#20-00 Alexandra Point
438 Alexandra Road
Singapore 119958

Tel : (65) 6318 9393
Fax : (65) 6271 0811
Website: www.fraserandneave.com

FRASER AND NEAVE, LIMITED
Company Registration No. 189800001R
Incorporated in the Republic of Singapore

Fraser and Neave delivers strong results in FY2014

- ***Revenue increased 5.5 per cent to $2,421.1 million, from $2,294.1 million***
- ***PBIT [2] was $276.5 million, up 29.3 per cent from $213.9 million***
- ***Attributable profit[1,4] flat against last year at $143.9 million***
- ***Core business segments registered growth, especially Beverages, despite unfavourable exchange rates***
- ***Proposed final dividend of 3.0 cents per share, adding to the paid interim dividend of 2.0 cents for a total of 5.0 cents***

Financial Highlights (S$ 'million)	**Full Year to 30 September 2014**	**Full Year to 30 September 2013 (Restated)**
Revenue	2,421.1	2,294.1
Trading Profit	250.9	185.5
PBIT[2]	276.5	213.9
PAT[3,4]	135.2	26.4
Attributable Profit[1,4]	143.9	143.5
Earnings Per Share (basic)(cents)[1,4]	10.0	10.0
Net Asset Value Per Share	$1.11	$5.90

[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, 13 November 2014 – Fraser and Neave, Limited ("**F&N**" or the "**Group**") delivered strong results for the full year ended 30 September 2014 ("**FY2014**"). On the back of a 6-per-cent rise in revenue and improved margins, profit before interest and taxation ("**PBIT**") improved 29 per cent to $277 million. Margin improvement, from 9 per cent to 11 per cent, was driven by favourable product mix and lower input cost in Beverages (comprises Beer and Soft Drinks) and Dairies Malaysia.

This year, Beverages PBIT rose 42 per cent to $174 million on higher beer and soft drinks sales and improved margins. Soft Drinks sales grew 2 per cent, led by growth in key brands like *100PLUS, F&N, F&N SEASONS* and *F&N NutriSoy,* and retained leading positions in major ready-to-drink segments in Singapore and Malaysia. Supported by favourable sales mix, improved operational efficiencies and lower trade discounts, Soft Drinks PBIT jumped 31 per cent. Similarly, the Group's brewery[1] in Myanmar also delivered strong results for the year, solidifying its strong leading position with a significant volume growth of 34 per cent. Revenue and PBIT grew 28 per cent and 51 per cent, respectively, despite the weakening of the Myanmar Kyat against the Singapore Dollar ("**SGD**"). In constant currency, revenue and PBIT rose 36 per cent and 61 per cent, respectively.

This year, despite strong topline growth of 6 per cent, Dairies PBIT fell 5 per cent to $57 million, due mainly to weaker earnings from Thailand. In particular, Dairies Malaysia's strategy to drive topline growth and margin expansion by focusing steadfastly on route to market excellence has yielded positive results. FY2014 sales of Dairies Malaysia rose 4 per cent. As a result of favourable mix, efficiency gains from the Pulau Indah plant as well as the non-recurrence of one-off costs recorded in FY2013, PBIT surged 25 per cent, despite the adverse effect of a weaker Malaysian Ringgit. Excluding these one-off costs, Dairies Malaysia PBIT grew 8 per cent over the last year. Although Dairies Thailand registered strong volume growth of 18 per cent on higher domestic and export sales, its FY2014 PBIT fell 4 per cent. The lower earnings was mainly due to adverse foreign currency impact, higher input costs and

[1] The arbitral tribunal has ruled that Myanma 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.

the Thai government's pricing control policy. In Dairies Singapore, PBIT was adversely impacted by a one-off adjustment, despite recording higher sales of 3 per cent.

Directors have recommended a final dividend of 3.0 cents per share, which, together with the interim dividend of 2.0 cents, brings the total dividend for the year to 5.0 cents, compared with 15.5 cents in FY2013. The reduced dividend reflects the Group's earnings following the distribution of a dividend *in specie* of all the issued shares in Frasers Centrepoint Limited (the "**FCL Distribution**") and the capital reduction of $0.42 per share. This final dividend, if approved by shareholders, will be paid on 16 February 2015.

<u>Non-Recurring Items</u>

There were four main non-recurring items in FY2014. 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 Frasers Centrepoint Limited ("**FCL**") (the "**FCL Distribution**").

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

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

Lastly, the Group also provided for an impairment loss of $96 million (FY2013: $119 million) relating to its investment in an associated company.

In FY2013, the Group incurred one-off charges of $73 million in expenses that arose from the mandatory general cash offer.

Corporate Development

a) Vision 2020

As part of the Group's initiative to provide sharper focus on the food & beverage businesses, over the last 18 months, F&N Directors, together with the senior management team, have undertaken a strategic review of the businesses. The review was aimed at increasing the size and scale of the Group by leveraging strengths of Thai Beverage Plc Limited ("**ThaiBev**") and F&N. To achieve the objectives, the Directors have set out a 6-year roadmap, named Vision 2020 for the Group.

