



Middle East: A New Paradigm

Shahin Vallee
Strategist
Emerging Markets

18 December 2008



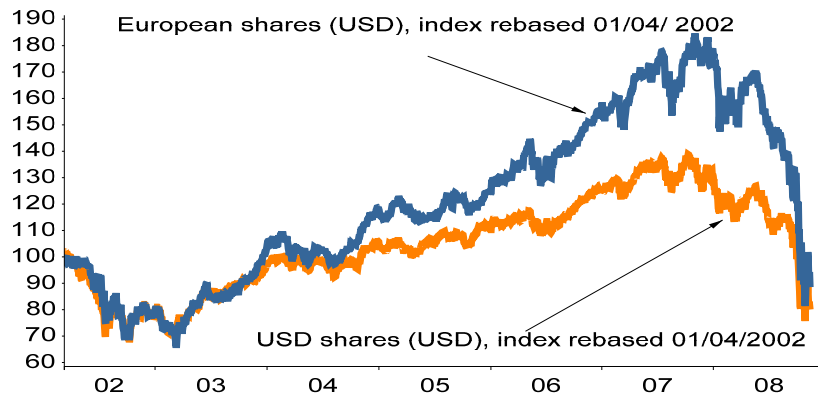
Summary

1. Global Currency Markets: Some Key Directions
 - a) The USD vs. Quantitative Easing
 - b) Weak Sterling, weaker EUR
 - c) Yen driven by US yields and hedging activity
2. The Middle East in the Crisis
 - a) Asset Positions change
 - b) Liabilities don't
 - c) More Stress than Expected
3. Egypt: Balance Of Payment Deterioration
 - a) Discovering Current Account Deficit
 - b) Drying Out USD receivables
 - c) Policy Action and Reaction

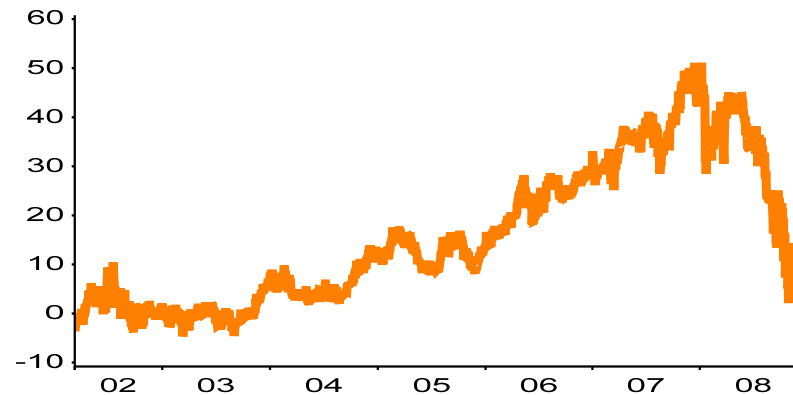


Asset markets drive the USD

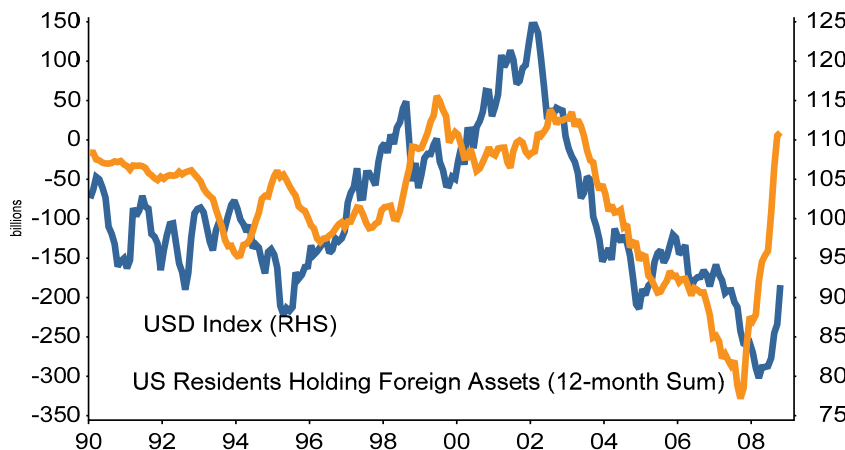
European shares were the better bet....



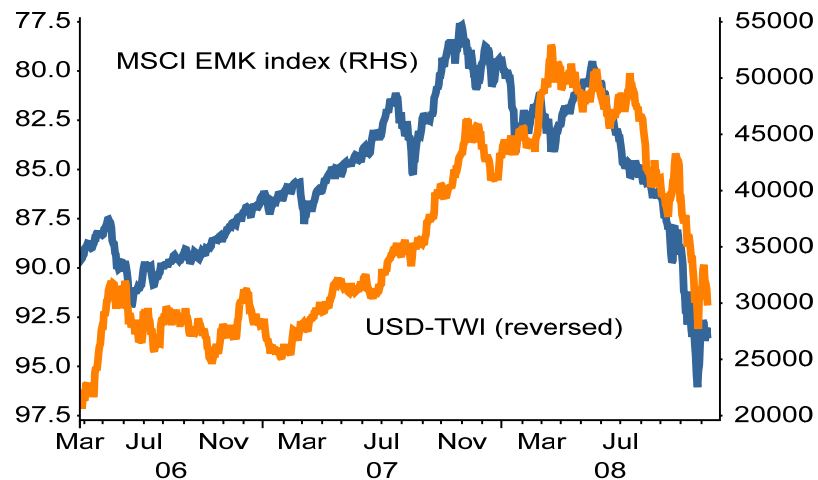
...allowing unhedged USD returns to outperform



US residents buying less foreign assets



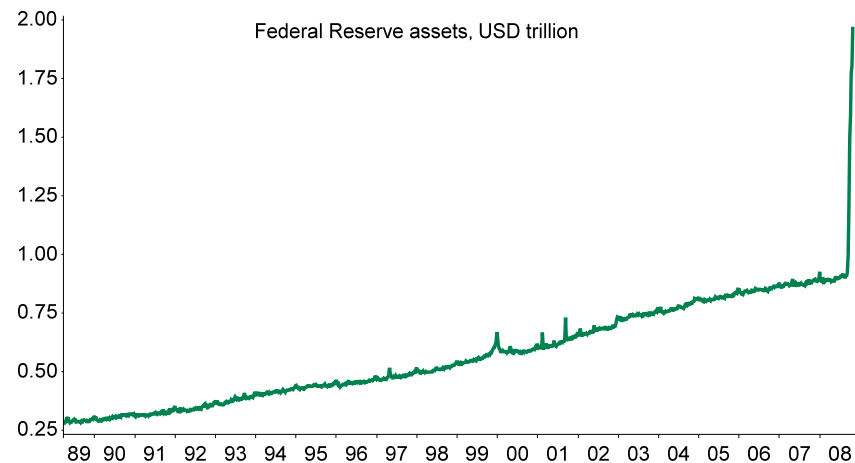
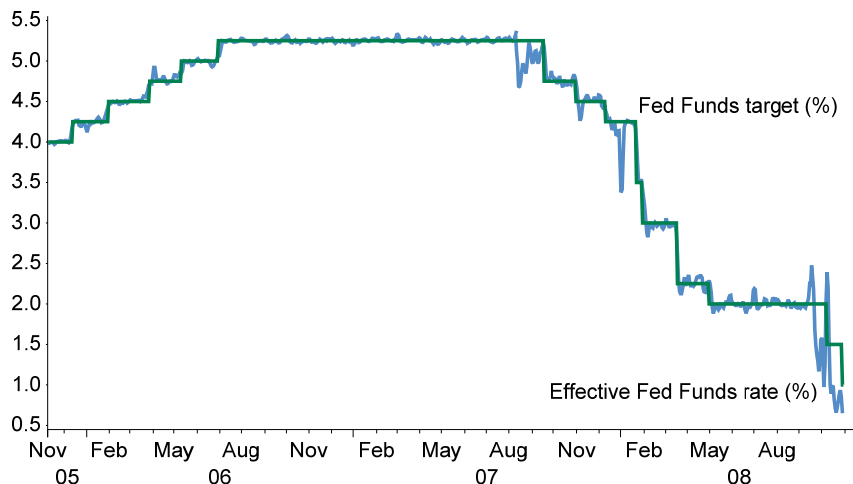
When equities fall the USD rises



