This 3DAdvisors Report Covers:

- **Insider Trading**: Insider Trading Behavior
- ✓ **Accounting**: Quality of Earnings Issues
- **Governance:** Corporate Governance Issues
- ✓ **Fundamentals:** Analysis of fundamentals

Numerous Issues Add to Looming Liquidity Crisis
Bunge Limited (NYSE:BG) Update

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Bunge Limited, through its subsidiaries, operates as an agribusiness and food retail company worldwide. The company operates in three divisions: Agribusiness, Fertilizer, and Food Products. Agribusiness division purchases, stores, transports, processes, and sells agricultural commodities and sells to oilseed processors, feed manufacturers, wheat and corn millers, and edible oil processing companies, as well as to livestock, poultry, and aquaculture producers. Fertilizer division produces and supplies fertilizers to farmers in South America. Food Products division offers edible oil products, including bottled, packaged, and bulk oils, as well as shortenings, margarine, mayonnaise, and other products derived from the vegetable oil refining process; and milling products, such as wheat flours and corn products comprising dry milled corn grits, meal and flours, and soy-fortified corn meal and corn-soy blend. Bunge Limited was founded by Johann Peter Gottlieb Bunge in 1818 and is headquartered in White Plains, New York.

Summary of 3DAdvisors Findings for BG

- **Accounting:** Commodity trading a symptom of larger problem with farmers
- **Accounting:** Legal troubles in Paraguay point to lacking C&P
- **Accounting:** Simple cash flow analysis suggests significant liquidity shortfall
- **Fundamentals:** If soy bean prices weaken further, Bunge's position may worsen

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Discussion of 3DAdvisors Findings

Now that the Bunge story has reached a certain critical mass, we feel less pressure to repeat certain details in order to bring clients up to speed on the multiple risk scenarios facing the Company. Recent conversations with clients indicate an increasing level of interest in the name and growing recognition of the Company's problems. So in this regard, should certain clients wish to catch up, we encourage them to look at our past BG reports beginning with our first Full Report dated 06/9/06 (see Table 1 below).

In this update we discuss how the Company's massive increase in commodities trading and recent charges of embezzlement and fraud against several Bunge executives in Paraguay may be indirectly linked in that we think they are the symptoms of burgeoning controls and procedures (C&P) and other problems at the core of its business: how it buys, sells and hedges soy beans in South America. We also perform a simple cash needs analysis to demonstrate that the Company will require significant new financing in order to meet its guidance for 2008, despite assurances from management that it has adequate liquidity to run its business. And finally, we touch on an issue on the horizon regarding farm economics in Brazil that could make the liquidity problem significantly worse if soy bean prices continue to soften and input prices remain high. All these things taken together have the potential to greatly exacerbate what we think may be a looming and very significant liquidity crisis.

Accounting: Commodity trading a symptom of larger problem with farmers

Recent news out of South America (specifically, Paraguay) seems to be linked to new first-time disclosures appearing in the Company's just filed 2007 SEC Form 10-K (03/03/08) related to its derivatives trading. We have always suspected that the Company's acceleration in derivative activity is a result of a problem in the hedging process involving so-called "Green Beans" (GB). GB is the practice of trading crop inputs (fertilizer, seed and pesticides) for beans instead of cash. Inputs are provided to the farmer at planting time in return for his pledge to deliver beans to Bunge at harvest time. This is the de facto method of input payment in Brazil and Paraguay. Bunge, in need of cash, sells forward much of the pledged beans ahead of the harvest and, upon their actual delivery, covers the sales. The process has worked in a stable price environment. With the price of beans almost doubling between June of 2006 and December of 2007 (from $7.40/bushel to almost $12.50), however, something seems to have gotten out of synch as Bunge's derivative activity has increased fivefold during the period ending 12/31/07 (see Figure 1 below).

Table 1. 3DAdvisors, LLC Research Reports on Bunge Limited.

