

Robust outlook but not as bright as before

PO reduced to Rs275 on lower earnings growth

We have cut our price objective to Rs275 (vs. Rs345 earlier) on the back of lower earnings estimates. At P/E of 32x2006E and 26.6x2007E, we believe the re-rating era is behind us but the stock should continue to give returns in line with earnings growth.

EPS cut by 6-8% in 2006 and 2007

We now expect EPS to grow 20% (vs. 28% earlier) in 2006 to Rs7.1. In 2007 we expect another 20% growth (vs. 23% earlier) to Rs8.6. The cut is led primarily by lower than expected sales growth in detergents and shampoos, which together account for ~28% of HLL sales.

Detergent & shampoo sales growth have slowed down

As per AC Nielsen data over the last 3 months, HLL's detergent value sales growth has halved to 5% vs. 11% in 2005. Similarly, in shampoos also sales growth has almost halved to 8% vs. 14% in 2005. The volume growth trends are even more dismal in both the categories. It appears to be perhaps an industry slowdown as HLL's market share trends are largely stable.

Robust outlook but relatively less brighter than before

The key issue in 2006 is that low growth categories of 2005 – soaps and skin – are now accelerating and the reverse appears to be happening with high growth categories of 2005 – shampoos and detergents. This implies that HLL is unable to fire on all cylinders and hence topline will likely grow slower than our earlier expectations. However, we do expect margins to expand as price increases and mix gains will likely more than compensate for higher raw material costs.

Estimates (Dec)

(Rs)	2004A	2005A	2006E	2007E	2008E
Net Income (Adjusted - mn)	11,505	13,105	15,735	18,916	22,246
EPS	5.23	5.95	7.15	8.59	10.11
EPS Change (YoY)	-32.1%	13.9%	20.1%	20.2%	17.6%
Dividend / Share	5.00	5.00	5.72	6.87	8.08
Free Cash Flow / Share	4.41	9.40	7.20	8.61	10.35

Valuation (Dec)

	2004A	2005A	2006E	2007E	2008E
P/E	43.83x	38.48x	32.05x	26.66x	22.67x
Dividend Yield	2.18%	2.18%	2.50%	3.00%	3.53%
EV / EBITDA*	34.67x	33.71x	28.21x	23.03x	19.43x
Free Cash Flow Yield*	1.92%	4.10%	3.14%	3.76%	4.52%

* For full definitions of *iQmethod*SM measures, see page 9.

Equity | India | Household Products
03 July 2006



Vandana Luthra >> +91 22 6632 8670

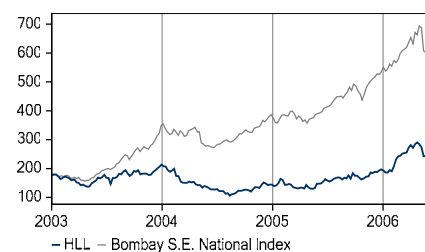
Research Analyst
DSP Merrill Lynch (India)
vandana_luthra@ml.com

Vishal Nathany >> 91 22 6632-8653

Research Analyst
DSP Merrill Lynch (India)
vishal_nathany@ml.com

Stock Data

Price	Rs229.10
Price Objective	Rs275.00
Date Established	3-Jul-2006
Investment Opinion	C-1-7
Volatility Risk	HIGH
52-Week Range	Rs152.20-Rs296.00
Mrkt Val / Shares Out (mn)	US\$10,954 / 2,201.2
Average Daily Volume	1,099,022
ML Symbol / Exchange	HINLF / BSE
Bloomberg / Reuters	HLVR IN / HLL.BO
ROE (2006E)	66.0%
Net Dbt to Eqty (Dec-2005A)	-12.9%
Est. 5-Yr EPS / DPS Growth	15.0% / 15.0%
Free Float	49.0%



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

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 9 to 10. Analyst Certification on page 8. Price Objective Basis/Risk on page 8.

03 July 2006

*iQprofile*SM Hindustan Lever Ltd.

