

UBS Investment Research

Energy Debate-Alternative Energy

Advanced Energy Initiative-First
Takeaways

1 February 2006

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■ **Alternative Energy: Can Play a Meaningful Role**

On January 31st 2006, President Bush outlined the Advanced Energy Initiative, providing for a 22% increase in the 2007 budget allocation for clean energy research at the Department of Energy. In our opinion what matters about this announcement is the strong policy signal it implies: alternative energy can play a meaningful role in the context of security of energy supply.

■ **Clean Coal: Accelerated Budget Allocation**

The ten year allocation to clean coal research is close to completing four years early. It is worth considering whether clean coal (abundant reserves and an established technology), has the potential to be the "backbone" interim technology in several countries before other alternatives further in the future come on stream.

■ **Bioethanol: "scope to displace 30% of US Fuel Use"**

A direct quote from the State of the Union Energy Initiative, The White House website: "Research scientists say that accelerating research into "cellulosic ethanol" can make it cost-competitive by 2012, offering the potential to displace up to 30% of the Nation's current fuel use".

■ **Alternative Energy Names**

Names covered by UBS analysts are tabulated within. We have not yet identified any "clean coal" plays, however we believe that this currently marginal activity for some players is likely to grow in significance.

This report has been prepared by UBS Limited

ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 23

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State of the Union: The Advanced Energy Initiative

On January 31st 2006, President Bush outlined the Advanced Energy Initiative, providing for a 22% increase in the 2007 budget allocation for clean energy research at the Department of Energy¹. The policy goal is to replace 75% of oil imports from the Middle East by 2025. The policy focus is on two key areas: how homes and businesses are powered, and how vehicles are powered. What matters about this announcement in our opinion is not necessarily the absolute size of the amounts allocated², but, the strong policy signal it implies. In our view the message is: alternative energy technology is not just the marginal, “nice to have” fuel source it is commonly perceived to be; alternative energy can, on the contrary, play a meaningful role in the context of security of energy supply (and of course, relatedly, climate change).

This initiative covers the full spectrum of technologies – the share prices of firms specialising in biofuel, fuel cells, solar, and wind are charted below. We have not yet identified any “pure plays” in the area of clean coal. We think it could be just a matter of time before clean coal becomes a more significant business for leading players for whom it is currently marginal. The reserves are there- “America has enough coal to last more than 200 years”¹- and the 2007 budget allocation nearly completes the President's commitment (US\$2bn over ten years) four years ahead of schedule. Although the State of the Union address is, for obvious reasons, US focused, we believe there is scope for other countries (most notably China) to follow suit.

In addition, specific information was provided with respect to the potential for bioethanol: “Research scientists say that accelerating research into "cellulosic ethanol" can make it cost-competitive by 2012, offering the potential to displace up to 30% of the Nation's current fuel use”¹.

The President's Initiatives fall into the following areas:

- Coal research Initiative
- Solar America Initiative
- Expanding Clean Energy from Wind
- Changing the Way we Power Our Vehicles
 - Through biorefinery, vehicle efficiency and the hydrogen fuel initiative.

In our view what matters about this announcement is the strong policy signal it implies: alternative energy can play a meaningful role in the context of security of energy supply (and of course the related issue of climate change).

Clean coal is given particular emphasis. Clean coal (abundant reserves and an established technology), has the potential to be the “backbone” interim technology before other alternatives further in the future come on stream, in our view.

¹ See the website of The White House. Press release dated January 31st 2006. "State of the Union: The Advanced Energy Initiative". www.whitehouse.gov.

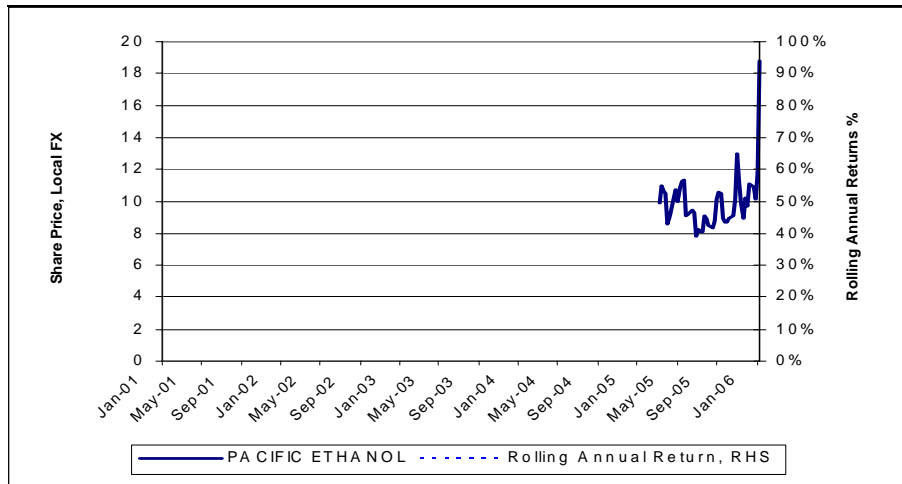
² 2007 budget allocations are: Clean coal research US\$281mn, Solar America Initiative US\$65mn, wind US\$44mn, biofuel US\$150mn, efficient vehicles US\$30mn, hydrogen fuel (fuel cells) US\$289mn.

Owing to the difficulty of assessing the timing with which information was released to the market, we cannot be sure that share price reactions observable at this point were related to this particular story. However it is worth noting that the share price of Pacific Ethanol in the USA (not covered by UBS) increased by some 29% on January 31st, and Archer Daniels rose by close to 10% on the day. Our interpretation of these share price movements is that the market sees this as a significant development for bioethanol specifically, and for alternative energy in general. We would expect to see some further follow-through.

Initial market reaction: positive.

Pacific Ethanol
 Chart 1: Pacific Ethanol

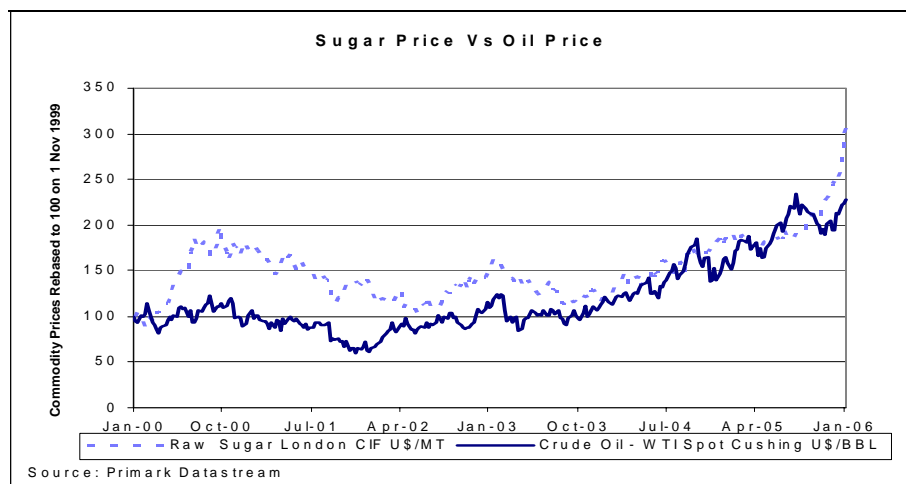
Not covered



Source: Primark Datastream

Many of the names charted in this document have not moved in the short term: for instance Diversa (enzymes relating to biofuel), and solar-related semiconductor names barely stirred. Cosan, one of the world's largest producers of sugar and ethanol (and based in Brazil) was down on the day.

Chart 2: Oil and Sugar



Source: Primark Datastream

Chart 1 shows the recent rally in the sugar price – this series shows London sugar on January 31st and therefore probably does not yet reflect the US policy announcement.

Table 1: Alternative Energy Related Stocks Covered by UBS Analysts

Company	Price Target	Price	Upside/downside to target	Rating	Analyst
Andritz	111.0	94.6	17.3%	Buy 1	Sven Weier
Umicore	116.0	108.3	7.1%	Buy 1 (RRD)	Themis Themistocleous
MEMC Electronic	35.0	28.6	22.5%	Buy 2	Stephen Chin
Diversa	10.0	5.4	85.5%	Buy 2	Jeffrey Cianci
Abengoa	16.7	15.2	9.9%	Buy 2 (RRD)	Ignacio Carvajal Cebrian
Mota Engil	4.0	3.6	8.8%	Buy 2 (RRD)	Borja Castro
Sharp	2050.0	2145.0	-4.4%	Buy 2 (UR)	Fumio Osanai
Novozymes A/S	380.0	341.5	11.3%	Neutral 1	Fabian Wenner
Babcock & Brown Wind.P	1.9	1.8	3.8%	Neutral 1	Craig Stafford, CFA
Johnson Matthey	1340.0	1457.0	-8.0%	Neutral 1 (RRD)	Themis Themistocleous
Kyocera	10500.0	10450.0	0.5%	Neutral 2	Fumihide Goto
Tate & Lyle	555.0	576.0	-3.6%	Neutral 2	Polly Barclay
Cypress Semiconductor	18.0	16.9	6.3%	Neutral 2	Alex Gauna
Gamesa	12.0	13.4	-10.4%	Neutral 2 (RRD)	Jose De La Rosa Rato
Suzlon Energy	900.0	1163.7	-22.7%	Neutral 2 (RRD)	Suhas Rema Harinarayanan
Vestas	86.0	121.0	-28.9%	Reduce 2	Jose De La Rosa Rato
Sanyo Electric	230.0	296.0	-22.3%	Reduce 2	Fumio Osanai

Source: UBS estimates

UBS has just seven Buy recommendations in the current list of 17 firms involved in alternative energy or related areas and covered by UBS; however note that several of them are under review or RRD (please refer to the UBS Global Ratings Definitions on page 24).

