



U.S. Engineering & Construction Sector (E&C)

Steven M. Fisher, CFA, CPA
Analyst

1-212-713-8634
steven.fisher@ubs.com

Rice Global E&C Forum – Roundtable Discussion

August 2011



This report has been prepared by UBS Securities LLC

Analyst Certification and Required Disclosures Begin on Page 36

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.

Agenda – A Wall Street View of E&C

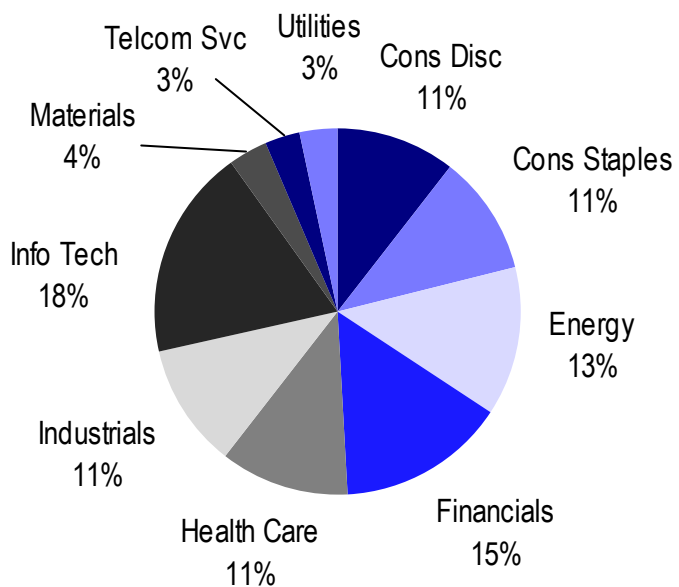
- E&C in context
- Who invests in E&C stocks
- Stock drivers
- How we analyze E&C stocks/UBS outlook
- Valuing E&C stocks
- Case studies
- Q&A



E&C Stocks: Important to the market

S&P 500 Market Cap is \$12,281 billion

Industrials Market Cap in the S&P 500 is \$1,339 billion, or 10.9%



Key industrial subsectors:

- Chemicals
- Machinery
- Aerospace & Defense
- Pulp & Paper

Source: Standard & Poor's; FactSet. Data as of July 22, 2011.



Steven Fisher- (212) 713-8634
steven.fisher@ubs.com

E&C Stocks: Critical to the world

Oil & gas production

Refining

Chemicals

Power generation

Mining

Environmental regulation

Industrial capacity

Non residential
construction

Civil infrastructure
development

Water sourcing and
treatment

Military operations

Federal government:
DOE, Security, FEMA,
NASA

Source: UBS, company reports



Steven Fisher- (212) 713-8634
steven.fisher@ubs.com

E&C Stocks: Critical to the world



Source: UBS



Steven Fisher- (212) 713-8634
steven.fisher@ubs.com

E&C Stocks: Critical to the world



Source: UBS



Steven Fisher- (212) 713-8634
steven.fisher@ubs.com

E&C Stocks: Critical to the world



Source: UBS



Steven Fisher- (212) 713-8634
steven.fisher@ubs.com

E&C Stocks: Critical to the world



Source: UBS



Steven Fisher- (212) 713-8634
steven.fisher@ubs.com

Who owns E&C Stocks?

| | Fluor | Jacobs | KBR | Shaw | CB&I | GE | AT&T | Southern Co |
|---------------|-------|--------|------|------|------|------|------|-------------|
| Insider | 0.5% | 3% | 0.5% | 2.0% | 2.0% | 0.1% | 0.1% | 0.1% |
| Institutional | 84% | 83% | 93% | 97% | 82% | 54% | 59% | 44% |

Top 10 Holders

| Fluor | Jacobs | KBR | CB&I |
|-------------------|---------------|-------------------|--------------------|
| Fidelity | Fidelity | Capital World | Lord Abbett |
| Blackrock | Vanguard | Blackrock | Blackrock |
| Vanguard | Blackrock | Vanguard | Jennison |
| State Street | Artisan Ptrs | Fidelity | Frontier Capital |
| JP Morgan AM | State Street | State Street | Wells Capital |
| Montag & Caldwell | William Blair | Aronson & Johnson | Southern Sun AM |
| T Rowe Price | Perkins Inv | TIAA-CREF | Rainier Inv Mgmt |
| MFS Investment | Wellington | Columbia Mgmt | Columbus Circle |
| Clearbridge | DF Dent | NFJ | Fairpointe Capital |
| Winslow Capital | TIAA- CREF | Cambiar | Columbia Mgmt |

Source: UBS, FactSet



Steven Fisher- (212) 713-8634
steven.fisher@ubs.com

How are money managers structured?

Portfolio Manager

Analyst - Sector

Analyst - Sector

Analyst - Sector

Analyst - Sector

Analyst - Sector

Analyst - Sector

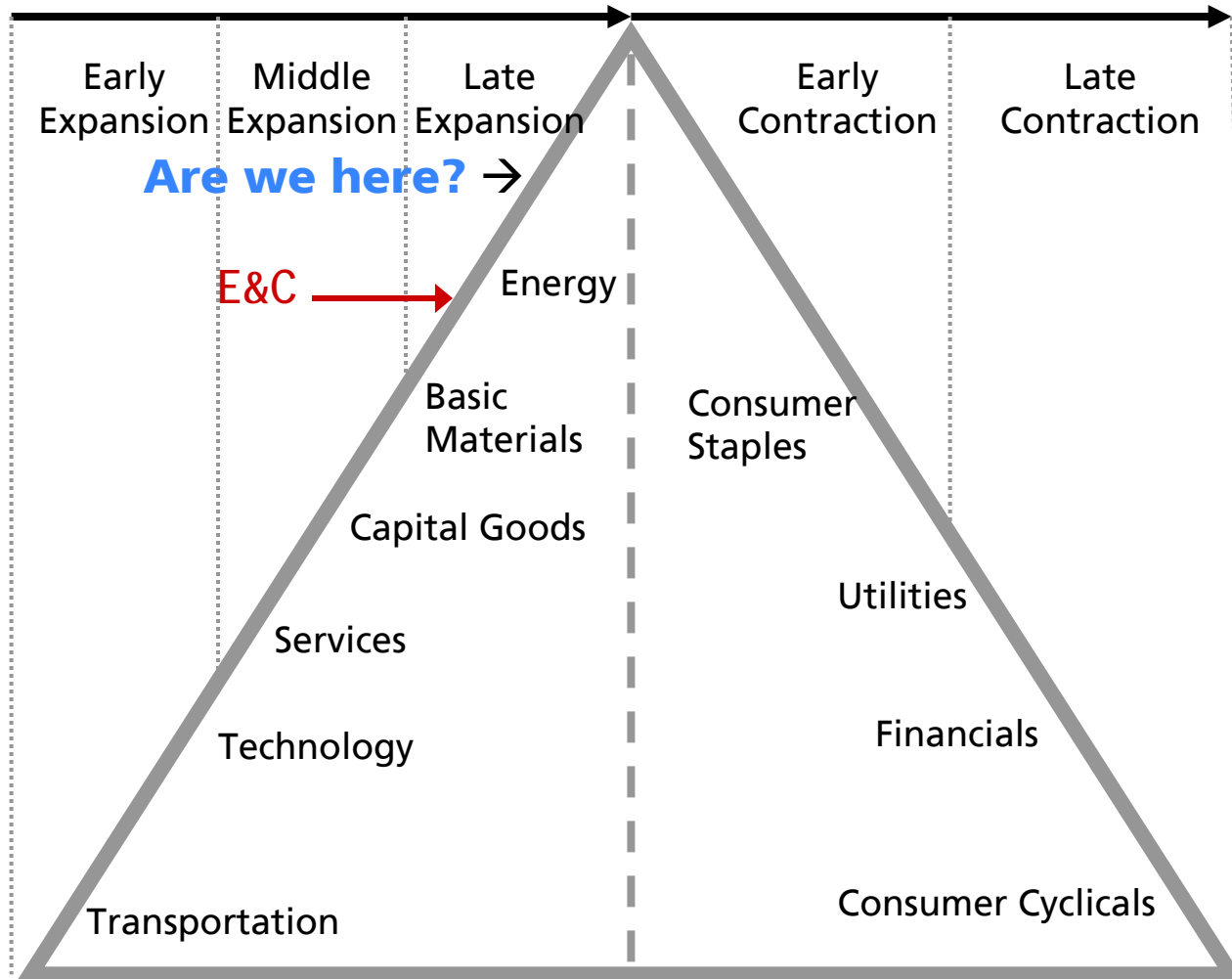
Analyst - Sector

Source: UBS



Steven Fisher- (212) 713-8634
steven.fisher@ubs.com

E&C stocks are late-cycle



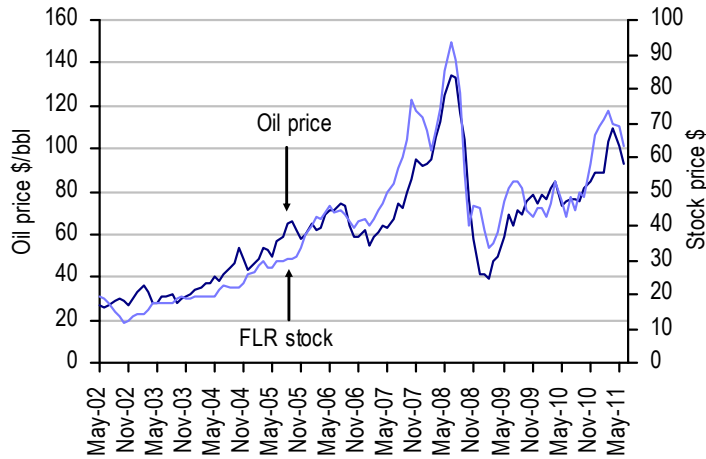
Source: UBS Wealth Management Research



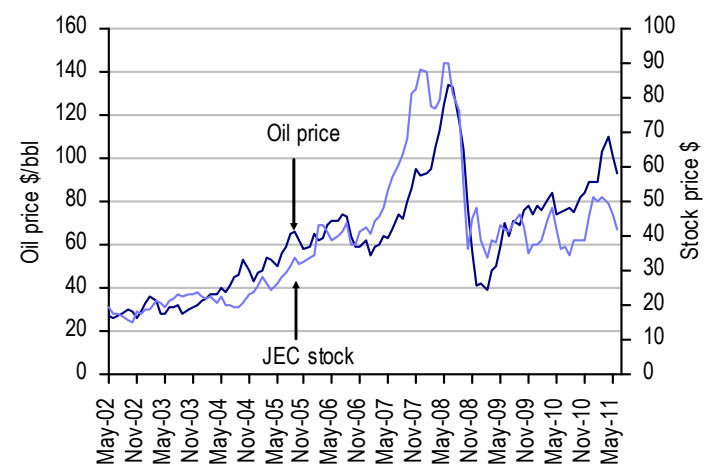
Steven Fisher- (212) 713-8634
steven.fisher@ubs.com

