FEBRUARY 3, 2009 Q4-08 RESULT UPDATE

Savola Group Company

Intrinsic value remains

Overweight

Price (SR)	19.10
12-month target price (SR)	27.1
Potential upside/downside (%)	↑ 42

Stock details

52-week range H/L (SR)		40/18
Market cap ($mn)		2,550
Shares outstanding (mn)		500
Listed on		TADAWUL

Price perform (%)	1M	3M	12M
Absolute	(23.1)	(15.7)	(41.1)
Rel. to market	(17.3)	4.0	9.4

Avg daily turnover (mn)	SR	US$
3M	15.6	4.2
12M	51.0	13.6

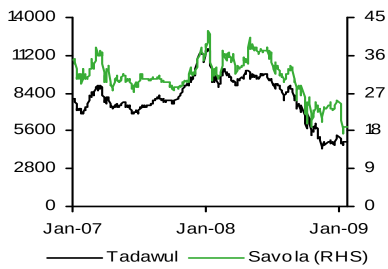
Reuters code	2050.SE
Bloomberg code	SAVOLA AB
Website	www.savola.com

Valuation multiples

	08A	09E	10E
Reported P/E (x)	47.2	11.8	10.5
Adjusted P/E* (x)	16.5	7.3	6.5
Reported P/B (x)	1.5	1.4	1.3
Adjusted P/B' (x)	0.8	0.8	0.7
EV/EBITDA (x)	13.8	9.4	8.8
Div yield (%)	5.2	5.2	5.2

Source: NCBC Research estimates
*MCap adj for MV of listed investments divided by normalized incomes less underlying dividends

Share price performance



Source: Tadawul

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FY-08 net income fell sharply, due largely to one-off provisions which we believe has masked a relatively strong 08 performance from Savola's core businesses. Although the worsening economic climate will certainly affect the firm, we believe core businesses will be relatively defensive. This, coupled with the stock trading at low valuation levels, leads us to maintain our Overweight rating on the stock, despite our PT falling by 31%.

Quarterly performance

		Q4-08	Q4-07	% chg	2008	%chg	2009E	%chg
Net sales	SR mn	3,567.0	2,628.5	35.7	13,795.4	32.5	16,226.8	17.6
Total expenditure	SR mn	3,736.0	2,528.3	47.8	13,594.1	35.9	15,476.2	13.8
Operating income	SR mn	(45.7)	149.8	-	673.0	(8.2)	1,198.8	78.1
Operating margin	*%*	(1.3)	5.7	(7.0)	4.9	(2.2)	*7.4*	51.4
Other income	SR mn	123.3	49.6	148.6	471.6	44.8	448.3	(5.0)
PBT	SR mn	(571.6)	207.2	-	222.7	(84.7)	977.8	339.0
Tax	SR mn	14.2	(14.2)	-	(51.9)	(55.0)	(83.1)	60.0
Net income	SR mn	(463.8)	177.4	-	202.4	(83.5)	807.0	298.8
Recurring net income*	SR mn	(3.1)	123.1	-	424.1	(20.9)	807.0	90.3
*Recurring net margin**	*%*	(0.1)	4.7	(4.8)	3.1	(2.1)	*5.0*	*61.8*

Source: Company, NCBC Research estimates, *Excluding one-off items (post tax)

- **Revenues in line, one-off provisions dragged profitability into red:** Savola's revenues grew 35.7% y-o-y to SR3.6bn in Q4-08, in line with our expectation of SR3.7bn; FY-08 revenues rose 32.5% to SR13.8bn, again in line with our estimate of SR13.9bn. Despite higher sales, Savola reported an operating loss of SR46mn in Q4-08 (vs. our estimate of SR235mn profit, and SR196mn profit in Q3-08); net loss stood at SR464mn in Q4-08 vs. a profit of SR177mn in Q4 07. This was largely due to provisions worth SR676mn: SR242m on inventory write-downs, SR162mn against investments available for sale, and SR272mn related to losses in KSA equity investments. FY-08 net income declined 83.5% y-o-y to SR202mn vs. SR1,230mn in 2007 (which included a SR712mn capital gain from the sale of its 30% stake in Egyptian Fertilizer Co.). Despite the net loss in Q4-08 and tough market conditions, Savola paid SR125mn in dividends (SR0.25 per share) in Q4-08, taking its total dividend to SR500mn for 2008 (SR1.0 per share), representing a 5.2% dividend yield.

