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Acknowledgements

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*The Ernst & Young 1,000 comprises an EIU panel of senior executives and selected Ernst & Young clients and contacts who participate in the Capital Confidence Barometer on a biannual basis. The surveys are conducted on an independent basis by the EIU.

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Capital Confidence Barometer Southeast Asia



Confidently focused on growth

About this survey

Ernst & Young's Confidence Barometer is a regular survey of senior executives from large companies around the world conducted by the Economist Intelligence Unit (EIU).

Our panel, the "Ernst & Young 1,000" is comprised of selected Ernst & Young clients and contacts and regular EIU contributors.

This Southeast Asia subset of our findings gauges corporate confidence in the economic outlook and identifies boardroom trends and practices in the way companies manage their capital agendas.

Profile of respondents

- ▶ Panel of over 1,000 executives surveyed in July and August 2011, 77 executives from Southeast Asia.
- ▶ Companies from 51 countries.
- ▶ 700 CEO, CFO and other C-level respondents.
- ▶ Company revenues ranged from US\$100 million to over US\$20billion.
- ▶ 768 companies would qualify for the Fortune 500 based on revenues.

The capital agenda

Based around four dimensions, it helps companies consider their issues and challenges and understand their options to make more informed capital decisions.

1. Preserving capital: reshaping the operational and capital base
2. Optimizing capital: driving cash and working capital and managing the portfolio of assets
3. Raising capital: assessing future capital requirements and assessing funding sources
4. Investing capital: strengthening investment appraisal and transaction execution

Our fifth bi-annual Global Capital Confidence Barometer, finds that almost half of respondents are focused on growth in the next 12 months, with only 7% now focusing on survival - the lowest number since the barometer was first published in 2009.

There is a new paradigm with M&A activity and market volatility now able to co-exist. Currently, leading companies are shrugging off continued market upheaval and focusing on growth and M&A. For them this is not 2008 all over again. They have spent the past three years reducing the financial risk on their balance sheet and taking tough efficiency measures needed to strengthen their positions, which helps them manage in volatile times.

Southeast Asian respondents once again expressed a strong vote of confidence in the economic prospects of their respective markets. Globally, several Southeast Asian markets including Singapore, Malaysia, Indonesia and Thailand are ranked among the top investment destinations by the "Ernst & Young 1,000". Respondents highlighted several attributes underpinning this continuing confidence:

- ▶ In many of the Southeast Asian markets companies continue to enjoy strong balance sheets with less leverage.
- ▶ Many of the markets continue to enjoy high levels of liquidity with relatively low cost of borrowings.
- ▶ Southeast Asian companies are continuing to focus on growth, both organically as well as through M&A activities.

Not ignoring the continuing sovereign debt crisis in Europe and the negative economic prospects in the developed world, Southeast Asian respondents expressed their strongest pessimism in the global economy in this survey. They also realise that continued uncertainty can have a knock-on effect on many of their markets as well.

However the biggest take-away in this barometer is the continuing confidence in the Southeast Asia markets. As a result the focus for businesses is clearly growth. We see increased competition by businesses to capture the expected growth, maintaining the status quo does not seem to be an option.

These conditions are expected to encourage M&A activity in the region, with many businesses looking to include acquisitions as part of their growth strategy. The pursuit of growth has its challenges. Businesses face increasing valuation gaps, as buyers factor in growing global uncertainty while sellers continue to focus on regional growth and confidence. How this gap closes is yet to be seen and any major economic shock could change the mood quickly. But for now, Southeast Asia is confident and rising.

Harsha Basnayake,

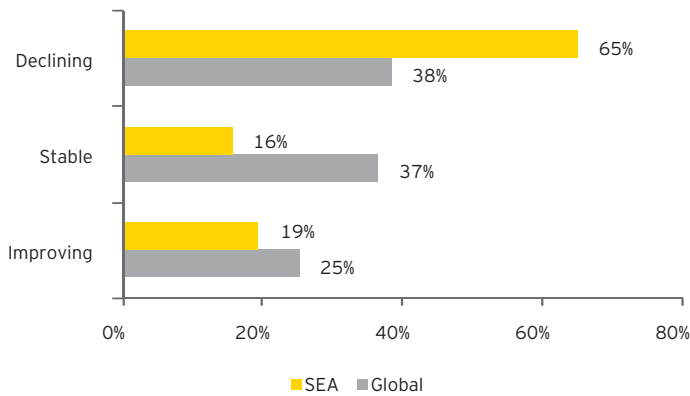
Southeast Asia and Singapore Leader, Transaction Advisory Services

Economic outlook

Pessimism in the global economy grows among Southeast Asian companies

The return of volatility to the capital markets in July and August, following the downgrade of the US credit rating and the uncertainty surrounding the European debt crisis is driving increased pessimism in the global economy among Southeast Asia (SEA) respondents.

