



# 9M 2008 Performance Review

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**Singapore Food Industries Limited**

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## Disclaimer

*This presentation contains certain statements that are not statements of historical fact, i.e. forward-looking statements. Readers can identify some of these statements by forward-looking terms such as 'expect', 'believe', 'plan', 'intend', 'estimate', 'anticipate', 'may', 'will', 'would', 'could' or similar words. However you should note that these words are not the exclusive means of identifying forward-looking statements. Forward-looking statements are made based on current expectations, projections and assumptions about future events. Although SFI believes that these expectations, projections and assumptions are reasonable at the time of making them, these forward-looking statements are subject to risks (known and unknown), uncertainties and certain assumptions about SFI, its business operations and the environment it operates in. Actual future performance, outcomes and results may therefore differ materially from those expressed in forward-looking statements. Representative examples of these risk factors include (without limitation) general industry and economic conditions, outbreak of animal disease, food scares, interest rate movements, cost of capital and capital availability, competition from other companies and venues for sales /manufacture/distribution of goods and services, shift in customer demands, customers and partners, changes in operating expenses, including employee wages, benefits and training, and governmental and public policy changes. Readers are cautioned not to place undue reliance on these forward-looking statements, which are based on current view of management on future events.*

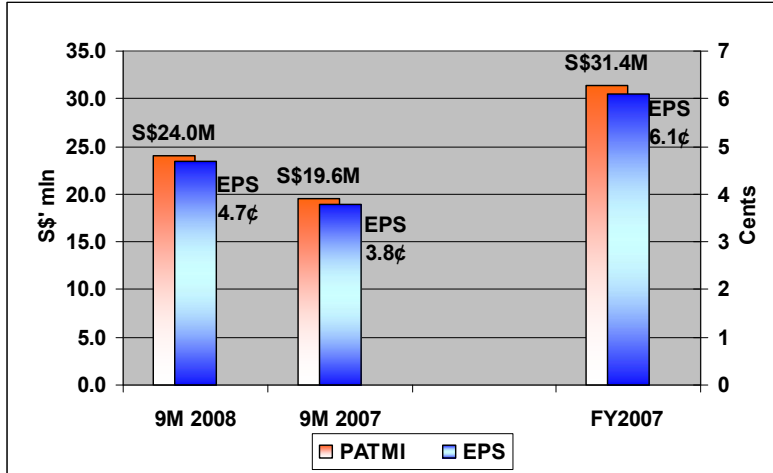
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## Earnings at a Glance

9M 2008 vs 9M 2007



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## PATMI to PBT

3Q 2008 vs 3Q 2007

	S\$' mln		Change (%)
	3Q 2008	3Q 2007	
PATMI	5.8	5.5	4.9
Minority Interests	0.4	0.4	-
Tax – Current Year	1.5	1.5	-
Tax – Prior Years Written Back	(1.0)	-	-
Tax Subtotal	0.5	1.5	-
PBT	6.7	7.4	(9.9)

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## PBT to Operating PBT

3Q 2008 vs 3Q 2007

	S\$' mln		Change (%)
	3Q 2008	3Q 2007	
<b>PBT</b>	<b>6.7</b>	<b>7.4</b>	<b>(9.9)</b>
<i>One-Offs</i>			
– Australian subsidiaries impairment of assets net off DAFF grant received	0.2	-	-
– Gain on disposal and liquidation of subsidiaries	(0.5)	-	-
<b>Operating PBT</b>	<b>6.4</b>	<b>7.4</b>	<b>(13.7)</b>

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## Operating PBT by Geographical Region

3Q 2008 vs 3Q 2007

	S\$' mln		Change (%)
	3Q 2008	3Q 2007	
Singapore	9.3	8.2	13.1
UK/Ireland	(2.5)	(0.6)	NA
Others	(0.4)	(0.2)	NA
<b>Operating PBT</b>	<b>6.4</b>	<b>7.4</b>	<b>(13.7)</b>

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## Singapore P&L Summary

3Q 2008 vs 3Q 2007

	S\$' mln		Change (%)
	3Q 2008	3Q 2007	
Sales	70.4	66.8	5.4
Gross Profit	15.8	14.5	8.3
Net Other Income / (expense)	(0.1)	0.7	NA
G&A	(6.3)	(7.0)	(9.3)
PBT	9.4	8.2	13.8

	3Q 2008 (%)	3Q 2007 (%)
GP Margins	22.4	21.8
G&A	9.0	10.4
PBT Margins	13.3	12.3

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## Singapore Operations

3Q 2008

- 3Q 2008 sales grew 5.4 per cent over 3Q 2007 with higher turnover from Food Catering, Abattoir and Auction.
- PBT in Singapore grew 13.8 per cent to \$9.4 million.
  - Food Distribution sales were flat at \$37.0 million.
  - Food Catering sales in 3Q 2008 were higher as a result of price adjustments relative to the same period last year.
  - Abattoir and Hog Auction revenues registered increased revenues due to higher pig numbers.

