

News Release

SingTel delivers resilient performance amid currency headwinds

Financial year ended 31 March 2014

- Net profit up 4% to S\$3.65 billion; up 10% in constant currency terms
- Proposed final dividend per share of 10 cents; total dividend per share of 16.8 cents

Quarter ended 31 March 2014

- Net profit increases 4% to S\$898 million; up 13% in constant currency terms
- Strong performances from Singapore Consumer and Airtel India

Singapore, 15 May 2014 – Singapore Telecommunications Limited (SingTel) reported a resilient fourth quarter, with net profit up 4% year-on-year to S\$898 million even as the Australian dollar and regional currencies weakened significantly against the Singapore dollar. In constant currency terms, net profit would have grown 13%.

Earnings growth was driven by robust operating performance from the Singapore Consumer business and the regional mobile associates, led by Airtel. The regional mobile associates also saw good progress in their 3G network rollout and growth in mobile data services. The Group's share of regional mobile associates' pre-tax earnings increased 9% to S\$558 million and would have grown 23% on a constant currency basis.

Ms Chua Sock Koong, SingTel Group CEO said, "Our performance held up strongly against industry challenges and currency volatility. During the year, we strengthened our market position and the efficiency of our core business. Our digital initiatives delivered to expectations, giving us the confidence to expand further into this area."

The quarter saw a steep weakening of the Australian Dollar, Indonesian Rupiah and the Indian Rupee by between 11% and 20% against the Singapore Dollar.

Operating revenue declined 8% but would have fallen 1% in constant currency terms. Singapore Consumer posted strong revenue growth but this growth was offset by lower consumer revenue in Australia and lower revenue from Group Enterprise.

The Group and its regional mobile associates continued to register strong customer growth. As at 31 March 2014, the Group's combined mobile customer base¹ grew 10% to 514 million from a year ago.

Overall **Group Consumer** revenue declined 12% but was down 3% in constant currency terms. EBITDA margin rose across Singapore and Australia with cost and productivity measures and lower handset subsidy costs.

Singapore Consumer reported a 5% rise in revenue with continued growth in mobile and TV services. Mobile communications revenue grew with increased take-up of tiered 4G data plans and higher data usage. mio TV revenue grew 47%, boosted by strong demand for TV bundles and an enhanced content suite, including Barclays Premier League and FIFA World Cup. Consumer Home Services revenue grew 6% to S\$127 million amid intense competition in the fibre broadband market.

Australia Consumer continued to drive 4G growth with customer-friendly tiered mobile plans and accelerated network expansion plans. Optus' 4G coverage reached 75% of the metro population in the quarter, with 3G at 98% of national population. Revenue in Australian dollars declined 5%, due mainly to lower mobile incoming revenue and lower equipment sales.

Group Enterprise revenue declined 3% to S\$1.61 billion as the business environment remained cautious and pricing competition was keen. In constant currency terms, and excluding a one-off contract revenue booked in the prior year, revenue would have increased 3%. The order book for managed services and business solutions remains strong at S\$2.1 billion.

Group Digital Life revenue increased 73% to S\$50 million with strong momentum in mobile advertising. Amobee's advertising revenue grew 170% to S\$35 million this quarter, more than double the growth rate of global mobile advertising spend.

¹ Combined mobile customer base here refers to the total number of mobile customers in SingTel, Optus and the regional mobile associates.

Financial Year ended 31 March 2014

The Group met guidance for the financial year ended 31 March 2014. Group net profit grew 4% to S\$3.65 billion. In constant currency terms, net profit would have grown 10% while underlying net profit would have grown 6%.

Operating revenue declined 7% to S\$16.85 billion but would have declined 2% in constant currency terms. EBITDA was stable at S\$5.16 billion but would have increased 5% in constant currency terms, reflecting an improved cost structure. The regional mobile associates' pre-tax earnings contribution² grew 6% and would have grown 15% in constant currency terms.

Free cash flow, in line with earnings guidance, was lower by 10% at S\$3.39 billion³, primarily from the combined effects of a weaker Australian dollar, higher tax payments in Australia and working capital movements.

The Board is recommending a final ordinary dividend per share of 10 cents, bringing the total ordinary dividend per share for the year to 16.8 cents. This represents a payout ratio of 74% of underlying net profit.

Transformation to Drive Growth

The Group will continue to build on its core business and develop new growth engines in the digital space that will complement the core business. SingTel continues to focus on these areas: raising performance of the core business, lifting customer experience, driving collaboration with associates and creating innovative digital services.

"We are on track with our transformation initiatives. In Singapore, we drove growth in mobile with innovative services and a leading 4G network. Together with our home bundling strategy, we have strengthened our position in Singapore. Our Australian business delivered significant improvements in customer experience and drove higher productivity with a more sustainable cost structure. We will leverage our network expansion and increased penetration of 4G devices to drive customer and data revenue growth," said Ms Chua.

² Exclude exceptional items.

