

Petra Foods Limited
Unaudited Financial Statement and Dividend Announcement
For First Quarter Ended 31 March 2008

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENT OF QUARTERLY (1Q, 2Q, 3Q & 4Q),
HALF YEAR AND FULL YEAR RESULTS

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1(a)(i) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

		Group		
		1Q ended 31 March		
		2008	2007	Change
Notes	US\$'000	US\$'000	%	
Revenue	1	249,539	161,903	54.1
Cost of Sales	2 ^a	(226,060)	(134,372)	68.2
Gross profit		23,479	27,531	(14.7)
Other operating income		3,651	673	442.5
Selling and distribution costs		(14,566)	(11,480)	26.9
Administrative expenses		(6,367)	(5,178)	23.0
Finance costs	3	(3,612)	(2,160)	67.2
Other operating expenses		(197)	(142)	38.7
		2,388	9,244	(74.2)
Share of results of associated companies		(114)	(45)	153.3
Profit before income tax	4	2,274	9,199	(75.3)
Income tax expense		(557)	(2,256)	(75.3)
Net profit	a	1,717	6,943	(75.3)
Attributable to:				
Equity holders of the company		2,889	6,967	(58.5)
Minority interest		(1,172)	(24)	NM
		1,717	6,943	(75.3)

Notes:			
EBITDA^b			
- Including the effect of change in hedge accounting	10,057	14,650	(31.4)
- Excluding the effect of change in hedge accounting	12,109	14,650	(17.3)
Earnings per Share (US cents)^c			
- Basic and Diluted	0.54	1.30	(58.5)
Return on Equity^{d,e}			
- Before Exceptional Item	6.1%	14.4% ^f	(8.3)
- After Exceptional Item	6.1%	14.6% ^f	(8.5)

NM denotes not meaningful

- a Includes the negative impact of change in hedge accounting of US\$2.052 million. This is accounted for in Cost of Sales in 1Q 2008.
- b EBITDA represents net profit before exceptional items, net interest expense, income tax expense, depreciation and amortization expense.
- c As there are no potentially dilutive ordinary shares, diluted Earning per Share is the same as basic Earning per Share.
- d For comparative purposes, ROE is computed based on annualised 1Q 2008 profit attributable to equity holders of the Company divided by average shareholders' equity.
- e Shareholders' equity was adjusted for exceptional gain of US\$1.8m and US\$0.65m recorded in FY2006 and FY2007 respectively.
- f Relates to full year 2007 audited figures.

Explanatory notes on income statement

Note 1 - Breakdown of Sales by Division

	1Q ended 31 March		
	2008	2007	Change
	<u>US\$'000</u>	<u>US\$'000</u>	<u>%</u>
Cocoa Ingredients Division	190,542	107,990	76.4
Branded Consumer Division	58,997	53,913	9.4
	249,539	161,903	54.1

Note 2 - Cost of Sales

Cost of sales consists of cost of goods sold, costs of processing services rendered and net gain or loss on cocoa and foreign exchange derivatives (designated as hedged instruments) and fair value adjustment on inventory, forward sales and purchase contracts (collectively designated as "hedged items").

	1Q ended 31 March		
	2008	2007	Change
	<u>US\$'000</u>	<u>US\$'000</u>	<u>%</u>
Cost of goods sold	223,124	132,176	68.8
Cost of services	3,684	3,919	(6.0)
	226,808	136,095	66.7
Adjusted for:			
Fair value hedge adjustments on hedged items	(3,806)	(9,242)	(58.8)
Fair value (gain)/loss on cocoa bean derivatives	(55)	8,348	NM
Transfer from cash flow hedge reserve - cocoa bean derivatives	(412)	(939)	(56.1)
Fair value loss on foreign exchange derivatives	1,592	164	870.7
Realisation of prior year's fair value adjustment - Change in hedge accounting	2,052	-	NM
	(629)	(1,669)	(62.3)
	226,179	134,426	68.3
Other Adjustments to Cost of Sales:			
- Net foreign exchange gain	(119)	(54)	120.4
Cost of Sales	226,060	134,372	68.2

Note 3 - Finance Costs (Net)

	1Q ended 31 March		
	2008	2007	Change
	<u>US\$'000</u>	<u>US\$'000</u>	<u>%</u>
Interest expense	3,794	2,377	59.6
Fair value (loss)/ gain on interest rate derivatives	(242)	33	NM
Transfer from cash flow hedge	26	(256)	NM
Net interest expense	3,578	2,154	66.1
Net foreign exchange loss	34	6	NM
Total finance costs	3,612	2,160	67.2

Note 4 - Profit before Income Tax

Profit before income tax is arrived after (deducting)/crediting the following:

	1Q ended 31 March		
	2008	2007	Change
	<u>US\$'000</u>	<u>US\$'000</u>	<u>%</u>
Depreciation of property, plant and equipment	(4,125)	(3,340)	23.5
Amortisation of intangible assets	(122)	(27)	351.9
Net foreign exchange gain	4,424	168	NM
Under provision of tax in prior years	(243)	(315)	(22.9)
Gain on disposal of property, plant and equipment	16	81	(80.2)
Impairment of trade receivables	(2)	-	NM
Inventories written-off	(399)	(153)	160.8
Allowance for inventory obsolescence	(176)	(117)	50.4

