

UBS Investment Research
Telecom Equipment Daily

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■ **Nokia to announce an alliance with Microsoft (companies, WSJ)**

Nokia and Microsoft will hold a joint conference today to announce an alliance between the two. The companies are likely to announce a deal whereby Microsoft will design a mobile version of its Office suite of software for Nokia phones, WSJ reported. If the alliance is limited to availability of Microsoft Office on Nokia devices then it would not be very significant in our view. However, something more radical like Nokia adopting Windows Mobile OS would be a significant negative as it would amount to an acknowledgement that Symbian is facing issues. We believe that the latter is highly unlikely.

■ **Ericsson CEO not seeing further capex cuts (Reuters)**

Ericsson CEO Carl-Henric Svanberg commented that the company does not see operators cutting capex any further but still doesn't have any visibility on economic recovery. He also said that Sony Ericsson will be able to meet its financing requirements through bank loans before requiring support from its parents. However, he did not provide any timeframe for the j-v to break even.

■ **India reports strong net adds growth in July (COAI)**

India reported GSM mobile subscriber net adds (ex-Reliance Communications) of 9.5m in July, up c.48% y-o-y (June: +41%, May: +32%, April: 46%). Net adds growth in India has stayed strong through the global economic turmoil although recent operator reporting showed that the mix is shifting to the rural segment. Read through for the handset market is limited due to SIM-only deals.

Table 1: Best/worst share price performers – Aug 11

Best performers	Price	% change	Worst performers	Price	% change
Tellabs Inc.	6.15	4.2%	TomTom	8.096	-5.3%
HTC Corp.	350.00	2.9%	Alcatel-Lucent	2.18	-4.9%
ZTE Corp.	34.95	2.8%	ADC Telecom	6.90	-4.7%
Palm	13.92	1.5%	Ciena Corp.	11.36	-2.5%
F5 Ntwks.	36.28	1.0%	Spirent Plc	72.25	-2.4%

Source: Bloomberg

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ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 5.

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UBS Investment Research: Global Equity Rating Allocations

UBS 12-Month Rating	Rating Category	Coverage ¹	IB Services ²
Buy	Buy	44%	38%
Neutral	Hold/Neutral	39%	36%
Sell	Sell	17%	25%
UBS Short-Term Rating	Rating Category	Coverage ³	IB Services ⁴
Buy	Buy	less than 1%	33%
Sell	Sell	less than 1%	33%

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 2009.

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.

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

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

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

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

EXCEPTIONS AND SPECIAL CASES

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UBS Limited: Gareth Jenkins; Anuj Krishan.

Company Disclosures

Company Name	Reuters	12-mo rating	Short-term rating	Price	Price date
Alcatel-Lucent ^{5, 6c, 8, 16}	ALUA.PA	Neutral	N/A	€2.18	11 Aug 2009
Ericsson ^{15, 16}	ERICb.ST	Sell	N/A	SKr68.20	11 Aug 2009
Gemalto ²⁰	GTO.PA	Neutral (CBE)	N/A	€25.47	11 Aug 2009
Nokia ^{2, 4, 5, 6a, 6b, 6c, 7, 15, 16}	NOK1V.HE	Neutral	N/A	€9.22	11 Aug 2009
Spirent Plc ^{4, 5, 14}	SPT.L	Buy	N/A	72p	11 Aug 2009

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

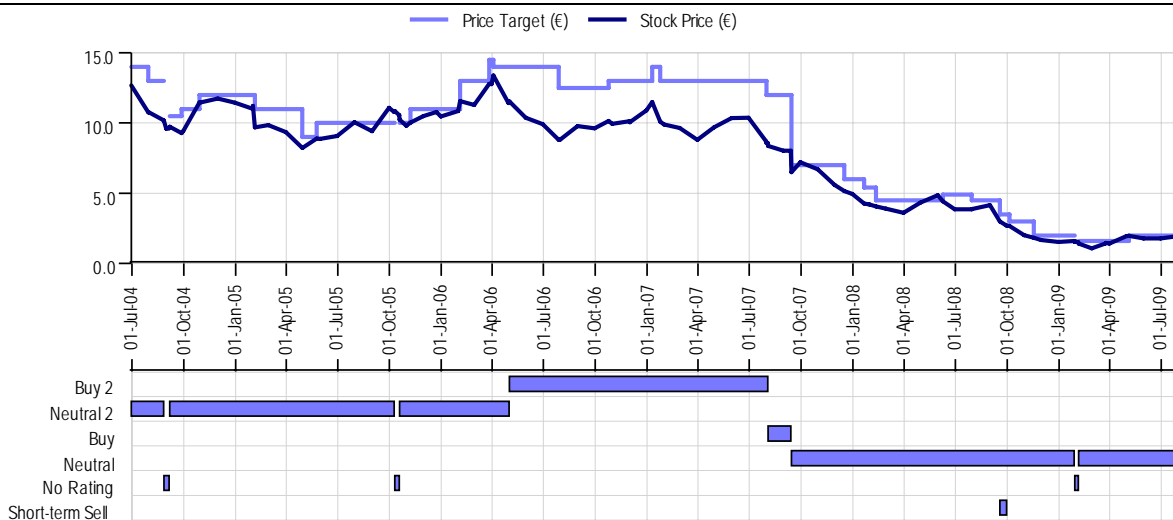
Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

