# Del Monte Pacific Limited

**Management Discussion and Analysis of**
**Unaudited Financial Condition and Results of Operations for**
**the First Quarter Ended 31 March 2007**

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## DIRECTORS' ASSURANCE

Confirmation by Directors Pursuant to Clause 705(4) of the Listing Manual of SGX-ST.

We confirm that to the best of our knowledge, nothing has come to the attention of the Board of Directors of Del Monte Pacific Limited which may render these interim financial results to be false or misleading.

For and on behalf of the
Board of Directors of
Del Monte Pacific Limited

(Signed)
Ramon S Ang
Chairman of the Board

(Signed)
Joselito D Campos, Jr.
Executive Director

27 April 2007

# DEL MONTE PACIFIC FIRST QUARTER 2007 NET PROFIT UP 50%, SUSTAINED GROWTH MOMENTUM FROM 2006

- **Net income rose 50% to US$5.1m**
- **1Q turnover of US$47.9m driven by strong sales in the Philippines**
- **Gross margin jumped 5.2 ppt on favourable pricing and cost savings**
- **Strong balance sheet with net cash position of US$9.9m**

**Singapore, 27 April 2007 –** Mainboard-listed Del Monte Pacific Limited (Bloomberg: DELM SP, Reuters: DMPL.SI) announced positive first quarter 2007 results, sustaining the growth momentum from 2006. First quarter turnover increased by 2% to US$47.9 million from US$46.7 million versus the same quarter last year, and net profit surged by 50% to US$5.1 million from US$3.4 million.

The Philippine market performed strongly with sales up 37% on higher volume and prices, as well as the favourable impact of the 6% Peso appreciation. Volume enjoyed significant growth driven by marketing efforts and pipelining to new distributors. Offtake of new products *Fit n' Right* and *Fried Chicken Mix* increased behind launch advertising and distribution.

Great Lakes and Del Monte Foods India contributed slightly higher revenue of US$4.3 million. Del Monte Foods India began selling mango puree to new customers in Europe.

Europe and North America, however, registered 27% lower sales at US$13.0 million due to lower volume in North America, partly offset by better prices in North America and higher concentrate sales to Europe.

Overall gross profit increased by 29% to US$12.2 million on improved pricing and lower labour, power and fixed manufacturing costs. Cost savings in the first quarter amounted to US$1.0 million largely as a result of lower labour costs resulting from the Early Retirement Program implemented last year, and lower power costs. Consequently, gross margin jumped to 25.5%, up 5.2 percentage points against the same period last year.

Both PBIT and net income rose 46% and 50%, respectively, given the strong gross profit growth.

"We are very pleased with our performance in the first quarter. The initiatives put in place last year are starting to produce material contributions." said Managing Director and CEO, Joselito Campos, Jr. "Restructuring efforts which included strengthening of the marketing, sales, supply chain and finance teams have greatly contributed to our positive results. More revenue-generating and cost-saving initiatives are lined up."

On 24 April 2007, the NutriAsia Group completed the acquisition of San Miguel Corporation's 42.2% stake in NutriAsia Pacific Ltd (NPL). However, NPL's ownership of DMPL remains unchanged at 84.5%. This marks the first time in 16 years that DMPL will revert to a single majority shareholder structure.

The agreement between the NutriAsia Group and San Miguel provides for DMPL to continue working with San Miguel and its subsidiaries in areas of potential mutual interest such as the development of products for San Miguel's subsidiary, National Foods Ltd, for the Australian and New Zealand markets, as well as providing DMPL with competitive rates for packaging materials and insurance coverage. San Miguel has been and remains supportive of DMPL's initiatives.

Management believes that the growth momentum will be sustained in the coming quarters. Barring any unforeseen circumstances, the Company is on track to delivering better results this year as compared to those in 2006.

## FINANCIAL HIGHLIGHTS – FIRST QUARTER 2007

| **Amounts in US$'000 unless otherwise stated**[1] | **For the three months ended 31 March** | | **YoY Change (%)** |
|---|---|---|---|
| | **2007** | **2006** | |
| Turnover | **47,850** | 46,721 | 2.4 |
| Gross profit | **12,210** | 9,495 | 28.6 |
| *Gross profit margin (%)* | ***25.5*** | *20.3* | *5.2 ppt* |
| EBITDA | **8,418** | 5,595 | 50.5 |
| *EBITDA margin (%)* | ***17.6*** | *12.0* | *5.6 ppt* |
| PBIT | **6,513** | 4,460 | 46.0 |
| *PBIT margin (%)* | ***13.6*** | *9.5* | *4.1 ppt* |
| Net profit | **5,132** | 3,418 | 50.1 |
| *Net profit margin (%)* | ***10.7*** | *7.3* | *3.4 ppt* |
| Net cash | **9,851** | 12,927 | (23.8) |
| Cash flow used in operations | **1,914** | (5,939) | n/m |
| Capital expenditure | **1,140** | 965 | 18.1 |
| **(in US cents)** | | | |
| EPS | **0.47** | 0.32 | 50.1 |
| NAV per share | **16.70** | 15.46 | 8.0 |
| Operating cash flow per share | **0.18** | (0.55) | n/m |
| Inventory (days) | **132** | 125 | 7 |
| Receivables (days) | **48** | 36 | 12 |
| Account Payables (days) | **63** | 77 | (14) |

[1] *The Company's reporting currency is US dollars. See Notes to the Financial Statements number 1 for the Singapore-dollar equivalent table.*

*n/m – not meaningful*

## REVIEW OF OPERATING PERFORMANCE

Group turnover for the first quarter of 2007 increased by 2% to US$47.9 million from US$46.7 million. The Philippine market performed strongly, offsetting volume declines in the international markets.

