

## INVESTOR RELATIONS

F&N Group is committed to providing the investment community with accurate and complete information in a timely and consistent way. It has consistently communicated its business strategies, growth drivers and operational direction to investors and analysts on an on-going basis via multiple communication platforms, including analyst and media briefings, press releases, annual reports and website. Such commitment is to ensure investors have easy access to information on the Group so that they can effectively evaluate the company and make informed investment decisions.

Senior management meets analysts and fund managers frequently through one-on-one or group meetings, conference calls, F&N Corporate Day and post-results luncheons. It also interacts with existing and potential investors at investment conferences hosted by various major financial institutions. Some of the conferences the Group participated in this year included the Bank of America Merrill Lynch Asian Stars 2011, BNP Paribas ASEAN Conference, HSBC Inaugural ASEAN Conference, Deutsche Bank Access Malaysia and Singapore Corporate Day, Nomura Asia Equity Forum and DBS Vickers Pulse of Asia Conference in Singapore, and Credit Suisse Asian Investment Conference and the 18<sup>th</sup> CLSA Investors' Forum in Hong Kong. Through these conferences and non-deal roadshows in Singapore, Hong Kong, Frankfurt, Paris, London and the US, senior management met or spoke with over 400 investors this year. Such communication platforms provided for increased awareness and enhanced understanding of the Group among the investment community.

### Awards and Recognition

F&N has been placed 7<sup>th</sup> for this year's Governance and Transparency Index (GTI). The GTI, which ranks all companies listed on the Singapore Exchange on their governance standards, financial transparency and investor relations, was launched by Singapore's Corporate Governance and Financial Reporting Centre and The Business Times.

Finance Asia recently revealed poll results for their 11th annual poll of Asia's top companies. F&N was listed amongst the top 10 Singapore companies for Best Managed Company, Best Investor Relations and Best Corporate Social Responsibility awards.



Recently, in recognition of its outstanding efforts in improving Corporate Governance standards, the Group emerged the winner of the Singapore Corporate Governance Award 2011, a SIAS Investors' Choice Award. In the same event, the Group was also named runner-up for the Most Transparent Company Award 2011 in the Multi-Industry Conglomerates category.

### Analyst coverage:

**11 brokerage houses provide research coverage on F&N as at 30<sup>th</sup> September 2011**

Bank of America Merrill Lynch International  
 CIMB Research  
 CLSA Limited  
 DBS Vickers Securities Pte Ltd  
 Deutsche Bank Securities  
 Goldman Sachs & Co.  
 HSBC Global Research  
 IIFL Capital  
 Kim Eng Research  
 Nomura  
 OSK Research

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## TREASURY HIGHLIGHTS

The Group aims to maintain a prudent financial structure to ensure that it will be able to access adequate capital at favourable terms. Its three businesses, namely Food & Beverage, Properties and Publishing & Printing, remain the main sources of cash flows generated for the Group. Management monitors the Group's cash flow position, debt maturity profile, cost of funds, interest rates exposures and overall liquidity position on a continuous basis. To ensure that the Group has adequate overall liquidity to finance its operations and investment requirements, it maintains a significant amount of available banking facilities with a large number of banks, allowing its continued access to the debt markets.

In FY2011, the Group's balance sheet strengthened further. Net Group Borrowings (net of cash) dropped from \$2.9 billion to \$2.4 billion during the year. Coupled with a 11.1% increase in total equity, to \$7.7 billion, Group Net Gearing (borrowings less cash) fell to 30.6%, a significant improvement from 41.4% recorded in the previous year. The reduced net borrowings was attributed to cash collection from the strong pipeline of pre-sold development projects in Singapore and overseas, stable cashflow generated from investment properties, sale of assets, as well as from the cash generative Food & Beverage business. The Group expects to receive more than \$650 million in cash from its existing pre-sold projects for the new financial year ending 30 September 2012.

Finance cost in FY2011 was \$142.8 million (of which \$71.2 million was capitalised), 23.9% lower than the previous year's finance cost of \$187.6 million (of which \$97.1 million was capitalised) mainly due to lower borrowings and lower interest rates.

### Source of Funding

Besides cash flow from its businesses, the Group also relies on debt capital markets, equity market and bilateral banking facilities for its funding. As at 30 Sep 2011, the Group has \$4.7 billion in banking facilities, \$1.0 billion in Transferable Term Loan Facilities and \$2.8 billion (Group consolidated share) in Medium Term Note ("MTN") Programmes to meet its funding requirements.

### Available Bank Lines by Banks as at 30 Sep 2011

The Group maintains an active relationship with a network of more than 25 banks of various nationalities, located in various countries where the Group operates. Its five principal bankers are Bank of Tokyo-Mitsubishi UFJ, Ltd, DBS Bank Ltd, Overseas-Chinese Banking Corporation, Standard Chartered Bank and United Overseas Bank Limited.

The Group continues to adopt the philosophy of engaging the banks as its core business partners, which has served it well in the recent financial turbulence. It continues to receive very strong support from its relationship banks across all segments of its businesses. Total banking facilities (utilised and unutilised) extended to the Group as at 30 Sep 2011 amounted to \$4.7 billion. The principal bankers of the Group provided 65% of these banking facilities. All banking relationships for the entire Group are maintained by Corporate Treasury in Singapore.

