



## **Results Briefing for 2Q FY12 and 1H FY12**

**3 November 2011**

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**1 Overview**

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- **1H FY12**
  - Total cash earnings<sup>(1)</sup> of S\$ 19.2 million, 53.1% lower than 1H FY11
- **2Q FY12**
  - Total cash earnings<sup>(1)</sup> of S\$ 15.6 million, compared to S\$ 23.1 million in 2Q FY11
- CitySpring will pay a distribution per unit (“DPU”) of 0.82 Singapore cents for 2Q FY12, which is equivalent to 3.28 Singapore cents on an annualised basis, and targets the same quarterly DPU for the remainder of this FY12

(1) *Cash earnings is defined as EBITDA adjusted for cash and non-cash items, less cash interest, cash tax, upfront financing fees and maintenance capital expenditure and before principal repayment of debt and non-controlling interest*

### City Gas

- City Gas recorded lower cash earnings of \$6.2 million for the quarter compared to \$13.1 million in 2Q FY11 due mainly to under recovery of fuel costs.
- Its customer base grew by 2.4% from 626,000 as at the end of 2Q FY11 to about 641,000 as at the end of 2Q FY12.
- City Gas recorded 4% higher average daily town gas sales volume in 2Q FY12 compared to that in the previous corresponding quarter.
- Town gas volume growth has improved for most segments of the market served by City Gas compared to a year ago, and in particular, the hospitality and F&B segments were key contributors to this growth.
- City Gas has obtained approval from the Energy Market Authority to adjust its general gas tariff upwards by 8% from 1 November 2011.

**SingSpring**

- SingSpring achieved total cash earnings of S\$4.5 million for the quarter, compared to S\$ 4.7 million in 2Q FY11.
- SingSpring continues to maintain record of 100% availability and met all the terms under the Water Purchase Agreement with the PUB.
- For 2Q FY12, SingSpring supplied an average of 33,741 m<sup>3</sup> of water per day to PUB, representing about 25% of the SingSpring plant capacity.

### Basslink

- Basslink achieved cash earnings of A\$ 5.9 million for the quarter, compared to A\$ 6.3 million in 2Q FY11.
- Lower cash earnings was due mainly to payment of early redemption guarantee fee of A\$2.2 million in relation to the purchase and cancellation of A\$170 million Basslink bonds due August 2017 which was partly offset by lower negative CRSM<sup>(1)</sup> payment and higher contributions by Basslink Telecoms.
- Achieved cumulative availability of 99.95% for the 9 months ended 30 September 2011.
- Basslink Telecoms has contributed more than 10% of Basslink Group 2Q FY12 revenue.

*(1) Commercial Risk Sharing Mechanism ("CRSM") is a mechanism provided under the Basslink Services Agreement ("BSA") between Hydro Tasmania and Basslink for the sharing of the market risk associated with participating in the National Electricity Market of Australia. The objective of the parties in setting this mechanism was for the net payments to be zero in the long term, though there is no assurance such objective could be met. However, in the short term, CRSM payments could fluctuate and affect the revenues of Basslink under the BSA. CRSM payments are based on the differences between the high and low Victorian electricity pool prices, subject to a maximum of a +25% increase (i.e., a payment to Basslink) and -20% decrease (i.e., a payment from Basslink) of the unadjusted facility fee under the BSA.*

- Completed an 11-for-20 Rights Issue on 12 September 2011
- Net proceeds of S\$205.1 million was raised
- Subscription rate was 130.05%
- Number of units in issue increased from 979.9 million to 1,518.9 million
- Following the Rights Issue, Temasek's unitholding in CitySpring increased from 27.9% to 37.4%
- S\$201.3 million of the proceeds were used to purchase and cancel A\$170 million of Basslink bonds due August 2017



### Update

- On 11 October 2011, S&P affirmed the Basslink bonds' rating at BBB- and revised the bonds' outlook to stable from negative. The A\$20 million escrow amount for the benefit of Basslink has also been released from the escrow account.