The Group's gross profit rose 29% to US$12.2 million from US$9.5 million as favourable prices and lower labour, power and fixed manufacturing costs more than offset increased packaging costs and the unfavourable impact of the 6% Peso appreciation against the US Dollar. Gross margin jumped to 25.5% from 20.3%.

PBIT also surged 46% to US$6.5 million mainly on the back of higher gross profit and net profit rose 50% to US$5.1 million due to higher PBIT.

Sales in Asia, which accounted for 73% of first quarter turnover, rose 21% to US$34.8 million. Strong growth in the Philippines more than offset the volume decline in the rest of Asia. PBIT also grew significantly by 58% to US$5.8 million on the back of higher turnover.

Turnover in Europe and North America, accounting for 27% of Group turnover, posted sales of US$13.0 million, 27% lower than prior quarter as a result of volume decline which negated better prices. Consequently, PBIT decreased by 10% to US$0.7 million.

The Company's net cash position decreased to US$9.9 million from US$12.9 million in the prior year quarter due to the settlement of Cirio trademark in the fourth quarter of 2006. Capital expenditure in the first quarter of 2006 increased by 18% to US$1.1 million primarily due to leasehold improvement for the new office in Metro Manila.

## VARIANCE FROM PROSPECT STATEMENT

The first quarter 2007 results were on track with our earlier guidance that "Barring any unforeseen circumstances, Management expects the Group to outperform results achieved in 2006."

## BUSINESS OUTLOOK

Barring any unforeseen circumstances, Management continues to expect that the Group's 2007 results will outperform those achieved in 2006.

The full impact of volume-generating initiatives coupled with the cost-saving program began in 2006 will be realised starting 2007.

# REVIEW OF TURNOVER AND PBIT

## 1. By geographical segments

| In US$'000 | Turnover | | | PBIT | | |
|---|---|---|---|---|---|---|
| | For the three months ended 31 March | | YoY Change | For the three months ended 31 March | | YoY Change |
| | **2007** | **2006** | **(%)** | **2007** | **2006** | **(%)** |
| Asia Pacific | **34,817** | 28,817 | 20.8 | **5,818** | 3,688 | 57.8 |
| Europe and North America | **13,033** | 17,904 | (27.2) | **695** | 772 | (9.9) |
| Total | **47,850** | 46,721 | 2.4 | **6,513** | 4,460 | 46.0 |

*See Notes to the Financial Statements number 4 for more details*

### Asia Pacific

Turnover in Asia Pacific, which accounted for 73% of Group turnover in the first quarter of 2007, improved by 21% to US$34.8 million from US$28.8 million due to the exceptional performance in the Philippine market.

Turnover in the Philippines jumped 37% on the back of volume and price increases, as well as the favourable impact of the 6% Peso appreciation. Volume enjoyed significant growth driven by marketing efforts and pipelining to new distributors. Offtake of new products *Fit n' Right* and *Fried Chicken Mix* increased behind launch advertising and distribution.

Great Lakes' sales in the domestic China market grew strongly on both volume and price improvements. However, export sales of industrial apple juice concentrate declined due to lower production as a result of low apple supply and high raw material price.

Asia Pacific PBIT rose 58% to US$5.8 million from US$3.7 million primarily due to better Philippine market performance. PBIT margin for this region improved to 16.7% from 12.8% in the prior year quarter.

### Europe and North America

Turnover in Europe and North America, which accounted for 27% of Group turnover, fell 27% to US$13.0 million from US$17.9 million due to lower volume in North America, partly offset by better prices in North America and higher concentrate sales to Europe. Del Monte Foods India also started selling mango puree to new customers in Europe.

PBIT in Europe and North America dropped by 10% to US$0.7 million from US$0.8 million. PBIT margin increased to 5.3% from 4.3% as a result of higher prices.

## 2. By business segments

| In US$'000 | Turnover | | | PBIT | | |
|---|---|---|---|---|---|---|
| | For the three months ended 31 March | | YoY Change | For the three months ended 31 March | | YoY Change |
| | **2007** | **2006** | **(%)** | **2007** | **2006** | **(%)** |
| Processed Products | **28,928** | 29,180 | (0.9) | **4,241** | 2,895 | 46.5 |
| Beverages | **17,769** | 16,112 | 10.3 | **2,229** | 1,877 | 18.8 |
| Non-processed Products | **1,153** | 1,429 | (19.3) | **43** | (312) | n/m |
| Total | **47,850** | 46,721 | 2.4 | **6,513** | 4,460 | 46.0 |

*See Notes to the Financial Statements number 4 for more details*

### Processed Products

Processed products, the largest product category, contributed 61% of the Group's first quarter turnover. This segment comprises of processed fruits and vegetables (pineapple, tropical mixed fruit, tomato-based products), and other processed products such as pasta and condiments. It also now includes sales of Del Monte-branded processed products such as canned vegetable and deciduous fruits sourced from other Del Monte companies and third party suppliers.

Turnover of processed products was slightly down by 1% to US$28.9 million from US$29.2 million. Volume of processed pineapple and mixed fruits to Europe and North America suffered significant declines. However, this was offset by price improvements in the Philippines and in North America, the strong performance of the tomato-based segment in the Philippines, plus the favourable impact of the 6% Peso appreciation against the US Dollar.

