

Recovery in the price; Downgrade

Downgrading to Underperform with a PO of NT\$80.0

We downgrade our rating on Catcher from Buy to Underperform with a PO of NT\$80 (6% downside potential). We believe investors should lock in profits on upcoming 3Q results and October sales given the stock's recent strong performance (up 25% from the trough and 50% of outperformance vs Taiex in 3M). We cut our 09E EPS by 14% to NT\$8.0 on its share loss to FTC at Apple and limited margin improvement ahead.

Solid recovery expected in 2H08

We expect Catcher to post robust 3Q EPS of NT\$2.3 (+52% QoQ) on 31 October, given the new model launch for Dell/HTC, the likelihood of a mild margin recovery (up 30bp QoQ to 28.2% of OPM), and a lower expected tax rate. We forecast 4Q revenue to grow 18% QoQ to NT\$6.0bn, driven by Apple's *refresh NB PC* and *iPods*, with a further margin increase to 29.9% on larger scale and higher contract prices.

Muted growth with lower margins likely in 2009

We expect slower revenue growth of 8% for 2009 (down from 15%) largely due to its share loss for Apple's *NB PCs* and *iPod*. FTC has secured orders for all the *iPod Touch* and part of the *MacBook* in 2H08, from a zero base. Thus, we expect revenue from handsets and MP3s to decline YoY. In addition, we expect OPM to trend down YoY in 2009, differing from our previous upward assumptions.

Long CCC/high capex; prefer FTC

In addition, we are cautious on Catcher's longer CCC days (167 as of 1H08) and high capex (NT\$6bn) for 2008. We prefer FTC in the metal casing sector given its higher earnings growth and more compelling 09E P/E of 8.5x, after a 50% underperformance in 3M. Our PO of NT\$80 (down from NT\$122) is based on 10x 09E, which is at the low-end of its P/E band and a discount to FTC's 11x.

Estimates (Dec)

(NT\$)	2006A	2007A	2008E	2009E	2010E
Net Income (mn) Taiwan GAAP	6,461	7,197	4,796	4,791	4,900
EPS (Pre Bonus)	10.79	12.01	8.01	8.00	8.18
EPS (Post Bonus)	10.60	11.24	8.01	8.00	8.18
EPS Change (YoY)	82.5%	6.1%	-28.8%	-0.1%	2.3%
Dividend / Share	2.07	3.62	2.50	2.70	3.00
Free Cash Flow / Share	1.75	1.25	(0.615)	4.42	4.73

* Taiwan GAAP changed from Pre-Bonus to Post-Bonus earnings from 2008.

Valuation (Dec)

	2006A	2007A	2008E	2009E	2010E
P/E (Post Bonus)	8.04x	7.58x	10.64x	10.65x	10.42x
Dividend Yield	2.43%	4.24%	2.93%	3.17%	3.52%
Free Cash Flow Yield*	2.06%	1.47%	-0.722%	5.19%	5.56%

* For full definitions of *iQmethod*SM measures, see page 7.



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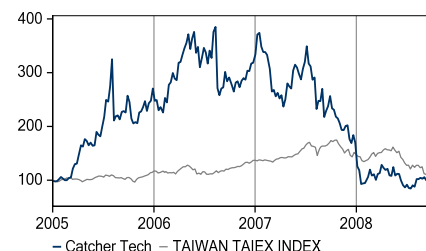
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Stock Data

Price	NT\$85.20
Price Objective	NT\$122.06 to NT\$80.00
Date Established	23-Oct-2008
Investment Opinion	C-1-8 to C-3-8
Volatility Risk	HIGH
52-Week Range	NT\$67.60-NT\$211.82
Mkt Val / Shares Out (mn)	US\$1,560 / 599.0
Average Daily Volume	14,185,760
ML Symbol / Exchange	CHERF / TAI
Bloomberg / Reuters	2474 TT / 2474.TW
ROE (2008E)	17.4%
Net Dbt to Eqty (Dec-2007A)	-16.6%
Est. 5-Yr EPS / DPS Growth	-5.0% / 10.0%
Free Float	70.0%



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Refer to important disclosures on page 8 to 9. Analyst Certification on Page 5. Price Objective Basis/Risk on page 5.

iQprofileSM Catcher Technology Co. Ltd.

