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FRASER AND NEAVE, LIMITED

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

Fraser and Neave posts profit of $391 million for 9M2012

- ***Attributable profit[1] dropped 5 per cent to $391 million***
- ***PBIT [2] declined 7 per cent to $721 million***
- ***Food & Beverage recorded marginal PBIT growth***
  - ***Riding on its regional exposure and strong brands, Beer PBIT grew 31 per cent to $382 million***
  - ***Continued defence of Soft Drinks leadership positions in Malaysia and Singapore***
  - ***Dairies Thailand's profit surged from quick flood recovery; Dairies Malaysia on track to recovery***
- ***Properties profit adversely affected by accounting policy change; continued to be underpinned by Development Property***
  - ***Adopted INT FRS 115 wherein overseas and certain Singapore development earnings are only recognised upon project completion***
  - ***Unrecognised revenue of $3 billion for Properties to support future earnings***
  - ***Higher rental income boosted Commercial Property (Hospitality, Investment Property and REITs) earnings***

Financial Highlights (S$ 'million)	3 months to 30 June 2012	3 months to 30 June 2011 (Restated)	9 months to 30 June 2012	9 months to 30 June 2011 (Restated)
Revenue	1,430	1,370	4,018	4,208
Trading Profit	226	223	654	721
PBIT[2]	246	237	721	774
PAT[3]	185	221	554	714
Attributable Profit[1]	136	133	391	412
Earnings Per Share[1] (basic)			27.5	29.3
Net Asset Value Per Share			$4.94	$4.85 (30 Sep 2011)

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

SINGAPORE, 10th August 2012 – Fraser and Neave, Limited ("F&N") revenue and PBIT for the third quarter ended 30th June 2012 ("3Q2012") each grew 4 per cent to $1,430 million and $246 million, respectively, driven by strong sales in Food & Beverage ("F&B"), particularly Beer and Dairies. Profit after tax declined 16 per cent to $185 million, mainly due to the absence of a gain from the disposal of an associated company in 3Q2011.

F&B delivered another set of good quarterly results. Riding on its regional footprint and strong brands, Beer profit grew 34 per cent on higher volume and improved margins. In Soft Drinks, FY2012 marked a new and exciting era for this division. Equipped with strong brands and local knowhow, the Group continued to vigorously defend its leading positions in Singapore and Malaysia with relentless focus on brand- and market-building campaigns, as well as strengthening its route-to-market. This quarter, all soft drinks' brands grew at double-digit rates in Malaysia, with domestic sales recording 18 per cent growth. Despite volume growth, earnings of Soft Drinks were adversely affected by one-off overhead rationalisation charge. In Dairies, the Group's Rojana dairy plant in Thailand returned to full production for all its products in mid-May 2012. Benefitting from strong consumer demand and shortage of supply, Dairies Thailand posted record quarterly revenue. Margins however suffered on higher cost of outsourced products and accounting for unabsorbed manufacturing overheads which arose from plant shutdown. In Dairies Malaysia, despite the removal of sugar subsidy, earnings improved due to higher export volumes and improved margins from favourable product mix. Consequently, overall Dairies 3Q2012 earnings improved 12 per cent to $15 million.

This quarter, earnings from Properties dropped 11 per cent to $89 million on an 8-per cent decline in revenue. The drop in earnings was largely due to a 10-per cent decline in revenue from Development Property. In compliance with INT FRS 115, revenue and income from pre-sold units in Australia and China, and executive condominium developments in Singapore were not recognised in this period. FY2011 figures were restated to be comparable with the current year's results.

For the nine months ended 30th June 2012 ("9M2012"), Group PBIT dipped 7 per cent to $721 million on a 5-per cent decline in revenue. Lower earnings were mainly due to reduced profit contribution from Development Property and Soft Drinks. In the absence of one-off gains like the $105-million recorded in 9M2011 from the completion of corporate and debt restructuring of its overseas business, 9M2012 PAT fell 22 per cent to $554 million. Excluding exceptional items, PAT dropped marginally to $555 million, from $556 million on the same basis. Earnings per share was down 6 per cent against last year, at 27.5 cents. Net asset value increased 2 per cent to $4.94 a share, from $4.85 as at 30th September 2011.

Recent corporate development

Last month, Heineken N.V. ("Heineken") made an offer to buy out F&N's 7.26-per cent direct interest and its 32.4-per cent indirect interest, held through Asia Pacific Investment Pte Ltd ("APIPL"), in Asia Pacific Breweries Limited ("APB") for $50.00 a share, for a total consideration of $5.12 billion. In addition, Heineken also offered $163 million for non-APB assets held by APIPL, a 50-50 joint venture between F&N and Heineken. On 3rd August 2012, F&N Board accepted Heineken's offer in principle, subject to, *inter alia*, the finalisation and execution of legal documentation with Heineken, the receipt of regulatory approvals and the approval of F&N's shareholders at an Extraordinary General Meeting to be convened.

