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

Fraser and Neave reports first quarter FY2017 results

- ***1Q2017 revenue rose to $495.0 million, aided by contribution from the newly acquired vending business and growth in Dairies Thailand and New Markets***
- ***1Q2017 PBIT[1] declined 14 per cent to $46.4 million, impacted by:***
    - ***Increase in distribution and brand investment costs***
    - ***Adverse translation effects from a weakened Ringgit***
- ***Dairies continued to lead earnings growth***
    - ***Dairies 1Q2017 PBIT up 5 per cent; PBIT margin improved to 14 per cent***

Financial Highlights (S$ 'million)	**3 months to 31 December 2016**	**3 months to 31 December 2015**
Revenue	495.0	493.8
PBIT[1]	46.4	53.7
Profit After Taxation	40.5	47.8
Attributable Profit[2]	22.4	25.5
Earnings Per Share (basic)(cents)[2]	1.6	1.8
Net Asset Value Per Share	$1.85	$1.97 (30 Sep 2016)

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

SINGAPORE, 08 FEBRUARY 2017 – Fraser and Neave, Limited ("**F&N**" or the "**Group**") recorded revenue of $495.0 million for the first quarter ended 31 December 2016 ("**1Q2017**"). The $1.2 million increase, as compared with the corresponding quarter last year, was attributed to contribution from the vending business which was acquired in July 2016, as well as revenue growth in Dairies Thailand and New Markets of Myanmar and Vietnam.

For the period under review, the Group registered an 8-per-cent increase in operating expenses mainly associated with a rise in distribution costs compared to

1Q2016, which benefitted from higher expenses being provided for in the year-ago period. Coupled with continued brand investment costs in new markets of Indonesia, Myanmar, Thailand and Vietnam, and negative foreign exchange effects, F&N's 1Q2017 profit before interest and taxation ("**PBIT**") slipped 14 per cent to $46.4 million. Consequently, profit after taxation fell 15 per cent, to $40.5 million.

Growth of the Group's best performing operation, Dairies Thailand, continued unabated in 1Q2017. Despite flat volume and moderate revenue increase due to a slow-down in consumer spending, Dairies Thailand earnings in this quarter jumped 16 per cent (+12 per cent in constant currency), mainly due to favourable input costs and weaker Singapore Dollar. Dairies Thailand's PBIT growth offset weaker performances in Dairies Malaysia and Dairies Singapore to power the overall 5-per-cent increase in Dairies 1Q2017 PBIT.

Beverages 1Q2017 results were mixed. While Beverages top-line grew 5 per cent, which was supported by the newly acquired vending business and growth in Beverages Singapore and New Markets, negative translation effects, rising input costs and continued marketing and administrative overheads to support brand building and distribution expansion activities affected earnings. Consequently, Beverages 1Q2017 earnings fell 20 per cent, to $8.7 million.

Soft Drinks Malaysia 1Q2017 revenue fell 1 per cent (+1 per cent in constant currency) due to the weaker Ringgit, poor consumer sentiment and competitive pricing pressure. As a result of increasing raw material costs, in particular sugar, and higher trade and consumer promotion spending, Soft Drinks Malaysia 1Q2017 PBIT declined 27 per cent. On the other hand, the Group's New Markets of Myanmar and Vietnam delivered strong top-line growth in 1Q2017. In particular, Myanmar experienced revenue growth as a result of distribution expansion and successful brand building initiatives, mainly for *100PLUS*. Its canned milk, *TEAPOT*, which was formally introduced in Myanmar last year, also contributed to revenue growth, supported by the widening of distribution channels. Similarly, Vietnam achieved revenue growth in 1Q2017 due to effective festive-led promotions and success in growing distribution reach.

Corporate Developments

On 1 December 2016, the Group exercised a call option to acquire the remaining 30 per cent stake in Yoke Food Industries Sdn Bhd ("**YFI**") for RM23.4 million (S$7.5 million). Together with the 70 per cent stake acquired in April 2014, this acquisition effectively increased the Group's shareholding interest in YFI to 100 per cent.

YFI carries on the business of manufacturing, marketing, distributing and exporting of beverages, primarily in Indochina, Indonesia, Malaysia and Singapore. This acquisition complements the Group's existing F&B business by offering an increased opportunity for the distribution and marketing of its brands in Southeast Asia, as well as establishes greater scale and a wider portfolio of brands.

