

<b>BUY (1)</b>
<b>Medium Risk (M)</b>

**SINGAPORE**

Jit Soon Lim, CFA  
 +65-6432-1168  
 jit.soon.lim@citigroup.com  
 Singapore

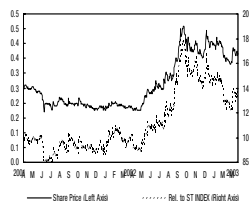
Note Released: 27 Apr 2004

**Recommendation**

Rating:	1M
Target Price :	S\$0.60
Expected Share Price Return	62.1%
Expected Dividend Yield	3.2%
Expected Total Return	65.3%

**Market Data**

RIC:	AAT.SI
Price (23 Apr):	S\$0.37
52-Wk Hi/Lo:	S\$.47/S\$.17
Market Cap. (Mils.):	S\$257/ US\$152
Shares Outst. (Mils.):	694.8



Source: Datastream.

**Performance (%)**

	3M	6M	12M
Absolute	-8.6	-14.0	94.7
Relative	-7.6	-20.2	32.0

Source: Datastream.

**Autron Corp**

**'Reconditioning' Profits; Initiating at Buy (1M)**

**Summary**

- ▶ A play on the relocation of electronics manufacturing to Asia; it manufactures and distributes new and used electronic manufacturing equipment
- ▶ While distribution of new equipment made up 44% of operating profits and 80% of revenues in 1H FY04, contribution from the reconditioning unit expanded to 55% of operating profits
- ▶ With an extensive distribution and maintenance network, Autron looks well positioned to capture a large slice of the reconditioning market, which the company estimates at US\$800m. The group expects this business to make up about 30% of revenues by 2005, versus 15% in 1H FY04
- ▶ Riding the trend of outsourcing of OEM equipment to Asia, Autron's manufacturing unit should benefit as it takes up more design and manufacturing orders from OEMs
- ▶ We estimate an EPS CAGR of 39% over the next three years, driven by bigger contributions from the reconditioned equipment business and improving contributions from the equipment manufacturing unit
- ▶ Considering its strong growth potential and valuations that look attractive, we initiate at Buy/Medium Risk (1M) rating and a target price of S\$0.60
- ▶ Valuation: Based on forecast strong EPS growth, improving margins and ROE, we believe the stock can at least re-rate toward the average P/E of 13x FY05E for the companies in the EMS sector, giving us a target price of S\$0.60. Alternatively, based on a regional average EV/EBITDA of 9x FY05E for Asian EMS companies, Autron's target price would be about S\$0.65
- ▶ Risks: Demand for the group's new and reconditioned equipment is subject to the vagaries of the EMS cycle. The company's equipment distribution franchises with its principals such as Assembleon and Cookson are subject to arrangements that can be terminated at short notice

**Statistical Abstract**

Year to	Revenue	EBITDA	Net Profit	FD EPS	EPS Growth	P/E	EV/ EBITDA	DPS	Yield	ROE
30 Jun	(\$ Mils.)	(\$ Mils.)	(\$ Mils.)	(\$)	(%)	(x)	(x)	(\$)	(%)	(%)
2002	161	-11	-17	-0.032	NM	-11.4	NM	0.000	0.0	NM
2003	211	23	14	0.020	NM	18.6	12.9	0.006	1.6	19.0
2004E	262	32	20	0.029	44.0	10.4	9.3	0.012	3.2	18.6
2005E	326	50	34	0.037	30.8	7.7	5.9	0.010	2.7	24.4
2006E	391	69	48	0.054	43.1	5.3	4.2	0.010	2.7	27.9

Source: Company, Smith Barney estimates.

Smith Barney is a division of Citigroup Global Markets Inc. (the "Firm"), which 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.

## Background

Autron distributes, manufactures and reconditions manufacturing equipment for the EMS and semi-conductor industries. It aims to provide integrated solutions to manufacturers seeking to optimize the use of their manufacturing equipment. While distribution of equipment has been a major source of profits, reconditioning of used equipment looks poised to become the fastest growing and largest contributor to its earnings. Its customers include leading EMS manufacturers such as Hon Hai, Delphi, Motorola, Seagate and Flextronics.

