

SINGAPORE TELECOMMUNICATIONS LIMITED
(Incorporated in the Republic of Singapore)
Company Registration Number: 199201624D

ESTABLISHMENT OF NETLINK TRUST

Singapore Telecommunications Limited (“SingTel”) is pleased to announce that it has today entered into conditional agreements to sell certain infrastructure assets, namely ducts and manholes used by OpenNet Pte Ltd (“OpenNet”) and 7 exchange buildings (“Assets”), and SingTel’s business of providing duct and manhole services in relation to the Assets (“Business”), to CityNet Infrastructure Management Pte. Ltd. (“CityNet”) in its capacity as trustee-manager of NetLink Trust (the “Trustee-Manager”), for an aggregate consideration of approximately S\$1.89 billion.

NetLink Trust and CityNet

NetLink Trust is a business trust established as part of the Infocomm Development Authority of Singapore’s (“IDA”) effective open access requirements under Singapore’s “Next Generation Nationwide Broadband Network” (“Next Gen NBN”).

SingTel is the initial and sole unitholder of NetLink Trust. CityNet (in its capacity as Trustee Manager of NetLink Trust) will carry on NetLink Trust’s business and hold the Assets on trust for the benefit of the unitholders of NetLink Trust. CityNet will apply for NetLink Trust to be registered as a business trust under the Business Trusts Act, Chapter 31A of Singapore.

CityNet is a wholly-owned subsidiary of CitySpring Infrastructure Trust, and is held by CitySpring Infrastructure Management Pte. Ltd., the trustee-manager of CitySpring Infrastructure Trust. CityNet will have a majority independent board of directors, and SingTel has the ability to appoint not more than 30% of the board.

Background

In December 2007, the IDA launched the Request for Proposal for the Network Company for the Next Gen NBN, the wired fibre broadband network that will deliver ultra-high broadband symmetric speeds to all homes, offices and schools.

In September 2008, OpenNet, in which SingTel has an interest of 30 per cent., was selected to become the network company for the Next Gen NBN. SingTel undertook to the IDA to transfer certain infrastructure assets to a separate wholly-owned entity as part of the IDA’s effective open access requirements. NetLink Trust was established to comply with this undertaking. SingTel also undertook to the IDA to reduce its stake in NetLink Trust to less than 25 per cent by April 2014, subject to relevant approvals being obtained.

Details of Transaction

The consideration for the sale of the Assets and the Business was arrived at using the discounted cash flow valuation methodology. The valuation was based on current estimates and projections of future fibre take-up rate in Singapore, amongst other factors. The sale consideration will be financed by way of a unitholder loan from SingTel to CityNet in its capacity as Trustee-Manager of NetLink Trust, and the issue of units in NetLink Trust to SingTel.

The agreements are conditional on, amongst other things, the relevant regulatory approvals being obtained. It is expected that the completion of the conditional sale agreements will take place in September 2011.

Upon completion of the transaction, CityNet in its capacity as Trustee-Manager will then carry on the business of ownership, installation, operation and maintenance of the relevant ducts, manholes, exchange buildings and space in exchange buildings for the purposes of facilitating telecommunications activities. NetLink Trust's customers will include telecommunication operators such as SingTel and OpenNet. NetLink Trust's income will consist primarily of fees and charges from making available for use and granting rights of access over the ducts, manholes, exchange buildings and space in exchange buildings, and from operation and maintenance services.

Duct and Manhole Services Agreements and Property Lease Agreements

In addition, SingTel has entered or will be entering into, amongst other agreements, the following agreements with CityNet in its capacity as Trustee-Manager of NetLink Trust:

- A duct and manhole services agreement relating to SingTel's existing copper and fibre cables situated within the NetLink Trust ducts. The fees payable by SingTel under this agreement are approximately S\$20 million per annum. The term of this agreement is 25 years from completion, with an option to renew for a further term of 25 years.
- A duct and manhole services agreement relating to OpenNet's fibre cables situated within the NetLink Trust ducts. Under this agreement, SingTel will receive a fixed charge, as well as a variable charge comprising 70% of the variable charge that SingTel receives from OpenNet¹. The fixed charge is estimated to be S\$5 million and S\$15 million for the financial years ending 31 March 2012 and 31 March 2013 respectively. With effect from the financial year ending 31 March 2014, the fixed charge is expected to be S\$20 million per annum. The agreement comes into effect on completion and will continue in effect until 22 April 2034, with an option to renew for a further term of 25 years.
- Long-term property lease agreements in relation to the lease of space by SingTel in the 7 exchange buildings which form part of the Assets. The amount payable by SingTel under these agreements is approximately S\$12 million per annum.

- Long-term property lease agreements in relation to the lease of approximately 120 square metres of space each in 2 exchange buildings by CityNet in its capacity as trustee-manager of NetLink Trust.

Financial Effects

SingTel retains a 100% economic interest over the business and assets of NetLink Trust as the sole unitholder of NetLink Trust. NetLink Trust will be accounted for in the financial statements of SingTel as an associated company, using the equity method of accounting.

SingTel will incur additional costs for the operation and maintenance of NetLink Trust. Such costs are currently not expected to exceed S\$20 million per annum.

The above transactions do not have a material impact on the net assets or net profit of the SingTel Group in the current financial year.