Key Income Statement Data (Dec)	2004A	2005A	2006E	2007E	2008E
(Rs Millions)					
Sales	99,270	110,606	122,152	134,783	148,863
Gross Profit	26,932	29,159	33,900	39,519	45,234
Sell General & Admin Expense	(14,108)	(15,970)	(17,934)	(19,710)	(21,546)
Operating Profit	12,824	13,189	15,966	19,810	23,688
Net Interest & Other Income	1,888	2,856	2,992	3,118	3,276
Associates	NA	NA	NA	NA	NA
Pretax Income	14,713	16,045	18,958	22,928	26,964
Tax (expense) / Benefit	(3,207)	(2,940)	(3,223)	(4,012)	(4,719)
Net Income (Adjusted)	11,505	13,105	15,735	18,916	22,246
Average Fully Diluted Shares Outstanding	2,201	2,201	2,201	2,201	2,201

Key Cash Flow Statement Data

Net Income (Reported)	11,505	13,105	15,735	18,916	22,246
Depreciation & Amortization	1,209	1,245	1,280	1,320	1,360
Change in Working Capital	(560)	5,858	456	260	635
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	343	1,386	379	459	539
Cash Flow from Operations	12,497	21,593	17,851	20,955	24,780
Capital Expenditure	(2,795)	(904)	(2,000)	(2,000)	(2,000)
(Acquisition) / Disposal of Investments	212	(1,335)	0	0	0
Other Cash Inflow / (Outflow)	NA	NA	NA	NA	NA
Cash Flow from Investing	(2,583)	(2,240)	(2,000)	(2,000)	(2,000)
Shares Issue / (Repurchase)	0	0	0	0	0
Cost of Dividends Paid	(12,988)	(12,430)	(11,929)	(15,348)	(18,271)
Cash Flow from Financing	(15,320)	(25,638)	(11,929)	(15,348)	(18,271)
Free Cash Flow	9,702	20,689	15,851	18,955	22,780
Net Debt	7,731	(2,981)	(6,903)	(10,510)	(15,018)
Change in Net Debt	3,074	(6,923)	(3,922)	(3,607)	(4,509)

Key Balance Sheet Data

Property, Plant & Equipment	15,176	14,835	15,555	16,235	16,875
Other Non-Current Assets	2,260	2,201	1,822	1,364	824
Trade Receivables	4,893	5,228	5,619	6,200	6,848
Cash & Equivalents	6,980	3,550	7,472	11,079	15,588
Other Current Assets	6,472	5,634	5,802	5,978	6,163
Total Assets	72,781	64,809	71,070	77,172	84,304
Long-Term Debt	14,711	569	569	569	569
Other Non-Current Liabilities	NA	NA	NA	NA	NA
Short-Term Debt	NA	NA	NA	NA	NA
Other Current Liabilities	16,850	17,733	20,379	22,507	24,748
Total Liabilities	51,854	41,752	46,478	50,734	55,694
Total Equity	20,927	23,056	24,592	26,438	28,609
Total Equity & Liabilities	72,781	64,809	71,070	77,172	84,304

iQmethod*SM - Bus Performance

Return On Capital Employed	27.1%	36.4%	54.3%	62.7%	69.6%
Return On Equity	54.4%	59.6%	66.0%	74.1%	80.8%
Operating Margin	12.9%	11.9%	13.1%	14.7%	15.9%
EBITDA Margin	14.1%	13.0%	14.1%	15.7%	16.8%

iQmethod*SM - Quality of Earnings

Cash Realization Ratio	1.1x	1.6x	1.1x	1.1x	1.1x
Asset Replacement Ratio	2.3x	0.7x	1.6x	1.5x	1.5x
Tax Rate (Reported)	21.8%	18.3%	17.0%	17.5%	17.5%
Net Debt-to-Equity Ratio	36.9%	-12.9%	-28.1%	-39.8%	-52.5%
Interest Cover	9.9x	NM	NM	NM	NM

Key Metrics

* For full definitions of *iQmethod*SM measures, see page 9.

Company Description

HLL, 51% owned by Unilever, is India's largest consumer products company. It offers more than 9 types of everyday household products - soaps, detergents, shampoos, skin care, oral care, beverages, and foods. Key strengths: extensive distribution network (its products are available in 6mn outlets), powerful brand equity (most of its brands are market leaders and straddle price segments), strong balance sheet, and high-quality management.

