

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

**REGISTRATION OF NETLINK NBN TRUST'S PROSPECTUS AND
PROPOSED DISPOSAL OF UNITS IN NETLINK TRUST**

1. INTRODUCTION

1.1 Registration of NetLink NBN Trust's Prospectus

Singapore Telecommunications Limited ("**Singtel**") refers to its announcements dated 9 February 2017, 2 June 2017 and 27 June 2017 and wishes to announce that NetLink NBN Management Pte. Ltd., in its capacity as trustee-manager of NetLink NBN Trust (the "**Purchaser**"), has today registered its final prospectus (the "**Prospectus**") in connection with the initial public offering (the "**Offering**") and listing (the "**Listing**") of NetLink NBN Trust (the "**Trust**") on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") with the Monetary Authority of Singapore. A copy of the Prospectus is accessible at the SGX-ST's website: <http://www.sgx.com>

The Offering of units of NetLink NBN Trust ("**Units**") will comprise (i) an international placement of 2,713,000,001 Units to investors, including institutional and other investors in Singapore and (ii) an offering of 185,000,000 Units to the public in Singapore.

In addition, the Purchaser has granted the joint bookrunners and joint underwriters to the Offering an over-allotment option (the "**Over-Allotment Option**") exercisable by Morgan Stanley Asia (Singapore) Pte. (the "**Stabilising Manager**") (or persons acting on behalf of the Stabilising Manager) in consultation with the joint global coordinators to the Offering, in full or in part, on one occasion, to subscribe for an aggregate of 123,456,000 Units at the price of each Unit offered in the Offering (the "**Offering Price**") representing not more than 4.3% of the total number of Units in the Offering, solely to cover the over-allotment of Units (if any).

1.2 Proposed Disposal of Units in NetLink Trust

In connection with the Offering and the Listing, Singtel has today entered into a unit purchase agreement (the "**Unit Purchase Agreement**") with the Purchaser, pursuant to which Singtel has agreed to sell and the Purchaser has agreed to purchase 578,780,002 issued and fully paid-up units of NetLink Trust (the "**NetLink Units**"), which, as at the date of the Unit Purchase Agreement, represent 100% of the issued and paid-up NetLink Units, for an aggregate consideration of approximately S\$1,878 million (the "**Consideration**"), comprising:

- (a) a cash consideration of S\$1,095 million¹ (the "**Cash Consideration**"); and

¹ The Cash Consideration is based on the proceeds raised by the Trust in the Offering (excluding the Over-Allotment Option), net of other uses of proceeds of the Offering by the Trust, as set out in "Use of Proceeds" section of the Prospectus. The Cash Consideration is subject to certain post-closing adjustments to account for the actual cost and expenses payable in connection with, among others, the Offering and the application for Listing, to be ascertained after Listing.

- (b) 965,999,998 Units (the “**Consideration Units**”), constituting approximately 24.99%² of the total number of Units in issue at the date of admission of the Trust to the Official List of the SGX-ST (the “**Listing Date**”), to be issued to Singtel Interactive Pte. Ltd. (“**Holdco**”), a wholly-owned subsidiary of Singtel,

(the “**Proposed Disposal**”³).

Upon Completion, while Singtel will cease to own the NetLink Units, Singtel will, through Holdco, continue to have an interest in approximately 24.99% of the units of NetLink NBN Trust, which will hold all the NetLink Units.

In connection with the Proposed Disposal, NetLink Management Pte. Ltd. (“**NLMPL**”) (in its capacity as trustee-manager of NetLink Trust) will also repay in full the outstanding amount due and owing to Singtel of approximately S\$1,100 million under an existing unitholder loan agreement between Singtel (as lender) and NLMPL (in its capacity as the trustee-manager of NetLink Trust) (the “**Unitholder Loan**”), on the Listing Date.

2. INFORMATION ON NETLINK TRUST AND NETLINK NBN TRUST

- 2.1 **NetLink Trust.** NetLink Trust designs, builds, owns and operates the passive infrastructure (comprising ducts, manholes, fibre cables and central offices) for Singapore’s Next Generation Nationwide Broadband Network (“**NextGen NBN**”). The NextGen NBN network is the foundation over which ultra-high-speed internet access is delivered to residential homes and non-residential premises throughout mainland Singapore and its connected islands.

