#20-00 Alexandra Point
438 Alexandra Road
Singapore 119958

Tel : (65) 6318 9393
Fax : (65) 6271 0811
Website: www.fraserandneave.com

FRASER AND NEAVE, LIMITED
Company Registration No. 189800001R
Incorporated in the Republic of Singapore

Fraser and Neave reports first-half FY2017 results

- ***1H2017 recorded revenue of $946.3 million***
- ***1H2017 PBIT[1] slipped 16 per cent to $68.6 million, impacted by:***
    - ***Increase in distribution and brand investment costs***
    - ***Adverse translation effects from a weakened Ringgit***
- ***Dairies continued to contribute strongly to bottom line***
    - ***1H2017 Dairies PBIT[1] up 21 per cent; PBIT[1] margin improved to 14 per cent***
- ***Interim dividend of 1.5 cents per share declared***
- ***Vinamilk will be accounted for as an associate***
    - ***The Group to equity account for its shareholding interest in Vinamilk***

Financial Highlights (S$ 'million)	3 months to 31 March 2017	3 months to 31 March 2016	6 months to 31 March 2017	6 months to 31 March 2016
Revenue	451.3	479.0	946.3	972.9
PBIT[1]	22.2	28.4	68.6	82.1
Profit After Taxation	23.4	26.0	63.9	73.7
Attributable Profit[2]	3.8	11.6	26.3	37.2
Earnings Per Share (basic)(cents)[2]	0.3	0.8	1.8	2.6
Net Asset Value Per Share			$1.97	$1.97 (30 Sep 2016)

[1] *PBIT denotes profit before interest, taxation and exceptional items*
[2] *Before exceptional items*

SINGAPORE, 08 MAY 2017 – Fraser and Neave, Limited ("**F&N**" or the "**Group**") recorded second-quarter FY2017 ended 31 March 2017 ("**2Q2017**") revenue of $451.3 million and profit before interest and tax ("**PBIT**") of $22.2 million.

Arising largely from weak consumer sentiment and the absence of contribution from Chinese New Year sales due to the earlier sell-in booked in 1Q2017, 2Q2017 revenue declined 6 per cent as compared to the corresponding quarter last year. This was despite revenue growth in Dairies and the contribution from the newly acquired vending business.

This quarter, Beverages and Dairies turned in mixed performances. The strong uplift in Dairies 2Q2017 PBIT of 42 per cent, underpinned by profit growth in Dairies Malaysia and Dairies Thailand, was offset by losses in Beverages of $5.2 million, resulting in an overall fall in Food & Beverage ("**F&B**") 2Q2017 earnings of 7 per cent. Coupled with Publishing and Printing ("**P&P**") 2Q2017 losses, Group 2Q2017 PBIT dipped 22 per cent.

Owing to higher finance cost (due to borrowings to finance the acquisition of Vinamilk shares, which will only contribute to earnings in the second half of FY2017), weaker Beverages and concentrate sales and higher marketing expenses, 2Q2017 attributable profit before exceptional items fell 67 per cent to $3.8 million.

For the half-year ended 31 March 2017 ("**1H2017**"), Group revenue eased 3 per cent to $946.3 million. Group PBIT declined 16 per cent to $68.6 million, mainly on lower Soft Drinks Malaysia and P&P revenue, continued brand investments in new markets of Indonesia, Myanmar, Thailand and Vietnam, and higher operating expenses. Profit after taxation fell 13 per cent, to $63.9 million.

Mr Koh Poh Tiong, Chairman of the F&N Board Executive Committee said, "Even though our performance for the first six months was adversely impacted by weaker regional economies, poor consumer sentiment, more cautious discretionary spending and rising input costs, we continue to maintain our leading positions in our core markets, by offering a wide portfolio of products/brands that meets changing consumer tastes and a variety of consumption occasions.

We remain focused on executing the fundamental pillars of our growth strategy – innovating and investing in our portfolio of brands, strengthening our route-to-market and penetrating deeper into New Markets of Indonesia, Myanmar and Vietnam, which have started to show encouraging performance, while continually sharpening our strategies in the core markets of Malaysia, Singapore and Thailand, in response to changing competitive and market dynamics to deliver long-term sustainable growth."

Directors have declared an interim dividend of 1.5 cents per share, same as the corresponding period last year. The dividend will be paid on 9 June 2017.

On 21 December 2016, the Group completed its acquisition of additional shares representing approximately 5.4 per cent interest in Vietnam Dairy Products Joint Stock Company ("**Vinamilk**") through a competitive bid process. Thereafter, through further purchases from the market, the Group continued to increase its stake in Vinamilk. Today, the Group's shareholding in Vinamilk has risen to 18.74 per cent.

"In just over 40 years, Vinamilk's leadership has built a greatly admired business that has grown from strength to strength to become Vietnam's largest and leading dairy company, providing high quality and trusted dairy products to its consumers. We're thrilled to have increased our stake in Vinamilk, reflecting a strategic move which deepens our participation in Vietnam, one of Asia's fastest growing dairy markets and a key market in F&N's international growth strategy. Our investment in Vinamilk is expected to contribute significantly to F&N's bottom line going forward," said Mr Koh.

At the recent annual general meeting of Vinamilk held in Ho Chi Minh City, Vietnam on 15 April 2017, the appointment of the Group's second representative to the board of Vinamilk was approved by its shareholders. At this annual general meeting, Vinamilk also reported that it expects a post-tax profit of VND9.7 trillion[i] (approximately $596.5 million) for 2017, an increase of 4 per cent from 2016.

