



News Release

Singtel's Q3 revenue lifted by Australia and digital businesses

Quarter ended 31 December 2017

- Strong core and digital businesses drive growth
- Operating revenue up 4% to S\$4.60 billion; EBITDA up 6% to S\$1.29 billion
- Lower associates' earnings and higher network depreciation and amortisation
- Net profit down 9% to S\$890 million

Singapore, 8 February 2018 – Singtel delivered revenue and EBITDA growth in the third quarter with strong contributions from its core and digital businesses. The Australian consumer business recorded its highest quarterly postpaid customer growth while the Group's digital businesses continued to scale, with revenues more than doubling and digital marketing arm Amobee delivering positive EBITDA for the second straight quarter. Operating revenue for the quarter increased 4% to S\$4.60 billion while EBITDA rose 6% to S\$1.29 billion. Voice revenue declines, higher network depreciation and amortisation from increased infrastructure investments and overall lower earnings from associates impacted the Group's results. Net profit was down 9% to S\$890 million while underlying net profit declined 8% to S\$898 million.

Ms Chua Sock Koong, Singtel Group CEO said, "We see our investments in network infrastructure and spectrum as critical to our future growth and longer term returns in this digital world. Already, our transformation strategy is delivering with digital and ICT services accounting for 23% of our revenue this quarter. In our core business, the digitalisation of our services across the Group has enabled us to deliver better customer experience and manage costs. The Australia business, particularly mobile, drove profitable growth. We will strive to provide more value to our customers by anticipating their needs and staying ahead of the competition."

The regional associates continued to post strong customer growth and higher data consumption. Despite continued growth momentum in Africa, Airtel's results were adversely impacted by the cut in domestic mobile termination rates and intense competition in India. In Indonesia, Telkomsel's earnings fell as a result of heightened competition in data and declines in traditional voice services. Profit contributions from AIS rose, underpinned by revenue growth and strong cost management. In the Philippines, Globe's earnings were affected by higher depreciation and finance costs on network investments.

Ms Chua said, "Despite the current business headwinds, our regional associates' markets remain attractive with strong mobile data growth. The ongoing consolidation in India will also pave the way for a healthier industry. We believe our associates' investments in networks and spectrum, strategic partnerships and focus on innovation will pay off. We continue to work closely with them to drive digital adoption, and mobile data growth in their markets."



The Group's customer base grew another 3% in the quarter to 688 million customers across the region.

The Group's financial position remains strong. Free cash flow for the quarter grew 42% to S\$795 million, and for the nine months grew 15% to S\$2.81 billion¹.

GROUP CONSUMER

In Australia, Optus consumer revenue rose 8% as a result of strong growth in postpaid mobile and NBN customers as well as higher NBN migration payments. EBITDA increased 15% due to service revenue growth and disputes settlement. Mobile service revenue increased 4% with the addition of a record 125,000 new postpaid handset customers. However, postpaid ARPU continued to be impacted by a growing demand for SIM-only plans and higher device repayment credits. In the prepaid segment, the customer base declined by 29,000 with Optus' focus on acquiring quality customers. Mass market fixed revenues rose 21% with solid growth in NBN customers and migration revenues.

With continued network investments, Optus' 4G coverage now reaches 96.6% of the population. Optus also recently added to its spectrum portfolio new metropolitan licences in the 2300MHz and 3500MHz spectrum bands, which will enable it to offer high capacity 5G services in the future.

In Singapore, consumer revenues declined 6% due to ongoing voice to data substitution and lower equipment revenues. Mobile data growth partially offset the erosion in voice while higher demand for data roaming packages helped moderate the decline in roaming revenue. Equipment sales were affected by delays in popular handset launches and higher demand for SIM-only plans. Mobile communications revenue was impacted by the increased mix of customers switching to SIM-only plans. EBITDA was down 9% as a result of lower voice revenue and the cessation of a Premier League sub-licensing agreement.

In December 2017, Singtel was the first telco in Asia Pacific to break the 1Gbps speed barrier in a wireless trial. This achievement will pave the way for commercial deployment in high traffic locations.

Digitalisation has been a key focus for both Singtel and Optus to drive productivity and improve customer experience as the preferred method of engagement for customers in Singapore and Australia has changed. Online sales currently account for 20% and 17% of all sales in Singapore and Australia respectively. Over 3 million customers now use self-help channels such as My Singtel and My Optus apps regularly for a wide range of customer services including subscription to data roaming plans, prepaid recharging, data usage monitoring and bill payments.