³ Adjusted to exclude payment of S\$143 million to NetLink Trust during the quarter ended 31 December 2013 in consideration of tax benefits utilised by the Group. The S\$143 million was subsequently applied by NetLink Trust towards its acquisition of OpenNet.

“The mobile internet is growing, fuelled by increasing smartphone penetration and better networks. The Group’s combined footprint provides a great platform for our digital services to take off and gain scale. These services will bring new revenue streams, help our associates differentiate themselves and strengthen their leadership in their markets,” said Ms Chua.

For the Group’s guidance for the financial year ending 31 March 2015, please refer to Appendix 2.

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About SingTel

SingTel is Asia's leading communications group providing a portfolio of services including voice and data solutions over fixed, wireless and Internet platforms, as well as infocomm technology and pay TV. The Group has presence in Asia, Australia and Africa with over 500 million mobile customers in 25 countries, including Bangladesh, India, Indonesia, the Philippines and Thailand.

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Financial Highlights for the Quarter Ended 31 Mar 2014

	2014 (S\$m)	2013 (S\$m)	YOY Change	YOY Change Constant Currency¹
Group revenue	4,128	4,481	(7.9%)	(1.1%)
EBITDA	1,297	1,428	(9.2%)	(2.4%)
Share of associates' pre-tax earnings ²	580	540	7.3%	20.8%
EBITDA and share of associates' pre-tax earnings	1,863	1,969	(5.3%)	3.2%
Underlying net profit ³	920	1,001	(8.1%)	-
Exceptional items (post tax)	(21)	(132)	(84.0%)	(83.5%)
Net profit	898	868	3.5%	12.7%
Free cash flow	868	1,266	(31.4%)	NM

NM – not meaningful

¹ Assuming constant exchange rates from the corresponding quarter in FY2013.

² Exclude exceptional items.

³ Defined as net profit before exceptional items and exchange differences on capital reduction of certain overseas subsidiaries, net of hedging, as well as significant exceptional items of associates.

Financial Highlights for the Full Year Ended 31 Mar 2014

	2014 (S\$m)	2013 (S\$m)	YOY Change	YOY Change Constant Currency⁴
Group revenue	16,848	18,183	(7.3%)	(2.3%)
EBITDA	5,155	5,200	(0.9%)	4.5%
Share of associates' pre-tax earnings ⁵	2,201	2,106	4.5%	13.3%
EBITDA and share of associates' pre-tax earnings	7,357	7,306	0.7%	7.0%
Underlying net profit ⁶	3,610	3,611	-	5.9%
Exceptional items (post tax)	42	(103)	NM	NM
Net profit	3,652	3,508	4.1%	10.1%
Free cash flow ⁷	3,391	3,759	(9.8%)	NM

NM – not meaningful

⁴ Assuming constant exchange rates from FY2013.

⁵ Exclude exceptional items.

⁶ Defined as net profit before exceptional items and exchange differences on capital reduction of certain overseas subsidiaries, net of hedging, as well as significant exceptional items of associates.

⁷ Adjusted to exclude payment of S\$143 million to NetLink Trust during the quarter ended 31 December 2013 in consideration of tax benefits utilised by the Group. The S\$143 million was subsequently applied by NetLink Trust towards its acquisition of OpenNet.

Financial Highlights in Constant Currency

	Quarter Ended 31 Mar 2014			Full Year Ended 31 Mar 2014		
	2014 (S\$m)	YOY Change	YOY Change Constant Currency ⁸	2014 (S\$m)	YOY Change	YOY Change Constant Currency ⁸
Group revenue	4,128	(7.9%)	(1.1%)	16,848	(7.3%)	(2.3%)
Net profit	898	3.5%	12.7%	3,652	4.1%	10.1%
Underlying net profit	920	(8.1%)	-	3,610	-	5.9%
Optus revenue	2,352	(15.8%)	(4.9%)	9,936	(13.2%)	(5.2%)
Regional Mobile Associates pre-tax earnings ⁹	558	8.5%	22.6%	2,115	5.6%	14.9%

Foreign Exchange Movements

Currency	Quarter Ended 31 Mar 2014			Full Year Ended 31 Mar 2014	
	Exchange Rate ¹⁰	Increase/ (Decrease) Against S\$		Exchange Rate ¹⁰	Increase/ (Decrease) Against S\$
		YOY	QOQ		YOY
1 AUD ¹¹	S\$1.1383	(11.5%)	(1.8%)	S\$1.1737	(8.4%)
INR	48.5	(10.5%)	2.0%	48.2	(10.0%)
IDR	9,346	(19.6%)	(0.9%)	8,655	(12.9%)
PHP	35.3	(7.3%)	(1.4%)	34.5	(3.3%)
THB	25.7	(6.6%)	(1.2%)	24.9	(0.8%)

⁸ Assuming constant exchange rates from the corresponding periods in FY2013.

⁹ Exclude exceptional items.