## Investment thesis

*Play on relocation of manufacturing to Asia*

We see Autron as a play on the increasing relocation of electronics manufacturing to Asia. With the exclusive distribution rights to Assembleon (owned by Philips) SMT equipment and a fast growing used equipment business, the group looks well positioned to ride the increasing demand for new and used EMS equipment in Asia. The reconditioned equipment division is the fastest growing and is poised to contribute around 30% of group revenues from 2005E.

We forecast strong earnings growth over the next few years, driven by the expansion of the reconditioning business, an upturn in the equipment-manufacturing business and a steady contribution from the equipment distribution division. We expect EPS to grow at a CAR of 39% over the next three years, along with margin and ROE improvements. We initiate coverage of Autron with a Buy/Medium Risk (1M) rating and a target price of S\$0.60 based on an FY05E P/E of 13x (calendarized).

### New reconditioning unit boosts earnings

*Business model moving toward higher-margin services business*

Autron always maintained an extensive maintenance and servicing unit to support its after-sales service of its new equipment distribution business. It was only about a year ago that the group set up a new revenue unit called AGS (Autron Global Services) to provide reconditioned equipment to manufacturers.

Prospects for AGS look promising as the global market for used equipment, according to Autron, is estimated at about US\$800m. With no dominant player in this segment, Autron has the opportunity to become a key player in the global reconditioned EMS equipment market.

### Autron Corp — Revenue and Operating Profit, 1H FY03-1H FY04 (Singapore Dollars in Millions)

Six months to Dec	1H FY03	1H FY04	% Ch
Distribution of EMS equipment	100.0	100.1	0
Reconditioning (AGS)	2.7	19.2	611
Manufacturing	1.7	7.7	353
<b>Total group turnover</b>	<b>104.4</b>	<b>127.0</b>	<b>22</b>
EMS equipment	5.3	4.8	-9
Reconditioning (AGS)	0.4	6.0	1400
Manufacturing	-0.1	0.1	NM
<b>Total group EBIT</b>	<b>5.6</b>	<b>10.9</b>	<b>95</b>

Source: Company.

**EBIT margin of  
reconditioning up to 31%**

In 1H FY04, AGS recorded revenues of S\$19m and operating profits of S\$6m. EBIT margin was higher at 31% compared with 4.8% for the distribution business. With AGS' higher margin, we expect group margins to improve as contribution from AGS increases. Management expect revenues from AGS to form 30% of group revenues in 2005, up from 15% in 1H FY04.

**Seeking endorsement  
from OEM vendors**

A major Japanese EMS equipment maker has endorsed Autron as a qualified reconditioner for its brand of equipment. Autron hopes to secure a similar endorsement from more OEM equipment makers. The group is also looking to offer value-added consultancy services to help manufacturers better manage their cost per placement. In anticipation of better prospects, Autron is expanding its 19,000 sf reconditioning facility in Singapore to 25,000 sf and is scheduled to set up a new reconditioning facility in Shenzhen by end-2004. Plans are also afoot to consider another facility in India to tap the market there.

**Manufacturing division  
set to increase  
contribution**

**Equipment manufacturing unit should see recovery in profits**

Autron acquired manufacturing unit IC Equipment Pte Ltd in December 2003 to gain manufacturing capability ahead of opportunities to go upstream in its equipment distribution business. IC Equipment (ICE) designs and manufactures semiconductor and manufacturing equipment for OEMs under its own proprietary products and as a contract manufacturer for OEMs.

ICE looks well positioned to benefit from two trends: (1) the recovery in the semiconductor industry; and (2) the outsourcing of manufacturing equipment to Asia. In addition to manufacturing back-end and front-end semiconductor equipment and modules, ICE also manufactures tape and reel assembly machines for light emitting diodes (LED). ICE has recently launched a series of LED tape and reel machines, which together could boost profits for ICE.

ICE has also won contracts to build electronic products for specialized industries such as security. We estimate ICE could double revenues to around S\$32m by 2005, with pretax profits of S\$4m.

After the acquisition of ICE, Autron invited Jafco to be a new strategic investor in the company. Jafco subscribed to S\$8m-worth of convertible preference shares of ICE, giving it a 26.7% stake in ICE after conversion. ICE is slated to seek a listing on the SGX within 48 months from Jafco's investment.

