

PVC - how to play China's coal price hike?



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

Coal price hikes may turn carbide producers profitless

PVC production can be either ethylene-based or carbide-based. The former's cash production cost is linked to oil prices, the latter's to coal and electricity costs. In 2006, carbide production was cheaper than ethylene by US\$50-150/ton. However, in March 2007, carbide turned relatively expensive, and as of February 2008, the gap jumped to US\$170/ton after the recent coal price hike (Chart 1). Carbide producers' cash margins have plunged from US\$214/ton in 2007 to US\$46/ton now (ethylene producers: US\$65/ton). Given increased environmental capex requirements, carbide producers might turn profit-less, unless coal prices fall significantly, in our view.

Chinese PVC supply growth likely to drop in 2008

In 2008, global PVC supply is set to grow by 3.0mn tons or 7.4%, with 83% of the global growth coming from China. Chinese PVC supply is set to grow by 2.5mn tons in 2008 (90-95% assumed to be carbide-based). Chinese PVC capacity is 12.2mn tons in 2007 and roughly 85% is carbide-based. Assuming - (1) China's new PVC supply is delayed by three months and (2) existing producers lower operating rates by 10% in 1Q08 until coal price corrects, global PVC supply growth is likely to drop to 2.2mn tons, or 5.3%, by our estimates.

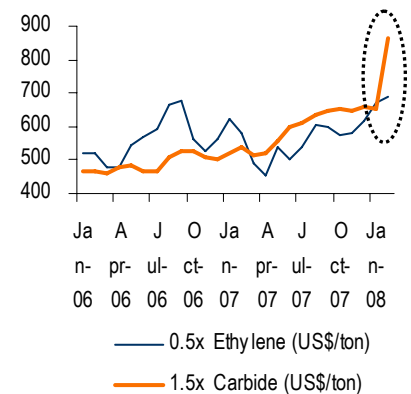
Turning positive in 2008

The cost-push dynamics, triggered by the local government's stringent measures against environmental pollution last year, will likely accelerate the closure of Chinese PVC producers. At the same time, however, ethylene-based producers are seizing the opportunity, launching new projects (eg, LG Chem's 400k tons by 2010, Hanwha Chem's 300k tons by 2010). We believe global PVC supply and demand growth will range at 5.0-5.1% over 2009-11E. We have raised 2008E PVC margins by 16% to US\$466/ton and expect near-peak margins to continue in 2009-12 at US\$388, US\$410, US\$419 and US\$435/ton, respectively.

LG Chem is Buy: FPC & Hanwha offer larger gearing to PVC

In ex-Japan Asia, there are five listed PVC producers – Formosa Plastics Corp (FPC, 1,169k tons) in Taiwan, LG Chem (800k tons) and Hanwha Chem (645k tons) in Korea and Thai Plastics Corp (463k tons) and Vinythai (230k tons) in Thailand. LG Chem is our top pick in Asian petrochemical sector on product margin expansion and 25-30% discount valuation vs. peers. PVC exposure is additional benefit. In pure PVC plays, FPC and Hanwha offer greater leverage - 22-25% of operating profit. We will revisit our views on FPC and Hanwha Chem.

Chart 1: PVC production cost – Ethylene vs. Carbide, 2006-Feb/08



Source: Merrill Lynch calculation.

No part of this report may be used or reproduced or quoted in any manner whatsoever in Taiwan by the press or other persons.

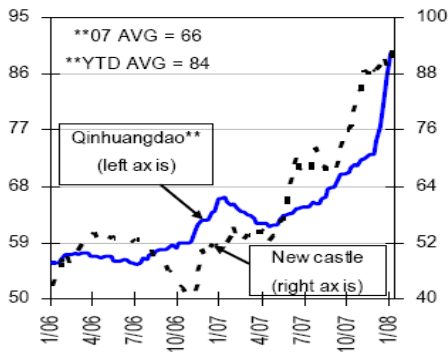
>> Employed by a non-US affiliate of MLPF&S and is not registered/qualified as a research analyst under the NYSE/NASD rules.

Refer to "Other Important Disclosures" for information on certain Merrill Lynch entities that take responsibility for this report in particular jurisdictions.

Merrill Lynch 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.

