



CHAIRMAN'S STATEMENT

I am pleased to report that the SPH Group performed very well in the Financial Year 2009/2010 after going through a difficult period following the US subprime crisis in 2008.

Our total revenue reached a record high of \$1.38 billion in FY 2010, an increase of 6 per cent against the previous year. The print business performed outstandingly well. Revenue from the newspaper and magazine segment grew by \$82 million to \$974 million. The growth came mainly from Display and Recruitment advertising. The Group's property segment delivered revenue of \$356 million with the last contributions from Sky@eleven and strong rental income from Paragon.

With the increase in revenue, the Group achieved a record operating profit of \$539 million. Net profit attributable to shareholders was \$498 million, 18 per cent higher than that of FY 2009.

This strong performance would not have been possible without the unfailing support of all our stakeholders – staff, unions, business associates, customers and readers.

Enhancing Core Business

SPH continued to enhance our core print business with new products and innovations in the past year.

One such innovation was 3-D advertising, launched in The Straits Times in May, the first time for an English daily in the region. This was followed by a similar launch in The New Paper. The project showcased SPH's ability to leverage on the latest technology and deliver value for our consumers and advertisers.

At the same time, the Group introduced several new publications. Lianhe Zaobao launched ZbBz, a monthly news magazine for the bilingual elites. Berita Harian started two weekly supplements for primary and secondary school students, called Gen G and i³ respectively.

SPH Magazines' luxury publication, The Peak, launched The Peak Selections: Gourmet & Travel featuring fine dining and gourmet travel, while ICON magazine extended the success of its brand with the inaugural issue of ICON Weddings. The Business Times also introduced a new bi-monthly magazine, The SME Magazine, featuring the latest news and developments on small and medium enterprises.

Several of our existing products were revamped and rejuvenated. These included the bilingual freesheet, My Paper, which changed its look and content to bring not just the best of both English and Chinese news coverage but also business and lifestyle content. Tamil Murasu, which celebrated its 75th anniversary this year, unveiled a bold new look. SPH's magazines like HardwareMAG Singapore and Simply Her also underwent revamps.

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Our print business has extended to book publishing with our subsidiary, Straits Times Press. Among the books published in the year was Page 2 Primer, a compilation of commentaries published in page 2 of The Straits Times, aimed at schools. Another was Eureka!, a collaboration with The Straits Times' Little Red Dot magazine, aimed at inspiring young children with life stories of history's greatest inventors and innovators.

To demonstrate our commitment to our core print business, we launched a \$45 million project to upgrade and rejuvenate our printing assets in April this year. In September, we introduced a new software system for our Classifieds business to raise productivity and serve our advertisers better.

Capturing Digital Audiences

At SPH, we aim to embrace new media and synergise it with our existing traditional media. The popularity of smart phones and e-gadgets has given rise to new business opportunities.

We launched new iPhone applications for several of our products, from The Straits Times, SoShiok.com and omy.sg to HardwareZone.com, The New Paper and Paragon. These applications proved popular with our readers and are among the most downloaded apps on the local Apple app store. Similar versions have also been adopted for the iPad. We remain poised to seize new opportunities which come our way.

Our portals had spearheaded new products to stay ahead of the game. Zaobao.com launched a literary website with Shanda Literature Singapore, allowing readers free access into a world of online Chinese literature. AsiaOne, The Straits Times RazorTV and Stomp brought online games to our users. To serve users better, ST701 improved its job and shopping spree sites, while ShareInvestor revamped its financial portal.

The SPH Magazines' corporate website and Herworld.com re-launched to promote greater interactivity with their audiences. To strengthen

its online offerings, SPH Magazines acquired a stake in Antarctica Interactive Private Limited, the holding company of the Luxury Insider Group. Its products include online publications like Luxury-Insider.com and Inluxe.cn, as well as the luxury print magazine Baccarat Magazine in Hong Kong.

