Uni-President Enterprises Corp

Price Objective Change UNDERPERFORM

Equity | Taiwan | Food Producers
17 October 2008

Merrill Lynch

Not a safe haven as may seem

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Lower growth but higher valuation multiples

We cut our PO to NT$27.9 from NT$34.6. The market is assigning a generous valuation for UPE – 1.8x P/B with only 9.1% ROE and 19x/15x 2008E-09E PER. It is trading at above-industry multiples but with below-industry growth against pure regional peers that derive pure China growth. Only 33% of UPE's NAV (Uni-President China) is exposed to China growth, but the remaining parts have limited growth outlook. UPE traded below 1x NAV most of the time and near 0.6x NAV during the 2000-01 downturn. We retain our Underperform rating.

Hefty premium vis-à-vis other Taiwan conglomerates

UPE also trades at a hefty premium to other conglomerates under our coverage (1x P/NAV and 1.8x P/B versus others' 0.5x P/NAV and 0.9x P/B). The market perceives its F&B and convenience store operations as defensive, but UPE has other complicated investments totally unrelated to these, which we do not consider defensive. We believe that the market will be less willing to price these non-core investments in the downturn.

Perceived defensiveness - limited to 62%

UPE's F&B and convenience store operations account for only 62% of its NAV. Even a large proportion of its Taiwan F&B (40% of parent revenues) relates to commodity trading and is very volatile given the commodity prices. UPE suffered large investment losses in the 2001 downturn. We have seen losses being suffered by some of its subsidiaries in 1H08 and we see potential earnings downside from its non-core investments.

Estimates (Dec)

(NT$)	2006A	2007A	2008E	2009E	2010E
Net Income (Adjusted - mn)	3,611	11,019	5,639	7,344	8,528
EPS	1.08	3.10	1.51	1.97	2.28
EPS Change (YoY)	73.8%	187.9%	-51.3%	30.2%	16.1%
Dividend / Share	0.600	2.00	0.633	0.798	1.00
Free Cash Flow / Share	1.09	1.27	1.24	1.22	1.36

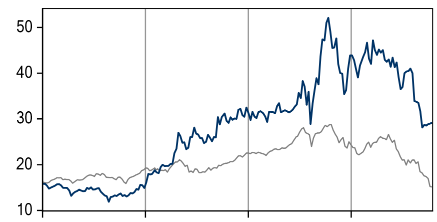
Valuation (Dec)

	2006A	2007A	2008E	2009E	2010E
P/E	27.12x	9.42x	19.34x	14.85x	12.79x
Dividend Yield	2.05%	6.85%	2.17%	2.73%	3.42%
EV / EBITDA*	47.01x	47.70x	47.01x	44.86x	37.51x
Free Cash Flow Yield*	3.36%	4.13%	4.26%	4.18%	4.67%

* For full definitions of *iQmethod* SM measures, see page 10.

Stock Data

Price	NT$29.20
Price Objective	NT$34.60 to NT$27.90
Date Established	17-Oct-2008
Investment Opinion	B-3-7
Volatility Risk	MEDIUM
52-Week Range	NT$25.40-NT$50.86
Mrkt Val / Shares Out (mn)	US$3,366 / 3,735.0
Average Daily Volume	10,464,370
ML Symbol / Exchange	XPDSF / TAI
Bloomberg / Reuters	1216 TT / 1216.TW
ROE (2008E)	9.1%
Net Dbt to Eqty (Dec-2008A)	32.8%
Est. 5-Yr EPS / DPS Growth	NA / NA
Free Float	60.0%



Refer to important disclosures on page 11 to 12. Analyst Certification on Page 9. Price Objective Basis/Risk on page 9.
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iQprofile℠ Uni-President Enterprises Corp

