



**FRASER AND NEAVE LIMITED**

## **Fraser and Neave records 17% rise in Q2 EPS to 21.1 cents**

- *Six-month EPS improves 2% to 53.7 cents*
- *Directors declare interim net dividend of 20 cents per share*

**SINGAPORE – 14 May 2004** – Reflecting the success of its ongoing capital management initiatives, mainboard-listed Fraser and Neave Limited (F&N) today reported a 17% increase in earnings per share (before exceptional items) to 21.1 cents for the second quarter ended 31 March 2004.

Directors have declared an interim net dividend of 20 cents per share which will be paid to shareholders on 17 June 2004.

Group revenue for the quarter declined 6% to \$783 million compared with \$832.5 million in the corresponding quarter last year, mainly due to lower Development Property revenue, which fell by 42% or \$50 million.

Group PBIT for the quarter was 7% lower at \$121 million while attributable profit before exceptional items increased by 1% to \$49 million.

Based on the latest Q2 results, Group revenue for the half year to date fell 9% to \$1.7 billion, largely due to the absence of last year's Compass Point securitisation. Revenue for the other businesses were maintained, with the bright spark being in Food & Beverage which continued to grow strongly recording a 12% increase in sales. While attributable profit before exceptional items declined 12% to \$124 million, EPS improved 2% to 53.7 cents.

As at 31 March 2004, net asset value per share rose to \$12.40 from \$12.32 as at 30 September 2003.

Dr Michael Fam, Executive Chairman of F&N said, “Despite the challenges to our businesses, we are confident we can continue to build on the significant growth achieved in the past year and maintain our profitability for the second half. EPS for the full year, resulting from the full year impact of a 13% reduction in weighted average share capital, will show an improvement over the previous year.”

He added, “We are optimistic that our robust business model, based on three core businesses – Food & Beverage, Properties and Printing & Publishing – with a wide geographical spread of markets, can continue to produce satisfactory returns to shareholders.”

### **Review of Operations for Q2**

While trading profit for the quarter declined to \$106.6 million from \$116.6 million last year, PBIT margins for Q1 and Q2 were maintained at 15.5%.

#### ***Soft Drinks***

At the soft drinks division, sales grew 5% to \$104 million while PBIT grew 24% to \$12.9 million. The Group was able to leverage on its market dominance and product innovations to generate higher sales volumes and favourable margins from better mix of brands and packs. PBIT margin increased to 12.4% from 10.4%.

#### ***Dairies***

The dairies division posted a 12% increase in revenue to \$88.6 million but PBIT fell 47% to \$2.3 million due to the impact of higher raw material prices, intense competition in Malaysia as well as start-up losses incurred by the Greenfield dairy plant in Vietnam.

### ***Breweries***

The breweries division continues to show resilience under different conditions in the various markets. Sales for the quarter were down 3% to \$331.5 million and PBIT declined by 6% to \$55 million owing to Chinese New Year and Tet festivities in Singapore, Malaysia, China and Vietnam falling earlier as compared to the previous year. However, revenue and PBIT for the year to date were 14% and 21% higher at \$782 million and \$120 million respectively due to continued improvement in brewery operations.

In Singapore, effective cost control measures have improved PBIT while the strong PNG Kina and NZ\$ have enhanced results from these two markets. Overall losses in China have stabilised while Thai results have been adversely impacted by higher depreciation charge from the brewery expansion.

In Vietnam, sales took a breather after an exuberant first quarter arising from Tet and high demand prior to the introduction of VAT in January this year.

### ***Glass Containers***

Revenue from the glass container business declined 5% to \$26.7 million resulting from the scheduled closure of one furnace in Malaysia. The challenging business environment in Sichuan and higher production costs continue to adversely impact PBIT which declined by 57% to \$1.4 million for the quarter.

### ***Development Property***

In line with the weak residential property market in Singapore, revenue from development property showed a sharp 42% decline to \$69 million. Notwithstanding the decline in revenue, PBIT for the quarter increased by 10% to \$11.3 million, due to higher profit contribution from overseas projects in the quarter and higher construction cost provisions in the same period last year.

Among Singapore projects, over 40% of the 369-unit Lakeholmz project has been sold while more than a quarter of The Quintet, a 459-unit executive condominium development has been taken up.

In the United Kingdom, phase 1 of Wandsworth Riverside Quarter, a 116-unit development is nearing completion, with 66 units sold. In the meantime, work has just commenced at a 64-apartment residence at the prime London locality of Vincent Square/Rochester Row.

In Australia, the 46-units Pavilions on the Bay has been completed and successfully handed over to buyers while The Habitat is nearing completion, with 70% already sold. Meanwhile, at the Regent Theatre site, all the necessary approvals have been obtained and work is expected to commence this month.

In China, all the 88 residential units have been sold at the recently-launched Jin Lin Tian Di project in Luwan District, while construction at the Jing An Four Seasons is making good progress, with the project expected to be launched in 2005.

### ***Investment Property***

Despite the soft market for office space and industrial leases, rental income slipped a marginal 2% to \$45.8 million. The negative market factors were mitigated by initiatives taken by management to reduce operating costs and PBIT was maintained at \$29 million.

### ***Printing and Publishing***

Revenue for printing and publishing was maintained at \$110.8 million but PBIT for the quarter declined by \$2 million to \$1.6 million due to lower publishing sales and reduced margins from the printing operations.

### **Outlook**

Taken as a group, the **soft drinks, dairies and glass containers** businesses are expected to perform better than the previous year as economic conditions and consumer sentiment remain favourable.

**Breweries** – With the acquisition of a 21% equity interest in Guangdong Brewery, the China losses under control and the local production of Heineken beer in China which started in April this year, the outlook for brewery operations in China is positive. Together with positive economic outlook for the region, attributable profit before exceptional items for the financial year as a whole is expected to be higher than last year.

**Properties** - There are some signs of pick up in residential property sales in Singapore following the recent slump in the lower end 99-leasehold properties due to the economic downturn, a shakeout in the HDB market and reduction in CPF contributions. The Group is optimistic that with the strengthening of the economy, take-up rates for properties will recover. As such it has added to its landbank with the recent acquisitions of sites such as Hindhede, Woodsville Court and Faber Hills in Singapore, and the Songjiang site in Shanghai, China.

Rental and occupancy at Malls of Centrepoint are expected to be maintained. Together with contributions from overseas projects in the PRC and the UK, it is expected that earnings for the full year are likely to match those of the previous year. There is also the possibility of further reduction of the Group's interest in Compass Point to realise profit.

**Printing and Publishing** - Sales and profits are expected to improve further in the second half year with the expansion of publishing programme, increased printing capacity and stabilisation of the retail and distribution segment.

###

**For clarification and further enquiries, please contact:**

Mr Hui Choon Kit  
General Manager (Special Projects & Corporate Communications)  
DID: 63189263  
Email: huick@fngroup.com.sg

Mr Alan Lee  
**August Consulting**  
DID: 67338873  
Email: alanlee@august.com.sg