Key Income Statement Data (Dec)	2006A	2007A	2008E	2009E	2010E
(NT\$ Millions)					
Sales	15,139	18,087	19,322	20,790	22,451
Gross Profit	7,906	8,703	8,133	8,676	9,080
Sell General & Admin Expense	(963)	(1,090)	(1,753)	(1,845)	(1,975)
Operating Profit	6,859	7,428	5,313	5,661	5,825
Net Interest & Other Income	136	274	295	110	150
Associates	NA	NA	NA	NA	NA
Pretax Income	6,994	7,702	5,608	5,771	5,975
Tax (expense) / Benefit	(533)	(506)	(812)	(979)	(1,076)
Net Income (Adjusted)	6,461	7,197	4,796	4,791	4,900
Average Fully Diluted Shares Outstanding	599	599	599	599	599

Key Cash Flow Statement Data

Net Income (Reported)	6,461	7,197	4,796	4,791	4,900
Depreciation & Amortization	648	966	1,399	1,812	2,000
Change in Working Capital	(2,332)	(2,611)	(489)	(351)	(627)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	102	897	(278)	138	(70)
Cash Flow from Operations	4,879	6,448	5,428	6,391	6,203
Capital Expenditure	(3,828)	(5,699)	(5,797)	(3,742)	(3,368)
(Acquisition) / Disposal of Investments	396	(415)	0	0	0
Other Cash Inflow / (Outflow)	(1,281)	1,122	0	0	0
Cash Flow from Investing	(4,713)	(4,992)	(5,797)	(3,742)	(3,368)
Shares Issue / (Repurchase)	0	0	0	0	0
Cost of Dividends Paid	(588)	(1,246)	(1,626)	(1,348)	(1,495)
Cash Flow from Financing	1,422	2,675	(1,222)	(848)	(495)
Free Cash Flow	1,051	749	(368)	2,648	2,835
Net Debt	(3,854)	(4,299)	(2,304)	(3,605)	(4,945)
Change in Net Debt	595	227	1,917	(1,301)	(1,340)

Key Balance Sheet Data

Property, Plant & Equipment	9,613	14,271	18,668	20,598	21,966
Other Non-Current Assets	562	1,097	1,097	1,098	1,099
Trade Receivables	6,003	7,675	8,205	8,544	9,227
Cash & Equivalents	6,448	10,972	9,304	11,105	13,445
Other Current Assets	2,466	2,515	2,928	2,990	3,210
Total Assets	25,092	36,530	40,203	44,335	48,946
Long-Term Debt	0	0	0	0	0
Other Non-Current Liabilities	117	69	69	69	69
Short-Term Debt	2,594	6,673	7,000	7,500	8,500
Other Current Liabilities	3,093	3,856	4,033	4,221	4,427
Total Liabilities	5,805	10,598	11,101	11,790	12,996
Total Equity	19,288	25,932	29,101	32,545	35,950
Total Equity & Liabilities	25,092	36,530	40,203	44,335	48,946

iQmethodSM - Bus Performance*

Return On Capital Employed	35.2%	25.6%	13.9%	13.0%	11.9%
Return On Equity	42.8%	31.8%	17.4%	15.5%	14.3%
Operating Margin	45.3%	41.1%	27.5%	27.2%	25.9%
EBITDA Margin	49.6%	46.4%	34.7%	35.9%	34.9%

iQmethodSM - Quality of Earnings*

Cash Realization Ratio	0.8x	0.9x	1.1x	1.3x	1.3x
Asset Replacement Ratio	5.9x	5.9x	4.1x	2.1x	1.7x
Tax Rate (Reported)	7.6%	6.6%	14.5%	17.0%	18.0%
Net Debt-to-Equity Ratio	-20.0%	-16.6%	-7.9%	-11.1%	-13.8%
Interest Cover	NM	NM	38.9x	39.0x	36.4x

Key Metrics

Stock comp. adjusted ROIC	40.2%	26.8%	13.2%	12.3%	13.8%
Stock comp. adjusted ROE	38.0%	27.0%	15.7%	14.0%	15.7%
Stock comp. adjusted EPS	10.60	11.24	8.01	8.00	8.18
Stock comp. adjusted P/E	8.04x	7.58x	10.64x	10.65x	10.42x

* For full definitions of iQmethodSM measures, see page 7.