PBIT for processed products improved by 47% to US$4.2 million from US$2.9 million mainly due to favourable prices. PBIT margin increased to 14.7% from 9.9% in the same quarter last year.

### Beverages

Beverages consist of juices, juice drinks, purees and juice concentrates. This segment accounted for 37% of the Group's turnover in the first quarter of 2007.

Turnover of this segment grew by 10% to US$17.8 million from US$16.1 million driven by higher juice sales in the Philippines and at Great Lakes. This more than offset the declines in concentrate volume.

Great Lakes and Del Monte Foods India contributed US$4.3 million to total beverage sales, 4% higher than the prior year quarter.

PBIT of the beverage segment increased by 19% to US$2.2 million from US$1.9 million due to favourable prices.

### Non-processed Products

Accounting for 2% of the Group's turnover in the first quarter of 2007, non-processed products consist mainly of the non-core cattle business and fresh pineapples - both sold only in Asia Pacific. The cattle operation is used for the disposal of pineapple pulp.

Turnover of this segment fell 19% to US$1.2 million from US$1.4 million due to lower volume of fresh pineapple and cattle, partly offset by the improvement of fresh pineapple prices due to the amendments in the supply contract.

PBIT broke even from a loss of US$0.3 million last year as a result of better prices and lower other expenses.

# REVIEW OF COST OF GOODS SOLD AND OPERATING EXPENSES

| % of Turnover | For the three months ended 31 March | |
|---|---|---|
| | 2007 | 2006 |
| Cost of Goods Sold | **74.5** | 79.7 |
| Distribution & Selling Expenses | **6.7** | 5.2 |
| General and Administration Expenses | **5.9** | 5.4 |
| Other Expenses | **(0.3)** | 1.7 |

## Cost of Goods Sold

Cost of goods sold as a percentage of turnover declined to 74.5% from 79.7% due to lower labour, power and fixed manufacturing costs as a result of management initiatives. This offset increases in packaging cost and the unfavourable impact of the 6% Peso appreciation.

## Distribution & Selling Expenses

Distribution and selling expenses as a percentage of turnover rose to 6.7% from 5.2% due to advertising campaigns of new products such as *Fit n Right* and *Fried Chicken Mix.*

## General and Administration Expenses

General and administration expenses as a percentage of turnover increased to 5.9% from 5.4% due to higher rental expenses, among others.

## Other Expenses

The Company generated 'other income' in this quarter compared to 'other expense' in the prior year quarter. Other income included the IAS 41 adjustments which had a favourable impact of US$0.2 million versus an unfavourable impact of US$0.06 million in the same quarter last year. IAS 41 requires the Company to revalue biological assets at fair value less point-of-sale costs.

| In US$'000 | For the three months ended 31 March | | YoY Change |
|---|---|---|---|
| | 2007 | 2006 | (%) |
| Other operating expenses (before IAS 41) | **55** | 745 | (92.6) |
| Net changes in fair value of biological assets that remain unsold as at the end of the period | **(217)** | 64 | n/m |
| Other operating expenses (after IAS 41) | **(162)** | 809 | n/m |

## REVIEW OF GROUP ASSETS AND LIABILITIES

| Extract of Accounts with Significant Variances in US$'000 | As at 31 March 2007 | 31 March 2006 | 31 Dec 2006 |
|---|---|---|---|
| Other assets | **9,117** | 8,455 | 6,865 |
| Inventories | **57,378** | 54,597 | 45,235 |
| Biological assets | **46,484** | 41,740 | 44,451 |
| Trade and other receivables | **33,147** | 32,790 | 46,121 |
| Trade and other payables | **30,978** | 39,761 | 33,716 |
| Financial Liabilities (non-current) | **1,589** | 2,464 | 1,523 |
| Financial Liabilities (current) | **50,294** | 47,920 | 44,611 |
| Current tax liabilities | **5,017** | 2,488 | 4,070 |

**Other assets**
Other assets increased compared to the same quarter last year and year-end 2006 due to higher advances to landowners for long-term leases of agricultural land plus the impact of the Peso appreciation.

**Inventories**
Inventories increased compared to the same quarter last year due to higher stock of finished goods on the back of lower turnover for the export market and higher stock of tollpack operations' packaging materials in preparation for the peak production from April onwards. Inventories increased compared to year-end 2006 due to higher stock of finished goods on the back of lower turnover for the export market and higher tinplate importation.

**Biological assets**
Biological assets consist of deferred growing crops and livestock. Biological assets increased compared to the same quarter last year and year-end 2006 due to higher deferred growing crop costs as a result of an increase in land cultivation and the impact of the Peso appreciation.

**Trade and other receivables**
Trade and other receivables increased compared to the same quarter last year due to higher sales in the Philippines. However, it was lower against year-end 2006 as sales are generally higher at year-end due to the festive season.

**Trade and other payables**
Trade and other payables decreased compared to the same quarter last year due to the settlement of trademark payable to Cirio. It decreased compared to year-end 2006 due to lower accruals and reversal of unspent expenditures.

**Finance liabilities (non-current)**
Finance liabilities decreased compared to the same quarter last year due to the transfer of the current portion of unpaid financial leases to current obligations under finance lease.

**Finance liabilities (current)**
Finance liabilities increased compared to the same quarter last year due to borrowings to settle the Cirio trademark and higher China and India borrowings. Finance liabilities increased compared to year-end 2006 due to Philippine and China borrowings.