- **Growth slowed, but 2009 outlook still bullish:** Savola estimates net profit of SR800mn and SR160mn for 2009 and Q1-09. We believe the message behind these numbers is that the ambitious growth plans that management stated (e.g. doubling the number of supermarkets to 100 and increasing the number of hypermarkets from 8 to 35) will be slowed down markedly in the face of the weakening economic climate. Accordingly, we have trended our 2009 net income forecast down by 28%. Having said this, we believe the fundamentals of the business remain strong and this will be reflected in robust '09 performance with group revenues increasing by 18% to SR16.2bn and normalized net income increasing by 90%

- **Despite earnings revision, the year 2009 looks promising for the company:** We lower our 12-month price target, derived from a combination of DCF, surplus ROE and relative multiples basis, by 31% to SR27. This is largely due to reduced expectations on the pace of Savola's retail expansion as well the economic slowdown hurting the remaining business segments. We, however, remain Overweight due to good growth expected from the core business segments as well as the current low valuation of the stock.

Quarterly results analysis

- **Strong top-line growth continues:** Savola continued to record impressive top-line growth with FY-08 revenues increasing by 32.5% to SR13.8bn, as against the 14% growth in 2007, and almost in line with our forecast of 33.7% growth to SR13.9bn. Top-line growth resulted from impressive performances across its core business segments—Food revenues grew by 20% to SR7bn, Retail revenues rose by 42% to SR4.3bn, and Plastic revenues were up 46% to SR771mn—all benefitting from the company's aggressive geographic expansions throughout the MENA region and sales in countries as far away as Canada and Australia.

- **Higher raw material cost affects operating results:** Savola's operating profit fell by 8% y-o-y to SR673mn in 2008, missing our estimate of SR951mn by a wide margin; operating margin contracted to 4.9% vs. 7.0% in 2007. The operating results reflect a 39% increase in COGS (or 370bp as a percentage of revenues), led by the unprecedented spike in raw material cost in 2008. Higher raw material prices, coupled with the company's inability to increase end prices in some products, led to lower operating margins.

- **Net margins hurt by provisions and tough comps:** Savola's net performance was weak with the FY-08 reported net income falling 83.5% y-o-y to SR202.4mn. However, much of this decline was due to conservative accounting by the company as it made a SR676mn provision for lower valuations of its KSA equity investments and inventory. The y-o-y net profit decline looked more pronounced because Savola had registered a SR712mn one-time gain from the disposal of its 30% stake in the Egyptian Fertilizer Company in 2007. On a normalized basis, however, net income fell by only 20.9%, weighed down by higher COGS.

- **Strong dividend distribution policy maintained with 5% yield payout:** Despite the provisions accounted for and the subsequent drop in net income, Savola maintained its strong dividend policy by paying out a total of SR500mn in 2008, resulting in a dividend yield of 5.2%.

Exhibit 1: Actual vs. Consensus forecast - Q4-08

SR mn		Revenues	Var %	Net income	Var %
Consensus	SR mn	N/A	N/A	127.0	N/A
NCBC	SR mn	3,700.0	(3.6)	152.4	N/A
Actual Q4-08	SR mn	3,567.0	N/A	(463.8)	N/A

