



## **Results Briefing for 3Q FY09 (Oct - Dec 2008)**

**13 Feb 2009**

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**1** **Business Fundamentals**

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**2** Financial Results

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**3** Business Highlights

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- Economic conditions have been volatile. The macro factors that have an influence on CitySpring Group's financial performance are:
  - High Sulphur Fuel Oil price which had declined sharply over the last few months
  - Interest rates had fallen during the last few months
  - Likewise, A\$/S\$ had also fallen
- SingSpring and Basslink have long-term 20 to 25 years contracts respectively with state-owned utilities. These contracts are availability based and hence not affected by volume or utilization producing steady cash flows. As part of its active risk management policy, the Group may enter into long-term hedging contracts to protect these cash flows. This policy is consistent with the Group's stated objective of delivering regular and stable distributions to unitholders
- Accounting standards require these movements in the fair value of these hedge contracts to be recorded in the profit and loss statements and balance sheets which may have the resultant effect of reducing profit or net asset values. Due to the long term nature of these hedge contracts, movements in fair values can be significant
- However, such movements in the fair value are non-cash in nature, and do not reflect the fundamental value of the Group's businesses

Basslink, SingSpring and City Gas provide essential utility services to communities, and they continue to perform steadily.

	<b>Revenue Driver</b>	<b>Customer</b>
<b>Basslink</b>	<ul style="list-style-type: none"> <li>• &gt; 85% contracted revenue based on availability</li> </ul>	Hydro Tasmania
<b>SingSpring</b>	<ul style="list-style-type: none"> <li>• 100% contracted revenue based on availability</li> </ul>	Public Utilities Board
<b>City Gas</b>	<ul style="list-style-type: none"> <li>• Stable revenue from diverse and large customer base of &gt; 600,000.</li> </ul>	> 600,000 domestic, commercial and industrial customers

- Changes in fuel costs is expected to have no impact on City Gas on a long term basis, as fuel costs are passed through
- However, at any point in time, the actual tariff may not exactly match fuel costs as tariff changes are subject to a periodic regulatory process whereas fuel prices change daily. Short term impact may be evident if there are sharp changes in fuel prices
- Actual fuel cost for 3Q FY09 was much lower than the fuel cost assumed in the gas tariffs set for the quarter resulting in significant increase in City Gas' cash earnings. This compares with the lower cash earnings recorded for the previous quarter when fuel cost increased steeply
- City Gas has since reduced its gas tariffs from 1 Feb 2009

### **A\$ Interest Rate**

- Under the Basslink Services Agreement (“BSA”) and the Floating Interest Rate Tripartite Deed (“FIRD”), Hydro Tasmania and Basslink have agreed to make payments to each other of the difference between 3-month BBSW and a base interest rate of 4.847% p.a., on a notional level of debt financing of A\$625 million, amortising to A\$312 million for the initial 25-year initial term of the BSA.
- The FIRD provides an effective hedge for our A\$486m floating rate medium term notes due 2015 (“MTN”). There is however an excess amount of A\$139m under FIRD (“Over-Hedged FIRD”) that is unmatched by any underlying floating rate loan
- Historically 3-month BBSW has been significantly above 4.847%. However, under the present economic environment, management believes it is prudent to manage the possibility of 3-month BBSW dropping below 4.847%, as such drop would result in an amount payable to Hydro Tasmania
- Basslink has therefore purchased an interest rate floor in Nov 2008 to protect the Over-Hedged FIRD for a period of two years till Jan 2011. Basslink will therefore not be exposed to any BBSW rate movement below 4.847% till Jan 2011

### **S\$ Interest Rate**

- CitySpring’s interest cost for the corporate loan has decreased with the falling Singapore SOR

- Investment in Basslink is 75% funded by A\$ bonds and 25% by equity contribution from CitySpring
- Borrowings in local currency provides a natural hedge against foreign exchange exposure
- Sufficient A\$ cash is hedged to meet distribution requirement
- A\$/S\$ weakness will not affect our projected distribution for FY09



