FRASER AND NEAVE, LIMITED
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Incorporated in the Republic of Singapore

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Fraser and Neave reports first-half 2014 results

- ***Attributable profit[1,4] rose 17.1 per cent to $74 million***
- ***PBIT [2] jumped 39.4 per cent to $147 million***
- ***Food & Beverage profit grew 19.7 per cent to $122 million***
  - ***F&B PBIT margin continued to improve, to 12.1 per cent***
  - ***Beverages profit up 20.1 per cent to $89 million on higher Beer sales and favourable product mix***
  - ***Dairies saw significant profit improvement of 18.7 per cent on strong sales***
- ***Interim dividend of 2.0 cents per share declared***

Financial Highlights (S$ 'million)	3 months to 31 March 2014	3 months to 31 March 2013 (Restated)	6 months to 31 March 2014	6 months to 31 March 2013 (Restated)
Revenue	589.4	567.6	1,186.0	1,136.3
Trading Profit	81.2	55.4	139.6	106.1
PBIT[2]	86.7	53.9	147.4	105.8
PAT[3,4]	65.0	(22.2)	121.5	(27.1)
Attributable Profit[1,4]	38.1	28.4	74.1	63.3
Earnings Per Share (basic) (cents)[1,4]	2.6	2.0	5.1	4.4
Net Asset Value Per Share			$1.61	$5.90 (30 Sep 2013)

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

SINGAPORE, 09 May 2014 – Fraser and Neave, Limited ("**F&N**") reported a strong second quarter with a double-digit profit growth despite adverse foreign currency movements. On the back of 4 per cent revenue growth, favourable sales and channel mix, as well as a $21-million one-off valuation gain on investment interest retained in a joint venture company following the demerger of the properties business, PBIT for the second quarter ended 31 March 2014 ("**2Q2014**") rose 61 per cent to $87 million.

This quarter, Beverages (comprising Soft Drinks and Beer) PBIT rose 13 per cent to $45 million on higher beer sales, as well as favourable sales and channel mix. The growth of the Group's brewery[1] in Myanmar continued unabated. Leveraging the strengths of its multi-brand portfolio and innovative marketing strategies, Beer maintained its strong leading positions with a significant volume growth of 34 per cent. The weakening of Myanmar Kyat against the Singapore Dollar dampened corresponding Beer sales and PBIT, which rose 15 per cent and 8 per cent, respectively. Soft Drinks volume and sales for the 2Q2014 slipped mainly due to intense competition in Malaysia. Despite lower sales, Soft Drinks 2Q2014 PBIT jumped 23 per cent, lifted by favourable product mix and a return to profitability in Singapore which has benefited from operational efficiencies. Food & Beverage's ("**F&B**") solid 2Q2014 performance was also boosted by higher sales across the Group Dairies businesses in Singapore, Malaysia and Thailand. Dairies 2Q2014 PBIT increased 29 per cent to $17 million. This growth was buoyed mainly by improved Dairies sales of 7 per cent, better product mix and lower input and conversion costs.

2Q2014 mirrors the half-year performance. For the half-year ended 31 March 2014 ("**1H2014**"), Group revenue improved 4 per cent to $1,186 million. Supported by strong revenue growth in F&B, margins expansion from favourable sales mix and lower input costs, as well as a $21-million one-off valuation gain on investment interest retained in a joint venture company recorded in 2Q2014, 1H2014 PBIT jumped 39 per cent to $147 million. Led by continued margin expansion in F&B, Group PBIT margin improved from 9.3 per cent to 12.4 per cent. This period, Soft Drinks, Beer and Dairies each recorded double-digit profit growth rates, despite unfavourable exchange rate movements. Beverages saw profit rise 20 per cent on higher sales and improved sales mix. Similarly for Dairies, a 7-per-cent sales increase, favourable sales mix and continuing cost reduction efforts resulted in a solid 19-per-

[1] Myanmar Brewery Limited is currently the subject of an ongoing arbitration

cent profit growth. In 1H2014, the Group further enhanced its leading positions in key markets of Singapore, Malaysia and Thailand, through effective marketing and industry-leading innovation, and the strengthening of our routes to market.

Consistent with the Group's ongoing commitment to provide regular returns to shareholders, the Directors have declared an interim dividend of 2.0 cents per share, versus 3.5 cents per share last year. The lower dividend takes into account the Group's capital position and anticipated capital needs, as well as reflects the Group's earnings following the spin-off of Frasers Centrepoint Limited ("**FCL**") and the capital reduction of $0.42 cents per share. The dividend will be paid on 12 June 2014.

Non-Recurring Items

There were three non-recurring items in 1H2014. Firstly, the Group incurred an exceptional charge of $4 million from the debt restructuring exercise carried out as a result of the distribution of a dividend *in specie* of all the issued shares in FCL (the "**FCL Distribution**").

