



Results Briefing for 3Q FY12

9 February 2012

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1 Overview

2 Group Financial Results

3 Subsidiaries' Financial Results

- **3Q FY12**
 - Total cash earnings⁽¹⁾ of S\$18.9 million, compared to S\$17.9 million in 3Q FY11
- **YTD FY12 (Apr to Dec 2011)**
 - Total cash earnings⁽¹⁾ of S\$38.1 million, 35.2% lower than corresponding period in FY11
- CitySpring will pay a distribution per unit (“DPU”) of 0.82 Singapore cents for 3Q FY12, and targets to maintain the same distribution for 4Q 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 S\$9.7 million for the quarter compared to S\$12.8 million in 3Q FY11 due mainly to under recovery of fuel costs.
- Its customer base grew by 2.3% from 626,000 as at the end of 3Q FY11 to about 647,400 as at the end of 3Q FY12.
- City Gas recorded 3% higher average daily town gas sales volume in 3Q 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 1.3% from 1 February 2012.

SingSpring

- SingSpring achieved total cash earnings of S\$4.5 million for the quarter, compared to S\$4.3 million in 3Q FY11.
- SingSpring continues to maintain record of 100% availability and met all the terms under the Water Purchase Agreement with the PUB.
- For 3Q FY12, SingSpring supplied an average of 35,893 m³ of water per day to PUB, representing about 26% of the SingSpring plant capacity.

Basslink

- Basslink achieved cash earnings of A\$5.1 million for the quarter, compared to A\$2.2 million in 3Q FY11.
- Higher cash earnings was due mainly to lower negative CRSM⁽¹⁾ payment and lower finance costs after the purchase and cancellation of A\$170 million Basslink bonds.
- Achieved cumulative availability of 98.64% for the 12 months ended 31 December 2011.
- Basslink Telecoms has contributed more than 10% of Basslink Group 3Q 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.

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	3Q FY12	3Q FY11		9M FY12	9M FY11	
	Actual S\$'000	Actual S\$'000	Change %	Actual S\$'000	Actual S\$'000	Change %
Revenue	125,483	107,005	17.3	352,693	314,669	12.1
Other income	1,244	919	35.4	3,497	3,147	11.1
Other gains/(losses) - net	1,708	569	200.0	19,915	420	N/M
Total expenses	(126,966)	(109,686)	(15.8)	(383,405)	(324,342)	(18.2)
Profit/(loss) before fair value changes on DFI and income tax						
	1,469	(1,193)	N/M	(7,300)	(6,106)	(19.6)
Fair value (loss)/gain on DFI	(1,460)	376	N/M	(9,108)	(5,881)	(54.9)
Profit/(loss) before income tax						
	9	(817)	N/M	(16,408)	(11,987)	(36.9)
Income tax (expense)/credit	(3,480)	11,071	N/M	(26,179)	(3,239)	N/M
Net (loss)/profit after income tax						
	(3,471)	10,254	N/M	(42,587)	(15,226)	(179.7)
EBITDA	32,983	34,390	(4.1)	92,616	90,940	1.8
Cash earnings ⁽¹⁾	18,928	17,864	6.0	38,107	58,775	(35.2)
Cash earnings less NCI	17,826	16,812	6.0	34,838	55,567	(37.3)

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

	3Q FY12	3Q FY11	9M FY12	9M FY11
	S\$'000	S\$'000	S\$'000	S\$'000
Cash Earnings	18,928	17,864	38,107	58,775
Applied as follows:				
Principal Repayment of Subsidiary Entity Loan	(2,370)	(2,350)	(7,109)	(6,925)
Non-controlling interest	(1,102)	(1,052)	(3,269)	(3,208)
Distribution to Unitholders	(12,455)	(10,289)	(35,199)	(30,867)

Group cash earnings for 3Q FY12 also includes the contribution of S\$0.5 million from CityNet. CityNet, a wholly-owned subsidiary of CitySpring, 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 higher cash earnings was mainly due to:

Lower negative CRSM payment. CRSM was negative A\$3.6 million (approximately S\$4.7 million) for 3Q FY12 compared to negative A\$5.2 million (approximately S\$6.5 million) for 3Q FY11.

Lower finance costs arising from interest savings after the purchase and cancellation of Basslink bonds

Which was partially offset by:

Time lag in reflecting the cost pass-through in tariffs. The increase in fuel cost for City Gas in 3Q 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. City Gas has obtained approval from the Energy Market Authority to adjust its general gas tariff upwards by 1.3% from 1 February 2012. This followed a 9% increase in general gas tariff from 1 August 2011 and an 8% increase from 1 November 2011.