What is your perspective on the state of the global economy today?



About 65% of SEA respondents say the global economy is declining, a view shared by only 38% of global respondents. The global decline may be perceived more serious to SEA respondents as they are less familiar with markets outside their home territory.

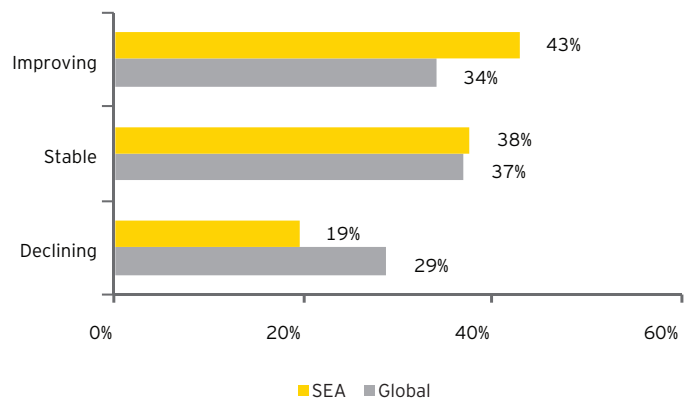
Please indicate your level of confidence in the following at the global level:

	Global response			SEA response		
	Positive	Stable	Negative	Positive	Stable	Negative
Economic growth	25%	44%	31%	16%	32%	52%
Corporate earnings	34%	47%	20%	23%	51%	26%
Credit availability	23%	44%	33%	19%	39%	42%
Employment growth	22%	41%	36%	10%	32%	57%
Equity valuations	18%	41%	40%	16%	34%	51%

High confidence in Southeast Asian economies continues

Over 80% of SEA respondents believe that their local economies are stable or improving. Continued strong earnings prospects, strong balance sheets with low gearing levels and good liquidity in the banking sector are all influencing SEA companies to pursue their growth agenda confidently.

What is your perspective on the state of the local economy today?



Please indicate your level of confidence in the following at the local/home level:

	Global response			SEA response		
	Positive	Stable	Negative	Positive	Stable	Negative
Economic growth	34%	42%	24%	48%	43%	9%
Corporate earnings	39%	44%	17%	51%	43%	6%
Credit availability	29%	44%	27%	40%	52%	8%
Employment growth	31%	41%	28%	47%	45%	8%
Equity valuations	25%	42%	33%	23%	51%	26%

Confidence in corporate earnings

Despite concerns over the global economy, 75% expressed confidence that corporate earnings would remain stable or improve. This view does not translate into similar confidence in the stock markets. SEA respondents are equally divided in their expectations for the stock market. Many believe that the uncertainties in the global economy could potentially dampen the mood of the capital markets despite strong underlying corporate performance.

In an environment where businesses are performing strongly, but are seeing low market valuations for their shares, buyout or privatisation opportunities could emerge.

“The Asian emerging markets are among the most attractive - with their high-growth potential offering some protection against current volatility in mature markets.”

