fresh food industries
FFI HOLDINGS LIMITED

Annual General Meeting 2013
Chairman's Presentation

Presentation Outline

- Highlights FY2013
- Review of Financial Performance
- Factors Affecting Financial Performance
- Dividends
- Capital Management – Special Dividend
- Review of Food Operations
- Review of Property Investments
- Growth Strategy
  - Food Operations
  - Property Investments
- Conclusion

Highlights FY2013

FY 2013 was an outstanding success for FFI

- Net profit after tax attributable to members up 38% to $2.86 million (earnings per share 34.7 cents)
- Strong balance sheet: $2.9 million cash, no debt
- Property development commenced to provide for long term lease income
- Proceeds from land sale of $3.1million
- Dividends up 7% to 23.5 cps (fully franked)
- Net tangible assets per share up 5% to $3.06

Review of Financial Performance

Key financial metrics

Year ended 30 June	2013 $'000	2012 $'000	% change
Sales	30,038	32,240	down 7 %
Profit before tax:			
– from food operations	3,264	3,105	up 5 %
– from property sales	885	–	n/a
Profit after tax attributable to members	2,862	2,071	up 36 %
Dividends paid/payable	1,966	1,782	up10 %
Cash flow from operations	3,099	2,407	up 29 %
Capital expenditure	1,478	385	
Summary of equity:			
– invested in food operations	14,770	15,050	
– invested in land investments	8,720	10,090	
– net cash (debt)	2,916	(973)	
Total equity	26,406	24,167	
Return on equity invested in food operations – pre tax	22%	21%	

Factors Affecting Financial Performance

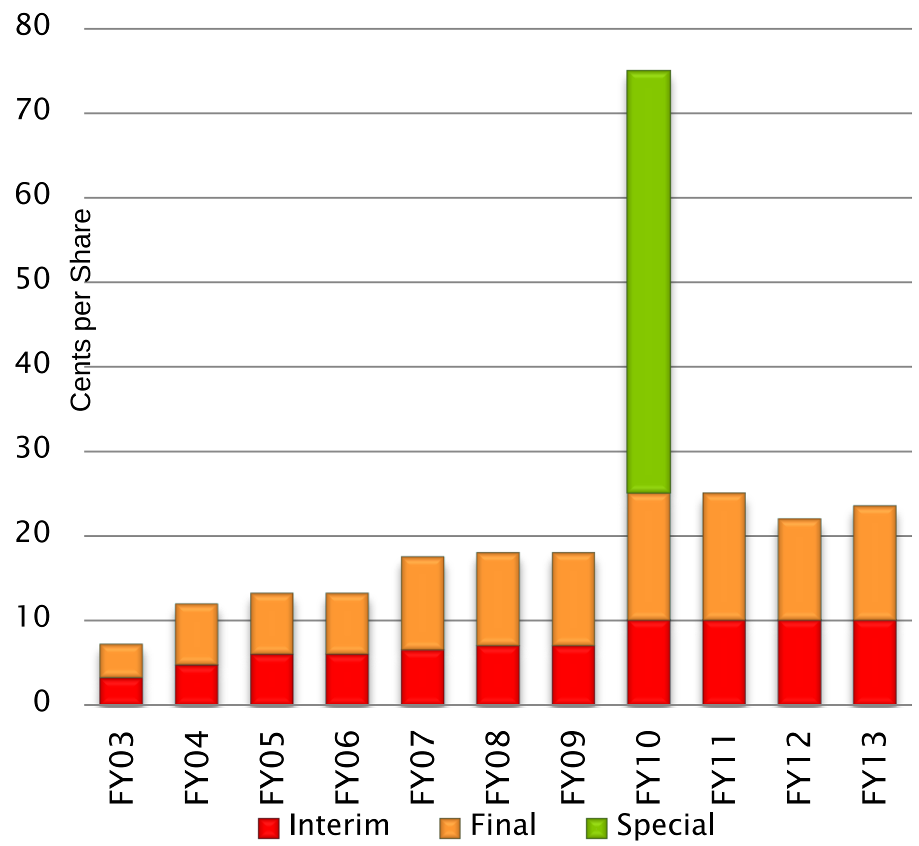
Given the general difficulties facing the industry, the financial results reflect the robust nature of the FFI food business

