Singtel

News Release

Associates strengthen Singtel's Q2 performance

Quarter ended 30 September 2016

- Operating revenue up 2% to S$4.28 billion excluding declines in Australian mobile termination rates
- Core business sees sustained growth in mobile data and cyber security moderated by voice to data substitution and heightened competition in Australia
- Mobile data drives regional mobile associates' earnings with pre-tax contributions up 7% to S$679 million[1]
- Underlying net profit stable for the quarter; up 3% for the half year
- Net profit fell 6% to S$972 million due to exceptional gains from last year
- Interim dividend at 6.8 cents per share

Singapore, 10 November 2016 – Singtel's performance was resilient in the second quarter, underpinned by strong performance from regional mobile associates which continued to grow customers and data usage. Strong operating results from Telkomsel and Airtel saw associates' pre-tax profits jump 7% to S$679 million[1]. In the core business, continued growth in mobile data and cyber security services was moderated by ongoing voice to data substitution and intensifying competitive pressures in Australia. Operating revenue was up 2% excluding the impact of mandated cuts to mobile termination rates in Australia. The Group's underlying net profit for the quarter was stable and up 3% for the half year. Net profit fell 6% due to exceptional gains recorded by Airtel in the comparative quarter.

Ms Chua Sock Koong, Singtel Group CEO said, "Our associates especially Telkomsel and Airtel performed strongly. Strategic investments in networks and spectrum are paying off as they capture new growth in customers and data usage. The Group's customer base increased by 3% to 629 million subscribers, further strengthening our position as South East Asia's largest communications company."

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[1] Excludes exceptional items.

Singapore Telecommunications Limited
Company registration number: 199201624D

Telkomsel's pre-tax profit jumped 22% as it benefitted from network investments and growth across voice, data and digital businesses. Airtel's pre-tax profits grew a healthy 13% on strong execution and lower fair value losses from Airtel Africa. Airtel further entrenched its network leadership in India with its strategic acquisition of spectrum, giving it nationwide 3G and 4G coverage. In Thailand, AIS continued to accelerate the rollout of its 4G network, reaching 65% of the population at the end of September 2016 and held its market and network leadership position. However, higher handset subsidies, spectrum amortisation and network depreciation impacted earnings this quarter. In the Philippines, Globe is investing another US$300 million in network expansion which would see the rollout of more LTE 700 and LTE 2600 sites across key cities nationwide.

In October 2016, Singtel's shareholders approved the purchase of shares in Intouch and Bharti Telecom, the holding companies of AIS and Airtel respectively, paving the way for Singtel to increase its exposure to the high-growth telecom sector in both Thailand and India. The necessary regulatory approvals have been obtained and the transaction is expected to be completed in November 2016.

The Singapore business continued its growth trajectory, driven by demand in mobile data and ICT services, particularly cyber security.

Ms Chua said, "In spite of the more subdued economic and business environment, our Singapore business held its ground this quarter as we enhanced our customer propositions in both mobile data and cyber security. On the consumer side, we introduced innovative triple data add-on plans to cater to increased mobile video consumption. In Enterprise, we are actively building out our cyber capabilities - bolstering our global cyber network with a new advanced security operation centre in Sydney and launching the NUS-Singtel Cyber Security R&D Lab to innovate new technologies. We've also initiated a cost management programme across our core business to review and ensure appropriate cost structures are in place to enhance our competitiveness and maintain revenue growth."

The Board approved an interim dividend of 6.8 cents per share, representing a payout ratio of 56% of underlying net profit for the half year ended 30 September 2016.

GROUP CONSUMER

Strong data growth across the consumer businesses in Singapore and Australia mitigated the effects of declining voice usage. However, Group Consumer revenue was down 8% due to mandated reductions in mobile termination rates in Australia. EBITDA was down 6% due to higher investment in content and heightened competition in Australia.

In Australia, EBITDA fell 9%, impacted by higher device repayment service credits and content costs, including sports content. Optus' Premier League content and its successful delivery over fixed and mobile platforms drove strong postpaid growth. Branded postpaid handset customers grew 107,000. With sustained network investments and its recently acquired regional 1800 MHz spectrum, Optus' 4G coverage now reaches 95.7% of the population.