**SMT equipment distribution likely to grow steadily**

Autron has the distribution rights for SMT pick and place machines supplied by Assembleon (subsidiary of Philips) in Asia and for front- and back-end equipment supplied by Speedline and VI Technology. Its main competitors in SMT pick and place equipment are Panasonic, Fuji and Siemens.

**Steady contribution from  
new equipment  
distribution**

The group continues to enjoy a steady revenue stream from its equipment distribution business, riding the manufacturing outsourcing boom in China and India. The distribution business' customer base has been a very valuable part of Autron's franchise as it provides a rich source of information on demand trends and feedback from customers. Margins for this division are typically low, averaging 5%. We expect growth in the distribution business to be in the low single digits.

A potential concern is that the reconditioning business could cannibalize the group's new-equipment business. However, this concern is mitigated by the change in the business model of the group toward providing equipment management solutions which would encompass evaluating the need for both new and old equipment to lower the cost per placement for manufacturers. By providing a more integrated solution, the group's entire franchise would be enhanced.

---

## **Earnings drivers and balance sheet**

*EPS CAGR of 39%  
forecast*

We forecast Autron to register an EPS CAGR of 39% through FY06, underpinned by a much larger contribution from AGS (reconditioning equipment) and improving contributions from manufacturing (ICE). Net margin should improve with greater contribution from the higher-margin reconditioning business. Our forecasts call for net margin improvement from 7.7% in FY04E to 12.3% in FY06E.

In FY04E, earnings will see a profit rise of S\$4.5m from the sale of a 52% stake in Smartag (an RFID card manufacturer) for S\$5.2m. Autron intends to distribute the proceeds to shareholders in the form of a special dividend. Autron is seeking to delist from Australia and switch its primary listing to Singapore. This should help cut costs in maintaining two listings.

### **Balance sheet and cash flow**

*Gearing and cash flow  
look comfortable*

The group's balance sheet remains healthy with net debt expected to decline to S\$35m, or gearing of 29%. Debt servicing is at a healthy 16x. Working capital requirements, however, will likely grow as the reconditioning unit takes off. To this end, the group has lined up close to S\$65m in banking facilities to support its business growth.

Autron has recently proposed an issue of 231.6m warrants to shareholders on a 1-for-3 basis at 2 cents per warrant with an exercise price of 18 cents. The issue will raise S\$4.6m for the group on issuance and a further S\$42m on conversion. The warrant issue would also enable Autron to secure financing facilities of up to US\$13m at an attractive cost-plus-funding basis. We have factored the dilution from the warrant issue in our FD EPS calculations. The group also intends to buy back up to 29.8m shares, or 4% of the company, when the opportunity arises.

---

## **Valuation**

Based on our projected EPS CAGR of 39% over the next three years and improving ROE and margins, we believe Autron should at least re-rate to the average P/E of the Asian EMS sector of 13x FY05E. On this basis, our target price for Autron works out to S\$0.60. We use P/E as our primary valuation methodology as the group's activities and growth prospects are earnings driven.

