

Sawiris' next suitor?

■ VimpelCom reportedly interested in Orascom/Wind

Kommersant has reported that VimpelCom may buy Wind Italy and Orascom, reportedly through a share-based acquisition of parent company Weather. This would give Weather shareholders (Sawiris family and private equity partners) an equity stake of c. 20% in VimpelCom. Given that MTN recently backed away from a deal with Weather which was opposed by Algeria, the position of the government there remains a question: how would the issues in Algeria be resolved?

■ Pakistan/Bangladesh key attractions in our view

We believe there would be good logic in such a deal for VimpelCom: 1) Orascom has derated significantly relative to VimpelCom in recent months, driven by ongoing problems in Algeria; 2) VimpelCom would gain ownership of the no.1 player in Pakistan and no.2 player in Bangladesh – markets where Telenor is the other largest player, potentially allowing for a softening of competition there; 3) other assets such as Mobinil and Tunisiana could be sold if desired (to FT and Qtel respectively).

■ Key questions: Algeria and deal structure

We believe VimpelCom must have clarity on the Algerian situation, or else factor the worst case scenario into the valuation. We are not clear on the attractions of Wind for VimpelCom, and think that if a deal were to be done at the Weather level then another buyer could potentially be brought in for Wind. A further question is whether VimpelCom would make an offer to Orascom minorities.

■ DCF driven valuation of US\$24

VimpelCom remains our top pick in EMEA telecoms.

Highlights (US\$m)	12/08	12/09	12/10E	12/11E	12/12E
Revenues	10,117	8,703	10,447	11,528	12,128
EBIT (UBS)	2,536	2,578	3,436	3,735	3,863
Net Income (UBS)	603	1,122	2,127	2,419	2,612
EPS (UBS, US\$)	0.60	1.11	1.63	1.86	2.01
Net DPS (UBS, US\$)	0.58	0.31	0.79	1.40	1.50

Profitability & Valuation	5-yr hist av.	12/09	12/10E	12/11E	12/12E
EBIT margin %	29.3	29.6	32.9	32.4	31.9
ROIC (EBIT) %	34.9	28.8	30.9	27.5	28.8
EV/EBITDA (core) x	6.6	4.8	5.4	4.7	4.4
PE (UBS) x	20.8	11.6	10.3	9.1	8.4
Net dividend yield %	0.7	2.4	4.7	8.3	8.9

Source: Company accounts, Thomson Reuters, 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 US\$16.81 on 12 Aug 2010 09:09 BST

Alex Wright

Analyst

alexander.wright@ubs.com

+44-20-7568 3240

Russia

Wireless Communications

12-month rating **Buy ***
Unchanged

12m price target **US\$24.00**
Unchanged

Price **US\$16.81**

RIC: VIP.N BBG: VIP UN

12 August 2010

Trading data

52-wk range	US\$22.47-13.26
Market cap.	US\$21.9bn
Shares o/s	1,303m (ORD)
Free float	25%
Avg. daily volume ('000)	593
Avg. daily value (m)	US\$9.5

Balance sheet data 12/10E

Shareholders' equity	US\$11.1bn
P/BV (UBS)	2.0x
Net Cash (debt)	(US\$4.88bn)

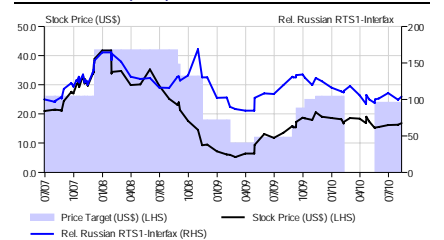
Forecast returns

Forecast price appreciation	+42.8%
Forecast dividend yield	4.7%
Forecast stock return	+47.5%
Market return assumption	9.6%
Forecast excess return	+37.9%

EPS (UBS, US\$)

	12/10E		12/09
	UBS	Cons.	Actual
Q1E	0.41	0.32	0.28
Q2E	0.41	0.42	0.69
Q3E	0.41	0.45	0.43
Q4E	0.41	0.43	0.24
12/10E	1.63	1.80	
12/11E	1.86	2.06	

Performance (US\$)



Source: UBS

www.ubs.com/investmentresearch

This report has been prepared by UBS Limited

ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 4. * Exception to core rating bands; See page 6

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.

