

## FOR IMMEDIATE RELEASE

# Petra Foods posts US\$4.5 million in 3Q net profit on 32.5% jump in sales

- *Reported figures do not reflect underlying strength of core businesses*
- *Investment programme for European Cocoa operations on track for completion by end 1Q 2009*

Operating Profit (US\$'000)	3Q ended 30 September			9 months ended 30 September		
	2008	2007	% Change	2008	2007	% Change
Revenue	317,326	239,490	32.5	833,402	599,765	39.0
Gross Profit	37,076	37,992	(2.4)	92,139	96,080	(4.1)
Profit before tax and exceptional gains	4,712	9,252	(49.1)	11,500	26,857	(57.2)
Exceptional gains	-	623	NM	-	623	NM
Profit after tax	3,547	7,504	(52.7)	8,704	20,967	(58.5)
Net Profit after MI (excl. exceptional gains)	4,486	8,184	(45.2)	11,260	21,763	(48.3)
EBITDA	13,415	17,771	(24.5)	37,059	46,947	(21.1)

**SINGAPORE - 13 November 2008 - Petra Foods Limited** ("Petra Foods" or the "Group"), one of the world's major manufacturers and suppliers of cocoa ingredients and branded consumer confectionary products, today reported that it achieved a net profit attributable to shareholders of US\$4.5 million for the third quarter ended 30 September 2008.

The lower net earnings recorded in the third quarter was due to the continuing pre-operating loss of its European Cocoa Ingredients operation, coupled with the negative US\$0.8 million hedge re-designation. Without these two factors, the Group's net profit would have been higher by 3.5% Y-o-Y, and by 18.1% Q-o-Q. This reflected the strengths of its core businesses - Branded Consumer and Cocoa Ingredients operations in Asia and Latin America (excluding Europe) - which experienced robust revenue and profit growth - both Y-o-Y and Q-o-Q.

Based on the weighted average number of ordinary shares in issue, earnings per share (excluding exceptional gains) for 3Q 2008 was 0.84 US cents as compared to 1.42 US cents in the corresponding period last year. Net asset value as at 30 September 2008 was 34.7 US cents, from 35.5 US cents as at 31 December 2007.

Mr John Chuang, Chief Executive Officer of Petra Foods comments on the Group's performance, "We are pleased that both our core businesses achieved excellent performance in the 3<sup>rd</sup> Quarter, in spite of the challenging business environment. The strong sales growth of our Branded Consumer Division was driven by strong growth in our core Premium Own Brands and 3<sup>rd</sup> Party Brand segments whilst the fundamentals for our Cocoa Ingredients business ex-Europe continued to be robust with strong demand for customised, innovative cocoa ingredients driving this growth."

Said Mr Chuang: "The investment programme for our cocoa processing ingredients facility in Hamburg is on track for completion by end 1Q 2009, and we are positioned to take advantage of the future growth potential of the global chocolate confectionery industry."

## SEGMENTAL REVIEW

Financial Highlights (US\$'000)	3 months ended 30 September			
	2008	2007	YoY chg	QoQ chg
<b>Revenue</b>				
Cocoa Ingredients (Asia/Latin America, Excluding Europe)	154,013	106,416	44.7%	21.5%
Branded Consumer	77,989	66,039	18.1%	18.1%
<b>EBITDA</b>				
Cocoa Ingredients (Asia/Latin America, Excluding Europe)	7,764	8,877	(12.5)%	2.3%
Branded Consumer	9,635	8,446	14.1%	16.7%
<b>Operating Profit</b>				
Cocoa Ingredients (Asia/Latin America, Excluding Europe)	5,780	6,944	(16.8)%	7.4%
Branded Consumer	8,198	7,141	14.8%	20.3%

**Branded Consumer Division**

Leveraging on its brand strength, strong innovation capabilities and its superior distribution infrastructure, the Branded Consumer Division achieved strong double-digit growth in revenue and profitability in spite of the current challenging business environment.

In the latest third quarter, revenue generated from this Division grew 18.1% to US\$78.0 million whilst EBITDA rose 14.1% to US\$9.6 million. Its core market - Indonesia - which accounted for 73.9% of total Branded Consumer sales, saw a 12.2% improvement in revenue to US\$57.6 million led by the strong sales performance of its Premium Own Brands and 3<sup>rd</sup> Party Brands. Strong performance in existing agencies as well as new agencies secured boosted sales of its 3<sup>rd</sup> Party Brands in Indonesia.

Sales from the Regional Markets (comprising the Philippines, Malaysia and Singapore) jumped 38.9% to US\$20.3 million led by Philippines which saw contributions increase from 7.6% of Branded Consumer Division's sales in 3Q 2007 to 8.4% in 3Q 2008 as a result of double-digit sales growth of its Own Brands (greater penetration into various channels and regions within the Philippines as well as successful new product launches of its Goya brand) and new agencies secured (such as Fisherman's Friend, Calbee and Yupi) for its 3<sup>rd</sup> Party Brands.

**Cocoa Ingredients Division (Asia and Latin America, excluding Europe)**

EBITDA declined by 12.5% Y-o-Y to US\$7.8 million. This, however, was an improvement of 2.3% when compared with the preceding 2Q 2008. In 3Q 2008, the Division achieved US\$193 in EBITDA per metric tonne ("EBITDA/mt") which was higher than that achieved in the preceding two quarters of 2008. This reflected the higher product pricing for its premium cocoa ingredients with strong demand coming from its global customers as well as new markets penetrated, thereby driving its 9-month sales volume growth higher by 6.6% Y-o-Y.