Company Description

Catcher Technology is one of the largest manufacturers of magnesium alloy parts in Taiwan in terms of revenue, with a focus on notebook PCs (for Dell and HP), handsets (for Motorola and Nokia), and MP3 (for Apple). Notebook PCs accounted for 62% of revenue in 2006 while the balance largely came from handsets and MP3.

Investment Thesis

Our investment thesis includes a) share loss at key customers (Dell to Waffer and Nokia to FTC), b) downward trends on its superior margins particularly as direct labor costs account for over 20pct of COGS, c) potential delays in its initiatives into otuch panels, and d) poor track record at meeting guidance over the past few quarters. However, we remain positive on the strong growth for metal casing given increasing adoption from notebook PCs, handsets and consumer devices.

Stock Data

Price to Book Value 1.8x

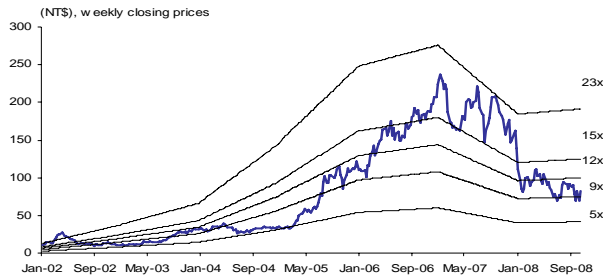
Recovery in the price; Downgrade

We downgrade our rating on Catcher to Underperform with a PO of NT\$80 (6% downside potential). We believe investors should lock in profits on upcoming 3Q results and October sales given the stock's recent strong performance (up 25% from the trough and 50% of outperformance vs Taiex in 3M). We cut our 09E EPS by 14% to NT\$8.0 on its share loss to FTC at Apple and limited margin improvement ahead

Table 1: Catcher: Reducing estimates for 2009

NT\$m	New		Diff.		YoY		Old	
	2008E	2009E	2008E	2009E	2008E	2009E	2008E	2009E
Sales	19,322	20,790	2%	-4%	7%	8%	18,917	21,750
Gross Profit	8,133	8,676	-1%	-12%	-7%	7%	8,246	9,867
Operating Expense	(2,820)	(3,015)	-4%	-14%	121%	7%	(2,925)	(3,510)
Operating Profit	5,313	5,661	0%	-11%	-29%	7%	5,321	6,357
Non-operating Income	295	110	14%	-27%	11%	-63%	259	150
Pre-tax Profit	5,608	5,771	1%	-11%	-27%	3%	5,579	6,507
Tax Expense	(819)	(979)	0%	4%	62%	20%	(816)	(940)
Net Profit	4,789	4,791	1%	-14%	-33%	0%	4,764	5,566
EPS (NT\$)	8.00	8.00					7.95	9.29
Gross Margin	42.1%	41.7%					43.6%	45.4%
Operating Margin	27.5%	27.2%					28.1%	29.2%
Pre-tax Margin	29.0%	27.8%					29.5%	29.9%
Net Margin	24.8%	23.0%					25.2%	25.6%
Tax Rate	-14.6%	-17.0%					-14.6%	-14.4%

Source: Merrill Lynch estimates

Chart 1: Catcher: Forward Taiwan-GAAP PE


Source: Merrill Lynch estimates

Table 2: Catcher- Strong outperformance for 1M/3M

	1m	3m	6m	YTD
Catcher	-3%	15%	-16%	-48%
FTC	-29%	-39%	-58%	-67%
Quanta	-23%	-21%	-20%	-17%
HTC	-24%	-14%	-25%	-3%
Hon Hai	-37%	-35%	-48%	-52%
TAIEX	-20%	-31%	-46%	-43%
Tech Index	-21%	-28%	-42%	-44%

