UBS

Global Equity Research

Americas

Electric Components & Equipment

UBS Investment Research

MEMC Electronic Materials

Rating	Buy 2 *Unchanged*
Price target	US$27.00 *Unchanged*
Price	US$19.34

RIC: WFR.N BBG: WFR US

27 October 2005

Upbeat 4Q guidance reveals first signs of pricing power

■ Solid Sep-05 offset by revenue recognition policy change

MEMC reported sales of $288M (+5% q/q), which were in line with our estimate, on strong wafer unit growth (we estimate +6% q/q). Proforma EPS of $0.25 was below our $0.29 estimate, as MEMC deferred $7.3M in sales and $7.3M in gross profit from 3Q into 4Q due to a revenue recognition policy change for polysilicon sales.

■ Expect 3Q was the trough for blended price q/q declines

While MEMC reported that 3Q blended pricing was down q/q (we estimate less than 1% q/q), the company mentioned that the months of August and September saw pricing strengthen, and we have modeled a modest increase in 4Q pricing trends. We also note that the company's capacity utilization rates have increased to the low/mid 90% range from the mid to high 80% range last quarter.

■ No changes to estimates as polysilicon supply remains tight

Despite the revenue recognition change, our 2H05 EPS estimate is unchanged and our 2H05 sales estimate is slightly up, as 4Q sales were guided up 8-9% q/q. Given the company's update on evidence of firming prices, we made no changes to our 2006 estimates, which assume volume increases of 12% and average selling price increases of 4%.

■ Valuation: Maintain Buy 2 rating and $27 price target

Our PT is based on applying a 17x multiple to our CY06 EPS estimate of $1.60. WFR is trading at a 2006 PE of 12.1x, or a 37-45% discount to the 19-22x of its Japanese peers.

Highlights (US$m)	12/03	12/04	12/05E	12/06E	12/07E
Revenues	781	1,028	1,135	1,336	-
EBIT	143	259	299	456	-
Net income (UBS)	117	225	313	374	-
EPS (UBS, US$)	0.53	0.90	1.10	1.60	-
Net DPS (UBS, US$)	0.00	0.00	0.00	0.00	-
Profitability & Valuation	**5-yr hist. av.**	**12/04**	**12/05E**	**12/06E**	**12/07E**
EBIT margin %	-3.7	25.2	26.3	34.1	-
ROIC (EBIT) %	-3.6	58.4	48.0	59.4	-
EV/EBITDA x	18.2	7.3	12.0	8.1	-
PE (UBS) x	-7.3	10.5	17.7	12.1	-
Dividend yield %	0.0	0.0	0.0	0.0	-

Source: Company accounts, Thomson Financial, UBS estimates. UBS adjusted EPS is stated before goodwill-related charges and other adjustments for abnormal and economic items at the analysts' judgement.

Valuations: based on an average share price that year, (E): based on a share price of US$19.34 on 26 Oct 2005 19:56 EDT

Stephen Chin
Analyst
stephen.chin@ubs.com
+1-212-713 4111

Marisa Hernandez, CFA
Associate Analyst
marisa.hernandez@ubs.com
+1-212-713 4086

Trading data

52-wk. range	US$23.39-9.40
Market cap.	US$4.04bn
Shares o/s	209m
Free float	37%
Avg. daily volume ('000)	2,419
Avg. daily value (US$m)	46.4

Balance sheet data 12/05E

Shareholders' equity	US$0.73bn
P/BV (UBS)	6.0x
Net cash (debt)	US$0.05bn

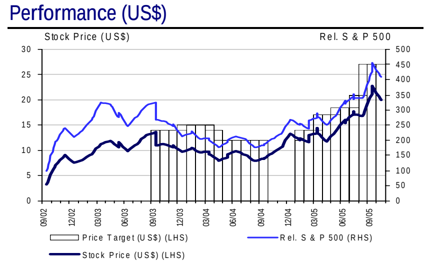
Forecast returns

Forecast price appreciation	+39.6%
Forecast dividend yield	0.0%
Forecast stock return	+39.6%
Market return assumption	9.4%
Forecast excess return	+30.2%

EPS (UBS, US$)

