

UBS Investment Research

Educomp Solutions

Strong 3Q validates robust growth model

■ 3QFY11 revenue and net profit beat estimates

Educomp reported a 37% YoY growth in revenues to Rs3.58bn, 7.6% ahead of our estimates. EBITDA margins came in at 45.6%, in-line with our estimates. Net profit increased 58% YoY to Rs967mn, higher than our estimate of Rs872mn. We believe 3Q being seasonally strong quarter coupled with good execution momentum drove earnings.

■ Smartclass margin bounce back after weak 1H

School Learning Solutions (smartclass +ICT) segment operating margins improved 15%-pts QoQ to 61%, contributing around 80% of revenue and entire profit in 3QFY11. We believe guidance for smartclass implementation of around 25,000 for FY11 is on track. During the quarter over 7,000 Smartclass were implemented, adding to a total of 19,144 classrooms in 9MFY11.

■ Balance sheet improves; debtor days moderating

Educomp's debtor days declined to 168 days in 3Q post securitisation of smartclass receivables, well on track to meet management guidance of 160-170 debtor days by end FY11. We think enhanced disclosure in terms of segmental debtor days is likely to build investor confidence.

■ Valuation: maintain Buy

Educomp trades at forward PE of 10.8x on our FY12 EPS estimates. We believe continued execution on the asset-light business model is key to outperformance of the stock. We maintain our Buy rating with a DCF-based price target of Rs775.

Highlights (Rsm)	03/09	03/10	03/11E	03/12E	03/13E
Revenues	6,371	10,405	12,302	15,702	21,031
EBIT (UBS)	2,212	3,721	4,320	6,036	8,611
Net Income (UBS)	1,322	2,713	3,006	3,834	5,686
EPS (UBS, Rs)	15.21	29.33	31.66	40.37	59.87
Net DPS (UBS, Rs)	0.70	1.00	2.00	2.00	2.00

Profitability & Valuation	5-yr hist av.	03/10	03/11E	03/12E	03/13E
EBIT margin %	-	35.8	35.1	38.4	40.9
ROIC (EBIT) %	-	18.3	14.5	18.1	23.3
EV/EBITDA (core) x	-	14.4	8.0	6.1	4.5
PE (UBS) x	-	24.5	13.8	10.8	7.3
Net dividend yield %	-	0.1	0.5	0.5	0.5

Source: Company accounts, Thomson Reuters, 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 Rs437.65 on 11 Feb 2011 22:31 EST

Diviya Nagarajan

Analyst

diviya.nagarajan@ubs.com

+91-22-6155 6072

Global Equity Research

India

Consumer Services

12-month rating **Buy**
Unchanged

12m price target **Rs775.00/US\$16.95**
Unchanged

Price **Rs437.65/US\$9.57**

RIC: EDSO.BO BBG: ED5L IB

11 February 2011

Trading data (local/US\$)

52-wk range	Rs776.00-403.45/US\$17.32-8.88
Market cap.	Rs41.8bn/US\$0.91bn
Shares o/s	95.4m (ORD)
Free float	50%
Avg. daily volume ('000)	1,368
Avg. daily value (m)	Rs735.7

Balance sheet data 03/11E

Shareholders' equity	Rs18.8bn
P/BV (UBS)	2.2x
Net Cash (debt)	(Rs13.1bn)

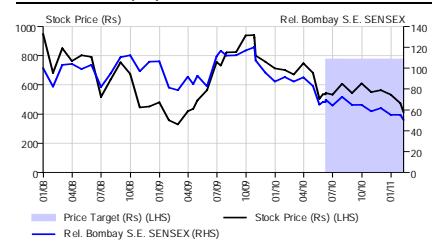
Forecast returns

Forecast price appreciation	+77.1%
Forecast dividend yield	0.5%
Forecast stock return	+77.6%
Market return assumption	13.1%
Forecast excess return	+64.5%

EPS (UBS, Rs)

	03/11E	03/10	03/10 Actual
Q1	4.14	-	4.38
Q2E	5.86	-	13.18
Q3E	9.18	9.18	6.78
Q4E	12.55	12.55	6.38
03/11E	31.66	31.66	
03/12E	40.37	40.37	

Performance (Rs)



Source: UBS

www.ubs.com/investmentresearch

This report has been prepared by UBS Securities India Private Ltd

ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 5.

