

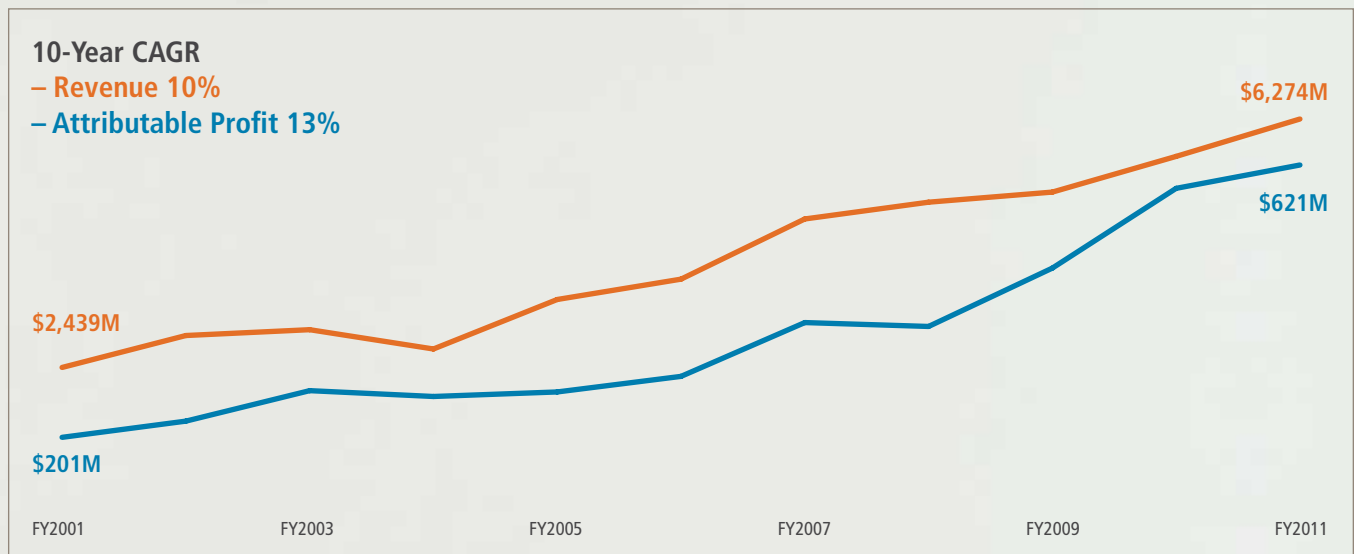
MESSAGE FROM THE CHAIRMAN



“The strength of our organisational resources – our people, brands and balance sheet – has enabled the Group to register steady profit growth despite the turbulence over the past decade.”

Mr Lee Hsien Yang
Chairman

STR3NGTH in leadership



Overview

The remarkably strong economic recovery that Singapore and the region experienced in 2010 has slowed down markedly. There are now considerable risks to the global economy emanating from the unfolding financial crisis in the Euro zone. The Board of Fraser and Neave, Limited ("F&NL") will continue to closely monitor the Group's strategies to seek to strike a balance of risks and rewards in our efforts to build sustainable long-term growth in profits.

Over the past decade, the events that have caused a sudden deterioration in consumer confidence include the 9-11 tragedy (September 2001), the SARS outbreak (March 2003), the US sub-prime crisis (August 2007) and the collapse of Lehman (September 2008). Sharp volatility in trading conditions is now the norm. Risk awareness has become an important part of our organisational culture. The recent severe flooding that took place in Thailand has heightened our awareness of the importance of risk management. Page 76 of this Annual Report explains our risk management process that is embedded within the Group.

The F&N Group has learnt to operate successfully in the face of challenges. The strength of our organisational resources - our people, brands and balance sheet - has enabled the Group to register steady profit growth despite the turbulence over the past decade.

From FY2001 to FY2011, the Group's revenue and attributable profit before exceptional items grew at compound annual growth rates of 10% and 12% respectively, reflecting the strong fundamentals and resilience of our core businesses and key markets.

Achievements in FY2011

In the year under review, I am pleased to report that the Group achieved improvements in all key financial measures even though FY2010 was itself a record year and hard to beat.