**Comparison with Global/Asian EMS Companies and Asian ODMs (Percent, Times)**

Company	RIC	Rating	Price	Mkt Cap US\$ Mills.	Adj P/E* (x)		Adj EPS Growth* (%)		FV/EBITDA^(x)		Adj ROE* (%)		
					CY04E	CY05E	CY04E	CY05E	CY04E	CY05E	CY04E	CY05E	
Celestica	US\$	CLS	2H	16.13	3,376	NM	44.8	NM	NM	15.0	10.5	-1	1
Flextronics	US\$	FLEX	1H	17.03	9,481	27.9	22.1	74.3	26.2	12.5	10.5	7	8
Jabil	US\$	JBL	1H	28.51	6,098	25.5	21.9	40.0	16.1	12.0	10.2	11	12
Sanmina-SCI	US\$	SANM	3S	10.55	5,462	40.6	24.5	NM	65.4	12.8	9.3	3	6
Solelectron	US\$	SLR	3S	5.40	4,501	NM	30.0	NM	NM	12.4	8.6	0	7
<b>US Tier-1 EMS Avg</b>						<b>31.3</b>	<b>28.7</b>	<b>57.1</b>	<b>35.9</b>	<b>13.0</b>	<b>9.9</b>	<b>4</b>	<b>7</b>
Venture	S\$	VENM.SI	1L	19.80	2,978	17.6	14.6	24.9	20.4	11.4	9.2	21	21
Hon Hai	NT\$	2317.TW	1L	146.50	10,901	16.2	13.2	35.5	22.5	8.3	6.5	20	19
Asustek	NT\$	2357.TW	1M	78.00	5,345	14.4	12.4	17.1	16.2	9.7	8.0	15	15
Quanta	NT\$	2382.TW	1M	80.50	6,638	15.5	12.8	30.4	21.4	13.6	12.1	22	23
Compal	NT\$	2324.TW	1M	42.30	3,765	13.7	10.8	10.0	26.5	8.5	7.2	16	18
Accton	NT\$	2345.TW	3H	29.70	521	35.8	15.5	NM	130.1	9.5	5.6	5	9
Lite On Tech	NT\$	2301.TW	1L	38.50	2,599	12.6	10.9	27.0	15.2	14.9	12.0	12	13
<b>Asian EMS Avg</b>						<b>18.0</b>	<b>12.9</b>	<b>20.7</b>	<b>36.1</b>	<b>10.8</b>	<b>8.6</b>	<b>16</b>	<b>17</b>
<b>Autron</b>	<b>S\$</b>	<b>AAT.SI</b>	<b>1M</b>	<b>0.37</b>	<b>152</b>	<b>8.8</b>	<b>6.3</b>	<b>51.0</b>	<b>40.5</b>	<b>7.6</b>	<b>5.0</b>	<b>21.6</b>	<b>24.4</b>

\* For Taiwanese firms, estimates are adjusted for employee bonus shares based on Taiwan GAAP. ^FV/EBITDA is not adjusted for employee bonus shares for Taiwanese ODMs.

Source: Smith Barney estimates, Bloomberg, IBES consensus estimates for non-rated stocks.

Using the EV/EBITDA measure, the average multiple for EMS companies in Asia for FY05E is 9.0x. This method gives a target price of S\$0.65, supporting our P/E-based target price.

**Risks**

Based on the stock's trading history and our risk rating system, we rate Autron Medium Risk. The following factors could impede the stock from reaching our target price:

- Demand for the group's new and reconditioned equipment is subject to the global electronics cycle. Any slowdown in the outsourcing of manufacturing to Asia could affect the group's prospects
- Working capital requirements are high given the need to carry inventory for refurbishment before sale. Any sudden fall in demand could leave the group with excessive inventory
- Autron's new-equipment distribution franchises with its principals are subject to agency-principal risks; either party can pull out of the arrangement at short notice
- Given the high margins from its reconditioning business, new entrants may enter and pose keener competition for the group
- Execution is key to the strong growth forecast for its used equipment business. Any execution issues may delay the group achieving our forecasts

**Income Statement, FY02-06E (Singapore Dollars in Millions)**

Year to 30 Jun	2002	2003	2004E	2005E	2006E
Manufacturing - IC Equipment	0.0	4.0	16.9	32.2	41.8
Distribution of new equipment	154.5	202.9	200.0	204.0	214.2
AGS	0.0	0.0	45.0	90.0	135.0
Others	6.0	4.5	0.0	0.0	0.0
<b>Total group turnover</b>	<b>160.5</b>	<b>211.4</b>	<b>261.9</b>	<b>326.2</b>	<b>391.0</b>
Group depreciation	4.2	5.6	5.2	5.0	5.0
<b>EBITDA</b>	<b>-10.7</b>	<b>22.9</b>	<b>32.0</b>	<b>49.9</b>	<b>68.6</b>
Manufacturing - IC Equipment	0.0	0.0	1.0	4.8	6.3
Distribution of new equipment	-4.2	21.8	12.0	12.2	12.9
AGS	0.0	0.0	13.7	27.8	44.4
Others	-10.7	-4.5	0.0	0.0	0.0
<b>Total group EBIT</b>	<b>-14.9</b>	<b>17.3</b>	<b>26.7</b>	<b>44.9</b>	<b>63.6</b>
Exceptional item	0.0	0.0	4.5	0.0	0.0
Finance costs	-1.4	-2.1	-2.0	-3.0	-3.0
Pretax profit	-16.3	15.2	29.2	41.9	60.6
Tax	-0.7	-1.6	-4.8	-8.4	-12.1
Minority Interests	-0.3	0.1	0.4	0.0	0.0
<b>Net profit</b>	<b>-17.3</b>	<b>13.6</b>	<b>24.8</b>	<b>33.5</b>	<b>48.5</b>
<b>Net profit excluding EI</b>	<b>-17.3</b>	<b>13.6</b>	<b>20.3</b>	<b>33.5</b>	<b>48.5</b>
<b>EPS (cts)</b>	<b>-3.2</b>	<b>2.0</b>	<b>3.6</b>	<b>4.8</b>	<b>7.0</b>
<b>EPS excluding EI (cts)</b>	<b>-3.2</b>	<b>2.0</b>	<b>2.9</b>	<b>4.8</b>	<b>7.0</b>
<b>FD EPS (cts)</b>	<b>-3.2</b>	<b>2.0</b>	<b>2.9</b>	<b>3.7</b>	<b>5.4</b>