Stock Data

Price to Book Value 20.5x

Earnings cut by 6-8%

We have cut our EPS estimates by 6% in 2006 and 8.5% in 2007. We now expect EPS of Rs7.1 in 2006, a growth of 20% versus our earlier expectation of 28% growth. In 2007, we expect EPS of Rs8.6, again a growth of 20% versus our earlier growth expectation of 23%.

Our earnings downgrade is led primarily by slower than expected sales growth in detergents and shampoos which we estimate together account for ~28% of HLL's sales.

Key assumptions underlying our 2006 forecasts

■ Topline

We expect sales of Rs122bn, a growth of 10% versus our earlier forecast of 14% growth. A C Nielsen retail sales data over the last 3 months indicates that detergent and shampoo growth rates have halved versus the growth trend of 2005. On the positive side, soaps growth has accelerated phenomenally and so has skin care. Oral care continues to be dull as was the case last year.

There have often been issues about sampling errors in the retail sales data however our experience has been that the data does capture the trend reversals quite accurately. Overall, we believe that HLL is unable to fire on all cylinders and hence sales growth in 2006 will likely be 10%, in line with the trend witnessed in 2005 and is unlikely to accelerate to 14% as we had earlier expected.

■ EBITDA margins

We expect EBITDA margins to expand 110bp in 2006, a little lower than our earlier expectation of 160bp. Despite the continuing pressure from higher raw material costs, we expect margins to expand led by:

Price increases – We estimate across the key product categories, weighted average price increase is ~4%.

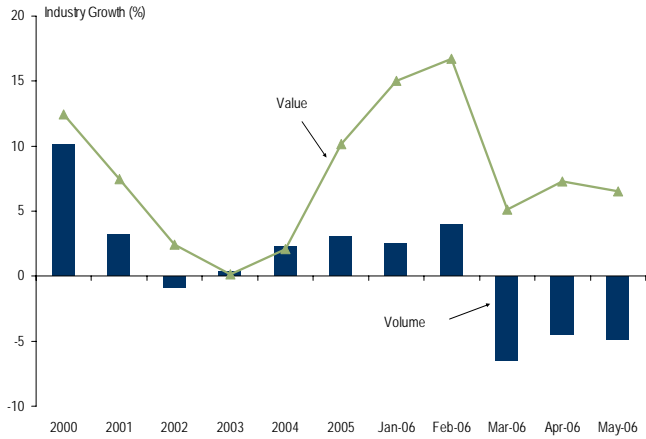
Mix gains – we believe this is a very strong driver in 2006 versus 2005. Across the key categories, higher margin brands appear to be growing faster, notably “Lux” in soaps, “Surf” in detergents and “Clinic All Clear” in shampoos. Additionally, HLL is increasing focus on the smaller but extremely profitable categories such as colour cosmetics and “Ponds” skin care.

Detergent sales growth is slowing down

As per AC Nielsen data, industry detergent volumes have been declining for 3 consecutive months. From an optimistic perspective this can be perhaps explained by the phenomenon of consumers up-trading – you need lesser volume of premium detergent versus lower-priced detergent to wash the same number of clothes. Despite the possible up-trading, the data does indicate that value growth has slowed down from 10% in 2005 to 6.5% in May 2006 (see chart 1 for details).

