



Singapore Food Industries Limited

First Half 2006 Performance Review

Joint Media/Analysts Briefing

by

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28 July, 2006

- Sales in 2Q2006 increased 5.9% to \$147.2m (2Q2005: \$139.0m)
- PBT for 2Q2006 increased 0.6% to \$9.7m (2Q2005:\$9.6m)
- PBT margins at 6.6% (2Q2005: 6.9%)
- PATMI increased 7.0% to \$7.0m (2Q2005: \$6.5m)
- Overseas turnover grew 12.5% over 2Q2005 while Singapore turnover declined 2.6%
- Overseas turnover constitutes 59.5% (2Q2005: 56.0%) of Group turnover, while overseas contribution to PBT increased to 27.5% (2Q2005: 7.0%)



Overview

(1H2006 vs 1H2005)

- Sales in 1H2006 increased 4.7% to \$297.2m (1H2005: \$283.8m)
- PBT for 1H2006 decreased 10.3% to \$20.5m (1H2005: \$22.8m)
- PBT margins at 6.9% (1H2005: 8.0%)
- PATMI decreased 10.5% to \$14.1m (1H2005: \$15.7m)
- Overseas turnover grew 8.0% over 1H2005 while Singapore turnover was flat
- Overseas turnover constitutes 60.1% (1H2005: 58.2%) of Group turnover, while overseas contribution to PBT increased to 42.7% (1H2005: 22.0%)
- 1H 2006 results affected by:
 - Exchange translation loss on liquidation of a dormant subsidiary, \$0.6m (one-off)
 - Significant drop in Abattoir & Hog Auction profitability (PBT) of \$2.7m
 - A 6.4% strengthening of Singapore Dollar against Sterling Pound resulted in lower than anticipated translated earnings from UK subsidiaries





Singapore Food Industries Limited

Financial Highlights

Mastering the Competitive Landscape

Financial Highlights

(1H2006 vs 1H2005)

\$'m	1H2006	1H2005	% ▲
Turnover	297.2	283.8	4.7
Gross Margins (%)	26.5	27.6	(1.1)
PBT	20.5	22.8	(10.3)
PATMI	14.1	15.7	(10.5)
Net after-tax margins (%)	4.9	5.8	(0.9)
Earnings per share (cents)	2.8	3.1	(11.4)
Economic Value Added	9.0	11.1	(18.9)
EVA Spread (%)	8.1	10.4	(2.3)



Financial Highlights

(1H2006 vs 1H2005)

	1H2006	1H2005	% ▲
ROE (%)	20.3	24.4	(4.1)
ROTA (%)	9.9	11.0	(1.1)
Interest Cover (times)	12.9	14.0	(7.9)
Debt/Equity Ratio	0.4	0.5	
Net Assets per Share (cents)	27.1	25.2	7.6
EBITDA (\$'m)	30.2	34.3	(12.0)
Capex (\$'m)	4.0	9.1	(55.8)





