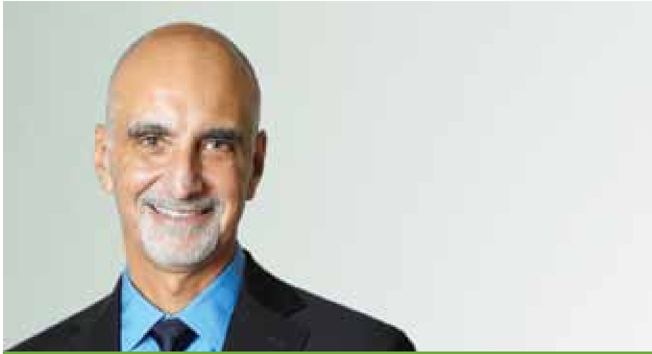
CEO BUSINESS REVIEW
FOOD & BEVERAGE



PASCAL DE PETRINI – CHIEF EXECUTIVE OFFICER

Revenue increased 12% to

$3,689M

Business Overview

The Food & Beverage ("F&B") division continued to deliver solid performance, backed by strong double-digit revenue and profit growth in Soft Drinks and Beer. This year, F&B revenue recorded a growth of 12%, to $3,689 million. Coupled with better margins from favourable product mix and improved operating efficiencies, our earnings grew 14% to $522 million, despite high input cost. This marked our third consecutive year of profit growth.

Lifted by 15% growth in beer sales across most markets and improved margins, Beer's FY2011 earnings leapt 23% to $372 million. At Non-Beer, which comprises Soft Drinks and Dairies, despite an 8% improvement in revenue, PBIT was down 2% due to lower earnings from Dairies Malaysia. Soft Drinks earnings surged 38% to $113 million, buoyed by strong 13% top-line growth, favourable sales mix and improvements in operational efficiency. Profitability of Dairies was weighed down by high input costs, particularly in Malaysia. Consequently, Dairies saw a 48% decline in earnings, to $37 million. Notwithstanding the weaker performance from Dairies, F&B continued to make good progress in its contribution to Group's earnings. This year, we accounted for 45% of Group PBIT, up from 43% in FY2010, an affirmation our growth strategies, strength of our brands and capabilities of our people.

PBIT increased 14% to

$522M

FY2011 key developments:

- Profit contribution increased to 45%
- Accretive acquisition and added leading brands
- Increased capacity to support growing demand
- Restructured Beer's operations in China; focus on premium brands
- Maintained leadership positions in key markets
- Strong innovation and commercial capabilities
- Strategic expansion into Indochina and Indonesia


NON CARBONATED
WITH VITAMIN B3, B6, B12
100
PLUS
EDGE
NON-CARBONATED ISOTONIC DRINK

CEO BUSINESS REVIEW
FOOD & BEVERAGE

NON-BEER: Gearing up for growth

Setting our sights firmly on the long-term success of the business, we continued to lay the foundations for future growth of our Non-Beer business with several strategic activities.

This year, we had been gearing up towards a new milestone for Soft Drinks – the expiry of the licensing agreement with The Coca-Cola Company ("TCCC") in September 2011. With the end of the partnership with TCCC in Singapore, all our soft drinks brands returned home to our growing stable of brands. From 1 October 2011, we regained control of all aspects of our Soft Drinks business in Singapore, ranging from manufacturing and marketing to sales and distribution. In Malaysia, we ceased to be the bottler for TCCC. In Singapore, we have appointed our wholly-owned subsidiary, F&N Foods Pte Ltd, to be the sole distributor for all F&N beverages locally. With this, we would receive 100% of the income from the sales and distribution of our beverages in Singapore. Our Bursa-listed Malaysian subsidiary, Fraser & Neave Holdings Bhd, would continue to cover Malaysia as well as Brunei.

To further prepare ourselves for this milestone development, we had taken steps to widen and deepen distribution to ensure widest availability of our products. Marketing and sales activities were also ramped up while upholding a high level of service quality to all our partners and consumers.

With the Soft Drinks homecoming, we accelerated the introduction of new products that embrace F&N's philosophy of '*Pure Enjoyment. Pure Goodness*'. For the year in review, we rolled out *ZESTA*, a refreshing sparkling drink with the unique taste of the guarana berry, as well as a reduced sugar range of *F&N Sparkling Drinks* in 500ml PET bottles. More recently, we rolled out *100PLUS EDG*E, a non-carbonated version of our flagship brand *100PLUS*, and a refreshing lemon-lime flavoured sparkling drink, *F&N CLEARLY CITRUS*. Plans are in place to introduce more new beverages to our consumers, and to drive differentiated products across our Soft Drinks portfolio.

