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

# Fraser and Neave reports 58 per cent rise in first-half FY2018 attributable profit

- ***1H2018 revenue increased 1 per cent to $960.2 million***
- ***1H2018 PBIT[1] rose 26 per cent to $86.8 million***
  - ***Dairies continued to contribute strongly to bottom line; earnings grew 29 per cent despite rising input costs***
  - ***Beverages recovery on track; improved Beverages Malaysia 2Q2018 performances helped lift profits***
  - ***Publishing & Printing losses narrowed***
- ***Interim dividend of 1.5 cents per share declared, equal to last year***

| **Financial Highlights** (S$ 'million) | **3 months to 31 March 2018** | **3 months to 31 March 2017** | **6 months to 31 March 2018** | **6 months to 31 March 2017** |
|---|---|---|---|---|
| Revenue | 473.1 | 451.3 | 960.2 | 946.3 |
| PBIT[1] | 36.3 | 22.2 | 86.8 | 68.6 |
| Profit After Taxation | 30.1 | 23.4 | 71.2 | 63.9 |
| Attributable Profit[2] | 15.4 | 3.8 | 41.5 | 26.3 |
| Earnings Per Share (basic)(cents)[2] | 1.1 | 0.3 | 2.9 | 1.8 |
| Net Asset Value Per Share | | | $1.89 | $1.95 (30 Sep 2017) |

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

SINGAPORE, 08 MAY 2018 – Fraser and Neave, Limited ("**F&N**" or the "**Group**") today announced financial results for the second quarter ("**2Q2018**") and half-year ("**1H2018**") ended 31 March 2018.

The Group posted quarterly revenue of $473.1 million, up 5 per cent year-on-year. Group quarterly profit before interest and taxation ("**PBIT**") increased 63 per cent to $36.3 million. Profit after taxation, however, rose 28 per cent to $30.1 million from $23.4 million in the last corresponding period, mainly due to higher financing cost.

Broad-based sales growth across business segments in the core markets of Singapore, Malaysia and Thailand contributed to Group 2Q2018 revenue growth. Aided by a later Chinese New Year as well as effective festive-led promotions, Beverages 2Q2018 sales grew 11 per cent. Similarly, Dairies, led by higher export volume and favourable translation effects, recorded a 5 per cent increase in 2Q2018 revenue.

Underpinned by higher dairy and soft drinks sales, reduced operating costs and maiden profit contribution from the Group's 19.96-per-cent[i] stake in Vietnam Dairy Products Joint Stock Company ("**Vinamilk**"), an associate company, 2Q2018 PBIT surged 63 per cent year-on-year, to $36.3 million. This quarter, Dairies remained the Group's strongest performer – especially Dairies Thailand and Dairies Singapore where earnings grew 6 per cent and 44 per cent, respectively. Bolstered by Vinamilk's $16.2 million earnings contribution, Dairies 2Q2018 earnings grew 30 per cent, to $51.6 million. The robust growth was achieved despite the muted performance in Dairies Malaysia where earnings were hurt mainly by higher dairy-based commodity prices and packaging cost. Beverages delivered higher sales due to the two-week shift versus last year of Chinese New Year and effective festive promotions, and narrowed its 2Q2018 losses to $0.8 million, from a loss of $5.2 million in the corresponding period last year.

[i] The Group has announced on 4 April 2018 and 23 April 2018 that, it has, through its wholly-owned subsidiary, acquired another 68,140 Vinamilk shares in a series of on-market purchases, bringing the Group's shareholding in Vinamilk to approximately 20.0%

Publishing and Printing recorded higher losses in this quarter, from a loss of $5.6 million to $8.4 million, largely attributed to the timing of textbook sales and the rescheduling of directory publication dates.

For the half-year ended 31 March 2018 ("**1H2018**"), Group revenue increased 1 per cent year-on-year, from $946.3 million to $960.2 million. The growth in 1H2018 revenue was due to strong export sales as well as favorable translation effects, aided also by a strong recovery in Beverages Malaysia 2Q2018 sales. Group PBIT, on the other hand, grew 26 per cent year-on-year to $86.8 million on strong Dairies contribution. Dairies recorded robust earnings growth of 29 per cent, from $79.3 million to $102.1 million. The strong performance mainly arose from the maiden profit contribution from Vinamilk despite weaker earnings from Dairies Malaysia and Dairies Singapore as a result of higher input costs. Beverages performance continued to weigh on Group 1H2018 PBIT. While Beverages Malaysia recorded earnings growth of 2 per cent, continued targeted spend on brand building initiatives, trade promotions and the widening of distribution channels in New Markets of Indonesia, Myanmar and Vietnam have had a negative impact on overall Beverages earnings. Consequently, Beverages 1H2018 profit fell 78 per cent, to $0.8 million.