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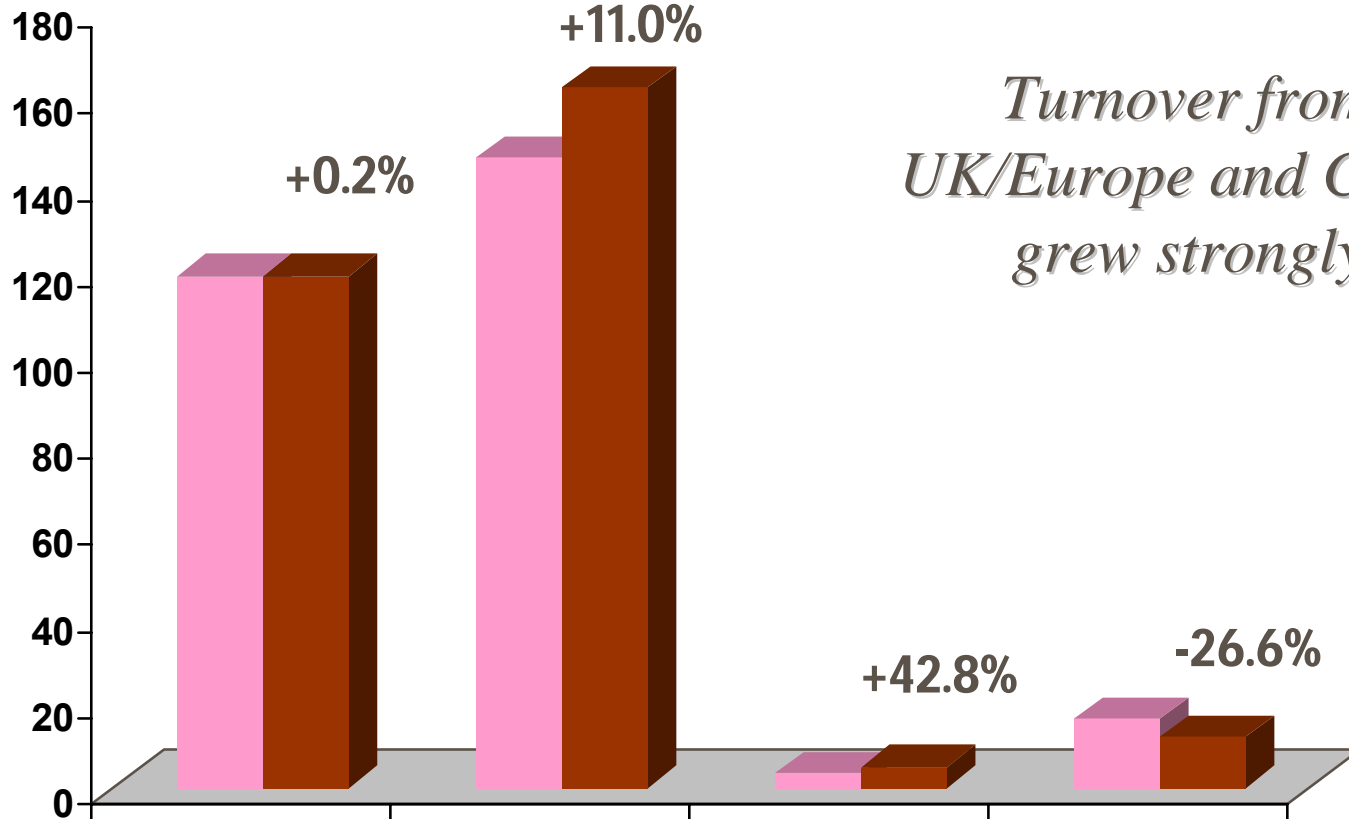
Segmental Results

Mastering the Competitive Landscape

Turnover by Geographical Region

(1H2006 vs 1H2005)