E&C Stock Drivers: Oil Prices

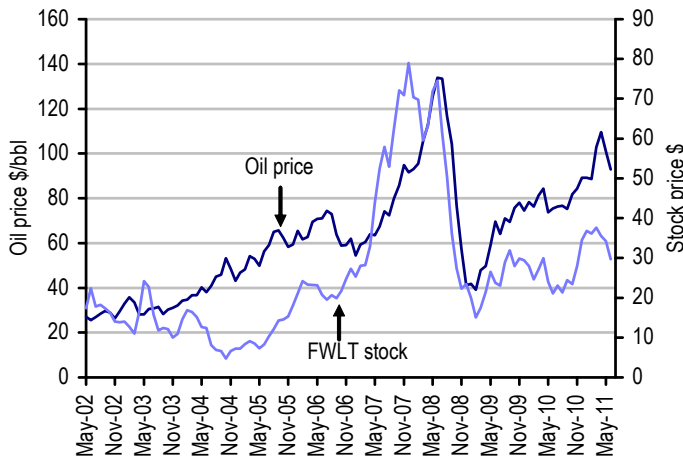
Fluor stock vs. oil price



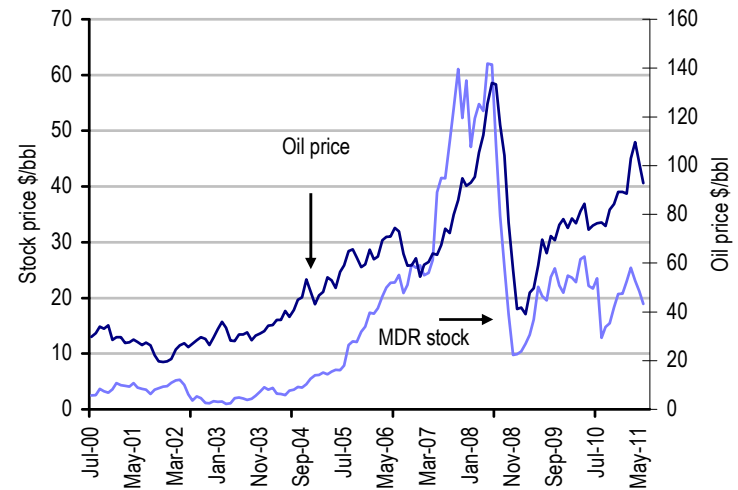
Jacobs stock vs. oil price



Foster Wheeler stock vs. oil price



McDermott stock vs. oil price



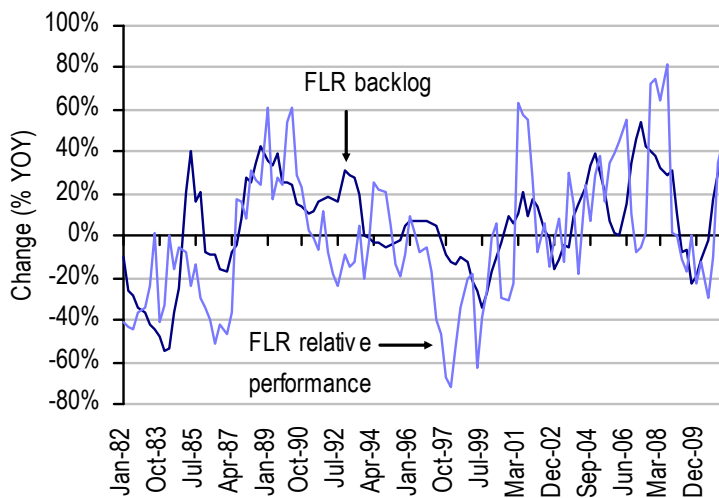
Source: FactSet



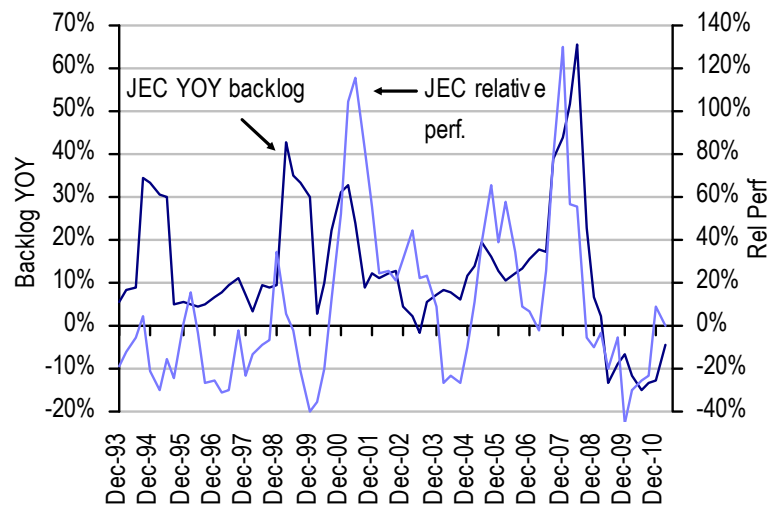
Steven Fisher - (212) 713-8634
 steven.fisher@ubs.com

E&C Stock Drivers: Backlog

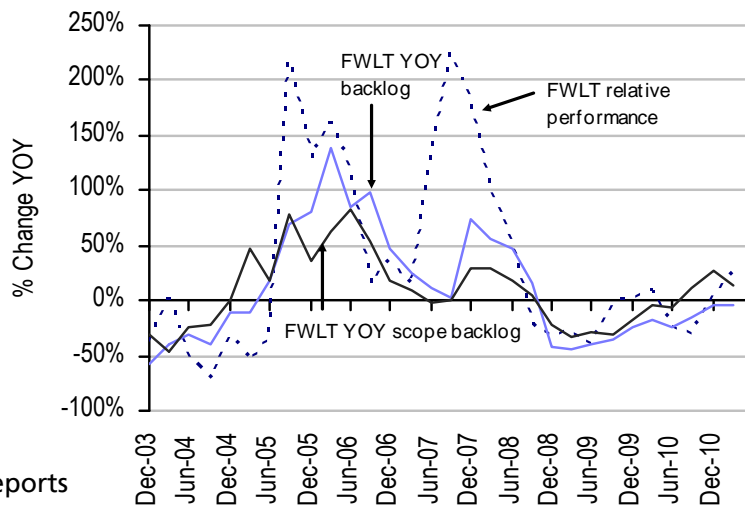
FLR rel perf vs. backlog growth



JEC rel perf vs. backlog growth



FWLT rel perf vs. backlog growth



Source: FactSet, company reports



Steven Fisher- (212) 713-8634
 steven.fisher@ubs.com

E&C Stock Drivers: Themes

Themes

- Energy & Utility capex
- Upstream investment
- Australia LNG
- Nuclear Power
- EPA regulations
- Climate legislation
- Renewable Portfolio Standards
- Stimulus
- State budgets
- Multi-year highway bill
- DOD and DOE budget
- DOD conflict of interest rules
- Geopolitics: Iraq, Afghanistan
- Metals prices
- M&A and buybacks

Source: UBS

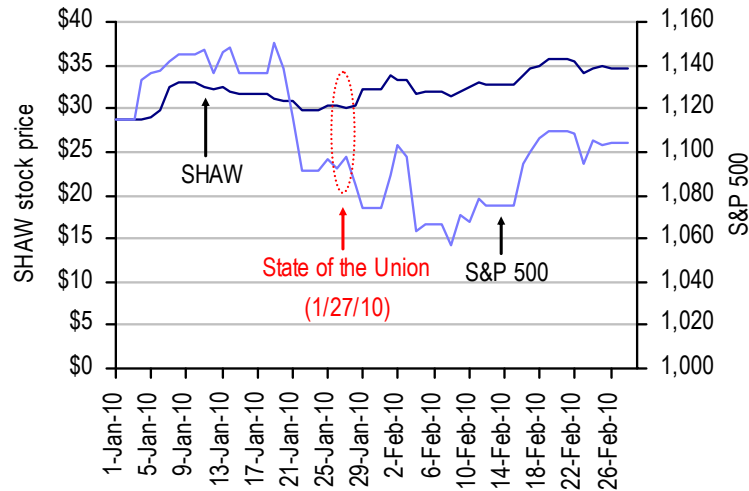


Steven Fisher- (212) 713-8634
steven.fisher@ubs.com

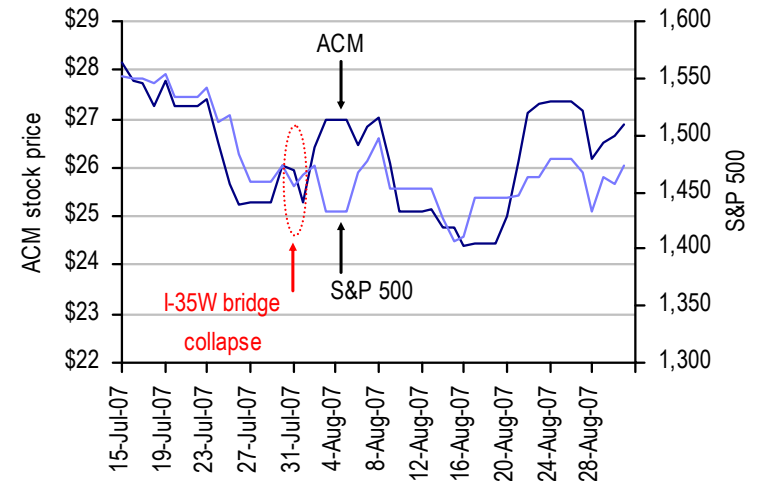
E&C Stock Drivers: Themes

Themes

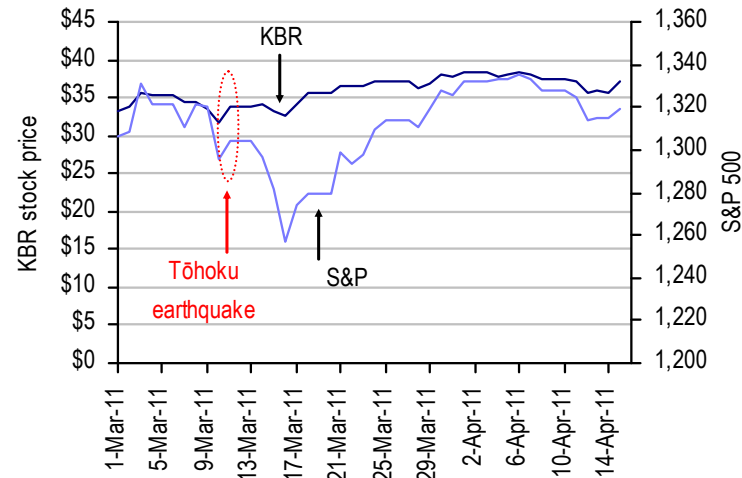
Nuclear theme



Infrastructure improvement



LNG demand

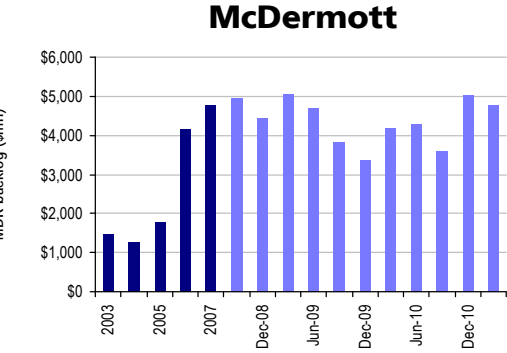
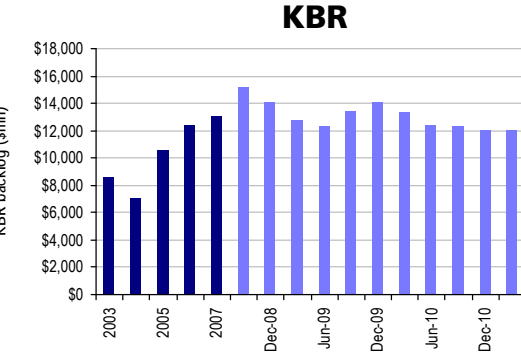
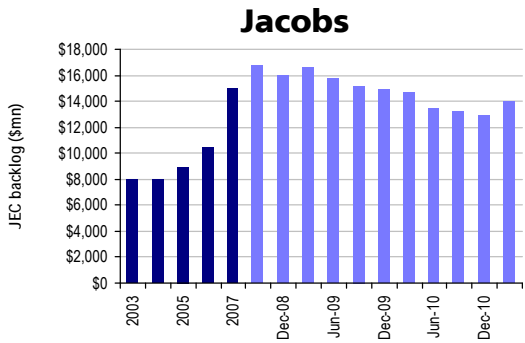
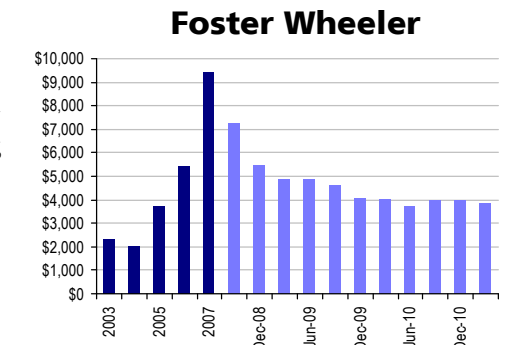
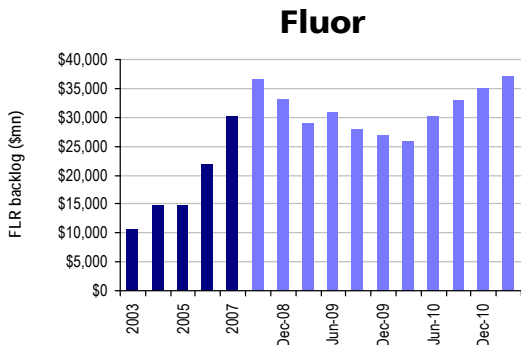
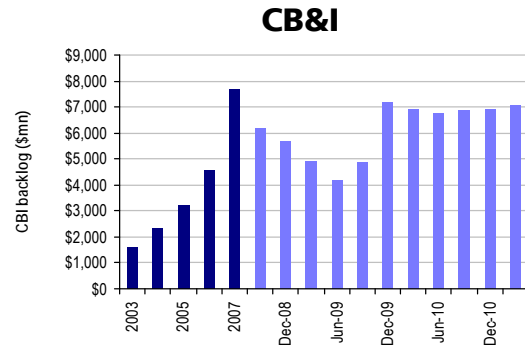
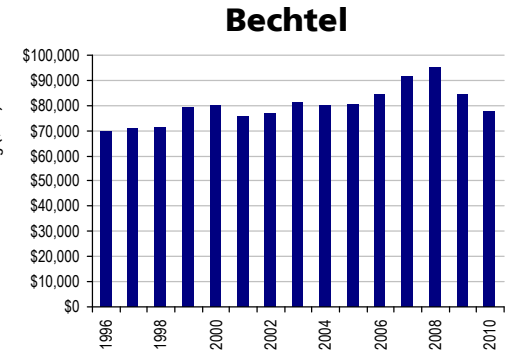
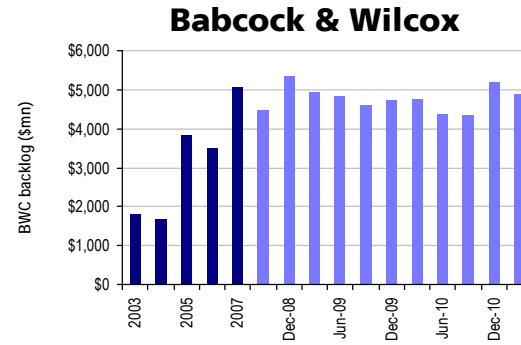
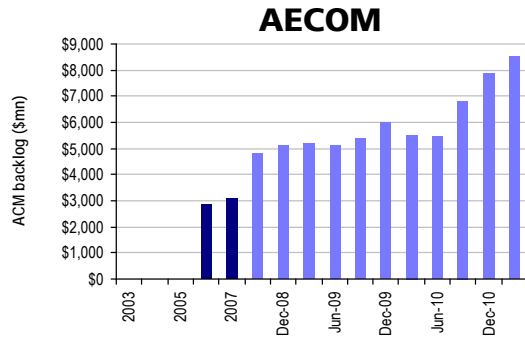