Source: NCBC Research

Exhibit 2: Actual financials

		2006A	2007A	2008A	CAGR %
Revenues	SRmn	9,096.7	10,409.5	13,795.4	23.1
EBITDA	SRmn	1,024.4	1,017.7	996.5	(1.4)
Reported net income	SRmn	1,144.0	1,230.0	202.4	(57.9)
Adj. net income*	SRmn	511.1	536.4	424.1	(8.9)
Asset	SRmn	11,275.0	11,590.0	14,526.8	13.5
Equity	SRmn	6,083.5	7,156.9	6,550.1	3.8
EBITDA margin	%	11.3	9.8	7.2	
Adjusted net margin*	%	5.6	5.2	3.1	
Normalized ROE	%	11.3	8.1	6.2	
Normalized ROA	%	5.3	4.7	3.2	

Source: Company, NCBC Research estimates, *Excluding one off items (post tax)

- **Growth through geographical expansion remains key:** Management reiterated its ambition of driving growth by expanding outside of its core domestic (KSA) market. To that end, the company has made investments in Turkey, Pakistan, Algeria, and Sudan. Savola expects 60-70% of 2009 oils profits to come from outside the KSA.

- **IPO delayed, but value remains intact:** At least three of Savola's associates (Panda, KEC and Herfy) are expected to go public in the coming years. Although Savola had planned to launch the Herfy IPO in Q1-09, the company, in its Q4-08 earnings release, announced its decision to postpone the IPO, citing poor market conditions. However, we believe the intrinsic value remains intact, and as and when sentiment improves, Savola will tap the market.

- **Outlook indicates growth potential exists:** Management has forecast net profit of SR800mn for FY-09, and SR160mn for Q1-09. Savola expects growth to be driven by its overseas expansions and is optimistic about its recent investments in Egypt, Turkey, Pakistan, and North Africa. Savola commenced commercial production at its Egyptian sugar plant in mid-2008, and expects the plant to operate at full capacity in 2009. The company also acquired Turkey-based Yudum (edible oil firm) and started a Greenfield edible oil unit in Algeria. The Giant stores merger will likely result in cost synergies, and further enhance retail margins, in addition to top-line growth. Additionally, the company's margins could benefit from the recent 50-60% decline in raw material prices. Hence, we forecast FY-09 revenues of SR16.2bn (up 18% y-o-y), EBITDA of SR1,548mn (up 55% y-o-y), EBITDA margin of 9.5% (7.2% in 2008), and normalized net income of SR807mn (nearly double from 2008).

Change in estimates

- **Top-line lower due to slower pace of retail expansion:** We have lowered our FY-09 revenue estimate for Savola by 14% to SR16.2bn, and net income by 28% to SR 807mn. Our downward revisions are primarily based on a more cautious outlook on the pace of expansion in the retail sector. In March 2008, Savola stated its aim to double the number of retail units to 135 (100 supermarkets, 35 hypermarkets). Previously we had expected 25 of these units to open in 2009, with 24 in 2010, and 8 in 2011. However, in the current economic climate, Savola will likely go slow on its expansion plans, and hence, we now expect the company to open 8 new units in 2009, 9 in 2010, and 9 in 2011. We also expect the global economic slowdown to trim growth rates in all of Savola's other core business segments.

- **Downward revision in revenues pushes profitability down:** Following our downward revision of Savola's 2009 revenues, we have adjusted our EBITDA and net profit estimates downwards. This is also partly due to our forecasts of slightly softer margins for 2009, as we believe the average price of raw material inventory at the company remains higher than current price levels. This implies that margin recovery, particularly in the edible oil segment, to levels seen in H1-08 is unlikely to be reached in Q1-09. Hence, the overall margin recovery for full year (2009) will likely miss our earlier estimate. Furthermore, the fall in the operating expenses is unlikely to be of the same proportion as sales, given that only part of it is fixed in nature. As Savola looks set to embark on an acquisition-led growth strategy, we have made adjustments to reflect increased debt for 2009, implying higher financial charges. Hence, we have revised our net margin estimate marginally downward.

