

# Del Monte Pacific Limited

## Second Quarter and First Half 2008 Results

31 July 2008



# Agenda

- **Executive Summary**
- **Analysis of 2Q & 1H 2008 Results**
- **Other Updates**
- **Growth Initiatives for 2008**
- **Outlook for 2008**
- **Dividend**



# Executive Summary

- 2Q08 sales rose 35% while 1H08 sales surged 41%
- Broad-based growth in Asia Pacific, with biggest driver coming from the Philippines
- Sales of new lifestyle drink, *Fit 'n Right*, exceeded expectations
- Gross margin holding up at 23.6%
- Unfavourable impact of Peso/US\$ movement plus share of loss in affiliate affected net income
- Net income grew by 3% in 2Q, and 10% in 1H
- Declared dividend of US\$0.0080/share or 75% payout



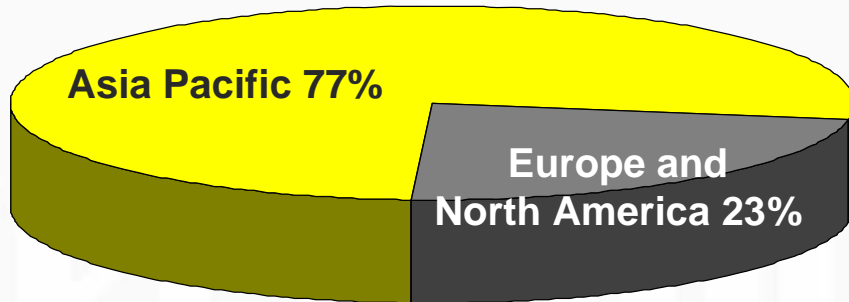
# Second Quarter 2008

In US\$m	2Q 2007	2Q 2008	Chg (%)	Comments
<b>Turnover</b>	65.7	<b>88.6</b>	+34.8	Strong Philippines and other Asia Pacific markets
<b>Gross profit</b>	14.9	<b>20.9</b>	+40.5	Higher volume, improved prices, proactive cost management
<b>Operating profit</b>	8.1	<b>10.3</b>	+27.3	Better gross profit, slightly offset by higher A&P, business building costs
<b>Finance inc/(exp) (net)</b>	0.3	<b>(2.4)</b>	n/m	Includes US\$1.8m FX loss
<b>Share of loss</b>	-	<b>(0.8)</b>	n/m	40.1% stake in Bharti Del Monte India
<b>Tax</b>	(3.0)	<b>(1.5)</b>	-50.9	PEZA tax savings
<b>Net Profit</b>	5.4	<b>5.6</b>	+3.1	
<b>Operating Cash Flow</b>	(7.1)	<b>5.3</b>	n/m	Due to expanded business operations, timing of purchases and lower taxes
<b>Net Debt</b>	(10.4)	<b>(54.0)</b>	+420.2	Investment in 40.1% of BDM for US\$24m and S&W for US\$10m
<b>Gearing (%)</b>	5.6	<b>27.8</b>	+396.4	Higher due to the above investments



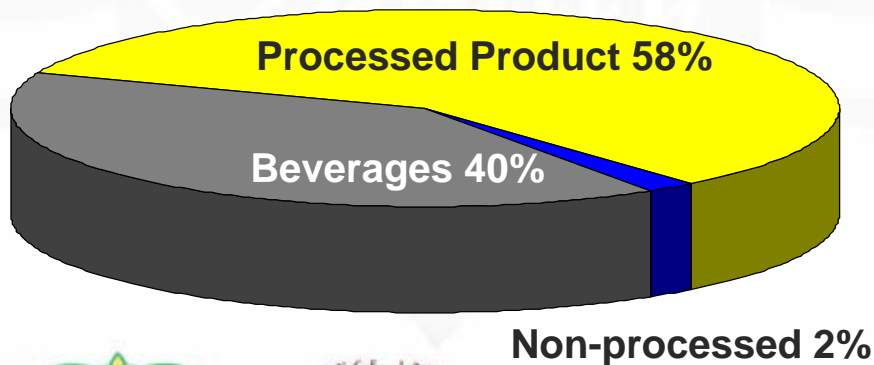
# 2Q Turnover Analysis

## By Market



Asia Pac	+54%	<p>Higher sales in Philippines, esp. <i>Fit 'n Right</i> drink, mixed fruit and tomato-based product</p> <p>Higher concentrate sales from Great Lakes China</p> <p>Higher sales of canned tropical fruits in Asia Pacific</p>
E&NA	-4%	<p>Lower volume of processed pineapple and concentrate to Europe</p>