**Current tax liabilities**
Current tax liabilities were significantly higher compared to the same quarter last year and year-end 2006 due to better first quarter profits in the higher-tax jurisdiction.

## SHARE CAPITAL

| Ordinary shares issued and fully paid-up share capital | As at 31 March 2007 | As at 31 March 2006 | As at 31 Dec 2006 |
|---|---|---|---|
| Number of shares | **1,081,781,194** | 1,081,781,194 | 1,081,781,194 |
| Share capital (US$'000) | **10,818** | 10,818 | 10,818 |

## CASH FLOW AND LIQUIDITY

| Cash flow in US$'000 | |
|---|---|
| Net cash as at 31 December 2006 | 7,832 |
| Net cash from operating activities | 1,914 |
| Capital expenditure | (1,140) |
| Proceeds from disposal of fixed assets | 193 |
| Interest received/(paid) | 177 |
| Repayment of financial liabilities | (186) |
| Effect of exchange rate changes | 1,061 |
| Net cash as at 31 March 2007 | 9,851 |

| Liquidity in US$'000 | As at 31 March 2007 | As at 31 March 2006 | As at 31 Dec 2006 |
|---|---|---|---|
| Gross borrowings | **49,649** | 47,219 | 43,714 |
| Current | **49,649** | 47,219 | 43,714 |
| Secured | | | |
| Unsecured | **49,649** | 47,219 | 43,714 |
| Non-current | | | |
| Secured | | | |
| Unsecured | | | |
| *Less:* Cash and bank balances | **59,500** | 60,146 | 51,546 |
| Net cash | **9,851** | 12,927 | 7,832 |

The Group's net cash (cash and bank balances less borrowings) amounted to US$9.9 million as at 31 March 2007, compared to US$12.9 million as at 31 March 2006 and US$7.8 million as at 31 December 2006. The Group's net cash level was significantly reduced as compared to the same period last year due to the Del Monte trademark settlement worth US$8.5m. (Please refer to Note 5 of the Company's 2006 Annual Report for more details on the trademark settlement). However, the Group's net cash level improved against year-end level due to the improved performance of the Group.

## CAPITAL EXPENDITURE

Capital expenditure in the first quarter of 2007 slightly increased to US$1.1 million versus US$1.0 million in the prior year quarter. Major expenditures were incurred in the Philippines and these were:

- Leasehold improvements for the new office
- Major reconditioning of various equipment units in the Plantation & Cannery

| In US$'000 | For the three months ended 31 March 2007 | For the three months ended 31 March 2006 |
|---|---|---|
| Capex | **1,140** | 965 |
| Depreciation | **1,956** | 1,830 |

## DIVIDENDS

No dividends were declared for this quarter and corresponding prior year quarter.

## DEL MONTE PACIFIC LIMITED
## UNAUDITED PROFIT AND LOSS ACCOUNTS

| **Amounts in US$'000** | **For the Three Months Ended 31 March** | | |
|---|---|---|---|
| | **2007** | **2006** | **%** |
| Turnover | **47,850** | 46,721 | 2.4 |
| Cost of sales | **(35,640)** | (37,226) | (4.3) |
| **Gross profit** | **12,210** | 9,495 | 28.6 |
| Distribution and selling expenses | **(3,192)** | (2,450) | 30.3 |
| General and administration expenses | **(2,823)** | (2,501) | 12.9 |
| Other expenses | **162** | (809) | n/m |
| **Results from operating activities** | **6,357** | 3,735 | 70.2 |
| Financial income | **891** | 1,371 | (35.0) |
| Financial expenses | **(584)** | (778) | (24.9) |
| **Net finance income/(expense)** | **307** | 593 | (48.2) |
| **Profit before taxation** | **6,664** | 4,328 | 54.0 |
| Income tax expense | **(1,532)** | (910) | 68.4 |
| **Profit after taxation** | **5,132** | 3,418 | 50.1 |
| Attributable to: | | | |
| Equity holders of the Company | **5,132** | 3,418 | 50.1 |
| Minority interest | **-** | - | |
| | **5,132** | 3,418 | 50.1 |
| **Notes:** | | | |
| Depreciation and amortisation | **(2,061)** | (1,860) | 10.8 |
| **Financial income comprises:** | | | |
| Interest income | **735** | 646 | 13.8 |
| Foreign exchange gain | **156** | 725 | (78.5) |
| | **891** | 1,371 | (35.0) |
| **Financial expenses comprise:** | | | |
| Interest expenses | **(584)** | (778) | (24.9) |

*n/m – not meaningful*

| **Earnings per ordinary share in US cents** | **Group** | |
|---|---|---|
| | **For the three months ended 31 March** | |
| | **2007** | **2006** |
| Earnings per ordinary share based on net profit attributable to shareholders: | | |
| (i) Based on existing issued share capital | **0.47** | 0.32 |
| (ii) On a fully diluted basis | **0.47** | 0.32 |

