

# UBS Investment Research

## Avoca Resources Limited

### Ramping up output, more reserves needed

#### ■ Event: December quarterly production report and capital raising

The company released the December quarterly production report confirming the previously announced output of 27.9koz. This was in-line with our forecast of 26.4koz. No cash costs were provided but given the commissioning phase of the mine during the period, any cash costs would be meaningless. The company also provided an update on the recent \$28.9m capital raising to fund a paste fill plant.

#### ■ Impact: Grade ramp up slowed and more capex included

The production was in-line with our forecast as the grade ramped up to 3.9g/t; however, we have lowered our production forecasts for FY09 with a slower ramp up in grade than previously modelled as the higher grade Athena lode is developed over the course of the year, thus reducing FY09E NPAT by 21%. We have also reviewed our capital estimates leading to higher development capex over the next 2-years and the inclusion of the paste fill plant capex.

#### ■ Action: Downgraded to Neutral, leveraged to exploration upside

Given the ramp-up phase of the mine and the significant exploration blue sky in the region around the Higginsville plant, we maintain our positive view on the company, but admit that the small reserve base is limiting our valuation. Exploration remains a key driver for AVO and positive results continue to come in, suggesting extensions of the high grade shoots and the large Western Zone.

#### ■ Valuation: \$1.11 (DCF, 6% discount rate)

Our valuation has decreased by 6% to \$1.11, which includes a 10-year mine life. Our target price has been reduced to \$1.90, derived from a 1.75x NAV multiple.

Highlights (A\$m)	06/07	06/08	06/09E	06/10E	06/11E
Revenues	0	0	130	159	166
EBIT (UBS)	(4)	(3)	30	50	55
Net Income (UBS)	(4)	(1)	16	31	35
EPS (UBS, A\$)	(0.02)	(0.01)	0.07	0.12	0.13
Net DPS (UBS, A\$)	0.00	0.00	0.00	0.00	0.00

Profitability & Valuation	5-yr hist av.	06/08	06/09E	06/10E	06/11E
EBIT margin %	-	-	23.2	31.6	32.9
ROIC (EBIT) %	-	(2.8)	13.2	19.9	21.1
EV/EBITDA (core) x	-	<100	10.1	6.9	6.1
PE (UBS) x	-	NM	26.3	14.6	13.0
Net dividend yield %	-	0.0	0.0	0.0	0.0

Source: Company accounts, Thomson Financial, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Valuations: based on an average share price that year, (E): based on a share price of A\$1.72 on 27 Jan 2009 23:38 EST

**Jo Battershill**  
Analyst  
jo.battershill@ubs.com  
+61-2-9324 2834

**Glyn Lawcock**  
Analyst  
glyn.lawcock@ubs.com  
+61-2-9324 3675

**Daniel Morgan**  
Analyst  
daniel.morgan@ubs.com  
+61-2-9324 3844

## Global Equity Research

Australia

Mining

12-month rating **Neutral**  
*Prior: Buy*

12m price target **A\$1.90/US\$1.27**  
*Prior: A\$2.40/US\$1.60*

Price **A\$1.72/US\$1.15**

RIC: AVO.AX BBG: AVO AU

28 January 2009

#### Trading data (local/US\$)

52-wk range	A\$2.86-1.05/US\$2.75-0.65
Market cap.	A\$0.38bn/US\$0.26bn
Shares o/s	223m (ORD)
Free float	100%
Avg. daily volume ('000)	650
Avg. daily value (A\$m)	1.0

#### Balance sheet data 06/09E

Shareholders' equity	A\$0.16bn
P/BV (UBS)	2.6x
Net Cash (debt)	(A\$0.09bn)

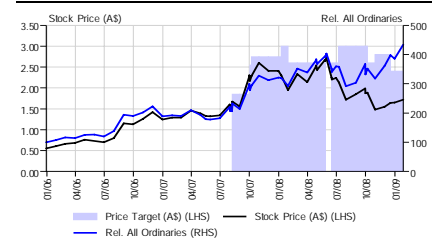
#### Forecast returns

Forecast price appreciation	+10.5%
Forecast dividend yield	0.0%
Forecast stock return	+10.5%
Market return assumption	7.8%
Forecast excess return	+2.7%

#### EPS (UBS, A\$)

	06/09E		06/08	
	From	To	Cons.	Actual
H1E	0.01	0.01	-	0.00
H2E	0.08	0.06	-	(0.01)
06/09E	0.09	0.07	0.11	
06/10E	0.14	0.12	0.20	

#### Performance (A\$)



Source: UBS

www.ubs.com/investmentresearch

This report has been prepared by UBS Securities Australia 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.