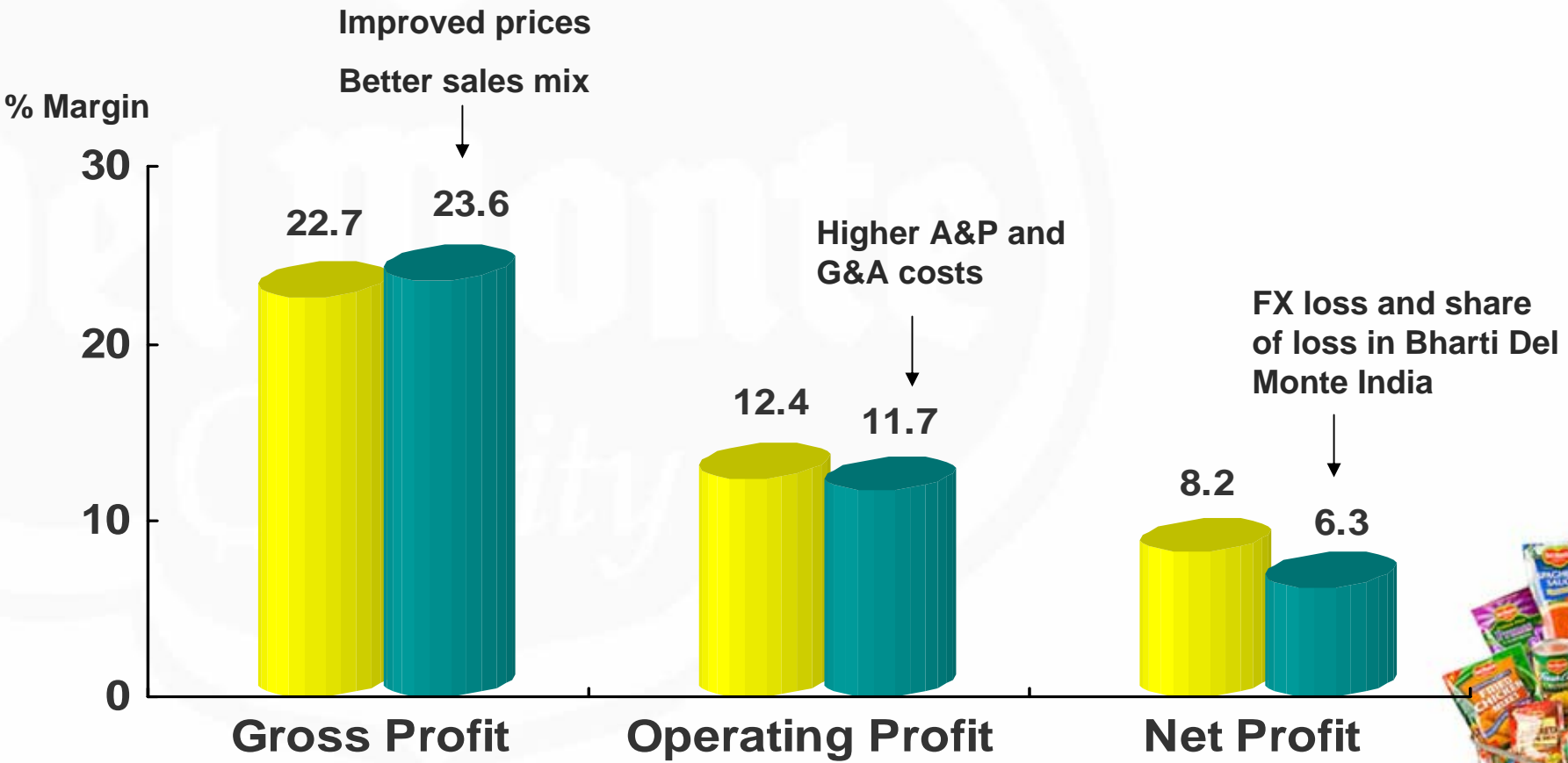
## By Product



Processed	+19%	<p>Higher sales of tomato-based products and mixed fruits in Philippines, canned tropical fruits in Asia Pacific and S&amp;W contribution</p>
Beverages	+65%	<p>Philippines higher juice sales due to <i>Fit 'n Right</i>, Great Lakes higher concentrate sales</p>
Non-processed	+94%	<p>Better volume and prices for cattle and fresh pineapples</p>