**Cash Flow Statement, FY02-06E (Singapore Dollars in Millions)**

Year to 30 Jun	2002	2003	2004E	2005E	2006E
Pretax profit	-16.2	15.2	29.2	41.9	60.6
CF adjustm./working capital	-0.3	-22.7	-23.8	-19.2	-30.0
Interest received	0.3	0.1	0.1	0.1	0.1
Interest and other financial costs paid	-1.4	-2.0	-2.0	-3.0	-3.0
Income tax paid	-2.5	-2.6	-4.8	-8.4	-12.1
<b>Net CF from operating acts.</b>	<b>-20.1</b>	<b>-12.0</b>	<b>-1.3</b>	<b>11.4</b>	<b>15.5</b>
Capex	-2.9	-10.8	-3.0	-3.0	-3.0
Acquisition of subsidiaries,	-8.8	-3.6	0.0	0.0	0.0
Others	-0.8	-0.2	-2.7	0.0	0.0
<b>Cash flow from investing</b>	<b>-12.6</b>	<b>-14.5</b>	<b>-5.7</b>	<b>-3.0</b>	<b>-3.0</b>
Dividend paid	-4.1	0.0	-8.3	-4.5	-4.5
Share issue	-0.6	16.6	13.8	0.0	0.0
<b>Cash flow from Financing</b>	<b>-4.7</b>	<b>16.6</b>	<b>5.5</b>	<b>-4.5</b>	<b>-4.5</b>
<b>Change in net cash/(debt)</b>	<b>-37.4</b>	<b>-9.9</b>	<b>-1.5</b>	<b>3.9</b>	<b>8.0</b>
Beg net (debt)/cash **	16.0	-26.0	-38.3	-39.8	-35.9
<b>End net (debt)/cash **</b>	<b>-21.9</b>	<b>-38.3</b>	<b>-39.8</b>	<b>-35.9</b>	<b>-27.9</b>

**Key Ratios, FY02-06E**

Year to 30 Jun	2002	2003	2004E	2005E	2006E
Current ratio (x)	0.94	1.33	1.55	1.81	2.27
Net debt/Equity (%)	45	40	32	24	14
ROE (%)	NM	19.0	18.6	24.4	27.9
Book value per share	0.09	0.14	0.18	0.22	0.28

\*\*2002 end net (debt)/cash does not balance with 2003 beginning net (debt)/cash due to exchange rate differentials.

Source: Company, Smith Barney estimates.

**Balance Sheet, FY02-06E (Singapore Dollars in Millions)**

As at 30 Jun	2002	2003	2004E	2005E	2006E
Fixed assets	7	18	21	24	27
Intangible assets	46	52	52	52	52
Others	1	1	1	1	1
Cash	6	9	9	9	9
Receivables	38	80	100	110	127
Inventories	33	42	50	65	85
Other current assets	1	0	0	0	0
<b>Current assets</b>	<b>78</b>	<b>131</b>	<b>159</b>	<b>184</b>	<b>220</b>
<b>Total assets</b>	<b>132</b>	<b>202</b>	<b>233</b>	<b>262</b>	<b>301</b>
Payables	54	57	60	63	66
Short term debt	27	39	41	37	29
Other current liabilities	2	2	2	2	2
<b>Total current liabilities</b>	<b>83</b>	<b>98</b>	<b>103</b>	<b>102</b>	<b>97</b>
Other non-current liabilities	0	0	0	0	0
Long term debt	1	8	8	8	8
Shareholders' funds	48	95	123	152	196
Share capital	49	88	100	100	100
Reserves	0	7	23	52	96
Minority interests	1	1	1	1	1
<b>Total capital employed</b>	<b>132</b>	<b>202</b>	<b>233</b>	<b>262</b>	<b>301</b>
<b>Net (debt)/ cash</b>	<b>-22</b>	<b>-38</b>	<b>-40</b>	<b>-36</b>	<b>-28</b>