Exhibit 3: Earnings revisions

		Old 2009E	New 2009E	%chg	%Gr	Old 2010E	New 2010E	%chg	%Gr
Revenue	SR mn	18,882	16,227	(14.1)	17.6	23,138	17,828	(22.9)	9.9
EBIDTA	SR mn	1,928	1,548	(19.7)	55.4	2,399	1,726	(28.0)	11.5
Net profit*	SR mn	1,122	807.0	(28.1)	90.3	1,418	908	(36.0)	12.5
Target price	SR	39.2	27.1	(30.8)	N/A	N/A	N/A	N/A	N/A

Source: NCBC Research estimates, *Excluding one-off items (post tax)

Exhibit 4: NCBC vs. Consensus forecast

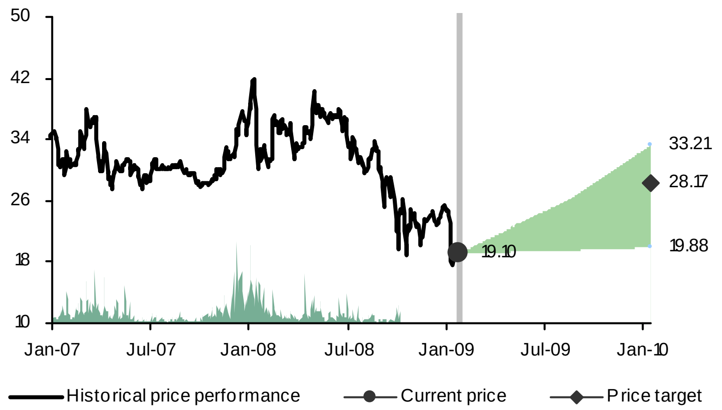
SR mn	2009	2010
Revenues		
Consensus	14,968.8	16,921.6
NCBC	16,226.8	17,828.4
Net income		
Consensus	1,122.0	1,260.3
NCBC	807.0	908.2

Source: NCBC Research/Reuters

Valuation, recommendation & outlook

In line with the above-mentioned forecast revisions, we lower our 12-month price target by 31% to SR27, incorporating a higher cost of equity with an increase in Saudi risk premium This price target is based on a combination of DCF, surplus ROE and Justified P/BV valuations with a 40%, 30%, and 30% weighting, respectively. We, however, maintain our Overweight rating with a potential upside of 42%, the size of which we believe to be a compelling reason to consider the stock given this is despite our somewhat conservative forecasts. We believe Savola's strong fundamentals in its core domestic business, coupled with its international expansion plans, should help the company record a better-than-expected performance in 2009. The current relative valuation of the stock is also cheap; YTD, the stock has underperformed the Agri / Food sector by 17.2% and the TASI by 17.3%, although it has outperformed the TASI by 4% since our initiation on the stock (October 2008). These factors lead us to believe that the current Savola share price provides a good entry point into the stock and it remains a compelling investment case.

Exhibit 5: Savola - DCF bull & bear scenario analysis (SR)



Source: NCBC Research

On a SOTP basis, we arrive at a target price of SR28.2 per share, representing 47.5% upside. The table below indicates the impact of changes in the WACC as well as terminal growth on the target value

Sensitivity of SOTP valuation to WACC and terminal growth

		WACC (%)				
		8.1%	**9.1%**	**10.1%**	**11.1%**	**12.1%**
Terminal growth rate (%)	**2.0%**	30.91	28.00	25.81	24.10	22.74
	2.5%	32.87	29.44	26.91	24.98	23.45
	3.0%	35.21	31.11	**28.17**	25.96	24.24
	3.5%	38.07	33.09	29.62	27.08	25.12
	4.0%	41.63	35.46	31.31	28.35	26.11

Source: NCBC Research

Detailed key segmental analysis

Food (58% of 2008 revenues)

2008 results

- **Strong top line growth, although bottom line disappoints :** Revenues for the FY in the food segment (Edible oils and Sugar) increased 20% to SR7bn although net profit for the year was only SR1mn. This poor net performance was largely due to the SR240m in provisions recorded against the value of its commodity inventories due to the collapse in commodity prices in H2-08. Management highlighted that were it not for this negative provision, the core food business was performing well with the first 9 months of 2008 generating SR253mn in net profits with the FY target set at SR400mn.