Source: TEJ

Table 3: Catcher: Valuation comparison

ML Symbol	ML Rating	Price 22-Oct-08	Mkt Cap (US\$m)	EPS (Local-NT\$)		EPG		PER(x)		ROE (%)		Cash Yield	Price YTD	
				2008E	2009E	2008E	2009E	2008E	2009E	2008E	2009E			
Quanta	QUCPF	C-3-7 Underpe	33.8	3,979	5.00	4.50	-1%	-10%	6.8	7.5	19%	16%	11%	-17%
Chicony	CCNYF	C-1-7 Buy	46.6	837	5.23	6.10	8%	17%	8.9	7.6	34%	34%	7%	-10%
Simplo	SPLOF	C-1-7 Buy	97.1	652	10.60	12.59	7%	19%	9.2	7.7	24%	25%	5%	-31%
HTC	HTCCF	C-2-7 Neutral	420.0	10,229	40.88	49.58	7%	21%	10.3	8.5	51%	55%	7%	-3%
Largan	LGANF	C-1-7 Buy	321.0	1,348	25.82	26.83	25%	4%	12.4	12.0	30%	27%	3%	-21%
SZS	SZUSF	C-1-7 Buy	116.0	464	9.76	12.42	0%	27%	11.9	9.3	25%	27%	4%	-34%
FTC	FXTCF	C-1-8 Buy	76.7	2,096	7.62	9.18	-29%	20%	10.1	8.4	13%	14%	4%	-67%
Catcher	CHERF	C-3-8 Underpe	85.2	1,646	8.01	8.00	-33%	0%	10.6	10.7	17%	16%	3%	-48%

Source: Merrill Lynch estimates

23 October 2008

Table 4: Catcher: Quarterly consolidated income statement (bonus-adjusted from 1Q08)