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Notes	Group		Company	
		31-Mar-08	31-Dec-07	31-Mar-08	31-Dec-07
		US\$'000	US\$'000	US\$'000	US\$'000
ASSETS					
Current assets					
Cash and cash equivalents		4,684	6,339	215	83
Derivative assets		5,430	5,102	9,330	15,713
Trade receivables		96,265	88,036	157,352	119,405
Inventories		201,401	187,673	4,758	3,220
Other current assets		31,112	24,780	12,312	9,859
		338,892	311,930	183,967	148,280
Non-current assets					
Investments in subsidiaries		-	-	83,579	83,579
Investments in associated companies		2,741	2,794	3,000	3,000
Receivables from subsidiaries		-	-	15,196	16,000
Loans to associated company		2,804	2,820	-	-
Property, plant and equipment	1	202,283	191,580	1,876	1,922
Intangibles assets		23,602	22,830	1,784	1,784
Deferred income tax assets		4,169	3,284	152	-
Other non-current assets		1,304	1,020	-	-
		236,903	224,328	105,587	106,285
Total Assets		575,795	536,258	289,554	254,565
LIABILITIES					
Current liabilities					
Trade payables		56,871	47,188	43,132	25,692
Other payables		38,149	30,613	3,148	4,729
Derivative liabilities		8,676	9,586	3,132	8,990
Current income tax liabilities		4,140	2,767	2,575	2,013
Borrowings	2	142,424	135,575	50,063	37,378
		250,260	225,729	102,050	78,802
Non-current liabilities					
Borrowings	2	101,823	89,745	57,543	41,766
Deferred income tax liabilities		8,614	9,565	-	846
Provisions for other liabilities and charges		5,110	4,771	-	-
		115,547	104,081	57,543	42,612
Total liabilities		365,807	329,810	159,593	121,414
NET ASSETS		209,988	206,448	129,961	133,151
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Share capital		95,767	95,767	95,767	95,767
Foreign currency translation reserve		3,405	(175)	-	-
Other reserves		(2,959)	108	(3,855)	(1,067)
Retained earnings		95,965	93,076	38,049	38,451
Shareholders' Equity		192,178	188,776	129,961	133,151
Minority interests		17,810	17,672	-	-
TOTAL EQUITY		209,988	206,448	129,961	133,151

Explanatory notes on Balance Sheet

Note 1 - Property, Plant and Equipment

Total capital expenditure for period under review amounted to US\$10.1 million as follows:

	31 March 2008
	<u>US\$000</u>
Cocoa Ingredients	9,631
Branded consumer	487
	<u>10,118</u>

Note 2 - Borrowings

	Group		Company	
	31-Mar-08	31-Dec-07	31-Mar-08	31-Dec-07
	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>
(a) Current				
Bank overdrafts	17,426	38,114	719	27
Bank loans	23,402	22,736	-	-
Lease liabilities	1,109	1,123	144	131
Trade Finance	100,487	73,602	49,200	37,220
	<u>142,424</u>	<u>135,575</u>	<u>50,063</u>	<u>37,378</u>
(b) Non Current				
Bank loans	43,575	47,060	-	-
MTN	57,226	41,473	57,226	41,473
Lease Liabilities	1,022	1,212	317	293
	<u>101,823</u>	<u>89,745</u>	<u>57,543</u>	<u>41,766</u>
Total Borrowings	<u>244,247</u>	<u>225,320</u>	<u>107,606</u>	<u>79,144</u>

During the quarter, the Company issued US\$14 million of a 5-year floating rate note under the S\$300 million umbrella MTN programme established on 4 December 2006. The Company also entered into a corresponding interest rate swap, effectively swapping its floating rate USD loan into a fixed rate.

Note 3 - Key Ratios

	Group	
	31-Mar-08	31-Dec-07
Current Ratio	1.35	1.38
Average Inventory Days	79	79
Average Receivable Days	34	35
Net Debt to Total Equity	1.14	1.06
Adjusted Net Debt to Total Equity*	0.66	0.70

* Note: The Adjusted Net Debt to Equity Ratio is adjusted for Working Capital facilities (including Trade Finance) which are used to fund cocoa beans/raw materials inventory.

1(b)(ii) Aggregate amount of the group's borrowings and debt securities

	Group		Company	
	31-Mar-08	31-Dec-07	31-Mar-07	31-Dec-07
Amount repayable in one year or less, or on demand				
- Secured	51,009	36,650	144	131
- Unsecured	91,415	98,925	49,919	37,247
	142,424	135,575	50,063	37,378
Amount repayable after one year				
- Secured	20,419	26,525	317	293
- Unsecured	81,404	63,220	57,226	41,473
	101,823	89,745	57,543	41,766

Details of collateral

Total bank borrowings of US\$71.4 million obtained by Group are secured on trade receivables, inventory, property, plant and equipment and legal mortgages of land and properties.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Note	1Q ended 31 March	
		2008	2007
		US\$'000	US\$'000
Cash flows from operating activities			
Profit before tax		2,274	9,199
Adjustments for:			
Depreciation & amortisation		4,247	3,367
Gain on disposals of property, plant and equipment		(16)	(81)
Interest income		(43)	(70)
Interest expense		3,578	2,154
Fair value of inventories		2,730	(9,242)
Fair value of derivatives		(314)	6,938
Net foreign exchange loss		34	6
Share of loss from associated companies		114	45
Operating cash flow before working capital changes		12,604	12,316
Change in working capital, net of effects from purchase of subsidiaries:			
Inventories		(16,458)	(4,977)
Trade and other receivables		(14,845)	(9,495)
Trade and other payables		17,558	1,571
Trade finance		26,885	(5,192)
Cash generated from/ (used in) operations		25,744	(5,777)
Interest received		43	70
Interest paid		(1,339)	-
Income tax paid		(695)	(1,069)
Net cash provided by/ (used in) operating activities		23,753	(6,776)
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired		-	(14,139)
Purchases of property, plant and equipment		(10,118)	(3,901)
Payments for patent & trademark		(17)	-
Loan to associates		(68)	-
Proceeds from disposals of property, plant and equipment		25	81
Net cash used in investing activities		(10,178)	(17,959)
Cash flows from financing activities			
Proceeds from borrowings		-	8,492
Repayments of borrowings		(5,405)	(10,018)
Proceeds from Medium Term Note	Para 1(b)(i) Note 2	14,000	39,139
Repayment of lease liabilities – net		(204)	(326)
Interest paid		(2,239)	(2,154)
Net cash from financing activities		6,152	35,133
Net increase in cash and cash equivalents		19,727	10,398
Cash and cash equivalents at the beginning of the financial year		(31,775)	(18,485)
Net effect of exchange rate changes in translation of foreign subsidiaries		(694)	86
Cash and cash equivalents at the end of the financial period		(12,742)	(8,001)