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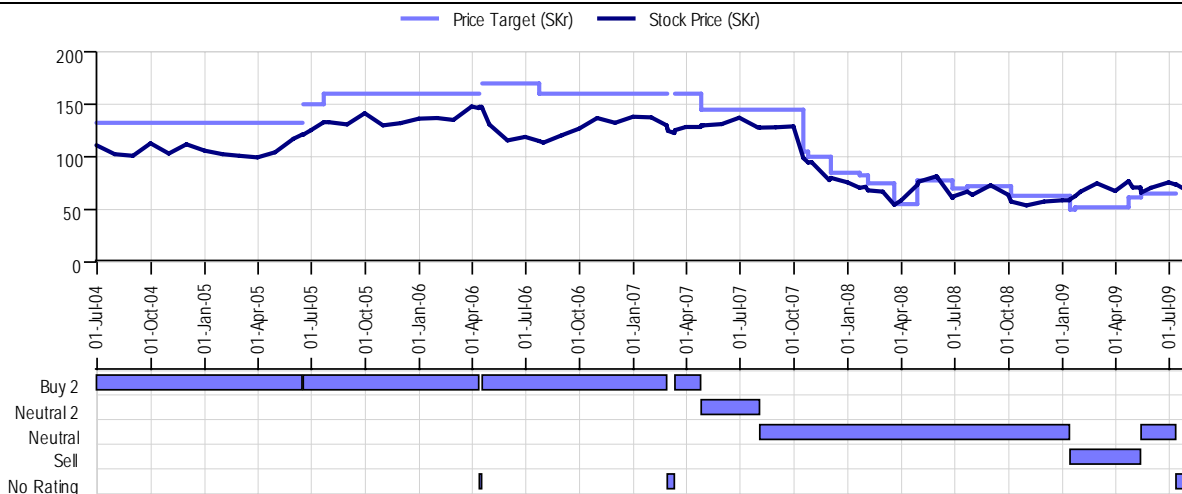
Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

Alcatel-Lucent (€)



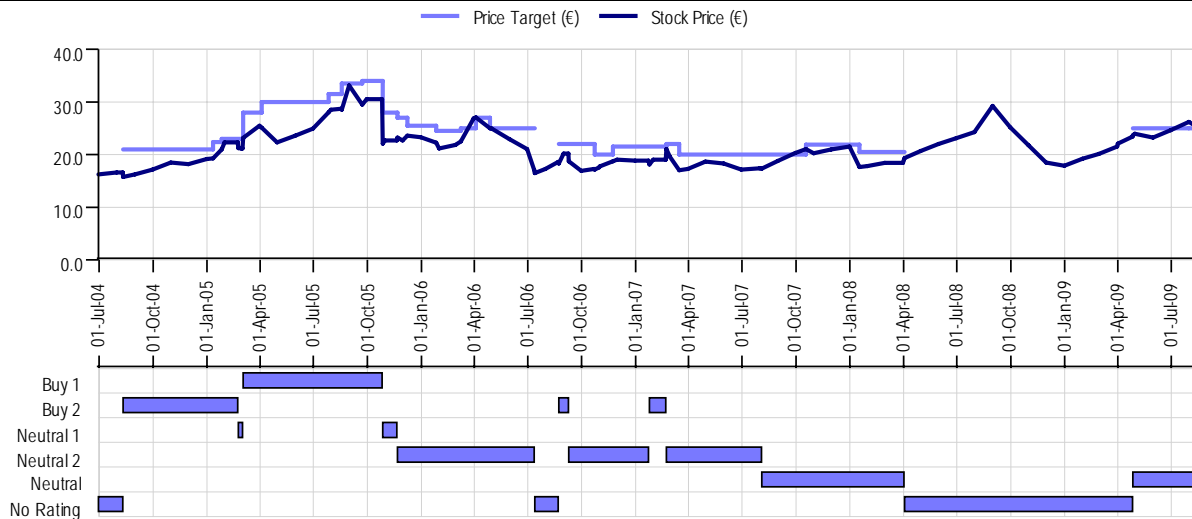
Source: UBS; as of 11 Aug 2009

Ericsson (SKr)