As at the date of this Announcement, Singtel owns 100% economic interest in NetLink Trust. Under the Info-communications Media Development Authority’s (“**IMDA**”) structural separation requirements for the NextGen NBN, Singtel does not have effective control in NetLink Trust.

- 2.2 **NetLink NBN Trust.** The Trust was established primarily for the purpose of owning all of the units of NetLink Trust.

As at the date of this Announcement, Holdco holds one Unit (representing 100% of the issued Unit) but does not have effective control in the Trust.

3. RATIONALE

- 3.1 **Rationale.** As announced on 9 February 2017, Singtel had commenced preparations for the Offering and Listing pursuant to Singtel’s undertaking to the IMDA to divest its stake in NetLink Trust, a 100%-owned associate of Singtel, to less than 25% ownership before 22 April 2018. The Unit Purchase Agreement has been entered into as part of the Offering and Listing. Upon

² Being 25% less one Unit (rounded up to the nearest whole number), assuming the Over-Allotment Option is not exercised. This includes the one Unit issued to Holdco upon establishment of NetLink NBN Trust. In this Announcement, all references to the Singtel Group’s (as defined below) 24.99% ownership of Units or the Singtel Group’s 24.99% effective interest in NetLink Trust, after the Proposed Disposal, assume that the Over-Allotment Option is not exercised.

³ In this Announcement, all references to “Proposed Disposal” shall refer to the disposal of approximately 75.01% of effective interest in NetLink Trust (assuming that the Over-Allotment Option is not exercised).

Completion, Singtel will cease to own the NetLink Units but will, through Holdco, have an interest in approximately 24.99% of the units of NetLink NBN Trust, which will hold all the NetLink Units.

4. **CONSIDERATION**

4.1 The Consideration of approximately S\$1,878 million shall be satisfied as follows:

- (a) the Cash Consideration of S\$1,095 million shall be payable in cash on the Listing Date; and
- (b) the Consideration Units shall be issued by the Purchaser to Holdco on the Listing Date.

The Consideration was arrived at based on the Offering Price of S\$0.81 per Unit, determined following a book-building process and taking into account, among others, the demand for the Units under the Offering and the prevailing conditions in the securities market. At completion of the Offering and Listing, Singtel retains approximately 24.99% effective interest in NetLink Trust.

5. **PRINCIPAL TERMS OF THE UNIT PURCHASE AGREEMENT**

5.1 **Conditions.** The completion of the Proposed Disposal ("**Completion**") is subject to the satisfaction of, *inter alia*, the following conditions precedent:

- (a) the closing of the Offering; and
- (b) all necessary licences and approvals for or in respect of the Proposed Disposal having been obtained from the appropriate bodies on terms reasonably acceptable to the parties and such licences and approvals remaining in full force and effect.

5.2 **Completion.** Completion of the Proposed Disposal will take place on the morning of the Listing Date or at such other date or time as Singtel and the Purchaser may agree.

6. **VALUE OF ASSETS TO BE DISPOSED**

6.1 **Valuation.**

(a) PricewaterhouseCoopers Advisory Services Pte Ltd has, in connection with the Offering and Listing, issued an independent valuation letter ("**Independent Valuation Letter**") to the Purchaser which provides that:

- (i) the pro forma enterprise valuation range for 100% of the Units is S\$3,747 million to S\$4,218 million, as at 31 March 2017; and
- (ii) the pro forma equity valuation range for 100% of the Units is S\$3,304 million to S\$3,775 million, after adjusting for external net debt of S\$443 million, as at 31 March 2017.

The valuation ranges indicated in the Independent Valuation Letter must be read in the context of the Independent Valuation Letter as a whole. The Independent Valuation Letter is available as Appendix F of the Prospectus.

(b) The pro forma equity valuation range for 100% of the Units of S\$3,304 million to S\$3,775 million includes the Unitholder Loan of S\$1,100 million.