# 2Q Margins

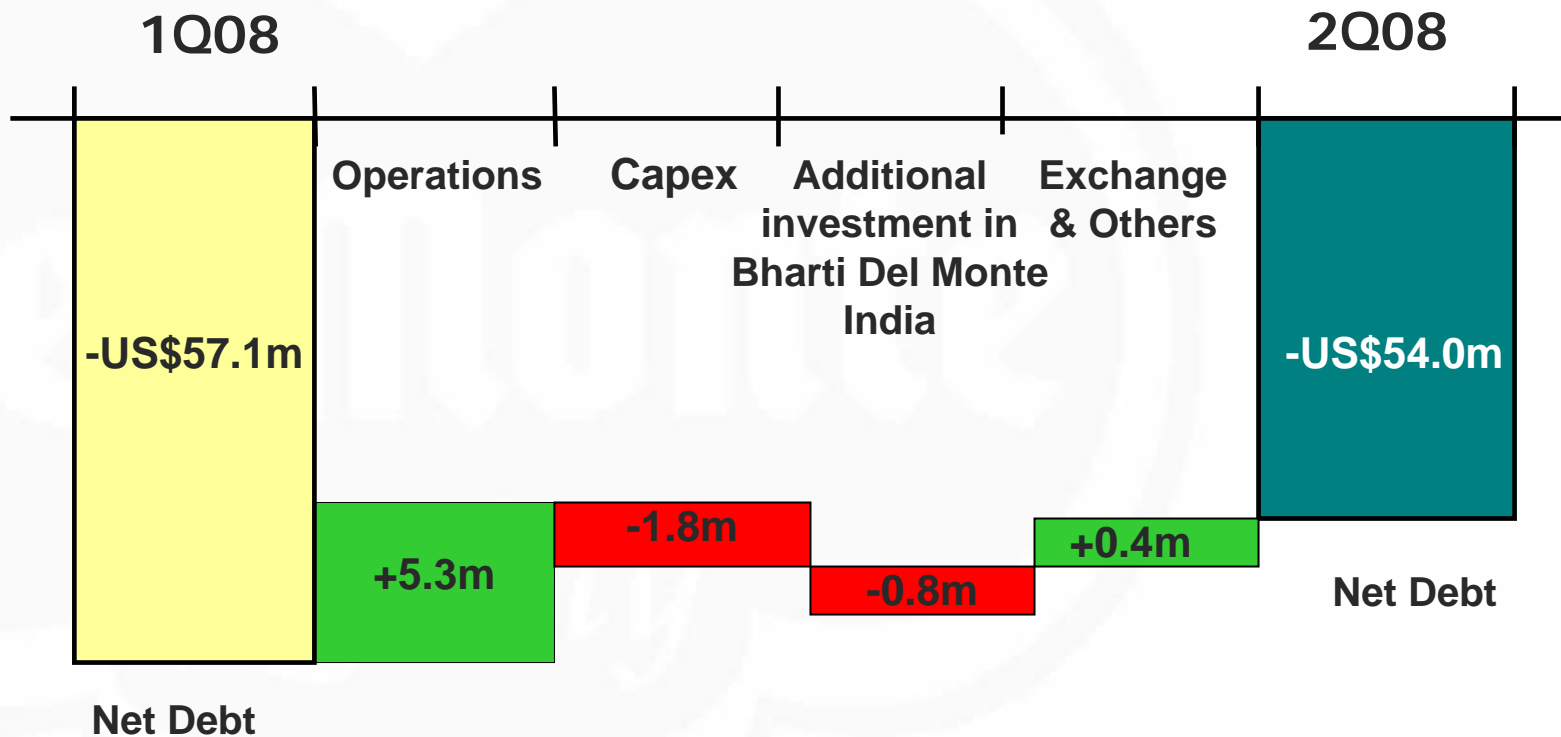


● 2Q07    ● 2Q08





# 2Q Cash Flow Variance Analysis





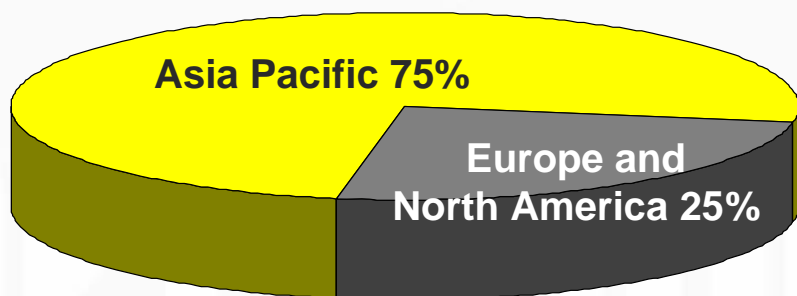
# First Half 2008

In US\$m	1H 2007	1H 2008	Chg (%)	Comments
<b>Turnover</b>	113.6	<b>160.3</b>	+41.1	Strong Philippines, other Asia Pacific and North American markets
<b>Gross profit</b>	26.4	<b>36.6</b>	+38.7	Higher volume, improved prices, proactive cost management
<b>Operating profit</b>	14.5	<b>18.0</b>	+24.3	Better gross profit, slightly offset by higher A&P, business building costs
<b>Finance inc/(exp) (net)</b>	0.5	<b>(1.9)</b>	n/m	Includes US\$0.9m FX loss plus lower interest income of US\$0.7m