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## UK/Ireland P&L Summary

3Q 2008 vs 3Q 2007

('mln)	3Q 2008	3Q 2007	Change (%)
Sales	S\$80.7 £30	S\$87.0 £28	(7.2) 6.0
Gross Profit	S\$18.4	S\$24.1	(23.9)
Net Other Income/(expense)	-	(S\$0.7)	N.A.
G&A	(S\$20.9) £7.8	(S\$24.0) £7.9	(12.8) (0.6)
PBT	(S\$2.5) £0.9	(S\$0.6) £0.2	N.A. N.A.

	3Q 2008 (%)	3Q 2007 (%)
GP Margins	22.7	27.7
G&A	25.9	27.6
PBT Margins	(3.1)	(0.7)

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## UK/Ireland Sales Summary

3Q 2008 vs 3Q 2007

(' mln)	3Q 2008	3Q 2007	Change (%)
Daniels	S\$46.0 £17.2	S\$52.1 £17.0	(11.5) 1.2
ICL	S\$26.7 £9.9	S\$25.6 £8.4	4.2 18.8
Farmhouse Fare	S\$3.8 £1.4	S\$5.0 £1.6	(24.5) (13.7)
Cresset	S\$4.2 €2.0	S\$4.3 €2.0	(1.5) (2.1)
Total	S\$80.7 £30	S\$87.0 £28	(7.2) 6.0

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## UK/Ireland Operations

### 3Q 2008

- UK sales are traditionally lower in the 2Q and 3Q and stronger in 1Q and 4Q. In this 3Q, results were affected by higher raw material costs, affecting margins.
- The combined UK/Ireland sales for 3Q 2008 at \$80.7 million was 7.2 per cent lower than 3Q 2007.
- Removing the impact of the weaker Sterling Pound, sales would have been \$91.7 million and would have shown a 5.4 per cent increase.
- UK/Ireland reported a loss of \$2.5 million for 3Q 2008 versus a loss of \$0.6 million in 3Q 2007.
- UK sales grew 5.7 per cent in Sterling Pound terms.
- PBT was however £0.7 million lower due to higher raw material costs.
  - The sales growth came primarily from ICL which registered an increase of 18.8 per cent to £9.9 million for the quarter.
  - Daniels sales at £17.2 million for 3Q2008 were comparable to 3Q 2007 but margins were lower.
  - Farmhouse Fare sales were down 13.7 per cent and at lower margins. Higher overhead expenses were also incurred throughout 3Q 2008 for the launch of new products with a key customer at the end of 3Q.
  - Cresset reported a loss of \$1.6 million versus 3Q 2007 of \$1.8 million.

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## Others – P&L Summary

### 3Q 2008 vs 3Q 2007

	S\$' mln		Change (%)
	3Q 2008	3Q 2007	
Sales	6.9	8.2	(16.1)
Gross Profit	1.3	1.2	13.8
Net Other Income / (expense)	0.1	0.2	(61.2)
G&A	(1.5)	(1.6)	(4.7)
PBT	(0.2)	(0.2)	N.A.
PBT (without one-offs)	(0.4)	(0.2)	N.A.

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## PATMI to PBT

9M 2008 vs 9M 2007

	S\$' mln		Change (%)
	9M 2008	9M 2007	
PATMI	24.0	19.6	22.6
Minority Interests	2.6	2.2	-
Tax – Current Year	9.2	8.9	-
Tax – Prior Years Written Back	(2.7)	-	-
Tax Subtotal	6.5	8.9	-
PBT	33.1	30.7	7.8

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## PBT to Operating PBT

9M 2008 vs 9M 2007

	S\$' mln		Change (%)
	9M 2008	9M 2007	
PBT	33.1	30.7	7.8
<i>One-Offs</i>			
– DAFF and GBRMPA Restructure Grants received by Australian subsidiaries & related impairment of assets	(3.5)	(3.3)	-
– Gain disposal & liquidation of subsidiaries	(0.5)	-	-
– SSTFI – Stock write-down due to suspension of poultry exports	-	0.7	-
– Restructuring expenses in Cresset	-	0.9	-
– UK - impact of exchange in translation	1.6	-	-
Operating PBT	30.7	29.0	5.7

