Media Statement

Standard & Poor's announcement

Singapore, 22 August 2012 – Singapore Telecommunications Limited (SingTel) refers to the respective announcements by Standard & Poor's Ratings Services regarding SingTel and Optus. (As attached)

The credit ratings of SingTel and Optus continue to be strong among its peers in the global telecommunications industry.

SingTel and Optus remain financially-disciplined in their approach to investments and are committed to maintaining their investment-grade credit ratings.

###

Media Contact:
Michele Batchelor
Director, Group Communications
Tel: +65 6838 2203
Email: mbatchelor@singtel.com

STANDARD
& POOR'S
RATINGS SERVICES

RatingsDirect®

Research Update:

Singapore Telecommunications 'A+/A-1' Ratings Affirmed; Outlook Stable

Primary Credit Analyst:
Paul R Draffin, Melbourne (61) 3-9631-2122; paul_draffin@standardandpoors.com

Secondary Contact:
Mehul P Sukkawala, CFA, Mumbai (91) 22-3342-4018; mehul_sukkawala@standardandpoors.com

Table Of Contents

Research Update:

Singapore Telecommunications 'A+/A-1' Ratings Affirmed; Outlook Stable

Overview

- We have revised our assessment of the likelihood of extraordinary support for Singapore Telecommunications Ltd. (SingTel) from the Singapore government to "moderate" from "low."
- However, we have also lowered our stand-alone credit profile on SingTel to 'a' from 'a+'.
- We are affirming our 'A+/A-1' corporate credit rating on Singapore Telecommunications Ltd.
- The stable outlook on the long-term rating reflects our expectation that SingTel will continue to generate significant free cash flows in Singapore and Australia, together with growing dividend payments from its associates, while maintaining a "modest" financial risk profile.

Rating Action

On Aug. 22, 2012, Standard & Poor's Ratings Services affirmed its 'A+' long-term and 'A-1' short-term corporate credit ratings on Singapore Telecommunications Ltd. and its related debt issues and programs. The outlook remains stable.

Rationale

The ratings affirmation reflects a change in our assessment of the likelihood of extraordinary government support for SingTel to "moderate" from "low," and the lowering of our stand-alone credit profile (SACP) on the company to 'a' from 'a+'.

Standard & Poor's lowered the SACP because it believes SingTel's financial risk profile will remain below our expectations for the 'a+' SACP in the next two years. We believe persistent competition in SingTel's core markets and the capital demands from investing in new products and services to complement the group's traditional telecommunication services will cause the group's financial risk profile to remain more in line with the 'a' SACP, including funds from operations (FFO) to debt maintained in the 45%-50% range in the next two years. In addition, we expect the group's contributions from associate investments to continue to grow, which would shift the group's asset and earnings mix to entities and geographies that generally have lower credit quality than the group's core Singapore and Australian operations.

In accordance with our criteria for rating government-related entities (GREs),

1002671 | 300019494

we have revised our assessment of the "link" between SingTel and the government of Singapore (unsolicited rating AAA/Stable/A-1+; axAAA/axA-1+) to "strong" from "limited." This reflects our expectation that Temasek Holdings (Private) Limited (AAA/Stable/A-1+), a Singapore government-owned entity that holds 54% of SingTel, will remain a majority shareholder in SingTel in the next three to five years. Our previous assessment of this link as "limited" reflected a 2003 U.S. trade agreement letter indicating that the Singapore government would divest its stake in SingTel. However, in our view, it is unlikely that Temasek will divest SingTel in the next few years.

Nevertheless, we still believe that SingTel's role continues to have "limited importance" to the Singapore government, as defined by our GRE criteria. Given this assessment, we consider there to be a moderate likelihood that the government of Singapore will provide extraordinary support to SingTel in times of financial stress. However, we don't expect this extraordinary GRE support to flow to SingTel's Australian subsidiary, SingTel Optus Pty Ltd. (See separate report on SingTel Optus for further discussion.)

Despite the weaker SingTel SACP, we consider that the group's stand-alone credit quality remains strong, underpinned by the group's significant operating diversity across a number of regional telecommunications markets, its favorable business position in its core markets, and its "modest" financial risk profile, as defined in our criteria. Strong competition in SingTel's markets, regulatory risks, the significant capital demands associated with technological change, and the increasing contribution from more competitive markets and services to the group's earnings temper these strengths.