- 6.2 **Share of Post-Tax Profits.** NetLink Trust is equity accounted as an associate in the financial statements of Singtel and its subsidiaries (the “**Singtel Group**”) as the Singtel Group does not have effective control over NetLink Trust. For the financial year ended 31 March 2017 (“**FY2017**”), the Singtel Group’s 100% share of post-tax profits of NetLink Trust is S\$130 million, and 75.01% of this post-tax profits would be S\$98 million.
- 6.3 **Book Value.** From September 2011, Singtel had sold certain infrastructure assets, namely ducts and manholes and exchange buildings to NetLink Trust. At the consolidated level, the gain on this disposal is deferred in the Singtel Group’s statement of financial position and amortised over the useful lives of the assets. The unamortised deferred gain will be released to the Singtel Group’s income statement when there is divestment of NetLink Trust, based on proportionate equity interest disposed. Based on the audited consolidated financial statements of the Singtel Group as at 31 March 2017, the unamortised deferred gain is S\$1,332 million and 75.01% of this unamortised deferred gain would be S\$999 million. As at 31 March 2017, the net asset value of NetLink Trust attributable to the Proposed Disposal is S\$199 million. Accordingly, the book value attributable to the Proposed Disposal is a net credit of S\$800 million.
- 6.4 **Estimated Gain on Disposal.** Assuming that the Proposed Disposal had been completed on 1 April 2017, the estimated net gain on disposal of 75.01% of interest in NetLink Trust is S\$1,895 million, determined as follows:

	SGD million
Cash Consideration	1,095
Less: Book value of 75.01% of interest in NetLink Trust	(800)
<i>Net asset value</i>	199
<i>Unamortised deferred gain released to income statement</i>	(999)
Estimated Gain on Disposal	1,895

7. USE OF PROCEEDS

- 7.1 **Use of Proceeds.** The Singtel Group intends to use the net proceeds from the Proposed Disposal for debt repayment, re-investments into its existing businesses, acquisitions and other capital management initiatives.

8. CHAPTER 10 OF THE SGX-ST LISTING MANUAL

- 8.1 **Relative Figures.** The relative figures for the Proposed Disposal computed on the bases set out in Rule 1006 of the Listing Manual of the SGX-ST are set out below:

Rule 1006	Bases	Aggregate Relative Figures (%)
(a)	Net asset value of the assets to be disposed of, compared with the Singtel Group's net asset value	0.7 ^(a)
(b)	Net profits attributable to the assets disposed of, compared with the Singtel Group's net profits	2.2 ^(b)
(c)	Aggregate value of the consideration given, compared with Singtel's market capitalisation based on the total number of issued shares as at 7 July 2017, being the last market day preceding the date of the Unit Purchase Agreement	1.7 ^(c)
(d)	Number of equity securities issued by Singtel as consideration for the Proposed Disposal, compared with the number of equity securities previously in issue	N.A. ^(d)

Notes:

(a) Under Rule 1002(3)(a) of the Listing Manual of the SGX-ST, "**net assets**" means total assets less total liabilities. Rule 1006(a) of the Listing Manual of the SGX-ST was computed based on the Singtel Group's 75.01% share of the net assets of NetLink Trust as at 31 March 2017 of S\$199 million (excluding unamortised deferred gain arising from disposal of assets to NetLink Trust of S\$999 million) divided by the Singtel Group's audited consolidated net assets as at 31 March 2017 of S\$28,214 million.

(b) Under Rule 1002(3)(b) of the Listing Manual of the SGX-ST, "**net profits**" means profit or loss before income tax, minority interests and extraordinary items. Rule 1006(b) of the Listing Manual of the SGX-ST was computed based on the Singtel Group's 75.01% share of the post-tax profits of NetLink Trust (including amortised deferred gain arising from disposal of assets to NetLink Trust of S\$43 million) for FY2017 of S\$98 million, divided by the Singtel Group's audited consolidated net profits for FY2017 of S\$4,515 million.

(c) Rule 1006(c) of the Listing Manual of the SGX-ST was computed based on the Cash Consideration of S\$1,095 million, and the market capitalisation of Singtel of S\$63,031 million as at 7 July 2017, being the market day preceding the date of the Unit Purchase Agreement. Singtel's market capitalisation was determined by multiplying the number of shares in issue (excluding treasury shares) by the weighted average price of S\$3.86 per Singtel share on 7 July 2017.

The Cash Consideration is subject to certain post-closing adjustments to account for the actual costs and expenses payable in connection with, among others, the Offering and the application for Listing, to be ascertained after Listing.

(d) No Singtel share will be issued in connection with the Proposed Disposal.