Pip McCrostie,
Global Vice-Chair, Transaction Advisory Services

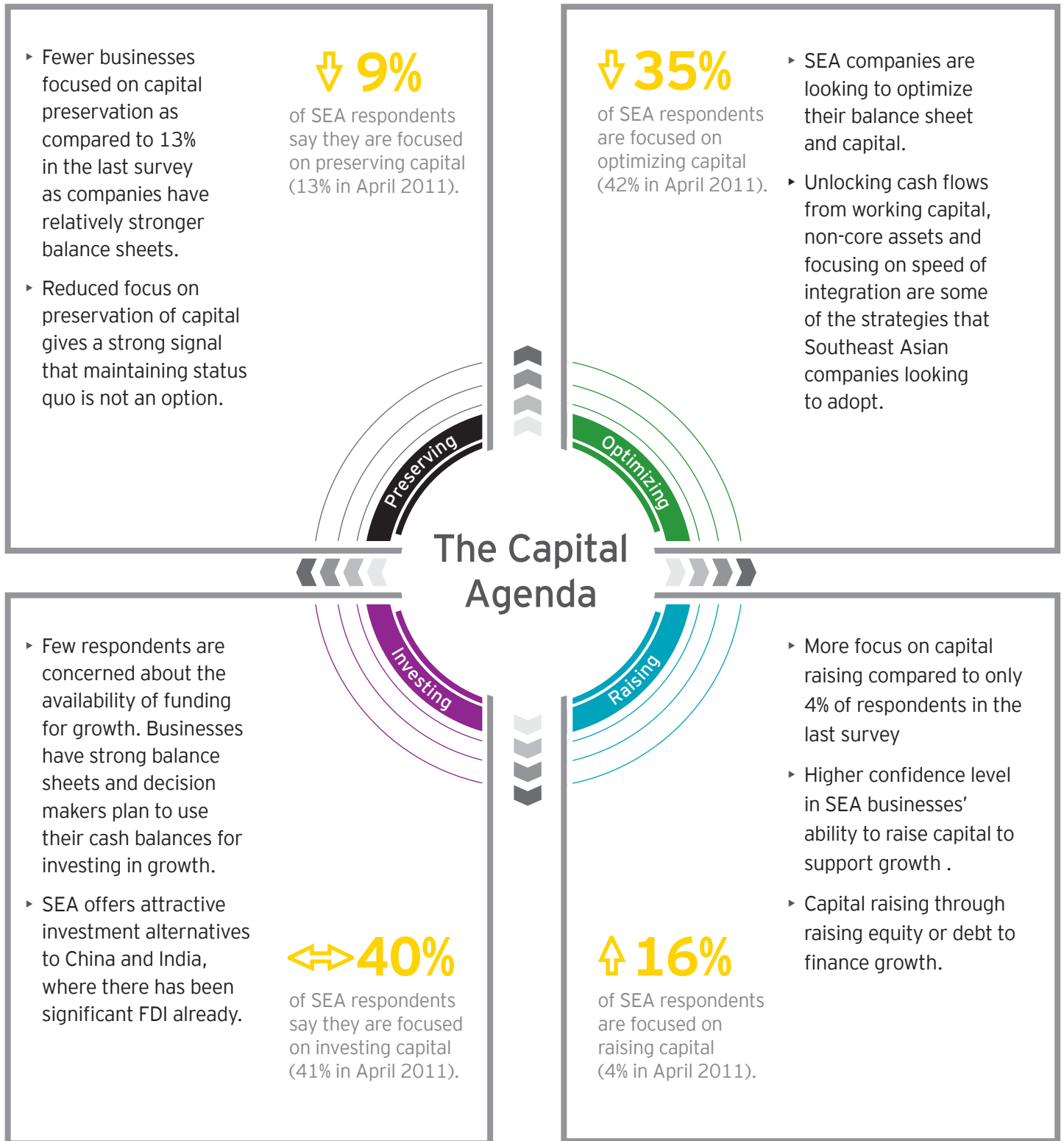
“Most of Southeast Asia corporates continue to be stable, liquid and well-positioned to ride the stability. It is not a surprise that growth remains high on their capital agenda.”

Harsha Basnayake,
Southeast Asia and Singapore Leader,
Transaction Advisory Services

Key highlights

Trends in the corporate capital agenda

We asked participants on which capital management issue their company is placing the most attention and resources.

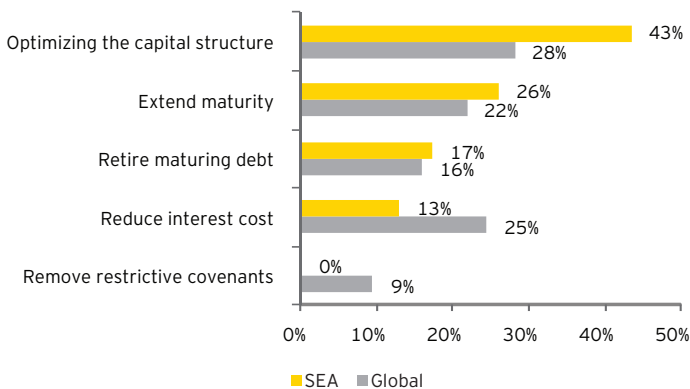


“ High confidence in cash and credit availability to support growth and expansion plans”

Confidence in credit availability

SEA's confidence in credit availability to support growth plans is high as 91% of respondents say that capital market conditions are stable or positive. More companies are taking advantage of available credit markets as 30% of respondents expect to refinance in the next 12 months compared to 19% in the April 2011 survey. Companies are taking advantage of the availability of the lower cost of debt to enable them to opportunistically improve capital structures, extend maturity and reduce borrowing costs.

