Message from the Chairman

Charoen Sirivadhanabhakdi
Chairman

A passion to Lead

OVERVIEW

At the close of the general offer on 18 February 2013, TCC Assets Limited ("**TCC Assets**") together with Thai Beverage Public Company Limited ("**ThaiBev**") emerged with a 90.3%[1] interest in the Company. This takeover was the largest in Singapore's corporate history and marked a new beginning for F&N in its 130th year of operation.

TCC Assets and ThaiBev are part of the TCC Group, which has more than 60,000 employees, and operates in five core businesses; namely beverages, property, industrial trading, insurance and leasing, and agro-business. The TCC Group has always held F&N in high regard and believes that the Group's proven track record of delivering sustainable value and strong shareholder returns through successful execution of integrated strategies are beneficial to both groups.

Note:
1 As at 12 December 2013, the percentage of shareholding of the Company held by the public is about 12%

Message from the Chairman

I took on the chairmanship of the Company on 28 February 2013 and am glad to be able to play a part in charting the future direction of the Group. The members of the previous Board have provided fine stewardship for the Group and my appreciation goes to them for their contributions to the growth of the Group. I am delighted to report that the transition to the new Board has been smooth. I would also like to acknowledge the contributions of all past Directors, and current and past Management, who played a part in creating solid foundations for the Group's future growth.

In July 2013, the Company completed a capital reduction exercise when it returned $4.7 billion (or $3.28 per share) to shareholders. This is part of the Company's continuous active capital management efforts and completes the plan articulated by the previous Board to reward shareholders with the gains from the disposal of F&N's stakes in Asia Pacific Breweries Limited ("**APB**") and Asia Pacific Investment Pte Ltd ("**APIPL**").

During the year, we announced our first step towards redefining the organisational structure of the Group. Two separate Chief Executive Officers were appointed for the Food and Beverage ("**F&B**") Division, to oversee the Beer and the Non-Alcoholic Beverages businesses respectively. This initiative was to provide sharper operational focus to drive growth in shareholder value while fostering synergistic cooperation with our strategic partners.

Our F&B Division and ThaiBev have begun leveraging each other's distribution networks, product development capabilities and brand portfolio to expand and deepen regional market penetration. *Oishi* tea drinks have already made its debut in Malaysia. The plan is for F&N to work together with ThaiBev, to bring the Company's *100PLUS* isotonic drinks into their key markets. Our goal is to capitalise on our cross-geographical presence and to seize opportunities arising from the formation of the Asian Economic Community in 2015. We will also continue to invest in our iconic brands, in particular *100PLUS*.

A strategic review was conducted during the year to evaluate options to unlock shareholder value. This resulted in a proposal to move away from the conglomerate business model to a separation of the Company's property-related businesses from its F&B and Publishing & Printing ("**P&P**") businesses.

On 13 November 2013, shareholders unanimously approved the demerger of the Company's property business by way of a distribution *in specie* where all Frasers Centrepoint Limited ("**FCL**") shares will be distributed to our shareholders on the basis of two FCL shares for each F&N share held ("**FCL Distribution**"), at no cost. We will announce the effective date of the FCL Distribution and the listing of the FCL shares at the appropriate time, when the required consents, approvals and/or waivers have been obtained.

The Board believes that the demerger will unlock shareholder value and create investment flexibility for our shareholders. This exercise could better appeal to investors who are specially seeking investments in the F&B sector and could therefore contribute to a market re-rating of the Company's shares. Shareholders will also be able to realise value from the distributed FCL shares, which would otherwise not have been possible had FCL been listed directly by way of an initial public offering.

The demerger will enable F&N and FCL to each independently pursue its own business direction and strategies. F&N could focus greater management attention and resources on growth opportunities for the F&B business by pursuing strategies best suited to its markets and goals, including mergers and/or acquisitions, to become a leading consumer group in Southeast Asia.

FCL, the property arm of the Company, will be one of the largest property companies by market capitalisation when listed on the SGX-ST. It will continue to operate as an international real estate company focusing on property development, investment and management of commercial properties, serviced residences and property trusts.

After the FCL Distribution, the Company will continue to be engaged in two core businesses, namely F&B and P&P. The F&B Division will consist principally of our 55.8% investment in Fraser & Neave Holdings Bhd, unlisted soft drinks and dairy businesses in Singapore, the ice-cream business in Singapore, Malaysia and Thailand, and our 55% stake in Myanmar Brewery Limited[2] ("**MBL**"). P&P Division encompasses printing, publishing, and retail and distribution, undertaken through the Company's wholly-owned subsidiary, Times Publishing Limited.

FINANCIAL REVIEW

In the year under review, Group revenue grew a creditable 22% to $4.3 billion. With the exception of P&P, all business segments achieved improvement in revenue.

At the operating level, Group profit before interest and taxation ("**PBIT**"), before fair value adjustments on investment properties, rose 45% to $786 million. The earnings improvement was broad based, across all our business units, with F&B and Development Property being the primary contributors.

Note:
2 This investment is currently under the subject of ongoing arbitration

Group Attributable Profit before fair value adjustments on investment properties and exceptional items increased by 70% to $545 million. This year, the Group recorded a net gain of $280 million from fair value adjustments on our investment properties.

During the year, the Group realised an exceptional gain of $4.75 billion in November 2012 upon completion of the sale of APB and APIPL for $5.58 billion, bringing Group Attributable Profit after fair value adjustments on investment properties and exceptional items to $5.4 billion.

