Chemicals Monitor

Formosa 4Q08 preview: Reiterate Underperform

Earnings Preview

Equity | Asia Pacific | Chemicals
19 January 2009

Bank of America Merrill Lynch

RESEARCH

Sonia Song >> +65 6330 7218
Research Analyst
Merrill Lynch (Singapore)
sonia_song@ml.com

Stephan Han >> +65 6330-7249
Research Analyst
Merrill Lynch (Singapore)
stephan_han@ml.com

Record 4Q losses likely at Formosa; 20% risk to 2009E

All four Formosa affiliates are expected to post net losses in 4Q08 (Table 1), due to the top-line collapse from buyers' inventory destocking and inventory losses from oil price declines. There could be about 20% downside risk to our estimates and the market consensus, which have been cut 30-40% since late November. If 2009 margins stay on track with our estimate, with the low base set in 2008, we expect around a 20% downside risk to our 2009 estimates.

Earnings may reach bottom but not likely to rebound

While some argue 4Q08 should mark the trough earnings point as more inventory losses are unlikely, we believe industry fundamentals are too unclear to expect meaningful recovery. New supply is likely to increasingly pressure margins in coming months. Inventory losses may not repeat the levels seen in 4Q but are likely to continue; in a recent conference call with investors, our global commodities strategist forecast that oil could temporarily test US$25/bbl in 2Q09.

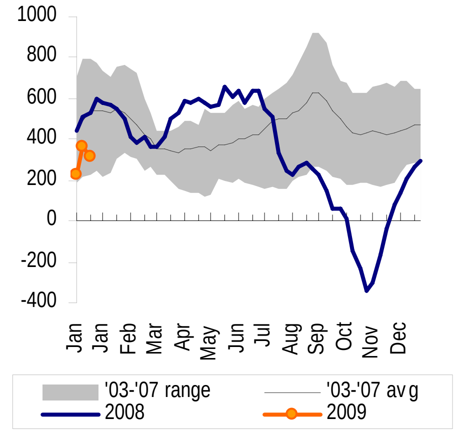
Reasons for our bearish sector view in 2009-10

We are bearish on 2009-10 due to: (1) deteriorating supply-demand fundamentals; (2) industry operating rates likely to beat historical lows; and (3) extra volatility rising from oil price fluctuation, inventory values, accounting and regulatory changes, M&A activities, etc. There has not been any fundamental shift forcing us to change our view. Moreover, we believe we are still in the early stages of a downturn when share values cannot fairly price in pertinent risks.

Reiterate Underperform; 15-25% downside risk to our POs

We reiterate our Underperform ratings for FPCC (B-3-8, NT$59.2, PO NT$50), FPC (B-3-8, NT$47.45, PO NT$38), FCFC (B-3-8, NT$37.5, PO NT$33) and NYPC (B-3-8, NT$33.5, PO NT$27). As we do not see signs of demand recovery and actual margin impact from new supply, we maintain our Underperform ratings. We do not expect any rebound to be sustainable, especially in 1H09. Our POs are set at 12x 2009E EV/EBITDA, at a 20% discount to past trough valuations.

Chart 1: Ethylene margin trend (one-month lagging naphtha input cost)



Source: BAS-ML calculation, DataStream

10804447

RC

Price objective basis & risk

Formosa Chems (XFUMF)

Our PO of NT$33 is based on 2009E EV/EBITDA of 12x, which is a 20% discount to 14-15x in 2001 at the previous historical trough to reflect earnings downside risk. Given the worsening demand/supply outlook for the next two years and potential big drop in global GDP growth, we believe it is reasonable to set our PO using a 20% discount to the previous trough valuation because of further earnings downside in the worst-case scenario such as deep loss of petrochemical margins in 4Q08. We also aim for a parity level between the dividend yield and local risk-free rate of 7-8%, At our PO, the estimated 2009E dividend yield is 7.3% vs local risk-free rate of 8.5%. Upside risks: (1) Significant delays in the new aromatics/PX capacity and (2) massive earnings rise in 25% owned FPCC. Downside risks: (1) On-time/earlier ramp up of aromatics/PX capacity, (2) negative earnings surprise from 25%-owned FPCC, (3) unfavorable oil and currency movements, and (4) sharp global and regional recession.