Table 2: Trends in Alternative Energy Share Prices

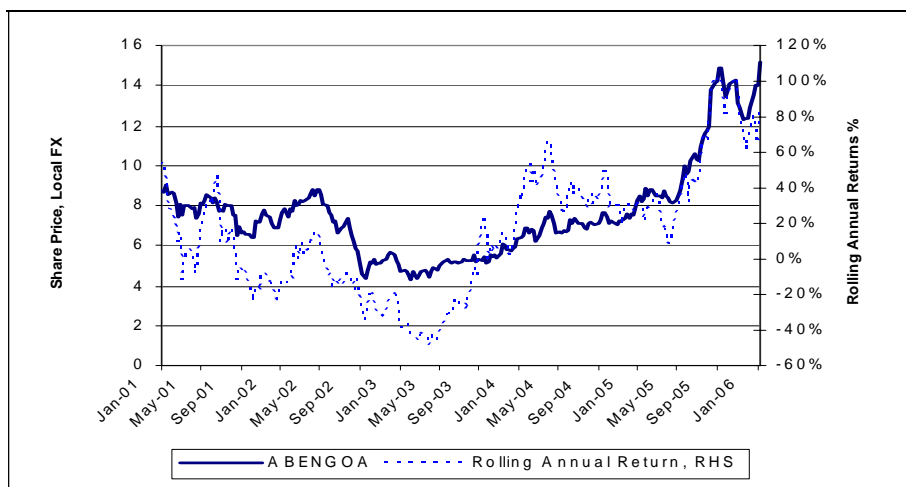
	Stock	2006 US\$ Price Change %	Price Change Since 2005 Oil Peak %	Down from 2005 High	Up from 2005 Low	Mkt Cap. US\$ mn.
Biofuel	Pacific Ethanol	74.0%	122.6%	na	na	539
Solar	Sunways	73.3%	65.5%	0.0%	140.1%	220
Biofuel	Biofuels Corporation plc	62.7%	-17.0%	-59.3%	87.7%	110
Solar	Solarworld	60.8%	99.2%	0.0%	378.8%	2,698
Biofuel	D1 Oils	52.5%	-37.6%	-53.7%	58.8%	143
Solar	Conergy	46.1%	39.7%	na	na	1,376
Biofuel	Cosan	38.2%	na	na	na	14,227
Fuel Cell	Ballard Power Systems	33.5%	8.1%	-14.1%	64.3%	634
Solar	MEMC Electronic	28.9%	74.0%	0.0%	166.1%	5,985
Biofuel	Archer Daniels	27.7%	41.0%	0.0%	75.1%	20,575
Biofuel	Abengoa	26.1%	26.7%	0.0%	84.4%	1,670
Misc.	Syntroleum	25.7%	-18.8%	-44.4%	7.8%	630
Solar	Kyocera	22.5%	27.9%	0.0%	42.6%	17,078
Misc.	Agcert	21.8%	6.6%	na	na	644
Solar	Sharp	20.5%	22.1%	-0.3%	35.4%	20,352
Wind	Vestas	20.2%	-2.9%	-23.1%	68.9%	3,443
Solar	Cypress Semiconductor	18.8%	12.6%	-2.1%	75.1%	2,295
Misc.	KFX	17.2%	26.5%	na	na	1,357
Misc.	Plug Power	16.0%	-12.1%	-26.5%	19.7%	510
Wind	Mota-Engil	15.1%	16.7%	0.0%	52.6%	902
Wind	Semapa	12.7%	54.7%	-2.5%	68.5%	1,070
Biofuel	Diversa	12.3%	15.7%	-36.3%	18.5%	241
Fuel Cell	Umicore	11.9%	40.7%	-0.6%	76.7%	3,394
Wind	Gamesa	11.6%	9.7%	-6.4%	26.1%	3,959
Wind	Theolia	7.9%	-9.0%	-22.4%	85.5%	150
Wind	Babcock & Brown Wind	7.0%	na	na	na	684
Fuel Cell	Johnson Matthey	6.8%	28.3%	0.0%	51.8%	5,694
Biofuel	Tate & Lyle	5.9%	26.1%	-3.1%	30.9%	4,993
Biofuel	Andritz	4.9%	21.9%	-4.8%	55.8%	1,494
Biofuel	Novozymes	1.8%	9.5%	-3.0%	19.9%	3,270
Misc.	Headwaters	-1.8%	-5.7%	-21.9%	17.1%	1,438
Solar	Sanyo Electric	-6.6%	-3.4%	-29.3%	22.8%	4,734

Source: Primark Datastream

Charts Biofuel and Related

Abengoa Chart 3: Abengoa

UBS Analyst: Ignacio Carvajal Cebrian.
Tel 34-91-436-9025

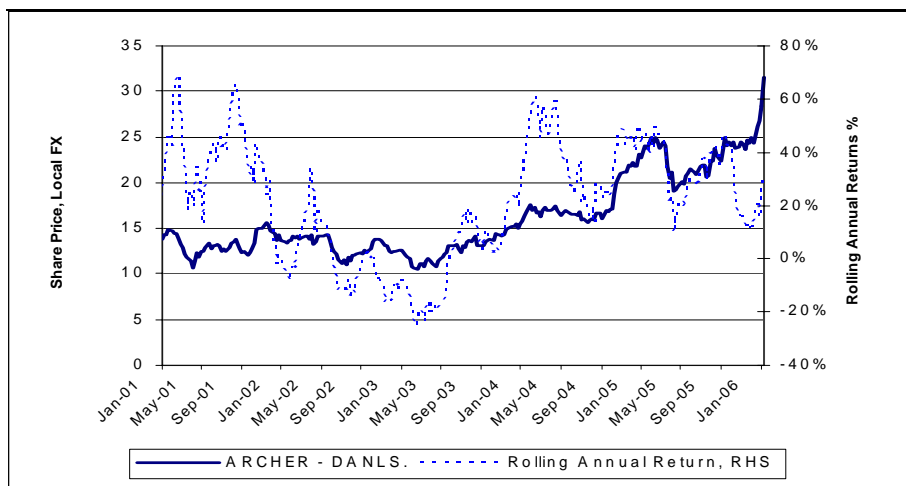


Source: Primark Datastream

Abengoa holds a mix of wholly owned and part-quoted businesses that range from engineering and industrial construction to environmental services (Befesa - industrial waste recycling), bioenergy (bioethanol production) and information technology (Telvent). The main shareholder is Inversión Corporativa, which currently has a 56% stake.

Archer Daniels Midland Chart 4: Archer Daniels

Not covered



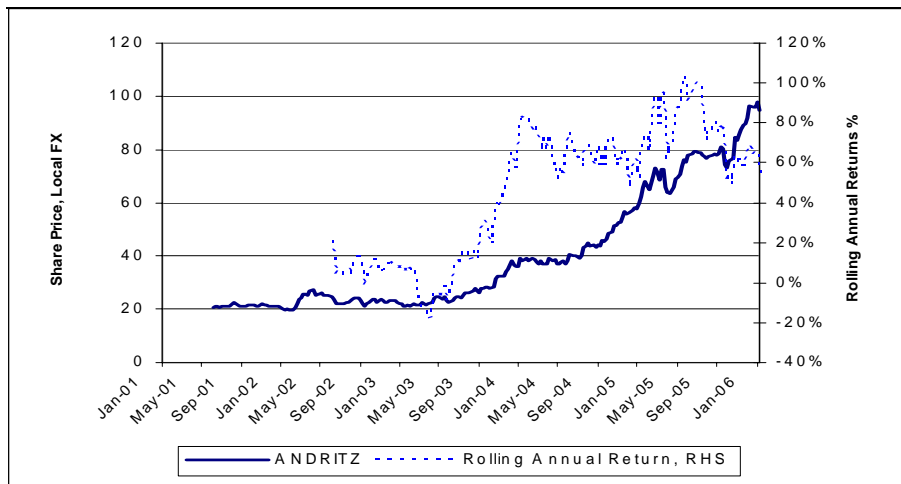
Source: Primark Datastream

ADM is one of the world's largest agricultural processors of soybeans, corn, wheat and cocoa. The firm works with farmers across the world to turn these crops into soymeal and oil, corn sweeteners, flour, cocoa and chocolate, ethanol and biodiesel, as well as a wide portfolio of other value-added food ingredients, animal nutrition and industrial products. (Source: company website.)