**P/E Band Chart**

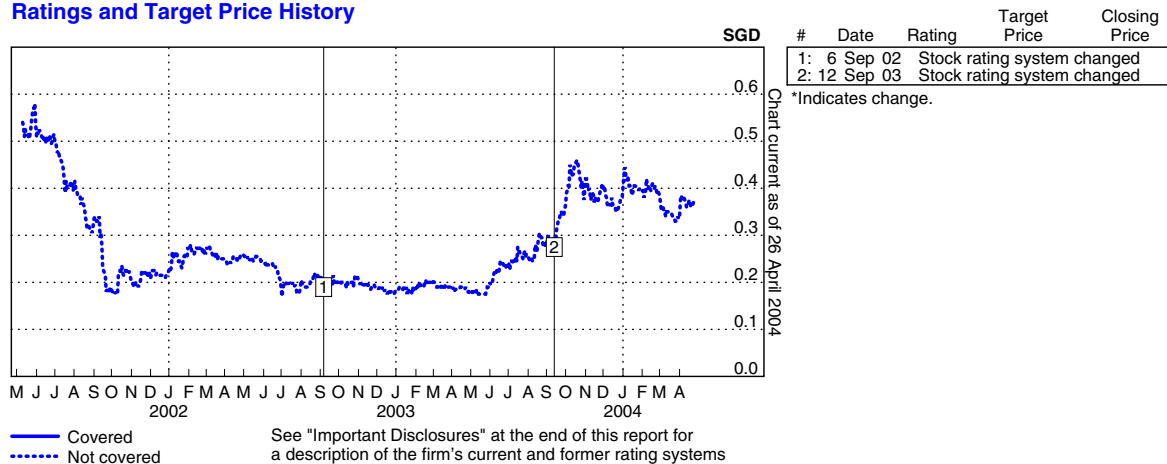
**Net Profit Margin Target for Autron's Division (Percent)**

Year to 30 Jun	1H04	2H04	2005
Distribution of new equipment	5.0	5.0	6.0
AGS	31.0	28.0	30.0
Manufacturing - IC Equipment	1.0	4.0	15.0

I, Jit Soon Lim, hereby certify that all of the views expressed in this research report accurately reflect my personal views about any and all of the subject issuer(s) or securities. I also certify that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

## IMPORTANT DISCLOSURES

### Autron Corp (AAT.SI) Ratings and Target Price History



Analysts' compensation is determined based upon activities and services intended to benefit the investor clients of Citigroup Global Markets Inc. and its affiliates ("the Firm"). Like all Firm employees, analysts receive compensation that is impacted by overall firm profitability, which includes revenues from, among other business units, the Private Client Division, Institutional Equities, and Investment Banking.

### Smith Barney Equity Research Ratings Distribution

Data current as of 31 March 2004

	Buy	Hold	Sell
Smith Barney Global Equity Research Coverage (2326)	36%	45%	19%
% of companies in each rating category that are investment banking clients	48%	44%	34%
Singapore -- Asia Pacific (36)	47%	28%	25%
% of companies in each rating category that are investment banking clients	0%	0%	0%

### Guide To Investment Ratings:

Smith Barney's stock recommendations include a risk rating and an investment rating.

**Risk ratings**, which take into account both price volatility and fundamental criteria, are: Low [L], Medium [M], High [H], and Speculative [S].

**Investment ratings** are a function of Smith Barney's expectation of total return (forecast price appreciation and dividend yield within the next 12 months) and risk rating.

