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FRASER AND NEAVE, LIMITED

Company Registration No. 189800001R
Incorporated in the Republic of Singapore

Fraser and Neave fiscal 9-month profit after taxation rises 31 per cent to $178.7 million

- ***9M2019 revenue increased 3 per cent to $1,421.5 million on higher sales from Food & Beverage division***
- ***9M2019 PBIT[1] rose 44 per cent to $227.6 million***
  - ***Dairies growth momentum continued into 3Q2019; 9M2019 earnings rose 27 per cent to $222.3 million, benefitting from lower input costs***
  - ***Beverages earnings improved 29 per cent, lifted by strong soft drinks sales, despite pre-operating costs incurred at the new brewery in Myanmar***
- ***Profit after taxation grew 31 per cent to $178.7 million***

Financial Highlights (S$ 'million)	3 months to 30 June 2019	3 months to 30 June 2018 (Restated)	9 months to 30 June 2019	9 months to 30 June 2018 (Restated)
Revenue	489.7	459.0	1,421.5	1,373.6
PBIT[1]	91.0	72.4	227.6	158.5
Profit After Taxation	71.6	66.0	178.7	136.5
Attributable Profit[2]	54.8	50.3	128.6	91.1
Earnings Per Share (basic)(cents)[2]	3.8	3.5	8.9	6.3
Net Asset Value Per Share			$1.97	$1.95 (30 Sep 2018)

[1] *PBIT denotes profit before interest, taxation and exceptional items*
[2] *Before exceptional items*
[3] *Restated upon adoption of SFRS(I) 15*

SINGAPORE, 07 AUGUST 2019 – Fraser and Neave, Limited ("**F&N**" or the "**Group**") today announced financial results for the third fiscal quarter ("**3Q2019**") and nine months ("**9M2019**") ended 30 June 2019.

Third Fiscal Quarter Ended 30 June 2019 ("3Q2019")

Underpinned by solid performances from all divisions, the Group posted quarterly revenue of $489.7 million, an increase of 7 per cent over the third fiscal quarter of FY2018 ("**3Q2018**"); while profit before interest and taxation ("**PBIT**") rose 26 per cent, to $91.0 million from $72.4 million. Profit after taxation grew 8 per cent to $71.6 million, from $66.0 million previously. The lower after-tax growth was due to higher effective tax rate (17.8 per cent in 3Q2019 vs 3.5 per cent in 3Q2018) following the expiration of corporate tax incentive in Thailand.

This quarter, higher soft drinks and dairy sales contributed to Food & Beverage ("**F&B**") division's strong top line of $427.3 million, representing a growth of 7 per cent from $398.2 million in the corresponding period last year. The strong performance was spurred by the successful execution of festive campaigns, improvement in route-to-market, the continuing rollout of new products as well as higher export volumes. Publishing and Printing division ("**P&P**") also recorded revenue growth this quarter – 3 per cent over the corresponding period last year, to $62.3 million. Its growth was supported by strong education orders and maiden contribution from newly-acquired business, Print Lab.

The Group posted double-digit profit growth this quarter, outpacing sales. Bolstered by higher soft drinks and dairy sales, favourable input costs and contribution from newly-acquired businesses, 3Q2019 PBIT improved 26 per cent, to $91.0 million. Dairies remained the star performer. It recorded a 5-per-cent increase in PBIT, reaching $77.2 million in the 3Q2019. The strong performance from Dairies this quarter was underpinned by the Group's profit share in Vietnam Dairy Products Joint Stock Company ("**Vinamilk**"), the Group's associate company in Vietnam, as well as stronger performance from Dairies Thailand. Lifted mainly by its 16-per-cent top-line growth, lower input costs and advertising spend, Dairies

Thailand PBIT rose 68 per cent. Dairies Malaysia, on the other hand, continued to be adversely impacted by intense canned milk competition. Despite recording a 3-per-cent increase in sales, Dairies Malaysia 3Q2019 PBIT fell 13 per cent, impacted by higher trade promotion expenses.

Beverages also grew at a strong pace this quarter despite a tough sales environment. Driven by a successful Hari Raya festive campaign and trade replenishment of existing and new healthier products, Beverages sales grew 12 per cent. Accelerating sales growth, lower sugar cost and marketing spend saw 3Q2019 Beverages PBIT at $6.7 million, which was more than double the corresponding period last year. This earnings growth was achieved despite higher logistic cost and pre-operating costs associated with the ongoing construction of the greenfield brewery in Myanmar. Excluding the brewery pre-operating costs, Beverages earnings would have been higher, at $7.4 million.