Andritz

Chart 5:

UBS Analyst: Sven Weier. Tel No +49 69 1369 8278



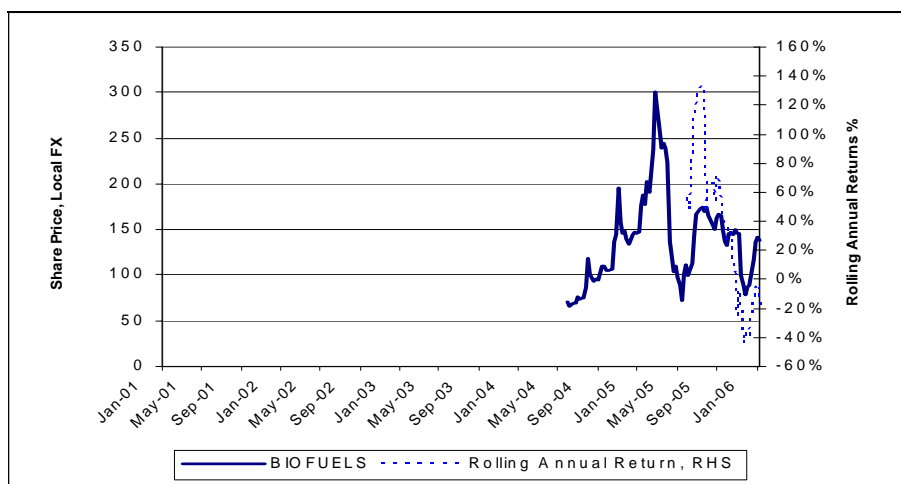
Source: Primark Datastream

Andritz is a diversified Austrian industrials group with four main activities. It supplies components and turnkey solutions for various applications in the pulp and paper (59% of 2004 sales and 70% of EBITA), steel (16% and 13%), environment (15% and 11%) and animal feed (7% and 2%) industries. Growth in pulp and paper as well as steel is driven by production ramp-ups in low-cost regions, such as Latin America and China (35% of 2004 sales), legislation and basic material capex in environment, as well as renewable energies³. Andritz's environment business (15%) profits from basic-material-related strength and legislation, while its feed unit (7%) benefits from the biofuel boom⁴.

Biofuels Corporation plc

Chart 6: Biofuels Corporation plc

Not covered



Source: Primark Datastream

³ Source: UBS Research Web.

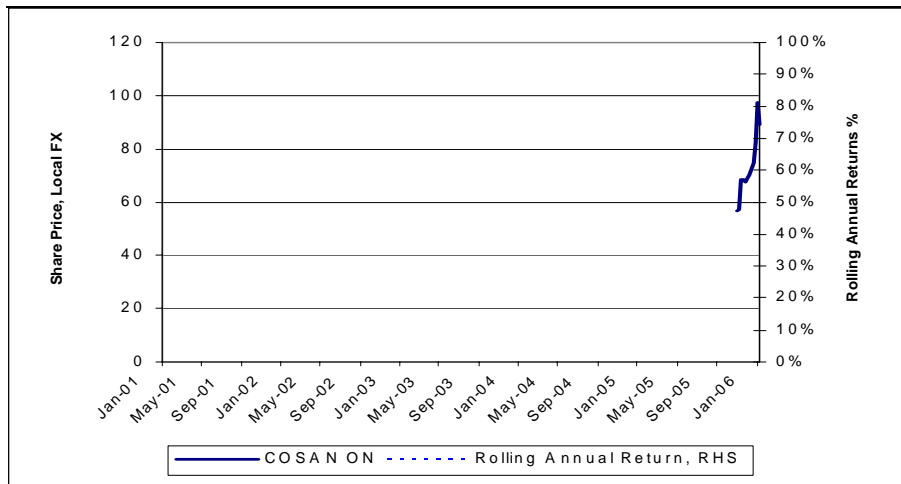
⁴ Andritz. Turning Pulp into Profit. Sven Weier, 12 January 2006.

The main activity is the large-scale production and exploitation of biodiesel and glycerine following the construction and commissioning of the initial plant. Biodiesel is produced from vegetable oils and can make a significant contribution towards reducing greenhouse gases. (Source: company website.)

Cosan

Chart 7:

not covered



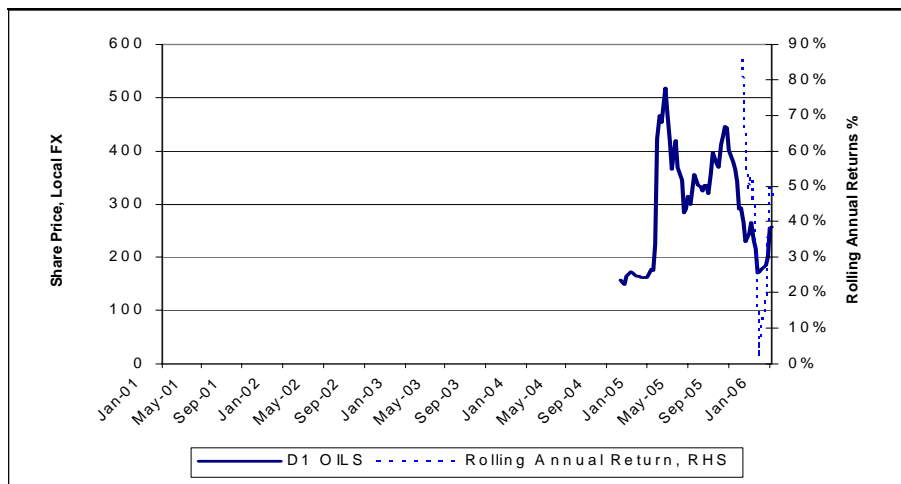
Source:

COSAN is one of the world’s largest producers of sugar and ethanol. The Company cultivates harvests and processes sugarcane – the main raw material used to produce sugar and ethanol. (Source: company website.)

D1 Oils

Chart 8: D1 Oils

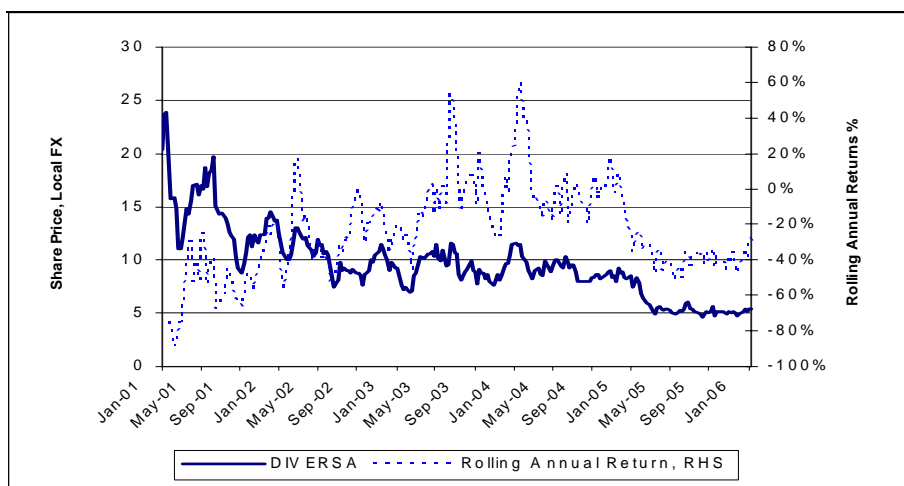
Not covered



Source: Primark Datastream

D1's objective is to become a global, sustainable producer of competitively priced biodiesel, by building a global portfolio of planting and refining operations. D1’s chosen biodiesel feedstock is Jatropha Curcas. (Source: company website.)

Diversa
Chart 9: Diversa

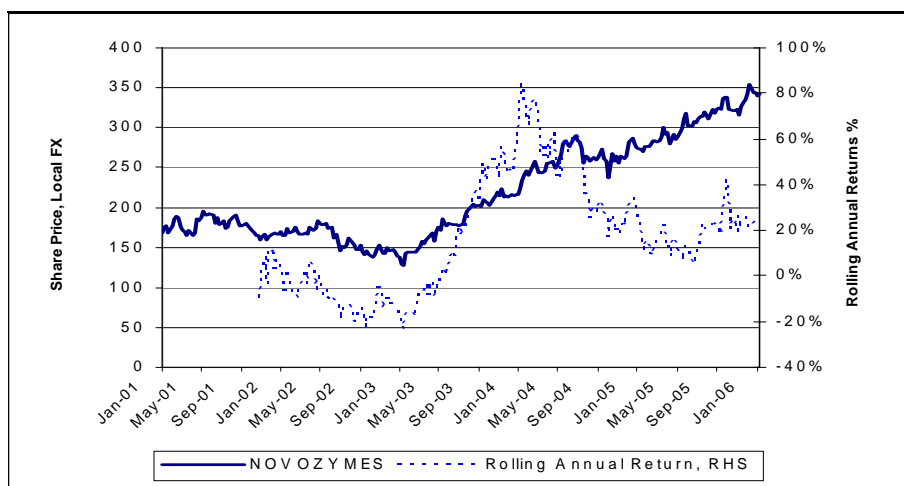


Source: Primark Datastream

Diversa discovers and develops novel enzymes and other biologically active compounds from diverse environmental sources. The company's technologies develop genes that provide product solutions for the pharmaceutical, agricultural, chemical processing, and industrial markets. Diversa collaborates with a number of leading companies in product development and marketing. The company also holds a large library of proprietary genes and enzymes that can be used in the development of future products. (Source: UBS Research Web⁵.)