<b>Share of loss</b>	-	<b>(1.7)</b>	n/m	40.1% stake in Bharti Del Monte India
<b>Tax</b>	(4.5)	<b>(2.8)</b>	-37.0	PEZA tax savings
<b>Net Profit</b>	10.5	<b>11.6</b>	+10.1	
<b>Capex</b>	2.9	<b>2.9</b>	+0.3	No major capex in 1H08



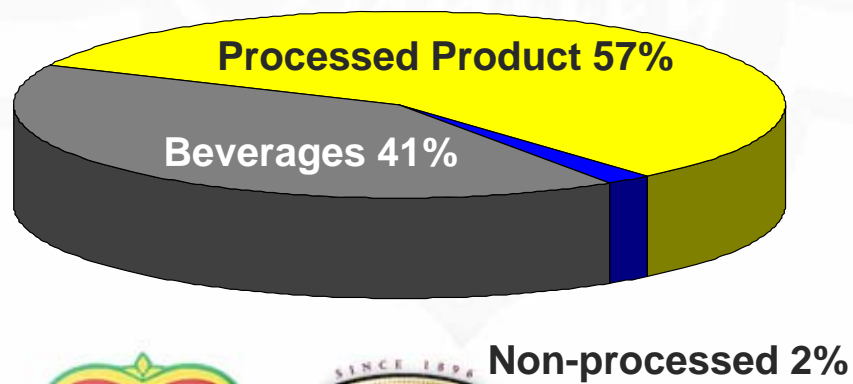
# 1H Turnover Analysis

## By Market



Asia Pac	+51%	Higher sales in Philippines, esp. <i>Fit 'n Right</i> drinks, mixed fruit and tomato-based product  Higher concentrate sales in Great Lakes China  Higher sales of canned tropical fruits in Asia Pacific
E&NA	+19%	Gains in market share and distribution coverage by major customer in USA