UBS does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Educomp Solutions

Income statement (Rsm)	-	03/07	03/08	03/09	03/10	03/11E	% ch	03/12E	% ch	03/13E	% ch
Revenues	-	1,101	2,861	6,371	10,405	12,302	18.2	15,702	27.6	21,031	33.9
Operating expenses (ex depn)	-	(595)	(1,595)	(3,344)	(5,546)	(6,713)	21.0	(8,306)	23.7	(10,965)	32.0
EBITDA (UBS)	-	506	1,266	3,027	4,859	5,588	15.0	7,396	32.3	10,065	36.1
Depreciation	-	(96)	(331)	(814)	(1,138)	(1,269)	11.5	(1,360)	7.2	(1,454)	6.9
Operating income (EBIT, UBS)	-	410	935	2,212	3,721	4,320	16.1	6,036	39.7	8,611	42.7
Other income & associates	-	59	175	220	1,161	369	-68.2	785	112.7	1,052	33.9
Net interest	-	(14)	(48)	(268)	(489)	(648)	32.6	(784)	21.0	(724)	-7.7
Abnormal items (pre-tax)	-	(23)	(50)	0	0	0	-	0	-	0	-
Profit before tax	-	432	1,011	2,164	4,393	4,040	-8.0	6,036	49.4	8,939	48.1
Tax	-	(170)	(351)	(773)	(1,626)	(970)	-40.3	(2,113)	117.9	(3,129)	48.1
Profit after tax	-	262	660	1,391	2,767	3,071	11.0	3,924	27.8	5,810	48.1
Abnormal items (post-tax)	-	4	(2)	2	0	0	-	0	-	0	-
Minorities / pref dividends	-	(1)	(3)	(68)	(54)	(64)	19.0	(90)	40.4	(124)	37.8
Net income (local GAAP)	-	265	655	1,324	2,713	3,006	10.8	3,834	27.5	5,686	48.3
Net Income (UBS)	-	283	708	1,322	2,713	3,006	10.8	3,834	27.5	5,686	48.3
Tax rate (%)	-	39	35	36	37	24	-35.1	35	45.8	35	0.0
Pre-abnormal tax rate (%)	-	37	33	36	37	24	-35.1	35	45.8	35	0.0
Per share (Rs)	-	03/07	03/08	03/09	03/10	03/11E	% ch	03/12E	% ch	03/13E	% ch
EPS (local GAAP)	-	3.31	7.74	15.23	29.33	31.66	10.8	40.37	27.5	59.87	48.3
EPS (UBS)	-	3.55	8.35	15.21	29.33	31.66	7.9	40.37	27.5	59.87	48.3
Net DPS	-	0.48	0.60	0.70	1.00	2.00	100.0	2.00	0.0	2.00	0.0
Cash EPS	-	4.75	12.27	24.58	41.63	45.02	8.1	54.69	21.5	75.18	37.5
BVPS	-	14.38	33.54	48.87	170.16	198.48	16.6	235.78	18.8	292.34	24.0
Balance sheet (Rsm)	-	03/07	03/08	03/09	03/10	03/11E	% ch	03/12E	% ch	03/13E	% ch
Net tangible fixed assets	-	831	2,714	8,126	11,794	14,061	19.2	16,415	16.7	18,779	14.4
Net intangible fixed assets	-	138	281	1,584	1,237	1,237	0.0	1,237	0.0	1,237	0.0
Net working capital (incl. other assets)	-	1,621	4,047	4,302	14,557	17,641	21.2	17,312	-1.9	21,318	23.1
Other liabilities	-	(59)	(210)	(439)	(439)	(419)	-4.6	(872)	108.0	(1,542)	76.9