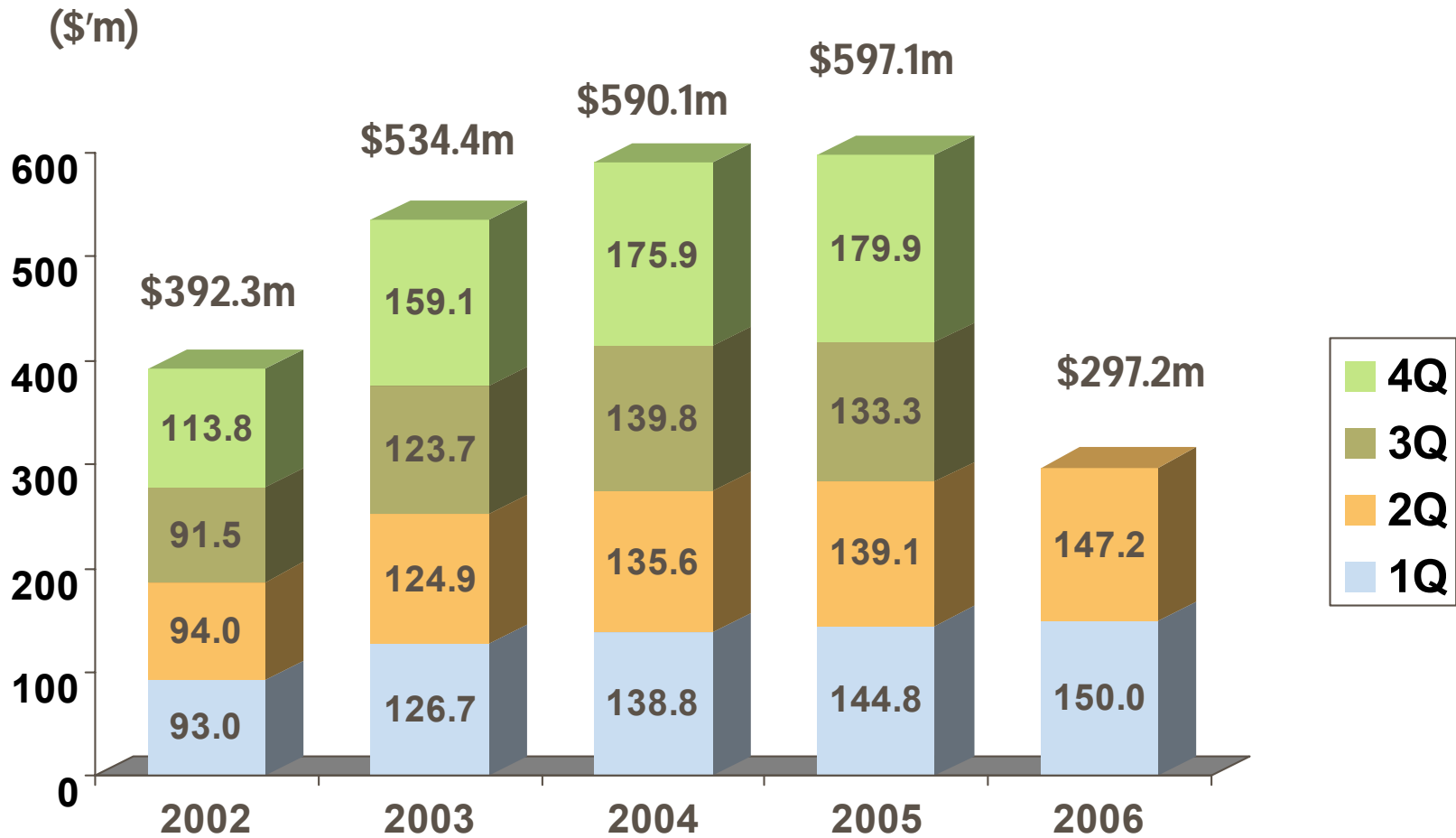
(\$/m)