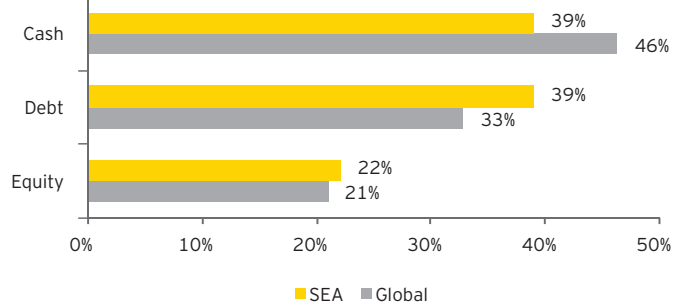
What will be the primary purpose of your refinancing?



Cash remains the primary funding source for deals

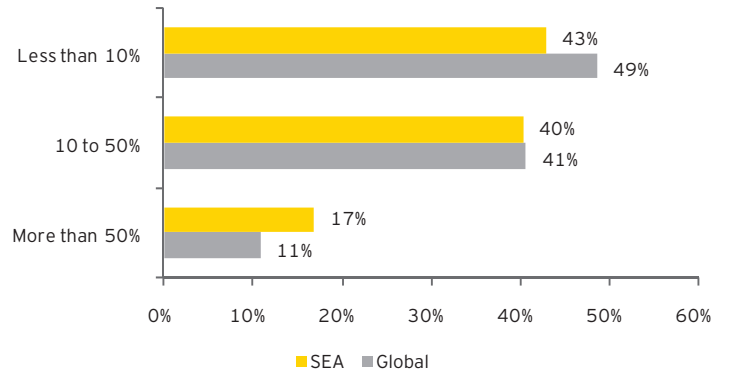
With high cash balances nearly two third plan to use cash or equity as their primary funding source for deals. Forty three percent of SEA respondents expect acquisitions in the next 12 months to be funded with less than 10% of debt. This demonstrates that a large number of SEA businesses have healthy balance sheets requiring minimal debt to expand the business.

What is your likely primary source of deal financing in the next 12 months?



In addition, lower balance sheet leverage coupled with credit availability has meant that debt continues to remain a viable source of funding for 39% of the respondents.

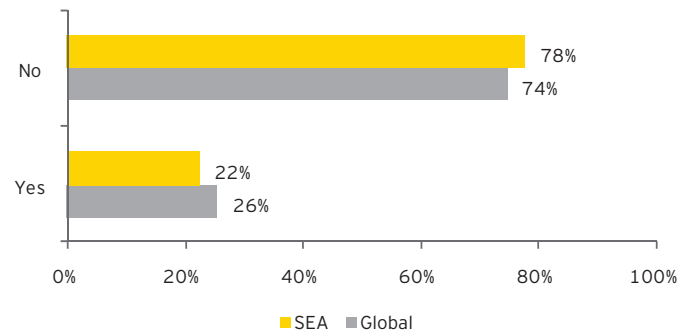
What % of your acquisition funding in the next 12 months will be in the form of debt?



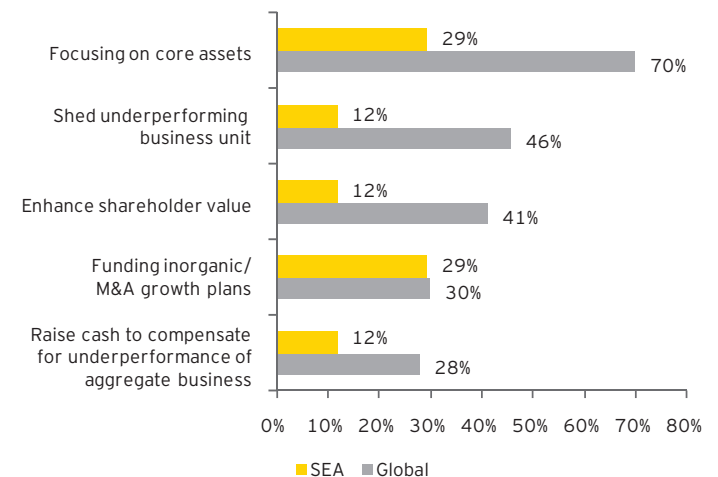
Capital raising through divestments to fund growth plans

Capital raising through divestments is also a viable option as 22% of SEA companies are likely to make asset sales or divestments in the next 12 months. For the majority of respondents, this surplus cash will be used to fund both organic and inorganic growth.

Is your company likely to make asset sales / divestments in the next 12 months?



What are the main drivers of your company's planned divestment activity?