## Quarterly production report

The Trident Gold Mine continued its ramp-up over the December quarter with underground mine production of 242.7kt at 3.92g/t. Approximately 80% of the tonnes were mined from stopes at a grade of 3.8g/t with the remainder coming from development drives at a grade of 4.4g/t.

The process plant operated at above nameplate capacity (1Mtpa) with 264.4kt processed at a grade of 3.31g/t with recoveries averaging 96.8%.

No cost data was provided, which is understandable given the ramp-up phase. Any costs at this stage would be meaningless. However, we are estimating cash costs of A\$585/oz during the current quarter, with the expectation that these will fall to around A\$450/oz by the end of CY09. The cash costs actually increase to the low A\$500's per ounce once the Morgan Stanley royalty kicks in, after production has reached 100koz.

The Morgan Stanley royalty is fairly onerous at 4% plus a gold price kicker of 10% of the gold price above A\$600/oz. Under our gold price assumptions and a modelled 10-year mine life, we currently value this royalty at \$44m. Given the exploration upside to the region and probability of extending the mine life, we would be keen to see AVO buy the royalty back.

## Placement

The company recently completed a \$28.9m capital raising to finance the construction of a paste fill plant for the Trident mine (\$15m) and provide some working capital going forward (\$10m). The placement was completed at \$1.47/share, a premium to our NPV suggesting strong investor interest.

## Paste fill plant

The decision to construct a paste plant should ultimately result in increased extraction of gold from the high grade Trident orebody. Paste plants at other mines around Australia have proven very successful in maximizing the extraction of ore. At Higginsville, the company originally planned on using cement aggregate fill (CAF) to support the mined out stopes, which was estimated by management to cost ~\$60/t. The new plan is to use paste fill with a forecast cost of ~\$20/t. Subsequently the investment decision is based on spending \$15m of capital to save \$40 per tonne of fill required.

The CAF method requires crushing and screening of waste material hauled from the mine, which makes up a considerable amount of the \$60/t; but the placement of the product also makes a big difference. With the CAF, they would have had to drill separate holes from surface to fill each mined out stope. The difficulty with this method is being exacerbated by the fact that they are mining the deposit top down, so once the top stopes are filled they wouldn't be able to 'see' the next stope below thus requiring feeder holes from surface on the angle. Paste fill on the other hand can be conducted with a single hole (plus a contingency hole for emergencies) and then with piped reticulation around the mine.

The cement input also makes a difference. We estimate that the CAF would require between 5-6% cement whereas the paste will be 3-4% (depending on the material). All the cement has to be trucked up from Perth so the cost differential is significant.

## Earnings changes

Our modelling changes have resulted in an earnings downgrade on 21% in FY09E. Additionally, the extra capex related to decline development has lowered our NPV by 6%.

Table 1: Summary of production and earnings changes

June Y/E	2009			2010			2011			
	New	Old	Var %	New	Old	Var %	New	Old	Var %	
A\$m										
Revenue	130	135	-4%	160	164	-2%	167	169	-1%	
EBITDA	47	52	-10%	66	69	-5%	70	70	0%	
EBIT	30	36	-17%	49	54	-8%	53	54	-1%	
PBT	23	30	-21%	44	48	-8%	49	50	-1%	
Net Profit	16	21	-21%	31	33	-8%	35	35	-1%	
EPS A\$	7	9	-25%	13	15	-16%	14	16	-10%	
DPS Acps	0	0	NM	0.0	0.0	NM	0.0	0	NM	
Ore Mined	kt	921	929	-1%	1000	1000	0%	1000	1000	0%
Grade	g/t	4.1	4.4		5.0	5.0		5.0	5.0	
Ore processed	kt	1016	1002	1%	1000	1000	0%	1000	1000	0%
Grade	g/t	3.5	3.9	-9%	4.9	5.0	-3%	5.0	5.0	0%
Gold produced	koz	110.5	120	-8%	152	155	-2%	156	155	0%
Cash costs (including all royalties)	A\$/oz	671	603	11%	530	519	2%	532	532	0%
NPV - 10 year life		1.11	1.18	-6%						
Price Target		1.90	2.40	-21%						