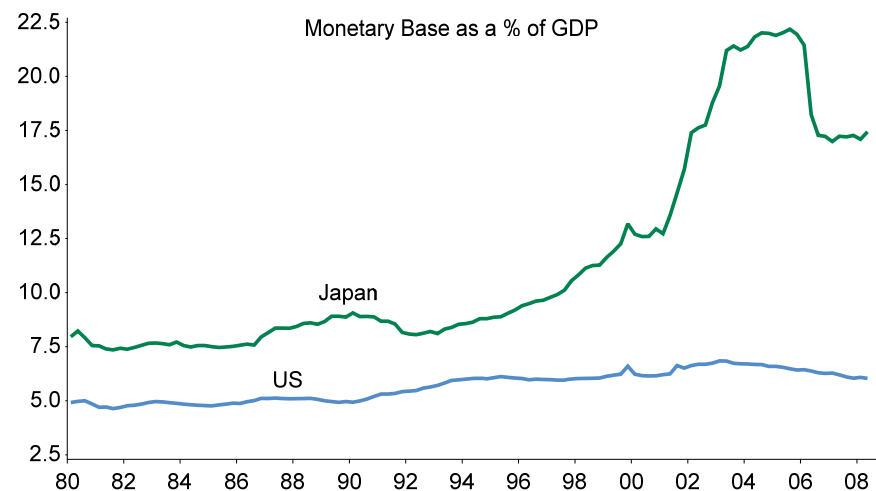
Source: Reuters EcoWin Pro



On Quantitative Easing and FX Markets



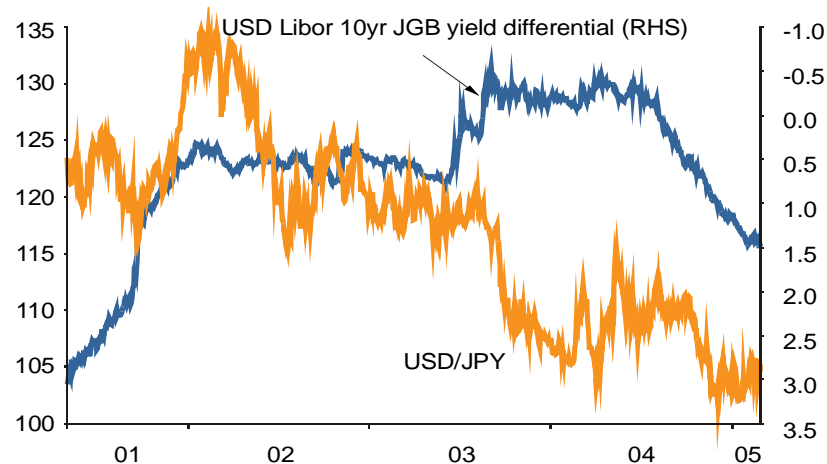
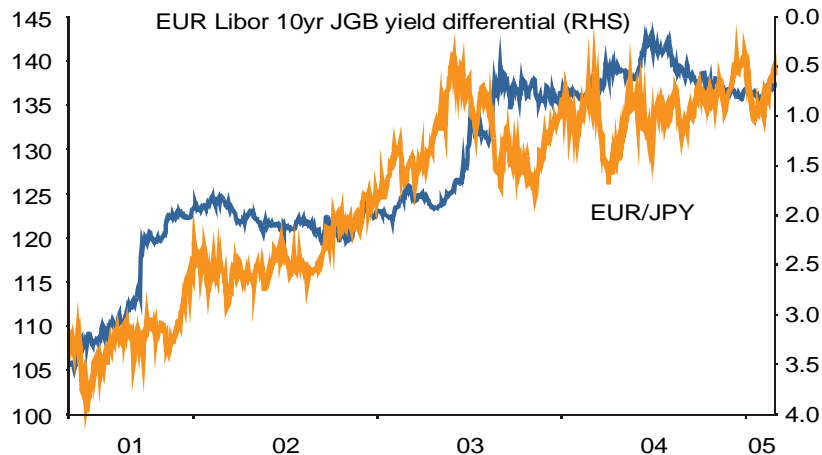
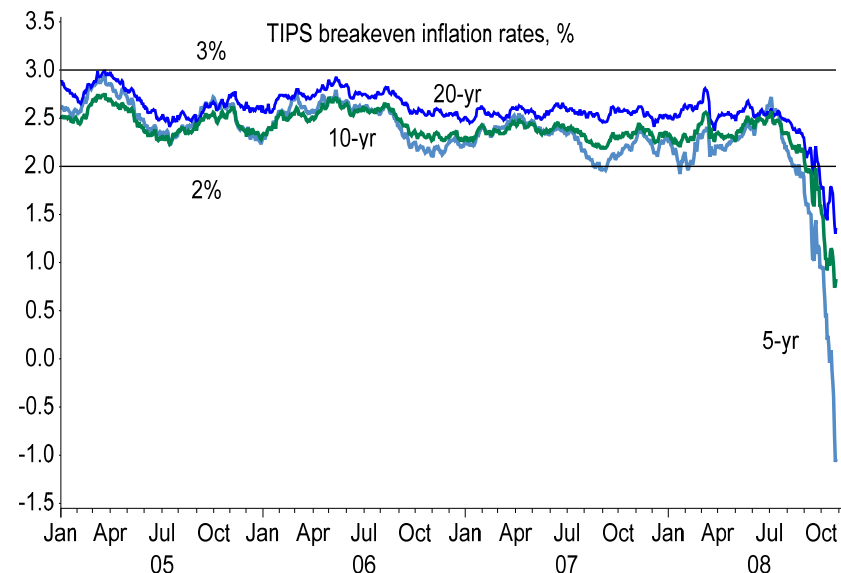
- Effective Fed Funds has been trading well below its 1.5% target, averaging around 70bp in recent weeks
- Moving Money Supply without moving rates
- There will be more of it and it will be more abrupt than that of Japan in the 1990s to avoid ingraining deflation expectations
- The perception of USD negative effect has to be challenged





On Quantitative Easing and FX Markets

- It is all about re-creating inflationary expectations and Shore up Asset valuation
- Expectations of returns are key
- The start of Japan's quantitative easing in March 2001 set the starting point of the EURJPY carry trade
- JGB yields versus foreign currency money market returns guided the performance of the JPY

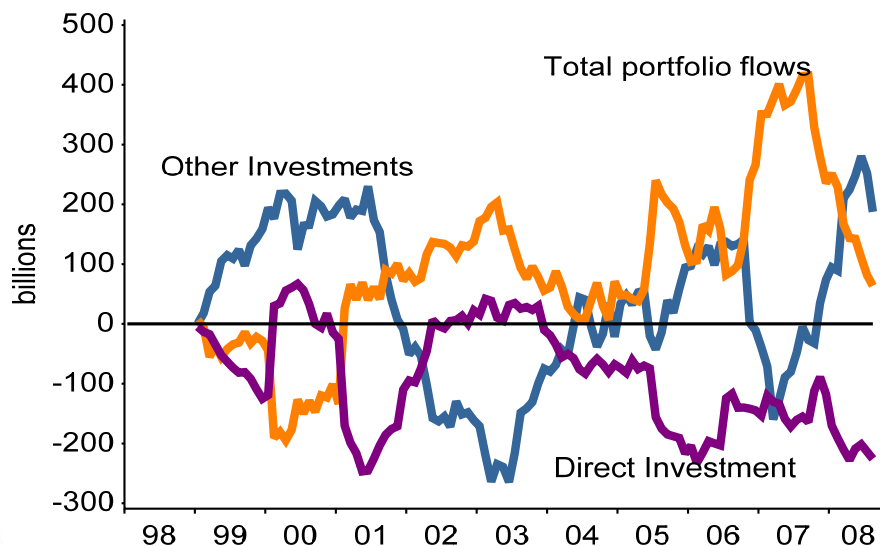




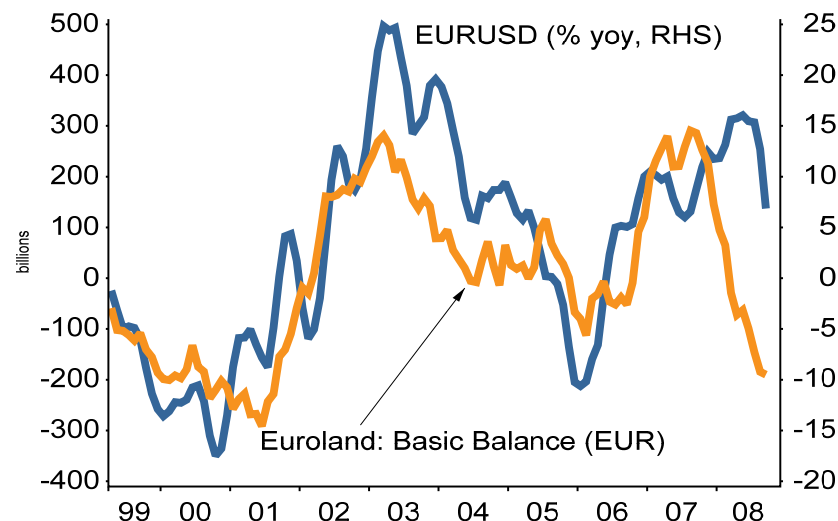
EUR risks are geared to the downside

- Long-term portfolio and FDI flows are in retreat and the current account has slipped into deficit
- Last year's EUR rally was due to gigantic carry trade expressed by money market inflows cited as 'Other Investments' in chart 1.

Euro dangerous composition of flows



EUR basic balance has collapsed

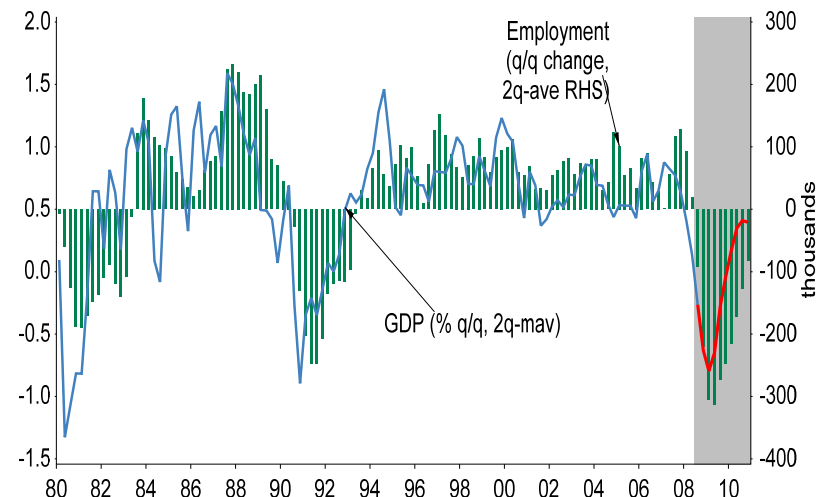


Source: Reuters EcoWin Pro

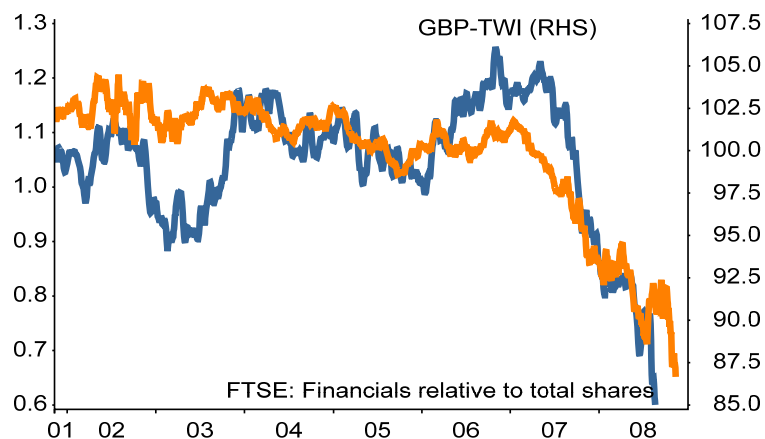


Where to look when trading sterling

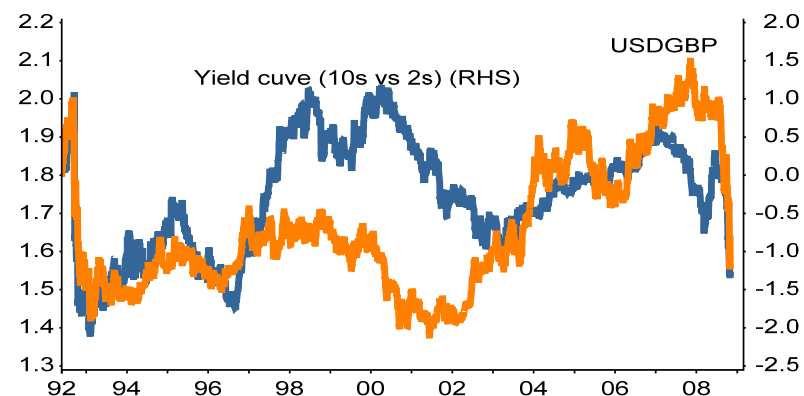
- Debt issuance in the UK will rise to the tune of 4% of GDP
- In a small open economy with large current account deficit, it means currency weakness and higher back end rates
- The BoE is aggressively talking the currency down
- Real question is EURGBP