**1** Business Fundamentals

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**2** Financial Results

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**3** Business Highlights

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Consolidated Income Statement	3Q FY09		3Q FY08	9 mths period FY09		9 mths period FY08
	Actual	Projection	Actual	Actual	Projection	Actual
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Revenue	101,153	94,317	97,801	301,469	282,951	238,925
Other income	2,416	697	3,603	11,305	2,091	7,020
Total expenses	(101,739)	(104,151)	(104,537)	(328,883)	(312,453)	(243,876)
<b>Profit/(loss) before fair value changes on DFI and income tax</b>	1,830	(9,137)	(3,133)	(16,109)	(27,411)	2,069
Fair value (loss)/gain on DFI	(22,273)	-	5,378	(32,450)	-	3,415
<b>(Loss)/profit before income tax</b>	(20,443)	(9,137)	2,245	(48,559)	(27,411)	5,484
Income tax (expense)/credit	(793)	166	6,676	(1,035)	498	6,547
<b>Net (loss)/profit after income tax</b>	(21,236)	(8,971)	8,921	(49,594)	(26,913)	12,031
<b>EBITDA</b>	<b>13,011</b>	<b>26,883</b>	<b>37,905</b>	<b>55,011</b>	<b>80,649</b>	<b>66,092</b>
<b>Cash earnings <sup>(1)</sup></b>	<b>20,286</b>	<b>10,929</b>	<b>20,515</b>	<b>39,107</b>	<b>32,787</b>	<b>46,006</b>
<b>Cash earnings less MI</b>	<b>19,376</b>	<b>10,324</b>	<b>19,484</b>	<b>35,820</b>	<b>30,972</b>	<b>43,165</b>

DFI - Derivative financial instruments

- (1) Cash Earnings is defined as EBITDA adjusted for non-cash items and lease receivable, less cash interest, cash tax, upfront financing fees and maintenance capex, and before principal repayment of debt and minority interest

S\$'000	12 Feb to 31 Mar 07	1Q FY08	2Q FY08	3Q FY08	4Q FY08	1Q FY09	2Q FY09	3Q FY09
Cash Earnings	2,808	11,402	14,089	20,515	20,350	17,745	1,076	20,286
Principal Repayment of SingSpring Loan	(450)	(783)	(783)	(783)	(699)	(699)	(701)	(700)
Minority Interests	(350)	(868)	(944)	(1,030)	(881)	(1,138)	(1,239)	(910)
Distribution to Unitholders	(3,510)	(7,349)	(7,839)	(7,839)	(7,839)	(8,574)	(8,574)	(8,574)
<b>Net Balance</b>	<b>(1,502)</b>	<b>2,402</b>	<b>4,523</b>	<b>10,863</b>	<b>10,931</b>	<b>7,334</b>	<b>(9,438)</b>	<b>10,102</b>

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.

**1** Business Fundamentals

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**2** Financial Results

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**3** Business Highlights

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City Gas Financial Results	3Q FY09		3Q FY08
	Actual S\$'000	Projection S\$'000	Actual S\$'000
<b>Revenue</b>	78,623	64,938	63,903
<b>Other income</b>	251	273	421
<b>Operating expenses</b>			
Fuel and electricity costs	(27,857)	(28,343)	(27,950)
Transportation costs	(17,737)	(17,237)	(17,599)
Depreciation and amortisation	(4,013)	(4,028)	(3,999)
Staff costs	(3,928)	(4,175)	(4,021)
Finance costs <sup>(1)</sup>	(7,471)	(4,234)	(4,287)
Other operating expenses	(7,353)	(7,122)	(7,566)
<b>Total expenses</b>	<b>(68,359)</b>	<b>(65,139)</b>	<b>(65,422)</b>
<b>Profit/(loss) before income tax</b>	<b>10,515</b>	<b>72</b>	<b>(1,098)</b>
Income tax (expense)/credit	(1,869)	(20)	152
<b>Profit/(loss) after income tax</b>	<b>8,646</b>	<b>52</b>	<b>(946)</b>
<b>EBITDA</b>	<b>21,984</b>	<b>8,301</b>	<b>7,072</b>
<b>Cash earnings</b>	<b>20,946</b>	<b>7,198</b>	<b>6,143</b>