1H 2005	118.6	146.1	3.2	15.9
1H 2006	118.7	162.2	4.6	11.7

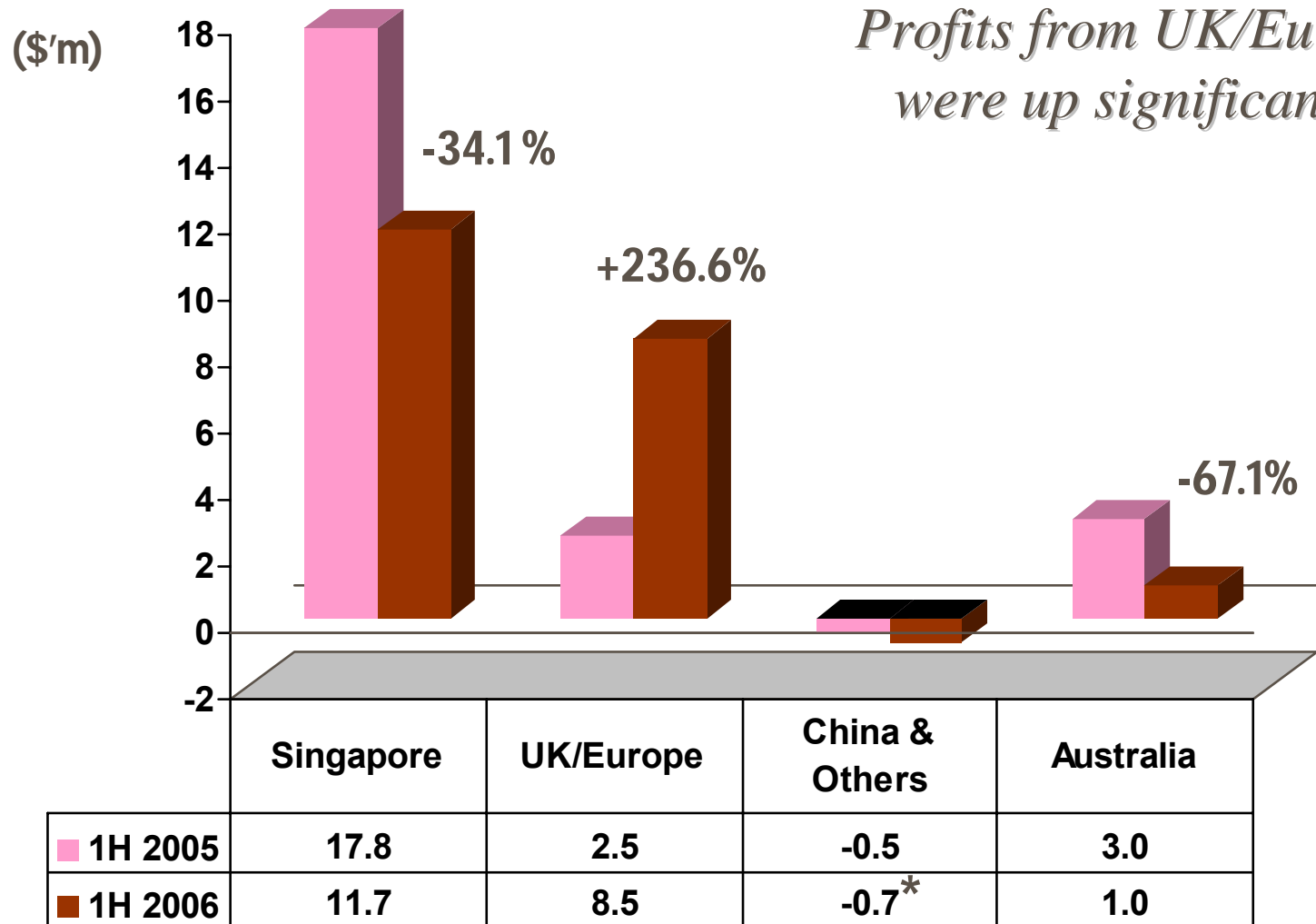


Turnover by Quarters



PBT by Geographical Region

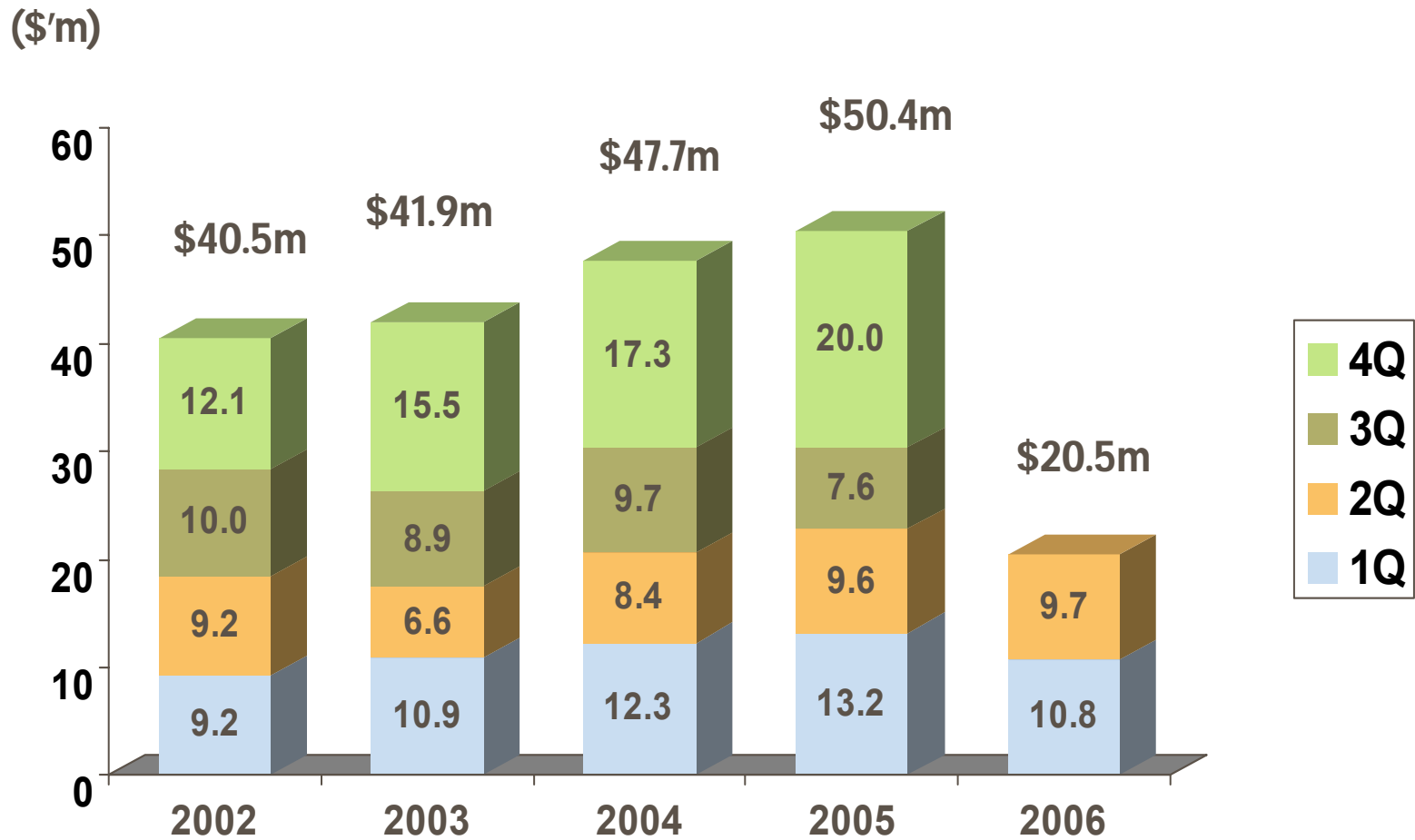
(1H2006 vs 1H2005)