Key Income Statement Data (Dec)	2006A	2007A	2008E	2009E	2010E
(NT$ Millions)					
Sales	42,845	46,026	51,232	55,871	58,717
Gross Profit	9,972	10,165	10,453	11,117	12,014
Sell General & Admin Expense	(8,054)	(8,216)	(8,556)	(9,069)	(9,360)
Operating Profit	1,592	1,661	1,549	1,667	2,255
Net Interest & Other Income	297	386	280	236	248
Associates	1,854	8,977	3,919	5,557	6,251
Pretax Income	3,743	11,024	5,747	7,461	8,754
Tax (expense) / Benefit	(132)	(5)	(108)	(117)	(225)
Net Income (Adjusted)	3,611	11,019	5,639	7,344	8,528
Average Fully Diluted Shares Outstanding	3,354	3,555	3,735	3,735	3,735
Key Cash Flow Statement Data					
Net Income (Reported)	3,611	11,019	5,639	7,344	8,528
Depreciation & Amortization	1,384	1,272	1,427	1,451	1,475
Change in Working Capital	(1,209)	(694)	(415)	(584)	(570)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	887	(6,568)	(1,410)	(3,048)	(3,742)
Cash Flow from Operations	4,673	5,029	5,241	5,162	5,691
Capital Expenditure	(1,010)	(520)	(600)	(600)	(600)
(Acquisition) / Disposal of Investments	(2,198)	(586)	(1,000)	(1,000)	(1,000)
Other Cash Inflow / (Outflow)	NA	NA	NA	NA	NA
Cash Flow from Investing	NA	NA	NA	NA	NA
Shares Issue / (Repurchase)	0	0	0	0	0
Cost of Dividends Paid	(2,470)	(2,396)	(8,161)	(2,787)	(3,630)
Cash Flow from Financing	(1,471)	(3,953)	(3,549)	(3,564)	(4,091)
Free Cash Flow	3,663	4,509	4,641	4,562	5,091
Net Debt	26,768	20,767	28,415	27,640	27,177
Change in Net Debt	989	2,073	4,612	(777)	(461)
Key Balance Sheet Data					
Property, Plant & Equipment	11,832	10,061	9,284	8,483	7,658
Other Non-Current Assets	59,420	75,057	77,426	81,433	86,134
Trade Receivables	4,884	5,083	5,462	6,015	6,436
Cash & Equivalents	142	108	202	200	200
Other Current Assets	4,536	5,039	5,278	5,878	6,409
Total Assets	80,814	95,348	97,653	102,010	106,837
Long-Term Debt	23,683	20,224	19,224	18,224	17,223
Other Non-Current Liabilities	2,973	2,424	2,424	2,424	2,424
Short-Term Debt	3,227	651	9,393	9,616	10,154
Other Current Liabilities	4,303	8,817	5,902	6,479	6,870
Total Liabilities	34,186	32,116	36,943	36,743	36,671
Total Equity	46,629	63,232	60,710	65,267	70,165
Total Equity & Liabilities	80,815	95,348	97,653	102,010	106,837
iQmethod*℠ - Bus Performance					
Return On Capital Employed	2.0%	1.9%	1.6%	1.7%	2.1%
Return On Equity	8.0%	20.1%	9.1%	11.7%	12.6%
Operating Margin	3.7%	3.6%	3.0%	3.0%	3.8%
EBITDA Margin	6.9%	6.4%	5.8%	5.6%	6.4%
iQmethod*℠ - Quality of Earnings					
Cash Realization Ratio	1.3x	0.5x	0.9x	0.7x	0.7x
Asset Replacement Ratio	0.8x	0.4x	0.4x	0.4x	0.4x
Tax Rate (Reported)	3.5%	0%	1.9%	1.6%	2.6%
Net Debt-to-Equity Ratio	57.4%	32.8%	46.8%	42.3%	38.7%
Interest Cover	2.8x	2.7x	3.5x	3.6x	4.9x
Key Metrics					

* For full definitions of *iQmethod*℠ measures, see page 10.

Company Description

Set up in 1967, Uni-President is now the largest food & beverage company in Taiwan. It is a holding company with businesses ranging from retail (45% stake in President Chain Store, the largest convenient store in Taiwan, and 21% in Carrefour, the largest hypermarket in Taiwan), to trading, financials and technology. Taiwan, China and President Chain Stores are its main profit sources, each contributing about a third of income.