Operating invested capital	-	2,532	6,832	13,573	27,149	32,519	19.8	34,092	4.8	39,792	16.7
Investments	-	0	19	329	329	329	0.0	329	0.0	329	0.0
Total capital employed	-	2,532	6,851	13,903	27,478	32,849	19.5	34,421	4.8	40,121	16.6
Shareholders' equity	-	1,148	2,884	4,203	16,145	18,832	16.6	22,370	18.8	27,737	24.0
Minority interests	-	128	194	804	858	922	7.5	1,012	9.8	1,136	12.3
Total equity	-	1,276	3,078	5,007	17,003	19,755	16.2	23,383	18.4	28,874	23.5
Net debt / (cash)	-	1,255	3,773	8,895	10,475	13,094	25.0	11,039	-15.7	11,248	1.9
Other debt-deemed items	-	0	0	0	0	0	-	0	-	0	-
Total capital employed	-	2,532	6,851	13,903	27,478	32,849	19.5	34,421	4.8	40,121	16.6
Cash flow (Rsm)	-	03/07	03/08	03/09	03/10	03/11E	% ch	03/12E	% ch	03/13E	% ch
Operating income (EBIT, UBS)	-	410	935	2,212	3,721	4,320	16.1	6,036	39.7	8,611	42.7
Depreciation	-	96	331	814	1,138	1,269	11.5	1,360	7.2	1,454	6.9
Net change in working capital	-	(225)	(730)	(1,023)	(3,934)	(985)	-75.0	(558)	-43.4	(2,644)	373.9
Other (operating)	-	72	201	950	802	596	-25.6	707	18.6	619	-12.4
Operating cash flow (pre tax/interest)	-	353	737	2,954	1,726	5,200	201.2	7,545	45.1	8,041	6.6
Net interest received / (paid)	-	(14)	(48)	(268)	(489)	(648)	32.6	(784)	21.0	(724)	-7.7
Dividends paid	-	(27)	(40)	(58)	(51)	(109)	115.5	(224)	105.3	(224)	0.0
Tax paid	-	(174)	(184)	(329)	(1,685)	(1,000)	-40.7	(1,606)	60.7	(2,380)	48.2
Capital expenditure	-	(675)	(2,219)	(6,227)	(4,805)	(3,536)	-26.4	(3,714)	5.1	(3,818)	2.8
Net (acquisitions) / disposals	-	0	0	0	0	0	-	0	-	0	-
Other	-	-	69	(1,255)	372	(215)	-	91	-	451	396.9
Share issues	-	0	0	0	9,496	0	-	24	-	0	-
Cash flow (inc)/dec in net debt	-	(596)	(1,685)	(5,183)	4,564	(308)	-	1,330	-	1,346	1.2
FX / non cash items	-	-	(832)	61	(6,144)	(2,311)	-62.4	725	-	(1,555)	-
Balance sheet (inc)/dec in net debt	-	-	(2,518)	(5,122)	(1,580)	(2,619)	65.8	2,056	-	(209)	-
Core EBITDA	-	506	1,266	3,027	4,859	5,588	15.0	7,396	32.3	10,065	36.1
Maintenance capital expenditure	-	(101)	(334)	(937)	(721)	(530)	-26.4	(557)	5.1	(573)	2.8
Maintenance net working capital	-	0	0	0	0	0	-	0	-	0	-
Operating free cash flow, pre-tax	-	405	932	2,089	4,138	5,058	22.2	6,839	35.2	9,493	38.8