Strategy

- **Geographical expansion remains key to growth:** In its post FY-08 results press conference, Management stated that its ongoing strategy is primarily one of geographic expansion in businesses where its domestic (KSA) market share was at or above 60%. The rational for this was that the marginal costs required for achieving the incremental market share above 60% in the KSA market was more than the cost-benefit scenario if it was to expand this particular business into a new geography. On this basis, we view the acquisition of Yudum, the Turkish oil producer with a 25% domestic market share, as highly promising for Savola (more on this is mentioned in our Savola initiation note dated 18 October 2008). We also highlight the MOU that Savola has signed in order to acquire a majority stake in Agro Processor, a refiner of edibles oils in Pakistan, which would facilitate its entry into the Pakistani edible oils market and improve the segment's margins. Additionally, Savola highlighted its intent to enter into the rice business although it did not provide much detail on this.

- **Leveraging on sugar's demand gap and its existing strong network in Egypt:** Specifically with respect to its sugar business, management highlighted that its aim was to maximize the potential of its already existing infrastructure. For example, with the opening of the new sugar refining plant in Egypt, Savola is utilizing its existing distribution channels which it had in place due to its edible oil businesses based in Egypt. Management believes the capex for this infrastructure has already been paid for, but there is still spare capacity which can be taken advantage of over the coming years

Forecasts

- **Investments made, fruits set to arrive:** We believe management's strategy of growing its food business primarily through geographical expansion should lead to continued growth over the coming years. KSA is within close proximity to several large industrializing countries where the growth potential for the food business is large due to similar economic and demographic characteristics as is the case of KSA (e.g. Pakistan, Turkey and Iran all have a large % of its population under 21 and are "industrializing" countries). With respect to the oils business, Management mentioned that it expects 60-70% of net profits from this business in 2009 to come from outside the KSA region, a testimony to how it is trying to make the company a truly international player. Primarily due to the geographic expansion Savola is undergoing in its food business, we forecast it to enjoy robust growth in this segment. Additionally, we believe that significant investments have been made in recent years in the infrastructure of the foods business, the fruits of which should start appearing in the coming years. Thus we expect 2009 food revenues to post a healthy increase by 14% to SR8bn, with margins expected to be higher than 2008 following severe decline in raw material costs (mainly raw edible oil and sugar).

Exhibit 6: Food revenues

Revenues (SRmn)	2005A	2006A	2007A	2008A	2009E	2010E
Food	4,279,938	5,514,621	5,765,960	7,086,438	8,060,797	8,731,563
Change (%)		28.8	4.6	22.9	13.7	8.3

Source: NCBC research, Includes oil & fat and sugar

Retail (35.6% of 2008 revenues)

2008 results

- **Expansion in stores drives numbers forward:** For FY-08, revenues from the retail segment increased by 42% to SR6,081mn (SR4,270mn) with net profits increasing by almost 300% to SR177mn (SR64mn). We believe this strong performance was largely due to the expansion in the number of stores it operated and increased average revenues per sq. ft. We await exact details on this topic in the company's annual report

Strategy

- **New stores in both KSA and GCC is key driver:** In the post results press conference, Management reiterated its strong position in KSA's highly fragmented retail market. Thus, the main target for growth going forward would be geographical expansion, initially starting with the rest of the GCC where significant potential for growth lies. In line with its strategy, Savola opened a 175,000 sq ft HyperPanda in Dubai at a cost of $27mn. It intends to use the store as a test case, with the outcome of this venture being the basis of whether Savola will aggressively pursue geographical expansion of its retail business, or not.