Financials under- or out performance



The Gilt yield curve

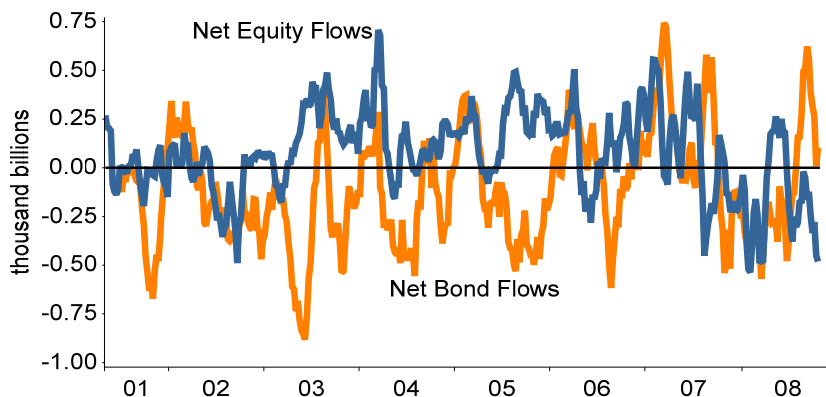


Source: Reuters EcoWin Pro

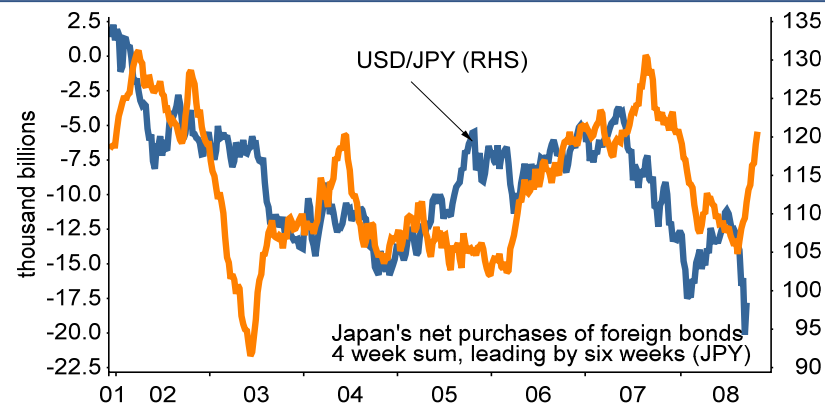


Japan: Currency outflows will dominate

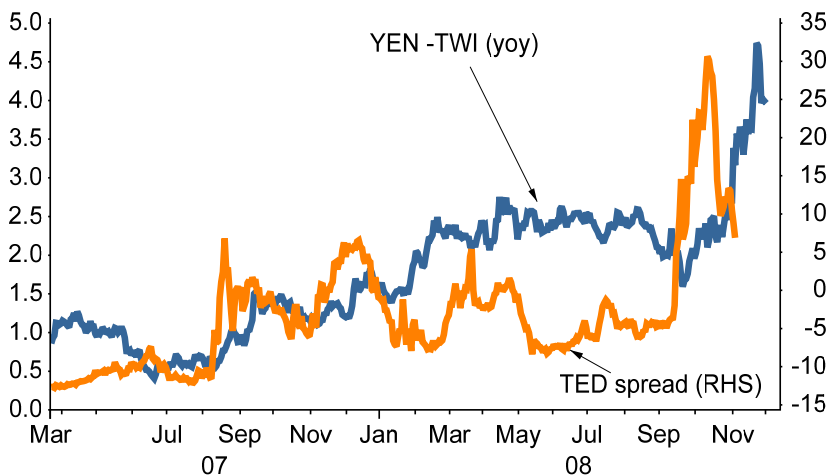
Flows are back into the JPY



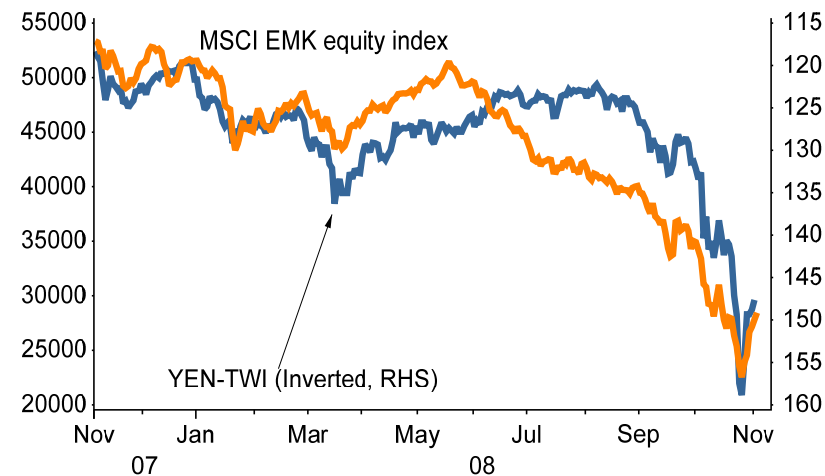
Currency level determines the size of bond purchases



Risk appetite needs to be watched



EMK sell-off worries us (JPY crosses lower)

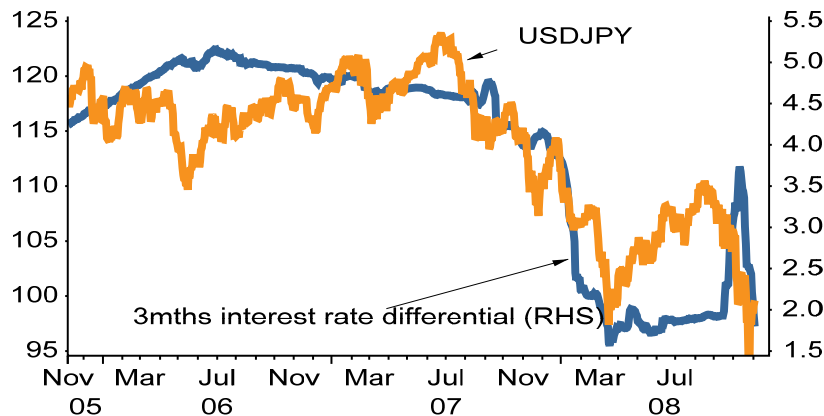


Source: Reuters EcoWin Pro

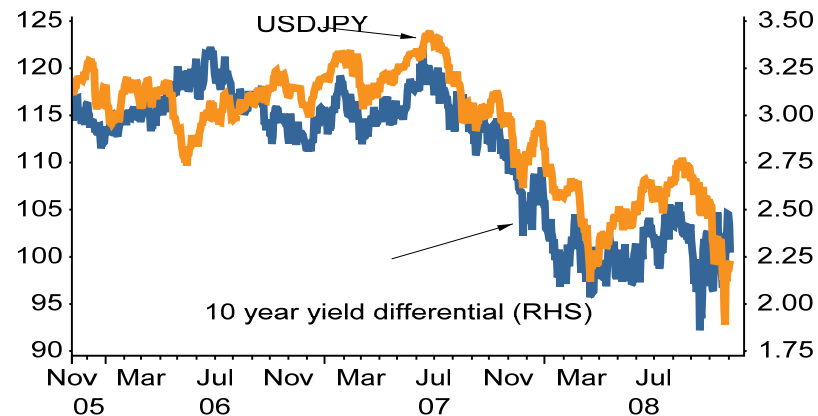


USDJPY versus rate and yield differentials

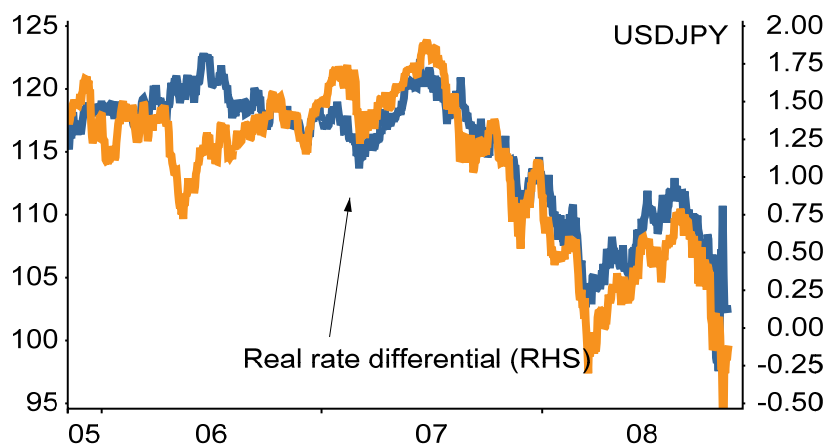
Nominal rate differential



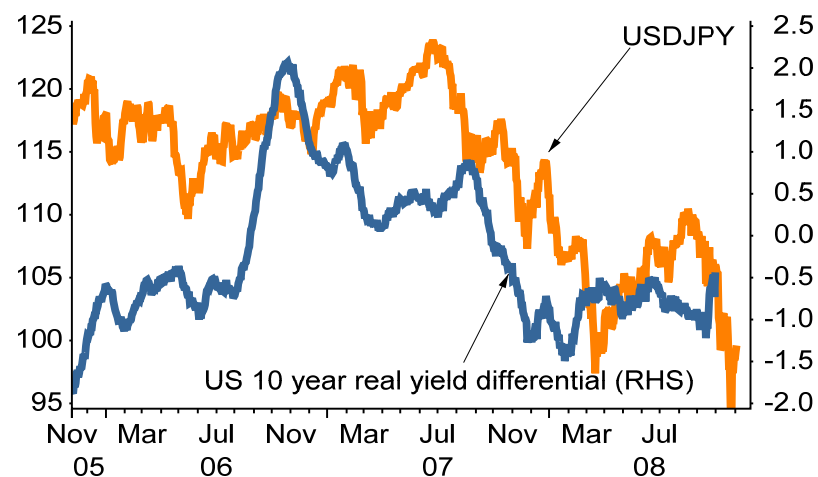
Nominal Yield differential



Real rate differentials



Real Yield differential



Source: Reuters EcoWin Pro

Oil Price Forecast (II)

Other people's view

NYMEX WTI and ICE Brent

	Spot	Q4 08	Q1 09	Q2 09	Q3 09	2009	2010	2011	2012
1) NYMEX WTI									
Forecast		87.00	90.00	90.00	97.00	95.00	110.00	104.00	105.00
Current Fwd	63.91	79.85	65.70	67.21	68.71	68.02	74.19	78.57	81.30
2) ICE Brent									
Forecast		90.00	92.00	91.50	97.00	100.00	112.54	105.00	105.00
Current Fwd	61.71	76.58	66.32	68.78	70.93	69.70	76.80	81.51	84.39

Range of Forecasts

NYMEX WTI		Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10
Current Price 63.76	Median	87.00	90.00	90.00	97.00	100.00	
	Mean	90.77	91.42	89.20	93.27	96.35	
	Bloomberg Wgt Avg	79.13	84.60	85.20	90.37	94.10	
	High	125.00	130.00	115.00	126.67	118.33	
	Low	65.00	60.00	60.00	60.00	52.00	
	Current Fwd	79.85	65.70	67.21	68.71	70.37	72.03
ICE Brent		Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10
Current Price 61.71	Median	90.00	92.00	91.50	97.00	102.00	
	Mean	93.37	93.62	90.54	95.32	98.58	
	Bloomberg Wgt Avg	81.60	88.42	88.03	94.16	97.94	
	High	122.00	127.00	115.00	125.67	118.33	
	Low	63.50	57.30	60.00	60.00	52.00	
	Current Fwd	76.58	66.32	68.78	70.93	72.68	74.44

Source: Bloomberg on 27 October 2008

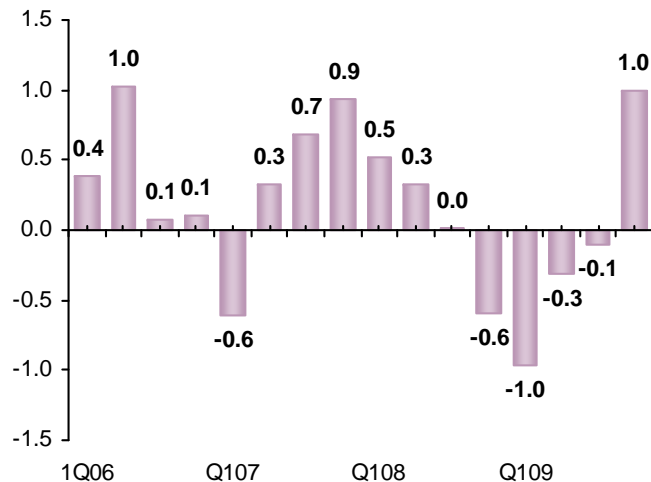


Oil Market Outlook: Surplus Developing?