Cash and cash equivalents included in cash flow statement comprise the following balance sheet amounts:

	Year ended 31 March	
	2008	2007
	<u>US\$'000</u>	<u>US\$'000</u>
Cash and bank balances	4,684	9,780
Less: Bank overdrafts	(17,426)	(17,781)
	<u>(12,742)</u>	<u>(8,001)</u>

1(d)(i) A statement (for the issuer and group) showing either (a) all changes in equity or (b) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Statement of Changes in Equity For the quarter ended 31 March 2008

	<u>Attributable to equity holders of the Company</u>						<u>Total equity</u> US\$'000
	<u>Share capital</u> US\$'000	<u>Foreign currency translation reserve</u> US\$'000	<u>Cash flow hedge reserve</u> US\$'000	<u>General reserve</u> US\$'000	<u>Retained earnings</u> US\$'000	<u>Minority interest</u> US\$'000	
The Group							
Balance at 1 January 2008	95,767	(175)	(1,070)	1,178	93,076	17,672	206,448
Currency translation differences	-	3,580	-	-	-	1,310	4,890
Cash flow hedges							
- Fair value gains	-	-	1,190	-	-	-	1,190
- Transfers	-	-	(4,605)	-	-	-	(4,605)
Tax on fair value gain	-	-	348	-	-	-	348
Net gains/(losses) recognised directly in equity	-	3,580	(3,067)	-	-	1,310	1,823
Net profit for the period	-	-	-	-	2,889	-	2,889
Total recognised gains/(losses)	-	3,580	(3,067)	-	2,889	1,310	4,712
Minority interest arising from acquisition of subsidiaries	-	-	-	-	-	(1,172)	(1,172)
Balance at 31 March 2008	<u>95,767</u>	<u>3,405</u>	<u>(4,137)</u>	<u>1,178</u>	<u>95,965</u>	<u>17,810</u>	<u>209,988</u>

Consolidated Statement of Changes in Equity For the quarter ended 31 March 2007

Attributable to equity holders of the Company

	<u>Share capital</u>	<u>Foreign Currency translation reserve</u>	<u>Cash flow hedge reserve</u>	<u>General reserve</u>	<u>Retained earnings</u>	<u>Minority interest</u>	<u>Total equity</u>
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
The Group							
1Q 2007							
Balance at 1 January 2007	95,767	(2,273)	(526)	946	78,039	-	171,953
Currency translation differences	-	(20)	-	-	-	-	(20)
Cash flow hedges	-	-	(1,822)	-	-	-	(1,822)
Tax on fair value gain	-	-	198	-	-	-	198
Net gains recognised directly in equity	-	(20)	(1,624)	-	-	-	(1,644)
Net profit for the period	-	-	-	-	6,967	(24)	6,943
Total recognised gains/(losses)	-	(20)	(1,624)	-	6,967	(24)	5,299
Minority interest arising from acquisition of subsidiaries	-	-	-	-	-	14,382	14,382
Balance at 31 March 2007	95,767	(2,293)	(2,150)	946	85,006	14,358	191,634

Statement of Changes in Equity For the quarter ended 31 March 2008

	<u>Share capital</u>	<u>Cash flow hedge reserve</u>	<u>Retained earnings</u>	<u>Total shareholders' equity</u>
	US\$'000	US\$'000	US\$'000	US\$'000
The Company				
Balance at 1 January 2008	95,767	(1,067)	38,451	133,151
Cash flow hedges				
- Fair value gains	-	1,256	-	1,256
- Transfers	-	(4,392)	-	(4,392)
Tax on fair value gain	-	348	-	348
Net losses recognised directly in equity	-	(2,788)	-	(2,788)
Net profit for the period	-	-	(402)	(402)
Total recognised losses	-	(2,788)	(402)	(3,190)
Balance at 31 March 2008	95,767	(3,855)	38,049	129,961

Statement of Changes in Equity For the quarter ended 31 March 2007

	<u>Share capital and share premium</u>	<u>Cash flow hedge reserve</u>	<u>Retained earnings</u>	<u>Total shareholders' equity</u>
	US\$'000	US\$'000	US\$'000	US\$'000
<u>The Company</u>				
<u>1Q 2007</u>				
Balance at 1 January 2007	95,767	(702)	37,121	132,186
Cash flow hedges	-	(1,656)	-	(1,656)
Tax on fair value gain	-	165	-	165
Net losses recognised directly in equity	-	(1,491)	-	(1,491)
Net profit for the period	-	-	720	720
Total recognised gains/(losses)	-	(1,491)	720	(771)
Balance at 31 March 2007	95,767	(2,193)	37,841	131,415

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

For 1Q ended 31 March 2008, there was no change in the issued and paid up share capital of the Company (1Q 2007: S\$53,222,700).

2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed.

3. Whether the figures have been audited or reviewed, the auditors' report (including qualifications or emphasis of matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Company and the Group have applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with those for the audited financial statements for the year ended 31 December 2007.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

There are no changes in accounting policies.

