

Equity | Australia | Non-Ferrous-Mining
28 August 2008

Strong 1H: 2H should repeat it



Merrill Lynch

Vicky Binns >> +61 2 9226 5752
Research Analyst
Merrill Lynch (Australia)
vicky_binns@ml.com

Olivia Ker >> +61 2 9226 5750
Research Analyst
Merrill Lynch (Australia)
olivia_ker@ml.com

Strong 1H2008 NPAT but tax assisted

OMH has announced 1HCY2008 NPAT of A\$97m, 8% above ML est \$90m & multiples above pcp \$15m. This did however include a reversal of an impairment of \$10m pre-tax at OMM (\$7m post tax), so deducting this, the result was in line with our forecast. The result was tax assisted, with a \$35.5m tax credit (unknown by us) at OMM reducing tax paid to \$6m (vs ML est \$25m). OMM will commence paying full 30% tax from 2H2008 which should allow franking of dividends. DPS was 3.5cps (ML est 4cps; pcp 2cps pre-split), only a 17% payout ratio. We expect H2 DPS will be a higher payout with franking credits attached.

Divisional Earnings - Mining is key & likely to go higher

OMM (mining) contributed \$55m NPAT (57% group), OMQ (smelting) contributed a surprisingly low \$13m NPAT (13%) and OMS (trading) a surprisingly high \$37.6m (39%). Whilst OMH management appears adamant that the real drivers of the business are mining and smelting, the high profit contribution of Trading is somewhat perplexing even despite the volatility in prices that could drive super-profits in a trading business. We will dig further into this issue.

2H08 should repeat strong performance.

We retain a Buy with price target of \$3.06, which is equal to our NPV. We forecast CY2008E NPAT of A\$190m, with H2 \$93m, essentially unchanged from previous forecasts. We are assuming that higher Mn ore and alloy prices in 1H coupled with a lower A\$/US\$ will result in higher revenues and EBITDA in H2 vs H1, however higher effective tax rates will negatively impact NPAT in H2 vs H1. Production upside also exists from our very conservative assumptions and the outlook for alloy production looks very low. Our 2009E NPAT is \$233m. This places OMH on 5.8x / 4.7x PER, a 26-70% discount to its nearest global peers Eramet and Mineral Resources. The 2007-2010E NPAT CAGR is 75%pa.

Estimates (Dec)

(A\$)	2006A	2007A	2008E	2009E	2010E
Net Profit b/f Abnormals	(32)	57	190	233	303
EPS	(0.217)	0.262	0.402	0.493	0.642
EPS Change (YoY)	NA	NM	53.2%	22.7%	30.1%
Dividend / Share	0	0.069	0.085	0.104	0.148
Free Cash Flow / Share	(0.358)	0.128	0.303	0.410	0.585
EPS - Ordinary	-0.230	0.288	0.423	0.519	0.675

Valuation (Dec)

	2006A	2007A	2008E	2009E	2010E
P/E	NM	9.33x	6.09x	4.97x	3.82x
Dividend Yield	0%	2.80%	3.45%	4.23%	6.06%
EV / EBITDA*	-12.85x	8.14x	4.56x	2.88x	1.71x
Free Cash Flow Yield*	-4.84%	2.53%	12.99%	17.60%	25.10%

* For full definitions of *iQmethod*SM measures, see page 6.

Stock Data

Price	A\$2.45
Price Objective	A\$3.06
Date Established	21-Aug-2008
Investment Opinion	C-1-7
Volatility Risk	HIGH
52-Week Range	A\$0.553-A\$2.87
Mrkt Val / Shares Out (mn)	US\$943 / 448.4
Average Daily Volume	1,580,973
ML Symbol / Exchange	XOMHF / ASX
Bloomberg / Reuters	OMH AU / OMH.AX
ROE (2008E)	89.9%
Net Dbt to Eqty (Dec-2007A)	-11.0%
Est. 5-Yr EPS / DPS Growth	1.1% / 5.7%
Free Float	72.0%



>> 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 8. Analyst Certification on Page 5. Price Objective Basis/Risk on page 5.

iQprofileSM OM Holdings Ltd.