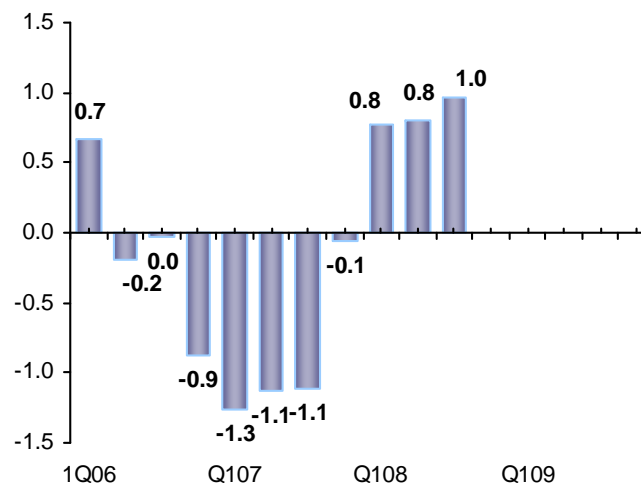
- **The growth balance between global oil product demand and non OPEC oil supply suggests that a supply surplus can develop in 4Q08.** This outcome is critically subject to non OPEC oil supply and Emerging Markets demand performance - supply growth is seen at 1 mb/d augmented by supply growth from
- **Emerging markets remained marked by large requirements in infrastructure** to support economic progress, growing transport fuel demand and managed prices (with some countries recently reversing cuts in subsidies to retail prices).
- **OPEC stated its intention to reduce actual production.** Ultimately, it may aim for more cuts if demand slows by more than anticipated. This eerily reminds us of policy enacted at the end of 4Q06, early 2007, putting a floor under prices in 1Q and setting the stage for a summer rally.
- **Based on Fitch estimates of 2008 government spending, in Saudi Arabia the general government would break-even at USD50/b in 2008; Kuwait would break-even at USD42 / b and Abu Dhabi at USD31 / b. However, in Bahrain the break-even price is higher, at USD74 /b.**

Fundamentals Relative Dynamics: Easing 4Q-2008 to 1Q 2009 / OPEC Uncertainty

Y/Y Growth (mb/d) World Oil Demand – Non OPEC Oil Supply
Incl. Bio fuels, Proc. Gains, Angola, Ecuador



Y/Y OPEC 10 (Excl. Iraq, Angola, Ecuador, Incl. Indonesia) Crude Oil Supply (mb/d)



Demand (mb/d)	2008	2009
World	86.5	87.2
OECD	48.1	47.5
Non OECD	38.4	39.7

Emerging market Demand (mb/d)	2008	2009
China	8.0	8.4
India	3.1	3.2
Middle East	6.9	7.3
Brazil	2.4	2.5
FSU	4.2	4.4

OPEC (mb/d)	2006	2007
Crude Oil	29.7	30.7
NGLs	4.6	4.8

Non OPEC (mb/d)	2008	2009
Oil Supply	49.9	50.4
Proc Gain	2.2	2.3
Bio Fuel	0.5	0.6
OPEC NGLs	5.1	5.9

Source: IEA Oil Market Report October 2008, BNP Paribas (Angola and Ecuador kept in Non OPEC in charts above)

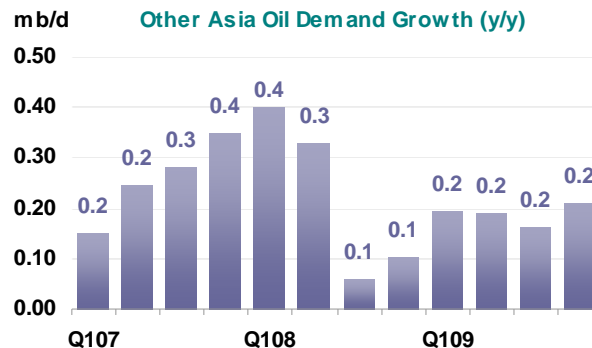
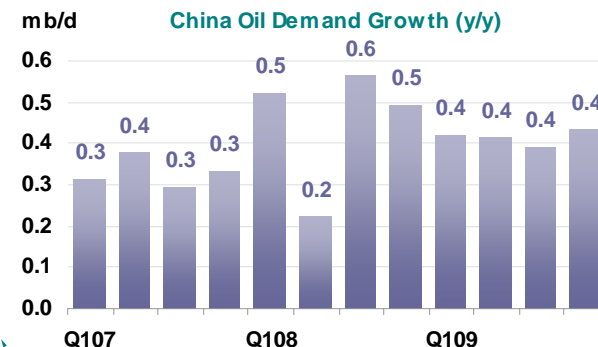
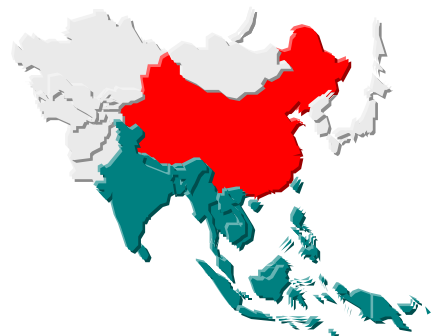
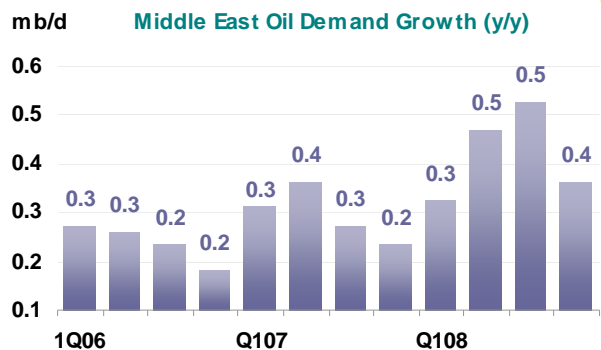
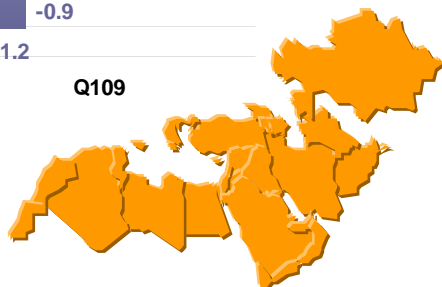
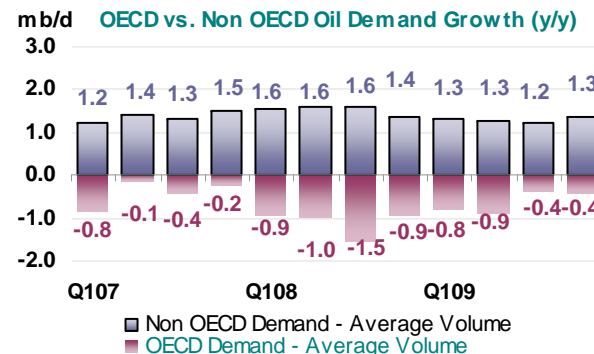
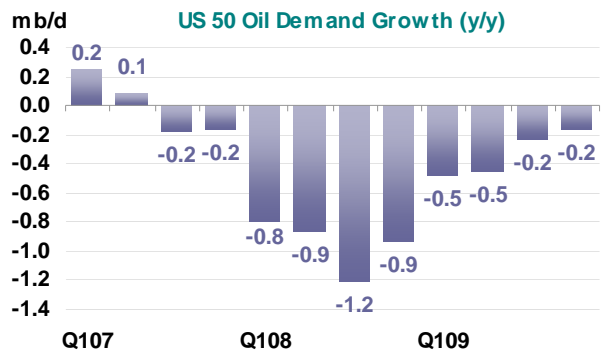
Source: IEA Oil Market Report October 2008. Angola and Ecuador joined OPEC 11 (respectively Jan 07 and Dec 07)



Engines of Oil Demand Growth: Still a non OECD Affair

When does size matter?

- The US may be the top oil consumer, but not the top demand growth contributor.



EMKs Whose budget constraint?

- Spending in infrastructure in emerging markets will happen with or without a US economic downturn.
- Subsidised retail pricing, allowing consumption below market prices. The relevant budget constraint is not the individual's, it is the government's. Subsidy changes in motion but not enough to halt growth. Some countries have reversed subsidy cuts with a fall in oil prices. End year risks to the economy could moderate oil demand growth in these areas.



Sovereign Wealth and Net Foreign Asset Position

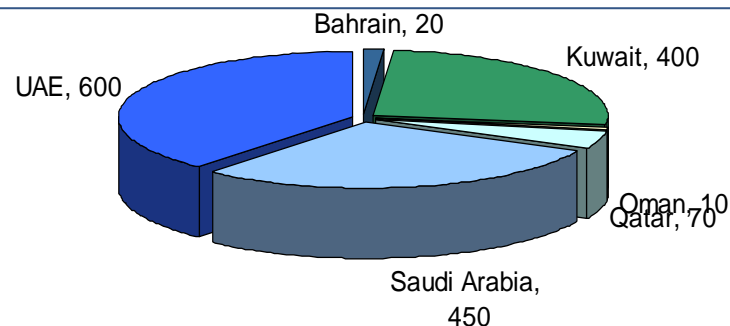
- Large Oil receipts and extraverted Investment Strategies have led to the build up of large Net Foreign Asset positions
- Estimates for the GCC vary but most sources agreed to amounts ranging from USD 1.6 to 1.8 trillion as at mid 2007
- Sovereign Wealth has been placed to a large degree with large asset managers and invested in ad hoc vehicles mostly geared towards equities and real estate

Sovereign Wealth Funds Assets Under Management

Country	Fund Name	AUM (USD bn)	Inception	Orig	SWF to FX Reserve Ratio
UAE - Abu Dhabi	ADIA	875	1976	Oil	29.5
Saudi Arabia	SAMA	365	--	Oil	--
Kuwait	Kuwait Investment Authority	264	1953	Oil	12.7
UAE - Dubai	Investment Corporation of Dubai	--	2006	Oil	--
Qatar	Qatar Investment Authority	60	2003	Oil	8.6
Libya	Libyan Investment Authority	50	2006	Oil	0.8
Algeria	Revenue Regulation Fund	47	2000	Oil	0.3
Total		1,662			

(Source: SWF)

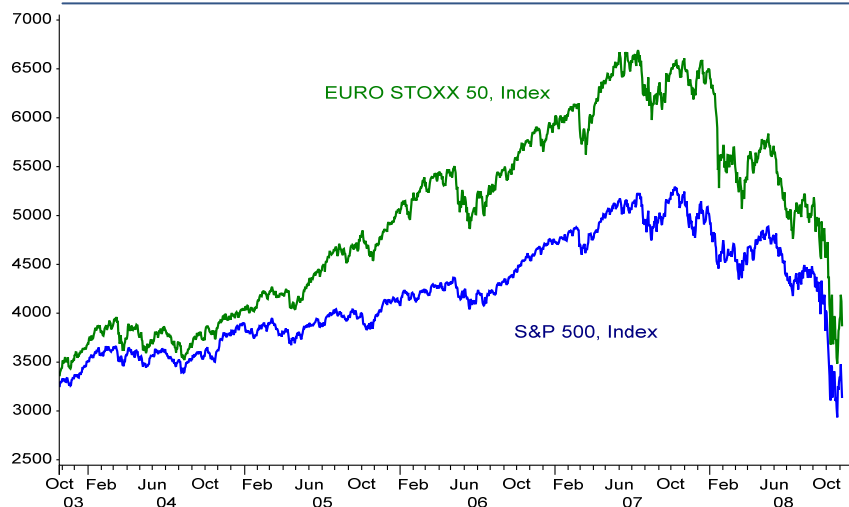
Sovereign Wealth Distribution by Country