Base-case forecasts

In our base-case scenario, we expect SingTel's ratio of FFO to debt to range 45%-50% in the next two years. This is based on our assumption of relatively flat earnings growth from the Singapore and Australian operations for the fiscal year ending March 2013. We have factored in strong competition in both markets, a modest increase in dividends from associates, spectrum payments, and further material capital investment in new growth products and services. As a result, we expect FFO to debt to remain at or below the 48.9% recorded for the year ended March 31, 2012, which we consider as more consistent with the 'a' SACP. The forecasts, however, do not factor in any proceeds from the proposed divestment of at least 75% of Netlink Trust, the business trust established to hold certain infrastructure assets used by OpenNet under the Singapore NextGen NBN project. SingTel has committed to sell down this stake by April 2014, but this divestment remains subject to shareholder approval and is dependent on market conditions. Furthermore, we believe that the potential credit benefits from the sale will be tempered by the loss of high quality network revenues.

Liquidity

The short-term rating on SingTel is 'A-1', reflecting the long-term issuer credit rating and our assessment of SingTel's liquidity as "strong," as defined in our criteria. Our liquidity assessment is based on our expectation that the group's sources of liquidity (including FFO, undrawn bank facilities, and cash) in the next 12 months will be sufficient to cover its uses of liquidity (including capital expenditure and ordinary shareholder distributions) by more than 1.5x.

As of June 30, 2012, SingTel had a cash balance of about Singapore dollar (S$) 1.4 billion, and short-term debt of S$138 million. SingTel has also maintained its excellent access to the capital markets in recent years despite the weakness in global capital markets.

Outlook

The stable outlook reflects our expectation that SingTel will continue to generate significant free cash flows in Singapore and Australia, together with growing dividend payments from its associates. These cash flows, together with the group's balanced approach to shareholder returns and capital investment, should underpin the group's modest financial risk profile and overall credit profile.

We may lower rating if SingTel's shareholder returns or additional debt-funded investments weaken its credit measures, such that the group sustains a ratio of FFO to debt materially below 45%. We may also lower the rating if the overall quality of the group's cash flows materially declines without a commensurate improvement in its financial risk profile. This may occur with further growth in SingTel's associate investments that have weaker credit characteristics than the group's core businesses in Singapore and Australia. In addition, we may downgrade SingTel if we lower our expectation of extraordinary government support to low from moderate.

We may raise the rating if the group's financial risk profile improves sustainably--such as FFO to debt remaining above 50%, supported by a robust financial policy framework--while generating strong and significant cash flows from its core Singapore and Australian operations. We may also raise the rating if our view of the likelihood of extraordinary support from the Singapore government materially increases.

Related Criteria And Research

- Rating Government-Related Entities: Methodology And Assumptions, Dec. 9, 2010
- Stand-Alone Credit Profiles: One Component Of A Rating, Oct. 1, 2010
- 2008 Corporate Criteria: Analytical Methodology, April 15, 2008

Ratings List

Ratings Affirmed

Singapore Telecommunications Ltd.	
Corporate Credit Rating	A+/Stable/A-1
Singapore Telecommunications Ltd.	
Senior Unsecured	A+
SingTel Group Treasury Pte. Ltd.	
Senior Unsecured	cnAAA
Senior Unsecured	A+

Standard & Poor's (Australia) Pty. Ltd. holds Australian financial services licence number 337565 under the Corporations Act 2001. Standard & Poor's credit ratings and related research are not intended for and must not be distributed to any person in Australia other than a wholesale client (as defined in Chapter 7 of the Corporations Act).

Complete ratings information is available to subscribers of RatingsDirect on the Global Credit Portal at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

RatingsDirect®

Research Update:

Singtel Optus Pty Ltd. Long-Term Rating Lowered To 'A' From 'A+', Short-Term Rating Affirmed At 'A-1', Outlook Stable

Primary Credit Analyst:
Paul R Draffin, Melbourne (61) 3-9631-2122; paul_draffin@standardandpoors.com

Table Of Contents

Research Update:

Singtel Optus Pty Ltd. Long-Term Rating Lowered To 'A' From 'A+', Short-Term Rating Affirmed At 'A-1', Outlook Stable

Overview

- We have lowered our stand-alone credit profile on Singtel Optus' (Optus) parent company, Singapore Telecommunications Ltd. (Singtel, A+/Stable/A-1), to 'a' from 'a+'.
- We continue to view Optus as a core subsidiary of the Singtel group and align its rating with the stand-alone credit profile on Singtel.
- Accordingly, we have lowered the long-term rating on Optus to 'A' from 'A+', and affirmed the 'A-1' short-term rating on Optus. The outlook on the long-term rating is stable.
- The credit rating on Optus does not factor in any extraordinary support from the government of Singapore, unlike our credit rating on Singtel.

Rating Action

On Aug. 22, 2012, Standard & Poor's Ratings Services lowered its long-term corporate credit rating on Australian telecommunication company Singtel Optus Pty Ltd. (Optus) to 'A' from 'A+'. At the same time, we have affirmed our 'A-1' short-term rating on Optus. The outlook on the long-term rating is stable.