Key Income Statement Data (Dec)

(A\$ Millions)	2006A	2007A	2008E	2009E	2010E
Sales	186	299	703	921	1,146
Operating Expenses	(216)	(236)	(464)	(595)	(725)
EBITDA	(30)	64	239	326	422
Depreciation & Amortization	0	0	(9)	(11)	(19)
EBIT	(30)	64	229	315	403
Net Interest & Other income	(2)	(2)	1	3	6
Associates	NA	NA	NA	NA	NA
Pretax Income	(32)	62	231	318	409
Tax (expense) / Benefit	(1)	(5)	(41)	(86)	(106)
Net Profit b/f Abnormals	(32)	57	190	233	303
Non-Recurring Items	0	0	0	0	0
Net Income (Reported)	(32)	57	190	233	303
Avg F Diluted Shares Outstanding	149	218	471	471	471

Key Cash Flow Statement Data

EBITDA	(30)	64	239	326	422
Change in Working Capital	(10)	(34)	(31)	(26)	(28)
Deferred Taxation Charge	(1)	5	0	0	0
Other Adjustments, Net	6	9	(4)	(4)	(6)
Cash Flow from Operations	(37)	37	164	214	287
Capital Expenditure	(16)	(9)	(21)	(20)	(12)
(Acquisition) / Disposal of Investments	0	0	0	0	0
Other Cash Inflow / (Outflow)	(5)	(3)	3	4	6
Cash Flow from Investing	(21)	(11)	(18)	(16)	(6)
Shares Issue / (Repurchase)	9	17	(46)	0	0
Cost of Dividends Paid	0	(5)	(38)	(47)	(67)
Cash Flow from Financing	31	(7)	(84)	(47)	(67)
Free Cash Flow	(53)	28	143	193	276
Net Debt	17	(18)	(68)	(219)	(434)
Change in Net Debt	NA	NA	NA	NA	NA

Key Balance Sheet Data

Property, Plant & Equipment	59	60	73	83	78
Other Non-Current Assets	15	14	13	11	10
Trade Receivables	15	27	60	81	100
Cash & Equivalents	12	24	74	225	440
Other Current Assets	1	0	11	13	17
Total Assets	148	219	363	572	834
Long-Term Debt	19	0	0	0	0
Other Non-Current Liabilities	0	0	0	0	0
Short-Term Debt	10	6	6	6	6
Other Current Liabilities	0	5	5	5	5
Total Liabilities	77	53	103	126	152
Total Equity	71	166	259	445	681
Total Equity & Liabilities	148	219	363	572	834

iQmethodSM - Bus Performance*

Return on Capital Employed	NA	42.0%	86.8%	65.0%	53.2%
Return on Equity	NA	49.0%	89.9%	66.3%	53.9%
Operating Margin	-16.2%	21.9%	33.3%	34.4%	35.3%
EBITDA Margin	-16.0%	21.3%	34.0%	35.4%	36.8%

iQmethodSM - Quality of Earnings*

Cash Realization Ratio	1.1x	0.6x	0.9x	0.9x	1.0x
Asset Replacement Ratio	NA	NA	NA	NA	NA
Tax Rate (Reported)	-2.3%	7.4%	17.8%	26.9%	25.9%
Net Debt-to-Equity Ratio	23.8%	-11.0%	-26.4%	-49.2%	-63.7%
Interest Cover	-17.0x	34.3x	422.0x	579.5x	741.7x

Key Metrics

Franking	0%	0%	51%	100%	100%
Ordinary Shares On Issue	140	199	448	448	448

* For full definitions of iQmethodSM measures, see page 6.

Company Description

OM Holdings Ltd has been listed on the ASX since Mar 98, head office located in Singapore. It's core operating business is exploration & mining of manganese (OMM), trading of Mn ore & alloy (OMS), and production of Fe Mn alloy from its semi integrated operations in China (OMQ). Current mine life is 8yrs however extensive exploration drilling is underway to increase resources by 10mt. OMH also owns 11% of ASX listed Territory Resources.