NT\$m	1Q08	2Q08	3Q08E	4Q08E	1Q09E	2Q09E	3Q09E	4Q09E	2007A	2008E	2009E	2010E
Sales	4,028	4,309	5,035	5,950	4,600	4,690	5,290	6,210	18,087	19,322	20,790	22,451
Cost of Sales	(2,671)	(2,365)	(2,847)	(3,306)	(2,691)	(2,745)	(3,071)	(3,607)	(9,376)	(11,189)	(12,114)	(13,371)
Gross Profit	1,357	1,944	2,188	2,645	1,909	1,945	2,219	2,603	8,711	8,133	8,676	9,080
Operating Expense	(450)	(740)	(766)	(864)	(679)	(697)	(780)	(859)	(1,275)	(2,820)	(3,015)	(3,255)
Oper. Exp. Promotion	(40)	(36)	(46)	(54)	(44)	(42)	(50)	(59)	(121)	(176)	(195)	(215)
Operating Exp.-ADM	(343)	(355)	(420)	(460)	(375)	(385)	(430)	(460)	(969)	(1,578)	(1,650)	(1,760)
Operat. Expense-R&D	(68)	(349)	(300)	(350)	(260)	(270)	(300)	(340)	(184)	(1,067)	(1,170)	(1,280)
Operating Profit	907	1,204	1,422	1,781	1,230	1,248	1,439	1,744	7,436	5,313	5,661	5,825
Non-operating Income	5	129	101	60	25	25	30	30	266	295	110	150
Net Interest Income	19	20	20	20	20	20	20	20	269	79	80	90
Investment Income	1	2							-	3	-	
Disposal Gain	3								31	3	-	
Exchange Gain	(32)	118	41						(23)	127	-	
Others	14	(11)	40	40	5	5	10	10	(11)	83	30	60
Pre-tax Profit	912	1,333	1,523	1,841	1,255	1,273	1,469	1,774	7,702	5,608	5,771	5,975
Tax Expense	(52)	(424)	(152)	(184)	(163)	(395)	(191)	(231)	(493)	(812)	(979)	(1,076)
Minority Interest	(2)	(4)							(12)	(6)	-	
Net Profit	859	904	1,370	1,656	1,092	878	1,278	1,543	7,197	4,789	4,791	4,900
EPS	1.43	1.51	2.29	2.77	1.82	1.47	2.13	2.58	12.02	8.00	8.00	8.18
Gross Margin	33.7%	45.1%	43.4%	44.4%	41.5%	41.5%	42.0%	41.9%	48.2%	42.1%	41.7%	40.4%
Operating Expense	-11.2%	-17.2%	-15.2%	-14.5%	-14.8%	-14.9%	-14.7%	-13.8%	-7.0%	-14.6%	-14.5%	-14.5%
Operating Margin	22.5%	27.9%	28.2%	29.9%	26.7%	26.6%	27.2%	28.1%	41.1%	27.5%	27.2%	25.9%
Pre-tax Margin	22.6%	30.9%	30.2%	30.9%	27.3%	27.1%	27.8%	28.6%	42.6%	29.0%	27.8%	26.6%
Net Margin	21.3%	21.0%	27.2%	27.8%	23.7%	18.7%	24.2%	24.8%	39.8%	24.8%	23.0%	21.8%
Tax Rate	-5.7%	-31.8%	-10.0%	-10.0%	-13.0%	-31.0%	-13.0%	-13.0%	-6.4%	-14.5%	-17.0%	-18.0%
Sequential Growth												
Sales	-27%	7%	17%	18%	-23%	2%	13%	17%	19%	7%	8%	8%
Cost of Sales	-9%	-11%	20%	16%	-19%	2%	12%	17%	30%	19%	8%	10%
Gross Profit	-47%	43%	13%	21%	-28%	2%	14%	17%	10%	-7%	7%	5%
Operating Expense	12%	64%	4%	13%	-21%	3%	12%	10%	22%	121%	7%	8%
Operating Profit	-58%	33%	18%	25%	-31%	1%	15%	21%	8%	-29%	7%	3%
Non-operating Income	-92%	2525%	-22%	-41%	-58%	0%	20%	0%	96%	11%	-63%	36%
Pre-Tax Profit	-59%	46%	14%	21%	-32%	1%	15%	21%	10%	-27%	3%	4%
Tax Expense	2480%	723%	-64%	21%	-11%	142%	-52%	21%	-7%	65%	21%	10%
Net Profit	-61%	5%	52%	21%	-34%	-20%	46%	21%	11%	-33%	0%	2%

Source: Merrill Lynch estimates

Price objective basis & risk

Catcher Tech (CHERF)

Our PO of NT\$80 is based on a P/E of 10x 2009E, which is at the low end of its P/E band during 2005-08 and comparable to other component suppliers given the anticipation of flat YoY earnings growth from 2009. Downside risks: not regaining market share at key customers, and non-recovery in gross margins after the huge correction in 1Q08. Upside risks: stronger end-demand for NB PC/handsets, higher adoption, more share gains at key customers, and faster diversification into new business

Foxconn Tech (FXTCF)

Our price objective of NT\$100 is based on 11x 2009E P/E. This marks the very low-end of its P/E band between 2005 and 2008 and is very conservative given the gradual improvement in earnings growth from 2H08E, particularly helped by rising margins for metal casing. Risks to our price objective: (1) soft demand for handsets and MP3s, (2) slower adoption of metal casing for notebook PCs, handsets and MP3s, (3) limited delivery of new products, and (4) further margin pressure.