*includes \$648,000 loss on voluntary winding up of a dormant Malaysian subsidiary in 1Q2006



PBT by Quarters





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EVA, Cash Flows and Balance Sheet Highlights

Mastering the Competitive Landscape

EVA Statement

(1H2006 vs 1H2005)

S\$'000	1H2006	1H2005
Profit Before Taxation	20,448	22,806
Adjustments for:		
(Decrease)/Increase in general provision for doubtful debts	(128)	(297)
(Decrease)/increase in general provision for stock obsolescence	(1)	(14)
Unusual item	648	0
Interest expense	1,718	1,753
Interest expense on non-capitalised leases	55	51
Adjusted Earnings Before Income Tax	22,740	24,299
Less Cash Operating Taxes	6,004	6,476
Net Operating Profit After Tax (NOPAT)	16,736	17,823
Average EVA Capital Employed	221,052	213,711
Weighted Average Cost of Capital	7.0%	6.3%
Capital Charge	7,736	6,732
Economic Value Added (EVA)	9,000	11,091



Group Cash Flow Statement

(1H2006 vs 1H2005)

S\$'000	1H 2006	1H 2005
Profit before taxation	20,448	22,806
EBITDA Adjustments:		
Share of profit of a jointly controlled entity	3	3
Interest expense	1,718	1,753
Interest income	(287)	(207)
Depreciation and amortisation	8,349	9,981
EBITDA	30,231	34,336
Gain on disposal of property, plant and equipment and intangible assets	(407)	(40)
Provision for diminution in value of other financial assets	18	30
Provision for fair value of share-based compensation expenses	369	299
Loss on liquidation of a subsidiary	648	0
Changes in Working Capital	(5,135)	324
Income taxes paid	(8,331)	(4,255)
Net Cash Flow from Operating Activities	17,393	30,694
Net Cash Flow from Investing Activities	(2,623)	(8,809)
Net Cash Flow from Financing Activities	(13,820)	(19,986)
Net Cash Flow	950	1,899
Cash and Bank Balances at end of period	19,637	17,589