	12/05E			12/04
	From	To	Cons.	Actual
Q1	0.23	0.23	*0.23*	0.16
Q2	0.26	0.26	*0.26*	0.20
Q3	0.29	0.25	*0.29*	0.27
Q4E	0.32	0.35	*0.32*	0.27
12/05E	1.10	1.10	*1.10*	
12/06E	1.60	1.60	*1.42*	

Performance (US$)



Source: UBS

www.ubs.com/investmentresearch

This report has been prepared by UBS Securities LLC

ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 8

Solid Sep-05 results with further improvements likely in Dec-05

MEMC's 3Q sales of $288.3M were up 4.7% q/q and was at the high end of the company's guidance for a 3% to 5% q/q increase to a range of $284M-$289M. Strength in the quarter was from wafer sales, which we estimate were up 6% q/q and comprised 91% of total sales. The company mentioned that sales of polysilicon and solar ingots were about $25M in the quarter, which we estimate were down 6% q/q and represented the remaining 9% of total sales.

The company reported that due to a change in their revenue recognition policy, $7.3M of polysilicon sales and $7.3M of polysilicon gross margin had to be deferred from 3Q05 into 4Q05. The company mentioned that this was due to situations where a polysilicon customer places multiple independent orders in a short timeframe with different pricing arrangements and different delivery periods. In this case, the polysilicon prices have to be averaged over all of the orders. The revenue deferral occurs as a result of averaging.

The company's guidance for 3Q05 was a 7.5% to 8.6% q/q increase in sales (range of $310M to $313M). We are estimating 4Q05 blended unit growth of 8% (about +6% for semiconductor wafer unit growth) and average selling prices to increase 0.3% q/q. We also note that 4Q05 will benefit from a full quarter of 300mm sales from MEMC's facility located in Taisil, Taiwan. Given the deferral of $7.3M of revenue and $7.3M of gross profit into 4Q, we have modeled sales of $313M and proforma EPS of $0.35 with gross margin of 39.5% and operating margin of 30.2%.

Table 1: MEMC – Quarterly Results from Operations

Million $	3Q 04	4Q 04	1Q 05	2Q 05	3Q 05	4Q 05E Guidance
Sales	$275.3	$268.4	$257.9	$275.4	$288.3	$310M to $313M
Sequential Change	7.7%	-2.5%	-3.9%	6.8%	4.7%	7.5% to 8.6%
Gross Margin $'s	$110.7	$98.2	$93.3	$100.4	$101.3	
Gross Margin %	40.2%	36.6%	36.2%	36.5%	35.1%	39%
SG&A	-$17.8	-$19.2	-$18.2	-$18.3	-$18.1	Opex of $29M
R&D	-$9.4	-$10.4	-$11.4	-$11.0	-$13.9	
Operating Income $	$83.6	$68.6	$63.7	$71.1	$69.2	
Operating Income %	30.4%	25.6%	24.7%	25.8%	24.0%	Implied OM: 29.7%
EBITDA $'s	$95.0	$80.2	$77.1	$85.4	$84.0	
EBITDA Margin %	34.5%	29.9%	29.9%	31.0%	29.1%	
Proforma EPS	$0.27	$0.27	$0.23	$0.26	$0.25	

Source: Company Reports

Proforma EPS of $0.25 was lower than our $0.29 estimate and was caused by a 140 bps decrease in gross margin to 35.1%. The lower than expected proforma EPS was due mostly to the deferral of the $7.3M in revenue and gross profit, and to a 9% q/q increase in total operating expenses. All of the costs to manufacture the $7.3M in polysilicon sales was still recognized in 3Q05; hence the lower than expected gross margin. The other negative impact to EPS in 3Q was MEMC's R&D spending which was up 9% from $11.0M to $13.9M as the company made a strategic decision mid quarter to purchase additional equipment for its SOI (silicon on insulator) technology development. This led operating margin to decrease to 24.0%, which was 180bps lower q/q. Given the deferral of $7.3M of revenue and $7.3M of gross profit into 4Q, we have modeled proforma EPS of $0.35 with gross margin of 39.5% and operating margin of 30.2%.

Had MEMC been able to recognize the $7.3M in deferred polysilicon sales in 3Q05, we estimate gross margin in 3Q05 would have been 36.7%, operating margin would have been 25.9% and EPS would have likely been about $0.28.