Investment Thesis

UPE should maintain healthy growth in Taiwan with its leadership in F&B, despite a mature and competitive environment. UPE is also a leader in RTD juice and tea products n China, through its subsidiary Uni-President China, and should post solid growth there. However, Uni-President is trading at a much higher multiples against regional peers but with lower growth, we maintain our Underperform rating.

Stock Data

Price to Book Value	1.8x

Rich valuation

More demanding than regional peers but lower growth

Uni-President (UPE) is trading at above-region P/E multiples (19x and 15x 2008E-09E PER compared with the region's 15.5x and 11.7x) but enjoys below-region growth (a 23% CAGR for 2008-10 compared with the region's 28% CAGR).

Complicated group structure

In our opinion, its valuation is excessive as compared with the regional pure F&B and consumer peers that derive pure "China growth". Only 33% of UPE's NAV (Uni-President China 220.HK or UPC) derives "China growth", but the remaining parts derive limited growth (like Taiwan F&B and convenience store operations). Unlike regional peers that are "pure" F&B companies (like Tingyi and WantWant), Uni-President has rather complicated non-core investments and group structures.

Valuation disparity between UPE and Uni-President China

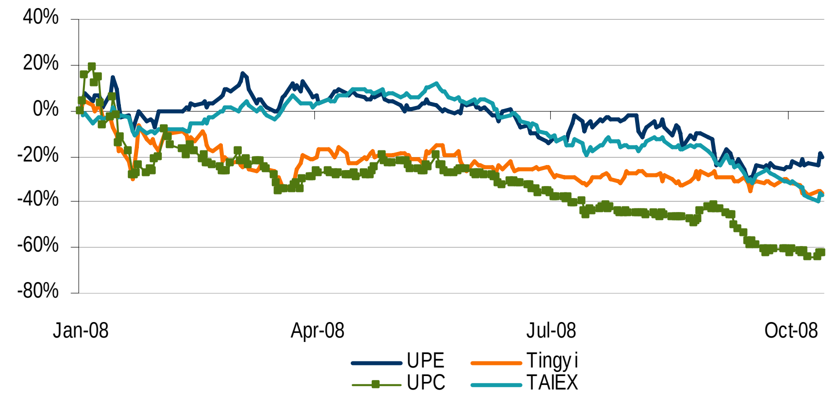
The share price of Uni-President China has dropped by more than 60% YTD and UPC accounts for 33% of UPE's NAV. UPC, with a CAGR of 39% for 2008-10E, is trading at 16x and 9.7x 2008E-09EPER, but UPE (with a CAGR of 23% for 2008-10E), is trading at a much higher 19x and 15x 2008E-09E PER. We believe this is a valuation disparity between the two as UPE has much lower growth prospects, in our view, but higher multiples than Uni-President China.

