FRASER AND NEAVE, LIMITED
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Incorporated in the Republic of Singapore

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Fraser and Neave's profit doubles in FY2016

- ***Profit after taxation for continuing operations rose 101 per cent to $165.7 million***
- ***PBIT[1] improved 36 per cent to $179.2 million***
    - ***Food & Beverage earnings up 32 per cent to $141.6 million, led by Dairies earnings growth***
    - ***Food & Beverage PBIT margin rose to 8 per cent, from 6 per cent***
- ***Proposed final dividend of 3.0 cents per share, bringing total full-year dividend to 4.5 cents per share***

Financial Highlights (S$ 'million)	Full-year ended 30 September 2016	Full-year ended 30 September 2015[2]
Revenue	1,978.6	2,121.1
PBIT[1]	179.2	131.6
Profit After Taxation - Continuing Operations - Discontinued Operations	165.7 165.7 -	719.2 82.4 636.8
Attributable Profit[3]	109.0	63.0
Earnings Per Share (basic)(cents)[3]	7.5	4.4
Net Asset Value Per Share	$1.97	$1.57

1 *PBIT denotes profit before interest, taxation and exceptional items; continuing operations only*
2 *In August 2015, the Group completed the sale of its brewery in Myanmar. Consequently, the operating results of this brewery, including the one-time disposal gain of $541.5 million, have been reflected as Discontinued Operations in FY2015*
3 *Before fair value adjustments and exceptional items; continuing operations only*

SINGAPORE, 7 NOVEMBER 2016 – Fraser and Neave, Limited ("**F&N**" or the "**Group**") recorded a twofold rise in profit after taxation ("**PAT**") for the twelve months ended 30 September 2016 ("**FY2016**"). Boosted mainly by lower input costs, higher interest income and the absence of exceptional charges, FY2016 PAT* rose to $165.7 million, from $82.4 million in FY2015. The 101-per-cent increase in PAT* was achieved despite

* Continuing operations

a fall of 7 per cent in FY2016 revenue to $1,978.6 million, which was largely due to adverse translation effects on soft drinks and dairies sales in Malaysia. Despite the decline in revenue, Group FY2016 profit before interest and taxation ("**PBIT**") soared 36 per cent to $179.2 million. The strong performance was supported by Dairies, whose profit increased 72 per cent to $118.7 million in FY2016, powered mainly by lower input costs and improved operational efficiencies.

Growth of the Group's best performing operation, Dairies Thailand, in particular, continued unabated in FY2016. In spite of flat revenue – the result of volume growth offset by adverse translation effects – Dairies Thailand FY2016 PBIT jumped 65 per cent, mainly due to favourable input costs, improved operational efficiencies and more cost-effective trade distribution (+68 per cent in constant currency terms).

Dairies Malaysia FY2016 revenue slipped 9 per cent against the year-earlier period mainly due to unfavourable translation effects (-1 per cent in constant currency). Aided by lower input costs and ongoing productivity improvements, Dairies Malaysia FY2016 PBIT jumped 34 per cent (+46 per cent in constant currency), despite unfavourable translation effects.

Beverages division recorded a weaker performance in FY2016 as compared with FY2015. Despite successful execution of consumer and trade promotions, earnings was adversely impacted by intense pricing pressures, loss of contribution from *Red Bull*, weaker Malaysian Ringgit, continued brand investment costs and operating expenses associated with new product launches and regional expansion in new markets. Beverages FY2016 revenue and PBIT declined 10 per cent and 40 per cent, respectively.

Mr Koh Poh Tiong, Chairman of the F&N Board Executive Committee said, "F&N has achieved strong performance for FY2016. Notably, our Food & Beverage division recorded volume gains and double-digit earnings growth in our core markets, on the back of effective consumer and trade programmes and strengthened route-to-market, and despite negative translation effects of the weakening Malaysian Ringgit and Thai Baht."

"Despite the strong performance in this financial year, there are downside risks that the weaker outlook for global economy and volatility in financial markets could weigh on consumer confidence and demand. In addition, intensifying competition and rising raw material costs are other factors we are contending with. Nonetheless, we remain confident about our overall prospects given our leadership positions in our core markets. To further increase our competitiveness in delivering sustainable revenue and profit growth, the Group will continually evaluate investment opportunities while keeping our focus on deepening our presence in the new markets of Indonesia, Myanmar and Vietnam."

Directors have recommended a final dividend of 3.0 cents per share, which, together with the interim dividend of 1.5 cents, brings the total dividend for the year to 4.5 cents. This works out to a dividend payout ratio of 60 per cent. This final dividend, if approved by shareholders, will be paid on 16 February 2017.