Formosa Petro (FPTCF)

Our PO of NT$50 is based on a trough cycle valuation of 8.5x EV/EBITDA. In deriving at our PO, we also aim for a parity level between the dividend yield and the company's cost of equity of 7-8%, At our PO, the estimated 2009E dividend yield is 7.5% vs. the estimated cost of equity of 8.5%. Upside risks: (1) Significant delays in new refining capacity and the Middle East petrochemical capacity which are expected to come on line in 2009 and (2) faster than expected upturn in economy in 2009. Downside risks: (1) Unfavourable oil and currency movements and (2) Worse than expected regional and global economic conditions.

Formosa Plastics (FSAPF)

Our PO of NT$38 is based on 2009E EV/EBITDA of 12x, which is a 20% discount to 14-15x in 2001 at the previous historical trough to reflect earnings downside risk. Given worsening demand/supply outlook for the next two years and potential big drop in global GDP growth, we believe it is reasonable to set our PO using 20% discount to previous trough valuation because of further earnings downside in worst case such as deep loss of petrochem margins in 4Q08. We also aim for a parity level between the dividend yield and local risk-free rate of 7-8%, At our PO, the estimated 2009E dividend yield is 6.7% vs. local risk-free rate of 8.6%. Upside risks: (1) Sharp rise in PVC prices driven by China's carbide-based PVC production phase-out, (2) sharp rise in caustic prices driven by global close-down of highly-pollutive mercury-based production and (3) substantial refining/upstream petrochem margins improvement related to 29pct owned affilliate FPCC. Downside risks: (1) Slow PVC/caustic phase-out, (2) substantial refining/upstream petrochem margins deterioration related to 29pct owned affilliate FPCC, (3) unfavorable oil and currency movements and (4) sharp global and regional recession.

Nan Ya Plastics (NNYPF)

Our PO of NT$27 is based on 2009E EV/EBITDA of 12x, which is a 20% discount to 14-15x in 2001 at the previous historical trough to reflect earnings downside risk. Given the worsening demand/supply outlook for the next two years and potential big drop in global GDP growth, we believe it is reasonable to set our PO using 20% discount to previous trough valuation because of earnings downside in worst case such as deep loss of petrochem margins in 4Q08. We also aim for a parity level between the dividend yield and the company's cost of equity of 7-8%. At our PO, the estimated 2009E dividend yield is 8.3% vs. local risk-free rate of

8.7%. Upside risks: (1) significant delays in Middle East new petrochemical capacity, and (2) substantial refining/upstream petrochem margins improvement related to 24pct owned affilliate FPCC. Downside risks: (1) sharp global and regional recession, (2) substantial refining/upstream petrochem margins deterioration related to 29pct owned affilliate FPCC, and (3) on-time/earlier ramp-up of the Middle Eastern capacity.

Analyst Certification

I, Sonia Song, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

Special Disclosures

Foreign investment in Taiwan securities is regulated and restricted. Currently, foreign investment in Taiwan securities is permitted by investment through: (1) global depository receipts, (2) convertible bonds, (3) mutual funds issued offshore of Taiwan, and (4) a special foreign institutional investors (FINIs) and foreign individual investors (FIDIs) program supervised by the Taiwan SFB whereunder FINIs/FIDIs may apply for investment ID to invest in Taiwan securities by registration with Taiwan Stock Exchange. FINIs will additionally need consent from the foreign exchange authority, ie, the Central Bank of China. In addition to the limitations above, various industry-specific percentage-based limitations on foreign ownership of Taiwan companies (and in some cases prohibitions) may apply. Investments are subject to exchange rate and currency conversion restrictions and risks. Dividends and interest earned by foreign investors' Taiwan securities/instruments are generally subject to a 20% withholding tax. Ordinary shares are not available to ML private client accounts in the U.S.