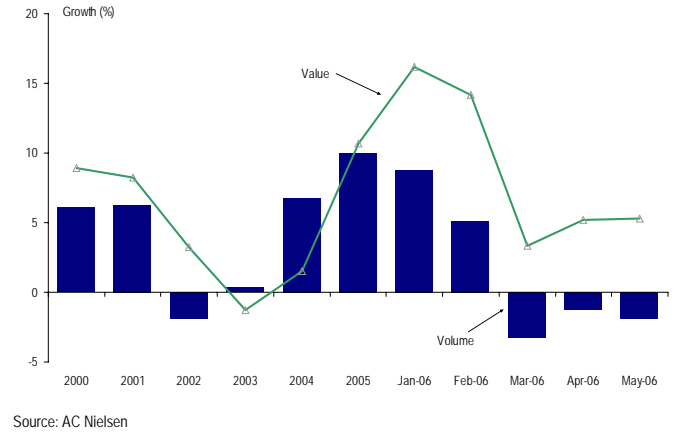
03 July 2006

Chart 1: Detergent Industry Growth Trend



Source: AC Nielsen

Chart 2: HLL Detergent Growth Trend

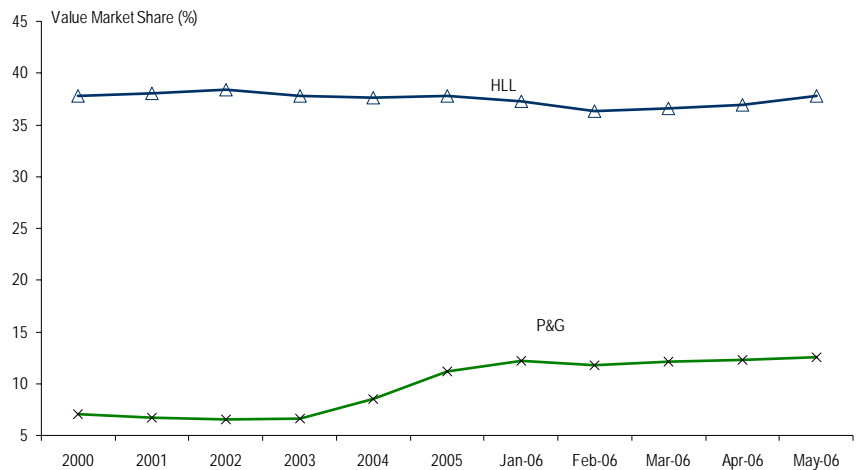


Source: AC Nielsen

It is difficult to understand the cause for the category slowdown. Perhaps it can be attributed to base effect. It is unlikely that it is owing to price increases because despite some 10-11% increase from the bottom of 2004, prices are still ~30% lower from their all time peak in 2002.

There are however, 2 positive data points to note for HLL. First, HLL is holding on to its market share of 37.8%. Second, HLL's higher margin brand, "Surf" is growing faster. Volume growth in 2005 was led by lower-priced "Wheel". In 2006, "Wheel" is declining but "Surf" growth has accelerated.

Chart 3: Detergents Value Market Share (%)



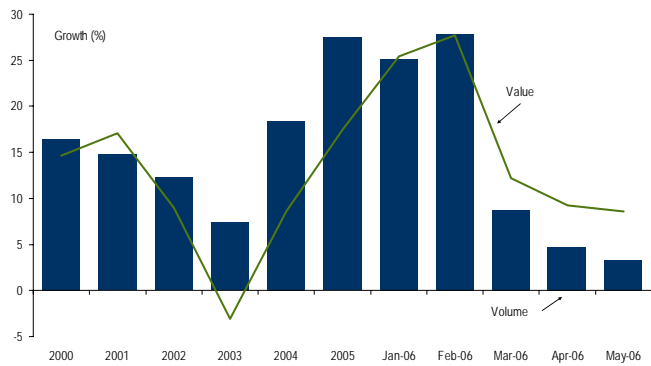
Source: AC Nielsen

Shampoo sales growth is also slowing down

Volume growth has slowed down in shampoos also though it is not declining as in the case of detergents. For the industry, volume growth in May was merely 3%, a sharp slowdown from 27% growth in 2005 (see chart 4). We think there is clearly a base effect issue in shampoos but with a penetration rate of less than 60%, a 3% volume growth is nonetheless abysmal. Moreover there has been no price increase in low-value packs (which account for at least 50% of volumes) for more than a year and hence it becomes more difficult to understand the cause for the slowdown.