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## Operating PBT by Geographical Region

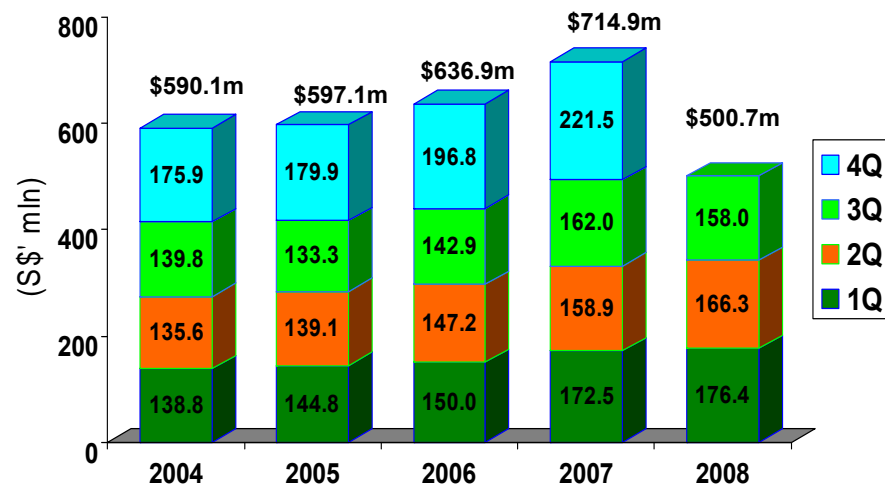
9M 2008 vs 9M 2007

	S\$' mln		Change (%)
	9M 2008	9M 2007	
Singapore	23.1	20.3	14.0
UK/Ireland	8.4	9.4	(11.1)
Others	(0.8)	(0.7)	N.A
<b>Operating PBT</b>	<b>30.7</b>	<b>29.0</b>	<b>5.7</b>

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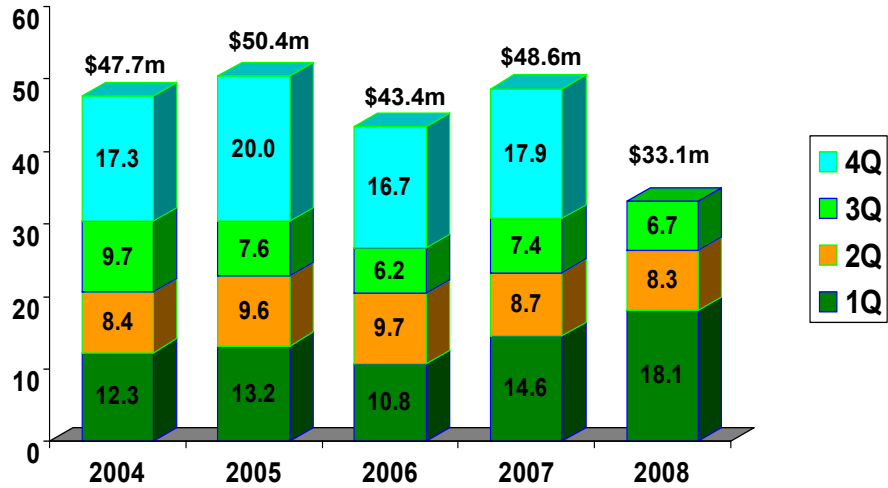
## Turnover by Quarters



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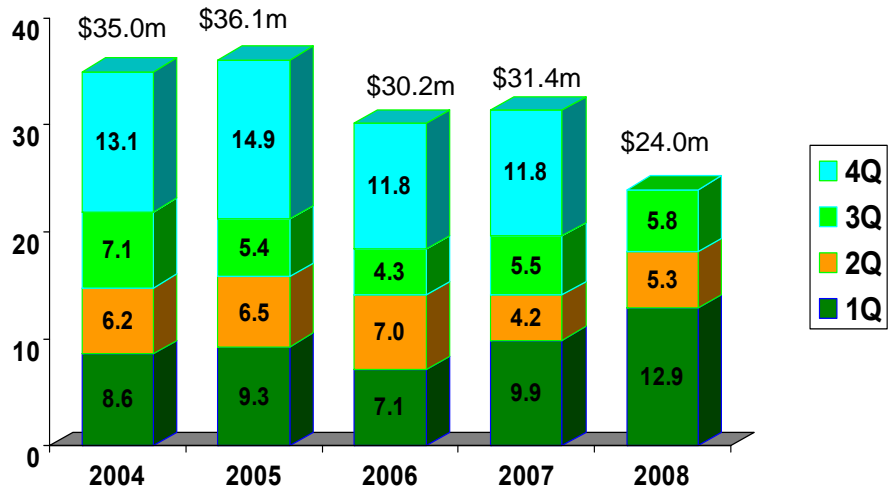
## PBT by Quarters



