

Fraser and Neave continues robust performance with 25% rise in EPS for FY2002

SINGAPORE – 15 November 2002 – Mainboard-listed Fraser and Neave Limited (F&N) announced today that the Group has achieved a “double first” in its financial performance for the full year ended 30 September 2002.

Revenues from the Group’s core businesses crossed the \$3 billion mark for the first time hitting a record high of \$3.5 billion, up 18.4% from \$2.9 billion last year. Correspondingly, operating profit before interest and tax and exceptional items exceeded the half-a-billion dollar mark for the first time at \$500.7 million, an increase of 8.3% over last year.

Dr Michael Fam, Executive Chairman of F&N said, “We are very pleased with our record performance considering the very difficult and uncertain business environment during the financial year. We will continue to work towards achieving our target earnings per share of \$1 by FY2003. With our resilient business model, management capabilities, financial strength and strong portfolio of core businesses, we believe we are on track in achieving this objective.”

Attributable net profit grew 11.3% to \$241.0 million from \$216.5 million previously. Excluding an exceptional gain of \$15.2 million, the Group’s attributable net profit from its operations reached a record high of \$225.9 million, up 12.5% from \$200.7 million the previous year.

Improved performance at the net attributable level was due in part to the 7-month impact of the full consolidation of Centrepont Properties and Times Publishing following their privatization earlier this year.

During the year, as a result of a share buy back, as well as a capital reduction and capital distribution exercise, the Group’s number of ordinary shares outstanding was reduced by 30.3 million shares.

Based on the reduced share capital of 267.0 million outstanding as at 30 September 2002, the earnings per share (before exceptional items) was 84.6 cents, an increase of 25% from 67.8 cents last year.

Net tangible asset per share was also higher at \$10.99 against \$10.32 last year.

The Directors have recommended a final dividend of 20 cents per share after deduction of Singapore tax. Taken with the Group’s interim dividend of 15 cents per share after tax, the Group’s total dividend payout for the year will amount to 35 cents per share after tax, an increase of 17% over the 30 cents per share paid last year, and almost doubled that of the 18 cents per share paid in FY2000.

At the closing share price of \$7.55 on 14 November 2002, this represents a gross dividend yield of 5.9%.

“We remain committed to the value recovery programme which we implemented last year through share buyback and capital reduction exercises. As an additional measure to enhance returns to shareholders, we are also looking to improve our asset productivity by shifting our resources to higher yielding activities,” said Dr Fam.

In line with this commitment, as well as the Group’s emphasis on asset-light and fee-

based businesses, the Group had earlier announced that it will securitise its retail property, Compass Point Shopping Centre, for \$335 million. Compass Point will continue to be managed by the Group following the securitization and marketed under the "Malls of Centrepont" brand name.

Commenting on the contributions by the three core businesses of the Group – Food and Beverages, Properties, and Printing and Publishing, Dr Han Cheng Fong, Managing Director of F&N said, "It is encouraging to note that the Group's growth is broad-based with all three core businesses contributing to its profitability. This attests to the strength and wisdom of our multi-industry business model, as we are able to leverage on the strategic capabilities of the different business units to cross-sell, increase efficiencies and improve economies of scale."

"Much of the credit must go to the respective CEOs and their management teams for overcoming the challenges in a very difficult trading environment. With such a team of talented and motivated managers, I am confident that we will be able to meet the challenges in the coming year," added Dr Han.

Soft Drinks

The soft drinks division saw a 7.5% growth in sales to \$366.5 million from \$341.0 million last year while PBIT grew 19% to \$33.7 million from \$28.3 million last year. The Group was able to leverage on its extensive sales and distribution capabilities to further volume and share in a relatively flat market.

With improving marketing mix; supply chain productivity and efficiency; and cost reduction initiatives, PBIT margin was boosted from 8% to 9%.

Dairies

During the year, the dairies division benefited from better product mix, cost rationalization and lower prices of milk powder, resulting in a 58% rise in PBIT to \$16.2 million from \$10.3 million last year. This was achieved despite maintaining sales at \$347.3 million.

Breweries

Volume improvements in all markets, except for New Zealand and Hainan, China, boosted revenue for the breweries division by 9.7% to \$1.19 billion while PBIT rose 13% to \$137.9 million. Singapore and Indochina achieved strong profit growth due to higher sales and improved product mix in Vietnam. Malaysia benefited from increased sales volume coupled with the write back of provisions that were no longer required, while Papua New Guinea was able to boost PBIT with tight control over operating costs despite a 16% depreciation of the kina. In China, sales continued to grow in Shanghai. However, due to intense competition on Hainan island, sales were affected and margins came under pressure as the Group defended its dominant market position.

