

Fraser and Neave Records Interim Net Profit of \$103.2 Million on Revenue of \$1.58 Billion

SINGAPORE – 17 May 2002 – Mainboard-listed Fraser and Neave Limited (F&N) announced today that group net profit for the 6 months ended 31 March 2002 rose 7.1% to \$103.2 million, and expects performance for the current financial year to be better than the previous year.

The increase in net profit was achieved on the back of a 6.5% increase in revenues to \$1.58 billion from the group's core businesses of Food and Beverages, Properties and Publishing.

In the previous corresponding period, F&N posted net profit of \$96.4 million on sales of \$1.49 billion.

Dr Michael Fam, F&N's Executive Chairman said, "Despite the uncertainties during the period under review as a result of the September 11 tragedy and weakening economic sentiments, we have managed to achieve growth in both sales and profits. This indicates the robustness of our business model and our ability to manage a diversified portfolio of businesses and build each one to become an essential part of the three pillars of growth supporting the Group."

Based on the weighted average issued share capital, earnings per share (before exceptional gains) increased by 10.7% to 34.0 cents from 30.7 cents, while earnings per share (after exceptional gains) rose 8% to 34.9 cents from 32.3 cents previously.

Net tangible asset per share is also higher at \$10.48, from \$10.24 as at 30 September 2001.

Directors have declared an interim dividend of 15 cents per share after deduction of Singapore tax. In the previous corresponding period, an interim dividend of 9 cents per share after tax was paid.

In the last financial year, F&N paid a total dividend of 30 cents per share after tax (41 cents per share before tax). Based on current market price, this represents a gross yield of over 5%.

"Our business model has demonstrated its capability to generate positive cash flows under adverse economic conditions and achieve sustainable growth in earnings and profitability, which are critical factors to enhancing shareholder value. With our business showing strong resilience, we are confident of maintaining the same level of dividend payment as last year, and our target of achieving earnings per share of \$1 by FY2003 is still on track," said Dr Fam.

He added, "Now that our business growth is on track, we are focusing our efforts on the value recovery programme. We remain committed to delivering shareholder value through steady dividend payout, as well as share buyback and capital reduction exercises which we have already started."

Excluding an exceptional gain of \$2.6 million, net profit of ongoing operations rose 10% to \$100.7 million from \$91.5 million.

The net exceptional gain of \$2.6 million was derived from the disposal of a property,

which was partially offset by provisions for the permanent impairment in value of investments and restructuring costs.

Breakdown of Revenues by Business Units

With the exception of dairies and printing & publishing, which recorded flat sales, all the core business activities of soft drinks, breweries, glass products and property achieved higher sales during the period.

Contribution to revenue from the different business units remains relatively unchanged compared to the previous corresponding period, with Food and Beverage accounting for 64%, Property accounting for 22%, and Printing and Publishing the remaining 14%.

Breakdown of PBIT by Business Units

While all the core business activities were profitable, dairies and printing and publishing showed a decline in profit before interest and tax and exceptional items.

Correspondingly, both dairies and printing and publishing showed a decline in their contributions to group PBIT while soft drinks, breweries and properties increased their contributions.

Soft Drinks

The Group's soft drinks operations saw a 7.5% increase in sales to \$192.9 million on volume growth of 2%, while profit before interest and tax rose 19.1% to \$18.8 million. This strong performance and improvement in margins reflected the benefits of ongoing cost rationalization, as well as better product mix and lower material costs. The re-organisation of the marketing, sales and distribution system to strengthen the management of brands within the Group's portfolio, mainly Coke, F&N, Seasons, 100 Plus and Sprite, also helped to boost sales.

Dairies

As for the dairies business, sales remained flat at \$173.4 million while profit before interest and tax declined by 21% to \$4.5 million. Sales in Malaysia were affected by intense discounting from competitors as F&N decided against lowering prices to maintain margins. However, the economic recession affected margins in Singapore and dampened both sales and margins in Thailand.

Breweries

The PBIT of the breweries operations rose 9.9% to \$82.9 million in the first half of the year on the back of a 7.2% increase in revenue to \$598.6 million. Malaysia, Thailand and Vietnam saw improved sales and corresponding higher profits. In Papua New Guinea, higher sales and profit were achieved despite a weaker kina, while New Zealand benefited from a stronger New Zealand dollar. In Singapore, due to higher marketing spending to boost sales and market share in a competitive environment, a lower profit level was recorded. Losses in China have also stabilized.