Table 1: UPE has higher valuations but lower forecast growth than regional peers

Company Name	BB Code	Share Price (Local)	ML Rating	Mkt Cap (US$ m)	EPS 2008E	EPS 2009E	EPS 2010E	CAGR 2008-10E	P/E 2008E	P/E 2009E	ROE 2008E	P/B 2008E	YIELD 2008E
AJISEN	538 HK	3.05	NEUTRAL	420	0.27	0.36	0.49	35%	11.4	8.4	13.8	1.5	2.2%
ANTA	2020 HK	3.3	BUY	1,046	0.37	0.49	0.62	29%	8.9	6.7	18.6	1.8	4.0%
CHINA DONGXIANG	3818 HK	1.96	BUY	1,402	0.22	0.26	0.33	23%	9.1	7.7	15.0	1.7	3.9%
CHINA MENGNIU	2319 HK	8.04	U/PERFORM	1,624	0.60	0.82	1.18	40%	13.3	9.8	11.7	1.5	2.3%
FAR EAST DEPARTMENT	2903 TT	18.55	NEUTRAL	674	0.95	1.72	1.93	43%	19.5	10.8	4.6	0.9	4.3%
GOLDEN EAGLE	3308 HK	5.58	BUY	1,310	0.31	0.38	0.47	24%	18.2	14.6	36.3	6.3	1.8%
GOME	493 HK	1.31	U/PERFORM	2,055	0.20	0.24	0.29	21%	6.7	5.4	21.4	1.4	4.3%
HENGAN INT'L	1044 HK	21.75	BUY	3,130	1.17	1.38	1.65	19%	18.6	15.7	23.2	4.0	3.6%
INTIME	1833 HK	3.23	NEUTRAL	756	0.31	0.35	0.44	20%	10.4	9.3	12.1	1.4	2.5%
LI NING	2331 HK	11.2	BUY	1,499	0.81	1.10	1.43	33%	13.9	10.1	37.7	5.2	3.7%
LIANHUA	980 HK	9.65	BUY	766	0.71	0.84	0.98	18%	13.6	11.5	16.6	2.4	2.7%
PARKSON	3368 HK	8.12	BUY	2,982	0.37	0.49	0.62	30%	21.9	16.6	30.2	7.0	2.0%
TINGYI	322 HK	7.88	U/PERFORM	5,741	0.32	0.42	0.49	23%	24.7	18.7	21.7	5.2	0.3%
TSINGTAO BREW	168 HK	13.92	BUY	2,691	0.63	0.86	1.03	28%	22.1	16.3	12.4	2.9	2.1%
UNI-PRESIDENT CHINA	220 HK	2.0	NEUTRAL	946	0.13	0.21	0.25	39%	16.0	9.7	9.5	1.3	0.0%
WANT WANT CHINA	151 HK	2.65	BUY	4,461	0.15	0.18	0.24	26%	17.3	14.4	30.5	4.5	0.3%
WUMART	8277 HK	6.69	BUY	1,030	0.37	0.48	0.59	26%	18.0	14.0	17.8	3.4	1.5%
UNI-PRESIDENT	1216 TT	29.2	U/PERFORM	3,364	1.51	1.97	2.28	23%	19.3	14.9	9.1	1.8	2.2%
Average - ex UPE								28%	15.5	11.7	19.6	3.1	2.4%

Source: Merrill Lynch estimates

Chart 1: UPE's YTD outperformance vs. peers is unjustifiable given lower growth prospects



Source: TEJ

Other TW conglomerates trade at deep discount to NAV

The conglomerates under Merrill Lynch coverage are trading at an average of 0.5x P/NAV and some are trading below the book, following the recent sharp corrections. But Uni-President is still trading at a substantial premium in terms of both P/NAV and P/B, which we believe is unjustified. UPE is trading at 1x NAV and 1.8x P/B versus other conglomerates' 0.5x NAV and 0.9x P/B. This is even more excessive than the overall TAIEX's 1.6x P/B for 2008.

In the downturn, conglomerates tend to trade below P/NAV as investors will not pay high multiples for core businesses and certainly not for non-core investments. These conglomerates under our coverage are trading at a deep discount to NAV. In Uni-President's case, non-core investments (apart from F&B and convenience store operations) account for 38% (or NT$10) of its NAV of NT$27.9. Besides, these conglomerates are trading at near the book value, but Uni-President is not.

Uni-President also has complicated non-core investments

Uni-President has complicated investment holdings in proprietary trading, technology, brokerage, real estate development and department store operations etc. Although it has exposure to the F&B business, its other investments are similar to what other conglomerates have.

Figure 1: UPE trades at a hefty premium to other conglomerates under our coverage