Source: FactSet, Company reports



Steven Fisher- (212) 713-8634
 steven.fisher@ubs.com

Company Backlog



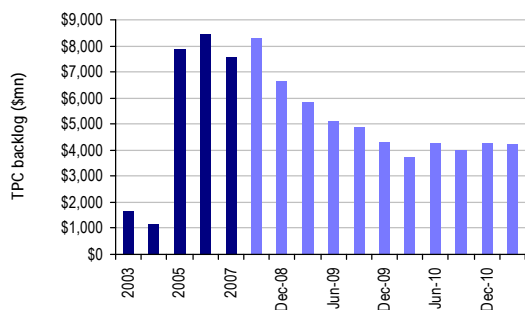
Source: Company reports



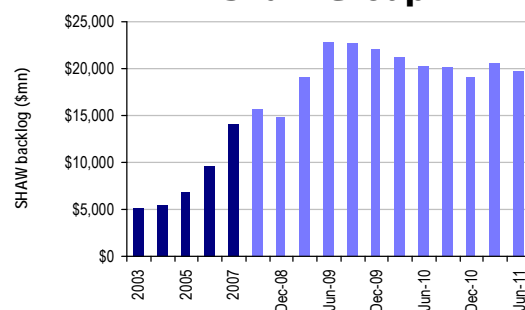
Steven Fisher- (212) 713-8634
steven.fisher@ubs.com

Company Backlog

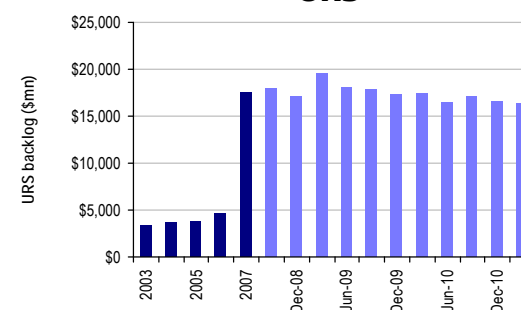
Tutor Perini



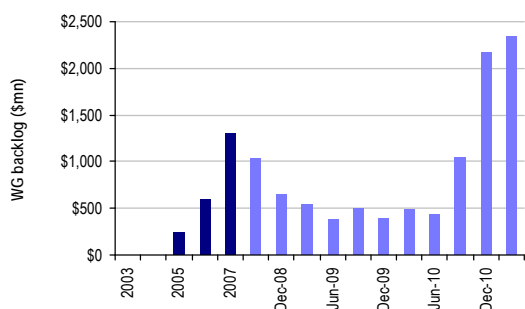
Shaw Group



URS



Willbros



Book/Bill as of

| Dec. 31: | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | Mar-10 | Jun-10 | Sep-10 | Dec-10 |
|----------------------|------|------|------|------|------|------|------|--------|--------|--------|--------|
| JEC | 1.1 | 1.2 | 1.2 | 1.2 | 1.5 | 1.1 | 0.9 | 0.9 | 0.5 | 0.9 | 0.9 |
| FLR | 1.1 | 1.4 | 1.0 | 1.4 | 1.4 | 1.1 | 0.7 | 0.7 | 1.8 | 1.4 | 1.3 |
| FWLT | n/a | n/a | 1.4 | 1.1 | 1.2 | 0.9 | 0.9 | 1.5 | 1.1 | 1.1 | 1.5 |
| URS ³ | 1.3 | 1.0 | 1.1 | 1.2 | 3.6 | 0.9 | 1.0 | 1.1 | 0.6 | 1.3 | 0.7 |
| KBR | n/a | n/a | n/a | 0.0 | 1.4 | 1.1 | 1.0 | 0.7 | 0.7 | 1.0 | 0.9 |
| MDR | 0.6 | 0.9 | 1.4 | 2.5 | 1.3 | 0.9 | 0.7 | 2.6 | 1.1 | 0.1 | 3.7 |
| SHAW ¹ | n/a | 1.3 | 1.4 | 1.5 | 1.7 | 1.1 | 2.0 | 0.5 | 0.5 | 0.9 | 0.3 |
| ACM ² | 1.0 | 1.0 | 1.1 | 1.1 | 1.1 | 1.4 | 1.1 | 0.7 | 1.0 | 1.7 | 1.6 |
| BWC | 1.3 | 0.8 | 1.1 | 1.7 | 1.5 | 1.1 | 0.8 | 1.0 | 0.4 | 1.0 | 2.2 |
| Average ⁴ | 1.1 | 1.1 | 1.2 | 1.3 | 1.6 | 1.0 | 1.0 | 1.1 | 0.8 | 1.0 | 1.5 |

Note: (1) SHAW is as of Nov. end of same year. In 2009, we estimate \$9.5bn in bookings from nuclear awards. Ex the awards, book to bill would have been 0.7x. (2) ACM is as of Sept. end from 2006 back. (3) In 2007, increased bookings due to WNG acquisition. (4) Average in 2009 assuming SHAW of 0.7x (ex-nuclear bookings) would be 0.9x.

Notes: SHAW - Each quarter ends one month earlier than x-axis label.

Source: Company reports



Steven Fisher - (212) 713-8634
steven.fisher@ubs.com

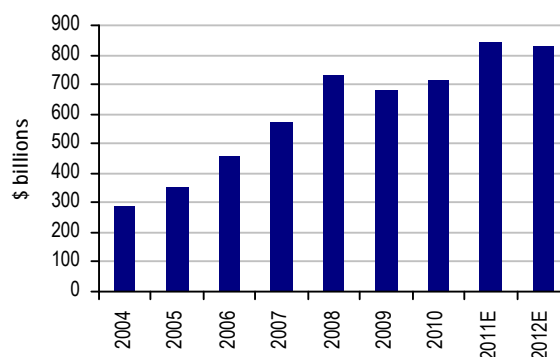
Energy & Utility capex

Fig. 1: UBS Estimates of Total Capital Spending Plans (2004-2012E) of Energy & Utility Companies Under UBS Coverage – by Sector

| | # companies | Capex (\$ billions) | | | | | | | | | Year-over-year change | | | | | | | |
|-------------------------|-------------|---------------------|------------|------------|------------|------------|------------|------------|------------|------------|-----------------------|------------|------------|------------|------------|-----------|------------|------------|
| | | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011E | 2012E | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011E | 2012E |
| Major Oil Companies | 22 | 120 | 149 | 188 | 229 | 295 | 289 | 307 | 360 | 359 | 24% | 26% | 22% | 29% | -2% | 6% | 17% | 0% |
| Secondary Oil Companies | 38 | 18 | 27 | 37 | 46 | 59 | 51 | 63 | 76 | 73 | 47% | 38% | 26% | 27% | -13% | 24% | 20% | -3% |
| Global Oil Drilling | 26 | 5 | 7 | 11 | 16 | 21 | 17 | 17 | 20 | 17 | 38% | 64% | 48% | 30% | -20% | 1% | 19% | -17% |
| Pipeline | 22 | 7 | 8 | 14 | 19 | 27 | 22 | 23 | 27 | 25 | 26% | 66% | 40% | 38% | -16% | 4% | 16% | -7% |
| Mining | 30 | 12 | 17 | 25 | 32 | 55 | 36 | 42 | 57 | 65 | 36% | 50% | 28% | 73% | -34% | 17% | 36% | 13% |
| Coal | 16 | 1 | 2 | 2 | 4 | 4 | 7 | 5 | 11 | 10 | 44% | 32% | 46% | 13% | 72% | -34% | 137% | -11% |
| Subtotal | 154 | 163 | 209 | 277 | 347 | 460 | 422 | 457 | 552 | 549 | 28% | 33% | 25% | 33% | -8% | 8% | 21% | -1% |
| Electric Utilities | 78 | 86 | 97 | 120 | 149 | 182 | 168 | 166 | 188 | 172 | 13% | 24% | 24% | 22% | -8% | -1% | 13% | -9% |
| Gas Utilities | 26 | 17 | 20 | 28 | 36 | 44 | 52 | 53 | 56 | 56 | 19% | 41% | 27% | 25% | 17% | 1% | 6% | 1% |
| Water Utilities | 6 | 3 | 2 | 3 | 3 | 4 | 4 | 4 | 4 | 4 | -38% | 27% | 17% | 34% | -9% | -10% | 21% | -1% |
| Utilities | 110 | 106 | 119 | 151 | 188 | 231 | 223 | 222 | 248 | 232 | 12% | 27% | 25% | 23% | -3% | 0% | 12% | -6% |
| Chemicals | 66 | 22 | 26 | 31 | 36 | 41 | 36 | 34 | 45 | 46 | 16% | 21% | 15% | 14% | -13% | -4% | 31% | 2% |
| Total | 330 | 292 | 353 | 459 | 570 | 732 | 681 | 714 | 845 | 827 | 21% | 30% | 24% | 28% | -7% | 5% | 18% | -2% |

Source: UBS analysts (330 major energy and utility companies worldwide), updated 7/10/11 (see published note).

