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FRASER AND NEAVE, LIMITED

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

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We thank Mr Mano Sabnani for his forum letter dated 30 August 2012, "F&N repayment to shareholders unattractive".

The proposed capital reduction exercise comprises a cancellation of one for every three Fraser and Neave Limited ("F&N" or the "Company") shares held by all shareholders (or approximately 33% of issued shares), and a cash distribution of S\$8.50 for each share cancelled. This proposal allows F&N to return 84% of the potential disposal gain of S\$4.8b from the proposed sale of its entire interest in Asia Pacific Breweries Limited. The remainder of the proceeds will be used to repay part of the existing debt and strengthen the balance sheet of the Group.

The proposed capital reduction exercise will allow F&N and its subsidiaries (the "F&N Group") to achieve a more efficient capital structure post-disposal and supports earnings per share and dividend per share, and thereby enhancing value for its shareholders. Lastly, this exercise ensures that each shareholder's proportionate ownership and voting rights in the company will also remain unchanged.

To minimise problems arising from odd-lots as a result of the proposed capital reduction exercise, F&N applied and obtained the approval from SGX-ST for the inclusion of a new trading board lot size of 10 shares per board lot. This will be for a period of four weeks starting from the first trading day on which F&N shares trade ex-entitlement to the proposed capital reduction exercise.

We hope this explanation goes some way to clarify for Mr Sabnani and other shareholders, the Company's decision.

Yours sincerely
Fraser and Neave, Limited

Jennifer Yu
Investor Relations Manager