By Order of the Board

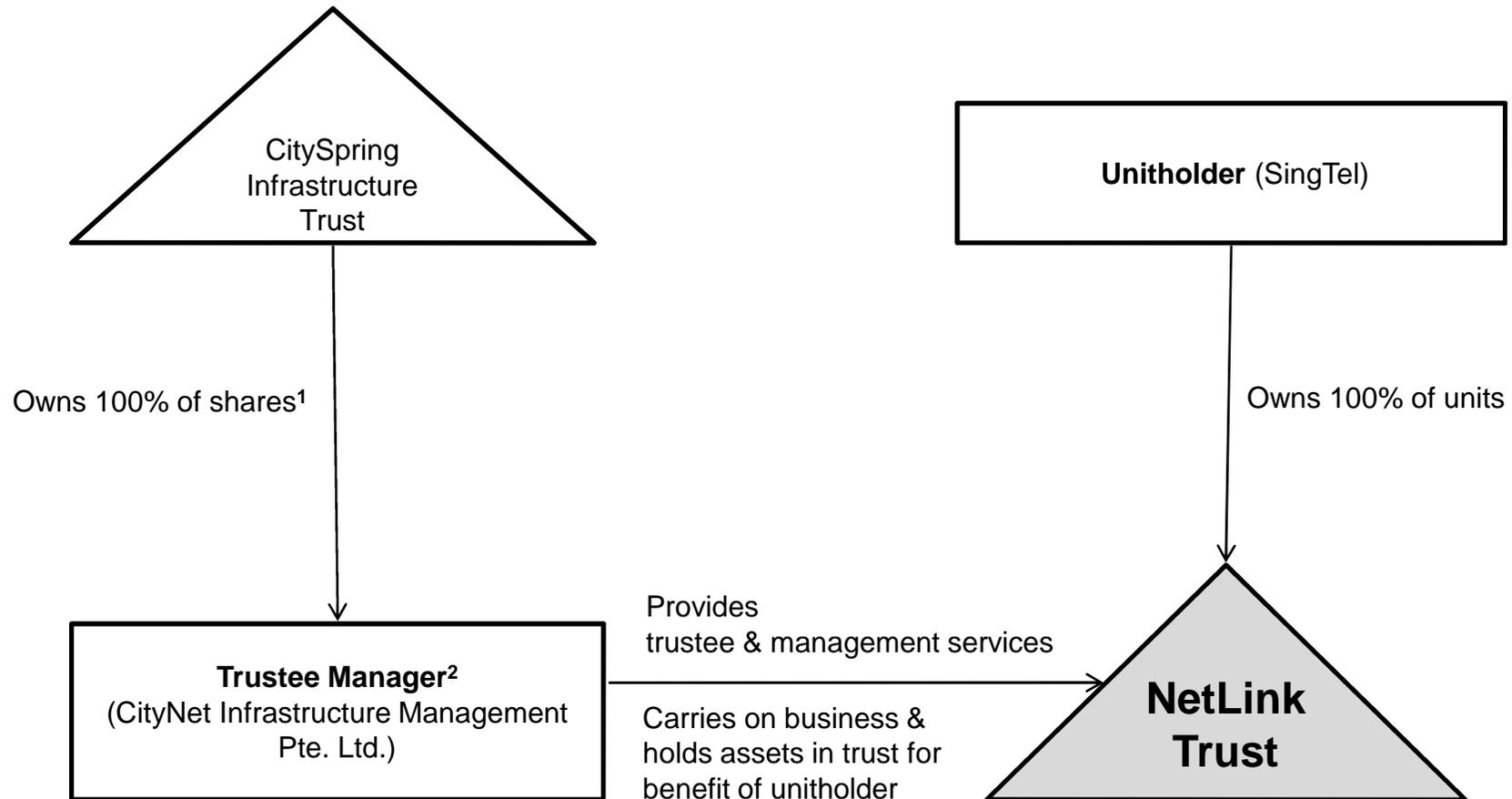
Chan Su Shan (Ms)
Company Secretary

22 July 2011

¹ OpenNet pays SingTel for the rights to use and access, and for the maintenance of, the ducts, manholes and space in exchange buildings. The fees payable to SingTel comprise a fixed charge, as well as a variable charge calculated by reference to a formula $[(75\% \times \text{OpenNet revenue}) - \text{S\$55 million}]$. The variable charge only applies if the formula results in a positive value. The fixed charges are estimated to be S\$30 million and S\$50 million for the financial years ending 31 March 2012 and 31 March 2013 respectively. With effect from the financial year ending 31 March 2014, the fixed charge is expected to be S\$55 million per annum

Appendix

NetLink Trust Structure



1. CitySpring Infrastructure Management Pte. Ltd. holds (in its capacity as trustee-manager of CitySpring Infrastructure Trust) 100% of share capital of CityNet Infrastructure Management Pte. Ltd.
2. CityNet Infrastructure Management Pte. Ltd. will have a majority independent board of directors, and SingTel has the ability to appoint not more than 30% of the board.

Service & Lease Agreements

OpenNet

C1 Fees for usage, access rights and maintenance of the relevant infrastructure for OpenNet's use

Charges	FY12	FY13	Wef FY14
Fixed			S\$55m p.a.
Variable	~S\$30m	~S\$50m	(75% OpenNet revenue) less S\$55m
* variable charge only applies if this formula results in a positive value			

SingTel

A Fees for duct and manhole services for SingTel's existing copper & fibre within NetLink Trust ducts

• **~S\$20m p.a.**

(Based on length of existing cables situated within NetLink Trust ducts)

B Property lease payment

• **~S\$12m p.a.**

C2 Fees for duct and manhole services for OpenNet fibre within NetLink Trust ducts

Charges	FY12	FY13	Wef FY14
Fixed			S\$20m p.a.
Variable	~S\$5m	~S\$15m	70% of variable charge in C1

(SingTel retains balance of C1 for maintenance of OpenNet fibre)

CityNet (Trustee-Manager of NetLink Trust)