Consolidated Balance Sheet

S\$'000	June 2006	March 2006	December 2005
Property, Plant & Equipment	126,956	125,705	130,923
Intangible assets	45,552	45,659	46,466
JV & other long term assets	1,331	1,345	1,766
Inventories	34,793	35,623	39,327
Trade & other receivables	97,643	93,990	93,884
Cash and bank balances	19,637	16,475	18,810
Bank overdrafts	(3,669)	(3,042)	(1,447)
Trade & other payables	(95,463)	(91,245)	(110,198)
Current portion of bank loans	(48,373)	(37,811)	(37,983)
Provision for taxation	(13,314)	(15,900)	(15,988)
Long Term Liabilities	(16,580)	(16,794)	(18,274)
	148,513	154,005	147,286
Share Capital & Reserves	139,281	144,772	138,246
Minority Interests	9,232	9,233	9,040
	148,513	154,005	147,286





Singapore Food Industries Limited

Operations Review

Mastering the Competitive Landscape

Food Distribution

for the three months ended 30 June 2006

	2Q2006	2Q2005	%Δ	1H2006	1H2005	%Δ
Turnover (\$'m)	33.4	35.1	(4.7)	68.9	66.8	3.0
PBT (\$'m)	2.8	3.1	(8.3)	5.0	5.8	(13.4)

- Food Distribution sales were lower in 2Q2006 due to lower sales to most sectors. However, sales to small supermarkets, ship supplies and exports were higher
- PBT fell in 2Q2006 due to lower sales and higher operating costs. Avian flu concerns still affecting consumption of poultry products



Food Preparation, Mfg & Processing

for the three months ended 30 June 2006

	2Q2006	2Q2005	%Δ	1H2006	1H2005	%Δ
Turnover (\$'m)	109.8	98.2	11.8	220.1	206.1	6.8
PBT (\$'m)	6.4	4.4	44.2	14.3	13.2	8.2

Singapore

- Catering revenues were higher in 2Q2006
 - Export of MREs (meals ready to eat) to Middle East country in 2Q2006 worth \$2.4 million
 - Sales to SAF comparable to 2Q2005 while commercial catering sales were lower
- PBT improved due to export of MREs to Middle East country



Food Preparation, Mfg & Processing

for the three months ended 30 June 2006

Overseas

- Overseas subsidiaries registered a combined growth in turnover of 12.5% (or \$9.7m) over 2Q2005
- Daniels' turnover increased 24.8% in Sterling Pound terms in 2Q2006. In Singapore Dollar terms, due to 6.4% strengthening of Singapore Dollar against the Sterling Pound, growth was 18.8% (or \$7.8m) to \$49.1m
 - New Covent Garden soup sales grew 8.6% over 2Q2005
 - Prepared fruits sales grew very strongly at 79.1%
 - Juice and drinks sales grew 20.7%
- In Singapore Dollar terms, Daniels' PBT was \$2.2m in 2Q2006 (2Q2005 : \$0.2m loss)



Food Preparation, Mfg & Processing

for the three months ended 30 June 2006

Overseas

- ICL sales increased 17.4% in 2Q2006 in Sterling Pound terms. In Singapore Dollar terms, sales grew 11.7% (or \$2.6m) over 2Q2005
- ICL's PBT increased 89.3% in Sterling Pound terms due to higher sales and better operating efficiencies. In Singapore Dollar terms, PBT grew 79.7% to \$1.5m
- Cresset contributed \$5.4m in sales, an increase of 34.3% (or \$1.4m) over 2Q2005 due to higher CRM sales.
 - 3rd key CRM customer secured at end 2Q2006
- Cresset registered loss of \$1.1m in 2Q2006, 29.9% lower than loss of \$1.6m in 2Q2005



Food Preparation, Mfg & Processing

for the three months ended 30 June 2006

Overseas

- Combined turnover from Australian subsidiaries decreased by 26.9% (or \$2.3m) to \$6.3m
 - Sales lower due to poorer catches and lower exports
 - 2Q2005 had one-off benefit from final billings under facilities management contract with SAF
- Australian operations reported profit of \$79K compared to profit of \$2.0m for 2Q2005
- Shanghai STFI sales increased 24.6% (or \$0.4m) to \$2.0m due to higher sales of frozen ready meals to food service sector. Loss reduced to \$43K in 2Q2006 (2Q2005: \$0.3m loss).