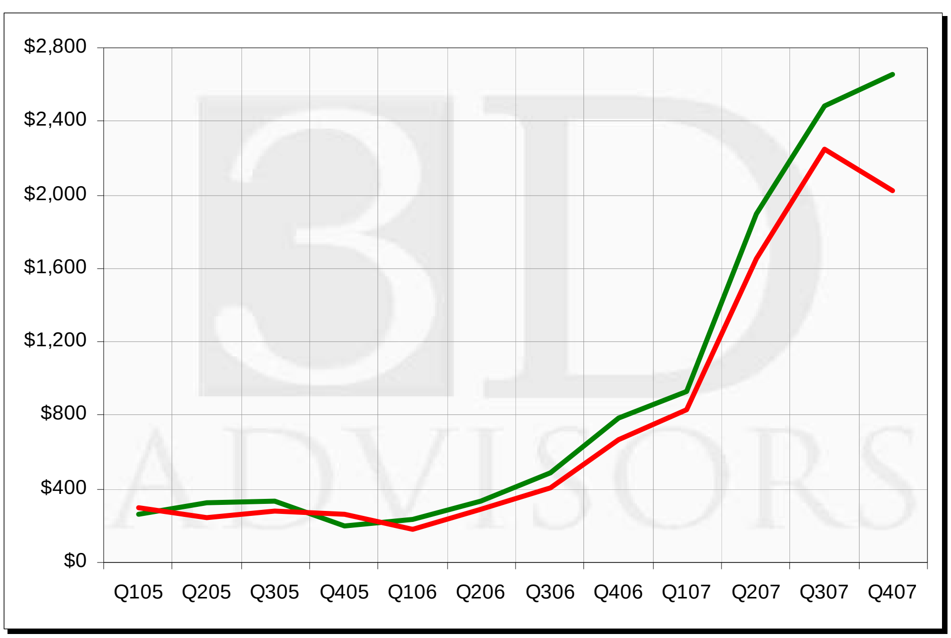
Date	Trading	Accounting	Governance	Fundamental	Report Title
03/14/08		✖			Note Offering Bust; New Disclosures in SEC Form 10-K
11/30/07	✖	✖			Balance Sheet Risks Continue to Grow Rapidly
08/22/07		✖	✖		Turmoil in Debt Markets May Spell Big Trouble
05/16/07					Research Notes
04/09/07					Research Notes
08/24/06		✖			Poorly Disclosed Brazilian Risks Loom Still Larger
06/09/06	✖	✖			Certain Disclosures Become Murkier While Risks Grow

What we have been hearing "in country" is that with the increased price of beans, farmers have become reluctant to deliver all of the beans pledged in recent harvests, opting instead to hold some back to sell themselves at the higher prices. Like Bunge, farmers in Brazil are cash-poor. A scenario such as this could cause Bunge to have to increase its level of activity in the commodities markets, not only to buy in beans to cover previous forward sales but also to procure beans for its own production needs. Indeed, a new first-time disclosure in Bunge's recent SEC Form 10-K for 2007 (filed 03/03/08) suggests just this very activity [bolding is ours]:

> **Generally, during periods when commodity prices are high, our operations require increased levels of working capital and our customers will, in many cases, reduce the volume of agricultural commodity forward sales contracts with us in anticipation that prices will decline. As a result, we are dependent on exchange-traded futures to minimize the effects of changes in the prices of agricultural commodities on our agribusiness inventories and agricultural forward purchase contracts. Typically, futures exchanges require daily settlements on outstanding futures positions. As a result of the rising prices of agricultural commodities, we have experienced significant cash payment obligations required to settle our daily outstanding net futures positions.**

This disclosure was important to us. First, it provided confirmation that indeed, Bunge's farmer customers (who must buy fertilizer in return for beans) will reduce the delivery of beans when prices are high, causing Bunge to increase its activity in the commodities markets. Whether those farmers actually reduced "the volume of agricultural commodity forward sales contracts" still seems up for grabs. These farmers need the inputs: they have little choice but to pledge the beans ahead of the harvest in payments. It could be that in alluding to "reducing the volume" of these contracts, Bunge is referring to the fact that farmers have simply chosen to deliver less beans, forcing Bunge to either re-negotiate or roll the debts over and causing it to experience increased activity in the commodities markets.

Figure 1. BG Unrealized Gains (Green) and Losses (Red) on Derivative Contracts (Millions of $). Source: BG SEC Filings.



Beyond the massive increase in commodities trading that has taken place, the direct implications are straight forward and important. First, with bean prices high and farmers reluctant to deliver beans to repay their debts to the Company, the effect on an already questionable receivables position is obvious. We have commented extensively on the AR levels and quality, most recently in our report on 11/30/07. Second, with fewer beans coming in from farmers, the Company is forced into using more and more of its precious cash to acquire high-priced beans for its own processing needs. According to the Company's consolidated statement of cash flows contained in recently filed 2007 SEC Form 10-K, additions to inventories ate up over $1.7 billion in cash in 2007. We cover issues related to liquidity below.

