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

Fraser and Neave posts a 26% increase in profit before interest and tax to $213m for FY2018

- ***FY2018 revenue increased 2 per cent to $1,926.5 million***
- ***FY2018 PBIT [1] rose 26 per cent to $213.5 million, underpinned by strong Dairies earnings growth of 13 per cent despite rising input costs***
  - ***Bolstered by full-year profit contribution from Vinamilk, notwithstanding the absence of dividend income recognition***
  - ***Improved Beverages Malaysia FY2018 performance helped lift profits***
- ***Proposed final dividend of 3.0 cents per share, to bring total full-year dividend to 4.5 cents***

Financial Highlights ($ 'million)	Full year ended 30 Sep 2018	Full year ended 30 Sep 2017
Revenue	1,926.5	1,898.0
PBIT[1]	213.5	170.0
PAT[2]	179.1	1,325.6
Attributable Profit	122.2	1,279.4
- Before Fair Value Adjustment and Exceptional Items	121.7	96.3
- Fair Value Adjustment and Exceptional Items	0.5	1,183.2
Earnings Per Share (basic)(cents)[3]	8.4	6.7
Net Asset Value Per Share	$1.95	$1.95

[1] *PBIT denotes profit before interest, taxation and exceptional items*
[2] *PAT denotes profit after taxation*
[3] *Before fair value adjustment and exceptional items*
[4] *Due to rounding, numbers in table may not always add up to the totals provided*

SINGAPORE, 09 NOVEMBER 2018 – Fraser and Neave, Limited ("**F&N**" or the "**Group**") today reported strong results for the twelve months ended 30 September 2018 ("**FY2018**"). These results reflect broad-based strength across the business segments, led by Dairies.

In FY2018, the Group posted revenue of $1,926.5 million, up 2 per cent year-on-year from $1,898.0 million in the year earlier period. The higher revenue was driven by strong Dairies sales and favourable translation effects, negated by weaker soft drinks sales. Group FY2018 profit before interest and taxation ("**PBIT**") surged 26 per cent to $213.5 million on the back of growth in Dairies and Soft Drinks Malaysia, bolstered by full-year profit recognition from our associated company Vietnam Dairy Products Joint Stock Company[i] ("**Vinamilk**").

Building on its momentum, Dairies posted strong top line growth in all core markets. Bolstered by strong export canned milk sales from Malaysia and Thailand, Dairies FY2018 revenue grew 5 per cent, to $1,156.5 million. Dairies Thailand remained the Group's key contributor. On a 5-per-cent top line growth, Dairies Thailand's profit jumped 19 per cent to $86.7 million, from $73.1 million a year ago. The strong performance was due to higher sales, lower input costs and marketing spend, as well as favourable translation effect. Overall Dairies earnings was also boosted by Vinamilk's $94.8 million earnings contribution. The Group has benefitted from an additional 6.5-month contribution from Vinamilk, versus last year, as profit recognition under equity method started from 16 April 2017. Despite the 6 per cent top line improvement and lower sugar cost, Dairies Malaysia's earnings were adversely affected by higher dairy-based commodity prices and packaging cost. Its earnings fell from $45.4 million a year ago to $40.6 million. Taken together, Dairies FY2018 earnings grew 13 per cent to $231.0 million, up from $204.0 million a year ago.

Business conditions for Beverages continued to be challenging. Slow off-take post-festivities and intense price competition led to muted Soft drink sales. Consequently, Beverages revenue fell 2 per cent year-on-year, from $499.3 million

[i] Effective 16 April 2017, the Group accounts for its share of profit of Vinamilk under equity method.

to $488.5 million. Despite lower revenue, Beverages succeeded in paring its losses significantly to $0.2 million, down from $3.9 million last year, due largely to lower sugar cost, reduced operating costs and favourable translation effects.

Printing and Publishing ("**P&P**") reported FY2018 revenue of $281.1 million, down from $293.0 million. The decline, which has moderated to 4 per cent, was due to the cessation of a non-performing business in Australia and the absence of press and books concession at Singapore Changi Airport, cushioned by maiden revenue contribution from the newly-acquired Penguin Random House distribution rights for Singapore, Malaysia and Brunei. Despite lower revenue, P&P, including its share of losses from a joint venture company in Shaanxi, narrowed its losses substantially this year, to $1.2 million from $4.5 million in the prior year. The lower losses were the result of previous years' restructuring efforts to build a sustainable cost structure, profit contribution from higher margin products and the absence of losses from non-performing business. Excluding its share of losses from this joint venture company, P&P would have achieved PBIT breakeven in FY2018.

Group FY2018 attributable profit before exceptional items rose 26 per cent, to $121.7 million. Including exceptional items, attributable profit fell from $1,279.4 million to $122.2 million, largely due to the absence of the $1,199.4-million fair value gain recognised last year when the Group started to equity account its share of Vinamilk's profit in April 2017.

Mr Koh Poh Tiong, Chairman of the F&N Board Executive Committee said, "F&N's financial performance for FY2018 was creditable, taking into account the challenging business environment. Increasing input costs, declining consumer confidence as well as evolving consumer preference and behavior continued to impact the businesses this year. Nevertheless, our strong brands and focus on efficiency and cost control enabled us to remain competitive through these challenging times. Together with the advantages of a regional footprint, scale and distribution capabilities, these factors will continue to provide F&N with the firm foundation to build on the success in the years ahead."

Taking into consideration the anticipated working capital requirement in the coming year, Directors have proposed a final dividend of 3.0 cents per share. Together with the interim dividend of 1.5 cents per share paid in June 2018, total dividend for this year amounted to 4.5 cents, same as last year. This corresponds to a total dividend ratio of 54 per cent of Group attributable profit before fair value adjustment and exceptional items. If approved by shareholders, the final dividend will be paid on 20 February 2019.

Corporate Development

(A) F&N re-enters Myanmar with greenfield brewery

F&N has formed a joint-venture with Sun Ace Company Corporation Limited ("**SA**") and Than Lwin Aye Yar Industrial Production & Construction Co., Ltd ("**TLAY**") to invest over US$50 million in a greenfield brewery in Myanmar to produce and distribute a portfolio of beer brands, including those owned by F&N's strategic partner, Thai Beverage Public Company Limited.

F&N holds 74.9 per cent of the joint-venture company, Emerald Brewery Myanmar Limited. The balance is held by Myanmar-based SA (20.0 per cent) and TLAY (5.1 per cent).

The brewery will have an initial annual capacity of 500,000 hectolitres and is expected to be ready for commercial production by end-2019.

(B) F&N acquired 4.21 per cent interest in Tsit Wing

In May, F&N successfully subscribed for a 4.21 per cent stake in Tsit Wing International Holdings Limited ("**TW**") at its initial public offering on The Stock Exchange of Hong Kong, at HK$1.98 per share, bringing the total acquisition cost to HK$63.4 million ($11.0 million).

Established in 1932, TW is a leading integrated B2B coffee and black tea solutions provider in Hong Kong, Macau and the PRC. A well-trusted brand, TW provides one-stop coffee and tea solutions services to commercial customers that cover the entire coffee and tea procurement, processing and distribution value chain.

In April, F&N entered into a memorandum of understanding with TW to explore business and product development opportunities for the supply, distribution, cobranded promotion and co-development of beverage products and/or beverage solutions in Hong Kong, Macau, China and Southeast Asia.

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