

OPERATIONS AND FINANCIAL REVIEW

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
INCOME STATEMENT					
Revenue	3,276	2,867	3,533	4,468	3,621
Operating margin	176.6	182.9	184.4	119.0	108.2
Net profit - reported	89.0	89.7	92.4	42.2	24.8
Net profit excluding exceptional gains	89.0	89.7	97.1	40.2	20.0
Earnings per share (US cents per share)	6.92	6.96	7.08	2.80	1.64
BALANCE SHEET					
Fixed investments	169	173	223	305	357
Working capital	176	249	397	482	538
Cash (IPO proceeds)	-	-	141	58	-
Total investments	345	422	761	845	895
Equity	190	239	509	538	560
Gross debt	195	221	326	386	384
Cash excluding IPO proceeds	(40)	(38)	(74)	(79)	(49)
Adjusted net debt	155	183	252	307	335
Total capital	345	422	761	845	895
Debt to equity	1.03	0.92	0.64	0.72	0.69
Net debt to equity	0.82	0.77	0.22	0.46	0.60
Net asset value per share (US cents per share)	14.85	18.66	33.69	35.82	37.38

In US\$'million, unless stated otherwise

SEGMENTAL PERFORMANCE

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
SEGMENTAL PERFORMANCE:					
Sales volume (MT'000)					
Bulk	2,575	3,080	2,976	2,761	2,576
Consumer Pack	757	727	876	889	825
Total	3,332	3,807	3,852	3,650	3,401
Operating margin (US\$'million)					
Bulk	115.1	100.5	102.2	76.6	64.5
Consumer Pack	61.5	82.4	82.2	42.4	43.8
Total	176.6	182.9	184.4	119.0	108.2
Operating margin per MT (US\$)					
Bulk	44.7	32.6	34.4	27.7	25.0
Consumer Pack	81.3	113.4	93.8	47.8	53.1
Total	53.0	48.0	47.9	32.6	31.8

PALM OIL INDUSTRY IN 2012

Challenges for the palm oil industry continued in 2012. While the production for palm oil continued to grow, demand did not keep pace with the supply. This resulted in continued inventory build-up in the producing countries and falling prices throughout the year. Palm oil prices closed 30% lower at RM2,200 from RM3,150 a year ago. The prices peaked at RM3,550 in April before plummeting more than 40% to RM2,050 in December compared to peak of RM3,950 and bottom price of RM2,800 in 2011.

While the palm oil consumption for food continued to be stable, reduced industrial demand largely from Europe and China affected the overall demand. Under weak global economic and financials sentiments coupled with depressed and falling prices for palm oil, buyers at destinations continued to remain cautious and avoided building inventories. The past year trend of low inventories at destinations and high inventories at originations continued suppressing the prices and the margins for the industry. Conditions remained tough particularly for Malaysian refiners due to export tax disadvantage compared to Indonesian peers.

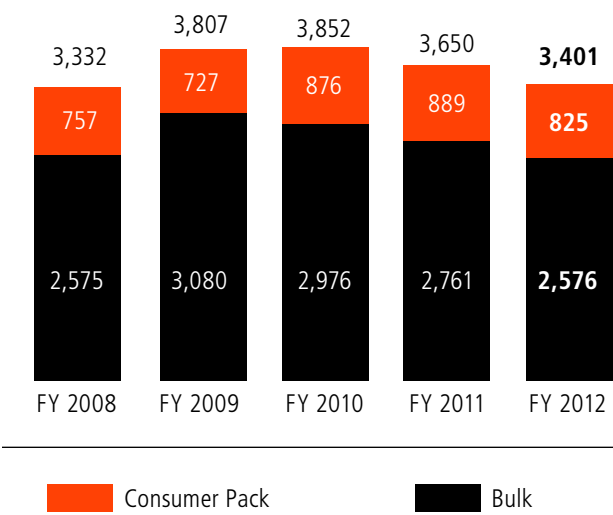
GROUP'S SALES VOLUME

The Group continued its cautious approach of participating selectively in trade flows and selecting its customers and trade terms which resulted in total sales volume declining by 6.8% to 3,401 thousand MT for the year. Under difficult operating conditions, volumes for both Bulk and Consumer Pack segment declined by 6.7% and 7.2% respectively to 2,576 thousand MT and 825 thousand MT. Consumer Pack segment continued to contribute strongly at 24.2% of total sales volume.