In Singapore, demand for mobile data driven by increased consumption of mobile video helped offset declines in voice. However, revenues fell 3% due mainly to lower equipment sales pending the release of new handsets combined with the effect of lower-priced Android handsets. EBITDA dipped 1%, mainly due to trade foreign exchange gains in the comparative quarter. Singtel continues to meet demand for more data with innovative data-add on plans, roaming offerings and compelling content.

In Singapore consumer home services, revenue was boosted by the wholesale of Premier League content rights and customer migration to higher-speed fibre broadband plans.

GROUP ENTERPRISE

Group Enterprise saw continued demand for ICT services, with revenue up 5% on the back of cyber security and international data services. Cyber security revenue increased to S$129 million contributed by Trustwave and other strategic collaborations. However, EBITDA dipped 2% due to declines in carriage revenues, lower mobile roaming and price pressures on ICT services.

In Australia, Singtel recently launched the A$10 million Optus Advanced Security Operations Centre, designed to strengthen Australia's cyber defence by helping government agencies and enterprises arm themselves against a growing number of sophisticated threats. This brings the Group's global cyber security network to eight Security Operations Centres around the world which currently protect more than 3 million businesses in 96 countries.

In Singapore, the Group made further investments to deepen its cyber know-how by partnering the National Research Foundation and National University Singapore to launch the NUS-Singtel Cyber Security R&D Lab to build expertise and develop next generation cyber solutions.

GROUP DIGITAL LIFE

Group Digital Life's revenue jumped 26% driven by digital marketing arm Amobee's strong performance in social, video and display advertising. In addition to its global marketing services for Airbnb, Amobee continues to add large corporations like Unilever, Capital One and Selfridges to its growing customer base. Amobee recently won the Best Mobile Marketing campaign and the Best Predictive Analysis and Measurement Technology at the 2016 IMPACT awards.

Outlook for the current financial year ending 31 March 2017

The Group's performance for the half year ended 30 September 2016 was impacted by moderating growth from heightened competition in the mobile market in Australia. As a result, mobile service revenue from Australia is expected to decline by mid teens.

Taking into account the first half performance ended 30 September 2016 and the revision in guidance for the Australian mobile service revenue, operating revenue for the Group and for the Core Business (comprising Group Consumer and Group Enterprise) are both expected to decline by low single digit. EBITDA for the Group and for the Core Business are both expected to be stable.

Other than the above, the Group affirms the guidance issued in May 2016.

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 and ICT solutions group, providing a portfolio of services from next-generation communication, technology services to infotainment to both consumers and businesses. For consumers, Singtel delivers a complete and integrated suite of services, including mobile, broadband and TV. For businesses, Singtel offers a complementary array of workforce mobility solutions, data hosting, cloud, network infrastructure, analytics and cyber security capabilities. The Group has presence in Asia, Australia and Africa and reaches over 600 million mobile customers in 23 countries. Its infrastructure and technology services for businesses spans 21 countries, with more than 200 direct points of presence in 160 cities. For more information, visit www.singtel.com.

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Financial Highlights for the Quarter Ended 30 September 2016

	FY2017 (S$m)	FY2016 (S$m)	YOY Change	YOY Change Constant Currency[2]
Group revenue	4,086	4,184	(2.3%)	(3.1%)
EBITDA	1,233	1,290	(4.4%)	(5.3%)
Regional Mobile Associates pre-tax earnings[3]	679	632	7.4%	8.2%
EBITDA and share of associates' pre-tax earnings	1,970	1,996	(1.3%)	(1.6%)
Underlying net profit[4]	978	974	0.4%	(0.1%)
Exceptional items (post-tax)	(6)	55	nm	nm
Net profit	972	1,030	(5.6%)	(5.9%)
Free cash flow	641	477	34.4%	nm