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

- City Gas recorded higher cash earnings than projected as fuel cost decreased sharply during the quarter whilst tariff remained at the approved level. City Gas has since reduced tariff rates from 1 Feb 2009
- Volume of gas sold increased by 6.9% over projection in 3Q
- Commercial sales – secured new contracts to supply town gas to 6 commercial buildings and 6 hawker centres
- Industrial sales – secured natural gas contracts with 2 large industrial customers

SingSpring Financial Results	3Q FY09		3Q FY08
	Actual S\$'000	Projection S\$'000	Actual S\$'000
<b>Revenue</b>	7,073	7,248	6,449
<b>Other income</b>	283	-	968
<b>Operating expenses</b>			
Fuel and electricity costs	(2,459)	(2,986)	(2,024)
Depreciation and amortisation	(912)	(910)	(912)
Operations & maintenance costs	(1,600)	(1,478)	(1,519)
Finance costs <sup>(1)</sup>	(2,064)	(2,265)	(2,201)
Other operating expenses	(223)	(372)	(195)
<b>Total expenses</b>	<b>(7,258)</b>	<b>(8,011)</b>	<b>(6,851)</b>
<b>Profit/(loss) before fair value changes on DFI and income tax</b>	98	(763)	566
Fair value (loss)/gain on DFI	(1,070)	-	628
<b>(Loss)/profit before income tax</b>	<b>(972)</b>	<b>(763)</b>	<b>1,194</b>
Income tax credit/(expense)	1,028	186	(341)
<b>Profit/(loss) after income tax</b>	<b>56</b>	<b>(577)</b>	<b>853</b>
<b>EBITDA</b>	<b>1,985</b>	<b>2,411</b>	<b>4,276</b>
<b>Cash earnings</b>	<b>3,852</b>	<b>2,829</b>	<b>4,252</b>

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

- SingSpring has shown steady financial performance
- SingSpring continues to achieve 100% water production availability
- From 16 Dec 2008, energy costs rebased in accordance with the principles set out in WPA based on the new contracted energy supply agreement

Basslink Financial Results	3Q FY09		3Q FY08
	Actual A\$'000	Projection A\$'000	Actual A\$'000
<b>Revenue</b>			
Facility fee	17,738	16,737	16,377
CRSM	(3,141)	-	4,094
Incentive availability adjustment	-	224	-
Unearned revenue for interest free loan	210	210	198
Telecoms Revenue	568	559	552
<b>Total revenue</b>	<b>15,375</b>	<b>17,730</b>	<b>21,221</b>
<b>Other income</b>	<b>1,306</b>	<b>325</b>	<b>1,490</b>
<b>Total expenses</b>	<b>(24,430)</b>	<b>(25,293)</b>	<b>(24,897)</b>
<b>Loss before fair value changes on DFI and income tax</b>	<b>(7,749)</b>	<b>(7,238)</b>	<b>(2,186)</b>
Fair value (loss)/gain on DFI	(18,455)	-	3,672
<b>(Loss)/profit before income tax</b>	<b>(26,204)</b>	<b>(7,238)</b>	<b>1,486</b>
Income tax credit	-	-	13,729
<b>(Loss)/profit after income tax</b>	<b>(26,204)</b>	<b>(7,238)</b>	<b>15,215</b>
<b>EBITDA</b>	<b>(4,293)</b>	<b>15,495</b>	<b>21,580</b>
<b>Cash earnings</b>	<b>2,866</b>	<b>3,443</b>	<b>10,664</b>

- Fair value loss on DFI is due to reduction in interest rates applied to fair value FIRD, which is a floating interest rate hedge with Hydro Tasmania
- During the quarter, Basslink entered into an interest rate floor to protect the Over-Hedged FIRD. The premium has been deducted from the quarter's cash earnings