**Cocoa Ingredients Division (Europe)**

When completed by end of 1Q 2009, the Group's new cocoa ingredients processing facilities in Hamburg, Germany will be of world-class standard, with significant scale and capabilities to

produce high quality products. Petra's Cocoa Ingredients Division will be able to solidify its global presence - especially in Europe which is the largest market for cocoa ingredients.

However, until this is completed, the Hamburg cocoa ingredients facility can only produce low-priced generic-grade cocoa ingredients and semi-finished products which generate extremely low EBITDA yields.

### **Business Prospects**

The Group's **Branded Consumer Division** aims to continue its drive towards growth, profitability, and expand market penetration in its key ASEAN market, and capturing a larger share of the world's fastest growing region for chocolate confectionery through new product offerings and brand building initiatives. It also plans to drive larger volumes of its Own Brands and 3<sup>rd</sup> Party Brands through its regional distribution infrastructure.

The **Cocoa Ingredients Division** aims to expand its geographical reach and solidify its global market presence through its strong portfolio of customers in the food and beverage industry worldwide. It will continue with its ongoing market development initiatives and its strategic capacity expansion program to optimise future growth potential.

Although the European division's operational losses are likely to continue in the near future, the Division is confident of the long-term contributions from this acquisition, and anticipates that EBITDA yield will generate attractive returns.

"By optimising its resources, investing prudently to strengthen and position the Group for the long term, Petra Foods is poised to take advantage of the future growth potential of the global chocolate confectionery industry," Mr Chuang said.

"In addition, the Group will endeavour to strengthen our financial situation by managing cash flow closely and deploying cost control measures. We have already put into motion plans to tighten our working capital management, reduce reliance on short-term borrowings, broaden our financing options, and we have also taken preventive steps to minimize the risks of counterparty defaults and exposure to liquidity or refinancing," added Mr Chuang.

## Outlook

The business outlook for the Group's core businesses remains positive, with a stronger second half expected. The Branded Consumer Division is expected to achieve record profit driven by Indonesia and Philippines. For the Cocoa Ingredients operations in Asia and Latin America, the Group expects strong sales to continue driving volume growth. On a full-year basis, EBITDA yield (before the effect of hedge re-designation) is likely to be higher than the US\$162/mt achieved in 1H 2008, but lower than FY 2007 because of the weak EBITDA yield achieved in 1Q 2008.

This, however, is unlikely to be sufficient to offset the combined negative impact of the continuing pre-operational losses of its European cocoa operations and the full-year negative US\$5.6 million effect of hedge re-designation. As a result, the Group's FY 2008 net profit is likely to be lower than that in FY 2007.

The global environment has changed dramatically with the crisis in the financial sector now affecting many parts of the broader economy. Factors like the credit crunch, higher operating risks and the global economic slowdown have changed the general operating landscape. However, after taking these into consideration, we are cautiously optimistic of the Group's outlook in 2009 as the chocolate confectionery sector is generally more resilient to economic turmoil.

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## **ABOUT PETRA FOODS LIMITED**

Listed on the SGX-ST since 5 November 2004, Petra Food Limited and its subsidiaries ("the Group") is one of the world's major manufacturers and suppliers for premium cocoa ingredients, namely cocoa powder, cocoa butter and cocoa liquor. The Group also manufactures and/or distributes branded consumer products, primarily chocolate confectionery products, for which it is the market leader in Indonesia.

The Group has two business divisions, **Cocoa Ingredients** and **Branded Consumer**.

### **Cocoa Ingredients Division**

The Group manufactures and sells cocoa ingredients, under the "Delfi" brand, to over 30 countries worldwide. Its major customers are international food and beverage companies such as Nestlé, Cadbury, the Mars Group, Arnott's, A.B. Foods, Barry Callebaut and the Meiji Group.

### **Branded Consumer Division**

The Group manufactures and/or distributes branded consumer products that are sold in over 17 countries including Indonesia, Singapore, Malaysia, Hong Kong, Australia, Thailand, the Philippines and China. Petra Foods has an established portfolio of chocolate confectionery brands which are household names in Indonesia include 10 master brands and 20 key sub brands and manufactures over 300 stock keeping units. Its flagship brands in Indonesia include "SilverQueen" and "Ceres" that were introduced in the 1950s and "Delfi" in the 1980s. In addition, the Group also distributes a well-known portfolio of third party brands in Indonesia, Singapore and Malaysia.

Headquartered in Singapore, Petra Foods has seven cocoa processing facilities (located in Indonesia, Malaysia, the Philippines, Thailand, Brazil, Mexico and Germany), one cocoa butter facility (located in France), two chocolate confectionery production facilities (located in Indonesia and the Philippines) and a total staff strength of over 4,000.

Petra Foods was awarded the top spot in the annual Singapore Enterprise 50 Award in 2003. In addition, it was recognised as the "Best Newly Listed Singapore Company in 2004" in AsiaMoney's Best Managed Companies Poll 2004. More recently, it was named the "Enterprise of the Year 2004" by the 20<sup>th</sup> Singapore Business Awards on 30 March 2005 and was named one of "Singapore's 15 Most Valuable Brands" in November 2005 by IE Singapore.

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## **Issued on behalf of Petra Foods Limited**

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