



Management Discussion and Analysis of 2006 Operating Outcome

Production

The production of Fresh Fruit Bunches (FFB) from our own plantations was 29.8% higher than the previous year due to recovery from the drought effect of 2004/2005, together with good rainfall during the 2006 dry season. Our new generation of Univanich hybrid palms in replanted areas achieved record yields.

The volume of FFB purchased from outside growers was 48.5% higher than in 2005, due to the recovery from drought and from expanded oil palm plantings in the company's buying area.

Total FFB processed by Univanich factories was 44.9% higher than in 2005, with the company's new factory at Lamthap exceeding expectations. Production of Crude Palm Oil (CPO) increased by 46.2% due to the higher FFB volumes and higher oil extraction rates. Production of Palm Kernel Oil (PKO) increased by 48.1% due to the increase of crushing capacity at the company's new PKO plant opened in the fourth quarter of 2005.

Sales

Exports made up 66.4% of the Company's total palm oil sales of 165,735 tonnes. Univanich entered new markets in Europe with the first ever shipments of Thai CPO to Rotterdam and Hamburg in November 2006.

High domestic and overseas production, together with an appreciating Baht, combined to depress palm oil prices. The average CPO selling price was 5.7% lower and the average PKO selling price was 15.4% lower than in 2005.

Domestic seeds sales declined sharply due to excessive imports of foreign oil palm seeds into Thailand during 2005 and 2006, for proposed SPV biodiesel projects. But Univanich oil palm seeds continued to experience good sales growth in export markets.

Overall net proceeds of sales increased by 35.6% to Baht 2,863.4 million, mainly due to the significantly higher production volumes.

Cost of Sales

Cost of sales of Baht 2,299.6 million increased by 31.1%, mainly due to higher volumes of purchased fruit. The average purchase price per kg was 13.2% lower than in 2005, due to the lower CPO prices in 2006.

The overall gross margin in 2006 increased from 16.9% to 19.7%, largely due to higher volumes from our own estates and from purchased fruit operations.



Trading Result

The after-tax profit of **Baht 378.3 million** was 89.1% higher than the previous year. The main factors affecting the improved result were:

- higher crop production due to recovery from drought together with good rainfall in 2006,
- increased utilisation of new factory capacities
- higher oil extraction rates and improved crushing margins

Cash Flow and Capital Structure

Cash or cash equivalents on hand at 31 December 2006 totalled Baht 311.2 million, compared to Baht 129.0 million at end of 2005.

- Net cash inflow of Baht 466.72 million from 2006 operating activities resulted from a net profit of Baht 378.28 million, depreciation, amortization and other non cash charges of Baht 120.94 million and an increase in working capital of Baht 32.50 million.

- Net cash payments of Baht 101.25 million for investment purposes, include capital expenditure of Baht 88.14 million, and short-term cash investments of Baht 20.0 million. Capital expenditure included the ongoing oil palm replanting programme, expansion of the Oil Palm Research Centre, the commencement of biogas power projects, and the routine replacement of factory machinery and vehicles.

- Net cash outflow of Baht 183.30 million for financing activities resulted from dividend payments of Baht 183.30 million, being Baht 1.95 per share paid during 2006.

The company's capital structure at 31 December 2006 was strong. The company had no long term debt and the debt to equity ratio was only 0.12 times.