## DEL MONTE PACIFIC LIMITED
## BALANCE SHEETS

| Amounts in US$'000 | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 31 Mar 2007 Unaudited | 31 Mar 2006 Unaudited | 31 Dec 2006 Audited | 31 Mar 2007 Unaudited | 31 Mar 2006 Unaudited | 31 Dec 2006 Audited |
| **Non-Current Assets** | | | | | | |
| Property, plant and equipment | **56,131** | 55,563 | 56,198 | | - | - |
| Subsidiaries | **-** | - | - | **84,490** | 125,585 | 84,490 |
| Intangible assets | **15,775** | 14,704 | 15,880 | **-** | - | - |
| Other assets | **9,117** | 8,455 | 6,865 | **-** | - | - |
| | **81,023** | 78,722 | 78,943 | **84,490** | 125,585 | 84,490 |
| **Current assets** | | | | | | |
| Inventories | **57,378** | 54,597 | 45,235 | | - | - |
| Biological assets * | **46,484** | 41,740 | 44,451 | | - | - |
| Trade and other receivables | **33,147** | 32,790 | 46,121 | **11,651** | 813 | 11,502 |
| Cash and cash equivalents | **59,500** | 60,146 | 51,546 | **15** | 14 | 15 |
| | **196,509** | 189,273 | 187,353 | **11,666** | 827 | 11,517 |
| **Total Assets** | **277,532** | 267,995 | 266,296 | **96,156** | 126,412 | 96,007 |
| **Equity attributable to equity holders of the Company** | | | | | | |
| Share capital | **10,818** | 10,818 | 10,818 | **10,818** | 10,818 | 10,818 |
| Reserves | **169,839** | 156,740 | 163,069 | **69,207** | 69,251 | 69,849 |
| | **180,657** | 167,558 | 173,887 | **80,025** | 80,069 | 80,667 |
| Minority interest | **-** | (294) | - | **-** | - | - |
| **Total Equity** | **180,657** | 167,264 | 173,887 | **80,025** | 80,069 | 80,667 |
| **Non-Current Liabilities** | | | | | | |
| Deferred tax liabilities | **8,997** | 8,098 | 8,489 | **-** | - | - |
| Financial liabilities | **1,589** | 2,464 | 1,523 | **-** | - | - |
| | **10,586** | 10,562 | 10,012 | **-** | - | - |
| **Current Liabilities** | | | | | | |
| Trade and other payables | **30,978** | 39,761 | 33,716 | **7,750** | 46,343 | 6,959 |
| Financial liabilities | **50,294** | 47,920 | 44,611 | **8,381** | - | 8,381 |
| Current tax liabilities | **5,017** | 2,488 | 4,070 | **-** | - | |
| | **86,289** | 90,169 | 82,397 | **16,131** | 46,343 | 15,340 |
| **Total Liabilities** | **96,875** | 100,731 | 92,409 | **16,131** | 46,343 | 15,340 |
| **Total Equity and Liabilities** | **277,532** | 267,995 | 266,296 | **96,156** | 126,412 | 96,007 |

* Biological assets consist of deferred growing crops and livestock

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| **Net asset value per ordinary share in US cents** | **31 Mar 2007**<br>**Unaudited** | **31 Mar 2006**<br>**Unaudited** | **31 Dec 2006**<br>**Audited** | **31 Mar 2007**<br>**Unaudited** | **31 Mar 2006**<br>**Unaudited** | **31 Dec 2006**<br>**Audited** |
| Net asset value per ordinary share | **16.70** | **15.46** | 16.07 | **7.40** | 7.40 | 7.46 |

# DEL MONTE PACIFIC LIMITED
# UNAUDITED STATEMENTS OF CHANGES IN EQUITY

## THE GROUP

| Amounts in US$'000 | Attributable to equity holders of the parent | | | | | Minority | Total |
|---|---|---|---|---|---|---|---|
| | Share Capital | Share premium | Translation reserves | Revenue reserves | Total | interest | Equity |
| **As at 1 January 2006** | 10,818 | 68,687 | (63,031) | 144,625 | 161,099 | (294) | 160,805 |
| Currency translation differences recognised directly in equity | - | - | 3,041 | - | 3,041 | - | 3,041 |
| Profit for the quarter | - | - | - | 3,418 | 3,418 | - | 3,418 |
| Total recognised income and expense for the year | - | - | 3,041 | 3,418 | 6,459 | - | 6,459 |
| **As at 31 March 2006** | 10,818 | 68,687 | (59,990) | 148,043 | 167,558 | (294) | 167,264 |
| | | | | | | | |
| **As at 1 January 2007** | 10,818 | 68,687 | (55,030) | 149,412 | 173,887 | - | 173,887 |
| Currency translation differences recognised directly in equity | - | - | 1,638 | - | 1,638 | - | 1,638 |
| Profit for the quarter | - | - | - | 5,132 | 5,132 | - | 5,132 |
| Total recognised income and expense for the year | - | - | 1,638 | 5,132 | 6,770 | - | 6,770 |
| **As at 31 March 2007** | 10,818 | 68,687 | (53,392) | 154,544 | 180,657 | - | 180,657 |

## THE COMPANY

| Amounts in US$'000 | Share capital | Share premium | Revenue reserves | Total |
|---|---|---|---|---|
| **As at 1 January 2006** | 10,818 | 68,826 | 855 | 80,499 |
| Net loss attributable to shareholders | - | - | (430) | (430) |
| **As at 31 March 2006** | 10,818 | 68,826 | 425 | 80,069 |
| | | | | |
| **As at 1 January 2007** | 10,818 | 68,826 | 1,023 | 80,667 |
| Net loss attributable to shareholders | - | - | (642) | (642) |
| **As at 31 March 2007** | 10,818 | 68,826 | 381 | 80,025 |