### Background

- As part of the acquisition in August 2007, Basslink issued three bonds maturing in 2015, 2017 and 2019. The bonds comprise A\$486 million floating rate bonds due August 2015, and two tranches of A\$190 million fixed rate capital indexed bonds due August 2017 and August 2019 respectively.
- These bonds were rated BBB- and Baa2 by Standard & Poor's ("S&P") and Moody's respectively.
- In November 2010, S&P placed the bonds' BBB- rating on CreditWatch with negative implications. In February 2011, S&P removed the CreditWatch and affirmed the bonds' rating at BBB- with a negative outlook after CitySpring placed A\$20 million in escrow for the benefit of Basslink.
- On 30 September 2011, Basslink bought back and canceled A\$170 million of the Basslink bonds due August 2017.

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3 Subsidiaries' Financial Results

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# Group Financial Results

## Group Consolidated Income Statement

	2Q FY12	2Q FY11		1H FY12	1H FY11	
	Actual S\$'000	Actual S\$'000	Change %	Actual S\$'000	Actual S\$'000	Change %
<b>Revenue</b>	116,546	103,794	12.3	227,210	207,664	9.4
<b>Other income</b>	1,259	1,528	(17.6)	2,253	2,228	1.1
<b>Other gain/(losses) - net</b>	17,938	1,159	N/M	18,207	(149)	N/M
<b>Total expenses</b>	(132,567)	(108,341)	(22.4)	(256,439)	(214,656)	(19.5)
<b>Profit/(loss) before fair value changes on DFI and income tax</b>						
	3,176	(1,860)	N/M	(8,769)	(4,913)	(78.5)
Fair value loss on DFI	(6,160)	(145)	N/M	(7,648)	(6,257)	(22.2)
<b>Loss before income tax</b>	(2,984)	(2,005)	(48.8)	(16,417)	(11,170)	(47.0)
Income tax expense	(21,837)	(1,619)	N/M	(22,699)	(14,310)	(58.6)
<b>Net loss after income tax</b>	(24,821)	(3,624)	N/M	(39,116)	(25,480)	(53.5)
<b>EBITDA</b>	<b>37,445</b>	<b>31,829</b>	<b>17.6</b>	<b>59,633</b>	<b>56,550</b>	<b>5.5</b>
<b>Cash earnings <sup>(1)</sup></b>	<b>15,553</b>	<b>23,111</b>	<b>(32.7)</b>	<b>19,179</b>	<b>40,911</b>	<b>(53.1)</b>
<b>Cash earnings less NCI</b>	<b>14,451</b>	<b>21,952</b>	<b>(34.2)</b>	<b>17,012</b>	<b>38,755</b>	<b>(56.1)</b>

N/M - Not meaningful

DFI - Derivative financial instruments

NCI - Non-controlling interest

(1) Cash earnings is defined as EBITDA adjusted for cash and non-cash items, less cash interest, cash tax, upfront financing fees and maintenance capital expenditure and before principal repayment of debt and non-controlling interest

	2Q FY12	2Q FY11	1H FY12	1H FY11
	S\$'000	S\$'000	S\$'000	S\$'000
Cash Earnings	15,553	23,111	19,179	40,911
Applied as follows:				
Principal Repayment of Subsidiary Entity Loan	(2,369)	(2,325)	(4,739)	(4,575)
Non-controlling interest	(1,102)	(1,159)	(2,167)	(2,156)
Distribution to Unitholders	(12,455)	(10,289)	(22,744)	(20,578)

Group cash earnings for 2Q FY12 also includes the contribution of S\$0.4 million from CityNet for the first time. CityNet, a wholly-owned subsidiary of CitySpring, was established recently. It was awarded the mandate by SingTel to act as trustee-manager of NetLink Trust on 22 July 2011.

