FRASER AND NEAVE, LIMITED
Company Registration No. 189800001R
Incorporated in the Republic of Singapore
438 Alexandra Road
#21-00 Alexandra Point
Singapore 119958
Tel: (65) 6318 9393
Fax: (65) 6271 0811
www.fraserandneave.com

Fraser and Neave 1H2013 profits soar from revenue and disposal gain

- ***Attributable profit[1] soared to $4.9 billion mainly from disposal gain***
- ***PBIT [2] grew 37 per cent to $324 million***
- ***Revenue improved 17 per cent to $1.83 billion***
- ***Interim dividend of 3.5 cents declared***
- ***Food & Beverage recorded accelerated profit growth of 73 per cent***
    - ***Beverages profit up 26 per cent to $74 million***
    - ***Dairies profit returned to pre-flood level; earnings at $28 million***
- ***Development Property and Commercial Property growth momentum continued***
    - ***Profit from pre-sold Singapore development projects remained strong***
    - ***Commercial Property's earnings boosted by strong performance in REIT and Hospitality***

Financial Highlights ($ 'million)	3 months to 31 Mar 2013	3 months to 31 Mar 2012	6 months to 31 Mar 2013	6 months to 31 Mar 2012
Revenue	912.5	777.9	1,825.4	1,560.8
Trading Profit	149.5	76.3	293.9	202.8
PBIT[2]	163.6	95.6	324.4	237.0
PAT[3]	65.7	127.4	4,942.3	368.8
Attributable Profit[1]	47.1	85.5	4,907.0	262.6
Earnings Per Share (basic)(cents)				
- Before gain on disposal of discontinued operations, fair value adjustment and exceptional items			10.7	18.0
- After gain on disposal of discontinued operations, fair value adjustment and exceptional items			340.5	18.5
Net Asset Value per ordinary share			$8.80	$5.32 (30 Sep 2012)

[1] *After 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*

SINGAPORE, 10 May 2013 – Fraser and Neave, Limited ("**F&N**" or the "**Group**") achieved revenue of $912 million in the second quarter ended 31 March 2013 ("**2Q2013**"), an increase of 17 per cent over the same period last year. Coupled with improved margins from Food & Beverage ("**F&B**"), 2Q2013 profit before interest and taxation ("**PBIT**") improved 71 per cent to $164 million. This quarter, Properties earnings improved 21 per cent, underpinned by strong rental income and earnings from progressive recognition of pre-sold residential projects in Singapore. F&B also posted strong earnings growth, with PBIT increasing twofold as a result of improved consumer demand, strong trade and market execution and lower input costs.

Profit after taxation ("**PAT**") for this quarter was adversely affected by a one-time charge of $72 million that arose from the general cash offers. Consequently, 2Q2013 PAT dropped 48 per cent to $66 million.

For the half-year ended 31 March 2013 ("**1H2013**"), Group revenue improved 17 per cent to $1.83 billion. Supported by strong revenue growth in Properties and F&B, improved margins from favourable mix and lower input costs, 1H2013 PBIT jumped 37 per cent to $324 million. In November 2012, F&N completed the disposal of its entire interest in Asia Pacific Breweries Limited ("**APB**") for $5.6 billion. Consequently the Group realised a disposal gain of $4.8 billion, pushing 1H2013 PAT to $4.9 billion.

Subsequent to the divestment of F&N's entire interest in APB, the remaining beer business is grouped with Soft Drinks to form the Beverages division. After a year of separation from The Coca Cola Company franchise, the Group's Soft Drinks division in Malaysia continued to register volume growth despite intense competition. Similarly, the Group's 55-per cent held brewery in Myanmar Brewery Limited ("**MBL**") also delivered strong results for 1H2013, continuing the good momentum from FY2012. MBL registered volume growth and maintained strong market leadership position in Myanmar with its leading beer brands like *Myanmar Beer, Myanmar Double Strong* and *Andaman Gold*. Together, this newly-formed

Beverages division posted a 26 per cent profit growth, to $74 million for the six months ended 31 March 2013.

Dairies' strong profit growth in 1H2013 was on the back of a 21 per cent jump in revenue, mainly due to the recovery of Thailand dairy business from the effects of floods in 2011.

