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## FRASER AND NEAVE, LIMITED

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

### FOR IMMEDIATE RELEASE

## Fraser and Neave achieves 15% increase in FY06 PBIT to \$603.6m on revenue of \$3.8b

- *Another year of record profits despite rising cost impact*
- *Earnings growth momentum sustained through business expansion, focus on brands and geographical diversification*
- *Directors recommend final dividend of 8 cents net per share, bringing total for the year to 12 cents net*

Financial Highlights (S\$m)	30 Sep 2006	30 Sep 2005 (Restated)	% Change
Revenue	3,795.6	3,488.0	+8.8%
Trading Profit	563.2	471.0	+19.6%
Profit before Interest and taxation	603.6	524.6	+15.1%
Attributable Profit			
▪ Before exceptional items	295.4	271.0	+9.0%
▪ After exceptional items	319.5	295.7	+8.1%
Earnings Per Share (basic)			
▪ Before exceptional items	25.3c	23.3c	+8.6%
▪ After exceptional items	27.3c	25.4c	+7.5%
Net Asset Value ("NAV") per share	\$3.07	\$2.65	+15.8%

SINGAPORE – 10 November 2006 – Mainboard-listed Fraser and Neave, Limited (F&N) has reported another year of record sales and profits for FY2006.

Group revenue for the year ended 30 September 2006 increased by 8.8% to a record \$3.8 billion while group profit before interest and tax (PBIT) rose sharply by 15.1% to \$603.6 million.

At the attributable level (before exceptional items), profit was up 9% to \$295.4 million, translating into an earnings per share (EPS) of 25.3 cents.

Directors have recommended a final net dividend of 8 cents per share which, together with interim dividend of 4 cents, brings total net dividend for the year to 12 cents per share (for comparison, had the shares not been subdivided into 5 shares, the net dividend per share would have been 60 cents, this is 9% higher than the 55 cents paid last year). This final dividend, if approved by shareholders, will be paid on 14 February 2007. With the payment of this final dividend, the Company will have fully utilised the section 44 tax credits.

As at 30 September 2006, net asset value per share rose 15.8% to \$3.07 from \$2.65 as at 30 September 2005.

Commenting on FY2006 results, Dr Han Cheng Fong, Group CEO of F&N said, "Despite significant rising cost impact, we have been able to achieve another year of record profits. This shows the resilience of our businesses."

"We were able to sustain this growth momentum through business expansion, focus on brands, and geographical diversification."

As in the last year, Properties and Breweries are again the two star performers. Indeed, Properties PBIT grew by 31%, while Breweries PBIT grew by 17%.

“We had a very busy year on the property front both in Singapore and overseas. In Singapore, we launched a total of 6 new residential development projects” says Dr Han. “We were also actively replenishing our land bank, acquiring 5 new sites in various parts of Singapore with a total GFA of 238,000 sm”

“Overseas, in the UK, Australia, New Zealand, China and Thailand, sales of our residential projects are progressing as planned,” says Dr Han.

“We are also particularly pleased with the performance of our Breweries division which has grown from 24 to 29 operational breweries this year which also marks our entry into the important Indian sub-continent market,” notes Dr Han. “In China, our Hainan brewery is profitable, while the one in Shanghai is turning around. Our investments in Kingway Brewery and Jiangsu Dafuhao continue to perform well. Overall our brewery investments in China are profitable.”

However, there is one weak spot within the Group and that is Publishing and Printing, due to the weak performance of its International Printing Group.

“We have taken steps to reverse the decline and stabilize this Division’s performance. As a first step, a new CEO with a proven track record in

business recovery and substantial experience in the fast moving consumer goods and manufacturing sectors has been appointed to take charge of the recovery process. We plan to consolidate its operations and focus on growing its earnings back to where it was before as a first step.”

#### Review of Operations for FY2006

Trading profit for the year rose nearly 20% to \$563.2 million, resulting in an improvement in margins to 14.8%.

#### Soft Drinks

At the Soft Drinks division, sales decreased 5% over last year due to weak consumer sentiment in Malaysia, arising from higher fuel costs and resultant higher cost of living. Although selling prices were raised in the second half of last year, this could not fully offset the higher distribution and packaging costs. PBIT as a result fell 14%.

#### Dairies

Revenue from Dairies grew marginally by 2%. In Singapore, despite a 3% increase in sales, PBIT fell 3% due to higher raw material and marketing costs. In Malaysia, revenue and PBIT grew 1% and 6% respectively due to price increase and higher export sales of canned milk. Despite higher sales in Thailand, PBIT was 59% lower due to a disruption to operations from a collapsed roof, and higher costs, mainly in raw materials, distribution and utilities.

After the close of the financial year, the Group announced a transaction to acquire Nestle's liquid milk products business in Malaysia, Thailand, Singapore and Brunei. This will enable the Group to double the size of its dairy business with significant opportunities to extract operational synergies and provides a platform for future growth.

