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FRASER AND NEAVE, LIMITED

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

Fraser and Neave reports first quarter 2015 results

- ***Profit after taxation[1] grew 7 per cent to $61 million***
- ***PBIT [2] jumped 30 per cent to $80 million***
- ***Beverages (Soft Drinks and Beer) and Dairies profit increased 22 per cent on higher sales***
  - ***Beer[3] revenue grew 36 per cent; earnings jumped 57 per cent***
  - ***Dairies earnings climbed 20 per cent mainly on higher sales***
  - ***F&B PBIT margin continued to improve, to 13 per cent***

Financial Highlights (S$ 'million)	**3 months to 31 December 2014**	**3 months to 31 December 2013**
Revenue	655.0	597.0
Trading Profit	78.5	58.7
PBIT[2]	79.7	61.1
Profit After Taxation[1]	60.7	56.4
Attributable Profit[1,4]	35.7	36.0
Earnings Per Share (basic)(cents)[1,4]	2.5	2.5
Net Asset Value Per Share	$1.10	$1.11 (30 Sep 2014)

1 *Continuing operations*
2 *PBIT denotes profit before interest, taxation and exceptional items*
3 *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*
4 *Before exceptional items*

SINGAPORE, 12 February 2015 – Fraser and Neave, Limited ("**F&N**" or the "**Group**") achieved revenue of $655 million in the first quarter ended 31 December 2014 ("**1Q2015**"), an increase of 10 per cent over the same period last year. On the back of revenue growth and favourable sales and channel mix, profit before interest and taxation ("**PBIT**") improved 30 per cent to $80 million. Led by margin improvement

in Beer and Dairies, Group PBIT margin increased to 12.2 per cent, from 10.2 per cent.

This quarter, Beverages PBIT rose 22 per cent to $54 million on higher beer sales, as well as on favourable sales and channel mix. The Group's brewery[1] in Myanmar continued its strong growth momentum. Sales grew 36 per cent, driven by effective promotional activities for *Myanmar Beer* which yielded 40 per cent volume growth. Despite unfavourable foreign exchange effects, Beer PBIT grew 57 per cent. In Malaysia, despite recent severe flooding, Soft Drinks sales grew 4 per cent, led by growth in key brands like *F&N* and *F&N SEASONS NutriWell.* Unfavourable sales mix, increasing competition, higher operating costs due to severe flooding and the weaker Malaysian Ringgit adversely affected Soft Drinks PBIT. Consequently, profit for 1Q2015 fell 27 per cent. The Group retained leading positions in the ready-to-drink segments of Singapore and Malaysia.

Performance in the Dairies division continued to be encouraging, with 10 per cent improvement in sales over the corresponding period last year. The robust performance from Singapore, Malaysia and Thailand was attributed to effective promotional and trade management activities which resulted in higher consumer off-take. PBIT for 1Q2015 jumped 20 per cent buoyed mainly by improved sales, favourable sales mix and lower conversion costs.

Corporate Development

F&N, through its listed subsidiary Fraser & Neave Holdings Bhd in Malaysia, recently signed several agreements with Société Des Produits Nestlé S.A. and Nestec S.A.

[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.

(collectively, "**Nestlé**") to manufacture and distribute *Carnation, Bear Brand, Bear Brand Gold, Ideal Milk* and *Milkmaid* in ASEAN, including Singapore, Thailand, Malaysia and Brunei.

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 *Tea Pot* brand. The agreements shall take effect 1 July 2015.

The new licenses include the right to the 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.

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Operations Review (First quarter ended 31 December 2014 "**1Q2015**")

Beverages (Beer and Soft Drinks)

Despite a 4-per-cent improvement in sales, Soft Drinks earnings were down 27 per cent, affected by unfavorable sales mix, severe flooding in Malaysia and the weaker Malaysian Ringgit.

Notwithstanding strong growth in the *F&N, F&N SEASONS NutriWell* and *Ice Mountain* brands, Soft Drinks Malaysia recorded a sales decline of 1 per cent (improved 1 per cent in constant currency) and a PBIT decline of 31 per cent (30 per cent in constant currency). The lower profit was due mainly to higher logistic and warehousing costs as a result of severe flooding, unfavourable sales mix and the weaker Malaysian Ringgit.

Soft Drinks Singapore, on the other hand, continued to record robust growth. Sales jumped 4 per cent on higher sales from *100PLUS* as a result of effective brand building initiatives. Improved sales, lower input costs and operational efficiencies helped Soft Drinks Singapore record a 46-per-cent jump in earnings.

The Group's beer business remained focused on extending the visibility of its beer brands in Myanmar through effective marketing initiatives and strategic sponsorships. Accordingly, Beer sales jumped 36 per cent (38 per cent in constant currency). Despite unfavourable foreign exchange effects, PBIT improved 57 per cent (59 per cent in constant currency) on higher sales and favourable sales mix, offset by higher marketing spend and distribution cost.

Dairies

Led by strong sales growth in Singapore, Malaysia and Thailand, 1Q2015 Dairies profit grew 20 per cent, to $20 million.

Dairies Thailand continued to build upon the off-take momentum, in particular with *Carnation* and *F&N Teapot* as the product of choice for local consumers. Through focused brand building and effective promotional and trade management activities, Dairies Thailand achieved 19 per cent sales growth, compared with the same period last year. Correspondingly, PBIT jumped 12 per cent.

In Malaysia, a 5-per-cent sales growth, built upon the off-take momentum of *Gold Coin* and *F&N Teapot* brand, led to a 28 per cent increase in Dairies Malaysia earnings. The improved earnings was due to favourable sales mix, effective trade terms management and improved profit margin driven by cost efficiencies from the Pulau Indah plant.

Publishing & Printing

1Q2015 revenue for Publishing & Printing dipped 3 per cent against the same period last year, to $89 million. Education Publishing performance remained strong with growth registered in key markets of Singapore, Hong Kong and the US. Gains from Education Publishing were however negated by dampened demand in Printing.

The decline in Printing negated a fourfold PBIT increase in Publishing. Share of results of associated companies also decreased due to the cessation of the use of equity accounting for one of the associated companies. Consequently, Publishing & Printing ended first quarter with a loss before interest and tax of $1 million, against PBIT of $2 million in corresponding period last year.