- **Acquisition of Giant and emphasis on value-for-money goods to protect margins:** In addition to organic expansion initiatives, Savola's ambitious growth plans in the retail space have also been aided by its acquisition of 80% stake in Giant, the 2nd largest organized grocery retail player in KSA after Savola, expected to have been finalized by end of 2008.

We believe this acquisition will do much to increase the economies of scale Savola enjoys in this market and the synergies should lead to margin support for the combined entity. Additionally, Savola's emphasis on private label brands and value-for-money products is something that consumers will regard highly in the current economic climate and may render this business to be somewhat counter-cyclical.

Forecasts

- **Lower pace of expansion brings numbers down:** Although Savola has not explicitly restated its aim to double its number of retail units, we believe the FY net forecasts it has provided indicates that the company is taking a more cautious approach to expansion, with our view that most of this caution is in the proposed expansion of the retail segment. Accordingly, we have revised down the number of retail stores; we believe Savola will open 4 new supermarkets in 2009 to 66 from our previous forecast of 77, with the number of hypermarkets set to increase to 20 in 09 vs. 26 as previously thought. We expect FY-09 revenues to increase by 23% to SR7.5bn with margins set to increase due to reasons discussed above.

Exhibit 7: Retail revenues

Revenues (SRmn)	2005A	2006A	2007A	2008A	2009E	2010E
Retail	2,517,090	3,275,097	4,229,596	6,119,641	7,546,319	8,412,843
Change (%)		30.1	29.1	44.7	23.3	11.5

Source: NCBC research, Includes grocery retail, real estate, franchising and Herfy

Plastics (6.4% of 2008 revenues)

2008 results

- **Solid top and bottom line growth:** For FY-08, revenues for this business segment increased by 37% to SR771mn (SR563mn), with net profits increasing by 40% to SR56mn (SR40mn). This strong growth was largely due to strengthening operations in its core geographies (KSA and Egypt).

Strategy

- **Riding on the back of geographical expansion in other business segments:** As with the strategy highlighted under the retail segment, Management has stated that its aim now is to grow the business outside KSA and Egypt markets, with primary expansion in the rest of the GCC but sales also present in countries as far as Canada and Australia. Plastic is a strategic segment for Savola as it renders packaging needs of other segments, namely, edible oil, retail, etc. Beyond this, we believe that as Savola continues to grow its other business across different geographies, the demand for plastic products in these regions will also increase. Additionally, outside of the company, we feel the potential to make the plastics segment an outward facing business in its own right is high.

- **Investment into upstream companies to protect margin:** The segment is currently reeling under tough competition in KSA, which is putting pressure on margins of plastic companies. In order to mitigate the impact, Savola made investments into upstream companies (petrochemicals), something which should help them protect margins.

Forecasts

- **Returns on investments made should start to arrive:** Based on these thoughts, we expect 2009 revenues from the plastic segment to increase by 10% to SR850mn, with much of this growth being led by increased activity outside of the KSA. However, with raw material costs come off peak and Savola's cost control activities, we expect plastics margin to rise in 2009.

Exhibit 8: Plastics revenues

Revenues (SRmn)	2005A	2006A	2007A	2008A	2009E	2010E
Plastics	188,313	456,835	557,614	771,013	850,042	937,171
Change (%)		142.6	22.1	38.3	10.3	10.3

Source: NCBC Research

Real estate

- **Riding out the cycle key:** Although Savola have not given a breakdown of the performance of the real estate segment of the business, due to the focus on this sector throughout the GCC, it has given some overview on its position here.

- **Ongoing liquidity crisis continues to weigh on the sector:** With reference to the ongoing negative economic climate, management accepted that this business segment was potentially the most cyclical and thus could be hurt the most as creditors would be unwilling to lend. Hence, large projects would not get funds and projects marketed towards speculative real-estate investors would struggle.