To gain greater efficiencies, we invested in and installed two new Tetra Pak lines at the existing Soft Drinks plants in Malaysia. A new PET production line was also commissioned this year in Malaysia. This high-tech line will boost our carbonated soft drinks ("CSD") PET bottle output by 30% per day, to 672,000 bottles. One of the fastest production lines in the region, this line will also improve operational efficiencies and enhance green capacity by undertaking the entire production of CSD PET bottled products while minimising wastages.

Another investment that underscores our commitment towards future growth is the new state-of-the-art dairy plant in Pulau Indah, Malaysia. Featuring cutting-edge green technology that will minimise carbon footprint through the incorporation of water, energy and environmental conservation technology, this new canned milk plant, which will commence commercial production in early-2012, is replicated from the blueprint of our first greenfield plant in Rojana Industrial Park, Thailand. The plant's strategic location within the Selangor Halal Hub would enable us to fortify our presence in the region's fast-growing Halal markets.

Following the acquisition of King's Creameries (S) Pte Ltd, the new ice cream division, F&N Creameries, was formed in February 2011 to consolidate and integrate the management and operations of our ice cream business in Singapore, Malaysia and Thailand. The exercise was successfully completed in June 2011. This new division will spearhead our strategy to scale up and strengthen our ice cream business, with an ambition to become a leading ice cream player in the growth markets of ASEAN. We aim to achieve this by leveraging our well-established brands such as *F&N MAGNOLIA* and introducing new products which tap into unmet consumer needs. Consumers in Singapore, Malaysia and Thailand can look forward to more exciting new product launches and activities as exemplified by the launch of *F&N MAGNOLIA* Sherbet in Singapore in August. Moving forward, we would be able to extract synergies and offer a complementary portfolio of brands and products to satisfy a diversity of consumer segments.

As part of our efforts to streamline the Non-Beer portfolio, we divested our entire 29.5% stake in China Dairy Group Ltd for around $38 million in November 2011, to realise an exceptional gain of $18 million.

CEO BUSINESS REVIEW
FOOD & BEVERAGE

Soft Drinks

Sparkling success

Soft Drinks continued to achieve good growth with market share gains. Revenue jumped 13% to $759 million and PBIT grew 38%, to $113 million, on higher volume, favourable product mix and improvements in operational efficiency. The robust performance was driven by volume growth from our core brands, *100PLUS* and *F&N SEASONS*, supported by the launch of new flavours and effective marketing activities.

Outdo Yourself

Dedicated to promoting an active lifestyle and healthy living, *100PLUS* is the isotonic drink of choice at major sporting events. Since its launch in 1983, *100PLUS* has established itself as the essential hydrating source for millions of people daily, consistently encouraging consumers and athletes alike to '*Outdo Yourself*'.

As the leading ready-to-drink beverage in Malaysia, *100PLUS* was present at top sporting events such as the popular football tournament, Piala Malaysia Finals 2011, the prestigious hockey competition, *100PLUS* Tun Abdul Razak Cup and the KL Marathon 2011. In Singapore, *100PLUS* made its presence felt in school tournaments, major runs and international sporting events spanning marathons, triathlons and golf.

In January 2011, *100PLUS* became the proud sponsor of Singapore's outstanding national table tennis teams. The *100PLUS* official isotonic drink sponsorship of $750,000 over three years to the National Table Tennis men and women's teams was the largest sponsorship received by the Singapore Table Tennis Association then.

100PLUS also continued to present the The Straits Times Star of the Month and The Straits Times Athlete of the Year awards, which gave due recognition to Singapore athletes who have inspired with their determination to excel and brought honour to their sport.

Refreshingly popular

The *F&N SEASONS* portfolio continued to be a popular choice with consumers for healthier and great tasting beverages.

Following the successful launch of the *F&N SEASONS* green tea and fruit tea range last year, four tea variants - Jasmine Green Tea, Ice Lemon Green Tea, Ice Peach Tea and Ice Apple Tea - are now available in convenient PET bottles in Malaysia for consumers who are frequently on-the-go. Supported by integrated marketing campaigns and sampling activities that successfully drove brand awareness and sales, *F&N SEASONS* saw substantial market share gains to become the Number 1 ready-to-drink tea beverage in Malaysia.

Spreading delights

Trusted and loved by generations of Singaporeans and Malaysians, *F&N Sparkling Drinks* is well-known for its bold, vibrant and fun-tasting range of drinks that has built connections with its young consumers.