Refer to important disclosures on page 7 to 9. Analyst Certification on page 6. Price Objective Basis/Risk on page 6.

Chart 2: Spot coal price trends

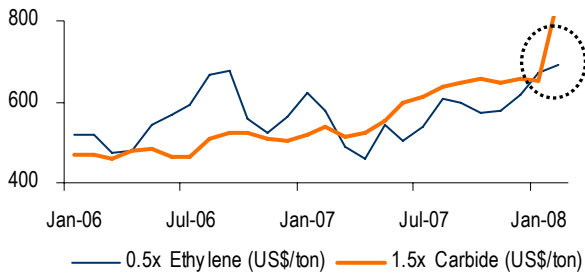


Source: CCTD; McCloskey's; Merrill Lynch

Coal price hike & impact on margins

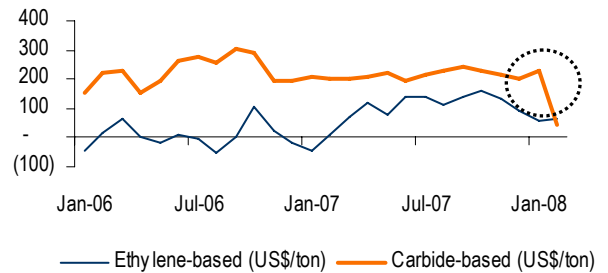
PVC production can be either ethylene-based or carbide-based. The former's cash production cost is linked to oil prices, the latter's to coal and electricity costs. In 2006, carbide production was cheaper than ethylene by US\$50-150/ton. However, in March 2007, carbide turned relatively expensive, and as of February 2008, the gap has jumped to US\$170/ton after the recent coal price hike (Chart 1). Carbide producers' cash margins have plunged from US\$214/ton in 2007 to US\$46/ton now (ethylene producers: US\$65/ton). Given increased environmental capex requirements, carbide producers might turn profit-less, unless coal prices fall significantly, in our view.