This report is distributed in the Republic of China by Merrill Lynch, Pierce, Fenner & Smith Inc., Taiwan Branch, which is regulated by the US SEC and the SFB of the Republic of China.

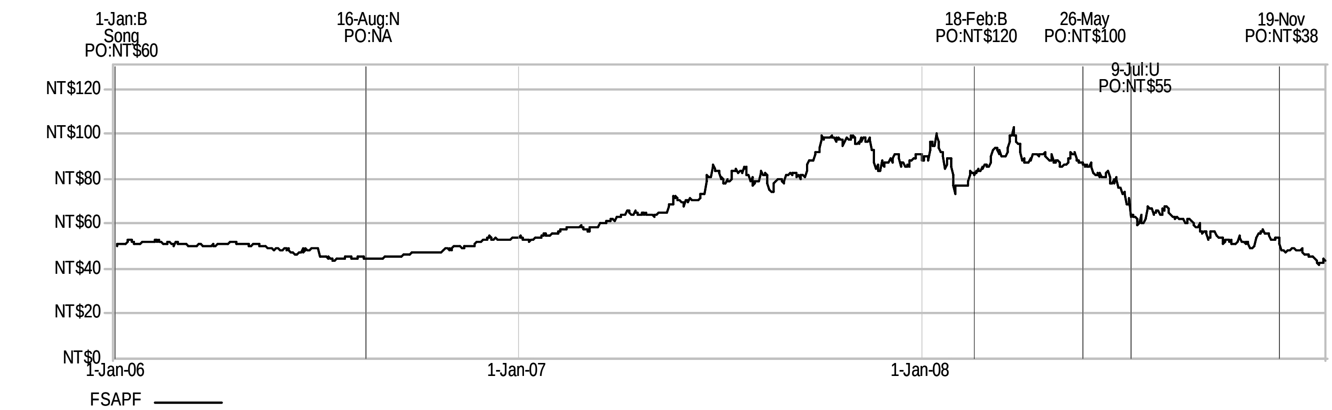
Research provided by Merrill Lynch Global (Taiwan) Limited, a registered SICE, for distribution in Taiwan is provided under contract to Merrill Lynch, Pierce, Fenner & Smith Inc., Taiwan Branch.

APR - Energy Coverage Cluster

Investment rating	Company	ML ticker	Bloomberg symbol	Analyst
BUY				
	Cairn India	XCANF	CAIR IN	Vidyadhar Ginde
	China BlueChem	CBLUF	3983 HK	Timothy Bush
	Hindustan Petro.	XHTPF	HPCL IN	Vidyadhar Ginde
	IOC	IOCOF	IOCL IN	Vidyadhar Ginde
	ONGC	ONGCF	ONGC IN	Vidyadhar Ginde
	Reliance Inds	XRELF	RIL IN	Vidyadhar Ginde
	Reliance Inds -G	RLNIY	RIGD LI	Vidyadhar Ginde
	Sinofert HLDG	SNFRF	297 HK	Timothy Bush
	SK Holdings	SKCXF	003600 KS	Sonia Song
NEUTRAL				
	Aban Offshore L	XBWTF	ABAN IN	Vidyadhar Ginde
	BPCL	XBPCF	BPCL IN	Vidyadhar Ginde
	Shell Refining	SRMMF	SHELL MK	Sonia Song
UNDERPERFORM				
	Formosa Chems	XFUMF	1326 TT	Sonia Song
	Formosa Petro	FPTCF	6505 TT	Sonia Song
	Formosa Plastics	FSAPF	1301 TT	Sonia Song
	GS Holdings Corp	GSHDF	078930 KS	Duke Suttikulpanich
	Hanwha Chem Corp	HAYCF	009830 KS	Stephan Han
	Honam Petrochem	HBBHF	011170 KS	Stephan Han
	LG Chem Ltd	LGCLF	051910 KS	Stephan Han
	Nan Ya Plastics	NNYPF	1303 TT	Sonia Song
	Petronet LNG Ltd	POLNF	PLNG IN	Vidyadhar Ginde
	RPL	RPLUF	RPET IN	Vidyadhar Ginde
	SK Energy Co Ltd	XVERF	096770 KS	Sonia Song
	S-Oil Corp	SOOCF	010950 KS	Duke Suttikulpanich
	SPC	SPCJF	SPC SP	Duke Suttikulpanich