# DEL MONTE PACIFIC LIMITED
# UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

| **Amounts in US$'000** | **For the three months ended 31 March** | |
|---|---|---|
| | **2007** | **2006** |
| **Operating Activities** | | |
| Net profit attributable to shareholders | **5,132** | 3,418 |
| Adjustments for: | | |
| Amortization of intangible assets | **105** | 30 |
| Depreciation of property, plant and equipment | **1,956** | 1,830 |
| Allowance for doubtful receivables | **169** | 1 |
| Allowance for inventory obsolescence | **286** | 571 |
| Writeback of Impairment of property, plant and equipment | **(23)** | (19) |
| Gain on disposal of property, plant and equipment | **(43)** | (74) |
| Income tax expense | **1,532** | 910 |
| Operating profit before working capital changes | **9,114** | 6,667 |
| Changes in working capital: | | |
| Other assets | **(2,252)** | (2,057) |
| Inventories | **(12,474)** | (9,323) |
| Biological assets | **(2,033)** | (1,673) |
| Trade and other receivables | **12,008** | (976) |
| Trade and other payables | **(2,140)** | 1,683 |
| Operating cash flows | **2,223** | (5,679) |
| Income taxes paid | **(309)** | (260) |
| Cash flows from operating activities | **1,914** | (5,939) |
| | | |
| **Investing activities** | | |
| Interest received | **775** | 567 |
| Proceeds from disposal of property, plant and equipment | **193** | 90 |
| Purchase of property, plant and equipment | **(1,140)** | (965) |
| Cash flows used in investing activities | **(172)** | (308) |
| | | |
| **Financing activities** | | |
| Interest paid | **(598)** | (737) |
| Proceeds (net) from financial liabilities | **5,749** | 5,278 |
| Net cash used in financing activities | **5,151** | 4,541 |
| | | |
| **Net increase/(decrease) in cash and cash equivalents** | **6,893** | (1,706) |
| Cash and cash equivalents at beginning of year | **51,546** | 60,113 |
| Effect of exchange rate changes on balances held in foreign currency | **1,061** | 1,739 |
| **Cash and cash equivalents at end of year** | **59,500** | 60,146 |

# NOTES TO THE FINANCIAL STATEMENTS

## 1. FINANCIAL HIGHLIGHTS IN SINGAPORE DOLLARS

| **Amounts in S$'000 unless otherwise stated** | **For the three months ended 31 March** | | **YoY Change (%)** |
|---|---|---|---|
| | **2007** | **2006** | |
| Turnover | **73,211** | 76,622 | (4.5) |
| Gross profit | **18,681** | 15,572 | 20.0 |
| *Gross profit margin (%)* | ***25.5*** | *20.3* | *5.2 ppt* |
| EBITDA | **12,880** | 9,176 | 40.4 |
| *EBITDA margin (%)* | ***17.6*** | *12.0* | *5.6 ppt* |
| PBIT | **9,965** | 7,314 | 36.2 |
| *PBIT margin (%)* | ***13.6*** | *9.5* | *4.1ppt* |
| Net profit | **7,852** | 5,606 | 40.1 |
| *Net profit margin (%)* | ***10.7*** | *7.3* | *3.4 ppt* |
| Net cash | **15,072** | 21,200 | (28.9) |
| Cash flow used in operations | **2,928** | (9,740) | n/m |
| Capital expenditure | **1,744** | 1,583 | 10.2 |
| **(in SG cents)** | | | |
| EPS | ***0.73*** | 0.52 | *40.1* |
| NAV per share | ***25.55*** | *25.40* | *0.6* |
| Operating cash flow per share | ***0.27*** | *(0.90)* | *n/m* |
| Inventory (days) | **132** | 125 | 7 |
| Receivables (days) | **48** | 36 | 12 |
| Account Payables (days) | **63** | 77 | (14) |

*Note: S$/US$ conversion rate of 1.53 (1Q07) and 1.64(1Q06)*

*n/m – not meaningful*

## 2. AUDIT

First quarter 2007 figures have neither been audited nor reviewed by the Group's auditors.

## 3. ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year, except for the following relevant standards to the Group's operations which became effective on 1 January 2007. The Group's adoption of the new and revised standards has no significant impact on current and prior periods.

- IFRS 7 Financial Instruments: Disclosures
  Amendment to IAS 1 Presentation of Financial Statements: Capital Disclosures.

## 4. GROUP SEGMENTAL REPORTING

### By business segments

| **Three months ended 31 March 2007 in US$'000** | **Processed Products** | **Beverages** | **Non-Processed Products** | **Consolidated** |
|---|---|---|---|---|
| Turnover | 28,928 | 17,769 | 1,153 | 47,850 |
| Profit from operations, representing segment result | 4,129 | 2,188 | 40 | 6,357 |
| Net foreign exchange gain | 112 | 41 | 3 | 156 |
| Profit before interest and tax | 4,241 | 2,229 | 43 | 6,513 |
| Net interest expense | 251 | (105) | 5 | 151 |
| Profit before taxation | 4,492 | 2,124 | 48 | 6,664 |
| Taxation | | | | (1,532) |
| Minority interest | | | | - |
| Net profit attributable to shareholders | | | | 5,132 |
| Segment assets | 132,627 | 81,211 | 4,194 | 218,032 |
| Unallocated assets | | | | 59,500 |
| Consolidated total assets | | | | 277,532 |
| Segment liabilities | 8,524 | 21,921 | 1,199 | 31,644 |
| Unallocated liabilities | | | | 65,231 |
| Consolidated total liabilities | | | | 96,875 |
| Capital expenditure | 708 | 430 | 2 | 1,140 |
| Depreciation | 1,088 | 840 | 28 | 1,956 |
| Amortisation | 56 | 49 | | 105 |
| Writeback of asset impairment | (14) | (9) | | (23) |
| Non-cash expenses (net) other than depreciation, amortisation and writeback of asset impairment | 256 | 152 | 4 | 412 |