Analyst Certification

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23 October 2008

APR - Technology Hardware Coverage Cluster

Investment rating	Company	ML ticker	Bloomberg symbol	Analyst
BUY				
	Acer, Inc	ASIYF	2353 TT	Tony Tseng, CFA
	Asustek	AKCPF	2357 TT	Tony Tseng, CFA
	BYD	BYDDF	1211 HK	Daniel Kim, CFA
	Cheil Industries	CLFUF	001300 KS	Simon Dong-je Woo, CFA
	Chicony Elect	CCNYF	2385 TT	Tina Chang, CFA
	Compal Electron	CMLPF	2324 TT	Tina Chang, CFA
	Coretronic	CCOCF	5371 TT	Jeffrey Su
	Delta Elect	DLTEF	2308 TT	Jeffrey Su
	Foxconn Tech	FXTCF	2354 TT	Tony Tseng, CFA
	InnoLux	INXDF	3481 TT	Jeffrey Su
	Ju Teng Intl	JUTGF	3336 HK	Ronnie Ho
	Kingboard	KBDCF	148 HK	Ronnie Ho
	Largan Precision	LGANF	3008 TT	Laura Chen
	LG Electronics	LGEAF	066570 KS	Daniel Kim, CFA
	Samsung Techwin	SGTWF	012450 KS	Simon Dong-je Woo, CFA
	Shin Zu Shing	SZUSF	3376 TT	Tina Chang, CFA
	Simplo Tech	SPLOF	6121 TT	Tina Chang, CFA
	SSCP CO LTD	SSCPF	071660 KS	Daniel Kim, CFA
	TPV	TPVTF	903 HK	Daniel Kim, CFA
	Venture Corp.	VEMLF	VMS SP	Ronnie Ho
NEUTRAL				
	AU Optronics	AUO	AUO US	Jeffrey Su
	AU Optronics	AUOPF	2409 TT	Jeffrey Su
	Foxconn Intl Hld	FXCNF	2038 HK	Tony Tseng, CFA
	Hon Hai Prec.	HNHAF	2317 TT	Tony Tseng, CFA
	HTC Corp.	HTCCF	2498 TT	Tony Tseng, CFA
	Inventec	IVCJF	2356 TT	Tina Chang, CFA
	Inventec Applian	IVAPF	3367 TT	Tina Chang, CFA
	Lenovo Group	LNVGF	992 HK	Daniel Kim, CFA
	Lenovo Group	LNVGY	LNVGY US	Daniel Kim, CFA
	Qisda Corp	BNQCF	2352 TT	Jeffrey Su
	Radiant	ROPTF	6176 TT	Jeffrey Su
	Silitech	SLKCF	3311 TT	Laura Chen
	Wistron	WICOF	3231 TT	Tony Tseng, CFA
	Yageo Corp	YGEQF	2327 TT	Ronnie Ho
UNDERPERFORM				
	Alpha Networks I	AHNWF	3380 TT	Laura Chen
	Catcher Tech	CHERF	2474 TT	Tony Tseng, CFA
	Chi Mei Opto	CMEOF	3009 TT	Jeffrey Su
	Compal Comm	CPCMF	8078 TT	Laura Chen
	Epistar Corp	EPIPF	2448 TT	Jeffrey Su
	Everlight Elec	EVLEF	2393 TT	Jeffrey Su
	Gemtek Technolog	GTKTF	4906 TT	Laura Chen
	LG Display Co., Ltd.	LPHLF	034220 KS	Daniel Kim, CFA
	LG Display Co., Ltd.-A	LPL	LPL US	Daniel Kim, CFA
	Lite-On Tech	LOTZF	2301 TT	Jeffrey Su
	Merry Electron	MMECF	2439 TT	Laura Chen
	Mitac Intl	MTCXF	2315 TT	Tina Chang, CFA
	Quanta Computer	QUCPF	2382 TT	Tony Tseng, CFA
	Samsung Elec M	SSEMF	009150 KS	Daniel Kim, CFA
	Samsung SDI	SSDIF	006400 KS	Daniel Kim, CFA
	Seoul Semicon	SLSOF	046890 KS	Simon Dong-je Woo, CFA
	Unisteel Tech	UNSGF	USTL SP	Ronnie Ho
	Wellypower	XTTWF	3080 TT	Jeffrey Su
	ZTE Corp - H	ZTCOF	763 HK	Ronnie Ho