- Group Revenue in FY2011 rose by 10% to \$6,274 million. Revenue growth was spurred on by our Soft Drinks, Beer and Development Property businesses, which registered gains of between 13% and 15%.

MESSAGE FROM THE CHAIRMAN

GROUP REVENUE ROSE BY 10% TO

\$6,274M

- Group Profit before Interest and Taxation, fair value adjustment of investment properties and exceptional items ("PBIT") was 8% higher, at \$1,152 million in FY2011. This figure represents seven consecutive years of improvement at the operating level. Our Soft Drinks and Beer businesses were the primary contributors to the growth of Group PBIT in FY2011.
- Group Attributable Profit before fair value adjustment of investment properties, exceptional items and discontinued operations was 6% higher, at \$621 million.
- Net asset value rose 11% to \$4.88 per share by the end of FY2011.
- Group gearing improved to 0.31x from 0.41x in FY2010. Interest coverage ratio was also better at 21.4x versus 17.2x in the prior year. Average debt maturity period was extended to 3.4 years (from 3.3 years). The average cost of Group debt was 3.23% (versus 3.34% in FY2010). During the year the Group expanded its source of external funding by issuing \$300 million of fixed rate bonds to retail and institutional investors. These fixed rate bonds are listed on the SGX.

Our CEO's review of the performance and growth strategies of our core businesses are contained in Pages 30 to 64.

- In general, our Food & Beverage ("F&B") business achieved sterling results, with robust PBIT improvements from Soft Drinks (up 38%) and Beer (up 23%) more than offsetting the weakness from Dairies (down 48%), which was hit by higher raw material prices.
- Our Properties business delivered creditable results against a backdrop of economic uncertainties and measures to dampen property speculation in Singapore and China. PBIT was 3% lower due to lower contribution from Investment Properties – following the sale of *Northpoint Extension* and *YewTee Point* to Frasers Centrepoint Trust ("FCT") in February 2010 – and a decline in development profit from China and an absence of a one-off gain recorded in FY2010.

GROUP PBIT INCREASED 8% TO

\$1,152M

- Within our Printing & Publishing business ("P&P"), PBIT from the underlying operations (excluding results of associated companies) rebounded by 19%. Printing staged a recovery in volume and margin whilst Education Publishing benefited from its export momentum, which is gaining traction.

Dividends

The Board recommends a final ordinary dividend of 12.0 cents per share. If approved by shareholders, the total distribution for the year will be 18.0 cents per share, representing an increase of 6% over FY2010 and the highest dividend paid by the Company to date.

Our policy is to pay up to 50% of Group Attributable Profit before fair value adjustment of investment properties and exceptional items. The total dividend of 18.0 cents is 41% of this figure.

Shareholders will be happy to note that an investment in the shares of F&NL made 5 years ago would have yielded a return (including dividends) of about 55%.

Strategic Developments

In FY2011, we continued to prune operations in our relentless drive to sharpen our strategic focus, manage our risks and reallocate resources to markets and businesses with better prospects. Although acquisitions and divestments were not as significant as the transformational changes I described in my FY2010 Statement, they were nonetheless important strides in the right direction.

Within our F&B business, we worked with our partner, Heineken NV, and our joint-controlled listed entity, Asia Pacific Breweries Limited ("APBL"), to review our China strategy. The outcome was a decision to exit the unprofitable mainstream beer market, focus on building sustainable positions for *Heineken* and *Tiger*, retain our purpose-built

breweries in Hainan and Guangzhou, and expand the capacity of the latter to brew our premium brands. To this end, the Group sold its stake in Kingway Brewery in May 2011 and an agreement (subject to regulatory approval) was signed in July 2011 to also divest the Group's brewery in Shanghai and its interests in Jiangsu Dafuhao Breweries Co., Ltd.

The companies in Indonesia and New Caledonia that APBL acquired from Heineken NV in February 2010 have been seamlessly integrated. Contributions from these two companies and Solomon Breweries (purchased in June 2011) combined with favourable across-the-board performance (particularly in Vietnam and Papua New Guinea) boosted APBL's profit to an all-time high in FY2011.