For securities in emerging markets (Asia Pacific, Emerging Europe/Middle East/Africa, and Latin America), investment ratings are: Buy [1] (expected total return of 15% or more for Low-Risk stocks, 20% or more for Medium-Risk stocks, 30% or more for High-Risk stocks, and 40% or more for Speculative stocks); Hold [2] (5%-15% for Low-Risk stocks, 10%-20% for Medium-Risk stocks, 15%-30% for High-Risk stocks, and 20%-40% for Speculative stocks); and Sell [3] (5% or less for Low-Risk stocks, 10% or less for Medium-Risk stocks, 15% or less for High-Risk stocks, and 20% or less for Speculative stocks).

Investment ratings are determined by the ranges described above at the time of initiation of coverage, a change in risk rating, or a change in target price. At other times, the expected total returns may fall outside of these ranges because of price movement and/or volatility. Such interim deviations from specified ranges will be permitted but will become subject to review by Research Management. Your decision to buy or sell a security should be based upon your personal investment objectives and should be made only after evaluating the stock's expected performance and risk.

Between September 9, 2002, and September 12, 2003, Smith Barney's stock ratings were based upon expected performance over the following 12 to 18 months relative to the analyst's industry coverage universe at such time. An Outperform (1) rating indicated that we expected the stock to outperform the analyst's industry coverage universe over the coming 12-18 months. An In-line (2) rating indicated that we expected the stock to perform approximately in line with the analyst's coverage universe. An Underperform (3) rating indicated that we expected the stock to underperform the analyst's coverage universe. In emerging markets, the same ratings classifications were used, but the stocks were rated based upon expected performance relative to the primary market index in the region or country. Our complementary Risk rating system -- Low (L), Medium (M), High (H), and Speculative (S) -- took into account predictability of financial results and stock price volatility. Risk ratings for Asia Pacific were determined by a quantitative screen which classified stocks into the same four risk categories. In the major markets, our Industry rating system -- Overweight, Marketweight, and Underweight -- took into account each analyst's evaluation of their industry coverage as compared to the primary market index in their region over the following 12 to 18 months.

Prior to September 9, 2002, the Firm's stock rating system was based upon the expected total return over the next 12 to 18 months. The total return required for a given rating depended on the degree of risk in a stock (the higher the risk, the higher the required return). A Buy (1) rating indicated an expected total return ranging from +15% or greater for a Low-Risk stock to +30% or greater for a Speculative stock. An Outperform (2) rating indicated an expected total return ranging from +5% to +15% (Low-Risk) to +10% to +30% (Speculative). A Neutral (3) rating indicated an expected total return ranging from -5% to +5% (Low-Risk) to -10% to +10% (Speculative). An Underperform (4) rating indicated an expected total return ranging from -5% to -15% (Low-Risk) to -10% to -20% (Speculative). A Sell (5) rating indicated an expected total return ranging from -15% or worse (Low-Risk) to -20% or worse (Speculative). The Risk ratings were the same as in the current system.

---

## OTHER DISCLOSURES

---

For securities recommended in this report in which the Firm is not a market maker, the Firm usually provides bids and offers and may act as principal in connection with such transactions. The Firm is a regular issuer of traded financial instruments linked to securities that may have been recommended in this report. The Firm may, at any time, hold a trading position (long or short) in the shares of the subject company(ies) discussed in this report. The Firm may engage in securities transactions in a manner inconsistent with this research report and, with respect to securities covered by this report, will buy or sell from customers on a principal basis.

Securities recommended, offered, or sold by the Firm: (i) are not insured by the Federal Deposit Insurance Corporation; (ii) are not deposits or other obligations of any insured depository institution (including Citibank); and (iii) are subject to investment risks, including the possible loss of the principal amount invested. Although information has been obtained from and is based upon sources Smith Barney believes to be reliable, we do not guarantee its accuracy and it may be incomplete or condensed. All opinions, projections and estimates constitute the judgment of the author as of the date of the report and are subject to change without notice. Prices and availability of financial instruments also are subject to change without notice. If this is a fundamental research report, it is the intention of Smith Barney to provide research coverage of this/these issuer(s), including in response to news affecting this issuer, subject to applicable quiet periods and capacity constraints. This report is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of a security. Any decision to purchase securities mentioned in this research must take into account existing public information on such security or any registered prospectus.