Fig. 2: UBS Estimates of Total Capital Spending Plans (2004-2012E) of Energy & Utility Companies Under UBS Coverage



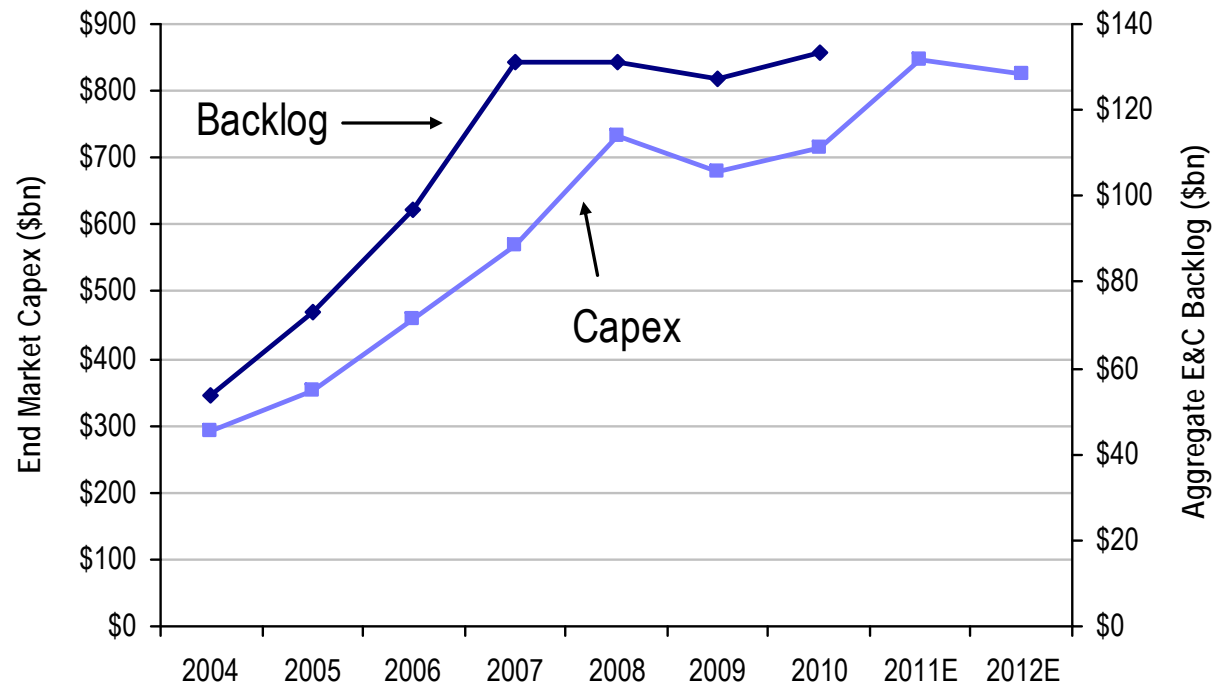
Source: UBS analysts (330 major energy and utility companies worldwide), updated 7/10/11 (see published note).



Steven Fisher- (212) 713-8634
steven.fisher@ubs.com

E&C Backlog & Capex, Book/Bill, Burn Rate

Aggregate E&C Backlog vs. Energy & Utility Capex



Source: UBS, Company reports



Steven Fisher - (212) 713-8634
 steven.fisher@ubs.com

Global E&C Backlog

| Region (Reporting Currency) | Dec 2004 | Dec 2005 | Dec 2006 | Dec 2007 | Mar 2008 | Jun 2008 | Sep 2008 | Dec 2008 | Mar 2009 | Jun 2009 | Sep 2009 | Dec 2009 | Mar 2010 | Jun 2010 | Sep 2010 | Dec 2010 |
|--------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Europe Total | 52.0 | 62.4 | 78.2 | 113.1 | 109.4 | 112.6 | 117.5 | 117.4 | 116.9 | 118.3 | 121.0 | 121.6 | 126.7 | 137.3 | 135.1 | 139.3 |
| UK Total | 14.6 | 17.6 | 28.4 | 34.1 | 15.1 | 15.7 | 16.6 | 37.5 | 36.7 | 36.4 | 36.5 | 36.2 | 36.9 | 38.0 | 37.2 | 37.7 |
| Canada Total | 6.3 | 7.5 | 10.4 | 10.6 | 10.0 | 9.4 | 9.7 | 9.6 | 9.0 | 9.9 | 10.2 | 10.8 | 11.4 | 11.4 | 12.7 | 9.7 |
| US Total | 53.8 | 73.1 | 96.6 | 131.2 | 134.1 | 138.3 | 141.4 | 130.9 | 130.5 | 131.2 | 128.2 | 127.2 | 124.3 | 124.3 | 128.7 | 133.6 |
| US Dollar Other Total | 3.4 | 6.8 | 10.5 | 11.8 | 12.5 | 12.2 | 11.8 | 9.8 | 11.5 | 13.7 | 13.9 | 13.7 | 12.5 | 11.9 | 15.7 | 18.1 |
| Korea Total | 41.1 | 46.8 | 58.9 | 72.3 | 79.3 | 86.1 | 88.3 | 93.0 | 91.9 | 95.5 | 100.0 | 107.6 | 108.9 | 115.2 | 121.7 | 119.7 |
| Japan Total | 554.4 | 0.0 | 1,946.6 | 1,513.9 | 1,308.4 | 1,314.8 | 1,591.0 | 1,428.2 | 1,152.4 | 1,188.6 | 1,343.5 | 1,728.0 | 1,564.6 | 1,468.3 | 1,462.0 | 1,371.5 |
| India Total | 164.3 | 225.6 | 357.1 | 495.8 | 526.8 | 582.0 | 629.6 | 688.0 | 703.2 | 716.5 | 816.2 | 911.0 | 1,002.4 | 1,055.5 | 1,130.3 | 1,125.0 |

█ = peak

Companies in each region category:

- Europe: ACS, Bilfinger Berger, Hochtief, Saipem, Technip, Tecnicas Reunidas, Vinci
- UK: Amec, Atkins, Balfour Beatty, Carillion
- Canada: SNC-Lavalin
- US: AECOM, Babcock & Wilcox, CB&I, Fluor, Foster Wheeler, Granite Construction, Jacobs, KBR, Layne Christensen, McDermott, Shaw Group, Tutor Perini, URS, Willbros
- US Dollar Other: Subsea 7, Petrofac
- Korea: Daelim, GS E&C, Hyundai E&C, Samsung Engineering
- Japan: Chiyoda, JGC
- India: L & T

Source: Company reports, UBS. Note: Country categories based on reporting currency. Values in billions except for Korea and India (in trillions). US Dollar Other includes foreign companies that report in USD.

Fixed price mix increasing?

Fixed Price Exposure by Company

| Company | % Fixed Price | Comment |
|--------------------|---------------|---|
| Shaw Group | 48% | of 8/31/10 backlog |
| AECOM (1) | 37% | of fiscal 2010 revenues; design/engineering |
| KBR | 20% | of 3/31/11 backlog |
| Willbros | 59% | of 6/30/10 backlog |
| Fluor | 29% | of 12/31/10 backlog |
| Foster Wheeler (2) | 45% | of 3/31/11 total backlog |
| URS | 10-15% | 2008 revenue base; may also have some unit price contracts |
| Jacobs | 13% | of FY10 revenues; plus 1% guaranteed max |
| Tutor Perini | 57% | of 12/31/10 backlog; 43% is cost plus and guaranteed max |
| McDermott | 62% | of 6/30/10 backlog |
| Average | 38% | |
| CB&I | n/a | "A portion of our net revenue is... from fixed-price, lump-sum contracts" |

(1) AECOM is a pure design/engineering firm; we believe fixed price engineering is less of a concern than fixed price construction.

(2) FWLT Scope backlog is 68% fixed price; some fixed price is for design.

Historical Fixed Price Exposure

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|----------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| FLR | 45% | 33% | 40% | 27% | 32% | 26% | 24% | 25% | 21% | 29% |
| JEC | 23% | 19% | 18% | 17% | 15% | 10% | 12% | 14% | 15% | 13% |
| SHAW | 18% | 22% | 23% | 22% | 30% | 40% | 52% | 40% | 45% | 48% |
| FWLT | 45% | 37% | 56% | 60% | 42% | 28% | 21% | 25% | 17% | 44% |
| TPC | 41% | 30% | 30% | 32% | 8% | 8% | 8% | 22% | 47% | 57% |
| KBR | | | | | | 43% | 28% | 20% | 18% | 21% |
| ACM | | | | | | | 38% | 37% | 38% | 37% |
| Average | 34% | 28% | 33% | 32% | 25% | 26% | 26% | 26% | 29% | 36% |



U.S. Public Construction Spending

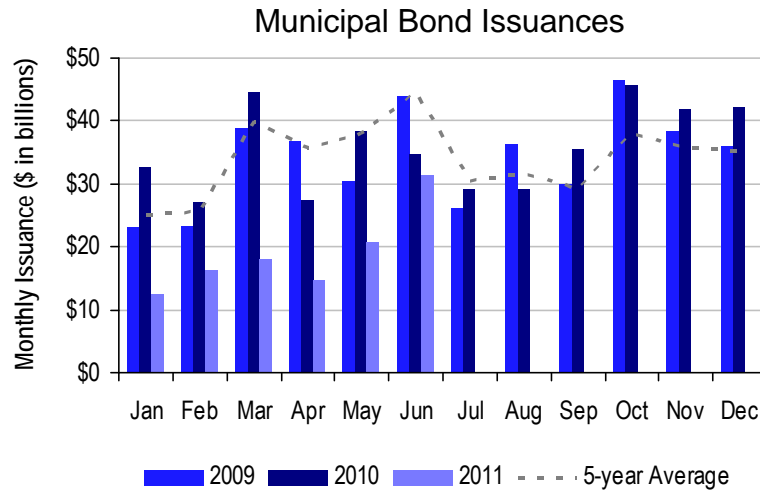
| Type of Construction: | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | YTD | |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|----------|----------|
| | | | | | | | | | | June '10 | June '11 |
| Total Public Construction ¹ | 213,438 | 216,127 | 220,183 | 234,160 | 255,385 | 289,073 | 308,738 | 314,895 | 303,024 | 136,560 | 128,499 |
| Residential | 5,264 | 5,216 | 5,508 | 5,608 | 6,083 | 7,222 | 7,489 | 8,015 | 9,905 | 4,466 | 4,145 |
| Nonresidential | 208,174 | 210,911 | 214,675 | 228,552 | 249,303 | 281,852 | 301,249 | 306,880 | 293,119 | 132,094 | 124,354 |
| Office | 8,982 | 8,839 | 9,525 | 8,487 | 8,507 | 11,445 | 13,061 | 14,626 | 13,342 | 6,629 | 5,741 |
| Commercial | 3,512 | 4,024 | 3,862 | 3,658 | 3,345 | 3,827 | 3,558 | 3,609 | 2,876 | 1,277 | 1,614 |
| Health care | 4,701 | 5,112 | 5,912 | 5,935 | 6,456 | 8,179 | 8,464 | 9,536 | 9,562 | 4,532 | 5,258 |
| Educational | 60,753 | 60,892 | 61,549 | 66,899 | 71,089 | 80,068 | 86,267 | 86,351 | 74,871 | 35,343 | 32,358 |
| Public safety | 7,610 | 6,976 | 6,730 | 6,906 | 7,350 | 9,606 | 12,460 | 13,316 | 10,911 | 5,570 | 4,671 |
| Amusement and recreation | 9,851 | 9,066 | 8,263 | 7,728 | 9,707 | 11,019 | 11,320 | 11,002 | 10,418 | 4,730 | 4,395 |
| Transportation | 19,007 | 18,142 | 18,219 | 17,928 | 19,310 | 22,868 | 25,537 | 27,646 | 28,321 | 13,401 | 11,990 |
| Power | 4,196 | 7,831 | 8,035 | 9,161 | 8,590 | 11,940 | 11,833 | 12,797 | 11,939 | 5,299 | 6,035 |
| Highway and street | 57,350 | 56,974 | 58,294 | 63,790 | 71,567 | 76,248 | 81,161 | 82,056 | 82,548 | 33,034 | 31,125 |
| Sewage and waste disposal | 15,991 | 16,304 | 17,598 | 19,627 | 22,881 | 24,464 | 25,031 | 24,362 | 25,642 | 11,817 | 10,713 |
| Water supply | 12,045 | 12,100 | 12,215 | 13,703 | 14,483 | 15,282 | 16,286 | 15,152 | 14,641 | 6,829 | 6,448 |
| Conservation and development | 3,516 | 3,694 | 3,869 | 4,322 | 5,047 | 5,155 | 5,179 | 5,720 | 6,910 | 3,137 | 3,395 |
| Total Public Construction ¹ | | 1% | 2% | 6% | 9% | 13% | 7% | 2% | -4% | | -6% |
| Residential | | -1% | 6% | 2% | 8% | 19% | 4% | 7% | 24% | | -7% |
| Nonresidential | | 1% | 2% | 6% | 9% | 13% | 7% | 2% | -4% | | -6% |
| Office | | -2% | 8% | -11% | 0% | 35% | 14% | 12% | -9% | | -13% |
| Commercial | | 15% | -4% | -5% | -9% | 14% | -7% | 1% | -20% | | 26% |
| Health care | | 9% | 16% | 0% | 9% | 27% | 3% | 13% | 0% | | 16% |
| Educational | | 0% | 1% | 9% | 6% | 13% | 8% | 0% | -13% | | -8% |
| Public safety | | -8% | -4% | 3% | 6% | 31% | 30% | 7% | -18% | | -16% |
| Amusement and recreation | | -8% | -9% | -6% | 26% | 14% | 3% | -3% | -5% | | -7% |
| Transportation | | -5% | 0% | -2% | 8% | 18% | 12% | 8% | 2% | | -11% |
| Power | | 87% | 3% | 14% | -6% | 39% | -1% | 8% | -7% | | 14% |
| Highway and street | | -1% | 2% | 9% | 12% | 7% | 6% | 1% | 1% | | -6% |
| Sewage and waste disposal | | 2% | 8% | 12% | 17% | 7% | 2% | -3% | 5% | | -9% |
| Water supply | | 0% | 1% | 12% | 6% | 6% | 7% | -7% | -3% | | -6% |
| Conservation and development | | 5% | 5% | 12% | 17% | 2% | 0% | 10% | 21% | | 8% |

Source: US Census Bureau. Note: Includes the following categories of public construction not shown separately: lodging, religious, communication and mfg. \$ mns.