Company Name	BB Code	Share Price	ML Rating	Mkt Cap (US$ m)	EPS 2008	EPS 2009	P/E 2008	P/E 2009	ROE 2008	P/B 2008	P/NAV	EV/EBITDA 2008	YIELD 2008
Taiwan Cement	1101 TT	17.35	UNDERPERFORM	1,763	2.21	2.01	7.8	8.6	8.7	0.7	0.4	24.1	11.1%
Asia Cement	1102 TT	24.75	NEUTRAL	2,214	2.78	2.90	8.9	8.5	11.0	1.0	0.6	66.5	6.9%
Far Eastern Textile	1402 TT	19.9	BUY	2,806	1.56	2.46	12.8	8.1	8.0	1.1	0.4	56.2	9.0%
Far Eastern Dept Stores	2903 TT	18.55	NEUTRAL	674	0.95	1.72	19.5	10.8	4.6	0.9	0.5	26.4	4.3%
Uni-President Enterprises	1216 TT	29.2	UNDERPERFORM	3,364	1.51	1.97	19.3	14.9	9.1	1.8	1.0	48.3	2.2%
Average - ex UPE							12.3	9.0	8.1	0.9	0.5	43.3	7.8%

Source: Merrill Lynch estimates

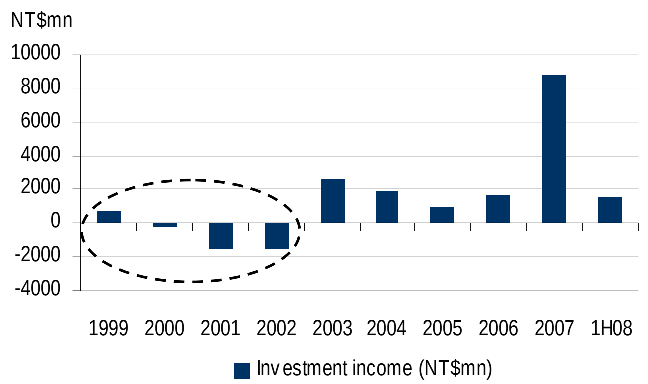
The perceived "defensiveness" - only 62% of it

The market has a perception of defensiveness given Uni-President's F&B businesses. But a detailed breakdown of its NAV suggests that only 62% of it could be considered "defensive" – Taiwan F&B (13%), China F&B (25%) and President Chain Store (24%).

The remaining 38% of NAV relates to investments in proprietary trading, investment holding, real estate development, construction, brokerage, department store, bill financing etc. We do not consider these non-core investments defensive at all – NT$624mn losses made by President International Development and NT$202mn made by Tong Zan in 1H08. President Securities made a large NT$618mn loss in 3Q and UPE will need to book 26.6% or NT$164mn loss in 3Q.

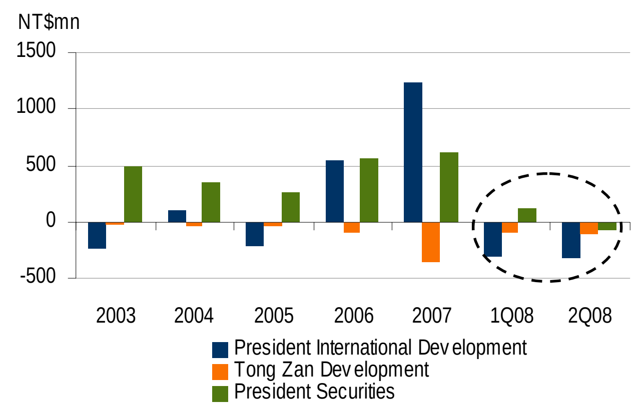
Uni-President has made large losses in the downturn in 2001. We have seen some of its subsidiaries report losses in 1H08 and we see potential earnings downside from its subsidiaries for the whole year.

Chart 2: Investment losses in the downturn: Is it all that defensive?



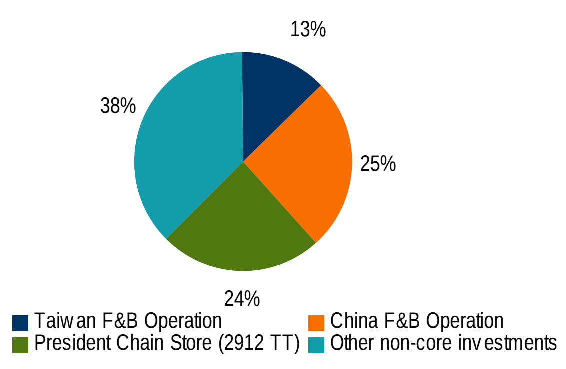
Source: TEJ

Chart 3: Losses made by some of its subsidiaries: Is it defensive?