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

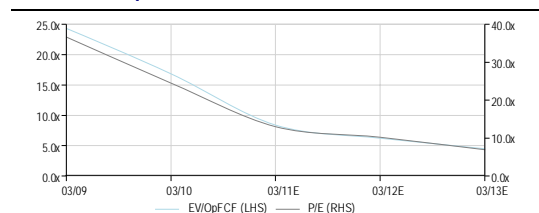
12m price target

Rs775.00

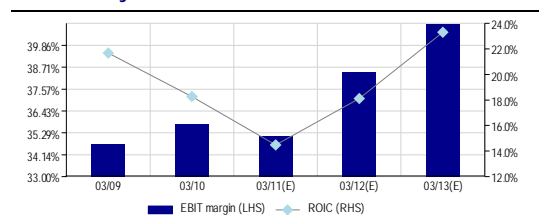
Company profile

Educomp Solutions (Educomp) is India's leading provider of multimedia course content to private schools, as well as a leading education services provider to the public education system. The company also has presence in the kindergarten to twelfth grade and pre-school segments, with more than 40 schools operating under multiple brand names. The company has recently entered the higher education segment through its tie-up with Raffles Education Corp, a Singapore-based provider of educational services. In addition to the above, Educomp has also has interests in online tutoring and vocational training.

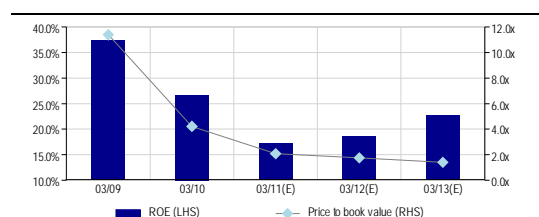
Value (EV/OpFCF & P/E)



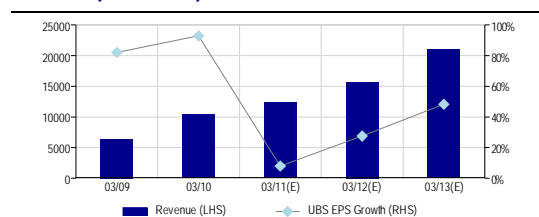
Profitability



ROE v Price to book value



Growth (UBS EPS)



Valuation (x)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
P/E (local GAAP)	-	39.5	26.3	14.5	11.3	7.6
P/E (UBS)	-	36.6	24.5	13.8	10.8	7.3
P/CEPS	-	22.7	17.3	9.7	8.0	5.8
Net dividend yield (%)	-	0.1	0.1	0.5	0.5	0.5
P/BV	-	11.4	4.2	2.2	1.9	1.5
EV/revenue (core)	-	8.0	6.7	3.6	2.9	2.1
EV/EBITDA (core)	-	16.8	14.4	8.0	6.1	4.5
EV/EBIT (core)	-	23.0	18.8	10.4	7.4	5.2
EV/OpFCF (core)	-	24.4	16.9	8.9	6.6	4.7
EV/op. invested capital	-	5.0	3.4	1.5	1.3	1.2

Enterprise value (Rsm)	03/09	03/10	03/11E	03/12E	03/13E
Average market cap	47,893	66,755	41,765	41,765	41,765
+ minority interests	804	858	922	1,012	1,136
+ average net debt (cash)	2,514	2,514	2,514	2,514	2,514
+ pension obligations and other	0	0	0	0	0
- non-core asset value	(329)	(329)	(329)	(329)	(329)
Core enterprise value	50,882	69,798	44,872	44,962	45,087

Growth (%)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
Revenue	-	122.7	63.3	18.2	27.6	33.9
EBITDA (UBS)	-	139.1	60.5	15.0	32.3	36.1
EBIT (UBS)	-	136.7	68.2	16.1	39.7	42.7
EPS (UBS)	-	82.0	92.9	7.9	27.5	48.3
Cash EPS	-	100.4	69.4	8.1	21.5	37.5
Net DPS	-	17.1	43.1	100.0	0.0	0.0
BVPS	-	45.7	NM	16.6	18.8	24.0

Margins (%)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
EBITDA / revenue	-	47.5	46.7	45.4	47.1	47.9
EBIT / revenue	-	34.7	35.8	35.1	38.4	40.9
Net profit (UBS) / revenue	-	20.8	26.1	24.4	24.4	27.0