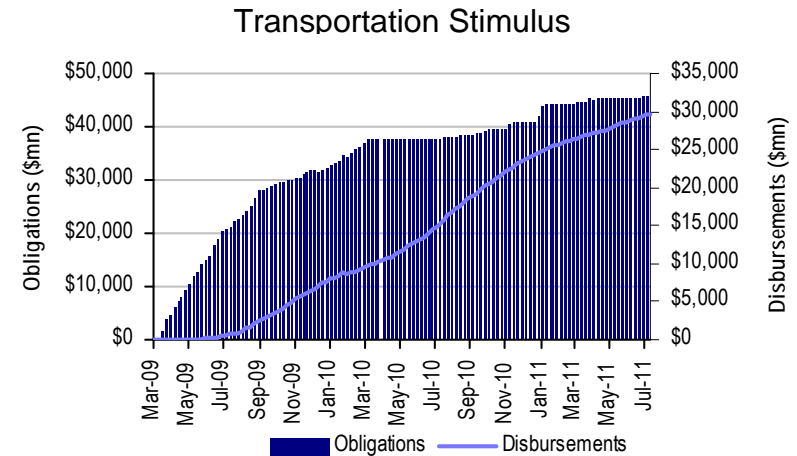


Steven Fisher- (212) 713-8634
steven.fisher@ubs.com

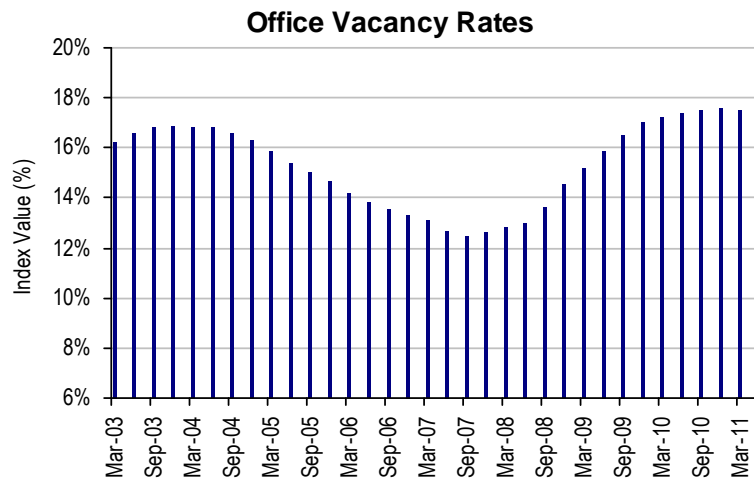
Infrastructure and Non-Res Construction Indicators



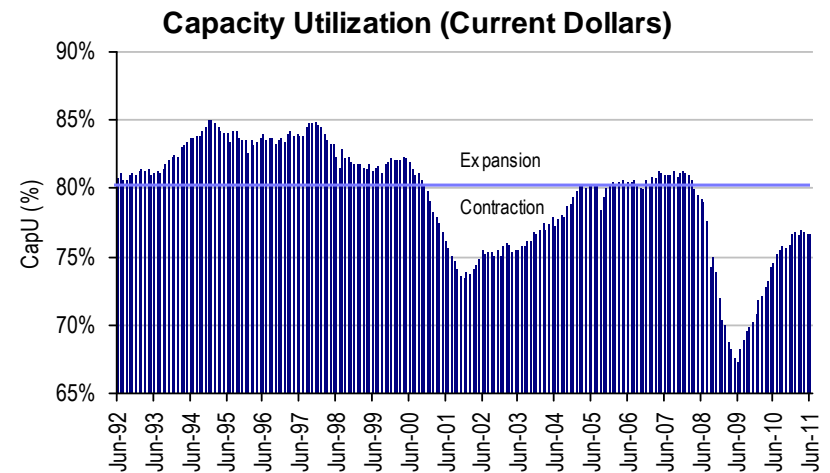
Source: Thomson Reuters, UBS estimates



Source: U.S. DOT Note: Data is cumulative.



Source: Reis Inc.



Source: U.S. Census Bureau



Steven Fisher - (212) 713-8634
steven.fisher@ubs.com

Cash flow, Net Debt, and Headcount

Free Cash Flow

| | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | Total |
|------|------|------|------|------|------|------|------|------|------|------|------|------|------|-------|
| FLR | 102 | -39 | -302 | 466 | 133 | -383 | -189 | 195 | 22 | 621 | 653 | 666 | 286 | 2,230 |
| JEC | 44 | 43 | 37 | -29 | 124 | 122 | 51 | 117 | 170 | 296 | 199 | 478 | 148 | 1,798 |
| FWLT | -193 | -134 | -63 | -123 | 107 | -75 | -40 | 40 | 294 | 374 | 325 | 234 | 127 | 874 |
| URS | 20 | -12 | -5 | 27 | 15 | 159 | 77 | 177 | 136 | 272 | 252 | 553 | 411 | 2,083 |
| TPC | 26 | 26 | 41 | -29 | -8 | 37 | 55 | 18 | 95 | 258 | 59 | -63 | 1 | 517 |
| SHAW | -18 | 10 | -90 | -27 | 241 | -224 | -50 | 38 | -147 | 394 | 494 | 585 | 254 | 1,460 |
| MDR | n/a | -83 | -76 | 152 | 702 | -38 | -32 | -18 | -235 | 845 | n/a | n/a | n/a | n/a |
| KBR | n/a | n/a | n/a | n/a | n/a | n/a | -135 | 451 | 874 | 205 | 54 | -151 | 415 | n/a |
| WG | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | -115 | -44 | 192 | 40 | -3 | n/a |
| ACM | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | 89 | 89 | 87 | 152 | 82 | n/a |

Cash and Debt (\$mn)

| Company | Debt | Cash | Net Debt |
|---------|-------|-------|----------|
| FLR | 83 | 1,991 | (1,908) |
| FWLT | 171 | 1,103 | (932) |
| WG | 362 | 79 | 282 |
| TPC | 422 | 367 | 55 |
| GVA | 273 | 324 | (50) |
| JEC | 434 | 748 | (314) |
| URS | 695 | 487 | 208 |
| SHAW | 1 | 709 | (708) |
| CBI | 85 | 430 | (345) |
| KBR | 149 | 788 | (639) |
| ACM | 1,169 | 348 | 821 |
| LAYN | 42 | 47 | (5) |
| BWC | 5 | 292 | (287) |
| MDR | 65 | 535 | (470) |

Source: Company reports (May 2011)

Headcount

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| ACM | n/a | n/a | n/a | n/a | 22,000 | 27,300 | 32,000 | 43,000 | 43,200 | 48,100 |
| BWC | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | 13,000 | 12,000 |
| FLR | 51,313 | 44,809 | 29,011 | 34,799 | 34,836 | 37,560 | 41,260 | 42,119 | 36,152 | 39,229 |
| FWLT | 10,394 | 8,945 | 6,661 | 6,723 | 8,953 | 11,992 | 13,859 | 14,729 | 13,446 | 12,105 |
| JEC | 29,300 | 34,900 | 33,700 | 35,400 | 38,600 | 43,800 | 49,200 | 57,100 | 53,200 | 52,200 |
| KBR | n/a | n/a | n/a | n/a | n/a | 56,000 | 52,000 | 57,000 | 51,000 | 35,000 |
| MDR | 13,300 | 18,200 | 16,000 | 12,500 | 14,200 | 27,800 | 28,400 | 26,400 | 29,000 | 15,000 |
| SHAW | 11,000 | 17,000 | 14,800 | 17,200 | 19,000 | 22,000 | 27,000 | 26,000 | 28,000 | 27,000 |
| TPC | 3,400 | 3,200 | 1,725 | 1,520 | 3,900 | 5,275 | 4,100 | 7,100 | 4,072 | 3,096 |
| URS | 16,000 | 25,000 | 26,000 | 27,500 | 29,200 | 29,300 | 56,000 | 50,000 | 45,000 | 47,000 |
| WG | 3,790 | 4,620 | 3,282 | 3,766 | 4,870 | 4,156 | 5,475 | 6,512 | 3,714 | 7,271 |

Source: Company reports Note: Period relates to fiscal year end.



Steven Fisher- (212) 713-8634
steven.fisher@ubs.com

Engineering & Construction – Consensus

Industry comps as of August 2, 2011

| P/E | | Price 08/02/11 | Market Cap | EPS Consensus (Calendar) | | | | EPS Growth (YoY) | | | P/E | | | | Relative P/E | | | |
|----------------------|--------|-------------------|---------------|--------------------------|-------|-------|------|------------------|------|-------|------|------|------|------|--------------|------|------|------|
| Company | Ticker | | | 09A | 10A | 11E | 12E | 10A | 11E | 12E | 09A | 10A | 11E | 12E | 09A | 10A | 11E | 12E |
| | | | | | | | | | | | | | | | | | | |
| Fluor | FLR | 60.53 | 10,836 | 3.75 | 2.30 | 3.32 | 3.96 | -39% | 44% | 19% | 16.1 | 26.3 | 18.3 | 15.3 | -21% | 79% | 40% | 29% |
| Jacobs | JEC | 37.72 | 4,804 | 2.85 | 2.42 | 2.77 | 3.09 | -15% | 14% | 12% | 13.2 | 15.6 | 13.6 | 12.2 | -35% | 6% | 5% | 3% |
| Foster Wheeler | FWLT | 27.02 | 3,386 | 2.96 | 1.64 | 1.48 | 2.23 | -45% | -10% | 50% | 9.1 | 16.5 | 18.2 | 12.1 | -55% | 12% | 40% | 2% |
| McDermott | MDR | 19.14 | 4,531 | 0.86 | 1.24 | 1.30 | 1.66 | 44% | 4% | 28% | 22.3 | 15.4 | 14.8 | 11.5 | 10% | 5% | 13% | -3% |
| Willbros | WG | 7.79 | 379 | 0.49 | -0.96 | -0.65 | 0.64 | -296% | nmf | -199% | 15.9 | nmf | nmf | 12.1 | -22% | nmf | nmf | 2% |
| URS | URS | 38.93 | 3,068 | 3.09 | 3.54 | 3.64 | 4.01 | 15% | 3% | 10% | 12.6 | 11.0 | 10.7 | 9.7 | -38% | -25% | -18% | -18% |
| KBR | KBR | 33.92 | 5,156 | 1.79 | 2.09 | 2.66 | 2.78 | 17% | 27% | 4% | 18.9 | 16.2 | 12.7 | 12.2 | -7% | 11% | -2% | 3% |
| Tutor Perini | TPC | 15.46 | 740 | 2.79 | 2.13 | 2.20 | 2.50 | -24% | 3% | 14% | 5.5 | 7.3 | 7.0 | 6.2 | -73% | -51% | -46% | -48% |
| CB&I | CBI | 39.23 | 3,929 | 1.79 | 2.04 | 2.45 | 3.02 | 14% | 20% | 23% | 21.9 | 19.2 | 16.0 | 13.0 | 8% | 31% | 23% | 9% |
| AECOM | ACM | 23.58 | 2,811 | 1.73 | 2.13 | 2.49 | 2.88 | 23% | 17% | 15% | 13.6 | 11.1 | 9.5 | 8.2 | -33% | -25% | -27% | -31% |
| Shaw Group | SHAW | 25.62 | 1,851 | 1.93 | 1.52 | 0.70 | 2.43 | -21% | -54% | 249% | 13.3 | 16.9 | 36.8 | 10.5 | -35% | 15% | 183% | -11% |
| Babcock & Wilcox | BWC | 24.42 | 2,881 | 1.42 | 1.30 | 1.30 | 1.88 | -8% | 0% | 44% | 17.3 | 18.8 | 18.8 | 13.0 | -15% | 28% | 44% | 10% |
| Granite Construction | GVA | 22.04 | 852 | 1.90 | -1.56 | 1.06 | 1.50 | -182% | nmf | 42% | 11.6 | nmf | 20.9 | 14.7 | -43% | nmf | 60% | 24% |
| Layne Christensen | LAYN | 26.90 | 529 | 0.90 | 1.53 | 2.07 | 2.15 | 70% | 35% | 4% | 29.9 | 17.6 | 13.0 | 12.5 | 47% | 20% | 0% | 5% |
| Average | | | | | | | | -32% | 9% | 23% | 15.8 | 16.0 | 16.2 | 11.7 | -22% | 9% | 24% | -2% |
| Average ex-LAYN | | | | | | | | -18% | 6% | 43% | 14.7 | 15.8 | 16.4 | 11.6 | -28% | 8% | 26% | -2% |
| S&P 500 - Consensus | | 1,254 | | 62 | 85 | 96 | 105 | 39% | 13% | 10% | 20.3 | 14.7 | 13.0 | 11.9 | | | | |
| S&P 500 - UBS | | 1,254 | | 62 | 85 | 96 | 104 | 37% | 12% | 8% | 20.1 | 14.7 | 13.1 | 12.1 | | | | |