Secondly, following the completion of the FCL Distribution in January 2014, $18 million in consolidation reserves was released to the income statement.

Lastly, arising from the FCL Distribution, a $21-million valuation gain on investment interest retained in a joint venture company was also recognised.

Corporate Development

The distribution of a dividend *in specie* of all the issued shares in FCL was completed on 08 January 2014. After the FCL Distribution, F&N no longer holds an interest in FCL. Returning to its 130-year-old roots, F&N is now primarily a food and beverage company with a vision to become a leading consumer group in Southeast Asia.

In December 2013, F&N announced a proposed cash distribution of approximately $607 million (or $0.42 per share) to shareholders via a capital reduction exercise. This exercise was completed in April 2014.

Consequently, net asset value per share dropped to $1.61, from $5.90.

More recently, the Group announced the acquisition of a 70-per-cent stake in Yoke Food Industries Sdn Bhd ("**YFI**") for RM55 million ($21 million). YFI is a Malaysia-based company that manufactures, markets and distributes canned beverages in Malaysia, as well as exports to Singapore, Indonesia and Indochina, under brands such as *Day Day, SoSoy,* and *Juice Secret*. Besides securing YFI's production capacity in the fast-growing non-carbonated beverages segment, teaming up with YFI also offers an increased opportunity for the distribution and marketing of our brands in Southeast Asia going forward. Together with YFI, the Group will benefit from greater scale and from the broader portfolio of brands, and strengthens F&N's position as a leading consumer group in Southeast Asia.

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Operations Review (Six months ended 31 March 2014 "**1H2014**")

Beverages (Beer and Soft Drinks)

The Group's beer business remained focused on extending the visibility of its beer brands in Myanmar through effective marketing initiatives and strategic sponsorships, including the support of the 27th SEA Games 2013. Accordingly, Beer volume jumped 38 per cent, retaining its strong leading positions in this highly competitive market. Sales increase was lower, at 21 per cent, due mainly to unfavourable exchange rate movements. PBIT improved 15 per cent on higher sales, offset by higher marketing spend and distribution cost.

Soft Drinks continued to leverage its strong brand equity and extensive distribution network to solidify its leadership position in the ready-to-drink segment in Malaysia, as well as regain and expand its Soft Drinks business in Singapore and other parts of ASEAN. Soft Drinks PBIT jumped 30 per cent on favourable sales mix, improved production yields and a return to profitability in Singapore which has benefited from operational efficiencies.

In Malaysia, despite weaker consumer sentiment due to the withdrawal of government subsidies, Soft Drinks division continued to reach new heights by achieving higher efficiency in its production and supply chain management, and delivering volume growth through innovative and effective sales and marketing initiatives. Soft Drinks Malaysia recorded sales growth of 2 per cent (in local currency terms), with *100PLUS* and *F&N SEASONS Nutrisoy* recording increased market shares. Supported by favourable sales mix and reduction in input cost, Malaysia Soft Drinks PBIT improved 12 per cent.

In Singapore, the focus remained on widening and deepening distribution of the Group's soft drinks products. Coupled with well-executed brand building initiatives, Soft Drinks Singapore sales improved on increased *100PLUS, F&N SEASONS* and *F&N ICE MOUNTAIN* sales. Improved sales and lower cost-of-sales efficiencies helped Soft Drinks Singapore record a profit this quarter, compared to an operating loss in the previous corresponding quarter which was saddled with start-up logistics costs.

Dairies

Led by strong sales growth and favourable sales mix in Malaysia and Thailand, Dairies profit grew 19 per cent to $33 million.

Dairies Thailand achieved a 14-per-cent sales growth, mainly supported by recovering domestic demand compared to the previous year. Despite strong sales growth, earnings of Dairies Thailand was adversely affected by higher input cost. Consequently, PBIT was flat against the previous corresponding period.

In Malaysia, the successful re-positioning of the Group's brands to create value for consumers has led to strong volume growth, ahead of its categories. Coupled with lower input costs, conversion cost savings arising from the best-in-class Pulau Indah plant and better bad debt recovery, Dairies Malaysia earnings jumped 56 per cent.

Publishing & Printing

Despite growth in overseas revenue for Education Publishing, strong book distribution sales and stable print volume, overall revenue for Publishing & Printing fell 4 per cent to $172 million. Revenue gains were offset by lower local demand for school textbooks, a general decline in print prices and lower sales for non-magazine distribution.

The improvement in Printing profitability on better cost control and improved performance of Associates mitigated the decline in PBIT which dropped by 31 per cent to $0.8 million, in line with the lower revenue, and the impact of investments in Education Publishing.