

Q&A WITH OUR CEO

Q How would you sum up the financial year 2024 for F&NHB?

FY2024 was a forward-looking year in which we captured value while channelling our capital into areas for growth. A great deal of effort and resources went into developing our dairy and Halal food pillars, both of which demonstrate promising returns and value.

We have integrated Sri Nona and Cocoland into one entity, Sri Nona Foods. In FY2024, we focused on standardising operations within our food pillar and with other existing units of F&NHB for greater operational efficiency and synergy.

We also established a new subsidiary in Cambodia, which we recognise as being a young and fast-growing market.

This year required a more strategic approach to managing our finances. With the start-up investments in F&N AgriValley and the expiration of certain tax incentives, we placed greater focus on financial vigilance.

In Thailand, we are proactively managing the gradual reduction of capital expenditure rebates, ensuring we remain efficient in value capture as we transition to the full phase-out next year. In FY2024, we incurred an additional RM32.4 million in withholding tax on dividends from Thailand alone.

Our exports were challenged by geopolitical tensions which impacted global trade and logistics this year. Nevertheless, we successfully navigated these challenges by maintaining an effective country mix and leveraging a robust domestic market.

Throughout FY2024, F&NHB maintained growth across our existing food and beverage operations while successfully integrating new businesses and setting up our agriculture pillar.

Overall, we are pleased with the Group's performance as we achieved very commendable results and maintained a strong cash position against a less-than-conducive backdrop for the industry.

LIM YEW HOE
Chief Executive Officer



Q&A WITH OUR CEO

GROUP REVENUE

RM5.25 **billion** **+4.9%**

FY2023: RM5.0 billion

GROUP PROFIT BEFORE TAX

+11.6% **RM697.0** **million**

FY2023: RM624.7 million

GROUP OPERATING PROFIT

RM709.5 **million** **+10.4%**

FY2023: RM642.9 million

Could you elaborate on F&NHB's financial results for the year?

F&NHB sustained its growth for FY2024 with revenue growing by 4.9% to RM5.25 billion, up from RM5.0 billion last year, primarily fuelled by higher domestic sales from F&B Malaysia and F&B Thailand, and exports to Cambodia. Beverages, water and dairy products were key performance drivers this year.

Group operating profit for FY2024 increased by 10.4% to RM709.5 million, compared to RM642.9 million in the previous year, while Group profit before tax improved by 11.6% over last year, attributed to higher profits from both F&B Malaysia and F&B Thailand, despite adjustments of non-operating items, restructuring costs, and start-up costs for F&N AgriValley.

F&B Malaysia's full year revenue grew by 3.5% to RM2.95 billion, mainly driven by strong domestic sales from festive demand and sustained momentum across all channels. This was supported by successful market penetration and demand-generation campaigns, such as the F&N *Rasa Pasti Gempak*, *Kipid 100* and *Magnolia Garfield* campaigns.

Excluding one-off non-operating items, adjusted operating profit for F&B Malaysia rose 33.4% to RM305.6 million on the back of higher revenue, improved margins from favourable product/country mix and lower input costs (except sugar, rice, gelatine and cocoa powder). This year, we have clearly seen the economic advantages of the restructuring and strategic refocusing efforts implemented in recent years.

While F&B Malaysia's export were affected by the Red Sea shipping crisis and higher freight charges, the decline in the African and American markets was offset by increased sales in the Middle East and North Africa (MENA) region and Greater China. Despite challenges, we expanded our beverage presence with the launch of 100PLUS in Sri Lanka, Australia, Hong Kong, and China, along with dairy products in the Philippines and China. We also collaborated closely with key accounts and potential customers to develop new recipes and packaging tailored to meet local market needs.

F&B Thailand recorded RM2.29 billion in revenue for FY2024, reflecting a 6.7% increase over last year (5.7% in THB). This was mainly driven by export sales to Cambodia following a highly successful nationwide promotion. Domestic sales were partly dampened by a limited supply of fresh milk and margin protection initiatives for certain products.

Excluding the impairment loss on plant and equipment in previous year, F&B Thailand's adjusted operating profit for FY2024 grew by 18.9% (17.8% in THB) to RM449.9 million. This compared well with RM378.3 million in FY2023, due to higher volume, lower commodity prices and supply chain savings and partially offset with higher advertising and promotions spending to support new products.



Q&A WITH OUR CEO



Q Please tell us more about the development of F&N AgriValley.

In FY2024, we concentrated on establishing the groundwork for F&N AgriValley and made significant strides in the construction of the farm. Our investment strategy is centered on three core objectives:

1 To build the world's best dairy barns, ensuring maximum comfort for our cattle.



2 To import the highest-performing dairy cows globally, minimising the need for additional barns.



3 To grow our own crop to provide the best possible feed at the lowest costs.



Together, these efforts will deliver world-class fresh milk to Malaysian consumers at affordable prices.