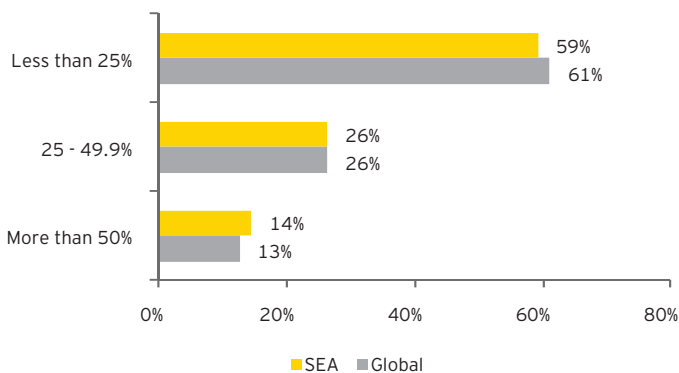
Optimizing

“Capital optimization critical to achieving business strategy”

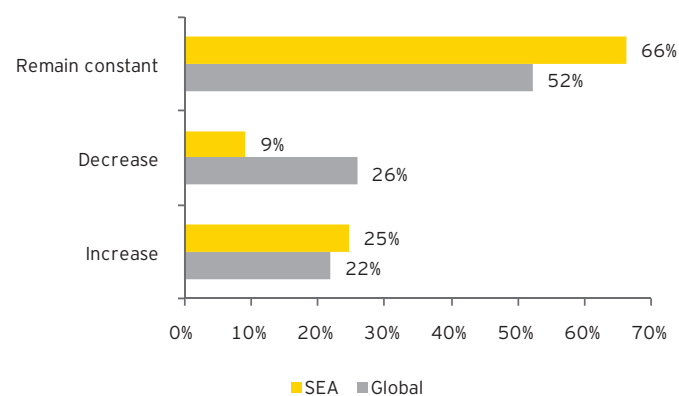
Leverage levels are low and expected to remain low

Despite a high level of confidence in local credit markets, global capital market volatility has influenced SEA companies to continue to remain cautious and maintain a healthy balance sheet as they continue to pursue organic and inorganic growth opportunities. Fifty percent of respondents have a debt-to-capital ratio of less than 25%. Sixty six percent plan to maintain their debt leverage ratio over the next 12 months.

What is your current debt to capital ratio?



How do you expect your debt to capital ratio to change over the next 12 months?



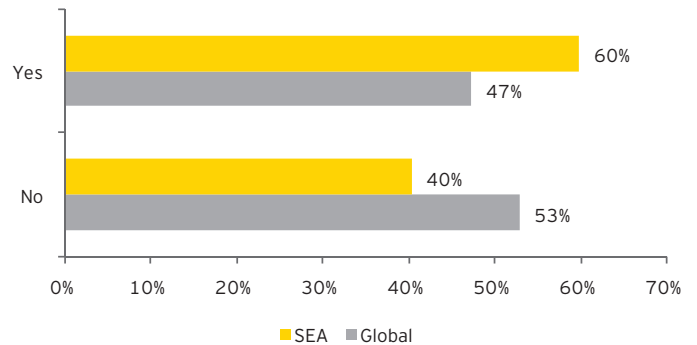
Opportunities to unlock capital

Unlocking capital through better working capital management, divestment of underperforming businesses and focused and speedy integration of acquired businesses are some of the key opportunities that Southeast Asian respondents have identified.

Optimizing capital from acquisitions

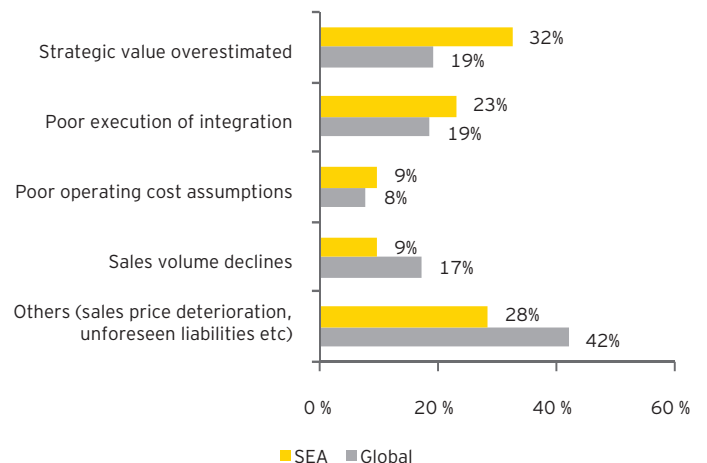
When exploring their options for financing deals, 60% of respondents say they viewed the excess working capital of an acquired company as a source of deal funding.

Do you view excess working capital of an acquired company as a source of deal funding?



Poor execution of integration was identified by 23% of respondents as one of the most significant issues that contributed to M&A deals not meeting expectations. A number of businesses undergoing organic and inorganic growth may not have sufficient management bandwidth to effectively execute a multi-platform integration strategy. This creates a significant value opportunity for SEA businesses to release cash and improve profitability.