Investment Thesis

OMH is the only global pure play manganese listed stock, leveraged to both Mn ore and alloy. OMH's ore is high grade and high value in use, with a freight advantage vs competitors into the Chinese market, Upside to earnings and valuations expected from growth in both ore and alloy production with anticipated 2H2008 Board Approval for a rejects re-treatment plant at mine site and a sinter plant at the ferro alloy plant site. Strong earnings and cashflow growth plus a conservative balance sheet.

Stock Data

Price to Book Value 4.3x

1HCY2008 results

- NPAT \$97m vs ML est \$90m and pre-announcement of "at least" \$85m.
- Pre-tax profit A\$103.3m vs ML est \$115m
- Tax expense \$6m vs ML est \$25m
- EPS was A\$0.21/sh vs ML est \$0.19/share
- DPS was 3.5cps vs ML est 4cps and pcp 2cps (post 2:1 share split basis). Unfranked as expected (wait for 2H DPS for franking). Payout was 17%
- Group EBIT Margin 36.3% vs ML est 33%
- Net cash reserve \$64m end 1H
- Total distribution costs as % revenue stayed relatively flat on pcp at 8%
- OMM NPAT was \$55.4m, 57% of Group NPAT
- OMS NPAT was \$37.6m, 39% Group NPAT
- OMQ NPAT was \$12.9m, 13% Group NPAT
- Rejects plant construction was approved at lower capex (\$12.6m vs ML \$15m) and for higher tonnages (100ktpa vs ML est +80ktpa)

Table 1: OMM 1HCY2008 financial performance

Year Ending Dec	Units	1H08A	1H08 ML est	1H07A	Actual vs ML	Actual vs pcp
OMS Sales Mn & Chrome Ore	kt	509.1	509.1	437.4	0%	16%
PMS & OMQ Sales - Alloy	kt	32.9	32.9	16.6	0%	98%
Total Sales revenue	A\$m	285.2	282.6	128.3	1%	122%
Gross Profit	A\$m	134.8	155.4	32.4	-13%	316%
Gross Profit Margin	%	47%	55%	25%	-14%	88%
Other Income	A\$m	2.9		0.6	na	383%
Distribution Costs	A\$m	(23.7)	(24.1)	(12.7)	-2%	87%
Net Admin Costs	A\$m	(9.7)	(9.3)	(2.7)	4%	259%
D&A	A\$m	(4.6)	(4.7)	(3.6)	-3%	28%
Interest (expense) / revenue	A\$m	(0.4)	0.7	(1.8)	-157%	-78%
IFRS Adjustments	A\$m	(2.7)	-	(2.0)	na	35%
Exploration Expenditure	A\$m	(3.0)	(3.0)	(0.5)	0%	500%
Net gain on sale mktg rights	A\$m	-		7.4	na	-100%
Impairment Write Back		9.7			na	na
Op profit before tax	A\$m	103.3	114.9	17.1	-10%	504%
Tax expense	A\$m	(6.0)	(25.1)	(1.7)	-76%	253%
Minority Interests	A\$m	(0.4)	-	(0.2)	na	100%
NPAT	A\$m	96.9	90.4	15.2	7%	538%
EPS	Acps	21.0	19.0	4.0	11%	425%
DPS	Acps	3.5	4.0	2.0	-13%	75%

Source: Company and Merrill Lynch

What do we think of result?

- Top line NPAT number very strong, 11% above our \$90m forecast and 14% ahead of pre-announced "at least" \$85m
- However result did include \$9.7m pre-tax write-back of an impairment at OMM, so if this is tax affected, the NPAT was in line with ML est. We believe this impairment write-back is a one-off and should be treated below the line however we understand the original write-down was taken above the line.
- Pre-tax level though was 10% below our forecast
- Tax expense much smaller than we expected: \$6m vs est \$25m. This was because there was \$35.5m accumulated tax losses in OMM that have now been completely consumed, with the mine paying a maiden tax of \$0.8m in 1H. All future earnings from OMM will be taxed at 30% rate so there should be franking credits available from the 2H dividend.