### Debt Capital Markets

The Group has various MTN Programmes in place to tap the debt capital market. F&N Treasury Pte Ltd has a \$2.0 billion MTN Program, Asia Pacific Breweries Limited has a \$1.0 billion Program, Frasers Centrepoint Trust has a \$500 million MTN Program and Fraser and Neave Holdings Bhd has a RM1 billion MTN Program.

During the year, the Group further diversified its sources of funding by issuing \$300 million fixed rate bonds to retail investors under F&N Treasury Pte Ltd. A \$220 million, 2.48%, 5-year fixed rate bonds maturing on 28 Mar 2016, and a \$80 million, 3.15%, 7-year fixed rate bonds maturing 28 Mar 2018 were placed out to and subscribed by retail and institutional investors on 28 Mar 2011. These bonds are listed on the Singapore Exchange Securities Trading Limited. The net proceeds raised from the bond offerings were used to fund Singapore property development projects namely Palm Isles at Flora Drive and Water Town at Punggol Central.

### Maturity Profile of Group Debt (includes Finance Leases)

Maturing within one year	\$ 747m
Maturing within 1 to 2 years	\$ 592m
Maturing within 2 to 5 years	\$2,070m
Maturing after 5 years	\$ 554m
	<u>\$3,963m</u>

As at the date of this report, the Group has already refinanced or repaid \$212 million of debts maturing within the next 12 months, to 30 Sep 2012. For the remaining \$535 million due by 30 Sep 2012, the Group currently has more than sufficient resources to repay these loans as and when they fall due without having to refinance these loans.

### Interest Rate Profile and Derivatives

The Group manages its interest cost by maintaining a prudent mix of fixed and floating rate borrowings. On a portfolio basis, 56% of the Group's borrowings are in fixed rates (including floating rate borrowings that have been fixed with interest rate swaps) with an average fixed rate tenor of 3.4 years as at 30 Sep 2011. The remaining 44% of the Group's borrowings are in floating rates as at 30 Sep 2011. The floating rate loan portfolio allows the Group to maintain a flexible maturity profile to support divestments and cash inflows from sales of development property where debt can be reduced quickly.

In managing the interest rate profile, the Group takes into account the interest rate outlook, expected cash flow generated from its business operations, holding period of long term investments and any acquisition and divestments plans.

The Group makes use of interest rates derivatives for the purpose of hedging interest rates risks and managing its portfolio of fixed and floating rate borrowings. The Group does not engage in trading in interest rates derivatives. The Group's total interest rate derivatives and the mark to market values as at 30 Sep 2011 are disclosed in the financial statement in Note 37.

### Gearing and Interest Cover

The Group aims to keep the Group Net Gearing below 80%. As at 30 Sep 2011, this ratio was 30.6%. Total interest paid during the year amounted to \$142.8 million, of which \$71.2 million was capitalised as part of Properties Under Development. The net interest charged to profit statement for the year was \$53.9 million and net interest cover was at 21.4 times. Net Borrowings over PBITDA was at 1.8 times.

### Foreign Exchange Risks and Derivatives

The Group has exposure to foreign exchange risk as a result of transactions denominated in foreign currencies, arising from normal trading and investment activities. Where exposures are certain, it is the Group's policy to hedge these risks as they arise. For those exposures less certain in their timing and extent, it is the Group's policy to cover 50% to 90% of anticipated exposures for a maximum period of 12 months forward. The Group uses foreign currency forward exchange contracts and certain currency derivatives to manage these foreign exchange risks.

The Group does not engage in trading of foreign exchange and foreign exchange derivatives. The Group uses foreign exchange contracts and derivatives solely for hedging actual underlying foreign exchange requirements in accordance with

hedging limits set by the Audit Committee and the Board under the Group Treasury Policy. These policies are reviewed regularly by the Audit and Executive Committees to ensure that the Group's policies and guidelines are in line with the Group's foreign exchange risk management objectives.

The Group's foreign exchange contracts and derivatives and the mark to market values as at 30 Sep 2011 are disclosed in the financial statement in Note 37.

The Group does not hedge its foreign exchange risks of its investments in overseas subsidiary, joint venture and associated companies. Such investments are long term in nature and therefore not feasible and economical to hedge. The Group only hedges the dividends cash flows payable from its overseas subsidiary, joint venture and associated companies.

### Use of Proceeds from Issue of Shares

Pursuant to the subscription in Jan 2007 by Seletar Investments Pte Ltd (a subsidiary of Temasek Holdings (Private) Limited) of an aggregate 205.5 million new shares in the Company (the "Subscription Shares") representing approximately 14.9% of the enlarged share capital of the Company, the Company received aggregate issue proceeds of approximately \$900 million (the "Net Proceeds") for the Subscription Shares. The Net Proceeds is to be used for working capital, making new investments in food and beverage businesses, and for growing the Company's existing and new food and beverage businesses.

Pursuant to Rule 1207(20) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the following is a status report on the usage of the Net Proceeds.

For the year ended 30 Sept 2011, the Company's Food and Beverage Division<sup>(1)</sup> had deployed a total of \$71.1 million from the Net Proceeds (including \$26.4 million in acquiring the King's Creameries group of companies), for purposes of making new investments in, and to grow, the Company's Food and Beverage business. A brief breakdown of such usage is set out below.

Acquisitions	\$ 26.4m
Capital expenditure	\$ 17.9m
Brand-building investment (advertising and promotions)	\$ 20.6m
Corporate development and new markets	\$ 6.2m
	<u>\$ 71.1m</u>

**Note:**

(1) Excludes Asia Pacific Breweries Limited and Fraser & Neave Holdings Bhd.