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## PATMI by Quarters



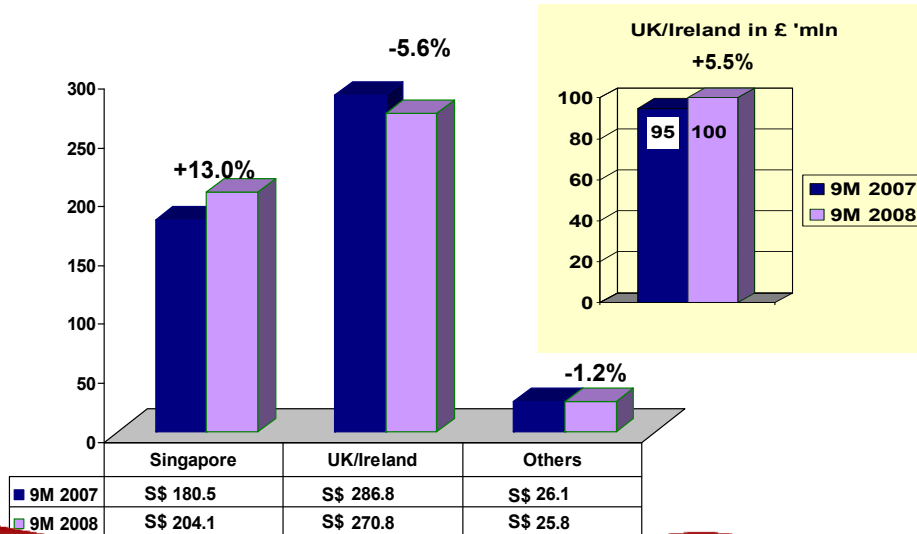
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## Segmental Results



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## Turnover by Geographical Region 9M 2008 vs 9M 2007

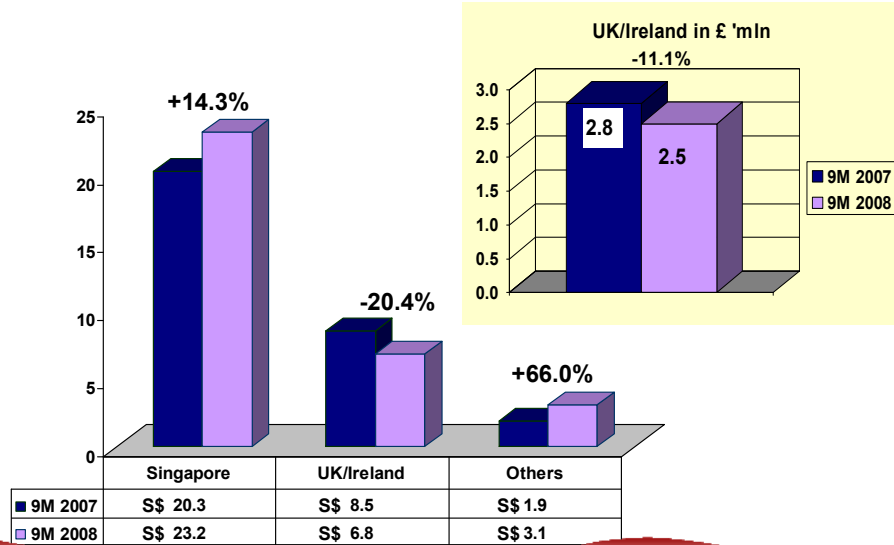


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## PBT by Geographical Region

9M 2008 vs 9M 2007



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## Singapore P&L Summary

9M 2008 vs 9M 2007

	S\$' mln		Change (%)
	9M 2008	9M 2007	
Sales	204.1	180.5	13.0
Gross Profit	45.0	38.8	15.8
Net Other Income / (expense)	1.1	1.7	(37.6)
G&A	(22.9)	(20.2)	12.8
PBT	23.2	20.3	14.3