Some further details

- Approval given for Rejects Plant construction at Bootu Creek mine site. Capex \$12.6m vs ML est \$15m. Targeted production from rejects plant 100ktpa (vs ML est 80ktpa). Commissioning expected end Q22009 (ML est Q4 2009). We have factored this factored into our base case NPV and earnings but it will likely be worth a little more with the changes to some stats. NPV = A\$93m = \$0.21/sh
- No announcement of Sinter Plant approval in China - we do not expect the go-ahead for this until at least Q4 2008 as test work is still being completed. We do include the sinter plant in our base case and value it at \$340m or \$0.76/sh assuming a 240ktpa rate and capex of U\$25m.
- Although OMH identified outstanding exploration results that evidence the potential to significantly extend the resources at Bootu Creek tenements, it is waiting until the drilling programme is complete, soon after end CY2008, before announcing them. \$3m exploration was expensed in 1H, so the further \$7m of the \$10m drilling programme should be spent in H2. This timing is in line with our expectations. Positive drilling results were given in Q2 production report however we did not expect an official upgrade to come

Table 2: Divisional Performance

NPAT Split A\$m	1H08 A	1H08 ML est	1H07 A	Actual vs ML	Actual vs pcp
OMM	55.4	52.5	-7.2	6%	NA
OMS	37.6	19.5	20.5	93%	83%
OMQ	12.9	26	4.6	-50%	180%
OM Holdings	-9	-8	-2.7	13%	233%
Group NPAT	96.9	90	15.2	8%	538%

Source: Company and Merrill Lynch

through until the \$10m drilling programme is finished at end CY2008. We do not have value factored in for this targeted +10mt resource addition. When approved, it could add A\$395m to our NPV (extend mine life by 5 years) or A\$0.88/share.

- Hedging: at end 1H, OMM had outstanding FX contracts totalling US\$10.7m @ 0.839 and OMS had US\$15.2 @ 0.895 (out of the money). On spot exchange rates, OMM should benefit from the hedging; however OMS is 5% out of the money. As we stated in our initiation report from August 22, 2008, we do not believe A\$/US\$ hedging should be entered into by mining companies unless they are hedging MAJOR capital commitments. Thus, we are unsure as to why OMS (trading) would hedge A\$/US\$ exposure.
- Production costs disclosed for OMM were in line with those published at the Q2 Production report and those assumptions we used in our initiation report ("*Rare, pure manganese option*"; *Vicky Binns and Olivia Ker, August 22, 2008*).
- OMH's 11% of Territory Resources has gone backwards in value by \$15m to \$25m at end 1H vs end 2007. Investors are likely wondering whether the company will review this asset to decide if it's either in it completely or out completely.

Outlook Statements

- The market for Mn ore and Alloy continues to strengthen in Q3 2008, driven by the continued worldwide shortage of high grade manganese in the global market and sustained growth in demand for steel products

Impact of this result on our Earnings Outlook

The major difference between 1H results and our forecasts was the reversal of the \$7m after-tax reversal charge at the bottom line. We currently forecast CY2008E NPAT of A\$190m, with H2 \$93m, essentially unchanged from previous forecasts. We are assuming that higher Mn ore and alloy prices, coupled with a lower A\$/US\$, will result in higher revenues and EBITDA in 2H vs 1H. However, higher effective tax rates will negatively impact NPAT vs 1H. Production upside also exists from our conservative assumptions, and we believe the company guidance on alloy output at only 41.2kt in 2008 (1H 27.3kt) is very conservative. Our 2009E NPAT forecast is \$233m.

OMH's share has a further 25% upside potential to our conservative base case NPV of \$3.06/share, which uses 11% WACC, with added NPV upside of \$0.88/sh (if &) when the 10mt resource upgrade at Bootu Creek is announced in early 2009.