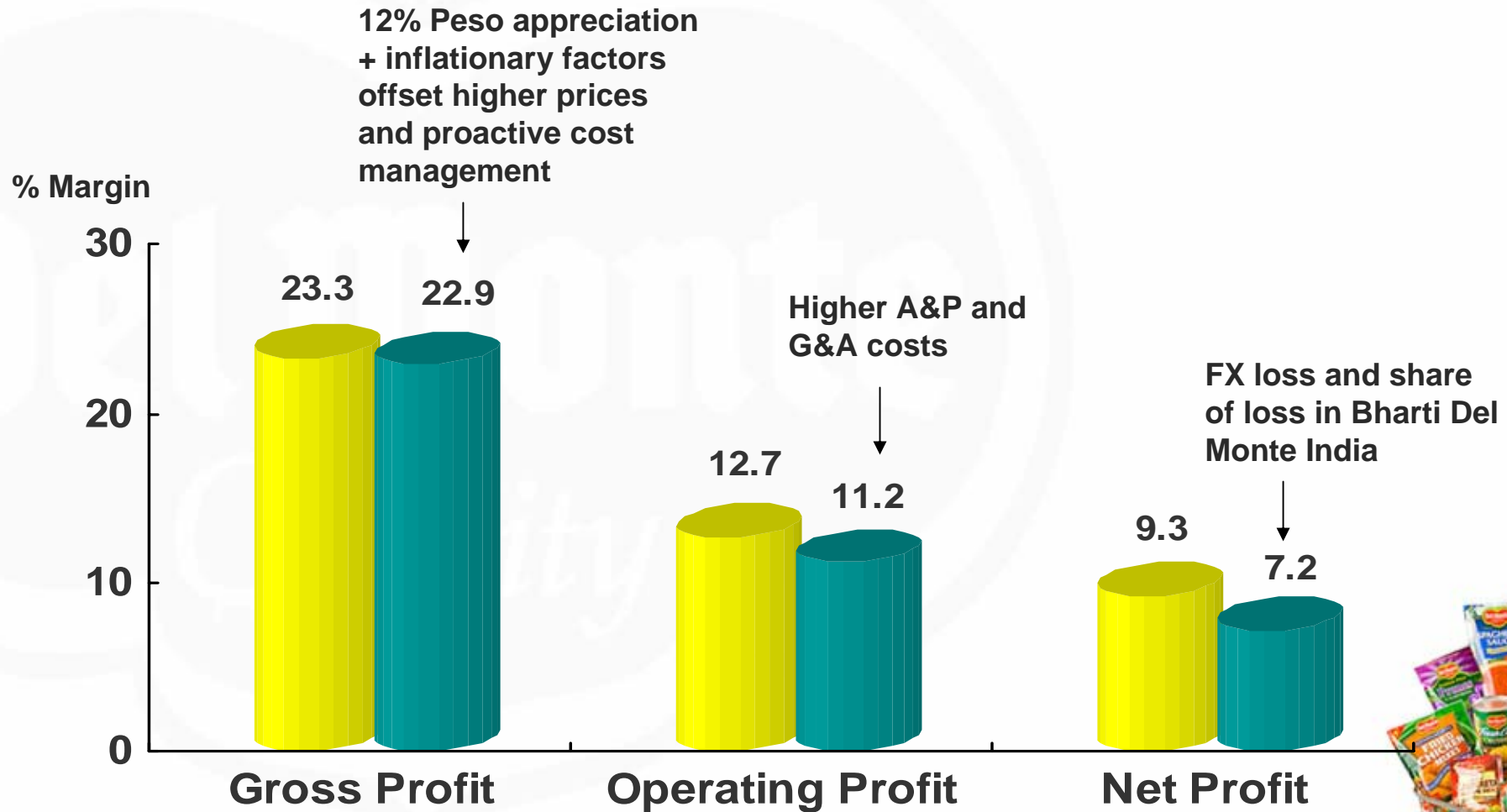
## By Product



Processed	+26%	Higher in all categories, plus contribution of S&W
Beverages	+69%	Philippines higher juice sales due to <i>Fit 'n Right</i> ; Great Lakes more than doubled its beverage sales
Non-processed	+31%	Higher fresh pineapples sales