Our Soft Drinks business ended FY2011 on a celebratory note following the expiry of our transition agreements with The Coca-Cola Company on 30 September 2011. We have regained full control of our Soft Drinks business in Singapore and are now free to realise the full potential of our in-house brands.

Over the past year, the Group mustered its resources and successfully propelled the sales of *F&N*, *100PLUS* and *F&N SEASONS* in our traditional and new markets. Several new products were launched but there are more consumer-focused innovations in our pipeline for the Singapore and Malaysian markets. In FY2011, we also launched *100PLUS* in Thailand and Indonesia.

We decided to exit the Dairies market in China after taking into account the risk in that market and our inability to establish a competitive foothold. We completed our exit in November 2011 with the divestment of our 29.5% stake in China Dairy Group. Our immediate focus will be on our canned milk business in Thailand and Malaysia, which were to have been supported by our new dairy plants in Rojana and Pulau Indah respectively.

However, massive flooding in Thailand caused the stoppage of work at our Rojana plant on 11 October 2011. The plant was underwater for several weeks. It is currently estimated that production can commence approximately 3 to 5 months after flood waters subside. The Group will ship products from its existing Petaling Jaya plant (in Malaysia) and its outsourced manufacturing locations, and will also fast track the start-up of the Pulau Indah plant to meet the demands of the Thai market. Meanwhile, work is underway with the insurer and loss adjusters to file claims under the Group's Property All Risk and Business Interruption Insurance policies.

We formed F&N Creameries in February 2011 in a move to scale up our ice cream business and achieve integration synergies from a merger of the Group's operations in King's Creameries (S) Pte Ltd (acquired in December 2010) and our long established ice cream businesses in Malaysia, Thailand and Singapore.

In our Development Property business, our strategy to bid cautiously for State-owned sites for mass-market housing in Singapore has given us a comparatively low-cost land bank in a segment where demand remains resilient despite four rounds of anti-speculation measures imposed by the Government in September 2009, February 2010, August 2010 and January 2011. Our property arm, Frasers Centrepoint Limited ("FCL"), won five residential land tenders in FY2011 (some via joint ventures). Our move to step up the pace of joint ventures in our Development Property business has enabled us to phase our participation over a range of major projects, tap on our partners' expertise and resources and limit our exposure to any single project.

At the end of FY2011, FCL had a land bank in Singapore that can yield about 1,530 apartment units (our share) for sale over the next one to two years. FCL launched five mass-market projects for sale in FY2011 (some via joint ventures), and together with previously launched projects, sold 1,436 units (our share) during the course of the year.

MESSAGE FROM THE CHAIRMAN

FCL has a joint venture with Ascendas Land to develop an integrated business park with retail and hotel elements (total GFA of 1.26 million sqf) on a 4.7 hectare site at Changi Business Park. *Changi City Point* was opened for trading in November 2011. This is the tenth mall to be managed by FCL in Singapore and is conveniently located next to the Expo MRT Station. When the hotel and business park components are completed in late 2012, they will be managed by FCL's Hospitality division and Ascendas, respectively.

FCL is currently also developing a retail and residential development (total GFA of 1.36 million sqf) in Punggol Central in partnership with Far East Organisation and Sekisui House. *Watertown*, a waterfront development (about 930 apartments) will be launched in FY2012. *Waterway Point* mall is expected to be open for trading by 2016 and will be managed by FCL.

In November 2011, the Group announced the formation of a joint venture between FCL and Fraser & Neave Holdings Bhd ("F&NHB") to develop two land parcels in Petaling Jaya currently occupied by our dairies operations, which will be relocated to the Pulau Indah plant. Completion of this transaction is conditional upon, amongst other things, the approval of F&NHB shareholders being obtained. The Group proposes to build a mixed development, comprising hotels, offices, a shopping mall, as well as retail and residential properties.