8.2 As the Consideration is being satisfied partially in Units which will be listed on the Mainboard of the SGX-ST, this Announcement has been made pursuant to Rule 1009 of the SGX-ST Listing Manual. The relative figures for the Proposed Disposal computed on the bases set out in Rule 1006(a), Rule 1006(b) and Rule 1006(c) of the SGX-ST Listing Manual are less than 5 per cent.

9. FINANCIAL EFFECTS

9.1 **Illustrative Financial Effects.** For illustrative purposes only, the financial effects of the Proposed Disposal on the (a) net tangible assets (“**NTA**”) per share, (b) earnings per share (“**EPS**”), and (c) share capital of Singtel, based on the audited consolidated financial statements of the Singtel Group as at 31 March 2017, and for FY2017, are set out below.

9.2 **NTA.** Assuming that the Proposed Disposal had been completed on 31 March 2017, being the end of the most recently completed financial year of the Singtel Group, the proforma financial effects on the consolidated NTA per share of the Singtel Group as at 31 March 2017 are as follows:

	Before the Proposed Disposal	After the Proposed Disposal
NTA (SGD million)	15,263	17,159
NTA per share (SGD)	0.9	1.1

9.3 **EPS.** Assuming that the Proposed Disposal had been completed on 1 April 2016, being the beginning of the most recently completed financial year of the Singtel Group, the proforma financial effects on the consolidated EPS of the Singtel Group for FY2017 are as follows:

	Before the Proposed Disposal	After the Proposed Disposal
Profits attributable to shareholders ⁽¹⁾ (SGD million)	3,853	5,657
EPS (Singapore cents)	24.0	35.2

Note:

(1) “**Profits attributable to shareholders**” means profits after tax and minority interests, including exceptional items.

9.4 **Share Capital.** The Proposed Disposal will not have any impact on the issued and paid-up share capital of Singtel.

10. FURTHER INFORMATION

10.1 **Directors’ Service Contracts.** No person is proposed to be appointed as a director of Singtel in connection with the Proposed Disposal. Accordingly, no service contract is proposed to be entered into between Singtel and any such person.

10.2 **Interests of Directors and Controlling Shareholders.** None of the directors or controlling shareholders of Singtel has any interest, direct or indirect, in the Proposed Disposal.

10.3 **Documents for Inspection.** Copies of the following documents are available for inspection by shareholders of Singtel during normal business hours at the registered office of Singtel at 31 Exeter Road, Comcentre, Singapore 239732, for a period of three months from the date of this Announcement:

- (a) the Unit Purchase Agreement; and
- (b) the Prospectus (which includes the Independent Valuation Letter at Appendix F).

Issued by Singapore Telecommunications Limited on 10 July 2017.

Important Notice:

This announcement does not constitute an offer, invitation to purchase or subscribe for or solicitation of securities in Singapore or any other jurisdiction nor should it or any part of it form the basis of, or be relied upon in any connection with, any contract or commitment whatsoever. The information in this announcement in respect of NetLink NBN Trust is qualified in its entirety by, and is subject to, the more detailed information set out in the Prospectus. The information presented in this announcement is subject to change. Anyone wishing to purchase Units should read the Prospectus before deciding whether to purchase Units and will need to make an application in the manner set out in the Prospectus. Any decision to purchase Units should be made solely on the basis of information contained in the Prospectus and no reliance should be placed on any information other than that contained in the Prospectus.

A copy of the Prospectus (and the application forms) may be obtained on request, subject to availability, during office hours, from the joint bookrunners and joint underwriters to the Offering at the following addresses or accessible at the SGX-ST's website: <http://www.sgx.com>.

DBS Bank Ltd.
12 Marina Boulevard
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Central @ Marina Bay
Financial Centre
Tower 3
Singapore 018982

**Morgan Stanley Asia
(Singapore) Pte.**
#16-01 Capital Square
23 Church Street
Singapore 049481

**UBS AG, Singapore
Branch**
One Raffles Quay
#50-01 North Tower
Singapore 048583

**Merrill Lynch
(Singapore) Pte. Ltd.**
50 Collyer Quay
#14-01 OUE Bayfront
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**Citigroup Global
Markets Singapore
Pte.
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Shanghai Banking
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