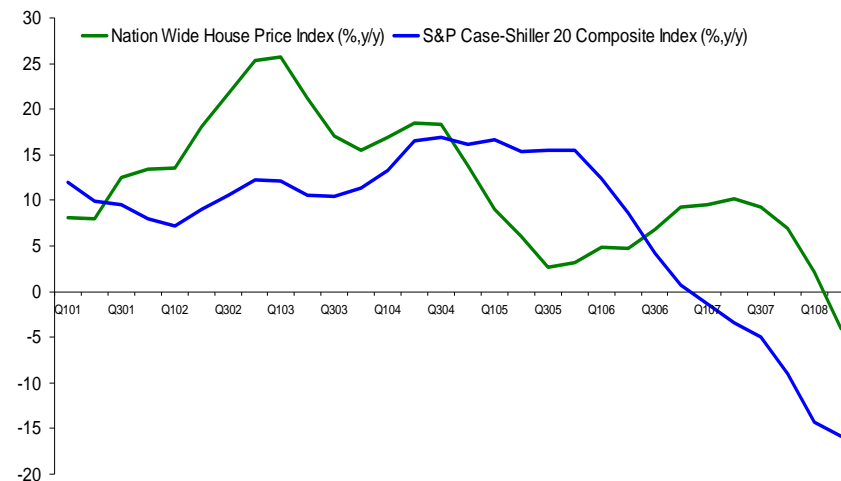


What is left of Sovereign Wealth

Declining Equity Markets



Declining Real Estate Markets

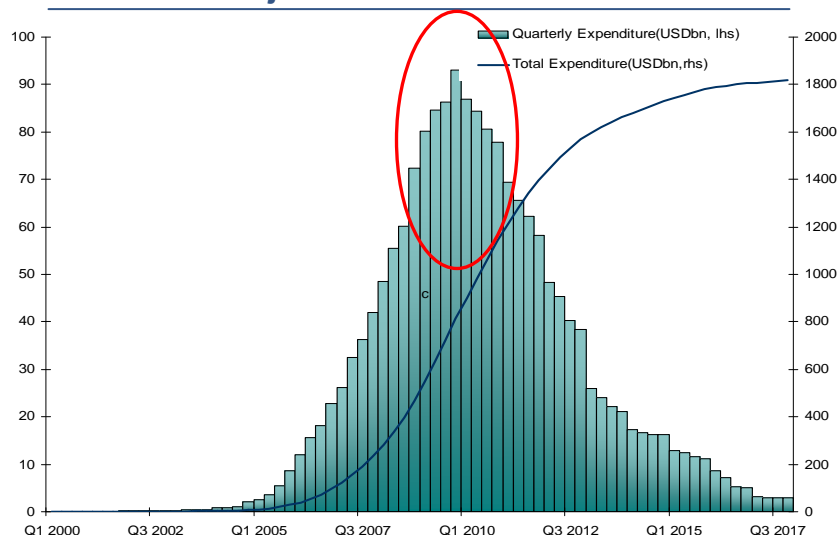


- **Sovereign Funds behave like large asset managers**, we should similar aggregate returns
 - GMS Alpha+ World Equity fund YTD -17.24%; Vanguard Global Enhanced equity fund YTD -25%; JPM Europe Equity A (dist) YTD -37.19%
 - Credit Suisse/Tremont Hedge Fund Index YTD -9.87%
 - According to the Wall street Journal the average hedge fund lost 18% in October.
- **GCC funds are mostly US investors** and have increasing diversified into equities and real estate in the last few years
- With an **estimated USD1.8-2 trillion in foreign assets by the end of 2008**, of which 60% are held in USD, GCC countries have to be concerned by asset depreciation as a result of the recent crisis.
- Excluding Currency gains, it seems fair to believe that **Asset depreciation ranges between 20-35%** since the inception of the crisis (Note that most investments in the US financial sector in Q3 2007, all lost more than 50%)
- **Net Foreign Asset positions have probably shrunk by USD 400bn to 600bn**

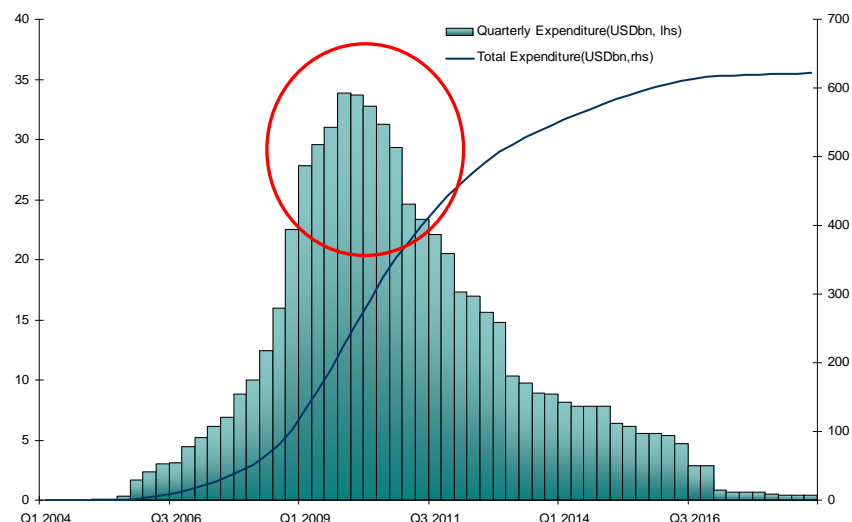


GCC: Project Commitments, the coming flows

Total GCC Project commitment in Value terms



UAE overall Project commitment in Value terms



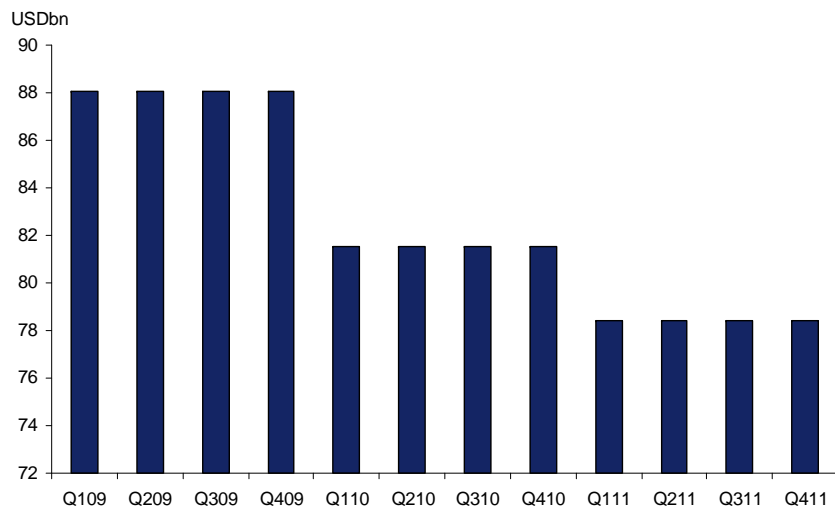
Source:BNP Paribas, MEED Projects

- **Infrastructure and Construction Projects across the Gulf amount to close to USD 2 trillion**
- A large portion of those Projects are funds through debt with limited cash put down or available from promoters
- Our forecast show that the draw down to finance those large infrastructure plan will amount to as much as USD 90bn per quarter for the GCC as a whole peaking in Q1 2010
- This amount will rise to USD 35bn per quarter for the UAE
- This means more financing stress and/or projects delay and cancellation.
- International banks which have been the dominant force in financing the regions projects have been reluctant in extending their commitments due to liquidity constraints in their domestic markets. This has lead to postponements, modifications and loan drawdowns.
- According to Reuters, the Middle East borrowing declines by 16.5% in Q3 of 2008, a trend which is most likely to continue into next year.

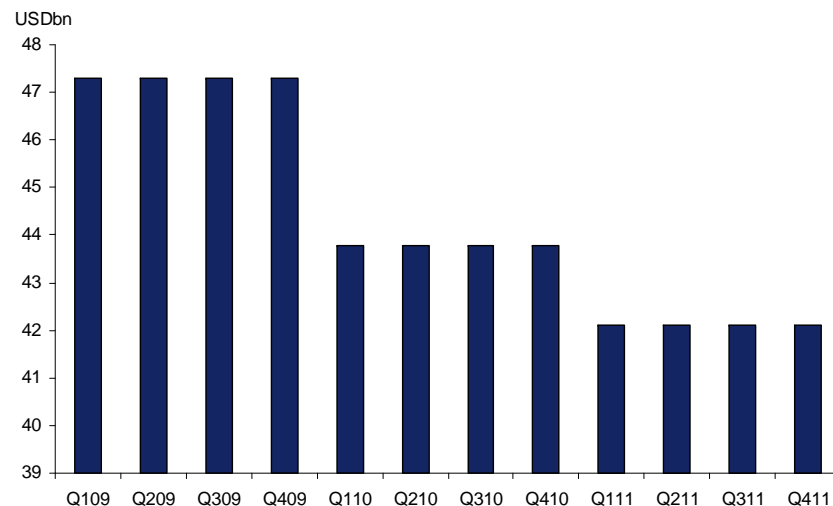


GCC oil Revenue Projections

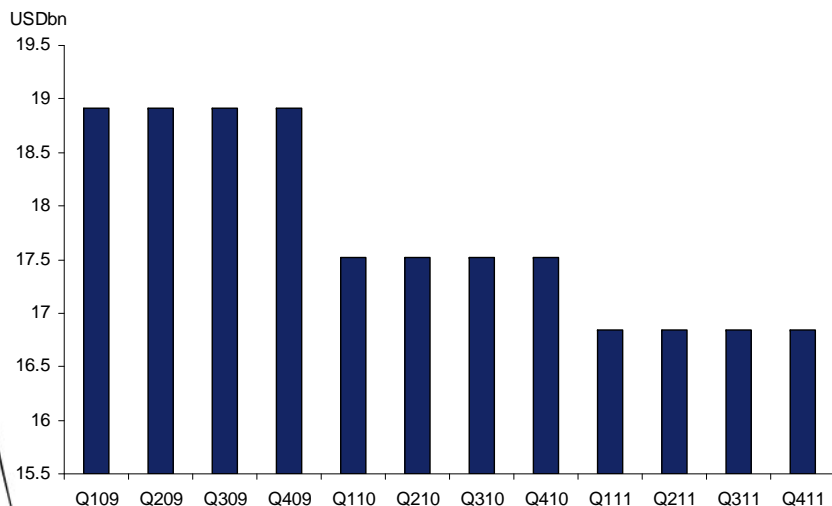
Overall GCC Quarterly Oil Revenue



Saudi Quarterly Oil Revenue



UAE Quarterly Oil Revenue

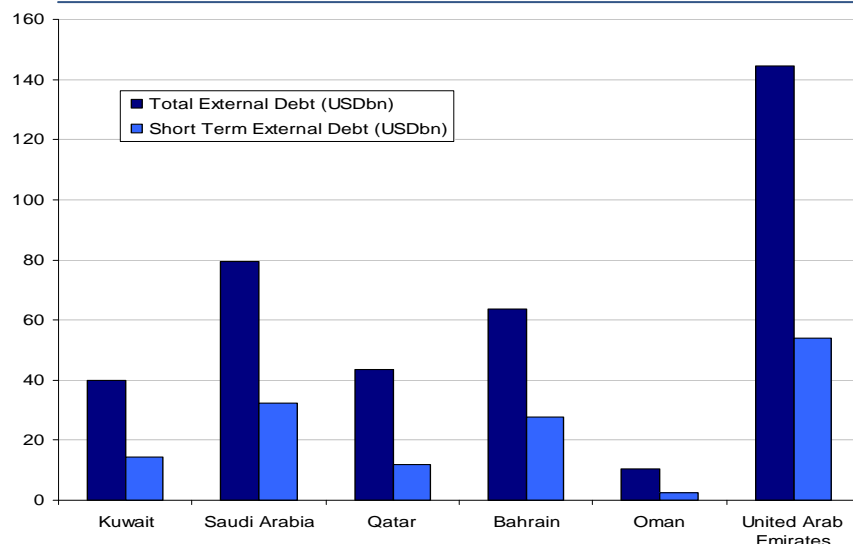


- With expected OPEC cuts and still lower oil prices...
- Oil Export Revenues will decline sharply
- While demand for cash from infrastructure projects is rising