We benefited from an early decision to scale back on Property Development activities in UK as well as a completion of a corporate and debt restructuring exercise in that market in December 2010. In China, we had opted to hold back on further acquisitions of sites after 2007 having built up sizeable and well-located land banks. Our focus on a staggered development of these land banks in China will continue to underpin earnings over the next few years. At the end of FY2011, our remaining land bank in China can yield about 8,200 residential units. In Australia, we sold a 50% stake in our \$2 billion *Central Park* mixed development project to

Sekisui House in July 2011. This prudent move enabled us to lock-in attributable net profit of about \$80 million, of which \$40 million was recognised in FY2011, with the remaining to be recognised towards the end of the project.

Our Hospitality division opened ten new properties and won management contracts for another ten new properties. We invested \$78 million to acquire serviced apartment developments in Indonesia (*Fraser Residence Jakarta*) and Australia (*Fraser Place Melbourne*) and the remaining 35% stake in Fairdace Limited (which owns *Fraser Place Canary Wharf* and *Fraser Suites Glasgow*). At the end of FY2011, our Hospitality division had about 7,100 apartments under management, with signed management contracts for another 5,400 apartments currently under construction.

Our two SGX-listed REIT vehicles enhanced the quality of their portfolios during the year under review. Frasers Commercial Trust ("FCOT") successfully divested its under-performing legacy assets, *Cosmos Plaza* (in January 2011) and a 39% stake in Australian Wholesale Property Fund (in May 2011). In September 2011, FCT completed the acquisition of *Bedok Point* mall from FCL. FCT's acquisition was partly financed by a placement of new units. This improved the free float of FCT units and reduced FCL's interest in FCT to about 41%. In November 2011, FCOT successfully completed an early refinancing of its AUD loan to extend its debt maturity profile and also take advantage of the lower interest rate environment.

In our P&P business, operations at three unprofitable printing plants in China were halted. Our wholly-owned subsidiary, Times Publishing Limited ("TPL"), successfully divested its stake in Shenyang Times Packaging Printing Co Ltd in September 2011. TPL is working towards a divestment and liquidation of its remaining printing joint ventures in Liaoning and Shanghai. TPL's Education Publishing division continues to make promising inroads into international markets, creating growing awareness for our *Marshall Cavendish* brand.

Looking Ahead

In view of the precarious state of the global economy, the Group continues to make preparations in case of a severe economic downturn and a tightening of credit in our markets. With undrawn facilities of \$3.2 billion at end FY2011, we are also positioning ourselves to seize opportunities that might arise in the year ahead. Based on our past experience, the Group's diversified operations and strong market positions, particularly its robust cashflows from its resilient F&B and Commercial Property businesses, will provide some cushion in difficult times.

Board and Management Changes

Mr Seek Ngee Huat joined our Board on 26 September 2011. We are fortunate to have secured his service as he brings a wealth of experience in the Properties business, both locally and internationally.

Mr Koh Poh Tiong, our former CEO-F&B, left the Company on 30 September 2011 with our best wishes and appreciation for his contributions. During his 26 years of service with the Group, Poh Tiong was instrumental in growing our regional beer operations (under APBL) and, more recently, planting the seeds of our soft drinks expansion.

After a rigorous region-wide search and as part of a planned succession, we appointed Mr Pascal De Petrini to take over as CEO-F&B with effect from 1 October 2011. He joins us from the Danone Group and we are pleased that he has accepted the challenge of taking our F&B business to greater heights.

Acknowledgements

I want to thank Management and Staff for the important part they have played in enabling the Group to achieve its best set of financial results.

I also thank all my colleagues on the Board for their spirited participation in our discussions on the strategic direction of the Group. The Board's collective wisdom and expertise, as well as its active engagement with management have paved the way for swift and decisive responses to key issues at a time when agility is of utmost importance.

I place on record our gratitude to Heineken NV for their invaluable contributions to our partnership in APBL since 1931.

The Boards of our listed entities, F&NHB, APBL, FCT, FCOT and Frasers Property (China) Limited have been fine stewards. I want to thank them for their continued support in the creation of solid foundations for sustainable profit growth for all stakeholders.

Last but not least, I would like to thank all shareholders for your support.

Mr Lee Hsien Yang
Chairman