	9M 2008 (%)	9M 2007 (%)
GP Margins	22.0	21.5
G&A	11.2	11.2
PBT Margins	11.4	11.2

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## UK/Ireland P&L Summary

9M 2008 vs 9M 2007

('mIn)	9M 2008	9M 2007	Change (%)
Sales	S\$270.8 £100	S\$286.8 £95	(5.6) 5.5
Gross Profit	S\$74.3	S\$85.2	(12.9)
Net Other Income / (expense)	(S\$0.6)	(S\$1.9)	(70.1)
G&A	(S\$66.9) £24.6	(S\$74.8) £24.7	(10.6) (0.1)
PBT	S\$6.8 £2.5	S\$8.5 £2.8	(20.4) (11.1)

	9M 2008 (%)	9M 2007 (%)
GP Margins	27.4	29.7
G&A	24.7	26.1
PBT Margins	2.5	3.0

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## UK/Ireland Sales Summary

9M 2008 vs 9M 2007

(' mIn)	9M 2008	9M 2007	Change (%)
Daniels	S\$164.0 £60.4	S\$171.6 £56.6	(4.4) 6.8
ICL	S\$80.2 £29.5	S\$85.1 £28.0	(5.7) 5.2
Farmhouse Fare	S\$13.3 £4.9	S\$16.3 £5.4	(18.6) (9.1)
Cresset	S\$13.3 €6.3	S\$13.8 €6.7	(3.5) (6.5)
Total	S\$270.8 £100	S\$286.8 £95	(5.6) 5.5

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## Others – P&L Summary

9M 2008 vs 9M 2007

	S\$' mln		Change (%)
	9M 2008	9M 2007	
Sales	25.8	26.1	(1.2)
Gross Profit	4.0	3.9	3.8
Net Other Income / (expense)	4.4	3.8	15.1
G&A	(5.3)	(5.8)	(8.9)
PBT	3.1	1.9	66.0
PBT (without one-offs)	(0.8)	(0.7)	N.A.

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## By Geographical Location

S\$'000	Turnover		PBT		Assets		Capital Expenditure		ROTA	
	9M 2008	9M 2007	9M 2008	9M 2007	9M 2008	9M 2007	9M 2008	9M 2007	9M 2008	9M 2007
Singapore	204,074	180,518	23,169	20,276	115,984	107,090	3,448	908	25.4%	21.3%
UK/Ireland	270,850	286,769	6,821	8,564	209,852	232,440	7,191	4,775	3.4%	3.9%
Others	25,808	26,112	3,106	1,871	16,527	24,374	626	477	17.3%	6.9%
Total Overseas	296,658	312,881	9,927	10,435	226,379	256,814	7,817	5,252	4.4%	4.2%
Total	500,732	493,399	33,096	30,711	342,363	363,904	11,265	6,160	11.5%	9.2%

%	Turnover		PBT		Assets		Capital Expenditure	
	9M 2008	9M 2007	9M 2008	9M 2007	9M 2008	9M 2007	9M 2008	9M 2007
Singapore	40.8	36.6	70.0	66.0	33.9	29.4	30.6	14.7
Overseas	59.2	63.4	30.0	34.0	66.1	70.6	69.4	85.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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## Cash Flows, Balance Sheet Highlights & EVA



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## Group Cash Flow Statement

9M 2008 vs 9M 2007

	S\$ '000	
	9M 2008	9M 2007
<b>Profit before taxation</b>	33,092	30,706
EBITDA Adjustments:		
Share of results of a jointly controlled entity	4	5
Interest expense	3,071	3,358
Interest income	(732)	(326)
Depreciation and amortisation	13,743	15,390
<b>EBITDA</b>	<b>49,178</b>	<b>49,133</b>
Gain on disposal of property, plant & equipment	(19)	(272)
Gain on disposal of intangible assets	(24)	0
Impairment of intangible and other assets	439	1,148
Gain on disposal and liquidation of subsidiaries	(492)	0
Provision for fair value of share-based compensation expenses	442	136
Allowance for stock & doubtful receivables	1,395	1,993
Impairment of property, plant & equipment	331	0
Changes in Working Capital	(7,922)	(11,236)
Income taxes paid	(12,088)	(12,037)
<b>Net Cash Flow from Operating Activities</b>	<b>31,240</b>	<b>28,865</b>
Net Cash Flow from Investing Activities	(9,060)	(6,080)
Net Cash Flow from Financing Activities	(30,157)	(23,402)
<b>Net Cash Flow</b>	<b>(7,977)</b>	<b>(617)</b>
<b>Cash and Bank Balances at end of period</b>	<b>17,428</b>	<b>21,040</b>
EBITDA as % of sales	9.8	10.0