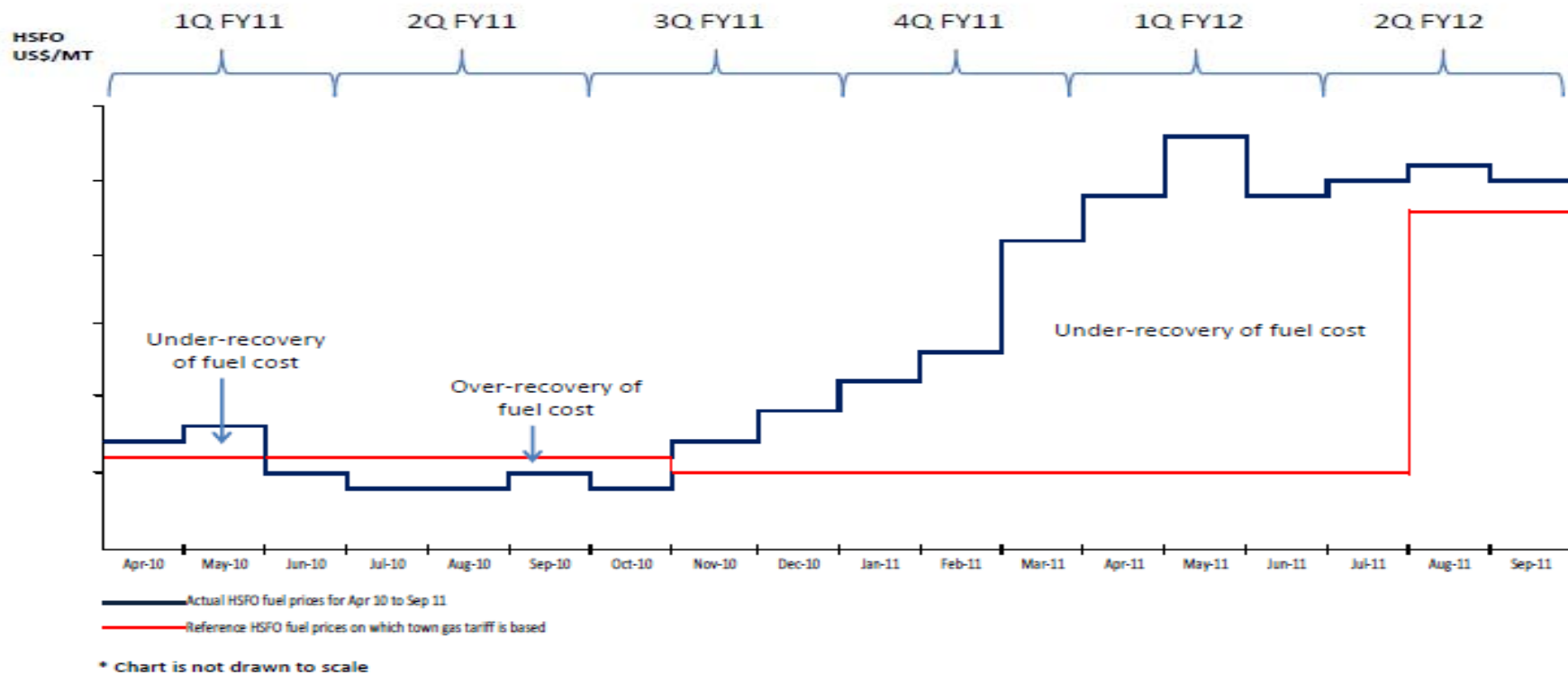
We measure our performance using cash earnings, instead of accounting profits or losses. Accounting profits are affected by non-cash items such as depreciation and amortisation, accounting taxes and etc. Cash earnings, on the other hand, serves as a better indicator of our performance to our Unitholders.

The lower cash earnings was mainly due to:

**Time lag in reflecting the cost pass-through in tariffs.** The sharp increase in fuel cost for City Gas in 2Q FY12 is not fully reflected in the tariffs. The tariff adjustments mechanism is designed to ensure that we fully recover our fuel costs over a period of time

**Payment of early redemption guarantee fee of A\$2.2 million (approximately S\$2.8 million)** in relation to the purchase and cancellation of A\$170 million of Basslink bonds (see “Basslink Bonds’ Credit Rating” slide for more details) which was offset by lower negative CRSM and a higher contributions by Basslink Telecoms

Cash earnings at City Gas can be affected by movements in fuel costs. This is because City Gas can only change the tariffs at which it charges its customers once every three months, whereas fuel costs fluctuate on the open market more frequently. From quarter to quarter, there is potentially a mis-match between City Gas’ fuel costs and tariffs, although the tariff adjustments mechanism is designed to ensure that City Gas fully recovers its fuel costs over a period of time. As shown in the chart below, actual fuel cost from November 2010 to September 2011 was much higher than the reference fuel cost assumed in the tariff set for the period, resulting in significant accumulated under-recovery. City Gas is expected to recover the under-recovery of fuel cost over time.