| **Three months ended 31 March 2006 in US$'000** | **Processed Products** | **Beverages** | **Non-Processed Products** | **Consolidated** |
|---|---|---|---|---|
| Turnover | 29,180 | 16,112 | 1,429 | 46,721 |
| | | | | |
| Profit from operations, representing segment result | 2,438 | 1,589 | (292) | 3,735 |
| Net foreign exchange gain | 457 | 288 | (20) | 725 |
| Profit before interest and tax | 2,895 | 1,877 | (312) | 4,460 |
| Net interest expense | (1) | (131) | - | (132) |
| Profit before taxation | 2,894 | 1,746 | (312) | 4,328 |
| Taxation | | | | (910) |
| Minority interest | | | | - |
| Net profit attributable to shareholders | | | | 3,418 |
| | | | | |
| Segment assets | 124,089 | 79,777 | 3,983 | 207,849 |
| Unallocated assets | | | | 60,146 |
| Consolidated total assets | | | | 267,995 |
| | | | | |
| Segment liabilities | 24,942 | 14,719 | 821 | 40,482 |
| Unallocated liabilities | | | | 60,249 |
| Consolidated total liabilities | | | | 100,731 |
| | | | | |
| Capital expenditure | 543 | 406 | 16 | 965 |
| Depreciation | 1,013 | 769 | 48 | 1,830 |
| Amortisation | 1 | 29 | - | 30 |
| Writeback of asset impairment | (10) | (9) | - | (19) |
| | | | | |
| Non-cash expenses (net) other than depreciation, amortisation and writeback of asset impairment | 280 | 218 | - | 498 |

### By geographical segments

| **In US$'000** | **Turnover** | | **Total assets** | | **Capital expenditure** | |
|---|---|---|---|---|---|---|
| | **For the three months ended 31 March** | | **As at 31 March** | | **As at 31 March** | |
| | **2007** | **2006** | **2007** | **2006** | **2007** | **2006** |
| Asia Pacific | **34,817** | 28,817 | **277,532** | 267,995 | **1,140** | 965 |
| Europe and North America | **13,033** | 17,904 | - | - | **-** | - |
| Total | **47,850** | 46,721 | **277,532** | 267,995 | **1,140** | 965 |

# 5. QUARTERLY TURNOVER AND PBIT BREAKDOWN

| | 2006 | % of Full Year 2006 | 2005 | % of Full Year 2005 | YoY Chg (%) |
|---|---|---|---|---|---|
| **Turnover** | **In US$'000** | | In US$'000 | | |
| 1Q | **46,721** | **19** | 48,022 | 22 | (2.7) |
| 2Q | **53,915** | **22** | 54,548 | 24 | (1.2) |
| 3Q | **59,509** | **25** | 50,601 | 23 | 17.6 |
| 4Q | **83,246** | **34** | 69,187 | 31 | 20.3 |
| Total | **243,391** | **100** | 222,358 | 100 | 9.5 |
| **PBIT** | | | | | |
| 1Q | **4,460** | **16** | 6,122 | 25 | (27.1) |
| 2Q | **3,994** | **13** | 6,815 | 28 | (41.4) |
| 3Q | **7,393** | **26** | 3,892 | 16 | 90.0 |
| 4Q | **12,775** | **45** | 7,826 | 31 | 63.2 |
| Total | **28,622** | **100** | 24,655 | 100 | 16.1 |
| **Net profit** | | | | | |
| 1Q | **3,418** | **16** | 5,361 | 29 | (36.2) |
| 2Q | **3,661** | **17** | 4,835 | 26 | (24.3) |
| 3Q | **4,798** | **23** | 2,775 | 15 | 72.9 |
| 4Q | **9,160** | **44** | 5,783 | 30 | 58.4 |
| **Total** | **21,037** | **100** | 18,754 | 100 | 12.18 |

| | 2007 | % of Full Year 2007 | 2006 | % of Full Year 2006 | YoY Chg (%) |
|---|---|---|---|---|---|
| **Turnover** | **In US$'000** | | In US$'000 | | |
| 1Q | **47,850** | **n.a.** | 46,721 | 19 | 2.4 |
| **PBIT** | | | | | |
| 1Q | **6,513** | **n.a.** | 4,460 | 16 | 46.0 |
| **Net profit** | | | | | |
| 1Q | **5,132** | **n.a.** | 3,418 | 16 | 50.1 |

# 6. INTERESTED PERSON TRANSACTIONS

The aggregate value of interested person transactions conducted pursuant to shareholders' mandate obtained in accordance with Chapter 9 of the Singapore Exchange's Listing Manual was as follows:

| **In US$'000** | **For the three months ended 31 March** | |
|---|---|---|
| | **2007** | **2006** |
| **Income** | | |
| Sales to San Miguel Corp and NutriAsia Group | **13** | - |
| Sub-total | **13** | - |
| **Expenses** | | |
| Purchases from San Miguel Corp and NutriAsia Group | **1,444** | 186 |
| Sub-total | **1,444** | 186 |
| **Aggregate value** | **1,457** | 186 |

(i) San Miguel and NutriAsia became an indirect controlling shareholder of DMPL on 1 December 2005.

## 7. CONTINGENT LIABILITIES

The Group is contingently liable with respect to lawsuits, tax assessments, and certain matters arising out of the normal course of business. Management believes that the resolution of these contingencies will not have a material effect on the results of operations or the financial condition of the Group.