However, in late October 2024, we experienced a setback that prevented the arrival of the first batch of heifers from the USA, following the suspension of breeding cattle importation by the Department of Veterinary Services due to Avian flu outbreak concerns. We selected USA cows because they represent the finest Holstein breed in the world. Their loss was not only a setback for F&N but also a loss for Malaysia as a whole.

No doubt, the Group is disappointed by this recent development, especially having taken every precautionary measure to ensure the cattle is disease-free and in compliance with the protocols established between the governments of the USA and Malaysia. While the Group explores alternative sources for the cattle, we continue to focus on the remaining components of the integrated farm.

Q&A WITH OUR CEO

Q No doubt, fresh milk from F&N AgriValley will be a star addition to your Healthier Choice portfolio. What other advances have you made in providing consumers with healthier products?

I'm pleased to share that in FY2024, we achieved our goal of having at least two-thirds of our total ready-to-drink portfolio endorsed as 'healthier choice' in Malaysia and Thailand, thanks to concerted efforts over the years to reducing the sugar, fat and sodium content across our products. In fact, over 90% of our products sold today contain zero to 5% sugar. This has been made possible through focus by our R&D team on innovating recipes that stay true to our brand promise of *Pure Enjoyment, Pure Goodness*.

In September 2024, we reinforced our commitment to consumer well-being with our wellness campaign, *Jom Sihat, Kekal Cergas*, in collaboration with Mydin. The campaign stressed the importance of leading a balanced lifestyle and making healthier food choices, showcasing all our healthier options. In conjunction with this campaign, we launched F&N SEASONS Ice Lemon Tea Zero sugar in Malaysia, a new addition to our extensive portfolio of Healthier Choice products.

To meet the increased demand for healthier products among Thais, FNDDT launched NutriWell Soy Milk UHT WITH OMEGA FROM FLAXSEED and OAT & QUINOA. The beverage is specially crafted using a patented extraction technology that maximises nutrition from soybeans.

We also refreshed the packaging of several products in our Healthier Choice portfolio to enhance their functionality for different occasions. 100PLUS ZERO is now available in 325ml cans for on-the-go consumption, and F&N SEASONS Apple and Lychee in 1 litre beverage carton.

In East Malaysia, 100PLUS served as the official drink for the Agenda Nasional Malaysia Sihat – Sabah Maju Jaya event in June 2024. Initiated by the Ministry of Health, the programme promoted an active lifestyle for Malaysians of all ages.

Meanwhile, in Brunei, F&N supported the 15th anniversary celebration of the country's Health Promotion Centre by distributing BORNEO SPRINGS Natural Mineral Water and F&N SEASONS Soya to over 800 students.

“We also refreshed the packaging of several products in our Healthier Choice portfolio to enhance their functionality for different occasions.”



Q&A WITH OUR CEO

100PLUS is a clear leader in the isotonic segment, partly because of its support of the development of sports and athletes in Malaysia. How did the brand strengthen its ties to sports in FY2024?

100PLUS has a deeply entrenched legacy and interest in championing the local sports community and proudly supporting our nation's athletes at every level. This year, the brand continued to make its presence felt at various events both locally and internationally.

Following the Paris 2024 Olympics, 100PLUS honoured national shuttlers and 100PLUS Brand Ambassadors Lee Zii Jia, Aaron Chia and Soh Wooi Yik, with cash incentives for their smashing performance on the world stage.

Back home, 100PLUS was proud to be a GOLD Sponsor of the SUKMA and PARA SUKMA XXI Sarawak 2024, an extensive event held across nine Sarawak divisions. We have actively supported major sports events across Malaysia, including the Powerman Malaysia 2024 Duathlon, Standard Chartered Kuala Lumpur Marathon, Bursa Bull Charge 2024, Sukan Sabah 2024, and the REDLINE Fitness Games. These initiatives reflect our ongoing commitment to fostering a more active community.



Supporting grassroots development is a big part of our mission, too. For over 20 years, 100PLUS has partnered with the Badminton Association of Malaysia (BAM), nurturing young talent through the 100PLUS Junior Elite Tour, which has helped shape national stars like Tan Wee Kiong, Goh V Shem, and Goh Liu Ying.

100PLUS also has long-standing active commitment to developing junior golf in Malaysia through the 100PLUS SRIXON Junior Championship, which provides a competitive international platform for Malaysian junior golfers to test their abilities against peers from Asia-Pacific.

In addition to serving as the official hydration partner for major football and futsal events across the country, we also support youth development initiatives in primary schools, where we focus on nurturing young talent through the Liga Bola Sepak Kementerian Pendidikan Malaysia (KPM) 100PLUS, an annual competition held from June to November 2024, which this year saw enthusiastic participation by 26 schools.