Accounting: Legal troubles in Paraguay point to lacking control and procedures

Recent news out of Paraguay regarding charges levied against a group of Bunge executives seems to imply a serious controls and procedure problem in its soy bean operations, exacerbating the problems the Company is having with soy bean farmers that it is attempting to deal with in its commodities trading, and may even suggest the possibility of broader fraud and corruption in those operations.

The events in Paraguay have unfolded as follows. In 2004, Bunge entered into an agreement with Uruguayan entity, South American Grains Company S.A. (SAGCSA), and three Paraguayan companies: Agroindustiral Pikyry S.A., Agroguarani Agricola S.A., Agrocomercial Industrial E Industrial Naranjal y Repossi S.A. (collectively, "the Paraguayan Companies") whereby Bunge would supply input financing (fertilizer, seeds etc.) to the Paraguayan Companies. These Companies would then provide inputs to their customers, farmers, who would then repay the debts after the harvest in soy beans (Green Beans). In addition to the $34 million note that was signed, three "Bond Letters" were signed totaling $13.5 million. Bunge claims that, on October 30, 2007, only $5 million had been paid and, then filed suit against the Paraguayan Companies for collection. Then, in December of 2007, the Paraguayan Companies filed their counter claim that not only had the original $34 million been paid but also alleged that the Bunge executives involved were guilty of fraud and embezzlement. This went before Prosecutor Horacio Bisso who proceeded to investigate.

On February 1st, after a month-long investigation by Prosecutor Bisso, eight Bunge executives were charged with fraud and embezzlement related to the incident. The Paraguayan Companies had produced documentary evidence that the debt had been cancelled. Bunge, on the other hand, claimed the debt had NOT been paid and that the $34 million note forgiven relates to another situation. The same plaintiffs also argued that the three sureties in the amount of $13.5 million should also have been returned to them because the Promissory Note was executed so as to substitute the surety. They argue that when Bunge refused to return the surety documents, the debt effectively increased. So the plaintiffs claim that the Bunge directors retained the Bond Letters, in effect increasing the amount owed.

The evidence provided by the plaintiffs was apparently sufficient to cause the Prosecutor to indict the eight Bunge executives. The situation is serious enough that each of them must report in person before the Court once a month, in lieu of their incarceration, while the matter remains open. These goings on grabbed our attention as they shed more light on our theory that Bunge North America has insufficient knowledge and controls over things occurring in its South American operations. Our in-country contacts suggest that there is much fragmentation with regards to Brazilian operations.

With that said, we can not help but ask just who is "driving the bus" in Brazil. A look at Bunge's current web site confirms that the two Co-CEOs of Bunge's largest segment, Agribusiness, reside in the U.S. Bunge has appointed CEO's of Argentina, Asia, North America and Europe. Why then is there no CEO of Brazil where so much of the Company's agribusiness activities take place? We found this situation rather odd. Our local contact refers to Bunge's seven regional Brazilian managers as "king-pins" but had no knowledge as to who they report to.

Another question that immediately came to mind was whether the Bunge executives in Paraguay (or Brazil, for that matter) had the authority to enter into commodities trades. The answer is unequivocally, yes. Five of the eight Bunge executives charged in Paraguay are from Bunge's Alimentos subsidiary, which is based in Brazil. Two of the charged Bunge executives, Haroldo Pedro Gianezini, Director de Origination (sales of grains, commercial and marketing relationships and partnerships) and Helio Effting, Director of Operations (logistics, storage, infrastructure, industrial food products, industrial crushing and supplies), both report to the CEO of Bunge Alimentos. It is clear that those involved are not low or mid-level managers. They are very close to the top of the organization.