Chart 3: PVC production cost – Ethylene vs. Carbide



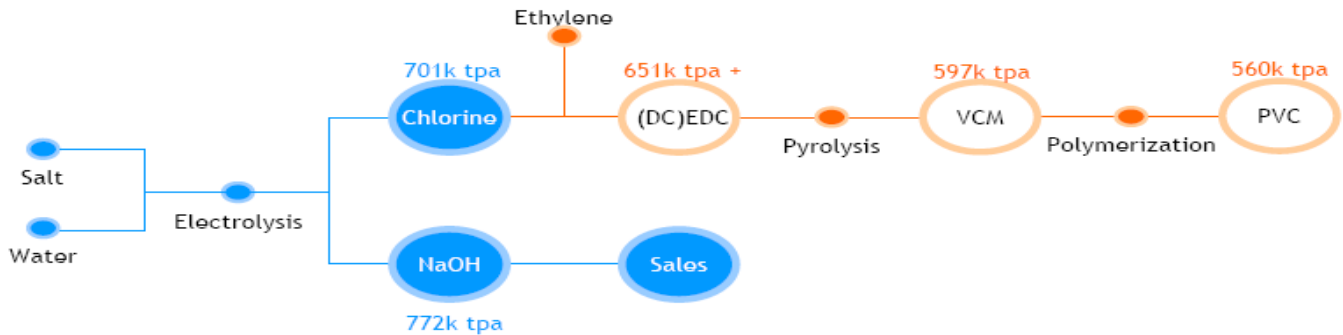
Source: Merrill Lynch

Chart 4: PVC cash margin – Ethylene vs. Carbide



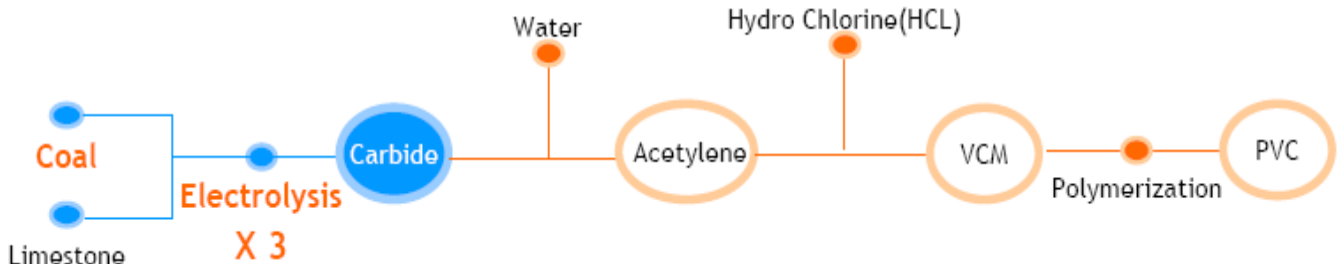
Source: Merrill Lynch

Chart 5: PVC – Ethylene based production flow



Source: Hanwha Chemical

Chart 6: PVC – Carbide based production flow



Source: Hanwha Chemical

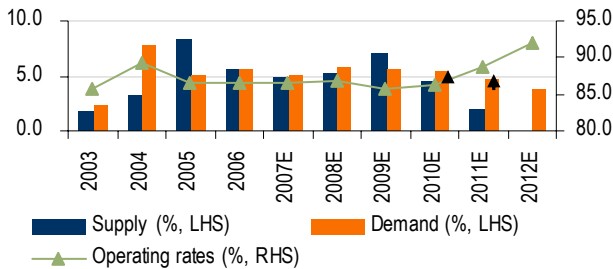
Supply growth likely to drop in 2008

In 2008, global PVC supply is set to grow by 3.0mn tons or 7.4%, with 83% of the global growth coming from China. Chinese PVC supply is set to grow by 2.5mn tons in 2008 (90-95% assumed to be carbide-based). Chinese PVC capacity is 12.2mn tons (in 2007), and roughly 85% is carbide-based. Assuming - (1) China's new PVC supply is delayed by three months and (2) existing producers lower operating rates by 10% in 1Q08 until coal price corrects, global PVC supply growth is likely to drop to 2.2mn tons, or 5.3%, by our estimates vs. the scheduled 3.0mn tons or 7.4% in 2008.

The cost-push dynamics, triggered by the local government's stringent measures against environmental pollution last year, will likely accelerate the closure of Chinese PVC producers. At the same time, however, ethylene-based producers are seizing the opportunity, launching new projects (eg, LG Chem's 400k tons by 2010, Hanwha Chem's 300k tons by 2010).

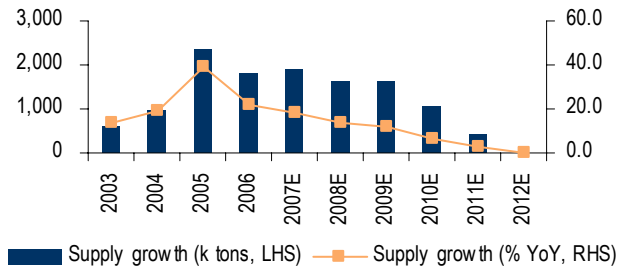
We believe global PVC supply and demand growth will range at 5.0-5.1% over 2009-11E. We have raised 2008E PVC margins by 16% to US\$466/ton and project 2009-12 margins at US\$388, US\$410, US\$419 and US\$435/ton, respectively.

