

CHAIRMAN'S STATEMENT

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\$404.3
million

The past financial year saw a series of worrying events that impacted the world economy and businesses everywhere. Adverse developments in the Ukraine and the Middle East, on top of domestic policies to ease asset price inflation and restructure the economy, affected economic conditions in Singapore. Inevitably, this took a toll on SPH's performance.

Despite these adverse conditions, SPH managed to turn in a creditable performance in Financial Year 2013/2014 with a net profit of \$404.3 million. This represents a 6.2 per cent decrease compared to the last financial year. Group recurring earnings of \$349.0 million was lower by \$20.3 million, mainly attributable to lower contribution from the Newspaper segment. Higher contributions from property, magazine, exhibitions, radio and online classified ameliorated the drop.

Revenue from the Newspaper and Magazines business was \$931.7 million, a \$59.5 million or 6.0 per cent decline from last year. This was attributable to declines in both advertising revenue (\$51.3 million or 6.8 per cent) and circulation revenue (\$9.7 million or 4.9 per cent).

SPH celebrated its 30th anniversary as a merged, multi-lingual media company, with a variety of events and activities to engage the public. These

included the SPH Lucky 30 Draw and a birthday lunchtime concert at the newly renovated Victoria Concert Hall as part of SPH Gift of Music Series.

I am most proud of our 'See The Big Picture' campaign, where British artist and autistic savant Stephen Wiltshire was commissioned to draw the panoramic cityscape of Singapore at Paragon over a five-day period. The completed artwork was presented to President Tony Tan Keng Yam in September, as SPH's gift to the nation ahead of next year's 50th anniversary of Singapore's independence.

Enhancing our Core Media Products

Despite the growing number of alternative news sources and rapidly changing consumer habits, our media products continued to demonstrate adaptability and resilience, and remained relevant to our readers, advertisers and all our other stakeholders. All of our newsrooms have undergone major transformations to offer integrated print plus digital offerings throughout the day. A group-wide organisational review also yielded significant efficiency gains across the board. A new Media Strategy and Analytics Division was also set up to strengthen our analytics capability. I must commend the management team and our editors for their determined effort to reinvigorate our core media business.





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Newspapers

SPH's total newspaper circulation, covering both print and digital editions, averaged 1.07 million copies per day, a year-on-year increase of 1.7 per cent. This was achieved by continuing to excel in print while strengthening our presence in the digital space. The total daily average circulation (print and digital) of The Straits Times and The Sunday Times registered year-on-year growth of 2.2 per cent to 459,300. Lianhe Zaobao achieved year-on-year increase of 6.3 per cent to 183,300 total daily average circulation. The Business Times grew 14.2 per cent year-on-year to 48,200 total daily average circulation copies.

To keep pace with changing trends, several newspapers underwent revamps, including Lianhe Zaobao and Lianhe Wanbao. The Straits Times enhanced its digital offerings and made further gains in its all-in-one package. Berita Harian introduced its smartphone and tablet apps along with its new website, while The New Paper launched new apps for iPhone

and Android smartphones to mark the paper's 25th anniversary. These efforts and other innovations demonstrate our desire to continue to invest in our core products and deliver improved offerings to our customers.

Magazines

SPH Magazines maintained its dynamism in a crowded magazine market and turned in record-high profits. It won multiple awards and accolades for sterling editorial content, outstanding design and creative solutions. The growing number of digital editions of our magazines - at last count 70 of our magazines have launched digital editions - will continue to complement our print offerings. With presence in Malaysia, Hong Kong, China, India, Indonesia, Thailand, the Philippines and Vietnam, we hold a leading position in magazine publishing in Asia, with a suite of titles - our own titles such as Her World, our flagship in the women's segment, licensed titles such as Men's Health, as well as contract titles such as SilverKris.

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Digital

A new Digital Division was set up earlier this year to group together our full spectrum of standalone digital offerings - from Asiaone and Stomp to SPH Razor. The division has also established an SPH network and aims to be a one-stop analytics-driven solution to advertisers. The Group's digital technology resources have also been consolidated, with the aim of building up our in-house capability.

The Group's latest digital offerings, together with others launched in the past, show SPH's commitment to offer all our news and media products to consumers digitally - anywhere, anytime and on any device.

Beyond Singapore, our forays into online marketplaces continued to make headway. In September last year, 701Search, which operates the online classified companies Mudah.my (Malaysia), Berniaga.com (Indonesia), Ayosdito.ph (The Philippines) and Chotot.vn (Vietnam), welcomed Telenor ASA, Norway's leading telecommunications operator, as a third joint-venture partner in addition to Schibsted, the Norwegian media group. With this strategic move, 701Search is able to reap synergies leveraging on Telenor's established Asian telecommunications network, mobile internet capabilities and subscriber base.

Growing our Adjacent Businesses

Our adjacent businesses have made good progress. On the property front, our third property offering, The Seletar Mall, is slated to open at the end of the year. Paragon, our premier upscale retail mall and medical suite/office property located in the heart of Orchard Road, and The Clementi Mall, a suburban mall in Clementi, were injected into SPH REIT and listed on the Singapore Stock Exchange. The REIT's share price has performed very well, reflecting the good performance of the business with its quarterly distribution consistently exceeding its forecast.