6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	1Q ended 31 March	
	2008	2007
(i) Based on weighted average number of ordinary shares in issue - (US cents)	0.54	1.30
(ii) On a fully diluted basis - (US cents)	0.54	1.30

Notes

- Basic earnings per share for 1Q 2008 is computed based on 532,277,000 shares (1Q 2007: 532,277,000 shares).
- There are no potentially dilutive ordinary shares as at 31 March 2008 and 31 March 2007 respectively.

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the

- (a) current period reported on; and
 (b) immediately preceding financial year.

	Group		Company	
	31 Mar 08	31 Dec 07	31 Mar 08	31 Dec 07
Net asset value per ordinary share based on issued share capital - (US cents)	36.1	35.5	24.4	25.0

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following: -

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

Key Figures for the Group (unaudited)

	1Q ended 31 March		
	2008	2007	Change
	US\$'000	US\$'000	%
Income Statement			
<u>Revenue</u>			
Cocoa Ingredients	190,542	107,990	76.4
Branded Consumer	58,997	53,913	9.4
	249,539	161,903	54.1
<u>EBITDA – Including the effect of change in hedge accounting application</u>			
Cocoa Ingredients	1,139	7,031	(83.8)
Branded Consumer	8,918	7,619	17.0
	10,057	14,650	(31.4)
<u>EBITDA – Excluding the effect of change in hedge accounting application</u>			
Cocoa Ingredients	3,191	7,031	(54.6)
Branded Consumer	8,918	7,619	17.0
	12,109	14,650	(17.3)
Finance Costs	(3,612)	(2,160)	67.2
Profit before tax *	2,274	9,199	(75.3)
Net Profit attributable to shareholders *	2,889	6,967	(58.5)

Key Indicators by Business Segments

	1Q ended 31 March		
	2008	2007	Change
			%
<u>Branded Consumer</u>			
Gross Profit Margin	30.9%	31.1%	(0.2) pt
<u>Cocoa Ingredients</u>			
Sales Volume (MT)	54,925	40,314	36.2
Sales Volume (MT) - excluding Europe	40,493	34,711	16.7
Capacity utilisation	92%	93%	
<u>Cocoa Ingredients</u>			
			6-month moving average ended
			31 March
2008	2007	Change	%
<u>Including the effect of change in hedge accounting application</u>			
EBITDA per metric ton of sales volume (US\$)	51	180	(71.7)
EBITDA per metric ton - excluding Europe (US\$)	107	189	(43.4)
<u>Excluding the effect of change in hedge accounting application</u>			
EBITDA per metric ton of sales volume (US\$)	72	180	(60.0)
EBITDA per metric ton - excluding Europe (US\$)	134	189	(29.1)

* Including the effect of change in hedge accounting of US\$2.0 million in 1Q 2008

Review of Group Financial Performance

1Q 2008 versus 1Q 2007

In the quarter under review, the Group achieved revenue of US\$249.5 million (including contributions from the recently acquired European Cocoa operations), equivalent to a Year-on-Year (Y-o-Y) growth of 54.1%. Of the total, the Cocoa Ingredients Division contributed 76.4% with the Branded Consumer Division contributing the other 23.6%.

If the revenue of the European Cocoa Ingredients operations is excluded, the Cocoa Ingredients operations in Asia and Latin America and the Branded Consumer Division combined generated revenue growth of 17.2%.

At the EBITDA level, the Branded Consumer Division achieved an EBITDA of US\$8.9 million, a strong Y-o-Y growth of US\$1.3 million or 17.0%. However this was insufficient to negate the weak performance of the Group's Cocoa Ingredients Division which recorded an EBITDA decline of US\$5.9 million. The weaker performance of the Cocoa Ingredients must however be viewed from the following perspective:

- For the Cocoa Ingredients operations in Asia and Latin America, the overall EBITDA yield during the quarter was affected by higher operating costs and higher proportion of generic products contributing to the sales during the quarter.
- The weak performance was further exacerbated by a negative US\$2.0 million FRS 39 adjustment arising from a change in the Group's Hedge Accounting (from Fair Value Hedge to Cash Flow Hedge).
- The higher than expected losses from the European Cocoa Ingredients operations. Although the acquisition was completed in March 2007, the current operations have yet to benefit from the ongoing investment program to significantly raise capabilities and scale of the operations.

As a result of the above, together with higher financing costs for the Group in 1Q 2008, its pre-tax profit declined 75.3% over the same period a year ago to US\$2.3 million.

Review of Performance by Divisions

Branded Consumer Division

The Branded Consumer Division's performance continued to be robust in 1Q 2008 - a 9.4% Y-o-Y revenue growth with an even more impressive EBITDA growth of 17.0%. More significantly, these results were achieved against a backdrop of high inflation environment, not only in the markets where we operate but globally, which has impacted consumers' purchasing power.

Of the revenue generated in 1Q 2008, our core market in Indonesia continues to be the principal contributor at 73.3% with the remainder from the regional markets.

Core operations in Indonesia

Despite the first quarter of the year being traditionally the slowest period for chocolate confectionery sales, the sales of premium Own Brands products in Indonesia registered extremely strong growth, in the high double digit range. This growth was driven by strong sales of premium core products and higher contribution from new product launches. For example, "SilverQueen Chunky", "SilverQueen Caramel" and "SilverQueen Crispy". Similarly, sales of 3rd Party Brands grew significantly with agencies such as "Wrigley", "Fisherman's Friend" and "Kellogg's" reporting higher Y-o-Y revenue growth.

However consumption of our chocolate confectionery products in the lower priced segments were weaker as consumers in this segment were impacted by the high inflationary environment.