Notably, 100PLUS extended its partnership with the National Sports Council (NSC) as the exclusive Official Isotonic and Electrolyte Sponsor for the next five years.

Thanks to all these dedicated efforts, 100PLUS retained its position as the top brand in the isotonic and carbonated soft drinks category.

“Back home, 100PLUS was proud to be a GOLD Sponsor of the SUKMA and PARA SUKMA XXI Sarawak 2024, an extensive event held across nine Sarawak divisions.”

Q&A WITH OUR CEO

In FY2023, you had begun the process of integrating Sri Nona and Cocoaland. Any updates on this front?

We successfully integrated Sri Nona and Cocoaland into a single entity, which entailed standardising operations, systems and restructuring human capital and management. At the same time, we refreshed several brands, such as LOT 100, COCOPIE and ROTONG, which now sport a new appearance and packaging. Additionally, Sri Nona is now leveraging F&N's distribution network, enabling us to widen the distribution of our culinary products.

Rising commodity prices, such as that for rice, gelatine, and cocoa powder, required a careful recalibration of pricing for certain products, all while keeping a keen eye on consumer spending trends. Despite this, our food segment sustained healthy profits, thanks to strong margin management and operational efficiency.

Looking ahead, we will focus on amplifying our distribution efforts to make our products even more accessible, especially in East Malaysia where we see strong potential for Sri Nona's culinary products. Following the brand refresh, we will strengthen brand identity of our products and harness data analytics to enhance decision making, gain consumer insights and optimise distribution strategies.

What are the highlights of F&N Dairies Thailand (FNDT) in FY2024?

Other than the launch campaign of NutriWell Soy Milk UHT, FNDT celebrated TEAPOT's 15th anniversary with a nationwide promotional campaign that rewarded both operators and consumers with lucky draw prizes. To strengthen TEAPOT's brand and to drive usage, we launched a new communication initiative to engage beverage and bakery operators, highlighting the unique qualities of TEAPOT Extra 1 litre and TEAPOT Evaporated Milk, tailored to meet their specific needs.

As a result of successful brand outreach initiatives, total TEAPOT grew 40% compared to the condensed milk market growth of 9%, while TEAPOT Sweetened Condensed Milk grew 23% compared to market growth of 5%, contributing to TEAPOT securing the No. 2 position in the total condensed milk market. It is also worth noting that sales for TEAPOT Evaporated Creamer UHT milk in 1 litre pack grew from zero to 1 million cartons per year within two years due to consistent brand building investments year after year, demonstrating not only the strength of our brands, but effective planning and execution by the team.

FNDT also focused on strengthening the Carnation brand and driving usage among in-home consumers and F&N operators by enlisting local celebrity Mike Pattaradet in a campaign to encourage home users to use Carnation Evaporated Milk as a healthier substitute for coconut milk in popular home-cooked Thai recipes, as well as Carnation Sweetened Condensed Milk in beverages.

To promote the product among operators, Carnation collaborated with restaurants and cafes to create special menus utilising the product, supported by social media Key Opinion Leaders (KOLs) and a reward programme.



Q&A WITH OUR CEO



Cambodia delivered strong results this year, with revenue growth exceeding 40%, driven by a successful nationwide campaign that prepared the market ahead of establishing our subsidiary.

Finally, it was encouraging to see increased cost efficiencies across our Thai operations, which helped to boost profits. In particular, the team successfully reduced distribution costs while benefitting from lower input costs due to a decrease in the price of commodities (except for sugar and fresh milk).

“TEAPOT Evaporated Creamer UHT Milk in 1 litre pack grew its volume to one million cartons per year within two years due to consistent brand buildup investments year after year.”

Q In February 2024, F&NHB announced it is investing into a manufacturing plant in Cambodia. Talk us through the rationale for this move?

There are primarily two objectives for export. The first is to utilise excess capacity domestically to achieve greater economies of scale. The second is to expand overseas export operations to a level that enables local production. Cambodia aligns with this second objective.

This investment is a natural progression of our strategy to grow our export pillar, and Cambodia has proven to be one of our more successful export markets. By setting up a manufacturing plant in the country, we can localise our operations and reduce not only export costs from Thailand, but our carbon footprint associated with transporting to the country as well.

Today, Cambodia is powered by cross-border trade. By setting up a plant, we have better control and visibility from factory to shop floor, increasing efficiencies in supplying to the market. At the same time, it would free up capacity in our existing manufacturing plants to further grow in Malaysia, Thailand and other export markets. Indeed, we believe there are significant opportunities for growth in Cambodia.

Localising some production is not the only thing we will do. Our Cambodia team will be expanded, and with that, we will have more resources to bring more of our portfolio of products including Halal food and confectionery into the market.