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## Group Balance Sheet

S\$' 000	September 2008	December 2007
Property, plant & equipment	105,365	113,279
Intangible assets	67,049	69,558
JV & other long term assets	1,322	1,547
Inventories	48,339	51,029
Trade and other receivables	103,779	118,698
Cash and bank balances	17,428	26,221
	<u>343,282</u>	<u>380,332</u>
Share capital & reserves	146,319	154,304
Minority interest	10,718	10,551
Financial liabilities	56,785	45,310
Trade and other payables	99,342	127,294
Current tax payable	9,050	14,505
Long term liabilities	21,068	28,368
	<u>343,282</u>	<u>380,332</u>
Net current assets/(liabilities)	4,369	8,839

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## EVA Statement

### 9M 2008 vs 9M 2007

S\$' 000	9M 2008	9M 2007
Profit Before Taxation	33,092	30,706
Adjustments for:		
(Decrease)/Increase in allowance for doubtful debts	(18)	(218)
(Decrease)/increase in allowance for stock obsolescence	(212)	(324)
Amortisation of intangible assets	1,516	1,532
Interest expense	3,071	3,358
Interest expense on non-capitalised leases	187	75
Adjusted Earnings Before Income Tax	<u>37,636</u>	<u>35,129</u>
Less Cash Operating Taxes	7,593	9,620
Net Operating Profit After Tax (NOPAT)	<u>30,043</u>	<u>25,509</u>
Average EVA Capital Employed	257,366	242,317
Weighted Average Cost of Capital	6.6%	6.9%
Capital Charge	<u>12,740</u>	<u>12,540</u>
Economic Value Added (EVA)	<u>17,303</u>	<u>12,969</u>

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## Financial Highlights



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## Financial Highlights

9M 2008 vs 9M 2007

	S\$' mln		Δ Change (%)
	9M 2008	9M 2007	
Turnover	500.7	493.4	1.5
Gross Margins (%)	24.6	25.9	NA
PBT	33.1	30.7	7.8
PATMI	24.0	19.6	22.6
Net after-tax margins (%)	5.3	4.4	NA
Earnings per share (cents)	4.7	3.8	22.4
Economic Value Added	17.3	13.0	33.4
EVA Spread Annualised (%)	9.0	7.1	NA

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# Financial Highlights

9M2008 vs 9M2007

	S\$' mln		Δ Change (%)
	9M 2008	9M 2007	
ROE* (%)	21.3	17.3	NA
ROTA* (%)	11.5	9.2	NA
Interest Cover (times)	11.8	10.2	15.4
Debt/Equity Ratio	0.4	0.4	-
Net Assets per Share (cents)	28.3	29.8	(5.0)
EBITDA (\$'m)	49.2	49.1	0.1
Capex (\$'m)	11.3	6.2	82.9

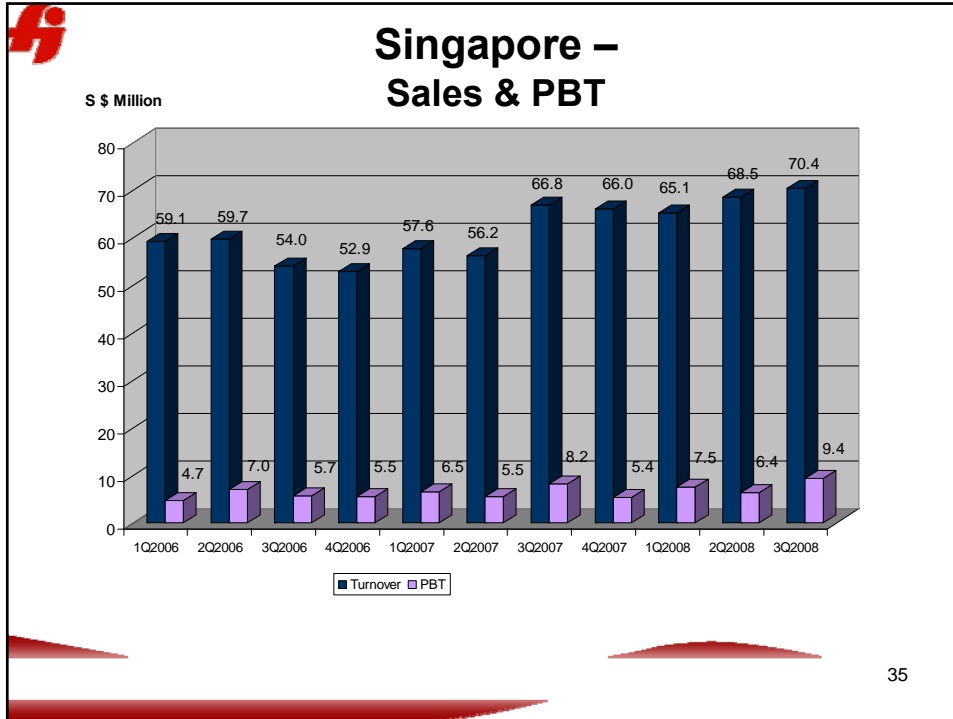
Note: \* Annualised

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## Operations Review



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## Singapore Operations 9M 2008