### Glass Containers

All operating units except KL Glass at Glass Containers performed well, registering revenue and PBIT growth of 11% and 79% respectively. At KL Glass conversion to natural gas during the first quarter and aging machineries interrupted production. The Sichuan glass plant has started registering a profit due to better marketing of its products.

### Breweries

Breweries continued with its regional expansion during the year and now has 29 operational breweries compared to 24 breweries previously. Revenue and PBIT grew 7% and 17% respectively. A one-off cancellation of prior years' royalty fee, following agreement reached on royalty rates in Vietnam, also boosted PBIT.

In Singapore, PBIT was maintained as sales growth, mainly from exports and contract brew, was offset by higher marketing costs. In Malaysia, PBIT declined 5% due to lower sales and higher marketing costs. PBIT in Papua New Guinea however grew strongly by 28% on the back of volume growth and price increase.

In New Zealand, a 2% decline in sales volume, combined with aggressive price competition and a weaker NZ dollar led to a drop of 10% in PBIT. Sales in Indochina however, grew robustly and PBIT rose 6%.

In China, sales registered a strong 30% growth resulting in a positive PBIT for the year as against a loss a year ago. In Thailand, PBIT declined by 48% due to higher expenses to build the *Cheers* brand. Elsewhere, gestation losses were incurred as a result of entry into the new markets of Sri Lanka, Mongolia and India. This is an integral part of investing for the future.

#### Printing and Publishing

Sales revenue increased by 2% over that of last year as a result of recently acquired businesses. PBIT however fell 37%. In Publishing, PBIT was maintained as profit contribution from new businesses (Panpac Education and ETL Group) were offset by lower carry over sales of partworks in the UK. In Printing, PBIT was significantly lower as a result of higher material and production costs and the adverse impact of poor sales mix in Australia.

#### Development Property

This again is the star performer of the year. Revenue surged 22% over last year from improved sales of completed units, inventories and progressive revenue recognition from projects under construction as well as contribution of overseas projects. PBIT was up sharply by 44%.

In Singapore, the number of residential units sold was about that of last year. Fraser Centrepoint Limited (FCL) launched six new residential development

projects during the year, while acquiring five new sites in Singapore to replenish its development land bank.

In the UK, Australia, New Zealand, China and Thailand, sales and construction of residential projects are progressing as planned. China contributed a healthy PBIT of \$46 million following the successful launch of phase 2 of Jingan Four Seasons in Shanghai. During the year, the Group also acquired four adjoining parcels of land in Perth and three properties in Sydney.

#### Investment Property

Revenue increased by 15% over last year on improved rentals for the retail malls and better rates for serviced residences, higher occupancy for office and industrial properties, additional income from the acquisition of space from Cold Storage in basement 1 of Northpoint, and higher rental income from the business parks in Shenzhen and Beijing. PBIT rose 13% as a result.

The Group's retail malls maintained higher occupancies throughout the year, with an average of close to 100% while overall average rentals also improved.

During the year, the Group reached a milestone in implementing its asset light strategy when Frasers Centrepoint Trust (FCT), a real estate investment trust (REIT) was launched on the Singapore Exchange. FCT which comprises Causeway Point, Northpoint and Anchorpoint will be the vehicle through which the Group will participate in Retail Mall investments in future.

In its maiden report, FCT's distribution income exceeded forecast by 7.2%. Going forward, FCT expects to reap benefits from its asset enhancement programs with the first initiative for Anchorpoint commencing in 2007. Furthermore, the Group intends to double FCT's assets under management within three years.

Occupancy at the office and industrial properties improved over last year but the average rental rate was marginally lower reflecting the weaker office rental market conditions then prevailing.

On the new development front, FCL has acquired a piece of State land to build an extension to Northpoint and this is expected to be completed by the last quarter of 2008. In China, FCL is developing a new shopping centre along Xin Jie Kou Road within Beijing's 2<sup>nd</sup> Ring Road, which is also expected to be completed in 2008.

In the Hospitality business, three properties under management in Seoul, Shenzhen and Bangkok commenced operations, and the luxury Fraser Suites Sydney will open its doors to guests this month. Business development activity soared with six new management contracts being signed for serviced residences in Kuwait, Nanjing, Tokyo, Shanghai and two in Bangkok. With the progressive opening of new properties in the current year, the number of units under management is expected to rise to about 2,800 by September 2007, and contracts have been signed for Frasers Hospitality to add another 2,000 units to its portfolio.

Moving forward, Dr Han says the Group is positive on the outlook for the next 12 months, with underlying profit expected to further improve in FY2007. “Besides the generally strong economic climate for the economies in the region, this optimism is underpinned by the locked-in revenue for properties under development, as well as the robust recovery of the Singapore property sector,” he concluded.

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