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Fraser and Neave exceeds EPS target of \$1.00 for FY2003

- *EPS (before exceptional items) rises 29% to \$1.03 as attributable net profit (before exceptional items) reaches a record high of \$273 million*
- *Proposes 43% increase in dividend to 50 cents per share*

SINGAPORE – 14 November 2003 – Mainboard-listed Fraser and Neave Limited (F&N) announced today that the Group has achieved a 29% increase in earnings per share (EPS) to \$1.03 for the financial year ended 30 September 2003.

This exceeds the Group's target EPS of \$1.00 by FY2003 – a goal set by the Management in 1999.

“When we set this EPS target in December 1999, the regional economies were still reeling from the effects of the Asian financial crisis, and the attainment of this target by FY2003 was questioned by many. In addition, over the last three years, we were hit by external events that had caused a weakening of the economic landscape – September 11 attacks on the US, and more recently, the Iraq war and SARS. In spite of all that has happened, exceeding our target attests to the soundness of our business strategies to build a balanced portfolio of businesses in diversified geographical markets,” said Dr Michael Fam, Executive Chairman of F&N.

For FY2003, attributable net profit before exceptional items rose 21% to a record high of \$273.0 million, while revenue rose 4.5% \$3.64 billion.

This strong performance was achieved on the back of broad-based growth in all its core business units and the securitisation of Compass Point shopping centre.

Including an exceptional gain of \$60.0 million, the Group's attributable net profit amounted to \$333 million. The exceptional gain comprises profit on disposal of OCBC shares and some properties which was offset to a certain extent by losses incurred mainly from the disposal of the investment in the KL Sentral project.

During the year, the Group implemented a capital reduction exercise which saw the issued share capital reduced by 14.03%, or 37.6 million shares to 230.5 million shares.

Net asset value per share was also higher at \$12.32 against \$11.18 last year.

Directors have recommended a final dividend of 30 cents per share after deduction of Singapore tax. Taken with the Group's interim dividend of 15 cents and special dividend of 5 cents per share after tax, the Group's total dividend payout for the year will amount to 50 cents per share after tax, an increase of 42.9% over the 35 cents per share paid last year.

Review of Operations

At the operating level, the Group's business activities saw profit before interest and tax rising by 17% to \$587.3 million compared with \$500.7 million the previous year, reflecting an improvement in trading margin to 14.5% from 13.1%. This was a result of improved profitability from the soft drinks; dairies; breweries; printing and publishing; and property development businesses.

Soft Drinks

Boosted mainly by higher volumes, and better margins due to product mix, the soft drinks division achieved growth in revenue of 7.2% to \$393.0 million and 17.2% in PBIT to \$39.5 million. Strong growth in volume was recorded for the F&N brands, 100PLUS and SEASONS in Malaysia. Together with the Coca Cola brand, the Group continued to maintain market leadership in the carbonated soft drinks market in Malaysia, with a market share of 63%.

Dairies

Sales of dairy products were boosted by the new dairy processing plant in Vietnam and a strong performance in Singapore which helped to offset a decline in sales in Malaysia. As a result, revenue remained flat at \$344.3 million. In Malaysia, sales were affected by intense competition and the discontinuation of contract packaging arrangements for a customer. In Vietnam, the plant which commenced operations in November 2002, doubled production of Daisy sterilised milk within six months due to strong demand, and launched the sale of Daisy UHT milk in July 2003.

PBIT rose 22.2% to \$19.2 million, as costs were lowered due to more favorable raw material prices, strengthened distribution and costs control.

Breweries

The breweries division enjoyed a strong performance in the second half despite the slowdown in economic conditions and the impact of SARS. Continued growth in all markets saw revenue rising by 13.2% to \$1.3 billion while PBIT rose 28.6% to \$177.4 million.

The New Zealand beer market experienced volume growth after being stagnant for nearly a decade. Growth in the premium segment and improvement in operations combined with a strong New Zealand exchange rate produced a sterling performance. Vietnam registered strong double-digit growth underpinned by robust economic growth.

In Thailand, the beer market rebounded from a relatively flat year with a 20% volume growth, while Papua New Guinea was able to boost earnings through better cost management.

In China, losses are under control but increased slightly due to the sudden withdrawal of VAT benefits in January 2003.

The new Hatay Brewery commenced production as planned in October 2003, while the doubling of capacity in Thailand will be completed by end 2003. There are also plans for the production of Heineken beer in Shanghai.