So, without a Brazilian CEO, and with the apparent confusion over what has actually occurred in Paraguay, it would very much seem that the possibility exists that White Plains may in fact be oblivious of much of the local dealings in Brazil and Paraguay. The accounting for how beans are bought and sold, are hedged, are pledged by farmers in payment for crop inputs, whether those beans are actually received in payment for debts, if the debts are correctly cancelled, etc., all on a very large scale, no doubt gets complex in a hurry, and the lack of management structure and accountability seems a recipe for a controls and procedures disaster. It also, frankly, leaves open the door for widespread corruption and fraud that may be suggested by the Paraguay legal situation involving senior executives at the Bunge Alimentos S.A. subsidiary. Which leads us to the more direct question from the perspective of investors: Exactly where are all the Readily Marketable Inventories (RMI) that Bunge shows on its books (currently at $3.3 billion), how truly marketable are they and are they valued correctly, and just how acute has the Company's short position in beans become?

Though there may never be a clear answer to the first two parts of the question, a disclosure in the recently filed SEC Form 10-K related to the last part of the question would no doubt send chills down the spine of any investor long Bunge shares. From the Risk Section on page 19 [bolding is ours]:

> **Our business is affected by fluctuations in agricultural commodity prices, transportation costs, energy prices, interest rates and foreign currency exchange rates. We engage in hedging transactions to manage these risks. However, our hedging strategies may not be successful in minimizing our exposure to these fluctuations. In addition, our control procedures and risk management policies may not successfully prevent our traders from**

entering into unauthorized transactions that have the potential to impair our financial position.

Though we originally thought this to be a first-time disclosure, we now note that it has been regularly occurring in Bunge's SEC Form 10-K filings. Given that it seems increasingly likely that White Plains has a control problem in Brazil, it would appear that this disclosure is meant to be its "Anchor to Windward" should something go wrong in its commodity operations there. With regards to commodity operations, we are left to wonder where the cash went, given the likelihood that the beans to be delivered in the aforementioned Paraguayan deal were sold forward. Then further on, what was delivered at the local level, and to whom, in order for the $34 million note payable to be cancelled.

Accounting: Simple cash flow analysis suggests significant liquidity shortfall

Bunge raised plenty of eyebrows back on 03/12/08 when it withdrew a senior note offering for $500 million less than a day after it filed the related S-3 with the SEC. The fact that the Company was going back to the public markets for more cash was not so surprising since it had continued to be a net consumer of cash, presumably due to increased working capital needs as a result of high commodity (soy bean) prices. In fact cash used in operations had increased to $411 million in 2007 from $189 million in 2006. What was surprising to many was how quickly the Company withdrew the offering. **Jacqualyn Fouse**, Chief Financial Officer, commented, "We have concluded that current conditions in the debt markets are not conducive to completing our offering at this time. We have sufficient capital to manage our business, and we have decided to wait for a more attractive environment before returning to the debt markets."

Anyone following the Company closely knew that the statement by Ms. Fouse lacked credibility, if it was not down right dishonest, because there is no way the Company would be able to meet its guidance for net income ($850 million) and capital expenditures ($1 billion, two-thirds of which was to be for investments in future growth opportunities) without significant infusions of new debt or equity financing. Indeed, little more than two weeks later, on 03/28/08, the Company announced a new revolving credit facility for $650 million with a group of European banks led by Fortis Bank N.V. of the Netherlands and Belgium. We guess Ms. Fouse meant they had sufficient capital to last a couple of weeks, anyway.

The $650 million of additional financing, however, seems to fall far short of meeting the Company's cash needs given the net income and CapEx guidance. To demonstrate this, we put together a projected cash flow statement based on the income and CapEx guidance. To be as conservative as possible, we also made several assumptions that are favorable to the Company. For example, we assume the entire amount of the new $650 million revolver is drawn down and goes into long-term debt (the Company discloses that revolver financing can be either short-term or long-term, i.e. longer than one year before repayment) and we also assume working capital for inventory does not continue to eat up cash the way it did in 2007. Even with these assumptions, in our base case projection the Company's operating, investing and financing activities result in a net decrease in cash of nearly $800 million without additional financing.

This outcome is even more grim when you consider the fact that the $981 million in cash that the Company reports in it's consolidated cash flow statement as of 12/31/07 is not really unrestricted cash as nearly half ($449 million) is held at Fosfertil, a non-wholly owned, publicly-traded subsidiary in Brazil. The only way the Company can get access to that cash is if Fosfertil pays it out to Bunge as a dividend. Our cash flow projection, including each of the key assumptions we made in the analysis, is included in Appendix A. We are happy to send to any of our clients the spreadsheet so you can plug in your own assumptions.