Glass

Due to improved sales in Vietnam, revenue increased by 8.8% to \$52.9 million over the same period last year, while PBIT rose 4% to \$7.7 million.

Development Property

Development income for the half year under review rose by 16.1% to \$252.3 million with

PBIT increasing by a corresponding 17% to \$51.6 million.

In Singapore, the Group successfully launched two new residential projects, the 318-unit Lilydale and the 437-unit Rosewood, in October 2001 and December 2001 respectively. To date, about 70% of Lilydale and 59% of Rosewood have been sold.

For existing projects, Yishun Emerald and Compass Heights, progressive recognition of revenue and profit continued to contribute to higher revenue and profit. Total units sold during the half year were 655 units compared to 270 units for the same period last year.

During the period, the completed Euphony Gardens and Yishun Sapphire developments also contributed to the improved performance.

In Australia, the Group launched two residential projects – the 46-unit Pavilions on the Bay at Glebe Point, Sydney; and The Habitat at Chandos Street, Sydney, a development of 60 residential and 11 commercial units. To date, more than 60% of Pavilions on the Bay and 50% of The Habitat have been sold.

In the United Kingdom, the Riverside Quarter was launched in March 2002. This residential-cum-commercial development, which is 35.6% owned by the Group, is located at Wandsworth on the south bank of the River Thames.

Investment Property

Rental income increased by 2.3% to \$99.7 million while PBIT increased by 9% to \$64 million, as the Group's investment properties continued to enjoy high occupancy rate of 98%. The improved profit was also due to improvement in rentals upon renewal of leases and the reduction in property tax expense from the government's off-budget measures.

Compass Point, the Group's newest shopping centre at Sengkang, is expected to obtain its TOP and commence operations before September this year.

For the hospitality business, the 25%-owned Fraser Suites Serviced Residences in Seoul, Korea opened for business in April 2002.

Printing and Publishing

Although sales revenue was maintained at \$213.4 million, PBIT for this business declined by 55.4% to \$9.1 million due to lower profit from the publishing division which last year had benefited from release of VAT provisions. The economic recession affected the commercial printing operations as advertisers withheld spending resulting in reduced print pages. The business was also affected by start-up costs in new overseas operations and overcapacity in the UK printing sector.

Prospects

On prospects, F&N is confident that barring unforeseen circumstances, attributable net profit before exceptional items for the current financial year will be better than that achieved in the previous year.

The Food and Beverage business consisting of soft drinks, dairies and breweries is expected to show improved performance for the full year as compared against the previous year.

Reflecting the full ownership of Centrepont Properties with effect from March this year,

the Properties division should see improved performance in the second half compared to the first half. For development properties, the Group expects to launch two residential projects, Marine Parade and Boon Lay before September 2002, and expects further sales from the remaining 1,075 units of its existing projects. Both profit from development properties and rental income from investment properties are expected to be maintained in the second half.

For Printing and Publishing, profit before interest and tax excluding exceptional items for the second half year will not be less than in the first half. However, results for the full year are projected to be lower than the previous year.

“By leveraging on our strong balance sheet, we will continue to build on our core businesses, assets, competencies, capabilities, network and geographic presence to establish a portfolio of promising businesses that will broaden our earnings base, moderate earnings volatility and sustain our growth momentum,” said Dr Fam.

Management Succession

F&N takes this opportunity to announce the retirement of Messrs Tan Yam Pin and I A MacLean from the Board and their executive positions at the end of the current financial year ending 30 September 2002, in accordance with their personal plans.

“On behalf of the Board and everyone at F&N, I would like to express my deepest gratitude and appreciation to these two gentlemen for their years of service and invaluable contribution in driving the Group’s development and growth. Their dedication and commitment have helped to build F&N to become the dynamic organization that it is today. We wish them the best. I am confident that the new and promising team of younger managers will be able to build on the good work that has been done to propel F&N to a new phase of growth and achieve its vision to be a world-class multinational consumer group,” said Dr Fam.