Source: TEJ

Chart 4: Breakdown of UPE's NAV



Source: Merrill Lynch estimates

Table 2: UPE's other non-core investments

Subsidiary	% of NAV	Main operations
Ton Yi Industrial (9907 TT)	6%	Manufacturer of tin mill black plate and cold rolled steel sheet
Prince Housing (2511 TT)	0%	Developer
TTET Union (1232 TT)	1%	Soybean crusher
President Security (2855 TT)	2%	Brokerage house
Eagle Cold Storage (8905 TT)	0%	Cold storage
Accuray (ARAY US)	1%	CyberKnife Robotic Radiosurgery System
Presicarre	3%	Hypermarket operations
Unlisted investments	0%	
President International Development	8%	Investment holding co.: holding includes mutual funds; Formosa group companies; Epistar; Sparq; Topoly; Tong Yu investment; Tong Zan Development and others
Kai Nan Investments	2%	Investment holding co.: holding includes Topoly (LCD related); Sparq (Telco); President Securities and others.
Tong Zan Development	2%	Shopping center
Tong Tai International	2%	
Kai Yu Investments	1%	Investment holding co.: holding includes President Securities; Topoly and others
Kuang Chuan Cattle	1%	Milk, tea and other beverages
Nanlien International	1%	Imports of goods
Grand Bills Finance	0%	Bills financing
President Global	0%	
ScinoPharm Taiwan	0%	
Tait Marketing and Distribution	0%	
President Wu Tsung Ye	0%	
Others	1%	
President International Building	6%	Property development
Total	38%	

Source: Company, Merrill Lynch calculations

PO cut to NT$27.9

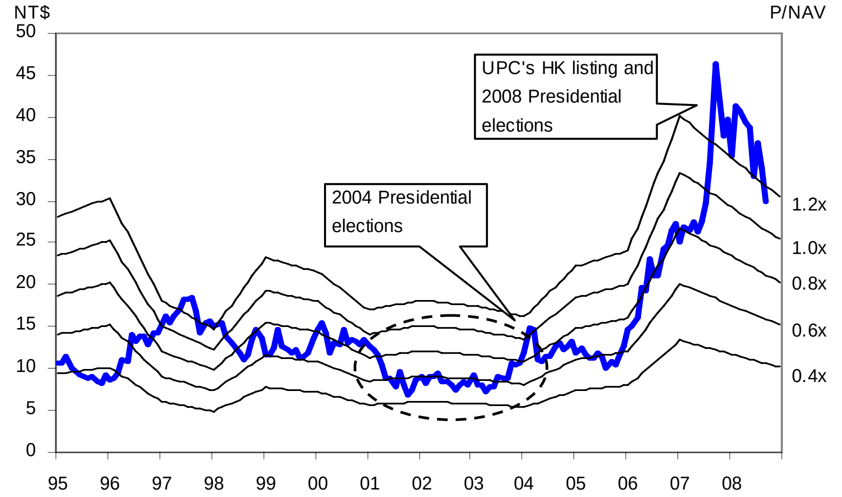
We cut our PO for Uni-President (UPE) to NT$27.9 from NT$34.6 to reflect lower P/E multiples for its Taiwan and China F&B and recent de-rating of its listed subsidiaries. We lower our PER multiple to 12x (from 14x) for Taiwan F&B and 13x (from 17x) for China F&B operations. The use of 12x and 13x for Taiwan and China F&B has already assumed 10% premium to the overall TAIEX as well as 30% premium to Uni-President China's current 10x PER for 2009E.

UPE's growth will mainly be derived from China, but as its China operation accounts for only 33% of its NAV, it will not likely drive up UPE's NAV significantly as it is already priced-in in our NAV calculations.