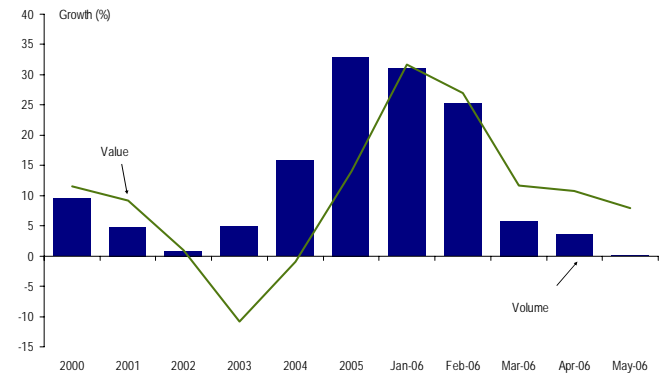
For HLL, again the positives are largely stable market share and mix improvement with “Clinic All Clear” growing stronger than its other brands.

Chart 4: Shampoo Industry Growth Trend



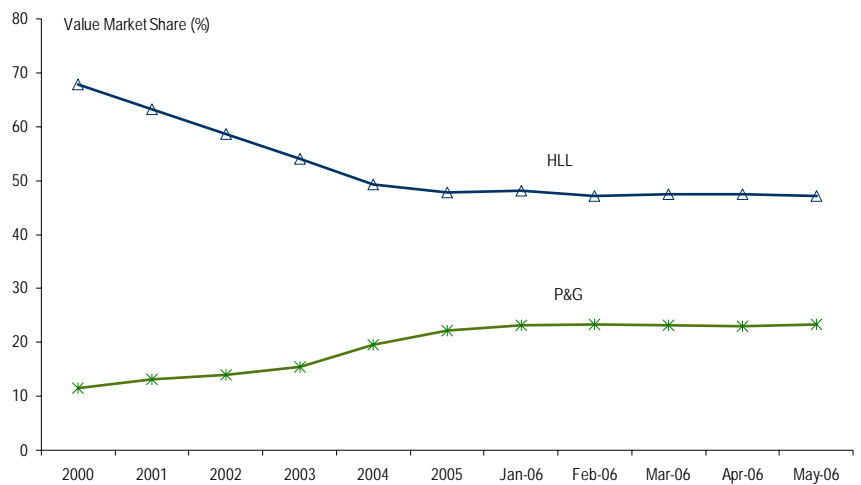
Source: AC Nielsen

Chart 5: HLL Shampoo Growth Trend



Source: AC Nielsen

Chart 6: Shampoo Value Market Share (%)



Source: AC Nielsen

Table 1: Earnings Model

Year to 31 December	2004	2005A	2006E	2007E	2008E
Net turnover	99270	110606	122152	134783	148863
<i>% chg</i>	-1.6%	11.4%	10.4%	10.3%	10.4%
EBITDA	14033	14433	17246	21130	25048
<i>% chg</i>		2.9%	19.5%	22.5%	18.5%
EBITDA margin	14.1%	13.0%	14.1%	15.7%	16.8%
Depreciation	1209	1244.5	1280.0	1320.0	1360.0
EBIT	12824.0	13188.8	15965.9	19810	23688
EBIT margin	12.9%	11.9%	13.1%	14.7%	15.9%
<i>% chg</i>	-30%	2.8%	21.1%	24.1%	19.6%
Interest	1300	191.9	191.9	191.9	191.9
Other income	3188	3048	3184	3310	3468
Profit before tax	14713	16045	18958	22928	26964
<i>% chg</i>	-32.6%	9.1%	18.2%	20.9%	17.6%
Tax	3207	2940	3223	4012.4	4718.8
Tax rate	21.8%	18.3%	17.0%	17.5%	17.5%
Net profit	11505	13105	15735	18916	22246
<i>% chg</i>	-32.1%	13.9%	20.1%	20.2%	17.6%
Net margin	11.6%	11.8%	12.9%	14.0%	14.9%
Extraordinary items	468.4	976.3	0.0	0.0	0.0
Profit after extraordinary items	11973	14081	15735	18915.6	22245.5
<i>% chg</i>	-32.4%	17.6%	11.7%	20.2%	17.6%