UBS Analyst: Jeffrey Cianci Tel No +1 203 719 6011, Frank Rybinski, CFA Tel No +1 203 719 6013

Novozymes
Chart 10: Novozymes



Source: Primark Datastream

Enzymes represent a major cost in the production of fuel ethanol but the economics have improved significantly. Ethanol from starch sources is competitive with oil at cUS\$50. Demand for fuel ethanol could grow to over 7

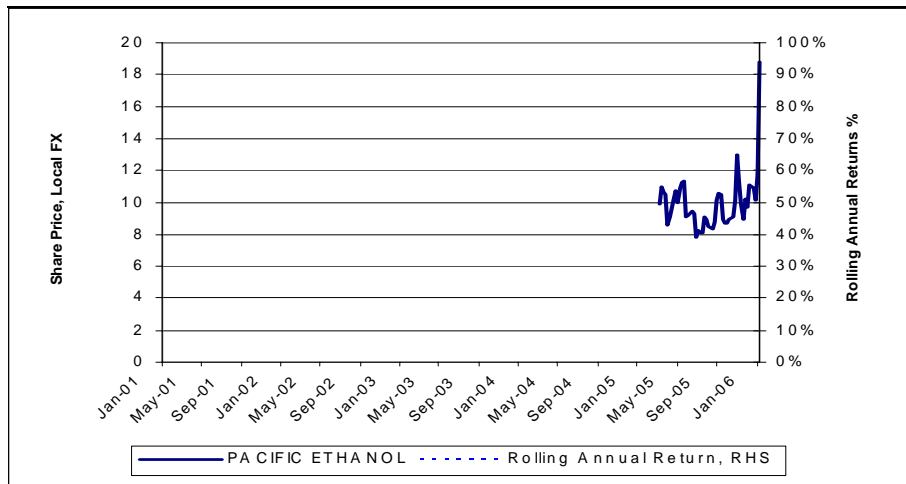
UBS Analysts: Fabian Wenner +411 239 1683, Thomas Gilbert +44 20 7567 9227.

⁵ See also: Diversa Corp. Downsizing Should Mean Faster Profits. Jeffrey Cianci, Frank Rybinski, CFA. 6 January 2006.

billion gallons by 2007, and 14bn g by 2012. Large-scale commercialization of technology to convert biomass to ethanol will be needed; in our view this affords Novozymes potential upside⁶.

Pacific Ethanol
Chart 11: Pacific Ethanol

Not covered

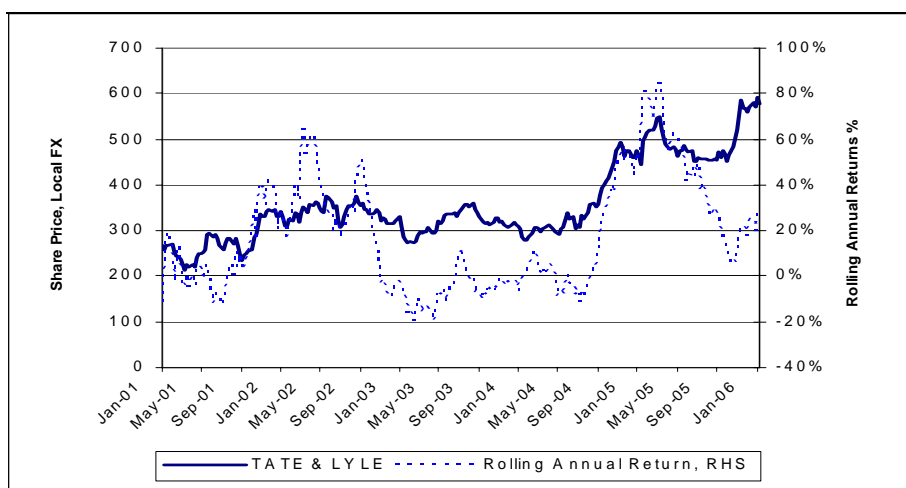


Source: Primark Datastream

Pacific Ethanol produces and sells alternative fuels and their by-products. The fuel business is currently focused on corn-derived ethanol, which can be used as a fuel additive, a fuel itself, a component of hydrogen fuel cells, or as a component in livestock feed. (Source: company website.)

Tate and Lyle
Chart 12: Tate & Lyle

UBS Analysts: Alan Erskine +44 20 7568 4395, Eva Quiroga +44 20 7568 7519, Polly Barclay +44 20 7568 8829.



Source: Primark Datastream

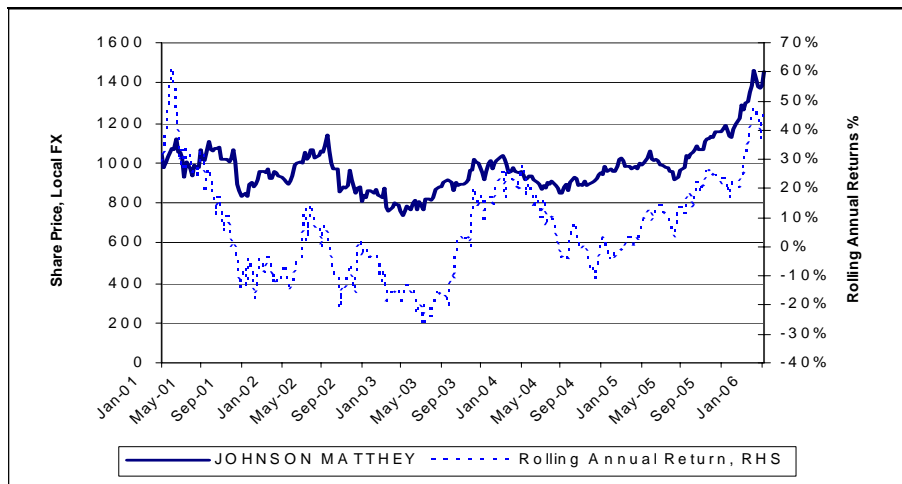
⁶ Need to Know-Energy, The Energy Debate. Paul Rix, Paul et al, 30 August 2005.

Involved in relatively low value-added and energy intensive grain processing, Tate & Lyle is to an extent exposed to sharp movements in agri-commodity and energy prices. (Statement of Risk, as at 22nd December 2005⁷).

Fuel-Cell and Related

Johnson Matthey

Chart 13: Johnson Matthey



Themis Themistocleous. Tel +44 20 7568 1955

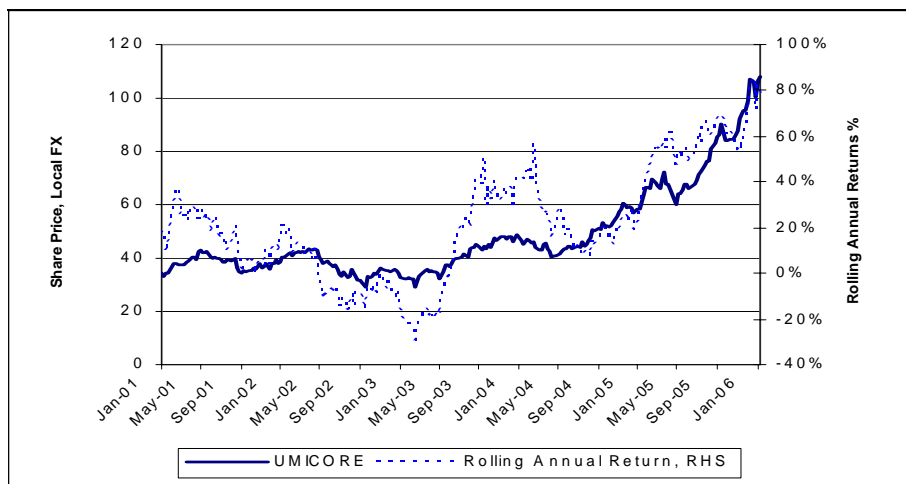
Source: Primark Datastream

Johnson Matthey is an advanced materials technology company which specialises in adding value to precious metals. Across its varied businesses it enjoys many market leading positions, particularly in auto catalysts, where growth is being driven by low emission environmental legislation. Long-term hopes ride on the commercialisation of fuel cells for autos, residences and consumer goods. (Source: UBS Research Web)

⁷ Tate and Lyle, Rating Downgraded to Reduce 2. 22 December 2005.

Umicore
 Chart 14: Umicore

Themis Themistocleous. Tel +44 20 7568 1955

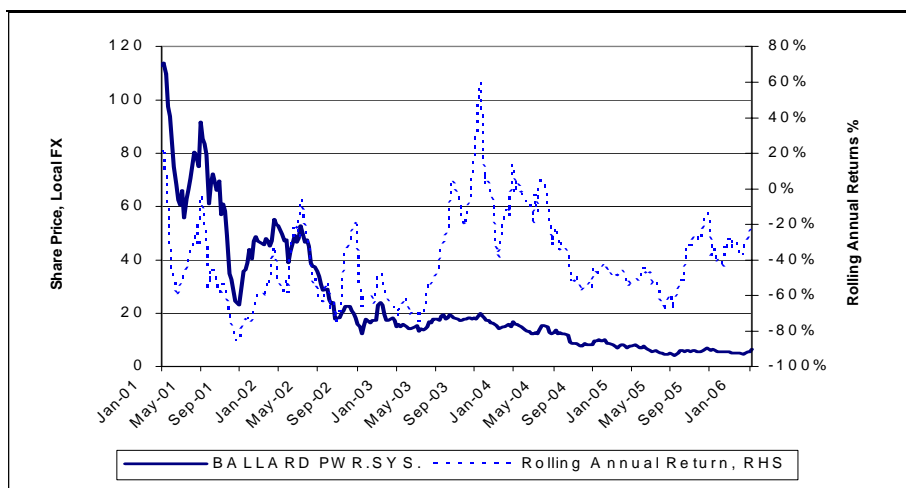


Source: Primark Datastream

Umicore is an international materials group. Following the acquisition of PMG on 31 July 2003, its activities are centred on four business areas: Precious Metals Services, Precious Metals Products and Catalysts, Advanced Materials, and Zinc. The Precious Metals and Advanced Materials businesses are now the primary contributors to group earnings. (Source: UBS Research Web)

