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FRASER AND NEAVE, LIMITED

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

Fraser and Neave reports first-half 2015 results

- **Revenue grew 7 per cent to \$1,263 million**
- **PBIT¹ increased 16 per cent² to \$146 million**
- **Food & Beverage earnings increased 17 per cent to \$143 million**
 - **Beer³ growth momentum continued, achieving 31 per cent revenue growth; 48 per cent profit growth**
 - **Dairies revenue up 6 per cent; profit increased 18 per cent**
 - **Food & Beverage PBIT margin continued to improve, to 13 per cent**
- **Interim dividend of 2 cents per share declared**

Financial Highlights (\$\$ 'million)	3 months to 31 March 2015	3 months to 31 March 2014 (Restated)	6 months to 31 March 2015	6 months to 31 March 2014 (Restated)
Revenue	608.3	589.4	1,263.2	1,186.0
Trading Profit	65.7	60.1 ²	144.2	118.4 ²
PBIT ¹	66.3	65.4 ²	146.0	126.1 ²
Profit After Taxation ⁴	51.3	43.6 ²	112.0	100.1 ²
Attributable Profit ^{4,5}	25.7	26.1 ²	61.4	62.2 ²
Earnings Per Share (basic)(cents) ^{4,5}	1.8	1.8 ²	4.2	4.3 ²
Net Asset Value Per Share			\$1.16	\$1.11 (30 Sep 2014)

¹ PBIT denotes profit before interest, taxation and exceptional items

² Excluding a one-off valuation gain of \$21 million recorded in the three and six months ended 31 March 2014

³ The arbitral tribunal has ruled that Myanmar Economic Holdings Limited's valuation of US\$246 million does not represent a fair value of F&N's 55 per cent stake in MBL, and that the sale should take place at a price to be determined by an independent valuer to be appointed by both parties, failing which by a valuer named by the arbitral tribunal

⁴ Continuing operations

⁵ Before exceptional items

SINGAPORE, 07 May 2015 – Fraser and Neave, Limited (“F&N” or the “Group”) today announced second-quarter FY2015 to 31 March 2015 (“2Q2015”) earnings from continuing operations of \$51 million. This represented an 18 per cent

improvement from the last corresponding period of \$44 million, excluding a \$21-million one-off valuation gain booked in January 2014 on a property joint venture upon the demerger of Frasers Centrepoint Limited. The strong growth was driven by double-digit profit growth in its Beer and Dairies segments. Supported by revenue growth in Food & Beverage (“F&B”), Group 2Q2015 revenue improved 3 per cent to \$608 million.

This quarter, Beverages PBIT rose 10 per cent to \$50 million powered by higher beer sales. The Group’s brewery¹ in Myanmar recorded another quarter of double-digit growth - a 27-per cent increase in sales, led by a 21-per cent growth in volume, mainly from *Myanmar Beer*. Coupled with lower energy cost and marketing spend, Beer PBIT surged 40 per cent. Unlike Beer, Soft Drinks volume and sales for 2Q2015 slipped, predominately due to pre-Goods and Services Tax destocking by both distributors and retailers in Malaysia. The recent flood in the east coast states of Malaysia has also adversely affected Soft Drinks Malaysia profitability in this period. Consequently Soft Drinks 2Q2015 PBIT fell 44 per cent.

The Group’s Dairies division turned in a strong quarterly performance. Revenue rose 2 per cent to \$275 million, with strong sales recorded in Dairies Thailand. In addition to higher sales, increased outlet penetration, favourable sales mix, improved utilisation rates and manufacturing efficiencies helped boost Dairies 2Q2015 earnings. PBIT climbed 17 per cent to \$20 million, due mainly to the 56 per cent jump in Dairies Thailand profit.

For the half-year ended 31 March 2015 (“1H2015”), Group revenue grew 7 per cent to \$1,263 million. Group PBIT decreased 1 per cent to \$146 million, due to the

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absence of a one-off valuation gain of \$21 million recorded in the corresponding period last year. Excluding the one-off item, Group PBIT would have jumped 16 per cent, from \$126 million. The strong performance was due to robust revenue growth in F&B, and margins expansion from favourable sales mix, manufacturing efficiencies and lower raw material costs. In 1H2015, Beer and Dairies each recorded double-digit profit growth rates. In particular, Beer PBIT rose a significant 48 per cent, as sales surged 31 per cent. Similarly, Dairies PBIT jumped 18 per cent, primarily driven by higher sales, lower input cost and increased production efficiency. In 1H2015, the Group further consolidated its leading positions in key markets of Singapore, Malaysia and Thailand through the strengthening of its routes to market, continuous innovation and renovation, and effective marketing activities.

