Message from Chairman

Mr Lee Hsien Yang
Chairman

Group Attributable Profit before fair value adjustments on Investment Properties and exceptional items rose 25%, to S$466.5 million. This is our highest profit on record.

Overview

The year under review began on a grim note. The collapse of Lehman Brothers in September 2008 threatened the global financial system. No economy was spared. In all our markets, the turbulence led to more cautious consumer spending and a tightening of credit. Global equity markets, a barometer of sentiment, hit a low point in March 2009 when we closed our Half Year.

Thankfully, trading conditions improved over the course of our Second Half due to massive stimulus packages implemented by Governments. By the end of our Financial Year on 30 September 2009, there were growing signs of global economic stabilisation.

Against this challenging backdrop, the Group's businesses turned in a scorecard of mixed results. The Business Review section of this Annual Report contains our CEOs' reports on the performance of our Food & Beverage ("F&B"), Properties and Publishing & Printing businesses, and strategies in place to position these businesses for long-term sustainable profit growth.

I am pleased to report that, overall, the Group fared well. Group revenue was 7% higher, buoyed by robust progressive recognition of residential property sales and steady growth in contributions from our Investment Properties and F&B businesses. Group Attributable Profit before fair value adjustments on Investment Properties and exceptional items rose 25%, to S$466.5 million. This is our highest profit on record.

The turmoil has taken its toll on asset values around the world. At the end of FY 2009, the Group recorded a fair value loss of S$113.5 million on Investment Properties held by its subsidiaries (S$66.5 million) and associated companies (S$47.0 million). This is a significant reversal over FY 2008, which had recorded a fair value gain of S$44.2 million from subsidiaries (S$37.0 million) and associated companies (S$7.2 million).

Exceptional gains in FY 2009 were at S$6.6 million, compared to S$19.7 million in FY 2008. The exceptional gains in FY 2009 comprised mainly profits from the sale of businesses, which were no longer of strategic interest to the Group. These gains were partially offset by restructuring and closure costs, as we sharpened our focus, reconfigured our operations and reallocated resources to adapt to the new competitive landscape.

Consequently, Group Attributable Profit after fair value adjustments and exceptional items contracted by about 18%, to S$359.5 million.

Message from Chairman

Our balance sheet was further strengthened. Net Asset Value at end FY 2009 was at S$4.01 per share, an increase of about 6% over last year. Gearing fell to 55% from 69% at the end of FY 2008. Net group borrowings declined 17% to S$3.7 billion due to strong cash flows from progress payments for residential properties sold by Frasers Centrepoint Limited ("FCL") and proceeds from the divestments of its Hainan resort site and *Inpoint*, a small mall in Shanghai, which we had developed as part of our *Jingan Four Seasons* residential development.

Interest coverage ratio improved to 12.2 times, from 11.9 times in FY 2008. The Group's total debt of S$5.3 billion includes term loans of S$3.4 billion with an average debt maturity of 3 years. This is an extension of the average debt maturity of 2.75 years for term loans of S$3.2 billion at the end of FY 2008 when total debt was at S$5.4 billion. At the end of FY 2009, the Group had a cash balance of S$1.6 billion (up from S$1.0 billion a year ago). Our return on equity improved to 8.6% (from 7.1%).

Group revenue grew 7% to reach an all-time high of

S$5.3bil

Dividends

In view of our creditable results, the Board recommends a final dividend of 10.5 cents per share. Taken together with an interim dividend of 3.0 cents per share, this will maintain dividend at last year's level of 13.5 cents per share. If approved by shareholders at the Annual General Meeting on 28 January 2010, this final dividend will be paid on 12 February 2010.

In the interest of prudence, this year's proposed dividend of 13.5 cents represents a payout of 40%, and is in line with our stated policy of paying up to 50% of the Group's Attributable Profit before fair value adjustments and exceptional items.