Despite the inflationary environment, our operation in Indonesia recorded a revenue increase of 4.6% Y-o-Y. The performance of our Own Brands sales is a testament to the significant strength of our key brands and the customer loyalty it generates across a wide consumer base. To cater to the different customer groups, we have chocolate confectionery products that dominate across multiple price points and across many product categories.

The Regional Markets

On the back of the Division's successful regional expansion strategy to be the dominant South East Asian confectionery player, revenue contribution from the regional markets increased to 26.7% of the Division's 1Q 2008 revenue, a rise of 3.4 percentage points from a year ago.

More importantly, the Philippines market continues to grow in significance and as at end 1Q 2008, it generated 10.9% of the Division's revenue. The Philippines operation achieved an impressive 53.8% Y-o-Y revenue growth. A key point to highlight is Own Brands sales in the Philippines generated strong double digit growth rate. The improvement can be attributed to the successful execution of the Philippines growth strategy.

Gross Profit and EBITDA Performance

The Gross Profit Margin for Own Brands sales in 1Q 2008 was higher Y-o-Y and this can be attributed to:

1. The initiatives implemented last year to mitigate the higher input costs of 2008; and
2. A sales mix with an increased contribution from premium products contribution.

The Division's 1Q 2008 gross margin of 30.9%, a marginal decline of 0.2 percentage point as compared to 1Q 2007, reflects the increased contribution from the lower margin newer 3rd Party agency business secured.

The Branded Consumer Division achieved 1Q 2008 EBITDA of US\$8.9 million, a 17.0% Y-o-Y growth. The higher pace of EBITDA growth versus the revenue growth was due to better management of operating costs.

Growth strategy of the Branded Consumer Division

As one of the major chocolate confectionery companies in the region, the Management Team continues to build the scale and capabilities of the Branded Consumer Division. This growth strategy involves:-

1. Growing through innovation to broaden the portfolio of products

The Division is continually investing to ensure that the product offering to our consumers remain innovative and varied but more importantly, in-tune with consumer needs and market trends. The Division's drive to constantly enhance and increase the product range is implemented in two specific areas:

- (a) Leveraging our Strong Brands to increase the demand pull for our products

The Division actively refreshes and leverages the existing strong brand name and loyal customer following by developing and branding the products using our strong brands. This has proven to be an effective strategy to increase the overall market size for the brands whilst minimizing brand cannibalization. New consumers are encouraged to try these new products under the established brands thereby increasing the opportunity to convert them to loyal consumers.

Examples of this include products such as “*Silver Queen Caramel*” and “*Silver Queen Chunky*” which leverages on our already strong “*Silver Queen*” brand name.

- (b) Extend and Broaden the Product Offering in Existing and New Categories

The Division also executes market penetration by broadening the product range and through the launch of new products in the chocolate and sugar confectionery market. Products such as “*Delfi Choco Cheweez*”, “*Delfi Peanut Chews*” and “*Goya Eclairs*”, have enabled the Division to compete in new market segments which attracts a different customer group, and creates new pillars to support growth for the Division in the future.

2. Continual investments to grow the scale of the distribution infrastructure

The Division is constantly enhancing and extending the distribution pipeline to broaden the range of product categories that can be distributed and to increase the products that can be channeled into the market effectively and efficiently. In line with the growth of Own Brands and 3rd Party agency line products, the Division reviews the distribution structure to ensure that the distribution capabilities of the Division are strengthened.

Investment is being carried out to align the distribution infrastructure by channel and subsequently by product groups, to maximize the range of products channeled without compromising the potential revenue growth of the products. As modern trade sales have been growing steadily, more investment will be undertaken to capture this channel growth.

More importantly, this is a strategy which has allowed us to build the Branded Consumer Division to its current scale but is also a strategy which will continue to drive the Division's growth.

Cocoa Ingredients Division

In this section, we will be providing a review of the Cocoa Ingredients Division in the following manner:

- I. A review of the long established Cocoa Ingredients operations in Asia and Latin America; and
- II. A review of the recently acquired European Cocoa Ingredients operations.

In total, the Cocoa Ingredients Division revenue increased US\$82.5 million or 76.4% Y-o-Y to US\$190.5 million in 1Q 2008.

The Division's EBITDA of US\$1.1 million is a 83.8% Y-o-Y decline from US\$7.0 million in 1Q 2007, as a result of the following:

- A Y-o-Y EBITDA decline from the Asian and Latin American operations as it was impacted by higher operating costs and a negative fair value adjustment arising from a change in the Group's Hedge Accounting. A more detailed explanation on the nature of this FRS adjustment can be found on page 18.
- Losses from the Division's European operations.

I. The Cocoa Ingredients Operations in Asia and Latin America

Excluding the European operations, the Division's revenue reached US\$106.7 million, a 22.0% Y-o-Y growth. More significantly, the operations in Asia and Latin America generated sales volume growth of 16.7% to 40,493 metric tonnes. The sales volume growth was driven by the growing demand from our existing customers and new customers secured; and the significant inroads the operations have made in penetrating new markets.

The growth attained reflects the Division's strength in implementing its growth strategies in the areas of:

- Broadening and deepening the relationships with key customers

As one of the global suppliers of cocoa ingredients, we believe in working closely with our customers to become their Partners of Choice. Our customers, which include some of the largest food and beverage companies globally, are testament to our ability to deliver products that are synonymous with uncompromising quality and consistency to serve their growing requirements across multiple geographical locations. With a presence in Asia, Latin America and more recently Europe, we are now better positioned to broaden our customer base by leveraging on our existing customers to supply their European operations whilst also attracting and marketing to new customers.