Ballard Power Systems
 Chart 15: Ballard Power Systems

Not covered

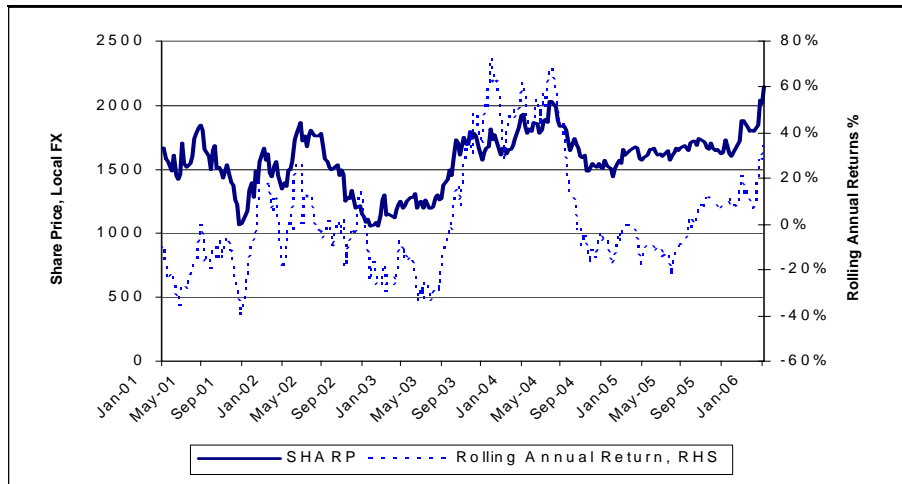


Source: Primark Datastream

Ballard Power Systems designs, develops and manufactures zero-emission proton exchange membrane (PEM) fuel cells. Ballard is commercializing fuel cells for the transportation market and electric drives for both fuel cell and battery-powered electric vehicles; and power electronics and fuel cells for both portable and stationary power generation markets. (Source: company website.)

Solar and Related

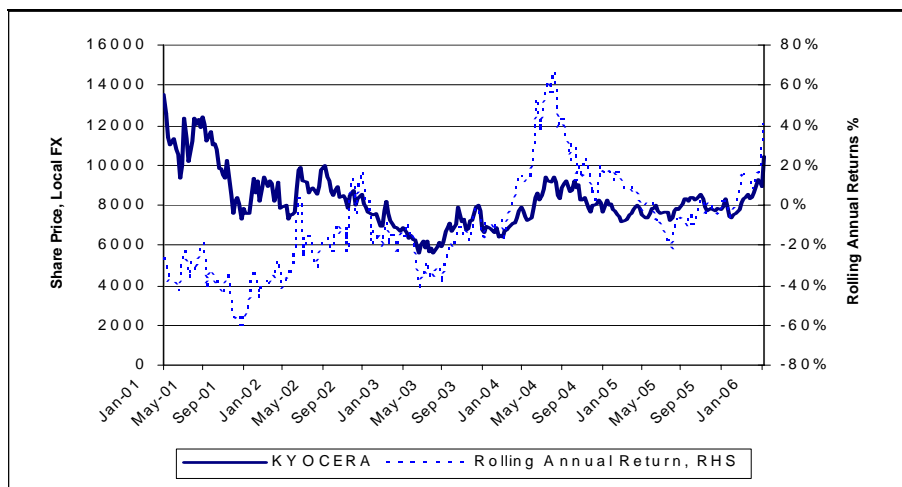
Sharp
Chart 16: Sharp



Source: Primark Datastream

Solar cells contributed 8% of operating profit in FY04. Sharp holds the top share of the global solar cell market at 27%. Consequently, it looks to be in a strong position to procure polysilicon, for which supplies are currently tight⁸.

Kyocera
Chart 17: Kyocera



Source: Primark Datastream

Applied ceramics (where photovoltaics, solar cells, and modules are a significant activity) accounts for 8% of sales⁹. UBS on earnings:¹⁰: H1 OP was ...revised down for all areas except fine ceramics and IT equipment. Kyocera cited price falls for electronic parts, and high silicon costs for solar cells.

⁸ See Sharp, Solar Cell Business Briefing, 13th July 2005.

⁹ Kyocera's year-end report, fiscal 2005. p. 9

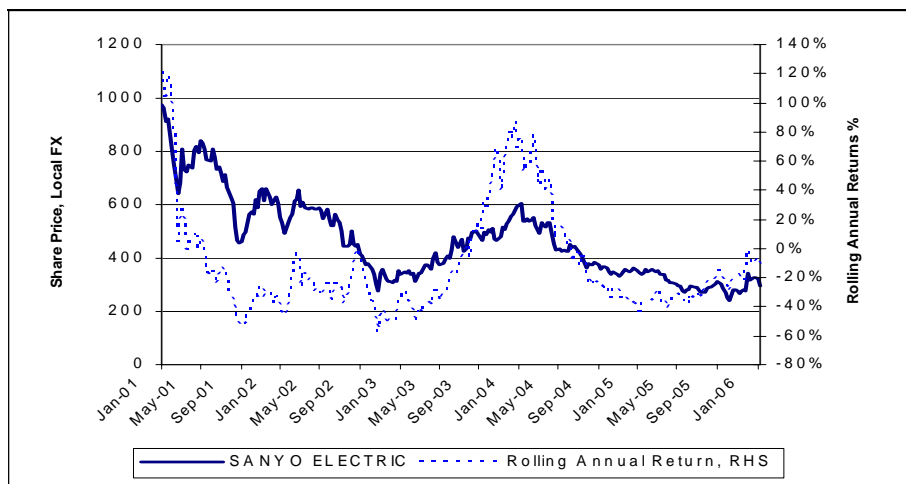
¹⁰ Kyocera (6971). Basic view unchanged, still issues to resolve. Fumihide Goto, 27 Oct 2005.

UBS analyst Fumio Osanai +813 5208 6211, Yuka Mitsuhata +813 5208 6271

Fumihide Goto. +813 5208 6265

Sanyo Electric
Chart 18: Sanyo Electric

Fumio Osanai. +813 5208 6211

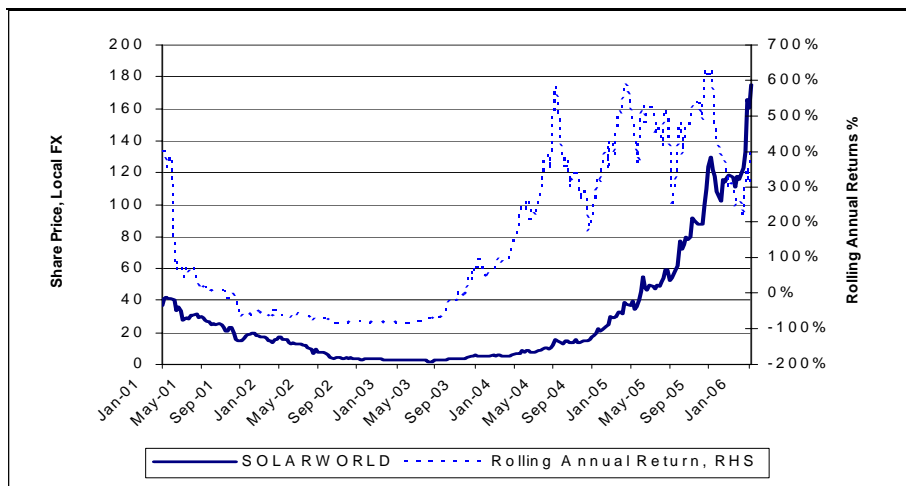


Source: Primark Datastream

UBS analyst comments¹¹ “For Sanyo to revive, a combination of thorough restructuring and capital reinforcement we consider essential.....[including] a shift in operational resources in favour of the rapidly growing component operations, centring on the battery unit (lithium ion batteries, HV batteries, and solar batteries)...”

Solarworld
Chart 19: Solarworld

Not covered



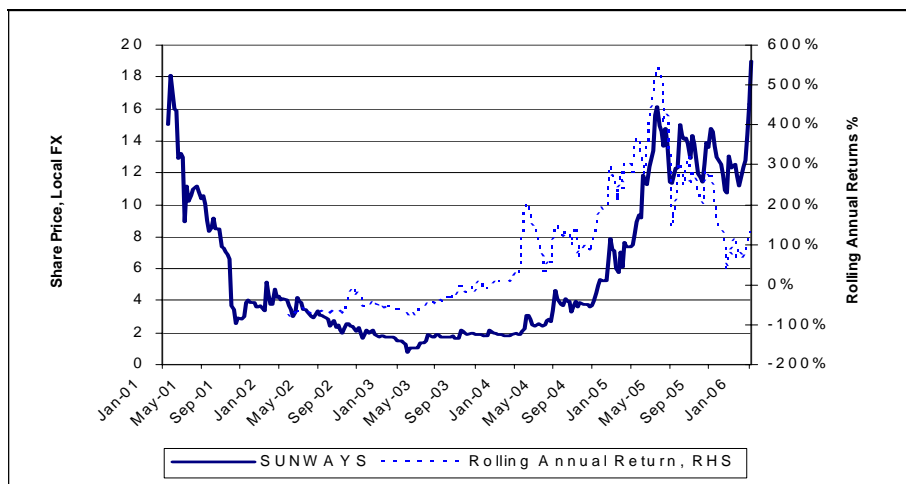
Source: Primark Datastream

Solarworld manufactures a wide variety of solar (photovoltaic) powered products for educational, consumer, electronic and custom OEM markets. (Source: company website.)

