Media Statement

Response to Moody's announcement

Singapore, 15 August 2012 – Singapore Telecommunications Limited (SingTel) refers to the announcement by Moody's Investors Service. (As attached)

At Aa3, SingTel's credit rating continues to be strong among its peers in the global telecommunications industry. SingTel remains financially-disciplined in its approach to investments and is committed to maintaining the Group's investment-grade credit rating.

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MOODY'S
INVESTORS SERVICE

Rating Action: Moody's downgrades SingTel to Aa3; outlook stable

Global Credit Research - 15 Aug 2012

Singapore, August 15, 2012 -- Moody's Investors Service has today downgraded Singapore Telecommunications Limited's ("SingTel") senior unsecured ratings to Aa3 from Aa2. At the same time Moody's has downgraded to Aa3 from Aa2 all notes issued by SingTel Group Treasury Pte. Ltd, under the unconditional and irrevocable guarantee of SingTel.

The rating outlook remains stable.

RATINGS RATIONALE

"The downgrade reflects a weakening in key financial parameters -- Debt/EBITDA, RCF/Debt and FCF/Debt -- over the last year, fueled by rising absolute debt levels and a willingness by the company to re-leverage its balance sheet," says Nidhi Dhruv, a Moody's Analyst, and also Lead Analyst for SingTel.

The downgrade action is driven by SingTel's fundamental rating factors, and does not reflect any change in Moody's assumption of support from Temasek Holdings (Pte) Limited (Temasek, rated Aaa).

"SingTel's leverage is now embedded at levels viewed as high for the rating level as the company's focus moves away from absolute debt repayment to higher shareholder returns. We expect net debt/EBITDA to remain at or above 1.5x over the near to medium term, which is no longer consistent with the previous rating of Aa2," adds Dhruv.

At the same time, the higher dividend payout and special dividend paid in FY2012 has resulted in substantially lower RCF/Debt metric of 13% for FY2012 as compared to 38% for the previous year. Higher payouts - specifically the special dividend - coupled with high capex have resulted in SingTel moving to a negative free cash flow position.

"In Moody's view, SingTel's commitment for higher shareholder returns, coupled with the ongoing need to invest in its businesses will lead to ongoing pressures on free cash flow," says Dhruv.

Higher dividend payouts also come at a time when the company's revenue mix is changing to reflect its expanding low margin data business. SingTel has embarked on a strategy of making bolt-on information, communication and technology (ICT) acquisitions to diversify revenue away from the saturating voice market, and such businesses are by their very nature margin dilutive.

"Furthermore, funding for the 4G spectrum auctions in Singapore and Australia in 2013/2014 is likely to call for further borrowings. Accordingly, SingTel's commitment to higher dividends may mean that it will need to fund the spectrum auctions substantially through debt," adds Dhruv.

Although Moody's notes that the company's near-term focus is to monetize non-core investments, Moody's also expects that proceeds from such asset sales will be used for making bolt-on acquisitions or returns to shareholders as dividends.

"Repositioning the rating at Aa3 allows SingTel the required flexibility to maintain its net leverage at 1.5x, maintain shareholder returns at the high end of its range, pursue its strategy to invest in other businesses, and make small acquisitions in related areas," adds Dhruv.

Notwithstanding SingTel's relatively high debt levels, operationally SingTel remains strong, particularly fuelled by rising mobile revenue growth in Singapore where it operates a fully integrated platform; it also benefits from a regionally diverse portfolio of cellular telecommunications operators. The company maintains an excellent liquidity profile supported by its very strong access to bank and debt capital markets, as evidenced by ongoing debt raisings over the past year, which have lengthened its debt maturity profile with over 50% of its debt maturing beyond 5 years. SingTel also maintains solid interest cover metrics which are in line with its Aa3 rating.

SingTel's senior unsecured rating continues to combine: a) the company's underlying strength, derived from its well-established and geographically diversified business platform; and b) the credit support that Moody's believes

Temasek, which owns 55%, is likely to provide in a distress situation.

The outlook remains stable, reflecting the core strength of SingTel's underlying business, sound operating profile, and healthy liquidity.

SingTel's fundamental credit strength may experience upward pressure if overall profitability improves, coupled with paring down the debt in absolute terms, such that adjusted EBITDA margins are in excess of 35-40%, and net debt/EBITDA (based on cash dividends being added back to core EBITDA) falls below 1.3x on a consistent basis.

Downward pressure on the underlying rating would occur if SingTel's leverage metrics weaken further, such that adjusted net debt/EBITDA is in excess of 1.75x.

Downward pressure could also build if the company undertakes further material capital returns in the near term, potentially in conjunction with a cash/debt-funded acquisition, and/or there is evidence of prospective weakness in operating results within the company's increasingly important Australian operation or in cash dividends received from overseas associates. A weaker EBITDA margin of below 30% on an ongoing basis would also pressure the rating.

In addition to the factors listed above, SingTel's rating may also be impacted by material changes in the ratings of its support provider, Temasek. Likewise, the rating may be affected should Moody's assess it likely that there will be support changes, or industry developments that materially undermine SingTel's relationship with the government -- these would include a reduction in Temasek's shareholding below 50%.

The principal methodology used in rating SingTel was the Global Telecommunications Industry Methodology published in December 2010. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

SingTel is the leading integrated communications services provider in Singapore, and, through its wholly owned subsidiary SingTel Optus Pty Limited, is the second largest integrated telecommunications operator in Australia. SingTel also has a number of investments in cellular operators throughout the region which give it a regional footprint in 26 markets and access to 462 million mobile subscribers as of 30 June 2012.

SingTel is 55% owned by Temasek - which in turn is 100% owned by the Singaporean government.

REGULATORY DISCLOSURES

The Global Scale Credit Ratings on this press release that are issued by one of Moody's affiliates outside the EU are endorsed by Moody's Investors Service Ltd., One Canada Square, Canary Wharf, London E 14 5FA, UK, in accordance with Art.4 paragraph 3 of the Regulation (EC) No 1060/2009 on Credit Rating Agencies. Further information on the EU endorsement status and on the Moody's office that has issued a particular Credit Rating is available on www.moodys.com.

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The rating has been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

Information sources used to prepare the rating are the following: parties involved in the ratings, public information, and confidential and proprietary Moody's Investors Service information.

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Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

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