

## News Release

# SingTel posts double-digit Q2 earnings growth on robust performance across all businesses

- Net profit up 19%, up 22% in constant currency
- Underlying net profit increases 11%, up 14% in constant currency
- Strength in core business and focused execution drive earnings growth
- Solid performance in Singapore Consumer and Enterprise businesses
- Acquisitions add scale to Group Digital Life
- Regional mobile associates' pre-tax earnings grow 26%, up 33% in constant currency
- Interim dividend maintained at 6.8 cents per share

**Singapore, 13 November 2014** – Singapore Telecommunications Limited (SingTel) reported a solid second quarter performance, the result of underlying strength in its core business, strong execution and continued investments in strategic initiatives.

The Group strengthened its core business with significant investments in network and spectrum. It also drove important initiatives in customer experience, with innovative enterprise solutions and market-leading mobile price plans. In the digital space, the Group continued to build scale and capabilities in the digital marketing business.

Robust performance across the businesses drove the Group's net profit up 19% to S\$1.04 billion, despite adverse currency movements. In constant currency terms, net profit would have risen 22%.

Underlying net profit increased 11% to S\$979 million, excluding a net exceptional gain of S\$59 million which arose mainly from the dilution of the Group's equity stake in SingPost. In constant currency terms, this would have risen 14%.

Ms Chua Sock Koong, SingTel Group CEO said: "We delivered very strong results this quarter, underpinned by performance improvements across all of our businesses. We continue to leverage our unique telco assets to realise our ambitions in the digital space.

"We are well-placed to capture emerging opportunities in the fast-growing digital marketing business. The acquisition of Adconion and Kontera has transformed Amobee into a leading global player in marketing solutions across multiple platforms and devices. Coupled with distinctive brand insights, Amobee's ads are truly targeted and differentiated for the advertisers and their audience."

Revenue rose 4% to S\$4.31 billion from strong performances in ICT services, mobile data growth and equipment sales in Singapore and Australia, and higher digital marketing revenue. EBITDA grew 3% to S\$1.33 billion.

Singapore Consumer continued to strengthen on the home front with targeted fibre broadband and mio TV strategies. Optus' mobile service revenue grew as its customer-friendly data plans saw strong take-up in the market. Group Enterprise maintained its market leadership and delivered strong growth in ICT services.

The regional mobile associates grew strongly with higher usage of mobile data services, fuelled by aggressive network expansion and growing adoption of smartphones. Airtel India delivered sustained improvements in mobile data usage, voice rates and customer base. The Group's share of pre-tax earnings from the regional mobile associates grew 26% to S\$629 million and would have risen 33% in constant currency terms.

Free cash flow generated for the half year increased 6% to S\$1.92 billion, on stronger operating cash flows from Singapore and Australia, as well as increased dividends from associates.

The Board approved an interim dividend of 6.8 cents a share, consistent with last year and representing a payout ratio of 58% of underlying earnings for the half year ended 30 September 2014.

**Group Consumer** revenue rose 2% and EBITDA was up 1%.

Singapore Consumer revenue improved 4% and EBITDA was up 5% on higher fibre broadband and TV revenues, reflecting the Group's successful efforts to migrate ADSL customers onto fibre broadband and in upselling content. Consumer home revenue and household ARPU (average revenue per user) both increased 11%. SingTel mio TV also recorded a significant reduction in customer churn with a successful World Cup re-contracting strategy.

In mobile services, the newly launched *Combo Plans* in Singapore attracted over 75,000 customers in the consumer and enterprise segments as at end September 2014. Prepaid mobile revenue grew on higher mobile data usage by inbound travellers.

Australia Consumer drove data usage with its investment in 4G network and customer friendly mobile plans designed to remove bill shock. More customers migrated onto the new data plans, contributing to a 7% increase in data revenue.

Australia Consumer revenue grew 2% and outgoing mobile service revenue also increased 2%. Optus gained momentum in the market and recorded an encouraging 60,000 increase in mobile handset customers in the consumer segment and 5,000 increase in the enterprise segment. EBITDA was stable and would have grown 4% excluding a provision write-back in the same quarter last year.

**Group Enterprise** maintained its market leadership. Revenue for the quarter was up 3%, boosted by higher ICT revenue on managed services contracts in Singapore and Australia. EBITDA rose 8% driven by growth in ICT and mobile services as well as the benefit of a write-back related to fibre rollout costs. In the quarter, SingTel launched new cyber-security solutions targeted at enterprises and government customers in Asia Pacific. It also invested in FASTER, a trans-Pacific cable system to address the intense traffic demand on the route.

**Group Digital Life** revenue rose 142% with first time contributions from Adconion and Kontera. During the quarter, Amobee announced a partnership with Twitter to extend its advertising reach to the social network platform. Amobee won several top advertising industry awards including best campaign for its 3D mobile ad for Ford. *Dash*, SingTel's mobile money service, won the Gold award in the Best Consumer Product category at the 2014 SITF Awards (Singapore infocomm Technology Federation).

### **Outlook for the current financial year ending 31 March 2015**

The Group affirms the guidance previously issued in May 2014, whereby consolidated revenue and EBITDA of the Group, excluding acquisitions, will be stable.

The Group acquired Kontera and Adconion in the current quarter, consistent with its strategy to grow scale and capabilities in the fast-growing digital marketing space through the Amobee group.

The acquisitions are earnings dilutive in the current financial year with continued investments in growing the business, amortisation cost of acquired intangibles and staff retention expenses. In the next financial year, it is expected that the losses from the Amobee group will be mitigated by the benefits of integration and synergies.

The Group will also be launching new digital initiatives to enhance its core business and create new revenue streams, such as in data analytics.