¹¹ Sanyo Electric (6764). Downside risk to the share price. Fumio Osanai. 12 October 2005.

Sunways
Chart 20: Sunways

Not covered

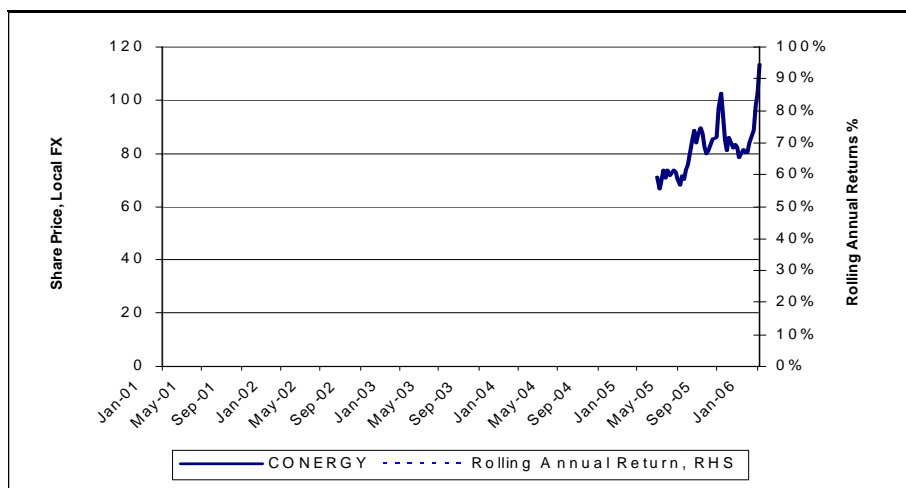


Source: Primark Datastream

Sunways develops and produces of silicon-based high-performance solar cells and solar inverters. In addition to consultancy services, planning, implementation and delivery of large and small photovoltaic systems for project sponsors as well as wholesaling and electrical appliances trading, a subsidiary markets Sunways products. (Source: Company website)

Conergy
Chart 21:

Not covered

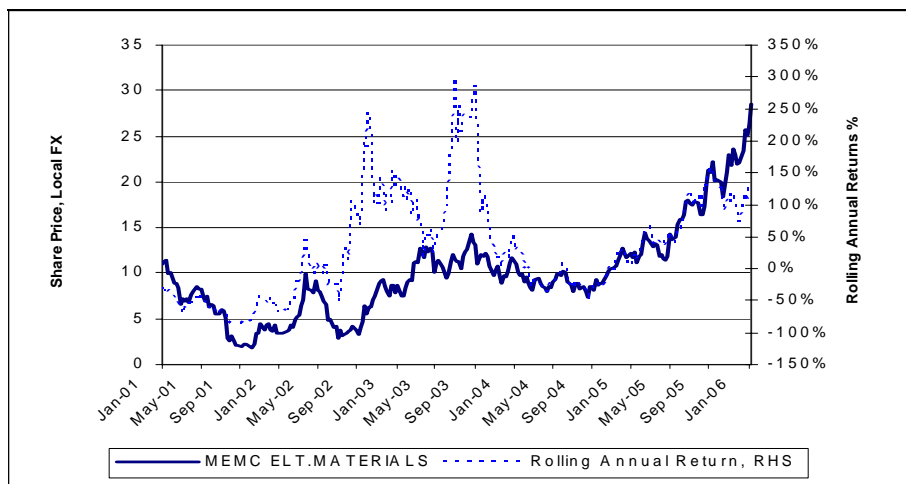


Source: Primark Datastream

Photovoltaic products: photovoltaic modules, mounting systems, off-grid inverter, grid-connected Inverter. Solar thermal products: flat plate collectors, control units, pump assemblies, storage tanks, additional components, complete systems. Business units: Development, Manufacturing, Sales and Services; Wholesale; Engineering; Projects. (Source: Company website)

MEMC Electronic
Chart 22: MEMC Electronic

Stephen Chin +1 212 713 4111. Marisa Hernandez, CFA. +1 212 713 4086

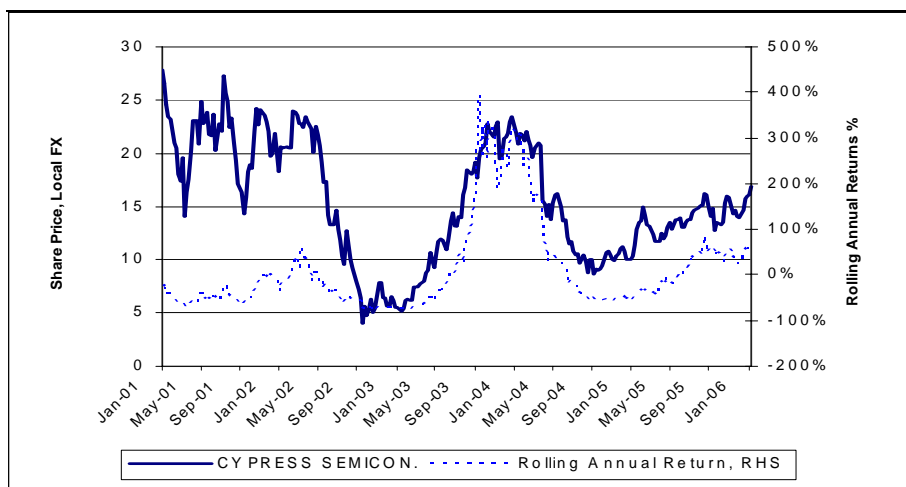


Source: Primark Datastream

MEMC is the number-four supplier of polysilicon (roughly 15% market share), where the supply bottleneck is. We expect MEMC to benefit from higher silicon wafer prices in the first quarter of 2006 and would welcome a strategic decision to enter the solar wafer market through a partnership¹².

Cypress Semiconductor
Chart 23: Cypress Semiconductor

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Source: Primark Datastream

CY retains 87% of the SPWR IPO, at current market levels representing approx. \$10 per share. We expect considerable volatility in this stock as its solar cell production ramps and energy prices swing¹³.

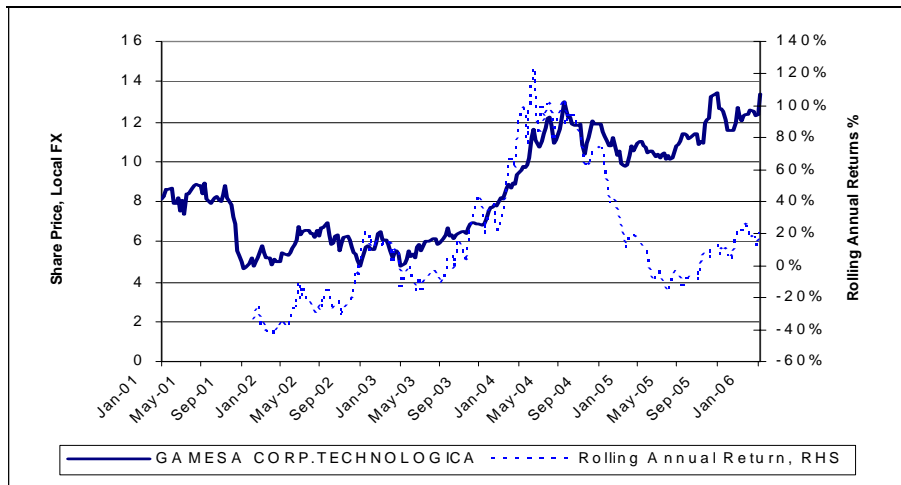
¹² Sector Comment. Semiconductor Capital Equipment. Investigating the Impact of Solar Energy Demand for Polysilicon. Stephen Chin, Marisa Hernandez. 2 November 2005

¹³ Cypress Semiconductor. Downgrading to Neutral 2 Due to Cycle Concerns. Alex Gauna, Steven Chin. 6 December 2005.

Wind and Related

Gamesa

Chart 24: Gamesa

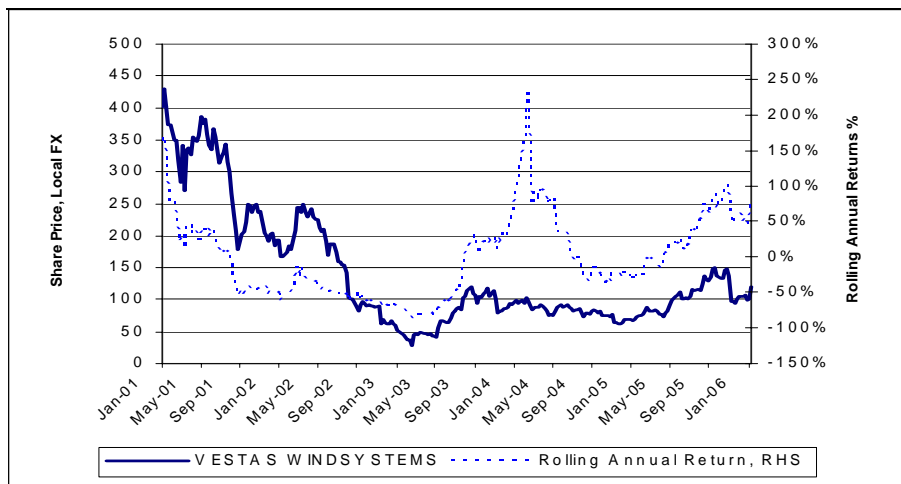


Source: Primark Datastream

Gamesa is involved in the renewable energy and aeronautic businesses - areas that are expected to expand rapidly on the back of continued legislative and regulatory support, technological improvements and the wider usage of wind farms for electricity production. (Source: UBS Research Web)