Important Disclosures

FSAPF Price Chart

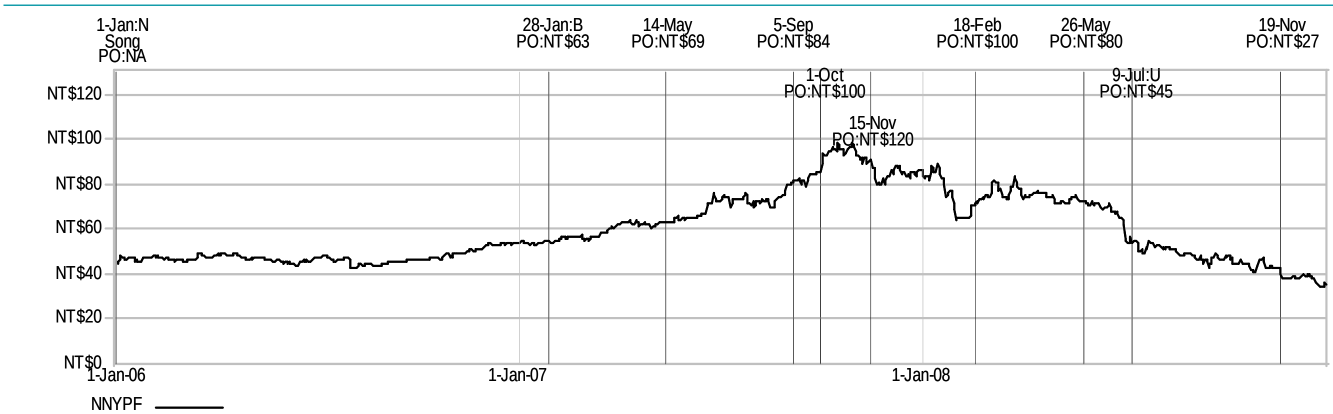


B : Buy, N : Neutral, S : Sell, U : Underperform, PO : Price objective, NA : No longer valid

"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 December 31, 2008 or such later date as indicated.

BAS-ML price charts do not reflect analysts' coverage of the stock at prior firms. Historical price charts relating to companies covered as of December 31, 2008 by former Banc of America Securities LLC (BAS) analysts are available to BAS clients on the BAS website."

NNYPF Price Chart

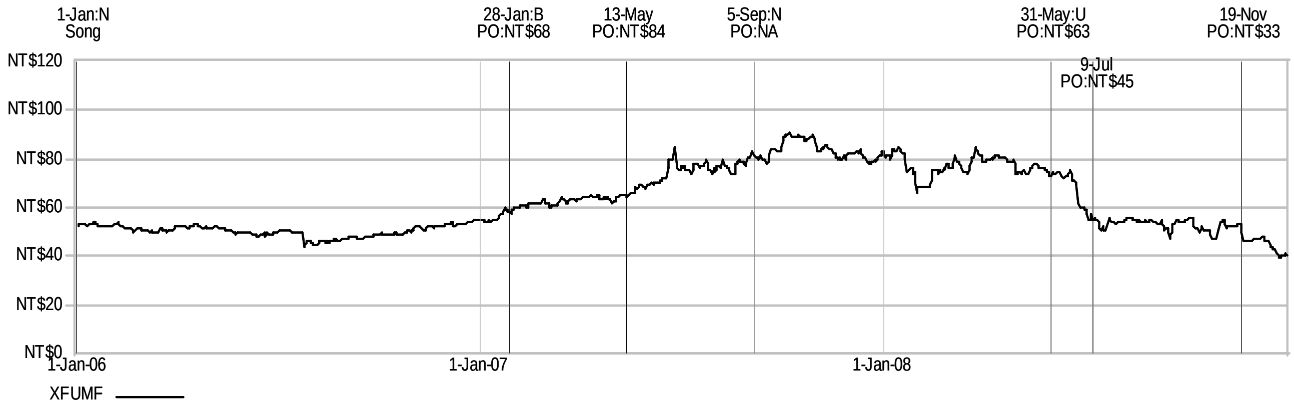


B : Buy, N : Neutral, S : Sell, U : Underperform, PO : Price objective, NA : No longer valid

"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 December 31, 2008 or such later date as indicated.