Directors have declared an interim dividend of 2.0 cents per share, same as last year. The dividend will be paid on 11 June 2015.

Corporate Development

In January, F&N, through its listed subsidiary Fraser & Neave Holdings Bhd in Malaysia, signed several agreements with Société Des Produits Nestlé S.A. and Nestec S.A. (collectively, “**Nestlé**”) to manufacture and distribute *Carnation*, *Bear Brand*, *Bear Brand Gold*, *Ideal* and *Milkmaid* in ASEAN, including Singapore, Thailand, Malaysia, Brunei, Laos and Cambodia.

The licenses are for a period of 11 years 7 months, with a right to extend for a further 10-year term. These agreements extend the term of the Group’s existing licenses granted by Nestlé on 1 February 2007 when the Group acquired Nestlé’s canned liquid milk, UHT and chilled dairy and juice business in Thailand, and the *F&N Tea Pot* brand. The agreements shall take effect 1 July 2015.

The new arrangements include the right to manufacture, promote, sell and distribute *Carnation* in Thailand, Laos and Cambodia; and *Carnation* evaporated creamer, *Ideal* evaporated milk, *Milkmaid* sweetened condensed milk and sweetened beverage creamer for Malaysia, Brunei and Singapore. The Group will continue to manufacture and distribute *Bear Brand* sterilised milk and *Bear Brand Gold* for Thailand and Laos.

In cementing the licenses for the next 22 years until 31 January 2037, the Group can embark on expansion plans in Thailand. To fully realise the potential of its dairy business, F&N has announced an immediate investment of THB300 million (S\$12 million) for an additional evaporated milk line in its Thailand plant. The expansion will add value to the Group's vision of making F&N a stable and sustainable leader in Southeast Asia.

Following the non-renewal of the five-year agreement with Allexcel Trading Sdn Bhd ("Allexcel") for the exclusive marketing, distribution and sale of Red Bull energy drinks in Malaysia which expired on 31 March 2015, Soft Drinks Malaysia has entered into a transition period commencing 1 April 2015 till 30 September 2015. The non-renewal of the agreement allows F&N to focus its resources on building its core brands and products, and is not expected to have a material negative impact on the operating or financial performance of the Group for the financial year ending 30 September 2015.

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Operations Review (Six months ended 31 March 2015 “1H2015”)

Beverages (Beer and Soft Drinks)

Beer continued its growth momentum in Myanmar, recording strong volume gains of 30 per cent brought about by the favourable performance of *Myanmar Beer*. Despite the weakening of the Myanmar Kyat and an increase in supply chain costs in line with the increased sales volume, Beer posted a sales increase of 31 per cent (32 per cent in constant currency) and a profit increase of 48 per cent (49 per cent in constant currency). The Group’s beer business remains focused on extending the visibility of its beer brands in Myanmar through effective marketing initiatives and strategic sponsorships.

Soft Drinks Malaysia earnings fell 31 per cent as sales declined 8 per cent. The lower profit was due mainly to higher logistic and warehouse costs as a result of the severe floods, as well as distributors and retailers minimising their inventory on-hand prior to the implementation of the Goods and Services Tax in Malaysia.

Dairies

Led by strong sales growth, Dairies 1H2015 profit grew 18 per cent, to \$39 million.

Dairies Thailand continued to build upon off-take momentum, particularly of *Carnation* and *F&N Teapot* as the brands of choice for local consumers. On the back of increased outlets penetration, focused brand building initiatives, effective promotional and trade management activities, and improved supply of raw materials, Dairies Thailand achieved sales growth of 15 per cent, compared with the same period last year. Favourable sales mix and increased manufacturing utilisation and efficiency boosted 2Q2015 profit by 56 per cent. Correspondingly, 1H2015 PBIT jumped 35 per cent, to \$21 million.

In Malaysia, the 1 per cent sales growth (3 per cent in constant currency) was built upon the off-take momentum of *Gold Coin* and *F&N Teapot* brands. In addition to effective brand building and trade marketing activities, as well as improved profit margin driven by lower input costs and continuous production cost savings, Malaysia PBIT grew 17 per cent (19 per cent in constant currency).

Publishing & Printing

Despite registering revenue growth in Education Publishing from its key markets of the US and Latin America, new orders from the UK, as well as improved sales in Magazine Distribution, Publishing & Printing posted a 1-per cent decrease in overall revenue, to \$171 million. Revenue gains were offset by dampened demand in Print, Book Distribution and Retail.

The improvement in profitability of Education Publishing and Distribution was negated by the decline in Printing and Retail, due to the drop in print prices, weakened demand and unfavourable exchange rate movements. Consequently, Publishing & Printing ended 1H2015 with a loss before interest and tax of \$2 million.