Sphere Exhibits, SPH's events and exhibitions arm, organised more than 30 exhibitions and conferences in Singapore, Malaysia, Myanmar and

the Philippines. Through its subsidiary BizLink Exhibition Services, it also launched the inaugural International Franchise & Business Opportunities in Vietnam this year.

The Group's radio subsidiary, SPH Radio, had a banner year. Kiss92, the new station aimed at female listeners, made an immediate impact since its launch and took pole position in terms of share of listenership in the latest Nielsen ratings. Radio looks set to become a profitable medium in our integrated media offerings.


We will continue to pursue opportunities that position the Group for sustainable growth and value creation. We set up a \$100 million New Media Fund to invest in media-related businesses to stimulate growth.

accolade include business daily The Business Times and Chinese-language evening daily Shin Min Daily News.


SPH also won three awards for excellence and three honourable mentions at The Society of Publishers in Asia 2014 Awards for Editorial Excellence.

The many awards are testament to our commitment to high standards and top quality. Besides excelling in print, our foray into the digital space also proved fruitful. The Straits Times Communities was awarded 2014 Digital Publishing Innovation of the Year by Pacific Area Newspaper Publishers' Association (PANPA).

I want to thank our team of dedicated staff who worked tirelessly to achieve



SPH is committed to enhancing long-term shareholder value through constantly pursuing growth opportunities. It is the company's philosophy to reward loyal shareholders with a steady total return, in appreciation of their support over the years.



To enable a swift response to opportunities as they arise, we have been maintaining investible funds managed with a mandate for capital preservation. Returns are expected to commensurate with this risk profile. For the year, the return on the Group's portfolio investments was 4.5 per cent, a creditable performance amidst the low interest rate environment.

Awards and Accolades

As Asia's leading media organisation, SPH maintained its record of winning multiple accolades in various fields. Just to name a few, our flagship dailies - The Straits Times, Lianhe Zaobao and Berita Harian - each won a "Best in Print" Silver Award at the 13th Asian Media Awards in April this year. The "Best in Print" awards recognise the daily reproduction and print quality of Asian newspapers. Past winners of this

excellence. Human capital is indeed our greatest asset, and we make every effort to recruit, retain and reward our talents.

I am also happy that we won our first Gold Award for Best Investor Relations at this year's Singapore Corporate Awards. Improving the quality of our disclosure and raising our standard of corporate governance, especially in our communication with shareholders and the investing public, is also a key priority.

Enhancing Shareholder Value

SPH is committed to enhancing long-term shareholder value through constantly pursuing growth opportunities. It is the company's philosophy to reward loyal shareholders with a steady total return, in appreciation of their support over the years. As SPH celebrates its 30th anniversary, it is worth highlighting that

the company's track record of paying dividends has also been unbroken for the last thirty years. This is no mean feat, considering the economic cycles that have hit Singapore and the changing business environment over the years.

In line with our strong dividend history, a substantial proportion of our recurring earnings, ranging from 80 per cent to more than 100 per cent, have been distributed to shareholders over the past decade. With the best interests of shareholders in mind, we will continue to assess opportunities of returning surplus cash generated from operations, whilst balancing against the need to invest for the Group's longer term viability and sustainability.

Corporate Social Responsibility

As a responsible corporate citizen, SPH continues to actively engage all segments of the community. Together with our business units, SPH and SPH Foundation have championed a growing diversity of programmes and initiatives to give back to society, and were honoured with the Corporate Platinum Award by the Community Chest and Distinguished Patron of the Arts by the National Arts Council, among other accolades.

As part of our 30th anniversary celebrations, we will be donating \$1 million (with government matching under the Care and Share Movement) to 50 charities at our annual charity cheque presentation this November.

This is the third year we have embarked on sustainability reporting. We believe that maintaining a good balance between economic, social and environmental performance is imperative in creating long term value for shareholders.

Tribute and Thanks

On behalf of the SPH Board, I would like to thank Professor Cham Tao Soon and Mr Sum Soon Lim, who are retiring from the Board at our Annual General Meeting on 2 December. Professor Cham was appointed Deputy Chairman of SPH on 1 March 2004, and Acting Chairman from 1 July 2011 to 1 December 2011. Mr Sum was appointed to the Board on 5 December 2003. Both gentlemen have contributed greatly to steering SPH through challenging times.

I would also like to welcome Mr Tan Chin Hwee and Ms Janet Ang, who joined the Board on 1 March 2014 and 17 October 2014 respectively. I am confident that with their rich and diverse experience they will be able to contribute to the Group as we constantly look for new business opportunities to strengthen our core media business.

On behalf of the directors, I would like to thank our management, staff, business associates, unions, investors and all other stakeholders for their continuous belief and support to the Company.

To reward our loyal shareholders, the Board has proposed a dividend of

14 cents per share, comprising a Normal Dividend of 8 cents per share and a Special Dividend of 6 cents per share in respect of the financial year ended 31 August 2014. We had earlier declared and paid an interim dividend of 7 cents per share.

Throughout the challenges and opportunities presented in the past 30 years, we have remained steadfast and nimble, adapting to new market trends and innovating to stay relevant to all stakeholders. Part of this meant some reorganisation and adjustments to meet future challenges and seek out opportunities for future growth.

With the continued support of all stakeholders, I believe that SPH is well-positioned to overcome obstacles that will come our way as we continue to strive for organisational and business excellence.



Lee Boon Yang
Chairman