Growing Adjacent Businesses

Our property segment had a successful year. Our condominium project development, Sky@eleven, obtained its Temporary Occupation Permit (TOP) in May. The project has enabled the Group to record a profit of \$475 million over the past four years. Paragon also completed its renovation works, greeting its shoppers with an elegant facade and new retail stores. SPH also added another mall to our portfolio - The Clementi Mall, which will be operational next year.

SPH MediaBoxOffice continued to expand its reach with new Digital Out-of-Home advertising solutions at 313@Somerset along Orchard Road. This included a large-façade LED screen and an in-mall video wall, the very first in its inventory of digital screens and one of the largest found in a shopping mall here.

Sphere Exhibits, barely a year after its incorporation, expanded into outdoor lifestyle events with Asia on the Edge 2009 held at the Arts House last September. Next year, it will make its foray into trade events with the launch of BuildTechAsia 2011 and InterDecAsia 2011.

To demonstrate our resolve to be a key player in the events industry, SPH acquired BizLink Exhibition Services Pte Ltd, and hosted its signature event, the Singapore Gifts & Premiums Fair, in July. Sphere will now also host exhibitions like COMEX, IT Show, World Food Fair, and Food and Beverage Fair.

Giving Back to Society

As we forge ahead to achieve organisational and business excellence, we have not ignored our role as a corporate citizen. In addition to collecting funds from the public, the Group in the Financial

Year 2009/2010 donated from its own funds more than \$6 million to support various innovative activities. Besides giving to the less fortunate and promoting the arts, SPH also contributed to sports, conservation and wildlife conservation efforts. We also launched a new initiative to set up a Staff Volunteers Club to promote volunteerism among our employees.

For our contributions to charity, both SPH and the SPH Foundation were honoured with a Corporate Platinum Award by the Community Chest. And for being a steadfast supporter of the arts and culture, SPH was awarded the Distinguished Patron of the Arts Award by the National Arts Council - for the 18th consecutive year - and a Partner of Heritage by the National Heritage Board.

Awards and Accolades

As a result of our commitment to excellence, we clinched numerous accolades this year. These included prestigious awards at the WAN-IFRA Asia Media Awards, MPAS Magazine Awards, Magnum Opus Awards, Asia Interactive Awards and PANPA Advertising Awards.

At the same time, our efforts to uphold strong corporate governance were recognised when we were ranked fifth in this year's Governance and Transparency Index, a big improvement from last year. We also won the Securities Investors Association's Most Transparent Company award in the Non-Electronics Manufacturing category for the ninth year. Going forward, we remain firmly committed to maintaining corporate transparency and enhancing shareholder value.

A Special Word of Thanks

I wish to express my heartfelt gratitude to our management, staff and unions for staying united and committed to the Company during the recent difficult times. They made a lot of sacrifices, including taking a pay cut. The Company has recognised this sacrifice by progressively restoring salaries in full and making ex-gratia payments.

We will continue to share the fruits of our enterprise with our staff through bonuses and increments.

To reward our loyal shareholders, the Board has recommended a final dividend of 20 cents per share, comprising a normal dividend of 9 cents and a special dividend of 11 cents. Including the interim dividend of 7 cents, the total dividend payout for the year will be 27 cents per share.

New SPH Director

I would like to take this opportunity to welcome our new board member, Ms Chong Siak Ching, who is the President and Chief Executive Officer of Ascendas Pte Ltd and Deputy Chairman of SPRING Singapore. With her experience and qualifications, Ms Chong is eminently qualified to contribute to the Board and the Company's growth.

Looking Ahead

SPH will continue to invest in the best talents and infrastructure to enhance our core business. We will leverage on the synergies among our various products to deliver value to all our stakeholders.

On behalf of the Board, I thank our management, staff, unions, business associates, customers, readers, investors and all other SPH stakeholders for their support this past year. I look forward to their continued support in the years ahead.



Dr Tony Tan Keng Yam
Chairman