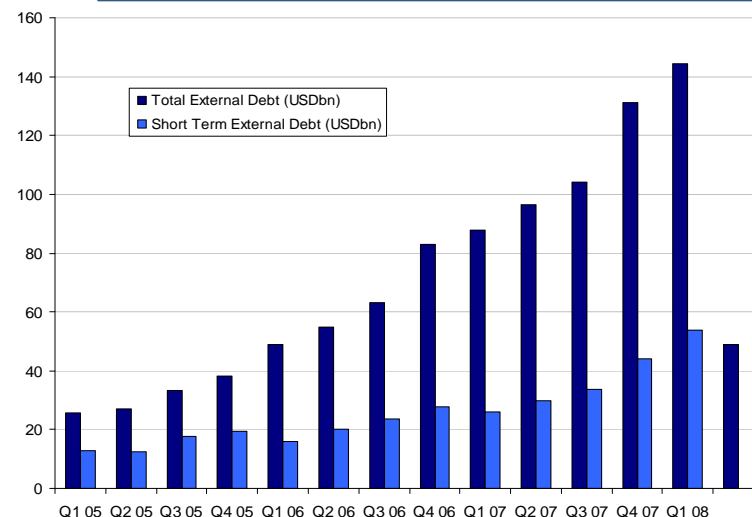


GCC Liability surge: The existing Stock

GCC External debt structure



UAE External debt structure



- Despite Strong Oil Revenues, corporate and Bank debt has risen sharply over the few years
 - CAGR of 52.6% for long term debt and 41.2% short term debt for the past 3 years
 - While Growth in Oil Revenues was only 34%
- Despite Strong Oil Revenues, corporate and Bank debt has risen sharply over the few years
- Short Term Coming Due in the next 12m is standing at USD166bn.

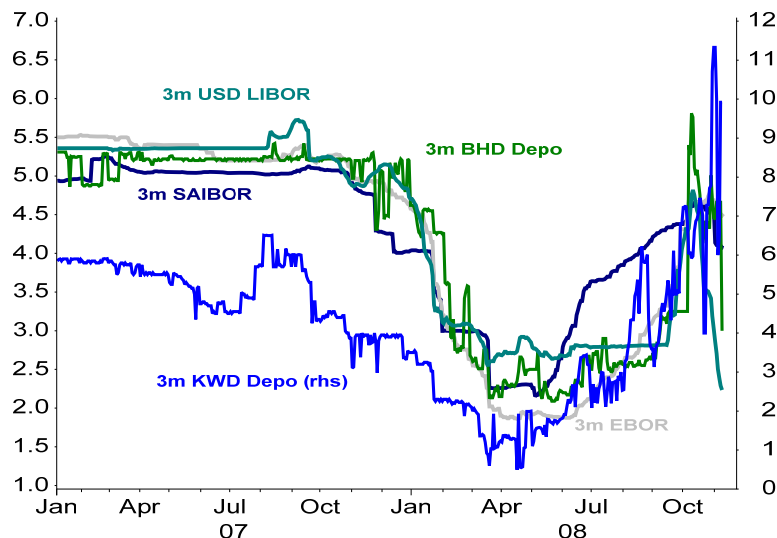
UAE External Debt Structure

Emirate	Gross External Debt (USD, bn)	External Debt/GDP (%) (8)	Public External Debt (USD, bn)	Private External Debt (USD, bn)	
				Banks (2)	Corporates (3)
Abu Dhabi	81.58	73.08%	2 (1)	42.34	37.24
Ajman	0.9	33.36%	N/A	0.00	0.90
Dubai	62.29	101.63%	1.77 (1)	40.07	20.45
Fujairah	1.92	77.40%	N/A	1.09	0.83
Ras al-Khaimah	3.15	77.69%	0.597 (1)	1.20	1.35
Sharjah	7.3	46.37%	N/A	2.05	5.25
Umm al-Quwain	0.96	106.31%	N/A	0.66	0.30
Total	158.1	79.53%	4.37 (6)	87.4 (4)	66.3 (5)

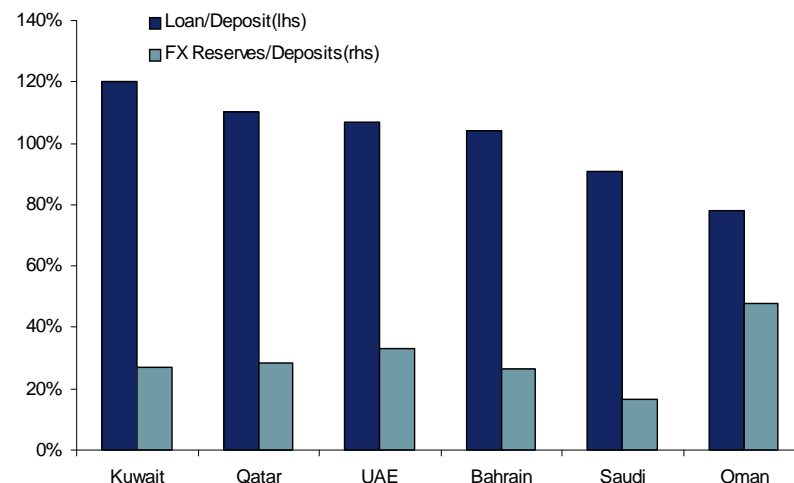


GCC Banks: The Weakest Link?

Interbank Rates vs USD rates



Banks' Balance Sheets



- As intermediaries of capital, banks will be put under further stress, on both the assets and liabilities side of their balance sheets:
 - Those combined forces will lead to shrinkage in Banks' balance sheets
 - And require more government and Central Bank involvement
- This has been most pronounced in the UAE where the ratio of banks' foreign liabilities to total liabilities jumped four-fold, from 6.5% to 25%, between early 2007 and March 2008.
- The UAE has also seen sizable withdrawal of capital from equities. For example, Dubai equities saw a cumulative outflow of around \$7bn, about 3% of GDP, from January until mid-October 2008.



Liability Sector Break Down

(USDmn)	<u>Consolidated Cross-border Claims in all Currencies and Local Claims in FX</u>						
	Total International Claims	maturity			Sectors		
		<1y	<2y and >1y	Long Term	banks	Public sector	Corporates
Algeria	3,801	2,195	221	1,374	1,683	651	1,466
Egypt	23,184	12,103	1,067	7,952	3,868	9,671	9,636
Libya	705	654	17	37	246	10	449
Morocco	7,253	2,884	602	3,185	1,634	1,869	3,752
Tunisia	4,834	1,219	655	2,343	1,714	1,103	2,013
Bahrain	36,718	27,263	1,225	7,428	30,245	1,047	33,907
Kuwait	20,944	13,834	777	5,710	9,116	504	11,240
Oman	8,072	2,620	342	4,958	1,546	770	5,754
Qatar	28,506	11,779	1,821	13,306	8,787	2,461	17,060
Saudi Arabia	50,259	32,239	1,952	13,394	29,036	1,087	20,118
United Arab Emirates	92,531	53,885	4,650	26,369	32,466	8,290	50,077

- Claims are a wide definition of liabilities, short term claims and installment of long term liabilities will continue to weigh on local liquidity
- Claims of BIS reporting banks on Egypt due within 1 year are substantial (12bn) and mostly linked to the public sector



GCC Central Bank Liquidity Measures

Bahrain		
30-Oct-08	The Central Bank of Bahrain, said Thursday it lowered its repo and lending rates by 125 basis points following a 50 basis point cut by the U.S. Federal Reserve on Wednesday.	
09-Oct-08	One-week deposit rates where cut to 1.75% from 2% and overnight deposit rates where cut to 1.25% from 1.5%. Repo rate cut to 4.75% from 5.25%	
Kuwait		
27-Oct-08	Central Bank ready to Inject liquidity into Gulf Bank	USD2.7bn
26-Oct-08	Kuwait has guaranteed the rights of all depositors after the central bank was forced to save Gulf Bank	Total of KWD18886.4 million in private sector deposits
26-Oct-08	The Central bank was forced to step in to support Gulf Bank, which was hit by losses from trading in currency derivatives after the dollar rose, prompting the government to announce it would guarantee local bank deposits	746 million of derivatives contracts on the EUR went sour
08-Oct-08	Discount rates cut by 125 bps to 4.5% Discount rate cut by 100 bps to 2.5%	
05-Oct-08	Central Bank injected money into banking system and intends to sell bonds worth KWD50mn	100 KWD (USD374.3mn)
29-Sep-08	Loan-to-deposit ratio changed to 85% from 80%	KWD1.2bn (USD4.47bn) in possible loans
29-Sep-08	Cash injected into interbank market, ranging between one day and a week tenure	KWD 60mn (USD223.8mn)
28-Sep-08	KIA invested in Local Stock market following slide in shares	KWD 300mn (USD1.12 billion)
Saudi Arabia		
27-Oct-08	Saudi Arabia's Supreme Economic Council has offered guarantees for bank deposits in the world's top oil exporter	
26-Oct-08	Saudi Arabia extended USD2.7bn in credit bank to needy citizens on Sunday as the global financial crisis spread to the Gulf Arab Region	USD2.7bn
21-Oct-08	Injected dollars in local bank deposits to meet a shortfall of dollar funding in the domestic banking sector. It took form of USD200m-USD300m in deposits at each of the domestic banks	USD2bn-USD3bn
16-Oct-08	The Central bank will guarantee liquidity to Saudi banks as well as bank deposits	(Total Deposits stand at SAR 808bn)
12-Oct-08	Central bank cut its repurchase, or lending rate by 50 basis points, it also cut banks' reserve requirements to 10%.	



GCC Liquidity Measures continued..

