



F&N Point  
No. 3, Jalan Metro Pudu 1  
Fraser Business Park, Off Jalan Yew  
55100 Kuala Lumpur, Malaysia  
Tel : 603-9235 2288 Fax : 603-9222 7878

## FRASER & NEAVE HOLDINGS BHD

(Company No.: 004205-V)

### NEWS RELEASE

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### **F&N records half year profit after tax of RM149 million, 38% lower than last year**

- The key declines came from
  - The cessation of Coca-Cola business
  - Flood disruptions in Thailand
  - Higher raw material cost and competitive pressure in Malaysian dairy operations
- Partly offset by two non-operating items
  - Realisation of capital gain of RM55 million on PJ land
  - Recognition of deferred tax asset of RM55 million arising from investment tax allowance awarded to Pulau Indah plant

<b>Financial highlights (RM million)</b>	<b>Half year 2012</b>	<b>Half Year 2011</b>	<b>Change %</b>
Revenue	1,473.7	2,037.5	-27.7
Operating Profit	110.3	292.4	-62.3
Profit before taxation	111.2	297.6	-62.6
Profit after taxation	148.8	239.1	-37.8
Earnings per share – basic (sen)	41.3	66.8	-38.2
Net dividend per share (sen)			
- Ordinary	20.0	20.0	
- Special	-	15.0	

Fraser & Neave Holdings Bhd (F&NHB) achieved revenue of RM1.47 billion in the first half ended 31 March 2012, a decline of 28% over the corresponding period last year.

F&NHB CEO Dato' Ng Jui Sia said while lower revenue was already expected due to the cessation of the Coca-Cola business, the natural calamity in Thailand caused extensive damage to production facilities, leading to production and sales losses.

Excluding Coca-Cola's revenue contribution of RM269 million, Group revenue dropped 17% mainly due to the loss of revenue in Thailand, lower sales in Dairies Malaysia as last year's volume was boosted by pre-price increase sales and the absence of property sales.

A silver lining amidst the Group's challenges was an 8% increase in the soft drinks revenue on the back of a 11% rise in volume boosted by a continued momentum in post Chinese New Year sales of 100PLUS, 6% growth of its Seasons range and 29% jump in Red Bull sales. This revenue increase was further enhanced via market penetration into Brunei as well as contract packing for export to its related company in Singapore.

"While we navigate through one of the most challenging periods of our long-standing history of success, our fundamentals are strong and paradoxically, the natural calamity in Thailand has in fact propelled us ahead of the competition.

"The flooding placed the entire Thai business in a reset mode and it has fortunately given us the advantage to get ahead through our ability to jumpstart full operations ahead of the market and give us much needed impetus to build on this lead," he added

Dairies Thailand managed to deliver 48% of the revenue of the corresponding period last year, following the floods by outsourcing products from neighboring countries. Quick actions and intensive business recovery efforts over the last six months have enabled the Rojana dairies plant to recommence production of sterilised and sweetened condensed milk products in late March, after a six-month lapse. This outcome is commendable considering that the Rojana plant was completely underwater for 40 days.

Dairies Malaysia revenue stabilized in the second quarter to last year's level following declines in the previous three quarters resulting from price increases to recover higher sugar costs. Discriminatory removal of sugar subsidies for selected F&B manufacturers compounded the problem. Dato' Ng said F&NHB had managed to stem the decline and efforts to expand consumption in on-premise channels gained momentum while strengthening its brand equity.

Operating profit in the first half was lower by 62% to RM110 million from RM292 million previously. Dato' Ng said that while a reduced profit margin from the soft drinks division was anticipated for the current financial period with the cessation of the Coca-Cola business plus higher raw material cost, particularly skimmed milk powder and sugar, the situation was exacerbated by the Thai floods.

The flood related write-offs on building, plant, machinery and inventories, at book value, amounted to RM89 million in the first half. Interim property damage insurance claims based on current replacement cost accepted by insurers and recognised to date came up to RM80 million, out of which the insurers have disbursed RM74 million payment. The insurance claims process is still ongoing and subsequent claims will be recognised once agreed by insurers. On the business interruption insurance claim, an interim RM20 million has been accepted by insurers. The remaining business interruption claims will be submitted for processing by the insurers in the coming quarters.

Dato' Ng added, "While the overall operating results of the Group is much lower than the previous period, two non-operating items from the realisation of capital gain of RM55 million from the PJ land and part recognition of the deferred tax assets of RM55 million in relation to the halal hub tax incentive granted to the Pulau Indah plant have cushioned the bottom line. Consequently, the first half profit after tax of RM149 million only declined by 38% compared to previous period.

Commenting on the second half of the financial year, Dato' Ng added that "the soft drinks division will continue to intensify its marketing and distribution activities in the coming quarters on its core brands, solidifying its leadership position in the ready-to-drink segment while maintaining focus on defending its leadership positions and building interest in new ones through consumer focused innovation." He expects the competitive landscape to intensify further.

“The Group also expects the Rojana plant in Thailand to resume full capacity production during the second half of the financial year to fill the inventory gap in that country, resulting in a recovery in the operating results for Dairies Thailand. Moving forward, the focus of the Group will be to continue to improve execution within Malaysia and increase penetration in Indochina,” he added.

Given its sustained cash position, F&NHB’s Board has declared an interim single tier dividend of 20 sen per share for the current financial period, the same as the previous corresponding period, despite a substantial decline in profits.

F&NHB is a Malaysian company listed on Bursa Malaysia’s Main Board with expertise and prominent standing in the food & beverage and property businesses. F&NHB has over 3,000 employees operating in Malaysia, Singapore and Thailand and is a subsidiary of Fraser and Neave Limited, a company listed on the Singapore Stock Exchange.

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**Issued with the compliments of Fraser & Neave Holdings Bhd  
by Eric Pringle Associates Public Relations Sdn Bhd.  
For further information, please contact Sunita Kanapathy  
Tel: +60-3-21617144 / Fax: +60-3-21618209 / Mob: +6-012-2261216  
E-mail: [sunita@epapr.com.my](mailto:sunita@epapr.com.my)**