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**3 Subsidiaries' Financial Results**

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	2Q FY12	2Q FY11		1H FY12	1H FY11	
	Actual S\$'000	Actual S\$'000	Change %	Actual S\$'000	Actual S\$'000	Change %
<b>Revenue</b>	85,016	77,088	10.3	166,308	152,301	9.2
<b>Other income</b>	195	252	(22.6)	426	338	26.0
<b>Other (losses)/gains - net</b>	(594)	18	N/M	(522)	5	N/M
<b>Expenses</b>						
Fuel and electricity costs	(45,072)	(31,292)	(44.0)	(88,352)	(63,694)	(38.7)
Transportation costs	(20,321)	(19,142)	(6.2)	(40,457)	(37,887)	(6.8)
Depreciation and amortisation	(3,759)	(3,945)	4.7	(7,660)	(7,845)	2.4
Staff costs	(4,596)	(4,326)	(6.2)	(8,436)	(6,904)	(22.2)
Finance costs <sup>(1)</sup>	(7,495)	(7,484)	(0.2)	(14,888)	(14,886)	-
Other operating expenses	(7,945)	(8,301)	4.3	(15,245)	(15,717)	3.0
<b>Total expenses</b>	(89,188)	(74,490)	(19.7)	(175,038)	(146,933)	(19.1)
<b>(Loss)/profit before income tax</b>	(4,571)	2,868	N/M	(8,826)	5,711	N/M
Income tax credit/(expense)	628	(504)	N/M	1,276	(986)	N/M
<b>Net (loss)/profit after income tax</b>	(3,943)	2,364	N/M	(7,550)	4,725	N/M
<b>EBITDA</b>	<b>6,665</b>	<b>14,282</b>	<b>(53.3)</b>	<b>13,683</b>	<b>28,415</b>	<b>(51.8)</b>
<b>Cash earnings</b>	<b>6,205</b>	<b>13,120</b>	<b>(52.7)</b>	<b>10,267</b>	<b>26,220</b>	<b>(60.8)</b>

<sup>(1)</sup> Includes QPDS interest payable to CitySpring

City Gas Trust recorded cash earnings of S\$6.2 million in 2Q FY12 compared to S\$13.1 million in 2Q FY11. This was due mainly to the impact of time-lag in the adjustment of gas tariffs to reflect actual fuel cost. The tariff setting mechanism is designed to ensure that City Gas fully recovers fuel costs over a period of time.



	2Q FY12	2Q FY11		1H FY12	1H FY11	
	Actual S\$'000	Actual S\$'000	Change %	Actual S\$'000	Actual S\$'000	Change %
<b>Revenue</b>	9,459	9,312	1.6	18,880	19,943	(5.3)
<b>Other income</b>	2	560	(99.6)	3	562	(99.5)
<b>Expenses</b>						
Fuel and electricity costs	(2,962)	(2,829)	(4.7)	(5,981)	(6,594)	9.3
Depreciation and amortisation	(912)	(912)	-	(1,824)	(1,824)	-
Operation and maintenance costs	(1,746)	(1,711)	(2.0)	(3,466)	(3,843)	9.8
Finance costs <sup>(1)</sup>	(2,305)	(2,480)	7.1	(4,622)	(4,973)	7.1
Other operating expenses	(310)	(457)	32.2	(641)	(815)	21.3
<b>Total expenses</b>	<b>(8,235)</b>	<b>(8,389)</b>	<b>1.8</b>	<b>(16,534)</b>	<b>(18,049)</b>	<b>8.4</b>
<b>Profit before income tax</b>	<b>1,226</b>	<b>1,483</b>	<b>(17.3)</b>	<b>2,349</b>	<b>2,456</b>	<b>(4.4)</b>
Income tax expense	(211)	(271)	22.1	(404)	(444)	9.0
<b>Net profit after income tax</b>	<b>1,015</b>	<b>1,212</b>	<b>(16.3)</b>	<b>1,945</b>	<b>2,012</b>	<b>(3.3)</b>
<b>EBITDA</b>	<b>4,441</b>	<b>4,874</b>	<b>(8.9)</b>	<b>8,792</b>	<b>9,250</b>	<b>(5.0)</b>
<b>Cash earnings</b>	<b>4,493</b>	<b>4,683</b>	<b>(4.0)</b>	<b>8,852</b>	<b>8,817</b>	<b>0.4</b>