United Arab Emirates

06-Nov-08	The United Arab Emirates central bank said on Thursday it had begun selling dollars to banks at the same day value in a move aimed at easing tensions in the interbank market.	
06-Nov-08	The United Arab Emirates' Finance Ministry will disburse from next week a second tranche worth 25 billion U.A.E. dirhams (\$6.8 billion) to support local banks	USD6.8bn
05-Nov-08	United Arab Emirates' banks have borrowed 80 percent of a 25 billion dirham (\$6.81 billion) government liquidity package allocated last month, newspaper reported on Wednesday.	
27-Oct-08	Banks had drawn about 15% of the 50 billion dirham it set up last month to boost liquidity	USD13.61bn
20-Oct-08	Central bank will pump liquidity into local institutions by the end of the week. Injection will be in the form of two-year deposits proportionate to bank assets.	AED 20-25bn (USD 5.44 - 6.8bn)
19-Oct-08	UAE will inject liquidity into long-term bank deposits under a government plan announced this month.	AED 70bn (USD 19.06 billion)
13-Oct-08	UAE to guarantee bank deposits for three years which will also cover foreign banks.	(Total Bank deposits stand at AED 838bn)
08-Oct-08	The central bank lowered the interest rate on its AED 50bn lending facility set up in late September	
08-Oct-08	The central bank has cut key rates by 50 basis points to 1.5%	
	The central bank cut the interest rate on its liquidity support facility to 3% from 5%,	
27-Sep-08	Central Bank will allow banks to repurchase short-term certificates of deposits and withdraw funds through an overdraft facility	
23-Sep-08	Central Bank decided to set up a facility for banks operating in the UAE for banks that require liquidity	AED50bn (USD13.6bn)

Qatar

14-Oct-08	Qatar investment authority will invest between 10% and 20% of local banks listed capital to boost confidence and ensure the funding of development projects in the country.	over USD6bn
-----------	---	-------------

Oman

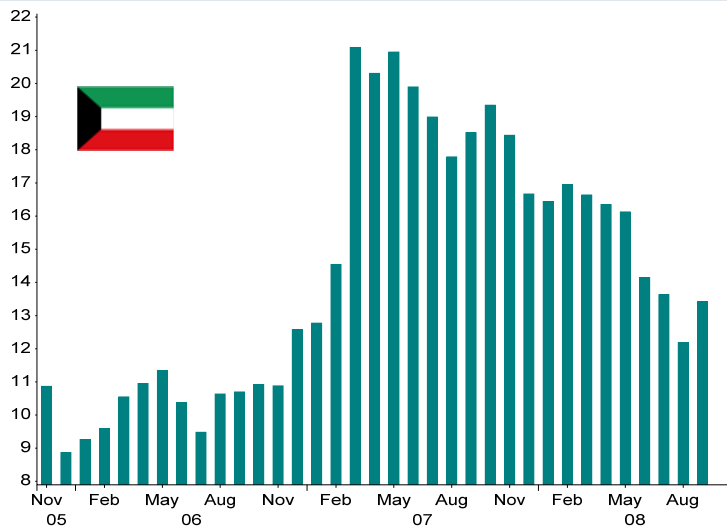
03-Nov-08	Oman's Central Bank has allocated about USD2bn to lend to local banks at an interest rate of LIBOR plus 150 bps	USD2bn
02-Nov-08	Oman's central bank said on Sunday it would provide dollar liquidity to local banks to make up for shortages caused by the global financial crisis	

Total		USD592.4bn
--------------	--	-------------------

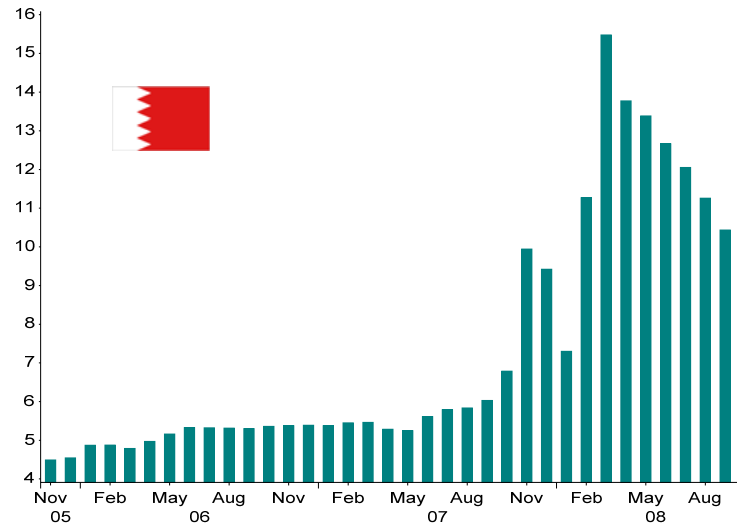


What do reserves data tell us: Some comparison

Kuwait



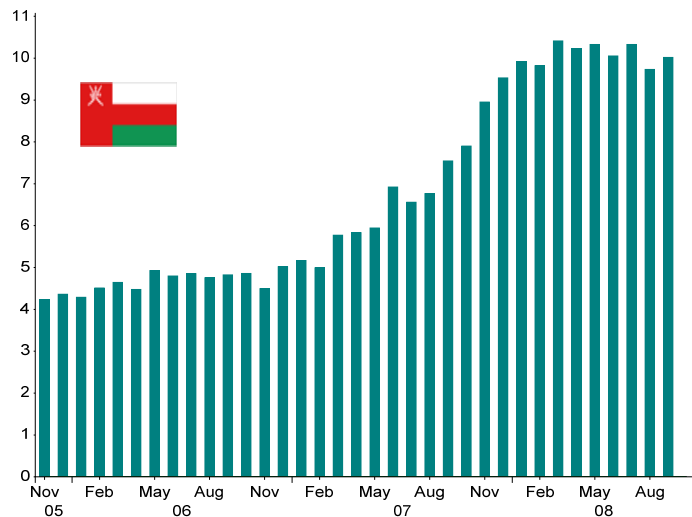
Qatar



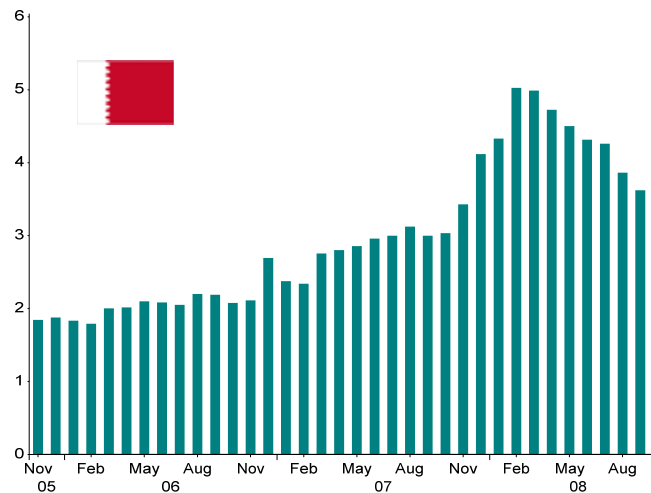


What do reserves data tell us

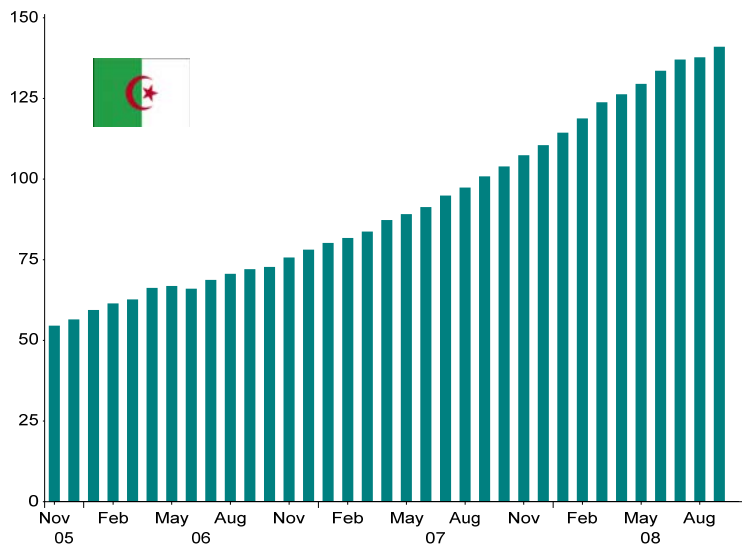
Oman



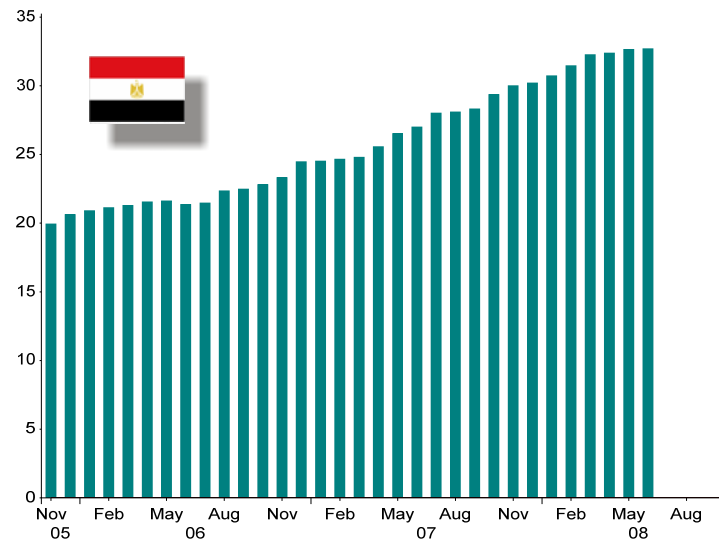
Bahrain



Algeria

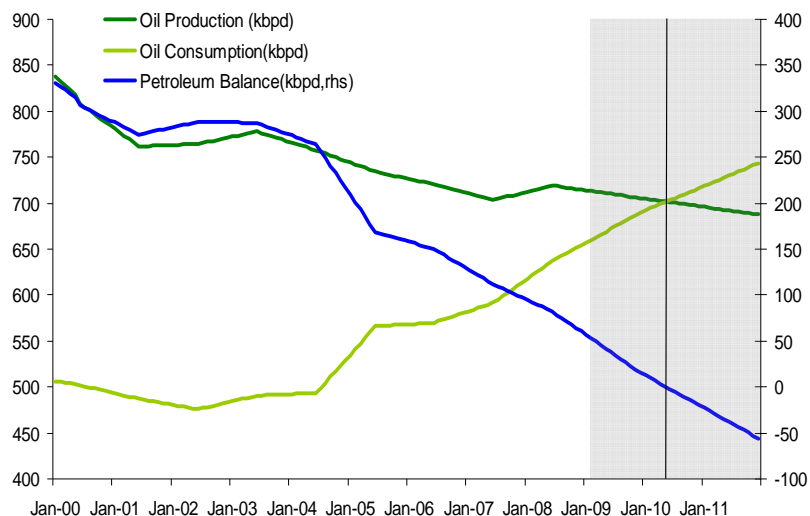


Egypt

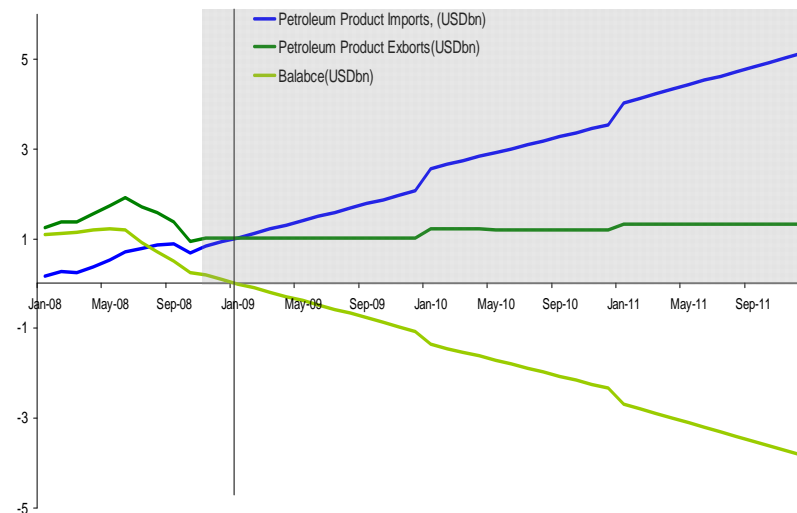


Egypt: Hydro carbon production to decline further

Oil consumption will surpass production



Egypt a Net importer of Oil?