Mr Koh Poh Tiong, Chairman of the F&N Board Executive Committee said, "The beverage landscape is expected to remain intensely competitive and challenging due to changing consumer preferences and regulations, which have an adverse impact on the soft drinks industry and put pressure on sales and margins.

Despite that, F&N has been able to maintain leading positions in our core markets by staying relevant to our consumers, through offering a wide portfolio of products and by continually introducing new products that cater to evolving consumer preferences. We remain committed to building a sustainable business for the long-term by refreshing our operating model in order to overcome challenges and to seize new growth opportunities.

As we continue our journey to becoming a leading total beverage company in ASEAN, our strategic thrusts are to expand our distribution reach in every market that we operate in, accelerate product and process innovation and invest in our core brands. Leveraging on the strengths of our core brands, we seek to drive growth of our business to full potential in the core markets of Malaysia, Singapore and Thailand as well as the new markets of Myanmar, Indonesia and Vietnam."

Directors have declared an interim dividend of 1.5 cents per share, unchanged from the interim dividend declared a year ago. The dividend will be paid on 12 June 2018.

## Corporate Developments

### (A) F&N acquires 4.42 per cent interest in Tsit Wing

On 30 April 2018, F&N had signed an agreement to make a $12 million cornerstone investment in the initial public offering of Tsit Wing International Holdings Limited ("**TW**") on HKSE. Under the terms of the agreement, F&N will acquire approximately 4.42 per cent interest of total TW issued shares, up to a maximum offer price of HK$2.19 per share.

In addition, F&N have also entered into a memorandum of understanding with TW to jointly explore new business and growth opportunities in Hong Kong, Macau, China and Southeast Asia. Potential strategic alliance and co-operation include (i) the exclusive supply of F&N's evaporated and condensed milk products to TW; (ii) the distribution of F&N's alcoholic and non-alcoholic products by TW; (iii) the distribution of TW's coffee and tea products by F&N; (iv) co-branding promotion of TW's and F&N's products in TW's food outlets; and (v) co-development of new ready-to-drink products and beverage solutions. For more information on this investment, please click *here*.

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**Operations Review (Half-year ended 31 March 2018)**

**DAIRIES**

Supported by higher earnings in Thailand as well as the maiden recognition of profit from its associate company, Vinamilk, Dairies 1H2018 earnings rose 29 per cent to $102.1 million, from $79.3 million in the corresponding period last year.

(A) Dairies Thailand

1H2018 revenue grew 5 per cent (+2 per cent in constant currency) driven mainly by double-digit growth in exports to the Indochina region, product innovation and renovation, as well as increased distribution coverage and favourable translation effect. However, rising input costs and provision for inventories damaged in a fire at a co-manufacturer plant have dampened PBIT growth to 2 per cent.

(B) Dairies Malaysia

1H2018 revenue rose 8 per cent (+4 per cent in constant currency) on positive translation effect and double-digit growth in exports. Amid an increasingly competitive environment and rising input costs, Dairies Malaysia PBIT fell 38 per cent (-40 per in constant currency).

(C) Dairies Singapore and New Markets

Dairies Singapore and New Markets 1H2018 revenue was flat compared with the corresponding period last year. Nevertheless, PBIT jumped 81 per cent mainly from the better performance in Myanmar and Indonesia.

**BEVERAGES**

Amid an environment of subdued consumer sentiment and intensifying competition, Beverages revenue decreased 4 per cent (-7 per cent in constant currency), to $242.4 million in 1H2018. Impacted by lower revenue, rising input costs and continued brand investment cost, PBIT fell 78 per cent year-on-year, to $0.8 million in 1H2018.

(A) Soft Drinks Malaysia

In a competitive operating environment where consumers' confidence and demand remain low, Soft Drinks Malaysia 1H2018 revenue dipped 2 per cent against the corresponding period last year. Without the benefit of positive translation effect, in constant currency, Soft Drinks Malaysia revenue decreased 5 per cent. Despite the higher packaging costs, its 1H2018 PBIT rose 2 per cent on favourable translation effect.

(B) Beverages Singapore and New Markets

Beverages Singapore and New Markets 1H2018 revenue declined 11 per cent as revenue growth in New Markets continued to be impacted by higher sell-in to the trade during last financial year in Myanmar and weaker Indonesian Rupiah. Earnings of Beverages Singapore and New Markets were impacted by lower revenue and higher operating and marketing costs associated with brand building, as well as widening distribution channels. The Group expects brand investments in these markets to continue over the next few years.

**PUBLISHING & PRINTING**

Publishing and Printing 1H2018 losses narrowed from $7.9 million to $6.7 million due to improving operating margins arising from prior years' cost rationalisation efforts. As a result of improving operational efficiencies and productivity and the contribution from new acquisitions, higher profits from printing and distribution segment were recorded, negated by lower sales and shift in product mix in Publishing.