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

#20-00 Alexandra Point
438 Alexandra Road
Singapore 119958

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

# Fraser and Neave reports first quarter 2016 profits

- ***Attributable profit[1,2] increased 34 per cent to $25.5 million***
  - ***Including Discontinued Operations in 1Q2015, attributable profit fell 29 per cent***
- ***Performance from Continuing Operations:***
  - ***Profit after taxation jumped 57 per cent to $47.8 million***
  - ***PBIT[3] increased 37 per cent to $53.9 million***
  - ***Food & Beverage earnings surged 47 per cent to $48.3 million***
    - ***Dairies continued to lead earnings growth; PBIT up nearly twofold***
    - ***Food & Beverage PBIT margin improved to 12 per cent***

| Financial Highlights (S$ 'million) | 3 months to 31 December 2015 | 3 months to 31 December 2014 (Restated) |
|---|---|---|
| Revenue | 488.7 | 550.0 |
| PBIT[3] | 53.9 | 39.3 |
| Profit After Taxation<br>- Continuing Operations<br>- Discontinued Operations | 47.8<br>47.8<br>- | 60.7<br>30.4<br>30.3 |
| Attributable Profit[2]<br>- Continuing Operations<br>- Discontinued Operations | 25.5<br>25.5<br>- | 35.7<br>19.0<br>16.7 |
| Earnings Per Share (basic)(cents)[2]<br>- Continuing Operations | 1.8<br>1.8 | 2.5<br>1.3 |
| Net Asset Value Per Share | $1.74 | $1.57<br>(30 Sep 2015) |

1 *Continuing operations*
2 *Before exceptional items and fair value adjustment*
3 *PBIT denotes profit before interest, taxation and exceptional items*

SINGAPORE, 03 February 2016 – Fraser and Neave, Limited ("**F&N**" or the "**Group**") recorded revenue of $488.7 million for the first quarter ended 31 December 2015 ("**1Q2016**"). Led by margin improvement across both Food & Beverage and Publishing

& Printing, F&N's profit before interest and taxation ("**PBIT**") for continuing operations leapt 37 per cent to $53.9 million.

The increase in earnings was achieved despite a rise in brand investment costs and operating expenses to support regional expansion in new markets of Indonesia, Myanmar, Thailand and Vietnam, as well as negative foreign exchange effects. This result was a combination of a 92-per cent PBIT improvement in Dairies and a turnaround in Publishing & Printing from loss of $0.7 million to profit of $2.5 million.

Boosted by one-off items related to the floods in Malaysia – a one-time gain of $0.3 million in insurance claims recorded this quarter and the absence of impairment loss on fixed assets of $1.0 million recorded in the corresponding quarter last year – Group profit after tax ("PAT") from continuing operations jumped 57 per cent to $47.8 million, from $30.4 million. Including Discontinued Operations recorded in 1Q2015, PAT fell 21 per cent. In August 2015, the Group completed the sale of its brewery in Myanmar. Upon the divestment, the operating results of this brewery have been reclassified as Discontinued Operations.

**DAIRIES**

The Group's Dairies division continued to deliver strong performances across its core markets of Thailand and Malaysia, benefitting from higher canned milk volumes across key brands. Despite a weaker Malaysian Ringgit and Thai Baht against the Singapore Dollar, Dairies PBIT surged nearly twofold (+123 per cent in constant currency) to $37.5 million, aided by lower input costs and improved distribution.

(A) Dairies Thailand

The growth of Dairies Thailand continued unabated. Higher consumer demand for its core products, the contribution from new UHT milk products, increased distribution coverage and effective promotional and trade management activities led to volume growth. In constant currency, revenue improved 2 per cent. Translation losses from the weaker Thai Baht moderated revenue growth and remained flat against 1Q2015. Nevertheless, significant savings in raw materials, lower trade discounts, realised cost savings from manufacturing efficiencies and one-off cost recovery boosted Dairies Thailand 1Q2016 earnings. PBIT jumped 160 per cent (+164 per cent in constant currency) compared to the same period last year.