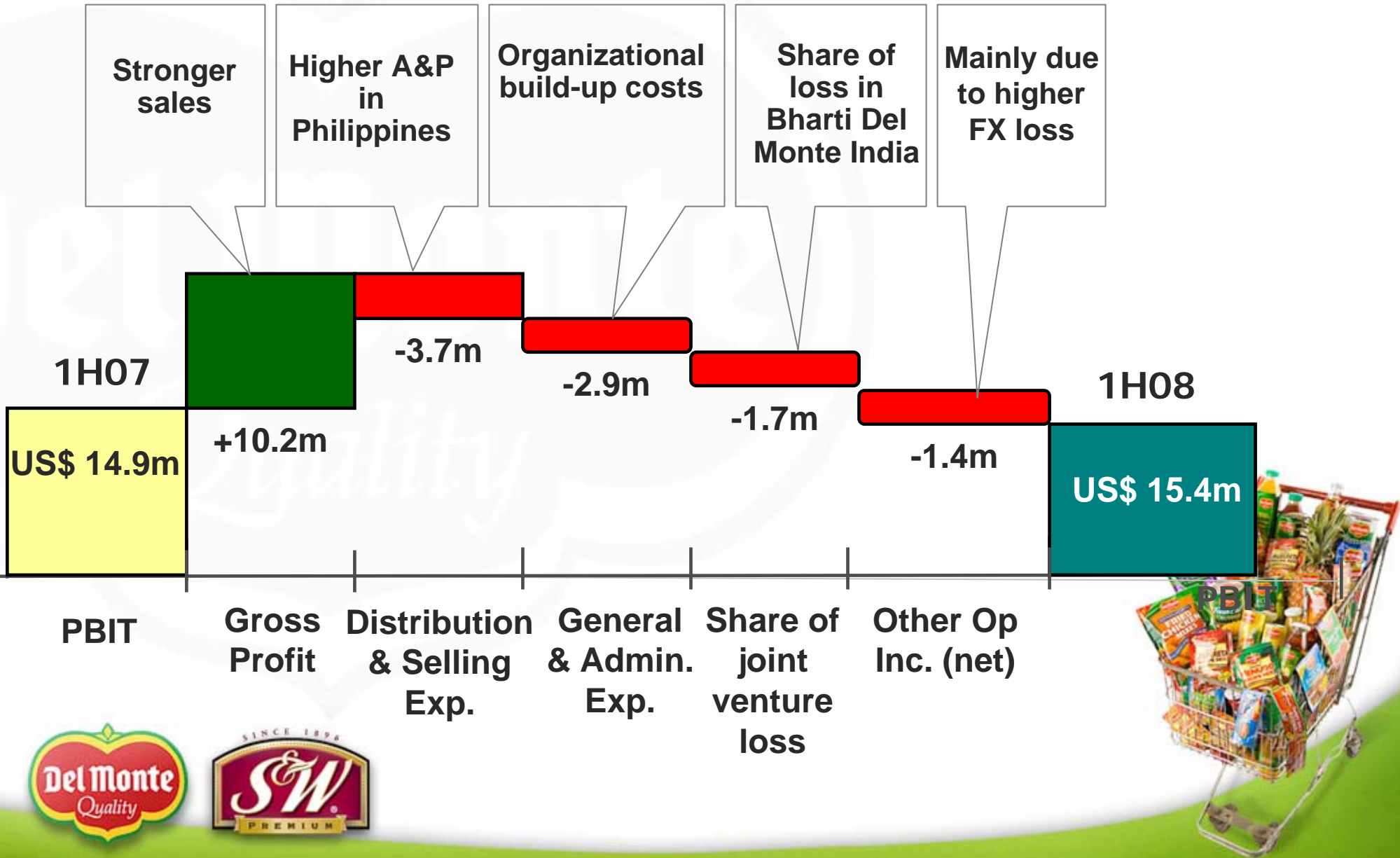
# 1H Margins



● 1H07    ● 1H08



# 1H PBIT Variance Analysis



# Peso/US\$ Impact

The Peso appreciated by 10% against the US\$ for 2Q08 vs 2Q07, but depreciated by 5% for 2Q08 vs 1Q08

