SingTel

# News Release

## SingTel Group reports resilient performance from Singapore and Australian operations

- *Revenue growth across Singapore and Australia in the quarter*
- *Stronger Australian Dollar offsets weakness in regional currencies*
- *Net profit affected by finance and tax expenses*

**Singapore, 11 August 2011** – Singapore Telecommunications Limited (SingTel) today announced that Group revenue rose 7 per cent to S$4.61 billion with 2 per cent growth in EBITDA for the first quarter. The Singapore and Australian businesses recorded healthy revenue growth and demonstrated strength in the operations despite keen competition.

Ordinary pre-tax earnings from the regional mobile associates however fell 10 per cent to S$472 million as a result of weaker regional currencies and the inclusion of a full quarter losses from Bharti Africa. In constant currency terms and excluding losses from Bharti Africa, earnings from the regional mobile associates would have been stable.

As a result of non-recurring exchange gains last year and higher tax expense from Bharti primarily due to the reduction of tax holiday benefits in India this quarter, the Group's net profit declined 3 per cent to S$916 million.

Highlights

| | Quarter Ended | | YOY |
|---|---|---|---|
| | 30 Jun 2011 (S$m) | 30 Jun 2010 (S$m) | Change |
| Group revenue | 4,605 | 4,289 | 7.4% |
| SingTel revenue | 1,557 | 1,520 | 2.4% |
| Optus revenue<br>(A$)<br>(S$) | <br>2,313<br>3,048 | <br>2,256<br>2,769 | <br>2.6%<br>10.1% |
| EBITDA | 1,284 | 1,255 | 2.3% |
| Share of associates' pre-tax ordinary earnings[1] | 500 | 551 | (9.2%) |
| EBITDA and share of associates' pre-tax ordinary earnings | 1,792 | 1,797 | (0.3%) |
| Net profit attributable to shareholders | 916 | 943 | (2.9%) |
| Underlying net profit[2] | 873 | 943 | (7.4%) |
| Underlying earnings per share (S cents) | 5.48 | 5.92 | (7.4%) |

[1] Exclude exceptionals.
[2] Defined as net profit before exceptional items and exchange differences on capital reduction of certain overseas subsidiaries, net of hedging, as well as significant exceptional items of associates.

In the quarter, AIS' reporting period was aligned with the Group. With this alignment, the Group equity accounted AIS' results for the June 2011 quarter as part of its ordinary results, and the preceding March 2011 quarter was classified as an exceptional item. Together with a one-off provision for ex-gratia payments attributable to Optus' workforce restructuring, post-tax exceptional gains amounted to S$43 million.

Ms Chua Sock Koong, SingTel Group CEO, said: "Our geographical diversity helped reduce the impact of foreign exchange volatility on our quarter's results, with the stronger Australian dollar offsetting the effects of weaker regional currencies. Our Singapore and Australian businesses continue to perform well, especially in the mobile segments."

"We continue to lead in Singapore as well as Australia. In the major emerging markets, we are differentiating with value and innovative offerings. We have leadership strengths in each of these markets and will respond accordingly to drive value in the businesses."

"We will continue to invest for sustained growth into the future. Many of our new initiatives are in the early growth phase and we are on track to transform ourselves beyond a traditional communications company."

The Group's free cash flow increased 18 per cent to S$913 million in the quarter. Dividends from associates doubled, mainly reflecting timing in receipt of Telkomsel's dividend. Free cash flow from the Singapore business was lower by 31 per cent because of higher capital expenditure for the ST-2 satellite.

## Singapore

Revenue from SingTel Singapore rose 2 per cent to S$1.56 billion, driven by continued robust growth in mobile communications. Fibre rollout revenue was lower compared to a year ago, as OpenNet passed its peak rollout phase with more than 70 per cent of the island already covered. Excluding fibre rollout, revenue would have grown 4 per cent.

EBITDA declined 4 per cent to S$567 million reflecting higher mio TV content and service costs.

**Mobile** services continued to be the main driver of growth in the quarter as revenue increased 9 per cent to S$472 million, with strong customer growth in the postpaid market and more customers signing up for higher rate plans.

A record 57,000 postpaid customers were added this quarter, reflecting a higher take-up for smartphones and strong demand for data-only SIMs for mobile broadband bundles, as well as tablets. The growth of data-only SIMs, however, reduced postpaid ARPU by 2 per cent to S$87. Excluding data-only SIMs, postpaid ARPU rose 2 per cent. Prepaid customers also grew with the successful offering of 3G services. As a result, SingTel's overall mobile market share rose 0.9 percentage point to 45.3 per cent from a year ago.

Mr Allen Lew, CEO Singapore, said: "The overall service revenue growth of the Singapore business was pleasing because it not only showed that we continue to take market share from our competitors but more importantly, it reflects that we are tracking well in our transformation and our various initiatives into adjacent markets are starting to gain acceptance."