Income statement (US\$m)	12/05	12/06	12/07	12/08	12/09	12/10E	% ch	12/11E	% ch	12/12E	% ch
Revenues	3,211	4,868	7,171	10,117	8,703	10,447	20.0	11,528	10.3	12,128	5.2
Operating expenses (ex deprecn)	(1,640)	(2,416)	(3,574)	(5,257)	(4,430)	(5,261)	18.8	(5,792)	10.1	(6,165)	6.4
EBITDA (UBS)	1,571	2,452	3,597	4,860	4,273	5,186	21.4	5,735	10.6	5,963	4.0
Depreciation	(593)	(1,055)	(1,391)	(2,324)	(1,694)	(1,750)	3.3	(2,000)	14.3	(2,100)	5.0
Operating income (EBIT, UBS)	978	1,397	2,206	2,536	2,578	3,436	33.3	3,735	8.7	3,863	3.4
Other income & associates	0	0	0	(1,142)	(447)	(100)	-77.6	(50)	-50.0	(30)	-40.0
Net interest	(138)	(185)	(159)	(424)	(579)	(571)	-1.4	(545)	-4.4	(445)	-18.3
Abnormal items (pre-tax)	0	0	0	0	0	0	-	0	-	0	-
Profit before tax	840	1,212	2,047	970	1,552	2,765	78.1	3,140	13.6	3,387	7.9
Tax	(222)	(391)	(594)	(304)	(435)	(608)	39.9	(691)	13.6	(745)	7.9
Profit after tax	618	821	1,453	666	1,117	2,157	93.0	2,449	13.6	2,642	7.9
Abnormal items (post-tax)	0	0	0	0	0	0	-	0	-	0	-
Minorities / pref dividends	(3)	(8)	(64)	(63)	5	(30)	-	(30)	0.0	(30)	0.0
Net income (local GAAP)	615	813	1,390	603	1,122	2,127	89.6	2,419	13.7	2,612	8.0
Net Income (UBS)	615	813	1,390	603	1,122	2,127	89.6	2,419	13.7	2,612	8.0
Tax rate (%)	26	32	29	31	28	22	-21.5	22	0.0	22	0.0
Pre-abnormal tax rate (%)	26	32	29	31	27	21	-22.5	22	2.0	22	0.7
Per share (US\$)	12/05	12/06	12/07	12/08	12/09	12/10E	% ch	12/11E	% ch	12/12E	% ch
EPS (local GAAP)	0.60	0.80	1.36	0.60	1.11	1.63	47.3	1.86	13.7	2.01	8.0
EPS (UBS)	0.60	0.80	1.36	0.60	1.11	1.63	47.3	1.86	13.7	2.01	8.0
Net DPS	0.00	0.00	0.33	0.58	0.31	0.79	154.5	1.40	75.9	1.50	7.7
Cash EPS	1.18	1.83	2.73	2.89	2.78	2.98	7.0	3.39	14.0	3.62	6.6
BVPS	2.69	3.87	5.31	4.34	4.72	8.54	81.0	9.00	5.4	9.50	5.6
Balance sheet (US\$m)	12/05	12/06	12/07	12/08	12/09	12/10E	% ch	12/11E	% ch	12/12E	% ch
Net tangible fixed assets	4,712	6,574	7,715	11,550	10,537	16,178	53.5	16,048	-0.8	15,891	-1.0
Net intangible fixed assets	0	0	0	0	0	0	-	0	-	0	-
Net working capital (incl. other assets)	(401)	(360)	(1,419)	(1,520)	(1,154)	(1,076)	-6.8	(1,027)	-4.5	(1,000)	-2.6
Other liabilities	(910)	(1,225)	(402)	(677)	(816)	(1,405)	72.3	(1,504)	7.0	(1,561)	3.8