Vestas Wind Systems

Chart 25: Vestas Wind Systems



Source: Primark Datastream

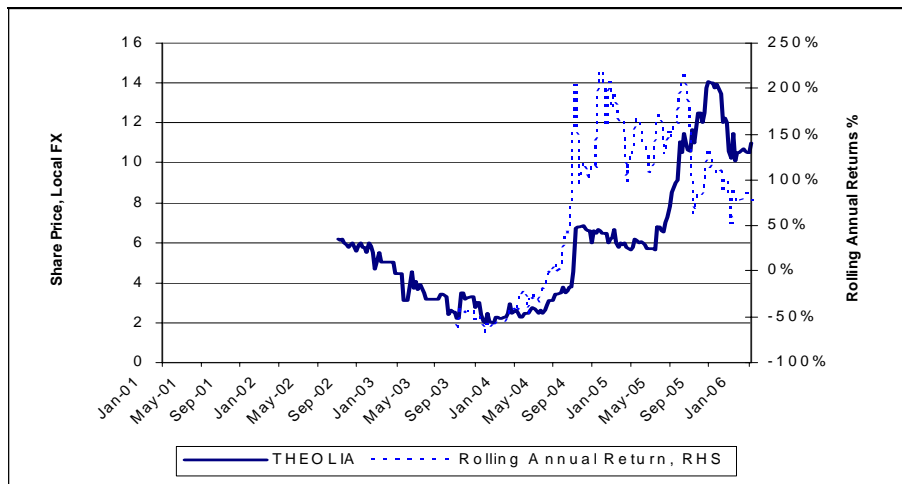
Vestas is the world's largest manufacturer of wind turbines, with a c35% market share. Double-digit growth has been achieved not only by technological advances, but also because of strong political backing through subsidies for 'green' energy. Main competitors: Enercon (Germany), GE/Enron (US), Gamesa (Spain), Bonus (Denmark) and Nordex (Germany). (Source: UBS Research Web)

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9624, Frederik Liljewall, tel +44 20 7567
5364

Theolia
Chart 26: Theolia

Not covered

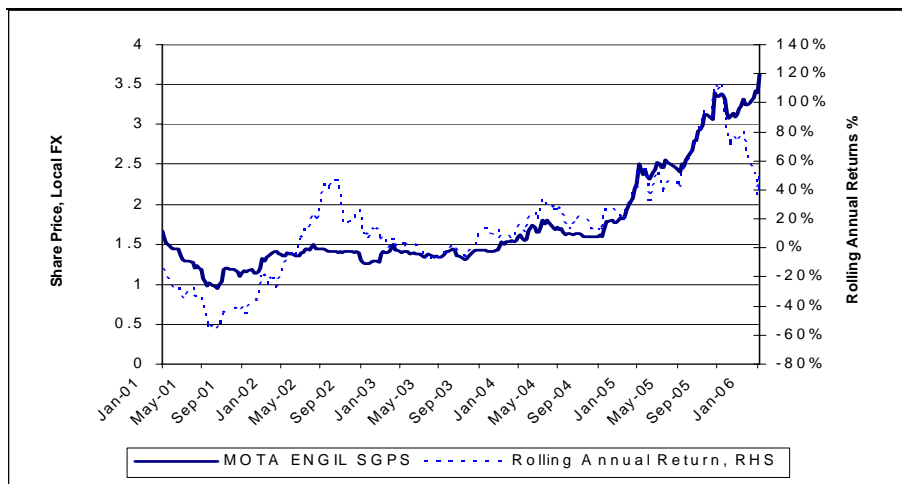


Source: Primark Datastream

Theolia designs, develops, promotes and operates plants using renewable energy sources, in particular wind power. (Source: company website.)

Mota Engil
Chart 27:

Borja Castro +34 91 436 9013, Pedro
Baptista +351 22 617 2404



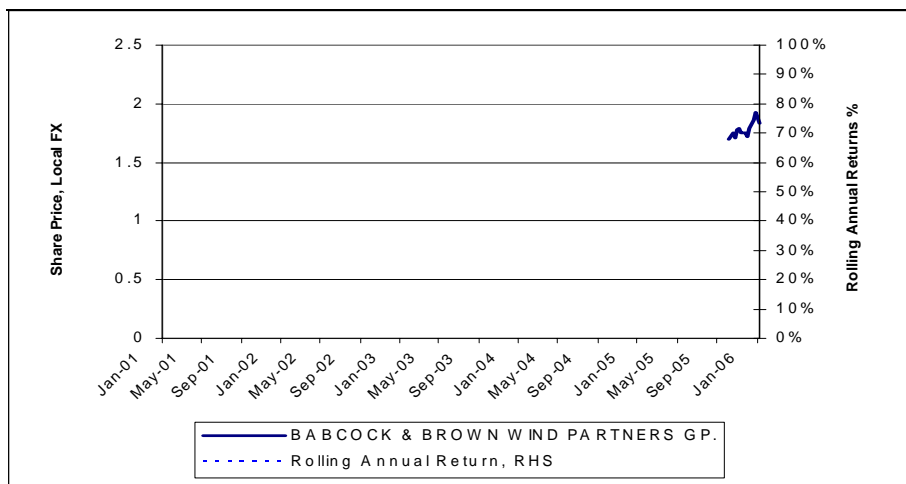
Source:

Mota-Engil SGPS (Mota) has been Portugal's largest contractor since the merger of Mota and Engil was completed in 2000. As has been the case with other Iberian contractors, Mota has been diversifying into other businesses, including environmental services, real estate and transport concessions. (Source: UBS Research Web)

Babcock & Brown Wind Partners

Chart 28: Babcock & Brown Wind Partners

Craig Stafford CFA +612 9324 2277,
Scott Kelly CFA +612 9324 2068.



Source: Primark Datastream

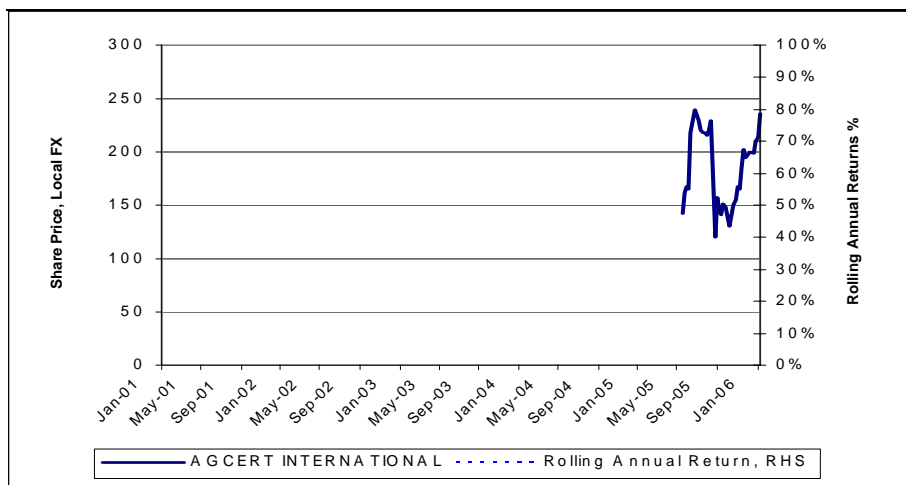
Babcock & Brown Wind Partners (BBW) is a specialist wind energy generation investment fund. BBW's initial portfolio of 15 wind farms consists of 672MW of capacity throughout Australia, Spain, Germany and the US. BBW is externally managed by Babcock & Brown Infrastructure Management, a subsidiary of Babcock & Brown. (Source: UBS Research Web)

Miscellaneous

Agcert

Chart 29: Agcert

Not covered

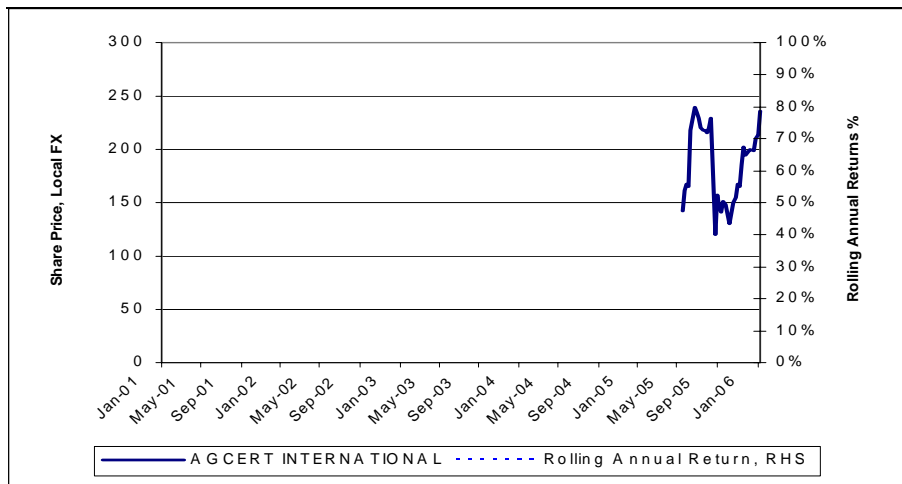


Source: Primark Datastream

AgCert International (AgCert™) is a leader in the production and sale of agriculturally derived greenhouse gas (GHG) emission reductions. Headquartered in Dublin, Ireland, AgCert was founded to generate emission reductions from livestock farms to reduce the adverse impacts of greenhouse gas (GHG) emissions related to global warming and climate change. The GHG emission reductions are pooled and sold to industrial emitters, governments, funds and energy traders. (Source: company website.)