The other thing that is clear to us in working through this analysis is that the Company's disclosures in the SEC Form 10-K regarding its liquidity and current financial condition seem, shall we say, less than forthright and honest. Reading the section on Liquidity and Capital Resources (page 45) one gets the impression that the Company has multiple source of debt financing available to it under various revolvers and commercial paper programs. For example, the Company makes the following statement in the 2007 SEC Form 10-K [bolding is ours]:

> **At December 31, 2007, we had approximately $3,050 million of aggregate committed borrowing capacity under our commercial paper program and revolving credit facilities, of which $1,772 million was unused and available at December 31, 2007.**

This leaves one with the impression that the Company has an additional $1.7 billion available to borrow under revolvers and commercial paper programs. But it is quite clear that this is short-term debt that the Company is cycling through very rapidly (borrowing and receiving cash; then repaying and deducting cash). It was probably true that at 12/31/07 they had $1.7 billion in credit available, which they no doubt put to work shortly thereafter.

Lastly, we note that while the Company discloses that it has no rating downgrade triggers that would accelerate re-payment of any outstanding debt, it says that if it did suffer such downgrades, "We may also be required to post collateral or provide third-party credit support under certain agreements as a result of such downgrades." We found ourselves asking: What collateral could they provide? The Readily Marketable Inventories (RMI), its inventory of soy beans that we have so many questions about?

In addition to the obvious liquidity questions we have posed, we also have the heavy commodities trading and the legal problems in Paraguay, both of which we believe are symptoms of a significant controls and procedures problem in its core soy bean operations. To us, the controls and procedures question serves to heighten what may be a looming liquidity crisis. The question remains then, given current conditions in the debt and equity markets, and with what appears to be extreme controls and procedures problems in the background, what options the Company has left – favorable or unfavorable – that would allow it to raise additional capital. It will be interesting to see what the Q108 results look like, and whether or not they have any impact on the likelihood of getting additional financing on favorable terms. Or any terms, for that matter.

Fundamentals: If soy bean prices weaken further, Bunge's position may worsen

As if the controls and procedures and liquidity issues weren't enough for investors to worry about, rising fertilizer and freight costs are colliding with falling soy prices, creating a storm which, if prolonged, will likely cause Brazilian producers to lose money on their crops sold in 2009. If that happens, it could adversely affect fertilizer sales, but more importantly, will degrade even further the quality of Bunge's questionable receivables (which are paid off in beans) and put even more pressure on liquidity. From our agricultural contacts in Brazil we've learned there is already significant concern among farmers due to recently falling bean prices and rising input costs, contrary to what we have been hearing from both Bunge management and certain sell-side analysts who continue to report that Brazilian farm economics remain positive. Farmers are worried that the 2009 harvests, for which planting begins this September, will find them again underwater as they were during the 2005/2006 period.

Brazilian farmers have been complaining for some time about increasing input prices, but those concerns have taken on a new urgency due to the recent pull back in soy bean prices on commodity exchanges. If the recent downward trend continues down to prices between \$10 and \$12 in Chicago, there will be much financial stress on these farmers (May, 2009 beans closed April 4th at \$12.54, see Figure 2 below). To understand this stress, it is essential to remember that, at planting time, farmers must buy fertilizer at current prices but are paying for it with the promise to deliver beans at forward prices (read: when the beans are delivered at harvest time).

The math works as follows: Beans in the Brazil interior (Mato Grosso) go for about \$4 per bushel less than what they fetch in Chicago. This is primarily because of transportation costs. So at \$12/bushel, this translates into \$8 in Mato Grosso. Using the following estimates for various input costs, the cost of producing one bushel of soy beans (net of depreciation) is about \$8.50:

Input	Cost / Bushel	% of Total Cost
Fertilizer[1]	\$4.44	52.2%
Fuel	\$0.56	6.6%
Chemicals	\$2.00	23.5%
Operational Costs	\$1.00	11.8%
Seed	\$0.50	5.9%
Total	\$8.50	100%

[1] Based on a crop yield of 45 bushels/acre, and fertilizer at \$950/mmt.

