



Media Statement

Moody's Announcement

Singapore, 16 August 2012 – Singapore Telecommunications Limited (SingTel) refers to the announcement by Moody's Investors Service. (As attached)

Optus remains financially-disciplined in its approach to investments and is committed to maintaining an investment-grade credit rating.

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Announcement: Moody's revises Optus' rating to negative from stable

Global Credit Research - 15 Aug 2012

Approximately \$ 1.6 bn in debt securities affected

Sydney, August 15, 2012 -- Moody's Investors Service has today changed the outlook on the senior unsecured Aa3 long term rating of Optus Finance Pty Limited to negative from stable. Optus Finance Pty Limited is a wholly owned and guaranteed subsidiary of Singtel Optus Pty Ltd (Optus).

RATINGS RATIONALE

"The outlook change to negative reflects our expectation for a trend of elevated leverage over the next 2-3 years as Optus considers additional acquisitions and the likely purchases of new spectrum", says Ian Lewis a Moody's Vice President and Senior Credit Officer.

"In addition, we expect that Optus will continue to upstream funds to its 100% parent SingTel (Aa3 stable) and undergo a degree of re-levering, consistent with a more pronounced trend over the last year", says Lewis who is also Lead Analyst for the company.

"We expect that increased capital investment and shareholder friendly initiatives will raise financial leverage to a level that leaves little to no headroom within Optus' Aa3 rating. We expect the ratio of Debt/EBITDA to increase to 1.5x (or higher) over the next 3 years, a level that positions Optus weakly within the rating", says Lewis.

We anticipate that Optus will continue to look for opportunities -- such as the recently announced acquisition of Vividwireless -- in order to strengthen its operating profile and particularly its mobile and broadband businesses in the face of strong competition from major competitor, Telstra (A2 stable). In addition, we envisage that Optus will need to bid for essential new spectrum in forthcoming auctions over the course of FY13/14 and that some proportion of these requirements will likely be debt funded, increasing leverage at Optus.

"Optus' Aa3 rating benefits from the presence and support of parent SingTel through its 100% ownership and close operational, financial and strategic integration with SingTel, as well as strategic alignment", says Lewis. Optus offers SingTel control of the leading alternative integrated carrier in one of Asia Pacific's largest markets, providing geographic diversification that is not easy to replace. Optus currently provides around 40% of SingTel's reported EBITDA.

As such, Optus' rating factors in two notches of uplift, based on both the ability of Singtel to support the company in a distress situation - a function of its own Aa3 rating - and its willingness to do so, based primarily upon the importance of Optus to Singtel. Moody's believes that Singtel would be highly likely to have both the ability and willingness to step in and support Optus, in a distress situation.

Optus is weakly positioned in the rating as indicated by the negative outlook. Further excessive upstreaming of cash flows to Optus' parent or increased borrowing to fund new acquisitions or new spectrum could lead to a weakened financial profile. In addition, heightened levels of competition in Optus' operating environment could lead to reduced revenues and/or compressed margins. Moody's would consider Debt/EBITDA rising above 1.5x as indicative of such negative rating pressure. In addition, the rating could be subject to negative rating pressure if the implied support from SingTel was reduced or the parent's credit rating was downgraded.

On the other hand, the rating outlook could revert to stable with improved profitability or strengthened financial profile, which could be achieved through a strong growth of new customers. Moody's would also be looking for EBITDA margins to be sustained at around 30%, together with the maintenance of conservative financial policies, including Debt/EBITDA remaining below 1.5x on a consistent basis.

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

Sing Tel Optus Pty Limited (Optus) is an integrated communications services provider in Australia, headquartered

in Sydney and the No.2 provider of mobile, broadband and fixed line/data. It is 100% owned by Singapore Telecommunications Limited ("SingTel" rated Aa3/Stable), itself owned 55% by Temasek Holdings (Pte) Limited which is in turn owned 100% by the Singapore Government.

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