**Data and Internet** revenue was stable at S$398 million as growth in Managed Services was partially offset by lower revenue in International and Local Leased Circuits markets. Internet-related revenue rose 2 per cent with increased adoption of higher-tier plans in the business segment and fibre-based services.

**NCS** revenue increased 2 per cent to S$277 million on higher business solutions sales in Singapore. NCS' order book continued to be strong at S$1.9 billion as at end June 2011. NCS' major customer wins this quarter included the implementation of an Enterprise Resource Planning system for certain Singapore government agencies and the provision of business process outsourcing services for an international bank in China.

During the quarter, **mio TV** recorded S$23 million in revenue, an increase of 73 per cent, and grew its customer base by 21,000 from a quarter ago to 313,000. SingTel's pay TV service continued to boost its info-tainment and news offerings with the addition of Travel Channel, a travel and leisure channel and Times Now, India's number one English news channel. mio TV also further cemented its position as the leading sports provider by securing Setanta Rugby which carries worldwide live and exclusive rugby matches.

inSing.com, a website that focuses on delivering hyper local content, is becoming more popular with increasing unique visitors.

An additional 14,000 customers signed up for mio Plan and mio Home bundles, bringing the total number of bundled customers to 255,000 as at end June 2011.

Following the introduction of Next Generation Nationwide Broadband Network (Next Gen NBN) in September last year, SingTel is leading the home fibre market with its distinctive suite of entertainment, lifestyle and productivity applications. At the end June 2011, SingTel had 22,000 fibre broadband[3] customers in the consumer and business segments.

Mr Lew said: "The initial results from our mio family of ultra-high bandwidth residential products and inSing.com in the consumer segments and growth in 'cloud' based applications as well as enterprise managed services in the business segment are very encouraging. This set of results gives us the impetus to push harder towards our vision of becoming an integrated multimedia company."

In May, SingTel Singapore successfully launched its second satellite, ST-2, into orbit. SingTel is the only owner and operator of commercial satellites in Singapore. ST-2 will increase the Group's capacity to meet growing customer demand for fixed and mobile satellite services in broadcast, maritime and oil and gas industries.

Operating expenses rose 7 per cent to S$1 billion. Selling and administrative expenses rose 25 per cent because of higher mio TV content and service costs, as well as increased mobile connections.

## Australia

Optus reported resilient results in the current quarter in the face of intense market competition, with operating revenue increasing 3 per cent to A$2.31 billion.

[3] Refers to residential and corporate subscriptions to broadband internet services using optical fibre networks.

EBITDA was up 1 per cent to A$560 million, driven by contribution from all segments and continuing cost management. Underlying net profit grew 3 per cent to A$174 million, excluding the impact of exceptional items relating to a one-off provision for ex-gratia payment arising from workforce restructuring.

Paul O'Sullivan, Optus Chief Executive said, "Against the backdrop of a highly competitive Australian telecommunications market with competitors discounting prices and sacrificing profits, Optus delivered resilient results. We remain focused on delivering profitable growth in a rapidly changing market and driving differentiation through innovative digital services and products."

In **Mobile,** total revenue rose 5 per cent to A$1.49 billion. Service revenue and equipment revenue grew 3 per cent and 15 per cent respectively while EBITDA was stable. Mobile growth was underpinned by continued postpaid customer growth, with 113,000 postpaid net additions this quarter. The number of 3G customers[4] increased to 5.29 million, a 4 per cent increase from a quarter ago.

Blended ARPU was lower at A$45, reflecting a higher mix of wireless broadband and increased value inclusions on selected plans.

Optus continued to differentiate its offerings and introduced several digital services and strategic partnerships, including the recently launched Smart Safe service which allows customers to back up and store content from their mobile handset or PC. Optus also announced a landmark innovation in mobile entertainment, Optus TV Now™, which enable customers to schedule, record and playback any of the 15 free-to-air television channels from their compatible 3G mobile devices or PC.

In the Small and Medium Business (SMB) segment, Optus launched its new suite of cloud services, Optus OfficeApps, to help customers manage their business more cost effectively.

In **Business and Wholesale** fixed, overall revenue was stable with growth in ICT and managed services and satellite revenue. EBITDA increased by 1 per cent, with stable EBITDA margins.

Optus won a four-year managed services contract of approximately A$30 million to deliver a range of fixed, mobile and managed services to Sydney Water. In addition, Optus was appointed to supply managed services for National Broadband Network Co's Interim Satellite Service under a five-year agreement valued at approximately A$200 million.

Total Business fixed revenue was stable, with voice revenue relatively flat. ICT and Managed services grew 3 per cent due to an increase in managed services revenue from prior corporate wins including ANZ and Australian Taxation Office.