# Appendix



Consolidated Balance Sheet	As at 31 Dec 08 S\$'000	As at 31 Mar 08 S\$'000
<b>ASSETS</b>		
Cash and cash equivalents	98,163	105,982
Derivative financial instruments	3,847	147,266
Trade and other receivables	51,945	57,004
Inventories	11,931	13,036
Intangibles	452,240	473,897
Finance lease receivable	187,115	192,131
Property, plant and equipment	1,043,223	1,308,973
Other assets	1,895	2,053
<b>Total assets</b>	<b>1,850,359</b>	<b>2,300,342</b>
<b>LIABILITIES</b>		
Trade and other payables	52,107	63,053
Derivative financial instruments	110,422	18,485
Borrowings	1,516,102	1,719,002
Notes payable to minority interest	15,000	15,000
Other liabilities	92,416	109,173
<b>Total liabilities</b>	<b>1,786,047</b>	<b>1,924,713</b>
<b>Net Assets</b>	<b>64,312</b>	<b>375,629</b>
Units in issue	451,157	451,157
Hedging reserve	(210,301)	(3,555)
Translation reserve	(32,247)	(6,376)
Accumulated losses	(156,515)	(81,715)
	52,094	359,511
Minority interest	12,218	16,118
<b>Total Unitholders' funds</b>	<b>64,312<sup>(1)</sup></b>	<b>375,629</b>

(1) The Unitholders' funds as at 31 December 2008 was lower as compared to 31 March 2008 due mainly to non-cash fair value loss on derivative financial instruments and effect of the translation of Basslink Group Assets

Consolidated Cash Flow Statement	3Q FY09 Actual S\$'000	3Q FY08 Actual S\$'000
<b>Cash flows from operating activities</b>		
Net (loss)/profit	(21,236)	8,921
Non-cash adjustments	57,919	23,286
Operating cash flow before working capital changes	36,683	32,207
Changes in operating assets and liabilities	(21,635)	(27,058)
<b>Net cash from operating activities</b>	<b>15,048</b>	<b>5,149</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(1,131)	(173)
Proceeds from sale of property, plant and equipment	-	397
Acquisition of subsidiaries net of cash acquired	-	(8,695)
<b>Net cash used in investing activities</b>	<b>(1,131)</b>	<b>(8,471)</b>
<b>Cash from financing activities</b>		
Increase in restricted cash	(353)	(835)
Repayment of borrowings	(700)	(783)
Distribution paid to unitholders of the Group	(8,575)	(7,839)
Distribution paid to minority interest	(810)	(141)
<b>Net cash used in financing activities</b>	<b>(10,438)</b>	<b>(9,598)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>3,479</b>	<b>(12,920)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>60,451</b>	<b>85,188</b>
<b>Effect of foreign exchange rate changes on consolidation</b>	<b>(2,647)</b>	<b>(1,534)</b>
<b>Cash and cash equivalents at end of the period <sup>(1)</sup></b>	<b>61,283</b>	<b>70,734</b>

<sup>(1)</sup> Excludes restricted cash of S\$36,880 and S\$37,923 respectively

Group Cash Earnings	3Q FY09		3Q FY08	9 mths period FY09		9 mths period FY08
	Actual	Projection	Actual	Actual	Projection	Actual
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>EBITDA</b>	<b>13,011</b>	<b>26,883</b>	<b>37,905</b>	<b>55,011</b>	<b>80,649</b>	<b>66,092</b>
<b>(Less)/ add:</b>						
Lease receivable repayment	1,678	1,657	1,619	5,016	4,971	4,839
Net finance cost	(21,303)	(22,163)	(21,398)	(63,487)	(66,489)	(33,409)
Non-cash interest indexation expense	5,786	4,101	3,733	16,347	12,303	4,760
Upfront fee for corporate loan	-	-	-	(7,797)	-	-
Fair value loss/(gain) on derivative financial instruments	22,273	-	(5,378)	32,450	-	(3,415)
Other non-cash flow expenses	(1,118)	588	4,207	2,010	1,764	7,405
Maintenance capital expenditure incurred	(41)	(137)	(173)	(443)	(411)	(266)
<b>Cash earnings</b>	<b>20,286</b>	<b>10,929</b>	<b>20,515</b>	<b>39,107</b>	<b>32,787</b>	<b>46,006</b>
Less: Cash earnings attributable to MI	(910)	(605)	(1,031)	(3,287)	(1,815)	(2,841)
<b>Cash earnings less MI</b>	<b>19,376</b>	<b>10,324</b>	<b>19,484</b>	<b>35,820</b>	<b>30,972</b>	<b>43,165</b>