EV/EBITDA

| Company | Ticker | EV 08/02/11 | EBITDA Consensus (Calendar) | | | | EBITDA Growth (YoY) | | | EV/EBITDA | | | | EV/Backlog | | | |
|----------------------|--------|----------------|-----------------------------|-----|------|------|---------------------|------|------|-----------|------|-----|-----|------------|-------|---------|------------|
| | | | 09A | 10A | 11E | 12E | 10A | 11E | 12E | 09A | 10A | 11E | 12E | Ticker | EV | Backlog | EV/Backlog |
| Fluor | FLR | 8,961 | 1305 | 948 | 1167 | 1351 | -27% | 23% | 16% | 6.9 | 9.5 | 7.7 | 6.6 | FLR | 8,961 | 37,186 | 0.24 |
| Jacobs | JEC | 4,499 | 632 | 558 | 651 | 687 | -12% | 17% | 6% | 7.1 | 8.1 | 6.9 | 6.5 | JEC | 4,499 | 14,002 | 0.32 |
| Foster Wheeler | FWLT | 2,496 | 510 | 354 | 322 | 451 | -31% | -9% | 40% | 4.9 | 7.1 | 7.7 | 5.5 | FWLT | 2,496 | 3,921 | 0.64 |
| McDermott | MDR | 4,130 | 435 | 458 | 496 | 603 | 5% | 8% | 22% | 9.5 | 9.0 | 8.3 | 6.8 | MDR | 4,130 | 4,764 | 0.87 |
| Willbros | WG | 604 | 78 | 54 | 99 | 153 | -31% | 83% | 55% | 7.7 | 11.2 | 6.1 | 3.9 | WG | 604 | 2,393 | 0.25 |
| URS | URS | 3,373 | 642 | 678 | 736 | 777 | 6% | 9% | 6% | 5.3 | 5.0 | 4.6 | 4.3 | URS | 3,373 | 16,300 | 0.21 |
| KBR | KBR | 4,550 | 591 | 676 | 677 | 743 | 14% | 0% | 10% | 7.7 | 6.7 | 6.7 | 6.1 | KBR | 4,550 | 11,974 | 0.38 |
| Tutor Perini | TPC | 795 | 267 | 204 | 224 | 256 | -24% | 10% | 14% | 3.0 | 3.9 | 3.5 | 3.1 | TPC | 795 | 4,231 | 0.19 |
| CB&I | CBI | 3,656 | 394 | 376 | 435 | 521 | -5% | 16% | 20% | 9.3 | 9.7 | 8.4 | 7.0 | CBI | 3,656 | 7,257 | 0.50 |
| AECOM | ACM | 3,685 | 377 | 475 | 565 | 629 | 26% | 19% | 11% | 9.8 | 7.8 | 6.5 | 5.9 | ACM | 3,685 | 8,518 | 0.43 |
| Shaw Group | SHAW | 1,177 | 334 | 278 | 168 | 359 | -17% | -40% | 114% | 3.5 | 4.2 | 7.0 | 3.3 | SHAW | 1,177 | 19,715 | 0.06 |
| Babcock & Wilcox | BWC | 2,594 | 352 | 336 | 312 | 419 | -5% | -7% | 34% | 7.4 | 7.7 | 8.3 | 6.2 | BWC | 2,594 | 4,907 | 0.53 |
| Granite Construction | GVA | 835 | 209 | -35 | 149 | 178 | -117% | nmf | 19% | 4.0 | nmf | 5.6 | 4.7 | GVA | 835 | 2,004 | 0.42 |
| Layne Christensen | LAYN | 527 | 72 | 96 | 107 | 114 | 33% | 11% | 7% | 7.3 | 5.5 | 4.9 | 4.6 | LAYN | 527 | 530 | 0.99 |
| Average | | 2,992 | 443 | 390 | 436 | 517 | -13% | 11% | 27% | 6.7 | 7.3 | 6.6 | 5.3 | Average | | | 0.43 |
| Average ex-WG | | | 471 | 416 | 462 | 545 | -12% | 5% | 24% | 6.6 | 7.0 | 6.6 | 5.4 | | | | |

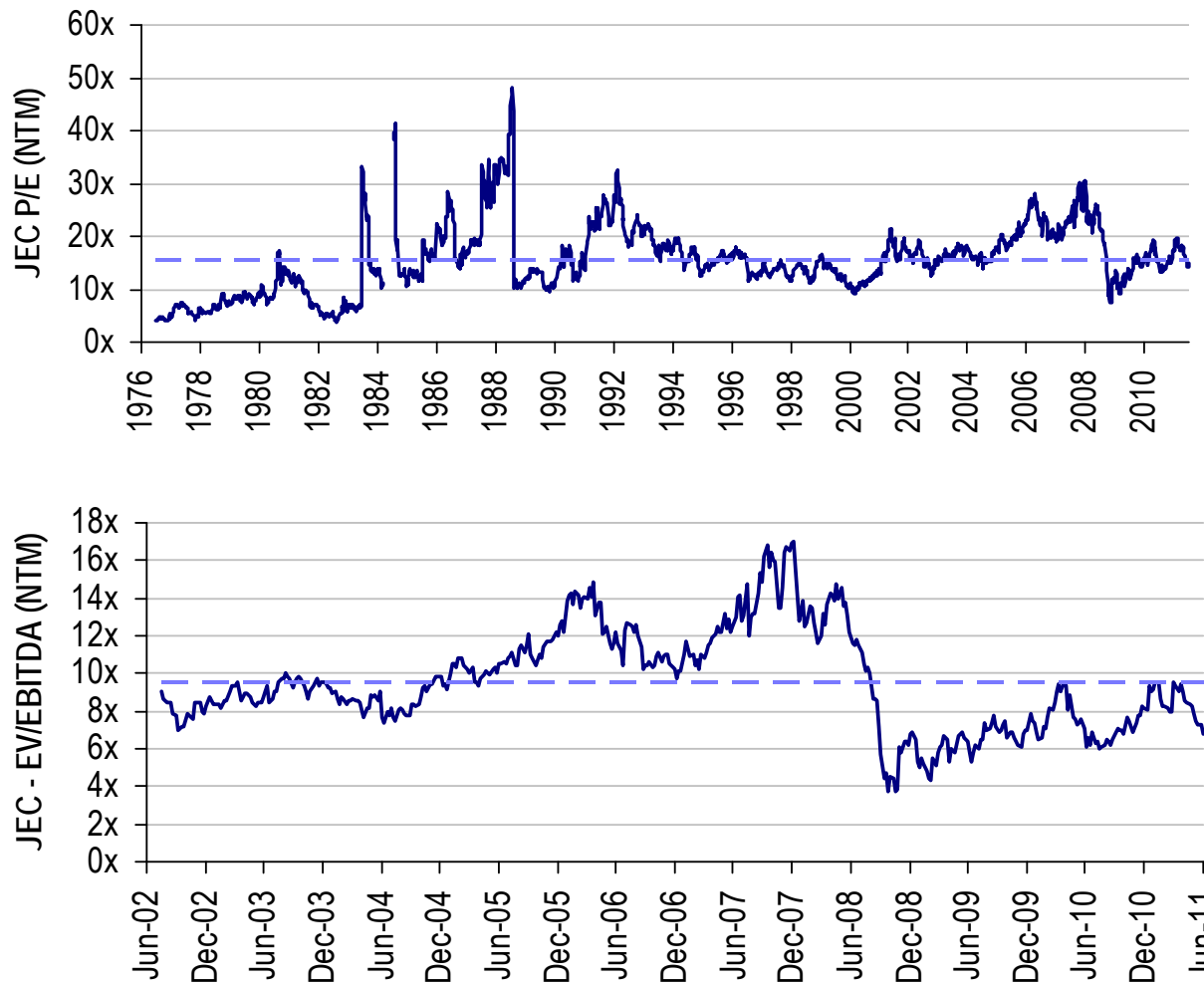
Source: Company reports, Bloomberg, Thomson/FactSet consensus data used for all companies; UBS covers all companies except CB&I and GVA.



Steven Fisher- (212) 713-8634
steven.fisher@ubs.com

Valuation Charts – P/E and EV/EBITDA

JEC



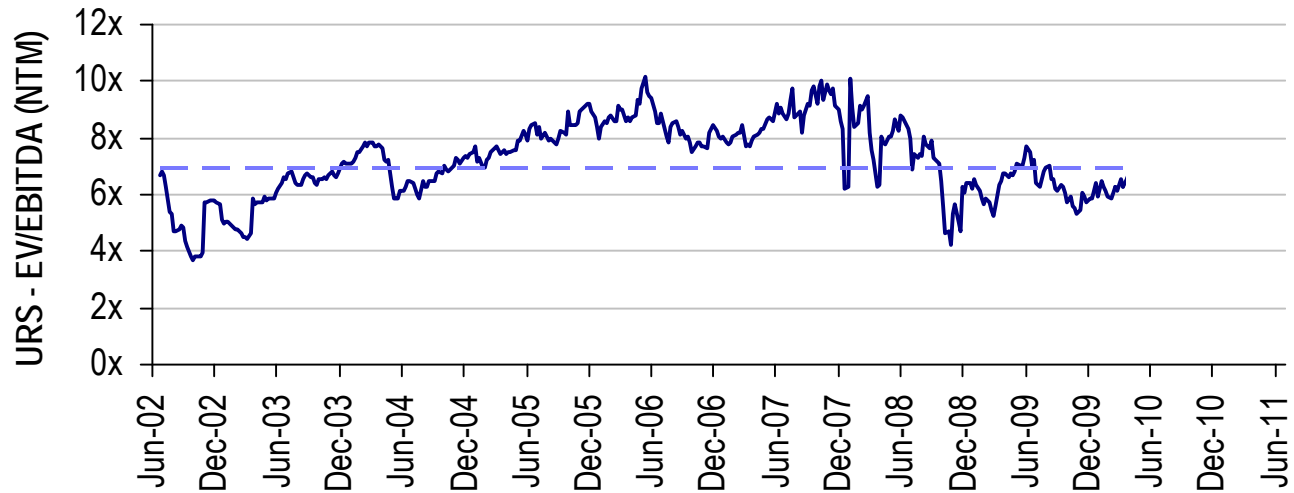
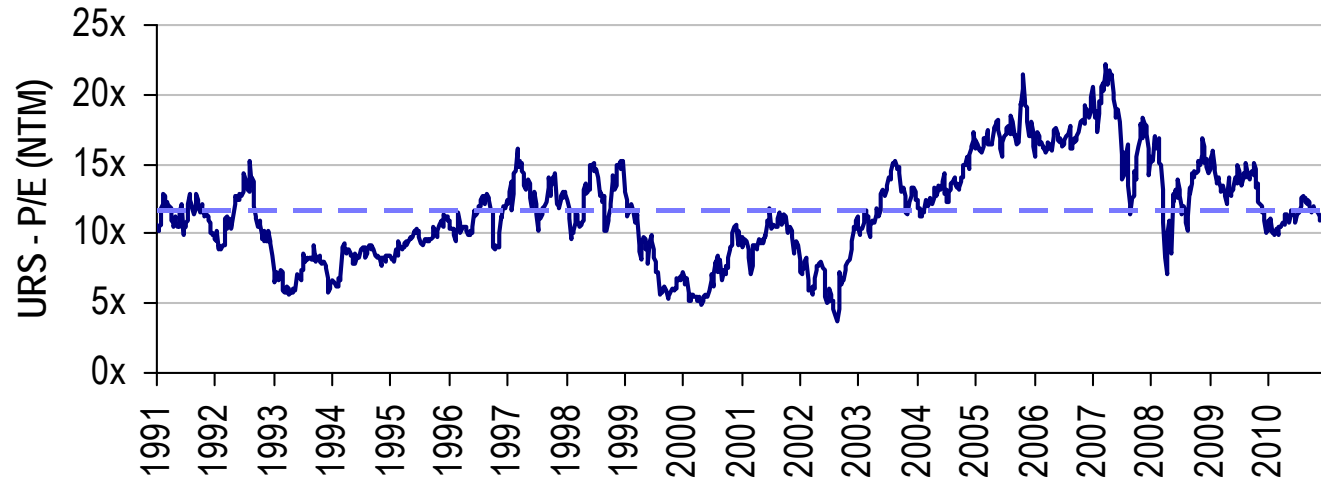
Source: FactSet