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, reaffirming its confidence in the management and business prospects of Vinamilk. In addition to a series of open market purchases in January 2017, to date, the Group has successfully raised its shareholding in Vinamilk to 17.5 per cent.

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<u>Operations Review (3 months ended 31 December 2016)</u>

<u>DAIRIES</u>

Supported by the strong performance in its core market of Thailand, the Group's Dairies division continued to deliver profit growth. Despite a weaker Malaysian Ringgit against the Singapore Dollar, as well as flat volume and revenue, Dairies PBIT increased 5 per cent to $39.4 million.

(A) Dairies Thailand

Dairies Thailand performed positively despite subdued consumer sentiment. Revenue grew 2 per cent on the back of increased distribution coverage, contribution from new UHT milk products and a favourable exchange rate. In spite of moderate revenue growth and the absence of a one-off cost recovery recorded in 1Q2016, Dairies Thailand 1Q2017 earnings jumped 16 per cent (+12 per cent in constant currency) to $25.3 million, aided mainly by favourable input costs and a weaker Singapore Dollar.

(B) Dairies Malaysia

Amidst a sluggish economic environment and weaker consumer confidence, translation losses from weaker Ringgit, competitive pricing and higher tactical discounts offered, Dairies Malaysia 1Q2017 revenue decreased 4 per cent (-2 per cent in constant currency). Impacted by the rise in raw material costs, particularly in sugar, coupled with higher trade and consumer promotion spending, Dairies Malaysia 1Q2017 earnings slipped 7 per cent (-5 per cent in constant currency) to $13.1 million.

(C) Dairies Singapore

Aided by an increase in export volume and the strong performance of soya and yoghurt products in the domestic market, Dairies Singapore 1Q2017 revenue increased 3 per cent. However, intensified competition and higher operational costs adversely impacted Dairies Singapore 1Q2017 earnings by 42 per cent.

BEVERAGES

Beverages revenue increased 5 per cent (+6 per cent in constant currency) to $139.0 million, supported by contribution from the newly acquired vending business and higher revenue in Beverages Singapore and New Markets. Riding on the growth momentum of FY2016, 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 resulted in a 20-per-cent drop (-19 per cent in constant currency) in Beverages 1Q2017 profits, to $8.7 million.

(A) Soft Drinks Malaysia

Soft Drinks Malaysia 1Q2017 revenue fell 1 per cent on weaker consumer sentiment, competitive pricing pressures and adverse translation effects, despite favourable sales mix and lower trade discounts. In constant currency, Soft Drinks Malaysia 1Q2017 revenue would have improved 1 per cent. Higher input costs, particularly in sugar, and increased marketing spend further impacted Soft Drinks Malaysia 1Q2017 earnings, resulting in a 27-per-cent decline (-26 per cent in constant currency).

(B) Beverages Singapore and New Markets

Beverages Singapore saw revenue growth of 10 per cent in 1Q2017, due to higher consumer off-take for *F&N* Sparkling Drinks and *CHANG* beer ahead of the upcoming Lunar New Year period, supported by effectively executed marketing activities. New agency brand, *RIBENA*, which the Group started distributing during the quarter, also contributed to Beverages Singapore revenue growth. However, increased advertising and promotion costs to improve brand visibility and higher tactical discounts led to a 50-per-cent fall in its 1Q2017 earnings.

The Group's new markets of Myanmar and Vietnam experienced revenue growth supported by successes in its expansion of distribution coverage and effective execution of trade and consumer marketing campaigns. 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

Publishing & Printing 1Q2017 revenue fell 8 per cent to $77.3 million due to lower demand in Singapore and the timing of export deliveries in Publishing, weak retail sentiment, lower orders, higher magazine trade returns and negative translation effects in Retail and Distribution, as well as the decline in print volume.

Due to lower revenue and investments made in its e-commerce portal, Publishing & Printing recorded $2.3 million losses before interest and taxation in 1Q2017, down from a profit of $2.5 million in 1Q2016. Excluding its investments in e-commerce and the inventory provision taken in Distribution, Publishing & Printing would have achieved breakeven PBIT in 1Q2017.