Table 2: MEMC – Q3 Results and Q4 Guidance Adjusted for Revenue Deferred to Q4

Million $	3Q 05 Adjusted	4Q 05E Guidance Adjusted
Sales	$295.6	$302.7M to $305.7M
Sequential Change	7.3%	2.4% to 3.4%
Gross Margin $'s	$108.6	
Gross Margin %	36.7%	37.5%
Operating Income $	$76.5	
Operating Income %	25.9%	Implied OM of 28.0%

Source: UBS estimates

In 3Q05, MEMC incurred additional costs related to Hurricane Rita, as the company had to shut down its Pasadena, Texas facility for about 4 days (time during which employees continued to earn their salaries, and some operating costs were incurred). However, the company reported that it was able to offset these costs by generating operational savings in other items.

During the quarter, the company recorded one-time earnings of $0.18 per share, as it benefited from a $0.19 per share tax credit (reversal of tax valuation allowances), and had a one-time expense of $0.01 (unamortized costs of the terminated lines of credit in 2Q05). As a result of the extraordinary gain of $0.18 per share, GAAP EPS was reported at $0.43.

For 2006, the company guided to an effective tax rate of 25 to 30%. We believe MEMC should be able to report lower effective tax rate, given the $175M of deferred tax assets that the company has in its balance sheet. As a result, we are modeling an effective tax rate of 17% for 2006.

We note that MEMC announced that it will be restating GAAP EPS numbers for the first two quarters of 2005. Most of the restatement has to do with the one-time tax credit that MEMC reported in 1Q05, which is expected to reduce 1Q GAAP EPS by $0.08. Because we exclude one-time benefits (and charges) from our pro-forma EPS calculations, the restatement of 1Q05 tax credit should not affect our 1Q05 proforma EPS estimate of $0.23 or our 2005 EPS estimate of $1.10. MEMC added that it also expects to include in its restatement the change in its revenue recognition practices related to polysilicon shipments; however the company does not expect this to materially affect reported revenues or operating income for 1H05.

First Signs of Pricing Strengthening

We estimate that MEMC's 3Q05 q/q sales growth of 4.7% was due to a 5% q/q growth in blended volumes (6% growth in wafer volumes, offset by a 6% decline in polysilicon volumes), and a 0.3% decrease in wafer blended average selling prices. However, the company did mention that while semiconductor wafer prices declined in the month of July, the pricing environment strengthened in the months of August and September, when prices were flattish. We have modeled a 0.5% q/q blended average selling price increase in 4Q05 followed by a 2% increase in 1Q06. We note that about 40% of the company's wafer contracts will start the renewal process at the end of November and early December and we continue to expect MEMC to raise prices given the continued shortage of polysilicon. We believe that the company had multiple customer requests in 3Q05 from those who typically have 3-month wafer contracts with MEMC, asking for extended terms in the order of 9-month contracts. This compares to only 1 customer example in 2Q05. We continue to view this as a key leading indicator that the likely price increases can show up in early 2006.

Table 3: MEMC – Sales Breakdown Estimates

	2004	1Q 05	2Q 05	3Q 05	4Q 05E	2005E	1Q 06E	2Q 06E	3Q 06E	4Q 06E	2006E
Sales ($M)	1,028.0	257.9	275.4	288.3	313.0	1,134.5	316.1	329.4	341.3	349.1	1,335.9
% Change		-3.9%	6.8%	4.7%	8.6%	10.4%	1.0%	4.2%	3.6%	2.3%	17.8%
Shipment estimate (MSI)	870	211	228	239	259	938	256	262	267	272	1,056
% Change		-2.0%	7.9%	5.0%	8.0%	7.8%	-1.0%	2.2%	2.0%	1.8%	12.7%
ASP estimate ($/Sq.Inch)	1.18	1.22	1.21	1.20	1.21	1.21	1.23	1.26	1.28	1.28	1.26
% Change		-2.0%	-1.0%	-0.3%	0.5%	2.4%	2.0%	2.0%	1.5%	0.5%	4.5%

Note: MEMC does not provide shipments or ASP data. All of the shipment and ASP data shown are UBS's estimates.
Source: Company reports and UBS estimates.