Through constant innovation, process enhancements and upgrading of the production facilities, we are able to meet our customers' constant requests for new and improved customized products. The ability for the Cocoa Division to move its customers up the product value chain to the more customized products will enable the Division to generate higher EBITDA yields.

- Maximising capacity utilization

Underscoring the excellent bond with its customers, demand for the Division's customized products remains strong, driving the high capacity utilization rate for its cocoa ingredients processing facilities. For 1Q 2008, the average utilization rate for processing facilities in Asia and Latin America remained high at 97%.

At the EBITDA level, contributions from Asia and Latin America, before the negative adjustment on the change in Hedge Accounting of US\$2.0 million, declined by 22.4% to US\$5.2 million. The decline can be attributed to the following factors:

- Higher local operating costs for the different plants on the back of the weaker US\$ in 1Q 2008; and
- Lower EBITDA yield which reflects the new market development activities.

Viewing the results of the Division from a full year's perspective is more representative of its operating performance as the quarterly results can be influenced by:

1. Short term timing differences that may arise between product prices versus input cost
 - The bean costs that are charged against sales are on a weighted average basis and may not necessary be similar to the original contracted costs.
 - In periods of price stability, these differences are not significant but are exacerbated in periods of volatility.
 - These differences correct over the course of the year but on a quarterly basis, may produce timing differences.
2. Timing issues with regard to the Marked to Market valuation exercise to comply with the FRS 39 accounting standard

Including the adjustment for the change in Hedge Accounting of US\$2.0 million, the Asia and Latin America's EBITDA declined by 53.2% Y-o-Y to US\$3.1 million.

II. The European Cocoa Ingredients Operations

Having completed the acquisition of the European operations in March 2007, there is currently an ongoing investment program to significantly raise the capabilities and scale of the operations. When the investment programme is completed (targeted by the end-1Q 2009), the European operations will have a world class facility of significant scale capable of producing high quality products. The Cocoa Ingredients Division will be able to:

1. Expand its geographical operations and solidify its presence globally;
2. Build a significant market presence in Europe, the largest market for cocoa ingredients; and
3. Further capture the outsourcing trend, especially in the supply of premium cocoa ingredients to international food and beverage companies.

However until the investment program is completed, its capabilities are currently limited to producing generic grade of cocoa ingredients which generates low EBITDA yields. The current operations have yet to benefit from the ongoing investment program which will significantly raise capabilities and the scale of the operations

As a result, the present business is likely to incur losses over the short term. For 1Q 2008, the European operations contributed 44.0% of the Cocoa Ingredients Division's revenue. However given the generic nature of its products, a 1Q 2008 loss of US\$2.1 million (representing Petra Foods' share) was generated. The losses, although anticipated, were greater than our expectations for the following reasons:

1. Quality issues with the cocoa beans processed in 1Q 2008 which resulted in lower sales volumes and production yields. This affected the industry and not only our European operations.
2. Disruption to production caused by the capabilities upgrading program that is currently being implemented.

The negative contribution from Europe will likely continue until the investments to upgrade the present production facilities, improve its processes and increase its capacity are completed. In accordance with the strategy envisaged when the European business was acquired, the Division anticipates long term financial and strategic benefits after the completion of the investment programme.

Objectives of New Approach to Hedge Accounting under FRS 39

In 4Q 2007, we experienced volatility in the financial and commodity markets and therefore, volatility in the impact on our Hedge Accounting. Subsequently we worked extensively with our auditors to establish a more appropriate approach to Hedge Accounting. Note that our hedging strategies have not changed. This is about compliance with FRS 39 Hedge Accounting.

The Group enters into exchange traded cocoa bean futures to hedge the cocoa bean price risk arising from its operational activities (forward sales and purchase and cocoa bean inventory for cocoa ingredients).

In accordance with FRS 39, these cocoa bean futures have been accounted for as Fair Value Hedges (FVH). Essentially this requires the marked to market to occur on a monthly basis, not only of the cocoa bean futures, but the cocoa bean inventory and the physical contracts as well. The change in value then flows directly to the Profit and Loss account even though the underlying sales and

purchase contracts may not be realized until a later accounting period. This method may therefore result in a higher marked to market volatility especially in periods of extreme market volatility.

During the quarter ended 31 March 2008, the alternative Cash Flow Hedge (CFH) approach was adopted. The CFH approach enables the matching of the Group's cocoa bean futures position (the hedge instrument) with the underlying forecast transactions with the cocoa bean futures position being marked to market monthly. This is achieved by the change in value arising from the marked to market on the cocoa bean futures position being taken to the Cash Flow Reserve in the Balance Sheet and only taken to Profit and Loss in the accounting period in which the underlying transaction is realized.

The Group believes this change in Hedge Accounting methodology will minimize any unnecessary Profit and Loss movement.

Consequent to the change in Hedge Accounting and in accordance with FRS 39, there will be a residual fair value adjustment of US\$5.6 million which will be realized to the Profit and Loss account over the course of FY 2008. A negative fair value adjustment of US\$2.0 million has been reflected as part of 1Q 2008 Cocoa Division's cost of sales in accordance with the corresponding realization of sales contract during this quarter ended 31 March 2008.

As a result of this FRS adjustment, the Division's EBITDA per mt for 1Q 2008 declined from US\$72 per mt to US\$51 per mt. Excluding Europe, the EBITDA per mt declined by US\$27 to US\$107 per mt. This new approach to Hedge Accounting only applies to the Far East operation at this stage and will be applied where possible to Europe and Latin America in the future.

Over the longer term, the Group believes that the CFH approach should minimize volatility from the fair valuation of bean futures on the operating performance of the Division.