Chart 7: Global PVC supply demand growth & utilization



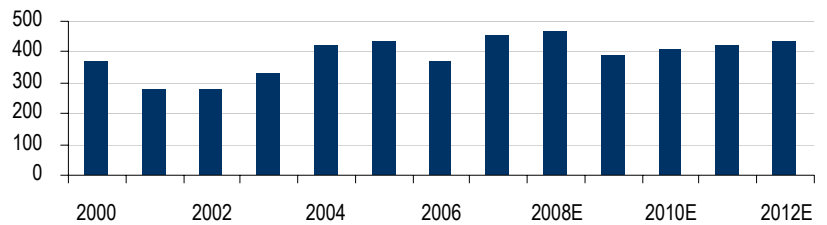
Source: Merrill Lynch estimates, CMAI

Chart 8: China PVC supply growth trends



Source: Merrill Lynch estimates, CMAI

Chart 9: PVC margin outlook, 2000-12E



Source: Merrill Lynch estimates, DataStream

Table 1: Global PVC supply demand & utilization

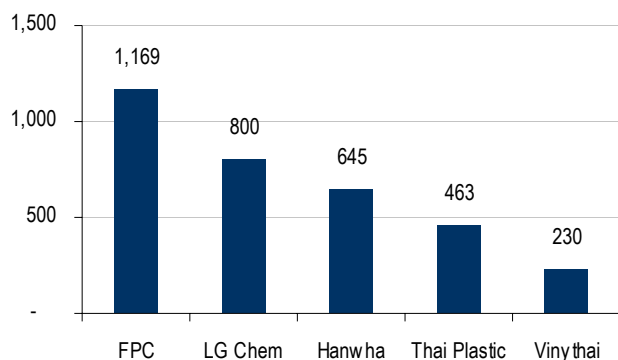
('000 tons)	2002	2003	2004	2005	2006	2007E	2008E	2009E	2010E	2011E	2012E	2002-07	2008-12
												CAGR %	CAGR %
Capacity													
World	32,218	32,818	33,915	36,778	38,883	40,807	42,959	45,998	48,084	49,064	49,064		
(% YoY)		1.9	3.3	8.4	5.7	4.9	5.3	7.1	4.5	2.0	0.0	4.8	3.8
NE Asia	10,057	10,513	11,542	14,045	15,870	17,690	19,330	20,942	21,977	22,397	22,397		
(% YoY)		4.5	9.8	21.7	13.0	11.5	9.3	8.3	4.9	1.9	0.0	12.0	4.8
(% of global growth)		76	94	87	87	95	76	53	50	43	n.a.		
China	4,503	5,099	6,058	8,441	10,279	12,166	13,820	15,473	16,508	16,928	16,928		
(% YoY)		13.2	18.8	39.3	21.8	18.4	13.6	12.0	6.7	2.5	0.0	22.0	6.8
(% of global growth)		99	87	83	87	98	77	54	50	43	n.a.		
Demand													
World	27,483	28,108	30,314	31,840	33,615	35,313	37,339	39,414	41,539	43,500	45,144		
(% YoY)		2.3	7.8	5.0	5.6	5.1	5.7	5.6	5.4	4.7	3.8	5.1	5.0
NE Asia	9,060	9,734	10,463	11,523	12,180	13,229	14,392	15,398	16,567	17,655	18,545		
(% YoY)		7.4	7.5	10.1	5.7	8.6	8.8	7.0	7.6	6.6	5.0	7.9	7.0
(% of global growth)		108	33	69	37	62	57	48	55	55	54		
China	5,593	6,489	7,066	8,130	8,985	9,967	11,118	12,119	13,270	14,345	15,223		
(% YoY)		16.0	8.9	15.1	10.5	10.9	11.5	9.0	9.5	8.1	6.1	12.2	8.8
(% of global growth)		143	26	70	48	58	57	48	54	55	53		
Operating rates (%)													
World	85.3	85.6	89.4	86.6	86.5	86.5	86.9	85.7	86.4	88.7	92.0		
NE Asia	90.1	92.6	90.7	82.0	76.7	74.8	74.5	73.5	75.4	78.8	82.8		
China	124.2	127.3	116.6	96.3	87.4	81.9	80.4	78.3	80.4	84.7	89.9		

Source: Merrill Lynch estimates, CMAI

Asian beneficiaries

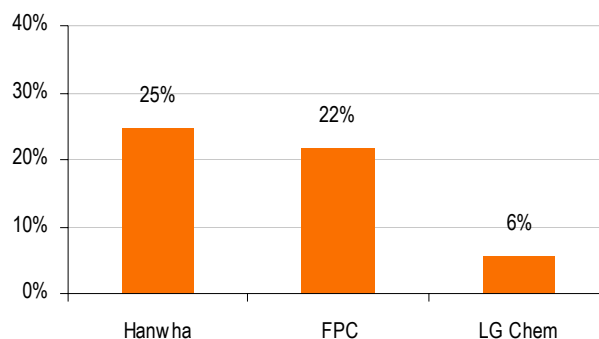
In ex-Japan Asia, there are five listed PVC producers – Formosa Plastics Corp (FPC, 1,169k tons) in Taiwan, LG Chem (800k tons) and Hanwha Chem (645k tons) in Korea and Thai Plastics Corp (463k tons) and Vinythai (230k tons) in Thailand. We have a Buy on LG Chem with PO W150,000 and Neutral ratings on FPC and Hanwha Chem. Among the three, FPC and Hanwha have bigger PVC leverage vs. LG Chem. Given the above developments, we will likely revisit our views on FPC and Hanwha Chem.