For transactions completed recently, what were the most significant issues that contributed to deals not meeting expectations?

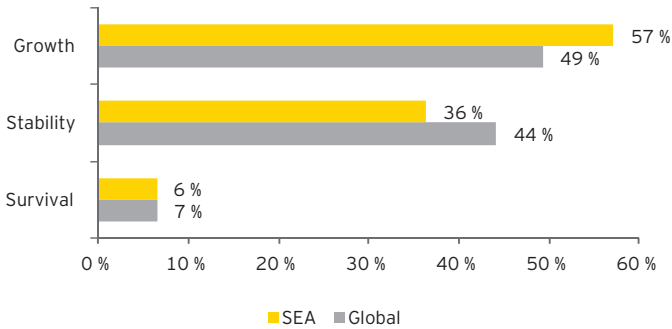


“Organic and inorganic growth continue to be the strongest focus”

Growth and stability is the primary focus for SEA respondents

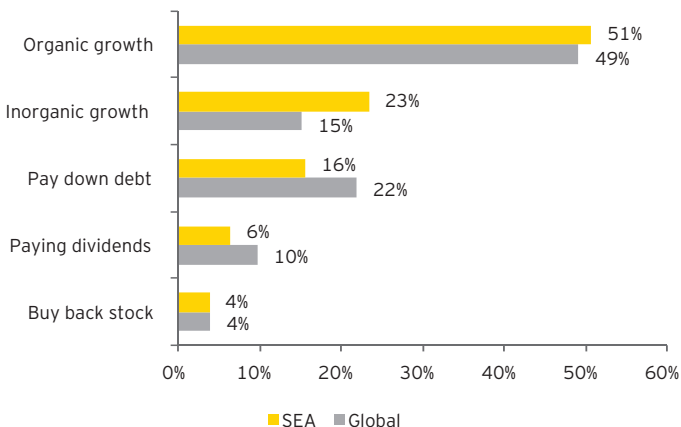
The majority of SEA respondents are focused on investing to grow their business in the next 12 months. More than a third of respondents are focused on maintaining stability in their businesses and only 6% of respondents are concerned about survival in the next 12 months.

Which statement best describes your organization's focus over the next 12 months?



For those respondents with excess cash in the next 12 months, nearly three-quarters intends to invest in organic and inorganic growth. In contrast, only 15% of global respondents with excess cash intend to pursue inorganic growth, suggesting that the SEA region may continue to experience a steady volume of M&A activity in the next 12 months. Few SEA respondents plan to use their excess cash for de-leveraging, dividend payouts and stock buybacks suggesting that the businesses continue to be confident of the long term growth opportunities in the region.

If you have excess cash, which of the following will be your focus over the next 12 months?



M&A deal activities:

At the global level:

	Global response			SEA response		
	Positive	Stable	Negative	Positive	Stable	Negative
Number of deal opportunities	18%	41%	40%	16%	34%	51%
Quality of deal opportunities	23%	44%	33%	19%	39%	42%
Likelihood of closing deals	25%	44%	31%	16%	32%	52%

At the local/home level:

	Global response			SEA response		
	Positive	Stable	Negative	Positive	Stable	Negative
Number of deal opportunities	38%	46%	16%	36%	51%	13%
Quality of deal opportunities	33%	49%	18%	31%	45%	23%
Likelihood of closing deals	33%	49%	18%	40%	43%	17%

Acquisitions an integral part of growth strategy

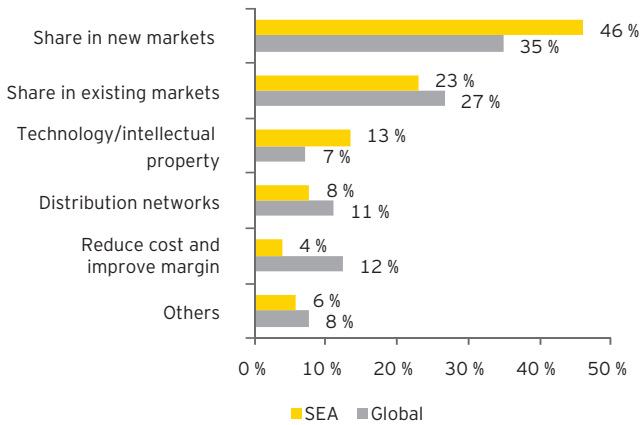
The majority of businesses are looking at M&A opportunities which has improved compared to our previous survey. Given the uncertainty in the global economy, SEA businesses are focusing on the familiar with 70% of respondents looking to invest in Asia-Pacific. Other than China and India, there is growing investment interest in Malaysia, Singapore, Indonesia, Vietnam and Thailand. This theme resonates with 50% of global respondents who indicate that they are also focused on the Asia-Pacific region for inorganic growth.