Return on capital (%)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
EBIT ROIC (UBS)	-	21.7	18.3	14.5	18.1	23.3
ROIC post tax	-	14.0	11.5	11.0	11.8	15.2
Net ROE	-	37.3	26.7	17.2	18.6	22.7

Coverage ratios (x)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
EBIT / net interest	-	8.2	7.6	6.7	7.7	11.9
Dividend cover (UBS EPS)	-	21.8	29.3	15.8	20.2	29.9
Div. payout ratio (% , UBS EPS)	-	4.6	3.4	6.3	5.0	3.3
Net debt / EBITDA	-	2.9	2.2	2.3	1.5	1.1

Efficiency ratios (x)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
Revenue / op. invested capital	-	0.6	0.5	0.4	0.5	0.6
Revenue / fixed assets	-	1.0	0.9	0.9	1.0	1.1
Revenue / net working capital	-	1.5	1.1	0.8	0.9	1.1

Investment ratios (x)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
OpFCF / EBIT	-	0.9	1.1	1.2	1.1	1.1
Capex / revenue (%)	-	NM	NM	28.7	23.7	18.2
Capex / depreciation	-	7.6	4.2	2.8	2.7	2.6

Capital structure (%)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
Net debt / total equity	-	NM	64.9	69.5	49.3	40.6
Net debt / (net debt + equity)	-	67.9	39.4	41.0	33.0	28.9
Net debt (core) / EV	-	4.9	3.6	5.6	5.6	5.6

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Valuations: based on an average share price that year, (E): based on a share price of Rs437.65 on 11 Feb 2011 22:31 EST Market cap(E) may include forecast share issues/buybacks.

Diviya Nagarajan

Analyst

diviya.nagarajan@ubs.com

+91-22-6155 6072

■ Educomp Solutions

Educomp Solutions (Educomp) is India's leading provider of multimedia course content to private schools, as well as a leading education services provider to the public education system. The company also has presence in the kindergarten to twelfth grade and pre-school segments, with more than 40 schools operating under multiple brand names. The company has recently entered the higher education segment through its tie-up with Raffles Education Corp, a Singapore-based provider of educational services. In addition to the above, Educomp has also has interests in online tutoring and vocational training.

■ Statement of Risk

Any slowdown in the broader economy could affect spending levels on education, in terms of inability to increase school fees, lower spending on out-of-school instruction etc. This in turn could impact revenue growth and profitability for Educomp. Any incremental regulations on fee structures or capacity constraints could also adversely impact the company.

■ Analyst Certification

Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.

Required Disclosures

This report has been prepared by UBS Securities India Private Ltd, an affiliate of UBS AG. UBS AG, its subsidiaries, branches and affiliates are referred to herein as UBS.

For information on the ways in which UBS manages conflicts and maintains independence of its research product; historical performance information; and certain additional disclosures concerning UBS research recommendations, please visit www.ubs.com/disclosures. 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 Securities Co. Limited is licensed to conduct securities investment consultancy businesses by the China Securities Regulatory Commission.

UBS Investment Research: Global Equity Rating Allocations

UBS 12-Month Rating	Rating Category	Coverage ¹	IB Services ²
Buy	Buy	49%	40%
Neutral	Hold/Neutral	42%	35%
Sell	Sell	8%	21%
UBS Short-Term Rating	Rating Category	Coverage ³	IB Services ⁴
Buy	Buy	less than 1%	14%
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 31 December 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 Securities India Private Ltd: Diviya Nagarajan.

