CHAIRMAN'S STATEMENT

Mr Charoen Sirivadhanabhakdi
Chairman

SUMMARY OF MESSAGE

- Group revenue grew 2 per cent to $1,926.5 million while earnings surged 26 per cent to $213.5 million from broad-based growth, led largely by Dairies
- We maintained our leading market positions through our well-executed strategies which focussed on meeting consumer preferences, disciplined investment in brand building, targeted geographical and business expansions and improvements in our distribution network
- *100PLUS* remains the best-selling brand in Singapore and Malaysia in the isotonic categories. In Malaysia and Thailand, we retained leadership in the canned milk segments
- Directors recommend for shareholders' approval, a final dividend of 3.0 cents per share, bringing the total dividend for FY2018 to 4.5 cents per share, unchanged from last year

Dear Shareholders,

OVERVIEW

In the year under review, the Group has performed well in a competitive market. Despite rapidly changing consumer behaviour and industry trends, I am pleased to report that Fraser and Neave, Limited maintained its leading market positions and achieved a creditable performance for FY2018. This was made possible through our well-executed strategies which focussed on meeting consumer preferences, disciplined investment in brand building, targeted geographical and business expansions and improvements in our distribution network.

RESULTS FOR FY2018

Group revenue grew 1.5 per cent year-on-year to $1,926.5 million, largely driven by Dairies and strong Malaysian Ringgit.

At the operating level, Group Profit Before Interest and Tax, before fair value adjustment and exceptional items rose 25.6 per cent to $213.5 million from broad-based growth, led largely by Dairies. Dairies earnings were boosted by full-year contribution from our associated company Vietnam Dairy Products Joint Stock Company ("**Vinamilk**") versus 5.5 months last year.

$213.5 MILLION

Group profit before interest and taxation, fair value adjustment and exceptional items surged 26% year-over-year

Consequently, Group Attributable Profit before fair value adjustment and exceptional items rose 26.4 per cent, to $121.7 million.

Including fair value adjustment and exceptional items, Group Attributable Profit fell from $1,279.4 million to $122.2 million. This decline was largely due to the absence of the $1,199.4 million fair value gain recognised last year when the Group first equity accounted for its share of Vinamilk profits in April 2017.

CORPORATE DEVELOPMENTS

During the year, through a series of open market purchases, we successfully raised our shareholding in Vinamilk from 18.74 per cent to 20.01 per cent. Our strategic investment in this company has bolstered the contribution from Dairies and expanded our reach in Vietnam, reducing the dependence on our Malaysian and Thai markets.

We have established a subsidiary in Myanmar known as Emerald Brewery Myanmar Limited to undertake the manufacturing, sale and distribution of beer in Myanmar with local shareholders. The brewery, which is currently under construction, is projected to be ready for commercial production by late 2019 and is expected to have an initial annual capacity of 500,000 hectolitres.

These investments during the year are important steps towards our long-term growth. We will actively continue the search for value-creating strategic acquisitions to transform our Food & Beverage ("**F&B**") business to become a stable and sustainable F&B leader in ASEAN.

Full-year dividend of 4.5

CENTS

per share. Proposed final dividend of 3.0 cents per share

CHAIRMAN'S STATEMENT

OPERATIONS REVIEW

Food & Beverage

Our F&B business grew across all segments in Southeast Asia. This year, we consolidated our brand positions across our core markets of Singapore, Malaysia and Thailand and made further inroads into Myanmar, Vietnam and Indonesia. Our investments in growing key brands like *100PLUS*, *OYOSHI*, *F&N MAGNOLIA* and *F&N NUTRISOY* have strengthened our market presence in the region. *100PLUS* remains the best-selling brand in Singapore and Malaysia in the isotonic categories. In Malaysia and Thailand, we retained leadership in the canned milk segments.

Given the increasing interest in health and wellness, we have introduced new tasty beverage alternatives to meet the growing demand for less sugar and lower calories; *100PLUS* now comes in zero sugar variant. We have also intensified our efforts to reduce sugar throughout our existing beverage range.

In working towards achieving our Vision 2020 goals, we have begun looking at plans to develop new pillars of growth beyond 2020 and Southeast Asia. Investments are underway to build new capacity in Soft Drinks and Dairies and steps are being taken to tap the market potential of Muslim consumers globally.

Publishing & Printing

Publishing & Printing delivered better financial performance following a restructuring of its businesses over the last few years. The leaner and more agile operation is in a better position to execute its long-term strategies for sustainable growth.

DIVIDENDS

We believe in maintaining a sustainable dividend policy to enhance long-term shareholder value. The Directors recommend for shareholders' approval, a final dividend of 3.0 cents per share. If approved, the pay-out will be made on 20 February 2019. Including the interim dividend paid in June 2018, the total dividend for the year will be 4.5 cents per share, unchanged from last year. This represents a distribution of 54 per cent, which is in line with our policy of paying approximately 50 per cent of the Group's Attributable Profit before fair value adjustment and exceptional items.

SUSTAINABILITY

This is the second year we have published a Sustainability Report based on the Global Reporting Initiative framework which complies with the SGX requirements. During the year, we broadened the responsibilities of the Risk Management Committee, which now also oversees sustainability practices. The committee was renamed the Sustainability and Risk Management Committee.

The Group is committed to looking for ways to reduce the impact on the environment by reducing our carbon emissions, solid waste, water consumption and improving energy efficiencies in our operations. We also strive to create a positive social impact by enhancing the well-being of our consumers by offering healthier beverages as well as the local communities through our community outreach programmes.

ACKNOWLEDGEMENTS

In January 2018, we were privileged to welcome Dr Sujittra Sombuntham, who was appointed a new independent, non-executive director. We were also pleased to see the return of Messrs Charles Mak and Chan Heng Wing to the Board.

I am thankful to my fellow Board members for their valuable contributions and active participation in board deliberations over the course of the year.

On behalf of the Board, I would also like to thank all our employees for their hard work and dedication to achieving our Vision 2020 objectives. My thanks also go to our other stakeholders – shareholders, customers, suppliers and other business associates for your support.

Charoen Sirivadhanabhakdi
Chairman