The above costs are estimates for the cash cost for the 2008 harvest. To it, add \$1.00/bushel for depreciation. In 2007, fertilizer represented half the cost, or about \$2.22/bushel. Fuel was less as well and the producers were able to breakeven or even show some profit in 2007. With the price of fuel and fertilizer climbing it is essential that the price of beans do so as well, as they have been, until recently. The current reduction in soy prices is causing real concern that reduced prices will eat in to producers' cash flow as production costs rise. An important point here is that the $4.00 discount from Chicago price does not include any assumptions for increases in the price of fuel and their attendant effects on transportation costs. There is, however, a growing concern that, even without assuming fuel price increases, the $4 discount could rise to as high as $5 due to cost increases passed on by other middlemen, currency effects and other factors.

According to our contacts, the concern among Brazilian farmers is palpable. Should Chicago beans fall to the $10 range, bringing the effective per bushel revenue down to the $5 to $6 range (depending on the discount from Chicago) for the Mato Grosso farmer, and if cash costs remain in the $8.50 range or higher, it spells disaster for the farmers, and could significant impair further the quality of the Company's related accounts receivable. As of 12/31/07, the balance of pre-paid commodity purchase contracts and advances to farmers stood at $1,163 million; outstanding fertilizer receivables stood at $857 million. Remember, farmers pay off these debts largely in beans, beans which could become unprofitable to produce if price and cost trends continue.

Figure 2. Daily Price of Soy Beans, May 2009 Futures Contract. Source: Chicago Board of Trade.

Appendix A: Bunge Limited Consolidated Cash Flow Statement

2007 Actual and 2008 3DAdvisors, LLC Forecast (Millions of US $)

	2007 Actual[1]	3DAdvisors 2008 Forecast	Explanatory Note Number:
Operating Activities			
Net Income	$ 778	$ 850	See Note 1
Adj. to reconcile net income to cash used for op. activities			
Foreign exchange gain on debt	$ (285)	$ (150)	See Note 2
Impairment of assets	$ 70	$ 60	
Bad debt expense	$ 46	$ 50	
Depreciation, depletion and amortization	$ 385	$ 460	See Note 3
Stock-based comp expense	$ 48	$ 40	
Gain on sales of assets*	$ (22)	$ (25)	
Decrease in allowance for recoverable taxes	$ 81	$ 10	See Note 4
Deferred income taxes	$ (62)	$ (75)	
Minority Interest	$ 146	$ 150	
Equity in earnings of affiliates	$ (33)	$ (30)	
Changes in operating assets and liabilities (ex. Acquisitions)			
Trade accounts receivable	$ (319)	$ (400)	
Inventories	$ (1,743)	$ 200	See Note 5
Prepaid commodity purchase contracts	$ (184)	$ (200)	
Secured advances to suppliers	$ 207	$ -	See Note 6
Trade accounts payable	$ 1,231	$ (200)	See Note 7
Advances on sales	$ -	$ -	
Unrealized loss (gain) on derivative contracts	$ (530)	$ (250)	See Note 8
Accured liabilities	$ -	$ -	
Margin deposits	$ (175)	$ (200)	
Other - Net	$ (50)	$ (50)	
Net cash used for operating activities	$ (411)	$ 240	See Note 9
Investing Activities			
Payments made for capital expenditures	$ (658)	$ (1,000)	See Note 10
Investments in affiliates	$ (39)	$ (50)	
Business acquisitions (net of cash acquired)	$ (153)	$ (75)	
Related party (loans) repayments	$ (22)	$ (20)	
Proceeds from disposal of property, plant and equipment	$ 55	$ 50	
Return of capital from affiliate	$ -	$ -	
Proceeds from sale of investments	$ 23	$ 10	
Net cash used for investing activities	$ (794)	$ (1,085)	See Note 11
Financing Activities			
Net change in short-term debt w/maturities of 90 days or less	$ 19	$ 20	
Proceeds from short-term debt w/maturities of > 90 days	$ 1,105	$ 1,100	See Note 12
Repayment of short-term debt w/maturities of > 90 days	$ (1,029)	$ (1,020)	See Note 13
Proceeds from long-term debt	$ 2,030	$ 650	See Note 14
Repayment of long-term debt	$ (1,203)	$ (552)	See Note 15
Proceeds of preference shares (net)	$ 845	$ -	See Note 16
Proceeds of common shares	$ 32	$ 30	
Dividends paid to preference share holders	$ (34)	$ (78)	See Note 17
Dividends paid to common shareholders	$ (80)	$ (80)	
Dividends paid to minority interest	$ (18)	$ (18)	
Minority interest investments in less than wholly-owned subsidiaries	$ 95	$ -	See Note 18
Cash provided by Financing Activities	$ 1,762	$ 52	See Note 19
Effect of exchange rate changes on cash and equivalents	$ 59	$ 20	
Net Increase (Decrease) in Cash and Equivalents	$ 616	$ (793)	See Note 20
Cash and Equivalents at beginning of Period	$ 365	$ 981	
Cash and Equivalents at end of Period	$ 981	$ 188	See Note 21

[1] Bunge Limited and Subsidiaries, Consolidated Statement of Cash Flows, Bunge Ltd. 2007 SEC Form 10-K, filed 03/03/08, page F-7.