- END -

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Operations Review (12 months ended 30 September 2016)

DAIRIES

The Group's Dairies division continued to deliver strong performances across its core markets of Thailand and Malaysia, marking its third consecutive year of profit growth. Despite translation losses, Dairies FY2016 PBIT jumped 72 per cent (+81 per cent in constant currency) to $118.7 million, as a result of strong canned milk volumes across key brands, lower input costs and improved operational efficiencies.

(A) Dairies Thailand

Dairies Thailand continued to shine as the Group's largest profit contributor. Strong demand for its brands on the back of effective consumer and trade marketing activities, contribution from new launches of *F&N MAGNOLIA* UHT milk products and increased distribution coverage mitigated lost sales from *Bear Brand* and *Milo* UHT products and negative foreign exchange translation effects. FY2016 Dairies Thailand revenue was flat year-on-year, at $538.6 million (+2 per cent in constant currency).

Despite flat revenue and translation losses, Dairies Thailand FY2016 PBIT jumped 65 per cent (+68 per cent in constant currency), to $66.8 million against FY2015. The improvement was due to lower input costs, as well as improved operational efficiencies.

(B) Dairies Malaysia

Dairies Malaysia revenue fell 9 per cent year-on-year mainly impacted by the depreciation of Malaysian Ringgit against Singapore Dollar. On a constant currency basis, Dairies Malaysia FY2016 revenue would have decreased 1 per cent against the year-earlier period. Supported mainly by favourable input costs, Dairies Malaysia FY2016 earnings jumped 34 per cent (+46 per cent in constant currency) to $48.3 million.

(C) Dairies Singapore and New Markets

A rise in Dairies Singapore's export business due to the Group's increased distribution in new markets could not mitigate the drop in sales from the domestic market, resulting in a 3-per-cent decline in revenue. Coupled with higher marketing spend in new markets, Dairies Singapore FY2016 earnings fell 37 per cent.

BEVERAGES

Beverages FY2016 revenue decreased 10 per cent (-4 per cent in constant currency) to $571.7 million as compared with FY2015. The weaker performance was mainly due to lower soft drinks revenue in Malaysia as a result of weaker Ringgit and loss of *Red Bull* sales.

Despite challenging market conditions, the Group has maintained leading positions in its core markets - *100PLUS* remains the most popular isotonic drink in Singapore and Malaysia, while *F&N* Sparkling Drinks and *F&N SEASONS* and *OISHI* own the flavoured carbonated soft drinks and the ready-to-drink tea segments, respectively, in Malaysia.

This year, the Group continued its efforts to extend its presence in new markets of Indonesia, Myanmar, Thailand and Vietnam, with new product launches, targeted marketing spend and increased distribution. The associated brand investments and operating expenses in these new markets, coupled with negative foreign exchange translation effects contributed to a 40-per-cent drop (-33 per cent in constant currency) in Beverages FY2016 profit to $23.0 million.

(A) Soft Drinks Malaysia

Soft Drinks Malaysia FY2016 volume increased marginally, despite the loss of contribution from *Red Bull,* due to effective execution of consumer and trade marketing programmes over the festive periods, a strengthened route-to-market, as well as the launch of new products such as the limited edition *F&N* Sparkling Drinks Pineapple flavour and *100PLUS* festive packaging. Despite volume growth, the weak market condition in Malaysia continued to put downward pressure on pricing. Negative translation effects also contributed to the 16 per cent decline in Soft Drinks Malaysia FY2016 revenue (-9 per cent in constant currency). On top of lower revenue, the higher tactical discounts and the loss of agency margin contribution also eroded gains from favourable product mix, resulting in an overall 49-per-cent fall (-45 per cent in constant currency) in Soft Drinks Malaysia FY2016 PBIT.

(B) Soft Drinks Singapore and New Markets

The introduction of new products – *F&N ICE MOUNTAIN* Sparkling Water, *OISHI* and *COCO LIFE* in Singapore, and *100PLUS, OISHI* and *F&N* Sparkling Drinks in the new markets of Indonesia, Myanmar and Vietnam – has contributed to revenue growth of 14 per cent. FY2016 earnings fell 28 per cent, however, on continued targeted 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, and 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 increase 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 in Singapore, higher partwork sales in Hong Kong and higher contribution from Magazine Distribution in Singapore, were offset by revenue decline in Publishing and Printing businesses. Lower revenue was recorded in Education Publishing's key market of the US due to a slow-down in demand as a result of the end-of-school adoption cycle. Printing continued to face challenges due to lower print volumes in Singapore and Malaysia as well as the discontinuation of a joint venture in China. Consequently, Publishing & Printing FY2016 revenue declined 10 per cent, to $307.6 million.

Investments in the development of its digital business, lower margins from US textbook sales, foreign exchange losses and lower revenue adversely impacted earnings. However, the restructuring exercise carried out in 2015, which saw improvements in cost management and scale of efficiencies, and the absence of a one-off catch up of depreciation charges narrowed losses before interest and taxation in FY2016 to $5.2 million, from $15.3 million in FY2015.