On 7th August 2012, the Group received an unsolicited offer from Kindest Place Groups Limited to acquire its 7.26-per cent direct interest in APB for an aggregate consideration of $1.03 billion, or $55 per APB share. This offer is subject to, *inter alia*, the entry into of definitive legal agreements, and will lapse at 5:00pm on 16th August 2012. The Board is reviewing this offer and will update shareholders in due course.

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DIRECTORS' RESPONSIBILITY STATEMENT

The directors of F&N (including any who may have delegated detailed supervision of this press release) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this press release are fair and accurate and that no material facts have been omitted from this press release, and the directors of F&N jointly and severally accept full responsibility accordingly.

Where any information has been extracted or reproduced from published or otherwise publicly available sources, the sole responsibility of the directors of F&N has been to ensure through reasonable enquiries that such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this press release.

Operations Review (Nine months ended 30 June 2012 "9M2012")

Beer

Beer continued its positive growth momentum with yet another set of strong results. Driven by the strength of its beer brands and regional footprint, revenue surged 18 per cent to $1,653 million on higher volumes, particularly in its top three markets of Vietnam, Indonesia and Papua New Guinea. Aided by improved margins from price increases in several markets, PBIT grew at an impressive 31 per cent to $382 million.

Indochina (comprising Cambodia, Laos, Myanmar, Thailand and Vietnam) remained as Beer's largest PBIT contributor at 52 per cent. In 9M2012, this region recorded revenue gain of 26 per cent on 12 per cent volume growth, led by Vietnam. Together with better margins from price increases in Vietnam and favourable sales mix in Cambodia, PBIT grew 25 per cent, despite the negative impact of foreign currency translation.

South and South East Asia (comprising Indonesia, Malaysia, Singapore, Sri Lanka and Export) is Beer's second largest PBIT contributor at 25 per cent. In 9M2012, this region saw volume and PBIT rise by 8 per cent and 20 per cent respectively. Strong results were mainly driven by volume gains in Indonesia, Sri Lanka and Export. Improved margins from price increases contributed to the strong PBIT growth.

Oceania (comprising New Caledonia, New Zealand, Papua New Guinea and Solomon Islands) contributed 24 per cent of Beer PBIT. Despite marginal volume decline, PBIT rose 42 per cent, due to improved margins in Papua New Guinea, favourable translation gain from a 20-per cent appreciation in the Kina, as well as contribution from the newly acquired brewery in Solomon Islands in June 2011. On a comparable basis, excluding the results from Solomon Islands and translation gain, PBIT grew 21 per cent.

Soft Drinks

The expiration of the Group's licensing arrangements with The Coca-Cola Company ("TCCC") represented a fresh start for F&N's Soft Drinks division. Leveraging its strong brand equity and extensive distribution network, the Group was able to successfully roll out new products and expand its product offering, to solidify its leadership position in the ready-to-drink segment in Malaysia. Besides the focus on defending its leadership positions through sustained brand investments and consumer-focused innovation, the Group continued to look for opportunities to expand into new ASEAN markets. Supported by growth in key brands, Soft Drinks Malaysia recorded sales volume of 43 million cases in 9M2012,, representing a 15-per cent year-on-year increase, excluding TCCC's volume. The sustained growth of key brands put the Group in good stead to achieve its target of at least maintaining FY2009 volume, the final year of TCCC's franchise.

In Singapore, since the homecoming of all its soft drinks brands on 1st October 2011, the Group's focus on widening and deepening distribution of its products remained its top priority. Supported by consumer-focused innovation and brand and volume building initiatives, a substantial part of the sales volume that its brands enjoyed while licensed to TCCC was retained.

Overall, Soft Drinks revenue declined 15 per cent due to the absence of TCCC's contribution. PBIT fell 68 per cent due to lower revenue and a one-off rationalisation charge in 3Q2012.

Dairies

Dairies performance rebounded strongly in 3Q2012, after posting a loss in the previous quarter. Despite resumption of production in mid-May 2012 and sales recovery, 9M2012 Dairies revenue and earnings were adversely affected by the 220-day flood disruption in Thailand, as well as high input cost in Malaysia. In 9M2012, Dairies recorded a $15 million profit, versus a profit of $38 million in the same corresponding period last year. Excluding the impact of Thailand's operations, Dairies PBIT improved 17 per cent to $21 million, versus $18 million in 9M2011 on the same basis.

In Dairies Thailand, the Group returned to full production for all products in mid-May 2012, one month ahead of schedule. Boosted by brisk domestic demand, Dairies Thailand achieved record quarterly sales, up 18 per cent from corresponding quarter last year. In Malaysia, the removal of sugar subsidy for selected F&B manufacturers continued to put Dairies Malaysia at a cost disadvantage. It has responded by re-positioning its brands to create value for consumers and differentiating its products even further. In addition, the Group's new technology-leading, eco-friendly dairy plant in Pulau Indah, is expected to improve operational efficiency and increase productivity. During the 9M2012, the Group realised a deferred tax asset ("DTA") of about $22 million in relation to the Halal Hub tax incentive. Once commercial production commences, the Group will also be able to realise another $8 million of DTA.