Excluding rice sales of 125 thousand MT, sales volume of 3,276 thousand MT was significantly higher than our current installed capacity of 2,800 thousand MT.



Sales Volume (MT'000)





WELL DIVERSIFIED SALES REVENUE

Our total sales revenue of US\$3,621 million in 2012 was 19.0% lower than last year due to lower sales volume as well as lower average selling prices. Sales revenue for the Bulk and Consumer Pack segments declined by 16.9% and 24.1% respectively. Consumer Pack segment continued to contribute strongly at 26.8% of total revenue.

As part of our strategy to diversify our range of food products, we have added rice to our products portfolio. Rice offers significant synergies to our existing business as we offer rice to our existing customers in consumer-pack form under our own brands, through our global distribution networks. We reported sales volume of 125 thousand MT and revenue of US\$57.6 million in the first full year of operations.

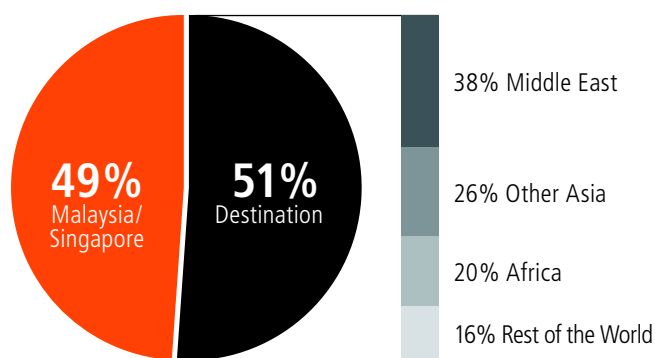
We strive to diversify our sales revenue across the globe and our efforts continued in 2012. Compared to 47% last year, 51% of total sales were made as destination sales in 2012, to customers with billing address of countries outside of Malaysia and Singapore. Destination sales remained diversified with Middle East and Africa contributing 38% and 20% of total destination sales respectively, 26% of the sales in Asia and the residue of 16% sold to rest of the world.

Destination sales for both Bulk and Consumer Pack Segments were strong at 37% and 89% respectively with Middle East and Africa.