Rationale

The downgrade of Optus to 'A' from 'A+' reflects the lowering of our stand-alone credit profile (SACP) assessment on Optus' parent, Singapore Telecommunications Ltd. (Singtel, A+/Stable/A-1), to 'a' from 'a+'. We continue to view Optus as a core subsidiary of the Singtel group and align its rating with the stand-alone rating on Singtel.

We consider that the Singtel group's financial profile will remain within our expectations for the current 'a' SACP in the next two years. The group faces strong competition in its core markets and continues to invest in new growth opportunities. Importantly also, we believe Optus will not benefit from extraordinary support from the Government of Singapore in times of financial stress, unlike its parent company.

Notwithstanding the downgrade, we continue to view Optus' credit profile as robust. The 'A' rating reflects the company's position as a core subsidiary of Singtel; its solid market shares in its key business segments (including a near one-third mobile market share in Australia); the company's low debt

1002673 | 300019494

levels, and its strong free-operating cash flow. Partly offsetting these strengths are the highly competitive operating environment in Australia; Optus' significant capital-expenditure requirements associated with ongoing technological change and developing new revenue streams; and the company's concentrated earnings profile, which is dominated by mobile services.

Although Singtel does not guarantee Optus' debt obligations, the rating on Optus benefits from the credit quality of its parent. In our opinion, Singtel's continuing 100% ownership of Optus is an important factor underpinning the long-term rating and reflects Optus' position as a core, material subsidiary in the Singtel group. Optus is also a significant lender to Singtel; if Singtel were to repay all of its loans to Optus, Optus would be in a net cash position. For the year ended March 31 2012, Optus contributed about 59% of Singtel's operational EBITDA, or about 31% of total proportionate EBITDA when earnings from Singtel's associates are included.

Optus' revenues and EBITDA for the quarter ended June 30, 2012 declined 3.2% and 2.6% respectively. This is due to continuing competitive operating conditions in the Australian market, as well as the impact of reduced mobile termination rates, and lower equipment sales and service credits under device repayment plans. We expect the competitive pressure to become less intense in the next 12 months, compared to that observed in the past 18 months. Furthermore, our base-case forecasts indicate that Optus will continue to generate strong free operating cash flows of about A$1 billion per year despite market competition and increasing tax payments. These cash flows will be bolstered by cash inflows from the recently agreed transaction with the National Broadband Network Company. This should enable the company to fund future capital investment and spectrum payments, while maintaining a robust financial risk profile, including remaining in a net cash position after netting off intercompany loans to Singtel.

Liquidity

The short-term rating on Optus is 'A-1', which is aligned with the short-term rating on Singtel. Our assessment of Optus' "strong" liquidity is also aligned with the parent. We note that Optus generates robust free-operating cash flow of about A$1.0 billion annually, has no material near-term debt maturities, has a high standing in credit markets, and has a track record in maintaining undrawn committed banking lines for financial flexibility. Also enhancing Optus' liquidity is the company's ability to borrow from Singtel if required, which could include the repayment of Singtel's intercompany loans. The next material debt maturity for Optus is a A$1.2 billion syndicated facility, maturing in June 2014.

Outlook

The stable outlook on the Optus rating reflects that on the rating of the company's 100% owner Singtel.

The ratings on Optus may face downward pressure if:

- Singtel's SACP is further lowered;

- Singtel reduces its shareholding in Optus, or there is other evidence that Optus' importance in the Singtel group is diminishing; or
- Optus' business or financial risks materially increase.
- An upgrade on Optus would likely be reliant on a raising of Singtel's SACP.

Related Criteria And Research

- Singapore Telecommunications 'A+/A-1' Ratings Affirmed; Outlook Stable, Aug. 22, 2012
- 2008 Corporate Criteria: Analytical Methodology, April 15, 2008
- Stand-Alone Credit Profiles: One Component Of A Rating, Oct 1, 2010

Ratings List

Downgraded		
	To	From
Optus Finance Pty Ltd.		
Senior unsecured	A	A+
Downgraded; Ratings Affirmed		
	To	From
SingTel Optus Pty Ltd.		
Corporate credit rating	A/Stable/A-1	A+/Stable/A-1
New Rating		
Singapore Telecommunications Ltd.		
Analytical factors		
Local currency	a	
Ratings Affirmed		
Singapore Telecommunications Ltd.		
Corporate credit rating	A+/Stable/A-1	
Optus Finance Pty Ltd.		
Senior unsecured	cnAAA	
SingTel Group Treasury Pte. Ltd.		
Senior unsecured	cnAAA	
Senior unsecured	A+	
Singapore Telecommunications Ltd.		
Senior unsecured	A+	

Complete ratings information is available to subscribers of RatingsDirect on the Global Credit Portal at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.