A corporate guarantee was issued by the Company in favour of a bank to secure the US$3 million loan granted by the bank to Del Monte Foods India Private Limited, the Company's subsidiary.

## RISK MANAGEMENT

**Group Assets**
It is the Group's practice to assess annually with its insurance brokers the risk exposure relating to the assets of, and possible liabilities from, its operations. Assets are insured at current replacement values. Additions during the current year are automatically included with provision for inflation protection. At the end of the financial year under review, all major risks were adequately covered, except where the premium costs were considered excessive in relation to the probability and extent of a loss.

**Foreign Currency**
In the normal course of business, the Group enters into transactions denominated in various foreign currencies. In addition, the Company and its subsidiaries maintain their respective books and accounts in their reporting currencies. As a result, the Group is subject to transaction and translation exposures resulting from currency exchange rate fluctuations. However, to minimise such foreign currency exposures, the Group uses foreign currency borrowings and natural hedge. The Group has a natural hedge against US dollar fluctuations as our US dollar-denominated revenues generally exceed our US dollar-denominated costs. It is not the Group's policy to take speculative positions in foreign currencies.

**Inflation**
The Group's costs are affected by inflation, and its effects may continue to be felt in future periods. However, the Group has lessened the impact of cost increases by actively controlling its overall cost structure and introducing productivity-enhancing measures.

**Cash and Interest Rate Management**
The Group's cash balances are placed with reputable global and major Philippine banks and financial institutions. The Group manages its interest income by placing the cash balances with varying maturities and interest rate terms. This includes investing the Company's temporary excess liquidity in short term government securities from time to time. The Group obtains financing through bank borrowings and leasing arrangements. Short-term funding is obtained from short-term bank loan facilities. The Group's policy is to obtain the most favourable interest rate available without increasing its foreign currency exposure.

**Credit Risk**
The Group sells its products through major distributors and buyers in various geographical regions. Management has a credit risk policy which includes, among others, the requirement of certain securities to be posted to secure prompt observance and performance of the obligations of its distributors and other buyers from time to time. The group monitors its outstanding trade receivables on an ongoing basis. There is no significant concentration of credit risk with any distributor or buyer.

**International Business**
The Group's overall earnings from its trading activities with international customers are primarily affected by movements in the worldwide consumption, demand and prices of its products. However, the demand and supply risk associated with the Group's international business is minimised by the nature of its long-term supply agreements, five of which are with various Del Monte brand owners around the world. These contracts have various mechanisms with regard to prices and volume off-take that help limit the downside risk of the Group's international business.

In some cases, the Group is protected by the existence of price floors whereby the Group is able to recover its production costs. In other instances, the Group has the right of first refusal to supply additional quantities at prices no worse than those from alternative sources.

**Operations**
As an integrated producer of processed fruit products for the world market, the Group's earnings are inevitably subject to certain risk factors, which include general economic and business conditions, change in business strategy or development plans, weather conditions, crop yields, raw material costs and availability, competition, market acceptance of new products, industry trends, and changes in government regulations, including, without limitation, environmental regulations.

The Group's exposure to these risks is managed through the following processes, among others:

- Development and execution of a realistic long-term strategic plan and annual operating plan
- Securing long-term land leases with staggered terms
- Increasing production and packaging capacity
- Pursuit of productivity-enhancing and efficiency-generating work practices and capital projects
- Focus on consumption-driven marketing strategies
- Continuous introduction of new products and line extensions with emphasis on innovation, quality, competitiveness and consumer appeal
- Increased penetration of high-growth distribution channels
- Building on closer working relationships with business partners
- Close monitoring of changes in legislation and government regulations affecting the Group's business

## CORPORATE PROFILE

Listed on the Mainboard of the Singapore Exchange, Del Monte Pacific Limited (Bloomberg: DELM SP/ Reuters: DMPL.SI) is a group of companies engaged in the production, marketing and distribution of premium-branded food and beverage products.

The Group owns the Del Monte brand in the Philippines, where it enjoys leading market shares for pineapple juice, juice drinks, processed pineapple, mixed fruits, tomato sauce, spaghetti sauce and tomato ketchup, and also markets products under its second-tier brand, Today's.

Del Monte Pacific also holds the exclusive rights to produce and distribute food and beverage products under the Del Monte brand in the Indian sub-continent. The Group owns Del Monte Foods India Private Limited which is engaged in the manufacture, distribution and sale of processed fruit and vegetable products.

Del Monte Pacific also owns Great Lakes Fresh Foods and Juice Company Ltd. Great Lakes is a premium fruit juice producer in China, which sells juices under the Great Lakes, Ming Lang, Little Lakes, Huanyan, Rougemont and Welch's brands.

Operating one of the world's largest fully integrated pineapple operations, the Group is the global low-cost producer of pineapple and has long-term supply agreements with Del Monte trademark owners and licensees around the world.

Del Monte Pacific and its subsidiaries are not affiliates of Del Monte Corporation and its parent, Del Monte Foods Company, or Fresh Del Monte Produce, Inc and its subsidiaries, or Kikkoman Corporation and its subsidiaries, including Del Monte Asia Pte Ltd, or Del Monte Foods International Limited and its subsidiaries. Del Monte Pacific is 85%-owned by NutriAsia Pacific Ltd.

Further information on the Company is available at www.delmontepacific.com
To subscribe to our email alerts, please send a request to jluy@delmontepacific.com