#20-00 Alexandra Point
438 Alexandra Road
Singapore 119958

Tel : (65) 6318 9393
Fax : (65) 6271 0811
Website: www.fraserandneave.com

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

Fraser and Neave reports full-year results for FY2017

- ***Attributable profit after fair value adjustment and exceptional items jumped to $1,283 million, from $108 million***
    - ***Excluding fair value adjustment and exceptional items, attributable profit was $100 million***
- ***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 2017	Full year ended 30 Sep 2016
Revenue	1,898	1,979
PBIT[1]	174	179
PAT[2]	1,329	166
Attributable Profit - Before Fair Value Adjustment and Exceptional Items - Fair Value Adjustment and Exceptional Items	1,283 100 1,183	108 109 (1)
Earnings Per Share (basic)(cents)[3]	6.9	7.5
Net Asset Value Per Share	$1.95	$1.97

[1] *PBIT denotes profit before interest, taxation and exceptional items*
[2] *PAT denotes profit after taxation*
[3] *Before fair value adjustment and exceptional items*

SINGAPORE, 08 NOVEMBER 2017 – Fraser and Neave, Limited ("**F&N**" or the "**Group**") today reported attributable profit before fair value adjustment and exceptional items of $100 million for the twelve months ended 30 September 2017 ("**FY2017**"), down from $109 million in the year-earlier period ("**FY2016**"). The lower earnings were attributed mainly to higher finance cost (due to borrowings to finance the acquisition of Vietnam Dairy Products Joint Stock Company ("**Vinamilk**") shares, weaker Beverages and concentrate sales and higher marketing expenses. Including fair value adjustment and exceptional items of $1,183 million, which arose largely from the realisation of fair value adjustment reserve upon change of interests in Vinamilk, Group FY2017 attributable profit soared to $1,283 million, from $108 million. Despite higher Dairies earnings and dividend income (owing to the Group's higher interests in Vinamilk), Group FY2017 profit before interest and taxation ("**PBIT**") fell 3 per cent, to $174 million, down from $179 million in FY2016. The lower earnings were due to losses in Beverages of $4 million as well as Publishing and Printing ("**P&P**") of $5 million.

This year, Dairies surpassed its strong results of FY2016 by 24 per cent, owing to strong Dairies Thailand performance, as well as the significant increase in contribution from Vinamilk. This increase was dampened by losses in Beverages which arose largely from rising input costs, continuing weak consumer sentiments and increasing competitive environment in Malaysia, as well as brand investments in new markets. Despite Beverages' losses, Food & Beverage division ("**F&B**") profitability grew 7 per cent, from $190 million to $204 million.

Mr Koh Poh Tiong, Chairman of the F&N Board Executive Committee said, "FY2017 was a challenging year for our F&B business, as rising input costs and declining consumer confidence had an adverse impact on our earnings. Especially in Malaysia, aggressive discounting by competitors and rising input costs impacted sales and profits. Notwithstanding the challenging business environment, F&N remained resilient, continued to deliver creditable performance, and defended our leading market positions in our core beverage categories. This is possible because of our singular focus on executing our business strategies well - building our brands, and bringing healthy, innovative products to our loyal consumers in the marketplace. Together with our size, scale and distribution capabilities, our brands will continue to provide F&N with the solid foundation and capabilities for continued success."

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 2017, total dividend for FY2017 amounted to 4.5 cents, same as last year. This corresponds to a total dividend ratio of 65 per cent of Group attributable profit before fair value adjustment and exceptional items. If approved by shareholders, the final dividend will be paid on 14 February 2018.

Corporate Developments

In December 2016, the Group completed its acquisition of additional shares in Vinamilk through a competitive bid process. These shares represented approximately 5.4 per cent equity share in Vinamilk. Thereafter, through further purchases from the market, the Group continued to increase its stake. Today, the Group's shareholding in Vinamilk has risen to 18.74 per cent. By virtue of the Group's current shareholding in Vinamilk and the appointment of a second representative to its board, the Group has been deemed, in accordance with the Singapore Financial Reporting Standards, to have significant influence over Vinamilk. Consequently, the Group started to equity account its share of Vinamilk's profit, from 16 April 2017. The five-and-one-half months of profits from Vinamilk amounted to $51 million in this financial year.

"Increasing F&N's stake in Vinamilk is a strategic move to enhance our participation in the attractive and growing Vietnamese dairy market and to reduce dependence on our core markets of Singapore, Malaysia and Thailand for earnings growth," said Mr Koh.