Under the Vision 2020 roadmap, F&N will play an integral role in ThaiBev's vision of becoming a stable and sustainable player in the ASEAN countries. The roadmap centres on the Group building a solid platform for overseas expansion, focusing on Southeast Asia, via a two-pronged approach:

- **Strengthening market positions in Singapore, Malaysia and Thailand**: Leveraging both F&N and ThaiBev's distribution and bottling systems, one of the largest and most extensive in Southeast Asia, F&N aims to be leaders in these markets with strong leadership positions.
- **Overseas expansion**: Using its operations in Singapore, Malaysia and Thailand as the platform, F&N intends to replicate its successful business models in other ASEAN countries, in particular Vietnam, Myanmar and Indonesia in the next three years. The Group aims to establish itself as a major food & beverage player in key markets outside of Singapore, Malaysia and Thailand. It shall continue to identify innovative approaches to existing and new partnerships that enable the Group to stay at the forefront of consumer trends in the food & beverage industry.

b) Myanmar Brewery Limited

On 31 October 2014, the Group received the decision on its arbitration with Myanma Economic Holdings Limited ("**MEHL**"). F&N had announced on 29 August 2013 and 14 September 2013 MEHL's intention to commence proceedings and subsequently, the receipt of notice of arbitration from MEHL.

MEHL was in the arbitration seeking to compel F&N to sell its 55 per cent stake in Myanmar Brewery Limited ("**MBL**") to MEHL at a price of US$246 million ($313 million).

The arbitral tribunal has ruled on 31 October that MEHL's valuation of US$246 million does not represent a fair value of the Company's 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.

c) Acquisitions

In April, the Group announced the acquisition of a 70-per-cent stake in Yoke Food Industries Sdn Bhd ("**YFI**") for RM55 million ($22 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 will strengthen F&N's position as a leading consumer group in Southeast Asia.

In August, the Group acquired an additional 15 million shares (approximately 1.5 per cent) of Vietnam Dairy Products Joint Stock Company ("Vinamilk"), reaffirming its confidence in the management of Vinamilk. The additional shares, acquired at a cash consideration of $109 million, brings the Group's interest in Vinamilk to 11.04 per cent.

d) FCL Distribution

The distribution of a dividend *in specie* of all the issued shares in FCL was completed on 8 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 cash distribution was made in April 2014.

Following the FCL Distribution, the cash distribution of $607 million and the interim dividend payment of 2.0 cents per share, net asset value per share dropped to $1.11, from $5.90.

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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
Head, Investor Relations
DID: 6318 9231
Email: jenniferyu@fngroup.com.sg

Operations Review (Full year ended 30 September 2014 "**FY2014**")

Beverages (Soft Drinks and Beer)

Soft Drinks continued to capitalize on 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 Southeast Asia. In FY2014, Soft Drinks PBIT jumped 31 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 of 6 per cent through innovative and effective sales and marketing initiatives. Soft Drinks Malaysia recorded sales growth of 4 per cent, with higher volumes recorded by its core brands *F&N*, *100PLUS* and *F&N SEASONS*. Supported by margin improvement from favourable sales mix, lower input cost and improved production efficiencies, Malaysia Soft Drinks PBIT improved 25 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. As a result, Soft Drinks Singapore sales continued to improve. Higher sales and lower cost-of-sales helped Soft Drinks Singapore record a profit this period, compared to an operating loss in the previous corresponding period which was saddled with start-up logistics costs.

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 and Myanmar National League.

Accordingly, Beer volume jumped 34 per cent, retaining its leading position in this highly competitive market. Favourable revenue mix enabled Beer FY2014 PBIT to improve 51 per cent despite the weakening of Myanmar Kyat against the Singapore Dollar. In constant currency, Beer FY2014 PBIT climbed 61 per cent against last year.

Dairies

The Group's Dairies businesses in Malaysia, Thailand and Singapore turned in mixed performances this year. Despite Dairies Malaysia growing its PBIT by 25 per cent, Dairies earnings fell 5 per cent.

In Malaysia, the successful re-positioning of the Group's brands has led to stronger volume growth, ahead of its category growth rate. Other factors such as lower input costs, conversion cost savings arising from the best-in-class Pulau Indah plant, better bad debt recovery and non-recurring expenses in FY2013 have enabled Dairies Malaysia earnings to jump 25 per cent. Excluding the non-recurring expenses, its FY2014 PBIT improved 8 per cent.

In Thailand, despite a 12 per cent growth in revenue, PBIT dipped 4 per cent, mainly due to higher input costs and pricing control by the Thai government.

Publishing & Printing

Printing and Publishing revenue at $352 million, down 3 per cent compared to last year. Education Publishing continued to record growth with higher export of education products. In addition, Retail also saw recovery with better performance from airport bookstores and digital printing. The increase was offset by continued weak print demand coupled with softer print prices and the closures of non-core businesses - library reference in USA and domestic education publishing in Malaysia.

PBIT was 40 per cent lower at $5 million, mainly due to decreased contribution from associated companies. This was partly offset by improvements from the underlying Printing and Publishing businesses over last year where PBIT grew almost fourfold to $5 million, due to improving cost efficiency, improvement in margins from publishing operations and savings from discontinued businesses.