A highlight in the fun-packed activity calendar for *F&N Sparkling Drinks* was the second edition of Singapore Dance Delight, the local leg of the international street dance competition held in Osaka, Japan. This is the second year that *F&N Sparkling Drinks* has supported youth culture, showcasing the talents of street dancers from Singapore and the region.

In Malaysia, *F&N Sparkling Drinks* entertained its young consumers with The F&N Big Fun Fest, a youth extravaganza aimed at spreading cheer to young consumers. 20,000 youths gathered at the heart of Kuala Lumpur's vibrant shopping district and enjoyed street art demonstrations, dances, customised t-shirt designing and performances by popular artistes.

CEO BUSINESS REVIEW
FOOD & BEVERAGE

Dairies

Maintained leadership positions

Dairies revenue improved 5% to $1,067 million, due mainly to volume growth in Thailand and the rest of the Indochina region. However, rising input costs adversely affected Dairies profits and margins. Despite price increases, Dairies PBIT fell 48% to $37 million.

Notwithstanding the drop in profits, our canned milk portfolio continued to command more than 60% of the combined sweetened condensed and evaporated milk market share in Malaysia.

In Thailand, volume jumped 9% and we maintained leadership positions in our canned milk and liquid milk portfolio. The various brand campaigns were well-received by consumers and upped visibility as well as awareness of our brands.

While the year under review was challenging for Dairies, we remained focused on driving organic growth in key markets of Singapore, Malaysia and Thailand, while cultivating new markets in ASEAN to grow our Dairies business. This year, we made significant inroads into the rest of the Indochina market to strengthen our position as the leading dairy player in this region.


BUILD YOUR IMAGINATION
A richer imagination starts with the richness of F&N MAGNOLIA fresh milk.
Add wonder to your child's wonder years with the creamy goodness of F&N MAGNOLIA fresh milk. It's packed with nutritious proteins and calcium to nourish growing bodies and minds. So fill her glass full with F&N MAGNOLIA milk - and nurture her creativity, her curiosity, and her dreams to the fullest. F&N MAGNOLIA milk. Pure. Natural. Trusted for life.
Fresh Milk
Lo-Fat Hi-Cal

CEO BUSINESS REVIEW
FOOD & BEVERAGE

BEER: Growing from strength to strength

As testament to the Group's achievements in regionalisation and portfolio management, Beer's growth momentum continued unabated. Supported by 31 brewery operations in 15 countries[1], in FY2011, it remained a top revenue contributor to the F&B business.

Boosted by contributions from the newly acquired breweries in Indonesia, New Caledonia and Solomon Islands, and strong organic growth in most markets, revenue rose 15% to $1,864 million. PBIT grew to $372 million, up 23% from the previous year, due to better margins from price increases, improved sales mix and lower overheads.

The Group, mainly through its stake in Asia Pacific Breweries Limited ("APB"), remains as Asia Pacific's leading brewer with an unparalleled footprint of 31 breweries spanning 15 countries[1] and offers a winning portfolio of over 40 beer brands targeted at a wide spectrum of consumers. The Group aims to further expand its network and strengthen its presence through continued investment in brands, strategic investments and deeper market penetration throughout the region.

SOUTH & SOUTH EAST ASIA (Singapore, Malaysia, Indonesia, Sri Lanka and export markets)

Volume and PBIT for South and South East Asia rose 20% and 30% respectively, supported mainly by the acquired breweries in Indonesia in February 2010. On a comparable basis, excluding the results from Indonesia from October 2010 to January 2011, PBIT improved 6%, driven by higher volumes in all markets and improved margins in Indonesia.

Singapore continued to report stable earnings with marginally higher volume. Our local brand portfolio was enhanced with the addition of *Tiger Crystal*. The Group further strengthened *Tiger*'s brand equity and association with football by launching the regional Tiger Street Football tournament and continuing to support the Barclays Premier League 2010/2011 season as the official broadcast sponsor.

OTHER ASEAN (Cambodia, Laos, Myanmar, Thailand and Vietnam)

This region remained the largest contributor to Beer's earnings, accounting for 53% of its PBIT. Strong consumer demand, particularly in Vietnam, led to an overall volume gain of 17% for the region. PBIT increased 18% to $198 million, negated by an 18% devaluation in the Vietnamese Dong. Excluding this translation losses, PBIT grew 35%.

Profitability in Vietnam improved on the back of higher volume and improved margins from price increases. Premium brands *Tiger* and *Heineken*, as well as *Larue* all enjoyed significant increase in demand.