Vinamilk, the top listed company by market value on the Ho Chi Minh Stock Exchange, is the largest and leading dairy company in Vietnam. It is primarily involved in the production, supply and distribution of a range of dairy products including powdered, liquid and condensed milk and yoghurt, as well as beverages including soy milk, fruit juice and tea.

In October 2017, P&P completed the acquisition of Penguin Random House Pte. Ltd. and Penguin Books Malaysia Sdn. Bhd. from Penguin Random House Limited for a cash consideration of $8 million. These recently acquired companies were respectively the Singaporean and Malaysian book distribution arms of the renowned international publisher. With this acquisition, P&P will be better able to serve its customers in the book retail market.

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For clarification and further enquiries, please contact:

Mr Hui Choon Kit
Group Company Secretary &
Chief Financial Officer
DID: 6318 9272

Ms Jennifer Yu
Head, Investor Relations
DID: 63189231
Email: jenniferyu@fngroup.com.sg

Operations Review (Full-year ended 30 September 2017)

DAIRIES

Supported by strong Thailand Dairies performance, higher dividend income owing to the Group's larger interests in Vinamilk and the maiden recognition of profit from its associate company, Vinamilk, Dairies FY2017 earnings rose 24 per cent to $208 million, from $167 million.

(A) Dairies Thailand

The growth momentum of Dairies Thailand continued in FY2017, achieving revenue growth of 4 per cent (+1 per cent in constant currency) on the back of strong demand for its core brands, increased distribution coverage, effective marketing campaigns, as well as favourable translation effect.

Higher revenue, lower input costs of milk and packaging and lower trade spending and marketing expenses boosted Dairies Thailand FY2017 PBIT by 9 per cent (+6 per cent in constant currency), despite the absence of a one-time gain recorded in the corresponding period last year. Consequently, Dairies Thailand's FY2017 profit margin continued to improve, to 13 per cent from 12 per cent in FY2016.

(B) Dairies Malaysia

Dairies Malaysia FY2017 revenue fell 7 per cent (-3 per cent in constant currency) against last year due to subdued consumer confidence and demand amid a weak domestic economy, an increasingly competitive environment and weaker Ringgit. Coupled with higher input costs, Dairies Malaysia FY2017 PBIT fell 6 per cent (-2 per cent in constant currency), despite favourable sales mix. Dairies Malaysia profit margin improved on better sales mix – from 14.8 per cent in FY2016 to 15.1 per cent in FY2017.

(C) Dairies Singapore and New Markets

A rise in Dairies Singapore and New Markets FY2017 revenue of 4 per cent was supported by the strong performance in Myanmar and Indonesia. Despite double-digit earnings growth in the domestic market, the associated marketing costs in New Markets and a fall in exports resulted in Dairies Singapore and New Markets FY2017 earnings falling 4 per cent.

BEVERAGES

Amid an environment of subdued consumer sentiment and lower discretionary spending and adverse translation effect of the Ringgit against the Singapore Dollar, Beverages revenue decreased 13 per cent (-10 per cent in constant currency), to $499 million in FY2017. Lower revenue, rising input costs and continued brand investment cost resulted in a loss of $4 million for Beverages, versus PBIT of $23 million in FY2016.

(A) Soft Drinks Malaysia

In a competitive operating environment where consumers' confidence and demand remain low, Soft Drinks Malaysia FY2017 revenue fell 19 per cent. Lower revenue, higher input costs and operating expenses mainly from professional fees incurred for Soft Drinks Malaysia's realignment exercise of its soft drinks and dairies operations and adverse translation effects resulted in Soft Drinks Malaysia PBIT decline of 75-per-cent (-74 per cent in constant currency).

(B) Beverages Singapore and New Markets

Beverages Singapore and New Markets saw FY2017 revenue grow 9 per cent. The higher topline was lifted by improved contribution from New Markets, higher beer sales and full-year contribution from vending machine business. However, impacted by higher input costs and marketing spend in New Markets, Beverages Singapore and New Markets FY2017 earnings fell.

F&N will continue to expand its presence in New Markets through continuous brand building activities to build brand awareness and market share. These 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

Publishing and Printing FY2017 revenue fell 5 per cent to $293 million, mainly due to a decline in textbook sales and advertising income from Publishing, coupled with lower book volume sales due to a weak Christmas season and poor trade book retail sentiment.

Despite lower revenue, Publishing & Printing manage to narrow its losses in FY2017 to $4.5 million from $5.2 million. The better performance was due to the group-wide continuous cost containment efforts and benefits of cost rationalisation measures which offset the decline in revenue margin contribution. Print, in particular, was back to profitability after a few years of losses.