Glass containers

Operating at full capacity during the year, the glass containers business maintained sales at \$98.5 million. However PBIT fell marginally to \$14.3 million from \$15.9 million due to soft export prices and pre-operating costs at its 60%-owned factory in Sichuan, China, which is expected to commence production in early 2003.

Development Property

Revenue and profit received a significant boost from the successful launches of three residential projects, namely Cote d'Azur, Lilydale and Rosewood. Lilydale is fully sold while both Cote d'Azur and Rosewood are 94% sold. Achieving record sales of almost

1,800 units during the year, revenue rose by 86% to \$834.7 million while PBIT increased 15% to \$133.7 million. Contribution also came from the completion of five projects - Euphony Gardens, Yishun Sapphire, Yishun Emerald, The Petals and Compass Heights – during the year.

In the United Kingdom, the 15-unit Annandale was sold en-bloc while in Australia, the 46-unit Pavilions in the Bay at Glebe Point was launched for sale.

To continue building up its landbank in Singapore, the Group acquired two leasehold sites at Sophia Road and Choa Chu Kang Street 64; and two freehold sites at Pasir Panjang Road and Jalan Ulu Sembawang.

The Group increased its presence in Shanghai, China by taking a 32% equity interest in a joint venture to develop a residential, commercial cum serviced apartment development in the Luwan District.

In Sydney, Australia, the Group acquired the Regent Theatre site for a residential and commercial development. The Group's largest property investment in Australia to date, the Regent Theatre site is centrally located in Sydney's Central Business District and within walking distance to Darling Harbour, Chinatown and the Pitt Street Pedestrian Mall, the heart of Sydney's shopping precinct.

Investment Property

Continued high occupancy rate of 98% at its investment properties kept rental income stable at \$188.3 million and PBIT at \$117.3 million.

During the year, the Group also completed the two-storey extension to Northpoint Shopping Centre, increasing net lettable area by 500 sq m. This houses six shops and two restaurants.

Fee-based income from its hospitality management services business also improved on the back of the 213-unit serviced apartment complex in Seoul, Korea which opened for business in April 2002. Currently, the apartment complex enjoys a 68% occupancy rate.

The opening of the premier serviced apartment complex in Manila, Philippines in July 2002 also boosted fee-based income. Located in the heart of the Makati Central Business District, the 148-unit serviced apartment complex currently enjoys a 65% occupancy rate.

Printing and Publishing

The printing and publishing business benefited from new businesses acquired - Argyle Times Graphics in Australia, Everbest Printing in Hong Kong, and Vine Graphic in Singapore – with revenue rising 4.4% to \$434.8 million.

However, higher sales in Singapore were partially offset by the declines in Europe and Hong Kong.

The Times the Bookshop retail chain underwent a rebranding and image makeover, including the launch of the 23,000 sq ft flagship store at Centrepoint Shopping Mall.

With continued cost rationalization in the marketing and distribution business which included rationalizing its under-performing bookshop outlets in Singapore and Malaysia, PBIT improved marginally by 3.6% to \$20.9 million.

Outlook for current year

In the current financial year, the soft drinks and dairies operations will continue to benefit from ongoing rationalization and productivity improvement efforts and lower cost of key materials like milk powder. In Malaysia, sales of the food and beverage products are expected to remain relatively resilient despite the slowing economy as these products are staples and widely consumed.

The glass operations should also benefit from a new revenue stream when its new plant in Sichuan commences operations in early 2003.

For the breweries business, investments in new markets should pay off in the current year. Sales and market share in Shanghai are on an upward trend and performance at the Hainan brewery should be maintained, if not bettered.

For property development, continued sales from projects already launched should underpin earnings in the current financial year. In addition, depending on market conditions, the Group has plans to launch two residential projects at Boon Lay and Pasir Ris. In addition, the securitization of Compass Point shopping mall will contribute 17 cents per share to Group profit in the current year.

For investment properties, occupancies and rental income are expected to remain stable although profit contribution could be lower if the government off-budget measures in respect of property tax rebate cease in December 2002 as planned.

In line with its strategy to increase its fee-based income, the Group will be looking to provide hospitality management services at other major gateway cities in Asia-Pacific and Europe.

As a leading English language curriculum publisher, demand for the Group's textbooks and supplementary materials is expected to benefit from increasing awareness of the importance of English as the language of international business. There is strong interest in certain countries to adopt English as a medium for instruction in their schools. For a start, the Group's Printing & Publishing business has successfully exported its materials and has been contracted to publish and supply textbooks for schools overseas.

"While it is difficult to predict our performance in the coming months, due to the global political and economic uncertainties, we believe that the Group is in a very strong position to withstand the downturn. With our proven track record in managing change and developing new growth opportunities for the Group, we are confident that we will continue to deliver long term sustained growth for the Group and increase shareholder value," concluded Dr Fam.