News Release

Singtel posts record full-year earnings on NetLink Trust divestment and strong core business

Financial year ended 31 March 2018

- Record net profit of S$5.45 billion, including divestment gains from NetLink Trust
- Operating revenue up 5% to S$17.53 billion
- Strong core and digital businesses drive growth
- Free cash flow up 18% to S$3.61 billion on strong operating cash flow
- Q4 revenue stable and net profit down 19% on weaker associates' earnings
- Proposed final dividend per share of 10.7 cents; total dividend per share of 17.5 cents

Singapore, 17 May 2018 – Singtel ended the financial year with a record net profit of S$5.45 billion, bolstered by gains from the divestment of NetLink Trust and a strong performance by its core business. Operating revenue for the full year was up 5% to S$17.53 billion while EBITDA rose 2%, reflecting higher mobile and fixed broadband customer numbers in Australia and contributions from the Group's digital businesses. Underlying net profit for the full year fell 8% due to a lower share of profits from Airtel and lower economic interest in NetLink Trust, as well as higher depreciation and amortisation on network and spectrum investments. For the fourth quarter, net profit declined 19% due mainly to weaker results from Airtel and Telkomsel and adverse currency movements, but free cash flow continued to be strong with growth of 5%.

"These results reflect the strong execution of our digital transformation strategy in both our core and new digital businesses. Optus gained market share in Australia underscoring its network and content strategy while our ICT and digital businesses now account for 24% of revenue, with digital marketing arm Amobee achieving growth and positive EBITDA for the year," said Ms Chua Sock Koong, Singtel Group CEO. "We remain focused on what is important to both our consumer and enterprise customers – premium mobile networks, secure high-speed connectivity, innovative products and services, and excellent customer service. Besides strengthening our competitiveness, this allows us to deliver even greater value to customers."

Across the region, all of the Group's regional associates continued to drive growth in data. However, Airtel's results were impacted by intense competition with very aggressive pricing led by a new player and further aggravated by mandated cuts in mobile termination rates in India. This is despite recording its highest quarterly net customer adds and strong data usage growth in India, and continued positive growth momentum in Africa. Last month, Airtel announced the merger of Indus Towers and Bharti Infratel to create the largest tower company in the world outside of China, subject to regulatory and shareholder approvals. Telkomsel's earnings were impacted by the decline in legacy services and heightened price competition particularly during the SIM card registration implementation. Profit contributions from AIS grew on revenue improvement and cost management. Globe also delivered strong earnings growth due to robust data revenue growth and cost control.

Ms Chua said, "Our regional associates continued to win new customers and capture strong data growth, reaping the benefits of sustained investments in network and spectrum. Competition remains intense in India but the right regulatory policies and sector consolidation should lead to a more stable market structure in the mid term. In Indonesia, Telkomsel continues to expand its network to create significant capacity and grow its digital business. To forge new areas of growth, we are accelerating collaborations with our regional associates to build an ecosystem of digital services by leveraging the Group's strengths and customer base across 21 countries."

Recently announced initiatives include a cross-border payments service to connect the Group's telco wallets in Asia, and strategic partnerships in the areas of e-payments, e-sports and sports content.

The Group's cash position remains strong. Free cash flow for the full year rose 18% to S$3.61 billion, and for the quarter grew 5% to S$800 million.

GROUP CONSUMER

In Australia, Optus gained market share as it successfully differentiated itself through its network and content strategy. For the full year, it added a total of 384,000 new mobile customers and 225,000 new NBN broadband customers. Revenue grew 3% in the quarter as higher equipment sales and strong customer growth offset lower NBN migration revenues due to NBN's temporary suspension order while EBITDA declined 5%. Excluding NBN migration revenues, revenue would have grown 6% and EBITDA increased 3%. Mobile service revenue grew 1%, impacted by higher service credits. Postpaid ARPU was affected by an increased mix of SIM-only plans, higher device repayment credits and data price competition. Mass market fixed revenues excluding NBN migration revenues increased 6%.

In Singapore, for the quarter, consumer revenue was down 4% and EBITDA declined 14%. Mobile communications revenue was impacted by voice to data substitution, declines in roaming services and a higher mix of SIM-only plans. The launch of premium handsets presented an opportunity to increase customer recontracting numbers, strengthen customer relationships and reduce churn. Around 18% of new and recontracting postpaid customers signed up for SIM-only plans during the quarter.

Home revenues declined with the cessation of Premier League sublicensing and lower fixed voice usage but was partially mitigated by continued growth in broadband services.

Singtel relaunched its flagship store at Comcentre with state-of-the-art features and integration of online-offline channels to give customers greater ease of use.