- **Savola looks set to ride out the financial storm:** However, Savola's primary Real Estate investment, Kinan, is said not to face any of these issues. This is primarily because it is fully funded and thus does not seek any further investment. Its key activity is in providing affordable housing units for middle-income families, an asset that is severely under-supplied in KSA. Thus, its core product is not exposed to speculative real estate investors, rather to genuine first time buyers, which should cushion it from the fallout of the current global economic crisis which has led to these speculative real-estate investors fleeing. Additionally, the lack of affordable housing in KSA has become a politically sensitive issue and thus Savola believes it also has full government support for this project should any issues arise.

Balance sheet – fruits of investments should start to come

- The balance sheet for the company remains strong with the debt/equity ratio currently on 0.72. In 2006, Savola was in a net cash position of SR499mn, but since then, it has taken on debt in order to increase its strategic investments such as in Almarai and Swicorp. The company had debt of SR1,568mn in 2008. The majority of its Capex has also been consumed in acquisition of Yudum in Turkey and its sugar factory in Egypt. Thus over the coming years Savola should begin to reap the benefits from these investments and accordingly we have the debt/equity ratio peaking at 0.74 but falling to 0.66 in 2013.

Financials

(SR mn)	2006	2007	2008	2009E	2010E	2011E	2012E
Income statement							
Net sales	9,097	10,410	13,795	16,227	17,828	19,975	22,869
% change	32.7	14.4	32.5	17.6	9.9	12.0	14.5
Operating expenses	8,618	10,002	13,594	15,476	16,947	18,978	21,650
Operating profit	758	733	673	1,199	1,349	1,493	1,751
Other income	279	326	472	448	467	495	532
EBITDA	1,024	1,018	996	1,548	1,726	1,887	2,152
% change	30.5	(0.6)	(2.1)	55.4	11.5	9.3	14.1
Dep. & amortization	266	285	323	349	377	394	401
EBIT	758	733	673	1,199	1,349	1,493	1,751
Interest Income, net	71	33	161	221	249	273	295
Non-recurring items	655.1	864.0	148.0	0.0	0.0	0.0	0.0
Pre-tax profit	1,342	1,453	223	978	1,100	1,220	1,455
Tax (Zakat)	46	115	52	83	94	104	124
Reported net income	1,144	1,230	202	807	908	1,007	1,201
% change	(4.8)	7.5	(83.5)	298.8	12.5	10.9	19.3
Normalized net incomes	511	536	424	807	908	1,007	1,201
% change	72.8	4.9	(20.9)	90.3	12.5	10.9	19.3
Balance sheet							
Current assets	5,854	3,711	4,531	4,366	4,447	4,732	5,226
Investments	2,154	4,048	4,757	5,206	5,654	6,086	6,560
Net fixed assets	2,984	3,514	4,304	4,866	5,326	5,746	6,140
Other assets	283	317	935	1,034	1,133	1,228	1,320
Total assets	11,275	11,590	14,527	15,474	16,560	17,792	19,246
Current liabilities	3,630	3,139	5,848	6,320	6,812	7,191	7,725
Total debt	560	457	1,106	1,230	1,367	1,659	1,812
Other liabilities	210	222	273	273	273	273	273
Total liabilities	4,400	3,817	7,227	7,823	8,453	9,123	9,810
Share capital	3,750	3,750	5,000	5,000	5,000	5,000	5,000
Reserves & surplus	2,334	3,407	1,550	1,857	2,265	2,772	3,473
Shareholders' funds	6,084	7,157	6,550	6,857	7,265	7,772	8,473
Total equity & liab	11,275	11,590	14,527	15,474	16,560	17,792	19,246
Cash flow statement							
Cash flow from op. (a)	325	891	267	1,083	1,276	1,380	1,625
Cash flow from inv.(b)	536	(2,553)	(2,349)	(1,313)	(1,382)	(1,342)	(1,361)
CAPEX	(1,377)	(1,243)	(1,021)	(850)	(750)	(700)	(650)
Free cash flow (a+b)	861	(1,661)	(2,081)	(231)	(107)	38	264
Cash flow from fin.(c)	1,757	(829)	2,295	(249)	(146)	(208)	(312)
Debt	(168)	(206)	2,795	294	403	347	254
Net chg. in cash (a+b+c)	2,618	(2,490)	214	(480)	(253)	(170)	(48)
Cash at start of the year	232	2,820	330	544	64	(189)	(359)
Cash at end of the year	2,820	330	544	64	(189)	(359)	(407)