In addition, the company indicated that its capacity utilization rates for both its 200mm and 300mm lines improved sequentially. We estimate that 300mm capacity utilization rates are in the mid 95% range while the 200mm capacity utilization rates are slightly slower than that in the low 90% range. Historically, the company has seen a step function increase in price, when utilization rates reached the mid 90% level. Given the ongoing shortage of polysilicon, which continues to remain booked at 100%, we expect this threshold to be lower than that historical trigger point.

We expect the shortage of polysilicon to continue, due to increased demand from solar panel companies, thus leading to increased pricing power for MEMC that likely shows up in MEMC's financials in early 2006.

Expect a further update on the solar opportunity by 2Q06

The company quantified that sales of polysilicon and ingots to its solar customers were about $25M in 3Q05. If the company had not deferred the $7.3M of polysilicon sales from 3Q05 to 4Q05, we estimate polysilicon sales would have been up 21% q/q. While the company does not formally disclose this amount, we estimate that polysilicon and ingot sales to the solar market were about 10% of the company's total in 2Q05.

MEMC also reported that it can increase its polysilicon capacity by about 40% from current levels. It began the process of expanding polysilicon capacity in 2H04 and we expect its first amounts of incremental capacity to be available in 1Q06 with more to be available in 2H06. While we expect the company's sales of polysilicon and ingots to solar customers will gradually increase on a quarterly basis, the company has plans to utilize the majority of that polysilicon to meet its own internal needs for semiconductor wafer manufacturing.

We continue to believe that the company will look to further address the opportunity in the solar market segment. While the economics are favorable with solar customers making upfront pre-payments to polysilicon suppliers to build further capacity, we estimate MEMC is only the #4 supplier with about 15% market share. We believe MEMC's long term plan is not to simply become a dedicated polysilicon supplier for solar wafer/panel customers. Instead, we believe the company will look to enter the solar wafer/panel market. Our industry research suggests that the company is still in discussions with leading solar panel manufacturers (BP Solar, Kyocera, etc) to form a partnership. While the company did not provide any further details on its longer term intentions, we expect further clarity by 2Q06 at the latest. We would view any such partnership announcement with a leading solar wafer company positively. We believe further P/E multiple expansion could be justified if the company is able to execute on a plan to further diversify its revenues away from simply addressing the semiconductor market.

Balance sheet likely strengthens going forward

During the quarter, MEMC's cash balance increased by $42M to $143M, and debt decreased by $8M to $122M, for a net cash position of $21M, or $0.09 per share. We were expecting the company to reach a net cash position in 3Q05 or 4Q05, marking the first time that MEMC reports a net cash position for the history of financial statements available since 1997.

In 3Q05, MEMC's cash from operations was strong, at $75M. The company spent $32M in capital expenditures, resulting in free cash flow of $43M. In addition, the company made debt repayments in the amount of $7M and received $8M in proceeds for stock issuances. For 2005, we estimate capex of

$165M, or 14.5% of sales, consistent with the company's goal of spending less than 15% of sales in capex.

Days receivables decreased by 3 to 40 days during the quarter, as account receivables decreased and revenues increased. Day inventories decreased by 5 to 64 days in 3Q05, on higher COGS and lower inventories.

Table 4: Selected Balance Sheet Metrics

Million $	3Q 04	4Q 04	1Q 05	2Q 05	3Q 05
Cash and Equivalents	$103	$92	$116	$101	$143
Debt	$203	$140	$136	$130	$122
Net Debt	$99	$48	$20	$29	-$21
Net Debt Per Share	$0.44	$0.22	$0.09	$0.13	-$0.09
Cash From Operations	$46	$212	$73	$46	$75
Capex	$26	$52	$54	$51	$32
Free Cash Flow	$20	$161	$19	-$5	$43
Accounts Receivable	$152	$141	$131	$132	$127
AR DSO's	50	47	46	43	40
Inventory	$120	$128	$135	$135	$132
Inventory Days	66	67	74	69	64

Source: Company Reports.

Valuation remains attractive

MEMC trades at a 2006E PE ratio of 12.1x, which represents a 19% discount to the market multiple of 15x. Further, MEMC's 2006E PE of 12.1x represents a:

- 37% discount to Shin-Etsu Chemical's (the parent company of leading silicon wafer producer Shin-Etsu Handotai) 2006E PE of 19.2x, and

- 45% discount to Tokuyama's (the #2 polysilicon manufacturer) 2006E consensus PE of 22.1x.

