debt + equity)	NM	NM	NM	NM	NM	NM
Net debt (core) / EV	(13.3)	(13.9)	(10.2)	(35.0)	(42.0)	(60.7)

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 NT$191.50 on 24 Nov 2008 19:34 HKT Market cap(E) may include forecast share issues/buybacks.

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■ MediaTek Inc.

MediaTek designs and markets CD-ROM, DVD-ROM, CD-RW and DVD-RW chipsets. In 2004, it had a 50-60% share of the global optical storage chipset market. The company also dominates the consumer DVD player IC market, capturing around 55% of the worldwide market in 2004. It was spun-off from UMC in 1997 and has since become a major fabless IC design house. With sales of NT$40bn in 2004, MediaTek is Taiwan's largest IC design house and the seventh largest in the world. UMC is MediaTek's major foundry supplier.

■ Statement of Risk

Fabless IC design houses face a variety of uncertainties, including rapidly changing technology, end-market demand, competition, employee turnover and foundry wafer costs. They are susceptible to legal disputes over intellectual property rights. MediaTek is also exposed to potential pricing competition on DVD players, PC ODD, Handset Baseband and D-TV chipsets. We also see competitive risks, particularly in handsets and D-TV.

■ Analyst Certification

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UBS Investment Research: Global Equity Rating Allocations

UBS 12-Month Rating	Rating Category	Coverage[1]	IB Services[2]
Buy	**Buy**	56%	36%
Neutral	**Hold/Neutral**	35%	33%
Sell	**Sell**	8%	27%
UBS Short-Term Rating	**Rating Category**	**Coverage[3]**	**IB Services[4]**
Buy	**Buy**	less than 1%	32%
Sell	**Sell**	less than 1%	14%

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 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

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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.
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UBS Securities Pte. Ltd., Taipei Branch: Jonah Cheng; Samson Hung.

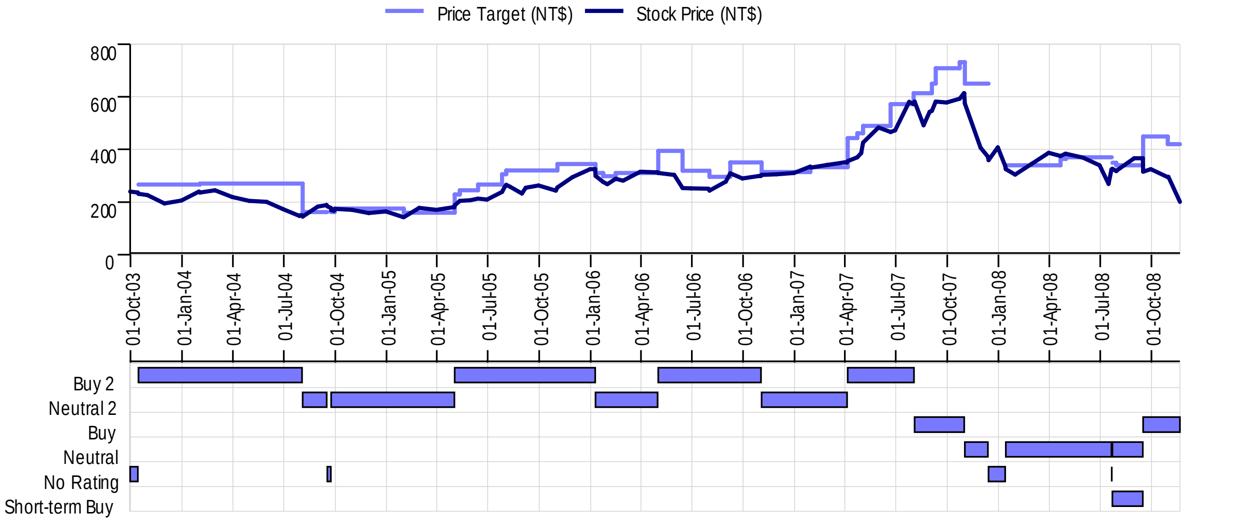
Company Disclosures

Company Name	Reuters	12-mo rating	Short-term rating	Price	Price date
MediaTek Inc.	2454.TW	Buy	N/A	NT$201.00	21 Nov 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

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

MediaTek Inc. (NT$)



Source: UBS; as of 21 Nov 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%.

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