Cambodia is not the first of our foreign subsidiaries but is the first we have set up in a while. We plan to replicate the same concept in other suitable countries in the near future.

Q&A WITH OUR CEO

Q F&NHB is gaining recognition for your sustainability/ESG programmes. How have you further strengthened your sustainability platform in FY2024?

For ESG, we firmly believe in the principle of doing what we say by taking actionable steps now that demonstrate our dedication to sustainability and accountability, rather than merely outlining long-term goals.

In this context, while none of our peers have accomplished this, we have achieved 100% RSPO certification. Since 2020, F&NHB has ensured that all palm oil used is RSPO-certified, primarily through RSPO credits. For 2024, we utilised 80% Certified Sustainable Palm Oil and the remaining 20% with RSPO credits. Our goal is to reach 100% RSPO-certified palm oil usage by 2025.

Furthermore, we have invested significantly on solar energy. In 2024, we expanded the solar photovoltaic (PV) roof panels at five of our plants in Malaysia, which will generate an additional 6 million kWh of electricity annually - equivalent to about 29,000 trees in CO₂ offset.

As we prepare to enter the dairy sector through F&N AgriValley, we recognise that we are still in the learning phase. However, our goal is to establish an integrated dairy farm that is both self-sufficient and sustainable. The farm will feature a biodigester where cattle waste will be used to fuel internal operations, reducing our electricity consumption and carbon emissions. We also plan to incorporate solar power, so the farm runs on renewable energy. Additionally, that will be a few reservoirs that will collect and channel rainwater for our cattle.



“Indeed, our primary objective from the outset has been to make fresh milk more accessible and affordable for all Malaysians, thereby contributing to the country’s food security.”

Self-sufficiency at the farm will allow us better control on costs thereby keeping the price of our fresh milk affordable. Indeed, our primary objective from the outset has been to make fresh milk more accessible and affordable for all Malaysians, thereby contributing to the country’s food security.

This ambition to nurturing future generations is what drives the enthusiasm among everyone at F&NHB for the dairy farm, and we are all united in our efforts to turn this dream into reality.

Q&A WITH OUR CEO

What is the outlook and what are your priorities for F&NHB in FY2025?

We expect our margins will remain tight in FY2025 given the full removal of tax rebates in Thailand and higher start-up costs for our dairy farm. Nevertheless, we are confident of making up for the increase in expenditure as we continue to capture value by optimising our assets and operations in Malaysia and Thailand.

It is unfortunate our plans to contribute to enhancing the nation's food security in line with the Malaysia Madani framework were delayed. We are actively exploring options.

Despite the temporary setback, I am confident in the Group's financial strength, solid cash flow position and strategic plans moving forward. Our ongoing investments, such as new lines for carbonated beverages and drinking water in Butterworth, sterilised milk filling and packing line in Pulau Indah, as well as a new chocolate manufacturing line in Rawang, are aligned with the Group's long-term growth strategy. This complements existing operations and positions the Group to capture value for the future. Meanwhile, the development of our dairy manufacturing plant in Cambodia is also on track to bolster our presence in that market.

As we look ahead, the Group is committed to driving growth through the strategic objectives of 'Reach Competitively' and 'Digital' for Growth while remaining vigilant and agile in response to market shifts, geopolitical uncertainties and macroeconomic changes.

In this year's Employee Town Hall, themed *Future Now*, I emphasised the need for the adoption of AI and automation to flatten our command chain, value chain and supply chain. Streamlining these processes will allow us to enhance operational efficiency, improve our responsiveness to market changes, and foster a more collaborative work environment. This strategic focus will empower our teams to make quicker decisions, drive innovation, and better serve our customers, ultimately positioning us for sustained growth and success in an increasingly competitive landscape.



Any concluding remarks?

F&NHB is at a very exciting point in our business evolution, as we venture into the agriculture segment that is new to us. We recognise that it will bring various challenges; yet we remain confident in making a success of our fresh milk pillar as we have been thorough in doing our groundwork.

Our people will be critical in the next phase of our onward journey, as they have been up to now. And we are committed to providing them with all the training and technology support they need to grow professionally and, in turn, grow our business effectively. Our employees have always risen to the occasion in the past, and we have no doubt that they will continue to prove their mettle in the current scenario.

I would like to thank everyone for their hard work and commitment to our goals and vision for the Group. As always, our Board of Directors has been a pillar of strength, guiding the Group as we explore new territory. Thank you to each Director for your wise counsel and objectivity.

I would be remiss if I did not also acknowledge the contributions of our external stakeholders, from our shareholders to our business partners and customers. Rest assured that as we enter a new phase in our ongoing journey, we will make every effort to capture value for F&NHB and in the process create greater value for you.

LIM YEW HOE
Chief Executive Officer