BAS-ML price charts do not reflect analysts' coverage of the stock at prior firms. Historical price charts relating to companies covered as of December 31, 2008 by former Banc of America Securities LLC (BAS) analysts are available to BAS clients on the BAS website."

XFUMF Price Chart

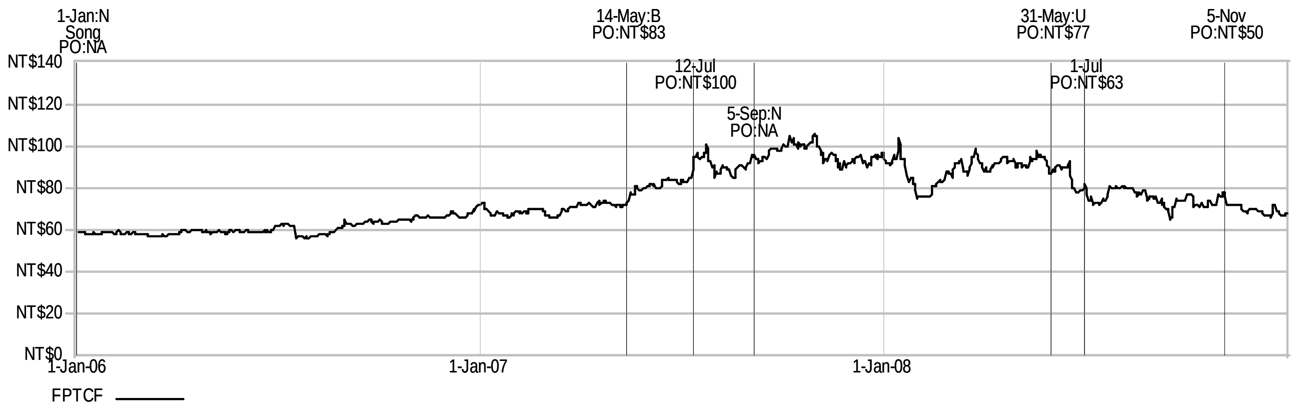


B : Buy, N : Neutral, S : Sell, U : Underperform, PO : Price objective, NA : No longer valid

"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 December 31, 2008 or such later date as indicated.

BAS-ML price charts do not reflect analysts' coverage of the stock at prior firms. Historical price charts relating to companies covered as of December 31, 2008 by former Banc of America Securities LLC (BAS) analysts are available to BAS clients on the BAS website."

FPTCF 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 December 31, 2008 or such later date as indicated.

BAS-ML price charts do not reflect analysts' coverage of the stock at prior firms. Historical price charts relating to companies covered as of December 31, 2008 by former Banc of America Securities LLC (BAS) analysts are available to BAS clients on the BAS website."

Investment Rating Distribution: Chemicals Group (as of 01 Jan 2009)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	35	41.67%	Buy	5	16.67%
Neutral	19	22.62%	Neutral	2	14.29%
Sell	30	35.71%	Sell	3	11.11%

Investment Rating Distribution: Energy Group (as of 01 Jan 2009)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	115	43.89%	Buy	37	36.63%
Neutral	60	22.90%	Neutral	19	36.54%
Sell	87	33.21%	Sell	12	15.79%

Investment Rating Distribution: Global Group (as of 01 Jan 2009)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1297	38.46%	Buy	314	26.81%
Neutral	859	25.47%	Neutral	210	28.23%
Sell	1216	36.06%	Sell	229	20.71%

* 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 BAS-ML Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

INCOME RATINGS, indicators of potential cash dividends, are: 7 - same/higher (dividend considered to be secure), 8 - same/lower (dividend not considered to be secure) and 9 - pays no cash dividend. *Coverage Cluster* is comprised of stocks covered by a single analyst or two or more analysts sharing a common industry, sector, region or other classification(s). A stock's coverage cluster is included in the most recent BAS-ML Comment referencing the stock.