Source: Merrill Lynch Research Estimates, HLL

Table 2: Balance Sheet

Year to 31 December	2004	2005A	2006E	2007E	2008E
Share capital	2201	2201	2201	2201	2201
Reserves	18726	20855	22391	24237	26408
Networth	20927	23056	24592	26438	28609
Deferred Tax	-2260	-2201	-1822	-1364	-824
Total Debt	14711	569	569	569	569
Total liabilities	33378	21424	23339	25644	28354
Net fixed assets	15176	14835	15555	16235	16875
Investments	22296	20142	20142	20142	20142
Net current assets	-4093	-13553	-12358	-10733	-8663
Total assets	33378	21424	23339	25644	28354

Source: Merrill Lynch Research Estimates, HLL

Table 3: Cash Flow Statement

Year to 31 December	2004	2005A	2006E	2007E	2008E
Profit before tax	14713	16045	18958	22928	26964
Tax paid	3333	2530	2844	3554	4179
Profit after tax	11379	13515	16115	19374	22785
Depreciation	1209	1245	1280	1320	1360
Extraordinaries	468	976	0	0	0
Op profit bef W.Cap chg	13057	15736	17395	20694	24145
Changes in working cap	-560	5858	456	260	635
Cash from operations	12497	21593	17851	20955	24780
Capex	-2795	-904	-2000	-2000	-2000
(Inc) / dec in investments	212	-1335	0	0	0
Cash from investing	-2583	-2240	-2000	-2000	-2000
Free cash flow	9914	19354	15851	18955	22780
Increase in share capital	0	0	0	0	0
Chg in debt	-2332	0	0	0	0
Bonus Debentures repaid	0	-13207	0	0	0
Dividend paid	-12107	-11006	-10538	-13606	-16198
Dividend tax	-881	-1424	-1391	-1742	-2073
Cash from financing	-15320	-25638	-11929	-15348	-18271
Total cash flow	-5406	-6284	3922	3607	4509
Opening cash	30621	25215	18296	22218	25825
Closing cash	25215	18931	22218	25825	30334

Source: Merrill Lynch Research Estimates, HLL

Table 4: Key Ratios

Year to 31 December	2004	2005A	2006E	2007E	2008E
Avg ROE bef extra-ord items	54.4%	59.6%	66.0%	74.1%	80.8%
Avg ROCE	36.2%	48.4%	71.0%	77.9%	0.0%
Gearing	70%	2%	2%	2%	2%
Net gearing	-50%	-77%	-88%	-96%	-104%
EVA	24.5%	35.6%	57.5%	65.1%	0.0%
Book value / share	9.5	10.5	11.2	12.0	13.0
Du Pont Analysis					
PAT / EBT	81%	82%	83%	83%	83%
EBT / EBIT	115%	122%	119%	116%	114%
EBIT/sales	13%	12%	13%	15%	16%
Sales/assets	287%	404%	546%	550%	551%
Assets / networth	163%	125%	94%	96%	98%

Source: Merrill Lynch Research Estimates, HLL

Price Objective Basis & Risk

Our PO of Rs275 is based on rolling forward our current P/E of 32xCY06E to CY07. We expect the current P/E to sustain given healthy consumer demand, HLL's diversified product portfolio and strong brands. Risks to our price objective are stiffer competition and raw material costs increasing higher than our expectations.

Analyst Certification

I, Vandana Luthra, 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

In accordance with the SEBI (Foreign Institutional Investors) Regulations and with guidelines issued by the Securities and Exchange Board of India (SEBI), foreign investors (individuals as well as institutional) that wish to transact the common stock of Indian companies must have applied to, and have been approved by SEBI and the Reserve Bank of India (RBI). Each investor who transacts common stock of Indian companies will be required to certify approval as a foreign institutional investor or as a sub-account of a foreign institutional investor by SEBI and RBI. Certain other entities are also entitled to transact common stock of Indian companies under the Indian laws relating to investment by foreigners. Merrill Lynch reserves the right to refuse copy of research on common stock of Indian companies to a person not resident in India. American Depositary Receipts (ADR) representing such common stock are not subject to these Indian law restrictions and may be transacted by investors in accordance with the applicable laws of the relevant jurisdiction. Global Depository Receipts (GDR) and the Global Depository Shares of Indian companies, Indian limited liability corporations, have not been registered under the U.S. Securities Act of 1933, as amended, and may only be transacted by persons in the United States who are Qualified Institutional Buyers (QIBs) within the meaning of Rule 144A under the Securities Act. Accordingly, no copy of any research report on Indian companies' GDRs will be made available to persons who are not QIBs.