Abattoir & Hog Auction

for the three months ended 30 June 2006

	2Q2006	2Q2005	%Δ	1H2006	1H2005	%Δ
Turnover (\$'m)	4.0	5.8	(30.6)	8.3	10.9	(24.0)
PBT (\$'m)	0.4	2.1	(78.7)	1.1	3.8	(70.3)

- Average slaughter and auction numbers in 2Q2006 were substantially lower at 730 and 709 pigs per day respectively (2Q2005: 1,079 and 994 respectively)
- As a result, revenues were 30.6% (or \$1.8m) lower in 2Q2006 compared to 2Q2005
- PBT fell by \$1.6m to \$0.4m due to low pig supply





Singapore Food Industries Limited

FY2006 Outlook

Outlook

Singapore Operations

- Food Distribution
 - Will continue to focus on growing sales to food service, ship supplies, and exports.
- Food Catering
 - Meals consumption in SAF camps expected to be higher in 2H2006.
 - Targetting to deliver balance (US\$0.7m) of contracted MRE supply to Middle East country in 2H2006
- Abattoir & Hog Auction
 - Current pig supply from single source farm in Bulan expected to continue to be weak
 - Recovery expected only towards the end of the year



Outlook

Growth continues to be driven largely by overseas business

Overseas Operations

- Daniels
 - Expected to deliver growth in all its core product categories of soup, juice, drinks and fruit
 - New Covent Garden soup well positioned for growth in coming winter season with deeper distribution and additional listings
 - Manufacture of own label drinks for 2nd new key retail customer commenced in 2Q2006
 - Prepared fruit business expected to continue to grow strongly
 - Fresh soup for food service to be moved to Cresset in 3Q2006. Will free up space to increase peak capacity for New Covent Garden soup in current soup plant. Total capex of £1m



Outlook

Overseas Operations

- ICL
 - Strong performance in 1H2006 expected to continue for rest of year
 - ICL progress underpinned by new business from key customers
- Cresset
 - Acquisition of 3rd key customer for CRMs improved Cresset's performance significantly
 - Profitability targetted to be achieved only in 4Q2006, and will depend on anticipated higher sales and improved factory efficiencies



Outlook

Overseas Operations

- Australia
 - Looking to exit from commercial fishing in next 24 months
- Shanghai STFI
 - Chicken-based products continue to face stagnant market due to Avian Flu concerns
 - Strategy is to diversify into new product categories and new market channels, and withdraw from unprofitable regions
 - Off-take of frozen ready meals to Quick Service Restaurants has increased steadily with acquisition of new customers





Singapore Food Industries Limited

New Growth Foot-prints

1. *China Food Service Market*
2. *Middle East Ready Meal/Sauce Market*

China Food Service Market – Growth Opportunity

- Consumer Foodservice Industry comprises Quick Service Restaurants (QSR), Full Service Restaurants (FSR) & Cafes
- In more developed cities, consumers switching from dining at ‘true’ FSR to more casual/quick dining at cafés/bars and QSR primarily due to increasingly hectic urban lifestyle

Market Sectors: RMB billion(Retail Sales Value)

	1999	2003	Growth 1999-2003	CAGR 1999-2003
Quick Service Restaurants	41.5	80.9	95%	18.2%
Cafes/Bars	9.1	17.9	97%	18.4%
Full Service Restaurants	706.5	831.2	18%	4.1%

Note: Manufacturers Selling Price (MSP) is typically 25% to 30% of RSV



China Food Service Market

Challenges of QSR

- Need to expand no. of outlets rapidly to occupy limited available shop spaces in good shopping malls
- Offer wide choice of meals but kitchens usually simple and kitchen staff unskilled. Need to de-skill and simplify meal preparation
- Need to maximise seating space at expense of kitchen to maximise sales. In some shops, restriction on gas supply, flame and exhaust.