Key countries in which you are most likely to invest in Asia-Pacific:

Global response	SEA response
1. China	1. China
2. India	2. India
3. Australia	3. Malaysia
4. Singapore	4. Singapore
5. Malaysia	5. Indonesia
6. Indonesia	6. Vietnam
7. Vietnam	7. Australia
8. Japan	8. Thailand
9. Korea, South	9. Philippines
10. Philippines	10. Taiwan

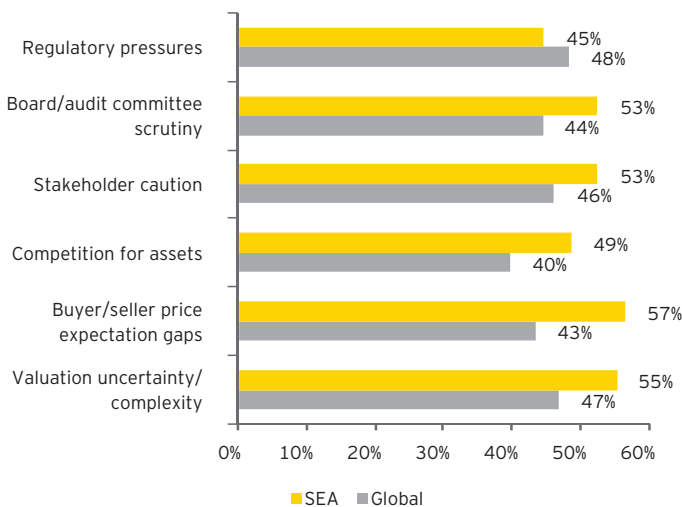
A growing number of SEA businesses are familiar with multiple geographic locations in the region and understand the market dynamics and risk. The driving force behind M&A activity for SEA businesses in the local region are to gain new market share or increase existing market share.

What are the main drivers of your company's planned acquisition in your chosen market/country?



Increased confidence in the region together with increased buyer appetite for SEA M&A activity from both local and global players has impacted price expectation. According to 57% of respondents, the gap between buyers' and sellers' price expectation has increased. As SEA businesses look to expand out of the local market, differences in rules and regulations across the various jurisdictions in SEA and Asia-Pacific have increased the uncertainty and complexity of deals according to 55% of respondents. Additionally this has contributed to increased board and audit committee scrutiny and shareholder caution when pursuing M&A activity.

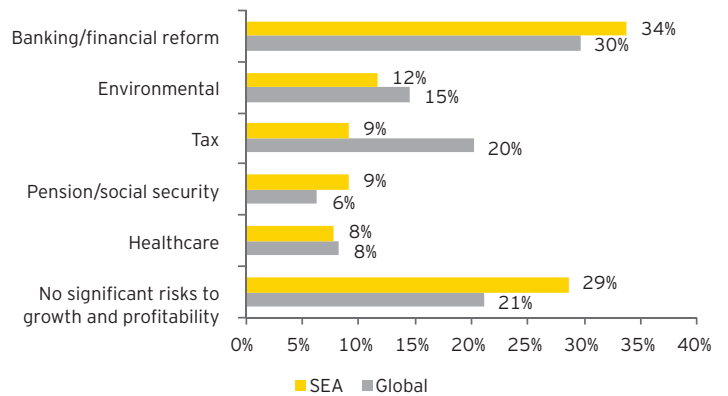
Which of the following have increased over the last 6 months?



Impact of regulatory environment on growth plans

Over 70% of SEA respondents are concerned about the increasing impact of regulatory pressures on growth. Banking and financial reform and environmental regulatory changes are the two most concerning regulatory constraints.

What areas of regulation pose the most significant risks to growth and profitability for your organization over the next 12 months?



Looking outside the Asia-Pacific region

Outside the Asia-Pacific, SEA businesses (40%) are confident about the number of deal opportunities available globally. North America and Europe remain attractive for 34% of respondents looking to expand operations. The strengthening of SEA currencies against the USD and Euro provides an opportunity for SEA businesses to expand their footprint into new markets or to acquire technological knowhow and intellectual property which can be replicated in the local market.