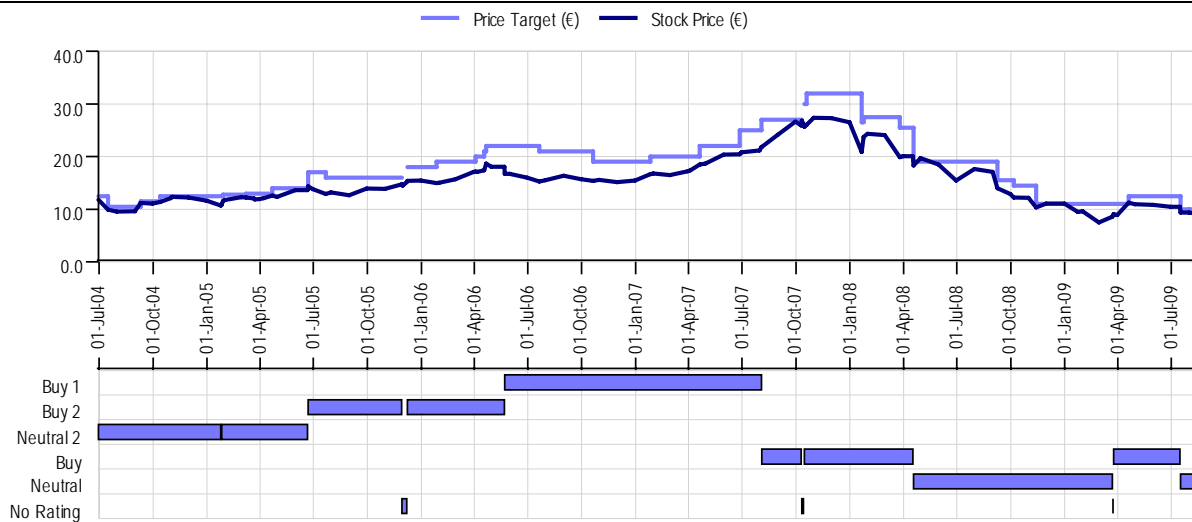
Source: UBS; as of 11 Aug 2009

Gemalto (€)



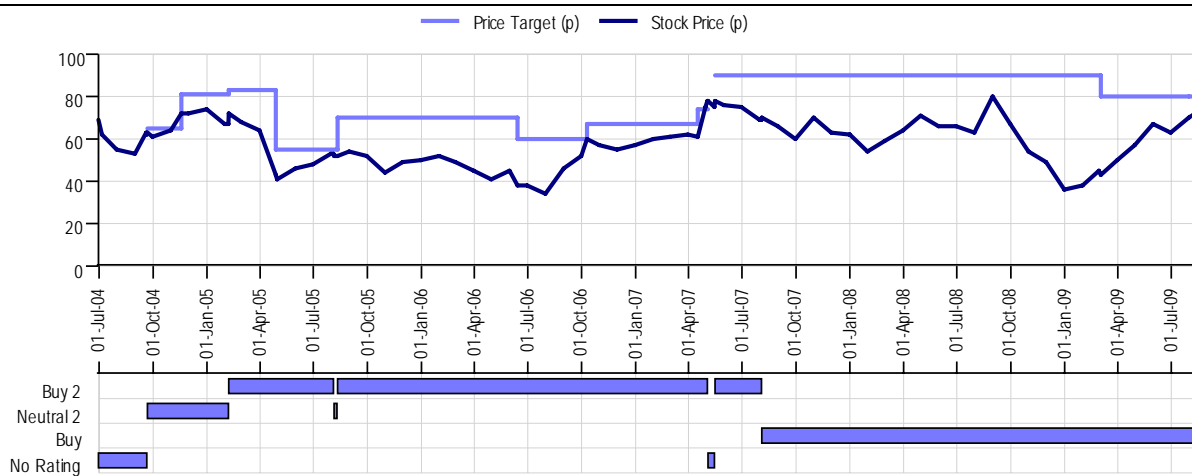
Source: UBS; as of 11 Aug 2009

Nokia (€)



Source: UBS; as of 11 Aug 2009

Spirent Plc (p)



Source: UBS; as of 11 Aug 2009

Note: On August 4, 2007 UBS revised its rating system. (See 'UBS Investment Research: Global Equity Rating Definitions' table for details). From September 9, 2006 through August 3, 2007 the UBS ratings and their definitions were: Buy 1 = FSR is > 6% above the MRA, higher degree of predictability; Buy 2 = FSR is > 6% above the MRA, lower degree of predictability; Neutral 1 = FSR is between -6% and 6% of the MRA, higher degree of predictability; Neutral 2 = FSR is between -6% and 6% of the MRA, lower degree of predictability; Reduce 1 = FSR is > 6% below the MRA, higher degree of predictability; Reduce 2 = FSR is > 6% below the MRA, lower degree of predictability. 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. From October 13, 2003 through September 8, 2006 the percentage band criteria used in the rating system was 10%.

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