Headwaters
Chart 30: Headwaters

Not covered

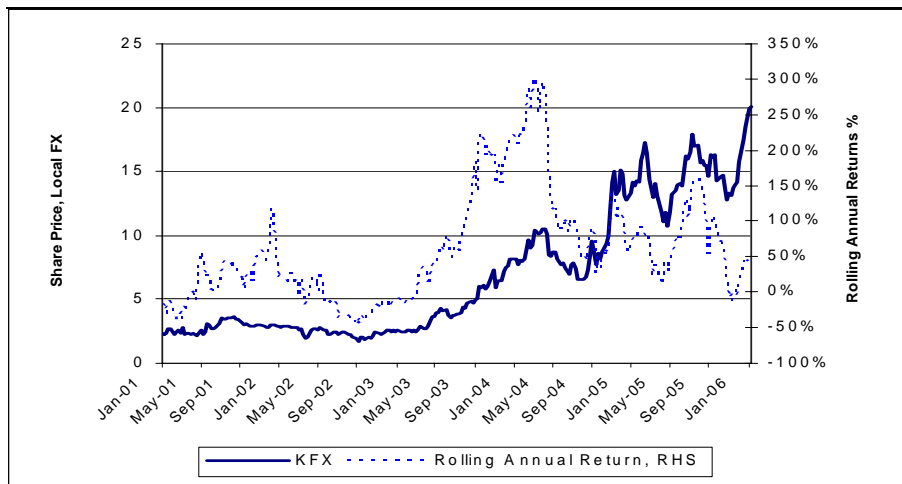


Source: Primark Datastream

Headwaters Inc. specialises in improving processes that generate or consume energy or improving building materials from an environmental perspective. Four divisions: Energy Services, Resources, Construction Materials and Technology Innovations. (Source: company website.)

KFX
Chart 31: KFX

Not covered

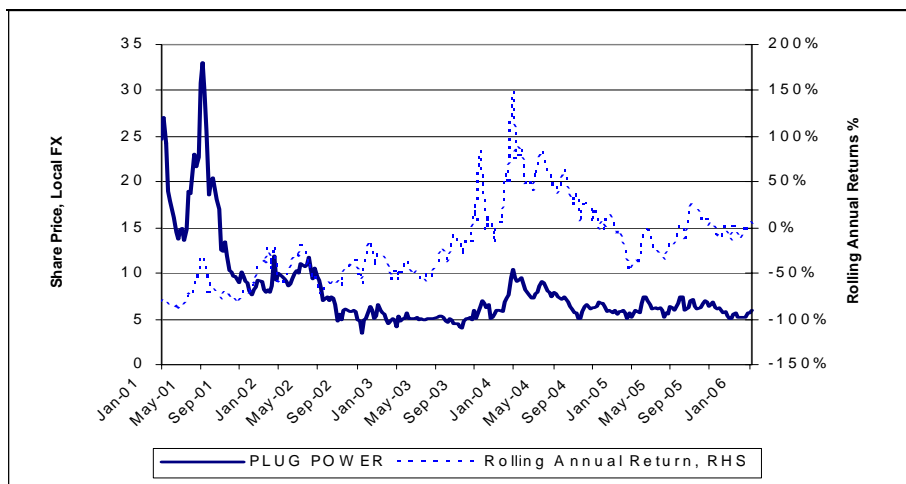


Source: Primark Datastream

KFX's fuel technology enriches & upgrades western coal & lignite into high-Btu, low-emission, low-moisture coal, enabling electricity generators to boost power plant efficiency. (Source: company website.)

Plug Power
Chart 32: Plug Power

Not covered

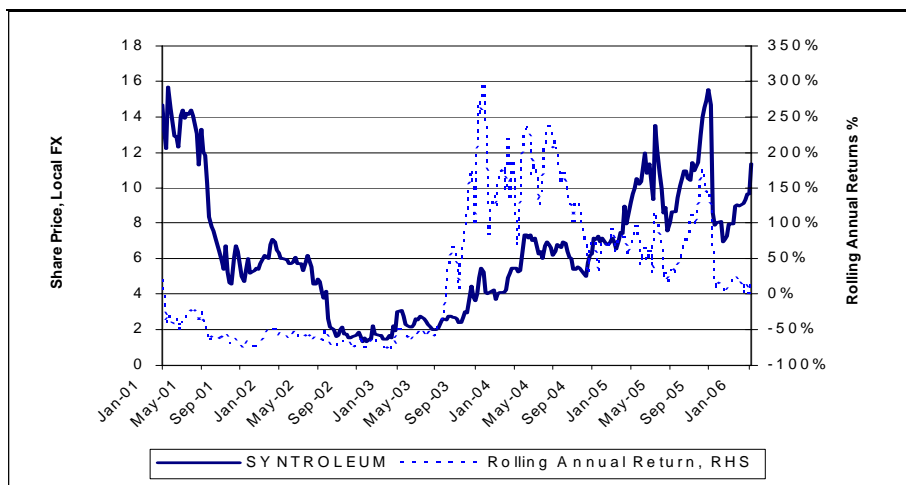


Source: Primark Datastream

Plug Power Inc. specialises in the deployment of clean, reliable, on-site energy products. (Source: company website.)

Syntroleum
Chart 33: Syntroleum

Not covered



Source: Primark Datastream

Syntroleum Corporation is in the business of monetizing remote and/or stranded natural gas. It is the developer, user and licensor of the Syntroleum Process, a proprietary process for converting natural gas (or synthesis gas from coal) into synthetic liquid hydrocarbons - a process general known as gas-to-liquids (GTL) technology. (Source: company website.)

■ **Statement of Risk**

x

■ **Analyst Certification**

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UBS rating	Definition	UBS rating	Definition	Rating category	Coverage ¹	IB services ²
Buy 1	FSR is > 10% above the MRA, higher degree of predictability	Buy 2	FSR is > 10% above the MRA, lower degree of predictability	Buy	40%	35%
Neutral 1	FSR is between -10% and 10% of the MRA, higher degree of predictability	Neutral 2	FSR is between -10% and 10% of the MRA, lower degree of predictability	Hold/Neutral	50%	31%
Reduce 1	FSR is > 10% below the MRA, higher degree of predictability	Reduce 2	FSR is > 10% below the MRA, lower degree of predictability	Sell	11%	30%

1: Percentage of companies under coverage globally within this rating category.

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

Source: UBS; as of 31 December 2005.

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% (an approximation of the equity risk premium).

Predictability Level 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.

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Rating/Return Divergence (RRD) This qualifier is automatically appended to the rating when stock price movement has caused the prevailing rating to differ from that which would be assigned according to the rating system and will be removed when there is no longer a divergence, either through market movement or analyst intervention.

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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; Reduce: Negative on factors such as structure, management, performance record, discount.

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Companies mentioned

Company Name	Reuters	Rating	Price	Price date/time
Abengoa	ABG.MC	Buy 2 (RRD)	€15.20	31 Jan 2006 23:44 GMT
Andritz	ANDR.VI	Buy 1	€94.63	31 Jan 2006 23:44 GMT
BBW ^{2a,4a,5,13}	BBW.AX	Neutral 1	A\$1.83	31 Jan 2006 23:42 AEDT
Cypress Semicond. ^{4a,6,7,8,18}	CY.N	Neutral 2	US\$16.93	31 Jan 2006 19:40 EST
Diversa Corp. ¹⁸	DVSA.O	Buy 2	US\$5.39	31 Jan 2006 19:40 EST
Gamesa	GAM.MC	Neutral 2 (RRD)	€13.40	31 Jan 2006 23:44 GMT
Johnson Matthey ^{4b,18}	JMAT.L	Neutral 1 (RRD)	1,457p	31 Jan 2006 23:44 GMT
Kyocera ¹⁸	6971.T	Neutral 2	¥10,450	31 Jan 2006 23:38 JST
MEMC Electronic ^{2b,4b,18}	WFR.N	Buy 2	US\$28.58	31 Jan 2006 19:40 EST
Mota Engil ¹³	EGL.LS	Buy 2 (RRD)	€3.63	31 Jan 2006 23:44 GMT
Novozymes A/S	NZYMb.CO	Neutral 1	DKr341.50	31 Jan 2006 23:44 GMT
Sanyo Electric ²⁵	6764.T	Reduce 2	¥296	31 Jan 2006 23:38 JST
Sharp ^{4b,18}	6753.T	Buy 2 (UR)	¥2,145	31 Jan 2006 23:38 JST
Suzlon Energy	SUZL.BO	Neutral 2 (RRD)	Rs1,163.70	31 Jan 2006 23:40 HKT
Tate & Lyle ^{8,18}	TATE.L	Neutral 2	576p	31 Jan 2006 23:44 GMT
Umicore ^{2b,4a,13}	ACUMt.BR	Buy 1 (RRD)	€108.30	31 Jan 2006 23:44 GMT
Vestas Wind Systems ¹⁸	VWS.CO	Reduce 2	DKr121.00	31 Jan 2006 23:44 GMT

Source: UBS. AEDT: Australian eastern daylight time; EST: Eastern standard time; GMT: Greenwich mean time; HKT: Hong Kong time; JST: Japanese standard time.

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