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MR CHAROEN SIRIVADHANABHAKDI
Chairman

CHAIRMAN'S STATEMENT

Dear Shareholders,

FY2017 was a challenging year as our Food & Beverage (“F&B”) businesses were adversely impacted by rising commodity prices. Our ability to recover these cost increases was hindered by weaker consumer sentiment and intense price competition. Despite all these, I am happy to report that F&N turned in credible results buoyed by strong earnings from Dairies Thailand, higher dividend income and first time contribution from our new associated company, Vietnam Dairy Products Joint Stock Company (“Vinamilk”), Vietnam’s leading dairy company. Our well executed strategies defended our market positions in the core beverage categories.

CORPORATE DEVELOPMENTS

During the year, we successfully increased our stake in Vinamilk from 10.95% last year to 18.74%. With our current shareholding and the appointment of a second representative to the Vinamilk Board, the Group is entitled under the Singapore Financial Reporting Standards to equity account for its share of Vinamilk’s results effective 16 April 2017.

Our strategic investment in Vinamilk enables us to reduce our dependence on our core markets of Singapore, Malaysia and Thailand and to participate in the dynamic growth of the Vietnamese economy. We look forward to continued excellent working relations with the Board and management of Vinamilk for the benefit of all stakeholders.

Non-Alcoholic Beverages

This is the third year since we embarked on our Vision 2020 journey. To recapitulate, Vision 2020 is the strategic roadmap to help us realise our ambition to be a stable and sustainable F&B leader in ASEAN. Our partnership

with the Thai Beverage Public Company Limited Group continues to enhance our proven track record of delivering value to our stakeholders and strong shareholder returns by extracting synergies in marketing and distribution.

Our F&B businesses remain focused on our dual-pronged strategy of organisational transformation and extension of our market reach in South East Asia. The priority is to continue to invest and grow our core brands – *100PLUS*, *OISHI*, *F&N MAGNOLIA* and *F&N NUTRISOY*, and build knowledge and capabilities to develop new products in line with our consumer promise of “PURE ENJOYMENT. PURE GOODNESS”. We will continue with our concerted efforts to innovate and extend our healthier product options to meet the ever-changing needs of consumers.

Our Malaysian subsidiary, Fraser & Neave Holdings Bhd (“F&NHB”) has completed its transformational Project Bluesky, a key initiative to streamline our business operations and route-to-market, to deliver long-term growth and profitability. We are now better organised and equipped to compete more effectively in the domestic market. F&NHB will also focus its global expansion efforts to drive growth by leveraging its status as a halal certified manufacturer to tap the market potential of Muslim consumers globally. A Group Halal Council was formed to drive this initiative.

In December 2016, we completed the acquisition of the remaining 30% interest in Yoke Food Industries Sdn Bhd. This acquisition complements our existing F&B businesses as it offers opportunity for the distribution and marketing of our products in South East Asia, especially Indonesia.



\$173.6m
**GROUP
 PROFIT**
**BEFORE INTEREST
 AND TAXATION**
**FAIR VALUE ADJUSTMENT
 AND EXCEPTIONAL ITEMS**



**FINAL DIVIDEND OF
 3.0 CENTS
 PER SHARE**
**TOTAL DIVIDEND FOR
 THE YEAR WOULD BE
 4.5 CENTS
 PER SHARE**

CHAIRMAN'S STATEMENT

PRIORITY IS TO CONTINUE TO INVEST AND GROW OUR CORE BRANDS 100PLUS, OISHI, F&N MAGNOLIA AND F&N NUTRISOY



Publishing and Printing (“P&P”)

We continued to rationalise our P&P operations in the face of digitalisation and the fast-evolving competitive landscape. Printing capacity was aligned with market demand in a move to improve cost effectiveness and operational efficiencies. To ensure a sustainable revenue base, concerted efforts have been put in place to diversify print portfolio, adding new revenue streams.

In October 2017, P&P completed the acquisition of the book distribution arms of Penguin Random House Limited in Singapore and Malaysia and entered into agreements to distribute exclusively their English books and other products in these two countries. With this acquisition, P&P will be better able to serve its customers in the book retail market.

Food

During the year, the Group formulated its food strategy and actively evaluated potential acquisitions in the food retail services sector. We aim to make suitable acquisitions to jumpstart our entry into this business.

RESULTS FOR FY2017

The Group closed FY2017 with Group Profit before Interest and Taxation, fair value adjustment and exceptional items down 3.1% to \$173.6 million, largely due to losses recorded in Beverages and P&P which were partly offset by higher contributions from Dairies and Vinamilk as a result of our increased shareholding in Vinamilk. Beverages was adversely impacted by lower sale volumes, competitive pricing, higher raw material prices and continued brand investments in

new markets. Losses from P&P were marginally lower than last year mainly due to improvements in printing plant efficiencies and effective cost containment measures.

Group Attributable Profit (“AP”) before fair value adjustment and exceptional items fell by 8.3% to \$99.9 million. Including fair value adjustment and exceptional items of \$1,183.2 million, Group AP was \$1,283.1 million compared to \$108.1 million last year. The exceptional gain arose largely from the realisation of fair value reserves upon the change of shareholding in Vinamilk.

DIVIDENDS

The Board recommends a final dividend of 3.0 cents per share for shareholders’ approval at the forthcoming Annual General Meeting. This brings total dividend for the year to 4.5 cents per share, unchanged from last year. The proposed dividend represents a payout of 65%, which is higher than our policy of paying approximately 50% of the Group’s Attributable Profit before fair value adjustment and exceptional items. The final dividend, if approved by shareholders, will be paid on 14 February 2018.

SUSTAINABILITY

F&N recognises that embracing sustainability practices is a core business priority given that sustainability is important for the long term development and success of our businesses. This year, we are pleased to publish our first Sustainability Report in compliance with the SGX requirements and based on the Global Reporting Initiative (“GRI”) G4 Reporting Guidelines.

At the Board level, the Board Executive Committee provides guidance to the Project Management Committee which was formed to drive the sustainability reporting initiative, ensuring that financial performance is balanced with environmental and social imperatives. Through engagement with management and employees, material environmental, social and governance factors were identified and targets set. For more details, please refer to our full Sustainability Report which is available only in online format on our website, making communication greener.

ACKNOWLEDGEMENTS

I would like to thank my fellow directors for their guidance and commitment throughout this challenging year. I would also like to thank management and all our employees for their dedication and continued whole-hearted support of our Vision 2020 objectives and targets. I would also like to express my gratitude to our shareholders, customers, suppliers and other business associates for your continued support.

Charoen Sirivadhanabhakdi
Chairman