By virtue of the Group's current shareholding in Vinamilk and its appointment of a second representative to the board of Vinamilk, the Group is deemed to have significant influence over Vinamilk for accounting purposes in accordance with the Singapore Financial Reporting Standards. Henceforth, the Group will equity account for its shareholding interest in Vinamilk.

Vinamilk, the top listed company by market value on the Ho Chi Minh Stock Exchange, is primarily involved in the production, supply and distribution of a range of dairy products including powdered, liquid and condensed milk and yoghurt, as well as beverages including soy milk, fruit juice and tea.

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For clarification and further enquiries, please contact:

Mr Hui Choon Kit
Chief Financial Officer
DID: 6318 9272

Ms Jennifer Yu
Head, Investor Relations
DID: 6318 9231
Email: jenniferyu@fngroup.com.sg

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[i] Based on Vietnamese Accounting Standards and before adjustments to align to Singapore Financial Reporting Standards

Operations Review (Half-year ended 31 March 2017)

DAIRIES

Supported by the strong performance in its core markets of Malaysia and Thailand, the Group's Dairies division continued to deliver profit growth. Despite moderate increase of 1 per cent in revenue, Dairies 1H2017 PBIT jumped 21 per cent (+20 per cent in constant currency) to $79.3 million.

(A) Dairies Thailand

The growth momentum of Dairies Thailand continued unabated, achieving 1H2017 revenue growth of 6 per cent (+2 per cent in constant currency), on the back of strong demand for its core brands, increased distribution coverage, effective branding and trade campaigns, as well as favourable translation effect.

Higher revenue, lower input costs of milk and packaging and lower trade spending and marketing expenses boosted Dairies Thailand 1H2017 PBIT by 29 per cent (+24 per cent in constant currency), to $46.5 million, despite the absence of a one-time gain recorded in the corresponding period last year. Consequently, Dairies Thailand's 1H2017 profit margin continued to improve, to 17 per cent from 14 per cent in 1H2016.

(B) Dairies Malaysia

Dairies Malaysia 1H2017 revenue fell 8 per cent (-4 per cent in constant currency) against the same period last year due to subdued consumer confidence and demand amid a weak domestic economy, an increasingly competitive environment as well as higher tactical discounts given. Despite the weakened Ringgit against the Singapore Dollar and rising cost of sugar, Dairies Malaysia 1H2017 PBIT jumped 14 per cent (+19 per cent in constant currency), to $30.4 million, due to lower input costs of milk and packaging, higher earnings from the double-digit growth in exports sales and the release of provisions for marketing expenses no longer required. Like Dairies Thailand, Dairies Malaysia profit margin expanded – from 16 per cent in 1H2016 to 20 per cent in 1H2017.

(C) Dairies Singapore

A rise in Dairies Singapore 1H2017 revenue of 6 per cent was supported by the strong performance in New Markets of Myanmar and Indonesia. Despite double-digit earnings growth in the domestic market, the associated marketing costs in the New Markets and drop in exports resulted in Dairies Singapore 1H2017 earnings falling 37 per cent.

BEVERAGES

Amid an environment of subdued consumer sentiment and lower discretionary spending, rising input costs and adverse translation effect of the Ringgit against the Singapore Dollar, Beverages revenue decreased 9 per cent (-6 per cent in constant currency), to $252.6 million in 1H2017 compared with the same period last year.

Revenue growth in Beverages Singapore, boosted by the strong performance of Beer, was negated by a revenue decline in Soft Drinks Malaysia. In addition to operating expenses and brand investment costs associated with the Group's regionalisation efforts in the New Markets of Indonesia, Myanmar, Thailand and Vietnam, Beverages 1H2017 earnings fell 82 per cent (-81 per cent in constant currency), to $3.5 million.

(A) Soft Drinks Malaysia

In a competitive operating environment where consumers' confidence and demand remain low, Soft Drinks Malaysia 1H2017 revenue fell 15 per cent against the corresponding period last year. In constant currency, Soft Drinks Malaysia revenue would have decreased 11 per cent. Lower revenue, higher input costs and operating expenses mainly from professional fees incurred for Soft Drinks Malaysia's realignment exercise of its soft drinks and dairies operations and adverse translation effects resulted in a 70-per-cent fall (-69 per cent in constant currency) in its 1H2017 PBIT.

(B) Beverages Singapore and New Markets

Beverages Singapore saw a doubling of revenue in Beer in 1H2017 due to strong consumer demand of *CHANG* beer. However, the drop in domestic Soft Drinks sales and exports resulted in an overall 7-per-cent decrease in Beverages Singapore 1H2017 revenue. Lower revenue coupled with higher tactical discounts, input costs and marketing spend led to a 84-per-cent fall in Beverages Singapore 1H2017 earnings.

The intensification of trade and consumer marketing campaigns to build brand awareness as well as the widening of distribution channels continued to drive revenue growth in the Group's New Markets. In particular, Myanmar and Indonesia supported the 146-per-cent revenue growth in New Markets in 1H2017. F&N will continue to expand its presence in New Markets through continuous brand building activities to build brand awareness and market share. These markets, while providing additional avenues for growth, will take time to yield returns. The Group expects brand investments in these markets to continue over the next few years.

PUBLISHING & PRINTING

Publishing and Printing 1H2017 revenue fell 7 per cent to $$143.3 million, mainly due to a decline in volume and higher trade returns in the Distribution business, as well as a reduction in print volumes from key magazine publishers.

Lower revenue, lower margins from a change in product mix in Education Publishing, investments made in its e-Commerce portal and higher inventory provision widened Publishing & Printing's 1H2017 losses before interest and taxation to $7.9 million, from $3.9 million losses in the same period last year.