Company Disclosures

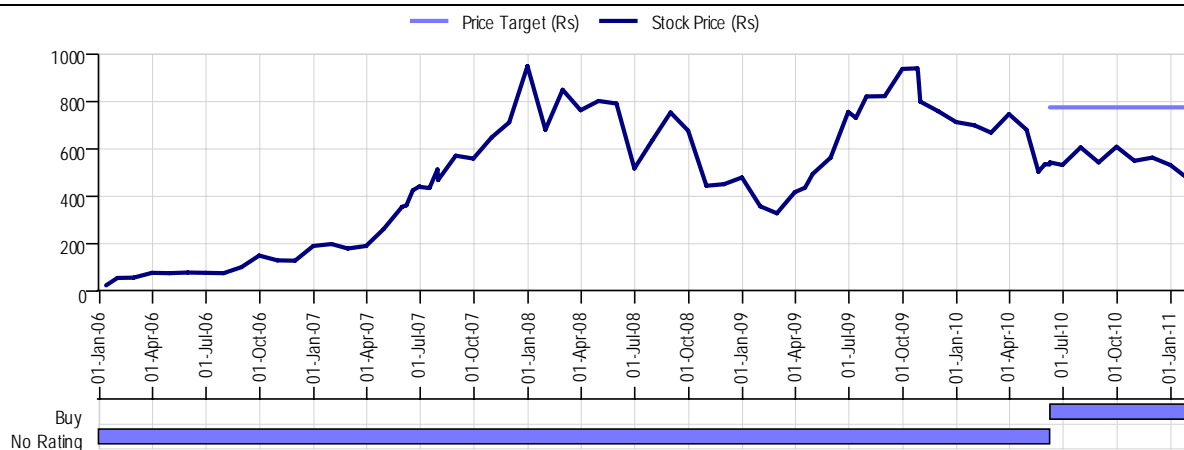
Company Name	Reuters	12-mo rating	Short-term rating	Price	Price date
Educomp Solutions	EDSO.BO	Buy	N/A	Rs437.65	11 Feb 2011

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

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

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

Educomp Solutions (Rs)



Source: UBS; as of 11 Feb 2011

Global Disclaimer

This report has been prepared by UBS Securities India Private Ltd, an affiliate of UBS AG. UBS AG, its subsidiaries, branches and affiliates are referred to herein as UBS. In certain countries, UBS AG is referred to as UBS SA.

This report is for distribution only under such circumstances as may be permitted by applicable law. Nothing in this report constitutes a representation that any investment strategy or recommendation contained herein is suitable or appropriate to a recipient's individual circumstances or otherwise 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. Past performance is not necessarily a guide to future performance. The value of any investment or income may go down as well as up and you may not get back the full amount invested. 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 [mica (p) 039/11/2009 and Co. Reg. No.: 198500648C] or UBS AG, Singapore Branch. Please contact UBS Securities Pte Ltd, an exempt financial advisor under the Singapore Financial Advisers Act (Cap. 110); or UBS AG Singapore branch, an exempt financial adviser under the Singapore Financial Advisers Act (Cap. 110) and a wholesale bank licensed under the Singapore Banking Act (Cap. 19) regulated by the Monetary Authority of Singapore, in respect of any matters arising from, or in connection with, the analysis or report. The recipient of this report represent and warrant that they are accredited and institutional investors as defined in the Securities and Futures Act (Cap. 289). **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. **Korea:** Distributed in Korea by UBS Securities Pte. Ltd., Seoul Branch. This report may have been edited or contributed to from time to time by affiliates of UBS Securities Pte. Ltd., Seoul Branch. **Malaysia:** This material is authorized to be distributed in Malaysia by UBS Securities Malaysia Sdn. Bhd (253825-x). **India :** Prepared by UBS Securities India Private Ltd. 2/F,2 North Avenue, Maker Maxity, Bandra Kurla Complex, Bandra (East), Mumbai (India) 400051. Phone: +912261556000 SEBI Registration Numbers: NSE (Capital Market Segment): INB230951431 , NSE (F&O Segment) INF230951431, BSE (Capital Market Segment) INB010951437.

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 2011. The key symbol and UBS are among the registered and unregistered trademarks of UBS. All rights reserved.