(B) Dairies Malaysia

Amidst an environment of suppressed consumer confidence, translation losses from weaker Ringgit, competitive pricing and higher tactical discounts offered, Dairies Malaysia 1Q2016 revenue decreased 19 per cent (-5 per cent in constant currency) despite a 1-percent volume growth. Notwithstanding the dip in revenue and the negative foreign exchange translation effects, Dairies Malaysia 1Q2016 earnings jumped 39 per cent (+62 per cent in constant currency) due to lower input costs. Dairies Malaysia further consolidated its market leadership positions for sweetened condensed milk and evaporated milk segments at 56 per cent and 65 per cent, respectively.

(C) Dairies Singapore

Dairies Singapore saw a drop in domestic and export volumes and lower prices. Higher marketing and operational costs further eroded Dairies Singapore 1Q2016 earnings by 39 per cent.

**BEVERAGES**

Beverages revenue decreased 19 per cent (-7 per cent in constant currency) to $132.1 million. The lower revenue was due mainly to weaker soft drinks sales in Malaysia on competition-led pricing pressures and weaker Ringgit. Riding on the growth momentum of FY2015, the Group continued to expand regionally, widening and deepening its presence in new markets of Indonesia, Myanmar, Thailand and Vietnam. The associated brand investments and operating expenses in these new markets, coupled with negative foreign exchange effects attributed to a 19-per cent drop (-3 per cent in constant currency) in Beverages 1Q2016 profits to $10.9 million.

(A) Soft Drinks Malaysia

Soft Drinks Malaysia 1Q2016 volume was flat, despite lost sales from *RedBull*, supported by nationwide marketing campaigns to drive sales for the upcoming Lunar New Year period. Limited edition product and packaging launched for the festive period – *F&N Sparkling Drinks* Pineapple flavour and *100PLUS* festive gold cans – further boosted sales volume. However, competitive pricing pressures and weaker Ringgit led to a decline in revenue of 22 per cent (-9 per cent in constant currency). On the back of lower input cost and marketing spend, Soft Drinks Malaysia 1Q2016 earnings improved 8 per cent (+26 per cent in constant currency).

(B) Soft Drinks Singapore

Soft Drinks Singapore saw revenue growth of 11 per cent, led by sales of new products *F&N ICE MOUNTAIN* Sparkling Water, *OISHI* and *COCO LIFE*. However, due to higher marketing spend to support new product launches, 1Q2016 earnings fell 23 per cent compared to 1Q2015.

(C) New Markets

The Group's new markets of Indonesia, Myanmar and Vietnam experienced revenue growth supported by marketing campaigns to promote new products, trade promotions and the widening of distribution channels. F&N will continue to expand its presence in these new markets through aggressive brand building activities to build brand awareness and market share. These new 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**

Education Publishing registered revenue growth on stronger sales performance of textbooks and general materials in Hong Kong, sales increase in Latin America, and advance deliveries for its export markets. Revenue gains in Magazines Distribution, attributed to higher sales in Singapore and Hong Kong and lower product returns, were offset by lower revenue in Books Distribution and Retail due to weak consumer sentiment in Malaysia and negative translation effects from a weakened Ringgit. Coupled with the decline in print volume, 1Q2016 revenue for Publishing & Printing fell 5 per cent, to $84.3 million.

Despite a 5-per cent decrease in revenue, Publishing & Printing recovered from a loss of $0.7 million in 1Q2015 to a profit of $2.5 million in 1Q2016. This was mainly due to revenue growth in Publishing and Magazines Distribution, improved efficiencies and lower costs in the Printing division as a result of the restructuring exercise carried out in FY2015.

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For clarification and further enquiries, please contact:

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| Mr Hui Choon Kit | Ms Jennifer Yu |
| Chief Financial Officer | Head, Investor Relations |
| DID: 6318 9272 | DID: 6318 9231 |
| Email: huick@fngroup.com.sg | Email: jenniferyu@fngroup.com.sg |