UPE has traded at an average of 0.8x P/NAV since 1995

Uni-President's average P/NAV since 1995 is 0.8x (or NT$22.3 of the current NAV NT$28). We believe UPE traded below 1x P/NAV most of the time because of its complicated group structure and non-core investments. We noted that there were only a few events which drove up its share price to 1x P/NAV in the past 10 years – Presidential elections in 2004, Uni-President China's HK listing in 2007 and Presidential elections in 2008. However, we noted that in the 2000-01 downturn UPE traded as low as 0.6x P/NAV.

Chart 5: P/NAV: Below 1x most of times and traded near 0.6x during 2000-01 downturn



Source: Merrill Lynch estimates

Table 3: SOTP valuation

	Valuation Method	Uni-President Stake	Multiple	Valuation	Contribution to PC		% to NAV
Food & beverage		(%)		(NT$mn)	(NT$mn)	(NT$/per share)	
Taiwan F&B Operation	12x 09 NOPAT	100%	12.0x	19,336	19,336	5.2	19%
China F&B Operation	13x 09 NOPAT (30% discount to Tingyi)	73.5%	13.0x	47,238	34,720	9.3	33%
South East Asia F&B Operation	10x 09 NOPAT	100%	10.0x	500	500	0.1	0%
Listed investments							
President Chain Store (2912 TT)	Current market cap	45.4%	1.0x	72,301	32,825	8.8	32%
Ton Yi Industrial (9907 TT)	Current market cap	45.6%	1.0x	17,446	7,947	2.1	8%
Prince Housing (2511 TT)	Current market cap	10%	1.0x	5,720	574	0.2	1%
TTET Union (1232 TT)	Current market cap	30%	1.0x	3,552	1,066	0.3	1%
President Security (2855 TT)	Current market cap	26.6%	1.0x	11,443	3,039	0.8	3%
Eagle Cold Storage (8905 TT)	Current market cap	34%	1.0x	1,343	460	0.1	0%
Accuray (ARAY US)	Current market cap	11%	1.0x	10,280	1,155	0.3	1%
Presicarre	DDM	20.5%	1.0x	17,967	3,683	1.0	4%
Unlisted investments							
President International Development	Book value	63%	1.0x	9,683	9,683	2.6	9%
Kai Nan Investments	Book value	100%	1.0x	3,044	3,044	0.8	3%
Tong Zan Development	Book value	41%	1.0x	3,076	3,076	0.8	3%
Tong Tai International	Book value	100%	1.0x	2,579	2,579	0.7	2%
Kai Yu Investments	Book value	100%	1.0x	1,212	1,212	0.3	1%
Kuang Chuan Cattle	Book value	31%	1.0x	1,174	1,174	0.3	1%
Nanlien International	Book value	100%	1.0x	971	971	0.3	1%
Grand Bills Finance	Book value	15%	1.0x	691	691	0.2	1%
President Global	Book value	100%	1.0x	519	519	0.1	0%
ScinoPharm Taiwan	Book value	13%	1.0x	453	453	0.1	0%
Tait Marketing and Distribution	Book value	20%	1.0x	314	314	0.1	0%
President Wu Tsung Ye	Book value	50%	1.0x	308	308	0.1	0%
Others	Book value	100%	1.0x	799	799	0.2	1%
President International Building	UPE's assessed value	29%	1.0x	8,000	8,000	2.1	8%
(minus Parent Net Debt)					(28,100)	(7.5)	(27%)
(minus net Debt at Cayman President Holding)					(6,000)	(1.6)	(6%)
Total Value					104,027	27.9	100%
No. of Outstanding Shares (mn)					3,735		
Uni-President NAV per share (NT$)					$27.9		
Price Objective (NT$)					$27.9		
Share Price (NT$)					$29.2		
Upside/(Downside) (%)					(5%)		

Source: Merrill Lynch estimates

Price objective basis & risk

Uni-President (XPDSF)

Our PO of NT$27.9 is based on 1x estimated NAV, which is equal to the sum-of the-parts valuation of its Taiwan food and beverage operations (12x 09E P/E), China and Southeast Asian food and beverage operations (13x and 10x 09E P/E) and its subsidiaries at book or market capitalization where available. The company has historically traded at 0.4x-1.2x NAV, given its complicated investment holdings. Upside risks are: better-than-expected execution and input price trends.