Chart 10: Listed Asian PVC producers' PVC capacity (kt/year)



Source: CMAI

Chart 11: PVC gearing to EBIT



Source: Merrill Lynch estimates

Table 2: Asia-Pac petrochemical compsheet

	ML		Price	Shs out (mn)	Mkt. Cap	P/E (x)			EV/EBITDA (x)			Yield			P/Book			ROE		
	Curr	Ticker				Rating	Local	2006	06A	07E	08E	06A	07E	08E	06A	07E	08E	06A	07E	08E
Asia-Pacific																				
Hanwha Chemical	KRW	HAYCF	C-2-8	16,900	101	1,813	8.3	7.5	7.0	12.1	9.0	8.6	2.1%	2.1%	2.1%	0.96	0.87	11.6%	11.5%	11.1%
Honam Petrochemical	KRW	HBBHF	C-1-8	94,400	32	3,194	7.9	5.9	4.8	7.6	6.4	5.4	0.8%	0.8%	0.8%	1.23	1.03	15.6%	17.5%	17.6%
LG Chemical	KRW	LGCLF	C-1-8	82,000	72	6,311	19.2	10.5	8.4	7.6	5.0	3.6	1.2%	1.2%	1.2%	2.26	1.81	11.8%	17.3%	18.0%
Formosa Petrochemical	TWD	FPFCF	B-2-7	76	9,249	22,473	15.9	10.6	12.2	10.2	7.5	7.0	6.2%	9.2%	8.0%	3.24	3.27	20.4%	30.8%	27.1%
Formosa Plastics	TWD	FSAPF	B-2-7	77.1	5,720	13,782	14.3	11.7	11.3	23.8	16.3	17.1	5.7%	7.1%	7.3%	2.29	2.28	16.0%	19.5%	20.0%
Nan Ya Plastics	TWD	NNYPF	B-1-8	65.0	7,624	15,484	10.4	8.5	7.7	23.1	14.4	13.3	7.7%	9.5%	10.6%	2.00	1.99	19.2%	23.3%	25.6%
Formosa Chem & Fibre	TWD	XFUMF	B-2-7	68.8	5,525	11,877	11.7	7.8	8.7	17.6	11.8	12.3	7.0%	10.7%	9.6%	1.86	1.86	16.0%	23.8%	21.4%
Far Eastern Textile	TWD	FREYF	C-1-7	45.9	4,480	6,426	24.7	18.3	16.6	134.6	68.1	55.4	2.2%	2.8%	3.7%	2.50	2.30	10.1%	12.6%	13.2%
PTT Chemical	THB	XUAJF	C-1-8	104	1,225	4,059	7.2	9.8	7.7	6.3	6.0	4.6	5.0%	5.0%	5.0%	1.33	1.60	18.4%	16.2%	18.4%
Reliance Industries	INR	XRELF	B-1-7	2,422	1,393	107,449	35.5	28.1	24.8	7.6	6.6	8.0	0.4%	0.4%	0.5%	7.33	5.40	20.6%	19.2%	15.5%
Average							15.5	11.9	10.9	25.0	15.1	13.5	3.8%	4.9%	4.9%	2.50	2.24	16.0%	19.2%	18.8%

Source: Merrill Lynch, share prices are as of February 5, 2008

Price objective basis & risk

LG Chem Ltd (LGCLF)

Our PO of W150,000/share or equity value of W10,853bn for LG Chem is based on 6.0x 2007-10E EBITDA for the petrochemical division, 5.5x for LGPC, 6.0x for the industrial material division, 8.0x for the electronics material division, 50% of book value for investment assets and 2008E net cash of W245bn for the new entity. We divided the equity value of W10,853bn by 75,238,770 shares, the estimated number of shares of LG Chem post merger with LGPC as of 1 November 2007.

