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 44-per cent jump in earnings in the first half

- ***Profit after taxation[1] up 44 per cent to $73.7 million***
    - ***Including Discontinued Operations[2], profit after taxation fell 34 per cent***
- ***PBIT[3] improved 27 per cent to $82.1 million***
    - ***Dairies continued to lead earnings growth, PBIT increased 66 per cent***
    - ***Food & Beverage earnings up 38 per cent to $85.5 million***
    - ***Food & Beverage PBIT margin improved to 11 per cent***
- ***Interim dividend of 1.5 cents per share declared***

Financial Highlights (S$ 'million)	3 months to 31 March 2016	3 months to 31 March 2015 (Restated)	6 months to 31 March 2016	6 months to 31 March 2015 (Restated)
Revenue	474.3	498.7	962.8	1,048.7
PBIT[3]	28.4	25.5	82.1	64.9
Profit After Taxation - Continuing Operations - Discontinued Operations	26.0 26.0 -	51.3 20.7 30.6	73.7 73.7 -	112.0 51.0 61.0
Attributable Profit[1,4]	11.6	8.8	37.2	27.9
Earnings Per Share (basic)(cents)[1,4]	0.8	0.6[5]	2.6	1.9[5]
Net Asset Value Per Share			$1.73	$1.57 (30 Sep 2015)

[1] *Continuing Operations*
[2] *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*
[3] *PBIT denotes profit before interest, taxation and exceptional items*
[4] *Before exceptional items*
[5] *Including Discontinued Operations, 2Q2015 and 1H2015 earnings per share (basic) were 1.8 cents and 4.2 cents, respectively*

SINGAPORE, 10 May 2016 – Fraser and Neave, Limited ("**F&N**" or the "**Group**") achieved second-quarter FY2016 ended 31 March 2016 ("**2Q2016**") earnings after tax of $26.0 million, a 26-per cent improvement[i] compared with the corresponding period last year.

Buoyed by solid growth in both Beverages and Dairies, Food & Beverage ("**F&B**") 2Q2016 profit before interest and tax ("**PBIT**") rose 29 per cent to $37.2 million. The strong performance was a result of margin expansion, from 6.9 per cent to 9.2 per cent, due to favourable product mix, lower input costs and improved manufacturing and operational efficiencies, despite negative foreign exchange translation effects. Consequently, Group PBIT for 2Q2016 increased 11 per cent, to $28.4 million.

This quarter, the Group's Soft Drinks and Dairies businesses in all its core markets of Singapore, Malaysia and Thailand recorded revenue and volume gains, as a result of well-executed consumer and trade promotions centred around the Lunar New Year demand, favourable product mix and the strengthening of its distribution channels. However, impacted by translation losses from the weaker Malaysian Ringgit and Thai Baht, F&B revenue for 2Q2016 slipped 3 per cent to $405.0 million. Coupled with a drop in Publishing & Printing revenue, Group 2Q2016 revenue fell 5 per cent, to $474.3 million, compared to the corresponding period last year.

For the half-year ended 31 March 2016 ("**1H2016**"), Group revenue was down 8 per cent to $962.8 million. However, Group PBIT improved 27 per cent, from $64.9 million to $82.1 million. The increase was a result of the 49-per cent and 70-per cent PBIT growth in Dairies Malaysia and Dairies Thailand, respectively, both aided by favourable input costs and higher operational efficiencies, and despite translation impact and a rise in brand investment costs and operating expenses to support regional expansion in new markets of Indonesia, Myanmar, Thailand and Vietnam.

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[i] From Continuing Operations

Boosted mainly by higher interest income and the absence of one-off items related to the floods in Malaysia recorded in the corresponding period last year, Group 1H2016 profit after taxation leapt 44 per cent[ii], to $73.7 million.

Mr Koh Poh Tiong, Chairman of the F&N Board Executive Committee said, "We have made a strong start to FY2016. Our performance over the first six months, notably the Food & Beverage division, was attributed to robust volume growth of our core brands in markets of Thailand, Malaysia and Singapore, driven by good festive demand."

"Our emphasis on brand building and channel penetration has enabled us to maintain our leading positions in core markets. However, we remain cautious amidst a soft global economy and subdued consumer sentiments, and we will continually review our marketing spend and investment plans, taking into account the economic environment. Despite this, the Group continues to have its sights fixed firmly on regional expansion, particularly Indonesia, Myanmar and Vietnam. We are confident that we will strike the right balance between seeding and growing new markets for long-term sustainable growth and delivering financial performance this year," added Mr Koh.

Directors have declared an interim dividend of 1.5 cents per share, down from 2.0 cents last year, to reflect the Group's underlying operational results following the sale of its brewery in Myanmar. The dividend will be paid on 9 June 2016.

