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FRASER & NEAVE HOLDINGS BHD

(Company No. 004205-V)

FOR IMMEDIATE RELEASE

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F&NHB POSTS HIGHER REVENUE IN SECOND QUARTER FY2018 DRIVEN BY STRONGER FOOD & BEVERAGES MALAYSIA

- Group revenue in second quarter rose 2.2 per cent to RM1.015 billion compared to the corresponding period last year
- Food and Beverages Malaysia (F&B Malaysia) records 7.0 per cent revenue growth in second quarter of FY2018 supported by successful Chinese New Year festive promotions
- Group profit before tax impacted by higher input costs, especially for dairy products
- Interim single tier dividend of 27 sen per share amounting to RM99.0 million

SECOND QUARTER 2017/2018 PERFORMANCE

Financial Highlights	Second Quarter 2017/2018	Second Quarter 2016/2017	Change (%)
Revenue (RM million)	1,014.5	992.7	2.2
Profit before tax (RM million)	100.9	116.8	-13.6
Profit after tax (RM million)	92.6	107.1	-13.6
Basic earnings per share (sen)	25.3	29.2	-13.4

Fraser & Neave Holdings Bhd (F&NHB or the Group) recorded a 2.2 per cent growth in revenue for the second quarter ended March 31, 2018 to RM1,014.5 million from RM992.7 million in the same quarter last year.

The Group profit before tax for the second quarter decreased by 13.6 per cent to RM100.9 million while profit after tax reduced by 13.6 per cent to RM92.6 million.

Revenue for F&B Malaysia grew 7.0 per cent in the second quarter of FY2018 to RM581.8 million from RM543.9 million in the corresponding period last year.

F&NHB Chief Executive Officer, Lim Yew Hoe said that the successful execution of its Chinese New Year festive promotions, including the launch of the limited edition Classic F&N Orange Crush, and the double-digit growth in exports contributed to revenue growth for the Malaysia operations during the quarter under review.

However, F&B Malaysia operating profit reduced by 16.2 per cent to RM39.9 million from RM47.6 million due to higher input costs especially for dairy products, higher advertising and promotions expenditure and sales incentives for Chinese New Year festive promotions during the quarter. Higher costs were partly offset by operational cost savings and lower overheads.

Meanwhile, Food and Beverages Thailand (F&B Thailand) revenue eased 3.6 per cent to RM432.5 million from RM448.5 million during the quarter under review due to the soft domestic market and loss of UHT milk revenue caused by product shortage resulting from a co-manufacturer's plant that was damaged by fire in November 2017, and partly offset by double-digit growth in exports to Indochina region.

Operating profit for F&B Thailand was higher by 2.3 per cent in local currency mainly due to lower spend on advertising and promotions for the quarter. However, its operating profit translated to Malaysian Ringgit was 0.9 per cent lower at RM66.2 million from RM66.8 million last year due to the strengthening of Malaysian Ringgit versus the Thai Baht.

HALF YEAR 2017/2018 PERFORMANCE

Financial Highlights	Half Year 2017/2018	Half Year 2016/2017	Change (%)
Revenue (RM million)	2,083.5	2,083.8	0
Profit before tax (RM million)	216.0	260.8	-17.2
Profit after tax (RM million)	199.4	234.3	-14.9
Basic earnings per share (sen)	54.5	64.0	-14.8

The Group revenue for the first half ended March 31, 2018 is maintained at RM2,083.5 million while Group profit before tax reduced by 17.2 per cent to RM216.0 million compared to the same period last year.

Meanwhile, Group profit after tax decreased 14.9 per cent to RM199.4 million for the first half ended March 31, 2018 compared to the corresponding period in 2017.

Despite higher revenue in the second quarter, F&B Malaysia first half performance was impacted by market contraction in the beverages categories in Malaysia and floods in Peninsular Malaysia and Sabah in the first quarter. Revenue for F&B Malaysia was marginally lower by 0.7 per cent to RM1,182.2 million for the first half ended March 31, 2018 compared to RM1,191.0 million last year.