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	3Q FY12		3Q FY11		9M FY12		9M FY11	
	Actual S\$'000		Actual S\$'000	Change %	Actual S\$'000		Actual S\$'000	Change %
Revenue	92,853		78,144	18.8	259,161		230,445	12.5
Other income	319		181	76.2	745		519	43.5
Other gains/(losses) - net	443		(44)	N/M	(79)		(39)	(102.6)
Expenses								
Fuel and electricity costs	(46,907)		(32,365)	(44.9)	(135,259)		(96,059)	(40.8)
Transportation costs	(20,535)		(19,494)	(5.3)	(60,992)		(57,381)	(6.3)
Depreciation and amortisation	(3,739)		(3,946)	5.2	(11,399)		(11,791)	3.3
Staff costs	(5,083)		(4,258)	(19.4)	(13,519)		(11,162)	(21.1)
Finance costs ⁽¹⁾	(7,498)		(7,474)	(0.3)	(22,386)		(22,360)	(0.1)
Other operating expenses	(9,564)		(7,796)	(22.7)	(24,809)		(23,513)	(5.5)
Total expenses	(93,326)		(75,333)	(23.9)	(268,364)		(222,266)	(20.7)
Profit/(loss) before income tax	289		2,948	(90.2)	(8,537)		8,659	N/M
Income tax credit/(expense)	122		(513)	N/M	1,398		(1,499)	N/M
Net profit/(loss) after income tax	411		2,435	(83.1)	(7,139)		7,160	N/M
EBITDA	11,514		14,349	(19.8)	25,197		42,764	(41.1)
Cash earnings	9,664		12,820	(24.6)	19,931		39,040	(48.9)

⁽¹⁾ Includes QPDS interest payable to CitySpring

City Gas Trust recorded cash earnings of S\$9.7 million in 3Q FY12 compared to S\$12.8 million in 3Q 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.

	3Q FY12	3Q FY11		9M FY12	9M FY11	
	Actual S\$'000	Actual S\$'000	Change %	Actual S\$'000	Actual S\$'000	Change %
Revenue	9,731	9,557	1.8	28,611	29,500	(3.0)
Other income	1	1	-	4	563	(99.3)
Expenses						
Fuel and electricity costs	(3,152)	(2,980)	(5.8)	(9,133)	(9,574)	4.6
Depreciation and amortisation	(912)	(912)	-	(2,736)	(2,736)	-
Operation and maintenance costs	(1,806)	(1,779)	(1.5)	(5,272)	(5,622)	6.2
Finance costs ⁽¹⁾	(2,289)	(2,453)	6.7	(6,911)	(7,426)	6.9
Other operating expenses	(365)	(320)	(14.1)	(1,006)	(1,135)	11.4
Total expenses	(8,524)	(8,444)	(0.9)	(25,058)	(26,493)	5.4
Profit before income tax	1,208	1,114	8.4	3,557	3,570	(0.4)
Income tax expense	(207)	(197)	(5.1)	(611)	(641)	4.7
Net profit after income tax	1,001	917	9.2	2,946	2,929	0.6
EBITDA	4,408	4,477	(1.5)	13,200	13,727	(3.8)
Cash earnings	4,493	4,324	3.9	13,345	13,141	1.6

⁽¹⁾ 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 3Q FY12 compared to S\$4.3 million in 3Q FY11.

	3Q FY12	3Q FY11		9M FY12	9M FY11	
	Actual A\$'000	Actual A\$'000	Change %	Actual A\$'000	Actual A\$'000	Change %
Revenue	17,162	15,011	14.3	49,131	43,871	12.0
Other income	619	459	34.9	1,387	1,330	4.3
Other (losses)/ gains - net	(27)	(11)	(145.5)	14,992	4	N/M
Expenses						
Fuel and electricity costs	(64)	(64)	-	(208)	(203)	(2.5)
Depreciation and amortisation	(7,058)	(7,045)	(0.2)	(21,158)	(21,125)	(0.2)
Staff costs	(701)	(650)	(7.8)	(2,051)	(1,805)	(13.6)
Operation and maintenance costs	(1,373)	(1,041)	(31.9)	(5,326)	(3,083)	(72.8)
Finance costs	(12,505)	(14,168)	11.7	(45,213)	(42,267)	(7.0)
Other operating expenses	(1,094)	(678)	(61.4)	(3,775)	(2,807)	(34.5)
Total expenses	(22,795)	(23,646)	3.6	(77,731)	(71,290)	(9.0)
Loss before fair value changes on DFI and income tax	(5,041)	(8,187)	38.4	(12,221)	(26,085)	53.1
Fair value (loss)/gain on DFI	(1,119)	384	N/M	(6,995)	(4,714)	(48.4)
Loss before income tax	(6,160)	(7,803)	21.1	(19,216)	(30,799)	37.6
Income tax (expense)/credit	(2,515)	9,625	N/M	(20,517)	(844)	N/M
Net (loss)/profit after income tax	(8,675)	1,822	N/M	(39,733)	(31,643)	(25.6)
EBITDA	12,936	12,973	(0.3)	45,950	31,285	46.9
Cash earnings	5,060	2,244	125.5	10,469	10,999	(4.8)

Basslink's cash earnings for 3Q FY12 was A\$5.1 million compared to A\$2.2 million in 3Q FY11. The higher cash earnings was due to lower negative CRSM payment and lower finance costs arising from interest savings after the purchase and cancellation of Basslink bonds. CRSM was negative A\$3.6 million (approximately S\$4.7 million) for 3Q FY12 compared to negative A\$5.2 million (approximately S\$6.5 million) for 3Q FY11.