Key countries in which you are most likely to invest outside of Asia-Pacific:

Global response	SEA response
1. United States	1. United States
2. Brazil	2. Egypt
3. Germany	3. Brazil
4. United Kingdom	4. Germany
5. France	5. Netherlands
6. Canada	6. Turkey
7. Russia	7. United Kingdom

Preserving

“ Preserving capital is not the focus for most SEA businesses”

Preserving capital is not a priority for SEA companies as there is sufficient availability of capital and liquidity in the market. Few SEA companies are in survival mode and are not focusing on preservation of capital as a result of continued organic growth, improving confidence levels in corporate earnings and emergence of SEA economies. Only 6% of respondents are focused on survival over the next 12 months.

Companies have learnt from the global financial crisis. They have de-leveraged and preserved cash, resulting in strong balance sheets and stable or improving corporate performance. Few are focused on capital preservation among SEA respondents compared to the last survey.

“Malaysia continues to be a favored investment destination in the region as companies continue to actively look at growth opportunities. This is supported by high levels of liquidity in this market which is reflected in the increased M&A activity in 2011.”

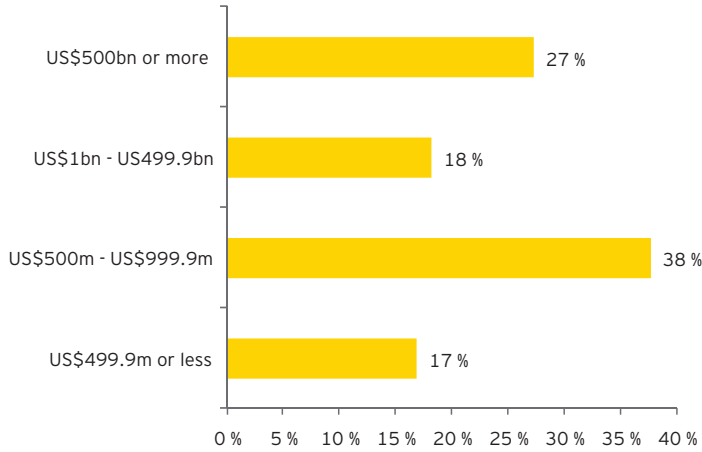
George Koshy,
Malaysia Market Leader, Transaction Advisory Services

“Volatility in the stock markets will result in a gap between market valuations and the confidence that Southeast Asian corporates currently have about their businesses. This is going to create opportunities for Private Equity funds in Southeast Asia.”

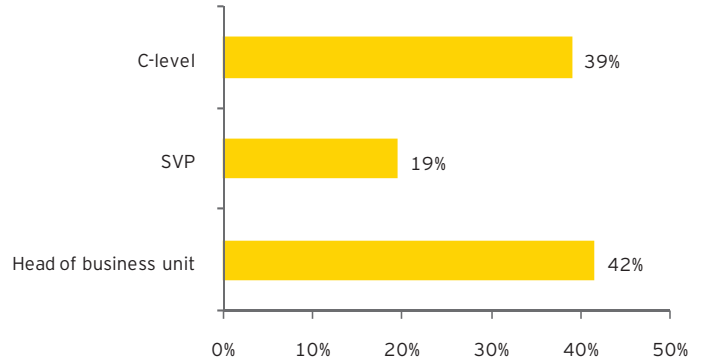
Luke Pais,
Southeast Asia Private Equity Leader, Transaction Advisory Services

Survey demographics (Southeast Asia)

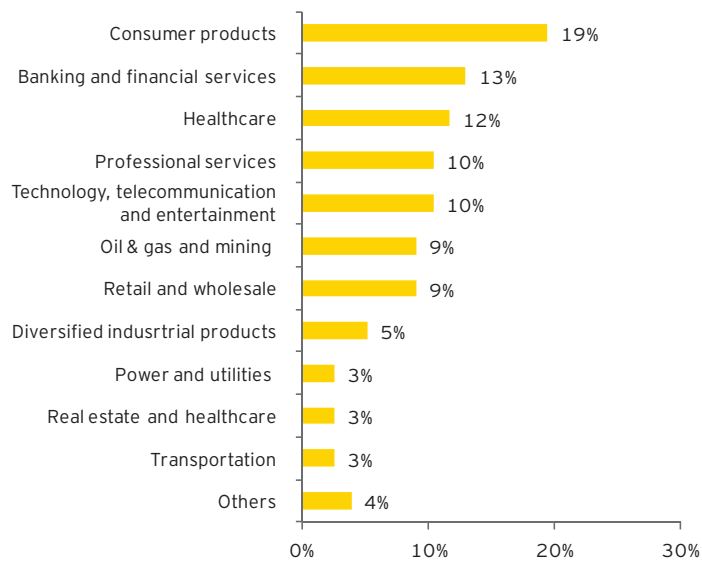
What are your company's annual global revenues in US\$?



What is your position in the organization?



What is your primary industry?



What best describes your company?