Investing in non-U.S. securities, including ADRs, may entail certain risks. The securities of non-U.S. issuers may not be registered with, nor be subject to the reporting requirements of the U.S. Securities and Exchange Commission. There may be limited information available on foreign securities. Foreign companies are generally not subject to uniform audit and reporting standards, practices and requirements comparable to those in the U.S. Securities of some foreign companies may be less liquid and their prices more volatile than securities of comparable U.S. companies. In addition, exchange rate movements may have an adverse effect on the value of an investment in a foreign stock and its corresponding dividend payment for U.S. investors. Net dividends to ADR investors are estimated, using withholding tax rates conventions, deemed accurate, but investors are urged to consult their tax advisor for exact dividend computations. Investors who have received this report from the Firm may be prohibited in certain states or other jurisdictions from purchasing securities mentioned in this report from the Firm. Please ask your Financial Consultant for additional details.

This report may have been distributed simultaneously, in multiple formats, to the Firm's worldwide institutional and retail customers. If this report is being made available via the Smith Barney Private Client Group in the United Kingdom and Amsterdam, please note that this report is distributed in the UK by Citigroup Global Markets Ltd., a firm regulated by the Financial Services Authority (FSA) for the conduct of Investment Business in the UK. This document is not to be construed as providing investment services in any jurisdiction where the provision of such services would be illegal. Subject to the nature and contents of this document, the investments described herein are subject to fluctuations in price and/or value and investors may get back less than originally invested. Certain high-volatility investments can be subject to sudden and large falls in value that could equal or exceed the amount invested. Certain investments contained herein may have tax implications for private customers in the UK whereby levels and basis of taxation may be subject to change. If in doubt, investors should seek advice from a tax adviser. This material may relate to investments or services of a person outside of the UK or to other matters which are not regulated by the Financial Services Authority and further details as to where this may be the case are available upon request in respect of this material. This report may not be distributed to private clients in Germany. If this publication is being made available in certain provinces of Canada by Citigroup Global Markets (Canada) Inc. ("CGM Canada"), CGM Canada has approved this publication. If this report was prepared by Smith Barney and distributed in Japan by Nikko Citigroup Ltd., it is being so distributed under license. This report is made available in Australia to wholesale clients through Citigroup Global Markets Australia Pty Ltd. (ABN 64 003 114 832 and AFSL No. 240992) and to retail clients through Smith Barney Citigroup Australia Pty Ltd. (ABN 19 009 145 555 and AFSL No. 240813), Participants of the ASX Group. In New Zealand it is made available through Citigroup Global Markets New Zealand Ltd., a member firm of the New Zealand Stock Exchange. This report does not take into account the investment objectives, financial situation or particular needs of any particular person. Investors should obtain advice based on their own individual circumstances before making an investment decision. Citigroup Global Markets (Pty) Ltd. is incorporated in the Republic of South Africa (company registration number 2000/025866/07) and its registered office is at Citibank Plaza, 145 West Street, Sandown, Sandton, Johannesburg 2196. The investments and services contained herein are not available to private customers in South Africa. If this report is made available in Hong Kong by, or on behalf of, Citigroup Global Markets Asia Ltd., it is attributable to Citigroup Global Markets Asia Ltd., Three Exchange Square, Hong Kong. If this report is made available in Hong Kong by The Citigroup Private Bank to its clients, it is attributable to Citibank N.A., Citibank Tower, Citibank Plaza, 3 Garden Road, Hong Kong. This publication is made available in Singapore through Citigroup Global Markets Singapore Pte. Ltd., a Capital Markets Services Licence holder.

© 2004 Citigroup Global Markets Inc. Member SIPC. Smith Barney is a division and service mark of Citigroup Global Markets Inc. and its affiliates and is used and registered throughout the world. Citigroup and the Umbrella Device are trademarks and service marks of Citicorp or its affiliates and are used and registered throughout the world. Nikko is a service mark of Nikko Cordial Corporation. All rights reserved. Any unauthorized use, duplication, redistribution or disclosure is prohibited by law and will result in prosecution. The Firm accepts no liability whatsoever for the actions of third parties. The Firm makes no representations or warranties whatsoever as to the data and information provided in any third party referenced website and shall have no liability or responsibility arising out of, or in connection with, any such referenced website.

---

ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST

---