Operating invested capital	3,401	4,989	5,895	9,354	8,567	13,696	59.9	13,517	-1.3	13,330	-1.4
Investments	1,087	1,206	1,569	2,784	2,623	2,813	7.2	2,813	0.0	2,813	0.0
Total capital employed	4,488	6,195	7,463	12,138	11,190	16,509	47.5	16,330	-1.1	16,143	-1.1
Shareholders' equity	2,741	3,943	5,412	4,389	4,774	11,120	133.0	11,721	5.4	12,373	5.6
Minority interests	189	258	288	221	511	511	0.0	511	0.0	511	0.0
Total equity	2,930	4,201	5,700	4,610	5,284	11,631	120.1	12,231	5.2	12,884	5.3
Net debt / (cash)	1,559	1,994	1,763	7,528	5,906	4,879	-17.4	4,099	-16.0	3,259	-20.5
Other debt-deemed items	0	0	0	0	0	0	-	0	-	0	-
Total capital employed	4,488	6,195	7,463	12,138	11,190	16,509	47.5	16,330	-1.1	16,143	-1.1
Cash flow (US\$m)	12/05	12/06	12/07	12/08	12/09	12/10E	% ch	12/11E	% ch	12/12E	% ch
Operating income (EBIT, UBS)	978	1,397	2,206	2,536	2,578	3,436	33.3	3,735	8.7	3,863	3.4
Depreciation	593	1,055	1,391	2,324	1,694	1,750	3.3	2,000	14.3	2,100	5.0
Net change in working capital	175	(41)	1,060	101	0	0	-	0	-	0	-
Other (operating)	15	14	(64)	(1,205)	(443)	(130)	-70.6	(80)	-38.5	(60)	-25.0
Operating cash flow (pre tax/interest)	1,761	2,425	4,593	3,755	3,830	5,056	32.0	5,655	11.9	5,903	4.4
Net interest received / (paid)	(138)	(185)	(159)	(424)	(579)	(571)	-1.4	(545)	-4.4	(445)	-18.3
Dividends paid	0	0	(332)	(587)	(316)	(1,034)	227.6	(1,819)	75.9	(1,959)	7.7
Tax paid	(222)	(391)	(594)	(304)	(435)	(608)	39.9	(691)	13.6	(745)	7.9
Capital expenditure	(1,142)	(1,297)	(1,312)	(2,077)	(892)	(1,909)	114.1	(1,871)	-2.0	(1,943)	3.8
Net (acquisitions) / disposals	0	0	0	0	0	0	-	0	-	0	-
Other	(3)	(8)	(64)	(1,205)	(443)	(160)	-63.8	(110)	-31.2	(90)	-18.2
Share issues	0	0	0	0	0	0	-	0	-	0	-
Cash flow (inc)/dec in net debt	260	552	2,196	362	1,609	904	-43.8	700	-22.6	780	11.5
FX / non cash items	(543)	(988)	(1,964)	(6,128)	13	124	824.5	80	-35.2	60	-25.0
Balance sheet (inc)/dec in net debt	(284)	(436)	232	(5,765)	1,622	1,027	-36.7	780	-24.1	840	7.7
Core EBITDA	1,571	2,452	3,597	4,860	4,273	5,186	21.4	5,735	10.6	5,963	4.0
Maintenance capital expenditure	(457)	(519)	(525)	(831)	(357)	(764)	114.1	(748)	-2.0	(777)	3.8
Maintenance net working capital	0	0	0	0	0	0	-	0	-	0	-
Operating free cash flow, pre-tax	1,114	1,933	3,072	4,029	3,916	4,422	12.9	4,987	12.8	5,186	4.0