In the US, retail sales and/or distribution of this report may be made only in states where these securities are exempt from registration or have been qualified for sale: Formosa Chems, Formosa Petro, Formosa Plastics, Nan Ya Plastics.

The country in which this company is organized has certain laws or regulations that limit or restrict ownership of the company's shares by nationals of other countries: Formosa Chems, Formosa Petro, Formosa Plastics, Nan Ya Plastics.

The analyst(s) responsible for covering the securities in this report receive compensation based upon, among other factors, the overall profitability of Merrill Lynch, including profits derived from investment banking revenues.

Other Important Disclosures

Merrill Lynch Research policies relating to conflicts of interest are described at http://www.ml.com/media/43347.pdf.

"Merrill Lynch" includes Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S") and its affiliates, including BofA (defined below). "BofA" refers to Banc of America Securities LLC ("BAS"), Banc of America Securities Limited ("BASL"), Banc of America Investment Services, Inc ("BAI") and their affiliates. Investors should contact their Merrill Lynch or BofA representative if they have questions concerning this report.

Information relating to Non-US affiliates of Merrill Lynch and Distribution of Affiliate Research Reports:

MLPF&S, BAS, BAI, and BASL distribute, or may in the future distribute, research reports of the following non-US affiliates in the US (short name: legal name): Merrill Lynch (France): Merrill Lynch Capital Markets (France) SAS; Merrill Lynch (Frankfurt): Merrill Lynch International Bank Ltd, Frankfurt Branch; Merrill Lynch (South Africa): Merrill Lynch South Africa (Pty) Ltd; Merrill Lynch (Milan): Merrill Lynch International Bank Limited; MLPF&S (UK): Merrill Lynch, Pierce, Fenner & Smith Limited; Merrill Lynch (Australia): Merrill Lynch Equities (Australia) Limited; Merrill Lynch (Hong Kong): Merrill Lynch (Asia Pacific) Limited; Merrill Lynch (Singapore): Merrill Lynch (Singapore) Pte Ltd; Merrill Lynch (Canada): Merrill Lynch Canada Inc; Merrill Lynch (Mexico): Merrill Lynch Mexico, SA de CV, Casa de Bolsa; Merrill Lynch (Argentina): Merrill Lynch Argentina SA; Merrill Lynch (Japan): Merrill Lynch Japan Securities Co, Ltd; Merrill Lynch (Seoul): Merrill Lynch International Incorporated (Seoul Branch); Merrill Lynch (Taiwan): Merrill Lynch Securities (Taiwan) Ltd.; DSP Merrill Lynch (India): DSP Merrill Lynch Limited; PT Merrill Lynch (Indonesia): PT Merrill Lynch Indonesia; Merrill Lynch (KL) Sdn. Bhd.: Merrill Lynch (Malaysia); Merrill Lynch (Israel): Merrill Lynch Israel Limited; Merrill Lynch (Russia): Merrill Lynch CIS Limited, Moscow; Merrill Lynch (Turkey): Merrill Lynch Yatirim Bankasi A.S.; Merrill Lynch (Dubai): Merrill Lynch International Bank Ltd, Dubai Branch; MLPF&S (Zürich rep. office): MLPF&S Incorporated Zürich representative office.