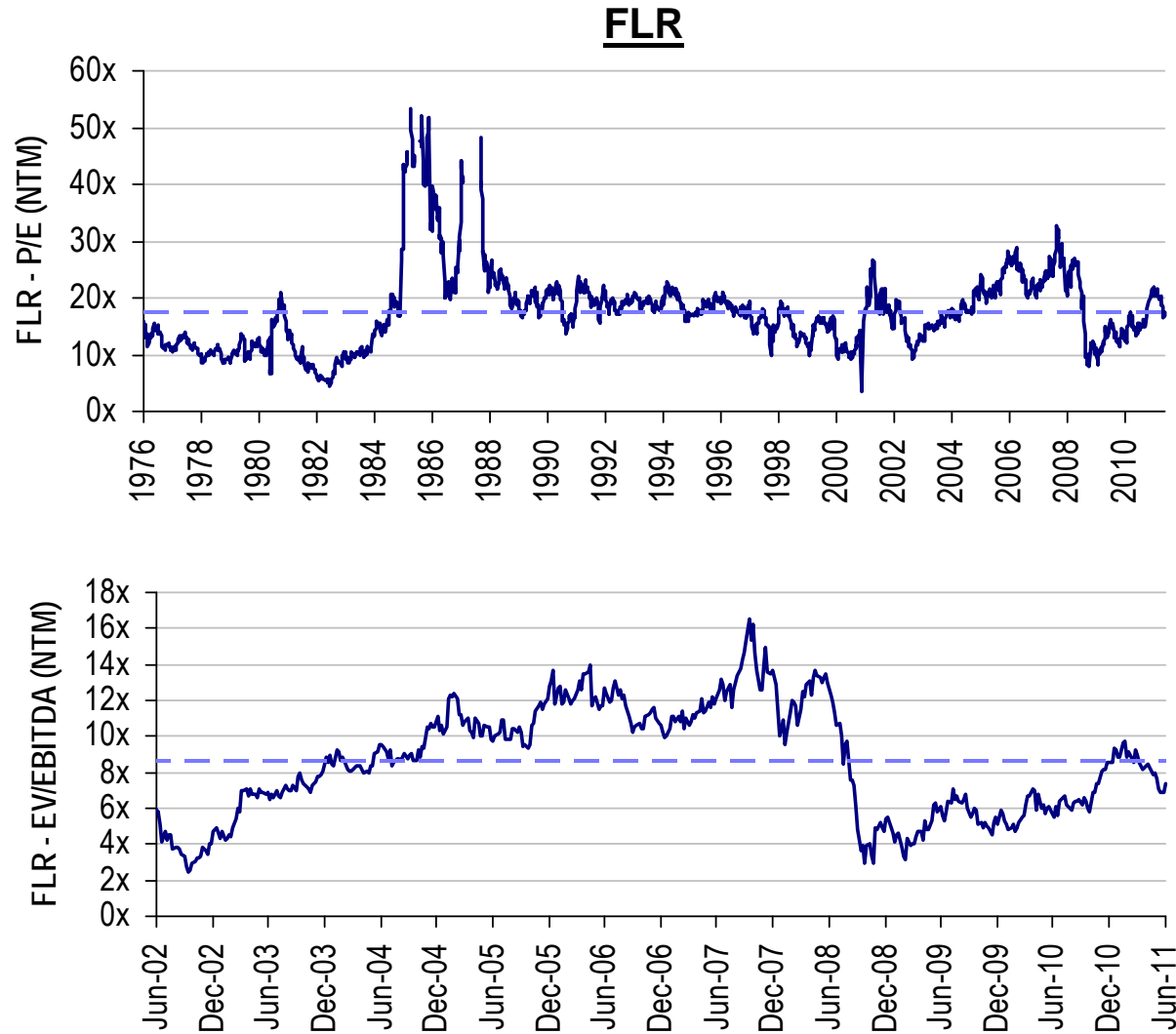
Steven Fisher - (212) 713-8634
steven.fisher@ubs.com

Valuation Charts – P/E and EV/EBITDA

URS



Valuation Charts – P/E and EV/EBITDA



Source: FactSet



Steven Fisher - (212) 713-8634
steven.fisher@ubs.com

E&C Street Views

| | Buy | Hold | Sell |
|------|-----|------|------|
| MDR | 20 | 1 | 0 |
| FLR | 18 | 6 | 1 |
| CBI | 15 | 4 | 0 |
| KBR | 15 | 4 | 0 |
| PWR | 14 | 3 | 1 |
| JEC | 13 | 10 | 0 |
| FWLT | 12 | 5 | 0 |
| ACM | 12 | 5 | 0 |
| URS | 8 | 10 | 1 |
| BWC | 8 | 7 | 0 |
| WG | 4 | 8 | 1 |
| SHAW | 2 | 15 | 0 |
| Avg | 12 | 7 | 0 |

Source: FactSet



Steven Fisher- (212) 713-8634
steven.fisher@ubs.com

You Make the Call: Case Study #1



Backlog up 10% over the past year

Oil prices \$67/bbl

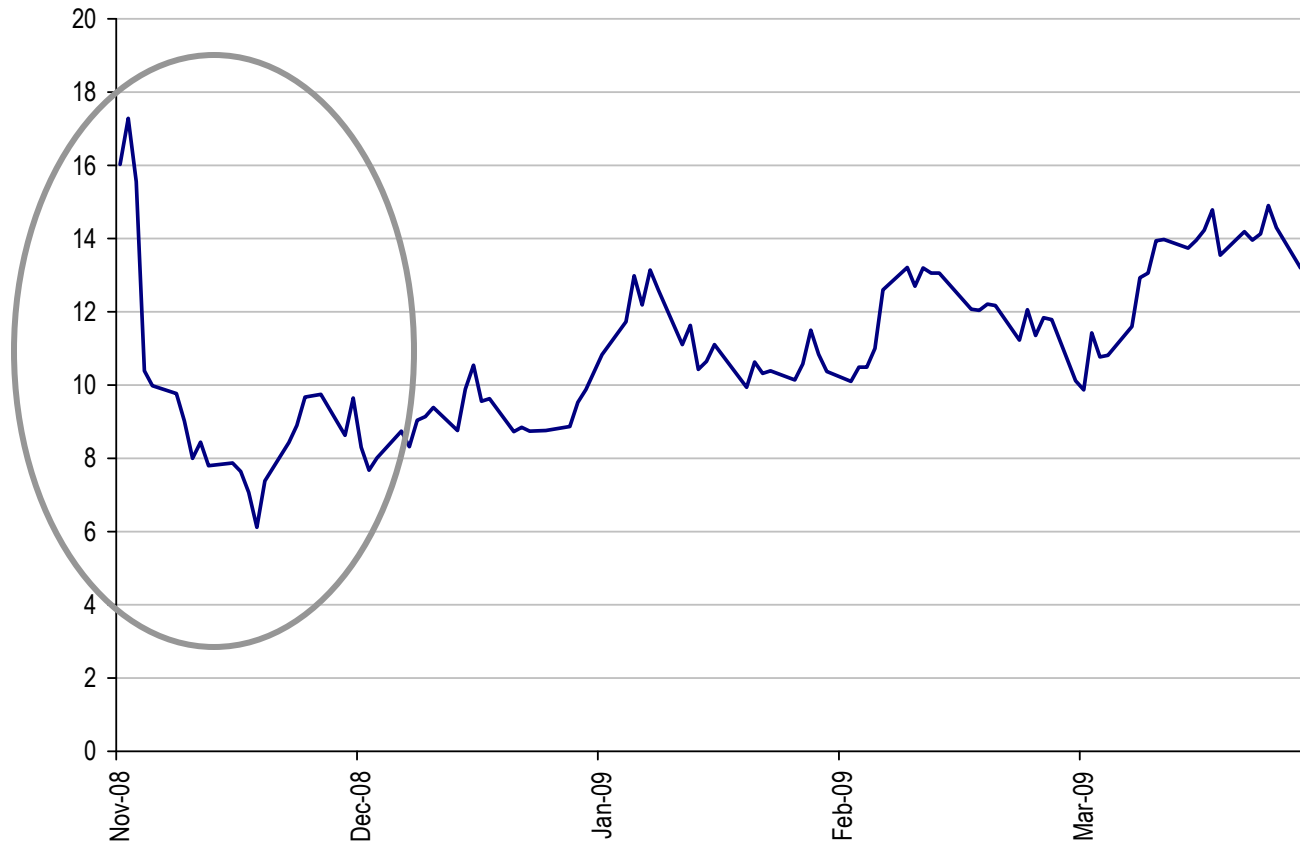
Stock trading at 8x estimated earnings vs. 16-17x historical and peers at 11x