		FRS 39 Hedge Accounting	
		Existing Approach - Fair Value Hedge (FVH)	New Approach - Cash Flow Hedge (CFH)
(1) Accounting Treatment	<p>Bean Inventory</p> <p>Physical Contracts (Bean purchase or cocoa ingredients sales)</p> <p>Bean Futures</p> <ul style="list-style-type: none"> - Physical Hedge - Arbitrage and Switches 	<p>Fair value to P&L</p> <p>Fair value to P&L</p> <p>Fair value to P&L</p> <p>Fair value to B/S (Cash Flow Hedge - CFH)</p>	<p>No fair valuation</p> <p>No fair valuation</p> <p>Fair value changes deferred to Balance Sheet - released to P&L upon sales (Cash Flow Hedge - CFH)</p> <p>Fair value to P&L</p>
(2) Implication	<ul style="list-style-type: none"> Both financial derivatives, bean inventory and physical contracts (firm commitments) are marked to market - resulting difference are recorded in P&L. Hedge effectiveness may be affected due to hedging mismatch (not able to hedge perfectly on a cost effective basis) and timing differences. May be subject to higher P&L volatility especially in extreme market movements. 	<ul style="list-style-type: none"> Only cocoa bean futures are marked to market with changes in fair value deferred to the Balance Sheet. Gains/(Losses) are then released to P&L to match against corresponding realization of underlying sales contract. Minimise mismatch and volatility from physical contracts and bean inventories which are recorded at cost. Balance of bean futures that do not meet hedge accounting are still marked to market and change is taken to P&L. 	

Operating Expenses

The Group's Selling and Distribution Expenses and General and Administration Expenses increased by US\$3.1 million and US\$1.2 million respectively to US\$14.6 million and US\$6.4 million in 1Q 2008.

The increase in these expenses was attributable to:

1. US\$2.1 million due to the newly acquired European operations - cost for the full three months reflected in 1Q 2008 versus only one month reflected in 1Q 2007;
2. Higher outward freight costs from both divisions in line with increases in sales volumes; and
3. Increased staff costs to support the higher sales volumes, new product launches and a stronger sales and distribution platform.

Finance Cost

The Group's finance cost in 1Q 2008 increased by US\$1.5 million to US\$3.6 million. This increase is due to the higher Group borrowings to fund the Cocoa Ingredients Division's Europe acquisition, the higher working capital requirements due to the higher bean cost and to fund the expansion of operations in the Far East.

Review of Balance Sheet and Financial Position

Key figures as at	31-Mar- 2008	31-Dec-07	Change
	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>
Total Assets	575,795	536,258	39,537
Current Assets	338,892	311,930	26,962
Non-current Assets	236,903	224,328	12,575
Total Borrowings	244,247	225,320	18,927
Shareholders' Equity	192,178	188,776	3,402
Net Working Capital	88,632	86,201	2,431

As at 31 March 2008, total shareholders' equity increased to US\$192.2 million. Total assets grew by US\$39.5 million of which US\$10.1 million arose from capital expenditure and the remainder from higher working capital.

The businesses' growth and expansion was mainly funded by operating cash flow before working capital changes of US\$12.6 million, a 5-year US\$14 million Medium Term Note ("MTN") issued in 1Q 2008 and increased utilization of the trade finance facilities.

The Group's increased borrowings can be attributed to:

- Additional utilization of term loan and working capital facilities of US\$17.8 million for the European operations; and
- Higher trade finance as the Group held higher quantities of premium quality African beans for the expanded capacity.

This resulted in an increase in the Group's borrowings from US\$225.3 million as at 31 December 2007 to US\$244.2 million as at 31 March 2008. The issuance and use of the MTN is to strengthen the Group's capital structure and better match the debt maturity profile to suit the Group's funding and investment needs. Please refer to Para 1(b)(i) Note 2.

The Group's net debt to equity ratio increased marginally from 1.06 times as of 31 December 2007 to 1.14 times as of 31 March 2008. Its adjusted net debt to equity decreased from 0.70 times to 0.66 times for the period under review.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

If not for the US\$2.0 million negative FRS 39 adjustment in 1Q 2008 and the higher than expected loss from the European Cocoa Ingredients operations, the Group's results for 1Q 2008 would have been in line with the commentary made in Paragraph 10 of the Group's 4Q 2007 Unaudited Financial Statement and Dividend Announcement.

10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Commentary on the Outlook for the Business

With its proven business model of two highly complementary businesses, Petra Food's operation is fundamentally strong. The Group aims to continue growing by leveraging and building on its key strengths and to achieve its strategic objectives of strengthening its core competencies including the extension of its regional footprint for the Branded Consumer business; to solidify its global position of its Cocoa Ingredients Division; and to maximize its asset yields.

For the **Branded Consumer Division**, the Division aims to continue to drive growth, profitability and expand market penetration into its key ASEAN market and capture a larger share of the world's fastest growing region for chocolate confectionery sales. The intention is to further tap the consumer dollar through new product offerings and brand building initiatives. The Division also aims to leverage on its distribution strength to maximize returns by further driving larger volumes of Own Brands and Third Party Brands through its regional distribution infrastructure.

The **Cocoa Ingredients Division** aims to continue growing its geographical reach and solidify its global market presence by driving the demand of its cocoa products to its portfolio of customers in the food and beverage industry. The division will continue with its ongoing market development initiatives and its strategic capacity expansion programme to drive future growth for the Group.

Although the present EBITDA yield from the European operations is low with operational losses likely to continue in the future, the Division is confident of the long term contributions from this acquisition. The division anticipates that the planned strategic investment to upgrade and expand the capabilities will lift the EBITDA yield to generate attractive returns.

The longer term industry fundamentals for the division are intact with growth driven by the organic growth of the chocolate confectionery industry, the outsourcing trend and from the industry consolidation. These factors will continue to push the demand for the division's cocoa products thereby driving sales in the future.