In the content space, Group Consumer scored broadcasting rights for all the 2018 FIFA World Cup matches in Singapore and Australia. Optus also secured exclusive Premier League rights for three more seasons, solidifying its position as a leading multi-media entertainment company.

GROUP ENTERPRISE

Group Enterprise revenue was stable for the quarter as growth in ICT revenues offset the continued erosion of the carriage business. ICT services was boosted by strong contributions from cyber security and cloud services. Cyber security revenue rose 16% on the back of strong growth in managed security services and momentum in the Asia Pacific region.

In Australia, Optus Business maintained its revenue momentum at 5% growth this quarter, driven by sustained growth in mobile revenue and major ICT contract wins.

EBITDA for the quarter was down 5% from the increased mix of lower-margin ICT businesses, price compression in traditional services, and increased mobile retention costs driven by higher connections.

For the financial year, the growth engines of cyber security, cloud services and smart city projects contributed S$1.1 billion in revenue, an increase of 15% over the previous year.

The Group consolidated its cyber security operations across Singtel, Trustwave, Optus and NCS into a single global unit to strengthen and scale the cyber business to accelerate growth. It also formed the world's first Global Telco Security Alliance with leading global telecommunications companies Telefonica, Softbank and Etisalat. The alliance's global footprint and combined resources, including 22 Security Operation Centres and 6,000 cyber security experts, will better protect enterprise customers that operate across borders.

GROUP DIGITAL LIFE

Group Digital Life continued to scale and make progress towards profitability. Revenue grew 54%[1] for the quarter with EBITDA at breakeven, lifted by one-off content cost credit and government grants.

Amobee leveraged its global scale and reach to win new customers including international brands such as Del Monte, Heineken and Cisco. It also continued to enhance its technological capabilities, offering customers new solutions such as custom bid algorithms to improve the effectiveness of their campaigns.

In the advanced analytics space, DataSpark's mobility intelligence solutions gained traction in Australia across the retail, marketing and transportation sectors.

Singtel Innov8, Singtel's corporate venture fund, joined forces with NUS Enterprise to launch ICE71. This is Singapore's first integrated regional cyber security hub to support the development of start-ups, entrepreneurs and academics from around the world with the aim of strengthening Singapore's growing cyber security ecosystem.

DIVIDENDS

The Board is recommending a final ordinary dividend per share of 10.7 cents, bringing the total ordinary dividend per share for the year to 17.5 cents, representing a payout of approximately S$2.86 billion.

Barring unforeseen circumstances, the Group expects to maintain its ordinary dividends of 17.5 cents per share for the next two financial years and thereafter, will revert to the payout of between 60% and 75% of underlying net profit.

For the Group's guidance for the financial year ending 31 March 2019, please refer to Appendix 2.

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[1] Includes intra-group revenue.

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 650 million mobile customers in 21 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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Appendix 1

Financial Highlights for the Quarter Ended 31 March 2018

	FY2018 (S$m)	FY2017 (S$m)	YOY Change	YOY Change Constant Currency[2]
Group revenue	4,326	4,308	0.4%	2.8%
EBITDA	1,235	1,308	(5.6%)	(3.7%)
Regional associates pre-tax earnings[3]	488	651	(24.9%)	(20.0%)
EBITDA and share of associates' pre-tax earnings	1,754	2,022	(13.2%)	(10.4%)
Underlying net profit[4]	807	983	(17.9%)	(14.7%)
Exceptional items (post-tax)	(26)	(20)	32.8%	33.8%
Net profit	781	963	(19.0%)	(15.6%)
Free cash flow	800	764	4.8%	nm

Financial Highlights for the Full Year Ended 31 March 2018

	FY2018 (S$m)	FY2017 (S$m)	YOY Change	YOY Change Constant Currency[2]
Group revenue	17,532	16,711	4.9%	4.7%
EBITDA	5,089	4,998	1.8%	1.5%
Regional associates pre-tax earnings[3]	2,304	2,655	(13.2%)	(12.0%)
EBITDA and share of associates' pre-tax earnings	7,550	7,884	(4.2%)	(4.0%)
Underlying net profit[4]	3,544	3,871	(8.4%)	(7.8%)
Exceptional items (post-tax)	1,908	(18)	nm	nm
Net profit	5,451	3,853	41.5%	42.2%
Free cash flow	3,606	3,054	18.1%	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.