Earnings per share ("**EPS**") after fair value adjustments on investment properties and exceptional items rose $3.18 to $3.77 (compared to 59 cents last year). Excluding the gain on sale of APB and APIPL, fair value adjustments on investment properties and exceptional items, EPS improved 14% to 37.8 cents.

At the end of FY2013, Net Asset Value was at $5.90 per share, an increase of about 11% over last year. Our balance sheet remained strong with gearing at 17%, down from 27% at the end of FY2012.

Message from the Chairman

OPERATIONS REVIEW

The FY2013 performance by our F&B, Properties and P&P businesses are presented in the CEO Business Review section of this Annual Report.

Food & Beverage

For FY2013, our F&B operations posted 47% growth in PBIT to $182 million. The improvement came from both Beverages and Dairies. PBIT for Beverages rose 18% to $122 million on the back of higher soft drinks and beer volumes and favourable sales mix.

Our beer operations in Myanmar achieved record sales, delivering another set of strong results for the year. MBL continued to maintain its leadership market position in Myanmar with its strong brands.

This year, the Soft Drinks operations in Singapore and Malaysia continued to post volume and revenue growth, retaining their leadership positions in the ready-to-drink segments in the respective countries. The Group will continue to invest in brand building efforts and drive innovation, to defend and augment our market share.

Our Dairies profit recorded a three-fold increase from last year. This came mainly from Dairies business in Thailand, where sales have recovered to pre-flood levels in addition to higher exports to Indochina. In Malaysia, Dairies also benefitted from lower input costs and operating costs.

Properties

Properties recorded solid growth of 55% in PBIT to $566 million. It remained our main contributor, accounting for about 72% of Group PBIT. For FY2013, FCL sold about 1,900* residential units in Singapore and 1,440* units in China and Australia. These presold units, together with presold units from previously launched projects, are expected to deliver revenue of about $3.2 billion and will underpin earnings from development projects for the next few financial years. In Singapore, FCL's current land bank can yield about 1,600* residential units when fully developed. Our development pipeline overseas comprised 9,800* residential units in China, Australia and New Zealand.

FCL's two listed REITs, Frasers Centrepoint Trust ("**FCT**") and Frasers Commercial Trust have performed well, and are important platforms for our asset-light strategy. The next development in the pipeline for injection into FCT is *Changi City Point*, a 50:50 joint venture retail development with Ascendas Land (Singapore).

On 19 August 2013, FCL won the tender of a commercial site at Cecil Street/Telok Ayer Street for $924 million. The leasehold site could potentially yield an estimated net lettable area of 705,000 square feet. The plan is to build an iconic Grade A office tower on this prime site. FCL also secured an integrated mixed development land parcel at Yishun Central in September 2013 for $1.4 billion. This site could yield about 890 residential units and an estimated net lettable area of 330,000 square feet of retail space. As the site is located next to FCT's existing shopping mall, *Northpoint*, the two developments could be integrated for the benefit of FCT and the Group.

Frasers Hospitality has presence in over 30 cities worldwide, managing about 8,000 apartments. Another 7,100 apartments will be added to its existing portfolio over the next three years. We have received proposals from investment banks in relation to a

* Including share of JV partner

hospitality REIT to be listed on the SGX-ST. The proposals are currently under evaluation. With the support of the TCC Group, Frasers Hospitality could look forward to an accelerated growth in the future.

Publishing & Printing

In 2013, the P&P Division continued to focus on expanding its education publishing global footprint, making substantial investments into this area. Education publishing delivered strong results, which partly offset reduced earnings from printing and magazine distribution. However, Printing continued to face challenges of industry overcapacity and changing market conditions leading to price erosion.

This has resulted in lower print revenue despite a higher volume. In response to the changing competitive landscape, concerted actions were put in place to improve production efficiency. This has proven effective in reducing overall production costs. Moving forward, P&P can leverage on the extensive network of the TCC Group to offer another channel for P&P to tap opportunities for partnership and collaboration in the Thai market.

DIVIDENDS

The Directors recommend for shareholders' approval, a final dividend of 12.0 cents per share. This brings the total dividend for the year to 15.5 cents per share. The lower dividend is in line with the Group's reduced earnings following the sale of APB and APIPL, and the return of capital of $3.28 per share. This proposed payout represents a distribution of 41% of the Group Attributable Profit before fair value adjustment of investment properties and exceptional items for FY2013. The final dividend, if approved by shareholders, will be paid on 18 February 2014.

OUTLOOK

The global economic outlook continues to remain uncertain. However the Group remains cautiously optimistic that underlying F&B revenue can continue to improve in the new year, underpinned by favourable demographic trends and economic growth, our strong brand portfolio and robust distribution network.

ACKNOWLEDGEMENTS

On behalf of the Board, I wish to extend my sincere thanks to our Management and staff for their dedication, drive and foresight. These attributes have transformed F&N into a world-class multinational enterprise, conducting our business in a responsible and sustainable manner while fostering a customer-centred culture.

I warmly welcome the new members of the Board. The new Directors bring with them an extensive and balanced range of expertise. They have provided rich insights to issues under deliberation and I am grateful for their wise counsel.

My appreciation also goes to the members of the boards of our subsidiary companies for their active support in yet another eventful year. With their expertise in various fields, they have provided able stewardship for these subsidiaries.

Last but not least, on behalf of the Directors, I would like to thank our customers, business partners and shareholders. Our 130 years of legacy is a milestone for celebration and we look forward to your continuing support.

Charoen Sirivadhanabhakdi
Chairman