Source: UBS<sub>e</sub>

# Avoca Resources Ltd (AVO.AX)

Analyst/s: Jo Battershill/Glyn Lawcock  
Email - jo.battershill@ubs.com  
28-Jan-09

## MARKET INFORMATION

Rating:	Neutral
Price (as of 28-Jan-09):	1.75
Price Target (12 months):	1.90
Issued Capital:	243.4
Market Capitalisation:	383.3
Avg. daily turnover (US\$m)	0.6
Year end:	June
Website:	<a href="http://www.avocaresources.com.au">www.avocaresources.com.au</a>
Major Shareholders:	Pala Investments 18.86% CBA 7.5%

## INVESTMENT SUMMARY

(A\$m)	2008	2009E	2010E	2011E
Net profit [reported] (\$m)	(1.3)	16.4	30.7	34.5
Net profit [adjusted] (\$m)	(1.3)	16.4	30.7	34.5
EPS [reported] (\$)	(0.0)	0.1	0.1	0.1
<b>EPS [adjusted, diluted] (\$)</b>	<b>(0.0)</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>
EPS Growth (%)	-	-	80	13
<b>PER [adjusted] (x)</b>	<b>(314.2)</b>	<b>26.7</b>	<b>14.9</b>	<b>13.2</b>
Dividend (\$)	0.0	0.0	0.0	0.0
Payout ratio (%)	0	0	0	0
<b>Dividend Yield (%)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
FCF Yield (%)	(0.7)	10.6	14.5	15.4
Franking (%)	0	0	0	0
Shares [period-average, diluted] (m)	240.2	250.5	260.7	260.7

## VALUATION

Valuation per share [NAV @6%] (\$)	1.11
Share Price Target [12 months] (\$)	1.90
Price/NAV [6% disc rate] (x)	1.58

Operating Assets [DH09]	A\$m	¢
Trident	315	129

<b>Gross Assets</b>	<b>315</b>	<b>129</b>
---------------------	------------	------------

Net debt	(85)	(35)
Exploration	40	16

<b>Net Asset Value @ 6% discount rate</b>	<b>270</b>	<b>111</b>
---	------------	------------

## ENTERPRISE VALUE

(A\$m)	2008	2009E	2010E	2011E
Enterprise Value	475	473	460	433
EV/EBITDA (x)	<0	10.1	6.9	6.1
EV/Operating Free Cash Flow (x)	<0	10.1	6.9	6.3

## EPS SENSITIVITIES

Commodity	Base Change	2009E	2010E	2011E
			EPS Change	
Currency	5¢	-25.0%	-23.0%	-23.0%
Gold Price	10%	12.5%	32.0%	26.0%

## CASH FLOW

(A\$m)	2008	2009E	2010E	2011E
Operating income [EBIT, UBS]	(3)	30	50	55
Depreciation & Amortisation	0	17	17	17
Net change in working capital	0	(0)	(1)	(1)
Other (operating)	0	0	0	0
<b>Pre-tax op cash flow</b>	<b>(3)</b>	<b>47</b>	<b>66</b>	<b>70</b>
Interest (paid) / received	4	(7)	(6)	(4)
Tax paid	3	(7)	(13)	(15)
Other	(2)	0	0	0
<b>Operating cash flow</b>	<b>1</b>	<b>33</b>	<b>47</b>	<b>51</b>
Capital expenditure	(134)	(40)	(17)	(2)
<b>Free cash flow</b>	<b>(133)</b>	<b>(7)</b>	<b>30</b>	<b>49</b>
Net (acquisitions) / disposals	(0)	0	0	0
Dividends paid (Common)	0	0	0	0
Shares issued/(repurchased)	6	29	0	0

## COMPANY DESCRIPTION

Avoca Resources Limited is currently developing the Trident deposit at the 100%-owned Higginsville project in Western Australia. A standalone 1Mtpa plant is being constructed at Higginsville, to be completed in 2008. Current estimates are for a five-year mine life with production of 160-190koz at average cash costs of A\$400/oz; however, Avoca believes a mine life of at least 10 years is more realistic given the highly prospective area and positive exploration results. We expect Avoca to re-rate as it moves into production this year.

