

# Chairman's Statement

## Dear Shareholders,

I am pleased to report that F&N Group has achieved another year of steady growth. FY2019 is another challenging year from slower economic growth in the region and globally. Operating conditions were equally challenging in Malaysia with the implementation of excise duty on sugar sweetened beverages and increasing competition. Our steady performance is in line with our goals under Vision 2020, a strategic roadmap launched in 2014 which seeks to increase the size and scale of our businesses with the aim of becoming a stable and sustainable Food & Beverage leader in the ASEAN region.

## RESULTS FOR FY2019

For the year under review, Group revenue grew 4% to \$1.9 billion. Revenue growth was supported by the Food & Beverage (“**F&B**”) division, where higher soft drinks and dairy sales contributed to its strong growth.

Group Profit Before Interest and Tax before fair value adjustment and exceptional items rose 32% to \$284 million. The improvement was contributed largely by the Dairies business in Thailand and by our associated company, Vietnam Dairy Products Joint Stock Company. Dairies earnings benefitted from lower raw material and packaging costs. Consequently, Group Attributable Profit before fair value adjustment and exceptional items increased 24% to close at \$153 million.

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**\$284**  
**MILLION**

Group profit before interest and tax, fair value adjustment and exceptional items rose 32%

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## CORPORATE AND STRATEGIC DEVELOPMENTS

Our growth was undergirded by a strong and disciplined execution of initiatives, which included innovation, brand building, geographical and business expansions and improvements in our distribution network.

In line with consumers' increasing focus on health and wellness, we have stepped up innovation, adapting our product portfolio to meet consumer preference for healthier products. Our concerted efforts towards healthier products resulted in a steady decline in our “sugar footprint” by 40% over the past decade. More efforts are underway to further reduce our “sugar footprint” and to offer new products that qualify for the Healthier Choice Symbol.

Our growth strategy included improvements in operational efficiency, implementation of latest technology and investments in new capabilities. This involved investments in new production lines and upgrading of existing lines in our plants in Malaysia and Thailand. A new ice cream plant is being built in Thailand which will be operational by the end of 2019. A new facility which will integrate our soft drinks, ice cream and vending business will also be built in Singapore, targeted for completion in 2021. These investments will increase our efficiency and scale, and strengthen our ability to respond to changing consumer trends with agility and speed.

Another growth strategy is through geographical and business expansion. During the year, we added the iconic brands of Starbucks Coffee and Genki Sushi to our Thailand portfolio.

Emerald Brewery Myanmar Limited, our new state-of-the-art brewery in Myanmar, commenced operations in late September 2019. This brewery, which has an initial capacity of 500,000 hectolitres of beer a year, will focus on re-establishing F&N's foothold in Myanmar's fast-growing beer market.

In October 2019, our listed subsidiary in Malaysia, Fraser & Neave Holdings Bhd (“**FNHB**”) entered into a conditional agreement to acquire an agricultural



Full-year dividend of

**5.5**  
**CENTS**

per share. Proposed final dividend of 4.0 cents per share

**Mr Charoen  
Sirivadhanabhakdi**  
Chairman

land in Perlis, Malaysia for a cash consideration of RM156 million. This acquisition provides us with an opportunity to develop crop and dairy farming capabilities, becoming the first vertically-integrated crop and dairy producer in Malaysia. Phase one of this development by FNHB is estimated to take seven years with a capital expenditure of approximately RM650 million. The completed facility will increase our fresh milk-sufficiency and support our expansion in the liquid milk business.

Since 2017, our Publishing & Printing business embarked on a transformation programme which resulted in leaner and more agile operations. It is now better positioned to address the challenges faced by the industry.

We will continue to pursue Vision 2020 through expansion and advancement of strategic partnerships with ThaiBev and external parties. These are important steps in positioning us for long-term growth.

#### **DIVIDENDS**

The Board of Directors is pleased to recommend a final dividend of 4.0 cents per share. If approved by the Shareholders at the AGM on 29 January 2020, the total dividend for the year would be 5.5 cents per share, an increase of 1 cent compared to FY2018. The pay-out will be made

on 18 February 2020. The total dividend represents a distribution of 51.9%, which is in line with our policy of paying approximately 50% of the Group's Attributable Profit before exceptional items and fair value adjustment.

#### **SUSTAINABILITY**

As we drive business growth, we remain committed to adopting responsible and sustainable business practices in our plans and operations in order to deliver long-term value to all our stakeholders. Our sustainability strategies, initiatives and progress are covered in the Sustainability Report, published in our corporate website.

#### **ACKNOWLEDGEMENTS**

I would like to express my heartfelt gratitude to my fellow Board members for their strategic counsel, guidance and wisdom in conducting the affairs of the Board.

On behalf of the Board, we would like to thank our employees for their dedicated work and contribution and extend our deep appreciation to our shareholders, customers, suppliers and other business associates for their unwavering support.

**Charoen Sirivadhanabhakdi**  
Chairman