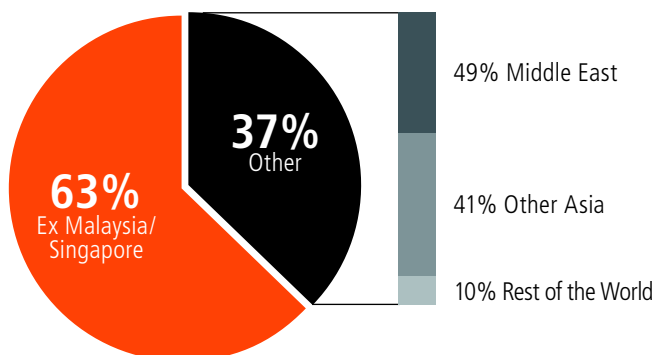


GEOGRAPHICAL SPREAD

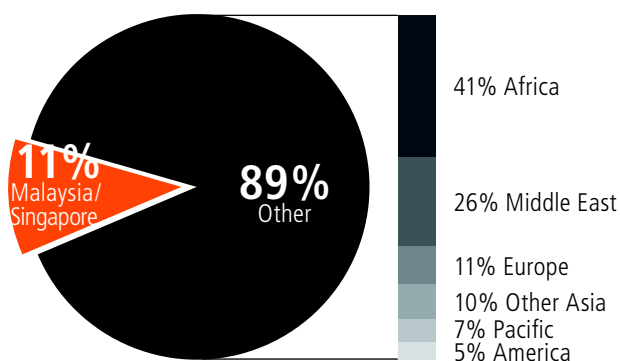
Total Sales



Bulk Sales



Consumer Pack Sales





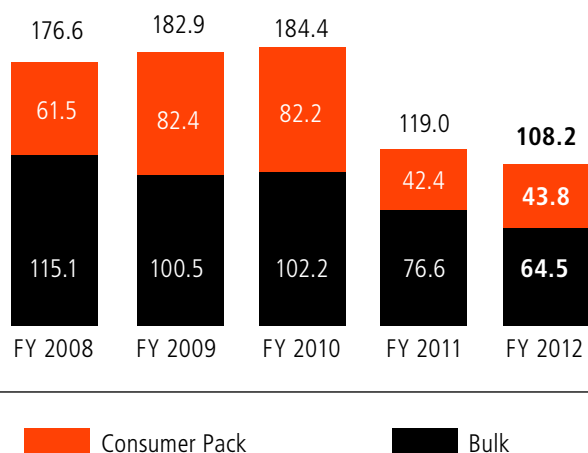
OPERATING MARGINS

The Group measures and tracks the performance in terms of Operating Margin per MT, sales volume and resultant total operating margin. OM is calculated as revenue, less cost of sales (excluding depreciation), selling and distribution expenses and foreign exchange gains or losses.

Over the last five decades, we have developed a successful integrated business model of participating in midstream and downstream parts of the value chain in the attractive palm oil industry, built inherent operational flexibility, developed sound risk management practices, and established our own brands and global distribution capabilities that have helped us to deliver robust and consistent operating margins throughout the ups and downs of economic cycles.

Despite challenging industry conditions, we achieved operating margin of US\$31.8 per MT though marginally down from US\$32.6 per MT last year. Bulk division which consists mainly of refining and trading margin dropped from US\$27.7 per MT to US\$25.0 per MT. Consumer Pack division which includes branding and distribution margins was more resilient achieving US\$53.1 per MT compared to US\$47.8 per MT. Bulk and Consumer Pack segments contributed 59.6% and 40.4% of total operating margin respectively.

Operating Margin (US\$ in millions)



Operating Margin per MT (US\$)

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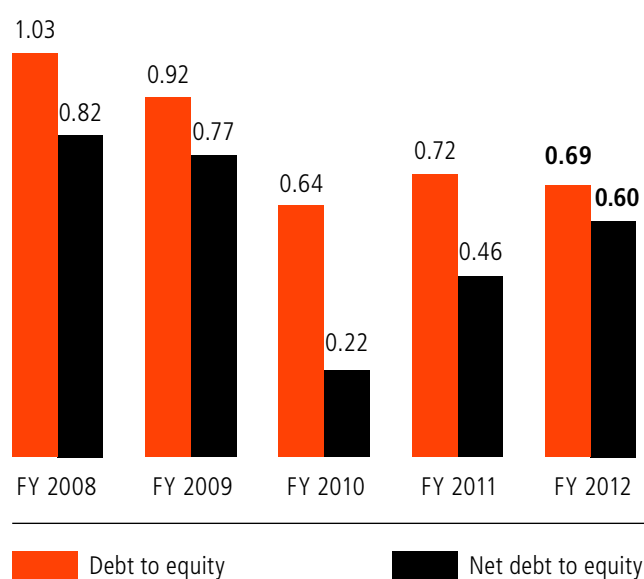
STRONG BALANCE SHEET

We manage our capital structure robustly by controlling our debt to equity ratio for fixed investment, current investment and in totality for the business. Due to the nature of our investments, we aim to keep net debt to equity ratio to be below 1.0 for fixed investments, below 2.0 for current investments and below 1.5 on an overall basis. We maintained healthy debt to equity ratio of 0.69 or net debt to equity ratio of 0.60 leaving sufficient scope to raise additional debt to support our growth plans.

We constantly maintain working capital credit lines to support our business. Our current utilisation of the credit lines available to us is only at 25%.

Our efficient, large scale, integrated production facilities and strong distribution network continued to help us keep our cycle time low on the average of 45 days in 2012. Excluding Readily Marketable Inventories, our cycle time remained low at 25 days.

DEBT TO EQUITY AND NET DEBT TO EQUITY



CYCLE TIME (DAYS)