1H2013 earnings from Properties continued to be driven by strong contribution from pre-sold development projects in Singapore and higher income from investment properties and serviced apartments. On the back of a 37-per cent improvement in revenue, Development Property 1H2013 PBIT grew 31 per cent to $119 million, mainly from projects currently under development in Singapore namely *Boathouse Residences, Eight Courtyards, Flamingo Valley, Seastrand, Waterfront Gold, Waterfront Isle* and *Watertown*. Commercial Property, which comprises Investment Property, REITs and Hospitality, recorded healthy earnings growth, despite the absence of rental income from two investment properties following the divestment of a listed subsidiary, Frasers Property China Limited in September 2012. REITs and Hospitality each delivered strong performance with profit up by 5 per cent and 43 per cent, respectively.

Consistent with the Group's ongoing commitment to provide regular returns to shareholders, the Directors have declared an interim dividend of 3.5 cents per share. The dividend will be paid on 14 June 2013.

In addition, the Company has announced today a capital distribution of $3.28 per share to return excess funds amounting to almost $4.73 billion to shareholders. The distribution is a continuation of the Company's active capital management efforts and completes the plan articulated by the previous board to reward shareholders with the gains from the disposal of APB.

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For clarification and further enquiries, please contact:

Mr Hui Choon Kit
Chief Financial Officer
DID: 6318 9272
Email: huick@fngroup.com.sg

Ms Jennifer Yu
Investor Relations Manager
DID: 6318 9231
Email: jenniferyu@fngroup.com.sg

Operations Review (Six months ended 31 March 2013 "**1H2013**")

Beverages

Following the sale of the Group's entire interest in APB, the remaining beer business is grouped with the soft drinks business to form the Beverages division.

F&N's remaining brewery operations are conducted through its 55-per cent held brewery in Myanmar. Established in 1995, Myanmar Brewery Limited ("**MBL**") manufactures Myanmar's leading beer brands like *Myanmar Beer, Myanmar Double Strong* and *Andaman Gold*. Building on its portfolio of leading brands, this period, MBL maintained its market leadership position in Myanmar and delivered positive volume growth.

A year after the expiration of F&N's licensing arrangements with The Coca-Cola Company, the Group 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.

In Malaysia, Soft Drinks continued to grow its domestic volume through active promotional activities, posting volume growth in key brands like *100PLUS, F&N Seasons* and *F&N Ice Mountain*. Buoyed further by improved margins from favourable sales mix and lower input cost, as well as direct marketing expenses, 1H2013 PBIT improved from the same corresponding period last year.

In Singapore, the focus remained on widening and deepening distribution of the Group's soft drinks products. Coupled with brand building initiatives, Soft Drinks Singapore revenue improved on increased *100PLUS, F&N Ice Mountain* and *F&N Seasons* sales.

Overall, Beverages revenue grew 10 per cent while PBIT improved 26 per cent.

Dairies

Dairies profit surged to $28 million as Dairies Thailand recovered from the impact of 2011 floods, while Dairies Malaysia benefitted from lower input costs.

Dairies Thailand continued on its fast recovery track as production and demand resumed. Lifted by a recovery in demand from Thailand, improved export sales to Indochina, and successful entry into Myanmar, Dairies Thailand's sales more than doubled, bringing its profit back to pre-flood levels.

Aided by lower input cost and the absence of an accelerated deprecation charge recorded in 1H2012, Dairies Malaysia earnings improved despite lower revenue.

Publishing & Printing

This period, despite healthy revenue growth in Printing and Education Publishing segments, Publishing & Printing revenue fell 6 per cent to $180 million, attributed mainly to the divestment of loss-making Library Reference business in the USA and education publishing in Malaysia, and decline in income from magazine distribution on weak consumer demand.

1H2013 PBIT declined 79 per cent to $1 million impacted largely by value-creating investments in Education Publishing, lower contribution from associated companies and lower magazine volume.

Properties

Properties recorded half-year revenue and profit of $648 million and $206 million, up 30 per cent and 17 per cent, respectively, from the same period a year earlier. Property Development was again the main contributor to Properties earnings, with 31 per cent growth from the same period last year. Commercial Property, which comprises Investment Property, REITs and Hospitality segments, also recorded healthy earnings growth, despite the absence of rental income from two investment properties following the divestment of a listed subsidiary in September 2012. Fueled by growth in REITs and Hospitality divisions, Commercial Property 1H2013 profit grew 2 per cent.