Wholesale fixed revenue increased 2 per cent, while data and IP was stable as growth in on-net revenue was offset by the exit of off-net data products. Satellite revenue grew 9 per cent.

In **Consumer and SMB fixed**, on-net revenue excluding Pay TV was stable. Including Pay TV, on-net revenue declined 2 per cent. EBITDA grew 5 per cent to A$58 million, with margin expansion of 2 percentage points to 18 per cent. The improvement was driven by higher on-net revenue mix and yield management initiatives.

[4] 3G subscribers are defined as subscribers who i) own a 3G device and ii) are provisioned with 3G Data Services access.

As part of its strategy to develop a suite of converged video services, Optus announced plans for a unique IPTV service accessible across multiple devices, scheduled for launch in the second half of 2011.

In Consumer fixed, on-net revenue contributed 95 per cent to overall Consumer fixed revenue, up from 93 per cent a year ago. The number of ULL telephony customers reached 512,000, up 18,000 from a year ago.

On-net broadband delivered revenue growth of 2 per cent and the total number of on-net broadband customers increased by 4 per cent to 965,000 as at 30 June 2011.

## Regional

The Group and its regional mobile associates had another quarter of strong customer growth and now have 416 million mobile customers, a 19 per cent increase from a year ago.

Mr Hui Weng Cheong, CEO International, said: "In Indonesia, Telkomsel registered strong data growth and increased EBITDA under improved market conditions. In India, stabilising tariffs lifted revenue and EBITDA for Bharti's South Asia operations."

"In Africa, Bharti is steadily growing its customer and usage levels, with corresponding improvements in revenue and EBITDA. It has been a year since Bharti began its operations in Africa. Its transformation and restructuring plans are progressing well and Africa is positioned to deliver further growth for Bharti."

| | Quarter Ended | YOY | |
|---|---|---|---|
| **Share of pre-tax ordinary Profit[5]** | **30 Jun 2011 (S$m)** | **Change (S$)** | **Change (local currency)** |
| Bharti | 154 | (27.0%) | (19.6%) |
| - South Asia | 181 | (18.5%) | (10.3%) |
| - Africa | (28) | (126.8%) | (148.9%) |
| Telkomsel | 210 | (4.8%) | 1.1% |
| Globe | 49 | 10.3% | 17.4% |
| AIS[6] | 77 | 13.0% | 18.9% |
| Warid | (12) | 15.4% | 3.3% |
| PBTL | (6) | (26.7%) | (47.6%) |
| Regional Mobile Associates | 472 | (10.1%) | NM |

*NM denotes not meaningful*

5 Excluding exceptional items and including mark-to-market valuations on foreign currency denominated liabilities.
6 Based on AIS' results for the quarter ended 30 June 2011. AIS' results for the quarter ended 31 March 2011 had been included in exceptional items.

**Telkomsel**'s revenue rose 5 per cent on strong data growth. In Singapore Dollar terms, the Group's share of pre-tax profit fell 5 per cent to S$210 million because of the weaker Indonesian Rupiah, which depreciated 6 per cent against the Singapore Dollar.

**Bharti's** operations in South Asia, covering India, Bangladesh and Sri Lanka, reported revenue and EBITDA growth, led by an increase in customer base and stabilising tariffs in India. However, Bharti recorded higher licence fee amortisation and interest expense as a result of its 3G rollout.

Overall, including losses from Bharti Africa and the weaker Indian Rupee, Bharti's ordinary pre-tax contribution to the Group declined 27 per cent to S$154 million. The Indian Rupee fell 10 per cent against the Singapore Dollar.

This quarter, the Group equity accounted for **AIS'** results for the quarter ended 30 June 2011 to align with the Group reporting period. In Singapore Dollar terms, the Group's share of AIS' pre-tax profit increased 13 per cent to S$77 million on the back of strong data revenue.

In the Philippines, **Globe** sustained its revenue growth momentum across key businesses. Including fair value losses and the depreciation of the Philippine Peso against the Singapore Dollar, Globe's pre-tax contribution grew 10 per cent to S$49 million. In April 2011, Globe commercially rolled out a mobile network that utilised the Evolved High-Speed Packet Access technology.

## Appendix 1

The following table shows the trends in constant currency terms.

| | Quarter Ended | YOY | |
|---|---|---|---|
| | 30 Jun 2011 (S$m) | Change (S$) | Change (constant currency)[7] |
| Group revenue | 4,605 | 7.4% | 2.5% |
| Group underlying net profit | 873 | (7.4%) | (6.6%) |
| Optus revenue | 3,048 | 10.1% | 2.6% |
| Associates' earnings[8] | 500 | (9.2%) | (3.1%) |

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[7] Assuming constant exchange rates from the corresponding period in FY11.
[8] Based on the Group's share of associates earnings before tax and exceptionals.