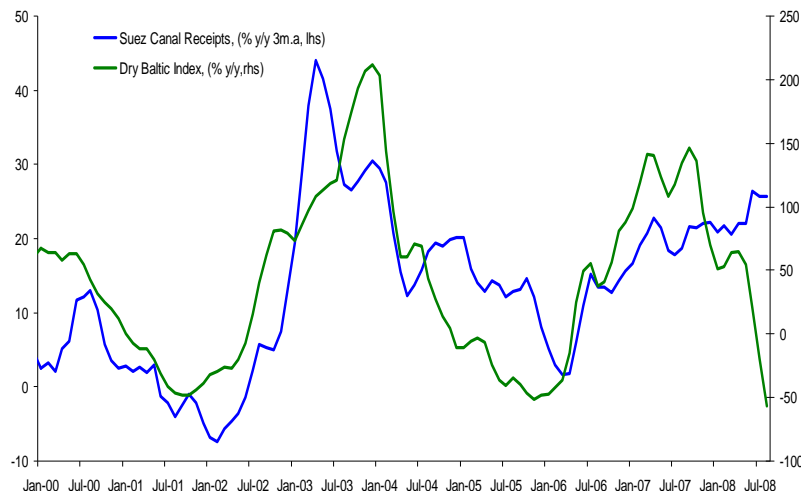


- There is a clear secular downtrend in domestic petroleum production and an uptrend in consumption. As a result Egypt will become a Net Importer of Oil.
- We estimate that consumption will surpass production in May of 2010 in volume terms, however in value terms a different picture is painted.
- Given that Egypt's outdated refining capacity leads to locals importing more expensive petroleum products than they export, we estimate that in value terms Egypt will become a net importer of petroleum products as early as January 2007
- For the year 2009, the petroleum trade deficit will amount to USD1.05bn

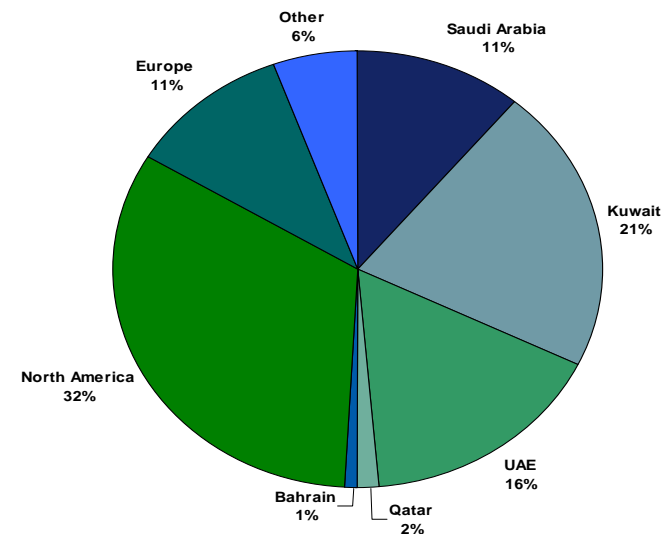


Egypt: Suez Canal Receipts, Tourism and Remittances

Suez Canal Receipts and the Baltic Dry index cycle



Remittances exposed to vulnerable countries



- Slower global growth slows down means slower Suez Canal receipt growth, we expect receipts to drop to USD 5.1bn while the Government expects some USD 6bn
- Egypt is highly exposed to European tourists, out of the 11mn tourist seen in 2007 6.9 million where European. Given an expected recession in Europe the coming year and the sharp decline of the Euro, we estimate tourism revenues to decline by as much as 15% (USD1.9bn drop) to USD 10.8bn for FY2008/2009.
- We expect there to be no growth in remittances next year and remain at USD8.6bn the same as FY 2007/2008 which could prove optimistic if the GCC corrects quicker than we expect

Egypt: FX flows

Components	FY 2007/2008 (USDbn)	FY 2008/2009 (USDbn)	FY 2009/2010 (USDbn)	FY 2010/2011 (USDbn)
Suez Canal Receipts	5.5	5.14	5.45	6.54
Remittances	8.6	8.6	8.7	9
Petroleum balance	4.91	-0.48	-1.80	-3.20
Natural Gas balance	3.1	3.4	3.7	4.03
Tourism Industry	12.8	10.8	10.3	12.4
Net Investment Inflows	11.87	5.27	11.86	15.62
-FDI(net)	13.24	9.27	10.66	13.32
-Portfolio flows(net)	-1.37	-4	1.2	2.3
Trade Balance - ex petroleum balance	-28.31	-33.92	-36.52	-43.83
Total	30.34	-1.18	1.69	0.56

- We anticipate Gas sector exports to have a marginal impact on the Balance of Payment flows as the increase in Gas exports amount to a mere USD300mn.
- Investment flows will be highly dependent on Arab investors,
 - Huge losses in their domestic bourses,
 - Tighter liquidity in credit markets,
 - Lower oil prices need to boost their own economies amidst a global downturn by investing locally, we expect a slower inflows into Egypt with strong portfolio outflows netting USD -4bn
- The CBE will have to start wondering soon if it wants to use its official reserves to defend the EGP and we believe this will happen as early as Q1 2009.



Disclaimer

Recommendation System:

Type	Terminology	Horizon
Credit Trend (1)	Positive/ Stable/ Negative	6 months
Investment Recommendation (2)	Buy/ Add/Hold/ Reduce/ Sell (*)	Up to 6 months

(1) Credit Trend is based on underlying Credit fundamentals, business environment and industry trends;

(2) Investment Recommendation is based on BNPP Credit Trend;

(*) Buy: Overweight exposure within industry sector, based on strong financial profile, conservative risk, outperforming or demonstrating average performance within peer group;

Add Overweight exposure within industry sector/index, based on improving financial profile, and/or defensive characteristics and/or cheap valuation.

Hold: Exhibits solid to strong credit fundamentals, but average total return characteristics within peer group;

Reduce: Credit exposure should be pared down based on weakening fundamentals within peer group;

Sell: Sell exposure largely based on deteriorating credit fundamentals and/or negative headline or event risk.

IMPORTANT DISCLOSURES:

Some sections of this report have been written by our strategy teams. Such reports do not purport to be an exhaustive analysis and may be subject to conflicts of interest resulting from their interaction with sales and trading which could affect the objectivity of this report

The information and opinions contained in this report have been obtained from public sources believed to be reliable, but no representation or warranty, express or implied, is made that such information is accurate or complete and it should not be relied upon as such. This report does not constitute a prospectus or other offering document or an offer or solicitation to buy any securities or other investment. Information and opinions contained in the report are published for the assistance of recipients, but are not to be relied upon as authoritative or taken in substitution for the exercise of judgement by any recipient, they are subject to change without notice and not intended to provide the sole basis of any evaluation of the instruments discussed herein. Any reference to past performance should not be taken as an indication of future performance. No BNP Paribas Group Company accepts any liability whatsoever for any direct or consequential loss arising from any use of material contained in this report. All estimates and opinions included in this report constitute our judgements as of the date of this report. BNP Paribas and their affiliates (collectively "BNP Paribas") may make a market in, or may, as principal or agent, buy or sell securities of the issuers mentioned in this report or derivatives thereon. BNP Paribas may have a financial interest in the issuers mentioned in this report, including a long or short position in their securities, and or options, futures or other derivative instruments based thereon. BNP Paribas, including its officers and employees may serve or have served as an officer, director or in an advisory capacity for any issuer mentioned in this report. BNP Paribas may, from time to time, solicit, perform or have performed investment banking, underwriting or other services (including acting as adviser, manager, underwriter or lender) within the last 12 months for any issuer referred to in this report. BNP Paribas, may to the extent permitted by law, have acted upon or used the information contained herein, or the research or analysis on which it was based, before its publication. BNP Paribas may receive or intend to seek compensation for investment banking services in the next three months from an issuer mentioned in this report. Any issuer mentioned in this report may have been provided with sections of this report prior to its publication in order to verify its factual accuracy.

BNP Paribas is incorporated in France with Limited Liability. Registered Office 16 boulevard des Italiens, 75009 Paris. This report was produced by a BNP Paribas Group Company. This report is for the use of intended recipients and may not be reproduced (in whole or in part) or delivered or transmitted to any other person without the prior written consent of BNP Paribas. By accepting this document you agree to be bound by the foregoing limitations.

Analyst Certification: Each analyst responsible for the preparation of this report certifies that (i) all views expressed in this report accurately reflect the analyst's personal views about any and all of the issuers and securities named in this report, and (ii) no part of the analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

United States: This report is being distributed to US persons by BNP Paribas Securities Corp., or by a subsidiary or affiliate of BNP Paribas that is not registered as a US broker-dealer to US major institutional investors only. BNP Paribas Securities Corp., a subsidiary of BNP Paribas, is a broker-dealer registered with the Securities and Exchange Commission and a member of the National Association of Securities Dealers, the New York Stock Exchange and other principal exchanges. BNP Paribas Securities Corp. accepts responsibility for the content of a report prepared by another non-US affiliate only when distributed to US persons by BNP Paribas Securities Corp.

United Kingdom: This report has been approved for publication in the United Kingdom by BNP Paribas London Branch, a branch of BNP Paribas whose head office is in Paris, France. BNP Paribas London Branch, 10 Harewood Avenue, London NW1 6AA is authorised by CECEI & AMF and the Financial Services Authority, and is regulated by the Financial Services Authority for the conduct of its investment business in the United Kingdom. BNP Paribas London Branch is registered in England & Wales under No. FC13447. This report is prepared for professional investors and is not intended for Private Customers in the United Kingdom as defined in FSA rules and should not be passed on to any such persons.

Germany: This report is being distributed in Germany either by BNP Paribas London Branch, regulated by the Financial Services Authority or by BNP Paribas Niederlassung Frankfurt am Main, regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)

Japan: This report is being distributed to Japanese based firms by BNP Paribas Securities (Japan) Limited, Tokyo Branch, or by a subsidiary or affiliate of BNP Paribas not registered as a securities firm in Japan, to certain financial institutions defined by article 2, item 1 of the Cabinet Order concerning Foreign Securities Firms. BNP Paribas Securities (Japan) Limited, Tokyo Branch, a subsidiary of BNP Paribas, is a securities firm registered according to the Securities & Exchange Law of Japan and a member of the Japan Securities Dealers Association. BNP Paribas Securities (Japan) Limited, Tokyo Branch accepts responsibility for the content of a report prepared by another non-Japan affiliate only when distributed to Japanese based firms by BNP Paribas Securities (Japan) Limited, Tokyo Branch. Some of the foreign securities stated on this report are not disclosed according to the Securities & Exchange Law of Japan.

Hong Kong: This report is being distributed in Hong Kong by BNP Paribas Hong Kong Branch, a branch of BNP Paribas whose head office is in Paris, France. BNP Paribas Hong Kong Branch is regulated as a Registered Institution by Hong Kong Monetary Authority for the conduct of Advising on Securities [Regulated Activity Type 4] under the Securities and Futures Ordinance.

© BNP Paribas (2007). All rights reserved.