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.

12-month rating

Buy *

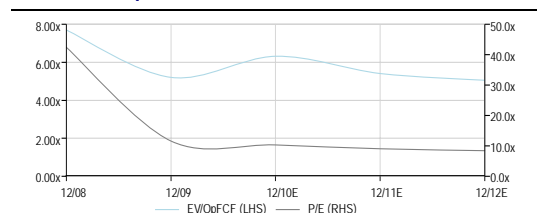
12m price target

US\$24.00

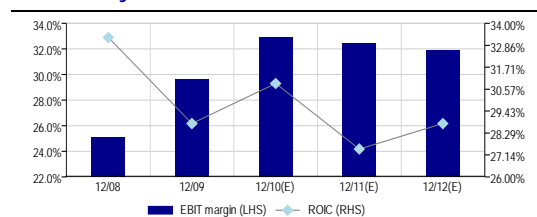
Company profile

VimpelCom (full name VimpelCom Ltd) is one of the two largest mobile operators in Russia and the CIS. It is registered in Bermuda and has full control of both VimpelCom and Kyivstar. Following the acquisition of Golden Telecom, VimpelCom has substantial fixed line/broadband assets. Russia accounts for almost 80% of group revenues, with Ukraine being the next largest market. The company also has a presence in Kazakhstan, Uzbekistan, Tajikistan, Armenia, Georgia, Cambodia, and Vietnam. The key shareholders in the company are Allimo (part of the Alfa group) and Telenor.

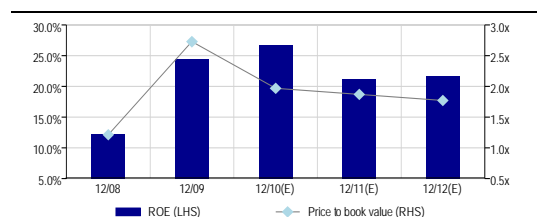
Value (EV/OpFCF & P/E)



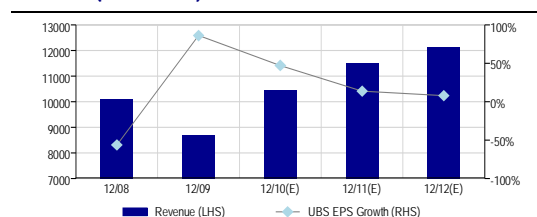
Profitability



ROE v Price to book value



Growth (UBS EPS)



Valuation (x)	5Yr Avg	12/08	12/09	12/10E	12/11E	12/12E
P/E (local GAAP)	20.8	42.4	11.6	10.3	9.1	8.4
P/E (UBS)	20.8	42.4	11.6	10.3	9.1	8.4
P/CEPS	7.8	8.7	4.6	5.6	5.0	4.6
Net dividend yield (%)	0.7	2.3	2.4	4.7	8.3	8.9
P/BV	3.8	5.8	2.7	2.0	1.9	1.8
EV/revenue (core)	3.3	3.1	2.3	2.7	2.3	2.2
EV/EBITDA (core)	6.6	6.4	4.8	5.4	4.7	4.4
EV/EBIT (core)	11.5	12.2	7.9	8.1	7.2	6.8
EV/OpFCF (core)	8.5	7.7	5.2	6.3	5.4	5.1
EV/op. invested capital	4.0	4.1	2.3	2.5	2.0	2.0

Enterprise value (US\$m)	12/08	12/09	12/10E	12/11E	12/12E
Average market cap	25,784	13,022	21,895	21,895	21,895
+ minority interests	892	892	892	892	892
+ average net debt (cash)	4,646	6,717	5,392	4,489	3,679
+ pension obligations and other	0	0	0	0	0
- non-core asset value	(267)	(267)	(267)	(267)	(267)
Core enterprise value	31,055	20,365	27,913	27,009	26,200

Growth (%)	5Yr Avg	12/08	12/09	12/10E	12/11E	12/12E
Revenue	47.3	41.1	-14.0	20.0	10.3	5.2
EBITDA (UBS)	47.5	35.1	-12.1	21.4	10.6	4.0
EBIT (UBS)	39.3	15.0	1.7	33.3	8.7	3.4
EPS (UBS)	14.7	-56.3	86.1	47.3	13.7	8.0
Cash EPS	43.1	6.1	-3.8	7.0	14.0	6.6
Net DPS	-	78.4	-46.3	154.5	75.9	7.7
BVPS	19.7	-18.3	8.8	81.0	5.4	5.6

Margins (%)	5Yr Avg	12/08	12/09	12/10E	12/11E	12/12E
EBITDA / revenue	49.1	48.0	49.1	49.6	49.8	49.2
EBIT / revenue	29.3	25.1	29.6	32.9	32.4	31.9
Net profit (UBS) / revenue	15.5	6.0	12.9	20.4	21.0	21.5