This research report has been approved for publication in the United Kingdom by Merrill Lynch, Pierce, Fenner & Smith Limited and BASL, which are authorized and regulated by the Financial Services Authority; has been considered and distributed in Japan by Merrill Lynch Japan Securities Co, Ltd and Banc of America Securities - Japan, Inc., registered securities dealers under the Financial Instruments and Exchange Law in Japan; is distributed in Hong Kong by Merrill Lynch (Asia Pacific) Limited and Banc of America Securities Asia Limited, which are regulated by the Hong Kong SFC and the Hong Kong Monetary Authority; is issued and distributed in Taiwan by Merrill Lynch Securities (Taiwan) Ltd.; is issued and distributed in Malaysia by Merrill Lynch (KL) Sdn. Bhd., a licensed investment adviser regulated by the Malaysian Securities Commission; is issued and distributed in India by DSP Merrill Lynch Limited; and is issued and distributed in Singapore by Merrill Lynch International Bank Limited (Merchant Bank), Merrill Lynch (Singapore) Pte Ltd (Company Registration No.'s F 06872E and 198602883D respectively) and Bank of America Singapore Limited (Merchant Bank). Merrill Lynch International Bank Limited (Merchant Bank), Merrill Lynch (Singapore) Pte Ltd and Bank of America Singapore Limited (Merchant Bank) are regulated by the Monetary Authority of Singapore. Merrill Lynch Equities (Australia) Limited, (ABN 65 006 276 795), AFS License 235132 and Banc of America Securities Limited (pursuant to the Australian Securities and Investment Commission Class Order 03/1101 under paragraph 911A (2)(1) of the Corporations Act 2001) provide this report in Australia. No approval is required for publication or distribution of this report in Brazil.

Merrill Lynch (Frankfurt) distributes this report in Germany. Merrill Lynch (Frankfurt) is regulated by BaFin.

This research report has been prepared and issued by MLPF&S and/or one or more of its non-US affiliates. MLPF&S is the distributor of this research report in the US and accepts full responsibility for research reports of its non-US affiliates distributed to MLPF&S clients in the US. Any US person (other than BAS, BAI and their respective clients) receiving this research report and wishing to effect any transaction in any security discussed in the report should do so through MLPF&S and not such foreign affiliates.

BAS distributes this research report to its clients and to its affiliate BAI and accepts responsibility for the distribution of this report in the US to BAS clients, but not to the clients of BAI. BAI is a registered broker-dealer, member of FINRA and SIPC, and is a non-bank subsidiary of Bank of America, N.A. BAI accepts responsibility for the distribution of this report in the US to BAI clients. Transactions by US persons that are BAS or BAI clients in any security discussed herein must be carried out through BAS and BAI, respectively.

RC

General Investment Related Disclosures:

This research report provides general information only. Neither the information nor any opinion expressed constitutes an offer or an invitation to make an offer, to buy or sell any securities or other financial instrument or any derivative related to such securities or instruments (e.g., options, futures, warrants, and contracts for differences). This report is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of any specific person. Investors should seek financial advice regarding the appropriateness of investing in financial instruments and implementing investment strategies discussed or recommended in this report and should understand that statements regarding future prospects may not be realized. Any decision to purchase or subscribe for securities in any offering must be based solely on existing public information on such security or the information in the prospectus or other offering document issued in connection with such offering, and not on this report.

Securities and other financial instruments discussed in this report, or recommended, offered or sold by Merrill Lynch, are not insured by the Federal Deposit Insurance Corporation and are not deposits or other obligations of any insured depository institution (including, Bank of America, N.A.). Investments in general and, derivatives, in particular, involve numerous risks, including, among others, market risk, counterparty default risk and liquidity risk. No security, financial instrument or derivative is suitable for all investors. In some cases, securities and other financial instruments may be difficult to value or sell and reliable information about the value or risks related to the security or financial instrument may be difficult to obtain. Investors should note that income from such securities and other financial instruments, if any, may fluctuate and that price or value of such securities and instruments may rise or fall and, in some cases, investors may lose their entire principal investment. Past performance is not necessarily a guide to future performance. Levels and basis for taxation may change.

This report may contain a short-term trading idea or recommendation, which highlights a specific near-term catalyst or event impacting the company or the market that is anticipated to have a short-term price impact on the equity securities of the company. Short-term trading ideas and recommendations are different from and do not affect a stock's fundamental equity rating, which reflects both a longer term total return expectation and attractiveness for investment relative to other stocks within its Coverage Cluster. Short-term trading ideas and recommendations may be more or less positive than a stock's fundamental equity rating.

Foreign currency rates of exchange may adversely affect the value, price or income of any security or financial instrument mentioned in this report. Investors in such securities and instruments, including ADRs, effectively assume currency risk.