Operating revenue for Group Digital Life for the current financial year is expected to exceed S\$300 million, of which approximately 75% will be from digital marketing services. Group Digital Life's negative EBITDA will increase to approximately S\$200-250 million with the impact of the strategic acquisitions and new business initiatives.

Please refer to Appendix 2 for further details on the outlook for the current financial year.

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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. For more information, visit [www.singtel.com](http://www.singtel.com)

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**Financial Highlights for the Quarter Ended 30 Sep 2014**

|                                                              | <b>2014<br/>(S\$m)</b> | <b>2013<br/>(S\$m)</b> | <b>YOY<br/>Change</b> | <b>YOY Change<br/>Constant<br/>Currency<sup>1</sup></b> |
|--------------------------------------------------------------|------------------------|------------------------|-----------------------|---------------------------------------------------------|
| Group revenue                                                | 4,309                  | 4,163                  | 3.5%                  | 3.7%                                                    |
| EBITDA                                                       | 1,334                  | 1,298                  | 2.7%                  | 3.0%                                                    |
| Regional Mobile Associates'<br>pre-tax earnings <sup>2</sup> | 629                    | 498                    | 26.2%                 | 32.8%                                                   |
| EBITDA and share of associates'<br>pre-tax earnings          | 1,978                  | 1,817                  | 8.9%                  | 10.8%                                                   |
| Underlying net profit <sup>3</sup>                           | 979                    | 884                    | 10.8%                 | 13.9%                                                   |
| Exceptional items (post tax)                                 | 59                     | (13)                   | nm                    | nm                                                      |
| Net profit                                                   | 1,038                  | 870                    | 19.3%                 | 22.4%                                                   |
| Free cash flow                                               | 732                    | 919                    | (20.3%)               | nm                                                      |

**Financial Highlights for the Half Year Ended 30 Sep 2014**

|                                                              | <b>2014<br/>(S\$m)</b> | <b>2013<br/>(S\$m)</b> | <b>YOY<br/>Change</b> | <b>YOY Change<br/>Constant<br/>Currency<sup>1</sup></b> |
|--------------------------------------------------------------|------------------------|------------------------|-----------------------|---------------------------------------------------------|
| Group revenue                                                | 8,457                  | 8,456                  | -                     | 1.7%                                                    |
| EBITDA                                                       | 2,588                  | 2,594                  | (0.2%)                | 1.5%                                                    |
| Regional Mobile Associates'<br>pre-tax earnings <sup>2</sup> | 1,223                  | 1,050                  | 16.5%                 | 26.0%                                                   |
| EBITDA and share of associates'<br>pre-tax earnings          | 3,854                  | 3,691                  | 4.4%                  | 8.4%                                                    |
| Underlying net profit <sup>3</sup>                           | 1,860                  | 1,781                  | 4.4%                  | 9.4%                                                    |
| Exceptional items (post tax)                                 | 13                     | 101                    | (87.1%)               | (90.6%)                                                 |
| Net profit                                                   | 1,873                  | 1,881                  | (0.5%)                | 4.0%                                                    |
| Free cash flow                                               | 1,916                  | 1,812                  | 5.8%                  | nm                                                      |

<sup>1</sup> Assuming constant exchange rates from the corresponding period in FY2014.

<sup>2</sup> Exclude exceptional items.

<sup>3</sup> Defined as net profit before exceptional items.

## Appendix 1 (continued)

### Foreign Exchange Movements

| Currency           | Quarter Ended<br>30 Sep 2014 |                                     |        | Half Year Ended<br>30 Sep 2014 |                                      |
|--------------------|------------------------------|-------------------------------------|--------|--------------------------------|--------------------------------------|
|                    | Exchange<br>Rate             | Increase/ (Decrease)<br>Against S\$ |        | Exchange<br>Rate               | Increase / (Decrease)<br>Against S\$ |
|                    |                              | YOY                                 | QOQ    |                                | YOY                                  |
| 1 AUD <sup>4</sup> | S\$1.1574                    | (0.4%)                              | (1.0%) | S\$1.1630                      | (3.0%)                               |
| IDR                | 9,434                        | (12.3%)                             | (1.9%) | 9,352                          | (15.4%)                              |
| INR                | 48.3                         | 1.0%                                | (1.0%) | 48.1                           | (2.1%)                               |
| PHP                | 35.0                         | (1.4%)                              | 0.6%   | 35.1                           | (3.5%)                               |
| THB                | 25.6                         | (3.2%)                              | 1.2%   | 25.8                           | (6.2%)                               |

<sup>4</sup> Average A\$ rate for translation of Optus' operating revenue.

**OUTLOOK FOR THE CURRENT FINANCIAL YEAR ENDING 31 MARCH 2015**

- Consolidated results and cash flow may be impacted by material exchange rate movements in the Australian Dollar and regional currencies. The Group's outlook for the current financial year 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   |

- Revenue from Core Business (comprises Group Consumer and Group Enterprise) to be stable and EBITDA to increase by low single digit level.
- Mobile Communications revenue from Singapore to increase by mid single digit level.
- Mobile service revenue from Australia to decrease by low single digit level.
- Group ICT revenue (comprises Managed Services and Business Solutions) to increase by low single digit level.
- Revenue from Group Digital Life to exceed S\$300 million and negative EBITDA to increase to approximately S\$200-S\$250 million.
- Consolidated revenue and EBITDA of the Group, excluding acquisitions, to be stable.
- Capital expenditure for the Group 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 to be approximately S\$900 million, mainly for Optus' 4G spectrum in the 700 MHz range. Consequently, amortisation costs would be higher.
- Group free cash flow (excluding spectrum payments and dividends from associates) to be stable.
- Ordinary dividends from regional mobile associates are expected to be approximately S\$1.0 billion.