23 October 2008

***iQmethod*SM Measures Definitions**

Business Performance	Numerator	Denominator
Return On Capital Employed	$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) * (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5-Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
Quality of Earnings		
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt, Less Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit		
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap. = Current Share Price * Current Basic Shares
Enterprise Value / Sales	$\text{EV} = \text{Current Share Price} * \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} + \text{Sales} + \text{Other LT Liabilities}$	
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

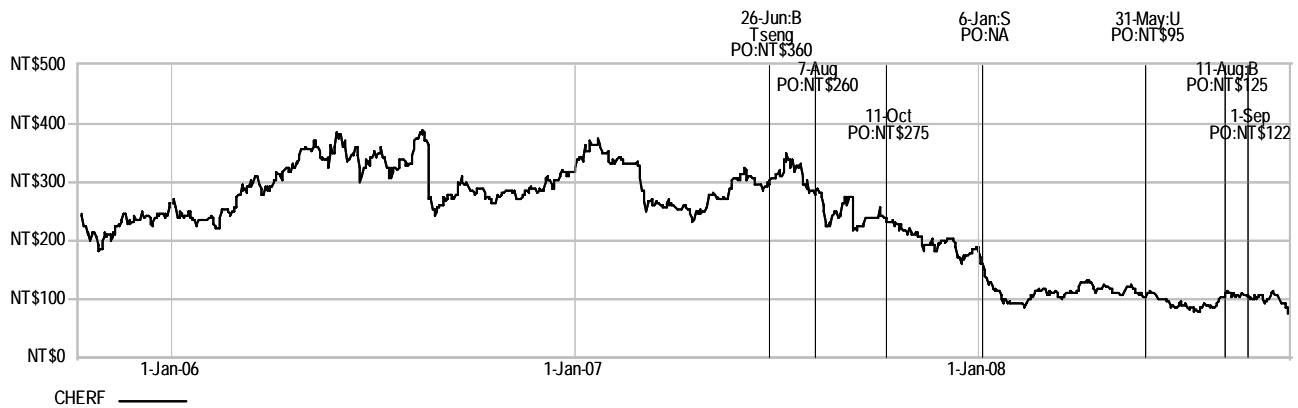
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Important Disclosures

CHERF Price Chart



B : Buy, N : Neutral, S : Sell, U : Underperform, PO : Price objective, NA : No longer valid

Prior to May 31, 2008, the investment opinion system included Buy, Neutral and Sell. As of May 31, 2008, the investment opinion system includes Buy, Neutral and Underperform. Dark Grey shading indicates that a security is restricted with the opinion suspended. Light grey shading indicates that a security is under review with the opinion withdrawn. The current investment opinion key is contained at the end of the report. Chart is current as of September 30, 2008 or such later date as indicated.

Investment Rating Distribution: Industrials/Multi-Industry Group (as of 01 Oct 2008)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	60	60.00%	Buy	10	18.87%
Neutral	17	17.00%	Neutral	5	31.25%
Sell	23	23.00%	Sell	2	10.00%

Investment Rating Distribution: Global Group (as of 01 Oct 2008)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1647	45.31%	Buy	429	28.83%
Neutral	858	23.60%	Neutral	240	31.41%
Sell	1130	31.09%	Sell	227	22.02%

* Companies in respect of which MLPF&S or an affiliate has received compensation for investment banking services within the past 12 months. For purposes of this distribution, a stock rated Underperform is included as a Sell.

FUNDAMENTAL EQUITY OPINION KEY: Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. **VOLATILITY RISK RATINGS**, indicators of potential price fluctuation, are: A - Low, B - Medium and C - High. **INVESTMENT RATINGS** reflect the analyst's assessment of a stock's: (i) absolute total return potential and (ii) attractiveness for investment relative to other stocks within its *Coverage Cluster* (defined below). There are three investment ratings: 1 - Buy stocks are expected to have a total return of at least 10% and are the most attractive stocks in the coverage cluster; 2 - Neutral stocks are expected to remain flat or increase in value and are less attractive than Buy rated stocks and 3 - Underperform stocks are the least attractive stocks in a coverage cluster. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

* Ratings dispersions may vary from time to time where Merrill Lynch Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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