iQmethodSM Measures Definitions

Business Performance	Numerator	Denominator
Return On Capital Employed	NOPAT = (EBIT + Interest Income) * (1 - Tax Rate) + Goodwill Amortization	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization
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	EV = Current Share Price * Current Shares + Minority Equity + Net Debt + Other LT Liabilities	
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

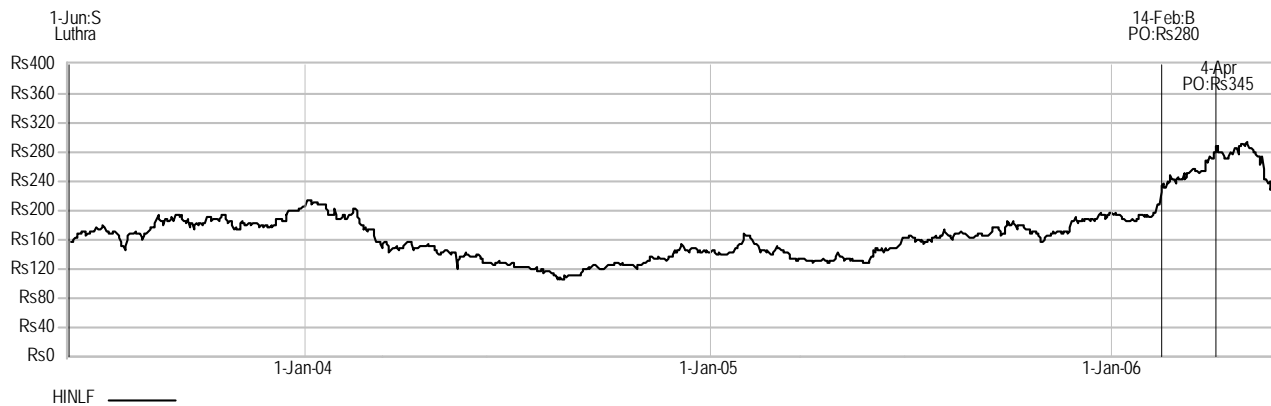
iQmethodSM is the set of Merrill Lynch standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and valuations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize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

iQdatabaseSM 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, iQdatabaseSM are service marks of Merrill Lynch & Co., Inc.

Important Disclosures

HINLF Price Chart



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

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 May 31, 2006 or such later date as indicated.

Investment Rating Distribution: Consumer Products Group (as of 31 Mar 2006)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	26	48.15%	Buy	7	26.92%
Neutral	26	48.15%	Neutral	7	26.92%
Sell	2	3.70%	Sell	0	0.00%

Investment Rating Distribution: Global Group (as of 31 Mar 2006)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1145	40.29%	Buy	393	34.32%
Neutral	1474	51.86%	Neutral	430	29.17%
Sell	223	7.85%	Sell	44	19.73%

* 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.

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: HLL.

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: HLL.

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 Dublin (Frankfurt Branch): Merrill Lynch CMB Ltd, Dublin, Frankfurt Branch; Merrill Lynch (South Africa): Merrill Lynch South Africa (Pty) Ltd; Merrill Lynch (Milan): Merrill Lynch Capital Markets 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 (Brazil): Banco Merrill Lynch de Investimentos SA; Merrill Lynch (Japan): Merrill Lynch Japan Securities Co, Ltd; Merrill Lynch (Seoul): Merrill Lynch International Incorporated (Seoul Branch); Merrill Lynch (Taiwan): Merrill Lynch 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.

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 (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; and is issued and distributed in Singapore by Merrill Lynch International Bank Limited (Merchant Bank) and Merrill Lynch (Singapore) Pte Ltd (Company Registration No. 198602883D). Merrill Lynch International Bank Limited 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 Dublin is regulated by BaFin.

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

Copyright 2006 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.

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>.

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

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