- Singapore operations showed growth.
- Sales grew 13.0 per cent compared with same period last year, with all three business sectors reporting higher turnover.
  - Food Distribution +11.6 per cent
  - Food Catering +13.6 per cent
  - Abattoir and Auction +19.9 per cent
- Despite food cost inflation, gross margins maintained at 22.0 per cent.
- PBT grew 14.3 per cent, driven by revenue growth.

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## Singapore – Updates (9M 2008)

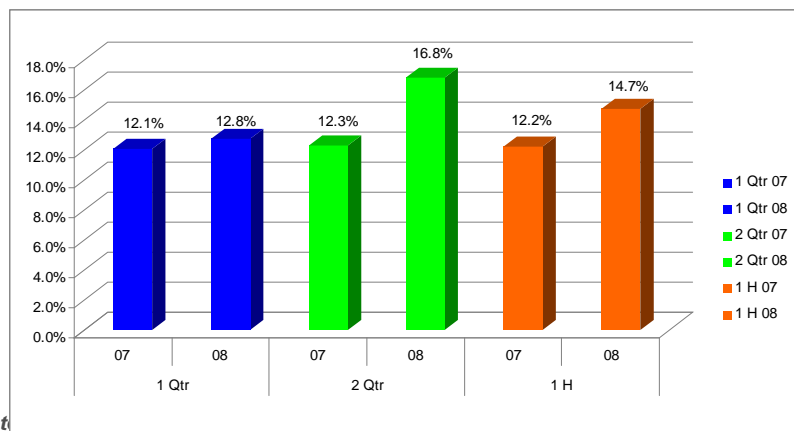
- MoU with Jilin City Government
  - To start a feasibility study an integrated pig farm and processing plant
  - Potentially a lead into a wider food zone concept
- MoU with Sarawak, Malaysia
  - To start a preliminary study on the Pig Farm Area, Sarawak
- MoU with Malaysian Agrifood Corporation Berhad (MAFC)
  - SFI to be its exclusive sales agent in Singapore.
- SFI awarded the runner-up for SIAS Most Transparent Company Award 2008 (Non-electronics Manufacturing category).

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## Food Distribution – Market Share QoQ

*Estimated market share of imported meats\**



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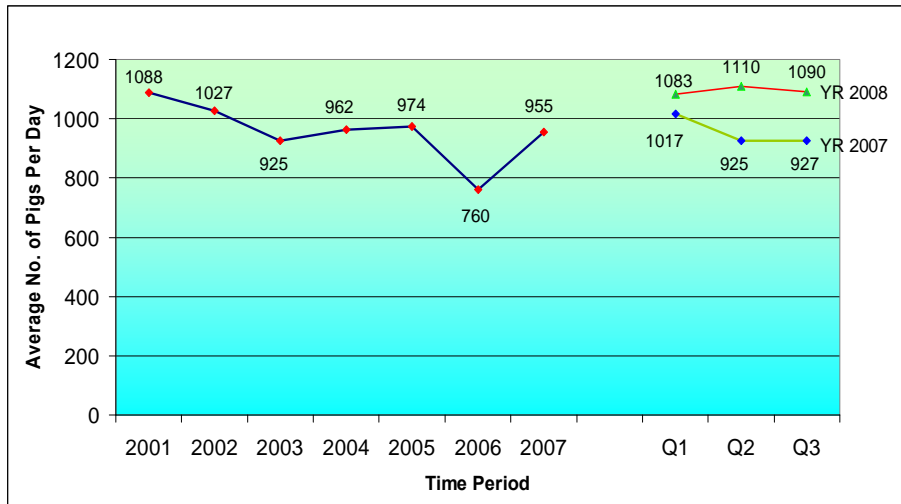
\* Meats comprise of Chilled/Frozen Pork, Frozen Poultry, Chilled/Frozen Beef