## OPERATIONAL ASSUMPTIONS

	1H09E	2H09E	2008	2009E	2010E	2011E
Trident Production koz	49	61	-	110	152	156
Trident Cash Costs A\$/oz	699	606	-	671	530	532

## DIVISIONAL BREAKDOWN [EBIT]

(A\$m)	1H09E	2H09E	2008	2009E	2010E	2011E
--------	-------	-------	------	-------	-------	-------

## PROFIT & LOSS

(A\$m)	1H09E	2H09E	2008	2009E	2010E	2011E
Sales Revenue	55	75	0	130	159	166
<b>Operating Cash Profit</b>	<b>18</b>	<b>37</b>	<b>(0)</b>	<b>56</b>	<b>75</b>	<b>79</b>
Depn & Amortisation	(8)	(8)	(0)	(17)	(17)	(17)
<b>Operating Profit</b>	<b>10</b>	<b>29</b>	<b>(0)</b>	<b>39</b>	<b>59</b>	<b>63</b>
Exploration	(2)	(2)	(3)	(5)	(5)	(5)
SGA	(5)	(5)	(7)	(9)	(9)	(9)
<b>EBIT</b>	<b>6</b>	<b>25</b>	<b>(3)</b>	<b>30</b>	<b>50</b>	<b>55</b>
Net interest	(3)	(4)	(0)	(7)	(6)	(5)
<b>Profit before tax</b>	<b>2</b>	<b>21</b>	<b>(4)</b>	<b>23</b>	<b>44</b>	<b>49</b>
Tax expense	(1)	(6)	3	(7)	(13)	(15)
Equity Associated NPAT	0	0	0	0	0	0
Minority Interests	0	0	0	0	0	0
Dividends [preferred]	0	0	0	0	0	0
<b>Net Profit [reported]</b>	<b>2</b>	<b>15</b>	<b>(1)</b>	<b>16</b>	<b>31</b>	<b>35</b>
Abnormal Gain/(Loss) after Tax	0	0	0	0	0	0
<b>Net Profit [adjusted]</b>	<b>2</b>	<b>15</b>	<b>(1)</b>	<b>16</b>	<b>31</b>	<b>35</b>

EBITDA margin (%)	-	42.9	47.2	47.8
Net Interest Cover [EBIT] (x)	(7.5)	4.5	7.8	10.4
Tax Rate (%)	0.0	30.0	30.0	30.0
EBIT/Total Assets (%)	(1.5)	10.4	16.7	17.2
NPAT/Equity (%)	(1.2)	11.9	17.4	16.5
EBIT/Avg Cap Employed (%)	(2.8)	13.2	19.9	21.1

## BALANCE SHEET [Selected Items]

(A\$m)	2008	2009E	2010E	2011E
Net Working capital	(9)	(9)	(9)	(9)
Fixed Assets	173	197	197	183
Net Other	45	58	71	84
<b>Capital Employed</b>	<b>210</b>	<b>246</b>	<b>260</b>	<b>258</b>
Net Cash / (Debt)	(94)	(85)	(68)	(32)
<b>Total Equity [incl. minorities]</b>	<b>116</b>	<b>161</b>	<b>192</b>	<b>226</b>
Minorities	0	0	0	0
Net Debt / Equity (%)	81.1	52.9	35.5	14.2
Book Value per Share(\$)	0.54	0.66	0.79	0.93

Source: UBSe

---

## ■ Avoca Resources Limited

Avoca Resources Limited is currently developing the Trident deposit at the 100%-owned Higginsville project in Western Australia. A standalone 1Mtpa plant is being constructed at Higginsville, to be completed in 2008. Current estimates are for a five-year mine life with production of 160-190koz at average cash costs of A\$400/oz; however, Avoca believes a mine life of at least 10 years is more realistic given the highly prospective area and positive exploration results. We expect Avoca to re-rate as it moves into production this year.

## ■ Statement of Risk

Investment risk inherent in the resource sector includes, but is not limited to movement of commodity price and currency which may differ materially from the assumptions used in this report. Furthermore the sector is subject to political, financial and operational risks, each of which has the potential to significantly impact industry performance.

## ■ 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 Australia 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](http://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 <sup>1</sup>	IB Services <sup>2</sup>
Buy	Buy	53%	36%
Neutral	Hold/Neutral	36%	34%
Sell	Sell	10%	20%
UBS Short-Term Rating	Rating Category	Coverage <sup>3</sup>	IB Services <sup>4</sup>
Buy	Buy	less than 1%	43%
Sell	Sell	less than 1%	22%

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 2008.