<sup>(1)</sup> Includes QPDS interest payable to CitySpring and NCI

SingSpring desalination plant continues to achieve 100% availability and recorded cash earnings of S\$4.5 million in 2Q FY12 compared to S\$4.7 million in 2Q FY11.

	2Q FY12	2Q FY11		1H FY12	1H FY11	
	Actual A\$'000	Actual A\$'000	Change %	Actual A\$'000	Actual A\$'000	Change %
<b>Revenue</b>	16,820	14,187	18.6	31,969	28,860	10.8
<b>Other income</b>	409	433	(5.5)	768	871	(11.8)
<b>Other gains - net</b>	15,012	15	N/M	15,019	15	N/M
<b>Expenses</b>						
Fuel and electricity costs	(71)	(69)	(2.9)	(144)	(139)	(3.6)
Depreciation and amortisation	(7,052)	(7,023)	(0.4)	(14,100)	(14,080)	(0.1)
Staff costs	(678)	(708)	4.2	(1,350)	(1,155)	(16.9)
Operation and maintenance costs	(1,050)	(1,059)	0.8	(3,953)	(2,042)	(93.6)
Finance costs	(18,517)	(14,109)	(31.2)	(32,708)	(28,099)	(16.4)
Other operating expenses	(1,516)	(1,382)	(9.7)	(2,681)	(2,129)	(25.9)
<b>Total expenses</b>	(28,884)	(24,350)	(18.6)	(54,936)	(47,644)	(15.3)
<b>Profit/(loss) before fair value changes</b>						
on DFI and income tax	3,357	(9,715)	N/M	(7,180)	(17,898)	59.9
Fair value loss on DFI	(4,746)	(123)	N/M	(5,876)	(5,098)	(15.3)
<b>Loss before income tax</b>	(1,389)	(9,838)	85.9	(13,056)	(22,996)	43.2
Income tax expense	(17,019)	(680)	N/M	(18,002)	(10,469)	(72.0)
<b>Net loss after income tax</b>	(18,408)	(10,518)	(75.0)	(31,058)	(33,465)	7.2
<b>EBITDA</b>	<b>23,796</b>	<b>10,861</b>	<b>119.1</b>	<b>33,014</b>	<b>18,312</b>	<b>80.3</b>
<b>Cash earnings</b>	<b>5,910</b>	<b>6,273</b>	<b>(5.8)</b>	<b>5,409</b>	<b>8,755</b>	<b>(38.2)</b>

Basslink's cash earnings for 2Q FY12 was A\$5.9 million compared to A\$6.3 million in 2Q FY11. The lower cash earnings was due mainly to payment of A\$2.2 million early guarantee redemption fee which was partially offset by lower negative CRSM payments (2Q FY12: negative A\$ 3.5 million; 2Q FY11: negative A\$ 5.6 million) and higher contributions from its telecoms services.

# Appendix

# Group Financial Results

## Group Consolidated Balance Sheet

	As at 30 Sept 11 \$'000	As at 31 Mar 11 \$'000
<b>ASSETS</b>		
Cash and bank deposits	151,593	159,094
Derivative financial instruments	3,861	87,687
Trade and other receivables	57,459	49,802
Inventories	12,738	13,184
Intangibles	420,842	428,063
Finance lease receivables	167,616	171,368
Property, plant and equipment	1,179,995	1,234,503
Other assets	10,451	7,570
<b>Total assets</b>	<b>2,004,555</b>	<b>2,151,271</b>
<b>LIABILITIES</b>		
Trade and other payables	85,940	80,812
Derivative financial instruments	18,936	16,500
Borrowings	1,324,498	1,566,247
Notes payable to non-controlling interest	15,000	15,000
Other payables	114,343	115,400
<b>Total liabilities</b>	<b>1,558,717</b>	<b>1,793,959</b>
<b>Net Assets</b>	<b>445,838</b>	<b>357,312</b>
Units in issue	886,731	680,245
Hedging reserve	(111,766)	(56,785)
Translation reserve	(18,400)	(16,489)
Accumulated losses	(319,865)	(259,586)
	436,700	347,385
Non-controlling interest	9,138	9,927
<b>Total Unitholders' funds</b>	<b>445,838</b>	<b>357,312</b>