Nine Months Ended 30 June 2019 ("9M2019")

Group revenue for the first nine months of FY2019 grew 3 per cent year-on-year to $1,421.5 million, driven by growth in F&B. Strong soft drinks and dairy sales, which has benefitted from successful festive activations, new product launches and strong export sales, helped lift F&B's sales by 5-per-cent. In addition to strong sales growth in F&B, lower input costs and contributions from newly-acquired businesses helped fuel Group PBIT growth of 44 per cent, to $227.6 million.

Dairies remained the largest contributor to the Group's top and bottom line. In the first nine months of this fiscal year, aided by a top line growth of 4 per cent, lower input costs and the Group's profit share from Vinamilk, Dairies recorded robust year-on-year earnings growth of 27 per cent to $222.3 million, up from $175.1 million.

Supported by strong festive sales, successful marketing execution and continued rollout of healthier products in F&N's core markets of Malaysia and Singapore, Beverages 9M2019 sales grew 8 per cent, to $367.8 million. Coupled with lower sugar costs, 9M2019 PBIT increased to $4.8 million, from $3.7 million in the corresponding period last year. The strong performance was achieved despite pre-operating costs associated with the ongoing construction of the brewery in Myanmar.

P&P 9M2019 revenue declined 5 per cent to $190.6 million, mainly due to change in the sales mix of education publishing business and decline in magazine print volume. Despite lower revenue, P&P posted earnings of $0.3 million as compared with a loss of $11.5 million in the corresponding period last year. The improved performance was driven by better margins, prudent cost management, maiden profit contribution from newly-acquired business and non-operating income from the sale of non-core assets.

Corporate Developments

(A) F&N acquires 60.0 per cent interest in Print Lab Pte Ltd

In April 2019, the Group's Publishing & Printing arm, Times Publishing Limited ("**TPL**") acquired a 60 per cent stake in Print Lab Pte. Ltd. ("**PL**") for a cash consideration of $24.5 million. The acquisition is part of TPL's continuing strategy to diversify its print portfolio and strengthen the company's foothold in the growing integrated marketing and print solution market.

PL is a one-stop integrated print, creative and digital out-of-home solution provider in Singapore. It serves clients across a diverse set of industries including clients in the creative retail marketing segment, FMCG, retail, automobile and financial institutions, many of which are blue-chip companies.

(B) F&N enters food service business with investments in (i) a Japanese franchised business and (ii) the fast-growing retail coffee segment in Thailand

(i) Genki Sushi Bangkapi Co., Ltd

In April 2019, F&N Retail Connection Co. Ltd ("**FNRC**") and Japanese Dining Concepts (Asia) Ltd successfully entered into a 55-45 joint venture for the acquisition of a 51-per-cent stake in Genki Sushi Bangkapi Co. Ltd. ("**GSB**"), a franchised sushi restaurant business in Thailand under its principal brand, *GENKI SUSHI*.

F&N owns approximately 73.99 per cent of FNRC, giving it an effective 20.75 per cent stake in GSB. Thai Beverage PCL owns the remaining share of FNRC.

This investment in GSB marked F&N's foray into the food service industry, a move that leverages the knowledge and network of Thai Beverage PCL in Thailand.

(ii) Starbucks Coffee (Thailand) Co.,Ltd

In May 2019, F&N through Coffee Concepts (Thailand) Co., Ltd., a partnership between F&N Retail Connection Co., Ltd. and Maxim's Caterers Limited ("**Maxim's**"), entered into an agreement to acquire the entire issued share capital of Starbucks Coffee (Thailand) Co., Ltd ("**Starbucks Thailand**"). This acquisition adds an iconic coffee brand to F&N's portfolio of renowned brands which includes its proprietary *100PLUS* isotonic beverage, strengthen F&N's regional footprint and

extend its presence into the retail coffee segment of the total beverage market.

Maxim's is a long-time strategic partner of US-headquartered Starbucks Coffee Company, and has been operating and developing Starbucks retail coffee stores as Starbucks' licensee since 2000. Maxim's currently operates Starbucks stores in Hong Kong, Macau, Singapore, Vietnam and Cambodia.

The acquisition allows F&N to leverage Maxim's long-standing partnership with Starbucks and its extensive experience in running Starbucks stores in multiple markets as well as other food and beverage retail outlets, to grow Starbucks Thailand's fast-expanding footprint of 372 Starbucks stores.

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