**QSRs need supporting Food
Manufacturers for expansion and
growth**



China Food Service Market

Solution for QSR

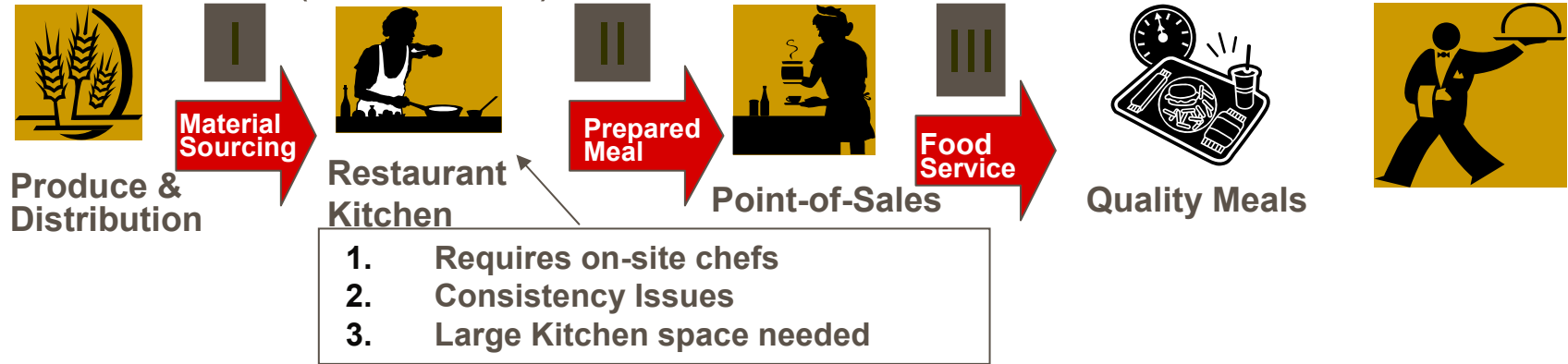
- Frozen ready meals packed in boilable bags (meal-bags)
 - Easy preparation in shop – fast preparation, minimum kitchen fittings, no need for skilled chefs.
 - Reliability – centrally prepared, hygienic, standardised recipes, standardised portions, raw material safety control.
 - Cost Efficiency – economical scale production, lower purchase cost, minimal wastage during preparation/re-generation.

**Control and management –
Ease of product development and
improvement, quality and consistency,
inventory management**



Food Service Meal Preparation

Value Chain (Traditional)



Value Chain (New Paradigm)



China Food Service Market

Progress on Frozen Ready Meals

- Entry to QSR market
 - Kicked off sales in Sep 04 with small accounts.
 - Acquired significant account
 - Eliminated competitors to this account from Sep 05.
 - Dedicated resources to secure other key accounts.
- Established unique and sustainable competitive edge
 - Strong product development capabilities
 - Superior infrastructure and quality system
 - Strong customer relationship management

**Opened up a new fast developing
Food Service business segment
within a year**



Middle East Market

Market Opportunities

Pilgrimage market

- Total Meal Revenue of US\$500m, with meal revenues from Arafah and Mina alone circa US\$60m
- Ready Meals in Gift Pack for Pilgrims' arrival in Jeddah
- Ready Meals in retort trays for congregation in Arafah and Mina
- Cooking Sauces for meal preparation in hotels in Mecca & Medina



Military Organisations

- Meals Ready-to-Eat (MREs) in retort pouches
- Ideal for stock-piling and easy to transport
- Estimated total annual MRE requirement of US\$20m in 2004 for GCC countries alone

Humanitarian Rations

- Food aid to the refugees, displaced people or the needy
- Ready Meals in retort pouches
- Estimated annual expenditure by GCC countries on Halal humanitarian rations worldwide about US\$50m



Middle East Market

Our Actions Taken

■ *Pilgrimage Market*

- Marketed our products to the Muassasah of SE Asia since 2004
- Introduced our Ready Meals and Cooking sauces (13 tonnes) in 2004
- Searching for suitable partners for Hajj Pilgrim groups

■ *Military Organisations*

- Visited various GCC countries since 2003
 - Developed ready meals suitable for ME taste palate
 - Acquired knowledge of their dietary preferences
- ⇒ **Secured 2-yr US\$2m contract for supply of packed meals to a GCC Country.**

■ *Humanitarian Rations*

- Visited Charitable Organisations in GCC countries
- Supported the Singapore Red Cross with our Ready Meals in their worldwide humanitarian relief efforts
- Exploring possibility of working with International Relief Organisations, to support them with Humanitarian Rations during crises





Singapore Food Industries Limited

FY2006 Outlook

Singapore operations continue to face a number of challenges. However, we expect the UK operations to continue with its strong growth trends

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

Thank You

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.