	1Q	2Q	1H
Peso/US\$ rate in 2008	40.675	42.788	41.995
Peso/US\$ rate in 2007	48.806	47.295	47.909
YoY appreciation	17%	10%	12%
QoQ depreciation (2Q08 vs 1Q08)		-5%	



# Peso/US\$ Impact

YoY, Peso **appreciated**

**Favourable** to Asia Pacific as Philippine Peso sales translated using strong Peso/US\$ rate generate higher sales in US\$ terms

2Q +US\$ 0.7m

1H +US\$ 2.2m

**Unfavourable** to E&NA as predominantly Peso costs translated using strong Peso/US\$ rate generate higher costs in US\$ terms

2Q -US\$ 1.1m

1H -US\$ 3.3m

Combined **Unfavourable** impact

2Q -US\$ 0.4m

1H -US\$ 1.1m

Captured in general lines (sales, costs, opex)

QoQ, Peso **depreciated**

**Unfavourable** to matured forward contracts

2Q -US\$ 1.0m

1H -US\$ 1.1m

**Unfavourable (in 2Q)** to translation of balance sheet items

2Q -US\$ 0.8m

1H +US\$ 0.2m

Combined **Unfavourable** impact

2Q -US\$ 1.8m

1H -US\$ 0.9m

Captured in financial expense line

Total **Unfavourable** impact

2Q -US\$ 2.2m

1H -US\$ 2.0m



Contributed sales of US\$1.9m in 2Q08, and US\$2.5m in 1H08

## 2008: Year of Laying the Foundation

- Building S&W organization
- Took direct control over sourcing
- Implemented web-based front end
- Broadening distribution in Asia
- Introducing tropical fruit range
- Started sales of S&W Sweet 16 pineapples



# Bharti Del Monte India (BDM)

Sales were higher in 2Q and 1H of U\$3.6m and US\$6.1m with better prices

However, with business building costs, posted losses

DMPL 40% share of loss at US\$0.8m in 2Q, and US\$1.7m in 1H

2008: Refocusing Fresh while preparing Consumer Launch

- Narrowing fresh export focus to Corn (baby and sweet)
- Cut overhead related to fresh trading
- Expanding fresh domestic sales to emerging modern trade
- Starting major move into food service
- Preparing for retail launch of Del Monte brand



# Cost Management

**DMPL remains vigilant**

- **Conserve input materials and energy**
- **Source alternative low cost suppliers**
- **Process outsourcing**
- **Reformulate product where necessary and possible**
- **Migrate packaging from cans to pouches and PET**
- **Optimise pricing as appropriate in line with market conditions**
- **Roll out products that offer superior value proposition (i.e. *Fit 'n Right*) to generate and retain consumer support**



# Contingent Liabilities

- Fresh Del Monte lawsuit
- Endosulfan incident



# Growth Drivers for 2008

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## Philippines

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Full year impact of PET juices

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Full year impact of new food service business

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Sale of fresh pineapple

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Full year impact of increased store coverage

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Price increases

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Full year impact of PEZA tax savings

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## International Markets

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Sale of S&W-branded fresh pineapple to Singapore, Korea, etc

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S&W business expansion

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Higher volume of fruit in plastic cups

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## Outlook for 2008

Barring any unforeseen circumstances, Management expects the Group's 2008 results to outperform those achieved in 2007





# Dividend

Dividend	Book Closure Date	Payment Date	Dividend/ Share	Payout Ratio
Interim	15 Aug 2008	28 Aug 2008	US\$ 0.0080	75% of 1H08 profit

## Vs Last Year

Interim	22 Aug 2007	5 Sept 2007	US\$ 0.0073	75% of 1H07 profit
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