Appendix

	As at 31 Dec 11 S\$'000	As at 31 Mar 11 S\$'000
ASSETS		
Cash and bank deposits	152,045	159,094
Derivative financial instruments	-	87,687
Trade and other receivables	58,983	49,802
Inventories	12,881	13,184
Intangibles	420,288	428,063
Finance lease receivables	165,730	171,368
Property, plant and equipment	1,225,266	1,234,503
Other assets	9,254	7,570
Total assets	2,044,447	2,151,271
LIABILITIES		
Trade and other payables	79,163	80,812
Derivative financial instruments	24,567	16,500
Borrowings	1,372,891	1,566,247
Notes payable to non-controlling interest	15,000	15,000
Other payables	119,174	115,400
Total liabilities	1,610,795	1,793,959
Net Assets	433,652	357,312
Units in issue	886,731	680,245
Hedging reserve	(117,716)	(56,785)
Translation reserve	(8,692)	(16,489)
Accumulated losses	(336,090)	(259,586)
	424,233	347,385
Non-controlling interest	9,419	9,927
Total Unitholders' funds	433,652	357,312

Group Financial Results

Group Consolidated Cash Flow Statement

	3Q FY12 Actual S\$'000	3Q FY11 Actual S\$'000	9M FY12 Actual S\$'000	9M FY11 Actual S\$'000
Cash flows from operating activities				
Net (loss)/profit after income tax	(3,471)	10,254	(42,587)	(15,226)
Non-cash adjustments	37,503	24,061	124,800	112,566
Operating cash flow before working capital changes	34,032	34,315	82,213	97,340
Changes in operating assets and liabilities	(20,471)	(14,785)	(50,036)	(33,094)
Net cash generated from operating activities	13,561	19,530	32,177	64,246
Cash flows from investing activities				
Purchase of property, plant and equipment	(158)	(334)	(2,304)	(937)
Proceeds from sale of property, plant and equipment	16	7	182	7
Net cash used in investing activities	(142)	(327)	(2,122)	(930)
Cash from financing activities				
Decrease in restricted cash	25,298	871	20,010	548
Repayment of borrowings and purchase and cancellation of bonds	(2,370)	(2,350)	(204,900)	(6,925)
Net proceeds raised from issue of units	-	-	205,107	-
Payment of loan upfront fee	-	-	(4,069)	-
Distributions paid to unitholders of the Trust	(12,455)	(10,289)	(33,033)	(30,867)
Distributions paid by subsidiary to non-controlling interest	(450)	(510)	(1,170)	(1,470)
Net cash generated from/(used in) used in financing activities	10,023	(12,278)	(18,055)	(38,714)
Net increase in cash and cash equivalents	23,442	6,925	12,000	24,602
Cash and cash equivalents at beginning of the period	86,808	116,228	98,825	98,928
Effect of currency translation on cash and cash equivalents	1,046	69	471	(308)
Cash and cash equivalents at end of the period ⁽¹⁾	111,296	123,222	111,296	123,222

⁽¹⁾ Excludes restricted cash of S\$40,749 and S\$34,069 respectively

	3Q FY12	3Q FY11	9M FY12	9M FY11
	Actual	Actual	Actual	Actual
	S\$'000	S\$'000	S\$'000	S\$'000
EBITDA	32,983	34,390	92,616	90,940
Add/(less):				
Other cash receipts	1,548	1,593	11,450	11,786
Net finance costs	(14,995)	(16,807)	(51,634)	(49,213)
Payment of loan upfront fees & legal fees	-	-	(4,069)	-
Fair value loss/(gain) on DFI	1,460	(376)	9,108	5,881
Unit issue expenses charged to income statement	-	-	1,378	-
Gain associated with purchase and cancellation of Basslink bonds	-	-	(19,417)	-
Other non-cash flow expenses	(1,913)	(421)	(151)	36
Maintenance capital expenditure incurred	(155)	(515)	(1,174)	(655)
Cash earnings	18,928	17,864	38,107	58,775
Less: Cash earnings attributable to NCI	(1,102)	(1,052)	(3,269)	(3,208)
Cash earnings less NCI	17,826	16,812	34,838	55,567

DFI – Derivative financial Instruments

NCI – Non-controlling interest