- Sales revenue down:
  - Increased competition – local and imported products
  - Rationalisation of product offering – major retailers
  - Timing of product life cycles – major customers
- Profit margins up:
  - Improved productivity
  - Reduced costs
  - Improved product sales mix
- Repairs and maintenance up:
  - Significant increase in non recurring costs
  - Increased capital costs to replace aged equipment and reduce maintenance costs

Dividends

Maximising long term shareholder return is FFI's key objective and drives all strategies, performance goals and management processes

- Final dividend of 13.5 cps fully franked – full year dividends of 23.5 cps fully franked (22.0 cps previously)
- Maintains solid dividend growth over 12 years
- Current dividend payout ratio = 68 %
- Dividend reinvestment plan (DRP) in operation
- A disciplined and conservative approach to capital management
- High level of importance placed on maintaining dividend growth



Capital Management –Special Dividend

Ongoing capital management program to maximise shareholders value

- Special dividend of 25.0 cents per share (fully franked) declared
  - Record Date 6 December 2013
  - Payable 20 December 2013
- Total franked dividend payable amounting to $2.15 million
- DRP operative for special dividend, 50% underwritten by stockbrokers Taylor Collison Limited
- Issue price of DRP shares will be 5% discount to VWAP, capped at $3.75 per share (ex dividend)
- Initiative is expected to delivered a number of benefits:
  - significantly enhanced shareholder value
  - improved share liquidity
  - Increased shareholder spread
- DRP participation by directors with partial underwriting will preserve FFI's strong financial position

Review of Food Operations

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Chocolate Products of Australia

Products: chocolate – cake toppings – confectionery – fudge – candy inclusions and decorations

Markets: food service – wholesale – private label – retail – industrial

Fresh Foods Industries – Bakery Products

Products: bakers jams – fruit fillings

Markets: food service – wholesale – industrial

Prepact

Products: home cooking needs – blending and packing

Markets: industrial – private label – retail

Tradition Smallgoods

Products: sausages – bacon – ham – manufactured meat products

Markets: retail – food service – industrial

Review of Food Operations

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Overall the business units continue to perform satisfactorily

- Quality, high calibre customers across all divisions
- Diverse channels in all markets – private label, food service, wholesale, industrial supply and retail
- Maintenance of highest levels in quality systems, production processes and health & safety systems
- High level of focus on innovation and new product development
- Significant level of resources applied to upgrading production facilities

Review of Property Investments

Cash flow commenced from land held for investment purposes

- The company achieved two milestones in FY2013:
  1. The completion of the subdivision development and sale of 3 vacant industrial lots
     - Proceeds from sale $3.1million
     - Profit before tax $885,000
  2. Development of property for lease commenced
     - Contracts for construction and lease finalised
     - Building construction commenced
     - Lease income of $725,000 per annum is expected to commence in FY2014

- Servicing and subdivision of a significant area of the balance of the land is underway

Growth Strategy

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Ongoing organic growth opportunities , with increased focus on pursuing acquisition opportunities

- FFI Holdings Ltd
  Equity = $26.4m
  - Food Operations
    Equity = $14.7m
    - Fresh Food Industries Pty Ltd
    - Tradition Smallgoods Pty Ltd
  - Property Investments
    Equity = $8.7m
    - Development and Lease (Commenced)
    - Hold for Longer Term Growth

Growth Strategy – Food Operations

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Organic growth is " low risk / high return" strategy and together with acquisition opportunities remains an important focus for FFI

- Upgrade production / reduce costs
- Develop new products and processes
- Increase market penetration – existing and new products

"Core competences"
Existing skills and knowhow

"Privileged assets"
Existing plant, equipment, supply channels etc

"Special relationships"
Major customers, licensing agreement etc

Growth Strategy – Property Investments

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The key priority is to enhance long term capital value and create a cash flow from this valuable asset

- Land held as property investments = 54,000 m^2 at Jandakot in Perth
- Current equity investment

  At current value = $12.1m

  less deferred tax = $3.4m

  Equity invested = $8.7m

- FFI has a three tiered growth strategy depending on the position and potential development value of the land

Growth Strategy – Property Investments

(Cont.)