F&B Malaysia operating profit declined by 24.9 per cent to RM81.1 million from RM108.0 million in the first half period last year. This was largely due to higher input costs compared to the corresponding period last year, the strengthening of Malaysian Ringgit against US Dollar which affected exports revenue, and higher advertising and promotions expenditure and sales incentives. The increase in costs were partly offset by operational cost savings and lower overheads.

Meanwhile, F&B Thailand revenue grew by 1.0 per cent to RM900.7 million for the first half ended 31 March 2018 from RM892.2 million last year. Double-digit growth in exports to Indochina as well as continued innovations in new products and packaging formats, helped to mitigate the impact of challenging domestic market conditions in a soft economy.

Operating profit for F&B Thailand eased 4.1 per cent to RM138.9 million from RM144.8 million in the same period last year. This was due to higher input costs and a one-off provision for inventories damaged in a fire at a co-manufacturer's plant.

“Our first half performance reflects the current challenging environments in both Malaysia and Thailand for the beverages and dairy business with prolonged weak consumer sentiments, rising raw and packaging material prices and intense competition,” Lim said.

Moving forward, the Group will continue to leverage on innovations to deliver new and unique product offerings. In particular, it would be focusing on meeting consumers' evolving needs toward healthier options through the introduction of more products with lower sugar content; and consumers' demand for affordability through the right pack sizes and prices.

The Group's newest introduction – 100PLUS Reduced Sugar (with only 4 per cent sugar, the lowest in the industry and **WITHOUT** any alternative or artificial sweetener), will boost 100PLUS' total healthier choice portfolio and expand the brand's reach beyond traditional user occasions. At just 4 per cent sugar but with the full hydration benefits of an isotonic drink, it is an everyday beverage suitable for all occasions.

The whole range of 100PLUS now carries the Healthier Choice logo including its fruity variants that consist of 100PLUS ORANGE, 100PLUS BERRY, 100PLUS LEMON LIME and the new 100PLUS BLACKCURRANT. The Group has successfully revamped the formula for the 100PLUS fruity variants to meet the criteria for the Healthier Choice logo by the Ministry of Health Malaysia while ensuring that they taste even more delicious despite the lower sugar content.

“We will continue to deliver our “Pure Enjoyment, Pure Goodness” promise to our consumers by offering healthier options without compromising on taste.” Lim added.

Commenting on outlook for the rest of the year, F&NHB Chairman, Tengku Syed Badarudin Jamalullail said the business environments in both Malaysia and Thailand will continue to be challenging with prolonged weak consumer sentiments and intensifying competitive price pressure. Meanwhile, raw and packaging material prices in subsequent quarters are expected to remain volatile following the uptrends in packaging and milk-based commodity prices; compounded by the continuing uptrend of oil prices. The Group has hedged its core commodity requirements for the financial year along with the corresponding foreign currency exposure wherever possible.

“Despite the challenges, the Board and management will continue to remain vigilant and take decisive actions in managing the changes in external environment to ensure sustainable growth for our business,” he added.

In line with the Group's performance, the Board declared an interim single tier dividend of 27 sen per share (2017: 27 sen) for the year ending 30 September 2018. The dividend amounting to about RM99.0 million will be paid on 7 June 2018.

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About Fraser & Neave Holdings Bhd

Fraser & Neave Holdings Bhd (F&NHB) is a Malaysian company listed on the Main Market of Bursa Malaysia Securities Berhad with expertise and a prominent standing in the food and beverage business. F&NHB has a rich history spanning 135 years, positioning the Company and its brand as one that is trusted by generations. The Company boast a portfolio of 20 well-loved brands which are leaders in many segments namely 100PLUS, F&N Fun Flavours, F&N SEASONS, F&N Condensed and Evaporated Milk, F&N Magnolia, OISHI, Farmhouse, CARNATION and F&N Fruit Tree. F&NHB has over 2,700 employees and is Malaysia's top 100 leading graduate employers. F&NHB operates in Malaysia, Brunei, Thailand and Indochina, and is a subsidiary of Fraser and Neave, Limited, a company listed on the Singapore Exchange. www.fn.com.my

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