Risks: (1) Faster utilization ramp-up in Iran, (2) unfavorable oil and currency movements, and (3) demand weakness.

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

Korea imposes a capital gains tax on non-resident investors in Korean securities of the lesser of 27.5% of the gain or 11% of the sales proceeds unless the investor is either (1) resident in a country which has a double tax treaty with Korea that exempts the investor's capital gains from Korean tax or (2) the shares sold are sold through the Korea Stock exchange or KOSDAQ exchange and the seller (including related parties) has not owned 25% or more of the shares of the company at any time during the year of sale plus the 5 calendar years preceding the year of sale. Investors should seek their own tax advice.

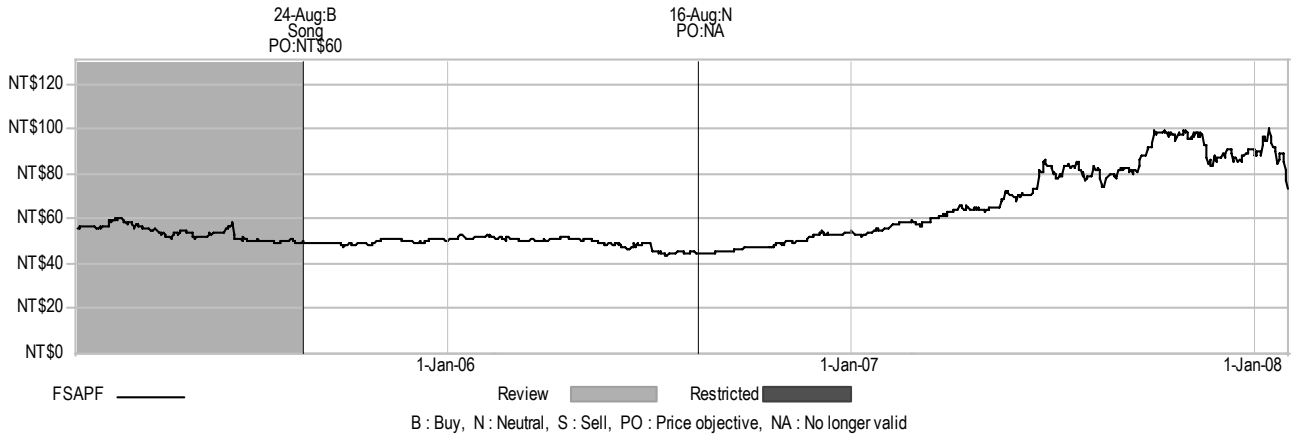
Foreign investment in Taiwan securities is regulated and restricted. Currently, foreign investment in Taiwan securities is permitted by investment through: (1) global depository receipts, (2) convertible bonds, (3) mutual funds issued offshore of Taiwan, and (4) a special foreign institutional investors (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.

Important Disclosures

FSAPF Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark Grey shading indicates the security is restricted with the opinion suspended. Light Grey shading indicates the security is under review with the opinion withdrawn. Chart current as of January 31, 2008 or such later date as indicated.

HAYCF Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark Grey shading indicates the security is restricted with the opinion suspended. Light Grey shading indicates the security is under review with the opinion withdrawn. Chart current as of January 31, 2008 or such later date as indicated.

LGCLF Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark Grey shading indicates the security is restricted with the opinion suspended. Light Grey shading indicates the security is under review with the opinion withdrawn. Chart current as of January 31, 2008 or such later date as indicated.

Investment Rating Distribution: Chemicals Group (as of 01 Jan 2008)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	52	57.78%	Buy	10	21.74%
Neutral	30	33.33%	Neutral	9	34.62%
Sell	8	8.89%	Sell	0	0.00%

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

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1714	46.25%	Buy	445	29.10%
Neutral	1653	44.60%	Neutral	454	30.55%
Sell	339	9.15%	Sell	67	21.82%

* Companies in respect of which MLPF&S or an affiliate has received compensation for investment banking services within the past 12 months.

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, indicators of expected total return (price appreciation plus yield) within the 12-month period from the date of the initial rating, are: 1 - Buy (10% or more for Low and Medium Volatility Risk Securities - 20% or more for High Volatility Risk securities); 2 - Neutral (0-10% for Low and Medium Volatility Risk securities - 0-20% for High Volatility Risk securities); 3 - Sell (negative return); and 6 - No Rating. 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.