In addition, the indicated price range for SUMCO's (the #2 supplier of silicon wafers) IPO would imply a last twelve month PE of 23.8x to 27.1x times, which would represent a premium of 24 to 41% to MEMC's last twelve month PE of 19.2x. The details of this calculation are as follows:

SUMCO, the #2 producer of silicon wafers, announced on October 12th that it has filed an application with the Tokyo Stock Exchange for the listing and admission for trading of all its 100.5 million existing shares and 19.1 million new shares. According to the preliminary offering memorandum, it is expected that the shares will be admitted for trading on the Tokyo Stock Exchange on or around November 17th.

- The preliminary offering memorandum indicates that Sumco generated EPS of 144.93 yen in the period August 2004 – July 2005 (with a share count of 100.5 million). Adjusting for the dilution implied by the 19.1 million new shares scheduled to be issued, the adjusted EPS number would be 121.68 yen (144.93*100.5/119.7)

- According to the Wall Street Journal (10/25/05), SUMCO has set a tentative price range of 2,900 yen to 3,300 yen per share for its IPO.

- Based on the above, the last twelve month PE valuation for SUMCO would be in the range of 23.8x to 27.1x, implying a premium of 24 to 41% to MEMC's last twelve month PE of 19.2x. Note: for the sake of consistency, we're using MEMC's EPS of $1.03, which corresponds to the period July 2004 – June 2005.

We believe further multiple expansion is possible for MEMC, once we get further clarity on the company's intentions in the solar market.

Table 5: MEMC – Valuation Comparisons

Company	Ticker	Rating	Price 10/26/05	Price Target	Market Cap ($ M)	EPS 2005E (per shr.)	EPS 2006E (per shr.)	P/E CY05E	P/E CY06E
MEMC Electronic Materials	WFR	Buy 2	$19.34	$27.00	$4,040	$1.10	$1.60	17.6	12.1
Shint-Etsu Chemical (1)	4063.JP	Buy 1 (RRD)	¥5,300	¥6,000	$19,835	¥259.73	¥276.58	20.4	19.2
Tokuyama Corporation (2)	4043.JP	Not Rated	¥1,145	NA	$2,610	¥46.81	¥51.83	24.5	22.1
S&P 500			1,191.38			74.33	79.35	16.0	15.0

(1) Shin-Etsu Chemical is the parent company of Shin-Etsu Handotai, the largest bare wafer manufacturer. Fiscal year ends March.
(2) Tokuyama is a Japanese diversified chemical company that produces cement, soda chemicals, and polysilicon. Fiscal year ends in March. EPS estimates from I/B/E/S/.
Source: Reuters, Factset, First Call and UBS estimates.

■ MEMC Electronic Materials

MEMC, headquartered in St Peters, MO, is the world's only publicly traded pure-play silicon wafer manufacturer. The company produces and sells silicon wafers for the semiconductor industry, and is fourth in market share. MEMC sells its products to most semiconductor device manufacturers. Products include prime polished, epitaxial and test/monitor wafers in diameters ranging from 100mm to 300mm. The company operates nine plants that are strategically located close to the major semiconductor markets in the U.S., Europe, and Asia. Texas Pacific Group, a private equity company, controls MEMC.

■ Statement of Risk

MEMC's business is subject to the cyclicality of semiconductor demand, which can result in share price volatility. There is a risk of overcapacity of 300mm wafers in the future, which can result in price and margin erosion. In addition, continued investment in R&D and infrastructure are needed to ensure the long-term viability of the business which could limit EPS upside.

Potential share sales by largest shareholder Texas Pacific Group could increase the supply of shares in the market and limit appreciation in MEMC's share price. MEMC has historically used stock options to compensate its employees. We estimate that the company’s potential stock option expense in CY06 is -$0.04 or 2% of our official $1.60 EPS estimate.

■ 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 LLC, an affiliate of UBS AG (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.

UBS Investment Research: Global Equity Ratings Definitions and Allocations

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**	37%	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%	32%
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**	13%	28%

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 30 September 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.
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.
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.