### UBS Investment Research: Global Equity Rating Definitions

UBS 12-Month Rating	Definition
Buy	FSR is > 6% above the MRA.
Neutral	FSR is between -6% and 6% of the MRA.
Sell	FSR is > 6% below the MRA.
UBS Short-Term Rating	Definition
Buy	Buy: Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.
Sell	Sell: Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.

**KEY DEFINITIONS**

**Forecast Stock Return (FSR)** is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months.

**Market Return Assumption (MRA)** is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium).

**Under Review (UR)** Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation.

**Short-Term Ratings** reflect the expected near-term (up to three months) performance of the stock and do not reflect any change in the fundamental view or investment case.

**EXCEPTIONS AND SPECIAL CASES****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 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 follows.

**UBS Securities Australia Ltd:** Jo Battershill; Glyn Lawcock; Daniel Morgan.

**Company Disclosures**

Company Name	Reuters	12-mo rating	Short-term rating	Price	Price date
Avoca Resources Limited <sup>2, 4, 6, 13</sup>	AVO.AX	Buy	N/A	A\$1.72	27 Jan 2009

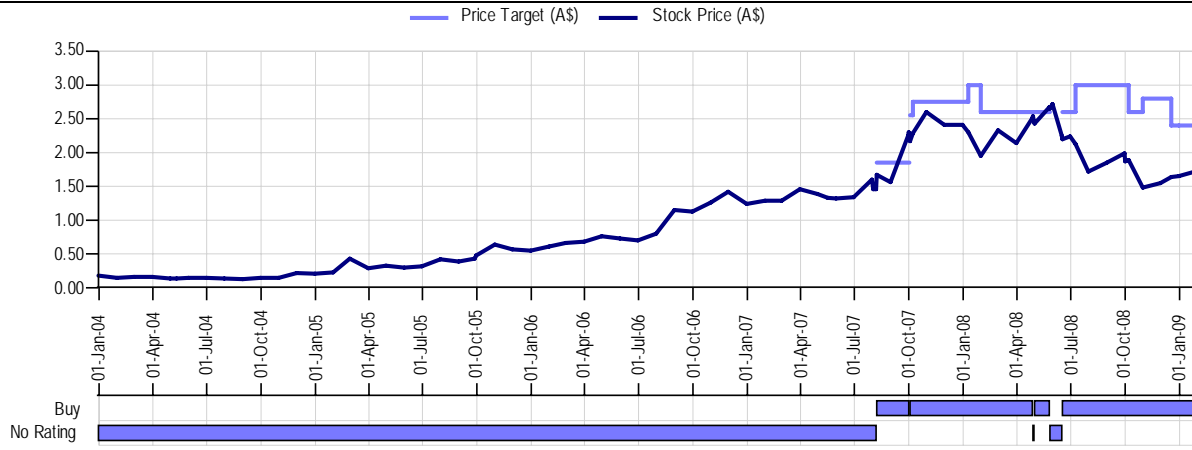
Source: UBS. All prices as of local market close.

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

2. UBS AG, its affiliates or subsidiaries has acted as manager/co-manager in the underwriting or placement of securities of this company/entity or one of its affiliates within the past three years.
4. Within the past 12 months, UBS AG, its affiliates or subsidiaries has received compensation for investment banking services from this company/entity.
6. This company/entity is, or within the past 12 months has been, a client of UBS Securities LLC, and investment banking services are being, or have been, provided.
13. UBS AG, its affiliates or subsidiaries beneficially owned 1% or more of a class of this company's common equity securities as of last month's end (or the prior month's end if this report is dated less than 10 days after the most recent month's end).

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

Avoca Resources Limited (A\$)



Source: UBS; as of 27 Jan 2009

## Global Disclaimer

This report has been prepared by UBS Securities Australia 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. 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. **China:** Distributed by UBS Securities Co. Limited. **Portugal:** Prepared by UBS Limited and distributed by UBS Limited and UBS Bank, SA, Sucursal em Portugal. UBS Bank, SA, Sucursal em Portugal, is regulated by Comissão do Mercado de Valores Mobiliários (CMVM). Where an analyst of UBS Bank, SA, Sucursal em Portugal has contributed to this report, the report is also deemed to have been prepared by UBS Bank, SA, Sucursal em Portugal.

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. © UBS 2009. The key symbol and UBS are among the registered and unregistered trademarks of UBS. All rights reserved.