Return on capital (%)	5Yr Avg	12/08	12/09	12/10E	12/11E	12/12E
EBIT ROIC (UBS)	34.9	33.3	28.8	30.9	27.5	28.8
ROIC post tax	-	22.8	20.9	24.3	21.5	22.5
Net ROE	22.7	12.3	24.5	26.8	21.2	21.7

Coverage ratios (x)	5Yr Avg	12/08	12/09	12/10E	12/11E	12/12E
EBIT / net interest	8.4	6.0	4.4	5.8	6.8	8.6
Dividend cover (UBS EPS)	-	1.0	3.6	2.1	1.3	1.3
Div. payout ratio (% , UBS EPS)	-	97.4	28.1	48.6	75.2	75.0
Net debt / EBITDA	1.0	1.5	1.4	0.9	0.7	0.5

Efficiency ratios (x)	5Yr Avg	12/08	12/09	12/10E	12/11E	12/12E
Revenue / op. invested capital	1.2	1.3	1.0	0.9	0.8	0.9
Revenue / fixed assets	0.9	1.1	0.8	0.8	0.7	0.8
Revenue / net working capital	NM	NM	NM	NM	NM	NM

Investment ratios (x)	5Yr Avg	12/08	12/09	12/10E	12/11E	12/12E
OpFCF / EBIT	1.3	1.6	1.5	1.3	1.3	1.3
Capex / revenue (%)	27.3	20.5	10.2	18.3	16.2	16.0
Capex / depreciation	1.3	0.9	0.5	1.1	0.9	0.9

Capital structure (%)	5Yr Avg	12/08	12/09	12/10E	12/11E	12/12E
Net debt / total equity	75.7	NM	NM	43.9	35.0	26.3
Net debt / (net debt + equity)	43.1	63.2	55.3	30.5	25.9	20.9
Net debt (core) / EV	11.8	15.0	33.0	19.3	16.6	14.0

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

Valuations: based on an average share price that year, (E): based on a share price of US\$16.81 on 12 Aug 2010 09:09 BST Market cap(E) may include forecast share issues/buybacks.

Alex Wright

Analyst

alexander.wright@ubs.com

+44-20-7568 3240

* Exception to core rating bands; See page 6

■ **VimpelCom**

VimpelCom (full name VimpelCom Ltd) is one of the two largest mobile operators in Russia and the CIS. It is registered in Bermuda and has full control of both VimpelCom and Kyivstar. Following the acquisition of Golden Telecom, VimpelCom has substantial fixed line/broadband assets. Russia accounts for almost 80% of group revenues, with Ukraine being the next largest market. The company also has a presence in Kazakhstan, Uzbekistan, Tajikistan, Armenia, Georgia, Cambodia, and Vietnam. The key shareholders in the company are Altimo (part of the Alfa group) and Telenor.

■ **Statement of Risk**

The main risks to our forecasts and valuations are changes to the competitive and regulatory environments. Investments in new business areas and geographies introduce a further element of execution risk.

■ **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 Limited, 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. The figures contained in performance charts refer to the past; past performance is not a reliable indicator of future results. 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	54%	41%
Neutral	Hold/Neutral	37%	32%
Sell	Sell	9%	24%
UBS Short-Term Rating	Rating Category	Coverage ³	IB Services ⁴
Buy	Buy	less than 1%	22%
Sell	Sell	less than 1%	0%

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

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

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

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

Source: UBS. Rating allocations are as of 30 June 2010.

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.

Equity Price Targets have an investment horizon of 12 months.

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.

Research analysts contributing to this report who are employed by any non-US affiliate of UBS Securities LLC are not registered/qualified as research analysts with the NASD and NYSE and therefore are not subject to the restrictions contained in the NASD and NYSE rules on communications with a subject company, public appearances, and trading securities held by a research analyst account. The name of each affiliate and analyst employed by that affiliate contributing to this report, if any, follows.

UBS Limited: Alex Wright.