MLPF&S or an affiliate has received compensation from the company for non-investment banking services or products within the past 12 months: Hanwha Chem Corp.

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 Plastics, Hanwha Chem Corp, LG Chem.

MLPF&S together with its affiliates beneficially owns one percent or more of the common stock of this company. If this report was issued on or after the 10th day of the month, it reflects the ownership position on the last day of the previous month. Reports issued before the 10th day of a month reflect the ownership position at the end of the second month preceding the date of the report: Hanwha Chem Corp.

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 Plastics.

The company is or was, within the last 12 months, a securities business client (non-investment banking) of MLPF&S and/or one or more of its affiliates: Hanwha Chem Corp.

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.

One of the analysts covering the company is a former employee of the company and, in that capacity, received compensation from the company within the past 12 months: Hanwha Chem Corp.

Other Important Disclosures

UK readers: MLPF&S or an affiliate is a liquidity provider for the securities discussed in this report.

Information relating to Non-U.S. affiliates of Merrill Lynch, Pierce, Fenner & Smith Incorporated (MLPF&S):

MLPF&S distributes 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 Global (Taiwan) Limited; 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 prepared and issued by MLPF&S and/or one or more of its non-U.S. affiliates. MLPF&S is the distributor of this research report in the U.S. and accepts full responsibility for research reports of its non-U.S. affiliates distributed in the U.S. Any U.S. person 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.

This research report has been approved for publication in the United Kingdom by Merrill Lynch, Pierce, Fenner & Smith Limited, which is authorized and regulated by the Financial Services Authority; has been considered and distributed in Japan by Merrill Lynch Japan Securities Co, Ltd, a registered securities dealer under the Securities and Exchange Law in Japan; is distributed in Hong Kong by Merrill Lynch (Asia Pacific) Limited, which is regulated by the Hong Kong SFC; is issued and distributed in Taiwan by Merrill Lynch Global (Taiwan) Ltd or Merrill Lynch, Pierce, Fenner & Smith Limited (Taiwan Branch); 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) and Merrill Lynch (Singapore) Pte Ltd (Company Registration No.'s F 06872E and 198602883D respectively). Merrill Lynch International Bank Limited (Merchant Bank) and Merrill Lynch (Singapore) Pte Ltd. are regulated by the Monetary Authority of Singapore. Merrill Lynch Equities (Australia) Limited, (ABN 65 006 276 795), AFS License 235132, provides 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.

Copyright, User Agreement and other general information related to this report:

Copyright 2008 Merrill Lynch, Pierce, Fenner & Smith Incorporated. All rights reserved. This research report is prepared for the use of Merrill Lynch clients and may not be redistributed, retransmitted or disclosed, in whole or in part, or in any form or manner, without the express written consent of Merrill Lynch. Merrill Lynch research reports are distributed simultaneously to internal and client websites eligible to receive such research prior to any public dissemination by Merrill Lynch of the research report or information or opinion contained therein. Any unauthorized use or disclosure is prohibited. Receipt and review of this research report constitutes your agreement not to redistribute, retransmit, or disclose to others the contents, opinions, conclusion, or information contained in this report (including any investment recommendations, estimates or price targets) prior to Merrill Lynch's public disclosure of such information. 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. Merrill Lynch makes no representations or warranties whatsoever as to the data and information provided in any third party referenced website and shall have no liability or responsibility arising out of or in connection with any such referenced website.

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 investment or any options, futures or derivatives related to such securities or investments. It 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 who may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities, other investment or investment strategies discussed or recommended in this report and should understand that statements regarding future prospects may not be realized. Investors should note that income from such securities or other investments, if any, may fluctuate and that price or value of such securities and investments may rise or fall. Accordingly, investors may receive back less than originally invested. Past performance is not necessarily a guide to future performance. 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.

Foreign currency rates of exchange may adversely affect the value, price or income of any security or related investment mentioned in this report. In addition, investors in securities such as ADRs, whose values are influenced by the currency of the underlying security, effectively assume currency risk.

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

Fundamental equity reports are produced on a regular basis as necessary to keep the investment recommendation current.