Financial Highlights for the Half Year Ended 30 September 2016

	FY2017 (S$m)	FY2016 (S$m)	YOY Change	YOY Change Constant Currency[2]
Group revenue	7,994	8,393	(4.8%)	(4.4%)
EBITDA	2,469	2,531	(2.5%)	(2.1%)
Regional Mobile Associates pre-tax earnings[3]	1,393	1,257	10.8%	12.7%
EBITDA and share of associates' pre-tax earnings	3,973	3,903	1.8%	2.7%
Underlying net profit[4]	1,933	1,870	3.4%	4.2%
Exceptional items (post-tax)	(16)	102	nm	nm
Net profit	1,917	1,971	(2.8%)	(2.0%)
Free cash flow	1,874	1,451	29.1%	nm

nm denotes not meaningful

[2] Assuming constant exchange rates from the corresponding period in FY 2016.

[3] Excludes exceptional items.

[4] Defined as net profit before exceptional items.

Appendix 1 (continued)

Foreign Exchange Movements

	Quarter Ended 30 September 2016			Half Year Ended 30 September 2016	
	Exchange Rate[5]	Increase/(Decrease) Against S$		Exchange Rate[5]	Increase/(Decrease) Against S$
Currency		YOY	QOQ		YOY
1 AUD[6]	S$1.0256	1.7%	1.3%	S$1.0192	(0.7%)
1 USD[7]	S$1.3532	(2.7%)	(0.4%)	S$1.3552	(0.9%)
IDR	9,713	2.9%	1.3%	9,771	1.4%
INR	49.4	(5.8%)	(0.4%)	49.3	(4.9%)
PHP	34.8	(5.1%)	(1.5%)	34.5	(3.9%)
THB	25.8	(2.0%)	0.4%	25.9	(3.6%)

[5] Average exchange rates for the quarter and half year ended 30 September 2016.

[6] Average A$ rate for translation of Optus' operating revenue.

[7] Average US$ rate for translation of Trustwave, Amobee and HOOQ's operating revenue.

Appendix 2

Outlook for the current financial year ending 31 March 2017

- Consolidated results and cash flow may be impacted by material exchange rate movements in the Australian Dollar, United States Dollar and regional currencies. The Group's outlook for the current financial year is based on the following average exchange rates during FY 2016:

Australian Dollar	AUD 1	SGD 1.0201
United States Dollar	USD 1	SGD 1.3859
Indonesian Rupiah	SGD 1	IDR 9,803
Indian Rupee	SGD 1	INR 47.2
Thailand Baht	SGD 1	THB 25.2
Philippine Peso	SGD 1	PHP 33.4

- Operating revenue from the Core Business (comprising Group Consumer and Group Enterprise) to decline by low single digit level and EBITDA to be stable.

- Mobile service revenue from Australia to decline by mid teens.

- Mobile Communications revenue from Singapore to be stable.

- Group ICT revenue (comprising Managed Services and Business Solutions) to increase by low teens. Cyber security revenue (classified under Managed Services), including a full year's contribution from Trustwave, to be S$450-550 million.

- Revenue from Amobee Group to grow by mid single digit level.

- Group Digital Life to record negative EBITDA of S$150-S$180 million.

- Excluding acquisitions, consolidated revenue of the Group to decline by low single digit level and EBITDA to be stable.

- Capital expenditure for the Group on an accrual basis is expected to approximate S$2.8 billion, comprising approximately A$1.8 billion for Optus and S$1.0 billion for the rest of the Group in FY 2017. This reflects the Group's multi-year investments in a new data centre in Singapore, continued strategic investments in mobile network, particularly in Australia, and new unified billing and customer care systems.

- Capital expenditure for the Group on a cash basis is expected to approximate S$2.4 billion.

- Group free cash flow[8] (excluding dividends from associates) to be approximately S$1.5 billion.

- Ordinary dividends from regional mobile associates are expected to be approximately S$1.2 billion.

[8] Excluding payment to the Australian Tax Office (ATO) in respect of the amended assessments received on 2 November 2016 from the determinations on the acquisition financing of Optus.