Notes to 3DAdvisors, LLC Projected Consolidated Cash Flow Statement

Note 1. During the Q407 conference call on 02/07/08, the Company offered 2008 guidance for net income of between $830 and $870 million. We are using the mid-point of that guidance, $850 million, as our assumption for net income.

Note 2. The Company's Brazilian subsidiaries are primarily funded with inter-company, U.S. dollar-denominated debt. The functional currency of our Brazilian subsidiaries is the local currency, the Brazilian *real*. These U.S. dollar-denominated inter-company loans are re-measured into their respective functional currencies at exchange rates at the applicable balance sheet date. With the real remaining strong relative to the U.S. dollar, the Company has managed to routinely record significant gains. We simply reduced this number by approximately half based on the belief that while the Company may be able to get some additional benefits this year, significant further declines in the dollar relative to the real and other currencies seem unlikely.

Note 3. We used the mid-point ($460 million) of the guidance given in the Q407 conference call for depreciation on existing and new capital expenditures.

Note 4. Based on further realization of the deferred assets, thereby eliminating the need for part of the allowance.

Note 5. In 2007, the Company increased its expenditures on inventories by over $1.7 billion, blaming principally this one item for its increased working capital consumption of cash which was a result of significantly higher commodity prices. We have assumed that due to lower commodity prices and modest success in operating with leaner inventories, this reverses itself and inventory changes result in a positive improvement in cash.

Note 6. Assumed no change, but an increase is somewhat likely.

Note 7. The Company allowed trade payables to increase a substantial $1.2 billion, and we assume that it will need to modestly reduce those payables in order to make them more current.

Note 8. Based on estimates of changes in commodity pricing and success ratio on hedging activities.

Note 9. Largely a function of the inventory reduction financing and decrease in trade payables; other major changes are offsetting. Generating, rather than using, cash from operations would be a significant turnaround for the Company as it used $411 and $289 million in 2007 and 2006, respectively.

Note 10. The Company estimated during the Q407 conference call that CapEx would be between $1.0 and $1.1 billion in 2008 "with about a little less than a third of those going to sustaining and maintenance top up projects and a bit over two-thirds going towards growth."

Note 11. Principally driven by the expected $1 billion in CapEx.

Notes 12 & 13. Assume payments and proceeds of short-term debt to approximately offset one another, with a modest net cash gain.

Note 14. After receiving over $2 billion in proceeds from new long-term debt in 2007, the Company withdrew a senior note offering of $500 million on 03/12/08 less than a day after announcing the offering, citing "unfavorable market conditions". On 03/28/08, the Company announced that it had entered into a revolving credit facility for $650 million (the total amount of which is shown here as "proceeds from long-term debt") with a consortium of European banks led by Fortis Bank N.V. Even with this new financing, and given the Company's own guidance for net income and CapEx, we can immediately see the implied liquidity short fall (see Notes 20 and 21 below).

Note 15. Based on major commitments as set forth in the Company's 2007 SEC Form 10-K filed on 03/03/08, page 54.

Note 16. Assumes no additional issuance of preference shares in 2008.

Note 17. Dividends to preferred shareholders increases by $44 million in 2008 to meet the obligations related to the preferred issuance in November 2007.

Note 18. Assumes no additional infusion of cash by minority partners.

Note 19. Even with $650 million added to cash from the new revolver, the net addition to cash from financing is negligible (only $52 million). This position could be improved without net new financing if dividend payments are suspended, or if there is another investment made by outsiders in subsidiaries that are not wholly-owned.

Notes 20 and 21. Given all the above assumptions, net cash decreases by nearly $800 million, leaving end-of-period cash perilously low at only $188 versus $981 million at the end of 2007. Again, the need for additional new financing of nearly $1 billion is quite evident from this simple analysis.