Singtel

Appendix 2

OUTLOOK FOR THE FINANCIAL YEAR ENDING 31 MARCH 2019

Macro-economic environment and currency

The guidance for FY2019 is based on the following economic growth projections, and average exchange rates for the financial year ended 31 March 2018:

GDP growth[5]	2018
Singapore	1.5% to 3.5%
Australia	3.0%
United States	2.5%
India	7.3%
Indonesia	5.3%
Philippines	6.7%
Thailand	3.6%
Airtel's key countries in Africa	2% to 7%

Average exchange rates		FY 2018
Australian Dollar	AUD 1	SGD 1.0489
United States Dollar	USD 1	SGD 1.3565
Indonesian Rupiah	SGD 1	IDR 9,901
Indian Rupee	SGD 1	INR 47.6
Thailand Baht	SGD 1	THB 24.3
Philippine Peso	SGD 1	PHP 37.5

Strategic Focus

Singtel is focused on creating sustainable value for its shareholders, by continually transforming its core business and creating global digital businesses that leverage on the Group's unique strengths as a telco.

Executing in the core

Singtel continues to invest in networks, spectrum, technology and content to create competitive advantages. In Australia, our investments have been acknowledged by customers and driven market share gains for Optus. Optus looks to sustain this momentum into the new financial year. Across Singapore and Australia, we are integrating the online-offline channels for a seamless customer experience. We will leverage our learnings with our regional associates to extend their propositions and market leadership.

We expect our digitalisation, automation and other initiatives to enhance productivity and drive significant cost savings. For FY2019, the Group expects these initiatives to drive cost savings and avoidance of around S$500 million. We also aim to leverage these increased efficiencies to drive additional growth from the core.

[5] Singapore's GDP is based on Ministry of Trade and Industry (February 2018). Australia's GDP is based on Reserve Bank of Australia (May 2018) and the rest are based on World Bank (January 2018). The GDP growth for Australia is based on fiscal year ending June 2019 and for United States is based on fiscal year ending September 2019.

Digital – accelerating growth

Rising digitalisation of government and businesses is providing significant growth opportunities for our ICT services, including cyber security, cloud computing and smart cities solutions.

The Group's cyber security revenues have grown strongly to reach more than S$500 million in FY2018. As we look to scale, we have integrated existing cyber resources across the Group into a global unit. We expect this to drive operational synergies and strengthen Singtel's position as a leading managed cyber security services provider.

Group Digital Life will leverage global opportunities in digital marketing, data analytics and premium video services. Amobee is expected to continue its strong momentum in video, mobile and social marketing, while HOOQ enhances its content and distribution. The Group will also leverage its unique regional footprint to enable leading regional digital services, including digital payments.

With its scale, operating experience and business diversification, the Group is well-placed to compete in the digital era.

Outlook

The Group's adoption of new accounting framework and standards[6] with effect from 1 April 2018 is not expected to have a material impact on the outlook provided below. For reporting in the next financial year, the comparative financial statements for the year ended 31 March 2018 will be restated based on the new accounting framework and standards.

Group[7]

- Consolidated revenue[8] for the Group is expected to grow by low single digit and EBITDA[8] is expected to be stable.
- Cash capital expenditure and accrued capital expenditure are expected to approximate S$2.2 billion, comprising A$1.4 billion for Optus and S$0.8 billion for the rest of Singtel Group.
- Free cash flow, excluding spectrum payments and dividends from associates, is projected to be around S$1.9 billion.
- Dividends from the regional associates are expected to be approximately S$1.4 billion.

[6] These comprise of Singapore Financial Reporting Standards (International) ("SFRS (I)"), SFRS(I) 9, *Financial Instruments*, and SFRS(I) 15, *Revenue from Contracts with Customers*. See page 20 for additional information.
[7] Excluding acquisitions.
[8] Excluding the impact of NBN migration revenues in Australia for FY2018 and FY2019.

Key Business Units

Core Business (comprising Group Consumer and Group Enterprise)

- Operating revenue[8] in the core business is expected to grow by low single digit and its EBITDA[8] is expected to be stable.
- Mobile service revenue from Australia is projected to grow by low single digit.
- Mobile service revenue from Singapore is expected to decline by mid-single digit.
- Group ICT revenue (comprising Managed Services and Business Solutions) is projected to increase by mid-single digit. This includes cyber security revenue, which is expected to grow by low teens.

Group Digital Life

- Operating revenue[9] at Amobee Group is expected to grow by mid-teens and its EBITDA is projected to increase.

Dividend Policy

Singtel is committed to delivering dividends that increase over time with growth in underlying earnings. Its dividend payout ratio is between 60% and 75% of underlying net profit. Singtel is also committed to maintaining an optimal capital structure and investment credit grade ratings.

While continuing competition in India may impact Airtel's profit contribution to the Group in the short term, the impact on the Group's cash flow and hence dividend payment is not expected to be significant. Barring unforeseen circumstances, it expects to maintain its ordinary dividends at 17.5 cents per share for the next two financial years and thereafter revert to the payout ratio of between 60% to 75% of its underlying net profit.

[9] Includes intra-group revenue.