Source: Company, NCBC Research estimates

Key ratios	2006	2007	2008E	2009E	2010E	2011E	2012E
Per share ratios (SR)							
Reported EPS	3.1	3.3	0.4	1.6	1.8	2.0	2.4
Adjusted EPS	1.4	1.4	0.8	1.6	1.8	2.0	2.4
Reported Cash EPS	3.8	4.4	2.6	3.1	3.4	3.7	3.2
Div per share	1.0	1.6	1.0	1.0	1.0	1.0	1.0
Book value per share	16.3	19.1	13.1	13.7	14.5	15.5	16.9
Valuation ratios (x)							
Reported P/E	8.3	7.8	47.2	11.8	10.5	9.5	8.0
Adjusted P/E ^	11.4	11.2	16.5	7.3	6.5	5.8	4.9
Reported P/Cash EPS	5.1	4.4	7.2	6.2	5.6	5.1	6.0
Reported P/BV	1.6	1.3	1.5	1.4	1.3	1.2	1.1
EV/sales	2.0	1.8	1.0	0.9	0.8	0.8	0.7
EV/EBITDA	24.0	18.8	13.8	9.4	8.8	8.3	7.4
Div yield (%)	1.1	5.1	5.2	5.2	5.2	5.2	5.2
Profitability ratios (%)							
Gross margins	18.5	18.0	14.2	17.5	18.3	18.6	18.7
Operating margin	8.3	7.0	4.9	7.4	7.6	7.5	7.7
EBITDA margins	11.3	9.8	7.2	9.5	9.7	9.4	9.4
Reported net profit margins	12.6	11.8	1.5	5.0	5.1	5.0	5.3
ROE – reported	25.2	18.6	3.0	12.0	12.9	13.4	14.8
ROE – normalized	11.3	8.1	6.2	12.0	12.9	13.4	14.8
ROA - reported	11.8	10.8	1.5	5.4	5.7	5.9	6.5
ROA – normalized	5.3	4.7	3.2	5.4	5.7	5.9	6.5
Asset quality ratios							
Current ratio	1.6	1.2	4.2	0.7	0.7	0.7	0.7
Quick Ratio	1.2	0.8	0.4	0.3	0.3	0.3	0.3
Operating ratios							
Inventory	15	3	10	2	1	1	1
Receivables outstanding	41	23	23	23	23	23	23
Payables outstanding	43	33	36	36	36	36	36
Operating cycle	26	20	13	21	22	22	22
Cash cycle	69	54	49	57	58	58	58

Source: Company, NCBC Research estimates
^MCap adj for MV of listed investments divided by normalized incomes less underlying dividends

NCBC INVESTMENT RATINGS

Overweight:	Target price represents expected returns in excess of 15% in the next 12 months
Neutral:	Target price represents expected returns between -10% and +15% in the next 12 months
Underweight:	Target price represents a fall in share price exceeding 10% in the next 12 months
Price Target:	Analysts set share price targets for individual companies based on a 12-month horizon. These share price targets are subject to a range of company specific and market risks. Target prices are based on a methodology chosen by the analyst as the best predictor of the share price over the 12-month horizon

OTHER DEFINITIONS

NR:	Not Rated. The investment rating has been suspended temporarily. Such suspension is in compliance with applicable regulations and/or in circumstances when NCB Capital is acting in an advisory capacity in a merger or strategic transaction involving the company and in certain other situations
CS:	Coverage Suspended. NCBC has suspended coverage of this company
NC:	Not Covered. NCBC does not cover this company

IMPORTANT INFORMATION