

Plantation Sector Outlook

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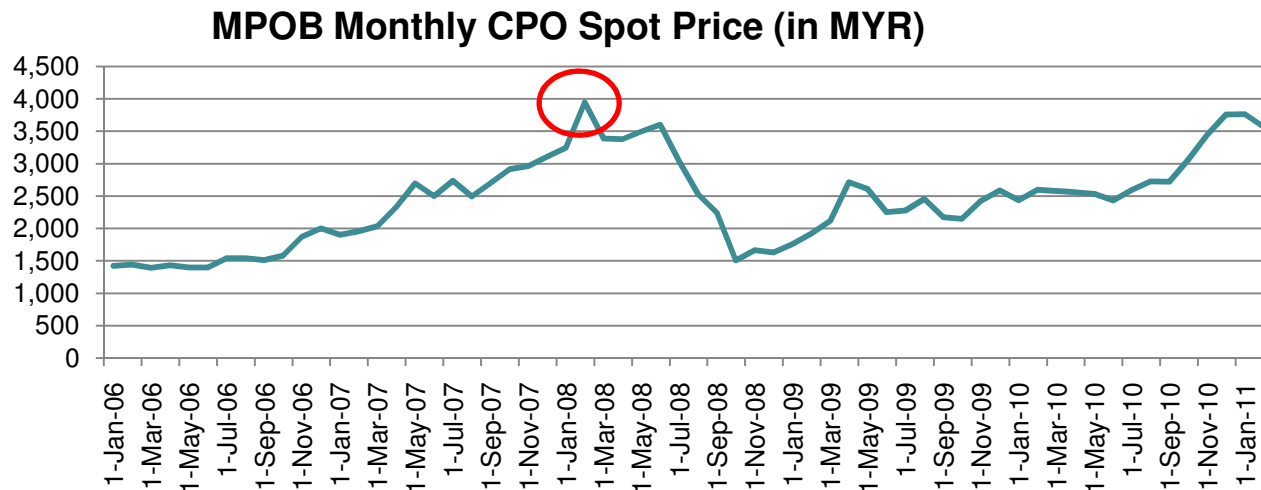
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- A close-up photograph of a palm fruit bunch, showing numerous red, oval-shaped fruits clustered together. The background is a soft-focus green field.
- ❑ Sector's performance in 2010
 - ❑ Key issues
 - ❑ Outlook for 2011
 - ❑ Performance of MARC-rated plantation companies

2010 Performance



- Average crude palm oil prices increased by RM464.50 to RM2,701/MT in 2010 compared to 2009.
- The highest daily price was recorded in December 2010 at RM3,779.50/MT, which is still lower than the peak of RM4,179.50/MT achieved in March 2008.



Source: Bloomberg

2010 Performance (Con't)



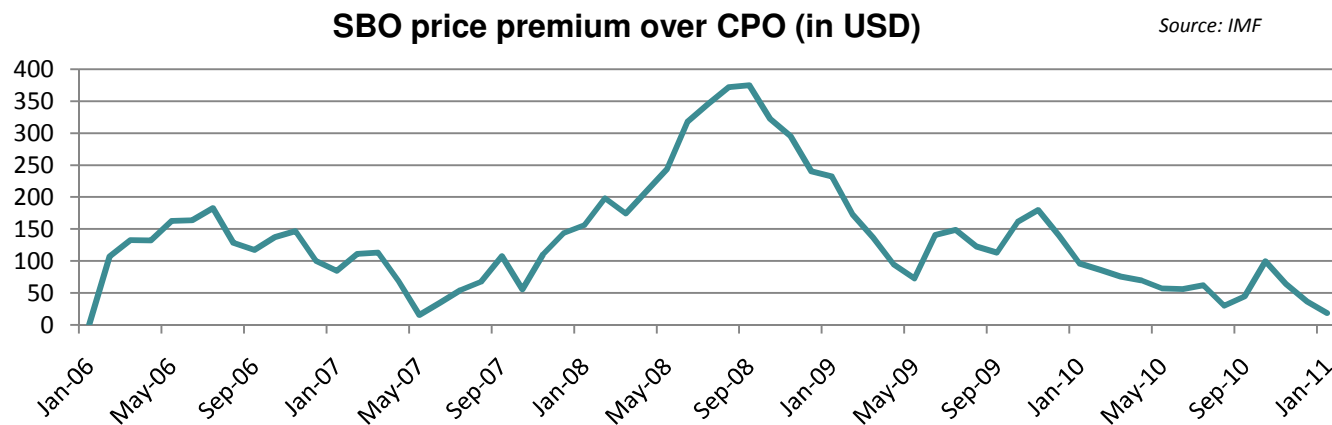
- CPO production fell for a second consecutive year to 16.99 million MT, falling by a steeper 3.2% compared to 1% in 2009.
- After growing by 4.4% in 2008 and 4.5% in 2009, planted area showed a declining growth rate of 3.4% in 2010.
- FFB yields declined to 18.03 MT/ha in 2010, the lowest since 2002.
- Aided by strong CPO prices, export earnings recovered in 2011, growing by 20.4% to RM59.77 billion.

- Weather abnormalities weighed heavily on production over the past two years, with El Nino (dry weather) in 2009-2010 and La Nina (wet weather) in 2H2010-1H2011.
- Probably early signs of normalising weather as CPO production rose month-on-month in February 2011 after three consecutive months of decline.

Key Issues (Con't)



- High CPO prices could lead to demand rebalancing.
- Price-sensitive countries face increased risk of social unrest.
- Narrowing discount between CPO and soya oil/rapeseed oil also supports switching.



- Exports have been declining since December 2010.

Key Issues (Con't)



- Move into opening new land banks in Africa/South America raises operational/sovereign risks concerns.
- High crude oil prices signals a comeback for biofuel, which could ignite the food vs fuel debate.

- The palm oil sector's inclusion as a National Key Economic Area (NKEA) under the government's Economic Transformation Programme (ETP) is an added catalyst to drive productivity and investments in broadening downstream products.
- Recently, Emery Oleochemical Group announced investments totaling RM416.2 million to produce bio-lubricant, green polymer additives and surfactants.
- Higher CPO prices have resulted in plantation companies reporting a 47% increase in 2010 earnings.
- Still strong but slightly moderate earnings growth are expected in 2011.

Outlook for 2011 (Con't)



- In terms of debt-to-equity position, active planting activities have seen gearing levels operate within a certain range band, typically between 0.50x - 0.85x among our rated plantation companies.
- CPO price is projected to stay around RM2,800/MT to RM3,000/MT in 2011.
- Credit outlook for 2011 is stable.

Performance of MARC-rated plantation companies



Corporate Debt / Corporate Credit Rated Issuers	Asset-backed Rated Issuers
TSH Sukuk Ijarah Sdn Bhd (MARC-1 _{IS} / AA- _{IS} / Stable)	Dura Palms Sdn Bhd (AAA _{IS} /AA _{IS} /A _{IS} /Stable)
Tradewinds Plantation Berhad (MARC-1 _{ID} / Stable)	Kwantas SPV Sdn Bhd (AAA _{ID} / Stable)
Kwantas Corporation Berhad (MARC-2 _{ID} / A- _{ID} / Negative)	Tradewinds Plantation Capital Sdn Bhd (AAA _{IS} /AA+ _{IS} /Stable)
<i>Source: MARC's rated universe as at February 2011</i>	



Thank You