# Group Financial Results

## Group Consolidated Cash Flow Statement

	2Q FY12 Actual S\$'000	2Q FY11 Actual S\$'000	1H FY12 Actual S\$'000	1H FY11 Actual S\$'000
<b>Cash flows from operating activities</b>				
Net loss after income tax	(24,821)	(3,624)	(39,116)	(25,480)
Non-cash adjustments	49,364	35,585	87,297	88,505
Operating cash flow before working capital changes	24,543	31,961	48,181	63,025
Changes in operating assets and liabilities	(7,153)	100	(29,655)	(18,309)
<b>Net cash generated from operating activities</b>	<b>17,390</b>	<b>32,061</b>	<b>18,526</b>	<b>44,716</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(1,440)	(535)	(2,146)	(603)
Proceeds from sale of property, plant and equipment	162	-	166	-
<b>Net cash used in investing activities</b>	<b>(1,278)</b>	<b>(535)</b>	<b>(1,980)</b>	<b>(603)</b>
<b>Cash from financing activities</b>				
(Increase)/decrease in restricted cash	(3,533)	122	(5,288)	(323)
Repayment of borrowings and purchase and cancellation of bonds	(200,160)	(2,325)	(202,530)	(4,575)
Net proceeds raised from issue of units	205,107	-	205,107	-
Payment of loan upfront fee	-	-	(3,979)	-
Distributions paid to unitholders of the Trust	(10,289)	(10,289)	(20,578)	(20,578)
Distributions paid by subsidiary to non-controlling interest	(360)	(600)	(720)	(960)
<b>Net cash used in financing activities</b>	<b>(9,235)</b>	<b>(13,092)</b>	<b>(27,988)</b>	<b>(26,436)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>6,877</b>	<b>18,434</b>	<b>(11,442)</b>	<b>17,677</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>80,608</b>	<b>96,185</b>	<b>98,825</b>	<b>98,928</b>
<b>Effect of currency translation on cash and cash equivalents</b>	<b>(677)</b>	<b>1,609</b>	<b>(575)</b>	<b>(377)</b>
<b>Cash and cash equivalents at end of the period <sup>(1)</sup></b>	<b>86,808</b>	<b>116,228</b>	<b>86,808</b>	<b>116,228</b>

<sup>(1)</sup> Excludes restricted cash of S\$64,785 and S\$34,118 respectively

	2Q FY12 Actual S\$'000	2Q FY11 Actual S\$'000	1H FY12 Actual S\$'000	1H FY11 Actual S\$'000
<b>EBITDA</b>	<b>37,445</b>	<b>31,829</b>	<b>59,633</b>	<b>56,550</b>
<b>Add/(less):</b>				
Other cash receipts	8,382	8,401	9,902	10,193
Net finance costs	(19,519)	(16,187)	(36,639)	(32,406)
Payment of loan upfront fees & legal fees	-	-	(3,979)	-
Fair value loss on DFI	6,160	145	7,648	6,257
Unit issue expenses charged to income statement	1,378	-	1,378	-
Gain associated with purchase and cancellation of Basslink bonds	(19,417)	-	(19,417)	-
Other non-cash flow expenses	1,398	(952)	1,672	457
Maintenance capital expenditure incurred	(454)	(125)	(1,019)	(140)
<b>Cash earnings</b>	<b>15,553</b>	<b>23,111</b>	<b>19,179</b>	<b>40,911</b>
Less: Cash earnings attributable to NCI	(1,102)	(1,159)	(2,167)	(2,156)
<b>Cash earnings less NCI</b>	<b>14,451</b>	<b>21,952</b>	<b>17,012</b>	<b>38,755</b>

DFI – Derivative financial Instruments

NCI – Non-controlling interest