Corporate Developments

During the year, the Company was able to leverage on its financial standing when it successfully negotiated a refinancing and recapitalisation of Frasers Commercial Trust ("FCOT"), formerly known as Allco Commercial Real Estate Investment Trust. As part of the recapitalisation process, FCL injected Alexandra Technopark, its high-tech business space development, into FCOT to strengthen the latter's income base and balance sheet. At the end of September 2009, the Group had a 22.5% stake in FCOT.

FCOT and Frasers Centrepoint Trust ("FCT") are important platforms for the Group's asset-light strategy for its Properties business.

In FY 2009, FCL completed the development of two suburban malls in Singapore. Northpoint Extension and YewTee Point are enjoying full occupancy and brisk business. These two malls form part of the pipeline to FCT under a right of first refusal in furtherance of the Group's integrated real estate business model.

During the year, we re-constituted our F&B Board Committee to improve oversight of the Group's F&B strategy and plans for our non-beer F&B business. A significant development was the Company's decision to negotiate an amicable parting of ways with The Coca-Cola Company after a 73-year relationship. In June 2009, we announced that agreement had been reached on new transition arrangements that will take effect after current bottling arrangements in Malaysia, Singapore and Brunei expire on 26 January 2010. These transition arrangements are mutually beneficial and will continue until 30 September 2011. Thereafter, the Group will be free to pursue its strategic ambitions. Our F&B organisation has been geared up to prepare for the launch of new products and expansion into new markets. Our house brand, *100PLUS*, currently the best selling soft drinks brand in Malaysia, will spearhead our export drive and entry into new markets.

The Board had initiated a review of the strategic options for the Group's Publishing & Printing business in June 2008. A sale process was initiated based on indications of interest from investors. Due to the rapid deterioration in market conditions and difficulties encountered by potential buyers in securing financing, the Board subsequently decided not to proceed with the sale. Restructuring efforts within Times Publishing Limited ("TPL") continued in FY 2009 to improve the profitability of this business. Going forward, the Board remains open to the strategic options for this business, including a sale of this business in part or in whole, a restructuring of the business or combinations thereof.

FY 2009 was the last year of operation of the F&N Executive Share Option Scheme ("ESOS"). At an Extraordinary General Meeting held on 22 January 2009, shareholders approved a Restricted Share Plan and a Performance Share Plan to replace the F&N ESOS. These long-term incentive plans provide for greater alignment of interests between management and shareholders to ensure the pursuit of sustainable, long-term shareholder value creation.

On 7 December 2009, after the close of FY 2009, the Company announced that it entered into a supplemental agreement with Heineken to facilitate the acquisitions by Asia Pacific Breweries Limited ("APB") of Heineken's 68.5% interest in PT Multi Bintang Indonesia and 87.3% interest in Grande Brasserie de Nouvelle Caledonie S.A, and APB's sale of its wholly-owned Indian operations to Heineken. These transactions are subject to the approvals of relevant authorities and APB's shareholders at an Extraordinary General Meeting targeted to be held in late January 2010. Upon completion of these transactions, the Company and Heineken have agreed to make the necessary amendments to their 1986 joint venture agreement, pursuant to which they established Asia Pacific Investment Pte Ltd to consolidate and co-ordinate the management of the APB Group.

Outlook

Economic recovery is being forecasted in the markets that we operate in. Having invested steadfastly in our human resource, brands and production and sales infrastructure, we are poised to take full advantage of an eventual return to steady economic growth in these markets. Meanwhile, economic conditions are fragile. We will continue to be alert to risks that still remain.

Acknowledgements

Operating conditions have been extraordinarily difficult since the outbreak of the US sub-prime mortgage crisis in August 2007. The corporate governance structure and processes that we introduced in FY 2008 have served us well through this prolonged crisis. At the helm of our F&B, Properties and Publishing & Printing businesses, we have in place strong and effective leadership. On behalf of the Company, I would like to thank management and staff for their dedication, hard work and personal sacrifice in yet another particularly difficult year. I am also grateful for the unstinting support and wise counsel from my colleagues on the Board. Last but not least, I would like to thank all our shareholders, customers and business partners for your support.

Mr Lee Hsien Yang
Chairman
04 January 2010