



## **NEWS RELEASE**

### **ETIKA REPORTS REVENUE OF RM215.2 MILLION AND NET PROFIT OF RM2.8 MILLION IN Q3FY2011**

- ***Newly acquired subsidiaries in Malaysia and Indonesia contribute to revenue growth***
- ***Gross profit margin at healthy level of 22.7%***

**Singapore, August 11, 2011** – Etika International Holdings Limited (“Etika” or the “Group”), one of the world’s largest manufacturers and distributors of sweetened condensed milk and a leading regional Food and Beverage (“F&B”) Group, today announced a 21.4% increase in revenue to RM215.2 million for the third quarter ended June 30, 2011 (“Q3FY2011”), compared to RM177.2 million in the previous corresponding period (“Q3FY2010”). Profit after tax for Q3FY2011 was RM2.8 million, as compared to RM18.0 million in Q3FY2010 mainly due to increased expenses incurred for the newly acquired subsidiaries.

Etika’s Group Chief Executive Officer, Dato’ Kamal Tan, said, “The Group’s higher revenue was due to the improved sales performance as well as the contributions from our newly acquired subsidiaries operating in Malaysia and Indonesia. Operating expenses and finance costs were higher and necessarily incurred as the Group continues to commit resources to expand the market penetration of our new subsidiaries. The Group is steadily building up the foundation for future growth as the new acquisitions gain traction and contribute further to the Group’s financial performance.

“We continue to streamline our operations, maintaining a vigilant watch on our cost structures in order to maximise cost efficiencies. Our gross margin remains at a healthy level of 22.7%.”

Dato' Jaya Tan, Group Chairman, said, "Of the Group's RM38.0 million increase in revenue in Q3FY2011, the new subsidiaries contributed RM16.8 million, accounting for over 44% of the increase. The synergistic effects of our acquisitions continue to flow through, and we will continue to invest resources prudently to build the foundations for future growth."

## **Business Review**

Group turnover for Q3FY2011 was RM215.2 million, registering a RM38.0 million, or 21.4% increase over the previous corresponding period. The higher revenue was due mainly to improved sales performance as well as the contributions from the inclusion of the newly acquired subsidiaries operating in Malaysia and Indonesia.

This improvement in revenue was mainly contributed by the Dairies Division at RM13.6 million, Frozen Food Division at RM6.3 million and the newly acquired subsidiaries at RM16.8 million. On a positive note, selling prices for both local and export markets have improved. However, for the export markets, this was impacted by the weakening of the USD vis-à-vis the Ringgit.

In tandem with the increased turnover, cost of goods sold increased significantly by 28.7% or RM37.0 million. This was mainly due to increased costs of commodities which impacted margins. Production costs in the Dairies Division were higher due to higher prices of milk powder, palm oil and sugar, as a result of the withdrawal of the sugar subsidy by the Malaysian government.

Operating expenses increased by RM13.7 million or 46.5% to RM43.0 million in Q3FY2011. The increase was mainly due to the administrative, selling and marketing, as well as warehouse and distribution expenses incurred by the newly acquired subsidiaries. Finance costs increased by RM4.0 million or 133.4% due to higher utilisation of trade facilities, increase in interest rates, increase in term loan interest due to higher capital expenditure as well as finance costs related to the newly acquired subsidiaries.

For the nine months ended 30 June 2011 (“9MFY2011”), the Group’s revenue was RM642.7 million, an increase of RM148.9 million or 30.1% from the previous corresponding period. Profit attributable to equity holders of the Company was 32.7% lower at RM32.7 million.

### **Prospects and Growth Plans**

Currently, the uptrend in prices of commodities and raw materials is abating slightly. Locally-sourced materials are trending down but stable whilst sugar is under selective removal of subsidies by the authorities.

“We will continue to build on our strong brand equity and market position by building up our distribution networks as we expand into new markets. Going forward, we are optimistic that we will be able to reap greater economies of scale,” concluded Dato’ Kamal Tan.

For its core Dairies Division, the Group has recently completed the installation of additional mixing tanks for the sweetened condensed milk line, increasing production capacity by 15%. In addition, the Group’s subsidiary in New Zealand is working towards introducing a new range of products within the next 12 months for its Nutrition Division.

Given the strong sales volume and revenue for both domestic and export markets which remain encouraging, together with the introduction of a new range of products, the Group is optimistic that it can achieve a reasonable level of growth.

## **About Etika International Holdings Limited**

Listed on SGX Catalist (previously known as the SGX-SESDAQ) in 2004, and upgraded to the Mainboard in 2009, Etika International Holdings Limited is one of the world's largest manufacturers and distributors of sweetened condensed milk and a leading regional Food and Beverage ("F&B") Group. It also repacks and distributes complementary products such as full cream milk powder, instant coffee powder and tea dust. The Group's "DAIRY CHAMP" trademark brand has grown to become a well-regarded name and was awarded "Superbrand" status by the Malaysian Superbrands Council for two consecutive years in 2003/2004 and 2004/2005.

Established in 1997, the Group has an extensive distribution network where it sells and distributes directly to wholesalers, dealers, retailers and on-premise business operations. Its products are also distributed through hypermarkets such as Carrefour, Giant, Tesco, and Jaya Jusco (all under in-house brands as well as "DAIRY CHAMP" brand).

Today, the Group's products can be found in over 60 countries around the world, including ASEAN, East and West Africa, Central and South America, Middle East, and other Asia-Pacific countries. Etika exports products under its "DAIRY CHAMP" trademark, as well as other products manufactured by the Group under OEM arrangements.

To strengthen its position as a leading regional F&B Group, Etika has made acquisitions to expand into four key business segments: Dairies, Frozen Food, Packaging and Others (including Nutrition, Beverages and Instant Noodles).

In January 2011, Etika completed the acquisition of 100% equity interest in Susu Lembu Asli (Johore) Sdn. Bhd. ("SLAJ") and Susu Lembu Asli Marketing Sdn. Bhd. ("SLAM")

For more details, please visit the Group's corporate website at [www.etika-intl.com](http://www.etika-intl.com).

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