¹⁰ Average exchange rates for the quarter and year ended 31 March 2014.

¹¹ Average A\$ rate for translation of Optus' operating revenue.

Guidance for the Financial Year Ending 31 March 2015 (Refer to the MD&A)**Macro-economic Environment**

The Singapore economy is forecasted to grow between 2.0% and 4.0% in 2014. The Australia GDP is projected to grow by 2.25% to 3.25% for the fiscal year ending June 2015.

India, Indonesia and the Philippines are expected to register economic growth of between 5% and 7%. The Thai economy is anticipated to increase by 3%. Airtel's key countries in Africa are expected to deliver GDP growth of between 6% and 9%.

Strategic focus

SingTel continues to strengthen its core business and build new growth engines.

In its core business¹, SingTel will drive profitable revenue growth and operational efficiencies with scale and a competitive cost structure. These will be underpinned by investments in networks, systems and technology to enhance customer experience.

In its digital business, SingTel will leverage its unique telco assets to create innovative and differentiated digital services that will enhance the core business and deliver new revenue streams for the Group.

Mid-term plans

SingTel will seek to maximise shareholder value through its strategic investment and divestment decisions.

The Group will allocate up to S\$2 billion for investments in the digital space till FY2016. The allocated amount is not a commitment to spend. The actual investment amount will depend on the availability and size of suitable opportunities.

SingTel continues to review opportunities for upstakes in its associates, as well as investment opportunities in technology companies with capabilities to enhance the Group's service offerings and solutions.

SingTel is the 100% unitholder of NetLink Trust and has given an undertaking to IDA to divest its stake in NetLink Trust to less than 25% holding by 22 April 2018.

¹ Comprises Group Consumer and Group Enterprise.

Currency

The guidance for FY2015 is based on the following average exchange rates during FY 2014.

Australian Dollar	AUD 1	SGD 1.1737
Indonesian Rupiah	SGD 1	IDR 8,655
Indian Rupee	SGD 1	INR 48.2
Thailand Baht	SGD 1	THB 24.9
Philippine Peso	SGD 1	PHP 34.5

The Group's consolidated results and cash flow may be impacted by material exchange rate movements in the Australian Dollar and regional currencies.

Group

Consolidated revenue and EBITDA for the Group are expected to be stable.

Capital expenditure is expected to approximate S\$2.3 billion, comprising approximately S\$900 million for Singapore and the balance for Australia. This reflects the Group's continued strategic investments in mobile network, particularly in Australia, and expected increased spend in customer care and management systems.

Spectrum payments would be approximately S\$900 million, mainly for Optus' 4G spectrum in the 700 Mhz range. Consequently, amortisation costs would be higher.

Excluding spectrum payments and associates' dividends, free cash flow is expected to be stable.

Ordinary dividends from the regional mobile associates are expected to be approximately S\$1.0 billion. With a change in Globe's dividend payout from semi-annual to quarterly instalments, the Group will receive one quarter less dividend from Globe in FY2015.

Key Business Units

	Revenue	EBITDA
Core Business Singapore Mobile Communications revenue Australia Mobile Service revenue Group ICT revenue (comprising Managed services and Business solutions)	Stable Increase mid single digit level Decrease low single digit level Increase low single digit level	Increase low single digit level
Group Digital Life (for existing businesses only)	Increase about 50%	Negative EBITDA to decrease by about 20%

For **Group Consumer**, Optus will drive data revenue growth by leveraging an improved network, increased penetration of 4G devices and 'SIM only' plans, and innovative products to drive service revenue across various mobile devices.

In Singapore, SingTel is focused on capturing value from mobile data growth and bundling opportunities for home fibre services.

Group Enterprise continues to experience keen competition and a shift in revenue mix from legacy services to new lower-margin ICT services. Fibre rollout and maintenance revenue is expected to decline with the cessation of SingTel's role as the key subcontractor to OpenNet (see note below).

However, at the consolidated level, the impact of the decline in fibre rollout and maintenance revenue is expected to be offset by increased profits from NetLink Trust.

Group Digital Life will drive active usage of its digital services and focus on growing scale in the fast-growing digital advertising market. During the year, Group Digital Life will be launching new initiatives, such as in video content distribution and data analytics.

Dividend policy

SingTel's dividend payout ratio is between 60% and 75% of underlying net profit. The dividend payout is influenced by the Group's cash flow generation, including dividends from associates.

The Group remains committed to an optimal capital structure and investment grade credit ratings, while maintaining financial flexibility to pursue growth.

Note:

During FY2015, SingTel will cease its role as the key subcontractor to OpenNet for the installation and maintenance of Singapore's Next Generation Nationwide Broadband Network (Next Gen NBN). This is in connection with NetLink Trust's acquisition of OpenNet in August 2013. NetLink Trust will be responsible for the installation, operations and maintenance of the Next Gen NBN.

Accordingly, SingTel's fibre rollout and maintenance revenue is expected to decline.