OMH is trading on 5.8x / 4.7x PER, a 26-70% discount to its nearest global peers Eramet and Mineral Resources. The 2007-2010E NPAT CAGR is 75%pa.

Table 3: Forecast changes for OMH

YE Dec (A\$m)	2008E	2009E	2010E	NPV \$/sh
NPAT - Was	182	233	312	3.06
Update for 1H08 result	9	0	0	0
Rejects Plant ↑ Prodn	0	5	3	0.04
Costs & Other	0	-5	-11	-0.04
NPAT - Is	190	233	303	3.06
Chg (US\$m)	9	0	-8	0.0
Chg (%)	5%	0%	-3%	0%

Source: Merrill Lynch forecasts

Price objective basis & risk

OM Holdings Ltd (XOMHF)

Our Price Objective of A\$3.06/share is at parity with our NPV. Our NPV is based on a DCF analysis, using an 11% WACC, over the existing 8 year mine life, plus 20 year trading and smelting business life. Our price objective places the stock on a current year PER 7.5x and 2009E PER of 5.9x which remains at a substantial to market. We feel our NPV is conservative both from a mine life perspective as well as a WACC perspective. Upside risks to NPV exists with the current drilling programme likely to identify a further 10mt resource which would extend the mine life by a further 5 years which would add A\$0.88/share to our base case NPV. Our bear case NPV is a 16% premium to the current share price. Downside risk to our recommendation and price objective are persistent cost pressures on mining inputs such as fuel, normal risks around traded commodity prices such as iron ore and ferro alloy, capital cost over-run risks for the capex for the upcoming rejects plant (A\$15m) and sinter plant (capex U\$25m).

Analyst Certification

I, Vicky Binns, 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.

28 August 2008

Australia-Metals, Mining & Steel Coverage Cluster

Investment rating	Company	ML ticker	Bloomberg symbol	Analyst
BUY				
	Atlas Iron	ATLGF	AGO AU	Mike Harrowell
	Avoca Resources	AVORF	AVO AU	Anna Kassianos
	BlueScope Steel	BLSFF	BSL AU	Mike Harrowell
	Felix Resources Limited	FLRFF	FLX AU	Stuart Howe
	Gloucester Coal	GCRLF	GCL AU	Stuart Howe
	Kingsgate Consolidated Ltd	KSKGF	KCN AU	Anna Kassianos
	Mount Gibson Iro	MTGRF	MGX AU	Mike Harrowell
	Murchison Metals	MUMTF	MMX AU	Mike Harrowell
	Newcrest Mining	NCMGF	NCM AU	Mike Harrowell
	Oceana Gold	OCGDF	OGC AU	Anna Kassianos
	OM Holdings Ltd	XOMHF	OMH AU	Vicky Binns
	OZ Minerals Ltd	OZMLF	OZL AU	Mike Harrowell
	Paladin Energy	PALAF	PDN AU	Olivia Ker
	Panoramic Resources Ltd	SLLYF	PAN AU	Mike Harrowell
	Sims Group	SMUPF	SGM AU	Mike Harrowell
	Sino Gold	SIOGF	SGX AU	Anna Kassianos
NEUTRAL				
	Energy Res Aust	EGRF	ERA AU	Olivia Ker
	OneSteel	OSTLF	OST AU	Mike Harrowell
UNDERPERFORM				
	Alumina	AWCMF	AWC AU	Vicky Binns
	Alumina Ltd-ADR	AWC	AWC US	Vicky Binns
	Iluka Resources	ILKAF	ILU AU	Mike Harrowell
	Lihir Gold Ltd	LIHRF	LGL AU	Anna Kassianos
	Lihir Gold-ADR	LIHR	LIHR US	Anna Kassianos
	Macarthur Coal Ltd.	MACDF	MCC AU	Stuart Howe
	Minara Resources	MREJF	MRE AU	Mike Harrowell
RESTRICTED				
	BHP Billiton Ltd	BHPLF	BHP AU	Vicky Binns
	BHP Billiton-ADR	BHP	BHP US	Vicky Binns
	Rio Tinto Ltd	RTNTF	RIO AU	Vicky Binns