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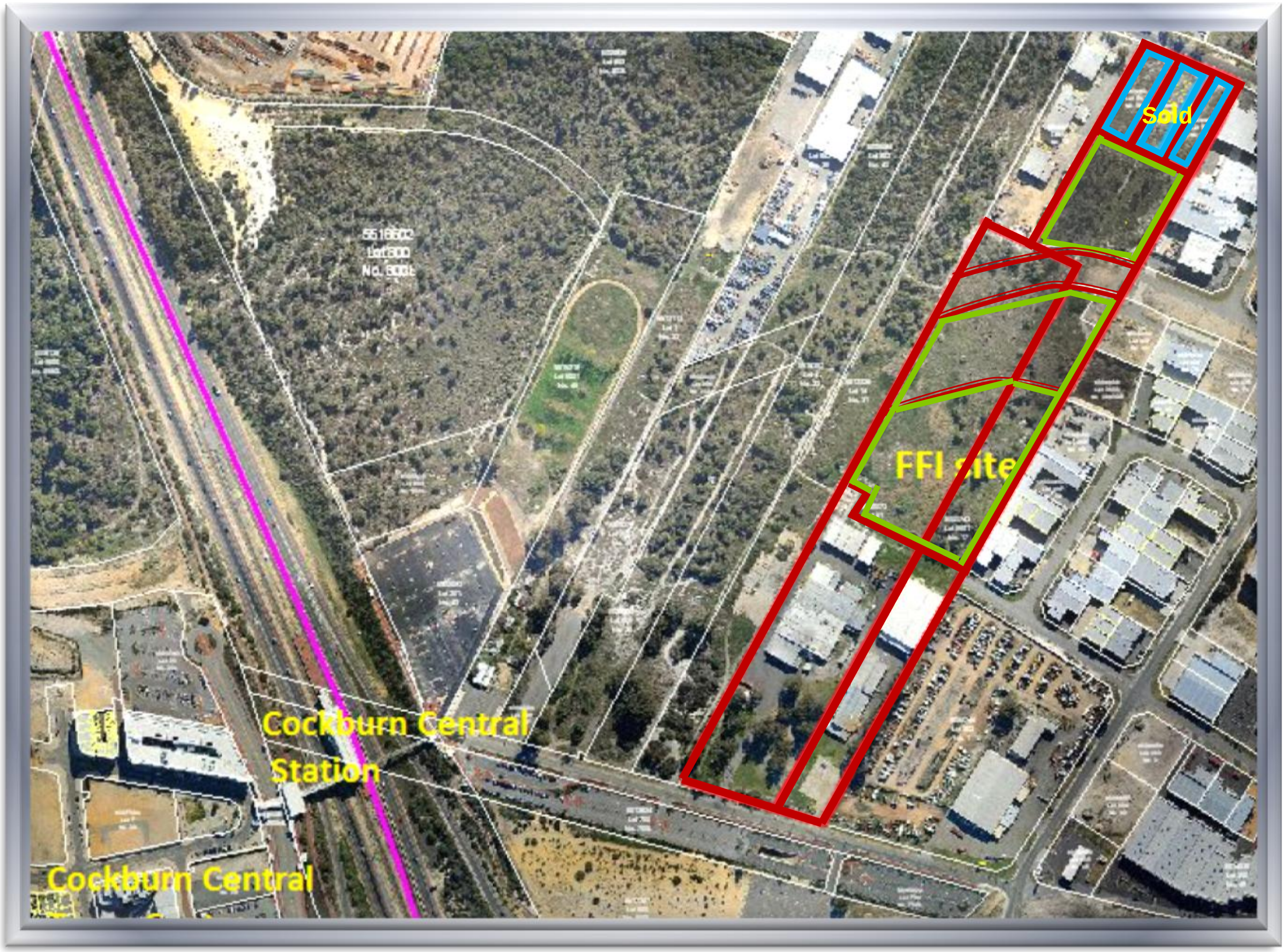
Realise value from fully developed areas →	Property sales →	3 lots sold. No further sales currently proposed
Enhance and release value through development and lease potential →	Development and lease →	First development commenced
Retain areas that will benefit from structural changes →	Hold for longer term growth →	Long term value increases from structural changes, road accesses etc.

Profit from lease income and/or asset re-valuations are likely in the current financial year

Growth Strategy – Property Investments (Cont.)



Conclusion

FFI is well positioned in its key market segments

- Profitable, well established business units, delivering high returns on funds employed
- Strong financial position with net cash, quality assets and strong cash flows
- Significant property investments that will contribute to group profitability and generate an increase in recurring cash flows going forward
- Experienced and proven management team
- Well defined growth strategy focused on both organic growth and acquisition opportunities to deliver maximum long term, total shareholder returns

Your Board and management look to the future with confidence and enthusiasm

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