Analyst Certification

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Taiwan Coverage Cluster

Investment rating	Company	ML ticker	Bloomberg symbol	Analyst
BUY				
	China Life	CHLJF	2823 TT	Sophia Cheng
	Chinatrust	CTFHF	2891 TT	Katherine Hu
	Depo Auto Parts	DUOPF	6605 TT	Albert Hsu
	Far Eastern Textile	FREYF	1402 TT	Albert Hsu
	Fubon FHC	FUISF	2881 TT	Sophia Cheng
	Nak Sealing Tech	XMOOF	9942 TT	Albert Hsu
	SinoPac Financial Holdings	SPACF	2890 TT	Katherine Hu
NEUTRAL				
	Asia Cement	ASIXF	1102 TT	Albert Hsu

Taiwan Coverage Cluster

Investment rating	Company	ML ticker	Bloomberg symbol	Analyst
	Cathay FHC	CHYYF	2882 TT	Sophia Cheng
	E.Sun FHC	ESUFF	2884 TT	Katherine Hu
	Far East Dept.	FEDTF	2903 TT	Brandon Chen
UNDERPERFORM				
	China Motor	CHUYF	2204 TT	Albert Hsu
	Eternal Chemical	ETXCF	1717 TT	Albert Hsu
	Hota Ind Mfg Co	HOTIF	1536 TT	Albert Hsu
	Hotai Motor Co	HOTAF	2207 TT	Albert Hsu
	Kinik Company	KIKCF	1560 TT	Albert Hsu
	Shin Kong Financ	SKFHF	2888 TT	Sophia Cheng
	Taishin	TSHFF	2887 TT	Sophia Cheng
	Taiwan Cement	TGBMF	1101 TT	Albert Hsu
	Uni-President	XPDSF	1216 TT	Brandon Chen

iQmethod SM 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	Sales
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

iQmethod SM is the set of Merrill Lynch standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. 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.

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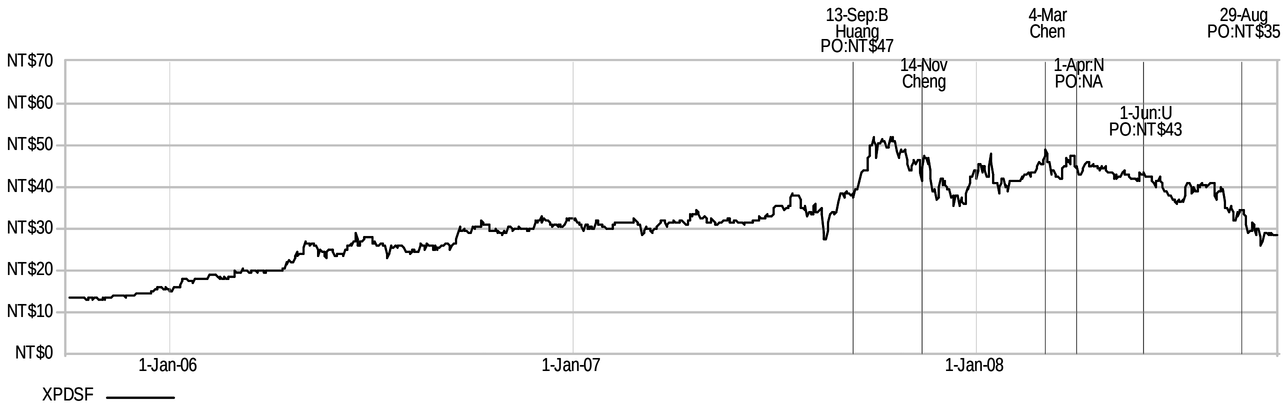
XPDSF Price Chart



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

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

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

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	29	37.18%	Buy	6	23.08%
Neutral	24	30.77%	Neutral	3	15.79%
Sell	25	32.05%	Sell	2	8.70%

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

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

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

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

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

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