(a) Development Property

Development Property 1H2013 revenue of $500 million continued to be underpinned by pre-sold development projects in Singapore. PBIT improved 31 per cent to $119 million. The rise in PBIT was mainly due to the commencement of earnings recognition from *Watertown*, as well as higher contribution from *Boathouse Residences, Eight Courtyards, Flamingo Valley, Seastrand, Waterfront Gold* and *Waterfront Isle,* in Singapore.

As a consequence of adopting INT FRS 115, no revenue was recognised at the Group's two executive condominium projects, *Esparina Residences* and *Twin Waterfalls*, even though they were near-fully sold. Income from these projects will only be recognised when the units are handed over to buyers. Similarly, revenue from pre-sold units in Australia (*Central Park* mixed-use development, *Putney Hill* and *QIII*) and China (*Baitang One* phase 2A) were also not recognised this period.

In Singapore, strong residential property sales continued into 1H2013. This period, the Group registered sales of 1,369 units mainly from the *Boathouse Residences, eCO*, *Flamingo Valley, Palm Isles* and *Q Bay Residences* projects. The 632-unit *Q Bay Residences* was launched in January 2013 and as at 1H2013, it achieved sales of 431 units (or 68 per cent).

Recently, the Group launched the 418-unit *Twin Fountains* residential development project, the first executive condominium launched in Woodlands since 2005. Sitting close to the heart of Woodlands Regional Centre, *Twin Fountains* enjoys excellent connectivity and is surrounded by many established retail offerings, schools, workplaces and recreational facilities, which will enhance the lifestyles of residents. At the close of the application process, *Twin Fountains* pulled in 963 e-applications, some 2.3 times subscribed. *Twin Fountains* is jointly developed by F&N and Lum Chang Binjai Holdings.

Residential property sales in Australia remained healthy. In 1H2013, the Group sold about 166 residential units from projects currently under development, namely *Frasers Landing*, *One Central Park, Park Lane, The Mark* (collectively the Central Park mixed-use development), *Putney Hill* and *QIII*, as well as from completed residential developments of *Lumiere Residences* and *Trio.* The construction of *One Central Park* and *Park Lane* is progressing well. Completion is scheduled in stages this year.

The Group's unrecognised revenue of $3.4 billion as at the end of the 1H2013 from pre-sold development projects in Singapore and overseas will continue to support Development Property earnings in the next several years.

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

Driven by higher contribution from *Causeway Point* and *Northpoint,* Frasers Centrepoint Trust ("**FCT**") (the Group's 41-per cent held retail REIT) posted a strong 1H2013 performance. Gross revenue rose 7 per cent to $78 million while net property income grew 9 per cent to $56 million. Operationally, the average occupancy of FCT's portfolio as at 31 March 2013 improved to 98 per cent, from 97 per cent.

The Group's 27-per cent held office and business space REIT, Frasers Commercial Trust ("**FCOT**") recorded 1H2013 revenue of $59 million, down 3 per cent due mainly to the absence of rental income from *Keypoint* and three Japanese properties following divestments in October 2012. Consequently, net property income declined 7 per cent to $46 million. Despite lower net property income, income available for distribution to unitholders improved 12 per cent due to lower interest costs. Operationally, average occupancy of FCOT's portfolio remained robust, at 95 per cent, boosted by healthy portfolio occupancy rates in Singapore and Australia.

The Group's non-REITed malls, office and business parks in Singapore and Vietnam continued to maintain strong occupancy levels. The latest business park, *One@Changi City*, a 50-per cent joint venture with Ascendas Land (Singapore) was completed in November 2012, achieved about 70 per cent occupancy as at 1H2013.

The Hospitality division recorded solid revenue and profit growth in 1H2013. This period, revenue grew 33 per cent to $84 million, boosted by strong demand from most of its properties including new properties in Australia, Singapore and the UK, and higher management fees. Consequently, PBIT grew 43 per cent, to $27 million. Hospitality continued to expand and strengthen its presence by securing management contracts and expanding the *Fraser* gold-standard serviced residences franchise, as well as the newly launched *Capri* brand.