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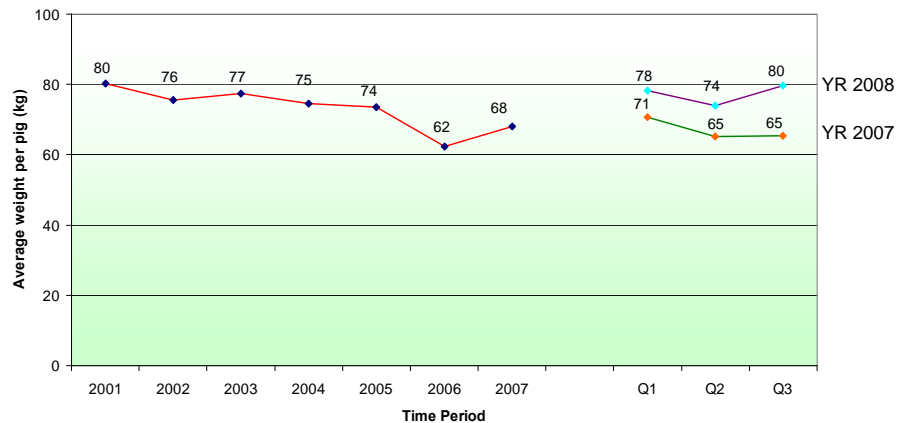
# Abattoir & Hog Auction

## Average No. of Pigs Per Day



# Abattoir & Hog Auction

## Average Weight Per Pig (kg)



*Note: Management views pig weight as a lead indicator of future farm productivity*



## Key Developments & Outlook Singapore

- Singapore performance in 2008 is expected to be better than 2007.
  - All Singapore operations on a steady platform.
    - Food Distribution has reported growth in sales and profit for the first 9 months of the year. We expect trading conditions to be considerably less favourable in the coming months.
    - Food Catering remains stable with price adjustment for cost increases having been secured in August 2008. Improved operating efficiencies are expected for the rest of the year.
  - Sourcing initiatives like PFA, Sarawak will improve the stability and profitability of our trading business.
  - The distribution of MAFC products will, if successful, provide SFI with an enhanced and more efficient profit stream.
  - The food zone is being evaluated as a potential new platform for corporate development.

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## UK/Ireland Operations 9M 2008

- In Sterling Pound terms, the UK operations reported a 5.3 per cent growth in sales.
- The weaker Sterling Pound had a negative impact of \$30.1 million on translated sales from the UK, while PBT was negatively impacted by \$1.6 million.
- Cresset reported YTD loss of \$5.2 million, \$0.9 million lower than previous 9 months period (which included \$0.9 million restructuring cost).
- PBT from UK/Ireland at \$6.8 million was consequently 20.4 per cent lower.
- Removing the impact of foreign exchange, PBT from UK/Ireland was down \$0.1 million or 1.9 per cent for the 9 months period due to lower margins from ICL and Farmhouse Fare.

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## UK/Ireland – Updates

9M 2008

- New Covent Garden Soup renewed its sponsorship of the popular early evening ITV series, Britain's Best Dish, which returned to the nation's TV screens in September for an 8 week run.
- The TV sponsorship will support the winter soup campaign which includes, new family pack sizes, new varieties and improved recipes.
- Farmhouse Fare (dessert) has acquired a significant new customer who has a clear market leading position in the desserts sector and has been successfully launched.
- ICL acquired a new customer in the convenience sector.

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## UK/Ireland Category Sales Performance

9M 2008

Core Category	Sales Growth (%)
Soup	6
Chilled Ready Meals	4
Drinks	6
Fruit	6
Puddings	(3)

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## Key Developments & Outlook

### UK/Ireland

- Overall, sales for all core categories in Sterling Pound grew in UK over the 9M period, except for Farmhouse Fare.
  - Daniels (soup) is expected to continue to grow in the coming winter months.
  - Farmhouse Fare's acquisition of a major new customer is expected to contribute growth in the 4<sup>th</sup> quarter and into next year.
  - ICL is also expected to deliver sales growth in the 4<sup>th</sup> quarter but at reduced margins as raw material costs continue to be difficult.
  - At Cresset, management has entered into consultations with the workforce, to discuss the future of the business.

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## Key Developments & Outlook

### Others

- Schulz exit completed.
- Management is in continuing dialogue with several parties over the future of its businesses in China and Australia.

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## **FY2008 Outlook**

*Although we expect FY 2008 earnings to be better than FY 2007 at the Group level, continued deterioration in economic conditions and the outcome of Cresset consultations may adversely affect earnings for the full year.*

**Note: This is management's outlook based on current expectations, projections and assumptions about the future, not a forecast.**



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# **Thank You!**



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