EXCEPTIONS AND SPECIAL CASES

US Closed-End Fund ratings and definitions are: Buy: Higher stability of principal and higher stability of dividends; Neutral: Potential loss of principal, stability of dividend; Reduce: High potential for loss of principal and dividend risk.
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.
Core Banding Exceptions (CBE): Exceptions to the standard +/-10% 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 Companies Mentioned table in the relevant research piece.

Companies mentioned

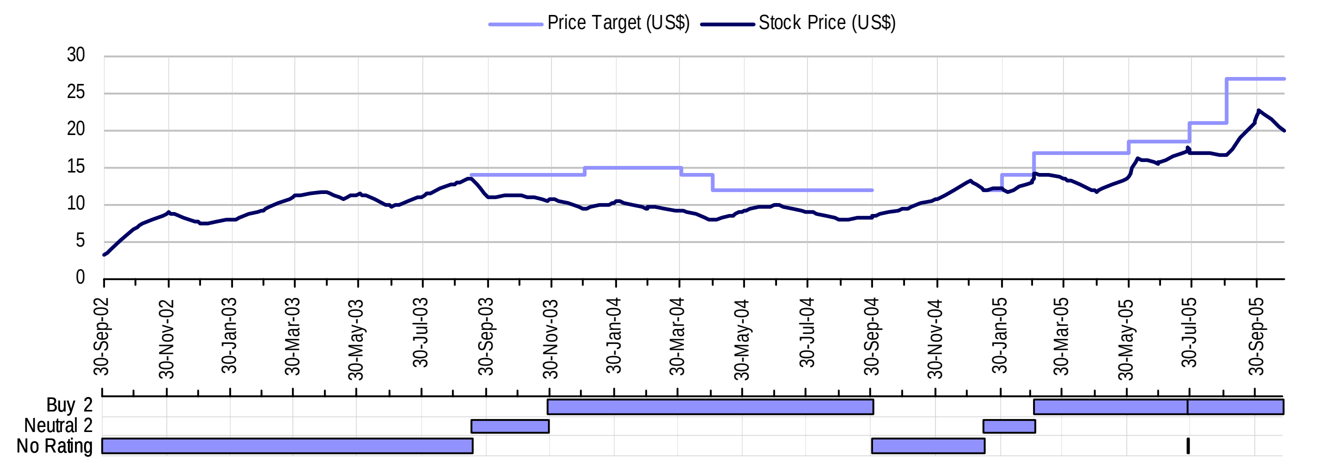
Company Name	Reuters	Rating	Price	Price date/time
MEMC Electronic[2,4,16]	WFR.N	Buy 2	US$19.94	25 Oct 2005 19:39 EDT
Shin-Etsu Chemical[16]	4063.T	Buy 1 (RRD)	¥5,300	26 Oct 2005 23:38 JST

Source: UBS. EDT: Eastern daylight time; JST: Japanese standard time.

2. UBS AG, its affiliates or subsidiaries has acted as manager/co-manager in the underwriting or placement of securities of this company or one of its affiliates within the past three years.
4. Within the past three years, UBS AG, its affiliates or subsidiaries has received compensation for investment banking services from this company/entity.
16. UBS Securities LLC and/or UBS Capital Markets LP makes a market in the securities and/or ADRs of this company.

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

MEMC Electronic Materials (US$)



Source: UBS; as of 26 October 2005.

Note: On October 13, 2003, UBS adopted new definition criteria for its rating system. (See 'UBS Investment Research: Global Equity Ratings Definitions and Allocations' table for details.) Between January 11 and October 12, 2003, the UBS ratings and their definitions were: Buy 1: Excess return potential > 15%, smaller range around price target; Buy 2: Excess return potential > 15%, larger range around price target; Neutral 1: Excess return potential between -15% and 15%, smaller range around price target; Neutral 2: Excess return potential between -15% and 15%, larger range around price target; Reduce 1: Excess return potential < -15%, smaller range around price target; Reduce 2: Excess return potential < -15%, larger range around price target. Prior to January 11, 2003, the UBS ratings and definitions were: Strong Buy: Greater than 20% excess return potential, high degree of confidence; Buy: Positive excess return potential; Hold: Low excess return potential, low degree of confidence; Reduce: Negative excess return potential; Sell: Greater than 20% negative excess return potential, high degree of confidence. Under both ratings systems, excess return is defined as the difference between the FSR and the one-year local market interest rate.

Global Disclaimer

UBS