Source: FactSet



Steven Fisher- (212) 713-8634
steven.fisher@ubs.com

You Make the Call: Case Study #1



Stock: McDermott

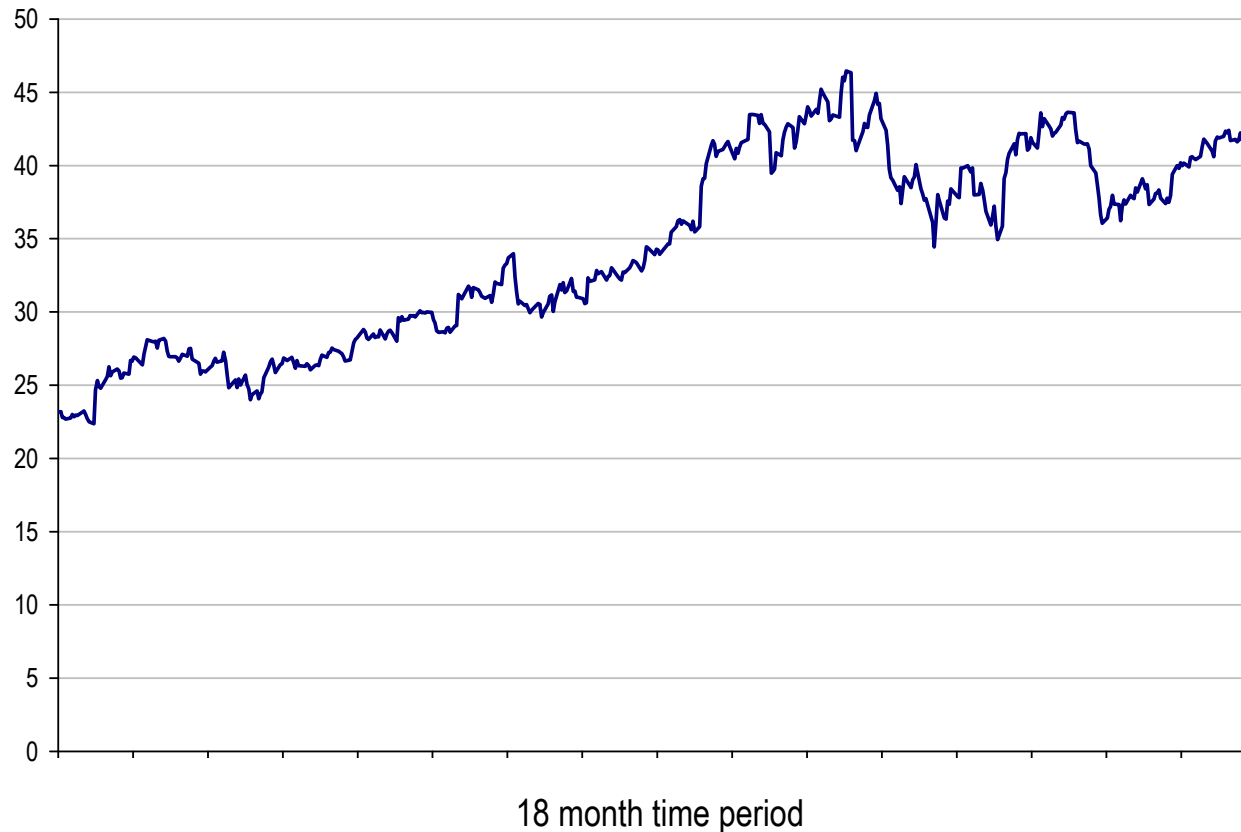
Lesson: Be aware of risk in backlog

Source: FactSet



Steven Fisher- (212) 713-8634
steven.fisher@ubs.com

You Make the Call: Case Study #2



Backlog up 20% over the past 12-18 months

Oil prices \$63/bbl

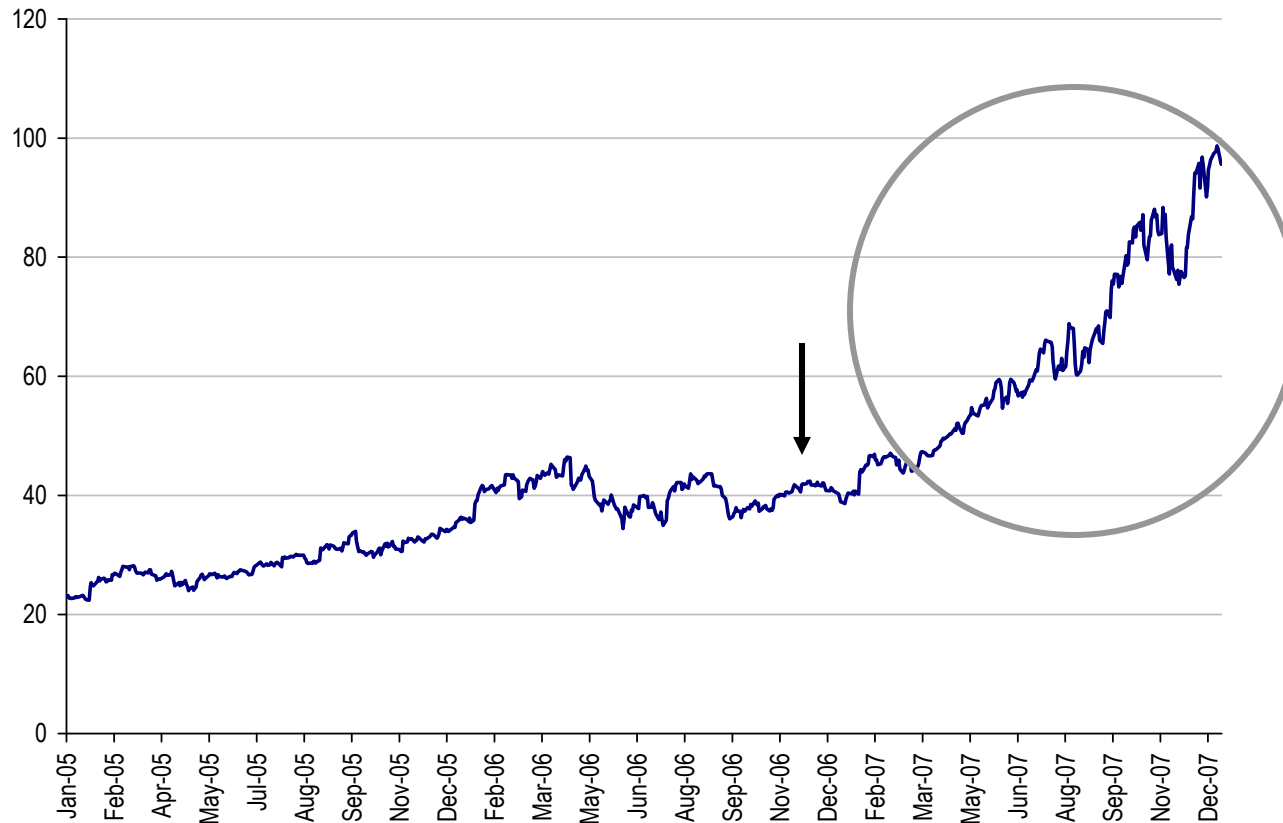
Stock trading at 21x estimated earnings vs. 17x historical and peers at 19x

Source: FactSet



Steven Fisher- (212) 713-8634
steven.fisher@ubs.com

You Make the Call: Case Study #2



Stock: Jacobs Engineering

Lesson: Analyze cyclical potential

Source: FactSet



Steven Fisher- (212) 713-8634
steven.fisher@ubs.com

Statement of Risk

The primary risks to the sector include potential declines in commodity prices (particularly oil), slowing US and global economic activity, weaker than expected industrial and non res construction markets, failure to execute on backlogs/cost overruns on fixed price contracts, potential for constrained growth due to rising construction costs and labor availability.

Jacobs – Key risks to the earnings and to the stock include potential slowing backlog growth, losses on fixed price contracts, falling oil prices, and labor shortages.

Fluor – Key risks: (1) execution – could incur losses on power and infrastructure projects; (2) even weaker than expected bookings trends in the power business; (3) oil prices could fall; (4) higher risk from larger projects; (5) project delays or cancellations.

URS – Key risks include (1) government work in Iraq that slows more quickly than anticipated, (2) general cuts in defense or homeland security budgets, (3) a slowing economy limits state and local spending on infrastructure and other private sector projects, (4) integration of the Washington Group acquisition, (5) lawsuits related to the I-35W bridge/NYC building demolition project.

Tutor Perini – Key risks include: 1) Risk of losses due to potential cost overruns in fixed price contracts; 2) Execution of major casino projects due to possible capacity constraints; 3) Risk of adverse judgments in ongoing lawsuits resulting in material financial impact; 4) Overhang exists as CEO has registered to potentially sell a significant amount of company shares outstanding; 5) Political and sovereign risk may affect financial performance of work in process in Iraq and Afghanistan; and 6) Risk of further declines in backlog due to difficult credit and economic conditions which could delay new projects.

McDermott – The primary risks to McDermott’s earnings and stock include falling oil prices, cost overruns on fixed price projects, and intense competition.

Babcock & Wilcox – The primary risks include sustained period of regulatory uncertainty and economic weakness, higher than expected R&D costs, higher than expected pension expense, competition for federal programs, and reductions in defense spending.

Statement of Risk

WESCO – The primary risks include a decline in U.S. industrial activity or a decline in non-residential construction activity, which could cause earnings to fall below our expectations.

KBR – The primary risks include difficulty estimating any given quarter how much revenue and income will be recognized due to % completion accounting. KBR also operates in markets that are primarily outside the U.S. with a particular emphasis on lesser developed markets that tend to be more volatile politically and economically. Additional risks include cost overruns from fixed price contracts. KBR's government services business is subject to troop withdrawal from Iraq, as well as bidding by competitors. KBR remains the subject of various investigations into its billing and bidding practices in the U.S. and elsewhere in the world.

Shaw Group – We believe the primary risks to the stock include potential for cost overruns on fixed price contracts, potential for further adverse results in legal matters, slower than expected development of the nuclear business, backlog cancellation risk, and risk of further write-downs of joint ventures.

AECOM – Key risks include slowing global economic growth, labor shortages and rising construction costs which could delay or cancel projects, and M&A related risks.

Willbros – Primary risks include potential losses on fixed price projects, management's execution of international expansion, oil and gas prices, and resolution of legacy issues.

Layne Christensen – Primary risks include economic weakness, falling commodity prices, competitive dynamics, operational risk, potential losses on fixed price contracts, acquisition integration risk, and contract pricing risk.

Foster Wheeler – Key risks to earnings and to the stock include slowing backlog growth, losses on fixed-price contracts, labor shortages, high material costs, project delays/cancellations, falling oil prices, regulatory uncertainty surrounding coal-fired power projects, further charges from asbestos litigation, and uncertainty over the future CEO transition.



Required Disclosures

This report has been prepared by UBS Securities LLC, 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 | 54% | 39% |
| Neutral | Hold/Neutral | 39% | 35% |
| Sell | Sell | 7% | 14% |
| UBS Short-Term Rating | Rating Category | Coverage ³ | IB Services ⁴ |
| Buy | Buy | less than 1% | 33% |
| Sell | Sell | less than 1% | 25% |

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

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

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

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

Source: UBS. Rating allocations are as of 30 June 2011.

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. |



Required Disclosures (Continued)

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 LLC: Steven Fisher, CFA; Brandon Verblow.

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

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 were prepared in an independent manner, including with respect to UBS, 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.



Steven Fisher- (212) 713-8634
steven.fisher@ubs.com

Companies Mentioned

Company Disclosures

| Company Name | Reuters | 12-mo rating | Short-term rating | Price | Price date |
|--|---------|--------------|-------------------|-----------|-------------|
| AECOM Technology Corp. ^{1, 5, 16} | ACM.N | Buy | N/A | US\$23.58 | 02 Aug 2011 |
| Babcock & Wilcox Co ¹⁶ | BWC.N | Neutral | N/A | US\$24.42 | 02 Aug 2011 |
| Fluor Corporation ^{4, 6a, 6b, 6c, 7, 13, 16} | FLR.N | Buy | N/A | US\$60.53 | 02 Aug 2011 |
| Foster Wheeler Ltd. ^{5, 16} | FWLT.O | Buy | N/A | US\$27.02 | 02 Aug 2011 |
| Jacobs Engineering Group, Inc. ¹⁶ | JEC.N | Neutral | N/A | US\$37.72 | 02 Aug 2011 |
| KBR, Inc. ^{4, 6a, 6c, 7, 16} | KBR.N | Buy | N/A | US\$33.92 | 02 Aug 2011 |
| Layne Christensen Company ¹⁶ | LAYN.O | Sell | N/A | US\$26.90 | 02 Aug 2011 |
| McDermott International ^{5, 16} | MDR.N | Buy | N/A | US\$19.14 | 02 Aug 2011 |
| Shaw Group Inc ^{4, 6a, 16, 20} | SHAW.N | Buy (CBE) | N/A | US\$25.62 | 02 Aug 2011 |
| Tutor Perini Corp. ^{5, 16} | TPC.N | Buy | N/A | US\$15.46 | 02 Aug 2011 |
| URS Corporation ^{4, 6a, 16} | URS.N | Neutral | N/A | US\$38.93 | 02 Aug 2011 |
| WESCO International, Inc. ¹⁶ | WCC.N | Buy | N/A | US\$47.82 | 02 Aug 2011 |
| Willbros Group, Inc. ^{4, 5, 6a, 16} | WG.N | Neutral | N/A | US\$7.79 | 02 Aug 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

Source: UBS. AEST: Australian eastern standard time; BST: British summer time; EDT: Eastern daylight time; JST: Japanese standard time.

For a complete set of disclosure statements associated with the companies discussed in this report, including information on valuation and risk, please contact UBS Securities LLC, 1285 Avenue of Americas, New York, NY 10019, USA, Attention: Publishing Administration.

Companies Mentioned (Continued)

1. UBS Securities LLC is acting as manager/co-manager, underwriter, placement or sales agent in regard to an offering of securities of this company/entity or one of its affiliates.
4. Within the past 12 months, UBS AG, its affiliates or subsidiaries has received compensation for investment banking services from this company/entity.
5. UBS AG, its affiliates or subsidiaries expect to receive or intend to seek compensation for investment banking services from this company/entity within the next three months.
- 6a. 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.
- 6b. This company/entity is, or within the past 12 months has been, a client of UBS Securities LLC, and non-investment banking securities-related services are being, or have been, provided.
- 6c. This company/entity is, or within the past 12 months has been, a client of UBS Securities LLC, and non-securities services are being, or have been, provided.
7. Within the past 12 months, UBS Securities LLC has received compensation for products and services other than investment banking services from this company/entity.
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).
16. UBS Securities LLC makes a market in the securities and/or ADRs of this company.
20. Because UBS believes this security presents significantly higher-than-normal risk, its rating is deemed Buy if the FSR exceeds the MRA by 10% (compared with 6% under the normal rating system).

Source: UBS; as of 2 Aug 2011

Global Disclaimer

This report has been prepared by UBS Securities LLC, 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.



Global Disclaimer (Continued)

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.



Steven Fisher - (212) 713-8634
steven.fisher@ubs.com

Contact Information

UBS Securities LLC
1285 Avenue of the Americas
New York, NY 10019

Tel: +1-212-713-2000

www.ubs.com

UBS Securities LLC is a subsidiary of UBS AG.



Steven Fisher- (212) 713-8634
steven.fisher@ubs.com