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For clarification and further enquiries, please contact:

Mr Hui Choon Kit
Chief Financial Officer
DID: 6318 9272
Email: huick@fngroup.com.sg

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

[ii] From Continuing Operations

Operations Review (Half-year ended 31 March 2016)

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 negative currency effects, Dairies 1H2016 PBIT jumped 66 per cent (+87 per cent in constant currency) to $65.6 million, as a result of lower raw material costs and improved operational efficiencies.

(A) Dairies Thailand

Dairies Thailand continued to shine as the Group's largest profit contributor. Despite lost sales from *Bear Brand* and *Milo* UHT products, Dairies Thailand 1H2016 revenue grew 2 per cent, in constant currency, on the back of strong demand for its brands, contribution from the newly launched *F&N MAGNOLIA* UHT milk products, increased distribution coverage and effective promotional and trade management activities. Taking into account negative foreign exchange translation impact due to the weakening of Thai Baht, Dairies Thailand revenue fell 3 per cent.

Despite the weaker revenue, in Singapore Dollar terms, Dairies Thailand 1H2016 PBIT jumped 70 per cent (+78 per cent in constant currency), to $36.1 million against the same period last year. The improvement was due to lower input cost and trade discounts, as well as realised cost savings from manufacturing efficiencies and a one-off cost recovery.

(B) Dairies Malaysia

Dairies Malaysia revenue fell 3 per cent, in constant currency, against the same period last year due to higher tactical discounts offered for its canned milk products. Impacted by the depreciation of the Malaysian Ringgit against the Singapore Dollar, Dairies Malaysia 1H2016 revenue decreased 14 per cent. Notwithstanding the lower revenue and negative foreign exchange translation effects, Dairies Malaysia 1H2016 earnings jumped 49 per cent (+69 per cent in constant currency) to $26.7 million as a result of favourable input costs.

(C) Dairies Singapore

A rise in Dairies Singapore 1H2016 revenue from the Domestic market was offset by a drop in its Export business. Coupled with higher marketing costs, Dairies Singapore 1H2016 earnings fell 12 per cent.

BEVERAGES

Beverages revenue decreased 9 per cent (+1 per cent in constant currency) to $276.8 million in 1H2016 compared with the same period last year. Revenue growth in Soft Drinks Singapore was negated by a revenue decline in Soft Drinks Malaysia, mainly due to the weaker Ringgit and loss of sales from *Red Bull*. Regional expansion efforts continued unabated in 1H2016 in its new markets of Indonesia, Myanmar, Thailand and Vietnam, with new product launches and increased distribution. The associated brand investments and operating expenses in these new markets, coupled with negative foreign exchange effects attributed to an 11-per cent drop (+3 per cent in constant currency) in Beverages 1H2016 profits to $20.0 million.

(A) Soft Drinks Malaysia

Soft Drinks Malaysia 1H2016 volume increased 11 per cent, despite the loss of contribution from *Red Bull,* due to very effective execution of consumer and trade marketing programmes over the Lunar New Year period, such as the limited edition *F&N Sparkling Drinks* Pineapple flavour and *100PLUS* festive packaging. Resulting from an extremely competitive pricing environment, revenue decreased 1 per cent, in constant currency. However, as a result of the weaker Ringgit against the Singapore Dollar, 1H2016 revenue was down 13 per cent against the corresponding period last year. The negative currency effects further offset favourable product mix, resulting in an overall 1-per cent fall in Soft Drinks Malaysia 1H2016 PBIT. In constant currency, Soft Drinks Malaysia 1H2016 PBIT grew 13 per cent.

(B) Soft Drinks Singapore and New Markets

The introduction of new products – *F&N ICE MOUNTAIN* Sparkling Water, *OISHI* and *COCO LIFE* in Singapore, as well as *100PLUS* and *OISHI* in the Group's new markets of Indonesia, Myanmar and Vietnam – has contributed to revenue growth of 13 per cent. 1H2016 earnings fell 33 per cent, however, on higher marketing spend to support the new product and new market launches.

The introduction of new products, the intensification of marketing campaigns and trade promotions to build customer awareness, as well as the widening of distribution channels continued to support revenue growth in Indonesia, Myanmar and Vietnam. F&N will continue to expand its presence in these new markets through continuous 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

Revenue gains in the Retail and Distribution businesses aided by strong sales performance in airport retail and high street stores, as well as higher partwork sales in Hong Kong and Singapore, were offset by revenue decline in Publishing and Printing businesses. Lower revenue was recorded in Education Publishing's key markets of Latin America, USA and Singapore due to a slow-down in demand. Printing continued to face challenges due to lower domestic and export print volumes. Consequently, Publishing & Printing 1H2016 revenue declined 10 per cent, to $153.5 million.

Investments made in this quarter in an e-Commerce project, coupled with the cost rationalisation exercise in the Printing division and lower revenue widened Publishing & Printing's 1H2016 losses before interest and taxation to $3.9 million compared to $2.4 million losses in the same period last year.