UK Readers: The protections provided by the U.K. regulatory regime, including the Financial Services Scheme, do not apply in general to business coordinated by Merrill Lynch entities located outside of the United Kingdom. These disclosures should be read in conjunction with the BASL general policy statement on the handling of research conflicts, which is available upon request.

Officers of MLPF&S or one or more of its affiliates (other than research analysts) may have a financial interest in securities of the issuer(s) or in related investments.

Merrill Lynch is a regular issuer of traded financial instruments linked to securities that may have been recommended in this report. Merrill Lynch may, at any time, hold a trading position (long or short) in the securities and financial instruments discussed in this report.

Merrill Lynch, through business units other than BAS-ML Research, may have issued and may in the future issue trading ideas or recommendations that are inconsistent with, and reach different conclusions from, the information presented in this report. Such ideas or recommendations reflect the different time frames, assumptions, views and analytical methods of the persons who prepared them, and Merrill Lynch is under no obligation to ensure that such other trading ideas or recommendations are brought to the attention of any recipient of this report.

In the event that the recipient received this report pursuant to a contract between the recipient and BAS for the provision of research services for a separate fee, and in connection therewith BAS may be deemed to be acting as an investment adviser, such status relates, if at all, solely to the person with whom BAS has contracted directly and does not extend beyond the delivery of this report (unless otherwise agreed specifically in writing by BAS). BAS is and continues to act solely as a broker-dealer in connection with the execution of any transactions, including transactions in any securities mentioned in this report.

Copyright and General Information regarding Research Reports:

Materials prepared by Merrill Lynch research personnel are based on public information. Facts and views presented in this material have not been reviewed by, and may not reflect information known to, professionals in other business areas of Merrill Lynch, including investment banking personnel. To the extent this report discusses any legal proceeding or issues, it has not been prepared as nor is it intended to express any legal conclusion, opinion or advice. Investors should consult their own legal advisers as to issues of law relating to the subject matter of this report. Merrill Lynch research personnel's knowledge of legal proceedings in which any Merrill Lynch entity and/or its directors, officers and employees may be plaintiffs, defendants, co-defendants or co-plaintiffs with or involving companies mentioned in this report is based on public information. Facts and views presented in this material that relate to any such proceedings have not been reviewed by, discussed with, and may not reflect information known to, professionals in other business areas of Merrill Lynch in connection with the legal proceedings or matters relevant to such proceedings.

This report has been prepared independently of any issuer of securities mentioned herein and not in connection with any proposed offering of securities or as agent of any issuer of any securities. None of MLPF&S, any of its affiliates or their research analysts has any authority whatsoever to make any representation or warranty on behalf of the issuer(s). Merrill Lynch policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer prior to the publication of a research report containing such rating, recommendation or investment thesis.

Any information relating to the tax status of financial instruments discussed herein is not intended to provide tax advice or to be used by anyone to provide tax advice. Investors are urged to seek tax advice based on their particular circumstances from an independent tax professional.

The information herein (other than disclosure information relating to Merrill Lynch and its affiliates) was obtained from various sources and we do not guarantee its accuracy. This report may contain links to third-party websites. Merrill Lynch is not responsible for the content of any third-party website or any linked content contained in a third-party website. Content contained on such third-party websites is not part of this report and is not incorporated by reference into this report. The inclusion of a link in this report does not imply any endorsement by or any affiliation with Merrill Lynch. Access to any third-party website is at your own risk, and you should always review the terms and privacy policies at third-party websites before submitting any personal information to them. Merrill Lynch is not responsible for such terms and privacy policies and expressly disclaims any liability for them.

Subject to the quiet period applicable under laws of the various jurisdictions in which we distribute research reports and other legal and Merrill Lynch policy-related restrictions on the publication of research reports, fundamental equity reports are produced on a regular basis as necessary to keep the investment recommendation current.

Neither Merrill Lynch nor any officer or employee of Merrill Lynch accepts any liability whatsoever for any direct, indirect or consequential damages or losses arising from any use of this report or its contents.