Petra Foods has built a business model with two complementary earning streams which together will generate future growth. Through optimizing its resources, investing prudently in the business to strengthen and positioning the Group for the long term, Petra Foods is poised to take advantage of the future growth potential of the global chocolate confectionery industry.

For FY2008, the business outlook for the Group's Branded Consumer Division and the Cocoa Ingredients remain positive. The Branded Consumer Division is expected to show profit growth driven by our core market in Indonesia and better performance from the Philippines operations. For the Cocoa Ingredients operations in Asia and Latin America, strong sales to our customers will continue to drive volume growth. The EBITDA yield is likely to lower on a Y-o-Y basis but higher than 1Q 2008 level.

However, this is unlikely to be sufficient to offset the combined negative impact of the higher than expected losses from the European cocoa operations and the full year negative FRS 39 adjustment of US\$5.6 million arising from the change in the Group's Hedge Accounting. As a result, the Group's FY 2008 net profit is unlikely to match last year's.

11. Dividend

a. Current Financial Period Reported On

Any dividend declared for the current financial period reported on? **No**

b. Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the preceding financial period reported on? **No**

c. Date payable

Not applicable

d. Books closure date

Not applicable.

e. If no dividend has been declared/recommended, a statement to that effect.

No dividend for 1st Quarter ended 31 March 2008 has been declared.

12. Segment Information

Primary reporting format - business segments

	Cocoa Ingredients US\$'000	Branded Consumer US\$'000	Total US\$'000
Year ended 31 March 2008			
Sales:			
- External sales	190,542	58,997	249,539
- Inter-segment sales	4,133	-	4,133
	<u>194,675</u>	<u>58,997</u>	<u>253,672</u>
Elimination			<u>(4,133)</u>
			<u>249,539</u>
Segment result	(1,466)	7,466	6,000
Finance costs			(3,612)
Share of profit of associated companies			<u>(114)</u>
Profit before tax			2,274
Income tax expense			(557)
Minority interest			<u>1,172</u>
Net profit			<u>2,889</u>
Other segment items			
Segment assets	414,655	154,230	568,885
Associated companies			2,741
Unallocated assets			<u>4,169</u>
Consolidated total assets			<u>575,795</u>
Segment liabilities	288,079	64,974	353,053
Unallocated liabilities			<u>12,754</u>
Consolidated total liabilities			<u>365,807</u>
Capital expenditure	9,631	487	10,118
Depreciation	2,542	1,583	4,125
Amortisation	116	6	122
EBITDA	<u>1,139</u>	<u>8,918</u>	<u>10,057</u>

Segment Information (continued)

Primary reporting format - business segments (continued)

	Cocoa Ingredients US\$'000	Branded Consumer US\$'000	Total US\$'000
Period ended 31 March 2007			
Sales:			
- External sales	107,990	53,913	161,903
- Inter-segment sales	953		953
	<u>108,943</u>	<u>53,913</u>	<u>162,856</u>
Elimination			<u>(953)</u>
			<u>161,903</u>
Segment result	5,015	6,389	11,404
Finance costs			(2,160)
Share of profit of associated companies			<u>(45)</u>
Profit before tax			9,199
Income tax expense			(2,256)
Minority interest			<u>24</u>
Net profit			<u>6,967</u>
Other segment items			
Segment assets	314,075	135,193	449,268
Associated companies			2,987
Unallocated assets			<u>641</u>
Consolidated total assets			<u>452,896</u>
Segment liabilities	185,988	64,521	250,509
Unallocated liabilities			<u>10,753</u>
Consolidated total liabilities			<u>261,262</u>
Capital expenditure	3,316	585	3,901
Depreciation	2,032	1,308	3,340
Amortisation	<u>27</u>	<u>-</u>	<u>27</u>
EBITDA	<u>7,031</u>	<u>7,619</u>	<u>14,650</u>

Secondary reporting format - geographical segments

For financial period ended 31 March

	Revenue		Total assets		Capital expenditure	
	2008	2007	2008	2007	2008	2007
	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>
Indonesia	48,453	44,861	173,535	126,539	553	997
Singapore	17,131	10,745	219,472	236,609	134	32
Philippines	9,645	7,570	42,834	26,038	39	-
Thailand	2,246	1,874	21,895	17,469	-	88
Malaysia	5,705	4,938	87,749	66,943	1,725	352
Japan	16,172	16,135	-	-	-	-
Middle East	7,953	3,855	-	-	-	-
Other countries in Asia	9,253	3,230	-	-	-	-
Australia	10,208	10,027	-	-	-	-
Europe	98,274	42,663	146,670	63,379	7,457	1,387
North America	7,175	7,272	1,116	859	-	-
South America	11,923	6,025	72,253	49,667	210	1045
Africa	5,401	2,708	-	-	-	-
	249,539	161,903	765,524	587,503	10,118	3,901
Elimination	-	-	(189,729)	(134,607)	-	-
	249,539	161,903	575,795	452,896	10,118	3,901

14. Interested Person Transactions

	¹ Aggregate value of all transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual	
	1Q 2008	
	<u>US\$'000</u>	
PT Freyabadi Indotama		
- Sales of goods	910	
- Purchase of products	2,012	
	2,922	
PT Tri Keeson Utama		
- Sales of goods	774	
PT Fajar Mataram Sedayu		
- Sales of goods	568	
- Purchase of goods	95	
	663	
PT Sederhana Djaja		
- Lease of properties	11	

Note:

¹ Aggregate value of all interested person transactions include transactions less than S\$100,000.

BY ORDER OF THE BOARD
Lian Kim Seng/Evelyn Chuang
Secretaries