Publishing and Printing

Publishing and Printing achieved revenue of $285 million, a 4-per cent drop largely due to the divestment of the school retail business. Excluding the impact of divested business, revenue grew 2 per cent backed by double-digit growth in the export sales for Education Publishing and increased distribution of lifestyle products.

PBIT declined 59 per cent to $7 million mainly due to investment in the expansion of Education Publishing business, and lower print volume.

Properties

Properties recorded 9M2012 revenue and PBIT of $858 million and $265 million, compared with the restated revenue and profit of $1,110 million and $325 million respectively, in the same period last year. The lower profit in 9M2012 was mainly because revenue from the sale of the Group's uncompleted projects in China and Australia were not recognised with the adoption of accounting rule INT FRS 115. FY2011 results were restated to reflect the changes.

Higher rental and management fee income from Commercial Property cushioned the decline in Development Property earnings. Supported by earnings from the two REITs, Frasers Centrepoint Trust ("FCT") and Frasers Commercial Trust ("FCOT"), its Hospitality division and most non-REITed investment properties, this division recorded a 3-per cent increase in earnings.

(a) Development Property

9M2012 Development Property revenue of $656 million continued to be underpinned by pre-sold development projects in Singapore. PBIT declined 30 per cent to $145 million. The 30-per cent decline in PBIT was mainly due to construction completion of higher margin development projects like *Soleil@Sinaran* and *Martin Place Residences*, as well as lower sales from completed properties, *Trio* and *Lumiere Residences,* in Australia.

In addition, as a consequence of the adoption of INT FRS 115, while revenue from the sale of Singapore private residential projects are recognised progressively, overseas development projects, as well as executive condominium projects in Singapore, will only be recognised when the units are handed over to buyers. Accordingly, revenue from pre-sold units in Australia (*Central Park* mixed-use development, *Putney Hill* and *QIII*) and China (*Baitang One* phases 1B and 2A), and executive condominium developments in Singapore (*Esparina Residences* and *Twin Waterfalls*) were not recognised in this period.

In Singapore, strong sales are continuing into 9M2012. This period, the Group launched three projects and released some 2,150 units in *Watertown, Twin Waterfall* and *Palm Isles* for sale in Singapore. To date, it sold about 1,789 residential units from these projects, taking total 9M2012 sales to 2,297 units, including previously launched projects like *Boathouse, Eight Courtyards, Esparina Residences, Flamingo Valley, Seastrand, Soleil@Sinaran, Waterfront Gold, Waterfront Isle* and *Waterfront Key.*

Sales in Australia were also strong. To date, the Group has sold about 476 residential units from completed residential developments of *Lumiere Residences, Trio* and *Lorne Killara,* and from projects currently under development, namely *One Central Park, Park Lane, The Mark* (collectively the Central Park mixed-use development), *QIII* and *Putney Hill.* The construction of *One Central Park* and *Park Lane* is progressing well and would be completed, in stages, by next year.

The Group's unrecognised revenue of $3.2 billion from said pre-sold projects in Singapore and overseas will support its development property earnings in the next few years.

<u>(b) Commercial Property (Investment Property, Real Estate Investment Trust ("REIT") and Hospitality)</u>

Boosted by contribution from a new retail mall and improved contribution from its largest retail mall, *Causeway Point* following the completion of a substantial portion of asset enhancement work, FCT (Group's 41-per cent held retail REIT) posted a strong 9M2012 performance. Gross revenue rose 29 per cent to $108 million while net property income grew 32 per cent to $76 million. Operationally, the average occupancy of FCT's portfolio as at 30th June 2012 edged up slightly to 94 per cent from the previous quarter; average rental reversion of FCT's portfolio was also healthy, at 13 per cent.

Similarly, the Group's 27-per cent held office and business space REIT, FCOT also recorded healthy growth in revenue and net property income. This period, FCOT delivered a topline growth of 9 per cent to $97 million, mainly on higher rental income at *China Square Central*, Singapore and the acquisition of the remaining 50 per cent interest in *Caroline Chisholm Centre,* Australia. Consequently, net property income for the period edged up 6 per cent to $76 million. Operationally, average occupancy of FCOT's portfolio remained robust, at 97 per cent.

The Group's non-REITed malls and office and business parks in Singapore, China and Vietnam continued to maintain strong occupancies.

The Hospitality division recorded improved revenue and profit growth. This period, revenue grew 13 per cent to $93 million, boosted by contributions from new properties in Australia, Indonesia, Singapore and the UK, improved demand for most of its properties and higher management fees. Enhancement works at the Singapore and UK properties adversely affected profit. Consequently, PBIT grew marginally, to $27 million. This period, Hospitality commenced operations of its first property in India, the 92-unit *Fraser Suites New Delhi*. In addition, it completed the acquisition of *Fraser Place Queens Gate*, a 106-unit serviced residence in Kensington, London which it has managed since 2006.