Glass Containers

The glass containers business grew 16.6% to \$114.8 million with a new stream of revenue from the plant in China, which only commenced full operations in August 2003 due to delays arising from the SARS outbreak. PBIT was maintained at \$14.2 million, despite higher fuel oil prices and lower export prices as a result of stiff competition.

Investment Properties

The Group's retail malls continued to enjoy high occupancy rate of 98%, while renewal rental rates at office and industrial buildings were lower due to prevailing market conditions. This resulted in revenue from investment properties declining by a marginal 2% to \$183.9 million. Coupled with higher operating costs, PBIT dropped 6% to \$110.3 million.

In Sydney, Australia, the Group's commercial property, Bridgepoint North, continued to see rising customer traffic, with occupancy maintaining at a consistent 97%.

Fee-based income from its hospitality management services business was also strengthened on the back of strong occupancy rates in all its seven locations. The average occupancy rates remained strong despite the travel curbs during the SARS scare.

Development Properties

Revenue from Development Properties declined by 11% to \$746.2 million as only one project, Lakeholmz at Boon Lay, was launched during the year. However PBIT grew 9% to \$145.5 million on the back of a significant contribution from the securitisation of Compass Point in Sengkang.

Sales at its development projects remained slow. Both Cote d'Azur and Rosewood have only a handful of units remaining, while nearly 30% of the units at Lakeholmz have been sold. During the year, the Group sold close to 600 units in Singapore.

In the United Kingdom, sales of the residential units at Riverside Quarter have been progressing well. In Australia, the 60-unit Habitat is now 70% sold and the project is on schedule to complete by the end of this year, while the 46-unit Pavilions on the Bay development at Glebe Point was completed in March 2003 with only one unit remaining unsold.

In Shanghai, China, construction has already commenced on the Jing An Four Seasons project, while the Jin Lin Tian Di project in Luwan District has been launched.

Printing and Publishing

The business achieved an overall increase of 10% in revenue to \$479.7 million. In addition, through successful measures to reduce overheads, PBIT rose 51% to \$26.9 million.

Both the printing and publishing businesses performed well, with the printing business benefiting from the new facility acquired in China and the increase in capacity in Australia. The publishing business also showed a healthy increase due to greater activity across curriculum, partworks and general and reference titles.

The retail and distribution business was adversely affected by weak consumer sentiments in Singapore and a consolidation of the market in Japan.

Outlook for current year

In the current financial year, the soft drinks and dairies operations will continue to benefit from improving consumer sentiment in Malaysia. Operating performance is expected to improve as the economy in Malaysia has been projected to continue growing at around 6% in 2004.

The glass containers business should also realise the full year impact of the contribution from its new plant in Sichuan.

For the breweries business, the positive economic outlook for the region is expected to have a positive impact on the attributable net profit before exceptional items which should be higher in the new financial year. In addition, the Hatay Brewery is expected to make a maiden contribution.

For property development, continued sales from projects already launched and progressive recognition of profits from units already sold should underpin earnings in the new financial year. The Group plans to launch four new residential projects in Singapore if conditions remain satisfactory. Further profits would be expected from the disposal of junior bonds held in the special purpose company holding Compass Point.

A maiden contribution is expected from the project in Luwan District, Shanghai with the launch of the first phase of the residential units.

Profits from investment properties are expected to decline due to the full year impact of lower rental renewals rates of office and industrial buildings. This will be mitigated somewhat by the high level of occupancy and rental rates at the Malls of Centrepoint.

Overall, profits from both property development and investment properties should be maintained.

For the printing and publishing business, sales and profit are expected to improve further in the new financial year with planned expansion in its publishing programme, increased printing capacity from past investments and a stabilisation of the retail and distribution business following the rationalisation and restructuring efforts.

“As we celebrate our 120th year of founding this year, we will not lose sight of our vision to be a world-class multinational enterprise. Guided by our values of diligence, prudence, innovation, teamwork and professionalism, we are confident that F&N will continue to prosper and grow. At the same time, we will continue to uphold our solid reputation for integrity, competence and commitment to shareholders’ interest which have been the cornerstone for the Group’s enduring success,” said Dr Fam.

“In the coming year, the Group will continue to leverage on its achievements so far to generate further growth for the company. Barring any unforeseen circumstances, we expect group EPS before exceptional items to improve further in this new year.’

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