¹ Excluding tax payment of A\$134 million (S\$142 million) to the Australian Taxation Office in the quarter ended December 2016 for amended assessments under dispute.

Group Enterprise revenue was down 4% due to the timing of projects, one-off product sales last year and price erosion in traditional carriage services. Nevertheless, Group Enterprise remains the market leader in Asia Pacific for telco and ICT services. Cyber security revenue rose 6% as further investments were made to build cyber capabilities. Australia mobile revenues also grew as Optus Business leveraged an expanded network footprint and scored record customer net additions. EBITDA was stable on improved margins from ICT projects and tighter cost controls.

In Singapore, Singtel recently announced collaborations with A*Star, Nanyang Technological University and the National Research Foundation to spearhead R&D in artificial intelligence, advanced data analytics, robotics and the internet of things. This included the establishment of a S\$42 million corporate laboratory called Singtel Cognitive and Artificial Intelligence Lab for Enterprises to develop applications for use in the areas of public safety, smart urban solutions, transportation, healthcare and manufacturing.

In Australia, Optus Business committed funds to the industry-led Cyber Security Cooperative Research Centre to advance Australia's cyber capabilities. It will also provide the centre with direct access to its dedicated team of cyber security experts and industry partners to accelerate the development of technologies boosting the country's cyber defences.

GROUP DIGITAL LIFE

Group Digital Life revenue jumped 106% and overall EBITDA continued to improve despite higher investments in content and technology at mobile video streaming service HOOQ. Amobee made significant progress, delivering robust revenue growth and positive EBITDA as it continued to leverage synergies from the acquisition of Turn. It now owns one of the strongest demand-side programmatic platforms with an ability to process more than 6 million advertisements per second, augmented by advanced analytics and an extensive ecosystem of partners.

Amobee won industry recognition for excellence in mobile marketing campaigns this quarter, including the IMA Impact Best Mobile Campaign and iMedia ASPY Best Mobile Partner awards.

HOOQ expanded its content suite by securing exclusive rights to the latest Hollywood content and developing local content through partnerships.

Outlook for the current financial year ending 31 March 2018

The Group affirms the guidance issued in May 2017.

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About Singtel

Singtel is Asia's leading communications technology 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 685 million mobile customers in 22 countries. Its infrastructure and technology services for businesses span 21 countries, with more than 428 direct points of presence in 362 cities. For more information, visit www.singtel.com.

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Financial Highlights for the Quarter Ended 31 December 2017

| | FY2018 (S\$m) | FY2017 (S\$m) | YOY Change | YOY Change Constant Currency ² |
|--|------------------|------------------|---------------|---|
| Group revenue | 4,603 | 4,410 | 4.4% | 5.6% |
| EBITDA | 1,293 | 1,221 | 6.0% | 6.9% |
| Regional associates pre-tax earnings ³ | 523 | 637 | (17.8%) | (14.4%) |
| EBITDA and share of associates' pre-tax earnings | 1,846 | 1,915 | (3.6%) | (1.9%) |
| Underlying net profit ⁴ | 898 | 976 | (8.0%) | (6.0%) |
| Exceptional items (post-tax) | (8) | (3) | 161.3% | 189.4% |
| Net profit | 890 | 973 | (8.5%) | (6.6%) |
| Free cash flow ⁵ | 795 | 559 | 42.1% | nm |

Financial Highlights for the Nine Months Ended 31 December 2017

| | FY2018 (S\$m) | FY2017 (S\$m) | YOY Change | YOY Change Constant Currency ² |
|--|------------------|------------------|---------------|---|
| Group revenue | 13,205 | 12,404 | 6.5% | 5.4% |
| EBITDA | 3,854 | 3,689 | 4.5% | 3.3% |
| Regional associates pre-tax earnings ³ | 1,816 | 2,004 | (9.4%) | (9.4%) |
| EBITDA and share of associates' pre-tax earnings | 5,796 | 5,862 | (1.1%) | (1.8%) |
| Underlying net profit ⁴ | 2,737 | 2,888 | (5.2%) | (5.4%) |
| Exceptional items (post-tax) | 1,934 | 2 | nm | nm |
| Net profit | 4,671 | 2,889 | 61.7% | 61.4% |
| Free cash flow ⁵ | 2,806 | 2,433 | 15.3% | nm |

nm denotes not meaningful

² Assuming constant exchange rates from the corresponding periods in FY 2017.

³ Excludes exceptional items.

⁴ Defined as net profit before exceptional items.

⁵ Excluding tax payment of A\$134 million (S\$142 million) to the Australian Taxation Office in the quarter ended December 2016 for amended assessments under dispute.