iQmethodSM Measures Definitions

Business Performance	Numerator	Denominator
Return On Capital Employed	$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) * (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$	$\text{Total Assets} - \text{Current Liabilities} + \text{ST Debt} + \text{Accumulated Goodwill}$
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	$\text{Net Debt} = \text{Total Debt, Less Cash \& Equivalents}$	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	$\text{Market Cap.} = \text{Current Share Price} * \text{Current Basic Shares}$
Enterprise Value / Sales	$\text{EV} = \text{Current Share Price} * \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} + \text{Other LT Liabilities}$	
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

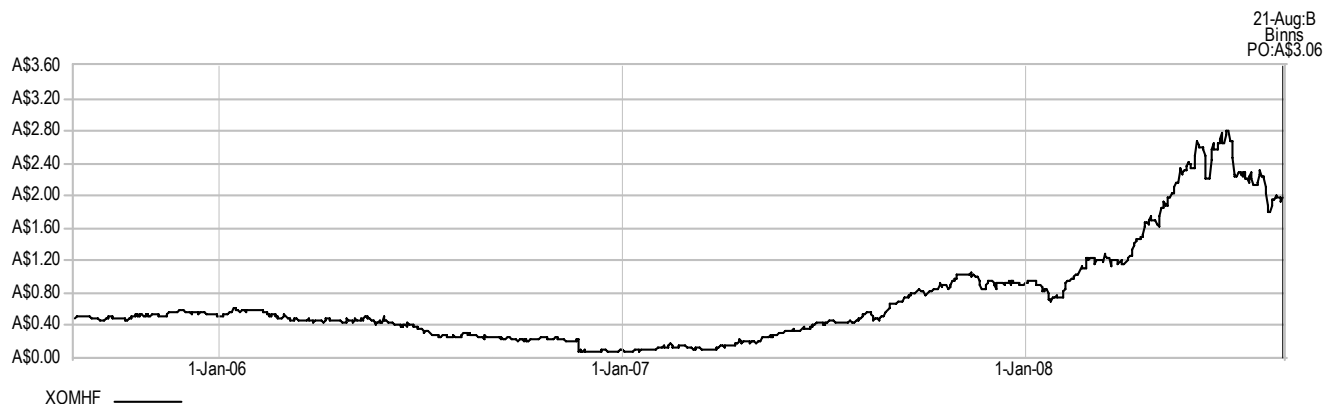
iQmethodSM is the set of Merrill Lynch standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and valuations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

iQdatabase[®] is our real-time global research database that is sourced directly from our equity analysts' earnings models and includes forecasted as well as historical data for income statements, balance sheets, and cash flow statements for companies covered by Merrill Lynch.

iQprofileSM, iQmethodSM are service marks of Merrill Lynch & Co., Inc. iQdatabase[®] is a registered service mark of Merrill Lynch & Co., Inc.

Important Disclosures

XOMHF 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 July 31, 2008 or such later date as indicated.

Investment Rating Distribution: Non-Ferrous Metals/Mining & Minerals Group (as of 01 Jul 2008)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	71	52.99%	Buy	13	20.63%
Neutral	30	22.39%	Neutral	9	39.13%
Sell	33	24.63%	Sell	5	19.23%

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

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1664	47.42%	Buy	441	29.46%
Neutral	803	22.88%	Neutral	224	31.46%
Sell	1042	29.70%	Sell	217	22.84%

* 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.

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 Merrill Lynch 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: OM Holdings.

MLPF&S or an affiliate expects to receive or intends to seek compensation for investment banking services from this company within the next three months: OM Holdings.

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

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.

iQmethod, iQmethod 2.0, iQprofile, iQtoolkit, iQworks are service marks of Merrill Lynch & Co., Inc. iQanalytics®, iQcustom®, iQdatabase® are registered service marks of Merrill Lynch & Co., Inc.