Company Disclosures

Company Name	Reuters	12-mo rating	Short-term rating	Price	Price date
VimpelCom ¹⁶	VIP.N	Buy (CBE)	N/A	US\$16.81	11 Aug 2010

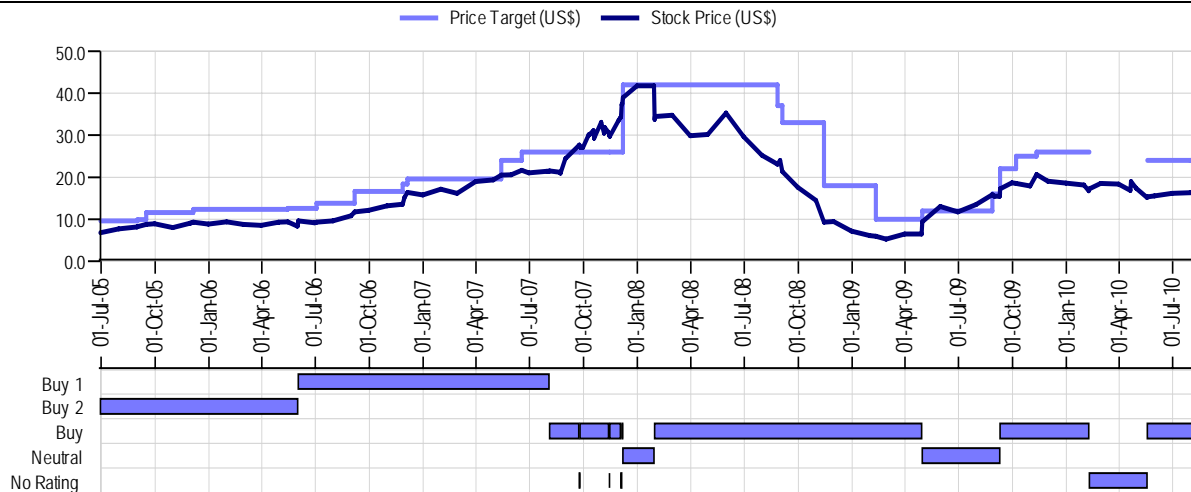
Source: UBS. All prices as of local market close.

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

16. UBS Securities LLC makes a market in the securities and/or ADRs of this company.

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

VimpelCom (US\$)



Source: UBS; as of 11 Aug 2010

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: Cellcom Israel Ltd, US\$28.35 (11 Aug 2010); Egyptian Mobile Services, E£173.25 (11 Aug 2010); France Telecom, €16.09 (11 Aug 2010); MTN Group Ltd, RCnt11,426 (11 Aug 2010); MTS, US\$21.55 (11 Aug 2010); Orascom Telecom, US\$4.44 (11 Aug 2010); Partner Communications, NIS65.60 (11 Aug 2010); Qatar Telecom, QR166.00000 (11 Aug 2010); Turkcell, US\$14.76 (11 Aug 2010); Vodacom Group Ltd, RCnt6,190 (11 Aug 2010); Source: UBS. All prices as of local market close.

Global Disclaimer

This report has been prepared by UBS Limited, 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 constitutes 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. UBS and its affiliates and employees may have long or short positions, trade as principal and buy and sell in instruments or derivatives identified herein.

Any prices stated in this report are for information purposes only and do not represent valuations for individual securities or other instruments. There is no representation that any transaction can or could have been effected at those prices and any prices do not necessarily reflect UBS's internal books and records or theoretical model-based valuations and may be based on certain assumptions. Different assumptions, by UBS or any other source, may yield substantially different results.

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 CJSC. **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. Where this report has been prepared by UBS Securities Japan Ltd, UBS Securities Japan Ltd is the author, publisher and distributor of the report. **Australia:** Distributed by UBS AG (Holder of Australian Financial Services License No. 231087) and UBS Securities Australia Ltd (Holder of Australian Financial Services License No. 231098) only to 'Wholesale' clients as defined by s761G of the Corporations Act 2001. **New Zealand:** Distributed by UBS New Zealand Ltd. An investment adviser and investment broker disclosure statement is available on request and free of charge by writing to PO Box 45, Auckland, NZ. **Dubai:** The research prepared and distributed by UBS AG Dubai Branch, is intended for Professional Clients only and is not for further distribution within the United Arab Emirates.

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. Images may depict objects or elements which are protected by third party copyright, trademarks and other intellectual property rights. © UBS 2010. The key symbol and UBS are among the registered and unregistered trademarks of UBS. All rights reserved.