1 *On 13th July 2011, Asia Pacific Breweries, together with Asia Pacific Investment Pte Ltd, announced that it would be divesting its stakes in Jiangsu Dafuhao Breweries Co. Ltd and Shanghai Brewery Co. Ltd for RMB870 million. Upon completion, the Group will have approximately 25 breweries in 15 countries.*


Tiger
EST 1932
TRADE MARK
CRYSTAL
World Acclaimed
CRYSTAL COLD FILTERED
LAGER BEER

CEO BUSINESS REVIEW

FOOD & BEVERAGE

OCEANIA (Papua New Guinea, New Caledonia, New Zealand and Solomon Islands)

Higher volume, favourable sales mix and improved margins in Papua New Guinea ("PNG") and New Zealand, further lifted by strong contributions from the newly acquired breweries in New Caledonia in February 2010 and Solomon Islands in June 2011, helped boost beer sales for the Oceania region to $493 million, an increase of over 20% from the previous year. Volume and earnings grew 11% and 41% respectively. Excluding the contributions from Solomon Islands and New Caledonia from October 2010 to January 2011, PBIT gained 34%.

Favourable economic conditions boosted *SP Lager* and *South Pacific Export Lager* sales volume. Through successful brand building efforts, *SP Lager* is associated with the Rugby League and the national team, while *South Pacific Export Lager* is a sponsor of the Export PNG Open golf tournament.

NORTH ASIA (China and Mongolia)

The Group remains committed to our participation in the Chinese beer market. Forging ahead with our premium brand strategy through our quality offerings, *Tiger* and *Heineken,* stakes in Kingway Brewery were divested this financial year, realising an exceptional income of $33 million. We have also entered into agreements to divest our stakes in Jiangsu Dafuhao Breweries and Shanghai Asia Pacific Brewery.

BEER: Investing for the future

Vietnam

The Group has expanded total brewing capacity in Vietnam by a further 25% through investments in our breweries in Ho Chi Minh City, Hanoi and Danang to meet the anticipated growth in demand for key brands, *Tiger*, *Heineken* and *Larue*.

Already the largest brewery in Vietnam and the Group, the Ho Chi Minh City brewery increased production capacity from 2.8 million hectolitres to 4.2 million hectolitres. The multi-phase enhancement programme included a second canning line that produces up to 90,000 cans per hour, fermentation facilities, malt silos, waste water treatment plant, a brew house upgrade and warehouse extension.

Also to complete by end-2011 are the production capacity enhancements in the Hanoi and Danang breweries to 875,000 hectolitres and 1 million hectolitres respectively.

China

The $80-million greenfield brewery in Guangzhou which officially opened in May 2011 further consolidates the Group's presence in South China, where we also have a brewery operation in Hainan. To fulfill growing demand for *Tiger* and *Heineken* and to ensure the supply of premium beers nationwide, production capacities of the Hainan and Guangzhou breweries will be expanded to 2 million hectolitres and 1.5 million hectolitres, marking a 33% and 50% increase in respective capacities.

Mongolia

The annual production capacity of our brewery in Mongolia has been increased to 300,000 hectolitres to cater to volume increase and growth potential.

Solomon Islands

The Group's presence in the Oceania region has been strengthened with the addition of Solomon Breweries, the only brewery in Solomon Islands. Through APB's 98% stake, the Group assumes leadership position in the country through Solomon Breweries, which has a robust distribution network, goodwill and is synonymous with leading brands, *SB* and *Solbrew Lager* that enjoy extensive penetration in the market.

Looking Ahead to FY2012

Despite current global economic headwinds, we will remain focused on our vision to become a leading F&B player in the Asia Pacific. We will drive the regionalisation of Beer, Dairies, Ice Cream and Soft Drinks, and will continuously strengthen our portfolio of brands as well as enhance our operating efficiency.

Our initiatives translate into lasting competitive advantage that will weather ever-changing economic conditions. Consumer-focused innovation will continue to be pursued. We seek to retain our leadership across key market segments and build interest in new ones. It is also important for us to improve route-to-market, widening and deepening our distribution capability and upgrading service levels. We want to ensure that on-ground execution will be at its most effective for us to enjoy maximum results from our marketing efforts.

I am confident that by keeping firmly aligned to these strategic priorities, we will be able to ride through the challenges. Ultimately, we want to be well-positioned to seize growth opportunities and to strengthen our presence in the region. We aim to stay ahead of the curve in the year ahead and continue delivering strong performance and results.